

INDEPENDENT STATE OF PAPUA NEW GUINEA

# PAPUA NEW GUINEA DEVELOPMENT COOPERATION POLICY 2018 - 2022



**Building Strategic and Coordinated Partnerships  
for Inclusive and Sustainable Economic Growth**

**17** PARTNERSHIPS  
FOR THE GOALS





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Inclusive and Sustainable Economic Growth**



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# FOREWORD BY THE MINISTER

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## MINISTER FOR NATIONAL PLANNING AND MONITORING

**Hon. Richard Maru, BTECH, MBA, OBE, MP**

I am pleased to present to all our development partners and other key stakeholders the Papua New Guinea's Development Cooperation Policy (DCP) 2018-2022.

The first Development Cooperation Policy was formulated in 2015 and has been in operation for three years (2015-2018). It was critically important and timely that the Department of National Planning and Monitoring (DNPM) has undertaken a comprehensive review of this policy. The DCP review outcome identified the need to revise the policy to accommodate for the changing landscape in our development cooperation with all our development partners.

This revised Policy has been formulated within the overall ambit of the Medium Term Development Plan III 2018-2022, capturing the key thrust of the Alotau Accord II development priorities of the O'Neill/Abel Government. Furthermore, the policy continues to promote the sustainable development principles and agenda of Government.

Revising the first DCP is critical at a time when the number of countries and organizations involved in international development is increasing and the approaches and modalities for channeling development is also changing. Furthermore, development cooperation is becoming difficult to be distinguished from other activities aimed at growth and development. Intense globalization, changing development partner (DP) landscape globally, regionally, locally, and countries looking beyond aid and old-fashioned donor-recipient terminology are other factors influencing varying dimensions of development cooperation.

In retrospect, the development cooperation has traditionally been closely linked to financial aid or more narrowly with official development assistance (ODA). However, development cooperation is broad and goes beyond financial transfers. Development cooperation is focused on technical and technological cooperation, and includes any measures that aim to support national or international development priorities.

Development cooperation seeks to enhance ownership of development by developing countries. It connotes partnership and relationship for achieving common and mutually held ambitions and vision for development. It must be built on cooperative and non-hierarchical relationships between international partners that seek to complement resources and capacities of developing countries.

This relationship should respect the national sovereignty in defining and directing development assistance to PNG. The revised Development Cooperation Policy sets the framework for all our valued Development Partners to provide their assistance and support

based on mutual respect and trust. All development assistance must be directed at key socio-economic impact projects that will positively impact the economy and able to generate benefits on a sustainable basis. These donor interventions must be consistent with the Government's Medium Term Development Plan III 2018-2022 development priorities. All the resources solicited from all our development partners should go towards funding the MTDP III Investment Plan.

On the other hand, the Government faces number of significant challenges including severe capacity constraints, fiscal constraints and other domestic issues. While these issues are apparent, we will continue to address these challenges going forward. The Department of National Planning and Monitoring has the responsibility to carefully monitor all the development assistance and their relevance to Papua New Guinea, and to maximize these assistance for the greater good of all Papua New Guineans.

We will continue on with these efforts to ensure that the Development Partners have an obligation to build local expertise and local institutions as part of their development role in the delivery of their development assistance to PNG.

I call on all our valued Development Partners to align your development assistance to the development priorities of the Government's MTDP III. I look forward to your strong and unreserved support for us to work together through this important policy framework to achieve maximum benefits from all development assistance.

I am very confident that through the Development Cooperation Policy 2018-2022, we will be able to effectively coordinate and direct development assistance to critical investments that will further stimulate and accelerate growth and development of our country at a faster rate than before.

I commend the Development Cooperation Policy 2018-2022 to all our development partners, key stakeholders and to the people of Papua New Guinea.

*Richard Maru*

.....  
**Hon. Richard Maru, BTECH, MBA, OBE, MP**  
**Minister for National Planning and Monitoring**

# REMARKS BY ACTING SECRETARY

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## ACTING SECRETARY DEPARTMENT OF NATIONAL PLANNING AND MONITORING

**Mr. Koney Samuel**

As the central agency of Government responsible for coordinating all international development assistance to Papua New Guinea (PNG), the Department of National Planning and Monitoring has seen an increase in the number of development partners (DP's) and the parallel expansion of the development cooperation financing from these increased cooperation. While Papua New Guinea's relations with existing traditional Development Partners has increased in size and magnitude in terms of programme support, there is a lot more work to be done by Government and the Development Partners to achieve effective development cooperation and aid effectiveness that will impact significantly in the lives of all Papua New Guineans.

The PNG Development Cooperation Policy (DCP) 2018-2022 builds on the experiences of the past Development Cooperation Policy 2015-2018. The main objective of the revised DCP is to ensure all Development Partners review and align their respective development programs to the Government's Medium Term Development Plan III development priorities. The revised DCP was formulated against the backdrop of evolving socio-economic and political culture in our country and furthermore took in to account the changing landscape of development cooperation. While we acknowledge the many challenges facing the Government and the development partners, the need for greater collaboration and coordination towards development effectiveness is vital.

The revised Development Cooperation Policy will provide the framework for stronger focus on investments by development partners in critical infrastructure enablers, governance and social service delivery. The aid and development effectiveness challenges are critical issues that requires effective coordination, management, and delivery of development cooperation by both the Government of Papua New Guinea and the Development Partners.

In order for this Government to fully achieve its development goals and objectives identified in the Medium Term Development III 2018-2022, the Government must ensure that all sub-national plans, sectoral plans, including development assistance programs are fully aligned and linked to the MTDP III indicators and targets.

The Government also recognizes that apart from the traditional development partners, there are wide range of development actors that PNG has not fully explored and embraced. Hence, we need to identify their relevance and forge strategic partnerships



with these potential players to further enhance the level of support from these development partners.

Together with our Development Partners, we are committed to localizing our international commitments such as the Agenda 2030 and the Sustainable Development Goals (SDGs). We would ensure that there is full localization of the SDGs as part of our country's commitment and all development partners are required to ensure that their support to PNG is complementing the efforts that the Government is putting in to meet these international obligations. As part of this policy stance, establishing effective dialogue mechanisms between the Government and the Development Partners are critical to better aid effectiveness and development outcomes.

The formal engagement of our Development Partners through the processes and principles articulated in this policy framework is critical to effectively coordinate development assistance and channeled them to key growth enablers to achieve inclusive and sustainable economic growth for PNG.

I thank all my staff of the Department of National Planning and Monitoring with the support of all the relevant stakeholders for formulating this important policy framework for enhanced cooperation with our development partners.

I look forward to fruitful engagements with all our Development Partners in our collective endeavors to secure a better future for our country.

*Koney Samuel*

.....  
**Mr. Koney Samuel**  
**Acting Secretary**  
**Department of National Planning and Monitoring**

# Acronyms

<b>ADB</b>	Asian Development Bank
<b>AE</b>	Accredited Entities
<b>AGO</b>	Auditor General's Office
<b>CACC</b>	Central Agencies Consultative Committee
<b>CAS</b>	Country Assistance Strategy/ies
<b>CBO</b>	Community Based Organizations
<b>CCDA</b>	Climate Change Development Authority
<b>CIMC</b>	Consultative Implementation and Monitoring Council
<b>CPS</b>	Country Partnership Strategies
<b>CPIA</b>	Country Policy and Institutional Assessment
<b>CSO</b>	Civil Society Organizations
<b>CSTB</b>	Central Supply and Tenders Board
<b>CTA</b>	Citizen Technical Assistant/Advisor
<b>DAD</b>	Development Assistance Database
<b>DAISy</b>	Development Aid Information System
<b>DC</b>	Development Cooperation
<b>DCP</b>	Development Cooperation Policy
<b>DDA</b>	District Development Authority
<b>DoF</b>	Department of Finance
<b>DFA</b>	Department of Foreign Affairs
<b>DFAA</b>	Development Finance and Aid Assessment
<b>DJAG</b>	Department of Justice and Attorney General
<b>DNPM</b>	Department of National Planning and Monitoring
<b>DP</b>	Development Partner
<b>DPA</b>	Development Partnership Agreement
<b>DPM</b>	Department of Personnel Management
<b>DPM&amp;NEC</b>	Department of Prime Minister & National Executive Council
<b>DSIP</b>	District Service Improvement Programme
<b>ENSO</b>	El Niño Southern Oscillation
<b>EU</b>	European Union
<b>FAD</b>	Foreign Aid Division
<b>FBO</b>	Faith Based Organization
<b>FDI</b>	Foreign Direct Investment

<b>GCF</b>	Green Climate Fund
<b>GDP</b>	Gross Domestic Product
<b>GoPNG</b>	Government of Papua New Guinea
<b>GPEDC</b>	Global Partnership for Effective Development Cooperation
<b>IFMS</b>	Integrated Financial Management System
<b>JICA</b>	Japan International Cooperation Agency
<b>KRA</b>	Key Result Areas
<b>LLG</b>	Local Level Government
<b>MTDP</b>	Medium Term Development Plan
<b>MTFS</b>	Medium Term Fiscal Strategy
<b>MTRF</b>	Medium Term Resource Framework
<b>NCTA</b>	Non-Citizen Technical Assistant/Advisor
<b>NDA</b>	National Designated Authority
<b>NEC</b>	National Executive Council
<b>NGDP</b>	National Goals and Directive Principles
<b>NGO</b>	Non-Government Organization
<b>NSA</b>	Non-State Actors
<b>NSDF</b>	National Service Delivery Framework
<b>ODA</b>	Official Development Assistance
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFMA</b>	Public Finance Management Act
<b>PIP</b>	Public Investment Programme
<b>PNG</b>	Papua New Guinea
<b>PNG DCP</b>	Papua New Guinea Development Cooperation Policy
<b>PNGDSP</b>	Papua New Guinea Development Strategic Plan
<b>PNG LNG</b>	Papua New Guinea Liquefied Natural Gas
<b>PPP</b>	Public Private Partnership
<b>PSC</b>	Project Steering Committee
<b>PSIP</b>	Provincial Support Improvement Programme
<b>RAP</b>	Regional Assistance Programme
<b>SDGs</b>	Sustainable Development Goals
<b>SOE</b>	State Owned Enterprise
<b>StaRS</b>	Strategy for Responsible Sustainable Development
<b>TA</b>	Technical Assistant or Assistance; Technical Advisor or Advisorial

<b>Terms</b>	<b>Definitions</b>
Bilateral Development Partners	Countries that provide development assistance directly to recipient developing countries.
Capacity Building	Means by which skills, experience, technical and management capacity are developed within an organizational structure (contractors, consultants or contracting agencies) - often through the provision of technical assistance, short/long-term training, and specialist inputs (e.g., computer systems). The process may involve the development of human, material and financial resources.
Civil Society Organizations	Functional organizations and institutions established mainly out of civil societies which are therefore neither part of the Government system nor the private sector yet claims the support of and therefore expresses the will of the citizens. CSO includes Non-Government Organizations, Community-Based Organizations and Faith-Based Organizations.
Concessional Loans	Loans that are extended on terms substantially more generous than market loans. The concessionality is achieved through interest rates below those available on the market, by grace periods, or a combination of both. Concessional loans typically have long grace periods.
Country Partnership Strategies	Also referred to as Country Assistance Strategies describes a Development Partner's planned operations in a country and which takes into account the country's development priorities and its economic performance.
Development Cooperation	It is an approach that formally establishes a relationship between two or more parties engaged with each other to pursue development-oriented mutual interests.
Development Finance	Financial resources specifically mobilized, allocated and utilized to progress the development agenda of an individual, group, organization, or a country through planned development activities.
Development Partners	Stakeholders who are engaged with each other in mutually beneficial development activities and without whom the intended activity objectives cannot be achieved.
Foreign Aid	Assistance (in cash and kind) being provided by sources based outside of the receiving country. The assistance can be either public or private provided for both development and non-development purposes.

Global Partnership for Effective Development Cooperation	A multi-stakeholder platform to advance the effectiveness of development efforts by all actors, to deliver results that are long-lasting and contribute to the achievement of the Sustainable Development Goals.
Grant Aid	Form of tied and untied aid provided by Bilateral and Multilateral Development Partners mainly for development purposes. It also includes technical assistance and Technical Cooperation. It differs from Commercial and Concessional Loans in that it is not repayable by the recipient.
Multilateral Development Partners	Countries providing financial aid to international organizations which in tend provide the same to the developing countries to assist them with progressing their respective political economic and socio-cultural development process.
State Owned Enterprises	Companies owned by the State or public engaged in commercial activities and operating in the market place on behalf of the Government.
Sustainable Development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
South-South Cooperation	A broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, regional, sub-regional or inter-regional basis. Developing countries share knowledge, skills, expertise and resources to meet their development goals through concerted efforts.
Technical Advisor	Personnel who is an expert in a particular field of knowledge, hired to provide detailed information and advice in that field, and based on a Terms of Reference that outlines the timeframe of engagement, terms and conditions of engagement, and key deliverables.
Technical Cooperation	A practical assistance package in which technical assistance can include technical advisors/experts, training of local officials for capacity development or the supply of equipment.
Tied Aid	Offering aid on the condition that it be used to procure goods and services from the provider of the



# Executive Summary

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Development Cooperation has been an essential part of Papua New Guinea (PNG)'s (PNG) overall development efforts prior to achieving political independence in 1975. Overtime, PNG has evolved from a heavily aid-dependent nation to implement its development plans and budgets to a country now engaging in more strategic and coordinated partnerships. This reflects a changing approach to how PNG is applying development cooperation resources as it moves from aid dependence to strategic economic cooperation. However, further reforms are required to strengthen development cooperation effectiveness which the Government of PNG has expressed in various dialogues and foras.

It was in 2015 that PNG's inaugural Development Cooperation Policy (DCP) was established as a policy framework to effectively and efficiently guide GoPNG in mobilising, coordinating, managing and delivering development cooperation resources as an important element to implementing its development strategies and plans. It also served as a framework for all DPs, for effective development cooperation partnerships with GoPNG.

It is three years since the formulation of the 2015 PNG DCP and a review<sup>1</sup> of the Policy in 2018 became necessary because it has been observed that Government is not gaining optimal results from development assistance. The main shortcomings in the implementation of the current development cooperation include lack of alignment to Government's development priorities and plans; and weak coordination within GoPNG agencies, between GoPNG and DPs, and amongst DPs.

The revision of the 2015 PNG DCP is also in line with the Medium Term Development Plan (MTDP) III 2018-2022 to ensure maximum value is achieved from development cooperation. The MTDP III, with its increased focus on economic growth, positions the revised DCP as the basis for cooperation to support partnerships between Development Partners (DPs) and the GoPNG, and explore and apply effective delivery modalities to improve development outcomes and results.

The review also takes into account the changing development cooperation landscape globally and in PNG, as non-traditional DPs, (including private sector, CSOs, philanthropic foundations and non-ODA partners) continue to increase their levels of assistance towards PNG's development. It also considers the role of International Declarations and Goals such as Agenda 2030, the Sustainable Development Goals (SDGs) and the Financing for Development Addis Ababa Action Agenda which, like the MTDP III, recognise the need for broader and inclusive partnerships.

The formulation of the revised Policy stems from a number of persisting challenges. The coordination and management of development programmes within GoPNG agencies, between GoPNG and DPs, and amongst DPs themselves has been equally challenging. DPs' lacking confidence in the GoPNG systems and processes have created parallel systems of implementation. Large portions of development cooperation resources have been directed

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<sup>1</sup>. It is a requirement under 2015 PNG DCP for the policy to be reviewed every 3 years

towards popular sectors, provinces and districts, adding to unequal distribution of resources. The lack of clear process has also opened opportunities for line ministries and decentralised entities to negotiate assistance directly with DPs. Effective delivery modalities need to be assessed and implemented for maximum effectiveness. Furthermore, the need remains to reduce the amount of resources channelled to Technical Advisors (TA).

The PNG DCP 2018-2022 retains and emphasises 11 essential principles that all DPs, government bodies and actors in development must follow to support the achievement of the key priorities of Government. In this medium term, the GoPNG looks to build on the successes of cooperation and calls for 50 percent of total aid steered towards infrastructure development and economic oriented prospects, greater focus on the sub-national level with potential on the kina-for-kina approach, apply programme based approaches and innovative partnerships.

Coordination is the responsibility of everyone; within Government, between Government and DPs and among DPs themselves. The Government and DPs are also reminded to follow the principles set out in the Paris Declaration on Aid Effectiveness and the Busan Partnership agreement<sup>2</sup>.

The overarching goal of the Revised PNG DCP 2018-2022 is to ensure that development cooperation resources make maximum contribution to the achievement of PNG's MTDP III and supporting national, sectoral and subnational policies and plans. This will be achieved through five key inter-related objectives:

**Objectives:**

1. To assert Government leadership in the coordination and management of development cooperation alignment to PNG's development objectives and targets for better value of support.
2. To mobilise strategic and innovative external partnerships to promote effective and sustainable development cooperation.
3. To strengthen partnerships and coordination between Development Partners, Government and stakeholders in the delivery of development cooperation interventions.
4. To build and strengthen national capacity for the effective delivery and sustainability of development initiatives.
5. To institutionalize and coordinate PNG's regional assistance in the Region.

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<sup>2</sup> The Busan Partnership Agreement was the outcome of the Fourth High-Level Forum on Aid Effectiveness, held in Busan, South Korea, 2011.

# Development Cooperation Principles

The 11 Key Guiding Principles of the Revised PNG DCP 2018-2022 sets the parameters of engagement for PNG and its DPs. The Principles also underpin PNG's deliberate move to localize its commitment to global initiatives on aid and development effectiveness by consolidating achievements, addressing local development challenges and tapping into opportunities.

## 1. Respect and Maintain GoPNG's Integrity

- Development Partners shall respect PNG's constitution and its established protocols in mobilizing, coordinating and delivering development cooperation resources.

## 2. Alignment to GoPNG's Development Priorities

- Based on internationally agreed commitments development cooperation resources shall be mobilized in alignment with PNG's development plans and strategies.

## 3. Coherence with GoPNG's National Service Delivery Framework

- All development cooperation support shall be consistent with GoPNG's National Service Delivery Framework; programme designs and implementation should also involve sub-national authorities.

## 4. Technical Advisor Compliance with GoPNG's Regulations

- Technical Advisors provided through development corporation shall ensure compliance with PNG's regulations on Non-Citizen and Citizen Technical Advisors.

## 5. Comparative Advantage of Development Partners

- Development Partners shall focus their resources in only a limited number of strategic sectors of comparative advantage and demonstrated success to avoid resources being thinly spread and to ensure greater impact.



## 6. Utilising GoPNG Systems and Processes

- Development Partners shall utilize to the greatest extent the GoPNG's systems and procedures in deploying development cooperation resources and work with the Government to strengthen national systems and processes.

## 7. Uphold Mutual Relationship Values

- Development Partners and GoPNG relations shall be based on mutual relationship values such as, respect, responsibility, transparency and shared accountability.

## 8. Ensure Transparency and Accountability

- All development cooperation resources shall be reflected in GoPNG's annual budgets with regular reporting as required by GoPNG and the DPs.

## 9. Prudent and Effective Management of Development Cooperation

- The DNPM, on behalf of GoPNG, shall be actively involved in the overall management of Development Cooperation programmes and projects.

## 10. Economic Empowerment

- All development cooperation resources shall gradually move to support key enabling infrastructures and institutional strengthening for economic growth prospects.

## 11. Openness and Commitment

- The GoPNG shall embrace and deepen 'south-south cooperation' in its reception and assistance approaches in addition to 'north-south cooperation'.

## 1.1 Background

PNG is forging forward as a confident nation with a strong sense of its future direction. The GoPNG's approach is to take greater control of the management of development cooperation resources, mobilise and strengthen partnerships, apply effective delivery modalities and explore innovative partnership approaches. With the MTDP III 2018-2022 as the guide for aligning development cooperation, the GoPNG is confident in improving its coordination responsibility to ensure that Development Partners (DPs) adhere to GoPNG's processes in resource mobilisation.

It is evident that over time, the range of sources and the volume of development cooperation resources (public and private, international and domestic, lending [loan] and non-lending [grants]) has increased markedly. The changing political, economic and socio-cultural environment of PNG and the world at large are contributing to changes in the development cooperation landscape.

It was in 2015 that PNG's inaugural Development Cooperation Policy (DCP) was established as a step forward to effectively and efficiently guide GoPNG in mobilising, coordinating, managing and delivering development cooperation resources as an important element to implementing its development strategies and plans. However, further reforms are necessary to strengthen development cooperation effectiveness.

A review of PNG's first 2015 DCP became necessary after 3 years of implementation because it has been observed that GoPNG is not gaining optimal results from development assistance. The main shortcomings in its implementation include lack of alignment to GoPNG's development priorities and plans and weak coordination within GoPNG agencies, between GoPNG and DPs, and amongst DPs. Hence, optimal results from development cooperation assistance has not been fully achieved.

The PNG DCP 2018-2022 reflects a desire by the Government to focus all available development assistance to link up to PNG's national development goals and objectives. The revised DCP also ensures that development assistance is channelled to tackle key thematic and cross-cutting challenges such as driving prosperity, ensuring environmental sustainability, addressing issues of exclusion and gender discrimination, and reaching geographically isolated areas. In these efforts, GoPNG recognises the importance of maintaining existing partnerships and cultivating new ones, including non-traditional DPs, the private sector, CSOs and philanthropic organisations.

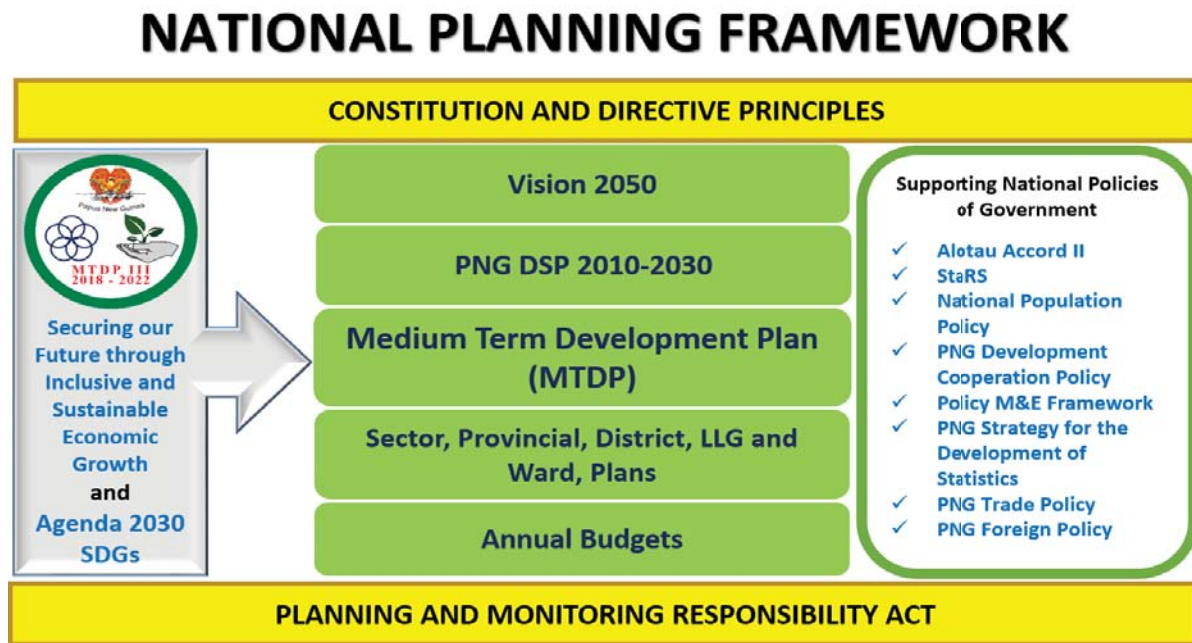
There is need to improve in the way we are working. The PNG DCP 2018-2022 builds on achievements to date, examines the continued issues of coordination between DPs and Government, and takes into account the changes within PNG's development cooperation landscape. The following underpin the framework of the Revised Policy:

### 1.1.1 The National Planning Framework

The National Planning Framework provides a clear development path and direction for the Government and its DPs.

PNG’s sovereign independence and its development aspirations are envisioned in the National Constitution and expressed in the PNG Vision 2050, the Strategy for Responsible Sustainable Development (StaRS), and PNG Development Strategic Plan (DSP) 2010-2030. Vision 2050 envisages PNG to be a smart, fair, healthy and happy society by the year 2050, while PNG DSP plans for PNG to be a ‘middle-income country’ by 2030. The Alotau Accord II, following the 2017 National General Election, sets out the O’Neill-Abel Government’s development agenda, to be attained during the five-year term of the Government. This is detailed as an action plan over the next 5 years in the Medium Term Development III 2018-2022.

**Figure 1:** Papua New Guinea National Planning Framework



### 1.1.2 Medium Term Development Plan III (2018-2022)

In 2018, the O’Neill-Abel Government adopted the MTDP III as the roadmap which takes the cue from the Alotau Accord II and sets out PNG’s national development goals and priorities. Based around the theme of “Securing Our Future through Inclusive and Sustainable Economic Growth”, the Plan focuses on eight Key Result Areas (KRAs) to improve the welfare of people in the country by strengthening and transforming foundations for sustainable economic and social development. The Plan adopts new measures to stimulate economic growth while maintaining fiscal and macroeconomic stability and prudence.

The five key growth strategies that underpin the foundation of the MTDP III are: (1) Increase Exports, (2) Reduce Imports, (3) Increase revenue, (4) Create wealth, and (5) Deliver Quality Services.

### **1.1.3 The National Service Delivery Framework**

The National Service Delivery Framework (NSDF) is an important part of the planning process. It identifies service delivery centres, and categorises responsibilities of minimum standards of services from the National level linking down to the Provincial, District and Ward levels. The NSDF is aligned to and consistent with the Government's efforts in sub-national empowerment with reduced national government involvement in the provision of goods and services. The NSDF outlines the responsibilities across the government and opens opportunities for international and non-state partners to contribute effectively.

### **1.1.4 Planning and Monitoring Responsibility Act**

The PNG Planning and Monitoring Responsibility Act (2016) provides the legislative framework needed to support and expedite the planning, implementation and monitoring cycle with supporting frameworks, including the NSDF, and connects MTDPs to the annual budgets. The legislation sets the basis for service delivery requirements at all levels of Government and sets the minimum level of service delivery and outputs needed from agencies and DPs to roll out its operational strategy.

### **1.1.5 PNG's Global and Regional Commitments**

The revised DCP takes into account the global discourse on the principles of the 2030 Agenda, the Global Partnership for Effective Development Cooperation and the Busan Principles. These common principles are also consistent with international commitments on human rights, decent work, gender equality, environmental sustainability and disability, form the foundation for a shared understanding between government and DPs in our co-operation for effective development. These discussions followed the commitments made in the Paris Declaration and Accra Agenda for Action in 2008 to ensure mutual accountability and involvement from all development actors. These are consistent with the commitments laid out in the Financing for Development Addis Ababa Action Agenda (2015) and the United Nations Conference of Parties climate commitments.

Dialogue and negotiations have pointed to an increasing awareness of the importance of formulating integrated financing frameworks at the country level to strengthen ownership and alignment with national development priorities as well as more effective linking of financing with results.

PNG's adoption of the global SDGs is relevant to policy formulation at the country level. SDGs reflect the universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity and hence, countries are encouraged to consider the financing and coordination implications achieving these goals<sup>3</sup>. The goals are interconnected and often the success of one goal can tackle issues more commonly associated with another goal. SDG 17 – 'Partnerships for the Goals' - is critical to achieving the SDGs while also being an effective measure to monitor development cooperation in the MTDP III.

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<sup>3</sup> SDGs were built on the successes of the Millennium Development Goals (MDGs) with the inclusion of climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities.

Coherence from all stakeholders interested in contributing to PNG's development process is essential. GoPNG continues to seek partnerships with key stakeholders to strengthen coherence and implementation. Hence, GoPNG, through DNPM, will continue to lead and forge partnerships with international and national partners including:

- Bilateral and Multilateral Development DPs (including OECD-DAC, Non OECD-DAC<sup>4</sup> and South-South cooperation partners);
- Civil Society Organizations (which include Community-Based Organizations, Faith Based Organizations and Non-Government Organizations);
- Private Sector; and
- Philanthropic Organizations.

The revised PNG DCP 2018-2022 takes into account all players as important DPs in PNG's development process regardless of size or volume of assistance.

## 1.2 Challenges and Opportunities

The revised PNG DCP is set on the need to consolidate achievements to-date, address key challenges being encountered, and tap into potential opportunities being presented to GoPNG in its efforts to mobilize, coordinate, manage, monitor and deliver development cooperation resources in the country.

As a signatory to the global commitments on development cooperation effectiveness, PNG has resolved to promote country ownership of its development agendas, start to harmonise DP actions and make them more transparent and effective. These Declarations ensure DPs alignment to national development strategies, build capacity, focus on desired results, and promote mutual partner and DPs' accountability.

However, there are key issues with challenges and opportunities for further improvement in the management of development cooperation.

### **(i) Alignment of Development Cooperation with Government Development Priorities and Plans.**

- PNG's value in the World Bank's Country Policy and Institutional Assessment (CPIA)<sup>5</sup> has remained stable at 3.0. Development cooperation has generally been aligned to national and sector-level objectives with results embedded in national M&E systems with DPs agreeing with government on their forward estimates/expenditures. This showcases the close partnerships between the Government and DPs which largely benefits from a sound development planning framework and highlights the strong potential for further development cooperation and effectiveness going forward.
- However, there is a growing concern with the practice of DPs designing and deciding on modalities of aid delivery outside PNG without consultations with GoPNG and recipients.

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<sup>4</sup> Organisation for Economic Cooperation and Development – Development Assistance Committee

<sup>5</sup> The World Bank's CPIA assesses the conduciveness of a country's policy and institutional framework to poverty reduction, sustainable growth, and the effective use of development assistance. CPIA ratings are 1=low to 6=high).

Instead of GoPNG determining development priorities and directing DPs to align their programmes, DPs are instead approaching the Government at final stages for approval.

## **(ii) Coordination within Government and with Development Partners**

- There are concerns on significant proportions of development assistance directed towards popular sectors, provinces and districts, thereby creating and adding to unequal distribution of resources across the country. Such preferences are pursued at the expense of other sectors, provinces and districts identified as poverty corridors requiring much needed development assistance<sup>6</sup>.
- Negligence by both GoPNG agencies and DPs in observing existing processes has in some cases led line ministries and decentralised entities to negotiate assistance directly with DPs. This undermines the central role of DNPM in the management and coordination of assistance which may then lead to projects being funded outside of GoPNG priorities.
- GoPNG's key challenges remain to be on issues such as credible databases, cross-department coordination, and effective management of resources
- Timely drawdowns and disbursements of development cooperation resources are not always achieved. This is often caused by issues of technical absorption capacity and with delays in providing GoPNG counterpart funding. This results in underutilisation of funds, and additional commitment charges. Hence, higher costs are incurred and price escalations due to inflation and contract variations. It may even culminate in the withdrawal of unspent DP funding.
- Important actors such as South-South cooperation partners, CSOs, philanthropic foundations (international and national) and private sector organisations are increasingly contributing financial resources and technical know-how towards development which are not always under the auspices of GoPNG. GoPNG will take appropriate measures to formalise these contributions in its planning, coordination, programming and evaluation processes.

## **(iii) Sector Coordination Mechanisms**

- Within Government, status of coordination of development cooperation within the respective sectors is varied among each sector. Some sectors are coordinated well, while others need to establish coordinated mechanisms. Whilst existing good practice coordination models currently demonstrate government leadership, their Secretariats are DP-funded to facilitate effective cooperation at a working level for results.

## **(iv) Development Partners' Use of Parallel Systems**

- A key factor influencing slow progress in the alignment and use of Government systems is the lack of confidence by DP' in national systems.

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<sup>6</sup> The 2013 National Progress Comprehensive Report for PNG on MDG clearly identify provinces such as West Sepik, Enga, Southern Highlands, Gulf and Simbu as MDG "hot spots". Whilst development cooperation resources has had a degree of progress in some of these targeted hot spots to date, there is still need to upscale the level of service delivery in the other targeted areas.

- There are critical challenges with DPs' approach to PNG in regard to areas of coherence and alignment, country ownership, unclear development assistance packages, multi-layered levels of coordination, DPs' use and strengthening of government systems, and DPs' use of national M&E systems.
- In 2017, GoPNG financed approximately 85% of the national budget (recurrent and capital investment). This is due to PNG's Gross Domestic Product (GDP) increasing markedly over the last decade. On the other hand, DPs contributed up to 63.6% (K2,016 billion) of GoPNG's total Capital Investment Budget (K3,167.4 billion) which is a significant level of assistance. However, only 43% of development cooperation was reported in 2015 as relying on national procedures for budget execution, financial reporting and auditing. For procurement, the proportion was even lower, standing at 11%<sup>7</sup>. This has given rise to the establishment of parallel systems in the delivery of development cooperation activities which are generally not sustainable due to lack of commitment from GoPNG institutions.

#### **(v) Utilisation of Technical Advisor**

- The GoPNG is not gaining maximum value from development cooperation programmes. Aid received by PNG is likened to '*boomerang aid*' with large components of DP-financed programs employing many foreign Technical Advisors (TAs). In addition, there is limited skills and knowledge transfer between international TAs and local counterparts.

#### **(vi) Formalisation of PNG's Support to the Pacific Region**

- The GoPNG is already providing development aid to countries in the South Pacific region by supporting the Framework for Pacific Regionalism<sup>8</sup> to strengthen and ensure meaningful connections through institutions and people-to-people connectivity. A proper administrative mechanism with a strategic policy framework to guide the administration and management of this regional support will provide more opportunities for PNG to learn from aid delivery modalities both as a DP and as a recipient.
- Internationally, there are also relevant lessons for PNG on mutual accountability frameworks, technical cooperation guidelines/strategies, linking financing with planning, and cross-ministry coordination for SDGs. PNG is not only a recipient of aid but also a DP in the Pacific region, and assisted smaller island states in the past during natural disasters. This assistance needs to be better coordinated through appropriate policy guidelines.

<sup>7</sup> Results of 2016 Global Partnership for Effective Development Cooperation monitoring of the principles: use of country results framework data 2016: [www.effectivecooperation.org](http://www.effectivecooperation.org)

<sup>8</sup> Pacific Islands Forum Secretariat, 2014

The PNG DCP 2018-2022 is a policy framework to effectively and efficiently guide the Government of PNG (GoPNG) in mobilizing, coordinating, managing and delivering development cooperation resources in order to effectively contribute towards the Government's policies and plans. It also serves as a guide for development partners (DPs) of all kinds for effective development cooperation partnerships with GoPNG. The GoPNG outlines the Policy direction in this Chapter.

## 2.1 Policy Goal and Objectives

### Goal:

*To ensure that development cooperation resources make maximum contribution to the achievement of PNG's MTDP III and supporting national, sectoral and subnational policies and plans.*

### Objectives:

1. To assert Government leadership in the coordination and management of development cooperation alignment to PNG's development objectives and targets for better value of support.
2. To mobilise strategic and innovative external partnerships to promote effective and sustainable development cooperation.
3. To strengthen partnerships and coordination between Development Partners, Government and stakeholders in the delivery of development cooperation interventions.
4. To build and strengthen national capacity for the effective delivery and sustainability of development initiatives.
5. To institutionalize and coordinate PNG's regional assistance in the Region.

## 2.2 Key Strategies

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**Objective 1:** To assert Government leadership in the coordination and management of development cooperation alignment to PNG's development objectives and targets for better value of support.

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### STRATEGY 1a

***GoPNG takes leadership and ownership over all development cooperation interventions***

### Actions Include:

1. GoPNG and its DPs shall ensure Partnership Strategies are formulated.
2. All development cooperation activities shall be directed to foster responsible, sustainable development principles.



3. GoPNG shall ensure development cooperation is built on the Partners' comparative advantages and demonstrated success.
4. GoPNG will guide DPs to embrace catalytic roles to ensure and add value to the critical infrastructure investments needed in key sectors.
5. GoPNG and DPs shall ensure all loans and grant aid are subject to the Government's due diligence process of assessment, consultation, vetting and endorsement.
6. DPs shall adhere to and utilise to the greatest extent possible the government systems, processes and procedures
7. Private Sector interventions shall be to boost sustainable economic growth.
8. GoPNG shall encourage trade and investment for PNG- based exporters and direct investors through Aid-for-Trade related initiatives.
9. The key elements of the DCP should be legislated in the Planning and Monitoring Responsibility Act.
10. GoPNG will define its operational procedures and processes through a Development Cooperation Operations Manual.

**STRATEGY  
1b**

***GoPNG undertakes regular reviews of development cooperation agreements and arrangements between PNG and its Development Partners.***

**Actions Include:**

1. GoPNG and its DPs shall conduct regular reviews of Country Partnership Strategies in operation and ongoing programmes and projects.
2. The DNPM will provide Development Cooperation Reports annually to the PNG CACC and NEC on programme performance and governance, with the cooperation of DPs.
3. The GoPNG is open to the Monitoring rounds expedited through the Global Partnership for Effective Development Cooperation (GPEDC) hence, it is critical for DP's to align with this process in light of the global and regional commitments made by DPs and partner countries like PNG to report on development cooperation effectiveness.

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**Objective 2: To mobilise strategic and innovative external partnerships to promote effective and sustainable development cooperation.**

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**STRATEGY  
2a**

***Increase mobilisation of development cooperation resources to support the implementation of GoPNG's overarching and supporting development strategies and plans.***

**Actions Include:**

1. GoPNG shall explore new and innovative financing options to support its priority investments.

2. GoPNG shall engage on a regular basis with international and national Non-State Actors, CSOs and the private sector to support its development agenda.
3. GoPNG calls for at least 50% of all Development Cooperation support geared towards infrastructure development.
4. GoPNG will work closely with DPs to steer greater support to the sub-national level and encourage incentives such as kina-for-kina arrangements.
5. Innovative delivery modalities of development cooperation resources are applied by DPs and GoPNG for greater impact of investment.

**STRATEGY**  
2b

***GoPNG and DPs ensure that appropriate structures, data, arrangements and funds are in place to continue the flow of benefits from development cooperation initiatives.***

**Actions Include:**

1. GoPNG and its DPs shall ensure that Development cooperation programmes and projects include actions and budgets aimed at long term sustainability.
2. CSOs and private sector partners are encouraged to develop and implement exit strategies that ensure the continued ownership, utilisation, and maintenance of development cooperation achievements by stakeholders and beneficiaries.
3. Materials, data or equipment(s) provided through development cooperation initiatives shall remain the property of beneficiaries and stakeholders in PNG after program/project completion.

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**Objective 3: To strengthen partnerships and coordination between Development Partners, Government and stakeholders in the delivery of development cooperation interventions.**

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**STRATEGY**  
3a

***Improve coordination within Government and between the Government and its DPs and stakeholders.***

**Actions Include:**

1. Development cooperation programmes and projects shall be initiated, led and governed by the Head of the relevant implementing agency, and jointly agreed by counterpart institutions. This process does not preclude discussions with development cooperation sector programs or the broader programme to PNG.
2. DNPM and Implementing agencies of development cooperation programmes and projects are to actively participate in the design, procurement, management, implementation, M&E and completion stages.
3. All development cooperation programmes and projects shall have a functional Project Steering Committee or its equivalent established with the implementing agency as the Chair of this mechanism.

4. All development cooperation programmes and projects implemented at the sub-national level shall be directed through relevant Provincial Administrations and District Development Authorities (DDA) for improved coordination and communication between sub-national level governments, relevant implementing agencies and the DNPM.
5. Implementing agencies and relevant sub-national authorities that are recipients of development cooperation programmes and projects shall ensure availability of adequate capacity and resources for successful implementation.
6. The GoPNG encourages co-financing by multiple DPs in a development cooperation programme or project, subject to GoPNG endorsement.
7. DPs will submit Mission Clearance Requests with completed mission protocol templates to DNPM prior to launch of missions for reviews, evaluations, designs, preparatory work for potential support and other related matters.
8. GoPNG shall regularly lead; high, policy, sector and technical level dialogues with DPs, CSOs, philanthropic organisations and the private sector through established dialogue mechanisms.
9. DPs shall respect the established protocols and due diligence processes of the GoPNG and abide by its governing rules and regulations as highlighted in Chapter 4 on 'Steps in the Mobilisation of Resources' and Annexure B.

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**Objective 4: To build and strengthen national capacity for the delivery of development initiatives.**

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**STRATEGY**  
4a

***The Government of PNG will establish an appropriate governance mechanism to address issues on Technical Advisory Support.***

**Actions Include:**

1. Ensure that all DPs adhere with the regulations on Non-Citizen Technical Advisors and Citizen Technical Advisors.
2. Facilitate collaboration between DPs and the recipient public service agencies to ensure that TA support will provide lasting improvements in service delivery. A forthcoming capacity development strategy will clarify government's objectives for technical cooperation including indicators, monitoring and planning for skills transfer.
3. DPs to provide updated information to GoPNG to register all Technical Advisory details provided through development cooperation programmes and project.
4. Provide independent annual performance and governance compliance audits on all development cooperation programmes that provide technical advisory support.
5. Monitor and review established Country Partnership Strategies between PNG and its DPs supporting PNG's public sector.

6. GoPNG encourages the use of national Technical Advisors in delivering development cooperation activities.
7. Technical Advisory Support will progressively be deployed to the provincial and district administrations based on DNPM endorsement.

**STRATEGY**  
4b

***Effective support to PNG's public service provided through development cooperation programmes and projects.***

**Actions Include:**

1. Through development cooperation initiatives, DPs and the GoPNG will support recipient agencies with innovative capacity interventions.
2. Development cooperation initiatives will include a capacity building component that supports the implementing agency.
3. The participation of PNG citizens in development cooperation programmes and projects as Programme Team Leaders (or equivalent) is actively encouraged.

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**Objective 5: To institutionalise and coordinate PNG's regional assistance to the Region.**

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**STRATEGY**  
5a

***Formalise the establishment and mandate of PNG's Regional Assistance Programme.***

**Actions Include:**

1. GoPNG shall undertake extensive internal and external consultations, as a process to formalise its Regional Assistance Programme.
2. GoPNG shall develop an Operational Manual for its Regional Assistance Programme, which will lay out the purpose, administrative process and procedures, sector focus and countries identified for outgoing development assistance.
3. GoPNG will develop an appropriate M&E Framework for its Regional Assistance Programme to ensure monitoring and accountability of the support provided.

**STRATEGY**  
5b

***Establish institutional procedural arrangements for the execution of PNG's Regional Assistance Programme.***

**Actions Include:**

1. Establish a unit or section in an appropriate Government agency mandated to lead, coordinate, manage and implement PNG's regional assistance programme.
2. Clear responsibilities of this unit/branch shall be outlined as part of this process to ensure the coordination and management of PNG's regional assistance.

**STRATEGY**  
**5c**

***Formalise Development Partnership Agreements with recipient Governments of PNG's regional assistance.***

**Actions Include:**

1. GoPNG shall establish with respective recipient countries formal Development Partnership Agreements that outlines PNG's specific areas of assistance together with the associated administrative procedural requirements.



## 3.1 Aid Modalities

### 3.1.1 Grants

The GoPNG will mobilise grants in line with the modalities such as technical cooperation, technical assistance, stand-alone projects, programme-based approach, climate financing, and other modalities deemed acceptable by the GoPNG.

The use of grants will be steered towards capacity development across priority MTDP III sectors and social sector development that include health, education, water and sanitation, gender, human development, climate change, and agriculture sectors.

The use of grants for sectors such as transport infrastructure and other high impact infrastructure will be accepted if deemed necessary and relevant by GoPNG, consistent with its development priorities.

### 3.1.2 Concessional Loans and Other Loans

Concessional loan financing from Development Partners (DPs) is highly preferred by the GoPNG. Concessional loans will be allocated towards physical infrastructure in economic growth priorities highlighted in the MTDP III. These include, transport infrastructure (roads, bridges, airports, airstrips, ports and wharves), hydropower, energy, telecommunications, and information and communication. Sectors such as tourism and agriculture are also acceptable as they generate employment and are an important revenue base.

The cost ratio applied to concessional loans provided by multilateral banks shall ideally be 90-100 percent cost share by the loan provider. GoPNG obligations shall be up to only 10 percent, where required, and obligated towards project components not limited to addressing land matters, tax matters, project management, and capacity building.

Concessional loans expedited in the form of budget support is accepted by Government. Providers of budget support will work with Government to ensure that agreed policy actions for the implementation of budget support are monitored regularly.

Concessional loans of less than USD 10.0 Million will not be mobilised given the high transaction costs to the Government. However, the Government can accept the loan if it is accompanied by significant grant elements or technology that will be sustained in PNG or for national emergency purposes.

Apart from concessional loans provided through the ADB, Government of Japan, WB and other multilateral banks, the GoPNG is open to other Banks of developing countries such as the Export Import Banks (EXIM). These loans should be directed to support large scale infrastructure projects in key strategic areas such as:

- Major Highways and Missing Links
- Major Ports and Wharves
- Water and Sanitation infrastructure
- Energy
- Airports
- Any other area deemed appropriate by the GoPNG

All loan projects shall have a capacity building component tied to it to ensure that local capacities are built to manage and sustain the infrastructure or investment that is delivered. The capacity component should be administered either as part of the loan or through a grant element co-financed and negotiated by the provider of the loan. Any such arrangements will be negotiated in design processes with the GoPNG and its due diligence processes.

### **3.1.3 Budget Support**

The Government is keen to expedite increased budget support in cooperation with its DPs. These resources will be mobilized as general budget support or sector budget support in accordance with PNG's priorities and fiscal requirements.

### **3.1.4 Technical Cooperation**

The GoPNG looks to mobilise practical assistance packages in which technical assistance can include technical advisors/experts, training of local officials for capacity development or the supply of equipment. Where equipment is supplied, it is important that adequate training of capacity to use the equipment and for sustainability purposes are tied to the package.

### **3.1.5 Programme Based Approach**

The programme-based approach (PBA) is defined to be a way of engaging in development cooperation based on the principle of coordinated support for a locally owned programme of development. This approach can apply to relevant thematic areas, a sector or a broader development agenda. The PBA tries to avoid scattered 'islands' of support, reduce transaction costs of different players in the programme, and strengthens the ownership of the recipient governments. PNG is keen to apply this approach.

The MTDP III goals and associated targets clearly showcases high expectation and ambition of the Government hence, taking a holistic approach and adapting to the realities of PNG, is a starting point for bringing the common objectives together, ensuring inclusivity, transparency and accountability.

### **3.1.6 Untied Aid**

The Government recognises that tied aid from DPs can increase the cost of a project by as much as 15 – 30 percent which presents the risks of value for money and effectiveness of the support provided. The GoPNG therefore desires the approach to untied aid to sustain adequate flows in terms of quality, volume and direction.

## 3.2 Alignment

Alignment is one of the five core principles of the Paris Declaration and Accra Agenda for Action. DPs are expected to base their support on the PNG Government Development Strategies, Priorities, and Procedures. The following are the key principles of alignment which the Government aims at emphasizing to improve effectiveness of development cooperation.

### 3.2.1 Alignment with the Medium Term Development Plan III 2018-2022

In 2018, the O'Neill-Abel Government adopted the MTDP III as the roadmap which sets out PNG's national development goals and priorities with the theme of "Securing Our Future through Inclusive and Sustainable Economic Growth". The Plan focuses on eight Key Result Areas (KRAs) to improve the welfare of people in the country by strengthening and transforming foundations for sustainable economic and social development.

Development Cooperation support shall be aligned to the priorities and strategies elaborated in the MTDP III.

The five key growth strategies that underpin the foundation of the MTDP III are: (1) Increase Exports, (2) Reduce Imports, (3) Increase revenue, (4) Create wealth, and (5) Deliver Quality Services. With these foundations, the MTDP III articulates eight (8) GDOs and sectoral goals that define the relevant pathways for PNG to take. These include:

- KRA 1. Increased Revenue and Wealth Creation
- KRA 2. Quality Infrastructure and Utilities
- KRA 3. Sustainable Social Development
- KRA 4. Improved Law, Justice and National Security
- KRA 5. Improved Service Delivery
- KRA 6. Improved Governance
- KRA 7. Responsible Sustainable Development
- KRA 8. Sustainable Population

### 3.2.2 Government System

DPs shall utilise to the greatest extent possible, the Government of PNG's processes, procedures and systems in delivering development cooperation resources and work with Government to strengthen national systems to receive official development finance in the government budget.

### 3.2.3 At least 50% of Total Aid to Infrastructure Development

With the focus on further development of economic and social infrastructure under the MTDP III, the Government will bring at least 50% of total aid to infrastructure development.

### 3.2.4 Kina-for-Kina Approach at the Sub-National Level

With the decentralized approach to development planning and management down to Provincial and District levels with alignment of their priorities to MTDP III, some resources



made available from DPs shall be directed to projects/programmes identified under their development plans to meet 50% of its budget while the other 50% be met under Provincial and District Development Budget. This will encourage more resources are directed to Sub-National Levels with their ownership and commitment.

### **3.3 Mobilisation of Technical Advisors**

GoPNG has aligned the process for engaging Technical Advisors (TAs) provided under development cooperation programmes. These regulations include:

- (i) The Public Services (Management) (Engagement of Citizen Technical Advisors) Regulation (No. 10 of 2015).
- (ii) The Public Employment (Engagement of Non-Citizen Technical Advisors) Regulation (No. 11 of 2015).

The principle role of a TA is to fill skill gaps and to provide mentoring and on-the-job training in professional and technical fields in line positions or by agency head delegations.

GoPNG continues to work diligently on this matter and with key stakeholders to better define the parameters in which TAs are engaged and effected through development cooperation Programmes. A forthcoming capacity development strategy that will be annexed to this policy will clarify government's objectives for technical cooperation including indicators, monitoring and processes for skills transfer. This strategy will assist government and DPs to achieve the target levels of technical assistance.

#### **3.3.1 Management of Technical Advisors**

Consistent with GoPNG's regulations on the engagement of TAs, DPs providing TA support through programmes and projects will take heed that:

- (i) The Regulations provide detailed instructions for the conditions of Technical Advisory engagement contained in a standard Work Performance & Conduct Agreement and the Job Description.
- (ii) The Terms of Reference of the TA details the role, responsibilities and the output commitments made by the TA to the recipient Agency Head.
- (iii) The TA's tenure is subject to ongoing assessment and compliance with the Work Performance & Conduct Agreement and to end of contract performance assessment.
- (iii) Breach of performance commitment agreements renders the TA subject to premature termination and/or ban on future engagements.

#### **3.3.2 Responsibilities of Recipient Agencies of Technical Advisory Support**

Consistent with GoPNG's regulations on the engagement of TAs, recipient agencies of TA support will ensure that:

- (i) The Terms of Reference for TAs accurately reflect the planned development

outputs and performance commitments provided by the Work Performance & Conduct Agreement.

- (ii) The TA reports either to the recipient agency head or a manager, and works with the team in which the TA will be located.
- (iii) Officers within the recipient agency are nominated to understudy and to work alongside the TA to ensure skills transfer.
- (iv) The performance of the TA is monitored against the performance commitments on a regular six-monthly basis.
- (v) In the event that the TA is to be charged with misconduct in office, the agency head will consult the Secretary of DPM to ensure compliance with the Work Performance & Conduct Agreement and the regulations.

### **3.4 Aid for Trade**

With the main theme of MTDP III on sustainable and inclusive economic growth with aim of increasing exports, the Government will mobilise more resources made available from DPs toward the Government and Private sector activities to promote exports of products made in Papua New Guinea as well as encouraging more foreign investment to Papua New Guinea.

### **3.5 Climate Financing**

Climate Change is one of the serious threats to the welfare and livelihood of people in Papua New Guinea and the country is ranked at 10 as most vulnerable countries in the world. Massive financing is required to adopt ourselves to increasing sea-levels and Climate Change related natural disaster such as floods and drought, and undertake mitigating measures to lower greenhouse gas emissions.

While opportunities for global climate change related financing is increasing under the Paris Agreement, the Government needs to establish effective coordination mechanism to capture and allocate resources effectively.

### **3.6 International and Regional Technical Assistance**

The Government will mobilise technical assistance that is provided by DPs that are administered at the international and regional levels, if acceptable by the Implementing Agency and with prior approval by the Department of National Planning and Monitoring. All DPs providing Technical Assistance support should report to the DNPM on a regular basis of the implementation status and performance of the support. The Government will not use loan funds to support technical assistance.

### **3.7 Mobilisation of Volunteers**

Some bilateral DPs, NGOs and CSOs have schemes to assign their nationals or staff to Government departments/Agencies as well as local NGOs especially at local government and community levels as volunteers to strengthen capacity of local staff/organisations and communities. The Government also has the National Volunteer Service Programme.

Effective mobilization of human resources with knowledge and skills to be assigned to identify areas/institutions/organisations can bring tangible outputs to improve delivery of services at community level.

### **3.8 Humanitarian Aid (Emergency and Disaster)**

Humanitarian aid is well supported by the Government given that PNG is prone to natural disasters that will also require recovery and reconstruction of persons and areas affected, respectively. Humanitarian aid will respond to impacts of natural disasters, food insecurity, malnutrition, diseases and epidemics, relocation of persons affected and management of disaster aftermaths.

Providers of humanitarian aid will work closely and in a transparent manner with relevant GoPNG agencies in the preparation, planning, implementation and reporting of the support provided.

### **3.9 South - South and Triangular Cooperation**

South–South Cooperation is “a broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. South-South Cooperation involves two or more developing countries and takes place on a sectoral, bilateral, regional, sub regional or interregional basis. South-South Cooperation involves different and evolving methods, including the sharing of knowledge and experience, training, technology transfer, financial and monetary cooperation and in-kind contributions.

Trilateral cooperation is “Southern-driven partnerships between two or more developing countries, supported by a developed country (ies) or multilateral organization(s) to implement development **cooperation** programmes and projects. It brings together concerted efforts of many actors to achieve the country’s development goals. Government is looking to promote new and innovative solutions for PNG’s development priorities, embrace international best practices and experiences from other countries with similar goals and ambitions.

The GoPNG through key central agencies will establish and manage south –South/Triangular cooperation mechanisms with active engagement from the public and private sectors, academic institutions, NGOs, amongst other. GoPNG will utilise and strengthen south-south/triangular cooperation in trade, investment, knowledge exchange, technology transfer, as well as direct financial and humanitarian assistance to improve and scale-up to achieve the Government’s development agenda.

The GoPNG, through its relevant Ministries and Departments and together with the DPs, have specific roles and responsibilities in mobilising, coordinating, managing and delivering development cooperation resources. A clear definition of these roles will improve engagement and ensure coordination of Development Cooperation Resources (DCR).

Whilst the GoPNG has taken forward a number of coordination and implementation arrangements with its DPs, it is looking to strengthen these processes with clearer and defined steps that DPs and all stakeholders need to effectively utilise.

## 4.1 Steps in the Mobilization and Management of Development Cooperation Resources

It is strongly urged that during the entire process of DP engagement - from proposal setting, negotiation, reaching agreement, implementation and evaluation - that every effort is made to share information and consult with relevant counterparts, including the DNPM.

DNPM has a lead role in coordinating external assistance and ensuring its efficient allocation to activities in line with the national priorities and planning processes. The definitions of roles and processes below constitute the procedures to be adopted in the soliciting, negotiation and management of all external assistance.

### Step 1: Scoping and Initial Conception

Where a line ministry or sector agency, provincial government, or district has identified a need for external assistance consistent with their strategic plan, they will engage in initial discussions with DNPM to facilitate discussions between line ministries/sector agencies/provincial governments/districts and potential DPs.

### Step 2: Proposals

The line ministry or sector agency, provincial government or district seeking to mobilise external assistance submits its project proposal to DNPM for screening and appraisal. DNPM, as coordinator of external assistance, examines the proposal to ensure it aligns with national priorities, plans and policies. DNPM responds with an outcome of the proposal after the screening and appraisal process.

### Step 3: Negotiation

If the proposal is successful, technical meetings initiated by DNPM for grant funding will invite relevant parties to negotiate the proposal. Where a package of assistance comprises, or is likely to comprise, a loan element (any sum which the government will be required to repay in the future), the Ministry and Department of Treasury should be consulted, and agreement sought.

#### **Step 4: Agreement**

Where the outcome of negotiations is satisfactory with GoPNG's requirements, a formal agreement is signed between GoPNG and the DP. On behalf of GoPNG, DNPM signs off on grant funding agreements while Treasury signs off on all loan agreements.

#### **Step 5: Implementation**

The line ministry or sector agency, provincial government or district designated as the primary recipient of an assistance package is responsible for the implementation of investments agreed. It will engage in regular dialogue with DNPM on aspects of implementation and monitoring through Project Steering Committees or sector coordination mechanisms.

#### **Step 6: Monitoring and Evaluation**

The line ministry or sector agency, provincial government or district shall work with DNPM to ensure effective program/project monitoring and evaluation and are responsible for the collection, aggregation and dissemination of data for performance results on development outcomes. Such information shall be provided to DNPM for use in the Annual Review process.

## **4.2 Institutional Responsibilities of the Government of PNG**

The list of Government agencies and their roles and responsibilities for development cooperation resources are in Annex C.

## **4.3 Dialogue Mechanism**

The GoPNG's formal engagement with its DPs is essential for coordination and performance management of development cooperation partnerships. A dialogue mechanism is established to ensure effective engagement, project monitoring and performance, and build mutual trust and accountability through the partnerships.


It is important that the PNG DCP 2018-2022 coordination bodies correlate with existing mechanisms and bodies such as the CIMC that brings CSOs, the private sector and DPs to develop policy and inform planning, as well as existing coordination mechanisms across government. DNPM plays an essential role in convening government-wide discussions and participating in the different levels of coordination groups.

### **4.3.1 Basis of Cooperation**

All dialogues and consultations between GoPNG and DPs will be based on jointly agreed DP Country Partnership Strategies (CPSs). The CPSs shall clearly provide the focus areas for engagement.

### **4.3.2 Technical Level Dialogue Coordination**

The GoPNG (led by DNPM) and DPs shall meet at technical level to discuss and mutually agree on appropriate measures to be taken to address operational matters of development cooperation programmes and projects.



Project Steering Committee meetings are an important mechanism that brings together key stakeholders to provide quarterly updates on project implementation. It provides the avenue for both DPs and relevant agencies of GoPNG to discuss challenges with project implementation and identify solutions to address them. Meetings are also an avenue to which preparations for the High Level Forum in the last quarter of the year are strategized and agreed to.

#### **4.3.3 Sector Level Dialogue Coordination**

The GoPNG and DPs involved in the development of a key priority sector will consult with each other on all matters relating to a sector intervention programme implementation process. DNPM, together with the lead sector agency will take carriage of these meetings to better coordinate and manage sectoral interventions. As organisers, the GoPNG will involve private sector actors and non-traditional DPs to the extent to which they are related to the sector. These meetings will be held twice a year with key issues and challenges identified for attention at the High Level Forum.

There are good practice models for coordination already underway. Sector and technical working groups for Transport (multi-development partner coordination) and Law/Justice (multi-government agency coordination) demonstrate government leadership and have Secretariats to facilitate effective cooperation at a working level for results. These good practices will be shared with and replicated by other sector level coordination bodies.

#### **4.3.4 Development Partner Level Dialogue Coordination**

GoPNG (led by DNPM and comprising the implementing sector agencies) will undertake bilateral engagements with its respective DPs. This meeting brings specific focus to the DP's Country Partnership Strategy in terms of achievements and challenges. Matters raised in these bilateral meetings will be considered for inclusion at the High-Level Forum.

This policy-level dialogue is the opportunity for GoPNG to collect the required information to finalise the end of year report. This includes DPs reporting on their contributions to the MTDP III, DP contributions to the PNG DCP results framework and for DPs to raise key challenges, opportunities and successes.

#### **4.3.5 National Level Dialogue Coordination**

This is the highest level of engagement between the GoPNG and its DPs, including the private sector, CSOs and philanthropic agencies, carried out annually. It is a Forum that reinforces the Government's commitment to work together with its DPs and bring to the forefront issues of importance from both sides to be discussed and agreed with clear remedial actions going forward. This is also an opportunity for DPs to share in aggregate their contributions to progressing the MTDP III, the PNG DCP results framework as well as the SDGs to support the Country Voluntary National Reporting.

**Figure 2: Dialogue Mechanism between GoPNG and Development Partners**

Level	DIALOGUE MECHANISM				Freq.	
National Level Coordination	<b>High Level Forum</b>				Annually	
	<p style="text-align: center;"><b>Government of PNG and Development Partners</b></p> <ul style="list-style-type: none"> <li>• Meets annually bringing together GoPNG, DPs, Private Sector, Philanthropic Agencies, CSOs</li> <li>• National Development priorities, progress, challenges and financing</li> <li>• Development Cooperation financing, achievements, challenges</li> <li>• Feedback from the policy/sectoral/technical level dialogues and consultation processes</li> </ul>					
Development Partner Coordination	<b>Policy Level Dialogue</b>				Annually/Regular	
	<b>Bilateral Aid Talks/Portfolio Reviews: GoPNG and Respective Development Partners</b> <ul style="list-style-type: none"> <li>• Usually on an annual basis</li> <li>• Country Partnership Strategies and Alignment</li> <li>• Aid Investment performance against MTDP3</li> </ul>		<b>GoPNG and Private Sector Development Forum (annually)</b> <ul style="list-style-type: none"> <li>• Usually on an annual basis</li> <li>• Providing policy advise and progress on private sector development and business aspects</li> </ul>			
	<b>GoPNG and Civil Society Organizations CSOs Forum (inclusive of Philanthropic Agencies)</b> <ul style="list-style-type: none"> <li>• Usually on an annual basis</li> <li>• CSO role in service delivery</li> <li>• Policy advise and progress of CSO support</li> </ul>		<b>Development Partners Round Table Meeting + DNP (and relevant agencies of Government)</b> <ul style="list-style-type: none"> <li>• Usually on monthly basis</li> <li>• Present current development matters</li> <li>• Policy discussions</li> </ul>			
Sectoral Coordination	<b>Sector Level Consultations</b>				Bi-Annually or Quarterly	
	<b>Economic Sector</b>		<b>Utilities Sector</b>			
	<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• MSMEs</li> <li>• Tourism</li> <li>• Fisheries</li> <li>• Manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Trade &amp; Investment</li> <li>• Forestry</li> <li>• Manufacturing</li> <li>• Petroleum/Mining</li> <li>• Land Development</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• ICT</li> <li>• Power</li> <li>• Affordable Housing for Public Servants</li> </ul>	<ul style="list-style-type: none"> <li>• Water &amp; Sanitation</li> <li>• Telecommunication</li> <li>• Manufacturing</li> </ul>		
	Transport	Health and HIVAIDS	Education (All Levels)	Law & Justice		Governance - Public Sector
	National Security	Climate Change	Governance - Nat. Statistics	Governance - PFM		Youth
	Sports	Environment	Gender, Vulnerable Grps	Population		Emergency & Disaster
Technical Coordination	<b>Technical Level Consultation</b>				Quarterly	
	Joint Technical Working Groups on Development Effectiveness		Project Steering Committees			
Basis of Cooperation	<b>Development Cooperation Partnership</b>				Basis of Cooperation	
<p style="text-align: center;">Respective DP Country Partnership Strategies with Government of PNG</p> <p style="text-align: center;">In Alignment with Government of PNG's Medium Term Development Plan (MTDP)</p>						

## **4.4 Development Partners' Coordination**

### **4.4.1 Bilateral, Multilateral and Regional Development Partners**

DPs will ensure that the National Goals and Directive Principles of the Constitution are reflected through respective Country Partnership Strategies. The specific Constitutional Directives on Sovereignty will underpin the engagement, development, delivery and oversight of development cooperation to PNG. These set the foundations and supports PNG to advance in these areas.

### **4.4.2 Private Sector**

The DCP 2018-2022 recognises the private sector as a key actor for driving development progress through the sector's i) contributions to economic growth as outlined in the MTDP III, ii) existing potential impact on social and environmental indicators, through Corporate Social Responsibility (CSR) programmes and investments, and iii) important role in informing policies to improve the enabling environments for growth.

### **4.4.3 Civil Society Organizations**

CSOs will engage with GoPNG and relevant DPs through regular dialogue and consultation with the Department for Community Development, Church and Religion and the Consultative Implementation and Monitoring Council (CIMC) process. CSOs will also serve as domestic and international advocates for development and aid effectiveness, stimulate public debate and improve understanding on these issues amongst stakeholders.

## **4.5 Country Partnership Strategies with Development Partners**

The Government together with its DPs will establish Country Partnership Strategies (CPS) to ensure alignment, harmonization and effective coordination of development priorities. By 2021, GoPNG will have jointly signed specific CPSs' with all its recognised DPs to enhance and operationalise the partnerships that have been formalised. The terms of the CPS will be binding on the respective parties concerned.

## **4.6 Legislative Framework**

The GoPNG intends to legislate its development cooperation approaches through relevant amendments of the PNG Planning and Monitoring Responsibility Act. This will complement existing aid related legislations such as the Public Finance (Management) Act 1995, Loans and Assistance (International Agencies) Act/Chapter 132, Loans (Overseas Borrowings) Act/133, Aid Status (Privileges & Immunities) Act/Chapter 345, Fiscal Responsibility Act 2006, Central Banking Act 2000, Customs Act/Chapter 101, Public Financial Management Act (PFMA), Public Expenditure and Financial Accountability Roadmap Report, among others. S

Some of the existing associated laws and regulations do not reflect responsiveness to development cooperation realities in this present time. Appropriate measures will be taken in order for the PNG DCP 2018-2022 to be implemented through appropriate legislation.



## **4.7 Commitment and Disbursement Arrangements**

The GoPNG will ensure that development cooperation resources to PNG are integrated into its budgetary system to determine its total volume in a given fiscal year to forecast likely development outcomes. This includes development cooperation resources provided to non-state actors and the private sector. The GoPNG recognises the independence of its DPs such as the private sector, philanthropic organizations and CSOs. GoPNG will employ appropriate fiscal measures when reflecting the DP contributions in its budgetary process.

## **4.8 Procurement Arrangements**

While GoPNG is working on improving its procurement processes and systems, DPs are encouraged to strengthen and utilise them. The country procurement systems will be used to manage procurements in accordance with the PFMA (1995). The CSTB processes will be applied in a fair, competitive, transparent, non-discriminatory and value-for-money manner.

## **4.9 Tax Exemptions and Visas**

DPs are encouraged to consult the PNG Internal Revenue Commission, PNG Department of Foreign Affairs and PNG Customs for all matters relating to tax exemptions, GST rebates and customs duties related to development cooperation funded programs and projects. Any visa related queries can be raised with the PNG Immigration and Citizenship Authority and Department of Labour and Industrial Relations.

## **4.10 Accounting and Auditing**

Over time, DPs will use GoPNG's accounting and auditing procedures and systems in line with the PFMA. The GoPNG with the support of its DPs will enhance its technical capacity to provide reliable and timely accounting and audit reports at all levels.

Actions and indicators for GoPNG to improve accounting and auditing practices in line with international standards have been developed within the Integrated Financial Management System (IFMS) process, which will continue to be jointly monitored for efficiency and responsiveness to expected outcomes.

As outlined in the MTDP III, the GoPNG is committed to achieving results and developing an economy that provides all elements for well-being of its citizens in a manner that is self-perpetuating. The Government's Policy M&E Framework is being finalized with the intention to improve decision making, accountability and development learning in the design, implementation and management of Government's national policies, strategies and plans.

The PNG DCP 2018-2022 will also adhere to the Policy M&E Framework requirements to ensure that GoPNG, its DPs and relevant stakeholders involved in development cooperation programmes and projects considers the important elements and requirements of M&E.

## 5.1 PNG DCP Results Framework

The PNG DCP Results Framework (see Appendix A) is an important part of ensuring development effectiveness and assists to identify and focus on key objectives within a complex development environment. It provides a summary of actions directly linked to the goal, objectives and strategies of the DCP in which targets and indicators have been established to ensure a strategic approach to the achievement of the Policy goal.

The Results Framework:

- (i) Provides an opportunity to build consensus and ownership around shared objectives among officials of the GoPNG, DPs, and stakeholders.
- (ii) Assists to identify alternative views, areas of concerns, knowledge gaps, and risks which may get disguised and ignored once implementation begins.
- (iii) Serves as a guiding, negotiating and management tool with DPs. .
- (iv) Provides an important basis to assess performance of the Policy during the respective Policy reviews.
- (v) Is subject to review every third year when the Policy is due for review.

## 5.2 Agency Responsible for PNG DCP Monitoring and Evaluation

The GoPNG through the DNPM, will provide the leadership and oversight role in ensuring that this Policy is monitored and evaluated in a timely manner. The DNPM will ensure that a thorough consultation process is undertaken with its DPs, GoPNG stakeholders including relevant CSOs, the private sector and philanthropic agencies that are part of the development cooperation process in PNG.

The respective agencies of government and sector coordinating mechanisms of development cooperation projects will provide relevant information to the DNPM by making available

respective programme and project performance reports. The Central Agencies of Government will jointly work towards reporting on PNG's overall engagement arrangements with foreign governments. This includes, aid arrangements, CPSs, Treaties and other relevant agreements.

The DNPM will regularly report on the performance of the PNG DCP 2018-2022 to the National Executive Council (NEC) and the Parliament through the Inter- Agency Committee on Development Cooperation of the CACC and the National Planning Committee and other relevant Committees, deemed necessary by the Government.

### **5.3 Regular Reviews of the PNG DCP 2018-2022**

An independent review on the performance of the PNG DCP 2018-2022 will be undertaken every three years in order to assess the performance, accuracy and relevance of the Policy in light of current challenges and opportunities. The review process will identify achievements and pertinent constraints to the Policy implementation process and provide Recommendations to progress the achievements of the objectives and outcomes.

The Review recommendations will be presented to the Government for consideration and where applicable, taken forward to progress Policy implementation.

### **5.4 Annual Development Cooperation Report and Other Effective Development Cooperation Reporting for PNG**


DNPM will produce an Annual Development Cooperation Report to inform the higher authorities of Government and all key stakeholders (national and international) on the implementation of development cooperation resources nationally and at the sub-national level and assessments of their complementarity alongside national resources.

DPs will be an important part of this process of Government in which data will be collected, collated and analysed. Stakeholders within Government and with DPs will be part of a validation process in the finalisation stages of the Report. It is anticipated that the Report will be presented to the NEC and the National Parliament.

Papua New Guinea has also committed to the Global Partnership for Effective Development Cooperation (GPEDC). The GPEDC was launched in 2011 at the Fourth High-Level Forum on Aid Effectiveness in Busan, marking this shift in focus to development cooperation effectiveness and emphasized the important role of partnerships based on shared principles, for achieving development results. It is a multi-stakeholder platform that aims to advance the effectiveness of development efforts by all actors, to deliver results that are long-lasting and contribute to the achievement of the SDGs. Regular monitoring rounds are expedited by the GPEDC which PNG is open to participate in.

### **5.5 Development Assistance Information System**

Monitoring, reporting and communication of programme and project results is both the



responsibility of Government and DPs. A web-based Development Assistance Database was established as part of the 2008 PNG Commitment on Aid Effectiveness. It will be revisited in tandem with the revised DCP as the Development Assistance Information System (DAISy), to better monitor trends, progress and accountability in development cooperation resource mobilisation, coordination, performance management and delivery.

The DAISy will provide information such as:

- i. Number and types of DPs with PNG,
- ii. Volume of development cooperation assistance annually,
- iii. Types of aid and delivery modality,
- iv. Sector and provincial distributions,
- v. Assessment of drawdown performance,
- vi. Frequency of dialogue and consultation,
- vii. Achievements and challenges affecting development cooperation in PNG.

The DAISy will be linked to the National Policy M&E Framework and the proposed national database system to be established in the Department of National Planning and Monitoring and under the National Strategy on Development of Statistics.

DPs will be requested to populate the data system on development cooperation resources supporting GoPNG so that it provides a holistic view of capital investment in PNG.

Risks in expediting and managing development cooperation resources are inevitable in policy implementation. The GoPNG will address and redress the identified risks in an orderly manner. The main potential risks to be addressed will be political, institutional, operational, and fiduciary in nature.

## 6.1 Political Risks

Political risk relates to political instability, adverse political events, or problems of political governance and hence, losing momentum and the non-implementation of the PNG DCP. Political risk also includes different interest groups within Government and domestic stakeholders not supporting the Policy objectives and strategies thereby impacting on Policy implementation.

This will be addressed through continuous engagement with Members of Parliament and through relevant Ministerial Committees, including the NEC.

### 6.1.1 National Security Risks

National security is closely aligned to nationhood and state interests. The term has expanded to include relationships that a country has with another country and the world. It also includes military and other dimensions, such as economic, energy, environment, food and cyber security.


National security is the State's ability to protect and defend itself from the threat of attack or violence. It is the means through which the State provides protection over a country. It includes military, political, economic and linguistic powers and other means to ensure national security and protection of democratic constitutional values.

National security risks are any internal or external threats that threaten the existence of the State, its interests, institutions and citizens. They are threats that make the country vulnerable and create disharmony.

The DNPM will consult the PNG National Security Policy and Strategies to address specific security threats, such as social or political security; economic security; environment security; food security; and cyber security. All these threats will have profound impact on the dialogue mechanism and implementation of the PNG DCP in order to adequately support the resource strategy of the MTDP III.

### 6.1.2 Geopolitical Risks

Geopolitical focuses on a country's political power within a geographical space, such as territorial waters and land territory on its diplomatic history and relations. Geopolitical risks refer to threats from the effects of geographical factors and features on the country's politics and its international relations.



Geopolitical risks are challenging for development organisations because they are unpredictable. These risks impact organisational operations and capacity because they are interconnected with other political, economic and societal factors.

To mitigate geopolitical risks, it is crucial for DNPM, other relevant agencies of Government and its DPs to:

- i. Assess and understand the geopolitical landscape, triggers, trends and shocks to look out for, and prepare for the likely consequences of the risks on development cooperation.
- ii. Develop resiliency plans before crisis occurs
- iii. Stay alert to geopolitical shifts

## **6.2 Institutional and Operational Risks**

The GoPNG, at the national, sector and sub-national levels together with its DPs at country and headquarter levels face institutional and operational risks in implementing policies and strategies. It is highly demanding on both the GoPNG and its DPs to have adequate capacity to implement policies and strategies. Substantial efforts are required to improve the way things are done at individual, organisational and institutional levels. Institutional capacity, culture and incentives that motivate people and organisations present a significant risk.

Furthermore, bypassing grants and loans screening processes (Appendixes B1&2) poses a great risk in the entire process of sourcing and acquiring, implementation, and M&E of grants and loans programmes.

To mitigate these risks, DNPM with other GoPNG agencies with oversight responsibilities will:

- Continue to raise awareness among Government officials in all Departments, provincial governments, Local Level Governments, etc. of the content, benefits and importance of the PNG DCP guiding the aid delivery.
- Identify and communicate their roles and responsibilities in implementing the Policy.
- Strengthen GoPNG ownership and leadership of the Policy through capacity development as well as honouring Government of PNG commitments such as providing sufficient counter-part funding requirements for joint-funded development projects and programmes.
- Work to achieve better organisation and better horizontal co-operation within and between GoPNG agencies including more effective information sharing and consensus building.
- Jointly review and monitor development cooperation programmes with DPs.
- Encourage DPs to align and direct development cooperation programmes towards MTDP III priorities and ensure their bilateral agreements and Country Partnership Strategies are reached through the objectives and strategies of the PNG DCP.

- Encourage DPs to change their practices as well as their perception on GoPNG and their views on development co-operation as a whole to adopt a flexible approach for their development operations and accept the reality that doing business in PNG may differ from other countries.

### 6.3 Fiduciary Risks

Fiduciary risks arise from public expenditures. This includes;


- Lack of accountability;
- DP funds not used for its intended purposes;
- DP projects not representing value-for-money;
- Corruption in all forms.

Fiduciary risks cover the budgetary process and effectiveness of the financial and legal system. The GoPNG will take ownership over fiduciary risks and will establish and strengthen appropriate systems to ensure best practices are utilised. DPs will harmonise their fiduciary requirements and safeguards. GoPNG with the support of its DPs will undertake the following measures to address fiduciary risks:

- Maintaining efforts to strengthen strategic planning, budgeting and execution as well as effective operation of the GoPNG's financial management and accountability systems at national, sectoral and sub-national levels;
- Building an efficient and effective procurement system by implementing the Public Finance Management Act, so as to ensure competitive and open, decentralised procurement and cost-effective purchases in line with international standards;
- Improving transparency in public spending, open and frank policy dialogue on public financial management, accountability issues with all partners;
- Ongoing national anti-corruption and governance measures, strengthening of technical and administrative capacity of GoPNG agencies through Public Sector Reform programmes.
- Ensure public financial management and accountability measures are maintained, and M&E of MTDP III is done to guide the resourcing of the MTDP III;
- Periodic harmonised diagnostic reviews under GoPNG leadership within existing Government processes.

### 6.4 Natural Disaster and Climate Change Risks

PNG is prone to natural disasters and the effects of climate change that affect the livelihoods of many Papua New Guineans each year. Climate change effects will continue to bring about an increase in frequency of natural disasters that in turn increases the likelihood of humanitarian crises.



The impacts of these forecasted changes are significant and many. Tropical cyclones, floods, droughts, tsunamis and sea level rise are the main extreme events PNG will likely be affected by, and that will cause an abrupt change in policy and financial decisions that will affect the implementation of the PNG DCP. On average, PNG receives one tropical cyclone during each season from November to April. With the country located close to the warmest oceans on earth, PNG is susceptible to El Niño-Southern Oscillation related impacts such as floods, droughts and frosts.

With these realities, GoPNG through the National Disaster Services, the Restoration Authority, Climate Change and Development Authority, DNPM and other relevant responsible Government agencies together with DPs should establish a dedicated Disaster Fund. This Fund would be established purposely to cater for unexpected natural incidents and access climate financing through the Green Climate Fund to support climate change mitigation and adaptation.

It is vital that DPs that support PNG in times of disaster and or emergency situations, are encouraged to fully consult the Government through the dialogue mechanism process so that resources are properly coordinated and affected areas are targeted and reached in a timely manner.



# APPENDICES



# APPENDIX A

## PNG Development Cooperation Policy Results Framework

<p><b>GOAL:</b> <i>To ensure that development cooperation resources make maximum contribution to the achievement of PNG's MTDP III and supporting national, sectoral and subnational policies and plans.</i></p>			
<p><b>POLICY OBJECTIVE 1:</b> To assert Government leadership in the coordination and management of development cooperation alignment to PNG's development objectives and targets for better value of support.</p>			
Intervention Logic	Verifiable Outputs	Sources of Verification	Assumptions and Risks
Strategy Intervention			
<p>Strategy 1 (a):</p> <p><b><i>GoPNG takes leadership and ownership over all development cooperation interventions</i></b></p>	<ul style="list-style-type: none"> <li>All DPs will formulate a CPS with GoPNG.</li> <li>All CPS acknowledge PNG's sovereignty principles and promote responsible and sustainable development</li> <li>CPS are preferentially targeted at DP comparative advantages and demonstrated successes</li> <li>All DP loans and grants support PNG's inclusive and sustainable socio-economic growth (linked to the MTDP III).</li> <li>Development Cooperation projects are encouraged to use GoPNG procurement and reporting processes.</li> <li>Private Sector development interventions are targeted towards socio-economic development.</li> <li>DPs are encouraged to incorporate Aid-for-Trade initiatives in their CPS.</li> <li>Planning and Monitoring Responsibility Act reviewed to include DCP, by 2019</li> <li>Development Cooperation Operational Manual developed/endorsed by 2019</li> </ul>	<ul style="list-style-type: none"> <li>Signed CPSs with GoPNG.</li> <li>StaRS</li> <li>Development Partners Aid Programme Annual Performance Reports</li> <li>DNPM and Government reports</li> <li>Loan/Grant Finance Agreements</li> <li>Signed Country Partnership Strategies</li> <li>Joint Reviews of DP Project and Programmes</li> <li>PSC meeting Minutes (or Meeting Outcomes)</li> <li>Disbursement Reports from Department of Treasury</li> <li>MTDP III</li> </ul>	<ul style="list-style-type: none"> <li>GoPNG is committed to Vision 2050, StaRS, MTDP</li> <li>GoPNG remains committed to the PNG DCP</li> <li>DPs respect GoPNG due diligence process on the utilisation and application of development cooperation resources</li> <li>Lack of support to GoPNG agencies that deal with development cooperation resources.</li> <li>Lack of ownership from Implementing Agencies towards their programmes and projects</li> <li>GoPNG remains committed to its counterpart obligations in the Loan or Grant Financing Agreements</li> </ul>

<p>Strategy 1 (b):</p> <p><b>GoPNG undertakes regular reviews of development cooperation agreements between PNG and its Development Partners.</b></p>	<ul style="list-style-type: none"> <li>All CPSPs and DPs undergo regular Reviews and end-of-term evaluations.</li> <li>The performance of CPSPs and Development Partnerships is discussed during annual or bi-annual bilateral high level dialogues.</li> <li>Development Cooperation initiatives are reviewed on a regular basis, including at least a mid-term and an annual evaluation, and optionally including ex-post evaluations</li> <li>DNPM provides Annual Development Cooperation Review Reports presented to CACC and NEC.</li> </ul>	<ul style="list-style-type: none"> <li>Bilateral Dialogues and Key Agendas-Term and End-Term Review Reports of CPSPs</li> <li>Annual Review Reports and Mission Aide Memoires</li> <li>Outcomes of Bilateral Dialogues and Portfolio Reviews.</li> <li>Annual Development Cooperation Reports</li> </ul>	<ul style="list-style-type: none"> <li>DPs will support Government of PNG's requirements for the Reviews of the relevant Treaties, Country Partnership Strategies, and Development Partnerships applicable.</li> </ul>
<p><b>POLICY OBJECTIVE 2:</b> To mobilise strategic and innovative external partnerships to promote effective and sustainable development cooperation.</p>			
<p><b>Intervention logic</b></p>			
<p>Strategy 2 (a):</p> <p><b>Increase mobilisation of development cooperation resources to support the implementation of GoPNG's overarching and supporting development strategies and plans.</b></p>	<p><b>Verifiable Outputs</b></p> <ul style="list-style-type: none"> <li>Increased capital investment from Development Cooperation resources through innovative financing from DPs.</li> <li>Strengthened Partnerships between GoPNG and CSOs and the Private Sector as development cooperation resource providers and users in DP Programmes</li> <li>50% of DP programmes is targeted at PNG infrastructure development.</li> <li>Greater DP support steered to the sub-national level</li> <li>Innovative delivery modalities of development cooperation resources are applied.</li> </ul>	<p><b>Sources of verification</b></p> <ul style="list-style-type: none"> <li>Capital Investment Programme Budget</li> <li>DP Annual Performance Reports</li> <li>DNPM and Government reports</li> <li>Signed Country Partnership Strategies</li> <li>Reports on Joint Reviews of DP Programmes</li> <li>Development Assistance Information System (DAISy)</li> </ul>	<p><b>Assumptions and risks</b></p> <ul style="list-style-type: none"> <li>The political environment remains stable</li> <li>GoPNG remains committed to VISION 2050, StaRS and MTDP</li> <li>GoPNG remains committed to the DCP</li> <li>DPs respect the GoPNG due diligence process on the utilisation and application of development cooperation resources.</li> <li>DPs to be adequately represented in PNG</li> </ul>



<p>Strategy 2 (b):</p> <p><b>GoPNG and DPs ensure that appropriate structures, data, arrangements and funds are in place to continue the flow of benefits from development cooperation initiatives.</b></p>	<ul style="list-style-type: none"> <li>• &gt;95% disbursements of DP resources are directed towards MTDP priorities.</li> <li>• All DC programmes include actions and budgets aimed at ensuring the long term sustainability</li> <li>• Non-government and private sector DC partners are encouraged to develop and implement exit strategies that ensure the continued ownership, utilisation, and maintenance of DC achievements by stakeholders and beneficiaries.</li> <li>• Materials, data and equipment of development cooperation projects remain the property of the GoPNG at Project closure.</li> </ul>	<ul style="list-style-type: none"> <li>• CPS, Programme and Project documents</li> <li>• Budgets of respective GoPNG agencies and institutions</li> <li>• GoPNG Medium and Long term development plans and budgets</li> <li>• Project progress and evaluation reports</li> <li>• Project completion reports and handover documents and evaluation reports</li> </ul>	<ul style="list-style-type: none"> <li>• The political environment remains stable</li> <li>• GoPNG remains committed to the Revised PNG DCP</li> </ul>
<p><b>POLICY OBJECTIVE 3:</b> To strengthen partnerships and coordination between Development Partners, Government and stakeholders in the delivery of development cooperation interventions.</p>			
<p><b>Intervention Logic</b></p>	<p><b>Verification Outputs</b></p>	<p><b>Sources of verification</b></p>	<p><b>Assumptions and risks</b></p>
<p>Strategy 3 (a):</p> <p><b>Improve coordination within the Government of PNG and between the Government and its Development Partners and stakeholders.</b></p>	<ul style="list-style-type: none"> <li>• DNPM clears all DP Missions and participates in all DP missions.</li> <li>• Functional contact points for DC consultations and implementation operate at relevant national and sub-national levels.</li> <li>• All relevant DP Missions pay courtesy visits to the respective Provincial Administrations.</li> <li>• Registry of Country Partnership Strategies, MOUs, Aide Memoires and Joint Understandings established.</li> <li>• GoPNG-DP Dialogue Mechanism is functional at all levels.</li> </ul>	<ul style="list-style-type: none"> <li>• Project Design Documents</li> <li>• Review Reports</li> <li>• Annual Development Cooperation Reports</li> <li>• Joint Reviews of GoPNG-Relevant DP</li> <li>• NEC Decision(s) on GoPNG mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• The political environment remains stable</li> <li>• Government remains committed to the VISION 2050 and StaRS</li> <li>• Government remains committed to the PNG DCP</li> </ul>

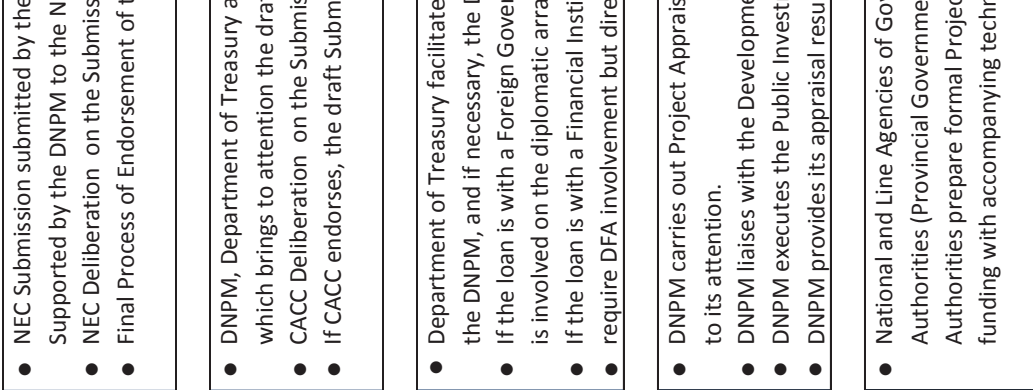
	<ul style="list-style-type: none"> <li>All DC grants and loans are processed in line with GoPNG requirements on due diligence.</li> <li>Development cooperation projects at sub-national levels are supported by sub-national agencies (financially or in kind)</li> <li>Multiple co-financing of DPs for an investment is encouraged.</li> <li>All DP projects have a functional PSC which is led by the Implementing Agency.</li> <li>DNPM and relevant Implementing Agencies are involved in the design, implementation, management and M&amp;E of the development cooperation project.</li> </ul>	<ul style="list-style-type: none"> <li>Provincial Org Structures</li> <li>Provincial Consultations and Assessments</li> <li>Formal Mission Clearance Requests</li> <li>PSC minutes</li> <li>Formal Dialogue Outcomes endorsed</li> </ul>	<ul style="list-style-type: none"> <li>DPs respect the GoPNG due diligence process on the utilisation and application of DC resources</li> <li>Provinces and GoPNG agencies in tune with and supportive of coordination of development cooperation</li> </ul>
<b>POLICY OBJECTIVE 4:</b> To build and strengthen national capacity for the effective delivery and sustainability of development initiatives.			
<p><b>Intervention logic</b></p> <p>Strategy 4 (a):</p> <p><b><i>The Government of PNG will establish an appropriate governance mechanism to address issues on Technical Advisory Support.</i></b></p>	<p><b>Verifiable Outcomes</b></p> <ul style="list-style-type: none"> <li>GoPNG encourages the delivery of TA through nationally available expertise</li> <li>Functioning governance mechanism on Technical Advisory Support and responsibilities of capacity building of PNG institutions and individuals.</li> <li>Increased DC Technical Advisory support is delivered at the sub-national level.</li> <li>Monitor and Review CPS that support PNG's public sector.</li> <li>All TA comply with standard Work Performance and Conduct Agreements of the NCTA and CTA regulations.</li> </ul>	<p><b>Sources of verification</b></p> <ul style="list-style-type: none"> <li>Review Reports</li> <li>PFM Reforms functional</li> <li>National Budget</li> <li>Annual Development Cooperation Reports</li> <li>Joint Reviews by GoPNG and DPs</li> <li>Governance mechanism on TA support.</li> <li>GoPNG Capacity Development Strategy document</li> </ul>	<p><b>Assumptions and risks</b></p> <ul style="list-style-type: none"> <li>The political environment remains stable</li> <li>GoPNG remains committed to VISION 2050, StaRS and MTDP</li> <li>GoPNG remains committed to the PNG Development Cooperation Policy</li> <li>Lack of support to GoPNG agencies that deal with development cooperation resources.</li> </ul>



<p>Strategy 4 b: <b>Effective support to PNG's public service provided through development cooperation programmes and projects.</b></p>	<ul style="list-style-type: none"> <li>GoPNG Capacity Development Strategy completed and endorsed by 2019 and implemented from 2020 onwards.</li> <li>&gt; 95% of DC initiatives incorporate a HR capacity building component that supports the Implementing Agencies.</li> <li>Increased participation of Papua New Guineans in development cooperation programmes and projects.</li> </ul>	<ul style="list-style-type: none"> <li>Endorsed MOUs/Joint Understandings/CPS</li> <li>Work Performance and Conduct Agreements</li> <li>Annual Development Cooperation Reports</li> </ul>	<ul style="list-style-type: none"> <li>DPs will remain supportive</li> <li>GoPNG's requirements on the engagement of TA and public service support.</li> <li>GoPNG remains committed to the PNG DCP</li> </ul>
<p><b>POLICY OBJECTIVE 5:</b> To institutionalize and coordinate PNG's regional assistance to the Region.</p>			
<p><b>Intervention logic</b></p>		<p><b>Sources of verification</b></p>	
<p>Strategy 5(a): <b>Formalise the establishment and mandate of PNG's Regional Assistance Programme (RAP).</b></p>	<p><b>Verifiable Outputs</b></p> <ul style="list-style-type: none"> <li>PNG RAP formally established by 2018</li> <li>Guidelines and Operational Manual for RAP developed by 2018</li> <li>M&amp;E Framework for RAP developed by 2018</li> </ul>	<ul style="list-style-type: none"> <li>NEC endorses the Regional Development Assistance Programme</li> <li>M&amp;E Approach described in the RAP</li> </ul>	<p><b>Assumptions and risks</b></p> <ul style="list-style-type: none"> <li>The political environment remains stable</li> <li>GoPNG remains committed to the PNG DCP and RAP</li> <li>The political environment remains stable</li> </ul>
<p>Strategy 5(b): <b>Establish institutional procedural arrangements for the execution of PNG's Regional Assistance Programme.</b></p>	<ul style="list-style-type: none"> <li>Established unit/section in an appropriate GoPNG agency mandated to lead, coordinate, manage and implement PNG's RAP.</li> <li>Mandate and responsibilities of the RAP unit or section defined.</li> </ul>	<ul style="list-style-type: none"> <li>NEC endorsement of the RAP Unit/Section</li> <li>NEC endorsement of the responsibilities of the RAP Unit or Section.</li> </ul>	<ul style="list-style-type: none"> <li>GoPNG remains committed to the PNG DCP and RAP</li> </ul>
<p>Strategy 5(c): <b>Formalise Development Partnership Agreements with recipient Governments of PNG's regional assistance.</b></p>	<ul style="list-style-type: none"> <li>Development Partnership Agreements established between GoPNG and recipients of PNG regional development assistance.</li> </ul>	<ul style="list-style-type: none"> <li>Endorsed Development Partnerships between PNG and recipient countries</li> </ul>	<ul style="list-style-type: none"> <li>Recipients adhere to PNG's processes for support from PNG RAP</li> <li>GoPNG remains committed to the PNG DCP and RAP</li> </ul>

# APPENDIX B (1)

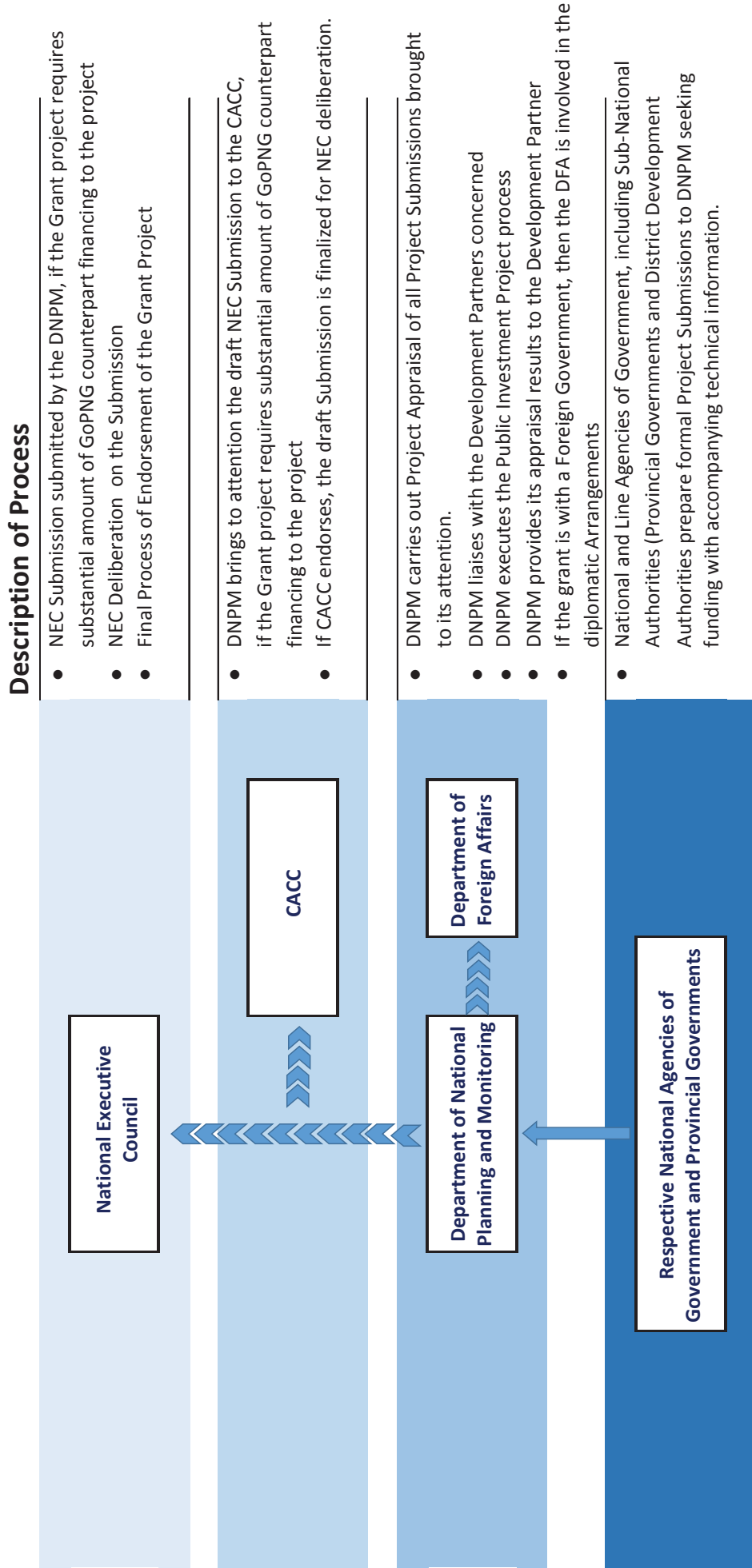
## Development Partner Loan Requests: Government of PNG Screening Process

	Description of Process
 <p>The flowchart illustrates the screening process for development partner loan requests. It starts with the National Executive Council (NEC) at the top, which oversees the CACC. The CACC then interacts with the Department of Treasury and the Department of Foreign Affairs (DFA). The Department of Treasury and DFA have a bidirectional relationship. The Department of Treasury also interacts with the Department of National Planning and Monitoring. Finally, the Department of National Planning and Monitoring interacts with the Respective National and Line Agencies of Government and Sub-National Authorities.</p>	<ul style="list-style-type: none"> <li>• NEC Submission submitted by the Department of Treasury Supported by the DNPM to the NEC</li> <li>• NEC Deliberation on the Submission</li> <li>• Final Process of Endorsement of the Loan</li> </ul>
	<ul style="list-style-type: none"> <li>• DNPM, Department of Treasury and DFA are members of the CACC which brings to attention the draft NEC Submission to the CACC</li> <li>• CACC Deliberation on the Submission</li> <li>• If CACC endorses, the draft Submission is finalized for NEC attention.</li> </ul>
	<ul style="list-style-type: none"> <li>• Department of Treasury facilitates the loan upon concurrence from the DNPM, and if necessary, the DFA.</li> <li>• If the loan is with a Foreign Government, then the DFA is involved on the diplomatic arrangements.</li> <li>• If the loan is with a Financial Institution, then this will not require DFA involvement but direct facilitation from DNPM to Treasury</li> </ul>
	<ul style="list-style-type: none"> <li>• DNPM carries out Project Appraisal of all Project Submissions brought to its attention.</li> <li>• DNPM liaises with the Development Partners concerned</li> <li>• DNPM executes the Public Investment Project process</li> <li>• DNPM provides its appraisal results to the Department of Treasury</li> </ul>
	<ul style="list-style-type: none"> <li>• National and Line Agencies of Government, including Sub-National Authorities (Provincial Governments and District Development Authorities prepare formal Project Submissions to DNPM seeking funding with accompanying technical information.</li> </ul>



# APPENDIX B (2)

## Development Partner Grant Requests: Government of PNG Screening Process





## Institutional Responsibilities of the Government of PNG

AGENCIES	ROLES AND RESPONSIBILITIES
<b>Department of Foreign Affairs</b>	The Department of Foreign Affairs is the first point of contact for any foreign Governments entering PNG and therefore facilitates all diplomatic protocol requirements and undertakings for these engagements. It has the principle responsibility for growing PNG's connections globally. This includes the shifting foreign policy orientations and geopolitics, goals and objectives of bilateral partners and the changing landscape of multilateral agencies and their likely implications on development cooperation.
<b>Department of National Planning and Monitoring</b>	DNPM is the designated GoPNG focal point for all development cooperation resource mobilisation, coordination and the management of development assistance. DNPM facilitates regular dialogue with DPs and key stakeholders through a range of established mechanisms (see Chapter 4 on Dialogue Mechanisms).
<b>Department of Treasury</b>	The Department of Treasury is the only official entity which can commit the Independent State of Papua New Guinea to any concessional or commercial loan borrowing consistent with PNG's <i>Public Finance Management Act, Loans and Assistance (International Agencies) Act, Loans (Overseas Borrowings) Act, Fiscal Responsibilities Act, Medium Term Debt Strategy 2013-2017</i> , and <i>Medium Term Fiscal Strategy 2013-2017</i> , among others.
<b>Department of Prime Minister and National Executive Council</b>	The Department of the Prime Minister and National Executive Council (DPMNEC) provides strategic policy oversight and direction on all areas of Government, including development cooperation resource mobilisation, coordination, performance management and delivery. The DPMNEC ensures that all Central Agencies Consultative Committee (CACC) members, its co-opting members and all sector agencies and sub-national governments implement both the administrative and policy directions provided by the higher authorities of government on all aspects of Government business, including National Executive Council (NEC) Decisions.
<b>Department of Personnel Management</b>	The Department of Personnel Management (DPM) is responsible for GoPNG's policy initiatives and implementation of the public sector reforms, and provides strategic leadership and human resource management. DPM is also responsible for enforcing the new law, the Public Employment (Engagement of Non-Citizen Technical Advisers) Regulation 2016. The Regulation applies to Non-Citizen Technical Advisers who are employed by contractors engaged by DPs and other agencies to provide advisory support within GoPNG agencies.
<b>Climate Change Development Authority</b>	The Climate Change Development Authority (CCDA) is the focal point to administer and coordinate all climate financing in PNG.
<b>Sector Agencies, Statutory Authorities</b>	Agencies of Government (which include Sector agencies, Statutory Authorities, State Owned Enterprises, and Provincial Governments) submit project proposals and formal requests directly to the DNPM for possible financing through development cooperation. The submission should have strong business case for screening and appraisal.
<b>Sub-national agencies of Government</b>	District Development Authorities (DDAs) were established in 2014, replacing the Joint District Budget Priority Committee. DDAs carry out service delivery responsibilities at the district level. Development cooperation programmes and projects to be implemented in respective Districts must be endorsed or monitored through a consultative process with the DDAs to encourage government ownership and support.





**Administrative Agencies of Government**

DNPM and its implementing agencies engage with relevant administrative agencies of Government from project inception through to the final stages of implementation. The following administrative agencies perform specific responsibilities that include:

- (i) Department of Finance: Facilitates trust instruments to open Government Trust Accounts and DP Imprest/Subsidiary Accounts. It will prepare financial expenditure reports, including the Final Budget Outcome Reports.
- (ii) Department of Justice & Attorney General/State Solicitors Office: Provides legal opinion and facilitates clearances on development aid related matters including concessional and commercial loan borrowings and negotiations.
- (iii) Bank of PNG: Provides the foreign exchange clearance for all external development aid coming into the country and out flows (debt service repayment).
- (iv) PNG Internal Revenue Commission: Facilitates tax exemptions on development grant and loan related goods and services as well as incomes of personnel attached to development aid funded programmes and projects.
- (v) PNG Customs Services: Facilitates exemptions on customs duties and levies on development cooperation funded imported goods and services.
- (vi) Department of Labour and Industrial Relations (DLIR): Facilitates and issues work permits for non-citizen personnel engaged in the private sector, and for non-citizen volunteer workers.
- (vii) Auditor General's Office: Facilitates and provides financial audit reports; including Certification of Audits for development cooperation projects and programmes.
- (viii) Central Supply and Tenders Board (CSTB): Takes charge of the procurement process of Government to ensure efficient procurement of goods and services to implement development cooperation programmes and projects within time and resource constraints; and consistent with relevant PNG laws.
- (ix) PNG Immigrations and Customs Services Authority: Facilitates and issues Aid Status Certificates and visas to foreign DPs in order to execute their respective development cooperation projects and programmes. The Agency will maintain regular communication with the DLIR and DNPM to ensure consistency in information.
- (x) Investment Promotion Authority: Includes the facilitation of private business participation in the delivery of development cooperation projects and programmes in PNG and abroad.
- (xi) Kumul Consolidated Holdings: Includes the facilitation and participation of State Enterprises in the delivery of development cooperation programmes and projects in PNG and abroad.



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INDEPENDENT STATE OF PAPUA NEW GUINEA  
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