

Management Response to the Review of the PNG-Australia Transport Sector Support Program Phase 2

This document outlines DFAT management's response to the independent review of the PNG-Australia Transport Sector Support Program (TSSP) prepared by Tetra Tech Pty Ltd in February 2022. 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.

DFAT notes the challenges associated with undertaking this review remotely due to the COVID-19 pandemic. While the review captures the input from a wide range of stakeholders, the report would have benefited from further exploration of the political economy of PNG's transport sector, and deeper analysis and testing of its key findings to synthesise longer-term strategic recommendations for TSSP. DFAT acknowledges the review process would have been strengthened by including a DFAT representative on the review team to better incorporate DFAT policy considerations into the analysis and recommendations.

Recommendation	Response	Action plan
Program design		
<p>Recommendation 1:</p> <p>For the TSSP3 design, DFAT and the Program should work together to refresh the Program's outcomes and logic. This is an opportunity to reposition the Program in an evolving local and regional context and to consider priorities and collaborations with other transport sectors. A refreshed program logic should pay attention to reviewing the EOPOs to help ensure pathways of change are clear, realistic and measurable. As much as possible, new EOPOs should be aligned to the departments and agencies' expected outcomes and should mainstream gender and social safeguards across all the outcome areas.</p>	Agree	DFAT will review and refresh EOPOs and program logic in the TSSP3 design process.

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<p>Recommendation 2</p> <p>Future designs should include cross-cutting issues of GEDSI, MEL, risk management and environmental and social safeguards and articulate how they will be resourced, implemented and measured across the life of the Program.</p>	Agree	<p>TSSP2 is currently incorporating and resourcing GEDSI, MEL, risk management and safeguards well, but it is acknowledged there is room for improvement.</p> <p>TSSP3 design will have a strong focus on GEDSI, MEL, risk management and environmental and social safeguards and articulate how they will be resourced, implemented and measured across the life of the Program.</p>
<p>Recommendation 3:</p> <p>With the new PNG Road Fund, the TSSP3 design should explore how funding for road maintenance will be supported under this new institutional arrangement.</p>	Agree	<p>This work is already underway with TSSP2 working closely with GoPNG stakeholders, including the CEO of the PNG Road Fund to continue reforms and support establishment. As well as existing TA and programmatic support through TSSP, DFAT has approved three additional TSSP technical adviser positions (road user charges technical adviser, transport economist and a finance specialist) to work within and support PNG Road Fund establishment. Ultimately it will be up to GoPNG to adhere to their legislative requirement to fund the 5.6% of the national budget for road works through PNGRF and DoWH, but TSSP will continue to support reforms under TSSP3.</p>
<p>Recommendation 4:</p> <p>The TSSP3 design should consider expanding funding and support to the maritime sector which has been underfunded by GoPNG and development partners since independence.</p>	Agree	<p>Work is already underway and the maritime sector will be a central consideration in the TSSP3 design.</p> <p>DFAT and AIFFP have already announced and started work on Australia's \$580 million Ports Infrastructure Investment Package. The TSSP3 design will include the details on how this program will be structured and delivered.</p>

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<p>Recommendation 5:</p> <p>Future designs should incorporate and align better with Bougainville with opportunities to bring them closer to the Program. The current implementation arrangement of having a separate managing contractor from the TSSP2 managing contractor should be revisited and consideration should be given to whether having two separate managing contractors is appropriate (if stronger alignment is not feasible or effective).</p>	Agree	<p>This will be considered in the TSSP3 design and informed by lessons learned and feedback from stakeholders on how current delivery arrangements are working.</p> <p>The approach will be dependent on consultation with ABG and GoPNG, as well as value for money principles.</p>
Program Implementation		
<p>Recommendation 6:</p> <p>That the Program enhance support for the Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC) to regularly meet and set agendas that help orient investment toward the achievement of transport strategies such as Connect PNG and to develop the capacity to identify appropriate funding mechanisms to finance national transport plans.</p>	Agree	<p>A review of TSCMIC's role and function is currently underway. The aim of this is to improve and more clearly define TSCMIC's coordination role, governance decision making by TSCMIC and sub-committees and stakeholder engagement.</p> <p>Relatedly, at DFAT's request, TSSP is also reviewing and proposing changes to Agency Support Arrangements' (ASAs) governance framework to improve and streamline DFAT/DITRD and TSSP engagement with DoT stakeholders.</p>
<p>Recommendation 7:</p> <p>That the Program deploys advisers and other technical experts to PNG in an accelerated manner once COVID-19 travel restrictions are lifted to avoid adverse effects on implementation and relationships built over time.</p>	Agree	<p>Recruitment is underway for vacant positions and the number of deployed advisers continues to increase.</p>

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<p>Recommendation 8:</p> <p>If appropriate, that the Program consider strengthening the NPC through advisory roles and legislative reform or selectively bypass NPC procurement processes to avoid the higher long-term cost of asset maintenance and higher costs for local communities and business owners. Until reform of the NPC occurs, DFAT should reserve the right (consistent with other donor programs) to bypass the NPC where appropriate.</p>	Agree	TSSP2 has offered support to strengthen NPC on multiple occasions. While the offer will still stand under TSSP3, DFAT will also explore alternative procurement pathways under TSSP3 in consultation with GoPNG.
Future directions: strategy and ways of working		
<p>Recommendation 9:</p> <p>Connect PNG will greatly improve the interconnectivity of national road infrastructure and economic outcomes for many Papua New Guineans. However, the construction of new infrastructure will only add to the existing infrastructure maintenance burden, and it is not known whether the economic benefits of new infrastructure will offset increased maintenance obligations. Until such time that GoPNG earmarks resources to fund and manage the maintenance of the entire road network, there is little reason for DFAT to depart from TSSP2's core strategic objectives and delivery mechanisms as they represent sound value for money for everyday Papua New Guineans.</p>	Somewhat agree	TSSP will continue to focus on maintaining sections of the existing road network as a priority. However, it is important that DFAT continues to push GoPNG to finance road maintenance itself, and offer ways to do this, including through AIFFP. This is particularly important, noting GoPNG is increasingly calling for Australian to support major transport infrastructure investments under Connect PNG, not just maintenance.

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<p>Recommendation 10:</p> <p>As players increase in the PNG transport sector, there is likely to be a considerable shift in the way infrastructure is managed and implemented. Under these circumstances, DFAT would do well to help ensure that GoPNG is adequately resourced to navigate this new territory. As a partner of choice, DFAT should ensure that TSSP3 plays a central role in the harmonisation of infrastructure activities by GoPNG and its investment partners. This role will be facilitative and paramount to ensuring the efficient and effective allocation of infrastructure resources in a transport system that maximises the return on investment and fosters enhanced coordination between donor partners.</p>	Agree	<p>While DFAT cannot assume responsibility for ensuring GoPNG is adequately resourced, we can assist to improve resource allocation and donor coordination. Ongoing TSSP technical advisory and project support to DoWH and DoT will continue to support coordination and harmonisation of GoPNG transport sector priorities and project delivery.</p> <p>The ambitious agenda of Connect PNG and GoPNG infrastructure planning will require an increased focus on project and donor coordination. Implementation risks are significant and TSSP will continue to support capacity building in GoPNG agencies responsible for implementation to help manage and mitigate. Strengthening TSCMIC will also be key to this.</p>
<p>Recommendation 11:</p> <p>Given the burgeoning scope of infrastructure under management, TSSP3 will also need to broaden GoPNG's asset management capability beyond ensuring that funding and resources are adequate to meet the needs of the network under normal operating conditions. Under TSSP3, GoPNG asset management will need to quantify the effects of potentially adverse climatic conditions caused by climate change. Though notoriously difficult to forecast, such capabilities will be essential to mitigating risk for investments in marine structures such as ports and roads in low-lying or coastal environments.</p>	Agree	<p>Work is already underway, TSSP has recruited a new asset management adviser working within DoWH. The challenge of establishing a road asset database in PNG is understood and the adviser and TSSP team are working to support DoWH and PNG Road Fund to establish an asset register and a program of work to maintain and update the register. The PNG Road Fund has developed procedures to ensure that workplans are based on road asset information. TSSP has been integral in supporting and guiding this work.</p>

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Complementarity between TSSP and AIFFP		
<p>Recommendation 12:</p> <p>Should AIFFP choose to work with TSSP, it is imperative that TSSP2 retains the discretion to continue its important work in stakeholder engagement, capacity building, maintenance, policy and legal support and reform. These essential activities are critical to the efficacy of the national transport network but also to help ensure institutional preparedness to implement and administer new infrastructure investments. TSSP2's understanding of DFAT processes and familiarity with PNG institutional and private sector capacity provides ground to facilitate the preparatory work that AIFFP requires to finance transport infrastructure investments. Also, TSSP2 should be adequately resourced to support AIFFP in the rollout of these investment projects, especially where the activities are considered to be synergetic and highly complementary.</p>	Agree	This work is already underway with TSSP working closely with AIFFP and creating an internal AIFFP Project Management Office within TSSP to integrate AIFFP projects funding and management within the TSSP scope.
<p>Recommendation 13:</p> <p>TSSP2 and AIFFP should collaborate and develop systems that enable complementarity in these shared objectives. Where AIFFP is focused on transport infrastructure, it should collaborate and work closely with TSSP2 due to the technical knowledge and relationships/networks it has in PNG.</p>	Agree	This work is already underway with TSSP working closely with AIFFP and creating an internal AIFFP Project Management Office within TSSP to ensure complementarity and integrate AIFFP projects funding and management within the TSSP scope.

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<p>Recommendation 14:</p> <p>As long as AIFFP has investments in PNG, AIFFP should have appropriate staffing levels based in the Australian High Commission (AHC) to engage with partners and implement programs. The AIFFP focal point at the AHC will coordinate and be a focal point between TSSP2, AIFFP and other government agencies and SOEs. Though current in-country support to AIFFP has been absorbed by the infrastructure team in AHC, future AIFFP investments in PNG should be matched by increased designated resources at the AHC.</p>	Agree	This work is already underway with four additional AIFFP positions (2 long-term assignments and 2 non-ongoing short-term missions) created and integrated into the Transport Infrastructure team at post.