

## Management Response – Australia-Papua New Guinea Economic Partnership (APEP) Mid-Term Review – June 2025

This document outlines DFAT management’s response to the independent mid-term review of the Australia-Papua New Guinea Economic Partnership (APEP) prepared by Palladium Pty Ltd in June 2025. It summarises the key recommendations in the review and provides a response and proposed action. This document is not an exhaustive summary of all the review comments. The recommendations in full can be found on pages 6 – 12 of the mid-term review report.

Recommendation	DFAT Management Response	Action Plan	Timeframe
<p>1. <u>Effectiveness: APEP should completely rebuild its programme strategy over the next six months</u></p> <ul style="list-style-type: none"> <li>Reconstruct APEP’s overarching programme logic.</li> <li>Shared Theory of Change with APEP and DFAT.</li> <li>Development of a Performance Assessment Framework (PAF) that clearly links intermediate outcomes to measurable indicators, milestones and learning mechanisms.</li> <li>Pillar-level strategies should complement each other rather than overlap.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>DFAT to organise Theory of Change workshop.</li> <li>DFAT and APEP Pillar Leads to refresh pillar strategies.</li> <li>DFAT to work with APEP on new pillar strategies and ensure strategies provide sufficient guidance around activity selection - linking activities with intermediate outcomes.</li> </ul>	August 2025
<p>2. <u>Effectiveness: APEP should strengthen its technical leadership through the employment of subject matters experts</u></p> <ul style="list-style-type: none"> <li>Restructure pillar leadership.</li> <li>Recruit specialists with stronger alignment to the programme’s core technical mandates.</li> <li>Build cross-pillar coordination capacity through regular joint planning forums, shared outcome reporting and collaborative workplans.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>APEP to prioritise recruitment of key personnel, eg. GEDSI specialist, MERLA specialist</li> <li>APEP to establish regular dialogues between pillar leads.</li> <li>APEP to consider larger cross-pillar interventions rather than siloed activities.</li> </ul>	February 2026

Recommendation	DFAT Management Response	Action Plan	Timeframe
<ul style="list-style-type: none"> <li>Invest in high-level development effectiveness and performance expertise to drive this type of cross-pillar collaboration and coherence.</li> </ul>			
<p>3. <u>Sustainability: APEP should take immediate steps to institutionalise its tools and practices within Government of PNG agencies</u></p> <ul style="list-style-type: none"> <li>Technical tools and models supported by APEP, particularly in macro-fiscal forecasting and IFMS use, must be transitioned to Government of PNG ownership</li> <li>Development of user manuals, standard operating procedures and government-hosted training modules.</li> <li>Capacity transfer should be central to activity design and tracked through dedicated workstreams with measurable capacity benchmarks for Government of PNG partners.</li> <li>APEP should embed training and career pathways for PFM and fiscal analysts</li> </ul>	Agree	<ul style="list-style-type: none"> <li>APEP to work with embedded advisers to develop user manuals, standard operating procedures, and government-hosted training modules.</li> <li>APEP to establish regular training sessions and capacity transfer opportunities with measurable capacity benchmarks.</li> <li>APEP to develop a capacity development strategy and ensure all long-term advisory support includes a clear, measurable capacity building focus.</li> </ul>	February 2026
<p>4. <u>Efficiency: APEP should rationalise its delivery model</u></p> <ul style="list-style-type: none"> <li>APEP should concentrate on fewer, high-impact interventions that are scalable and strategically aligned with national reform priorities.</li> <li>Internal operations must be streamlined.</li> <li>APEP should reform its operational model to ensure that pillar leads have greater oversight and access to procurement, HR and contracting systems.</li> <li>APEP should review whether its current delivery model remains viable in a programme of this scale and complexity.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>APEP and DFAT to identify a clear set of priority areas in consultation with Government of PNG, with a shift toward more programmatic, bundled interventions.</li> <li>APEP to develop APEP-specific operational dashboards that display progress against key service delivery metrics for shared services operations.</li> <li>Link service KPIs with programme delivery milestones.</li> </ul>	January 2026

<p>5. <u>APEP should enhance partnerships with civil society and academic partners, while strengthening M&amp;E and program-wide learning</u></p> <ul style="list-style-type: none"> <li>• APEP must restore meaningful engagement with civil society and academic partners and deepen engagement with the ANU-UPNG Partnership.</li> <li>• Future partnerships should be co-designed, clearly scoped and embedded within pillar strategies.</li> <li>• APEP should treat GEDSI, MERLA and research outputs as core programmatic inputs rather than peripheral activities</li> <li>• APEP should reposition itself as a learning-driven facility with clear feedback loops and visible adaptation.</li> </ul>	<p>Agree</p>	<ul style="list-style-type: none"> <li>• APEP to recruit senior level MERLA advisor.</li> <li>• DFAT and APEP to ensure MERLA system monitors the extent to which the ‘ways of working’ has been strengthened.</li> <li>• APEP to monitor research-to-policy outcomes.</li> <li>• APEP and DFAT to use learning products to inform programme design.</li> </ul>	<p>March 2026</p>
<p>6. <u>APEP should design and pilot subnational models</u></p> <ul style="list-style-type: none"> <li>• APEP should establish 2–3 provincial demonstration sites that model the full public financial management cycle - from budget formulation to expenditure execution, reporting, and service delivery outcomes.</li> <li>• Consideration should also be given to embedding gender and inclusion markers into these pilots from the outset.</li> </ul>	<p>For consideration</p>	<ul style="list-style-type: none"> <li>• The Australian High Commission has separate teams that lead on subnational engagement. APEP may have a role in supporting the design and implementation of subnational strategies in particular areas of APEP strength.</li> </ul>	<p>July 2026</p>

<p>7. <u>APEP should strengthen all aspects of GEDSI</u></p> <ul style="list-style-type: none"> <li>• To achieve its GEDSI outcomes, APEP must move beyond compliance-driven approaches and ensure gender equality, disability inclusion, and social equity are embedded in both design and delivery.</li> <li>• APEP should integrate GEDSI specialists directly into activity design teams to ensure PADs include contextually relevant, feasible and measurable outcomes.</li> <li>• GEDSI analysis must inform all stages of the programme cycle.</li> <li>• Monitoring frameworks must include GEDSI-specific indicators (both qualitative and quantitative).</li> <li>• Activity-level reporting should capture not only inclusion outcomes but also barriers, unintended consequences and lessons for adaptive management.</li> <li>• Stronger alignment between the GEDSI strategy, the MERLA framework and pillar-level results.</li> <li>• A redesigned APEP should clarify that GEDSI is not only a cross-cutting principle but a distinct outcome area requiring dedicated investment, programming and influence within the broader governance and economic reform agenda.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>• APEP to recruit a senior, sufficiently experienced GEDSI lead.</li> <li>• APEP to increase human and financial resources dedicated to GEDSI.</li> <li>• APEP and DFAT to redesign the PAD drafting template and process to ensure GEDSI considerations are clearly included in the scoping stage.</li> <li>• APEP and DFAT to provide operational funding for co-designed initiatives with local partners.</li> <li>• APEP to learn from high-performing gender transformative programs in PNG, to understand the gender context in PNG.</li> <li>• APEP to capture activity-level reporting - not only on inclusion outcomes, but also barriers, unintended consequences, and lessons for adaptive management.</li> </ul>	March 2026
<p>8. <u>APEP should refresh its 'Ways of Working' with DFAT</u></p> <ul style="list-style-type: none"> <li>• APEP and DFAT should use the programme reset suggested herein as an opportunity to rebuild trust by refreshing the existing 'ways of working'.</li> <li>• Clear entry points for substantive engagement at the pillar and activity levels including early engagement around new activities, the rationalisation of PADs, joined up learning opportunities and externally facilitated systematic 'health checks'.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>• DFAT and APEP to organise regular 'Ways of Working' workshops.</li> <li>• Fortnightly meetings between DFAT's Minister Counsellor and APEP Director.</li> <li>• Weekly meetings between DFAT's Counsellor and APEP Director.</li> <li>• APEP to organise regular meetings with other development programs (eg. PIPP, PNG Women Lead, etc.).</li> </ul>	October 2025

<ul style="list-style-type: none"> <li>• ‘Ways of working’ with other DFAT (eg. GEDSI and development programmes (eg. PIPP) also needs to be more clearly articulated and time and resources set aside to engage with these important actors.</li> <li>• APEP’s MERLA system needs to monitor the extent to which the ‘ways of working’ has been strengthened.</li> </ul>		<ul style="list-style-type: none"> <li>• APEP to include specific indicators on ‘ways of working’ in their updated MERLA system.</li> </ul>	
<p>9. <u>DFAT should extend APEP into a second phase provided it makes demonstrable progress against the suggested reform pathway over the next nine months</u></p> <ul style="list-style-type: none"> <li>• Internal APEP change management team drive the type of operational and cultural shifts required. The team should work in close partnership with DFAT to ensure alignment of strategic priorities and accountability for implementation.</li> <li>• DFAT will need to allocate a dedicated officer (~0.5 FTE), ideally with a strong background in performance oversight and program implementation to actively monitor and steer the change process. Support from a Development Effectiveness STA or MERLA adviser if required.</li> <li>• Clear reporting milestones, linked to the Gantt-style reform roadmap presented in the report, should guide performance assessment during this transition period.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>• DFAT to arrange for a 24-month extension for APEP to demonstrate meaningful change and support smooth programming decisions. DFAT to arrange a program review (based on MTR recommendations) by March 2026 to inform decisions around the success of the program reset.</li> <li>• DFAT to organise a larger program review with results by end-December 2026 to inform decision-making on the Phase two contract extension (to March 2030) or a decision to re-design over the following 14 months.</li> <li>• The change process will be led and monitored by a DFAT First Secretary (0.25 FTE) and a locally engaged Senior Program Manager (0.5 FTE). Specialist skills are sourced from Canberra on an as needed basis.</li> </ul>	February 2026