Mid-term Review of the PNG Economic and Social Infrastructure Program

DFAT Management Response

The Economic and Social Infrastructure Program (ESIP) is a four-year investment worth AUD130 million designed to improve infrastructure development in Papua New Guinea (PNG). Now operational for a little over two years, ESIP works across a range of sectors, including: electrification (power), telecommunications, social infrastructure including health and education, and water. ESIP supports the PNG Government's strategic objectives in state-owned enterprise (SOE) reform. The investment provides policy, planning, legislative and regulatory advice to SOE holding company Kumul Consolidated Holdings (KCH) and its subsidiaries, including PNG Power Limited (PPL), Water PNG, Kumul Telikom Holdings (KTH) and Air Niguini Limited (ANL).

A mid-term review (MTR) of ESIP was conducted during February and March 2022 by an independent team of experts knowledgeable about the PNG reform context, infrastructure, power and energy, capacity development, and monitoring and evaluation.

The review examined ESIP's achievements, challenges and lessons learned in providing flexible, complex, and multifaceted infrastructure assistance, and expert policy, planning, and reform advice to the PNG Government.

Recommendation	DFAT Management Response	Progress
Recommendation 1 That DFAT/TSSP/ESIP consider the mix of its focus on ANL performance, the NAC regulatory/policy challenges across the industry, safety issues and supporting rural aviation for domestic connectivity.	Agree	Underway, including in the context of the TSSP3 delays.
Recommendation 2 That ESIP identify an approach to balance choices about interventions that support the longer-term end of sector outcomes relating to market-based benefits/impacts as against upstream input type government and legislative policy frameworks.	Agree	ESIP are developing procedures to enable this.
Recommendation 3 The Project Charter concept become standardised across all social infrastructure investments to support sustainability principles, safeguard measures and risk mitigation controls.	Agree	A decision has been taken to utilise the Project Charter method across all social infrastructure investments going forward.
Recommendation 4 That in supporting the Water and Wastewater Masterplan's implementation, that ESIP develop a structured approach to balancing expanding	Agree with qualification	Elements of this recommendation are underway. However, given

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greater accessibility and supporting network expansion.		competing priorities, a limited budget, and significant sectoral needs, ESIP will have to be selective in its support to water infrastructure and Water PNG.
Recommendation 5 That ESIP adopts a greater level of coherency between its present objectives and work in practice, and the broader energy transformation agenda, which is about implementation. This includes tighter formal working boundaries and areas of responsibility with other PEP partners.	Agree in principle	Improving cohesion and coherency across the energy sector has always been, and remains, a goal for ESIP and the Australian Government. PEP Partners meet regularly at the working and management level to ensure coordination of support. ESIP is well advanced on working with PPL on unbundling in line with their transformation agenda.
Recommendation 6 That ESIP develop a sector logic for aviation.	Agree	Completed.
Recommendation 7 That ESIP ensure there is a firm distinction in tasking and monitoring of work between policy, regulatory and implementation objectives.	Agree	ESIP are now developing procedures to improve this.
Recommendation 8 GEDSI is made a standalone high-level objective of ESIP to elevate it as a priority with partners and to better direct effort to achieve ESIPs strategic goals.	Agree	ESIP are developing procedures to enable this recommendation, including realistic objectives and targeted activities.
Recommendation 9 Gender Action Plans (GAPs) be applied to all projects – not just large projects – to increase accessibility, assist to establish baselines and improve data collection and to promote consultation with women and disabled persons organisations.	Agree	ESIP are developing procedures to enable this recommendation.

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Recommendation 10 GEDSI budget expenditure is tracked to establish a baseline, to measure investment over time and as a means to track contribution toward end-of-program objectives.	Agree	ESIP are developing procedures to enable this recommendation.
Recommendation 11 Undertake a GEDSI specific impact assessment at the national level through a gap analysis.	Agree	A GEDSI gap analysis at a national level across all infrastructure sectors is not possible. However, ESIP will undertake an assessment as it relates to infrastructure sectors relevant to the program in localities where we have projects.
Recommendation 12 That DFAT considers how it can operationally provide longer range insights and information to ESIP about DFAT's pipeline of requests and possible approvals relating to ESIP's mandate in order for ESIP better plan.	Agree in principle	DFAT will seek to provide more certainty to ESIP on DFAT's project pipeline, noting that ESIP is designed to respond with agility and flexibility to emerging GoPNG and Australian Government priorities.
Recommendation 13 Establish a more deliberative management process of information flows and knowledge sharing across ESIP.	Agree	ESIP are developing procedures to enable this recommendation.
Recommendation 14 Undertake a budget analysis and strategic mapping exercise.	Agree	Underway.
Recommendation 15 Undertake a capacity building needs assessment.	Agree	ESIP are in the process of recruiting capacity building specialists to undertake such an assessment for within ESIP. The assessment will consider ways that ESIP could incorporate more concerted long-term capacity building across the sectors.

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Recommendation 16 That ESIP's work supporting SOEs continues.	Agree	This will remain a focus of the program.
Recommendation 17 Consideration of integrating Monitoring and Evaulation, GEDSI and adding a performance and quality component into a 'shared services platform' within ESIP.	Agree with qualification	A shared services platform is already used at ESIP. However, we do not agree with integrating MEL and GEDSI as they are, separately, high priorities.
Recommendation 18 Detailed recommendations on Monitoring and Evaluation (MEL): • Ensure MEL adopts a more data-based approach to better describe ESIP's programmatic achievements – we note that there is substantial data collection that tells a story, but note that much of this data has not been used to tell its story • Take a more thematic approach to telling this story in the policy areas, such as ICT, aviation, water and electricity. The work of ESIP in engaging with policy makers and staff of the SOEs does not effectively illuminate the engagement and linkages that have been achieved by the program, that the MTR team became aware of from discussions • Work more on providing a policy-based narrative about the market-based objectives and outcomes, consistent with the theory of change and program logic • Have a tighter MEL requirement and focus on capturing quantitative and qualitative baselines across the thematic areas of engagement and for the different modalities • Bring to the fore views of PNG officials and of its SOEs about the effectiveness of TA inputs that, it seems to us, have been the central story about ESIP's road to getting engagement, which is a central element of its success so far • Ensure that it does not attribute successes, such as the more inclusive constitution of SOE boards, that have involved a long history (in this	Agree	ESIP are developing procedures to enable these recommendations. Improving MEL will be a key focus for the program moving forward.

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case with the support of the ADB), as its own.		
Recommendation 19 Recommendations on decision-making and tasking note questions regarding needs for activity/project choice: • What are the relative human development needs supporting a proposed project, encompassing health, education and poverty needs? • What is the relative fiscal position of Provincial and LLGs in the area of a proposed project to support a project? • What is the historical track record of the jurisdiction in working with donors to support a project, and its effectiveness in delivering projects working with donors? • What are the views of the relevant national agency in terms of development and infrastructure needs, particularly noting views of Provincial and LLGs? • What are the opportunities for some level of cost recovery and co-financing by Provincial and LLGs, to more broadly share the risks of projects.	Agree in principle	These factors are already considered in the decision-making process around activity/project choices; however, ESIP and DFAT will endeavour to better record the process to capture these considerations.
Recommendation 20 A centralised governance mechanism be established to support the strategic management and oversight of ESIP's activities. An independent technical advisory group and/or personnel consisting of a range of 'on-tap and on-time' technical advisors be established.	Agree with qualification	Given the numerous sectors ESIP works in, which include disparate stakeholders across the PNG system, a centralized governance mechanism is not feasible. However, ESIP has established strong governance mechanisms in each sector. ESIP will explore whether an 'on-tap' technical advisory panel would be useful for the whole program, or sectors therein. We note there is already an 'on-tap' Technical Advisory Panel for ESIP's *Pawarim Komuniti* off-grid grants

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		program.
Recommendation 21 Recommendation on benefits of different choices of activities to be brought into the decision-making and tasking note processes: • Is the proposed activity/area of support relating to policy, regulation or implementation? • What are relative benefits by magnitude and timing for the activity/area of support? • What are the alternatives to the support from within the GoPNG system or donors? • What is the timeframe for this support to achieve its outcomes? • What is risk profile and likelihood of success of the activity?	Agree with qualification	We are revising tasking notes to ensure they capture GEDSI, climate change, and risk more effectively. As with the recommendation above (Recommendation 28), ESIP and DFAT will endeavour to better record the decision-making process to capture these considerations. Noting there is not one size fits all approach to ESIP activities, we will incorporate the additional criteria on a case-by-case basis.