

## NOTE TO THE MEMBERS OF THE COMMITTEE

# Annual Action Programme 2016 in favour of Papua New Guinea to be financed from the European Development Fund

### 1. Identification

EDF allocation	11 <sup>th</sup> EDF – Envelope A
Total cost	Total estimated cost: EUR 33,45 million Total amount of EDF contribution: EUR 32,1 million of EU contribution <ul style="list-style-type: none"><li>• Support Programme to Implementation of the EU-PNG Cooperation: EUR 9 million</li><li>• Support to the 'Papua New Guinea National WaSH Policy 2015 – 2030' Part 1: EUR 23,1 million</li></ul>
Basic act	Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund

### 2. Country background

Papua New Guinea (PNG) has experienced over a decade of comparatively robust economic growth. In 2015, the first full year of liquefied natural gas (LNG) production, the economy of PNG recorded a GDP growth by 9.9% according to the Asian Development Bank. However, despite increasing national wealth, PNG continues to confront considerable development challenges, recording the highest rates of child and maternal mortality in the Asia-Pacific region, as well as the lowest rates of school attendance and literacy.

An estimated 4.2 million Papua New Guineans (61% of the population) do not have access to safe water while 3.8 million (55%) do not have access to improved sanitation. Water related diseases and especially diarrhea is one of the main causes of mortality in PNG, especially in young children. The Millennium Development Goals targets for water supply and sanitation were not reached, nor the targets set up by the PNG Medium Term Development Plan 2011-2015. The need for access to clean water and sanitation is recognised in the PNG Vision 2050, where Government seeks to increase access to clean water from 39% to 100% of the population by 2050. Similar targets, though with different time horizons, are foreseen in various other documents<sup>1</sup> as well as the newly endorsed National WaSH Policy 2015-2030.

To support the Government of PNG in achieving its growth and poverty reduction objectives, the EU-PNG National Indicative Programme 2014-2020 (NIP) targets three focal sectors: (i) Rural Entrepreneurship, Investment and Trade, (ii) Water, Sanitation and Hygiene and (iii) Education. The NIP also foresees under the 'Support Measures allocation' as a specific envelope to support operations of the National Authorising Officer (NAO) inside the Department of National Planning & Monitoring (DNPM), including technical assistance that

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<sup>1</sup> Strategic Plan 2010-2030, Water PNG Strategic Master Plan 2012-2030, the National Education Plan 2015-2019 as well as the new MTDP (2016-2017)

would help prepare the ground for 11th EDF follow on interventions, and also through close coordination and regular dialogue with other key development partners.

## **1. Summary of the Action Programme**

### **1) Background:**

#### **a) Support Programme to Implementation of the EU-PNG Cooperation**

In the past, implementation capacity and motivation of the NAO was low, mainly due to a high turn-over of staff and insufficient knowledge of EDF procedures, which resulted in a negative impact on EDF projects. The new programme aims to support the NAO in complying with the functionalities defined in the Cotonou Partnership Agreement. It also targets the establishment of an effective and efficient PNG-EU policy dialogue to ensure timely and effective implementation of 11<sup>th</sup> EDF and its alignment with the Government's development policies. The programme will expand support to the DNPM's role in overall Development Partners' coordination, contributing to building the DNPM's capacity to lead intragovernmental policy dialogue on aid effectiveness and supporting initiatives leading towards PNG meeting budget support eligibility criteria. This action will contribute primarily to the progressive achievement of the Sustainable Development Goal (SDG) 1, 16 and 17<sup>2</sup>

#### **b) Support to the 'Papua New Guinea National WaSH Policy 2015 – 2030' Part 1**

The Action will contribute to improving the quality of life of men, women and children through increased access to safe, convenient and sustainable water supply, sanitation and improved hygiene practices in line with the National WaSH Policy in the selected Districts. It will also contribute to a healthier and safer environment, particularly for women and children, by reducing the impact of water borne diseases and hygiene related illnesses. Improved governance and quality of service delivery in the WaSH sector are also targeted. The programme will contribute primarily to the progressive achievement of SDG6, SDG3 and SDG13<sup>3</sup> and will be partly implemented through UNICEF.

### **2) Cooperation/Neighbourhood related policy of beneficiary country**

**Vision 2050** elaborates a long-range perspective for PNG where effective and equitable service delivery, improvement in law and order and improved governance and institutional development are among the identified goals. It identifies, among other obstacles, i) the absence of clear strategic actions in development plans, ii) corruption and iii) poor governance as jeopardising progress towards the achievement of national goals and ambitions.

The **National Strategy for Responsible Sustainable Development for PNG** is a strategic policy response to address the transitioning from the brown driven to inclusive green growth. It emphasises inclusive, democratic, participatory, accountability and transparency principles in addition to enhanced international cooperation. It elaborates the operational strategies that would enable the country to make headway in the pursuit of Vision 2050.

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<sup>2</sup> 'No poverty' (SDG1), 'Peace, justice and strong institutions' (SDG16) and 'Partnerships for the goals' (SDG17).

<sup>3</sup> 'Clean water and sanitation' (SDG 6), 'Good health and well-being' (SDG 3) and 'Climate action' (SDG 13).

The **Medium-Term Development Plan 2 2017-2018** is a short to medium term guide to the development of sector policies, plans and strategies of the country. The Mid-Term Development Plan 2 defines the priority sectors as Education, Health, Infrastructure, Law and Justice, Land and Housing and the Economy. It defines the indicators and targets to be achieved in each sector through the use of budgetary funds.

The **PNG Development Cooperation Policy 2015** aims to strengthen partnerships between key institutions and stakeholders involved in development cooperation mobilisation, performance management and delivery, and developing capacity and strengthening systems.

The main objectives of the **National WaSH Policy 2015-2030** are to (i) reduce morbidity and mortality caused by water related diseases, (ii) improve livelihood opportunities and economic growth through improved health and reduced economic and financial losses, and (iii) increase equity of services between rural, peri-urban areas, and to disadvantaged groups. It also foresees the establishment of a National Water, Sanitation and Hygiene Authority.

### 3) Coherence with the programming documents:

The PNG-EU NIP 2014-2020 recognises improved institutional capacity, enhanced policy dialogue, good governance and public accountability at national and sub-national levels as prerequisites to poverty reduction and improved livelihoods through more equitable and broad based sustainable development, in line with PNG's development plans. In addition, the NIP also identified WaSH as a focal sector within the framework of poverty alleviation, in line with the "Agenda for Change".

### 4) Identified actions:

**a) Support Programme to Implementation of the EU-PNG Cooperation.** The *overall* objective of the action is to the implementation of the PNG Government's poverty alleviation policies while ensuring responsible and sustainable development. The *specific objectives* are to support the implementation of the PNG Government's national policy priorities as well as to ensure the efficient and effective implementation of current and future EDF programmes, and to support the integration of the Aid Effectiveness Agenda into the Official Development Assistance implementation modalities in PNG. Activities will target two detailed and interconnected interventions:

#### 1. Measures to support or accompany the programming, preparation or implementation of actions, inter alia:

- A Technical Cooperation Facility (TCF), through a specific allocation, to support the timely, efficient and effective implementation of PNG's National Development Policy (2015) as well as the EU's current and future national and regional indicative programmes (NIPs/RIPs);
- The organisation of, and participation in, trainings, workshops and seminars;
- The commissioning of pertinent studies, including but not limited to: identifying, analysing and assessing the benefits and challenges of introducing a budget support approach in future EDF programming in PNG.

## 2. Support to the National Authorising Officer:

The NIP foresees the continued involvement of the NAO in the full EDF Programming and project cycles, from inception, implementation, management and monitoring to closure. Interventions may include, inter alia:

- Facilitating the participation by NAO staff and Government officials in seminars on EU-ACP development cooperation initiatives and Post-Cotonou consultations;
- Supporting the establishment of co-ordination and dialogue structures involving the NAO, National Departments and Development Partners.
- Supporting the provision of training in Project Cycle Management and EDF procedures, to relevant NAO Support Unit and Implementing Agencies staff as required.
- Capitalising on lessons learnt under earlier interventions, bearing in mind that new implementation modalities will be explored under the 11<sup>th</sup> EDF.

**b) Support to the 'PNG National WaSH Policy 2015 – 2030' Part 1.** The *overall objective* of the action is to improve the quality of life of women, men and children through contributing to increased access to safe, adequate and sustainable water supply, sanitation and improved hygiene practices in line with the National Water, Sanitation and Hygiene (WaSH) Policy. The *specific objectives* are to enable a healthier and safer environment, particularly for women and children, reducing the impact of water borne diseases and hygiene related illnesses and to improve governance and quality of service delivery in the WaSH sector.

The action involves the planning and implementation of a number of coordinated and interlinked interventions which include:

- Capacity strengthening of the PMU to implement the National WaSH Policy;
- The District Development Authorities (DDAs) to implement the National Service Delivery Framework;
- The Departments of Education and Health in implementing their sectorial plans;
- In line with the National WaSH Policy and the National Service Delivery Framework, UNICEF to focus on WaSH in Rural and Urban identified Districts in schools and health centres and subsequently to surrounding communities including promoting Open Defecation Free (ODF), involving relevant stakeholders and in particular WaSH PMU, DDAs and Departments of Education and Health.
- UNICEF to organise National Awareness campaigns on WaSH involving relevant stakeholders and media.

## 5) Expected results:

The main expected results are:

### **a) Support Programme to Implementation of the EU-PNG Cooperation:**

- Enhanced ability of government departments to integrate national development priorities with the contribution of development partners.
- Enhanced overall capacity of the NAO within the DNPM in development aid planning, management and coordination.
- Increased and sustained efficiency and effectiveness of the design and implementation of EDF programmes.

- The DNPM being able to promote intra-governmental policy dialogue on aid effectiveness and the introduction of new aid modalities, as well as being able to effectively coordinate Development Partner support and interventions.
- Progress towards PNG satisfying the budget support eligibility criteria.

**b) Support to the 'Papua New Guinea National WaSH Policy 2015 – 2030' Part 1:**

- Improved sanitation and hand-washing facilities in schools and health centers with particular focus on less favored districts as well as an awareness among the population on the importance of hygiene and sanitation, and an increased number of communities without open defecation.
- Strengthened institutional framework and enabling environment for WaSH service delivery leading to improved governance in the WaSH sector.

6) Past EU assistance and lessons learnt.

The ongoing *Institutional Capacity Building of the NAO System in Papua New Guinea – Phase II* project implementation period is coming to an end in 22 June 2017. The new programme will be the 5<sup>th</sup> consecutive support programme, building on important achievements and take cognisance of lessons learnt. The planned activities are more strategic and aimed at ensuring effective delivery and improving PNG-EU policy dialogue.

The mid-term evaluation of the *Institutional Capacity Building of the NAO System in Papua New Guinea – Phase II* was finalised in December 2014. The key challenge faced under the ongoing programme relates to the ownership of the EDF-funded actions by the implementing line agencies/departments. The low level of ownership observed was based on two factors: first, lack of appropriate experienced, motivated and committed human resources and lack of EDF-related operational, contractual and financial procedural knowledge and experience. The same constraints have been identified at the level of the NAO Support Unit (NAOSU), compounded by an observed high turnover of staff.

A review of EDF 9 WaSH programmes<sup>4</sup> showed that the integrated approach of water supply, improved sanitation and awareness on hygiene and hand washing practices resulted in improved health and wellbeing of communities. However, the absence of an institutional framework and prioritisation in the selection of rural water scheme community proposals resulted in a varying quality of their design and implementation, leading to high overhead costs and limitations for effective monitoring. The EDF review also identified a need for follow up post-construction to ensure smooth operations and maintenance due to lack of capacity of rural communities and local NGOs.

7) Complementary actions/donor coordination.

The PNG government currently uses the bi-annual ‘Development Partners High Level Forum (HLF)’ to coordinate the Development Partners’ programmes. The Forum is led by the DNPM, which is the national donor coordination agency. Consequently, the proposed direct support to the DNPM under the Support Programme to Implementation of the EU-PNG Cooperation programme will have a direct impact on enhanced donor coordination.

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<sup>4</sup> Rural Water Supply and Sanitation Programme 1 and 2 (FED/2005/017-767, FED/2007/019-284) and the District Towns Water Supply Programme (FED/2006/018-524)

This programme is also in synergy with other Development Partners’ coordination initiatives, such as Development Partners Roundtable led by UN and Australian DFAT. EU and Member States are active members and participate to the monthly meetings. During these meetings, updates on respective planning/implementation of programmes are shared as well as ad hoc topics. Other fora to which the EU is participating are: the Public Financial Management Coordination Mechanism (that the EU will be chairing from mid-2016), the Transport Sector Coordination, Monitoring and Implementation Committee, WaSH Task Force, etc.

Key stakeholders from government, international organisations and civil society have been consulted to identify challenges and opportunities in the WaSH sector. With the aim of identification of adequate demand, securing ownership and sustainability of the action from a wide range of stakeholders, a series of working meetings with key stakeholders have been facilitated to define project components, strategies and budgets. A consultation workshop for a wider range of stakeholders has been organised to involve them in the planning process. Preparation work with WaSH PMU, UNICEF and World Bank has been intensive to further the planning, collaboration and dovetailing of the components of the action.

**4. Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. These actions shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated below. Strong emphasis on communication under the WaSH programme will be ensured by awareness campaigns on hand washing, sanitation, PHAST (Participatory Hygiene and Sanitation Transformation) etc. Visibility activities (project launches ceremonies, promotional materials etc.) to ensuring transparency and publicity on the use of EDF resources will also be provided within the framework of the NAO Support Programme.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action as well as the appropriate contractual obligations.

**5. Cost and financing**

**a) Support Programme to Implementation of the EU-PNG Cooperation**

<b>Programme Components</b>	<b>EU contribution (in EUR million)</b>	<b>Indicative contribution (in EUR million)</b>
5.4.1.3 – Procurement (direct management)		
Technical cooperation facility	3	0
5.4.1.5 – Indirect management with the Partner Country		
Technical Assistance	4.2	

Programme Estimate with NAOSU	1.48	1.35
5.9 – Mid-Term & Final Evaluations	0.15	0
5.10 – Audit	0.07	0
Contingencies	0.1	0
Totals	9	1.35

**b) Support to the 'Papua New Guinea National WaSH Policy 2015 – 2030' Part 1**

<b>Programme Components</b>	<b>EU contribution (in EUR million)</b>	<b>Indicative contribution (in EUR million)</b>
5.4.1 – Procurement (direct management)	1.5	0
5.4.2 - Indirect management with an international organisation – UNICEF	21.3	0
5.9 – Evaluation, 5.10 - Audit	0.15	0
5.11 – Communication and visibility	0.15	0
Contingencies	0	0
Totals	23.1	0

Total EU contribution to the measure: EUR 32,100,000.00



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This action is funded by the European Union

**ANNEX 1**

Of the Commission Decision on the Annual Action Programme 2016 in favour of Papua New Guinea to be financed from the 11<sup>th</sup> European Development Fund

Action Document for:

**The Support Programme to the Implementation of EU-PNG Cooperation**

<b>1. Title/basic act/ CRIS number</b>	The Support Programme to Implementation of the EU-PNG Cooperation, CRIS number: 2016/039-207 financed under European Development Fund.	
<b>2. Zone benefiting from the action/location</b>	Papua New Guinea (PNG) The action shall be carried out at the following location: Papua New Guinea at national level.	
<b>3. Programming document</b>	<i>European Union - Papua New Guinea National Indicative Programme 2014-2020.</i>	
<b>4. Sector of concentration/ thematic area</b>	Cross-cutting support measures.	DEV. Aid: YES <sup>1</sup>
<b>5. Amounts concerned</b>	Total estimated cost: Total amount of EDF contribution: Gov. PNG Contribution	EUR 10,35 million EUR 9 million EUR 1,35 million
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality: Indirect management with Papua New Guinea and direct management - procurement of services	
<b>7 a) DAC code(s)</b>	15110 Public sector policy and administrative management	
<b>b) Main Delivery Channel</b>		

<sup>1</sup> Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	N/A		
<b>10. SDGs</b>	1, 16, 17			

## SUMMARY

To support the Government of Papua New Guinea (GoPNG) in achieving its growth and poverty reduction objectives, the European Union has allocated EUR 184 million under the 11<sup>th</sup> European Development Fund National Indicative Programme (NIP). Three focal sectors have been selected under the 11<sup>th</sup> EDF: (i) Rural Entrepreneurship, Investment and Trade, (ii) Water, Sanitation and Hygiene and (iii) Education.

The NIP also foresees under the ‘Support Measures allocation’ a specific envelope to support operations of the National Authorising Officer (NAO) inside the Department of National Planning & Monitoring (DNPM). This is a key element in ensuring smooth EU-PNG cooperation.

This programme aims at strengthening the NAO’s traditional roles under the Cotonou Partnership Agreement, such as effective implementation of current and future EDF programmes, and further enhances the NAO’s role in the following areas:

- ensuring EDF assistance’s full alignment with GoPNG’s development policies,
- facilitation of policy dialogues in the three focal sectors,
- establishment of effective Development Partners coordination,
- promotion of the Aid Effectiveness Agenda in Papua New Guinea.

The **Overall Objective** of the proposed programme is to contribute to the implementation of the GoPNG's poverty alleviation policies while ensuring responsible and sustainable development.

The **Specific Objectives** of the proposed programme are:

- 1) To support the implementation of the GoPNG’s national policy priorities.
- 2) To ensure the efficient and effective implementation of current and future EDF programmes.
- 3) To support the integration of the Aid Effectiveness Agenda into the Official Development Assistance (ODA) implementation modalities in PNG.

The programme will run for a period of fifty-four (54) months. The proposed start date is June 2017.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

Development ambitions and objectives of the Government of PNG are laid down in a number of key policy documents: “Vision 2050”, the “National Strategy for Responsible Sustainable Development for Papua New Guinea” (StaRS), the “Medium-Term Development Plan 2 2017-2018” (MTDP) and the PNG Development Cooperation Policy (2015). The overall objectives evidenced in these plans are to achieve economic growth and social development through the development of health, education, infrastructure, minerals and fossil fuels, while maintaining and strengthening law and order in the country. Specifically, these policy documents focus on the following themes:

a) **Vision 2050.** In identifying the weak performance areas which are jeopardising progress towards the achievement of national goals and ambitions, Vision 2050 identifies, among other obstacles, i) the absence of clear strategic actions in development plans, ii) corruption and iii) poor governance. *Vision 2050* elaborates a long-range perspective for PNG development and addresses in:

- i) changing and addressing the mind-set of the PNG population
- ii) creating strong and unified political power and implementation capacity
- iii) improved governance and institutional development
- iv) effective and equitable service delivery
- v) improvement in law and order
- vi) development of strong moral obligation

vii) rapid growth potential to be realized in a reasonable time

- b) National Strategy for Sustainable Responsible Development (StaRS).** In 2014, the Government introduced the “National Strategy for Responsible Sustainable Development for Papua New Guinea” (StaRS). The StaRS is a strategic policy response to address the essential “transitioning from the brown driven to inclusive green growth” and represents the Government’s commitment to establishing a “robust framework for managing the significant challenges we face across a range of economic, social and environmental policy areas”. The StaRS emphasises inclusive, democratic, participatory, accountability and transparency principles in addition to enhanced international cooperation. It elaborates the operational strategies that should enable the country to make serious headway in the pursuit of *Vision 2050*. It is designed to quadruple the national income which should give all Papua New Guineans an improved quality of life by exploiting the available opportunities and enabling them to become key players in the overall socioeconomic development of this country;
- c) The Mid-Term Development Plan 2 (2017-2018)** is a short to medium term guide to the development of sector policies, plans and strategies of the country. The Mid-Term Development Plan 2 defines the priority sectors as Education, Health, Infrastructure, Law and Justice, Land and Housing and the Economy. It defines the indicators and targets to be achieved in each sector through the use of budgetary funds.

The well-established relationship between the European Union and Papua New Guinea enabled both partners to address some of these issues when developing The EU-PNG NIP for the period 2014-2020. The NIP is focused on building stronger political relationships, providing support to good governance, championing human rights, as well as addressing the ongoing and pervasive challenges that are universal access to potable water, sanitation, education and energy.

Improved institutional capacity, enhanced policy dialogue, good governance and public accountability (PFM) at national and sub-national levels, are recognized as prerequisites to poverty reduction and improved livelihoods through more equitable and broad based sustainable development, in line with PNG’s development plans.

In responding to these identified needs and challenges, the Support Programme to Implementation of the EU-PNG Cooperation is highly relevant and fully aligned with both development policies and EU policy priorities. By supporting good governance and institutional capacity building, this Programme is consistent and in line with the GoPNG’s main development strategies, specifically *Vision 2050* and the StaRS, in which good governance and public sector management are identified as central to the future socio-economic development of the country.

### **1.1.1 Public Policy Assessment and EU Policy Framework**

The Support Programme to the Implementation of EU-PNG Cooperation is in line with the Cotonou Partnership Agreement (CPA), including as it does, support to the NAO in complying with the functionalities defined in the CPA. The Programme is also fully aligned with the Government’s *Development Cooperation Policy* (2015), which aims to strengthen partnerships between key institutions and stakeholders involved in:

- a) development cooperation mobilisation,
- b) performance management and delivery, and
- c) developing capacity and strengthening systems.

In order to address good governance, capacity building and aid effectiveness issues, the EU-PNG NIP 2014-2020 details funding of EUR 9 million under the Support Measures budget line which targets two detailed and interconnected interventions:

**a) Measures to support or accompany the programming, preparation or implementation of actions**

A Technical Cooperation Facility (TCF), through a specific allocation, to support, inter alia:

- the provision of Technical Assistance for the identification, formulation, preparation and implementation of actions and projects;
- the organisation of, and participation in, training interventions, workshops and seminars;
- the commissioning of pertinent studies, including but not limited to: identifying, analysing and assessing the benefits and challenges of introducing a budget support approach in future EDF programming in PNG, inter alia: approaches and modalities of strengthening Public Finance Management; opportunities for the blending of resources;
- ad-hoc support to meet specific requirements.

**b) Support to the National Authorising Officer**

The NIP foresees the continued involvement of the NAO in the full EDF Programming and Project cycles, from inception, implementation, management, monitoring to closure. Consequently, interventions may include, inter alia:

- capitalising on lessons learnt under earlier interventions and bearing in mind that new implementation modalities will be explored under the 11<sup>th</sup> EDF, additional capacity strengthening will also be required;
- the organisation of, and participation in, EDF-related and generic training interventions, workshops and seminars;
- ad-hoc support to meet emerging needs.

**1.1.2 Stakeholder analysis**

Departments and Agencies – particularly those implementing EU funded programmes - are key stakeholders of the action, and they will be involved in the identification, formulation and implementation of the programmes to ensure ownership. They will benefit from implementation of capacity building plans intended for increasing their capacity to manage the programmes under their jurisdictions.

At the strategic level, some stake-holders consultations were already organised while preparing the 11<sup>th</sup> EDF to identify challenges and opportunities in the sector (e.g. Water Sanitation & Hygiene (WaSH). The proposed approach is validated by relevant stakeholders in PNG, including the NAO and the Department of National Planning and Monitoring. The main national stakeholders involved in the proposed intervention are:

- The Department of National Planning & Monitoring (DNPM),
- The Department of Trade, Commerce and Industry,
- The Department of Education,
- The Department of Health,
- The Department of Provincial and Local Government Affairs
- The Department of Agriculture & Livestock; and
- Provincial, District and Local Level Governments.

Other relevant stakeholders include financial institutions like the World Bank, Asian Development Bank (ADB) and European Investment Bank (EIB), civil society

organizations, private enterprises and other development partners, such as (Australian Department of Foreign Affairs and Trade (DFAT), New Zealand's International Aid & Development Agency (NZAID), UNICEF, UNDP and Japan International Cooperation Agency (JICA).

### **1.1.3 Priority areas for support/problem analysis**

The ongoing *Institutional Capacity Building of the NAO System in Papua New Guinea – Phase II* project implementation period is coming to an end in 22 June 2017. The new programme will be the 5<sup>th</sup> consecutive support programme. The proposed programme will build on important achievements and take cognisance of lessons learnt. The planned activities are more strategic and aimed at ensuring effective delivery and improving EU-PNG policy dialogue.

In line with the mid-term evaluation of the *Institutional Capacity Building of the NAO System in Papua New Guinea – Phase II* (December 2014) and discussions held during the DEVCO Verification Mission (November 2014), the new priority areas for support will be the following:

#### Ensuring efficient and effective implementation of EDF full project management cycle

In the past, capacity to implement and motivation of the National Authorizing Officer Support team to assume its roles/functions was low. This was linked to high turn-over of NAO Support Unit (NAOSU) staff and expressed insufficient knowledge of EU/EDF procedures. Low level of ownership from the side of line agencies/departments also played a significant role. As a consequence, significant recovery orders were issued and this had an impact on EDF projects.

The new programme aims at necessary re-focusing of the NAOSU team on its core responsibilities.

### Enhancing the EU-PNG policy dialogue in the three focal sectors

One of main priority areas of support under this programme is the establishment of effective and efficient EU-PNG policy dialogue. This shall ensure timely and effective implementation of 11<sup>th</sup> EDF and its alignment with the Government's development policies. The support to the NAO will enable regular EU-PNG policy dialogue meetings and will enhance line departments' involvement in the initial project design phases. Low level of primary stakeholders' involvement from the initial identification/formulation stages has been indicated as a major problem both from the EU and NAO sides and needs to be addressed in view of 11<sup>th</sup> EDF.

### Supporting the integration of Aid Effectiveness Agenda into the ODA implementation modalities in PNG

Instead of focusing exclusively on EU-PNG cooperation, this programme will expand support to the DNPM's role in overall Development Partners' coordination. It will contribute to building the DNPM's capacity to lead intragovernmental policy dialogue on aid effectiveness, to supporting efforts aimed at establishing effective Development Partners' coordination, and supporting initiatives leading towards PNG meeting budget support eligibility criteria.

## 2 RISKS AND ASSUMPTIONS

Risks		Risk Level (H/M/L)	Mitigating Measures
1	Suspension of political dialogue	M	Ensure that High Level meetings (Minister, Secretary and Ambassador) on the EU-PNG partnership are taking place annually and on a regular basis.
2	Low capacities/motivation and high turnover at NAOSU	M	Top ups will be subject to effective performance (new conditionality offered by the Programme Estimate Guide). Maintain intensive dialogue with NAOSU and NAO to identify and address issues as soon as they arise.
<b>Assumptions:</b>			
This programme builds on the main assumption that the Government will commit to:			
i)	enhancing/deepening a political and economic dialogue with the EU in the areas of 11 <sup>th</sup> EDF programming;		
ii)	promoting the Aid Effectiveness Agenda;		
iii)	supporting new implementation modalities in PNG;		
iv)	allocating resources in terms of support to NAOSU on a timely basis and in adequate quantity;		
v)	implementing the programme in a timely and financially compliant manner.		

## 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

### 3.1 Lessons learnt

The mid-term evaluation of the *Institutional Capacity Building of the NAO System in Papua New Guinea – Phase II* was finalized in December 2014. The following conclusions are still relevant:

The key challenge faced under the ongoing programme ‘Institutional Capacity Building’ relates to the ownership of the EDF-funded projects/programmes by the implementing line agencies/departments. The low level of ownership observed was based on two factors: first, lack of appropriate experienced, motivated and committed human resources and lack of EDF-related operational, contractual and financial procedural knowledge and experience.

The same constraints have been identified at the level of the NAOSU, compounded by an observed high turnover of staff.

### **3.2 Complementarity, synergy and donor coordination**

As mentioned in the National Indicative Programme, the EU’s intervention will be aligned to PNG’s priorities and carried out in close coordination with other Development Partners.

To implement the Aid Effectiveness Agenda, PNG and the Development Partners reached an agreement in 2006 – ‘Madang Plan of Action’. This resulted in the signing at PNG level of the ‘2008 Commitment on Aid Effectiveness’. The government now uses the bi-annual ‘Development Partners High Level Forum (HLF)’ to coordinate the Development Partners’ programmes. The Forum is led by the DNPM, which is the national donor coordination agency. Consequently, the proposed direct support to the DNPM under this programme will have a direct impact on enhanced donor coordination.

This programme is also in synergy with other Development Partners’ coordination initiatives, such as Development Partners Roundtable led by UN and Australian DFAT. EU and Member States are active members and participate to the monthly meetings. Other DP, (i)NGOs and even representatives of GoPNG are regular participants. During these meetings, updates on respective planning/implementation of programmes are shared as well as ad hoc topics for e.g. Bougainville or "El Nino". Other fora to which the EU is participating are: the Public Financial Management Coordination Mechanism (that the EU will be chairing from mid-2016), the Transport Sector Coordination, Monitoring and Implementation Committee, Quarterly Road Maintenance Committee, WaSH Task Force, etc.

### **3.3 Cross-cutting issues**

Environment, climate change, gender equality, youth employment, human rights and democracy have been identified as crucial cross-cutting issues to be mainstreamed into EU development programmes. They will be reflected in all results and in the formulation and implementation of programmes.

Through the very nature of the proposed action, transparency of planning, participatory development and good governance will be improved. The formulation stage has taken due account of relevant cross-cutting issues. During implementation of the project, special attention will be paid that men and women are equally involved.

The flexibility of the Technical Cooperation Facility will allow the latitude to address and support crosscutting issues through specialised small scale interventions. This will complement ongoing projects in priority areas of EU intervention and thereby contribute to the sustainability of EU-funded development cooperation.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Target 1 - ‘End poverty in all its forms everywhere’ - but also promotes progress towards Goals 16 and 17 - ‘Promote peaceful and inclusive societies for sustainable

development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels’ and ‘Strengthen the means of implementation and revitalize the global partnership for sustainable development’. This does not imply a commitment by the GoPNG to benefit from this programme.

The **Overall Objective** of the proposed programme is to **contribute to the implementation of the GoPNG’s poverty alleviation policies while ensuring responsible and sustainable development.**

**The Specific Objectives (SO)** and the expected results of the proposed programme are:

**SO 1 To support the implementation of the GoPNG’s national policy priorities.**

- Result 1.1 Ability of government departments to integrate national development priorities with the contribution of development partners is enhanced.
- Result 1.2 Beyond its formal role under the Cotonou Partnership Agreement, the NAOSU is in a position to contribute to the coordination of Agenda 2030 for Sustainable Development, including the Sustainable Development Goals.

**SO2 To ensure the efficient and effective implementation of current and future EDF programmes.**

- Result 2.1 The overall capacity of the NAO within the DNPM in development aid planning, management and coordination is enhanced.
- Result 2.2 The efficiency and effectiveness of the design and implementation of EDF programmes are increased and sustained.

**SO3 To support the integration of the Aid Effectiveness Agenda into the Official Development Assistance (ODA) implementation modalities in PNG.**

- Result 3.1 The DNPM is able to promote intragovernmental policy dialogue on aid effectiveness and the introduction of new aid modalities, e.g. the sector-wide approach, budget support and blending.
- Result 3.2 The DNPM is coordinating Development Partner support and interventions effectively.
- Result 3.3 Progress has been achieved towards PNG satisfying the budget support eligibility criteria.

#### **4.2 Main activities**

In order to produce the necessary outputs to achieve the programmes expected results and objectives, a coherent set of activities has been designed aimed at building capacity, providing incentives and supporting key stakeholders, while at a broader level creating the enabling environment for the sector to develop and sustain. The Programme will be implemented notably through the following indicative schedule of activities:

##### **Specific Objective 1**

**To support the implementation of the GoPNG’s national policy priorities.**

**Result 1.1 Support to the GoPNG’s through the EDF is fully aligned with the Government’s development policies.**

- a) Providing identified Technical Assistance targeted at supporting the timely, efficient and effective implementation of PNG’s National Development Policy (2015), the EU’s current and future national and regional indicative programmes (NIPs/RIPs).

- b) Providing support to responsive and timely Government / Development Partners dialogue sessions, conferences and seminars with respect to policy development.
- c) Contributing to the enhancement of the DNPM's capacity for development planning, policy formulation and analysis, leading and coordinating donor development assistance.

**Result 1.2 Beyond its formal role under the Cotonou Partnership Agreement, the NAOSU is in a position to contribute to the coordination of Agenda 2030 for Sustainable Development, including the Sustainable Development Goals.**

- a) Supporting the establishment of co-ordination and dialogue structures, e.g. an Agenda 2030 Coordination Committee, involving the NAO, National Departments and Development Partners.
- b) Supporting the NAO's participation in national and international conferences and seminars focused on attainment of the Sustainable Development Goals.
- c) Contributing to the organisation of national workshops and seminars to disseminate good practices with respect to the attainment of the Sustainable Development Goals.
- d) Facilitating the participation by NAO staff and Government officials in seminars on EU-ACP development cooperation initiatives and post-Cotonou consultations.
- e) Providing support to an information campaign to raise awareness of the purpose, nature and status of the Sustainable Development Goals.

**Specific Objective 2**

**To ensure the efficient and effective implementation of current and future EDF programmes.**

*Remark:* As a prerequisite, NAOSU is located on the same premises than the NAO it is supporting.

**Result 2.1 The overall capacity of the NAO within the DNPM in development aid planning, management and coordination is enhanced.**

- a) Supporting the provision of training in Project Cycle Management, 11<sup>th</sup> EDF procedures, Financial Management and Accounting, to relevant NAOSU and Implementing Agencies staff as required.
- b) Supporting capacity building with respect to the development and application of an active Procurement Plan for all 10<sup>th</sup> and 11<sup>th</sup> EDF programmes and projects.
- c) Facilitating the strengthening of in-house Monitoring & Evaluation capacities and systems and developing Annual Monitoring & Evaluation (M&E) Plans for all 11<sup>th</sup> EDF programmes and projects.
- d) Supporting ongoing capacity development and systems development (digitising) with respect to document filing, storage and archiving.
- e) Facilitating the procurement/development of an aid information management system and supporting the induction/training of staff entrusted with the aid management function.
- f) Contributing to the delivering of mentoring, coaching, advisory services and on-the-job training to NAOSU Project Officers through a Technical Assistance Team over the fifty-four months operational implementation period of the programme.

- g) Liaising with, and supporting, programmes and projects with respect to Mid-Term Reviews, Audits and Final Evaluations.

**Result 2.2 The efficiency and effectiveness of the design and implementation of EDF programmes are increased and sustained.**

- a) Supporting the NAO and/or other relevant Department, Offices, Agencies for the life-cycle of the 11<sup>th</sup> EDF and the formulation and programming of the next cooperation cycle.
- b) Facilitating the coordination of, and attendance at, meetings and interventions as required: e.g. PSC (Project Steering Committees) meetings, EU missions, Results Oriented Monitoring (ROM) missions, Mid-Term and Final Evaluations and Audits.
- c) Supporting the introduction of quality control measures (e.g. manuals, checklists, and tracking tools) with respect to the development, processing, vetting and approval of supplies, services and works tenders and Programme Estimates.
- d) Providing support to the organisation of Programme Results/Activities related conferences, workshops and seminars and the preparation of study tours to third countries.
- e) Mobilising consultants to assist with/advise on project identification and formulation.
- f) Advising on the strengthening of the implementation and operational capacity of Line Departments and Agencies (LDAs), including EDF procedures and Project Cycle Management skills.
- g) Providing assistance and resources in support of communication and visibility activities aimed at ensuring transparency and publicity on the use of EDF resources, inter alia: project launches ceremonies, promotional materials, newspaper inserts, press conferences, and publication of advertisements.

**Specific Objective 3**

**To support the integration of the Aid Effectiveness Agenda into all ODA implementation modalities in PNG**

**Result 3.1 The Department of National Planning & Monitoring (DNPM) is able to promote intragovernmental policy dialogue on aid effectiveness and the introduction of new aid modalities, e.g. the sector-wide approach, budget support and blending.**

- a) Supporting the DNPM in meeting PNG's policy dialogue and consultative obligations under the Cotonou Agreement.
- b) Providing support to the DNPM in conducting awareness raising activities within the DNPM and the three focal sectors on the concepts, the underlying principles and the approaches to the European Union's Sector Budget Support Approach.
- c) Facilitating the participation of the DNPM, the NAO and Line Departments and Agencies (LDAs) at conferences and seminars on EU-ACP development cooperation, Aid Effectiveness initiatives and new aid modalities.
- d) Providing support to the design and coordination of aid effectiveness / aid modality interventions targeted at selected LDAs, namely those representing the three focal sectors: Rural Entrepreneurship, Investment and Trade; Water, Sanitation & Hygiene, and Education.

**Result 3.2 The Department of National Planning & Monitoring is coordinating Development Partner support and interventions effectively.**

- a) Providing technical and material support towards improving the DNPM's capacity to effectively coordinate Development Partners support.
- b) Supporting the promotion of dialogue and information sharing, through seminars and workshops, between the Government, Official Development Assistance Partners, Non-State and Private Sector Actors.
- c) Supporting the development of integrated Official Development Assistance (ODA) monitoring, evaluation and knowledge management systems, including the creation of data collection instruments and databases.
- d) Facilitating and supporting the introduction of an annual High Level Development Partners Dialogue Forum, chaired by the DNPM.

**Result 3.3 Progress has been achieved towards PNG satisfying the budget support eligibility criteria.**

- a) Providing ongoing support to undertaking a situational analysis of PNG's status viz. the four eligibility criteria: i) Public policies: national/sector development strategy, ii) Stability of macro-economic framework, iii) Assessment of Public Finance Management and iv) transparency and oversight of the budget.
- b) Providing advice and technical support on commissioning a needs analysis and reform-identification study, developing a roadmap and implementation plan towards the achievement of all four eligibility criteria.

#### **4.3 Intervention logic**

The DNPM is the custodian of Papua New Guinea's 2015 Development Cooperation Policy and is also responsible for the coordination of all Official Development Assistance within the country. The National Authorising Office, the roles and responsibilities of which are defined in Article 35 of Annex IV to the Cotonou Partnership Agreement, is located within the Department of National Planning & Monitoring. The European Union and the Government have agreed a joint strategy to address national development priorities, which is reflected in the EU-PNG NIP 2014-20. The NIP foresees the need for accompanying measures in support of the NAO to allow it to meet its responsibilities and obligations under the Cotonou Partnership Agreement by strengthening in-country capacities to effectively programme, supervise, manage and monitor the implementation of EDF projects and programmes in a timely and procedurally compliant manner.

The identified support is commensurate with the role of the NAO in the implementation of the 11<sup>th</sup> EDF and the role of the DNPM in the efficient use of Official Development Assistance. These identified needs are addressed under the auspices of the proposed Support Programme to the Implementation of EU-PNG Cooperation.

The logic of the intervention revolves around three **Specific Objectives**:

- i. Supporting the implementation of GoPNG's national policy priorities,
- ii. Ensuring the efficient and effective implementation of current and future EDF programmes, and
- iii. Supporting the integration of the Aid Effectiveness Agenda into the Official Development Assistance (ODA) implementation modalities in PNG.

These three areas of intervention all fall under the **Overall Objective** of the proposed programme which is "to contribute to the implementation of GoPNG's poverty alleviation policies while ensuring responsible and sustainable development."

The main activities underpinning this Action focus on increasing human capacities and competencies within the NAOSU and the DNPM and increasing organisation and institutional effectiveness and efficiencies, throughout the programming cycle, from formulation to closure.

The assistance foreseen under the Action is assumed to contribute to the implementation of the Government's poverty alleviation policies by:

- providing support to the implementation of the Government's national policy priorities,
- ensuring the efficient and effective implementation of current and future EDF Programmes and, in line with the Agenda for Change,
- by integrating the Aid Effectiveness Agenda into all ODA implementation modalities in PNG.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 54 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

### **5.3 Implementation of the budget support component**

Not applicable.

### **5.4 Implementation modalities**

#### **5.4.1.3 Procurement: direct management.**

In consultation with the NAO/DNPM, short-term and variable Technical Assistance will be provided on behalf of the NAO and through the Framework contracts (FWC) modality to, inter alia, i) promote intergovernmental policy dialogue on aid effectiveness and aid modalities that are not widely used in PNG, such as the sector wide approach, budget support and blending, etc. ii) to support the DNPM in ensuring effective donor coordination, and iii) facilitating progress towards PNG fulfilling the Budget Support eligibility criteria. Indicative number of FWCs foreseen is 10, with D+3 being a contracting deadline.

Technical Assistance will undertake scheduled evaluations and audits of the Support Programme to the Implementation of EU-PNG Cooperation.

<b>Subject in generic terms</b>	<b>Type</b>	<b>Indicative No.</b>	<b>Indicative trimester</b>
Technical Cooperation Facility	Services	Multiple	Ongoing: 2017- 2021
Mid-Term & Final Evaluations	Services	2	3 <sup>rd</sup> 2019 and 3 <sup>rd</sup> 2021
Audit	Services	1	3 <sup>rd</sup> 2021

#### 5.4.1.5 Indirect management with the Government of Papua New Guinea

A part of this action with the objective 2 of “ensuring the efficient and effective implementation of current and future EDF programmes” may be implemented in indirect management with Papua New Guinea in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015 according to the following modalities:

The Government of Papua New Guinea will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100,000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts below EUR 300,000 for procurement and up to EUR 100,000 for grants.

The financial contribution partially covers, for an amount of EUR 300,000 the ordinary operating costs incurred under the programme estimates.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement], the Government of Papua New Guinea shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015, will be laid down in the financing agreement concluded with the Government of Papua New Guinea.

#### **Procurement: indirect management. Technical Assistance to NAOSU / DNPM**

Long-term Technical Assistance will be provided to support capacity and systems strengthening and development within the NAO and DNPM with respect to the management of EDF and ODA funding to Papua New Guinea.

Subject in generic terms	Type	Indicative No.	Indicative trimester
Technical Assistance	Services	1	2 <sup>nd</sup> 2017

#### a) Overview of implementation

Ensuring the efficient and effective implementation of current and future EDF programmes	Programme Estimate
Technical Assistance to support capacity development and systems strengthening of the NAO/DNPM	Service Contract
Enhancing Information/Communication & Visibility	Programme Estimate, Service Contract
Implementation of the NIP	Programme Estimate, Service Contract

## b) Implementation through programme estimates

The contracting authority for these activities shall be the PNG NAO. The project supervisor shall be the DNPM.

An imprest administrator and an imprest accounting officer, and their deputies, shall be appointed for the management and implementation of the programme estimate by the contracting authority, in agreement with the Head of Delegation.

In accordance with the powers delegated to them by the partner country authority that appointed them, the imprest administrator and the imprest accounting officer shall draw up and implement programme estimates, award contracts and grants, commit expenditure and make the corresponding payments.

The imprest administrator and the imprest accounting officer shall submit their technical and financial reports to the project steering committee, where applicable, and to the PNG NAO and a copy to the Head of the EU Delegation.

### **5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: Australia and New Zealand. The supplies originating there shall also be eligible.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### **5.6 Indicative budget**

No		EU Contribution (EUR)	Gov. PNG co-financing Contribution (EUR)
<b>5.4.1.3 Procurement (Direct management)</b>			
	Technical Cooperation Facility	3,000,000	---
<b>5.4.1.5 Indirect management with the Partner Country (Papua New Guinea)</b>			
	Technical Assistance	4,200,000	---
	Programme Estimate with NAOSU	1,480,000	1,350,000
<b>5.9</b>	Mid-Term & Final Evaluations	150,000	---
<b>5.10</b>	Audit	70,000	---
	Contingencies	100,000	---
<b>Total (EUR)</b>		<b>9,000,000</b>	<b>1,350,000</b>

## **5.7 Organisational set-up and responsibilities**

The Action will be implemented under Indirect and Direct Management and the Procurement of Services in accordance with Articles 21 to 23 of the Financial Regulation of the 11<sup>th</sup> EDF.

The Contracting Authority for the Programme shall be the PNG NAO. The Project Supervisor, being responsible for the supervision of programme implementation, shall be the Deputy National Authorising Officer. A Steering Committee shall be established to oversee and validate the overall direction of the Programme. The Programme Steering Committee shall meet twice a year.

The NAO may request the European Commission to implement technical assistance contracts on his behalf under Article 19(c) 4 of Annex IV of the ACP-EU Partnership Agreement.

The NAO and the Europe Union, represented by the EU Delegation to PNG, will meet regularly to ascertain what services and actions need to be contracted and how best to do this to support the objectives of this Programme.

A Technical Assistance Team (TAT), composed of international, regional and local experts according to the complexity of the tasks to be fulfilled, will assist the NAO in the implementation of the Programme. The responsibilities of the TAT will not involve the exercise of public authority nor the use of discretionary powers of judgment. The TAT will work under Terms of Reference agreed by both the Contracting Authority and the Head of the Delegation of the European Union in Papua New Guinea.

## **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the nature of the action, a mid-term and final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for problem solving and learning purposes. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all

necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded in the second year of the Programme and one at the end of implementation.

#### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded at the end of the Programme.

#### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above. This activity will be specifically funded through the programme estimate.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.



EN

This action is funded by the European Union

**ANNEX 2**

of the Commission Decision on the Annual Action Programme 2016 in favour of Papua New Guinea to be financed from the European Development Fund

**Action Document for**

**Support to the Papua New Guinea National WaSH Policy 2015 – 2030 Part 1**

<b>1. Title/basic act/ CRIS number</b>	Support to the Papua New Guinea National WaSH Policy 2015 – 2030 Part 1- CRIS number: 2016/038-956 Financed under European Development Fund (EDF)			
<b>2. Zone benefiting from the action/location</b>	Papua New Guinea (PNG) The action shall be carried out at the following location: country –wide.			
<b>3. Programming document</b>	11 EDF / NIP 2014-2020			
<b>4. Sector of concentration/ thematic area</b>	Water, Sanitation and Hygiene (WaSH)	DEV. Aid: YES		
<b>5. Amounts concerned</b>	Total estimated cost: EUR 23,100,000.00 Total amount of EDF contribution EUR 23,100,000.00			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	<b>Project Modality:</b> Indirect Management - Delegation Agreement with International Organisation – UNICEF and complementary supportive measures – Procurement (Direct management).			
<b>7 a) DAC code(s)</b>	140 Water Supply and Sanitation			
<b>b) Main Delivery Channel</b>	41000 UN Agency (UNICEF)			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not</b>	<b>Significant</b>	<b>Main</b>

		targeted	objective	objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Not applicable.			
<b>10. SDGs</b>	<p>Main SDG Goal: SDG6: <i>'Ensure availability and sustainable management of water and sanitation for all'</i>.</p> <p>Secondary SDG Goal(s): SDG3: <i>'Ensure healthy lives and promote well-being for all at all ages'</i>, SDG5: <i>'Achieve gender equality and empower all women and girls'</i> and SDG13: <i>'Take urgent action to combat climate change and its impacts'</i>.</p>			

## SUMMARY

The PNG-EU National Indicative Programme (NIP) for 2014-2020 identified WaSH as a focal sector within the framework of poverty alleviation. The proposed Action reflects this focus, is relevant for the Agenda 20130 and will contribute primarily to the progressive achievement of SDG6: *'Ensure availability and sustainable management of water and sanitation for all'*. It also promotes progress towards SDG3: *'Ensure healthy lives and promote well-being for all at all ages'* and SDG5: *'Achieve gender equality and empower all women and girls'*. The Action will also be in line with SDG13: *'Take urgent action to combat climate change and its impacts'* through enhancing adaptive capacity to climate related hazards.

The overall objective of the action is to improve the quality of life of women, men and children through contributing to increased access to safe, adequate and sustainable water supply, sanitation and improved hygiene practices in line with the National Water, Sanitation and Hygiene (WaSH) Policy. The specific objectives are 1) To enable a healthier and safer environment, particularly for women and children, reducing the impact of water borne diseases and hygiene related illnesses; and 2) To improve governance and quality of service delivery in the WaSH sector.

In order to achieve the objectives of the National Indicative Programme, the Action comprises of national, urban and rural WaSH components and a transversal WaSH Institutional Framework and Governance component. The action involves the planning and implementation of a number of coordinated and interlinked interventions which include: Capacity strengthening of the WaSH Project Management Unit (PMU) to implement the National WaSH Policy, District Development Authorities (DDAs) to implement the National Service Delivery Framework as well as the Departments of Education and Health in implementing their sectoral plans.

In line with the National WaSH Policy and the National Service Delivery Framework, involving relevant stakeholders and in particular WaSH PMU, DDAs and Departments of Education and Health, UNICEF will focus on WaSH in Rural and Urban identified Districts in schools and health centres and subsequently to surrounding communities including

promoting Open Defecation Free (ODF). In parallel, UNICEF will organise National Awareness campaigns on WaSH involving relevant stakeholders and media.

## **1. CONTEXT**

### **1.1 Sector/Country/Regional context/Thematic area**

An estimated 4.2 million Papua New Guineans (61 % of the population) do not have access to safe water while 3.8 million (55 %) do not have access to improved sanitation. Water related diseases and especially diarrhoea is one of the main causes of mortality in PNG, especially in young children. Total WaSH related deaths in PNG are estimated at 6,164 per year (Medium Term Development Plan 2 - 2016-2017). Studies have also demonstrated the impact of diarrhoea on stunting in young children. The impact of these water related diseases is exacerbated during climate change related event such as El Niño (experienced in 2015-2016) and La Niña.

While Papua New Guinea is already ranked low in terms of access to clean water and safe sanitation in the Pacific region, coverage rates are declining further due to rapid population growth. The Millennium Development Goals (MDG) targets for water supply and sanitation have not been reached as reported in the MDG summary report for Papua New Guinea 2015. Similarly, the targets set by the Medium Term Development Plan (MTDP) 2011-2015 were not achieved by 2015<sup>1</sup>. The need for access to clean water and sanitation is also recognised in the Papua New Guinea Vision 2050, where Government seeks to increase access to clean water from 39 % to 100 % of the population by 2050. Similar targets, though with different time horizons, are foreseen in the Strategic Plan 2010-2030 and the Water PNG Strategic Master Plan 2012-2030. The National Education Plan 2015-2019 has also set targets on water, sanitation and hygiene promotion in schools. The new MTDP (2016-2017) sets new targets<sup>2</sup> to be reached in WaSH that depend on whether rural or urban population are considered. Lastly the newly endorsed National WaSH Policy is consolidating and reaffirming the various targets.

#### ***1.1.1 Public Policy Assessment and EU Policy Framework***

Since its independence in 1975, the WaSH sector of PNG has mainly focussed on urban areas. The National Water and Sewerage Act of 1986 established Water PNG (formerly PNG Water Board) as a government-owned enterprise targeting the provision of urban water and sanitation. In 1996 Eda Ranu was established as another state owned enterprise to provide water and sewerage to businesses and residents in the capital Port Moresby, while Water PNG would focus on provincial and district towns. However, lack of technical expertise and funding for upgrading or maintenance led to deterioration of many systems. In absence of a dedicated policy, support to rural communities to install WaSH systems was provided on ad hoc basis. These schemes were mostly implemented by international, local non-government organisations or faith based organisations. No consolidated data exists on coverage rates or state of these systems. Anecdotal evidence suggests issues with operation and maintenance impacting on sustainability of systems.

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<sup>1</sup> Targets set out in the MTDP were 47% of the population has access to improved water source, 51% to have improved sanitation, 50% of education institutions have safe water and improved sanitation.

<sup>2</sup> 35% of rural and 90% of urban populations use improved drinking water sources, 20% of rural and 58% of urban populations using improved sanitation facilities; including 75% of health and education facilities having access to safe water.

In 2013, the Department of National Planning and Monitoring (DNPM) took the WaSH sector under its responsibility and set up a WaSH Task Force to develop a national policy. The WaSH Taskforce was chaired by DNPM and made up of key government agencies, state owned enterprises, non-state actors and donor partners<sup>3</sup>. The National WaSH Policy 2015-2030 was approved in January 2015.

The *overall goal* of the National WaSH Policy is to contribute towards improving the quality of life of Papua New Guineans. It aims to (i) reduce morbidity and mortality caused by water related diseases, (ii) improve livelihood opportunities and economic growth through improved health and reduced economic and financial losses, and (iii) increase equity of services between rural, peri-urban areas, and to disadvantaged groups. The *specific objective* of the National WaSH Policy is to provide equitable access to safe, convenient and sustainable water supply and sanitation and to promote improved hygiene practices and long term hygiene behaviour change at the personal, household, community and institutional level. Further, to ensure effective sector coordination and Government leadership, the policy foresees the establishment of a National Water, Sanitation and Hygiene Authority (NWSHA). Until the NWSHA is in place, a WaSH PMU led by a WaSH Coordinator has been established under the authority of DNPM<sup>4</sup>. One of the main tasks of the PMU is the coordination of stakeholders implementing WaSH projects. The establishment of effective coordination mechanisms, operational details, monitoring and reporting lines between the PMU and national and subnational stakeholders has been initiated but is taking some time. Some support to this process has been provided through the contracting of technical expertise financed with funds from EDF 10 support measures.

The EU-PNG NIP 2014 – 2020 indicates that the EU will support country reforms in areas that have a strong multiplier effect, in line with the ‘Agenda for Change’. EU support to improve service delivery in the WaSH sector will be aligned with PNG's relevant policies including the National WaSH Policy 2015-2030, National Strategy for Responsible Sustainable Development for PNG (StaRS) -Addendum to the Development Strategic Plan 2010-2030) and the MTDP 2 - 2016-2017. Support will be implemented in partnership with national and sub-national institutions to ensure ownership and coordination.

### 1.1.2 Stakeholder analysis

Key stakeholders from government, international organisations and civil society have been consulted to identify challenges and opportunities in the sector. With the aim of identification of adequate demand, securing ownership and sustainability of the action from a wide range of stakeholders, a series of working meetings with key stakeholders have been facilitated to define project components, strategies and budgets. A consultation workshop for a wider range of stakeholders has been organised to involve them in the planning process, to capture further information and to seek commitment to the intervention. Preparation work with WaSH PMU, UNICEF and World Bank has been intensive to further the planning, collaboration and dovetailing of the components of the action.

The main national stakeholders involved in the proposed intervention are:

**Department of National Planning and Monitoring** which has taken WaSH under its mandate to address the acute need for action in this sector. The **WaSH PMU**, is responsible for coordinating the implementation of the National WaSH Policy, its monitoring and

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<sup>3</sup> EU, World Bank, AusAID, UNICEF and JICA (Japanese International Cooperation Agency)

<sup>4</sup> Establishment of NWSHA is pending merger or closure of existing Authorities following concerns over ever growing public administration and instructions by Prime Minister O'Neil to not create new Authorities.

evaluation, the establishment of a database and WaSH Fund(s), coordination of stakeholders, development and implementation of technical and economic regulations for the sector, as well as capacity development plans. The WaSH PMU would naturally be the most prominent partner in the interim period. However, its establishment as a fully functional body has faced delays. Indeed, up to date, the PMU is facing difficulties in delivering its tasks since securing both its own staff and office space is not achieved. To support the process UNICEF, World Bank and EU have provided technical and financial assistance. The current situation is a concern for all stakeholders as this process could impact the effective implementation of the policy in the short term perspective as DNPM has indicated that the new NWSHA should be established by 2020.

**Department of Education (DoE):** WaSH in schools is a priority under the National WaSH Policy. WaSH is a priority as well in the National Education Plan 2015-2019 which foresees the revision of National Standards and Guidelines on Water and Sanitation Infrastructure and hygiene promotion in schools. The Government has allocated an amount of PGK 20 million (approx. EUR 5,6 million) for the 2016 Department of Education budget that will be directed to improving WaSH conditions in schools.

**Department of Health (DoH)** is responsible to set out national water and sanitation standards in consultation with the NWSHA (WaSH PMU for the time being). Communication material for awareness campaigns (hand washing, sanitation, PHAST (Participatory Hygiene and Sanitation Transformation), CLTS (Community Led Total Sanitation) has been developed. Recurrent funding for clinics and health posts falls under the responsibility of the respective sub-national Government. All new health facilities have to be approved by DoH. Detailed design standards for WaSH in clinics and health posts do not exist at present.

**District Development Authorities:** In response to weak planning, service delivery, accountability and performance at subnational level over the past 20 years, District DDAs have been established in January 2015, replacing the Local Level Government Administration. DDAs are foreseen to become the major vehicle for delivering services at the local level<sup>5</sup> and the key driver for implementation of national policies, including the National WaSH Policy 2015-2030. DDAs will be responsible for the good implementation of the National Service Delivery Framework<sup>6</sup> at their level. Coordination and reporting mechanisms between national and subnational level have not been fully defined yet. It is the prerogative of DDAs to set their own priorities, develop 5-year plans and allocate funds accordingly including reporting on implementation. To date however, DDAs' capacity is still very limited and thus their effective role requires some support. WB has decided to dedicate some funding for institutional strengthening of DDAs.

**Water PNG and Eda Ranu:** Responsibility for the provision of water and sewerage in urban areas is clearly defined. In the capital, Port Moresby, water and sanitation is the exclusive responsibility of Eda Ranu, whilst for other urban areas (Provincial and Districts capitals) it is the exclusive responsibility of Water PNG. Both are state owned enterprises (SOEs) mandated to operate on a commercial basis. This commercial responsibility means that (perceived) non-commercial peri-urban and settlement areas as well as many District Towns remain un-served. Water PNG is currently only operating in 14 Provincial Capitals (out of a total 22) and 5

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<sup>5</sup> In 2015, Provinces, Districts and Local Level Governments received a budget of PGK 3.67 billion (approx. EUR 1.2 B) or 23% of the national budget. In addition, resources from the District Education Infrastructure Program (PGK 267 M or EUR 90 M) and District Health Infrastructure Program (PGK 178 M or EUR 60 M) are being implemented at the subnational level.

<sup>6</sup> The National Service Delivery Framework is a component of the Planning, Implementation and Monitoring activities described in the Papua New Guinea Medium Term Development Plan 2 2016-2017

District Towns (out of a total of 67) but plans to expand and cover an additional 16 Districts and 2 Provincial towns by 2018. Selection of these new areas of intervention has been based on: state of preparedness and level of interest expressed by the provinces, districts and their DDAs, identified 'free' source of water (i.e. exempt of potential land issues where gravity fed systems will be used in lieu of pumping) and equitable geographic distribution. Where Water PNG can operate on a commercial basis with the national water, it will continue to operate the said small town. In case the operation has to be transferred to a local authority (DDA), which has the ability to set its own tariff, Water PNG will maintain a role as technical advisor after handing over the facilities.

As the Action will not address WaSH in Port Moresby, Eda Ranu will not be a stakeholder. Water PNG is the main stakeholder in water infrastructure development in district and provincial towns. Water PNG is expected to benefit from USD 50 million funding from the World Bank to implement water infrastructure in 6-8 district and provincial towns. Consequently a decision was taken to phase the EU support into two parts, with the urban infrastructure component to be implemented at a later stage.

### **International Organisations**

**UNICEF** is implementing a WaSH in schools project in 19 communities under their "child friendly school" program. The program is based on an integrated approach that fosters linkages between WaSH and nutrition, menstrual hygiene management of adolescent girls to reduce drop-out rates and health promotion. UNICEF has an established relationship with DoE under which WaSH in schools fall. It also has established relationship with the DoH under which it works to improve maternal health for mothers in rural communities. UNICEF has established strong links as well with the DoE where it fostered the creation of a unit tasked with the definition of WaSH standards in schools.

### **Financial Institutions**

**World Bank** is starting the implementation of its own intervention in the sector in mid-2016 with a USD 70 million (EUR 61,6 million) funding, mainly loans. The action will support three components: the urban component (through PNG Water at a total estimated cost of USD 50 million / EUR 44 million), the WaSH PMU and a rural component.

WB especially through the Water and Sanitation Program (WSP) has been a close partner of the EU starting with our common contribution to the WaSH task force (from the initiation to the endorsement of the National WaSH Policy).

The **EIB** (European Investment Bank) and **ADB** (Asian Development Bank) are not currently active in the WaSH sector in PNG. Their interest may rise in the future.

### **International Non-Government Organisations (NGO) and Faith Based organisations**

A number of International NGOs and Faith Based Organisation are active in WaSH and Community Development in PNG. These organisations are actively undertaking WaSH projects, mainly as part of overall programmes aimed at rural communities, not necessarily aligned with the new Policy. Often these projects are integrated with health care projects, improving governance of communities or education projects. The group includes: World Vision, Water Aid, CARE International, Childfund, Oxfam, Live and Learn Environmental Education, Adventist Disaster Relief Agency (ADRA), Voluntary Services Overseas (VSO) and Save the Children. International NGOs usually have a main office in Port Moresby with regional offices in several provincial towns. Most of them have ongoing working relations with community based organisations to deliver WaSH services.

### **Rural, Peri-urban and urban communities**

Rural and urban communities are direct beneficiaries of the project. Peri-urban communities could become indirect beneficiaries.

**1.1.3 Priority areas for support/problem analysis**

The main priority areas and problems that the scope of the Action will address include the following:

**- WaSH in Schools**

There are 14,000 schools in PNG of which about 40% do not have any water source. In several others the existing water systems are inadequate, requiring refurbishment to ensure sufficient supply and/or quality of water. The situation of sanitation and hygiene in schools is also dire. The Department of Education has identified WaSH in schools as priority for 2016-17 (NB: it is expected that it will remain a priority after 2017 as well). Providing WaSH in schools is also an entry point to change behaviour in communities, with parents and teachers included in awareness campaigns, hygiene and hand washing trainings. WaSH in schools will as well have an impact on the dropping rates of female students since the absence of gender dedicated facilities is a known contributor for girls' decisions to quit school at the onset of menstruation.

**- WaSH in medical centres**

There are 683 clinics and health posts, and 22 hospitals in PNG<sup>7</sup>. Department of Health needs to define minimum design standards for water supply and sanitation in health facilities. Baseline data on state of water and sanitation facilities is not available, but a number of clinics were shut down in 2015 due to lack of water supply. Australia is providing support to WaSH in clinics under their health sector program.

For both WaSH in school and medical centres, the National WaSH Policy sets the following objectives by 2030: 100% of educational institutions and medical centres across the country have access to safe, convenient and sustainable water supply and sanitation facilities.

**- Strengthening institutional framework and sector coordination**

As experienced with the initial activities of the WaSH PMU, a coordinated institutional support is needed to drive forward the implementation of the policy, sector coordination, monitoring and capacity building, including at sub-national levels. At national level the WaSH PMU needs capacity strengthening to implement the National WaSH Policy. This support will accompany the development of the PMU into the intended NWSHA. In line with the DDA Act 2014; Basic level of service delivery will be through DDA. Implementation of WaSH in schools and health centres projects will be out-sourced by UNICEF at the District level to support the decentralisation capacity of the DDA.

**2 RISKS AND ASSUMPTIONS**

Risks	Risk level H/M/L	Mitigating measures
Weak institutional capacities and unclear	H	In order to ensure efficient support to the implementation of the Policy, the Action will be

<sup>7</sup> 50% of Health facilities in PNG are Government owned and managed while the other 50% are owned and managed by Faith-based Organisations and NGOs. Each of the 22 Provinces of PNG has a major hospital in the capital town.

coordination mechanisms between national and district level.		implemented with partners that are already fully efficient, whilst contributing to the general effort to improve the identified risk.
NEC (National Executive Council) does not establish the National WaSH Authority (see Footnote No. 4).	M	Continued support to the interim entity (WaSH PMU) to ensure the effective implementation of the Policy and a successful transition to the NWSHA.
Authorities lack capacity to produce accurate statistical data on WaSH, health and gender targets.	M	In order to ensure the availability of reliable statistical data to measure the WaSH, health and gender targets of the action, the Action will be implemented with partners which work closely together with the relevant authorities and technical assistance and capacity building will be provided at local and national level to support the authorities.

<b>Assumptions</b>
Government continues to see WaSH as priority and it allocates sufficient resources towards the achievement of its policy objectives in 2016 and onwards
Government implements successfully the National Service Delivery Framework

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

A review of EDF 9 programmes<sup>8</sup> has demonstrated the following:

- In the absence of National WaSH Policy, rural water schemes were implemented on the basis of selected good proposals presented by communities following a Call for Proposal. The lack of institutional framework and prioritisation in selection of communities led to weaknesses regarding the design and implementation. Interventions took place all over PNG leading to high overhead costs and limitations for effective monitoring by both the NAOSU and the EU Delegation.
- Capacity building of rural communities and local NGOs takes time and there is a need for follow up post-construction to ensure smooth operations and maintenance.
- Ownership and institutional framework have to be clarified prior to implementation of new projects. The integrated approach of water supply, improved sanitation and awareness/training on hygiene and hand washing practises resulted in improved health and wellbeing of communities, in particular for women and children.
- The recent evaluation of the District Town Water Supply schemes identified lack of willingness to pay for services in the three intervention areas. Having recently been established, full commercial viability is yet to be reached in a rigid water tariff framework. Water tariffs are set by the Independent Consumer and Competition Commission (ICCC) and are uniform throughout the country. Tariff adjustments are done by ICCC and it may therefore require some efforts to adapt/adjust the tariffs from one

<sup>8</sup> Rural Water Supply and Sanitation Programme 1 and 2 (FED/2005/017-767, FED/2007/019-284) and the District Towns Water Supply Programme (FED/2006/018-524)

town to another in order to reinforce commercial viability. The latter is in fact resulting from a combination of water tariff, subsidies and taxes. It is also common that willingness of consumers to pay is directly proportional with the quality of service delivered. As such the willingness to pay may be another factor considered in selecting the places of intervention.

- The decision related to the water project (phase II) encountered extensive delays in closure due to important numbers of recovery orders that had to be issued against local implementing partners. This has been the case with decisions in other sectors, as well, in particular when programme estimates were the main implementing modality and consequently contributed to the important backlog accumulated until this year.

### **3.2 Complementarity, synergy and donor coordination**

Since 2013, donor coordination and policy dialogue in the WaSH sector has been organised in the context of the WaSH Taskforce whose objective was the definition and endorsement of the Policy. Following the endorsement of the National WaSH Policy in January 2015 the WaSH Taskforce was reconvened with a new mandate: to accompany and advise the WaSH PMU until the full establishment of the NSWHA. The WaSH task force is chaired by DNPM and members are other line ministries (Health, Education, Finance, Treasury...) as well as Development partners (EU, WB, UN) and CSOs (INGOS and local NGOS).

Endorsement of the National WaSH Policy has generated an increased interest from development partners<sup>9</sup> that are eager to support the sector. As highlighted in point 1.1.2 EU and WB are leading this process together with UNICEF and are recognised as such. During identification of this action, close collaboration has been maintained between these three main partners to ensure complementarity and synergy whilst other important partners were consulted regularly. An interesting consequence of this consultation process is an indication by New Zealand that they could consider complementing access to water with energy.

In reference to NGOs the principal coordination mechanism is the Task Force but their interventions still appear ad hoc and rather driven by their historical link with specific communities.

### **3.3 Cross-cutting issues**

Gender issues: The Action is expected to reduce healthcare costs, decrease the exposure of women and girls to sexual harassment and assault, increase adolescent girls' school attendance<sup>10</sup> and reduce drop-outs at onset of menstruation. Women, men, girls and boys will take part in participatory planning, design of WaSH infrastructure, implementation, monitoring and evaluation of project activities. Women/women's organisations will participate in the planning and implementation of WaSH awareness campaigns. Specific gender awareness trainings will be planned prior to construction and local women's groups will be trained and tasked to conduct health and hygiene trainings. In educational facilities and medical centres, the Action will ensure that there is a balance of the number of males and females benefit from having access to WaSH facilities.

Human rights issues: From inception of the programme, implementing partners will consult and involve local and district government, traditional leaders, community members, health authorities, school authorities and pupils in the planning and decision making processes to

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<sup>9</sup> UNICEF, World Bank, Australia and EU. Others may join in the future.

<sup>10</sup> The ministry of Education mentioned that the lack of Sanitation facility and privacy was the second cause of drop-out (after school fee) for girls aged 11-14.

guarantee that the planning and implementation of the programme include the views and needs of vulnerable groups. Accessibility to WaSH for persons with disabilities will be guaranteed and land ownership issues related to the project will be dealt with in a fair and appropriate manner.

Potential negative socio-environmental impacts related to the development of small-scale WaSH infrastructure are mostly disturbance to the ground and vegetation cover, cutting of a small number of trees for timber, temporary construction impacts such as dust, noise, waste and wastewater generation, increased erosion potential, disruption to domestic activities and safety risks. The negative environmental impacts are small-scale, site-specific and manageable. Potential adverse environmental impacts need to be assessed during the inception phase of the project and can be mitigated.

Climate Change Adaptation and Disaster Risk Reduction: Urban communities are often located in hazard prone areas including in coastal zones, making them particularly vulnerable to storm surges and sea level rise. The return of the El Niño weather phenomenon in 2015 has resulted in significant consequences of water scarcity hardship to many rural inhabitants across significant areas of PNG territory. Disaster Risk Reduction and Climate Change Adaptation will be mainstreamed in the project. The lack of basic services, including WaSH systems, can exacerbate the negative effects of climate change. The Action will contribute to the Climate Change Adaptation effort of PNG notably in the WaSH sector, considered a priority sector in its Intended Nationally Determined Contribution (INDC) 2015 and that 40% of the Action budget is accounted for as a contribution to DEVCO's financial commitments towards climate relevant action.

WaSH infrastructure designs, standards and guidelines will consider safeguards, including gender, equitable access/disability, environment/environmental baseline/EIA/management of adverse environmental impacts, Climate Change Adaptation/Disaster Risk Reduction and land issues.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG6: *'Ensure availability and sustainable management of water and sanitation for all'*, but also promotes progress towards SDG3: *'Ensure healthy lives and promote well-being for all at all ages'* and SDG5: *'Achieve gender equality and empower all women and girls'*. The Action will also be in line with SDG13: *'Take urgent action to combat climate change and its impacts'* through enhancing adaptive capacity to climate related hazards. This does not imply a commitment by Papua New Guinea benefiting from this programme.

The **overall objective** of the proposed program is to **improve the quality of life of women, men and children through contributing to increased access to safe, adequate and sustainable water supply, sanitation and improved hygiene practices in line with the National WaSH Policy.**

**Specific objective 1:** *To enable a healthier and safer environment, particularly for women and children, reducing the impact of water borne diseases and hygiene related illnesses.*

**Result 1:** Improved sanitation and hand-washing facilities in schools and health centres with particular focus on less favoured districts.

**Result 2:** Increased awareness among the population on the importance of hygiene and sanitation, and increased number of communities without open defecation.

**Specific objective 2: *To improve governance and quality of service delivery in the WaSH sector.***

**Result 3:** Strengthened institutional framework and enabling environment for WaSH service delivery leading to improved governance in the WaSH sector, ensuring that climate change adaptation is indeed mainstreamed as foreseen in the related policy documents (National WaSH Policy and the more overarching National Strategy for Responsible Sustainable Development for PNG (StaRS) -Addendum to the Development Strategic Plan 2010-2030).

## **4.2 Main activities**

The activities detailed below are presented by project modality and main result areas. Results 1 and 2 are delivered through indirect management with UNICEF. Result 3 is delivered through direct management.

**Result 1: Improved sanitation and hand-washing facilities in schools and health centres with particular focus on less favoured districts.**

*Remark: Very little data is currently available to establish baselines, targets and criteria for the selection of action location. This is due to the fact that the WaSH sector has been an orphan sector as explained above. However several surveys are currently ongoing in both the Education and Health sectors. The results of these surveys will be used during the inception phase by UNICEF to determine final baselines, targets, selection criteria and location that will be validated by the Project Steering Committee.*

- a. UNICEF will confirm water source and the particular WaSH needs in each identified school and health centre.
- b. UNICEF will provide the manual on design standards and guidelines on water and sanitation and hygiene, on WaSH in schools and health care facilities (rural and urban), including features for environmental consideration and climate change adaptation.
- c. UNICEF will provide the WaSH field guidance materials and training of trainers with respect to capacity development on WaSH facilities use, operation, maintenance and hygiene promotion, hygiene practice and Open defecation free (ODF).
- d. To implement WaSH in the identified Districts, in close collaboration with the concerned DDAs (as part of the contribution to their capacity development in implementing the National Service Delivery Framework), UNICEF will launch a call for proposals and award grants to (INGOs:
  - i. to install/build water and sanitation facilities in identified schools and health centres (see a. above),
  - ii. to roll out participatory hygiene promotion training to identified schools and health centres communities and subsequent communities.
- e. Within the Delegation Agreement (DA), a "third party monitor" will be financed to provide quality assurance through monitoring the quality of the implementation by both UNICEF and the beneficiary(ies) of the call for proposals. The terms of reference will be developed and agreed during the inception phase of the DA.

**Result 2: Increased awareness among the population on the importance of hygiene and sanitation, and increased number of communities without open defecation.**

*Remark: ODF status of communities is described under Result 1. d. ii.*

UNICEF will lead the development and implementation of national WaSH awareness campaigns which have two components:

- a. Advocacy with decision makers and key influencers on sanitation and hygiene behaviour.
- b. Raising public awareness and knowledge on sanitation and hygiene (national awareness campaign).

**Result 3: Strengthened institutional framework and enabling environment for WaSH service delivery leading to improved governance in the WaSH sector.**

*Remark: this result will be achieved in close coordination with the other development partners and ongoing support to the named Institutions.*

Result 3.1: The National WaSH Policy is implemented by the WaSH PMU.

- a. Develop and implement the capacity development plan.
- b. Identify technical assistance needs in close cooperation with the other development partners and ongoing support to the WaSH PMU.
- c. Develop and use a WaSH MIS.
- d. Set-up a regulatory framework.
- e. Implement the WaSH strategy in support of the National WaSH Policy.

Result 3.2: The National Service Delivery Framework is implemented by the selected DDAs.

*Remark: see also Result 1, d.*

- a. Develop and implement the capacity development plan.
- b. Identify technical assistance needs in close cooperation with the other development partners and ongoing support to the stakeholders.
- c. Implement the National Service Delivery Framework.

Result 3.3: The National WaSH Policy is incorporated in the sectoral plans of the Departments of Education and Health.

- a. Develop and implement the capacity development plan.
- b. Identify technical assistance needs with the concerned Departments in close cooperation with the other development partners.
- c. Update and improve sectoral plans in line with the National WaSH Policy.

**4.3 Intervention logic**

The PNG-EU National Indicative Programme for 2014-2020 identified WaSH as a focal sector within the framework of poverty alleviation. The proposed Action reflects this focus and is relevant for the Agenda 2030 and will contribute primarily to the progressive achievement of SDG6, SDG3 and SDG13.

The Action will contribute to improving the quality of life of men, women and children through increased access to safe, convenient and sustainable water supply, sanitation and improved hygiene practices including achieving Open defecation free (ODF) in line with the National WaSH Policy in the selected Districts. It will also contribute to a healthier and safer

environment, particularly for women and children, by reducing the impact of water borne diseases and hygiene related illnesses.

Improved governance and quality of service delivery in the WaSH sector are also targeted. Assumptions in this respect are that government continues to see WaSH as priority and it allocates sufficient resources towards the achievement of its policy objectives in 2016 and onwards. The Entities in charge of implementing the National WASH Policy and the National Service Delivery Framework (WaSH PMU, DDAs and relevant Departments) will also continue implementing the Policies and Plans and will generate reliable WaSH, health and gender specific data.

The Actions involves undertaking a number of coordinated and interconnected interventions. It is envisaged that the Overall and Specific Objectives and Results of this Programme will be achieved through:

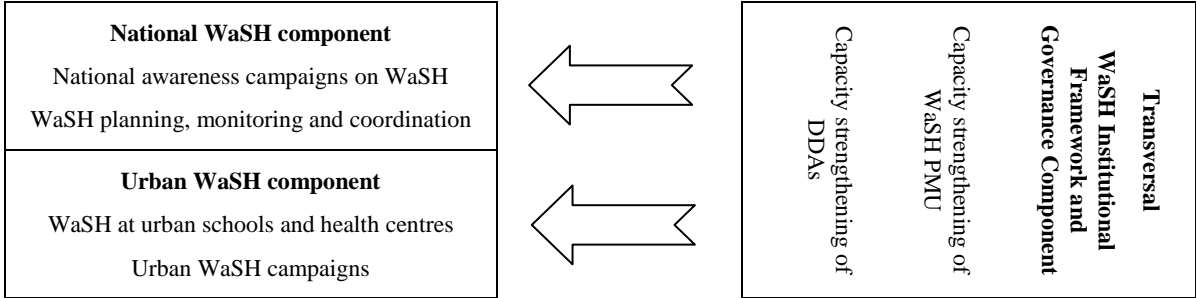
**A sixty months Delegation Agreement with UNICEF**

In line with the National WaSH Policy and the National Service Delivery Framework, involving relevant stakeholders and in particular WaSH PMU, District Development Authorities and Departments of Education and Health, the intervention is intended to address WaSH in Rural and Urban identified Districts focusing on schools and health centres and subsequently to surrounding communities including promoting Open ODF. In parallel, UNICEF will organise National Awareness campaigns on WaSH involving relevant stakeholders and media. UNICEF will be responsible for monitoring, evaluation and capacity building.

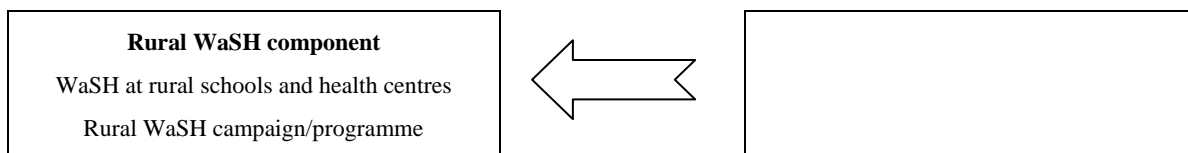
**Complementary support measures**

The WaSH PMU is expected to evolve within the next couple of years into the National WaSH Authority. During this time, the PMU is expected to operationalise the policy and start implementation. However, poor technical capacity of the PMU risks it not achieving its mandate. District Development Authorities have the mandate to implement the National Service Delivery Framework, but have limited capacity. Departments of Education and Health need capacity strengthening for updating their sectoral plans in line with the National WaSH Policy. Hence, this component is foreseen for technical assistance<sup>11</sup> to the PMU, the DDAs and Departments of Education and Health. This support will be complementary to that which will be provided by the WB and UNICEF under their projects.

The Action comprises of national, urban and rural WaSH components and a transversal WaSH Institutional Framework and Governance component summarised in the following figure.



<sup>11</sup> It is foreseen to establish a large service contract including provision for a pool of non-key experts all focusing around the WaSH sector.



The action will be implemented in coordinated and complementary interventions with the Institutional beneficiaries and relevant Development Partners.

## 5 IMPLEMENTATION

### 5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

### 5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

### 5.3 Budget support

Budget support is not considered for this Action.

### 5.4 Implementation modalities

#### 5.4.1 Procurement (direct management)

WaSH Policy Implementation Technical Assistance Facility	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Consultancies in support of programme	Services	1	2018-2020

The D+3 is applicable for all contracts on the exception of Audit and Evaluation. There is also an N+1 applicable to the future PAGO DA.

#### 5.4.2 Indirect management with an International Organisation

A part of this action may be implemented in indirect management with UNICEF in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, applicable by virtue of Article 17 of Regulation (EU) No 323/2015. This implementation entails that, in line with the National WaSH Policy and the National Service Delivery Framework, involving relevant stakeholders and in particular WaSH PMU, District Development Authorities and Departments of Education and Health, UNICEF is intended to address WaSH in Rural and Urban identified Districts focusing on schools and health centres and subsequently to surrounding communities including promoting Open Defecation Free (ODF). In parallel, they

will organise National Awareness campaigns on WaSH involving relevant stakeholders and media.

This implementation is justified because UNICEF is internationally recognised for its actions in the WaSH sector and also one of the main actors in the WaSH sector in PNG. In PNG, UNICEF has a proven track record of implementing WaSH interventions, including pilot WaSH projects in schools and health centres. They have also been instrumental in the creation of a specific unit at the Department of Education for the definition of standards and design of WaSH facilities. Using this prior expertise and their strong links with key stakeholders, makes UNICEF the only realistic implementing partner for a project in this area (WaSH) of this scale (outreach at national, district and rural levels and management of a large budget).

The entrusted entity would carry out the following budget-implementation tasks: UNICEF may use their own procedures and systems and may propose the engagement of (I)NGOs for part of the implementation of the Delegation Agreement through grants.

**5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: Australia and New Zealand. The supplies originating there shall also be eligible.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

**5.6 Indicative budget**

	<b>EU contribution (amount in EUR)</b>
5.4.1 – Procurement (direct management)	1,500,000.00
5.4.2 - Indirect management with an international organisation – UNICEF	21,300,000.00
5.9 – Evaluation, 5.10 - Audit	150,000.00
5.11 – Communication and visibility	150,000.00
Contingency	0
<b>Totals</b>	<b>23,100,000.00</b>

## **5.7 Organisational set-up and responsibilities**

A Project Steering Committee (PSC) will be established for the Action. The PSC will meet at least bi-annually and more often if needed. The Department of National Planning and Monitoring and the EU will co-chair the PSC, members of which will include: WaSH PMU, UNICEF, Department of Education, Department of Health, and Department of Provincial & Local Government Affairs (optional the District Development Authorities (DDAs) of the identified Districts).

The PSC will be the body responsible for the general oversight, policy guidance and monitoring of the Action; and its decisions will be based on agreement by consensus. The Delegation will maintain a key role in monitoring and overview of the Action. The WaSH Policy Implementation Technical Assistance Facility component will be implemented by the Delegation using the direct management modality.

UNICEF will implement the Action through a Delegation Agreement (PAGODA2).

During the negotiations with UNICEF the following two points will be agreed:

- Importance of compliance with visibility guidelines and commitment to ensure wide publicity about the EU funding
- A maximum of 40% of the whole budget will be dedicated to operational expenditures, the rest being exclusively dedicated to the final beneficiaries (infrastructures, trainings and sustainability measures)

Compliance with the two above points will be monitored closely by the Delegation during implementation.

## **5.8 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the nature of the action, mid-term and final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for problem solving and learning purposes. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded in the second year of the Programme and one contract shall be concluded at the end of implementation.

### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or verification assignments for one or several contracts or agreements

Indicatively, one contract for audit services shall be concluded at the end of the Programme.

### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action as well as the appropriate contractual obligations.

## **6 PRECONDITIONS**

Not applicable

**APPENDIX 1 - INDICATIVE LOGFRAME MATRIX**

Attached as separate document.