

Integrated Financial Monitoring System (IFMS) to sub-national level, the preparation of the National Procurement Act. However, progress on national level has not yet been followed by improvements in subnational PFM. The EU is PNG's key partner in (a) PFM - leading the development partners' PFM working group since 2016, in partnership with other stakeholders such as the Asian Development Bank (ADB), World Bank, IMF, Australia's Department of Foreign Affairs and Trade (DFAT) and Japan International Cooperation Agency (JICA), and (b) in the fight against corruption, notably through the 11th EDF EU-PNG Partnership for Good Governance, which has significantly increased the EU's visibility in the anti-corruption space.

Pillar 2: Integrity, transparency and accountability (ITA) systems and practices: PNG has taken important steps including with the adoption of the whistle-blowers Act, and the Act establishing the Independent Commission Against Corruption (ICAC). The main PNG policy documents on IAS are the National Anti-Corruption Strategy (NACS) 2010-2030 and the National Anti-Corruption Plan of Action (NACPA) 2020-25, which is the implementing framework of the PNG National Anti-Corruption 2010-2030. The ongoing EU-PNG Partnership for Good Governance is supporting the implementation of the NACPA at the national level. Several high level corruption cases have been decided by the county's court system, and media are extensively reporting, though with insufficient quality. This progress is confirmed by the disbursement of EU's first fixed budget support tranche under the EU-PNG Partnership for Good Governance. The coordination of anti-corruption actions amongst public and civil society stakeholders is included in Programme of Work (POW) 10 of the NACPA. The EU is the leading development partners in promoting integrity, transparency and accountability in PNG, through the 11th EDF EU-PNG Partnership for Good Governance Budget Support action.

Pilot subnational level (Bougainville): At subnational level, both pillars of this action are particularly relevant for the Autonomous Region of Bougainville (AROB). Left behind following a devastating civil war in the 1990s, a 2019 referendum resulted in a more structured transfer of powers and responsibilities to its Government, the Autonomous Bougainville Government. Understanding the critical role of good governance, the Bougainville authorities have requested EU support to implement PFM reforms right from the (current) start of the transfer of public financial responsibilities to the ABG, and to anchor integrity, accountability and transparency mechanisms in its public sector right from the start. Though endowed with considerable natural resources, ABG's capacity to deliver public services and implement reforms will depend on its capacity to manage revenues with transparency and accountability. This is also relevant for revenues expected from the re-opening of the Panguna mine, once the largest copper mine in the world and a key factor in the Bougainville Conflict. The Panguna mine will provide opportunities for additional revenues and strengthened service delivery, but also increases risks of human rights violations, corruption, pollution and environmental damage, which need to be monitored by the public sector and civil society. Embedded in Bougainville's development strategy, the action will therefore provide critical support for the integrity, transparency and accountability of the use of Bougainville's public resources, as foreseen in the EU-PNG MIP. The PNG central government has indicated support for this action. The only other actor in PFM in Bougainville is Australia, which is supporting the completion of the PFM manual and one single budget.

2.2 Problem Analysis

While corruption is rarely itself a key driving factor of violent conflict, it is often central to other governance issues and the legitimacy of the state. While the reality of corruption is hard to measure, corruption discourses are important grievances in the critique of the GoPNG. Social media is full of corruption accusations towards local government officials, as well as the police. Corruption and patronage-based political systems also shape conflict over the management of benefits from extractive industries, land rights and land tenure, illegal logging and also electoral processes.

Notwithstanding progress made across both pillars as described above, governance remains very weak. The authorities acknowledge major challenges in anchoring and enforcing transparent and accountable governance-enabling rules, regulations, principles and legislation in the public sector, notably in the areas of public financial management and the fight against corruption, which need to be addressed in order to foster sustainable and inclusive growth and translate PNG's immense natural wealth into concrete development outcomes and human rights realizations. In both of those mutually reinforcing pillars significant scope exists for an enhanced use of digital tools.

Pillar 1: PFM