

FINANCING AGREEMENT

between

THE EUROPEAN COMMISSION

and

PAPUA NEW GUINEA

Mining Sector Support (MSS)
(PNG/9999/000)
EDF VIII

LOGICAL FRAMEWORK

Annex C

	INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCE OF VERIFICATION	ASSUMPTIONS
OVERALL OBJECTIVES	<p>Country's economic performance sustained thanks to the mineral production and exports</p> <p>Local poverty alleviated</p> <p>Mines environmental impacts mitigated</p>	<ul style="list-style-type: none"> - Mineral production and exports: Mining production, starting from year 3, equivalent to +1 tonne gold/yr in year 7, +20yr in year 8, +30yr in year 9, +100yr in year 12, +150 yr in year 15 and +200yr in year 20; - Government (central and provincial) revenue generated; - Number of national jobs created by the mines, total pay roll, number of indirect beneficiaries; - Quality of local social indicators (health, water, electricity, ecotourism); - Quality of rivers and sea water downstream the mines 	<ul style="list-style-type: none"> - Department of Mines (DoM) quarterly bulletin - Central Bank and Department of Planning Statistics - Mining companies quarterly and annual reports - Programme reports 	
PROGRAMME PURPOSE	State's capacity for protection and regulation of mineral resources enhanced	<ul style="list-style-type: none"> - Number of mining exploration licenses awarded until 2007 increased by 50% and delays of attribution reduced by 40 % - Amount of private exploration expenditures increased from \$1 M/month to \$2 M/month - PNG average (mapping, airborne surveys and geological exploration) present and targeted rates - Quantity of geological data (maps, geophysical, images, processed data) sold to private promoters regularly consulted by external professionals - Access to Geological and Mineral Resources Information System (GMRIS): number of monthly hits 	<ul style="list-style-type: none"> - (DoM) quarterly bulletin - DoM documentation - Project reports and maps - Promotional brochures, CD-ROM and advertisement campaign - DoM website - Symposiums - Project reports - Operational Mining House - Data archive - Visitors register - DoM quarterly bulletin and projects reports 	<ul style="list-style-type: none"> - Mining products (gold, copper, nickel and cobalt, ...) prices do not fall for a longer period below the lows observed during the 1991-2000 period - Political stability and local safety - Following government action and World Bank support program, existence of an enabling legal, regulatory and fiscal environment applicable to investments into the exploration and exploitation of mineral resources, inclining for the investors while guaranteeing the interests of the State
RESULTS	1. Geoscientific data acquisition, conservation, processing and dissemination improved			
	2. Very small-scale (artisanal) miners capacity enhanced	<ul style="list-style-type: none"> - Increment of small-scale miners gold production sold by local MKO - 60 % of small-scale miners trained 	<ul style="list-style-type: none"> - Evaluation of the impact of the training made on the spot 	
	3 - Mining environment monitoring and protection enhanced	<ul style="list-style-type: none"> - Inspection visits regularly carried out in all of the mines monthly (separate for large- and small-scale) - Level of governmentations enforced - Decision taken before project end on the deep-sea mining tailings disposal 	<ul style="list-style-type: none"> - Evaluation of the impact of the training 	<ul style="list-style-type: none"> - Government provides adequate financial resources and effective organisational structure for the proper functioning of the administration in charge of environment, best integrated in or closely linked to newly created Mineral Resources Authority.

ACTIVITIES	MEANS	COST (in M€)	CONDITIONALITIES
<p>Project F - Geological Mapping and Mineral Potential Assessment of the Western and Eastern Highlands, to produce new maps and data sets combining geophysical, geological and mineral reconnaissance data</p> <p>Project E - Airborne Geophysical Survey of the Western and Eastern Highlands to acquire and process 1:100 000 scale radiometric and spectrometric geophysical data</p> <p>Project G - Geological and Mineral Resources Information System (GNRIS) to install a computer network</p> <p>Project I - Transition of PNG's Mineral Sector to produce promotion brochures and CD-ROM, to define Promotional strategy, to make functional the DoM website, to organise an international end of programme symposium</p> <p>Project C - Construction of a new Mining House for the Department of Mining</p> <p>Project H - Hardware procurement, to and reorganise and install Data archive in the new premises</p> <p>Project D - Small Scale Mining Vocational Training Centre and Women Development Centre to train small-scale mining trainers</p> <p>Project A - Formulation of a Mining Waste Management Policy</p> <p>Project B - Independent evaluation of Decree on Mining Tailings Placement (DSTP) in PNG</p> <p>Project J - Programme Management Unit (PMU)</p> <p>Long- and short-term technical assistance, including Gender expertise, as well as material support, establishment of a Programme Management Handbook, execution of interim and end of programme evaluations and separate implementation audits).</p>	<p>Services for the projects</p> <p>Works</p> <p>Procurement</p> <p>Technical Assistance to the PMU</p> <p>Control and evaluation</p> <p>Contingencies (5%)</p> <p>TOTAL</p>	<p>38.6</p> <p>5.4</p> <p>1.0</p> <p>2.1</p> <p>0.4</p> <p>2.5</p> <p>50.0</p>	<ul style="list-style-type: none"> - DoM appoints the necessary personnel running the geoscience facilities - Climate "windows" suitable for fieldwork are duly taken into account in project planning and management activities. - Inputs (hardware, software) from projects financed by World Bank become available in due time - Secretary of Mining appoints and NAO approves the PMU Director and supporting local staff not later than 1 month after Programme start date.
PROGRAMME MANAGEMENT ASPECTS			<ul style="list-style-type: none"> The transformation of the DoM to the Mineral Resources Authority will be a precondition to commencing execution of the projects E and F. An effective and independent Mining Environmental Unit, best integrated in the Mineral Resource Authority, is a precondition for the execution of project A

Annex I

* A financial transfer between projects will be possible by simple agreement between the NAO and the Delegation if the modification represents less than 20% of the budget allocated to the corresponding projects.

PROGRAMME TIME-SCHEDULE

Annex I

		SIMPLIFIED TIME-SCHEDULE																							
		Year 1				Year 2				Year 3				Year 4				Year 5				Year 6			
		2002				2003				2004				2005				2006				2007			
		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22	Q23	Q24
Project A	Formulation of a Mining Waste Management Policy																								
Project B	Independent evaluation of Deep-Sea mine Tailings Placement (DSTP) in PNG																								
Project C	Construction of a new Mining Haus for the Department of Mining																								
Project D	Small-Scale Mining Vocational Training Centres and Woman Devel. Centre																								
Project E	Airborne Geophysical Survey of the Highlands and Peninsula																								
Project F	Geological Mapping and Mineral Potential Assessment of the Highlands																								
Project G	Geological and Mineral Resources Information System (GMRIS)																								
Project H	Hardware procurement																								
Project I	Promotion of PNG's Mineral Sector																								
Project J	Technical Assistance to the PMU																								

X Starting date: launch of the tender for the Technical Assistance to the PMU