Putting the Enhanced Cooperation Package to the Test

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Presented at the Papua New Guinea Update, Sydney 21 May 2004
Hosted by Asia Pacific School of Economics and Government
The Australian National University with the Lowy Institute for International Policy
The ECP

- 300 Australian public servants in line and advisory positions
  - plus goods and services
- A$1 billion over five years
- 80% of funds are for the police
- 50% increase in Australian assistance to PNG
Principles

- Benefit-cost rules should apply
  - the benefits of the ECP should exceed the costs
  - favor initiatives with the highest benefit to cost ratio

- OR, the cost effectiveness rule should apply
  - choose the least cost way of achieving the objective

- There should be accountability and transparency
The ECP’s A$1b could fund

- Education for around 700,000 children annually; or
- The law and order sector, at twice its existing size; or
- The entire health sector; or
- The maintenance and progressive upgrade of all national, provincial and district roads
## Cost Effectiveness

### Number of Staff

<table>
<thead>
<tr>
<th>Agency</th>
<th>Staffing</th>
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<tbody>
<tr>
<td><strong>ECP</strong></td>
<td></td>
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<tr>
<td>Police</td>
<td>230</td>
</tr>
<tr>
<td>Other commitments</td>
<td>66</td>
</tr>
<tr>
<td>Total commitment</td>
<td>296</td>
</tr>
<tr>
<td><strong>Key national agencies</strong> (current staffing)</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>42,040</td>
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<tr>
<td>Health and hospitals</td>
<td>5,170</td>
</tr>
<tr>
<td>Police and judiciary services</td>
<td>6,499</td>
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Will it work?  The police

- Is the law and order problem one of too few police
- There is an emphasis on urban areas
  - ie the better off areas of PNG
- Will improved law and order in urban areas increase economic activity
- Are Australian police suited to community policing in PNG
- If the problem is poor morale, can the Australian police help
Will it work? Economic governance

- Three Structural Adjustment Programs have faced major problems, and their sustainability is unclear.
- Funds are provided without any conditionality:
  - eg there is no requirement to cut the wage and salary bill.
- Are the donors working together?
- Is building the capacity of a small number of public servants sensible?
Accountability and transparency

- Major decisions made prior to normal project design
- No independent monitoring and review
- Conflict of interest in the public service
- Very little information available publicly
- Has there been adequate consultation?
The Way Forward

- Approach risk with greater caution
- Meet the need for
  - Better project documentation
  - Performance targets
  - Independent review and monitoring (by the World Bank)
  - Improved donor coordination
- Future new initiatives to learn from the ECP