

DRAFT INVESTMENT CONCEPT

Investment Concept Title: Australia-PNG Economic Development Partnership		
Start date: 01 January 2022		End date: 31 December 2029
Total proposed DFAT funding: up to AUD200m over eight years (4 years, with a possibility of 2 + 2 years extensions). No funding from other donors		
Current program fund annual allocation: n/a		AidWorks investment number: n/a
Overall Risk Profile: Medium	Risk Medium	Value: AUD200m over eight years
Proposed design pathway: DFAT-Led Design		
Concept endorsed by AGB: Pending		
Quality Assurance: Concept note reviewed by DFAT Reference group and Australian Treasury.		
Policy Approval: Delegate at Post: HOM		Delegate in Canberra: Head - Office of the Pacific

A. Development Context (What is the problem?)

Papua New Guinea (PNG), home to a population of close to ten million people, has an abundance of natural resources in the earth (minerals and gas), on the ground (agriculture) and in the seas (fishing). The country is the tenth most resource dependent economy in the world surpassing even Saudi Arabia¹. For PNG the challenge is to turn these resources into sustained growth and strong development outcomes for its people. A large proportion of the population (40 per cent) live below the national poverty line², the country is ranked 155 out of 189 in the 2019 Human Development Report, and PNG is classified middle-low income country with a GDP per capita of USD2,780 (Fiji is USD5,860 and Indonesia is USD4,050).³

Economic growth in PNG is characterised by cycles of booms and busts tied to the mining and energy sector. The Kutubu oil fields and new mines in the early 1990s led to GDP growth of 18 per cent in 1993, and similarly 2014 saw new LNG production boost yearly growth to 14 per cent. These periods of accelerated growth driven by resources did not translate into improved development outcomes for the majority of the population however, and were followed by economic contraction a few years after. Since independence in 1975, PNG's economy has quadrupled in size and the population has tripled. PNG citizens have an improved standard of living (GNI per capita increased six-fold), but the country lags behind many Asian countries including neighbouring Indonesia where GNI per capita increased 18 times over the same period.

PNG's economy is dominated by two sectors. A mining and energy sector which earns the majority of export earnings (88 per cent) and represents the largest share of GDP (31 per cent)⁴, and an agriculture sector where most PNG workers are formally employed (approximately 58 per cent of total employment)⁵. The informal economy, especially subsistence agriculture, dominates life in PNG and supports more than 80 per cent of the population.⁶ By contrast, the extractive sector accounts for only 1 per cent of employment.

PNG has a large and growing young population for whom formal jobs are not available and education and training opportunities are limited. Most school leavers enter the informal economy in the agriculture sector and face underemployment. There is also a significant gender divide with women facing considerable exclusion from economic opportunities. Women and girls are also vulnerable to sexual assault, robbery and other violence impacting their ability to work.

The key PNG ministers and departments relevant to Australia's economic development assistance are Treasury, Finance and Rural Development, Petroleum, Mining, Commerce and Industry and Agriculture and Livestock. Treasurer/Treasury sets the policy agenda via a range of publications, including the annual National Budget, the Mid-Year Economic and Fiscal Outlook (MYEFO), Budget Strategy and the Medium-Term Development Plan. The Bank of Papua New Guinea (BPNG) is also key managing the exchange and lending rates and publishing quarterly updates on economic and monetary issues. Economic reform, including for better transparency and

accountability, is difficult in PNG like other emerging markets for complex socio-cultural reasons (a political economy analysis has been completed and will be made available to the design team of the Partnership).

The country has had consecutive fiscal deficits since 2014, and in 2019 requested a USD300m bridging loan from Australia. COVID-19 in 2020 only made the budget situation worse; lowering energy prices, stalling the economy and significantly reducing government revenue. In 2020 PNG expects to receive PGK2.7b (USD780m) less revenues than budgeted. In response PNG obtained support from the IMF (USD363m loan), Australia (USD100m) and Asian Development Bank (ADB, USD100m), and is in the process of finalising support from other partners. PNG will require further financing support in 2021 and beyond increasing debt to over 50 per cent of GDP. The IMF currently classifies PNG's debt as "high" but "sustainable", but there is a possibility that this could be revised to "unsustainable" if the country does not achieve the necessary economic reform.

Looking past the current COVID-19 crisis, PNG's longer-term economic growth will be dependent on new resource projects in the pipeline namely P'nyang LNG, Papua LNG, the Wafi-Golpu copper and gold mine, the Frieda River gold and copper project and the Pasca A offshore oil and gas project. These projects if delivered could see tens of billions of USD injected into the economy in capital expenditure and associated economic activity. Sustained growth that is equitable however will require PNG to adeptly manage the "resource curse" and ensure the country's revenue is invested wisely in its people and institutions (rather than for excessive consumption), domestic markets and exports remain competitive despite an appreciating local currency, and reforms are undertaken to support the private sector and expand the non-resource economy.

Prime Minister Marape's vision for PNG to become the 'richest black Christian nation' rests on a concern that the benefits from PNG's abundant natural resources has not been equitably shared. He has promised to amend resource laws so that the national government obtains 51 per cent of all resource profits. Another long-term priority for PNG is to diversify its economy away from mining and energy and grow the manufacturing, services, agriculture, forestry, fisheries and tourism sectors. Prime Minister Marape has also stressed that PNG must move from a culture of dependency, reliant on aid and inward investment, to become an economic powerhouse in its own right: PNG should be independent from donor-recipient relationships in the next ten years.⁷ Prime Minister Marape's other targets are:

- for citizens to be able to easily start a business: 50 per cent of citizens to migrate to some form of business including small and medium-sized enterprises by 2030;
- agriculture to be a core sector for Papua New Guineans;
- national debt less than 30 per cent of GDP; and
- economy to grow above the population growth rate.

Proposed Investment

Australia's proposed new economic development partnership (the Partnership) will be the main vehicle and coordination point from which Australia will deliver our economic development aid to PNG. It will deliver assistance through five pillars:

Pillars	Indicative Budget per year (AUD, including administration cost)
1. Macroeconomic Management	6 million
2. Public Financial and Revenue Management Systems	4 million
3. Economic Enabling Environment (Business Regulation, Capital and Finance, Access to Land and Labour)	3 million
4. Focal Areas (Agriculture and Resources)	9 million
5. Economic Research and Dialogue	3 million
Total	25 million

A facility approach is proposed for the Partnership. The Partnership will be implemented by a managing contractor that will design and implement activities under each pillar. Noting that Australia's economic portfolio

currently has other investments (e.g. through ADB and PHAMA+, see Annex 1), the Partnership will provide strategic and technical advice to DFAT on these other investments, under each pillar, to ensure that our aid is coordinated and coherent. DFAT may decide in due course whether other investments in the economic portfolio are better delivered from within the Partnership, noting opportunities for consolidation when agreements expire (see Annex 1).

The pillars of the Partnership identify the key economic areas that Australia wishes to make a difference in PNG. In identifying these pillars, DFAT narrowed the focus of activities currently pursued under the existing Economic Governance and Inclusive Growth (EGIG) Facility which the new Partnership will replace. A strategic framework to guide all of Australia's economic development assistance to PNG and the role of the new Partnership can be found in Annex 2.

B. Strategic Intent and Rationale (Why should Australia invest?)

The new Partnership underpins Australia's efforts to create a stable and prosperous PNG. Our economic assistance will help PNG better convert its natural endowments into sustained broad-based growth and create a more diversified economy, a goal in Australia's 2017 *Foreign Policy White Paper*. The new Partnership will also implement the *PNG-Australia Comprehensive Strategic Economic Partnership* (CSEP) which has objectives to support macroeconomic and fiscal reforms, strengthen financial management, assist small and medium-sized enterprises and promote women's economic empowerment.

The immediate necessity is for the Partnership to help PNG recover from the economic impacts of COVID-19. Australia provided PNG a USD300 million 12-month bridging loan in 2019, refinanced into a larger USD400 million longer tenure loan in 2020. The Partnership will help PNG undertake economic reform under the current IMF Staff Monitored Program (and subsequent IMF programs) where satisfactory progress is a condition of the loan. To implement Australia's *PNG COVID-19 Development Response Plan* (CDRP), the new Partnership will support the informal sector through agriculture development, improve the business enabling environment and help women business owners.

DFAT's *Engaging with PNG's Institutions: a Strategic Framework* was developed to guide Australia's next generation of governance programming in PNG. The Partnership will implement this framework by deepening our engagement with central agencies around macro-economic reforms (shift one of the governance framework); increase subnational and sectoral public financial management programming (shift one and two); and build public demand for accountability and transparency through research and dialogue (shift three). In addition, the Partnership's emphasis on a place-based approach (see p.10) aligns with the governance framework's objective to deepen engagement in high priority regions (shift two).

EGIG performed well scoring 4 or 5 out of 6 in various Aid Quality Checks on effectiveness and efficiency. The new Partnership should build on EGIG's strengths including its ability to provide assistance quickly and on demand which secured Australia's reputation as 'a trusted and responsive partner'. A facility approach is proposed for implementation of the Partnership to ensure this emphasis on flexibility and responsiveness.

Lessons learned

The new economic development partnership must also pivot to address a range of opportunities highlighted in the 2019 review of the entire Australia-PNG Economic Partnership by the Policy Practice. Australia's current support on agriculture is spread across a variety of investments including regional investments like PHAMA+ and the Market Development Facility. The new Partnership will help DFAT to coordinate these multiple investments to ensure coherency of Australia's aid to the sector. The review also found that PNG has limited sources of commentary on the economy beyond that found in newspapers. The new Partnership includes a pillar on economic research and dialogue to help improve public awareness and demand for economic reform in PNG (note: Policy Practice Review recommendations and DFAT's management responses will be made available to the design team of the Partnership). To address findings of DFAT Aid Quality Checks, evaluations of EGIG, and learning's from Prospera (DFAT's successful economic development investment in Indonesia) the new Partnership will also:

- be implemented within a strategic framework to guide all of Australia's economic development investments in PNG going forward (Annex 2);

- have as a key goal of the Partnership to maintain/improve the Australia–Papua New Guinea relationship;
- have an overarching coordination role over all of Australia’s economic development investments in PNG;
- improve collaboration and knowledge sharing between advisers hired by the Partnership and Australian Government department officers who are also assisting PNG through the Institutional Partnership Program;
- design and implement a gender strategy which identifies women’s economic empowerment activities and economic reform opportunities to achieve gender equality;
- emphasise monitoring, evaluation and learning including a facility performance assessment framework; and
- include representation by PNG economic government departments as part of the governance of the Partnership to improve transparency.

Design of a new economic partnership implements the deconstruction of the existing PNG-Australia Governance Partnerships (PAGP) mega-facility which housed EGIG. The proposed new economic development partnership will not be burdened by the mega-facility approach. It will avoid a large aid bureaucracy and different layers of governance across multiple sectors. The new Partnership will be focussed on economic development issues and ensure PNG has access to good international and local economic expertise.

C. Proposed Goal and Investment Options (What?)

The proposed goal of the new economic development partnership is to:

“help PNG create a resilient and diversified economy, able to weather boom and bust cycles commonly experienced by resource rich economies. Australia’s efforts will assist PNG in its efforts to achieve sustained growth, capable of lifting standard of living of all citizens. Through the Partnership, Australia will maintain its reputation as PNG’s economic partner of choice.”

Pillar 1 - Macroeconomic Management

The objective of Pillar 1 is to help address economic volatility and build stability by assisting PNG to:

1. *meet the economic reform conditions of its loans, especially Australia’s budget support;*
2. *assess and decide on future financing and loan/debt decisions;*
3. *improve fiscal, expenditure and revenue policy; and*
4. *improve monetary policy.*

Reform linked to Budget Support: The new Partnership will develop a work program to help PNG meet the reform conditions of its loans, including the IMF Staff Monitored Program (and relevant successor programs) where satisfactory progress is linked to the Australian loan. The IMF Staff Monitored Program sets out a range of targets, actions and structural benchmarks on fiscal, monetary and governance issues. Other reforms that the Partnership could support include reforms associated with policy-based loans from the World Bank and ADB, noting the significant opportunity for Australia to strengthen our relationships with bilateral and multilateral donors.

Financing policy: The new Partnership will offer technical assistance to the Department of Treasury on new external and domestic debt PNG may be considering including for example modelling the impact on debt sustainability. The Partnership should aim to improve the cost, quality and diversity of financing that PNG receives, and the transparency and sustainability of public sector debt.

Fiscal and Revenue Policy: The new economic development partnership will work with PNG to implement a program in support of the PNG government’s Medium-Term Revenue Strategy (MTRS). This includes activities to ensure individuals and businesses file tax returns and address tax non-compliance in industries like logging and mining. The Department of Treasury, Internal Revenue Commission (IRC) and PNG Customs Service are the primary organisations responsible for implementation of the MTRS and will be targeted for assistance. The Partnership will also provide advisors and technical assistance to the PNG Treasurer’s Office and Department of Treasury on fiscal, expenditure and revenue policy on a demand basis. The Partnership should also consider assistance to the Department of National Planning and Monitoring (DNPM) as it manages/oversees capital expenditure planning and budgeting (e.g. Public Investment Program and Service Improvement Program).

Monetary Policy: The new economic development partnership will develop a work plan to help Bank of Papua New Guinea (BPNG) implement monetary policy reforms including those identified in the IMF Staff Monitored Program (and any successor program). Other possible areas of support are the new central securities depository, foreign exchange management and liquidity forecasting and management. The Partnership will provide advisors and technical assistance to BPNG on a demand basis.

The Partnership, during its mobilisation phase, must develop a Macroeconomic Management Strategy and Workplan to guide the Partnership's work under this pillar. The Partnership will design and implement aid activities identified in the workplan.

Beneficiaries: PNG economic agencies - Treasury, Finance, BPNG, IRC, DNPM and Customs.

Partnership's Coordination Responsibility with other Australian Investments: The vast majority of work under this pillar will be designed and implemented by the Partnership. The Partnership will provide strategic advice to DFAT and coordinate its work with the Institutional Partnership Program (agreements between Australian Treasury, Finance, Customs and the Australian Taxation Office and their PNG counterparts). The Partnership should consider means to improve collaboration and information sharing between its staff/advisors, and officers from Australian government departments who also assist relevant PNG government departments.

Pillar 2 - Public Financial and Revenue Management Systems

The objective of Pillar 2 is to support effective, efficient and transparent management of government revenue and expenditure, through strengthening public financial management and tax administration systems. Pillar 2 focuses on systems as oppose to pillar 1 which emphasises policy. Under Pillar 2 the Partnership will support PNG to address findings of the national and subnational *Public Expenditure and Financial Accountability (PEFA)* assessments and *Tax Administration Diagnostic Assessment Tool (TADAT)*. These documents will be made available to the design team of the Partnership.

The new Partnership in its mobilisation phase will develop a strategy and workplan on how Australia will assist PNG to address findings of the PEFAs and TADAT, guided by PNG priorities as articulated in relevant government roadmaps and strategies. In addition the Partnership will specifically investigate opportunities to assist in implementation of PFM at (i) the sub-national level (rather than just being focussed on central government agencies); and (ii) sectoral level including education and health and Public Health Authorities (areas which Australia provides significant development assistance support). Activities will be designed and implemented by the Partnership. The workplan must build on the achievements of Australia's previous development assistance to PNG on PFM and revenue management under EGIG.

Beneficiaries: PNG economic agencies - Department of Finance and Internal Revenue Commission, National Department of Health, district and provincial finance offices, provincial health authorities, sub-national governments and line-agencies.

Partnership's Coordination Responsibility with other Australian Investments: The vast majority of work under this pillar will be designed and implemented by the Partnership. The Partnership must provide strategic and technical advice to DFAT and coordinate its work with Provincial Capacity Building Program (PCAB) and the Institutional Partnerships Program (agreements between Australian Finance and Customs, Australian National Audit Office and Australian Taxation Office and their PNG counterparts). The Partnership should consider means to improve collaboration and information sharing between its staff/advisors, and officers from Australian government departments who also assist relevant PNG government departments.

The Partnership will also need to be aware of the work of the PNG-Australia Transition to Health (PATH) facility; the ADB's Health Service Sector Development Program (HSSDP) and World Bank Multi Donor Trust Fund on Universal Health Coverage.

Pillar 3 - Economic Enabling Environment

The objective of the pillar of the Partnership is to help PNG in microeconomic governance that supports improved productivity, growth and investment. Specifically the Partnership will help PNG:

- 1. improve government regulation and ease of doing business;*
- 2. strengthen the financial system to increase business and household's access to capital;*
- 3. increase the accessibility of land to businesses; and*
- 4. improve the labour market - boost skills and capability.*

Business regulation: The ADB Private Sector Development Initiative (PSDI), funded by Australia is focussed on the first objective and is helping PNG improve ease of doing business, competition policy, business taxation and public private partnerships (PPPs). The IFC is also assisting on PPPs and consumer protection. A role of the Partnership will be to help ensure coordination of Australia's programs on business regulation. The Partnership could also design and implement aid activities under this pillar (if appropriate and there is significant benefit to PNG). Examples for future support are business taxation, business advisory support services and intellectual property, gaps in Australia's current portfolio of work in business regulation. Future work by the Partnership could also include improving PNG's Ease of Doing Business, a ranking managed by the World Bank.

Access to capital: Australia's support on finance is being implemented by ADB PSDI (work with the PNG Securities Commission, Treasury and the Investment Promotion Authority) and IFC (development of Retail Electronic Payment System). The role of the Partnership will be to help ensure coordination across Australia's aid interventions on access to capital. EGIG is also implementing projects on digital identification for access to financial services and government online payment services. These projects could be continued and improved in the new economic development partnership. The Partnership could also design and implement additional aid activities on access to finance, if appropriate and there is significant benefit to PNG. A partnership with DFAT's Emerging Markets Impact Investment Fund (EMIIF) should be considered. EMIIF helps small and medium sized enterprise access capital from second tier financial intermediaries (private debt funds, fintech platforms).

Land: The new Partnership will also design and implement activities to help businesses better access land. It will consider EGIG's pilot work on models of how entrepreneurs can access traditionally held land for private businesses. Improving businesses access to land is a new area of support for Australia and a recommendation of the Policy Practice Review. The Partnership will propose to DFAT a set of exploratory aid activities.

Labour market: Australia's major aid investment in the PNG labour market are labour mobility programs: Pacific Labour Scheme (PLS) and Seasonal Worker Programme (SWP). These labour mobility programs are managed separate from the Partnership. The Partnership could design activities to complement the work of PLS and SWP that seek to address governance issues limiting growth of and investment in PNG's labour market. The Partnership must consult with programs managers of Australia's education investments in PNG in the design of any new labour market activities.

The managing contractor will develop a Pillar 3 strategy and workplan during the mobilisation phase of the Partnership. The Partnership's work on the business enabling environment is in recognition that government regulation could be improved. PNG ranks 120 out of 190 in the World Bank's ease of doing business rankings⁸. The most commonly mentioned economic challenge by business is access to land. Approximately 97% of land in PNG is customary owned and 3% is owned by the state. Private sector developers strongly prefer state-owned land due to the insecurity of tenure on customary land. With state-owned land almost exhausted, property prices are inflated. Banks also do not want to lend to businesses without secure title which stifles investments. The PNG Government's *Financial Development Strategy 2018-2030* highlights weak competition in the financial sector, limited provision of financial services to the poor and a substantial cash economy. It is estimated that only 25 per cent of PNG's population have access to financial services with most services located in PNG's main urban centres. Youth unemployment is one of the biggest development challenges in PNG. More than half of the population is under 24 years of age and job opportunities are not growing fast enough to accommodate them.⁹

Beneficiaries: PNG Government agencies including Investment Promotion Authority (business regulation), Bank of Papua New Guinea (capital markets) and Department of Lands & Physical Planning (access to land). Youths could

be a target beneficiary of labour market activities, and households that do not have access to a bank account could be a target group for capital market activities.

Partnership's Coordination Responsibility with other Australian Investments: A large amount of Australia's assistance on PNG business enabling environment is being undertaken through our support to ADB PSDI and IFC. The Partnership should design and implement aid activities under this pillar, in complement to these multilateral initiatives. The Partnership should coordinate its activities and provide strategic and technical advice to DFAT, on the direction of these other investments including investigating options for consolidation.

The Partnership will also need to be aware of Australia's education investments in skills, TVET and labour mobility.

Pillar 4 - Focal Areas

Agriculture

The objective of the Partnership's activities in agriculture is to help improve PNG rural jobs and incomes by (i) facilitating exports; (ii) strengthening local agriculture productivity and local supply chains; and (iii) stopping the spread of biosecurity risk in PNG and to Australia. A major role of the Partnership is to provide strategic and technical advice to DFAT to ensure coordination of Australia's support to the agriculture sector through our regional and multilateral programs. These programs are:

- Pacific Horticultural and Agricultural Market Access (PHAMA+) Program - helping (i) to control African Swine Fever and Fall Army Worm outbreaks in PNG; (ii) PNG business to export by meeting sanitary and phytosanitary measures in receiving countries; and (iii) improve value chains in specific sectors (e.g. coconuts).
- Market Development Facility - works with developing value chains for products such as coffee, cocoa and honey for exports and improving domestic pig breeding.
- Grow PNG - works with large-scale commercial agriculture businesses to improve exports; and
- International Finance Corporation (IFC) - supports agri-business notably the Ramu Markham Valley Commercial Project to investigate how agriculture businesses can grow in Morobe, and the PNG Cassava project with SP Breweries.

The Policy Practice Review, while noting that Australia invests significantly in the agriculture sector in PNG through the investments above, also highlighted that multiple stand-alone initiatives may reflect a lack of a strategic or prioritised approach. Redundancies/competing priorities in aid activities could also exist. The important coordination role of the Partnership, and the provision of strategic and technical advice by the Partnership to DFAT on the above agriculture investments, will help address this deficiency. The Partnership will provide advice to DFAT to ensure our agriculture aid is coordinated and coherent.

DFAT has commissioned an agriculture review which will be finalised in early 2021. The review will assess the PNG agriculture sector, donor activities and provide options and recommendations to shape Australia's future work in this sector.

The Partnership, in its mobilisation phase, will develop an agriculture sector strategy and workplan based on the review. A key part of the strategy will be to describe the logic and relationships between Australia's agriculture aid investments, to create a strong narrative about how we are holistically supporting the agriculture sector currently and in the future.

Based on the findings of the agriculture review, the Partnership may also design and implement agriculture activities, if there are significant benefits for PNG. The Partnership could for example investigate approaches to improve productivity of micro, small and medium sized businesses - particularly those run by women; logistic, transport and food storage services; and creative and cultural industries.

The Partnership's emphasis on agriculture is an acknowledgement that the sector is essential to life in PNG: over 80 per cent of the population live in traditional communities and engage in food production at a subsistence level. Farmers in PNG typically grow food crops and breed domestic animals for their own and communal use and produce cash crops on excess land. Agriculture productivity in PNG is low. The World Bank estimates that yields are 30-50 per cent below potential.¹⁰ Agriculture's potential is however immense: 30 per cent of PNG's land is

believed to be of moderate to very high agricultural potential.¹¹ Biosecurity presents a significant risk to the sector. PNG is suffering from outbreaks of African Swine Fever and Fall Army Worm which has the potential to destroy livelihoods and threaten regional biosecurity. Australia is currently helping PNG manage biosecurity and improving government legislation through PHAMA+.

Beneficiaries: Relevant government agencies (Department of Agriculture and Livestock and National Agriculture and Quarantine Inspection Authority). Rural farmers and households and PNG businesses that export.

Partnership's Coordination Responsibility with other Australian Investments: Coordination with, and provision of strategic and technical advice to DFAT on, the four primary investments identified above.

Resources

The objective of the Partnership under Pillar 4 (Resources) is to help PNG improve foreign investment in, and sustainable development of, the resource sector to increase economic growth, livelihoods and government revenues. The Partnership should have a focus on resources, noting that it is the dominant sector of PNG's economy accounting for 31 per cent of GDP¹² and 10 per cent of government revenue¹³ and one of the greatest potential economic growth enablers in the medium term.

The Partnership's activities could be focussed on providing responsive technical assistance to key PNG government departments (e.g. Department of Petroleum and Energy), including advice/capacity building for their negotiations with foreign investors, improving legislation and the regulatory environment and understanding the economic impact of resource projects (e.g. economic modelling). The Partnership may also improve transparency and citizenship awareness of the mining sector (e.g. in partnership with the Extractive Industries Transparency Initiative and with a focus on revenue transparency and social license challenges) or help the government ensure its resource wealth is saved and used judiciously (e.g. helping to improve PNG's sovereign wealth fund which is a recommendation of the IMF Staff Monitored Program). The Partnership's work in resources must consider the directions and views of the PNG Government. The Partnership's work in the sector will be guided by a resources strategy and workplan, to be developed in the mobilisation phase of the Partnership. The strategy should consider the current administration's priority for the government to obtain a greater share of natural resource profits and its proposal to introduce new resource legislation to replace PNG's royalty-based system with a production sharing agreement.

Beneficiaries: The offices of Ministers for Mining, Petroleum, Treasury and Energy. Relevant PNG government departments - Departments of Petroleum and Energy; Mineral Policy and Geohazards Management; Mineral Resources Authority, Treasury and Prime Minister and National Executive Council.

Partnership's Coordination Responsibility with other Australian Investments: None.

Pillar 5 - Economic Research and Dialogue

The objective of the Partnership under Pillar 5 is to *increase the quantity and quality of data, research and analysis for the PNG Government and public, including to assess government policy and enable longer-term economic planning.* This should improve the quantity and quality of economic dialogue in PNG and the public's demand for quality economic policy making. This component of the Partnership will focus on the issues covered across the other four pillars (i.e. macroeconomic management, public financial management, etc.).

The Partnership will target key PNG ministers and departments and offer economic research services. This has worked successfully in the past (through EGIG) including to help government understand the significant impact of the closure of mines during the COVID-19 pandemic. The Partnership will also investigate improving Australia's current assistance to build the capabilities of key PNG data and research organisations (e.g. National Statistics Office, National Research Institute and Institute of National Affairs) to improve public discourse on economic matters and demand for economic reform. The Partnership should also consider partnerships with civil society including for example Transparency International, National Resources Governance Institute, Chambers of Commerce and Open Society Foundation, to improve public discourse on economic matters. How the Partnership can reach and inform the PNG general public, not just the country's well-educated, must be considered by the Partnership managing contractor.

The Partnership, in its mobilisation phase, will develop a research and dialogue strategy and workplan which list activities that will be designed and implemented under this pillar of the Partnership. Work under pillar 5 is in recognition that PNG's faces a number of short and longer-term economic challenges and opportunities. Responding to these issues require partnerships between a range of actors and organisations domestically and internationally. These partnerships can help create an environment where economic reforms can be discussed and contested, to improve government policies and laws. Many of PNG's research organisation and civil society are however fragile and underfunded. The Policy Practice Review and the *PNG's Institutions: a Strategic Framework* identified research and dialogue as an area of opportunity for Australia to help.

Beneficiaries: PNG economic government departments, and PNG citizens through better availability of economic data and information and better economic policies.

Partnership's Coordination Responsibility with other Australian Investments: Minimal but includes the Institutional Partnership Program (agreement between Australian Bureau of Statistics and their PNG counterpart). The vast majority of work under this pillar will be designed and implemented by the Partnership.

Gender

The Partnership's emphasis on gender is essential noting that women face significant exclusion from economic opportunities in PNG. As an example, women in the formal sector average a net monthly pay less than half that of men (PGK682 for women and PGK1402 for men).¹⁴ Women also account for only 25 per cent of public servants and they are significantly under-represented in senior positions such as departmental secretaries or deputy secretaries (at only 12 per cent).¹⁵ Especially concerning is the violence women face which impacts on their ability to work. A survey by the Overseas Development Institute found that approximately 68 per cent of women in the workplace experienced gender-based violence over the last year, with an average incident rate of nine times a year.¹⁶

The new economic development partnership will have a strong focus on women's economic empowerment. The managing contractor of the Partnership will be required to design and implement a coherent suite of activities across the pillars, with the objective to *improve women's economic empowerment in PNG, including through better jobs*. Indicative activities under each pillar (to be further investigated in the Partnership design process) are:

- Pillar 1: Macroeconomic Reform – identify economic reform opportunities that can help PNG achieve gender equality; understand the impacts of PNG government's COVID-19 economic response on women;
- Pillar 2: Public Financial Management – understanding gender-based budgeting and difficulties with implementation in PNG (noting IMF analysis and recommendations in their working paper 16/154);
- Pillar 3: Business Enabling Environment - increase women entrepreneur's access to financial services and grow women owned micro/small sized enterprises; and understand barriers to women's access to land;
- Pillar 4: Focal Areas - improve women's employment outcomes in the resources and agriculture sector; and
- Pillar 5: Economic Research and Dialogue - fund research and public awareness activities on barriers women face in employment and job security;

In the mobilisation phase of the Partnership, a gender strategy, workplan and monitoring and evaluation framework will be developed, informed by gender analysis. The strategy should consider the two or three gender opportunities/reforms that the Partnership should target and would yield significant and meaningful results for women in PNG. The Partnership may also be requested by DFAT to provide technical and strategic advice on gender issues related to Australia's other economic development investments identified in Annex 1. A gender analysis, strategy workplan and monitoring and evaluation framework for the Partnership will address key recommendations of DFAT's 2019 gender review of Australia's economic programs in PNG. The review found that the programs contributed to women's economic empowerment in PNG through multiple pathways, but Australia needed to develop a stronger strategic narrative to better link its portfolio of existing work. The gender review also emphasised the need for gender analysis and strengthening of monitoring and evaluation systems.

Beneficiaries: Focus on directly benefitting PNG women and their households. Relevant PNG government departments will be assisted.

Place-Based Approach: Western province and others

Australia and PNG have a joint interest to focus on and better coordinate development assistance in the province of Western. At the narrowest point, Australia and Western are only 4 km apart. It is also PNG's largest province and one of the poorest and most remote. The province is vulnerable to biosecurity threats, a key risk for Australia. African Swine Fever could be present and fall armyworm has been detected in the district of South Fly. Australia is providing assistance on both biosecurity threats through PHAMA+.

Economic opportunities are constrained in Western and communities highly reliant on a subsistence lifestyle. Significant resource wealth has not translated into inclusive growth outcomes. Ok Tedi mine (in North-Fly) accounts for up to 15 per cent of PNG's national exports. The PNG Sustainable Development Program was created when BHP divested its ownership of Ok Tedi in 2002, with one billion US currently held in an overseas trust account.

The Partnership will investigate and provide strategic advice about how Australia can improve economic growth outcomes in Western across all its pillars and linked with other investments of the Australian aid program (e.g. infrastructure and health). A strategy and workplan for the province will be developed, which identifies activities that the Partnership will design and implement. Economic development assistance will likely be focussed on agriculture and resources, including to address biosecurity risk, improve agriculture productivity and sustainable development in the resources sector.

DFAT is also likely to request the Partnership to provide focussed advice and targeted economic development assistance, articulated in a strategy or workplan, for other priority regions/corridors in PNG. These priority regions of corridors are yet to be determined but could include the Highlands, Morobe, Bougainville and Manus.

Private Sector Engagement

The Partnership will consider opportunities to collaborate with private businesses across the pillars. Examples are working with mining companies to support their community engagement and social development activities, financial intermediaries to help businesses access capital, and agriculture and retail businesses to extend their supply chains to assist smallholder farmers.

Where we will not invest

The focus of Australia's economic development assistance for PNG are articulated through the strategic framework in Annex 2 and topics unrelated to the pillars will not be prioritised. Australia currently supports activities outside of the pillars including creative and cultural industries, tourism and digital entrepreneurship. These activities will not be prioritised by the new economic development partnership so that effort can be focussed on the pillars in the strategic framework. The Partnership should however be adaptive and innovative and take advantage of economic reform opportunities. Topics outside of the framework can be supported but only with the approval of DFAT.

D. Implementation Arrangements and Delivery Approach (How will DFAT deliver it and engage?)

DFAT will deliver the new economic development partnership through a facility approach. A facility approach is considered optimal due to the following benefits:

- the environment for economic reform in PNG is fluid and characterised by frequent changes in political leadership. A facility allows Australia to be responsive and adaptive, taking advantage and support champions of reform when the opportunity presents;

- given complex pathways for reform, a facility allows for flexibility, innovation and adaptation where Australia can trial different approaches and scale-up activities when it works or terminate them if they don't.
- cement our reputation as 'partner of choice' - we will be able to consider ad-hoc requests for assistance by the PNG Government, and if it aligns with the facility framework, direct funding quickly and efficiently.
- allows for consolidation and coordination of Australia's multiple economic development investments coherently from within a single facility framework.
- allows Australia to deliver assistance across multiple sectors (e.g. resources, agriculture and gender) from a single vehicle.
- provides Australia with a consolidated vehicle to access insights across a wide range of sectors/issues critical to PNG's economic development.
- provides the Australian High Commission (AHC) with experts in different sectors including economic reform and agriculture who will be able to provide advice to Australia when necessary.
- reduce the administrative burden of managing multiple aid investments so DFAT can focus on relationship building, strategy and high-level dialogue.

It is recognised that Facilities need to be adeptly managed by DFAT. They require significant time to mobilise including to develop sector strategies and recruit personnel. They may also need a significant administrative budget to design, implement, evaluate and manage risks of multiple aid activities. Facilities also require adequate resourcing by DFAT for officers to understand details of each aid activity, interrogate complex reports, manage implementation and engage with the government of PNG. But the facility model has been working well for economic programs in PNG under EGIG as well as in Indonesia through Prospera. The design team will ensure to incorporate lessons from these examples into the design for the Partnership. The AHC in Port Moresby will ensure the economic section is appropriately resourced to manage and steer the Partnership.

Modality: The Partnership will hire skilled local or international permanent staff to manage and deliver work under each of its pillars (e.g. facility director, deputy director and senior program managers). Temporary local and international consultants and companies will be hired by the Partnership to deliver specific and time-bound technical assistance or projects. The Partnership may also direct funding support to organisations/businesses.

Under each pillar and cross-sectoral issue (i.e. gender and place-based approach), the Partnership should consider opportunities to improve collaboration and information sharing between its staff/advisors, and officers from Australian government departments who also assist relevant PNG government departments through the Institutional Partnership Program.

Governance Arrangement: A governance committee sets the Partnership's strategic direction, oversee risks and consider annual workplans and strategies. The committee will also function as a forum to discuss PNG's economic development issues and recommend when aid activities should be scaled-up or terminated. The governance committee will be chaired by the AHC (a co-chair arrangement with the PNG government can also be considered). A Senior Officer from DFAT Canberra will also be a member of the committee. The PNG government could be represented by an officer of PNG Treasury, the main government partner agency of the Partnership and beneficiary of Australia's economic assistance. Senior Officers from other PNG government agencies (e.g. BPNG and Department of Agriculture and Livestock) may also be invited to participate in selected governance committee meetings. The governance committee may also invite independent advisors to attend meetings in a support capacity (e.g. gender specialist). The Steering Committee should meet twice per year to ensure that the Partnership adapts to changes in the economic environment and political context. DFAT will ensure that the governance committee has an appropriate representation of women.

The Partnership design team will also consider alternative governance arrangement including Prospera's simplified approach where the governance board is composed only of an Australian and Indonesia government representative.

Other Approaches and Value for Money Considerations

Rather than a single facility approach, DFAT could instead:

- set-up multiple stand-alone programs (e.g. five: one for each pillar) each implemented by a managing contractor
 - administration costs are likely to be greater than a single facility approach which could take advantage of economies of scale. There are cost efficiencies in having one entity providing payroll, recruitment, public diplomacy and uplift services (as examples), as oppose to five managing contractors.
 - significant cost is imposed on DFAT on this approach as we would have to procure and manage five programs. DFAT officers will struggle to keep track of performance and risks of each program and significant effort will be required to manage five relationships. Coherency of the economic portfolio will likely suffer with managing contractors having conflicting views on what is best for PNG.
 - there are benefits of this approach flowing from greater competition especially in procurements. But costs identified above outweigh benefits.
- direct funding to existing organisations including World Bank, IFC and ADB
 - this option could have less administration cost (from DFAT's perspective) than the facility approach, as DFAT can leverage the operations of multilateral agencies who have a presence in PNG. Multilateral agencies also have individuals with significant expertise on economic development.
 - this option however significantly reduces Australia's clout and influence. Multilateral agencies will pursue their own agenda, reporting to and seeking approvals from their headquarters. Compared to a facility approach, this option will not achieve Australia's goal of being PNG's "partner of choice". Australia will not be able to quickly and adeptly meet the needs of the PNG government. Multilateral agencies are also inherently less agile and more bureaucratic which would limit our ability to react to strategic or political developments.
- Hire individual contractors to work in the AHC and provide technical assistance to the PNG government
 - this option is not feasible for the level of ambition set in this concept note: the AHC could not physically accommodate the large number of contractors required to deliver the work and the contractors would be highly disruptive to the AHC's other core work. This option would work well for less ambitious development goals (e.g. providing advice on a specific sector).
- Sector Wide Approach (SWAp)
 - SWAp has the significant benefit of aligning all donors' assistance with PNG government priorities in a particular sector. The PNG government however does not regularly convene a body composed of relevant PNG government departments and donors on economic reform (as opposed to other PNG sectors like law and justice). There are significant risks if Australia was to convene a SWAp body including perceptions of interference. The facility approach and the proposed governance arrangement has the benefit of focussing our economic aid on Australia's interests (as oppose to all donors).

E. Risks

The Partnership's overall risk rating is MEDIUM.¹

PNG's political landscape will very likely shift during the life of the Partnership including changes to key government Ministers and Secretaries. Such shifts could significantly change the economic and reform priorities of the PNG government and decrease Australia's economic aid effectiveness. Australia's aid must consider moving focus towards issues where there are economic reform champions, and away from areas where a new leader may not desire Australia's assistance. Choosing a facility approach, guided by rolling annual work plans to achieve flexibility, helps mitigate risks associated with shifts in the political environment.

Choosing a facility approach also entails risk. An emphasis on flexibility and responsiveness to PNG government's requests for assistance could mean that a disparate range of activities are funded which in totality lacks coherence (fragmentation). The facility may lose track of its long-term outcomes, especially on key cross-cutting

¹ A risk and safeguard screening assessment has been completed.

issues such as women's economic empowerment. The development of a facility performance assessment framework which includes end of program and intermediate outcomes is essential to mitigating the risk of fragmentation/lack of coherence. Also important are the development of gender and pillar strategies to ensure the Partnership is making consistent progress towards its desired outcomes.

The Partnership will design and implement a variety of aid activities under its five pillars. The Partnership must develop a range of protocols and strategies in the mobilisation phase including to ensure: DFAT's environment and social safeguards are adhered to; fiduciary and fraud risk are mitigated; and activities do not inadvertently worsen the lives of vulnerable and disadvantage groups (e.g. Indigenous people, people with a disability and children). Frameworks including environmental and social safeguard, fraud control, child protection and prevention of sexual abuse and harassment, gender quality and social inclusion and health and safety must be developed in the Partnership's mobilisation phase.

The immediate and most pressing risk is a failure of the Partnership to fully mobilise prior to the ending of the current EGIG facility in April 2022. A delay in mobilisation could occur due to a) delays in designing the Partnership following this concept note; b) a lengthy procurement process; c) failure to obtain approval from the PNG government; and d) difficulties in physically setting up an office in PNG and mobilising staff. The AHC is actively monitoring this risk and working with DFAT Design and Procurement Sections to compress timelines to the greatest extent possible. A parallel design and procurement process is proposed (see below) to mitigate this risk. A gap in Australia's assistance to PNG would damage Australia's status as PNG's 'partner of choice' on economic development.

F. What are the next steps?

A parallel design and procurement process is proposed for the Partnership. This approach has been planned and agreed with DFAT Procurement and Design sections as the best option to compress timeframes and allow for DFAT to meet the deadline of early 2022 for mobilisation.

A design team is being procured from DFAT's Design, Review and Evaluation Panel (see Annex 3) to draft a design document based on specifications in this concept note. The design team will:

- draft a facility design document using DFAT's templates;
- name the Partnership and refine the proposed goal and objectives;
- consider lessons learnt from the design and implementation of DFAT's other facilities especially Prospera in Indonesia;
- develop strategies for the Partnership based on political economy and economic analysis. Pillar, gender and placed-based strategies will be brought together in a coherent Partnership strategy document;
- identify key deliverables of the Partnership for its first 12 months of operation;
- develop a facility performance assessment framework based on the DFAT template, including defining facility end of program and intermediate outcomes;
- identify current EGIG contracts to be novated into the new Partnership (likely only to be the contract related to the ANU-UNPG partnership);
- consider Australian High Commission resourcing and how DFAT should engage with the Partnership, ensuring DFAT maintains responsibility for the strategic direction of the Partnership; and
- draft a statement of requirements to be inserted in the managing contractor's agreement with DFAT.

The design team must consult with various stakeholders including PNG and Australian government officials to draft the Partnership design document. Opportunities for the Partnership to assist other Australian aid investments (e.g. infrastructure, subnational and gender programs) to achieve their development outcomes in PNG must be considered. Issues which the Partnership should not assist, as they are best delivered from other Australian aid investments, should also be identified.

Simultaneously as a design document is being drafted, Request for Expressions of Interest is released to the market to identify companies willing to implement the new Partnership. Short-listed companies will subsequently

prepare a tender based on the completed design document on its completion by the design team. A successful tenderer is identified to implement the new Partnership based on tender submissions. Key steps in the design and procurement parallel approach is outlined in Annex 4 and it is expected to take nine months to complete.

The design document will be peer reviewed by the DFAT Canberra virtual reference group (see Annex 5) and Australian Treasury. It will also be approved by the PNG government and independently appraised. Noting these quality assurance processes, the DFAT Aid Governance Board (ABG) has been requested not to review the final design document to speed-up completion of the procurement process.

DRAFT

Annex 1

Current Australian economic development investments in PNG that the new Economic Development Partnership will provide strategic/technical advice to DFAT, to improve coherency, coordination and effectiveness of Australia's economic aid

Investment	Purpose	Timeframe	Approximate Value (AUD)	Partnership Pillar
International Finance Corporation	A variety of activities to: <ul style="list-style-type: none"> increase access to finance; increase investment and productivity of mid-sized companies; facilitate private sector investment in infrastructure; accelerate women's empowerment; and formalise agribusiness and supply chains. 	2017 - 2022	20 million	Pillar 3 - Economic Enabling Environment Pillar 4 - Agriculture
Pacific Horticultural and Agricultural Market Access Program (PHAMA+)	Facilitate exports to global markets in agricultural products. Provides technical biosecurity advice on how to manage plant and animal biosecurity outbreaks including African Swine Fever and Fall Army Worm	2014 - 2022	8 million	Pillar 4 - Agriculture
Market Development Facility (MDF) Phase 2	Agriculture (coffee, cocoa and honey) is a key focus of the program. MDF helps smallholder farmers improve access to agricultural inputs and provides support services to farmers.	2014 - 2019	13 million	Pillar 4 - Agriculture
ADB Private Sector Development Initiative (PSDI)	Support on regulatory reform and regulations so that business can operate. Since COVID-19, PSDI has pivoted to providing support on amendments to insolvency laws.	2014 - 2024	12 million	Pillar 3 - Economic Enabling Environment
UNDP - Provincial Capacity Building	Improve public financial management skills at the provincial level.	2020 - 2021	3 million	Pillar 2 - Public Financial Management
Institutional Partnerships Program	Institutional Partnerships between Treasury, ATO, Finance, ANAO and ABS, and their PNG counterparts.	2017 - 2021	3 million	Pillar 1 - Macroeconomic Management Pillar 2 - Public Financial Management Pillar 5 - Economic Research and Dialogue
Pacific Leader and Governance Precinct	ANU support to the UPNG School of Business and Public Policy (planned to be shifted under EGIG)	2014 - 2020	10 million	Pillar 5 - Economic Research and Dialogue
Grow PNG	Leverage the World Economic Forum to accelerate the growth of the agriculture sector in PNG's Markham Valley.	2019 - 2022	3 million	Pillar 4 - Agriculture
Labour Mobility Programs: Pacific Labour Scheme (PLS) and Seasonal Work Programme (SWP)	PLS address workforce shortages in rural and regional Australia, while providing opportunities for Pacific and Timorese workers to gain experience, earn income and send remittances home to support their families and communities. SWP assists employers in the agriculture and accommodation sectors to fill employment gaps unable to be met by the Australian workforce. It also contributes to the economic development of seasonal workers from participating countries.	PLS 2017 – 2023	82 million (Pacific regional)	Pillar 3 - Economic Enabling Environment

Annex 2 – Australian Economic Development Program in PNG – New Strategic Framework

The new Strategic Framework is intended to guide Australia's economic development program in PNG going forward. It builds on recommendations from the 2019 Policy Practice review of current and potential future activities in the portfolio and incorporates commitments in the Comprehensive Strategic and Economic Partnership and Post's COVID-19 recovery plan. It is intended to provide the basis for better alignment of existing programs as well as the starting point for the design of the new Economic Development Partnership from 2022. A cross cutting consideration of the program is inclusive growth including for women and rural populations as well as a placed based approach.

MACROECONOMIC MANAGEMENT	PUBLIC FINANCIAL AND REVENUE MANAGEMENT SYSTEMS	ECONOMIC ENABLING ENVIRONMENT	PRIVATE SECTOR DEVELOPMENT FOCAL AREAS
<p><u>Address volatility/build stability</u></p> <ul style="list-style-type: none"> • Australia as economic partner of choice. • Policies that promote macroeconomic stability, human development and inclusive growth are prioritised. <ul style="list-style-type: none"> ◦ <u>economic reform conditions of loans</u>, especially Australia's budget support. ◦ <u>Fiscal policy</u> that provides confidence in PNG's medium to long-term budget position and that reduces the instability born by resource volatility (booms and busts). ◦ <u>Monetary policy</u> that supports a stable and prosperous economy, maintains PNG's competitiveness, provides surety to foreign investors and expands trade opportunities. ◦ <u>Financing policy</u> that improves cost, quality and diversity of financing and improves management, transparency and sustainability of public sector debt (including SOEs). <div data-bbox="179 1029 584 1182"> <p>Role of the Partnership The Partnership will be the <u>main vehicle</u> to deliver assistance under this pillar, designing and implementing aid activities.</p> </div>	<p><u>Effective, efficient and transparent management of revenue and expenditure</u></p> <ul style="list-style-type: none"> • Promoting fiscal sustainability to support implementation of expenditure and tax policies over the long run <ul style="list-style-type: none"> ◦ <u>Revenue stabilisation</u>: develop and implement approaches to smooth revenues across booms and busts ◦ <u>Tax base broadening</u> to spread the tax burden across a larger number of economic actors, reducing reliance on a small number of large tax payers ◦ Revenue transparency to build confidence in government and support long term planning • Public expenditure and tax administration management which improves operational efficiency, transparency and accountability of public finances. <ul style="list-style-type: none"> ◦ a focus on service delivery that includes the flow of funds to delivery units and improving how they are spent. <div data-bbox="663 1114 1068 1246"> <p>Role of the Partnership The Partnership will be the <u>main vehicle</u> to deliver assistance under this pillar, designing and implementing aid activities.</p> </div>	<p><u>Microeconomic governance that supports improved productivity, growth and investment*</u></p> <ul style="list-style-type: none"> • G2B engagement – A business environment supportive of the private sector that promotes ease of doing business and is conducive to investment. • Capital and finance – Policies and regulations that promote financial inclusion and inclusive economic growth. • Access to Land - Improvements in PNG's land tenure system enables economic opportunities. • Boosting skills and capability - Labour mobility programs – SWP, PLS. <div data-bbox="1144 919 1547 1230"> <p>Role of the Partnership The Partnership will provide strategic/ technical advice to DFAT on this pillar to help-us manage our other investments (e.g. ADB and IFC). The Partnership will also design and implement strategic aid activities under this pillar. Note: infrastructure assistance is being implemented by other aid investments and outside the main scope of work for the new Partnership.</p> </div>	<p><u>Agriculture sector</u></p> <ul style="list-style-type: none"> • Increased rural incomes • increase agricultural productive. capacity and value-add products. • Strengthen value- and supply chains. • Strengthen biosecurity. • Improved farmer access to markets incl. addressing barriers to trade. • Increased economic participation and opportunities for rural populations, women and youth. Incl poss through creative and cultural industries. • Development of SME ecosystem and diversification of PNG's economic base. <div data-bbox="1617 794 2105 991"> <p>Role of the Partnership The Partnership will provide strategic/ technical advice to DFAT on this pillar to help-us manage our other investments (e.g. PHAMA+). The Partnership could also design and implement strategic aid activities.</p> </div> <p><u>Resource sector</u></p> <ul style="list-style-type: none"> • Policies that encourage improve foreign investment in and sustainable development of the PNG resource sector to increase economic growth, livelihoods and government revenues. <div data-bbox="1617 1145 2105 1246"> <p>Role of the Partnership The Partnership will be the <u>main vehicle</u> and trial new aid activities to develop the sector.</p> </div>
<p><u>Economic Research and Dialogue</u> Increased quantity and quality of data, research and analysis for the PNG Government and public, including to assess government policy and enable longer-term economic planning.</p>		<div data-bbox="1323 1289 2105 1364"> <p>Role of the Partnership The Partnership will be the <u>main vehicle</u> to deliver assistance under this pillar, designing and implementing aid activities.</p> </div>	

*The infrastructure development program also pursues economic enabling environment work including in the digital economy and infrastructure governance.

Annex 3

Members of the Design Team

Member	Skill Set / Role
1. Australian High Commission Representative	Provide strategic direction for the Partnership design including alignment with Australia's development and foreign policy objectives.
2. Government of Papua New Guinea Representatives	Ensure that the new Partnership is aligned with PNG's economic growth objectives. Help facilitate the new Partnership through PNG government's approvals process.
Team members, procured through a Request for Quotation and who can provide the following skills.	<ul style="list-style-type: none"> • Knowledge and experience in designing large facilities. • Demonstrated experience in designing economic aid activities. • Strong knowledge of PNG economic reform and development priorities. • Experienced in designing/implementing activities related to: <ul style="list-style-type: none"> - macroeconomic reform; - public financial management; - business/economic enabling environment; - resources; - agriculture; and - economic research and dialogue. • Strong knowledge and understanding of PNG gender and inclusive growth issues. • Experienced in designing/implementing women's economic empowerment activities. • Experienced in preparing monitoring and evaluation frameworks for Facilities. • Experience working in and knowledge of PNG.

Annex 4

Suggested Key Steps – Design

Actions	Time (months)
Procure, set-up and brief the design team	0.5
Draft a design workplan	0.25
Review of key documents including: <ul style="list-style-type: none"> • Foreign Policy White Paper; • Comprehensive Strategic Economic Partnership; • COVID-19 Development Response Plan; • Engaging with PNG's Institutions: a Strategic Framework; • Review of the AUS-PNG Economic Partnership; • Gender review of the AUS-PNG Economic Partnership; • Annual Evaluations of the Governance Facility by QTAG; Aid Quality Checks of relevant investments; • DFAT Facility Guidance Note and Performance Assessment Framework; and ANAO Facilities Audit; • Agriculture Sector Review. 	0.25
Consultations <ul style="list-style-type: none"> • Economic Governance and Inclusive Growth Facility; • Australian High Commission, Desk and relevant Sections in Canberra; • Government of Papua New Guinea (Treasury Department, Treasurer's Office, Finance Department, etc.); • International Financial Institutions (IMF, World Bank and ADB); • Others to ensure a wide variety of views are sought (e.g. Civil Society, Universities, etc.); • A roundtable bringing together all PNG government partners will need to be organised. 	1
Prepare Aide Memoirs	0.25
Draft investment design document <ul style="list-style-type: none"> • Follow the Investment Design Document template and include a Facility Performance Assessment Framework (i.e. monitoring and evaluation and quality technical advisory group) 	0.5
Initial Peer Review by DFAT Canberra Reference Group and PNG Government	0.25
Second draft investment design document	0.5
Independent appraisal (two appraisers required)	0.25
Second Peer review by DFAT Canberra Reference Group	0.25
DFAT Aid Governance Board and PNG Government Endorsement (if required)	0.25
Design document approved by the DFAT delegate	0.25
Statement of Requirements and Pricing Schedule	0.5
Total	5 months

Key Steps – Procurement

Actions	Time (months)
Early engagement with business areas and prepare expression of interest documentation	1
Seek approval to approach the market	
Release Request for Expressions of Interests and companies submit their initial response	5* (in parallel with design)
Shortlist tender responses	
Provide design document to shortlisted tenders who will prepare a full tender <ul style="list-style-type: none"> includes industry briefing 	1
Selection of successful tenderer <ul style="list-style-type: none"> including interviews 	1
Negotiate and finalise contract	1
Total	9 months

**Note that it will take approximately 5 months to prepare a design document.*

Annex 5

Members of the Canberra Virtual Reference Group

Investment Design Section
Aid Procurement Section
Private Finance for Development Section / Private Sector Partnerships Section
Pacific Economic Advisory / Development Economics Unit / Chief Economist
Governance Section
Pacific Gender Section
Environment, Safeguard, Public Finance Management & Aid Risk Section
Agriculture Development and Food Security Section
Resources and Energy Section
PNG Desk
Australian Treasury

¹ <http://wdi.worldbank.org/table/3.14#>

² https://databank.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global_POVEQ_PNG.pdf

³ <https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?locations=PG>

⁴ PNG 2020 National Budget

⁵ <https://databank.worldbank.org/source/world-development-indicators>

⁶ <https://pngnri.org/images/Publications/IP25-201704-The-informal-economy-in-PNG-Scoping-Study.pdf>

⁷ <https://www.lowyinstitute.org/publications/address-hon-james-marape-mp-prime-minister-papua-new-guinea>

⁸ <http://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>

⁹ <https://www.worldbank.org/en/news/press-release/2019/04/11/over-18500-youth-in-png-see-increasing-opportunities-through-urban-youth-employment-project>

¹⁰ <http://www.new-ag.info/en/country/profile.php?a=2924>

¹¹ <http://www.new-ag.info/en/country/profile.php?a=2924>

¹² 2020 National Budget Volume 1

¹³ Mid-Year Economic and Fiscal Outlook Report 2020

¹⁴ <https://www.dfat.gov.au/sites/default/files/png-gender-and-education-assessment-review-literature-girls-education.pdf>

¹⁵ <https://www.dfat.gov.au/sites/default/files/png-gender-and-education-assessment-review-literature-girls-education.pdf>

¹⁶ <https://www.odi.org/publications/9887-gender-violence-papua-new-guinea>