

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

Supported by the Australian Government-AusAID

6-MONTHLY PROGRESS REPORT

(Q2 2008)

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Abbreviations

ADB	Asian Development Bank
AMF	Asset Maintenance Facility
AMIA	Assets Maintenance Imprest Account
AMIA-CIP	Assets Maintenance Imprest Account Continuous Improvement Model
AMIDA	Assets Maintenance Imprest Drawing Account
ASF	Advisory Support Facility
AMP	Airport Maintenance Project
AusAID	Australian Agency for International Development
AvSS	Aviation Sector Specialist
BAMTA	Bougainville Assets Maintenance Trust Account
BAMIA	Bougainville Assets Maintenance Imprest Account
BCTRPEP	Bougainville Coastal Trunk Road Project Exit Phase
CAA	Civil Aviation Authority
CDD	Concept Design Document
CFF	Challenge Fund Facility
CSTB	Central Supply and Tenders Board
CPP	Communications Plan and Procedures
DPLGA	Department of Provincial and Local Government Affairs
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
Treasury	Department of Treasury
DTS	Department of Technical Services (Bougainville)
ECP	Enhanced Cooperation Program
ES	Environment Specialist
FMS	Financial Management Specialist
FPM	Financial Procedures Manual
GHAS	Gender and HIV/AIDS Specialist
GoA	Government of Australia
GoPNG	Government of Papua New Guinea
IFGI	Infrastructure for Growth Initiative
IPA	Institute of Public Administration
ISP	Implementing Service Provider (Contractor)
KRGP	Key Roads for Growth Project
M&E	Monitoring and Evaluation
MSA	Maritime Safety Adviser
MSSS	Marine Sub-Sector Specialist
MTDS	Medium Term Development Strategy
NEC	National Executive Council

NGO	Non-Government Organisation
NMSA	National Maritime Safety Authority
NRA	National Road Authority
NRSC	National Road Safety Council
NTDP	National Transport Development Plan
ODE	Office of Development Effectiveness
PAF	Performance Assessment Framework
PBAMTA	Public Bodies Assets Maintenance Trust Account
PCR	Post Completion Report
PD	Program Director
PPM	Program Procedures Manual
PM	Program Manager
PMC	Project Management and Supervision Consultant
PNG	Papua New Guinea
PNGASL	Papua New Guinea Air Services Ltd
PNGPC	Papua New Guinea Ports Corporation
PPII	Provincial Performance Improvement Initiative
PSMS	Public Sector Management Specialist
PSRS	Public Sector Reform Strategy
PTDP	Provincial Transport Development Plans
QA	Quality Assurance
QAP	Quality Assurance Plan
QFR	Quarterly Financial Report
RAMS	Road Asset Maintenance System
RMP	Regional Manager Pacific (ISP)
RMMS	Road Maintenance Management Specialist
SMEC	Snowy Mountains Engineering Corporation
SNS	Sub-National Strategy
SoS	Scope of Services
SPR	Sector Performance Report (AusAID)
SWAp	Sector wide approach
SPA	Senior Policy Advisor
TA	Technical Assistance
TAF	Technical Assistance Facility
TATAC	Technical Assistance Trust Account Manual
TIPS	Transport Infrastructure Priority Study
TOR	Terms of Reference
TSCMIC	Transport Sector Coordination, Monitoring and Implementation Committee
TSSP	Transport Sector Support Program
TSSP-IP	Transport Sector Support Program Interim Phase
UPNG	University of Papua New Guinea
WB	World Bank

1 EXECUTIVE SUMMARY

The PNG-Australia Transport Sector Support Program (TSSP) has been designed to improve governance, capacity and service delivery within the Government of Papua New Guinea's (GoPNG) transport infrastructure agencies whilst encouraging the GoPNG to take increasing responsibility for infrastructure maintenance funding and thereby becoming less dependent on donor support. The Program builds on Australia's long-term support to the Government of Papua New Guinea (GoPNG) for the transport infrastructure sector through its aid program.

TSSP is designed to respond flexibly in assisting GoPNG agencies progress planning and priorities. Activities are coordinated, at the highest level, by the Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC).

The Program commenced operations in PNG mid-July 2007. The first phase of TSSP has been set at five (5) years with a budget of up to \$AUD50 million per year once fully operational. The Program operates within GoPNG agencies, policies, systems, processes and personnel and is assisting to build capacity within them.

Summary of Progress from April - June 2008

The Program is now fully engaged in implementation, monitoring, and refinement.

From March to June 2008 the Program has been involved in:

- Inducting and embedding 18 advisers into their respective agencies, with the development of a number of situation analysis leading to agreed annual workplans and activity reporting
- Recruiting and contracting four advisers and assisting with the recruitment of one in-line position at the Civil Aviation Authority (CAA)
- Introducing the pilot of the TSSP Capacity Building Framework within the GoPNG Department of Transport (DoT) and scheduling a staged roll-out to other transport infrastructure agencies during 2008
- Undertaking a Pre-Feasibility Study for Re-Routing of the Highlands Highway between Eastern Highlands-Simbu and Simbu-Western Highlands borders; leading to a recommendation that a full Feasibility Study takes place
- Assisting the Department of Works (DoW) to :
 - Administer projects under the nine ongoing Performance Grants with a total contract value of K66,334,448.96
 - Produce tender documents for the AusAID funded maintenance program for 2008. In June 2008 5 projects with an estimated contract value of approximately K28million were advertised for tender
 - Identify two projects for Infrastructure for Growth Initiative (IFGI) funding on the Coastal Highway, East Sepik Province at a total value of approximately PGK11million
 - Strengthen relationships between Provincial Works Managers (PWM's) and the Project Management Consultants (PMC's)
 - Strengthen performance monitoring of the PMC's
 - Co-ordinate a review of materials testing laboratories throughout PNG
 - Commence work planning for 2009

- Assisting the Civil Aviation Authority and PNG Air Services Ltd (PNGASL) to plan and schedule an upgrade of air services systems and airport maintenance up-grades at an estimated PGK20M plus
- Agreeing to support rehabilitation of the Buka Wharf through the PNG Ports Corporation (PNGPC) at a cost of around PKG3.6million
- Assisting the Transport Sector Coordination, Implementation and Monitoring Committee (TSCMIC) review and revise its strategic framework
- Contributing to increased interaction between the Department of National Planning and Monitoring and transport sector line agencies, particularly the Departments of Transport and Works, and the Civil Aviation Authority
- Supporting the DoT with the :
 - Planning of a preliminary review of the National Transport Development Plan leading into a major review during 2009
 - Development of a process to determine targeted provinces for the development of Provincial Transport Development Plans during 2008-2009 (Sandaun, Eastern Highlands, Eastern New Britain, Milne Bay, New Ireland, Central and Western Provinces).
- Opening and/or assisting GoPNG agencies with opening and monitoring financing facilities to cover approved technical assistance and asset maintenance expenditure
- Producing the first TSSP Monitoring and Evaluation Report
- Finalising a baseline study in nine provinces where TSSP road maintenance activities are occurring to collect initial household information relating to income and access; with a second study scheduled in 2009 to measure the impact that ongoing maintenance and therefore better roads, has on families living near those roads
- Instigating shared data collection arrangements with the World Bank for road rehabilitation and maintenance
- Making all studies, policies, strategies and reports publicly available through the TSSP website

Reports submitted separately to TSCMIC/AusAID for consideration during this Quarter included:

- Revised Program Procedures Manual, including Contracting Strategy and Quality Assurance Plan (approved)
- TSSP HIV/AIDS Strategy and Implementation Plan (approved)
- TSCMIC Strategic Framework Assessment Report (under discussion)
- Annual Plan incorporating the Annual Performance Report (under consideration)
- Quarterly Progress Report, Quarter 1 2008 (approved)
- Monitoring and Evaluation Annual Report (under consideration)
- Operating procedures for agency-based Technical Assistance Mini-Budget Accounts – TAMBAAs (approved).

A Gender Strategy and Plan was submitted to AusAID who assessed a need for strengthening this report.

Major Activities Planned from July - December 2008

The major activities planned for the period July to December 2008 will include:

- Support TSCMIC with the strategic framework review; and the establishment and operation of two sub-committees; namely Aid Effectiveness and Transport Security
- Continued assistance with the implementation of the 2008 maintenance program and the preparation of the 2009 maintenance workplans and associated budget forecasts
- Supporting agencies develop 2009 budgets and provide more comprehensive financial reporting within each agency, and across the sector
- Assisting agencies revise/strengthen corporate planning and associated reporting
- A focused recruitment drive to secure the services of engineer advisers in DoW and PNGPC
- Completion of situational analyses by all advisers, and implementation of agreed workplans (as negotiated with and approved by heads of agencies)
- Supporting, and monitoring the influence of, advisers within agencies
- Rolling-out the staged capacity building model
- Increasing engagement within nominated Provinces¹ (both in relation to road maintenance and provincial transport planning)
- Commencing transition planning with the Key Roads for Growth Project (KRGP)
- Assisting CAA, PNGASL and PNGPC progress work planning to implementation stage
- Gaining agreement on the legislative changes required by way of clarifying agency roles and responsibilities within the maritime sector
- Opening a further five financial facilities and monitoring increasingly large financial tranches and cash flows
- Continue to assist DoT, PNGPC and NMSA address overlaps and conflicts both in legislation and practice
- Assisting the DoT implement a review of Public Motor Vehicles (PMVs) within Port Moresby
- Assist the DoT develop a centralised database to facilitate improved monitoring, evaluation and reporting processes.
- Producing two issues of the *Transport News* and updating the TSSP website.

Effective from 1 July 2008, AusAID has approved TSSP shifting from quarterly progress to six monthly reporting² (financial reports will continue on a quarterly basis).

Reports scheduled for delivery in the next six months are:

- Consolidated report on the baseline study into the status of financial management capacity within the primary transport sector counterpart agencies
- Quarterly Financial Reports, Quarters 3 and 4
- Gender Strategy and Plan
- Annual Plan 2008-2009
- Annual Performance Report
- Independent Audit Report

A comprehensive review of all Program reports, strategies and plans will commence in the second half of 2008 with the aim of incorporating lessons learned and updating information.

¹ Nominated Provinces: Sandaun, Eastern Highlands, East New Britain, Milne Bay, New Ireland, Central, Western

² Six Monthly Progress Reports due in July each year; and Annual Plans due in January each year.

Issues

- **Expenditure of Funds under TSSP**

TSSP is responsible for assisting agencies expend increasingly large amounts of funding. Actual expenditure within agencies has been slower than anticipated, primarily because:

- DoW Provincial Offices have proved to be slow in project scoping and developing tender documents for the AusAID Performance Grant Funded maintenance program for 2008
- Some contracted road maintenance services, through the DoW, have run slow in meeting contracted timelines, with consideration being given to cancelling one or more contracts
- Changes occurring to workplans within agencies, post approval processes
- Limited capacity within the aviation and maritime sectors to scope, design, tender, implement and monitor projects
- Limited capacity within the private sector to tender and effectively deliver contracted services.

While an increasingly active pool of advisers will be able to assist agencies improve internal systems, processes and procedures (that is, capacity) progress will ultimately be determined by each agencies ability to deliver.

- **National Road Authority**

While the intending role of the NRA is emerging over time, the full extent and impact of this change is yet to gain substance.

2 PROGRAM OVERVIEW

2.1 Program Overview

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 asset maintenance to capacity building and institutional strengthening as part of a holistic approach to supporting maintenance.

It is envisaged that the Papua New Guinea – Australia Transport Sector Support Program (TSSP) will have a 10 to 15 year lifespan. Phase 1 of the Program has been set at five (5) years with a budget of up to \$AUD50 million per year once fully operational. SMEC International Pty Ltd has been contracted as the Implementing Service Provider (ISP) and is providing corporate support through its Port Moresby and Canberra Offices.

TSSP 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 and technical capacity building, and institutional strengthening, while continuing to provide funding support for priority maintenance and rehabilitation works.

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.

2.2 Program Goal and Objectives

The goal of TSSP to ensure improved governance and performance in GoPNG's delivery of transport infrastructure services through effective use of resources.

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 (planning) 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.

2.3 Coordination and Decision Making Structures

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

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

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

Consideration is being given to expanding the membership of the TSCMIC to include the Asian Development Bank and World Bank.

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

The primary counterpart agencies for TSSP are the Department of Transport, the Department of Works, PNG Ports Corporation Ltd, Civil Aviation Authority, the National Maritime Safety Authority, and the Department of National Planning and Monitoring.

This Report will be circulated to TSCMIC members prior to, and presented formally to, the next scheduled TSCMIC meeting.

3. IMPLEMENTATION

3.1 Overview

TSSP has moved from an initial planning and transition phase during 2007, through a 'ramping' up phase (intensive recruitment and orientation) in the first half of 2008 to becoming fully operational (implementation, monitoring and review). Almost all Program policies, plans and frameworks have been approved by AusAID and are now guiding activities.

Following approval of a Technical Assistance (TA) Program by the Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC), activities during Quarter 2, 2008 have focused on the staged procurement of 29 advisers, 3 in-line position and 2 contractors. Other possible assistance could take TA inputs up to 40 during 2008.

The recruitment phase has involved TSSP in supporting counterpart agencies with selection activities and the induction of advisers/contractors on arrival in-country. During this reporting period, 18 advisers have been inducted and are at varying stages of preparing a situation analysis and the development of annual workplans for discussion with counterparts and approval by agency heads.

Notwithstanding the first 4-6 weeks of adviser inputs being allocated to induction within TSSP and respective agencies and the associated building of relationships and reviewing agency structures, policies, procedures and practices; advisers have already come to grips with some immediate agency priorities, such as contributing to:

- Corporate planning activities
- Budget planning and reporting
- Responses to Audit Reports
- Human resource capacity assessment and planning
- Work planning and monitoring
- Strengthen linkages with provincial transport planners and works managers
- Feasibility Studies (roads)
- Commencing a review of tendering and contracting practices
- Reviews of information technology and communication capacity.

3.2 Component Outputs April - June 2008

As specified in the Scope of Services (Schedule 1) reporting in this section provides information against each of the required component outputs.

Component 1: Establish and Manage Contractor Services

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

Office Establishment

The Office is now established, with renovations and IT connectivity completed. The office has part-time access to an IT support person to assist maintain the server and associated equipment.

Due to changing circumstances in the maritime area, it has been agreed to replace the part-time Maritime Sector Specialist with a full-time Strategic Management/Business Development Adviser within PNG Ports. This decision was taken in consultation with PNGPC and the NMSA, and reflects the significance that is attached to strategic planning and business development planning within authorities. The CAA is currently considering a similar need.

Security briefings continue to be provided to all new personnel and their families by Protect Security.

Key Personnel

The TSSP team in place according to agreed input dates for Q2, 2008, comprised:

Key Personnel : Long Term	
Date	Personnel
From July 2007	Program Manager, Pam Griffiths Public Sector Management Specialist, David McConnell Financial Management Specialist, Terry Layton
	Administrative and Support Personnel - 6 administrative officers - 3 drivers
From September 2007	Roads Maintenance Management Specialist, Mark Barrett
Key Personnel : Short Term	
February – April 2008 June – August 2008	Monitoring and Evaluation Specialist, Ty Morrissey
Short Term Consultants	
December 2007 to July 2008	Finance Control Specialist, Isuri Kularatne

Four advisers were recruited with associated contracts finalised during Quarter 2, 2008. In addition, assistance was provided to CAA to recruit one in-line position and it is anticipated that contract negotiations between CAA and the successful applicant will be completed during Quarter 3 2008³.

Recruitment action to fill a vacancy arising from the resignation of the Strategic Management Adviser within the DoT has been temporarily put on hold at the request of the Secretary. The ongoing need for the position will be reviewed towards the end of the year.

A full listing of the TSSP TATA funded personnel as at 30 June 2008 is at Annex 1.

The eighteen advisers commencing during Quarter 2, 2008 have concentrated initial efforts on building relationships and are at varying stages of undertaking a situational analysis, providing an associated report and developing annual workplans for consideration and approval by heads of agencies; while concurrently supporting a number of immediate agency needs.

³ 23 of the 29 approved adviser positions have now been recruited, contracted and mobilised (with the exception of the IT&C adviser in CAA who is awaiting the issue of a SEAW visa). Recruitment has also been finalised for the 3 approved in-line positions in CAA.

TSSP Technical Advisers commencing in Quarter 2, 2008	
Department of Transport	
April 2008	Financial Management Adviser, David Nicholson
May 2008	Provincial Policy & Planning Adviser – Tony Partridge
June 2008	Legal Adviser – Tony Lawson
Department of Works	
April 2008	Financial Management Adviser - David Whitehead
	Human Resource Adviser - Mark MacNamara
	Policy and Planning Adviser – Geoffrey Sheridan ⁴
	Road Construction Engineer Adviser - Patrick Mannix
May 2008	Road Construction Engineer Adviser - Wicky Wickramarate
	Contracts Administration Adviser - Salvatore Garilli
	Information Technology and Communications Adviser - Kam Khademazad
	Materials Testing Adviser (one month only) - Andrew Houghton
Civil Aviation Authority	
May 2008	Aviation Audit & safety Systems Adviser – Barbara Cole
	Financial Management Adviser – Andrew Watson ⁵
June 2008	Human Resource/Organisation Change Adviser – Andrew Goodwin
PNG Ports Corporation Ltd	
May 2008	Human Resources Adviser – John Fotheringham
June 2008	Financial Management Adviser – Len Bayliss
	Lae Port Operations Adviser – Cesar Dewindt
National Maritime Safety Authority	
May 2008	Maritime Safety Adviser – Tim Harris

Five day induction programs have taken place for all incoming advisers within TSSP with sessions scheduled to continue around key technical areas such as capacity building, and monitoring and evaluation. Agencies have developed a range of orientation activities to assist familiarise advisers.

Delays with visa approvals (some in excess of 10 weeks from application to issuance) through the GoPNG Department of Immigration, have resulted in advisers arriving erratically rather than in small groups with common start dates as originally anticipated. This has resulted in key TSSP team members being involved in an almost continuous schedule of induction sessions.

Feedback on the induction program and associated manual, piloted during this period, is primarily positive, with some suggested improvements already incorporated into the process.

The positions of Finance Manager and Assistant Program Manager, located within the TSSP Boroko Office, have been readvertised. Recruitment is underway for two Financial Officers to support the ISP financial group in DoW.

⁴ The PPA Adviser, resigned from TSSP on 8 July 2008

⁵ The FMA resigned from TSSP on 3 July 2008

Output 1.2: Prepare an Inception Report

The Inception Report has been approved by AusAID following discussions with the ISP. Deliberations regarding associated contract amendments are currently taking place.

Output 1.3: Establish Program and financial planning, management and management information procedures

A summary of TSSP reporting and associated dates is detailed in Annex 2.

Program Procedures Manual

The revised TSSP Program Procedures Manual, encompassing the Contracting Strategy and Quality Assurance was submitted to AusAID in June 2008⁶.

This Manual is guiding practice and will form the basis of future audits, in assessing and reporting on Program practices, particularly as they relate to managing and monitoring trust funds.

Financial Manuals

Financial Procedures Manuals for all four major funding facilities have been approved by AusAID subject to some minor revisions (the need for which emerged post approvals). These facilities are:

- Technical Assistance Trust Account (TATA)
- DoW Asset Maintenance Imprest Account (AMIA) with its associated provincial Asset Maintenance Drawing Accounts (AMDAs)
- Bougainville Asset Maintenance Imprest Account (BAMTA) with its associated AMDA
- Public Bodies Asset Management Imprest Account (PBAMIA) with its associated agency based and managed drawing accounts.

The overall TSSP Financial Management Manual, which includes in its annexes all of the above manuals as well as the AusAID-approved TSSP Probity (Anti-Fraud and Anti-Corruption) Framework, has been approved subject to further minor amendments.

The Baseline Study into the status of financial management capacity within nominated transport sector agencies commenced during Quarter 2 and a detailed report will be available in Quarter 3, 2008.

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. Clear guidelines, checks and measures are in place to determine, monitor and report against expenditure.

Recruitment

A survey of a sample of applicants (both successful and unsuccessful) who applied for adviser positions will be undertaken in July 2008. Feedback obtained from applicants together with other lessons learnt during the recent major recruitment drive will then be considered in relation to improving the process and revising the Recruitment Strategy.

⁶ Approved July 2008

Output 1.4: Prepare Plans and Strategies

Plans and strategies have and/or are being submitted to the TSCMIC (and/or AusAID) as required. Building on those submitted previously, reports submitted during Quarter 2, 2008 included:

- *Quarterly Progress Report*
Following submission of the Quarter 2 (March – June 2008) Progress Report, AusAID has approved moving to a six monthly progress reporting cycle effective from 1 July 2008. Financial reports will however continue to be produced on a quarterly basis and submitted in accordance with the agreed timetable.
- *Annual Plan (incorporating the Annual Performance Report)*
The TSSP Annual Plan for the period ending 31 December 2008, incorporating the first Annual Performance Report was submitted to AusAID in June 2008.
- *TSSP Gender Strategy and Implementation Plan*
The TSSP Gender Strategy, was submitted to AusAID in June 2008 and, after review, returned for reworking.
- *TSSP HIV/AIDS Strategy and Implementation Plan*
The TSSP HIV/AIDS Strategy, incorporating a 3 year implementation and monitoring framework was approved by AusAID in June 2008.
- *TSSP Newsletter*
The first TSSP newsletter was printed and distributed in both hard copy and electronic format in May 2008. Work has commenced on preparing the second issue which is scheduled for circulation in July 2008.

TSSP has also been supporting the TSCMIC with a strategic framework review.

Given the NTDP emphasis on safety and security as a major issue, the Program anticipates providing support to the TSCMIC in addressing, initially, aviation and maritime security.

Component 2: Prepare and Manage the Technical Assistance Facility

Reporting in this section encompasses a status report on four priority tasks identified within the Scope of Services (Performance Grant Funds, transitioning of nominated projects into TSSP, an initial review and needs assessment of Sector agencies, and the identification and procurement of TA services).

Output 2.1 Strengthen public sector management

2.1.1 Priority Tasks

It was agreed with AusAID, after submission of the TSSP Annual Plan in April 2008, that reporting against the four priority tasks, originally identified in the Scope of Service, would be reported within appropriate output components from this Quarterly Progress Report onwards.

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

The major work undertaken in Quarter 2, 2008 revolved around orientation and induction of eighteen advisers and embedding them into their respective agencies.

As at 30 June 2008, 23 of the 29 approved adviser positions have been recruited, contracted, mobilised (with the exception of the IT&C adviser for CAA who is awaiting the issue of a SEAW visa) and have attended the TSSP Orientation and Induction Program. A schedule of TSSP personnel/contractors funded through the TA Imprest Account, including the status of the remaining 6 approved positions, is at Annex 1.

Difficulties continue to be experienced in attracting suitably qualified applicants to advisory positions in the engineering field; namely Bridge Design, Port Engineering and Road Asset Management Systems. As a result, a comprehensive recruitment campaign has been developed, which includes advertising in the New Zealand and UK print media, on additional job web sites and concurrently seeking expressions of interest from a range of firms who may be able to provide engineering services on a sub-contract basis. This intensive recruitment drive will commence in July 2008.

All of the technical advisers recruited to date are at varying stages of undertaking situation analyses in their respective agencies. With the exception of outstanding actions to fill the remainder of the approved adviser positions, the first component of the TSSP capacity building framework i.e. the development, endorsement and implementation of the technical assistance (TA) program for each agency, approved by TSCMIC on 29 November 2007, is all but complete.

The second component of the framework involving the implementation of the *TSSP Staged Capacity Building Model* (based on the AusAID *Staged Capacity Building Model*) commenced during this reporting period. Details of the activities undertaken to date include:

- Delivery of introductory information sessions on the staged capacity building model at all adviser induction programs
- Revision of the documentation relating to the model to better fit the PNG context
- Workshopping the revised documentation with the DoT advisers and amending, where necessary – a copy is at Annex 3
- Endorsement by the Executive Leadership Team in the Department of Transport to pilot the model in the Department
- Completion of a risk assessment relating to the piloting of the staged capacity building model in the DoT
- Preliminary discussions with the DoT advisers regarding the formulation of an action plan for the implementation of the pilot.

Output 2.2 Strengthen asset maintenance planning and programming

Two Road Construction Engineer Advisors (RCEA) commenced during the quarter and have already started to provide assistance to Provincial Works Managers and the Principal Field Coordinator. These advisers are routinely travelling to the provinces on a regular basis to assist

the DoW strengthen the linkages between the provinces and head office, and monitor PMC activities and progress.

The RCEA's are working with DoW provincial staff to develop future work programs, initially for TSSP funded projects on priority roads, but if the need arises they may also assist the RMMS in identifying other priorities for the provinces. This will require close cooperation with the DoT and the TSSP Provincial Policy and Planning Advisor.

A Provincial Policy and Planning Adviser (PPPA) commenced in Quarter 2, 2008 and has assisted DoT determine a process and identify provinces where support for the development of Provincial Transport Development Plans (PTDP's) will initially focus (Sandaun, Eastern Highlands, Eastern New Britain, Milne Bay, New Ireland, Central and Western Provinces).

Following commencement of a Legal Adviser in Quarter 2, 2008 to assist DoT progress required legislative changes; a Committee comprising senior representatives from DoT, PNGPC and NMSA has been established to address overlaps and conflicts both in legislation and practice across the maritime sector. The Legal Adviser and his counterparts in DoT together with the legal officers in PNGPC and NMSA have been co-opted to assist in this high priority activity.

2.2.1 Review and update the NTDP to identify current priority maintenance needs

A medium-term review of the NTDP is taking place over Quarters 1, 2 and 3, 2008 through the DoT. The TSSP Policy Development Adviser is supporting counterpart officers with preparations for this medium-term review, and in working towards a major review of the NTDP during 2009. The TSCMIC will monitor the review of the National Transport Development Plan (NTDP).

Output 2.3 Manage the delivery of maintenance programs

TSSP

In collaboration with DoW Provincial Works Managers, the individual projects and scope of works that will make up the Work Plan for 2008 have been agreed. Madang, New Ireland, East New Britain, West New Britain and East Sepik have completed documentation for five maintenance projects at an estimated value of approximately K28M. Tenders for these works were advertised on June 6 2008 and closed on July 8 2008. Other Provinces are compiling the remaining tender documents and it is anticipated that these will be completed and tenders advertised during Quarter 3 2008.

As advised in the last Quarterly report, DoW Provincial Offices have been slow in project scoping and developing tender documents for the AusAID funded maintenance program for 2008. This is primarily due to the extensive changes in provincial staffing and the issues associated with new appointees needing time to become familiar with their roles and responsibilities. As noted above approximately K28million of the program has been scoped and now at tender, this leaves approximately K32million remaining to be tendered in 2008. It is anticipated that most of the works that remain to be tendered will not be completed this year and will run over at least into the first Quarter of 2009. Progress of these projects will be monitored and taken into account when the 2009 program is being planned.

During this reporting period a Contract Administration Advisor and two Road Construction Engineer Advisors mobilised and commenced assisting Provincial Works Managers with coordination activities and the production of tender documents for the remaining maintenance projects.

In addition to the management of maintenance activities associated with the 2008 works program, TSSP has provided the following assistance:

- Co-ordination of a review of materials testing laboratories in PNG. The 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, with the Departments of Transport and Works now considering the report with a view to commissioning a full feasibility study in the latter part of 2008
- 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 involves adding value to a previous NRBMP that upgraded the road ready for bituminous sealing, by providing bituminous sealing. These projects are currently being scoped with construction scheduled to commence in Quarter 3, 2008. The value of these works will be approximately PGK11M.

Performance Grant

Maintenance activities under the Performance Grant contracts have continued with mostly slow progress and the likelihood that the following four projects will not be completed in 2008.

- East Cape Road graveling and sealing in Milne Bay Province
- Sepik Highway Regravelling Mai – Milak in Sandaun Province
- Sepik Highway Regravelling Milak - Asin in Sandaun Province
- The Coastal Highway Regravelling Davi – Mussu in Sandaun Province

Current Performance Grant projects consist of nine contracts in Central, Milne Bay, New Ireland and Sandaun Provinces, with 125 km of road being maintained / upgraded.

Annex 4 provides a summary of Quarter 2, 2008 Performance Grant Fund expenditure.

TSSP-IP and NRBMP Projects

DoW Provincial Offices and the PMC's have maintained supervision of these projects. In total, TSSP-IP handed over approximately K32M of works to be completed under TSSP. During Quarter's 1 and 2, 2008 approximately K17M of work has been completed on outstanding TSSP-IP projects, therefore approximately K15M of TSSP-IP and NRBMP project works remained for completion.

It is expected that the majority of these projects will be completed by Quarter 4, 2008. The one exception to this is the NRBMP Angoram Road Regravelling and Sealing Project in East Sepik Province. This is a GoPNG fully funded project and progress is sporadic, with only one payment of K803,005.38 made in April this year. The RMMS has travelled to this project site with the Secretary of DoW and noted the slow progress.

Annex 5 and 6 provides a summary of TSSP-IP and NRBMP expenditure respectively.

PMCs

Currently DoW has three PMC's under contract, working in the following provinces:

▪ 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

During Quarter 2, the Road Construction Engineer Advisors (RCEA) have assisted the DoW with the management of these contracts. The RCEA's have reviewed the DoW / PMC relationship as part of their situation analyses and will monitor performance of the PMC's over the coming months.

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. In order to provide a good transition from the previous PMC, the DoW maintained the previous PMC until the end of May 2008. The transition was completed with minimal disruption to assistance for the DoW.

Now that the RCEA's are in place, assistance is being provided to DoW to maximise the use and benefits of the PMC's. In the past, some PWM's have been reluctant to assume control and responsibility for the PMC's. The RCEA's will support the PWM's to be more proactive and to utilise PMC's as part of their total available resource package.

The RMMS, RCEA's and DoW staff have been monitoring the performance of the PMC's, particularly GKK, the consultant responsible for PMC1. As noted in the TSSP-IP completion report, PMC1 was not performing to an acceptable standard, but it was decided to allow more time for this local consultant to become familiar with the responsibilities and requirements under this contract. Unfortunately, GKK's performance has not improved and it is anticipated that DoW will commence the tender process soon so that a new PMC can be in place by October 2008 when the GKK contract expires. As an example, poor performance of GKK is demonstrated by late reporting, poor contract administration, slow scoping of projects and little communication with DoW counterpart staff.

In regards to PMC2 and PMC3, the RMMS and RCEA's have only had limited time to review the performance of Cardno Acil as they have only recently taken over from SMEC International, but initial observations are that it is of an acceptable standard.

Bougainville

The Bougainville Department of Technical Services (DTS) in collaboration with Road Consult Pty Ltd is implementing the 2008 works program. Due to the very limited capacity within DTS, primary responsibility for delivery of the maintenance program is with the PMC.

Some unanticipated delays were experienced with the implementation of the maintenance works due to the death of the President of the Autonomous Bougainville Government. It is anticipated that the lost time will be made up and the current maintenance expenditure for 2008 maintained.

At the end of June 2008, K7,017,133.95 (including GST) had been expended. Overall maintenance expenditure is now 36% of the maintenance budget for 2008. This remains below projected expenditure due to various events to date, but TSSP and the PMC remain confident that accelerated expenditure in coming months will pick up the current shortfall.

During Quarter 2 the PMC developed and submitted a Training Plan for Bougainville. This plan is currently being reviewed for consistency with AusAID strategies for capacity building in Bougainville to determine its appropriateness.

A summary of expenditure for the BCTR Project is provided at Annex 7.

CAA

An updated request from the Airports Group of CAA for the provision of PGK23.5M from IFGI funds for 8 projects together with cash flow projections was received in early June 2008. This proposal included the provision of three security related projects at Jackson's airport, estimated at PGK11M, which were not previously submitted for consideration. Further details/justification has been sought in respect of these projects.

Of the PGK23.5M, in principle approval has been given to proceed with the implementation of five projects estimated at PGK12.5M. In addition, in principle approval has also been given for IFGI funds to be provided for seven projects in PNGASL at a cost of approximately PGK5.5M.

In addition to the IFGI funds, the NEC has also approved the provision of an additional K225M for airports infrastructure projects. Included in this amount is provision of PGK100M for the up-grade of Weewak airport. Further details are being sought in relation to the entire works package to be included within the PGK100M allocation to ensure that there is no duplication with work for which in principle approval has been given to provide PGK8M of IFGI funds.

Implementation of projects for which indicative IFGI funding approval to an estimated value of PGK18M has already been given, has not yet commenced. In addition to these projects, considerable effort will now be required to develop plans for the implementation of projects to be resourced from additional funds to be provided by GoPNG.

The capacity of CAA and PNGASL to implement and manage such a large maintenance program is of concern and the majority of the Aviation Sub Sector Specialists time during his next 3 month input, scheduled to commence in July 2008, will be concentrated on assisting CAA and PNGASL in this area.

PNGPC

As a result of a recent inspection/report by the Engineering Department of PNGPC, the Buka Wharf has been closed pending significant repairs. Following an approach from the CEO, PNGPC for funding assistance to rectify the problems, agreement was given to support the rehabilitation of the Wharf at a cost of around PKG3.6M.

Component 3: Establish, manage and administer TSSP Financing Facilities

Under TSSP, financing facilities have been opened to fund technical assistance expenditure incurred in PNG and off-shore, and to fund road maintenance expenditure incurred through DoW and in relation to road rehabilitation and maintenance of the coastal trunk road on Bougainville. An additional fund has been opened to fund asset maintenance expenditure incurred by transport sector public bodies such as CAA, PNGASL, PNGPC and NMSA. The operations of these facilities are governed by AusAID-approved Financial Procedures Manuals and under the general umbrella of a TSSP Financial Management Manual (FMM) and a TSSP Probity (Anti-Fraud and Anti-Corruption) Strategy.

Annex 8 details the AusAID funds deposited into each of these funding facilities since the commencement of the program.

A Quarterly Financial Report up to 30 June 2008 is submitted at Annex 9 to this TSSP Quarterly Progress Report (April – June 2008). Reports will continue to be submitted each quarter.

Output 3.1: Establish and manage Technical Assistance Trust Account

The Technical Assistance Trust Account (TATA - to be renamed the Technical Assistance Imprest Account - TAIA – following AusAID's approval of the amended Financial Procedures Manual) was established during the final quarter of 2007 and became operational during the first quarter of 2008.

Details of the financial management of this account are included at Annex 9.

Output 3.2 TSSP Infrastructure Asset Maintenance Imprest Accounts

Bougainville

From the beginning of April 2008, following a competitive and transparent selection process, Road Consult commenced operations as Project Management Consultant (PMC) funded through the TAIA, to oversee AusAID-funded (through TSSP) road maintenance contracts in Bougainville.

Details of the financial management of the Bougainville Asset Maintenance Trust Account (BAMTA – to be renamed the Bougainville Asset Maintenance Imprest Account – BAMIA - following AusAID's approval of the amended Financial Procedures Manual) are included at Annex 9.

Department of Works

Payments to DoW's road maintenance contractors and PMC's commenced from the DoW managed TSSP Asset Maintenance Drawing Accounts (AMDAs) in January 2008 and continued during the first and second quarters in accordance with the provisions of the relevant AusAID and DoW approved Financial Procedures Manual (FPM).

Details of the financial management of the Asset Maintenance Imprest Account (AMIA) are included at Annex 9.

Public Bodies

Following approval by AusAID of TSSP's paper – *Asset Maintenance Funding Arrangements for Public Bodies*, a draft *Public Bodies Asset Maintenance Trust Account Financial Procedures Manual* was submitted during Quarter 1 2008. AusAID advised of the need for some changes to the proposed manual, and those changes were completed and approved by AusAID during Quarter 2 2008, and the PBAMIA bank account was established at the Bank of the South Pacific (BSP).

Action has commenced to open dedicated bank accounts at CAA and PNGASL, NMSA and PNGPC, through which PBAMIA funding of approved asset maintenance projects will be channelled. It is anticipated that funding of asset maintenance projects for these agencies will commence during Quarter 3 2008.

Output 3.3 TSSP Challenge Fund Trust Account

The creation of the TSSP Challenge Fund Trust Account is dependent on some considerations under review within AusAID.

Output 3.4 Financial Management and Operation of the Flexible Funding Mechanisms

Financial Procedures Manuals (FPM) for the Technical Assistance Facility (TAF) and for the three funding mechanisms established under the Asset Maintenance Facility (AMF) for road maintenance have been approved by AusAID as well as by the GoPNG agencies concerned. These manuals have been revised during Quarter 2, 2008, and re-submitted to AusAID for approval.

The TSSP Financial Management Manual (FMM), which incorporates each of the above FPMs as well as the TSSP Probity (Anti-Fraud and Anti-Corruption) Framework as annexes, was approved by AusAID during Quarter 1 2008 subject to minor amendments. The FMM was revised during Quarter 2 2008 and has been submitted to AusAID for approval.

The FPMs and FMM will be reviewed at least annually to ensure that they continue to reflect best practice financial management of TSSP's AusAID-funded flexible funding arrangements.

TSSP's oversight of the DoW's AMIA operations has identified several instances where DoW staff members have failed to adhere to the Department's own processes and procedures, or where processing errors have occurred. In these cases, the omissions or errors have been identified by TSSP and rectified by DoW staff. Details are also recorded in an Opportunities for Continuous Improvement Log (OCIL) which has been established to identify capacity building opportunities and as a means of monitoring improvements in capacity over time.

Road Consult, the appointed Project Management Consultant (PMC), funded through the TAIA to oversee AusAID-funded (through TSSP) road maintenance contracts in Bougainville, continues to manage the operations of the Advanced Payments Facility (APF) as the ISP's representative in Bougainville. Funds are transferred to the APF, from the BAMIA, to pay approved contractor claims as verified by the PMC in Buka, certified by the RMMS in Port Moresby and authorised by the PM and FMS.

During Quarter 2 2008, the PBAMIA was established with the opening of a PBAMIA bank account at BSP in Port Moresby. AusAID deposits funds into this account in response to projected cash flows and work plans from the transport sector public bodies. The first tranche was received during Quarter 2 2008.

Before funds are transferred to an agency, that agency is required to open a dedicated bank account to be used solely for approved asset maintenance projects to be funded by AusAID through TSSP. Funds are transferred from the PBAMIA to a dedicated bank account only after receipt and checking by TSSP of:

- An acquittal of funds expended during the previous month;
- Copies of bank reconciliation statements at the end of the previous month;
- A copy of the GST rebate claim submitted to IRC with respect to payments made during the previous month;
- A cash flow projection statement for the next three months.

Output 3.5 Feasibility Review of the Proposed Challenge Fund Facility

Consideration of the proposed Challenge Fund Facility is on hold pending further considerations and decision making within AusAID.

3.3 Implementation Schedule July - December 2008

Effective from 1 July 2008, AusAID have approved TSSP reporting on a six monthly basis (end of June and December). The scheduled activities in this section therefore cover the period July to December 2008.

Component 1: Establish and Manage Contractor Services July - December 2008

Output 1.1 Establish an Office, Mobilise Key Personnel

Office Establishment

Ongoing routine activities will occur.

Personnel

Recruitment, contracting, mobilisation and induction of the remaining approved technical assistance and/or contractor services will continue during the second half of 2008 in accordance with the procedures documented in the TSSP Recruitment and Contracting Strategies and the Technical Assistance Imprest Account (TAIA).

During the next reporting period, all advisers will complete a situation analysis and use the findings as the basis for developing a workplan up to 30 June 2009 for consideration and approval by heads of agencies and TSSP. Advisers will also submit monthly progress reports against activities on their workplans which, in turn, will enable more in depth six monthly reporting by TSSP

Monitoring and reporting will take place in consultation with host agencies and form part of the TSSP Monitoring and Evaluation processes and reports.

A Finance Manager and an Assistant Program Manager will be recruited as part of the ISP team, as will two Financial Officers to support the ISP financial group in the DoW.

Outputs 1.2 to 1.4 (Inception Report; Establish Program and financial planning, management and management information procedures; and Prepare Plans and Strategies)

Reports scheduled for delivery in the second half of 2008 are:

- Consolidated report on the baseline study into the status of financial management capacity of the primary transport sector counterpart agencies
- Financial Reports for Quarters 3 and 4
- Gender Strategy and Plan
- Annual Plan 2008-2009
- TSSP Annual Performance Report
- Independent Audit Report.

A comprehensive review of all Program reports, strategies and plans will commence in the second half of 2008 with the aim of updating information and incorporating lessons learned.

Monthly adviser progress and issue reports will commence feeding more comprehensively into the Monthly Exception and six monthly reporting during the next few months.

The TSSP website will continue to be revitalised and updated.

Mid-2008 onwards, TSSP will become more engaged with discussions regarding the transition of the Key Roads for Growth Project (KRGP).

Component 2: Prepare and Manage the Technical Assistance Facility July - December 2008

Output 2.1 Strengthen public sector management

2.1.1 Priority Tasks

TSSP will continue to monitor implementation projects under the Performance Grant Funds and the long term (April 2008 – March 2010) contract awarded to Road Consult Pty Ltd for project management and supervision of maintenance works on the Bougainville coastal trunk road.

Assistance will also be provided to PNGPC to settle the Lae Port Operations Adviser into the role.

2.1.2 Initial Review and Institutional Needs Assessment of Sector Agencies

2.1.3 Identify priority TA needs and procure services

Activities relating to the procurement of TA services during the next reporting period will include:

- With and for DoW, recruitment and selection of a Bridge Design Engineer Adviser, Road Asset Management Systems Adviser, Road Design Adviser and a Quality Control/Materials Testing Adviser (subject to the agreement of findings with the feasibility study conducted in May 2008)
- With and for PNGPC, recruitment and selection of a Port Engineer Adviser and a Strategic Management and Business Development Adviser
- Contracting, mobilisation, orientation and induction of the successful applicants appointed to adviser positions

- Development and implementation of the most appropriate strategy to address the lack of capacity in the internal audit area within DoW.

It is anticipated that the need for additional and/or specialised TA services will emerge as advisers settle within host agencies. Where such needs are identified, detailed scopes of service will be developed and submitted to TSCMIC for consideration.

The roll-out of the staged capacity building model (component 2 of the TSSP Capacity Building Framework) to agencies will be dependent upon the building of a professional relationship between the counterparts and the advisers. The length of time taken for this to occur will vary. In general terms however, it is anticipated that implementation of the model should commence approximately 3 to 4 months after the advisers have commenced work in the agency.

On this basis, the anticipated roll-out plan is as follows:

August 2008

- Department of Transport (DoT) - pilot is planned to commence with a full day workshop with representatives of the Executive Leadership Team, counterparts and advisers in approximately mid August 2008

September/October 2008

- Department of Works (DoW), except for the Road Construction Engineer advisers who will require more time to undertake initial capacity assessments of their provincial counterparts, the Contracts Administration adviser who will not have a full complement of counterparts until the proposed restructure is finalised and the RAMS, Bridge Design and Road Design adviser who have yet to be recruited
- National Maritime Safety Authority
- Department of National Planning and Monitoring (subject to agreement/support of the newly appointed FAS, Sectoral Planning & Programming)

October/November 2008

- Civil Aviation Authority (CAA), except for the IT area where the adviser is not due to commence until early August
- PNG Ports Corporation Ltd (PNGPC), except for the Engineering area where an adviser is yet to be recruited
- Department of Transport – balance of areas not part of the pilot

January/February 2009

- Remaining areas of DoW, CAA and PNGPC where advisory support has been provided.

As it is anticipated that it will take a couple of attempts to get the process right, especially the alignment of counterparts and advisers assessments of current capacity levels, the initial frequency to review capacity building progress and the reporting of results has been set at 3 monthly intervals. Once all parties are more comfortable with the process, the frequency could be extended to 6 monthly intervals on the proviso that one review is undertaken as at the end of September each year so that the results can be fed into the TSSP Annual Performance Report.

Based on this review frequency and the anticipated roll-out plan, the first progress reports will be due from the pilot program in DoT at the end of November 2008 and the preliminary results and lessons learned from the pilot included in the next TSSP six monthly progress report.

A review of the pilot program will be undertaken immediately following the implementation workshop with the DoT counterparts and advisers and after the capacity building progress review in late November 2008. Lessons learned from each phase of the pilot program will be used to improve the implementation process in the other agencies.

The PSMS will facilitate/coordinate all of the activities relating to the implementation of the staged capacity building model across the transport sector agencies and the Department of National Planning & Monitoring and will also monitor, analyse and consolidate information/results provided in the capacity building progress reports. Capacity building progress in the agencies will become a regular feature of the TSSP six monthly progress reports from June 2009 onwards.

Output 2.2 Strengthen asset maintenance planning and programming

Specialists and advisers will continue working with GoPNG agencies to:

- Review progress and activities within each organisation and provide strategic and technical advice on internal planning, activities, progress and reporting
- Support agencies with the development of the 2009 budgets
- Assist agencies in strengthening corporate, strategic, annual and financial planning and monitoring
- Assist agencies to implement and monitor agreed 2008 capital works maintenance priorities and to identify 2009 priorities
- Assist DoW Provincial Works Managers to take more of a proactive role in the supervision of Project Management Consultants and in getting them involved in the scoping of maintenance projects
- Assist DoW to procure a replacement consultant for PMC1 provinces
- Assist DoW develop terms of reference and tender documents for the investigation and design of four priority bridges in Oro Provinces, at this stage estimated at K80M
- Support agencies to address areas of overlaps and conflicts both in legislation and practice in the maritime sub sector
- Assist DoT to implement a review of Public Motor Vehicles (PMVs) within Port Moresby
- Continue to assist DoT, PNGPC and NMSA address overlaps and conflicts both in legislation and practice
- Assist DoT to develop a centralised database to facilitate improved monitoring, evaluation and reporting processes
- Assist CAA and PNGASL to plan and schedule an upgrade of air services systems and airport maintenance up-grades, at an estimated PGK20M

The DoT Provincial Planning Adviser will, early in Q3 2008, develop a workplan in collaboration with counterparts and senior executive, to establish a framework for provincial activities, as will the two DoW Road Construction Engineer Advisers.

Individual provincial and adviser reports will continue to track and report on information gathered and issues identified as a result of each visit. These will be provided to counterparts and AusAID as well as discussed within the TSSP team.

As a result of the Secretary, DoT's decision to defer recruitment of the Strategic Management Adviser, the PSMS will assume responsibility for the Agency coordination role. In addition, the

PSMS will, when the Aviation Sub Sector Specialist is not in-country, continue to be a central point of contact between CAA and TSSP.

The PM attends agency Executive Committee meetings where appropriate.

2.2.1 Review and update the NTDP to identify current priority maintenance needs

The review of the NTDP will continue, in collaboration and under the stewardship of the TSCMIC.

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

Activities to be undertaken in the next reporting period to continue the procurement of TA services are outlined in section 2.1.2 and 2.1.3 above.

It is anticipated that the need for additional and/or specialised TA services will emerge as advisers settle within host agencies.

Output 2.3 Manage the delivery of maintenance programs

DoW

TSSP will continue to assist DoW with the implementation of the 2008 maintenance program. The RCEA's will concentrate on assisting the PWM's with management of their provinces with particular attention to the relationship with PMC's.

The RMMS and other members of the TSSP DoW team will begin to assist DoW with the preparation of the 2009 maintenance workplan.

Bougainville

The main focus in Bougainville will be the acceleration of the current maintenance plan, to make up previous delays and the review of the current road needs in regards to the 2009 maintenance program.

The GoPNG have been expressing some interest in funding maintenance works in Bougainville, with the Minister announcing a trip to Bougainville to inspect the condition of various infrastructure, including roads. Unfortunately this trip was cancelled and has not been rescheduled to date, but the Secretary for DoW has spoken to the RMMS about this possibility. The Secretary is aware that TSSP and AusAID are active in Bougainville and has agreed that any GoPNG expenditure should be co-ordinated through TSSP.

The PMC in Bougainville has recently been contacted by the other programs and donors to explore the possibility of assistance being provided in the following areas:

- assistance with the construction of an access road to a new prison, funded by AusAID, to be constructed at Gagan 20kms north of the Buka Township, has been sought by the Law and Justice Sector Program in Buka
- Chodai Co Ltd, a Japanese Consulting firm representing JICA is seeking assistance with a feasibility study for the construction of 15 bridges and/or causeways between Arawa and Kokopau (170kms) on Bougainville. The PMC has provided some assistance to date with general knowledge and conditions of the road and crossings. The status of the program remains under assessment by the Japanese Government so it is not at this stage a

confirmed commitment. The program if approved will be 3 years and tentatively will commence in August 2009.

Assistance with these opportunities is currently being monitored and discussed with the PMC and AusAID.

CAA

A major workshop has been held with senior executive from CAA and PNGASL, Strongim Gavman Program (SGP) CFAA adviser and TSSP personnel to discuss ways that additional TSSP support might strengthen infrastructure maintenance work planning (scoping, designing, tendering, contracting, monitoring) in an effort to assist these organisations move from a planning to implementation phase.

To date, in principle approval has been given to the provision of approximately PGK18M of IFGI funds for a number of projects in CAA and PNGASL. In addition, proposals are under consideration for a further PGK11M for three security related projects.

The Aviation Sub Sector Specialists has been tasked to concentrate his efforts on assisting CAA and PNGASL to finalise workplans during his 3 month input, commencing July 2008.

Component 3: Establish, manage and administer TSSP Financing Facilities April-June 2008

Output 3.1: Establish and manage Technical Assistance Trust Account

TATA cash flow projections for the next 12 months are included in the Quarterly Financial Report (QFR) attached to this Report, Annex 9 refers. QFRs will continue to be provided on a quarterly basis for the duration of the program.

Output 3.2 TSSP Infrastructure Asset Maintenance Imprest and Imprest Drawing Accounts

DoW AMIA cash flow projections for the next 12 months are included in the QFR attached to this report, Annex 9 refers.

BAMTA (to be renamed BAMIA) cash flow projections for the next 12 months are provided in the QFR attached to this report, Annex 9 refers.

PBAMIA cash flow projections for the next 12 months are provided in the QFR attached to this report, Annex 9 refers.

QFRs will continue to be provided on a quarterly basis for the duration of the program.

Output 3.3 TSSP Challenge Fund Trust Account

Output 3.5 Feasibility Review of the Proposed Challenge Fund Facility

Further activity under this output is dependent on discussions and decision making within AusAID.

Output 3.4 Financial Management and Operation of the Flexible Funding Mechanisms

Details of the financial management and operations of the TSSP flexible funding mechanisms for Quarter 2, 2008 and cash flow projections for the next 12 months are included in the QFR attached to this report (Annex 9 refers).

4 PERFORMANCE ASSESSMENT, MONITORING AND EVALUATION

The second quarter M&E report overlaps between the TSSP M&E Specialist's second input (April/May 2008) and the commencement of the third input (June 2008). A summary of key achievements and deliverables during the period April-June 2008 is outlined below:

- Community baseline study commenced by Finnroad on behalf of TSSP to collect valuable household and social data for communities who live alongside and utilise priority national roads operating under TSSP;
- A governance and capacity building baseline study rolled out through all five transport sector agencies to collect information on governance and capacity systems and strategies;
- Annual Performance report for July 2007-March 2008 completed in April 2008 and submitted to AusAID as an annex to the Annual Plan;
- TSCMIC Strategic Framework review completed and assessment report prepared and submitted;
- Infrastructure report prepared for the World Bank to contribute to a broader Pacific study on infrastructure spending amounts and infrastructure delivery
- Participation in the mid-term review process for the Key Roads for Growth Maintenance Program (KRGMP)
- ISP Contractor Performance Assessment (first round) April 2008

Finnroad commenced a baseline study in early April 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. The study is currently collecting valuable economic and social data from households along the roadside who will be impacted as a result of the maintenance activities. The purpose of the study is to measure any direct improvements to a range of social indicators and also to identify any potential negatives as a result of the road maintenance program and to ensure road activities are aligned to the needs of surrounding communities.

Initially information will be collected on household information relating to income and access; that is, it will establish baseline data on household compositions and income. Results of the study will be detailed in subsequent Progress Reports. An impact study will occur in late 2009 to measure the impact of road maintenance activities and the results of this study will be collected into the Annual Performance Report in December 2009.

To complement the community baseline study, TSSP has rolled out a transport sector agency baseline study to collect data around governance and capacity issues. The survey focused on information relating to corporate plans, staff awareness of these plans and relevant governance structures in operation to support management functions. The study also contained questions around capacity building needs and current strategies to address these needs, such as training programs and human resource support. The data is currently being inputted into a TSSP database and an analytical report will be prepared in July 2008 with individual workshops held with each agency to present key findings and trends. The results also provide a suitable baseline against which performance by agencies can be measured into the future and also to incorporate the contribution from TSSP advisors to overall performance as well.

The first TSSP Annual Performance Report (APR) was completed in April 2008. The focus of the report was on the first 9 months of the TSSP (which was primarily the planning phase) and the achievements realised to date. The APR focused on the key strategies and plans which have been prepared to guide program implementation as well as relevant baseline information on

overall expenditure trends by GoPNG and respective donors. The APR also discussed the current TA advisor recruitment process and progress against agreed strategies and timelines and provided a summary of key achievements and current activities, by agency, to date under the TSSP. These issues along with other relevant performance information will be further discussed in the next APR due in December 2008.

To complement the work in the APR, TSSP undertook a review of the TSCMIC strategic framework in April 2008, primarily to assess performance against the indicators agreed to by the TSCMIC in late 2006. The process involved a series of workshops with respective agencies to assess their own performance and contribution towards the agreed indicators contained in the framework. A report has been prepared providing details on overall achievements and areas for improvements, which will be submitted formally at the next TSCMIC meeting.

As part of the TSSP's overall strategy of donor harmonisation, two initiatives were commenced and completed within the quarter. The first was an infrastructure report on behalf of the World Bank to assist in the collection of road maintenance expenditure and level of maintenance works. The second was the involvement of the TSSP M&E Specialist in a mid-term review of the Key Roads for Growth Road Maintenance Project (KRGMP). The involvement in these activities is evidence of TSSP's broader strategy to engage and harmonise efforts with other major donors to promote strengthened coordination and sharing of resources.

The ISP contractor assessment was undertaken in late March/early April 2008 with the TSSP team and the SMEC Corporate Services team in Australia completing the first run of the survey. The intention is to implement the survey bi-annually and to aggregate the results to ensure a consistent, accountable and transparent process for measuring and reporting against the quality, timeliness and appropriateness of the support provided by the ISP to TSSP. Data is currently being inputted into the TSSP database and a separate ISP report will be prepared by the end of November 2008 when the next assessment will be completed. The system will become more robust in time for the second round of the assessment with transport sector agencies and a selection of advisors included in assessing performance.

Future activities scheduled for M&E from June until December 2008 include:

- Analysis of baseline data from the community study and transport sector agencies
- Tender, selection and installation of Department of Transport central database server to facilitate the storage and analysis of information relevant to the transport sector
- Development of tools and surveys to capture performance related information from respective line agencies against corporate plans, TSSP advisor and specialist performance and contribution of ISP services to overall TSSP performance
- Continue to advise TSCMIC on TSSP progress through relevant updates and reviews of TSCMIC strategic framework
- Review TSSP M&E framework and update if necessary to reflect new and emerging issues and trends. The review will also include a review of annual targets.
- Develop a survey tool to assess the performance of the recruitment and mobilisation process for advisors
- ISP Performance Assessment
- Annual Performance Report.

5 CROSS-CUTTING STRATEGIES

5.1 Gender and Development

A draft Gender Strategy and Plan was submitted to AusAID for consideration in June 2008, following a six week input by a Gender-HIV and AIDS Specialist (GHAS) to develop the two respective strategies and plans after consultation with GoPNG transport infrastructure agencies and authorities; non-government and civil society organisations, women's organisations, other program personnel and key donor agencies.⁷

5.2 HIV/AIDS Program Strategies

The TSSP HIV and AIDS Strategy and Plan was approved by AusAID in June 2008. It has been circulated to transport infrastructure agencies for information, and made more widely available through the TSSP website.

Advisers and interested personnel within transport infrastructure agencies have been provided with copies, with a view to supporting agencies develop and/or enhance agency specific plans and the gathering and reporting of associated monitoring and evaluative data.

Similarly, agencies who contract-out infrastructure assets maintenance will be encouraged to strengthen HIV and AIDS strategies within contracted responsibilities.

The TSSP Monitoring and Evaluation Framework will integrate and report on the implementation of HIV and AIDS Strategies within partner agencies.

5.3 Environment

The final version of the TSSP *Environment Policy and Plan* incorporating newly released information was approved by AusAID in March 2008.

As advised previously, the Environment Framework presents a means to align TSSP supported activities with both PNG and Australia relevant environmental laws and policy, as well as supporting the development of good practice. The framework has been designed to assist the TSSP and partner agencies to:

- Assess and manage all actual or potential environmental impacts, both direct and indirect
- Avoid or mitigate negative impacts and promote positive impacts; and,
- Provide a system for reporting regularly on any such impacts.

The document has been circulated to all transport infrastructure agencies, and advisers, with a view to assisting agencies better consider, monitor and report on environmental issues. It is also available through the TSSP website.

5.4 Probity, Anti-Corruption and Anti-Fraud

The Probity (Anti-Corruption and Anti-Fraud) Policy was approved by AusAID in 2007, and integrated into the overarching Financial Management Manual in 2008.

⁷ The Gender Strategy and Plan was returned for re-working by AusAID in July 2008, following assessment by the AusAID Gender Specialist

The FMS continues to monitor and report on all financial aspects of TSSP including maintaining a close watching brief with immediate reporting of any incidents of corruption and fraud that appear to have or are at risk of having occurred, particularly in association with AusAID funding.

It is anticipated that TSSP's concentrated and dedicated focus on strengthening GoPNG financial systems and procedures, and on more timely and informative reports, will help create a climate where attempted fraud and corruption become less likely, and where the detection of any such incidents is enhanced.

5.5 Risk Management

The Risk Management Framework was approved by AusAID in 2007 and has been circulated to GoPNG transport infrastructure sector agencies, advisers, and made more widely available through the TSSP website.

The Risk Management Framework allocates on the ground responsibility for identifying and managing risks with specialists and advisers. As a consequence, AusAID has approved in-principle a month's input in Quarter 2, 2008, by a Risk Management Specialist to enable indepth training and skill enhancement to be provided to TSSP specialists, advisers and counterparts so that the requirements of the Risk Management Strategy and associated responsibilities and better understood and integrated.

The scheduled date may require shifting to Quarter 3, 2008 given delayed commencement date of advisers, owing to delays with the issuing of visas through the GoPNG Department of Immigration.

6. EXPENDITURE

6.1 Expenditure April – June 2008

Expenditure through TSSP's various flexible funding mechanisms for Quarter 2 2008 are included in the attached Quarterly Financial Report (Annex 9).

6.2 Indicative Cost Schedule July – December 2008

Cash flow projections for the next 12 months for TSSP's various flexible funding mechanisms are included in QFP (Annex 9).

7 KEY ISSUES

- **Expenditure of Funds under TSSP**

TSSP is responsible for assisting agencies expend increasingly large amounts of funding. Actual expenditure within agencies has been slower than anticipated, largely because:

- DoW Provincial Offices have proved to be slow in project scoping and developing tender documents for the AusAID Performance Grant Funded maintenance program for 2008
- Some contracted road maintenance services, through the DoW, have run slow in meeting contracted timelines, with consideration being given to cancelling one or more contracts
- Changes occurring to workplans within agencies, post approval processes
- Limited capacity within the aviation and maritime sectors to scope, design, tender, implement and monitor projects
- Limited capacity within the private sector to tender and effectively delivery contracted services.

While an increasingly active pool of advisers will be able to assist agencies improve internal systems, processes and procedures (that is, capacity) progress will ultimately be determined by each agencies ability to deliver.

- **National Road Authority**

While the intending role of the NRA is emerging over time, the full extent and impact of this change is yet to gain substance.