May 8, 2012

Mr. Robert Tranter  
First Assistant Director General  
Pacific Division  
Australian Agency for International Development (AusAID)  
GPO Box 887  
Canberra ACT 2601

Amendment No. 8 to the Agreement between the Government of Australia and the International Bank for Reconstruction and Development and the International Development Association concerning the Multi-Donor Trust Fund for Pacific Facility III (TF055181)

Dear Mr. Tranter:

We refer to the agreement dated July 11, 2005 between the Government of Australia (the “Donor”) and the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”) regarding the Multi-Donor Pacific Trust Fund Facility III, as lastly amended by letter dated June 7, 2011 (the “Agreement”).

We are pleased to acknowledge on behalf of the Bank the intention of the Donor to make available a supplemental contribution of six million six hundred and fifty thousand Australian dollars (A$6,650,000).

Accordingly, the Bank proposes to amend the Agreement and the Standard Provisions incorporated therein to read as follows:

1. Paragraph 1 of the Agreement is amended by adding a new subparagraph (h):

   “(h) six million six hundred and fifty thousand Australian dollars (A$6,650,000).”
2. Paragraph 3 of the Agreement is amended by adding new subparagraphs (vii) and (viii) as follows and renumbering the following subparagraphs as (ix) and (x), respectively:

“(vii) Following countersignature of Amendment No. 8 and submission of a payment request by the Bank, the Donor shall promptly deposit six million four hundred thousand Australian dollars (A$6,400,000).

(viii) Following July 1st, 2012 and countersignature of Amendment No. 8 and submission of a payment request by the Bank, the Donor shall promptly deposit two hundred and fifty thousand Australian dollars (A$250,000).

(ix) Immediately upon receipt of the Contribution funds the Bank shall convert such funds into United States dollars

(x) The offices responsible for coordination of all matters related to the implementation of this Agreement are:

3. Paragraph 2.1 of Annex 1 to the Agreement (“Standard Provisions Applicable to Contributions to the Multi-Donor Trust Fund Pacific Facility III”) is amended by adding three new subparagraphs (h), (i), and (j):

“(h) health sector issues and activities in Papua New Guinea and the Pacific; (i) Tonga economic reform actions and technical assistance; and (j) labor mobility and migration analytical work and technical assistance.”

4. Paragraph 2.3 of said Annex 1 to the Agreement is amended by increasing the maximum amount for staff costs to nineteen million eight hundred and fifty thousand United States dollars (US$19,850,000)

The amended Standard Provisions will apply to all donors to the Multi-Donor Trust Fund for Pacific Facility III.

Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Bank of the copy of this Agreement countersigned by you, this amendment will
become effective as of the date of the countersignature; provided that the amendment to the Standard Provisions will become effective as of the final date of the agreement to that amendment by all donors to the Multi-Donor Pacific Trust Fund Facility III.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Truman Packard
Acting Country Director
Timor-Leste, Papua New Guinea
and Pacific Islands
East Asia and Pacific Region

AGREED:

GOVERNMENT OF AUSTRALIA
By:

Name: Robert Tranter
Title: First Assistant Director General, PNG and Pacific Division, AusAID
Date: 11 May 2002

CC:
Ms. Amanda Ellis
Deputy Secretary, International Development Bank
Ministry of Foreign Affairs and Trade, New Zealand

Mr. John Henry Whitehead, EDS09
# Pacific Facility III (PF3)
## Activity Framework: FY 2012 and FY 2013

<table>
<thead>
<tr>
<th>Activity</th>
<th>Approx. financing AUD (per FY)</th>
<th>Sub-Activities</th>
<th>Progress Indicator</th>
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<tr>
<td><strong>Scaling Up Coordinated Engagement in PNG and the Pacific</strong></td>
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<td><strong>1 Increasing World Bank programs with the Pacific Islands</strong></td>
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<td>• World Bank programs with PNG and Pacific islands, now at record levels, continues to grow, with the Bank enhancing engagement in both “traditional” and “non-traditional” clients&lt;br&gt;• Based on client demand, World Bank to continue the roll out of telecoms sector reforms (Kiribati, North Pacific); follow up telecoms reforms which have already occurred with investments to strengthen regional connectivity; support a common regional approach to aviation safety standards; reduce reliance on imported diesel; and further scale up climate change adaptation support.</td>
<td>• Successful implementation of growing IDA and trust fund portfolio in the Pacific (new commitments of over $260m in the IDA-15 period being almost double IDA-14 and six times IDA-13).&lt;br&gt;• Commitment of at least 8 new IDA and TF investments valued at $80m in FY12, with a focus on telecoms market liberalization and broadband connectivity; a regional approach to aviation, and climate change adaptation.</td>
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<td><strong>2 Country Assistance Strategy (CAS) support</strong></td>
<td>• Upstream AusAID participation in upcoming CAS preparation in 2011 (Samoa, Solomon Islands, Papua New Guinea; and possibly Vanuatu or RMI).</td>
<td>• AusAID participation in all upcoming CAS discussions in 2011.&lt;br&gt;• AusAID to be involved in the development or mid-term review of other CASs in the Pacific region,</td>
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<td><strong>3 Partnership Review</strong></td>
<td>• Delivery of performance and financial reports.&lt;br&gt;• Six-monthly strategic discussions between AusAID (First Assistant Director General of the Pacific Division and other relevant staff), New Zealand and the World Bank (Country Director of the East Asia and Pacific region and other relevant staff).</td>
<td>• Semi-annual performance reports submitted by WB in January and July based on internal documents used for performance discussions with WB Management.&lt;br&gt;• Quarterly financial reports submitted by WB.&lt;br&gt;• Six-monthly strategic discussions held between AusAID (First Assistant Director General of the Pacific Division and other relevant staff), New Zealand and the World Bank (Country Director of the East Asia and Pacific region and other relevant staff).</td>
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| Analytic and advisory activities (AAA)                                  |                                | • The World Bank to work with ADB to encourage wider and more structured discussion on Pacific Futures concepts with Pacific Island countries, Pacific island regional organisations, donor partners and stakeholders.  
• Progress on operationalizing Pacific Futures work (potential areas for follow up by all partners include continuing support for labor migration and remittances; regional connectivity; pelagic fisheries; supporting regional approaches to service delivery; and climate change adaptation). | • The World Bank and ADB to collaborate with partners to seek endorsement from Ministers at FEMM of Pacific Futures concepts.  
• The World Bank and ADB to sponsor a wider public forum to discuss Pacific Futures issues before the end of 2011, supported by a short issues paper/PPT outlining concepts.  
• The World Bank to make concrete progress operationalizing the regional harmonization agenda in areas where it may be agreed among partners that the Bank has a lead role among donors. |
| 1 Pacific Futures                                                       |                                | • Greater public expenditure analysis and dialogue in agreed Pacific island countries, including Tonga and Solomon Islands.  
• World Bank to coordinate the dialogue on macro-economic policy reform and joint donor budget support in Tonga.  
• World Bank to extend its leading role on common or consistent policy matrices to other Pacific island countries, as appropriate. | • Completion of public expenditure review in Solomon Islands by July 2011, and further support on public expenditure and PFM issues in coordination with CEWG members.  
• World Bank to undertake an expenditure mapping exercise in Tonga, building on the macro-fiscal paper completed in December 2010, and provide policy notes to the Government as needed on key issues.  
• Completion of draft common policy matrix in Tonga, in consultation with other donors.  
• World Bank to have led assessment on progress under the matrix from donor side.  
• World Bank to step up economic engagement and policy reform dialogue in other Pacific island countries, including non-traditional clients. |
| 2 Strengthen macro-economic policy dialogue, public expenditure analysis and coordination of donor budget support |                                |                                                                                                                                                                                                           |                                                                                                                                                                                                                 |
| 3 Remittances work                                                      |                                | • Delivery of agreed research products on remittances (including provision of technical expertise to assist remittance research, policies and products).                                                       | • Completion of agreed research products on remittances, with timelines to be agreed between AusAID and the World Bank.  
• Completion of agreed work program on                                                                                                                                                                           |
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| 1 Gender focus in analytic work | $125,000 | - Specific gender focus included in a number of the analytical pieces completed.  
- Activities undertaken to discuss and disseminate the findings. | - An agreed number of analytical pieces will include additional work to specifically look at gender aspects. This will include follow up on the qualitative research on gender roles in economic decision making in PNG, the |
| 4 Other country-specific or regional policy research and programs (to be identified as part of an annual work program) | | - Agreed pieces of policy work delivered. | - Meeting between AusAID (First Assistant Director General of the Pacific Division and other relevant staff), New Zealand and the World Bank (Country Director of the East Asia and Pacific region and other relevant staff) held in June/July each year to agree priority pieces of policy work to be funded by PF3 (eg fieldwork for the WB’s review of health and education SWAPs in the Pacific in FY12, and support for the WB’s draft Pacific Fisheries Strategy). This will draw on the WB’s draft AAA program for the next financial year.  
- Prior to this meeting, WB to provide AusAID with the draft AAA program, including the status, priority, resource allocations and likely timing for each piece of work.  
- Completion of agreed pieces of policy work within specified timeframes. |
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| Increased project focus on gender equality and women’s empowerment | $125,000 | • Agreed number of project designs to include specific activities to promote gender equality and women’s empowerment.  
• Additional support provided to a number of on-going projects to increase their impact on gender equality and women’s empowerment. | • An agreed number of projects will have additional work done during preparation, or during implementation, in order to develop specific measures to address gender issues  
• Targeted work to ensure policies and investments in PNG can improve women and girls’ access to service and markets.  
• In Solomon Islands the inclusion of gender specific analysis in the review of the RDP, exploring options to assist women entrepreneurs, and training of Ministry of Women and Youth staff.  
• The specific measures will be reflected in the monitoring and evaluation frameworks for the projects. |

Inclusion of a gender specific element in the PNG PER. (Note AusAID is funding the analytical work through the PNG country program through an EFO with WB for WDR 2012)  
• These analytical pieces will be used in sector dialogue, and contribute to policy and operations.  
• The World Bank’s Country Assistance Strategies (CASs) for Pacific countries and PNG will use the evidence from analysis to identify key gender issues and to identify specific barriers and constraints to gender equality that the World Bank will contribute to addressing during the CAS period.  
• The World Bank and AusAID will use the evidence collected to raise awareness of gender issues with Pacific policy makers.
| Contribution to SABER program (System Assessment and Benchmarking for Education Results) | A$1.15 million | - Contribute to prototype SABER tools (policy notes, diagnostic tools, policy data collection instruments and knowledge base website).
- Contribute to advisory services to the PNG-Pacific benchmarking pilot (PaBER).
- If agreed to be appropriate, piloting of SABER tools in an agreed number of Pacific countries and preparation Pacific island regional SABER Reports.
- In consultation with PaBER, country case studies of PaBER/SABER improvements in agreed policy domains (number of studies to be agreed).
- Delivery of a prototype SABER training program (including online and face-to-face components) to Pacific island counterparts and development partners (including AusAID).
- Participation in a PaBER/SABER conference in East Asia Pacific Region (Conference arranged by AusAID).
- Provision of a limited program of institutional development advice to SPBEA and USP and agreed PNG institutions of higher education.
- Within the broader SABER program schedule, the delivery of SABER tools.
- SABER training program piloted In FY 12.
- Advisory services provided to the PNG-Pacific benchmarking pilot.
- Knowledge-sharing with regional institutions.
- Regional SABER/PaBER reports (if piloting of SABER in the Pacific agreed to be appropriate).
- PaBER/SABER Country case studies (produced with AusAID).
- PaBER/SABER conference in East Asia Pacific Region.

Progress on the above to reviewed every six months and summarized in an annual program report.

| Support to an agreed program of activities in PNG and the Pacific focusing on learning for all, increasing literacy and numeracy rates and improving the employability of young people. | A$1.1 million | - Placement in Sydney of a early learning assessment specialist (with experience in early grade reading assessment (EGRA) in the Pacific/PNG region) on a 24 month assignment
- Placement in the region of a senior education specialist on a 24 month assignment (AusAID to contribute up to 50% of the costs of this placement).
- Technical assistance and quality assurance to support an EGRA program over the course of FY 2012 and FY 2013 to include up to four
- Specialists’ scopes of work shared with AusAID (for comment) by 30 July 2011.
- Placements commenced in first quarter of FY 2012.
- EGRA work schedule, funding and management responsibilities discussed with participating countries by 30 Dec 2011; and progressed throughout FY 20012 and FY 2013.
- Joint two-year World Bank AusAID Pacific and PNG EGRA program agreed by 31 January |
additional Pacific island countries (assuming country agreement on timing) and technical assistance to EGRA activities continued in PNG, Vanuatu, and Tonga.

- Program of exploratory work on developing a Pacific and PNG agenda for early childhood education in conjunction with UNICEF and AusAID.

Support the Government of Tonga (GoT) to implement selected aspects of the reforms agreed in the joint policy matrix

<table>
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<td>A$250,000</td>
<td>This support is to assist the GoT with the implementation of agreed and selected aspects of the reforms in the joint policy matrix, including some of the following:</td>
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<td>• Public financial management reform (PFM) to strengthen PFM systems, strengthen budget execution, increase the credibility of the budget and/or increase the transparency of key budget processes.</td>
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<td>• Fiscal policy reform to improve revenue effort, improve expenditure quality and/or strengthen the management of the public service wage bill.</td>
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<td>• Structural reform to promote energy sector, public sector, public enterprise, private sector development and/or other priority structural reforms.</td>
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<td>• Social protection reform to support the targeting, implementation and/or monitoring and evaluation of the community public works program.</td>
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<td>The progress indicators that will apply will be those agreed in the joint policy matrix and associated with each of the reforms on which assistance is provided, which may include – but not be limited to – some of the following:</td>
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<td>• Improved budget credibility at the level of disaggregated expenditure and/or increased public access to key fiscal information.</td>
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<td>• Improved revenue effort, expenditure quality and/or alignment of the public sector wage bill outturn to the budget.</td>
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<td>• Concrete and timely progress of structural reforms in the sectors where assistance is provided.</td>
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<td>• Incremental employment and income generation and community asset creation or maintenance in targeted communities.</td>
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| Support for an agreed program of analytical and advisory activities on health reform in PNG. To be prioritised by the Government of PNG, AusAID and World Bank, and aligned with Government of PNG’s national planning and financial process.  
Note: work programs will be developed at the country level with the Government of PNG and other key development partners involved in the health sector (i.e. bilateral, UN agencies, SPC, key NGOs as appropriate). Initial work programs should be presented/discussed/agreed at country level sector/development partner group meetings. | **AS$3 million over 3 years** | - Program of analytical work on  
  i. health financing options:  
  ii. Health service delivery in the state and non-state sectors  
  iii. Health equity and financial protection  
  iv. Impact evaluation of the health function grants on district health service delivery.  
Activities undertaken to discuss and disseminate findings  
- Analytical work will be undertaken in partnership with national and regional research institutions in order to build research capacity. | - Agreed analytical products (identified and scoped on an on-demand basis and agreed jointly by the National Department of Health, AusAID, and World Bank) to be presented at key points in 2012, 2013, and 2014, examining  
  i. How the PNG National Health Plan can be financed in an efficient and equitable manner  
  ii. The efficiency of state versus non-state providers in the health sector in PNG.  
  iii. Health equity and financial protection issues  
  iv. Impact evaluation of the health function grants on district health service delivery  
  v. Where feasible, analytical and advisory activities will be undertaken in partnership with national research institutions in order to promote research capacity building in PNG  
The rationale for the analytical products and their scope will be discussed with the Development Partners during the monthly Health Development Partner meetings.  
A regular AusAID-World Bank discussion will be held to discuss the scope and progress of activities within the Activity Framework. These discussions will then feed into six monthly discussions between the World Bank and AusAID.  
Progress on the above will be summarised in an annual program report. No reporting outside of existing reporting arrangements is required. |
| Other Pacific Countries | A$2.5 million over 3 years | Placement in Honiara (or agreed regional location) of a health economist for initial 2 year period (30% of costs to be covered by PNG allocation) | Placement of a Public Financial Management specialist familiar with the complexity of funding arrangements and related accountabilities in the health sector in Port Vila (or agreed regional location) | Program of targeted technical support and analytical work to improve

i. Health systems performance (such as efficiency, effectiveness, equity and financial protection)

ii. Core public financial management

iii. And other areas as agreed between World Bank, AusAID and partner governments

| Activities undertaken to discuss and disseminate findings to ensure transparency, quality and to build quality assurance capacity of Ministries of Health. | Economist's scope of work shared with AusAID and partner governments (for comment) by 3 April 2012 (before advertising/placement).

- Public Financial Management Specialist’s scope of work shared with AusAID (for comment) by 3 April 2012 (before advertising/placement).

- Agreed pieces of policy work delivered as part of the respective partner country work program.

Workshop held in 2012 and progress made on refining Public Financial Management roadmaps in health sector work (linking in with respective countries MoF activities and reform efforts)

- Initial program of work agreed by 30 June in Solomon Islands and Vanuatu.

The rationale for the analytical products and their scope will be discussed with the Development Partners during the respective countries regular Health Development Partner meetings.

A regular AusAID-World Bank discussion will be held to discuss the scope and progress of activities within the Activity Framework. These discussions will then feed into the regular six monthly work program discussions between the World Bank and AusAID.

Progress on the above will also be summarised in an annual program report. No reporting outside of existing reporting arrangements is required. |
| 3 | An initial (Phase 1) multi-country analysis in Vanuatu, Samoa and Tonga to consider the effect of non-communicable diseases (NCDs) in terms of cost of health for individuals, households and governments. A phase two analysis would then be undertaken that looks more broadly at the effect of diseases with highest impact in the region. | Phase 1: Analytical work on impact of non-communicable diseases and development of health financing options for national Governments in the selected countries. | • Agreed analytical work plan developed prior to 2012 Pacific Island Forum meeting and short presentation prepared for 2012 Forum Economic Ministers Meeting in Kiribati.
• Schedule for phase 2 deliverables linked to 2013/2014 Forum Economic Ministers Meeting and Pacific Islands Forum meetings.

A regular AusAID-World Bank discussion will be held to discuss the scope and progress of activities within the Activity Framework. These discussions will then feed into six monthly discussions between the World Bank and AusAID. |

| Support capacity building in Pacific island countries to export labour | A$650,000 | • Assistance in management and service delivery systems and performance coaching
• Establishing and improving functioning of worker databases
• Assistance with marketing plans
• Developing national labour migration policy frameworks | • Report detailing improvements along with longer term requirements and possible medium to long term arrangements for institutional strengthening work.
• Databases functioning effectively
• Marketing plans finalised and being used
• Progress with national labour migration policy frameworks. |