

Approach Paper
Country Program Evaluation
Papua New Guinea
An Evaluation of World Bank Support FY08–22

June 28, 2022

1. Background and Country Context

1.1 This Country Program Evaluation (CPE) will assess the World Bank Group’s engagement in Papua New Guinea between fiscal year (FY)08 and FY22. The period was covered by three distinct Bank Group–supported strategies: the Country Assistance Strategy for FY08–11, the Country Partnership Strategy for FY13–16, and the Country Partnership Framework (CPF) for FY19–23.

1.2 Papua New Guinea has an abundant resource endowment of oil and mineral wealth, but this wealth has not translated into significant welfare gains for most citizens. Papua New Guinea is the 10th most resource-dependent economy in the world. Resource sector development, including associated infrastructure spending, and high commodity prices have enabled an average annual gross domestic product (GDP) growth of 5 percent between 2005 and 2019. Yet this high average annual growth masks extreme macroeconomic and fiscal volatility, which—coupled with weak fiscal management—has led to equally volatile public spending on social programs and service delivery. This has disproportionately impacted poor rural citizens, especially women. Although no current measures of monetary poverty are available, it is estimated that about three-quarters of the population live in multidimensional poverty.¹ Although Papua New Guinea has abundant natural capital, it has low human capital (figure 1.1). According to the World Bank’s Human Capital Index, a child born in 2020 today can expect to achieve only 43 percent of their potential productivity. Stunted growth of children under five years of age is the fourth highest globally (World Bank 2020).

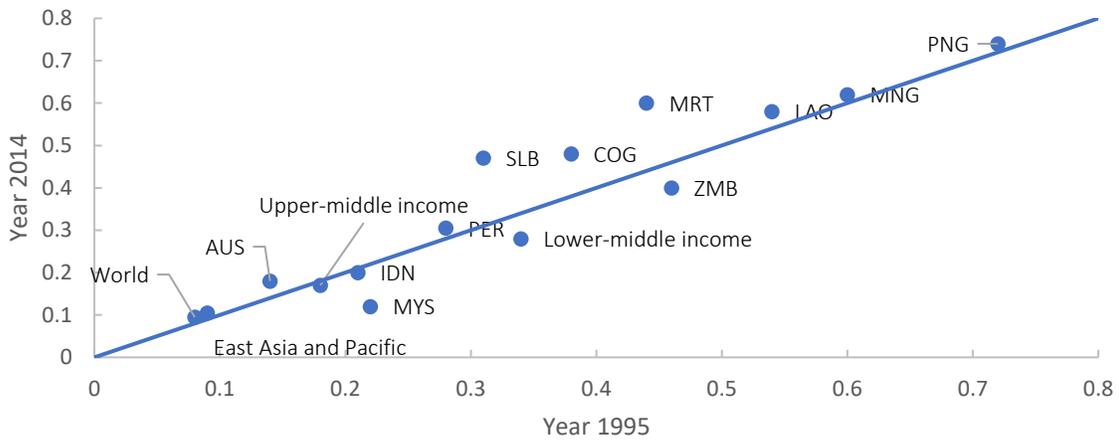
1.3 Papua New Guinea’s fragmented geography and frequent exposure to disasters caused by natural hazards present significant challenges for delivering services to citizens. Papua

¹ A data-deprived country according to the World Bank, Papua New Guinea has not conducted a household income and expenditure survey since 2009, at which time the poverty rate was 38 percent using the international poverty line of \$1.90 a day (2011 purchasing power parity, in US dollars) and 66 percent measured against the lower-middle-income class poverty line of \$3.20 (also high in the context of the East Asia and Pacific Region).

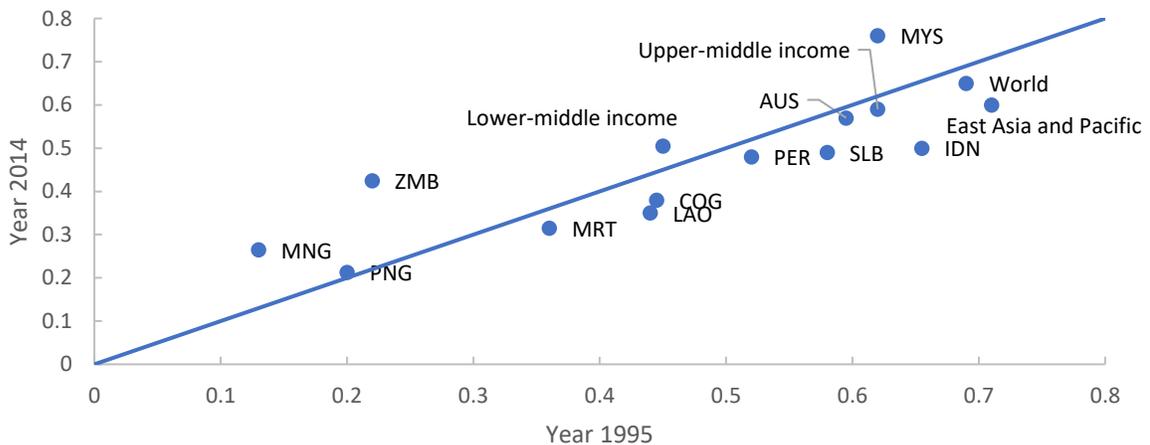
New Guinea is among the world's least urbanized countries. Its population is spread across 800 islands whose terrain is dominated by dense tropical forest, mountain ranges, and valleys and is divided by rivers and oceans, making services hard to deliver. Much of the country's territory remains inaccessible by road, 80 percent of rural households lack access to electricity and sanitation, and 60 percent have no safe drinking water (World Bank 2019). Papua New Guinea also faces disaster risks (earthquakes, tsunamis, and volcanoes) and stresses (climate change and sea-level rise) that it is ill equipped to mitigate.

Figure 1.1. Papua New Guinea: Relatively Abundant Natural Capital but Low Human Capital

a. Share of natural capital out of total wealth



b. Share of human capital out of total wealth



Source: Wealth Accounts database 2018.

Note: AUS = Australia; COG = Republic of Congo; IDN = Indonesia; LAO = Lao People's Democratic Republic; MNG = Mongolia; MRT = Mauritania; MYS = Malaysia; PER = Peru; PNG = Papua New Guinea; SLB = Solomon Islands; ZMB = Zambia.

Key Constraints to Papua New Guinea's Development

1.4 Significant data and knowledge gaps prevent a comprehensive analysis of development challenges. The 2018 Systematic Country Diagnostic (SCD) provides a summary of data and knowledge gaps, which include the following: outdated or nonexistent censuses and household surveys, limited access to survey data, and poor timeliness of macro data, which fall far below World Bank and global standards (World Bank 2018b). The latest household survey was conducted in 2010, with an interval between surveys of 20 years, compared with the World Bank's standard interval of 3 years between surveys. National accounts data should be prepared quarterly based on the Enhanced General Data Dissemination System standard; however, in Papua New Guinea, these data are prepared on an annual basis. These deficiencies have resulted in significant gaps in understanding of the current status of poverty, labor force and employment, sectoral productivity, informal sector, environment and natural capital, resource sector governance, provincial and district spending and service delivery, education sector, political economy, and infrastructure. With these gaps in mind, this evaluation draws on the most consistently cited development challenges (in World Bank and other analysis) to develop the evaluation framework. These challenges are summarized below.

Resource-Led Growth Linked to Economic and Political Volatility

1.5 Economic growth is characterized by boom-and-bust cycles driven by the natural resource sector. Weak fiscal and public expenditure management have made fiscal policy highly procyclical. Papua New Guinea faces a particular challenge in managing the macroeconomic impacts of resource sector volatility in part because the budget process is distorted by the complicated political economy (for example, the need to compensate political elites is the price for political continuity). Macroeconomic management is made more difficult by resource sector volatility and, particularly in recent years, the large liquefied natural gas sector, where fiscal revenues have been well below expectations. Dutch disease typical of a resource-dependent economy has contributed to low growth in the non-extractive sectors. Efforts to limit the depreciation of the kina in recent years have led to a misaligned exchange rate and foreign exchange shortages. These shortages affect the non-resource sector in particular by limiting imported goods and capital inputs, thereby stifling business growth and lowering job creation. Macroeconomic management is also challenged by public sector debt, which stood at 50 percent in 2021. The country's risk of debt distress increased from low to moderate in 2017 to high in 2021 (World Bank and International Monetary Fund 2022). Meanwhile, debt service payments continue to increase, from less than 5 percent of government spending in 2012–13 to over 11 percent in 2017–20.

1.6 Papua New Guinea's fragmentation, diverse sociocultural political economy, and dependence on extractives have contributed to intense competition among political elites, political instability, and institutional weakness. Large resource rents have reinforced a form of "competitive clientelism." Extractive rents enable powerful interests to dominate funding decisions in the electoral process, including those linked to capital budget allocations. Because of political fragmentation, and an absence of stable parties and coherent political agendas, governments frequently face votes of no confidence. Elites and other vested interests demand rents and other economic concessions in exchange for support, which makes long-term policy making difficult and leaves the interests of large portions of the population unserved. The resulting environment of political and institutional instability, combined with weak enforcement of law and order, has been responsible for a proliferation of corruption and rent-seeking behavior.

1.7 Nonresource real GDP growth was slowing even before the onset of coronavirus (COVID-19). From an average annual rate of 6.2 percent per year between 2008 and 2012, annual nonresource GDP growth averaged just 1.8 percent over 2013–19. To some extent, this reflected low levels of investment in nonresource sectors and a weak link between the resource and nonresource sectors. Nonresource sector growth has also been undermined by an overvalued exchange rate and foreign exchange shortages in recent years. The enclave nature of the resource sector means that a boom in resources does not necessarily translate into growth in the nonresource sector. In addition, not all extractive revenues are fully disclosed, with limited funds flowing to the annual budget.

1.8 The contribution of agriculture to the GDP has been declining, despite the potential of the sector to generate jobs and inclusive welfare benefits. Some 84 percent of the population works in agriculture, fishing, and forestry. The share of GDP attributable to agriculture (together with forestry and fisheries) in Papua New Guinea in 2018–19 was just under 17 percent, down from a high of nearly 22 percent in 2009, an average of over 19 percent between 2010 and 2013, and an average of approximately 17.5 percent between 2014 and 2017 (World Bank 2019). Crop disease and pests, especially the cocoa pod borer (which arrived in Papua New Guinea in 2006), has wreaked havoc on cacao yields, with subsequent negative impacts on incomes, livelihoods, and export earnings. Customary land challenges and lack of access to credit also constrain the sector. Virtually all land (97 percent) is customary, and ownership is often in dispute, making it challenging for many to gain access to private and commercial lending.

1.9 The limited reach and poor condition of the road network isolate large numbers of Papua New Guineans from markets and income-earning opportunities and from health and education services. Poor roads are a major constraint to inclusive economic growth. The

condition of the national road network has shown continuous deterioration, imposing huge costs to the economy in terms of high vehicle operating costs, longer travel times and poor accessibility to markets and social services (Department of Works and Implementation, 2018). An analysis of household income and expenditure data showed that the inability to access roads is positively correlated with higher incidence of poverty (Gibson and Rozelle 2002).

Noninclusive Growth, Especially for Women and Youth

1.10 The prevailing patterns of economic and political activity have not been inclusive, especially for women and youth (World Bank 2018b). Papua New Guinea performs poorly on the Gender Inequality Index (ranked 140 out of 155 countries). Women face significant personal security challenges in addition to being burdened by excessive workloads, malnutrition, and a lack of access to safe water and health care. Legal impediments and deeply entrenched social norms prevent women from accessing economic opportunities, many of which are at a distance from home or within professions considered the preserve of males. There are also significant barriers to women’s political empowerment, evident in the lack of female leadership; Papua New Guinea is one of only three countries in the world with no women representatives in parliament. Papua New Guinea is also unable to provide its burgeoning youth cohort with access to higher education or training. More than half the population of Papua New Guinea is under 24 years of age. Because of demographic pressure and a very constrained labor market, youth unemployment is a key economic and social challenge. Unable to find formal work, many youths enter the informal economy, often in the agricultural sector, where both low-paid and unpaid work is common. Drawn to urban areas, youth also make up a large share of poor urban residents and contribute to high crime rates and fragility as a result of their low levels of human capital.

Frequent Exposure to Shocks and Stresses

1.11 Papua New Guinea’s growth is threatened by many conflict risks. Although the geographic isolation and cultural diversity of Papua New Guinea’s communities have helped prevent local tensions from rising to national levels, grievances over high-value extractives gave rise to the Bougainville civil war and, more recently, prospects of LNG exploitation have increased conflict in the resource-rich Southern Highlands. The results of the 2019 Bougainville independence referendum have given rise to the perception that successful secession by Bougainville may prompt other resource-rich regions to seek greater autonomy.²

² A separatist conflict erupted on the resource-rich island of Bougainville in 1989. The war lasted for 10 years, leaving up to 20,000 people dead. Under the terms of the peace agreement, the Autonomous

High levels of communal violence occur in remote villages, particularly in the Highlands provinces, for a range of reasons (for example, electoral outcomes, generational land disputes, misunderstandings, and retribution; Kobyliniski 2022).

1.12 Extremely high levels of gender-based violence perpetuate barriers to full economic participation. It is estimated that two-thirds of all women have experienced gender-based violence, that 50 percent of women have experienced sexual assault, and that half of all reported victims of rape are younger than 15 years of age (Government of Papua New Guinea 2019; Kalebe 2020; Law Reform Commission of Papua New Guinea 1992; World Bank 2018b). Many women remain violently subordinated in family and wider social contexts. Power imbalances affect the overall economic health, governance, and resilience of the country by limiting women’s economic, political, and civic participation. High levels of sexual violence against men and violence against children further undermine development outcomes. Although several law and policy reforms in the past decade have made some progress in supporting women, significant work remains to be done to address entrenched sociocultural norms.

1.13 Disaster shocks have tested the country’s capacity to cope and adapt. The country frequently contends with disaster shocks, exacerbated by climate change, that it is ill equipped to mitigate. Located in the active Pacific Ring of Fire, Papua New Guinea is ranked among the most disaster-prone countries in the world (National Disaster Centre 2017). Natural hazards, including earthquakes, tsunamis, volcanic activity, cyclones, flooding, landslides, and droughts, are contributing to the risks. Papua New Guinea ranks highest in terms of population exposed to severe volcanic risk and is among the six countries with the highest percentage of population exposed to earthquakes (GFDRR 2015). The frequency, magnitude, and intensity of many of these natural hazards are expected to continue to rise with climate change.

1.14 The COVID-19 pandemic has been an additional—and unprecedented—external shock for Papua New Guinea’s economy, with negative implications for the government’s ability to protect the lives and livelihoods of its population. The COVID-19 shock has had significant adverse effects on domestic economic activity, including considerable impact on livelihoods and the well-being of vulnerable and poor people. Even before the increase in infections brought about by the delta variant, large employment losses were recorded in the agricultural

Region of Bougainville held an independence referendum in 2019 in which the overwhelming majority voted for independence. The two governments are now in a period of constitutionally mandated postreferendum consultations and aim to decide on the future political status of Bougainville between 2025 and 2027.

sector, where most of the country's poor residents work (World Bank 2021). The economic and social challenges caused by COVID-19 are likely to linger, with only about 3 percent of the population vaccinated (Ritchie et al. 2022).

2. World Bank Group Country Engagement

2.1 Chronic political instability has made it difficult for the Bank Group to effectively engage in Papua New Guinea. Between the early 2000s and 2008, there was limited government attention on development effectiveness. Government noncompliance with a World Bank–supported forestry sector operation (the Forestry and Conservation Project 2001–05), among other complications, resulted in a suspension of the operation, a breakdown in World Bank–client relations, and a cessation of lending. Nevertheless, the World Bank maintained a country presence through an Interim Strategy Note that featured selective analytic work, while assessing alternative aid delivery mechanisms (for example, subnational and community-driven approaches). Partnering opportunities with Papua New Guinea's largest development partner, Australia, and efforts by donors to articulate a joint country strategy were viewed by the Papua New Guinea government at the time as threatening, with donors being accused of “ganging up,” ultimately upending initiatives (World Bank 2005).

2.2 The Bank Group resumed lending to Papua New Guinea in FY08. The subsequent period (FY08–12) saw a restart of donor dialogue and the launch of a pipeline of activities aligned with the country's medium-term development goals. Many of the approved projects took a long time to become effective. The Country Assistance Strategy Completion Report Review for this period rated overall Bank Group effectiveness as highly unsatisfactory because of overambition, weak government ownership, and poor project management (World Bank 2012c). This assessment was largely based on a few closed projects, whereas completion of most other projects was delayed, with them closing only recently.

2.3 The Bank Group–supported strategies have mainly focused on fiscal sustainability, infrastructure development in underserved areas, and social and resilience risks. Figure 2.1 depicts the keys areas of Bank Group engagement across the relevant strategy periods. The figure shows that the World Bank supported three main areas of engagement during the evaluation period. These areas comprise a focus on fiscal sustainability and resource revenue management; infrastructure development (referred to in most strategies as service delivery) in transport, agriculture, energy, and telecommunications; and resilience risks related to disaster and climate, youth unemployment, conflict, and extractive resource tensions. The strategies, to varying degrees, have also included attention to gender issues—both gender equality and gender-based violence—and broader governance and institutional development themes.

Figure 2.1 depicts overlapping strategy themes, while highlighting gaps (marked in red) with overall development needs.

2.4 The Bank Group–supported country strategies consistently focused on fiscal sustainability and resource revenue management. Over the evaluation period, the World Bank focused on delivering a combination of technical assistance, policy notes, and analytic reports, while refraining from providing budget support until 2018. Between FY08 and FY11, advice was provided on debt and fiscal management, including the accounting of natural resource revenues, but these efforts gained little traction in strengthening budgeting and public financial management. The World Bank contributed to early discussions on the creation of a sovereign wealth fund to assist in the management of resource revenues. Between FY13 and FY16, the World Bank continued to prioritize resource revenue management, given the economic volatility and the decline in commodity prices. In the FY19–23 CPF, the World Bank launched its first development policy operations in 20 years to support improvement in the nonresource primary fiscal balance as a share of nonresource GDP, nonresource tax revenue, and accountability and transparency in the use of public funds (World Bank 2019).

2.5 The Bank Group–supported strategies had a focus on rural infrastructure development, especially in the transport and agriculture sectors. Early country strategies pointed to several “core” infrastructure services that would be provided by the Bank Group, including in transport, agriculture (including rural roads), energy, and telecommunications. The World Bank historically has provided less financing for education and health, and no support for social protection. Human development sectors were referred to as “niche” sectors that were being supported by other development partners (except for social protection, a sector in which the government had expressed an overall disinterest). During the FY19–23 CPF, in a marked deviation from previous strategies, the World Bank began to finance human development operations, including through its COVID-19 response.

2.6 The International Finance Corporation (IFC) sought to strengthen financial markets and expand telecommunication services. Most IFC investment was directed toward telecommunications and banking. However, according to IFC, no new commitments have been made since 2018 because of a lack of suitable sponsors outside the financial sector. IFC advisory services were also provided in the financial sector (for example, financial markets, mobile money), in information and communication technology, and in a host of other private sector development services, which included work on special economic zones, small and medium enterprises, tourism, agriculture and agribusiness, and women in business.

2.7 The CPE covers a period that included post-conflict activities and an independence referendum for the island of Bougainville. The separatist conflict in resource-rich Bougainville

took place between 1989 and 1999 and left 20,000 people dead; impending independence poses fragility and conflict risks. The conflict prompted the World Bank to support extractive industry governance and to engage in peace-building support, including through community-driven development operations. A 2019 referendum resulted in a vote for independence, and the parties now aim to decide on the future political status of Bougainville between 2025 and 2027. The 2018 SCD and the 2019 CPF recognized that the Autonomous Region of Bougainville faced a difficult future: it is unlikely to achieve fiscal self-reliance without a return to mining, as an independent state would require more than 10 times current revenues to balance its budget. The CPF envisages the World Bank maintaining a watching brief on developments in the Autonomous Region of Bougainville and the resource-rich Southern Highlands to ensure a risk-informed approach to potential and new engagements in line with demand from government and the international community.

2.8 The Bank Group–supported strategies increasingly prioritized actions to mitigate disaster and climate change risks. The World Bank increasingly identified disaster and climate change risks as relevant to development prospects and set out to conduct disaster-related and climate change–related analytic work. The SCD increased the prominence of these issues, which were given significant profile in the current Country Partnership Strategy. A 7.5 magnitude earthquake that struck Papua New Guinea in 2018, affecting half a million people, spurred renewed government interest in pursuing a disaster risk reduction agenda. Among other things, the CPF committed to mainstreaming disaster and climate resilience into the agriculture, transport, and energy sectors and to supporting community preparedness.

2.9 The Bank Group’s integration of gender into its support for Papua New Guinea deepened over time. Attention to gender in the 2008 Country Assistance Strategy was limited, focusing on social inclusion. It emphasized women in mining, with the role of women in other parts of the economy not considered. By 2013, gender had become “front and center” in the Bank Group’s strategy, directed at women’s economic participation and framed as “smart economics.” During this time, the World Bank and IFC supported analytic work on gender integration in the agriculture sector and IFC launched the Pacific Women in Business Program. The importance of gender was reiterated in the 2019 CPF to promote equality across diverse areas (including agriculture and tourism), proposing that 60 percent of operations be “gender tagged” (World Bank 2019). IFC’s 2019–23 Country Strategy likewise addresses gender in agriculture, financial inclusion and markets, and sustainable energy and policy reforms (World Bank 2019). The strategy advocates for advisory work, including on gender-smart safety for companies.

2.10 The Bank Group–supported strategies began to identify family and sexual violence more directly—especially gender-based violence—considering it a delimiting factor for

inclusive growth and broader social resilience. In the beginning of the evaluation period, the World Bank strategies linked gender-based violence to the rapid spread of HIV/AIDS. Regional and country analytic work, undertaken as an input into the *World Development Report 2012: Gender Equality and Development*, helped link gender-based violence issues to wider economic and social considerations (World Bank 2011). In 2019, the World Bank proposed that all projects would be screened using a gender-based violence risk assessment framework.

2.11 The Bank Group–supported strategies have increasingly stressed the need to address governance and institutional constraints to achieve development outcomes. In Papua New Guinea, there are powerful forces shaping institutions and state–society relations that have important implications for reform. Early in the evaluation period, the World Bank commissioned political economy, institutional, and service delivery assessments to identify and address implementation challenges that were undermining portfolio performance. Subsequently, per recommendations made by the Risk and Resilience Assessment and the SCD, the FY19–23 CPF elevated governance and institutional challenges to a cross-cutting theme. The FY19–23 CPF represents an attempt to apply political economy considerations and institutional analyses to the development of programs, including the newly launched social protection and labor mobility programs.

2.12 The Bank Group shifted its approach to resource governance during the evaluation period. The Country Assistance Strategy for FY08–13 was characterized by a focus on the mining sector (as distinct from the oil and gas sector). It also supported the emerging Mineral Resources Authority, focusing on “upstream” regulation (licensing, controlling, monitoring). The following strategy period (FY14–18) saw major oil and gas projects coming online and a shift in Bank Group sector engagement to strategic technical assistance—including preparation for resource negotiations and institutional strengthening in the mining sector—and support for the implementation of the Extractive Industries Transparency Initiative. Meanwhile, IFC and the Multilateral Investment Guarantee Agency were also exploring support for private sector investment in the extractive sector and opportunities to support foreign investment.

Figure 2.1. Focus of the World Bank Group Country Diagnostics and Strategies

| CAS FY08–12 | CPS FY13–16 | Key Diagnostics (SCD, RRA) | CPF FY19–23 |
|--|--|--|--|
| Macrofiscal, Extractive Revenue Management | | | |
| Macrofiscal management | Macrofiscal management | SCD: Macrofiscal management | Macrofiscal management |
| ▶ Debt and fiscal management | ▶ Inclusive resource revenue management | ▶ PFM and debt management | ▶ Increased dialogue on macro policy |
| ▶ SWF | ▼ Little engagement on SWF | ▲ RRA: Extractive sector governance | ▶ Extractive sector governance |
| ■ Domestic resource mobilization | ■ Domestic resource mobilization | ▲ SCD: Domestic resource mobilization | ▶ Domestic resource mobilization |
| Enabling Environment for Jobs and Service Delivery | | | |
| Rural infra. and inclusive services | Rural infra. and inclusive services | SCD: Inclusive services | Rural infra. and inclusive services |
| ▶ Increased infra. connectivity (physical and financial) | ▶ Increased infra. connectivity (physical and financial) | ▼ Quality of infra. and services (transparency, acc., inclusion) | ▲ Quality of infra. and services (transparency, acc., inclusion) |
| ▶ Institutional strengthening | ▶ Institutional strengthening | ▶ RRA: Subnational governance | ▶ Subnational governance |
| ▲ Focus on women and girls | ▲ Focus on women and girls | ■ Gender disparities in law/education | ▲ Focus on women and girls |
| ■ Health and human services | ■ Health and human services | ▲ Reduction of malnutrition | ▶ Health, TB, and COVID-19 response |
| ■ Social protection | ■ Social protection | ■ Social protection | ▲ Social protection and education programs |
| Building Resilience to Shocks | | | |
| Resilience to shocks | Resilience to shocks | Resilience to shocks | Resilience to shocks |
| ▼ Bougainville conflict | ▼ Limited coverage of Bougainville | ▲ RRA: Monitor conflict (including Bougainville) | ▶ Resource-driven conflict (including Bougainville) |
| ▲ Urban crime and violence | ▲ Crime and violence | ▶ SCD + RRA: Urban violence and youth | ▶ Youth unemployment (FCV linked) |
| ■ Disaster risk management + CC | ■ Disaster risk management + CC | ▲ SCD + RRA: CC mitigation and DRR | ▶ CC mitigation and DRR |
| Gender Equity and GBV | | | |
| Gender and social inclusion | Gender and social inclusion | SCD: Economic exclusion of women | Gender equity |
| ▲ Consultations with women's groups | ▲ Service delivery for women and girls | ▶ Inclusive service delivery | ▶ Integrated across sectors, including by IFC |
| ▲ Gender only in context of mining | ▲ Women's economic participation | ▶ Women's civic participation | ▶ Women's empowerment |
| ▲ GBV only in context of HIV/AIDS | ▲ GBV | ▶ GBV | ▶ Projects screened for GBV |

Source: Independent Evaluation Group.

Note: acc. = accountability; CAS = Country Assistance Strategy; CC = climate change; CPF = Country Partnership Framework; CPS = Country Partnership Strategy; DRR = disaster risk reduction; FCV = fragility, conflict, and violence; FY = fiscal year; GBV = gender-based violence; IFC = International Finance Corporation; infra. = infrastructure; PFM = public financial management; RRA = Risk and Resilience Assessment; SCD = Systematic Country Diagnostic; SWF = sovereign wealth fund; TB = tuberculosis; ▲ = increased strategy focus; ▼ = decreased strategy focus; ▶ = strategy themes carried over; ■ = missing themes, across strategies (also colored red).

Financing

2.13 Compared with other donors, the World Bank provided relatively modest financing to Papua New Guinea. During the evaluation period, total self-reported donor commitments to Papua New Guinea amounted to US\$12.5 billion, of which the Bank Group provided US\$1.1 billion, or 9 percent (figure 2.2), all in International Development Association funds, apart from one US\$30 million International Bank for Reconstruction and Development commitment in FY21. The Australian government and the Asian Development Bank together provided 70 percent over the same period (figure 2.2).

Figure 2.2. Commitments by the World Bank Group and Development Partners, Calendar Years 2008–20



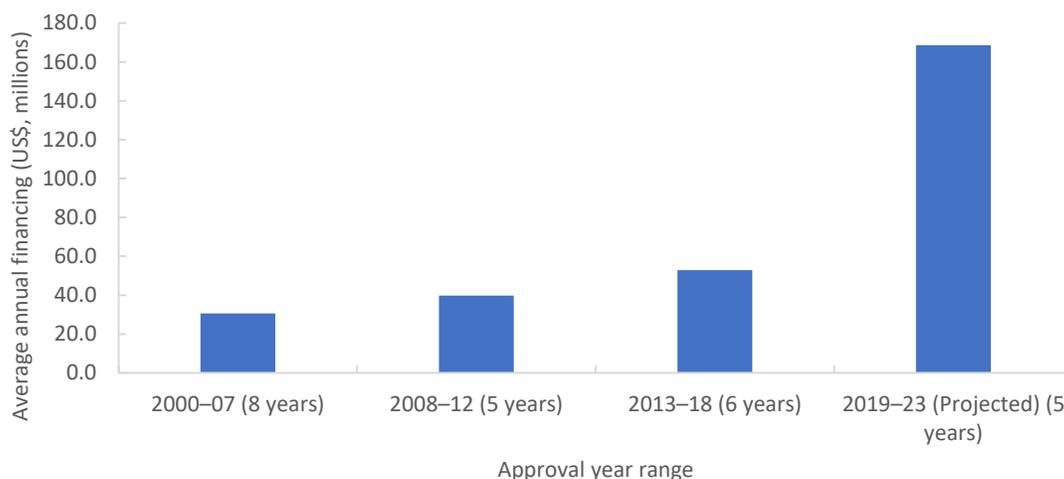
Source: Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System (CRS) Aid Activity database (data extracted on April 28, 2022, 01:44 UTC); Independent Evaluation Group.

Note: For development partners, the commitments include data on official development assistance, other official flows, and private development finance commitments by donors that report aid data to OECD via CRS and include contributions of donors to World Bank Group trust funds for Papua New Guinea. For the World Bank Group, the commitments include disclosed and undisclosed International Finance Corporation (IFC) investment services and disclosed World Bank operations with the International Development Association and trust fund commitments. For both IFC and the World Bank, the commitments include bilateral funds channeled to Papua New Guinea via the Bank Group, leading to some double counting in totals. Coverage excludes some notable donors such as China, for which verifiable aid data were lacking.

2.14 Although World Bank lending to Papua New Guinea remains modest compared with that of other donors, the World Bank has significantly expanded its financial commitments over the evaluation period. This evaluation comes at a time of significant scaling up in Bank Group financing commitments to Papua New Guinea, reflecting a

broader trend to increase support for fragile states that are also International Development Association eligible. Average annual World Bank commitments during the most recent strategy period are more than quadruple the Interim Strategy Note and reengagement period (figure 2.3). In contrast, IFC provided US\$291 million of actual commitments over the evaluation period but has made no new commitments since 2018 (appendix B). The Multilateral Investment Guarantee Agency did not have operations during the evaluation period.

Figure 2.3. Average Annual World Bank Financing per Country Strategy Period



Source: Independent Evaluation Group.

3. Evaluation Purpose, Scope, and Questions

3.1 The evaluation is designed to derive lessons from Bank Group engagement in Papua New Guinea to inform the next CPF. The CPE will also provide lessons on the implementation of the International Development Association special themes of climate change, gender, and fragility, conflict, and violence and of the cross-cutting issues of debt sustainability and governance and institutions. Lessons may also be of relevance to other resource-rich countries.

3.2 The evaluation will look at Bank Group support in identifying and addressing Papua New Guinea’s major binding constraints to promoting inclusive growth. The evaluation will assess the evolution, relevance, and performance of the World Bank’s overarching strategies and country portfolio since FY08, and it will include a deeper focus on how Bank Group activities identified and addressed Papua New Guinea’s key development challenges. The SCD, other analytic work, interviews, and project documents show that these binding constraints include major bouts of macroeconomic and fiscal turbulence, linked to heavy extractive resource dependence and the need for a

robust and internally consistent macroeconomic policy framework combined with better implementation. Boosting the inclusiveness and sustainability of growth requires revitalization of the private sector and a more attractive environment for foreign direct investment. Constraints also include the following: (i) significant shortfalls in service delivery that limit economic and human development, exacerbate income inequality, and undermine the creation of much-needed jobs for vulnerable and poor people, including marginalized women and the burgeoning youth cohort; (ii) extremely high levels of gender inequality and gender violence; and (iii) the inability to mitigate an array of complex risks related to violence, conflict, natural disasters, and climate change, which have mutually reinforcing links. These constraints are linked to weak governance and institutions—across all sectors—which have presented obstacles to the achievement of country strategy aims.

Evaluation Questions

3.3 There are three evaluation questions, designed to derive lessons from the Bank Group's efforts to address the country's key development challenges since FY08.

3.4 **Evaluation Question 1.** To what extent has the Bank Group adapted its engagement in line with key constraints, its position in relation to key development partners, changes in country context, and lessons from experience to contribute to development aims?

3.5 **Evaluation Question 2.** What results has the Bank Group been able to achieve, under what circumstances, for whom, and why?

3.6 **Evaluation Question 3.** To what extent has the Bank Group identified and addressed conflict, violence, and disaster risks?

3.7 The first evaluation question focuses on the relevance over time of the World Bank Group's country strategies and engagement decisions. The team will assess the overall relevance and the prioritization and sequencing of the World Bank and IFC engagement decisions, including dialogue, strategies, analytics, advisory services, and investments since FY08. To answer this question, the evaluation will also look at the position of the Bank Group in relation to other key development partners to determine how these relationships have influenced engagement decisions. It will also assess relevance in light of the changing country context.

3.8 The second evaluation question focuses on the effectiveness of the Bank Group's interventions. To answer the question, the evaluation will assess the extent to which results were achieved, for whom, why, and why not. The question will be answered through a portfolio review and analysis and stakeholder interviews. A study on the

World Bank’s support for gender in Papua New Guinea will be conducted with data derived from external literature, the portfolio review and analysis, and interviews. A discrete fieldwork module will help provide explanatory factors about effectiveness.

3.9 The third evaluation question is focused on the Bank Group’s role in helping the client identify and mitigate a myriad of risks that threaten to undermine inclusive growth and poverty reduction. Three key risks, all identified by the SCD, will be the focus of this evaluation. These risks are fragility and conflict, gender-based violence, and natural hazards. The evaluation will develop and use specific templates—including a review of external literature, a portfolio review and analysis, and interviews—to assess the World Bank’s performance in these areas.

Design and Methods

3.10 The evaluation focuses on how and how well the Bank Group contributed to helping Papua New Guinea achieve key country outcomes. It will use several sequential methods to answer the evaluation questions. First, the team will conduct a review of key diagnostics and strategy documents (from the World Bank, IFC, and others) to derive an understanding of how the World Bank identified and sought to address Papua New Guinea’s key development challenges across strategy periods. This review will be complemented by interviews of Bank Group staff, country counterparts, development partners, and other key stakeholders. Second, the evaluation will conduct a portfolio review and analysis of key Bank Group analytics, projects, and operations. A matrix depicting the methods that will be used to answer each evaluation question is included in appendix A; the methods that will be used include the following:

3.11 **Stakeholder analysis.** The Independent Evaluation Group (IEG) has identified key informants within the Bank Group, client agencies, other donor agencies, and civil society, using a literature and document review and through initial interviews. The evaluation will expand the list, making sure to obtain a triangulated set of viewpoints between different time periods, across donor agencies, and within civil society.

3.12 **Bank Group strategy and operational document review.** The evaluation will conduct a thorough analysis of the evolution of the Bank Group’s engagement across the three strategy periods. It will assess the sequencing and prioritization of activities, including lending and nonlending activities.

3.13 **Key development partner review.** The evaluation will conduct a comprehensive review of partnerships during the evaluation period. This will include a review of relevant partner strategies and data (total commitments, sectors), complemented by partner interviews.

3.14 **Results and outcome analysis.** The evaluation will assess project performance, and, to the extent that data are available, higher-level outcomes.

3.15 **Project content analysis.** The project content analysis will include questions and guidance developed to assess project assumptions, theory, design, implementation, and engagement arrangements and to record reported results. This method was chosen because of a preliminary portfolio analysis that revealed that a disproportionate number of closed projects (60 percent) were unsuccessful because of a variety of constraints identified across the project cycle (appendix B).

3.16 **Human resource diagnostics.** The aim of the human resource analysis is to discern patterns of engagement over the evaluation period. The following data may be collected: (i) task team leader locations (Washington, DC; Sydney; East Asia and Pacific regional location; Port Moresby; and so on), time in the field, and rotation for key projects in the evaluation period; (ii) sectoral expertise and types of staff support to the country program (for example, international versus local); and (iii) supervision data.

3.17 **Gender screen.** For the second evaluation question, the evaluation will apply a gender screen to the strategy analysis, country portfolio, and interviews—a series of questions that examine how the Bank Group has identified, framed, and addressed gender equity and gender-based violence and that assess the gendered impacts of Bank Group programs. Developed and run by a regional gender expert, the gender screen will be grounded in what is known to work from a variety of local and regional sources of evidence.

3.18 **Governance screen.** The evaluation will apply a governance screen—a series of questions that examine how the Bank Group engages politically, as well as in institutional development and strengthening. The screen will build on recent analytic work conducted by the World Bank on institutional capital in Papua New Guinea, which examined how institutions—both formal and informal—influence the way things work in the country. Developed and run by a country governance expert, the evaluation will seek to understand how areas of dysfunction and deficit, which have undermined program effectiveness in the past, can be addressed and how the Bank Group programs have supported the development of capabilities and institutional capital.

3.19 **Field assessment.** To further identify explanatory factors on engagement and performance, the evaluation will partner with the Institute of National Affairs, an independent policy think tank based in Port Moresby that addresses a wide range of economic and social issues affecting the country. It is envisioned that the partnership will facilitate links to local government and groups of beneficiaries supported by the Bank Group and that, whether through surveys or focus groups, these links will enable

the evaluation to derive explanatory factors of success and failure for the second evaluation question, grounded in the local social and political context. The Institute of National Affairs has also been preliminarily identified as a potential candidate to assist with the fieldwork.

3.20 Key informant interviews. The interviews will be used to scope issues, triangulate findings, and test assumptions throughout the evaluation cycle. For questions focused on learning, the interviews will use emergent learning techniques, such as framing questions and emergent learning tables.

Limitations of the Methodology and Mitigation Measures

3.21 Data are a limitation. Papua New Guinea is classified by the World Bank as extremely data deprived. Papua New Guinea has not conducted a household income and expenditure survey over the past 10 years, with uncertainty as to when another household income and expenditure survey will take place. This will be particularly problematic in answering evaluation questions pertaining to inclusion. Further, data on the results of World Bank–implemented projects can be hard to obtain, given the limited evaluation of trust-funded operations. As a small, fragile state, most (73 percent) of Papua New Guinea’s operations have been funded by trust funds and have therefore fallen below IEG’s validation threshold (in 10 of 11 cases, trust fund commitments were less than US\$5 million). As a result, only 35 percent of closed operations ($n = 8$) have been validated by IEG. In addition, only 3 of the 13 mature IFC investments and 6 of the 16 closed advisory services have been rated by IEG.

3.22 The CPE is being conducted during an election year. Key informant interviews attest to the difficulty of engaging government clients during an election season, in which campaigning starts as early as January 2022. Polling is scheduled for 2–22 July, the return of writs for 29 July, and a formation of government likely in the second half of August. Currently, instances of election-related violence are increasing across the country, and the security situation is volatile. The CPE team is mitigating access risks by hiring one liaison at a senior level, who will facilitate access to official meetings, and a local temporary assistant, likely home based, who will support communications and meeting logistics. The team has also scheduled the country mission for after the election cycle.

3.23 The uncertain trajectory of the COVID-19 virus makes mission planning challenging. The evaluation is planning to conduct missions—either virtual or a combination of virtual and in person—to Australia (Sydney and Canberra) and Port Moresby.

4. Quality Assurance Process

4.1 The Approach Paper and evaluation will undergo standard IEG quality assurance processes, including internal IEG and World Bank management review and external peer review. This evaluation will be peer-reviewed by experts:

4.2 **Stephen Howes.** Dr. Howes is a professor of economics at the Crawford School of Public Policy at the Australian National University. He is the director of the Development Policy Centre.

4.3 **Melinda Jane Sutherland.** Ms. Sutherland is a senior evaluation specialist at the Independent Evaluation Department at the Asian Development Bank. She is a former assistant director at the Australian Department of Foreign Affairs and Trade, where she negotiated the Papua New Guinea–Australia Aid Partnership Arrangement with the Papua New Guinea government (2016) and co-wrote Australia’s aid strategy for Papua New Guinea (published 2015).

Staffing and Resources

This evaluation will be task managed by Lauren Kelly, lead evaluation officer, under the guidance of Jeffrey Allen Chelsky, Economic Management and Country Programs manager, and Oscar Calvo-Gonzalez, Human Development and Economic Management director. The team includes Paul Barker, Dung Thi Kim Chu, David Craig, Elizabeth Dodds, Elisabeth Goller, Patrick Hettinger, Paul Holden, Sally Judson, Xiaoyi Lu, Vijaya Lakshmi Nagarajan, Daniel Palazov, John Redwood, and Mees van der Werf. Harsh Anuj, data scientist, and Estelle Raimondo, methods specialist, will provide methodological inputs.

Audience, Outputs, Engagement, and Influence

4.4 **Audience.** The primary audiences of this evaluation include the Bank Group’s Board of Executive Directors and World Bank management and staff. The evaluation may also be of interest to the Papua New Guinea government, development partners, civil society, and development practitioners working in countries facing challenges similar to those faced by Papua New Guinea.

4.5 **Expected outputs.** This evaluation is expected to be submitted to the World Bank Board’s Committee on Development Effectiveness in FY23. The main output will be a final evaluation report delivered to the Committee on Development Effectiveness after receiving feedback from World Bank management.

4.6 **Outreach and tracking.** A communications and influence strategy will be developed with IEG’s Knowledge and Communications team.

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Appendix A. Evaluation Design Matrix

Table A.1 indicates the key questions, sources, and data collection and analysis methods, as well as the strengths and limitations associated with these. The question that was addressed is, How well has the World Bank Group adapted its engagement in line with learning from experience and changes in country context to contribute to country development aims?

Table A.1. Evaluation Design Matrix

| Key Questions | Sources of Information | Methods | Limitations and Mitigation Measures |
|--|--|---|--|
| EQ1: To what extent has the World Bank Group adapted its engagement in line with key constraints, its position in relation to key development partners, changes in country context, and lessons from experience to contribute to development aims? | Key strategy documents and diagnostics (the World Bank and partners); timeline and event data; data (macrofiscal, sector, extractives and sovereign wealth fund, gender, conflict); Bank Group and partner portfolio data; interviews with Bank Group past and current management and staff, key partners, academia, and civil society; human resource data | Structured review of strategies and key diagnostics; key informant interviews; participatory rural appraisal (analysis of adapted program design over time); human resource analysis | This question requires triangulated evidence from historic and current interview sources; key informants are prone to bias that will be overcome through a triangulation of sources and interviewing techniques; data from past decision-making processes may not be available and will require recall, which also presents validity challenges. Some data and analysis may be unpublished—it will be necessary to request such information from stakeholders. |
| EQ2: What results has the Bank Group been able to achieve, under what circumstances, for whom, and why? | Portfolio data (PADs, ICRs, ICRRs); memorandum from the operational portal; key country and sector project managers and task team leaders; government counterparts and Project Management Unit staff; IFC-financed corporate counterparts; people participating in key projects and people residing in key project areas; access to key informants knowledgeable about the extractive sector For the citizen engagement module: project stakeholder data to identify citizens with whom the evaluation will engage to seek feedback | Portfolio review and analysis (focus on results, implementation experience, explanatory factors); semistructured interviews; beneficiary engagement model designed to derive explanatory factors grounded in context run by a local independent research firm | A significant portion of the portfolio has historically underperformed, and the explanatory factors associated with these performance gaps are not always made evident in project documentation. Adding value to future engagement decisions will require methods that bring new knowledge to the country team and that are derived from portfolio, interviews, and the field level assessment. IEG is hiring a local firm that has 30 years of experience in conducting fieldwork in Papua New Guinea and that will put in place all necessary safety protocols, mindful of context and the low vaccination rates for coronavirus (COVID-19). |
| EQ3: To what extent has the Bank Group identified and addressed | Data on conflict, disasters, and violence (various forms); country management and key task team leaders and key | Structured literature, strategy, and project review on each topic using specific templates and structured | There are various drivers and forms of low-level conflict in Papua New Guinea, and the evaluation will not be able to cover all of these; the evaluation will be |

| Key Questions | Sources of Information | Methods | Limitations and Mitigation Measures |
|---|---|----------------------------------|--|
| conflict, violence, and disaster risks? | partners; strategy, diagnostics, and portfolio data | interviews with key stakeholders | <p>strategic in its coverage and clear about the limitations in the final report.</p> <p>For gender-based violence, the evaluation recognizes that the methods and interviews developed to assess this issue must be culturally relevant and context specific—they should not be developed with a Western lens. Gender-based violence is underreported, and the topic is sensitive. To mitigate risks, the team includes a regional gender expert who has worked extensively on Papua New Guinea gender issues and incorporates regional peer review support in this area.</p> |

Source: Independent Evaluation Group.

Note: EQ = evaluation question; ICR = Implementation Completion and Results Report; ICRR = Implementation Completion and Results Report Review; IEG = Independent Evaluation Group; IFC = International Finance Corporation; PAD = Project Appraisal Document.

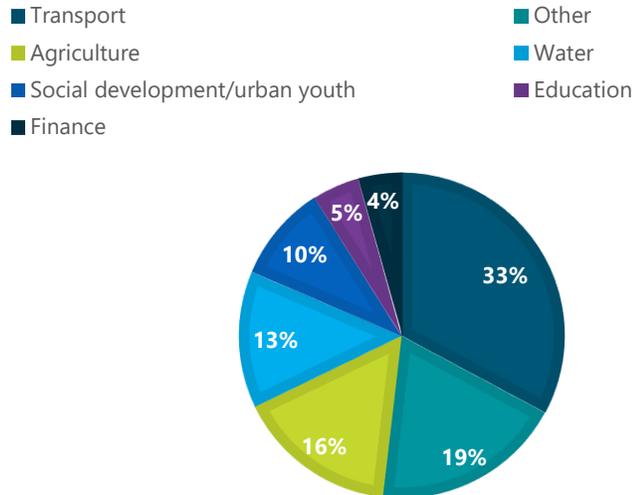
Appendix B. World Bank Group Portfolio

Between fiscal year (FY)08 and FY22, the World Bank approved 37 operations valued at US\$951 million and 68 nonlending activities (tables B.1 and B.2). Most investment projects supported transport, agriculture, water supply, and youth programs (figure B.1). It was not until FY19 that the World Bank approved a budget support operation (equal to 36 percent of the value of the portfolio) to strengthen the country's medium-term fiscal and debt sustainability, improve the efficiency of the financial sector, increase access to finance, and address climate change.

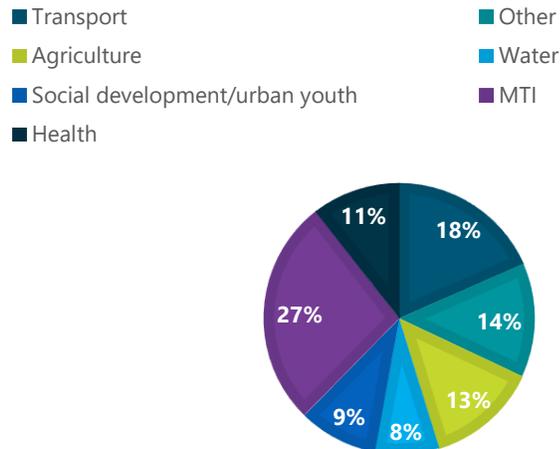
The International Finance Corporation (IFC) sought to strengthen financial markets and expand telecommunication services, but its investments are waning (tables B.3 and B.4). IFC supported 14 investments with a total size of US\$1.2 billion million and US\$375 million in actual net commitments. More than 90 percent of this investment was provided to two companies: a telecommunications company and a regional bank. Most IFC investments (71 percent) are mature and closed, and no new commitments have been made since 2018 because of a lack of suitable sponsors outside the financial sector, according to IFC (figure B.2). IFC provided US\$48.5 million for 26 advisory services, mainly for financial services.

Figure B.1. World Bank Group Commitments by Sector between Fiscal Years 2008 and 2018 and Fiscal Years 2008 and 2022

a. World Bank Group commitments by sector, FY08–18



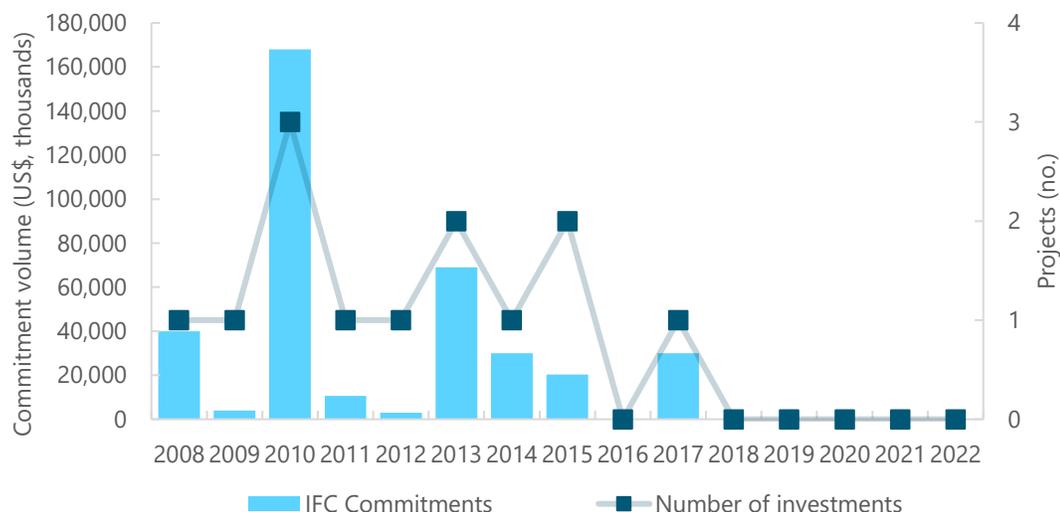
b. World Bank Group commitments by sector, FY08–22



Source: Independent Evaluation Group.

Note: Clustered as “other” are all sectors that are below 4 percent of total commitment in the respective years. For fiscal years (FY)08–18, “other” includes Digital Development; Energy and Extractives; Health, Nutrition, and Population; Macroeconomics, Trade, and Investment (MTI); and Poverty and Equity. For FY08–22, “other” includes Digital Development; Energy and Extractives; Finance, Competitiveness, and Innovation; Poverty and Equity; and Education.

Figure B.2. International Finance Corporation Investments in Papua New Guinea, Fiscal Years 2008–22



Source: Independent Evaluation Group.

Table B.1. World Bank Investment and Development Policy Operations in Papua New Guinea

| Project Name | Approval/ Closing Year | Closing FY | Time under Implementation | Total Commitment (US\$, millions) | Latest Rating (DO) |
|--|------------------------------|---------------|------------------------------|---|--------------------------|
| Second Mining Sector Institutional Strengthening Technical Assistance Project for Papua New Guinea | 2008/2015 | 2015 | 7 | 17.0 | MS |
| Smallholder Agriculture Development | 2008/2014 | 2014 | 6 | 27.5 | MU |
| Papua New Guinea Statistics Development | 2010/2011 | 211 | 1 | 1.6 | — |
| Productive Partnerships in Agriculture | 2010/2021 | 2021 | 11 | 25.0 | S** |
| Papua New Guinea Disaster Risk Management | 2011/2015 | 2015 | 4 | 1.9 | — |
| READ Papua New Guinea | 2011/2016 | 2016 | 5 | 19.2 | MS |
| Financial Competency Study | 2011/2012 | 2012 | 1 | 0.2 | — |
| Inclusive Development in Postconflict Bougainville Project | 2011/2019 | 2019 | 8 | 2.5 | — |
| Flexible and Open Distance Education Project | 2011/2016 | 2016 | 5 | 5.0 | MU |
| Small and Medium Enterprise Access to Finance | 2011/2025 | 2025 | 14 | 21.9 | MU |
| Rural Communications | 2011/2019 | 2019 | 8 | 15.0 | S |
| Urban Youth Employment Project | 2011/2020 | 2020 | 9 | 15.8 | S |

| Project Name | Approval/ Closing Year | Closing FY | Time under Implementation | Total Commitment (US\$, millions) | Latest Rating (DO) |
|--|------------------------------|---------------|------------------------------|---|--------------------------|
| Papua New Guinea Road Maintenance and Rehabilitation Project II | 2011 | 2023 | 10 | 43.0 | — |
| Building a More Disaster and Climate Resilient Transport Sector | 2012/2015 | 2015 | 3 | 2.9 | — |
| Papua New Guinea Settlement Upgrading Programme | 2013/2015 | 2015 | 2 | 0.4 | — |
| Multidonor Trust Fund for Papua New Guinea—IBBS | 2013 | — | — | 1.8 | — |
| Social and Economic Empowerment for Women in Mining and Petroleum Areas | 2013/2016 | 2016 | 3 | 2.1 | — |
| Papua New Guinea Energy Sector Development | 2013/2020 | 2020 | 7 | 7.3 | MU |
| Energy Sector Development | 2013/2018 | 2018 | 5 | 0.9 | — |
| Rural Service Delivery and Local Governance Preparation and Pilot | 2014/2018 | 2018 | 4 | 5.3 | MS |
| RMRP II, Additional Financing | 2014 | — | — | 126.5 | * |
| Additional Financing Productive Partnerships | 2014 | 2019 | 5 | 30.0 | * |
| Inclusive Development in Bougainville Additional Financing | 2015 | 2019 | — | 2.4 | * |
| Addressing Family and Sexual Violence in Extractive Industry Areas | 2016/2018 | 2018 | 2 | 2.0 | — |
| Urban Youth Employment Project Additional Financing | 2016 | — | — | 10.8 | — |
| Water Supply and Sanitation Development | 2017 | 2025 | 8 | 70.0 | — |
| Emergency Tuberculosis Project | 2017 | 2022 | 5 | 15.0 | — |
| Tourism Sector Development | 2017/2021 | 2021 | 4 | 20.0 | — |
| Rural Service Delivery Project | 2017 | 2022 | 5 | 23.0 | — |
| Papua New Guinea Development Policy Operation | 2019/2020 | 2020 | 1 | 150.0 | MU |
| Agriculture Commercialization and Diversification | 2020 | 2026 | 6 | 40.0 | — |
| Urban Youth Employment II | 2020 | 2026 | 6 | 35.0 | — |
| Improving Access to and Value from Health Services in Papua New Guinea: Financing the Frontlines | 2020 | 2026 | 6 | 30.0 | — |
| COVID-19 Emergency Response Project | 2020 | 2023 | 3 | 20.0 | — |
| Papua New Guinea Crisis Response and Sustainable Recovery DPO | 2021 | 2023 | 2 | 100.0 | — |
| Energy Utility Performance and Reliability Improvement Project | 2021 | 2026 | 5 | 30.0 | — |
| COVID-19 Emergency Response Additional Financing | 2021 | 2023 | 2 | 30.0 | — |

Source: Independent Evaluation Group.

Note: DO = development outcome; DPO = development policy operation; FY = fiscal year; IBBS = Integrated Bio-Behavioral Survey; MS = moderately satisfactory; MU = moderately unsatisfactory; RMRP = Road Maintenance and Rehabilitation Project; S = satisfactory; — = not available; * = additional financing ratings are the ratings of their parent projects; ** = currently under evaluation by the Independent Evaluation Group.

Table B.2. World Bank Analytic and Advisory Services (2008–22)

| Project Name | Approval | |
|---|----------|-------------------|
| | FY | Product Line Name |
| Papua New Guinea Post CAS AAA | 2008 | ESW |
| Country Assistance Strategy (FY07) | 2008 | CAS |
| FIRST: Risk-Based Capital Supervision for Nonlife Insurers | 2008 | TA (nonlending) |
| Development of an Approach to Governance in Papua New Guinea | 2008 | ESW |
| Papua New Guinea: Design and Implementation | 2009 | TA (nonlending) |
| Papua New Guinea Oro Province Disaster Response | 2009 | TA (nonlending) |
| Program Knowledge for HIV Prevention Programs in Papua New Guinea | 2009 | KM product |
| Local Statebuilding Political Economy Lessons | 2009 | KM product |
| Achieving Sustainable Economic Growth by Managing Resource-Induced Volatility | 2010 | ESW |
| Development of a Comprehensive Framework to Address EI Governance | 2010 | TA (nonlending) |
| Papua New Guinea—Climate Change Strategy | 2010 | TA (nonlending) |
| Enhancing Statistical Analysis and Public Reporting in the Insurance Sector | 2010 | TA (nonlending) |
| Urban Youth Empowerment Studies | 2010 | TA (nonlending) |
| Local Learning on Statebuilding in Papua New Guinea | 2010 | KM product |
| Papua New Guinea Country Assistance Strategy—Progress Report | 2010 | CAS |
| Human Resources for Health in Papua New Guinea—Operational Review | 2011 | ESW |
| Papua New Guinea—Measuring Financial Competency | 2012 | TA (nonlending) |
| Papua New Guinea Household Income and Expenditure Survey | 2013 | TA (nonlending) |
| Papua New Guinea Political Economy (TF094304) | 2013 | KM product |
| Papua New Guinea Country Partnership Strategy 2012–16 | 2013 | CAS |
| GIIF—Policy and Regulatory Capacity Building in the Pacific | 2013 | TA (nonlending) |
| Papua New Guinea: Development of Prudential Standards #10148 | 2013 | TA (nonlending) |
| Papua New Guinea—HIV/AIDS Survey | 2014 | TA (nonlending) |
| Papua New Guinea Smallholder Agriculture Development Project Effluent Study | 2014 | KM product |
| Social Protection Nonlending Technical Assistance | 2014 | TA (nonlending) |
| Papua New Guinea #10115 Implementing On-Site Supervision | 2014 | TA (nonlending) |
| Water and Sanitation Policy Development in Papua New Guinea | 2014 | TA (nonlending) |
| Papua New Guinea—ROSC Accounting and Auditing | 2015 | ESW |
| Costs of Crime and Violence in Papua New Guinea | 2015 | ESW |
| Education Public Expenditure Review Papua New Guinea | 2015 | ESW |
| Papua New Guinea Household Income and Expenditure Survey Analysis Support | 2015 | TA (nonlending) |
| Support the Development of Electrification Roll Out Plan | 2015 | TA (nonlending) |
| Papua New Guinea Economic Briefings FY13–14 | 2015 | ESW |

| Project Name | Approval FY | Product Line Name |
|--|------------------------|--------------------------|
| Programmatic Papua New Guinea Strategic Partnership Multidonor Trust Fund | 2015 | GPP |
| Resource Distribution and Benefit Sharing Research | 2016 | ESW |
| Papua New Guinea AAA—Health Sector Analytics | 2016 | ESW |
| Technical Assistance to the Implementation of Papua New Guinea Financial Competency Survey | 2016 | TA (nonlending) |
| Papua New Guinea Social Protection Nonlending Technical Assistance 2 | 2016 | TA (nonlending) |
| Papua New Guinea: Connectivity Analysis | 2016 | TA (nonlending) |
| 2nd DeMPA Papua New Guinea | 2016 | TA (nonlending) |
| #B020 Financial Services Development Strategy | 2017 | TA (nonlending) |
| Papua New Guinea Health Systems Strengthening Course | 2017 | TA (nonlending) |
| Papua New Guinea Performance and Learning Review | 2017 | CAS |
| Urban Safety in Port Moresby and Lae Papua New Guinea | 2018 | ASA |
| Papua New Guinea Health Programmatic AAA | 2018 | ASA |
| Support to Civil Society Organizations in Papua New Guinea | 2018 | ASA |
| Health Financing and Service Delivery | 2018 | ASA |
| Nutrition Education and Implementation | 2018 | ASA |
| Papua New Guinea—Debt Management Strategy and Sustainability | 2018 | TA (nonlending) |
| Papua New Guinea Systematic Country Diagnostic | 2018 | CAS |
| Papua New Guinea Economic Updates | 2018 | ASA |
| Core Rural Nonfarm Activities in Papua New Guinea | 2019 | Evaluation |
| Papua New Guinea: ICT Sector Development Technical Assistance | 2019 | ASA |
| Papua New Guinea Country Partnership Framework | 2019 | CAS |
| Papua New Guinea Nutrition Study | 2019 | ASA |
| Mainstreaming WaSH Development Planning and Implementation in District Development Authorities | 2019 | ASA |
| Papua New Guinea—Economic Updates | 2019 | ASA |
| Wind Power Resource Mapping: Papua New Guinea | 2020 | ASA |
| Public Financial Management Reform and Subnational Service Delivery Scoping Activity | 2020 | ASA |
| Just-in-time EEX Support | 2020 | ASA |
| Papua New Guinea—Economic Updates | 2020 | ASA |
| Papua New Guinea: Extractive Industries Accountability and Governance Enhancement | 2021 | ASA |
| Papua New Guinea—Programmatic Public Finance Review | 2021 | ASA |
| Papua New Guinea—Economic Updates | 2021 | ASA |
| Programmatic ASA in Health Sector 2018–21 | 2022 | ASA |
| Papua New Guinea: Accelerate SME Innovations and Finance | 2022 | ASA |
| Designing Child Nutrition and Social Protection Interventions in Papua New Guinea | 2022 | ASA |
| Papua New Guinea Country Economic Memorandum Regional ASA | 2022 | ASA |

| Project Name | Approval FY | Product Line Name |
|---|------------------------|--------------------------|
| Mapping Wind Resources in the Pacifics and Papua New Guinea | 2009 | Regional ASA |
| TA for EAP Nutrition | 2010 | Regional ASA |
| Sustainable Management through Reduced Risk from Disasters and Climate Variability in the Pacific Islands | 2010 | Regional ASA |
| Pacific Islands Regional Fisheries | 2011 | Regional ASA |
| FY12 Regional Biannual Briefs | 2012 | Regional ESW |
| Regional Results Based Financing Knowledge and Learning Grant for Papua New Guinea, Timor-Leste and the Solomon Islands | 2014 | Regional ASA |
| Pacific Hardship and Vulnerability Study | 2014 | Regional ASA |
| Service Delivery Assessments for EAP | 2015 | Regional ASA |
| Pacific Early Education Advisory Services (PEEAS) | 2015 | Regional ASA |
| EAP Jobs AAA Program | 2015 | Regional ASA |
| Appropriate Social Protection Policy in the Pacific Island Countries | 2015 | Regional ASA |
| Strengthening Local Capacity and Improving Project Implementation in the Pacific | 2016 | Regional ASA |
| EAP Aging Report | 2016 | Regional ASA |
| Preparation of the Pacific Regional Data Repository for Sustainable Energy for All (PRDR for SE4ALL) | 2017 | Regional ASA |
| Papua New Guinea and Samoa: Agriculture Sector Updates | 2017 | Regional ASA |
| Pacific Possible—Review of Key Long-Term Economic Opportunities for Small Pacific Island Countries | 2017 | Regional ASA |
| Solomon Islands Health TA/AAA | 2018 | Regional ASA |
| Poor Inclusive Development of Water and Sanitation in Papua New Guinea, Pacific Islands and Timor-Leste | 2018 | Regional ASA |
| Development Evaluation of the Australian Seasonal Worker Programme | 2018 | Regional ASA |
| Promoting Skills Development and Job Creation in East Asia | 2019 | Regional ASA |
| Improving Tourism Competitiveness for a Pacific Possible | 2020 | Regional ASA |
| 4P: Pacific Islands CRVS and ID Management | 2020 | Regional ASA |
| East Asia and Pacific: Gender and Energy Facility | 2021 | Regional ASA |

Source: Independent Evaluation Group.

Note: AAA = analytic and advisory activities; ASA = advisory services and analytics; CAS = Country Assistance Strategy; CRVS = civil registration and vital statistics; DeMPA = Debt Management Performance Assessment; EAP = East Asia and Pacific; EEX = energy and extractives; EI = extractive industry; ESW = economic and sector work; FY = fiscal year; GIIIF = Global Index Insurance Facility; GPP = global procurement partnership; ICT = information and communication technology; KM = knowledge management; ROSC = Report on the Observance of Standards and Codes; SME = small and medium enterprise; TA = technical assistance; WaSH = water, sanitation, and hygiene.

IFC Investment Operations and Advisory Services (2008–22)

The IFC portfolio in Papua New Guinea between 2008 and 2022 consists of 14 investment operations and 26 relevant client-facing advisory services projects. IFC committed US\$375 million to support 14 investment operations with a total project size of US\$1.2 billion between FY08 and FY22. Actual IFC net commitment for this portfolio was US\$291 million. Of the 14 investment operations projects, 10 (71 percent) are closed

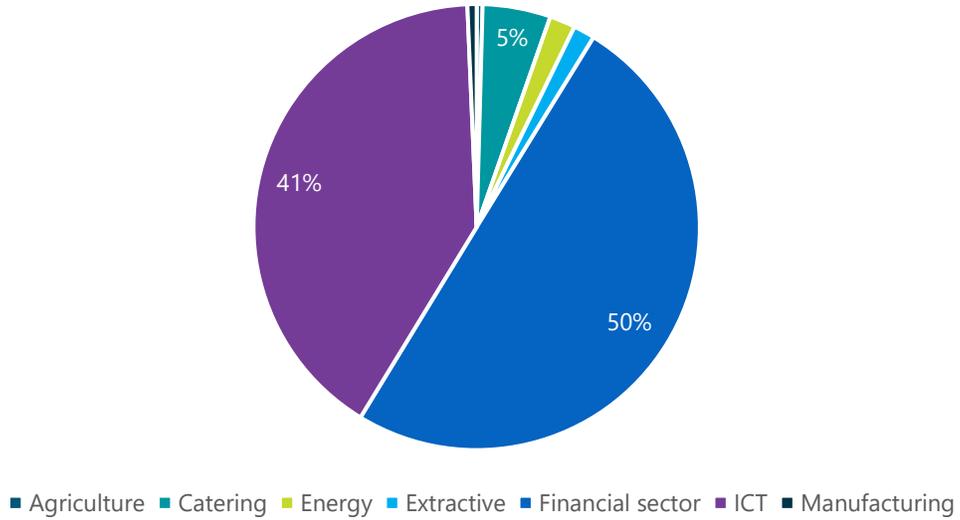
and 4 (29 percent) are active. About half of the investments are loans, and the other half are equity investments or a mix, while there is also a risk-sharing facility in the microfinancing sector. Three of the mature investment projects have been evaluated by the Independent Evaluation Group. Most of IFC's investment commitments were made before 2015. No new investment commitments were made after 2018. IFC also provided US\$48.5 million on eligible advisory services projects. Of the 26 advisory services projects, 16 (62 percent) are closed and 10 (38 percent) are still active. Seven of the advisory services projects have been evaluated and validated by the Independent Evaluation Group.

For the main part of the evaluation period, half of the IFC investment portfolio was investments in the financial sector (half of all investments). The original IFC commitments for the financial sector were US\$223 million, representing 50 percent of all original commitments (figure B.2). Actual net commitments are roughly one-half of the original commitments. This focus on the financial sector is particular to Papua New Guinea because, usually, IFC investments in fragility, conflict, and violence-affected countries tend to be for infrastructure, not for financial sector investments.

Another focus area for IFC investment and advisory services has been information and communication technology and telecommunications investments. One-third of the IFC portfolio in investment terms (32 percent) was dedicated to information and communication technology and telecommunications; 11 percent of advisory services were dedicated to support expanded cellular coverage (figure B.3). IFC provided an information and communication technology investment with an original and net commitment for US\$40 million and an investment in telecommunications with an original commitment of US\$80 million and net commitment of US\$101.2 million.

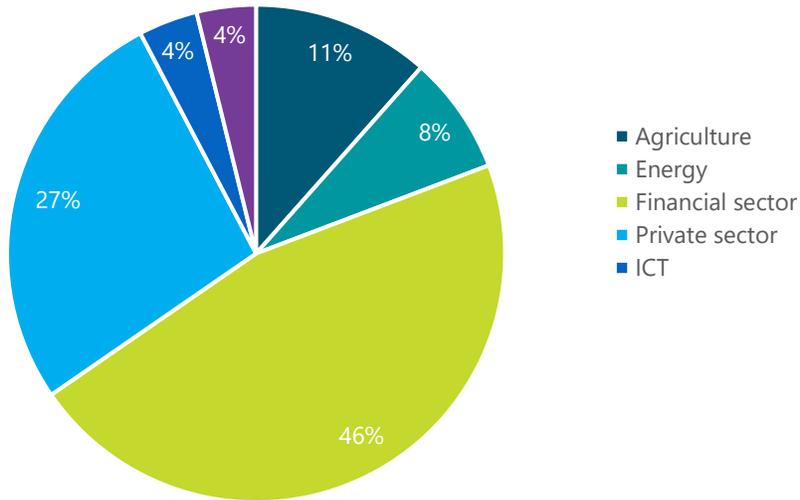
There was very little investment by IFC in other focus areas. IFC had only one investment operation (a guarantee and risk-sharing facility) in agriculture to support a leading Papua New Guinea coffee company. IFC committed US\$3 million in working capital in the form of an unfunded single asset risk-sharing facility. Only one single loan investment was dedicated to specializing in power generation supply and assembly to fund the client's capital expenditure program. This loan was ultimately canceled. IFC had one equity investment operation in the extractive sector with an original commitment of US\$18.3 million and a net commitment of US\$17.5 million. Approved in 2015, this was an equity investment to promote exploration for oil and gas. It was IFC's first investment in the oil and gas sector in Papua New Guinea. IFC expected that partnering with a junior company at the exploration stage would allow IFC to establish robust environmental, social, and transparency standards early on and provide guidance in these areas as the company moved along the gas value chain. It also enabled IFC to set standards in a relatively young industry.

Figure B.3. International Finance Corporation Investment Services by Sector and Total International Finance Corporation Commitments in Papua New Guinea



Source: Independent Evaluation Group.
 Note: ITC = Information and Communications Technology

Figure B.4. International Finance Corporation Advisory Services by Sector and Number of Projects in Papua New Guinea



Source: Independent Evaluation Group.
 Note: The private sector segment of this graph contains investment climate strategy, regulatory simplification, commercial mediation, small and medium enterprise tax simplification, women in business, small and medium enterprise competitiveness, and Papua New Guinea consumer protection. ITC = Information and Communications Technology

Table B.3. International Finance Corporation Investments in Papua New Guinea, Fiscal Years 2008–22

| Project Name | Approval Year | Primary Sector Name | Project Size | Original Commitment (IFC Balance) | Net Commitment (LN+QL) | Net Commitment (EQ+QE) | Net Commitment (GT) | Total Net Commitment (LN+EQ+GT) |
|-------------------------------|---------------|---------------------|--------------|-----------------------------------|------------------------|------------------------|---------------------|---------------------------------|
| Digicel Papua New Guinea | 2008 | ICT | 162.2 | 40.0 | 40.0 | — | — | 40.0 |
| Kula Fund II | 2009 | Financial sector | 22.0 | 4.0 | — | 4.0 | — | 4.0 |
| KK Kingston | 2010 | Manufacturing | 7.8 | 3.9 | — | 3.9 | — | 3.9 |
| Digicel Papua New Guinea II | 2010 | Telecom | 315.2 | 80.0 | 101.2 | — | — | 101.2 |
| Papua New Guinea Micro RI | 2010 | Financial sector | 185.0 | 0.2 | — | 0.2 | — | 0.2 |
| BSP Debt Equity | 2010 | Financial sector | 140.0 | 83.9 | — | 53.3 | — | 53.3 |
| Papua New Guinea SME RSF | 2011 | Financial sector | 64.0 | 10.7 | — | — | — | — |
| Kongo Coffee | 2012 | Agriculture | 5.0 | 3.0 | — | — | 0.008 | 0.008 |
| BSP GF | 2013 | Financial sector | 66.1 | 65.1 | — | — | 11 | 11.0 |
| BSP Senior Loan | 2014 | Financial sector | 80.0 | 30.0 | 30.0 | — | — | 30.0 |
| AES (Papua New Guinea) | 2013 | Energy | 22.0 | 4.0 | — | — | — | Canceled |
| NCS Holdings Papua New Guinea | 2015 | Catering | 58.0 | 2.0 | — | — | — | Canceled |
| Transform Equity | 2015 | Extractive | 18.3 | 18.3 | — | 17.5 | — | 17.5 |
| BSP Papua New Guinea A Loan | 2017 | Financial sector | 30.0 | 30.0 | 30.0 | — | — | 30.0 |

Source: International Finance Corporation management.

Note: AES = Avenell Engineering Systems; BSP = Bank of South Pacific; EQ = equity; GT = guarantee; ICT = information and communication technology; IFC = International Finance Corporation; LN = loan; QE = quasi-equity; QL = quasi-loan; RSF = risk-sharing facility; SME = small and medium enterprise; Telecom = telecommunications; — = not available.

Table B.4. International Finance Corporation Advisory Services in Papua New Guinea, Fiscal Years 2008–22

| Project Name | Focus | Implementation Start FY | Implementation End FY | Primary Business Area | Total Funds Managed by IFC (US\$, millions) |
|--|------------------|--------------------------------|------------------------------|------------------------------|--|
| Institutional Building for Papua New Guinea Microfinance Limited (PML) | Financial sector | 2008 | 2011 | FAM | 1.8 |
| Pacific Financial Markets Infrastructure | Financial sector | 2008 | 2012 | FAM | 1.61 |
| GTFP—In-house Training for BSP in Papua New Guinea | Financial sector | 2008 | — | FAM | — |
| Papua New Guinea Country SEZ Strategy | Private sector | 2009 | 2011 | TAC | 0.37 |
| Papua New Guinea Regulatory Simplification and Investment Policy and Promotion Project | Private sector | 2009 | 2016 | — | 3.01 |
| DigicelPNG | Telecom | 2011 | 2012 | MAS | 0.36 |
| ECOM Coffee Papua New Guinea | Agriculture | 2011 | 2012 | ESG-ESS | 0.39 |
| BSP Rural Electronic Banking and Mobile Money Project | Financial sector | 2011 | 2015 | FIG | 1.46 |
| Papua New Guinea Commercial Mediation | Private sector | 2012 | 2014 | TAC | 0.64 |
| Pacific Payment Systems | Financial sector | 2013 | 2022 | REG | 8.57 |
| Lighting Papua New Guinea Extension | Energy | 2013 | 2019 | FIG | 3.45 |
| Pacific Women in Business Program | Private sector | 2014 | 2020 | EPS-Gen | 5.11 |
| Agribusiness Papua New Guinea | Agriculture | 2014 | 2019 | MAS | 3.24 |
| Regional Westpac Mobile Banking Project | Financial sector | 2014 | 2018 | FIG | 1.54 |
| Papua New Guinea SME Tax Simplification | Private sector | 2015 | 2020 | EFI | 2.23 |
| Pacific Renewable Energy Generation Project | Energy | 2015 | 2021 | INR | 3.31 |
| Papua New Guinea and Fiji Capital Markets Development | Financial sector | 2018 | 2022 | REG | 2.45 |
| Papua New Guinea Tourism Project | Tourism | 2018 | 2020 | MAS | 1.49 |
| Papua New Guinea Consumer Protection Project | Private sector | 2018 | 2023 | REG | 1.46 |
| BSP E&S Technical Assistance Advisory | Financial sector | 2018 | 2020 | FIG | 0.11 |
| Papua New Guinea SME Competitiveness Project | Private sector | 2019 | 2023 | REG | 1.92 |
| Kina Bank Papua New Guinea—AS Technical Assistance | Financial sector | 2019 | 2022 | FIG | 2.00 |
| Papua New Guinea Cassava Starch Production | Agriculture | 2020 | 2023 | MAS | 2.57 |
| Pacific Infrastructure Finance Platform | Financial sector | 2020 | 2023 | REG | 1.15 |

| Project Name | Focus | Implementation Start FY | Implementation End FY | Primary Business Area | Total Funds Managed by IFC (US\$, millions) |
|--|------------------|--------------------------------|------------------------------|------------------------------|--|
| MoniPlus Papua New Guinea Business Transformation Technical Assistance | Financial sector | 2020 | 2022 | FIG | 1.20 |
| Papua New Guinea Comprehensive Credit Reporting | Financial sector | 2020 | 2023 | FIG | 0.52 |

Source: International Finance Corporation management.

Note: AS = advisory services; BSP = Bank South Pacific; EFI = Equitable Growth, Finance, and Institutions; EPS-Gen = Environment, Social, and Governance (General); ESG = Environment, Social, and Governance; ESG-ESS = Environment, Social, and Governance (Sustainability Advisory); E&S = environmental and social; FAM = Financial and Markets; FIG = Financial Institutions Group; FY = fiscal year; GTFP = Global Trade Finance Program; IFC = International Finance Corporation; INR = Infrastructure; MAS = Manufacturing, Agribusiness, and Services; REG = Regional Advisory; SEZ = special economic zone; SME = small and medium enterprise; TAC = Trade and Competitiveness; Telecom = telecommunications; — = not available.