



# Papua New Guinea – Australia Development Cooperation Report 2009

December 2010

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In 2009, the Papua New Guinea (PNG) aid program was in transition between the PNG – Australia Development Cooperation Strategy 2006-2010 and the PNG – Australia Partnership for Development. These documents are agreed between the two governments; they outline the scope of the program and provide a framework against which performance can be measured. The development cooperation strategy guides the programs in sectors not yet addressed under the partnership.

This report summarises the bilateral aid program's progress in 2009 against the implementation of both agreements. This includes reporting against the objectives assigned to the five priority outcomes of the Partnership for Development and pre-existing activities under the Development Cooperation Strategy—totalling the 12 individual objectives included in this report.

Reports on the program's performance in previous years are available on the Australian Agency for International Development's (AusAID's) website.

## Context

Papua New Guinea is one of the **fastest growing economies** in the world. Gross Domestic Product grew by about 5% in 2009 and is expected to grow by a further 8% in 2010 (International Monetary Fund estimate), compared with an annual average growth of 0.4% between 1995 and 2002 before the recent commodity boom. The 2010 PNG budget forecasts inflation to be close to 10%, a pressing issue for an economy suffering substantial capacity constraints. Significant economic inequity in PNG means the longer-term challenge remains to find a way to translate the benefits of enclave resource projects such as the Liquefied Natural Gas Project<sup>1</sup> into broad-based growth and development.

PNG has the **worst social development indicators** of the Pacific region and remains unlikely to meet any of its Millennium Development Goal (MDG) targets by 2015<sup>2</sup> (the country's performance against MDG indicators is in Table 1). However, some progress has been made in education, infant mortality, HIV prevention, testing and treatment, and in reducing the incidence of malaria.

There was little change to PNG's ranking on the Transparency International Corruption Perceptions Index in 2009—the country ranked 151 of the 180 surveyed (up from 150 in 2008).<sup>3</sup>

Throughout 2009 there was a decline in government **fiscal restraint and transparency**. Although the budget was officially balanced, according to the International Monetary Fund the real budget deficit was around 8% of GDP due to spending from trust funds. While a significant increase in the development budget in 2009 appeared positive, according to the Government of PNG Treasury, the proportion of that budget earmarked for policy priorities under the national Medium Term Development Strategy fell from 83% to 74%.

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<sup>1</sup> The PNG Liquefied Natural Gas Project is a joint venture led by Esso Highlands Limited, and includes gas production and processing facilities in the Southern Highlands and Western provinces. The project's first deliveries are scheduled to begin in 2014.

<sup>2</sup> Pacific Islands Forum Secretariat, 2010 Pacific Regional MDG Tracking Report

<sup>3</sup> The Corruption Perceptions Index ranks countries on the degree to which public officials and politicians are seen to be corrupt. It ranks 180 countries and draws on 14 polls and surveys from 12 independent institutions. It is published annually by Transparency International, a non-government organisation (NGO) that monitors corporate and political corruption in international development.



Based on more than a decade of declining performance, the overriding perception is that the **public sector is weak**. The situation is exacerbated by pressure from the Liquefied Natural Gas Project on the public sector generally, and in particular on the Treasury, the Department of Justice and Attorney-General (negotiating Benefit Sharing Agreements with landowners) and the Police.

Overall, the decentralised system of government is complex and fractured, in many cases with a poor or mixed implementation record. Whilst many provinces in 2009 received increased funds through function grants as a result of intergovernmental financing reforms, it is not clear whether this improved service delivery. Further, most provinces still do not receive enough funding to fulfill their service delivery responsibilities; and those provinces that do are not making service delivery a high priority.

**Law and order** was perceived to be in decline and violent crime, including well-planned and executed robberies of banks and businesses, is increasingly common. Kidnapping for ransom is an emerging problem and domestic and sexual violence continues to be endemic.

**Table 1: PNG performance against selected Millennium Development Goal indicators<sup>a</sup>**

Indicators	1990	2000	Latest
<b>Goal 1: Eradicate extreme poverty and hunger</b>			
1 Poverty headcount (\$-a-day purchasing power parity); % of population <sup>b</sup>	24	37.5 <sup>1996c</sup>	53.8 <sup>2005c</sup>
2 Prevalence of underweight children (under 5 years of age) <sup>d</sup>	29 <sup>1996</sup>	25	...
3 GDP per capita, purchasing power parity (\$ current international)	1079	1 623	1 817 <sup>2006</sup>
4 Real GDP per capita growth (% annual) <sup>b</sup>	-5.5	-3.8 <sup>e</sup>	0.4 <sup>2006</sup>
<b>Goal 2: Achieve universal primary education</b>			
5 Primary completion rate (% of relevant age group)	47 <sup>1991</sup>	56	54 <sup>2003</sup>
6 Youth literacy rate (% of ages 15–24)	69	76	64.1 <sup>2007c</sup>
<b>Goal 3: Promote gender equality and empower women</b>			
7 Ratio of girls to boys in primary education	0.86	0.60 <sup>c</sup>	0.80 <sup>2006c</sup>
8 Ratio of girls to boys in secondary education	0.59	0.79	0.79 <sup>2003</sup>
9 Women employed in the non-agricultural sector (% of sector total) <sup>f</sup>	20	32	35 <sup>2004</sup>
<b>Goal 4: Reduce child mortality</b>			
10 Under 5 mortality rate (per 1000)	94	80	74 <sup>2006c</sup>
<b>Goal 5: Improve maternal health</b>			
11 Maternal mortality ratio (modelled estimate, per 100 000 live births)	345 <sup>c</sup>	330 <sup>c</sup>	733 <sup>2007c</sup>
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>			
12 Prevalence of HIV, total (% of population aged 15–49) <sup>g</sup>	0.05 <sup>1993</sup>	0.31	1.61 <sup>2007e</sup>
13 Contraceptive prevalence rate (% of women aged 15–49)	26 <sup>1996</sup>	26 <sup>2001</sup>	30 <sup>2005</sup>
14 Prevalence of tuberculosis (per 100 000 people)	789	637	130 <sup>2008c</sup>
<b>Goal 7: Ensure environmental sustainability</b>			
15 Forest area (% of total land area)	70	67	65 <sup>2005</sup>
16 Access to improved water source (% of population)—rural	32 <sup>c</sup>	...	32 <sup>2006g</sup>
Access to improved water source (% of population)—urban	88 <sup>c</sup>	...	88 <sup>2006g</sup>
17 Access to improved sanitation (% of population)—rural	41 <sup>c</sup>	80 <sup>c</sup>	...



Indicators	1990	2000	Latest
Access to improved sanitation (% of population)—urban	67 <sup>c</sup>	92 <sup>c</sup>	...

■ Sourced from United Nations (UN) Statistics Division, *United Nations site for the MDG Indicators*, accessed at <<http://unstats.un.org/unsd/mdg/Data.aspx>> unless otherwise stated. Usually you have the date of access. Same comment throughout  
■ Sourced from the World Bank, gross national income (GNI) per capita; purchasing power parity (current international \$), accessed at <<http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD>>.  
■ Pacific Islands Forum Secretariat, *2010 Pacific Regional MDG Tracking Report*. more complete references throughout, as per style material provided for these reports. Example, location and date?  
■ Sourced from the Secretariat of the Pacific Community (SPC).  
■ Estimated figure.  
■ Sourced from the Asian Development Bank (ADB).  
■ Sourced from United Nations General Assembly (UNGASS) *PNG 2008 Country Progress Report*. (Have italicised what I believe to be the full title, but AusAID to check)

**Australian aid investment to PNG (more than \$363 million in 2009) continues to contribute to development outcomes and poverty reduction.**

**Table 2: Approximate bilateral expenditure in Papua New Guinea in 2009–10**

Sector	\$ million	% of bilateral program
Education	44.41	12
HIV/AIDS	32.20	9
Health	36.36	10
Law and justice	35.05	10
Transport infrastructure	54.18	15
Democratic governance	29.06	8
Economic and public sector governance	54.49	15
Tertiary partnership and scholarships	18.40	5
Sub national	27.66	8
Development statistics	3.03	1
Disaster risk management	1.36	0
Rural development	15.53	4
Cross-sectoral	11.78	3
<b>Total</b>	<b>363.51</b>	<b>100</b>

Through the Partnership for Development, Australia is working with the PNG Government to achieve 12 objectives:

1. Key National Roads, Ports and Airports providing access to markets and services
2. Significant, measurable progress towards the achievement of universal basic education by 2015
3. Improved health outcomes
4. An efficient and effective public service
5. Development policy and program formulation based on sound statistics and performance reporting
6. Stabilise spread of new HIV infections by 2020 and provide effective care and treatment of those infected; and strengthened national capacity to lead, coordinate and implement the HIV response
7. Improved ability to provide Law & Justice services
8. Increased workforce skills
9. Men and women, civil society, and the state working together on issues of common (public) interest, shaping policy, allocating resources, and enabling the exercise of rights



10. Sustainable and secure improvements in food supply and incomes for smallholders
11. A conducive environment for enhanced private sector development
12. Addressing the causes and mitigating the impacts of climate change

## Progress towards objectives

### Objective: Key national roads, ports and airports providing access to markets and services

Australia achieved important results in several key transport areas, and has also helped improve governance and management within transport sector agencies. However, broad success in the sector was hampered because the PNG Government did not allocate the necessary funding to transport priorities agreed to under the Partnership for Development. Another factor was the constraints in the ability of the public and private sectors to implement the priorities. In 2009, AusAID funding was used to:

- > maintain 1694 km of priority roads through PNG's Department of Works and 340 km of the Highlands Highway through two long-term road maintenance contracts (totalling \$28.2 million)
- > buy equipment for, and maintain, airports through the Civil Aviation Authority and Airservices Limited to train air traffic controllers, repair the tarmac of Girua Airport (servicing Popondetta) and develop a masterplan for Jackson Airport in Port Moresby (\$1.45 million)
- > refurbish Buka Wharf, on Buka Island, Bougainville (\$1.4 million) and maintain around 416 km of the Bougainville trunk road (\$4.68 million).

The condition of national roads in 2009 was 39% good, 40% fair and 21% poor, an improvement over the 2006 figures of 32.7% good, 29.9% fair and 36.6% poor.

Program support has also improved the transport sector's ability to meet the international transport security standards set by the International Civil Aviation Organisation and International Maritime Organisation. All maritime ports were security audited in 2009 and 12 of the nation's 22 airports now meet airport safety certification requirements.

In 2009, only 58% of allocated program funding was spent on maintaining assets. Limiting factors were delays in finalising the Department of Works annual work plan; the late release of warrants, the authorisation for making allocated funds available for expenditure by the Department of National Planning and Monitoring; delays in preparing and processing tender documentation by the Department of Works and Project Management Committee; the ongoing poor performance of construction contractors; and the large overrun on contract periods.

### Objective: Significant, measurable progress towards the achievement of universal basic education

While PNG will not achieve its education-related MDG targets by 2015, with Australian support it has made strong progress over the past three years towards universal basic education. For example, the net admission rate<sup>4</sup> increased every year since 2006, both for boys

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<sup>4</sup> The total number of entrants six years of age in the preparatory grade, expressed as a percentage of the population aged 6 years of age.



and girls, from 11.5% in 2007 to 23.9% in 2009. Similarly, the net enrolment rate increased steadily from 52.9% in 2007 to 63.6% in 2009. The increase in enrolment meant that, in 2009, there were 1 272 559 students in elementary and primary schools compared to 973 822 in 2006, an average increase of 9.2% for each of the three years. Retention also steadily increased. While 41.5% of enrolled students completed grade 8 in 2006, 56.9% completed it in 2009.

Specific program achievements include:

- > building 176 double classrooms, 47 teacher houses and 13 other buildings (such as libraries, administration and toilets) in 229 schools
- > providing maintenance grants to 189 schools for small rehabilitation works
- > procuring and distributing 539 000 textbooks for basic education; producing, printing and distributing 5000 sets of school management booklets and the National Infrastructure Guidelines for school management; and printing and distributing 180 000 HIV/AIDS booklets for schools and provinces
- > building facilities to expand the PNG Education Institute in Port Moresby
- > introducing a new residential course for 300 elementary school teachers; and providing in-service teacher training to 33 000 teachers, including producing training manuals.

### Objective: Improved health outcomes

Overall, the health sector remains bleak. The PNG Government is not adequately funding the sector or implementing key accountability measures to improve how health funds are used. While there have been improvements in some areas, access to health services remains extremely limited and health outcomes for women continue to be a serious concern.

Infant and child mortality has improved in recent years. However, one in every 13 children born in PNG will die before the age of five. Progress was steady towards the national infant mortality target of 44 per 1000 live births, and PNG is likely to achieve its national under-five mortality target of 72 per 1000 live births. Nonetheless, progress against global MDGs is off track.

In PNG, only 40% of deliveries are supervised by a skilled worker. Low level of contraceptive use, high levels of fertility, low education levels of women and the low status of women are important factors contributing to the high level of maternal morbidity and mortality in PNG.

Progress has been made in preventing and controlling malaria, evidenced by the decline in incidence from 278 per 1000 people in 2004 to 236 per 1000 people in 2008.<sup>5</sup> Tuberculosis remains one of the top 10 causes of hospital admissions and is the third highest cause of morbidity and mortality in PNG. The prevalence of tuberculosis is estimated at 513 cases per 100 000 people<sup>6</sup> and treatment success rate is 75%.<sup>7</sup>

PNG's sector-wide approach in health, which Australia supports, has not achieved tangible improvements. It has failed to deal with the resource challenges of the decentralised system of government. A restructure to improve the approach is underway.

<sup>5</sup> *Health Sector Review (2001–09)*, National Department of Health, May 2009.

<sup>6</sup> United Nations Economic and Social Commission for Asia and the Pacific, *Statistical Yearbook for Asia and the Pacific 2008*.

<sup>7</sup> PNG-607-G03-T Grant Performance Report TB Round 6 (updated 6 January 2010).





- > 74% of those eligible for treatment<sup>8</sup> were able to access it compared to 0% in 2003—this is notable progress in PNG’s effort to achieve universal access to treatment and PNG is the only country in the region to have achieved such a major milestone
- > nationally, 251 sites are providing HIV testing and counselling services, an increase from 61 sites in 2006
- > more than 123 000 people received voluntary counselling and HIV testing, compared to 32 645 in 2006
- > more than 108 million condoms were procured and are now being distributed, compared to less than 5 million in 2008
- > people living with HIV have established seven networks throughout PNG with an estimated 1500 plus members—in 2006 there were only three networks.

A key target in the new draft National HIV and HIV Strategy 2011–2015, the successor to the National Strategic Plan on HIV/AIDS 2006–2010, is to stabilise HIV prevalence in adults at 0.9% by 2015.

### Objective: An efficient and effective public service

Overall, the ability of the public service to deliver services is not increasing. Improvements in performance of one part of the service do not always flow through to other parts—they can be undermined by political interference or weakness in other areas of the service. At the political level there is not enough commitment to improve. The Liquefied Natural Gas Project is drawing resources and attention away from the public service. Australian assistance is preventing faster decline in PNG governance, but in the current environment the improvement needed to make the public service efficient and effective in delivering services is highly unlikely to be realised.

In 2009, the Australian aid program supported:

- > The Auditor General’s Office to improve links between national agencies and provincial chief financial officers, and decrease by between 33% and 50% the time taken to perform a quality audit on provincial government and provincial hospital financial statements
- > Treasury to strengthen performance through recruitment and—in conjunction with the Department of Provincial and Local Government Affairs and the National Economic and Fiscal Commission—run four regional workshops on responsibilities and requirements for the budget process
- > Finance department to improve its productivity as well as its budget and internal auditing processes.

The Provincial Capacity Building Program trained provincial government officers in using information and communication technology, preparing financial statements, reconciling bank accounts and establishing fixed asset registers across six provinces. The program has improved the knowledge and skills of financial management staff and the quality of provincial treasury reporting.

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<sup>8</sup> Based on the World Health Organization eligibility criteria of those who need treatment and who have a CD4 count of less than 200.



Support to Treasury resulted in a strong budget process, improved outreach across national agencies and advice that helped influence ministers towards a balanced 2010 national budget. This effort was undermined by the drawing down of expenditure from trust funds, resulting in a real budget deficit of around 8% of GDP.

A new intergovernmental financing regime, developed through seven years of AusAID assistance to the National and Economic Fiscal Commission, started in 2009. This helped to increase service delivery funding to provinces by 25% compared with 2008.

PNG's Department of Finance improved budget processes, worked better with the provinces and reinvigorated the Internal Audit Committee. In 2009, 70% of the Department of Finance audit plan was completed, a strong improvement over earlier years. Two new internal audit committees began operation in 2009, bringing the total number to 19, and the number of audit committee meetings increased.

The Auditor General's Office cleared the audit backlogs from 2007 and 2008 and completed the 2009 audits on time. It sharpened its focus on provincial governments, to help improve accountability for service delivery at the sub-national level.

The Provincial Capacity Building Program continued improving financial management at the sub-national level in provincial and district treasuries in six provinces. A backlog of work from 4 to 5 years ago was cleared for most supported provinces. The average time taken to lodge financial reconciliations for supported provinces was 2.6 months, compared to an average of 7.4 months<sup>9</sup> for other provinces.

### Objective: Development policy and program formulation based on sound statistics and performance reporting

Australia provided technical assistance and funding to the PNG Government to design a National Statistical Development Strategy, to guide the delivery of the 2008–09 Household Income and Expenditure Survey and to improve the collection, analysis and use of development data in formulating policy. Support to the planned 2010 National Population Census was limited because the census was deferred until 2011.

The Household Income and Expenditure Survey completed its sixth month of data collection by March 2010. The National Statistics Office is working to release some preliminary tables. Timely availability of operational funds is the project's biggest challenge, costing the project three to four months of data collection time. Treasury, the National Statistics Office, finance managers, donors and the Central Supply and Tenders Board are working together to streamline processes and release the funds more quickly.

The Household Income and Expenditure Survey has included a focus on gender equality at all stages, but most significantly in designing the survey to include collection of data on violence against women and children in the home and designing for greater sex disaggregation of data.

Another benefit of the Household Income and Expenditure Survey has been to improve the skills of National Statistics Office staff to collect and manage electronic data.

The 2006 Demographic and Health Survey was completed in May 2009. While conducted outside the timeframe of the partnership program, it sets the baseline for the next Demographic and Health Survey, due in 2011. It will be a key achievement if the survey

<sup>9</sup> Provincial Capacity Building Program Phase II 2008 Assessment Report.



continues to be conducted and reported every five years. So far, planning and budgeting have not begun for a 2011 start date.

### Objective: Improved ability to provide law and justice services

The decline in overall law and order remains a serious concern. Fear of crime continues to be high and perceptions of corruption and the ability of the police to deal with these issues remains negative according to crime surveys<sup>10</sup> conducted during 2009 in Bougainville (Buka and Arawa), Mt Hagen and Port Moresby (National Capital District). The lack of reliable statistics makes it difficult to judge criminal justice trends in PNG, but violent crime—including well-planned and executed robberies of banks and businesses—is increasing. Kidnapping for ransom is emerging as a problem and domestic and sexual violence continue to be endemic.

As acknowledged by the PNG Government, the Royal PNG Constabulary and Correctional Services are in crisis, with ageing workforces and an inability to deliver services. Correctional Services performance was particularly poor in 2009, with prison breakouts continuing to rise and escapee numbers estimated to be as high as 460 in 2009, representing almost a 100% increase on 2008.

Australian assistance is helping to improve law and order in some areas. Australia is advising on the restoration of the rule of law in Bougainville, on the establishment of law and justice agencies and on building the capacity of the Bougainville Law and Justice Division. Australian support for the Buka Prison is resulting in more secure and humane conditions for prisoners. Australia assists Community Justice Centres on Bougainville, managed by the community for the community. These centres support coordinated judicial circuits and service desks for women, youth, village courts, Community Auxiliary Police, the Council of Elders, counselling services and HIV/AIDS support.

Australian support for the high-profile *Yumi Lukautim Mosbi* (Let's look after Moresby) program is helping youth find jobs. It is also bringing law and justice agencies, such as the police, together with local government, businesses and communities to address law and order concerns. Since 2004, a total of 3600 young people from settlements in Port Moresby have volunteered to work with police in the community as part of *Yumi Lukautim Mosbi*.

For many PNG citizens the country's 1400 village courts provide the entry level for justice services, and for many this is the only avenue to access justice services. The PNG Australia Law and Justice Program supports the Village Court Secretariat and the rejuvenation of the village court system.<sup>11</sup> This includes improving information management systems, training village court officials and incorporating issues such as gender equality and HIV/AIDS into all village court work. All provinces are recruiting women to village courts.

Family and sexual violence units established during 2009 in Boroko, Waigani and Badili police stations are helping victims of these crimes. The units offer referrals for victims needing interim protection orders, medical services, counselling services and emergency accommodation. In 2009, the three units helped 746 people. This included referring 204 people to welfare, medical and/or legal services and issuing 41 interim protection orders.

<sup>10</sup> Crime surveys are conducted on a regular basis (in 2009 by the Law and Justice Sector Secretariat) across different geographic locations including Port Moresby, Lae, Bougainville, Mt Hagen and Kianantu.

<sup>11</sup> The White Paper on Law and Justice in PNG highlights the importance of a revitalised village court system and the need for significant improvements within the operation of these courts.



These orders, introduced in 2009, provide immediate protection from physical or sexual violence and threats or actual damage to property. Guidelines directing proceedings of District Court Magistrates have resulted in the granting of 342 orders. Before the orders were introduced, victims of family or sexual violence or other gender-based crime had no effective legal support.

Australian advisory support makes a significant contribution to the management and administration of the Law and Justice Division of the Eastern Highlands Provincial Governments and the development of District Peace Management Teams in all districts in Eastern Highlands Province. Fifty-two of 78 tribal fights in Eastern Highlands Province are now dormant or have normalised as a result of a more formal and coordinated approach to mediation and resolution as well as other improvements in law and order.

### Objective: Increased workforce skills

The Australia Pacific Technical College and AusAID scholarships contribute critically required human resource development in PNG, providing high quality graduates with Australian awards at all levels of post-secondary study (vocational, undergraduate, postgraduate and doctoral).

The Australia Pacific Technical College trains Papua New Guineans in technology trades (automotive, manufacturing, construction and electrical) and in hospitality and tourism. Students graduate with skills of Australian standard and this is supporting broad-based economic growth and increased productivity in PNG.

Australia Pacific Technical College achievements in 2009 include:

- > 239 graduates
- > 123 students on scholarships
- > 399 students enrolled.<sup>12</sup>

Under the PNG scholarship program in 2009, 27 technical and vocational scholarship awardees successfully completed their studies and returned to PNG.

### Objective: Men and women, civil society and the state working together on issues of public interest, shaping policy, allocating resources and enabling the exercise of rights

Australian assistance to the PNG Electoral Commission is supporting organisational reform, resulting in direct engagement between the commission and civil society. These partners are working to improve the electoral process and to develop a three-year awareness-raising communications strategy. This work is critical in the lead up to the 2012 national election.

Support to the PNG National Broadcasting Commission led to the establishment of the National Broadcasting Commission Board and systems to hold Commission management to account; National Broadcasting Commission News making more effective use of provincial journalists, with higher expectations of filing rates and more structured feedback; and the Commission responding strongly to the cholera epidemic with news reports, information programming and 'spot dramas' on key themes.

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<sup>12</sup> Total enrolments include scholarships, self sponsored and industry sponsored. Data taken from the Australia Pacific Technical College in PNG update report of February 2010.



Support to PNG's Media Council is helping to address problems of media access, content and voice. In 2009, the council held conferences on subjects such as media freedom and climate change. These attracted large audiences, resulted in significant debate and media coverage and helped improve the ability of journalists to report on issues of importance to PNG's development.

In 2009, the Church Partnership Program supported churches to respond to local development needs and community initiatives. In PNG, churches are major health and education service providers. The quality and reach of their services to communities equals, and often exceeds, that of government. During 2009, Australia helped partnership churches to improve their management and capacity for service delivery. Australia also helped facilitate partnerships between and within participating churches, enhancing their collaboration. The churches' understanding of development has increased as a result. This knowledge has helped churches—individually and jointly—deliver better community-level services in health, HIV/AIDS and education.

Community participation in quality, regular, sport-based activities has increased under the Sport for Development Initiative. Grants have been used to achieve good outcomes at community level, including reducing drug and alcohol abuse, increasing opportunities for women to make money, improving sporting and organisational skills, improving the status of women through active participation in sport, and enhancing communication and volunteer activity at local levels.

A pilot project on participatory planning for the Bogia Ward helped develop plans for local development activities based on genuine community need. On the strength of these new plans, the district and local level governments applied for, and received, donor and PNG government funding for implementation.

### Objective: Sustainable and secure improvements in food supply and incomes for smallholders

In 2009, through the Agriculture Research Development Support Facility, Australia funded the National Agriculture Research Institute and five other national agriculture research organisations. This helped reorient research agendas from a purely technology focus to one that included institutional arrangements and policy innovations, helping drive broad-based agricultural development in PNG. The facility has also supported the institute to pioneer geographic information based planning which better matches resource allocation to clients' priority needs. The Agricultural Innovations Grant Scheme has supported new approaches to assisting farmers, such as mobile phone-based market information. The National Agriculture Research Institute is also piloting a project in partnership with PNG Women in Agriculture and PNG Microfinance to address women's access to funding for agricultural activities.

An independent evaluation of the PNG – Australia Quarantine Twinning Scheme in early 2010 found that National Agriculture Quarantine Inspection Authority's (NAQIA) partnership with the scheme strengthened its technical capabilities, but failed to deliver organisational development. Program success centred on developing NAQIA's ability to carry out technical, service delivery and logistical tasks, in the areas of disease and pest control, including for export products.

In 2009, the Australian Centre for International Agricultural Research (ACIAR) portfolio in PNG focused on agricultural systems, including post-harvest activities; the production and protection of root, horticultural and tree crops; and fisheries and forestry. ACIAR helped the



agricultural sector become stronger by supporting postgraduate degrees in Australia and an in-country scholarship scheme at the University of Technology, Lae, as well as providing targeted activities within projects.

### Objective: A conducive environment for enhanced private sector development

In 2009, AusAID worked with key stakeholders to increase Papua New Guineans' access to financial services, including microfinance. In collaboration with the Asian Development Bank (ADB), International Finance Corporation and Institute of National Affairs, AusAID supported two workshops on the PNG microfinance industry and mobile banking. AusAID also worked with the ADB to support establishment of the Nationwide Microbank which now has nine branches and a training centre to support other microfinance institutions.

Australia helped PNG's Treasury reduce impediments to, and thereby increase, private sector investment. Areas of assistance included: negotiation of tax arrangements for the Liquefied Natural Gas Project; input into the development of a public – private partnership policy being promoted by the ADB through the National Public-Private Partnership Taskforce; and promotion of competition benefits (through the elimination of state owned enterprise monopolies, especially in the telecommunications and aviation sectors).

The Advisory Support Facility supported employment regulation in PNG, which is helping businesses by improving the foreign work permits system.

AusAID is making a modest contribution to land reform policy development. Australia's support is progressing slowly because PNG's decision making on land reform issues stalled from 2007 until mid 2009 due to political factors. During 2009, the PNG Government continued to address land administration issues, established a dispute settlement system and improved customary land administration through its National Land Development Program. This is increasing land use for economic activities.

### Objective: Addressing the causes and mitigating the impacts of climate change

In 2009, Australia's contribution focused on advisory support, both technical and institutional, as agreed to by the Office of Climate Change and Environmental Sustainability. The most notable achievement of the PNG Government in 2009 was the hosting in May of four regional conferences, in Goroka, Madang, Alotau and Rabaul. The conferences were an initial step to inform and educate provincial governments, landowners and stakeholders on climate change and the PNG Government's role in climate change mitigation and management.

There is a risk of donors overloading the Government of PNG with funding in the field of climate change—there is a substantial pool of funding available but PNG has very little institutional ability to process it.

### Next steps

A key focus for the program in 2010 will be responding to the recommendations of the Development Cooperation Treaty Review (the Review) which noted real achievements of the aid program in PNG, but also raised important challenges. Significant changes are needed to improve the effectiveness of the aid program and achieve better value for money through the Partnership for Development. The review identified that the program is too thinly spread, and

