

Papua New Guinea - European Community

Country Strategy Paper and National Indicative Programme

for the period 2008 – 2013

The Government of Papua New Guinea and the European Commission hereby agree as follows:

- (1) The Government of Papua New Guinea represented by the Minister for Treasury and National Authorising Officer, -the Honourable Mr Bart Philemon, followed by the Honourable Sir Rabbie Namaliu-, and the European Commission, represented by Aldo Dell'Ariccia, Head of the Commission Delegation to Papua New Guinea, hereinafter referred to as the Parties, held discussions in Port Moresby from February 2006 to August 2007 with a view to determining the general orientations for cooperation for the period 2008 –2013. During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Papua New Guinea were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxemburg on 25 June 2005. These discussions complete the programming process in Papua New Guinea. The Country Strategy Paper and the Indicative Programme are annexed to the present document.
- (2) As regards the indicative programmable financial resources which the Community envisages to make available to Papua New Guinea for the period 2008- -2013, an amount of € 130 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 12.3million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which Papua New Guinea benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Papua New Guinea within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency



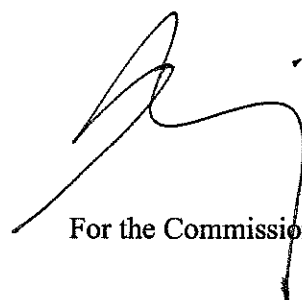
assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance. The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework of for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures



For the Government of Papua New Guinea.



For the Commission

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SUMMARY

The purpose of this Country Strategy Paper (CSP) is to provide the overall framework for EC cooperation with Papua New Guinea in the context of the support to be provided under the 10th EDF (2008-2013). The framework is based on the global objectives of the EC-ACP cooperation, PNG's own development strategy, an analysis of the political, economic and social situation in the country, and an assessment of the past cooperation programmes of EC and other donors. The CSP concludes by proposing an EC response strategy for the 10th EDF with the indicative planning further elaborated in the National Indicative Programme (NIP).

PNG has markedly improved macro-economic indicators and management over the last four years, supported by favourable prices for key export commodities. However, major challenges remain to ensure continued reform momentum and achieve sustainable growth at a level that may have a marked impact on poverty alleviation. In spite of positive economic growth, provision of basic services, which to a large extent is the responsibility of the sub-national government levels, is generally seen to have deteriorated over the last decade or so.

PNG's development policy is laid down in the Medium Term Development Strategy 2005-2010 (MTDS) where seven key priority areas have been defined. In line with the MTDS, PNG has redirected public spending towards these priority areas and sought to align donors behind the MTDS. Continued reform efforts will be needed to enhance the effectiveness of spending within these priority areas.

Assistance under the 9th EDF was concentrated in human resource development and rural water and sanitation with an important contribution to governance and capacity building as a non-focal sector. The implementation of the 9th EDF has experienced serious delays and concerns over the absorption capacity led to reduction of the 9th EDF envelope by €19 million at the mid-term review. The EC assistance to PNG was evaluated in the end of 2005. The evaluation found that a defining element of the 10th EDF would be how it tackled the issue of supporting income generation activities versus provision of basic services, where the evaluation questioned the sustainability of basic service provision in the absence of strengthening income generation activities.

In line with the above, the EC response strategy will target two focal sectors: Support to rural economic development and support to human resource development with a focus on basic education and vocational training. The programmable allocation to PNG under the 10th EDF amounts to €130 million. It is foreseen that about 55% would be used to support rural economic development and about 30% to support human resource development and the rest for support to non-focal areas. In both focal sectors, improvement in sector management arrangements will be central for the effectiveness of foreseen support.

CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY

I.1 General Objectives of the EC's external policy

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

I.2 Strategic objectives of cooperation with Papua New Guinea

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Papua New Guinea shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

1. While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable

development, in line with the international agenda, and with particular attention for the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

In May 2006 the European Commission issued a Communication to the Council, the European Parliament and the European Economic and Social Committee on "**EU Relations with the Pacific Islands – A Strategy for a Strengthened Partnership.**" The Strategy was adopted by the Council in July 2006. It lays emphasis on EC support on sustainable management of natural resources and the protection of the ocean environment.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, keeping into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

I.3 Main bilateral agreements

PNG is a signatory to the Cotonou Partnership Agreement, but no specific bilateral agreements have been signed with the EU.

CHAPTER II: COUNTRY DIAGNOSIS

II.1 Analysis of the political, economic, social and environmental situation

II.1.1. Political and institutional situation

Papua New Guinea became independent from Australia on 16 September 1975. It is a parliamentary democracy modelled along the lines of the Westminster system of the United Kingdom but with a single Legislative Chamber. Queen Elizabeth II is the Head of State and is represented by a Governor-General. The country is divided, administratively, into 19 provinces plus the National District Council which is treated as a province. The National

Parliament has 109 members elected every five years from the provinces and the districts in a general election. The elected regional members serve as the Provincial Governors.

While there has been uninterrupted constitutional rule since independence, the political scene has been characterised by frequent changes of government partly caused by a flawed electoral system functioning in a highly fragmented society. PNG has a rich cultural diversity with more than 800 languages. Political parties are not based on ideologies but on loose alliances and sectional interests. Until 2003, the country had a first-past-the-post electoral system under which large number of candidates ran for election in each constituency, resulting in candidates being elected on a very narrow constituency. In the 2002 election, more than half of the Members of Parliament won their seats with less than 16% of the votes cast.

The system engendered coalition governments, shifts in alliances, cabinet reshuffles, votes of no-confidence and a general sense of instability, a situation mirrored in the public service where departmental heads, through political interference, are frequently changed.

The political scene is male-dominated. Between 1982 and 2002 when four general elections were held, only two women were elected to the national parliament. Women are poorly represented at senior levels of the public sector and in the judiciary. This, despite the fact that Papua New Guinea has signed the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and adopted the Organic Law on Provincial and Local Level Government which provides for the participation of women in decision-making at these levels of government.

Weak governments in PNG have produced poor governance, corruption and law and order problems. Although fundamental freedoms are respected, including freedom of the press, human right issues are frequently coming to the fore, particularly the abolition of the death penalty (even though no one has ever been executed in PNG), poor prison conditions and violence against women, often by the police. Corruption, particularly in the management of the country's forest resources is an area of major concern, as is law and order, particularly in the Southern Highlands and in the capital, Port Moresby.

But if the Executive arm is weak and governance poor, the Judiciary, by contrast, has remained relatively independent, and has delivered landmark judgements against the government. It is, however, constrained by lack of human and financial resources, and this affects speedy delivery of justice. There is an Ombudsman Commission which is mandated to investigate the conduct of political and administrative leaders if in breach with the Leadership code as well as to investigate official corruption.

A number of reforms have been carried out to improve political stability and governance, particularly within the framework of the Organic Law on the Integrity of Political Parties and Candidates which was enacted in 2001. The law regulates, among other things, the organisation, funding and registration of political parties, the crossing of parliamentary floor by members, and above all, introduced a grace period during which no vote of no-confidence can be tabled against the government in the first 18 months after elections. This has contributed significantly to stability and to the longevity of Sir Michael Somare's government which came to office in August 2002. His government will indeed be the first in PNG to serve a full term of office since independence.

Another crucial reform is the adoption of a new electoral system, the Limited Preferential Voting (LPV), which has been used full scale for the first time in the 2007 parliamentary elections. The outcome shows that LPV may have contributed to reducing electoral violence, candidates being elected on a broader platform and more incumbent members of parliament being re-elected.

Internal and external security

The Bougainville crisis is over with the implementation of the most important provision of the comprehensive peace settlement agreement between PNG Government and Bougainvillean authorities in June 2005 - the election of an Autonomous Bougainville Government. While the question of a referendum on independence is several years away, certain issues remain the subjects of controversy with the Government, for example, foreign relations. A number of other provinces, particularly the Southern Highland Provinces, are a major source of concern in terms of maladministration and law and order being worse than elsewhere, ethnic conflicts and small arms trafficking.

Externally the increasing tension at the border between PNG and Indonesia over the West Papuan independence movement crisis and the influx of refugees and illegal immigrants is a source of worry for PNG's security, particularly as regards weapons smuggling, drug trafficking and other trans-national crimes and international terrorism.

Decentralisation

The rural areas of PNG are characterised by the absence of the central government and inadequate or lack of service delivery. The Organic Law on Provincial and Local Level Government passed in 1995, which was aimed at improving the situation, has had little or no impact largely due to lack of financial resources and technical and administrative capacities. But the main challenge basically has been ensuring good governance and effectively connecting the three tiers of government. A number of schemes to channel funds directly to the districts have been introduced. These include the setting up of a District transport infrastructure programme, the District Treasury roll-out programme, the district services improvement programme, the commodity roads improvement programme and the provincial economic impact programme. Measures are being taken to pass legislations that will improve inter-governmental financing arrangements.

II.1.2. Economic and commercial situation

PNG is rich in natural resources (land, forest, fish, mineral deposits, mainly gold and copper, as well as substantial reserves of petroleum and natural gas). The country has received very substantial amounts of development aid since independence, predominantly from Australia. However, the growth record since independence has been disappointing - the current level of income is more or less equal to the level as at the time of independence. Mining and oil production has not led to broad based growth and balanced development. Those provinces that were relatively more developed at independence remain so. Decentralisation policies have not achieved their objective of more even development.

Economic Situation, structure and performance

Economic performance between 1997 and 2002 was extremely poor due to a combination of factors, both internal and external. They were the outbreak of civil war in Bougainville which led to the closure of the Panguna copper mine greatly diminishing Government revenue, the heavy military expenditure which followed, the Asian financial crisis which badly affected log exports and an unprecedented drought. Although a structural adjustment programme brought about improvements in certain macro-economic indicators, these gains were lost when the government embarked on a spending spree prior to the 2002 elections.

Prudent fiscal and monetary policies pursued by the government which took office in August 2002 has produced positive results, with growth in real GDP rising to about 3% per annum, inflation decreasing from 20% in 2003 to 1.7% in 2005, interest rates falling to under 5%, an

improving investment climate, increased job creation¹, a stable exchange rate and a stronger external position². However, the improved economic situation is to a large extent the result of higher prices for key export commodities, in particular oil, copper and gold, combined with prudent monetary policy and improved fiscal performance. Indeed, considering population growth rates estimated at around 2.7% p.a., a GDP growth of around 3% p.a. makes little improvement in the GDP per capita.

Nevertheless, other structural factors are still constraining economic development prospects. The lack of transportation infrastructure³ and effective maintenance of what exists, low level of adult literacy (66 %), insecurity of land tenure, poor governance and serious law and order problems continue to constitute disincentives to investments, especially in the rural areas.

Mining, including oil exploitation, accounts presently for 72% of export earnings. The existing mines are estimated to run out of deposits over the next decade. Prospecting is going on and expected to lead to the discovery of substantial new finds. The Ramu Nickel Mine and advanced plans for large scale gas exports would seem to ensure high activity in the sector in the future. However, the mining and petroleum sector has primarily been enclave operations, providing benefits to a few groups with limited impact on broader economic development.

Agriculture is an important sector providing the livelihood for the majority of the population and being a major export sector also. Forestry and fishery are also important sectors with potential for supporting broad based growth (see Annex 4 on the Fishery sector). The oil palm industry proved the most successful integrated agricultural-industrial conglomeration. The nucleus estate, where all the services to the small holders and village based growers are provided, has been a successful model in PNG. Well planned integrated forestry and fisheries industry development are proposed to be used for the introduction of coastal shipping transport infrastructure. Rehabilitating neglected rubber trees and plantations, use of copra as fuel substitute for oil products, developing tropical fruits and vegetables for exports and introducing new crops like cashew nuts are other proposals. But successful implementation of most of the proposals is subject to the development of infrastructure that will ease access to the export and local markets.

Structure and management of public finances

Management of public finances has improved during the present government in PNG. From a situation with regular budgetary blow-outs in periods up to election, the country has had balanced budgets since 2003. High commodity prices have boosted revenues but improved collection and strict aggregate expenditure control have also been important factors. Compared to the Medium Term Fiscal Strategy 2003-07, which outlined a strategy for bringing down budget deficits and reduce public debt, budget outcomes have been better than planned year after year. The budget process has been greatly improved, inter alia through the support under the Australian Enhanced Cooperation Programme.

With the MTDS 2005-10, the government have sought to redirect public spending towards the seven priority areas defined in the MTDS. Greater share of the budget and donor funding have been aligned behind these priorities. The process has until now mostly focused on aggregate figures and the basis for judging the efficiency of spending has been weak. The government is in the process of defining a performance framework with clearly defined indicators to better track spending and results in the various MTDS priority areas.

¹ Private sector employment increased by 2.8 percent in the year to September 2005 with growth of 3.5 % expected in 2006

² The balance of payments recorded a surplus of 2.9 % of GDP in 2005, from a surplus of 2.4 % of GDP in 2004

³ Less than 4 percent of roads and of airport runways are paved

The government is seeking to improve public expenditure management, inter alia through the Public Expenditure Review and Rationalization Process, supported by World Bank, ADB and AusAID. Donor led missions have developed a broad range of recommendations following annual review of the public expenditure management systems in PNG. Implementation and follow-up has been varied.

Reform of the public financial management is being strengthened by the Financial Management Improvement Programme (FIMP), supported by ADB, AusAID and UNDP. The project has completed first stage and is about to be rolled out to the central agencies. At a later stage it is foreseen to also cover provinces and districts. The system would harmonise accounting systems (one integrated system as opposed to three not fully compatible systems today), improve the links between budget and execution as well as provide real time data. The roll-out will, however still pose substantial challenges and risks.

While many reforms are being pursued in the area of public financial management systems, there are still certain shortcomings, including inadequate expenditure control and accountability arrangements.

Assessment of the reform process

To redress the great disparity between rural and urban populations and to raise the living standards and alleviate poverty, past governments attempted various reform programmes. Prudent fiscal management was already facilitated by the structural reforms introduced prior to 2002 to the capacity and institutions of the state. Reforms to structures and processes of government, state owned enterprises, land, labor market and financial reforms are examples. Reforms to the political processes and institutions also facilitated the stability that enabled the Government to pursue its development objectives.

The need to improve state run utilities such as power, telecommunication, water, harbour facilities, etc as was initiated under the privatisation program should be revisited to achieve operational productivity and financial efficiency. This should result in a reliable, lower cost and in due time competition between two or more operators in each industry. This in itself is a necessary condition to sustaining the major mining and non mining industries in PNG. It is also necessary for operating in the highly competitive global environment of the 21st century. Despite the successes seen in the privatization of the former Papua New Guinea Banking Corporation (PNGBC), now Bank of South Pacific (BSP), the privatization program has not⁴ been pursued by the current government. Land reforms have not progressed. Labor market reforms resulted⁵ in a single minimum wage for both rural and urban areas. The need to accelerate other public sector reforms is critical⁶.

Trade policy and external environment

PNG is an open economy with a relatively high level of international trade. Exports are highly concentrated on a limited number of primary products.

PNG reduced unilaterally tariffs over a 7-year programme that started in 1999 in connection with an IMF stabilisation programme. There have been demands from industry that more trade protection is needed, in particular as it is stated that the government has removed tariffs

⁴ Telikom was to be privatized but this was withdrawn by the government

⁵ This reform was aimed at reducing the rapid rural-urban migration, however this has so far not been effective

⁶ The public sector wage bill absorbs 45% of the national recurrent budget, after debt deductions, only 32% is available for goods and services.

but has not implemented foreseen reforms in key support services (communication, infrastructure, and energy) to boost PNG manufacturers' competitiveness.

Because of the importance of exports to its economic growth, the country is naturally interested in the EPA process and has played an active role in the negotiations. The motivating force for PNG is the need to secure continued preferential access to the EU markets and improved rules of origin with a view to increasing access for its tuna fish. The regional trade dimension is less important as there is limited scope for exports to the Pacific Island Countries and therefore unlikely to play a major role in its export-led growth strategy; their markets are too small, the transport costs are relatively high and the composition of PNG's present exports match poorly with the imports of the other Pacific Islands. PNG exports to the Pacific ACP states amount to less than 0.1% of its total exports while imports from them amount to 1.9%. In August 2005 the Melanesian Spearhead Group (grouping PNG, Vanuatu, Solomon Islands and Fiji) agreed to move from a positive list of goods covered by their trade agreement to a negative list. They also agreed for a gradual reduction of tariff levels. These measures may result in an increase in sub-regional trade. The MSG countries are the ones most interested in goods under an Economic Partnership Agreement (EPA) with the EU.

PNG is located between the Pacific and Asia, and the country is clearly looking towards Asia which has interest in the natural resources abundance in the country. This raises questions regarding the sustainable management of such resources.

II.1.3. Social situation, including decent work and employment

With more than 600 cultures, each with different traditions, Papua New Guinea's rich cultural diversity cannot be compared with that of any other country. The impact of modernisation brings change to Papua New Guinea. Rural-urban migration is substantial, though the majority of communities, is still largely unaffected by modernisation. They continue to depend on subsistence farming, fishing, hunting and other practices, earning hardly any cash income. Social units are based on family, clan and tribe. The traditional "wantok"⁷ system provides strong support both socially and in terms of livelihoods. The system provides social insurance to the members and sharing of responsibilities for the care of the needy, but the flip side of the system is that it hampers democratic or performance based selection in recruitment, purchase, local funding decision etc.

Eighty five per cent of the PNG population live in rural areas. The rural population grows almost all its own food and uses money from the sale of cash crops to meet some proportion of education and health care costs. This constitutes an important source of stability to the nation and a form of employment to a large number of the work force, including, importantly, young men.

PNG's population was estimated at 6.1 million, with an annual growth rate of 2.7 %. Only 15 % of the total population reside in urban areas.

Despite improvements since independence in some key social indicators, PNG has the worst social indicators in the Pacific. It has lower average life expectancy, a higher infant mortality rate and lower rates of adult literacy than most countries in the region. Women are particularly disadvantaged; they have significantly lower participation in the education system and they suffer high rates of maternal mortality. Children under 18 can be found working in bars and night clubs or as domestic servants due to poverty, and often suffer brutality in the

⁷ wantok refers to a clan speaking the same language

hands of the police. PNG is a signatory of the Convention on the Rights of the Child, and it has committed to report on the implementation of this convention by 2008.

The availability of basic data on social and health conditions in the country is rather poor. The UN supported the government in 2004 in preparing a baseline study for the MDG indicators. The ADB is currently supporting the National Statistical Office in preparing a demographic health survey that will generate and disseminate demographic and health data needed in planning and implementation of social service delivery in PNG.

Employment and social security

Some 50,000 people enter the labour market each year. Of the total working population, only 14% have wage employment. Graduates are likely to find a job in private business, but with an estimated two-thirds of the population under 30 years youth issues will only become more acute. Yet formal employment has increased by only 1.5% since 1996. Lack of job opportunities is aggravating crime and social tension, particularly in urban areas. Foreign direct investment has been declining and the scope for private sector development in Papua New Guinea seems limited.

The historically problematic management of formal pension funds has improved considerably, following reforms initiated in 2000. However, the majority of Papua New Guineans rely on a variety of informal support mechanisms, including income transfers and various forms of Wantok support. These systems constitute the only safety net for the rural poor and provide a lifeline for many urban migrants. There is emerging evidence of this traditional safety net breaking down in urban areas.

The rural areas are increasingly unattractive with the serious deterioration in basic health services and education opportunities and perceptions of limited income generating opportunities.

There is widespread lack of services in rural areas. In rural communities the lack of access to justice, through mediation, Village Courts, and district magistrates is leading to unjust and violent outcomes, mostly because of lack of coordination and resources. Village Courts are being undermined by a lack of national coordination and control and must be supported in the delivery of justice at the community level. The recent enactment of the District Authority Act is a significant development. The breakdown of services and road infrastructure has discouraged interest in developing agriculture production and most of other rural economy opportunities.

In urban areas the Government's recognition of the importance of informal sector employment and supporting access to financial support services provided through microfinance schemes, is weak. The bulk of youth moving to the main cities and towns lack basic skills and in urban environment where unemployment is high, consequently those who do not have access to cash incomes, or other ways to sustain themselves turn to crime, drugs, etc. The social cohesion of families become significantly weakened as witnessed in all major cities in PNG.

Health and Education

In 2005 there were more than 1,000,000 students in the National Education System, compared with just over 500,000 in 1992. By 2005 students were taught by about 35,000 teachers in more than 8,000 schools and other institutions throughout the country, compared to 1992 when there were approximately 18,000 teachers and 3,000 schools only. This strong increase should be seen in the context of about 40% increase of population during the same period.

Presently, adult literacy rates (57.3%) and especially net enrolment rates (73%) are still very low. PNG's Gender Development Index (GDI) is 0.52 (rank 103 of 140); notably more men are literate than women and the enrolment ratio for boys is significantly higher than that for girls (44: 37).

Long distance travels, shortages of teachers in remote areas, and the significant private costs of education hinder access to education. Quality is compromised by variable teacher qualifications, inadequate learning materials for teachers and students, and high teacher absenteeism. Technical and vocational education and non-formal education remain poorly structured and not widely available. Post-secondary education, including the university sector, is costly, poorly connected to labour market needs, and of variable quality. Moreover, money is not reaching sufficiently the local-level governments, which means that they are unable to finance teaching, school infrastructure, health care, and so on.

Many health indicators have deteriorated in recent years, including the availability and performance of health facilities. Immunization and infant mortality rates have deteriorated since 1990. The increase in reported HIV/AIDS cases is alarming. Rapid urbanization, high unemployment and the breakdown in social structures have contributed to the rising trend in the epidemic. Sexual violence on vulnerable groups in the community has had its effect in spreading HIV/AIDS. According to the 2004 Pacific Islands Regional Millennium Development Goals Report, PNG is the only Pacific island country currently considered to have a generalized epidemic of HIV⁸. An HIV/AIDS consensus workshop held in November 2004 estimated that the number of HIV infections in the 15–45 age groups was between 45,000 and 75,000. The workshop consensus was that the number of cases would double every 2 years. Although Australia is in the lead among donors in this area, in 2001 the EU provided assistance to the National AIDS Council by funding a Sexual Health Project aimed at preventing and controlling the transmission of HIV and other sexually transmitted diseases. The Global Fund for AIDS, Tuberculosis and Malaria (to which the EC is a major contributor) has provided approximately US \$14 million to PNG. For phase II of the ongoing programme an additional funding of US \$2 million has been allocated to PNG.

Gender equity

Despite various political legislations which provided avenues for involving more women in the political process, political leadership is gender biased to males and women continue to be left out of representation in the political arena and in the policy process. Women are poorly represented at senior levels of both the public service and the private sector, in the professions, and in politics and the judiciary. Between 1982 and 1997, spanning three general elections, only two women have been elected to the national Parliament. Presently only one of the 109 Parliament Members is a woman. Violent crime against women is extremely high. The lack of respect for women and children make them exceptionally vulnerable in PNG as is shown in the increasing statistics of HIV infection due to abuse, and sexual violence.

II.1.4. Environmental situation (see also Annex 3)

The commitment of past and the present Government, at the national and provincial levels has been articulated in key policy documents but has not translated into financial or staffing terms, despite the significant resource developments that are taking place in PNG. Weak institutions at both national and provincial levels and lack of budget allocations reflect a lack

⁸ HIV epidemics are defined as follows: (i) generalized epidemic: HIV prevalence over 1% of the general population; (ii) concentrated epidemics among specific groups: HIV prevalence is over 5% in any subpopulation exhibiting high risk behavior; and (iii) low level or emerging epidemics: HIV prevalence below 1%.

of genuine commitment to support effective environmental monitoring and management. In addition, the Medium Term Development Strategy whilst covering a number of principles on environment lacks concrete guidelines, clear objectives and indicators to help achieve sustainability in development in environmental terms. The principal government agency charged with environmental management and monitoring is the Department of Environment and Conservation (DEC), but it does not operate effectively due to inadequate funding and staffing, especially in relation to monitoring and other field based activities, particularly GIS systems needed to support informed environmental management decision-making. Of particular concern is the fact that more than 70% of the Department's recurrent budget is for salaries and wages. This leaves very little funding available for performing their functions. Public commentaries, protests by resource owners and agitation by non government organisations at the violation of PNG's environmental laws major resource interests, especially in the renewable resource sector, reflect the inability of DEC to carry out its oversight functions effectively. Whilst there is a legal framework contained in various environmental, water, forestry and fisheries Acts, and PNG is party to the Convention on Biological Diversity (CBD), progress in implementation is limited due to capacity constraints at national and local levels. Lack of information is also cited as responsible for lack of supporting measures to meet MDG goals and therefore achieve environmental sustainability.

Major environmental issues include:

- The minerals boom and high commodity prices exert significant pressures on the capacity of institutions to manage the sector
- Inappropriate land use practices due to intensive farming systems that accelerate land degradation (e.g. soil erosion, salinisation and loss of soil fertility)
- Unsustainable logging operations that result in adverse environmental impacts (e.g. soil erosion, hydrology and water quality impacts and loss of habitats and biodiversity),
- Destructive fishing practices and coastal pollution due to run off from land based activities (especially logging) and oil spills that impact on coastal and marine resources (and subsequently tourism), (Details of the key issues facing the fisheries sector in PNG is included as Annex 4).
- Environmental impact of current large scale mining operations (e.g. discharge of heavy metals, cyanides and acids into rivers) that cause adverse impacts on forests and water quality,
- Rising sea levels due to global warming affecting the atolls and coastal villages that have been relocated.

II.1.5. PNG in the international context

PNG is a very open economy with a relatively high level of international trade in its GDP. It is located between various geographical groupings, complicating its regional strategic orientations. On the one hand, it is a member of the Pacific Islands Forum and PICTA. Its trade with these countries is however, very limited. Its major markets are concentrated in Australia and other Asian countries plus Europe. PNG is member of APEC.

The country has a close relationship with Australia being its biggest trading partner and the biggest provider of development assistance. China is increasingly making its presence in the country, inter alia with a view to secure access to natural resources.

The country has signed up to a number of international agreements (outlined in annex 8).

II.2 Poverty Reduction Analysis

There is little data on actual poverty in PNG. The last household income survey was done in 1996. There have been various plans to update this survey but this has not yet been done. Based on the development in GDP, the World Bank has tried to model developments in poverty since the 1996 survey. According to these projections, poverty has increased at an alarming rate in recent years. The proportion of poor living under the national poverty line was estimated to be about 53.5% in 2003, compared with 37.5% in the benchmark year of 1996. The proportion of the population living on less than US\$1 a day is estimated to have increased from 24.6% in 1996 to 39.1% in 2003.

The Government noted in its 2006 Budget that social progress had been poor despite the progress that has been made to some indicators in PNG. The MDG Report 2004 also confirmed that little progress had been made against key indicators such as infant & child mortality, literacy & gender equality, the situation varying between regions.

The government has adopted less ambitious targets for the MDG; instead of a 50% reduction in poverty by 2015, the MTDS sets a target of a 10% reduction in poverty (defined by the above mentioned poverty line). Lack of data means there is no regular monitoring of this target.

The final of the draft National Poverty Reduction Strategy (NPRS) 2003-2020, developed with the support of the ADB, dated May 2003, has not yet been approved. The NPRS is considered a long-term agenda for growth and redistribution of wealth, but the MTDS is seen as the main development framework/strategy.

PNG belongs to the group of low income countries. Its Human Development Index (HDI) has improved since the mid 1970s, but only very slowly. PNG ranks 137 out of 177 countries; the second lowest in the Asia-Pacific Region, where many countries with a much lower per capita income score far better. 61% of the population has no sustainable access to safe water and with 5 doctors per 100 000 people, PNG has one of the lowest density of physicians in the world. Life expectancy is the second-lowest in the Asia-Pacific region. The key factor underlying this increase in poverty has been the slow economic growth as compared to the annual population growth.

A class of rich people has emerged in PNG. With a Gini coefficient of 0.46 (inequality between the rich and the poor), Papua New Guinea ranks among the highest in the East Asia and Pacific Region.

II.3 PNGs development strategy

The Somare Government that came to power in 2002 set three key objectives at the top of its Programme for Recovery and Development: Good governance; Export driven growth; and rural development, poverty reduction and empowerment through human resources development.

This was later translated into the Medium Term Development Strategy (MTDS) 2005-10. The MTDS is the overarching development strategy for PNG and it defines seven key priority areas towards which public spending should increasingly be targeted, notably:

- transport infrastructure rehabilitation and maintenance –the priorities are the highlands highway, districts roads, community water transport and airport maintenance;
- promotion of income earning opportunities including agriculture research extension and marketing, the nucleus agro-estate model, revitalisation of the Rural Development Bank, micro-credit, skills training and establishment of industrial parks;

- basic education;
- development-oriented informal adult education;
- Primary Healthcare – through the sector-wide approach to health, and through water and sanitation programmes;
- HIV/AIDs prevention, and
- Law and Justice – through improved coordination and strengthening of sector agencies – police, courts, legal and correctional services.

The MTDS also outlines key supporting policies and enabling measures focusing on political and policy stability; the rule of law; the business environment; protection of the vulnerable and disadvantaged; gender equality; and protection of the natural environment. Building ownership and alliances with provincial and local level governments is an MTDS priority. Strengthening service delivery at district level is a specific initiative, which receives high priority, especially from PNG national politicians.

The MTDS provides only a framework for the overall development priorities. The implementation of the strategy is foreseen by aligning sector strategies and provincial/district strategies to the MTDS. This is an ongoing process.

Compared with the previous MTDS, the present strategy has been more successful in linking the priority objective to the budget process. The government has also been active in promoting that donors aligned their development assistance with the priorities outlined in the strategy.

II.4 Analysis of the viability of current policies and the medium-term challenges

The government has a number of major programmes under implementations or are being planned that should help to improve service delivery. The government focus on good governance, export driven growth, and rural development, poverty reduction and empowerment through human resources development has had widespread internal and external support, including support for sound expenditure priorities and a governance agenda. These core programs and objectives will be achieved through seven expenditure priority areas, which were highlighted earlier.

Implementation of these various reform programmes have been less consistent and the continued momentum towards implementation will be essential for achieving overall development outcomes. The challenges can be structured at various levels:

- Macro-economic stability. The last three years have seen marked improvements in and adherence to a well designed fiscal strategy that have successfully moved the country into a manageable level of foreign debt and created fiscal space. The up-coming election presents an immediate challenge to the fiscal stability as PNG historically has had difficulties in maintaining fiscal discipline up to elections. The recent additional budget used only windfall profits and the high resource prices may provide the necessary liquidity for the government to stick to the overall level fiscal consolidation.
- Public sector reforms. Broader reforms of the public sector are urgent and are pursued in a number of forums. The right sizing committee provided recommendations for the streamlining of the public sector aiming at reducing the pay roll costs. Implementation is stalled. Closely linked hereto are the present reforms of the financial management system.

- Reform of sub national governments is also urgent. The National Economic and Fiscal Commission (NEFC) has demonstrated the discrepancies between funding needs and funds transferred. Combined with unclear allocation of responsibilities, there is a need for revision of the sub-national system. Whether the necessary support will be forthcoming in the next parliament is to be seen.
- Development planning. While the MTDS has provided an overall framework for reprioritisation of government expenditure, there is further need for strengthening the quality of spending, by linking the MTDS with better developed sector policies. A point closely related to this is the limited extent of solid monitoring and evaluation activities, which could enhance accountability and quality of policy formulation. The government has initiated that a more comprehensive performance framework be established.

Whilst a lot has been talked about on these priority areas, little has been done to actually accelerate the pace and the momentum for implementation. It has taken four years of talk to actually maintain and rehabilitate the highlands highway for instance. Major provincial and feeder roads are beyond repair because of lip service being paid by bureaucrats and politicians. The same could be attributed to the promotion of income earning activities, much of which depends on the good roads, and waterway system. Funding for these programmes has been slow hence impacting on their implementation coupled with bureaucratic politics. Furthermore, the lack of institutional capacity and resources constraints to deliver on these intentions constitute significant risks.

A wide range of reforms are being pursued simultaneously. This broad agenda could distract government from focusing on the most central and fundamental reforms. A constant element in the country is also the fact that the constituency for many of the reforms is weak, which is linked to the democratic accountability where politicians often are elected on narrow redistribution policies. The continued momentum for reform is thus not assured.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

III.1 Overview of past and present EC cooperation

Both 7th EDF NIP (€ 46.2 million) and 8th EDF NIP (€ 50.0 million) focused on Human Resources Development and Improvement of the Rural Environment.

The 8th EDF NIP, allocated Papua New Guinea € 50 million ($\pm 40\%$ to human resources development, $\pm 50\%$ to rural development and $\pm 10\%$ to non-focal support activities including HIV/AIDS). Most of this has been committed and well over half of it has so far been disbursed. Additionally, € 50 million of SYSMIN funds were transferred on the basis of PNG's eligibility after closure of the Panguna mine in Bougainville.

The 9th EDF NIP provided for a programmable A-envelope of € 81 million, and a B-envelope of € 35 million. The A-envelope is directed at strengthening education, improving the quality of rural life and at fostering good governance. Its two focal sectors are Education, Training and Human Resource Development (ETHRD) (€ 35 m.) and Rural Water Supply and Sanitation (RWSS) (€ 25 m.). Institutional capacity building and governance is the non-focal sector under which special attention is being paid to the capacity building of non-state actors (€ 21 m.).

There have been major changes to the size of the 9th EDF resources envelope since the original allocation. The 2004 Mid-Term Review of the 9th EDF CSP/NIP, led to a reduction of the A-envelope by € 10 million and the B-envelope was reduced by € 9 million, reflecting doubts about the absorption capacity of the country. At the beginning of 2005, € 22.4 million was mobilised from the B-envelope as a result of low export earnings for 2003 (FLEX). The funds have been used to maintain support under the non-focal sector “Institutional Capacity Building and Governance”, notably support for the NSA project, for Strengthening of Districts and Local Level Governments in PNG and for trade related TA. €3.3 million of the B-envelope has been allocated to the multi-country, regionally managed (by SOPAC) disaster management programme. The remaining €60,000 of the B-envelope have not been used and the ETR reduced the B-envelope by that amount. .

III.1.1. Focal sectors

As for the 7th, the 8th and for the 9th EDFs, support was oriented towards improvement in the two focal sectors of “Education and Human Resources Development” and “Rural/Environment”. These sectors, being key elements for poverty alleviation, all three programmes clearly are in line with the Poverty Reduction Strategy and with the Millennium Development Goals the European Union endorses.

In the 7th and the 8th EDF, the main emphasis of the focal sectors was support to educational infrastructure through building and renovation of facilities and funding of small equipment/infrastructure to increase access to education and small-case agricultural projects to enhance income generation in the rural areas.

In the 9th EDF strategy, more emphasis is given to improving the quality of education and of quality of rural life. The introduction of non-state actors as implementing agents in the focal sectors and their inclusion in the governance programme of the non focal sector marked significant shifts, aimed at improving, increasing and strengthening ownership and at ensuring sustainability of outcomes in accordance with the provisions of the Cotonou Agreement.

Focal Sector 1: Education, Training and Human Resource Development - €40 million

The Medium Term Development Strategy (MDTS) identifies Basic Education and Development Oriented Adult Informal Education as two of the seven key priority areas. The National Education Plan 2005-2014 sets out the main strategies and reforms for education especially in primary to secondary education. The National Education Plan in turn identifies Basic Education and Technical & Vocational Education as priorities. The education sector development programme is financed by GoPNG and international development partners. Government is mainly financing the recurrent expenditures of the sector, as well as rehabilitating basic infrastructures for district education officials under its District Services Improvement Programme. A Medium Term Expenditure Framework (MTEF) for education is seeking to cost the achievement of the targets and provide a framework for improved donor and government coherence. The Department of Education attempts to align donors fully behind the Government's objectives as outlined in the National Education Plan.

The ETHRD programme of the 9th EDF (€39 million) emphasises basic education in rural areas, support of the vocational education and training, provision of distance learning facilities and upgrading of teachers and trainers' skills which should facilitate the establishment of a connection between the development of the beneficiaries' skills and providing greater opportunities for their economic engagement. Moreover, institutional support, through strengthening of school inspection, and the involvement of non state actors and communities, seeks to enhance the sustainability of the outcomes of the programme.

In the 8th EDF, the approach to human resource component was broader, covering elementary, secondary and tertiary education with its major share being allocated to building infrastructure.

Focal sector 2: Rural water supply and sanitation (€30.4 million)

The 2003-2007 MTDS stressed the importance of access to safe water for both the rural and urban population and recognised the important role played by aid donors and NGOs in delivery of water supplies. Key policy measures to be undertaken by the government comprise (i) to permit non-state actors to act as project implementers where local government services are inadequate, (ii) to promote training of district and village level workers in water management, maintenance and preventive health/hygiene measures, (iii), to monitor rural health indicators, and (iv) to prioritise villages for assistance with rural water supplies and sanitation schemes on the basis of need.

The main scope of the Rural Development Sector of 9th EDF is implementing the minimum standards of well being and improved health of rural people through water supply and sanitation which is a highlighted priority of the MTDS. A project supporting district town water supply (€4.9 million) has been added to cover an area that would be complementary to the main programme. These water supply programmes have gender implications: they are aimed primarily at improving the condition of women in PNG, reducing the drudgery of long distance search for water and protection against primary diseases.

The NIP clearly supports the government's orientations. Indeed, all project implementations are to be organised/accompanied by non state actors and run by the local communities themselves. Long term sustainability and project ownership by the beneficiaries' communities are considered as essential conditions for a long lasting impact. Therefore, training of district and village level workers in water management, maintenance and preventive health/hygiene measures is one of the main components of the Rural Water and Sanitation programme. Its main weakness was the lack of accompanying measures on income-generation which are necessary to keep infrastructures maintained and repaired. The 8th EDF's rural development programme, was orientated towards cash income generation, although through a large number of often incoherent projects.

III.1.2. Projects and programmes outside focal sectors

Two separate but complementary programmes on institutional capacity building and governance are being implemented as non-focal interventions under the 9th EDF. One is directed at Non State Actors and the other at the public sector. The NSA programme (€5million) is aimed at strengthening the role of the civil society in the development process, at dialogue at all levels and, the effectiveness of NSAs in service delivery and advocacy of good governance. The other is the Support to Districts and Local Level Governments (€15 million) aiming at increasing the effectiveness of sub-national structures with a focus on district administrations and LLGs but central agencies and institutions dealing with sub-national government level would also be key beneficiaries.

There is a €3 million Trade Related Assistance Programme to build capacity for the development of policies, legislation and development programmes in trade related issues and a more effective participation in negotiations of regional, multinational and international trade agreements.

The €4.2 million support programme to the National Authorising Officer (NAO-SP III) supports the implementation process and promotes capacity building within the NAO/DNAO

system, line institutions and PMUs for strategic planning and for the effective administration of the EDF funded programmes and projects.

Under the 9th EDF support has also been provided to the Gazelle Restoration Authority (€4.9 million) and various TA and activities have been funded under the TCF (€1.99 million).

III.1.3. Utilisation of Envelope B

The original B envelope of €35 million was reduced by €9 million following the Mid Term Review. €22.4 million was mobilised under FLEX (used for maintaining support for the non-focal sector "Institutional Capacity Building and Governance), €0.2 was mobilised for emergency assistance to Manam Island following the volcano eruption, and €3.3 million is being used as contribution to the multi-country, regionally managed (by SOPAC) programme for disaster management. The remaining balance of €60,000 was removed from the B-envelope following the ETR.

It should be noted as regards disaster preparedness and risk reduction that all current and future programmes (bilateral and regional) should include reinforcement of the national capacity to respond to disasters and should encourage countries to propose their own strategies, providing assistance in this field.

III.1.4. Other instruments

1 The STABEX funds

Over the past 10 years PNG has received very considerable support from the STABEX facility totalling some € 245 million. STABEX funds have been used to assist economic operators in the tree crop sectors of coffee, cocoa and copra. Price support has been given to farmers as an interim measure while prices or productivity of the sector improve. Research and rehabilitation of processing and drying facilities for cocoa, copra and coffee, have led to quality improvements, while agricultural diversification aimed at increasing income-earning opportunities and broadening PNG's export base, have also been funded by STABEX. In Bougainville, the EC has taken a lead role with STABEX (€ 5 million) in the post-conflict rehabilitation of smallholder cocoa plantations and associated infrastructures for transporting crops.

During 8th EDF about € 53 million was made available for projects of different size with the main allocation to Bougainville (21%) for post civil war assistance rehabilitation projects of which the major part was for agriculture production and rural infrastructure rehabilitation. These projects aimed at restoration of the economy of Bougainville following civil war. Other projects were used mainly for agricultural production and research activities throughout the country. Support provided to the agricultural sector via a number of small projects throughout the country have acted as a catalyst to development in the agricultural sector.

The STABEX facility has achieved results to a varying degree especially with the FMO 92/93/94. Certain projects have achieved concrete and beneficial results such as the new Cloned Hybrid Cocoa seedling which is indeed beneficial to the rural farmers who can now expect to earn income within a period of nine months. Coffee extension as well as marketing and promotion have also been effective especially in the niche markets. FMO 99 supports mainly the coffee sector.

On Bougainville, rejuvenation of cocoa production is largely due to STABEX interventions. In addition, the vocational training activities have also been successfully implemented. Indeed, Bougainville's economy has shown significant improvement with increased cocoa

and coconut production, equivalent to the pre-crisis days. Improved feeder roads have assisted in access to markets, as well as goods and services.

The last STABEX programmes are foreseen to end by 2010

2 Mining Sector Support Programme SYSMIN

Within the 8th EDF, PNG became eligible for € 50 million of SYSMIN funds after closure of the Panguna mine in Bougainville.

The programme objectives are to increase economic growth through mineral production and exports, as well as increasing employment and poverty alleviation and reduction of the environmental impact from mining. The programme provides extensive support to geological surveys that will facilitate investments by foreign investors and also promote environmental policies and training of small-scale miners.

All projects under the programme are implemented on schedule and funds committed. It is too early to determine the results. Sustainability is promoted by the transformation of the implementing agency into a self sustaining entity, the Mineral Resources Authority. After some political fighting, the authority has been formed and is fully operational

3 Regional co-operation

The regional programme for the Pacific has a number of programmes that may benefit PNG, notably the support to the Pacific Forum and EPA negotiations. In general, there is a low level of awareness of the regional programme and the potential benefits from these.

The remaining part of the B-envelope under the 9th EDF has been allocated to a SOPAC initiative for regional disaster management, where PNG would be a major contributor and beneficiary.

4 Intra-ACP wide cooperation:

Various actors in PNG in recent years have sought to benefit from the ACP wide programmes, notably the trade related ACP facilities and the Water Initiative. Two proposals were submitted by the PNG Water Board for the first call for proposals under the Global Water Initiative. Both proposals passed the first selection but none of these were selected in the second round. A key constraint for benefiting from such global initiatives is the limited in-country capacity for preparing adequate project proposals.

The Department for Trade and Industry (DTI) has benefited from a study on trade in services from the WTO facility. DTI has also had an ODI fellow placed in the department financed under the Trade.Com facility.

5 Community budget lines

A number of interventions are financed from various EC budget lines

- Community development and resource conservation (€0.7 mill) for 5 years commencing in 2004 in the South Fly District of Western Province, implemented by the WWF. It aims at increasing community income from sustainable use of natural resources.
- Conservation and Sustainable use of the marine and coastal biodiversity of the Bismarck Seas (€1.8 million) for 5 years commencing November 2005 implemented by the WWF South Pacific Programme.

- Comprehensive sexual and reproductive health services information (€0.7 million) from 2006 for three years and implemented by Marie Stopes International. It aims at sustained behaviour change and prevention of STIs including HIV/AIDS amongst vulnerable groups and the general population.
- Comprehensive community based rehabilitation services for people with disabilities (€ 1.1 million) for four years from 2006 and implemented by an international NGO.
- Improvement of Quality of Life through Access to Education and Basic Health Services for Children with Hearing Impairment in Rural Areas in 13 Provinces of PNG (€0.75 million) by Christoffel Blindenmission.

III.2 Programmes of the Member States and other donors

Member states have very limited development funding going to PNG. Only UK and France are represented in the country.

The main donor in the country is Australia which has had a very dominating role since independence. Originally giving budget transfer with little constraints on what would be funded. This was phased out over a period with the last budgetary support payment in 2001, moving to a project approach. Australia is now seeking to move towards SWAps. Its 2006-2010 Development Cooperation Strategy with Papua New Guinea focuses on improved governance and nation-building; sustainable broad-based economic growth and increased productivity; improved service delivery and stability; and strengthened, coordinated and effective response to HIV/AIDS epidemics. Although cooperation between EC and Australia is very limited, these areas provide considerable scope for co-ordination and harmonisation in the spirit of the Paris Declaration on Aid Effectiveness.

III.3 Other EC policies

The EC policies that most directly affect PNG is the trade policy. EU is a key export market for PNG in particular for agricultural and fishery products, where tuna and vegetable oils enjoy important preferential access. Changes to the rules of origin, which may form a part of an EPA, and the possible trade erosion are factors that may have an impact on PNG exports.

Climate change policies are also of importance for PNG. Some of its atolls are low lying and would be among the first victims of rising sea levels. PNG has also over the last years investigated options for marketing carbon credits from its vast forest resources, and indeed at the Climate Change conference in Montreal in 2006 raised the question of the expansion of the Clean Development Mechanism to permit activities aimed at reducing deforestation.

III.4 Political dialogue with PNG

The historical relationship with Australia and the size of the Australian assistance relative to other donors mean that the government is firmly oriented towards Canberra which affects the scope for the political dialogue between PNG and the EU.

EU is important on the trade front as substantial share of the exports go to EU, in particular from agricultural produce. The EPA negotiations has brought trade discussions on the agenda and related to that various resource management issues on which dialogue will continue.

III.5 State of the partnership and progress towards harmonisation

The National Authorising Officer is Minister of the Treasury but the functions of the NAO have largely been sub-delegated to deputy NAO's in the Department of National Planning and Monitoring (DNPM). The NAO/DNAOs are supported by the NAO Support Unit (NAOSU)

located in the Policy and Aid Coordination Division of DNPM. Effectively, most government tasks are carried out by the NAO SU while the integration of the EC programme in the rest of the DPNM remains weak.

DNPM is responsible for donor coordination and the drawing up of the development budget. The MTDS has provided some movements towards enhanced donor coordination. In October 2006, DNPM organised a donor coordination workshop that led to the joint signing of the Madang Declaration on localisation of the Paris Declaration. Since then, regular meetings between government and development partners have been held to elaborate a more concrete action plan for furthering the objectives of the Paris Declaration.

One of the factors that make effective donor coordination difficult in PNG is the uneven size of the donors. Grants are dominated by Australia representing more than two thirds of the development grants to the country.

Lessons Learnt

EC's intervention in the social sector has always raised questions as regards the sustainability of its outcome and impact on poverty reduction.

Maintenance, efficiency and ownership issues have been questioned in the evaluations, raising concerns about sustainability of EU funded infrastructure facilities. This was brought particularly to the fore in the report on the evaluation of the 9th EDF Country Strategy Paper which states that although emphasis on the achievement of the MDGs is more visible in 9th EDF than in the 8th, "reducing income poverty" is a precondition to improving the well-being of the rural people. The report argues that "without cash income the maintenance of the infrastructure for well-being cannot be assured; it would actually break down". It says that the implementation of the 9th EDF needs to be closely monitored to see how the goals of ensuring cash income and well-being are intertwined, and whether one can be sustainably achieved without the other.

The evaluators recommend two different types of strategic approaches: one involving NSAs "supplying services and support directed at community-based rural economic development"; and the other, "strengthening the capacities of government institutions to supply better public services to the people of PNG in public fields like education, health, infrastructure or administration (especially at sub-national levels)."

These two approaches are not mutually exclusive. They have indeed influenced the design of the rural water supply and sanitation and institutional capacity-building and governance programmes of the 9th EDF.

The Evaluation finds that there has been a critical lack of coordination between the GoPNG and external funders, including the EU, to improve collaborative efforts towards common educational objectives.

The implementation of the 9th EDF focal sectors programmes, Education, Training and Human Resources Development and Rural Water Supply and Sanitation began in earnest only in 2006, having been delayed by a number of factors which were identified during the Mid-Term Review in 2004 and have since been rectified. The NSA component of the Institutional Capacity and Governance programme was finalised only in October 2006, the larger programme of support to Districts and LLGs approved in 2007. This means in practical terms that focal and non focal sectors programmes are due to be completed around 2011, and the preparation of new programmes will thus only partly be able to draw on lessons from the 9th EDF.

CHAPTER IV: RESPONSE STRATEGY

Taking into account the foregoing analysis, the Cotonou Agreement and the EC development policy orientations which seek to alleviate poverty through sustainable economic growth and greater integration of PNG into regional and world economies, the priorities of PNG's Medium-Term Development Strategy and the recommendation of the Evaluation of the 9th CSP, EC's response strategy under the 10th EDF will have two mutually supportive components: Rural Economic Development and Human Resource Development

IV.1 Focal sector I: Rural Economic Development

With the majority of the PNG population living in rural areas on subsistence agriculture, any strategy to improve their livelihoods will have to address the question of how to promote rural economic development. This implies using in a sustainable manner the country's abundant natural resources and addressing the constraints to growth. The support will seek to enhance access to and integration of rural communities into wider markets. It will seek to bridge the gaps identified in the evaluation of the 9th EDF CSP.

The factors that constrain rural economic growth in PNG are many and diverse. As already indicated low levels of investments and productivity, poor governance and regulation, law and order, limited human capacity and poor transport infrastructure are important barriers and these need to be tackled effectively. Rural economic development stretches across a number of sectors. The government has yet to develop a more comprehensive vision of how best activities can be supported and coordinated. Discussions are going on among donors and the Government in this regard.

The rural development agenda is a long-term goal for growth and redistribution in PNG. Basic services to the rural areas have deteriorated. There is the need to address education, health and basic infrastructure like roads, bridges, waterways and access to sustainable and affordable energy services. They remain high priorities if there is to be sustainable solution to rural development.

Sustainable improvement of rural livelihoods can only be achieved through increased level of economic activities in rural areas. Among the number of factors which constrain rural economic growth in PNG, the following areas have been identified by stakeholders as requiring particular attention:

- Improvement of local development planning with all stakeholders' involvement
- Upgrading of infrastructure to widen access to economy in the rural world
- Improvement of access to market and economic opportunity information in rural areas
- Support to income-generating activities in agriculture, fisheries and forestry

Rural development has been supported by the EC in a number of ways. In the 9th EDF, support is provided to rural water and sanitation, with NSA as the main delivery vehicle. Under 8th EDF various support were provided to coastal fisheries and to eco-forestry and STABEX funds have supported a broad range of agricultural oriented activities.

The rural development agenda will not be achieved through isolated EC actions, and the long term sustainability and effects will inter alia depend on a number of supportive actions from government. The measures to be taken by the government as contribution include ensuring equitable and regular allocation of resources to district authorities, development of a sector policy, planning and management, integration of natural resource management into district

development plans and development of Strategic Environmental Assessment of the focal sector.

IV.2 Focal sector II: Human Resources Development

EC has been intervening in this area over the past 20 years with emphasis on primary education and has gained a long-dated experience in this regard. Universal primary education in itself is a development goal but depending on the direction of education in general an important contribution to economic growth in the short and longer run.

The proposed strategy will be coordinated with the assistance provided by other donors, in particular Australia. The coordination of EC assistance with Member States is of limited importance as their activities are of very limited nature. During formulation and implementation, coordination with other donors will actively be pursued. Lack of adequate skills among the rural population is a major concern, which is linked directly to deficiencies in the education system. Despite the progress towards the achievements of universal primary education in recent years, many children still have no access to basic education and of those who do participate, too many fail to complete their schooling. The various problems in education sector have had negative impact on economic growth and have resulted more in the increase in rural and urban poverty, rural emigration to urban areas and rise in crimes. Support to the sector will be consistent to the objectives of the MTDS 2005 - 2010, education sector plan, the Millennium Development Goals, UN Charter on Education for All and other relevant agreements in the context of the sector.

The Government's MTDS, 2005-2010 emphasizes community involvement and participation, the achievement of UPE and Vocational and Technical education and training that imparts income-generating skills. The priorities to be pursued are basic education, with the goal of enabling all rural children to complete nine years of basic education and post-primary vocational and technical training (particularly girls and young people in rural areas) obtaining educational qualifications and marketable skills).

Overall, it was clear from the Stakeholder consultations that took place in the context of this strategy that within the Education sector, European Union support has to be concentrated in supporting Governmental actions in *Basic Education and Vocational & Technical Training* as this would enhance impact on the large segment of the population. Emphasis on the above areas would constitute an overall strategy of enhancing the skills of the nation.

The support to education builds on previous interventions and there is a recognised need to move towards a SWAp for the education sector. To enhance the sector management the government will pursue donor coordination, establish a medium-term expenditure framework for the sector, and further support the development of costed sector implementation plans with clearly defined targets as well as improving monitoring and evaluation of such sector strategies and plans.

The two focal sectors will be mutually supportive. Human Resources Development will enhance communities' capacity to take advantage of improved market access and conditions. Improved market access and conditions will support demand for improved HRD and will thus support the demand side for these elements.

IV.3 Supporting Strategies (non-focal sectors)

The interventions in the focal sectors will be complemented by selected actions that are deemed essential for achieving the overall development objectives, including actions to

support that PNG may be in position to move towards wider use of SWApS and possibly budget support. This concerns the following areas:

Technical Cooperation Fund (TCF)/NAO support

The TCF is an essential instrument for the support to the GoPNG in preparing the financing agreements and for wider programmatic issues, including evaluation. The NAO has been supported in three consecutive NAO Support Programmes that have increasingly transferred responsibility to the government and the roles of external consultants have changed from the management of the programme to a purely consultative role. In line with this progressive transfer of responsibility, a certain level of capacity has been build up in the PNG administration. It is essential that this process of transfer of responsibility is further strengthened.

It is essential that the GoPNG, as a policy measure, assign adequate and adequately skilled staff to the NAO Support Unit.

Support to Non-state Actors & Good Governance

The support to good governance will continue building on the experience of the Good Governance and Non State Actors programmes of 9th EDF. Moreover, particular attention will be given to cross cutting issues of the two focal sectors such as Gender Equity and Responsible Natural Resources Management

An essential policy commitment on the side of GoPNG will be to effectively ensure the involvement of NSA in all stages of the project cycle for EC financed activities.

Trade Related Assistance (Support to export led growth)

Complementary to the rural development focal sector is the support to enhance the overall environment for increasing exports from PNG. Presently a minor trade-related assistance project is being implemented. Building on the results of this project further support to export promotion and trade facilitation is foreseen. This support will also tie well in with the opportunities provided by a possible EPA and synergies with the Regional programme will be explored.

IV.4 Cross-cutting issues

Particular attention will be given to cross cutting issues such as Gender Equity and Responsible Resources Management. The importance of governance and the broader policy environment for the two focal sector interventions are fully recognised and these aspects will be integrated into the programmes.

IV.5 Risks, assumptions and policy commitments

The overall risk for the implementation of the programme and achievement of results is linked to the capacity of the GoPNG to manage substantial aid flows to the country. Aid modalities and the movement to more efficient sector management is central in securing adequate absorption capacity.

Another element of key importance for the effective implementation of the 10th EDF will be that adequate capacity will be in place in the NAO Support Unit. At present the unit is dependent on a very limited number of key persons. The integration of the NAO Support Unit in the Department of Planning and Monitoring is also weak and there appear to be a limited high-level attention to the EC programme. For the smooth and timely implementation of the 10th EDF, the GoPNG would need to adequately address these issues.

As outlined in the appendix, the following areas of government commitments on governance, which form an integral part of the CSP/NIP, will be central for achieving better efficiency of development assistance:

- Clarifying roles and responsibilities at sub national government
- Institutional capacity
- Improved business climate in PNG
- Improved natural resource management
- Aid administration and dialogue.

PART 2: INDICATIVE PROGRAMME

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1. INDICATIVE PROGRAMME

1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sectors, and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.2 Financial instruments

The implementation of the EC's cooperation strategy with Papua New Guinea will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

1.2.1 10th EDF A-envelope (€130 million)

This amount shall serve to cover long-term development operations within the framework of the Support Strategy. It is tentatively to be divided among the focal and non-focal areas as follows:

Focal sector 1: Rural Economic Development (€ 71.5 million)

Focal sector 2: Human Resource Development (€ 39million)

Non-Focal Sectors: NAO Support, TCF, NSA and trade (€19.5 million)

1.2.2 10th EDF, B envelope (€ 12.3million)

This envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

1.2.3 Investment Facility:

In addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA).

1.2.4 10th EDF regional indicative programme

This allocation will cover long term programmable development operations under the regional strategy for the Pacific Region. The allocation is not part of the Indicative Programme but may have an impact at national level depending on the participation of Papua New Guinea in the programmes proposed under the regional framework.

1.2.5 Other EDF Sources

Support may also be provided through programmes funded from intra-ACP allocations.

1.2.6 Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes “investing in people”, “non state actors in development”, “migration and asylum”, “environment and sustainable management of natural resources” and “food security”, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community’s cooperation with Papua New Guinea implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3 Focal sectors

1.3.1 Focal Sector 1: Rural Economic Development

Context/ Strategy

The promotion of robust and broad based growth is central to the MTDS 2005-2010 where the engines of growth are defined as agriculture, forestry fishery and tourism, supported by mining, petroleum, gas and manufacturing. Rural development and poverty reduction are also intended to be addressed through an emphasis on health, education and agricultural development, and by empowering ordinary Papua New Guineans to drive the development process.

A number of government departments, statutory bodies and agencies have their specific mandates to deal with rural economic development programmes. A number of key sector policies has recently been finalised, e.g. the national transport plan and the National Agricultural Plan. At the sub national level, development strategies have been prepared for all provinces and most of the districts, but of variable quality. The Government is supporting rural economic development through various programmes aimed directly at the district level (e.g. District Roads Improvement Programme, District Services Improvement Programme). Furthermore, the Provincial Performance Improvement Initiative (Supported by AusAID) targets the provincial and district levels through corporate planning support and incentive co-financing in the implementation of development plans. The Treasury is seeking to improve availability of services in the province through the District Treasury Roll-Out Programme.

However, coordination among different initiatives and the integration of the sector strategies into the district development process are still at an initial stage. The EDF 9 programmes,

Support to Non State Actors and Strengthening Districts and LLGs seek, inter alia, to enhance the integration of all stakeholders in the planning and implementation processes and to build capacity for accountable and transparent planning and implementation at district level.

The broad objectives of rural economic development embrace both economic and social objectives and are defined in terms of improvement of the livelihood of people living in the rural areas of Papua New Guinea where about 85% of the population live. Income earning opportunities for the rural population are extremely limited and the majority live at the subsistence level. Increased economic activity in the rural sector will improve rural household income and address social equity issues, including gender equity.

A key element for achieving this will be improved planning, coordination and accountability at all government levels. Also there are close links to the Human Resource Development Programme, as the strengthening of relevant human skills will be central for any Rural Economic Development Strategy to be successful. The interlinkages between the two focal sectors will be further analysed and taken into account during formulation.

Overall objective

Improved livelihood of the rural population.

Programme Purpose

Facilitating and creating income earning opportunities in rural areas.

Expected results

1. Enhanced rural economic development planning, coordination and follow-up at local and national level, involving non-state actor, including the private sector, and ensuring sustainable resource use.
2. Infrastructure upgraded and established to enable access to markets and economic opportunities
3. Relevant market and economic opportunity information and other business support services available in rural areas.
4. Conditions for additional income generating activities facilitated/created

Activities

The main actions proposed are (activities are indicative and will be agreed during the formulation phase):

1. Support to the further development and improvement of district development plans with a focus on targeting these towards fostering and supporting rural economic growth.
2. Support to investments facilitation, improved access to markets, e.g. through improved infrastructure and information systems at the local level.
3. Support to innovative income generation activities in rural economic sectors, including business development services, skills development, best practise dissemination etc.
4. Institutional support to strengthen a strategic and co-ordinated approach for fostering rural economic growth at national as well as sub-national level.

Funding and implementation arrangements

As an indicative amount, €71.5 million has been allocated for this focal sector.

A key element of the support programme is foreseen to be funding investments identified in the district development plans. Well implemented, such funding should leverage other funding sources and contribute to increase overall accountability and efficiency of spending at district level. Best practices could be promoted through a range of funding selection criteria for supporting well-planned interventions. This would include issues related to the district development plans (comprehensiveness, public availability of information on past funding and results, involvement of the public in preparation, etc.) as well as to the proposed intervention (economic viability, local ownership/user contributions, clarification of land issues and impact on gender and environment/natural resource use, etc.). Under 9th EDF support is provided to strengthen District Administrations and Local Level Government. Preliminary experiences from this support will feed into the design of the foreseen support to district development plans.

A key constraint for economic activities is the low level of existing activities and support services. This increases the risks of entrepreneurs venturing into new business areas. To reduce this risk, it is foreseen to support business development services, access to information, and skills development. These elements have close links to the second focal sector. Various support services for the sustainable income generation may also be considered here. Potential synergies with CDE will be explored.

Broader policies to ensure a conducive environment for investments and business development (economic governance) will be central for the success of programme. Constraints for rural economic development will be assessed with a view to feeding in to the government policy process. Institutional support will be provided to strengthen the analysis and possible actions on barriers constraining rural economic development.

Cross Cutting Issues and policy commitments

Gender issues, sustainable use of natural resources and good governance at district level will be essential aspects to take into account in all parts of the programme. Strategic Environmental Assessment of the various rural sectors will be undertaken with a view to develop recommendations for proper integration of environmental and natural resource issues at the relevant government levels.

The EC support will be provided in the context of a comprehensive government strategy for fostering rural economic development. Initial institutional arrangements have been established with a view to enhancing the management and coordination of support to rural economic development. Elements to cover would include looking at the overall resource framework, facilitating donor coordination and enhancing monitoring and evaluation of results as well strengthening accountability arrangements.

Government is committed to address barriers for rural economic development, including action in areas such as competition policy and regulation, liberalisation of transport services, ensuring access and low costs of telecommunication services, law and order issues, customs arrangements and trade facilitation.

Indicative time frame

A financing decision for support to Rural Economic Development is foreseen in 2010 to allow the results of the 9th EDF support to Districts and LLGs to feed into the design process and to

allow time for government to further develop a more comprehensive approach to support and monitor rural economic development.

Main indicators

The key overall indicators will be the average income of rural population resulting in the improvement of living standards in terms of better housing, education, health, communication, electricity, water facilities, etc.

The Government of PNG is in the process of establishing a performance framework for monitoring of the goals of their Medium Term Development Strategy 2005-10 (MTDS). There is a shared vision that the donors will seek to align the targets and monitoring within this framework and use such government system, if adequate. However, a concrete evaluation of how this can be done will be clarified during the formulation phase and the programme will if needed provide support for government monitoring and evaluation of activities in the sector. Use will be made of the results of the ADB-funded work on indicators currently being carried out by the National Statistical Office.

1.3.2 Focal Sector 2: Human Resource Development Support Programme

Context/ Strategy

Effective human resources development is the necessary foundation for development in every economic sector as well as for building a true national identity for Papua New Guinea. PNG's established policy in education and training is encapsulated in the *National Plan for Education 2005-2014*, (NEP) which presents the outcomes for the general education sector and the strategies for achieving them. The priority objectives outlined in the plan are consistent with the MTDS 2005-2010, which define basic education and development oriented non-formal education as priority areas, reflecting the importance of relevant education targeted to empower Papua New Guineans to mobilise their own resources for higher living standards.

Whilst there has been an impressive and rapid expansion of the numbers of students passing through the education system, and significant improvements in access, the quality of education has become a major concern as the school population increase and the system struggles to plan, fund and administer those increases and the achievement of education for all remains an elusive target. Major challenges remain to be tackled, including the need to improve retention rates. There is also a need to strengthen vocational training to support appropriate and relevant demand-driven entrepreneurial courses.

The 9th EDF-funded *Education Training and Human Resources Development Programme*, which runs until 2011, contributes to achieving the goals of the National Education Plan by improving the quality of basic education, vocational training and non-formal education country-wide. In addition, the 8th EDF-funded *Improvement of Rural Primary Education Facilities Project* (IRPEF) supports basic education delivery in selected disadvantaged remote areas. The proposed intervention will build on the (preliminary) results from the above ongoing programmes.

Department of Education and the donors active in the sector are in process of developing a SWAp for the education sector, called Education Sector Improvement Programme (ESIP). A Steering Committee with representation from AusAID and the EC Delegation has been formed. Other donors active in the sector have observer status (NZ AID, UNICEF, JICA). The

Steering Committee receives support from AusAID, including support to capacity development. At district level, AusAID is also providing support to the development of District Education Plans with possibility of some PRIDE involvement. PRIDE also plans to support training to improve monitoring and evaluation capacity in the sector.

A costing study seeking to determine the costs of achieving Universal Primary Education is being undertaken by UNICEF, financed by the World Bank. The study should be finalised by the end of 2007 and will form the basis for the preparation of the medium term expenditure framework for the sector and for the scoping of the SWAp. The mandate for the abovementioned Steering Committee states early 2009 as the target date for having an operational SWAp in place. The Delegation will maintain discussions with Department of Education on how to promote an integrated approach to education/training also covering those excluded from the formal education system.

Overall objective

To promote the development of PNG's human resources, enabling improved livelihood in rural areas.

Programme Purpose

The purpose of the programme is to enhance the institutional capacity of the education system in PNG with a view to increase the number of pupils (particularly girls and young people in rural areas) completing good quality primary education and attaining relevant income-generating skills.

Expected results

- Increased number of pupils, in particular girls, completing primary education
- Enhanced quality of education (particularly at elementary and primary levels);
- Increased access to relevant and demand-driven community-based skills training and income-generating opportunities.
- Strengthened institutional arrangement and capacity for integrated management of the sector

Activities

The major interventions foreseen support the delivery of effective education services at the district level, coupled with targeted institutional strengthening at the national level, which will include (activities are indicative and will be agreed during formulation phase):

- Support to basic education services in remote districts, which could include training, facilities, improved conditions for teachers, etc.
- Development of effective management and leadership training for district education institutions;
- Support for the vocational education sector, including assistance to the further development of national plans for improvement of vocational training, the rationalisation process and infrastructure, equipment and in-service training support. Linkages with the non-formal sector to support self-employment;
- Support to monitoring and evaluation capacity, policy analysis and other sector management activities.

Implementation arrangements

For indicative purposes, Euro 39 million is allocated for this sector.

The Department of Education plans to move to a sector wide approach for support to the education sector in PNG. The EC support is in anticipation of such an approach and will be provided as a sector support programme. The EC sector policy support programme will be planned and implemented (at national or provincial level) in the context of an overall plan, covering the full resource framework for the sector, having relevant performance target defined as well as arrangements for monitoring designed/in place.

It is still not fully clarified what the scope of the SWAp will be, in particular whether it will focus on primary education or cover more broadly the objectives of the NEP. This may mean that this focal sector support could have to be provided with separate financing agreements, one covering the sector support programme focussing on basic education and another covering support to vocational training.

Cross Cutting Issues and policy commitments

The main commitments by the Government to ensure mainstreaming of the crosscutting issues are: *Gender and HIV/Aids*. Special attention will be given to reinforcing HIV/Aids education in the curriculum. Special attention has already been given to gender equity which has resulted in the increase in the enrolment and retention of female students at all levels of education. The current government emphasis has been given to increasing educational facilities for female students in order to bridge the gender imbalance. The question of how to strengthen the life skills and vocational training in the education system will form a part of the preparation of the programme, be it through having more vocational training in the traditional school system or upgrading of the vocational training systems.

The major **policy measures** to be taken by the Government as a contribution to the implementation of the response strategy in this sector will be to maintain the share of the national budget for education, encourage community and non-state actors' participation, and review career structures for primary and vocation/technical school teachers.

In addition, GoPNG, including the Provincial governments, will enhance the overall management of the sector, namely taking an effective lead in donor management, creating a medium term expenditure framework in accordance with approved policies, having overall monitoring and evaluation arrangements in place, as well as adequate arrangements for monitoring sub-national activities.

Indicative time frame

The timing of the support will be determined based on the progress in the establishment of the sector framework for the support and the need to build on experiences from the 9th EDF support to primary education and vocational training. It is foreseen that the financial decision will be taken in 2010 to allow for the results of the pilot actions under the 9th EDF support to feed into the design process, in particular in the field of vocational training. The mobilisation of funds will also have to take into account and be adjusted to when an operational SWAp would be in place.

Main indicators

The outcome indicators which will be used to assess the impact of EC aid during reviews and evaluations will include enrolment and completion rates, numbers of students completing short-term community oriented courses; numbers of teachers upgrading their skills; literacy rates, occupation rates (work and/or further studies) of the beneficiaries.

As mentioned earlier, the Government of PNG is in the process of establishing a performance framework for monitoring of the goals of their Medium Term Development Strategy 2005-10 (MTDS). There is a shared vision that the donors will seek to align the targets and monitoring

within this framework and use such government system, if adequate. Within in the context of the foreseen move towards improved sector management, the Department of Education has also foreseen to strengthen monitoring and evaluation. A concrete evaluation of how these government systems can be used will be clarified in the formulation phase and the programme will if needed provide support for government monitoring and evaluation of activities in the sector. Use will be made of the results of the ADB-funded work on indicators currently being carried out by the National Statistical Office.

1.4 Budget support

No budget support is currently foreseen in the context of 10 EDF. However, in the light of changing circumstances, the possibility of using budget support as financing modality to support the focal sectors will be considered if prospective eligibility improves. The education and the rural sectors would be the main potential candidates for a total indicative amount of €45 million. Such a decision would be subject to agreement between the National Authorising Officer and the Commission services to be reached in the context of an annual, mid-term or end of term review.

Over the period of the CSP, the activities related to establishing compliance with the eligibility criteria, in particular with respect to the robust and transparent Public Finance Management system, will be pursued.

1.5 Other programmes

An indicative amount of € 19.5 million is set aside for support outside the two focal areas. The following interventions are foreseen:

Support for Non state Actors and Good Governance (€5 million)

The support will build on the experience of the Non State Actors programmes of 9th EDF. Moreover, particular attention will be given to cross cutting issues of the two focal sectors such as Gender Equity and Responsible Natural Resources Management.

Support to Non State Actors covers Non-State Actors eligible for funding as defined in Article 6 of the Cotonou Agreement and article 4(1)(d) of Annex IV to the revised Agreement. Depending on their mandate, support to Non State Actors may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting Non State Actors, the EC may make use of article 15 (4) which allows it to be the Contracting Authority. An amount of Euro 5 million shall be made available for this purpose

The Technical Cooperation Facility/NAO Support (€8.5 million)

The Technical Cooperation Facility will support programming and facilitate start-up implementation of the 10th EDF-support, other future EC funding and ad hoc support to meet specific requirements, support for organisation of/participation in training, workshops and seminars. Support may further be provided to studies to assess the prospects for budget support and for projects that may lay the ground for it, including support to such areas as strengthening public financial management, procurement, and statistics.

The programme will support the National Authorising Officer's Support Unit to prepare, control the implementation and organise evaluation, audit and closures at finance, administrative and contractual levels of all European funded interventions in PNG.

The Trade support programme (€6 million)

The present trade related assistance programme of 9th EDF, focusing on capacity building in trade policy formulation, will assist in developing a broader trade facilitation support programme for the 10th EDF funding. The programme will support the country in benefiting from a possible EPA. Synergies with the regional programme will be explored.

This trade support is an important complementary tool to the economic growth in rural areas, PNG's trade with the outside world and a boost to a possible EPA as well as a future employment market for technical and skill building educational programmes.

1.6 Intervention framework

1.6.1 First Focal Sector – Rural Economic Development

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objectives	Improve livelihood of the rural people.	Living standards for rural population have improved in terms of housing, education, health, etc.	National Statistics Office Bank of PNG,	Law and order maintained.
Programme Purpose	Create rural income earning opportunities and ensuring gender equality.	Average rural household income of population increase (taxes and GST).	Internal Revenue Commission. Treasury. Education Statistics Health Statistics	Availability of credit opportunities in rural areas. Improved skills of populations related to economic opportunities are available.
Results	1. Enhanced local development planning with private sector participation and ensuring sustainable resource use 2. Infrastructure upgraded and built to enable access to markets and economic opportunities	District Plans, District Business Profiles Feeder roads and wharves rehabilitated and maintained. Markets constructed. Transport available- coastal and in-land.	Department of National Planning and Development. Dept of Provincial and Local Level Government Affairs BPNG & NSO Reports, IRC Data Ex-Post Evaluation	District staff has capacity and willingness for updating and support implementation of rural development initiatives Land-tenure issues and law and order issues resolved.
	3. Relevant market and economic opportunity information and other business support services available in rural areas	Additional business of new type Increase in local export Improved skills of populations Training Needs Analysis Identified (TNA)	Investment Promotion Authority Manufacturer Council Commodity Boards Reports	Conducive Business Environment maintained Communication access widened to rural areas?
	4. Additional innovating income generating activities created	New activities created Number of persons employed in new activities Increased household incomes.	District Derivation Grants National census data	Lack of Enforcements of Laws Legislative Reviews and reforms

1.6.2 Second Focal Sector – Human Resource Development

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	To promote the development of PNG's human resources	HDI/GDP	MDG Report, EDI	Political Stability and continued Govt support to Education
Programme Purpose	Increased numbers of students (particularly girls and young people in rural areas) completing good quality primary education and attaining relevant income-generating skills..	Enrolment statistics, retention rates, employability of school leavers	Annual reports	Consistent Budgetary Support
Results	<ul style="list-style-type: none"> - Increased number of pupils completing good quality primary education and attaining relevant income-generating skills. - Enhanced quality of education (particularly at elementary and primary levels) - Increased access to relevant and demand-driven community-based skills training and income-generating opportunities. - Strengthened institutional arrangement and capacity for integrated management of the sector 	<p>Literacy rates</p> <p>Test levels for students</p> <p>Teacher absenteeism</p> <p>Adequate Infrastructure and teaching materials</p> <p>Number of students finalising vocational and non-formal training</p>	<p>HDI, QEB, INA Reports, Quarterly Reports, MSU Report, DOE Data, CSMT, Education Management Information System Report, Education Development, Skills Audit Report,</p>	<p>Government leadership in sector management, effective Donor Coordination</p>

1.7 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010 →	
		1	2	1	2	1	2
1st FOCAL SECTOR – Rural Development	71.5 M €						
- Rural Economic Development Programme	71.5 M €						71.5
2nd FOCAL SECTOR – Human Resource Development	39 M €						
Human Resource Development Sector Support Programme	39 M €						39
NON FOCAL SECTORS	19.5 M €						
- Institutional support for non state actors and good governance.	5 M €						5
- Technical cooperation facility / NAO support	8.5 M €		8.5				
- Trade facility programme	6 M €				6		
Total Cumulative Commitments :	130 M €	0	8.5	8.5	8.5	14.5	130

1.7.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1st FOCAL SECTOR – Rural Development	71.5 M €						
- Rural Economic Development Programme	71.5 M €						
2nd FOCAL SECTOR – Human Resource Development	39 M €						
Human Resource Development Sector Support Programme	39M €						
NON FOCAL SECTORS	19.5 M €						
- Institutional support for non state actors and good governance.	5M €						
- Technical cooperation facility / NAO support	8.5 M €				1	1	1
- Trade facility programme	6 M €						2
Total Cumulative disbursement	130 M €	0	0	0	1	2	5

1.8 Chronogram of activities

1st FOCAL AREA (71.5 M €): Rural Economic Development	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Rural Economic Development Programme	71.5 M €								FS		AF		FD
2nd FOCAL AREA (39 M €): Human Resource Development		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- HRD Sector Support Programme	39 M €								FS		AF		FD
NON FOCAL AREAS (19.5 M €)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Support to non state actors.	5.0 M €									FS	AF		FD
- Technical cooperation facility/NAO SP	8.5 M €	FS	AF		FD								
- Trade facilitation	6.0 M €					FS	AF		FD				

FS: Feasibility Study
 AF: Action Fiche
 FD: Financing decision

10th EDF CSP Annexes

Summary

ANNEX 1: COUNTRY AT A GLANCE

ANNEX 2: DONOR MATRIX

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ANNEX 1: COUNTRY AT A GLANCE

Land area	Population	Population density	Population of the main town
462 820 sq km	6.1 million	12.7 person/sq km	0.32 million
Population growth (annual %)			
Year 1990: 2.2%	Year 1999: 2.6%	Year 2002: 2.7%	Year 2005: 2.7%
Labour force : 2.4 million (Census year 2000)			
Life expectancy at birth : 55.1 (Human Development Report 2006)			
HDI: value and ranking : 2004: Ranked 139, value: 0.532			

Economic Summary

Indicator	2000	2001	2002	2003	2004	2005	2006	2007
BASIC DATA								
1. GDP (mill US \$)	3493	3118	2976	3586	4262	4867	5241	5466
2. GDP per capita (US \$)	673	585	544	638	738	821	860	874
3. Real GDP growth (annual %)	-2.5	-0.1	-1.0	2.9	2.9	3.1	3.5	3.5
4. Gross fixed capital formation (% of GDP)	21%	21%	20%	N/A	N/A	N/A	N/A	N/A
5. Foreign direct investment (mill US\$)			18	101	26	34		
6. External debt (% of GNI)		89.3	94.6	83.6	61.4			
7. Total debt service (% of exports)		12.7	7.8	7.3				
8. Inflation rate (CPI)	15.6	9.3	11.8	14.7	2.1	1.7	2.9	3.0
9. Real effective exchange rate PKG/USD	0.3623	0.2976	0.2573	0.2808	0.3117	0.3231	0.3235	0.3235
STRUCTURE OF THE ECONOMY								
10. Agriculture (% of GDP)	33.4	34.9	38.3	39.4	39.3	37.6	36.4	37.2
11. Industry (% of GDP)	32.8	29.9	24.9	25.9	26.8	30.4	31.9	30.4
12. Services (% of GDP)	33.8	35.2	36.8	34.7	33.9	32.1	31.7	32.5
PUBLIC FINANCE								
13. Revenues (% of GDP)	30.9	30.4	27.9	28.3	31.6	35.2	33.6	29.8
- tax revenue	24.1	21.9	20.5	21.0	23.5	24.9	25.2	22.0
- non-tax revenue	1.5	1.6	1.5	1.9	1.8	1.9	2.2	1.6
- donor grants	5.4	6.9	6.0	5.4	6.2	8.5	6.1	6.2
14. Expenditures (% of GDP)	33.3	33.8	31.8	29.2	30.1	35.2	33.6	30.0
- salaries and wages	8.7	9.2	9.0	8.6	9.2	8.2	8.3	8.2
- recurrent costs	10.7	9.9	9.2	6.7	8.6	12.5	8.0	8.5
- development expenditures	9.5	10.7	9.9	8.1	9.5	12.3	14.2	10.2
- interest payments and fees	4.4	4.1	3.8	5.8	2.8	2.2	3.1	3.2
15. Current budget balance (% of GDP)	-2.3	-3.4	-3.9	-1.0	1.5	0.0	0.0	-0.2
TRADE								
16. Exports of goods and services (% of GDP)			60.7	67.9	65.0	71.5	75.3	64.0
- mineral and hydrocarbons	46.1	46.7	41.3	46.1	45.4	52.9	55.7	50.0
- agriculture and forestry	12.8	10.1	13.0	14.1	14.2	12.5	12.4	12.7
- Fishery products	0.3	0.7	0.8	1.0	0.4	0.4	0.4	0.4
17. Imports of goods and services (% of GDP)			-59.1	-57.3	-57.9	-54.0	-66.8	-67.1
18. Current account balance/GDP			-4.3	3.9	2.9	12.5	-1.0	-10.8

Source: Department of treasury September 2006

Selected Social Indicators related to the MDGs

Indicator	1990	1996	2000	2001	2002	2003	2005	2006	1015
1. Proportion of population below \$1 per day[1]		30.2							
2. Prevalence of underweight children <5 years of age	36	29	24.9						
3. < 5 mortality rate (per 1,000 live births)		133	88				68.4		
4. Net enrolment ratio in primary education		66.3	77.4	73					
5. Primary Completion Rate[2]	47.4	59.2	55.5	55.2	55				
6. Ratio of girls to boys in primary, secondary and tertiary education	94/72	93/75	90/79	90/77	88/79				
7. Proportion of births attended by skilled health personnel	20	42	41	39					
8. Proportion of 1 year old children immunised against measles	67	42	53			49			
9. HIV prevalence among 15-24 yr old pregnant woman	0	0.24			0.84	1.59			
10. Proportion of population with sustainable access to an improved water source	42	42	39.7		39	39			

Sources: 1996 and 2000: National Statistics and UN, 2001-2005: UN Statistic division and ADB Country Strategy

ANNEX 2: DONOR MATRIX

Up to now, the Government of Papua New Guinea is not really systematizing donor coordination but rather attempts to orientate the individual donor interventions towards its own Medium Term Development Term Strategy while respecting the particular objectives and conditionality from each donor. No matrix of donor contributions and their sectoral allocation is prepared regularly.

In connection with the annual budget, donors are requested to indicate the planned level of assistance for the coming year and as of last year how much will be allocated to the various priority areas as defined in the MTDS 2005-10. The donor matrix below has been drawn up based on these indications of planned funding for the 2006 budget.

Table 1: PNG Development budget 2006 per MTDS goals in million kina – contribution from government and donors

MTDS Priorities	GoPNG	AusAID	EU	JICA	NZAID	WB	ADB	Other	Total
Primary and Preventive Health	28	67	14	0	13	0	17	7	147
HIV/AIDS Prevention	3	24	3	0	0	0	11	2	44
Basic Education	14	66	31	0	4	0	0	2	117
Development Oriented Adult Education	1	5	1	0	0	0	6	0	14
Transport Rehabilitation and Maintenance	243	121	12	25	0	41	60	0	502
Income Earning Opportunities	48	22	52	0	7	1	11	0	140
Law and Justice	13	78	0	0	0	0	0	2	92
Other (1)	198	334	5	25	4	0	15	50	631
total	548	717	118	50	29	43	120	63	1687

(1)Concerns not necessarily MDTS related funding such as General Government Admin reform and events, Aid administration and not directly MDTS related projects

Table 2: PNG Development budget 2006 per MTDS goals in % - contribution from Government and donors

MTDS Priorities	GoPNG	AusAID	EU	JICA	NZAID	WB	ADB	Other	Total
Primary and Preventive Health	19.1%	45.7%	9.7%	0.0%	9.0%	0.0%	11.7%	4.8%	9%
HIV/AIDS Prevention	6.9%	55.5%	6.7%	0.0%	0.0%	0.0%	25.9%	5.0%	3%
Basic Education	12.3%	56.4%	26.0%	0.0%	3.6%	0.4%	0.0%	1.3%	7%
Development Oriented Adult Education	9.6%	40.4%	7.0%	0.0%	0.0%	0.0%	43.0%	0.0%	1%
Transport Rehabilitation and Maintenance	48.4%	24.1%	2.4%	5.0%	0.0%	8.2%	12.0%	0.0%	30%
Income Earning Opportunities	34.2%	15.4%	37.1%	0.0%	4.8%	0.9%	7.6%	0.0%	8%
Law and Justice	14.1%	84.0%	0.0%	0.0%	0.1%	0.0%	0.0%	1.8%	5%
Other (1)	31.3%	52.9%	0.7%	4.0%	0.7%	0.0%	2.4%	8.0%	37%

(1)Concerns not necessarily MDTS related funding such as General Government Admin reform and events, Aid administration and not directly MDTS related projects

ANNEX 2: DONOR SUPPORT.

Funding 36% of the development budget, the Australian Aid is by large the main external donor supporting the MTDS. The Australian Development Cooperation Strategy foresees a genuine partnership between PNG and Australia, driven by PNG ownership and leadership with a strong emphasis on sustainability and capacity building. The objective of the Australian Aid is to reduce

poverty and promote sustainable development through support for the PNG Government's efforts to implement its Medium Term Development Strategy (MTDS) and Medium Term Fiscal Strategy (MTFS), with a specific focus on four core areas: i) improved governance and nation building, ii) sustainable broad-based economic growth and increased productivity iii) Improved service delivery and stability iv) strengthened, coordinated and effective response to the HIV/AIDS epidemic.

The Asian Development Bank (ADB) assists Papua New Guinea in achieving its MTDS goals through concessional loans focusing on i) strengthening governance through support in fiscal and financial management and public service reform, ii) supporting private sector development, through improvement of sector policy and institutional frameworks, mainly in the agriculture and fishery sectors, enhancement of productivity factors (skills development and microfinance services), and improvement of market access (selected transport

Table 3: Sources of funding under the 2006 development budget

Source	Million Kina	budget	aid	grant funding
Government of PNG (GOPNG)	527	31%		
Australian Aid (AUSAID)	714	42%	58%	67%
Asian Development Bank (ADB)	119	7%	10%	
European Union (EU)	115	7%	9%	11%
Japan JICA	51	3%	4%	5%
World Bank (IBRD)	42	2%	3%	
Neo Zealand (NZGV)	37	2%	3%	3%
United Nations (UN)	26	2%	2%	2%
China	43	3%	3%	4%
Other	14	1%	1%	1%
total	1 688	100		

infrastructure investments, especially in rural areas and iii) improving social conditions through support in health policy development and in water and sanitation infrastructure investments.

Through its Asian Development Fund (ADF) grant facility, ADB assists to address the growing HIV/AIDS pandemic in PNG.

Japan finances several programmes in selected fields such as bridge building for roads constructed with the assistance of other donors, long distance learning through radio and TV broadcasting and specific rice development and water and sanitation projects. Through loans, Japan supports the Structural Adjustment Programme, the Trans Island Highway and a Rural Bank credit facility.

Major loans having been suspended for governance reasons in the forestry sector, the World Bank has a limited portfolio in PNG. Smaller loans are still operational for road maintenance and rehabilitation, funding of a post volcano eruption rehabilitation and institutional strengthening of the Mining sector. Recent negotiations let presage resuming of WB support which would mainly be oriented in i) infrastructure (roads, maritime, air) ii) private sector development iii) integrated community based development iv) sustainable natural resource management; and good governance through capacity building of key government agencies

The Peoples Republic of China has an increasing cooperation with Papua New Guinea, which is mainly directed to agriculture and infrastructure projects.

New Zealand supports the Governmental strategy with primary focus on primary health care, basic education and good governance.

The different agencies of the United Nations mainly support the Government in achieving its medium term goals through support in capacity building, planning and management support in the ad-hoc departments and institutions. Moreover, UNDP supports a large HIV/Aids programme.

ANNEX 3: EXECUTIVE SUMMARY OF COUNTRY ENVIRONMENT PROFILE

General Overview

Papua New Guinea (PNG) comprises a group of islands that includes the eastern half of the island of New Guinea, the second-largest island in the world. PNG shares New Guinea Island with Indonesia, on the west. To the south of PNG lie the Coral Sea and Australia, while the South Pacific Ocean lies to the north. The country is mostly mountainous, with coastal lowlands and rolling foothills, and one of the world's largest swamps along its southwest coast.

Environment Legislation and Regulations

The Environment Act 2000 is PNG's regulatory framework for environment management and protection and ensuring that development including of its natural resources have limited social and environmental impacts. This act is in addition to the various international environmental treaties, conventions and protocols to which PNG is a signatory. The legal framework is administered by the Department of Environment and Conservation. A public review process is integral to the environmental impact assessment process under the Environment Act.

Two reports on the environment were prepared in 2005: the ADB Country Environmental Analysis (CEA) Report (November 2005) and a Country Environmental Profile (CEP) by EU consultants in November 2005 (Final Report February 2006). These describe the general environmental status and trends, existing policies and legislative frameworks, the main constraints and opportunities for improving environmental management, including measures that government and donors could undertake to mainstream environmental considerations as part of future economic development planning and policy making.

Institutional Situation

The commitment of past and the present Government, at the national and provincial levels has been articulated in key policy documents but has not translated into financial or staffing terms. This is also despite the significant resource developments that are taking place in PNG. Weak institutions at both national and provincial levels and lack of budget allocations reflect a lack of genuine commitment to support effective environmental monitoring and management. In addition, the MTDS whilst covering a number of principles on environment lacks a concrete guidelines, clear objectives and indicators to help achieve sustainability in development in environmental terms. The principal government agency charged with environmental management and monitoring is the Department of Environment and Conservation (DEC), but it does not operate effectively due to inadequate funding and staffing, especially in relation to monitoring and other field based activities, particularly GIS systems needed to support informed environmental management decision-making. Of particular concern is the fact that more than 70% of the Department's recurrent budget is for salaries and wages. This leaves very little funding available for performing their functions. Public commentaries, protests by resource owners and agitation by non government organizations at the violation of PNG's environmental laws major resource interests, especially in the renewable resource sector reflect the inability of DEC to oversight its functions effectively. Whilst there is a legal framework contained in various environmental, water, forestry and fisheries Acts, and PNG is party to the Convention on Biological Diversity (CBD), progress and implementation is limited due to capacity constraints at national and local levels. Lack of information is also cited as responsible for supporting measures to meet MDG goals and therefore achieve environmental sustainability.

Environmental Concerns and Constraints

Major environmental issues include:

- The minerals boom and high commodity prices exert significant pressures on institutions
- Inappropriate land use practices due to intensive farming systems that accelerate land degradation (e.g. soil erosion, salinisation and loss of soil fertility)
- Unsustainable logging operations that result in adverse environmental impacts (e.g. soil erosion, hydrology and water quality impacts and loss of habitats and biodiversity,
- Destructive fishing practices and coastal pollution due to run off from land based activities (especially logging) and oil spills that impact on coastal and marine resources (and subsequently tourism),
- Environmental impact of current large scale mining operations (e.g. discharge of heavy metals, cyanides and acids into rivers) that cause adverse impacts on forests and water quality,
- Rising sea levels due to global warming affecting villages on the atolls and coastal villages that have been relocated.

Issues

The main barriers that create or contribute to these problems and constrain effective environmental management and mainstreaming are as follows:

- Managing domestic interest and international pressures associated with major resource projects (renewable and non renewable resources)
- Institutional weaknesses in environmental management of policy and legal frameworks that need to be further strengthened,
- Traditional land tenure system that constrains integrated land use management and planning,
- The need for greater environmental awareness generally, and appreciation of environmental values as a basis for sustainable economic growth,
- Increasing population pressure
- Data gaps that constrain effective decision making and planning
- Governance issues that lead to over exploitation of resources.

The Government institutions responsible for environment management and monitoring will not in the immediate and medium term receive the level of funding to perform their functions effectively. This is despite the fact that significant resources will be generated for the State from major renewable and non renewable resource projects. The membership of PNG to various specialized environmental agencies should generate some support to boost DEC's resources, but a more effective alternative is for major donor partners to continue to include 'environment management and sustainability' as conditions of their support. The World Bank has minimum standards for mining company operations.

To address the issue of institutional capacity and constraints a proposal for a development forum was mooted (S Koyama, pg 212, PEB) as a tool for environmental governance. The concept was introduced in 1989 and was applied to all major mining projects in PNG and was an integral part of the approval process in any major project. It sought to inform the developer of the stakeholders' understandings and aspirations and vice versa and to take each others' views into account before formal agreements are finalized. The DEC is known to have been involved in this process, although its focus has been limited to environmental impacts and not detailed consideration of conservation and long term sustainability.

The proposal is to apply the 'development forum' concept to renewable resource sectors such as forestry, fisheries and agriculture and in which "the discussion of wider environmental issues such as conservation and sustainability, the raising of awareness of environment and socio-economic issues" (S Koyama, pg 214, PEB) and be incorporated into the policy and legislative framework of both renewable and non renewable resource sectors. The forum would involve both local and external parties with interests and involvement in environment such as UNEP, SPREP, UNDP, etc.

The forestry and fisheries sectors in PNG have been very controversial and have been characterized by allegations of corrupt practises and abuse. The development forum would seek to provide information beyond just the benefits and royalty payments but also land degradation, loss of wild life, fauna and flora. Environmental governance in PNG could be greatly enhanced through such a process.

Priorities

The main priorities for action are alleviating poverty, especially in rural areas, improving food security, strengthening the institutions responsible for environmental planning and management and taking steps to reverse the current trends of environmental degradation, habitat loss and over-exploitation of resources.

Forestry

The situation in the forestry sector is of major concern. At this time some 11.2 million ha out of 15 million ha of accessible natural forest have been allocated for logging since 1975 and uncontrolled logging operations have resulted in significant adverse impacts on the environment. At present, regulatory agencies are unable to conduct compliance monitoring of forest products due to lack of manpower and financial resources. Developers take advantage of the regulatory agencies' inability to carry out such duties. In addition, one of the largest forestry conservation initiatives in recent years, the WB funded Forest Conservation Project (FCP) valued at nearly USD 40 million was suspended and then cancelled because of non-compliance of loan covenants. This has left a large void and the need for greater urgency in interventions relating to community strengthening, forest resource management and biodiversity conservation. In addition, certification programmes that set international operational standards are urgently required. The EU through its Eco-Forestry Programme was supporting sustainable forest management and the certification effort.

Fisheries

The situation in the fisheries sector is increasingly becoming a major concern with the influx of illegal foreign interests and fishing vessels, harvesting illegally and unsustainably in coastal waters of PNG and consequently contributing to the destruction of the livelihood of many coastal villagers. Governance in this sector is a major issue with granting of licenses to foreign interests with questionable backgrounds and strong political connections as well as lack of capacity at the national and provincial levels to undertake effective surveillance and monitoring and prosecution. ADB and EU supported programmes in this sector to strengthen local capacity, improve data and access to data and information and continuously reforming natural resources management laws and strengthening their enforcement should be maintained.

CEP Overview

Whilst the situation is serious, the CEP concluded that the environment and attendant biodiversity of PNG had escaped much of the degradation witnessed in neighbouring countries due to the

rugged terrain, absence of infrastructure and the traditional land tenure system, rather than to any environmental management on the part of Government or the private sector. It also emphasized that currently there are no environment specific indicators in use in PNG. The current state of the monitoring regime, the collation of data and its analysis does not allow even island wide indicators to be developed, let alone a regime of national environmental indicators. Some monitoring data is collected by private companies as part of the environmental permitting for mining and commercial farming activities. However, coordination and dissemination of data is generally poor, with insufficient collation of what information is available into a single comprehensive body of information.

ANNEX 4: OVERVIEW OF THE FISHERY SECTOR IN PNG

Papua New Guinea has an Exclusive Economic Zone of 2.4 million sq km making it one of the largest in the region. The total market value of PNG's fisheries catch has been estimated at K300 to K400 million annually⁹. Cyclical factors and commodity price movements, especially for tuna, cause large variations in value from year to year. Despite the richness of PNG's resources and the substantial value of fishery production in absolute terms, the contribution to national GDP has been estimated to be around 1.4%, which is the smallest among the Pacific Island States. It is believed that there is significant potential to increase the economic value and returns to PNG in the sector through better management and development programmes.

Legal and Institutional Framework

The Fishery Act gives broad powers to the Minister of Fisheries and Marine Resources to regulate fishing activities, mainly through prohibition and licensing restrictions. Regulations under the act prohibit the use of explosives in fishing, establish management rules (e.g. gear restrictions), and declare a 200-mile fishing zone. While the original act was promulgated in 1974, a new Fisheries Management Act was approved by parliament in 1998.

The National Fisheries Authority (NFA) is the commercial statutory authority set up by the government under the Fisheries Management Act to manage the affairs of the fisheries sector. Following the re-establishment of NFA in 2001 significant improvements were made in management, monitoring and enforcement functions. More recently, a deteriorating in these functions has been noted as a result of restructuring within the institution.

Revenues are obtained through licensing fees as imposed by the State through the NFA and from direct sale proceeds. More than 300 licenses have been issued to domestic and foreign fishing companies. Access fees from deepwater fishing nations currently form the bulk of the revenues received and managed by NFA. Other sources include license fees from other operators, assistance from donors and penalties from prosecutions under the Fisheries Management Act. About 4-5% of the gross value of the catch is captured in licensing fees¹⁰.

Key features of the PNG fisheries sector

Subsistence and artisanal fisheries: more than one-fourth of the country's population relies on fish and shellfish as a major source of protein and it is believed that about 20 percent of the population is engaged in subsistence fisheries. The annual production for subsistence fishing is around 70,000 tonnes.

Commercial fisheries: PNG's Exclusive Economic Zone (EEZ) supports an abundant tuna fishery resource. Principal species in the pelagic fishery include skipjack, yellowfin, and bigeye tuna, with skipjack being the most abundant and economically important species. According to stock assessments prepared by the Secretariat for the Pacific Community (SPC), it is believed that PNG's bigeye tuna resource is not sustainable at the current levels of effort, yellowfin are at the limits of sustainable fishing effort, while skipjack are still being harvested within sustainable

⁹ PNG Country Environmental Analysis, ADB 2005

¹⁰ *ibid*

limits¹¹. The NFA has prepared a National Tuna Fishery Management Plan to regulate activities in the tuna fishery. Other commercially-important species include prawns, spiny lobster, and beche-de-mer (sea cucumbers).

Aquaculture: Aquaculture is not widely practiced in PNG but offers great potential for further development. A number of small-scale pilot projects and commercial projects have been implemented, including Barramundi and pearl culture.

Processing and exports of fishery products

The total export value of fishery products amounted to 250 million Kina in 2003. The main export products were canned tuna (100 mill PGK), frozen tuna (50 mill PGK), fresh chilled tuna (32 mill PGK), shrimps frozen (20 mill PGK), and Beche-de-mer (20 mill PGK)¹².

There are two tuna canneries in PNG, one in Madang owned by the Philippine company RD Tuna employing 3,000 employees and one that has just opened in Lae owned by the Philippine company Frabello. When fully operational it is expected to employ 2,500 people. Both companies have stated that the tariff free access to the EU market was important elements in establishing canneries in PNG.

Key issues and problems

The situation in the fisheries sector is increasingly becoming a major concern. Capacity for regulation of activities in the fisheries industry is weak, there is an influx of illegal foreign interests and fishing vessels, harvesting illegally and unsustainably in coastal waters of PNG and lack of information poses a serious constraint for effective fisheries management planning and enforcement. Lack of capacity at the national and provincial levels to undertake effective surveillance, monitoring and prosecution exacerbates the problems. Governance in this sector is a major issue with granting of licenses to foreign interests and issuance of licenses or withdrawal of licenses as determined politically by the Minister without following proper procedures or observance of rule of law. There is lack of coordination between fisheries agencies and fiscal statistical agencies in calculating fisheries' contribution to the national economy, etc. There are also pollution issues, e.g. where fisheries and coastal resource health are affected by occasional oil spills well as by runoff of pollutants from land-based activities in coastal waters.

¹¹ *ibid*

¹² Fisheries policy and management in PNG, ACIAR 2004.

ANNEX 5: COUNTRY MIGRATION PROFILE

Papua New Guinea has conducted a review of its migration legislation with an eye to improving administration and introducing a visa regime that supports the government's development strategy. Based on this review, officials have developed proposals to amend the Migration Act and these proposals have been considered and approved government in 2005. This has led the establishment of the required legislation and procedures to implement the APEC Business Travel Card which is now operational.

Papua New Guinea has taken steps to amend its immigration policies in a manner that supports greater business travel. This has is now implemented and these amendments will go some way to implementing Papua New Guinea's Bogor Goals. However, it should be noted that the Immigration & Citizenship Division of the Department of Foreign Affairs and Immigration, the body responsible for immigration programs, does not have sufficient resources to properly perform its immigration functions. The entire complement of the Division is 20 people who are responsible for all immigration and temporary entry into Papua New Guinea. Although Papua New Guinea is taking steps to amend its immigration policies, it may be difficult for Papua New Guinea to fully implement these policies in the short to medium term.

PNG attracts foreign nationals of both good and ill intentions. The influx of mainland Chinese (and others of Asian origin) is notable. There has been a recent upsurge of illegal crossers from Indonesia. The Department of Foreign Affairs and **Immigration**, PNG Defence Force and Police lacks financial and other resources to administer and monitor the borders and deport illegal traffickers. Trafficking of weapons and the conduct of other kinds of trans-national crime, such as illegal **immigration** and drug smuggling can contribute to internal crime and insecurity.

Realistic published data on Immigration in PNG are not available. However, according to the Encyclopedia of the Nations (UN-Data), the numbers of emigrants and immigrants have been roughly equal in recent years. In 1982–86, an average of 4,079 residents left the country each year, while 5,109 persons entered intending residency. Many more came as refugees from Irian Jaya. In 1993, some 3,750 such immigrants were living in a camp in Western Province, while another 6,000 or so had land or kinship ties with Papuan New Guineans and were living near the border. The emigration in earlier years of non-indigenous residents may have been influenced by constitutional provisions that restricted eligibility for naturalization to those with eight years' residency, but limited their tax and business rights to the same status as those of aliens. Many rural dwellers migrated to Port Moresby and other urban centers during the 1970s and 1980s. In 1999, the net migration rate was zero. The number of migrants in 2000 totaled 23,000, including 5,900 refugees. The government views the migration levels as satisfactory.

ANNEX 6: NOTE ON CSP DRAFTING PROCESS

One of the main innovations of the new Cotonou Agreement is the involvement of all the stakeholders and in particular the representatives of the civic society, in order to reflect the proposed programme of support to be based on the country development aspirations and needs. This principle has been applied for the programming of the 10th EDF.

The NAO within the Department of National Planning & Monitoring facilitated in consultation with the senior officials of government and with reference to the government's Medium Term Development Strategy (2005-2010) indicated two focal sectors for EC's interventions; viz, Rural Economic Development & Education & Skills Training. These preliminary orientations were discussed between DG Dev and the NAO at the regional seminar in Fiji in March 2006.

During July and August 2006, the NAO engaged three (3) local experts to assist in data collection and sectoral analysis in order to identify development challenges and opportunities. This information was then presented at a National Stakeholder Consultation Workshop for deliberation and discussions in order to streamline potential areas of support. The outcome of this workshop ensured that the document reflects the views and incorporates the ideas of the stakeholders dealing with the development co-operation in PNG.

In September 2006, two further workshops were held with the respective stakeholders of two focal sectors where the outcomes of the National Stakeholders' Workshop were presented. These workshops were intended for the definition of National Indicative Programme. The outcomes of these two workshops have basically formed the basis of the National Indicative Programme.

The government has taken the lead in drafting the CSP. The government drew up a first draft of the CSP based on which the delegation would provide comments and suggestions for where improvements would be needed and which additional government actions that would be seen as instrumental in achieving the desired outcomes.

Two Meetings were held between the NAO and the Head of Delegation to exchange views on the orientations of the 10th EDF CSP/NIP prior to formal submission to the EC-Delegation.

ANNEX 7: DONOR HARMONIZATION ROAD MAP & ACTIONS TO IMPLEMENT PARIS DECLARATION

The Paris Declaration, to which PNG is party, is “designed to track changes and encourage progress at global level among countries and agencies that have agreed to this declaration.

While the MTDS has provided a framework for donors to align behind the government’s development priorities, the level of government-led donor coordination has historically been rather low in PNG. At sector level, there is a host of initiatives to facilitate discussions among donors and support coordinated implementation of support.

Currently, donors' assistance to the sectors is mostly project based and only in a few cases has sector wide approaches been put in place, notably the law and justice sector and the health sector. In the law and justice sector, AusAID is the only donor and the programme approach is a vehicle for bringing all the government partners together to enhance coordination and to promote an integrated look at the resources to the sector. In the health sector, a number of donors were involved, with most funds coming from AusAID, NZAID, and ADB. The implementation of the SWAp has been met with many challenges and has partly led to establishment of parallel systems as additional safeguards were introduced for the financial management of donor funds. Also, a number of institutional and legislative constraints have hampered effective implementation. The government is supportive of Sector Wide Approaches but stresses that the concept requires understanding and participation of all stakeholders.

With the donor coordination workshop in Madang in October 2006, the government took an important step towards a more active management of the relationship with the donors. The workshop led to the joint signing between Department of National Planning and Monitoring and the donors of the Madang Declaration on the localisation of the Paris Declaration. During 2007, the parties have met at regular intervals to further detail the Madang Declaration with the aim of having an operational action plan by the end of 2007. Overall monitoring of the progress in the implementation and update of the action plan is foreseen to take place at a joint government-donor workshop to be held annually.

ANNEX 8: TABLE ON PARTNER COUNTRY POSITION IN RELATION TO KEY INTERNATIONAL CONVENTIONS

	UN Human Rights Conventions Signed/Not Signed by PNG Government	Status
1	Convention on the Prevention and the Punishment of Crime of Genocide New York, 9 December 1948	Acceded on 27 January 1982
2	International Convention on Elimination of All Forms of Racial Discrimination New York, 7 March 1966	Acceded to on 27 January 1982
2.a.	Amendment to Article 8 of the International Convention on Elimination of All Forms of Racial Discrimination New York, 7 March 1966	Not signed
3	International Convention on Economical, Social and Cultural Rights, 16 December 1996	Not signed
4	International Covenant on Civil and Political Rights	Not signed
5	Optional Protocol to International Covenant on Civil and Political Rights	Not signed
6	Convention on Non Applicability of Statutory limitation for war crimes and Crime Against Humanity, 26 November 1996	Not Signed
7	International Convention on the Suppression and Punishment of the Crime of Apartheid	Not signed
8	Convention on the Elimination of All forms of Discrimination against Women, 18 December 1979	Signed on 12 January 1995
8.a.	Amendment to Article 20, paragraph 1 of the convention on the Elimination of All forms of Discrimination against Women New York, 10 December 1984	
8.b.	Optional Protocol to the Convention on the Elimination of All forms of Discrimination against Women, 6 October 1999	Not signed
9	Convention Against Torture and Other Cruel, Inhuman and Degrading Treatment or Punishment New York, 10 December 1985	Not signed
10	International Convention Against Apartheid in Sports New York 10 December 1985	Not signed

ANNEX 9: LIST OF GOVERNMENT COMMITMENTS FOR THE INCENTIVE TRANCHE

1.	Political democratic governance	
	- Human rights	Human Rights Commission legalised and fully financed by end of 2009.
	- Fundamental freedoms	
	- Electoral process	
	- Principles of constitutional democracy	
2.	Political governance - rule of law	
	- Judicial and law enforcement system	Provide increased funding for the judiciary and Ombudsman service.
3.	Control of corruption	
		Fund and strengthen the Auditor General's Office and reduce backlog of audits of financial statements
		Clarify and strengthen the role of the Ombudsman on control of corruption.
4	Government effectiveness	
	- Institutional capacity	Legislative amendments to the Organic Law on Provincial and Local Level Government clarifying the roles and responsibilities of national, provincial, district and LLGs governmental levels by end of 2009
		Quarterly budget reviews, including evaluation of governmental programmes, presented to parliament.
		Adoption of a whole of government performance framework by end 2008, including the MTDS performance framework.
	- Public finance management	Improved quality and timeliness of audited financial accounts for all levels of government.
5.	Economic governance	
	- Private sector/market friendly policies	Strengthen the Independent Consumer and Competition Commission.
	- Management of natural resources	Progress made towards PNG acceding to the Extractive Industries Transparency Initiative (EITI) by end of 2008
		Adoption of a new forest plan by 2009
6.	Internal and external security	
	- Internal stability / conflict	
	- External threats and global security	
7.	Social governance	
		Report on implementation of the Convention on the Rights of the Child by 2008.

		Strategic plan on gender equality adopted by NEC by 2008.
		Report on the implementation of the CEDAW by end 2008.
8.	International and regional context	
	- Regional integration	
	- Involvement in regional peer review mechanisms (e.g. APRM)	
	- Migration	
9	Quality of partnership	
	-Political dialogue	Hold bi-annual political dialogues with HOD as stipulated in Art 8 of the Cotonou Agreement.
	-Programming dialogue	Hold regular meetings with EC Delegation to assess progress, challenges and measures to be taken in implementation of EC programmes.
		Operationalise the plan for the implementation (“localisation”) of the Paris Declaration in PNG
	-Non state actors	Effective functioning of CIMC and the effective involvement of Non State Actors in the formulation, implementation and evaluation of EC programmes.

ANNEX 10: SIGNIFICANT EVENTS AND DEVELOPMENTS IN PNG SINCE INDEPENDENCE

Year	Event	Significance
1975	- PNG gained Independence	Papua New Guinea came together as a nation after remaining as a trust territory of Australia (under a UN resolution) for many years.
1984	Ok Tedi Gold and Copper Mine began operation in the Star Mountains of the Western Province	Major mining projects supporting enclave based growth
1989	Bougainville Landowner uprising	Affected the economy of PNG as the mine was the biggest revenue earner for PNG.
1990	- Closure of Bougainville Copper Mine	A net reduction of nearly 8 million kina of government expenditure, 10 per cent devaluation, tight monetary policy, wage restraint that resulted in a real wage reduction
1991	- Value Added Tax was first introduced in Parliament	
1992	- PNG began a oil producing nation after Chevron Nuigini, operator of Kutubu Joint Venture - Pius Wingti was elected as Prime Minister of PNG	Further moving PNG to a growth model closely linked to extraction of natural resources.
1993	-PNG became a participating Economy in the Asia-Pacific Economic Cooperation (APEC) Forum	
1995	Introduction of the Organic Law on Provincial and Local Level Government (OLPGLLG)	The primary objective the Organic Law was to support decentralization of government functions for a more accountable and transparent management by local decision makers over their constituents
1996	PNG joined the World Trade Organization (WTO)	
1997	Sandline Affairs - Sir Bill Skate elected as Prime Minister of PNG (1997 – 1999)	Government initiative to use international mercenaries to help overpower the Bougainville Revolutionary Army. His policies and management were partly responsible for the down turn in economy
1999	- Sir Mekere Morauta elected as Prime Minister (1999 – 2002) - Passing of the Privatization Act by Parliament - The Trade Policy Review Body of the WTO concluded its first review of PNG's tariff regime.	He championed the reforms in collaboration as supported by the Consultative Group (CG) made up of World Bank, ADB and AusAID)
2000	Central Banking Act 2000 was passed by parliament	The main aim o the legislation was to remove any policy making and operations of the Bank of PNG (the central government) away from any political influence.

2001	<p>Signing of Peace Agreement between Government and Bougainville ex-combatant</p> <p>Amendment to Organic Law on Elections to use Limited Preferential Voting</p> <p>Introduction of Organic Law on Integrity of Political Parties and Candidates (OLIPAC) in Parliament</p>	<p>Legislation aimed at enhanced the electoral base necessary to get into parliament. First time used in 2003 by-elections.</p> <p>Created strong and more cohesive political parties</p>
2002	<p>Government divested its stakes in PNGBC and Oregon Minerals as well as its shareholdings in the New Britain Oil Palm Plantations. However sale of publicly owned infrastructure and utilities, including Air Niugini, PNG Power, Telicom PNG and PNG Harbours Board did not go ahead.</p> <p>Sir Michael Somare elected as Prime Minister of PNG (2002 – present)</p> <p>New Government reviewed the privatization policy and opted for partial privatization and public-private partnerships instead of full privatization and restructured the Privatization Commission into Independent Public Business Corporation (IPBC) to facilitate the process</p>	<p>His government, the first to serve a full term in Office, thanks to OLIPAC.</p>
2003	<p>- Established of the Central Agencies Coordination Committee(CACC)</p> <p>Bougainville Autonomous Government Constitution passed by the National Parliament</p>	<p>The committee which advises the cabinet on all policy matter is the highest administrative decision making body in the country.</p>
2004	<p>Bougainville Autonomous Government Constitution was drafted and approved by Parliament</p> <p>PNG and Australia embark on the Enhanced Corporation Package</p> <p>World Bank suspended its US\$59.0 million loan and finally withdrew from the project</p>	<p>- The action by World Bank was due to the Minister issuing a timber that did not comply with environment safeguards required by law.</p>
2005	<p>- Bougainville Provincial Autonomous Government Elections were held.</p>	

ANNEX 11: LIST OF ACRONYMS

Acronym	Description
ACP	Africa, Carribean, Pacific
APEC	Asia Pacific Economic Corporation
BSP	Bank of South Pacific
CEDAW	Convention on Elimination of All forms of Discrimination Against Women
CSP	Country Strategy Paper
DEC	Department of Environment and Conservation
DNPM	Department of National Planning and Monitoring
DTI	Department of Trade and Industry
DNAOs	Deputy National Authorising Officers
NAO SU	National Authorising Officers Support Unit
EC	European Commission
ETHRD	Education, Training and Human Resource Development
EU	European Union
EDF	Economic Development Fund
EPA	Economic Partnership Agreement
FLEX	Fluctuation of Export Earnings
FMO	Framework of Mutual Obligation
GoPNG	Government of Papua New Guinea
MTDS	Medium Term Development Strategy
MTR	Medium Term Review
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NGOs	Non Government Organisations
NAO	National Authorising Officer
NAO-SP	National Authorising Officer- Support Programme
NIP	National Indicative Programme
NPRS	National Poverty Reduction Strategy
ODI	Overseas Development Institute
HDI	Human Development Index
HRD	Human Resource Development
PICTA	Pacific Islands Countries Trade Agreement
PNG	Papua New Guinea
PNGBC	Papua New Guinea Banking Corporation
GDI	Gender Development Index
GDP	Gross Domestic Product
LPV	Limited Preferential Voting
NEFC	National Economic and Fiscal Commission
NSA	Non State Actors
STABEX	Stabilisation of Export Earnings
STIs	Sexually Transmitted Infections
SWAp	Sector Wide Approach
SWAPs	Sector Wide Approaches
SYSMIN	System for Stabilisation of Mining Export Revenues
TCF	Technical Cooperation Facility
UPE	Universal Primary Education
UN	United Nations
WTO	World Trade Organisation
WWF	World Wide Fund