



# Independent Review

## PNG Sustainable Development Program

16 August 2019

**PORT JACKSON PARTNERS**

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# Independent Review

PNG Sustainable Development Program

## 1. Background

PNGSDP commenced operations in November 2002 after being established as an independent, Singapore incorporated company limited by guarantee. This followed protracted negotiations between PNG and BHP Billiton after a major tailings dam failure at the Ok Tedi mine led to heightened concerns about the long term environmental and social impacts of that mine.

The new organisation was charged with supporting and promoting development initiatives which benefit the people of PNG (particularly those in Western Province). Its funding came from dividends generated by a 52% shareholding in Ok Tedi Mining Ltd, gifted to PNGSDP by BHP Billiton.

PNGSDP's governance arrangements require periodic independent reviews be carried out to evaluate the organisation's efficiency and effectiveness. This is the third such review.

PNGSDP operates in a difficult environment characterised by poor social indicators; a fragile economy; widespread corruption; and a lack of workforce skills.

PNG ranks 138 out of 146 on a social progress score<sup>1</sup>, comparing poorly against other economies with similar GDP per capita (Exhibit 1).

These outcomes are partly a reflection of the cash economy (while growth has averaged 5.1% p.a. since 2008, this was underpinned by major resource industry developments which had limited impact on the broader population. PNG's exposure to external shocks and investment decisions is reflected in a volatile GDP per capita (Exhibit 2).

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<sup>1</sup> Source: The Social Progress Imperative (their measure combines performance across a range of social indicators covering Basic Human Needs, Foundations of Wellbeing and Opportunity).

Exhibit 1

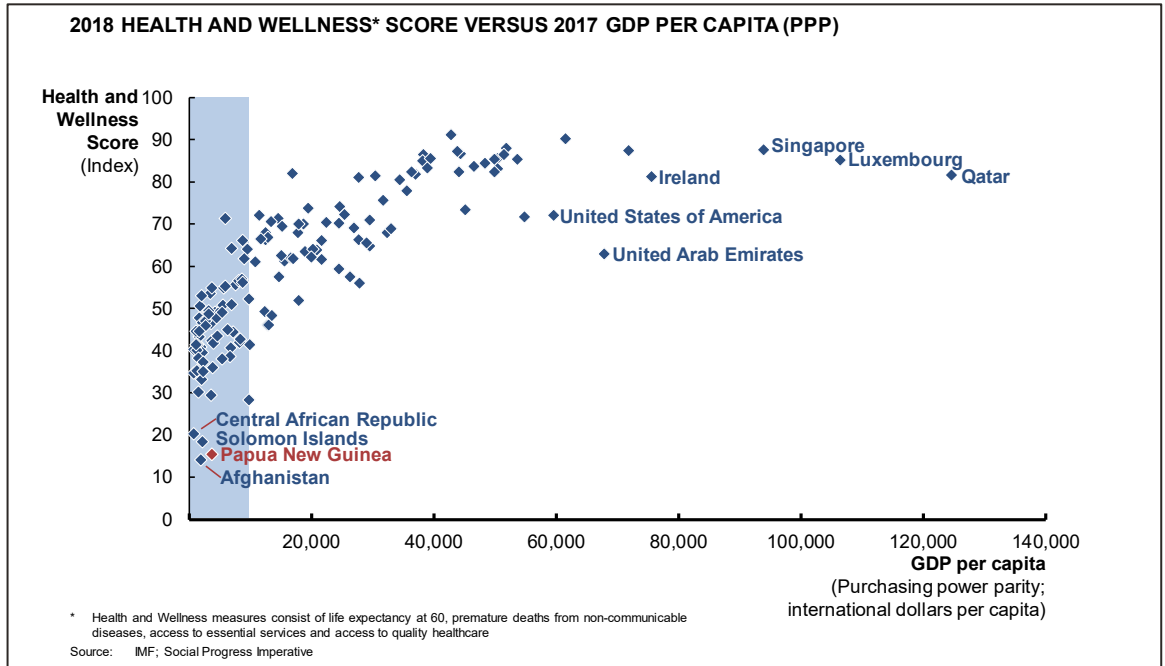
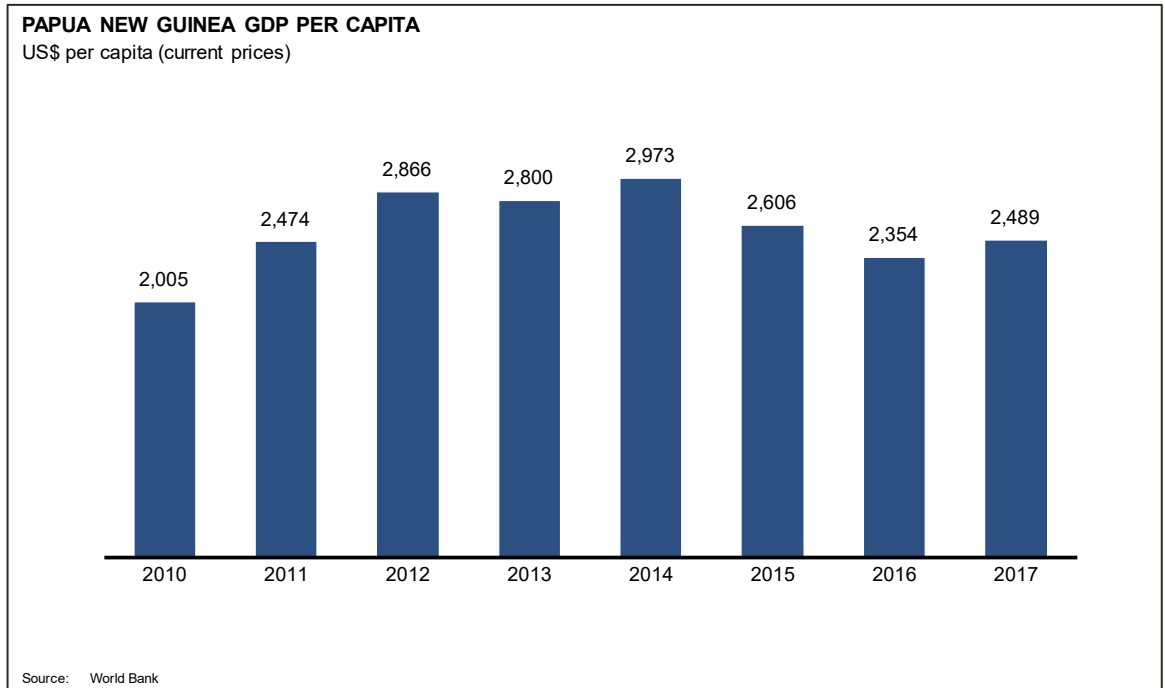


Exhibit 2



The absence of stable, broad based economic growth complicates the challenge of delivering development initiatives as does the erosion of government services (illustrated by the health system in Western Province Exhibit 3).

### Exhibit 3

- Management issues compound the problems of a seriously under-funded provincial health service<sup>2</sup> where 53% of the health facilities are closed and the others generally dilapidated and lacking basic medical equipment
- Spending the limited available funds is often wasteful (efficiency problems compounded by decentralisation; a lack of effective supervision; weak management and poor planning)
- “In general, the recruitment, deployment and distribution of staff does not reflect data driven planning.... processes vary within the health system.... over 30% of skilled health professionals occupy administrative and management jobs”
- Poor procurement, distribution and storage of medical supplies results in acute shortages and frequent stockouts (antibiotics & other medicines; syringes, forceps & surgical scissors; gloves, face masks & bandages)
- “Theft and illegal sale of medical supplies is common”. There is a shortage of refrigeration for vaccines & intravenous fluids
- There is little in-service training; virtually no health worker supervision; and no monitoring of professional competencies and ethical standards

<sup>2</sup> National Health Plan (2011 to 2020); “Maternal Mortality Global Fact Book” (WHO 1998); PNG Health Forum (April 2018); “Strengthening Health Services in Western Province” (Abt JTA 2016); Western Province Draft Services Plan (2017)

## 2. Changing Circumstances

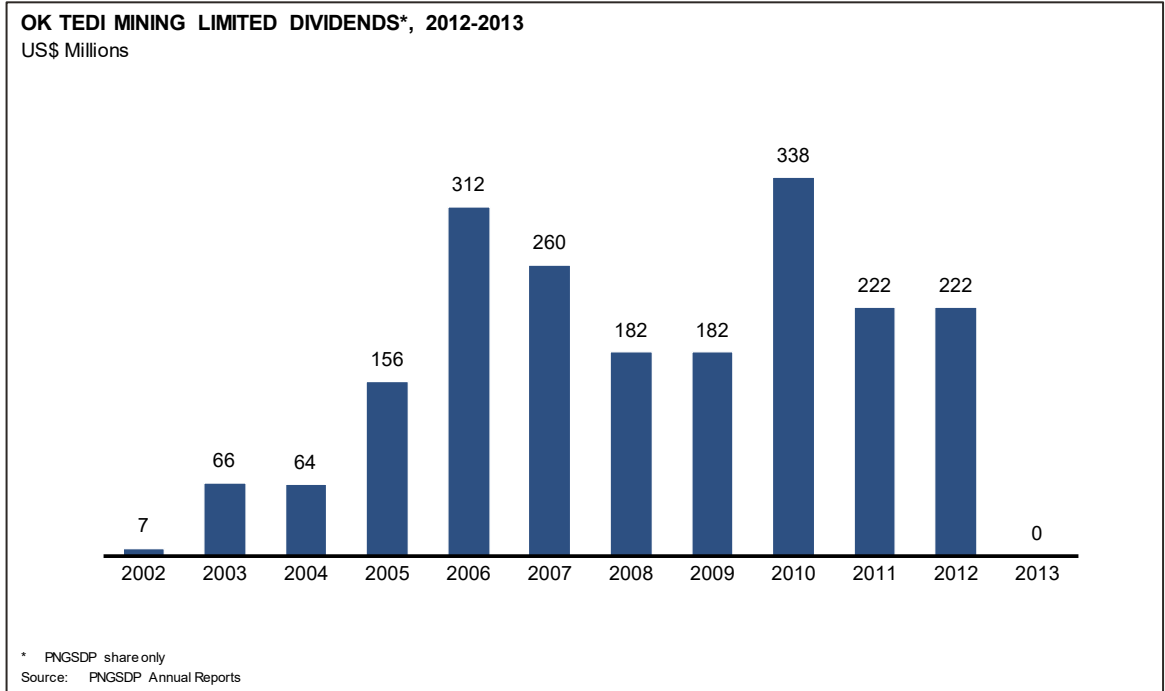
PNGSDP’s performance should be assessed in light of its changing circumstances, best described in terms of three quite distinct phases:

### **First Phase**

During the ‘early years’ from inception until late 2013 (shortly after the previous independent review) PNGSDP was able to pursue its mandate without government interference.

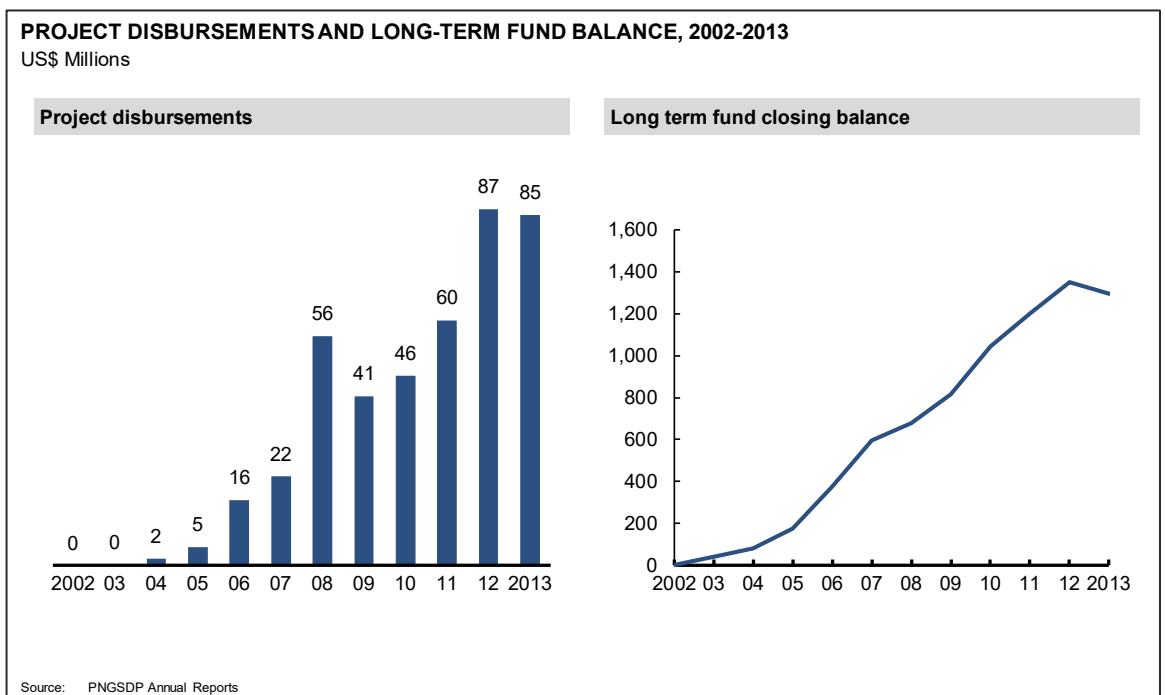
The organisation was generously funded by dividends from its shareholding in Ok Tedi Mining Ltd (Exhibit 4).

Exhibit 4



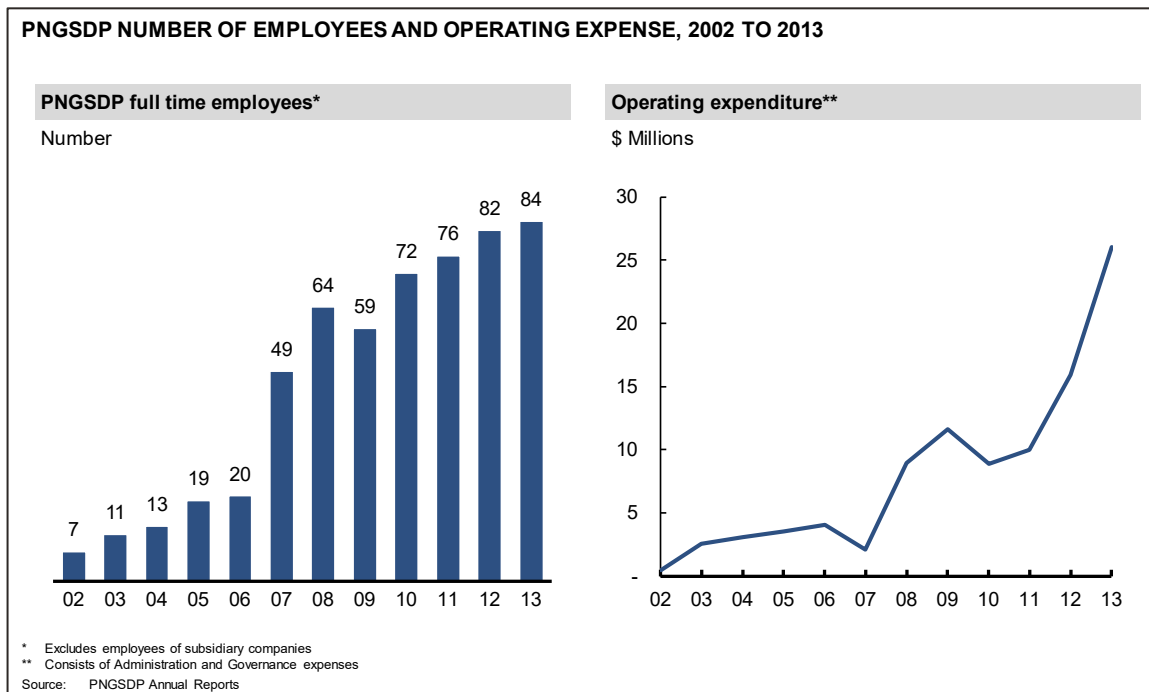
This enabled major outlays on development initiatives as well as a rapid build-up of balances in the Long-Term Fund (Exhibit 5).

Exhibit 5



By 2013, PNGSDP was supporting more than 180 disparate projects ranging from 'mega undertakings' such as the Purari Hydro and Daru Port schemes to micro projects such as a village goat farm. Project implementation was largely managed by an in-house workforce with extensive support from external consultants. (Exhibit 6).

Exhibit 6



During this period, the Long-Term Fund generated an average return of 1.4% p.a. (well below the performance of comparable endowments which averaged 7.7% p.a. over the same period<sup>2</sup>).

The previous independent review, completed towards the end of this phase, made a number of recommendations which have since been implemented (Appendix A1).

## Second Phase

This period began in September 2013 when the PNG Government expropriated PNGSDP's shares in Ok Tedi Mining Ltd. (thereby removing the dividend income). The Government then took steps to try to take control of PNGSDP (its management, board and financial assets including the Long-Term Fund).

These actions forced a shut-down of all PNGSDP project activity, the winding up or forced sale of subsidiary companies, retrenching most employees and gifting various physical assets. The Board and remaining skeleton staff were forced into 'crisis management', taking legal actions to preserve the organisation's independence and protect its Long-Term Fund. These legal actions continue.

<sup>2</sup> Cambridge Associates' analysis of 90 peer (similarly sized endowments from around the world

## Third Phase

In 2016, PNGSDP regrouped and adopted a new approach in what has been a marked departure from the past. This has paved the way for a rapid relaunch of new development initiatives which are currently being implemented.

### 3. The New Approach

This new approach involved actions in five key areas:

#### **(i) Funds management**

New policies for managing the Long-Term Fund were implemented to boost the income; manage the risks; and preserve the capital base.

The portfolio was restructured by changing the asset allocation; appointing new fund managers with very different mandates; and introducing professional expertise by appointing Cambridge Associates as an advisor.

The new strategy was modelled on investment strategies adopted by 90 similar sized endowments from around the world. Decisions are made by the Investment Committee with advice from Cambridge Associates<sup>3</sup> and implemented by a diverse mix of specialist fund managers.

#### **(ii) Cost management**

The cost of operating and administering the Program has been sharply reduced and tighter financial disciplines introduced to keep the cost base in line with the reduced income (Exhibit 7).

Activity based budgeting has been introduced along with improved procurement practices, reduced personal expenses, and a reduction in the use of external consultants and advisors.

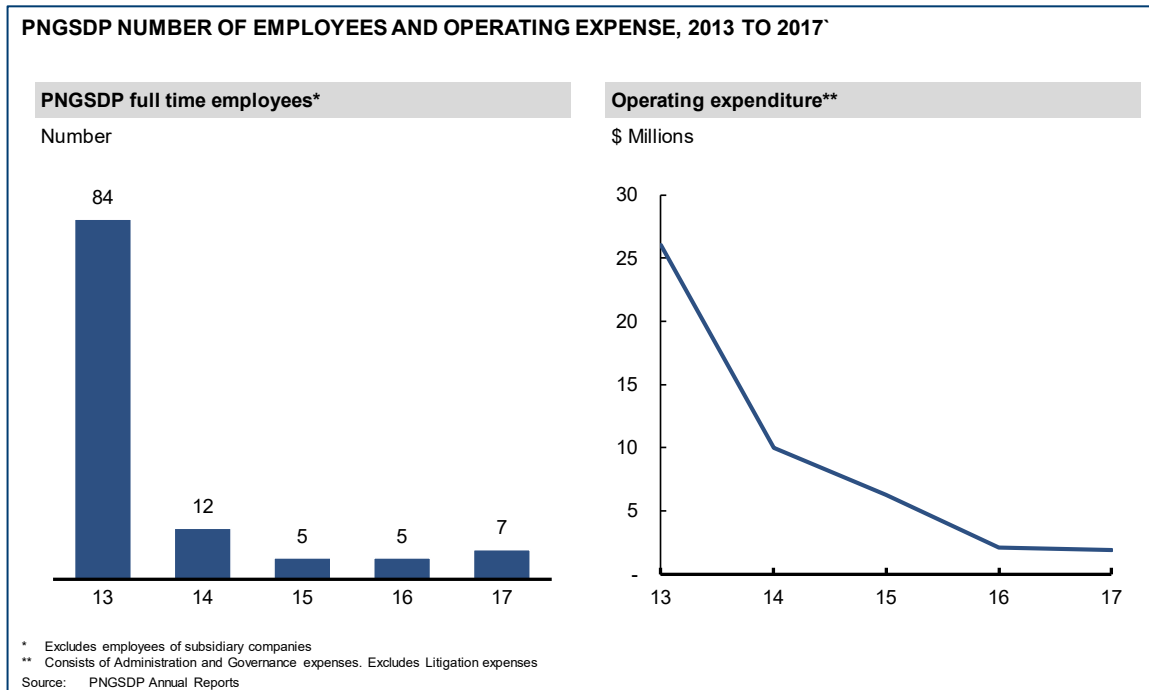
These efforts were strengthened by better staff supervision; improved record keeping, and more succinct board papers to achieve improved operating efficiencies and more informed decision-making.

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<sup>3</sup> The exact details of this strategy are commercial-in-confidence.



Exhibit 7



**(iii) Project relaunch**

The Program Rules allow for projects to be funded with *income* generated by the Long-Term Fund<sup>4</sup>. This, together with enhanced income from the improved investment strategy, enabled a relaunch of development initiatives in 2017 (albeit with considerably reduced disbursements).

The spending program is much more focussed than the past (currently running just over 10 projects spread across the four themes:

- Providing access to remote communities by funding:
  - RAA to refurbish and maintain the rural airstrips in Western Province<sup>5</sup>
  - Digicel to complete an upgrade of the telecommunications network (essential maintenance; replacement towers; new towers to improve the coverage; 4G technology)
  - New financial services system (a banking delivered over mobile phone using 4G technology)
- Strengthening the education system by providing student scholarships; building school infrastructure; using 4G technology to deliver internet-based support for teachers and

<sup>4</sup> The capital of the Long-Term Fund must be preserved until after mine closure

<sup>5</sup> In December 2017, only 12 were operational because of a lack of maintenance. As of April 2019, there are 45 functioning airstrips and within 12 months all 70 will be in use

students in remote locations; and developing a campus in Balimo to offer FODE, teacher and health worker training.

- Improving the health system by sponsoring Marie Stopes (family planning); World Vision (WASH); and RAM (malaria management). Plans to launch a flying medical service for remote rural communities is also at a well advanced.
- Creating livelihoods in the cash economy by developing commercially viable agribusinesses by rebuilding the fish hatchery on Daru; launching a nucleus estate for the production of vanilla and black pepper; and working towards putting the rubber industry onto a commercially sustainable footing.

#### **(iv) Project Delivery**

In view of past concerns over efficiency and effectiveness, PNGSDP now works with experienced partners to implement its projects.

Under its new model, PNGSDP acts as “a catalyst to get things done” by shaping ideas into practical initiatives; canvassing innovative solutions; developing credible business plans; negotiating joint venture arrangements; providing start-up funding and attracting third party co-funding; and monitoring outcomes to keep projects on-track.

In the future, PNGSDP aims to attract partners who can bring in world-class expertise and ideas to deliver more innovative solutions.

#### **(v) Organisation development**

To sustain these changes, PNGSDP is building a small management team of predominantly PNG nationals with the qualifications, dedication and integrity to sustain the current momentum.

This involves expanding a five-person team to handle the growing workload; succession planning; and investments in staff training and development.

The new approach should be assessed against the Program Rules i.e. do the PNGSDP operations still conform to the Objects; is the Program managed efficiently and effectively; and are the impacts of the Program documented and reflected in future developments.

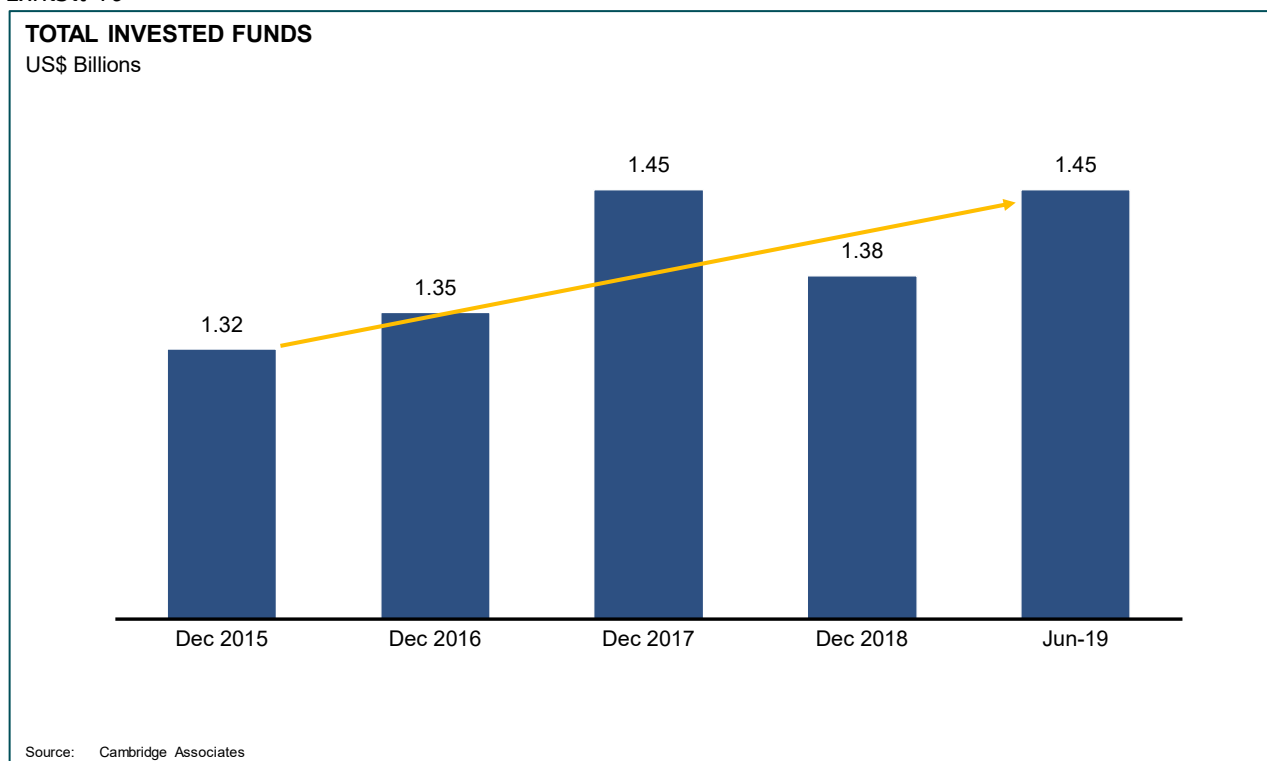
### **Assessment of the new approach**

The new funds management strategy reflects PNGSDP’s current financial circumstances; the Program Rules; and the practice of peer endowments.

While it is still early days, the three-year cumulative results to December 2018 exceed the returns the previous strategy would have generated (2.3% pa versus 1.5% pa).

The new approach has generated funding for the relaunched spending initiatives; maintained a low-risk profile (as required by the Program Rules); and increased the value<sup>6</sup> of funds under management (Exhibit 10).

Exhibit 10



The drive to tighter cost management is in keeping with the Program Rules (keeping costs in line with income is a responsibility of efficient management).

Tighter management discipline will also make it easier for PNGSDP to make sound decisions.

Reshaping of the spending portfolio with new projects which will benefit future generations has also been in keeping with the Program Rules.

However, efficient implementation of good projects poses a real challenge in PNG because good partners are difficult to find and inhouse efforts are fraught with difficulty.

In the past, PNGSDP attempted to manage a crowded spending agenda of 187 disparate projects. The average disbursement per project in 2013 was roughly US\$450,000 (suggesting modest scale and, presumably, limited impact).

The more focussed portfolio should bring benefits beyond the stand-alone impact of each

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<sup>6</sup> Current market value after deducting operating costs and money spent on development initiatives. This reflects financial market volatility (capital gains and losses) as well as cash income from dividend and interest earnings

project. By facilitating synergies across initiatives, the new approach is more likely to deliver scope and scale benefits.

In 2013, PNGSDP devoted almost half a full-time equivalent employee to supervising each project<sup>7</sup> (the equivalent of one *administrative* employee devoting 2.5 days per week to each project).

Aside from the associated inefficiency risks, this level of involvement can prejudice a dispassionate evaluation of project effectiveness (crucial if the Program as a whole is to become more effective).

Notwithstanding its more focussed project portfolio, PNGSDP still needs to address the issue of impact evaluation, devising ways of monitoring projects without creating an unproductive bureaucracy<sup>8</sup>.

The move to outsourced project delivery using implementation partners should lead to increased efficiency and effectiveness.

However, PNGSDP's recent experience has been mixed with impressive results delivered by organisations which strong commercial disciplines (e.g. Digicel Corporation) and some disappointing outcomes where traditional NGO's manage projects. Poor project delivery has resulted in considerable time and effort to rectify the problems.

Clearly the success of the new approach will rely on finding and involving high-quality partners.

Recent efforts to improve organisation effectiveness are welcome although further work is needed to specify the capabilities PNGSDP will need in the future and to decide on the appropriate mix of 'in house' and 'outsourced' resources.

## **Other issues**

As well as the important changes described above, this Review has considered PNGSDP's response to recommendations made by the previous Review. It has also examined whether the current Program is compliant with the Program Rules.

These broadly favourable assessments are contained in the Appendices (A1 and A2)

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<sup>7</sup> Said another way, each PNGSDP employee helped support the disbursement of only US\$2m of funds.

<sup>8</sup> Developing metrics for evaluating projects with a long-time horizon is a difficulty faced by many development agencies

## 4. Future direction

Given the size of the Long-Term Fund in relation to the Western Province population (some 300,000 people), PNGSDP has the potential to have a far-reaching positive impact on the lives of these people.

However, the population is thinly spread across a large geography; access is limited by the lack of transport infrastructure; government services are almost broken; and the abilities to undertake development programs are lacking.

PNGSDP's strategic focus (on education, health, access and livelihoods) seeks to address these challenges. These priorities are closely aligned with the Provincial Government's Five-Year Development Plan. The intention is to "complement and supplement" programs undertaken by government and other agencies.

From the outset of its new strategy, PNGSDP made a conscious decision to:

- Select programs and partners which enabled "get in action" quickly
- Focus on initiatives which benefit those rural communities where support is needed most
- Utilise modern technology to overcome some of the challenges and "leapfrog" conventional approaches
- Avoid protracted planning deliberations and expensive base-line studies in favour of "making things happen"

PNGSDP has also undertaken a review of successful development initiatives in other parts of the world and is building relationships with some of the more innovative development agencies and impact investors with a view to attracting new partners who can bring co-funding and fresh ideas for the next round of PNGSDP development initiatives.

PNGSDP realises that there are no "quick fixes" and so it must sustain its programs over a long-time horizon to have a meaningful impact. This means commitments to ongoing operating expenses as well as upfront capital investments.

As PNGSDP moves towards the next phase in its evolution there should be more emphasis on performance management of the existing programs by a process of challenging questions:

- Are the implementation partners performing efficiently and effectively with appropriate governance measures
- Are the programs delivering their target outcomes; can they be sustained over the foreseeable future
- Is the spending agenda making the best use of PNGSDP's limited resources? Are the programs focussed on the right priorities?

Aside from scrutinising existing programs, the next generation of spending initiatives warrants careful consideration. Where should PNGSDP aim to be in 10 to 15 years' time and how should its spending priorities evolve?

The following questions are offered as a framework for Board decision making and program development.

*Exhibit 12*

STRATEGIC QUESTIONS	
Category	Questions
<b>What</b> will we do?	<ul style="list-style-type: none"> <li>• In which geographies will we be active?</li> <li>• In which social or economic areas will we be active?</li> <li>• Within target areas, what defines an appropriate opportunity for us?</li> </ul>
<b>Why</b> will we do what we do?	<ul style="list-style-type: none"> <li>• What changes are we trying to create?</li> <li>• What are the anticipated benefits of those changes?</li> <li>• Why is our help needed to create these changes and/or benefits?</li> </ul>
<b>How</b> will we take action?	<ul style="list-style-type: none"> <li>• What role will we play in creating, developing and drawing to a close opportunities?</li> <li>• In how many opportunities should we be involved at any one time?</li> <li>• How can we extract benefits from maintaining a portfolio of opportunities?</li> <li>• How will our impact be measured, including over the very long term?</li> <li>• How will we involve partner organisations to improve our work?</li> <li>• How can we secure the support we need from our stakeholders?</li> </ul>
<b>Who</b> will do the work?	<ul style="list-style-type: none"> <li>• Which capabilities are critical if we are to achieve our aims?</li> <li>• How should we access these capabilities?</li> <li>• How can we ensure other ('non-critical') areas do not absorb scarce talent?</li> <li>• How should we organise our resources, and how should we make any transition?</li> </ul>
<b>When</b> will we make the changes we need?	<ul style="list-style-type: none"> <li>• Do the choices above mean we need to change our approach?</li> <li>• How quickly, and in which order, should we move to this new approach?</li> </ul>

These deliberations should be undertaken in consultation with the elected Members, the provincial administration and community leaders.

Other development organisations have developed models which can provide helpful insights, for example the Bill and Melinda Gates Foundation; the Clinton Foundation; and MacArthur Foundation (Appendix 3).

As PNGSDP's programs increase in number, scale and complexity, the organisation will require more resources and new capabilities notwithstanding the stringent cost management policies.

However, this should not be a rushed exercise. The new recruits will be predominantly Papua New Guineans with the requisite skills, experience and values needed to run the agenda. An appropriate mix of employees, contractors and partners must be assembled to handle the workload efficiently and effectively with fresh ideas and innovative solutions. While resolving these questions is beyond the scope of this report, the following comments highlight their importance.

## 5. Improved governance

PNGSDP was incorporated in Singapore as a company limited by guarantee with governance arrangements specified in its M&A and Program Rules<sup>9</sup>.

The recent ruling from the Singapore High Court has shown that these arrangements have withstood a concerted challenge to “capture” the organisation.

However, injunctions associated with the protracted court case prevented a normal process of board and member renewal. Now that they have been lifted, these problems can be addressed along with other refinements:

- Clarify the role of Members as “guardian of the enterprise” to protect PNGSDP’s governance and independence without becoming a de-facto board
- Retain the role of the Board as imbedded in the Program Rules with two possible changes
  - The appointment terms for all directors should be limited to 3X3 years unless exceptional circumstances warrant some temporary relaxation of this general rule
  - All directors should meet the “fit and proper person” test and be selected to bring the right mix of skills, local knowledge and international outlook.
- Strengthen the recently reconstituted Advisory Council to be an effective sounding board for the CEO.

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<sup>9</sup> The Program Rules can only be changed with the consent of both BHP and the State

## Appendix 1. Response to previous Independent Review

IMPLEMENTATION OF PREVIOUS INDEPENDENT REVIEW RECOMMENDATIONS		
Conformity with and relevance of rules		
Recommendations	Assessment	Status
1. Reconstitute the Advisory Council to include senior representatives of key national and provincial government bodies (such as the Department of Planning, and the WP Provincial Administration), and give it specific responsibility for advice on community projects	<ul style="list-style-type: none"> <li>• PNGSDP is in the process of reconstituting the Advisory Council, inviting four individuals to join the Council in November 2018</li> <li>• Given the legal difficulties with the PNG Government, the Board has chosen not to invite the national government to nominate members, focusing instead to invite members with the relevant expertise and PNG relationships</li> <li>• The role of the advisory council will be to act as a sounding board for CEO to seek guidance on issues as they arise. There will not be an expectation to surface issues or new projects to prevent Western Province members being inundated with requests for spending</li> </ul>	
2. Review the basis which is used to distinguish between national and Western Province development projects, and recategorize expenditures accordingly	<ul style="list-style-type: none"> <li>• The loss of funding due to expropriation has been legally interpreted as a mine closure event for PNGSDP</li> <li>• Given this situation, PNGSDP will focus on Western Province projects unless there are instances where an initiative is unable to be ring fenced (e.g. mobile towers)</li> <li>• In these situations, PNSDP will take on national initiatives but seek co-funding for the areas outside of Western Province</li> </ul>	
3. In light of mine extension, consider alternative options for disbursement pre and post mine closure, and develop simpler expenditure rules to guide expenditure from the Long-Term Fund	<ul style="list-style-type: none"> <li>• In August 2018, the Board has approved a plan to reduce spending volatility while enabling sustainable long term projects to be funded.</li> <li>• The Board has also simplified spending rules as part of new "Spending policy"</li> </ul>	
4. Give consideration to delegation by BHP of its Board nomination role to a third party committed to the principles of SDP's operations, and to embedding this in the Articles of Association. Seek opportunities to include one or more persons from the Western Province on the SDP Board	<ul style="list-style-type: none"> <li>• BHP has relinquished its nomination rights and the right for the Government to appoint nominees has also been removed. The Articles of Association have been amended to reflect these changes</li> </ul>	

IMPLEMENTATION OF PREVIOUS INDEPENDENT REVIEW RECOMMENDATIONS		
Efficiency and effectiveness		
Recommendation	Assessment	Status
5. Make a realistic estimate of recurrent expenditure obligations, and make this the first charge on SDP's annual development expenditures	<ul style="list-style-type: none"> <li>• The August 2018 Board paper has defined a sustainable estimate for recurrent and the capacity for annual development expenditures</li> </ul>	
6. Hire a commercial manager to oversee SDP's subsidiaries	<ul style="list-style-type: none"> <li>• PNGSDP's new strategy does not contemplate the establishment of subsidiaries. The new model will involve establishing formal joint ventures with structures that ensure the alignment of incentives</li> <li>• The Program's organisation design and key personnel decisions will be informed by the new strategy development process</li> </ul>	
7. Reduce rather than expand the area of SDP's activities. Place a moratorium on new areas for funding, and review existing areas to see if any can be consolidated or exited from	<ul style="list-style-type: none"> <li>• PNGSDP streamlined the number of investment themes and projects to be supported to increase the likelihood of positive impact</li> <li>• The Program has also exited some previous investments and sought to improve others rather than invest in 'greenfield' opportunities</li> </ul>	
8. Seek opportunities for rationalization of activities between SDP and companies in which it has an ownership stake	<ul style="list-style-type: none"> <li>• This recommendation is no longer relevant as subsidiaries have been closed down</li> <li>• Future commercial vehicles will include structures which defined aligned incentives</li> </ul>	
9. Explore avenues for greater cooperation and risk-sharing between SDP and OTML	<ul style="list-style-type: none"> <li>• This recommendation is no longer relevant as PNGSDP is completely independent from OTML.</li> </ul>	
10. Improve the clarity of communication between Board and management. Strengthen management, if necessary by hiring more expatriate staff, given PNG's acute and growing skill shortages	<ul style="list-style-type: none"> <li>• The Board and Management have frequent and open communication as would be expected in best practice corporate governance</li> <li>• The Board have hired two expatriate staff to strengthen management and enacted new programs to attract and develop high quality PNG candidates</li> </ul>	



## IMPLEMENTATION OF PREVIOUS INDEPENDENT REVIEW RECOMMENDATIONS

### Documentation of impact

Recommendation	Assessment	Status
<p>11. Undertake periodic independent and public evaluations of a random sample of all community and community-type projects (this would include education, health, water, rubber and other community projects)</p>	<ul style="list-style-type: none"> <li>• Studies of this nature can be costly and time extensive without delivering clear insights into outcomes</li> <li>• PNGSDP have incorporate the principles of the recommendation into a model where pilot studies are completed and where possible compared to control samples to infer</li> <li>• For example, to the effectiveness of PNGSDP's tele-education program, a two cluster study of schools is being performed: one group is receiving tele-education while the other remains a control group. Studies such as this can provide an early marker on success and whether a comprehensive rollout will be effective</li> </ul>	
<p>12. Undertake periodic independent and public reviews of important programs (e.g. forestry, microfinance)</p>	<ul style="list-style-type: none"> <li>• PNSDP management has completed several fact-based strategic analysis of projects and industries to inform future decisions in relation to investment projects</li> <li>• While these reviews have not been made public due to the sensitive nature of some materials, PNGSDP has involved relevant experts (e.g. Consulting and Legal firms) to support the review process</li> </ul>	
<p>13. Appoint an M&amp;E (monitoring and evaluation) officer or consultant to drive an M&amp;E agenda, and aim for, say, one public, independent evaluation every year</p>	<ul style="list-style-type: none"> <li>• The Board and Senior Management include frequent monitoring and evaluation of projects as part of normal business practices</li> <li>• The need for a specific M&amp;E role will be informed by the new strategy development process</li> </ul>	
<p>14. Publish and place on the internet this and the last (Perkins) SDP review, and the Melanesian NGO Centre for Leadership CSDP evaluation</p>	<ul style="list-style-type: none"> <li>• The Independent reviews are available on the PNGSDP website</li> <li>• The Melanesian NGO Centre for Leadership CSDP evaluation is available via google search and links back to the PNGSDP website</li> </ul>	
<p>15. Redesign the Annual Report to enhance the focus on results, and to provide a balanced history rather than an optimistic snapshot</p>	<ul style="list-style-type: none"> <li>• The annual report has been streamlined relative to the mid-2000s</li> <li>• Material reported in consistent with professional standards</li> </ul>	

## Appendix 2. Compliance with Program Rules

In summary, the Program is in compliance with the Rules (Exhibit 11) although some additional appointments must be made before reinstatement of the Advisory Council will be finalised.

### Exhibit 11

ASSESSMENT OF COMPLIANCE WITH PROGRAM RULES		
Program Rule	Assessment	Evidence
1. Establishment of program	Not applicable	Not applicable
2. Objects of the program	Compliant	Annual Report
3. Role of Board	Compliant except for clause (f), meeting annually with the Advisory Council	Board Minutes
4. Chief Executive Officer	Compliant	Chairman and CEO interviews
5. Program Management	Compliant	Board materials
6. Advisory Council	Finalising work to reinstate by the end of 2018	Board materials
7. Restrictions on Power of the Company	Cancellation of the OTML's shares make this irrelevant	Board materials
8. Distributions by Program	Compliant	Annual Report
9. Application of Income Received	Compliant	Annual Report
10. The Long Term Fund	Compliant	Annual Report
11. Determination of Contractual Obligations	Compliant	Annual Report
12. OTML Calls	Cancellation of the OTML's shares make this irrelevant	Board materials
13. Investment Policy and Guidelines	Compliant	Board materials
14. Plans and Budgeting	Compliant	Board materials
15. Operating Manual	Compliant	Company intranet
16. Selection of projects for Program Support	Compliant	Board materials
17. Implementation of Projects Supported by the Program	Compliant	Board materials
18. Monitoring and Evaluating Program Operations	Compliant	Board materials
19. Stakeholder involvement	Compliant	Annual Report
20. Report to BHP Billiton, OTML and the State	Compliant	Board materials
21. Interpretation	Not applicable	Not applicable

New members have been appointed to a formally re-constituted Advisory Council although the search for additional members is an ongoing process.

## Appendix 3. Insights from other organisations

PNGSDP's four focus areas (Access, Education, Health and Livelihoods) are sufficiently broad to accommodate a disparate range of project possibilities and interpretations.

Other development organisations such as the Bill and Melinda Gates Foundation have more precise statements, with each of their five program areas described in terms specific objectives together with a clear outline of the challenge, opportunity and priorities (as illustrated by following example from their Global Health Program).

Element	Elaboration
<b>Program objective</b>	Reduce inequities in health by developing new tools and strategies to reduce the burden of infectious disease and the leading causes of child mortality in developing countries
<b>Program focus</b>	Discovery and Translational Sciences Enteric and Diarrheal Diseases Neglected Tropical Diseases HIV Malaria Maternal, Newborn and Child Discovery and Tools Pneumonia Tuberculosis Vaccine Development and Surveillance
<b>Malaria Example</b>	Demonstrate an accelerated path to elimination Invest in new interventions Mobilise support

By having statements with a similar level of clarity and precision, PNGSDP can probably explain its development initiatives more effectively.

A more precisely defined program agenda will surface choices and trade-offs (some opportunities must be given more importance than others). A focus "on the right things" requires justification in terms of a clear link to improved outcomes.

Other reputable organisations have adopted this discipline. The Clinton Foundation Development Initiative, for example, describes why its involvement in various areas will make a difference. In the case of agribusiness projects, they focus on increasing farmer access to knowledge, inputs, and services as the key to improved crop yields; more incomes; and reduced risks. This in turn drives market development, sustainability and efficiency.

Their model is based on the premise that, without driving these levers, the potential of agribusiness will be limited. This suggests it might be helpful for PNGSDP to describe why each of its focus areas is important in terms of improved Western Province outcome.

While PNGSDP's adoption of partnerships to help shape and implement its development initiatives is a reasonable approach, it does not address the practical problem of how it will create, develop and exit specific opportunities.

The MacArthur Foundation has addressed this challenge by identifying a small number of 'big bets' in areas where it can make significant progress.

It builds its portfolio of "big bets" in three stages:

- **Strategy development.** This involves thinking through the basis for making each big bet (screen problems and opportunities; then select those which justify an "enduring commitment"). Big bet concepts are reviewed, refined and given clear objectives before being approved.
- **Implementation.** During this stage, plans are refined as the execution starts. Staff iterate between execution and strategy as events unfold; results monitored; and plans re-evaluated and adjusted.
- **Exit.** Strategy execution is wound down to an endpoint in light of the outcomes and impact. These goal-based endpoints are considered from the outset and re-tested during regular feedback cycles.

The process is designed to incorporate progressive learnings so that the strategies are adapted and refined in light of changing circumstances.

While PNGSDP has trimmed its operations to match its reduced income, more resources (as well as new skills and capabilities) will be needed as new projects are added to the agenda.

However, this should not be a rushed exercise. Before new staff are recruited, the requisite skills and capabilities should be properly specified so the right people are hired and an effective mix of employees, contractors and partners<sup>10</sup> is put in place.

The MacArthur foundation utilises a mix of internal and external expertise to run its organisation:

- A core inhouse team provides leadership, develops strategy, and manages the organisation.
- This core team is supported by a set of internal advisors (employees who ask the tough questions; provide strategic guidance; monitors progress toward stated goals; and facilitates internal collaboration.
- A small set of external advisors provide critical reviews and specialist knowledge.
- Intermediaries (or partners) are also used to deliver impact by bringing in outside knowledge, connections, networks, expertise, and resources.

The ideas presented here should be tempered by a consideration of the sensible extent and pace of change given PNGSDP's specific context and people. Its capacity for organisational change will depend on the quality of its leadership and governance.

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<sup>10</sup> Should PNGSDP train its own accountants or specialist project managers