



## PACIFIC COVID-19 RESPONSE PACKAGE – PAPUA NEW GUINEA

As announced in the October 2020 budget, Australia is providing new funding of \$304.7 million for a COVID-19 Response Package (the Package) in the Pacific and Timor-Leste. The two-year package (FY2020-21 and 2021-22) is a temporary and time-bound addition to Australia's existing and ongoing \$4 billion Official Development Assistance budget.

In addition to support provided to maintain Pacific aviation, the Package has two funding windows: a Vulnerability and Economic Recovery Window; and a Fiscal Crisis Window for countries facing severe fiscal impacts. The Australian Government is providing a total of \$102 million in funding to Papua New Guinea (PNG): \$15 million from the Vulnerability and Economic Recovery Window and \$87 million from the Fiscal Crisis Window (of which \$5 million is from DFAT's central COVID-19 Fund).

This annex outlines Australia's implementation of the Package in PNG. It is an annex to the Papua New Guinea COVID-19 Development Response Plan that forms part of Australia's Partnerships for Recovery development policy.

### ***ECONOMIC, FISCAL AND SOCIAL SITUATION***

PNG faces difficult budgetary circumstances. Against this backdrop, it is extremely challenging for PNG to maintain an adequate response to the deepening COVID-19 shock and to effectively deliver essential services. In September 2021, the Asian Development Bank halved its 2021 PNG GDP growth forecast from 2.5 per cent to 1.3 per cent.

COVID-19 has led to a decline in revenue through falling commodity prices and domestic lockdown measures, compounding what was already a precarious situation before the pandemic. In 2020, domestic revenue is estimated to have declined 14 per cent from pre-COVID levels. Rising prices of key commodity exports and an increase in donor grants including direct budget support from Australia is helping to partly cushion the impact. However, the Government of PNG has cut expenditure and taken on more debt to manage the loss of revenue – debt increased from 40 to 50 per cent of GDP in 2020

and is projected to increase further to 53.1 per cent in 2021. The 2021 budget deficit is 7.3 per cent of GDP.

The COVID-19 pandemic has exacerbated the deterioration of social outcomes in PNG. A sharp rise in COVID-19 cases in the first quarter of 2021 placed health facilities under pressure. Outbreaks amongst health care workers resulted in the scaling down of some health services. With low levels of care in hospitals and a lack of beds, increased levels of morbidity and mortality are likely. In the education sector, local lockdowns in 2020 and 2021, in conjunction with cuts to the education budget, saw children from at least half of PNG's households pulled out of school. Lockdown restrictions and border closures slowed economic activity and reduced household incomes, impacting food access and affordability. Without a formal social protection system, there is no readily available mechanism to reach poor households and informal workers affected by COVID-19.

Women and girls in PNG are disproportionately affected by COVID-19. Health outcomes for women are adversely affected through their work in the health sector along with disruptions to sexual and reproductive health services. Women make up the majority of informal workers and so have no labour protections. Anecdotal reports point to increasing instances of family and sexual violence, gender-based violence and sorcery-accusation related violence as a result of COVID-19 and the associated restrictions. Lockdown measures have impeded women's ability to access family and sexual violence services, but while fewer women were able to attend centres, the number of phone calls to family and sexual violence-related hotlines has reportedly increased.

Against this backdrop, the Package is supporting the Government of PNG to prioritise social expenditure. Australia's budget support has supported an increase in the Government of PNG's budget allocations to education subsidies. The PNG 2021 Mid-Year Economic and Fiscal Outlook (released 30 September 2021) included an PGK216 million (approximately AUD85 million, inclusive of Australia's contributions) additional allocation to the Government Tuition Fee Subsidy (GTFS),



which was formalised in the November 2021 Supplementary Budget, increasing the GTFS allocation back to 2020 levels.

### **ACTIVITIES**

Activities to be funded through the Package for PNG are:

#### **Vulnerability and Economic Recovery Window:**

1. \$5 million for preparatory research, analysis and proof of concept for the World Bank's Child Nutrition and Social Protection Project. An additional \$16 million from PNG bilateral aid program will expand the geographic coverage of the program and leverage a US\$50 million World Bank loan. This program aims to increase nutrition and purchasing power in selected provinces through multi-sectoral interventions at the individual, household and structural levels.
2. \$6 million for the Markets, Economic Recovery and Inclusion (MERI) Program. This program began in 2020 in partnership with the PNG Department for Community Development and Religion and UN Women. The next phase will focus on: improving market governance and facilities; revision and implementation of the National Policy on the Informal Economy; and financial management and business skills training to market vendors and women entrepreneurs. It will work with microfinance providers to offer affordable loans to vendors to rebuild businesses or start new ventures. A framework for business incubator facilities will be developed and opportunities for SME incubation will be explored.
3. \$4 million for the Protection of Civilians and Respect for the Law. This funding will go to the International Committee of the Red Cross (ICRC) Country Appeal and will enable the ICRC to continue to provide protection to the most vulnerable groups in PNG while also promoting COVID-19 response activities.

#### **Fiscal Crisis Window:**

1. \$65 million towards the cost of the PNG GTFS, supporting the cost of government tuition for primary school children, benefiting around 1.1 million students. This funding directly supports the Government of PNG's 2021 Budget and Supplementary Budget and is assigned to relevant budget lines.
2. \$21.5 million for Church Health Services. Funds will be provided to assist faith-based organisations to provide accessible primary health care in 21 provinces. This will be provided in the form of

sectoral budget support, earmarked to relevant budget lines as set out the Government of PNG's 2021 budget.

3. \$500,000 for risk management, audit and oversight.

### **POLICY AND PROGRAM ALIGNMENT**

The Package funding will contribute to the three pillars of the PNG COVID-19 Response Plan, as well as link directly to the Comprehensive Strategic and Economic Partnership between the Government of PNG and Australia.

Funding under the Package will also both support and be supported by the following Australian-funded programs:

- The Economic Governance and Inclusive Growth Partnership will help mobilise auditing and monitoring services as required for the Fiscal Crisis Window.
- Australia and the Global Partnership for Education are fully funding the Government of PNG's education emergency plan which was rapidly developed at the outset of the pandemic to enable: i) remote learning, ii) returning to school safely, iii) safe learning at school, and iv) resilience-building. The plan also includes support for: COVID-19 health messaging; materials for remote learning; and school-based water, sanitation and hygiene.
- The PNG Partnerships Fund and Australia Awards have been lifting rates of early grade literacy and numeracy and improving school attendance by training teachers, developing and delivering learning resources and improving school-based management.
- Package funding complements funds provided to Provincial Health Authorities for COVID-19 preparedness and response in 2020, and a further tranche of support to be provided by the bilateral program in 2021 (delivered through the Health Sector Improvement Program Trust Account).
- The Church Partnerships Program focuses on supporting collaboration between the seven main churches and enhancing national advocacy on community and thematic issues such as gender equality. The program now incorporates COVID-19 prevention efforts.
- The Justice Services and Stability for Development (JSS4D) program works in partnership with the Government of PNG to support the delivery of effective and inclusive justice services across PNG. The Program has pivoted to support COVID-19 priorities including responding to the increased rates of family and sexual violence and the vulnerability of



people in corrections facilities. Complementarity will be ensured between the work undertaken by the ICRC and JSS4D, particularly in the Highlands and with Correctional Services and the Royal Papua New Guinea Constabulary.

### **GENDER EQUALITY AND WOMEN'S EMPOWERMENT**

The impacts of COVID-19 on women in PNG have been significant. Their economic and health outcomes have been adversely affected and, for many women, domestic workloads have increased. Pre-pandemic, PNG had one of the highest rates of violence against women in the world and the pandemic has worsened the situation.

The initiatives funded under the Package will support women, girls and vulnerable groups. The Child Nutrition and Social Protection Program will support women through pregnancy and in the first days of their children's lives.

The beneficiaries of the MERI program will be predominantly women. They will benefit through improved governance and facilities at markets along with financial literacy training.

Violence against women and girls is especially severe in the PNG Highlands where rates of sexual violence during tribal conflicts are increasing. The ICRC's Protection of Civilians and Respect for the Law will support women and girl survivors of violence while seeking to reduce the prevalence of violence and hold perpetrators to account.

All three Vulnerability and Economic Recovery Window activities will contribute towards achievement of Australia's Gender Action Plan in PNG, including: contributing towards the target of more than 50 per cent of programs having a principal or significant spend on gender; and contributing to outcomes on increased economic opportunities for women, and strengthened national response to violence against women and children.

The targeted budget support through the Fiscal Crisis Window will help to maintain church health services for women and contribute to keeping girls in school. Girls in PNG are affected more than boys by school closures and are less likely to return to school than boys after prolonged absence. Through support to the school fee tuition subsidy, funding will help ensure that girls continue their education. Women and girls will benefit from continuity of access to essential health services, and female health workers and their families will benefit from guaranteed salaries, at a time when livelihoods are at risk.

### **PERFORMANCE MANAGEMENT**

The progress of each investment under the Package will be tracked through country-specific monitoring and evaluation frameworks. Monitoring will be undertaken by DFAT with delivery partners and reported through DFAT's regular reporting processes.

Results under the package will contribute to reporting against indicators including the following:

From the Papua New Guinea COVID-19 Development Response Plan Performance Framework:

- Number of women and girl survivors of violence receiving services such as counselling.
- Australian budget support as a percentage of supplementary budget expenditure in response to COVID-19.

From the Pacific COVID-19 Response Package Design Framework:

- Number of entrepreneurs (M/F) provided with financial and/or business development support.
- Numbers reached with new or improved social protection programs, including remote communities.