



PAPUA NEW GUINEA

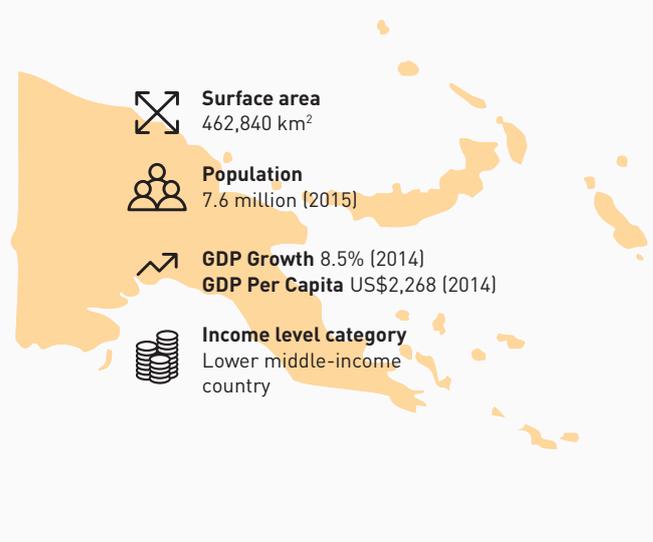
1. Country Context

One of the most culturally diverse countries in the world, the Independent State of Papua New Guinea is a lower middle-income economy with a population of 7.6 million and a GDP per capita of US\$2,268 (2014). Largely induced by a booming minerals and energy extraction sector, Papua New Guinea experienced accelerated economic growth of 8.5% in 2014 and 8.6% in 2015. The economy is also a key driver for other countries in the Pacific region.

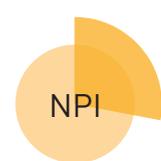
Despite macroeconomic expansion, the country still faces a low human development, ranking 158th in the 2015 Human Development Index. By 2014, none of the Millennium Development Goals had been achieved and returns from Papua New Guinea's exceptional growth still need to be translated into tangible improvements for many of its citizens.

This year's monitoring has captured development co-operation totalling US\$622 million. Australia (62%) and the Asian Development Bank (20%) are the lead partners among 14 partners participating in this round. Health, education and energy are among the sectors most addressed by development co-operation.

Quick Facts

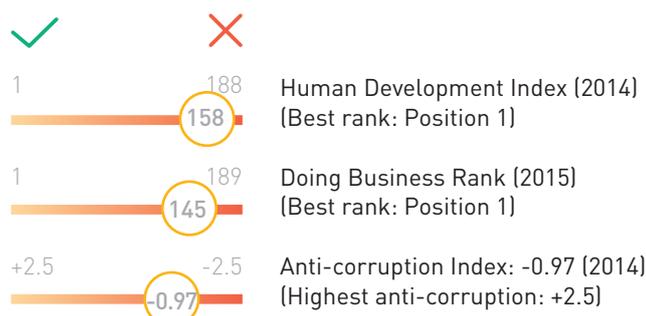


Key Development Indices:



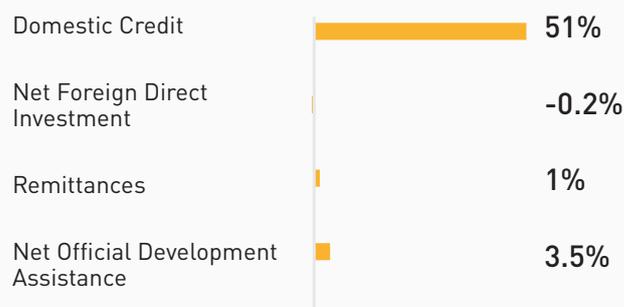
National Poverty Index
28% of pop. (2014)

ODA per Capita US\$77.4 (2014)



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



Key Development Challenges

Papua New Guinea has shown impressive economic growth based on its gas and mining resources, which is slowly translated into non-mineral expansion as well, particularly in the construction sector. The government has placed priority on social objectives and public sector reform and governance has improved over the past years. Main challenges to sustainable development relate to a high exposure to external shocks (volatility of global prices), limited economic opportunities for many Papua New Guineans, lack of adequate physical infrastructure and persistent corruption.

2. Efforts to Implement the Effectiveness Principles

A. Policies and Tools for Partners' Alignment

All development efforts in Papua New Guinea are framed by the Vision 2050, which establishes seven key pillars and is further operationalized in medium-term development plans and related sector plans. In 2015, the parliament endorsed the Planning and Monitoring

Responsibility Act providing further clarity on long- and medium-term development planning, which now needs investment of state resources by the government and international partners and a monitoring framework. Importantly, the Act also sets out the National

Service Delivery Framework (NSDF) outlining responsibilities across the government and opening opportunities for international and non-state partners to contribute effectively.

Major Development Partners of this Round (by Reported Disbursements)



No

Participation in 2014 Monitoring



Yes

Existence of a National Co-operation Policy

B. Governance and Management of Development Finance and Co-operation

Partners are encouraged to follow the 2015 Papua New Guinea Development Co-operation Policy, which states 14 key principles localizing the Busan Outcome Document. Building up on previous agreements such as the 2008 Aid Effectiveness Statement, the Policy clarifies institutional arrangements, dialogue mechanisms as well as responsibilities of all players. Importantly, the government inaugurated in December 2015 the bi-yearly Papua New Guinea-Development Partners High-Level Forum, which is operationalized through bilateral policy dialogue, sector-level consultations and the Joint Technical Working Group on Development Effectiveness. This is the

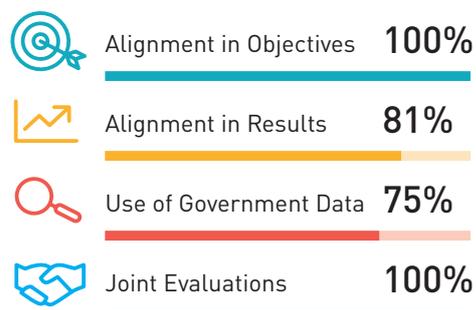
first time the country is participating in the Global Partnership monitoring exercise (after having been part of the 2010 Paris Declaration monitoring). This comes at a timely moment, as the national process has gained full traction around the new Policy. Institutionally, overall development co-operation management lies with the Department of National Planning and Monitoring (DNPM), while the Departments of Treasury and Finance are in charge of loans. The DNPM is now preparing the new Development Aid Information System (DAISy), substituting the Development Assistance Database launched in 2008, which is expected to capture all sources of development finance in the medium term.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

All development co-operation reported for this year's exercise was aligned to national and sector-level objectives in Papua New Guinea, while 81% use country-led results and 75% is embedded in national monitoring systems. The government plays an active role in all

planned evaluations, often contributing technical skills and financial means. This favourable result showcases the close interaction between the government and development partners, largely benefiting from a sound development planning and monitoring framework.

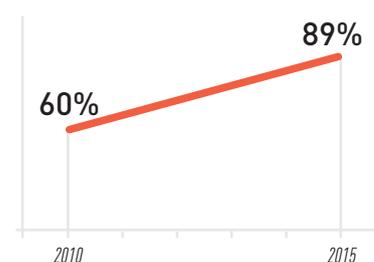


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Eighty-nine percent of reported development co-operation funding was recorded in the government budget in 2015, a solid

increase from 60% in 2010. The rate would have been higher if the World Bank had recorded more than 32% on budget.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

At this stage, the use of Papua New Guinea's country systems is still incipient. In 2015, only 43% of development co-operation was reported as relying on national procedures for budget execution, financial reporting and auditing. For procurement, the proportion was even lower, standing at 11%. Only Australia and the World Bank are using country systems in a substantial manner, while,

among larger partners, the Asian Development Bank, Japan, UNDP and New Zealand operate largely outside national public financial management (PFM) arrangements. While Papua New Guinea's value in the Country Policy and Institutional Assessment (CPIA) has remained stable at 3.0, the government and development partners need to engage in an in-depth dialogue on existing PFM

challenges and the continued reluctance of partners to use these systems as well as joint steps to scale up national capacities in the short and medium runs. The momentum generated around the Development Co-operation Policy provides a valuable opportunity to look into how joint efforts can improve this critical aspect of development effectiveness.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	43%	43%	43%	11%		
INDICATORS 9A & 10.					3.0 ▶	89% ▼

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Civil society organizations (CSOs) and private sector companies are vital players in promoting development in Papua New Guinea's highly diverse society and economy. CSOs are gathered under a number of umbrellas such as the PNG Education Advocacy Network (PEAN) and the PNG Eco-Forestry Forum, which interact with government and development partners primarily at the sector and occasionally at the local levels. National CSOs still suffer capacity gaps and vital funding for high operational costs, especially when it comes to costly domestic travel, and feel that they cannot compete

for development finance with international CSO and consultancy companies entering the national market. Support by international development partners is still incipient. Available finance (e.g., from the European Union) is not yet managed effectively. Public-private dialogue has become a priority as a way to incentivize national business to invest in sustainable development. In recent years, existing dialogue mechanisms have been revived, particularly through the Consultative Implementation and Monitoring Council (CIMC), originally launched in 1998, which is further organized in seven sectoral

committees gathering government, CSOs, private sector and churches, among other players. In sum, Papua New Guinea has built inclusive partnerships through policy dialogue and technical consultations and the government is committed to ensuring that CSOs and private sector contribute effectively to national development with their respective strengths. Taking advantage of new policies to support non-state actors, the government and international partners might provide more stable finance and capacity development opportunities more strategically in the near future.

Indicator 8. Gender Empowerment

Currently, Papua New Guinea lacks an operational budget process to track allocations for gender equality and

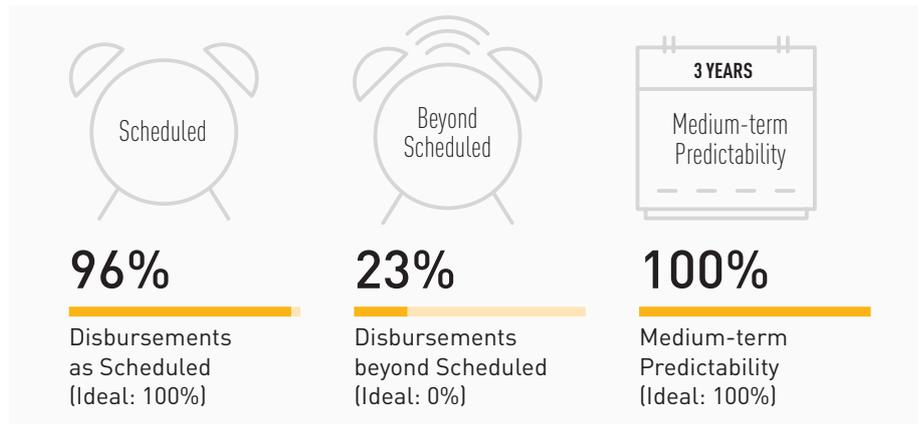
women's empowerment. However, the DNPM has piloted analysis that might open the doors for gender-responsive budgeting

in the medium term, potentially under the government's Gender Equality and Social Inclusion (GESI) programme.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

Ninety-six percent of development co-operation reported in 2015 is disbursed as scheduled in the annual budget, with only limited divergences among partners. Medium-term predictability stands at 100%, as all development partners inform the government with their forward expenditures for the next three years. This outstanding performance reflects the enormous potential of Papua New Guinea to further promote development effectiveness in other areas, in particular the more extended inclusion of official development finance in the government budget.



Indicator 7. Mutual Accountability

In the past years, the Government of Papua New Guinea has substantially strengthened and deepened development effectiveness, particularly by launching the 2015 Development Co-operation Policy, moving forward with mechanisms for collective dialogue and creating a monitoring framework for all partners

to account for the effectiveness principles. This is a vital step forward, as Papua New Guinea traditionally focused on bilateral arrangements in light of a partner portfolio highly concentrated in a few partners (Australia being the most important). Building on a revitalized sense of mutual accountability at policy and technical

levels, the new phase initiated with the 2015 High-Level Forum might improve the performance of the government and development co-operation partners with respect to remaining challenges, such as the use of country systems or a more strategic approach to fostering inclusive partnerships.

National Priorities Going Forward

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With the passage of the new 2015 PNG Development Co-operation Policy and based on the evidence from this survey, PNG would look more into the following:

- Process towards budgetary support
- Platform for government – private sector – CSO systems strengthening
- Data revolution on impact of development co-operation especially on SDG implementation

As part of the country's national planning approach, the PNG would advocate its new National Strategy for Responsible Sustainable Development (StaRS) for adoption by Pacific region countries, as a platform for development planning and as a contribution to the implementation of the SDGs. The StaRS essentially respond to the global course on climate change, responsible use of our resources and our efforts to make this world a better place.

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**Ms. Loia Vaira, National Coordinator
Ministry of Planning, Government of Papua New Guinea**

Footnote: Any discrepancies between information in this profile vs. information that has been reported are due to adjustments that were made after conclusion of the monitoring round.

Disclaimer This document was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Co-operation and, for Country Context, other open source information available online. The views presented cannot be used or cited as an official UNDP source of information.

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