Public Sector Management in Papua New Guinea
An Administrative Overview

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PUBLIC SECTOR MANAGEMENT IN PAPUA NEW GUINEA:
AN ADMINISTRATIVE OVERVIEW

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This report reflects the work of a mission studying public administration in Papua New Guinea which took place in September/October 1982. The mission was led by Mr. Philip Berlin (Sr. Economist) and included Messrs. Glynn Cochrane, Leonard Joy and Thomas Schmidt (consultants). It was discussed with the PNG Government on may 23-27, 1983.

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1. SUMMARY AND CONCLUSIONS

Introductory Note

1.01 This Report has been developed as a part of the ongoing dialogue between the World Bank and the Government of Papua New Guinea over the past year on matters pertaining to public sector management in PNG. It concentrates on certain areas of public administration which reflect a consensus between the Bank and the PNG Government with respect to issues of particular importance. Thus this Report does not purport to provide an exhaustive description of the overall institutional setting and concentrates on descriptive material only when this is necessary for the analysis. It should, moreover, be stressed that the present Report is not meant to be a project identification report; rather, it was prepared in order to permit a better understanding of certain central problems in public sector management. The Bank is, however, ready to provide more specific proposals for project follow-up in the areas under discussion once the PNG Government has had time to study and analyze the findings herein presented.

1.02 In the following pages a number of observations critical of certain aspects of the public administration system in Papua New Guinea will be found. This does not, however, detract from the fact that PNG now enjoys basically strong public sector management: indeed, a number of institutions and practices which form an important part of the administrative system under examination are lacking in many other developing countries, to their detriment. Thus it must be understood proposals made for improvements in the system already presuppose the generally well-functioning system as it now exists in PNG.

1.03 In particular, strong and carefully controlled budget procedures of the PNG government coexist with well-conceived expenditure categories and generally permit close expenditure controls as well as a good overview of exactly how the Government is deploying its resources and whether these are taking place according to schedule. Papua New Guinea, moreover, is exceptional among developing countries in having a planning process ensuring that future costs associated with public expenditures can be covered by projected revenues during the four-year planning period. It enjoys virtually the same pre-eminence in subjecting externally financed projects to the same planning procedures even if these are offered on highly concessionary terms, thus giving explicit cognizance to the opportunity cost of these funds. Moreover, there have been few ill-conceived or obviously wasteful projects in the National Public Expenditure Plan (NPEP). Finally - although it has been subject to some criticism because of recruitment delays - the Public
Services Commission (PSC) has kept itself above politics, and appointments to the public service have been largely free of nepotism or inappropriate political influence.

1.04 The strong centralization of administrative systems is perhaps the most fundamental aspect of public management in Papua New Guinea. As suggested above, this has brought substantial benefits to PNG, particularly in assuring an orderly transfer of power and institutions in 1975 from the colonial regime to the newly independent nation. However, as the expanding debate on public administration—culminating in the ToRoberts Report of 1979 and the subsequent Administrative Improvement Program—suggests, the system is being pushed to its limit. The present report analyzes some of the salient features of the system, and proposes certain broad, qualitative changes, particularly in the central areas of planning and budgeting.

1.05 The Papua New Guinea Government itself has periodically manifested considerable concern about the workings of its public administration system, with numerous commissions, study groups and reports having been commissioned, perhaps the most important of which has been the ToRoberts Report, authored by Sir Henry ToRoberts, Governor of the Central Bank of PNG. Specific concerns have been many: the land tenure system, public service recruitment procedures, public enterprises, housing for public servants, localization and manpower development, planning, governmental organization, etc. Many of these have become the subject of the Administrative Improvement Programme, as recommended by the ToRoberts Report; few, however, have been resolved to the government's satisfaction to this date.

1.06 According to the ToRoberts Report,

"the main aspects in which overall management of the Public Service is inadequate are: firstly, there is poor coordination of national policy; secondly, too little delegation of responsibility to departments; and third, poor management within many departments."

Moreover,

"manpower development in the Public Service suffers from lack of clear policy and coordination."

Some other relevant findings were:

(a) there are "inadequate systems for setting priorities and managing programs within most departments;
(b) confusion over the roles of the central agencies of government ... and the role of the NPC [National Planning Council] relative to individual ministries."

The ToRobert Report also expressed its concerns about decentralization, noting that many of its recommendations applied equally to the provinces and urging, among others, that technical assistance be supplied (by national departments) to the provinces to develop planning and management systems. The overall conclusions pertaining to public management in PNG which the World Bank has drawn from its several missions over the past year coincide in a number of respects with the ToRobert Report.

**World Bank Work**

1.07 The above represents a selective summary of the ToRobert Report, whose more general findings focussed on the inability of the PNG administrative system to respond effectively to national plans and objectives. These observations coincide in large part with the findings of a series of Bank missions culminating in a three-week visit to Port Moresby in October 1982 and which, at the request of the Government of Papua New Guinea, has given rise to this report. In expressing its concerns to the mission, the government noted particularly that "management services" units of the line departments seemed generally incapable of carrying out their roles effectively, which in turn was responsible for much of the poor quality of budgetary management in the line departments, and, more generally, of public administration in PNG. Concern was also expressed about the frustratingly slow pace of public service recruitment.

1.08 The October mission concentrated on three basic areas: human resources development (manpower planning); (b) budgetary management, particularly but not solely in the context of program budgeting; and (c) sectoral strategy formulation (in coordination with the provinces) ultimately culminating in some perhaps loosely defined national plan where the process of formulating, refining and amending would play a central role. The mission felt that each element of this triad of tasks reinforced the other, and that the success of reforms or changes in one element could be compromised by failure to act on the others. Thus budgetary management and in effect the day-to-day management of the line departments - needs to have a greater focus on what the Government hopes to accomplish in the sectors for which these Departments are responsible, and manpower planning (especially for localization) needs to be integrated into the process. Finally, the development process in PNG needs itself to be more goal-oriented, an aim which cannot easily be implemented without budgeting and manpower development systems designed to this end.
The manpower development, budgeting and planning systems as they currently exist in Papua New Guinea are, as suggested in the ToRobert Report, highly centralized, with the Public Services Commission (PSC) dominating the Government’s manpower picture and the Department of Finance (DOF) and the National Planning Office (NPO) together dominating budgeting and strategy formulation/planning. While a certain degree of control by the center of these functions is desirable (and indeed, in most developing countries the weakness of the central departments has been the major source of management problems), in the view of the mission these Departments exercise too much control over the line Departments in PNG. In large part the process which has led to this state of affairs has been a self-fulfilling one. As line departments have shown deficiencies in planning, budgeting or personnel management, the Central Departments have strengthened their controls in compensation, leading to a further weakening of these capabilities as key agents in line departments leave, or lose interest and cede these powers to the Center. The mission believed that it was necessary to take measures to restore some of these capabilities for the management of their own sectors to the line departments in order to maximize the quantity and quality of administrative, experiential and conceptual inputs into the development process that these should ultimately provide.

Planning in PNG tends to focus on expenditure control rather than on the formulation and implementation of a long-term development strategy. This approach to planning has been highly successful in restraining public expenditure projects which are either ill-conceived or for which foreseeable revenues are insufficient to cover all start-up costs. However, because it does not take a longer-term view of the development process, it is less successful in allowing domestic budgetary and manpower resources to be effectively mobilized for the attainment of longer-term development objectives.

Capital expenditures — both of foreign and domestic resources — are embodied in the National Public Expenditure Plan (NPEP), which seeks also to program project-related recurrent costs (as well as certain other noncapital expenditures such as the Administrative Improvement Program). These are projected forward for four years to ensure that expected budgetary resources will be sufficient to pay for them. Procedures, however, rarely permit the inclusion of new capital projects into the NPEP beyond the current budget year. These projects are selected by the NPO on an annual basis according to the criteria of the National Development Strategy (NDS), which represents a set of unprioritized social objectives (e.g., “improvement of rural welfare,” “improvement of general welfare,” etc.) which are neither framed in a long term, multi-year context (i.e., what will we have to do over the next x years to increase rural welfare, and how will we do it?); nor do they target growth as such. Perhaps most importantly, the year-to-year orientation of the NDS does not lend itself to the
formulation of guidelines for administrative or managerial action. It is this circumstance, perhaps more than any other, which contributes to the sense of drift and lack of direction which many in the line departments complain of.

1.12 Because the NPEP and the NDS are not formulated with respect to particular targets, they do not repose on, or encompass, any form of underlying sectoral strategies. Thus except for the submission of discrete project proposals the line departments only infrequently participate in the formulation of sectoral (or national) strategies. As a result, central departments, and the NPO in particular, do not enjoy much real, grass roots information from those most intimately acquainted with the terrain, and the line departments gain little experience in formulating strategies indicating where they should expect to be within a given period of time, why, and how to get there. In the absence of any such strategy (whether growth-oriented or not), line departments lose the potential benefit of related policy directions formulated by themselves but subject to approval by the Government, for internal manpower and budgetary planning.

1.13 Without such internal planning objectives, for example, it is very difficult for line departments to frame longer term decisions relating to future manpower and training needs (and thus all the more so on a national basis), based on program targets reflecting government-approved sectoral strategies. It is equally difficult to set meaningful performance standards relative to given objectives decomposed into relevant activities against which performance might be measured. In a broader sense it is also difficult to carry out localization objectives, for in order to train local manpower to take over expatriate jobs it is necessary to have some idea what aggregate future needs are going to be. Finally, to the extent that many decisions of this nature rest in the hands of the PSC, it will likely continue to be difficult to develop manpower planning capacities at departmental level.

1.14 The same strictures apply to budgetary management. Neither line nor central departments have a way of determining whether budgetary resources are well deployed in achieving given goals, whether defined by the NDS or otherwise. Nor is it easily possible to know how a reallocation of budgetary resources might improve the chances of attaining such goals. The problem basically rests on the fact that there are no departmental programs which are associated with given, long-term goals, and thus no way to allocate funds between successful and unsuccessful programs.

1.15 The budgetary situation is complicated by the NPEP, which divides recurrent costs between developmental (NPEP) and other (non-NPEP; implicitly, but not necessarily non-developmental). At present, management services units in the line departments are given the responsibility for
non-NPEP expenditures, which until recently have been implicitly regarded as relatively less important and treated as such, while the Department of Finance has the responsibility for NPEP-associated costs. Non-NPEP expenditures have been frequently gotten short shrift, both in planning and in allocation even though still comprising about three-quarters of the total recurrent budget. Moreover, at a time of budgetary stringency, NPEP expenditures have tended to be protected, leaving non-NPEP expenditures to bear the brunt of budget-cutting, even though they may be as closely related to developmental goals as items associated with the NPEP.

1.16 A serious problem for long-range policy implementation in PNG is that the geographical decentralization of many administrative functions to the provinces has tended to weaken further the already weak line departments, particularly the Department of Primary Industry (DPI). While mechanisms for administering the fiscal aspects of geographical decentralization have, for the most part, been well managed, there are no well-functioning administrative mechanisms for the transmission of national policy directions from center to periphery. The effective communication and translation into action of new research findings to "decentralized" agricultural extension workers responsible to provincial Secretariats rather than national administrators is difficult at best (provincial industrial development officers were only rarely in contact direct or indirect - with the (now abolished) Department of Commerce), and it remains unclear what mechanisms exist, or may be developed, to translate policy objectives that may emanate from the new Department of Industrial Development to the level of the provinces. Flows of information from the periphery to the center are also generally weak, particularly reporting on physical project implementation through the Department of Works and Supply. However, perhaps the greatest problem in the context of periphery-Center information flows is in the area of planning, even in the limited sense of the word in PNG. While the provinces have direct access to development funding through the so-called sectoral programs, as well as through the NPEP, project preparation capabilities, especially in the poorer provinces, are extremely limited, which has the practical consequence of limiting their access to NPEP resources.

Conclusions and Recommendations

1.17 As noted above, Bank conclusions pertaining to public management in PNG echo a number of those of the ToRobert Report. In other respects, however, they take the arguments in that Report somewhat further, particularly with respect to planning, budgeting and manpower development. The major elements - amplified in the body of this report - are as follows:

(a) Sectoral Strategy Formulation

1.18 Manpower development and the rationalization of the budget process (including a greater degree of responsibility of line departments for the
management of their own budgets) cannot be accomplished without reference to a forward plan, i.e., an NPEP which includes an indicative four-year capital expenditure cycle, which at present does not exist in PNG. Such a plan, moreover, would have to be closely linked with sectoral strategies reflecting long-term objectives and the policies, programs and projects which would be necessary to achieve these objectives.

1.19 The NPO would be involved in the formulation of the methodology for sectoral strategies, but the latter should be drawn up by the policy planning offices of the line departments. Sectoral strategies need to be drawn up in conjunction with provincial plans, the latter of which would, with inputs from the National Departments and the NPO, incorporate objectives of the provinces in the major sectors, in particular, agriculture, transport, (small-scale) industry and social services. These would be used as inputs into the national plan.

1.20 Finally, in drawing up the national plan, the NPO should ensure that departmental submissions—i.e., the NPEP recurrent, non-NPEP recurrent, and new projects—are reconciled to guarantee physical and financial compatibility. An important part of the NPO's work would be to examine alternative scenarios for financial resources, both domestic and external. Here, it would work together with representative bodies to prioritize the capital expenditure program to ensure that overall developmental objectives are appropriately tailored to available resources and that the coherence of the national plan were not disrupted by a shortfall (or surplus) of resources. An important part of NPO's task would be to carry out collateral macroeconomic studies to determine international borrowing constraints and maintain balance of payments stability consistent therewith, ensure that borrowings financing private investments were not "crowded out," and that factor markets were not overstrained.

1.21 It should be emphasized here, however, that what is envisaged is not a comprehensive quantitative plan based upon a full-scale macroeconomic model encompassing real and financial variables. While for a number of reasons suggested above a somewhat more formalized view of long-range development strategy seems desirable, this does not mean that PNG should subject its investment planning to a full-scale modelling exercise. Full-scale macroeconomic models—while possibly a useful adjunct to development planning—have generally shown themselves to be an impracticable basis for planning under the best of circumstances, and in PNG data weaknesses would make the exercise even more problematic. What is, however, being suggested is that Government-wide questions be asked

/1 On the other hand, single equation models of the type now used by the NPO to forecast revenues are clearly useful.
systematically as to what the country hopes to achieve in its future economic status and how it hopes to get there, with answers being framed in terms of programs and policies necessary to that end and summarized in a rolling, indicative investment plan.

(b) Budgetary and Financial Management

1.22 The budget process has tended to be overcentralized, particularly in that line departments are allowed little or no control over budgetary allocations for functions, activities or line items. The problem here lies not so much in the fact that management services departments are too weak, but rather in that departmental officers in charge of functions are not personally involved in or accountable for budget work covering recurrent and ongoing NPEP activities or for performance. If realistic performance standards are to be adopted, then program budgeting—already partially introduced into the system, should be strengthened by establishing clearer objectives and procedures for evaluating performance.

1.23 Distinctions made for management purposes between the NPEP budget (and recurrent costs associated with projects inscribed under the NPEP) and ordinary recurrent costs are inappropriate and often confusing, and have not lent themselves to good financial management. This has been especially clear where there has been a division of responsibilities for monitoring NPEP and non-NPEP budgets. Moreover, during periods of financial stringency, budget cuts tend to be applied almost entirely to non-NPEP recurrent costs, although with at least two years of such stringency the government is now taking measures to remedy this situation. This has had the effect of cutting very heavily one category of expenditures associated with development while leaving intact the NPEP category which has no obvious superiority over the former.

1.24 In consequence:

(a) the Government should seek to efface the sharp distinction between ongoing NPEP, recurrent budgets, and new projects, at least for purposes of budgetary management (as opposed to expenditure planning);

(b) management of the budget should gradually incorporate performance criteria under a general program budgeting framework designed to emphasize the results of public expenditures and which would reflect the strategic objectives for the sector; and

(c) through the process of administrative decentralization officers in charge of specific functions should have more discretion over these budgets once these have been approved, and once managers are
given resources and discretion the personnel management system should be used to emphasize accountability for program performance.

(c) Human Resources Management (Manpower Planning)

1.25 While the PSC is near completion of the Personnel Information System (i.e., job analysis, description and classification, development of individual offices records, etc.), Departmental and Provincial personnel procedures remain rudimentary. Career development paths are virtually unknown, public service laws and regulations remain unrationaled and uncodified (and thus allow for a good deal of arbitrariness in decision-making in this area), training programs are carried out practically disassociated from any long-term evaluation of needs of the civil service, or its localization. With respect to these matters, the strengthening of human resource management capabilities in departments and provinces in order to permit greater managerial autonomy in these areas is consistent with the general thrust of strengthening public management and reducing the burden on the PSC. In any event:

(a) the coherent development of a manpower planning capability which is integrated with any system involving management by objectives and performance requires the completion of the personnel information system as a sine qua non;

(b) personnel procedures - consistent both internally and across-the-board should be established in Departments and Provinces, codified and set forth in manual form allowing some congruence of expectations among managers, employees and the PSC. Job standards should be set, career development paths indicated, and performance criteria established. Management service units should be upgraded from levels emphasizing clerical tasks, and emphasis should be given to the identification, training, and ultimately the accountability of managers; and

(c) within selected Departments and Provinces a consistent training program should be set up, increasing the quality and quantity of training available within manpower needs as identified by the forward planning exercise described above. In particular, training needs for provincial staff in drawing up provincial plans as inputs into national plans should be identified and met as rapidly as possible.
2. PLANNING AND SECTORAL STRATEGY FORMULATION

(a) The PNG Planning System

2.01 Broad Outline of National Planning. The selection of Papua New Guinea's public investments takes place under the direct oversight of the National Planning Committee (NPC), a Committee of senior ministers under the Chairmanship of the Prime Minister which determines the orientation of Government investments according to the nine Strategic Objectives:/1

(a) increasing rural welfare;
(b) helping less developed areas;
(c) improving general welfare;
(d) increasing economic production;
(e) improving food production and nutrition;
(f) improving training and PNG participation in the economy;
(g) urban management;
(h) effective administration and law; and
(i) environmental protection.

The NPC establishes "request ceilings" for each national department and province by strategic objective. These are, however, basically meant to provide indicative guidelines for NPEP submissions rather than rigid expenditure ceilings.

2.02 Government agencies - including provincial departments - are invited on a continuing basis to submit new expenditure proposals for the coming year's National Public Expenditure Plan (NPEP), whose horizon is the four-year period following the submission. Expenditure proposals will include both project capital costs as they are expected to be implemented over the four-year period as well as associated start-up costs./2 Other new

/1 Since the October mission, "rural economic development" has been added as a separate objective, and environmental protection has been merged with urban management.

/2 These start-up costs will include many of the recurrent expenditures associated with the project. For a more complete discussion, see Chapter 3.
expenditure proposals of a "recurrent" nature not associated with any
capital project (such as a new university position) must be subjected to the
NPEP selection system as well.

2.03 After NPEP expenditure requests are submitted to the National
Planning Office (NPO), the latter, advised by the Technical Evaluation
Committee (TEC), assigns a design status to the project proposals in
question. Approval of these proposals allows projects to be placed on the
NPEP "standing design list," after which projects are prepared in further
detail.

2.04 It is important to note that the NPEP includes few new projects
for years beyond the first year of the four year plan./1 Although projects
not accepted at the time of their first submission may be accepted in the
following year, there is no guarantee of this, and basically the other three
years of the NPEP only include the financial repercussions of expenditures
beginning in the first year of the Plan. While project selection is
undertaken according to the list of criteria as embodied in the NDS, the
longer-term development strategy element embodied in most planning systems
is largely absent in PNG. In effect, efforts to direct PNG government
activities to strategic objectives focus on the "wedge" of new expenditure
(capital and associated recurrent) which are processed through the NPEP
system. With ordinary recurrent cost being held constant in real terms, as
a deliberate policy decision (an assuming real growth in government
revenues),/2 an increasing part of the total government budget - now about
one quarter of the total - by this wedge reflecting the investment selection
criteria of the NDS.

(b) PNG Planning Outcomes

2.05 The final outcome of this process is contained in the annual
National Public Expenditure Plan. In many ways, the NPEP is comparable to
conventional development plan documents in providing a background statement
which sets the plan in historical perspective and analyzes the outlook for
the Papua New Guinea economy and society to which the plan is directed.

2.06 However, whereas development plans of most developing countries
commonly reflect sectoral analysis, strategies and policies, the PNG
planning document, while discussing outlook and strategy for the economy as
a whole, provides little detailed rationale of the public expenditure plan
itself. Instead, there is an explanation of government policies in relation
to each of the Strategic Objectives and guidelines to these policies with

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/1 Some provision for this in fact exists, but it should be further
developed.

/2 As the following chapter indicates, the failure of this assumption to
hold true has caused some major problems in the system.
regard to specific aspects. Accordingly, interpretation of "Economic Production" as a Strategic Objective is followed by guidelines relating to various categories of projects considered under this heading (Agriculture, Resource Projects, Transport, Electricity, Energy Management, Industrial Development).

2.07 An analysis of NPEP projects is then provided in the annual NPEP document which cross-classifies projects by objective, agency, and location. An analysis of manpower requirements and financial provision under different headings is also given. Projected recurrent expenditure is presented in summary (there is no breakdown between departments) and revenue, budget and financing forecasts are provided.

2.08 Conspicuously missing is the common emphasis on targets (for incomes, production, employment, exports, investment, etc.) There is little evidence of arguments of the form: "if we are to achieve x, it will be necessary to do a, b and c"; or of its corollary, "and the expenditures for projects, A, B and C are designed for this." Nor is there much evidence of conclusions in the form of: "having undertaken these expenditures, it is expected that they will have the following impact on ... and that this will be regarded as a significant measure of achievement of objective ..." The plan as presented is, in fact, a plan for national public expenditures (or some rather small part of these) which are intended to move the economy and society in certain directions: it is not a plan which specifies particular intended achievements other than the expenditures themselves, or which assesses how far the country will move in the intended directions as a result of the plan.

2.09 While there are commentaries in the NPEP statements which are pertinent to sectoral strategies, and although the presentation of project expenditure plans allows some analysis by sector, there are no detailed and comprehensive sectoral strategy statements as such and hence, no explanations of expenditure plans by sector according to defined sectoral strategies. The Plan itself also lacks information and analysis of sectoral activities other than NPEP activities.

2.10 Much the same is true of provincial expenditures: there are no provincial strategy statements, no overall presentation of provincial activities and no strategic rationale for the provincial plans listed, other than the fact that each project is identified with respect to the Strategic Objective which it is intended to promote.

(c) **System Performance**

2.11 It is possible to judge the performance of investment plans, in Papua New Guinea as well as elsewhere by the following criteria:
(a) How well are ultimate goals articulated?

(b) How effectively are action programs designed to meet objectives?

(c) How effectively can these action programs be carried out?

(d) How well are they structured to learn from experience and adapt to events?

2.12 The PNG government has been consistent in its statements of its broad development goals. The Strategic Objectives quoted earlier provide a basis for planning. However, for these statements to be truly useful for meaningful development planning they need to indicate the criteria by which progress toward these goals might be measured: it is necessary to know more precisely what is to be changed.

2.13 For example, the first specific objective of the National Development Strategy is to increase rural welfare. This objective, when used as guidance in planning investment expenditures, should direct the attention of those proposing projects as well as those making decisions about them to a generalized social concern for rural welfare. In order to determine how to structure proposals, however, or to accept or reject them, they would need to know in what ways an increase in rural welfare might be brought about or indeed, how "rural welfare" would be defined. As an example of this, the fifth NDS objective is: "improving food production, subsistence, and nutrition." But, taking one of these only, what is meant by improving nutrition? What is wrong with nutrition? Whose nutrition especially? By what criteria will it be possible to assess whether improvement has taken place and whether the improvement reflected a deliberate policy action. Each of the objectives poses questions such as these which must be answered before even the problem is defined.

2.14 In practice, what is likely to happen is that the specification of the objective of a project proposal is made after the project is conceived. Accordingly, the objective becomes a rationalization after the fact rather than a guide to action. Although there are NPC targets for the proportion of funds allocated by strategic objective, the categories are so broad that they have in fact little more than general relevance. Thus in the 1983 NPEP three-quarters of new project expenditures are categorized under the very general rubric of "economic production". The usefulness of NDS strategic objectives categories is further diminished when projects fit more than one objective, as is likely with the generally overlapping objectives of the NDS.
(d) **Another Alternative**

2.15 Perhaps because of the construction of the NPEP, focussing as it does on year-to-year decisions with respect to strategic objectives which cut across sectors and line departments, the PNG expenditure planning process has tended not to give enough emphasis to sectoral strategy formulation by the individual line departments. Inputs into the planning process by provinces have been limited as well, in part because of the lack of project identification capabilities, but perhaps more importantly, because of problems of coordination with provincial and national line departments.

2.16 It is properly a national concern as to whether PNG wishes to concentrate on a growth strategy constrained by the social equity considerations implicit in the NDS or to concentrate on social equity issues themselves, irrespective of their consequences for economic growth. However, apart from the familiar refrain that it is easier to redistribute income from a growing pie, the NDS, in reflecting largely social concerns (mixed with some more purely economic objectives such as "increasing economic production") does not - as noted above - permit a programmatic approach to the achievement of these goals. Nor does it easily allow for the development of policies which may be necessary for the implementation of a given program. Finally, the single-year project planning horizon does not lend itself a forward-looking programming of Departmental activities, which must, by virtual necessity, be a multi-annual undertaking.

2.17 All of the above suggests that some systematic approach to longer term planning may be required if PNG's national goals are to be attained to a degree permitted by available budgetary and manpower resources. Some attempt in this direction has been made through the drawing up of sectoral strategies, particularly by the Department of Transport and Civil Aviation and the Department of Education. Especially in the case of the former, however, sectoral strategies came virtually to nought because no effective review mechanism existed to incorporate these incipient sector strategies into government-wide programs with NPEP funding. Another reason for the lack of success of these sectoral strategies has been the departments' failure to consider resource constraints and to work out a prioritization within a set of such constraints. But the NPO bears some responsibility for not having set the parameters for the formulation of sectoral strategies in advance.

2.18 It is generally agreed that sector strategies should be initially formulated by the line departments who are most closely concerned: it is they who have the first-hand information and experience, and it is they who must determine whether foreseeable staff resources and institutional endowments are sufficient to carry out given programs emanating from their sectoral strategies. However, and this point is crucial, no workable sectoral strategy can be defined for that sector alone; nor can it be conceived in uniquely technocratic terms. Thus if growth in agricultural sector output is selected as a primary target one needs to consider among
others, whether transport facilities or trained manpower required are available; another consideration could be (in PNG) does this have a positive impact on nutrition, population migration, the rural/urban income mix, etc.?

2.19 What is being suggested is that planning become centered about an ongoing process engaging multiple concerns through continuous review. Thus, line departments, before undertaking to produce a sectoral strategy, might obtain support on the appropriate methodology from the NPO; using inputs from the provinces (discussed further below) they might develop an initial strategy paper which may or may not provide an indicative forward investment plan. The initial document would in turn, be reviewed not only by the Central Departments (i.e., the BPC), but by all interested government agencies which might be directly affected; subsequent versions would reflect and reconcile these positions. They might also, at a given stage in the process, be reviewed by a secretariat of the Cabinet in order to reflect broad political concerns. Final reconciliation of the various sectoral strategies and presumably some notion of a forward capital as well as recurrent budget - would be drawn up by the NPO for approval by the NPC and NEC, as is now the case.

2.20 In this it is not how the review process is conducted in mechanical terms which is important, but rather that it be an iterative process reflecting a wide range of technical and social concerns, by which final government priorities emerge. Given these priorities, policies can be developed in their support, and departments can proceed to a more coherent and directed internal programming than is now the case.

2.21 Agriculture as a Case in Point. Previous Bank missions have noted the lack of effective sectoral strategies and the seriousness of this deficiency, especially for the agricultural sector. There can be no doubt that the lack of careful analysis of agricultural sector trends, and of policies reflecting appraisal of alternative strategies for pursuing development aims, (and adequate consensus for the compromises adopted), is a serious problem insofar as it allows matters to drift without direction towards unknown or unappraised situations.

2.22 It is neither essential, nor realistic, to expect a comprehensive agricultural strategy to be developed and matured within a matter of months. What is essential is:

/1 The outcome can be as quantified as the NPO cares to make it given data availabilities. Some quantified macro-economic model might be useful as a backup or to provide a consistency check, but this should not be the principal goal.
(a) to be able to identify specific issues of critical concern, define the problems and the nature of the choices to be made; and

(b) to address the general question of how to develop the agricultural potential of PNG in specific, concrete terms with reference to particular areas and people.

2.23 With regard to the first of these, a number of such issues have been identified. Some require political resolution (decline of copra production and uncertainty over land tenure); others require analytical resolution (what to do about imports of rice and canned mackerel). But, while a clear policy framework is essential for planning, the major planning concerns focus on the second heading: the development of agricultural potential. And here the problem is not so much one of defining planning priorities for ecological zones or crops so as to maximize the growth in output but, rather, one of defining the terms in which development is to be measured. How much is it to be expressed in terms of growth in the national product, or increase in incomes accruing to smallholders, or to particular areas, or in export earnings, or import substitution, or rural job creation? Agricultural development will not be held up by a failure to resolve these questions per se. Rather it is likely to be held up through the failure to pursue any clearly defined objective at all.

(e) Provincial Planning

2.24 The inadequacy of provincial planning objectives as a basis for project identification is apparent from a review of provincial plan documents. What emerges is that the project plans produced by the departmental offices are directed at developing the legislated functions of these departments. Thus, department plans for Primary Industry will cover the improvement of extension programs for (the division of) subsistence gardening, nutrition, commercial vegetable production, coffee, poultry, pigs, etc., and the provision of marketing, credit and other complementary programs. These activities may be thoroughly desirable, and each can be shown to relate to a Strategic Objective, but they do not reflect a broad strategic view, developed for each province, of problems, trends, and growth opportunities which gives direction or priority ranking to these activities.

2.25 The lack of any clear direction for provincial planning is recognized in the following quotation (from the North Solomons Provincial Government 1982 Activity Program):

"The Department of North Solomons finds it extremely difficult to effectively measure and evaluate its operations each year, as it has been operating without any conformity and/or set
of identified Departmental Priorities ... There is a need to have divisional objectives and priorities during 1982 fiscal year to enable the Divisions to effectively plan their programmes and activities towards achieving the overall Department objectives ... We hope that more well defined Provincial Government development guidelines will be formulated to guide the Department in its operations ..."

2.26 What is also clear from this statement, and from other statements in this report, is that the task of formulating provincial development planning objectives is seen as that of the Provincial Government and the task of the division is to draw up divisional objectives and priorities with regard to their activities, roles and functions. However, unless the process of formulating provincial objectives is linked to the process of formulating division objectives there is a danger that the provincial objectives will not provide clear enough guidance to divisions proposing projects and that they will continue to be used as a means of justifying divisions in supporting those activities that they wish to develop.

2.27 Further evidence of lack of clarity of objectives at the provincial level is given in a report of a "Workshop on Provincial Planning System," November 1981, which, in characterizing the current situation of planning in Papua New Guinea, expressed concern about:

(a) vague and unclear objectives;
(b) the lack of any clear statement of policies;
(c) conflicting priorities;
(d) arbitrary funding decisions unrelated to developmental needs; and
(e) lack of commitment to planning in the provinces.

2.28 These shortcomings were attributed, especially, to a failure to integrate the political process into the administrative planning process which resulted also in conflicts in political and administrative viewpoints. The same source reports conflict in national and provincial priorities even with sectoral programs "expected to meet both national and provincial objectives together." "Provincial divisions" it was said, "were not adequately involved in the (planning) process." Partly due to lack of proper guidelines and partly because of close professional and technical links with national departments, the divisions prepared projects which did not reflect provincial priorities.
2.29 The absence of a planning system at the provincial level is a critical weakness of the system overall. While the NPEP process is crucial, and should be maintained and strengthened, it cannot of itself achieve effective planning. In particular, it should be noted that the NPO cannot conceivably bring coherence to provincial and national planning simply by providing sound appraisal of individual projects nor by improving on the design of, and conformity to, pro forma procedures; nor can it take over provincial planning; nor can it effectively play its role as national plan orchestrator and coordinator while provincial plans are weak. Even the development of strong sectoral strategies will be insufficient, by itself, to result in coherent provincial and national planning. On the other hand, the development of strong, provincial planning will sharpen the issues and help lay the basis for giving improved direction to sectoral strategies.

(f) An Integrated Planning Strategy

2.30 It is clear that a national planning strategy cannot succeed if the provinces remain poorly integrated into the system. As noted, provincial Departments are rarely able to mobilize the support of the National Departments (i.e., DPI, Education) in their own provincial planning processes. Moreover, because the provinces do not even mobilize their own divisions the counterparts of the national department - in this process, the latter are not even indirectly linked to any comprehensive provincial planning. This weakens the national departments as well, for any planning they may do for provincial projects is done largely without the inputs and responses from other local political, technical and administrative expertise.

2.31 Although the lack of project identification expertise at the provincial level has been established as critical, it is not clear that a better provincial endowment of this talent would overcome organizational and programmatic deficiencies.

2.32 What is required is not so much to change what is being done but rather to build on what already exists, making some critical additions to current processes and strengthening some key planning stages, especially at the provincial level. Since, as it has been argued, neither the NPO nor the departments can of themselves bring coherence to PNG planning, a major effort needs to be focused on the strengthening of provincial planning - especially on strengthening the processes which lead to project and program identification and to the adaptive management of existing programs. This latter particularly will require, also, the strengthening of the data support provision for monitoring plan implementation. A possible program leading to an integrated planning strategy might begin with a review, by the various provincial and national entities of the overall government planning system, of the planning process in which they were engaged. An initial step might be a pilot project focusing on a few selected provinces and national departments.
2.33 This review and the following planning cycle - which would adopt the new pattern and develop improved strategies and plans - might be assisted through the provision of on-the-job training both to those from the National Planning Office (NPO) and national departments who would act as consultants in their planning support roles to provincial governments as well as to provincial planners in need of specific skills training. In this general manner, and starting with a few (two to four) provinces and national departments, the whole of the provincial, sectoral and national planning structure would be assisted in building its own management capacities and its capability for the continuing development and strengthening of its planning system.

2.34 A pilot project of developing planning capacities, involving among others, on-the-job training of planning skills appears to be one that could be undertaken by PNG, with consulting assistance as required. In this context, some attention might also be given to budgetary and financial management, and personnel management and planning, which would be complementary to any improved planning process and be a necessary adjunct in the strengthening of overall economic management. Chapter 3 and 4 elaborate needs in these areas.

2.35 The proposed undertaking could be characterized by:

(a) beginning the process of sectoral strategy formulation through clarification of the roles of the departmental policy units, of the involved national committees and of the procedures for relating political and administrative inputs and by identifying and carrying out priority tasks in sectoral strategy analysis and formulation; and

(b) initial concentration on two to four provinces - appraising their existing planning procedures, identifying present shortcomings and proposing remedies. This would be followed by the successive involvement of other provinces, first as observers, later engaging them in their own review and planning. Ultimately PNG capability would be developed to take over the roles initially played by outside consultants in assisting in planning process review and in on-the-job training of team and individual planning skills.

At an initial stage, however, consultants might assist departments and provinces in drawing up initial strategy statements so that associated work on budgetary and manpower management could proceed: the building of management capacities is likely to require some time and earn more time would be required to produce, e.g. sectoral strategies de novo.

2.36 The critical outputs of the program would be expected to be:

(a) the development of a management system which effectively mobilizes political and administrative resources in order to produce
forward-looking and coherent plans based on well articulated and concretely expressed goals - national, sectoral and provincial - and translated into feasible and well considered programs and projects; and

(b) the ability, institutionalized within PNG, for further strengthening management capability.

2.37 These same outputs would result in:

(a) improved articulation of sectoral strategies and of their expression in planning;

(b) improved project identification and preparation;

(c) improved coordination in planning and implementation (between departments, between the center and the provinces, between political and administrative entities);

(d) improved feedback from performance monitoring to planning and the management of implementation; and

2.38 Annex 1 provides details as to how a possible program for the development of PNG planning capacity might be structured.
3. FINANCIAL MANAGEMENT AND BUDGETING

3.01 In Papua New Guinea there already has been some budgetary reform which has taken place over the last ten years. This has emphasized the idea of program budgeting, which was begun with the introduction of "Activities" and "Functions" into the budget format. The budget is potentially one of the most important management tools available to the Government, and as a quantitative expression of planning within the Government at the Departmental level it should contain information on objectives, resources, strategies and measures to monitor and evaluate performance for both National Public Expenditure Plan (NPEP) and non-NPEP expenditures, for the future as well as for the present.

3.02 Reforms to the budget process which have thus far taken place have tended to concentrate on inputs or expenditure control. With respect to such control, the Papua New Guinea budget system has, compared to many other LDC's, an impressive record of success, particularly since the introduction of the NPEP. Through a high degree of centralization it has been possible to avoid excessive expenditures at a time when revenues have been disappointing due to low prices for copper and agricultural exports. However, under current circumstances increased efficiency in budgetary management over time as well as a greater degree of flexibility and responsiveness to sectoral requirements is only likely to take place through an increased degree of departmental responsibility for their own programs.

3.03 The next step in the evolving budget process of Papua New Guinea should be to concentrate on outputs, i.e., the results achieved by public expenditures. Managers are not at present required by the system to ask themselves where they want to be in a few years time and thereby to focus on objectives which can be communicated clearly and convincingly to subordinates. They are thus unused to considering longer term goals or the results they wish to achieve in terms of the time these results will take to appear, what resources will be required, and how progress is to be measured.

(a) The Budget Process

3.04 In Papua New Guinea the financial year is the same as the calendar year. Budgeting begins in January and the Estimates are usually presented to Parliament in November. For example, on January 2, 1982, the Secretary for Finance issued Finance Circular Memorandum No. 1 calling for the submission of recurrent expenditures and NPEP expenditures for FY83 and asking Departments to submit their budget proposals by May 28, 1982. Appendix C of the memorandum indicated target figures for total government expenditures for both the recurrent and NPEP process. It was pointed out that the Departmental Recurrent (non-NPEP) budget for 1983 would be K 214 million as opposed to K 223 million for FY1982. This was consistent with the NPEP process, which calls for an increasing proportion of the total
budget to be allocated to capital projects and the recurrent costs associated with these capital projects.

3.05 The memorandum then went on to give detailed instructions on the preparation of the estimates, and concluded with the timetable of important dates which departments should try to adhere to. The instructions contained with the National Planning Office's separate request for projects dealt in some detail with ongoing and new NPEP projects. The NPO paper went step by step through the NPEP procedures explaining the purpose of the process and what was required. It also gave examples of all the forms that would be required and how these should be filled out.

3.06 When these documents are received in departments the recurrent budget advice (and responsibility for ongoing NPEP projects) goes to management services units while the NPEP budget advice on new projects is handled by policy units and senior officers. The first task, handled by management services in the light of the advice from the Department of Finance on available monies for the new year, is to draw up ceiling proposals for recurrent and ongoing NPEP projects, getting these to Finance by the end of February. Although there is a requirement to look closely at travel costs and special services the preparers of the non-NPEP recurrent estimates usually take the previous year's figure, adding on a little in those areas where they feel Finance may be less strict. The budget preparers in management services are usually left to themselves for this task. With respect to the so-called recurrent cost of NPEP capital projects, funding of these expenditures is usually assured when the projects are approved. Starting in 1984, however, departments will be requested to reexamine and justify all activities, NPEP and non-NPEP, for which they are responsible. There remains, however, some question as to their ability to do this properly, and indeed, it is this capability which must be strengthened. /1

3.07 In arriving at ceiling proposals, management services units face a number of problems. With respect to the recurrent budget they must first ask the officers of different units in the department for their estimates. But management services has no way of evaluating those responses because they do not know what role those units are going to play in the future and they have no information on past performance. There is no consideration of priorities. The Circular that the preparer of the recurrent budget receives from Finance is the only budget advice that he gets during the year.

3.08 The work force is not growing by much since there are few new posts and indeed cuts have been made in staff ceilings. So each year the

/1 The Department of Education is regarded by the Government as a model worthy of emulation in this respect.
same manpower may have to do more. Management services strategy is therefore logical given the powerful position of Finance and their own position within the Department: they spread the cuts around evenly, with little consideration given to results and priorities.

3.09 Because of the overriding concern within Departments for new NPEP projects, and given strict controls by Finance, there is neither incentive nor opportunity to identify savings or shift resources within the recurrent budget. Control exercised by Finance is detailed. Management services units have little time to familiarize themselves with operations, and it is difficult for these units to know what adjustments could be made or what the impact on operations would be of specific cuts. Of course it is equally true that management services does not know where they would apply any incremental funding.

3.10 NPEP project preparation (Fig.1) is proceeding at the same time within Departments. Departmental NPEP preparers do not start from scratch, but begin with the approved list of projects that were submitted the previous year but were unfunded. To this they add new projects that are suggested by their own work, knowledge of the bureaucracy or political sensitivities. At this stage they do not have to do the detailed design work on new budgets. What is required from them is a list of projects in rough form together with an idea of their rough cost and contribution to the objectives of the National Development Strategy.

3.11 Preparing a project list presents difficulties not all of which can be overcome. The absence of settled Departmental policy reflecting government approved sectoral strategies can be an important constraint. Departments must furthermore trust Works and Supply to undertake construction work in the absence of information as to what other demands are being made on this Department, which often results in overly optimistic estimates of when NPEP projects with a construction component can be completed. It also represents a severe problem in a country which has limited private construction capacity.

Review of Budget Submissions

3.12 Although the Finance Department has copies of both the ongoing NPEP, recurrent and new NPEP submissions, the review of NPEP ongoing and recurrent expenditures is undertaken by a specially constituted subcommittee of the BPC. This process really begins at the end of March when the ceilings for all expenditures for the following year are announced.

3.13 The ongoing NPEP and non-NPEP recurrent estimates are first examined within the Department of Finance to ensure that they have complied with the requirements of Financial Memorandum No 1. Within the budget office there is a rough division of labor among examiners based on the size
Figure 1: THE NPEP PROCESS

A. DESIGN STAGE

- NATIONAL EXECUTIVE COUNCIL
  - Policy Directives & Guidelines
  - Technological Evaluation Committee
    (NPO, Finance, PSC & Technical Departments As Necessary)

- AGENCIES
  - Formulate & Design the Projects

- NATIONAL PLANNING OFFICE
  - Evaluates the Projects & Recommends on Design Status

- BUDGET PRIORITIES COMMITTEE
  - Discusses with Agencies & Makes Final Recommendations

- NATIONAL PLANNING COMMITTEE
  - Makes Design Decisions

B. FUNDING STAGE

- AGENCIES
  - Submit Full Costings on Design Listed Projects

- NATIONAL PLANNING OFFICE/FINANCE
  - Integrates Project Costings with Rest of Budget & Makes Funding Recommendations

- BUDGET PRIORITIES COMMITTEE
  - Makes Final Recommendations on Projects As Part of Total Budget

- NATIONAL EXECUTIVE COUNCIL
  - Makes Funding Decisions
and importance of departments. However, because of manpower constraints the budget office is not able to undertake detailed analysis and, in any case, the items do not lend themselves easily to such work. The criteria used in reviewing departmental submissions are not published or given to the Department submitting the estimates.

3.14 The review of the new NPEP project proposals involves a large number of committees including the Budget Priorities Committee (BPC) and the National Executive Council (NEC). Here important political considerations enter: politicians naturally want funding for projects in their area, and the leadership must keep an eye on the distribution of projects to ensure that all areas of the country receive a share. Table 1 shows NPEP Project allocations broken down by the strategic objectives of the National Development strategy.

3.15 The use of strategic objectives categories with ideal percentage targets entails some difficulties, because choice of projects to fill up these boxes seems to take place more on the basis of what ought to happen rather than on the basis of what has happened. Selection of good candidates for the NPEP depends very heavily on the ability of those in the various review committees to assess conditions in the provinces and the administrative capacity of departments to respond to new initiatives. With a fairly rapid staff turnover in Finance and the NPO it is difficult for reviewers to make these assessments. At the same time, staff turnover in line departments may lead to sharply changed orientations in project proposals.

Table 1: 1983 NPEP PROJECT ALLOCATIONS BY STRATEGIC OBJECTIVES

<table>
<thead>
<tr>
<th>Project expenditure (K '000)</th>
<th>Project expenditure (%) NPC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ongoing New Total</td>
<td>Ongoing New Total target</td>
</tr>
<tr>
<td>Rural welfare</td>
<td>21,671 1,805 23,476</td>
<td>16.5 8.6 15.4 19</td>
</tr>
<tr>
<td>Helping less developed areas</td>
<td>11,972 110 12,082</td>
<td>9.2 0.5 7.9 8</td>
</tr>
<tr>
<td>General welfare</td>
<td>10,406 469 10,875</td>
<td>7.9 2.2 7.1 7</td>
</tr>
<tr>
<td>Economic production</td>
<td>44,501 15,287 59,788</td>
<td>33.9 72.6 39.3 40</td>
</tr>
<tr>
<td>Food production &amp; nutrition</td>
<td>2,081 - 2,081</td>
<td>1.7 - 1.4 4</td>
</tr>
<tr>
<td>Training &amp; participation</td>
<td>7,758 481 8,239</td>
<td>5.9 2.3 5.4 5</td>
</tr>
<tr>
<td>Urban management</td>
<td>14,185 100 14,285</td>
<td>10.8 0.5 9.4 6</td>
</tr>
<tr>
<td>Effective administration</td>
<td>18,605 2,812 21,417</td>
<td>14.1 13.3 14.1 10</td>
</tr>
<tr>
<td>Environmental management</td>
<td>50 - 50</td>
<td>0.1 - 1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>131,229</strong> 21,064 152,293</td>
<td><strong>100.0</strong> 100.0 100.0 100</td>
</tr>
</tbody>
</table>

Monitoring and Evaluation

3.16 Once the Budget Priorities Committee has passed on the ongoing NPEP and recurrent budget in August their suggestions are incorporated into the submission to the National Executive Council (NEC). The result of that meeting is usually the final recurrent part of the budget that is presented to Parliament in November. The monitoring of recurrent expenditures is comparatively simple due to the good expenditure control that has been imposed. Large unauthorized overexpenditures are not usually a problem and commitment reporting is good.

3.17 The main control tool is the quarterly review where ongoing NPEP, recurrent, and new project expenditures that have been tracked during the previous quarter are discussed by Finance and Department representatives against the budget appropriation and subsequent allocations. The reviews concentrate on financial management reporting, since the physical progress reporting on projects is not strong. Within the Departments little attention is paid during the year to budget analysis; instead efforts are concentrated on reporting and preparing for next submission. Small recurrent budget items can be moved from one item to another within the ongoing NPEP at the discretion of managers although this does not happen very often. Supplementary provision requests also testify to the stringency of the control process exercised by Finance since they are usually for expenditures that could not have been foreseen at the time when the estimates were compiled.

3.18 What should PNG do to improve the allocation of resources at the Departmental level? A major problem, as the ToRobert report indicates, is the fact that Departments’ ability to translate national policies and objectives into effective programs is weak. The importance of results is not sufficiently emphasized, and objectives are often unknown, unclear, and inconsistent with program budgeting practices. Moreover, where objectives are related to the National Development Strategy (NDS), they are not converted into action plans by the Departmental budgetary process. One way to improve this situation would be to improve and carry forward the program budgeting within the context of particular sectoral goals, Department responses to the NPEP process, and the strengthening of human resources management.

/1 Senior managers should begin to involve themselves in and become more familiar with the work of management services units and the budgetary system and linkages between management services and other departmental units should be strengthened.

Implementation of Ongoing Activities

3.19 A disproportionate amount of departmental management resources go toward preparation and design of new projects while the importance of successfully implementing existing projects and activities is neglected. As soon as projects are approved they begin to be regarded in DPI and other Departments like the recurrent budget, i.e., as relatively less important maintenance activities where little can be done to change things. It can, however, be argued that the ongoing NPEP as well as the recurrent part of the budget deserve equally careful treatment to that given new projects in the NPEP. This is not presently the case./1

(b) Implementation and Monitoring

3.20 The fact that the NPEP process concentrates resources on the new wedge of projects, and ideal targets, instead of results from the total range of government investment contributes to certain deficiencies in implementation planning: planning and expenditure control is much stronger than implementation capacity. Recent NPEP experience suggests that only 40–60% of approved projects conform to their implementation schedule./2 However, expenditure does reach projected ceiling levels because, as projects slip, substitutes and new projects are added.

3.21 Each NPEP project is to have a project implementation schedule in FY83 with varying degrees of sophistication depending on the kina amount of the project. Projects spending over K 400,000 in any single year from FY83 onwards will have to have an economic analysis, a detailed construction schedule, and a disbursement schedule during the life of the projects. An abbreviated implementation schedule is prepared for projects costing between K 200,000 and K 400,000. Problems have been experienced with the present reporting systems and it seems unlikely that the suggested procedures for FY83 will overcome the existing deficiencies. In large part this is due to the fact that monitoring of NPEP projects is seen in narrow mechanical terms, a process of reporting on the delivery of inputs. Reporting responsibility is fragmented and accountability almost nonexistent. For example, Transport gives responsibility and provides the necessary funds for construction to Works and Supply but has little or no control over the reporting process on Transport projects.


/2 This was the central concern of the To Robert report summaries.
3.22 Departments now have a budget calendar which indicates which actions must be taken and who the responsible officers are in the process.\(^1\)

At present many implementation responsibilities, e.g. progress reports, are not met and there is no system for follow-up to ensure that omissions are rectified (Annex 4). Departments are, moreover, left to devise their own reporting systems; as an exception to the general rule of decentralization proposed, these should probably be designed and installed by NPO and Finance with sufficient training being provided to ensure that they work properly.\(^2\)

3.23 If the implementation process is to be strengthened, there are a number of steps in the monitoring process, now given inadequate attention, which appear to be called for. The time required for beginning implementation - arranging commodity procurement, contracting, ensuring compliance with existing regulations, etc. - is frequently poorly planned for, and this should be rectified. Greater attention also needs to be paid to the time required to carry out the project, to ensure, for example, that construction work meets design standards. Finally, it is essential to assess whether the project is actually fulfilling its stated purpose. Frequently in PNG the construction of roads, buildings, bridges, etc. or the training of extension workers, etc. are treated as ends in themselves and less attention is paid to evaluating whether public expenditure projects are having the impact they were designed to have.

3.24 Monitoring becomes administratively expensive if it is carried on as a series of separate activities each with its own personnel, or if it is something that management only deals with on an ad hoc basis. Monitoring should be seen as an integral part of the management system, among others, because the kinds of information that are required are those that management should always have available. First, managers need more training to improve their capacity to estimate where the problems lie at each stage of the process how should regulatory requirements be met and how long will this take? What is the lead time on overseas procurement? From this assessment of the situation together with an assessment of the resources at his disposal the manager can set objectives which should become the framework of the monitoring plan. It will inevitably contain assessments and targets that must be met with respect to time, e.g. how long should particular activities take? Costs - is the project going to come in on or over budget? and performance - will the project meet original expectations? What kinds of data are required and when are they required? Many of the assessments required are now the responsibility of management services so that it is

\(^1\) It would be useful if the Departments were to develop a management calendar which contained significant actions that need to be taken, e.g., annual personnel reports, or monthly financial reports.

very difficult for senior officers, who now tend to assume that management services in Departments performs a clerical function, to undertake realistic implementation planning.

3.25 It would be useful to develop monitoring systems that covered both recurrent and NPEP expenditures since it is equally vital that managers of the recurrent budget take the same kinds of steps that are now recommended for the NPEP process.\(^1\) This is one reason why the trend toward program budgeting needs to be strengthened. Quarterly reviews should be concentrated on what has been accomplished by all expenditures, and focus on objectives needs also to be linked to the information system so that data pertaining to performance are made available on a timely basis throughout the entire Department, which is now far from the case.

(c) **Strengthening Program Budgeting**

3.26 Greater emphasis should be given to measuring performance in terms of what is being accomplished by expenditures. NPEP and non-NPEP budgets could be cast in terms of more clearly identifiable programs than is now the case, and each program would then be analyzed in terms of its costs and expected benefits (results or outputs), thus enabling a subjective or analytical evaluation to be made of the benefits that Departments expect from expenditures. The specification of the outputs of a program would have the additional benefit of facilitating an end-of-year or ex-post evaluation of achievements, not only leading to a possible reordering of priorities but to a strengthened analysis, evaluation and replanning of the programs for future budget years.

3.27 A first step in strengthening the elements of programs budgeting now in place, e.g., "Functions", "Activities", etc., might be to create a hierarchy of objectives of the individual Department so that each administrative level has a short simple statement of what it supposed to do. Without unduly disturbing the present Department budgetary structures the insertion of a program layer would permit a specification of program goals with built-in evaluation, the budgeting of resources to fulfill that program, and the acceptance of accountability by the manager in charge a program.\(^2\) Program goals would be developed from Government-approved sectoral strategies and would ultimately relate to an overall development plan. With the insertion of objectives there would be a line of accountability from the top to the bottom of the department and the

\(^1\) The World Bank is now providing technical assistance to the Ministry of Agriculture in Kenya in order to improve the financial reporting system. A major role is envisaged for microprocessors.

\(^2\) See Annex 3, para. 5.
contribution of each unit could be linked to a program within the overall framework of the development plan and thus assessed. The relation of existing functions and activities to both NPEP and non-NPEP should be re-examined to ensure that their size and purpose is adequate; questions of location should also be considered since the budgetary process must be responsive to spatial elements.

3.28 Program goals should be mutually agreed between supervising, and the supervised, at each level of the organization. Examples of activities that would merit program status within a Department, might be "malaria eradication," "forest conservation," or "Wildlife Protection." Identification of programs should focus attention on discrete but important activities of the Department level. Most Departments would probably not have more than three and four programs depending on appropriate sectoral strategy formulation. In addition to their size and importance programs should be chosen in such a way as to permit the specification of clear objectives, e.g., trying to avoid overly broad program titles such as "export tree crops" or "improving village food security."

3.29 Improved program budgeting should help ensure that programs decided for each ministry have some degree of priority ranking, and that the doubtful contributors, or those which, on the margin, are politically less acceptable, are excluded. This is not the case with the program budgetary system now in Papua New Guinea. The analysis of the programs should include ongoing programs which use existing staff, and include a comparative analysis of their outputs at various funding levels. Regional extension workers in the Department of Agriculture, for instance, would have expected work outputs which result in the achievement of particular objectives of the Department. The analyses outlined above would indicate the approximate levels of these achievements; an increase or decrease in staff levels will change these outputs. Such programs would have to be compared with output expected of new investment programs, thus requiring the analysis to compare programs in the current and development budgets simultaneously. This would be particularly useful in Papua New Guinea.

3.30 Many activities of government have, of course, outputs that are difficult to measure. The programs and outputs of a cabinet secretariat for instance, or even a general auditing office, are difficult to state in measurable terms, let alone to present any analysis of the comparative benefits derived from different funding levels. Usually no attempt is made to do so, in neither developed nor developing countries, although in some budgets, work measurement outputs have been placed against the more quantifiable programs in these policy and administrative agencies of government. Even the delineation of the budgets of these types of agencies, however, in terms of their functions and their intended objectives where identifiable, in relation to cost expended, does provide a capacity for stronger budget analysis than does a listing of the budget inputs.
3.31 Output assessments in Departments are weakened by the absence of annual work plans linking Departmental budgeting and planning. Work is not regularly recorded on a monthly or quarterly basis either internally or externally. Annual Reports, where they are produced, are sketchy and pro forma. The only way departments now think about future work in a systematic way is in connection with the policy planning process and the NPEP, and even this is limited.

3.32 The production of work plans could as part of the improvement exercise illuminate objectives for the Department (and Provinces). Work plans could show how the situation has been analyzed, what are the problems that can be solved with available resources; in what priority are these ranked? A work plan would detail the resources that will be made available; organizational strategies for goal accomplishment could then be laid out in some detail so that roles and expected performance were made clear. The work plan should discuss deployment of staff, communications procedures, liaison requirements. It should contain mechanisms whereby managers can assess success or failure. They can then take advantage of new opportunities or determine whether it is cost-effective to shift resources from areas that are failing to produce results. Finally, the work plan should contain some reference to longer term issues such as weaknesses in the Department, where several years' activity may be needed.

(d) Provincial Considerations

3.33 The foregoing observations are equally relevant for provinces where improvements in financial management are also badly needed. Provinces have the Provincial Budgeting Manual and arrangements are well along to supplement this with a Provincial Planning Manual. The problems and possible solutions already raised for national Government also apply in the Provinces; however, there are additional considerations which need special examination by central government.

3.34 Provincial revenues have been neglected and it would be useful to examine intergovernmental fiscal relations since the Tordoff/Watts report in 1973. There are a number of potential sources for provincial funds, intergovernmental transfers, cost recovery, and property taxes. In terms of its size and functions provincial government in Papua New Guinea is best compared to local government in many other countries. In most LDC's grants from the central government account for around sixty to eighty percent of local authority revenues. In Papua New Guinea this figure is very much higher - for some provinces 99% - for several provinces and it indicates some major problems with the manner in which provincial revenue generation is being handled. These problems should be addressed as early as possible because if the current revenue generation patterns become institutionalized there will continue to be inadequate resource mobilization at the provincial level. Improving the local tax effort ought to be an urgent central and provincial government priority.
3.35 Since a local income tax is probably not feasible and there is an increasing demand for additional funds for new projects, what can be done? Work should be undertaken in one or two provinces to examine the potential for cost recovery for capital works. In the more progressive provinces cesses and user fees would appear to promise a good deal. With respect to roads, particularly small roads, provincial governments could consider the imposition of special levies on a one time basis to help defray the costs. In the case of poorer communities some consideration might be given to a combination of one time levy and supply of matching funds by provincial government. The key issues in local revenue generation are the administrative feasibility of collecting the funds and the willingness of the people to pay.
4. HUMAN RESOURCES MANAGEMENT

(a) Introductory Remarks

4.01 In Papua New Guinea, the Public Services Commission plays a central role in human resources management. It has been an active proponent of the localization of public service employment, among others instituting the requirement that expatriates directly participate in the training of Papua New Guinean counterparts, and has applied increasingly stringent rules for the recruitment of non-citizen applicants. The PSC has also sought to bring about the unification of employment standards throughout the Public Services, and has been undertaking intensive studies in this area since 1980. It has also been aggressively carrying out its mandate to ensure that recruiting standards and guidelines are properly applied: there is little or no indication of excess use of political power or of nepotism in public service employment, and tendencies toward corruption are probably as well under control in PNG as in any developing country.

4.02 In general, however, PNG's manpower situation remains in poor straits despite substantial investments in its educational system since independence. Although because of its relatively high salaries the situation in the public service is less difficult than in the private sector, it still suffers from an acute shortage of trained and experienced manpower. Recent studies /1 by the Government indicated that 42% of the public service does not possess the qualifications laid down by the PSC for their positions; a substantial proportion of these are under 30. Moreover, of the approximately 30,000 employees in the central government service, just over 1,000 - most of whom are expatriates - have university degrees. A substantial proportion of the nearly 1,800 expatriate employees under contract to the national departments are in fact line employees as are the roughly 450 expatriates with the provincial departments. At this stage in the localization process this is perhaps unavoidable given the shortage of trained Papua New Guineans. However, PNG's long-term goal should increasingly emphasize the use of expatriate personnel in technical and advisory positions.

4.03 Manpower shortages, particularly at the technical and middle to upper managerial levels, have made it difficult for the Government to prevent rapid turnover rates among senior officials, and placement of under-trained and inexperienced officers in jobs beyond their skills is common, with large numbers of positions being left vacant or filled on an acting basis. This is true for expatriate as well as with local staff. Not

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/1 The National Manpower Assessment, 1979-90.
only does this negatively affect the average level of skills and experience, but it has tended to reduce institutional memory. A number of government documents as well as lending agency reports stress the problem this has had for development projects. While a greater degree of institutionalization of the planning process may be of help in reducing the negative effects of turnover of expatriate staff, further pursuit of localization will be necessary as well.

4.04 Three steps must be taken if human resources management in PNG is to be improved. First is the need to adjust the role of the PSC so that departments and provinces can learn to assume more responsibility for those aspects of personnel management which directly affect their operations. Second is the need to streamline procedural issues so that recruitment and promotion procedures can be discharged in a timely and efficient manner. Third is the need to link training and education to actual manpower needs.

(b) The Public Services Commission

4.05 As is the case with other central departments of the government, the strong construction of the powers of the Public Services Commission has tended to weaken the ability and initiative of the line departments to manage their manpower base effectively. In particular, line departments lack the ability to deploy existing manpower resources flexibly. Personnel recruitment, closely controlled by the PSC particularly for expatriate positions— is perceived by other government departments as painfully slow. The latter reflects an endemic problem in Papua New Guinea. The PSC is concerned that the pace of localization is too slow and seeks to encourage it, often holding up individual appointments in the process, while other departments of the Government, conscious that there are few "qualified" local applicants, are frustrated to see appointments held up through little fault of their own. The real problem, however, seems to be the lack of a workable, government-wide training and education program for personnel upgrading in light of projected requirements. In this effort, the PSC and the rest of the government seem to work at cross-purposes, so that even goals targeted under the Administrative Improvement Program have not been achieved.

4.06 To understand the manpower and human resources management situation in PNG, it is useful to have some insight into the workings of the PSC. This central department is a constitutional body which enjoys a number of significant responsibilities under the 1975 Constitution. It is

responsible for the efficient management and control of the National Public Service and it is empowered to pass on all details of personnel matters, including appointments, promotion, transfer and termination, and reviews state services as to their organization, coordination and conditions of employment. The constitutional authority in question has been elaborated in Chapter 67 of the General Laws.

4.07 The Commission consists of four appointed members, with each having a specialized portfolio of responsibility such as recruitment, training, government organization, etc. The Commission has retained most of the decision-making powers and acts by itself and by representation on interdépartemental committees to approve matters of recruitment, selection, organizational changes, classifications and the like. Because of their all-encompassing nature, the powers of the Commission have been the subject of considerable study and debate since the time before Independence.

4.08 The Department of the Public Services Commission, with its staff of 685 officers and a budget (1982 estimates) of K 3.2 million acts as the Secretariat to the Public Services Commission. The Department is responsible for routine paper work, the development of policies and new programs for Commissioner approval, and the maintenance of the Personnel Information System. The Secretary of the Department is responsible only for the administration of his Department. His Assistant Secretaries report directly through individual commissioners for decisions related to personnel matters./1

4.09 The Department has five divisions (including three regional inspectorates) with the following functions./2

(a) Industrial Relations
(b) Organization and Methods
(c) The Administrative College
(d) Staff Development and Training

/1 Since the drafting of this Report the PSC has been reorganized into a department generally independent of the Commission itself. This has resulted in the transfer of a broader range of administrative responsibilities, previously exercised by the PSC Chairman, to the Departmental Secretary. However, the distribution of departmental authority needs to be further studied in order to ensure that the Secretary of the Department can carry out his mandate more effectively.

/2 Some eventual changes in these functions are, however, envisaged.
Recruitment and Selection

Finance and Administration

4.10 The organization of the Public Services Commission has been at issue in PNG since the framing of the Constitution. That document gave the entire authority for the recruitment, training, placement and promotion of civil servants into the hands of the appointed commissioners. The effect of this constitutional authority has been to involve these appointed commissioners deeply in the operational details of the nation's human resources management system. While it is understandable that extensive powers in this area were centralized within the PSC in order to minimize the possibility of compromising the integrity of the public service system, some apparent risks may need to be taken if overall manpower management is to be improved along with planning and budgeting.

4.11 Most notably, a considerable amount of decisionmaking responsibility with respect to recruitment, promotions, transfers, etc. should be decentralized to Departments and Provinces. It is clear, however, that as with planning and budgeting, such decentralization can only take place if Department and Provincial capacities to carry out increased responsibilities consistent with the intent of the Constitution are enhanced.\1 While in the past efforts to decentralize administratively certain decisions in the area of personnel management led to a decline in recruiting standards, ensuring for the PSC the right to review (rather than ultimately to make) decisions in this area might go a considerable distance in permitting a greater degree of line department responsibility.

4.12 The issue has been addressed by the very comprehensive "National Public Service Recruitment Review" undertaken by the PSC which examines in some detail the Government's recruitment policies. In this study, the legitimate desire for departments to have a certain degree of autonomy in recruitment decisions is recognized by the PSC with the caveat that the PSC

\1 Many countries have separated politically appointed Public Services Commissioners from the day-to-day operations of their personnel departments. They have done this by making Commissioners responsible for setting the longer-term policies that govern personnel matters, such as terms and conditions of employment, standards and qualifications, entrance and promotion examinations, and in some cases wages and benefits. The advantage of restricting the Commissioners to policy is that it allows the Public Service departments to produce carefully reasoned proposals as pre-policy documents for Commissioners' consideration. Such separation also allows the department to process day-to-day operations of routine staff appointments and other operational decisions without incurring excessive delays.
retain the right to maintain quality standards and cost controls. This study seems to be an excellent first step in modelling a new relationship between the central government and its departments and provinces in the area of human resource management.

(c) Personnel Procedures

4.13 The PSC study has also identified major weaknesses in the implementation of PSC procedures resulting from the lack of staff training and poor documentation and publication of basic rules. The study suggests that the staffs of the PSC and the departments, as well as of provinces, are often unfamiliar with the basic rules of recruitment, so that applicants are frequently recruited with inadequate skills and experience, and with long delays qualified candidates get discouraged and go elsewhere. In this, there is probably considerable slippage in the matching the pool of applicants with the long-term needs of the system as a whole. The studies recommend a system that keeps quality and quantity control at the central level in PSC, yet leaves the departments and the provinces free to do the interviewing and preliminary selection where the most information exists about the positions in light of requirements of the Public Service.

4.14 As a general rule, a smoothly functioning personnel system depends upon clear procedures that are known and followed by staff at all levels of government. There are important inadequacies which exist in the PNG personnel system at the procedural level, and which should be corrected by the PSC if manpower management is to be improved and decentralized. Perhaps most importantly, no up-to-date personnel manual exists. Without a manual of the basic rules and regulations affecting personnel procedures it is almost impossible for staff to keep track of the changes. Moreover, the basic laws and regulations have not been codified or rationalized, thus making it even more difficult for staff to know if they are following the correct procedures. Furthermore, there is no simple way to keep modifications organized for easy reference. This has shown itself to be costly in terms of morale (waits of months for promotion, transfer or pay raises are not uncommon), department recurrent cost budgets, and implementation capacity. Putting together a well-designed personnel manual would appear to be an important potential task for the PSC.

4.15 Career development paths have begun to be developed both in the PSC and in the departments and some provinces. However, the system continues to be undeveloped and uneven in its application. This is unfortunate, for without a clear idea of career paths the Government has no way of analyzing the necessary training experience and education necessary to carry out its various functions. The investment required to produce a career development system for the entire government may be high, but it will be necessary if the government is to institute a coherent manpower planning system. Should the system be completed the benefits to government would be
(i) the capacity to analyse for the first time the manpower needs for experience, training and education in key jobs, (ii) the capacity to predict future manpower needs for important line Departments, and (iii) the provision of information relating to performance required for advancement. Such services can be expanded to raise morale, reduce duplication and wastage in training and education courses, and allow accurate costing of future expansion or contraction of the work force.

4.16 The articulation of a career development system is a fundamental building block of the performance budgeting approach to program management, as discussed in Chapter 3. In effect, this approach stresses accountability for program development, and while it is a question of great and even notorious sensitivity, the possibility of introducing the notion of accountability - at least under well-chosen conditions, and initially at the senior management level - should not be ruled out.

(d) Studies

4.17 Three very important studies need to be carried out and should cover three areas: (a) localization, (b) performance evaluation in departments and provinces, and (c) standards and qualifications for public service.

4.18 When the personnel information system is functioning within the second or third year of its inception, a localization study should be begun based on the new information from the system. With the advantage of the better quality data and analysis the study would be able to examine the needs of government for educated, trained and experienced manpower throughout the system. By comparing this need against the current distribution of manpower resources, factored by turnover rates, the government would be able to create a sector by sector profile of potential areas and timetable for localization. This study should be coordinated with the work of the Higher Education Commission so that its needs for information concerning educational preparation can be met.

4.19 As the planning and the budgeting work of the overall project proceeds, the government will increasingly have the capacity to measure unit and individual performance against agreed-upon goals. The government would benefit by examining the potential for reconstituting the personnel evaluation system with the goal of establishing the kind of performance evaluation that would allow the measurement of the quality of an individual's work for supervisors and for the individual officers themselves. Not only would this help select weaker officers for special training or other help, and weed out those who are not fit for service, but it would also produce needed performance feedback for individuals so they can strengthen their performance, or be rewarded for outstanding achievement. Since this is a complex and very delicate subject, it is suggested that a high level task force guide the study.
4.20 The application of standards and qualifications requirements to government services is one of the least expensive and most effective methods of raising performance that the government has open to it. It is also one of the methods most susceptible to very expensive and long-lived mistakes when the standards are inappropriately set. If the government is able to obtain the kind of information it needs, it will be able to fine tune its standards and qualifications for its new recruits and just as importantly, for its existing officer corps. Some investment in the area of personnel information systems by the government could prove to yield substantial returns.

(e) Training

4.21 At present, the government of PNG does not have a comprehensive training program designed to help overcome its deficit of trained and experienced technical and managerial staff. Because of the absence of an appropriate personnel information system and the cost of an audit of training needs the overall training system has tended to be both somewhat ad hoc in nature and not very successful generally.

4.22 The government supports the Administrative College of Papua New Guinea, which by charter takes the lead role in the provision of management courses. This college, located in Port Moresby, has residential facilities and provides courses in budgeting and finance, planning, and general management. These courses are supplemented by others in the four regional centers. The Administrative College does not have the capacity for in-depth surveys of client needs, nor does it have the strength of staff to do the general management consulting which is envisioned in its charter. It has a staff of 139, 35 of whom are expatriate. The regional centers have staffs of 57.

4.23 Another training resource exists at the departmental level in the Divisions of Management Services. Each division has a training section and most of these sections concentrate upon the base level (lower entry level) employees for in-house training, and try to inform the rest of the staff of training and educational opportunities elsewhere. Staff quality varies, and the government has not yet invested enough resources in this subsystem to enable it to operate anywhere near its capacity.

4.24 Assuming that the PSC continues to make progress on updating records, etc., what steps can be taken to improve management at the Departmental and Provincial levels? Essential skills for a successful manager, e.g., being able to estimate costs and make resource shifts in the light of performance and changing goals, the ability to manage and get the best out of human resources, and the capacity to understand the data flows that are located in "management services" units of government departments. The absence of these skills seems to be largely responsible, among others, for poor implementation planning in PNG.
4.25 It will be a few years before the government is able to complete its personnel information system and upgrade its job analysis capacity in such a way as to begin to develop skills and capacities appropriate to a strengthening of crucial managerial capacities. During this time the Government will need to develop the broad outlines of a training and education system that will enable PNG much more precisely to train and educate in line with its manpower development needs. The Government will also need to examine the policies that govern decisions about enrollments and curriculum in the educational system, the coordination of the more than seventy small government training centers, and approaches to on-the-job training.

4.26 As the personnel information system comes on line the government will be able to tie its training plans to its development priorities through the information it will obtain on what skills experience and formal educational attainments are represented within its workforce. With this it will be able to set up training program for precisely determined needs.

4.27 Overall, the human resources management system of the government of PNG shows great promise. For it to reach this promise it must make an investment of resources in the system to assure its functioning. If a significant investment is not made essential elements of the system will continue with serious malfunctions, thus preventing the cost savings inherent in a more adequate capacity.

4.28 The job analysis of departmental (and provincial) data discussed above can be compared to the skills analysis data. The significant discrepancies between what is desired and what is available can then be interpreted as the training needs for all staff levels including the new management cadre. The next step is to determine the priority to be assigned to each of these needs, and the length of time during which improvement would be carried out.

4.29 In using data generated by the needs and skills analysis attention should be paid to the design of management roles. These roles should reflect existing human resource availability and necessary levels of performance. Roles should be designed to fit locally available capacity. With policy functions in mind work should focus on constructing a blend of job classification and description which, bearing in mind human resource availability, will result in a matching of talent and the needs of departments.

4.30 The next stage would be to ensure that task performance can be discharged as efficiently and economically as possible. This stage should result in the design of the training component sequence; sketching out the instructional flow of the courses; design, develop, and field test training materials; and plan an overall training schedule that is sensitive to the availability of trainees, trainers, and the relevant logistical constraints. Management improvement objectives at departmental and provincial level should be formulated on the basis of the information obtained from the needs
assessment and other relevant activities. The training objectives should reflect both long and short-term program/project objectives, and specify the desired "terminal behavior" or end-of-assistance status.

4.31 Training objectives should be stated in terms of three levels of performance: (a) training performance, which is the degree to which change toward the desired performance requirements is manifested immediately after the training is completed; (b) on-the-job performance, which is the degree to which job requirements are satisfactorily met or exceeded by the trainee; and (c) organizational performance, which is the extent to which the performance requirements trainee's work unit are satisfactorily met or exceeded.
1. The overall responsibility for building PNG planning capability could rest with a Coordinator and a Steering Group established by the Prime Minister with terms of reference, authority and resources as required. While consultants would not fill PNG posts in temporary capacities, they would help local managers to draw up initial sectoral strategies and manpower planning budgeting techniques. They would also be available for consultation on the management of the institution building process and on technical aspects in the areas in question.

2. With reference to Chart 1, the following notes explain what is understood under each of the headings. Because of the need, however, to begin with the definition of some sectoral strategies early on if a more growth-oriented strategy is to be realized, some initial work, possibly by consultants, should be begun in this area. This work would form the basis for budgeting and human resource management work at national departmental level, but would subsequently be revised as new work, as described below, came onstream.

3. Public Sector Management Development: two to four provinces and departments. A focus on the provincial departmental link is a necessary first step to developing planning, and a decision is necessary about where to start and, assuming the provinces are indeed to be involved from the beginning, with how many. Two is probably the least that would make sense.

4. Consistent with this, provinces and departments might set up planning groups. Officers from Finance, NPO, PSC, and perhaps others could assist these working groups, acting as expert consultants in designing a revised planning process and in implementing a planning cycle.

5. Review/design of the management process: Who does what? The first task in each province would be to review the roles of various bodies in the management process: Who does what? Who should be doing what? This would pose questions not only about the stages in planning and what is required of each, but also who should be involved. Questions such as "In what form should objectives be stated?" and "By what process are objectives to be defined and who should be involved in their definition?" would need to be addressed. In this stage, the implications for budget policy and procedures as well as personnel-related questions should be examined.
Chart 1: POSSIBLE PROGRAM STAGES ILLUSTRATIVE OF PROPOSED STRATEGY

A. **Preparation**

Development of Management Capability: Two Provinces and Departments

B. **Review/Design of Process**

Who does what?

C. **Implementation of Management Process by Stages**

- Pre-Planning Information and Analysis
- Objectives and Performance Criteria
- Strategy
- Program/Project Identification
- Project Design/Preparation

D. **Review of Process**

- Manual on Process
- Manual on Specific Management Tasks

E. **Training in Support Functions** (National Support Teams)

- NPO
- DPI
- DTCA
- Etc.

F. **Sectoral Strategy Formulation**

- First round (DTCA)
  - Design of Process
  - Determination of Content
  - Development of Sectoral Strategy
  - Review of Process and Recommendations for Future

H. **Other Provinces**

I. **Other Departments**

J. **Province/National Links Review**

K. **National Intersectoral Policy and Planning Management Review**
6. The outcome of this stage would be a work plan for a planning cycle which prepares for the next stage: learning how to carry out a planning cycle by doing it.

7. Implementation of planning process. Stages should be defined and the component tasks required of each stage spelled out. Those involved in each stage would be treated as teams who, with consulting assistance and specific skills training where necessary, undertake their tasks and produce their contribution to the planning process. In some cases, the tasks performed would have ongoing activities (e.g., data collection, monitoring).

8. It is likely that some job re-specification would be called for and this might have PSC implications which would need to be covered by the involvement of the PSC in this entire process. At a later stage, questions of job performance monitoring, assessment and reward are likely to be raised which would also involve the PSC.

9. Many of the tasks of planning—at least from project preparation to the release of funds—are already well defined and routinized by NPEP procedures. Less well-established are those stages of planning where sectoral strategy formulation takes place and in which projects are selected and put together as a time-phased plan. Other stages are in special need of strengthening as well; e.g., trend projection, identification of problem concerns and of development opportunities—the description and analysis of which is necessary point of departure for planning. Thus, we can expect to see some aspects remaining largely unchanged, some being strengthened and others being newly introduced as resources permit.

10. Review of process. Having completed a planning cycle, it would be important to appraise the experience and assess the need for change and improvement. Following that, procedures would be revised and new manuals might be called for as illustrated guides to specific management tasks.

11. Training in support functions. The NPO and other central departments have supporting roles to play in assisting with provincial planning. Officers assigned to these functions should be involved with provincial planning teams, both in defining their roles in the planning process and participating in planning in their support roles. For some aspects of these, on-the-job training may be desirable; especially for team building and for establishing a pattern for carrying out roles as consultants/trainers.

12. Support function manuals. As the support functions, and the tasks that they imply, become clear, it may be desirable to prepare manuals for continued guidance.
13. **Sectoral strategy formulation.** This activity would run parallel with provincial planning. It might start with one or more departments. Again, a review of the nature of the process, and how various bodies contribute to it, would seem desirable as a starting point. Following these reviews, the task would be to embark on the process of producing sectoral strategies. As with provincial planning, a review and appraisal following the end of an initial effort would produce recommendations for the future with regard to both process and content. Experience, too, in applying sectoral strategies at the provincial level should be appraised and related to the review of the national departments' support roles in provincial planning.

14. **National intersectoral policy and planning management review.** This would include:
   
   (a) integration of sectoral strategies within an overall national strategy; and

   (b) integration of provincial plans with national department plans in arriving at an overall national plan.

   Such a review might call for strengthening of specific activities including, for example, planning by national departments for components of government expenditure not made under provincial plans.

15. The above activities move broadly from diagnosis to design, training, implementation, review, redesign and codification. They also focus both on separate organizational entities and on the relationships between them. While initially, outside assistance might be called upon, this would be seen as a means of developing PNG capability to perform all necessary roles, including all those performed by outside consultants. Once the whole of the national planning system had been covered by a first round of this program, there would be a continuing task of maintenance and development which PNG should be prepared to undertake.

16. No detailed budget is proposed at this stage, but program components which might well be included in the budget are as follows.

   (a) initial national task force meetings to determine strategy and work plan;

   (b) initial meetings with provinces and departments together and separately;

   (c) meetings with provincial and departmental work groups for planning and on-the-job training on such topics as: design of plan process; pre-plan data and information; plan objectives and
strategy; project identification and development; monitoring and performance evaluation;

(d) a number of different working groups could be established which would deal with:

(i) process review and preparation of manuals;

(ii) problems of interface between planning entities (including matters concerning, particularly, Finance and PSC); developing provincial planning support functions;

(iii) reframing budgets and redesigning management structures;

(iv) sectoral strategy formulation; and

(v) national strategy formulation (process review and strategy formulation workshops).

17. While a more detailed plan will need to be developed before effective budgeting can be undertaken, one can say both that learning to plan will require a resource commitment and that this is relatively inexpensive—especially if the learning process is made directly productive.

<table>
<thead>
<tr>
<th>Chart 2: PROGRAMMING RESPONSIBILITIES</th>
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<tbody>
<tr>
<td><strong>Program Coordinator</strong></td>
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<tr>
<td>Overall management of design and implementation of Program</td>
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<tr>
<td><strong>Program Steering Group</strong></td>
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<tr>
<td>Design of overall Program Strategy and Work Plan, and review of progress</td>
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<tr>
<td><strong>Consulting Assistance</strong></td>
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<tr>
<td>Work Groups (Provincial Planning Teams, Department Planning Units, etc.)</td>
</tr>
<tr>
<td>Operational plan of work for each planning entity on 3 - 6 month time base.</td>
</tr>
<tr>
<td><strong>Work Groups (As above and smaller work groups assigned specific tasks)</strong></td>
</tr>
<tr>
<td>Design of specific activities for teams within planning entities.</td>
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PAPUA NEW GUINEA
PUBLIC SECTOR MANAGEMENT IN PAPUA NEW GUINEA

Structure of the Budget

1. In order to understand the Papua New Guinea budget it is necessary to consult the Estimates of Revenue and Expenditure, Public Accounts and the National Public Expenditure Plan (NPEP). In all these documents the recurrent and NPEP expenditures are combined and it is not easy to follow what has been happening to recurrent expenditures. The estimates do not give actual expenditures for the previous financial year so that readers can check the accuracy of previous work. Actual expenditures are, however, found in the annually-published Public Accounts.

2. It is particularly difficult to assess accuracy in connection with the NPEP easily.1 Between 40 and 60 percent of expenditures detailed in the Public Accounts are slightly over the estimate, indicating that very tight expenditure control has been exercised; in 1981 nearly all items were adjusted downwards during the year.

Budget Divisions

3. The budget is divided into nine parts:

Part 1 - Department Expenditures including recoverable Services
Part 2 - General Overheads (other expenditure)
Part 3 - Works and Services
Part 4 - Commercial Investments
Part 5 - Provincial and Statutory Institutions Grants
Part 6 - Financial Transactions
Part 7 - Advances to the Secretary
Part 8 - Special Appropriations
Part 9 - Debt Service

1 Expenditures estimates for the NPEP in 1981 are given as being around 97% accurate. However, the figure is based on the estimate made during the final quarterly review and thus does not really represent the estimate made at the beginning of the year nor does it indicate that the project expenditures made at year end were those estimated at the beginning of the year (as projects slip new ones are added).
4. The 9 Parts are divided into thirty three divisions. Part 1 shows a conventional breakdown by fairly detailed administrative functions although some Divisions or Departments are obviously much larger than others, e.g., 247 and 263. The remaining Parts are a mixture of economic and accounting classifications. Part 6 "Financial Transactions" are loans made by Government; Part 7 "Advances to the Secretary" is a rolling contingency fund.

Departmental Breakdown

5. The Department of Primary Industry, for example, administers Agriculture, Forests and Fisheries. The Departmental budget (1982) is divided into "Functions." These functions subdivided into "Activities" which vary with the function:

<table>
<thead>
<tr>
<th>Function: 1 Policy and Administration /1</th>
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<tbody>
<tr>
<td>Activity: 1 General Service (Agr. &amp; Fish); 2 General Services (Forestry)</td>
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<table>
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<tr>
<th>Function: 2 Training</th>
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<tbody>
<tr>
<td>Activity: 1 Agriculture; 2 Forestry</td>
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<table>
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<tr>
<th>Function: 3 Research and Development</th>
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<tbody>
<tr>
<td>Activity: 1 Forest Products; 2 Botanical; 3 Forest Management; 4 Forestry (Other) 5 Agriculture Livestock and Fisheries Development; 6 Livestock Production Research and Health Services; 7 Crop Production Research and Services; 8 Development Engineering</td>
</tr>
</tbody>
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<table>
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<tr>
<th>Function: 4 Forest Management</th>
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<tbody>
<tr>
<td>Activity: 1 Acquisition of Timber Rights; 2 Mapping</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Function: 5 Services to Primary Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity: 1 Produce Inspection; 2 Cash Crop Marketing; 3 Quarantine Service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Function: 6 Fisheries Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity: 1 Production Research and Inspection</td>
</tr>
</tbody>
</table>

/1 Functions 1-7 are carried out by Assistant Secretaries. Thus policy conflicts are difficult to avoid since the Assistant Secretary in charge of the function is of the same rank as those expected to execute the policy. Accountability is fragmented among a number of functions and activities. To achieve program status all inputs and outputs should be controlled by a single manager.
Function: 7 Wild Life Management
Activity: 1 Wild Life Management

Revenue

6. Revenue collection as attributable to discrete activities is set out in similar form to expenditure by Heads corresponding to Divisions or Department, e.g., 101: National Parliament. The Heads are divided into subheads which are descriptive of each item; e.g., Head 113, subhead 7 "Electricity." The subheads are indicative of administrative rather than economic functions. Revenues are classified by Head in a one hundred series which means that revenue Head 141 is (e.g., agricultural export tax collected by) DPI. Revenue generation is classified by "Head" while "Heads" of expenditures have been revised elsewhere in the budget to become "Functions" and "Activities." This shows that the budget process is still in transition. The small amounts of revenue collected seem hard to understand given that there is an "appropriation-in-aid" procedure whereby Departments may keep for their own use most of the monies collected as revenues in their course of their activities.

7. The amount of revenues collected is important in several respects. There are obvious economic consequences from a budgetary shortfall during a period when resources are scarce. While it is true that revenue estimates are small it is important to begin to project the idea that revenue generation is vital for the future. Papua New Guinea budgeting techniques do not pay much attention to increasing revenue generation, and, in particular, provincial revenue generation. There is no detailed examination of revenue raising potential, the appropriateness of various instruments, e.g., user fees, cesses, or any assessment of the willingness of the public to pay, and the administrative costs of collection.
PAPUA NEW GUINEA

PUBLIC SECTOR MANAGEMENT IN PAPUA NEW GUINEA

Functional Management Analysis

1. Analysis of the allocation of scarce administrative and financial resources suggests that a surprisingly large proportion have gone to Departments with policy making and controlling functions apparently at the expense of subordinate line Departments. This tends to support the notion, advanced in the ToRobert Report, that there is an excessive centralization of power in Departments such as Finance and the PSC.

2. In terms of the allocation of manpower resources (Table 2.A), there has been a strengthening of controlling and policy making departments notably at the expense of DPI. The same pattern is repeated (Table 3.B) with respect to the growth of recurrent expenditures, 1979-83, and it seems clear that since the non-NPEP recurrent budget has been growing by less than 1% a year in nominal terms that there is substantial underfunding of recurrent costs.

3. The perception that the public service has of the relative importance of planning and implementation is suggested by a recent exercise identifying essential posts within the Government (Table 3.C). It demonstrates the growing power and prestige of highly centralized Departments with controlling and policy making functions. It is also the case that these Departments receive a surprisingly large allocation of NPEP funds to handle on their own account (Table 3.D).
<table>
<thead>
<tr>
<th>Department</th>
<th>FY1980 National</th>
<th>O’S.</th>
<th>(Proposed) FY83 National</th>
<th>O’S.</th>
<th>Change</th>
<th>N. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control and Policy-Making</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Parliament</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>4</td>
<td>45</td>
<td>213</td>
</tr>
<tr>
<td>Auditor General</td>
<td>22</td>
<td>23</td>
<td>32</td>
<td>49</td>
<td>45</td>
<td>213</td>
</tr>
<tr>
<td>Finance</td>
<td>421</td>
<td>73</td>
<td>856</td>
<td>108</td>
<td>+203</td>
<td>+47</td>
</tr>
<tr>
<td>Justice</td>
<td>2,038</td>
<td>95</td>
<td>2,096</td>
<td>83</td>
<td>+3</td>
<td>-13</td>
</tr>
<tr>
<td>Labor and Employment</td>
<td>159</td>
<td>13</td>
<td>188</td>
<td>14</td>
<td>+18</td>
<td>+7</td>
</tr>
<tr>
<td>Police</td>
<td>3,942</td>
<td>44</td>
<td>4,593</td>
<td>79</td>
<td>+16</td>
<td>+79</td>
</tr>
<tr>
<td>Prime Minister</td>
<td>567</td>
<td>74</td>
<td>621</td>
<td>95</td>
<td>+9</td>
<td>+28</td>
</tr>
<tr>
<td>Decentralization</td>
<td>202</td>
<td>29</td>
<td>12</td>
<td>2</td>
<td>change in Dept.</td>
<td></td>
</tr>
<tr>
<td>Public Service Commission</td>
<td>602</td>
<td>144</td>
<td>496</td>
<td>79</td>
<td>-18</td>
<td>-45</td>
</tr>
<tr>
<td><strong>Subordinate Line Departments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Industry</td>
<td>1,050</td>
<td>219</td>
<td>1,179</td>
<td>208</td>
<td>+12</td>
<td>-6</td>
</tr>
<tr>
<td>Minerals and Energy</td>
<td>173</td>
<td>39</td>
<td>318</td>
<td>66</td>
<td>+83</td>
<td>+69</td>
</tr>
<tr>
<td>Commerce and Tourism</td>
<td>165</td>
<td>37</td>
<td>34</td>
<td>4</td>
<td>change in Dept.</td>
<td></td>
</tr>
<tr>
<td>Transport and C. Aviation</td>
<td>949</td>
<td>53</td>
<td>1,719</td>
<td>141</td>
<td>+81</td>
<td>+166</td>
</tr>
<tr>
<td>Works and Supply</td>
<td>1,040</td>
<td>149</td>
<td>862</td>
<td>120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Utilities</td>
<td>192</td>
<td>1</td>
<td>406</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>4,535</td>
<td>300</td>
<td>4,063</td>
<td>417</td>
<td>-18</td>
<td>+39</td>
</tr>
<tr>
<td>Education</td>
<td>1,526</td>
<td>718</td>
<td>1,663</td>
<td>501</td>
<td>+9</td>
<td>-30</td>
</tr>
<tr>
<td>Comm. and Fam. Services</td>
<td>n.a.</td>
<td></td>
<td></td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Development</td>
<td>386</td>
<td>18</td>
<td>313</td>
<td>13</td>
<td>-19</td>
<td>-28</td>
</tr>
<tr>
<td>Lands</td>
<td>368</td>
<td>48</td>
<td>425</td>
<td>59</td>
<td>+15</td>
<td>+22</td>
</tr>
<tr>
<td>Excluded: (a) Defense</td>
<td>18,337</td>
<td>2,077</td>
<td>19,896</td>
<td>2,052</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Foreign Affairs (%)</td>
<td></td>
<td></td>
<td>48.5</td>
<td>-1.3</td>
<td></td>
</tr>
</tbody>
</table>

/a Manpower statistics are subject to error because of double counting. Some calculations ignore manpower employed under Trust Accounts.
### Table 3.B: GROWTH OF RECURRENT EXPENDITURES, 1979-83
Kina (thousands) or percentages

<table>
<thead>
<tr>
<th>Control and Policy-Making Departments</th>
<th>1979 (Actual)</th>
<th>1983 (proposed)</th>
<th>Percentage change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Parliament</td>
<td>Not available</td>
<td>3,081</td>
<td>n.a.</td>
</tr>
<tr>
<td>Auditor General</td>
<td>531</td>
<td>828</td>
<td>+155</td>
</tr>
<tr>
<td>Finance</td>
<td>6,266</td>
<td>7,085</td>
<td>+113</td>
</tr>
<tr>
<td>Justice</td>
<td>11,522</td>
<td>16,506</td>
<td>+143</td>
</tr>
<tr>
<td>Labor and Employment</td>
<td>2,064</td>
<td>1,446</td>
<td>-30</td>
</tr>
<tr>
<td>Police</td>
<td>19,790</td>
<td>30,468</td>
<td>+154</td>
</tr>
<tr>
<td>Prime Minister</td>
<td>7,012</td>
<td>8,498</td>
<td>+121</td>
</tr>
<tr>
<td>Decentralization</td>
<td>2,712</td>
<td>140</td>
<td>n.a.</td>
</tr>
<tr>
<td>Public Service Commission</td>
<td>11,643</td>
<td>9,101</td>
<td>-28</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subordinate Line Departments</th>
<th>1979 (Actual)</th>
<th>1983 (proposed)</th>
<th>Percentage change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Industry</td>
<td>18,368</td>
<td>10,371</td>
<td>-44</td>
</tr>
<tr>
<td>Minerals and Energy</td>
<td>3,111</td>
<td>2,928</td>
<td>-6</td>
</tr>
<tr>
<td>Commerce and Tourism</td>
<td>1,729</td>
<td>384</td>
<td>-11</td>
</tr>
<tr>
<td>Transport and C. Aviation</td>
<td>17,442</td>
<td>13,417</td>
<td>-23</td>
</tr>
<tr>
<td>Works and Supply</td>
<td>12,611</td>
<td>5,419</td>
<td>-57</td>
</tr>
<tr>
<td>Public Utilities</td>
<td>1,058</td>
<td>1,534</td>
<td>+45</td>
</tr>
<tr>
<td>Health</td>
<td>29,474</td>
<td>34,579</td>
<td>+117</td>
</tr>
<tr>
<td>Education</td>
<td>21,850</td>
<td>27,166</td>
<td>+124</td>
</tr>
<tr>
<td>Comm. and Fam. Services</td>
<td>3,432</td>
<td>520</td>
<td>n.a.</td>
</tr>
<tr>
<td>Urban Development</td>
<td>6,030</td>
<td>3,718</td>
<td>-40</td>
</tr>
<tr>
<td>Excluded: (a) Defense</td>
<td>176,645</td>
<td>181,820</td>
<td>+2.92</td>
</tr>
<tr>
<td>(b) Foreign Affairs (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N.B. These figures are very rough and probably contain errors. However, they suggest that the non NPEP budget may be underfunded for Departments such as DPI and Transport.
Table 3.C: ESSENTIAL POSTS

<table>
<thead>
<tr>
<th>Control and Policy-Making Departments</th>
<th>National</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Parliament</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor General</td>
<td>32 (+168%)</td>
<td>49 (+200%)</td>
</tr>
<tr>
<td>Finance</td>
<td>570 (135%)</td>
<td>84 (115%)</td>
</tr>
<tr>
<td>Justice</td>
<td>484 (23%)</td>
<td>68 (71%)</td>
</tr>
<tr>
<td>Labor and Employment</td>
<td>56 (35%)</td>
<td>7 (53%)</td>
</tr>
<tr>
<td>Police</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prime Minister</td>
<td>294 (52%)</td>
<td>70 (94%)</td>
</tr>
<tr>
<td>Decentralization</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public Service Commission</td>
<td>143 (23%)</td>
<td>43 (30.5%)</td>
</tr>
<tr>
<td>Subordinate Line Departments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Industry</td>
<td>105 (10%)</td>
<td>16 (7%)</td>
</tr>
<tr>
<td>Minerals and Energy</td>
<td>25 (14%)</td>
<td>21 (53%)</td>
</tr>
<tr>
<td>Commerce and Tourism</td>
<td>82 (49%)</td>
<td>2 (5%)</td>
</tr>
<tr>
<td>Transport and Civil Aviation</td>
<td>8 (0.8%)</td>
<td>-</td>
</tr>
<tr>
<td>Works and Supply</td>
<td>404 (38.8%)</td>
<td>1 (0.8%)</td>
</tr>
<tr>
<td>Public Utilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Health</td>
<td>206 (26.5)</td>
<td>50 (19%)</td>
</tr>
<tr>
<td>Education</td>
<td>798 (51.2%)</td>
<td>407 (81.2%)</td>
</tr>
<tr>
<td>Communication and Family Services</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Urban Development</td>
<td>79 (20.4%)</td>
<td>12 (66%)</td>
</tr>
<tr>
<td>Lands</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Excluded: (a) Defense
(b) Foreign Affairs

Essential or

"A" posts were defined by the former Prime Minister, Sir Julius Chan, to be essential for the public service. Although the data are rough and impressionistic this allocation does indicate the relative importance attached to various ministries by manpower planners.

Source: Estimates 1982
Table 3.D: PROPOSED FY 1983 NPEP ALLOCATIONS
Kina (thousands) or percentages

<table>
<thead>
<tr>
<th>Kina (thousands)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control and Policy-Making Departments</strong></td>
<td></td>
</tr>
<tr>
<td>National Parliament</td>
<td>7,000</td>
</tr>
<tr>
<td>Auditor General</td>
<td>388</td>
</tr>
<tr>
<td>Finance</td>
<td>4,883</td>
</tr>
<tr>
<td>Justice</td>
<td>837</td>
</tr>
<tr>
<td>Labor and Employment</td>
<td>421</td>
</tr>
<tr>
<td>Police</td>
<td>2,261</td>
</tr>
<tr>
<td>Prime Minister</td>
<td>5,993</td>
</tr>
<tr>
<td>Decentralization</td>
<td>72</td>
</tr>
<tr>
<td>Public Service Commission</td>
<td>1,137</td>
</tr>
<tr>
<td><strong>Subordinate Line Departments</strong></td>
<td></td>
</tr>
<tr>
<td>Primary Industry</td>
<td>11,328</td>
</tr>
<tr>
<td>Minerals and Energy</td>
<td>1,883</td>
</tr>
<tr>
<td>Commerce and Tourism</td>
<td>368</td>
</tr>
<tr>
<td>Transport and Civil Aviation</td>
<td>22,347</td>
</tr>
<tr>
<td>Works and Supply</td>
<td>9,178</td>
</tr>
<tr>
<td>Public Utilities</td>
<td>273</td>
</tr>
<tr>
<td>Health</td>
<td>8,478</td>
</tr>
<tr>
<td>Education</td>
<td>15,475</td>
</tr>
<tr>
<td>Comm. and Family Services</td>
<td>1,460</td>
</tr>
<tr>
<td>Urban Development</td>
<td>4,266</td>
</tr>
<tr>
<td>Lands</td>
<td>1,841</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99,889</strong></td>
</tr>
</tbody>
</table>

Excluded: (a) Defense
(b) Foreign Affairs
1. The Public Service Commission is supposed, and this is required by the 1976 legislation, to ensure that all officers become familiar with standing regulations and procedures. Regulations and instructions covering the Public Service are contained in General Orders, issued under the authority of the Public Service Commission. The volume now in use was produced in 1973 and there has only been one amendment since 1977. The Public Service has taken to issuing circulars in numbered sequence which are not integrated into the current version of General Orders despite the fact that officers have to use or refer to General Orders for many of their entitlements. There is no examination in General Orders for entrants to the Public Service. Nor is there any examination in Financial Procedures.

2. There are obvious consequences of the failure to make officers aware of the importance of following regulations and procedures. For example, Financial Procedures contain instruction for safeguarding government property. However, there is at present no operating system in many departments for recording the Government property which has been issued to a department. In recent years DPI has lost scuba equipment, furniture, typewriters etc. There is no way at present of knowing what has been lost or what should be on hand. The transport responsibilities of the Department are in similar disarray. Drivers are not required to keep logs to record time spent on official duty, or the purpose of the trips they have taken. Personnel reports are not filled out on regular basis for staff so that they have a clear idea of their performance, how well they are doing at their jobs, and what need to be improved.

Communications Breakdown

3. No public service can function effectively unless information can be efficiently stored, retrieved, and made available at the right time. At present letters and memoranda on important subjects can easily be misfiled; in most Departments it is impossible to locate missing communications and it is hard for managers to tell if public business is being attended to in a satisfactory manner. Most managers pay little or no attention to registry functions, and, as performance in this area has declined they have turned instead to informal communication using the official network as a backup system. Mail takes about a week to go from the desk of the sending officer to the desk of the receiving officer within Port Moresby. To circumvent this
system officers use direct courier service and the telephone. A great deal of business which ought to be put on paper in order to leave a permanent record of how things are done is transacted by telephone. In a system with a rapid staff turnover this is not very satisfactory.

4. Incoming communications are supposed to be addressed to the Secretary and may sometimes be endorsed to the attention of a particular officer. Mail addressed to the Secretary goes to the registry where the registry clerk decides which officer it should go to for action. The principle behind the system is that each communication should only deal within one subject. Where two subjects are dealt with there should be cross referencing but this does not always happen so that communications get lost. The officer who gets a wrongly assigned letter can only send it back to the registry since he has no master list of files from which he could suggest a more appropriate assignment. There is no inward correspondence register which means that incoming letters can get lost in the system without there being any way to trace them. Nor is there an outward correspondence register. Managers do not habitually inspect registries and many officers are quite unaware of how paper flows in the Government.

5. The operation of the communication system emphasises the separation and isolation of the various units in Departments. There is minimal sharing of inward correspondence and only a limited sharing of outward correspondence so that most officers find it hard to keep up with what is happening to their Department as a whole.

6. Communications flow is the province of management services though many of the personnel in these areas do not understand the system and there is no real concerted effort to upgrade performance through training and through senior management taking an interest in improved performance. Some of the larger departments handle around one hundred and twenty pieces of correspondence a day. The filing index is cumbersome and much too complicated. New files have been continuously added while old ones have not been closed out. A running file on outward correspondence is maintained and cover sheets do show that senior officers have consulted the contents. However, since they have usually not seen the incoming correspondence which was responsible for the replies it is not clear that the system as it now works is always very useful.

7. There are several measures that can be taken to improve communications. Inward correspondence registers should be used to record all incoming pieces of mail. Not only will these registers avoid mail becoming lost they would also enable an analysis of the volume of incoming mail. Outward correspondence registers could perform a similar function. Isolation among units can be overcome by requiring a duplicate copy of all incoming mail or making a copy when a mail is received within a department.
The duplicate can be circulated in a folder to all officers so that each can be aware of what is going on and so that senior officers can make marginal notes on various items where they have special knowledge. While one copy is circulating the registry clerks can put the action copy on file for the officers whose responsibility the matter appears to be.

8. The outward file of correspondence should be examined on a regular basis by all staff and, in particular, managers. Here they can see both the volume and quality of the work of their subordinates. Each officer should be required to sign the outward correspondence file on a regular basis to show that he looked at the contents and is thus aware of the things that his colleagues in the Department are working on. A master list of all files should be prepared and each officer should have a copy of this. If a system come on to all Departments is created this would simplify the process of storage and retrieval to a considerable degree. Old files need to be culled from the system and progress made toward a smaller number of files with common numbering.
The Personnel Information Services of the Public Services Commission

1. The NMA makes the following comment about the personnel statistics of the Public Services Commission:

   The computerized personnel system of the PSC did not hold all the essential information with the result that some of the information, and much of the processing (emphasis added) had to be done manually (pp. 228-229).

In the two years since the report was written, the PSC still does not have a complete and accurate data base nor the capability to make full use of any such data base. Work has been carried out, and there are indications of progress being made. But at the moment the establishment records are still inaccurate due to slow and inaccurate reporting from the field. Steps are being taken to correct this by the installation of the Payroll and Personnel Program Package. This will provide up-to-date establishment records by using the data inputs of the payroll system, thus assuring a bi-weekly updating of all establishment records. Considerable difficulties still remain before this system can be fully functioning, including incomplete design specifications, a lack of system installation plans, and the inadequacy and lack of funding of a training plan for those individuals and organizations charged with providing the relevant data.

2. The difficulties in making the Payroll and Personnel Program operative are illustrative of many of the other problems of the subcomponents of the personnel information system:

   (a) The Job Classification System has been completed with the assistance of Hay Associates. However, the linkage of classifications to wages has caused the system adoption to be delayed due to government reluctance to open the wage scale question.

   (b) Job Descriptions exist for every position in government, but for the most part they are incomplete, inaccurate, and inadequate.

   (c) A Job Analysis capacity exist within the PSC and many of the Management Services Divisions of the departments, but the generally low experience and skill of present incumbents has not
allowed either the consistency of application, nor the system-wide coverage necessary to make analysis useful for obtaining aggregate data.

(d) Individual Officer Records exist, but they need to be reformulated in order to provide necessary training, education and experience data that can be used to provide an accurate profile of current manpower capacity. Because of poor staffing in the departments and the provinces, the records are often out of date, inadequately or inaccurately completed.

In addition, the essential subcomponents of the personnel information system are scattered under various supervisors. While a coordinating committee has been created to help assure that the various parts of the system are compatible, there is evidence that such is not the case. These problems are not insoluble, but they do not indicate that steps need to be taken to (i) treat the personnel information system as a unit, under single management control to assure efficient interactive capacity, (ii) ensure that the system receive enough staff and other resources to assure completion in a timely fashion, and (iii) shelter the system from cut-backs for a minimum of five years lest much of the prior investment be lost.