

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

Supported by the Australian Government - AusAID

SIX MONTHLY PROGRESS REPORT

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Preparation, Review and Authorisation

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Abbreviations/Acronyms

ADB	Asian Development Bank
AMIA	Asset Maintenance Imprest Account (TSSP)
ARB	Autonomous Region of Bougainville
ASL	PNG Air Services Limited
AusAID	Australian Agency for International Development
AUD	Australian Dollars
BAMIA	Bougainville Asset Maintenance Imprest Account (TSSP)
CAA	Civil Aviation Authority PNG
CSTB	Central Supply and Tenders Board
DNP&M	Department of National Planning and Monitoring
DoT	Department of Transport
DoW	Department of Works
EMP	Environmental Management Plans
FMA(s)	Financial Management Adviser(s)
GoPNG	Government of Papua New Guinea
HR	Human Resources
IFGI	Infrastructure for Growth Initiative
IT&C	Information Technology and Communications
ISP	Implementing Service Provider/Contractor
M&E	Monitoring and Evaluation
MRG	Monitoring and Review Group
MTDS	Medium Term Development Strategy
NEC	National Executive Council
NEFC	National Economic and Fiscal Commission
NMSA	National Maritime Safety Authority
NRBMP	National Road and Bridge Maintenance Project
NRSC	National Road Safety Council
NTDP	National Transport Development Plan
PBAMIA	Public Bodies Asset Maintenance Imprest Account
PGK	Papua New Guinea Kina
PM	Program Manager (TSSP)
PMC	Project Management and Supervisory Consultant
PNGPCL	Papua New Guinea Ports Corporation Limited
RAMS	Road Asset Management System
RWM	Regional Works Managers (DoW)
SGP	Strongim Gavman Program (previously Enhanced Cooperation Program)
SNP	Sub-National Program
SoS	Scope of Services
TA	Technical Assistance
TIPS	Transport Infrastructure Priority Study
TSCMIC	Transport Sector Coordination, Monitoring and Implementation Committee
TSSP	PNG-Australia Transport Sector Support Program

1. EXECUTIVE SUMMARY

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.

TSSP offers a flexible, rolling design and implementation model. It has a budget of around AUD50 million per year. This may increase in responding to *Partnership for Development* agreements and as TSSP's role as the delivery mechanism for the Transport Schedule of *Partnerships* firms.

The Program has been designed to improve governance, capacity and service delivery within the Government of Papua New Guinea's transport infrastructure agencies whilst encouraging Government of Papua New Guinea partners to take increasing responsibility for infrastructure maintenance funding and thereby becoming less dependent on donor support. Program implementation during Phase 1 focuses on assisting partner agencies to improve governance and public sector reform whilst at the same time providing funding support for priority maintenance and rehabilitation works.

TSSP brings Government of Papua New Guinea partners and other stakeholders into the activity development, delivery, monitoring and evaluation, and reporting cycle. The Government of Papua New Guinea's Transport Sector Coordination, Monitoring and Implementation Committee plays a central role.

This report provides an opportunity to review activities over the past six months; and to report on the planned implementation schedule from July to December 2009.

In essence, the Program is considered to be progressing at a steady pace within an environment that retains significant challenges. It has been found, by an independent Monitoring and Review Group, to have established a sound foundation. The Monitoring and Review Group also offered some suggestions where responses might be given a boost, over time.

TSSP has commenced liaising more closely with personnel from other AusAID funded programs and with other donors to maximise opportunities and synergies within the transport sector (notably Strongim Gavman Program and the Asian Development Bank).

During 2009, a decision was taken to move away from the short-term specialist model. Originally short term inputs were envisaged each year, from sector specialists with regard to the provision of high-level transport policy, aviation and maritime guidance. While the short term inputs proved to be effective during Program start-up, over the longer term the inputs proved to be less beneficial than originally anticipated and thus have been replaced by various full time advisers within agencies, and strategically by TSSP agency coordinators.

Major achievements within the transport sector encompass:

- More regular meetings of the Transport Sector Coordination, Monitoring and Implementation Committee and its sub-committees with increasing recognition of the benefits of a sector-wide voice in advocating the needs and importance of the transport sector in contributing to the social and economic well-being of the country

- Improved and more timely agency quarterly reporting through the Department of Transport to the Transport Sector Coordination, Monitoring and Implementation Committee
- Policy planning support to those agencies responsible for developing the new Long Term Development Strategy and the Medium Term Development Strategy (Department of National Planning and Monitoring) and the National Transport Strategy and Medium Term Transport Plan/s (Department of Transport) with the aim of improving consultation, coordination and the overall quality of policy documents
- The development and/or release of new corporate plans (Department of Works, Department of National Planning and Monitoring), with the corporate plan for National Maritime Safety Authority close to completion; and support for the ongoing revision of corporate plans in the Department of Transport, the Civil Aviation Authority and PNG Ports
- Ministerial approval for the PNG Transport Sector Legislative Drafting Plan, with four of the 26 drafting projects completed
- Agreement and AusAID TSSP funding to support undertaking a 2010 Transport Infrastructure Priority Study; and a visual road condition survey
- Support for and the development of indicators for the *PNG-Australia Partnership for Development* Agreement and the associated Transport Schedule
- Road maintenance and rehabilitation on the 16 priority national roads within nine provinces with a total PGK14.9M expended and around 452 kms of roads maintained; with expenditure slower than anticipated in Qs1 and 2, 2009 primarily because of poor contractor performance
- Ongoing maintenance and rehabilitation on the Bougainville Coastal Trunk Road and other priority roads in Bougainville with a total PGK2.8M expended and around 331 kms of roadwork maintained to reasonable trafficable standard for an unsealed road
- Planning and tender preparation for the design and construction supervision of the Wabag – Wapenamanda section of the Enga Highway in Enga Province with a funding requirement of approximately PGK15M anticipated (AusAID with joint counterpart funding from GoPNG, and also Porgera Joint Venture)
- Tendering and tender assessment for the Feasibility Study of Improvement Options and Re-Routing Options of the Highlands Highway with the Department of Works authorised by the Central Supply and Tenders Board to commence negotiations with the preferred tenderer
- Tender evaluation of the Mai-Nuku Road Project in West Sepik Province. The overall Project scope is in the vicinity of PGK10M (with AusAID's contribution PGK3M)
- Commencement of site investigations, and design works for the construction of four bridges in Oro Province
- Discussions with Exxon Mobil representatives to determine infrastructure upgrade requirements for the proposed LNG plant in PNG

- Tendering and/or approval to proceed to tender for priority maintenance projects for the aviation section (Pavement Repairs/Evaluation; Port Moresby Airport Master Plan; Baggage Security Screening Upgrade); and maritime sectors (Buka Wharf, Environmental Study of Port Moresby Wharf, Maritime Radio Communications System/Global Maritime Distress and Safety System)
- Cross-fertilisation with counterpart and adviser involvement in technical areas such as Information Technology (Department of Transport and the National Road Safety Council; Air Services Limited); Contracting (Department of Works and the National Road Safety Council); Human Resource Development (Department of Transport and the Civil Aviation Authority, and Air Services Limited); Legal (all line agencies).

Key activities planned from July – December 2009 include supporting agencies with the:

- Ongoing development of the Long Term Development Strategy and the Medium Term Development Strategy and the National Transport Strategy 2010-2030 and the first of the associated five year Medium Term Transport Plans
- Submission of the transport sector's second consolidated Development Budget
- Development of 2010 asset maintenance agency workplans that reflect Government of Papua New Guinea budget capacity, and the full funding envelope required
- Undertaking of a survey to collect visual road condition data with the aim of informing and improving short, medium and longer term asset maintenance management planning
- Transitioning of the Key Roads for Growth Project under the TSSP framework
- Implementation of the Transport Sector HIV and AIDS and Gender Policies
- Provision of training for advisers (train the trainer model) and counterparts around the key areas of HIV and AIDS, gender, risk management, facilitation skills, monitoring and evaluation; and the provision of advice and support to agencies
- Assessment and the potential strengthening of the PNG Institution of Engineers through a partnership with the Australian Institute of Engineers and/or a similar body
- Provision of a Road Safety Adviser for the transport sector, through the National Road Safety Council, and the development of a discussion paper on strategies aimed at improving road safety within PNG and in the context of national asset maintenance priorities
- Review of the Technical Assistance Program, including a re-assessment of ongoing needs and the development Stage 3¹ of the Capacity Building Framework (twinning, scholarships, graduate/intern programs, fellowships etc)
- Continuation of policy, strategic and business plan development and implementation within agencies and the associated capacity building within work units

¹ The TSSP Capacity Building Plan includes three stages: Stage 1 included an initial needs review and the identification and recruitment of agreed advisers; Stage 2 included the introduction and roll-out of the Capacity Building Model; Stage 3 will extend the Plan to include institutional and professional development opportunities.

- Improving contract implementation, including working with the Central Supply and Tenders Board towards the issuance of standardised documents for use by all funding agencies; and in requiring and/or expanding the role of Community Engagement Officers in all future major transport infrastructure asset maintenance contracts to strengthen responses to and understandings of cross-cutting policy issues (gender, HIV and AIDS, road safety awareness)
- In consultation with the Regional Works Managers supporting the use and ongoing development of standard documentation that will assist with the monitoring and evaluation of contractor and Department of Works performance in the provinces
- Tendering and awarding of major contracts for the:
 - Rehabilitation of sections of the priority national road network including projects on the Coastal and East Sepik Highways in East Sepik Province
 - Design and Construction Supervision of the Enga Highway between Wabag and Wapenamanda
 - Feasibility Study for Improvement Options and Re-routing of the Highlands Highway
 - 2010 Transport Infrastructure Priority Study
- Developing a monitoring and evaluation model for the three stages of the TSSP capacity building model; and generally expanding monitoring and evaluation support within partner agencies and reporting through TSSP.

Key Strategic Issues

The issues reported in previous years remain dominant.

Overarching Policy Frameworks

The new bilateral Partnerships for Development Agreement, and a revitalised Government of Papua New Guinea policy environment will be exceedingly important to the transport sector beyond 2009.

While the detail of the Partnerships for Development Transport Schedule are known, the broader Government of Papua New Guinea policy frameworks are currently under development and the implications will not be known until late 2009/early 2010.

The development of the National Transport Strategy, through the Department of Transport is being supported with TSSP-AusAID funding for:

- A new 2010 Transport Infrastructure Priority Study, which will be conducted across the provinces and prioritise infrastructure maintenance within and across the three transport modalities. It is anticipated that the 2010 Transport Infrastructure Priority Study will be the foundation for future asset maintenance workplans and funding agreements
- A visual road condition survey (also through TSSP-AusAID funding) which will provide updated and reliable statistical data on road conditions and traffic volume to enable the financial costs of maintenance and rehabilitation to be better assessed against the asset stock condition of roads and bridges.

Budget/Funding Constraints

Government of Papua New Guinea Treasury Budget Circulars have advised of the first budget deficit in six years and anticipated a smaller revenue base during 2009 and 2010; and that windfall and supplementary budgets will not occur during 2009.

2010 budget ceilings are not known as at 30 June 2009 however Treasury has indicated a 30% reduction might be anticipated. In an effort to work more effectively within the current budget climate, the Transport Sector Coordination, Monitoring and Implementation Committee will, for the second time, coordinate and submit a transport sector 2010 Development Budget bid.

There is no doubt that budget constraints will impact on 2010 planning within agencies.

Capacity

Capacity constraints have often limited the ability of transport infrastructure agencies to carry out key functions and responsibilities (personnel, planning, budgeting, monitoring, etc). This has been demonstrated through slower than anticipated project contracting, less consistent project supervision, and a limited capacity to respond in the private sector (timeliness and quality).

Agencies are considering how improvements might be made in both the public and private sectors.

Limited adviser access to nominated counterpart officers is an ongoing issue, exacerbated by organisational restructuring and delays in appointing staff to vacant positions. Moving into Year 3 of Program implementation, the potential for the Program to fail in developing the required organisational capacity, and ultimately sustainability, is an increasing risk.

2. PROGRAM OVERVIEW

The Papua New Guinea – Australia Transport Sector Support Program (TSSP) commenced in July 2007 and continues the Australian Government's long term support to the Government of Papua New Guinea (GoPNG) for the infrastructure sector. 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 offers a flexible, rolling design and implementation model. It has a budget of around AUD50 million per year. This may increase in responding to the *Partnership for Development* agreement and as TSSP's role as the delivery mechanism for the Transport Schedule of *Partnerships* firms.

The Program is assisting partner agencies to improve governance and public sector reform whilst at the same time providing funding support for priority maintenance and rehabilitation works. The overarching aim being to strengthen capacity and service delivery, whilst concurrently encouraging GoPNG to take increasing responsibility for infrastructure maintenance funding, thereby becoming less dependent on donor support.

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
- Is assisting the GoPNG with its aim of incrementally moving, at a pace that can be supported and sustained, towards a sector-wide approach.

This report provides an opportunity to review activities over the past six months; and to report on the planned implementation schedule from July to December 2009. It reflects ongoing discussions and interaction with key counterparts and stakeholders and is subject to endorsement by the Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC).

Key reports provide a mechanism for not only reporting on activities under overarching GoPNG and AusAID planning priorities but also an opportunity for the Program to consider and/or realign performance against required outcomes.

In general the Program has been found to be progressing at a steady pace within an environment that retains significant challenges. All partner agencies have demonstrated some progress against planning over the past six months, although organisational restructuring has had an impact (eg slower than anticipated recruitment to key counterpart positions).

The Program has been found, by an independent Monitoring and Review Group (MRG) to have established a sound foundation. The MRG report also identified some aspects where the Program might be able to strengthen activities or pilot new endeavours over the coming years.

3. POLICY ENVIRONMENT

3.1 TSCMIC

TSSP brings GoPNG partners and other stakeholders into the activity development, delivery, monitoring and evaluation, reporting and improvement cycle.

The TSCMIC plays 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). Put simply, TSSP supports the activities of and in turn TSSP activities are coordinated by the TSCMIC. Alignment of the TSSP goal with that of the TSCMIC has been an important step for both.

The TSCMIC is supported by two sub-committees: Transport Security; and Aid Effectiveness. TSSP provides secretariat support to the TSCMIC and its sub-committees.

During 2009, the TSCMIC and its sub-committees met more routinely and increasingly recognised opportunities in moving towards an integrated-sector approach (particularly around budgets). Quarterly agency reporting to the TSCMIC/Department of Transport (DoT) has improved.

3.2 PARTNERSHIPS FOR DEVELOPMENT AGREEMENT

The *Partnerships for Development* Agreement emerged as a significant bilateral overarching policy framework in August 2008. A Transport Infrastructure Schedule was agreed in June 2009. TSSP has been identified as the implementation mechanism for the transport infrastructure schedule.

The agreed targets were:

- 100% of the 16 National Transport Development Plan (NTDP) priority national roads in good condition by 2015
Current Status: Data from the road asset management system (RAMS) suggests that around 29% of roads are currently categorised as 'good'; and 35% as 'fair, and 36% as poor'² as at June 2009
- 22 regional airports meeting safety certification standard by 2015
Current Status: Seven national airports have been certified, with a further seven (Buka, Goroka, Hoskins, Momote, Tari, Vanimo and Wewak) scheduled for certification prior to end 2009
- Improved port operations (ship turnaround time).
Current Status: Data is being gathered as a baseline against which ship turnaround time might be measured.

Consideration is being given to more specific implementation indicators against which progress can be reported each year.

² DoW National Road Network Condition and inventory Statistics for 2008.

While additional AusAID funding is anticipated under *Partnerships for Development*, initial funding allocations may change as a result of the GoPNG and Australian 2009-2010 budget determinations.

3.3 GOVERNMENT OF PAPUA NEW GUINEA

The GoPNG has commenced development of a new policy framework with the aim of rebuilding the current political and service delivery structure. The new policies are scheduled for presentation to the National Executive Council (NEC) in Q4, 2009.

This framework will be headed by a new *National Strategic Plan 2010-2050* underpinned by five policy 'pillars':

- *Medium Term Development Strategy (MTDS)*
- *Medium Term Reform Strategy*
- *Medium Term Workforce Strategy*
- *Medium Term Security, Economic and Fiscal Strategy*
- *Medium Term Security and International Relations Strategy.*

In relation to transport policies, also due for completion during Q4, 2009:

- The Department of National Planning and Monitoring (DNP&M) retains responsibility for developing a 20-year Long Term Development Strategy and a 5-year Medium Term Development Strategy
- The DoT holds responsibility for the development of the National Transport Strategy (20 years) and Medium Term Transport Plans (5 years).

In May 2009, a freeze on organisational restructures, advertisements and recruitment was imposed by the Chief Secretary to Government. With the exception of the National Maritime Safety Authority (NMSA), all primary transport sector agencies are in the process of recruiting to positions under new organisational structures. The impact of the freeze on these agencies and the potential flow on effect to the Program is not known but is being monitored.

4. IMPLEMENTATION AND PLANNED ACTIVITIES

This section provides an implementation report on activities under TSSP from January to June 2009 and information on scheduled activities from July to December 2009. Reporting is framed under the Program components specified in the TSSP Scope of Services.

An independent monitoring and review of TSSP took place in February with release of the final report anticipated in Q3, 2009. The TSSP will incorporate changes into future planning, where agreed by the TSCMIC.

4.1 COMPONENT 1: ESTABLISH AND MANAGE CONTRACTOR SERVICES

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

Implementation January – June 2009

The TSSP Office is well established.

Personnel

Some changes have occurred with core and other personnel as might be anticipated within a longer term Program:

- Within the core team a new occupant has been appointed to the position of Financial Management Specialist (June 2009) and an Assistant Program Manager joined TSSP (March 2009)
- The Monitoring and Evaluation (M&E) input has been extended to a full 12 months and an Assistant Monitoring and Evaluation Specialist recruited to provide the required coverage (June 2009) and expand agreed M&E activities
- An HIV and AIDS Consultant/Adviser and a Gender Consultant/Adviser have been recruited to assist agencies and the Program develop and/or strengthen related responses (commencement anticipated early September 2009). Whilst each of these inputs currently totals 4 months each year, there remains an option to extend input durations as and if required
- Re-recruitment commenced for the Financial Control Officer located within the Department of Works (DoW) to assist with the administration and reporting of AusAID funding through TSSP.

During 2009, a decision was taken to move away from the short-term specialist model. By way of background, the TSSP Concept Design Document envisaged short term inputs, each year, from maritime, transport policy and aviation specialists³. The intent was to provide support to agencies in developing and progressing annual work plans and some strategic guidance to both TSSP and agencies⁴.

While the short term inputs proved to be an effective strategy during 2007 when the Program first commenced, it quickly became outdated as TSSP adapted to changing circumstances.

³ Occupants of the Transport Policy and Maritime Specialist positions resigned in 2007.

⁴ The Road Maintenance Management Specialist was designed as a full-time input and remains a pivotal position within the DoW where there is now a team of seven engineers covering different aspects of road, bridge and contracting technical specialties.

During 2008 it became increasingly evident that:

- Agency heads had moved away from supporting the approach in favour of the adviser model
- Full time advisers more rapidly and reliably gained an in-depth knowledge of the agency; developed stronger counterpart relationships and the trust of the agency more broadly; were well positioned to provide ongoing support and guidance as and when required within and across partner agencies; and better able to encourage linkages with central agencies
- The emergence of the TSSP agency coordinator model provided a positive mechanism in guiding and providing overarching and ongoing strategic direction to embedded advisers, and to and through TSSP
- More comprehensive support was provided through funding for some in-line positions, additions to the adviser pool around priority technical areas and additional funding for project management support for agreed asset maintenance projects.

It has therefore been agreed to discontinue this model; and to continue monitoring initiatives for appropriateness and effectiveness. No doubt further changes will occur as the Program adapts and evolves around GoPNG initiatives, and insight and guidance is provided through future independent monitoring and reviews and/or activity/issue oriented personnel inputs.

Communications and Coordination

TSSP has commenced liaising more closely with personnel from other AusAID funded programs and with other donors to maximise opportunities and synergies within the transport sector (notably SGP and ADB in both the DoT and CAA). Coordinating meetings will continue to take place with the aim of maximising cooperation and minimising any potential duplication or capacity strain on agencies. Monthly SGP/TSSP meetings will continue through AusAID, and within agencies on a needs basis.

Dialogue and information-sharing are important elements within TSSP. From January to June 2009 TSSP facilitated a total of eleven full team or technical/functional group meetings; and one thematic group discussion. Ad hoc meetings were additional. Attendance included TSSP Program Manager, specialists, advisers, counterparts, and central agency representatives (including SGP). Agency coordinators met with the PM every second month; and convened fortnightly adviser meetings within each agency (across-agency representation occurred at these meetings). Within TSSP senior management team meetings were held fortnightly. Monthly meetings as well as special issue meetings continued with AusAID; meetings with agency heads occurred routinely. ISP/AusAID performance monitoring meetings occurred twice.

The DoT produced two newspaper spreads reporting on improving the national priority road network and a second on the maritime sector TSSP produced an internal newsheet each month.

Five separate 5-day induction programs were held for incoming personnel.

Transition Planning and Implementation

During 2009, consultations and planning for the transition of the Key Roads for Growth Project intensified. A draft transition plan was prepared for discussion with the primary stakeholders in June 2009.

Security and Safety

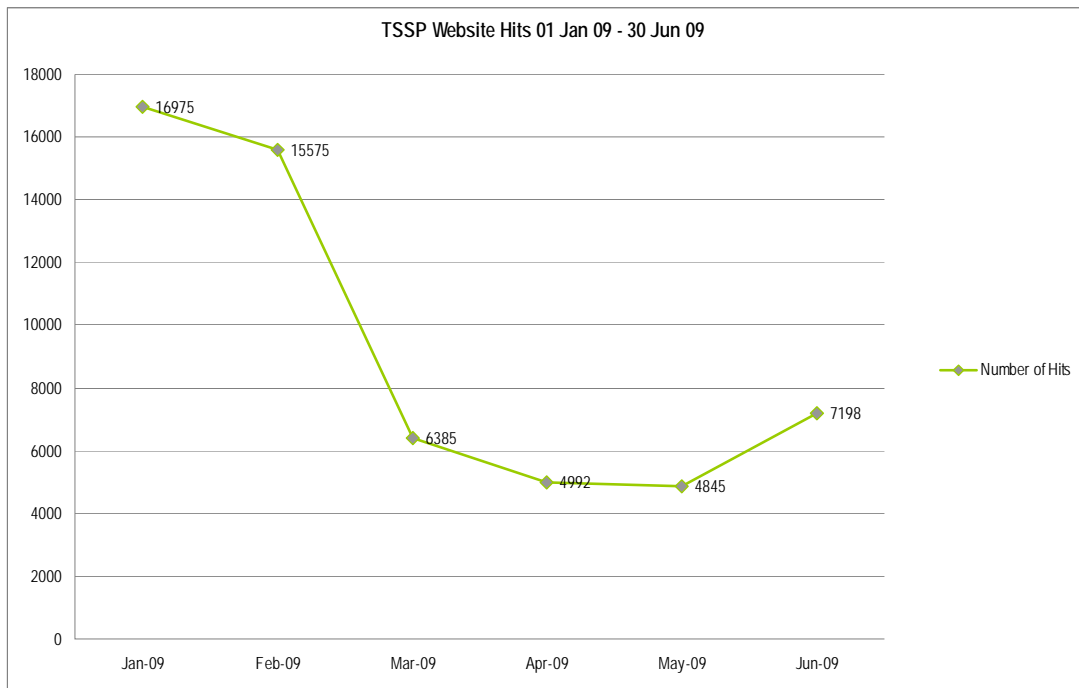
G4S Security (previously Protect Security) continued to provide services to the Program and its personnel (briefings, accommodation risk assessment, radiophones, static guard).

During the past six months, six safety incidents were experienced by TSSP personnel (these encompassed incidents such as car break-ins and damage; attempted theft and theft of property).

Reporting

The 2009 TSSP Annual Plan was approved during Quarter 2, 2009 as was the Gender Plan and Strategy. The Communications Plan and the Safety, Security and Emergency Plan were updated. Monthly and Quarterly Financial Reports and adviser situation analyses and workplan progress reporting continued. Provincial trip reports were also made available to senior executives through the internet.

All major Program reports can be accessed through the website. A graph showing the number of times the website has been visited, each month from January to June 2009 follows. Peak visit (website 'hit') months continue to align closely with heightened recruitment activities. The website is routinely updated weekly, more immediately as circumstances warrant.



Planned activities July – December 2009

In addition to routine management of the Program (office, personnel, communications, coordination, and reporting) the following major activities are planned for Quarters 3 and 4:

- An internal and an independent audit to investigate and report on Program financial management of Trust and Imprest Accounts
- Training for advisers (train the trainer model) around the key areas of HIV and AIDS, gender, risk management, facilitation skills, monitoring and evaluation
- Assessing the potential of strengthening the PNG Institution of Engineers through a partnership with the Australian Institute of Engineers and/or a similar body
- Expanding the agencies receiving direct TSSP advisory support, to include the National Road Safety Council (NRSC); and producing a discussion paper on strategies to improve road safety within PNG and in the context of national asset maintenance priorities
- Initiating the capacity building tracer study and the female recruitment survey
- A major review of all Financial Management Manuals; and revision of the Program Procedures Manual (which includes the Quality Assurance Plan) and the Communications Plan
- Review of the Programs Risk Management Policy and Matrix
- Review of adviser monthly and other reports, and consolidation of key themes and findings
- A baseline study into the status of financial management capacity within nominated transport sector agencies
- Review of the Technical Assistance (TA) Program, including a re-assessment of ongoing needs and the development of Stage 3⁵ of the Capacity Building Framework (twinning, scholarships, graduate/intern programs, fellowships etc)
- Report on the *TSSP Staged Capacity Building Practice Model* including commentary on its application and appropriateness when compared with recent research into capacity development
- Submission of a Draft Program Handover Plan
- Production of the 2010 Annual Plan.

3.4 COMPONENT 2: PREPARE AND MANAGE THE TECHNICAL ASSISTANCE FACILITY

All activities reported in the following sections are grounded in the Program's capacity building approach and underpinned by the fundamental commitment to improving governance.

During the past six months cross-fertilisation has occurred across as well as within agencies organically as well as strategically. By way of illustration:

- Advisers in DoT and DoW provided additional support to the NRSC and PNG Ports; and the Human Resource and Change Management Adviser in CAA providing interim support to DoT

⁵ The TSSP Capacity Building Plan includes three stages: Stage 1 included an initial needs review and the identification and recruitment of agreed advisers; Stage 2 included the introduction and roll-out of the Capacity Building Model; Stage 3 will extend the Plan to include institutional and professional development opportunities.

- Functional group meetings (eg finance) occurred more frequently and included counterparts from line and central agencies.

4.2.1 Strengthen Public Sector Management

Sector Overview - Legislative Reform and Legal Issues

The TSSP Legal Adviser continues to support 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. Following a review of governing and subsidiary transport legislation the anticipated output is the drafting of agreed legislation that will clarify legal responsibilities and address legislative gaps in bringing transport sector agencies into a more contemporary and relevant legislative framework.

Ministerial approval for the prioritised transport sector legislative drafting plan provided a significant step forward on agreed priorities within the sector wide legislative reform package.

Implementation January – June 2009

Key legislative reform activities across the Transport Sector during the period have included:

- The PNG Transport Sector Legislative Drafting Plan provides for 26 legislative drafting projects across the three transport modalities. Delivery was scheduled through to June 2010 however timelines are being reviewed with the suggestion that there is likely to be around 25% slippage
- Completion of four of the 26 drafting projects to the stage of draft Bills or Regulations with significant progress being made on a number of other projects
 - *Transport (Collection of Information) Bill 2009* which will transfer to and centralise in the DoT responsibility for the collection of transport sector information
 - Legal Issues paper as the first stage of the PNG Transport Sector Infrastructure Protection and Classification drafting project
 - Draft *Small Craft Bill 2009* aimed at improving the safety of small craft operating in PNG
 - *Ports (Management and Safety) Bill 2009* and Ports (Management and Safety) Regulation 2009
- Assistance in drafting of the five Bills and four sets of Regulations required for the Marine Pollution Project
- Assistance with the *Review of the Civil Aviation Act 2000*
- Commencement of the review and preparation of Statutory Instruments (Delegations, Directions, Notices and Orders etc) required to be updated for the Land Transport Sector.

Planned Activities July – December 2009

Work will continue across the sector, regarding implementation of the Legislative Drafting Plan. By December 2009 it is anticipated that 12 drafting projects (46%) will have been completed.

In addition it is proposed to develop a Transport Sector Legal Group, covering all key national sector agencies, to:

- Assist with implementation of the Legislative Drafting Plan
- Develop a sector wide legal support network to facilitate cooperation, information sharing and professional and peer support
- Further develop project management and legal capacity.

Sector Overview - Policy and Planning

During 2009 the benefits from enhanced communication between advisers and counterparts, particularly those with a policy focus, in central as well as line agencies became increasingly evident to host agencies. This proved to be particularly important in a year when a new policy framework was under development by the GoPNG and continues to be evident through TSCMIC initiatives, including the development of new transport sector strategies, preparation for and of the coordinated sectoral development budgets and workplans, and in assisting agencies clarify funding and planning activities.

Implementation January – June 2009

Across the sector policy progress can be summarised as:

- Preparation of a number of corporate plans (DNP&M, DoW, NMSA); with the Minister publicly launching the DoW Corporate Plan 2009-2012 and continued support for the ongoing revision of corporate plans in the Department of Transport, the Civil Aviation Authority and PNG Ports
- Coordination of the sector-wide input into the Long Term Development Strategy and Medium Term Development Strategy (MTDS)
- Development of a project management and consultation process for the preparation of a new National Transport Strategy and Medium Term Transport Plan
- Development of a second sector-wide Development Budget submission with the process featuring extensive cross-agency consultation and recognition of the need for a prioritised investment program
- Assisting central and line agencies with input into the Transport Schedule to the *PNG-Australia Partnership for Development*
- Secretariat support for the TSCMIC and its sub-committees
- Development of operational policy within agencies in technical areas that include the management of human resources, financial practices, IT processes and procedures.

Planned activities July – December 2009

- Strengthening the policy development, analysis and monitoring capabilities within agencies around project and activity cycles and initiatives
- Submission of the sectoral Development Budget for 2010 with increased consultative and decision making (and associated capacity building) opportunities incorporated
- Overseeing a new Transport Infrastructure Priorities Study (TIPS) 2010, across all provinces and in consultation with the ADB, which will provide updated information for government's consideration
- Supporting the DoT with advancing the preparation of the National Transport Strategy incorporating a review of the effectiveness of the National Transport Development Plan 2006-2010

- Development of a discussion paper on Road Safety, drawing on domestic and international research and experience
- Supporting the development of HIV and AIDS, and gender initiatives within sub-sector agencies, and where feasible, across the sector.

Provincial Policy and Planning

TSSP is designed to support national agencies. TSSP support for provincial policy and planning therefore flows primarily through the DoT. To date the DoT has identified a total of eleven Provinces for support, with five identified by the NEC as priority provinces⁶. Bougainville continues to be a priority and as such is receiving support through DoT and DoW. TSSP liaises closely with Sub-National Program (SNP) personnel in Bougainville to ensure congruence.

Recruiting delays and budget constraints have limited the capacity of the DoT to implement the support planned at the commencement of 2009. The position of TSSP Provincial Policy and Planning Adviser fell vacant in June 2009 at a time when reconsideration was being given to how best to maximise the AusAID TSSP adviser investment.

The May 2009 GoPNG freeze on organisational restructures, advertisements and recruitment pending the realignment of the size of public service and core functions of national, provincial and district administrations (to be articulated through the 40-year long term National Strategic Plan 2010-2050 Framework scheduled for release in Q4, 2009) has added a layer of complexity.

Further, the SNP is currently assisting with the development of a Subnational Strategy, which will include recommendations on how best to support sector coordination and implementation between different levels of government.

A decision has therefore been taken to hold reconsideration of provincial support until there is greater policy and operational clarity.

Implementation January – June 2009

- Meetings have been facilitated among DoT and SNP, the Department of Provincial and Local Government and Housing and National Economic and Fiscal Commission in respect to improving support for provincial reporting
- Provincial planning guidelines completed
- Infrastructure Assessment Matrix finalized
- Draft provincial workplan template completed
- Provincial scoping document drafted.

Planned activities July – December 2009

- The Autonomous Region of Bougainville (ARB) Transport Infrastructure Priority Study will be drafted
- Advisers will continue assisting DoW to improve planning, monitoring and reporting within 10 provinces

⁶ Saundaun, Milne Bay, Central, Madang, Simbu.

- PNG Ports will continue with the development of policies and practices that improve the management of Lae and other ports, generate income where appropriate, improve safety and security, and work towards the reduction of ship turnaround times.

Sector Overview - Information Technology and Communications (IT&C)

Three IT&C advisers are located in transport sector agencies (DoT, DoW, and CAA). During January to June 2009 IT&C support was provided to PNG Ports through access to existing IT&C advisers and/or funding for specific consultancy services.

Budget restrictions and staffing restructures have constrained progress in strengthening information technology within agencies. Notwithstanding this a number of agencies have launched or updated websites and/or introduced intranet facilities, commenced developing more robust business plans, and initiated the associated training. User policies and strategies have resulted.

By way of illustration, within DoW a number of policies have been finalised to assist the agency better manage e-communications. These include: electronic mail, IT helpdesk, internet services, network administration, IT procurement, IT security, IT standard operating environment policy and guidelines, voice communication, and data backup and restoration. The focus will now move on to the development of implementation procedures.

The most immediate challenge is to assist agencies with the stabilisation of fragile IT hardware (particularly DoW and CAA) and improvements to current system and application downtimes. More long term is to assist agencies resolve issues relating to more effective practice (eg better managed knowledge/information, more contemporary and relevant IT equipment, systems and practices).

Counterparts are giving consideration to the development of a foundation framework for more effective information sharing and management within and across the sector; for example through sector-sharing of knowledge systems.

Implementation January – June 2009

Activities supported included:

- Establishing permanent management information teams and intranet structures that link divisions within their respective agencies (DoT, DoW and CAA)
- Identifying and implementing IT systems diagnostics at DoW and CAA that have decreased internet usage costs around 25%
- Introducing broadband internet and email systems (DoW, CAA and DoT) and, within the DoW, expanding the email network to five users in each of the 19 provinces
- Creating and launching (at a major event with Ministerial involvement) the DoW website. The site provides a major delivery platform for external/internal communications and a resource repository for tendering, recruitment, public relations reporting and access to services.
- Identifying and preparing tendering submissions to the Central Supply and Tenders Board (CSTB) for critical financial management systems upgrades at DoW and CAA. This has the potential to increase financial system uptimes and stability above the current level of 80%

- Developed and implemented centralised IT Service Desks at DoW and CAA which have:
 - reduced IT and Communication fault enquiries at DoW and CAA by 45% and 75% respectively
 - increased system and application uptime at DoW and CAA to over 90% and 93% respectively, up from baselines that were below 70%
- Developing and commencing to implement Disaster Recovery Plans (DoT and DoW)
- Providing PNG Ports with the framework for an IT Strategic Plan which has been accepted as a platform for action by management and the Board.

Planned activities July – December 2009

Activities commenced in January to June 2009 will carry over into July to December 2009. In addition, the following is scheduled:

- Launching DoT and CAA websites
- Upgrading critical financial management systems (DoW, CAA and Ports)
- Developing and or stabilising/improving communication systems and networks
- Implementing and actualising previously developed and approved IT systems, procedures and manuals, including IT training packages within DoW, CAA and DoT
- Exploring the potential for agencies to establish portfolio wide sector extranet for Ministerial and Executive collaboration.

Sector Overview - Financial Management

Financial Management Advisers (embedded within DoW and CAA) have been focussed on the steps necessary to assist host agencies in strengthening public expenditure (financial controls, budgetary processes, procurement, internal control audits, and reporting). Financial support is also provided to DNP&M and NMSA through policy and safety advisers.

Agencies have achieved some capacity and significant budget planning/monitoring benefits through broader TSSP facilitated adviser/counterpart and Treasury interaction. For the second consecutive year, the DoT has commenced and will be submitting a sector wide budget submission. Linkages between each sub-sector agency and central agencies (primarily DNP&M, Finance and Treasury) have significantly improved.

By way of illustrating these claims:

- Better communication, coordination, engagement and more proactive budget planning in DoT, DoW, and CAA has followed the introduction of regular workshops for financial advisers and counterparts (three convened between March to June 2009) and follow up agency-based consultations between Treasury and finance personnel
- As a result of changing practices (financial systems and analysis; communication and coordination with relevant central agencies and audit preparedness and responses) the DoW achieved significant cost savings (PGK1.3M per annum through better management of utilities); increased its 2009 budget allocation (an 80% increase in its goods and services allocation); improved 2010 budget planning (by better aligning DoW budgetary processes with those of Treasury)
- PNG Ports anticipates an increased internal revenue capacity as a result of new container storage management initiatives in the Lae and Port Moresby Ports, with an increase of around PGK4M expected in 2009, and up to PKG8M during 2010.

Implementation January – June 2009

During the reporting period Financial Management Advisers (FMAs) were in place at DoW and CAA only, therefore the information provided below relates primarily to these two agencies. Activities that have resulted from adviser support include:

- Improved reporting and communication among and between Treasury, Finance and the Auditor-Generals Office resulting in DoW increasing its control of transport sector trust funds; and for CAA in improved balancing of government accounts
- Collaborating with IT advisers and as a result some strengthening of Financial Management Information Systems, noting that this commences rather than completes the process
- Improved strategic planning and processes in preparing for the 2010 budget cycle, and associated submissions to the Budget Screening Committee (BSC), and in supporting the second coordinated transport sector development budget, with for example DoT speaking to the coordinated transport sector development budget, agencies also presenting individually, and with PNG Ports for the first time attending the BSC
- Improvements in the management, control and reporting of trust accounts, particularly with the transfer of the Highlands Highway and Transport Sector Infrastructure and Rehabilitation Trust accounts to DoW in early 2009.

Planned activities July – December 2009

Activities will continue, as outlined above, and include planning around implementation of the 2010 recurrent and development budgets; and increasing cross-fertilisation among FMAs and counterparts in transport sector agencies (with FMA support re-extended to PNG Ports and DoT). Specific attention will be made to assisting agencies improve financial oversight and reporting against asset maintenance workplans.

Sector Overview – Human Resources (Development and Management)

Human Resources (HR) advisers are embedded in DoW, CAA and PNG Ports. From the commencement of June 2009, the adviser to CAA is also providing support to the DoT on a one day per week shared service arrangement for a three month pilot period.

While a number of agencies have still to complete either organisational restructures and/or the appointment of personnel under these restructures (DoT, DoW, CAA, Ports and DNP&M) a significant amount of work has taken place to progress HR planning and management systems and structures with all partner agencies.

Two examples illustrative of the HR activities taking place:

- As a result of the restructuring effort led by the HR Division the DoW has been classified as a *model agency* by the Department of Personnel Management in 2009, and as such able to act as a reference point for other national and provincial agencies intending or implementing organisational restructures. In so doing, particular note was taken of the extensive Position Description and Job Evaluation program that was undertaken to underpin the restructure

- PNG Ports has made HR central to the organisational reform agenda and in so doing has introduced and planned a number of policies that better enable the organisation to move into a commercially-viable operational mode. New procedures are workshopped with staff and awareness training provided, at all major ports, to assist staff with the implementation and management of new practices.

Policies and procedures introduced between January and June 2009 include: recruitment and selection; induction; performance management including the development of key performance indicators; HIV and AIDS; and sexual harassment, equal opportunity, gender, grievance and dispute resolution. Around 18 new policies are scheduled for development. Those anticipated during the remainder of 2009 include discrimination; parental leave; confidentiality; code of conduct; staff loan policy; promotion and succession planning; and occupational health and safety.

Implementation January – June 2009

Major activities included:

- Support for organisational (re)structuring and ongoing assistance particularly with recruitment/retention and performance appraisal processes (particularly DoW, PNG Ports and the Civil Aviation Authority - CAA)
- Improving the quality of payroll data (such as input, internal controls and enhanced management reporting, particularly in DoW and DoT)
- Introducing and/or enhancing the use of and compliance with existing HR policies and procedures (particularly PNG Ports, DoW, CAA/Air Services Limited - ASL)
- Supporting the development and implementation of good-practice HR policies, systems and processes (particularly Ports)
- Undertaking 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 (all partner agencies)
- Moving towards the implementation of appropriate performance management mechanisms, for example position descriptions/statements that include key performance indicators, the introduction of disciplinary procedures, and promotion and succession planning (particularly PNG Ports, DoW and CAA)
- Introduction of change and knowledge management concepts with the aim of assisting organisations better plan for and embed change, and manage corporate information
- Information and resource sharing across the sector.

Planned activities July – December 2009

All of the activities commenced in the first six months of this year will carry over into the next six months. In addition, the following are planned in one or more agencies:

- Development of strategies to attract and retain suitable applicants to technical and other positions
- Development of concrete options/proposals relating to succession planning
- Strengthening induction programs for new/existing staff
- Better linking HR and payroll data
- Initiatives to improve staff morale, attitude and motivation.

TA Program

Capacity Building Framework Stage 1 – Advisers

Recruitment of advisers continued during the first half of 2009 either for newly agreed positions or by way of re-recruiting to existing positions.

Previous difficulties were overcome in attracting suitable applicants to a number of advisory positions and, as at the end of June 2009, all agreed positions on the approved TA program⁷ had been filled. Recruitment to the Materials Testing Adviser position is not scheduled to commence until October 2009 and to the Quality Control Adviser position until March 2010 (DoW).

Table 1: Recruitment Summary January to June 2009

Name of agency	Position	Rationale
Department of Works	Contracts Administration Adviser	Recruitment (commenced June 2009). Original occupant left Feb 2009.
	Policy and Planning Adviser	Recruitment (commenced June 2009). Original occupant left Aug 2008. Attempts to recruit in latter half of 2008 proved unsuccessful.
	Road Design Engineer Adviser	New appointment. Commenced June 2009.
	Bridge Design Engineer Adviser Team	New appointment. Team Leader commenced March and second team member June 2009 ⁸ .
Department of Transport	Information Technology & Communications Adviser	Recruitment (commenced June 2009). Original occupant left Jan 2009.
	Financial Management Adviser	Recruitment (commenced June 2009). Original occupant deceased Sept 2008.
	Human Resource Adviser	Under recruitment ⁹ .
PNG Ports	Financial Management Adviser	Recruitment (commenced June 2009). Original occupant left Oct 2008.
	Strategic Management and Business Development Adviser	Recruitment (commenced Apr 2009). Original occupant left Feb 2009.
NRSC	Road Safety Adviser	Under recruitment.
Sector-wide	HIV and Aids Consultant/ Adviser	Recruited and scheduled to commence Sept 2009.
	Gender Consultant/ Adviser	Recruited and scheduled to commence Sept 2009.

Recruitment to two advisory positions has been placed on hold: Provincial Planning Adviser DoT pending a 2009 review of the overarching GoPNG policy frameworks, and Aviation Audit and Safety Systems Adviser (on the basis of an additional SGP Adviser being located within CAA).

⁷ A total of 43 positions have been endorsed by the TSCMIC to date - 31 advisers, 4 contractors/consultants, 3 in-line positions and 5 other staff positions.

⁸ As a result of three failed recruitment attempts, permission was obtained to proceed with a Bridge Advisory Team of SMEC International employees as a one-off initiative through to June 2010 only.

⁹ It was agreed to re-recruit an HRA for DoT early July 2009 following a pilot program in which access to an HRA was shared between two agencies (CAA and DoT). The trial found that the arrangement was not appropriate at this stage of TSSP's implementation and the practice to have disadvantaged both agencies and limited the adviser's ability to provide ongoing support.

The number of female and national applicants for the six adviser positions advertised during this period remained low with only 10 applications (6.8%) received from females and 11 applications (7.5%) from PNG nationals. While five of the 10 female applicants and two PNG nationals were interviewed, none were appointed. Females were appointed to two TSSP positions during this period: HIV and AIDS Consultant/Adviser and Assistant M&E Specialist. The incoming Gender Consultant/Adviser will, among other tasks, be required to assist the Program review recruitment strategies and processes with the aim of improving the number of suitably qualified and experienced female candidates.

Capacity Building Framework Stage 2 – Capacity Building Practice Model

As at end June 2009, thirty three capacity building plans (11 work groups in the DoT, 12 within the Corporate Service Divisions of DoW, three in NMSA and seven in PNG Ports) had been developed and, with the exception of the plans for the Finance, Human Resources and IT&C work groups in DoT which were suspended pending the (re)recruitment of new advisers into these areas, have progressively been implemented. Roll out of the model to CAA was deferred pending finalisation of the organisational restructure and key personnel appointments.

Implementation activities during the past six months included:

- Conducting a joint workshop with counterparts and advisers from the Human Resources and Port Management and Operations (Port Moresby) business units in PNG Ports and the Navigation and Safety Services Division of NMSA in March 2009 to introduce the model and process, and support the development of initial capacity building plans
- Conducting a workshop in Lae in June 2009 for the Port Management and Operations counterparts and their adviser to introduce the model and process and support the development of initial capacity building plans
- Reviewing and updating the capacity building reports for the periods ending 31 December 2008 and 31 March 2009 for DoT and the reports for DoW for the period ending 31 March 2009.

Based on the review of capacity building reports received to date, it would appear that steady progress has been made in a number of areas, in particular the HR divisions in both DoT and DoW. However, turnover in personnel has impeded some activities.

The major focus of the capacity building effort at this stage is to continue with the piloting of the model, monitor progress, identify implementation issues and make adjustments as required.

A Tracer Survey was developed to collect baseline data from staff who have access to advisory support and/or are members of a work group that has an agreed capacity building plan. It is proposed to undertake this survey at selected points over the next three to five years to monitor progress and the movements (if any) of staff involved.

Some of the lessons learned from the review of capacity building plans and reports completed by counterparts and advisers to date are as follows:

- Many of the quarterly re-assessments of capacity levels had focused on progress made towards completion of the actual task rather than on the individuals and/or the works groups capacity to perform the tasks and the extent of adviser support required
- Original assessments of capacity levels of some groups to perform agreed key tasks were (as anticipated) over estimated. As a result, the level of adviser support required to perform some tasks and the targets for the next quarter were adjusted upwards i.e. the level of support required was higher than the original assessment shown on the plan
- The importance of incorporating a wider range of capacity building strategies and reporting on the results of these
- The method of validating work-unit assessments so that key tasks can be performed by the group without any prompting or assistance from advisers needs to be further explored.

Planned activities July – December 2009

The approved TSSP Capacity Building Framework integrates three stages: firstly the recruitment of advisers, secondly the roll-out of the capacity building model, and thirdly an assessment of institutionally-based capacity building options (eg twinning, graduate programs, internships, and training).

The first two stages have commenced and the pilot will continue to be monitored.

A report with recommendations on Stage 3 will be available to the TSCMIC for consideration in Q4, 2009. In so doing TSSP has noted related initiatives under *Partnerships for Development*, in particular a joint review of the PNG university system (scheduled to commence in October 2009), consideration of a proposal for a comprehensive program supporting technical training at TAFE colleges, the establishment of training programs aimed at improving public administration and financial accountability, and the improvement of training facilities - particularly focussed on the Institute of Public Administration.

Development of Stage 3 of the plan will be a primary focus during Q3 and Q4, 2009 and is being assisted by HR advisers and counterparts in each of the transport sector agencies.

Monitoring and evaluation of the capacity building practice model, in assisting work units support broader corporate and strategic planning, will commence in Q4, 2009. Consideration will be given to undertaking an independent impact study of the TSSP capacity building approach during 2010-2011.

Additionally:

- Quarterly capacity building reports will be reviewed and analysed, with progress reported in Annual Plans and Annual Performance Reports
- Feedback, coaching and support will be provided to those advisers and counterparts implementing the model
- A Tracer Survey will be initiated to capture data on staff who have access to advisory support and/or are members of a work group which has an agreed capacity building plan

- A report will be provided on the implementation of *TSSP Staged Capacity Building Practice Model* including commentary on its application and appropriateness when compared with recent research into capacity-development
- Discussion Paper/s will be provided on institutionally-based capacity building strategies and their applicability in meeting identified needs within the transport sector agencies (twinning, scholarships, graduate recruitment/traineeships/cadetships/internships, training, including public and private providers in PNG)
- A full review of the TA program will be undertaken in Q4, 2009, to re-assess the ongoing need for existing adviser positions beyond 30 June 2010 and to identify any additional needs as well as the most appropriate capacity building strategy in addressing such needs. A report on the findings will be submitted to TSCMIC for consideration
- Structured surveys will be conducted with every recorded female candidate (whether short listed or not) to determine the factors that attracted their attention to TSSP positions and what might be changed within the Program in assisting to improve gender representation
- A feasibility study into the current standard/level of engineering courses conducted in PNG and the quality of the training offered will be sought with an Australian based institution. The report will feed into the Capacity Building Stage 3 Discussion Paper.

4.2.2 Strengthen Asset Maintenance Planning and Programming

TSSP has continued its support for the strengthening of asset maintenance planning and programming in relevant line agencies (DoW, CAA/ASL, NMSA, PNG Ports). Workplans continue to focus on AusAID-TSSP funded projects, with the goal of developing whole-of-agency workplans yet to be achieved.

Asset maintenance workplans are monitored and changes made as/when required and subject to requisite approvals. Workplans are provided at Annexes 7-13.

Implementation January – June 2009

Department of Works

TSSP engineering advisers have continued to assist counterparts in Headquarters with project implementation and the management of GoPNG (development, supplementary and recurrent budgets) and AusAID funds (development grants). At the Provincial level, support has focussed on ongoing maintenance planning, project scoping, tender development, project implementation and administration. The financial monitoring, administration and reporting of the AusAID funded Projects is supported by a small TSSP staffed financial cell within DoW.

During the past six months progress on many of the major contracts has been disappointing. Major contractors have experienced significant difficulties in meeting/maintaining contracted obligations, leading to large overruns in contract duration. Within the DoW the newly formed Contracts Division, supported by a Contracts Administration Adviser, is considering how and where operational improvements might occur, however private sector/industry constraints are not confined to the transport sector and are being discussed at the highest levels of government and through the TSCMIC.

Current staffing shortages within DoW have resulted in a higher dependency on TSSP advisers than originally anticipated. At the same time, provincial staff have emphasised the need for stronger and more frequent involvement from Headquarters personnel.

This situation may ease over the coming months, as personnel are appointed to positions particularly those below Assistant Secretary level¹⁰, however capacity development and the associated organisational strengthening will take time and depend significantly on improvements to organisational structures and functions, and the appointment of committed and competent personnel.

Notwithstanding these constraints, significant progress has been achieved during the past six months:

- Road maintenance and rehabilitation on the NTDP 16 priority national roads within nine provinces with a total PGK14.9M expended during January to June 2009 and around 452 kms of roads maintained. Expenditure delays have been associated with poor contractor performance and reduced the number of maintained kms from the 539 originally anticipated
- Ongoing maintenance and rehabilitation on the Bougainville Coastal Trunk Road, and other priority roads in Bougainville with a total PGK2.8M expended during January to June 2009 and around 331 kms of road maintained to reasonable trafficable standard for an unsealed road
- Planning and tender preparation for the design and construction supervision of the Wabag – Wapenamanda section of the Enga Highway in Enga Province with a funding requirement of approximately PGK15M anticipated (AusAID with joint counterpart funding from GoPNG, and also Porgera Joint Venture)
- Tendering and tender assessment for the Feasibility Study of Improvement Options and Re-Routing Options of the Highlands Highway with DoW authorised by the CSTB to commence negotiations with the preferred tenderer
- Tender evaluation of the Mai-Nuku Road Project in West Sepik Province. The overall project scope is in the vicinity of PGK10M (with AusAID's contribution PGK3M)
- Commencement of site investigations, and design works for the construction of four bridges in Oro Province following their destruction by Cyclone Guba in November 2007
- Assisted DoW in discussions with Exxon Mobil representatives to determine infrastructure upgrade requirements for the proposed LNG plant in PNG with agreement reached on design standards for relevant roads and bridges.

In addition to asset maintenance project based capacity building and support, broad capacity building endeavours have encapsulated:

- Ongoing involvement and procurement support with advisers supporting the:
 - Development of tender documentation
 - Revision and improvement of contract documentation and administrative procedures
 - Preparation for, management and reporting of tender evaluation committees
 - Providing quality assurance services with regard to procurement practices
 - Investigation of the potential to standardise contract documentation within the DoW and for all donor agencies.

¹⁰ Most positions of Assistant Secretary and above were filled prior to June 2009.

- Ongoing development of a scheduling model for the strategic budgeting of routine maintenance. With recent DoW funding being made available, the collection of a limited amount of data has now commenced, with in principle agreement obtained to undertake a major road condition survey of all national roads
- Initiating site visit reports after every Provincial trip, to provide information for senior executive on capacity and progress in relation to the supervision and quality of roadwork projects
- Strengthening financial administration and the improvement of the contractor payment claim process involving Project Management and Supervision Consultants (PMCs), DoW Provincial and headquarter staff.

Table 2 identifies the proposed and actual expenditure within DoW for 2009 and highlights the shortfall in expenditure. While this can in part be attributed to delays in the awarding of contracts, it is primarily due to the inability of contractors to manage projects appropriately and deliver against agreed contractual requirements.

It should be noted however, that there continues to be a risk of slower than anticipated expenditure, and the expenditure of the PGK50.7M projected from July – December 2009 may be problematic.

Table 2 : Proposed and Actual 2009 Expenditure within the Department of Works

Department of Works		
Projected Expenditure Jan – Jun 2009	Actual Expenditure Jan – Jun 2009	Current Projected Expenditure Jul-Dec 09
PGK 37.8 M Source: Annual Plan 2009	PGK 14.9M	PGK 50.7 M

The DoW Asset Maintenance Expenditure Summary 2009 is included as Annex 1 and provides further detail.

Planned Activities July-December 2009

- Assisting the Contract Management Branch with the improvement of contract documentation and contract implementation, as well as the promotion of consistent documentation to the Provinces
- Formal evaluation of the DoW procurement process with the aim of working with CSTB to have a standardised document issued for use by all funding agencies. This will involve extensive consultation with CSTB and the other funding agencies
- Assisting with the preparation of the 2010 asset maintenance workplans for the priority roads, with supporting documentation
- Ongoing collection of road condition data, in addition to undertaking a visual road condition data survey
- In consultation with the Regional Works Managers (RWMs) supporting the use and ongoing development of standard documentation that will assist with the monitoring and evaluation of contractor and DoW performance in the provinces

- Tender and award of major contracts for the:
 - Rehabilitation of sections of the priority national road network including projects on the Coastal and East Sepik Highways in East Sepik Province
 - Design and construction supervision of the Enga Highway between Wabag and Wapenamanda
 - Feasibility Study for Improvement Options and Re-routing of the Highlands Highway
- Finalisation and implementation of the plan for transitioning the Key Roads for Growth Maintenance Project under the TSSP framework
- Continuing to work on improving overall communication and management of all road and bridge works.

Road Safety

Implementation January – June 2009

It has been agreed that TSSP will enhance its support to road safety in PNG, initially through the provision of a Road Safety Adviser. The Adviser will be embedded with the NRSC with a requirement to progress road safety initiatives across the sector¹¹. This input will focus on the provision of strategic management support; assistance with the scoping of the immediate and longer term needs and opportunities of the agency; preparation of a road safety options/discussion paper; and the development, implementation and monitoring of a road safety database.

Planned activities July – December 2009

It is anticipated that the Adviser will be available to the sector Q4, 2009. The major focus being to assist the NRSC:

- Undertake consultations with relevant stakeholders to identify and document the extent to which road safety is addressed in PNG
- Draft a Road Safety Discussion Paper, based on international and national good practice, for consideration by the TSCMIC
- Assist with the development, implementation and recording of road safety data
- Establish processes to make best use of the data.

4.2.3 Manage the Delivery of Maintenance Programs

TSSP continued its support for the management of transport infrastructure asset maintenance projects. The constraints and challenges are largely associated with capacity, for example within the DoW, within Provincial Works Offices, and within contracted firms (quality, timeliness, reliability etc). A full team of engineer advisers¹² is now in place to provide the requisite support.

¹¹ This is consistent with the AusAID policy *Development for All - Towards a disability-inclusive Australian aid program 2009-2014* Core Outcome No 2 *Reduced preventable impairments* (reduce the incidence of traffic accidents.....) p4.

¹² There is now a total of seven TSSP engineer advisers located within the Department of Works.

Department of Works

The end of 2008 saw a reduction foreshadowed in AusAID-TSSP funding for road maintenance works. As a consequence, a number of scheduled projects were deferred. Funding became available in Q2, 2009 and the deferred projects have been included in workplan revisions.

In the intervening period, an increased emphasis was placed on the expenditure of funding provided through GoPNG 2009 budgets. Although clearly identified in a range of documents, to date a significant amount of anticipated funding has not been released to the provinces. Discussions have occurred among DoW, DNP&M, Finance and Treasury in an attempt to resolve funding access difficulties. It is anticipated that DoW and GoPNG will respond in releasing portions of this recurrent and development budget money during the second half of 2009.

Implementation January – June 2009

The delivery of the DoW maintenance programs falls within the responsibility of the Operations Division at DoW Headquarters, and through that Division to each of the Regional and Provincial Offices.

During the last six months, DoW personnel in Headquarters and the provinces have been encouraged to review current practices and procedures in considering the benefits of standardised practices and reporting. Whilst this concept has been readily accepted by RWMs it has not been universally supported within the provinces. In order to promote the use of standard procedures, PMCs are:

- Making operational staff more aware of the existence of DoW manuals and procedures
- Providing training in the use of DoW manuals and procedures
- Highlighting the importance of compliance with procedures
- Insisting that standard forms are used and checklists are developed.

In addition to assistance with asset maintenance implementation TSSP has:

- Assisted DoW counterparts to monitor contractual health and safety (including traffic), and environmental requirements
- Assisted Provincial and Headquarter staff to strengthen project management of contracts, including administrative, financial and quality aspects
- Assisted DoW personnel with the management of PMC contracts within Headquarters and agreed provinces
- Provided training opportunities for DoW staff to gain a better understanding of maintenance activities that are appropriate for PNG (for example two DoW staff were supported to attend an international conference on Low Volume Roads).

TSSP Funded projects

PGK41.6M of the PGK42.7M in TSSP funding provided to date has been fully committed against contracts. As noted in Section 2.2, implementation of new TSSP planned projects has been slower than planned for the reasons noted above. Details of these amounts and contracts are provided in Annex 2.

Infrastructure for Growth Initiative (IFGI)

A total of PGK12,550,500 in IFGI funds have been provided to date. These IFGI funds have been fully committed against three contracts. However work is yet to commence on any of these contracts. Details of these amounts and contracts are provided in Annex 3. Delays in expenditure have largely been associated with uncertainty relating to Program tranche requests.

Performance Grant

Two lots of Performance Grant Funds (PGF) have been provided:

1. PGF 2007 – PGK68,939,250 (transferred from pre TSSP programs)
2. PGF 2008 – PGK85,410,500

The PGF 2007 are fully committed against contracts, with 76% percent of the funds expended to date, 8% of which was in the 6 month period January to June 2009. The two contracts that reached practical completion in 2008 have now had the final payments made for release of retentions in the 6 month period January to June 2009. Details of these amounts and contracts are provided in Annex 4.

The PGF 2008 are reserved for bridge replacement programs in Oro Province following the Oro Disaster resulting from cyclone Guba. To date none of these funds have been committed or expended.

TSSP-IP and NRBMP Projects

The majority of the contracts with TSS-IP funds are completed with less than 10% of the committed funds left to be paid out, either for the final work on the contracts or the release of retentions. Annex 5 provides details of TSSP-IP expenditure.

Only three contracts with NRBMP funds are continuing under TSSP, all have reached practical completion, two are awaiting payment for release of retentions. Annex 6 provides details of NRBMP expenditure.

Project Management Consultancies

DoW utilises the services of consultants to assist in the administration and supervision of projects. The performance of the PMCs in relation to contract management has proven variable and at times has led to a dependency on advisers with regard to contract implementation. A number of strategies are in place to improve performance, eg PMC M&E assessment with DoW representatives and ongoing PMC monthly reviews.

Current PMCs which are appointed and managed through DoW are:

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

Engagement of a fourth PMC, to assist in the documentation and supervision of the Wabag to Wapenamanda rehabilitation project in Enga Province, is currently in the tender preparation process with contract finalisation anticipated in Q3, 2009.

During March 2009, contract assessment and AusAID funding approval was received for the appointment of PMC 1. This contract commenced on 1 May 2009, and the PMC has actively commenced an assessment of the status of ongoing projects, future project identification and is also providing assistance for the DoW personnel in the respective Provinces.

PMC 2 and 3 have now been in place for over 12 months. As mentioned previously, at times they have required additional project implementation support and input from TSSP advisers. Assisting DoW to better manage consultants, including PMCs, is proving to be a valuable capacity building task.

Interaction with all three PMCs is improving over time.

Bougainville

The Bougainville Department of Technical Services (DTS), in coordination with the Bougainville PMC, has continued with the implementation of the 2009 works program. Due to the very limited capacity within DTS primary responsibility for planning and delivery of the maintenance program is with the PMC.

Towards the end of 2008, a concerted effort resulted in an integrated workplan inclusive of all funding sources (GoPNG PGK5,859,442; ABG PGK2,193,152; and AusAID PGK4,417,750). The GoPNG funding was to be implemented through the DoW Provincial Works Office and the ABG funding through the DTS office with assistance from the PMC for project scoping, tendering, supervision, contract administration and payment verification. The GoPNG agencies were to be fully responsible for relevant contractor payments. Unfortunately, to date only AusAID funds have eventuated.

The second Bougainville TSSP Local Coordination Committee (LCC) meeting for the year was held in May 2009, and provided an opportunity to try and resolve funding discrepancies/shortfalls. Work and expenditure plans continue to be monitored to ensure that an over expenditure does not occur. Representations to GoPNG departments have occurred in an attempt to clarify the funding situation.

In the interim, GST returns and an additional AUD1M allocation from AusAID has supplemented the counterpart shortfall. A further AUD2.5M AusAID funding is expected during the second half of 2009 and will, if necessary, make up for the total counterpart funding shortfall if the anticipated counterpart funding does not eventuate.

The ARB integrated workplan has been amended to incorporate GST returns and additional AusAID funding. To end June 2009 AusAID funding of approximately PGK2.8M had been expended and the current approved workplan (exclusive of the additional AUD2.5m noted in the preceding paragraph) has a projected AusAID expenditure of PGK7.6M for 2009.

A summary of actual and projected 2009 expenditure for Bougainville is at Annexes 7 & 8.

Other Related Activities

In addition to the management of maintenance activities associated with the DoW and Bougainville 2009 works programs, TSSP has assisted with the:

- Preparation of tender documentation, scheduled for release in Q3, 2009, for the:
 - Rehabilitation of the Wabag to Wapenamanda Road
 - Provision of a service aimed at improving internal laboratory resources
- Review and assessment of the tenders for a Feasibility Study of Improvement Options and Re-Routing of the Highlands Highway with negotiations to commence Q3, 2009
- Discussions between the Institution of Engineers PNG, and the Institute of Engineers Australia, with the aim of identifying the support required to strengthen the training capacity of the PNG Institution.

Civil Aviation Authority (CAA) / PNG Air Services Ltd (ASL)

Progress against the approved PGK27M workplan for CAA (PGK20.8M) and PNGASL (PGK6.2M) has been slower than anticipated with claims of only PGK3.0M being processed as at end June. Full details are provided at Annex 9. This is largely associated with slower than anticipated progress within agencies with regards to project planning, and contracting; negotiations with the ADB regarding a potential Multi-Finance Facility, and also a result of the agency's restructuring which has been ongoing since 2007.

TSSP project funding for the widening of the taxiway shoulders at Wewak Airport was not actioned, as a result of non-compliance with relevant GoPNG procedures. The total amount allocated to the agreed workplan remains at PGK27M, with the potential to reallocate project funding with appropriate approvals.

Within the aviation sector, TSSP support is focused on the certification and maintenance of 22 airports (safety). The International Civil Aviation Organisation (ICAO)¹³ undertook and provided recommendations on a safety audit of civil aviation in PNG in March 2009. CAA accepted all the findings and is in the process of developing a detailed corrective action plan that will be agreed with ICAO by the end of 2009. A subsequent visit will be undertaken by ICAO to verify the implementation of the various corrective actions.

National Maritime Safety Authority (NMSA)

Tender documents for the upgrading and expansion of the PNG Maritime Radio Communications System (including the Global Maritime Distress and Safety System) at an estimated cost of PGK2M were prepared and referred to the CSTB in June 2009. It is anticipated that tenders will be called in July and that work on the project will commence in September 2009.

PNG Ports Corporation Ltd (PNGPCL)

Work is progressing on the refurbishment of the Buka Wharf, for which AusAID is contributing PGK3.5M of the total PGK4.5M. Progress payments of PGK1.5M were processed in Q2, 2009. The anticipated completion date for this project is September 2009. Future workplans, in the context of AusAID-TSSP funding, will centre on projects that contribute to a reduction in ship-turnaround time.

¹³ ICAO administers international conventions relating to civil aviation with which signatories to those conventions are expected to comply. To facilitate this, ICAO undertakes separate safety and security audits of contracting states to identify deficiencies, promote compliance and support a consistent level of application.

Annexes 9, 10, 11 & 12 provide a Summary of 2009 Projected Workplan and Expenditure for CAA, ASL, PNG Ports and NMSA.

Planned Activities July – December 2009

Advisers will continue to assist agencies:

- Plan, document, implement and monitor asset maintenance workplans, for both AusAID and GoPNG funded activities, and encourage the development of workplans that encompass the full funding envelope and all sources (all relevant agencies)
- With the procurement of maintenance contractors for the current 2009 maintenance workplans and funded works (all relevant agencies)
- With the development of the 2010 Works Program for the funding allocated in the 2010 GoPNG Budget (all relevant agencies)
- With the design and construction supervision consultant for the Wabag to Wapenamanda Rehabilitation project (DoW)
- Implement the Highlands Highway Feasibility Study (DoW)
- Design and tender documentation preparation with regard to the re/construction of bridge/s in Oro Province (DoW)¹⁴
- Improve the reliability of RAMS data collection and reporting as a result of a new road condition survey contract that will encompass and report on all national priority roads (DoW)
- Continue to monitor and report on the performance of contractors/PMCs.

3.5 COMPONENT 3: ESTABLISH, MANAGE AND ADMINISTER TSSP FINANCING FACILITIES

4.3.1 Establish and manage Technical Assistance Imprest Account

While a number of Technical Assistant Imprest Accounts were previously established, it was found that not all required accounts were established. It has been agreed that five additional accounts will be established in Q3 & Q4, 2009.

Financial reports are provided for the month, quarter, calendar year, fiscal year and project to date, in total for both PGK equivalent and AUD equivalent.

Annexes 14-17 provide source and use of funds data for January to June 2009 and the Program to date, in both PGK and AUD.

4.3.2 TSSP Infrastructure Asset Maintenance Imprest Accounts

All Infrastructure Asset Maintenance Imprest Accounts continued to operate effectively. A review of requirements to cater for the transitioning of the Key Roads for Growth project is scheduled to occur in Q3 & Q4, 2009 and will ascertain what if any additional imprest accounts are required.

Financial reports are provided for the month, quarter, calendar year, fiscal year and project to date, in total for both PGK equivalent and AUD equivalent.

¹⁴ It has been determined that 2008 Performance Grant Funding will be allocated to actual Oro Bridge re/construction.

Annexes 14-17 provide source and use of funds data for January to June 2009 and the Program to date, in both PGK and AUD.

4.3.3 and 4.3.5 Challenge Fund Facility

The concept of the Challenge Fund Facility received only limited support during 2008 and as a result no further action is planned. The concept may be re-visited at a later date.

4.3.4 Financial Management and operation of the Flexible Funding Mechanisms

Reporting has been improved as a result of lessons learned from earlier financial reports, and a number of minor corrections incorporated in addition to standardising formats.

As public bodies began expenditure, the operation and management of the flexible funding facilities were reviewed and support provided to ensure agencies complied with GoPNG legislation and procedures. A number of enhancements in relation to the accounts and procedures have been agreed in principle, and will be established and implemented in Q3 & Q4, 2009.

Financial reports are provided for the month, quarter, calendar year, fiscal year and project to date, in total for both PGK equivalent and AUD equivalent.

Annexes 14-17 provide source and use of funds data for January to June 2009 and the Program to date, in both PGK and AUD.

5. CROSS-CUTTING POLICIES

5.1 Gender Strategy and Implementation Plan

Implementation January – June 2009

Gender equity is a GoPNG and AusAID policy imperative.

The Transport Sector Gender Strategy and Plan was approved and circulated to stakeholders in May 2009. It is readily available through the TSSP website www.pngtssp.com. Approval to recruit a Gender Consultant/Adviser was also received in May 2009.

The Gender Consultant/Adviser will be available to commence working within the sector, in September 2009 to assist agencies and TSSP to develop/strengthen gender planning.

Notwithstanding this a number of gender driven initiatives have taken place in agencies, with adviser support from January to June 2009. These include:

- DNP&M entrenching gender considerations within the development funding application assessment process, and including gender as one of the required Strategy Result Areas in the Corporate Plan drafted during 2009 and now with the Minister for approval
- DoT and DoW introducing events to celebrate women's contribution to their agencies in recognition of *International Women's Day*
- PNG Ports introducing a Sexual Harassment Policy, a Gender Policy, and a Grievance and Dispute Policy and increasing the number of organisational events held to raise awareness in association with 'ribbon' days such as anti-violence (white) HIV and AIDS (red), breast cancer (pink) and cancer awareness (yellow) ribbon days
- NMSA and PNG Ports support for Pacific Women In Maritime Association (PACWIMA) which promotes women in professional aspects of the maritime industry.

Planned Activities July – December 2009

- Review and commence implementation of the Gender Strategy and Plan
- Provide initial gender awareness training to TSSP advisers
- Commence meeting with partner agencies to review activities and planning
- Assist the TSSP to review existing policies and strategies to enhance gender inclusiveness, including the recruitment strategy and processes with the aim of assisting TSSP improve the number of suitably qualified and experienced female candidates
- Implement, analyse and report on the female recruitment survey
- Review GoPNG contracting documents with the view to assisting relevant agencies include Community Engagement Officers in all future 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)

- Explore the potential for one transport infrastructure line agency to become a partner in a pilot practice model with the aim of testing initiatives and encouraging good gender practices
- Review the TSSP Socio Economic Baseline Study with a view to strengthening gender based data gathering and reporting
- Review the input allocated to the Gender Consultancy (four months each year).

5.2 HIV and AIDS Strategy and Implementation Plan

Implementation January – June 2009

Improved prevention and management of HIV and AIDS is a GoPNG and AusAID policy imperative.

The TSSP HIV and AIDS Strategy and Plan was approved by AusAID in June 2008. A satisfactory candidate was identified for appointment to the position of HIV and AIDS Consultant/Adviser in May 2009.

This input is scheduled to commence in September 2009 and has been timed to coincide with that of the Gender Consultant/Adviser, in recognition of the linkages between these two cross-cutting policy areas.

Notwithstanding this a number of HIV and AIDS initiatives have taken place in agencies, with adviser support from January to June 2009. These include:

- PNG Ports introducing an HIV and AIDS Workplace Policy and organising awareness raising events
- DoT making training and education information available to all personnel through the intranet, and holding awareness sessions among staff
- DoW strengthening specific HIV and AIDS requirements within all roadwork contracts

Planned Activities July – December 2009

- Review and commence implementation of the HIV and AIDS Strategy and Plan
- Provide initial HIV and AIDS awareness training to TSSP advisers
- Commence meeting with partner agencies to review activities and planning
- Review GoPNG contracting documents with the view to assisting relevant agencies include Community Engagement Officers in all future major transport infrastructure asset maintenance contracts with responsibilities that might 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
- Explore the potential for one transport infrastructure line agency to become a partner in a pilot practice model with the aim of testing initiatives and encouraging good HIV and AIDS organisational practices
- Review the TSSP Socio Economic Baseline Study with a view to strengthening HIV and AIDS data collection and reporting
- Review the input allocated to the HIV and AIDS Consultancy (four months each year).

5.3 TSSP Environment Management Framework

The TSSP Environment Management Framework was developed in Q4, 2007. The importance of transport infrastructure planning including climate change issues has increased during 2008-09 and a number of activities are taking place, primarily within DoW, to strengthen asset maintenance planning.

Activities January – June 2009

The Department of Works has been the lead agency in reviewing the policy during January to June 2009. Increased attention has resulted in contractors being required to submit Environmental Management Plans (EMPs) which are referred to the DoW Environmental Officer for consideration/approval. Implementation of the EMPs has been included in monthly progress meetings with checklists obtained from contractors as evidence of compliance prior to contract payments being made. Initial work in this area suggests that further assistance will be required by DoW provincial and contractor staff if standards and practice are to be improved.

AusAID-TSSP was a major sponsor for the Institution of PNG Engineers Climate Change Conference in April 2009; and also sponsored 12 full-time conference registrations for representatives from each of the five transport sector line agencies, with all sponsored representatives attending although on occasions sharing registration with another member of the agency. The DoW Environmental Officer was assisted to develop and present a paper on climate change awareness. Subsequent to the conference the officer has been invited to speak at *Regional Climate Change Awareness Workshops* and more recently participate in *Provincial and District Workshops on the Impacts of Climate Change*.

The DNP&M has included the environment as a Strategic Result Area in the Corporate Plan drafted during 2009 and now with the Minister for approval.

Planned activities July – December 2009

A workshop with personnel from DoW, the Office of Climate Change and Environmental Sustainability and PMCs, will be conducted during Q4, 2009 to review the expected impacts of climate change on road asset maintenance and infrastructure and the possible mitigation measures that might be implemented.

Ongoing support will be required to progress this issue to the stage where it is routinely incorporated into DoW and then other transport sector agency planning and reporting.

PNG Ports will also initiate processes to minimise environmental impacts during maintenance/construction.

5.4 Risk Management

The original TSSP Risk Management Framework was approved in December 2007.

It has been agreed that a Risk Management Consultant will undertake a review of the TSSP Risk Management matrix and provide risk management training to advisers and other TSSP personnel as part of the adviser train-the-trainer model. This has been scheduled for Q4, 2009.

6. MONITORING AND EVALUATION

The input duration for M&E responsibilities has been increased from eight to 12 months each year, in reflecting the importance of M&E to Program planning and adaptation. A three month input occurred from January to June 2009

Implementation January – June 2009

A summary of the key achievements includes:

- Review of TSCMIC strategic framework
- Review of TSSP M&E Framework to assess validity and relevance of outcomes and targets
- Contribution to the development of surveys, one to collect feedback from female applicants on the TSSP recruitment process and the other to trace the movement of capacity building participants over time
- ISP contractor performance review and report.

As part of TSSP's overall approach on continuous improvement, a review of the M&E framework and associated targets commenced with the aim of strengthening alignment of the framework to GoPNG priorities for the transport sector and in responding to the *Partnerships for Development* Agreement. The review also began the process of developing more quantifiable indicators to demonstrate more tangibly, progress against current and longer term (10-15 year) outcomes.

Planned activities July-December 2009

- Implementation of the capacity building tracer study, through agency coordinators, and the development of a database to record and commence monitoring information
- Development of a M&E training module with the aim of upskilling TSSP advisers in M&E approaches
- Preparatory arrangements for a major socio-economic impact study (for undertaking Q1 and Q2, 2010) which will measure and report on progress in relation to the benchmark data already collected
- Preparation of a scope of services and tender to initiate performance case study assessment, and enrich the more quantitative findings derived from the socio-economic impact study
- Development of a M&E model for the three stages of the TSSP capacity building framework
- Leading a quarterly review of adviser monthly progress reports to consider individual and agency based results
- Preparation of the 2009 Annual Performance Report
- Provision of M&E advice, support and mentoring within sector agencies with a view to assisting those agencies increase attention to M&E.

MRG recommendations regarding improvements to the layout and content of the Annual Performance Report (APR) will be reflected in future reporting.

Key lessons learned include:

- The potential benefits from multi-year, multi-function road asset maintenance contracts which encourage community involvement (employment, road safety awareness, gender and HIV and AIDS awareness raising, communications and coordination)
- The importance of exploring and extending the capacity building model, where and as agreed with stakeholders
- The particular importance of keeping 'on message' with regard to national transport priorities at a time of economic-downturn
- Assisting TSCMIC to continue focusing on the contracting delays that result from limited capacity within industry and to consider options in addressing these.

7. FINANCIAL REPORT

7.1 Sources and use of Funds January - June 2009

Table 3 summarises movements on all the Program's flexible funding facilities for the six months to June 2009 stated in PGK equivalent.

Table 3 TSSP Flexible Funding Facilities Source & Use of Funds - PGK							
For the 6 month period from January to June 2009							
	DoW AMIA	Bougainville AMIA	Public Bodies AMIA	TAIA (PNG)	TAIA (AUS)	Consolidation Adj	TOTAL
	PGK Actual	PGK Actual	PGK Actual	PGK Actual	PGK Equiv	PGK Equiv	PGK Equiv
Opening Balance	141,094,945	4,422,480	20,876,076	448,863	3,284,307		170,126,671
Sources of Funds							
Transfers from Other Flexible Funding Facilities							
Transfers from pre TSSP Programs							
Transfers from pre TSSP Programs – PGF							
AusAID Tranches	20,267,282	4,842,720	5,130,000		12,727,940		42,967,942
AusAID Tranches – IFGI		-2,746,454	4,730,688	4,754,534			6,738,768
AusAID Tranches – PGF							
GST Returns National & Provincial Governments	1,692,837	1,433,907		8,736			3,135,481
Interest	431,562		64,473		100,895		596,930
Total Sources	22,391,682	3,530,173	9,925,161	4,763,270	12,828,835		53,439,122
Funds Available	163,486,040	7,952,653	30,801,237	5,212,133	16,113,143		223,565,793
Uses of Funds							
Transfers to Other Flexible Funding Facilities							
Transfers for Infrastructure Asset Maintenance	14,929,040	2,812,545	3,031,292				20,772,876
Payments for Technical Assistance - Advisers				165,440	6,557,080		6,722,520
Payments for Technical Assistance - Consultancies				90,000	912,526		1,002,526
Payments for Technical Assistance – In Line Positions							
Taxes	-81,673						-81,673
Bank Fees	-10	-18	15		194		182
Total Uses	14,847,357	2,812,528	3,031,307	255,440	7,469,800		28,416,431
Closing Balance	148,639,270	5,140,125	27,769,931	4,956,693	8,643,343		195,149,362

Table 4 summarises movements on all the Program's flexible funding facilities for the six months to June 2009 stated in AUD equivalent.

Table 4 TSSP Flexible Funding Facilities Source & Use of Funds - AUD							
For the 6 month period from January to June 2009							
	DoW AMIA	Bougainville AMIA	Public Bodies AMIA	TAIA (PNG)	TAIA (AUS)	Consolidation Adj	TOTAL
	AUD Equiv	AUD Equiv	AUD Equiv	AUD Equiv	AUD Actual	AUD Equiv	AUD Equiv
Opening Balance	59,019,340	2,502,795	8,399,014	188,529	1,766,462		71,876,140
<i>Sources of Funds</i>							
Transfers from Other Flexible Funding Facilities							
Transfers from pre TSSP Programs							
Transfers from pre TSSP Programs – PGF							
AusAID Tranches	10,769,377	2,360,000	2,500,000		6,900,000		22,529,377
AusAID Tranches – IFGI		-1,104,000	2,484,000	1,904,000			3,284,000
AusAID Tranches – PGF							
GST Returns National & Provincial Governments	708,106	811,485		3,699			1,523,260
Interest	180,520		25,939		54,583		261,042
<i>Total Sources</i>	11,658,003	2,067,485	5,009,939	1,907,669	6,954,583		27,597,679
Funds Available	70,677,344	4,570,280	13,408,953	2,096,198	8,721,044		99,473,820
<i>Uses of Funds</i>							
Transfers to Other Flexible Funding Facilities							
Transfers for Infrastructure Asset Maintenance	6,244,746	1,582,257	1,233,235				9,060,238
Payments for Technical Assistance - Advisers				68,973	3,548,940		3,617,913
Payments for Technical Assistance - Consultancies				37,801	493,894		531,695
Payments for Technical Assistance – In Line Positions							
Taxes	-34,163						-34,163
Bank Fees	-4	-10	6		105		97
<i>Total Uses</i>	6,210,578	1,582,247	1,233,241	106,774	4,042,939		13,175,780
Closing Balance	64,466,765	2,988,033	12,175,712	1,989,424	4,678,105		86,298,039

7.2 Projected Expenditure July - December 2009

Projected expenditure from each of the flexible funding facilities for the six month period from July to December 2009 follows:

TAIA	PGK18.8M (AUD8.5M)
DoW AMIA	PGK50.7M
Bougainville AMIA	PGK 4.7M
Public Bodies AMIA	<u>PGK22.9M</u>
Total	<u>PGK97.1M</u>

With the exception of the TAIA, there are sufficient funds in the above accounts to cover the projected expenditure to 31 December 2009. A tranche request will be required in Q3, 2009 to provide additional funds to the TAIA to cover the projected expenditure to 31 December 2009 for Technical Assistance.

8. KEY STRATEGIC ISSUES

The issues reported in previous years remain whilst varying in detail.

Overarching Policy Frameworks

The new bilateral *Partnerships for Development* Agreement, and a revitalised GoPNG policy environment will be exceedingly important to the transport sector beyond 2009.

While the detail of the *Partnerships for Development* Transport Schedule are known, the broader GoPNG policy frameworks are currently under development and will not be known until late 2009/early 2010. These include:

- Long Term Development Strategy (40 year) through Public Sector Reform Management Unit
- Long Term Development Strategy (20 year) through DNP&M
- Medium Term Development Strategy (5 years) through DNP&M
- National Transport Strategy (20 years) through the DoT
- Medium Term Transport Plans (5 years) through DoT.

The development of the National Transport Strategy, through the Department of Transport, is being supported with TSSP-AusAID funding for a new 2010 Transport Infrastructure Priority Study (TIPS), which will prioritise infrastructure maintenance within and across the three transport modalities (road, sea and air) by province. It is anticipated that the 2010 TIPS will provide a stronger decision making tool by:

- disaggregating roads into significant segments
- prioritising across the modes as well as within them
- delivering a clear methodology that can be used to review proposals for new developments
- identifying and integrating important non-national roads into the study where they are considered to be of national importance.

The 2010 TIPS will be complemented by a survey (through TSSP-AusAID funding) which will provide updated and reliable statistical data on road conditions and traffic volume to enable the financial costs of maintenance and rehabilitation to be better assessed against the asset stock condition of roads and bridges.

Budget/Funding Constraints

GoPNG Treasury Budget Circulars have advised of the first budget deficit in six years and a smaller revenue base during 2009 and 2010. As a result Treasury has:

- Highlighted the importance of agencies working within recurrent budget appropriations
- Advised that there will not be any windfall revenues nor supplementary budgets during 2009
- Stated that there will be limited opportunities for agencies to seek funding for new expenditure proposals in the 2010 recurrent budget without identifying savings.

2010 budget ceilings are not known as at 30 June 2009. However in an effort to work more effectively within the current budget climate, the TSCMIC will, for the second time, coordinate and submit a transport sector 2010 development budget bid. TSSP continues to support agencies, and particularly the DoT, in this endeavour. There is no doubt that budget constraints will impact on 2010 planning within agencies, and as a consequence TSSP.

Capacity

Capacity constraints have often limited the ability of transport infrastructure agencies to carry out key functions and responsibilities (personnel, planning, budgeting, monitoring, etc). This has been demonstrated through slower than anticipated project contracting, less consistent project supervision, and a limited capacity to respond in the private sector (timeliness and quality).

Agencies are considering how improvements might be made in both the public and private sectors.

Limited adviser access to nominated counterpart officers is an ongoing issue, exacerbated by organisational restructuring and delays in appointing staff to vacant positions. Moving into Year 3 of Program implementation, the potential for the Program to fail in developing the required organisational capacity, and ultimately sustainability, is an increasing risk.

**DoW Asset Maintenance Expenditure - Summary
January to June 2009**

Annex 1

<u>Province</u>	<u>TSSP</u>	<u>IFGI</u>	<u>PGF</u>	<u>TSS-IP</u>	<u>NRBMP</u>	<u>TOTAL</u>
Milne Bay	277,765				218,933	496,698
Madang	980,312			2,591,755		3,572,067
East Sepik	676,505			130,049		806,554
Sandaun	458,812		3,685,714			4,144,526
West New Britain				44,083		44,083
East New Britain	3,180			108,649		111,829
New Ireland	625,165		1,565,343	185,945		2,376,453
Central	263,989		220,287			484,275
Morobe				384,258		384,258
Enga						0
Boroko	2,334,100		0	174,195		2,508,295
TOTAL	5,619,828	0	5,471,344	3,618,935	218,933	14,929,040

Refer
Annex 2
for details

Refer
Annex 3
for details

Refer
Annex 4
for details

Refer
Annex 5
for details

Refer
Annex 6
for details

**DoW Asset Maintenance Expenditure - TSSP Funding
January to June 2009**

Annex 2

<u>Province</u>	<u>Contract Description</u>	<u>Kms</u>	<u>Contract Value</u>	<u>Payments</u>			<u>Balance of Contract</u>	
				<u>2008</u>	<u>Jan-Jun 2009</u>	<u>%</u>	<u>%</u>	
Milne Bay	Minor Works		625,000	64,351	277,765	44%	282,884	45%
Milne Bay			625,000	64,351	277,765	44%	282,884	45%
Madang	Ramu HW - pompoquato to Usino and gogol brdg to Baidal Modilon Rd	80.7	8,005,359		844,883	11%	7,160,476	89%
Madang	Coastal HW		900,000	746,450	37,697	4%	115,852	13%
Madang	Ramu HW		900,000	742,266	97,733	11%	60,001	7%
Madang			9,805,359	1,488,717	980,312	10%	7,336,330	75%
East Sepik	Sepik HW -		751,626	68,038	57,370	8%	626,218	83%
East Sepik	Coastal HW		827,000	195,544	619,135	75%	12,321	1%
East Sepik			1,578,626	263,582	676,505	43%	638,539	40%
Sandaun	Coastal Hwy		776,991	33,550	458,812	59%	284,629	37%
Sandaun			776,991	33,550	458,812	59%	284,629	37%
West New Britain	New Britain Highway Kukula Hill to Bilomi Bridge	6.2	3,217,345	0	0	0%	3,217,345	100%
West New Britain			3,217,345	0	0	0%	3,217,345	100%
East New Britain	New Britain Highway		180,000	175,253	3,180	2%	1,567	1%
East New Britain			180,000	175,253	3,180	2%	1,567	1%
New Ireland	Kavieng Court House - Putput Bridge	45.0	5,850,022		349,285	6%	5,500,738	94%
New Ireland	West Coast Road- Road Maintenance Work Fangalawa to Mara		1,391,400		13,376	1%	1,378,024	99%
New Ireland	West Coast Road- Road Maintenance Work Fangalawa to Mara		1,331,260		262,504	20%	1,068,756	80%
New Ireland			8,572,682	0	625,165	7%	7,947,518	93%
Central	Hiritano HW		313,325	0	0	0%	313,325	100%
Central	Magi HW		1,060,704	0	263,989	25%	796,715	75%
Central			1,374,029	0	263,989	19%	1,110,040	81%
Boroko	PMC 2 East New Britain, West New Britain and New Ireland		4,884,000	1,118,029	1,027,536	21%	2,738,434	56%

DoW Asset Maintenance Expenditure - TSSP Funding
January to June 2009

Annex 2

<u>Province</u>	<u>Contract Description</u>	<u>Kms</u>	<u>Contract Value</u>	<u>Payments</u>		<u>%</u>	<u>Balance of Contract</u>	
				<u>2008</u>	<u>Jan-Jun 2009</u>			<u>%</u>
Boroko	PMC 3 Madang, East Sepik and Sandaun		5,385,600	1,362,811	1,306,564	24%	2,716,225	50%
Boroko	PMC 1 Central, Morobe, Milne Bay		5,198,160	0	0	0%	5,198,160	100%
Boroko			15,467,760	2,480,841	2,334,100	15%	10,652,820	69%
TOTAL			41,597,792	4,506,293	5,619,828	14%	31,471,671	76%
Funds Provided to Date			42,732,307					

**DoW Asset Maintenance Expenditure - IFGI Funding
January to June 2009**

Annex 3

<u>Province</u>	<u>Contract Description</u>	<u>Kms</u>	<u>Contract Value</u>	<u>Payments</u>		<u>%</u>	<u>Balance of Contract</u>	
				<u>2008</u>	<u>Jan-Jun 2009</u>		<u>%</u>	<u>%</u>
East Sepik	Coastal Highway Kreer Jct - Passan Jct Pavement	22.0	6,087,975	0	0	0%	6,087,975	100%
East Sepik	Repairs							
East Sepik	Coastal Highway - Hawaiian - Prom	22.0	4,000,000	0	0	0%	4,000,000	100%
East Sepik			10,087,975	0	0	0%	10,087,975	100%
Central	Akearama Upgrade	4.7	4,500,000	0	0	0%	4,500,000	100%
Central			4,500,000	0	0	0%	4,500,000	100%
TOTAL			12,337,975	0	0	0%	12,337,975	100%
Funds Provided to Date			12,550,500					

**DoW Asset Maintenance Expenditure - PGF Funding
January to June 2009**

Annex 4

Province	Contract Description	Kms	Contract Value	Payments 2008	Payments		%	Balance of Contract	%
					Jan-Jun 2009	%			
Milne Bay	East Cape Road regravelling and Sealing	15.7	8,752,918	3,801,692	0	0%	4,951,226	57%	
Milne Bay			8,752,918	3,801,692	0	0%	4,951,226	57%	
Sandaun	The Sepik Highway - Regravelling Mai to Milak	12.0	7,495,053	4,171,215	2,073,774	28%	1,250,064	17%	
Sandaun	The Sepik Highway - Regravelling Milak to Asin	12.0	6,243,303	2,627,683	301,187	5%	3,314,433	53%	
Sandaun	The Costal Highway - Regravelling Davi to Mussu	6.0	6,638,220	3,324,265	1,310,753	20%	2,003,202	30%	
Sandaun			20,376,575	10,123,162	3,685,714	18%	6,567,699	32%	
New Ireland	Buluminski Highway - regravelling and Sealing Kimadam to Daloma	13.0	6,156,807	5,229,407	478,789	8%	448,610	7%	
New Ireland	Buluminski Highway - Regravelling and Sealing Daloma to Penamun	18.0	7,175,503	5,891,003	1,086,554	15%	197,946	3%	
New Ireland			13,332,310	11,120,410	1,565,343	12%	646,557	5%	
Central	Hiritano Highway - Upgrade to Seal - Agevairu to Akerama	11.5	5,952,675	5,863,385	89,290	1%	0	0%	
Central	Hiritano Highway - Upgrade to Seal - Akerama to Aropokina	15.5	8,733,108	8,602,111	130,997	1%	0	0%	
Central	Magi Highway - Upgrade to Seal - Matairuka to Alepa Turn Off	16.0	9,649,951	5,995,124	0	0%	3,654,828	38%	
Central			24,335,734	20,460,620	220,287	1%	3,654,828	15%	
Boroko	Overheads		1,000,000	500,000	0	0%	500,000	50%	
Boroko			1,000,000	500,000	0	0%	500,000	50%	
TOTAL			67,797,537	46,005,883	5,471,344	8%	16,320,310	24%	
Funds Provided to Date - PGF 2007			68,939,250						
Funds Provided to Date - PGF 2008			85,410,500						

**DoW Asset Maintenance Expenditure - TSS-IP Funding
January to June 2009**

Annex 5

<u>Province</u>	<u>Contract Description</u>	<u>Kms</u>	<u>Contract Value</u>	<u>Payments 2008</u>	<u>Payments</u>		<u>Balance of Contract</u>	<u>%</u>
					<u>Jan-Jun 2009</u>	<u>%</u>		
Milne Bay	Magi Hwy, Upgrade to Seal Naura Br to Gumini Br Ch 28450 - 38,506	10.0	1,391,536	975,760	0	0%	415,776	30%
Milne Bay	East Cape Rd - Regravelling Gadudu to East Cape	14.7	3,441,519	2,459,999	0	0%	981,519	29%
Milne Bay	Install Culvert, Head and Wing Walls		58,354	0	0	0%	58,354	100%
Milne Bay	Yeluyelu Coastal Protection Works		39,566	39,566	0	0%	0	0%
Milne Bay	Ealasiagado Coastal Protection Works		43,273	43,273	0	0%	0	0%
Milne Bay	Bubuleta Section 4 Coastal Protection Works		65,144	65,144	0	0%	0	0%
Milne Bay	Bubuleta Section 2 Coastal Protection Works		63,536	63,536	0	0%	0	0%
Milne Bay			5,102,928	3,647,278	0	0%	1,455,650	29%
Madang	Coastal Hwy Pavement Repair and Reseal Pukpuk Br to Kumil Br	49.0	967,369	967,369	0	0%	0	0%
Madang	Ramu Hwy - Upgrade to Seal Tapo Crossing to Naru Br	10.0	8,731,443	5,393,409	2,591,755	30%	746,279	9%
Madang			9,698,812	6,360,778	2,591,755	27%	746,279	8%
East Sepik	Coastal Hwy/Sepik Hwy, Repair of major landslips	85.0	4,296,375	4,166,325	130,049	3%	1	0%
East Sepik	Sepik Hwy Pavement Repair plus Upgrade to Seal	20.0	529,993	529,993	0	0%	0	0%
East Sepik			4,826,368	4,696,318	130,049	3%	1	0%
Sandaun	Coastal Hwy Upgrade to Seal Sawmill Jn to Pasir Jn	6.0	2,547,708	2,547,708	0	0%	0	0%
Sandaun			2,547,708	2,547,708	0	0%	0	0%
West New Britain	New Britain Hwy Pavement Repair and Reseal Aum Bdg to Pisi Bdg	12.0	1,403,149	1,352,521	44,083	3%	6,545	0%
West New Britain			1,403,149	1,352,521	44,083	3%	6,545	0%
East New Britain	North Coast Rd Pavement Repair and Reseal Pakanairir to Tomatana	15.0	3,294,315	3,104,430	108,649	3%	81,237	2%
East New Britain			3,294,315	3,104,430	108,649	3%	81,237	2%
New Ireland	Buluminski Hwy Prepare Pavement and Seal. Stage 1. GoPNG	45.0	551,895	240,455	185,945	34%	125,495	23%

DoW Asset Maintenance Expenditure - TSS-IP Funding
January to June 2009

Annex 5

<u>Province</u>	<u>Contract Description</u>	<u>Kms</u>	<u>Contract Value</u>	<u>Payments</u>		<u>%</u>	<u>Balance of Contract</u>	
				<u>2008</u>	<u>Jan-Jun 2009</u>			<u>%</u>
New Ireland	Hiruan Bridge, Timber Deck Replacement with Steel		64,680	0	0	0%	64,680	100%
New Ireland	Hiruan Bridge, Timber Deck Replacement with Steel		61,600	0	0	0%	61,600	100%
New Ireland			678,175	240,455	185,945	27%	251,775	37%
Central	Magi Hwy Pavement Repair and Reseal Kemp Welch Br to Matairuka	16.0	104,199	104,199	0	0%	0	0%
Central	Sogeri Rd Pavement Repair and Reseal Marianville Jn to Sogeri High School	23.0	142,249	142,249	0	0%	0	0%
Central			246,448	246,448	0	0%	0	0%
Morobe	Highlands Hwy, Pavement Repairs Wau/Bulolo Rd,	29.0	729,628	250,973	384,258	53%	94,397	13%
Morobe			729,628	250,973	384,258	53%	94,397	13%
Boroko	PMC 1 Central, Morobe, Milne Bay		1,578,318	1,366,734	132,812	8%	78,772	5%
Boroko	PMC 2 East New Britain, West New Britain and New Ireland		1,260,988	1,260,988	0	0%	0	0%
Boroko	PMC 3 Madang, East Sepik and Sandaun		1,199,150	1,199,150	0	0%	0	0%
Boroko	FMS Upgrade Project		935,211	892,863	41,383	4%	964	0%
Boroko			4,973,667	4,719,735	174,195	4%	79,737	2%
TOTAL			33,501,198	27,166,643	3,618,935	11%	2,715,620	8%

DoW Asset Maintenance Expenditure - NRBMP Funding
January to June 2009

Annex 6

<u>Province</u>	<u>Contract Description</u>	<u>Kms</u>	<u>Contract Value</u>	<u>Payments</u>		<u>%</u>	<u>Balance of</u>	
				<u>2008</u>	<u>Jan-Jun 2009</u>		<u>Contract</u>	<u>%</u>
Milne Bay	Magi Hwy, Regravel and Seal Pini Range	11.1	237,207	0	218,933	92%	18,274	8%
Milne Bay	Magi Hwy Pavement Repairs Alotau to Gurney		16,743	0	0	0%	16,743	100%
Milne Bay			253,950	0	218,933	86%	35,017	14%
East Sepik	Pagwi Road, Construct and Upgrade Seal Ch 28.5 - 46.5		354,079	354,079	0	0%	0	0%
East Sepik			354,079	354,079	0	0%	0	0%
TOTAL			608,029	354,079	218,933	36%	35,017	6%

Bougainville
Asset Maintenance
Projected Work Plan and Expenditure - Summary
as at June 2009

Annex 7

<u>Proj</u>	<u>Description</u>	<u>Work Plan</u>	<u>Act/For</u> <u>2009</u>	<u>Forecast</u> <u>2010</u>	<u>Total</u>
Maintenance Activity					
	Routine Maintenance - Unsealed	1,374,309	1,374,309	0	1,374,309
	Routine Maintenance - Sealed	608,075	608,075	0	608,075
	Periodic Maintenance	3,607,750	3,607,750	0	3,607,750
	Specific Maintenance	475,000	475,000	0	475,000
	Community Based Work Agreements	764,000	764,000	0	764,000
	Emergency Maintenance	300,000	299,640	0	299,640
	Equipment & Materials	250,000	250,000	0	250,000
	Total Maintenance Activities	7,379,134	7,378,774	0	7,378,774
Indirect Maintenance Costs					
	Domestic Supervision / Counterpart Provisions	153,000	153,000	0	153,000
	Training Delivery	0	0	0	0
	LCC Expenses	15,000	15,000	0	15,000
	Genset	15,000	15,000	0	15,000
	Total Indirect Maintenance Costs	183,000	183,000	0	183,000
Other					
	Unacquitted Expenditure		0	0	0
	Unacquitted Funds		0	0	0
	Total Other	0	0	0	0
TOTAL		7,562,134	7,561,773	0	7,561,773
Projected Bank Balance			390,896	390,896	

<u>Actual</u> <u>Jan-Jun 09</u>	<u>Forecast</u> <u>Jul-Dec 09</u>
326,068	1,048,240
185,082	422,993
1,355,429	2,252,321
0	475,000
327,360	436,639
288,231	11,409
199,484	50,516
2,681,655	4,697,119
121,573	31,427
0	0
9,318	5,682
0	15,000
130,891	52,109
0	0
0	0
0	0
2,812,545	4,749,228
5,140,124	390,896

Bougainville
 Asset Maintenance
 Projected Work Plan and Expenditure - Detail
 as at June 2009

Annex 8

<u>Proj</u>	<u>Description</u>	<u>Work Plan</u> <u>Rev 3.1</u>	<u>Act/For</u> <u>2009</u>	<u>Forecast</u> <u>2010</u>	<u>Total</u>	<u>Actual</u> <u>Jan-Jun 09</u>	<u>Forecast</u> <u>Jul-Dec 09</u>
Maintenance Activity							
<u>Routine Maintenance - Unsealed</u>							
	Buka	427,980	427,980	0	427,980	0	427,980
	Siara to Kunua	181,250	181,250	0	181,250	0	181,250
	Iaun to Kokopau	360,363	360,363	0	360,363	164,587	195,776
	Arakawau to Sivavi	286,861	286,861	0	286,861	147,753	139,108
	Aropa to Lalau	0	0	0	0	0	0
	Buin to Sovele	0	0	0	0	0	0
	Kangu Beach Access	0	0	0	0	0	0
	Panguna to Jaba River Br	117,855	117,855	0	117,855	13,729	104,126
		1,374,309	1,374,309	0	1,374,309	326,068	1,048,240
<u>Routine Maintenance - Sealed</u>							
	Buka Township	0	0	0	0	0	0
	Tunuru to Arakawau River Bridge	0	0	0	0	0	0
	Tekanu Bridge Approaches	3,100	3,100	0	3,100	0	3,100
	Wakunai Bridge Approaches	4,100	4,100	0	4,100	0	4,100
	Sivavi to Iaun	600,875	600,875	0	600,875	185,082	415,793
	Tunuru to Aropa	0	0	0	0	0	0
	Buin Township	0	0	0	0	0	0
	Morgan Junction to Panguna	0	0	0	0	0	0
	Jaba River Bridge to Nunopa	0	0	0	0	0	0
		608,075	608,075	0	608,075	185,082	422,993
<u>Periodic Maintenance</u>							
Buka							
	Buka West Coast Road	1,532,379	1,532,379	0	1,532,379	1,355,429	176,950
Northern Bougainville							
	Kokopau-Tinputz	564,720	564,720	0	564,720	0	564,720
	Tinputz-Wakunai	1,225,474	1,225,474	0	1,225,474	0	1,225,474
Central Bougainville							
	Morgan-Jaba (Panguna)	0	0	0	0	0	0
	Aropa-Koromira	285,177	285,177	0	285,177	0	285,177
Southern Bougainville							
	Buin to Sovele (Kangu Bch)	0	0	0	0	0	0
		3,607,750	3,607,750	0	3,607,750	1,355,429	2,252,321
<u>Specific Maintenance</u>							
Buka							
	Buka Town Road Drainage Improvements	475,000	475,000	0	475,000	0	475,000
Northern Bougainville							
	Kokopau-Tinputz	0	0	0	0	0	0
	Tinputz-Wakunai	0	0	0	0	0	0
Central Bougainville							
	Morgan-Jaba (Panguna)	0	0	0	0	0	0
	Aropa-Koromira	0	0	0	0	0	0
Southern Bougainville							
	Buin to Sovele (Kangu Bch)	0	0	0	0	0	0
		475,000	475,000	0	475,000	0	475,000
<u>Community Based Work Agreements</u>							
	Buka	0	0	0	0	0	0
	Siara-Kaviki	0	0	0	0	0	0
	Arawa-Kokopau	354,000	354,000	0	354,000	293,763	60,237
	Panguna	405,000	405,000	0	405,000	29,416	375,584
	Arawa-Buin-Sovele	5,000	5,000	0	5,000	4,182	818
		764,000	764,000	0	764,000	327,360	436,639
<u>Emergency Maintenance</u>							
<u>Emergency Response</u>							
	Buka	0	0	0	0	0	0
	Siara-Koropobi	90,000	89,640	0	89,640	83,482	6,158
	Arawa-Kokopau	210,000	210,000	0	210,000	204,749	5,251
	Arawa-Buin-Sovele	0	0	0	0	0	0
		300,000	299,640	0	299,640	288,231	11,409
<u>Equipment & Materials</u>							
<u>Crushing Plant</u>							
	Demobilisation	43,000	43,000	0	43,000	42,900	100
<u>Materials</u>							
	Cement	13,000	13,000	0	13,000	320	12,680
	Guard railing	77,000	77,000	0	77,000	73,094	3,906
	Gravel royalties	117,000	117,000	0	117,000	83,170	33,830
		250,000	250,000	0	250,000	199,484	50,516
	Total Maintenance Activities	7,379,134	7,378,774	0	7,378,774	2,681,655	4,697,119
<u>Indirect Maintenance Costs</u>							
	Domestic Supervision / Counterpart Provisions	153,000	153,000	0	153,000	121,573	31,427
	Training Delivery	0	0	0	0	0	0
	LCC Expenses	15,000	15,000	0	15,000	9,318	5,682
	Genset	15,000	15,000	0	15,000	0	15,000
	Total Indirect Maintenance Costs	183,000	183,000	0	183,000	130,891	52,109
<u>Other</u>							
	Unacquitted Expenditure		0	0	0	0	0
	Unacquitted Funds		0	0	0	0	0
	Total Other	0	0	0	0	0	0
	TOTAL	7,562,134	7,561,773	0	7,561,773	2,812,545	4,749,228
Projected Bank Balance			390,896	390,896		4,422,480	390,896

**Civil Aviation Authority
Asset Maintenance
Projected Work Plan & Expenditure
as at June 2009**

Annex 9

<u>Proj #</u>	<u>Description</u>	<u>Work Plan</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Act/For 2009</u>	<u>Forecast 2010</u>	<u>Total</u>	<u>Actual Jan-Jun 09</u>	<u>Forecast Jul-Dec 09</u>
Civil Works									
01	Wewak Airport	1,200,000	0	0	0	0	0	0	0
02	Girua Airport	1,815,770	0	587,998	1,227,772	0	1,815,770	815,054	412,718
04	Hoskins, Tokua & Madang	200,000	0	115,261	23,306	61,433	200,000	0	23,306
	Total Civil Works	3,215,770	0	703,260	1,251,078	61,433	2,015,771	815,054	436,024
Goods									
07	Baggage Security Intl/Dom	5,000,000	0	0	4,114,285	885,715	5,000,000	0	4,114,285
08b	Intl Arrival Dom Tfr	1,091,100	0	0	750,000	341,100	1,091,100	0	750,000
09	POMBMS	4,800,000	0	0	3,000,000	1,800,000	4,800,000	0	3,000,000
10	Safety Equip	200,000	0	0	200,000	0	200,000	0	200,000
	Total Goods	11,091,100	0	0	8,064,285	3,026,815	11,091,100	0	8,064,285
Consultancies									
03	NASMP	2,000,000	0	0	2,000,000	0	2,000,000	278,328	1,721,672
05	QA	1,400,000	0	165,249	987,601	247,150	1,400,000	0	987,601
06	POMMP	3,000,000	0	0	2,571,428	428,572	3,000,000	0	2,571,428
08a	Intl Arrival Dom Tfr	108,900	0	10,890	98,010	0	108,900	0	98,010
	Total Consultancies	6,508,900	0	176,139	5,657,039	675,722	6,508,900	278,328	5,378,711
Other									
	Unacquitted Expenditure		0	41,176	-41,176	0	0	0	-41,176
	Unacquitted Funds		0	185,952	-185,952	0	-0	0	-185,952
	Total Other	0	0	227,128	-227,128	0	-0	0	-227,128
TOTAL		20,815,770	0	1,106,527	14,745,274	3,763,970	19,615,771	1,093,382	13,651,892

NOTE: Total of actual and forecast is K1,200,000 less than work plan due to non approval of Wewak Airport

ASL
 Asset Maintenance
 Projected Work Plan & Expenditure
 as at June 2009

Annex 10

<u>Proj #</u>	<u>Description</u>	<u>Work Plan</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Act/For 2009</u>	<u>Forecast 2010</u>	<u>Total</u>
Civil Works							
		0	0	0	0	0	0
	Total Civil Works	0	0	0	0	0	0
Goods							
01	PC Based ATC Training Simulator	800,000	0	0	800,000	0	800,000
02	Nav aids Replacement Project	2,200,000	0	0	2,200,000	0	2,200,000
03	Domestic V-SAT Completion	2,000,000	0	0	2,000,000	0	2,000,000
04	Spare Radar Screen (4)	500,000	0	0	500,000	0	500,000
05	Supply of Misc Equip & S/Parts	700,000	0	0	700,000	0	700,000
	Total Goods	6,200,000	0	0	6,200,000	0	6,200,000
Consultancies							
		0	0	0	0	0	0
	Total Consultancies	0	0	0	0	0	0
Other							
	Unacquitted Expenditure		0	0	0	0	0
	Unacquitted Funds		0	0	0	0	0
	Total Other	0	0	0	0	0	0
TOTAL		6,200,000	0	0	6,200,000	0	6,200,000

<u>Actual Jan-Jun 09</u>	<u>Forecast Jul-Dec 09</u>
0	0
0	0
408,855	391,145
0	2,200,000
0	2,000,000
0	500,000
0	700,000
408,855	5,791,145
0	0
0	0
0	0
0	0
0	0
408,855	5,791,145

**PNG Ports
Asset Maintenance
Projected Work Plan & Expenditure
as at June 2009**

Annex 11

<u>Proj #</u>	<u>Description</u>	<u>Work Plan</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Act/For 2009</u>	<u>Forecast 2010</u>	<u>Total</u>
Civil Works							
01	Buka Wharf Refurb	3,500,000	0	0	3,500,000	0	3,500,000
	Total Civil Works	3,500,000	0	0	3,500,000	0	3,500,000
Goods							
	Total Goods	0	0	0	0	0	0
Consultancies							
	Total Consultancies	0	0	0	0	0	0
Other							
	Unacquitted Expenditure		0	0	0	0	0
	Unacquitted Funds		0	0	0	0	0
	Total Other	0	0	0	0	0	0
TOTAL		3,500,000	0	0	3,500,000	0	3,500,000

<u>Actual Jan-Jun 09</u>	<u>Forecast Jul-Dec 09</u>
1,529,055	1,970,945
1,529,055	1,970,945
0	0
0	0
0	0
0	0
0	0
0	0
1,529,055	1,970,945

**NMSA
Asset Maintenance
Projected Work Plan & Expenditure
as at June 2009**

Annex 12

<u>Proj #</u>	<u>Description</u>	<u>Work Plan</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Act/For 2009</u>	<u>Forecast 2010</u>	<u>Total</u>
Civil Works							
		0	0	0	0	0	0
	Total Civil Works	0	0	0	0	0	0
Goods							
01	Maritime Radio Comms System	2,000,000	0	0	1,500,000	500,000	2,000,000
	Total Goods	2,000,000	0	0	1,500,000	500,000	2,000,000
Consultancies							
		0	0	0	0	0	0
	Total Consultancies	0	0	0	0	0	0
Other							
	Unacquitted Expenditure		0	0	0	0	0
	Unacquitted Funds		0	0	0	0	0
	Total Other	0	0	0	0	0	0
TOTAL		2,000,000	0	0	1,500,000	500,000	2,000,000

<u>Actual Jan-Jun 09</u>	<u>Forecast Jul-Dec 09</u>
0	0
0	0
0	1,500,000
0	1,500,000
0	0
0	0
0	0
0	0
0	1,500,000

**TSSP Flexible Funding Facilities
Source & Use of Funds Statement
Total PGK Equivalent
Calendar Year to**

Annex 14

Jun-09

	<i>PGK Actual DoW AMIA</i>	<i>PGK Actual BAMIA</i>	<i>PGK Actual PBAMIA</i>	<i>PGK Actual TAIA (PNG)</i>	<i>PGK Equiv TAIA (AUS)</i>	<i>PGK Equiv Cons Adj</i>	<i>PGK Equiv TOTAL</i>
Opening Balance	141,094,945	4,422,480	20,876,076	448,863	3,284,307		170,126,671
<u>Sources of Funds</u>							
Transfers from Other FFF	0	0	0	0	0	0	0
Transfers from pre TSSP Programs	0	0	0	0	0		0
Transfers from pre TSSP Programs - PGF	0						0
AusAID Tranches	20,267,282	4,842,720	5,130,000	0	12,727,940		42,967,942
AusAID Tranches - IFGI	0	-2,746,454	4,730,688	4,754,534	0		6,738,768
AusAID Tranches - PGF	0	0	0	0	0		0
GST Refunds	1,692,837	1,433,907	0	8,736	0		3,135,481
National & Provincial Governments	0	0	0	0	0		0
Interest	431,562	0	64,473	0	100,895		596,930
Total Sources	22,391,682	3,530,173	9,925,161	4,763,270	12,828,835	0	53,439,122
Funds Available	163,486,627	7,952,653	30,801,237	5,212,133	16,113,143	0	223,565,793
<u>Uses of Funds</u>							
Transfers to Other FFF	0	0	0	0	0	0	0
Transfers for Infrastructure Maintenance	14,929,040	2,812,545	3,031,292	0	0		20,772,876
Payments for Technical Assistance - Advisers	0	0	0	165,440	6,557,080		6,722,520
Payments for Technical Assistance - Consultancies	0	0	0	90,000	912,526		1,002,526
Payments for Technical Assistance - In Line Positions	0	0	0	0	0		0
Taxes	-81,673	0	0	0	0		-81,673
Bank Fees	-10	-18	15	0	194		182
Total Uses	14,847,357	2,812,528	3,031,307	255,440	7,469,800	0	28,416,431
Closing Balance	148,639,270	5,140,125	27,769,931	4,956,693	8,643,343	0	195,149,362

**TSSP Flexible Funding Facilities
Source & Use of Funds Statement
Total AUD Equivalent
Calendar Year to**

Annex 15

Jun-09

	<i>AUD Equiv DoW AMIA</i>	<i>AUD Equiv BAMIA</i>	<i>AUD Equiv PBAMIA</i>	<i>AUD Equiv TAIA (PNG)</i>	<i>AUD Actual TAIA (AUS)</i>	<i>AUD Actual Cons Adj</i>	<i>AUD Equiv TOTAL</i>
Opening Balance	59,019,340	2,502,795	8,399,014	188,529	1,766,462		71,876,140
<u>Sources of Funds</u>							
Transfers from Other FFF	0	0	0	0	0	0	0
Transfers from pre TSSP Programs	0	0	0	0	0		0
Transfers from pre TSSP Programs - PGF	0						0
AusAID Tranches	10,769,377	2,360,000	2,500,000	0	6,900,000		22,529,377
AusAID Tranches - IFGI	0	-1,104,000	2,484,000	1,904,000	0		3,284,000
AusAID Tranches - PGF	0	0	0	0	0		0
GST Refunds	708,106	811,485	0	3,669	0		1,523,260
National & Provincial Governments	0	0	0	0	0		0
Interest	180,520	0	25,939	0	54,583		261,042
Total Sources	11,658,003	2,067,485	5,009,939	1,907,669	6,954,583	0	27,597,679
Funds Available	70,677,344	4,570,280	13,408,953	2,096,198	8,721,044	0	99,473,820
<u>Uses of Funds</u>							
Transfers to Other FFF	0	0	0	0	0	0	0
Transfers for Infrastructure Maintenance	6,244,746	1,582,257	1,233,235	0	0		9,060,238
Payments for Technical Assistance - Advisers	0	0	0	68,973	3,548,940		3,617,913
Payments for Technical Assistance - Consultancies	0	0	0	37,801	493,894		531,695
Payments for Technical Assistance - In Line Positions	0	0	0	0	0		0
Taxes	-34,163	0	0	0	0		-34,163
Bank Fees	-4	-10	6	0	105		97
Total Uses	6,210,578	1,582,247	1,233,241	106,774	4,042,939	0	13,175,780
Closing Balance	64,466,765	2,988,033	12,175,712	1,989,424	4,678,105	0	86,298,039

**TSSP Flexible Funding Facilities
Source & Use of Funds Statement
Total PGK Equivalent
Project to Date as at**

Annex 16

Jun-09

	<i>PGK Actual DoW AMIA</i>	<i>PGK Actual BAMIA</i>	<i>PGK Actual PBAMIA</i>	<i>PGK Actual TAIA (PNG)</i>	<i>PGK Equiv TAIA (AUS)</i>	<i>PGK Equiv Cons Adj</i>	<i>PGK Equiv TOTAL</i>
Opening Balance	0	0	0	0	0		0
<u>Sources of Funds</u>							
Transfers from Other FFF	0	0	0	714,261	0	-714,261	0
Transfers from pre TSSP Programs	22,189,782	0	0	0	0		22,189,782
Transfers from pre TSSP Programs - PGF	68,939,250						68,939,250
AusAID Tranches	42,732,307	26,564,251	5,130,000	0	30,278,165		104,704,723
AusAID Tranches - IFGI	12,550,500	0	26,658,112	4,754,534	0		43,963,147
AusAID Tranches - PGF	85,410,500	0	0	0	0		85,410,500
GST Refunds	5,817,097	1,534,208	0	8,736	0		7,360,041
National & Provincial Governments	3,000,000	0	0	0	0		3,000,000
Interest	976,047	0	119,652	0	343,627		1,439,327
Total Sources	241,615,483	28,098,459	31,907,764	5,477,531	30,621,792	-714,261	337,006,770
Funds Available	241,615,483	28,098,459	31,907,764	5,477,531	30,621,792	-714,261	337,006,770
<u>Uses of Funds</u>							
Transfers to Other FFF	0	0	0	0	714,261	-714,261	0
Transfers for Infrastructure Maintenance	92,976,213	22,958,317	4,137,819	0	0		120,072,349
Payments for Technical Assistance - Advisers	0	0	0	279,209	16,616,319		16,895,528
Payments for Technical Assistance - Consultancies	0	0	0	241,629	4,647,050		4,888,679
Payments for Technical Assistance - In Line Positions	0	0	0	0	0		0
Taxes	0	0	0	0	0		0
Bank Fees	0	18	15	0	820		853
Total Uses	92,976,213	22,958,334	4,137,834	520,838	21,978,450	-714,261	141,857,408
Closing Balance	148,639,270	5,140,125	27,769,931	4,956,693	8,643,343	-0	195,149,362

**TSSP Flexible Funding Facilities
Source & Use of Funds Statement
Total AUD Equivalent
Project to Date as at**

Annex 17

Jun-09

	<u>AUD Equiv DoW AMIA</u>	<u>AUD Equiv BAMIA</u>	<u>AUD Equiv PBAMIA</u>	<u>AUD Equiv TAIA (PNG)</u>	<u>AUD Actual TAIA (AUS)</u>	<u>AUD Actual Cons Adj</u>	<u>AUD Equiv TOTAL</u>
Opening Balance	0	0	0	0	0		0
<u>Sources of Funds</u>							
Transfers from Other FFF	0	0	0	300,000	0	-300,000	0
Transfers from pre TSSP Programs	9,656,233	0	0	0	0		9,656,233
Transfers from pre TSSP Programs - PGF	30,000,000						30,000,000
AusAID Tranches	20,165,431	12,827,000	2,500,000	0	14,600,000		50,092,431
AusAID Tranches - IFGI	5,000,000	0	11,306,000	1,904,000	0		18,210,000
AusAID Tranches - PGF	35,000,000	0	0	0	0		35,000,000
GST Refunds	2,433,264	860,221	0	3,669	0		3,297,153
National & Provincial Governments	1,254,886	0	0	0	0		1,254,886
Interest	408,276	0	48,139	0	150,171		606,586
Total Sources	103,918,089	13,687,221	13,854,139	2,207,669	14,750,171	-300,000	148,117,289
Funds Available	103,918,089	13,687,221	13,854,139	2,207,669	14,750,171	-300,000	148,117,289
<u>Uses of Funds</u>							
Transfers to Other FFF	0	0	0	0	300,000	-300,000	0
Transfers for Infrastructure Maintenance	39,451,324	10,699,183	1,678,421	0	0		51,828,928
Payments for Technical Assistance - Advisers	0	0	0	116,758	7,804,064		7,920,822
Payments for Technical Assistance - Consultancies	0	0	0	101,488	1,967,644		2,069,132
Payments for Technical Assistance - In Line Positions	0	0	0	0	0		0
Taxes	0	0	0	0	0		0
Bank Fees	0	4	6	0	358		368
Total Uses	39,451,324	10,699,187	1,678,427	218,246	10,072,066	-300,000	61,819,250
Closing Balance	64,466,765	2,988,033	12,175,712	1,989,424	4,678,105	-0	86,298,039

NOTE: At nominal exchange rate (rate received into TSSP) not actual exchange rate on date of transaction due to non availability of records