



# PAPUA NEW GUINEA



## MEDIUM TERM DEVELOPMENT PLAN III 2018 - 2022

"SECURING OUR FUTURE THROUGH INCLUSIVE  
SUSTAINABLE ECONOMIC GROWTH"

### VOLUME ONE

DEVELOPMENT PLANNING  
FRAMEWORK AND STRATEGIC  
PRIORITIES



# TABLE OF CONTENTS

<b>ACRONYMS</b> .....	<b>v</b>
<b>FOREWORD BY THE PRIME MINISTER</b> .....	<b>viii</b>
<b>STATEMENT BY THE MINISTER FOR NATIONAL PLANNING</b> .....	<b>xi</b>
<b>INTRODUCTION OF THE MEDIUM TERM DEVELOPMENT PLAN III</b> .....	<b>xv</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>xvii</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>xviii</b>
<b>CHAPTER 1. INTRODUCTION</b> .....	<b>1</b>
1.1 Purpose of Medium Term Development Plan III .....	1
1.2 Overview of the Medium Term Development Plan III Goal and Key Result Areas .....	1
1.3 Linkages between the MTDP III and Government of PNG and International Commitments.....	2
1.4 Integrated Development Planning Framework .....	3
1.5 National Service Delivery Framework .....	4
1.6 Structure of the Plan .....	5
<b>CHAPTER 2. PERFORMANCE OF NATIONAL DEVELOPMENT PLANS</b> .....	<b>7</b>
2.1 Performance of Past Development Plans .....	7
2.2 Lessons Learnt .....	12
<b>CHAPTER 3. MTDP III CHALLENGES AND OPPORTUNITIES</b> .....	<b>14</b>
3.1 International and Regional Contexts.....	14
3.2 Domestic Context .....	15
3.3 Key MTDP III Enablers .....	17
3.4 Way Forward .....	20
<b>CHAPTER 4. THE MTDP III GOAL, KEY RESULT AREAS AND TARGETS</b> .....	<b>22</b>
4.1 MTDP III Overall Goal and Key Result Areas .....	22
4.2 Key Result Area 1. Increased Revenue and Wealth Creation .....	23
4.3 Key Result Area 2. Quality Infrastructure and Utilities .....	28
4.4 Key Result Area 3. Sustainable Social Development .....	32
4.5 Key Result Area 4. Improved Law, Justice and National Security .....	40
4.6 Key Result Area 5. Improved Service Delivery .....	42
4.7 Key Result Area 6. Improved Governance .....	44
4.8 Key Result Area 7. Responsible Sustainable Development.....	47
4.9 Key Result Area 8. Sustainable Population .....	52

<b>CHAPTER 5. FINANCING THE MTDP III.....</b>	<b>54</b>
5.1 Financing Development in 2011- 2017.....	54
5.2 Fiscal Framework for MTDP III.....	55
5.3 Funding Requirements for Implementing MTDP III .....	55
5.4 Sources of Financing MTDP III .....	56
5.5 Tax Credit Scheme .....	57
5.6 Budget Support .....	58
5.7 Long-Term Innovative Financing Approaches .....	59
<b>CHAPTER 6. IMPLEMENTATION APPROACHES AND MECHANISMS .....</b>	<b>60</b>
6.1 Pursue Economic Stimulus and High Impact Projects.....	60
6.2 Harness Assistance from Development Partners .....	61
6.3 Increasing Roles of Provinces and Districts .....	61
6.4 Programme-based Modality.....	61
6.5 Public-Private Partnerships .....	62
6.6 South-South and Triangular Cooperation .....	62
6.7 Sectoral Coordination.....	62
6.8 Review and Enactment of Relevant Legislation .....	63
6.9 Corporate Social Responsibility .....	63
<b>CHAPTER 7. MONITORING AND EVALUATION.....</b>	<b>64</b>
7.1 Rationale for the MTDP III Monitoring & Evaluation (M&E).....	64
7.2 Guiding Principles .....	64
7.3 Focus of the MTDP III M&E .....	66
7.4 Key M&E Processes .....	67
7.5 MTDP III Reporting .....	71
7.6 Monitoring and Evaluation Coordination.....	73
7.7 M&E Governance at all Levels.....	74
7.8 Use of M&E Findings .....	76
<b>CHAPTER 8. RISK MANAGEMENT .....</b>	<b>78</b>
8.1 Lack of Ownership and Accountability .....	78
8.2 Risks Associated with Financing .....	78
<b>CHAPTER 9. MARKETING AND COMMUNICATION STRATEGY .....</b>	<b>80</b>
9.1 Objectives.....	80
9.2 Target Groups .....	80
9.3 Methods of Communication .....	81
9.4 Specific Target Stakeholders and Methods .....	81
<b>REFERENCES .....</b>	<b>83</b>

## LIST OF TABLES

### Chapter 1 – Introduction

Table 1.1 Alignment of MTDP III Key Result Areas to the Seven Pillars of Vision 2050 .....	2
Table 1.2 Alignment of MTDP III Key Result Areas to PNG Development Strategic Plan	2
Table 1.3 Alignment of MTDP III Key Result Areas to Sustainable Development Goals .....	3

### Chapter 2 – Performance of National Plans

Table 2.1 Outcomes of Key MTDP I and II Targets.....	7
Table 2.2 2016 PNG's Human Development Index Ranking.....	9
Table 2.3 PNG Women's Participation at 2007,2012 and 2017 National Elections .....	10

### Chapter 4 – MTDP III Overall Goal, Key Result Areas and Targets

Table 4.1 Increase Revenue and Wealth Creation Goals and Targets .....	26
Table 4.2 Increased Revenue and Wealth Creation Goals and Strategies .....	27
Table 4.3 Key Investments in KRA 1 Increase Revenue and Wealth Creation .....	28
Table 4.4 Quality Infrastructure Goals and Targets .....	29
Table 4.5 Infrastructure Goal and Strategies.....	30
Table 4.6 Key Investments in KRA 2. Quality Infrastructure .....	30
Table 4.7 Sustainable Social Development Goals and Targets .....	36
Table 4.8 Sustainable Social Development Goals and Strategies .....	38
Table 4.9 Key Investments in KRA 3. Social Development .....	39
Table 4.10 Improved Law, Justice and National Security Goals and Targets.....	41
Table 4.11 Law, Justice and National Security Goals and Strategies .....	41
Table 4.12 Key Investments in KRA 4. Improved Law, Justice and National Security.....	42
Table 4.13 Improved Service Delivery Goals and Targets .....	43
Table 4.14 Improved Service Delivery Goals and Strategies.....	43
Table 4.15 Key Investments in KRA 5. Improved Service Delivery.....	44
Table 4.16 Good Governance Goals and Targets.....	45
Table 4.17 Good Governance Goals and Strategies.....	46
Table 4.18 Investments in KRA 5. Good Governance .....	47
Table 4.19 Responsible Sustainable Development Goals and Targets.....	49
Table 4.20 Responsible Sustainable Development Goals and Strategies.....	50
Table 4.21 Key Investments in KRA 7. Responsible Sustainable Development .....	51
Table 4.22 Sustainable Population Goal and Targets .....	53
Table 4.23 Sustainable Population Goal and Strategies.....	53
Table 4.24 Investments in KRA 8. Sustainable Population .....	53

### Chapter 5 – Financing the MTDP III

Table 5.1 Financing Requirements for MTDP III.....	56
Table 5.2 Sources of Financing MTDP III, Kina million.....	57

### Chapter 7 – Monitoring and Evaluation

Table 7.1 Programme/Project M&E Process .....	68
Table 7.2 MTDP III M&E and Annual Budget Process.....	69

## LIST OF FIGURES

### Chapter 1 - Introduction

Figure 1.1 National Planning Framework.....	4
Figure 1.2 Structure of MTDP III.....	6

### Chapter 2 – Performance of National Plans

Figure 2.1 GDP Per Capita of Middle Income Countries .....	12
--	----

### Chapter 4 – MTDP III Goal, Key Result Areas and Targets

Figure 4.1 MTDP III Key Result Areas .....	22
Figure 4.2 Alotau Accord Priorities.....	23
Figure 4.3 PNG Economic Road Network Development & Maintenance Plan 2018-2037 .	31

### Chapter 5 – Financing the MTDP III

Figure 5.1 Development Expenditure 2011 – 2017 .....	55
--	----

### Chapter 7 – Monitoring and Evaluation

Figure 7.1 PMEF’s Goal and Strategic Areas.....	65
Figure 7.2 MTDP III Strategic Framework .....	66
Figure 7.3 DNPM National Data Centre and its Data Sources.....	72
Figure 7.4 M&E Coordination and Communication Flow.....	74

## ACRONYMS

5NGDP	Five National Goals and Directive Principles	DOT	Department of Transport
ASYCUDA	Automated System for Customs Data	DPE	Department of Petroleum and Energy
ADB	Asian Development Bank	DPLGA	Department of Provincial and Local Government Affairs
AIDS	Acquired Immunodeficiency Syndrome	DPM	Department of Personnel Management
APEC	Asia Pacific Economic Cooperation	DRMC	Disaster Risk Management Centre
ARF	ASEAN Regional Forum	DRR	Disaster Risk Reduction
ART	Anti-Retroviral Therapy	DRM	Disaster Risk Management
ARV	Antiretroviral (drug)	DHERST	Department of Higher Education Research Science and Technology
ASEAN	Association of South East Asian Nations		
AWPCF	Annual Work Plan and Cash Flow	DoCI	Department of Commerce and Industry
BCS	Bogia Coconut Syndrome	DRRP	District Road Rehabilitation Programme
BPNG	Bank of Papua New Guinea	DSIP	District Services Improvement Program
CACC	Central Agencies Coordinating Committee	DSP	Development Strategic Plan
CADIP	Civil Aviation Development Investment Program	EEZ	Exclusive Economic Zone
CASA	Civil Aviation Safety Authority	EIMEC	Economic Interagency Monitoring & Evaluation Committee
CBB	Coffee Berry Borer		
CCDA	Climate Change Development Authority	EMIS	Education Management Information System
CEPA	Conservation and Environment Protection Authority	ESP	Economic Stimulus Package (ESP)
CEFI	Centre for Excellence in Financial Inclusion	EU	European Union
CHP	Community Health Post	FAO	Food and Agricultural Organisation
CIC	Coffee Industry Corporation	FDIs	Foreign Direct Investments
CIPR	Capital Investment Project Report	FFA	Forum Fisheries Agency
CLRC	Constitutional Law Reform Commission	FODE	Flexible Open & Distance Education
COE	Centre of Excellence	FPDA	Fresh Produce Development Agency
COP	Coalition of Partners	GAR	Gross Admission Rate
CPB	Cocoa Pod Borer	GDP	Gross Domestic Product
CSO	Civil Society Organisation	GER	Gross Enrolment Ratio
CS	Correctional Service	GESI	Gender Equity and Social Inclusion
DAL	Department of Agriculture and Livestock	GHG	Green House Gas
DDA	District Development Authority	GNP	Gross National Product
DC	Development Cooperation	GoPNG	Government of Papua New Guinea
DCI	Department of Commerce and Industry	GPCO	Gas Projects Coordination Office
DCP	Development Cooperation Policy	GST	Goods & Services Tax
DFA	Department of Foreign Affairs	HDA	Heads of Departments and Agencies
DFAT	Department of Foreign Affairs & Trade	HDI	Human Development Index
DNPM	Department of National Planning & Monitoring	HIV	Human Immunodeficiency Virus
DOF	Department of Finance	HLDTs	High Level Development Targets
DoLPP	Department of Lands and Physical Planning	HQ	Headquarter
DOT	Department of Treasury		

ICA	Immigration and Citizenship Authority	MVIL	Motor Vehicle Insurance Ltd
ICAC	Independent Commission Against Corruption	MW	Mega Watts
ICCC	Independent Consumer & Competition Commission	NAC	National Airports Corporation
ICDC	Industrial Centre Development Corporation	NAQIA	National Agriculture Quarantine Inspection Authority
ICT	Information & Communication Technology	NBC	National Broadcasting Corporation
IDCD	Inter-District Corridor Development	NBN	National Broadband Network
IFAD	International Finance for Agriculture Development	NBP	National Bridges Programme
IFMS	Integrated Financial Management System	NDC	National Disaster Centre
IGIS	Integrated Government Information System	NDB	National Development Bank
ILGs	Incorporated Land Groups	NDOE	National Department of Education
ILO	International Labour Organisation	NDOH	National Department of Health
IMF	International Monetary Fund	NEC	National Executive Council
IPA	Investment Promotion Authority	NEROP	National Electricity Roll Out Programme
IPCD	Inter-Provincial Corridor Development	NFA	National Fisheries Authority
IPO	Intellectual Property Organisation	NFIS	National Financial Inclusion Strategy
IRC	Internal Revenue Commission	NFSA	National Food Security Authority
ISPFS	International Shipping and Port Facility Security	NFSC	National Food Security Council
JICA	Japan International Cooperation Agency	NGO	Non-Government Organisation
KCH	Kumul Consolidated Holdings	NJS	National Justice System
KIK	Kokonas Indastri Koporesen	NHC	National Housing Corporation
KITE	Knowledge, Innovation, Technology and Enterprise	NHRP	National Highways Rehabilitation Programme
KRAs	Key Result Areas	NID	National Identification Document
LDC	Livestock Development Corporation	NIO	National Intelligence Organisation
LLG	Local Level Government	NISIT	National Institute of Standards and Industrial Technology
LLGSIP	Local Level Government Service Improvement Programme	NICTA	National Information Communications Technology Authority
LNG	Liquefied Natural Gas	NLDP	National Land Development Programme
MDG	Millennium Development Goal	NMSA	National Maritime Safety Authority
M&E	Monitoring & Evaluation	NMEF	National Monitoring and Evaluation Framework
MICE	Meetings, Incentives, Conferences and Events	NPC	National Procurement Committee
MIZ	Marine Industrial Zone	NPF	National Planning Framework
MLR	Missing Link Road	NQF	National Qualifications Framework
MMR	Maternal Mortality Rate	NRI	National Research Institute
MPD	Macro Planning Division (Department of National Planning and Monitoring)	NRN	National Road Network
MRA	Mineral Resources Authority	NSDF	National Service Delivery Framework
MS	Magisterial Services	NSDS	National Strategy for Development of Statistics
MSG	Melanesian Spearhead Group	NSLUP	National Sustainable Land Use Policy
MSME	Micro-Small Medium Enterprises	NSO	National Statistical Office
MTDP	Medium Term Development Plan	NSS	National Statistical System
MT	Metric Tonne		
MTFS	Medium Term Fiscal Strategy		
MTTP	Medium Term Transport Plan		

NTS	National Transport Strategy		Sensing/Geographical
NYDA	National Youth Development Authority		Information System
NZ	New Zealand	RST	Research Science and Technology
OEC	Observatory of Economic Complexity	SABL	Special Agriculture Business Lease
OPIC	Oil Palm Industry Corporation	SCs	Steering Committees
OSCA	Office of Security Coordination and Assessment	SCCs	Sector Coordination Committees
PDA	Priority Development Agendas	SC	Sector Committees
PDL	Petroleum Development Licence	SCU	Statistical Coordination Unit
PEFA	Public Expenditure Financial Assessment	SDGs	Sustainable Development Goals
PIF	Pacific Island Forum	SDP	Strategic Development Plan
PIP	Public Investment Program	SIPs	Service Improvement Programmes
PFD	Project Formulation Document	SME	Small & Medium Enterprise
PHA	Public Health Authority	SMEC	Snowy Mountain Engineering Company
PLHIV	Person Living with Human Immunodeficiency Syndrome	SML	Special Mining Lease
PMGH	Port Moresby General Hospital	SOEs	State – Owned Enterprises
PMIZs	Pacific Maritime Industrial Zones	SPC	Secretariat of the Pacific Community
PM&NEC	Prime Minister and National Executive Council	StaRS	National Strategy for Responsible Sustainable Development
PMTCT	Preventing Mother to Child Transmission		Science, Technology, Engineering & Mathematics
PMV	Public Motor Vehicle	STEM	Sexually Transmitted Infection
PNG	Papua New Guinea	STI	Sector Working Groups
PNGDF	PNG Defence Force	SWGs	Tuberculosis
PNGDSP	Papua New Guinea Development Strategic Plan	TB	Tuition Fee Free
PNGFA	PNG Forest Authority	TFF	Transparency International
PNGLNG	Papua New Guinea Liquefied Natural Gas	TI	Tourism Master Plan
PNGPCL	Papua New Guinea Ports Corporation Limited	TMP	Tourism Promotion Authority
PNGSC	PNG Sports Commission	TPA	Technical Vocational Education & Training
PNGSDS	Papua New Guinea Strategy for Development of Statistics	TVET	Universal Basic Education
PRC	Peoples Republic of China	UBE	United Nations
PRRMP	Provincial Road Rehabilitation Maintenance Program	UN	United Nations Development Programme
PSC	Project Steering Committee	UNDP	United Nations Framework Convention on Climate Change
PSIP	Provincial Services Improvement Program	UNFCCC	United Nations Fund for Population Activities (former), now UNPF
PPL	Papua New Guinea Power Limited	UNFPA	United States
PPP	Public Private Partnership	US	Vulnerable and Disadvantaged Groups
QEB	Quarterly Economic Bulletin	VDGs	Voluntary Customary Land Registration
RAA	Rural Airstrip Agency	VCLR	Voluntary Land Registration
RAMS	Road Audit Management System	VLR	Water, Sanitation and Hygiene
R&D	Research & Development	WaSH	World Bank
RMF	Results Monitoring Framework	WB	World Governance Index
RERBP	Rural Economic Road and Bridge Program	WGI	World Trade Organisation
RMUPP	Road Maintenance and User Pay Program	WTO	
RS/GIS	Remote		

## FOREWORD BY THE PRIME MINISTER



My Government has completed the formulation of our Medium Term Development Plan III, which details our five year development plan from 2018-2022. The Plan sets out our development objectives, strategies and financing plan to fund our key development priorities in line with our plan.

It is the core responsibility of any Government to improve the quality of life for its current generation and plan to deliver a better, safer and secure future for generations thereafter. Since independence we have made much progress in our development efforts but much more needs to be done to improve the quality of life of our citizens especially those who live in underserved rural and remote communities in the districts.

PNG's social and human development indicators, such as literacy rate, life expectancy at birth, and under-five mortality, have been gradually improving since the 1970s. For example, at independence, PNG's gross enrolment ratio in education was 54.4% and grew to 144% in 2016. PNG's average life expectancy at birth was 45 years in 1975 but improved to 54 years in the 2000s and 62 years in 2016. Under-five mortality improved from 147 per 1,000 live births in the 1970s to 50 in 2017. Similarly, infant mortality improved from 77 per 1,000 live births in the 1970s to 44 in 2016. This is the result of successive governments investing significantly in rural and remote areas. Province and District Service Improvement Program, Tuition Fee-Free education and Free Primary Health care program are currently addressing the development needs of our people. Investment in roads, airports, sports infrastructure, wharves and sea ports have greatly enhanced the outlook of our urban towns and cities. Focus of our Plan is to grow the economy and to increase our internal revenue by 50%, building key strategic enabling infrastructure to unlock our economic potential, skill and create more jobs more business and wealth for our citizens. This will improve the quality of our health and education services and further ensure effective service delivery to our 89 districts.

My Government is passionate about improving the quality of life of our citizens. However, our ability to do more for almost eight million citizens is limited due to inadequate internal revenue base. Our current internal revenue is K10 billion a year on average and is grossly inadequate to meet our health, education and other sector needs. To adequately meet the growing needs of our population, much higher internal revenue is required. To put this in perspective, New Zealand operates with an internal revenue of K190 billion a year to serve five million people. Even though they do not have vast natural resource endowments like Papua New Guinea, very high internal revenue is generated from sustainable sectors in agriculture, fisheries, tourism, manufacturing and services. My Government has learnt from the economic successes of countries like New Zealand and therefore made the right decision to focus on economic growth as our highest policy priority in Alotau Accord II.

In the MTDP III, we are focusing on increased investment in the economic sector to stimulate broad based economic growth. Apart from our investments in enabling infrastructures like wharves, airports, highways and communications, we will continue our efforts to partner the private sector to secure critical investments that will create more jobs for our citizens, increase our exports and replace imports resulting in significant increase in our internal revenues.

In the renewable sector, the government in partnership with the private sector has embarked on a number of key large-scale sustainable agriculture projects. We have completed one dairy factory in Port Moresby with the second one to be built in Lae. In a similar partnership arrangement, the Government will invest significantly to grow rice on a large commercial scale to replace imports, grow our cocoa, oil palm, coffee, fresh produce, revitalise the livestock sector and promote the downstream processing of our raw materials. Pacific Marine Industrial Zone (PMIZ) in Madang will significantly increase the volume of processed marine products for domestic and export markets with creation of more employment opportunities. My Government will also promote manufacturing of more forest products and ban round log exports by 2020. The Government will expand and add value through downstream processing at strategic locations throughout the country.

My Government is working hard to deliver large resource projects like the second PNG LNG Project, Wafi-Golpu Mine and other projects.

To facilitate this economic sector stimulus, we are investing in key enabling infrastructures. We will build four new international wharves to improve trade flows and provide markets for our produce. We will construct five new national highways and missing road links to unlock the vast economic potential of our country.

We are also investing in making Papua New Guinea a safer, attractive and competitive investment destination by reducing the cost of Internet access and power, improving the law and order situation and national security, and addressing the issue of youth unemployment. One of the most important projects is the Kumul Submarine Fibre Optic Cable across the Coral Sea and the domestic cable from Port Moresby to Wutung, West Sepik to enable the high-speed Internet connection and reduce the cost of internet and other services. Furthermore, the Government is investing in more reliable and cost-efficient models of power generation and transmission of electricity to reduce cost for businesses and people. My Government will increase the size of the police force, create a new army battalion in Hela Province and make further investments in correctional service, judiciary and other law enforcement agencies. To address high youth unemployment, my Government will focus on improving access to education and skills training by developing five more polytechnic institutions throughout the country. My Government will invest in new regional youth business incubation centres based on the highly successful Indian model. In addition, the economic stimulus package will provide the platform for more job opportunities for our people.

Over the medium term these investments will result in increased internal revenues to fund health and education services as well as improving services in our rural districts. The MTDP III will focus on the following district programs: district hospitals, district offices, district town water supply systems, district town roads upgrading and sealing, and rural electrification program. My Government is determined to transform our rural districts in the next five years.

We intend to use the opportunity of hosting the 2018 Asia Pacific Economic Cooperation (APEC) Summit to secure high impact projects, which are necessary to building our economic growth base. Collectively, we need to aggressively market trade and investment opportunities in our country to attract more foreign direct investments.

My Government is committed to ***'Securing our future through inclusive sustainable economic growth'*** as our goal to guide the development over the term of MTDP III. It is incumbent on all citizens, development partners and the private sector to rise up and work with the Government in building a more robust and inclusive economy. Our biggest single risk going forward is the uncontrolled population growth.

Together, we must all take responsibility to reduce the growth rate and maintain the population at a more sustainable level that we can manage as other countries have done successfully.

I thank the Minister for National Planning, Hon. Richard Maru, MP, Acting Secretary Mr. Koney Samuel and the staff of the Department of National Planning and Monitoring for the formulation of MTDP III (2018-2022). I call on all partners and actors in development for your collective efforts to execute this important Plan. I am confident that the successful implementation of the MTDP III will result in the social and economic transformation of our country.

I commend my Government's Medium Term Development Plan III to all our development partners, the private sector, all provinces and districts and to all our people. I urge you all to do your best to support my Government implement this Plan successfully for the benefit of our current and future generations.

God Bless Papua New Guinea!

*Peter O' Neill*

**HON. PETER O'NEILL, CMG, MP**  
**Prime Minister of Papua New Guinea**

## STATEMENT BY THE MINISTER FOR NATIONAL PLANNING



This MTDP III was formulated through a rigorous process involving wide stakeholder consultations at international, regional, national, provincial and sectoral levels over a period of nine months.

We also conducted a detailed review of our socio-economic performance over the past 10 years and in past development plans (MTDP I and MTDP II). The success and failures of these plans gave us invaluable lessons as the basis to formulate the MTDP III. To give us better international perspectives of the Plan, we have learnt significant insights from development performances of many countries within the Asia-Pacific Region.

The conclusions that became very apparent during the review were as follows:

- Our current economy is too small and we are not able to generate sufficient internal revenue to adequately fund the needs of our population which has quadrupled since Independence and continues to grow at an alarming rate of 3.1% per annum;
- PNG will continue to struggle to meet the requirements of our growing population unless we grow the internal revenue significantly and also succeed in reducing the population growth to a more manageable and sustainable level;
- Our over-reliance on the non-renewable resources has been PNG's biggest policy mistake since Independence;
- The quality of our education has declined considerably in recent years from Tertiary, Secondary, High School, to Primary Schools, particularly in the areas of English, Science and Mathematics;
- PNG has focused less on disease prevention but rather used more of our resources on the disease treatment especially in the primary health care. A clear example is our average immunisation coverage is less than 40% when the global average is 80% resulting in the re-emergence of diseases like polio. We have generally focused less in improving health services in our rural districts and communities resulting in too many preventable deaths from diseases like TB, malaria, pneumonia and also the high maternal and infant mortality rates compared to other countries in the region. Lack of investment and attention in the secondary health sector has resulted in too many unnecessary deaths related to cancer and lifestyle diseases;
- Only 5 per cent of the total capital investment budget has been spent in economic sector over the previous medium terms. The MTDP III intends to boost the economy by investing more in the economic sector activities to generate adequate revenues.
- PNG has lost out on significant capital investment opportunities by not optimising our gains in the management of development cooperation through programs funding and delivery modalities;
- Tax Credit Scheme has been a very effective source of funding to deliver critical capital investment projects despite some of the weaknesses that can be addressed by the current policy reforms;
- Papua New Guinea has serious youth and employment crises that need to be addressed immediately;

- Our very serious law and order problems and the high cost of doing business in Papua New Guinea continue to be major obstacles in attracting private sector investments in critical sectors. Our key resource projects are also exposed to present and potentially more damaging law and order issues;
- Development planning has been very difficult because of lack of basic and accurate statistical data in all sectors. This was compounded by the failed 2011 National Census and the NSO's inability to complete our National Accounts up to current;
- The current systems of elections are very costly, resulting in too many election related violence, loss of many lives and properties valued in the millions of kina, so many disputes ending up in the court of disputed returns. Total overhaul and reform is required for the next election;
- Our Defence Force is not adequately equipped to assist in national disasters and in callouts by the Government because it lacks air capabilities like helicopters and its own planes;
- Despite our plans to grow the agriculture sector, the lack of world class biosecurity regime will continue to be our major threat to the sector. The damage that the cocoa pod borer did to the exports in the cocoa industry shows clearly the devastating effects of disease incursions. Current coffee borer and the Bogia coconut syndrome negatively affect production of major agricultural commodities. The review also found that agriculture production is price elastic, thus our cash crop farmers are growing cash crops when the prices are high and attractive;
- Despite all our challenges, Papua New Guinea has vast economic potential to grow the economy and increase internal revenue significantly if we focus on investing in renewable sectors on an inclusive and sustainable growth path.

These conclusions have helped to shape the formulation of the Medium Term Development Plan III which has the following overarching objectives:

- To build a bigger and more inclusive and sustainable economy that substantially increases our internal revenue;
- To create a more attractive environment for private sector investment especially in the renewable sectors;
- To provide more skills training and employment opportunities for our growing youth population and our citizens generally. For the youths in particular, we will invest in regional youth business incubation centres to upskill and empower them to take up self-employment as an employment option;
- To empower our citizens and provide them more business and wealth creation opportunities targeting both the informal and formal sectors;
- To improve the quality of education and health care in both our rural and urban areas, with strategic investments in the secondary health services and improved health systems in the Districts through the introduction of Level 4 District Hospitals in every Districts of the country. We will upscale our four National High Schools to Schools of Excellence as a deliberate quality of education improvement initiative. We will also bring in specialist Maths, Science and English teachers to assist us in improving our performance in these critical subjects in Secondary Schools. We will also work towards policy reforms where all primary school teachers must have first degrees and all High School and Secondary School teachers must have Post Graduate Degree as minimum qualification;
- To invest in upgrading the Port Moresby and Angau Hospitals to Level 7 Super Specialist Hospitals so they are equipped to provide diagnostic services for early detection and treatment of cancers, heart and other diseases to prevent many unnecessary losses of lives. We are also building the new Enga and Central Provincial Hospitals and upgrading others around the country;

- To improve our national, provincial and district planning we need to develop an effective method for data collection, storage and dissemination of information to all stakeholders. The focus is on delivering the 2020 National Census successfully, completing the NID Rollout by 2021 and implementing our National Strategy for Development of Statistics and Policy Monitoring and Evaluation Framework;
- To replace the current manual voting system with electronic one and returning to the first-past-the-post voting system by the 2022 National Elections;
- To reduce and maintain our population at more manageable and sustainable level;
- To improve the air capabilities of the Defence Force to respond quickly and more effectively to natural disasters and patrol our vast Exclusive Economic Zone (EEZ);
- To unlock the vast untapped economic growth potential of our country, partnerships with the private sector investors in economic projects are critical. Priority focus is on commercial agriculture to replace imports, increase exports and secure high value products by processing domestically. It will create more jobs and generate income for our country like the PMIZ Project in Madang Province;
- To invest in many key enabling infrastructures and reduce the cost of doing business. These key infrastructure projects include the rehabilitation of the Highlands Highway, development of Momase Highway, Central to Milne Bay Highway, Morobe to Gulf Highway, Baiyer to Madang Highway, Gulf to Southern Highlands Highway, new international wharves in Wewak, Kikori, Vanimo, and Manus, Nadzab Airport redevelopment and other major infrastructure projects;

In summary, the MDTP III outlines the O'Neill/Abel Government roadmap to grow the economy significantly in the next five years (2018–2022) with the goal of generating higher internal revenue on a sustained basis to meet the growing demands and needs of our population. Our Government will invest K27 billion to fund the implementation of the MTDP III. If funded fully and implemented successfully, this Plan has the potential to transform our rural districts and communities. Papua New Guinea will witness the improvement in the level of services provided to our people. Better quality health and education will enhance the overall quality of lives for our people over the medium term. To secure more funding from our Development Partners, the Government has revised the Development Cooperation Policy. The focus of the policy is now shifted to National, Provincial and District infrastructure projects, especially on a kina to kina basis and further directs the 50 percent of the total Aid funding to support infrastructure projects. We have also increased the funding from the Tax Credit Scheme to assist the Government in financing the Plan.

In this way, we will have a better chance of meeting our own development targets and the Global UN Sustainable Development Goals in many areas.

Our challenge is to fund and successfully implement this exciting Plan that builds on the investments and many lessons of the past two Medium Term Development Plans. Our Government is passionate about delivering much better development outcomes for our country and build a solid base for further growth and prosperity in the years ahead as we all work together to achieve the Vision 2050 target of being a top 50 nation in terms of the HDI ranking in the world.

Finally, on behalf of my Ministry and the Department, I would like to thank everyone who has contributed to formulate the MTDP III, especially my Acting Secretary, Mr. Koney Samuel, and Staff of the Department of National Planning and Monitoring. They have put in many long hours including weekends to complete the formulation of the Plan.

I thank the Prime Minister, Hon. Peter O'Neill, and my colleague Ministers for their invaluable inputs, guidance and approval of the Plan. I look forward to their support in implementing the MTDP III successfully over the next five years.

We commit our Plan to God and trust that with his providential care we can scale the heights and achieve the ambitious targets we have set for ourselves in pursuit of our goal to “*Secure our future through inclusive sustainable economic growth*”.

*Richard Maru*

**HON. RICHARD MARU, BTech, MBA, OBE, MP**  
Minister for National Planning and Monitoring

# INTRODUCTION OF THE MEDIUM TERM DEVELOPMENT PLAN

## III



The Medium Term Development Plan III (MTDP III) captures the main thrust of the Alotau Accord II and sets the Goal of “Securing our future through inclusive sustainable economic growth” by focusing on key investments to further stimulate the economic growth in the medium term. The key priorities of the Alotau Accord II are (1) inclusive Economic Growth with renewed focus in Agriculture, (2) continuing with Infrastructure development, (3) improvement of quality of Health Care, (4) improvement of quality of Education and Skills Development, and (5) improvement of Law and Order.

Building on the gains and experiences of MTDP I and II (2012-2017) and the priorities of Alotau Accord II, this Plan was formulated taking into account also the principles of inclusiveness and sustainability prescribed by the Strategy for

Responsible Sustainable Development (StaRS) and the United Nations Sustainable Development Goals (SDG). Under the MTDP III, the Government will focus on: (1) Increasing the revenue base and improving revenue collection, (2) increasing exports, (3) reducing imports, (4) improving and increasing opportunities for citizens to create wealth, and (5) improving the quality and effectiveness in the delivery of public goods and services.

Implementing the MTDP III requires ownership by all stakeholders at all levels of government. All concerned stakeholders are required to develop and implement their respective development plans in line with the priorities of the MTDP III. This requires strong alignment and integration among all development players. The PNG Planning and Responsibility Act 2016 defines the National Planning Framework for proper coordination of the national development strategy. The framework also sets out the effective monitoring, evaluation and reporting processes to promote greater efficiency, productivity and ultimately achieve the intended national development outcomes.

The MTDP III serves as the national development framework to deliver the key development outcomes and targets for the next five years. It guides the national and sub-national governments to:

- Focus on key economic, infrastructure, social, law and justice development outcomes;
- Adopt a medium and long-term view to development planning, implementation and monitoring;
- Align all development plans over the medium term (2018-2022) towards achieving Vision 2050 targets; and
- Identify and prioritise resourcing of the sector programs and projects in the next five years.

Furthermore, the MTDP III will guide PNG towards achieving high-income status by 2050 as envisaged in the PNG Vision 2050. The MTDP III compels us all to adopt a medium to long-term approach to sustainably manage our economy and provide quality social services to our people. Key programmes and projects targeted for investment by sector agencies and provinces over the medium term are clearly outlined with their specific funding requirements. These programmes and projects are locked into the five-year MTDP III Investment Plan and funded through the annual budgets.

I commend the O'Neill/Abel Government, through the Minister for National Planning Hon. Richard Maru, MP for charting and securing our future through the inclusive sustainable economic growth pathway.

*Koney Samuel*

**KONEY SAMUEL**

Acting Secretary

Department of National Planning and Monitoring

## ACKNOWLEDGEMENT

I acknowledge with profound gratitude the active participation and contributions of the various stakeholders and institutions in formulating the Papua New Guinea's Medium Term Development Plan III. The dedication and hard work put in by all the staff of the Department of National Planning and Monitoring is highly appreciated.

In a special way, I acknowledge and thank the Hon. Richard Maru, BTech, MBA, OBE, MP, Minister for National Planning for his guidance, foresight and strong leadership demonstrated in the course of the formulation of this Plan.

My Department is immensely grateful for all the relevant data and statistical inputs provided by the respective Ministries, Departments and Agencies, Provinces and Districts that assisted us in formulating the MTDP III key result areas, targets and investment priorities.

I also acknowledge the special contributions made by the Private Sector, Development Partners, Civil Society Organisations, and the Churches, whose views, suggestions and valuable comments have shaped our economic growth agenda, broaden our understanding of the development issues and priorities for the country, and allowed us to embed the Agenda 2030 and Sustainable Development Goals into the Plan.

Special thanks are accorded to the European Union, the UN Systems and the Australian DFAT for their technical and financial support throughout the MTDP III formulation process. Furthermore, we are also indebted to all our corporate sponsors who funded the National Planning Summit in Lae in April 2018 to gauge the views of all our major stakeholders. Moreover, we also acknowledge and thank the Provincial Governments, the Administrators and other provincial stakeholders for their invaluable support in co-hosting the four Regional MTDP III Consultation Forums.

Furthermore, I acknowledge the support of the Chief Secretary to Government, Amb. Isaac Lupari, CBE, and all the Heads of Departments and Agencies for their cooperation throughout course of the MTDP III consultations.

Finally, I acknowledge and thank the Prime Minister of Papua New Guinea, Rt. Hon. Peter O'Neill, CMG, MP, his Cabinet Ministers and other Members of Parliament for their participation and guidance during the MTDP III formulation, the final deliberations and approval of the Plan.

In all I acknowledge the Almighty God for his abundant grace and infinite wisdom in guiding us this far and continues to grace us in the next five years to realise our dreams.

*Koney Samuel*

**KONEY SAMUEL**

**Acting Secretary**

Department of National Planning and Monitoring

## EXECUTIVE SUMMARY

The Medium Term Development Plan III (MTDPIII) is a five year development plan for Papua New Guinea which will cover the period 2018-2022. This plan builds on the positive gains and lessons learnt from the two previous Medium Term Development Plans, the MTDP I (2011-2015) and the bridging MTDP II (2016-2017). The MTDP III is the first medium term development plan to be aligned to the parliamentary cycle of five years, in which every new Government will have its own five-year Medium Term Development Plans.

The strategic development priorities were crafted in the Alotau Accord II for the O'Neil/Abel Government to deliver over the next five years. The Alotau Accord II embodies the five (5) major priorities on: 1) inclusive Economic Growth with renewed focus in Agriculture, 2) continuing with Infrastructure development, 3) improvement of quality of Health Care, 4) improvement of quality of Education and Skills Development, and 5) improvement of Law and Order.

**The overall goal of MTDP III is to secure the future through inclusive sustainable economic growth.**

The key objectives of the MTDP III are:

- (i) Increase the internal revenue on a sustainable basis to secure sufficient resources from domestic tax collections, non-tax revenues and export earnings;
- (ii) Increase training, capacity and employment opportunities for PNG citizens;
- (iii) Increase PNG ownership and benefits in the formal business sector;
- (iv) Improve quality of service delivery in rural districts across the country;
- (v) Create a safe and competitive environment to attract foreign and domestic investments;
- (vi) Support provinces and districts to generate sustainable internal revenue;
- (vii) Manage population growth at a sustainable level and promote family planning; and
- (viii) Improve evidence-based planning process.

To fulfil the above-mentioned key objectives, the Government's inclusive and sustainable growth agenda is captured in the Eight (8) Key Result Areas (KRAs), which it plans to achieve during the period 2018-2022:

1. Increased Revenue and Wealth Creation,
2. Quality Infrastructure and Utilities,
3. Sustainable Social Development,
4. Improved Law and Justice and National security,
5. Improved Service Delivery,
6. Improved Governance,
7. Responsible Sustainable Development, and
8. Sustainable Population.

The Plan will intensify the Government Investments through Economic Stimulus Packages (ESP) which will bring sustainable and inclusive economic growth while continuing our efforts on improving the service delivery outcomes in health and education, increased access to and connectivity across the country through infrastructure and utilities and sustained growth in the non-mining and petroleum sectors share to GDP.

To secure inclusive and sustainable economic growth, the MTDP III strives to bring development to district level, focusing on district infrastructure and district economic enablers – markets, roads and utilities, such as water, electricity, and telecommunication. The Government's effort to develop infrastructure, unlock the land for business, secure state equity financing, and resolve law and order issues will result in reducing the cost of doing business in PNG. In turn, this will encourage the growth of SME sector, provide safe and attractive environment for foreign direct investments, and tourism. Furthermore, it will create a better and brighter future for all Papua New Guineans.

The achievement of the MTDP III targets requires a strategic shift in Capital Investment Budget Allocations. Economic sector will be given prominence in the medium term. The share of investments in economic growth areas will increase dramatically from the current 5% of the total capital expenditure to 12% in the next five years of MTDP III (2018-2022). At the same time, adequate funding allocations will be directed towards the areas of population growth and youth, high unemployment rates, and law and order. The Government will continue to finance key investments in quality health and education, transport and utilities infrastructure over the medium term.

The MTDP III clearly outlines the major investment areas and growth opportunities, while acknowledging the risks and challenges. If this Plan is implemented successfully, it will stimulate economic growth, improve quality of lives, provide safe and secure environment, and finally advance the country in reaching the higher goals and targets, which will eventually improve PNG's HDI ranking globally.

# CHAPTER ONE

## INTRODUCTION



## CHAPTER 1. INTRODUCTION

The PNG Planning and Monitoring Responsibility Act 2016 mandates the formulation of the Medium Term Development Plan (MTDP) III 2018-2022 as the national development framework for the country. This publication is the third Medium Term Development Plan for PNG since 2010.

### 1.1 Purpose of Medium Term Development Plan III

The MTDP III sets out the Government's development priorities for the next five years (2018-2022). It provides the direction for everyone with a stake in development, including departments and agencies at all levels of government, private sector, development partners and other stakeholders. The MTDP III defines the policy directions and priority areas for investment within different sectors. This ensures the flow and direction of resources to where they are required to make a change in the lives of people. The MTDP III outlines strategic interventions, implementation strategies and the key players to contribute to the PNG's development outcomes through collective participation by all Papua New Guineans.

### 1.2 Overview of the Medium Term Development Plan III Goal and Key Result Areas

The PNG Vision 2050 expresses the aspiration for PNG to be a 'Smart, Wise, Fair, Healthy and Happy Society by 2050' and be in the top 50 countries in the Human Development Index (HDI) ranking. The PNG Development Strategic Plan (DSP) 2010-2030 envisions PNG to be a 'middle-income country' by the year 2030.

MTDP I and MTDP II translated the Vision 2050 and DSP 2030 into more specific programmes for implementation over the relevant five-year period. Both plans focused on building the enabling environment through appropriate investments in social, economic, law and order and transport infrastructure. During the implementation period of the two plans, the government invested significantly in Tuition Fee-Free Education, Free Primary Healthcare and other key enablers. Notable progress was also made in other sectors. As a result, PNG has now reached a lower middle income country category.

The MTDP III builds on these national development strategies with greater focus on sustainable and inclusive economic growth over the next five years. To achieve the overall goal of MTDP III of '*securing our future through inclusive sustainable economic growth*', the following are the eight (8) Key Result Areas (KRAs):

- KRA 1: Increased revenue and wealth creation
- KRA 2: Quality infrastructure and utilities
- KRA 3: Sustainable social development
- KRA 4: Improved law and justice and national security
- KRA 5: Improved service delivery
- KRA 6: Improved governance
- KRA 7: Responsible sustainable development
- KRA 8: Sustainable population

### 1.3 Linkages between the MTDP III and Government of PNG and International Commitments

MTDP III has been developed within the key Government policy and planning framework and international commitments. The Five National Goals and Directive Principles of the Constitution (5NGDP), Vision 2050 and PNGDSP 2030 provide the long term vision and goals for national development. This ensures sufficient opportunities for personal and national advancements through inclusive economic growth, smart innovative ideas and quality services operating on an equitable platform within a safe and secure social and political environment. The Strategy for Responsible Sustainable Development (StaRS) continues to elevate the principles of responsible sustainable development agenda. Tables 1.1 and 1.2 show the alignment of the MTDP KRAs to the seven pillars of PNG Vision 2050 and the Development Strategic Plan 2030 respectively.

**Table 1.1** *Alignment of MTDP III Key Result Areas to the Seven Pillars of Vision 2050*

PNG Vision 2050 Seven Pillars	MTDP Key Result Areas
Human Capital Development, Gender, Youth and People Empowerment	KRA 3
Wealth Creation	KRA 1
Institutional Development and Service Delivery	KRA 5
Security and International Relations	KRA 4
Environmental Sustainability and Climate Change	KRA 7
Spiritual, Cultural and Community Development	KRA 3
Strategic Planning, Integration and Control	KRA 6

**Table 1.2** *Alignment of MTDP III Key Result Areas to PNG Development Strategic Plan Objectives*

PNG Development Strategic Plan Objectives	MTDP Key Result Areas
Strategic Planning	KRA 8
Systems and Institutions	KRA 6
Human Development	KRA 3
Wealth Creation	KRA 1
Security and International Relations	KRA 4
Environment and Climate Change	KRA 7
Partnership with Churches for Integral Human Development	KRA 3

PNG is a signatory to several international conventions and treaties, including the Sustainable Development Goals (SDGs). PNG has an obligation to take action and regularly report to the UN General Assembly. The country's reputation is at stake with the achievement of Agenda 2030 and the SDGs. Figure 1.3 shows the alignment of MTDP KRAs to SDGs.

**Table 1.3 Alignment of MTDP III Key Result Areas to Sustainable Development Goals**

Sustainable Development Goals	MTDP Key Result Areas
No Poverty	KRA 1
Zero Hunger	KRA 1
Good Health and Well-Being	KRA 5
Quality Education	KRA 5
Gender Equality	KRA 1
Clean Water and Sanitation	KRA 7
Affordable and Clean Energy	KRA 7
Decent Work and Economic Growth	KRA 1
Industry, Innovation and Infrastructure	KRA 2
Reduced Inequalities	KRA 3, KRA 1
Sustainable Cities and Communities	KRA 3, KRA 7
Responsible Consumption and Production	KRA 7
Climate Action	KRA 7
Life Below Water	KRA 7
Life on Land	KRA 7
Peace, Justice and Strong Institutions	KRA 4
Partnerships for the Goals	KRA 6

## 1.4 Integrated Development Planning Framework

PNG Planning and Monitoring Responsibility Act 2016 establishes the National Planning Framework (NPF), the National Service Delivery Framework (NSDF), the National Monitoring and Evaluation Framework (NMEF), linking the National Budget to the MTDPs through an Annual Budget Framework Paper. The PNG Planning and Monitoring Responsibility Act 2016 mandates the Medium Term Development Plan (MTDP) III 2018-2022 as the national development planning framework for the country. This publication is the third Medium Term Development Plan for PNG.

The MTDP III is formulated within the existing National Planning Framework as shown in *Figure 1.1*. All sectoral, provincial and district plans must be aligned to implement Government's development priorities over the next five years.



Figure 1.1 National Planning Framework

## NATIONAL PLANNING FRAMEWORK



Development planning is undertaken at different levels of government. At the national level, various sector agencies take the lead to plan and guide their respective sector growth and development. At the sub-national level, plans are expected to align to the national plans and cascade down to the lower levels of government. This alignment is important to attract funding resources to support critical development interventions at all levels of government.

Planning at the sub-national levels of government became mandatory following the introduction of the Organic Law on Provincial and Local Level Governments (OLPLLG) 1985. Experience to date shows that alignment of the plans had been weak and disjointed. As a result, intervention programmes have been less synchronized leading to duplication and inefficient distribution of financial resources.

### 1.5 National Service Delivery Framework

The PNG Planning and Monitoring Responsibility Act 2016 establishes the National Service Delivery Framework (NSDF) for guiding the delivery of services throughout the country. The NSDF sets out the minimum level of services that Government will provide at each service delivery centre, which include regional headquarters, provincial headquarters, local-level government headquarters, ward zone headquarters and ward headquarters. The NSDF uses the spatial planning approach to deliver services to areas based on population size and the social, economic and environment conditions. The NSDF implements the MTDP through service delivery plans, programmes and projects that are outlined in the five-year development plans of Provincial and Local-Level Governments under Section 16 of the Organic Law on Provincial and Local Level Governments, and Section 38 of the Local Level Government Administration Act 1997 respectively.

The NSDF complements the existing policies and frameworks that promote *Frontline Service Delivery – People First* or *People Centric Approach* through Service Delivery Function Determination, Service Delivery Charters, and Service Delivery Partnership Agreements.

## 1.6 Structure of the Plan

The MTDP III consists of two volumes – Volume 1 and 2.

The Volume 1 focuses on the development planning framework and strategic priorities and comprises 9 chapters. *Chapter 1* outlines the national goals and guiding principles of MTDP III, providing the overarching planning framework and general policy directions. *Chapter 2* reviews the performance of the previous development plans and the lessons learnt from implementation of MTDP I and II. *Chapter 3* discusses the opportunities, challenges and key enablers the Government takes into account in the implementation of the Plan. *Chapter 4* presents the overall goal and key result results areas. *Chapter 5* focuses on the financing aspect of MTDP III, identifying the requirements and gaps in funding of capital investment in the medium term. The chapter also discusses possible sources of financing, including the Infrastructure Tax Credit Scheme, budget support and other financing modalities. *Chapter 6* describes basic and innovative implementation approaches of the Government to achieve the development goals and outcomes. *Chapter 7* presents the Monitoring and Evaluation Plan. It establishes the enabling mechanisms and processes, including governance to monitor, evaluate and report the performance and results of MTDP III in an open, transparent and collaborative manner. *Chapter 8* discusses possible risks and sets out the risk management strategy for the implementation of the Plan. Finally, *Chapter 9* – the marketing and communication strategy – explains how the information on MTDP III will be communicated to the various stakeholders and to draw more feedback during the implementation period of this Plan.

Volume 2 contains the implementation and investment plan of the MTDP III. It includes detailed sector strategies over the medium term, which are translated into targets and deliverables aimed at achieving the priority goals. Details of targets are contained in the logical frameworks (logframes) with clear sector goals, indicators, baselines and targets for 2022, which are annualized from 2018 to 2022. It also includes the lead government agencies and the other partner agencies and the resource requirements. Key investment programmes that will be implemented by sector agencies and provinces to achieve the development targets and outcomes over the medium term are clearly outlined in the investment plan. These programmes will be locked into the annual budgets and consistently funded over the MTDP III implementation period.

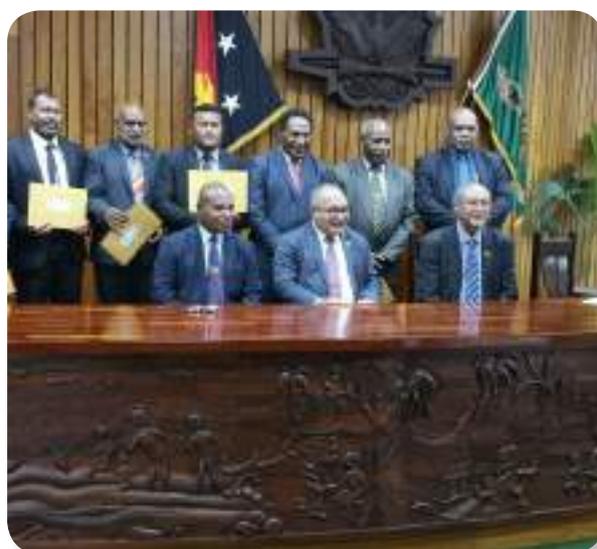


Figure 1.2 Structure of MTDP III



# CHAPTER TWO

## PERFORMANCE OF NATIONAL DEVELOPMENT PLANS



## CHAPTER 2. PERFORMANCE OF NATIONAL DEVELOPMENT PLANS

Papua New Guinea (PNG) has had a relatively long experience in development planning beginning with the Eight Aims or Eight Point Plan since Independence. PNG's development over the last four decades has been guided by various plans and strategies, such as the PNG Improvement Plan 1972-1973, National Public Expenditure Plan (NPEP) in the late 1970s and Medium Term Development Strategy (MTDS) during the 1990s. Other major strategic policy initiatives have been the PNG Vision 2050 and the PNG Development Strategic Plan (DSP) 2010-2030.

The MTDP I (2011-2015) and MTDP II (2016-2017) translated the Vision 2050 and DSP 2030 into more specific programmes for implementation.

A review of the past two plans show that many issues hindered effective implementation, resulting in the plans having mixed results or not achieving targeted development outcomes.

### 2.1 Performance of Past Development Plans

Targets of MTDP I and II were partially achieved as shown in *Table 2.1*. Key indicators for health and education have been slightly improved whilst progress in infrastructure and economic activities were mixed with decline in law and justice sector performance.

**Table 2.1 Outcomes of Key MTDP I and II Targets**

Sector	Indicator	MTDP Targets for 2015	Where we were in 2017	Trend	Score Card	Comments
Human Development Index	HDI	154/185 (Actual ranking in 2015)	154/185	-		No improvement since 2015.
	Population Growth Rate	2.2%	3.1%	+0.9		Population grew by 0.9%
	Proportion of population under National Poverty Line (%)	39.9 (Actual rating in 2012)	37.5	+2.4		Improved by 2.4%
	Unemployment rate (%)	2.6 (Actual rate in 2015)	2.6	-		No improvement since 2015
Health	Infant Mortality Rate (deaths per 1,000 live births)	43	50	+7		Target not achieved. Infant mortality rate well over by 7
	Maternal Mortality Rate (deaths per 100,000 live births)	500	210	-290		Target achieved with improvement in maternal mortality by 290

Education	Teacher-Pupil Ratio (Secondary)	1:44	1:43	-1	👍	Achieved target by 1. 1 less student per teacher.
	-Net enrolment ratio in elementary education	87.8	87.8	-	👍	Enrolment ratio maintained.
	-Net enrolment ratio in primary education	72	54.0	-18	👎	Enrolment ratio well below target by 18
	-Net enrolment ratio in secondary	12.4	12.4	-	👍	Enrolment ratio maintained.
Law and Justice	Crime rate per 100,000 population	70	83.7	+12.7	👎	Crime rate well over 12.7.
	Backlog of court cases	46,681	60,000	+13,309	👎	Target not achieved as backlog of cases are well over target by 13,309.
Transport	Length of National Roads (km)	10,000	9,635	-365	👎	Target not achieved.
	Rural Airstrips in usable condition from 45	10	6	-4	👎	Target not achieved.
Energy	Household Electrification Rate (%)	27	21	-6	👎	Target not achieved.
Agriculture	Export Earnings of Major Commodities (K billion)	2,368.4 (Actual data)	3,340.0 (2016)	+971.6	👍	Achieved target with an improvement of K971
Fisheries	Total Receipts from Tuna (K million)	648.1 (Actual data)	826.8	+178.7	👍	Achieved target with an improvement of over K178.7
Forestry	Total Round Logs export (000 cubic metres)	3,860 (Actual data)	3,100	-760	👍	Round log exports reduced by 760
Mining & Petroleum	Government Tax Revenue from Minerals (K million)	92.0 (2016 Actual)	113.65	21.65	👍	Achieved target with an improvement over 21.65
Tourism	Number of Foreign Visitor Arrivals	240,000	212,456	-27,544	👎	Fell short of Target by 27,544



PNG's overall development performance demonstrated by socio-economic indicators in the last 43 years has been relatively poor compared to other countries globally. The key measure is UNDP's HDI, which is a tool to measure a country's social and economic development. PNG ranked 154 out of 185 countries in the 2016 HDI, and is currently classified as a lower-middle income country. The subsequent sections will focus on PNG's state of development.

### 2.1.1. Human and Social Development Performance

Papua New Guinea's Human Development Index (HDI) moved up from 0.3 in 1975 to 0.52 in 2017, indicating slight improvements over 40 years. Despite these improvements, PNG is still ranked below most of its neighbours in the Asia-Pacific region, as shown in Table 2.2. The Table shows how Cambodia, which had similar HDI ranking with PNG in 1990, has improved its HDI ranking and is 10 countries ahead of PNG.

**Table 2.2 2016 PNG's Human Development Index Ranking**

Ranking /188	Country	1990	2000	2010	2015
154	PNG	0.360	0.422	0.494	0.516
134	Vanuatu	..	..	0.591	0.597
91	Fiji	0.641	0.683	0.709	0.736
143	Cambodia	0.357	0.412	0.533	0.563
115	Vietnam	0.477	0.576	0.655	0.683

Source: 2016 UNDP Human Development Report

#### Education

Considerable progress has been made in the last decade on improving student enrolment. PNG's Gross Enrolment Ratio (GER) was 54.4 % in 1975 to 144% in 2016 (1.3million school aged students enrolled) and 2.1 million students enrolled by 2017. This was a huge improvement by 162% in five years, and an overall 300% increase since Independence, due to the population growth during the same period. The quality of education is currently the issue that needs to be addressed at all levels from Basic Elementary, Primary and Secondary Education leading to Technical Vocational Education Training (TVET) institutions, colleges and the universities. Alternate pathways, including Flexible, Open and Distance Education and TVET are being pursued by students who are unable to continue further education.

#### Health

PNG's average life expectancy at birth was 45 years in the 1975 and improved to 54 years in the 1990s, and 62 years in 2016. Other indicators slightly improved, including maternal mortality rate, under-five mortality rate and infant mortality rate. Under-five mortality improved from 147 per 1,000 live births in the 1970s to 50 in 2017. Similarly, infant mortality improved from 77 per 1,000 live births in the 1970s to 44 in 2016. The improvements with the indicators can be attributed to Government's 'free' health care policy in 2012, which also aimed at making health services accessible to all, and offset health-related fees normally collected by the health authorities through subsidy payments from the Government. In addition, there are improvements in the levels of funding and spending on frontline rural health services delivery.

## Gender

Gender inequality continues to remain one of the major development challenges in PNG. At the political level, PNG is one of the five countries in the world that has no female members of Parliament. Political parties tend to endorse more male candidates who are likely to win the elections than the female candidates. PNG women have the ability to participate in political decision-making and they have been contesting in a number of national elections. Table 2.3 shows that the number of women contesting national elections in PNG has been increasing since 1972. However, only eight women have been elected as representatives to the National Parliament. Women's participation in political decision-making at both the national, provincial and local level remains poor.

**Table 2.3 PNG Women's Participation at 2007,2012 and 2017 National Elections**

Year of National Election	Number of Women Contesting Election	Number of Women Elected into National Parliament
2007	103	1
2012	135	3
2017	163	0

Source: Meki ANU 2017

The adverse effects of gender disparity are evident in many aspects of PNG's society from education, employment and political representation to morality and cultural norms. The country is ranked at 143 out of 185 countries in Gender Inequality Index with value of 0.595.

The education of girls has positive effects on the health of women, changing their status and labour patterns, including lifestyle, disease and mortality trends. It contributes to more effective family planning and consequently translates into a better future for the next generation and the country as a whole.

### 2.1.2 Economic Development Performance

#### Declining Revenue versus Increasing Expenditure

Public expenditure grew by an average of 20% annually against revenue growth of 14%. This constitutes a widening fiscal gap with net increase in public debt. PNG's revenue started declining in 2012 critically adding to budget deficits. While the pressure from population was considered to be a factor contributing to the fiscal stress, the shortfalls also resulted from other factors. Some of these include:

- Declining of personal income tax by 3.2 percent (K168 million) cumulative from 2012 to 2017.
- Decreasing company tax by 8.1 percent (K858.0 million) since 2012. This was largely contributed by mining and petroleum sectors and the completion of construction activities in these sectors.
- Declining of goods and services tax by over 4 percent (K168 million).

## Lopsided Export Base and Import Dependent

In 2016, K20 billion came from the mining and petroleum sector exports and K5 billion from the renewable sectors such as forestry, fisheries, and agriculture. However, the mining and petroleum sectors only bring in less than K100 million into the country in foreign currency to pay onshore expenses and taxes. This constitutes significant capital plight that is starving the country of foreign currency reserves.

Foreign Exchange currency shortfalls since 2015 has slowed business activities and affected industries dependent on imports. PNG spends K12 billion annually on imports. Furthermore, PNG expends over K3 billion on foreign skilled workers annually due to skills shortages in the country. This contributes significantly to a net outflow of capital.

## Trade Balance and GDP Per Capita

The National Trade Policy provides a policy framework to promote sustainable economic growth for Papua New Guinea through key investments directed at the renewable sector, encouraging downstream processing of raw materials, import substitution and export diversification. It also creates an environment to build a competitive and sustainable export base to stimulate economic growth. The Policy also sets the framework for trade agreements and trade negotiations by identifying the sectors with comparative advantage, and opening up market access for exports. PNG has a huge potential for trading opportunities with countries in closer geographical location like Asia, Pacific and Australasia. These trade and investment opportunities can impact on the economy and create jobs.

PNG is a small open economy producing a diverse range of products from agriculture, forestry, fisheries, mining and petroleum. It is a net exporter of goods with a positive trade balance of US\$4.41 billion (K14 billion) owing to the extractive sector. But its non-resource and services trade balance has reflected a deficit for the last few decades. PNG does not produce many of the products it consumes and relies on international trade for imports of physical capital, intermediate products and final consumer goods and services.

*Figure 2.1* shows that countries sharing a similar development history and natural capital endowments have outperformed PNG in terms of wealth creation as measured by GDP per capita.



**Figure 2.1 GDP Per Capita of Middle Income Countries**



Source: Compiled by DNPM based on Data from World Bank

## 2.2 Lessons Learnt

Valuable lessons have been learnt from the past development plans. Some of the key lessons to guide the implementation of MTDP III include the following:

### 2.2.1 Growing and Sustaining the Economy

Revenue shortfalls is one of the critical factors contributing to mixed results and poor development outcomes. The trend over the years is that expenditure is higher than the revenue. With internal revenue as the only source of funding that Government has control over, it must be made to grow if it is to meet the demand for services from a rapidly growing population and to sustain government's operations. Pressure is exerted on the national budget for service delivery. Only by increasing internal revenue, the Government is able to adequately meet the demands of the increasing population.

The focus was on spending without increasing the revenue from which to finance development interventions. Despite economic growth being pursued as the priority by successive governments and past development plans, only 5% of total capital investment was allocated for economic growth-related activities.

### 2.2.2 Improved Coordination of Development Activities

The effective and efficient coordination of development activities in the country is critical. However, experience indicates that activities across all levels are uncoordinated, resulting in serious incoherencies at different levels of implementation. The National Planning Framework and the Monitoring and Evaluation (M&E) Framework aims to improve coordination and implementation of the MTDP III in the next five years. Ineffective collaboration and coordination of agencies within sectors and among stakeholders has resulted in duplications and parallel service delivery systems. There is a lack of effective partnership between national agencies and the private sector to achieve maximum returns to the economy and the country as a whole. A whole of government approach with development partners and key stakeholders such as churches, is required to streamline all development activities to achieve the economies of scale needed.

### 2.2.3 Strategic Distribution of Resources

The current state of the economy indicates the lack of rational and strategic allocation of resources, especially capital investment funding to growth areas that can increase employment, revenue base and help generate economic returns. Lessons from implementation of past MTDPs also show non-strategic distribution of funds during planning and implementation period. Less recurrent and capital investment budget was allocated to the economic sector to support economic growth. In the future, clear guidelines for strategic and equitable distribution of resources and accountability is required. The lack of clear guidelines has resulted in inefficient distribution of resources to different sectors and agencies, thus leading to ineffective implementation and achievement of development outcomes.

### 2.2.4 Improved Data Collection and Usage

The lack of accurate and reliable data is an ongoing challenge across all sectors, agencies and levels of Government. Information and statistical systems are disintegrated with each agency independently managing their own database system. In doing so, it is difficult to have reliable data available on the state of national development outcomes. In addition, the absence of reliable data impacts on poor baseline information necessary for planning and monitoring. An effective and efficient ongoing dialogue between Department of National Planning and Monitoring (DNPM) and sectors and agencies at all levels is needed for an effective national reporting system to track and monitor and publish reports on the performance of the national development plans.

### 2.2.5 Alignment of Plans

The past development plans of various sectors, agencies and sub-national governments, lacked alignment with the national development plans. This resulted in disconnect and fragmentation between different sectors and levels of government, which led to wastage and misdirected the government priorities. Sectors and sub-national agencies are required to prioritise their capital investment programs in line with the government's development priority targets and goals to bring maximum returns to the economy.



# CHAPTER THREE

## MTDP III CHALLENGES AND OPPORTUNITIES



## CHAPTER 3. MTDP III CHALLENGES AND OPPORTUNITIES

### 3.1 International and Regional Contexts

PNG has the potential to become a major economic player in the Asia-Pacific region by virtue of its natural endowments, strategic location, size of landmass, population and human resources compared to other Pacific Island Countries (PICs).

The following issues have been identified as key challenges and opportunities in regional and global contexts.

#### 3.1.1 Anticipated Challenges

The global economic volatility associated with the fluctuation of commodity prices and general shifts on consumption are current realities. Shifting economic and political landscapes in the European Union, from movements, such as Brexit, US-China trade relationship and geopolitical and security risks within our region add to the volatility and uncertainty in the next five years and beyond. Global weather changes could also cause natural disasters, such as hurricanes, earthquakes, droughts and floods, presenting socio-economic impediments for growth at the national level.

#### 3.1.2 Opportunities

There is more cause for optimism in the regional and global economic situation with anticipated socio-economic stability as likely outcomes. Economic integration and cooperation through Asia Pacific Economic Cooperation (APEC) and Association of South East Asian Nations (ASEAN) in the immediate future will bring more competition and opportunities.

In the context of a highly competitive and integrated global economy, PNG actively seeks to strengthen regional and global economic cooperation. PNG's participation in APEC will see it playing host to 21 APEC countries, which comprises half of global GDP and trade, including major economic powers of United States, China and Japan. The economic benefits for PNG through ASEAN with observer status for regional integration and connectivity will be high.

Development partners and international multinational organisations provide continued support within the Pacific Region and around the globe. Public and private sector investments in developing countries, including PNG, has significantly increased, leading to economic growth in the medium term. The World Bank (2017) anticipates that the global economy will grow at the rate of 3.9% in the period 2018–2022 with China's growth projected to exceed 5%. PNG has strengthened its trade and investment links with China and other Asian economies. PNG will leverage this current position to benefit from the fast growing Asian economy. In addition, PNG has expanded its relationship beyond traditional development partners to non-traditional partners, such as India, Malaysia, Israel, Philippines and others.

## 3.2 Domestic Context

### 3.2.1 Anticipated Challenges

#### Fragile Economic Base

PNG's economic base is still fragile despite efforts made to improve the business environment and promote private sector investment in the non-resource sectors. PNG is ranked 109 out of 190 countries sampled for ease of Doing Business (World Bank Report, 2018). Commercial goods production is not fully developed and diversified, and current production is still limited and sensitive to external factors, such as goods price changes and international competition. One of the main challenges is the investment climate and quality of Foreign Direct Investment (FDI), especially to ensure technology transfer and job creation.

#### Disparities of Wealth Creation and Distribution

Disparities in the key areas of the HDI between urban and rural areas, and inter-provincial and inter-regional developments still exist. Furthermore, the gap between the rich and the poor is still large. The MTDP III aims to address sustainable, equitable and inclusive growth by better understanding of potentials of each region and/or province and the needs of vulnerable and disadvantaged groups, through deliberate policy interventions, such as the Small and Medium Enterprises (SME) Policy.

#### Law and Order

Law and order issues continue to remain as challenges with the high levels of crime and violence despite substantial investments made toward the sector. The image of law and order issues has not assisted us in growing the economy to secure more foreign investments and promotion of tourism.

The Government will focus on reducing crime during the MTDP III period. We aim to improve policing, safety and crime prevention, improving access to justice, improve accountability and reduce corruption and improve ability to provide law and justice services. The political and social dynamics of the country in recent times has placed a lot of demand on the Government to oversee the maintenance of peace and order in communities, as well as provide a conducive environment for businesses to grow.

#### High Population Growth

The PNG's Population has increased dramatically over the last decade with a growth rate of 3.1% annually contributing to a growing youth population. The current population increase has put pressure on PNG's limited resources, basic service delivery such as health, education and public infrastructure and on the achievement of improvement in quality of life and living standard. To address this concern, the National Population Policy 2015-2024 was developed to give emphasis on managing population as a key development priority with population as the centre of development. We aim to have a manageable, sustainable, healthy, and well educated youth population that can drive economic development and growth of the country.

## **Environmental challenges**

Currently, there is an increasing evidence that PNG's natural resources and biodiversity are endangered and face the risk of being extinct. This presents additional challenges to environmental management and compliance. The focus in the medium term is to invest in protected areas, support waste management activities, and maintain PNG's biodiversity.

### **3.2.2 Opportunities**

PNG is bestowed with the following abundant resources and potentials to achieve inclusive sustainable growth.

#### **Human Resources**

According to the 2011 Census, Papua New Guinea has a rapidly growing youth population with 58% of its 7.3 million people being under the age of 25, one of the highest proportions in the Pacific Region. This means that PNG has abundant productive labour force, and can be harnessed if they are provided with appropriate training with relevant skills and knowledge to access in the labour market at the private and public sector.

#### **Potential Renewable Resources and Value Added Economic Activities by Region**

Each region is blessed with diverse renewable natural resources with great economic opportunities. There is huge potential for value added economic development in each regions, such as agriculture and livestock in the Highlands and Momase Regions, and fisheries in New Guinea Islands and Southern Regions.

#### **Environmental Sustainability**

PNG has more than 7% of the world's biodiversity in less than 1% of the world's land area. PNG also holds 15% of the world's tuna stock, the world's third largest rainforest and vast mineral, petroleum and gas resources. Hence, PNG's natural resources should be conserved and sustainably managed for the collective benefit of all and should also be replenished for the benefit of future generations as stipulated in PNG's Fourth Goal (Natural Resources and Environment) of the National Goals and Directive Principles of the Constitution. Furthermore, there is still potential for PNG to sustainably tap into renewable resources for the benefit of all.

#### **Cultural Diversity**

Papua New Guinea is reknown for ethnic, cultural and linguistic diversity with variety of colourful dancing, singing (sing sing), customs, traditional arts and crafts. These diversities have huge potential to be transformed into economic activities like tourism which can benefit people immensely in different communities.

## 3.3 Key MTDP III Enablers

### 3.3.1 Diversification of Economic Base

The current dual structure of the domestic economy is made up of the formal sector in urban areas and enclave resource projects, and the largely rural-based semi-subsistence farming resulting in two unintegrated economic systems operating disproportionately alongside each other. The net effect is the ongoing problem of the narrow economic base which contributes to low revenue inflows.

The current resource sector contributes to higher export earnings as in the case of the LNG project. However, this is not stimulating broad-based economic growth due to its enclave nature and poor linkage with the rest of the economy. In 2016, the enclave petroleum and mining sectors accounted for over 90% of export earnings, whilst the renewable and informal sector that employs 80% of the population accounted for less than 10%.

Thus, government led economic stimulus package intervention in partnership with private sector is needed for structural change in our economy with creation of broad-based economic growth, especially in commercialisation of agricultural sector in which majority of our rural people are engaged.

### 3.3.2 Sustainable Infrastructure

Infrastructure is the key and essential driver of economic growth and development. PNG's challenging geography comprising mountainous areas and many remote islands with scattered population, requires massive investment for connecting rural people to urban areas throughout the country. Investing in sustainable infrastructure can play an important role by laying stronger foundations for economic growth, as well as demand and access to economic and social services.

Internet is a catalyst and a key essential infrastructure in implementation of various development across all sectors. As a member of APEC and the host for the 2018 APEC meeting, PNG recognises that APEC economies are increasingly influenced by the expanding Internet and digital economy, where all sectors of economic and social development are empowered by the underlying digital infrastructure. The broad-based economic growth is made possible by digital infrastructure in all industry sectors for all types of businesses, including micro, small, and medium enterprises (MSMEs). Equally important is recognition of the social development made possible through policies and programs of inclusion and universal service access.

Transport (land, water and air) is another key component of infrastructure. It consists of the infrastructures (roads, bridges, jetties, wharves, airstrips, etc.) and services (PMVs, ships, planes, etc.). Effective delivery of goods, services and the conduct of socio-economic activities are enhanced by a good transport infrastructure and service network. Good and reliable transport infrastructure can turn local markets into more large scale commercial markets connecting them to domestic urban and global markets and contribute to increase exports. Productivity of different industries can be enhanced with more flow of goods and services.

### **3.3.3 Reliable, Clean and Affordable Energy**

Energy powers economic growth and development of the country. There is increased need for clean and reliable energy sources to accelerate this growth and development. Given the abundance of clean energy sources, PNG is well positioned to realize PNGDSP 2030 target of providing 70% electricity access rates to households and business houses. More investment in clean energy generation, such as hydro, solar, wind, biomass and geothermal power generation will be accelerated to reduce dependence on diesel power generation. Continued strategic investment in the sector for provision of reliable and clean energy is an essential driver for economic growth.

### **3.3.4 Productive Human Resources**

The development of a productive workforce with right skills and knowledge is critical to maximising outputs of economic activities and social services. Basic needs for education and health will continue to be covered under service delivery framework. A productive workforce to match demand from private and public sectors will be strategically targeted in collaboration with private sector. Efficiencies needed for economic growth and delivery of social services is contingent on available human capital, professional know-how, availability of skill sets, and entrepreneurial spirit of people. Investment in human capital is therefore highly important.

### **3.3.5 Trade and Investment**

PNG is a small open economy producing a diverse range of products from agriculture, forestry, fisheries, mining and petroleum. It is a net exporter of goods mainly coming from the extractive sector, but its services trade balance has reflected a deficit for the last few decades. PNG does not produce many of the products it consumes and relies on international trade for imports of physical capital, intermediate products and final consumer goods and services.

The National Trade Policy provides a policy framework to promote sustainable economic growth for Papua New Guinea through key investments directed at the renewable sector, encouraging downstream processing of raw materials, import substitution and export diversification. PNG has a huge potential for trading opportunities with countries in closer geographical location like Asia, Pacific and Australasia. These trade and investment opportunities can impact on the economy and create jobs.

### **3.3.6 State-Owned Enterprises**

State owned enterprises (SOEs) are the instrument of creating public value in an efficient manner in the industries, which are not initially attractive for private investors. SOEs in PNG are providing major services, such as electricity, water, telecommunication and transport to the population at the reasonable price range. Despite the significant financial injections in the SOEs, the rates of return on Government's investment have been declining since 2005 due to inefficient operations and unfavourable economic conditions.

The Government intends to continue investment in equity and support the SOEs with necessary reforms to be commercially viable. By undertaking these reforms, it will make

the sector become attractive to private investors. At the same time, it will provide enough competition in the industry to avoid private monopolisation. Over the next five years (2018-2022), the target will be to reinforce the public-private partnerships (PPP) to improve efficiency and overall performance of the SOEs, with the overarching objective of delivering goods and services to improve livelihoods across the country at high quality and affordable prices.

The Kumul Consolidated Holdings (KCH) Ltd., formerly known as Independent Public Business Corporation, manages all SOEs listed below:

- Air Niugini
- Eda Ranu
- Motor Vehicles Insurance Limited (MVIL)
- National Development Bank (NDB)
- National Petroleum Company of PNG
- PNG DataCo Limited
- PNG Ports Corporation Limited (PNGPCL)
- PNG Power Limited (PPL)
- Post PNG Limited
- Kumul Telikom (Telikom PNG Limited and B Mobile)
- Water PNG
- Kumul Agriculture Limited (KAL)

Efficiency is a critical variable in the search for productivity and profitability for the operations of SOEs. Over the medium term, the Government aims to reposition and restructure the SOEs to become very competitive in the market and achieving high level of efficiency and profitability.

### **3.3.7 Financial Inclusion and Credit Facilitation**

Financial inclusion is an important catalyst for inclusive growth towards a more vibrant economy involving the bulk of the population, especially the informal sector in rural communities. Economic growth in a dual system has enriched households that are linked to market opportunities but continues to bypass many, especially in the informal sector, that are disconnected from market opportunities because of their lack of requisite human capital such as good education, skills and social standing. An effective financial inclusion and credit facilitation strategy is needed. This involves opening the financial markets to provide access of the financial services access to bulk of the citizens including credit as source of seed capital for SME's.

The Government encourages financial and non-financial institutions and development partners and stakeholders to expand their financial inclusion services. This will ensure individuals and businesses, especially SME's, to have access to affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance to enable them to participate and contribute to economic growth.

### **3.3.8 Law and Order**

The law and order challenges, including the high levels of crime and violence are a major obstacle to economic development. The levels of crime and violence rates are high in urban centres, such as Port Moresby, Lae and Mount Hagen. Robbery, assault, gender violence and ethnic violence are common. In 2014, 81% of businesses in PNG

were affected by Law and Order situation. About 67% of companies identified crime as a constraint in PNG than elsewhere in the Asia-Pacific region.

Law and Justice is a key priority sector of Government. It aims to improve policing, safety and crime prevention, improving access to justice, improve reconciliation and reintegration and deterrence, improve accountability and reduce corruption and improve ability to provide law and justice services. The sector comprises 13 agencies which are interdependent, promoting sector-wide approach concept through the criminal tracking system. The political and social dynamics of the country in recent times has placed a lot of demand on these agencies to oversee the maintenance of peace and order in communities, as well as provide a conducive environment for businesses to grow. Continued investment in the sector is essential to inclusive sustainable socio-economic growth.

### **3.3.9 Small to Medium Enterprise and Industries**

The main thrust of the Government's industrial policies is aimed at increasing the value and volume of products. Government policies encourage the development of PNG's non-mining sectors, including manufacturing, renewable resources, such as agriculture, fisheries and business services, to promote economic self-sufficiency with net reductions on imports. The promotion of non-mining sectors ensures that economic growth can be sustained after the depletion of mineral resources. The policies focus on industries and business, particularly private sector investments in partnership with the Government through equity funding, thereby creating employment and achieving economic growth.

The SME Policy will continue to promote the development of small to medium enterprises, in particular, the strengthening of the linkages between SMEs and larger industries and investors, as well as regional and international markets and the transfer and adoption of appropriate technology to boost efficiency and productivity of domestic producers.

## **3.4 Way Forward**

The Government has made several efforts since June 2017, to change the national economy to meet the increasing needs of its population. The first intervention was made through the Alotau Accord I which outlined the Government's priorities in 2011-2017. The second intervention is now made through the Alotau Accord II, which is captured in the MTDP III 2018-2022.

To achieve the MTDP III goals and targets, the following steps must be undertaken:

First, there is a strong political determination, commitment and will at the highest level to focus on and stimulate sustainable and inclusive economic growth with greater participation of people at the Provincial and District levels. Citizen ownership and benefits in the formal business sector will be pursued with increase in training opportunities for citizens. Growth of population will be managed sustainably with youth to become active entrepreneurs and productive labour force.

Second, there is a shift in focus to increase internal revenue from the growth of economic sector through unlocking of the bottleneck of high cost of doing business. Provinces and Districts will be encouraged and supported to increase their revenue to support their service delivery and development initiatives. Key infrastructure will be expanded with development of more land with state equity to support export promotion and reduce imports and further efforts to improve law and order situation in the country.

Third, service delivery will be further strengthened to reach people in the communities especially at District and Provincial Levels with enhanced planning and implementing capacities. Essential infrastructures such as District Offices, District Hospitals, District Townships, housing with public utilities (water, electricity and communication) will also be put in place.

Fourth, the MTDP III is innovative as it signals a changing relationship between the public and private sector based on close partnership. The Government has begun collaborating and working closely with the private sector to improve investments in the agriculture, energy, and manufacturing sectors to support the service sectors. Under the MTDP III, the intention is to make manufacturing, including downstream processing and import substitution, and commercial agriculture become the platform for national growth and development.



# CHAPTER FOUR

## THE MTDP III GOAL, KEY RESULT AREAS AND TARGETS



## CHAPTER 4. THE MTDP III GOAL, KEY RESULT AREAS AND TARGETS

### 4.1 MTDP III Overall Goal and Key Result Areas

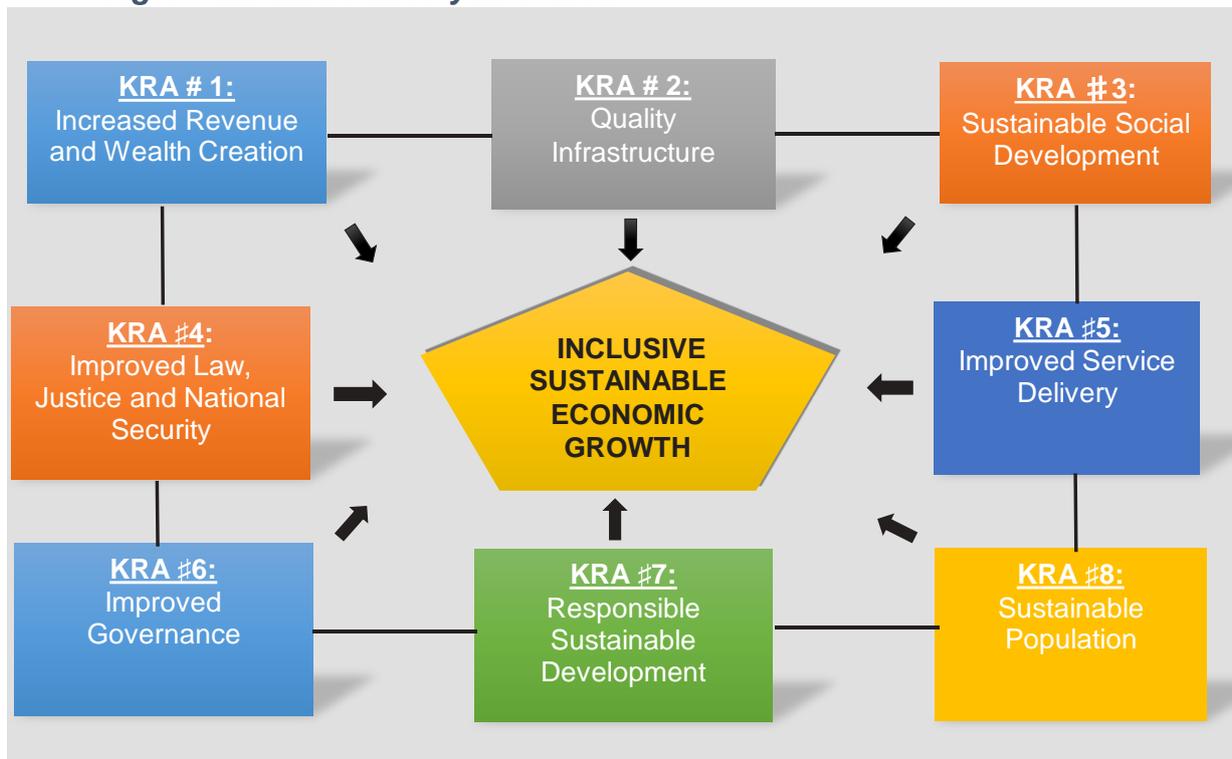
The overall Goal of MTDP III is to “Secure Our Future through Inclusive Sustainable Economic Growth” over the next five years (2018 – 2022).

The MTDP III provides the direction for everyone with a stake in development, including departments and agencies at all levels of government, private sector, development partners and other stakeholders. It identifies priority areas for investments within different sectors and ensures the flow and direction of resources to where they are required to make a change in the lives of people.

It sets the focus on growing the economy and increasing internal revenue to meet the increasing demands of the growing population. It emphasises the need to involve everyone in growing the economy and benefiting from it. It provides the directions and identifies range of players and the resource envelopes.

The MTDP III consists of eight (8) Key Result Areas (KRAs):

*Figure 4.1 MTDP III Key Result Areas*



The above KRAs have twenty-five (25) goals which focus on addressing the five (5) development results under the Alotau Accord II agenda of the Government (Figure 4.2).

Figure 4.2 Alotau Accord Priorities



The MTDP III KRA goals and targets, if achieved, would place PNG on track to achieve Vision 2050 Goal and to be ranked in the Upper-Middle-Income country by 2022.

## 4.2 Key Result Area 1. Increased Revenue and Wealth Creation

The biggest development challenge is insufficient internal revenue to adequately fund the needs of the population which has quadrupled since Independence and continues to grow at an alarming rate of 3.1% per annum. To meet the requirements of our growing population, the internal revenue must be increased at the same time manage the population growth at a sustainable level.

### Goals

The outcomes of KRA 1 will be achieved through seven Economic Growth Goals:

- 1.1 Increase revenue from national and provincial tax and non-tax collections and dividends by 40% from K10, 979 million to K16, 253 million.
- 1.2 Increase exports of major agricultural commodities, fisheries products, processed timber, manufacturing, and minerals.
- 1.3 Create more employment and economic opportunities for youth and build the capacity of productive workforce.
- 1.4 Increase bankable land for productive utilisation to unlock its economic potential and engage land-owners in the formal market.
- 1.5 Reduce imports of major food items like rice, dairy, fresh produce, and meat. Reduce the import of technical skilled labour by upgrading and increasing the number TVET institutions.

**1.6 Create wealth by promoting SME growth and attracting direct investments.**

**1.7 Women's economic empowerment.**

### **1.1 Increase revenue**

Broad-based economic growth is based on the strategy of inclusive participation by all citizens and the encouragement of Investments in the economic sector aimed at achieving broad based growth, and employment creation leading to sustained growth of the revenue base.

The Government's revenue is derived from tax and non-tax revenues, loan drawdowns and development grants. However, the current revenue trend is not catching up with the increasing cost of social programs and public service delivery, putting additional pressure on the budget. The focus of the Government is to broaden the tax base through improved tax compliance and the capacity of revenue generating institutions and State Owned Enterprises (SOEs).

It is anticipated that key direct strategies combined with the impact of Government investment in MTDP III sectors will accrue additional revenue benefits beyond the Medium Term Fiscal Strategy (MTFS) revenue forecast.

### **1.2 Increase exports**

The current export base is unsustainable and skewed towards the Mining and Petroleum sectors, accounting for over 80% of total exports. Exports in other non-mining and petroleum sectors will be increased to at least 60% of total export value.

The government's expansion of the export base will promote exports of domestically manufactured and produced commodities and goods. The priority export sectors are as follows:

- Agriculture commodities (coffee, cocoa, copra, palm oil, rubber, tea, spices, fruits and vegetables).
- Livestock (animal products, fresh meats).
- Fisheries (tuna, marine products, tilapia and barramundi exports).
- Forestry (round logs, timber products).
- Manufacturing (processed food, beverages, tobacco).
- Arts & Crafts.
- Mining & Petroleum, including LNG.

### **1.3 Employment Creation and Economic Opportunities**

Economic growth helps to increase formal employment. However, to reduce poverty level, job creation has to be focused on quality over quantity. It means the increased demand for labour has to be combined with the increased productivity of the workforce.

Furthermore, skilled work should be sufficiently paid to eradicate poverty. At this stage of development, domestic labour market in PNG requires more technical labour to reduce the number of foreign workers and, in turn, to reduce the cost of doing business for domestic and international companies.

As the proportion of young people in PNG population is growing, almost 60% of urban youth is unemployed with only 7% in formal employment. Investments and development of basic skills for formal employment is required.

#### **1.4 Increase Bankable Land for Productive Utilisation**

PNG's land and resources are owned by clans. Land disputes are common and compensation claims often hinder development and investment. Future growth in agriculture and industrial sectors require the legal unlocking of land for productive use.

There were several programmes being pursued, including the National Land Development Programme, which resulted in key reforms in enabling legislations and customary land ownership. MTDP III will pursue to make more land available in the formal market for the land-owners to become effective partners and benefit from its development.

#### **1.5 Reduce Imports**

Reduction of imports require parallel import substitution strategies to replace foreign imports with domestically produced goods. This reduces foreign dependency and saves foreign exchange.

It also covers the reduction of imports of technical personnel. PNG continues to rely on specific skills-set because its domestic institutions could not produce internationally competitive graduates in numbers required by specific industries. The target is to replace at least 5,000 technical workers by 2022 to save up to K2.0 billion in import cost.

#### **1.6 Wealth Creation**

Wealth is the total market value of all physical and intangible assets owned. The challenge is to develop the capacity to create it. PNG is endowed with natural capital and smart value-adding interventions are needed to realize their business and economic value.

Maximising linkages and stimulus between the extractive resource sector and the rest of the economy is necessary for broad based growth. Sustainability in wealth creation will require incentivising State Owned Enterprises and SME's including the informal sector through inclusive growth policies to create wealth.

Currently, 90% of businesses are owned and controlled by foreigners. The Government is determined to reverse this situation by implementing a deliberate strategy to empower PNG citizens and support them take majority ownership of the SME sector. In doing so, approaches can be taken to support more PNG companies grow and compete with large foreign-owned companies, particularly in bidding for major works in the construction sector.

Current level of FDI in PNG is not sufficient to boost economic growth and promote large-scale private sector development. In the medium term, the Government plans to provide incentives and conducive environment to attract more FDIs.

## 1.7 Women’s Economic Empowerment

The inclusion of gender equality as one of the SDGs highlights the importance of empowering women in economic activities. Women’s economic empowerment is necessary for reducing poverty, achieving inclusive economic growth and sustainable human development. Economic growth needs to be broad based and inclusive across all sectors to provide opportunities for all citizens. It is particularly important that women have access to employment, markets, resources and fair regulatory environment for businesses.

Recent indicators on inequality affirm the need for inclusive economic development. The 38% of women compared to 66% of men are in wage employment, 46% of women compared to 15% of men participate in the informal sector, and 8% of small to medium enterprises are owned by women across urban, rural and remote locations of PNG. Less than 12.5% of women out of 37% of adults have bank accounts. It is projected that narrowing the gender gap in formal sector employment will increase household income in PNG by 14% by 2020. Higher incomes for women lead to increased spending on household needs and welfare. This results in improved outcomes for children’s education, health and nutrition.

Table 4.1 shows the main targets and indicators to achieve the KRA 1 goals.

**Table 4.1 Increase Revenue and Wealth Creation Goals and Targets**

Goal	Indicator	Baseline	Target 2022
1.1 Increase Revenue	1.1 Government Revenue Collection	K10,979.2 million (2017)	K16,253.9 million
	1.2 SOE’s revenues (cumulative)	K10,000 million (2010-2015)	K15,000.0 million (2018-2022)
1.2 Increase Exports	1.3 Value of exports of all commodities	K2,254.2 million (2016)	K34,106.90 million
	1.4 Marine Products Exports	K 573.1 million (2016)	K1,113.47 million
	1.5 Forestry Products Exports	K1,093.1 million (2016)	K2,500.0 million
	1.6 Mining & Petroleum Exports	K19.97 billion (2016)	K34.18 billion
1.3 Employment Creation and Economic Opportunities	1.7 Employment growth rate	3.4%	7%
1.4 Increase Bankable Land for Productive Utilisation	1.8 Land in formal market	Less than 5%	20%
1.5 Reduce Imports	1.9 Imported volume of rice	200,000 tonnes	150,000 tonnes
	1.10 Imported volume of dairy products	13 million litres	5.2 million litres
	1.11 Volume of domestically produced Fruits & Vegetables	30,000 tonnes	18,000 tonnes

1.6 Wealth Creation	1.12 Gross National Income (GNI) per capita	US\$2,530	US\$4,000
	1.13 Gross Domestic Product	K67,399 million (2016)	K 120, 270 million
1.7 Women's Economic Empowerment	1.14 Gender Inequality Index	0.595	0.40

## Strategies

To achieve the above targets, the Government will undertake the following strategies:

**Table 4.2 Increased Revenue and Wealth Creation Goals and Strategies**

Goal	Strategies
1.1 Increase Revenue	1. Improve efficiency and strengthen compliance in revenue collection across all state agencies and levels of government, and the private sector.
	2. Increase uptake of state-equity through SOEs in strategic investment areas in both renewable and non-renewable sectors of the economy.
	3. Reposition and restructure provincial business arms to become competitive, efficient and profitable whilst supporting government efforts in service delivery
1.2 Increase Exports	4. Revitalise production of the key commodities in quality and quantity.
	5. Enhance bio-security standards and capacity of PNG institutions to meet the required global standards for agriculture, fishery and other products to access the niche markets
	6. Encourage sustainable reforestation and afforestation programmes, and promote manufacturing of timber products.
	7. Improve the quality and quantity of manufactured products to meet international market standards.
	8. Explore and develop new mines (Wafi-Golpu and Frieda River Copper Mine) and petroleum and LNG projects with revision of tax agreements.
	9. Develop Marine Industrial Zones (MIZs) to undertake offloading and onshore processing of PNG tuna.
1.3 Employment Creation and Economic Opportunities	10. Increase quality workforce through TVET training and encourage youth-based SMEs.
	11. Increase opportunities for youth engagement in formal employment.
1.4 Increase Bankable Land for Productive Utilisation	12. Unlocking land for economic development.
1.5 Reduce Imports	13. Establish economic corridors and industrial zones to support food production for import substitution.
1.6 Wealth Creation	14. Establish Credit Guarantee Corporation by 2019, to assist PNG citizens who do not have collateral to obtain loans to be able to start up new businesses.
	15. Establish Business Incubation Centres for SMEs.
1.7 Women's Economic Empowerment	16. Increase women's access to economic opportunities

## Investments

Key investments will be implemented over the medium term to increase revenue, as shown in the table below.

**Table 4.3 Key Investments in KRA 1 Increase Revenue and Wealth Creation**

Key Investments	2022 Target
Commercial Rice Production (Central & Sepik Plains)	Import reduction by 50,000tonnes
2 Dairy Farms (Ilimo, Yalu)	Two (2) Dairy Farms established
National Cattle Breeding Program	2022 Annual meat production increased to 20,000 tonnes
<u>Special Economic Zones Development</u>	6 new SEZ operational
Onshore Tuna Processing Facilities (Kikori, Manus, Lae, Rabaul, Simbu, and Watut Valley)	4 Facilities established
Downstream Processing of High Value Coconut Products and Marketing	K500 m value of production
Cocoa Nurseries	Established by 2022
Coffee Rehabilitation and Development	Coffee exports value increase to K1,125m from K646.9m
Youth Business Incubation Centres	2 centres Fully operational by 2020
SME Credit Guarantee Corporation and Facilitation	SME access to finance increased by 2019
2 New Mines (Wafi Golpu, Frieda River)	Final Investment Decisions made and construction commences
2 New Petroleum Projects (Pasca, Papua LNG)	Final Investment Decisions made and construction commences
Pacific Marine Industrial Zone	Operational by 2020
State Equity Fund (Agriculture)	Fund consistently allocated in the medium term

## 4.3 Key Result Area 2. Quality Infrastructure and Utilities

The deteriorating conditions of transport, energy and slow progress on expansion of ICT infrastructure with an increasing population and rising unemployment need to be addressed to create enabling environment for economic growth, increase in employment and government revenue, and improvement of service delivery. Transport, ICT, and Energy sectors have the potential to address the above conditions by providing enabling infrastructure, creating employment and generating revenue.

### Goal

In order to restore and improve the status of infrastructure and utilities with sustainable and disaster resilient quality, the Government will focus on the following Economic Growth Goal to improve and expand quality infrastructure and utilities:

#### 2.1 Improve infrastructure with sustainable and disaster resilient quality to provide more enabling environment for growth of economy and for the improvement of service delivery

The Government will invest substantially in key and critical transport infrastructure to reduce cost of doing business and to expand and stimulate economic growth. These key investments include rehabilitation of the Highlands Highway, development of

Momase Highway, Central to Milne Bay Highway, Morobe to Gulf Highway, Baiyer to Madang Highway, new international wharves in Wewak, Kikori, Vanimo, Wewak and Manus, introduction of National Shipping Service, Nadzab Airport redevelopment, Madang, Wewak, Kavieng, Tari Airport redevelopment and new Kup Airport in Chimbu Province.

Reliable and affordable Electricity supply to households and for industrial use will be expanded with increase in power generation including renewable energy and extension of main grid throughout the country.

Information and communication technology (ICT) is expected to improve dramatically with the submarine cable between Sydney and Port Moresby and expansion of network throughout the nation.

Table 4.4 below shows the main targets and indicators for KRA 2.

**Table 4.4 Quality Infrastructure Goals and Targets**

Goal	Indicators	Baseline	Target 2022
2.1 Improve infrastructure with sustainable and disaster resilient quality to provide more enabling environment for growth of the economy and for the improvement of service delivery	2.1 Total Length of national roads (km)	8,740	12,000
	2.2 Proportion of national priority roads in good (trafficable) condition (%)	33.5%	80%
	2.3 Estimated length of provincial and district roads upgraded and maintained in good condition (km)	16,100	18,000
	2.4 Number of bridges on national roads in good condition	15	80
	2.5 Number of missing link roads constructed	4	8
	2.6 Number of New/Improved wharves and Ports	16	22
	2.7 Number of small wharves & jetties in good condition	88	120
	2.8 Establishment of National Shipping Service	0	3 vessels operational by 2022
	2.9 Number of airports upgraded and maintained for higher seating capacity aircrafts	9	16
	2.10 Number of national airports that comply with international air safety standards (airport certified) on an ongoing basis	2	5
	2.11 Number of rural airstrips (650) rehabilitated to basic safety standards	10	300
	2.12 Proportion of Population with access to internet (%)	16	80
	2.13. Household electrification rate (%)	17	33
	2.14 Power generation by sustainable energy source (%)	4.4	11.25

## Strategies

To achieve the above targets, the Government will implement the following strategies.

**Table 4.5 Infrastructure Goal and Strategies**

Goal	Strategies
2.1 Improve infrastructure with sustainable and disaster resilient quality to provide more enabling environment for growth of the economy and for the improvement of service delivery	1. Construct vital missing link roads and district trunk roads to strategic communities of economic potential for transportation of commodities like coffee, cocoa and tea to markets.
	2. Rehabilitate and maintain national highways including bridges which are identified that will contribute to economic growth.
	3. Rehabilitate and upgrade major ports and strategic wharves and jetties along the coast and waterways
	4. Introduce National Shipping Service with Government-owned fleets.
	5. Establish submarine cable between Papua New Guinea and Australia with installation of fibre optic network throughout the country to provide affordable, high-speed internet access to communities.
	6. Increase electricity supply with extension of transmission power grid on to communities through National Electricity Supply Roll out Plan.
	7. Increase supply of energy with sustainable energy source.

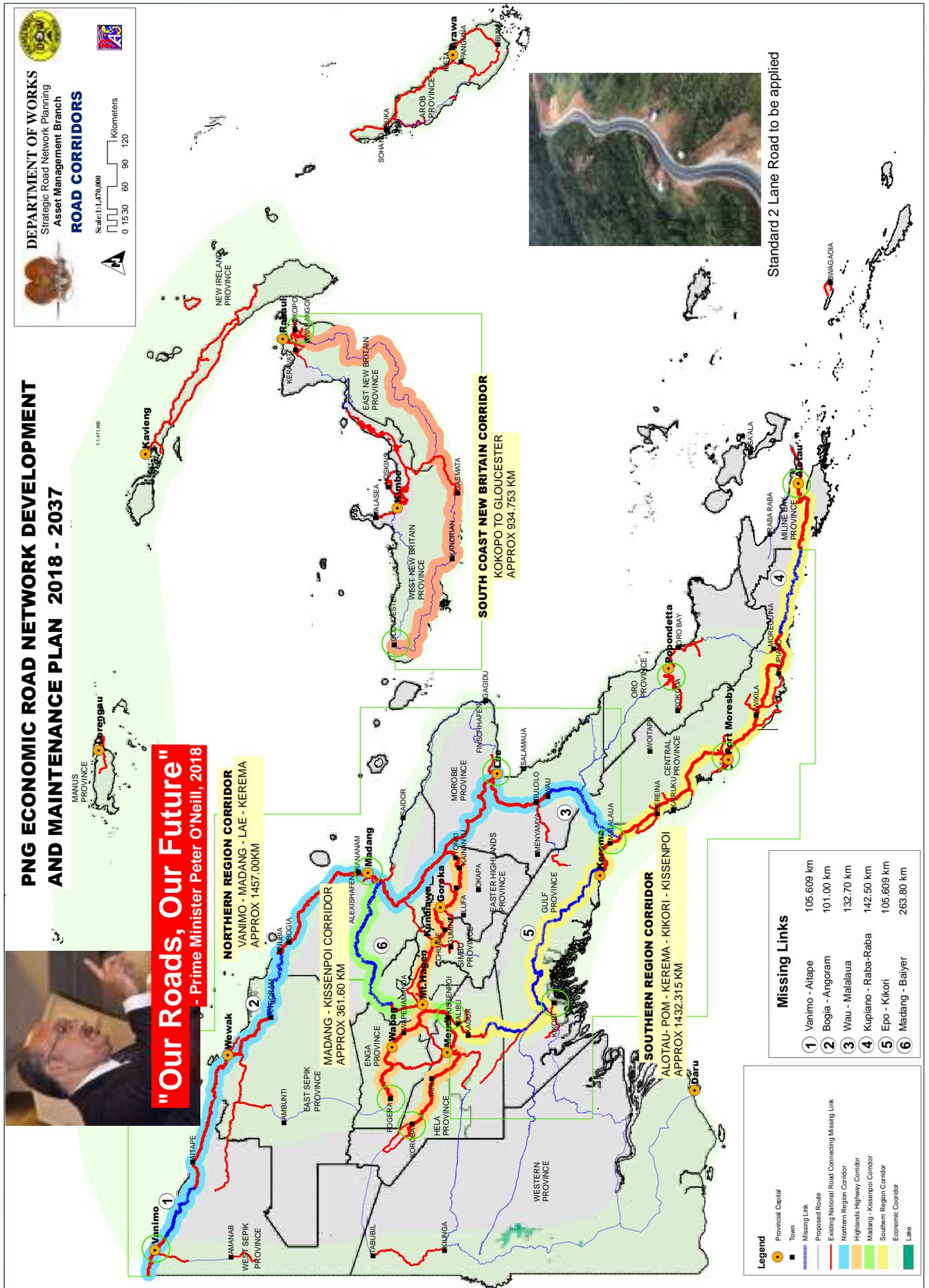
## Investments

Key investments will be implemented over the medium term to achieve the above targets as shown in the Table 4.6 below .

**Table 4.6 Key Investments in KRA 2. Quality Infrastructure**

Key Investments	Target
<u>Major Roads (As shown in Figure 4.3 – next page)</u> -Southern Highlands-Gulf Highway -Momase Economic Corridor -Central-Milne Bay Highway -Madang-Baiyer Highway	These key investments will create access to improve flow of goods and services and movement of people to stimulate economic growth in each corridor.
Highlands Highways Rehabilitation	Rehabilitate the Highlands Highway to be in good and accessible condition, which is the lifeline for all economic activities in the Highland Region connecting major port in Lae and Madang.
Development of National Ports and wharves	Key ports and wharves are rehabilitated and developed to open up access for goods and services.
Rural Airstrip Rehabilitation	To restore and improve services of rural airstrips
Major National Airports Upgraded	To upgrade major national airports to improve and increase transportation of goods and services and movement of people.
Nadzab Airport Redevelopment	To upgrade the Nadzab (Lae) Airport to be an alternative international airport to Jackson's Airport (Port Moresby) by 2021.

Figure 4.3 PNG Economic Road Network Development & Maintenance Plan 2018-2037



Kup Airport Development	Construction of the new Kup Airport for the Chimbu Province to replace old Kundiawa Airport.
National Rural Electrification Roll out Program	To improve access to electricity in rural areas
PNG Towns Electrification Investment Program	To improve and expand reliable supply of electricity in Towns throughout the country.
Grid Development Program	To expand the network of electricity supply
Kumul Submarine Programme	To improve access to internet and reduce cost
Sustainable Energy Supply Programme	To expand supply of reliable and renewable electricity supply with reduction of fuel imports.

#### 4.4 Key Result Area 3. Sustainable Social Development

The access, quality and acceptability of health services in PNG have deteriorated over the years resulting in slow and gradual improvement in all health indicators. More resources were channelled towards the treatment of diseases rather than on the preventive measures. A clear example is our immunisation coverage is less than 40% when the global average is 80%. We have generally focused less on improving health services in our rural districts and communities resulting in too many preventable deaths from diseases like TB, malaria, pneumonia and also the high maternal and infant mortality rates compared to other countries in the region. Lack of investment and attention in the secondary health sector has resulted in too many unnecessary deaths in diseases like cancer and lifestyle oriented diseases like diabetes.

While the introduction of Tuition Fee-Free (TFF) Education Policy has dramatically improved access to education since 2012, quality of education has seriously declined particularly in the areas of English, Mathematics and Science. People with disability are not given equal opportunity to live in the society without any barrier to access to education, health services and employment opportunities. These issues contribute to a large number of people being disconnected from formal systems and current practices, resulting in inequitable and unsustainable development.

The Government will provide better health services which are closer to people through establishment of Special Medical Services, new Boram and Enga Hospitals, upgrading of District Hospitals to Level 4 in all Districts and improvement of higher level of medical services at Provincial Hospitals with training of more health personnel.

Quality of education will be improved with re-introduction of Standard Based Education (SBE) and training and recruitments of more qualified teachers in Mathematics and Sciences including from overseas as an interim measure, and establishment of Schools of Excellence.

Youth skills trainings and access to employment will be facilitated through the establishment of Community Development Centres in every Districts.

#### Goals

The Government plans to have sustainable social development where the formal and informal systems, structures, processes, and relationships actively support the current generation without compromising the future generations. The following goals will steer PNG towards achieving sustainable social development:

- 3.1 Improve Education Services and Outcomes
- 3.2 Improve Health Services and Outcomes
- 3.3 Resourceful and Productive Youths
- 3.4 Sports as Catalyst for Social Capital and Nation Building
- 3.5 Equal Opportunity for All to Participate in, and Benefit from Development
- 3.6 A Healthy Population Free from Sexually Transmissible Infections and HIV/AIDS
- 3.7 Attaining Minimum Standards of Living for Vulnerable and Disadvantaged People
- 3.8 Improve Immunisation Coverage
- 3.9 Improve Nutrition Standard

### 3.1 Improve Education Services and Outcomes

Having an educated population is critical to PNG's development. In line with SDG 4, quality education is important for a knowledgeable and skilled population. Considerable progress has been made in the last decade on improving student enrolment. However, this has compromised the quality of education. The focus now in the medium term is to improve quality and continue to improve access and affordability. During the next five years, the Government plans to provide quality education at all levels from basic elementary, primary and secondary education leading to TVET institutions, colleges and the universities. The agenda for alternate pathways such as FODE and TVET will be supported to provide better opportunities for students leaving the school.

### 3.2 Improve Health Services and Outcomes

PNG's health status is poor by global standards with health indicators and outcomes lagging. Considerable health inequalities exist within the country. PNG has a relatively high maternal mortality, infant mortality, under-5 mortality and infectious diseases resulting from poor environmental conditions and childhood diseases. This is despite the Government's Fee-Free Health Care Service Policy. Delivering an efficient, equitable and quality health services to address the issues is a persistent challenge for PNG. Many issues and challenges impeding effective health service delivery are a result of poor health systems and user-side factors affecting health service utilisation. The decentralisation process and limited technical capacity at sub-national levels are some of the contributing factors to poor health service delivery. The health system suffers from chronic underfunding, which limits its capacity to provide adequate health services. The ageing health workforce is a major concern. Health training institutions are not producing the required number of health workers, resulting in low supply of critical health cadres.

In line with SDG 3, the Government's plan is to make **“quality health services accessible and efficient”** over the next five years.

### 3.3 Resourceful and Productive Youth

Youth unemployment is high in PNG due to many young people leaving school without acquiring appropriate skills and knowledge to find employment or start their own SME activities. These problems are multifaceted and vary from school dropouts leaving school due to non-payment of school fees to family problems relating to breakdown in social structures. The result of high unemployment rate among youth are overcrowding, economic pressure on other family members to sustain the household, and a rising crime rate. Crime and lawlessness perpetrated by youths are high in urban areas and account for 30% of all crimes in the country. Effects of excessive alcohol consumption and other substance abuses have become serious concern of the whole society. In line with SDG 8 and the National Youth Policy, the Government plans to achieve its headline target of having a Skilled and Productive Youth by 2022 with establishment of Provincial Youth Centres and District Community Development Centres throughout the country

### 3.4 Sports as a Catalyst for Social Capital and National Building

Sport is vital to physical and emotional health wellbeing. Boosting participation in sport generates a variety of socio-economic benefits. It provides opportunities for personal development, self-expression and healthy living. Sports in communities cut across barriers that divide societies, making it a powerful tool to support conflict prevention and peace-building in communities. Sports provide opportunities for sportsmen and women to excel in professional sporting codes. Sports related activities create economic and employment opportunities for our people. Additionally, due to PNG's geographical location, international standard facilities can encourage sports tourism in the region and benefit the local economy.

The Government plans to upgrade Sports Stadiums in Lae and Goroka to international standard, train more skilled personnel by facilitating exposure to quality training programs in-country and abroad and incentivise sports personnel to aspire to excel in the medium term.

### 3.5 Equal Opportunities for all Citizens to benefit from Development

The inclusion of gender equality as one of the SDGs highlights the seriousness of the status of women and girls locally and globally. Women comprise half of most countries' demographics. PNG's latest census figures indicate that the number of women and girls are slightly more than aggregate male figures. Despite this, PNG women continue to struggle for inclusion in the decision-making processes. They also struggle to be equal partners in participating in economic activities. A country is inclusive, responsive, egalitarian and democratic when there is increased participation and leadership by women in political, economic, and social aspects of society.

PNG's second National Goal declares that all citizens have an equal opportunity to participate in, and benefit from development. However, there is still more work to be done to ensure women are equally participating in decision-making in wider society. PNG women have made progress in education, employment and other sectors in recent years. However, women's political participation is an internationally recognised indicator that measures status of women in a country. Currently, PNG is one of the five countries in the world that has no female members of Parliament. This is below the global average of 23% female representation in Parliament. Women in PNG face numerous challenges

from discrimination, violence, lack of support and stigma when participating in civic and political activities. Gender inequality in PNG has led to a 60% loss in potential human development. This trend needs to be reversed in the medium term.

In PNG traditional society, people with disability are protected and taken care of by their respective communities and societies. However, rights-based approach must be promoted to provide the same opportunities to people with disability as ordinary people in education, health services, employment and others. These are human resources with the potential and the capability to contribute towards the development of the country.

### **3.6 Healthy Population free from Sexually Transmissible and HIV/AIDS Threats**

HIV/AIDS was first recorded in PNG in 1987. Since then, the number of HIV cases has grown and PNG has the highest rate of HIV/AIDS transmission in the Pacific region. The rapid spread of the disease seriously threatens PNG's future development. AIDS is recognized to be more than a health issue but a disease that challenges the economic and social fabric of every societies. The risk posed by the epidemic is quite alarming for the country because this risk is particularly high among those in the productive age group of 15-49 years. The Government subsidises health care in public hospitals, including the provision of anti-retroviral drugs for persons living with HIV/AIDS.

In this medium term plan, the Government aims to build on its current efforts by scaling up the provision of preventative healthcare and support for HIV/AIDS, including sexually transmitted infections.

### **3.7 Attaining Minimum Standards of Living for Vulnerable and Disadvantaged Groups**

The Vulnerable and Disadvantaged Groups (VDGs) are easily excluded because of lack of access to information, skills, threatened by hunger, natural disasters, inadequate income and vulnerability to shocks and discrimination. PNG is currently faced with many of these challenges and the formulation and implementation of appropriate legislations and policies are important to address these challenges effectively.

PNG's Melanesian values provide the support systems through extended family units in caring for VDGs. In light of this and building on the foundation for community development as provided in the preamble of the National Constitution and proclaimed in the Five National Goals and Directive Principles, community oriented approaches are required to empower and improve community livelihoods. Social protection strategies are also required to boost VDG participation within the economy and is emphasized in PNG's National Policy on Social Protection 2015-2020.

### **3.8 Improve Immunisation Coverage**

PNG's average immunisation coverage is less than 40 percent when the global average is 80 percent. Low coverage in polio, measles and tetanus resulted in several outbreaks of preventable diseases. Vaccination coverage differs across provinces and districts. The Government will strengthen the implementation of the Expanded Program on Immunisation to reach 80 percent coverage by 2022.

### 3.9 Improve Nutrition Standard

PNG's current estimated population growth rate is over 3.1% which represents a rapidly growing population and warrants serious attention by all stakeholders to support the government in safeguarding Papua New Guineans against food scarcity and hunger. Increased investments and support in agriculture & livestock, economic empowerment and health and education of especially women and girls are vital to ensuring food security and safety leading to a healthy population. PNG has already put in place a National Food Security Policy (2016-2025) to address its food security needs and concerns.

To achieve the above Goals, the following targets are set:

**Table 4.7 Sustainable Social Development Goals and Targets**

Goal	Indicator	Baseline	Target 2022
<b>3.1 Improve Health Services and Outcomes</b>	3.1 Maternal Mortality Rate (MMR) per 100,000 live births	217	175
	3.2 Infant Mortality Rate (%) per 1,000 births	44	17
	3.3 Mortality rates under 5 (per 1,000 live births)	52	20
	3.4 TB Incidence rate per year 100,000 population	432	150
	3.5 Incidence of reported malaria patients per 1000 population per year	105	72
	3.6 Proportion of children under 1 year old immunized against measles (%)	37	97
	3.7 Proportion of 1-year-old children immunised with doses of DTP- Hep B-Hib per year	44	97
<b>3.2 Improve Education Services and Outcomes</b>	3.8 Gross enrolment ratio in (%):		
	- Elementary Education	144	100
	- Primary Education	82	98
	- Secondary Education	28	50
	3.9 Net enrolment ratio in (%):		
	- Elementary Education	87.8	95
	- Primary Education	54	80
	- Secondary Education	12.4	35
	3.10 Teacher Pupil ratio		
	- Elementary Education	1:37	1:25
	- Primary Education	1:35	1:25
- Secondary Education	1:44	1:35	
3.11 Transition rate (%)			
Elementary to Primary			
- Primary to Lower Secondary	85	96	
- Lower Secondary to Upper Secondary	57	75	
	49	65	

	3.12 Number of students enrolled in FODE <sup>1</sup> by gender	46(Male) 54(Female)	50 50
	3.13 Expected years of schooling	9.9	16.48
<b>3.3 Resourceful and Productive Youth</b>	3.14 Number of youths in SME ('000)	20	2,000
<b>3.4 Sports as a Catalyst for Social and Capital and Nation Building</b>	3.15 Number of Coaches and Sports Administrators from various sporting codes participating in community sports programmes	468	1,000
<b>3.5 Equal Opportunities for all Citizens to benefit from Development</b>	3.16 Number of female members in National Parliament	0	5
	3.17 Dependency ratio	60	50
<b>3.6 Healthy Population free from Sexually Transmissible and HIV/AIDS Threats</b>	3.18 Number of new HIV Infections per 1,000 (uninfected) population by sex and region	1.82	< 0.5
<b>3.7 Attaining Minimum Standards of Living for Vulnerable and Disadvantaged Groups</b>	3.19 Percentage of population identified as Vulnerable and Disadvantaged	52.50	30
<b>3.8 Improve Nutrition Standard</b>	3.20 Prevalence of stunting in children <5 (%)	40%	<30%

## Strategies

To achieve the above Goals and medium term targets, the following strategies must be implemented:



<sup>1</sup> Flexible Open Distant Education

**Table 4.8 Sustainable Social Development Goals and Strategies**

Goals	Strategies
<b>3.1 Improve Education Services and Outcomes</b>	<ol style="list-style-type: none"> <li>1. Increase the number of qualified trained teachers to meet the growing demand of student enrolment.</li> <li>2. Improve the National Education Curriculum by focusing on STEM (Science, Technology, Engineering and Mathematics).</li> <li>3. Improve access to quality Technical Vocational Education and Training (TVET) and Flexible Open and Distance Education (FODE).</li> <li>4. Improve access to higher learning institutions.</li> <li>5. Raise the minimum qualification standards for teachers from diploma to degree in primary and degree to higher level of qualification in secondary schools respectively.</li> <li>6. Increase the number of Schools of Excellence.</li> </ol>
<b>3.2 Improve Health Service and Outcomes</b>	<ol style="list-style-type: none"> <li>7. Upgrade district health center to district hospitals (Level 4) provincial hospitals to Level 5, 4 regional hospitals to Level 6, and referral hospital (Angau and POMGH) to Level 7 status.</li> <li>8. Upgrade all health training institutions to increase the number of health professionals.</li> <li>9. Roll out of Provincial Health Authorities (PHA) and strengthen Community Health Posts (CHP) throughout the country.</li> <li>10. Improve the procurement and management of medical supplies.</li> <li>11. Improve and increase education and skills training and personal development programs that meet job market needs and for self-employment in SME type business ventures.</li> </ol>
<b>3.3 Resourceful and Productive Youths</b>	<ol style="list-style-type: none"> <li>12. Support youths in civic engagements and other schools, communities and society based enrichment activities.</li> </ol>
<b>3.4 Sports as a Catalyst for Social and Capital and Nation Building</b>	<ol style="list-style-type: none"> <li>13. Promote and support professional sports persons in sporting codes.</li> <li>14. Build and upgrade sporting facilities to international standards to encourage international sporting events and promote sports tourism.</li> <li>15. Ensure that sports and physical education is taught as a compulsory subject in schools and tertiary institutions.</li> </ol>
<b>3.5 Equal Opportunities for all Citizens to benefit from Development</b>	<ol style="list-style-type: none"> <li>16. Review and reform current electoral systems to encourage women’s participation in political decision-making.</li> <li>17. Establish targets and measures to increase the number of women in leadership/management and decision-making.</li> <li>18. Work in partnership with other stakeholders through advocacy programmes promoting women’s political and economic empowerment.</li> <li>19. Increasing access for equal opportunities, and the gains made from development.</li> <li>20. Economic growth to be translated into inclusive social development for all.</li> <li>21. PNG’s economic growth needs to be broad-based covering all sectors to provide opportunities for all citizens to participate, including women, youth, disabled and the vulnerable.</li> </ol>

<b>3.6 Healthy Population free from Sexually Transmissible and HIV/AIDS Threats</b>	22. Scale up care and treatment services throughout the country.
	23. Preventing mother to child transmission (PMTCT).
	24. HIV/AIDS awareness and prevention to be mainstreamed in schools, workplaces and communities.
	25. Institutionalise national response to reduce gender inequalities that contribute to PNG's high level of vulnerability to the HIV/AIDS epidemic
<b>3.7 Attaining Minimum Standards of Living for Vulnerable and Disadvantaged Groups</b>	26. Strengthen ethical and cultural safety nets to protect and provide the rights to services and communal engagement for vulnerable segment of society.
<b>3.8 Improve Immunisation Coverage</b>	27. Increase rate of immunisation coverage from 40 % to 80% by 2022.
<b>3.9 Improve Nutrition Standard</b>	28. Support hygiene, nutrition and dietary education, programs and awareness amongst families, households and schools.

## Investments

To achieve the above targets, key investments are outlined in the Table below:

**Table 4.9 Key Investments in KRA 3. Social Development**

Key Investments	Targets
District Hospitals Upgrade and Development	All 89 Town Districts Health Centres are upgraded to District Hospitals by 2022
Provincial Hospitals (Enga, Central, Boram- ESP) rehabilitation and development	Completed by 2022
Construction of new Cancer Units Established (Angau & Port Moresby General Hospital)	Completed by 2022
Medical Research Centre (Madang)	Established by 2022
Western Pacific University	Completed by 2021
Increase Quality Education	On-going
School Infrastructure	On-going
Establishment of Schools of Excellence	4 schools are established as centre of excellence by 2022
4 TVET colleges	Five new Polytechnic Institutions are established by 2022
University Rehabilitation and Recapitalization	Completed by 2022
Medical University	Established by 2022
Lae and Goroka Sport Stadiums	Upgraded to international standards by 2022

## 4.5 Key Result Area 4. Improved Law, Justice and National Security

Serious law and order problems contribute to the high cost of doing business in Papua New Guinea and impede private sectors investments. Critical resource projects are also exposed to present and potentially more damaging law and order issues.

Additionally, land and maritime borders and natural disasters have placed a lot of demand on national security and defence. Other threats include transnational crime, drug and weapon trafficking, terrorism, human trafficking, and illegal immigration. National security bodies lack capacity including PNG Defence Force not adequately equipped to assist in national disasters and in callouts by the Government because it lacks air, land and naval capabilities.

### Goals

Strategic investments in KRA 4 aim to achieve two main goals:

- 4.1 Improve enforcement of the rule of law and prosecution by capacitating law and order agencies and further rollout of law and justice sector programs throughout most parts of the country including rural and remote areas.**
- 4.2 Enhance national security and strengthen PNG Defence Force air, land and naval capabilities.**

#### 4.1 Improve Enforcement of the Rule of Law

Enforcement of the rule of law has been challenging over the years. A large number of court houses in the country have closed down due to lack of funding. Overcrowding in prisons has led to the rise in jail breakouts in recent years. The Government acknowledges its role to have an effective functioning law and justice system and the need for increasing law and justice services to create a just, safe and secured society for all.

During the next five years, the Government plans to improve law and justice administration and enforce rule of law and prosecution. Capacitating law and order agencies and further rollout of law and justice sector programs throughout most parts of the country including rural and remote areas is a priority of the Government.

#### 4.2 Enhance National Security

In the medium term, the Government plans to strengthen the existing national security organisations that are responsive to security threats, natural disasters and providing emergency relief services, infrastructure development, border patrols and maritime surveillance. The PNG Defence air, land and naval forces need to be modernised to handle complex security challenges at national, regional and international levels. The national security personnel need to be skilled and trained to handle threats posed by high-powered weapons used in crimes and ethnic and electoral violence, as well as technologically-operated systems.

The Government plans to enhance PNG's National Security capabilities in line with the National Security Policy and Action Plan 2014-2020. The Policy provides the strategic framework for security oversight, coordination, alignment and guidance for the security agencies to effectively carry out their functions.

Table 4.10 shows the main targets and indicators for improved law, justice and national security.

**Table 4.10 Improved Law, Justice and National Security Goals and Targets**

Goal	Indicator	Baseline	Target 2022
4.1 Improve enforcement of the rule of law	4.1 Crime rate – Per 100,000 population	83.7	40
	4.2 Ratio of policeman to people	1:1,500	1:900
	4.3 Rural lock-ups in the Districts	7	12
	4.4 Proportion of Legislations reviewed	16%	53%
	4.5 Number of District Court Magistrates	94	200
4.2 Enhance national security	4.6 Military Manpower	5000	6,000
	4.7 Proportion of PNG's border fully manned and guarded	25%	100%
	4.8 Surveillance System Capability (%)	25	100
	4.9 Average response timeframe for civil emergency and disaster relief assistance (Days)	2	1

## Strategies

In line with the White Paper on Law and Justice in PNG, the following strategies will be implemented to achieve the above targets:

**Table 4. 11 Improved Law, Justice and National Security Goals and Strategies**

Goal	Strategies
4.1 Improve Enforcement of the Rule of Law	1. Strengthen, increase capacity and modernize the law and justice services at all levels.
	2. Increase Police strength to meet the police-to-population ratio
4.2 Enhance National Security	3. Improve capacity of national security agencies to fully implement national security policy agenda.
	4. Establish appropriate border security infrastructure on land, air and sea to provide national security.
	5. Improve operational capacity of national security agencies to ensure effective border surveillance and security management

## Investment

Direct interventions in law and order sector will include the key investments presented in *Table 4.12*.

**Table 4.12 Key Investments in KRA 4. Improved Law, Justice and National Security**

Key Investments	Target
<b>PNGDF Infrastructure:</b> - 3 <sup>rd</sup> Battalion Komo Barracks - 2 Border Military Posts - 1 Dog Unit at Wutung - Operationalize Wutung Border Post - Improve Defence Air Capabilities	All projects completed and operational by 2022
Police Infrastructure Development (Komo and Madang Mobile Police Barracks)	
Correctional Service Development(Tari and Enga)	

## 4.6 Key Result Area 5. Improved Service Delivery

Ineffective service delivery is one of the biggest impediments to development in PNG. One of the major constraints is the lack of capacity in the districts and provinces. The capacity issues mostly relate to poor infrastructure and actual establishment of service centres as well as the relevant manpower requirements.

In order to ensure effective services delivery, the Government will focus on improving service delivery in the districts by optimising the use of the District Development Authorities as the frontline service delivery vehicle through strategic investments in district hospitals, court houses, police stations, markets, district communities and other social and economic facilities.

### Goals

KRA 5 has two major Service Delivery Goals:

**5.1 Effective Public Service Machinery**

**5.2 Integrated Approach for Service Delivery in Districts.**

#### 5.1 Effective Public Service Machinery

In order to deliver quality public goods and services, an efficient and good governance in the public service administration is critical. Investments in the public service structures, human capital, systems and tools of the public sector agencies involved in service delivery is essential to achieve targeted development outcomes. The Government is determined to develop the structures at the sub-national levels to deliver public goods and services by providing funding support through the Service Improvement Programs (SIPs) whilst maintaining ongoing support to central and line agencies at the national level.

To complement the SIPs, sub-national agencies would be required to ensure their respective plans are fully aligned and cognizant of the National Government’s development aspirations. Through the alignment exercise, the sub-national government agencies will ensure that their development agenda in sectoral and thematic areas, cascade and align well with the overarching MTDP III priorities. This would also ensure that programs and projects identified in the investment plans are delivered to achieve maximum results. Ineffective allocation of limited resources is minimised through this alignment exercise.

## 5.2 Integrated Approach for Service Delivery in Districts

The National Service Delivery Framework stipulated within the PNG Planning and Monitoring Responsibility Act 2016 sets the minimum service delivery standards for District Development Authorities (DDAs). The DDAs are mandated to provide oversight on the development agenda of the National Government at the district level. At present only 30% of DDAs are operating with limited capacity.

The Government plans to support DDAs to be fully functional by 2022. Building the capacity of DDAs in terms of their Infrastructure and human capital is a challenge that has to be met in this medium term. This is important to ensure that public goods and services are effectively delivered and intended outcomes are achieved.

The table below outlines the main targets to achieve the goals of improved service delivery.

**Table 4.13 Improved Service Delivery Goals and Targets**

Goal	Indicator	Baseline	Target 2022
5.1 Effective Public Service Machinery	5.1 Percentile Rank with World Governance Indicator in Government effectiveness	24%	42%
5.2 Integrated Approach for Service Delivery in Districts	5.2 Percentage of DDAs functionality	20%	All 89 Districts to be 100% functional.

## Strategies

The above goals and targets will be achieved in the medium term by implementing the strategies outlined below:

**Table 4.14 Improved Service Delivery Goals and Strategies**

Goal	Strategies
5.1 Effective Public Service Machinery	1. Improve the capacity of agencies to respond to needs and development challenges.
	2. National E-ID card programme is fully implemented nationwide.
	3. Enforce the relevant Public Service regulations
	4. Develop monitoring and evaluation mechanisms to ensure public institutions become accountable
	5. Build capacity of DDAs for effective service delivery

## Investment

Main programs targeting improvement of service delivery are listed below in the table.

**Table 4.15 Key Investments in KRA 5. Improved Service Delivery**

Key Investments	Target
National E-ID Card Program	All citizens are registered by 2022
2020 Population Census Preparation	Completed by 2021
Financial Management Improvement Program	All provinces are connected to IFMS by 2019
Establishment of District Development Authority Office	All 89 DDA offices by 2022
District and Provincial Service Improvement Programs	Targeted and well managed implementation

## 4.7 Key Result Area 6. Improved Governance

Building an effective and efficient governance in the public sector poses a big challenge within the PNG Government system. PNG's rating of public service effectiveness is rated at the bottom 24% in 2016. PNG is also ranked 136th out of 176th countries based on the 2016 Corruption Index of the Transparency International. The Government's inability to control expenditures and disburse the approved budget, and the absence of clear Public Sector Management framework for service delivery remain a challenge in the governance sector in the country.

### Goals

Consequently, the governance agenda will focus on two critical Goals:

- 6.1 Promote good governance; and**
- 6.2 Develop a centralised civil and identity registry system**

#### 6.1 Promote Good Governance

Good and effective governance is about better decision making and efficient use of resources that strengthens accountability and stewardship of resources. It promotes robust scrutiny resulting in improved public sector performance and the tackling of corruption. It improves management leading to more effective implementation of government policy and interventions and better services delivery.

It is concerned with creating enabling mechanisms to promote ethical conduct, enforce legislations, enhance efficiency and effectiveness, promote transparency and sound financial management and accountability practices. As development models and values

change over time, effective governance will guide and sustain the process of decision-making and hold societies and nations together, ensuring fairness, economic equality and civil participation.

## 2. Develop a Centralised Civil and Identity Registry System

Reliable statistics on human population are critical for strategic planning and resource allocation. The country cannot meet the needs and expectation of its population unless the demographic information is readily available. Disaggregated information by geography, gender, age, disabilities, occupation, marital status and other civil information need to be provided for government to strategically develop its development plans and effectively deliver goods and services for the country.

Registration of births, marriages, adoptions and deaths are important functions of civil registration. It identifies all civil events of births in the country, legalises approved marriages through the matrimonial ceremonies conducted by recognised institutions, formalises legal adoptions and records all death in the country. National Identification program is part of this civil registry for people who have never registered before so that their identities are protected and allows them to exercise their rights to access public goods and services.

The National Identification system will ease authentication difficulties faced today by identifying “the person to be that person who claims to be” through biometrics (finger prints, photo, and iris) captures. The system will register and generate unique identification numbers that will appear on their birth certificates and ID cards to be used by all citizens.

To achieve the Goals of the civil and identity registry system, the Government has established registration offices in the provinces and further activities will be focused on:

1. Undertaking registration and printing of certificates and NID cards at the provincial offices;
2. Rolling out the system to the districts to get everyone registered by 2021;
3. Working on the Civil Registration Legislation to give legal prominence to the PNG Civil & Identity System for identification and authentication of all users; and
4. Establishing links and complementation with the country’s Integrated Government Information System (IGIS) that will store and transport all government information systems.

To achieve the above Goals, the following targets are set out below.

**Table 4.16 Good Governance Goals and Targets**

Goal	Indicators	Baseline	Target 2022
6.1 Promote Good Governance	6.1 Public Service Effectiveness (World Percentile Rank)	24%	42%
	6.2 Number of Provinces connected to IFMS	0	22
	6.2 Regulatory Quality (World Percentile Rank)	30%	50%
	6.3 Control of Corruption (World Percentile Rank)	15.87	50

	6.4 Public Expenditure and Financial Accountability Indicators scoring	51%	75%
6.2 Develop a centralised civil and identity registry system	6.5 Total number of Adults (Above 18 year of age) registered for NID.	87,000	5 million
	6.6 Total number of Children (Below 18 years of age) registered for Births.	150,000	3 million
	6.7 Total marriage population registered.	unknown	30%
	6.8 Total deaths registered.	unknown	30%
	6.9 Establish fully operational Provincial NID Offices.	18	22
	6.10 Establish fully operational District NID Offices.	0	89

## Strategies

To achieve the Governance goals and targets, the following strategies will be implemented:

**Table 4.17 Good Governance Goals and Strategies**

Goal	Strategies
6.1 Promote Good Governance	1. Strengthen and enforce monitoring and evaluation, accountability and transparency initiatives.
	2. Strengthen fiscal planning and expenditure management by adhering to principles laid out in the medium-term fiscal strategies.
	3. Improve and strengthen public sector reform in the institutional structures and human resource capacity, procurement and service delivery mechanism.
	4. Legislate to establish the Independent Commission Against Corruption.
	5. Strengthen electoral processes and systems.
6.2 Develop a centralised civil and identity registry system	6. Customise all citizens/residents bio-data registration to be of the Civil & Identity Registry required data collection format.
	7. Register all Civil Registry Vital Events (births, adoption, marriages, divorces, migration and deaths) in the country.
	8. Integrate PNG Civil & Identity Registry System to all other Government Services for authentication of Rollout out of Provincial and District NID registration Civil Registration Bill Passes by Parliament
	9. Rollout out of Provincial and District NID registration
	10. Customise all citizens/residents bio-data registration to be of the Civil & Identity Registry required data collection format.

## Investments

To support the above Governance goals and targets, the following key investments will be undertaken in the medium term:

**Table 4.18 Investments in KRA 6. Good Governance**

Key Investments	Targets
1. Rural Service Delivery & Local Governance	Implement the Rural Service Delivery and Local Governance initiatives
2. Introduction of Electronic Voting System	Conduct the National Election in 2022 with the Electronic Voting System
3. Combating Corruption	Support Anti- Corruption initiatives
4. National Procurement Commission	Implement effective Procurement system
5. Financial Management Improvement Program	Improved the Financial Management System in all Provinces
6. 2020 National Census	Implementation of the National Census in 2020 and Census Report by 2022.

## 4.8 Key Result Area 7. Responsible Sustainable Development

In 2016, the government took an innovative approach in developing the PNG Strategy for Responsible Sustainable Development (StaRS) consistent with the UN's 2030 SDG agenda. The change of approach from the brown-based economy to green growth economy is aimed at promoting a robust and sustainable economy. Both StaRS and MTDP II recognized the country's natural endowments and classified them as strategic assets due to their aggregate global market value.

Combining the StaRS with MTDP II ensured a balance between different and competing needs affecting the country against the underlying challenges related to environmental, social and economic factors. Sustainable development is broader than just the environment agenda. It is about ensuring a strong, healthy and just society meeting the diverse needs of people in existing and future communities. It is concerned with promoting wellbeing, social cohesion, inclusion and creating opportunities.

### Goals

In line with the PNG's Sustainable development growth strategy, the following Goals are articulated:

- 7.1 Promote PNG's Environmental Sustainability;**
- 7.2 Adapt to the Domestic Impacts of Climate Change and Contribute to Global Efforts to Abate Greenhouse Gas Emissions;**
- 7.3 Manage and Reduce the Risks of Natural Disasters thereby increasing the Resilience of PNG Communities to Disasters; and**
- 7.4 Sustainable Use of Water**

#### 7.1 Promote PNG's Environmental Sustainability

PNG hosts an abundance of natural and diverse resources. About 80% of the PNG's rural population rely on its land and marine resources for food and as sources of income. Most families are benefiting directly or through economic activities associated with tourism, fisheries and agriculture, water and bio-diversity. PNG makes up only 1% of the world's landmass, but hosts the third largest rainforest, it is home to almost 7% of the world's total biodiversity, making it one of the remaining countries in the world with

rich biodiversity and intact ecosystem. These key assets must be protected and conserved for the future generations.

MTDP III adopts the principles of StaRS and further builds on the principles of green growth<sup>2</sup> and responsible sustainable development. This medium term plan focuses on utilising strategic assets with emphasis placed on preserving the environment and developing resources in a sustainable manner. It also avoids giving prominence to unethical practices and activities that compromises PNG's future. The MTDP III promotes the agenda for sustainable development and build on the MTDP II environmental protection strategies.

## **7.2 Adapt to the Domestic Impacts of Climate Change and Contribute to Global Efforts to Abate Greenhouse Gas Emissions**

PNG is a Party to the United Nations Framework Convention on Climate Change (UNFCCC); signing and ratification of the UNFCCC by the GoPNG in 1992 and 1993, respectively. PNG has played a leading role in advancing the REDD+ agenda under the UNFCCC. In addition, PNG needs to prepare and adapt to the climate related risks such as: coastal flooding and sea-level rise, some of the atolls and coastlines in the Islands Region have been flooded and drowned by the rise in sea level, inland flooding, food insecurity, cities and climate change, climate induced migration, damage to coral reefs, malaria and vector-borne diseases and water and sanitation.

## **7.3 Manage and Reduce the Risks of Natural Disasters thereby increasing the Resilience of PNG Communities to Disasters**

PNG is located on the Pacific Ring of Fire and is one of the most disaster-prone countries in the Pacific region. PNG experienced 25% of all the natural disasters that occurred in the Pacific region between 1950 and 2008. PNG is also within the top six countries in the Asia Pacific region with high exposure to earthquakes and volcanic eruptions.

Other natural hazards frequently experienced by communities in PNG are floods, landslides, and strong winds. Effective disaster reduction planning, early warning system and emergency response strategy are needed. Building capacity in the various stakeholder agencies should be the priority of Government as we move into the future so that we are able to adequately respond to these challenges. By 2022, the Government anticipates to have strong coordination amongst stakeholder support agencies to deal with disaster related matters.

## **7.4 Sustainable Use of Water**

Water and sanitation infrastructure contribute significantly to socio-economic development. Having access to clean drinking water supply and sanitation services reduces morbidity and mortality caused by water related diseases, increases economic growth opportunities and improves the overall quality of life.

---

<sup>2</sup> Green growth uses natural resources responsibly, and does not degrade the environment.

The long-term goal of PNG is to increase population's access to clean drinking water from 33% to 100% by 2050. The development of the Water, Sanitation and Hygiene (WaSH) Policy in 2015 now paves way for a more coherent and coordinated effort within the WaSH sector in the delivery of clean drinking water and sanitation for all. Similarly, the PNG Development Strategic Plan (2010-2030) aimed at 70% of PNG's population to have access to improved services by 2030. Responding to these national goals and policy require effective WaSH strategies over the medium-term. National Water, Sanitation and Hygiene (WaSH) Authority will be established with aim of overseeing the implementation of the WaSH Policy. Under this Authority, all the related existing agencies/organizations will be brought under the WaSH Authority including Eda Ranu without extension of the current water and sewerage management contract with a foreign company.

To achieve the above Goals, the following targets are set:

**Table 4.19 Responsible Sustainable Development Goals and Targets**

Goal	Indicators	Baseline	2022 Targets
<b>7.1 Promote PNG's Environmental Sustainability</b>	7.1 Percentage of land area protected to maintain & improve biological diversity	3.98%	17.9%
	7.2 Percentage of marine area protected to maintain & improve biological diversity	0.21%	9%
	7.3 Percentage of pollution complaints investigated and resolved	20% (2013)	80%
	7.4 Primary forest depletion rate per year due to commercial agriculture, logging, mining and urban town development	9%	5%
<b>7.2 Effective Monitoring and Mitigating Climate Change Impacts</b>	7.5 Number of automated meteorological stations	1	5
	7.6 Total CO2 emissions from all sectors	14,251.3Gg	12,000Gg
	7.7 Number of legislation and policies amended, reviewed, established and implemented	1	2
<b>7.3 Effective Monitoring and Natural Disaster Response System</b>	7.8 Functionality of Rabaul Volcanology Observatory	50%	100%
	7.9 Number of automated Weather Stations/Instruments per strategic location installed and operational	2	5
	7.10 Percentage of provinces with capacity and resources to deal with natural disasters	10%	60%
<b>7.4 Improve Access to Safe (drinking) Water, Reliable and</b>	7.11 Proportion (%) of rural population using an improved drinking water source	33	50

Affordable Sanitation and Hygiene Facilities	7.12	Proportion (%) of rural population using improved sanitation facilities	13	20
	7.13	Proportion (%) of urban population using an improved drinking water source	88	100
	7.14	Proportion (%) of urban population using improved sanitation facilities	56	80
	7.15	Proportion (%) of education and health institutions with access to safe water and sanitation services	50	80

## Strategies

To achieve the above Goals and targets, the following strategies are outlined below:

**Table 4.20 Responsible Sustainable Development Goals and Strategies**

Goals	Strategies
7.1 Promote PNG's Environmental Sustainability	1. Improve biodiversity conservation for tourism purposes and protection of PNG's diverse flora and fauna.
	2. Enforce the implementation of the StaRS principle 1 associated with protecting the environment by shifting responsibility to polluters to internalise environmental cost through setting standards for penalties and fees.
	3. Improve compliance of industry and municipals/urban centres for waste management regulation.
	4. Improve monitoring and reporting of environmental issues and behavioural trends.
	5. Promote sustainable uses of non-renewable natural assets in forestry, marine, minerals and bio-diversity.
	6. Support human capital development educational, research and other environmental awareness programmes in universities aimed at developing capacities to transition to sustainable development modes of growth.
7.2 Effective Monitoring and Mitigating Climate Change Impacts	7. Improve systems and inventories to monitor Green House Gas Emissions (GHG) and account for carbon emissions.
	8. Improve climate change legislative frameworks, policies, regulations, and standards.
	9. Negotiate to get improved funding, technical, institutional and technology support for climate change mitigation in the country.
	10. Develop policy and regulatory framework for the development of Sustainable Environment and Infrastructure - development of standards and regulations for climate-proofed and resilient infrastructure

	11. Support educational, research and development programmes associated with mitigating Climate Change impacts and management.
<b>3. Effective Monitoring and Natural Disaster Response System</b>	12. Implement and enforce building standards for the construction of infrastructure in disaster prone areas.
	13. Establish disaster surveillance system in disaster prone locations.
	14. Improve the capacity of monitoring and evaluation mechanisms to predict geophysical threats in order to raise the scope for early warning.
	15. Build capacity to effectively plan and deal with natural disasters.
<b>4. Improve Access to Safe (drinking) Water, Reliable and Affordable Sanitation and Hygiene Facilities</b>	16. Establish National Water, Sanitation and Hygiene Authority to oversee and coordinate the water, sanitation and hygiene services.
	17. Water, Sanitation and Hygiene program to provide safe water and improved sanitation services to all rural households and business houses.
	18. Water PNG Limited to provide safe water and improved sanitation services for all urban households and business houses.
	19. Water PNG Limited to provide safe water and improved sanitation services to all health and education institutions in the country.

## Investment

To achieve the above targets, key investments are outlined in the Table below:

**Table 4.21 Key Investments in KRA 7. Responsible Sustainable Development**

Key Investments	Targets
1. Waste Management	Improved Waste Management in all provinces
2. PNG Protected Areas	PNG Protected Areas are maintained and monitored
3. Kokoda Track Initiative	Support the Kokoda Track Initiatives
4. Building Resilience to Climate Change	Resilience to Climate Change is promoted and intensified
5. Disaster Mitigation Program	Implement the Disaster Mitigation Program
6. Disaster Response Preparedness	Improved Disaster Response Preparedness of Provinces
7. Construction, Rehabilitation & Upgrading of 14 Fire Stations	Upgraded 14 Fire Stations
8. Water, Sanitation and Hygiene Program	Improved proportion of population having access to Water, Sanitation and Hygiene Services
9. Port Moresby Sewerage System Improvement Project	Improved Port Moresby Sewerage System
10. Goroka Town Sewerage Upgrading	Upgrade Goroka Town Sewerage System
11. District Towns Water Supply Program	Complete the water supply system in all District Towns

12. Provincial Towns Water Supply	Complete Provincial Town Water Supply Systems in all Provincial Towns (Mendi, Kerema, Daru, Vanimo, Kurumul, Tari, etc.)
13. Resettlement of Manam and Kadavar Islanders	All Manam and Kadavar Islanders are resettled on the mainland.

## 4.9 Key Result Area 8. Sustainable Population

PNG's current population growth rate of 3.1% is highest amongst less developed countries which averaged around 2.7%. This alarming growth rate, resulting from high fertility rates among young people in the population strata, with the lack of access and awareness to proper family planning information and facilities, a cause for concern among policy makers and political leaders.

If population growth rate is unchecked at 3.1% per annum, the GDP per capita will decline as population figures overshoot the expected carrying capacity of the economy and by doing so add strenuous pressure on the economy. At the current growth rate, the population will have exceeded 10 million from the current figure of 8.4 million by 2022. This is a great concern as we may not generate enough revenue to look after everyone. If the GDP growth rate remains subdued and if MTDP III target of increasing revenue and GDP per capita by 2022 is not realized, PNG economy will face even greater challenges to look after its citizens.

High population growth is a serious concern in development planning as it puts more pressure on sustainable use of our limited resources and available public goods and services. It will strain our educational facilities as more spaces will be required to absorb the growing population while those who pass out of our education systems will find it difficult to find jobs, thus increasing the unemployed youth population.

Population growth would have to be managed so that the growing needs of a country are adequately met by its economic performance. PNG has a worrisome trend in that respect because it has an economic growth of 2.4% against the backdrop of population growing at 3.1%. This scenario paints a rather dire picture that needs immediate attention to arrest the increasing population growth rate. Maintaining the balance between economic growth and population growth remains a priority in the medium term. By 2022 PNG's economic performance must exceed its population growth rate.

### Goal

**The main goal of Sustainable Population is to achieve a population growth that is manageable, quality, healthy and productive.**

### Targets

It is envisaged to achieve the following targets:

**Table 4.22 Sustainable Population Goal and Targets**

Goal	Indicators	Baseline	2022 Targets
8.1 Achieve a population growth that is manageable, quality, healthy and productive.	8.1 Population Size	8.74	9.7
	8.2 Population Growth Rate	3.1%	2.3%
	8.3 Total fertility Rate	3.8	2.2

To further entrench PNG as a healthy, robust and sustainable economy, the Government will implement the following strategies:

**Table 4.23 Sustainable Population Goal and Strategies**

Goal	Strategies
8.1 Achieve a population growth that is manageable, quality, healthy and productive.	1. Adopt and implement the National Population Policy by promoting development initiatives that are human centric, balance and sustainable.
	2. Integrate Population Education into the curriculum of teachers' college, secondary and primary education.
	3. Promote education and employment opportunities for girls.
	4. Government to strengthen partnerships with Private sectors and NGOs to provide reproductive health education and health care
	5. Provinces and Districts to take ownership of population agenda by coming up with comprehensive promotional and awareness programmes under partnership arrangements with churches and other non-government organisations.
	6. To manage population growth by controlling fertility rate through the provision of incentives such as taxation and targeted education scholarships.

## Investments

The following key investments will be undertaken in the medium term:

**Table 4.24 Investments in KRA 8. Sustainable Population**

Investment	Target
Reproductive Health Care and Family Planning	Intensify the implementation of the Reproductive Health Care and Family Planning initiatives
National E-ID Card Program	Intensify the implementation of the National E-ID Card Program
2020 Population Census Preparation	Support the conduct of the 2020 Population Census

# CHAPTER FIVE

## FINANCING THE MTDP III



## CHAPTER 5. FINANCING THE MTDP III

Implementation of previous medium-term plans brought about positive results but did not boost social and economic development as expected. Currently, PNG economy is dependent on resource revenue, which proved to be unsustainable and highly volatile. Therefore, having analysed the recent years' economic and fiscal outcomes, the MTDP III focuses on higher economic self-reliance and self-sustained growth.

### 5.1 Financing Development in 2011- 2017

#### Fiscal Performance Overview

The total internal Government revenue excluding grants for years 2011-2017 amounted to K66.2 billion. Over the years, it has declined from 20% of GDP in 2011 to 13% of GDP in 2017. The combination of low resource commodity prices, severe drought, and imbalance on the foreign exchange market contributed to slowing down the economy. This, in turn, has negatively affected the revenue performance, when resource revenue declined significantly from 24% of total revenue in 2011 to 6% in 2017.

As a result, the implementation of Government's operation and capital investment required significant borrowings and increase in the debt level, which reached 31.9% of GDP in 2017, totalling K23.6 billion. The forecasted public debt stock in 2018 is K25.8 billion, including the increase in domestic borrowing, new sovereign bond of K1 billion and budget support loans from international financial institutions.

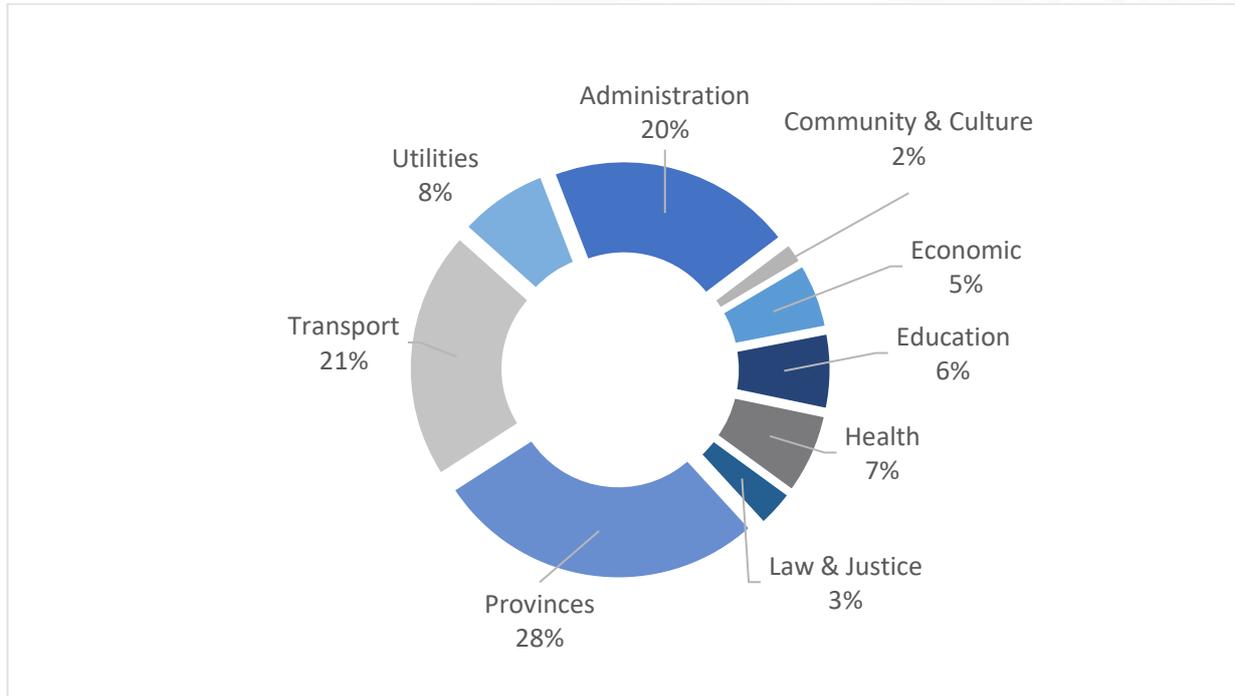
#### Capital Expenditure Overview

In 2011-2017, the Government invested K26.8 billion into development programs. Out of that amount, the Government directly contributed K19.6 billion from its own resources, focusing primarily on infrastructure development in all sectors. Figure 6.1. shows that the Government's top priorities in 2011-2017 were developing transport sector (21% of total expenditure), improving public administration (20%), and funding social sectors (15% of capital investment). Introduction of Service Improvement Programs allowed district and provincial governments to benefit from and control public investment at the local level. Only 5 per cent of total capital investment in 2011-2017 was directed into economic growth-related projects.

#### Official Development Assistance

Funding support for capital investment projects from development partners in the form of mostly concessional loans and grants has been a substantial part of development financing in the past years. In total, PNG received K7.1 billion in development support over the period 2011-2017. In 2015 alone PNG received K1.5 billion in actual draw-downs and this reached a low of K294 million in 2017. This reduction was related to lack of adequate counterpart funding from GoPNG. The 2017 Medium Term Fiscal Strategy Report indicated that K8.1 billion of loans are undisbursed due to lack of counterpart funding and other implementation issues.

**Figure 5.1 Development Expenditure 2011 – 2017**



## 5.2 Fiscal Framework for MTDP III

The fiscal envelope for implementation of MTDP III is outlined in the Medium Term Fiscal Strategy 2018-2022 (MTFS), which contains Medium Term Revenue Strategy (MTRS) and Medium Term Debt Strategy (MTDS). The framework calls for stringent fiscal management, while the amended 2006 Public Finance Management Act 2017 sets legal requirements for maintaining sustainable debt level at maximum level of 35% of GDP and reducing it to 30% of GDP by 2022.

The focus of MTRS is to reinforce tax compliance, broaden the revenue base, and increase the share of non-resource revenue. In line with these medium-term priorities, MTDP III focuses on promoting and expanding SME sector and developing agriculture and agri-business in the medium term. Furthermore, sufficient funding is envisaged for major revenue raising agencies, IRC and PNG Customs Service. Public investment will be focused on building revenue generating capacities.

The 2019 Budget Strategy Paper (BSP) revised MTFS projections based on the positive economic outlook and favourable international environment. The fiscal space was increased to support the growth strategy and socio-economic investments. It is consistent with the MTFS objectives to maintain fiscal discipline and stabilise the economy.

## 5.3 Funding Requirements for Implementing MTDP III

MTDP III focuses on high impact economic strategies and activities to address, promoting agriculture, production and manufacturing, and improve services delivery. It is anticipated that investments in the MTDP III economic priorities will generate higher

returns on investments (in the form of tax revenues and indirect benefits) than projected. Implementation of MTDP III requires K27.2 billion over the five-year term. *Table 5.1* presents the financing requirements by sector.

**Table 5.1 Financing Requirements for MTDP III**

MTDP III Sector	MTDP III Sectoral composition	MTDP 3 Requirements					
		2018	2019	2020	2021	2022	Total
Administration	10%	540.8	490.0	556.2	615.3	618.0	2,820.3
Community & Culture	1%	72.8	71.0	75.2	69.8	60.5	349.3
Economic	12%	631.3	686.9	627.9	648.5	648.6	3,243.2
Education	8%	355.9	385.3	446.6	490.7	502.9	2,181.4
Health	9%	462.2	432.7	490.7	520.4	572.5	2,478.4
Law & Justice	5%	183.9	263.3	275.3	240.7	268.3	1,231.3
Provinces	29%	1,343.8	1,493.2	1,586.8	1,640.8	1,691.5	7,756.1
Transport	19%	684.3	809.9	933.9	1,134.4	1,536.7	5,099.2
Utilities	8%	369.1	294.0	371.0	459.7	549.4	2,043.2
<b>Total</b>	<b>100%</b>	<b>4,643.9</b>	<b>4,926.2</b>	<b>5,363.6</b>	<b>5,820.2</b>	<b>6,448.5</b>	<b>27,202.4</b>

Economic sector is given prominence as over K3 billion or 12% of total medium-term capital investment will be directed into the programs, boosting economic growth. Transport infrastructure is the key enabler for economic activities throughout the country and is projected for 19% of total financing (K5.1 billion). MTDP III will fund new economic corridor roads and missing links, connecting coastal and inland provinces and drastically reducing logistical costs for business and public service delivery. Provinces remain the focus of the Government with continuous funding of Service Improvement Programs (DSIP and PSIP) and high impact provincial programs. A total of K7.8 billion will be transferred to provinces over the medium term in form of capital investment. Electrification, water supply and communication services will be duly funded with allocation of K2 billion or 8% of total capital expenditure.

Social sector funding is important to support human development. In total, health, education, community and culture will be allocated K5.1 billion to build district hospitals, health centres, sports facilities and fund other social programmes.

Financing projects that accrue higher rate of return will generate economic capacity to service the debt and create additional value. If internal revenue is sufficiently generated and foreign exchange issue is addressed within the first three years, the Government will secure enough resources to finance other social and infrastructure projects sufficiently to achieve the goals and targets as set out in this plan.

## 5.4 Sources of Financing MTDP III

Development projects will be financed mainly from GoPNG sources. Government aims to drawdown on the stock of existing loans, bringing financing for significant infrastructure and economic development projects into the country. Other development assistance in the form of grants and new concessional loans will also fund MTDP III projects. Besides traditional financing modalities, the Government will promote Public-Private Partnership (PPP) and lift the moratorium on the Tax Credit Scheme. Overall, the Government will

expand beyond the network of traditional development partners and seek support from partners like India and China.

The MTDP III will be financed by several financing sources as shown in *Table 5.2*.

**Table 5.2 Sources of Financing MTDP III, Kina million**

Sources	2018	2019	2020	2021	2022
Concessional Loans	593.9	816.9	1,163.3	1,585.9	2,016.2
Grants	1,024.6	943.1	932.1	932.1	932.1
GoPNG	3,025.4	3,166.2	3,268.2	3,302.2	3,500.2
<b>TOTAL MTDP III</b>	<b>4,643.9</b>	<b>4,926.2</b>	<b>5,363.6</b>	<b>5,820.2</b>	<b>6,448.5</b>

*Source: 2019 Budget Strategy Paper*

In order to achieve higher growth and development targets, expenditure on Public Investment Program has to be fully funded. The key high-impact projects should be financed from external and internal sources, including Infrastructure Tax Credit Scheme and bringing together the efforts of Government, private sector and development partners. The implementation of the development plan will increase internal revenue, as the investment in economic and infrastructure sectors will bring tangible results and benefits in medium and long term.

The Government will undertake prudent planning approach and thorough monitoring of the projects implementation to optimise the expenditure and maximise the outcome of the investments. The possible sources of financing are presented in the rest of this chapter.

## 5.5 Tax Credit Scheme

Infrastructure Tax Credit Scheme (ITCS) is the innovative approach to infrastructure development, introduced by the Government in 1992. Since then, more than 550 projects have been implemented in building and maintaining transport, health and education infrastructure in resource-rich provinces. The scheme brought in much needed services in the most remote areas of the country. Additionally, the implementation of the National Infrastructure Tax Credit Scheme (NITCS) allowed to build high impact projects of national significance such as Manasupe Haus, National Football Stadium and APEC Haus.

However, the Government has faced several challenges in administration and implementation of the scheme. Firstly, land ownership issues and low capacity of local contractors made it difficult to match the contractual requirements. Secondly, the lack of consultations between the developers and the state agencies resulted in poor design and scoping. Thirdly, the NITCS projects increased significantly the expenditure under the scheme. The developers claimed their respective tax credits which resulted in the reduction of the revenue base. Finally, there was no consistent reporting and auditing of the Scheme. The reconciliation of the approvals, expenditures and credits claimed was difficult due to the restricted access to information under the “Privacy Code” provided in the Income Tax Act.

As a result of major challenges in implementing the Scheme, the Government placed a moratorium on all new ITCS projects in 2017. After the thorough review of the Scheme,

the amendments were proposed to improve the performance of ITCS. The review recommended to lift the moratorium as soon as possible to allow the implementation of infrastructure projects to continue under the Scheme.

To fully utilise the Scheme in implementing the development projects, the Government applies several changes to ITCS processes as below:

1. The tax credit rates will be increased up to 2% of assessable income.
2. ITCS will complement the National Budget process and support implementation of key investments in infrastructure sector in the most remote regions.
3. The projects under ITCS will be procured through the National Procurement Commission (NPC).
4. The companies qualifying for ITCS can be from resource, agriculture, tourism and other non-traditional sectors.
5. The ITCS projects will be audited annually.
6. The Government will continuously engage with the developers to strengthen the reporting aspects.

The proper implementation of ITCS will allow to deliver infrastructure development to rural areas, optimizing the cost and combining the efforts of the Government and private sector. Using the local contractors to implement the projects will build the capacity among local people, who will be able to benefit and learn from the technical expertise of the developers and large-scale businesses across the country.

## 5.6 Budget Support

PNG's experience with budget support stemmed from the Development Cooperation with the Government of Australia in the early years of independence up to the 1990s. Development assistance from Australia eventually shifted to programme support because of PNG's poor Public Financial Management (PFM). It is more than 25 years on and PNG has taken on major reforms in its PFM arrangements to restore trust, accountability and transparency through the following measures:

- **Public Finance Management Review:** The Government is reviewing the Public Finance Management Act (PFMA) to accommodate the relevant changes in public finance management.
- **Procurement Policy and Procurement Law:** The Government is also working on Procurement Policy and Procurement Law. The procurement policy and the law are aimed at ensuring the procurement processes and procedures are transparent and accountable.
- **Public Expenditure and Financial Accountability (PEFA) Assessment:** The Government through the Department of Finance is also undertaking Public Expenditure and Financial Accountability (PEFA) Assessment. The PEFA assessment identifies the gaps that need to be improved for PNG to engage in Budget support over the medium term.

- **Integrated Financial Management System (IFMS):** The Government is also rolling out the Integrated Financial Management System (IFMS). This system will allow financial data to be entered on line in a timely manner.

Budget support as opposed to Programme Support involves direct financial transfers from Development Partners to the Government's National Treasury, conditional on policy dialogue, performance assessment and capacity building. The Government of PNG has entered into the agreement with the Asian Development Bank (ADB) for the first concessional external budget support to PNG in 2018. Discussions are also underway with the World Bank (WB) to define its budget support arrangements to PNG.

Budget support offered by ADB is highly conditional on performance indicators which the Government and the Bank are working closely on as a critical element to ensuring that PNG demonstrates and improves its systems and processes. It is the intention of Government for more Development Partners to work with Government through this modality of budget support.

## 5.7 Long-Term Innovative Financing Approaches

The long-term innovative financing approach is similar to programme-based approach. However, it is usually expected on a bigger scale and with specific flexibilities.

The Asian Development Bank (ADB) has executed one of its highly demanded financing instruments to PNG known as the Multi-tranche Financing Facility (MFF). It enables ADB to invest programmatically and reduce over-reliance on stand-alone project approach, which often involves repetitive and cumbersome business processes. The MFF ultimately provides critical mass, predictability and continuity for partner countries for critical investments over a longer term. Positive results with ADB's MFF have been observed with the Civil Aviation Development Investment Program (CADIP) under the Air Transport sub-sector, and the Energy sector on the Towns Electrification Investment Program (TEIP). These investments have transformed PNG's development in these sub-sectors.

Similarly, the World Bank will also be executing its Multiphase Programmatic Approach (MPA), for the first time in PNG in 2018 or 2019. The Government is confident of bringing a greater degree of certainty, confidence and efficiency in the partnership between PNG and the World Bank

The Government looks forward to continuing the long term financing modalities and delivery mechanisms in critical sectors of the MTDP III and explore similar financing instruments with its development partners to boost its economic growth potentials.

# CHAPTER SIX

## IMPLEMENTATION APPROACHES AND MECHANISMS



## CHAPTER 6. IMPLEMENTATION APPROACHES AND MECHANISMS

Applying smart delivery mechanisms in order to achieve the maximum value and impact of investment in line with the MTDP III goals and targets is essential. The strategic approaches and delivery mechanisms for the implementation of the MTDP III are based on:

- **Immediate impact on the economy:** Front-load key investments to realise the MTDP III development outcomes. The key investments will be in agriculture, livestock, fisheries, forestry, transport and infrastructure, small and medium enterprises, expansion of trade and other growth areas.
- **Harnessing the full potential of the private sector:** Pursue and utilise public private partnership initiatives to support the economic growth strategies and delivery of high impact projects need to be harnessed. Significant ventures and collaboration with the private sector have gained and provided substantive benefits in some parts of the country. With the enabling environment provided by the government and with the infusion of technology and expertise by the private sector, the plan will pave the way to create more productive undertakings that will generate more income and benefit more people in the future.
- **Huge potential of the provinces and districts:** Provinces and districts must be fully supported in their efforts for economic stability and self-reliance. MTDP III emphasizes an increasing role of the provincial and district governments in identifying viable investment options for creating employment and income opportunities for their constituents.
- **Fostering partnerships and development cooperation:** Build strategic alliances, economic cooperation and establish partnership between all stakeholders. All development partners, including civil society organisations, philanthropic agencies, churches and communities to align their development strategies to MTDP III priorities. The revised Development Cooperation Policy establishes new approaches to manage and coordinate support from development partners' for optimal results.

The following approaches will be adopted for implementing MTDP III:

### 6.1 Pursue Economic Stimulus and High Impact Projects

PNG's economic potential in agriculture, fisheries, livestock, mining and other resources can be developed into the comparative advantage for the country in domestic and international markets. These will generate sustainable returns if effectively implemented and managed. Economic stimulus package and development of missing links in transport infrastructure will be vigorously pursued. These investments will be subjected to stringent management and close monitoring by the government and the private sector.

Viable inter-provincial corridor development (IPCD) or inter-district corridor development (IDCD) projects that serve as common socio-economic centres will be identified and developed for delivery of goods and services in provinces and districts. Special considerations will be given to provinces and districts that have available raw materials, markets, law and order situation, access to transport, communication and other vital government's services.

## **6.2 Harness Assistance from Development Partners**

PNG has been a recipient of development assistance prior to independence. Whilst PNG has taken a number of steps forward to improve the protocols and coordination of development cooperation in PNG, experience has shown that further reforms are necessary to strengthen development cooperation effectiveness. The new PNG Development Cooperation Policy 2018-2022 focuses on strengthening development cooperation effectiveness and it is about ensuring that optimal results are achieved through effective coordination between the Government and our Development Partners into the medium term. This Government's approach is to take greater control of the management of development cooperation resources, mobilise and strengthen partnerships, apply effective delivery modalities and explore innovative partnership approaches. With the decentralised approach to development planning and management to provincial and district levels, some resources made available from Development Partners shall be directed to projects/programs identified under their development plans to meet 50 per cent of its budget while the other 50 per cent be met by provincial/district budget. In this way we can ensure that maximum contribution of development cooperation resources are steered towards the targets and indicators of the MTDP III.

## **6.3 Increasing Roles of Provinces and Districts**

The MTDP III goal and KRAs are multi-level and can only be achieved through the parallel and complementary initiatives at the sub-national level. Provinces and districts have a critical role to play in the implementation of high impact projects outlined in Part 2 of this plan. To improve the monitoring of capital investments, sub-national governments will institute periodic performance reviews at their level and report to the national government on their achievement of MTDP III priorities.

## **6.4 Programme-based Modality**

The programme-based approach (PBA) attempts to prevent scattering 'islands' of support, reduce transaction costs of different players in the programme, and strengthens ownership of the recipient governments. PNG is keen to apply this approach. It is considered to be a way of engaging in development cooperation based on the principle of coordinated support for a locally owned programme of development. This approach can apply to relevant thematic areas, sector or a broader development agenda.

## 6.5 Public-Private Partnerships

To achieve an inclusiveness and widespread growth requires extensive policy reforms that encourage private sector development. The Government is investing in key enablers and as a growth facilitator; allow an increasingly vigorous private sector to develop; and strengthen governance in interactions with the private sector.

The Government's vision and medium term development aspirations requires collaborative efforts with the private sector as the engine for accelerated and sustained growth. The Government plans to take appropriate measures to formally recognise these contributions in its planning, coordination, programming and evaluation processes. While the Government has carried through some policy reforms towards greater private participation, such as public-private partnerships (PPPs), this remains unimplemented. The Government is keen to progress PPPs due to the emergence of and impact of companies, such as Mainland Holdings, in poultry and dairy sub-sectors; PNG Biomass in the energy sector working together with relevant institutions of Government, and looking into and accelerating state equity into potential private sector investments that are supporting MTDP III priorities.

## 6.6 South-South and Triangular Cooperation

South-South Cooperation is a broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, the cooperation could take place on a bilateral, regional, sub-regional or inter-regional basis. Developing countries share knowledge, skills, expertise and resources to meet their development goals through concerted efforts. The Government recognises that the donor landscape is changing and this includes the rise of many southern economies in the global arena who are supporting other developing countries. It is a bold, innovative and growing means to strengthen cooperation for the achievement of the MTDP III goals and the global SDGs.

With substantive evidence showing that South-South trade and investments have the potential to accelerate improvements in social sectors, and in harnessing knowledge and experience, PNG is ready to form specific collaborations in these areas to boost PNG's economic growth and service delivery priorities.

Trilateral cooperation is one of the innovative modalities under South-South cooperation. It brings together concerted efforts of many actors to achieve the country's development goals. Government is looking to promote new and innovative solutions for PNG's development priorities, embrace international best practices and experiences from other countries with similar goals and ambitions.

## 6.7 Sectoral Coordination

Well-coordinated programmes and sectors prevent duplication of public services, programmes and projects. All sector policies, plans and strategies will be aligned to MTDP III priorities over the five-year implementation period to get the most from Government's limited resources.

Multi-stakeholder sectoral dialogues and reviews will be promoted widely for all MTDP III priority sectors, and all operational and development budgets need to be directed towards achieving the MTDP III KRAs and targets.

## 6.8 Review and Enactment of Relevant Legislation

A more holistic, progressive, inclusive and integrated planning process has been advocated by MTDP III. Relevant legislation needs to be revisited and amended to ensure benefits are sustained from implementation of programmes in agriculture, land, mining, petroleum, agriculture, fisheries and livestock industries. Other strategic documents and policies need to be thoroughly reviewed, such as development and economic cooperation, law and justice, transport and infrastructure, ICT, procurement, and anti-corruption.

## 6.9 Corporate Social Responsibility

A greater shift of Corporate Social Responsibility (CSR) of multi-national companies, the private sector, and State Owned Enterprises (SOEs) to support the Government's MTDP III priorities will be put in place with issuance of CSR License to operate and benefit from our wealth in the country. This will also clearly demarcate what activities should be under their CSR and what others can be applicable under the Tax Credit Scheme.

The Government expects them to support the implementation of our key development policies and Strategies such as SME Policy to realize a greater share of our wealth for our citizens. Companies, especially in resource sector must take a greater responsibility for community obligation for people directly affected by their operation whilst the Government will take responsibilities for others.



# CHAPTER SEVEN

## MONITORING AND EVALUATION



## CHAPTER 7. MONITORING AND EVALUATION

### Introduction

DNPM will guide, monitor, and evaluate the delivery of MTDP III in an open and transparent manner; and communicate results to provide all stakeholders with accessible evidence-based information and data to ensure sustainable outcomes are achieved.

This Chapter sets out the rationale for monitoring and evaluating MTDP III, including the focus, process, reporting, and coordination.

### 7.1 Rationale for the MTDP III Monitoring & Evaluation (M&E)

MTDP III's monitoring, evaluating and reporting system and processes enable the continuous generation of evidence to inform policy, national planning, program and project improvement, adaptation and management. It will be used to confirm the relevance, efficiency and effectiveness of policies and investments in contributing to sustainable economic and social development.

MTDP III will measure performance to:

- Provide clarity, accountability, and transparency to stakeholders for the outcomes achieved through the resources provided;
- Assess the effectiveness and results of national policies, plans, strategies, programmes, and projects;
- Enable the evidence-based improvement, adaptation, and management of policies, programmes and projects;
- Enable greater collaboration within and between departments and agencies to stimulate cross-learning and integration during implementation;
- Build a system to collate and analyse data to inform future evidence-based planning and decision making; and
- Enable MTDP III plans and pipeline investments to be better linked to future budgets.

### 7.2 Guiding Principles

MTDP M&E provides guidance on the M&E process for all State departments and agencies, sectors and organizations to collect and report on. Secondly, it provides guidance on sectoral coordination and reporting, feedback, data sharing and information management system.

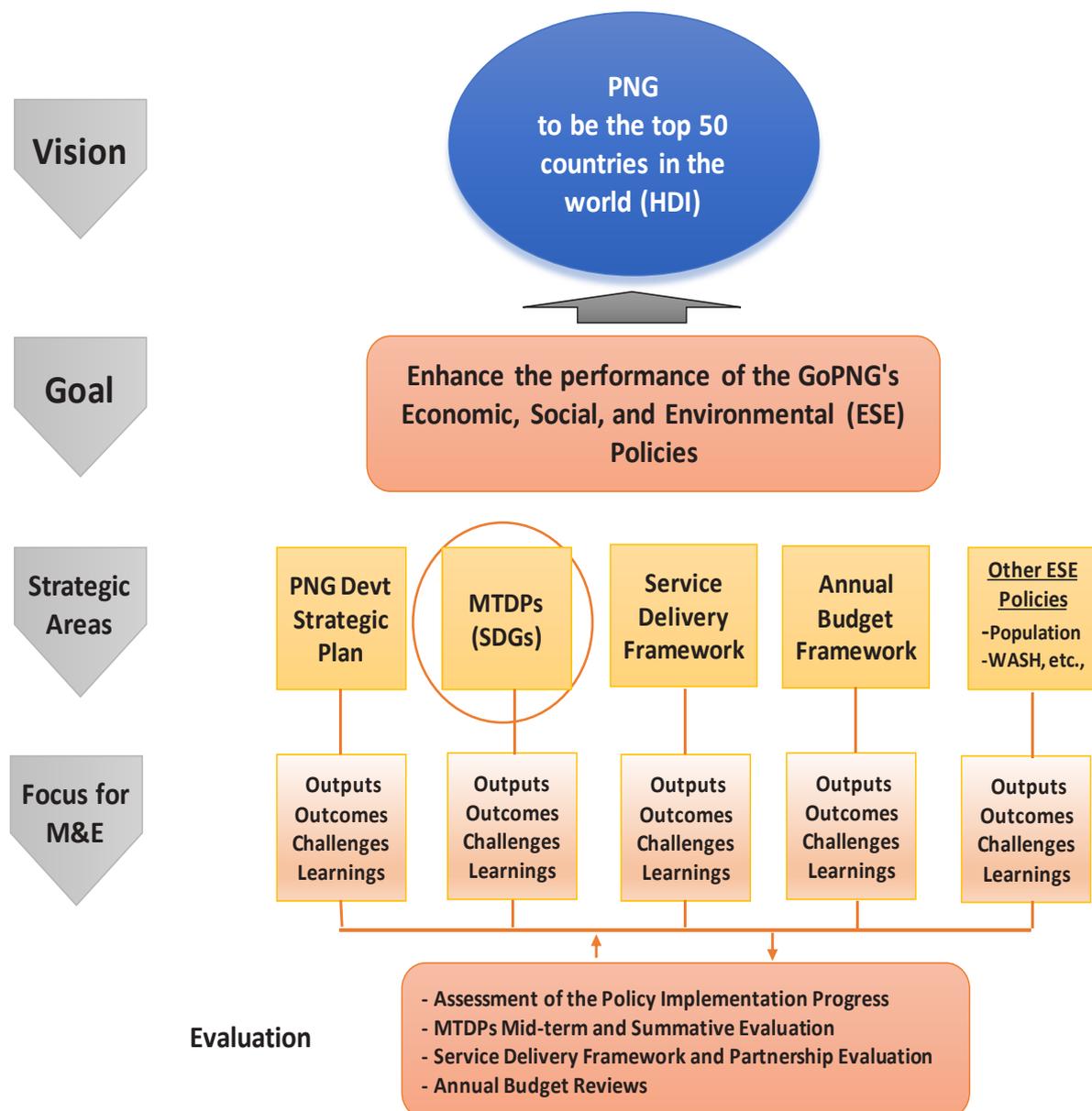
It will enable the monitoring, evaluation and reporting of the MTDP III across sectors and organisations to become more consistent and systematic across policy areas, programmes and projects, and lead to more evidence-based programming, budgeting, and implementation. It will set the platform for the establishment of the national data centre/database systems that sectors and agencies can feed in to, compare progress from, and use for annual MTDP III planning, budgeting, and implementation.

## Linkages with the National Policy M&E Framework

Consistent with the goal of the Policy M&E Framework (PMEF) on enhancing the performance of economic, social and environmental policies in PNG, the MTDP III's performance, including the Sustainable Development Goals (SDGs), amongst others, is one of the policy areas for monitoring and reporting, as presented in Figure 7.1.

*Figure 7.1 PMEF's Goal and Strategic Areas*

## Policy Monitoring and Evaluation Framework



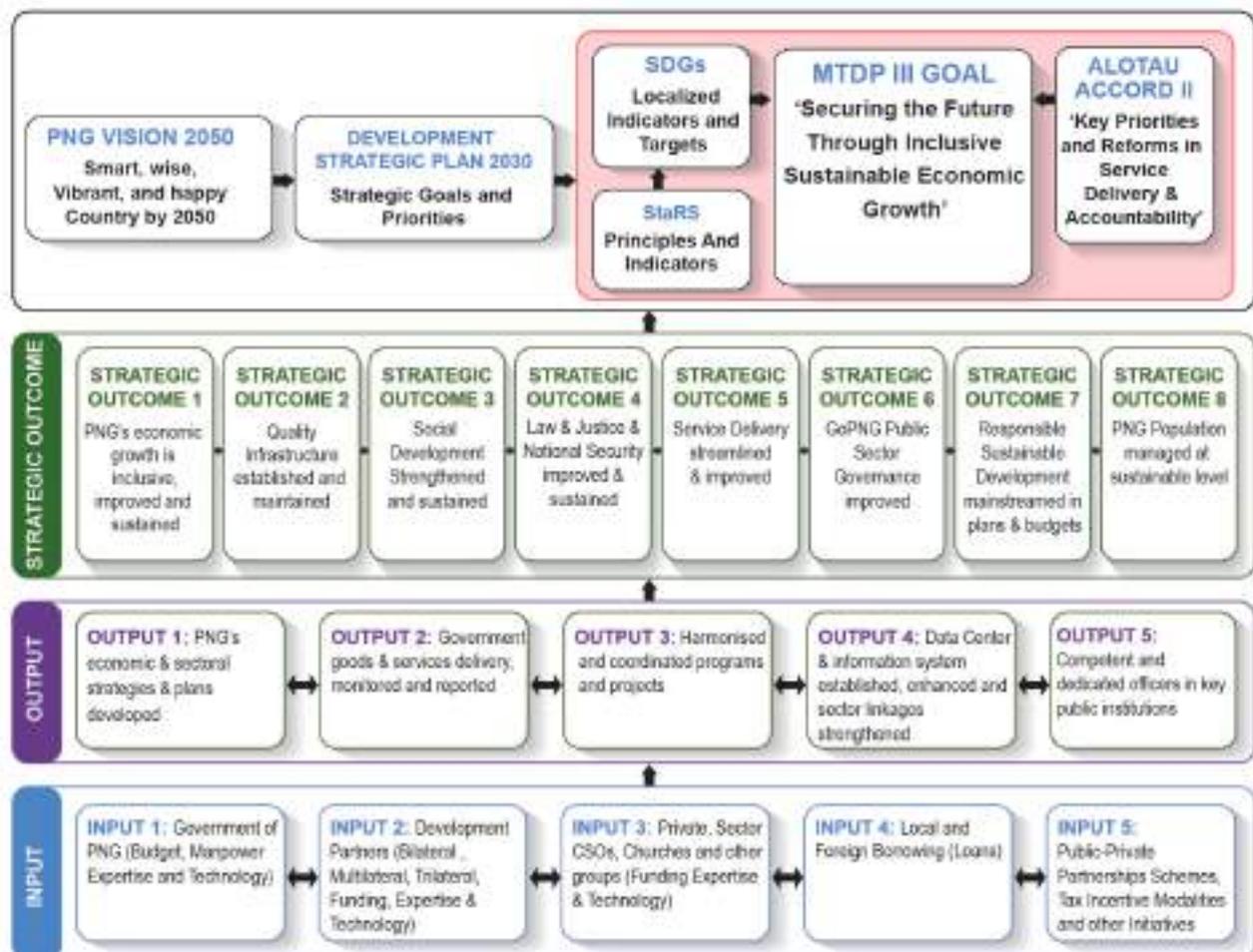
### 7.3 Focus of the MTDP III M&E

MTDP III adopts two levels of M&E implementation:

**Policy monitoring and evaluation** – focuses on the Strategic Framework (Figure 7.2) and MTDP III Logical Framework (LogFrame) (details in Volume 2) that provide the implementation framework required to guide implementation, monitoring, evaluation and reporting across the contributing sectors. The LogFrame outlines high level impact and outcome indicators, including baselines and targets; and lower level outputs or deliverables; and the annual budgets required to operationalise the plan. The LogFrame will be revisited and revised during annual reviews and the Mid-Term Evaluation to record achievements and make adjustments to the Plan.

The Policy M&E process should be coordinated and harmonised with all concerned sectors to ensure efficiency and effectiveness of the MTDP III intervention.

Figure 7.2 MTDP III Strategic Framework



**Programme/Project monitoring and evaluation** – focuses on whether programme/project activities have taken place as planned or are in line with planned activities and outputs (physical monitoring); and whether budgets have been released and spent in line with allocations (financial monitoring) and the immediate results contributing to the desired MTDP III results were achieved. The main reference is the Project Formulation Document (PFD) which outlines the project technical justification, scope and cost of works, procurement, risks management, sustainability, and project logframe.

## 7.4 Key M&E Processes

1. **Policy monitoring** is concerned on tracking whether the MTDP III sectoral outputs are contributing to the national development outcomes and impacts; as well as the tracking activity implementation progress in delivering inputs and outputs. Monitoring of inputs and process will be sourced from the Sector/Agency quarterly data, extracted from the sector quarterly reports, which provide information on MTDP III achievements against the strategies and targets; and the sector administrative records, which provide information on financial and human resources and other related records.

It involves the continuous and timely collection of data, indicators and other relevant statistics and the sector performance reporting, analysis and validation with implementing institutions. Regular dialogue and consultation with MTDP III stakeholders will be carried out to assess achievements against targets, identify and address management and operational issues, and planning for the next phase of implementation.

2. **Policy evaluation** provides an impartial and objective assessment on the MTDP III sectoral performance against the national development agenda, systematic assessment of the economic growth strategies and other focus areas, pinpoint institutional, coordination and policy issues, and promote greater learning within DNPM and executing agencies at all levels. It will also assess the effectiveness, relevance, efficiency, impact and sustainability of the Government's big-ticket infrastructure projects. Annual, mid-term and final evaluation will be undertaken to make adjustment on changing circumstances and ensure that the MTDP III goals and objectives are achieved as planned. These evaluation processes are described below:
  - **Annual reviews** - will assess and validate achievements of the MTDP III outcomes and outputs planned for each year and the performance of growth strategies. It will also identify implementation bottlenecks and document lessons learnt. On an annual basis a report against the LogFrame indicators will be published through the annual MTDP Results Monitoring Framework (RMF) Pocket Book providing a nationwide snapshot of national progress toward MTDP III goals and targets. The report will provide performance information by growth strategies and sectors and will facilitate further discussion on how to adapt planning to meet needs of underserved population or areas.

- **Mid-term evaluation** - will provide mid-term analysis of the cumulative achievements against the MTDP III's goals and targets. It will also reflect the key policy, coordination, and implementation issues encountered over the medium term and provide insights on the necessary changes to be made, including the strategic re-direction for the second half of the MTDP III implementation period. It is envisaged to take place in 2020; and
- **Final evaluation** - will be an independent evaluation to assess the overall achievements of the MTDP III during the implementation period, including the effectiveness, appropriateness and key results achieved by the key growth strategies, and document lessons learnt to be built on for the next MTDP. This will be managed by a team of external evaluators coming from research or think tank institutions within and outside of PNG. This evaluation shall take place at the third quarter of 2022.

3. **Programme/Project monitoring and evaluation** depends upon the nature, scope, duration, budget, and complexity of the programme or project. The following minimum monitoring process will be observed:

**Table 7.1 Programme/Project M&E Process**

Project M&E Process	Description
Project steering committee (PSC) quarterly review meetings	The PSC reviews based on project progress against planned targets, actual expenditure and issues identified during project implementation and lessons learnt.
Quarterly project progress reporting (Annexes 2&3)	The heads of agencies through the project manager must submit progress report against targets (planned outputs and outcomes). The report should reflect cumulative progress of project outputs and outcomes, analysis of the achievements, challenges, gaps, and lessons learnt.
Annual project reviews	Annual review is meant to track and document project achievements (outputs and initial outcomes), issues and lessons learnt during the year in review.
Final Project Evaluation	This evaluation is meant to assess project goals and objectives, or effects on the conditions of the beneficiaries and lessons learnt.

The MTDP III M&E and reporting processes support the GoPNG's annual planning and budgeting cycle outlined in *Table 7.2*.

**Table 7.2 MTDP III M&E and Annual Budget Process**

Steps	M&E Process	Annual Budget Process	Requirements and appropriate format	Target group
Step 1:	Setting Goals for the Agency annual M&E plan & establishment of the M&E unit/team	<p>Agencies prepare budget submissions and annual priorities.</p> <p>Agencies submit annual work plan and cash flow plan (AWPCF).</p> <p>Due: 31 January of each year</p>	All State agencies must set goals or purpose for their annual M&E plan (to meet both internal and MTDP III information needs); M&E unit established with designated technical and data management staff and budget for M&E and linked to Sector M&E working group.	Heads of Departments & Agencies (HDAs), and heads of executing organisations.
Step 2:	Deciding what to Monitor, Evaluate and Report	<p>DNPM's AWPCF appraisal</p> <p>Due: Feb -March of each year</p> <p>DNPM recommendation on Sector priorities &amp; Capital estimates</p> <p>Due: April - June of each year</p>	Well-defined PIP project plans with clear goals, targets and operational plans outlined in Project Formulation Document. Once validated by DNPM, the project is ready for funding. Articulating the agency/sector result framework or logical framework (logframe) that supports MTDP III's priority programmes and projects with clear: Goal/Outcome, Indicator Baseline and Targets	DNPM, HDAs, Planners, Development Partners, executing units and other stakeholders
Step 3:	Conducting Monitoring	<p>Quarterly budget reviews</p> <p>Mid-year Economic and Fiscal Outlook - Reports on outcomes of major projects</p> <p>Due: April – November of each year</p>	Agencies should monitor MTDP III through: Quarter reviews/evaluations of the progress of the implementation of the PIP projects and MTDP III plans (see annexes for M&E templates) Capital Investment Project Report (CIPR) - Annex 2 Capital Investment Sector Summary Report - Annex 3 MTDP3 Sector Quarter Progress Report – Annex 4 Development partners aid monitoring	DNPM, DOT, DOF, HSAs, Planners, Development Partners, executing units, M&E teams and other stakeholders
Step 4:	Collecting and analysing Information	<p>Budget Strategy Paper formulation (Setting of MTDP &amp; sectoral priorities)</p> <p>Due: End of July of each year</p>	Making sense of agency/sector information which provide progress of and clues to problems that arise during PIP project and MTDP III implementation and create opportunities for improvement.	DNPM, DOT, DOF, Sector Lead Agencies, executing units, M&E teams and other stakeholders

Step 5:	Taking Action	<p>Technical discussion between agencies and DNPM/DOT</p> <p>Project selection based on criteria and agency performance</p> <p>Cabinet Budget committees</p> <p>Project selection based on criteria and agency/sector performance</p> <p>Due: July – October of each year</p>	<p>This involves:</p> <p>Recommendations to the Strategic Budget Committee;</p> <p>Intensive discussions with agencies;</p> <p>Funding suspension/termination of non-performing programmes or projects;</p> <p>Up scaling of promising projects;</p> <p>Building on the strengths of the planning and budgeting process; and</p> <p>Making necessary changes on MTDP III priorities and targets.</p>	<p>DNPM, DOT, DOF, Sector Lead Agencies, HSBs, executing organisations, M&amp;E teams and other stakeholders</p>
Step 6:	Undertaking Evaluation	<p>Lock-up Summary &amp; Highlights of Current Budget achievements</p> <p>Due: November – December of each year</p>	<p>Annual PIP Project Review/Evaluation</p> <p>Annual, mid-term and final (summative) review/evaluation of the MTDP III to inform the annual planning and budgeting process and build on the next MTDP formulation.</p> <p>An overall national level MTDP III and PIP projects data dissemination plan developed and implemented.</p>	<p>DNPM, DOT, DOF, Sector Lead Agencies, implementing organisations, M&amp;E teams and other stakeholders</p>

The M&E process also adopts the **Coordination, Learning and Adapting** approach through:

- Establishing and strengthening the M&E Steering Committees (SCs), Sector Coordination Committees (SCCs) or Coalition of Partners (COPs) and other sector management or technical teams as the networks of planning, review, reporting, coordination, and communication between DNPM technical secretariat and the sector agencies and provinces (**Coordination**);
- Generating lessons and insights in the delivery of growth strategies, sector performance, inter-sectoral coordination, joint M&E initiatives, data sharing and reporting (**Learning**); and
- Utilising evidence to enhance sector, agency, province, district, and project planning, budgeting, implementation, management and reporting (**Adapting**).

Gender equality and equity considerations are to be included as integral parts of all M&E activities and this will be measured through performance indicators related to gender equity and female empowerment; and wherever possible, indicators will be disaggregated by sex. Assessments, evaluations, studies, and other data collection efforts will be required to have integrated gender considerations so that activities will be

able to report contribution to changes in gender and social inclusion, and recommend future gender policy and programming.

## 7.5 MTDP III Reporting

Departments, agencies and other public institutions will be required to submit quarterly reports to DNPM, which will be used to provide regular MTDP III progress reports to the Central Agencies Coordinating Committee (CACC) and the National Executive Council (NEC) (see Annexes 2, 3 &4).

Overall MTDP III reporting, analysis, validation, and dissemination will be managed by the DNPM technical secretariat, which will monitor and report on national headline indicators using data from delivery departments, agencies and institutions, including for example the National Statistics Office, through the PNG Strategy for Development of Statistics (PNGSDS), sector reviews, and independent evaluations. Examples of other key means of verification will include the UNDP's HDI, Demographic Health Survey, and other relevant measurements.

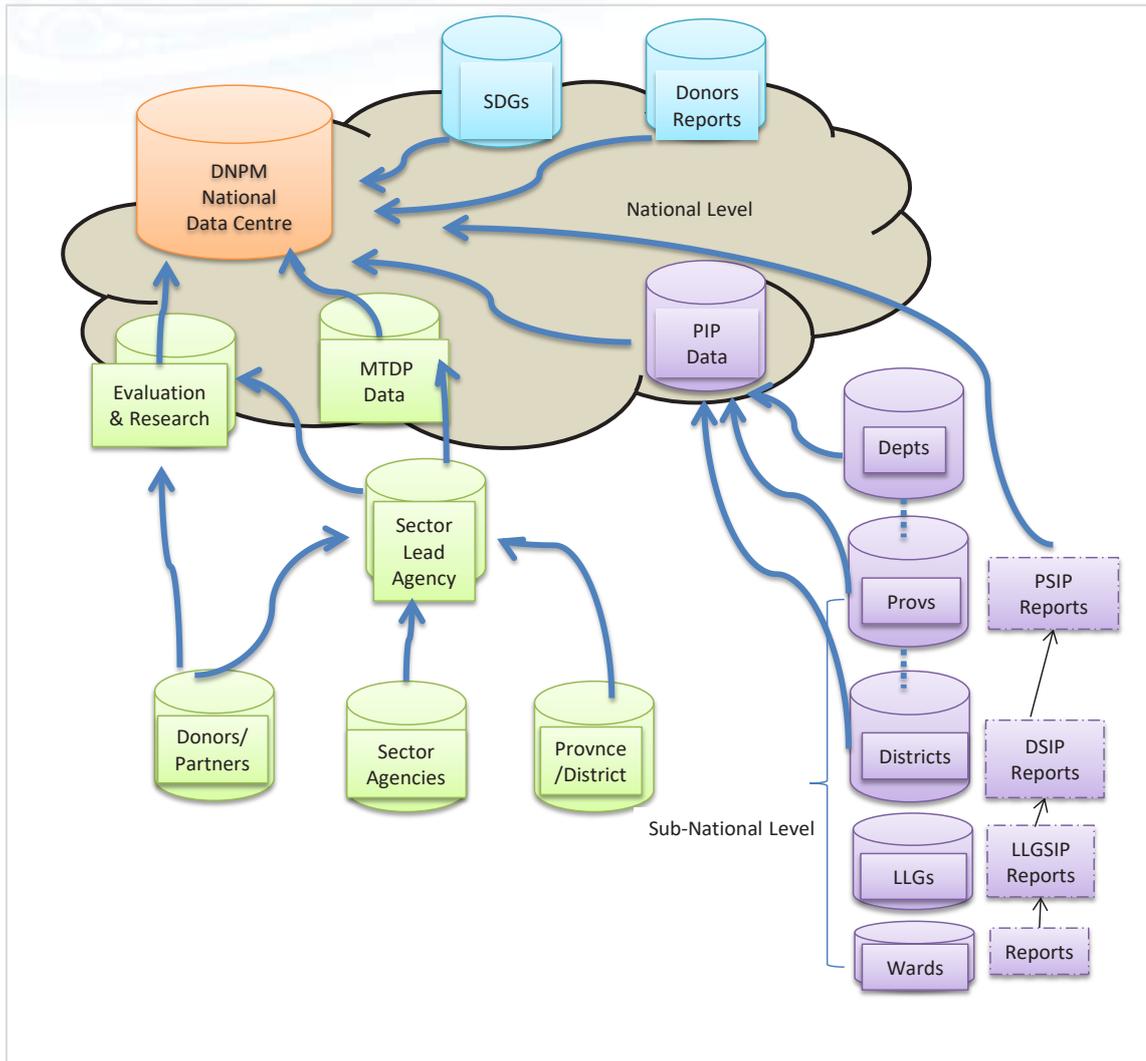
### Data Collection and Management

In line with the Alotau Accord II's key reforms to improve evidenced-based national planning and policy development, a National Data Centre and information system shall be incrementally established, managed and up scaled to meet the increasing information needs of all stakeholders, especially the decision makers, planners and implementers. It shall collect, compile, analyse, retrieve and report strategic data or information associated with the performance and results of the MTDP III, Sustainable Development Goals (SDGs) and Alotau Accord 2 priority projects.

The National Data Centre shall serve as a repository of vital information from the Wards (e.g. record books), performance reports of Service Improvement Programmes (LLGSIPs, DSIPs, and PSIPs), Alotau Accord II reports, MTDP reports, SDGs reports, PIP projects, sector performance and budget reports, evaluation and research studies, S119 reports, and other demographic data (Figure 2). This will be built on progressively until the required resources will become available, and IT competence will be achieved within DNPM, sector agencies, and other stakeholders.



**Figure 7.3 DNPM National Data Centre and its Data Sources**



## 7.6 Monitoring and Evaluation Coordination

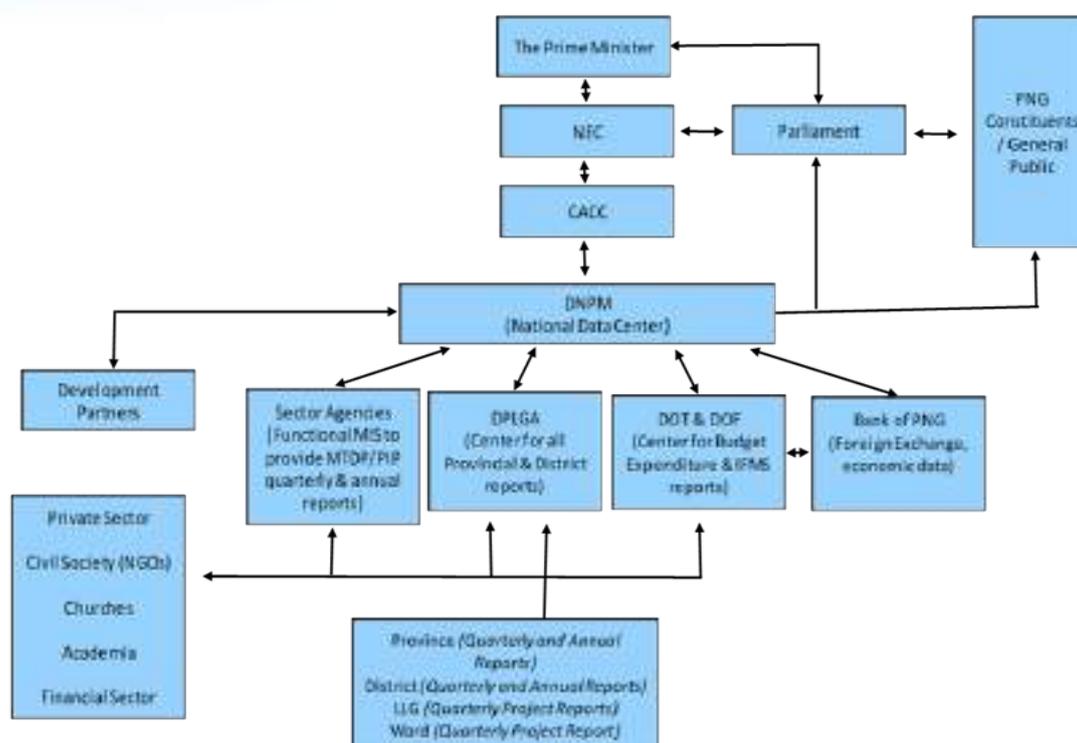
The M&E Plan relies on coordination among government agencies at all levels, private sector, civil society organisations, and other development partners. Solid channels of communication and regular interface with MTDP III stakeholders will ensure the ability to adjust the plan during implementation (Figure 8.4).

The DNPM technical secretariat will work closely with the Sector Committees (SCs), Sector Working Groups (SWGs), and Coalition of Partners (COPs) which will be organised and/or strengthened, to share sector data, monitor performance and report on MTDP III implementation. These groups will be the main coordination and reporting mechanisms responsible for sector performance against the MTDP III targets, including reporting on issues impeding implementation; and undertake reviews or internal evaluations and coordination. These groups will provide technical support to the DNPM technical secretariat during annual, mid-term, final evaluation of the MTDP III implementation. Supporting this approach, MTDP III Annual performance reports will be prepared after annual reviews. Development Partners (private sector, multilateral and bilateral partners, CKRAs, etc.) and other stakeholders will be invited to become members of the coordination groups.

To monitor the country's economic growth strategies, the Economic Interagency M&E Committee (EIMEC), the coordinating mechanism for economic growth strategy monitoring and reporting needs to be established. The EIMEC shall take the lead in reviewing the PNG macroeconomic policy, when deemed necessary. The Departments of Treasury and Finance will be charged in assessing the performance of the Government's strategies for revenue generation, expenditure and debt management. The Bank of PNG (BPNG) will ensure that the monetary and financial sectors remain stable. The BPNG will also lead the country's financial inclusion agenda. DNPM will monitor the achievement of the macroeconomic targets and the review of associated growth strategies in MTDP III. The Department of Trade and Commerce (DoTC) will be charged in monitoring and reporting external trade targets, particularly exports of goods and services. Export updates will be reported to the EIMEC and will be reflected in the PNG quarterly export tracking report.



Figure 7.4 M&E Coordination and Communication Flow



### DNPM as the lead planning and monitoring agency

As mandated agency by the National Planning and Monitoring Responsibility Act 2016 to ensure consistency and full implementation of the MTDP III, DNPM shall ensure that national reporting system is strengthened, and relevant reports are produced and published on a regular basis on the MTDP outcomes and the annual budgets. Further, it shall ensure that relevant State agencies and other stakeholders will contribute to the implementation of the MTDP M&E plan, promote joint M&E undertakings and data sharing.

## 7.7 M&E Governance at all Levels

### MTDP III M&E STAKEHOLDERS

M&E stakeholders have different roles and responsibilities in relation to MTDP III implementation. A description of the ways in which the following key stakeholders will be engaged in M&E activities.

Central departments and sector agencies play a major role in the monitoring, evaluation and reporting of the MTDP III, especially in relation to the agency/sector plan performance management, M&E coordination and facilitation role. They need to ensure that M&E and reporting positions are allocated, resourced, and staffed at national and sub-national levels. They will develop logical or result frameworks and M&E plans which lay out the sector priorities as well as high-level national indicators and targets, deliverables and annual budgets.

They should use the M&E information to make decisions about agency/sector policies, programmes and projects; inform annual budget decisions; produce sector performance reports and statistics; and ensure tracking of progress in the achievements of the UN's SDGs.

The PNG Planning and Monitoring Responsibility Act 2016 provides the responsibility of State agencies to comply with the MTDP monitoring and evaluation framework and submit to DNPM the annual work plan and cash flow plan by end of January of each year for accessing funds, and the submission of a quarterly budget review and performance report. This has not been religiously observed by some State agencies - and adversely affected the performance of the DNPM and inflow of vital information to the CACC and NEC.

Provinces, districts and local authorities shall work and/or recommend to DNPM how the service delivery data will link with the national data centre/ DNPM sector information system. They should be responsible for aggregating service delivery data and verify data from lower levels and submitting paper-based reports to DNPM and DPLGA. Provinces need to analyse the data and present the information in a way that addresses the information needs of the provincial decision makers and play a lead role in disseminating M&E tools and training the staff at the sub-national level and monitor the system once it is in place. They also need to participate in the M&E discussions in developing sub-national M&E systems and toolkits.

Development partners, private sector, churches and civil society play a significant role in the MTDP III M&E implementation. They should provide input on the development of the economic growth strategies and sector plans, and ensure that the plans and policies reflect the needs at the community level and are effectively implemented, monitored, evaluated and reported. They should also advocate to national and local governments to ensure that the MTDP M&E is on the agenda for budget allocations, and that the money allocated is used to develop, strengthen, and implement the national and sub-national M&E plan.

Communities have a stake in making sure that the MTDP M&E is producing good-quality information, thereby ensuring that they receive the services they need. They also have a role in making sure that government and other service providers are providing them with information on the services being offered in their community, as well as service delivery (health, education, etc.,) statistics, so that they can know that their needs are being met, or can use the information to advocate, if their needs are not being met.

## Service Improvement Program (SIP) Performance Tracking

Significant development expenditure of K1, 335m is budgeted annually through the DSIP and PSIP which must be strictly monitored and evaluated periodically for value of money and its impacts to service delivery. DNPM in collaboration with the Department of Implementation and Rural Development (DIRD) and other central agencies should work together to ensure that SIP funding is tracked regularly, optimized and producing tangible benefits to the people and to the country as a whole.

## National Planning Act Review

During the MTDP III implementation period, the National Planning Act needs to be revisited to introduce necessary reforms on appropriate sanctions for underperforming agencies, as well as rewards system for outstanding agencies, to further strengthen and enforce M&E and reporting process associated with the MTDP implementation. Further, DNPM, as a planning and monitoring department shall be empowered and authorised to exercise disciplinary action or suspend funding allocation for non-compliant State agencies on M&E and reporting matters.

## 7.8 Use of M&E Findings

The purpose of undertaking MTDP III M&E activities is to produce evidence of the performance and results of the KRAs as well as the sector and high impact projects to inform the annual planning and budgeting process and the next MTDP. DNPM, in collaboration with all concerned agencies and organisations at all levels, must ensure the use of data and information generated from M&E through the following:

- a) **Information accessibility and use.** M&E reports must be made easily accessible and in a timely manner to all stakeholders, including Parliament and citizens, in accordance with the GoPNG's National Planning and Monitoring Responsibility Act 2016. These reports should be stored and centralised at the National Data Centre and downloadable from the DNPM website.
- b) **Accountability mechanisms,** as required by the Public Finance Management Act, Budget Circulars and Capital Investment Programme (CIP) Guidelines, must include the following:
  - i. All public institutions at national and sub-national levels must be held accountable for the use of resources under the Public Finance (Management) Act (PFMA). Failure to account adequately for such resources must result in sanctions in accordance with the PFMA or other applicable laws. Performance information that pertains to misuse of funds or malpractice must be forwarded to the relevant authorities;
  - ii. All the main stakeholders must be held accountable for the achievement of targets set and agreed upon over the next five years and annually as documented in the sector agency, province, district and project logical frameworks and budget frameworks. These will, include targets linked to the Alotau Accord 2, national service delivery framework, and annual budgets.

Success and failure to achieve set targets, upon review, will impact upon the resources provided to the accountable institution in future budget rounds; and

- iii. All senior managers, executive officers, or project managers must be held accountable for the use of resources set out in their respective performance contracts. Success and failure to achieve set targets, upon performance appraisal, will impact upon the individual through the reward and recognition scheme, and in professional career advancement.



# CHAPTER EIGHT

## RISK MANAGEMENT



## CHAPTER 8. RISK MANAGEMENT

### 8.1 Lack of Ownership and Accountability

To ensure stakeholder ownership and accountability, all relevant sectors, departments, agencies and committees will be involved in the planning, implementation, coordination, management, monitoring, evaluation and reporting of the MTDP III. DNPM will provide leadership in periodic reviews and other M&E collaborative activities to build effective and harmonious relationships among stakeholders at all levels, and further promote economic and social development.

The Office of the Ombudsman will implement strategies to improve anti-corruption initiatives. The Office of the Auditor General will spearhead the review and strict enforcement of the AFMA and auditing rules and regulations, and ensure that big ticket projects are physically and financially audited and reported on an annual basis. The Law and Justice Sector will provide the mechanism for ensuring that the law and order challenges, including violent gang related crimes, tribal fighting and electoral violence which are threats to peace, stability and economic growth are mitigated and addressed. It will also ensure that key programmes and investments of the government are secured and protected, and issues relating to the swift and fair administration of justice are improved.

A lack of sustainable pipeline planning and funding has in the past prevented the timely completion of national, provincial and district programmes and projects, even where they are directly aligned with MTDP priorities, contributing to the decline of vital services and run-down of key rural facilities. DNPM will work closely with key executing agencies to prioritise and sequence funding to deliver strategies, programmes and projects.

### 8.2 Risks Associated with Financing

Key risks associated with financing the Plan:

- i. **Inadequate funding** - MTDP III is based on targeted large-scale investments in priority sectors and highly beneficial projects. Availability of sufficient funds is essential for their implementation.
- ii. **Lack of Coordination** between agencies and lengthy bureaucratic processes are a reason of delayed or incomplete project implementation. It is important to ensure open dialogue and working communication channels between all involved institutions.
- iii. **Lack of M&E for capital investment.** Along with communication issues, M&E has been a continuous challenge for the Government at all levels and project stages. Unavailability of M&E reports hinders planning and budgeting process and should be seriously considered as a key priority in implementation of MTDP III.

- iv. **Lack of adequate control over Expenditures.** Poor coordination and reporting leads to unpredictable costs for personnel emoluments and goods and services in both recurrent and capital components of government's expenditure. Strengthening reconciliation between human resources, physical progress of projects and financial systems is necessary for successful execution of the capital budget in the medium and long term.
- v. **Natural disasters** cause unexpected contingency expenses and fully or partially destroy important infrastructure and capital construction. Hence, PIP projects need to have buffer funding appropriated in the budget solely for such unforeseen circumstances.



# CHAPTER NINE

## MARKETING AND COMMUNICATION STRATEGY



## CHAPTER 9. MARKETING AND COMMUNICATION STRATEGY

The marketing and communication strategy explains how information on MTDP III will be communicated, the expected audience and the methods for communication.

### 9.1 Objectives

The inclusion of the marketing and communication strategy in MTDP III promotes a pro-disclosure culture for more transparency in the implementation of development plans. The Marketing and Communication Strategy aims to:

- i. create awareness on and inform all stakeholders on MTDP III;
- ii. improve understanding on the implementation progress of the Government's development plans and programmes; and
- iii. promote and sustain stakeholder involvement and participation in development.

### 9.2 Target Groups

The following targeted stakeholders in the Table are based on their role and involvement in the implementation of MTDP III.

Target Institutions	Target Stakeholders	Objective of Communication
Parliament	<ul style="list-style-type: none"> <li>➔ Members of Parliament</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness on MTDP III priorities and targets.</li> <li>• Information on progress of development efforts.</li> <li>• Resource Allocation.</li> </ul>
Ministries Departments and Agencies	<ul style="list-style-type: none"> <li>➔ Ministers</li> <li>➔ Heads of Departments and agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness on MTDP III priorities and targets.</li> <li>• Alignment of plans.</li> <li>• Resource Allocation.</li> <li>• Monitoring Progress on implementation.</li> </ul>
Provincial Administrations	<ul style="list-style-type: none"> <li>➔ Provincial Administrators</li> <li>➔ Assembly Members</li> </ul>	<ul style="list-style-type: none"> <li>• Aligning development plans.</li> <li>• Information on implementation of programmes.</li> <li>• Resource allocation.</li> </ul>
District Administrations	<ul style="list-style-type: none"> <li>➔ District Administrators</li> <li>Local Level Government Presidents and Councillors</li> </ul>	<ul style="list-style-type: none"> <li>• Aligning development plans.</li> <li>• Information on implementation of programmes,</li> <li>• Resource allocation</li> </ul>

Target Institutions	Target Stakeholders	Objective of Communication
Development Partners	<ul style="list-style-type: none"> <li>➤ Multi-Lateral Agencies</li> <li>➤ Bilateral Agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Aligning development priorities.</li> <li>• Update on Progress.</li> </ul>
CKRAs/NGOs	<ul style="list-style-type: none"> <li>➤ Financing support</li> <li>➤ Universities &amp; Higher Learning Institutions</li> <li>➤ Academics</li> <li>➤ Researchers</li> <li>➤ Students</li> </ul>	<ul style="list-style-type: none"> <li>• Information on development priorities.</li> <li>• Update on Progress.</li> <li>•</li> </ul>
Private Sector	<ul style="list-style-type: none"> <li>➤ Extractive Industries</li> <li>➤ Manufacturers</li> <li>➤ Multi-national corporations</li> <li>➤ SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Information on development priorities and service delivery</li> <li>•</li> </ul>

### 9.3 Methods of Communication

Information on MTDP III will be made available to the stakeholders through the following means:

- i. Electronic medium, including electronic bill boards;
- ii. Radio and Television broadcast through use of programmes and advertisements. Talkback shows on both mediums will also be conducted;
- iii. Print media: use of articles and advertisement in newspapers;
- iv. Information kiosks in major forums, conferences, roadshows and events.
- v. Internet: online access social media applications like Facebook, Instagram and Twitter. This presents venues for dialogue and invaluable feedback;
- vi. Internet: The official DNPM website where all MTDP III background and up to date information will be made available online.
- vii. DNPM: a series of documentation and videos on MTDP III

### 9.4 Specific Target Stakeholders and Methods

The Table shows the specific methods for the respective target groups/institutions.

Target Institutions	Target Stakeholders	Method of Communication
Parliament	<ul style="list-style-type: none"> <li>➤ Members of Parliament.</li> </ul>	<ul style="list-style-type: none"> <li>• NEC Submissions to Cabinet.</li> <li>• Development Forums.</li> <li>• Newspaper.</li> <li>• TV and radio talk back show to highlight key achievements.</li> </ul>
Ministries, Departments and Agencies	<ul style="list-style-type: none"> <li>➤ Ministers,</li> <li>➤ Vice Ministers,</li> <li>➤ Chief Directors; and</li> <li>➤ Directors.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular Inter-Agency and Sectoral Committee meetings for feedback on implementation and on progress of development programmes and investments.</li> <li>• Regional &amp; National Development Forums.</li> </ul>

Target Institutions	Target Stakeholders	Method of Communication
		<ul style="list-style-type: none"> <li>• Workshops.</li> <li>• Consultative Meetings.</li> <li>• Newspaper, TV and radio talk back show to highlight key achievements.</li> </ul>
Provincial Administrations	<ul style="list-style-type: none"> <li>➔ Provincial Administrators;</li> <li>➔ Heads of Departments; and</li> <li>➔ Provincial Assembly Members.</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Development Forums.</li> <li>• Newspaper, TV and radio talk back show to highlight key achievements;</li> <li>• Regional and National Forums to inform on implementation progress and resource allocation.</li> <li>• Workshops.</li> </ul>
District Administrations	<ul style="list-style-type: none"> <li>➔ District Administrators;</li> <li>➔ Local Level Government Presidents/Councilors; and</li> <li>➔ District Administration Officers</li> </ul>	<ul style="list-style-type: none"> <li>• District Workshops.</li> <li>• Regional &amp; National Development Forums.</li> <li>•</li> </ul>
Civil Society Non-Government Organizations	<ul style="list-style-type: none"> <li>➔ Leaders/Managers of Organizations;</li> <li>➔ Women/Youth Councils; and</li> <li>➔ Individuals.</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars.</li> <li>• Workshops.</li> <li>• Consultative Meetings Newspaper, TV and radio talk back show to highlight key achievements.</li> </ul>
Development Partners	<ul style="list-style-type: none"> <li>➔ Multi-Lateral Agencies;</li> <li>➔ Bilateral Agencies;</li> <li>➔ International NGOs; and</li> <li>➔ Philanthropic organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• Sector Group Meetings.</li> <li>• Consultative Meetings.</li> <li>• Sector conferences.</li> <li>• Newspapers.</li> <li>• Radio Programmes.</li> <li>• Newspaper, TV and radio talk back show to highlight key achievements.</li> </ul>
Universities and Higher learning Institutions	<ul style="list-style-type: none"> <li>➔ Academics;</li> <li>➔ Researchers; and</li> <li>➔ Students.</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars.</li> <li>• Policy Forums.</li> <li>• Conferences.</li> <li>• Newspaper, TV and radio talk back show to highlight key achievements.</li> </ul>
Private Sector	<ul style="list-style-type: none"> <li>➔ Extractive Industries;</li> <li>➔ Manufacturing companies;</li> <li>➔ Multi-national corporations; and</li> <li>➔ Small-Medium Enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings.</li> <li>• Newspaper articles.</li> <li>• Radio Programmes.</li> <li>• Newspaper, TV and radio talk back show to highlight key achievements.</li> <li>•</li> </ul>

## REFERENCES

- Department of Commerce Trade and Industry, National Trade Policy 2017
- Department of Education, Tuition Fee Free Education Policy, 2012
- Department of Finance, Public Expenditure and Financial Accountability Assessment, 2016
- Department of Finance, Public Finance Management Act Amended, 2016
- Department of National Planning and Monitoring, Capital Investment Guidelines, 2018
- Department of National Planning and Monitoring, Medium Term Development Plan 2011-2015
- Department of National Planning and Monitoring, Medium Term Development Plan 2016-2017, 2015
- Department of National Planning and Monitoring, Medium Term Development Plan 2018-2022, 2018
- Department of National Planning and Monitoring, Medium Term Development Strategy, 1980
- Department of National Planning and Monitoring, PNG Development Strategic Plan 2010-2030, 2009
- Department of National Planning and Monitoring, PNG Development Cooperation Policy 2018-2022
- Department of National Planning and Monitoring, PNG National Planning Responsibility Act 2016
- Department of National Planning and Monitoring, PNG National Strategy for Development of Statistics, 2018
- Department of National Planning and Monitoring, Policy Monitoring and Evaluation Framework, 2018
- Department of National Planning and Monitoring, Population Policy 2015-2024, Managing Population as Key Development Priority, 2015
- Department of National Planning and Monitoring, Project Formulation Document, 2017
- Department of National Planning and Monitoring, Results Monitoring Framework, Outcomes of MTDP 1 and 2 Targets, 2018
- Department of National Planning and Monitoring, Strategy for Responsible Sustainable Development, 2015
- Department of Treasury, Budget Strategy Paper, 2019
- Department of Treasury, Medium Term Debt Strategy, 2018
- Department of Treasury, Medium Term Fiscal Strategy 2018-2022
- Department of Treasury, Medium Term Revenue Strategy, 2017
- Department of PM & NEC, The Independent State of Papua New Guinea, Vision 2050, 2009
- Government of Papua New Guinea, Alotau Accord I, 2012
- Government of Papua New Guinea, Alotau Accord II, 2017
- Government of Papua New Guinea, Eight Aims or Eight Point Plan, 1975
- Government of Papua New Guinea, Independent State of Papua New Guinea, PNG Constitution, The 5 National Goals and Directive Principles, 1975
- Government of Papua New Guinea, Local Level Government Administration Act, 1997
- Government of Papua New Guinea, National Public Expenditure Plan, 1970
- Government of Papua New Guinea, Organic Law on Provincial and Local Level Governments, 1985
- Government of Papua New Guinea, PNG Improvement Plan 1972-1973
- Internal Revenue Commission, Income Tax Act, 1984

Law and Justice Sector, White Paper on Law and Justice in PNG,

Meki, Australia National University, PNG's Participation in National Elections 2007-2017

National Statistics Office, Census, PNG Population, 2011

United Nations Framework Convention on Climate Change, Signing and Ratification by PNG, 1992

United Nations, Sustainable Development Goals, Agenda 2030

United Nations, United Nations Human Development Report, Human Development Index Ranking, 2016

World Bank, GDP Per Capita of Middle Income Countries, 2016

World Bank, Global Economic Growth, 2017

World Bank, Ease of Doing Business Report, 2018



**APEC Haus**  
Port Moresby

