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Evaluation of New Zealand's Country Programme in PNG

Part I: Introduction and Strategic Assessment

New Zealand Ministry of Foreign Affairs and Trade

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Introduction and Strategic Assessment

1.1. Purpose of this Evaluation

This evaluation is one of a suite of strategic country programme evaluations that aim to provide a big-picture view of achievement across the spectrum of New Zealand engagements in its partner countries¹. The purpose of this evaluation is to provide strategic guidance to the PNG Country Programme, by examining its impact and effectiveness, while exploring how New Zealand's approach to working in PNG could be optimised.

The evaluation addresses five primary evaluation questions. These were drawn from the feedback provided by New Zealand and PNG stakeholders and are guided by MFAT's Programme Evaluation Framework (PEF).

The evaluation questions are:

1. *How can New Zealand increase its influence in such a complicated environment?*

This question looks at how New Zealand can increase its influence through various levers, or through place-based versus nation based approaches.

2. *What results has New Zealand achieved? And how sustainable are they?*

This question looks at whether planned results have been achieved, the barriers to achievement and how sustainable these results will be within the PNG context.

3. *Is the country programme being managed efficiently?*

This question examines the cost effectiveness of the New Zealand programme and how efficiently the programme is being managed.

4. *Is New Zealand doing the right things in Agriculture, Energy and in Bougainville?*

This question focuses specifically on those priorities outlined in the Joint Commitment for Development and asks whether New Zealand has the right focus in these areas.

5. *What has been the impact of New Zealand's investments on Gender equality in PNG?*

This question looks at the effect New Zealand's investments have had on gender outcomes in PNG and the constraints to achieving better outcomes.

The strategic issues raised by these questions are discussed below under Section 1.2.

1.2. Scope and Limitations

This country programme level evaluation was highly ambitious in scope. It sought to assess the performance of New Zealand's recent investments in PNG while also examining how New Zealand might have more influence in such a complex environment. Like many evaluations it encountered a range of limitations. Chief amongst these was the availability of data on performance across the programme, particularly data on the performance of non-bilateral investments and some of the bilateral investments. Further, as noted throughout this report, there was limited gender disaggregated data for the larger bilateral investments and a lack of baseline information more generally. This made it very difficult to address the evaluation question around gender. In addition, while the annual reporting at the programme level was consistent, there was a lack of strategic narrative that explained the rationale behind New Zealand's investments in certain areas and across the program. This is a deficiency that is now being addressed through the country strategy process.

¹ See: Panel for MFATs 2015-18 Programme Evaluation – Terms of Reference

Unlike other country programme level evaluations, there was a relatively small number of high level local stakeholders engaged in the evaluation process. Engagement with mid-level officers within the PNG Government was strong and much appreciated. This made it difficult to conduct a strategic assessment and, in particular, to understand how senior PNG stakeholders think New Zealand can have more impact and influence in PNG. Due to time and resourcing constraints and the vastness of PNG, it was also impossible to engage with beneficiaries to the extent preferred. Aside from engagements with beneficiaries in Mt Hagen and Bougainville, there was little community-level engagement. The inability to conduct extensive field work limited the case study work that could be conducted.

As a result of these challenges it was not possible to compare and contrast the effectiveness of the different approaches to any great degree, this included in the agriculture, governance and energy sectors. To do this properly would have required significantly more resources. In the future, MFAT should consider conducting an evaluation that focuses specifically on these comparisons in the individual sectors. Due to these constraints it was also very difficult to assess the extent to which place based approaches were more effective or were more influential than nation-based approaches, although this issue is discussed under ‘Lessons Learned’ below.

1.3. Background and Context

1.3.1. PNG’s Development Context

Papua New Guinea (PNG) is the most populous and culturally diverse of the Pacific island nations, with a population of approximately 7.7 million speaking over 800 languages. More than 80 percent of the population live in rural areas, many organised in tribal and language groups². PNG faces several critical development challenges, including achieving and maintaining fiscal sustainability, redressing income inequality, family and gender-based violence, enhancing the business environment and bolstering the fledgling private sector, overcoming poor governance practices, improving the health and wellbeing of its citizens and mitigating the impacts of climate change.

PNG faces significant society-wide challenges in the area of gender equality. PNG presently ranks 154 from 188 countries on the Gender Inequality Index (GII)³, one place above Zimbabwe. Gender based violence (GBV) is committed with relative impunity across the country. Approximately two-thirds of women have been subjected to domestic violence – a figure that reaches almost 100 per cent in parts of the Highlands⁴. A UNDP study found that 62 per cent of male Papua New Guineans reported committing some form of rape against a women or girl during their lifetime⁵.

PNG’s current economic landscape reflects the paradox inherent in a resource dependent economy. Impressive, but highly fluctuating, GDP growth has disguised entrenched problems in the broader, non-resource economy. These problems include reduced agricultural productivity due, in part, to ‘Dutch Disease’ style impacts, low administrative capacity across all levels of government, and a shrinking tax base. The curtailment of expenditure on capital projects due to the decline in global commodity prices, coupled with the PNG Government’s cash shortage, has adversely affected growth in the non-resource sector⁶. A critical challenge for PNG’s development is transforming resource revenues into shared prosperity. Approximately 85% of PNG’s population inhabit rural areas, practising subsistence farming and informal small-scale cash cropping, and do not reap the benefits

² Department of National Planning and Monitoring, Government of PNG (2015) Summary Report for Papua New Guinea: Millennium Development Goals 2015.

³ <http://hdr.undp.org/en/composite/GII>

⁴ Amnesty International (2010)

⁵ UNDP, UNFPA, UN Women, UN Volunteers (2013), p.2

⁶ World Bank (2017) East Asia Pacific Economic Update, April 2017: Sustaining Resilience.

from PNG's natural resource windfalls⁷. Agriculture is the mainstay of the PNG economy and accounts for approximately 30 per cent of GDP⁸.

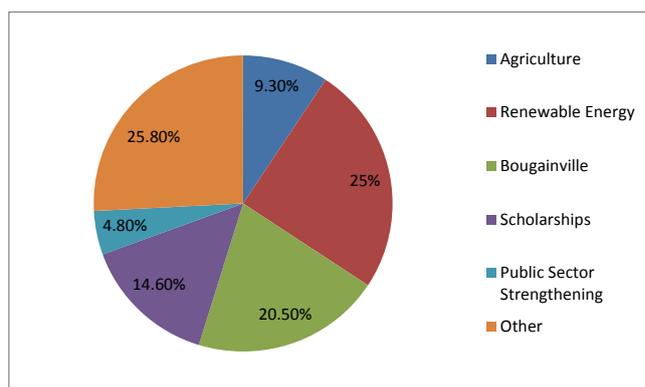
From a political perspective PNG faces many challenges. A referendum that will decide the future status of Bougainville is planned for 2019. This referendum presents a range of challenges for Bougainville, the PNG Government and donors. It is important that donors work collaboratively with PNG to carefully think through the implications of the referendum and develop strategies to deal with the issues that might emerge over the next few years.

1.3.2. Overview of New Zealand's country programme

The Joint Commitment for Development between the Governments of New Zealand and PNG for the period 2015-2018 prioritises increasing the economic and food security benefits from agriculture, expanding access to affordable and sustainable clean energy, strengthening law and justice systems especially in the Autonomous Region of Bougainville (ARB), providing scholarships for study in New Zealand, strengthening economic governance in the public sector and building partnerships in order to deliver sustainable development⁹.

According to MFAT's PNG Programme data, New Zealand's 2016 aid budget for PNG totalled NZD 37.1 million, allocated according to the priorities set out in the Joint Commitment for Development (see Figure 1.1). The Government of New Zealand has committed NZD 70 million in bilateral aid to PNG between 2015 and 2018¹⁰.

Figure 1.1: Sectoral Allocation of New Zealand's Total Aid Programme in PNG in 2016 (%)



Source: MFAT

This evaluation has focused on the priority sectors of agriculture, energy, gender and support for Bougainville which, as highlighted in Figure 1.1, comprise over 50% of total country aid flow. These sectors are, and will continue to be, strategic investment areas for New Zealand. Energy is the largest investment from a financial perspective. New Zealand has focused on investing in innovative solutions to addressing the pressing energy supply challenges in PNG including the piloting of renewable energy technologies and connecting households to electricity. It has worked through a wide range of partners to deliver these projects. In agriculture, New Zealand has sought to achieve its JCFD outcomes primarily through the 'lead firm' model and market development. This is a private sector focused, value chain strengthening approach. While these investments are relatively small compared to the energy investments, they are highly relevant due to the importance of agriculture to the PNG economy and the need to broaden the base for economic growth. In Bougainville, New Zealand has supported the ABG for 20 years and played a key role in the peace process. It has invested in supporting stability and community development through a range of effective projects working with government, donor and NGO partners.

⁷ Bourke, M & Harwood, T (2009) Food and Agriculture in PNG, Australian National University E Press.

⁸ World Bank (2013)

⁹ Government of New Zealand and Government of PNG (2015) Joint Commitment for Development: New Zealand and Papua New Guinea 2015-2018.

¹⁰ MFAT, PNG Programme Analysis for IDG Strategic Plan.

New Zealand also provides support to PNG through its state sectors agencies, particularly the New Zealand Police and the Election Commission. These are important investments noting the issues with law and order throughout the country and the need to ensure free and fair elections. It provides scholarships for post-graduate study in New Zealand, and it has supported the training of PNG foreign service employees as well as other departments. MFAT also provides funds through the non-bilateral programme for NGO's who deliver programmes in rural livelihoods, WASH and addressing gender-based violence.

Outside of the aid programme New Zealand has a significant presence in PNG, particularly through the private sector. New Zealand Trade and Enterprise (NT&E) plays an important role in the facilitation of trade and private sector investment between PNG and New Zealand. Two-way trade in manufactured goods exceeds NZD 300 million and it is estimated that the trade in services exceeds NZD 250 million¹¹. A number of large New Zealand companies play a key role in supplying PNG with agricultural commodities, particularly dairy products and meat. New Zealand's comparative advantage in consolidation through export houses allows it to provide a product mix that satisfies PNG's market requirements. There is strong interest between both governments for trade opportunities to expand further.

New Zealand is increasing its focus on the provision of services to PNG in areas such as agriculture, engineering and air transport. These are areas that New Zealand is, and can continue to be, highly competitive. New Zealand companies typically enter into joint ventures with PNG companies who understand the political and socio-cultural context to ensure the effective delivery of projects on the ground. The presence of New Zealand companies in technical service focused areas, provides a range of training and upskilling opportunities for local employees while also bringing in New Zealand quality and standards.

1.4. Aid planning and prioritisation

New Zealand's investments in PNG are presently guided by the JCFD, which as noted above outlines the sectors New Zealand will invest in, the broad objectives of that investment at a sectoral level and the funding envelope. This document is not strategic in nature in that it does not provide a sufficient 'development' rationale for New Zealand's overall investment, nor does it outline why it has chosen to invest in certain projects to fulfil sectoral objectives. This makes it difficult for programme managers to design a programme of activities in a more strategically coherent fashion. The evaluation team understands that MFAT is now in the process of designing a country strategy document that will provide the higher level strategic narrative that is presently missing from the planning architecture.

In line with this initiative, the evaluation team is of the view that the new PNG country strategy should contain a small number of very specific longer-term development priorities that underpin MFATs engagement in the country and need to be strategically aligned with PNG's new Medium Term Development Plan. Priorities should be based on pressing development challenges and New Zealand's comparative advantage in certain areas - some of which are discussed in this report. This document should also discuss the limitations of using certain modalities in PNG and highlight which modalities are preferred and why. This will help with the allocation of funds through bilateral, non-bilateral and multilateral channels. The whole planning process should be informed by a set of framing principles that guide 'how' New Zealand will operate in PNG noting the constraints in the country and with cooperation with PNG's Department of National Planning and Monitoring. The JCFD priorities, the choice of modality and the design of specific projects would then have to demonstrate how they are supporting these longer-term goals and the framing principles and new planning processes would need to be designed to ensure this is programmed. This should involve the development of a strategic-level decision-making framework that can be used to track whether planning decisions are being made in accordance with the new Strategy and the guidance on modalities. In this context the JCFD becomes a short operational planning document over a defined timeframe with very specific goals linked back to a more strategic document that provides the

¹¹ NZTE key informant

medium-to-long term rationale for the programme. Future strategic evaluations (and MFAT's own annual reporting) would then examine the ongoing relevance of the country strategy and the extent to which the JCFD and the activities agreed to thereunder are giving effect to that broader strategy.

1.5. Response to Evaluation Questions

The following section discusses the findings of the evaluation as they pertain to the five evaluation questions. Each question is dealt with in turn. Evaluation Question 3, which explores the issue of cost effectiveness (or 'efficiency') is discussed under Section 1.6.2 (Performance) as efficiency is one of the OECD-DAC evaluation criterion used to assess performance.

1.5.1. Increasing influence in a complicated environment (Evaluation Question 1)

PNG is a complex place and New Zealand is a small donor, but that does not mean that New Zealand cannot be catalytic, influential and effective in PNG. To be more influential New Zealand must build on the strengths it presently displays and its comparative advantage. There are four recommendations for how New Zealand can increase its influence and make a real difference in PNG.

Recommendations

1. Work closely with the PNG Government and other donors to develop a cohesive strategy for assisting the Autonomous Bougainville Government (ABG) with the 2019 referendum

The forthcoming referendum is one of most pressing challenges facing the country at the moment and, of all the donors, New Zealand is best placed to ensure there is a peaceful and fair process. There is a requirement that the referendum is conducted in a free and fair way, so people can have confidence in the outcome. New Zealand has a long history of support for Bougainville. It was instrumental in the peace process and plays a key role at the community level through its long running Healthy Communities activity.

New Zealand is looked upon very favourably in Bougainville and it could be argued there is a special relationship between New Zealand and the Autonomous Bougainville Government (ABG). New Zealand's activities in Bougainville are the most effective of all the activities it implements in PNG. New Zealand is uniquely placed to support the ABG through its Elections, Policing and Bougainville Healthy Communities activities. New Zealand, in cooperation with the PNG Government and other donors, can support the referendum process by developing a cohesive, scaled up strategy for supporting the referendum process over the next 2-3 years. This should include more than just the Electoral Commission support. It may also include scaling up aid, harmonising the activities of its programmes, supporting the ABG in the harmonisation of donor activities, assisting the PNG Government with strategic communications around the referendum at the village level, and deploying specialist advisors with international expertise in the conduct of elections/referenda in post-conflict situations.

This should also involve working with the PNG Government, ABG and other donors in strategically thinking about the post referenda scenarios. During the field work in 2017, the evaluation team was surprised by the lack of obvious forethought that had gone into this issue. The independence, or the continued special autonomy, of Bougainville may have ramifications for geopolitics in the region. The development outcomes of a transition do not appear to have been thought through and strategies for adaptation are yet to be developed. New Zealand is well placed to support the PNG Government and the ABG in this area. This would build on New Zealand's important legacy in Bougainville.

2. Scale up support for addressing Gender-Based Violence linked to the ‘Strengthening Services for Survivors of Gender-Based Violence’ project

The “Strengthening Services for Survivors of Gender-based Violence” project is an effective and potentially high impact activity that could make a real difference in PNG and position New Zealand as a leader in directly tackling Gender-Based Violence (GBV). The activity is highly relevant, reasonably efficient and effective. The provision of a ‘hotline’ service for victims (and it so happens perpetrators) of domestic violence is the first of its kind in PNG. The project faces some challenges with sustainability and demonstrating impact but it could be an entry point for a more ambitious and impactful systematic approach to tackling what is one the biggest, if not the biggest development challenge in PNG. This activity is reviewed at length in Part VI. New Zealand could have significant influence and leverage in this important area if it did the following:

- › Employ forthwith a gender and youth strategic communications adviser who can work with Child Fund to develop a strategic communications plan to promote the work of the hotline through all of New Zealand’s activities, for example, BHCP, policing, elections, energy, agriculture etc. This adviser could also work closely with MFAT and its partners to further mainstream gender issues across MFAT’s programmes.
- › Provide funding for a new activity that seeks to develop a case management approach to gender based violence in PNG. This could build on similar approaches in New Zealand. One of the aims would be to strengthen the capacity of service providers the Hotline refers clients to. There would be a range of activities associated that could have significant impacts. For example, working closely with Australia in its support of the expansion of the domestic violence case management centre, FemiliPNG.
- › Provide funding for the Family and Sexual Violence Action Committee and work closely with that committee to help improve the enabling environment for GBV and FSV activities, while also harmonising donor funding and engaging in high level policy dialogue with PNG Government counterparts.
- › Working closer with the New Zealand private sector and other private companies in PNG to further gender outcomes through their activities.

3. Develop a private sector linkages programme which supports New Zealand’s private sector and builds skills in PNG

As highlighted in Section 1.3.2, New Zealand is increasing its focus on the provision of services to PNG in areas such as engineering and air transport - this is valued at over NZD 250 million per annum. This is an area where New Zealand is, and can continue to be, highly competitive. New Zealand companies deliver high quality services in PNG in a wide range of areas. PNG workers are employed through joint ventures and through these arrangements these workers become exposed to New Zealand standards and quality. The PNG economy is extractives dependent and as such there will be a continuing demand for technical services in mining and related areas. Significant extractives projects are expected to come on-line in the coming years. This will stimulate growth in the economy. Technical services will continue to be important for the extractives sector but also other parts of the economy as the base for economic growth diversifies. New Zealand has a comparative advantage in a wide range of technical service areas and can draw on this to increase its influence and reach in PNG.

New Zealand provides support for PNG through short term technical scholarships. The aid programme could provide additional funding for the scaling up of short-to-medium term skills training in technical service provision areas where New Zealand companies operate. This could be accommodated through the existing scholarships programme. MFAT can work with New Zealand Trade and Enterprise and the private sector to identify opportunities in the most promising areas. This could also involve strengthening the enabling environment for the provision of technical services training in PNG. It should also focus on training women and ensuring gender sensitive approaches to training. This activity should countenance providing additional scholarships for women in these areas.

4. Work with and through others more to improve the quality of aid delivery

New Zealand is a small donor in PNG but some of its investments are effective. As highlighted above there are a number of areas where New Zealand can lead the way and become highly influential in very important areas. New Zealand's strategy of funding expensive and complex infrastructure activities (whether in energy or markets etc.) is not a sound proposition going forward. What it needs to do is extrapolate from its successful interventions and use evidence from these to influence the decisions of the much larger donors and the PNG Government. The Asian Development Bank is spending USD 900 million over the coming years in infrastructure, Australia spends over AUD 450 million in a wide range of areas, it's likely China will continue to increase its activities and the PNG Government spends over PGK 5 billion in infrastructure and service delivery. Australia's new White Paper prioritises working with New Zealand on issues in the Pacific region. But there are certain things the biggest bilateral donor in PNG cannot do for political reasons. New Zealand has a comparative advantage in a number of areas in PNG. It therefore makes sense for Australia and New Zealand to work closer together in these key areas. **New Zealand should focus on strategically communicating the evidence from its investments and the lessons it has learned to influence the decisions of these larger actors.** There are a number of areas where New Zealand could do this:

1. Scaling up support for tackling gender based violence, drawing on experience from across the Pacific and domestically in New Zealand (see Part VI)
2. Developing effective community development approaches that foster stability and better governance drawing on the lessons of the highly effective Bougainville Healthy Communities activity (See Part V)
3. Communicating lessons from renewable energy investments (see Part IV)
4. Communicating lessons from the 'lead firm' approach in agriculture (see Part III)
5. Supporting the PNG Government, ABG and donors to strategize around the referendum in Bougainville.

This would see New Zealand play the role of an influencer and advocate in critical areas where it has a comparative advantage. It would necessitate a shift away from activity management and towards policy dialogue, technical advice, and piloting new approaches. However, it will be important that New Zealand does not become captured by other donors, retaining its own strategic focus and level of independence within any joint programs and/or activities.

1.5.2. The Performance of New Zealand's activities (Evaluation Questions 2 and 3)

The following section discusses the performance of New Zealand's development cooperation activities since the beginning of the current triennium. The performance of New Zealand's major investments is summarised in Table 1.1.

Table 1.1. Performance of Major Investments

	Relevance	Efficiency	Effectiveness	Sustainability	Impact
Agriculture					
Tininga Fresh	Green	Green	Green	Yellow	Yellow
NKW Fresh	Green	Yellow	Green	Yellow	Yellow
Simbu	Yellow	Red	Red	Red	Red
Fairtrade	Yellow	Yellow	Yellow	Yellow	Yellow
Gordons Market	Green	Red	Red	Yellow	Yellow
Saraga Market	Yellow	Yellow	Green	Green	Yellow
Gender Equality					
Child Fund	Green	Green	Green	Yellow	Yellow
Bougainville					
BHCP	Green	Green	Green	Green	Green
Policing	Green	Yellow	Green	Yellow	Green
Election Support	Green	Green	Green	Yellow	Green
Energy					
ROGEP	Green	Yellow	Green	Green	Green
Enga Hydro	Yellow	Red	Red	Red	Yellow
Rural Elec. (ADB)	Green	Green	Yellow	Green	Green

Relevance

Relevance is a measure of the extent to which an aid activity is suited to the priorities of the target group. It is clear from Table 1.1 that New Zealand’s development cooperation activities remain largely relevant when considered from the perspective of beneficiaries. The objectives of New Zealand’s activities remain valid and overall the activities and outputs of the programmes are consistent with the attainment of objectives.

At a programmatic level one area that is deficient from a relevance perspective is gender equality. While gender equality may not be a priority under the JCDF, it is nonetheless one of the most, if not the most, urgent priorities to address in PNG.

Another area that requires more cohesive and integrated attention at the programme level is the support for the referendum in Bougainville. Alongside addressing gender issues, this needs to be accorded the highest priority. While New Zealand is doing an excellent job delivering effective projects on the ground in Bougainville its activities can be even more relevant if delivered in a more cohesive fashion with an explicit focus on supporting a free and fair referendum over the next two years.

Efficiency (Evaluation Question 3)

New Zealand’s investments demonstrate highly variable efficiency. The agriculture and energy investments were the most inefficient in that they suffered from the longest delays and cost effectiveness issues. It has been highly inefficient to work through PNG Government systems in the energy sector when co-funding is involved. This, coupled with the fact that New Zealand is a relatively new entrant to the energy sector, caused an array of problems with regards to efficiency (see Part IV). As highlighted in Part IV, New Zealand’s investments in renewable energy are inefficient and it should reconsider its investment approach in this area.

Efficiency is a measure of inputs over outputs. One of the problems with New Zealand investments is that it is very difficult to make judgements about cost effectiveness without the collection of outcome and impact data. For example, the Gordons market initiative, as highlighted in Table 1.1, has been ranked as inefficient due to the considerable delays, the high level of human resource input, and the requirements to find additional funds for project management etc. (see Part III). But if one considers the potential impact of the project, it may well be that all the delays and effort may actually be worth it. It is impossible to know this at present. Rebuilding the biggest market in the Pacific where thousands of people engage in economic activity on a daily basis was always going to be a complex and inefficient task. Having said that, the outcomes could be very significant and could warrant the delays and investment in safety and security if violence against women decreases significantly and if economic growth increases.

One of the other issues that needs to be taken into consideration when thinking about efficiency is context. PNG is an expensive and complex place to do anything. It is foreseeable that most projects will be inefficient when compared with projects in other countries. Activities need to be designed in a way that accounts for this context.

Effectiveness

Effectiveness is a measure of the extent to which the objectives of an activity have been or are likely to be achieved. As highlighted in Table 1.1, aside from three activities that have been slow to achieve results, the vast majority of New Zealand's activities have been ranked as 'effective' in that they are likely to achieve their objectives. This is strong performance in the PNG context. It suggests that while it may take a while to reach objectives, New Zealand's activities do get there in the end. This suggests that less ambitious and more realistic timeframes need to be placed on activities.

Sustainability and Impact

There are clearly some risks with the lead firm approach in agriculture from a sustainability and impact perspective. As noted in Part III "*supporting lead firms to provide [such] services will increase the sustainability and scale of impact and lead to greater market competitiveness*"¹² - this is one of the arguments for a lead firm approach. However, it is in these areas that both the Tininga and NKW activities face problems. Issues associated with financial volatility, environmental and health risks and maintaining a stable supply base affect the sustainability of the interventions. The exact impact of the projects on gender outcomes, conflict, inclusivity and the local economy cannot be determined. While these projects might be more efficient and effective than alternatives, if they are unsustainable and have adverse impacts on target communities then this is clearly a significant issue. More needs to be done to address the sustainability issues and quantify the social and environment impacts of these activities.

The fiscal situation facing ABG and the PNG Government has a significant impact on sustainability more generally. In the ABG for example, New Zealand's support is of fundamental importance due to the significant budget cuts across a range of government services. The same holds for many sectors in PNG. The present fiscal situation makes it very difficult to transition donor funded activities to domestic budgets. In fact, in a number of areas, New Zealand's funds are in effect subsidising the governments' budgets. This coupled with severe constraints in human capacity means that New Zealand's activities will continue to face sustainability challenges going forward.

New Zealand needs to do more across its programmes to quantify the impact of its activities, (not just in agriculture as noted above) but in energy and gender in particular. This includes quantifying the intended and unintended, positive and negative impacts of its interventions. There exist no theories of change that articulate what the broader impacts of MFAT's investments will be in its priority areas and no monitoring and evaluation (M&E) frameworks that can sufficiently measure these impacts. This is risky particularly considering the significant gender and conflict issues in the country.

1.5.3. Is New Zealand doing the right things in its priority areas? (Evaluation Question 4)

Agriculture

New Zealand seeks to achieve its JCFD outcomes for agriculture by 'linking farmers to markets' and has used various approaches to achieve outcomes in that area. Some of these initiatives have been more successful than others. It is clear that 'linking farmers to markets' remains a relevant priority noting the importance of agriculture to the economy, and the significant production opportunities in PNG due to the high levels of agricultural biodiversity. The question needs to be asked whether the approaches supported by New Zealand are the most appropriate ways to achieve outcomes in this area.

¹² http://pdf.usaid.gov/pdf_docs/PNADP042.pdf

One of the ways in which New Zealand links farmers to markets is through the lead firm approach. This approach is based on the premise that within value chains there are dynamic 'lead' firms that have forward or backward commercial linkages with a large number of micro, small or medium size enterprises (or in this case small holder farmers). These firms provide important services in the form of buying, trading or input supply, and are often involved in the aggregation of farming outputs. Within the private sector development space it is thought that supporting lead firms to provide such services will increase the sustainability and scale of impact and lead to greater market competitiveness¹³.

It is clear that the lead firm model is appropriate considering the significant lack of government investment in agriculture, the paucity of public extension services, and the presence of companies who have some decent management capacity and commercial acumen. At present there seems to be limited options for increasing the incomes of smallholder farmers without linking them to formal markets through the private sector. However, linking farmers to formal markets in PNG is a risky enterprise due to the volatility of those markets, the increasing competition and the limited financial resilience of smallholder farmers.

New Zealand has also sought to link farmers to global markets through the regional Fairtrade activity and this has been relatively inefficient. The local relevance of such a modality needs to be questioned as does the efficiency of implementing a regional programme in countries with vastly different capacities. PNG is an expensive place to implement activities, particularly in remote areas. More decentralised and locally relevant models that have more realistic timeframes need to be considered. There is a place for the development of Fairtrade initiatives in PNG, as beneficiaries can supply important, high value differentiated markets, but this should be done in a way that is more relevant to local context while also linking to larger productivity enhancing investments. It is not clear from a strategic perspective how the market infrastructure investments 'link farmers to markets' but they do remain highly relevant activities for many reasons. Not the least of which are the potential gender outcomes and the lift in business productivity that may be occasioned through market construction.

Agriculture is an especially important example of the need to forge a more coherent approach by all development cooperation partners in PNG. Linking farmers to markets through value chain improvements has merit but there are limitations of the approach given the serious weakness of agricultural research, extension, credit, and other supporting services. A number of questions that need to be considered during the design of future investments are: should New Zealand work with other donors to build national capacity in these areas? And is community level development a worthy area of future involvement for the New Zealand aid programme?

Energy

There is evidence linking increased supply and improved quality of electricity and economic growth¹⁴. Therefore, improved infrastructure can benefit business by reducing the operating costs of capital from connections to stable lines, reduce the need for business to invest in expensive backup and self-generation capacity and increase labour productivity through less downtime and greater uptake of technology. While there is evidence globally for a productivity response to improved electrification, Edquist (2006) notes that there is an approximate time lag of 40 to 50 years for productivity growth. In fact, agricultural research and development have higher productivity effects than electrification (Fan 2004). There is evidence to support the relationship between investment in electricity infrastructure and growth but the impact is lower than other forms of infrastructure, depending on the quality of that infrastructure¹⁵. Kohlin (2011:47) found that when households first receive electricity the most common use is for lights and televisions (and possibly now phone and internet, noting the increase in

¹³ http://pdf.usaid.gov/pdf_docs/PNADP042.pdf

¹⁴ See Morimoto, R., and Hope, C., (2001) The impact of electricity supply on economic growth in Sri Lanka, The Judge Institute of Management Studies. Cambridge.

¹⁵ Attigah, B. and Mayer-Tasch, L. (2013): "The Impact of Electricity Access on Economic Development - A Literature Review", in: Mayer-Tasch, L. and Mukherjee, M. and Reiche, K. (eds.), Productive Use of Energy (PRODUSE): Measuring Impacts of Electrification on Micro-Enterprises in Sub-Saharan Africa, Eschborn.

smartphone availability since the case studies were undertaken). Lighting is shown to free up people's time, especially women's, to undertake leisure and additional productive activities, which may lead to increased household incomes. Further research is needed to understand the role that increased access to television and the internet will play in development at the household level. There are suggestions that gender equity will be improved as television conveys pro-gender equity messages, it's less clear if this extends to the internet.

MFAT's energy investments are being made on resilience, sustainability and cost grounds, with a possible link to improving economic growth. But electricity is not an end in itself; its primary function, like any infrastructure investment, may not be to directly increase economic growth but rather to overcome constraints to growth. Other factors like business development services and access to finance can increase the probability that improved access to electricity will have a positive impact on economic activity, private sector employment, incomes and poverty reduction. Therefore, the allocation of PNG's and donors' scarce fiscal resources needs to be done in the most efficacious manner. Sustainability and efficiency considerations need to be taken seriously and any projects undertaken on the basis of 'demonstration' like Enga Hydro need to have a robust approach for how learnings will be captured and shared especially in a situation where a project, like this one, has no prospect of being replicated purely on the basis of cost.

PPL has a focus on grid connectivity, extension and improving efficiency and views small scale off-grid generation as unsustainable in the current environment, this was a view supported by PNG-based stakeholders. PNG wants to see post evaluation and maintenance built into projects, and the issue of recurrent budget impact addressed. Renewable energy projects need a sustainability plan built in upfront or they can't succeed. An enormous amount can be achieved by improving and extending the current infrastructure, building on the approach of providing energy to main centres and not households in the first instance. Key informants indicated that the establishment of mini off-grid energy infrastructure, unless backed by a major resource/economic project, is not a feasible approach in PNG. Donors have learnt the hard way that implementing first-class infrastructure in rural PNG is not sustainable or replicable. It diverts scarce resources both from the private sector and public sector away from the core approach of improving and extending the existing network, as outlined in National Electrification Roll-out Plan (NEROP). Through the pursuit of high risk, and potentially unsustainable projects on financial and technical capacity grounds, the risk profile of PPL's existing work and well documented energy sector plans have been increased.

The issue of ownership is a significant one in the PNG energy sector context. There is a view amongst PNG stakeholders that they have very little control and influence over what donors are investing in with the sentiment conveyed that 'we must take whatever we're given'. As has been well documented in PNG it is important to make investment decisions based on all available knowledge and to not rely on unrealistic expectations in overcoming well known constraints. The constraints in the energy sector in PNG (such as capacity constraints in PPL) are well known to experts with knowledge of PNG. It was foreseeable that New Zealand would face challenges implementing energy projects in areas that are new or that require significant inputs and management from PPL. Projects that are not designed or supported with these constraints in mind will continue to be inefficiently delivered within the PNG context. New Zealand has extensive experience working across the Pacific in the energy sector, including in countries with quite low capacity. Success has been achieved through a wholistic approach that includes coordination, capacity building, planning, technical advice plus some investments in physical infrastructure. PNG would be well served by New Zealand applying what has worked well in other countries it supports. New Zealand should build on its strengths and the lessons it has learned from other parts of the Pacific and bring that knowledge and expertise to PNG.

Recommendation

New Zealand should rethink its renewable energy investments in PNG. If it seeks to continue investing in energy in PNG it should build on the lessons it has learnt from other Pacific countries and provide practical skills and technical advice that address key capacity and technical constraints within PPL.

Bougainville

New Zealand is a trusted partner of the ABG and its projects are having a meaningful impact at the community level. Indeed, MFAT's most effective investments are in Bougainville. The ABG faces some very real constraints due to the current fiscal situation as well as ongoing human capital constraints, which affect the sustainability of New Zealand's investments. Further, it remains a post-conflict environment with some settlements yet to be resolved, reflected in some remaining low-level tension. Whilst local community development is observed to occur, there remains limited economic opportunity and unaddressed trauma and reconstruction. The solutions to these will need to be largely indigenous and require time.

Conducting a referendum with limited finances in a post-conflict context is a risky enterprise. Due to New Zealand's strong support for stability and community development over many years, and its many relevant and effective investments, there is an expectation within Bougainville that New Zealand should strongly and cohesively support the referendum. New Zealand's investments (particularly the BHCP but also the BPS Auxiliary Police) have significant reach throughout Bougainville. It is a reach that offers potential value when it comes to ensuring a free and fair referendum.

The complex social, political and fiscal context present a significant challenge for both New Zealand and PNG. MFAT should develop as a matter of urgency, if not already done, a cohesive strategy for how it will support the referendum through its various investments (and through augmentation of those investments). This should be conducted with the assistance of post-conflict experts who have experience in similar environments. This should include the identification of risks and the reframing over the next 2-3 years of its activities in Bougainville to address those risks. This should be conducted in cooperation with the ABG, the PNG Government and other major donors, particularly Australia.

1.5.4. Impact on gender quality in PNG (Evaluation Question 5)

New Zealand is funding a number of activities that have significant gender equality aspects. As the discussion in Part III (Agriculture) suggests, MFAT's partners need to significantly strengthen their gender data disaggregation efforts and activity implementation as it relates to gender issues more generally. There are a number of agricultural projects that fail to sufficiently measure results at output and outcome levels including the Tininga, NKW, and Regional Fairtrade initiatives. It is impossible for MFAT at present to ascertain the impact (whether positive or negative) of its agricultural activities on gender outcomes in PNG. For example, as noted in the assessment of the NKW activity, there is anecdotal evidence that the project may be contributing to a reduction in domestic violence in target communities. If this is the case then this has significant implications for MFAT's work in PNG (and indeed the work of other donors). This has the potential to scale up the impact of this project significantly by improving women's economic empowerment and gender-based violence outcomes. Noting the ubiquity of gender-based violence in PNG it is imperative that as much effort as possible goes into understanding the conditions for a reduction in violence against women. Understanding this is highly complex and situational.

The lack of mainstreaming of gender issues into designs and M&E frameworks means that any negative impacts cannot be sufficiently addressed and measured. Due to the high female participation rates in agriculture and the fact that over 75% of agricultural tasks are undertaken by women, all of MFAT's agricultural investments must prioritise gender first and foremost. Prioritising female participation in agricultural initiatives in PNG without being aware of the potential and real outcomes of such prioritisation is risky.

It is very important that MFAT understand the impact on women of the different approaches to linking farmers to markets. For example, as noted in Part III, it may well be the case that 'lead firm' activities actually increase inequality between men and women and the poor and relatively non-poor because it is more likely that the 'professional' farmers sought by Tininga are more likely to be men than women. Understanding the effect different approaches to agricultural development have on gender outcomes within specific cultural contexts is of the utmost importance particularly in PNG.

There are similar deficiencies with the treatment of gender issues in the energy sector investments. As noted in Part IV, gender has not been a focus of these investments and there is relatively little understanding of the gendered impacts of energy provision at the household level. As noted in Part IV, the literature suggests that there are positive gender equality outcomes from the provision of electricity but there is no way at present that MFAT's M&E system can assess these impacts due to a lack of gender disaggregated data.

Recommendation

In order to ensure that gender inequality is addressed systematically across the programme, MFAT should consider developing a Gender Strategy specifically for PNG that links directly to the new Country Strategy and the framing principles discussed under section 1.4 above. Gender inequality is such a significant issue in PNG that this issue must be treated with the highest priority and mainstreamed across all aspects of the program. This gender strategy should outline not just the reasons for the mainstreaming of gender issues in PNG, with associated priorities, but articulate exactly how that will occur through the Country Strategy, JCFD and project design processes. Further it should provide guidelines and a pathway to improve the monitoring and evaluation of gender issues, including the collection of gender disaggregated data and the review and strategic assessment of such data across the program to identify constraints and performance against key indicators.

1.6. Lessons Learned

Through this evaluation a number of lessons have emerged regarding how to deliver more effective and impactful aid investments in PNG, these lessons should be taken into consideration by MFAT when designing future activities and when contemplating which modalities to use.

1. PNG is characterized by a high level of political, economic, environmental and social volatility. This has significant ramifications for the delivery of development cooperation. It means that a high degree of flexibility and adaptive management is required at the activity level and that deep knowledge of constraints in the various sectors is required to design effective activities. It is very difficult to enter new sectors and be effective without this knowledge.
2. Long-term, community-led development that supports local socio-cultural norms and is cognisant of local political context is one way to deliver effective projects in PNG. These initiatives need to be led, to a large degree, by respected local leaders who understand the socio-cultural and political nuances and who can deliver within these complex contexts.
3. Working outside of government service providers has significant sustainability and impact repercussions, and it remains important to build ownership within service delivery agencies.
4. All aid investments in PNG need to prioritise addressing gender inequality. How this will be done needs to be made explicit in designs and through M&E processes.
5. Place-based approaches have the potential to be highly effective in PNG. These approaches are built upon trust and supporting community-driven priorities over a long period of time. The key features of such approaches are: the empowerment of local champions, the mapping and use of local assets and capacity, incentivising local change agents, empowering local leaders and linking villages to wider networks. There are pros and cons of such approaches. Due to their geographical scope the impact will be limited to the immediate beneficiaries, but the impact on those beneficiaries could be significant. There are also political factors that mitigate against such approaches, particularly the expectation that New Zealand should support PNG as a whole. Future community based projects funded by New Zealand should build on these lessons.
6. PNG is an expensive place to deliver aid projects, and significantly more financial and human resources are required to be effective. New Zealand should consider whether its human resources are appropriate within this context.
7. M&E needs to be better able to capture the impacts of activities on different groups of people including women, men, youth and different cultural groups. This needs to be nested within a comprehensive understanding of local development contexts to understand how projects are performing and any risks that may affect implementation.
8. Even though the achievement of objectives may take some time in PNG due to the various constraints and inefficiencies, this does not mean that it is impossible to achieve meaningful impact. Projects such as markets, for example, can have a significant impact (on women in particular), but without proper baseline studies and M&E processes it is impossible to measure multidimensional impacts. It may well be that the effort is worth it in the end despite the delays, but without proper M&E it is difficult to tell.

1.7. Summary of Recommendations

This section presents six recommendations for MFAT to consider, most of these were discussed under Section 1.5.1 – increasing influence, as this is the most forward looking evaluation question. In summary, these six recommendations are:

1. Work closely with the PNG Government and other donors to develop a cohesive strategy for assisting the Autonomous Bougainville Government (ABG) with the 2019 referendum

2. Scale up support for addressing Gender-Based Violence linked to the 'Strengthening Services for Survivors of Gender-Based Violence' project
3. Develop a private sector linkages programme which supports New Zealand's private sector and builds skills in PNG
4. Work with and through others more to improve the overall quality of aid delivery
5. Rethink investments in renewable energy projects and focus on providing practical skills and technical advice that address key capacity and technical constraints within PPL
6. Develop a Gender Strategy specifically for PNG that links directly to the new Country Strategy.



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