



EUROPEAN UNION



**GOVERNMENT OF
PAPUA NEW GUINEA**

CO-OPERATION

BETWEEN

EUROPEAN UNION

AND

PAPUA NEW GUINEA

JOINT ANNUAL REPORT

2002

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

List of Abbreviations

ACP	Africa, Caribbean and Pacific
AsDB	Asian Development Bank
CPI	Consumer Price Index
CSP	Country Strategy Paper
DNAO	Deputy National Authorising Officer
DNPM	Department of National Planning & Monitoring
DOE	Department of Education
DOW	Department of Works
EC	European Commission
EDF	European Development Fund
EFP	Eco-Forestry Programme
EPA	Economic Partnership Agreement
EU	European Union
EU-PMU	European Union Programme Management Unit
FIC	Forum Island Countries
FMO	Framework of Mutual Obligation
GDP	Gross Domestic Product
GNP	Gross National Product
GoPNG	Government of Papua New Guinea
GRA	Gazelle Restoration Authority
HoD	Head of Delegation
HRDP	Human Resource Development Programme
IMF	International Monetary Fund
IREP	Islands Region Environmental Program
MSG	Melanesian Spearhead Group
MTDS	Medium Term Development Strategy
NAO	National Authorising Officer
NARI	National Agriculture Research Institute
NGO	Non Government Organisation
NIP	National Indicative Programme
NPRS	National Poverty Reduction Strategy
OEC	Office of Environment and Conservation
PEM	Public Expenditure Management
PICTA	Pacific Island Countries Trade Agreement
PNGBC	Papua New Guinea Banking Cooperation
PNGNFA	Papua New Guinea National Forest Authorities
REPA	Regional Economic Partnership Agreement
SAF	Structural Adjustment Facility
SASP	Structural Adjustment Support Programme
SHP	Sexual Health Project
STABEX	Stabilisation of Export Earnings of Agricultural Commodities
SYSMIN	System for Mining Assistance
TA	Technical Assistance
UNDP	United Nation Development Programme
UPE	Universal Primary Education
VAT	Value Added Tax
WTO	World Trade Organisation

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1. EXECUTIVE SUMMARY

Parliamentary elections took place in Papua New Guinea in June/July 2002. They were the most violent the country has ever seen. However, they brought to office a new government against a background of serious economic and social difficulties: a huge budget deficit, sharp depreciation of the national currency and rising inflation and unemployment. The difficulties were compounded by a deteriorating law and order situation, bad governance and high levels of corruption. But amid the gloom, progress was made in the peace process in Bougainville. Parliament approved in March the relevant amendments to the Constitution giving legal effect to the Comprehensive Peace Settlement agreement reached in August 2001 between the Government and Bougainville leaders and a boost to weapons disposal provided for in the agreement. Other provisions of the agreement include autonomy for Bougainville and a referendum on independence in 10-15 years.

The new government introduced a supplementary budget and a number of austerity measures to reduce the budget deficit, and announced its commitment to economic and social recovery and the strengthening of governance. It outlined an agenda that focuses on export-driven growth, rural development and poverty reduction, and launched the draft of a Medium-Term Development Strategy for the period 2003-2007. Relationship with donors, however, was strained as the authorities attempted to back-pedal from a number of reform commitments made by the previous government, for example, over the World Bank's forest conservation project. Australia, the biggest aid donor to PNG provided some assistance, but not enough to plug the financial gap.

Papua New Guinea remains naturally well endowed - an extensive forest reserve, fishery resources and a variety of minerals - but it faces enormous challenges in managing them sustainably and in protecting the environment. It lacks in particular human capacity to manage the economy. EU past and on going development programmes have, accordingly, been aimed at addressing this problem by focusing in particular on education and human resources development.

On 26 April 2002, PNG's Country Strategy Paper worth € 116 million under the 9th EDF was signed. The focal sectors are Education, Training and Human Resources Development, and Water Supply and Sanitation. The Paper also has a non-focal sector on Institutional Capacity-building and Governance. The terms of reference for the feasibility studies of these programmes were prepared and the tender for the Study of the Human Resources Programme was launched by the end of 2002. The signing of the CSP opened the way for the implementation of the €50 million mining sector support programme, which is based on the SYSMIN allocation made to PNG under the 8th EDF.

Commissioner for Development, Poul Nielson, visited the country in October and held wide-ranging discussions with the authorities on various aspects of EU development programmes. He visited a number of projects on the mainland and in Bougainville, addressed the students and staff of the University of PNG and the Council of Chiefs in Bougainville.

Overall, the implementation of EU development programme in PNG encountered significant difficulties during the year not only because of the bad political and economic environment, but also due to management problems linked to the dispute which arose between the Supervising Consultant of the main infrastructure component of the second phase of HRDP II and the Government, and lack of human capacities both in the Delegation and the national administration, as well design faults.

These difficulties notwithstanding, progress was made. Construction work had begun in five of the eight infrastructure components of HRDP II by the end of the year while, in Bougainville, the cocoa rehabilitation programme, funded under a Special STABEX fund, began the release of 3.4 million seedlings to village farmers with the aim of rehabilitating 4500 hectares of cocoa plantations. Commitments and disbursements, which were low at the beginning of year, accelerated towards the end to reach €19 million and €14.6 million respectively.

2. PAPUA NEW GUINEA'S NATIONAL POLICY AGENDA

On assuming office in August 2002, the new Government of Sir Michael Somare announced its commitment to economic and social recovery and a strengthening of governance systems. It outlined an agenda that focuses on three broad-based and interrelated objectives: Good governance, export driven economic growth, rural development, and poverty reduction and human resource development.

In pursuit of these goals, and following intense internal consultations, the Government decided to revise PNG's development strategy with poverty reduction and rural development as the underlying themes. Two inter-related documents were launched, to be completed during 2003. The first was a Medium-Term Development Strategy (MTDS) for the period 2003-2007, which outlines new Government policies and strategies in key development areas. The second was a National Poverty Reduction Strategy (NPRS) for the horizon 2003-2020, which presents the dimensions of poverty in PNG, macro-economic and governance issues, and priorities for action against identifiable indicators. The priorities are basic education, primary health, maintenance of transport infrastructure, law and order, and the promotion of income-generating opportunities, particularly in rural areas. The latter will encompass an export-driven strategy for agriculture, fisheries and forestry sectors.

A series of supporting strategies will be developed in this regard, during 2003 and 2004, by the Department of National Planning and Rural Development (DNPRD) and the relevant line departments and agencies, to complement the Medium Term Development Strategy and cover policy issues that are not directly addressed by it.

Also, in order to support the Government's agenda for Recovery and Development, budgetary management in Papua New Guinea over the period covered by the MTDS, 2003-2007, will be based firmly on the key elements of a well-functioning Public Expenditure Management (PEM) system. Local and international experience has demonstrated that policies and strategies will only be effective in producing the desired outcomes if they are supported by sound institutional arrangements for budgetary formulation, management and execution. The PEM system offers a sound and consistent framework for embedding such institutional arrangements into PNG's budgetary processes. The Government's medium term aim is to contain fiscal deficit to 2% of the GDP.

3. ANALYSIS OF THE POLITICAL, SOCIAL AND ECONOMIC SITUATION

3.1 Political situation

Papua New Guinea has a parliamentary democracy based on the Australian model - a single legislative chamber of 109 members, elected by universal adult suffrage for a period of five years. Its Head of State is Queen Elizabeth II, who is represented by a Governor General. The latter appoints the Prime Minister, who is head of the Executive. These are complemented by a second tier provincial system of government (20 provincial governments in all for the 19 provinces plus the National Capital District), and a third tier of local governments.

The political system is highly volatile. Party affiliation is not generally based on ideology or shared political convictions, but on personal allegiances and political expediency. As a result, no government has survived its full term of office since the country gained independence in 1975, rendering economic policy-making unstable. However, an independent judiciary, a free and an outspoken press, a strong ombudsman system, free trade unionism, critical churches and non-governmental organisations provide some checks and balances within the system.

Type	Indicator	2000	2001	2002	2003
Impact	1. Proportion of population below \$1 per day	30	30	30	
	2. Infant mortality rate (per 1,000 live births)	54	56	N/A	
	3 Under-five mortality rate (per 1,000)	74	N/A	N/A	
	4. <i>Life expectancy at birth (years)</i>	57	57	57	
	5. <i>Income per capita (in US\$)</i>	850	850	765	
	6. <i>Adult literacy rate</i>	60	64	64	
Outcome	7. Net primary schools enrolment (%)	56.6	N/A	N/A	N/A
	8. Primary completion rate (%)	N/A	55.4		58.5
	9. Ratio of teachers to pupils	1:31 ⁱ	N/A	N/A	E28; P36; S25.5
	10. Ratio of girls to boys in:				
	<i>Elementary education (%)</i>	47.2 ⁱⁱ	N/A	N/A	47.5
	<i>Primary education (%)</i>	45.2	N/A	N/A	46
	<i>Secondary education (%)</i>	37.6	N/A	N/A	LS=42 US=37
	<i>Vocational education</i>	34.3	N/A	N/A	30
	11. Proportion of 1 year-old children immunised against measles (%)	25.6			
	12. HIV infection rate	0.25	0.5	0.9	
	13. Proportion of population with access to safe drinking water (%)	30	30	30	

ⁱ 1999

² PNG Yearbook 2000 (Department of Education, 1999 figures for all)

Item 9 above: E=Elementary; P=Primary; S=Secondary (It may be possible to average them to about 30 students to one teacher)

Item 10, the ratio of girls to boys in secondary 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, telecom 17 Dec/03)

Since 2000, a series of electoral reform laws have been enacted by Parliament to rectify some of the shortcomings in the political system. In December 2000, the Organic Law on the Integrity of Political Parties and Candidates was passed to take effect in 2002. The law makes it difficult for members of parliament to change political parties easily or to vote against a government they supported when it was set up in any vote of no confidence. Indeed the law forbids a motion of no confidence in the government in its first 18 months in office. Another law was passed in 2001 to replace the current first-past-the-post system (which ensures that a large number of parliamentarians are elected with less than 10% of the votes cast) with limited preferential voting with effect from the 2007 parliamentary elections. These reforms were largely due to pressures from civil society, in particular, the local branch of Transparency International under a project funded by the European Union.

In February 2002, an European Commission Election Exploratory mission visited PNG with a view to determining whether the parliamentary elections due to take place in June 2002 could be the subject of an EU electoral observation. Following the mission's report, the Council of European Union decided against observation for security reasons.

The elections took place as scheduled. They were the worst ever in PNG, marred by unprecedented levels of violence, kidnappings, intimidation, ballot rigging and deathsⁱⁱⁱ. The elections lasted for more than the usual two weeks from 15 June till the end of July 2002. The scale of the electoral chaos in the Southern Highland Provinces was so great that the results from six Constituencies were cancelled. They produced a change of government, ensuring the return to office of Sir Michael Somare, who led Papua New Guinea to independence in 1975 as the nation's first Prime Minister, and had held the position on one other occasion. He was seen by many as an experienced safe pair of hands at a time of serious economic and social difficulties.

The elections resulted in a significant number of young people entering parliament for the first time and, as usual, many parties with seats in parliament. Sir Michael's party had no overall

ⁱ 1999

ⁱⁱ PNG Yearbook 2000 (Department of Education, 1999 figures for all)

ⁱⁱⁱ The situation was so bad in the Southern Highland Provinces that the poll had to be cancelled in six constituencies

majority, but was asked by the Governor-General as the leader of the party with the largest number of seats to form a government. He was able to put together a coalition government, which was widely welcomed, as it included a number of well-known and competent individuals. The former reformist Prime Minister, Sir Mekere Morauta, became leader of a weak opposition in parliament. He was to be briefly ousted from that position at the end of 2002.

The new Government was confronted almost immediately on assuming office with serious social and economic problems: a huge budget deficit, a deteriorating law and order situation, bad governance, high levels of corruption, increase in poverty and rapid economic decline. Relations with donors were strained as the government announced a number of measures, which appeared to reverse the reformist policies of the previous government, in particular in the area of forest management and conservation with the World Bank's project particularly threatened. Australia, the biggest aid donor provided some assistance, but not enough to bridge the wide deficit in the budget. Social unrest threatened.

Papua New Guinea had experienced earlier in the year social upheavals among students and in the army. For days in January, thousands of students protested against rising costs of living and the Government's privatisation policy and plans on land registration. In March, an army mutiny occurred in East Sepik. The soldiers, who were demanding a halt to the reduction in the size of the army and a better retrenchment package for those already demobilised, broke into the armoury and removed a large quantity of arms, most of which were never recovered, believed sold into the community in a country suffering from a violent crime wave and tribal conflicts in the Southern Highlands.

EU Development Commissioner, Poul Nielson, was among the first foreign dignitaries to visit Papua New Guinea a few months after the new government took office. He paid an official visit in October 2002 and held wide-ranging discussions with key ministers. He visited a number of projects on the mainland and in Bougainville, where the EU is funding a cocoa rehabilitation programme as part of an international 'peace dividends' programme of agricultural rehabilitation of the war-torn province. He addressed the students and staff of the University of Papua New Guinea, and the Council of Chiefs in Bougainville.

Conflict Prevention

Bougainville

The year 2002 saw significant progress, however, in the peace process in Bougainville. In March 2002, Parliament approved Constitutional amendments giving legal effect to the Comprehensive Peace Settlement Agreement signed in Arawa on 30 August 2001 between the PNG Government and Bougainville leaders. The agreement brought formally to an end the nine-year bloody civil war in the province. It provides for weapons disposal, autonomy for Bougainville and a referendum on independence in 10-15 years. The first phase of the weapons disposal process continued satisfactorily during 2002, although it suffered a setback in November when containers holding recovered arms were broken into and 200 guns were removed.

Following the signing of the Comprehensive Peace Agreement, the Commission sent a Conflict Prevention mission to Papua New Guinea in February/March 2002, within the framework of the Rapid Reaction Mechanism (RRM), with a view to identifying short-term measures to assist in peace consolidation in Bougainville. The recommendations of the mission will be considered during the Mid-Term Review of PNG's Country Strategy Paper.

3.2 Economic situation^{iv}

The economic situation in Papua New Guinea in the first half of 2002 was dire, with unemployment rising and poverty increasing, following three years of a World Bank/IMF-backed structural adjustment programme. The adjustment had helped the country to overcome some serious macro-economic imbalances, with a reduction in the rate of inflation and an increase in the level of net international reserves. But with the pace of structural reform slower than planned and a number of mining projects winding down, the economy contracted, although agriculture, fisheries and forestry performed better, growing by an estimated 2%. The small manufacturing sector also grew to some extent. Lower production and export volumes of most agricultural commodities restricted domestic demand and limited growth. The national currency fell to a record low of Kina 4.37 to the US dollar.

The budget deficit in the lead-up to the June 2002 elections reached nearly 4% by mid-year, because of unbudgeted expenditure and cost overruns, notably on a bridge programme approved outside the regular 2002 budget, overspending on the national elections, wage and salary bill, excessive disbursements under the rural development programme, and the elimination of school fees. In late August the new government passed a supplementary budget that sought to contain the 2002 deficit to 3.4% of the GDP by curtailing current and development expenditures, freezing wages and public sector recruitment. The final year budget deficit nevertheless reached Kina 454 (5.5% of GDP), higher than the projected deficit of Kina 362 m (4.1%). Despite Australia's assistance involving the reprogramming of a part of its A\$350 million annual development assistance, these measures were insufficient to plug the financial gap.

For much of 2002, monetary policy was expansionary in order to finance the fiscal deficit. Given these excess liquidity conditions, the kina exchange rate against the US dollar depreciated by 12% in the ten months to October despite frequent intervention by the central bank. Further, consumer prices rose by almost 15% in the year to December 2002, reflecting fiscal slippage and the pass-through of the *kina's* sharp depreciation.

The current account deteriorated sharply in 2002, falling from a surplus of 6% of the GDP in 2001 to an estimated deficit of two and a half percent of the GDP. The large decline in volume of mineral exports was only partly offset by higher commodity export prices and lower import demand. As in 2001, the capital account was also in deficit. *Large net debt repayments*, lower inflows of direct investment and increased commercial bank holdings of foreign assets, were only partially offset by higher private sector inflows to the mining sector. As a result, the overall *balance of payments* showed a deficit, compared with the surplus recorded for 2001. The public debt-to-GDP ratio increased to 74% at the end of 2002, reflecting the expanding budget deficit and the kina depreciation.

Fiscal and monetary policies were tightened towards the end of the year. The 2003 budget passed in November 2002, targets a fiscal deficit of 2% of the GDP through sizeable cuts in goods and services expenditure. The Bank of PNG also began to tighten monetary conditions in November. Correspondingly, Treasury bill yields increased, pressure in the exchange market ceased, and the level of international reserves stabilised. Nonetheless preliminary data indicate the fiscal deficit measured on a financing basis was around 2% of the GDP in the first quarter and inflation was over 20% in the year to March 2003", as against 9.3% in 2001.

Foreign Reserves, which had increased to € 425 million by July 2002, fell to \$343m by the end of the year, largely as a result of debt repayments.

Early uncertainty about the government's policy on privatisation and reforms (improvement in governance, reduction of corruption, land reforms, etc), and its announcement of intention to postpone the launch of the US\$ 43 million forest conservation project funded by the World Bank damaged relations not only with the WB but also with a number of other donors. This diminished

^{iv} Sources: Largely from IMF 2003 Article IV report and Economist Intelligence Unit Country Report

substantially budget support possibilities. On privatisation, the authorities have reviewed the previous government's privatisation programme, and adopted a strategy of partnership between the public and private sectors, treating each asset on its merit and selling off a few early this year in attempts to balance the budget.

The production of crude oil and gold fell sharply in 2002 largely because of diminishing oil reserves and election-related violence. The PNG-Queensland gas pipeline project, on which so much hope had been placed for future economic growth, made so little progress in attracting sufficient sales contract during the year to enable it move towards the design phase that its future could not be guaranteed.

Real DGP in 2002 fell by a further 3%, the third consecutive year the economy has contracted and the fifth in the six years since economic growth reached its highest. Indeed the size of PNG's economy in 2002 was estimated to be the same as it was in 1994 since when the population has increased by 25% (one million), a clear illustrating of the deterioration of living conditions.

3.3 Social situation

Poverty

Poverty in PNG is defined in the Poverty Reduction Strategy being drawn up as "lack of access to economic and financial opportunities and inefficient delivery of, and lack of access to basic services. The factors contributing to this definition include weak governance, weak social support systems, unsustainable use of natural resources, and a poorly maintained infrastructure network."

In terms of the Millennium Development Goals (*see below for details on health and education*), Papua New Guinea has made little progress. Poverty has aggravated. Income per capita, which was as high as \$1200 a decade ago, plummeted in 2002 to US\$ 765 (and it is estimated to be as low as US\$ 350 in certain rural areas). Overall, the World Bank estimates that around 37% of the population live below the poverty line. Papua New Guinea is ranked 129 out of 174 countries on the United Nations Human Development Index. Life expectancy is the lowest in the Pacific. A little over 60% of the population is literate. Infant mortality range from 50 to 110 for every 1000 births and appears to be rising. Water-borne diseases such as diarrhoea and malaria are prevalent. PNG has one of the highest rates of HIV infection in the Pacific.

Health

Between 1980 and 2001, the infant mortality rate decreased from 78 to 56/1000, which is still quite high in comparison with other countries having a lower GNP per capita. Only 30% of the rural population have access to safe drinking water. According to the World Bank there has been a marked deterioration in the level and quality of health care facilities, especially outside major towns. Water borne diseases such as intestinal tract infections and malaria are prevalent. Tuberculosis is widespread and responsible for high death rate of little children. Measles kills a great number of children every year. PNG has one of the highest levels of HIV infection in the Pacific, with rapid rate of increase and geographical extension beyond the capital province. Awareness of risk factors is inadequate even amongst health staff. Access to effective care of sexually transmitted diseases is limited. Condoms are not popular and safe blood is not available. The HIV epidemic is well established and social factors are leading to rapid spread of the disease. The share of the Health of the national budget ranges from 9% to 12 % annually. Seven doctors are available per 100 000 people, substantially less of course in rural areas.

Based on the National Health Plan 2001-2010 which forms the basis of all health programmes, specific national plans were prepared in 2002, among which Healthy Islands Initiatives, Roll Back Malaria, Mental Health Programmes, etc. A Sector Wide Approach (SWAp) has been proposed for future donor support for health sector, where AusAID, ADB and NZAID have already allocated funds.

But despite these efforts and an increase in expenditure, little progress has been noted in the sector. The immunisation coverage for all EPI vaccines remained below 50%. Epidemic of measles occurred in many provinces resulting in large mortality among children. New cases of TB and other infectious diseases were identified throughout the year. Diarrhoea, pneumonia, malaria, measles and malnutrition remained major causes for admissions at hospitals.

A review of the medium-term National HIV/AIDS Plan (1998-2002) found that strong donor input has had little impact on the fight against the disease. On the contrary, there has been a dramatic increase in the number of new cases of HIV/AIDS and other sexually transmitted diseases.

Education

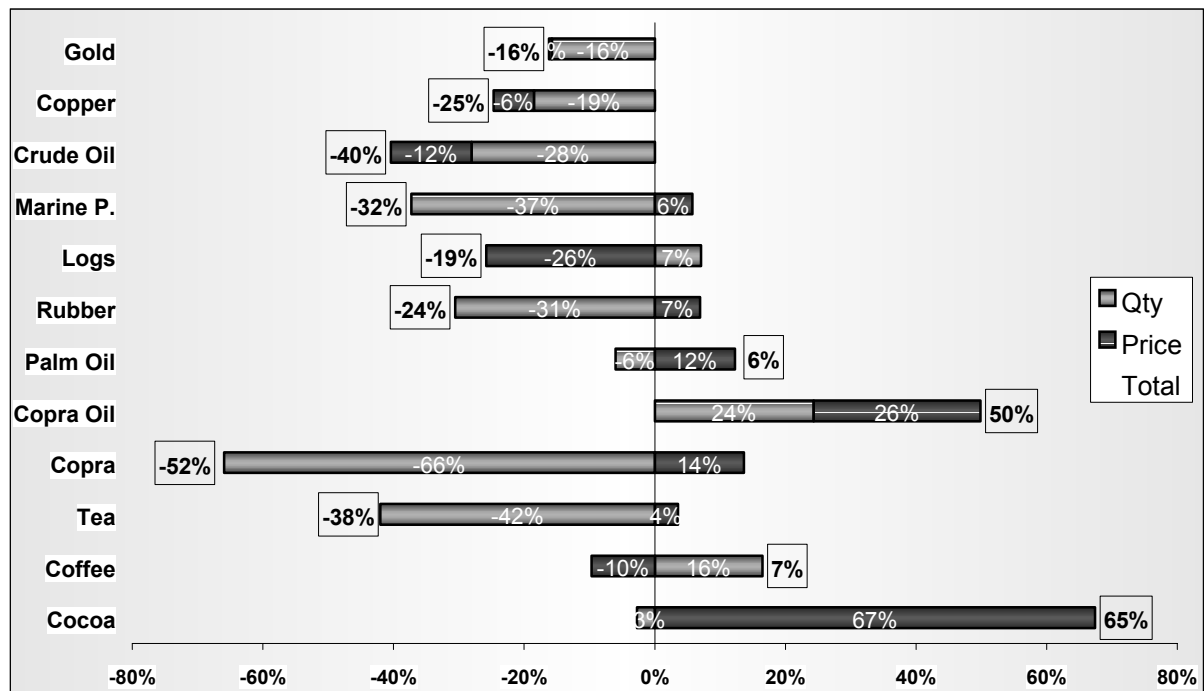
Significant progress has in fact been made towards increasing access to education over the past 10 years, with an annual increase of 5% in student enrolment. At primary level, attendance has risen from 72% to 82% for boys and from 60% to 76% for girls. Gender disparities remain a serious concern at secondary level, where only a third of pupils are girls. There is considerable variability across regions in respect of the gender gap in enrolments, and rather high drop out rates overall at primary level.

The MTDS envisages support to reforms aimed at achieving Universal Primary Education (UPE), to provide opportunity for all children to complete nine years of basic education. Resources will be directed towards implementing curriculum reforms, teacher training, improving infrastructure and rural education facilities, while ensuring that adequate funds are available to pay teacher salaries. In addition, resources will be provided to support secondary education, technical and vocational training and literacy campaign.

The lack of capacity to administer the education system remains a serious constraint to the reform process, although efforts are being made through an AusAID funded project to minimise this, and the 9th EDF educational programme will contribute as well.

3.4 Trade and PNG's integration into the world economy

Papua New Guinea is a member of the World Trade Organisation and understands the importance of trade in its economic development and integration into the world economy. It is a member of all the regional co-operation institutions, including those dealing with trade. It is participating actively in negotiations for an Economic Partnership Agreement (EPA) with the European Union. The Government of Sir Michael Somare has adopted an export-oriented policy. In 2002, however, PNG's trade with the outside world was disappointing. Revenue from its exports fell marginally from K 6.1 billion in 2001 to K 6 billion, with declines in all major commodities (except cocoa, coffee and palm oil). Higher world commodity prices and the depreciation of the kina helped offset lower export volumes for most commodities. This was evident in the gold whose revenue increased by 6% on year on year but volume dropped by 16%. Log export which accounts for 85% of forestry sector exports rose by 16% to Kina 273 m. Trade forecasts for 2003 are optimistic, because of several realistic industrial developments, particularly in the petroleum sector as well as higher prices for coffee, which are expected to boost export earnings.



The graph above shows variations in percent of the quantities and values of the major commodities in 2002 as compared to 2001. 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).

3.5 Environmental Issues of Immediate Concern

On the issue of environmental concerns, there are two areas of major preoccupation: forestry and mining.

Exporting of logs from Papua New Guinean began prior to independence in the early 1970s. Initially the industry consisted of a small number of predominantly Australian companies operating in both the New Guinea Islands and the Highlands region. After independence in 1975, the number of concessions began to gradually rise and by 1985 operations were occurring in most provinces. By 1990 the rate at which new concessions were designated and coming into production accelerated and by 1992, driven by Asian markets and the impending reform of the PNG forestry sector, most of the highly productive concessions in the country had been brought. Obviously, the highest timber volumes are produced in best accessible areas, indicating careless exploitation.

The future of the forest industry is one of the most critical issues facing environmental management in Papua New Guinea. Overseas logging companies continue to harvest the forests in a thoroughly unsustainable manner. Ten years ago Justice Barnett headed a Commission of Inquiry and described the logging companies as 'acting like robber barons roaming the countryside and seizing whatever they wanted'. The evidence today is that things are no better.

The destruction of PNG's forests is not just an ecological disaster; it is a social and economic problem as well. It is one of the fields where corruption plays a major role, damaging chances for sustainable development, thereby increasing further the economic and social ills of the people.

Mining

The mining industry in Papua New Guinea has been associated with river and sea pollution due to mine wastes for years. One of the most serious conflicts to threaten the integrity of the nation resulted from landowners protests against the environmental damage caused by the Bougainville copper mine. This mine dumped approximately 150,000 tons of waste rock and tailings per day into the Kerawong River system, from which it flowed into the Jaba River and to the coast. Over a 10-year period, more than 360 million tons of ore were exploited. Significant negative environmental effects include loss of fish throughout the entire 80km Jaba watershed, reduction of coastal fish stocks, decrease of local wildlife populations and loss of land for agriculture.

Similarly, OK Tedi mine has been disposing of its tailings into the Ok Tedi and Fly rivers ever since successive major landslides forced the abandonment of tailings dam construction. It has been discharging significant quantities of waste rock and tailing into the Fly River system at an average discharge rate of 65 million tons per annum and is expected to do so until mining ceases. The deposition of sediment has produced flooding of the Ok Tedi and Fly Rivers leading to contaminated sedimentation, and 300km² of vegetation dieback on the flood plains, loss of gardens, loss of fish habitat and reduced fish populations.

In one of the World Bank's reports, it is noted that mismanagement of incoming taxes and revenues flowing from extractive industries and exploitation of natural resources have contributed little to sustainable economic development of the country. To avoid another 'lost decade', the encouragement of additional exploration to sustain declining oil production can only be justified if the governance issue is addressed in tandem.

3.6 Sustainability of Current Policies

Decentralised government

Under PNG's decentralised system of Government, the nationally defined development strategy will only be successful if it is integrated closely with the development plans of the various provincial Governments. The key principle underpinning PNG's decentralised system is that ordinary Papua New Guineans, especially those living in village communities, must participate in the decision making process and be involved in the implementation of programmes and projects. While the National Government has the responsibility to determine the national development priorities, the lower level governments are best placed to ensure that those priorities are addressed according to the specific needs and circumstances of local communities. Unfortunately, the provincial government has neither the capacity nor financial resources at their disposal to ensure the effective implementation of this policy. This will be the major challenge of the Medium-Term Development Strategy.

3.7 Medium-Term Challenges

Agriculture

While PNG's agricultural sector currently faces many formidable constraints, including deteriorating transport infrastructure and depressed international prices, it still offers the best prospect for promoting broad-based growth and development. This view is confirmed by IMF economists. Moreover, it needs to be appreciated that even in the event that private sector wage employment were to grow by 5 percent per annum over the period 2003-2007, such growth would only generate an additional 50,000 jobs. Under such circumstances, and given the high rate of growth of PNG's labour force, a further 300,000 Papua New Guineans would still need to secure their livelihood in PNG's informal sector. As well, the substantial majority of these new entrants into the informal sector will need to be engaged in agricultural production, for both domestic consumption and the export market.

Good Governance

The Government's agenda for improved Governance contains a range of programs and reforms. Important among these are the re-establishment of the Parliamentary Public Accounts Committee, which is responsible for overseeing the operations and performance of Government bodies, and the strengthening of key 'watchdog' and legal oversight agencies such as the Ombudsman Commission, Auditor General, Public Prosecutor and the Department of Attorney General. As well, and as part of the ongoing Public Sector Reform Program, the Government has introduced into Parliament amendments to the Constitution that will preserve the merit principle in the appointment (and removal) of public sector Heads. Corruption will be targeted further through the establishment of the long delayed Independent Anti-corruption Commission.

Public sector reform will remain a key focus of the SAP and indeed, will be crucial for the successful implementation of the MTDS. Public sector reform at the national level will focus on improving the efficiency of service delivery and on abolishing activities and programs that are not consistent with the Government's development strategy.

A critical weakness affecting the capacity of Government to promote effective development arises in relation to the dysfunctional nature of many of the institutional and legal mechanisms that were intended to support the PNG's system of decentralisation. Under the Organic Law on Provincial Governments and Local Level Governments (1995), service delivery was to be improved through the transfer of significant responsibilities and funds to the lower level Governments, especially Local Level Governments. However, since the passage of the Organic Law, key-supporting systems have remained either poorly developed or non-existent. As well, the National Government's capacity to fund the financial transfers prescribed under the Organic Law has been severely compromised by ongoing budgetary pressures.

The Government supports fully the principle of decentralisation and is committed to reviewing and modifying the legal framework and supporting institutions in order to improve and strengthen its operation.

The Government, with the assistance of the Asian Development Bank, is currently formulating a long-term National Poverty Reduction Strategy (NPRS), and this will be integrated into the new MTDS. A key principle underpinning this strategy is that the role of the Government is to create the environment that will help ordinary Papua New Guineans mobilise their own resources for improved living standards.

Management of Natural resources

Papua New Guinea has an abundance of natural resources: minerals (copper, gold, nickel, oil and natural gas), extensive forest reserves and rich biodiversity and large fisheries potentials, particularly tuna. The rate of depletion of the forest resources is alarming and the mining industry, which accounts for 72% of foreign exchange earnings, is in decline. Only fisheries remain under-exploited.

The natural conditions of Papua New Guinea present great opportunities and substantial risks for sustainable development. Papua New Guinea covers a land area about the size of the Iberian Peninsula. It comprises the Eastern half of the island of New Guinea (thus bordering Indonesia's easternmost province of Papua) together with 600 islands, of which New Britain, New Ireland and Bougainville are the largest. The mainland, accounts for more than 80% of the country's total land area and is dominated by rugged mountains, deep valleys, large river systems, dense forests, and extensive coastal swamps.

PNG is a wealthy country in terms of natural resources. These include extensive tropical forests and maritime fisheries, very significant deposits of gold and copper, substantial reserves of oil and natural gas, and large areas of arable land, which (subject to land tenure constraints) are in principle available for agricultural production. The minerals and forest industries are central to

PNG's economy. Mining and petroleum account for about a quarter of GDP, while forestry supplies nearly one fifth of export earnings. However, these fast-growth sectors tend to form economic enclaves with relatively little impact on the rest of the economy. The large potential of unused arable land offers the country the chance to develop cash crops for the benefit of the internal economy and to diversify the export structure

Mining has been the main driver of the economy, accounting for up to four-fifths of export earnings. The closure of the Panguna copper mine in Bougainville in 1989 illustrates the fragility of dependence on this sector. Landowners sabotaged key installations in protest against environmental damage and inadequate compensation by the Australian-owned mining company. Another important mine, Ok Tedi, has also caused environmental damage, but continues in production. Most serious environmental issues are related to mining (both, big installations and small-scale gold mining), forestry and urban wastewaters.

Natural hazards threaten this part of the earth permanently. Colliding tectonic plates are causing earthquakes and volcano eruptions. Tsunamis, hurricanes, floods and landslides overrun many places every year. Mt. Pago and Mt. Ulavun in West-New Britain erupted in 2002, causing substantial damage. Hoskins airport was closed for many months.

4. OVERVIEW OF PAST AND ON-GOING CO-OPERATION

With the exception of the Gazelle restoration project, all programmes and projects under the 6th and 7th EDFs have been completed, although a number are yet to be closed. Overall commitments and disbursements in 2002 under the NIPs, STABEX, SYSMIN and other funding mechanisms were €19.1 million and €14.7 million respectively. (See the table below). The 9th EDF Country Strategy Paper for PNG was signed on 26 April 2002.

4.1 Focal Sectors

4.1.1 Education and Human Resources Development

Implementation of programmes and projects under this focal sector of the 8th EDF encountered significant difficulties in 2002. These relate notably to administrative problems, design faults, the depreciation of the kina (which affected costs and the ability of local contractors to provide materials and services) and the dispute and eventual withdrawal of the Supervising Consultants for the infrastructure component of the second phase of the Human Resources Development Programme (HRDP II). Most of these problems took time to resolve, resulting in considerable delays in implementation and, in the case of HRDP II, in the extension of the Financing Agreement of the infrastructure development to December 2006. The draft financing proposal for the Improvement of Rural Primary Education Facilities Project (IRPEF), sent to Headquarters in September 2001 had not made it through to the EDF Committee by the end of 2002.

HRDP II, it should be noted, builds on the achievements of the 7th EDF. It is aimed at increasing 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. The programme provides for infrastructure development at nine educational establishments in eight provinces, post-graduate overseas scholarships and in-country training courses as well as the provision of equipment for the training of vocational and technical teachers.

In terms of achievements, construction work began in five of the eight infrastructure components, notably at Popondetta, Wabag and Mt Hagen secondary schools, Malahang Technical school, and Kuiu Vocational Centre. The average of 15 scholarship awards annually was maintained with special attention given to gender balance. Female applicants were specifically encouraged to come forward.

The expansion of facilities at UNITECH, the biggest of the lots, was annulled by the National Authorising Officer due to gross inadequacies in the design work carried out by the previous Consultants. The newly recruited architects were finalising the redesign of the buildings by the end of the year. A similar exercise was carried out for the Kabaleo Teachers Training College. The design review for Hutjena High School was also done and re-tendered for works. Because of the volcanic eruption of Mt Pago and plans to relocate Hoskins Girls Vocational Training Centre, the request by the NAO to annul the tender was approved. Most of the equipment planned for the Don Bosco's Technological Institute were delivered and put to use, although some items in automobile and computer technologies were still outstanding as well as the concomitant training. As regards in-country training, two preparatory courses were held in Facilities Management during the year and a schedule of training courses for all provinces outlined for 2003.

4.1.2. Rural/Environment Development

Rural development and environmental issues are key elements of both the NIP programmes and projects funded under STABEX, the latter being described apart under section 4.4.3. in this document. As this focal sector is covered by different projects, the proposed indicators are not extracted from the individual projects but from Annex 2 of the 8th EDF NIP.

All infrastructure projects have been completed or are nearing practical completion while the key ongoing projects in this area, Eco-Forestry and Rural Coastal Fisheries Development, are expected to make a sustainable impact on the long term economy of rural areas. Numerous difficulties have been encountered with management of the Eco-Forestry Project, all of which are being dealt with in the most expeditious manner possible. In particular, administrative ineffectiveness, managerial deficiencies and malfunctions in the institutional structure led to important delays, which would inevitably result in an extension of the activities.

The Rural Coastal fisheries Project was still at the Inception Report stage at the end of 2002, and only preliminary activities were implemented. But it is expected that by the end of 2003 considerable progress will have been made, if the rapidity at which the overall structure was set up by the technical assistance is anything to go by.

Regarding the reconstruction of Ramu Highway, the project was completed in 2002 and the highway officially opened. Unfortunately, this important event was overshadowed by a series of claims entered by the contractor, Downer Construction. To this effect, the supervisor's representative was requested to execute the verification of all claims submitted by the contractor. The report should be completed by the beginning of 2003, and will determine the course of actions that the Government will take in this regard.

4.1.3. Macroeconomic Support

A Structural Adjustment Support Programme (SAP 2000-2001) amounting to €10.4 million was implemented under the 8th EDF, aiming at assisting the government of Papua New Guinea to implement its economic reform programme and improve the country's overall macro economic indicators, reduce the stock of domestic arrears and/or consolidate the medium- and long-term domestic debt, and facilitate increases in the level and quality of public expenditure in the health and education sectors. The overall objective was to see that the health and education indicators improve as a result of increased government expenditure in these sectors.

Funds allocated for budgetary support were disbursed in two tranches to the Waigani Public Account in February 2001 and March 2002 respectively. An ex-post audit is currently being undertaken by Deloitte Touche Tohmatsu Chartered Accountants with a view to verifying payments made and importantly to recommend future actions in the areas of institutional capacity building and governance. The audit will be executed over a period of three months and the final report is expected in April 2003.

4.2. Projects and programmes outside focal sectors

4.2.1. Project 8 ACP PNG 004

EU Programme management Unit in support of the NAO (EU-PMU)

The "EU Program Management Unit in Support of the National Authorizing Officer NAOSP II" 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. Managerial capacities were dramatically increased in the area of management of EDF accounts, with the implementation of a computerised accounting system specifically dedicated to the follow-up of EDF accounts, and the recruitment of a Financial Monitoring Officer. At a strategic level, an impact assessment on Stabex projects was launched with visits to several projects in the field. This study aims at evaluating a sample of Stabex projects in key sectors, in order to determine the strengths and weaknesses and draw lessons for future programmes. A report will be delivered in 2003, upon completion of this review.

4.2.2. Project 8 ACP PNG 014

Sexual Health Project (SHP)

The Financing Agreement was signed in February 2001, following a feasibility study carried out in March 2000. A total amount of €3.5 million has been allocated to this project, which aims at contributing to the improvement of the sexual health status of the people in PNG, in particular to preventing and controlling the further transmission of HIV and STIs. The tender for the selection of the Resident Technical Advisor was launched in September 2001, but actual start-up event only took place in September 2002, with the arrival of the expert and implementation of preliminary activities. Difficulties quickly arose due to the lack of involvement of the National Aids Council, designated as the implementing agency. The NAO together with the EC-Delegation took measures to correct the situation.

4.2.3. Project 6 ACP PNG 045 & 046, 7 ACP PNG 055, 058 & 059, 8 ACP PNG 010

Gazelle Restoration Authority

The overall Gazelle Restoration Project, managed by GRA, is supported by the World Bank (40 million US\$), AusAID (25million AUD\$), European Commission (3,4 million Euro), and PNG-Government (PGK 40 million). Within the EC projects, 25 % of the costs are to be covered by the national Government, for mainly planning and design. Unfortunately, the respective national funds were not made available in the beginning of the programme. GRA achieved good progress in planning and design, but could not present eligible invoices following the payment of 1 million Kina advances. Tendering of the individual constructions was delayed, until the national contribution was made available in the second half of 2002. Misunderstandings and misinterpretation of the Financing Agreement, notably concerning the scope of works eligible for EDF funding, further complicated the implementation of the programme. Riders for the Framework Agreement and the F.A. are envisaged for correcting the situation.

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

Under the 6th, 7th and 8th EDF, and budget lines, non-State actors were given ad-hoc assistance in the framework of individual projects, when appropriate. They have been assisted in the areas of human rights and democracy (Transparency International) forests conservation (Conservation Melanesia and Eco-forestry forum) and rehabilitation (Caritas). Under the 9th EDF, € 6 million have been specifically reserved for their capacity building.

4.4. Other instruments

Regional co-operation

PNG continues to benefit from Pacific regional programmes in particular, the project on support to the Medical Faculty of the University of Papua New Guinea, and actions under the Pacific Agricultural programme for selecting new varieties of sweet potatoes and for beetle control.

4.4.1. European Investment Bank

In 2002 no opportunity emerged for new interventions by the EIB. It is now almost a decade that a highly successful series of projects in PNG that benefited from EIB loan financing stopped. These projects were in the area of power generation & distribution, major resource projects and cash crop ventures. The reasons that can be identified for this long suspension of EIB interventions are mainly related to a general lack of investment in PNG, mainly related to an unfavourable tax and regulatory regime, combined with political instability. Urgent investments are required in all traditional areas of EIB activity in the country, however the political factors hindering such investment have increased rather than decreased in the recent past. Efforts to set up a loan facility for smaller ventures via a PNG bank have also failed: investors are shying away from the country despite the availability of funds. Repayment of current outstanding loans progressed, although deadlines were not often not kept. On several occasions the guarantee clause was almost triggered.

The PNG to Australia Gas pipeline scheme, a major and long term resource project, did also not move ahead as hoped for, again mainly due to political factors and discord on how best to promote the project. During the year 2002, the EIB kept a notional sum of Euro 100 Million on standby in case the project moved ahead and a front-end design study was commissioned. However, by end of 2002, this still has not happened, and the future of the pipeline looked rather bleak, as important customers were looking elsewhere to meet for their gas needs.

The pipeline is not only important as a long term revenue source for PNG, but is also the "make or break" factor for PNG's continued role as a petroleum province and a key indicator of investor confidence in PNG. In parallel with the pipeline, another project of enormous economic importance for PNG is delayed, namely the replacement of the current undersea telecom cable to Australia, which had reached its design lifetime a year ago. Replacement of this cable with a fiberoptic cable laid together with the pipeline is extremely important for communications & internet access for PNG, and is also closely followed by the EIB in order to identify (co)-financing opportunities. However, lack of governance is also a major issue affecting the progress of this important activity.

4.4.2. Regional co-operation

4.4.3. Cooperation with EU-Member countries

Some Member countries of the EU maintain bilateral development cooperation by some scattered projects. Minor amounts are made available from France, UK, Finland, Austria and Germany, mainly in the sectors of education, agriculture and NGO support. The bilateral cooperation agreement between PNG and Germany runs out on 30.6.2003. GTZ will have closed down its office by that date. The DED will remain in the country to finalise some projects within one year.

Planned disbursements for 2003 (millions €)

Sectors	EC	D	F	A	FI	UK	Total
Education	39.16	0.4	0.063	0.2			39.823
Health	0.5						0.5
Water supply and sanitation	0.9					0.01	0.91
Government and Civil Society	0.8		0.033			0.02	0.853
Transport and storage			0.1				0.1
Communications							
Banking and financial services							
Business/Private sector							
Energy	0.5						0.5
Agriculture, forestry, fishing	1.6	0.8	0.037			0.04	2.477
Industry, Mining and Construction	2.8						2.8
Trade and tourism							
Environmental Protection	1.86						1.86
Gender					0.25		0.25
Commodity aid							
Budget support /SAP							
Food aid							
Debt relief							
Emergency assistance				0.2			0.2
Support to NGOs	0.03	0.8				0.05	0.88
Others							
Total	48.15	2.0	0.233	0,4	0,25	0.12	51.153

4.4.4. STABEX

A detailed financial breakdown and description of the projects concerned is given at Annex 10 and 13 of this document.

With regards to the use of STABEX funds, the results achieved in 2002 are consistent with the FMO 94 which set four areas of intervention (coffee quality and market improvement, cocoa/copra rehabilitation, price stabilisation and debt relief AND diversification). The FMO for Bougainville sets out four areas of intervention, namely, main island feeder roads improvement project, agriculture rehabilitation (primarily cocoa), practical skills development and improved access to credit. These are consistent with the focus of the NIP, which aims at revitalising infrastructures, promoting the good management of renewable resources (forestry and fisheries), taking into account gender disparities and environmental concerns and increasing income earning opportunities in villages.

Thirty-eight different STABEX projects were under implementation (22 under FMO 94 including balance of FMO 92/93, and 16 under FMO for Bougainville), and K16.5 million (€4.6) and K8.8 million (€2.3 million) were committed and paid, respectively, representing 93 per cent of the total allocation to PNG (€42 million). In Bougainville, EU has committed an envelope of €5 million with the FMO 90-93 plus additional funds from the FMO 1994 (€2.2 million). These funds are devoted to the restoration of the agriculture sector with a strong emphasis on cocoa and coconut production, the renovation of roads, ports and exports infrastructure.

In Bougainville, lack of proper law enforcement and administrative capacities hindered the programme, resulting in delays in launching new projects. For example, the two credit schemes (cocoa growers credit scheme and women credit scheme) have not started yet due to the absence of a reliable credit support institution within the Bougainville administration.

But other activities were in good progress, with the rehabilitation of a copra/cocoa shed in Kieta, the completion of 36 km of feeder roads and another 56 km roads rehabilitation underway, the start of the construction of two new vocational centres, and the rehabilitation of a third agricultural vocational centre. The agricultural restoration programme was ongoing with the release of 3.4 million seedlings distributed to village farmers, aiming at rehabilitating 4,500 ha of cocoa plantations.

A specific food security programme for Bougainville's atolls has been developed with the distribution of 40,000 seedlings of hybrid coconuts and the development of a research/extension program aiming at limiting the food shortage. An agricultural training programme has also been conducted to disseminate knowledge in alternate crops and activities (vanilla, balsa wood, butterfly farming).

Regarding the agriculture rehabilitation, a research programme on high altitude food crops was initiated with the National Agricultural Research Institute, the NARI's headquarter building and one abattoir with cool rooms facilities were under construction. Two new projects aiming at disseminating practical information on forestry and agriculture were signed: the financing of the Rural Industries Council and a remote sensing programme aiming at improving the knowledge on the land use and land management.

The coffee sector redefined its entire strategy, leading to a major restructuring of the Coffee Industry Corporation, and a new project was signed end of 2002, aiming at increasing CIC internal revenue and self-reliance. In the cocoa and coconut sectors, a new research project aiming at reducing the losses of Nitrogen in the oil palm sector was signed in 2002, and the research on *Ganoderma* was extended, while other projects were going to an end.

4.4.5 SYSMIN

The closure of the Panguna mine by 1989/1990, as a consequence of the civil war in Bougainville, made PNG eligible for an allocation of €30 Million from the 6th EDF SYSMIN. Other large mines at the time, like Ok Tedi, Porgera, Misima etc. were sound and highly productive or further developed. The government decided not to use the funds available for strengthening in general the mining sector, but to use them for the construction of the Ramu Highway (in anticipation of the exploitation of the Ramu nickel deposit), and for general road & bridges work in PNG. Unfortunately, the envisaged Ramu Nickel mine was never developed, making the new highway obsolete for the time-being.

In 1996, Ok Tedi and Pogera ore production declined due to reduced precipitation (explained as long distance effect of the South American "El Niño"). PNG's eligibility for SYSMIN was confirmed. A further notional €50 Million were, as a result, made available. In the meantime both mines are booming, achieving record profits in 2002. New ore bodies were identified in the Highlands and exploration licences granted for private investors. (e.g. the Kaimantu gold deposit is currently bring commercially development).

PNG's mineral potential, as indicated by its geological conditions, is substantial. The French Consultant, BRGM, was contracted for a project identification that would be of benefit to the mining sector in general. The consultant prepared a package of projects potentially for helping and promoting both industrial and small-scale mining opportunities. It identified small-scale mining as the most important cash earning activity in some rural areas of PNG, with an employment potential for up to 100,000 people. And because this might cause huge environmental damage, one of the projects is entirely devoted to environmental protection within the programme.

The main purpose of the activities, however, envisaged in the Feasibility Study which led to a Financing Proposal, is the stimulation of commercial investment by supplying geological maps and performing geo-chemical and geophysical prospecting in target areas of PNG, and constructing a "Mining Haus". Improvement of geo-scientific infrastructure, installation of databases, environmental studies for tailings and support of small-scale mining are included. The latter considers flanking measures for smooth social integration, technical efficiency and precaution with mercury related to gold extraction. Active Public Relation is been foreseen to make potential investors aware of the opportunities the project offers.

The opening of a new mine following a discovery of a suitable deposit takes statistically about ten years. Environmental concerns have hindered and excluded careless exploitation in many cases worldwide, but many negative examples demonstrate the sensitivity of competing interests. General investment conditions including general infrastructure of the specific country play an important role. The tax system for mining activities has been improved during 2002, leading to an exploration boom.

4.4.6 Community Budget Lines

Project B7-7020 PNG Popular Participation in the Election

This project is supported under the direct budget line for Human Rights. The EU is supporting Transparency International, engaged to establish and consolidate Human Rights. The PNG branch actively and successfully lobbied for the change to a preferential voting system. Voters went to the polls in June 2002, still under the old law. There is likely to be a certain level of confusion and an effective awareness campaign about present and future system was strongly advised. The project was launched in February 2001 and since then a number of conferences, workshops, seminars with politicians and the public were held in several locations throughout the country. Radio talk-shows, posters and flyers were produced to explain the change to the voters at all levels. Concerted efforts were made to educate the Members of the Parliament (the legislators) about the proposals and to demonstrate to them that the public was fully supportive and wished the change. The passage of the legislation took place in 2002. It was celebrated as a great success of the project in conjunction with Technical Assistance from Australia. The project ends in March 2003.

5. PROGRAMMING PERSPECTIVE FOR THE FOLLOWING YEARS

5.1 Integration of EU funded programmes within the Government Policies^v

Current EU projects and programmes are addressing most of the governments priorities, as described below:

^v A brief description of the projects is provided in section 4 of the document

Export driven economic growth represents one of the main primary objectives of the Eco-Forestry Programme (for timber products) and the Rural Coastal Fisheries Development Programme for boosting the fisheries sector. Mining has to play its role in future, ensuring the major share of export income. A major SYSMIN project package will stimulate this sector. Rural development, poverty reduction and human resource development are key areas where the EU is playing a considerable role. While the EFP, the SHP, the GRA and most of the Stabex funded projects are dedicated to reduce poverty, especially in rural areas, HRDP II is addressing the needs in education and training, and represents as such one of the highest priority areas in the framework of the EU-PNG cooperation.

Governance is promoted through ad-hoc actions implemented within Central Agencies, as NAOSP II in the Department of National Planning and Rural Development, or through performance of audits and evaluations in the area of macroeconomic support. But apart from that, governance represents also a cross-cutting issue in all EU funded projects, as they are implemented in the framework of EDF procedures which are known to be strict, coherent and comprehensive.

New programmes, funded from the 9th EDF, will also fit into the revised PNG's Development Agenda, especially in the areas of human resource development and capacity building & governance. Any support in the macroeconomic sector from the resources of the 9th EDF B-Envelope, especially for debt relief and associated areas, would also be fully consistent with the GoPNG Policy Agenda provided good governance can be demonstrated and the result of the audit of the structural adjustment support provided proves positive.

Fiscal management, institutional and legal mechanisms, macroeconomic support, credit systems and economic activities are areas where the European Union has not been heavily involved so far. While actions supported by the EU must be in complementary with other donors who are actively working in the sector, cross-linkages must be established with those institutions, so as to ensure a proper coordination, communication and feedback between all relevant agencies and donors. The capacity-building and governance programme might fill in part of this gap and address the increasing needs in the sector, but the Government strongly believes that a support to the economic sector would be appropriate, in line with the priorities as defined in the new MTDS.

5.2 Prospects

The presentation of the "Improvement of Rural Primary Education Facilities" to the EDF Committee, initially foreseen in 2001, occurred at the end of 2002 (with the official signing in 2003). This resulted in the commitment of € 5 million, financed from the remaining balance still available under the 8th EDF.

This programme is in line with the priority areas defined under the 8th EDF, and is also consistent with the 9th EDF response strategy, where "Education, Training and Human Resources Development" was selected as one of the two focal sectors.

The 9th EDF Country Strategy Paper was signed on 26th April 2002 by Mr Anthony Crasner, Head of Delegation of the European Commission in PNG, and Sir Mekere Morauta, then Prime Minister and National Authorising Officer.

The Financing Agreement for the €50 million Sysmin programme was signed in July 2002, registered under the 8th EDF but included in the 9th EDF B Envelope. No further action was undertaken, as the pre-qualification for the short listing of suitable firms still had to be organised regarding the implementation of the Project Management Unit.

The Terms of Reference were prepared for the feasibility studies in relation to the two main programmes identified under the 9th EDF NIP, and the tender was launched for the feasibility study in Human Resource Development Programme. Preliminary discussions have been held between the NAO and the EC-Delegation on the preparation and launch of the two remaining feasibility studies, i.e the second focal sector on Water Supply and sanitation and the non-focal sector on Institutional Capacity Building and Governance.

It was agreed that the feasibility study in "Rural Water Supply and Sanitation" would follow the same process as the one related to the Human Resource Development Programme. A lighter approach might be adopted for the "Institutional Capacity building and Governance" programme because of its specific nature. Upon finalisation of the Terms of Reference, tenders relating to these two programmes will be launched in 2003, as indicated in the indicative chronogramme of activities presented hereunder. A timetable for commitments and disbursements is attached as Annex 1.

Programme	2003			2004			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Education, Training & HRD	Appraisal		Financing Decision	Tender		Implem.	
Rural Water Supply		Appraisal		Financing Decision	Tender		Implem.
Inst. Capacity building & Govern.			Appraisal		Financing Decision	Tender	
SYSMIN	Tender		Implem.				

6. 2003 ANNUAL OPERATIONAL REVIEW - SPECIFIC THEMES

6.1 The speeding up of the use of old EDF resources

The table hereunder presents the amounts still available under the 7th and 8th EDF, as at end 2002 (in Euro millions).

EDF No	NIP	Commit.	Balance		Total
			Uncom.	To Decom. ¹	Available
6	34,50	34,50	0,00	0,00	0,00
7	46,20	45,79	0,41	1,14	1,55
8	50,00	48,86	1,14	0,06	1,20
Total	130,70	129,16	1,54	1,20	2,75

¹ Upon closure of current projects, completed but still open.

Efforts were made to close old commitments, but, in some instances, further actions still need to be made (i.e. justifying or reimbursing outstanding advances) before proceeding for the closure of the commitments concerned.

It is intended to use part of the remaining € 2.75 million to finance the feasibility studies for the implementation of the 9th EDF and, in conjunction with the decentralisation process, to further increase the means devoted to the office of the NAO. This proposal, consistent with the 9th EDF response strategy, will materialise upon the completion of the Mid Term Review of the project.

6.2 Setting indicators and targets for measuring results in focal sectors

Indicators relating to the the programmes identified under the 9th EDF have been refined and are presented in Annex 2 of this report. It is foreseen that these indicators will be further developed during the feasibility studies in 2003. Workshops will be organised with stakeholders from relevant sectors, with the view of revisiting and finalising the Logical Framework relating to each programme. The Intervention Framework annexed will be developed based on the government's targets.

6.3 Dialogue in country with the NAO and non-State actors

Some of the constraints identified in the previous annual report were appropriately addressed in the course of 2002.

Upon the appointment of the new Government, a major change was effected in the structure of NAO/DNAOs, leading to a more efficient and adequate institutional framework. Indeed, the function of National Authorising Officers was transferred from the Prime Minister to the Minister of Finance and Treasury, and all DNAOs were appointed within central agencies, and mainly within the Department of National Planning and Rural Development, hence allowing a better coordination of the EDF programmes and projects.

Also, the nomination of the new Secretary and his Deputy within DNP&RD, allowed a closer linkage between the office of the NAO, Deputy NAO and the Delegation, facilitating the dialogue and hence enabling a more consistent decision making process. Co-operation both on management and on working level have improved substantially since then.

But the lack of human resources on both sides still hinders a more effective and rapid implementation of the projects. It is hoped that with the decentralisation and deconcentration process within the EU on the one hand, and the reinforcement of the NAO's capacities on the other hand, this problem might be resolved in a near future.

7. CONCLUSIONS

2002 was a particularly difficult year for Papua New Guinea. Not only did its economic and social situation deteriorate dramatically, it also experienced the worst parliamentary elections in its history, marred, as they were, by unprecedented levels of violence, kidnappings, intimidation, ballot rigging and deaths.

On the positive side, the peace process in Bougainville made significant progress. Parliament voted the necessary Constitutional amendments giving legal effect to the Comprehensive Peace Settlement Agreement signed between the PNG Government and Bougainville leaders in August 2001. This brought formally to an end the nine-year bloody civil war in the province and gave a boost to efforts at peace consolidation. The weapons collection exercise made progress. And the EU agricultural restoration project began distributing 3.4 million cocoa seedlings to farmers as part of the multi-donor "peace dividends" agricultural rehabilitation programme.

The parliamentary elections held in June/July 2002, brought a new Government to office. The latter was almost immediately confronted with serious economic and social problems: a huge budget deficit, rapid depreciation of the national currency, deteriorating law and order, bad governance, high levels of corruption, rising unemployment and an increase in poverty.

Against this background, the implementation of EU programmes and projects in Papua New Guinea encountered a variety of difficulties in 2002. The depreciation of the kina, which affected costs and the ability of local contractors to provide materials and services, and the government's inability to provide on time counterpart funds were compounded by administrative problems, including a dispute between the government and the Consultant Architect of the main infrastructure component of the Human Resources Development Programme, lack of capacities in the national administration (in particular at the NAO's Office) and in the EC Delegation.

Although considerable delays occurred, by the end of 2002, construction work had begun in five of the eight infrastructure components of the Second Phase of the Human Resources Development Programme (HRDP II) of the 8th EDF. The average of 15 scholarship awards annually had also been maintained with special attention given to gender balance. The picture in the second focal sector, rural/environment development, funded not only from the NIP but also from other sources (STABEX and SYSMIN in particular) was more positive. All infrastructure works in this second sector were completed or were nearing completion at the end of 2002, while the implementation of the key projects, Eco-forestry and Rural Coastal Fisheries development, progressed.

Papua New Guinea's Country Strategy Paper and the Financing Agreement of the €50 million mining support programme were signed. The latter represents a serious attempt by the EU to assist PNG in addressing the issue of declining revenue and production from its important mineral resources sector.

Papua New Guinea is at a crossroads. Its short-term economic outlook is not very bright. Its social indicators show a worrying trend. Income per capita, which once was as high as €1200 has fallen to €765. Waterborne diseases and malarial and HIV infections are on the increase. In addition, the country faces major challenges in sustainably managing its immense natural resources, particularly forests, fisheries and minerals, overcoming serious problems of governance and corruption and reducing its overwhelming dependence on foreign aid.

The Government has an agenda for improved governance, which includes the re-establishment of the powers of the Parliamentary Public Accounts Committee to oversee the operations and performance of Government bodies, strengthening the control and oversight roles of other agencies, such as the Ombudsman Commission, the Auditor General, Public Prosecutor and the Department of the Attorney General. It has indicated its intention to apply scrupulously the principle of merits in appointments to senior positions in the public sector and the establishment of an Anti-Corruption Commission. Successive governments' past records in these areas have been poor. The current one requires a very strong political will to carry this agenda through.

The Government has produced a Medium-Term Development Strategy with basic education, primary health, maintenance of transport infrastructure, law and order, and the promotion of income-generating opportunities, particularly in the rural areas as its priorities. A number of these priorities fit into PNG's Country Strategy Paper (2002-2007).

EU development co-operation with Papua New Guinea, however, is also at a crossroads. The implementation of the 8th EDF is being significantly delayed because of PNG's political and economic difficulties and lack of capacities in both the national administration and at the EC Delegation. Its focal sectors, human resources development and rural environment, remain as valid as ever. So also are the focal sectors of the 9th EDF, which will not only build on the achievements of the 7th and 8th EDFs in education and rural development, but has a new dimension - a rural water supply and sanitation programme in response to PNG's health challenges. The 9th EDF will provide an opportunity for the EU to assist the country in strengthening its institutional capacities and governance.

The feasibility study for Education, Training and Human Resources Development, the largest single programme, has been completed. In order to address the recurrent problems of poor project design, considerable effort has been made to ensure stakeholder commitment and that there is adequate guidance in the report as to how the programme will be implemented. This will 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 to start completely from scratch. The tender for the feasibility study of the Water Supply and Sanitation programme has been launched.

Overall primary commitments and disbursements in 2002 were €19.1 million and €14.7 million respectively^{vi}. These figures reflect neither the progress made in implementation of the 8th EDF, which had an overall financial envelope of €50 million, nor the efforts deployed to launch the implementation of the 9th which, together with SYSMIN, amount to €166 million.

The 2002 Joint Annual Report has brought to the fore a number of issues that will have to be addressed during the Mid-Term Review of EU co-operation with Papua New Guinea. They are, among others: ownership of the development process;

- human capacities at the NAO Office and in the EC Delegation;
- governance, transparency and corruption;
- sustainable management of natural resources and environmental protection;
- donor co-ordination.

^{vi} NIPs, STABEX, SYSMIN and budgetlines

Annex 1 - Indicative Timetable for Commitments and Disbursements (Euro millions) Period 2003-2006

	2003		2004		2005		2006	
	S1	S2	S1	S2	S1	S2	S1	S2
A. COMMITMENTS								
Current EDFs								
Microproject Programme ¹		-0.30						
HRDP I ¹		-0.20						
Environmental Monit. & Manag. Of Mining ¹		-0.28						
TA to the Central Supply & Tenders Board ¹		-0.06						
Feas. Study for 9Th EDF HRDP		0.40						
Feas. Study for 9th EDF Cap.Build.&Gov.		0.40						
Feas. Study for 9th EDF Rural Water Sup. & San.		0.40						
Sub-Total current EDFs	0.00	-0.84	0.00	0.00	0.00	0.00	0.00	0.00
9th EDF								
Education, Training & Human Dev. Progr.		35.00						
Rural Water Supply & Sanitation Progr.			25.00					
Inst. Capacity building & Govern. Progr.				21.00				
SYSMIN								
Sub-Total 9th EDF	0.00	35.00	25.00	21.00	0.00	0.00	0.00	0.00
GRAND TOTAL	0.00	34.16	25.00	21.00	0.00	0.00	0.00	0.00
B. DISBURSEMENTS								
Current EDFs								
Gazelle Restoration		1.70	0.50	0.50	0.50	0.20		
HRDP II	2.00	4.00	4.00	4.00	4.00	1.00		
NAOSP II	0.20	0.20	0.20	0.15				
Eco-Forestry Programme	0.68	1.18	1.18	0.62	0.62	0.62	0.62	0.62
Sexual Health Project	0.20	0.30	0.35	0.35	0.35	0.35	0.35	0.35
Rural Coastal Fisheries	0.80	0.80	1.10	1.10	0.50	0.50	0.30	0.30
IRPEF		0.50	0.70	0.80	0.80	1.00	0.80	0.40
Feas. Study for 9Th EDF HRDP		0.20	0.20					
Feas. Study for 9th EDF Cap.Build.&Gov.		0.20	0.20					
Feas. Study for 9th EDF Rural Water Sup. & San.		0.20	0.20					
Sub-Total current EDFs	3.88	9.28	8.63	7.52	6.77	3.67	2.07	1.67
9th EDF								
Education, Training & Human Dev. Progr.			2.00	6.00	6.00	6.00	6.00	6.00
Rural Water Supply & Sanitation Progr.				1.00	3.00	3.00	4.00	4.00
Inst. Capacity building & Govern. Progr.					0.50	1.50	2.00	4.00
SYSMIN		0.50	1.50	5.00	5.00	8.00	8.00	8.00
Sub-Total 9th EDF	0.00	0.50	3.50	12.00	14.50	18.50	20.00	22.00
GRAND TOTAL	3.88	9.78	12.13	19.52	21.27	22.17	22.07	23.67

¹ Negative amounts are resulting from the closure of the projects concerned, and the subsequent transfer of project balances to the EDF account.

Annex 2 - 9th EDF Indicators

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

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

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

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

Annex 3 - Projects under 1985-1990 (Lomé III) (Euro millions)
Situation as of 31.12.2002

A. National Indicative Programme

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid	To Decom.
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 incnt 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 Ongoing	
045	Gazelle Restoration	0.91	0.91	0.70 Ongoing	
Total National Indicative Programme		34.50	34.50	34.29	0.00

B STABEX

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
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
Total STABEX		110.01	110.01	110.01

C. SYSMIN

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
038	Roads & Bridges	18.00	14.12	13.45 Completed
043	Ramu HighWay Upgrading	12.00	12.00	12.00 Completed
Total SYSMIN		30.00	26.12	25.45

D. Other Funding

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
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	0.00 Ongoing
Total Other Funding		8.90	8.90	8.81
GRAND TOTAL 6th EDF		183.41	179.53	178.55

Annex 4 - Projects under 1990-1995 (Lomé IV) (Euro millions)

Situation as of 31.12.2002

A. National Indicative Programme

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid	To Decom.
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	
009	LoméIV Microproject Programme	3.39	3.09	3.04 Completed. Yet to be closed	0.30
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	0.42
018	Rural Water Supply 2nd microprojects progr.	4.54	4.54	4.52 Completed	0.02
022	TA Dep. Works	0.75	0.74	0.74 Completed	0.01
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	0.30
031	Ramu HighWay Upgrading	8.00	7.90	7.56 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	Lomé 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	
055	Gazelle Rest. Auth. Microproj. Progr.	1.50	1.50	0.90 Ongoing	
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	0.01
058	Gazelle rest. Auth. MT Rest. Progr.	0.24	0.24	0.12 Ongoing	
060	Ex-ante Audit in prep. for EDF 8 SAP in PNG	0.06	0.04	0.04 Completed. Yet to be closed	0.02
061	Audit of fourth SAP	0.03	0.02	0.00 Completed. Yet to be closed	0.03
062	TA to Dep. Of Works	0.18	0.18	0.15 Completed. Yet to be closed	0.03
Total National Indicative Programme		45.79	44.88	43.38	1.14

B STABEX

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
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. Lomé IV	5.01	5.01	5.01 Ongoing
Total STABEX		84.58	84.58	84.58

C. Other Funding

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
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 Ongoing
	Total Other Funding	51.30	50.39	50.39
	GRAND TOTAL 7th EDF	181.68	179.85	178.34

Annex 5 - Projects under 1995-2000 (Lomé IV bis) (Euro millions)
Situation as of 31.12.2002

A. National Indicative Programme

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid	To Decom.
002	Appraisal Eco-Forest & Environ. Progr.	0.09	0.09	0.09 Completed	
003	HRDP II	24.00	10.64	5.09 Ongoing	
004	EU PMU in support of NAO	1.98	1.90	1.13 Ongoing	
005	Eco-Forestry Programme	7.50	3.67	2.05 Ongoing	
007	Feasibility Study for AIDS Project	0.07	0.06	0.06 Completed. Yet to be closed	
009	TA to the Central Supply & Tenders Board	0.06	0.00	0.00 Cancelled	0.06
010	Gazelle Rest. Auth. MT Restoration Progr.	0.67	0.67	0.31 Ongoing	
014	Sexual Health	3.50	1.39	0.21 Ongoing	
017	Rural Coastal Fisheries Dev. Project - PIS	6.00	1.06	0.20 Ongoing	
019	Improvement of Rural Primary Education Facilities	5.00	0.00	0.00 FA yet to be signed	
Total National Indicative Programme		48.86	19.49	9.14	0.06

B STABEX

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
013	Stabex 99 coffee - Raw or Roasted	0.58	0.58	0.58 Awaiting transfer of funds
Total STABEX		0.58	0.58	0.58

C. SYSMIN

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
008	Sysmin Eligibility Study & Progr. Ident.	0.00	0.00	0.00 Cancelled
012	Sysmin Eligibility Study & Progr. Ident.	0.50	0.50	0.44 Completed. Yet to be closed
018	Mining Sector Support (MSS)	50.00	0.00	0.00 FA signed in April 2002
Total SYSMIN		50.50	0.50	0.44

D. Other Funding

No	Project Title	Amount Allocated	Amount Commit.	Amount Status Paid
001	Humanitarian Aid	0.08	0.08	0.08 Completed
015	Structural Adjust. Support Prog. (2000/2001)	4.60	4.60	4.60 Completed
016	Structural Adjust. Support Prog. (2000/2001)	5.80	5.20	5.20 Ongoing
Total Other Funding		10.48	9.88	9.88
GRAND TOTAL 8th EDF		110.43	30.45	20.04

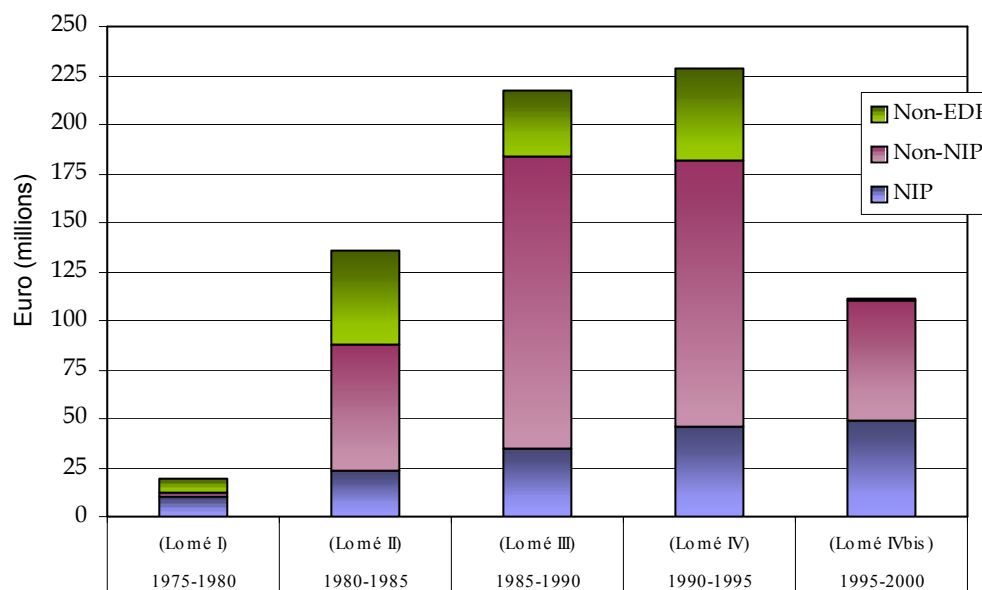
Annex 6 - Overall Financial overview (Euro millions)

Situation as of 31.12.2002

A Available Funds

	1975-1980 (Lomé I)	1980-1985 (Lomé II)	1985-1990 (Lomé III)	1990-1995 (Lomé IV)	1995-2000 (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
Total EDF	12.63	87.76	183.41	181.68	110.43	575.90
Commission Budget Lines	-	-	0.80	5.96	0.31	7.07
EIB Own Resources	7.00	47.90	33.00	41.00	-	128.90
Grand Total	19.63	135.66	217.21	228.64	110.74	711.87

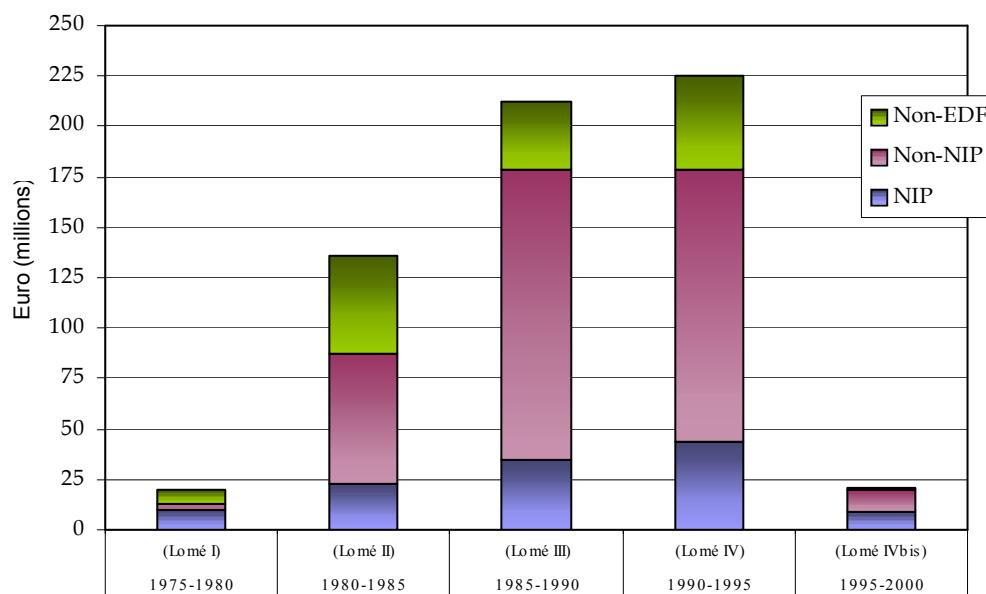
Committed Funds
1975-2002



B Disbursed Funds

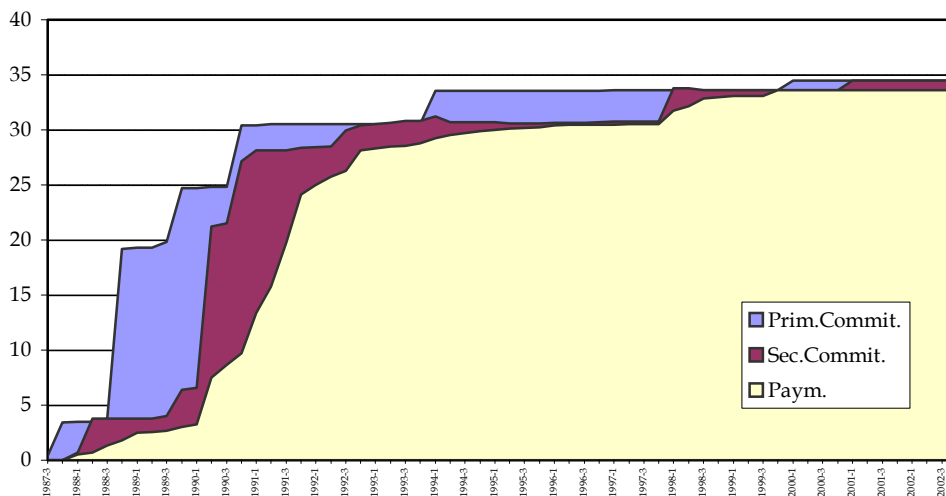
	1975-1980 (Lomé I)	1980-1985 (Lomé II)	1985-1990 (Lomé III)	1990-1995 (Lomé IV)	1995-2000 (Lomé IVb)	Total
NIP	9.91	23.00	34.29	43.38	9.14	119.71
Structural Adjustment outside NIP	-	-	-	20.50	9.80	30.30
STABEX	-	50.61	110.01	84.58	0.58	245.77
SYSMIN	-	-	25.45	-	0.44	25.89
Risk Capital & Interest Subsidies	2.72	14.15	8.23	29.77	-	54.88
Others	-	-	0.58	0.11	0.08	0.77
Total EDF	12.63	87.76	178.55	178.34	20.04	477.31
Commission Budget Lines	-	-	0.80	5.96	0.31	7.07
EIB Own Resources	7.00	47.90	33.00	41.00	-	128.90
Grand Total	19.63	135.66	212.35	225.31	20.35	613.29

**Disbursed Funds
1975-2002**

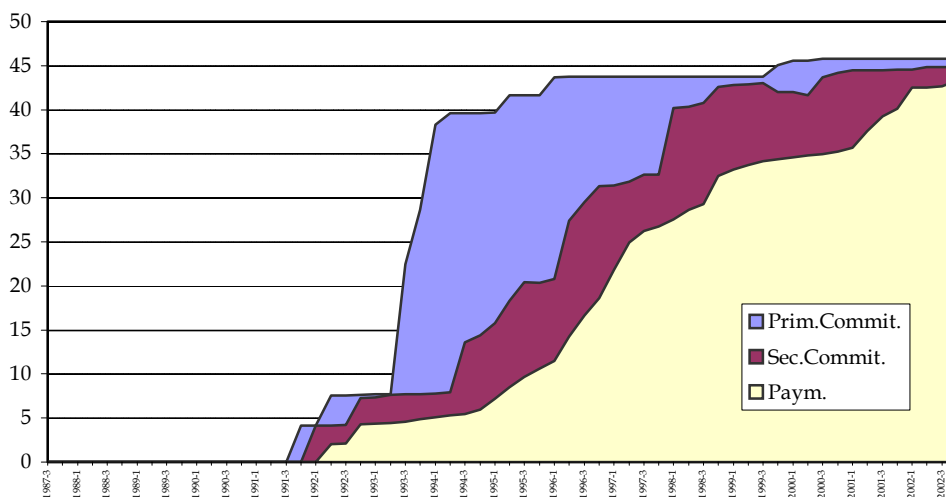


Annex 7 - Financial overview of NIP projects (Euro millions, cumulative) Situation from 1987 to 2002

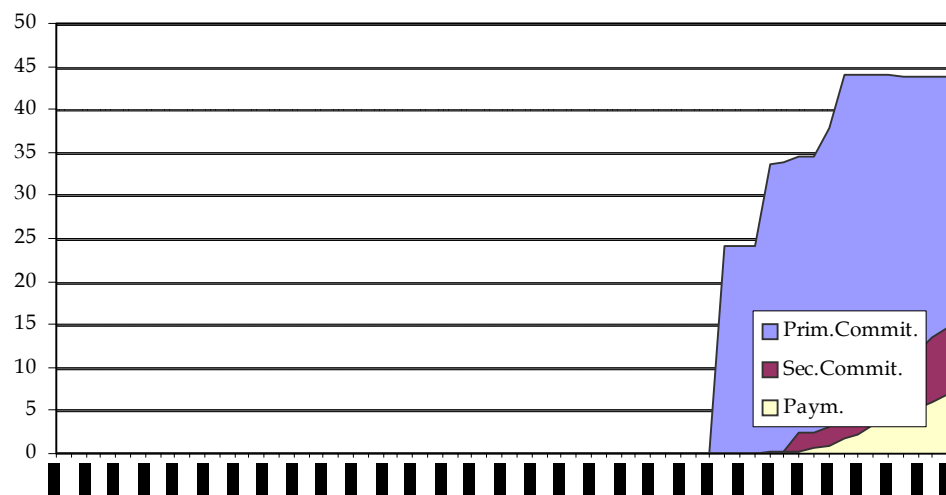
A 6th EDF



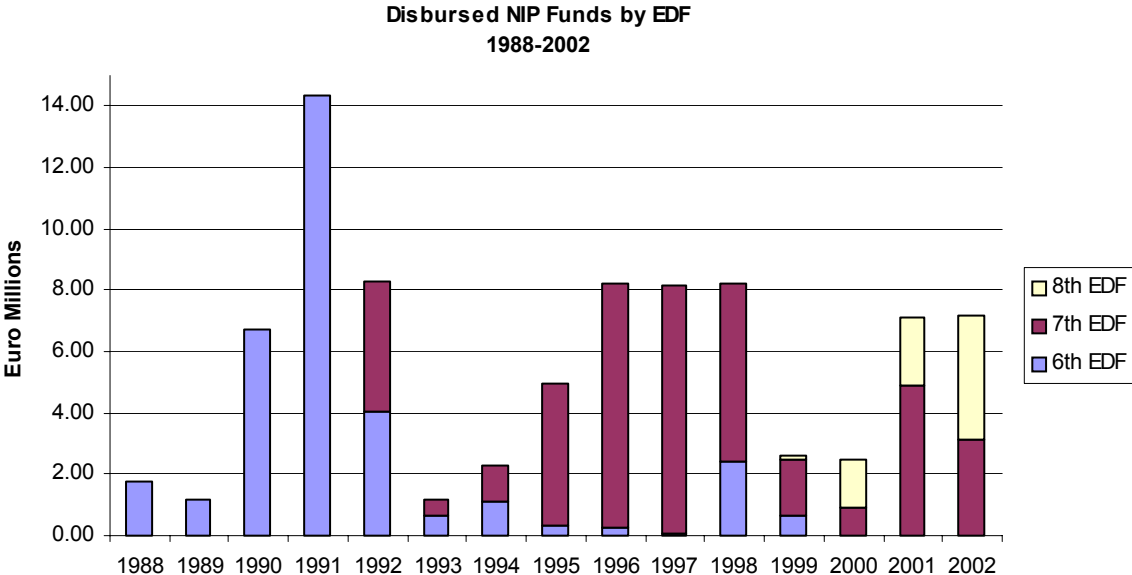
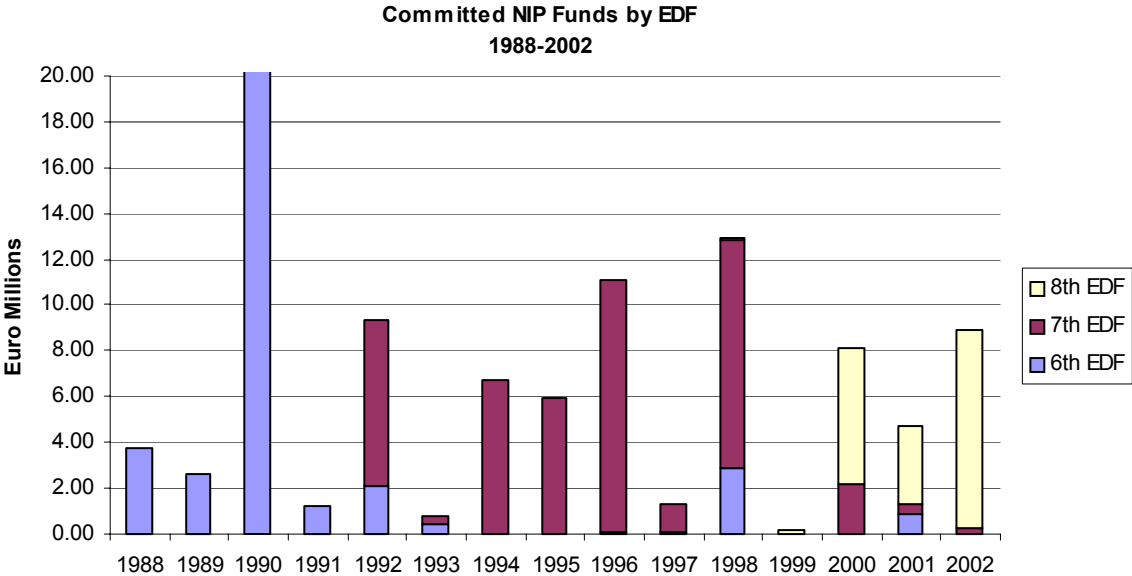
B 7th EDF



C 8th EDF



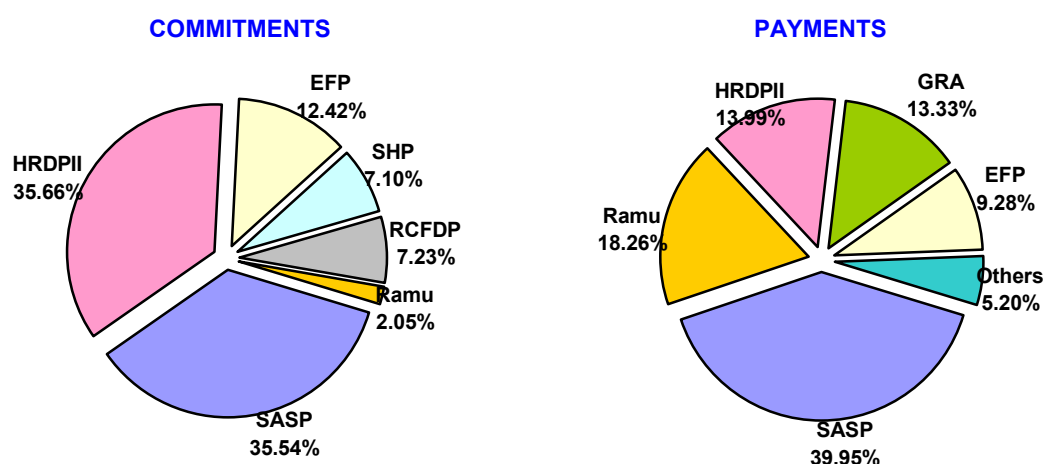
Annex 8 - Evolution of the commitments and disbursements (programmable) by EDF



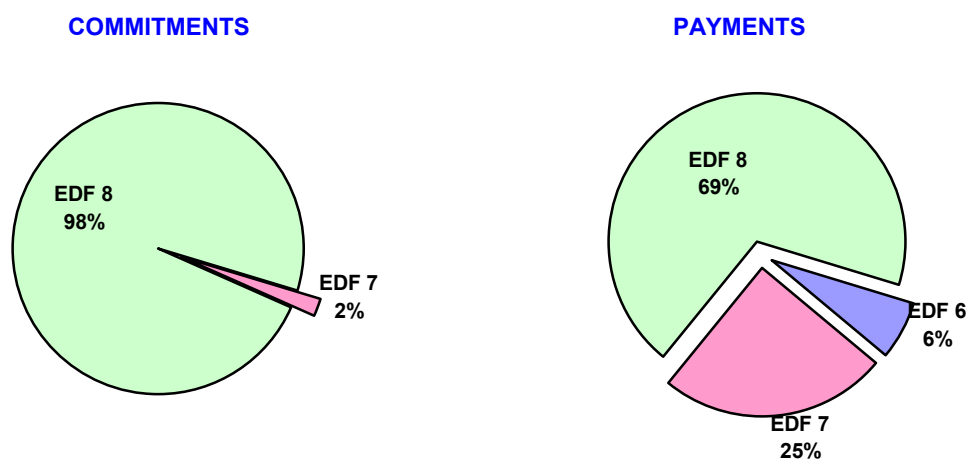
Annex 9 - Amounts committed and disbursed in 2002^{viii} (in Euro)

Agr No	Project's Title	Amount Committed	In % of Total	Amount Paid	In % of Total
	Feasibility Study for AIDS Project	0	0.00%	60,743	0.47%
4379	Road and Bridge Rehabilitation Programme	0	0.00%	52,394.05	0.40%
5334	Ramu Highway Upgrading	300,000	2.05%	2,376,360.56	18.26%
6087	Human Resources Development Programme II (HRDP II)	5,217,376.55	35.66%	1,820,690.09	13.99%
6170	EU Programme management Unit in support of the NAO	0	0.00%	472,532.45	3.63%
6205	Eco-Forestry Programme	1,818,000	12.42%	1,207,558.27	9.28%
6289	GRA - Medium Term Restoration Programme	0	0.00%	1,735,704.25	13.33%
6346	Sexual Health Project	1,039,600	7.10%	31,638	0.24%
6387	Rural Coastal Fisheries Development Project	1,057,400.00	7.23%	59,382.40	0.46%
6375	Structural Adjustment Support Programme (SAF 2000-2001)	5,200,000	35.54%	5,200,000	39.95%
Total		14,632,377	100.00%	13,017,003	100.00%

A Breakdown by Project



B Breakdown by EDF

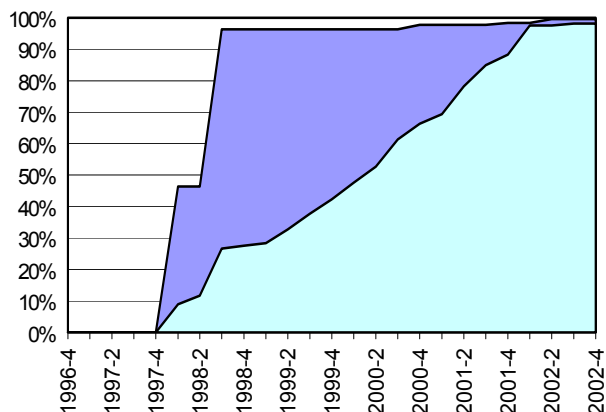


^{viii} Except Stabex projects, which are shown in Annex 11 & 11

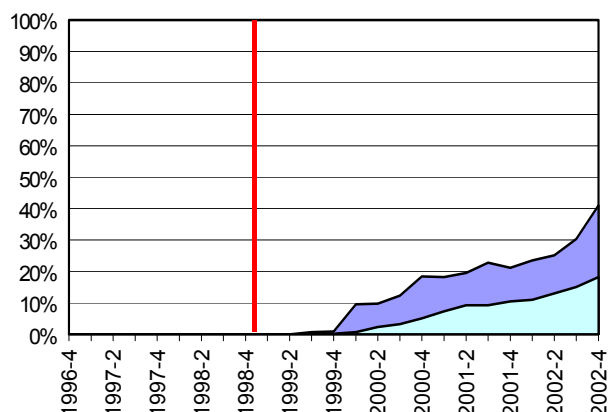
Annex 10 - Evolution of Commitments and Payments for Current Projects (Cumulative, in percent of total allocation)

Situation as of 31.12.2002

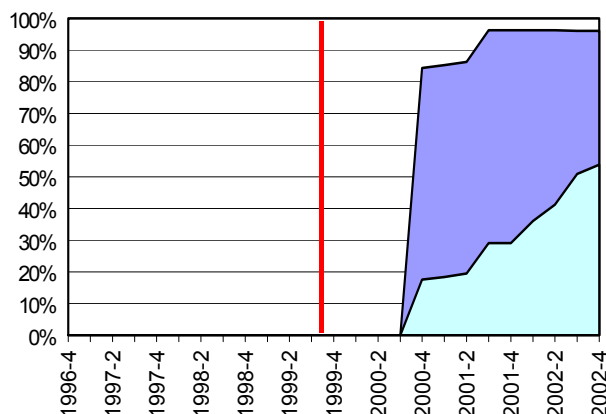
5334/PNG - Ramu Highway Upgrading



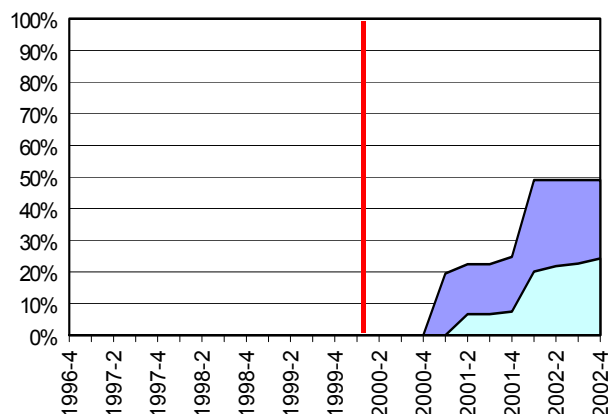
6087/PNG - HRDP II



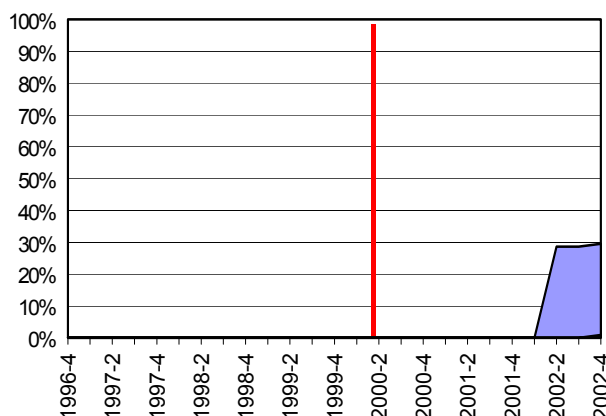
6170/PNG - EU Programme management Unit in support of the NAO



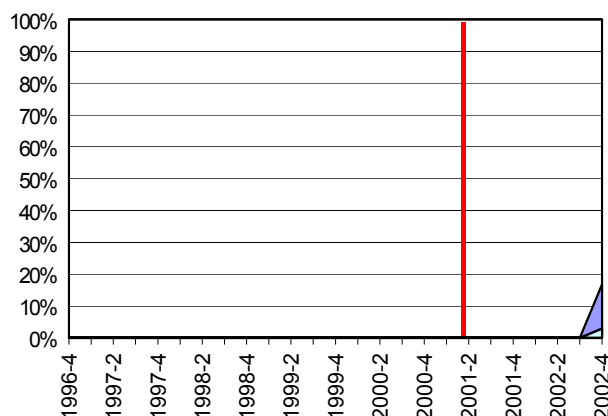
6205/PNG - Eco-Forestry Programme



6346/PNG - Sexual Health Project



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



Commitments (cumulative, in % of total allocation)
 Payments (cumulative, in % of total allocation)
 Date of signature of Financing Agreement

Annex 11 - Financial Situation of the STABEX funded projects (Kina '000)

Situation as of 31.12.2002

A. FMO 92/93/94

No	Project Title	Amount Allocated	Amount Committed	Amount Paid	Status
A.1. Debt relief					
3.1	Price support to debt relief/Cocoa	922.00	922.00	922.00	Completed
3.2	Price support to debt relief/ Copra	1,500.00	1,500.00	1,500.00	Completed
3.3	Price support to debt relief/ coffee (FMO 92/93)	12,938.00	12,938.00	12,938.00	Completed
3.3	Price support to debt relief/ tree crop (FMO 92/93)	2,100.00	2,100.00	2,100.00	Completed
	<i>Sub-total</i>	17,460.00	17,460.00	17,460.00	
A.2. Bougainville					
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	Completed. Yet to be closed
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	808.08	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
	<i>Sub-total</i>	3,999.00	3,999.00	3,339.32	
A.3. Cocoa & Coconut					
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 tr.	300.00	300.00	100.00	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. Yet to be closed
	<i>Sub-total</i>	12,347.39	12,347.39	11,695.39	
A.4. Coffee					
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	676.45	Ongoing
2.3	Coffee pulpers 2.3+B38	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
2.4B	Coffee Promotion stage II	2,000.00	-	-	Awaiting Start-up
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	1,251.00	1,251.00	730.00	Ongoing
2.7	Smallholders coffee production in PNG (workshop)	93.00	70.00	50.00	Completed. Yet to be closed
2.8	CIC Corporate Restructure Project	234.00	234.00	93.00	Completed. Yet to be closed
2.9	Western Highlands Sub-station Development (CIC)	700.00	692.00	275.00	Ongoing
2.10	CRI/CIC Administrative and Infrastructure Support Project	692.20	692.20	275.00	Ongoing
2.11	CRI integrated Management of Green Scale	242.65	-	-	Awaiting Start-up
	CIC treatment of coffee processing wastes	132.60	-	-	Awaiting Start-up
	Special coffee project (Gourmet)/Research into intrinsic qualities	1,000.00	-	-	Awaiting Start-up
	Capacity building for the Mass Propagation center	245.00	-	-	Awaiting Start-up
	<i>Sub-total</i>	9,332.45	5,681.20	3,771.45	

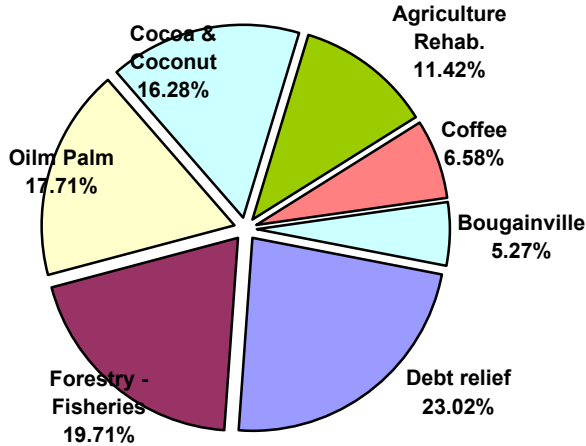
No	Project Title	Amount Allocated	Amount Committed	Amount Paid	Status
A.5. Oilm Palm					
3.4A	Redevelopment of Kavugara oil palm blocks, OPIC	2,500.00	2,500.00	2,500.00	Completed. Yet to be closed
3.4B	Assistance to Biala Growers	500.00	500.00	500.00	Completed
4.1	Extension activities at OPIC	4,004.60	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. Yet to be closed
4.2B	Ganoderma Research Project Second Phase (OPRA)	992.00	-	-	Awaiting Start-up
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. Yet to be closed
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. Yet to be closed
4.22	OPRA efficiency of Nitrogen Fertiliser inputs project	680.31	680.31	150.00	Ongoing
	<i>Sub-total</i>	14,426.98	13,434.98	12,230.92	
A.6. Agriculture Rehab.					
4.8	Extension of NARI	2,000.00	2,000.00	300.00	Ongoing
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. Yet to be closed
4.12B	Launakalana preparation phase	350.00	350.00	350.00	Completed. Yet to be closed
4.12C	Launakalana Cashew nut project	3,500.00	3,500.00	1,045.50	Ongoing
4.13	Sheep breeding programme, DAL	277.74	277.74	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	480.00	Ongoing
	PNGRIS upgrading, (DAL)	750.00	-	-	Awaiting Start-up
	NARI Commercialisation of alternative cash crops (NARI Kerevat)	317.83	-	-	Awaiting Start-up
	Feasibility study for central province, grain growing project	260.55	-	-	Awaiting Start-up
	<i>Sub-total</i>	9,987.32	8,658.94	3,298.49	
A.7. Forestry - Fisheries					
4.3	PNGFA Log monitoring (+ rider)	12,000.00	10,500.00	10,500.00	Ongoing
4.10	IREP mainland	1,333.71	1,333.71	1,290.00	Completed. Yet to be closed
4.16	IREP island region	2,213.49	2,213.49	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	-	Awaiting Start-up
	<i>Sub-total</i>	16,451.66	14,951.66	14,272.17	
A.8. Other Sectors					
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	57.60	Ongoing
4.25	Financial Monitoring of STABEX funds	180.00	180.00	36.00	Ongoing
	<i>Sub-total</i>	1,248.00	482.00	161.60	
	Total FMO 92/93/94	85,252.80	77,015.16	66,229.34	

B. FMO 90-94 for Bougainville

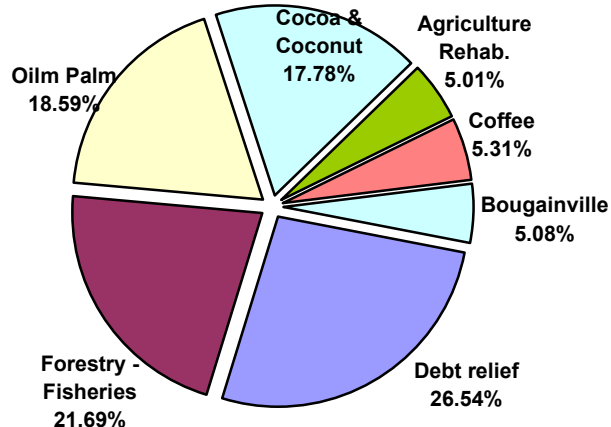
No	Project Title	Amount Allocated	Amount Committed	Amount Paid	Status
B.1. Agric. & Econ. Infrastr.					
03A	Bougainville Agricultural Feeder roads	3,500.00	3,500.00	1,500.00	Ongoing
06A	Arawa Town Market	240.00	-	-	Awaiting Start-up
	<i>Sub-total</i>	3,740.00	3,500.00	1,500.00	
B.2. Agriculture Rehab.					
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, UI	3,200.00	3,200.00	2,235.22	Ongoing
02C	Coconut Genetic Improvement Bougainville Attols	215.00	215.00	100.00	Ongoing
02E	Togarau Potato Seed Production & Marketing Study Project	10.00	10.00	5.00	Ongoing
02F	Atoll Agricultural Research and Development Programme	495.87	-	-	Awaiting Start-up
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	17.50	Ongoing
04D	Bougainville Women's Micro Credit Scheme	600.00	-	-	Awaiting Start-up
	<i>Sub-total</i>	6,723.38	3,627.50	2,535.23	
B.3. Training Programme					
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	300.00	Ongoing
05D	Tunuru Vocational Training Center	731.85	731.85	300.00	Ongoing
05E	Buin vocational training center	758.60	-	-	Awaiting Start-up
05F	Tinpuz Vocational Training Center	870.00	-	-	Awaiting Start-up
	<i>Sub-total</i>	3,297.55	1,668.95	776.57	
B.4. Supervision					
01A	BPIU/Operational Expenditure	1,332.76	1,332.76	783.70	Ongoing
01B	BPIU/Coordinator	414.70	414.70	414.70	Ongoing
01C	BPIU/infrastructure coordinator	457.10	457.10	260.00	Ongoing
	<i>Sub-total</i>	2,204.56	2,204.56	1,458.40	
	Total FMO 90-94 for Bougainville	15,965.48	11,001.01	6,270.20	

Annex 12 - Summary of Financial Situation of the Stabex funded projects, by sectors
Situation as at end of 2002

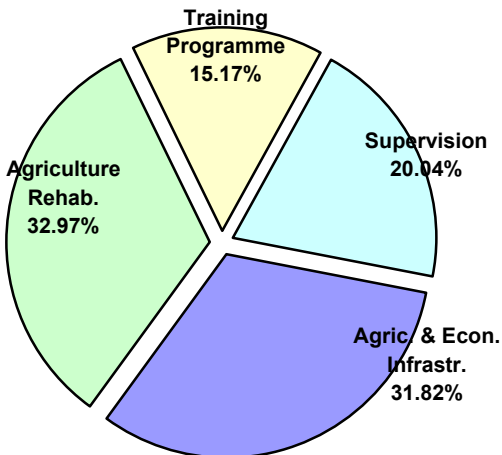
A. FMO 92/93/94
Commitments



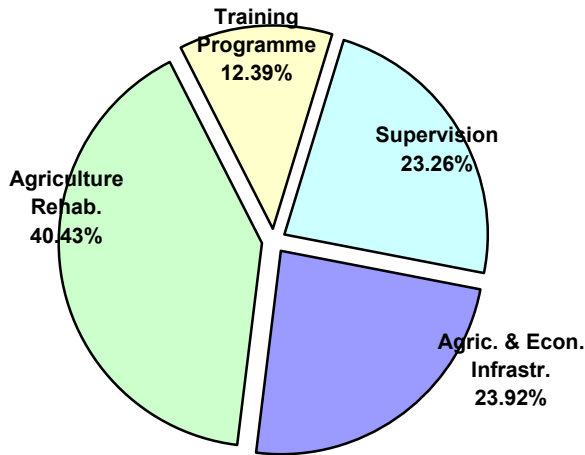
Payments



B. FMO 90-94 for Bougainville
Commitments



Payments



Annex 13 - Status on the implementation of the STABEX funded projects Situation as at end of 2002

Project Title	Coconut Beetle Control Programme	Project Amount	PGK 2,568,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	PNGCCRI
Dated signed	03/04/95	Closure	2002
Project Number	1.5		
Main Objectives and Expected Results			
<p>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.</p>			
Status of project as at end 2002			
<p>The project has been completed and the final technical report has been submitted. The biology and ecology of the 2 beetles is now understood. Two synthetic pheromones have been identified. Four types of traps have been developed and tried with success at Tavilo. However, the entomopathogens are yet to be developed and released. PNGCCRI, in conjunction with PNGCCEA, will distribute the traps very soon. Although the remaining funds were transferred back into the BPNG Stabex Entitlement Trust, the final financial report is yet to be submitted.</p>			

Project Title	Repairs and refurbishment of Rabaul CMB shed	Project Amount	PGK 797,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	Copra
Marketing Board		Closure	Dec 2000
Dated signed	30/01/97		
Project Number	1.6 B		
Main Objectives and Expected Results			
<p>To refurbish the copra shed damaged by the volcano eruption in Rabaul. The shed would be restored to working condition and 2 elevators and 2 jet slingers provided.</p>			
Status of project as at end 2002			
<p>Project completed. However, the Project Completion Report is not yet submitted.</p>			

Project Title	Agric. Feeder Road Improvement Works - Buka	Project Amount	PGK 1,750,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	Bougainville Provincial
Government		Closure	2003
Dated signed	20/08/97		
Project Number	1.6 C		
Main Objectives and Expected Results			
<p>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.</p>			
Status of project as at end 2002			
<p>Project initially commenced in 1998/99 with the allocation of PGK1.2m to rehabilitate 209km of roads. Only 195 km was rehabilitated with reduced scope as the amount budgeted was insufficient for the following reasons; the original estimate was compiled prior to 1996 and by the time the project funds became available, the road conditions had deteriorated further. A completion report for this phase was submitted in March 1999. Under Rider II, PGK450,000.00 was allocated and the following work was undertaken by two contractors.</p> <p>Lot: 1 Hanahan to Karoola Access Road, Length: (5.0km) completed.</p> <p>Lot: 3 Dewau access road (3.5km), completed.</p> <p>Lot: 4 Lemanmanu Access Road (2.7 km), completed.</p> <p>Lot: 5 Lemankoa Access Road (1.0 km), completed.</p> <p>Lot: 7 Hoela/Hagus access road. (1.2km), completed.</p> <p>Lot: 8 Hanahan Beach access (.8 km), completed.</p> <p>Lot:9 Kotopan access road (1.6 km), completed.</p> <p>Lot: 10 Sapani access road (11.6km), 40 percent yet to be completed. Completion envisaged by end April 2003.</p> <p>Lot: 11 Malasang Beach access, (.8 km), completed.</p>			
<p>In addition two bailey bridges were repaired. These are the Namukom and Kehe bridges. PGK105,691.05 remains in the Imprest Account.</p>			

Project Title	Port infrastructure in Bougainville	Project Amount	PGK 1,440,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	Boug.Prov. Gvnt
Dated signed	23/07/98	Closure	2002
Project Number	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 2002

Kieta Wharf Shed Rehabilitation (PGK750,519.82)
Most of the work on the shed itself has been completed. The last payment to the contractor is pending the installation of 22 flood lights. Negotiations to complete the work are underway.

Tinputz Jetty
Design has been completed and quotations have been invited. It is anticipated that the work will commence in April 2003.

Numa Numa Barge Ramp
Design has been completed. It is anticipated that this project will be undertaken during the rehabilitation of the Togarao Feeder Road in April 2003. These projects are located in the same area and project supervision will be easier.

Project Title	Cocoa Market Support	Project Amount	PGK 300,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	Cocoa Board
Dated signed	17/10/96	Closure	
Project Number	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 2002
The Copra Marketing Board has submitted a draft proposal to EU PMU as to how the balance (PGK200, 000) of the funds may be utilised. The proposal includes a National Cocoa Workshop scheduled for April 2003. It is envisaged that during the workshop the entire cocoa sub-sector be reviewed and an appropriate long-term strategy be put in place.

Project Title	Redevelopment of Cocoa Sites	Project Amount	PGK 150,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	PNGCCRI
Dated signed	04/09/99	Closure	2002
Project Number	1.10		

Main Objectives and Expected Results
Redevelop an area of 288 ha of cocoa, which was severely affected by cyclone and drought. Generation of income for continued operation of research activities of PNGCCRI

Status of project as at end 2002
The entire 288ha of cocoa was rehabilitated just with the initial transfer of PGK50,000 made in 1999. However, no technical and financial report was provided. The remaining balance of PGK100,000 was decommitted. An evaluation was carried out by EU PMU and concluded that although reporting was very poor, the project was executed very well in terms of achievement of objectives, efficiency and sustainability. The PNGCCRI plantation management rehabilitated 288ha with one third of the funds allocated and now the plantations are generating internal revenue

Project Title	Research activities on Coffee	Project Amount	PGK 690,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	CIC
Dated signed	17/11/95	Closure	2002
Project Number	2.1		
Main Objectives and Expected Results			
To generate income for CIC through processing of coffee cherry to green bean. This would be achieved by construction of a wet factory and equipping it for processing and drying of coffee cherry. The project also provided a vehicle for CRI .			
Status of project as at end 2002			
The project is completed. Several activities under this project are continued under different new projects. Under the project the new factory at Western Highlands Substation has been completed and is now operational. A dryer was installed at the Aiyura Factory and several infrastructure works were undertaken.			

Project Title	Coffee Extension Activities	Project Amount	PGK 1,070,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	CIC
Dated signed	October 1995	Closure	
Project Number	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 2002			
Disbursement of project funds was put on hold pending the completion of the review that CIC is undertaking. The funds should be redirected in 2003.			

Project Title	Coffee Pulpers	Project Amount	PGK 262,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	CIC
Dated signed	17/11/95	Closure	2002
Project Number	2.3		
Main Objective and Expected Results			
To provide the capital for setting up a revolving fund managed by CIC in order to buy coffee pulpers in bulk and to sell them to smallholder coffee growers at reduced cost.			
Status of project as at end 2002			
Project completed. Fund being used as a revolving source of credit for pulpers.			

Project Title	Coffee chemical taste stage 2	Project Amount	PGK 1,076,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	CIC
Dated signed	31/10/2000	Closure	2003
Project Number	2.5 B		
Main Objective and Expected Results			
To 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			
Status of project as at end 2002			
Basic Lab equipment has been acquired. Two workshops on quality control and marketing have been conducted and leaflets providing advice prepared. A 'tok pisin' version has been prepared for smallholder growers. A video and booklet on quality control and marketing prepared. Routine spot checks and 'on demand' analysis of samples thought to contain chemical tasting beans is set up as a routine using the SORTEX purchased.			

Project Title	Coffee workshop	Project Amount	PGK 70,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	CIC
Dated signed	04/03/02	Closure	2002
Project Number	2.7		
Main Objective and Expected Results			
The objective was to review the main constraints and issues the Coffee sector is facing and to identify a strategy to increase production productivity and household income.			
Status of project as at end 2002			
The project outlined a strategy for the coffee sector for the next 5 years			

Project Title	Coffee Corporate Restructuring	Project Amount	PGK 234,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	CIC
Dated signed	05/09/02	Closure	2003
Project Number	2.9		
Main Objective and Expected Results			
To draw up a 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.			
Status of project as at end 2002			
The project is completed. A new organizational structure has been designed (merge of 4 departments into 2, merge of the extension service with the research service, promotion of partnerships with other institutions, promotion of service providers, efficiency improvement, cost cutting exercise).			

Project Title	Western Highlands Sub-station project	Project Amount	PGK 692,200
FMO	1994 including balances of FMO 92/93	Implementing Agency	CIC
Dated signed	31/10/2000	Closure	2004
Project Number	2.9		
Main Objective and Expected Results			
To upgrade the research sub-station and enhance farmer researcher interactions and provide a good basis for CIC to increase internal revenue.			
Status of project as at end 2002			
Project started.			

Project Title	Redevelopment of Kavugara oil palm Blocks	Project Amount	PGK 2,500,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	OPIC
Dated signed	08/10/96	Closure	
Project Number	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 2002			
750 ha have been acquired and redeveloped. This area is now in full production. Funds fully disbursed in 2001 but project not yet completed. Although field inspection confirmed the excellent achievements of the project no reports have been received.			

Project Title	Extension Activities at OPIC	Project Amount	PGK 4,004,600
FMO	1994 including balances of FMO 92/93	Implementing Agency	OPIC
Dated signed	18/05/95	Closure	2003
Project Number	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 2002			
Project completed but yet to be closed. Reporting has been very poor. However field visits confirm that the project did achieve its objective.			

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

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 2002

Screening procedures developed are slow and require large areas of palms. Laboratory diagnosis is well developed. Training provided resulted in a PhD graduate and technical laboratory staff. Biological control has been introduced and tested. A proposal for continuation of the research has been approved for a further 3 years of funding. The results to be achieved focus on consolidating the achievements of the first phase and developing field resistance of standard crosses. It aims to further develop nursery screening of resistance. Trials on *Tricoderma* and *Ceratocystis* are still inconclusive. The next phase is still under preparation.

Project Title	Log Monitoring	Project Amount	PGK 10,500,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	PNGFA
Dated signed	03/04/95	Closure	2003
Project Number	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 a independent activity, without support from third parties. Increase in foreign exchange earnings through collection of 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 2002

The activity is self-sustainable in terms of additional revenue collected. PNGFA should have taken over this project in 2000. However, due to failure to secure sufficient budget a rider was proposed to cover another year (2001). A replenishment request for 2002 funding is still pending. No disbursement done in 2002. A Rider for another PGK1.5m has been initiated for 2003.

Project Title	Management staff training for oil palm industry	Project Amount	PGK 1,800,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	PACRIM/OPIC
Dated signed	18/10/96	Closure	2003
Project Number	4.4		

Main Objectives and Expected Results

The project aims at developing management skills within the oil palm industry through: (i) building and equipping a training centre for 20 people; (ii) training managers to be self-motivated; (iii) improving staff management capacity; (iv) developing training materials; (v) training in safety; and (vi) training in computer literacy.

Status of project as at end 2002

Initially the project was managed by PACRIM. The Training Centre was completed and numerous courses conducted for all levels of management. Management of the programme was transferred to OPIC in March 2000. Due to the failure of OPIC to provide a suitable training proposal the remaining funds (PGK 600,000) were de-committed in November 2001.

The project should be closed in 2003.

Project Title	Research in the biological control of Sexava	Project Amount	PGK 1,104,610
FMO	1994 including balances of FMO 92/93	Implementing Agency	OPRA
Dated signed	18/10/96	Closure	2002
Project Number	4.5		
Main Objectives and Expected Results			
To develop the use of a naturally entomophagous parasite in a sustainable integrated pest management scheme for oil palm.			
Status of project as at end 2002			
Project completed. Laboratories at Dami, Higaturu and Hargy research sub-centres are fully equipped. An in-depth knowledge of the biology of the parasite and the host was developed and the potential of a biological pathogen assessed. PNGOPRA staff were trained in surveying mycopathogens and a collection of mycopathogen of sexava obtained from the ecosystem. A feasibility study for developing a biological control strategy based on mycopesticides has been conducted. It has been shown that a large-scale release was possible.			

Project Title	NARI Headquarters	Project Amount	PGK 2,000,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	NARI
Dated signed	31/01/97	Closure	2003
Project Number	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 2002			
The contract was awarded and construction began in September, 2002. Building is expected to be completed by July 2003.			

Project Title	Launakalana cashew nut project	Project Amount	PGK 3,500,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	LDC
Dated signed	9/02	Closure	2005
Project Number	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 2002			
This phase started with the initial transfer of PGK1.0 m and procurement of kit homes/office/storage house and Vehicles for extension were done.			

Project Title	Sheep Breeding Programme	Project Amount	PGK 300,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	DAL/LDC
Dated signed	26/01/99	Closure	2003
Project Number	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 these semi commercial farms. Training of 20 farmers in sheep management skills and 20 women in by product utilization.			
Status of project as at end 2002			
673 sheep, 430 ewes at Menifo station. 184 sheep at Erap. Both stations experienced some problems with attacks and stealing. 50 women have been trained in the manufacture of wool product and 10 men in sheep husbandry. Two stations are being maintained. The Launakalana station sheep component is not functioning as no funds were released to LDC from DAL. Project completed with PCR submitted. There is no sheep now in LDC.			

Project Title	Insect Pollination of oil palm	Project Amount	PGK 500,000
FMO	1994 including balances of FMO 92/93	Implementing Agency	OPRA
Dated signed	19/05/2000	Closure	2003
Project Number	4.18		
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 2002			
Screening of weevil populations for evidence of infection by nematodes has been completed. A database of the biological information on pathogens has been designed and data entered as it becomes available. The determination of the variability between local population and West African populations is being carried out. New populations of African and South America weevils were introduced in 2002.			

Project Title	Seafood safety improvement project	Project Amount	PGK 282,462
FMO	1994 including balances of FMO 92/93	Implementing Agency	NFA
Dated signed	7/12/2000	Closure	2003
Project Number	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 2002			
The project is divided in 3 phases. The third phase has been completed and PCR submitted. However, the financial report is yet to be submitted. Under the first phase, the project provided technical assistance in setting up and implementing the Seafood Regulatory Assessment Programme. It provided advisory inputs into planning and implementing the SRAP management system, given training support to the fish exporting industry in meeting fish quality control matching export standards and started a programme for assistance to seafood exporters in the development of HACCP programmes. 53 participants have been trained in seafood HACCP while 8 companies have been assisted with development of the HACCP systems. The Audit and certification Unit has made good progress in developing national and international relationships in audit skills and in cannery technology skills. It is 80 % operational.			

Project Title	BPIUt, Operational activities	Project Amount	PGK 1,332,760
FMO	1990-1994 Bougainville	Implementing Agency	Boug.Prov.Gnt
Dated signed	March 2000	Closure	
Project Number	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 2002			
Office maintained at Buka and Arawa. The project is instrumental in providing field coordination of ongoing projects. The main assets, including three motor vehicles still maintained. Kieta warf completed. Agricultural feeder roads on Buka island is almost completed. 2 new vocational centres are under construction. An extension of Mabiri vocational Centre has been carried out. A training programme has been conducted for 50 farmers. Project extended for another twelve months to 31st December 2003.			

Project Title	BPIU, Project Coordinator	Project Amount	PGK 414,700
FMO	1990-1994 Bougainville	Implementing Agency	Boug.Prov.Gnt
Dated signed	March 2000	Closure	2004
Project Number	EU.15.04.01.B		

Main Objectives and Expected Results

Coordination of the EU STABEX funded Bougainville Agricultural Restoration Programme

Status of project as at end 2002

Current contract expired in December 2002. New contract for 12 months to December 2003 has been accepted. Projects implementation, see above. New projects under preparation : Arawa Market, Tinpuz jetty, Numa Ramp, Feeder Roads, 2 more vocational centres under design.

Project Title	BPIU, Infrastructure Coordinator	Project Amount	PGK 457,100
FMO	1990-1994 Bougainville	Implementing Agency	Boug.Prov.Gnt
Dated signed	18/07/2000	Closure	2003
Project Number	EU.15.04.01C		

Main Objective and Expected Results

Coordination of the EU STABEX funded Bougainville Infrastructure Restoration Programme.

Status of project as at end 2002

Bougainville Infrastructure Coordinator's current contract expired on the 31st December 2002. The contract was further renewed to 31st July 2003 with budgeted extension to 30th September 2003.

Project Title	Distribution of rice huskers in Bougainville	Project Amount	PGK 70,000
FMO	1990-1994 Bougainville	Implementing Agency	Boug.Prov.Gnt
Dated signed	02/08/2000	Closure	2003
Project Number	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 2002

This project has been completed with the distribution of 15 rice huskers and other associated supplies and equipment to communities in Central Bougainville. Five of the huskers had to be airlifted to inaccessible communities. Following approval by the NAO, balance of the funds were re-assigned to the training of 6 former combatants from the beneficiary communities. The training was undertaken at OISCA in Rabaul, East New Britain, at an institution funded by the Japanese Government. Completion report now due.

Project Title	Bougainville Cocoa Sector Rehab	Project Amount	PGK 3,200,000
FMO	1990-1994 Bougainville	Implementing Agency	Boug.Prov.Gnt
Dated signed	18/10/2000	Closure	2003
Project Number	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 2002

2.4million seedlings distributed to village farmers up to December 2002, Up to 8 central nurseries, but some closed due to criminal activities mainly due to motor vehicles being stolen. In 2002, there was a move to open nurseries within Local Level governments. Classrooms and dormitories not commenced. Budwood gardens have been established throughout the Island.

The project was plagued by problems of inter-agency bureaucracy between UNDP and PNGCCEA. On many occasions local workers had to be laid off as funds at the local PNGCCEA office were delayed. Law & Order problems continued to affect the project largely due to false expectations and poor liaison at the District levels. The reporting has been poor and no audit was carried out yet.

Project Title	Coconut Genetic Improvement	Project Amount	PGK 215,000
FMO	1990-1994 Bougainville	Implementing Agency	CCEA
Dated signed	11/01/2001	Closure	2001
Project Number	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 2002
Village extension workers and leading farmers have been selected. 50 per cent of the extension agents have been trained. Training courses were conducted. Delays in the preparation of the seed beds have been experienced. 41,644 hybrid coconuts have been shipped to the atolls. 10,456 nuts were distributed end of 2001 with the balance still in the nurseries. As the Islands are remote, reporting on the project has been sketchy. A ship will be chartered in 2003 to evaluate the progress on this project.

Project Title	Togarau Potato Seed Production	Project Amount	PGK 10,000.00
FMO	1990-1994 Bougainville	Implementing Agency	FPDC
Dated signed	September 2001	Closure	
Project Number	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 2002
The draft report did not address the objectives sufficiently and was returned for further review by the FPDC, Mt. Hagen who were engaged to undertake the study. Final report has not been received.
Balance of PGK5,000.00 will not be paid until a satisfactory final report is submitted.

Project Title	Atoll Agric. Research and Development	Project Amount	PGK 495,870
FMO	1990-1994 Bougainville	Implementing Agency	NARI
Dated signed	Not signed as yet.	Closure	
Project Number	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 2002
The Cost Estimate for this project was only signed in December 2002. Project to commence in 2003.

Project Title	Bougainville Agricultural Feeder Roads	Project Amount	PGK 3,500,000
FMO	1990-1994 Bougainville	Implementing Agency	BPG
Dated signed	June 2002	Closure	
Project Number	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 2002

Total contract valued at PGK1,352,000.00. As at 31st December 2002, PGK 755,717.10 has been paid to the contractor to 31st December 2002.

Lot No	Description	Length	Status
1	Pomaua access road	4.5	70% completed. Outstanding work to be completed by April 2003.
2	Amiong access road	5.0	60% completed. Outstanding works to be completed by April 2003.
3	Pavaere access road		Access denied due to local dispute.
4	Nulendi access road	2.2	60% completed. Outstanding works to be completed by April 2003.
5	Kupe access road	5.0	70% completed. Outstanding works to be completed by April 2003.
6	Kerei access road	7.0	Access denied due to local dispute.
7	Sipuru access road	24.6	Completed

A new reduced scope of works has been put together for the Togarao road (23km) Two other roads have also been investigated. These are the Oria road and Laguai road in South Bougainville.

Project Title	Bougainville Rural Agric. Credit Scheme	Project Amount	PGK 2,000,000
FMO	1990-1994 Bougainville	Implementing Agency	Not Determined
Dated signed	Cost Estimate yet to be submitted.	Closure	
Project Number	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 2002

Discussions have been conducted in the past year with the Agriculture Development Bank, Village Finance limited and the PNG Cocoa Growers Savings & Loans Society. Further discussions have been held with the project managers of the Micro Finance Project funded by the Asian Development Bank.

Project Title	Boug. Women's Micro Credit Scheme Workshop	Project Amount	PGK 25,000
FMO	1990-1994 Bougainville	Implementing Agency	BCoW
Dated signed	September 2001	Closure	2002
Project Number	EU.15.04.04.C		

Main Objective and expected results

Table and discuss the recommendations of the PA Consult Report.

Table and discuss Bankakademie report.

Receive updates from Districts.

Formulate new directions for Scheme.

Review business activity of the women.

Review current management and operational structure.

Approve new operating principles.

Status of project as at end 2002

The workshop was conducted in November 2001. The workshop report was submitted to NAO in January 2002. The financial reports have only been submitted to BPIU. A replenishment request will be forwarded in 2003 for the balance of the funds to settle outstanding invoices. Completion report due in 2003 after all invoices settled.

Project Title	Bougainville Women's Micro Credit Scheme	Project Amount	PGK 600,000
FMO	1990-1994 Bougainville	Implementing Agency	BCoW
Dated signed	Cost Estimate not submitted.	Closure	
Project Number	EU.15.04.04.D		

Main Objective and expected results
To provide credit to Bougainville farmers to increase agriculture production.

Status of project as at end 2002
Discussions have been conducted in the past year with the Agriculture Development Bank, Village Finance limited and the PNG Cocoa Growers Savings & Loans Society. Further discussions have been held with the project managers of the Micro Finance Project funded by the Asian Development Bank.

Project Title	Mabiri Vocational and Rehabilitation School	Project Amount	PGK 74,000
FMO	1990-1994 Bougainville	Implementing Agency	Marist Bros
Dated signed	April 2002	Closure	2002
Project Number	EU.15.04.05.A		

Main Objective and expected results
To transfer practical agriculture and livestock management skills to young farmers.

Status of project as at end 2002
Project completed in December 2002.
Three student accommodation units completed, Assembly hall repairs completed, tools for workshop and student farms completed, portable welder/compressor/genset was purchased. Five cows purchased and fence repaired. Pig shelters built with pigs to be delivered in 2003.
Final report and financial report received. BPIU to submit the Completion Report in 2003.

Project Title	Training for DPI staff	Project Amount	PGK 105,000
FMO	1990-1994 Bougainville	Implementing Agency	Boug. Prov. Gvt
Dated signed	April 2002	Closure	
Project Number	EU.15.04.05.B		

Main Objective and expected results
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.

Status of project as at end 2002
Training component of the project completed in 2002. 48 farmers were trained at NARI Kerevat.

The two major components still outstanding are the Butterfly awareness and the database surveys. These were differed due to the unresolved invoices. The resolution of this matter will determine when the balance of the project will be undertaken.

Project Title	St Gregory Vocational School	Project Amount	PGK 758,100
FMO	1990-1994 Bougainville	Implementing Agency	Boug. Prov. Govt.
Dated signed	July 2002	Closure	
Project Number	EU.15.04.05.C		

Main Objective and expected results
Contribute to appropriate skill training and improving the living standards of graduating students in Central Bougainville.

Status of project as at end 2002
PGK 105,000.00, representing about 14 per cent of the funds spent. Work on the staff houses progressing well. This is an existing school.

Project Title	Tunuru Vocational Training Center	Project Amount	PGK 731,850
FMO	1990-1994 Bougainville	Implementing Agency	Boug. Prov. Govt
Dated signed	July 2002	Closure	
Project Number	EU.15.04.05.D		

Main Objective and expected results

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

Status of project as at end 2002

Major drainage works have been completed, one building which will house the administration and classroom and storage completed. The first intake in 2003 will commence building other classrooms, teachers' houses as part of their training. PGK 131,800.00 representing 18 per cent of funds already spent. Materials purchased ready for construction in 2003. New volunteer for Tunuru already secured through Horizont 3000.

Annex 14 - Statistics on Major Export Commodities

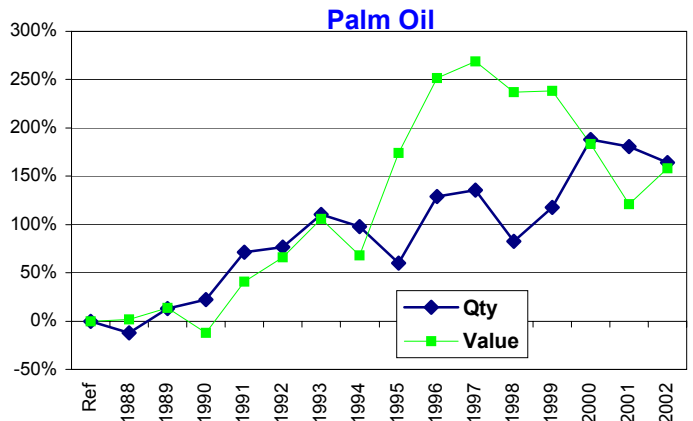
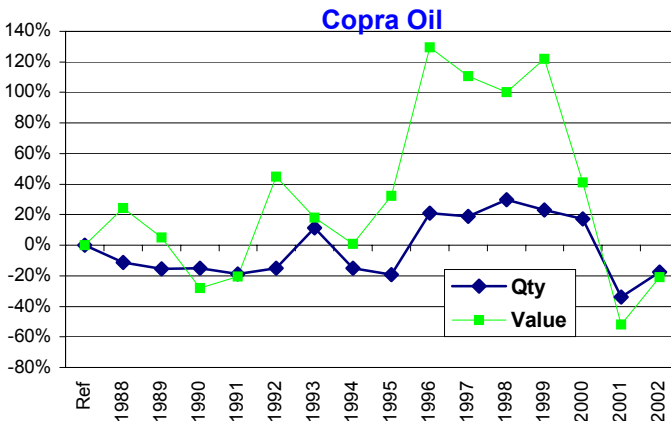
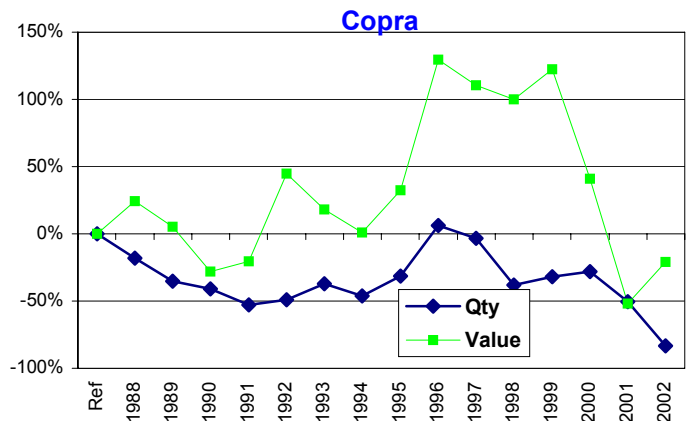
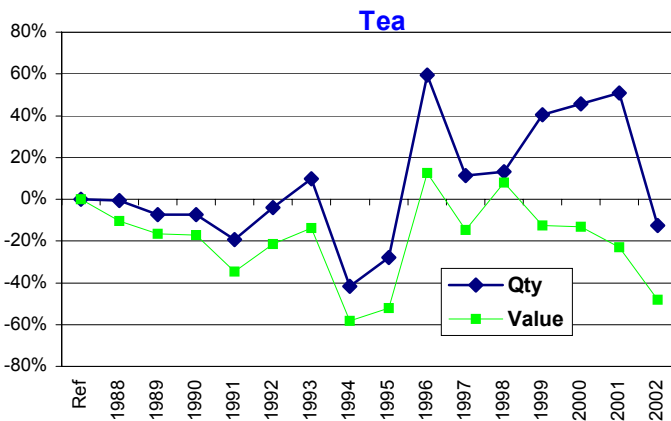
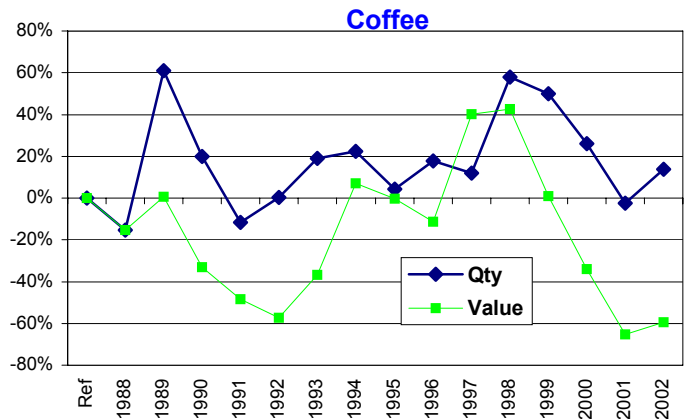
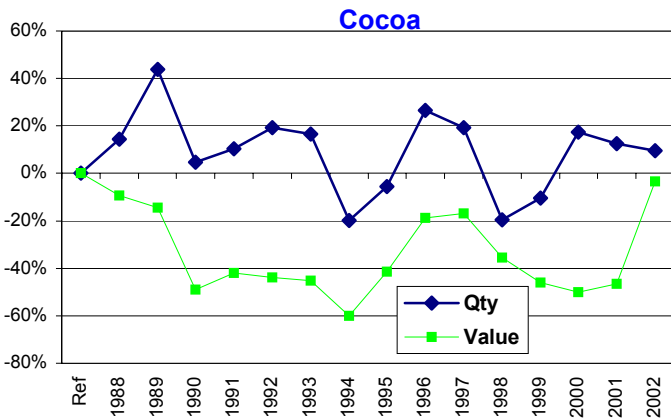
A. Quantities exported, in '000 tonnes (from 1985 to 2002)

	Cocoa	Coffee	Tea	Copra	Copra Oil	Palm Oil	Rubber	Logs (‘000 M3)	Marine Products	Crude Oil barrels (‘000)	Copper	Gold (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

B. Values, in US\$ million f.o.b (from 1985 to 2002)

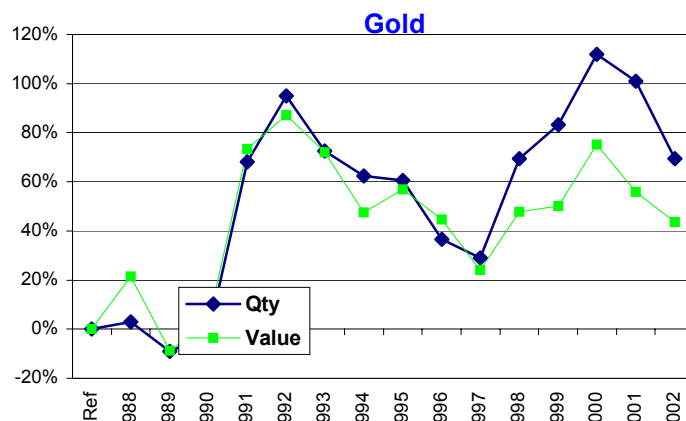
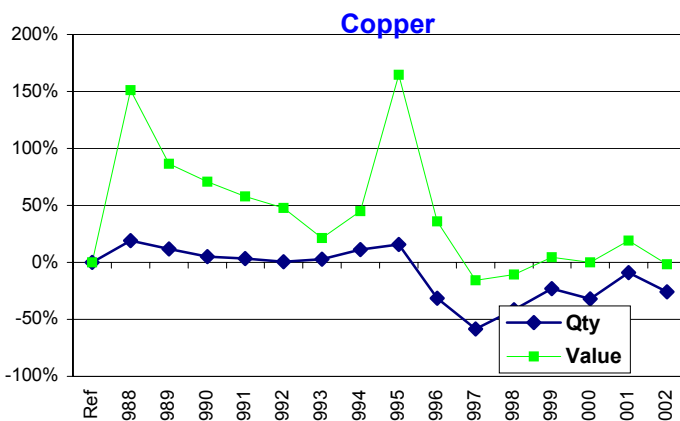
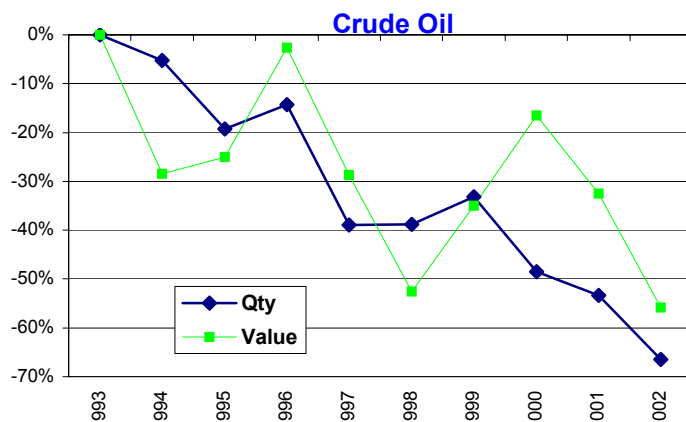
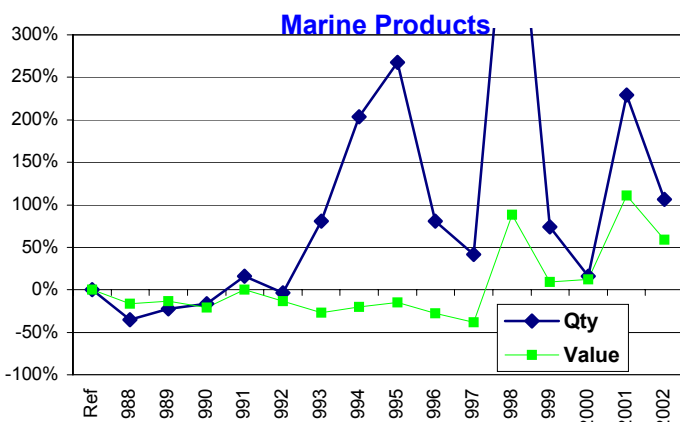
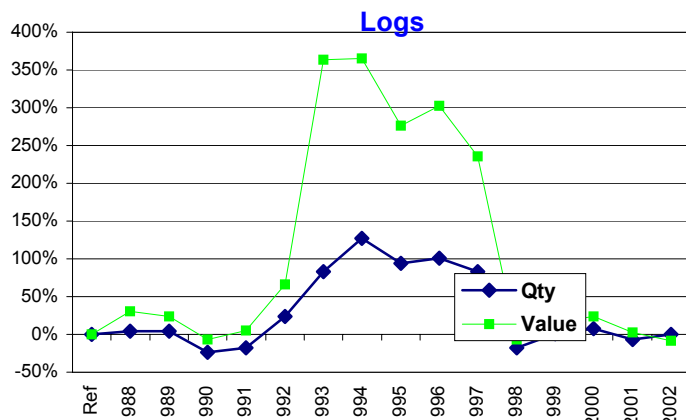
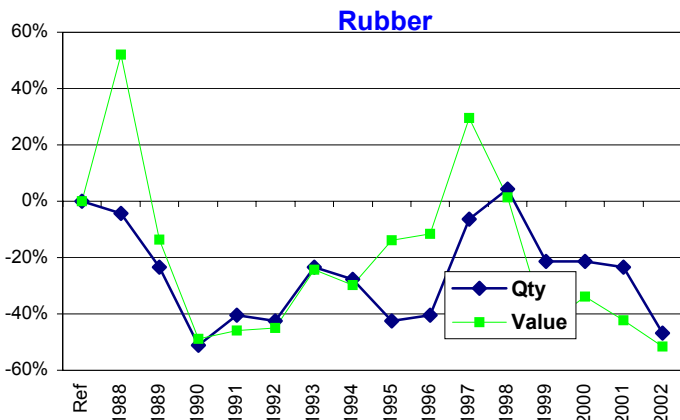
	Cocoa	Coffee	Tea	Copra	Copra Oil	Palm Oil	Rubber	Logs	Marine	Crude Oil	Copper	Gold
1985	61.73	116.05	11.36	32.99	23.41	60.84	3.85	66.47	11.95		162.18	314.88
1986	58.68	216.92	7.80	10.40	10.82	29.44	3.12	77.72	8.22		162.30	414.60
1987	63.98	153.34	6.38	17.30	16.51	27.21	3.53	126.25	12.52		320.91	481.43
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	17.29	368.25	211.65	579.54

C. In Variation of Period of Reference^{ix}



^{ix} Average of 1985, 1986 and 1987

C. In Variation of Period of Reference^x (Ctnd)

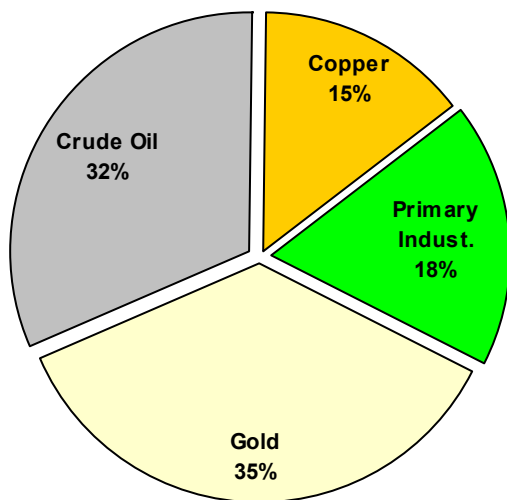


^x Average of 1985, 1986 and 1987, except for crude oil, for which the year of reference is 1993 (first year of full production)

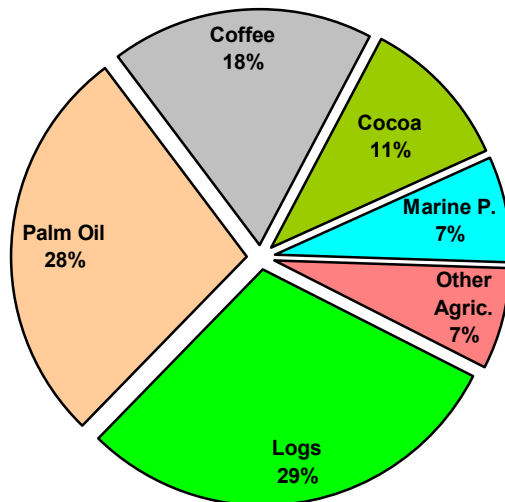
D. In percent of total exports

In 2001

All Commodities

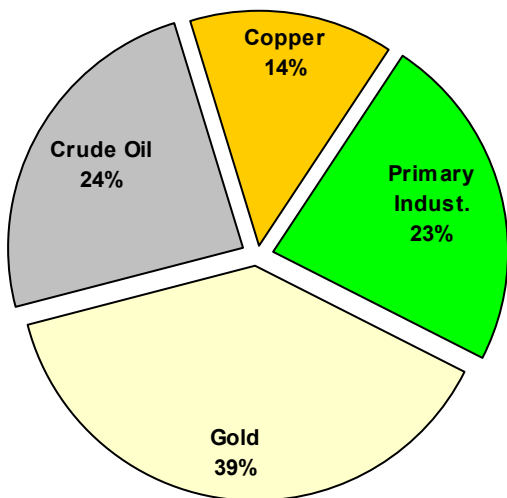


Primary Industries

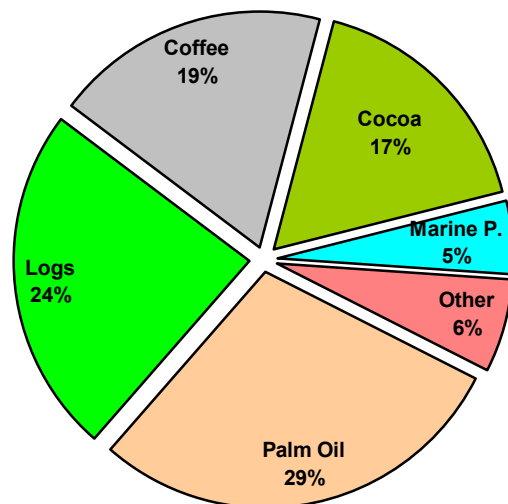


In 2002

All Commodities



Primary Industries



Annex 15 - Staff & Visitors

A EC Delegation Staff

- In 2002 the Brussels based Delegation team comprised:
 - Mr Anthony Crasner Head of Delegation
 - Mr Hans Lothar Schmidt Economic Advisor
 - Mr Robert Ziegler Civil Engineering Advisor
 - Mr Ignacio Aguirre Financial Officer (until July 2002)
 - Mr Jyrki Torni Financial Officer (from July 2002)

- ALAT posts in the Delegation:
 - Mr Neil Nicholls Educational & HRDP Programme Specialist
 - Mr David Freyne Environmental & Rural Dev. Programme Specialist

B Technical Assistants in the EU Programmes

A number of experts were recruited to provide Technical Assistance (TA) in various sectors. The following is a list of TA experts with long-term^{xi} 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

Project 8 ACP PNG 003 - HRDP II

- Mr Allan William Sail (GOPA Consultants). TA within the Programme Implementation Unit, Department of Education, Port Moresby (from February 2002)

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
- Mr Jean-Pierre Souillart (Sofreco). Civil Engineer within the EU-PMU, Department of National Planning and Monitoring, Port Moresby (until August 2002)

Project 8 ACP PNGF 005 - Eco-Forestry Programme

- Mr Johan Ramon (Agrifor Consultants). Team leader and Eco-Forestry Advisor, Walindi (until May 2002)
- Mr Willem Quist (Agrifor Consultants). Team leader and Eco-Forestry Advisor, Lae (from May 2002)
- Mr Simon Rollingson (Agrifor Consultants). Marketing Advisor, Lae
- Mr Quentin Ducenne (Agrifor Consultants). Policy Advisor, National Forest Authority, Port Moresby

Project 8 ACP PNG 014 - Sexual Health Project

- Ms Ute Schumann (Euro Health Group). Resident Technical Adviser, National Aids Council, Port Moresby (from September 2002)

Project 8 ACP PNG 017 - Rural Coastal Fisheries Development Programme

- Mr Sean Marriott (Agrisystems). Project Manager, National Fisheries Authority (from October 2002)

^{xi} 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.

Annex 16 - Missions from Headquarters and other Delegations

The following Commission officials carried out missions to Papua New Guinea:

The Electoral Exploration Mission:

- Ms Elsa FENET, DG Relex (27th January – 5th February).
- Mr Augustin OYOWE, PNG Desk-Officer, DEV/C/4 (27th January – 5th February).
- Mr Aldolf CAYUSO, AIDCO (27th January – 5th February).
- Mr Scipion du CHATENET, Logistics expert (27th January – 7th February).
- Mr Nicholas SELSEY, Election expert (27th January – 7th February).

Conflict Prevention/Peace Consolidation Mission:

- Mr. Heinz SCHUMANN-ZEGGEL, (21st February – 3rd March).
- Mr. Alain RETIERE, (21st February – 3rd March).

Western and Central Pacific – 2nd Preparatory Conference (Fish Talks) – Madang:

- Mr. John SPENCER, DG FISH/B/2, (21st February – 1st March).
- Mr. Fredrerich WIELAND, DG FISH/B/2, (21st February – 1st March).
- Ms. Edouardo DUARTE DE SOUSA, DG FISH/B/2, (21st February – 1st March).
- Mr. Giudo CARRARA, Fiji Delegation, (21st February – 3rd March).

Administration – RAI training:

- Ms. Linda PALOMBO, DG Relex K-4, (19th – 22nd February).

DG Development:

- Mr. George GWYER, Head of Unit, DEV/C/4, (17th – 19th May).
- Mr. Poul Nielson, Commissioner for Development and Humanitarian Aid (9th – 12th October).
- Mr. George Gwyer, Head of Unit, DEV/C/4 (9th – 12th October)
- Ms. Karin Johansson, Cabinet Nielson (9th – 12th October)