

NATIONAL INDICATIVE PROGRAMME

**FOR CO-OPERATION UNDER
THE SECOND FINANCIAL PROTOCOL
OF THE FOURTH LOME CONVENTION**

between

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

and

THE COMMISSION OF THE EUROPEAN COMMUNITIES

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**NATIONAL INDICATIVE PROGRAMME
FRAMEWORK OF COOPERATION
between
THE INDEPENDENT STATE OF PAPUA NEW GUINEA
and
THE COMMISSION OF THE EUROPEAN COMMUNITIES**

I. GENERAL FRAMEWORK

1. Signing Parties and Legal Framework

- (a) The Government of Papua New Guinea (hereinafter referred to as 'Papua New Guinea'), represented by Mr Moi Avei, Minister for National Planning, and the European Commission, represented by, held discussions in Port Moresby from to with a view to determining the general guidelines of cooperation between Papua New Guinea and the European Community. The European Investment Bank (hereinafter referred to as 'the Bank'), was represented at these discussions by Mr
- (b) During these discussions the National Indicative Programme (NIP) of Community Aid to Papua New Guinea, was drawn up in accordance with the provisions of article 282 of the Fourth Lome Convention as revised by the agreement signed in Mauritius on 4 November 1995, (hereafter called 'the Lome IV Convention'), for that part corresponding to the implementation of the Second Financial Protocol commencing from 1 March 1995 for a five-year period.

2. Basis for the Cooperation

- (a) The representatives of Papua New Guinea and of the European Commission underline that their cooperation is based on the following priorities:
 - * The development and consolidation of democracy, and of the rule of law as well as respect for human rights and fundamental freedoms.
 - * The campaign against poverty.

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- * Sustainable economic and social development with particular stress given to
 - the development of human resources with special emphasis on the gender issue and,
 - the environmental protection.
 - * Integration into the world economy, in particular through the promotion of the private sector and the development of trade.
- (b) Within this framework, the overall objective pursued through cooperation under this NIP is the development of Papua New Guinea's human resources and the development of the rural environment.

3. Financial Envelope

- (a) As regards programmable financial and technical cooperation (Art. 281 of the Lome IV Convention) the European Community envisages to make available to Papua New Guinea an indicative envelope of 50 MECU for the duration of the Second Financial Protocol. Of this amount, a first instalment of 70%, corresponding to 35 MECU, is hereby available for use. A second instalment could be made available, according to the provisions mentioned at point III. 1 below.
- (b) This NIP mainly concerns programmable financial resources, but it takes account of the necessary coherence with other financing from which Papua New Guinea could benefit under other Community resources such as Stabex, Structural Adjustment Facility and Sysmin.
- (c) The European Investment Bank may contribute, from the resources which it manages, to the financing of productive investment projects in compliance with the criteria and statutes of the Bank and the provisions of Articles 233 to 237 of the Lome IV Convention. A more detailed presentation is provided in Annex 1.

4. Macro-economic Framework

- (a) The effectiveness of any development effort requires a stable macro-economic framework, favourable to private sector initiatives, facilitating sustainable equitable economic growth in the medium term. Accordingly, Papua New Guinea has undertaken an important programme of economic reforms with the support of the principal donors and intends to pursue its efforts during the period of the Second Financial Protocol with the aim of addressing macro-economic imbalances.

In this context, the parties will examine the possibility of using funds available from Stabex and the Structural Adjustment Facility in support of the economic reforms. If funds from the latter Facility would become available, they would provide balance of payments support most likely in the form of a General Import Programme.

The counterpart funds so created would be used to support Papua New Guinea's education sector in coherence with the strategy underlying this NIP.

- (b) The financing of the actions envisaged under this NIP as well as under other possible instruments envisaged under the Lome IV Convention, will be implemented in coherence with efforts to improve the macro-economic framework, and with the aim of strengthening it especially as to its sustainability. The issue of sustainable management of forests will be given particular attention. It is also to be understood that projects can only be implemented if the security situation in the concerned area is satisfactory.

II. AREAS OF INTERVENTION

Within this general framework the parties have agreed on the main priorities for their cooperation and on the sectors on which the support of the European Community will be concentrated. They have identified the reciprocal commitments to be entered into by the European Community and Papua New Guinea to achieve the desired objectives under the conditions agreed hereafter.

1. NIP-First Area of Concentration

1.1 Definition

The priority will be the development of human resources (approximately 40% of the indicative amount). In this context, the aspect of human resource development that will be addressed is education at all levels, keeping in mind, however, the importance of professional education at the basic and intermediate level to improve the employment situation.

1.2 Specific Objectives Pursued

For the sector of human resource development, the specific objectives are:

- * To support the Education Reform Programme launched by Papua New Guinea, which inter alia aims at striking a balance between academic and vocational features, and in this context
 - to establish community-based elementary schools,
 - to upgrade community schools in selected provinces where the Education Reform Programme is being followed and,
 - to rationalise the use of existing facilities of vocational, secondary and tertiary education by rehabilitation, upgrading and extending existing institutions.
- * To improve the country's ability to monitor and investigate (research) the use of its natural resources on a sustainable and environmentally sound and gender equitable basis.
- * To improve gender equity by providing girls and women with better access to educational facilities and training resources.

1.3 Sectoral Policy and Papua New Guinea's Commitments

Papua New Guinea's long term objective of the education policy is to provide basic schooling at acceptable cost for all children.

Papua New Guinea's Education Reform Programme aims to provide nine years of universal basic schooling by the year 2004 and to increase the number of grade 12 leavers from the present 1000 to 5000 by the year 2000, by adding grades 11 and 12 to selected provincial high schools. For tertiary education, particular emphasis is placed on the importance of enhancing and utilising knowledge and skills in science and technology. Increased female participation is an important objective.

In accepting the Education Reform Programme, Papua New Guinea must have an action plan prepared for each province showing how the required expansion of village-based elementary and primary schools will be realised. Papua New Guinea should promote the active involvement of villagers in the construction of elementary schools.

Papua New Guinea must ensure that funding of expenditures on materials, supplies and maintenance is increased in line with the expansion of the school system and that the number of trained teachers rises to match the increases in classrooms.

1.4 Support of the European Community

Subject to the provisions of the Lome IV Convention with regard to project and programme appraisal and approval, the Community assistance will be given in support of the above defined sectoral policy, in coherence with the financing foreseen in Papua New Guinea's budget and by other donors, through the instrument of financial and technical cooperation and envisages in particular:

- * The continuation and extension of the building of rural elementary schools using the community-based approach.
- * The upgrading of existing secondary schools ensuring increased access for girls.
- * The expansion of teachers training college facilities.
- * The rehabilitation and upgrading of physical facilities at the University of Technology, increasing facilities and opportunities for female students.

- * In-country training and scholarships in agreed priority areas, aiming for gender parity.
- * Upgrading of environmental research and management institutions.
- * Support to eco-forestry development agencies.

2. NIP-Second Area of Concentration

2.1 Definition

The priority will be the development of the rural environment (approximately 50% of the indicative amount). The majority of people live in rural areas which by definition exclude the areas of the national and provincial capitals.

2.2 Specific Objectives Pursued

For the development of the rural environment, the specific objectives are:

- * To improve living conditions in rural areas through the provision of basic infrastructure through community-based approaches (e.g. water supply systems, elementary schools), with adequate participation of women and men in its management.
- * To disenclave isolated rural areas by improving or creating road access.
- * To revitalise the Bougainville Province through the rehabilitation of physical infrastructure.
- * To promote the management of the nation's renewable natural resources (forestry and fisheries) on a sustainable basis, taking into account gender differences and disparities.
- * To increase income earning opportunities in villages for women and men through

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- improvement of cash crops (through agricultural research and extension) and,
 - other income earning measures (such as eco-forestry using the products of the forests on a sustainable basis, eco-tourism etc.).
- * To improve the position of women by alleviating their tasks in rural areas.
 - * To protect the natural environment.
 - * To promote sustainable management of the social environment and natural resources.

2.3 Sectoral Policy and Papua New Guinea's Commitments

Papua New Guinea's policy is to improve the provision of basic public services at village level. The priority areas for improved delivery of rural public services are education, training, health, law and order, infrastructure (especially surface transport and water supply) and agricultural extension.

Effective village level participation is important and Papua New Guinea should, therefore, reinforce its initiatives to decentralisation and to the involvement of villagers in decision-making and implementation. In the case of rural water supply, Papua New Guinea will renew its commitment to the establishment of water and sanitation committees in all provinces and will see that these committees meet regularly, function effectively and ensure women's representation.

For surface transport access to rural areas, it is Papua New Guinea's priority to develop an adequate road network, and to ensure that these roads are properly maintained.

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In view of this, Papua New Guinea will agree with the European Commission and the other donors upon a road sector action plan and funding arrangements for the maintenance, rehabilitation and possible extension of the national and provincial road networks. This action plan should take account of the findings of the 1995 Road Inventory as well as the Road Maintenance and Rehabilitation Study. It should give road maintenance and rehabilitation priority over new construction projects. The plan itself should form part of a transport sector policy which is to ensure that transport needs can be satisfied by the most economic means.

2.4 Support of the European Community

Subject to the provisions of the Lome IV Convention with regard to project and programme appraisal and approval, the Community assistance will be given in support of the above defined sectoral policy, in coherence with the financing foreseen in Papua New Guinea's budget and by other donors, through the instrument of financial and technical cooperation and envisaging in particular:

- * The continuation and extension of the community-based rural water supply and eco-forestry projects.
- * The rehabilitation and upgrading of several road sections.

3. NIP-Actions outside the Areas of Concentration (Non-Focal Areas)

About 10% of the resources mentioned under I.3 (a) above will be set aside to support actions outside the areas of concentration and in particular where these correspond to priorities of the European Union and where special financial and human resources are available for the implementation (e.g. HIV/AIDS). Also the financing of national components of themes tackled on a regional basis may be assured under this heading.

4. Indications on the use of other instruments and their coherence in relation to the concentration sectors.

The European Commission and Papua New Guinea considered other instruments of cooperation which may become available under the Lome IV Convention.

In order to assure full coherence between the use of resources from such instruments and the resources of the NIP, it was agreed that in the case of future assistance for which Papua New Guinea may be eligible from the Structural Adjustment Facility, it was agreed that this would be used for the education sector. In the case of Stabex, it was agreed that counterpart funds would be used for actions in support of the development of the rural environment including in particular agricultural research and extension.

5. Regional Indicative Programme (RIP)

The European Commission and Papua New Guinea also carried out a first exchange of views on the priorities and the possible orientations on regional cooperation drawn up by Papua New Guinea in coordination with its partners. This exchange of views is summarized in Annex 3.

III. IMPLEMENTATION, MONITORING AND ENTRY INTO FORCE

1. Joint Review on Implementation

When the level of financing decisions taken are close to 80% of the first instalment, the parties will undertake the joint review of the implementation of the NIP mentioned in Article 282. 3 of the Lome IV Convention. On this occasion, the following elements will be examined:

- * The implementation of the sectoral policies supported by cooperation, as resulting from the realisation of Papua New Guinea's commitments set out in Annex 2.
- * The respect for the timetable of implementation, comprising the commitment and disbursement forecasts in Annex 4.
- * The respect for the timetable planned for each action in the financing agreements to be drawn up.

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- * The implementation of cooperation under the previous European Development Funds (EDF) and, in particular, the availability of balances from previous NIPs.
- * The state of preparation of the activities that Papua New Guinea intends to undertake during the remainder of the period covered by the Second Financial Protocol, and the financial requirements which result from this.
- * The overall coherence of the development efforts of the country, evaluated according to the quality of the management of public finance and the structure of budgetary expenditure.
- * Possible amendments not foreseen at the time of the signature of this NIP, and outside the control of the parties.

Depending upon the results of the review, the remainder of the indicative envelope could be made available, either wholly or in part, for the financing of the actions foreseen in this NIP for the remaining period of the Second Financial Protocol of the Lome IV Convention.

The review of the implementation of the first instalment will be carried out in any event before 31 December 1999, irrespective of the primary commitment rate achieved.

2. Joint Annual Report on Implementation

In accordance with Article 282.3 of the Lome IV Convention and with the aims of accelerating the implementation of the National Indicative Programme and to facilitate the revision mentioned above, the National Authorizing Officer and the Head of Delegation will draw up an annual report on implementation within ninety days of the end of each calendar year. They will take the necessary measures to ensure that the provisions of this NIP are respected. To this end they will determine the causes of possible delays and will put forward appropriate measures to remedy them.

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3. Entry into Force

The agreement of the two parties on this NIP subject to the ratification and entry into force of the Lome IV Convention, will be regarded as definitive within six weeks of the date of the signature, unless either party communicates to the contrary before the end of this period.

ON BEHALF OF THE
INDEPENDENT STATE OF
PAPUA NEW GUINEA

ON BEHALF OF THE
COMMISSION OF THE
EUROPEAN COMMUNITIES

Signature:

Signature:

Name in printed

Printed

letters:

Name in

letters:

Date:

Date:

Annex 1

Papua New Guinea**SUPPORT OF THE EUROPEAN INVESTMENT BANK IN THE
IMPLEMENTATION OF DEVELOPMENT FINANCE COOPERATION**

With reference to Section I.3.(c) of the NIP, the European Investment Bank could contribute to the financing of productive projects and programmes - or other investments aimed at promoting the private sector - in particular in industry, agro-industry, tourism, energy and in transport and telecommunications.

The determination of the amounts and the conditions for the financing of the projects will depend on the results of a detailed appraisal of every project, carried out in compliance with the procedures of the Bank.

In the prevailing circumstances, the Bank could envisage, as a global indication, an amount of 35 MECU for the total assistance that it could provide from the resources for which it is responsible by virtue of the Second Financial Protocol to the Lome IV Convention.

The Bank takes note of the intention of Papua New Guinea to submit proposals to the Bank, or to authorise that proposals be submitted to it, for financial assistance in the following areas:

- * Assistance to the small and medium-scale enterprises through approved financial intermediaries.
- * Investment in productive infrastructure (e.g. energy, water and sewerage, telecommunications, transport).
- * Development of operations in industry, agro-industry, mining, tourism sectors and related services.

With respect to the financing by the Bank of private sector operations, Papua New Guinea undertakes that the own resources and risk capital operations, whether made directly or through intermediaries, will be accorded all the benefits contemplated by the terms of Article 237 and other provisions of the Lome IV Convention as benefits that Papua New Guinea is expected to accord to the operation.

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Furthermore, Papua New Guinea, in accordance with the spirit of cooperation envisaged in Article 263 (c), agrees with the Bank to confirm, within a reasonable time, the application of the benefits of Article 237 to the operation under consideration.

The Bank draws attention to the fact that this programme could be suspended in the event that Papua New Guinea should fall into arrears in its financial obligations to the Bank under this or any other financial protocol or convention.

Executed in Papua New Guinea, on 1997.

On behalf of the Government
Investment of Papua New Guinea

On behalf of the European
Bank

Signature:
.....

Signature:

Name in printed
letters:
.....

Name in printed
letters: