



**EUROPEAN UNION**



**GOVERNMENT OF  
PAPUA NEW GUINEA**

**CO-OPERATION**

**BETWEEN**

**EUROPEAN UNION**

**AND**

**PAPUA NEW GUINEA**

***JOINT ANNUAL REPORT***

**2003**

***On the implementation of the ACP-EU Conventions  
and other co-operation activities***

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## List of Abbreviations

|         |   |
|---------|---|
| ACP     | Africa, Caribbean and Pacific                           |
| ADB     | Asian Development Bank                                  |
| AusAid  | Australian Aid  |
| BPNG    | Bank of Papua New Guinea                                |
| CEP     | Country Environmental Plan                              |
| CIC     | Coffee Industry Corporation                             |
| CIMC    | Consultative Implementation and Monitoring Council      |
| CRI     | Coffee Research Institute                               |
| CSP     | Country Strategy Paper                                  |
| DAG     | Development Assistance Grant                            |
| DNAO    | Deputy National Authorising Officer                     |
| DNPM    | Department of National Planning & Monitoring            |
| DF      | Department of National Planning and Rural Development   |
| DoM     | Department of Mining                                    |
| DOW     | Department of Works                                     |
| EC      | European Commission                                     |
| EDF     | European Development Fund                               |
| EFFC    | Eco-Forestry Field Component                            |
| EFP     | Eco-Forestry Programme                                  |
| EIB     | European Investment Bank                                |
| ENB     | East New Britain  |
| EPA     | Economic Partnership Agreement                          |
| ECP     | Enhanced Cooperation Package                            |
| EU      | European Union  |
| EU-PMU  | European Union Programme Management Unit                |
| FA      | Financing Agreement                                     |
| FLEX    | Financing for Short Term Fluctuation in Export Earnings |
| FMO     | Framework of Mutual Obligation                          |
| FOB     | Free On Board   |
| FORCERT | Forestry Certification                                  |
| FPSC    | Forest Policy Support Component                         |
| GDP     | Gross Domestic Product                                  |
| GNP     | Gross National Product                                  |
| GoPNG   | Government of Papua New Guinea                          |
| GRA     | Gazelle Restoration Authority                           |
| GRP     | Gazelle Restoration Project                             |
| HoD     | Head of Delegation                                      |
| HDR     | Human Development Report (UNDP)                         |
| HRDP-II | Human Resource Development Programme-II                 |
| IMF     | International Monetary Fund                             |
| INA     | Institute of National Affairs                           |
| IREP    | Islands Region Environmental Program                    |
| JAR     | Joint Annual Report                                     |
| K       | Kina (also PGK)   |
| LLGs    | Local Level Governments                                 |
| MDGs    | Millennium Development Goals                            |
| MSC     | Marine Stewardship Council                              |
| MSG     | Melanesian Spearhead Group                              |
| MTDS    | Medium Term Development Strategy                        |
| MTRP    | Medium Term Restoration Programme                       |
| NAO     | National Authorising Officer                            |
| NAO-SP  | National Authorising Officer-Support Project            |
| NARI    | National Agriculture Research Institute                 |
| NCD     | National Capital District                               |
| NDOE    | National Department of Education                        |

|         |  |
|---------|--|
| NFA     | National Fisheries Authority                                 |
| NGOs    | Non Government Organisations                                 |
| NIP     | National Indicative Programme                                |
| NPRS    | National Poverty Reduction Strategy                          |
| NRI     | National Research Institute (GoPNG)                          |
| NSAs    | Non-State Actors   |
| NTFP    | Non-Timber Forest Products                                   |
| NZODA   | New Zealand Overseas Development Agency                      |
| PACER   | Pacific Agreement on Closer Economic Relations               |
| PEM     | Public Expenditure Management                                |
| PERR    | Public Expenditure Review and Rationalisation                |
| PGK     | Papua New Guinea Kina  |
| PICs    | Pacific Island Countries                                     |
| PICTA   | Pacific Island Countries Trade Agreement                     |
| PMAU    | Project Management Assistance Unit                           |
| PNG     | Papua New Guinea   |
| RCFD    | Rural Coastal Fisheries Development Project                  |
| REPA    | Regional Economic Partnership Agreement                      |
| SAF     | Structural Adjustment Facility                               |
| SASP    | Structural Adjustment Support Programme                      |
| SHP     | Sexual Health Project  |
| SPF     | South Pacific Forum  |
| STABEX  | Stabilisation of Export Earnings of Agricultural Commodities |
| SYSMIN  | System for Mining Assistance                                 |
| TA      | Technical Assistance   |
| TCF     | Technical Cooperation Facility                               |
| TMC     | Timber Marketing Component                                   |
| UNDP    | United Nations Development Programme                         |
| UNITECH | Technical University (PNG)                                   |
| UPE     | Universal Primary Education                                  |
| UPNG    | University of PNG  |
| US      | United States  |
| USD     | United States Dollar   |
| VAT     | Value Added Tax  |
| WTO     | World Trade Organisation                                     |

Note:

- Where used to accompany a value M denotes Million.
- € = Euro
- Where references are made to Bank of PNG's quarterly reports these are indicated as:  
2003a = first quarter of the year;  
2003b = second quarter of the year;  
2003c = third quarter of the year; and  
2003d = fourth quarter of the year.

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## 1. Executive Summary

Following the election to office in August 2002, the government of Sir Michael Somare continued with implementation of reforms to improve governance and economic management. Although weak in 2003, the economy did show positive signs of growth in the agricultural and mining sectors and the challenge to Government remains the translation of such windfall gains to accelerate growth and alleviate existing poor social conditions. PNG remained low on the HDI of UNDP, ranking 132 out of 175 and scoring poorly in terms of GDP per capita income. The macro-economic situation improved for PNG with reduced inflation, a reduction in public debt and an increase in GDP by 2%.

GoPNG further developed the MTDS and a number of supporting sector initiatives for health, social welfare and the public sector in 2003. Priority areas continued to focus on good governance, export driven economic growth, rural development, poverty reduction and human resource development. The introduction of the PERR was seen as a major strategy for public sector reform but its impact is yet to be felt.

There was a continued problem with the availability of data for 2003. Statistical data supplied by the PNG National Statistical Office to international agencies such as UNDP, the World Bank and ADB continued to be unreliable. BPNG and Treasury data currently remain, however, the official and the most reliable sources of figures utilised by the donor community.

The peace process in Bougainville continued to hold and stability seemed to have consolidated although there was still an area of restricted access in the centre of the province. Exports from Bougainville of cocoa started to pick up as a result of international price increases. STABEX funded support for cocoa production rehabilitation proved opportune enabling advantage to be taken of the international price rises, so that by the end of the year the production had risen to more than half its original figure prior to the crisis.

Problems continued to be seen in the environmental sector with forestry (and in particular logging) coming under pressure to reform and for it to comply with existing laws and codes of good practice.

There was very little activity in terms of regional developments although PNG did participate with Australian, New Zealand and the other "RAMSI" peace-keeping forces in returning peace to the Solomon Islands in the middle of the year.

The EU's programme in PNG continued to operate although there was a need by the Delegation to issue a notice to GoPNG to account for funds, worth Kina 14.3 M, provided in 2000 to support GoPNG's structural adjustment programme, part of which was for repayment of domestic debt arrears owed to the private sector and the retirement of domestic debt owed to the banking system. The issue, however, was resolved. Ninth EDF allocations amounted to €81 M, broken down into €35 M for human resource development, €25 M for rural water supply and sanitation and €21 M for good governance projects. €35 M was available under the "B" envelope and an additional €50 M under the SYSMIN programme for PNG.

EDF programmes in operation continued to suffer from delays and implementation difficulties although the overall delivery was broadly according to schedule. The NAO-Support Project was subjected to a Mid-Term Review and several management recommendations were made, including the devolution of authority to Line Ministries. Efficiency and effectiveness criteria were acceptable. The Feasibility Study for Education, Training and HRDP was concluded in 2003 and a draft Financing Proposal was prepared. No 9<sup>th</sup> EDF projects commenced in 2003, although the tendering process did, however, get underway with respect to the Study on Rural Water Supply and Sanitation. No activities were recorded under the Community Budget Lines (e.g. Tropical Forest Budget or NGO-Co-Financing) and no investment or visits were recorded for the European Investment Bank in PNG.

The major conclusion from this JAR suggests that 2003 should be seen as a window of opportunity for the EU to sustain engagement with Government in implementing its reform programme and ensuring that use of the economic windfall be utilised for sustainable poverty reduction through education and health and improved responsible management of the limited natural resource endowment.

## 2. National Policy Agenda of Papua New Guinea

By the end of December 2003 the Government of Papua New Guinea (GoPNG) under Sir Michael Somare had already been in office for over 18 months. Throughout 2003 it remained committed to an economic and social recovery and strengthening of governance programme with a clear focus based on the interrelated objectives of good governance, export driven economic growth, rural development, poverty reduction and human resource development.

As reported in the Joint Annual Report for 2002 (JAR-2002) two inter-related documents were launched in 2002 and were due for completion during 2003, although this did not happen<sup>1</sup>. The first document was the Medium-Term Development Strategy (MTDS) covering the period 2003 to 2007, outlining Government's policies and strategies in several key development areas. The second document was a National Poverty Reduction Strategy (NPRS) covering the longer period of 2003 to 2020, outlining critical poverty dimensions of Papua New Guinea (PNG) as well as macro-economic and governance issues and reform, and priorities for action against identifiable indicators. The priority action areas were basic education, primary health care, maintenance of transport infrastructure, law and order, and the promotion of income-generating opportunities, particularly in the rural areas. The last area encompassed an export-driven strategy for agriculture, fisheries and forestry. These documents remained in draft form even at the end of 2003.

The MTDS was conceptualised, as the apex strategy from which would follow a series of supporting sector strategies to be developed during 2003 and 2004, by the Department of National Planning and Rural Development (DNPRD) and relevant line departments and agencies. Sector strategies have to date been drafted only for education, health, social welfare and public sector. Agriculture, fisheries and forestry are still pending finalisation.

In order to support the Government's agenda for recovery and development and institutional reform, budgetary management in PNG over the 2003 to 2007 period of the MTDS, was to be based firmly on the key elements of a well-functioning Public Expenditure Management (PEM) system. Local and international experience had demonstrated that policies and strategies would only be effective in producing the desired outcomes if they were supported by sound institutional arrangements for budgetary formulation, management and execution. The PEM system offered a sound and consistent framework for embedding such institutional arrangements into PNG's budgetary processes. The Government's medium term aim is to progressively reduce the budget deficits over the period 2003-2007, with the budget deficit averaging no more than 1.5% of GDP, and pursue a balanced-budget strategy thereafter.

A supporting objective of Government was to control and restrain expenditures on the public sector personnel emoluments costs, focusing particularly on downsizing the public sector. This was a problem GoPNG started to address in 2003, when it drew up its Public Expenditure Review and Rationalisation (PERR) programme a complementary initiative to the MTDS. The PERR's "main objective is to identify sufficient budgetary savings to ensure both on-going fiscal sustainability and increased funding for the Government's development priorities"<sup>2</sup>. The Government of Australia and the World Bank provided technical assistance to GoPNG to support the PERR process, which is described in further detail in Section 3.2.2.

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<sup>1</sup> Even at the time of preparing the Joint Annual Report for 2003 in March 2004, a final version of the MTDS was not available. A draft of Interim Report of the MTDS 2003-2007 dated September 2003 was a fair articulation of progress towards the objectives of the MTDS. A Final Draft of the NRSP was available dated May 2003 although was still being ratified by GoPNG.

<sup>2</sup> Draft of Interim Report of the MTDS 2003-2007 dated September 2003, page 9.

### 3. Update on the Political, Economic and Social Situation

#### PNG's economic and social indicators<sup>1</sup>

| Type           | Indicator  | 1990 <sup>2</sup> | 1996 <sup>3</sup> | 2000  | 2001             | 2002 | 2003                         |
|----------------|--|-------------------|-------------------|-------|------------------|------|------------------------------|
| <b>Impact</b>  | 1. Proportion of population below \$1 per day (%)                                    | -                 | -                 | 30    | 30               | 30   | -                            |
|                | 2. Infant mortality rate (per 1,000 live births)                                     | -                 | 73                | 54    | 56               | N/A  | -                            |
|                | 3. Under-five mortality rate (per 1,000 live births)                                 | -                 | 24                | 74    | N/A              | N/A  | -                            |
|                | 4. Life expectancy at birth (years)  | -                 | 54.2              | 57    | 57               | 57   | -                            |
|                | 5. Income per capita (in US\$) <sup>4</sup>  | -                 | -                 | 850   | 850 <sup>5</sup> | 765  | 670                          |
|                | 6. Adult literacy rate <sup>6</sup>  | 45                | 40-45             | 60    | 64               | 64   | -                            |
| <b>Outcome</b> | 7. Net enrolment ratio in primary education (%)                                      | -                 | -                 | -     | 41 <sup>7</sup>  | -    | -                            |
|                | 8. Primary completion rate (%) <sup>8</sup>  | -                 | -                 | N/A   | 55.4             | N/A  | 58.5                         |
|                | 9. Ratio of girls to boys in <sup>9</sup> :  | -                 | -                 | -     | -                | -    | -                            |
|                | - Primary education (%)  | -                 | -                 | 45.2  | -                | -    | 46                           |
|                | - Secondary education (%)  | -                 | -                 | 37.6  | -                | -    | LS=42 <sup>10</sup><br>US=37 |
|                | - Tertiary education (%)   | -                 | -                 | 34.3  | -                | -    | 30                           |
|                | 10. Proportion of births attended by skilled health personnel (%)                    | -                 | -                 | -     | 53 <sup>11</sup> | -    | -                            |
|                | 11. Proportion of 1 year old children immunised against measles                      | -                 | -                 | -     | 58               | -    | -                            |
|                | 12. HIV prevalence among 15-24 year old pregnant women                               | -                 | -                 | 0.25% | 0.5%             | 0.9% | 2%+                          |
|                | 13. Proportion of population with sustainable access to an improved water source (%) | 12.9              | -                 | 42    | -                | -    | -                            |

Notes:

<sup>1</sup>MDG indicators are exactly as stipulated in the guidelines for JAR Reporting 2003.

<sup>2</sup>1990 was the last full census and as such has certain reliabilities.

<sup>3</sup>1996 relates to the Demographic Household Survey (DHS) Page 25, Port Moresby, National Statistics Office.

<sup>4</sup>Per capita income fails to take account of cash-in kind income as BPNG only calculates this as cash-in hand income.

<sup>5</sup>HDR for 2003 states USD 563 GDP per capita 2001 (page 288).

<sup>6</sup>Includes primary, secondary and tertiary schooling (HDR 2003).

<sup>7</sup>It should be recognised that there are officially 850 different languages in PNG, so that when discussing literacy rates this refers to the three officially used languages of English, Pidgin and Moto, spoken by half the population.

<sup>8</sup>Primary completion rate is difficult to indicate with certainty as length of attendance at school moved from 6 years to 8 years in the last five years.

<sup>9</sup>Education figures from PNG Yearbook 2000 (Department of Education)

<sup>10</sup>LS=Lower Secondary while US=Upper secondary. Because in LS there are 55,000 girls and in US there are about 13,000 girls its not possible to average them. (Information supplied by Geoffrey Thompson, telephone conversation on 17 December 2003 and reproduced from JAR 2002)

<sup>11</sup>Average for 1993-2001. HDR 2003.

Substantial effort was made to assemble up-to-date statistical information to complete the above table on the socio-economic profile for PNG and in line with the Millennium Development Goals (MDGs). UNDP and the World Bank were consulted during the course of compiling the MDG table data above. Reference information from the Human Development Report for 2003 (HDR), was consulted. The reliability of this data has been questioned by the institutions themselves and users of the data for a number of years. A recommendation therefore to improve the data base on which good decision making takes place is to provide support to the PNG National Statistics Office.

With reference to the HDR 2003, PNG continued to be ranked low in UNDP's Human Development Index (HDI), lying 132 out of 175 countries listed. PNG's population was estimated to be 5.5 M in 2001 growing at 2.5% per annum, while it was projected that by 2015 there would be 7.2 M Papua New Guineans. Population growth, according to UNDP, is estimated to be 1.9% over the period 2001-2015<sup>3</sup>.

<sup>3</sup> UNDP, HDR 2003 Statistical tables.



### 3.1. Changes in the Political Situation

2003 was a relatively quiet year in terms of political change. PNG maintained its parliamentary democracy based on the Australian model, with a single legislative chamber of 109 members, elected by universal adult suffrage for a period of five years.

Gaining its independence in 1975, PNG retained the Head of State as Queen Elizabeth II with her representation in country by a Governor General, with the latter appointing the Prime Minister and Head of the Executive. This is complemented by a second tier provincial system of government (20 provincial governments in all for the 19 provinces plus the National Capital District – (NCD)), and a third tier of Local Level Governments (LLGs).

The political environment is still unstable. Party affiliation is not generally based on ideology or shared political convictions, but on personal allegiances and political expediency. The previous Government was the first government to survive its full term of office since independence. An independent judiciary, a free and an outspoken press, a strong ombudsman system, free trade unionism, critical churches and NGOs provide some checks and balances within the system.

In June 2003, Australia led an international force of police and troops to the Solomon Islands, PNG's neighbour, in a "cooperative intervention" strategy that also involved deploying accountants and economists to overhaul the economy. PNG committed some troops to this effort.

Problems over meeting governance conditions for aid have held up disbursements from the World Bank (e.g. for the Forest Conservation Project) and ADB and aid-acquittal issues for EU programmes were also raised as points of concern for Government.

Australian aid came under pressure during 2003 when Canberra threatened to review its bilateral aid to PNG owing to concerns over how Australian money was being spent<sup>4</sup>. Australian aid to PNG which amounts to about USD 240 M per year, equals around 25% of GoPNG's total revenue and is, therefore, not insignificant. An agreed new framework, formalised in December 2003, concluded the acceptance of the Enhanced Cooperation Package (ECP), which committed both parties to continue to work on PNG's development challenges and involved the placement of Australian officials in senior public-sector posts including lawyers and judges. In addition, there was discussion of deploying 230 Australian police officers around the country to improve law-and-order<sup>5</sup> and support the 3,500 PNG police force.

The 2002 JAR reported on the positive progress of establishing peace in Bougainville. The Comprehensive Peace Settlement Agreement signed in Arawa in August 2001 between the GoPNG and Bougainville leaders had become by 2003 *de facto*, thereby formally ending the nine-year bloody civil war. The province, with a population approximately of 180,000, saw the death of 15,000 people during the war, although many died from preventable diseases. With political stability gradually returning to the province, the development challenge has become more technical in nature, than peace-keeping. The No-Go Zone (or the restricted access area) in existence on the island had gradually shrunk in size and by the end of 2003 was close to 15% of the land mass. There was also discussion of re-starting flights to Arawa, on Bougainville mainland. By the end of 2003 the peace monitors from Fiji, Vanuatu, Australia and New Zealand were withdrawn and approximately 1,800 weapons (commercially manufactured and home made) had been handed in to the authorities, the next phase being their decommissioning.

2003 is seen as a period of consolidation, which allowed funds to start to flow back into Bougainville more freely. This was true of the EU's STABEX funds in particular (See Annex 14 for a breakdown of STABEX projects including those for Bougainville). Prior to the crisis, Bougainville had exported 19,000 tonnes of cocoa. This had all but stopped during the conflicts. By the end of 2003 and early 2004, Bougainville's cocoa exports had already risen to 11,000 tonnes (as a direct result of STABEX funded project support).

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<sup>4</sup>Australia's decision to review its US\$240-million-a-year aid programme to PNG lead Sir Michael Somare to reply by saying, "Yes, review it. If they want to, remove it, remove it for God's sake." In Dire Straits, FEER.

<sup>5</sup>The Police force were still not deployed by April 2004. Source: EIU – Country Report - PNG - October 2003.

Tensions remained high in some Highland areas of the country, although no outbreaks of serious or sustained violence occurred<sup>6</sup>. This is generally associated with high-powered weapons and is mainly criminal in nature.

PNG continued to be seen as a small developing state and was very much within the realm of the economics of Small Islands Developing States (SIDS), and which has attracted a fair amount of economic attention and policy analysis by specialists<sup>7</sup>.

### **3.2. Changes in the Economic Situation**

By all accounts 2003 was a good year in economic terms and in comparison to previous years. The PNG economy showed signs of recovery due to a combination of appropriate fiscal and monetary policies, good weather and favourable prices for main exports, including gold, copper, oil, coffee, cocoa, palm oil, forestry and fisheries. Primary exports had started to rebound; the trade account was in surplus, and construction, retail, and wholesale sectors all experienced positive growth. This was a welcome change from the past as GDP had contracted over each of the preceding three years. The current level of growth of output, however, is insufficient to bring about a rise in per capita income, which has been falling for the past decade (for 2003 this stood at around USD 670). This rebound is fragile as structural impediments to sustain growth are yet to be fully addressed. The key to ensure sustained growth, however, is to view 2003 as a window of opportunity, which could be used to improve the domestic environment for private sector investment. High on the list of policy priorities as indicated above include a return to fiscal sustainability, a reduction of the costs of doing business, and, completing institutional reform<sup>8</sup>.

#### **3.2.1. Macro-economic situation<sup>9</sup>**

The PNG economy showed signs of recovery over the 2003 calendar year. Nominal GDP for 2002 was estimated to be K 10,991 M and for 2003, K 11,630 M<sup>10</sup>. This recovery was due to increased prices for commodity exports combined with good weather at home<sup>11</sup> and a reversal in GDP contraction over the three preceding years by -1.2% in 2000, -2.3% in 2001, and by a further -0.8% in 2002 (2004 Budget Volume 1). With an annual population growth rate of approximately 2.7%, per-capita income has been falling for the decade to 2002. Poverty levels continue to rise<sup>12</sup>. A national survey conducted in 1996 revealed that 30% of the population lived below the poverty line with poverty defined as an income below K 461 per adult<sup>13</sup>.

Inflation statistics (Year average) reveal that this stood at 15.6% in 2000, 9.3% in 2001, and 11.8% in 2002 and was estimated to be back up to 14.8% for 2003. Prospects for 2004 inflation are given as 8.7% in the Budget 2004 Report Volume 1.

Key assumptions of the fiscal situation at the end of 2003 are illustrated by the following table and were being used as the basis for development of GoPNG's budget for 2004. Also illustrated is the exchange rate situation for 2000 through to the end of 2003.

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<sup>6</sup> Discussion with INA in Port Moresby, however, likened the situation to anarchy which suggests more than just small outbreaks of violence.

<sup>7</sup> See material produced by the University of Malta on issues of insularity, double insularity and multiple-insularity (recent paper by Schoen et al).

<sup>8</sup> Satish Chand, PNG Economic Survey: Some Weak Signs of Recovery, The Australian National University, Canberra, December 2003

<sup>9</sup> Based largely on: Satish Chand, PNG Economic Survey: Some Weak Signs of Recovery, The Australian National University, Canberra, December 2003 and BPNG 2004a.

<sup>10</sup> Economic and Development Policies Volume 1, 2004 Budget, Finance and Treasury Dept. GoPNG Page 113.

<sup>11</sup> Adverse weather and political conditions in the major coffee, cocoa, and vanilla producing countries were responsible for the price rise for these commodities. Cote D'Ivoire was in turmoil due to civil war resulting in a complete cessation of cocoa exports. Madagascar, a prime vanilla competitor of PNGs, was a victim of Indian Ocean hurricanes and storms. 35% of the crop and 15% of the stock was destroyed. The result was that prices rose from USD \$25-40/kg in 1999 to a current level of USD \$200-230/kg (Vanilla Company USA – www.vanilla.com).

<sup>12</sup> The \$1-a-day headcount index passed from 35.4% in 1990 to 42.2% in 2003. *East Asia Update* (World Bank), Appendix Table 7

<sup>13</sup> Duncan, R 2001. "PNG's economic survey: a scorecard for the Morauta administration", *Pacific Economic Bulletin* 16(1): 1-14.

## Major Economic Assumptions

| Fiscal Assumption                | 2000<br>Actual | 2001<br>Actual | 2002<br>Actual | 2003<br>Estimated  | 2004<br>Projected | 2000-<br>2003<br>Average |
|----------------------------------|----------------|----------------|----------------|--------------------|-------------------|--------------------------|
| Nominal GDP (at constant prices) | 9,514.6        | 9,948.2        | 10,991.9       | 11,630.8           | 12,622.8          | -                        |
| Real GDP Growth (%)              | -1.2           | -2.3           | -0.8           | 2.0                | 2.8               | -0.6                     |
| Agricultural Sector Growth (%)   | 9.1            | -5.3           | 7.3            | 1.6                | 3.0               | 3.2                      |
| Mining Sector Growth (%)         | 5.4            | 9.6            | -16.9          | 3.5                | -0.2              | 0.4                      |
| Petroleum Sector Growth (%)      | -22.9          | -9.6           | -28.1          | 2.8                | 7.7               | -14.4                    |
| Non-Mineral Growth GDP (%)       | -0.5           | -4.1           | 4.5            | 1.7                | 3.1               | 0.4                      |
| Inflation (year average) (%)     | 15.6           | 9.3            | 11.8           | 14.8 <sup>14</sup> | 8.7               | 13.0                     |
| Oil Price (USD/barrel)           | 29.5           | 26.2           | 24.0           | 27.4               | 25.5              | 26.7                     |
| Gold price (USD/ounce)           | 302.0          | 283.0          | 311.0          | 335.0              | 360.0             | 308.0                    |

Source: Economic and Development Policies Vol. 1, 2004 Budget, Finance and Treasury Department, GoPNG. Pages 11 and 105.

## Exchange Rates for USD and Euro to Kina – December point on Year

|                              | December 2000 | December 2001 | December 2002 | December 2003 |
|------------------------------|---------------|---------------|---------------|---------------|
| Exchange Rate \$ USD to Kina | 0.3255        | 0.2625        | 0.2488        | 0.3000        |
| Exchange Rate € Euro to Kina | 0.3505        | 0.2964        | 0.2372        | 0.2387        |

Source: BPNG, Vol. XXXI No 4, December 2003. Page S30.

The following table illustrates the value of the main export commodities for PNG between 2000 and 2003. The dominant contribution to GDP through export by the mining and oil sectors is plainly evident in comparison to the primary producing sectors.

## Value of Main Export Commodities (Kina M)

| Sector                           | 2001          | % of Total | 2002          | % of Total   | 2003<br>(Estimate)  | % of<br>Total |
|----------------------------------|---------------|------------|---------------|--------------|---------------------|---------------|
| <b><i>Agriculture</i></b>        |               |            |               |              |                     |               |
| Copra                            | 15.5          | 0.3        | 10.7          | 0.2          | 10.4                | 0.2           |
| Cocoa                            | 110.3         | 1.8        | 226.3         | 3.7          | 210.9               | 3.4           |
| Coffee                           | 188.8         | 3.1        | 276.6         | 4.5          | 280.3 <sup>15</sup> | 4.5           |
| Palm Oil                         | 290.5         | 4.8        | 389.9         | 6.4          | 402.2               | 6.4           |
| Rubber                           | 6.8           | 0.1        | 8.8           | 0.1          | 11.1                | 0.2           |
| Tea                              | 22            | 0.4        | 18.1          | 0.3          | 18.3                | 0.3           |
| Copra Oil                        | 27.3          | 0.5        | 33.3          | 0.5          | 33.7                | 0.5           |
| Logs/Timber                      | 234.3         | 3.9        | 365.5         | 6.0          | 364.4               | 5.8           |
| <b><i>Mineral Extraction</i></b> |               |            |               |              |                     |               |
| Gold                             | 2,115.1       | 35.2       | 2294          | 37.5         | 2,412.4             | 38.5          |
| Copper                           | 1,073.9       | 17.9       | 1,018.7       | 16.7         | 958.3               | 15.3          |
| Silver                           | 36.9          | 0.6        | 39.3          | 0.6          | 34.7                | 0.6           |
| Oil                              | 1,889.4       | 31.4       | 1,431.2       | 23.4         | 1,537.3             | 24.5          |
| <b><i>Grand Total</i></b>        | <b>6010.8</b> | <b>100</b> | <b>6112.4</b> | <b>100.0</b> | <b>6274</b>         | <b>100</b>    |

Source: Economic and Development Policies Volume 1, 2004 Budget, Finance and Treasury Department, GoPNG. Page 109.

The public finance position for 2003, according to 2004 budget documents, indicated a deficit of K 197.6 M compared to a deficit of K 450.2 M in 2002. The projected improvement is accounted by higher revenues and lower expenditure. Total expenditure in 2003 is expected to be K 3,879.5 M, which itself is 5.3% higher than for 2002. This higher expenditure is due to higher recurrent costs and represents 91.6% of Government's budget. The total development expenditure for 2003 is expected to be K 1,176.5 M (the development expenditure for 2002 was K 1,201.0 M).

Recent positive signals in the economy however, include a growth in exports, predominately in the primary sector<sup>16</sup> as shown in the tables below for a few key agricultural commodities (shown in value and volume

<sup>14</sup> Actual figure. Source: National Statistical Office

<sup>15</sup> Variations in these figures illustrate the issue of inconsistency of statistics used in PNG as shown in this and the following table.

<sup>16</sup> As reported in ADB (2003:8) which draws a report by the The World Bank, 2001, "Strategies for Agricultural and Rural Development: Issues and Challenges", mimeo dated May 21, EASRD.

terms). Primary sector production and growth in exports has been due to a fortuitous combination of good weather conditions and a healthy increase in the price of PNG's principal exports. The rebound in agricultural production and mineral sector output has permitted growth in manufacturing, transport, and wholesale and retail sectors. The construction sector also recorded an increase in activity due to ongoing infrastructure projects including major road maintenance work on the Highlands Highway, construction of the Napa Napa oil refinery and the Wewak tuna processing facility.

#### **Agricultural Primary Commodity Exports for the last 5 years by Value (Kina'M, f.o.b.)**

| Year | Primary Commodity Exports (Kina M, f.o.b.) |                     |      |       |          |        |                    |          |
|------|--|---------------------|------|-------|----------|--------|--------------------|----------|
|      | Cocoa                                      | Coffee              | Tea  | Copra | Palm Oil | Rubber | Logs               | Vanilla* |
| 1999 | 84.6                                       | 417.1               | 19.0 | 66.5  | 337.9    | 5.0    | 255.6              | -        |
| 2000 | 84.6                                       | 294.8               | 20.4 | 59.9  | 306.6    | 6.4    | 283.5              | -        |
| 2001 | 110.3                                      | 188.8               | 22.0 | 15.5  | 290.5    | 6.8    | 234.3              | 1.8      |
| 2002 | 226.3                                      | 276.6               | 18.1 | 10.7  | 389.9    | 8.8    | 365.5              | 21.2     |
| 2003 | 257.7                                      | 298.5 <sup>17</sup> | 19.3 | 6.5   | 421.3    | 12.3   | 369.6 <sup>#</sup> | -        |

Source: BPNG, Vol. XXXI No 4, December 2003. Page S31. <sup>#</sup>Provisional figure for 2003. \*Vanilla figures from Investment Promotion Authority (IPA) for PNG website. ([www.ipa.gov.pg](http://www.ipa.gov.pg)). Vanilla is, of course, not a major commodity for PNG although it was highly significant for 2003 as discussed earlier in this report.

#### **Agricultural Primary Commodity Exports for the last 5 years by Quantity ('000 tonnes)**

| Year | Primary Commodity Exports ('000 tonnes) |        |     |       |          |        |                             |          |
|------|---|--------|-----|-------|----------|--------|-----------------------------|----------|
|      | Cocoa                                   | Coffee | Tea | Copra | Palm Oil | Rubber | Logs ('000 m <sup>3</sup> ) | Vanilla* |
| 1999 | 29.0                                    | 79.2   | 8.2 | 63.5  | 253.8    | 3.7    | 1,312.3                     | -        |
| 2000 | 38.0                                    | 66.6   | 8.5 | 67.2  | 336.3    | 3.7    | 1,398.5                     | -        |
| 2001 | 36.5                                    | 51.6   | 8.8 | 46.4  | 327.6    | 3.6    | 1,212.2                     | -        |
| 2002 | 34.9                                    | 63.1   | 5.2 | 15.8  | 323.9    | 3.8    | 1,834.0                     | 0.011    |
| 2003 | 40.3                                    | 68.8   | 6.6 | 8.4   | 326.9    | 4.2    | 2016.0                      | 0.064    |

Source: BPNG, Vol. XXXI No 4, December 2003. Page S32. Vanilla figures from Investment Promotion Authority (IPA) for PNG website. ([www.ipa.gov.pg](http://www.ipa.gov.pg)).

\*Vanilla is of course not a major commodity for PNG although it was highly significant for 2003 as discussed earlier in the report.

The projected improvement in the fiscal position in 2003 is due to a combination of better fiscal management and increased revenues collections. However, the medium term outlook remains challenging as a result of a trend decline in mining and petroleum revenue and the Government becoming a net foreign loan repayer.

The Bank of Papua New Guinea (BPNG, 2003a) reported that domestic credit, excluding advances to the central government and price support for agricultural exports, grew at an annual rate of 5% in the first quarter of 2003. The improvement in economic activity was due to an increase in oil production combined with higher export prices for crude oil, gold and copper. The non-mineral sector displayed strong activity as production of all of the major agricultural and log exports, except for copra, increased. Tree crops such as coffee, cocoa, and oil palm provide an increasing share of household income<sup>18</sup>, enabling rural households to move away from subsistence agriculture to store-bought and often imported items such as rice, flour, and tinned fish.

With the increase in monetisation, the health of the macro-economy has a direct bearing on the well-being of rural households. Sound economic management, therefore, has a greater impact than ever before on the well-being of the population.

General macroeconomic instability in the form of fluctuating inflation (mainly in double digits over the last three years), access to competitively priced credit, transportation and communication services, and the poor law and order situation have impeded growth of production.

<sup>17</sup> Variations in these figures illustrate the issue of inconsistency of statistics used in PNG as shown in this table and the previous one.

<sup>18</sup> As an example, the oil palm sector in 2003 provided employment to 6,000 workers with a total of 30,000 hectares (has) under cultivation. This is double the figure ten years ago (information provided by New Britain Palm Oil Ltd).

In conclusion, 2003 has seen modest improvements but the road to growth still remains fragile. 2003 has given Government a small positive economic dividend, which needs to be invested carefully in sustaining economic recovery. This has to be supported by the Government's international development partners, predominately the major donors in the country.

### **3.2.2. Structural reform performance**

GoPNG recognizes that continuous adherence to structural reform represents the best means for advancing its agenda for economic and human development. It continued to implement structural reforms based on the four key pillars:

- (a) promotion of good governance;
- (b) improving economic management;
- (c) improving public sector performance; and
- (d) removing barriers to investment and economic growth.

Major assistance came from the ADB, World Bank and the Government of Australia. A number of reforms had been implemented up to 2003, including the reforms in the financial sector, the new electoral system, government payroll system and regulatory and competition policy.

In 2003, GoPNG also undertook substantive analytical and technical work on the PERR with the World Bank-led Donor Team. The PERR has four main focal themes:

- The Road Map to Fiscal Sustainability - develop future fiscal policy adjustment options;
- Civil Service Size and payroll – focuses on improved management of public sector employment and control of personnel emolument expenditures;
- Restoring the integrity of Budget Institutions and Systems – aims at restoring the integrity of budget institutions and systems to bring back the fiscal situation back on track; and
- Adjustment and Prioritisation of Expenditures – reviews the role, functions, outputs and outcomes of each spending agency in order to identify ways of improving allocative and technical efficiencies in public expenditure.

In this regard, the PERR is designed to ensure that the administrative and functional structure of Government conforms to its development priorities. Priority areas will be scaled up, while lower priority areas will be scaled down. The Government machinery will be restructured to reflect this, leading towards improved delivery of services through improved efficiency and effectiveness of government expenditure. In essence, the results of the PERR will contribute to improved fiscal discipline, strategic prioritisation of limited financial resources and cost-effective implementation of projects and programmes.

The GoPNG reiterated that it is committed to sustaining these reform efforts, but does acknowledge that the task is enormous and therefore, requires a collective and a partnership approach with its development partners.

### **3.2.3. External debt burden**

PNG's external debt at the end of 2002 stood at K 5,594.6 M, which represented an increase of 12.4% over the previous year 2001. The 2003 year-end level of external debt as reported in the Budget 2004 Report Volume 1, decreased by 2.3% to K 5,467.8 M. It was further reported that the total external debt stock is owed predominately to multilateral and bilateral creditors (97.7% of external debt) while the balance of 2.3% is owed to commercial and other loan institutions.

At the end of 2003, PNG's external debt stood at K 5,467.8 M which represented a drop of 11.4% over the debt held at the end of 2002. The drop was attributed to the strengthening of the Kina against major international currencies in the debt portfolio of 2003 as well as regular debt service payments by Government. The table below illustrates the debt situation for the years 1999 through to 2004.

In 2003, the GoPNG put in place a more rigorous debt management programme including a matching currency composition breakdown of external debt with in-country held foreign exchange reserves. Principal amongst its external creditors were the Governments of Australia and Japan, ADB and the World Bank. External debt for 2003 was denominated in US dollars and Japanese Yen (80% for both currencies). Bilateral debt accounted for 53% of total debt service payments of which 43% was in USD for the first three quarters of 2003.

Foreign reserves held by BPNG were at a high of K 1,409 M (USD 450 M) at the end of 2003, which represented 5.1 months of import requirements<sup>19</sup>.

### Public Debt (K' millions)

|                                | 1999           | 2000           | 2001           | 2002           | 2003<br>Estimated | 2004<br>Projected |
|--------------------------------|----------------|----------------|----------------|----------------|-------------------|-------------------|
| <i>Domestic Debt</i>           |                |                |                |                |                   |                   |
| ▪ Domestic Debt as % of GDP    | 23.0           | 18.7           | 21.3           | 22.8           | 27.3              | 28.2              |
| <b>Total Domestic Debt</b>     | <b>2,021.3</b> | <b>1,783.3</b> | <b>2,115.1</b> | <b>2,510.9</b> | <b>3,175.1</b>    | <b>3,555.4</b>    |
| <i>External Debt</i>           |                |                |                |                |                   |                   |
| ▪ International Agencies       | 3,650.4        | 3,683.5        | 4,822.0        | 5,464.1        | 5,343.3           | 5,096.8           |
| ▪ Commercial Loans             | 144.6          | 137.5          | 140.3          | 107.4          | 124.5             | 300.9             |
| ▪ Other Loans                  | 17.9           | 17.3           | 19.8           | 23.1           | -                 | -                 |
| ▪ External Debt as % of GDP    | 43.4           | 40.3           | 50.1           | 50.9           | 47.0              | 42.8              |
| <b>Total External Debt</b>     | <b>3,812.9</b> | <b>3,838.3</b> | <b>4,982.1</b> | <b>5,594.6</b> | <b>5,467.8</b>    | <b>5,397.7</b>    |
| <b>Grand Total Public Debt</b> | <b>5,834.2</b> | <b>5,621.6</b> | <b>7,097.2</b> | <b>8,105.5</b> | <b>8,642.9</b>    | <b>8,953.1</b>    |
| <b>As % of GDP</b>             | <b>66.4</b>    | <b>59.1</b>    | <b>71.3</b>    | <b>73.7</b>    | <b>74.3</b>       | <b>70.9</b>       |

Source: Economic and Development Policies Volume 1, 2004 Budget, Finance and Treasury Dept. GoPNG Page 116.

### 3.2.4. Trade arrangements<sup>20</sup>

PNG has not participated in trade arrangements and organisations to the extent that its economic size in the region would suggest. It is by far the largest of the Pacific Island Countries (PICs) in terms of population, GDP and geographic land area, which would suggest comparative advantages over the Solomon Islands, Fiji or Vanuatu for example, as the 2001 data shows and which is illustrated in the table below.

#### PNG in the Region: Country Comparison Data for 2001 (unless otherwise stated)

| Indicator  | Country   |                 |           |         |
|--|-----------|-----------------|-----------|---------|
|  | PNG       | Solomon Islands | Fiji      | Vanuatu |
| GDP per capita (USD)                                     | 765       | 440             | 777       | 1112    |
| Land area (km <sup>2</sup> ) - important for agriculture | 462,840   | 28,446          | 18,272    | 12,189  |
| Total EEZ area (km <sup>2</sup> ) - important for fish   | 3,120,000 | 1,630,000       | 1,260,000 | 680,000 |
| Population (M's)   | 5.0       | 0.476           | 0.799     | 0.197   |
| External Trade (M's USD)                                 | 179.8     | 47.1            | 537.6     | 21.9    |
| Agricultural Production of Copra ('000 MT)               | 143*      | 2               | 17        | 27*     |
| HDI Rank (2003) (out of 175)                             | 132       | 123             | 81        | 128     |

Sources: Various including the Vanuatu JAR 2003, The Pacific and the European Union August 2002 data sets, Key Indicators 2002, Population and Human Resource Trends and Challenges, ADB. \* Applies for 2000.

PNG was a founding member of the Melanesian Spearhead Group (MSG) comprising Fiji and Vanuatu. However, its voice in the South Pacific has been negligible. The idea of a Preferential Trade Agreement (PTA) among the PICs was first raised in 1971 at the inaugural meeting of the South Pacific Forum (SPF) although only recently have any steps been taken to initiate this.

<sup>19</sup> Post Courier, Monday April 5, 2004 page 11, INA Forum, Mike Manning, "Good vibes out of Cairns Meet".

<sup>20</sup> PNG participates in the following organisations: ACP, APEC, ARF (dialogue partner), ADB, ASEAN (associate member), C, CP, ESCAP, FAO, G-77, IBRD, ICAO, ICFTU, ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, Interpol, IOC, IOM (observer), ISO (correspondent), ITU, MSG, NAM, OPCW, Sparteca, SPC, SPF, UN, UNCTAD, UNESCO, UNIDO, UPU, WCO, WFTU, WHO, WIPO, WMO, WTO

In summary the various Trade Agreements in place or being developed include:

- **The Pacific Agreement on Closer Economic Relations (PACER):** An umbrella framework agreement that has established guidelines for future development of trade relations amongst the 14 PIC<sup>21</sup> members and with other trading partners such as Australia and New Zealand, the EU and the United States (US) - (see table below on status and membership profile).
- **The Pacific Islands Countries Trade Agreement (PICTA):** A free trade agreement between the 14 PICs that will allow them to retain different levels of external tariffs, although the internal tariffs (within the Free Trade Agreement) will fall away to zero within 10 to 12 years.
- **Regional Economic Partnership Agreements (REPA):** This is not in place yet but will be by 2008. The Lomé convention on trade continues to be the reference agreement.

A recent study undertaken for the EU summaries PNGs inter-Pacific regional relationships clearly and provides the source for the information on this and the following section<sup>22</sup>. In 2003 progress on institutionalising arrangements for the Economic Partnership Agreement (EPA) with other ACP countries and with the EU had been disappointing, as reported by the study.

### Summary Table of On-Going Pacific Trade Agreement Partnerships

| Agreement   | Status   | Time Frame  |
|---|--|---|
| <b>PICTA</b><br>Free Trade Agreement among 14 PICs  | Currently ratified by 9 countries (Cook Islands, Fiji, Kiribati, Nauru, Niue, PNG, Samoa, Solomon Islands, and Tonga).                                   | Tariff reductions to begin when agreement enters into force. Maximum tariff would be 20 to 25% once PICTA begins. Tariffs to be reduced to zero between 2010 and 2012 in a phased manner. Additional 3 years for US Compact countries.  |
| <b>PACER</b><br>Framework agreement under which PICTA is signed. Provides for gradual development of trade and other economic cooperation between PICs and between the PICs and Australia and New Zealand. Includes financial assistance for trade related activities. Would involve negotiations over FTA's at a later date.   | Currently ratified by 11 countries: Australia, Cook Islands, Fiji, Kiribati, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga). | FTA Negotiations with Australia and New Zealand either: <ul style="list-style-type: none"> <li>▪ 8 years after PICTA comes into force.</li> <li>▪ By mutual consent</li> <li>▪ Once PIC's enter into a free trade agreement with other developed countries e.g. EU</li> </ul> |
| <b>Cotonou Agreement</b> <ul style="list-style-type: none"> <li>▪ Successor Agreement to Lomé between EU and ACP (covers all 14 PICs)</li> <li>▪ EU to form regional partnership agreements with PICs. The Agreement allows for one single Regional Agreement, different ones with groups of PICs or individual countries.</li> <li>▪ REPAs would involve negotiation of free trade areas with PICs.</li> </ul> | Ratified by all PICs   | Negotiation on REPAs began in 2002 and must be concluded by end-2007. Until then EU will continue Lomé preferences.   |

Source: Evaluation of Economic Partnership Agreement Report - EU, March 2004, page 37-38.

### 3.2.5. Changes in trade relations with the EU

The EU initiated the negotiation of Regional Economic Partnership Agreements (REPAs) with ACP countries in order to make its preferential trading agreements with these countries WTO compatible.

In the past those that have taken advantage of preferential access to the EU market have included Fiji, the Solomon Islands as well as PNG. All three have benefited from the 24% nominal margin of trade preference, for example, for canned tuna.

<sup>21</sup> The 14 PIC countries are Fiji, Kiribati, Samoa, Tonga, Tuvalu, Federated States of Micronesia, Palau, Marshall Islands, Nauru, Niue, PNG, Vanuatu and Solomon Islands

<sup>22</sup> Evaluation of the Economic Partnership Agreement preparation in the Government of PNG (draft Final Report), March 2004.

Following four Lomé Conventions, the EU and ACP countries agreed a new relationship as represented in the ACP-EU Partnership Agreement, signed in Cotonou, Benin in June 2000. This called for Economic Partnership Agreements (EPA's) to be entered into between Regions, groups of countries or on an individual basis with ACP countries. These will become active on 1 January 2008.

The new arrangements will be in conformity with the WTO provisions and will involve a progressive removal of non-tariff barriers to trade between the EU and ACP member states. These new agreements will include cooperation in areas linked to trade, such as competition policy, the protection of intellectual property rights, standardisation and certification, sanitary and phytosanitary measures, trade and environment, trade and labour standards and consumer policy.

Regional integration is seen by the EU as a key factor in poverty reduction in ACP countries, although in the case of PNG, this integration has not progressed quickly. Integration from a regional perspective will take advantage of cooperation arrangements and benefits from investments which prove economic and work towards a consolidation of facilities such as processing and landing centres for fish or value added in primary production. It is also seen as providing the framework for the adoption of a sound economic policy through regional surveillance and country peer pressure.

In terms of exports as a percentage of merchandise sales from PNG the following breakdown reflects the economic base of the country: 77% minerals, 14% agricultural produce, 5% forestry and 1% marine. Tourist receipts represented in 2003 less than 1% of GDP<sup>23</sup>. Intra-PIC trade as a percentage of exports and imports is highly marginal at 1% of all international trade. A summary of international trade by import and export is shown below with the dominance of trade with both Australia and New Zealand highly evident. Of all export and import destinations and sources respectively, Europe represents only 2% of all imports of goods to PNG and 12% of exports from PNG. For a full detailed breakdown of international trade between PNG and its main trading partners see Annex 20 on import and export by value for 2002 and 2003.

**International Trade Summary – Source and Destination of PNGs Imports and Exports**

|  | Australia | New Zealand | Europe | Japan | USA | Other |
|--|-----------|-------------|--------|-------|-----|-------|
| Source of Imports (% of total imports)   | 56%       | 4%          | 2%     | 4%    | 15% | 19%   |
| Exports Destination (% of total exports) | 52%       | 1%          | 12%    | 11%   | 5%  | 19%   |

Source: Evaluation of Economic partnership Agreement – EU Report, March 2004, pages 42-43.

**3.3. Achievements in the Social Situation and Food Security**

The social situation in PNG is a product of its geography. An important point to recall is that PNG is a country with many different peoples, customs and economic practices. Social differences in PNG are extreme and accepting average figures does not reflect this adequately. Coastal people for example, may have more access to markets than highland peoples although this is not always the case.

In terms of food security PNG experiences a broad range of circumstances, which is starkly apparent between those who live in urban areas and those who live in rural areas. Those who live in rural areas practice subsistence based agriculture and are therefore reasonably food secure. Food insecurity in urban areas is more extreme and more evident. For 2003 however, there were no major problems in terms of agricultural production or access to food. Both the EU and AusAid have provided support to the National Agricultural Research Institute (NARI) in the development of a policy for Food Insecurity which broadly was based on the recognition that PNG does not have to produce all the food it needs, but rather could specialise, because it can afford to support cash crop production whilst importing other supplementary food.

The vast majority of rural people in PNG (about 85%), produce their own food and do so in the rural areas. The great majority grow edible plants and manage animals in agricultural systems. A minority of people process foods which they do not cultivate, this being mainly sago. Many hunt wild animals or catch fish.

<sup>23</sup> PNG officially had approximately 50,000 visitors in 2003 although only 14,000 of these were tourists. Calculations by INA suggest tourist values from divers, for example, visiting PNG could be as high as Kina 23 M per year. “Opportunity for Tourism”, Post Courier 8 April 2004.



Food shortages do not really occur in PNG, although drought and flood are problems from time to time but on the whole agricultural systems produce sufficient food to satisfy the nutritional requirements of people. PNG has a large number of food producing agricultural systems. The table below lists the most important food crops in terms of the proportion of the population they support and the calories they provide.

### Most important foods in PNG

| Crop                          | % Population most important food | % Total Calories | Estimated PNG production (tonnes) |
|-------------------------------|----------------------------------|------------------|-----------------------------------|
| Sweet potato                  | 61.2                             | 30.1             | 1,286,000                         |
| Banana                        | 8.1                              | 7.4              | 413,000                           |
| Taro (including Chinese taro) | 15.6                             | 7.3              | 314,000                           |
| Coconut                       | n.a.                             | 10.9             | 195,000                           |
| Sago                          | 10.3                             | 6.3              | 95,000                            |
| Sugarcane                     | n.a.                             | 3.2              | 190,000                           |
| Cassava                       | 1.7                              | 3.1              | 124,000                           |
| Greens                        | n.a.                             | 3.0              | 304,000                           |
| Yam                           | 3.1                              | 2.6              | 143,000                           |
| Pork                          | n.a.                             | 3.0              | 60,000                            |
| Rice (imported)               | n.a.                             | 9.4              | -                                 |

Note: Imported and processed foods and fish, chicken not included. Source: % population – Agricultural Systems of PNG; % calories and estimated PNG production – Gibson, John The economic and nutritional importance of household food production in PNG. 2001. In Food Security for Papua New Guinea 2000 Conference. ACIAR Proceedings No.99, 37-44.

Source: NARI “Drought Response: On-Farm Coping Strategies - Compiled by Debbie Kapal, Sergie Bang, D. Askin and B. Allen.

### 3.4. Achievements in Cross-Cutting issues

Achievements in cross-cutting issues continued to be as for the previous years. As far as poverty reduction, improvements in health and education, ensuring good governance, improving equitable gender rights and protection for the environment were concerned the existing EU programmes were attempting to address each of these directly and indirectly. Nevertheless, in all these issues, which are urban based in the main, they did not change significantly during the year. In some cases, as reflected by unemployment, poverty was more visible in urban centres other than Port Moresby. The Wantok system continued to operate and of course places, in many cases, an additional burden on those in employment. Consumer purchasing power during the year had reduced in the face of fuel cost rises for items such as petrol and electricity, which in the latter case rose as much as 200% in 24 months. According to the Institute of National Affairs (INA) 20% of income in urban areas is derived through crime related activities.

PNG does not suffer from rural poverty. As indicated above in Section 3.3, the vast majority of people remain rural based and produce their own food although there are isolated areas where poverty and impoverishment does occur. The extended family remains an important social and economic support mechanism.

Efforts towards introducing “good governance” practices however by GoPNG started well. Structural changes had begun, based on the PERR and efforts at “flushing out” an estimated 7,000 to 8,000 “ghost workers” from the administration commenced.

There was also an attempt by donor agencies to collaborate more effectively at both the policy and operational levels. Towards the end of 2003, the World Bank, AusAid and ADB embarked on a Joint Country Strategy Initiative to develop a more harmonised development programme for PNG.

#### 3.4.1. Gender Issues

Two important legal changes took place in 2003. The first related to an amendment in the Criminal Code on Sexual Offences and the Evidence Act which were both gazetted in April 2003. These laws referred to protecting victims (men and women) and increasing penalties for offenders. The second was the passing of the Bill in Support of the Informal Law which seeks to protect those people working in the informal sector<sup>24</sup>.

<sup>24</sup> It was estimated by the Consultative Implementation & Monitoring Council (CIMC) that 20% of the working population operate in the formal sector while 80% work in the informal sector. 60% of these informal sector workers are women.

Both are significant as they seek to protect women and children in the family and those who earn their income from selling in the open market, but predominately on street pavements (60% of these street vendors are women). As the cost of living increased and the Kina has begun to devalue, the impact has manifested itself in the family in the form of increased domestic violence.

**3.4.2. Critical Environmental Trends<sup>25</sup>**

As with 2002, critical environmental trends continued to revolve around the forestry and mining sectors.

**Forestry**

The forests of PNG remain under threat from unsustainable logging operations. The issue with timber extraction in PNG is that it does not simply affect the environment but changes the social fabric of the country as well. The subsistence economy of rural PNG is altered by the fact that local communities, who own the tract of land on which the commercial timber is located sell rights of access to extract the trees to timber companies.

The unsustainable felling of some areas of PNG forest continues to be a matter of concern, which has delayed the implementation of the World Bank funded Forestry and Conservation Project (FCP). Concerns regarding the compliance of certain logging operations with legal requirements has led to a temporary suspension in the disbursement of some FCP funds, while the Government addresses these matters.

**Mining**

Mining in PNG relates predominately to two minerals, gold and copper. Alluvial gold mining in PNG started in the 1920s. Copper mining started at Panguna on Bougainville (1974) and Ok Tedi (1984) in the Highlands and Western Province, for example, and has generated huge amounts of wealth for the country and continues to represent a large proportion of GDP. The industry is regulated and coded, although environmental practices of waste management on some of the existing mines give rise for concern. The copper mines contribute noble metals as a by-product at substantial levels.

The following table illustrates the main mines in PNG, their location and the environmental concern.

**Economically Important Mines of PNG**

| Mine Name   | Status              | Physical Attribute    | Mineral        | Environmental Concern                       |
|-------------|---------------------|-----------------------|----------------|---|
| Ok Tedi     | Operational to 2010 | Highlands             | Copper<br>Gold | Downstream on Oki Tedi and Fly rivers       |
| Porgera     | Operational to 2014 | Highlands             | Gold           | Downstream on the rivers Fly and Strickland |
| Tolukuma    | Operational to 2009 | Underground/Highlands | Gold           | Downstream on Auga river                    |
| Misima Mine | Closure in May 2004 | Island                | Gold           | Sea life and food chain                     |
| Lihir       | Until 2032          | Island                | Gold           | Sea life and food chain                     |
| Panguna     | Closed since 1989   | Island (Bougainville) | Copper         | Sea life and food chain                     |

There are several issues, however, which characterise the industry and need to be reported.

The first refers to the economic benefits that mining has provided PNG. There is no doubt that through copper and gold extractions that are taking place, good returns have been made for the country. Mineral extraction is an important factor in PNG’s economy representing over 78% of the 2003 exports (more than five times the export value of agricultural products, and more than 13 times the export value of logging), and 15% of GoPNG’s revenue. Approximately, 9,500 people are employed in the large scale industrial mines, while between 50,000 and 80,000 people are engaged in small scale mining practices. Small scale mining is both unregulated and highly damaging. In many cases the regions where the mines are developed,

<sup>25</sup> PNG is party to: Antarctic Treaty, Biodiversity, Climate Change, Desertification, Endangered Species, environmental Modification, Hazardous Wastes, Law of the Sea, Marine Dumping, Nuclear Test Ban, Ozone Layer Protection, Ship Pollution, Tropical Timber 83, Tropical Timber 94, Wetlands *signed, but not ratified*: Antarctic Environmental Protocol, Climate Change-Kyoto Protocol.

economic benefits to local communities are high as demonstrated by the establishment of health care centers, schools and formal employment.

The second issue relates to the environmental impact and damage caused by the general opencast mining that takes place. Highlands mining operations, such as in Ok Tedi, cannot store their waste material safely on site, and thus release it down stream. Mining operations elsewhere such as on the island of Lihir, deposit sludge and rock waste directly into the sea (in this case by way of a pipe that is sunk 120 metres below sea level). In both cases however, the impact on the environment during and after the mining operation is an important factor. A key environmental concern is the discharge of high volumes of inert waste rock and ore processing waste which leads to secondary problems such as flooding in the affected river systems. Also small scale mining regulations are difficult to enforce, and these activities can be highly damaging to the health of the miners themselves and the broader environment.

### **3.4.3. Capacity Building and Institutional Development**

“Transparency, accountability, participation and predictability” became important by-words for GoPNG in 2003 in the drive towards good governance. Efforts were certainly undertaken to instil the importance of reliable and timely information by GoPNG, although in practice this continued to remain weak. Institutional changes and reform continued to be developed through Government’s policy as articulated in the MTDS and off-shoot strategies and initiatives. The Government commenced the process of performance-based budgeting involving the introduction of an Integrated Financial Management System to enable reform to take place.

Over half the population (85%) are rural based although decision-making and governing institutions are NCD or urban based. With little real integration of communities from the remoter areas of the country they continued to have limited economic or strategic attraction for GoPNG. Non-State Actors (NSAs) tend to operate more visibly in these areas.

### **3.5. Regional and International Developments**

In terms of regional and international developments, PNG both benefited from and suffered the impact of changes both locally and further afield. It benefited from the adverse weather and civil unrest in the case of Madagascar and Cote D’Ivoire respectively as disruptions to their own primary production systems took place. As a result prices increased for cocoa and vanilla for example, led world buyers to seek alternative suppliers and turned to PNG. In addition the devaluation of the US Dollar against most other currencies had an important positive impact on the Kina at least for 2003.

PNG and Australia collaborated in a peace-keeping effort in neighbouring Solomon Islands in the middle of 2003 to avert regional destabilisation with the peace-keepers subsequently withdrawing before the last quarter of the year.

GoPNG continued in 2003 to allow Australia to station refugee detainees from Iraq, Afghanistan and elsewhere on Manus Island, while their cases were being investigated by Australian immigration officials to see if they would be deported back to their country of origin or be allowed to enter Australia.

## **4. Overview of past and on-going Co-operation**

The EU’s programme in PNG continued to operate, although there was a need by the Delegation to issue a notice to GoPNG to acquit K 14.3 M provided in 2000 to support the government’s structural adjustment programme, part of which was for repayment of domestic debt arrears owed to the private sector and the retirement of domestic debt owed to the banking system. A subsequent detailed examination resolved the matter positively.

### **4.1. Focal Sectors**

In line with the 8<sup>th</sup> EDF NIP agreed in 2002, three focal areas for PNG were put in place and remained so for 2003. For the 9<sup>th</sup> EDF there was a significant change as indicated in the following table:

#### **8<sup>th</sup> and 9<sup>th</sup> EDF Focal and Non-Focal Areas**

| 8 <sup>th</sup> EDF Focal Areas   | 9 <sup>th</sup> EDF Focal Areas  |
|---|--|
| <ul style="list-style-type: none"> <li>▪ Education and Human Resources Development</li> </ul> | <ul style="list-style-type: none"> <li>▪ Education and Human Resources Development</li> </ul>      |
| <ul style="list-style-type: none"> <li>▪ Rural and Environment Development</li> </ul>         | <ul style="list-style-type: none"> <li>▪ Rural Water Supply and Sanitation</li> </ul>              |
| <ul style="list-style-type: none"> <li>▪ Macroeconomic Support</li> </ul>                     |  |
| 8 <sup>th</sup> EDF Non-Focal Areas   | 9 <sup>th</sup> EDF Non-Focal Area   |
| <ul style="list-style-type: none"> <li>▪ NAO-Special Project</li> </ul>                       | <ul style="list-style-type: none"> <li>▪ Institutional Capacity Building and Governance</li> </ul> |
| <ul style="list-style-type: none"> <li>▪ Sexual Health Project</li> </ul>                     |  |
| <ul style="list-style-type: none"> <li>▪ Gazelle Restoration Project</li> </ul>               |  |

The following section describes results and progress of projects under each of these focal areas for 2003.

The feasibility study for the EDF9 Human Resources Development Programme was undertaken in the course of 2003 and a draft financing proposal was prepared, although not finalised by year's end. In addition, the tendering process began for the feasibility study on the EDF9 Rural Water Supply and Sanitation Programme.

The EDF Committee approved the financing decision for IRPEF under EDF8, and the Financing Agreement was signed by GoPNG in the first quarter. The tender for the Technical Assistance (TA) was launched later in the year. Although the tender for the TA closed in October 2003, no award of contract had been made by the end of the year.

#### 4.1.1 Education and Human Resources Development

One programme was operative in 2003 under this focal area, with activities continuing into 2004. This was:

- *8.ACP.PNG.003 - Human Resources Development Programme II*

##### a) Results

Construction work continued at five of the nine infrastructure project sites, these being Popondetta, Wabag and Mount Hagen Secondary Schools, Malahang Technical High School, and Kuiaro Vocational Centre. During the year, construction commenced at Kabaleo Teachers' College and Hutjena Secondary School.

With continuing activity at the Mount Pago volcano in West New Britain, the annulled tender for one of the sites, Hoskins Girls Technical School in West New Britain, was not recommenced.

The UNITECH component, whose tender was also previously annulled by the NAO because of design inadequacies, was restarted, with the newly recruited supervising architects finalising the schematic designs by the end of 2003. The documentation phase commenced late in the year in anticipation of the tendering process due to take place at the end of April 2004.

In the case of Hutjena Secondary School, with no complying tender bids, the Lot required re-tendering. The new supervising architects, Pacific Architects Consortium, undertook re-scoping and redesign work, and had completed the tendering and evaluation process on schedule by the end of 2002. As it was over Kina 5 M, the approval for the award of contract required National Executive Council approval. However, long delays in this approval process resulted in the planned start of construction being delayed. The award of contract was finally approved by the NAO close to the end of the second quarter 2003, with construction work at Hutjena finally commencing in July, six months later than planned.

By the end of 2003, construction work had been completed at three of the eight sites - Kuiaro, Malahang and Popondetta - and the buildings handed over to the provincial authorities. At Mount Hagen and Wabag Secondary Schools, progress of construction work continued to be hampered by supply difficulties along the deteriorating Highlands Highway and by continuing landowner or community disputes. Good progress,

however, was reported at Hutjena Secondary School and Kabaleo Teachers' College, although landowner issues at the former caused delays.

With a change of management at the Rainforest Habitat at the University of Technology in Lae, serious concern was expressed about the sustainability of the planned construction work. Although the contract for the construction had been tendered and evaluated, and an award of contract was imminent, by the end of the year no progress had been made to satisfy the Programme Steering Committee's concerns regarding the management of the Habitat Centre.

Most of the equipment planned for Don Bosco's Technological Institute were delivered and put to use, although some items for both automobile and computer training were still outstanding. Despite the completion of the rehabilitation work at the Vocational Centres, no progress was made in finalising the tenders for the supply of equipment.

With respect to in-country training, two preparatory courses were held in Facilities Management during 2003 but a decision was made to terminate UDCA's contract due to their failure to complete their contract on time and doubts about the quality of the courses being offered. Sponsorships for the Masters in Educational Leadership distance education courses at the Divine Word University continued during the year (32 students in all were sponsored). Support through scholarships for the DOVET programme of the National Department of Education continued, although poor acquittal procedures at the institution providing a major part of the training caused difficulties.

The response to programme support for Vocational Centres to carry out entrepreneurial activities in their communities was less than satisfactory and the Programme Steering Committee decided to abandon this component.

Twenty scholarships for post-graduate study overseas were awarded in 2003, although one subsequently withdrew. As with previous years, it was impossible to achieve the required gender balance, with only 1 out of the 19 of the scholarships being awarded to a female. The majority of the students elected to attend educational institutions in the United Kingdom.

#### **b) Progress in activities**

After the delays in implementing the programme in 2002, relating mainly to the contractual dispute with the original supervising architects for the infrastructure component, progress on this major component advanced quickly throughout the year. The new supervising architects improved designs, but the depreciation of the Kina against all major currencies seriously affected the ability of the works contractors to purchase material and supplies at the prices tendered in early 2002. These financial pressures on the contractors still affect the completion of the infrastructure component, and combined with delays in commencing the works contracts, resulted in an agreed extension of the Financing Agreement to December 2006 to allow for the defects periods on works to be completed.

In November 2003, the Feasibility Study Team for the EDF9 Human Resources Development Programme had organised a workshop with the view of presenting the draft final report and collecting the comments from the different stakeholders. The final report was expected at the beginning of 2004 and a Financing Proposal was planned for submission to the EC by mid-2004.

In order to address the need to improve project design, considerable effort has been made to ensure stakeholder commitment. This would allow the eventual project management team, when appointed, to commence operations with minimum delay. To achieve this result, the Terms of Reference of the study included preparation of the draft first year Work Plan so that the new Project Implementation Unit, when established, will merely have to review and update an existing work plan rather than elaborate a new one.

The three phased feasibility study developed a programme using a highly participative methodology of workshops, seminars and focus discussion groups in Port Moresby and Lae with a wide range of stakeholders. The project purpose was to establish an effective learning support mechanism for sustainable human resource development, resulting in community-driven non-formal education programmes, a community-based vocational educational system and a strengthened provision of basic education.

### c) Degree of Integration of cross cutting themes

HRDP II, builds on the achievements of the 7<sup>th</sup> EDF, aiming to increase the supply of educated and trained personnel in areas important for national economic development by boosting not only enrolments in, but also improving the quality of education at vocational, secondary and tertiary levels. Whilst efforts have been made to provide an acceptable gender balance in the training components, this has not been effectively achieved with, for instance, only one overseas post-graduate scholarship being awarded to a female during the year.

#### 4.1.2 Rural/Environment Development

Two projects come under the 8<sup>th</sup> EDF in this focal area. Both were operative in 2003 and continue into 2004. These projects are:

- **8 ACP PNG 005 - Eco-Forestry Programme (EFP); and**
- **8 ACP PNG 017 - Rural Coastal Fisheries Development Project (RCFD).**

##### a) Results

**Project 8 ACP PNG 005 – Eco-Forestry Programme:** There are three technical components under the Eco-Forestry Programme namely: Eco-Forestry Field Component (EFFC), Forest Policy Support Component (FPSC) And Timber Marketing Component (TMC). There is also a Project Management Administrative Unit (PMAU).

Results for EFP components during 2003 covered the economic, environmental and social sustainability of options for eco-forestry in different conditions, awareness raising of eco-forestry issues and options, involvement of communities in the eco-forestry business, integration of forestry in programmes of existing institutions, forestry policy and regulation design, work on timber markets and businesses as well as the setting up of information channels on eco-timber production and prices.

**Project 8 ACP PNG 017 - Rural Coastal Fisheries Development Project:** The results of the RCFD project centred around an increase in production of finfish and other marine products, achieving increased production of 660 tonnes per annum resulting from the project activities by year five, an improved profitability and increase in value of marine products, rational development of coastal resources to facilitate an increase in sustainable production and better access to internal and export markets.

##### b) Progress in activities

**Project 8 ACP PNG 005 – Eco-Forestry Programme:** Six types of schemes were explored and designed although they were not “ground-truthed” in 2003. These schemes are *Walindi* (small community-based enterprises operating portable sawmills), *Multifor* (clustering of individual producers and/or diversification of eco-friendly activities), *Downstream Wood Processing* (value-adding activities to timber and other forest products), *Refor* (small- and medium-scale reforestation, in particular promotion of community tree nurseries), *Ecotour* (Promotion of eco-tourism activities) and *Non Timber Forest Products* (promotion and awareness about Non-Timber Forest Products (NTFPs)). The promotion of these schemes has caused a certain degree of controversy. An internal project review of these schemes concluded that *Walindi* and *Multifor* should be given priority. While preliminary and preparatory work has been carried out at grassroots level, in particular for the *Walindi* model, little progress was made with respect to other areas of the EFP. The drafting and approval of forestry policy and strategy of forestry management was successful involving a broad range of key stakeholders. It is hoped that the third draft of a revised policy for forestry management would be approved in 2004 by the National Forest Board (NFB). There was some progress in the year made towards the coordination of eco-forestry activities. The FPSC provided technical and financial assistance to FORCERT and the National Working Group regarding certification. In addition, the FPSC coordinated a successful proposal for eaglewood.

Under the TMC component the NFS "Timber Marketing Information Office" was set up at the Forest Research Institute (FRI) and the integration of the "Timber Marketing Information Office" within the NFS corporate structure was initiated. The "Timber Marketing Information System" was also planned and services designed. The 1<sup>st</sup> issue of the quarterly NFS "Timber Marketing Information Newsletter" also

came out in 2003. The "Timber Marketing Information Database" as a component of the current Forest Authority Database was also set up. Various other activities including the design and publication of a calendar, "market access map" were also underway.

**Project 8 ACP PNG 017 - Rural Coastal Fisheries Development Project:** Good progress has taken place under the RCFD project. Contracts for boats and aquaculture units were awarded. The boats were subsequently constructed. Aquaculture units should start producing 600 mt by end of 2004. Increased production resulting from project supplied boats should be around 273 mt by end of 2004. Work commenced on increasing the profitability and product value at the processing centre in Madang and plans were under way to develop a PNG Fish Quality Mark for export market. The contract for architectural services was awarded and initial site surveys started for the design of the markets under the Market Programme component. Plans were under way in the latter quarter of 2003 to exhibit at the Brussels Seafood Fair in May 2004 using the PNG Fish Quality Mark.

There are two important areas that require further comment:

*Credit Facility Provision:* The first was an initiative to provide K 5,000 for each of the participating provinces (these being New Ireland, Morobe, Madang, Central, Western Province, Milne Bay and Bougainville). For both Morobe and Milne Bay the facility has been adopted well because existing institutions were developed, these were the Fisheries Association and Savings and Loan Society Ltd located in the respective provinces). In the others, institutions were not so well developed and the facility is being re-examined. The development of the planned activities in these fields remained slow in 2003, due to the lack of reliable credit institutions in the targeted areas.

*Fish Feed Enterprise:* The second initiative was related to the import of fish feed from Europe for sale on the local market to supply various aquaculture enterprises. The difficulty was the high cost of feed and the realisation that returns to this was not promising. The NAOs office subsequently worked with the team to review this element and a revised business plan was developed.

### c) Degree of Integration of cross cutting themes

**Project 8 ACP PNG 005 – Eco-Forestry Programme:** The Eco-Forestry Programme contributed to integrating cross-cutting themes by its involvement of NGOs and other Non-State Actors. There was some general participation by these players on the forestry/environmental platform. The EFP interacted with the Eco-Forestry Forum in the form of a Grant Agreement/MOU worth K 160,000 and which was committed in 2003, although spending will not take place until 2004. EFP also interacted with Forestry Certification (FORCERT) in partnership in setting up a forestry certification programme although no funds were disbursed in 2003. Regionally, EFP maintains contact with the South Pacific Forum on forestry issues.

In the limited number of areas where EFP is in operation there has been some civil society awareness raising of those local communities who own tracts of forest. They have been shown that they have choices and options for its use and through this process unsustainable timber extraction have slowed down. To this end, EFP has received in the region of 1,000 applications for assistance from communities around PNG, which represent large areas of forested land and which have not automatically gone to commercial timber felling companies. This demonstrates a positive impact by the project and contribution towards environmental protection.

**Project 8 ACP PNG 017 - Rural Coastal Fisheries Development Project:** Within the industrial fish sector there has been strong representation of women in the management of fishing groups. Training has also taken place in business management much of which has been targeted for women (40% of the participants have been women). Within the area of environment the project has taken a proactive stance and an approach will be made to the Marine Stewardship Council (MSC) for the MSC Certificate of the deep water snapper fishery. This is in line with the project's quality catch mark for PNG marine products.

With respect to developing community relations the project has started to work closely with coastal communities and customary resource owners to develop resource plans. Training programmes were initiated to assist in this process. The project took an active stance through training in the form of seminars, business courses and workshops in developing and promoting good relations to improve the

managerial effectiveness of local associations and which would provide a voice for fisherman and professional expertise in the sector.

The project regards sensible resource use management as a good governance issue by working with the fishery associations. The aim is to provide a direct link between the resource users and the resource stewards in the shape of the National Fisheries Authority (NFA).

#### 4.1.3 Macroeconomic Support

EU Funds allocated for budgetary support were disbursed in two tranches to the Waigani Public Account in February 2001 (K 13.3 M) and March 2002 (K 16.68 M) respectively.

An ex-post audit undertaken by Deloitte Touche Tohmatsu Chartered Accountants verified payments made and provided recommendations for future actions in the areas of institutional capacity building and governance. The audit became available in July 2003 and advocated support for the implementation of the Government's document on the Code of Ethics and Business Conduct.

With respect to the second tranche, K 2.7 M was used to pay for certified arrears on the basis of the ex-ante audit of August 2001, whilst the remainder, GoPNG argued, would be used to reduce domestic debt. No documentation, however, was presented to the ex-post audit showing how the balance was actually spent. The ex-post audit nevertheless, concluded that an appropriation to mark the receipt of some of these funds had occurred with increasing amounts being accounted for by the end of 2003.

#### 4.2 Projects and programmes outside focal sectors

In 2003 non-focal areas under the 8<sup>th</sup> EDF financing programme included:

- *Project 8 ACP PNG 004: EU Programme Management Unit in Support of the NAO;*
- *Project 8 ACP PNG 014: European Union Sexual Health Project (EUSHP); and*
- *Gazelle Restoration Authority.*

##### a) Results

**Project 8 ACP PNG 004: EU Programme Management Unit in Support of the NAO:** The project was launched in September 2000, expanding the technical assistance from one to three experts, with the aim to enhance the capacities of the NAO to sustainably manage the EDF projects and programmes. A workshop was organised during the first year of implementation for setting up a detailed LogFrame. Five results were identified: "The EDF programmes are better managed"; "Improved institutional capacity to undertake project management"; "The project reporting and monitoring are improved", "Feedback from existing projects is incorporated into new projects design"; and "NAO's planning and governance capacities are enhanced".

**Project 8 ACP PNG 014: European Union Sexual Health Project (EUSHP):** Through peer education, EUSHP has three main result areas these being the development of targeted sexual health intervention strategies based on best practice, for men and women with high vulnerability to HIV infection, well targeted interventions for up to 10,000 men and women and adolescents, with high vulnerability to HIV infection and an improved capacity of civil society groups to implement targeted interventions.

**Gazelle Restoration Authority:** As a result of the 1994 volcanic eruptions in East New Britain (ENB), the capital, Rabaul, was devastated. Some 80,000 people were evacuated, 30,000 people lost their homes and 20,000 were forced to leave permanently to other parts of the Gazelle Peninsula. A State of Emergency was declared by GoPNG, which also set up the Gazelle Restoration Authority (GRA) in 1995, as a non-profit making public authority to restore and rehabilitate the province. The capital was relocated to Kokopo some 30 km from Rabaul. Between 1995 and 2000 an Immediate Restoration Programme was completed, and was followed by a Medium Term Restoration Programme (MTRP), which included support from the EU, World Bank, AusAid, ADB and JICA.

A three year EU funded programme valued at €3.41 M commenced in July 2000 supporting 22 of the 116 projects that GRA had identified in its MTRP. This assistance ended in September 2003.



## **b) Progress in activities**

**Project 8 ACP PNG 004: EU Programme Management Unit in Support of the NAO:** The third year of implementation of the project has been marked by:

- The establishment of bi-monthly meetings on financial issues, in addition to the meetings at working and policy levels;
- The development of standard procedures and formats and assessment grids, in particular for STABEX projects;
- The further development and refinement of PROMIAS, especially for tracking the transmission of invoices and Payments Orders, which led to a significant reduction of the time needed to process payments (from an average of 87.5 days in 2001 to 36.8 days at end 2003), as well as the implementation of PROMIAS in the Solomon Islands;
- The active involvement in the design of new projects and programmes, especially with regard to the preparation of the 9<sup>th</sup> EDF programme for PNG;
- The continuation of training activities benefiting EU-PMU local staff;
- The completion of the impact assessment on STABEX projects;
- The contribution of EU-PMU to assist the GoPNG at the macro-economic level, e.g. the preparation of the FLEX dossier, EPA and the setting up of committees; and
- Increasing support given to NGOs, which materialised with their active participation in various workshops and new programmes (IRPEF).

**Project 8 ACP PNG 014: EUSHP:** 2003 marked the establishment of a basic understanding of the technical strengths and organisational capacity of existing institutions, as well as issues regarding the state of peer education and targeted interventions. A Situation Analysis, an evaluation in three provinces (Morobe, Eastern Highlands and NCD) and six peer education needs assessments were conducted in New Ireland, ENB, North Solomons, Madang, Western Highlands and Central Province in 2003. Analysis of these results was still ongoing at year end. The project established its operational basis and then went active in nine of the 20 provinces.

EUSHP contributed to the formulation of the strategic framework for education and HIV/AIDS prevention covering 2004 to 2008. A multi-sectoral framework for prevention activities formed the basis for the strategic document and support in the selection of key project partners such as the TUC, the Department of Community Development (formerly Social Welfare and Development), the Disciplinary Forces and the National Council of Women amongst other Civil Society Organisations (CSOs).

The post of the Provincial Peer Education Coordinator became vacant in May 2003 due to the early resignation of the incumbent. No replacement was made in 2003. Four Peer Education Coordinators, as foreseen by the FA, were recruited and trained over the second half of 2003. They were sent out to workshops to broaden their understanding of the needs of target groups, work towards building partnerships and raise community awareness of EUSHP. The preliminary results of the peer education needs assessments were used to develop interventions and helped to estimate the relevance of project proposals.

EUSHP supported several peer education seminars in the Correctional Services, of the Provincial AIDS Committee in ENB and identified youth groups in the Central Provinces.

**Gazelle Restoration Authority:** Six physical restoration projects were well underway by 2003, two were deferred, and designs were undertaken for the remaining 14 projects by the end of August 2003.

Although project activities were underway, external factors contributed to an escalation of costs and the necessity of applying to the EU for an increase in funds. This process commenced in the second quarter of 2003. A Financing Proposal for €1.98 M (an amount below the €2 M threshold for fast track approval) was prepared by GRA in December 2003. However, with transfer of funds from the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> EDF to the 9<sup>th</sup> EDF, and the subsequent increase in the threshold to €8 M, it was proposed that the programme should submit another application which should better address the concerned needs. A new Financing Proposal therefore was prepared and submitted to Brussels amounting to €3.4 M, for which a decision is expected by mid-2004.

### c) Degree of Integration of cross cutting themes

**Project 8 ACP PNG 004: EU Programme Management Unit in Support of the NAO:** The whole project aims at increasing and strengthening the capacities of various bodies within the office of the NAO. Training activities were targeted EU-PMU staff in all areas of project management, with the support of the TA team. NSAs were also benefiting from EU-PMU, in particular in the framework of new projects and programmes. NGOs were involved in the design of the TCF and also for the preparation of feasibility studies for 9<sup>th</sup> EDF programmes. The evaluation carried out in 2003 stressed the importance of expanding the support to other stakeholders such as the Implementing Agencies and the Programme Implementation Units, in view of decentralising the level of responsibilities, increasing ownership and hence improving the effectiveness of the projects.

**Project 8 ACP PNG 014: EUSHP:** Although EUSHP started at the end of 2002 and corrective design measures were taken, the project made good progress in 2003. A major problem was the absence of a counterpart throughout the year. The project developed partnerships with CBOs and NGOs and other NSAs as well as grass-roots organisations and higher level institutions such as the church (which does not see itself as an NGO). A variety of church denominations account for some 50% of all health care and support in the country. The project also worked with the Disciplinary Forces (such as the police).

**Gazelle Restoration Authority:** The GRA programme of support had directly mainstreamed women as beneficiaries. At the domestic level the reconnection of electricity and water supplies will improve the quality of life in the resettled estates. Health facilities for women and children have also been a key factor in design of the restoration programme. One of the projects has supported the establishment of facilities for the Council of Women in both Rabaul and Kervet. In the medium to longer term, improved facilities (a new provincial retail vegetable and fruit market) for primary produce sellers will certainly assist in restoring economic benefit to the area. The revised Financing Proposal indicated a proactive engagement with NSAs and NGOs and the participation of representatives from the communities.

#### 4.3 Utilisation of resources for Non-State Actors (NSA)

In 2003 no resources were utilised in direct support of NSAs. This is not to say that NSAs and NGOs were not involved with the EU's programme in PNG at all. NGOs and NSAs were involved and consulted, for example, in the preparation of the EDF9 Human Resources Development Programme and Rural Water Supply and Sanitation Programme. A number of workshops took place in 2003 to design and fine tune this programme, which were attended by NGOs and NSAs.

NGOs also participated in a workshop on the Technical Cooperation Facility (TCF), which replaced the Decision for Global Authorisation (DAG). (See Annex 22 for a list of NGOS that had been involved under TCF for 2003).

#### 4.4 Utilisation of Envelope B

€85 M is available under PNG's NIP for the "B Envelope". €50 M has been allocated to the mining sector under the SYSMIN programme.

The balance of €35 M, was available for unforeseen needs, emergency assistance contributions to debt relief institutions and support to mitigate adverse effects of the instability of export earnings. The latter is covered by the new FLEX facility. At the end of December 2003 a formal request for mobilisation of FLEX funding, based on provisional figures provided by BPNG for 2002, was sent to Brussels. The request was rejected on the basis that statistics were provisional and not consolidated. This interpretation was questioned by the Government.

#### 4.5. Other instruments

##### 4.5.1 STABEX

In 2003, 33 different STABEX projects were ongoing (22 under FMO 94, including a balance of funds from FMO 92/93, and 11 under FMO for Bougainville). The value of committed and paid-out funds under both FMO programmes totalled K 7.8 M (€ 1.9 M) and K 7.3M (€ 1.8 M) respectively for 2003.

A detailed financial breakdown and description of STABEX projects is given in Annexes 17, 18 and 19 of this report.

## Results

With regards to the use of STABEX funds, the results achieved in 2003 remained consistent with the Framework of Mutual Obligations (FMO). Two FMOs are currently being implemented:

- **“FMO-1994”**: This sets out four key areas of intervention these being cocoa/copra rehabilitation, coffee quality and market improvement, price stabilisation and debt relief and diversification. An additional project on remote sensing was also supported.
- **“FMO 1990-1994 – Bougainville”**: This FMO has three areas of intervention these being Bougainville main island feeder roads improvement project, agriculture rehabilitation and practical skills training programme. They are also consistent with the second concentration area under the National Indicative Programme (NIP), which aims at reviving Bougainville’s infrastructure, promoting good management of renewable natural resources, taking into account gender disparities and environmental concerns, increasing income earning opportunities in villages and improving cash crop production through agricultural research and extension.

### **FMO-1994**

**Forestry**: In the Forestry sector, the log-monitoring programme was extended up to the end of 2003. Due to the project a significant decrease in discrepancies between the volume of logs declared and actual log export numbers was achieved. The deterrent financial impact encouraged correct recording of log-exports is estimated to be 5%<sup>26</sup> of the gross value of the FOB cargo value. The total value of the EU commitment reached K 12 M by the end of 2003.

**Remote Sensing and Land Use Initiative (EU, UNDP and GTZ)**: The EC is parallel financing with GTZ and UNDP this project which aims to put in place an easily accessible and usable GIS and remote sensing land use service in PNG. This would be the first time that the populace would have access to high quality pictures and GIS images of land use in the country. This three year project commenced in March 2003, after a six month delay in putting in place finances from the lead donor, UNDP. The EU’s contribution to this project amounts to K 600,000 (€150,000), which represents about 10% of the overall budget of USD 1.4 M. The balance is met through UNDP funds. The project has four key objectives: the establishment of a satellite coverage data-base, a freely accessible web-site for satellite imagery, a bespoke interactive GIS systems for Local Level Government use and scholarships for three postgraduate students from the University of PNG (UPNG) to study overseas.

**Coffee**: Following a workshop held in 2002 to discuss the future of coffee, a revised policy for the coffee industry was developed and recognised in the 2003 MTDS as a key export drive sector for PNG. The policy outlined eight recommendations including the aim of maximising the financial returns to all PNG coffee producers by way of improving quality and developing more effective ways of accessing overseas markets. One of the recommendations resulted in a major restructuring of the Coffee Industry Corporation (CIC) which was carried out at the end of 2002 and the beginning 2003. Permanent staff numbers were decreased by half and an institutional restructuring programme was implemented in 2003. Research and extension were amalgamated into one department in the interests of the end user. Accounting procedures were also reviewed and subsequently improved. Four major projects were initiated aiming at increasing CIC self-sufficiency these being improvement of essential infrastructure and support services of the Coffee Research Institute (CRI), rehabilitation of a mass propagation laboratory and the initiation of a new research programme into a major coffee pest (Green scale).

**Oil Palm**: Two major projects started in the second quarter of 2003. Firstly, research into controlling the infection *Ganoderma*, with a focus on long term control and appropriate low input control technologies for smallholder growers. And secondly, an oil palm pollination research programme which aims at safeguarding the viability of oil palm production by improving the health and efficacy of the pollinating insects.

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<sup>26</sup> SGS Log Export Monitoring Monthly Report – February 2004.

**Food Crop Sector:** In the food crop sector, headquarter facilities for the National Agricultural Research Institute (NARI) were designed and construction was completed by September 2003. At the end of 2003, a project was started to increase financial sustainability of NARI and diversify cash crop cultivation and increase income generation and export earnings in PNG. Two other research projects to improve food security for the highlands region and the atolls were also under implementation. In August 2003, one mini-market was built in Port Moresby, and was being used by a group of 20 former-street vendors.

**Cocoa Sector:** A major workshop was held in July 2003 in order to review the sub-sector policy, identify strategies on production, marketing, research and extension and institutional arrangements. The outputs of the workshop were intended to be used by the relevant Government agencies to define a coordinated strategy for the agriculture sector in 2004.

#### **FMO 1990-1994 - Bougainville**

**Infrastructure:** By the end of 2003, 70 km of drainage for feeder roads on Bougainville had been constructed. The construction of two vocational centres, Koromisa and Tunrun was also well underway. The construction of two further vocational centres, Tinputz and Buin, was initiated in January and June 2003 respectively. New infrastructure, the Tinputz Jetty, was completed by the end of 2003 and was made ready for use in the export of cocoa beans.

**Cocoa Sector and Agriculture:** The agricultural restoration programme was completed with some good results in terms of economic impact (exports of cocoa from Bougainville increased 100% over the year). The programme also contributed to the reinforcement of farmers' organisations. It strengthened the role, for example, of the Cocoa Farmers' Association, in assisting the peace process on the island. However, there was evidence of inefficiency in the management of funds and reporting by UNOPS, the contracted implementing agency<sup>27</sup>. Additional agricultural sector restoration measures for Bougainville could be envisaged in 2004.

**Food Security:** A specific food security programme for Bougainville was completed. Some 40,000 hybrid cocoa seedlings were distributed and the development of a research/extension programme aimed at limiting food shortages was introduced.

**Issues:** The implementation of the two credit schemes continued to be delayed pending a feasibility study of the establishment of a Micro Finance Institution.

#### **4.5.2 SYSMIN**

As indicated earlier in the report, activities of the SYSMIN programme in 2003 related to putting in place the Mining Sector Support Project. This project was designed with ten components to be implemented over 5 years commencing January 2004, these being:

- Project A: Formulation of a Mining Waste Management Policy
- Project B: Independent Evaluation of Deep-Sea mine Tailings Placement in PNG
- Project C: Construction of a new Mining Haus for the Department of Mining (DoM)
- Project D: Small-Scale Mining Vocational Training Centres (VTC)/Women's Development Centre
- Project E: Airborne Geophysical Survey of the PNG and Papua Peninsula
- Project F: Geological Mapping and Mineral Potential Assessment of the PNG Highlands
- Project G: Geological and Mineral Resources Information System (GMRS)
- Project H: Hardware Procurement
- Project I: Promotion of PNG Mineral Sector
- Project J: PMU Management

In preparation for the launch of activities in 2004, three prior actions were undertaken in 2003. These were:

- The launch of the tender for the management of the PMU, followed by the selection and ultimate contracting of the consultancy company to manage the Unit. Contracts were exchanged in the latter quarter of 2003;

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<sup>27</sup> UNOPS had decided that they would not open an Imprest Account, as is the norm for EC projects. Following the payment trail therefore for auditing purposes was made all the more difficult.

- Pre-qualification of short-listed companies to undertake the Project E: Airborne Geophysical Survey; and
- The drawing up and finalisation of short-listed of companies to prepare architectural drawings for the Project C: Construction of the new Mining Haus.

#### **4.5.3 Regional Co-operation**

PNG participated in a number of regional cooperation initiatives and activities. These were:

- Western and Central Pacific Tuna Commission (WCPIC) – The 4<sup>th</sup> and 5<sup>th</sup> Preparatory Conferences took place in Fiji and the Cook Islands respectively in 2003. Participation in these Commissions included PNG, Solomon Islands, Philippines, Indonesia, Australia and New Zealand;
- EU and PNG collaborated on strengthening fish health conditions, a Brussels based initiative; and
- PNG began the preparation process for putting in place the Economic Partnership Agreement (EPA) although substantive work was programmed for 2004.

#### **4.5.4 Community budget lines**

There were no expenditures or activities reported under the various Budget Lines available. The exception was an audit of “Project B7-7020 PNG Popular Participation in the Election” which was completed in March 2003 for activities, which included support, by the Delegation in 2002 for assistance in the democratisation process. No activities or funding under the Tropical Forest Budget or NGO-Co-Financing Lines were recorded for 2003.

#### **4.5.5 European Investment Bank**

EIB manages the Investment Facility (IF) with a total budget of €2,200 M Euros, being the main instrument under the Cotonou Agreement for private enterprises in the ACP to access for investment. So far PNG has not been able to secure any loan financing from the IF, because amongst other reasons, its guidelines and rules of procedures are not easily applicable to PNG or its enterprises.

Although the EIB had resurrected interest in the South Pacific, in actual fact it made no investment in 2003 in PNG. The prospects in the future are however, reasonable in the coming years if the economy continues to stabilise. The situation remained, much the same as for 2002 whereby no real opportunities emerged with investment potential, although the EIB were to undertake a mission to the country early in 2004.

It has been over a decade since the last EIB projects finished in PNG with projects mainly in power generation and distribution, major resource projects and cash crop ventures. The reasons mooted in the JAR-2002, to account for no investment remain valid i.e. unfavourable tax and regulatory regimes, combined with political instability although the latter was less of an issue in 2003.

The PNG to Australia Gas pipeline scheme, a major and long term resource project, continues to remain a paper project<sup>28</sup>.

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<sup>28</sup> An article “In Dire Straits” in the Far Eastern Economic Review states that, “The mining and oil sector that dominates the country's GDP has been shrinking due to the maturity of the mines and oilfields and a failure to attract fresh exploration. In a decade, all but Lihir gold mine will be closed. But a major client in Gladstone, Queensland, has been landed by the Exxon-led consortium that has been attempting for years to build a \$4.5-billion gas pipeline from PNG's tumultuous Southern Highlands along the bed of the Coral Sea and down the coast of Queensland to its capital Brisbane. The project remains a customer or two short. Success would give PNG a huge confidence boost, but promise has a habit of being subsumed by frustration - the story of PNG's economy as a whole” Rowan Callick, 11 September 2003.

## **5. Programming Perspective for the Following Years**

### **5.1 Integration of new EC/EU policy initiatives and commitments**

There were no new policy initiatives in 2003 with a direct impact on PNG. Nevertheless, there were a number of Global Initiatives that are important to record although PNGs involvement with them is still to be determined. These include:

- A Water Facility for ACP Countries for which about € 500 M is being earmarked;
- A Global Health Initiative for TB/HIV-AIDS/Malaria – for which PNG presented no application; and
- An Education for All Initiative – PNG is not involved in the fast track initiative under this new programme.

PNG did commence, in 2003, the process for negotiating its membership in the Economic Partnership Agreement an important regional initiative (discussed above in Section 3.2).

There is a need to highlight the potential development policy changes in the EU aid delivery mechanisms, and in particular the impact it would have on PNG development with respect to “deconcentration” and “budgetisation”.

**Budgetisation:** This is an important matter in light of the next Financial Perspectives, which will define the framework for the EUs overall expenditure from 2007 until 2013. The negotiation of this financial package is a key moment for setting political priorities and allocating financial resources accordingly, including for external action from the EU.

EDF support to ACP countries is not funded through the overall EU budget, but is, rather, sourced from separate contributions made by EU Members States. This means that, for the time being, the debate on the Financial Perspectives does not affect ACP cooperation. This may change if a decision is taken to include the EDF in the EU budget from 2007 onwards, known as ‘budgetization’ of the EDF. In practice, ACP-EU cooperation would then feature alongside many other priorities funded under the budget for EU external action. This, in turn, may have important consequences for the focus, predictability and level of financial resources allocated to PNG in particular and ACP in general.

**Deconcentration:** Deconcentration of financial powers to Delegations is an important change the EU is in the process of implementing. This will certainly have an impact on the capacity of NAOs, although there is a need for the EU to advocate how this change will be implemented.

### **5.2. Proposal on a review and adaptation of the CSP**

There were no proposals in 2003 for reviewing or adapting the Country Strategy for PNG. Effort was concentrated on implementing current focal and non focal area projects, continuing to press for Government public sector accountability and reform of institutions.

## **6 Conclusions of the joint annual report**

### **6.1 Key political, economic and social development**

Following the election to office in August 2002, the government of Sir Michael Somare continued with implementation of reforms to improve governance and economic management. Although weak in 2003, the economy did show positive signs of growth in the agricultural and mining sectors and the challenge to Government remains the translation of such windfall gains to accelerate growth and alleviate existing poor social conditions. PNG remained low on the HDI of UNDP, ranking 132 out of 175 and scoring poorly in terms of GDP per capita income. The macro-economic situation improved for PNG with reduced inflation, a reduction in public debt and an increase in GDP by 2%.

GoPNG further developed the MTDS and a number of supporting sector initiatives for health, social welfare and the public sector in 2003. Priority areas continued to focus on good governance, export driven

economic growth, rural development, poverty reduction and human resource development. The introduction of the PERR was seen as a major strategy for public sector reform but its impact is yet to be felt.

The peace process in Bougainville continued to hold and stability seemed to have consolidated although there was still an area of restricted access in the centre of the province. Exports from Bougainville of cocoa started to pick up as a result of international price increases. STABEX funded support for cocoa production rehabilitation proved opportune enabling advantage to be taken of the international price rises, so that by the end of the year the production had risen to more than half its original figure prior to the crisis.

Australian aid came under pressure during 2003 when Canberra threatened to review its bilateral aid to PNG owing to concerns over how Australian money was being spent<sup>29</sup>. Australian aid to PNG which amounts to about USD 240 M per year, equals around 25% of GoPNG's total revenue and is, therefore, not insignificant. An agreed new framework, formalised in December 2003, concluded the acceptance of the Enhanced Cooperation Package (ECP), which committed both parties to continue to work on PNG's development challenges and involved the placement of Australian officials in senior public-sector posts including lawyers and judges. In addition, there was discussion of deploying 230 Australian police officers around the country to improve law-and-order<sup>30</sup> and support the 3,500 PNG police force.

By all accounts 2003 was a good year in economic terms and in comparison to previous years. The PNG economy showed signs of recovery due to a combination of appropriate fiscal and monetary policies, good weather and favourable prices for main exports, including gold, copper, oil, coffee, cocoa, palm oil, forestry and fisheries. Primary exports had started to rebound; the trade account was in surplus, and construction, retail, and wholesale sectors all experienced positive growth. This was a welcome change from the past as GDP had contracted over each of the preceding three years. The current level of growth of output, however, is insufficient to bring about a rise in per capita income, which has been falling for the past decade (for 2003 this stood at around USD 670). This rebound is fragile as structural impediments to sustain growth are yet to be fully addressed. The key to ensure sustained growth, however, is to view 2003 as a window of opportunity, which could be used to improve the domestic environment for private sector investment. High on the list of policy priorities as indicated above include a return to fiscal sustainability, a reduction of the costs of doing business, and, completing institutional reform<sup>31</sup>.

There was a continued problem with the availability of data for 2003. Statistical data supplied by the PNG National Statistical Office to international agencies such as UNDP, the World Bank and ADB continued to be unreliable. BPNG and Treasury data currently remain, however, the official and the most reliable sources of figures utilised by the donor community.

Problems continued to be seen in the environmental sector with forestry (and in particular logging) coming under pressure to reform and for it to comply with existing laws and codes of good practice.

## **6.2 Results and activities in focal sectors and relevant programmes**

The EU's programme in PNG continued to operate although there was a need by the Delegation to issue a notice to GoPNG to account for funds, worth Kina 14.3 M, provided in 2000 to support GoPNG's structural adjustment programme, part of which was for repayment of domestic debt arrears owed to the private sector and the retirement of domestic debt owed to the banking system. The issue, however, was resolved. Ninth EDF allocations amounted to €81 M, broken down into €35 M for human resource development, €25 M for rural water supply and sanitation and €21 M for good governance projects. €35 M was available under the "B" envelope and an additional €50 M under the SYSMIN programme for PNG.

The feasibility study for the EDF9 Human Resources Development Programme was undertaken in the course of 2003 and a draft financing proposal was prepared, although not finalised by year's end. In addition, the tendering process began for the feasibility study on the EDF9 Rural Water Supply and Sanitation Programme.

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<sup>29</sup> Australia's decision to review its US\$240-million-a-year aid programme to PNG lead Sir Michael Somare to reply by saying, "Yes, review it. If they want to, remove it, remove it for God's sake." In *Dire Straits*, FEER.

<sup>30</sup> The Police force were still not deployed by April 2004. Source: EIU – Country Report - PNG - October 2003.

<sup>31</sup> Satish Chand, PNG Economic Survey: Some Weak Signs of Recovery, The Australian National University, Canberra, December 2003

The EDF Committee approved the financing decision for IRPEF under EDF8, and the Financing Agreement was signed by GoPNG in the first quarter. The tender for the Technical Assistance (TA) was launched later in the year. Although the tender for the TA closed in October 2003, no award of contract had been made by the end of the year.

EDF programmes in operation continued to suffer from delays and implementation difficulties although the overall delivery was broadly according to schedule. The NAO-Support Project was subjected to a Mid-Term Review and several management recommendations were made, including the devolution of authority to Line Ministries. Efficiency and effectiveness criteria were acceptable.

### **6.3 Key perspectives for the future**

There were no new policy initiatives in 2003 with a direct impact on PNG. Nevertheless, there were a number of Global Initiatives that are important to record although PNGs involvement with them is still to be determined. These include:

- A Water Facility for ACP Countries for which about € 500 M is being earmarked;
- A Global Health Initiative for TB/HIV-AIDS/Malaria – for which PNG presented no application; and
- An Education for All Initiative – PNG is not involved in the fast track initiative under this new programme.

PNG did commence, in 2003, the process for negotiating its membership in the Economic Partnership Agreement an important regional initiative (discussed above in Section 3.2).

There is a need to highlight the potential development policy changes in the EU aid delivery mechanisms, and in particular the impact it would have on PNG development with respect to “deconcentration” and “budgetisation”.

The major conclusion from this JAR suggests that 2003 should be seen as a window of opportunity for the EU to sustain engagement with Government in implementing its reform programme and ensuring that use of the economic windfall be utilised for sustainable poverty reduction through education and health and improved responsible management of the limited natural resource endowment.



**ANNEXES**  
**Annexes with a prospective character**

## Annex 1: Intervention framework including overview of policy measures and indicator data and targets detailed for the different focal sectors

### A. Education, Training and Human Resources Development (€ 35 million).

|                | <b>Intervention Logic</b>   | <b>Indicators</b>  | <b>Sources of verification</b>   | <b>Assumptions</b>   |
|----------------|---|--|--|--|
| <b>Impact</b>  | Increase in the number of rural people (particularly girls and youth) with education and marketable skills, and reduction in the level of poverty.  |  | National and International Socio-economic surveys and data.  | Stability of government policy and maintenance of education's share in national budget allocations.  |
| <b>Outcome</b> | <ul style="list-style-type: none"> <li>• Access of rural people (particularly girls) to elementary, primary and secondary education increased.</li> <li>• Adult literacy increased.</li> </ul>  | <ul style="list-style-type: none"> <li>• Percentage of qualified people in the workforce.</li> <li>• Percentage graduating from general education and vocational training</li> <li>• Percentage enrolments in primary education in priority provinces.<sup>32</sup></li> <li>• Increase in enrolments ratio of females to males at all levels to 50:50.</li> <li>• Number of dropouts at primary and secondary education in priority provinces.</li> <li>• Examination pass rates at all levels.</li> <li>• Ratio of teachers to pupils reduced from 31:1 to 25:1</li> <li>• Increase in adult literacy rate to 65%</li> </ul> | <ul style="list-style-type: none"> <li>• Statistics of Department of Education.</li> <li>• Statistics of the Department of National Planning and Monitoring.</li> <li>• Employers surveys</li> </ul> |  |
| <b>Output</b>  | Quantity and quality of education improved  | <ul style="list-style-type: none"> <li>• Number of teachers recruited and trained</li> <li>• Number of teachers retained in the rural areas.</li> <li>• Number of schools /classrooms constructed and/or equipped.</li> <li>• Ratio of pupil/textbook</li> <li>• Ratio of pupil/classroom</li> <li>• Number of rural schools inspected.</li> </ul>   |  |  |
| <b>Input</b>   | <ul style="list-style-type: none"> <li>• Annual national budget allocation to education and the provinces.</li> <li>• Contributions from the other 9<sup>th</sup> EDF programmes: Water supply and sanitation programme, and Institutional capacity building and governance.</li> </ul> | <ul style="list-style-type: none"> <li>• Percentage of public spending on education</li> <li>• Percentage contribution of other EC programmes</li> <li>• Percentage of public spending on primary education</li> <li>• Percentage of public spending on secondary education</li> <li>• Percentage of spending on vocational training</li> </ul>  |  | <ul style="list-style-type: none"> <li>• Effective liaison with 9<sup>th</sup> EDF programmes. Effective co-ordination of all donor-funded projects on HRD.</li> <li>• Full and effective involvement of NGOs.</li> <li>• Full co-operation of relevant departments</li> </ul> |

<sup>32</sup> Provinces where programmes and projects are implemented (to be desegregated from other donors' programmes, such as AusAID's Basic Education and Curriculum Materials Programme)

## B. Water supply and Sanitation (€25m)

|                | Intervention Logic   | Indicators   | Sources of verification  | Assumptions   |
|----------------|--|--|--|---|
| <b>Impact</b>  | Health and quality of life improved through provision of safe drinking water. Poverty alleviated.  | <ul style="list-style-type: none"> <li>Population with access to safe water</li> <li>Population with access to basic sanitation</li> </ul>   | National and International Socio-economic surveys and data.  | Stability of government policy and maintenance of Health's share in annual budget allocations.  |
| <b>Outcome</b> | <ul style="list-style-type: none"> <li>Access of rural people (particularly women) to safe and adequate water facilitated.</li> <li>Sanitation improved.</li> <li>Infant mortality reduced.</li> <li>Incidence of waterborne diseases reduced.</li> <li>Income-generating activities increased.</li> <li>Community ability to construct and manage water resources strengthened.</li> <li>More women involved in decision-making.</li> </ul> | <ul style="list-style-type: none"> <li>Percentage of households and schools with access to safe drinking water (nation-wide and in priority provinces)</li> <li>Percentage of waterborne infections (nation-wide and in priority provinces)</li> <li>Percentage of mortality</li> <li>Percentage of infant mortality</li> <li>Number of income-generating activities created</li> <li>Number of communities managing water sustainably.</li> <li>Time spent by household members (in priority provinces) in collecting water</li> <li>Number of women involved in local decision-making process on water</li> <li>Number of NGOs strengthened and participating in project implementation</li> </ul> | <ul style="list-style-type: none"> <li>Statistics of the Department of Health.</li> <li>Statistics of the Department of National Planning and Monitoring.</li> <li>Statistics of PNG Water Resources Board.</li> </ul> |   |
| <b>Output</b>  | <ul style="list-style-type: none"> <li>Households and schools provided with safe and adequate drinking water</li> <li>Communities trained in the construction of facilities and in sustainable management of water resources</li> <li>Waste disposal systems ensured</li> </ul>  | <ul style="list-style-type: none"> <li>Number of water sources provided</li> <li>Number of communities trained in sustainable water management</li> <li>Number of waste disposal systems provided.</li> <li>Number of hand wash facilities provided</li> <li>Number of NGOs trained</li> </ul>   |  | <ul style="list-style-type: none"> <li>No disruptive disputes between communities.</li> <li>Support of provincial administration and local governments concerned</li> </ul> |
| <b>Input</b>   | Annual national budget allocation to the Department of Health and the Provinces.   | <ul style="list-style-type: none"> <li>Percentage of public spending on Health.</li> <li>Percentage contribution of EC other programmes</li> </ul>   |  | Planned multi-sectoral co-ordinating body on rural water supply and sanitation at all levels established  |

Key Government targets (National Health Vision: Department of Health). Provide 40% of the population with safe drinking water by 2005, and 50% by 2010. Reduce Infant mortality per 1,000 to 65 by 2005 and 53 by 2010. Reduce child mortality per 1,000 to 20.5 by 2005 and 18 by 2010. Reduce maternal mortality per 100,000 to 315 by 2005 and 260 by 2010. Reduce diarrhoea-related death rate per 100,000 to 1405 by 2005 and 1200 by 2010.

### C. Institutional Capacity building and Governance (€21 million)

|                | <b>Intervention Logic</b>   | <b>Indicators</b>  | <b>Sources of verification</b>   | <b>Assumptions</b>  |
|----------------|---|--|--|---|
| <b>Impact</b>  | Enhanced democracy, good governance and socio-economic situation  | Greater political stability and improvement in socio-economic  |  | <ul style="list-style-type: none"> <li>• Political stability maintained</li> <li>• Co- operation with BWI and other donors maintained.</li> </ul> |
| <b>Outcome</b> | <ul style="list-style-type: none"> <li>• Institutional capacities quantitatively and qualitatively improved.</li> <li>• Transparency and good governance improved.</li> </ul>   | <ul style="list-style-type: none"> <li>• Enhancement of administrative and management capacities</li> <li>• Improvement in policy formulation and strategic planning</li> <li>• Increased transparency in public finance management</li> <li>• Improved monitoring and control of public officials</li> <li>• Reduction in corruption</li> <li>• Improvement in macro-economic indicators</li> <li>• Return of foreign confidence</li> <li>• Improvement in departmental co-ordination</li> <li>• Improvement in co-operation with stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>• IMF and World Bank Reports</li> <li>• Reports of Asian Development Bank</li> <li>• Reports of Transparency International</li> </ul> |   |
| <b>Output</b>  | <ul style="list-style-type: none"> <li>• Government and provincial officials trained</li> <li>• Vocational training provided</li> <li>• Control institutions strengthened</li> <li>• Civil society and other Non-State Actors strengthened</li> </ul> | <ul style="list-style-type: none"> <li>• Number of officials trained</li> <li>• Number of monitoring and control agencies supported.</li> <li>• Number of audits conducted</li> <li>• Number of studies carried out</li> <li>• Number of Non-State Actors involved in programmes</li> </ul>  | <ul style="list-style-type: none"> <li>• Reports of NAO and Delegation</li> <li>• Project evaluations</li> </ul>   |   |
| <b>Input</b>   | Annual budget allocations to Departments  | <ul style="list-style-type: none"> <li>• Percentage of public spending on Departments</li> <li>• Percentage contribution of other donor programmes</li> </ul>  |  |   |

## Annex 2: Chronogramme of activities (updated and including all financial instruments)

|  | 2004 |  |  |    | 2005   |   |   |  |
|--|------|--|--|----|--|---|---|--|
|  | Q1   | Q2   | Q3   | Q4 | Q1   | Q2  | Q3  | Q4   |
| <b>A Envelope</b>                                |      |  |  |    |  |   |   |  |
| <b>Education, Training &amp; HRD</b><br>(€ 39 M) |      | <ul style="list-style-type: none"> <li>■ End of Feasibility Study               <ul style="list-style-type: none"> <li>■ Submission of Financing Proposal by NAO</li> <li>■ Preparation of Tender for TA Contract                   <ul style="list-style-type: none"> <li>■ Signature of Financing Agreement</li> <li>■ Launching of Tender                       <ul style="list-style-type: none"> <li>■ Award of Contract</li> </ul> </li> </ul> </li> </ul> </li> </ul> |  |    |  |   | <ul style="list-style-type: none"> <li>■ Mobilisation - Implementation of activities</li> </ul> |  |
| <b>Rural Water Supply</b><br>(€ 25 M)            |      |  | <ul style="list-style-type: none"> <li>■ Feasibility Study</li> </ul>  |    |  | <ul style="list-style-type: none"> <li>■ Submission of Financing Proposal by NAO</li> <li>■ Preparation of Tender for TA Contract               <ul style="list-style-type: none"> <li>■ Signature of Financing Agr.</li> <li>■ Launching of Tender                   <ul style="list-style-type: none"> <li>■ Award of Contract</li> </ul> </li> </ul> </li> </ul> |   |  |
| <b>EU-PMU Phase III</b><br>(€ 4.3 M)             |      |  | <ul style="list-style-type: none"> <li>■ Design               <ul style="list-style-type: none"> <li>■ Submission of Financing Proposal by NAO</li> <li>■ Preparation of Tender for TA Contract                   <ul style="list-style-type: none"> <li>■ Signature of Financing Agreement</li> <li>■ Launching of Tender                       <ul style="list-style-type: none"> <li>■ Award of Contract</li> </ul> </li> </ul> </li> </ul> </li> </ul> |    |  | <ul style="list-style-type: none"> <li>■ Mobilisation - Implementation of activities</li> </ul>   |   |  |
| <b>Inst. Capacity building &amp; Govern.</b>     |      | <ul style="list-style-type: none"> <li>■ Pre-design               <ul style="list-style-type: none"> <li>■ Feasibility Study</li> </ul> </li> </ul>  |  |    | <ul style="list-style-type: none"> <li>■ Submission of Financing Proposal by NAO</li> <li>■ Preparation of Tender for TA Contract               <ul style="list-style-type: none"> <li>■ Signature of Financing Agreement</li> <li>■ Launching of Tender                   <ul style="list-style-type: none"> <li>■ Award of Contract</li> </ul> </li> </ul> </li> <li>■ Mobilisation</li> </ul> |   |   |  |
| <b>Technical Cooperation Facility</b><br>(€ 2 M) |      |  | <ul style="list-style-type: none"> <li>■ Submission of Financing Proposal by NAO               <ul style="list-style-type: none"> <li>■ Signature of Financing Agreement</li> <li>■ Implementation of activities</li> </ul> </li> </ul>  |    |  |   |   |  |
| <b>B Envelope</b>                                |      |  |  |    |  |   |   |  |
| <b>SYSMIN (€ 50 M)</b>                           |      |  |  |    |  |   |   | <ul style="list-style-type: none"> <li>■ Implementation of first activities</li> </ul> |
| <b>GRA Phase II</b><br>(€ 3.4 M)                 |      |  | <ul style="list-style-type: none"> <li>■ Submission of Financing Proposal by NAO               <ul style="list-style-type: none"> <li>■ Signature of Financing Agreement</li> <li>■ Implementation of activities</li> </ul> </li> </ul>  |    |  |   |   |  |

### Annex 3: Indicative timetable for commitments and disbursements (updated and including all financial instruments)

| Project No                            | Project Title                            | 2004        |              | 2005         |              | 2006        |             | 2007        |             |
|---------------------------------------|--|-------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
|                                       |  | S1          | S2           | S1           | S2           | S1          | S2          | S1          | S2          |
| <b>A. COMMITMENTS (Project level)</b> |  |             |              |              |              |             |             |             |             |
| <b>9th EDF</b>                        | Education, Training & Human Dev. Progr.  |             | 39.00        |              |              |             |             |             |             |
|                                       | Rural Water Supply & Sanitation Progr.   |             |              |              | 25.00        |             |             |             |             |
|                                       | Inst. Capacity building & Govern. Progr. |             |              | 10.70        |              |             |             |             |             |
|                                       | Technical Conference Facility            | 2.00        |              |              |              |             |             |             |             |
|                                       | EU-PMU in support of the NAO 3           |             | 4.30         |              |              |             |             |             |             |
|                                       | Gazelle Restoration Authority 2          | 3.40        |              |              |              |             |             |             |             |
| <b>Total</b>                          |  | <b>5.40</b> | <b>43.30</b> | <b>10.70</b> | <b>25.00</b> | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> |

#### B. COMMITMENTS (Contract level)

|                |   |             |              |              |              |              |              |              |              |
|----------------|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 8 ACP PNG 003  | Human Resource Development Programme 2        | 0.86        | 3.60         | 2.00         | 1.60         |              |              |              |              |
| 8 ACP PNG 004  | EU Progr. Management Unit in support of NAO   | 0.08        |              |              |              |              |              |              |              |
| 8 ACP PNG 005  | Eco-Forestry Programme                        | 1.50        | 0.10         | 1.50         | 0.20         |              |              |              |              |
| 8 ACP PNG 014  | Sexual Health Project                         | 0.95        | 0.05         | 0.70         |              | 0.30         |              |              |              |
| 8 ACP PNG 017  | Rural Coastal Fisheries Development Project   | 1.50        | 1.00         | 1.00         |              | 0.40         |              |              |              |
| 8 ACP PNG 018  | Mining Sector Support Programme               | 2.25        | 2.75         | 4.00         | 4.00         | 4.00         | 4.00         | 4.00         | 4.00         |
| 8 ACP PNG 019  | Improv. of Rural Primary Education Facilities | 0.75        | 0.25         | 1.00         |              | 1.00         |              | 1.00         |              |
| <b>9th EDF</b> | Education, Training & Human Dev. Progr.       |             | 7.00         | 1.00         | 2.00         | 4.00         | 6.00         | 6.00         | 6.00         |
|                | Rural Water Supply & Sanitation Progr.        |             |              |              | 4.00         | 1.00         | 2.00         | 3.00         | 3.00         |
|                | Inst. Capacity building & Govern. Progr.      |             |              |              | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         |
|                | Technical Conference Facility                 |             | 0.25         | 0.25         | 0.25         | 0.25         | 0.25         | 0.25         | 0.25         |
|                | EU-PMU in support of the NAO 3                |             |              | 2.00         | 0.30         | 0.30         | 0.30         | 0.30         | 0.30         |
|                | Gazelle Restoration Authority 2               |             | 1.00         | 1.00         | 1.00         | 0.40         |              |              |              |
| <b>Total</b>   |   | <b>7.89</b> | <b>16.00</b> | <b>14.45</b> | <b>14.85</b> | <b>13.15</b> | <b>14.05</b> | <b>16.05</b> | <b>15.05</b> |

#### C. DISBURSEMENTS

|                |   |             |              |              |              |              |              |              |              |
|----------------|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 8 ACP PNG 003  | Human Resource Development Programme 2        | 3.45        | 3.10         | 3.00         | 3.00         | 1.20         |              |              |              |
| 8 ACP PNG 004  | EU Progr. Management Unit in support of NAO   | 0.20        | 0.20         | 0.10         |              |              |              |              |              |
| 8 ACP PNG 005  | Eco-Forestry Programme                        | 0.50        | 1.00         | 0.60         | 1.00         | 0.20         |              |              |              |
| 8 ACP PNG 014  | Sexual Health Project                         | 0.30        | 0.60         | 0.40         | 0.30         | 0.10         | 0.20         |              |              |
| 8 ACP PNG 017  | Rural Coastal Fisheries Development Project   | 0.80        | 1.50         | 1.00         | 0.70         | 0.30         |              |              |              |
| 8 ACP PNG 018  | Mining Sector Support Programme               | 0.50        | 2.50         | 4.00         | 4.00         | 4.00         | 4.00         | 4.00         | 4.00         |
| 8 ACP PNG 019  | Improv. of Rural Primary Education Facilities | 0.20        | 0.50         | 0.50         | 0.50         | 0.50         | 0.50         | 0.50         | 0.50         |
| <b>9th EDF</b> | Education, Training & Human Dev. Progr.       |             | 1.40         | 2.00         | 4.00         | 4.00         | 4.00         | 4.00         | 4.00         |
|                | Rural Water Supply & Sanitation Progr.        |             |              |              | 0.80         | 2.00         | 3.00         | 3.00         | 3.00         |
|                | Inst. Capacity building & Govern. Progr.      |             |              |              | 0.50         | 1.00         | 1.50         | 1.50         | 1.50         |
|                | Technical Conference Facility                 |             |              | 0.25         | 0.25         | 0.25         | 0.25         | 0.25         | 0.25         |
|                | EU-PMU in support of the NAO 3                |             |              | 0.50         | 0.40         | 0.40         | 0.40         | 0.40         | 0.40         |
|                | Gazelle Restoration Authority 2               |             | 0.30         | 1.00         | 1.00         | 1.00         | 0.10         |              |              |
| <b>Total</b>   |   | <b>5.95</b> | <b>11.10</b> | <b>13.35</b> | <b>16.45</b> | <b>14.95</b> | <b>13.95</b> | <b>13.65</b> | <b>13.65</b> |

#### Annex 4: Donor matrix (updated)

| Donor                                       | Sector <sup>1</sup>                  | Value <sup>2</sup><br>(in Euro) | Type<br>(Grant/<br>Loan) | Comment            |
|---|--------------------------------------|---------------------------------|--------------------------|--------------------|
| <b>Multilateral Agencies</b>                |                                      |                                 |                          |                    |
| ADB   | Health                               | 3,170,732                       | Loan                     |                    |
| ADB   | Education                            | 3,178,049                       | Loan                     |                    |
| ADB   | Infrastructure                       | 13,770,732                      | Loan                     |                    |
| ADB   | Economic Development/ NR Development | 7,614,634                       | Loan                     |                    |
| ADB   | Good Governance and Administration   | 4,282,927                       | Loan                     |                    |
| ADB   | <b>Total</b>                         | <b>32,017,073</b>               |                          |                    |
| EU  | Health                               | 682,927                         | Grant                    |                    |
| EU  | Education                            | 4,342,195                       | Grant                    |                    |
| EU  | Infrastructure                       | 1,333,171                       | Grant                    |                    |
| EU  | Economic Development/ NR Development | 3,487,561                       | Grant                    | Principally STABEX |
| EU  | Good Governance and Administration   | 728,049                         | Grant                    |                    |
|   | <b>Total</b>                         | <b>10,573,902</b>               |                          |                    |
| WHO   | Health                               | 391,463                         | Grant                    |                    |
|   | <b>Total</b>                         | <b>391,463</b>                  |                          |                    |
| UNICEF/UNFPA                                | Health                               | 209,927                         | Grant                    |                    |
| UNFPA                                       | Education                            | 87,902                          | Grant                    |                    |
| UNFPA                                       | Good Governance and Administration   | 104,488                         | Grant                    |                    |
| UNDP  | Economic Development/ NR Development | 7,898,780                       | Grant                    |                    |
|   | <b>Total (All UN Agencies)</b>       | <b>8,692,561</b>                |                          |                    |
| World Bank                                  | Infrastructure                       | 12,195,122                      | Loan                     |                    |
| World Bank                                  | Economic Development/ NR Development | 7,087,805                       | Loan                     |                    |
|   | <b>Total</b>                         | <b>19,282,927</b>               |                          |                    |
| <b>Bilateral Agencies</b>                   |                                      |                                 |                          |                    |
| JICA (Japan)                                | Education                            | 1,638,000                       | Grant                    |                    |
| JICA (Japan)                                | Infrastructure                       | 2,998,936                       | Grant                    |                    |
| JICA (Japan)                                | Health                               | 191,914                         | Grant                    |                    |
|   | <b>Total</b>                         | <b>4,828,850</b>                |                          |                    |
| NZODA                                       | Health                               | 494,951                         | Grant                    |                    |
| NZODA                                       | Education                            | 2,156,976                       | Grant                    |                    |
| NZODA                                       | Economic Development/ NR Development | 265,829                         | Grant                    |                    |
| NZODA                                       | Good Governance and Administration   | 451,500                         | Grant                    |                    |
|   | <b>Total</b>                         | <b>3,369,256</b>                |                          |                    |
| AusAID                                      | Health                               | 28,843,220                      | Grant                    |                    |
| AusAID                                      | Education                            | 28,746,146                      | Grant                    |                    |
| AusAID                                      | Infrastructure                       | 32,539,780                      | Grant                    |                    |
| AusAID                                      | Economic Development/ NR Development | 8,182,829                       | Grant                    |                    |
| AusAID                                      | Law and Justice                      | 15,472,366                      | Grant                    |                    |
| AusAID                                      | Good Governance and Administration   | 15,791,854                      | Grant                    |                    |
|   | <b>Total</b>                         | <b>129,576,195</b>              |                          |                    |
| South Korean Government                     | Infrastructure                       | 487,805                         | Grant                    |                    |
|   | <b>Total</b>                         | <b>487,805</b>                  |                          |                    |
| <b>Other Sources of Development Support</b> |                                      |                                 |                          |                    |
| Government of China                         |                                      |                                 | Loan                     | Commercial         |
| Government of Malaysia                      |                                      |                                 | Loan                     | Commercial         |
| Government of South Korea                   |                                      |                                 | Loan                     | Commercial         |

<sup>1</sup>Sectoral headings used by the Aid Coordination Unit in DNPRD, March 2004.

<sup>2</sup>Amounts in Euro for on-going and planned support excluding regional projects.

## Summary of Donor Commitments for 2003<sup>1</sup>

| Agency             | Value of 2003 Programme<br>(in €) | Percentage of Total PNG<br>Development Commitments |
|--------------------|-----------------------------------|--|
| ADB                | 32,017,073                        | 14.63%   |
| EC                 | 10,573,902                        | 4.83%  |
| UN Agencies        | 8,692,561                         | 3.97%  |
| World Bank         | 19,282,927                        | 8.81%  |
| JICA               | 4,828,850                         | 2.21%  |
| NZAID              | 3,369,256                         | 1.54%  |
| AusAid             | 129,576,195                       | 59.21%   |
| South Korea        | 487,805                           | 0.22%  |
| <b>Grand Total</b> | <b>218,841,670</b>                | <b>100%</b>  |

<sup>1</sup>Source: Calculated from the Aid Coordination Annual Report 2003.

## Planned Donor Disbursements for 2003 EC-Member States (millions €)\*

| Sectors                           | EC           | Germany    | France**    | Austria    | Finland     | UK**         | Total        |
|-----------------------------------|--------------|------------|-------------|------------|-------------|--------------|--------------|
| Education                         | 39.16        | 0.40       | 0.08        | 0.20       | -           | 0.003        | 39.843       |
| Health                            | 0.50         | -          | -           | -          | -           | -            | 0.50         |
| Water supply and sanitation       | 0.90         | -          | -           | -          | -           | -            | 0.91         |
| Culture                           | -            | -          | 0.05        | -          | -           | -            | 0.05         |
| Government and Civil Society      | 0.80         | -          | -           | -          | -           | -            | 0.82         |
| Transport and storage             | -            | -          | -           | -          | -           | -            | -            |
| Communications                    | -            | -          | -           | -          | -           | -            | -            |
| Banking and financial services    | -            | -          | -           | -          | -           | -            | -            |
| Business/Private sector           | -            | -          | -           | -          | -           | -            | -            |
| Energy                            | 0.50         | -          | -           | -          | -           | -            | 0.50         |
| Agriculture, forestry, fishing    | 1.60         | 0.80       | 0.04        | -          | -           | -            | 2.44         |
| Industry, Mining and Construction | 2.80         | -          | -           | -          | -           | -            | 2.80         |
| Trade and tourism                 | -            | -          | -           | -          | -           | -            | -            |
| Environmental Protection          | 1.86         | -          | -           | -          | -           | -            | 1.86         |
| Gender                            | -            | -          | -           | -          | 0.25        | 0.009        | 0.259        |
| Commodity aid                     | -            | -          | -           | -          | -           | -            | -            |
| Budget support /SAP               | -            | -          | -           | -          | -           | -            | -            |
| Food aid                          | -            | -          | -           | -          | -           | -            | -            |
| Debt relief                       | -            | -          | -           | -          | -           | -            | -            |
| Emergency assistance              | -            | -          | -           | 0.2        | -           | -            | 0.20         |
| Support to NGOs                   | 0.03         | 0.8        | -           | -          | -           | -            | 0.83         |
| Others                            | -            | -          | -           | -          | -           | -            | -            |
| <b>Total</b>                      | <b>48.15</b> | <b>2.0</b> | <b>0.17</b> | <b>0.4</b> | <b>0.25</b> | <b>0.012</b> | <b>50.98</b> |

\*figures have been rounded to two decimal places.

\*\*Figures supplied by the French Embassy and British High Commission in Port Moresby for 2003.

## Annex 5: Country Environmental Profile (CEP)

Does not exist for PNG.





## Annex 8: Financial Situation for 7<sup>th</sup> EDF (grants)

### A. National Indicative Programme

| No   | Project Title                                    | Amount Allocated | Amount Commit. | Amount Paid Status  |
|--|--|------------------|----------------|---|
| 001  | TA for Dept. of Works                            | 0.16             | 0.16           | 0.16 Completed  |
| 003  | 2 Structural Adjustment Programme                | 4.00             | 4.00           | 4.00 Completed  |
| 008  | Environmental Monitoring of Mines                | 0.03             | 0.03           | 0.03 Completed  |
|  |  |                  |                | Allocation of 0.3 million for feasibility study 9th EDF Rural |
| 009  | LomeIV Microproject Programme                    | 3.39             | 3.09           | 3.04 Water Supply   |
| 013  | LOME IV Human Resources Develop. Progr.          | 0.05             | 0.05           | 0.05 Completed  |
| 015  | Human Resources Development                      | 0.06             | 0.06           | 0.06 Completed  |
| 017  | Human Resources Development Programme            | 14.75            | 14.55          | 14.32 Completed. Yet to be closed                             |
| 018  | Rural Water Supply 2nd microprojects progr.      | 4.54             | 4.52           | 4.53 Completed  |
| 022  | TA Dep. Works                                    | 0.75             | 0.74           | 0.74 Completed  |
| 023  | Ramu HighWay Study                               | 0.68             | 0.68           | 0.68 Completed  |
| 024  | TA to Dep. Of Works                              | 0.00             | 0.00           | 0.00 Completed  |
| 025  | HRDP Training evaluat. & mission                 | 0.04             | 0.04           | 0.04 Completed  |
| 026  | Environmental Monit. & Manag. Of Mining          | 1.60             | 1.32           | 1.25 Completed. Yet to be closed                              |
| 031  | Ramu HighWay Upgrading                           | 8.00             | 7.90           | 7.61 Completed  |
| 033  | Architectural & Building Services                | 0.11             | 0.11           | 0.11 Completed  |
| 034  | EU-PMU in support of NAO                         | 1.20             | 1.20           | 1.20 Completed  |
| 038  | Islands Region Env. Programme                    | 0.03             | 0.03           | 0.03 Completed  |
| 040  | HRDP Implementation                              | 0.02             | 0.02           | 0.02 Completed  |
| 041  | Enb High Scool Emergency Upgr. Progr.            | 2.02             | 2.02           | 2.02 Completed  |
| 046  | 4th Structural Adjustment Programme              | 2.00             | 2.00           | 2.00 Completed  |
| 047  | Lome IV HRDP Phase II                            | 0.05             | 0.05           | 0.05 Completed  |
| 052  | Séminaire Procédures FED                         | 0.02             | 0.02           | 0.02 Completed  |
| 054  | Training Seminar on EDF financial proc.          | 0.03             | 0.03           | 0.03 Completed  |
|  |  |                  |                | To be recommitted under new                                   |
| 055  | Gazelle Rest. Auth. Microproj. Progr.            | 1.50             | 1.50           | 0.86 Financing Agreement                                      |
| 056  | Feasibility Study: improv. of Rural Educ. Fac.   | 0.12             | 0.12           | 0.12 Completed  |
| 057  | Feasibility Study: Rural Coastal Fish. Dev. Prog | 0.15             | 0.14           | 0.14 Completed. Yet to be closed                              |
|  |  |                  |                | To be recommitted under new                                   |
| 058  | Gazelle rest. Auth. MT Rest. Progr.              | 0.24             | 0.24           | 0.09 Financing Agreement                                      |
| 060  | Ex-ante Audit in prep. for EDF 8 SAP in PNG      | 0.06             | 0.04           | 0.04 Completed. Yet to be closed                              |
| 061  | Audit of fourth SAP                              | 0.03             | 0.02           | 0.00 Cancelled  |
| 062  | TA to Dep. Of Works                              | 0.18             | 0.18           | 0.15 Completed. Yet to be closed                              |
| <b>Total National Indicative Programme</b> |  | <b>45.79</b>     | <b>44.86</b>   | <b>43.38</b>  |

**B STABEX**

| No                  | Project Title                               | Amount Allocated | Amount Commit. | Amount Paid Status |
|---------------------|---|------------------|----------------|--------------------|
| 004                 | Produits Cacao                              | 6.75             | 6.75           | 6.75 Completed     |
| 005                 | Café  | 7.56             | 7.56           | 7.56 Completed     |
| 006                 | Produits Copra                              | 3.32             | 3.32           | 3.32 Completed     |
| 007                 | Produits Palmier                            | 7.31             | 7.31           | 7.31 Completed     |
| 010                 | Stabex 1991 (prod. Cacao)                   | 7.07             | 7.07           | 7.07 Completed     |
| 011                 | Stabex 1991 (coffee)                        | 8.70             | 8.70           | 8.70 Completed     |
| 012                 | Stabex 1991 (Copra)                         | 1.45             | 1.45           | 1.45 Completed     |
| 027                 | Transfert Stabex 92 prod. Cacao             | 4.68             | 4.68           | 4.68 Ongoing       |
| 028                 | Transfert Stabex 92 Café                    | 12.74            | 12.74          | 12.74 Ongoing      |
| 036                 | Stabex transfert 1993 (Cocoa Products)      | 4.51             | 4.51           | 4.51 Ongoing       |
| 037                 | Stabex transfert 1993 (Coffee)              | 8.20             | 8.20           | 8.20 Ongoing       |
| 042                 | 1994 Stabex Transfert (Cocoa Products)      | 7.27             | 7.27           | 7.27 Ongoing       |
| 048                 | Reversement excédent 1er prot. fin. Lome IV | 5.01             | 5.01           | 5.01 Ongoing       |
| <b>Total STABEX</b> |   | <b>84.58</b>     | <b>84.58</b>   | <b>84.58</b>       |

**C. Other Funding**

| No                         | Project Title                             | Amount Allocated | Amount Commit. | Amount Paid Status                                   |
|----------------------------|---|------------------|----------------|--|
| 002                        | 2 structural Adjustment Programme         | 7.00             | 7.00           | 7.00 Completed                                       |
| 014                        | Third Adjustment Support Programme        | 10.20            | 10.20          | 10.20 Completed                                      |
| 016                        | Bank of PNG private sect.                 | 0.33             | 0.33           | 0.33 Completed                                       |
| 019                        | Trade Promotion Programme                 | 0.00             | 0.00           | 0.00 Completed                                       |
| 020                        | Roads Bridges Rehab. Progr.               | 1.04             | 0.31           | 0.31 Completed                                       |
| 021                        | Roads Bridges Rehab. Progr.               | 2.40             | 2.21           | 2.21 Completed                                       |
| 029                        | Ramu Highway Upgrading                    | 0.39             | 0.39           | 0.39 Completed                                       |
| 030                        | Ramu Highway Upgrading                    | 0.56             | 0.56           | 0.56 Completed                                       |
| 032                        | Elcom Power Transmission                  | 0.50             | 0.50           | 0.50 Completed                                       |
| 035                        | ECHO                                      | 0.11             | 0.11           | 0.11 Completed                                       |
| 039                        | Bank of PNG                               | 0.03             | 0.03           | 0.03 Completed                                       |
| 043                        | Lihir Gold Mine                           | 4.44             | 4.44           | 4.44 Completed                                       |
| 044                        | Lihir Gold Mine                           | 21.00            | 21.00          | 21.00 Completed                                      |
| 045                        | 4th Structural Adjustment Programme       | 3.30             | 3.30           | 3.30 Completed                                       |
| 053                        | Formation 1981-1985 FED 5                 | 0.00             | 0.00           | 0.00 Completed                                       |
| 059                        | Gazelle Rest. Auth. MT Restoration Progr. | 0.00             | 0.00           | 0.00 To be recommitted under new Financing Agreement |
| <b>Total Other Funding</b> |   | <b>51.30</b>     | <b>50.39</b>   | <b>50.39</b>   |
| <b>GRAND TOTAL 7th EDF</b> |   | <b>181.68</b>    | <b>179.83</b>  | <b>178.34</b>  |

## Annex 9: Financial Situation for 6<sup>th</sup> EDF (grants)

### A. National Indicative Programme

| No   | Project Title                   | Amount Allocated | Amount Commit. | Amount Paid Status                                      |
|--|---------------------------------|------------------|----------------|---|
| 001  | TA Rural Road Magi Highway      | 0.01             | 0.01           | 0.01 Completed  |
| 003  | Rural Roads Hiritano Highway    | 0.02             | 0.02           | 0.02 Completed  |
| 004  | TA Foreign Aid Manag Lome3      | 0.40             | 0.40           | 0.40 Completed  |
| 009  | Microprojects                   | 3.00             | 3.00           | 3.00 Completed  |
| 010  | ST Minor Crops production study | 0.08             | 0.08           | 0.08 Completed  |
| 011  | TA Dep. Agric. & Liv.           | 0.29             | 0.29           | 0.29 Completed  |
| 014  | Route Vallaia a Rigo            | 3.86             | 3.86           | 3.86 Completed  |
| 015  | Vallaia-Rigo Road               | 1.62             | 1.62           | 1.62 Completed  |
| 016  | Brown River Veimauro Road       | 3.30             | 3.30           | 3.30 Completed  |
| 017  | Brown River Veimauro Road       | 6.60             | 6.60           | 6.60 Completed  |
| 019  | Tinpis Pty Ltd                  | 0.10             | 0.10           | 0.10 Completed  |
| 021  | TA to Livestock Dev Corporat    | 0.18             | 0.18           | 0.18 Completed  |
| 022  | TA Dep. Works                   | 0.36             | 0.36           | 0.36 Completed  |
| 023  | Audit of project & contract     | 0.04             | 0.04           | 0.04 Completed  |
| 024  | Microprojects                   | 3.26             | 3.26           | 3.26 Completed  |
| 025  | Training Programme              | 1.61             | 1.61           | 1.61 Completed  |
| 029  | Sing Sing Tumbuan Video Produc  | 0.06             | 0.06           | 0.06 Completed  |
| 030  | Rattan develop Study Forestry   | 0.06             | 0.06           | 0.06 Completed  |
| 031  | Fin incent small med business   | 0.04             | 0.04           | 0.04 Completed  |
| 032  | Road Improv and Maintenance     | 0.03             | 0.03           | 0.03 Completed  |
| 036  | Sectoral Import Programme       | 5.50             | 5.50           | 5.50 Completed  |
| 037  | TA Monitor SIP Lome 3           | 0.05             | 0.05           | 0.05 Completed  |
| 039  | PI-TA Superv Lome4 Microproj    | 0.07             | 0.07           | 0.07 Completed  |
| 044  | Ramu HighWay Upgrading          | 3.05             | 3.05           | 3.05 Dispute with Downer<br>Construction                |
| 045  | Gazelle Restoration             | 0.91             | 0.91           | 0.70 To be recommitted under new<br>Financing Agreement |
| <b>Total National Indicative Programme</b> |                                 | <b>34.50</b>     | <b>34.50</b>   | <b>34.29</b>  |

### B. STABEX

| No                  | Project Title               | Amount Allocated | Amount Commit. | Amount Paid Status |
|---------------------|-----------------------------|------------------|----------------|--------------------|
| 005                 | Stabex Palm Products        | 21.76            | 21.76          | 21.76 Completed    |
| 006                 | Stabex Coconut Oil          | 17.07            | 17.07          | 17.07 Completed    |
| 007                 | Stabex Copra                | 7.57             | 7.57           | 7.57 Completed     |
| 012                 | Stabex Copra Products       | 14.05            | 14.05          | 14.05 Completed    |
| 018                 | Stabex Palm Products        | 24.04            | 24.04          | 24.04 Completed    |
| 026                 | Stabex Cocoa Beans          | 2.58             | 2.58           | 2.58 Completed     |
| 027                 | Stabex Palm Products Group  | 10.72            | 10.72          | 10.72 Completed    |
| 028                 | Stabex Copra Products Group | 6.15             | 6.15           | 6.15 Completed     |
| 033                 | Stabex Coffee               | 1.34             | 1.34           | 1.34 Completed     |
| 034                 | Stabex Cocoa Beans          | 4.22             | 4.22           | 4.22 Completed     |
| 035                 | Stabex Palm Product Group   | 0.51             | 0.51           | 0.51 Completed     |
| <b>Total STABEX</b> |                             | <b>110.01</b>    | <b>110.01</b>  | <b>110.01</b>      |

C. SYSMIN

| No                  | Project Title          | Amount Allocated | Amount Commit. | Amount Paid Status |
|---------------------|------------------------|------------------|----------------|--------------------|
| 038                 | Roads & Bridges        | 18.00            | 14.12          | 13.44 Completed    |
| 043                 | Ramu HighWay Upgrading | 12.00            | 12.00          | 12.00 Completed    |
| <b>Total SYSMIN</b> |                        | <b>30.00</b>     | <b>26.12</b>   | <b>25.44</b>       |

D. Other Funding

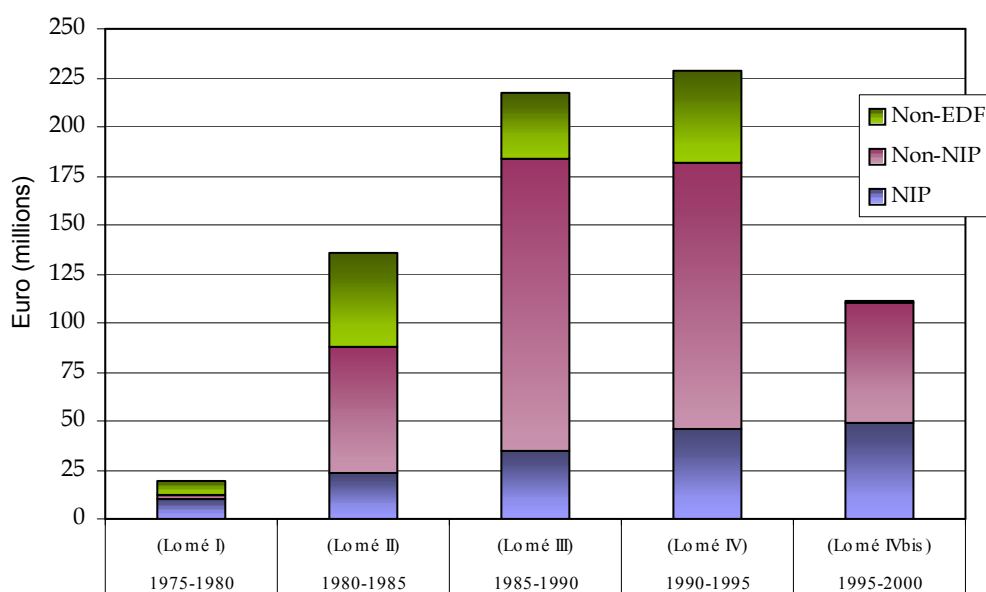
| No                         | Project Title                               | Amount Allocated | Amount Commit. | Amount Paid Status                                   |
|----------------------------|---|------------------|----------------|--|
| 002                        | Yonki Hydro-elect. Project                  | 2.50             | 2.50           | 2.50 Completed                                       |
| 008                        | Loan  | 3.50             | 3.50           | 3.50 Completed                                       |
| 013                        | Proj Poliamba Tree Crops                    | 1.75             | 1.75           | 1.75 Completed                                       |
| 020                        | Trian Jaya Resettlem Refugees               | 0.58             | 0.58           | 0.58 Completed                                       |
| 040                        | 4E 6E TA Superv Lome Micro                  | 0.13             | 0.13           | 0.13 Completed                                       |
| 041                        | BK PNG Prêt global                          | 0.00             | 0.00           | 0.00 Completed                                       |
| 042                        | Global Loan a Bank of PNG                   | 0.35             | 0.35           | 0.35 Completed                                       |
| 046                        | Gazelle Restor. Authority MT restor. Progr. | 0.09             | 0.09           | 0.07 To be recommitted under new Financing Agreement |
| <b>Total Other Funding</b> |   | <b>8.90</b>      | <b>8.90</b>    | <b>8.81</b>  |
| <b>GRAND TOTAL 6th EDF</b> |   | <b>183.41</b>    | <b>179.53</b>  | <b>178.55</b>  |

## Annex 10: Overall Financial Overview (Euro millions)

### A Available Funds

|                                   | 1975-1980<br>(Lomé I) | 1980-1985<br>(Lomé II) | 1985-1990<br>(Lomé III) | 1990-1995<br>(Lomé IV) | 1995-2000<br>(Lomé IVb) | Total         |
|-----------------------------------|-----------------------|------------------------|-------------------------|------------------------|-------------------------|---------------|
| NIP Allocation                    | 10.00                 | 23.00                  | 34.50                   | 46.20                  | 50.00                   | 163.70        |
| NIP Primary Commitments           | 9.91                  | 23.00                  | 34.50                   | 45.79                  | 48.86                   | 162.06        |
| Structural Adjustment outside NIP | -                     | -                      | -                       | 20.50                  | 10.40                   | 30.90         |
| STABEX                            | -                     | 50.61                  | 110.01                  | 84.58                  | 0.58                    | 245.77        |
| SYSMIN                            | -                     | -                      | 30.00                   | -                      | 50.50                   | 80.50         |
| Risk Capital & Interest Subsidies | 2.72                  | 14.15                  | 8.32                    | 30.69                  | -                       | 55.89         |
| Others                            | -                     | -                      | 0.58                    | 0.11                   | 0.08                    | 0.77          |
| <b>Total EDF</b>                  | <b>12.63</b>          | <b>87.76</b>           | <b>183.41</b>           | <b>181.68</b>          | <b>110.43</b>           | <b>575.90</b> |
| Commission Budget Lines           | -                     | -                      | 0.80                    | 5.96                   | 0.31                    | 7.07          |
| EIB Own Resources                 | 7.00                  | 47.90                  | 33.00                   | 41.00                  | -                       | 128.90        |
| <b>Grand Total</b>                | <b>19.63</b>          | <b>135.66</b>          | <b>217.21</b>           | <b>228.64</b>          | <b>110.74</b>           | <b>711.87</b> |

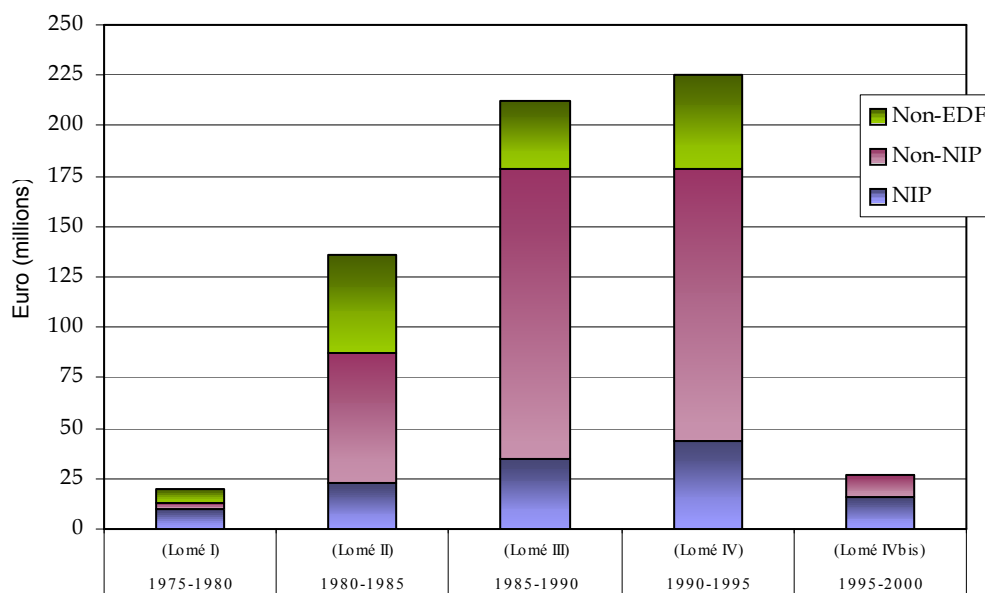
**Committed Funds  
1975-2003**



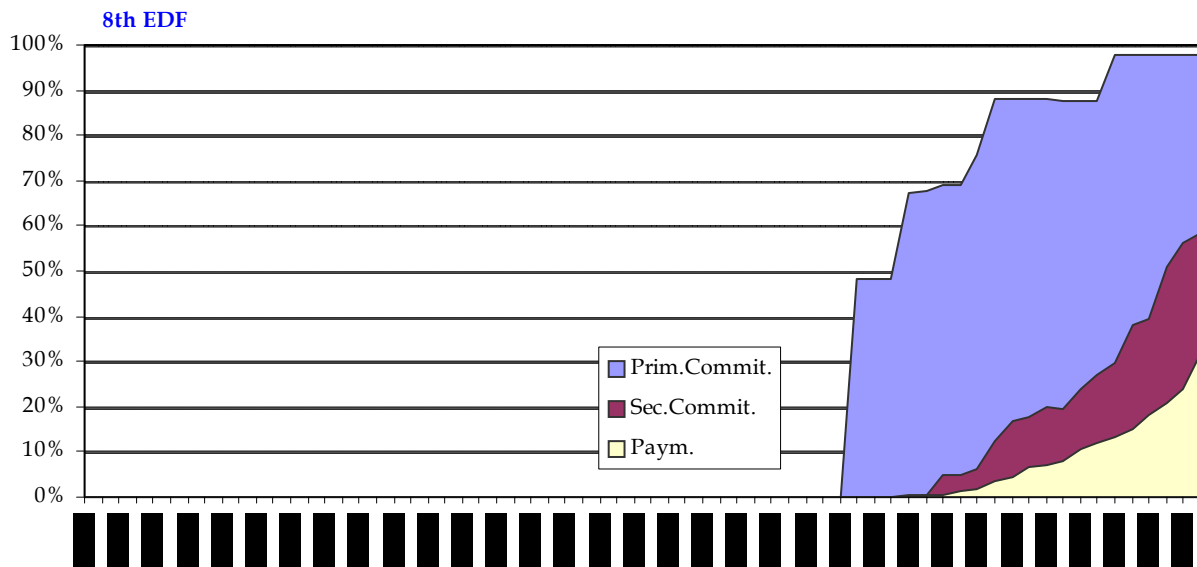
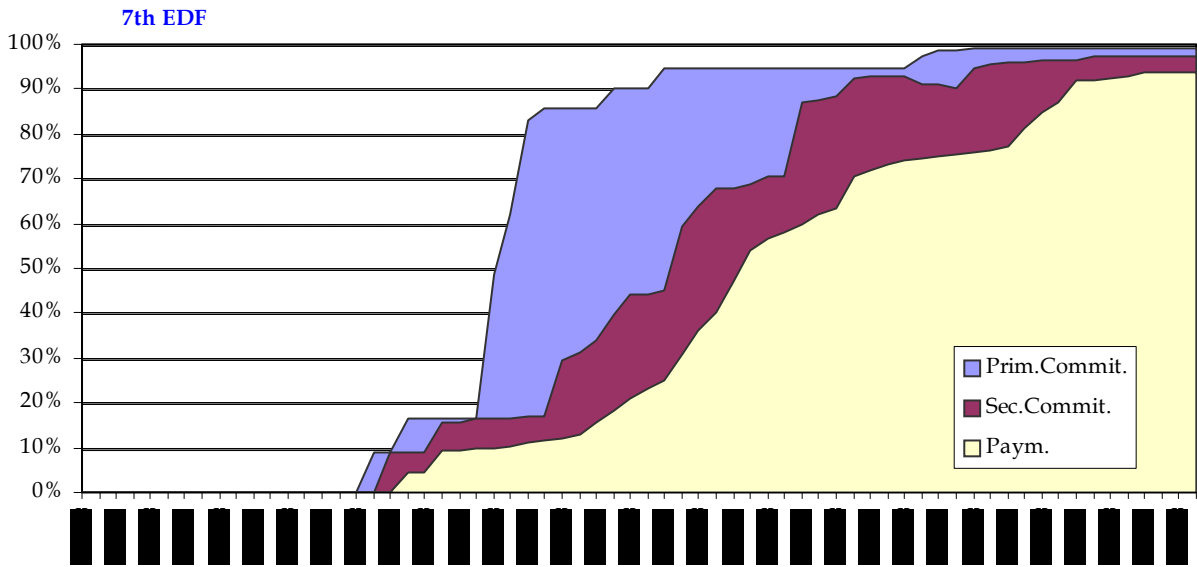
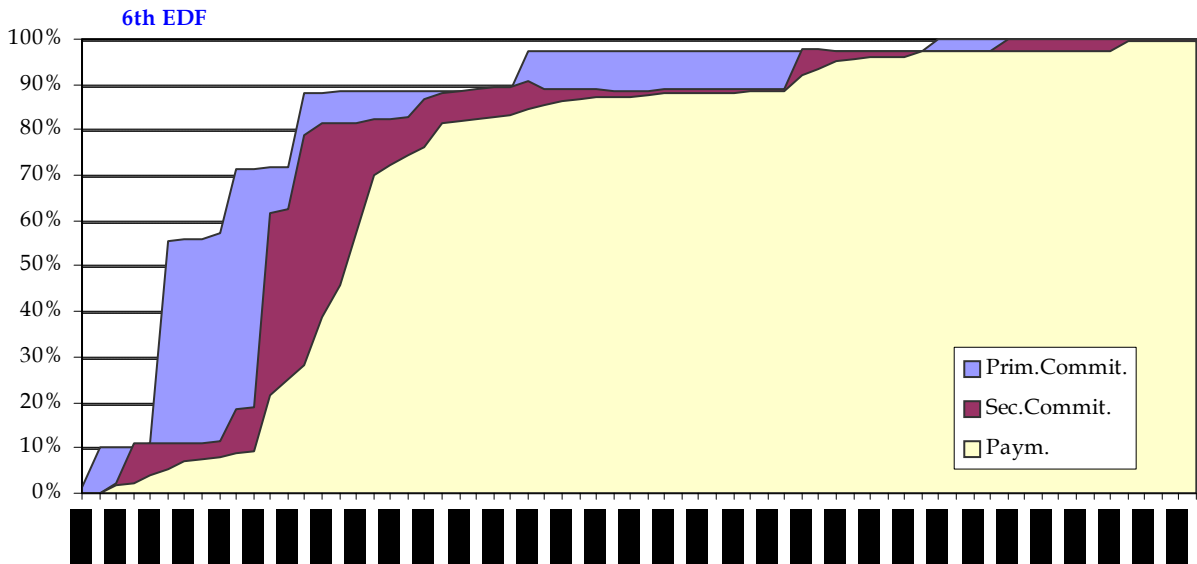
## B Disbursed Funds

|                                   | 1975-1980<br>(Lomé I) | 1980-1985<br>(Lomé II) | 1985-1990<br>(Lomé III) | 1990-1995<br>(Lomé IV) | 1995-2000<br>(Lomé IVb) | Total         |
|-----------------------------------|-----------------------|------------------------|-------------------------|------------------------|-------------------------|---------------|
| NIP                               | 9.91                  | 23.00                  | 34.29                   | 43.38                  | 15.93                   | 126.50        |
| Structural Adjustment outside NIP | -                     | -                      | -                       | 20.50                  | 9.88                    | 30.38         |
| STABEX                            | -                     | 50.61                  | 110.01                  | 84.58                  | 0.58                    | 245.77        |
| SYSMIN                            | -                     | -                      | 25.44                   | -                      | 0.48                    | 25.92         |
| Risk Capital & Interest Subsidies | 2.72                  | 14.15                  | 8.23                    | 29.77                  | -                       | 54.88         |
| Others                            | -                     | -                      | 0.58                    | 0.11                   | 0.08                    | 0.77          |
| <b>Total EDF</b>                  | <b>12.63</b>          | <b>87.76</b>           | <b>178.55</b>           | <b>178.34</b>          | <b>26.94</b>            | <b>484.22</b> |
| Commission Budget Lines           | -                     | -                      | 0.80                    | 5.96                   | 0.31                    | 7.07          |
| EIB Own Resources                 | 7.00                  | 47.90                  | 33.00                   | 41.00                  | -                       | 128.90        |
| <b>Grand Total</b>                | <b>19.63</b>          | <b>135.66</b>          | <b>212.35</b>           | <b>225.31</b>          | <b>27.26</b>            | <b>620.19</b> |

**Disbursed Funds  
1975-2003**

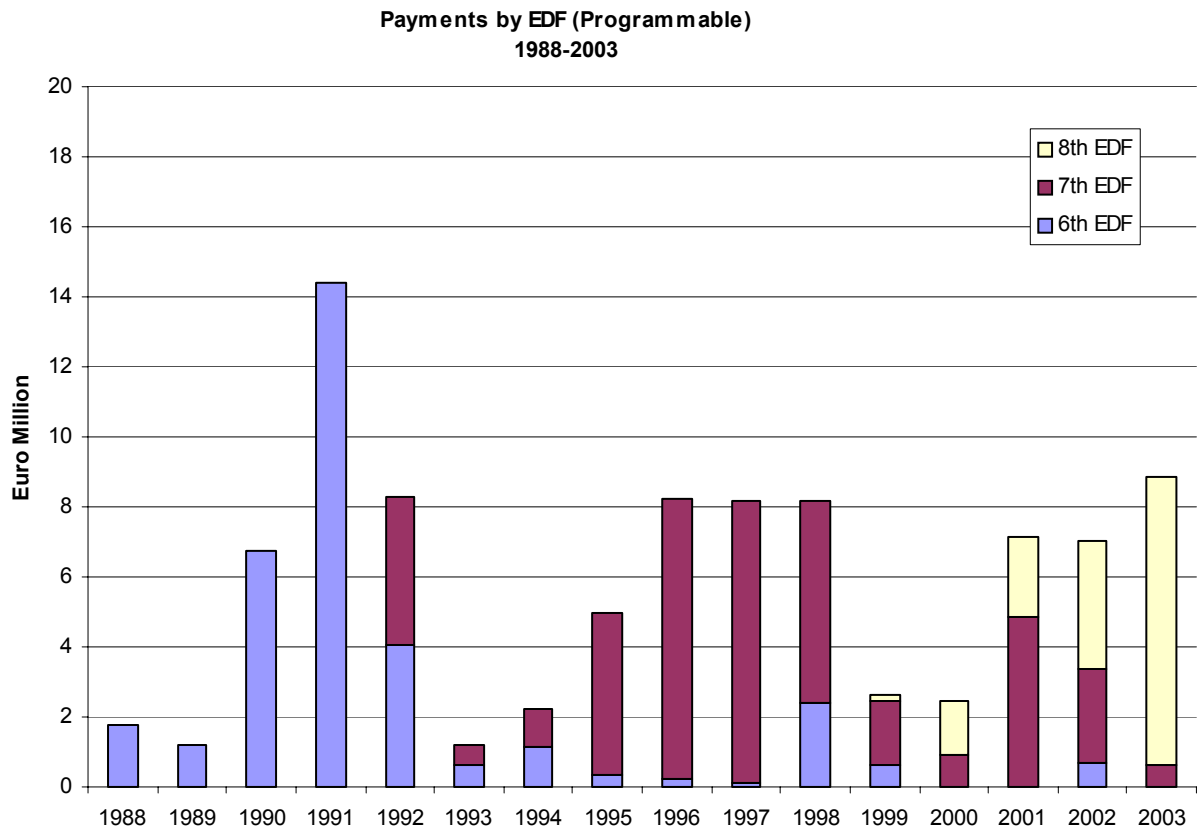
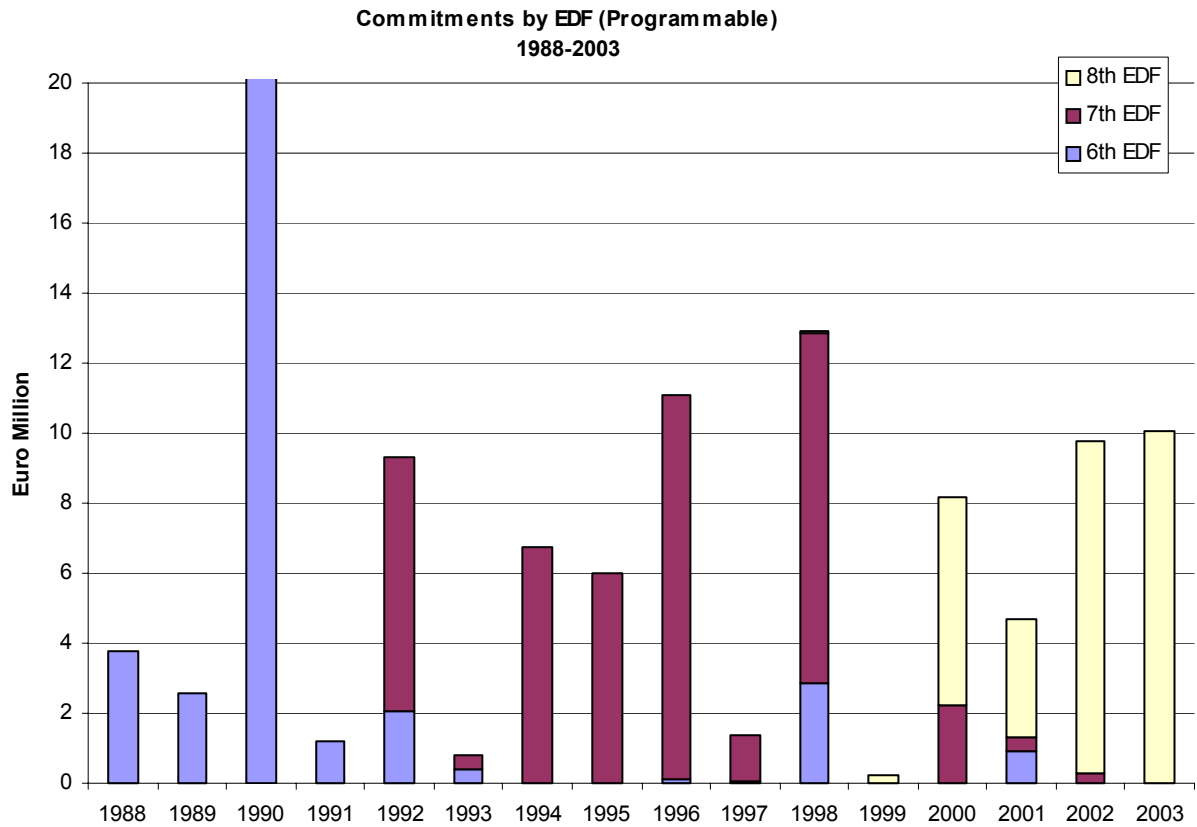


**Annex 11: Financial overview of NIP projects (Euro M's, cumulative)**



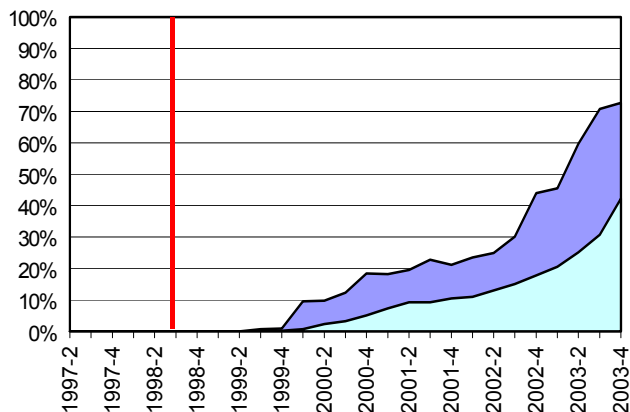


## Annex 12: Evolution of the commitments and disbursements (programmable) by EDF

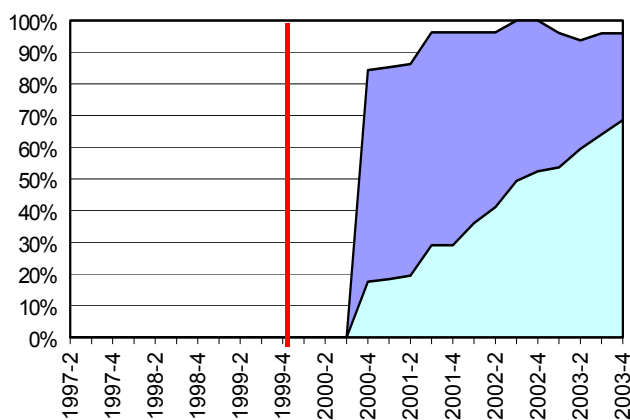


### Annex 13: Evolution of Commitments and Payments for Current Projects (Cumulative, in percent of total allocation)

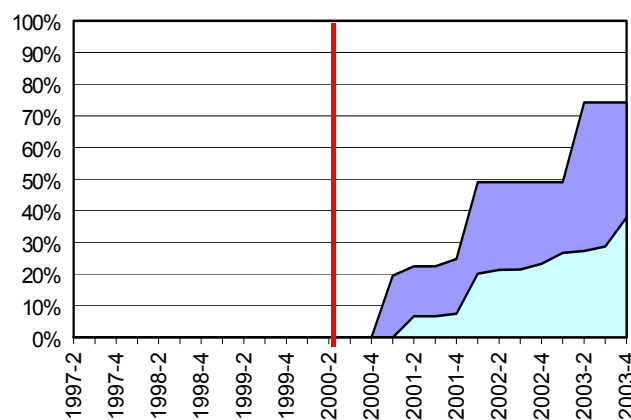
6087/PNG - HRDP II



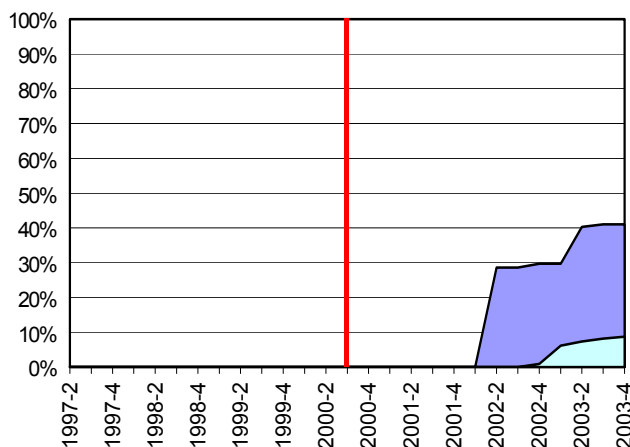
6170/PNG - EU Programme management Unit in support of the NAO



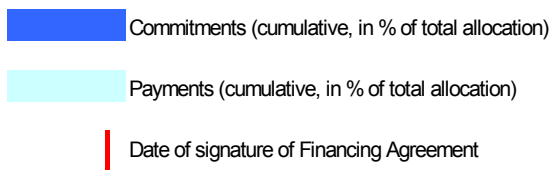
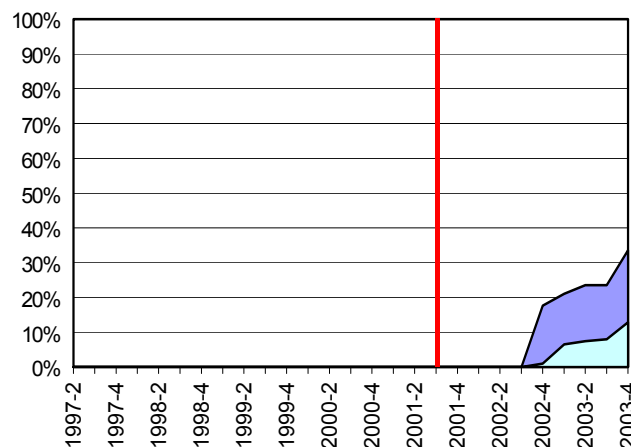
6205/PNG - Eco-Forestry Programme



6346/PNG - Sexual Health Project



6387/PNG - Rural Coastal Fisheries Dev. Project - PIS



#### **Annex 14: Regional Projects**

None to report for 2003

#### **Annex 15: EIB projects**

No new projects in 2003.

#### **Annex 16: Use of budgetary support/counterpart funds**

None to report for 2003.

## Annex 17: Summary of Financial situation of STABEX funded projects by Sector

### Financial Situation of the STABEX funded projects (Kina '000)

Situation as of 31.12.2003

#### A. FMO 92/93/94

| No                              | Project Title  | Amount<br>Allocated | Amount<br>Committed | Amount Paid      | Status                      |
|---------------------------------|--|---------------------|---------------------|------------------|-----------------------------|
| <b>A.1. Debt relief</b>         |  |                     |                     |                  |                             |
| 3.1                             | Price support to debt relief/Cocoa                             | 922.21              | 922.21              | 922.21           | Completed                   |
| 3.2                             | Price support to debt relief/ Copra                            | 1,765.40            | 1,765.40            | 1,765.40         | Completed                   |
| 3.3                             | Price support to debt relief/ coffee (FMO 92/93)               | 14,772.90           | 14,772.90           | 14,772.90        | Completed                   |
|                                 | <b>Sub-total</b>   | <b>17,460.51</b>    | <b>17,460.51</b>    | <b>17,460.51</b> |                             |
| <b>A.2. Bougainville</b>        |  |                     |                     |                  |                             |
| 1.2                             | North solomon restoration programme                            | 110.00              | 110.00              | 110.00           | Completed. Yet to be closed |
| 1.6A                            | Bougainville women micro-credit scheme                         | 100.00              | 100.00              | 100.00           | Completed                   |
| 1.6C                            | Agricultural feeder road improvement works/Buka Island         | 1,750.00            | 1,750.00            | 1,750.00         | Ongoing                     |
| 1.6D                            | Agricultural coordinator Bougainville restoration              | 425.00              | 425.00              | 425.00           | Completed. Yet to be closed |
| 1.6E                            | Port infrastructure in Bougainville                            | 1,440.00            | 1,440.00            | 1,108.61         | Ongoing                     |
| 1.6F                            | Bougainville cocoa and coconuts census                         | 44.00               | 44.00               | 44.00            | Completed. Yet to be closed |
| 1.6G                            | RRA for Bougainville rehabilitation programme                  | 85.00               | 85.00               | 72.02            | Completed                   |
| 1.6H                            | Post-evaluation of Bougainville micro credit scheme            | 45.00               | 45.00               | 30.22            | Completed                   |
|                                 | <b>Sub-total</b>   | <b>3,999.00</b>     | <b>3,999.00</b>     | <b>3,639.85</b>  |                             |
| <b>A.3. Cocoa &amp; Coconut</b> |  |                     |                     |                  |                             |
| 1.1                             | Research and extension at CCRI                                 | 4,330.00            | 4,330.00            | 4,330.00         | Completed. Yet to be closed |
| 1.3                             | Rehabilitation of trading facilities/CMB                       | 705.00              | 705.00              | 705.00           | Completed                   |
| 1.4                             | Rehabilitation of cocoa Board                                  | 815.00              | 815.00              | 815.00           | Completed. Yet to be closed |
| 1.5                             | Coconut beetle control programme, CCRI                         | 2,568.00            | 2,568.00            | 2,568.00         | Completed. Yet to be closed |
| 1.6B                            | Repairs and refurbishment of Rabaul CMB shed/CCRI              | 797.00              | 797.00              | 445.00           | Completed. Yet to be closed |
| 1.7                             | New office block Tavilo, CCRI, Project                         | 2,312.39            | 2,312.39            | 2,312.39         | Completed. Yet to be closed |
| 1.8                             | Cocoa market research, promotion, Price, Monitoring and export | 300.00              | 300.00              | 172.46           | Ongoing                     |
| 1.9                             | Rehabilitation activities at CCRI                              | 370.00              | 370.00              | 370.00           | Completed. Yet to be closed |
| 1.10                            | Redevelopment of cocoa sites with planting materials, CCRI     | 150.00              | 150.00              | 50.00            | Completed                   |
|                                 | <b>Sub-total</b>   | <b>12,347.39</b>    | <b>12,347.39</b>    | <b>11,767.85</b> |                             |
| <b>A.4. Coffee</b>              |  |                     |                     |                  |                             |
| 2.1                             | Research activities CIC  | 690.00              | 690.00              | 690.00           | Completed. Yet to be closed |
| 2.2                             | Extension activities (coffee), CIC                             | 1,070.00            | 1,070.00            | 1,070.00         | Ongoing                     |
| 2.3                             | Coffee pulpers   | 262.00              | 262.00              | 262.00           | Completed. Yet to be closed |
| 2.4                             | Coffee promotion stage I                                       | 180.00              | 180.00              | 180.00           | Completed. Yet to be closed |
| 2.5                             | Coffee chemical taste control stage I                          | 540.00              | 540.00              | 540.00           | Completed. Yet to be closed |
| 2.5B                            | Coffee chemical taste control stage II                         | 1,076.00            | 1,076.00            | 1,076.00         | Completed. Yet to be closed |
| 2.6                             | Coffee Grower owned , marketing groups                         | 2,600.00            | -                   | -                | Awaiting Start-up           |
| 2.7                             | Coffee Workshop  | 70.00               | 70.00               | 70.00            | Completed                   |
| 2.8                             | CIC Corporate Restructure Project                              | 234.00              | 234.00              | 234.00           | Completed                   |
| 2.9                             | Western Highlands Sub-station Development (CIC)                | 692.20              | 692.00              | 275.00           | Ongoing                     |
| 2.10                            | CRI/CIC Administrative and Infrasrtcture Support Project       | 667.30              | 667.30              | 396.04           | Ongoing                     |
| 2.11                            | CRI integrated Management of Green Scale                       | 242.65              | 242.65              | 120.00           | Ongoing                     |
| 2.12                            | Capacity building for the Mass Propagation center              | 314.00              | 314.00              | 100.00           | Ongoing                     |
| 2.13                            | CIC treatment of coffee processing wastes                      | 150.00              | -                   | -                | Awaiting Start-up           |
|                                 | <b>Sub-total</b>   | <b>8,788.15</b>     | <b>6,037.95</b>     | <b>5,013.04</b>  |                             |

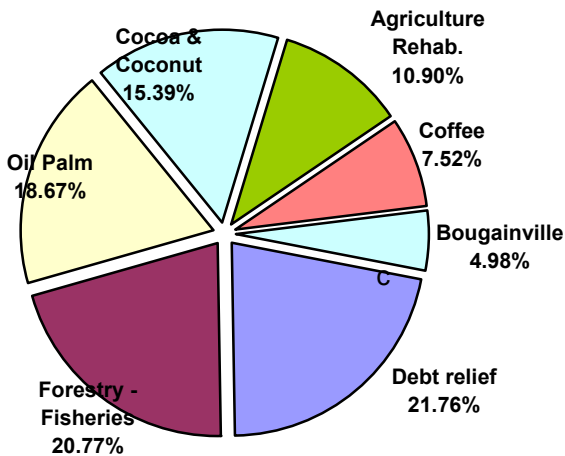
| No                               | Project Title   | Amount Allocated | Amount Committed | Amount Paid      | Status                      |
|----------------------------------|---|------------------|------------------|------------------|-----------------------------|
| <b>A.5. Oil Palm</b>             |   |                  |                  |                  |                             |
| 3.4A                             | Redevelopment of Kavugara oil palm blocks, OPIC               | 2,500.00         | 2,500.00         | 2,500.00         | Completed. Yet to be closed |
| 3.4B                             | Assistance to Biala Growers                                   | 500.00           | 500.00           | 500.00           | Completed                   |
| 4.1                              | Extension activities at OPIC                                  | 4,004.60         | 4,004.60         | 3,941.20         | Completed. Yet to be closed |
| 4.2                              | Ganoderma research project, PRA                               | 1,892.43         | 1,892.43         | 1,892.43         | Completed                   |
| 4.2B                             | Ganoderma Research Project Second Phase (OPRA)                | 992.00           | 992.00           | 400.00           | Ongoing                     |
| 4.4                              | Management staff training for oil palm industry, PACRIM       | 1,800.00         | 1,800.00         | 1,200.00         | Completed. Yet to be closed |
| 4.5                              | Research in the biological control of sexava, OPRA            | 1,105.00         | 1,105.00         | 1,105.00         | Completed                   |
| 4.6                              | In country training in applied statistics at PNG OPRA         | 223.64           | 223.64           | 223.64           | Completed                   |
| 4.7                              | Mainten. of agric. roads for smallholders oil palm producers  | 229.00           | 229.00           | 229.00           | Completed                   |
| 4.18                             | Insect pollination of oil palm, OPRA                          | 500.00           | 500.00           | 489.65           | Completed                   |
| 4.18 B                           | Insect pollination of oil palm, OPRA second phase             | 556.50           | 556.50           | 220.00           | Ongoing                     |
| 4.22                             | OPRA efficiency of Nitrogen Fertiliser inputs project         | 680.31           | 680.31           | 252.52           | Ongoing                     |
|                                  | <b>Sub-total</b>  | <b>14,983.48</b> | <b>14,983.48</b> | <b>12,953.44</b> |                             |
| <b>A.6. Agriculture Rehab.</b>   |   |                  |                  |                  |                             |
| 4.8                              | Extension of NARI   | 2,000.00         | 2,000.00         | 2,000.00         | Completed                   |
| 4.9                              | Rehabilitation of Low lands LAES                              | 526.50           | 526.50           | 526.50           | Completed                   |
| 4.11                             | statistics compilation for Stabex eligibility                 | 5.00             | 5.00             | 5.00             | Completed                   |
| 4.12A                            | Launakalana feasibility study                                 | 131.35           | 131.35           | 131.35           | Completed                   |
| 4.12B                            | Launakalana preparation phase                                 | 350.00           | 350.00           | 350.00           | Completed                   |
| 4.12C                            | Launakalana Cashew nut project                                | 3,500.00         | 3,500.00         | 1,045.50         | Ongoing                     |
| 4.13                             | Sheep breeding programme, DAL                                 | 227.00           | 227.00           | 204.74           | Ongoing                     |
| 4.19                             | PNG food and nutrition conference                             | 24.99            | 24.99            | 24.99            | Completed                   |
| 4.21                             | Appraisal of FPDC STABEX submission                           | 40.00            | 40.00            | 40.00            | Completed                   |
| 4.26                             | Rural Industries Council (Information unit)                   | 306.30           | 306.30           | 80.00            | Ongoing                     |
| 4.27                             | Improved Food security and Farmers income (NARI)              | 297.05           | 297.05           | 110.40           | Ongoing                     |
| 4.28                             | Abattoir and cool room facilities, (Vudal University)         | 1,200.00         | 1,200.00         | 765.72           | Ongoing                     |
|                                  | PNGRIS upgrading, (DAL)                                       | 750.00           | -                | -                | Awaiting Start-up           |
| 4.31                             | NARI Commercialisation of alternative cash crops (NARI Kerev) | 344.04           | 137.61           | -                | Ongoing                     |
|                                  | Feasibility study for central province, grain growing project | 260.55           | -                | -                | Awaiting Start-up           |
|                                  | <b>Sub-total</b>  | <b>9,962.79</b>  | <b>8,745.80</b>  | <b>5,284.21</b>  |                             |
| <b>A.7. Forestry - Fisheries</b> |   |                  |                  |                  |                             |
| 4.3                              | PNGFA Log monitoring (+ rider)                                | 12,000.00        | 12,000.00        | 11,000.00        | Ongoing                     |
| 4.10                             | IREP mainland   | 1,360.83         | 1,360.83         | 1,290.00         | Completed. Yet to be closed |
| 4.16                             | IREP island region  | 2,403.79         | 2,403.79         | 2,320.17         | Completed. Yet to be closed |
| 4.20                             | Fully fledged Audit of IREP                                   | 22.00            | 22.00            | 22.00            | Completed                   |
| 4.24                             | HACCP programme for fishing industry                          | 282.46           | 282.46           | 140.00           | Completed. Yet to be closed |
| 4.29                             | Remote sensing and land use planning (UPNG)                   | 600.00           | 600.00           | 300.00           | Ongoing                     |
|                                  | <b>Sub-total</b>  | <b>16,669.08</b> | <b>16,669.08</b> | <b>15,072.17</b> |                             |
| <b>A.8. Other Sectors</b>        |   |                  |                  |                  |                             |
| 4.15                             | Audit of 8 Stabex projects                                    | 30.00            | 30.00            | 30.00            | Completed                   |
| 4.17                             | Audit of 15 Stabex projects                                   | 38.00            | 38.00            | 38.00            | Completed                   |
| 4.23                             | NCDC Mini markets   | 1,000.00         | 234.00           | 115.00           | Ongoing                     |
| 4.25                             | Financial Monitoring of STABEX funds                          | 180.00           | 180.00           | 90.00            | Ongoing                     |
| 4.30                             | Audit of STABEX Accounts                                      | 100.00           | 100.00           | 84.35            | Ongoing                     |
|                                  | <b>Sub-total</b>  | <b>1,348.00</b>  | <b>582.00</b>    | <b>273.00</b>    |                             |
|                                  | <b>Total FMO 92/93/94</b>                                     | <b>85,558.39</b> | <b>80,825.21</b> | <b>71,464.07</b> |                             |

**B. FMO 90-94 for Bougainville**

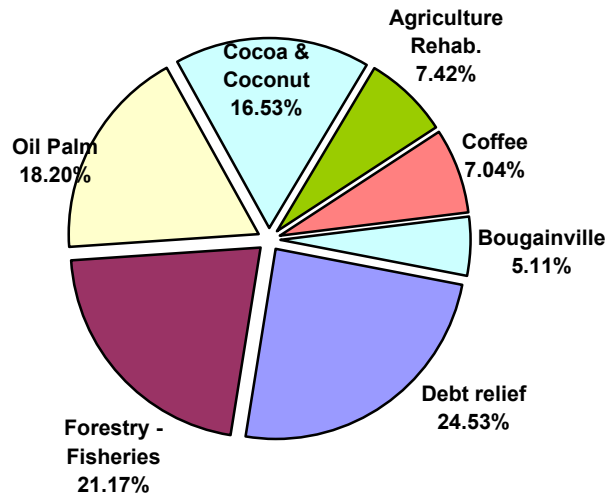
| No                                       | Project Title  | Amount Allocated | Amount Committed | Amount Paid     | Status                      |
|--|--|------------------|------------------|-----------------|-----------------------------|
| <b>B.1. Agric. &amp; Econ. Infrastr.</b> |  |                  |                  |                 |                             |
| 03A                                      | Bougainville Agricultural Feeder roads                             | 3,500.00         | 3,500.00         | 1,500.00        | Ongoing                     |
| 06A                                      | Arawa Town Market  | 500.00           | 500.00           | -               | Ongoing                     |
|  | <b>Sub-total</b>   | <b>4,000.00</b>  | <b>4,000.00</b>  | <b>1,500.00</b> |                             |
| <b>B.2. Agriculture Rehab.</b>           |  |                  |                  |                 |                             |
| 02A                                      | Distribution of manual rice huskers in Bougainville                | 70.00            | 70.00            | 70.00           | Completed                   |
| 02B                                      | Co-financing of a Bougainville Cocoa Sector Rehab. Programme, UNDP | 3,200.00         | 3,200.00         | 2,235.22        | Ongoing                     |
| 02C                                      | Coconut Genetic Improvement Bougainville Attols                    | 215.00           | 215.00           | 195.00          | Ongoing                     |
| 02E                                      | Togarau Potato Seed Production & Marketing Study Project           | 10.00            | 10.00            | 5.00            | Completed                   |
| 02F                                      | Atoll Agricultural Research and Development Programme              | 495.87           | 495.87           | 169.90          | Ongoing                     |
| 04A                                      | Appraisal, Design Costing of Various Credit Schemes                | 107.50           | 107.50           | 107.50          | Completed                   |
| 04B                                      | Bougainville Rural Agriculture Credit Scheme                       | 2,000.00         | -                | -               | Awaiting Start-up           |
| 04C                                      | Bougainville Women's Micro Credit Scheme Workshop                  | 25.00            | 25.00            | 25.00           | Completed                   |
| 04D                                      | Bougainville Women's Micro Credit Scheme                           | 600.00           | -                | -               | Awaiting Start-up           |
|  | <b>Sub-total</b>   | <b>6,723.38</b>  | <b>4,123.38</b>  | <b>2,807.63</b> |                             |
| <b>B.3. Training Programme</b>           |  |                  |                  |                 |                             |
| 05A                                      | Mabiri Vocational and Rehabilitation School                        | 74.00            | 74.00            | 74.00           | Completed. Yet to be closed |
| 05B                                      | Training for DPI staff   | 105.00           | 105.00           | 102.57          | Ongoing                     |
| 05C                                      | St Gregory Vocational school                                       | 758.10           | 758.10           | 497.91          | Ongoing                     |
| 05D                                      | Tunuru Vocational Training Center                                  | 731.85           | 731.85           | 485.43          | Ongoing                     |
| 05E                                      | Buin vocational training center                                    | 758.60           | 758.60           | 300.00          | Ongoing                     |
| 05F                                      | Tinpuz Vocational Training Center                                  | 870.00           | 870.00           | 323.49          | Ongoing                     |
|  | <b>Sub-total</b>   | <b>3,297.55</b>  | <b>3,297.55</b>  | <b>1,783.40</b> |                             |
| <b>B.4. Supervision</b>                  |  |                  |                  |                 |                             |
| 01A                                      | BPIU/Operational Expenditure                                       | 2,068.76         | 2,068.76         | 1,413.96        | Ongoing                     |
| 01B                                      | BPIU/Coordinator   | 414.70           | 414.70           | 365.00          | Completed                   |
| 01C                                      | BPIU/infrastructure coordinator                                    | 457.10           | 457.10           | 235.00          | Completed                   |
|  | <b>Sub-total</b>   | <b>2,940.56</b>  | <b>2,940.56</b>  | <b>2,013.96</b> |                             |
| <b>Total FMO 90-94 for Bougainville</b>  |  | <b>16,961.48</b> | <b>14,361.48</b> | <b>8,104.99</b> |                             |

**Annex 18: Summary of Financial situation of the STABEX funded projects, by Sector (Cumulative)**

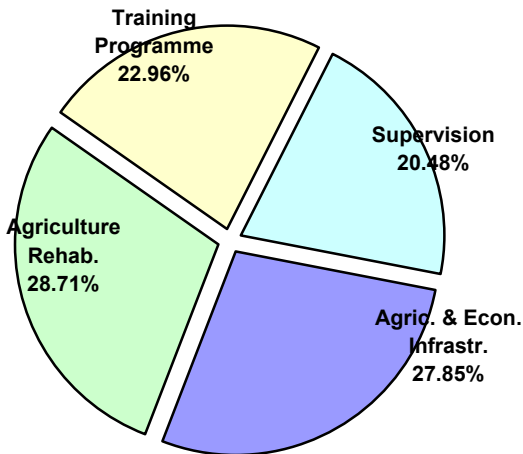
**A. FMO 92/93/94**  
Commitments



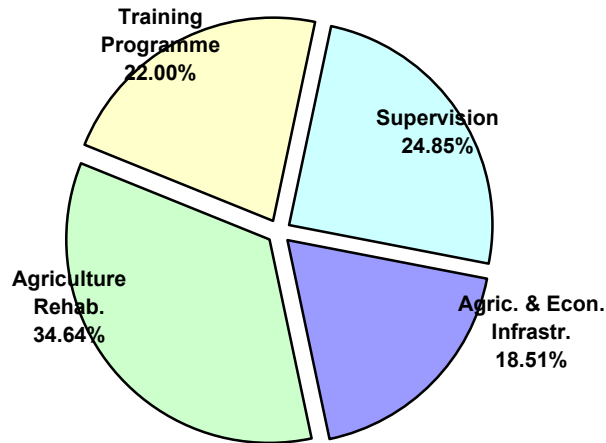
Payments



**B. FMO 90-94 for Bougainville**  
Commitments



Payments



## Annex 19: Implementation Status of STABEX Funded Projects

### Situation as at end of 2003

|                       |                                      |                            |               |
|-----------------------|--------------------------------------|----------------------------|---------------|
| <b>Project Title</b>  | Coconut Beetle Control Programme     | <b>Project Amount</b>      | PGK 2,568,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | PNGCCRI       |
| <b>Dated signed</b>   | 03/04/95                             | <b>Closure</b>             | 2003          |
| <b>Project Number</b> | 1.5A/1.5                             |                            |               |

**Main Objectives and Expected Results**  
 The specific objective of the project is to identify and evaluate economic control methods for the beetle. The expected results are: (i) improved knowledge of the biology and ecology of the 2 beetles involved; (ii) to identify an attractive pheromone for trapping the insects; (iii) to evaluate trapping methods for the 2 beetles; (iv) to identify, evaluate and select the best pathogens of the two beetles; (v) to disseminate the results.

**Status of project as at end 2003**  
 The project is completed. Last technical reporting was made and the remaining funds have been transferred back to the Stabex trust account. However, the last financial reporting is yet to be done and needs to be checked by the Financial Monitoring Officer of NAO/EUPMU.

|                       |  |                            |             |
|-----------------------|--|----------------------------|-------------|
| <b>Project Title</b>  | Cocoa Market Research, Promotion, Price Monitoring and export training | <b>Project Amount</b>      | PGK 300,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93                                   | <b>Implementing Agency</b> | Cocoa Board |
| <b>Dated signed</b>   | 17/10/96   | <b>Closure</b>             | 2004        |
| <b>Project Number</b> | 1.8  |                            |             |

**Main Objectives and Expected Results**  
 To identify new market niches for cocoa and implement a promotion campaign. Database of overseas buyers would be created. Establish procedures for monitoring Domestic prices of cocoa to ensure they reflect international price movements and increase competitiveness among exporters.

**Status of project as at end 2003**  
 The National Cocoa Workshop was held on the 15<sup>th</sup> –17<sup>th</sup> July 2003 and a comprehensive report was submitted. The workshop was a success in terms of participation from different stakeholders. The workshop concluded by unanimously agreeing on seven resolutions that would address the immediate and long-term plan for the benefit of the industry.

A proposal has been submitted to utilize the remaining funds to review the cocoa act and regulation as well as to stage provincial consultation workshop. This proposal is yet to be approved by NAO/EU PMU

|                       |  |                            |                               |
|-----------------------|--|----------------------------|-------------------------------|
| <b>Project Title</b>  | Agriculture Feeder Road Improvement Works for Buka | <b>Project Amount</b>      | PGK 1,750,000                 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93               | <b>Implementing Agency</b> | Bougainville Provincial Gvnmt |
| <b>Dated signed</b>   | 20/08/97   | <b>Closure</b>             | 2004                          |
| <b>Project Number</b> | 1.6 C  |                            |                               |

**Main Objectives and Expected Results**  
 Rehabilitation of feeder roads on Buka Island. Encourage the hire of locally owned equipment. Enable competition between local buyers of agricultural commodities, creating more opportunities for village people to sell produce. Target: 250 Km.

**Status of project as at end 2003**  
 Lot: 1 Hanahan to Karoola Access Road, Length: (5.0km) completed.  
 Lot: 2 Burunotui was not included in the tender as it required new works as there was no access previously.  
 Lot: 3 Dewau access road (3.5km), completed.  
 Lot: 4 Lemanmanu Access Road (2.7 km), completed.  
 Lot: 5 Lemankoa Access Road (1.0 km), completed.  
 Lot: 6 Ramunpan-Malasang Road was deleted from the tender as the funds were deemed insufficient.  
 Lot: 7 Hoela/Hagus access road. (1.2km), completed.  
 Lot: 8 Hanahan Beach access (.8 km), completed.  
 Lot:9 Kotopan access road (1.6 km), completed.  
 Lot: 10 Sapani access road (11.6km), 40 per cent yet to be completed. Remaining works awarded to new contractor.



Lot: 11 Malasang Beach access, (.8 km), completed.

Lots 1,4,5,8 & 11 were completed in 2002 by IKL Consultants Ltd. The release of the 10 % Bank Deposit was also approved by the NAO.

Lots 3,7,9 &10 were awarded to United Construction Ltd. Following a request from United Construction Ltd. the remaining lot 10 was awarded to Hamao Co. Ltd to undertake the remaining works. Hamao Co. Ltd. was instructed to commence in July 2003, however apart from an initial clean up of some sections no further work has been undertaken. The situation has been further made difficult as the rains have made the access road to the feeder road impassable. Contractor awaiting dry season.

|                       |                                      |                            |                 |
|-----------------------|--------------------------------------|----------------------------|-----------------|
| <b>Project Title</b>  | Port infrastructure in Bougainville  | <b>Project Amount</b>      | PGK 1,440,000   |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | Boug.Prov. Gvnt |
| <b>Dated signed</b>   | 23/07/98                             | <b>Closure</b>             | 2003            |
| <b>Project Number</b> | 1.6 E                                |                            |                 |

#### **Main Objectives and Expected Results**

Rehabilitation and equipping Kieta Wharf to improve sea transport logistics for marketing of cocoa, copra and other commodities. Rehabilitation of wharves and ramps at selected District centres.

#### **Status of project as at end 2003**

##### Kieta Wharf Shed Rehabilitation (PGK750,519.82).

The work on the shed itself has been completed. Remaining funds have been retained for the installation of 30 floodlights. The contractor (Barclay Bros. Ltd) invoiced the project for the lights on the basis of delivered costs and appropriate mark up. No response has been received. Another set of quotations was sought from three companies to undertake outstanding works of providing electrical reticulations, supply of poles and the installation of the lights.

##### Tinputz Jetty

The Tinputz jetty head was completed in September 2003 and a variation was issued to undertake wave protection works. This work was suspended when the BIC contract lapsed, however TSD has allocated a supervisor and the work is now progressing.

##### Numa Numa Barge Ramp

There is no progress as at October 2003.

|                       |   |                            |               |
|-----------------------|---|----------------------------|---------------|
| <b>Project Title</b>  | Bougainville Project Implementation Unit,<br>Operational activities | <b>Project Amount</b>      | PGK 1,332,760 |
| <b>FMO</b>            | 1990-1994 Bougainville  | <b>Implementing Agency</b> | Boug.Prov.Gnt |
| <b>Dated signed</b>   | March 2000  | <b>Closure</b>             |               |
| <b>Project Number</b> | EU.15.04.01.A   |                            |               |

#### **Main Objectives and Expected Results**

Establishment of BPIU in order to provide direction for the on going programmes in Bougainville (1.6C/1.6D/1.6E). To activate and accelerate the design, implementation and monitoring of the programme for Bougainville (FMO 90-94: 5m €)

#### **Status of project as at end 2003**

Office maintained at Buka and Arawa.

The Operational Budget for the 2003 was PGK 736,000.00. Of this, PGK 308,000.00 was allocated to the Buka Imprest Account and PGK 428,000.00 was allocated to the Port Moresby Service Account for payment of fees to the Project Coordinator and to the Civil engineer.

The project caters for the provision of a civil engineer under a new contract for 12 months to December 2003. New projects under preparation: Arawa Market, Tinputz jetty extension, Numa Numa Ramp, Feeder Roads, 2 more vocational centres under implementation.

|                       |  |                            |               |
|-----------------------|--|----------------------------|---------------|
| <b>Project Title</b>  | Distribution of rice huskers in Bougainville | <b>Project Amount</b>      | PGK 70,000    |
| <b>FMO</b>            | 1990-1994 Bougainville                       | <b>Implementing Agency</b> | Boug.Prov.Gnt |
| <b>Dated signed</b>   | 02/08/2000                                   | <b>Closure</b>             | 2003          |
| <b>Project Number</b> | EU.15.04.02.A                                |                            |               |

**Main Objectives and Expected Results**  
To increase production yields by improving processing methods in using mechanical rice huskers, which would reduce wastage and increase farmers' output. Fifteen (15) rice huskers to be delivered, with full equipment, to the local communities.

**Status of project as at end 2003**  
The project has been completed. A financial report is yet to be made.

|                       |  |                            |               |
|-----------------------|--|----------------------------|---------------|
| <b>Project Title</b>  | Bougainville Cocoa Sector Rehabilitation Programme | <b>Project Amount</b>      | PGK 3,200,000 |
| <b>FMO</b>            | 1990-1994 Bougainville                             | <b>Implementing Agency</b> | Boug.Prov.Gnt |
| <b>Dated signed</b>   | 18/10/2000   | <b>Closure</b>             | 2003          |
| <b>Project Number</b> | EU.15.04.02 B                                      |                            |               |

**Main Objectives and Expected Results**  
To contribute to the peace process in Bougainville by engaging people in income generating activities to sustain their livelihoods, increase rural employment and alleviate poverty situation. This would be achieved through: (i) distribution of 9,600,000 cocoa seeds and/or seedlings, (ii) extending 8 central nurseries, (iii) building a classroom and dormitory for 40 students and training staff and farmers and (iv) establishing a bud wood garden for clone cuttings.

**Status of Project in 2003**  
PGK3.2m was approved for this project. The draw down of the last payment was delayed pending an audit of the funds previously released. An audit of the overall project was undertaken in late 2003, however this audit did not satisfy requirements for the EU component of the funding.

A study was commissioned by AusAID/UNDP in 2003 to review the Bougainville cocoa sector rehabilitation activities. The draft report was presented to Bougainville stakeholders in 2003. This draft report recommended the continuation of the industry support activities, confining it to less developed areas and those areas, which missed out in the initial phase.

|                       |                             |                            |             |
|-----------------------|-----------------------------|----------------------------|-------------|
| <b>Project Title</b>  | Coconut Genetic Improvement | <b>Project Amount</b>      | PGK 215,000 |
| <b>FMO</b>            | 1990-1994 Bougainville      | <b>Implementing Agency</b> | CCEA        |
| <b>Dated signed</b>   | 11/01/2001                  | <b>Closure</b>             | 2003        |
| <b>Project Number</b> | EU.15.04.02.C               |                            |             |

**Main Objective and expected results**  
To provide the Atolls inhabitants with the opportunity of replanting and increasing coconut production for the purpose of generating income and to sustain their livelihood. The project would supply a total of 40,000 hybrid coconut seeds. Train and assist the farmers to prepare nurseries for planting material and in the production of copra.

**Status of project as at end 2003**  
There is no progress report received to date from the Implementing Agency (CCEA). An audit discussion had been made by NAO/EU PMU with Deloitte Touche Tomatsu to undertake an audit of the project. The audit should begin by end of March 2004. A replenishment of K95, 000 was released for the project.

|                       |   |                            |               |
|-----------------------|---|----------------------------|---------------|
| <b>Project Title</b>  | Togaraui Potato Seed Production & Marketing Study | <b>Project Amount</b>      | PGK 10,000.00 |
| <b>FMO</b>            | 1990-1994 Bougainville                            | <b>Implementing Agency</b> | FPDC          |
| <b>Dated signed</b>   | September 2001                                    | <b>Closure</b>             | 2003          |
| <b>Project Number</b> | EU.15.04.02.E                                     |                            |               |

**Main Objective and expected results**  
Undertake a study to provide detailed appraisal and costing of Infrastructure required to re-establish the potato seed production facility, identify and cost training of local farmers, determine suitable location of storage facility, determine local transportation infrastructure needs, identify suitable markets, advise on shipping and transportation to reach those markets.

**Status of project as at end 2003**  
The project has been closed.

|                       |  |                            |                |
|-----------------------|--|----------------------------|----------------|
| <b>Project Title</b>  | Atoll Agricultural Research and Development Progr. | <b>Project Amount</b>      | PGK 422,649.00 |
| <b>FMO</b>            | 1990-1994 Bougainville                             | <b>Implementing Agency</b> | NARI           |
| <b>Dated signed</b>   | 2003   | <b>Closure</b>             | 2005           |
| <b>Project Number</b> | EU.15.04.02.F                                      |                            |                |

#### **Main Objective and expected results**

To improve food security of atoll communities in PNG with particular focus on Bougainville atolls. Distribution of planting materials of existing selected high yielding and disease tolerant varieties.

#### **Status of project as at end 2003**

First transfer of initial advance of K169, 000 was made in March. The project began operation in the second quarter of 2003. Initial work concentrated mainly on management aspects of the project with some minor progress made on scheduled project activities. The activities conducted though not categorized, as milestones in the original project work plan were essential to kick start the project. These included: (1) Purchase of office equipments and tools and materials, (2) recruitment of four labourers to commence fieldwork and, (iii) recruitment of the atolls Project Scientist. Field activity mainly involved establishment of distribution plots which are essential as they would be sources of planting materials of NARI selected and promising crop species and varieties for distribution to atoll communities in component 2 of the project, i.e. during survey of atoll provinces.

|                       |  |                            |               |
|-----------------------|--|----------------------------|---------------|
| <b>Project Title</b>  | Bougainville Agricultural Feeder Roads | <b>Project Amount</b>      | PGK 3,500,000 |
| <b>FMO</b>            | 1990-1994 Bougainville                 | <b>Implementing Agency</b> | BPG           |
| <b>Dated signed</b>   | June 2002                              | <b>Closure</b>             |               |
| <b>Project Number</b> | EU.15.04.03.A                          |                            |               |

#### **Main Objective and expected results**

Open up feeder roads in target communities in order to assist farmers to access markets for their cocoa, copra and other agriculture produce. Enable access to these communities by field extension officers, to assist in the rehabilitation of cocoa. Open up access to cocoa and copra buyers. Give basic social services to beneficiaries and service providers.

#### **Status of project as at end 2003**

The Cost Estimate envisaged 7 lots. Sipuru (24km), Pomaua (5.4km), Amiong (4.0km), Kupe (5.0) and Nulendi (2.2km) were completed to various levels to September 2003, when the Bougainville Infrastructure Coordinator departed. Pavaere (2km) and Kerei (7km) were suspended in consultation with the Administration due to local disputes.

The contract awarded to Navumei Ltd was valued at PGK 1,487,200.00 inclusive of contingencies. The total payment certified to December 2003 was PGK 1,470,350.52. At the end of December 2003, all subcontractors were paid and all labour works and gravel were also settled. There is a balance of certified payment of PGK 16,849.48 remaining for instructions from Navumei Ltd. principals.

The new feeder roads approved for rehabilitation are: Oria (9.2km), Laguai (12km), Togarau (23km), Atamo, Sovele and Namatoa (8km). Works will be launched following the engagement of a new Bougainville Infrastructure Coordinator.

|                       |  |                            |                |
|-----------------------|--|----------------------------|----------------|
| <b>Project Title</b>  | Bougainville Rural Agriculture Credit Scheme | <b>Project Amount</b>      | PGK 2,000,000  |
| <b>FMO</b>            | 1990-1994 Bougainville                       | <b>Implementing Agency</b> | Not Determined |
| <b>Dated signed</b>   | Cost Estimate yet to be submitted.           | <b>Closure</b>             |                |
| <b>Project Number</b> | EU.15.04.04.B                                |                            |                |

#### **Main Objective and expected results**

Provide credit to Bougainville farmers to improve agriculture production.

#### **Status of project as at end 2003**

A Service Contract was awarded to Micro Finance Competence Center (MFCC) in November/December of 2003 for the design of a Micro Finance Institution to manage the credit funds allocated under Stabex.

This work will commence in February 2004. Following an award of another contract to MFCC by AusAID to undertake a review of the Bougainville Haus Moni project in Bougainville; a meeting was convened in December 2003, at the request of the MFCC between AusAID and EU PMU/DEL to investigate areas of collaboration within the two contract activities. It was decided that the MFCC would proceed with the EU Service Contract and undertake the AusAID contract concurrently. AusAID was to fund their component of the project separately. A revised TOR was presented and approved. The first draft of the feasibility study has been submitted for comments.

|  |   |                            |                       |
|--|---|----------------------------|-----------------------|
| <b>Project Title</b>   | <b>Bougainville Women's Micro Credit Scheme</b> | <b>Project Amount</b>      | PGK 600,000.00        |
| <b>FMO</b>   | 1990-1994 Bougainville                          | <b>Implementing Agency</b> | <b>Not Determined</b> |
| <b>Dated signed</b>  | Cost Estimate not submitted.                    | <b>Closure</b>             |                       |
| <b>Project Number</b>  | EU.15.04.04.D                                   |                            |                       |
| <b>Main Objective and expected results</b>   |   |                            |                       |
| To provide credit to Bougainville women  |   |                            |                       |
| <b>Status of project as at end 2003</b>  |   |                            |                       |
| This project awaits the design work covered under the Service Contract awarded to the Micro Finance Competence Center (MFCC). The design study will be available for consideration during the first quarter of 2004. It is envisaged that this project would be incorporated into the above one. |   |                            |                       |

|   |  |                            |                        |
|---|--|----------------------------|------------------------|
| <b>Project Title</b>  | <b>Mabiri Vocational and Rehabilitation School</b> | <b>Project Amount</b>      | PGK 74,000             |
| <b>FMO</b>  | 1990-1994 Bougainville                             | <b>Implementing Agency</b> | <b>Marist Brothers</b> |
| <b>Dated signed</b>   | April 2002   | <b>Closure</b>             | 2003                   |
| <b>Project Number</b>   | EU.15.04.05.A                                      |                            |                        |
| <b>Main Objective and expected results</b>  |  |                            |                        |
| To transfer practical agriculture and livestock management skills to young farmers. |  |                            |                        |
| <b>Status of project as at end 2003</b>   |  |                            |                        |
| The project has been completed and closed.  |  |                            |                        |

|   |                               |                            |                 |
|---|-------------------------------|----------------------------|-----------------|
| <b>Project Title</b>  | <b>Training for DPI staff</b> | <b>Project Amount</b>      | PGK 105,000     |
| <b>FMO</b>  | 1990-1994 Bougainville        | <b>Implementing Agency</b> | Boug. Prov. Gvt |
| <b>Dated signed</b>   | April 2002                    | <b>Closure</b>             |                 |
| <b>Project Number</b>   | EU.15.04.05.B                 |                            |                 |
| <b>Main Objective and expected results</b>  |                               |                            |                 |
| Train key officers of the Division of Primary industry and selected Bougainville Farmers in alternate crops and provide training equipment, which will be used to undertake awareness campaigns.  |                               |                            |                 |
| <b>Status of project as at end 2003</b>   |                               |                            |                 |
| There are two components remaining on this project; Data Base Study and the Butterfly awareness training. Currently there is no market identified for export of butterfly. Current butterfly buyer, Wau Ecological Institute has stopped buying the products. |                               |                            |                 |

|  |                                     |                            |                   |
|--|-------------------------------------|----------------------------|-------------------|
| <b>Project Title</b>   | <b>St Gregory Vocational School</b> | <b>Project Amount</b>      | PGK 758,100       |
| <b>FMO</b>   | 1990-1994 Bougainville              | <b>Implementing Agency</b> | Boug. Prov. Govt. |
| <b>Dated signed</b>  | July 2002                           | <b>Closure</b>             | 2004              |
| <b>Project Number</b>  | EU.15.04.05.C                       |                            |                   |
| <b>Main Objective and expected results</b>   |                                     |                            |                   |
| Contribute to appropriate skill training and improving the behaviour and living standards of graduating students in Central Bougainville.  |                                     |                            |                   |
| <b>Status of project as at end 2003</b>  |                                     |                            |                   |
| Three buildings were commenced under the Stabex funding. These include two workshop buildings and a generator shed. The first year joinery workshop building and the generator shed have been fully completed and the structure for a large workshop has also been erected. Site preparation for the student accommodation and ablution area is now in progress. Most of the materials for these buildings are on site and the school is now preparing documentation for the purchase of power machinery for the workshop. The value of the project is PGK 758,100.00. Up to December 2003, transferred into Imprest Account: PGK 497,909.60. Justified expenditure to the end of December 2003: PGK 275,622.28. Under the Cost Estimate, the period of performance was 2002/2003. |                                     |                            |                   |

|                       |  |                            |                   |
|-----------------------|--|----------------------------|-------------------|
| <b>Project Title</b>  | <b>Rehabilitation of the training Centre in Buin</b> | <b>Project Amount</b>      | PGK 796,530       |
| <b>FMO</b>            | 1990-1994 Bougainville                               | <b>Implementing Agency</b> | Boug. Prov. Govt. |
| <b>Dated signed</b>   | March 2003   | <b>Closure</b>             | 2004              |
| <b>Project Number</b> | EU.15.04.05.E  |                            |                   |

**Main Objective and expected results**

Contribute to appropriate skill training and improving the behaviour and living standards of graduating students in South Bougainville.

**Status of project as at end 2003**

The first release of funds (PGK 300,000) was effected in April 2003. Little progress has been recorded on this project. As at end of December 2003, 2 teachers' houses have been rehabilitated, and are now ready to be occupied by beginning of 2004. Local materials for the third teacher's house as well as other buildings have been purchased.

|                       |   |                            |                   |
|-----------------------|---|----------------------------|-------------------|
| <b>Project Title</b>  | Rehabilitation of the training Centre in Tinpuz | <b>Project Amount</b>      | PGK 534,470       |
| <b>FMO</b>            | 1990-1994 Bougainville                          | <b>Implementing Agency</b> | Boug. Prov. Govt. |
| <b>Dated signed</b>   | March 2003                                      | <b>Closure</b>             | 2004              |
| <b>Project Number</b> | EU.15.04.05.F                                   |                            |                   |

**Main Objective and expected results**

Contribute to appropriate skill training and improving the behaviour and living standards of graduating students in Central Bougainville.

**Status of project as at end 2003**

Two transfers of funds were effected in March 2003 and December 2003 for a total amount of PGK 323,487. Substantial progress was made under this project, with the initial relocation of a classroom and the building of one teacher's house. The local material for building two new staff's houses has been supplied on site. The power reticulation for the school power supply is complete.

|                       |                                   |                            |                   |
|-----------------------|-----------------------------------|----------------------------|-------------------|
| <b>Project Title</b>  | Tunuru Vocational Training Center | <b>Project Amount</b>      | PGK 731,850       |
| <b>FMO</b>            | 1990-1994 Bougainville            | <b>Implementing Agency</b> | Boug. Prov. Gov't |
| <b>Dated signed</b>   | July 2002                         | <b>Closure</b>             |                   |
| <b>Project Number</b> | EU.15.04.05.D                     |                            |                   |

**Main Objective and expected results**

Contribute to appropriate skill training and improving the behaviour and living standards of graduating students in Central Bougainville.

**Status of project as at end 2003**

Only one building has been completed so far. This building currently houses the classroom, storage and administration. The first teacher's house commenced in 2003 is yet to be completed. Buildings yet to be erected are Boys Dormitory, Workshop, Boys ablution, Girls ablution and generator house. Presently there is only the project manager, but the Board of management recently engaged a teacher to commence teaching theory in 2004.

Additional works are still required.

|                       |                                      |                            |               |
|-----------------------|--------------------------------------|----------------------------|---------------|
| <b>Project Title</b>  | Coffee Extension Activities          | <b>Project Amount</b>      | PGK 1,070,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | CIC           |
| <b>Dated signed</b>   | October 1995                         | <b>Closure</b>             | 1999          |
| <b>Project Number</b> | 2.2                                  |                            |               |

**Main Objectives and Expected Results**

To promote simple techniques to improve the quality of coffee and to increase the output.

This would be achieved through (i) Establishment of Central Training points in 20 provinces; (ii) Establishment of nurseries and equipment for each point; (iii) Provision of Mobile Video equipment, operational funds and training visits.

**Status of project as at end 2003**

After much consultation between the CIC, NAO, EUPMU and the EC Delegation, a rider was signed and the balances of the funds were transferred in September. Procurement of computers and the ACCPAC System, the Server for the new CIC Financial System is been done and the system is in place, vehicles have been repaired in the CIC offices through out the country, the water systems is in place and operational, the Orientation Course was conducted, Tendui & Associates were engaged to put in place the Performance Appraisal System, the Standby GENSET has been paid for but yet to be installed by B& M Engineering, and it is envisaged that the Manual will be done early 2004 since the identified expert was not available in 2003.

|   |                                      |                            |             |
|---|--------------------------------------|----------------------------|-------------|
| <b>Project Title</b>  | Coffee chemical taste stage 2        | <b>Project Amount</b>      | PGK 940,000 |
| <b>FMO</b>  | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | CIC         |
| <b>Dated signed</b>   | 31/10/2000                           | <b>Closure</b>             | 2003        |
| <b>Project Number</b>   | 2.5 B                                |                            |             |
| <b>Main Objective and Expected Results</b>  |                                      |                            |             |
| <p>The main purpose is to develop means to control and, if possible, eliminate naturally occurring taints in green bean coffee caused mainly by drying and storage problems during wet periods. At the end of the project, CIC should achieve the following results: (i) PNG would have developed a reliable and routine method for excluding tainted coffee from export; (ii) producers, processors and exporters will have been trained to eliminate tainted coffee; (iii) all sectors of the industry will be conscious of the need to strive for the highest possible coffee quality; (iv) quality control training facility is established within CIC.</p> |                                      |                            |             |
| <b>Status of project as at end 2003</b>   |                                      |                            |             |
| The project has been completed.   |                                      |                            |             |

|   |                                      |                            |             |
|---|--------------------------------------|----------------------------|-------------|
| <b>Project Title</b>  | Coffee Corporate restructuring       | <b>Project Amount</b>      | PGK 234,000 |
| <b>FMO</b>  | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | CIC         |
| <b>Dated signed</b>   | 05/09/02                             | <b>Closure</b>             | 2003        |
| <b>Project Number</b>   | 2.9                                  |                            |             |
| <b>Main Objective and Expected Results</b>  |                                      |                            |             |
| <p>To draw up a productive and affordable new operating framework / structure (operating, Management, Financial, Marketing, Administration, Research and extension) for CIC Management to implement and to effectively achieve its revised corporate objectives.</p>  |                                      |                            |             |
| <b>Status of project as at end 2003</b>   |                                      |                            |             |
| <p>The project is completed. All the results have been achieved. A new organisation has been designed (merge of 4 departments into 2, merge of extension and research department, development of partnership with other institutions, service providers delivery, efficiency improvement, cost cutting exercise).</p> |                                      |                            |             |

|  |                                       |                            |             |
|--|---------------------------------------|----------------------------|-------------|
| <b>Project Title</b>   | Western Highlands sub-station project | <b>Project Amount</b>      | PGK 275,000 |
| <b>FMO</b>   | 1994 including balances of FMO 92/93  | <b>Implementing Agency</b> | CIC         |
| <b>Dated signed</b>  | 31/10/2000                            | <b>Closure</b>             | 2003        |
| <b>Project Number</b>  | 2.9                                   |                            |             |
| <b>Main Objective and Expected Results</b>   |                                       |                            |             |
| <p>To upgrade the research sub-station and enhance farmer researcher interactions and provide a good basis for CIC to increase internal revenue.</p> |                                       |                            |             |
| <b>Status of project as at end 2003</b>  |                                       |                            |             |
| After adjustments to procurement, the project is progressing on schedule.  |                                       |                            |             |

|  |   |                            |             |
|--|---|----------------------------|-------------|
| <b>Project Title</b>   | CRI AIYURA – Admin & Infrastructure Support | <b>Project Amount</b>      | PGK 667,300 |
| <b>FMO</b>   | 1994 including balances of FMO 92/93        | <b>Implementing Agency</b> | CIC         |
| <b>Dated signed</b>  | March 2003                                  | <b>Closure</b>             | June 2003   |
| <b>Project Number</b>  | 2.10  |                            |             |
| <b>Main Objective and Expected Results</b>   |   |                            |             |
| <p>The project aims at upgrading CRI's information system, Water Supply Dam, several warehouses and sheds, renovation of the coffee factory, construction of the insectory (for important research on green scale currently in abeyance), and improving security and improving transportation.</p>   |   |                            |             |
| <b>Status of project as at end 2003</b>  |   |                            |             |
| <p>The implementation of the project began with the procurement of the tractor, Vehicle, Digital Camera, Computers for the LAN and Fencing. The rest of the activities should be undertaken when the next lot of funds is made available as reported by CIC. Due to delays in start-up of the project, now it has become clear that there is a need for budget rider extending the duration of the project to allow the successful completion of the planned activities.</p> |   |                            |             |

|                       |   |                            |             |
|-----------------------|---|----------------------------|-------------|
| <b>Project Title</b>  | IPM of Green Scale Complex on coffee in PNG | <b>Project Amount</b>      | PGK 253,785 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93        | <b>Implementing Agency</b> | CIC         |
| <b>Dated signed</b>   | June 2003                                   | <b>Closure</b>             | 2006        |
| <b>Project Number</b> | 2.11  |                            |             |

**Main Objectives and Expected Results**  
The main objective of the project is to reduce green scale damage to coffee using the IPM technology on green scale complex. This will contribute significantly to increase the farmers' income, as the IPM technology is cheaper and sustainable for the farmers.

**Status of project as at end 2003**  
The project has just started and an initial transfer of K120, 000 was made to the implementing agency. There is no progress report submitted to date. Current status indicates the project is progressing slowly.

|                       |  |                            |             |
|-----------------------|--|----------------------------|-------------|
| <b>Project Title</b>  | Capacity Building for CIC Mass Propagation | <b>Project Amount</b>      | PGK 314,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93       | <b>Implementing Agency</b> | CIC         |
| <b>Dated signed</b>   | June 2003                                  | <b>Closure</b>             | 2004        |
| <b>Project Number</b> | 2.12                                       |                            |             |

**Main Objectives and Expected Results**  
The main objective of the project is to mass propagate elite commercial and food crops through tissue culture techniques for farmers' use. This will contribute significantly to farmers income and food security rural and urban areas

**Status of project as at end 2003**  
The project has just started and an initial transfer of K100, 000 was made to the implementing agency. There is no progress report submitted to date. Current status indicates the project is progressing slowly.

|                       |   |                            |               |
|-----------------------|---|----------------------------|---------------|
| <b>Project Title</b>  | Redevelopment of Kavugara oil palm Blocks | <b>Project Amount</b>      | PGK 2,500,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93      | <b>Implementing Agency</b> | OPIC          |
| <b>Dated signed</b>   | 08/10/96                                  | <b>Closure</b>             | 2001          |
| <b>Project Number</b> | 3.4A                                      |                            |               |

**Main Objectives and Expected Results**  
To purchase land titles from displaced settlers and to redistribute the land to traditional landowners. To redevelop the land into well managed oil palm plantations. Acquire 1100 ha and redevelop 275ha / year till completion of 1100 ha.

**Status of project as at end 2003**  
250 hectares developed and 350 hectares undeveloped. Loan of K2.5 Million fully disbursed for the redevelopment of abandoned oil palm blocks. Kavugara has started loan repayment made payable to OPIC beginning January 2004.

|                       |                                      |                            |               |
|-----------------------|--------------------------------------|----------------------------|---------------|
| <b>Project Title</b>  | Extension Activities at OPIC         | <b>Project Amount</b>      | PGK 4,004,600 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | OPIC          |
| <b>Dated signed</b>   | 18/05/95                             | <b>Closure</b>             | 2003          |
| <b>Project Number</b> | 4.1                                  |                            |               |

**Main Objectives and Expected Results**  
Improve production by smallholder oil palm growers and promote further planting. Provide equipment, assist farm visits, credit scheme for farmers and input supplies, coordinating harvesting and fresh fruit collection, promotion of further planting. Initiate a training programme.

**Status of project as at end 2003**  
Project completed but yet to be closed. Reporting has been very poor. However field visits confirm that the project did achieve its objective. An outstanding of K63, 400 is yet to be utilized, after numerous advises were given, nothing has progressed to date.

|                       |                                      |                            |               |
|-----------------------|--------------------------------------|----------------------------|---------------|
| <b>Project Title</b>  | Research on Ganoderma                | <b>Project Amount</b>      | PGK 1,892,600 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | OPRA          |
| <b>Dated signed</b>   | 16/05/95                             | <b>Closure</b>             | 2003          |
| <b>Project Number</b> | 4.2B                                 |                            |               |

**Main Objectives and Expected Results**  
To develop effective long-term control measures for basal stem rot of oil palm caused by Ganoderma by means of: (i) development of a screening procedure to evaluate planting material resistance; (ii) characterisation of the Ganoderma population in PNG (production of a data base); (iii) development of diagnostic techniques (iv) develop appropriate biological control measures and determining the effectiveness of new control procedures in reducing the spread of Ganoderma; (v) training of PNG graduate in plant pathology, and (vi) training of laboratory technicians and other field staff.

**Status of project as at end 2003**  
Phase II of the project has begun. 3<sup>rd</sup> and 4<sup>th</sup> quarter report revealed that the project is progressing well. Field trials, Nursery screening test, trichoderma evaluation, ceratocystis distribution and pilot trials were some activities that were undertaken in the second phase of this project.

|                       |                                      |                            |                |
|-----------------------|--------------------------------------|----------------------------|----------------|
| <b>Project Title</b>  | Log Monitoring                       | <b>Project Amount</b>      | PGK 10,500,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | PNGFA          |
| <b>Dated signed</b>   | 03/04/95                             | <b>Closure</b>             | 2003           |
| <b>Project Number</b> | 4.3                                  |                            |                |

**Main Objectives and Expected Results**  
Monitoring of forest product exports to ensure that log monitoring is executed in accordance with the established guidelines and that export levies are collected correctly. By demonstrating the additional returns it is expected to create an incentive for PNGFA to fund this function, as an independent activity, without support from third parties. Increase in foreign exchange earnings through export and company taxes. Staff trained in operational administrative and management roles. Database in place to provide monthly reports on export statistics. New software in place to monitor field operations. The maintenance of certification to ISO 2000 through good practices and continued internal and external audits.

**Status of project as at end 2003**  
A rider has been made for PGK 1.5 Million. First payment of K500, 000 was made to PNGFA. A second request was made however; the payment is pending waiting clearance of PNGFA Accounting.

|                       |   |                            |                |
|-----------------------|---|----------------------------|----------------|
| <b>Project Title</b>  | Study of Nitrogen Loss Pathways in Oil Palm | <b>Project Amount</b>      | PGK 680,306.00 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93        | <b>Implementing Agency</b> | OPRA           |
| <b>Dated signed</b>   | 2002  | <b>Closure</b>             | 2005           |
| <b>Project Number</b> | 4.22  |                            |                |

**Main Objectives and Expected Results**  
To improve the cost effectiveness and sustainability of oil palm production in PNG

**Status of project as at end 2003**  
The project started in 2002. Initial transfer of K150, 000 and second transfer of K102, 525.38 was made payable to the project. Current status indicated that the project is still in its research phase. The research phase is concentrated on Water Balance, Soil Moisture Lysimeters and mineralization of N in soil.

|                       |  |                            |               |
|-----------------------|--|----------------------------|---------------|
| <b>Project Title</b>  | National Agriculture Research Institute's Headquarters | <b>Project Amount</b>      | PGK 2,000,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93                   | <b>Implementing Agency</b> | NARI          |
| <b>Dated signed</b>   | 31/01/97   | <b>Closure</b>             | 2003          |
| <b>Project Number</b> | 4.8  |                            |               |

**Main Objectives and Expected Results**  
Construction of the NARI 's Headquarters building. Resulting in better well equipped facilities leading to improved working conditions conducive to achieving much needed research direction and management.

**Status of project as at end 2003**  
The project has been completed.



|                       |   |                            |               |
|-----------------------|---|----------------------------|---------------|
| <b>Project Title</b>  | Launakalana cashew nut project, preparation phase | <b>Project Amount</b>      | PGK 3,500,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93              | <b>Implementing Agency</b> | LDC           |
| <b>Dated signed</b>   | 2002  | <b>Closure</b>             | 2005          |
| <b>Project Number</b> | 4.12 C  |                            |               |

**Main Objectives and Expected Results**  
The overall objective is to establish a cashew nut nucleus estate and smallholders plantation in the Rigo District, of the Central Province. This project is in its implementation phase.

**Status of project as at end 2003**  
The project has experienced a 9 month delay however, a number of activities were implemented including recruitment of extension officers, the hands on training programme for them (6 months programme) the continuous planting and grafting of cashew at the nursery and field together with expansion of wind breakers, habitat trees and tree husbandry. Latest monitoring indicates that the project is generally progressing well. An audit for the project will be commissioned soon.

|                       |                                      |                            |             |
|-----------------------|--------------------------------------|----------------------------|-------------|
| <b>Project Title</b>  | Sheep Breeding Programme             | <b>Project Amount</b>      | PGK 300,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | DAL/LDC     |
| <b>Dated signed</b>   | 26/01/99                             | <b>Closure</b>             | 2003        |
| <b>Project Number</b> | 4.13                                 |                            |             |

**Main Objectives and Expected Results**  
The main objective is to rehabilitate/upgrade DALs sheep breeding farms for breeding and assist in distribution of sheep to commercial sheep breeders. The 3 breeding stations Menifo, Tambul and Erap would be maintained and operated on commercial lines to build up the breeder numbers to 1000 or more; Facilities at Menifo up-graded to accommodate 1,200 breeders. Upgrading of the facilities at Launakalana to accommodate 2000 ewe hoggets; 250 wethers distributed to farmers. 25 semi commercial farms maintained and managed successfully in the Highlands and Morobe Provinces. A total of 600 breeding ewes maintained on this semi commercial farms. Training of 20 farmers in sheep management skills and 20 women in by product utilization.

**Status of project as at end 2003**  
The project is under completion. Severe shortcomings were experienced. The Launakalana station sheep component is not functioning. An audit for the project will be commissioned soon.

|                       |                                      |                            |             |
|-----------------------|--------------------------------------|----------------------------|-------------|
| <b>Project Title</b>  | Insect Pollination of oil palm       | <b>Project Amount</b>      | PGK 500,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | OPRA        |
| <b>Dated signed</b>   | 19/05/2000                           | <b>Closure</b>             | 2003        |
| <b>Project Number</b> | 4.18B                                |                            |             |

**Main Objectives and Expected Results**  
To assess the current pathological and genetic health of the population of weevil to find appropriate actions to offset a potential pollination crisis for the oil palm industry. Screening of the weevil population for evidence of infection by nematodes. Develop a database with biological information on pathogens on weevil. Determine the variability between local populations and West African populations.

**Status of project as at end 2003**  
Activities undertaken includes understanding the relationship between the pollinating weevil, the male and female inflorescences, the internal parasitic nematode and seasonal population fluctuations, biology and ecology of the parasitic nematodes.

|                       |   |                            |             |
|-----------------------|---|----------------------------|-------------|
| <b>Project Title</b>  | NCD Mini Markets Pari Village, Gabutu & Boroko East | <b>Project Amount</b>      | PGK 144,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93                | <b>Implementing Agency</b> | NCDC        |
| <b>Dated signed</b>   | March 2002  | <b>Closure</b>             | 2004        |
| <b>Project Number</b> | 4.23  |                            |             |

**Main Objectives and Expected Results**  
To decongest central markets to improve its security situation and to provide more markets by building 10 fresh food mini markets to the public through out NCDC.

**Status of project as at end 2003**  
The Boroko East and Gabutu market has been completed and completion report submitted. However, land ownership issue at Pari is yet to be resolved by Pari villagers and NCDC before funding is considered for the actual construction.

|                       |                                      |                            |             |
|-----------------------|--------------------------------------|----------------------------|-------------|
| <b>Project Title</b>  | Seafood safety improvement project   | <b>Project Amount</b>      | PGK 282,462 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | NFA         |
| <b>Dated signed</b>   | 7/12/2000                            | <b>Closure</b>             | 2003        |
| <b>Project Number</b> | 4.24                                 |                            |             |

**Main Objectives and Expected Results**  
To provide in-service training and technical assistance to NFA personnel in support of the Authority's Seafood Regulatory Assessment Programme, to ensure that equivalency criteria of major seafood importing countries are met.

To advise and train PNG seafood exporters so that they can meet the requirements of the National Seafood Regulatory Assessment Programme and the PNG Fish Quality Control Export Standards. To ensure that the NFA is capable to effectively fulfil its role as PNG's competent authority in regard to seafood safety.

To ensure the seafood industry is compliant with PNG legislation, and thereby with the requirements of importing countries.

**Status of project as at end 2003**  
The project has been completed and financial report submitted. However, financial queries are yet to be clarified by the Implementing Agencies (NFA).

|                       |   |                            |             |
|-----------------------|---|----------------------------|-------------|
| <b>Project Title</b>  | Rural Industries Education & Information Unit/RIC | <b>Project Amount</b>      | PGK 306,400 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93              | <b>Implementing Agency</b> | RIC         |
| <b>Dated signed</b>   | September 2002                                    | <b>Closure</b>             | 2004        |
| <b>Project Number</b> | 4.26  |                            |             |

**Main Objectives and Expected Results**  
To establish a rural education and Information Unit to obtain marketing information about Rural Industries and disseminate practical information to farmers, processors, extension services, educational institutions, NGOs and others. Revive and re-invigorate the Rural Industry Council so as to make it capable of analysing the needs of Commodity Agencies in the development of agriculture policy and assistance.

**Status of project as at end 2003**  
Following the appointment of the Education/Information Officer in September of 2002, the office and basic structures of the project was established as a result of the release of the first tranche of funds. Rural Industries Council and its activities have begun gaining recognition as a result of awareness through the media and through representation on key committees both within the government and the private sectors. The project is progressing well.

|                       |  |                            |                |
|-----------------------|--|----------------------------|----------------|
| <b>Project Title</b>  | Improved Food Security & Farmers Incomes | <b>Project Amount</b>      | PGK 297 045.00 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93     | <b>Implementing Agency</b> | NARI           |
| <b>Dated signed</b>   | July 2002                                | <b>Closure</b>             | June 2005      |
| <b>Project Number</b> | 4.27                                     |                            |                |

**Main Objectives and Expected Results**  
Improved food security and economic growth in high altitude areas of Papua New Guinea

**Status of project as at end 2003**

The incursion of potato late blight and theft of NARI vehicle have caused delay in several activities. Trials to control Potato late blight have already started. During the quarter the first sweet potato early maturing trial was planted, the pyrethrum poly-crossed nursery established, seeds of processing potato varieties ordered, Andean frost tolerant obtained and proposal submitted to NARI headquarters for study on Soil Nutrient Deficiency.

|                       |                                      |                            |             |
|-----------------------|--------------------------------------|----------------------------|-------------|
| <b>Project Title</b>  | Remote Sensing Land Use Initiative   | <b>Project Amount</b>      | PGK 600,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | UPNG        |
| <b>Dated signed</b>   | August 2003                          | <b>Closure</b>             | August 2004 |
| <b>Project Number</b> | 4.29                                 |                            |             |

#### Main Objectives and Expected Results

To improve land use management in Papua New Guinea and sustainable management of PNG's natural resources.

#### Status of project as at end 2003

Substantial activity is occurring in most areas of project development. The contract for the provision of satellite is now running smoothly having overcome several technical challenges. The delivery of imagery is now occurring regularly. GIS Position is now filled. The project also receives numerous expressions of interest for information and advises. The first consignment of data has been provided to the National Mapping Bureau in September. A request for the release of the last tranche of funds has been made and is yet to be processed.

|                       |   |                            |               |
|-----------------------|---|----------------------------|---------------|
| <b>Project Title</b>  | University of Vudal-Abattoir & Cool Room Facilities | <b>Project Amount</b>      | PGK 1,200,000 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93                | <b>Implementing Agency</b> | UoV           |
| <b>Dated signed</b>   | August 2002   | <b>Closure</b>             | August 2004   |
| <b>Project Number</b> | 4.28  |                            |               |

#### Main Objectives and Expected Results

To improve the efficiency and sustainability of Vudal University farm as a fully self-funded enterprise serving the needs of the University and outside community in East New Britain.

#### Status of project as at end 2003

Tender has been launched and awarded to Dawapia Construction. Finalisation of the Works Contracts is in progress. The total works contract amounts to K720, 000. Additional K300, 000 is needed and request has been made by University of Vudal. Request is still pending approval from SSC Members.

|                       |                                      |                            |               |
|-----------------------|--------------------------------------|----------------------------|---------------|
| <b>Project Title</b>  | Audit of Stabex Accounts             | <b>Project Amount</b>      | PGK 84,346.00 |
| <b>FMO</b>            | 1994 including balances of FMO 92/93 | <b>Implementing Agency</b> | Deloitte      |
| <b>Dated signed</b>   | September 2003                       | <b>Closure</b>             | December 2003 |
| <b>Project Number</b> | 4.30                                 |                            |               |

#### Main Objectives and Expected Results

To provide audit reports for the 7<sup>th</sup> & 8<sup>th</sup> EDF Funds (FMO 92/93, and FMO Bougainville) as requested by EU Head Quarters in Brussels.

**Status of project as at end 2003** Audits have been completed and report submitted. There was a one of transfer of K84,346.00 made to Deloitte.

|                       |   |                            |              |
|-----------------------|---|----------------------------|--------------|
| <b>Project Title</b>  | Commercialisation of Alternative Cash Crops | <b>Project Amount</b>      | PGK 344,040  |
| <b>FMO</b>            | 1994 including balances of FMO 92/93        | <b>Implementing Agency</b> | NARI         |
| <b>Dated signed</b>   | November 2003                               | <b>Closure</b>             | October 2006 |
| <b>Project Number</b> | 4.31  |                            |              |

#### Main Objectives and Expected Results

To increase financial sustainability of NARI and diversify cash crop cultivation and increase income generation and export earnings in PNG.

#### Status of project as at end 2003

The project has just started with the initial transfer of K 137,616.00

**Additional Optional Annexes**

## Annex 20: Statistics on Major Export Commodities (1998-2003)

### A. Quantities exported, in '000 tonnes (from 1985 to 2003)

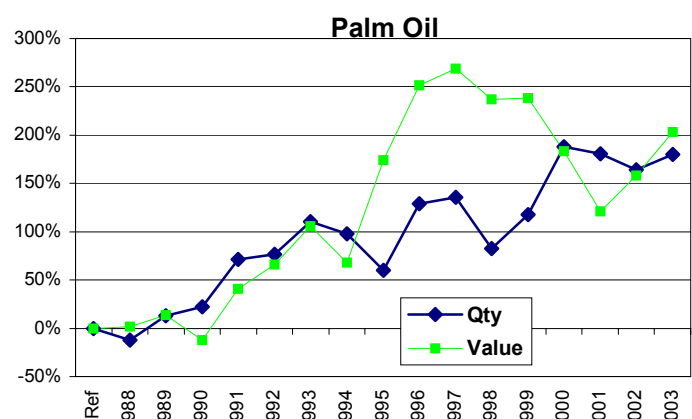
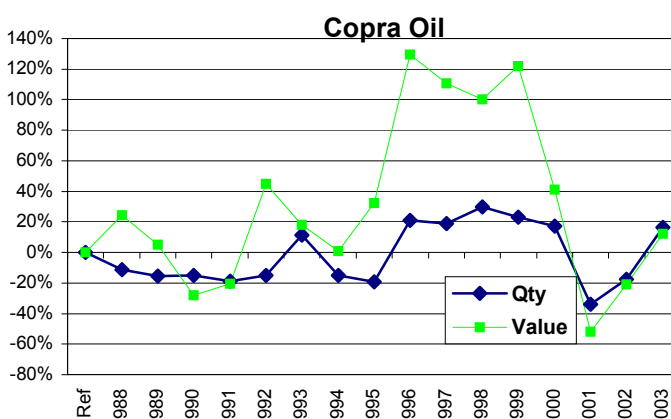
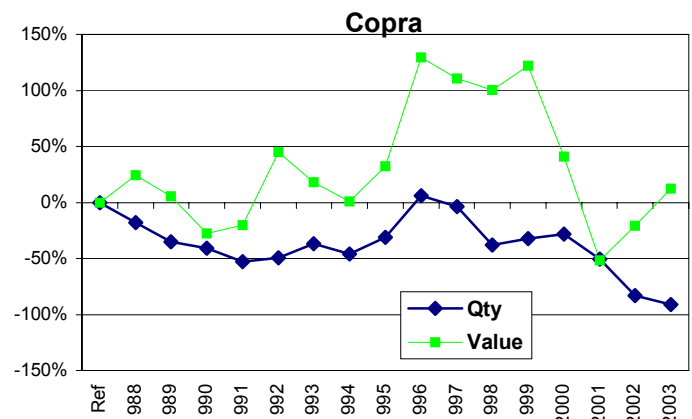
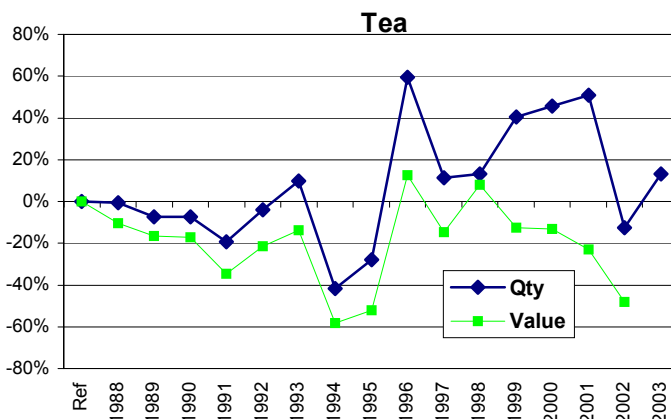
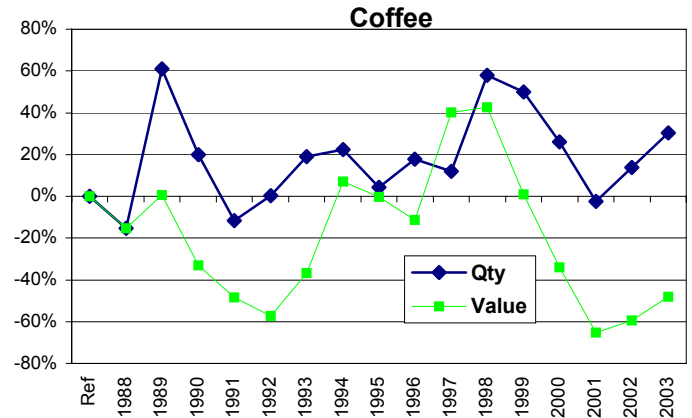
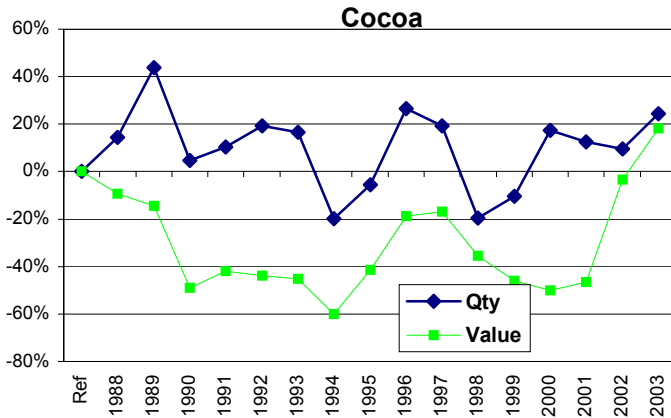
|      | Cocoa | Coffee | Tea  | Copra  | Copra Oil | Palm Oil | Rubber | Logs<br>( <sup>'000</sup> M3) | Marine<br>Products | Crude Oil<br>barrels<br>( <sup>'000</sup> ) | Copper | Gold<br>(tonnes) |
|------|-------|--------|------|--------|-----------|----------|--------|-------------------------------|--------------------|---|--------|------------------|
| 1985 | 30.90 | 40.60  | 6.60 | 103.50 | 41.50     | 123.80   | 5.40   | 1,140.60                      | 13.50              |   | 168.60 | 32.00            |
| 1986 | 31.90 | 53.10  | 5.30 | 93.00  | 41.10     | 129.00   | 5.00   | 1,298.90                      | 1.70               |   | 181.40 | 36.50            |
| 1987 | 34.40 | 64.80  | 5.60 | 84.10  | 40.20     | 97.30    | 3.70   | 1,450.00                      | 1.40               |   | 209.70 | 34.60            |
| Ref  | 32.40 | 52.83  | 5.83 | 93.53  | 40.93     | 116.70   | 4.70   | 1,296.50                      | 1.55               |   | 186.57 | 34.37            |
| 1988 | 37.10 | 44.80  | 5.80 | 76.80  | 36.30     | 102.60   | 4.50   | 1,347.90                      | 1.00               |   | 222.40 | 35.40            |
| 1989 | 46.60 | 85.00  | 5.40 | 60.70  | 34.60     | 131.70   | 3.60   | 1,348.70                      | 1.20               |   | 208.80 | 31.30            |
| 1990 | 33.90 | 63.30  | 5.40 | 55.30  | 34.80     | 142.70   | 2.30   | 990.20                        | 1.30               |   | 196.50 | 33.60            |
| 1991 | 35.80 | 46.60  | 4.70 | 44.00  | 33.20     | 199.60   | 2.80   | 1,061.80                      | 1.80               |   | 192.40 | 57.80            |
| 1992 | 38.60 | 53.00  | 5.60 | 47.50  | 34.80     | 206.10   | 2.70   | 1,601.00                      | 1.50               | 14,547.90                                   | 187.90 | 67.00            |
| 1993 | 37.80 | 62.80  | 6.40 | 59.00  | 45.50     | 245.70   | 3.60   | 2,374.90                      | 2.80               | 45,842.60                                   | 192.20 | 59.30            |
| 1994 | 26.00 | 64.70  | 3.40 | 50.30  | 34.70     | 230.90   | 3.40   | 2,943.90                      | 4.70               | 43,456.30                                   | 207.20 | 55.80            |
| 1995 | 30.60 | 55.10  | 4.20 | 64.20  | 33.10     | 186.60   | 2.70   | 2,512.50                      | 5.70               | 36,990.20                                   | 215.70 | 55.20            |
| 1996 | 41.00 | 62.30  | 9.30 | 99.20  | 49.60     | 267.00   | 2.80   | 2,607.40                      | 2.80               | 39,307.70                                   | 127.70 | 46.90            |
| 1997 | 38.60 | 59.20  | 6.50 | 90.30  | 48.60     | 274.90   | 4.40   | 2,375.90                      | 2.20               | 27,972.20                                   | 77.80  | 44.30            |
| 1998 | 26.10 | 83.50  | 6.60 | 58.10  | 53.20     | 213.00   | 4.90   | 1,066.90                      | 10.00              | 28,033.60                                   | 109.50 | 58.20            |
| 1999 | 29.00 | 79.20  | 8.20 | 63.50  | 50.30     | 253.80   | 3.70   | 1,312.30                      | 2.70               | 30,646.20                                   | 143.90 | 63.00            |
| 2000 | 38.00 | 66.60  | 8.50 | 67.20  | 48.00     | 336.30   | 3.70   | 1,398.50                      | 1.80               | 23,629.20                                   | 126.80 | 72.80            |
| 2001 | 36.50 | 51.60  | 8.80 | 46.40  | 27.10     | 327.60   | 3.60   | 1,212.20                      | 5.10               | 21,369.70                                   | 170.10 | 69.10            |
| 2002 | 35.50 | 60.10  | 5.10 | 15.80  | 33.70     | 308.00   | 2.50   | 1,298.00                      | 3.20               | 15,370.50                                   | 138.60 | 58.20            |
| 2003 | 40.30 | 68.80  | 6.60 | 8.40   | 47.70     | 326.90   | 4.20   | 2,016.00                      | 17.80              | 14,983.40                                   | 230.60 | 68.40            |

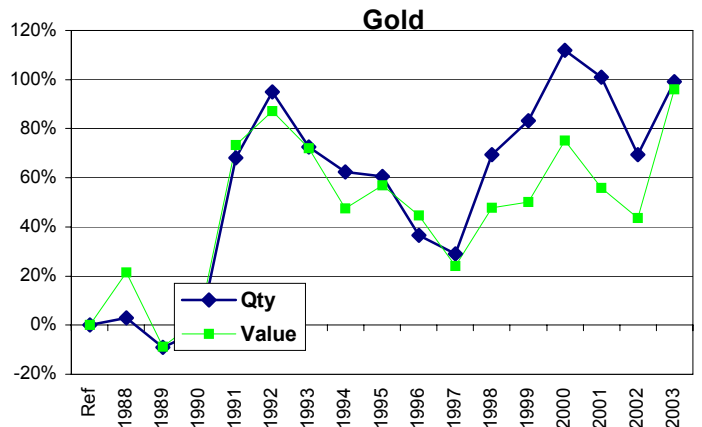
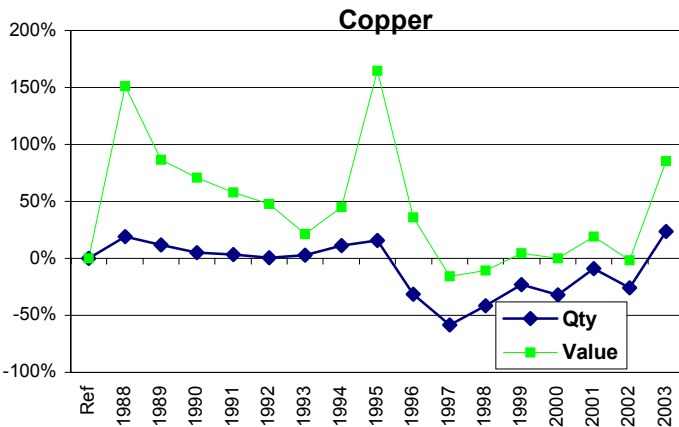
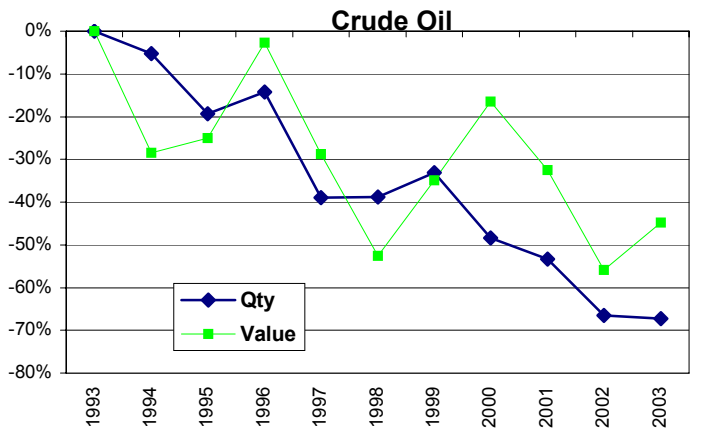
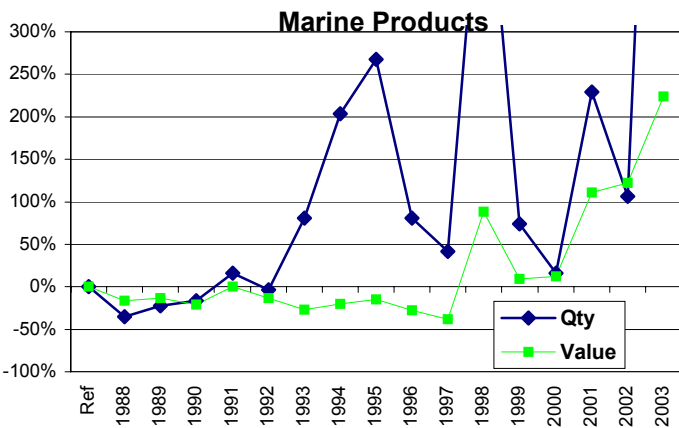
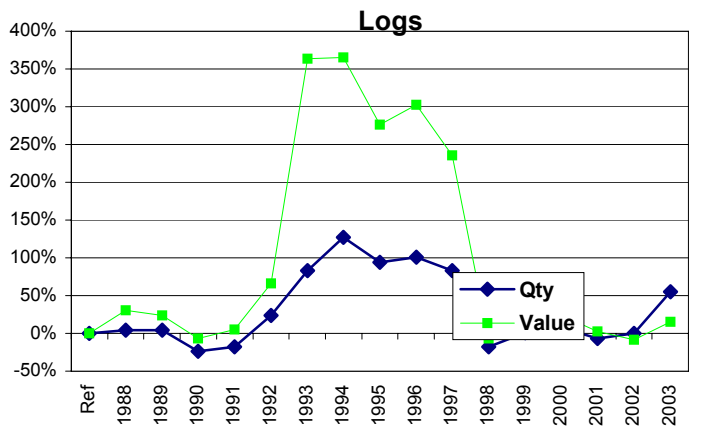
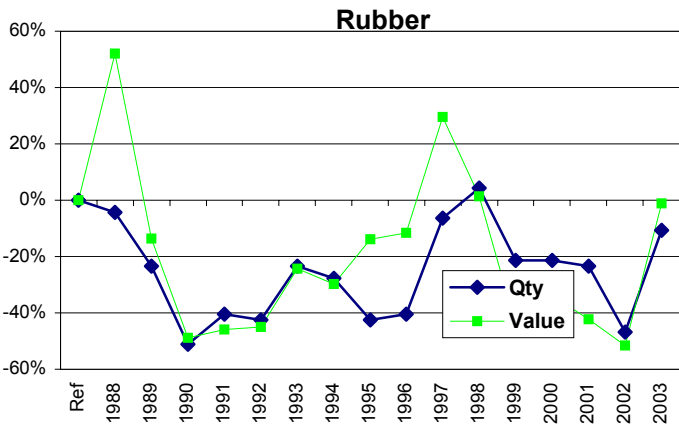
### B. Values, in US\$ million f.o.b (from 1985 to 2003)

|      | Cocoa | Coffee | Tea   | Copra | Copra Oil | Palm Oil | Rubber | Logs   | Marine | Crude Oil | Copper | Gold   |
|------|-------|--------|-------|-------|-----------|----------|--------|--------|--------|-----------|--------|--------|
| 1985 | 61.73 | 116.05 | 11.36 | 32.99 | 23.41     | 60.84    | 3.85   | 66.47  | 11.95  |           | 162.18 | 314.88 |
| 1986 | 58.68 | 216.92 | 7.80  | 10.40 | 10.82     | 29.44    | 3.12   | 77.72  | 8.22   |           | 162.30 | 414.60 |
| 1987 | 63.98 | 153.34 | 6.38  | 17.30 | 16.51     | 27.21    | 3.53   | 126.25 | 12.52  |           | 320.91 | 481.43 |
| Ref  | 61.46 | 162.11 | 8.51  | 20.23 | 16.91     | 39.16    | 3.50   | 90.15  | 10.90  |           | 215.13 | 403.64 |
| 1988 | 55.66 | 137.34 | 7.62  | 23.47 | 21.05     | 39.81    | 5.32   | 117.98 | 9.08   |           | 540.75 | 490.17 |
| 1989 | 52.58 | 163.33 | 7.10  | 16.29 | 17.80     | 44.55    | 3.02   | 111.91 | 9.42   |           | 401.22 | 368.65 |
| 1990 | 31.43 | 108.58 | 7.04  | 9.14  | 12.19     | 34.37    | 1.79   | 83.67  | 8.62   |           | 367.04 | 413.29 |
| 1991 | 35.69 | 83.46  | 5.56  | 5.46  | 13.44     | 55.11    | 1.89   | 94.69  | 10.92  |           | 339.93 | 700.11 |
| 1992 | 34.53 | 68.96  | 6.68  | 11.95 | 24.51     | 65.02    | 1.92   | 150.08 | 9.42   | 305.23    | 317.48 | 755.37 |
| 1993 | 33.73 | 102.41 | 7.34  | 14.47 | 19.97     | 80.70    | 2.65   | 418.20 | 7.95   | 833.34    | 261.17 | 694.55 |
| 1994 | 24.61 | 173.77 | 3.56  | 12.47 | 17.05     | 65.76    | 2.46   | 419.50 | 8.74   | 596.24    | 311.74 | 595.90 |
| 1995 | 35.99 | 161.84 | 4.07  | 20.67 | 22.41     | 107.29   | 3.02   | 339.30 | 9.28   | 624.50    | 569.27 | 633.86 |
| 1996 | 50.00 | 143.73 | 9.59  | 37.01 | 38.82     | 137.77   | 3.10   | 362.77 | 7.86   | 811.12    | 292.30 | 584.30 |
| 1997 | 51.10 | 227.18 | 7.25  | 32.90 | 35.62     | 144.37   | 4.53   | 302.26 | 6.69   | 594.07    | 181.11 | 501.01 |
| 1998 | 39.67 | 231.34 | 9.18  | 18.84 | 33.85     | 132.03   | 3.54   | 84.11  | 20.49  | 394.84    | 192.15 | 596.22 |
| 1999 | 33.18 | 163.59 | 7.45  | 26.08 | 37.57     | 132.52   | 1.96   | 104.29 | 11.92  | 542.18    | 225.24 | 606.38 |
| 2000 | 30.65 | 106.81 | 7.39  | 21.70 | 23.84     | 111.08   | 2.32   | 111.88 | 12.21  | 696.23    | 215.71 | 706.77 |
| 2001 | 32.83 | 56.19  | 6.55  | 4.61  | 8.12      | 86.45    | 2.02   | 92.52  | 22.97  | 562.29    | 255.67 | 629.45 |
| 2002 | 59.38 | 65.92  | 4.43  | 2.42  | 13.38     | 100.99   | 1.70   | 82.64  | 24.21  | 368.25    | 211.65 | 579.54 |
| 2003 | 72.57 | 84.06  | 5.43  | 1.83  | 18.98     | 118.64   | 3.46   | 104.08 | 35.28  | 459.54    | 398.46 | 791.63 |

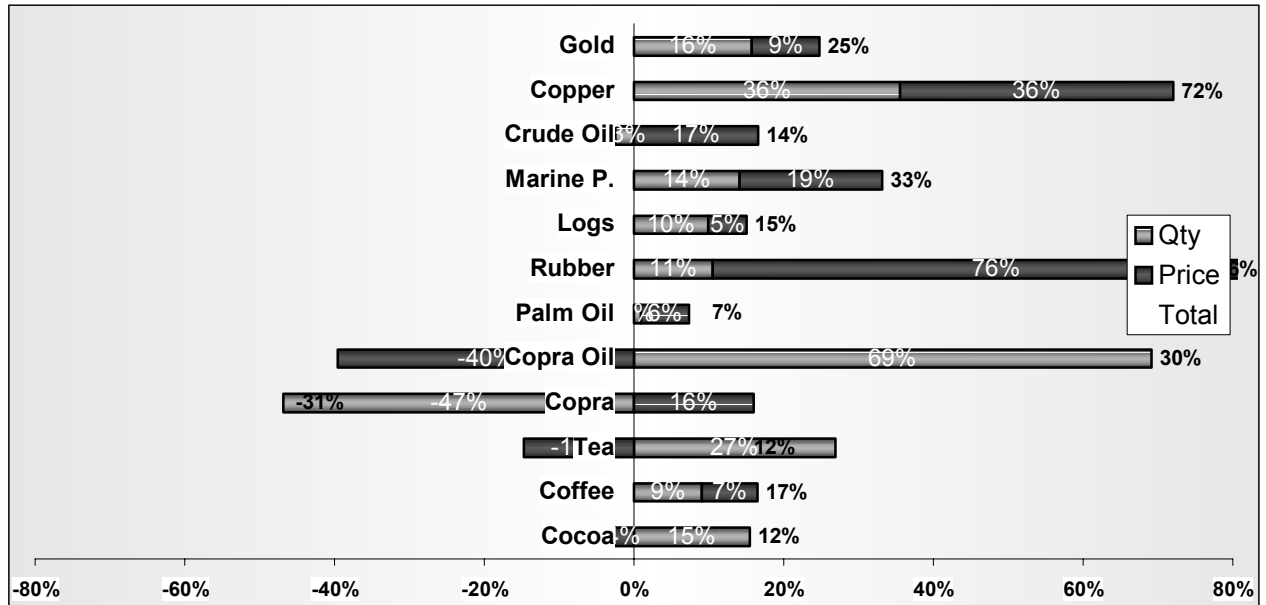
### C. In Variation of Period of Reference

The following 12 graphs show the percentage changes in value and quantities of key commodities over a 15 year period. The base year is taken as a combined average for data covering the years 1985, 1986 and 1987. In most cases, it is shown that the level of production of the commodity broadly follows the rise or fall in price changes for that commodity. However, in some cases production has lagged a price rise or fall. This has been the case for cocoa and copra, which is accounted for by the longer growing season and inability to switch enterprise easily when prices are low or high. These graphs indicate the responsiveness of PNG's primary producing sector to world market price changes.



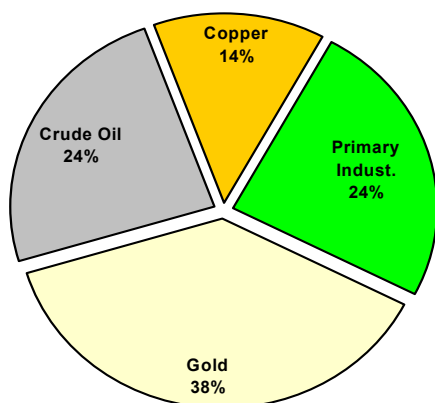


The graph below shows variations in percent of the quantities and values of the major commodities in 2003 as compared to 2002. Percentages indicated in a box represent the total variation, resulting from the combination of the variation in quantity (in blue) and in unit price (in magenta).

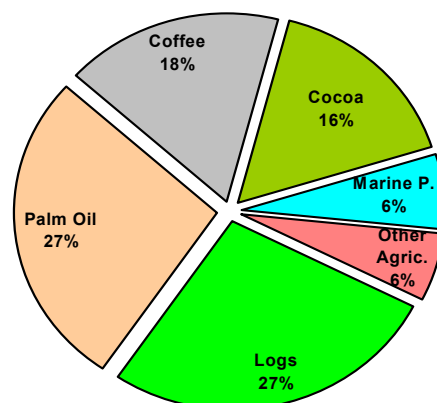


### 2002 Shares of Total Export Values:

All commodities

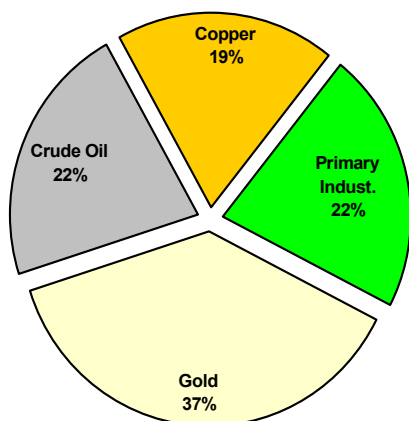


Primary Industries

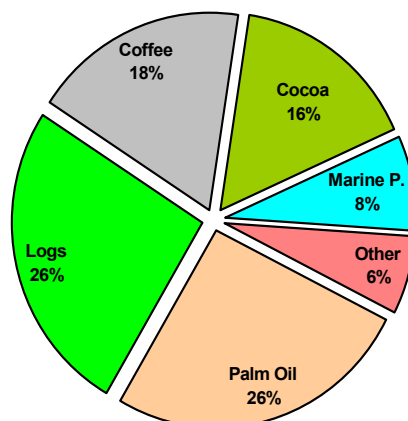


### 2003 Shares of Total Export Values:

All commodities



Primary Industries





## Annex 21: PNG Trade Exports and Imports (by Destination and Value in Kina and Euro)

| Region           | Country          | Origin of Imports |                |                    |                 |                |                    | Destination of Exports |                |                    |              |                |                    |
|------------------|------------------|-------------------|----------------|--------------------|-----------------|----------------|--------------------|------------------------|----------------|--------------------|--------------|----------------|--------------------|
|                  |                  | 2002              |                |                    | 2003            |                |                    | 2002                   |                |                    | 2003         |                |                    |
|                  |                  | Kina ('million)   | Euro ('000)    | % of overall Total | Kina ('million) | Euro ('000)    | % of overall Total | Kina ('million)        | Euro ('000)    | % of overall Total | Kina         | Euro ('000)    | % of overall Total |
| Europe           | Belgium          | 0.9               | 33             | 0.0%               | 2               | 80             | 0.1%               | 23.4                   | 853            | 0.4%               | 6            | 241            | 0.1%               |
| Europe           | Finland          | 8.3               | 303            | 0.2%               | 0.4             | 16             | 0.0%               | 1.7                    | 62             | 0.0%               | 1            | 40             | 0.0%               |
| Europe           | France           | 8.7               | 317            | 0.2%               | 10              | 402            | 0.3%               | 2.1                    | 77             | 0.0%               | 4.1          | 165            | 0.1%               |
| Europe           | Germany          | 37.3              | 1,360          | 0.9%               | 30.9            | 1,243          | 0.8%               | 221.7                  | 8,085          | 3.5%               | 473.4        | 19,043         | 6.1%               |
| Europe           | Britian          | 139.5             | 5,088          | 3.3%               | 46.4            | 1,866          | 1.2%               | 179.7                  | 6,554          | 2.8%               | 194.3        | 7,816          | 2.5%               |
| Europe           | Italy            | 8.2               | 299            | 0.2%               | 7.1             | 286            | 0.2%               | 118.1                  | 4,307          | 1.9%               | 127.7        | 5,137          | 1.6%               |
| Europe           | Netherlands      | 5.9               | 215            | 0.1%               | 7.7             | 310            | 0.2%               | 113.8                  | 4,150          | 1.8%               | 89.9         | 3,616          | 1.2%               |
| Europe           | Portugal         | 0                 | -              | 0.0%               | 0               | -              | 0.0%               | 1.7                    | 62             | 0.0%               | 1.4          | 56             | 0.0%               |
| Europe           | Spain            | 0.8               | 29             | 0.0%               | 1.2             | 48             | 0.0%               | 31.5                   | 1,149          | 0.5%               | 49.0         | 1,971          | 0.6%               |
| Europe           | Switzerland      | 14.3              | 522            | 0.3%               | 11.5            | 463            | 0.3%               | 53.6                   | 1,955          | 0.8%               | 0.2          | 8              | 0.0%               |
|                  |                  | -                 | -              | -                  | -               | -              | -                  | -                      | -              | -                  | -            | -              | -                  |
|                  | <b>Sub-Total</b> | <b>223.9</b>      | <b>8,166</b>   | <b>5%</b>          | <b>117.2</b>    | <b>4,714</b>   | <b>3%</b>          | <b>747.3</b>           | <b>27,254</b>  | <b>12%</b>         | <b>947</b>   | <b>38,093</b>  | <b>12.2%</b>       |
|                  |                  | -                 | -              | -                  | -               | -              | -                  | -                      | -              | -                  | -            | -              | -                  |
| Pacific          | Fiji             | 5.3               | 193            | 0.1%               | 4.2             | 169            | 0.1%               | 1.1                    | 40             | 0.0%               | 1.0          | 40             | 0.0%               |
| Pacific          | Solomon Islands  | 0.8               | 29             | 0.0%               | 0.5             | 20             | 0.0%               | 22.5                   | 821            | 0.4%               | 3.1          | 125            | 0.0%               |
| Pacific          | South Korea      | 31.7              | 1,156          | 0.8%               | 23              | 925            | 0.6%               | 322.2                  | 11,751         | 5.1%               | 420.9        | 16,931         | 5.4%               |
| Pacific          | Vanuatu          | 4.6               | 168            | 0.1%               | 3.5             | 141            | 0.1%               | 0.5                    | 18             | 0.0%               | 0.7          | 28             | 0.0%               |
| <b>Australia</b> | <b>Australia</b> | <b>2,470</b>      | <b>90,069</b>  | <b>59.1%</b>       | <b>2,163</b>    | <b>87,015</b>  | <b>54.2%</b>       | <b>2,724</b>           | <b>99,344</b>  | <b>42.8%</b>       | <b>3,571</b> | <b>143,640</b> | <b>45.8%</b>       |
| Australia        | New Zealand      | 168.1             | 6,131          | 4.0%               | 201.1           | 8,089          | 5.0%               | 98.5                   | 3,592          | 1.5%               | 36.2         | 1,456          | 0.5%               |
| Asia             | China            | 75.5              | 2,753          | 1.8%               | 198             | 7,965          | 5.0%               | 277.2                  | 10,109         | 4.4%               | 503.0        | 20,233         | 6.5%               |
| Asia             | Hong Kong        | 31.9              | 1,163          | 0.8%               | 35.9            | 1,444          | 0.9%               | 17.9                   | 653            | 0.3%               | 72.2         | 2,904          | 0.9%               |
| Asia             | Indonesia        | 87.5              | 3,191          | 2.1%               | 82.8            | 3,331          | 2.1%               | 82.6                   | 3,012          | 1.3%               | 124.5        | 5,008          | 1.6%               |
| Asia             | Japan            | 214.8             | 7,834          | 5.1%               | 198.9           | 8,001          | 5.0%               | 1010.2                 | 36,842         | 15.9%              | 984.6        | 39,606         | 12.6%              |
| Asia             | Malaysia         | 88.6              | 3,231          | 2.1%               | 76              | 3,057          | 1.9%               | 2.2                    | 80             | 0.0%               | 29.5         | 1,187          | 0.4%               |
| Asia             | Philippines      | 12.5              | 456            | 0.3%               | 8.2             | 330            | 0.2%               | 115                    | 4,194          | 1.8%               | 260.7        | 10,487         | 3.3%               |
| Asia             | Singapore        | 237.7             | 8,669          | 5.7%               | 265.6           | 10,684         | 6.6%               | 236.5                  | 8,625          | 3.7%               | 161.9        | 6,512          | 2.1%               |
| Asia             | Taiwan           | 8.5               | 310            | 0.2%               | 7.5             | 302            | 0.2%               | 17.6                   | 642            | 0.3%               | 12.2         | 491            | 0.2%               |
| Asia             | Viet Nam         | 0.9               | 33             | 0.0%               | 0.7             | 28             | 0.0%               | 0                      | -              | 0.0%               | 14.9         | 599            | 0.2%               |
| North Am         | Canada           | 6.8               | 248            | 0.2%               | 13.9            | 559            | 0.3%               | 0.2                    | 7              | 0.0%               | 0.7          | 28             | 0.0%               |
| North Am         | US               | 364.4             | 13,290         | 8.7%               | 406.2           | 16,340         | 10.2%              | 293.4                  | 10,700         | 4.6%               | 211.3        | 8,500          | 2.7%               |
| Africa           | South Africa     | 2.1               | 77             | 0.1%               | 1.6             | 64             | 0.0%               | 0                      | -              | 0.0%               | 0.9          | 36             | 0.0%               |
| Eastern Europe   | Russian Fed      | 17.2              | 627            | 0.4%               | 11.6            | 467            | 0.3%               | 2                      | 73             | 0.0%               | 1.3          | 52             | 0.0%               |
| Others           | All others       | 124.6             | 4,544          | 3.0%               | 175.1           | 7,043          | 4.4%               | 396.1                  | 14,446         | 6.2%               | 436.3        | 17,550         | 5.6%               |
|                  |                  | -                 | -              | -                  | -               | -              | -                  | -                      | -              | -                  | -            | -              | -                  |
|                  | <b>Sub-Total</b> | <b>3,953</b>      | <b>144,172</b> | <b>95%</b>         | <b>3,878</b>    | <b>155,973</b> | <b>97%</b>         | <b>5,620</b>           | <b>204,949</b> | <b>88%</b>         | <b>6,847</b> | <b>275,414</b> | <b>88%</b>         |
|                  |                  | -                 | -              | -                  | -               | -              | -                  | -                      | -              | -                  | -            | -              | -                  |
|                  | <b>Total</b>     | <b>4,177</b>      | <b>152,338</b> | <b>100%</b>        | <b>3,995</b>    | <b>160,688</b> | <b>100%</b>        | <b>6,367</b>           | <b>232,203</b> | <b>100%</b>        | <b>7,794</b> | <b>313,508</b> | <b>100%</b>        |

Exchange rate: 2002 Euro/DM : 1 kina = 0.2742 (Average for the year - taken from the BPNG December 2003)  
2003 Euro/DM : 1 kina = 0.2486 (Average for the year - taken from the BPNG December 2003)

Source: Based on BPNG December 2003 Quarterly Economic Bulletin Vol: XXXI No 4.

## Annex 22: Staff and Visitors

### A EC Delegation Staff

- In 2003 the Brussels based Delegation team comprised:
  - Mr Anthony Crasner Head of Delegation
  - Mr Lindsay Jones First Secretary (from November 2003)
  - Mr Hans Lothar Schmidt Economic Advisor
  - Mr Robert Ziegler Civil Engineering Advisor (until August 2003)
  - Mr Jyrki Torni Financial Officer
  
- ALAT posts in the Delegation:
  - Mr Neil Nicholls Educational & HRDP Programme Specialist
  - Mr David Freyne Environmental & Rural Development Programme Specialist

### B Technical Assistants in the EU Programmes

The following is a list of TA experts with long-term<sup>33</sup> contracts.

#### Project: Bougainville Project Management Unit (STABEX)

- Mr Stan Basiou (independent). Programme Co-ordinator for the implementation of the STABEX programmes in Bougainville.
- Mr Steven Bullut (independent). Infrastructure Co-ordinator (until December 2003).

#### Project 8 ACP PNG 003 - HRDP II

- Mr Allan William Sail (GOPA Consultants). TA within the Programme Implementation Unit, Department of Education, Port Moresby (until December 2003).
- Cathy Eminoni, Manager, Programme Implementation Unit, HRDP II, Dept of Education (from December 2003).

#### Project 8 ACP PNG 004 - NAOSP II

- Mr Jean-Yves Hansart (Sofreco). Programme Administrator and Team Leader within the EU-PMU, Department of National Planning and Monitoring, Port Moresby.
- Mr Xavier Canton-Lamousse (Sofreco). Rural Development Expert within the EU-PMU, Department of National Planning and Monitoring, Port Moresby.

#### Project 8 ACP PNGF 005 - Eco-Forestry Programme

- Mr Willem Quist (Agrifor Consultants). Team leader and Eco-Forestry Advisor, Lae (until May 2003).
- Mr Simon Rollingson (Agrifor Consultants). Marketing Advisor, Lae.
- Dr Quentin Ducenne (Agrifor Consultants). Policy Advisor, National Forest Authority, Port Moresby.
- Mr Charles Dalton, Administrator, (from September 2003).

#### Project 8 ACP PNG 014 - Sexual Health Project

- Dr Ute Schumann (Euro Health Group). Resident Technical Adviser, National Aids Council, Port Moresby.

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<sup>33</sup> *Long term* means contracts with a period of performance in excess of one year. Experts, or teams of experts, deployed for a shorter period of time, are mentioned elsewhere in the report.

## Project 8 ACP PNG 017 - Rural Coastal Fisheries Development Programme

- Mr Sean Marriott (Agrisystems consultant). Project Manager, National Fisheries Authority (from October 2002), Madang based.
- Mr Sean Baxter (Agrisystems consultant), Master Fisherman Specialist (from August 2003).
- Mr Roboan Paka (Agrisystems consultant), Field Coordinator.

**Annex 23: Missions from EU Headquarters and other Delegations**

| <b>DATE</b>       | <b>PURPOSE OF MISSION</b>   | <b>ORGANISATION/OFFICE</b>   |
|-------------------|---|--|
| 11 – 23<br>May    | Monitoring Mission of EC Projects in PNG  | Mr. Henk Hendrikse<br>Ms Elizabeth Visser<br>Mr. Andronicos Philactopoulos<br>Mr. Fernando Cerutti<br>Ms Rikke Dyndgaard<br>ACP, South Africa and Cuba Monitoring Team |
| 15 – 22<br>May    | Finalisation of 2002 Joint Annual Report and discuss Mid-Term Review  | Mr. Augustin Oyowe,<br>Desk for PNG<br>DEV/C/1   |
| 20 – 21<br>Aug    | Discuss progress with 9 <sup>th</sup> EDF, Mid-Term Review, SAP 2 and working relations EC-PNG Government   | Mr. Koos Richelle<br>Director-General for Development  |
| 21 – 24<br>Aug    | Discuss EPA and trade related issues  | Mr. Martin Dihm, DG Trade  |
| 26 – 30<br>Oct    | Provide assistance concerning the preparatory/implementation of EDF projects.   | Mr. Costas Tsilogiannis<br>Charge d'Affaires a.i.,<br>EC Office, Vanuatu   |
| 2 – 17<br>Nov     | To access EDF account and Project expenditures of the Papua New Guinea Delegation   | Mr. Emmanuel Hellinakis<br>Mr. Denis Bruneau<br>The European Court of Auditors,<br>Luxembourg  |
| 10 – 14<br>Nov    | Gather data and assist the Delegation in finalizing the 2002 Joint Annual Report and early preparation for the Report of the 2004 Mid-Term Review | Mr. Augustin Oyowe<br>Desk for PNG<br>DEV/C/1  |
| 14 – 17<br>Nov    | Discuss EUPMU support of the NAO, good governance sector and dialogue with NSA  | Mr. Christophe Larose<br>AIDCO/C/4   |
| 30 Nov –<br>4 Dec | Familiarization visit to PNG and to discuss programming and implementation of current EDF Programme   | Mr. Valeriano Diaz<br>Head of Unit, DEV/C/1  |

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- Guidelines for 2004 – Mid-Term Reviews under the ACP-EC Partnership Agreement, EC (covers the Layout for 2003 Joint Annual Report).
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- Papua New Guinea Country Paper on Civil Society Contributions to Development and Democracy – Presentation at the National Consultation Forum for Government and Civil Society Organizations in Papua New Guinea towards a Commonwealth Position on Civil Society Organisations, Department of Social Welfare and Development, Prepared by Ms Jane Kesno, Port Moresby., 10-11 July 2003.
- Summary Report on the National Capital District Provincial Aids Committee Street Kids Survey, NCD, 1 July to 1 August 2003, The Human Foundation Inc, NCD Provincial Aids Committee Secretariat, Boroko.
- Note to Messers V. Diaz, P.Darmuzey, J. Caloghirou, Ms A. Piergrossi et Mr P. Christiansen, Meeting on Extractive Industry Transparency Initiative (EITI), 9 December 2003.
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- 2004 Mid-Term Reviews - Methodology for Country Performance Assessment in Education and Health in countries where health or education are focal sectors, EC-Brussels, 16 January 2004.
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- MTR in ACP Countries – Other Considerations – Governance (EC note).
- MTR in ACP Countries – Sectoral Assessment in the Area of Institutional Capacity Building (EC note).
- Far eastern Economic Review – Economic Monitor, “In Dire Straits”, Rowan Callick, 11 September 2003.
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- Evaluation of the Economic Partnership Agreement Preparation in the Government of Papua New Guinea, Draft Final Report Gavin Jones, EU-PMU in Support of the NAO, 17 March 2004.
- Annual Report for the Period from 1-10-02 to 30-9-03, EU-PMU in Support of the NAO, 30-9-03
- Mid-term Evaluation of the National Authorising Officers Support Project, 8 ACP.PNG.004, Draft Report, September 2003, DNPRD.
- Report on the Review and Evaluation of Foreign Aid to PNG Conducted for the Government of PNG, Charles Lepani and Fiu Williame-Igara, December 2003.
- Brief – Financing for Short Term Fluctuation in Export Earnings (FLEX) – Compilation of Data for Eligibility in 2002, DNPRD Internal Brief 31 March 2004.
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## Annex 25: A Matrix of Cross-Cutting Issues, Projects and Programmes

| Project   | Project Number | Focal Areas                    | Cross Cutting Issues |                               |   |                                     |
|---|----------------|--------------------------------|----------------------|-------------------------------|---|-------------------------------------|
|   |                |                                | Gender Issues        | Critical Environmental Trends | Capacity Building and Institutional Development | Non-State Actors (NSA) <sup>1</sup> |
| HRDP II   | 8.ACP.PNG.003  | Education and HRD              | -                    | -                             | √   | √                                   |
| Improvement of Rural Primary                        | 8.ACP.PNG.019  | Education and HRD              | -                    | -                             | √   | √                                   |
| Eco-Forestry Programme                              | 8.ACP.PNG.005  | Rural/ Environment Development | -                    | √√√                           | √(√)  | √√                                  |
| Rural Coastal                                       | 8.ACP.PNG.017  | Rural/ Environment Development | -                    | √                             | √   | √√                                  |
| Gazelle Restoration Authority Micro-project Project | Various        | Non-Focal Area                 | -                    | √                             | -   | √√                                  |
| EU Programme Management Unit in NAO                 | 8.ACP.PNG.004  | Non-Focal Area                 | -                    | -                             | √√√   | √                                   |
| Sexual Health Project                               | 8.ACP.PNG.014  | Non-Focal Area                 | √                    | -                             | √   | √√                                  |
| Structural Adjust. Support Programme                | 8.ACP.PNG.015  | Non-Focal Area                 | -                    | -                             | -   | -                                   |
| Mining Sector Support (MSS)                         | 8.ACP.PNG.018  | SYSMIN <sup>2</sup>            | √√                   | √√√                           | √(√)  | √                                   |

Key:

<sup>1</sup>Cross-cutting issue for 8<sup>th</sup> EDF but non-focal issue for 9<sup>th</sup> EDF.

<sup>2</sup>SYSMIN project listed was a significant project and warranted inclusion in the table for 2003.

√ = Low importance in the cross cutting issue.

√ = Medium importance in the cross cutting issue.

√√√ = High importance in the cross cutting issue.

(√) = Increasing importance in the cross cutting issue.



**Annex 26: NGOS involved under TCF for 2003\***

| <b>Name of NGO</b>  | <b>Coordinates</b>   |
|---|--|
| Bismarck Ramu Group                                       | PO Box 305, Madang.<br>Tel: 852 3011 Fax: 852 3306         |
| East Sepik Council of Woman                               | PO Box 35, Wewak, ESP.<br>Tel: 856 2025                    |
| Eastern Highlands Family Voice                            | PO Box 1641, Goroka, EHP.<br>Tel: 732 3084 Fax: 732 2737   |
| Individual and Community Rights Advocacy Forum            | PO Box 1104, Boroko, NCD.<br>Tel: 325 7959                 |
| Port Moresby Safer City Project                           | PO Box 7354, Boroko, NCD.<br>Tel: 325 7959                 |
| Transparency International                                | PO Box 591, Port Moresby                                   |
| NGO Capacity Building                                     | PO Box 3405, Boroko.<br>Tel: 311 2952 Fax: 311 2782        |
| Center for Applied Research Training and Advocacy (CARTA) | PO Box 71, University, NCD.<br>Tel: 325 9823 Fax: 323 0887 |
| Kaimare Scout   | c/o Luke Keria Hope World Wide                             |
| PNG National Council of Women                             | PO Box 154, University, NCD                                |
| PNG Council of Churches                                   | PO 1015, Boroko, NCD                                       |
| PNG Trade Union Congress                                  | PO Box 4279, Boroko, NCD                                   |
| CIMC  | PO Box 1530, Port Moresby, NCD.<br>Tel: 321 1714           |
| PNG World Vision International                            | PO Box 6828, Boroko, NCD.<br>Tel; 323 0409                 |
| Churches Medical Council                                  | C/o Department of Health, PO Box 3991,<br>Boroko, NCD      |

- Attendees at the National Consultation Forum for Government and Civil Society in PNG, 10-11 July 2003, Port Moresby.

**Annex 27: Education and Human Resources Indicators**  
**Focal sector 1: Education and Human Resources**

| Type           | Intervention Logic   | Indicators   | Base year:2000                                  | 2001  | 2002  | 2003 Est.                                       | 2004 Target                                     | 2005 Target                                     | Sources of verification  | Assumptions  |
|----------------|--|--|---|---|---|---|---|---|--|--|
| <b>Impact</b>  | Increase in the number of rural people (particularly girls and youth) with basic education and marketable skills, and increased reduction in the level of poverty. |  |   |   |   |   |   |   | National and International Social-economic surveys. Employers' surveys | Stability of policy and maintenance of education's share in national budgets |
| <b>Outcome</b> | Access of rural people (particularly females) to elementary, primary and secondary education increased   | <ul style="list-style-type: none"> <li>- Percentage graduating from general education</li> <li>- Number graduating from vocational training Year2</li> <li>- Percentage enrolments in primary education Grade 8</li> <li>- Increased number graduating from Grade 8</li> <li>- Percentage enrolment of females in primary education</li> <li>Grades 3-8</li> <li>- Increased retention rates in primary education, Grs. 1-6</li> <li>- Increased rate of retention in secondary education</li> <li>- Increased ratio of teacher/ pupils in primary education</li> <li>- Increased adult literacy rate</li> </ul> | 4283<br>33.7%<br>39560<br>45%<br>56.8%<br>19.6% | 5181<br>33.3%<br>40208<br>45%<br>57.2%<br>20.6% | 5275<br>34.6%<br>42947<br>45%<br>57.7%<br>24.1% | 5434<br>37.6%<br>47941<br>46%<br>58.8%<br>25.0% | 5597<br>39.2%<br>51337<br>47%<br>58.8%<br>22.8% | 5786<br>40.7%<br>58907<br>48%<br>60.0%<br>21.3% | Statistics of the Departments of Education and of National Planning;   |  |
| <b>Output</b>  | Quantity and quality of education improved   | <ul style="list-style-type: none"> <li>- Number of teachers recruited and trained</li> <li>- Number of primary schools/classrooms constructed and/or equipped.</li> <li>- Ratio of pupil/textbooks</li> <li>- Number of rural schools inspected.</li> </ul>  |   |   |   |   |   |   |  | Effective liaison and coordination of all donor programmes                   |
| <b>Input</b>   | <ul style="list-style-type: none"> <li>-Annual national budget allocations</li> <li>-EDF contributions</li> <li>-Other donors contributions</li> </ul>             |  |   |   |   |   |   |   |  |  |

**Annex 28: Water Supply and Sanitation Indicators**  
**Second Focal sector Water supply and Sanitation**

| Type           |   | Indicators   | 2000<br>B/year | 2001     | 2002     | 2003<br>Est | 2004<br>Target | 2005<br>Target                      | Sources of<br>verification  |
|----------------|---|--|----------------|----------|----------|-------------|----------------|-------------------------------------|---|
| <b>Impact</b>  | Health and quality of life improved and poverty alleviated.   | Increase in the percentage of population with access to safe water, and basic sanitation   |                | 30<br>15 | 32<br>19 | 34<br>23    | 36<br>27       | 40<br>31                            | National and International Socio-economic data.   |
| <b>Outcome</b> | -Access of rural people (particularly women) to safe drinking water facilitated.<br>Sanitation improved and income-generating activities increased. | Proportion of rural population with access to safe drinking water (%)<br>Proportion of rural population with access to waste disposal systems<br>Diarrhoea-related deaths rate (100000)<br>Incidence of Malaria<br>Maternal mortality rate (per 100000)<br>Infant mortality rate (per 1000 live births)<br>Under-five mortality rate (per 1000)<br>Rural employment rate (%) |                | 30<br>15 | 32<br>19 | 34<br>23    | 36<br>27       | 40<br>31<br>1405<br>315<br>21<br>45 | Department of Health.<br>Department of National Planning and Rural Development.<br>UNICEF |
| <b>Output</b>  | Households and schools provided with safe drinking water and waste disposal systems   | Number of households and schools provided with water<br>Number of communities trained in water management<br>Number of waste disposal systems provided.  |                |          |          |             |                |                                     |   |
| <b>Input</b>   | -Annual national Health budget the EDF contributions<br>-Other donors contributions.  | Percentage of public spending on Health.<br>Percentage contribution of EC other programmes   |                |          |          |             |                |                                     |   |

Key Government targets (National Health Vision: Department of Health). Provide 40% of the population with safe drinking water by 2005, and 50% by 2010. Reduce Infant mortality per 1,000 to 65 by 2005 and 53 by 2010. Reduce child mortality per 1,000 to 20.5 by 2005 and 18 by 2010. Reduce maternal mortality per 100,000 to 315 by 2005 and 260 by 2010. Reduce diarrhoea-related death rate per 100,000 to 1405 by 2005 and 1200 by 2010.