



PAPUA NEW GUINEA

NATIONAL ASSESSMENT REPORT

Prepared for

**UNITED NATIONS DEPARTMENT OF ECONOMIC AND
SOCIAL AFFAIRS**

COMMISSION FOR SUSTAINABLE DEVELOPMENT

New York

June 2006

Dr. Albert Nita
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PREAMBLE

WE declare our **First Goal** to be for every person to be dynamically involved in the process of freeing himself or herself from every form of domination or oppression so that each man or woman will have the opportunity to develop as a whole person in relationship with others.

WE declare our **Second Goal** to be for all citizens to have an equal opportunity to participate in, and benefit from, the development of our country.

WE declare our **Third Goal** to be for Papua New Guinea to be politically and economically independent, and our economy basically self reliant.

WE declare our **Fourth Goal** to be for Papua New Guinea's natural resources and environment to be conserved and used for the collective benefit of us all and are replenished for the benefit of future generations.

WE declare our **Fifth Goal** to be to achieve development primarily through the use of Papua New Guinean forms of social, political and economic organization.

*Preamble, Constitution of the Independent State
of Papua New Guinea, 16 September 1975*

Foreword

The Papua New Guinea (PNG) National Assessment Report 2006 (NAR) is produced for the United Nations Department of Social and Economic Affairs (UNDESA), Division of Sustainable Development (DSD). Each Pacific country is requested to produce its own NAR. The NAR is designed to support the formulation of National Sustainable Development Strategies (NSDS) in Pacific Small Island Developing States (Pacific SIDS) including Papua New Guinea (PNG).

The development of a NSDS is in line with Agenda 21, the Johannesburg Plan of Implementation (JPOI) and the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (Mauritius Strategy).

Strategy development is not a simple, one-off activity. It is a cyclical process that ranges from national vision through formulation, implementation, monitoring and evaluation; it is a process that engages a broad range of stakeholders; and it is a process that relies on an institutional capacity that is both adaptive and integrative. All of these demand, then, over time, a number of activities to guide the process and to strengthen the enabling environment. The production of the NAR is the first of a series of activities to set the foundations for sustainable development NSDS in PNG.

UNDESA correctly acknowledges that these activities are first and foremost the right and responsibility of each individual State. It is understood, however, that the Pacific SIDS, will require assistance. For this purpose, a Partnership has been formed initially among a number of organizations, including the UNDESA, the United Nations Economic Commission for Asia and the Pacific (UN ESCAP), the United Nations Development Programme (UNDP), and the Pacific Islands Forum Secretariat (PIFS). The Italian Government provided funding for Pacific SIDS delegates to attend the NSDS Workshop in New York from 1-13 May 2006.

The NAR provides the background information on PNG on development in general and sustainable development in particular. It assesses the national development context and the national development priorities of successive governments. PNG's position in terms of promoting sustainable development is analyzed considering the extent to which participation is promoted in sustainable development decision-making. Finally, the enabling environment for decision-making and the means of implementing a NSDS are discussed. The Report suggests a Way Forward to support a national framework for sustainable development.

Executive Summary

Background

Papua New Guinea (PNG) is a unique country. It is located on the eastern half of the island of New Guinea including the large islands of the Bismarck Archipelago including New Britain, New Ireland, and Bougainville further to the east. Its population of 5.7 million people is scattered throughout the 464 000 km² of landmass including more than 600 small islands. PNG is a very rich country in terms of its natural resources which includes mineral, petroleum, gas, forestry, fisheries, land and agricultural resources. It is often described as an ‘island of gold floating on a sea of oil’. Its varied marine, volcanic, mountainous, swampy, freshwater, and forest environment is home to 6 percent of the world’s total biodiversity. Nowhere else on this planet is its biological diversity equally matched by its cultural diversity than it is in PNG. The people speak over 800 different languages and belong to a thousand different tribes with their unique social, cultural and political features. This has presented both opportunities for and the constraints against Western-style modernization in PNG.

National development and targets

PNG pursued its social and economic development through a series of ambitious development programmes since independence in 1975. The government adapted the 5 National Goals and Directive Principles as its vision to guide development. The 5 Goals are:

1. Integral Human Development,
2. Equality and Participation’
3. National Sovereignty and Self Reliance,
4. Natural Resources and the Environment, and
5. Papua New Guinean Ways.¹

The development strategies that followed after 1975 reflected the governments’ aim to achieve the 5 Goals and catch up with the rest of the world in social and economic development. The national public expenditure planning (NPEP) strategy beginning in 1976 was aimed at opening up the country through transport networks and creating an infrastructure base for social and economic development. The World Bank-funded integrated rural development programmes (IRDPs) that ran concurrently with the NPEP beginning in 1976 targeted least developed provinces. The IRDP complimented the NPEP with the former targeting least developed provinces only.

By the 1990s there was an urgent need for the government to promote private sector growth at the same time improving accessibility to, and actually providing social services. Priority for health care, education, transport maintenance, and economic growth engineered the movement towards medium term planning in 1991. The United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro the following

¹ See the Preamble of the Constitution for the detailed wordings of the 5 National Goals (page v) of this document.

year further encouraged medium term development planning with the sustainable development agenda becoming an attractive proposition. The government encouraged a Post Rio Seminar in late 1992 to design a strategy to implement the sustainable development action programme or Agenda 21.

Strategies for sustainable development

The 20th Waigani Seminar² at the University of Papua New Guinea (UPNG) followed this in 1993 on Environment and Development that led to:

- a) The recommendations for developing a national sustainable development strategy (NSDS) in 1993;
- b) Drafting of PNG's NSDS in 1994;
- c) Endorsement of the NSDS in 1994;
- d) Establishment of the National Task Force on Sustainable Development in 1994; and
- e) Creation of the National Commission for Sustainable Development and housed in the Prime Ministers' Office in 1994.

All sectors of society were invited to participate in the 20th Waigani Seminar including representatives from districts, provinces, private sector, non government organizations (NGOs), churches, industry, academics, bureaucrats and politicians. This provided a great sense of ownership and the stage to convince the government to redefine development in a sustainable format was set with full stakeholder participation. Consequently, the Commission for Sustainable Development and the National Task Force on Sustainable Development were created and housed within the Prime Ministers Office.

Between 1995 and 2002 constant changes to the political and bureaucratic leadership impacted the sustainable development strategy and its' subsequent implementation. There were 3 different governments' between this period and the country witnessed bureaucratic chaos as the respective governments sought to place their own men in key bureaucratic positions. Despite these constraints, the government of the day adapted the first Medium Term Development Strategy (MTDS) 1997-2002 describing it as the 'Bridge into the 21st Century'. The MTDS reflected key elements of previous plans including further infrastructure development, in particular transport infrastructure as a precondition to accelerate economic growth. It recognized private sector-led economic growth as the engine for broad-based social and economic development. Environmental sustainability and sustainable development did not feature prominently in the MTDS, nor was any programme designed to promote sustainable development apart from the stalled NSDS of 1994. Despite these shortcomings, the MTDS 1997-2002, the Charter for Reconstruction and Development in 1999, the PNG Human Development Report of 1999 and the National Poverty Reduction Strategy of 2002 were positive developments in favor of Agenda 21.

² It used to be a biannual Seminar series held at the University of PNG and sponsored by development partners including the government, donors, private sector and some NGOs.

In 2002, the incoming Somare Government announced the Programme for Recovery and Development (PRD). The government wanted continuity to be maintained from programmes initiated under MTDS 1997-2002 and these were reflected under the PRD including: export-driven economic growth, rural intervention and poverty reduction, and good governance. These objectives are carried forth under the MTDS 2005-2010.

The MTDS 2005-2010 reflect elements of the MTDS 1997-2002 in a multitude of ways. It seeks economic growth through private sector development to support its export-driven economic growth, and the green revolution objective targeting agriculture produce, rehabilitation and maintenance of transport infrastructure, health care, education and poverty reduction. The current MTDS is a result of widespread consultation between its advocates at the Department of Finance and Planning (DFP)³ and wider sections of the community. The proponents aptly wanted all stakeholders to become part of the design and implementation process. A spirit of partnership was facilitated between the policy developers and the intended beneficiaries of the MTDS. The Central Agencies Coordination Committee (CACC) oversaw this important exercise. Although environmental sustainability as a significant component of sustainable development does not feature prominently in the MTDS the overall strategy does reflect elements of the Millennium Development Goal (MDG).

Consultation and participation

Multi-stakeholder consultation, participation and partnership were critical for implementing sustainable development. Sustainable development is a cross-cutting issue that requires requisite resources from the government, which often is unable to meet financial and manpower requirements. Reaching out in the form of participation and partnership to multi-stakeholder groups and communities in the country is a prerequisite to effective and efficient implementation of the MTDS (or an NSDS). Indirect benefits are generated through participation and partnerships such as local capacity building that are necessary for long-term programme sustainability is developed.

The period 1992-1994 witnessed a high level of participation by stakeholders to support the government in formulating a framework for sustainable development. The University of PNG played an active part in facilitating public consultation and participation to discuss sustainable development in PNG. This represented formal discussions involving all stakeholders under 7 main themes: (a) revitalizing growth with sustainability; (b) Sustainable living and health; (c) Human settlement (d) Efficient resource use (e) Managing chemical and waste (f) People participation and responsibility, and (g) Essential means. All participants had something to discuss at this forum which made their participation meaningful.

However, the level of participation experienced during the 20th Waigani Seminar represents only one case where public consultation was significantly high. The same cannot be extrapolated to imply that stakeholders have always been effectively consulted

³ DFP was formerly the Department of National Planning and Monitoring, and before that the Department of National Planning and Rural Development.

on all important national policy issues. There are relatively few legal and institutional arrangements for multi-stakeholder group consultation and participation. Public consultation and participation in PNG is largely discretionary. International corporations and the government as a stakeholder in natural resource extractive projects facilitate, fund and sponsor consultation and participation. It is difficult for this form of ‘sponsored participation’ to yield lasting decisions. Further, the Mining Act 1992 makes public consultation and participation mandatory at the negotiation stages involving mining projects, after which landowners sign away their resource rights and remain passive observers for the rest of the project life.

Similarly, the Environment Act 2000 provides for public hearings on all issues surrounding resource projects prior to signing agreements and issuing of permits. In both cases there is low level consultation and participation. This kind of participation in PNG is only a rubber stamp for project approval, unlike in Western democracies where public consultation is a powerful tool for community advocacy. Public consultation and participation of landowners in project areas is an isolated and one-off activity. Developers often use Acts of Parliament designed to facilitate project development to thwart-off landowner demand for more consultation regarding generated environmental and socio-economic impacts and benefit redistribution. The multi-sectoral and multi-dimensional nature of sustainable development inevitably requires multi-stake holder group consultation and participation.

Enabling environment

Parliament and hence the National Executive Council (NEC) remain the highest decision-making bodies in the country. The DFP remains the nerve centre for the governments’ planning and budgetary processes. All sectoral and provincial plans enter the national planning, monitoring and selection process at the DFP. Further, all foreign aid (both grants and loans) enters the country through DFP through which aid is disbursed either through the annual budgetary process, the PIP cycle or directly into prioritized recurrent costs. However, the DFP relies on other sister agencies of the government to input sectoral plans and budgets into the decision-making process. The information provided is invaluable in devising strategies to address development goals of the country.

The MTDS 2005-2010 reflect the process described. The DFP drafted the MTDS for the medium term with consultation with key government agencies as well as with the wider community and donor partners. Given the role of provincial governments and district authorities in implementing projects their consultation and partnership with the DFP is critical. Nevertheless, it is what comes out of projects rather than the plan itself that is critical for sustainable development in PNG. In most cases, the working relationship between the DFP and the provincial governments is not an easy one. Despite the passage of the Organic Law on Provincial and Local-level Government in 1995 (OLPLLG) and amended in 2006 to facilitate ‘bottom-up’ planning, it is practically difficult to implement projects at the provincial level. Sometimes, the Governor of provinces often described as ‘mini-Prime Ministers’ in an effort to assert their dominance over their national counterparts may impact upon a good working relationship with the DFP.

The MTDS (or an NSDS) will obviously suffer when relationships between the DFP and the provinces are less cordial. It is imperative to consult and educate both leaders and bureaucrats at all levels about their roles and responsibilities regarding implementation of the MTDS or an NSDS. Successful implementation will require cooperation and coordination between key line agencies (horizontally) and between different levels of government (vertically). It may imply delegating some functions to other agencies but coordinated by the DFP including Universities to coordinate, monitor and evaluate the progress of project implementation. The Universities are funded by the national government and therefore they should fully be utilized to assist in nation building initiatives.

The ability of the CACC to coordinate development programmes of national significance is critical. The CACC reports directly to the NEC on the progress of different activities stipulated under the MTDS. The CACC is naturally housed in the DFP and the Prime Ministers' Department. Also important in designing and implementation of the MTDS (or a NSDS) are Departments of Provincial and Local-level Governments,⁴ Foreign Affairs and Immigration,⁵ Health, and Education, and all key resource departments.⁶ Suffice to say identifying the key agencies does not imply that their horizontal linkages and working relationships are well developed.

It is imperative to note that the working relationship between the key agencies (horizontal) has not always been sound. The NEC and DFP have established *ad hoc* structures for coordinating national strategy processes. The CACC is far removed from the realities regarding the developmental needs at the local level. The CACC, CIMC or their equivalents should be properly defined in terms of their roles and responsibilities. They require specific tasks defined by specific terms of reference that ensure effective coordination between these *ad hoc* groups, line agencies and the DFP. In the absence of clearly defined roles and responsibilities, problems of duplication, resource misuse, nepotism, and bad advice can result. For example, the CACC was accused of providing misleading advice to the NEC which resulted in the payment of millions of kina to fraudulent claims in early 2006.

Further, there is often a conflict of interest between line agencies. Their roles and responsibilities are compartmentalized in ways that complimenting and supporting MTDS strategies between and within sectors is constrained. The MTDS and/or NSDS would deal with many cross-cutting priority issues which often require inter-agency commitment. In PNG, this has been problematic. For example, the DEC is responsible for environmental impact monitoring in resource projects which require coordination and collaboration between the DEC and agencies implementing resource development

⁴ Crucial given its responsibility to the provincial governments and district authorities and the role they play in implementing development projects under the OLPLLG.

⁵ Bilateral and multilateral input into development is significant and the Department of Foreign Affairs and Immigration plays a critical role in negotiating funding through PNG's overseas missions.

⁶ Resource departments are those that deal with natural resources. For example, Lands, Fisheries, Forestry, Mining, Petroleum and Gas, Agriculture etc...

projects, i.e. mining projects. The Mining Department views its role as a developer while it views the role of the DEC as an environmental manager. The perceived views of these agencies make inter-agency linkages difficult. If the horizontal linkages between centrally-based line agencies are poorly developed, vertical linkages between the centre and the provinces remain wanting.

Engaging the public to participate in issues of national significance by public agencies is complex. While high turnouts are recorded in all corners of the country for political elections the same cannot be true for development issues. The CACC, CIMC, NCM and other *ad hoc* groups have the government support to facilitate public participation. Further, the government's public sector reform document 'Strategic Plan for Supporting Public Sector Reform in PNG: 2003-2007' which sought to increase greater financial control and efficiency in service delivery is a positive initiative. The impact of the 'reform' exercise should increase rather than reduce the capacity of the public service in order to implement government policies. Planned improvements in accountability, strengthening capacity, compliance and leadership, and stable provincial governments remain the major challenges.

Inter-agency linkages

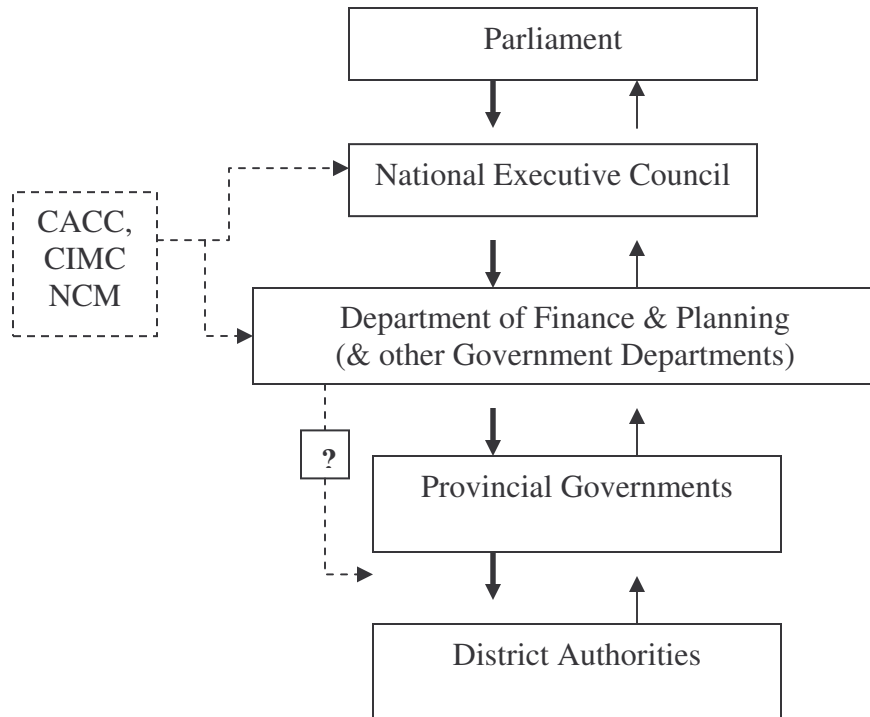
The Johannesburg Plan of Implementation (JPOI) recognizes the significance of establishing and/or promoting better integration of cross-cutting issues under a sustainable development framework. Important issues facing PNG are covered in this category including poverty, gender equality, environment protection, health and education and other priorities into sustainable goals and vice versa at policy, institutional, and financial levels. Establishing and promoting inter-agency linkages between key government agencies dealing with the cross-cutting issues is paramount. It helps to understand the interrelatedness of certain issues that require an integrated approach to sustainable development. In PNG, there is a need for identifying the inherent synergies that exist between different aspects of the environment, the economy and social issues and the need to explore more effective ways for more effective coordination mechanisms between these issues and agencies dealing with them.

Both synergistic and coordinated approach is essential in PNG to facilitate inter-agency cooperation for a more cost-effective, negotiated decision-making, planning and implementation of policies. The MTDS recognizes the significance of developing better coordination between the 3-tiers of government but without prescribing specific mechanisms to effectively integrate policies and coordinate the country's institutional mechanisms including laws, work culture, civil society and NGOs in implementing sustainable development at the various governmental levels. Improved coordination of sustainable development activities at these levels and between line agencies will minimize inadvertent conflicts between policies and strategies between different regimes.

In this context, the CACC and the Consultative Implementation Coordination Council (CICC) and the NCM have a fundamental role in coordinating and integrating policies which cut across sectors at both the level of central government agencies and between

these agencies and the provinces. The functions of the CACC and CICC are complimentary however; both tend to be more focused on issues in Port Moresby rather than in the provinces (Figure 1). The roles and responsibilities of the two Committees are vague except where the role of the former is one of advisory to the executive arm of the government.

Figure 1: Decision and implementation route



In reality, both agencies have become Port Moresby-based advisory groups without effective links with the provinces. There is relatively little coercive framework recognized by legislation to define their roles and responsibilities which makes them an *ad hoc* agency established to oversee the implementation of the MTDS only in the medium term. The roles and responsibilities of the CACC and the CICC need to be strengthened to achieve coordination for successful implementation of the MTDS or a NSDS.

Challenges

The outcome of the MTDS or NSDS is contingent upon the social, political, economic, and cultural environment under which programmes are implemented. Contemporary commentators have argued that the enabling environment in PNG for sound results must be promoted concurrently with appropriate projects (Tameo 2004; Saulei et al 2002). Several critical issues in PNG continue to impede the implementation process and are likely to remain the key constraints. The key challenges are briefly described.

- **Governance**
 Transparency in decision-making, accountability in financial management, professionalism in the workplace, taking responsibility for decisions, respect for the rule of law, and respect for the position individuals hold are key elements of good governance. Fulfilling all these aspects of good governance in PNG is a major issue. The outcome of any sustainable development programme including the successful implementation of the MTDS will be problematic without first addressing the critical governance issue.
- **Political instability**
 Stability in government is paramount to achieve medium and long term term goals, but is challenged when constant cabinet reshuffles brings new Ministers with new objectives into respective Ministries. For example, the DFP has had 6 different Ministers since 2002, which has affected the implementation of the MTDS and other government-sponsored programmes.
- **Accountability**
 PNG's laws are internationally commended but in practice, they are inadequate in dealing with accountability. There is widespread abuse of laws by politicians and high level bureaucrats. Abuse of power and process is the norm rather than the exception and in most cases goes unpunished. The enforcement capacity of the legal and government system remain to be improved.
- **Institutional capacity**
 The capacity of line agencies (horizontal and vertical) and sub-national governments (vertical) necessary to support government policies and delivering development is still lacking. Although the government has thrown a lot of resources into capacity building, more needs to be done in order to instill discipline in the public agencies to make it more productive. The DEC Strengthening Project funded by the United Nations Development Programme (UNDP) in 2006 is a healthy example of enhancing capacity of the DEC to respond effectively to environment and conservation needs of the country.
- **Systemic corruption**
 Corruption is one of the sores in PNG society. Corruption occurs at all levels of government and remains deeply entrenched. The various initiatives of the government to strengthen the role of the Ombudsman Commission, Auditor General's Office, and the Public Accounts Committee (PAC) is a testimony to the governments' resolve to improve PNG's capacity to effectively deal with corruption.
- **Poverty**
 Improvements to absolute and relative poverty in PNG through sustainable development are a basic human rights goal. The MTDS and the National Poverty Reduction Strategy (NPRS) list poverty as an overarching objective

of the government. It is reflected in the country's low cash income levels, little or no income opportunities and low education and health standards. Poverty results from 'hardships' translated as 'inadequate levels of human development' - basically from lack of resources and services.

- Law and order

The law and order problem in PNG is one of the main issues and is more destructive to the social, economic, political, and cultural security. The 'internal terrorists'⁷ have no respect for human beings and the insecurity issue affect all levels of PNG society. The sense of security is almost absent in the major urban centres in PNG. The Enhanced Cooperation Program (ECP) with Australia could address the law and order problem if the ECP is revitalized.

- HIV/AIDS

HIV/AIDS is now a development issue in PNG. According to 2006 estimates the infection rate has increased tremendously to over 60 000 people living with the HIV virus. It is estimated that by 2020 about 37 percent of PNG labor force would be affected by the disease. The governments' allocation of K1m in the 2005 Budget and the commitment by AusAID and other donor partners to help fight the disease is a testimony to the threat posed by the HIV/AIDS disease. The message about the dangers of contacting the HIV/AIDS virus must first start at the household level, their neighborhood, work place and in the larger community. The economic and social security of PNG depends on the governments' ability to contain the disease.

- Youth and unemployment

The country will have serious problems if employment constraints in the private and public sectors fail to successfully absorb the majority of youth coming through the secondary education system. Recent figures show that of all youths in urban areas, 43 percent of young men and 25 percent of young women are unemployed. Almost all of them are educated and are in the 15-19 year age group. Continuations of this trend will have significant implication on the ability of the government to encourage sustainable urban and rural development. The National Youth Policy (*Draft*) 2006 seeks to address some of these problems in a proactive way.

A combination of all these and other issues creates a negative environment for good policy implementation. An enabling environment is a society, which has political commitment, high institutional capacity, respect for the rule of law, and values human rights. Improvements in some of these areas will definitely have rippling effect on the whole PNG landscape but it requires a high level of commitment by all stakeholders. The MTDS and/or an NSDS will deliver results if the environment under which projects are designed, funded and implemented is appropriate.

⁷ The term 'internal terrorists' is employed to describe 'rascals, robbers, rapists, murderers, conmen, white collar criminals, prison escapees, pocket pickers, thieves, and fraudsters who terrorize the people of PNG on a daily basis.

Monitoring, evaluation and coordination

It is imperative to develop and adapt a coordination, monitoring and evaluation plan by the DFP to coordinate, monitor and evaluate the governments' efforts to successfully implement strategic components of the MTDS. Currently the government has established *ad hoc* committees for coordinating national development without legally instituted agencies with adequate resources to undertake this critical duty. The mechanism for utilizing cross-sectoral planning or coordinating groups, including the identification of lead agencies and supporting implementing institutions for each component of the strategy, should be institutionalized as a requirement for all key sectors including provincial governments and district authorities. There is a need to collaborate with other key government agencies such the University of PNG to assist with coordinating, monitoring, evaluating and reporting on sustainable development interventions throughout the country.

This is critical to ensure that sectoral and sub-national agency linkages, both horizontal and vertical are informed by the DFP, CACC, CICM or other relevant government coordinating agencies. Enhancing coordination between national and local levels of government rests mainly on reducing the capacity, bureaucratic, and institutional constraints of the decentralization programme, mainly by effectively operationalizing the OLPLLG 1995.

Regarding coordination among institutions, the DFP is the natural home for the MTDS or an NSDS in PNG. It requires the capacity to manage the national process and to collaborate with other key actors in the implementation system for strategy making, such as the DEC, Foreign Affairs, Provincial Governments' and partners in the donor community. Furthermore, the important role of the DFP is obvious but equally, if not more paramount is recognizing, clarifying and strengthening the role and relationship between the lead agency and other implementing Departments (horizontal) and provincial governments and district authorities (vertical). Improvement in the coordination function will indeed facilitate improvement to monitoring and evaluation services provided by appropriate agencies implementing government priorities.

Outcomes and means of implementation

Positive results emanating from development intervention is contingent upon effective implementation. Implementation in turn depends on financial and manpower outlays from the PNG government and respective sponsors. What is also paramount in the input-output matrix is the nature of indicators employed to measure progress and output at every level of intervention. Sustainable development indicators provide useful tools to measure, evaluate and report on the implementation of key sectoral programmes under the MTDS or an NSDS.

The call for States to develop indicators under the Mauritius Strategy for sustainable development decision-making is critical (Mauritius Strategy 2005: 74:c). Generally, the

value of developing indicators, measuring development progress using the indicators and reporting for development planning have been considered less significant since the 1980s. As a result the MTDS does not have its own set of indicators reflecting PNG's social, economic, environmental and cultural landscape. PNG indicators together with the MDG indicators would include institutional and subsistence indicators reflecting PNG's 80 percent rural-based population. The underdeveloped nature of PNG-specific indicators meant that the MTDS 2005-2010 only adapted the MDG indicators. Further, there is relatively little monitoring by the DFP on a cross-sectoral basis and with provincial governments. The CIMC will need inter-agency support including from the Universities to assist in its implementation monitoring activity. The provincial governments need to develop their own indicators that compliment the MDG/MTDS indicators but reflecting upon local realities.

The Millennium Development Goals (MDG) provides a useful set of social, economic and environmental indicators for sustainable development. The set of indicators should be extended to include institutional and cultural factors to appropriately represent PNG's development landscape. These indicators are imperative for informed decision-making and associated, cost-effective data collection to respond to the respective sectoral needs for sustainable development. Sustainable development indicators, which incorporate social, economic, institutional, environmental and cultural factors, will become invaluable asset to the DFP, other key agencies and provincial and local-level governments in their entire decision-making and planning processes.

Decision-makers in the DFP should realize that indicators are useful tools for the sustainable development decision-making cycle including problem identification, policy formulation, implementation, and evaluation. Indicators are also useful for mobilizing resources to achieve targets in key sectors. These processes take place at all levels of government and involve many different cultural, social, institutional, economic and environmental inputs and considerations. Indicators employed in the MDG Progress Report for PNG and adapted in the MTDS can support effective decision-making and policy setting throughout each stage of the decision-making cycle by, amongst others, 'simplifying technical data, communicating key conditions and trends and providing tools for measuring progress towards achieving sustainable development' (GoPNG 2004).

It is imperative for national line agencies and provincial governments having difficulty implementing projects to develop appropriate indicators and providing data reflecting sustainable development. Policies reflecting development realities based on measurable socio-economic, institutional (legislative) and environmental indicators can perform better than those policies drafted without data and on an *ad hoc* basis. Development experience in PNG suggests this to be the case.

Data generated by the respective indicators helps to identify and build awareness on socio-economic and environmental priority issues that PNG need to address to move towards sustainable development. These indicators summarize sets of individual measurements for different issues and communicate the most relevant information to managers, decision-makers, general public and other user groups. The indicators

contained in the PNG MDG Progress Report needs to be expanded in order to help define economic, social, institutional, cultural, political and environmental problems. They will assist decision-makers in Waigani and elsewhere to decide on the next level of sustainable development intervention.

It would reflect the PNG development context if the MTDS 2005-2010 developed its own set of indicators to compliment the MDG indicators. While socio-economic and environmental indicators from the MDG are adapted, it is imperative for PNG to add to the list of indicators; institutional, political and cultural targets followed by specific indicators. Further, socio-economic and environmental targets should include indicators covering resource ownership, land tenure, resource income expenditure, culture and institutional targets/indicators. It is also imperative to develop targets and indicators for subsistence rural livelihoods because it cannot be sufficiently quantified by GDP measures. Indicators should drive the whole sustainable development process in PNG. It is encouraging to see 'success indicators' developed under the Pacific Plan 2006 to suit the Pacific regional context. The Pacific Plan indicators allow for the measurement of nationally and globally agreed targets including the MDG (Pacific Island Forum Secretariat 2006).

Further, the MTDS is incomplete as a strategic document. The MTDS acknowledges two (social and economic) out of the three pillars of sustainable development. Environmental protection is not listed amongst the 10 Principles of the MTDS however; environmental indicators in the MDG are copied directly into the MTDS without first considering environmental sustainability as a strategic objective.

It is not unfair to argue that the governments' monitoring and evaluation system is underdeveloped to keep pace with development issues in PNG. Further, the reporting mechanism of the CACC, CIMC and DFP to provide information to decision-makers at all levels across different sectors and provincial governments needs to be significantly improved. Both these weaknesses emerge as significant impediments to supporting decision-making for sustainable development. Planning on an *ad hoc* basis reflect the lack of data resulting from poor monitoring, evaluation and reporting mechanisms. Plans are drafted based on unrealistic estimates or outdated information often leading to poor decisions that raise expectations amongst rural people.

Budgeting and aid capacity

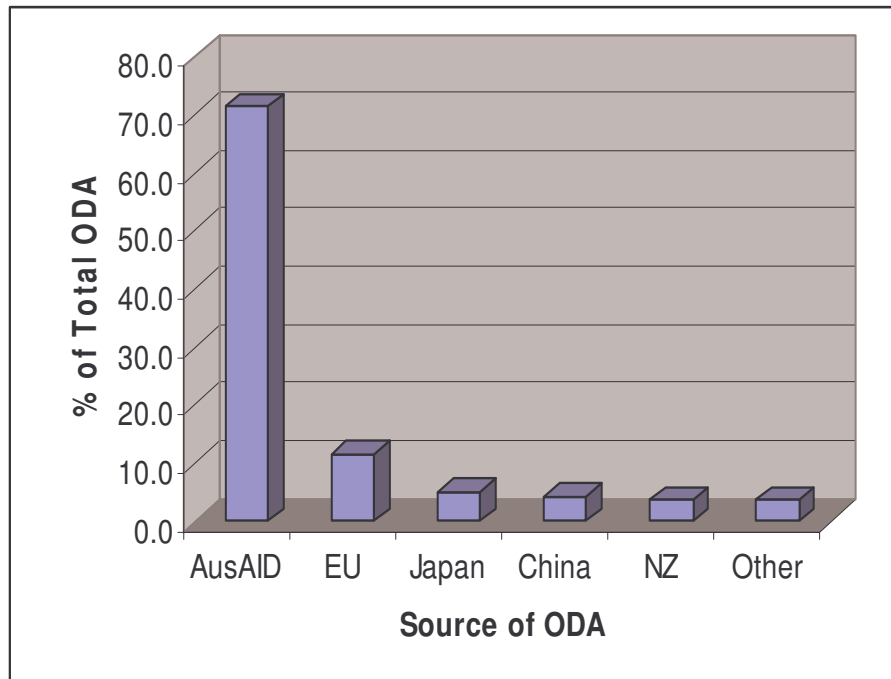
The annual budget mechanism supports government programmes in PNG. The government revenues raised through taxes, royalties from resource projects, and internally raised taxes fund the annual recurrent budget of the government. In terms of funding its' development priorities the government lacks the financial outlays to sufficiently fund its medium term development priorities. Simply, the government is under constraints to fund both recurrent and development budgets concurrently. The ability of PNG to successfully implement its short, medium and long term development objectives is contingent upon securing adequate external funds from bilateral and multilateral sources.

The K4.7 billion 2006 Budget passed in November 2005 put emphasis on ‘improving peoples lives through strong economic leadership’. In general, the Budget reflected government commitment to implementing the MTDS. Of the K4.7b 2006 Budget 65 percent went towards recurrent expenditure while the remaining 35 percent were allocated for development projects, which was a reduction of some 10 percent as it was affected by the withdrawal of the ECP with Australia. The major beneficiaries of the Budget were: Law and Order (K390m) with K150m for police (20 percent increase), education, especially universal primary education (K490m), and health care (K370m) (Budget Documents 2005). The Department of Environment and Conservation (DEC) received a mere K5.6m which is swallowed up by salaries with no funds appropriated for prioritized areas identified by the DEC and international partners. The Budget allocation for DEC reflected on the MTDS priorities and is less surprising that DEC received one of the lowest allocations in the public service allocation. This reflects the absence of sustainable development and environmental sustainability amongst the list of priorities of the MTDS.

Development projects submitted by each sector are prioritized by the DFP for inclusion in the Public Investment Programme (PIP) each year. Projects that pass through the selection process are listed for funding through the annual budgetary cycle. However, 70 percent of all development projects are funded through overseas development assistance. Several countries have assisted PNG since independence and their aid commitment continues. Australia is by far the largest contributor to PNG’s development programme with over 70 percent of all overseas aid in 2006 followed by the European Union (EU), Japan and China (Figure 2). The withdrawal of the ECP by the Australian Government has significantly reduced its total aid contribution for 2006.

The above aid figures represent less than what is potentially available to the PNG annually. The capacity within the PNG bureaucratic system in general and the DFP in particular to successfully utilize all overseas aid on offer is lacking. The capacity to identify key programmes/projects, negotiate loans/grants as well as to get approvals and the tendering processes itself is extremely slow. The resultant withdrawal of funds by the potential donors is disappointing. For example, in 2006 the EU withdrew over K40m. In 2003, the French Government withdrew over 10m euros approved for funding of the Highlands Highway. The World Bank and the Asian Development Bank (ADB) withdrew significant funding approved at different times due the governments’ inability to establish a sound process to draw down appropriated funds. The disappointing performance by the DFP to mobilize its capacity to utilize potential donor aid has generated concerns in government. Indeed, the proposal by the government to revitalize the Office of International Development Assistance (OIDA) to improve the capacity to access ODA funds is a positive initiative.

Figure 2: Overseas development aid to PNG 2006



Source: Budget Documents 2005

The 5 National Goals, MTDS and sustainable development

The spirit of sustainability is acknowledged in the 5 National Goals through the 4th Goal. The 4th Goal states:

“WE declare our **Fourth Goal** to be for Papua New Guinea’s natural resources and environment to be conserved and used for the collective benefit of us all and are replenished for the benefit of future generations.”

Inherent in the definition of the 4th Goal is the vision of sustainability. The rest of the 5 Goals are reflected in Agenda 21, JPOI, Mauritius Strategy and the Pacific Plan. Indeed, through the 4th Goal sustainable development was indirectly declared as a national objective under the PNG Constitution - 12 years before the publication of the Brundtland Report (1987) which defined sustainable development for the global audience. This implies that sustainable development in PNG is not entirely a new concept. What is perhaps new to the people is the language through which sustainable development is being communicated to PNGns.

Although the MTDS 2005-2010 attempts to incorporate the 5 Goals into its operational strategy, one of the significant differences between the MTDS and the 5 National Goals, Agenda 21, JPOI, the Mauritius Strategy, and Pacific Plan 2006 is its failure to consider

‘environmental sustainability’ as one of the pillars of sustainable development. Adapting the sustainable development framework will add value to the efforts of the national government through the MTDS. It is therefore imperative for the government to either revise the MTDS in an effort to strengthen its’ capacity for promoting sustainable development or undertake a full exercise to development a national framework for sustainable development. This represents the “way forward” for sustainable development in PNG.

The ‘way forward’

The MTDS provides the social and economic framework to achieve the government’s ‘export-led economic development’ objective. It covers important social and economic objectives listed under its 10 Principles. Included are: private sectors-led economic growth, resource mobilization for economic development, improving quality of life, competitive advantage in the global market, least development areas intervention, empowering PNGns, integrating the different levels of government, improving quality of life and enhancing partnership. Integrating environmental sustainability into the MTDS through a rigorous review process of the MTDS (or MTDS strengthening exercise) will complete the list of strategic objectives in the MTDS and form the basis for a NSDS.

Two important observations emerge from this discussion regarding sustainable development. First is the governments’ positive commitment towards achieving some level of sustainable development through the MTDS. The second is the need to strengthen the MTDS to reflect a NSDS for PNG. The latter requires the government and DFP to undertake a comprehensive review of the MTDS so that sustainable development principles are adequately incorporated into the strategic development plan and subsequently implemented. An effective framework for sustainable development is highly desirable if PNG, the “island of gold floating on a sea of oil’ is ever going to justify that description for the future generations.

A NSDS is essential given the varying views regarding the MTDS. One of the architects and supporters of the MTDS, Minister for Treasury Bart Philemon pointed out the uncertainties and risks of the MTDS when he observed that its ‘implementation suffered as a result of having four National Planning Ministers in just two years’ (Post Courier 26 May 2006). With the appointment of the new and most recent National Planning Minister the total since 2002 is now at 6 different Ministers.

While political impediments to implementation cannot be entirely solved, it is imperative to identify ways of strengthening the MTDS to form a NSDS. Several areas are suggested in order to strengthen the MTDS and/or integrate NSDS principles:

- a. Reporting requirement
- b. Developing indicators
- c. Monitoring, evaluating and coordinating performance
- d. Disseminating information to stakeholders
- e. Supporting and/or complementing the MDG7 Project

- f. Integrating MTDS with provincial and district development plans
- g. Learning and adaptation
- h. Capacity building
- i. Linking MTDS to a NSDS or Kumul 2020

PNG ought to develop its sustainable development framework and programme of actions to achieve sustainable development in the long term. The NSDS in 1994 was in the right direction to facilitate sustainable development and which would by now have been updated to reflect sustainable development in the 21st Century. The absence of an integrative framework that recognizes the 3 pillars of sustainable development renders the search for a sustainable development framework more urgent. The ‘way forward’ in this direction will require the government and its donor partners to address the following key issues which could also become the key components of a PNG NSDS. They are centered on good governance, institutional capacity, law and justice, citizen consultation and participation, managing PNG’s resources, monitoring, understanding PNGn ways and labor mobility.

(i) Good governance

Agenda 21, MDG, JPOI, the Mauritius Strategy, the Pacific MTDS and the Pacific Plan all recognize good governance as one of the critical factors for achieving sustainable development. Responsible political and public service leadership must provide accountability for decisions and transparency in their roles and responsibilities as law and policy makers with honor, dignity, and self respect. Effective legal sanctions are necessary to protect the resources of the state and make leaders accountable for their decisions. Good governance can be facilitated through institutional reforms as well as recognizing the need for development of an effective skills base, transparency and accountability.

(ii) Institutions with less capacity constraints

For an effective NSDS public institutions must have internal and external capacity to make policies and ensure effective horizontal and vertical coordination through which implementation can be undertaken. Further, key agencies including the DFP should be governed by laws defining the roles and responsibilities in relation to implementing government policies, including those roles delegated to other agencies and sub-national governments. The key role of monitoring, coordinating and evaluating the process of implementation vertically and horizontally should also be clearly defined.

(iii) Law and justice

Sustainable development requires workable laws in the PNGn social, economic and cultural context. Sustainable development principles as enunciated in Agenda 21, and PNG's MTDS/NSDS, when adopted, should become a part of all new laws and regulations and policies. The laws should have effective legal sanctions as a deterrent to

crimes by decision-makers. It is highly desirable to have reforms in all sectors including the private sector to remove political interference (i.e. IPBC Act, revitalize ECP, MRDC Act, Insurance Act, Public Curators Act etc...).

(iv) *Partnership and participation*

Sustainable development results from partnership through a consultative and participatory process. The intended beneficiaries in PNG should be effectively consulted and participation networks established for consultation throughout the life of sustainable programmes. It is imperative to promote development from within through partnership and grassroots consultation, participation and communication between all stakeholders in designing and implementing a sustainable development strategy.

(v) *Managing PNG's assets*

It is critical for sustainable management of PNG's generated wealth from exploitation of natural resources and protecting the resource base/systems for the benefit of current and future generations. The generated wealth from the nonrenewable resource sectors needs to be utilized to fund sustainable resource development of PNG's renewable resources including coffee, cocoa, oil palm, copra, livestock, fisheries and other potential agricultural commodities.

(vi) *Monitoring, evaluation and coordination plan*

The lessons from the PNG development experience shows the strategic failures of connecting the centre and the periphery; the policy engine room and the action field; the so called knowledgeable and the intended beneficiaries; and the leaders and the followers. There is an information gap between the decision-makers and those affected by their decisions.

This problem calls for 'strengthening congruence' of various development strategy frameworks through improved monitoring, evaluation and coordination plan/strategy. Currently the governments' *ad hoc* structures for coordinating national development between line agencies and the provinces have information gaps. The mechanism of utilizing cross-sectoral planning or coordinating groups, including the identification of lead agencies and supporting implementing institutions for each component of the strategy, should be institutionalized as a requirement for all key sectors including provincial governments and district authorities.

This is critical to ensure that sectoral and sub-national agency linkages both horizontally and vertically are informed by the National Planning, CACC, or other relevant government coordinating agencies. Enhancing coordination between national and local level governments rests mainly on reducing the capacity, bureaucratic, and institutional constraints of the decentralization programme, mainly by effectively operationalizing the OLPLG 1995.

(vii) PNG culture

The fact that there are over a thousand tribes, over 250 cultural groupings, 800 different languages, and uneven development experience between and amongst these groups can not be overlooked. This unique feature presents PNG both the opportunities for and constraints against development. Good governance programmes are often based on Western modes which downplay the significant rights entrenched in PNG cultures. There is a need for awareness of the cultural and social impacts of good governance and fusing of indigenous systems to support sustainable development. A system based only on Western values will defeat the good purpose of sustainable development because sustainability is entrenched in aspects of PNG cultural systems. Capturing traditional knowledge to support sustainable resource use is still practical.

(viii) Labor mobility

Labor mobility involving the transfer for young educated people within PNG from urban centres to rural districts is important to facilitating sustainable rural development and solving urban problems. There should be a special task force to study and innovate ways of absorbing available labor useful to provincial and local governments and villages to promote rural sustainable livelihood programmes. A system of bringing people back to the rural areas for certain periods for knowledge transmission and integration into community activities before they are free to choose either to remain or move to urban centres is essential to utilize available human resources in PNG. A system to penalize urban over-stayers' is necessary for PNG given the labor shortages in rural areas; law and order, and unemployment problems in urban areas; and the high cost of living and squatter problems in urban areas.

A PNG sustainable development strategy

The development of a NSDS framework for sustainable development is a “No Regrets Option” for the long term and is a must. A MTDS without linkages into a NSDS framework is a recipe for long term development impasse. There will be no excuses on our part if the proposed NSDS fails to materialize. It is imperative that individuals within agencies and sectors should not hold the future of this country and the future of our children at ransom. We should cooperate to build this beautiful country in a sustainable manner.

While the 5 National Goals, Agenda 21, the MDG, JPOI, Mauritius Strategy and the Pacific Plan are consistent in acknowledging the 3 pillars of sustainability, the absence of ‘environmental sustainability’ as a core objective of the MTDS defeats its purpose as a national strategy for sustainable development. A sustainable framework for national development should incorporate and compliment all existing plans including the MTDS by building into the strategy an ‘environmentally sustainable development’ component. The strategic document is intended for national sustainable development with targets and indicators built into the framework to compliment regional and international sustainable

development indicators. A long term NSDS (or a strengthened MTDS) is desirable in PNG given our fluid political process, traditional ownership of land and resources, traditional influences in modern institutions, uneven development experience, and global commitments.

Acronyms

ACP-EU	Africa, Caribbean and Pacific – European Union
ADB	Asian Development Bank
CACC	Central Agencies Coordinating Committee
CIMC	Consultative Implementation and Monitoring Council
CMI	Composite MDG Index
DEC	Department of Environment & Conservation
DECSP	Department of Environment & Conservation Strengthening Project
DFP	Department of Finance and Planning
DPPD	Development Programming and Planning Division
DSIP	District Services Improvement Programme
DRIP	District Roads Improvement Programme
ECP	Enhanced Cooperation Programme
EEZ	Exclusive Economic Zone
EIS	Environment Impact Statement
EU	European Union
FSVAC	Family and Sexual Violence Action Committee
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoPNG	Government of Papua New Guinea
GPRD	Government's Program for Recovery and Development
HDI	Human Development Index
ICAD	Integrated Conservation and Development
IFI	International Financial Institutions
IPBC	Investment and Public Business Corporation
IRD	Integrated Rural Development Programmes
IRR	Internal Rate of Return
JPOI	Johannesburg Plan of Implementation
MDG	Millennium Development Goal
MDG7	Millennium Goal 7 Project
MRDC	Mineral Resource Development Corporation
MTRF	Medium Term Resource Framework
MTDS	Medium Term Development Strategy
MTDP	Medium Term Development Planning
NAR	National Assessment Report
NCD	National Capital District
NCM	National Coordinating Mechanism
NDC	National Development Charter
NFCAP	National Forest Conservation and Action Programme
NFI	National Forest Inventory
NFP	National Focal Point
NFP	National Forest Plan
NFT	National Task Force
NPEP	National Public Expenditure Planning

NPRS	National Poverty Reduction Strategy
NPV	Net Present Value
NSDS	National Sustainable Development Strategy
ODA	Overseas Development Assistance
OIDA	Overseas International Development Assistance
OL	Organic Law
OLPLLG	Organic Law on Provincial and Local-level Government
PAC	Public Accounts Committee
Pacific SIDS	Pacific Small Island Developing States
PERR	Public Expenditure Review and Rationalization
PIC	Pacific Island Countries
PIFS	Pacific Island Forum Secretariat
PNG	Papua New Guinea
PNGn	Papua New Guinean
PLLG	Provincial and Local Level Government
PPII	Provincial Performance Improvement Initiative
PSRP	Public Service Rationalization Programme
SAP	Structural Adjustment Programme
SIA	Social Impact Assessment
SIDS	Small Island Developing States
UNCSD	Commission on Sustainable Development
UNCSD14	14 th Session of the United Nations Commission on Sustainable Development
UNDESA	United Nations Department of Economic and Social Affairs
DSD	Division of Sustainable Development
UNDP	United Nations Development Programme
WCSD	World Commission on Sustainable Development

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Introduction

The Papua New Guinea (PNG) National Assessment Report (NAR) provides the development overview covering social, environmental, institutional and economic background to facilitating a national framework for sustainable development in PNG. Having commissioned by UNDESA, the NAR reviews the development process in PNG in order to establish the extent to which sustainable development has been integrated into PNG's national development framework. In line with commitments to Agenda 21, the Johannesburg Plan of Implementation (JPOI), and the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (Mauritius Strategy) call upon member countries to development national development strategies.

According to the JPOI, governments agreed on the necessity to make progress in the formulation and elaboration of such strategies to start implementation by 2005. PNG has advocated sustainable development since 1990 and by 1994, had developed a national sustainable development strategy (NSDS) and endorsed by the government. However, lack of implementation between 1995 and 2005 has made sustainable development more urgent for the country.

UNDESA requested national consultants to prepare the NAR to facilitate the framework for a national sustainable development strategy. The NAR followed the Terms of Reference for the production this Report. The Report identifies national priorities and targets for sustainable development and discusses development in the context of the 5 National Goals and 8 Aims. The 2 Medium Term Development Strategies (MTDS) that reflect elements of Agenda 21 and hence sustainable development provides the development framework for the last decade. The NAR argues that although the MTDS reflected upon sustainable development, the 3 pillars of sustainable development have not been adequately considered.

Further, the NAR analyses the institutional capacity in PNG's government system in terms of administration and law enforcement. Enforcement capacity of both policies and law are discussed in the context of the various implementing line agencies, their horizontal and vertical linkages and their ability to promote sustainable development. The NAR argues that the dysfunctional public service result from lack of coherence and interagency linkages between the key government agencies as well as lack of good governance.

The enabling environment under which sustainable development is implemented is critical. Policy outcomes are dependent on the conduciveness of the environment in which they are implemented, and the extent to which the public is consulted. The issues critical to sustainable development such as good governance and coordination mechanisms is considered in order that improvements can be made to facilitate sustainable development. The Report considers the participation of vertical agencies including sub-national governments as important partners for sustainable development. It

is imperative to monitor, evaluate and report the progress of sustainable development interventions and the Report highlights this critical aspect.

Finally, PNG needs sufficient resources to fund all phases of the sustainable development exercise including setting the framework for a NSDS. The financing and budgeting aspect of the government system including the significance of overseas development aid (ODA) for sustainable development is discussed. The Report argues that regardless of the current MTDS, a national sustainable development framework is not an option but a necessity for PNG.

CHAPTER 1

Papua New Guinea Development Context

1.1 Background

Papua New Guinea (PNG) is by far the largest country in the South Pacific except Australia in terms of natural wealth, landmass and population base. Located on the eastern half of the sub-continental island of New Guinea, plus the great islands of the Bismarck Archipelago and the northernmost Solomon group, as well as some 600 additional smaller islands, its population of some 5.7 million is largely subsistence based. Its landmass encompasses in excess of 464,000 km² with a marine jurisdictional zone in excess of 2 million km² (Figure 3).

The region is geologically very complex, and lies upon at least three of the earth's main tectonic plates (Australian, Pacific, Solomon)' and shares political borders with Indonesia to its west, Solomon Islands to the east and Australia to the South. PNG is also located on the crossroads of several major bio-geographic provinces, whose factors have contributed to PNG's rich terrestrial and marine biodiversity. This biological and geological diversity is equally matched by PNG's cultural wealth, subsumed in over seven 800 distinct language groups spoken by over a thousand different tribes. Only in a few other countries is cultural and biological diversity so closely interdependent' and interrelated thus making PNG truly the land of the unexpected.

The country is rich in natural resources. Besides petroleum, gold, nickel and copper, much of the land supports tree crops and other cash crops. Agriculture is still the mainstay of the economy with about 80 percent of the population at least partially or fully⁸ reliant on subsistence agriculture. About three quarters of the country's land area is forested and much of this is inaccessible for both commercial and subsistence purposes at present. With 97 percent of total land in the ownership of traditional landowners the resources on land is owned by those who own land.

In the renewable sector the major commodities include coffee, tea, cocoa, copra and rubber. Sweet potato, banana, taro, yams and a bountiful of vegetable species constitute the domestic food sector. The fisheries resource is a significant component but is untapped within its 200 mile exclusive economic zone (EEZ). The non-renewable

⁸ Many rural communities depend on subsistence most of the time while those in urban centres are dependent on both cash and some form of products accessed locally.

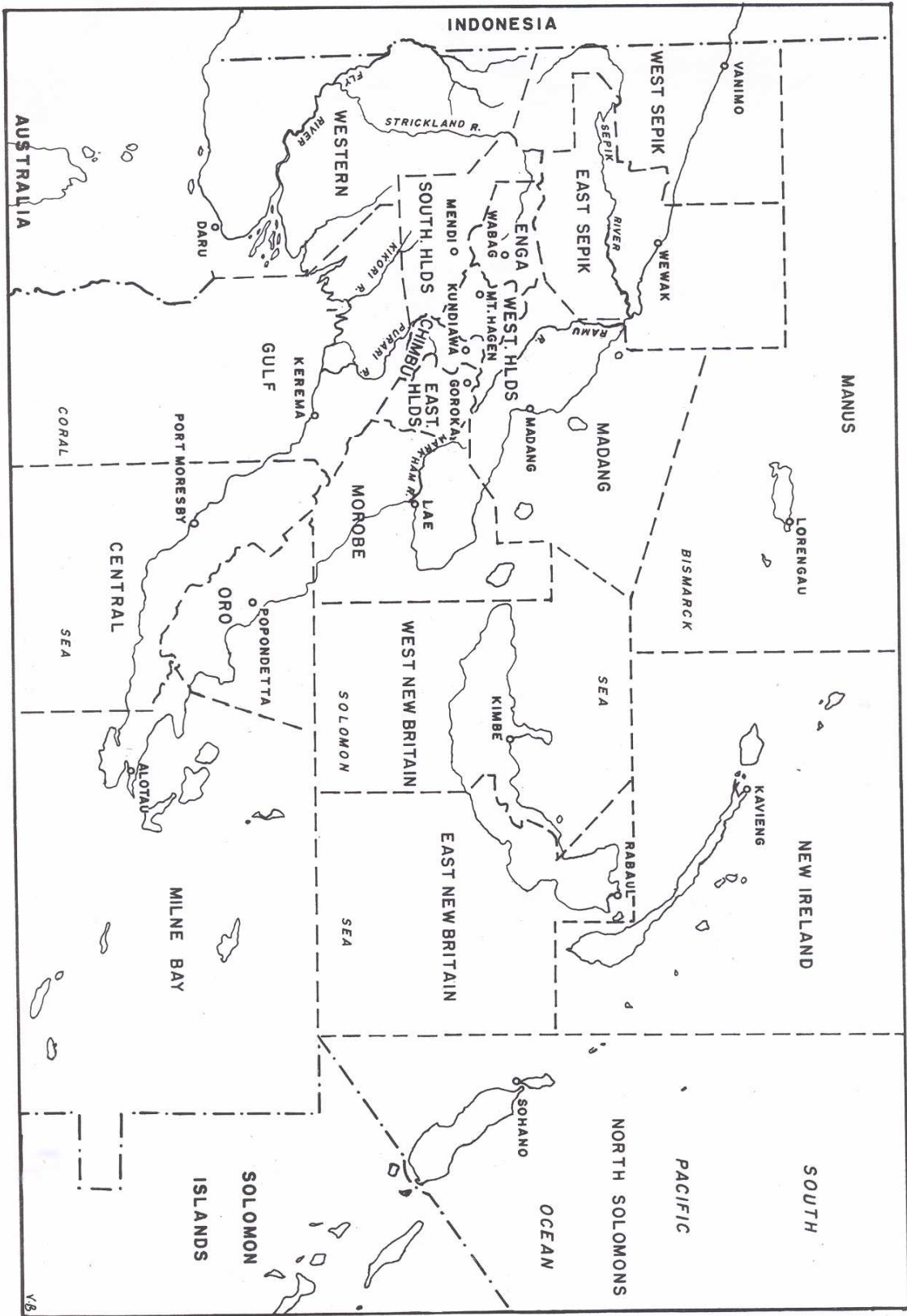


Figure 3: Papua New Guinea

resource sector is dominated by opportunities offered by development projects especially in the mining and petroleum sectors are not effectively used to promote community-based rural sustainable petroleum development programs.

1.2 People

The people are PNG's most important assets. They are extremely diverse ethnically and are attached to well over 250 distinct cultures. Its population of 5.7 million with a current annual average growth rate of nearly 3 percent in contrast to a 2.3 percent annual average growth rate a decade ago is the fastest in the region. PNG is a lower middle income country with a per capita GNP of US\$860 (Tameo 2004). Social indicators show a low quality of life for many in the rural areas and the unemployed of the towns. UNDP's 2002 Human Development Index (HDI) of 173 countries places PNG at 129. The HDI of 2004 places PNG at 133 out of 177 countries imply no significant changes to PNG's human development record compared to the 2002 figures (UNDP 2004).

Life expectancy is 54 years; infant mortality is 64 deaths per 1000 live births, and high maternal mortality at 300 deaths per 100 000 births; the adult literacy rate is 52 percent and despite relatively high public expenditure on education, the completion rate of primary school is only 59 percent (DFP 2004; UNDP 2002). Law and order continues to be a serious socio-economic problem, particularly in urban areas and some rural communities. Only 10 percent of the population is employed in the formal wage sector. However, the potential work force is expanding with about 50,000 school-leavers annually, only a small proportion of whom can expect to find wage employment.

The situation is far more critical in the provinces where lack of services and economic opportunities fail to discourage the population growth rates. The annual growth rate of some provinces is above the national average. For example, Census 2000 figures show that average annual population growth rate was 3.7 and 4.6 percent for the Southern Highlands and Enga Provinces' respectively and these were higher than the national average of 2.7 percent. The imbalance in economic opportunities in provinces and population growth is likely to be a major impediment to achieving the social targets set by the MDG.

1.3 Economy

Significant economic events over the past ten year period have placed heavy demands on economic management. The steady but moderate growth in GNP of the mid 80's was followed in 1989 and 1990 by negative growth rates of -1.4 percent and -3.7 percent respectively (Saulei et al 2002). This downturn was due to a sharp fall in the terms of trade, exacerbated by the closure of the Bougainville copper mine, which alone contributed about 35 percent of export revenue. The economy bounced back with growth rates of 9.5 percent in 1991 and 9 percent in 1992 as new petroleum and mining ventures came under production.

The Progress Report for the PNG Millennium Development Goal (MDG) discussed the economic realities under its economic profile for the nation. There is general consensus that the 1990s was characterized by mixed economic performance even with the booming nonrenewable resource sectors in energy and mineral commodities which witnessed significant gains in the early 1990s (Tameo 2004; UNDP 2004). The disappointing results reflected negatively on the government's ability for prudent economic management characterized by a lack of diversified growth in the renewable resource sector.

There are however, positive indications in the economy despite the negative performances in the first few years of the Millennium. Consolidating the performance of the previous two years, the economy grew by 3 percent in 2005, given favorable external conditions, political stability and supportive fiscal, monetary, and trade policies. Agriculture performed particularly well, especially coffee, copra, oil palm, and rubber. Construction recorded strong growth, as a result of low interest rates and solid demand for residential and commercial buildings. Mineral, natural gas and oil contracted by 4.5 percent, primarily on a 6 percent reduction in gold production due to a landslide at the Lihir Gold Mine in 2005. In total the mining sector earned over 50 percent of total export earnings since Panguna Mine closed in 1989 (Post Courier July 13 2006).

Gross Domestic Product (GDP) growth is currently at 3.5 percent from -0.1 percent in 2002 and 3 percent growth is projected for 2007 as industries including construction, manufacturing, and wholesale and retail trades are expected to grow at stronger rates than previous years. Interest rates have fallen from 13.3 percent in 2002 to 6.5 percent in 2006. Public debt was dangerously high – rising from K1.950 billion in 1992 to K8.80 billion in 2002 but has fallen significantly since. However, law and order problems, governance issues, land tenure arrangements, limited infrastructure, and basic service delivery are long standing issues that continue to impinge upon growth and higher living standards (Asian Development Bank 2006).

These figures do not match with the current annual national population growth rate of nearly 3 percent which implies that the 'economic growth rate needs to be significantly higher and maintained over many years to achieve real growth per capita. Further research is required to establish whether or not structural transformation in the economy has led to the registered growth rates or that it was reacting to external developments.

1.4 Government and bureaucracy

PNG adapted a parliamentary system of government based on the Westminster model. PNG is a member of the Commonwealth where the Queen is the head of State. The Governor General who is elected by parliament every five years represents her. The 109 members of parliament represent the highest decision-making body that is elected every five years. The number of Parliamentarians is likely to increase after the 2007 National Elections if the National Executive Council (NEC) adopts the report of the Electoral

Boundaries Commission now before Parliament. Nevertheless, the Organic Law on Provincial and Local-level Government (OLPLLG) 1995 allows for provincial and local level government units to represent lower levels of government in the hierarchy. Local Level Governments (LLG) and provincial divisions representing national line agencies at the sub-national level represent its decentralized structure in both government and bureaucracy.

The decentralized nature of the government is designed to bring the government closer to the people and allow decision-making (planning) at the local levels. Currently the bureaucracy comprises of over 22 national departments and offices established through Acts of Parliament. While departmental secretaries head the departments, offices come under respective directors. Apart from the repressive instruments of the government and finance and treasury, some departments are represented in the provinces.

It is argued however, that political and bureaucratic domination over central government institutions over provincial counterparts since independence has reduced the effectiveness of service delivery. The supposedly bottom-up development planning espoused through the 3rd Goal of the national constitution is limited in its application. Further, the frequent changes to ministerial and departmental heads at the national level have created an unfavorable environment for continuity of government policies over the years. Failure to break this rampant cycle of political appointments to key public positions has proven unhealthy for both the implementation of sustainable development programs.

1.5 *Women in development*

Women in PNG represent almost 50 percent of the present population. The participation of women in development requires special attention and is provided for in the national constitution. Women, who have traditionally tended gardens, and continue to do so, account for only 5 percent of wage employment compared to 15 percent for men (UNDP 2004). Equal opportunity for education is a priority for females under the Education Plan 2003-2010 but still female literacy and school enrolment rates lag significantly behind those for males. For most women, the positive features of development, such as potential for cash cropping and access to education for their children, have added to their traditional work roles. Women are very active in the informal sector, particularly in selling produce, merchandised goods; their access to credit facilities is more restricted than that for men. Fundamental problems of status are reflected in high levels of domestic violence and sexual assault (UNDP 2004).

Sustainable development is associated with sustainable resource use. Women attachment to subsistence lifestyle and cash crop production is significant for food security and for the local economy. The participation of women in the informal sector with appropriate facilities and conditions/policy is more beneficial to sustainable development in terms of recognizing the potential of women as partners in development. Over 80 percent of women in PNG deal directly with the environment and natural resources therefore it is imperative for women to directly participate in all stages of sustainable development. For

example, the Family and Sexual Violence Action Committee (FSVAC) are currently embarking on a provincial multi-sectoral strategy to promote women empowerment. Hence, involving women in the sustainable development process is not an option but is imperative.

1.6 Contextual⁹ realities

In PNG lack of social and economic development and managing natural environment wisely result from a combination of social, political and institutional factors. A mismatch in development has led many observers to focus only on the modern economic sector without critically analyzing the socio-cultural features of PNG society. The underlying social and cultural factors significantly influence the behavior and way of thinking of key decision-makers in government. This has led to profound impact on wealth distribution. What amounts to a mismatch between development expectations and reality indicates the operation in PNG of two divergent, structurally incompatible systems – the traditional and modern.

This duality in the PNG development landscape presents a hybrid system that reflects characteristics of both the traditional and the modern system. The formal workforce has their feet in both camps, their loyalty to their cultures and their professional responsibilities to the State. Consequently, failures to fulfill Agenda 21, the MDG and sustainable development result from problems both internal to (socio-cultural) and external of (modern institutional) PNG society.

The above context makes it less practical to achieve sustainable development goals. It is difficult to expect positive results from programs that reflect wholly Western values and methods when the formal workforce remains loyal to traditional obligatory and reciprocal functions. This is why we can not argue that the major socio-economic, development and environmental issues facing PNG stem primarily from the failure to achieve the vision set out in the National Constitution.’

1.7 Environment

PNG's forest estate covers over 70 percent of the country's total land area of 464 000 km². PNG forest's ecosystem and genetic biodiversity is one of the richest in the world. There are over 9 000 species of higher plants, including as many as 1500 species of forest trees. PNG is home to over 700 species of birds including the world's smallest and some of the world's largest parrots, the largest pigeons, all of the world's three species of cassowaries, and more than two thirds of the known birds of paradise (Figure 4). PNG is also home to the world's largest butterfly,¹⁰ and almost two hundred species of mammals, including

⁹ Contextual realities refer to the socio-cultural and political landscape of traditional communities where the culture of reciprocity and ‘big men’ are powerfully entrenched in modern PNG society.

¹⁰ Bird wing butterflies include *Troides* (formerly *Ornithoptera*), and in particular, *T. alexandrae*

two of the world's three monotremes and all of the world's tree kangaroos (Sekhran and Miller 1994).

Figure 4: Raggiana Bird of Paradise



Source: Sinclair 1992

The vascular plants include some 15 000 to 20 000 species of ferns and flowering plants. A list of genera was produced in the early 1990s, but modern species-level treatments exist for only a small portion of the flora. The overall status of knowledge of plants was reviewed by consecutive biologists and taxonomists in the 1990s. Of particular significance are orchids (Figure 5). They are particularly diverse, with well over 3 000 species (Sekhran and Miller 1994). In many ways, international organizations value forests more for their biodiversity than for their logging potential. However, the unresolved issue is how this biodiversity can be protected in ways that are acceptable to landowners and provide them with alternative sources of income. There is an urgent need to raise awareness amongst landowners of the non-timber values of their forest and the desirability of protecting this resource while ensuring that they do not miss out on development opportunities.

A number of initiatives have been undertaken for conserving biodiversity. The Global Environmental Facility (GEF) has provided an initial grant of U\$5 million for establishing a Conservation Resource Center and two pilot Integrated Conservation and Development (ICAD) projects. The Chevron Kutubu oil project has similarly established an ICAD project in Gulf Province.

More than 16 million hectares of PNG's forests are accessible and operable for logging purposes; 1.5 million hectares of this area has already been logged. The State has

acquired 6.5 million hectares for logging (NFA 2000). The value of wood exports in 1993 was K484 million (approximately 16 percent of total export revenues), with unprocessed logs accounting for over 97 percent of the total wood exports and wood chips for the bulk of the remainder. The forest sector provides employment for 9,000 people, representing 4.5 percent of total formal sector employment.

Figure 5: Flame-of-the-Forest orchid specie



Source: Sinclair 1992

The Barnett Inquiry into the PNG forestry sector (Barnett 1989) identified malpractice in a largely foreign dominated industry. It concluded that PNG's forests were being logged for short term gains rather than being managed on a sustained yield basis. The PNG Government response was to pass a new Forestry Act in 1991 which created a National Forest Authority (NFA). The NFA is governed by a Board, comprising private sector, NGO, and national and provincial government representatives, which provides independent policy advice and direction.

Another initiative taken by the PNG Government to remedy the situation, with the aid of the World Bank, was to develop an action plan, the National Forestry and Conservation Action Programme (NFCAP) which had the following objectives:

- a. To sustain the PNG national forest estate for the purpose of producing a whole range of forest services and products, or alternatively to avoid or reduce deforestation;
- b. To achieve a balance between the use of forests for conservation and industrial wood production;

- c. Where a decision has been made that the forest is to be used for industrial wood production, to ensure that it is managed for sustained yield and harvested to prescribed environmental standards;
- d. To improve the benefits flowing from the forest to the customary forest owners; and
- e. To increase the forest owner's involvement with the management of the resource.

The intent that in future forests are managed on a sustainable basis has been endorsed by the NEC in the National Forest Policy of 1991 and the National Forestry Guidelines of 1993. In addition, the Forest Act requires that the national forest plan "shall be consistent with the National Forest Policy" (Section 47), thus providing a degree of legislative obligation that the country's forests be managed on a sustained yield basis. This means that:

- a) New forestry projects must consist of a minimum sustainable area of 75,000 hectares net harvestable area (or an estimated 100,000 hectares of gross area); and
- b) The permitted cut must be limited to that allowed under a 40 year sustainable cutting cycle, i.e. one fortieth of the harvestable volume per annum.

Sustainable yield management will require that the activities of logging companies are adequately monitored, both in terms of their logging practices and surveillance of exports. Regeneration of logged areas will also require improved silvicultural management by loggers and resource owners. The results in terms of rehabilitating logged areas have been disappointing.

1.8 Biodiversity

PNG is described as one the world's few remaining wonders of biodiversity with an estimation of between 5-7 percent of biodiversity occurring in PNG (Tameo 2004). While the attention on biodiversity is focused on a selected number of physically observable terrestrial and aquatic species, many other species including viruses, bacteria, algae, fungi and protozoa remain yet to be discovered. The poor data available for unicellular organisms such as viruses and bacteria outside of those with direct economic importance make estimates difficult. It is estimated that 15 000 vascular plants yields and estimate of 90 000 fungal species remain to be identified and studied (Sekhran and Miller 1994).

Protozoa are almost entirely unstudied with the exception of marine foraminifera, which have been censured at Motupore Island (57 species) and Madang (182 species). In

general the biodiversity status is unique in that there are some flagship species of socio-cultural, economic and spiritual significance to the country (Table 1).

Table 1: Flagship species in PNG

Flagship species	Scientific names¹¹
Monotreme and marsupials	<i>Zaglossus brijni</i> , <i>dendrolagus dorianus</i> , <i>D. goodfelowi</i> , <i>D. scottae</i> , <i>Dugong dugon</i> (<i>Dugong</i>).
Birds	<i>World's poisonous bird</i>
Birds	<i>Goura Victoria</i> , <i>Goura Scheepmakeri</i> , <i>Psitttrichas</i> , <i>Harpyopsis novaeguinaea</i> (<i>New Guinea Harpy eagle</i>), <i>Astrapia mayeri</i> , <i>Epimachus fastuosus</i> , <i>Paradisea decora</i> , <i>Paradisea</i> (<i>Bird of Paradise</i>)
Reptiles	<i>Carettachelys insculpta</i> , <i>Liaisis boa</i> , <i>Phyton boeleni</i> , <i>Varanus salvadori</i> (<i>world's longest lizard</i>), <i>V.prasinus</i> , <i>Corucia zebrata</i>
Fish	<i>Pseudomuquil connieae</i> , <i>Melanotaenia lacustris</i> (<i>Pseudomuquilida & Melanotaenidae</i>)
Invertebrate	<i>Troides</i> (<i>formerly Ornithoptera</i>), <i>T. alexandrae</i> (<i>world's largest butterfly</i>)

Source: Sekhran and Miller 1994

1.9 Agriculture

Subsistence agriculture is still the largest single economic activity undertaken in PNG. It remains the backbone of the nation's economy with the involvement of over 80 percent of the population. Increasingly, subsistence farmers are entering the cash economy through the sale of surplus produce, and by combining subsistence food production with cash cropping (Figure 6). This is achieved using the same piece of land, for example by planting bananas temporary shade for coffee or peanuts as nitrogen fixing legume for coffee in their plots as is the case in the Highlands region.

In general, agriculture is and will continue to be the mainstay of the PNG economy. It accounts for approximately 25 percent of GDP and 13 percent of total export earnings. Over 80 percent of the population resides in rural areas where a vast majority of these people are at least wholly or partially reliant on subsistence agriculture for their

¹¹ English equivalent of only few flagship species are highlighted. Rest appears in their scientific names.

livelihood. Intensification of agricultural activities, primarily through the informal sector, holds the greatest potential for absorbing the majority of new entrants to the labor force numbering to some 50,000 annually. Rural sustainable development and rural food security are paramount in an analysis of rural development and rural livelihood programme.

Figure 6: Intercropping in Enga Province



Source: (Hanson et al 2001).

Traditional agriculture in PNG is based on a rotational bush-fallow system which is highly productive and sustainable provided that population pressure does not force the use of too short a rotation period. However, the intensification and commercialization of agriculture coupled with increasing population pressure in some parts of PNG are threats to the environment and long term sustainability of the PNG agricultural production systems (Hanson et al 2001).

With increasing population pressure, the traditional agricultural production system poses significant threat to the environment. The main cause of deforestation in PNG is shifting cultivation. It has been estimated that the area of forest cleared for this purpose is between 150 000 and 200,000 hectares annually and, in total, some 6 million hectares are used in the rotational gardening cycle. The land which is most at risk of environmental degradation is that which is cleared and subsequently utilized continuously or where the period of fallow is inadequate for the recovery of its previous condition.

Soil erosion is common in these situations due to the clearing of vegetation, particularly the loss of well developed tree root systems. Examples are widespread in the Highlands. This scenario is evident where human interference lead to land transformation and in the absence of suitable land management intervention, this has eventually led to degradation.

The invasion into degraded land by exotic grass species has biological and agricultural limitations.

1.10 Marine and freshwater fish resources

PNG's 200 mile exclusive economic zone covers over 3.1 million km² of ocean. This area encompasses 17,110 kilometers of coastline, almost 2,000 coastal villages, and a rural coastal population of somewhat less than 200,000 people. In addition, several major river systems provide an extensive freshwater fish habitat. Formal employment in the fisheries sector amounts to about 400 people plus about an equal number involved in national and provincial government fisheries matters. The number of part time artisanal fishermen has been estimated at 2,000 to 4,000. The export earnings from fishery products represents about one percent of all PNG exports. Imports of canned fish are substantial, about twice the volume of local fish production. The fisheries resources of PNG can be classified into offshore pelagic, coastal, and inland types. Each has distinctive resources, opportunities for development, and management requirements.

Tuna is the main offshore resource. Although the present annual harvest level of over 250,000 tonnes is quite large, research programs have indicated that catches of two to three times the present are sustainable. There is virtually no PNG involvement in the fishery: the fishing is carried out almost exclusively by about 150 foreign fishing vessels. Benefits are restricted to approximately K20 million in license fees. There is considerable potential for deriving additional benefits from the tuna resource including the Wewak, Madang and Lae canneries. Unlike other natural resources in the country, the tuna fishery requires international cooperation for effective management as the tuna found in PNG form part of a resource shared by many other countries. Further, its seasonal breeding territory extends beyond PNG's international boundaries which require internal efforts for its sustainable management.

The coastal resources of PNG are made up of a wide variety of lagoon, reef, deep slope, near-shore pelagic, and bottom species. Although comprehensive data is lacking, the combined commercial and subsistence catch from the coastal zone is probably about 15,000 tonnes per year, of which only about 12 percent is traded. The coastal fishing population (those who are involved in some fishing activity) at least once a week numbers about 120,000. The prawn, barramundi, lobster, and high value sedentary species which presently dominate the commercial landings produce the bulk of the 8 to 12 million kina in annual fishery exports.

Overall, the importance of the fisheries sector in the national economy is not great despite its great potential. The fisheries component of the GDP is dwarfed by those of other natural resource sectors. There is however, considerable potential for the future. Present tuna catches by foreign vessels in PNG's waters are worth K200 million annually. Additional benefits would accrue if the policy to gradually localize this foreign involvement proceeds, more onshore processing occurs, and catches increase to the

maximum recommended sustainable level. It should be noted that the processed value of PNG's sustainable tuna harvest exceeds K1.5 billion.

1.11 Mining and petroleum

The non-renewable resource sector is characterized by mining, petroleum and gas resources. It remains the single most significant sector in terms of national income thus representing approximately 30 percent of the total annual national income between 1998 and 2004. Currently, it represents over 60 percent of PNG's total exports. Economic considerations concerning both income and expenditure by the national government have largely focused on the development and profitability of this sector, reflecting a government policy of GNP-led growth. In 2004 the projected nominal K1, 074.7 million GDP generated by the mining and petroleum/gas sectors compares with a projected nominal K4, 008.8 million for the non-mining sector (i.e. 21 percent of GDP). In 1993 oil, gold and copper accounted for 72.4 percent of total exports.

While the potential for further mineral and petroleum resource discovery and development is relatively high, it cannot be denied that the attractiveness of the country to foreign investors has deteriorated in recent years. Concerns about unforeseen equity requirements of the PNG government and the increasing problems concerning law and order maintenance, mounting landowner demands, cast substantial shadows over future interest by mining companies to commit to long-term investments. This concern has already been reflected in a 50 percent drop in exploration funds expended over the last 3 years. The recent wrangle over equity arrangements for the Lihir operation and the outcome of the Mt Kare episode concerning disputation of resource ownership and disregard for the law, are current foci of this concern.

Moreover, the revenue stream from this sector cannot be sustained as the remaining life spans of each operation are between one to two decades. Therefore, careful planning and investment of current revenues from the sector is paramount. At present, the fate of Government income from mining and petroleum are difficult to identify, particularly as government revenues are largely channeled directly or indirectly into central government landowner coffers. They appear, however, to be largely directed towards foreign debt repayment and maintenance of the public service. Other returns to the national Government, paid as dividends to the government's Mineral Resources Development Corporation (MRDC) as equity holder, are virtually completely disbursed in the repayment of loans drawn to finance the equity holding.

This procedure results in revenue generated from royalties being the only clearly distributable component of revenue generated by the sector. With 20 percent of the annual royalties going direct to landowners, this leaves 80 percent going to the provincial governments. Total royalty revenues from mining over the period 1990-2003 totaled approximately K890 million.

Accountability of expenditure of provincial governments, as well as the National Government for moneys channeled through the MRDC, becomes central to an assessment of the sustainability of the benefits of mining and petroleum sector development. Landowners' attitude towards long term development in their communities is problematic given the level of existing cash-handout mentality. Their dependence on royalties, development levies, taxes and infrastructure has labeled them as 'rent collectors'. The existence of this culture is less conducive to engage landowning populations into community sustainable development activities, let alone the sustainability of economic activities and the continuation of services following project conclusion.

Unless economic and social benefits flowing from the investment of revenues obtained from this sector can be clearly defined, it is difficult to justify the environmental and social cost that mining, petroleum and gas projects inevitably attracts.

1.12 Energy resources

PNG has sufficient sources of energy resources including hydrocarbons, petroleum and rivers for constructing hydro dams. PNG started producing crude oil from reservoirs found in the Southern Highlands Province including Kutubu, Gobe and Moran, which started flowing in 1992 and 1998, respectively. The oil is currently processed and exported through the Kutubu pipeline system. The government approved the construction of the Napa Napa oil refinery outside Port Moresby in an effort to realize the country's downstream processing of oil for local consumption which came into operation in 2004.

PNG also has significant reservoir of natural gas. The Government has given approval to Exxon Mobile to develop the PNG Gas Project whose project life is estimated to be 30 years. Large reserves of gas found in the gas fields of the Southern Highlands are developed to supply the Queensland market through the proposed PNG Gas Pipeline, a pipeline stretching from gas sources in PNG through the Corral Sea to Northern Territory in Australia.

The PNG Gas Project being developed through Joint Venture between Esso Highlands Limited and its affiliates (as Operator) and Esso's co-ventures Oil Search Limited and its co-affiliates, Nippon Oil Exploration Limited through its subsidiary Merlin Petroleum Company Limited, and subsidiaries of Mineral Resource Development Company Limited (MRDC) is currently the largest new project in PNG. The gas project capital investment in PNG will be approximately US\$2.5 billion over the nominal project life with approximately the same again estimated for recurrent expenditures over the nominal project life. The gas project is expected to produce 225 petajoules of natural gas every year and actual production is expected to begin by 2009 (Exxon Mobile 2005).

However, in terms of domestic energy consumption PNG depends heavily on imported fuels. It is estimated that electricity comprises 24 percent of the total energy use in PNG. Interestingly, 46 percent of this electricity is used in Port Moresby. Table 2 indicates the sectoral use of energy in the country. The principal sectors of energy consumption are

electricity generation, transport sector, industrial heating and cooling, and domestic heating and cooling.

Table 2: Energy use by sector in PNG

Energy Use	Percentage of energy use (%)
Electricity as % of total	24
Electricity use in the National Capital District	46
Renewable energy in the country	40
Residential energy use	40
Private sector energy use	60

Source: Tameo 2004

The most common electricity sources employed in many parts of the country are hydro, backed up with standby diesel generators. In addition, co-generation of energy through the use of agriculture products, e.g. oil palm and sugar cane are important, but these are relatively small in size and research is being undertaken to further realize the full potential of these commodities, including research to further advance the use of ethanol mixed with gasoline (Tameo 2004).

Solar generated energy sources are now becoming available to those communities seeking to utilize this for of electricity, especially for lighting, cooking and other household applications. Wood is the principal cooking fuel for the low-income households in both rural and urban areas of the provinces. With population growth and high population densities this is having significant environmental problems. Development of the charcoal industry was promising in 1981, but now has limited application in the rural areas. Kerosene consumption grew sharply in the 1970s and is still an important energy source for cooking and lighting, especially in the rural areas (Tameo 2004).

About 60 percent of all imported fuels into the country is consumed by the transport sector alone. Road transport is a major user and air and water transport sectors use approximately 20 and 10 percent respectively. Electricity is used for most industrial energy requirements including heating and cooling, air conditioning and refrigeration including commercial services and government institutions. In the agriculture commodities sector, especially copra, tea and coffee both diesel and wood are used for drying process.

The above scenario is reflective of the country's energy consumption from fossil fuel sources; however, there are also indications of the potential use of renewable energy source, such as solar energy, and hydro electricity. About 40 percent of the country's energy use is generated by renewable energy, especially hydro electricity. The government has embarked on developing appropriate policy instruments to develop and improve access to energy resources. The Rural Electrification Policy which came into effect in August 2001 and the National Energy Policy Statement and Guidelines adopted

in August 2001 and the Energy Conservation strategy of 2001 were aimed at reducing rural poverty and raise the living standards of rural dwellers.

PNG has many renewable energy sources. In hydropower, the potential hydroelectric resources are capable of generating some 15,000 megawatts of electricity. Less than one percent (1 percent) of this 15,000 MW capacity is utilized. The new geothermal power plants in Lihir show another example of renewable energy use where the total installed capacity will reach 56 megawatts. We also need to plan and use wind energy, solar energy, biomass energy and marine energy as these resources are plentiful and PNG can develop and efficiently utilize these energy sources. However, despite this, 90 percent of the country's population is without any access to electricity.

The goal of the National Energy Policy (Draft) 2006 is to 'ensure that ownership of energy resources is vested with the resource owners and that their development must be accessible, reliable, affordable, efficient and environmentally friendly for the benefit to communities, industries and trade, and other development activities' (Department of Petroleum and Energy 2006). This goal will be achieved through a social, economic and environmentally driven strategic objectives including ownership of energy resources vested in the energy resource owners, increase commercialization of energy resources with local participation, and introduce best practice mechanisms to ensure environmental quality. If adapted, the National Energy Policy 2006 will promote sustainable energy development and use by introducing a partnership framework between the State, energy resource owners and the private sector.

CHAPTER 2

Challenges to sustainable development

2.1 Structural impediments

It is imperative for sustainable development advocates to analyze the PNG society from a socio-cultural perspective in order to understand the impediments surrounding social and economic insecurity. Numerous reports over the past decade have focused only on the modern economy in their attempt to explain the underlying impediments to achieving social progress and economic development (Tameo 2004; UNDP 2004; Saulei et al 2002; Unisearch 1992). Part of the problem for understanding this impasse is to understand the traditional institutions and how it both influences decision-making and implementation processes. Simply, it is also critical to understand the way people behave and react to change in the modern polity and institutional systems.

As described elsewhere, PNG is characterized by a duality in which two structurally divergent, often competing systems co-exist under the camouflage of a modern institutional system. The modern system is operated by a few educated personalities representing the bureaucracy and the government while the majority remains in rural areas still engulfed in centuries' old cultures and social practices. The educated few owe their survival in the modern institutions not only to the operations of the state but also to their culturally affiliated networks (Nita 2000).

The networks are characterized by a complex web of socio-economic, political and cultural affiliations dominated by patronage, obligations and reciprocity which guarantees economic success and professional security. For those actors in this mode, sustainable development may be a significant agenda but in practice its' just another policy. Sustainable development therefore, loses its merit. It is imperative that the sustainable development advocates need to change the mindset of people at all levels.

And for sustainable development to have lasting imprint it is imperative that experts look beyond the economic mismatches to explain (not describe) the causes of lack of sustainable development. Indicators of the structural mismatch such as 'corruption' require an analysis of why our decision-makers and public servants behave in socially abysmal and environmentally irresponsible ways. Indeed, corruption is a symptom of the underlying structural factors in PNG and it is the cause of corruption that requires the attention of development partners (Nita 2000). Despite this constraint, there are positive signs that time and education is beginning to have some effect on people's way of thinking and behavior.

2.2 Economic

There have been mixed results in economic performance between 1992 and 2002. The economy grew at an annual rate of 3.2 percent while the annual population growth rate between 1990 and 2002 was 3.5 percent. Gross domestic product (GDP) per capita has steadily declined to US\$264 in 2000. Inflation grew at an annual rate of 10.5 percent between 1992 and 2002. There has been very little employment growth since 1992 due to a combination of factors including employment freeze in the public sector, dwindling private sector investment, and closure of the Misima Mine. The Kina has depreciated against all major currencies since 1994 when the kina was devalued and then subsequently floated. Interest rates have also generally increased over the same period. International reserves hit a low of US\$95 million (equivalent to one months import cover) in 1994 but rebounded over the next two years to hit a high of US\$596 million in 1996. Since then reserves have been gradually depleted partly to support the Kina. Reserves have increased over the last two years to K2 billion but the Kina has continued to depreciate against the US\$ and other major currencies. Public debt was high rising from K1.950 billion in 1992 to K8.80 billion at the end of 2002 but this has fallen significantly due to the strong fiscal discipline exercised under Treasurer, Mr. Bart Philemon.

The economic indicators show that the economy has contracted since 1994. Economic growth has basically oscillated around the zero % growth rate mark. The economy began to slide especially after 1995 after the Kina was devalued in 1994 and then floated. The policy shift from a fixed exchange rate regime to a flexible regime was necessitated by the severe cash flow and balance of payments problems that were faced by the government during 1993 and 1994.

Between 1995 and 2000, the economy grew at an average annual rate of 1.2 percent (Saulei et al 2002). During this period the population grew by 3.5 percent. The economy has been in recession between 1999 and 2003. The poor economic performance and contraction in the economy is attributed to high interest rates, lower exchange rates, rising prices, poor infrastructure maintenance, weak investment, very little employment growth, depressed commodity prices, falling mining revenues and activities, decline in exploration activities, lack of funding, corruption and instability, poor budgeting, poor financial management, and increasing law and order problems. Past efforts at reform were undermined by political instability, instability in the public service, management failure, and capacity constraint, lack of attention to implementation and lack of political support. The likelihood of sustained economic problems is possible due to government's inability to solve these current problems

2.3 Social

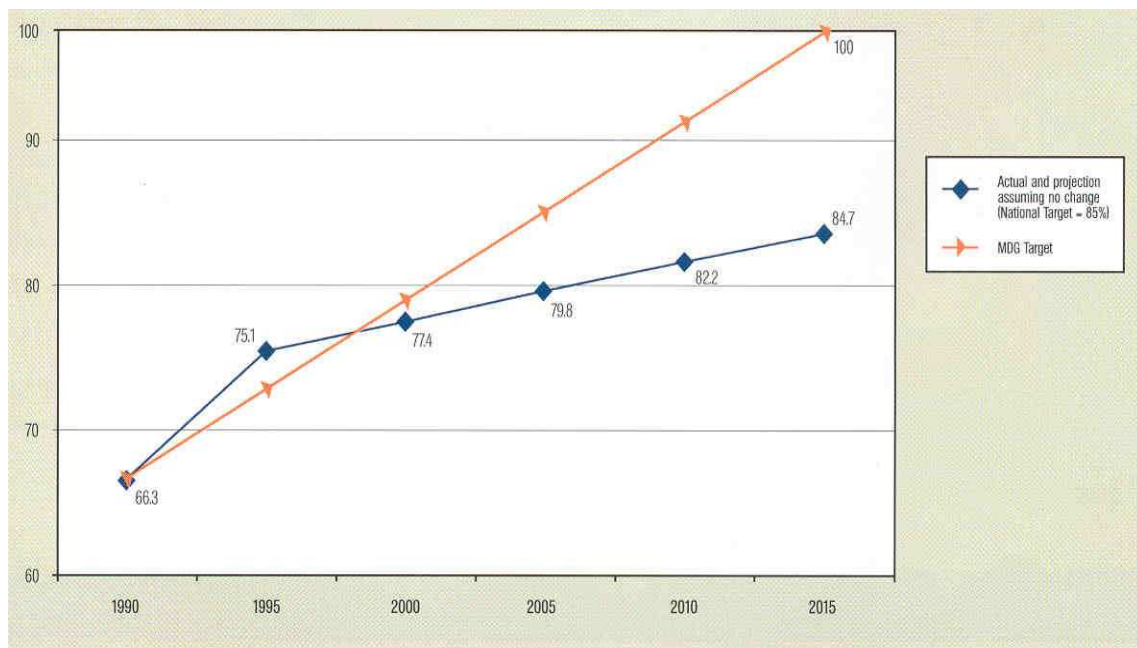
Government commitment to the social sector has been significant during the early years of the 21st Century. While putting in place new policies and strategies to address reoccurring problems, the government also continued to maintain current policies relating to health and education. The government's free education and top-up school policies to achieve universal primary and secondary education are maintained while new initiatives are developed to deal with the HIV/AIDS crisis. The government is supporting the

development of new educational institutions to accommodate some 50 000 students coming through the secondary school system annually such as the establishment of Jubilee University in Port Moresby and the Lutheran University in Lae.

However, the government is not close to achieving its ‘100 percent enrollment and retention’ target by 2015 despite some improvements towards achieving its target. The national target is to achieve a gross enrollment rate of 85 percent at the primary level by 2015, and a retention rate at this level by the same year (Figure 7). Youth literacy should also increase to 70 percent by that year.

The emerging problems for the economy in terms of enrollment and absorbing young people into the employment sector are many. While the number of education facilities increased in the last decade followed by corresponding increases in enrollment figures, there is no corresponding increase to the number of young graduates being adsorbed into the workforce. The nonrenewable resource sector (mining and petroleum) remain the only single largest absorber of graduates in the formal sector while the rural/semi-formal sector employing some 80 percent of PNG’s total population remain the largest absorber of young people. This sector has always been the largest employer of the vast majority and is likely to be that way for decades. Without the rural subsistence/semi-formal sector, the country would face unprecedented social and economic problems.

Figure 7: Gross enrollment rates (%) in PNG at the Primary level between 1990 and 2000 and projected for 2015.



Source: UNDP 2004

Despite improvements in some components of the social sector problems still remain. A recent report stated that ‘there is minimal participation by the general population in the

development process mostly due to lack of human resources' (Tameo 2004). The twin problem of lack of infrastructure and lack of human resources is a major impediment to improving social services and other social intervention programs. Generally, social service delivery in PNG is constrained by lack of infrastructure and basic services, unhygienic and unhealthy living and working environments, unequal distribution of resources and poor accessibility (Tameo 2004; UNDP 1994). As a result poverty is becoming more pronounced together with HIV/AIDS.

2.4 HIV/AIDS

HIV/AIDS figures in PNG are alarming. Between 2000 and 2005 the war against HIV/AIDS by international donor and bilateral agencies, the national government, private sector, and NGOs became more pronounced. The effect of HIV/AIDS on the community and the nation is significant but is not yet felt in PNG. The 2nd Asia Pacific Ministerial Meeting on HIV/AIDS in Bangkok in July 2004 revealed the escalating threat to the region by HIV-AIDS.

The Australian Foreign Minister announced at the Bangkok Meeting that about 40 percent of Australia's allocation of more than Aust\$600m for the Asia-Pacific region to combat HIV/AIDS will be spent in PNG alone. This is to prevent an African style tragedy in PNG. Australia already provides Aus\$12m (K26.9m) annually. PNG government had provided a modest K707, 700 in 2004 (Aus\$350 000) to fight HIV/AIDS. The budgetary allocation of K1 million for 2005 by the PNG Government to fight the disease shows the significance of the issue. Indeed, both governments are concerned about the social, economic and environmental effects of HIV/AIDS.

The government commitment is timely however more support is required following the current trend of HIV/AIDS predictions. Recent study by the Centre for International Economics revealed that if current trends continue the following would result:

- By 2020 PNG's GDP could be reduced by percent;
- Budget deficit increased by 20 percent; and
- Reduction of labor force by 37 percent in the next 15 years.

For the first time HIV/AIDS has become a development agenda rather than a sectoral health issue. Economic growth and sustainable development goals will suffer from the devastating effects of HIV/AIDS. If the predictions of HIV/AIDS are correct it is argued that by 2015 about 37 percent of the total workforce would be affected.

That portion is set to increase even further as infection rates continue to rise where poverty, poor health systems, cultural constraints and limited resources for prevention and care fuel the spread of the virus. HIV/AIDS strikes down working people, orphans and children, and places huge strains on health care and social system. The sheer impact of HIV/AIDS will have a crippling effect on every aspect of the society. This

frightening scenario was recently acknowledged by a New Zealand delegation in PNG as reported in the media (Box 1).

Box 1: Threat of HIV/AIDS

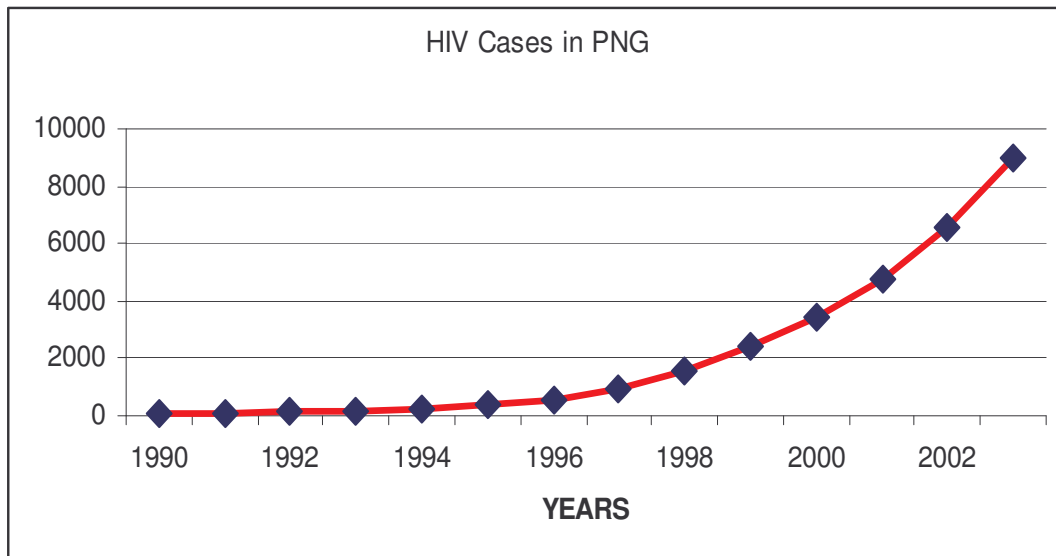
Kiwi politician says leaders need to do more against AIDS
 By ALEX RHEENEY Post Courier 18/4/06

PAPUA New Guinea politicians may need to be flown to African states crippled by HIV / AIDS to appreciate the threat the deadly disease poses to the country, says a New Zealand MP. Speaking to the *Post-Courier* on Friday before returning to New Zealand, midwife-turned-parliamentarian Steve Chadwick said her PNG colleagues needed to take ownership of the epidemic as there were indications political will was lacking in the fight to stop the spread of the disease. She congratulated those who were already in the forefront of the battle but: said there was a need to increase their numbers.

"I can't help thinking if a group of MPs from here went across to one of the African countries and saw it (HIV/AIDS) at its worst - things would certainly change here," Ms Chadwick said. "I don't think they really understand the size of the problem and what's here and if they are talking more openly about it...."

Education and awareness to combat HIV/AIDS is gaining momentum with international donor agencies and NGOs participating in all form of activities. Despite the commitments there seem to be relatively little effect on the rate of infection in the past 5 years. The incidences of HIV/AIDS infections have in fact risen significantly in the last decade (Figure 8).

Figure 8: Cumulative number of recorded HIV/AIDS infections in PNG since 1990



Source: UNDP 2004

Nevertheless, the outcome must not discourage anti-HIV/AIDS campaigners because the rate of infection will overtake any momentum gained in the last half decade if campaigners relax their intensity. The economic and social security of PNG depends on the effectiveness of the fight against HIV/AIDS.

3.5 Poverty

Poverty is used to describe societies who face severe food shortage, appropriate shelter, and clean water. In PNG the social system's ability to accommodate people with relatives and *wantoks*¹² is never exhausted. The effect of poverty on society is a major impediment to sustainable development. Although people in PNG had some characteristics which can be described as poverty, the form and scale of poverty as it is now recorded is alarming. Poverty in PNG is exacerbated by failures of the market economy and formal education system, the former for not creating employment opportunities and the latter for training young people for a formal sector that will have difficulty absorbing all graduates every year.

In PNG, where there is abundance of resources, the definition of poverty is based on the lack of accessibility, opportunities and participation in the development process generated by unequal distribution of these resources, and unequal participation of people in the development process.

The high rate of population growth coupled with economic pressure and internal migration is exerting pressure on the 'system' to cater for everyone. Hence, poverty is therefore a development issue that encompasses all social issues in their lack of resources in attaining the desired benefits of development in the social, environment and economic clusters. Poverty affects all people both in the rural and urban areas. The magnitude is felt differently by the various categories of people in different cross-sections of the population. Historically, poverty was not acknowledged as a problem in PNG. This has changed in recent years. The 'MTDS 1997-2002, the National Poverty Reduction Strategy (NPRS) and the MTDS 2005-2010 prioritize poverty reduction as a major development issue that the government needs to address.

The nature and scale of inequality in PNG is demonstrated by widespread prevalence of poverty. The distributional effects of bad government decisions is reflected by the existing gaps between the rural and the urban, educated and the uneducated, privileged and the underprivileged, and decision-makers and the decision-followers. Widespread poverty is an inevitable outcome of distributional effects and unfavorable socio-economic decisions. The impact of poverty on PNG society is significant including the decrease in the standard of living, inaccessibility to services, limited opportunities and unemployment is indicative of a social environment that is not conducive for sustainable development and environment management.

¹² *Wantok* in the pidgin lingua franca is a term used to loosely describe any clusters of friends, relatives, workmates, someone you know and relate to etc...

2.6 Unemployment and youth

The absorption of our economically active people into the formal wage sector remains one of the biggest challenges for PNG today; estimates from the 2000 Census show that we have some 3.7 million people aged 10 years and over who were available but could not find work.

One million of them were youths, an age group defined as from 15-24 years old. The 2005 estimates stated that we would have 1.3 million youths altogether. With a population growth rate of 2.7 percent, the numbers will continue to rise in the next 10-15 years. According to the 2000 Census, 40 per cent of PNG's population remains under the age of 15. Such a feature does suggest increases to the number of entries into the labor force and the number of job seekers rising. Therefore, a slower pace in social and economic development will only intensify the present level of unemployment.

About 69,000 of citizens who were 10 years and over were classified as unemployed in the 2000 Census. The "unemployed" referred to those who were looking for work or waiting to start a new job. Of the total unemployed, more than 50 per cent were in the urban sector, giving an unemployment rate of some 16 per cent. The urban areas reported more unemployment than the rural areas. This is because the rural people also spend most of their time in many subsistence activities. About 84 percent of them are engaged in the non-monetary sector and confined to household chores.

Overall, of all youth in PNG's urban areas, about 43 per cent of young men and 25 per cent of young women were unemployed. The unemployment rate was highest among youth aged 15-19 years with indications of 46 per cent of them male and 27 per cent female respectively. Of those aged 20-24, the rate was more than one quarter of the unemployed in PNG, thus confirming high unemployment among the youth. The window of opportunity for the youth is very limited.

The formal sector cannot accommodate all the youth who drop out of school and are of widespread social concern among all provinces of PNG. Some indications of unemployment have been high-lighted from the 2000 Census data and the draft National Youth Policy 2006 and can be useful in planning for the youth component of the total population. The pressing issue about youth unemployment is that it must be addressed immediately by the appropriate agencies. The indicators are useful to initiate moves to absorb the youth into useful work, or even plan for reasonable school places or job-oriented training centres. The level of unemployment does suggest the extent to which a full employment policy is achievable in general. The number of young people is increasing each year and attempts must be made to make full use of this resource. The young nature of the PNG population is also a big concern.

A very high proportion of the population is under 15 years old and is dependent on their parents. Likewise, job opportunities will become acutely limited. Already there are signs that there will be chronic unemployment in PNG if nothing is done now. Both the urban and rural areas will be affected. Indicators on employment and unemployment must be

collected regularly to measure their extent of magnitude. The interval between censuses in PNG is 10 years. These events occur daily and could even be reported on an annual basis.

The information presented is based on a nationwide coverage and therefore the implications are that there must be a sufficient labor market to absorb all these young people. Youths are a vulnerable component of the society and the social order is vulnerable to the problems faced by, and caused by youths. The absorption of youths into useful work is obviously one of the main challenges faced by PNG society with a growing population. In PNG, this challenge is intensified by the slow rate of growth in the formal labor market. At the present growth rate, only a small proportion of the school leavers can expect to obtain formal sector jobs. The balance must be absorbed into the rural sector or the urban informal sector.

Equipping the youth population with education, life skills, and most of all, employment opportunities is a fundamental necessity in meeting the MDG challenges. PNG has initiated these moves in recent years through policy makers and program managers who have turned increasing attention to the youth. The recognition of population growth as a development concern is acknowledged in the draft National Youth Policy 2006. However, integrating the youth in decision-making has not received attention in the draft policy.

The increase in youth population is much more complex and comes with more challenges. The youth population is changing in structure from the 1980s and as a result many of them will survive up to employment ages. From the present structure of the young population at 40 per cent, the increases will be larger in numbers than the current rates. Possible leads to absorbing the challenge must be designed towards sustainable rural establishments for creating employment for young people. This should pave the way for absorption of the youth into useful work. The implications are that creating rural-based employment is essential and sustaining them will keep young people in useful employment over longer periods.

2.7 Good governance

Governance is a critical issue for sustainable development in PNG. Good governance is about transparency and accountability in decision-making about delivering on the 5 Goals and the MTDS 2005-2010. It entails commitment, dedication and responsibility in terms of driving the transparency and accountability message through the political and bureaucratic leadership. However, reports indicate that good governance is a major problem adding to the long list of capacity constraints (Tameo 2004; UNDP 2004; Piest and Velasquez 2003; Saulei et al 2002). Governance is a complex issue in PNG and the main features of governance in the country are briefly summarized below.

Political instability

Political instability is a feature of PNG politics since the 1990s. Political stability is critical to formulate, fund, implement and sustain sustainable development programs throughout PNG. There is evidence that political stability brings about positive economic results, good environmental management practice, respect for law and social stability. The current Somare government's full term in Office between 2002 and 2007 will have seen improvements in the economy. A GDP of 3.2 percent for 2005 and a projected GDP of 3 percent for 2006 clearly demonstrates this observation. However, constant cabinet reshuffles have defeated the governments' ability to achieve continuity in policy implementation, especially the MTDS.

Disrespect for the law

Respect for the rule of law is fundamental to sustainable development in PNG. The enactment of laws has a purpose in society, to ensure an orderly and peaceful society where harmony and security are the basis for development for growth and social progress. Further, the application and enforcement rather than the laws themselves are critical for social, economic and environmental sustainability. The widespread disrespect for the rule of law in PNG has proven to be a major deterrent to growth and development.

Corruption and the abuse of process

The concept and practice of 'corruption' has become a household concept given its systemic character in PNG. Corruption in PNG affects every sector and levels of government with crippling consequences on the institutional base of the country. The ability of the government to both implement policies and enforce laws has become victim to systemic corruption at all levels. The lack of effective sanctions by the government on corruption is clearly undermining any effort to promote sustainable development.

Lack of integration

There is a lack of national planning that incorporates provincial and local inputs into the national planning process. Provisions under the OLPLLG 1995 empowers planning at the district level. This Act empowers district authorities to plan for services and development activities with full consultation with the people. The level of consultation between the national government and provincial and local governments is relatively weak. Consequently, attempts to integrate centrally-based bureaucrats with provincial counterparts have suffered. The corridor through which policy implementation takes place is poorly developed.

Political interference

Political influence in decision-making at all government levels is chronic in PNG. There are many implications resulting from political interference in the operation of the governments' key institutions. One consequence is the erosion of commitment in the leadership by those who are responsible for implementing policies. The resultant 'lack of commitment' by those affected by decisions is unfortunately described as 'lazy' public servants. However, rampant political interference and the resultant 'job insecurity' amongst public servants have facilitated an inefficient public service.

Lack of accountability

There is widespread abuse of laws by the political and bureaucratic leadership of the country. 'Laws are superseded by personal whims of administrators, and laws are broken with no restitution. Abuse of power and process is the norm rather than the exception and; in most instances goes unpunished. As there is no accountability, the laws, the institutions and the people who are supposed to make both the laws and institutions work are not relevant nor are they respected' (UNDP 1994).

All of this has led to a lack of commitment to national objectives and more concentration on selfish pursuits. Unless and until all of these issues are addressed and some resolution of these obstacles is realized, no NSDS will translate into tangible development.

2.8 Systemic corruption

The referral of current MPs to the leadership tribunal is indicative of the scale and scope of corruption in PNG. The leadership tribunal is currently prosecuting 12 national MPs including 6 senior Ministers and 2 provincial Governors. Another Governor is serving a 12 year sentence for rape while the number of MPs referred to the public prosecutor for prosecution by the Ombudsman Commission is likely to increase before the 2007 national elections. Further, current investigations by the Parliamentary Accounts Committee (PAC) reveal corruption and gross abuse of roles and responsibilities by senior bureaucrats with some being referred to the police for prosecution.

The entrenched nature of corruption and lack of effective sanctions is currently a dominant feature of the government. Governance and decision-making at the political and bureaucratic executive levels is critical for the country. The JPOI states that:

“Good governance within each country and at the international level is critical for sustainable development. At the domestic level, sound environmental, social and economic policies, democratic institutions responsive to the needs of the people, the rule of law, anti-corruption

measures, gender equality and an enabling environment for investment are the basis for sustainable development” (UN 2002:2).

Stakeholders in PNG fail to realize the significance of good governance for sustainable development. In order to facilitate and ensure a dynamic, robust and enabling home environment, it is important to promote dignity and self respect for positions leaders occupy, transparency and accountability in decision-making, professional integrity, and a sense of responsibility.

2.9 Strengthening good governance

In order to address governance issues, the Government had introduced its policy entitled ‘Agenda for Recovery and Development’ in 2002. This policy objective is pursued through the Government's commitment to strengthen and maintain political stability in the country. The constitutional amendment and review of the Organic Law on the Integrity of Political Parties is designed towards maintaining political stability and to instill in Parliament a sense of national responsibility.

The Government’s decision to reinstate the Parliamentary Public Accounts Committee (PAC), which is responsible for overseeing the financial operations and performance of government bodies, is having some effect. In its recent investigations the PAC sought to highlight and make public both the names of government agencies and bureaucrats in an attempt to minimize and eradicate corruption. The recent referral of the Secretary for Lands to the public prosecutor, while at the same time suspending the Finance Secretary and undertaking full-scale investigations into both agencies reflect the governments’ resolve to fight corruption. Strengthening the role of key 'watchdog' and legal oversight agencies, such as the Ombudsmen Commission, Auditor General, Public Prosecutor, and the Department of Attorney-General demonstrates the Government's commitment to promote good governance.

CHAPTER 3

NATIONAL DEVELOPMENT AND TARGETS

3.1 *Sustainability in PNG*

At the outset regarding sustainability, it should be emphasized that people in PNG have survived for over 60,000 years through sustainable resource use. The knowledge and value about sustainable resource use was captured through observation, practiced through imitation and the experience transmitted through to many generations. Whether intentionally, unintentionally, or both sustainable resource use and management were indeed central to the survival and continuity of traditional communities.

What is new to PNG's modern development landscape is the language with which sustainability is described. Sustainable development as being defined for the international audience is "...development that meets the needs of the present generation without compromising the ability of future generations to meet their needs" (Brundtland Report 1987:43). This terminology is indeed new to PNGs. In practice however, sustainability was and to the majority is still part of their lifestyle. It is inextricably interwoven into PNG's social and cultural systems. The 80 percent of rural PNGs today apply sustainability practices as much as their ancestors did, but under mounting population and economic pressures. It is here that the need to institutionalize sustainable development under a NSDS is becoming more urgent.

3.2 *Five National Goals*

PNG's vision for national development is set out under the Five National Goals (5 Goals) and Eight Aims (8 Aims) of the National Constitution. PNG's position in the global sustainability debate is well grounded in its Constitution adapted at independence in 1975. In particular, the 4th Goal of the Constitution calls for the "wise use" and "replenishment" of the natural resources for future generations. Herein lays the *spirit* of sustainable development which was written into the PNG Constitution twelve years before the publication of the Brundtland Report in 1987. Further, the 5 Goals reflect sustainable development and the Goals are:

1. Integral Human Development
2. Equality and Participation
3. National Sovereignty and Self Reliance
4. Natural Resources and the Environment
5. Papua New Guinean Ways

The Fourth Goal emphasizes *wise use* and *replenishment* of natural resources for future generations. Hence:

Natural Resources and the Environment

PNG's natural resources and environment should be conserved and used for the collective benefit of all and should be replenished for future generations. We accordingly call for:

- (1) Wise use to be made of our natural resources and the environment in and on the land or seabed, in the sea, under the land, and in the air, in the interest of our development and in trust for future generations; and
- (2) The conservation and replenishment, for the benefit of ourselves and posterity, of the environment and its sacred, scenic and historic qualities; and
- (3) All necessary steps to be taken to give adequate protection to all our valued birds, animals, fish, insects, plants and trees.

The vision of the 4th Goal goes further than just reflect wise resource use. It underscores sustainable development as a precondition to achieving a socially just, economically progressive, and environmentally sound society reflecting the 3 pillars of sustainable development. The 8 Aims reflect the means of achieving the 5 Goals and reflect the strategies for action.

The Eight Aims

Together with the 5 Goals, the 8 Aims have been the basis for policy development since 1975. As listed in the Faber Report of 1974, the 8 Aims read:

1. A rapid increase in the proportion of the economy under the control of Papua New Guinean individuals and groups, and in the proportion of personal and property income that goes to Papua New Guinea.
2. More equitable distribution of economic benefits, including movement towards equalisation of income among people and towards equalisation of services among different areas of the country.
3. Decentralisation of economic activity, planning and government spending, with emphasis on agricultural development, village industry, better internal trade, and more spending channeled to local and area bodies.
4. An emphasis on small-scale artisan service and business activity relying where possible, on typically Papua New Guinean forms of business activity.
5. A more self-reliant economy, less dependent for its needs on imported goods and services and better able to meet the needs of its people through local production.

6. An increasing capacity for meeting government spending needs from locally raised revenue.
7. A rapid increase in the equal and active participation of women in all forms of economic and social activity.
8. Government control and involvement in those sectors of the economy where control is necessary to achieve the desired kind of development.

Both the 5 Goals and 8 Aims reflect the international sustainable development objectives stated in Agenda 21, JPOI, Mauritius Strategy and the Pacific Plan. PNG's vision for national development was adapted ahead of the sustainable development movement. They contain environmentally sound economic development, equality, involvement of women in the development process, environment protection, institutional capacity to deliver services, participation in decision-making through a decentralized process and recognizing PNG's cultures. Indeed, the policy framework for sustainable development in PNG was already established.

3.3 National development background

During the years following independence the sustainable development concept was absent from policy documents. However, the 5 Goals and 8 Aims provided the guidelines necessary to pursue development in a sustainable manner. The PNG government embarked on a series of development strategies and the major strategies were:

- Integrated Rural Development Programs (IRDPs)
- National Public Expenditure Planning (NPEP)
- Medium Term Development Planning, and
- Medium Terms Development Strategies.

3.3.1 National public expenditure planning

Following independence development revolved around the national public expenditure planning program (NPEP) on a three-year rolling basis. The principle characteristic of this development approach was based on sectors identifying development priorities according to sectoral needs followed by allocation by the national government of funding. Basically, the NPEP reflected government expenditure on existing and prioritized areas including health, education, infrastructure, agriculture and other economic activities.

Expenditure planning was a tool to direct public spending into sectors of the economy which the government deemed priority areas. In line with the governments' less developed areas intervention, infrastructure development consumed over 50 percent of total annual expenditure under the NPEP. It was a simple strategy with relatively little or

no input into the NPEP from provincial and local governments. Its' monitoring program only oversaw the expenditure of allocated funds without analyzing the impact of the NPEP intervention on key sectors or the rural communities.

3.3.2 Integrated rural development program

The integrated rural development program (IRDP) targeted the development of less developed provinces in the country beginning in 1976. This was a major challenge facing the government in its modernization exercise. The IRDP's major characteristic was its multi-sectoral approach to development aimed at facilitating growth and development of all sectors simultaneously. Multi-sectoral planning and the integration of all key sectors including administrative strengthening under the IRDPs strategy characterized the less developed provinces' development intervention. The IRDP intervention began, in their order, with the East Sepik (1976), Southern Highlands (1978), Enga (1982) and South Simbu (1986) programs.

The excitement, which greeted the IRDP intervention in the poor provinces', reflected not on the viability of the IRDPs as such, but the programs' association with wealthy international funding institutions - the World Bank and the Asian Development Bank (ADB). The expectation by the respective provincial governments that their association with the wealthy banking institutions would deliver on their modernization dream was short lived. In practice, the multi-sectoral approach to provincial development at that time was administratively and technically less practical. The institutional/administrative capacity necessary to deliver on a multi-sectoral development approach was simply absent. There is now relatively limited evidence in the respective host provinces to suggest that the IRDP intervention did eventuate. For example, there is no evidence of the Enga IRDP to suggest that the province hosted a US\$16 million project in 4 years (Nita 1992).

3.3.3 Medium Term Development Strategy

The background to the medium term development strategy can be traced to the National Development Strategy (NDS) in 1990. The key objective of the NDS was to implement the 8 Aims. For example, it called for 'a high proportion of the nation's resources to be directed to rural areas'. Economic policies in the strategy supported adequate and even flow of resources to support key programmes of the NDS. It also promoted the national economic growth policy through the exploitation of natural resources.

The 1993 World Bank report highlighted significant disadvantages associated with the NPEP. The domination of central agencies in planning provided relatively no room for input from sub national governments. The resultant weakening and lack of capacity at the provincial level made the NDS basically a central agency activity. The creation of an alternative planning model to fulfill the objectives of the 8 Aims was eminent. From expenditure planning on 3-year rolling basis, it moved into a new phase of Medium Term

Development Planning (MTDP) which operated on an annual cycle and from which the MTDS was initiated.

In the 1990s the MTDS as a strategic approach to development was grounded in the government's intention to allow flexibility in the budgeting process. The NPEP and NDS processes impinged on the budget while the MTDS was a framework through which annual budgets were prepared, and operated on an annual cycle. The MTDS process did not, in the end, allow for either medium term or long term policy setting. Worse still, policy planning was totally ignored and replaced with annual accounting and annual budgeting. The first comprehensive MTDS was launched in 1997 and identified as MTDS 1997-2002.

3.3.4 MTDS 1997-2007: A Bridge into the 21st Century

A year after celebrating 20 years of independence¹³ a comprehensive development strategy was required to rectify twenty years of lost opportunities. The objective of MTDS 1997-2002 was to open up the country to facilitate economic development and to strengthen perceived policy weaknesses by putting in place the MTDS to guide development into the 21st Century. The MTDS also supported the World Bank sponsored structural adjustment programme (SAP) that had, as one of its objectives to strengthen fiscal discipline. The MTDS 1997-2002 was the first plan that recognized the need to create an enabling environment for private sector growth, and hence the private sector as engine for economic development.

The MTDS sought to empower its citizens through infrastructure development and initiate economic development in rural areas. Further, it recognized the significance of empowering people to become self reliant through using opportunities created by the government through expenditure priority areas identified under the MTDS. These prioritized areas included primary health care, basic education; transport infrastructure and its maintenance, law and justice, and private sector growth.

However, political instability between 1997 and 2002 resulted in poor fiscal management which pushed the country to the edge of a major macroeconomic crisis. Further, budgetary allocations grew out of alignment with the MTDS priorities. The period leading up to the 2002 national elections witnessed serious macroeconomic pressures. Despite the outcomes several key lessons emerged that provided useful tools for the new incoming government in 2002 to frame its next series of development strategies. The key lessons from MTDS 1997-2002 were obvious:

- a) There needed to be clear definition of roles and responsibilities on monitoring and implementing of components of the MTDS between the national, provincial and local level governments. Any future MTDS was to be formulated and developed with clear statements regarding who does what and the funding arrangements.

¹³ Independence in 1975 – 1995 was twenty years.

- b) The need to devolve relevant functions to sub-national governments to facilitate bottom-up planning and expenditure management at the local level. Devolved functions should reflect the capacity of local authorities to successfully implement programmes to achieve national objectives.
- c) The MTDS suffered in terms of resource allocation into priority areas identified under the MTDS resulting from two different governments in a space of 4 year, frequent changes to Ministers and a near break-down of bureaucratic support for the MTDS during this period.
- d) The MTDS was not successfully integrated into the planning and implementation process at all levels of government and serious questions about the ownership of the MTDS emerged. Sectoral input and monitoring of sectoral programmes under the MTDS was difficult in the centre. If horizontal integration at the national level between key line agencies was problematic, it was far worse in the provinces.
- e) The OLPLLG 1995 was not employed as an effective legislative tool to affect the MTDS priorities at the provincial and district levels. In future the provisions of this legislation should effectively be utilized.
- f) The ‘handout mentality’ was deeply entrenched in the peripheral provinces despite the intention of the MTDS to minimize it by encouraging private sector growth. Any future action plan need to break the cycle of the ‘handout mentality’ in order to make people more productive, independent and self reliant.
- g) Sustainable development did not feature prominently in the MTDS 1997-2002. Any development strategy should incorporate all 3 pillars of sustainable development given PNG’s global commitment. This includes economic, social and environmental considerations.

Nevertheless, the MTDS concept played a significant role in 1990s in terms of supporting the 5 Goals and 8 Aims. For example, broad-based economic growth and private sector development were at the heart of the ‘MTDS 1997-2002. The need to encourage private sector investment and a market based economic strategy as underlined by the MTDS 1997-2002 were further compliment by the governments’ introduction in 1999 of the National Program for Reconstruction. The objective of the latter was for the people to mobilize and use their resources in ways that are compatible with sustainable livelihood.

3.3.5 MTDS 2005-2010: Plan for Economic and Social Advancement

The current government launched the MTDS 2005-2010 in September 2005. In officially launching the MTDS 2005-2010 it demonstrated the governments’ commitment to

fulfilling the 5 Goals and 8 Aims. The government's 'private sector-led economic growth' policy is well grounded in the Ten Principles of the MTDS which reads:

1. *Private Sector-led Economic Growth*
2. *Resource Mobilization and Alignment*
3. *Improvements in the Quality of Life*
4. *Natural Endowments*
5. *Competitive Advantage and the Global Market*
6. *Integrating the Three Tiers of Government*
7. *Partnership through Strategic Alliances*
8. *Least Developed Areas Intervention*
9. *Empowering Papua New Guineans and Improving Skills*
10. *'Sweat Equity' and Papua New Guinean Character*

The strength of the MTDS 2005-2010 lie in the support and commitment by the government as it represents its roadmap for development in the next five years. Further elements of the 27 Principles of Agenda 21 are reflected in the MTDS such as the 3rd principle of the MTDS "Improvements in the quality of life". Further, the economic, social and environmental objectives set in Agenda 21 are about improving human and environmental conditions and the MTDS is embarking on achieving these goals.

The MTDS compliments efforts of the Rio Declaration. PNG's participation in Rio in 1992 and several follow up initiatives confirms our commitment to Agenda 21, JPOI, the Mauritius Strategy and the Pacific Plan. Further, the current MTDS lays the foundations for further actions to fully integrate sustainable development into the policy priorities. However, the disappointing aspect of the MTDS 2005-2010 is its failure to explicitly announce sustainable development and environmental sustainability in its list of Principles as a significant cross-cutting objective.

Consequently, there is debate in terms of where the MTDS sits in relation to the MDG. It is argued that there is a limited policy linkage between the MTDS and the MDG, especially when relating to environmental sustainability. The targets and performance indicators of the MDG are broad, have a longer time frame and are mainly concerned with social development issues. The important aspects of implementing the MDG such as preceding activities considered necessary to achieve the objectives have not been outlined in the MTDS. The MTDS is a policy framework designed to guide the governments' budget decisions while the MDG is a set of goals that United Nations member states including PNG, have pledged to meet.

The current MTDS remains a strategic or a policy document, which serves as a guide to formulating other public sector plans and programs and strengthens its implementation, monitoring and evaluation. In general, launching the MTDS is in the right direction to promote development and support the current governments' emphasis on export-led economic growth policy. In essence, sustainable development should be part of any development strategy, and explicitly stated so, and not superficially employed to justify other objectives. An integrated national strategy for sustainable development

incorporating the 3 pillars of sustainability including those covered by the MTDS 2005-2010 is paramount for PNG.

3.3.6 MTDS 1997-2002 versus MTDS 2005-2010

There are similarities and differences in both medium term strategies for social and economic development. The experiences gained from the former MTDS at least guided the design of the latter MTDS. The important lessons emerging from the current MTDS includes the following.

1. There is political stability in government since 2002 however, constant cabinet reshuffles and resultant changes in bureaucratic leadership are proving unhealthy for implementing the MTDS. Further, changes to provincial administrators and referral of MPs to the Ombudsman Commission for leadership charges are significantly affecting implementation.
2. In the absence of a long term development strategy, the MTDS fulfils the policy vacuum to achieve social and economic development. Resources are aligned to support what the government perceives to be the most significant areas for intervention. Further, the donor community is aware of the government's position on development in the country.
3. Good governance is imperative to achieving the objectives of the MTDS. It involves decision-making, implementing decisions, demonstrating accountability and transparency in implementing those decisions, and expediting funding through the budgetary procedures.
4. The government has a comprehensive national development plan to guide national development for the next 5 years;
5. The MTDS targets key development needs that reflect both national and global themes;
6. Sustainable development is mentioned throughout the MTDS which shows that the government is aware of its international responsibilities under the Millennium Declaration;
7. The MTDS identifies 'rural development' as one of its priorities and therefore giving priority to the 80 percent of the nations' population;
8. The government appropriately targets the renewable economic sector by prioritizing agricultural commodities to facilitate the 'green revolution' agenda;

9. The need to improve government capacity to deliver social and economic services is encouraged by targeting improvements to the sub-national governments and in creating District Authorities;
10. Poverty alleviation and HIV/AIDS are major targets for the government and promoted through the Poverty Reduction Strategy and creation of the National Aids Council; and
11. Improving literacy and education is targeted through its universal primary education objective in line with the MDG 2015 target.

In doing so, the government is promoting sustainable development through the MTDS and other sectoral strategies are currently being finalized in that direction including the 'National Youth Policy; the National Energy Policy including Rural Electrification; Public Sector Right-sizing initiative; the National Transport Policy and the recent National Land Policy.

According to the MTDS, it seeks to promote sustainable development. The PNG government is commended for taking this bold step during a time of significant economic difficulties. In trying to achieve the objectives of the MTDS however, there is need for more constructive dialogue between all key stakeholders to facilitate a broad-based strategic framework to strengthen the MTDS and effectively link it with a long term sustainable development framework.

In order to facilitate a long term national sustainable development framework (NSDS) it is important to consider the major gaps in the MTDS 2005-2010. Essentially, there is a need to strengthen the MTDS if the MTDS is to reflect a NSDS:

1. 'Environmental sustainability' is a critical cross-cutting issue which should feature as a major theme in the MTDS but it is lacking. One of the 3 pillars of sustainable development is indeed 'environmental sustainability' and therefore should be clearly spelt out how the MTDS seeks to fulfill the requirements for 'environmental sustainability'.
2. The objective of MTDS acknowledges only two of the 3 pillars of sustainability – economic and social. Example, it states its objectives as "...export-driven economic growth and social development.", and on the cover page of the MTDS, it spells out "MTDS 2005-2010: Our Plan for Economic and Social Advancement".
3. Poverty reduction is not stated as a principle but is subsumed under quality of life. However, quality of life is the long term end result of poverty reduction interventions. It is imperative to develop indicators to measure progress on poverty reduction activities on an annual/biannual basis.

4. PNG occupies a special place among the global community in terms of 'biodiversity'. It is important that the role of biodiversity is acknowledged and promoted in the MTDS because PNG is host to 6% of the total global bio-wealth.
5. The MTDS' medium term is its own weakness and needs to be strengthened by way of a long term plan. There is no other plan to link it to the longer term, say towards 2015 and beyond against which MDG indicators are targeting.
6. There is a need to develop *indicators* that reflect the PNG development context including institutional, cultural, subsistence livelihoods, resource/land ownership etc to measure performance. These will compliment the MDG indicators adapted by the MTDS. Indicators for expediting expenditure for accountability purposes can not be employed to measure development.
7. The MTDS is broad and lacks effective integration with provincial and district plans. For example, it does not effectively show how the MTDS marries with 'environmental sustainability' at the provincial and local levels.
8. The MTDS does not mention cultural sustainability and how to link it with tourism development.
9. There is relatively little elaboration on an effective mechanism to promote gender equality in the MTDS.

It is imperative for the government not to loose sight of the MTDS objectives. It is clear that the MTDS might not be an effective tool to deliver on its social and economic programmes. The weakness in its monitoring, evaluation, coordination and reporting mechanism in the sectoral and cross-sectoral strategies will render the MTDS less successful. It is important that the development of a NSDS framework for sustainable development is a "No Regrets Option" for the long term and is a must.

3.4 The Pacific Plan

Sustainable development and environmental sustainability are cross-cutting issues affecting every actor at the national, regional and global levels. It is imperative for cross-cutting issues to be discussed at relevant levels of cooperation and integrate the outcomes for implementation at the respective national level. The Pacific Plan 2006 provides the roadmap for regional cooperation and integration amongst its member nations. The Pacific Plan compliments efforts of the MDG at the global and the MTDS at the national levels and integrates both efforts from a regional perspective.

The Pacific Plan is based on the Leaders' Vision and that is to "enhance and stimulate economic growth, sustainable development, good governance and security for Pacific countries through regionalism". In order to achieve this Vision, the Pacific Plan adopts as its objectives the following (PIFS 2006:4):

*Economic Growth*¹⁴

1. Increased sustainable trade (including services), and investment
2. Improved efficiency and effectiveness of infrastructure development and associated service delivery
3. Increased private sector participation in, and contribution to, development

*Sustainable Development*¹⁵

4. Reduced poverty
5. Improved natural resource and environmental management
6. Improved health
7. Improved education and training
8. Improved gender equality
9. Enhanced involvement of youth
10. Increased levels of participation and achievement in sports
11. Recognized and protected cultural values, identities and traditional knowledge

*Good Governance*¹⁶

12. Improved transparency, accountability, equity and efficiency in the management and use of resources in the Pacific

*Security*¹⁷

13. Improved political and social conditions for stability and safety

The objectives of the Pacific Plan are highly complimentary and beneficial to efforts of the PNG government's MTDS. The complimentary nature of the Pacific Plan lays in its definition of sustainable development. It recognizes the 3 pillars of sustainability and acknowledges environmental sustainability as a critical component of sustainable development. Further, sustainable development is a core feature amongst the 3 objectives of the Pacific Plan. The Pacific Plan was endorsed by the Prime Minister, Sir Michael Somare as the Chair of the Pacific Island Forum recently. It is imperative that the MTDS or its equivalent recognize the existing consensus at the regional (through the Pacific Plan) and global (through the MDG) levels on the significance of sustainable development. The 3 pillars of sustainability must be strongly emphasized in PNG's NSDS or its equivalent.

¹⁴ Defined as sustainable, pro-poor economic growth.

¹⁵ Defined as the integration and mutual reinforcement between the three pillars of economic development, social development, and environment conservation (where conservation is defined as wise use, including protection, in some circumstances). Essential requirements for sustainable development include active stakeholder participation, poverty eradication, changing unsustainable patterns of production and consumption and managing and conserving the natural resource base for economic and social development, while maintaining the underlying ecological processes.

¹⁶ Defined as the transparent, accountable and equitable management of all resources. Good governance is a prerequisite for sustainable development and economic growth.

¹⁷ Defined as the stable and safe social (or human) and political conditions necessary for, and reflective of, food governance and sustainable development for the achievement of economic growth.

Two further important points emerge from the Pacific Plan that is relevant to the MTDS and/or its equivalent:

- a) Approaches to overcoming capacity limitations in service delivery at the national level, and
- b) The issue of security.

In the case of the former PNG's capacity to meet regional manpower capacity needs should not defeat its capacity to achieve the objectives of the MTDS. In the case of the latter, regional cooperation should increase/compliment PNG's efforts to deal with, what may be identified as its internal (home-grown) terrorists. Internal terrorists continue to pose the most significant and immediate threat to PNG's social, political and economic security than other external groups, ie. *islamists* or the *al quaeda* type groups. It is significant for the government with the assistance of regional groups to deal with the existing internal threat.

Nevertheless, the Pacific Plan is complimentary to both the MTDS and the MDG. It is not a parallel plan to national sustainable development strategies, does not imply any limitations on national sovereignty, and is not intended to replace any national plans but it is stated clearly on the Pacific Plan (page 4) that its efforts compliment and enhance individual efforts of member states.

Further, the development of Pacific-specific 'success indicators' to monitor and measure nationally and globally agreed targets, such as the MDG provides an appropriate and sound tool to measure progress. The reporting mechanism for progress on sustainable development activities in the region either for individual states or as a Pacific Group can be achieved through the PIFS. It is important that the results are transmitted to appropriate bodies including non government actors (NGOs), and especially collaborating institutions (University of PNG and the University of South Pacific) and other agencies for informed decision-making.

CHAPTER 4

SUSTAINABLE DEVELOPMENT STRATEGIES

4.1 Post Rio initiatives for sustainable development

The search for a national framework for sustainable development in PNG began in 1992 following the conclusion of the Rio Earth Summit; two years after the NEC endorsed the Brundtland Report's definition of sustainable development. This was reflected in the commitment shown by the PNG delegation to Rio upon its return to PNG. The government supported the global agenda for sustainable development by adapting Agenda 21 as the global action program. Agenda 21 is essentially a strategy to operationalize in respective states, the definition of sustainable development. Its definition incorporates the 3 pillars of sustainable development – social, economic and environmental.

Government policy and plans for developing a national strategy for sustainable development began with the Post-United Nations Conference on Environment and Development (UNCED) Seminar for sustainable development in November 1992. The Seminar complimented the Rio initiative by generating ideas to develop a sustainable development framework in PNG to facilitate social and economic development in a sustainable manner. The post-Rio Seminar in November attempted to highlight sustainable development to the PNG audience. The momentum generated during the Rio Earth Summit was evident at home with the hosting of this post-UNCED Seminar.

A statement in the keynote address by the Minister for Environment and Conservation during the Post-UNCED Seminar marked the process for adopting policy and legislative changes to promote sustainable development in PNG. The Minister stated:

“The hard part is now before us as we continue this process at home. We must form partnerships and work together, particularly in areas that allow the views and perspectives of the whole community to be taken into consideration in the decision-making process” (DEC 1992:25).

The Minister went on to acknowledge that the ‘Seminar was hosted at the right time and it was time for the government to lead the nation in defining what the Rio Declarations meant to the people of PNG.’ Basically, this was the opportunity to redefine PNG's development approach in a sustainable manner and bring development to the homes of the majority in provinces and the rural districts.

The Seminar attracted a series of papers from high level representatives from government, private sector, NGOs, academic institutions and members of the public. Generally the papers reflected the themes of UNCED and PNG's role in internalizing the 27 principles of Agenda 21. This Seminar did not suggest a sustainable development

framework for PNG however; it maintained the momentum from Rio at home and discussed relevant issues critical to sustainable development. Further, it set the scene for stakeholders to critically think about a national framework for sustainable development. From this Seminar, plans were developed to launch the next big Seminar to integrate environment and development issues into a single framework.

4.2 Revitalizing growth with sustainability

In August 1993 the 20th Waigani Seminar on Environment and Development: From Rio to Rai¹⁸ was convened at the University of PNG. A comprehensive outreach exercise was conducted to consult all stakeholders to participate in this important process. The intention was to consult and invite as widely as possible people from all walks of life including public servants, academics, politicians and members of NGOs.

For the first time provincial and local representatives from all sectors were asked to attend the Seminar on fully-funded arrangements. Representatives from village groups, women's organizations, and church groups, local and provincial governments converged at the University of PNG with a story to tell regarding development and environment issues faced in the periphery. The Seminar coordinators' realized that sustainable development was a cross-cutting issue which made the participation by all stakeholders necessary.

The Waigani Seminar consisted of seven sub-themes and were based on the action areas recommended in Agenda 21:

1. Revitalizing growth with sustainability
2. Sustainable living and health
3. Human settlement
4. Efficient resource use
5. Managing chemical and waste
6. People participation and responsibility
7. Essential means

The sub-themes reflect the PNGn situation in two respects. First, they showed key areas to address if sustainable development was to be achieved. For instance, 'revitalizing growth with sustainability' implies that growth is a priority for the country but the sustainability principles will have to be integrated to satisfy the sustainability criteria, i.e. meeting the three pillars of sustainability – economic, social and environmental. Further, all the sub-themes reflected upon the 5 National Goals. Second, the framework of the sub-themes provides the foundations for the development of a national sustainable development strategy. A NSDS provided the most appropriate mechanism through which sustainable development inclusive of all development priorities can be launched.

¹⁸ From 'Rio' where the Earth Summit was held to Rai, a village in the Rai Coast of PNG's Madang Province.

The Seminar provided the forum for discussions to debate on past experiences, current realities and future prospects for development and environment protection. The discussions led to an understanding of the rationale for a framework for a sustainable development strategy. The frameworks for developing a NSDS were:

- a. Maintain and improve economic performance and quality of human life in sustainable ways;
- b. Ensure that development efforts are environmentally sound and socially acceptable to communities;
- c. Empower PNGns to participate effectively thus becoming productive, progressive and independent; and
- d. Good decision-making and institutional stability to take charge of the people and nation's wealth and promote sustainability through transparency and accountability.

4.3 *Ranking of development priorities*

Despite the governments' continued importance given to economic development, a properly instituted development framework accommodating environmentally sustainable economic growth on its list of priorities is paramount. In PNG, the recommendations for a framework to address economic, social and environmental needs reflect this reality. The strength of an NSDS is its integrative approach to development in that the 3 pillars of sustainability provide the basis for this new approach.

What is more, sectoral policies will continue to play a significant role in national policy formulation. The bureaucratic personnel will continue to drive both policy development and implementation. Sub-national governments will continue to accommodate national policy directives. However, the sustainable development approach will require input from both national and local level governments, the private sector and NGOs as well as input from nationally-based international development partners.

Government commitment to sustainable development and hence a national sustainable development framework must not only be reflected on policy. The PNG experience shows that a NSDS is inadequate in itself to promote sustainable development. Agenda 21 has lost its merit in government circles since the 1990s and so have the MDG and JPOI. What might be necessary is for Parliament to provide the necessary legislative support to establish the necessary institutional preconditions for sustainable development. This may include a national commission for sustainable development, a national task force on sustainable development and an agency solely responsible for sustainable development. If adapted, an Act of Parliament can also specify the roles and responsibilities of the commission including those of national departments and provincial governments and district authorities. The success of Agenda 21, the MDG, the JPOI and the Pacific Plan rests upon a legislative framework to implement sustainable development more than any policy statements. A supportive legislative framework is required to effectively sanction the respective agencies to implement a NSDS.

4.4 Framework for sustainable development

In PNG people displayed both enthusiasm and concern for development and the environment during the 20th Waigani Seminar. The significant outcome of the Waigani Seminar was the set of recommendations to formulate the PNG sustainable development strategy. Following the conclusion of the Seminar and given the importance of Agenda 21, the coordinators at the University of PNG realized through the discussions and presentations that current ways of doing business were inadequate or were unsustainable. The *ad hoc* manner in which governments' sought to overcome development and environment problems were inadequate. Based on the emerging discussions, the need to develop a sustainable development strategy was seen to be more urgent.

In 1993, the guide to formulate the NSDS in three languages English, *tok pisin* and *motu* entitled "Stretim Nao Bilong Tumora": A Guide to National Sustainable Development Strategy & Waigani Seminar Recommendations were published. In 1996, six volumes containing the presentations of the Seminar were also published by the University of PNG. In the 'A Guide to NSDS', A NSDS is described as 'an action plan aimed at putting into practice the vision contained in the 5 Goals and 8 Aims of the Constitution'.

Strengthening grassroots initiatives, building on existing structures and programmes while strengthening the enabling role of government to facilitate empowerment initiatives are imperative for developing and strengthening a NSDS. Further, it is argued that a NSDS would build on, enhance and, where necessary, reform current responses to environment and development problems, linking them into a coherent and integrated strategy. The framework for developing a sustainable development strategy was set more than a decade ago. It is important to revitalize the process to formulate the NSDS framework to promote sustainable development.

4.5 Sense of national ownership

The development of the proposed NSDS in 1994 received government endorsement. It is through this endorsement that a *process* was generated to integrate social, economic and environmental objectives into a sustainable framework for development. This was encouraging given the social, economic and environment indicators that reflected the governments' dismal performance in all sectors. To further enhance the government commitment, an interdepartmental NSDS Steering Committee represented by prominent personalities was formed (Simon et al 2002; Nadarajah 1995). This was followed by a proposal to NEC to establish a NSD Commission to be located within the Prime Ministers' Department.

For the first time, there was a sense of partnership in decision-making and partnership in the NSDS process. The participation at the Rio Summit, the Post-UNCED and 20th Waigani Seminars and in the NSDS process by many prominent nationals demonstrated this decision-making partnership. Those present were:

1. The Governor General, and Minister for Environment and Conservation
2. Ambassador to the UN
3. Senior academics (PNG and overseas) and prominent bureaucrats
4. Provincial and local-level government representatives, and
5. Members of the public

The level of consultation and participation showed PNGs' resolve to embrace the sustainable development framework. Further, PNGs' commitment to Agenda 21 and sustainable development is demonstrated by a series of policy developments since the 20th Waigani Seminar and is summarized in Table 3.

Table 3: PNG commitment to sustainable development

1990	NEC endorses Brundtland's sustainability definition
1992	PNG representation at the Rio Earth Summit National Report for the Rio Earth Summit Post-UNCED Seminar – University of PNG
1993	20 th Waigani Seminar on Environment and Development
1994	NEC endorses NSDS National Task Force on Sustainable Development National Sustainable Development Commission
1997	Medium Term Development Strategy 1997-2002
1998	PNG Human Development Report
2000	Sustainable Land Use Policy
1999	National Charter for Reconstruction
2002	National Assessment Review for WSSD National Poverty Reduction Strategy Strategic Plan for Supporting Public Sector Reform 2003-2007
2004	Medium Term Development Strategy 2005-2010 National Health Plan 2004-2010 Medium Term Resource Framework Medium Term Fiscal Strategy
2005	National Urbanization Policy 2005-2010 MDG 7 Project Task Force National Population Policy
2006	National Biodiversity Strategy Action Plan <i>draft</i> National Youth Policy <i>drat</i> National Energy Plan <i>draft</i> National Transport Plan 2006-2010 PNG National Assessment Report (for UNDESA)

Despite the 1994 framework for sustainable development, there is a significant gap between 1995 and 2005 in terms of further commitment to developing a NSDS. There is no further reference to the NSDS in government policy documents during this period.

The momentum developed through seminars and consultations seem to have dissipated. The reasons sighted for the discontinuity are pure neglect by key decision-makers at both the political and bureaucratic levels (Tameo 2004; Saulei et al 2002). Political commitment is required to change the complacent attitude demonstrated so far in developing and implementing a sustainable development framework and its subsequent implementation in PNG.

4.6 Coherence in strategies, policies and legislation

The MTDS 1997-2002 and MTDS 2005-2010 attempt to translate the 27 Principles of Agenda 21 into strategic action programmes at the country level. PNG's participation in Rio in 1992 and several follow up initiatives confirms PNG's commitment to Agenda 21, the MDG and the JPOI. Several key observations need to be made in view of the above medium term strategies. Foremost, in seeking to revitalize the economy by promoting the private sector, the government is in danger of over-exploiting key resources without a adequate sustainable development framework in place. Experience in the nonrenewable resource sector demonstrates that while the media is hyped up about potential benefit streams including infrastructure development into resource communities, diversifying and sustaining the benefits is highly problematic.

For example, the *ad hoc* committee responsible for the Porgera sustainable development programme to deal with sustainable development of Porgera after the mine is secretive about its activities. Consultations regarding sustainable development in Porgera are focused only on Porgera landowners and few community development officers including some provincial public servants. Given their limited knowledge and insensitivity towards sustainable development there is no integration of this programme with a district and provincial sustainable development mechanism nor is there any linkage to the MTDS. Sustainable development programmes to sustain the Porgera community after mine closure is yet to be developed and implemented. Relatively little generated wealth from the Porgera mine has trickled down into community-based sustainable development initiatives in the Porgera District.

In terms of the coherence between the MTDS and the MDG, it is argued that the MTDS needs to be strengthened in order to compliment the MDG and the Pacific Plan. The targets and performance indicators of the MDG are critical to the country, but the MTDS fails to link specific objectives in line with the MDG such as environmental sustainability, gender equality, youth and sustainable rural agriculture. The 10 Principles of the MTDS are in fact broad in nature and also have a shorter time frame. There are current sectoral policies which are less complimentary to the MTDS. The current draft National Energy Policy has limited reference to the MTDS but is highly relevant to Agenda 21 and sustainable energy use is critical to rural districts. With the passing of the OLPLG in 1995, authority was granted to the 19 Provincial Governments and 299 Local Level Governments to be able to pass laws and develop regulations for electricity generation in their areas of jurisdiction. The policy coherence reflected in the energy

sector provides a useful example for other agencies to use under the OLPLLG provisions and to link national policy framework to the local level action programmes.

Further, it is anticipated that the recently launched National Land Policy together with the Sustainable Land Use Policy of 2000 will implement sustainable rural land-use practices and effectively link it with rural agriculture land use systems. The OLPLLG has relevant provisions which should be employed to integrate policies at different levels of government. The critical issue of sustainable land management is acknowledged in the both land policies but their implementation at the local level requires appropriate policy integration between the national and local policies as well as with implementing agencies. Various agencies including health and education are seeking effective integration with provincial and district authorities to affect their respective national plans especially with HIV/AIDS and universal primary education. It is imperative for the Lands Department to integrate its national policies with action strategies in the provinces.

Legislation is available to promote different aspects of sustainable development. They include the OLPLLG 1995, the Gas and Oil Act 1998, and the Environment Act 2000 (See Annex 1) and other Acts covering related sectors.¹⁹ The provision in the OLPLLG for local authorities to do district planning as a precondition to access public finances may provide for sustainable development, but only if sustainable development is enshrined in local policy frameworks to compliment national strategies. On the other hand, the Environment Act 2000 through its Conservation and Environment divisions regulate conservation and development activities respectively. Respective developers are required to ensure 'best practice' and sustainable programs for communities but are often ignored.

From the list of legislative instruments in Annex 1, there is no integrative legislative framework for sustainable development such as New Zealand's Resource Management Act 1992. This weakness is compounded by the absence of a legally defined agency dealing with sustainable development in PNG. Although the NFP assumes that role, the policy and implementation and long term nature of sustainable development necessitates a separate legislation and institutional mechanism to deliver sustainable development. When established, amongst its list of responsibilities should be monitoring, evaluating, reporting and coordination of sustainable development activities across all sectors and levels of government.

Under the current circumstances policy coordination and enforcement capacity of agencies dealing with cross-cutting issues is practically difficult. The manner in which different agencies deal with their roles and responsibility is not conducive for sustainable development. The working relationships between the DFP and resource departments are less than cordial. Further, the relationship between the DFP and the National Forest Authority²⁰ is unhealthy for sustainable forest resource development. Forestry Act 1991 sought to reform the conditions described in the Barnett Inquiry Report. It introduced a system of forest planning, and insisted on public tendering of all logging concessions. It said there had to be a National Forest Plan (NFP). A key component of the NFP was the

¹⁹ Annex 1 is a list legislation that potentially supporting sustainable development in the respective sectors.

²⁰ The NFA is responsible for managing the vast forest resources of PNG.

certified National Forest Inventory (NFI). The certified inventory was, essential in order to find out the size of the stock of timber, on which planning was to be based.

The NFA did not complete any certified NFI at all. But a document purporting to be a "National Forest Plan" was put before Parliament about May 1996. That 'Plan' expired in May 2001, and no new plan has been prepared, or laid before Parliament. The non-existence of a NFP since May 2001, made all extensions to existing concessions, and all new logging projects since that date, therefore unlawful. Therefore in an important industry, there is no coherence between law and practice and the DFP cannot correct the practice even through the CACC. This and many other cases point out to the need to have a legally instituted sustainable development agency to deal with sustainable development.

4.7 Horizontal and vertical coherence

It is imperative for all government agencies to be aware of their roles and responsibilities regarding important policies dealing with cross-sectoral issues. Horizontal coherence on cross-sectoral issues such as sustainable development, HIV/AIDS, poverty, gender equality, governance, and the environment necessitates inter-agency collaboration. The CACC and the CIMC have significant responsibilities to ensure effective coordination and implementation of policies by the lead agencies and between different levels of government. The CACC and the CIMC provide the necessary link between the implementing agencies and the decision-makers of government.

In PNG cross-sectoral, horizontal participation between key ministries and departments at the national level is not a practically easy process. This is even much more difficult with sub-national governments and bureaucrats in provinces. Some departments view cross-sectoral discussions on issues of national significance such as sustainable development less comfortable. In resource departments such as lands, forestry, fisheries, agriculture and mining and petroleum, their perceptions regarding their roles and responsibilities are compartmentalized. It is even more difficult for them to deal with another department whose activities touch upon their responsibilities.

For example, the resources departments who see their roles are 'developers' are concerned with facilitating resource development on behalf of the state while the DEC receives no support in trying to ensure compliance monitoring and impact assessment to ensure 'best practice' and sustainable resource development. Horizontal linkage is imperative to integrate sectoral input into cross-sectoral policies and their implementation. A NSDS strategy both at the national and local levels will undoubtedly face similar problems under the current circumstances.

Communication from Waigani to the provinces and districts represents vertical integration. While policies may be drafted at the national level, their implementation depends on how well the peripheral agencies are informed including their specific roles and responsibilities. It is important to ensure there is vertical cohesion in order for effective implementation at the local level. Effective vertical cohesion will fulfill the

objective set out under the 5 National Goals. For example, the National Energy Policy focuses on rural electrification which in turn will have positive impact on poverty alleviation. Rural communities welcome power lines through their land because they know they will access electricity. However, at the same time their demand for compensation for power-line routes cause unnecessary delays and tensions between clan members. The future security of power lines on customary land are in doubt. An effective vertical communication process between the service providers and intended beneficiaries through respective provincial and local governments' is essential.

The tension between the national and several provincial governments' is widespread in PNG. Where there is tension, loyalty of bureaucrats is divided between respective players between the two levels of government. Provincial governments' have complained about excessive central government control over provincial affairs. There are tensions over allocation of wealth to provinces hosting large resource projects. The suspensions of MPs and Provincial Governors' have destroyed the working relationship between loyal supporters of suspended Governors' and their superiors in Waigani. Where the relationship between the centre and the periphery is problematic, there is relatively little vertical cohesion. The weakness in the enforcement capacity of existing legislations will have meant that implementation will have suffered.

It is critical to ensure that there is horizontal and vertical cohesion between key ministries and line agencies. The DFP seem to have lost its credibility in dealing with provincial governments' to facilitate a national framework for sustainable development. The DFP must ensure effective coordination between all key agencies at the centre and periphery through the CACC and CIMC mechanism. It must also monitor the effectiveness of its own coordination role so that important policies and their implementation do not suffer as a result of lack of political decisions. A special monitoring program needs to be established between the DFP and the provincial governments. People in the provinces have to change their way of thinking and their work culture to accept changes to enhance rural sustainable development initiatives. Both horizontal and vertical integration is necessary under the CACC and CIMC but their roles tend to be only symbolic in practice given their lackluster performances.

CHAPTER 5

COMMUNITY CONSULTATION and PARTICIPATION

5.1 *Community consultation*

PNG citizens' constitute the single biggest stakeholder in the sustainable development agenda. They are too, the most important agents of social change, environment protection and economic development. It is imperative to consult the population on issues and decisions that will have a significant impact on their lifestyles and their home environments. Any effort that seeks to facilitate public consultation and public participation in PNG is indeed critical to create a partnership between all stakeholders. A NSDS that emerges through a process of public consultation and developed through a participatory process including people in the provinces and districts will indeed reflect community needs.

Public consultation and participation as a significant tool for decision-making is acknowledged in Agenda 21 under Principle 10 and the 5 National Goals under the 2nd Goal. Consultation and participation are useful in generating community empowerment, encourages and provides opportunities for women and youth, and allows stakeholders to articulate their views so that they support sustainable development programs. People will become aware of the nature of sustainable development through the consultation and participatory process. PNGs' development context characterized by its cultural diversity and uneven development experience requires an effective participatory process.

The 5 National Goals recognizes public participation as a significant goal. Involving key stakeholders in the PNG context is not only about consulting people and seeking their opinions but is more significantly about educating the population about sustainable development. It includes education regarding their roles and responsibilities in achieving sustainable development. Apart from PNG's national constitution, Agenda 21 clearly states that: "Environment and development issues are best handled with the participation of all concerned citizens, at the relevant levels" (UNCED 1992:11).

The rationale for consultation and public participation about sustainable development is well grounded and understood by NGOs in PNG, the civil servants, academics, and bilateral and multilateral agencies. What is less clear however, is translating sustainable development in ways appropriate and meaningful to the peoples' lifestyle in practical ways given the lack of legislative and policy support.

Despite the pro-participation arguments, public participation in the PNG is complex. The rationale for participation is often over-emphasized in PNG's formal sector and amongst NGOs. Participation is problematic when the institutional and methodological support for consultation and participation remain underdeveloped. There is no single approved

methodology for public consultation and participation in a linguistically and culturally diverse society. Nevertheless, sustainable development is participatory and it does require an effective consultation and participatory process. Effective legislative and institutional mechanisms need to be developed.

5.2 Consulting mechanisms

In PNG, consultation and participation for sustainable development is not an easy and straightforward process. The knowledge and values of the community of stakeholders is difficult to discern. Methodological questions are not only the issues of debate; rather understanding complex tribal communities require trade-offs in order for participation to become successful.

In PNG, public consultation and participation is popular on paper but is an isolated activity in practice. Public consultation and participation is undertaken by resource developers, especially in the mining and petroleum sectors as part of their corporate social responsibility. In essence, consultation and participation is concentrated on a few isolated resource-owning communities in project enclaves. The respective developers show corporate social responsibility largely at their own discretion to engage communities in the consultation and participation process. However, the fact that it is an ongoing activity running through many project phases requires developers and the responsible government agencies including the DEC to adapt appropriate consultation and participation strategies from the project inception through to project conclusion. In reality, this is problematic and is surely to undermine community sustainable development programs after the conclusion of many projects.

In the multi-billion dollar PNG Gas Project²¹ for example, the Environment Impact Statement (EIS) is not an impressive one in terms of its Social Impact Assessment (SIA). This is one of the largest projects in the country however; the SIA contains relatively little evidence of public consultation and participation despite legislative requirements under the Oil and Gas Act 1998. It constitutes a household survey whose results show 80 percent of those interviewed in favor of the project (Exxon Mobile 2005). The survey result is not unexpected anyway because of an indigenous population wanting to catch-up with the rest of the modernized world. However, the lack of initiating a participatory process for the duration of the 30-year project life by both the government and the developers' demonstrates the lack of government capacity to institute appropriate participatory processes in project enclaves.

Western democracies value community input into project development initiatives. Some of the participation methods are applicable in PNG for sustainable development purposes. The context in which particular participatory methods are applied is paramount. Below is a list of participatory methods practiced in Western democracies that are applied in PNG

²¹ The PNG Gas Project includes piping natural gas from the gas fields in the Southern Highlands Province through the Coral Sea to Queensland in Australia, a total distance of 3,200km.

in various projects (Table 4). More than a single methodology may be employed by a project proponent at any one time given certain circumstances.

Table 4: Participatory methods and examples in PNG

Participation Methodology	Process and Examples
<i>Comment on proposal</i>	Government agencies ask for public comment following submission of EIS by developers. Example is the PNG Gas Project EIS available to the PNG public for comments. Not everyone has the opportunity for comments.
<i>Public meetings</i>	Developers, government representatives and community gather to discuss issues regarding aspects of development. Examples are Porgera and Ok Tedi Mines who had public meeting on issues affecting landowners. PNG Sustainable Development Limited conducts meetings with impacted communities along the Fly River. Most landowners are uneducated and their participation serves as a rubber stamp for project approval and development. The PNG Gas Project is a classic example of this.
<i>Workshops</i>	Workshops are convened to discuss and inform stakeholders about aspects of development either at the start, during or at the end. Example, PNG Chamber of Mines and Petroleum conducted Workshop to develop 'mine closure policy' in 2003. Landowner input is relatively limited.
<i>Public inquiries</i>	Through inquiries the public is given opportunity to express their views regarding certain issues. Landowners from Porgera mine requested Government to initiate inquiry into alleged mine deaths in 2005. But the Terms of Reference restricts effective local participation in this public inquiry.
<i>Citizen advisory committee</i>	Public relation is maintained through advisory committees who act as middlemen between developers, landowners and government. Like other developers' public relations officers work with citizen advisory committee to consult people. They are often under the payroll of the project developer.
<i>Mass media (TV, Newspapers, Radio)</i>	The media is an effective tool to inform people affected by development. It is through the media that most of the population is informed about major decisions affecting them. It must be utilized to get the NSDS across to the population.
<i>Survey</i>	Household surveys use structured questionnaires to elicit information from affected groups. Physically visit impact groups asking questions as with the PNG Gas Project in 2004.
<i>Negotiation and mediation</i>	Negotiated agreements are long lasting while mediation solves emerging issues. It is conducted in almost all resource extractive projects in PNG. Sustainable development does not tend to be part of any negotiated agreement.

It is critical for advocates of the NSDS to seek the most appropriate methods for consultation and participation at different levels and for application in various locations. It is also significant for facilitators to understand the capacity of the audience to capture the essential messages during the participation process. This is contingent upon the appropriateness of the participatory methods applied or established. In spite of the challenges, absence of strategies or difficulties in their application should not be used as an excuse to prevent public participation. The people of PNG are knowledgeable and should respond effectively to sustainable development if they are allowed to contribute towards decisions affecting their lives.

The consultation and participation methods discussed in Table 4 use examples from natural resource projects in PNG. In almost all examples, a complex public participation process seems as though it is an easy and straight forward exercise. Significant issues regarding negative consequences, impact management and sustainable development become subsumed while negotiations for cash and other economic benefits dominate during the consultation stages. The interest of the developers including the State as a shareholder lies in signing project development agreements. Essentially, participation in resource projects becomes a one-off activity usually at the beginning of project development while other important issues become secondary. It is imperative to note that this form of participation allowed for under the Mining Act 1992, Oil and Gas Act 1998 and Environment Act 2000 facilitates short term benefits for developers and the State rather than long term sustainability of resource owning communities.

5.3 Consulting landowners

The contagious issue in PNG regarding consultation and participation is when dealing with landowners. The government has not defined its role and those of landowners in resource development and impact management provided that it has little direct tenural control over land. The absence of a natural resource policy and effective natural resource law impinges on PNG citizens' roles and responsibilities in resource projects. Landowners in PNG legally own resources on, under, or above their land. Customary laws apply when dealing with resources and their development. However, the rights of landowners and their access right to resources are not clearly defined by law. It implies that it is impossible to participate effectively without knowing their rights apart from their customary access rights.

In terms of the NSDS landowner participation is critical. The prevalent culture in PNG society where landowners are mere resource 'rent-collectors' should give way to being partners in sustainable resource development. A NSDS will have to establish strategies where taxes, development levies, royalties, commissions, and infrastructure are invested for community-based sustainable development programs. The absence of an appropriate natural resource policy and legislation such as New Zealand's Resource Management Act 1992 compounds the landowners' ability to participate effectively in resource projects.

5.4 Participation for sustainable development

A sustainable development framework followed by programme implementation involving public participation reflects ‘development from within’. It is moving from what was, is today and what should/could be in future. In the sustainability debate the contention that “If you sew wings on caterpillars, you have not developed a butterfly” (Schoell 1995) is convincing. If you give cash handouts to people who have not developed capacity to generate and sustain wealth, you will not have sustainable economic development. If you bring answers and solutions to the people, rather than to help them to discover their own answers and build their own solutions, you have not brought sustainable development. Instead you sew the seeds of dependency relationships. How can public consultation and participation in PNG generate initiatives for community ownership of sustainable development programs?

For centuries, PNG citizens have been industrious, productive and self-reliant. Their ability to observe, adapt and utilize their resources reflects sustainability. This reflects the contention that ‘true development grows out of people’s own input - thinking, struggles, experiences, and hard work.’ In PNG we must view public consultation and participation as decision-making tools to facilitate, educate, nurture, encourage and support sustainable development or develop the NSDS initiative. Through participation people will plant the seeds for sustainable development because ‘true development is something that grows from within’.

5.5 Promoting public consultation and participation

In PNG there is a lack of suitable methodologies to allow mass participation. Further, there is relatively no demand for public participation by the masses. Horizontal and vertical participation are both necessary for sustainable development, especially when state agencies are involved in policy development and implementation. Government intervention in participation is relatively weak and limited. Apart from the Mining Act 1992, Oil and Gas Act 1998 and the Environment Act 2000, public participation is not a principle feature amongst the list of duties of many departments. The CACC and the CIMC have crucial roles to facilitate and coordinate public participation amongst departments, the private sector, industries, institutions and provincial governments. The role of these committees is weak given the lack of legislative and institutional support for public consultation and participation.

Almost all decisions in Parliament, NEC or sectoral levels are made with relatively little horizontal or vertical consultation and participation. Where there is public consultation, it often leads to a policy or a report and this is where it ends. The momentum gained in facilitating public support and enthusiasm and input into important issues become lost upon production of reports and/or policies. In terms of reporting, relatively few members of the general public is aware of policy decisions or reports through the media but many around the country including those in provinces remain unaware. For example, the public

consultation for the formulation of the MTDS 2005-2010 was through the DFP however very little consultation exists now between the key implementation agencies including provincial governments on how to implement the MTDS.

An analysis of the MTDS shows that there is unfortunately an uneasy fit between the MTDS and realities facing the nation such as poverty, unemployment, law and order, HIV/AIDS, drugs, illegal logging and biodiversity conservation. Although some aspects of the 10 principles of the MTDS may be said to reflect the MDG, sustainable development should be clearly stated amongst the MTDS 10 principles. The momentum gained prior to producing the MTDS is unfortunately lost in the absence of reinforcing mechanisms to maintain the original links established during consultation. It is imperative to maintain inter-agency linkages through constant consultation on policies reflecting sustainability.

In the forestry sector, the absence of landowner consultation and participation including those whose lifestyles will be affected by logging is uncharacteristic of a state committed to sustainable development. In the fisheries sector the perception in the National Fisheries Authority that coastal and island villagers' access to fisheries resources between the shoreline and the 3 mile zone is sufficient for their exclusion in policy development is contrary to Agenda 21 and the 5 Goals. Further, participation of landowners in mine development under the Mining Act 1992 by is a farce when wide discretionary powers under the Act are available to the Minister. Any decision reached through a participatory process can be overridden under Ministerial powers under the Act.

There is potential to encourage public participation in donor-funded projects. So far donors support for public consultation is limited despite the fact that donors contribute immensely to people-centered social, environmental and economic projects. The trust shown in donor-funded projects and in overseas volunteers by local people is encouraging. Their roles need to be strengthened in order to provide the link between the national government and its agencies and the people. Donors and volunteers provide a better means of facilitating consultation and participation given the high level of trust shown by communities. Sustainable projects will indeed benefit significantly through the participation of donor personnel and volunteers.

5.6 Who participates

It is also important for actors representing government, NGOs and sustainable development partners to consult amongst themselves. In cross-cutting issues it is critical to understand the nature and scope of activities proposed or undertaken by other partners. There are several benefits of this process. There is trust and cooperation between the partners and duplication of activities is minimized. For example, it is indeed encouraging that in the fight against HIV/AIDS all sectors of the community are involved including those who are traditionally conservative such as churches. Everyone from youths down to the old man is aware of the deadly disease, at least the name HIV/AIDS. It is imperative

that a similar awareness and integrative process of similar magnitude to be generated for sustainable development in PNG.

Sustainable development is multi-sectoral and is long term thus extending beyond ones lifetime. It covers many issues and affects the entire society. The implication is that all sections of society will have to participate in the sustainable development process at some stage. In PNG, every sector will have to participate in facilitating a format for sustainable development followed by its implementation including:

1. NGOs (churches, youth groups, special interest groups)
2. Government (national, provincial, local)
3. International development partners (UN agencies, bilateral/multilateral)
4. Bureaucrats
5. Youth (school children),
6. Women
7. Landowners
8. Private sector (developers, industrialists, merchants)
9. Institutions (tertiary, secondary)
10. Line agencies (Departments, state corporate entities)

The most neglected group in the list is the resource owners or communities of landowners who have access and use rights to all resource. The sustainable development and management of resources and support for rural sustainable development depend on consulting landowners. The failure of landowners to feature prominently on national forums, workshops, and seminars indicates the low priority placed on public consultation and participation by line agencies including the CACC and CIMC.

In recent years government dealt with the most pressing issues through the creation of *ad hoc* committees and task forces. In 1994 the National Task Force on Sustainable Development was created to oversee coordination and implementation of the NSDS. In recent years, the CACC and CIMC oversee the activities of these *ad hoc* committees and task forces. Since these groups emerge as a result of pressing national issues without the administrative and legal powers their success depends on extensive consultation and participation. Their ability to liaise with key sectors and sometimes provincial governments provides them ample opportunity to encourage consultation and participation. Because their activities are defined by Terms of References and certain timeframes, consultation and participation tend to be restricted. For example, the activities of the National Energy Task Force are concentrated around industries and agencies dealing with energy only. The National Gun Control Committee who held nation-wide consultation on controlling guns in PNG has now disappeared from the scene after it produced its report to Parliament and the NEC.

CHAPTER 6

ENABLING ENVIRONMENT

6.1 *Institutional actors*

Institutional arrangements in PNG represent a network of decision-making and implementation routes between and amongst key state agencies. Achieving sustainable development rests upon effective institutional mechanisms available in the country. Institution actors refer to groups of personnel who contribute towards decisions being taken, and also prevent things from happening. The government, parliament, public service, cabinet ministers and political parties represent the institutional landscape for decision-making and decision implementation in PNG. The actors in key institutions operate in interrelated ways both vertically and horizontally to shape the social and economic landscape of the country.

Parliament is the supreme decision-making body in the country. The 109 Members of Parliament who converge on Parliament to debate and make decisions are important actors in the system. Cabinet has endorsed significant policy documents which reflect the development aspirations of the government. The MTDS 2005-2010 reflect government policy, especially its focus on the rural sector. Further, the MTDS is linked to the Agenda 21 and the MDG through the expenditure priorities listed for 2005-2010. For example, amongst the list of priorities are:

1. Rehabilitation and maintenance of transport infrastructure
To move produce to markets and goods and services to reach the poor
2. Continued support for basic education (universal primary education)
Educated population is a key indicator for economic growth
3. Primary health care
A healthy population is more productive for economic growth
4. Combating HIV/AIDS
To maintain social, economic and environmental security for PNG
5. Law and justice
The rule of law is vital to investment and freedom of movement

These priorities support the governments' social development policy under the MTDS. Hence, the priorities compliment the existing programs of the government. Institutional support for translating and implementing the objectives is a crucial part of the development process. The institutional framework is designed to achieve these objectives but only if institutional capacity is available at all levels.

Like its predecessor (MTDS 1997-2002) the content of the current MTDS are sound. The government is able to directly link these priorities to the MDS and Agenda 21, let alone our Constitution. For the first time since independence the current government is serving a full five year term. Indeed political stability in terms of continuity of government is secure. However, what is less certain is achieving the targets set out in the strategy given the political stability. For example, 'the economy contracted in real terms and social service delivery deteriorated' (GoPNG 2004). In the current context, despite the continuity of the current government the prevailing instability in Cabinet is threatening to undo the achievements of the last 4 years. An unpopular cabinet reshuffle with factionalism within political parties in Parliament is a major concern. Commitment to implementing decisions is likely to suffer including the popular District Roll-Out Program initiated and headed by the sacked Finance Minister.

The institutional machinery responsible for formulating and implementing policy is currently affected by the impact of instability within Cabinet. The suspension of the Secretary for Finance, the referral of the Secretary for Lands for prosecution, and insecurity in other departments' directly affect the ability of the government to achieve results. Stability in both government and its' institutions is critical to sustainable development in PNG.

6.2 Institutional issues

Institutional capacity is a major concern for all state agencies including law enforcement agencies. The ability of institutions to develop and implement sustainable development programs in PNG rests on both internal and external factors. The former include institutional capacity (manpower, skills, and attitudes) and the institutional systems (planning, implementation, monitoring, training and management). External factors include allocation of funds, approved manpower ceilings, policy decisions, regulatory powers of institutions, etc.

The internal capacity of institutions is clearly lacking and consequently institutional systems suffer. In PNG capacity refers to the ability, robustness and dynamism of government agencies to fulfill their roles and responsibilities. The capacity constraints faced in PNG result from a combination of factors where it is practically impossible to deal with capacity constraints in a piece-meal way. It is imperative that the whole institutional set and its arrangement mechanism will have to undergo some form of restructure. Bilateral agencies see the need for this critical exercise.

For example, the institutional capacity strengthening component of the proposed ECP by the Australian Government sought to improve both the internal and external capacity of PNG institutions including the enforcement capacity of the Police Force. Further, the capacity strengthening project in the DEC in the mid 1990s was also designed to build the capacity of that agency.

6.3 Service-based public service

A public service that is supportive of decisions and a sense of ownership is essential for sustainable development. PNG's public service is characterized by a lack of accountability by persons in positions of responsibility where no one seems to take responsibility for decisions. It has created an environment where implementation of decision is ignored and enforcement does not proceed.

There is a serious lack of implementation within the public service and that this has not been adequately addressed by the management of the various departments and the CACC/CIMC or by the political leadership. Partly, this is due to the lack of planning to ensure departments have the capacity to implement laws which are proposed, and partly due to profound lack of basic management skills in people who have management positions. The positions some hold require professionally trained people but the systems of appointment is 'systemically political'. These impediments are often revealed but in actual fact are not taken seriously. The public service, in general, is not one where 'professional attributes are used for advancement' through the bureaucracy to senior positions.

The common features characterizing PNG's whole institutional system including the public service, and are detriment to sustainable development include:

- a) A deterioration and/or absence of a sense of nationalism within the public service of the "one nation, one public service" concept.
- b) Compartmentalization and fragmentation of departments rather than an attitude of being a part of a larger public service, serving one nation.
- c) Envy and rivalry between departments at both the national and provincial levels.
- d) A politicization of the public service to the point that advancement is a political decision rather than a professional one which results in an undermining of responsible managers.
- e) Lack of accountability in the financial management of departments so that expenditures are properly allocated and controlled.
- f) Legislation which creates overlapping functions for various departments or agencies such as water, where Water Boards, Energy Department, Environment and Conservation, and National Capital District (NCD) agencies have conflicting and overlapping jurisdictions.

It is not appropriate for any sustainable development programme to be implemented under the prevailing public service environment. There is little doubt that the MTDS is having difficulties with implementation. The recent ACP-EU Council of Ministers Meeting in Port Moresby revealed the gross weaknesses in PNG's capacity to deliver on policy objectives.

6.4 Enforcing legislation

Enforcement of legislation adds to the list of constraints discussed above. Enforcement of legislation had brought disrepute to the law and a lack of respect by the various industries including the private sector. Several examples exist to illustrate this point. For instance, no persons or organizations were prosecuted under the Environmental Contaminants Act 1978 and the Water Resources Act since 1982.²² Even though the National Forestry Authority issues show cause notices to developers, they are ignored because they are not followed up. Enforcement is a major part of legal implementation and it is virtually weak throughout the system. It results in flagrant abuses of the law with the result that the law and the institutions which administer it are not respected or taken seriously.

There are valid reasons for this lack of enforcement. The lack of enforcement is largely due to administrative failures. One is that there is little capacity within departments to keep track of 'recalcitrant users.' Reciprocal behaviors and obligatory cultures within the state administrative institutions impinge upon enforcement capacity. Professional and personal security in the system is guaranteed by fulfilling obligations which in Western societies would result in severe penalties.

Another is the fact that the Public Prosecutions Office must bring prosecutions to court and it does not have the expertise available or capacity to keep up with the work. Either state lawyers are absent, go unprepared to court houses thus seeking adjournments, or are bribed by opposing teams so they are absent which all affect enforcement. Many times the State Solicitor's Office is neither responsive to requests for advice on legal issues nor available to assist when problems arises. Often when people do get advice it is often incorrect or incomplete. In essence, most departments get very little legal assistance. The ability of the CACC and CIMC to correct the impediments to lack of enforcement capacity through the NEC is very weak.

Further, there was the legitimate complaint that the lawyers who were utilized for the various resource departments were not specialized in the natural resource area with which they were dealing and thus their advice and assistance is often not useful. It is necessary that lawyers have knowledge about the industries which they are regulating. It would assist if mediation provisions could be made part of natural resource laws as this could take some of the burden off the Department of Justice. The absence of natural resource policy to compliment natural resource and environmental laws further weakens the case for effective legal enforcement in this area in PNG.

6.5 Inter-agency institutional linkages

In PNG, the multidimensional nature of sustainable development and the range of environmental resources require an integrated, inter-institutional framework to link and

²² These Acts are now amalgamated under the Environment Act 2000, which till now has not prosecuted any individuals or organizations.

coordinate the activities of resource-based agencies.²³ Inter-agency linkages have also become necessary to complement both the divisional structure of the respective departments and the legislation under which it operates. Effective linkages between all government agencies including the DFP, CACC and CIMC can make sustainable development easier. In PNG, reports indicate strongly about the lack of coordinated effort between all relevant agencies (ADB 2006; Piest and Velasquez 2003; Saulei et al 2002;). It is important that a linked system would be more efficient and cost effective, and also foster a cooperative management attitude towards sustainable development initiatives.

This view is consistent with that expressed in one of the former Deputy Prime Minister and Finance and Planning Minister's Budget Speech in 1996 in which he announced that "...all Departments must work together to fulfill the objective of our Fourth Goal" (Haiveta 1996). In terms of effective environmental management, environmental resources are functionally administered by a range of other role-based resource departments, (discussed below) and thus lie outside the jurisdiction of the DEC. These include all resource departments including Agriculture and Livestock. Accordingly, horizontal and vertical inter-agency linkages are essential for the sustainable development and effective management of natural resources. The establishment and maintenance of inter-agency linkages has been one of the DEC's greatest difficulties. This applies to the entire institutional system in PNG.

6.6 DEC's inter-agency linkage and realities

The DEC is referenced given its central coordinating role in environmental and resource management which is one of the core objectives of sustainable development. Despite the wide potential role of the DEC's major Divisions and the requirement that they administer key pieces of environmental legislation, the Department's effectiveness has become limited to playing only a passive role inconsistent with the Environment Act 2000. In part, this is because activities that are supposed to be administered by the DEC under these Acts have been undertaken by other resource departments. The monitoring of logging projects, for example is effectively administered by the National Forest Authority. The DEC has officers responsible for over-seeing forest-related environment projects, but formal linkages with the NFA remain poorly developed.

Without effective linkages, the DEC's and its counterparts, especially the DFPs' capacity has been limited. If inter-institutional horizontal linkages remain undeveloped, the wider PNGn administrative structure can be expected to be yet less tolerant of the DEC and/or DFP and their central coordinating role in environment and development monitoring.

What has been lacking in PNG is a 'systematic unified and coordinated' framework to address all relevant areas including sustainable development. A systematic and unified structure is essential to complement existing functions without duplicating the roles of, and over-burdening, single agencies in order to share and make efficient use of limited

²³ Resource agencies are those government departments directly responsible for natural resources. For example, lands, forest, fisheries, mining, petroleum, and energy and gas.

resources. The lack of integration between the DEC and DFP and the key resource departments; Lands, Marine and Fisheries, Mining, Petroleum and Gas, Forestry, Agriculture and Livestock, Education, as well as DFP, Provincial Affairs and Foreign Affairs remains problematic.

The lack of inter-agency linkages between key departments and between the national and provincial governments' has placed restricted conditions on the way policy decisions may be enforced. Furthermore, conflict between different agencies has made non-enforcement of development-related functions an inevitable outcome. The institutional capacity of the DFP to facilitate a coordinated approach to managing complex resources, including functions performed by other resource agencies, has been lacking:

“One major problem is the lack of coordination and capacity within the departments responsible for resource management. ...the natural resource departments are not involved in integrated planning and a lack of coordinated approach to management. There needs to be more interaction between the Departments involved in sustainable development including natural resources in order to eliminate internal rivalries” (Nita 2000).

The study thesis (Nita 2000) concluded that the general institutional mechanism to identify pertinent projects, design programmes, coordinate projects between and within resources agencies was simply lacking. Effective development fund disbursement and subsequent utilization is contingent upon rectifying the institutional deficiencies.

An appropriate institutional system is reflected by the right mixes of capacity (resources, personnel) and structure (delegation, linkages, co-ordination). Broadly, the DFP and the DEC lacks the requisite resources to undertake their responsibilities and their implementation, monitoring and evaluation function is made yet more difficult by the fact that their management objectives appear to be seriously at odds with those of fellow Ministries. As observed elsewhere, the resource departments see their 'role as resource developers, not as managers'. Under current institutional arrangements it is practically difficult for any one agency to take on board both roles (Nita 2000).

The lack of integration and efficient communication between agencies may be due to conflicts of interest between officials in the respective key departments (DFP, DEC) and their counterparts in other agencies. It was clear that the oversight of environmental advocacy and implementation, monitoring and evaluation aspect of the DEC and DFP's role respectively is not appreciated by staff in other resource departments. For example, the DEC alone is seen to be responsible for environmental management and sustainable resource use while other departments have resource development functions that are not necessarily congruent with effective environmental management.

In various resource-based activities including mine and land development, water use, public health, and logging, a coordinated and integrated management approach should enhance legal enforcement regimes. In reality, these have been the DEC's greatest problems. There is widespread consensus that 'inter-agency co-ordination has been a

constraining factor'. Accordingly, there is no clear public service guidance in areas where functional overlaps caused disruption, conflict and duplication of functions, or non-enforcement of legislation. The DEC cannot effectively fulfill the management and enforcement functions when significant areas of its responsibilities lie outside its jurisdiction, when there is antagonism between different agencies over the role they should play in respect to project implementation and environmental management and where the DEC does not have the ultimate power of sanction. It is also hamstrung by the lack of support and commitment from political leaders.

6.8 National sustainable development roadmap

This Report has emphasized the significance of inter-agency linkages and capacities of government agencies for sustainable development. The discussion under this and previous sections revealed that for sustainable development to succeed certain conditions must be met without which programmes will consequently suffer. The main preconditions identified in this Chapter are briefly highlighted.

Foremost, governments' commitment to support sustainable development is imperative. The ability of the political leadership to endorse sustainable development requires realignment of resources and state agencies directly dealing with sustainable development. Stability within cabinet and in ministers is paramount in ensuring continuity, policy coherence and securing resources for implementation.

Second, sustainable development does not recognize bureaucratic, administrative, cultural, legal or government boundaries. The lack of recognition of boundaries and at different levels of government does not imply that sustainable development lacks currency. The route through which sustainable development strategy is designed and implemented should be made clear and transparent. Core sustainable development activities including monitoring, evaluating and coordination will transcend from decision centers to the action-field. It requires effective inter-agency linkages, partnership and collaboration.

Third, policies are implemented through effective legal and administrative structures. Enforcement capacity of law enforcing agencies and the administrative establishment should operate in complimentary ways to achieve positive results. The administrative capacity of agencies responsible to effect legal sanctions or to facilitate development should be properly resourced and transparent for an effective enforcement system. International treaties on the environment and sustainable development can be achieved through properly instituted law enforcement agencies and administrative support units. The Mauritius Strategy calls for 'improved legislative, administrative and institutional structures for sustainable development' (Part XVI: 74d). PNG still has a long way to achieving effective legal and administrative capacities.

Fourth, at the level of implementing sustainable development programmes are provincial and local governments. There is a lack of understanding about the concept of sustainable

development at the provincial and local levels. The level of consultation regarding sustainable development has received relatively little government support in terms of resources. Basic education and awareness about sustainable development including sustainable resource use is important to achieving the objectives of rural sustainability. The provincial and local government systems should be integrated and linked to the national system for sustainable development to reach the masses. It is desirable for the CACC to understand the significance of sub-national governments' for achieving lasting results.

The above four issues remain at the heart of a framework for sustainable development in PNG. Political commitment, institutional capacity, legal enforcement capacity, and consultation of lower level governments are critical for sustainable development. If the roadmap for sustainability is clearly developed, understood and is transparent and accountable, not only will implementation succeed but discipline will be restored in both political and institutional levels.

CHAPTER 7

OUTCOMES AND MEANS OF IMPLEMENTATION

7.1 Indicators and monitoring

The Mauritius Strategy calls upon states to develop appropriate national targets and indicators for sustainable development that can be incorporated into existing data-collection and reporting systems (XVI: 74c). In line with the Mauritius Strategy, the Pacific Plan also developed its indicators for measuring the success of the Pacific Plan (PIFS 2006:10). One of the key applications of indicators is to monitor implementation of sustainable development strategies in respective member states. Monitoring the implementation of policies is critical given the high expectations of socio-economic, institutional and environmental policy interventions.

Indicators have been developed in PNG to prioritize development intervention beginning in the 1970s. The PNG Rural Development Handbook (Hanson et al 2001) summarizes the detailed presentation of district summaries from a sub-district level to a district level. This created a framework for comparing districts that can be used by international donors and all levels of government within PNG to better target the distribution of resources. Five of the parameters described in the Handbook are first ranked individually from worst to best. These attributes are then combined to create a 'disadvantage index', which is used to rank districts from most disadvantaged to least disadvantaged.

This is not the first attempt to identify disadvantaged districts or areas in PNG. During the mid to late 1970s, the PNG National Planning Office based their NPEP in part on the identification of 'less developed areas'. One outcome of this analysis was the funding of IRDPs in many of the identified areas. More recently, the 1998 Human Development Report presented a provincial level 'human development index' based on factors such as life expectancy, education and living standards. The two most comprehensive studies of disadvantaged districts were published by Wilson (1974) and de Albuquerque and D'Sa (1986). Wilson used 6 indicators to identify the level of socio-economic development for each sub-district. The indicators were smallholder cash crop production, hospital beds per 1000 people, administration staff per 1000 people, enrolments at primary and secondary schools per 1000 people, accessibility to the district headquarters, and the level of local government services.

The second study by de Albuquerque and D'Sa used complex statistical analyses to identify 'least developed' districts based on measures of population density, sex ratios, dependency ratios, urbanization, internal migration, employment, cash income, education, health and accessibility. Neither of these studies considered environmental quality or land potential, which is an important factor in determining where and how rural

people live.' They were also based on the pre-1995 Organic Law district boundaries that are no longer in use.

The methodology employed in the classification of disadvantaged districts incorporates a balance of environmental, social and economic data, to better reflect the factors that create disparities between rural people. Ideally, this classification should use the same socio-economic parameters as the previous studies, to foster an understanding of how specific conditions are changing over time. However, most of the data used in the previous studies is no longer available in a consistent form for all provinces. The five parameters used to classify disadvantaged districts are:

- Land potential
- Agricultural pressure
- Access to services
- Income from agriculture
- Child malnutrition

These parameters were identified through a number of collaborative workshops with researchers from the National Agricultural Research Institute (NARI) in Lae. It is imperative to upgrade and integrate the significant parameters to represent PNG's indicator base for sustainable development. The classification method used to derive the disadvantage index is relatively simple and transparent and is available.

7.2 Indicators in the MDG and MTDS

The PNG MDG Report (2004) outlined key *descriptive* indicators to measure development and to guide development intervention in most key sectors. The indicators for the citizen population of PNG by sex in 2000 indicate where its population is in terms of improvements in many socio-economic areas including:

1. Youth literacy rate
2. Adult literacy rate
3. Formal sector labor force participation
4. Employment rate (different age categories)
5. Unemployment rate (different age categories)
6. Child mortality rates
7. Income

These and other indicators in the MDG PNG Report (2004) are part of the sustainable development indicators and are reflective of PNG's social and economic targets. These indicators are imperative for informed decision-making and associated, cost-effective data collection to respond to the respective sectoral needs for sustainable development. Sustainable development indicators which incorporate social, economic, institutional and environmental factors will become invaluable asset to the DFP for sustainable development decision-making. It is imperative for similar indicators for sustainable

development at the lower levels of governments. The indicators contained in the PNG Rural Development Handbook are useful for rural sustainable development and is useful for their integration into the MTDS.

The indicators outlined in the MDG Progress Report for PNG included socio-economic indicators but without institutional and subsistence lifestyle indicators. Despite this shortfall the MDG Progress Report highlighted the significance of employing indicators to measure development progress. Further, the indicators are useful for the sustainable development decision making cycle including problem identification, policy formulation, implementation, and evaluation. They are also useful for mobilizing resources to achieve targets in key sectors. These processes take place at all levels of government and involve many different cultural, social, institutional, economic and environmental inputs and considerations. Indicators employed in the MDG Progress Report for PNG is useful in supporting decision-making throughout each stage of the decision-making cycle by, amongst others, simplifying technical data, communicating key conditions and trends and providing tools for measuring progress towards achieving sustainable development.

In PNG describing problems without explaining the causes of problems is widespread in the bureaucracy and in government. This may have led to duplication of activities and wastage of resources. It implies that implementing agencies may be dealing with symptoms and effects of problems without tackling underlying causes of problems. Developing indicators and proving the development data-base reflecting on problems is imperative to achieving goals and objectives of sustainable development. Policy formulation in PNG needs to reflect on development realities based on measurable socio-economic, institutional (legislative) and environmental indicators.

Further, indicators help to identify and build awareness on socio-economic and environmental priority issues that PNG need to address to move towards sustainable development, especially in the provinces. These so-called "descriptive" indicators summarize sets of individual measurements for different issues and communicate the most relevant information to managers, decision-makers, the general public and other user groups. The indicators contained in the PNG MDG Progress Report needs to be expanded in order to help define economic, social, institutional or environmental problems and help decision-makers in Waigani and the provinces to decide on the appropriate course of action.

7.3 *Indicators and policy implementation*

Another important function that makes sustainable development indicators useful in decision-making deals with policy implementation. This is the most critical stage with each outcome dependent on the success of the implementation stage. It involves establishing both broad (policy) goals and specific (technical) targets to be achieved, and/or using and adapting goals and targets developed during previous stages of the decision-making cycle. Often such targets can be expressed in terms of a descriptive indicator associated with the problem - a percent reduction in the emission of air

pollutants, etc. Or, they are associated with aggregated, policy-process specific indicators derived from the analyses used in policy formulation. Selected sets of indicators, and their associated goals and targets, can thus be supportive to, and become the language or the shorthand of, policy implementation processes.

Setting such targets to guide the implementation of policies is primarily a national or provincial prerogative; the government and its sub-national agencies decide what, how, and when they want to reach certain targets. For some problems affecting the global commons such as stratospheric ozone depletion or issues of regional concern such as international river basins, global or regional targets might also be set through international conventions, treaties, or action plans to which nations agree. Targets may also need periodic adaptation as circumstances and perceptions change. Setting targets is thus a dynamic process that takes the socio-economic development context into consideration. No single and finite set of global indicators and associated target values can, therefore, be negotiated and agreed upon at any moment in time. Rather, the development of a harmonized process of indicator development and target setting require national and international collaboration and negotiation.

7.4 Indicators for PNG MDG Progress Report

The results of the above PNG MDG Progress Report highlight the need for indicators to measure sustainable development targets in most sectors. It is in the right direction towards monitoring, evaluating and reporting sustainable development intervention. Despite the gaps in indicators used between the 1970s and the time the MDG indicators were compiled, the MDG illustrates the need to employ indicators as significant tools for sustainable development. Most socio-economic indices employed to measure progress on PNG's social and economic interventions up to 2000 are either poorly recorded, applied or both. This indicates widespread disparities in government capacity between national, provincial and local levels. Several reasons can be attributed to the underdeveloped nature of indicators including:

1. That no serious effort has been made by the DFP to formulate policies that reflected provincial and district conditions;
2. A lack of data from the provinces and districts regarding development that fed the national planning process despite the existence of rural development indicators;
3. A lack of monitoring of policy implementation at the local level by national departments;
4. Resources allocated for sustainable rural development have either been diverted elsewhere, misused and/or withdrawn; and
5. The absence of indicators for provincial and district development has left a gap in the national development planning cycle.

National sustainable development outcomes are often reflective of the aggregate rural progress measured using relevant indicators. After all the MTDS priorities are

implemented in the provinces (provincial governments) and districts (district authorities). This implies that ‘setting only national average targets and using average indices for the monitoring of progress at the provincial and district level is not very useful’. To rectify this situation the MDG Progress Report for PNG developed a Composite MDG Index (CMI) for PNG and its provinces.

The CMI was based on 24 variables that can be measured at the provincial level. The MDG Report classified the 24 variables into 7 groups and these are:

1. Poverty and Hunger
2. Education and Literacy
3. Health and Morbidity
4. Mortality
5. Fertility and Reproductive Health
6. Labor Force Participation and
7. Gender Inequality

The highest ranking provinces according to the CMI are, with the exception of the National Capital District (NCD) which ranks highest of all and Milne Bay (nr.5) are the 5 provinces in the Islands Region. Generally, these provinces have performed well above the national average on most of the indicators underlying the CMI (Table 5).

The MDG Progress Report employs the MDG, the targets and indicators to measure progress. For example, MDG 1 has 2 identified targets with 4 and 6 indicators respectively. MDG 2 has 3 related targets with 1 indicator each for the first 2 targets and 2 indicators for the last target. Accordingly, each MDG has their respective targets and indicators. These MDG targets and indicators represent PNG’s development targets for which national policies are currently directed. The selected national targets and indicators for MDG monitoring are reproduced in Annex 2.

PNG needs specific indicators to reflect on its sustainable development efforts. The use of MDG indicators and other general social and economic indicators such as GDP to monitor and measure development may not be suitable to accurately reflect PNG development conditions. PNG has 80 percent of people living in rural areas and interact directly with their land and environment for livelihood. Their attachment with the rural subsistence economy makes GDP and employment rate indicators subject to debates. It is imperative that PNG adapt key development indicators to reflect PNG conditions including its underlying economic and social realities. The MDG indicators however, do provide critical yardstick to measure progress and too, provide useful learning tools from which to develop PNG –specific indicators for sustainable development.

Table 5: Overall CMI's for PNG and its provinces

Province	A	B	C	D	E	F	G	CMI	
	(x 1)	(x 2)	(x 2)	(x 2)	(x 2)	(x 1)	(x2)	Ind.	Rank
PNG	.438	.613	.600	.509	.478	.771	.837	.607	
Southern Coastal Region									
Western	.490	.762	.520	.498	.498	.702	.906	.630	9
Gulf	.320	.551	.493	.167	.432	.731	.765	.489	18
Central	.390	.772	.578	.622	.418	.792	.953	.656	8
NCD	.737	.840	.810	.766	.822	.372	.846	.773	1
Milne Bay	.260	.742	.668	.485	.572	.811	1.101	.683	5
Northern	.430	.675	.448	.534	.468	.780	.937	.611	10
Highlands Region									
Southern Highlands	.530	.381	.565	.545	.277	.831	.419	.478	19/20
Enga	.610	.416	.690	.448	.317	.828	.495	.514	17
Western Highlands	.600	.520	.598	.612	.399	.805	.688	.587	11
Chimbu	.600	.529	.708	.608	.407	.836	.474	.574	12
Eastern Highlands	.500	.521	.653	.574	.319	.809	.600	.554	15
MOMASE Region									
Morobe	.312	.629	.590	.389	.503	.741	.784	.570	13
Madang	.302	.612	.538	.381	.463	.756	.819	.557	14
East Sepik	.312	.634	.558	.405	.410	.756	.766	.551	16
West Sepik	.212	.604	.485	.153	.415	.769	.719	.478	19/20
New Guinea Islands Region									
Manus	.562	.886	.618	.684	.590	.713	.948	.727	2
New Ireland	.492	.756	.640	.644	.623	.737	1.015	.715	4
East New Britain	.472	.820	.633	.616	.655	.789	.985	.723	3
West New Britain	.482	.724	.538	.603	.578	.785	.869	.658	7
North Solomon	.442	.769	.445	.702	.525	.770	1.011	.676	6

Source: UNDP 2004

This is critical because politicians, top bureaucrats and the general public need/want short, concise readily available data that tell them where the country is today and how it is progressing. The need for simple, accurate information has resulted in the need for a small number of highly aggregated indicators for economic, social and environmental reporting purposes. Chapter 40 of Agenda 21 calls for adequate information for decision-making for sustainable development. As signatory to Agenda 21 the PNG government

needs to develop suitable indicators for social, economic, institutional and environmental sectors to monitor implementation of key development programmes.

7.5 MDG indicators in MTDS 2005-2010

The MDG reflects on the core objectives of Agenda 21 and hence the JPOI. Elements of Agenda 21 are also reflected in the MTDS 1997-2002 which set out to minimize the country's physical and policy impediments to economic growth and social development. The MTDS 1997-2002 tried to address the country's problems which became the focus of the World Bank-sponsored structural adjustment programme (SAP). The government sought to create an internal environment conducive for private sector-driven economic growth focusing on the rural agricultural sector. The government strategy was one creating an environment conducive for creativity in private sector growth which would create an enabling environment for growth and development. The National Poverty Reduction Strategy (NPRS) also reflect Agenda 21 and the JPOI.

To further achieve the objectives outlined in Agenda 21 and compliment national efforts to achieve the MDG, the MTDS 2005-2010 adapted the MDG targets and indicators with relatively little modification. The targets and indicators reflect important social and economic variables whose results can effectively be monitored. However, in PNG some indicators do not accurately reflect the state of development or conditions that influence indicators such as GDP. Further, the government has underdeveloped systems for tracking poverty and hunger, let alone environmental degradation and HIV/AIDS. The home environment necessary to achieve the MDG is somewhat absent (Table 6). Table 6 clearly indicates an unfavorable supportive environment (policy, legislation, institution) to achieve desirable results. It is imperative for key agencies to develop indicators based on a shorter timeframe (2 years) with complimentary development interventions towards the MDG timeframe of 2015.

Table 6: Status at a glance: MDG achievement capacity

MDG	Achievement goal		State of Supporting Environment		
	MDG	Implementation	MTDS	Policy/Legislation	
1. Extreme Poverty	Very unlikely	Potentially	Fair	Fair	Fair
2. Primary Education	Very unlikely	Potentially	Fair	Fair	Fair
3. Gender equity	Very unlikely	Potentially	Fair	Weak	Weak
4. Child mortality	Very unlikely	Potentially	Fair	Fair	Fair
5. Maternal mortality	Very unlikely	Potentially	Fair	Weak	Weak
6. HIV/AIDS	Very unlikely	Very unlikely	Weak	Weak	Weak
7. Envi. Sustainability	Very unlikely	Very unlikely	Strong	Very weak	Very weak

Source: UNDP 2004

It is not unfair to argue that government monitoring and evaluation system is underdeveloped to keep pace with development in PNG. Further, the absence of a reporting mechanism to provide information to decision-makers undermines its monitoring and implementation. Both weaknesses emerge as significant impediments to assisting decision-making for sustainable development. Planning on an *ad hoc* basis reflect the lack of data resulting from poor monitoring, evaluation and reporting mechanisms. Plans are drafted based on unrealistic estimates or outdated information often leading to bad decisions thus raising expectations among stakeholders in the peripheral provinces.

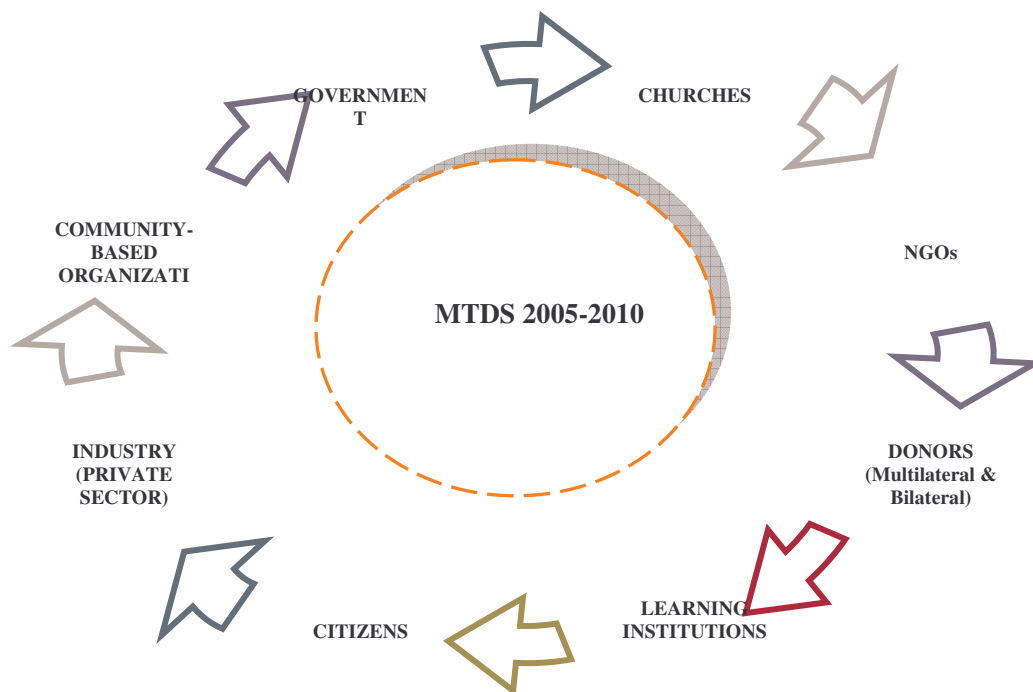
7.6 Implementation under the MTDS

The MTDS 1997-2002 provided the background experience for drafting MTDS 2005-2010. Indicators played little or no part in setting the priorities of the latter MTDS. Although there was political instability with 2 different governments during the implementing period, key lessons learnt from the MTDS 1997-2002 experience were useful in drafting MTDS 2005-2010. Weak ownership of the 1997-2002 strategy by key stakeholders was one major impediment to successful implementation. The current MTDS was drafted after extensive consultation with key stakeholders. Improvements to its implementation were to be strengthened by developing strategic alliances and partnerships with key stakeholders and by adopting implementation mechanisms that sought to enhance coordination and cooperation.

One of this has been to improve relationships between the three levels of government. The government's District Roll-out Programme, the establishment of different national committees including the CMIC, CACC, NCM and creation of District Authorities in 2006 compliments this thinking. These are designed to identify practical solutions to improve the functioning of the decentralized system of government. Further, the introduction of the Provincial Performance Improvement Initiative (PPII) to improve public service performance in peripheral provinces through support from AusAID was designed to improve planning, budgeting and implementation capacity at that level. This compliments the governments 'Strategic Plan for Supporting Public Sector Reform: 2003-2007' to improve public service performance. Further, the amendment to the OLPLLG in May 2006 to create District Authorities is to facilitate improvements to planning and implementation at the local level.

Achieving key results depend on resource mobilization but also significantly participation in the implementation process by every beneficiary. Forging and strengthening strategic alliances with churches, donors, community organizations, non-governmental organizations (NGOs) and other stakeholders is important (Figure 9). The Government has to ensure that organizations have a sound track-record of service delivery and where this is lacking it should be prepared to provide adequate funding support to achieve its targets. This process has been problematic.

Figure 9: Forging strategic alliance with key stakeholders



7.7 Monitoring of implementation of the MTDS

Monitoring, evaluating, coordinating and reporting the implementation of the MTDS are critical. Evidence suggests that inadequate monitoring has created a weak link in the ‘strategy process chain’. Monitoring, evaluating and coordination of the implementation of the MTDS priorities areas are part of the overall management process. Coordination is included because the MTDS reflects cross-cutting issues and key sectoral strategies constituting the goals and objectives. This requires coordination in all implementing agencies housed elsewhere in the bureaucratic system. Monitoring, evaluating, and reporting provide the government and donor agencies information on the actual status of respective development interventions under the MTDS.

The role of monitoring, evaluation, coordination and reporting by the DFP is disappointing. This responsibility is also poorly developed in other key line agencies and requires serious consideration. There is no information formats with specific indicators or output variables for each line agencies implementing components of the MTDS from the DFP, the line agencies and to a greater extent the provincial governments. Even if the information formats were developed, there is no way monitoring and evaluation would materialize given the narrow view given to the usefulness of indicators by central agencies and provincial governments. Or perhaps there is relatively no demand for and use of monitoring and evaluation services. PNG’s low level demand for monitoring,

coordination, evaluation and reporting is reflective of the low level of capacity for generating such services. These issues need urgent consideration under a sustainable development framework.

CHAPTER 8

FOREIGN AID AND PUBLIC INVESTMENT

8.1 Budgeting and aid effectiveness

Development funding in PNG is sourced through the national government and its agencies. The government is the principle body responsible for development. International development funding to PNG is facilitated by key government departments, especially DFP and Treasury.²⁴ Fundamentally, the success of the MTDS or an NSDS depends on the ability to link the governments' implementation to financial (as well as human and capital) resources at its disposal. Therefore, it is imperative to set achievable targets under an institutional environment conducive for resource mobilization. Any initiatives or processes that impede resource mobilization should be given visibility and confronted through targeted interventions within the MTDS or an NSDS. Proper integration and priority setting within MTDS or an NSDS will enhance the effective use of scarce resources.

Government's position as the chief development planning and funding body implies that all available resources should be strategically prioritized if there is going to be maximum impact on its development objectives. This is accomplished through the current MTDS which provides the framework to ensure this outcome by strengthening the link between the governments' development goals, the sectoral expenditure priorities and the actual expenditure programs. Hence, the medium term development framework is intended to drive the budgetary process between its planned duration – 2005-2010.

Based on the Government's Program for Recovery and Development (GPRD), the sectoral expenditure priorities for 2005 to 2010 have been identified as:

1. Rehabilitation and maintenance of transport infrastructure;
2. Promotion of income-earning opportunities;
3. Basic education;
4. Development-oriented informal adult education;
5. Primary health care;
6. HIV/AIDS prevention; and
7. Law and Justice.

The GPRD reflect the governments' medium term development plan – promoting 'green revolution' by targeting the renewable resource sector, especially exportable commodities. To facilitate this objective, the 'rehabilitation and maintenance' of PNG's transport system is funded through the budget process to enable agricultural products to be transported to markets and goods and services to be delivered to rural communities.

²⁴ At the time of writing this Report (June 2006), it is the Department of Finance and Planning.

Programs that target income-earning opportunities, such as micro-credit facilities and agricultural extension, contribute to economic growth and improve the incomes of ordinary people. For example, the establishment of the Wau-Bulolo Micro Bank Ltd in the Morobe Province demonstrates that the government is indeed implementing some of its priorities. The need for a well educated and healthy (HIV/AIDS free) workforce to promote economic development is acknowledged through the government's priority and funding for basic education and primary health care. Law and justice priority is receiving government support through funding of certain initiatives such as the National Guns Control Committee.

In addition to guiding the allocation of resources in the annual budget, the MTDS also provides the guiding framework for the design of the necessary supporting policy environment that will help promote recovery and development. In broad terms, supporting policies have resulted in the major prioritized areas (Table 7).

Table 7: Priority areas and supporting policies

Strategic Areas	Supporting Policy
<i>Political and policy stability</i>	Organic Law on Political Parties Medium Term Development Strategy Consultative Monitoring & Implementation Council
<i>Rule of Law</i>	Strengthening Ombudsman Commission Strengthening Public Accounts Committee
<i>Macroeconomic stability</i>	Medium Term Fiscal Strategy (MTFS) Public Expenditure Review & Rationalization Program (PERRP)
<i>Positive investment climate</i>	?
<i>International competitiveness</i>	?
<i>Land reform</i>	National Lands Policy 2006
<i>Protecting disadvantaged and vulnerable</i>	?
<i>Gender equality</i>	?
<i>Protection of environment and resources</i>	Environment Act 2000 DEC Strengthening Project 2006

8.2 Foreign aid and expenditure capacity

Overseas development aid (ODA) or foreign aid²⁵ is critical to achieve sound development results. Like its predecessor, the current MTDS supports private sector growth as the engine for economic growth. As such, it is vital for the government to maintain a good working relationship with the private sector, including foreign investors. The CIMC is an effective forum for facilitating dialogue and consultation between the government and the private sector, and for supporting the MTDS. The advice of the

²⁵ ODA - both direct budgetary support and projects

CACC and CIMC to government is based on personal experience of the government system, its objectives and policy priorities. However, the track record of these *ad hoc* committees is questionable given recent reports of poor advice to the NEC resulting in the payment of over K26 million in public funds to government creditors based on false documents.

Under the MTDS, the National Development Charter (NDC) as a major delivery mechanism for priority services was revitalized. A key objective of the Charter is to mobilize additional funds for the MTDS priorities, by securing counterpart contributions from funds allocated under the Rural Action Program/District Support Grant. The Australian Government's K400m annual support grant goes into the annual budgetary process and spent on priority areas outlined by the PNG government. However, counterpart funding through AusAID faces capacity problems in PNG. The governments' capacity to organize its line agencies to strategize an efficient, accountable and transparent process to commit funding including the public tendering process is problematic. This resulted in donor countries withdrawing funding for major projects in the country. For example, the European Union (EU) withdrew over K40 million recently due to lack of government capacity to utilize the funds within the prescribed period.

The District Roads Improvement Programme (DRIP) is one prioritized agenda of the government. Although the DRIP was introduced as an initiative under the NDC, relatively few Parliamentarians and provincial governments have sought counterpart funding for road projects in their respective provinces. Under the DRIP, these funds are matched by the Government on a kina-for-kina basis. The Government has developed similar programs to the DRIP for primary health care and basic education. Unless the government capacity for accessing donor aid is dramatically improved PNG will continue to lose millions in donor funding.

8.3 Budgetary expenditure management

It is important that the priority programs of the government can be sustainably funded through the annual budgetary process. The Medium Term Resource Framework (MTRF) is the principle strategy employed to finance priority projects under the MTDS. It is argued that the "role of the MTRF is to integrate the 'top-down' resource envelope with the 'bottom-up' sector programs. The 'top-down' resource envelope is determined by the Government's Medium Term Fiscal Strategy (MTFS), which is developed by the Treasury" (GoPNG 2004).

One of the strategies to meet budgetary shortfalls in funding the governments' strategic action programs has been to identify savings from non-priority activities and by achieving cost-efficiencies across the board. The two vehicles for achieving these savings are the Government's Public Sector Reform Program (PSRP) and the Public Expenditure Review and Rationalisation (PERR) program. Given PNG's "less developed country" status it is suffice to argue that finding a non-priority sectors is difficult. Redirecting funding elsewhere is counterproductive to achieving broad-based sustainable development. It may be more productive for the PERR program to minimize misuse, theft, and duplication of activities in order to save cash to fund the governments' most desired programs.

So far the Governments' PSR program has achieved relatively little positive results in the implementation of the MTDS by ensuring that the administrative structure of government conforms to the development priorities. The PSRP has not achieved its desired objectives including the reduction of cost of the government, abolishing waste and non-priority activities, improving service delivery, and strengthen accountability and other systems of good governance. Although there is political stability since August 2002, constant changes in the appointment of Ministers is unhealthy for policy continuity and MTDS implementation. For example, there have been 6 different Ministers in the key DFP in 4 years.

It is argued in the MTDS that the PERR²⁶ will be one of the key vehicles for generating the savings and cost-efficiencies to facilitate increased funding to the MTDS priorities. Essentially, the PERR is focused on four broadly defined themes:

- a) Fiscal sustainability;
- b) Expenditure adjustment and prioritization;
- c) Civil service size and payroll reform; and
- d) Restoring the integrity of budget institutions and systems.

This year should be the second year of implementing the priority targets of the MTDS. There are contradictions in the intended implementation schedules of the MTDS priority areas and expected outcomes. Key people in both the government and the bureaucracy are consensual about one fact and that is 'the MTDS has fallen far short meeting its implementation targets, let alone mobilizing resources to fund its priority areas.' In one instance, the Treasury Minister remarked on the progress of the MTDS and the MTFS that "...these remain mere skeletons without flesh" (Post Courier 27 June 2006) implying that resource constraints and/or political support for the MTDS priority areas is either lacking or is directed elsewhere.

8.4 Budget priorities and development aid

The 2006 Budget emphasized on 'improving people's lives through strong economic leadership' as reflected in the Finance and Treasury Minister's speech during the presentation of the K4.7 billion 2006 Budget in November 2005. This is evident in the budgetary allocations to province although there is nearly a K20m reduction from the 2005 provincial allocations (Table 8). The MTDS prioritized rural development as a means of alleviating poverty and both the 2005 and 2006 budgetary allocations to provinces, together with funding of PIP projects through externally sourced funds aim to fulfill the governments' rural development agenda.

²⁶ The PERR is a component of the PSR program

Table 8: Budget summary – Provincial Government (Km)

Provincial Government	2005	2006	Total
Fly River	30.1	36.9	67
Gulf	17.4	21.3	38.7
Central	31.5	38.9	70.4
National Capital	2.6	2.8	5.4
Milne Bay	30.6	37.6	68.2
Oro	18.8	23	41.8
Southern H'Lands	49.2	30	79.2
Enga	32.1	39.4	71.5
Western H'Lands	42.4	51.6	94
Simbu	32.9	40.5	73.4
Eastern H'Lands	43.8	53.4	97.2
Morobe	57.1	69.8	126.9
Madang	36.7	40.1	76.8
East Sepik	37.2	40.7	77.9
Sandaun	25.8	31.7	57.5
Manus	12.9	15.96	28.86
New Ireland	22.3	27.5	49.8
East N Britain	36.7	40.2	76.9
West N Britain	29.7	33.7	63.4
Bougainville	38.4	40.8	79.2
Total	628.1	745.8	1373.9

Source: Budget documents: Nov. 2005

Further, the government's district services improvement programme (DSIP) featuring the District Roll-out Programme and DRIP was supported by K1.4m each to all 89 districts in the 2006 Budget. The government allocated an extra K70m for various programmes and initiatives at the district level to ensure donor and government projects are more streamlined and effective (Budget Documents 2006). The Minister emphasized the government's commitment to improve district services including basic services and infrastructure.

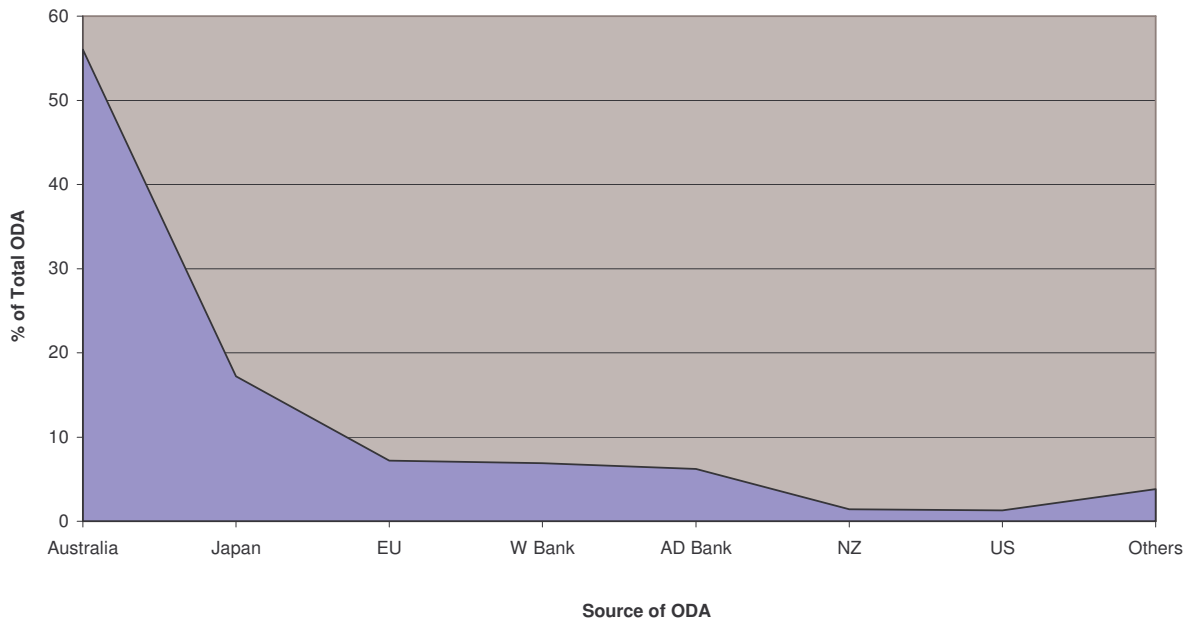
In general, the Budget reflected the government commitment to implement goals outlined in the MTDS. Of the K4.7b 2006 Budget 65 percent went towards recurrent expenditure while the remaining 35 percent went towards development projects, which was a reduction of some 10 percent affected by the withdrawal of the ECP. In summary K390m went to Law and Order, K490m towards education, especially trying to meet universal primary education targets, K370m for health. In contrast, DEC received a mere K5.6m which almost certainly is swallowed up by salaries with no funding allocation for

prioritized areas identified by the DEC as well as by international partners. This is no coincidence as both sustainable development and environmental sustainability do not feature prominently in the government’s MTDS.

8.5 International development aid

Donor support is critical for growth and development in PNG. International Financial Institutions (IFI) and donor assistance provides about 70 percent of total development budget while the recurrent budget is fully funded by the government. The Australian Government provides nearly K400m directly into the annually budget apart from assistance provided under AusAID which amounts to over K200m annually. Over the last decade, the principal contributors have been Australia, Japan, EU, World Bank, and ADB (Figure 10). Australia is by far the largest, providing close to 60 percent of all donor assistance with Japan providing over 17 percent of total aid. The stalled ECP between Australia and PNG would have increased its percentage significantly. Other contributors have been the United Kingdom, UNDP, IFI, and China including Taiwan.

Figure 10: Overseas development aid to PNG: 1992 to 2003



The former Office of International Development Assistance (OIDA) located in the DFP played a significant role in negotiating, coordinating and reporting on the status of all development aid to PNG. Currently, the Foreign Aid Coordination Branch at the DFP plays that role.

The government is skeptical about the manner in which aid coordination and implementation is currently undertaken. It is revealed that both the ADB and EU

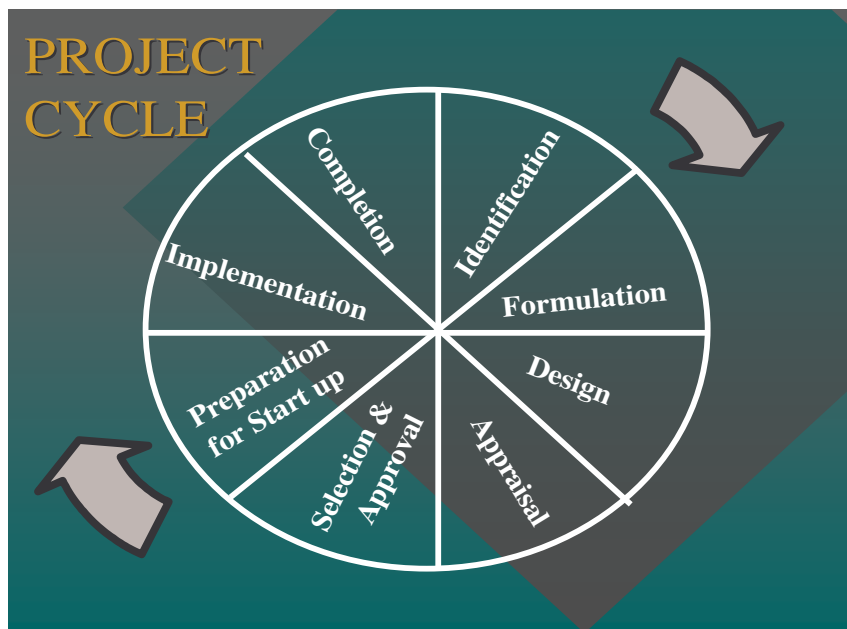
withdrew funding for certain infrastructure projects in the country in the last 5 years because of capacity problems within government (DFP). Following recent revelations that PNG failed to fully utilize EU development aid totaling over K40 million, the government has instructed the Chief Secretary to seek ways of re-establishing the OIDA to coordinate overseas aid in order to maximize usage of development aid available to PNG.

As stated elsewhere, almost 70 percent of development in PNG is funded through overseas development aid. Implementing the MTDS is contingent upon the government's ability to organize its agencies, propose and negotiate, attract and fund prioritized projects. Many critical issues have emerged recently to challenge the governments' capacity to deal with emerging problems not identified/budgeted for under the MTDS. For instance, carbon trade, HIV/AIDS, youth unemployment and ECP with Australia.

8.6 The public investment programme

The public investment programme (PIP) in PNG is a step by step revolving cycle involving 7 different steps (Figure 11). These steps are often described as the 'life cycle of a project' under the national government mechanism. All sectors submit prioritized projects to the DFP for inclusion into the annual PIP funding cycle. All development Projects are processed in accordance with the Project Cycle Guidelines comprising nine stages of the Project cycle process.

Figure 11: PIP project cycle



Source: DFP 2006

The first three state of: project Identification, Project Formulation and project Design are dealt with by the project Initiators which often include government agencies, NGOs and individuals. At the end of Stage 3 of the PCG, new Project proposals are submitted to the DFP on a standard Project Formulation Document (PFD) which are available to agencies and the public on computers.

Under Stage 4, the Development Programming and Planning Division (DPPD) of DFP undertake an appraisal of all new Project proposals in accordance with the techniques contained in the PCG. Project proposals that pass the appraisal stage are classified as Pipeline Projects to be considered for funding by Donors and GoPNG each year. When a pipeline Project is approved for funding, it enters the PIP, which provides the total likely financing cost to the Government for its development programme over the medium term planning period (five years).

When approved funding status is known, the PIP database is updated for the preparation of the Annual PIP Document and the Development Budget estimate. Once a Donor has agreed to fund a project, either through a Loan or a Grant, the initial Project information is input into the Aid Management Database referencing to each Donor. Projects will include loan or grant references.

The first year of the PIP cost is the actual funding estimates contained in the Development Budget. The system shall be able to prioritize and rank Projects according to net present value (NPV) and internal rate of return (IRR) criteria. The assumption is that Loan management in relation to repayments of the principal, interest and any associated fees will be managed by the Debt Management System. Once the projects have been approved via the Budget Estimate process and the Budget Book has been produced, it is assumed that Projects will be managed within the appropriate level of Government processing Groups and Ledgers. Once the Project has the funds released to it, purchasing and general expenditure may commence.

8.7 Mechanisms for monitoring budget

The parameters and tools for participation in the PIP process include the following:

- Quarterly reporting on the implementation status of individual programs and projects;
- Yearly reports on the same;
- Special reports on issues that impact either positively or negatively on the project;
- Project Completion Reports:
- Evaluation of the annual budget of the National and Provincial Governments; and
- Evaluation of progress against the MTDS performance indicators and targets.

Overall responsibility for committing funding, monitoring and evaluation of the MTDS and the Development Budget reside with the DFP. The Department reports directly to the CACC and, through it, to the NEC of the overall performance of the Development

Budget and the MTDS. PIP funding component and for 2003-2006 is highlighted in Table 9.

Table 9: PIP funding 2003-2006 (K 000)

Year	GoPNG	Tax Credit	Loan	Grant	Total
2003	240,000	0	233,580	727,420	1,201,000
2004	218,060	0	196,490	849,707	1,264,257
2005	281,000	110,900	213,300	1,283,106	1,888,306
2006	450,600	71,100	160,500	1,023,143	1,705,343
Total	1,189,660	182,000	803,870	3,883,376	6,058,906

Source: DFP 2006

CHAPTER 9

THE WAY FORWARD

9.1 *The decision landscape*

The PNG socio-economic, institutional, political and cultural landscape for decision-making is such that there is no easy ‘way forward’ for sustainable development. On paper, suggestions and recommendations present a simplistic picture of what is fundamentally a complex system of modern institutions operating concurrently with customary institutions where the influences of two incompatible systems is reflected by mismatches in decision outputs. In this complex environment it is not appropriate to pretend to be providing the answers to sustainable development problems in PNG. The governments’ efforts to promote sustainable development must continue with the right mix of both systems because sustainable development is part of both the customary and modern institutions. The preceding chapters discussed the difficulties in this context while reviewing the social, economic, institutional and environmental status of the country. The key to achieving sustainable development in PNG are several-fold and are briefly revisited.

9.2 *Key issues*

The key issues here represent the major impediments to sustainable development. The success of sustainable development interventions in PNG is contingent upon improvements in the interrelated issues discussed below.

First, good governance is shown to be a major impediment to sustainable development. The basis for sustainable development in PNG is Good governance - sound environmental, social and economic policies, democratic institutions responsive to the needs of the people, the rule of law, anti-corruption measures, gender equality and an enabling environment for investment. A strategy for sustainable development is one which acknowledges the governance issue in a strategic manner. Responsible political and public service leadership must provide accountability and transparency in their roles and responsibilities as law and policy makers with honor, dignity, and self respect.

Second, the lack of institutional (administrative and legal) capacity for policy decisions and implementation is a major constraint to sustainable development. The institutional framework requires integrative, collaborative and well resourced agencies to implement strategies to achieve sustainable development. Improvements to the capacity of all key institutions including law enforcement agencies and provincial administrations and their horizontal and vertical linkages are essential for sustainable development. Public institutions with the appropriate internal and external capacity to make policies and ensure effective horizontal and vertical coordination and implementation are required.

Third, effective consultation and participation of the provincial and local level governments' in line with the DFP and other line agencies remain a major issue. Lower level governments are agents of change and transformation. The people identify themselves with local governments more than they do with the national government and their participation is able to bring sustainable development closer to the people. A transparent and accountable system at this level is necessary to enable people in rural areas to become productive, innovative, independent and self-reliant. Promoting development from within through grassroots participation and communication in designing and implementing a sustainable development strategy is desirable.

Fourth, an integrated approach to development reflected in a NSDS is essential for PNG. There are other issues not adequately covered in this Report due to resource constraints which are significant for a sustainable development strategy. There is a vacuum in terms of a NSDS to deliver sustainable development in PNG. The review of PNG's development experience shows the inherent deficiencies in the MTDS 2005-2010 that limits its capacity to represent itself as an NSDS equivalent. The absence of a long term strategy for sustainable development only justifies the urgency for developing a NSDS.

9.3 Immediate considerations

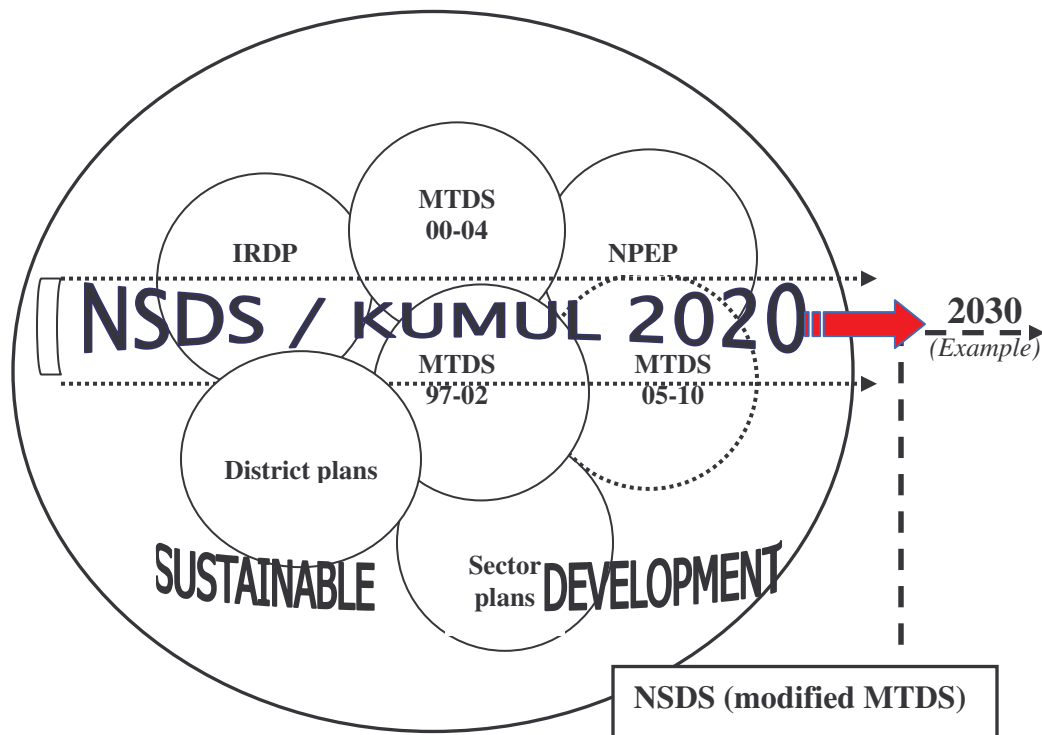
Some of the considerations for a 'way forward' (above) for sustainable development require political, legislative and institutional commitment which demands time and resources. It is imperative to identify and classify key issues between those which require immediate consideration by the government and those requiring major commitment. While setting the scene for improvements to be made to the broad government system, it is imperative to consider some immediate actions to facilitate sustainable development. The immediate actions identified to support a sustainable development process include the following.

(a) Reviewing the MTDS 2005-2010

Discussion on the MTDS reveals the governments' positive commitment towards sustainable development. It considers significant issues contained in global (Agenda 21) and regional (Pacific Plan) declarations. It also reflects upon critical elements of the Millennium Declaration and has integrated indicators to support its sustainable development role in PNG. Despite the integration of globally significant objectives into the national development framework there are noticeable weaknesses in the MTDS. We cannot successfully argue that the MTDS represents the 3 pillars of sustainable development therefore its' case for sustainability is minimized. The medium term nature of the MTDS with its inherent weakness makes its' case as a sustainable development strategy of an equivalent less attractive. A NSDS should represent the longer term because sustainable development is indeed long term (Figure 12).

The immediate option is to review the MTDS with a view to strengthen the identified weaknesses if the MTDS is going to be adapted as a national strategy for sustainable development. This leaves the government with one practical option and that is to seek ways and means of reviewing and strengthening the MTDS in partnership with the DFP and other key agencies including Universities. Commentators are already crying foul over the MTDS for its lack of implementation. Given the inherent coordination problem in the DFP a Task Force is necessary to spearhead the ‘MTDS strengthening project’.

Figure 12: Longer term view of NSDS



Several actions are suggested for consideration in a MTDS review and strengthening process:

- a. Reporting requirement
- b. Developing indicators
- c. Monitoring, evaluating and coordinating performance
- d. Disseminating information
- e. Supporting and/or complimenting MDG7 Project
- f. Integrating MTDS with provincial and district plans
- g. Learning and adaptation

(b) Monitoring, evaluation and coordination

The lessons emerging from the PNG development experience is indicative of the strategic failures in connecting the centre and the periphery; the policy engine room and the action field; the so-called knowledgeable and the intended beneficiaries; and the leaders and the followers. There is an information gap between the decision-makers and those affected by their decisions. Improvement to data collection and information dissemination on sustainable development interventions is a key activity in the monitoring process.

This problem calls for ‘strengthening congruence’ of various development strategy frameworks through an improved monitoring, evaluation and coordination strategy. Currently the government established *ad hoc* committees (CACC, CIMC) for coordinating national development. The mechanism of utilizing cross-sectoral planning or coordinating groups, including the identification of lead agencies and supporting implementing institutions for each component of the strategy, should be institutionalized as a requirement for all key sectors including provincial governments and district authorities.

The government and the DFP take immediate steps to engage government funded institutions such as the University of PNG to assist the government. The UPNG has the personnel and technical capacity to investigate, monitor, evaluate, coordinate and report to the government on important sustainable development activities in PNG. Further, the University can produce a ‘*sustainable development outlook*’ and updated on an annual basis for the country which provides a sound information base through which sustainable development strategy is formulated and/or implemented.

(c) Assets management plan

Sustainable management of PNG’s wealth from exploitation of its natural resources as well as protecting its resource systems and the environment for current and future generation is paramount. While PNG is advocating sustainable development with a focus to the future its resources are currently mined at unsustainable rates. Further, the generated wealth disappears into the pockets of a few individuals while the majority of landowners are left without sustainable rural development programmes to improve their lifestyles. There is relatively little rural activity in PNG’s major resource districts to demonstrate that generated wealth is being used to initiate and implement economic activities. The generated wealth is spent elsewhere without reinvesting into rural sustainable development projects.

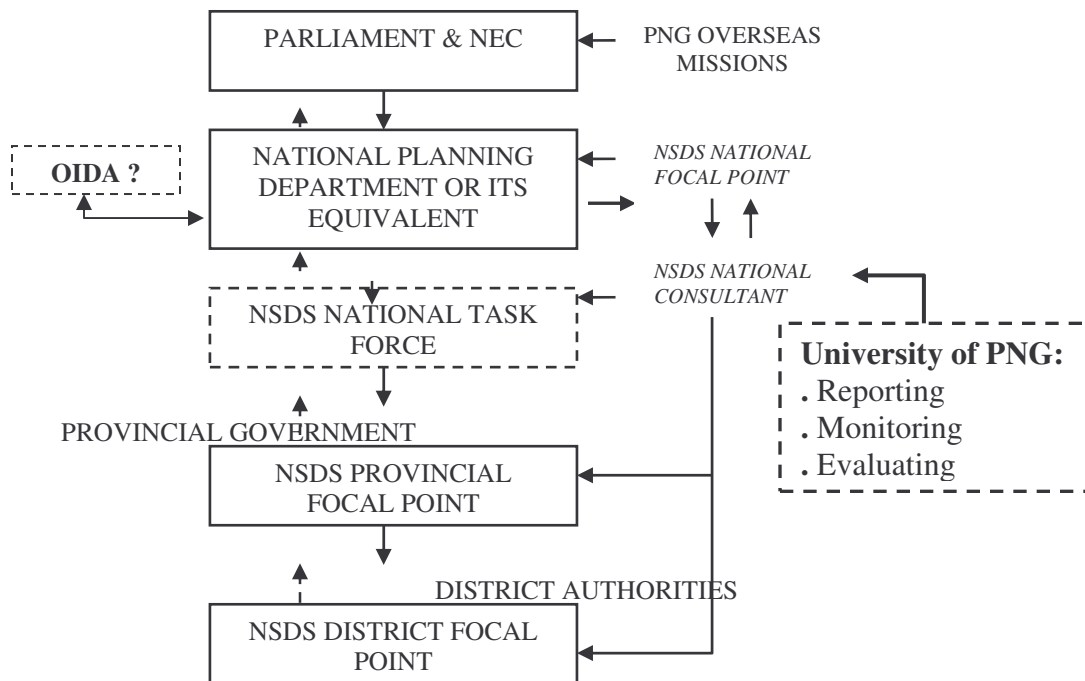
It is imperative for the government to institute a sustainable asset management plan to capture the generated wealth for re-investment into self-sustaining rural development activities in the project districts. Project developers fail to prepare economic plans for local disadvantaged communities. For example, the PNG-Australia Gas Project has no economic and social plan for the people of the impact zone. The developers encourage landowners to invest in properties in Port Moresby from their royalties. However, the generated wealth from this investment is concentrated on a few elites from the resource

districts. Life after closure of resource projects will have deleterious impacts on the lives of the local people. A government-sponsored sustainable asset management plan is now required.

(d) A working framework

The provinces and districts must be adequately involved in the MTDS/NSDS process. The NSDS, if developed provides an appropriate means through which the government can facilitate ownership of the NSDS to the people in the provinces and districts. A consultation process will generate participation where it matters most – at the provincial and district levels. The NSDS formulation should bring officers to people at the local level to capture their views. This process may be lengthy and costly but sustainable development is not a straight-forward and easy process. The outcome will be to facilitate ‘bottom-up’ planning through input made by District Authorities and Provincial Governments (Figure 13).

Figure 13: Possible working and reporting strategy



It is anticipated that a NSDS process will necessitate a NSDS National Task Force (NTF) or Commission with representatives from key sectors including government, academic institutions, private sector, and NGOs. It will be necessary to appoint provincial and district NSDS focal points *from amongst bureaucrats already available at those levels*. Provincial NSDS coordination will constitute district NSDS officers and coordinated by the provincial NSDS focal points. Each provincial NSDS officers will participate in the NSDS through consultation with the NTF and the National NSDS Consultant.

The reporting and coordinating roles are complimentary. It is possible for both reporting and coordination activities to follow the illustrated process in Figure 13. Once the DFP or an equivalent takes charge of the national sustainable development framework, the research and data collection can be followed up by reporting and publication.

CHAPTER 10

Conclusion

The sustainable development concept has been around in PNG since 1990 when the PNG Government endorsed the Brundtland Report's definition of sustainable development. A national framework for sustainable development in PNG was endorsed by the government in 1994. Since then the DFP and the series of *ad hoc* committees (including CACC, CIMC) have been using the 'sustainable development' term as a means of justifying government priorities without really committing themselves to developing a strategic, long term framework for sustainable development. The commitment for setting into motion a national framework for sustainable development has not been amongst their list of priorities. The government and its agencies have 'reacted' to international calls for sustainable development by attending overseas forums without first committing their agencies and leaders at home to programming development interventions into a sustainable development format. The idea of sustainable development has been around, but the attitude and commitment by the government and the DFP has been disappointing.

The international call for PNG to assess its achievements in the area of sustainable development since Agenda 21 in 1992 prior to the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg has also been disappointing. PNG, along with other developing states were tasked to identify gaps in their national sustainable development programmes since Rio for the Rio + 10 Conference²⁷. The National Review for PNG was not endorsed by the NEC prior to this event. Further, the delegation that was representing PNG at this important meeting returned to PNG without reaching Johannesburg. The lack of preparation and commitment by PNG to present its national report on sustainable development at the WSSD leaves a lot to be desired. A continuation of this culture is unacceptable for sustainable development in the country.

For this and other reasons, there is an urgent need to establish a separate government entity to be responsible for sustainable development. Amongst other functions, a sustainable development unit will be able to (a) monitor, coordinate and evaluate sustainable development programmes in PNG, and (b) coordinate international sustainable development and related events in consultation with the DFP, the Prime Ministers' Department, Foreign Affairs and other development partners. Given the current absence of a central coordinating agency for sustainable development, no one is responsibly clear about who should be responsible for sustainable development activities in PNG.

Despite the sustainable development history, the process for developing a framework for sustainable development must continue. The people and the country are too important to be ignored because of a few problems within government, the DEC and the DFP. The

²⁷ The World Summit on Sustainable Development, Johannesburg 2002

capacity to respond effectively to sustainable development duties in PNG is simply lacking. The government and the bureaucratic leadership at different times since 1990 have misconstrued the global and national significance of sustainable development. If the government and the DFP do support sustainability but are overwhelmed by other equally significant priorities, delegating the sustainable development responsibilities to other institution(s) is not entirely a bad option.

In the meantime two immediate options are available; (1) review and strengthen the MTDS to reflect the 3 pillars of sustainable development and include PNG specific indicators thus linking them with provinces and districts, and (2) if option one is deemed unnecessary there is no other option but to revitalize the 1994 NSDS and/or develop a new framework for sustainable development. We will latter be commended for taking this bold action at such a difficult time. The people of this country are too important to be ignored.

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ANNEX 1

PNG's Regulatory Framework for Potentially Supporting Sustainable Development

Conservation Areas Act, 1978
Continental Shelf (Living Resources) Act, 1972
Crocodile (Trade Protection) Act, 2974
Cultural Development Act, 1982
Dumping of Wastes at Sea Act, 1979
Environment Act 2000
Environment Contaminants Act, 1978
Environment Planning Act, 1978
Fauna (Protection and Control) Act, 1966
Fisheries Act, 1974
Forestry Act (Amended) 2000
Forestry Act (Amalgamated) 1996
Forestry Act (Amalgamated) 1991
Forestry Act (Amalgamated) 1973
Forestry (Private Dealings) Act, 1971
Oil and Gas Act, 1998
Industrial Safety, Health and welfare Act, 1961
International Trade (Flora and Fauna) Act, 1979
Lands Act (Consolidated) 1996
Lands Act, 1996
Mining Act, 1992
Mining Act (Amalgamated) 1978
Mining (Bougainville Copper Agreement) Act, 1967
Mining (Bougainville Copper Agreement Amendment) Act, 1974
Mining (Ok Tedi Agreement) Act, 1976
Mining (Ok Tedi Supplement Agreement) Act, 1980, 1981, 1983, 1986
National Cultural Property (Preservation) Act, 1965
National Parks Act, 1982
National Water Supply and Sewerage Act, 1982
Organic Law on Provincial & Local Level Government 1995
Petroleum Act (Amalgamated) 1997
Petroleum Act 1977
Physical Planning Act, 1989
Poisonous and Dangerous Substances Act, 1976
Prevention of the Pollution of the Sea Act, 1979
Public Health Act (Amalgamated) 1975
Tuna Resource Management (National Seas) Act, 1977
Town Planning Act, 1959
Water Planning Act, 1982
Whaling Act, 1974
Wildlife Management Act, 1974

ANNEX 2:

Selected National Targets & Indicators for MDG Monitoring

MDG 1: ERADICATE EXTREME POVERTY AND HUNGER

Target 1: Decrease the proportion of people below the poverty line by 10 % by 2015, using the 1996 national average figure of 30 % below the lower poverty line as the benchmark figure.

Indicators:

1. Percentage of people below the 1Q.w.el poverty line (using headcount method)
2. Poverty gap ratio (incidence x depth of poverty)
3. Share (%) of poorest quintile in national consumption
4. Gini coefficient

Target 2: By 2015, increase by 10 % the total amount of agriculture commercially produced and by 34 % the amount of subsistence agriculture production.

(Note: In accordance with the NPRS and the MTDS, for this target 2003 and not 1990 is the base year)

Indicators:

5. Underweight births as a percentage of total births
6. Percentage [%] of underweight children under five years of age
- Z Percentage of people below minimum level of dietary energy consumption
8. Percentage of total deaths associated with malnutrition
9. Percentage of children under age 5 with height-far-age I-score below minus two
10. Percentage of children under age 5 with weight-far-age I-score score below minus two

MDG 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION

Target 3: Achieve a Gross Enrolment Rate of 85 % at the primary level by 2015
Indicator:

11. Gross Enrollment Rate (%) in grade 1 (Pre-Reform structure)

Target 4: Achieve a Cohort Retention Rate of 70 % at the primary level by 2015.

Indicator:

12. Cohort Retention Rate (%) between grade 1 and grade 6 (Pre-Reform structure)

Target 6: Achieve an (indirectly measured) Youth Literacy Rate of 70 % by 2015

Indicator:

13. (Indirectly measured) Youth Literacy Rate [age 15-24] (%)

Additional indicator:

14. (Indirectly measured) Adult Literacy Rate (over age 15) (%)

MDG 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

Target 7: Eliminate gender disparity at the primary and lower secondary level by 2015 and at the upper secondary level and above by 2030.

Indicators:

15. Sex ratio (males per 100 females) of students in primary, secondary and tertiary education

16. Sex ratio (males per 100 females) of literate 15-24 year old persons

17. Sex ratio (males per 100 females) of literate adults [over age 15]

Additional indicators:

18. Percentage of persons age 10 and over in wage employment **in** the non- agricultural sector that are women

19. Percentage of persons age 10 and over with money income from any source that are women

20. Percentage of seats in national parliament held by women

MDG 4: REDUCE CHILD MORTALITY

Target 8: Reduce the Infant Mortality Rate to 44 per thousand by 2015

Indicator:

21. Infant mortality rate (per 1,000 live births) per year

Target 9: Reduce the Under Five Mortality Rate to 72 per thousand by 2015

Indicator:

22. Under five mortality rate [per 1,000 live births] per year

Additional Indicators:

23. Percentage of 1-year-old children immunized against measles per year

24. Percentage of 1-year-old children immunized with Triple Antigen (3rd dose) per year.

MDG 5: IMPROVE MATERNAL HEALTH

Target 10: Decrease the maternal mortality rate to 274 per 100,000 live births by 2015.

Indicators:

25. Maternal Mortality Ratio per 100,000 live births per year

- 26. Percentage of pregnant women attending antenatal clinics
- 27. Percentage of births attended by skilled health personnel including village birth attendants.

MDG 6: GOMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

Target 11: Have controlled by 2015, and stabilized the spread of HIV/AIDS by 2020.

Indicators:

- 28. Incidence rate of HIV/AIDS per 1,000 per year by sex
- 29. Prevalence rate (%1 of HIV/AIDS by sex
- 30. Prevalence rate [%] of HIV/AIDS for persons aged 15-49 by sex
- 31. Case fatality rate (%) of AIDS by sex
- 32. Prevalence rate [%] of HIV/AIDS for 15-24 year old pregnant women
- 33. Number of children under age 15, orphaned by HIV/AIDS per year.

Target 12: Have controlled by 2015, and either stabilized or reversed the incidence of pneumonia, malaria and other major diseases by 2020.

Indicators: For pneumonia, TB and malaria: indicators 28-31

MDG 7: ENSURE ENVIRONMENTAL SUSTAINABILITY

Target 13: Implement the principles of sustainable development through sector specific programs by 2010 and no later than 2015

Indicators:

- 34. Percentage of land area covered by primary forest
- 35. Primary forest depletion rate (%) per year
- 36. Re-forestation rate (%) per year
- 37. Percentage of land area protected to maintain biological diversity
- 38. Percentage of marine area protected to maintain biological diversity
- 39. Percentage of land area rehabilitated to ensure biodiversity (mines]
- 40. GDP per unit of energy use (as proxy for energy efficiency)
- 41. Carbon dioxide emissions (per capita)

Target 14: By 2020, increase commercial use of land and natural resources through improvements in environmentally friendly technologies and methods of production.

Indicators:

- 42. Percentage of land used for commercial purposes
- 43. Percentage of cultivable land used for agricultural production
- 44. Agricultural exports as a percentage of all exports
- 45. Value of agricultural exports as a % of total GDP
- 46. Value of non-agriculture exports as a % of GDP

47. Percentage of commercial operations using sustainable practices

Target 15: Increase to 60% the number of households with access to safe water by 2010 and to 85% by 2020 [as per definition from DOH]

Indicators:

48. Percentage of districts that have implemented a water policy

49. Total meters of operating water pipes

50. Total number of water pumps [down to the districts level]

51. Litres of water supplied to users

52. Percentage of households with sustainable access to safe water source

53. Percentage of households connected directly to safe water supply [pipe/tank!]

Target 16:

By 2020, to have achieved a significant improvement in the lives of disadvantaged and vulnerable groups in urban areas. Indicators:

54. Rural to urban net migration rate (%)

55. Percentage of households with access to electricity, safe water and sanitation, health and education services by geographic sector, as well as by census unit CUI type in urban areas

56. Unemployment rate (%1 by geographic sector and by sex

57. Urban crime rate [%) including prostitution and drug trafficking

58. Ratio of urban/peri-urban households with access to secure tenure

59. Percentage of population classified as vulnerable or disadvantaged by geographic sector

60. Percentage of households using wood as the primary energy source by geographic sector.

END OF REPORT

To be updated in 2007