



# Independent Review

PNG Sustainable Development Program Limited  
13 December 2022

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## Summary

This is the fifth Independent Review of the Papua New Guinea Sustainable Development Program ('the Program').

The Program Rules require that an Independent Review performs an assessment of the Program against its Rules. More recent Reviews have also identified opportunities to improve Program efficiency and impact. This Review performs both functions.

This Review is based on:

- Documents provided by the Program, including internal discussion papers, minutes of Board meetings, management reports and reports of the Program's auditors
- Interviews with members of the Board and management team
- Interviews with Program delivery partners
- Independent research on conditions in Western Province and in Papua New Guinea generally

The evidence shows that the Program remains in compliance with Program Rules, and has addressed recommendations of previous Reviews.

The last Independent Review identified a new phase of Program development. Freedom from legal action had allowed a new approach, with increased focus on impact rather than defence.

The latest evidence supports this approach with demonstrable impact on health, education, infrastructure, and livelihoods in the cash economy.

The Program performed particularly well through the COVID period, and there has been a noticeable increase in community support.

The Program has also improved its financial position. The Long Term Fund (LTF) continues to grow. Operating expenditure has increased with activity, albeit still well below previous settings.

To sustain and enhance this momentum, the Program should continue to work through three groups of important issues.

The first group includes issues regarding **operational approach**.

- How to deploy appropriate impact-focused metrics to focus Program leaders, improve partner performance and attract new delivery partners
- How to ensure the Program retains its 'test and learn' culture as it grows in scale

The second group includes matters of **organisational development**.

- How to continue to plan for and execute leadership succession
- How to develop organisational capabilities further through recruitment and training

The final group includes issues of **strategic direction**.

- How to balance the need for 'focus' against demands to 'do more'
- How to identify and manage the risks and opportunities from closure of the Ok Tedi mine
- How to find and cultivate credible new partners to strengthen implementation capabilities and bring fresh ideas and co-funding
- How to develop a more concrete picture of where the Program should be in the next 10 to 15 years

# 1 Purpose and conduct of the Review

The Papua New Guinea Sustainable Development Program ('the Program') is an independent, Singapore incorporated company limited by guarantee. It commenced operations in 2002.

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

The Program's governance arrangements require Independent Reviews to evaluate compliance with the Program Rules. This is the fifth such Review.

The previous Review came after great change for the Program. Two events were particularly important.

- The Program's position had become more secure following unsuccessful legal challenges by the State and other interests seeking to capture the Long Term Fund (LTF).
- The Program had begun operating under a new approach, described by the previous Review as the Program's "third phase" with changes in five areas:
  - Funds management
  - Cost management disciplines
  - Project relaunch with more focus
  - Project delivery through partners
  - Organisation development

The previous Review focused on the background to, logic for, and potential benefits of the "third phase" approach.

This Review has a different focus given the elapsed time allows for comment on the impact of the new direction as it is now and could be, and less on its history.

## 2 Context and key events

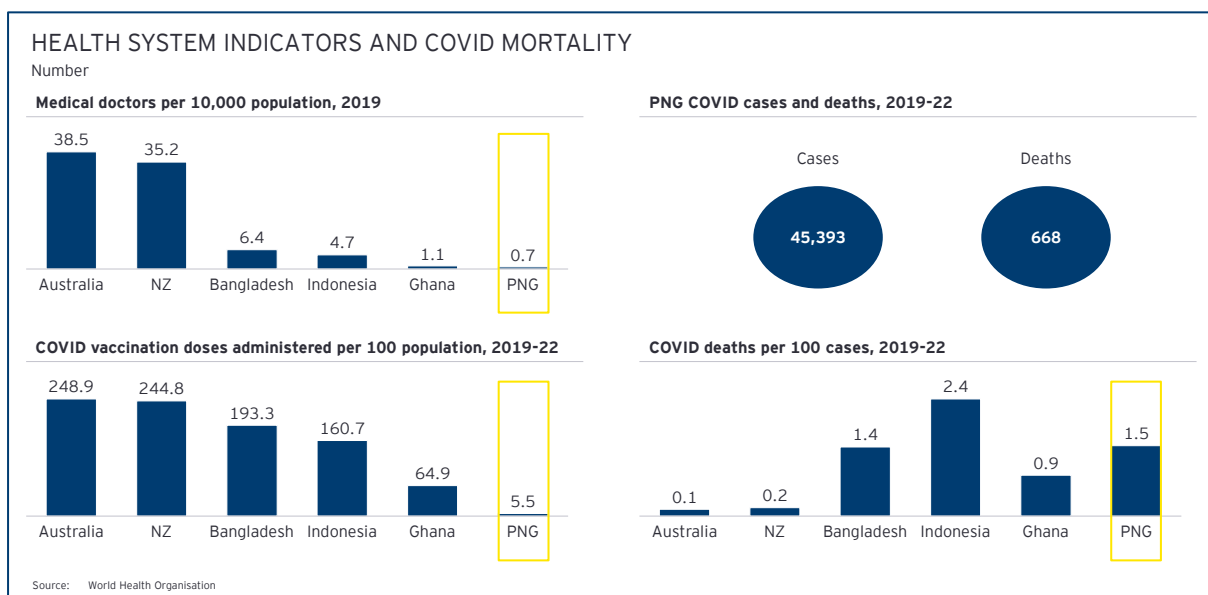
Western Province remains a challenging environment for the Program.

COVID has been a major change in context since the last Review, and PNG was vulnerable given the state of the health system (Exhibit 1).

COVID created a challenging environment for personal safety, health, security, and travel. These circumstances created difficult choices for many development agencies, including whether and how to sustain operations in PNG.

The Program's response to COVID and how it differed from others' will be discussed in more detail in Section 4 below.

### Exhibit 1





### 3 Program operations

The last Review described a new operating approach for the Program. This approach had five major elements:

- A revised **funds management** approach with the objective of boosting income while better managing risks
- Improved **cost management disciplines** through new management practices
- **Project relaunch**, with fewer projects, focused on health, education, infrastructure, and livelihoods in the cash economy
- Restructured **project delivery**, with greater involvement of partners and less in-house execution
- **Organisation development**, with greater focus on recruiting and developing PNG nationals, and 'on the ground' presence in Western Province

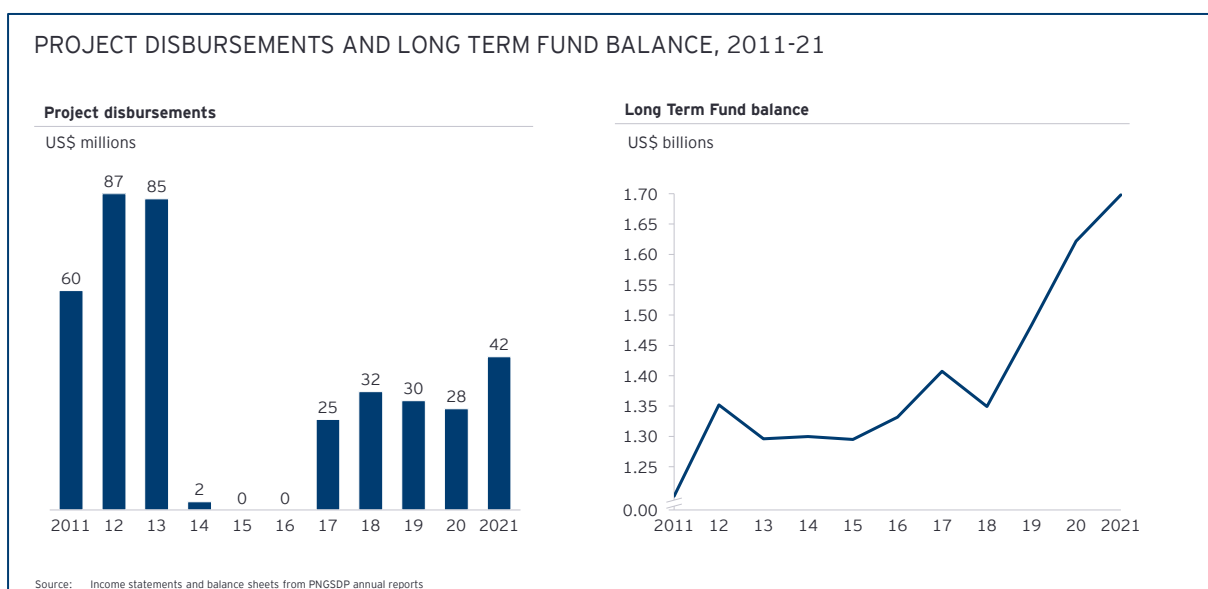
Each of these elements remain in place.

The Program's funds and cost management approaches are improving its financial position.

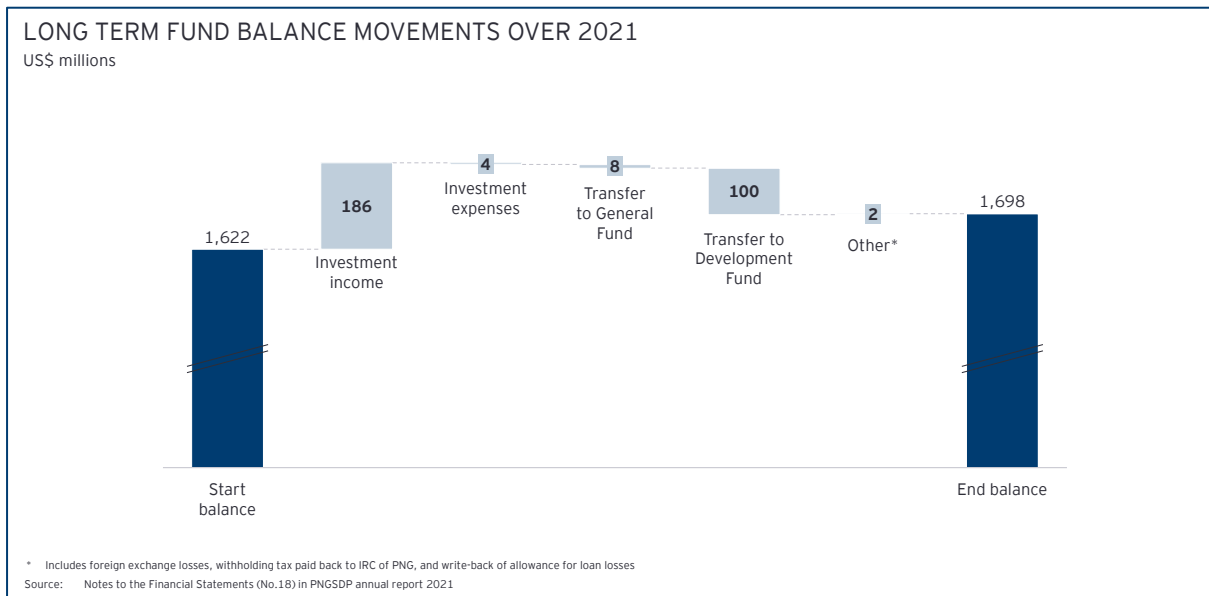
The Program's assets are held in two funds. The Long Term Fund (LTF) holds the Program's endowment, and the smaller Development Fund is used to hold and disburse money needed for Program activities.

Since 2017, investment income generated by the LTF more than covered project disbursements allowing a steady increase in the LTF balance (Exhibit 2 and 3).

#### Exhibit 2

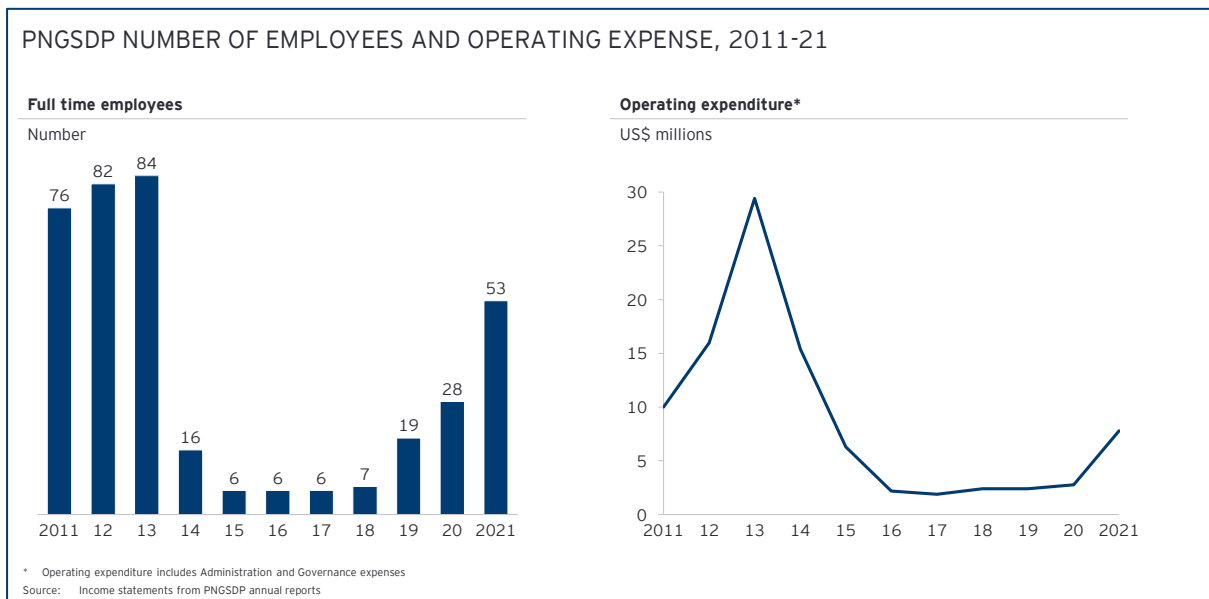


**Exhibit 3**



Project relaunch continues. Activity is increasing and consequently, operating expenses and headcount are growing, but still well below previous levels (Exhibit 4).

**Exhibit 4**



Focus discipline remains. Exhibit 5 shows the current active projects within each of the four areas.

These projects are under constant review for impact, efficiency, and consistency with the Program’s strategy.



## Exhibit 5

ACTIVE PROJECT LIST			
<p><b>1 Health</b></p> <ol style="list-style-type: none"> <li><b>Health Patrols:</b> aerial health patrols to deliver outpatient clinics; vaccinations; maternal &amp; child health; and other services.</li> <li><b>Morehead Health Centre:</b> upgrade and manage this facility as a PPP. PNGSDP's support includes construction, essential utilities, and providing health professionals and management.</li> <li><b>Other activities:</b> funding for Marie Stopes, World Vision, Rotarians Against Malaria and Youth with a Mission to provide health services in Western Province.</li> </ol>	<p><b>2 Education</b></p> <ol style="list-style-type: none"> <li><b>Balimo College:</b> teachers college which recruits trainee teachers and provides training.</li> <li><b>Flexible Open Distance Education Program:</b> program to enable school drop-outs to re-enter the education system and pursue tertiary studies.</li> <li><b>E-learning Program:</b> deployment of technology-based teaching (e.g. tablets and TVs) in schools.</li> <li><b>School Infrastructure Program:</b> construction of classrooms, dormitories, teacher housing and toilet facilities in schools.</li> </ol>	<p><b>3 Livelihoods</b></p> <ol style="list-style-type: none"> <li><b>South Fly Agribusiness:</b> joint venture to develop commercially viable agriculture projects, producing vanilla, cocoa, and black pepper and an industrial complex in Daru to provide nursery seedlings and aquaculture. These ventures are based on the "nucleus estate" business model to support smallholder participants.</li> <li><b>Rubber:</b> project to buy, process and export rubber to help local growers achieve sufficient yields from their trees; currently conducting proof-of-concept trials with rubber farmers.</li> </ol>	<p><b>4 Infrastructure</b></p> <ol style="list-style-type: none"> <li><b>Airstrips maintenance:</b> safe and reliable access to airstrips to facilitate health patrols.</li> <li><b>Telecom upgrade:</b> 4G system to facilitate e-learning and, in due course, telehealth.</li> <li><b>Campus facilities development:</b> infrastructure to enable Balimo hub activities.</li> <li><b>Airport terminal construction:</b> infrastructure to facilitate aerial health patrols.</li> <li><b>Solar power and desalination plant construction:</b> infrastructure to provide clean energy and water.</li> <li><b>School dormitory construction:</b> St Gabriels and Kiunga Secondary.</li> </ol>
Source: 2021 Annual Report			

On organisation development, Exhibit 4 shows an increase in headcount over the last four years. The organisation now comprises a capable team of professionals, of which 94% are Papua New Guineans. To cater for the growth the Program has been refining its policies and processes, and has begun deliberations about organisation structure, leadership development and succession planning.

The Board has been renewed. Since the last Review, 5 of 8 current Board Directors have been appointed. A summary of the backgrounds of Board members are shown in Exhibit 6 and 7.

## Exhibit 6

BOARD OF DIRECTORS (1/2)			
<p><b>1 Peter Graham (Chairman)</b></p> <p>Mr Graham has had an illustrious 40-year international career (including 15 years in PNG) in the mineral, oil and gas industries where he has held senior technical and leadership positions.</p> <p>A chemical engineer by profession, his previous positions include Managing Director of ExxonMobil PNG, and Managing Director and CEO of Ok Tedi Mining.</p> <p>Mr Graham was awarded Commander of the British Empire in 2013 in recognition of his services in the oil and gas industry, and for his leadership in community development in PNG.</p>	<p><b>2 Lesieli Taviri</b></p> <p>Ms Taviri is the Executive General Manager of Kina Bank and formerly the CEO of Origin Energy PNG and President of Badili Club Network for young aspiring leaders.</p> <p>She holds a Bachelor of Science degree from the PNG University of Technology; an MBA from the Torrens University and attended the Harvard Business School Advanced Management Program.</p> <p>She was awarded the 2014 Westpac Outstanding Woman of the Year; the 2015 Female Director of the Year and in 2018 was the World LPG Association's Inaugural Woman of the Year.</p>	<p><b>3 Betty Lovai</b></p> <p>Dr Lovai is a distinguished academic with a Master of Arts degree in Social Policy and Administration from the University of Nottingham and a PhD from La Trobe University. She is currently the Executive Dean of the School of Humanities and Social Sciences at the University of Papua New Guinea.</p> <p>Dr Lovai is a champion for gender equality and women's rights and in 2010, she was awarded the U.S. Secretary of State's International Women of Courage Award for exceptional courage and leadership in Human Rights, Gender Equality and HIV and AIDs.</p>	<p><b>4 Robert Kaiyun</b></p> <p>Mr Kaiyun is the Provincial Administrator of Western Province and brings a wealth of experience in rural development work in Western Province.</p> <p>Prior to his appointment as Provincial Administrator, he was the District Administrator for North Fly, the provincial planner, and local government manager.</p> <p>He has travelled extensively in the province and understands the challenges of people from Western Province.</p> <p>Mr Kaiyun is from Karemgo village in the Middle Fly CMCA region.</p>
<p>■ Appointed after 2019 Review</p> <p>■ Appointed before 2019 Review</p>			
Note: Additional detail available on the PNGSDP website			

Exhibit 7

**BOARD OF DIRECTORS (2/2)**

■ Appointed after 2019 Review  
■ Appointed before 2019 Review

<p><b>5 David Wong</b></p> <p>Mr Wong is a chartered accountant and is the Chairman of Republic Polytechnic. He currently serves as an independent director on the boards of PEC, Banking Computer Services, and is a Member of the Charity Council in Singapore.</p> <p>He was previously the Managing Director of Wearnes Technology, and also a partner with Ernst &amp; Young, where he served as an Audit Partner and the Managing Director of EY Consultants in Singapore.</p> <p>He has also served as a senior officer in the Republic of Singapore Air Force.</p>	<p><b>6 John Wylie</b></p> <p>Mr Wylie started his career in brewing (Carlton United Breweries and South Pacific Brewery). He was an Assistant Secretary in the PNG Department of Finance and then the Australian Department of Prime Minister &amp; Cabinet.</p> <p>He spent many years as a consultant providing strategic advice to large corporations (PCEK/Boston Consulting Group; Australian Consulting Partners). He also worked in private equity.</p> <p>He has held directorships with PNG Forest Products (Chairman); the Institute of National Affairs; and Highlands Pacific.</p>	<p><b>7 Dame Meg Taylor</b></p> <p>Dame Meg Taylor brings a wealth of experience in corporate governance, regulatory and development matters. She is an experienced legal practitioner having served on the PNG Law Reform Commission. She holds a Master of Law from Harvard University and a Bachelor of Law from Melbourne University.</p> <p>Dame Meg has served on the boards of a number of companies in PNG in the natural resources, financial, and agricultural sectors.</p> <p>In 2002, she was made a Dame Commander of the Order of the British Empire.</p>	<p><b>8 Greg Ridder</b></p> <p>Formerly Asia Pacific Regional President at NYSE listed Owens-Illinois, Mr Ridder was also President of the Packaging Council of Australia and a member of the Business Council of Australia. He is currently Chairman of online retailer Kogan.com (ASX:KGN) and is a non-executive director of Spirit Telecom (ASX:ST1).</p> <p>Mr Ridder's previous positions include CEO of Royal Australian Institute of Architects, CEO of Phoenix Australia (Centre for Post-traumatic mental Health), and Chief Financial and Strategy Officer at World Vision Australia. He is also a mentor to a number of NFPs.</p>
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Note: Additional detail available on the PNGSDP website

The Program has at its disposal Board Directors with appropriate expertise.

## 4 Emerging evidence of impact

The Program is in the process of developing impact-focused metrics for its projects. That said, the Program has benefitted from moving before deploying 'perfect' metrics. Some examples of Program metrics are shown in Exhibit 8.

### Exhibit 8

EXAMPLE PROGRAM METRICS			
1 Health	2 Education	3 Livelihoods	4 Infrastructure
<ol style="list-style-type: none"><li>1. Since 2019, the <b>number of airstrip communities the Aerial Health Patrols service</b> has grown from 11 to 30 and the number of health professionals and support staff has grown from 5 to 77</li><li>2. Aerial Health Patrols delivered <b>~33% of all vaccinations</b> in Western Province</li><li>3. Western Province had the <b>second highest full vaccination rate</b> across all provinces/regions in PNG</li></ol>	<ol style="list-style-type: none"><li>1. 39 undergraduate <b>trainee teachers enrolled</b> and commenced their studies at Balimo College in 2022</li><li>2. Since 2019, the <b>number of students</b> in the FODE program has grown from 105 to 485</li><li>3. In 2021, <b>91% of students</b> taking Grade 12 exams as part of the FODE program graduated with a GPA above 2.0 making them eligible for tertiary studies</li></ol>	<ol style="list-style-type: none"><li>1. South Fly Agribusiness projects are currently <b>employing ~180 people</b> during construction and will employ a permanent staff of 450 and support almost 1000 participating smallholders when existing projects reach steady state majority</li><li>2. Proof-of-concept trials for the rubber program will <b>employ 100 people</b> and support 2000 rubber farmers</li></ol>	<ol style="list-style-type: none"><li>1. The airstrip maintenance and remediation program has increased the <b>number of airstrips with safe and reliable access</b> from 12 to 36</li><li>2. The telecom upgrade plan is trialling the installation of VSAT satellite systems at <b>30 health centres</b> to address connectivity problems</li></ol>

Source: 2021 Annual Report and Board papers

Further development of these metrics is an organisational priority.

While metrics evolve, there is evidence of increasing impact:

- **Partner relationships.** Partners report productive, valued relationships with the Program despite the challenges. In some cases, the Program is providing constructive pressure on delivery partners to adapt their standard approaches to better match the Program's requirements.
- **Improved community support.** The Program has increased its 'on the ground' presence, and delivered projects with demonstrable value which builds community support.

Broader support is also increasing. Program team members and the Board report increasing support from local and national political figures. Positive traditional and social media coverage is increasing, and activity by detractors has declined.

- **Performance during COVID.** The Program's contribution to COVID vaccination and health care efforts have been distinctive. The Program delivered 33% of all vaccinations in Western Province, supplied protective equipment, conducted awareness training, and assisted national efforts to counter vaccine hesitancy... all without comprising staff safety.

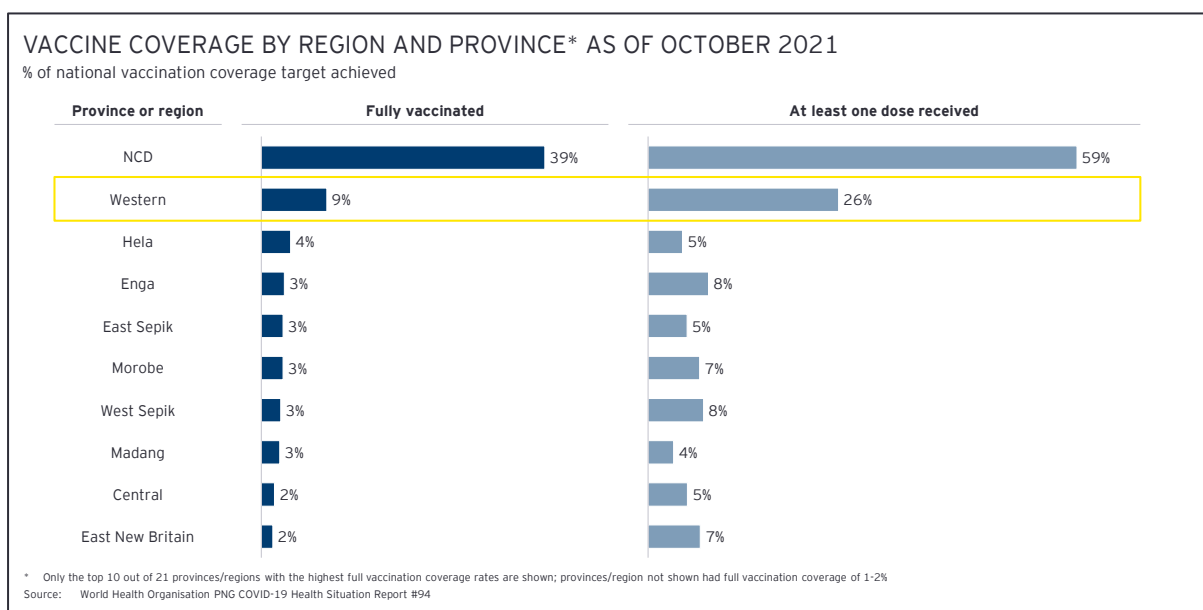
A key part of the Program's contribution was achieved by having 'on the ground' staff build trust and confidence in Western Province communities.

The contribution of the Program was reflected in Western Province having the second highest full vaccination coverage across all provinces and regions in PNG (Exhibit 9).

The onset of COVID challenged the activities of local and international aid agencies. In many cases, their staff were withdrawn. The Program chose to maintain its activities throughout the COVID period, albeit with appropriate precautions to protect its staff.

That decision was given careful consideration at management and Board level. In an environment where resilience to disruption is key to long term impact, this period is a powerful demonstration of the Program's focus and commitment.

### Exhibit 9



- Organisation development.** The Program's shift towards a Western Province presence and focus has been beneficial. Staff training and mentoring is given high priority and recruiting is an ongoing process.

This evidence of impact may be non-traditional, but it is meaningful and therefore worth recording in this Review. It also speaks to the way in which an integrated program can deliver value beyond each individual project. Over time, this type of evidence may become more important than individual project metrics.

## 5 Assessment against mandatory criteria

The Program complies with all relevant Program Rules (Exhibit 10). Further detail on the compliance assessment can be found in Appendix 1.

### Exhibit 10

SUMMARY ASSESSMENT OF COMPLIANCE WITH PROGRAM RULES		
Program rule	Summary assessment	Evidence
1 Establishment of the Program	• Not relevant	• Not relevant
2 Objects of the Program	• Compliant	• Annual reports
3 Role of the Board	• Compliant	• Board papers and minutes • Annual reports • Interviews • Project proposals
4 Chief Executive Officer	• Compliant	• Board papers and minutes
5 Program management	• Compliant	• Board papers • Interviews • Funding agreements • Project proposals
6 Advisory Council	• Compliant	• Board papers and minutes
7 Restrictions on Powers of the Company	• Not relevant	• Not relevant
8 Distributions by the Program	• Compliant	• Board papers • Funding agreements • Annual reports
9 Application of Income Received	• Compliant	• Annual report • 2021 Audit Report
10 The Long Term Fund	• Compliant	• 2021 Audit Report
11 Determination of Contractual Obligations	• Compliant	• Annual report • Interviews
12 OTML Calls	• Not relevant	• Not relevant
13 Investment Policy and Guidelines	• Compliant	• Board materials
14 Plans and Budgeting	• Compliant	• Board papers • Annual report
15 Operations Manual	• Compliant	• Board papers
16 Selection of Projects for Program Support	• Compliant	• Board papers
17 Implementation of Projects Supported by the Program	• Compliant	• Board papers • Funding agreements
18 Monitoring and Evaluating Program Operations	• Compliant	• Board papers • Funding proposals
19 Stakeholder Involvement	• Compliant	• Annual reports • Board papers • Online feature articles
20 Report to BHP Billiton, OTML, and the State	• Compliant	• Interviews
21 Interpretation	• Not relevant	• Not relevant

The following Program Rules require further comment since they have been assessed as 'not relevant'.

- Rule 1 is not relevant since the Program has not been re-established since the last Review
- Rule 7 and Rule 12 are not relevant due to cancellation of the OTML shares
- Rule 21 is not relevant since it simply provides definitions of terms

The last Review found that although the Program was compliant, improvements were needed in the construction and use of the Program’s Advisory Council. The Program has made progress by appointing 5 Council members. The Program has a well-utilised Council, which could be usefully summarised as a group of relevant specialists (Exhibit 11 and 12).

Discussions with Program team members suggest that the Council is being engaged primarily through individual conversations. This type of engagement could match well with the Council’s makeup. Board minutes also record Council members have attended some Board meetings, where the Board has acknowledged the Council’s contributions.

### Exhibit 11

**ADVISORY COUNCIL**

**1 Michael Henao**

Mr Henao is an experienced legal practitioner, admitted to practice as a lawyer in PNG. He holds a Bachelor and Master of Laws from the Australian National University.

He currently serves as the Head of Legal & Regulatory at Digicel PNG, and his previous roles include Senior Legal Officer at Bank of South Pacific and Lawyer at Blake Dawson (Ashurst) in PNG.

Mr Henao’s board and leadership experience includes being the Chairman of the Digicel PNG Foundation and the Chairman of Fundraising at the PNG Olympic Committee.

**2 Douglas Papa**

Mr Papa is a Daru-born retired Lieutenant Colonel. Mr Papa holds a Bachelor of Science from the University of PNG, and a Post Graduate Diploma in Strategic Studies from the PNG National Research Institute and Massey University.

He served a total of 33 years in the PNG defence force, including as an Engineer Battalion. Mr Papa’s previous roles also include Joint Security Task Force Coordinating Officer at the APEC Coordinating Authority, and Executive Officer at the Office of the Vice Minister for Foreign Affairs and International Trade.

**3 Charles Yala**

Mr Yala is one of PNG’s leading researchers, with expertise in areas including land reform, development planning, competition policy and economic reform. He holds a PhD in public policy from the Australian National University.

Mr Yala is currently an Executive Director at Niugini Land and Properties, and was previously Director at the PNG National Research Institute and Senior Research Fellow at the University of New South Wales.

He has been a strategic advisor to many organisations, including DFAT and the PNG government.

**4 Bri Olewale**

Mr Olewale is an accomplished Technology Administrator with a progressive career record spanning a wide range of IT operations. He is a focused on bringing value for investment to information systems and technological innovations.

Mr Olewale is currently a Program Manager at Catalpa International in Port Moresby, and has previously served as a Communications Consultant, Programme Officer and ICT Offer at PNG Sustainable Development Program.

He holds a Certificate 3 in Information Technology from the North Sydney Institute of TAFE.

■ Appointed after 2019 Review

■ Appointed before 2019 Review

### Exhibit 12

**ADVISORY COUNCIL (2/2)**

**1 Tutae Gire**

Ms Gire is currently Principal at the Cross Country School of Excellence, where she manages the school and conducts research on early learning and STEM education.

She completed her education at the University of PNG and Macquarie University, where she completed a Master of Arts (Education) on AIDAB Scholarship.

Ms Gire has extensive experience in Western Province, having served as District Planner at the Western Provincial Administration and as Senior Monitoring and Evaluation Officer at the Department of Finance & Planning.

■ Appointed after 2019 Review

■ Appointed before 2019 Review

## 6 Assessment against previous recommendations

It is appropriate for a Review to assess how the Program has responded to recommendations of the previous Review.

Probably the most important recommendation of the previous Review was the following:

*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?*

Specific questions (Exhibit 13, repeated from previous Review) were used as a guide to this dialogue.

### Exhibit 13

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>

Given the context of the last several years, it is understandable that management and the Board focused their attention on re-launching projects to establish credibility with key stakeholders. Having achieved this successful start-up, it is now important for the Program to focus on longer-term, strategic issues as projects mature and new ideas and partners are sought.

The previous Review made three recommendations relating to governance. These were:

- 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 embedded in the Program Rules with two possible changes:
  - The appointment terms for all Directors should be limited to 3 x 3 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.*

The evolution of the Board and Advisory council has been discussed above and the Program has appropriately responded to these recommendations. Regarding the Members, there is no evidence that the Members are acting as a ‘de-facto board’.

## 7 Positioning for future success

The Program is in a strong position with financial and operational settings consistent with the long-term vision and strengthened support from external stakeholders. Considerable investment in time and energy by the Program's leadership group has delivered this result.

With the new operating model in place, the Program is well placed to examine emerging issues and new opportunities. These issues can be categorised into three groups.

The first group includes issues regarding the Program's **operational approach**.

- **Deploy appropriate impact-focused metrics to focus Program leaders, improve partner performance and attract new delivery partners.**

A lack of impact-focused metrics has not limited Program decision-making or action. While this approach is pragmatic, it misses some of the broader benefits of a well-developed metrics suit. These include:

- Contributing to internal alignment. Metrics can help clarify priorities, helping sustain hard-won focus.
- Management of existing development partners. Metrics help align interests and incentives and stimulate discussion of improvement priorities.
- Recruitment and selection of new partners. Willingness to embrace and persist with the Program's chosen metrics is a sign of compatibility.

Steps to address these issues could include testing currently planned metrics with partners and other stakeholders and canvassing their views on what metrics will be suitable for their responsibilities.

- **Ensure the Program retains its 'test and learn' culture as it grows in scale.**

Pragmatism around metrics is an example of an attitude many interviewees feel essential to the Program's future - the ability to move forward in ambiguous situations. This 'test and learn' approach has been central to the Programs impact, and is said to be a differentiator against other similar organisations.

This type of approach can be challenging to retain as enterprises scale up and tacit knowledge and relationships about appropriate approaches are replaced by more formal policy. This process can reduce or even extinguish the ability for organisations to move swiftly and to take measured risks.

Steps to avoid this can include examining how other organisations have created and even sheltered entrepreneurial or innovative activities, and adapting these ideas for the Program's circumstances.

A second group includes matters of **organisational development**.

- **Continue to plan for and execute leadership succession.**

With a new Chair and renewed Board, normal succession planning should be to consider the next CEO, but this needs careful handling. The current CEO has been instrumental in the Program's development; in the words of one interviewee "pretty close to essential".

It is natural to delay replacing a successful CEO. Choosing the 'wrong' replacement can appear a mistake not worth making. However, failure to secure a replacement will - in time - make other necessary steps more difficult. A thriving organisation should be able to attract a high-quality CEO, who in turn can make the organisation more successful.

Steps to address this issue could include setting a more overt deadline for the next CEO to be appointed, and confirming the absence or presence of internal candidates, enabling (among other things) a decision on the need to involve an external recruiter.

- **Develop organisational capabilities further through recruitment and training.**

As well as leadership, many interviewees agree the broader organisation requires further development. This development would assist delivery of projects while also adding value in terms organisational resilience and skills transfer.

These activities could extend current work on policies and processes into a more comprehensive organisational development approach.

A final group concerns issues of **strategic direction**.

- **Balance the need for "focus" against demands to "do more".**

The Program's "third phase" is demonstrating the value of focus. Improved impact is increasing confidence in the Program's operating model.

The opportunities to add value are insatiable and so pressures to broaden the Program's activities are inevitable. These pressures are easily dealt with when they come from 'tainted' pressure groups, or when the suggestions are clearly 'off strategy'.

However, overtime, as the Program's reputation increases and new, high quality partners are attracted, focus on current priorities may be harder to sustain.

Steps to address this issue could include deciding what the 'next logical step out' might be and developing 'criteria' a step out project will have to pass.

- **Identify and manage the risks and opportunities from closure of the Ok Tedi mine**

Expectations for responding to mine closure are increasing as the 2032 timeline draws closer. Planning an effective response requires a collaborative and concerted effort as poor outcomes will impact Western Province and could have reputational impacts on the Program.

- **Find and cultivate credible new partners.**

Program leaders have already identified a pressing need to attract new partners - as identified in the last Review, introducing new high performing and innovative organisations to PNG could be a unique contribution.

Steps to address this issue could include agreeing on selection criteria for new target partners, and actively canvassing suitable candidates by offering the Program as an established channel for entry into PNG.

- **Develop a more concrete picture of where the Program should be in the next 10 to 15 years.**

Developing an overarching strategic concept can surface and resolve a set of guiding principles for the Program. At a time of future change, including a new CEO or partners, these principles may help sustain focus and direction.

Steps to address this issue could include continuing the internal deliberations over the Program's strategy and encouraging dialogue to address the questions in Exhibit 13.

Many interviewees recognise these issues. Some Board papers suggest relevant work has already begun in several areas.

The next challenge will be to turn these initial deliberations into concrete strategic initiatives to further improve Program performance.

## 8 Concluding remarks

This is the second consecutive Review that has found the Program is compliant with all Program Rules and has responded appropriately to almost most of the recommendations of the previous Review.

This Review's major recommendations relate to important decisions about the Program's future. In commonly used governance terms, these concern performance not conformance.

Even mature organisations can find it difficult to move the leadership dialogue from conformance - focused on risks and controls - to those focused on improving performance.

In part through responding to recommendations of the previous Reviews, the Program has improved performance.

This Review invites the Program to continue the transition to a focus on performance, albeit at a measured pace.

## 9 Appendix A - Detailed assessment against Program Rules

	<b>Program rule</b>	<b>Summary assessment</b>	<b>Rationale</b>	<b>Evidence</b>
1	Establishment of Program	Not relevant	Not relevant	Not relevant
2	Objects of the Program	Compliant	<ul style="list-style-type: none"> <li>The Program is currently financing, managing, and reporting on various projects which are promoting sustainable development and advancing the general welfare of the people of PNG (particularly in Western Province).</li> <li>The Program's development projects are focused on four pillars - Health, Infrastructure, Education and Livelihoods</li> </ul>	Annual reports
3	Role of Board	Compliant	<ul style="list-style-type: none"> <li>The Program's strategy (including financial and investment strategy), risks, and operations are discussed and reviewed in Board Meetings.</li> <li>Project proposals are presented to the Board, and the Board determines which projects are funded based on alignment to selection criteria.</li> <li>Extensive project updates are provided to the Board, which allow them to review the development outcomes and achievements of the Program and its operations in terms of the Objects.</li> <li>The Board has met with the Advisory Council in a Board meeting and acknowledged their role in helping the Program.</li> <li>Public accountability is provided annually through a published Annual Report and a public Annual Report Meeting.</li> </ul>	Board papers Board meeting minutes Annual reports Interviews Project proposals
4	Chief Executive Officer	Compliant	<ul style="list-style-type: none"> <li>The CEO has established and conducts a secretariat for the Program, including employees for systems &amp; processes, people &amp; culture, policies, finance, IT, maintenance, and other administrative duties.</li> <li>Relationships are maintained with project partners and stakeholders, allowing for effective collaboration on projects and communications related to funding agreements.</li> </ul>	Board papers Board meeting minutes

			<ul style="list-style-type: none"> <li>Public accountability is provided annually through a published Annual Report (including financial statements prepared by a reputable accounting firm) and a public Annual Report Meeting.</li> <li>The CEO makes recommendations to the Board in relation to: (1) appointments to the Advisory Council, (2) activities and role of the Advisory Council, and (3) project funding.</li> <li>Methodologies for project assessment and monitoring have been designed, and these methodologies are now being used to regularly review the progress of projects.</li> </ul>	
5	Program Management	Compliant	<ul style="list-style-type: none"> <li>The Program regularly receives project proposals and requests for funding, which are assessed using a standardised process by the CEO and Board along with input from other stakeholders when required.</li> <li>The Program recognises the importance of participation from local leaders and organisations for the success of projects, and actively builds local community capabilities through initiatives such as training programs.</li> <li>The CEO, with input from relevant stakeholders, negotiates and manages funding agreements which are approved by the Board.</li> <li>The CEO sets an appropriate investment strategy which is then implemented by a fund manager. Regular investment performance updates are provided to monitor performance.</li> </ul>	<p>Board papers</p> <p>Interviews</p> <p>Funding agreements</p> <p>Project proposals</p>
6	Advisory Council	Compliant	<ul style="list-style-type: none"> <li>The Advisory Council currently consists of 5 members.</li> <li>The Advisory Council draws from their practical knowledge of the Western Province to provide insights and guidance to the CEO.</li> <li>Advisory Council members have attended Board meetings, where their contributions to the Program have been acknowledged.</li> </ul>	<p>Board papers</p> <p>Board meeting minutes</p>
7	Restrictions on Powers of the Company	Not relevant	Not relevant	Not relevant



8	Distributions by the Program	Compliant	<ul style="list-style-type: none"> <li>The Program applies available funds to sustainable development projects in one or more of the following ways: direct grant, direct or indirect investment, loans, provision of other resources, or contribution to other funds or organisations consistent with SDP's objects.</li> </ul>	<p>Board papers</p> <p>Annual reports</p> <p>Funding agreements</p>
9	Application of Income Received	Compliant	<ul style="list-style-type: none"> <li>Due to cancellation of OTML shares, the Program no longer receives distributions from OTML. Distributions refer to any dividends or other income to which the Program would be entitled in respect of ownership of OTML shares.</li> <li>KPMG's 2021 audit of the Program found that investment income from the LTF was being utilised correctly.</li> </ul>	<p>Annual report</p> <p>2021 Audit Report</p>
10	The Long Term Fund	Compliant	<ul style="list-style-type: none"> <li>KPMG's 2021 audit of the Program found that the balance of the Long Term Fund was being utilised correctly.</li> </ul>	2021 Audit Report
11	Determination of Contractual Obligations	Compliant	<ul style="list-style-type: none"> <li>Any outstanding obligation notices are dealt with by the Program's legal and audit teams, and disclosed in the annual report.</li> </ul>	<p>Annual report</p> <p>Interviews</p>
12	OTML Calls	Not relevant	Not relevant	Not relevant
13	Investment and Policy Guidelines	Compliant	<ul style="list-style-type: none"> <li>The CEO formulates the Program's investment policy and guidelines, which are reviewed by the Finance and Investment Committee and finally approved by the Board.</li> <li>The investment policy, which is reviewed at least once every accounting year, includes targets and benchmarks for investment performance.</li> <li>Investment performance reports are periodically provided to the Board to ensure compliance with the investment policy and guidelines.</li> </ul>	Board materials
14	Plans and Budgeting	Compliant	<ul style="list-style-type: none"> <li>An annual budget is prepared and submitted to the Board for review and actual operating expenditure is monitored progressively against the approved budget.</li> <li>The budget and plan submitted to the board includes the nature of projects for the upcoming year, income and</li> </ul>	<p>Board papers</p> <p>Annual report</p>

			<p>expenditure estimates, and allocation of expenditures to specific projects.</p> <ul style="list-style-type: none"> <li>• During KPMG’s 2021 audit of the Program, the directors of the Program confirmed that the total administrative expenses for the year are within the limit prescribed in the Program Rules and do not exceed 15% of the average annual income of the preceding 3 accounting years.</li> </ul>	
15	Operations Manual	Compliant	<ul style="list-style-type: none"> <li>• The Program has a board-approved operations manual containing policies and procedures. The rules outlined in the manual apply to all employees and are modified from time to time to keep them current and relevant.</li> </ul>	Board papers
16	Selection of Projects for Program Support	Compliant	<ul style="list-style-type: none"> <li>• The Program’s project selection criteria include: <ul style="list-style-type: none"> <li>○ Community participation and strengthening local capacity</li> <li>○ Effective collaboration with partners whereby the Program remains involved in the project, acting as a facilitator rather than a passive financier.</li> <li>○ Appropriate reporting mechanisms to allow assessment against objects</li> <li>○ Alignment with one of the Program’s four focus areas (Health, Infrastructure, Livelihoods and Education)</li> <li>○ Potential synergies across the Program’s projects</li> </ul> </li> </ul>	Board papers
17	Implementation of Projects Supported by the Program	Compliant	<ul style="list-style-type: none"> <li>• The Program has a set of common funding guidelines as well as specific funding guidelines for different types of projects.</li> <li>• The guidelines contain details regarding: the process for the Program making payments, requirements for funding agreements with project partners, accountability and reporting requirements, and timetable requirements.</li> </ul>	Board papers Funding agreements
18	Monitoring and Evaluating Program Operations	Compliant	<ul style="list-style-type: none"> <li>• The Program specifies reporting obligations in funding agreements to facilitate close monitoring of project progress.</li> </ul>	Board papers Funding proposals

			<ul style="list-style-type: none"> <li>This document reports the results of the independent review of the Program.</li> </ul>	
19	Stakeholder Involvement	Compliant	<ul style="list-style-type: none"> <li>The Program's annual report provides an update to stakeholders regarding the progress of the Program. The annual report includes a financial report of the Program (and the auditor's opinion on it), review of the Program's operations, and a report on the results of monitoring and review of projects.</li> <li>A public annual report meeting is held once every 12 months. Details of the annual report are published in well-known PNG newspapers.</li> <li>The Program provides periodic updates of project progress through online feature articles.</li> <li>The Program attends events where key stakeholders (e.g., district level bureaucrats and international government departments) congregate, and communicates their vision and Program progress.</li> </ul>	<p>Board papers</p> <p>Annual reports</p> <p>Online feature articles</p>
20	Report to BHP Billiton, OTML and the State	Compliant	<ul style="list-style-type: none"> <li>The Program annually contacts BHP, OTML and the State, providing an invitation to view the Annual Report which contains audited accounts and a report of the Program's activities.</li> </ul>	Interviews
21	Interpretation	Not relevant	Not relevant	Not relevant