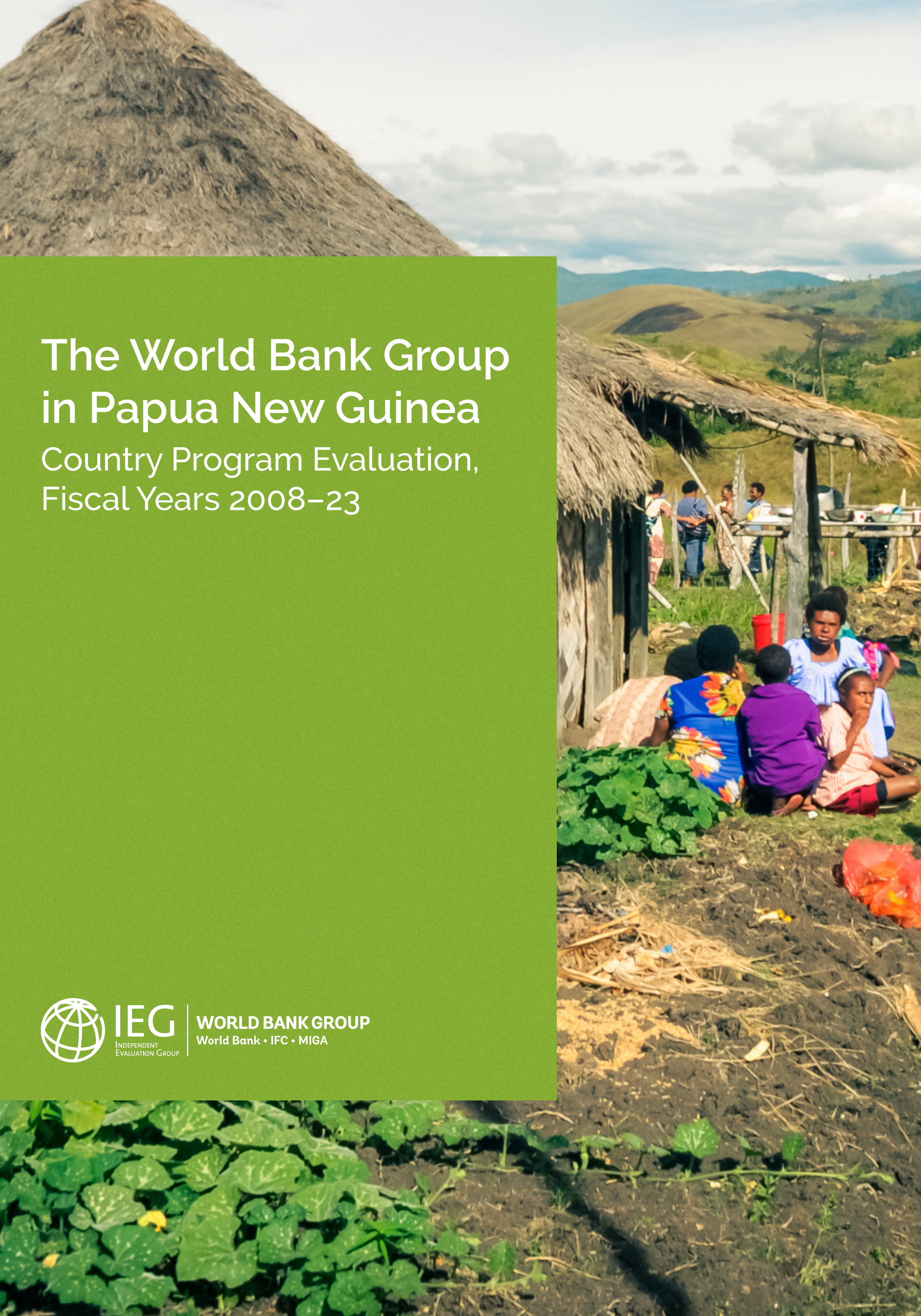

The World Bank Group in Papua New Guinea

Country Program Evaluation, Fiscal Years 2008–23

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The World Bank Group in Papua New Guinea

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February 28, 2024

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Abbreviations

BSP	Bank South Pacific
CAS	Country Assistance Strategy
CDD	community-driven development
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
DFAT	Department of Foreign Affairs and Trade
DPO	development policy operation
FCV	fragility, conflict, and violence
FY	fiscal year
GBV	gender-based violence
ICT	information and communication technology
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
LNG	liquefied natural gas
MSME	micro, small, and medium enterprise
PPAP	Productive Partnerships in Agriculture Project
RRA	Risk and Resilience Assessment
SCD	Systematic Country Diagnostic
SME	small and medium enterprise
SOE	state-owned enterprise
UN	United Nations
UYEP	Urban Youth Employment Project

All dollar amounts are US dollars unless otherwise indicated.

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Overview

Background and Country Context

This Country Program Evaluation assesses the relevance and effectiveness of World Bank Group support to Papua New Guinea between fiscal year (FY)08 and FY23. The assessment covers Bank Group support over three country strategy periods as guided by the Country Assistance Strategy for FY08–11, the Country Partnership Strategy for FY13–16, and the Country Partnership Framework for FY19–23. The evaluation examines the relevance of the evolution of the Bank Group–supported strategy, draws lessons from experience, and assesses three core themes that are critical for achieving development effectiveness as identified in the World Bank's Systematic Country Diagnostic (SCD) and in the literature more broadly. The three themes are growth in the nonextractive sector; gender equity; and fragility, conflict, and violence (FCV). The assessment starts after an interruption in World Bank–client relations in the mid-2000s caused mainly by noncompliance within a forestry sector loan. The World Bank contributed an average of 9 percent of total official development assistance over the evaluation period, and the Australian government and the Asian Development Bank together contributed about 70 percent.

Papua New Guinea has abundant natural resource wealth, but this wealth has not translated into welfare gains for most citizens. Although resource sector development, associated infrastructure spending, and high commodity prices have spurred growth, the resource sector accounts for a negligible share of employment and has not distributed local welfare benefits. Boom and bust cycles have contributed to macroeconomic and fiscal volatility that, coupled with weak fiscal management, has led to equally volatile public spending on service delivery. There is little investment in nonextractive sectors, such as agriculture, and no growth in the share of nonagricultural jobs—a key indicator of economic transformation (Howes and Pillai 2022). Growth is stymied by an overvaluation of the currency (the kina) achieved through rationing foreign exchange that dampens investment, diminishes productivity, and increases export costs. High levels of insecurity, the inhospitable terrain and poor infrastructure, and low human capital further contribute to the high cost and lack of competitiveness in the nonresource sectors. State-owned enterprises with poor service delivery and high debt have crowded out private sector activity (IMF 2022).

Political fragmentation, a diverse sociocultural political economy, and dependence on extractives have contributed to intense competition among political elites, political instability, and institutional weakness. Papua New Guinea has been a democracy since independence in 1975. However, 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. Elites and other vested interests demand rents and other economic concessions in exchange for political support. This—together with unstable parties and a lack of coherent political agendas—has led to political fragmentation and limited expenditure focus and control. Votes of no confidence are a major mechanism driving the fragmentation of parliament. As a result, long-term policy making is difficult, and the interests of large portions of the population remain unserved. The resulting environment of weak institutions and weak enforcement of law and order thus facilitates the proliferation of corruption and rent-seeking behavior.

Inclusive growth has been elusive, especially for women and youth. Papua New Guinea's rugged geography and resulting cultural diversity make central government functions difficult. The country consists of a main island and 600 offshore islands with a population of 600 tribes that speak about 800 languages (Jackson and Standish 2023). A 1995 Organic Law and its amendments instituted a model of decentralization, but Papua New Guinea's largely top-down process has not established mechanisms for accountability and participation and does not leverage the latent dynamism anchored in its women and youth. About 67 percent of the population is under age 35, and urban youth are a growing proportion of the population. Urban youth, particularly, are disenfranchised and excluded from formal employment—factors that push them into the competitive informal sector and make them prone to crime (World Bank 2019b, 2020a). Women are central to kina livelihoods, but legal impediments and social norms prevent them from accessing economic opportunities that are often at a distance from home or within professions considered the preserve of men. Significant barriers to women's political participation are evident in the low number of women in leadership. Extremely high levels of gender-based violence (GBV) perpetuate barriers to economic participation. Papua New Guinea has one of the highest rates of GBV globally: two-thirds of women have experienced GBV and 50 percent sexual assault (Sardinha et al. 2022).

The limited reach and poor condition of the country's transportation network isolates large swaths of the population from markets, income earning opportunities, and services. Papua New Guinea has a series of unconnected road networks focused mainly within provinces, with little or no connectivity to the capital, and the condition of many of these national and provincial roads has deteriorated, imposing significant costs on the economy and society. In addition, alternative marine and air transport options are limited and expensive. Significant institutional and political factors undermine transport infrastructure, connectivity, and related welfare outcomes. These factors include strong political incentives to build rather than maintain roads and an unwillingness to safeguard road maintenance funding (leading to a vicious cycle of build-neglect-rebuild).

A complex set of fragility, violence, and disaster drivers and risks undermines inclusive and sustainable growth. Compounding and interrelated risks involving the interplay between violence, conflict, disasters, institutional fragility, and governance limit human capital development and constrain investment and growth severely. The country's ethnic and cultural diversity and the remoteness of its communities have thwarted national conflict, but local ethnic conflicts and rising numbers of underemployed youth fuel violence daily. Such daily violence affects women disproportionately because of the character of gendered relations that reinforce men's dominance. In urban areas, ethnic identities (among other factors) emerge as fault lines for new kinds of violence. Intertribal conflict, especially in the highlands, and interpersonal violence remain high and, by some metrics, higher than at the start of the evaluation period and more deadly because of the spread of modern high-powered arms (IHME 2019). Papua New Guinea also faces disaster and climate risks that it is ill-equipped to manage. Slow disaster response, such as after the 2018 earthquake, exacerbates preexisting grievances and multiplies violence risks (World Bank 2018b).

Severe data limitations have undermined sound policy making and effective programming. The World Bank's 2018 SCD cited the challenges to effective programming associated with outdated or nonexistent censuses, household, and other survey data and the lack of timely macroeconomic data. Data deficiencies have resulted in significant shortcomings in population estimates and in the level of poverty and have prevented effective targeting for service delivery, especially in rural areas.

Strategy Evolution

Bank Group–supported country strategies have become more relevant by building on long-standing relationships in core sectors while increasingly taking some risk to cover key development gaps in new sectors. The Bank Group effectively rebuilt its engagement with Papua New Guinea by focusing on transport, information and communication technology, and agriculture—three sectors in which the Bank Group had long-standing engagements and could generate goodwill. Over time, the relevance of its engagement has increased through decisions to address key development challenges identified in the SCD, especially health and social protection. To address these issues, the World Bank has had to engage in new sectors in which relationships and capacity are being tested. Risk mitigation efforts have involved conducting programmatic advisory services and analytics (some of which have been done in partnership with the government of Australia) before lending. Because of weak demand, earlier country strategies in Papua New Guinea paid limited attention to human capital development, despite lagging progress on malnutrition—especially for women and children—and stunted growth in children.

The World Bank has also increasingly leveraged its multilateral position and technical expertise to achieve more meaningful complementarities. During the evaluation period, the Bank Group provided about 9 percent of official development assistance, compared with 70 percent provided by the Australian government and the Asian Development Bank combined. Reflecting its status as a relatively small development partner in financial terms, the Bank Group's role evolved from one focused on delivering services in core sectors (such as transport and agriculture) to leading by demonstrating innovative technical approaches that others are replicating and by leveraging co-financing to achieve complementary donor aims.

However, decisions on the scope of Bank Group engagement have not always been based on an assessment of what is feasible and measurable. To achieve country strategy aims, a better sense of realism was needed about what could be achieved and measured, considering limited state capacity. The 2019 Country Strategy of the International Finance Corporation (IFC) depended heavily on reforms (including state-owned enterprise reforms) that exceeded the country's reform capacity. Funded mostly by external donors, the effectiveness of the IFC advisory services program was partially undermined by donors' desires for expedient disbursements and ambitious activity objectives that exceeded client capacity.

Data scarcity has been a major constraint in setting feasible and measurable objectives and in determining scope. As noted in the SCD (World Bank 2018a), many statistical indicators considered standard in other parts of the world are either not prepared or are produced so irregularly or with poor quality that their usefulness is limited. For example, historically, basic questions such as whether national sector expenditure, workforce, or infrastructure have increased or decreased in recent years could not be answered. This jeopardizes the quality and feasibility of key activities such as planning, policy development, monitoring, and evaluation that require timely and reliable data.

Performance and Implementation

Bank performance in the early part of the evaluation period was less than satisfactory, but it has improved over time. Strategy implementation was challenging because of weak government capacity for financial and contract management, procurement, auditing, and safeguards in central or implementing agencies and insufficient counterpart funding. The World Bank also at times underestimated capacity and implementation constraints.

The Bank Group has overcome some engagement challenges by adapting to the country context, whereas other key issues that undermine development effectiveness remain.

- More effective support has been associated with high-frequency, low-intensity engagement (efforts likened to "lacquering a bowl") by layering advice and support, not going too quickly, and never letting the engagement cool. This includes staff efforts to build personal relationships over time with clients in ways that help staff navigate patronage dynamics and identify appropriate entry points. Layering institutional analyses and technical fixes to address patronage dynamics over time, such as using performance-based approaches in the road sector, is showing promise. Other efforts featuring low-frequency, high-intensity support provided in short bursts have been less effective.

- The World Bank increased technical staff presence significantly in the region and country in ways that potentially allow programs to be grounded better in an understanding of context and the client. For example, the resident mission maintained modest staffing during the first half of the evaluation period, but it has recruited several international and local technical experts in the country, including through using extended-term consultants.

- However, the short duration of postings for international technical staff (because of the FCV nature of the environment) has limited opportunities for staff to build meaningful client relationships to support medium- to longer-term reforms. Using a regional hub has provided important continuity in some cases. A lack of continuity in IFC's staff presence and the COVID-19 pandemic has also affected deal flow.

- The high cost of operating in Papua New Guinea has affected engagement and supervision capabilities negatively, and solutions to navigate this constraint more effectively, such as linking more granular security analysis to operational decision-making, are not forthcoming. These high operating costs are caused by security constraints and high prices for logistics, goods, and services.

- A shift in the World Bank's approaches has sometimes overcomplicated the engagement with authorities and risked overwhelming client capacity. Delays and project failures have sometimes been associated with introducing international or regional best practices without paying adequate attention to how to adapt these approaches to local institutional capacity (for example, in tourism and community-driven development). The introduction of four different agriculture project designs also overcomplicated engagement because each focused on a different or expanded set of commodities or livestock, and each had new institutional requirements.

Growth in Nonextractive Sectors

Several constraints undermine Papua New Guinea's nonextractive growth aims. Among others, these include governance challenges that impede policy reform, weak institutions, the lack of kina convertibility, poor transport infrastructure that constrains access to markets and services, underinvestment in agriculture, a lack of competition, and security.

The World Bank and the International Monetary Fund cited the overvaluation of the kina as constraining growth in the nonextractive sectors and called for a gradual relaxation in exchange rate restrictions. The lack of kina convertibility poses a substantial barrier to growth in the nonextractive sectors. The overvaluation of the kina has led to a rationing of foreign exchange that dampens investment and undermines productivity. The International Monetary Fund approved a $918 million arrangement, which included measures to reform the foreign exchange regime. Analytical work on the costs and distributional effects of the overvaluation across populations and sectors was only recently conducted. The World Bank provided a (qualitative) assessment of cost of overvaluation for the economy and argued for more flexibility and convertibility, most vocally, in the recent Country Economic Memorandum (July 2023). The paucity of reliable and up-to-date data—referred to and highlighted throughout this report—significantly limits the ability to conduct a meaningful distributional analysis.

The World Bank's attempt to use budget support for fiscal and public management reforms was unsuccessful. The World Bank's first development policy operation (DPO) in Papua New Guinea in two decades, in FY19, sought to improve revenue performance and public financial management. However, political fragmentation and an unpredictable policy environment limit the government's ability to credibly commit to policy reforms, particularly policies that constrain spending. This makes a DPO's probability of success very low and the risk that medium- to longer-term policy reforms will not be sustained high. The DPO failed to adequately identify and mitigate risks related to the government's inability to implement reforms, contributing to the DPO's failure to meet its objectives. Along with this, poor design of results indicators and a lack of provision for gathering data led to a moderately unsatisfactory rating for Bank performance.

The World Bank is testing new forms of performance-based contracts to overcome the culture of a lack of maintenance and build-neglect-rebuild approach to road assets, which undermine road quality and connectivity outcomes. The World Bank rehabilitated key segments of national, provincial, and feeder roads effectively. However, because of deeply embedded patronage dynamics contributing to investment in road construction rather than road maintenance, by 2018, there were fewer roads in good condition and more roads in poor condition than in 2008. To address the lack of funding for maintenance that undermines sector performance, the World Bank has been successfully testing a performance-based implementation pilot that builds the cost of road maintenance into the life cycle of road rehabilitation contracts. Although the results are good at the highway level, the government and donors need to internalize and scale the approach to contribute to wider country outcomes.

A lack of competition has undermined efforts to achieve inclusive growth in key nonextractive infrastructure sectors. The Bank Group (IFC and the World Bank) contributed to a significant increase in information and communication technology infrastructure, but without successfully supporting enhanced market competition, penetration remains limited and costs exorbitantly high. Similarly, a lack of competition in the banking sector has constrained small and medium enterprises' access to finance—a core goal of IFC during the evaluation period.

The World Bank effectively supported an alternative service delivery model in the agriculture sector that increased incomes for smallholders, but more could have been done to address resilience risks. Between 2008 and 2020, the government and the World Bank focused on growing cash crops for export, which was the theme of the Productive Partnerships in Agriculture Project that also increased the incomes of cocoa and coffee farmers. The project was innovative in introducing a parallel service delivery model that linked farmers to lead partners who could aggregate, buy, and sell to exporters. It also critically rehabilitated market access roads (though maintenance is a challenge). Other donors have since replicated the model. Although the project helped cocoa farmers replant after a devastating pest outbreak, it did not address the coffee borer pest outbreak effectively. Until the recent approval of the Child Nutrition and Social Protection Project in June 2022, the focus on nutrition has been insufficient, considering the country's issues with severe malnutrition—especially in women and children—and stunted growth in children. IFC's agribusiness work in Papua New Guinea has also been limited, with modest results.

Gender and Gender-Based Violence

The World Bank relevantly approached gender equality as smart economics, applied through culturally appropriate family and community-based models, but more evidence is needed about what works to achieve gender-related outcomes in different contexts. The Bank Group's focus on gender deepened over time by using analytics to show the economic benefits of women's empowerment, thus giving gender issues more traction in economic sectors such as agriculture and transport. The World Bank relevantly rolled out a smart economics approach to gender equality through a culturally appropriate engagement model that sensitizes family and community to the household benefits of improving women's labor opportunities. Tested in the agriculture sector, the engagement model reportedly helped increase women's agency but mainly in matrilineal versus patrilineal areas, and results were hard to validate. Other sector efforts to employ women safely by using different implementation models also faced challenges.

IFC led the way in demonstrating how to address GBV in the workplace directly. IFC has helped clients develop guidance, build coalitions, provide training, and establish safe houses and showed early results in the form of increased productivity and cost savings in firms that adopted and followed GBV policies. This engagement has been foundational for IFC's work on gender. IFC has replicated the model elsewhere in the region, and it is shaping IFC's approach to performance standards on GBV overall.

The World Bank has addressed the risks of GBV through safeguards at the project level but has not articulated a country engagement approach. The World Bank has identified and mitigated GBV risks through safeguards at the project level. However, the World Bank's guidance on sexual exploitation and abuse and sexual harassment is focused on a narrow set of risks that exclude the wider spectrum of coercion and psychological and physical violence experienced by GBV victims in Papua New Guinea. The safeguard approach is also not designed to identify opportunities and tackle trade-offs at the portfolio level, in collaboration with partners. For example, opportunities and trade-offs are inherent in promoting job creation for women across different sectors and in different sociocultural contexts that are linked to GBV risks.

Fragility, Conflict, and Violence; Disaster; and Climate Drivers and Risks

Strategies have identified compound and interrelated FCV, disaster, and climate change risks, but country engagement has not addressed them adequately. Compounding and interrelated risks of institutional fragility, conflict, violence, natural disasters, climate change, and governance challenges erode development gains by limiting human capital development and constraining investment and growth. These interrelated drivers of fragility and risks were highlighted in the Risk and Resilience Assessment and the SCD but were not adequately integrated into the Bank Group's engagement strategy, including as part of an adaptive management approach. The Bougainville situation (characterized by high levels of fragility as the autonomous region seeks to achieve full independence) is testing the World Bank's ability to balance client relations with the need to sustain development gains in contested spaces. Contrary to the Risk and Resilience Assessment guidance, the World Bank has significantly reduced its engagement from Bougainville in ways that do not align with FCV strategy aims to stay engaged and prevent conflict. The World Bank's youth employment programs targeted drivers of urban crime and violence, but causal links among skills development, job placement, and crime reduction are not evident. The intractable and rising challenge of urban violence will require redress through multiple security, justice, and social reforms that exceed the youth employment programs' labor market incentives.

These findings yield the following lessons to inform the next Country Partnership Framework.

1. Data gaps need to be addressed to inform sound policy making and effective programming in Papua New Guinea. Using data has helped the World Bank engage in previously neglected sectors, such as health (tuberculosis) and nutrition (maternal, newborn, and child health and stunted growth in children), and on sensitive issues, such as gender equality. Yet a lack of timely economic and social data, especially household survey data, continues to undermine strategic decision-making and program targeting.

2. Declining governance quality and increasing bilateral aid will require the World Bank to reassess how it supports key policy reforms to achieve development impact, including through using DPOs. Coupled with the World Bank's limited leverage in relation to other key donors, Papua New Guinea's insufficient political capability to credibly commit to sustained policy reform is at the heart of the matter, particularly policies that constrain government spending and promote inclusive growth.

3. The Bank Group could elevate its impact on gender equality and GBV by shifting from a project-centric approach to a strategic country engagement approach. This will require assessing and sharing information better about the effectiveness of its different approaches to gender integration and GBV (including across sociocultural contexts) both internally and as part of wider country dialogue with clients and donor partners. The Bank Group has developed entry points on gender equality and GBV that clients accept, so it is appropriate and timely for the Bank Group to identify opportunities and address trade-offs more strategically at the country engagement and portfolio levels. Country-based staff with gender and GBV expertise will be critical for ensuring a more strategic approach to gender, as IFC's effective advisory experience has shown.

4. The negative effects that compound and interrelated risks pose to achieving development aims need to be addressed more comprehensively. Relevant staff need to understand the interrelated drivers of fragility and risks examined in the Risk and Resilience Assessment and the SCD, and those drivers should be integrated into strategy and portfolio decision-making as part of an adaptive management approach and appropriate analysis available to relevant staff. The World Bank can also address these risks in

Bougainville by staying engaged so it can continue to build on past sector experiences that focused on strengthening social and economic resilience that also had a strong gender focus.

1 | Background and Country Context

This Country Program Evaluation assesses the development effectiveness of the World Bank Group's support to Papua New Guinea between fiscal year (FY)08 and FY22. The assessment covers World Bank and International Finance Corporation (IFC) support over three country strategy periods as guided by the Country Assistance Strategy (CAS) for FY08–11, the Country Partnership Strategy (CPS) for FY13–16, and the Country Partnership Framework (CPF) for FY19–23. The assessment period starts after an interruption in World Bank lending and breakdown in World Bank–client relations in the mid-2000s caused mainly by noncompliance with legal covenants and national forest legislation within a forestry sector loan (World Bank 2005). The Bank Group was a relatively small but important donor throughout the evaluation period because of its multilateral nature. The World Bank contributed an average of 9 percent of total official development assistance over the evaluation period, and the Australian government and the Asian Development Bank together contributed about 70 percent.

Country Context

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 (Howes et al. 2019). Resource sector development—including associated infrastructure spending—and high commodity prices have enabled an average annual GDP growth of 5 percent between 2005 and 2019. Yet this high average annual growth masks extreme macroeconomic and fiscal volatility that, coupled with weak fiscal management, has led to equally volatile public spending on social programs and service delivery. This has affected poor rural citizens disproportionately, especially women. No current measures of monetary poverty are available, but it is estimated that about three-quarters of the population live in multidimensional poverty. Although Papua New Guinea has abundant natural capital, it has low human capital. According to the World Bank's Human Capital Index, a child born in 2020 can expect to achieve only 43 percent of their potential productivity. Stunted growth in children under five years is the fourth highest globally (World Bank 2021a).

Papua New Guinea's political fragmentation, diverse sociocultural political economy, and dependence on extractives have contributed to intense competition among political elites, political instability, and institutional weakness. Papua New Guinea has been a democracy since independence in 1975. However, 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. Elites and other vested interests demand rents and other economic concessions in exchange for political support. This—together with unstable parties and a lack of coherent political agendas—has led to political fragmentation and limited expenditure focus and control. Votes of no confidence are a major mechanism driving the fragmentation of parliament. As a result, long-term policy making is difficult, and the interests of large portions of the population remain unserved. The resulting environment of weak institutions and weak enforcement of law and order thus facilitates the proliferation of corruption and rent-seeking behavior.

Declining governance also poses risks for sound policy making. Papua New Guinea's Country Policy and Institutional Assessment scores have shown a steady decline over the past decade. Most indicators have deteriorated, but the decline is especially pronounced in cluster D: Public Sector Management and Institutions, indicating an overall deterioration in governance quality. This is driven, for example, by the fact that the auditor general's office is financially dependent on the Department of Treasury while its audits are often delayed. Increasing debt distress, the current monetary policy, and election violence have depressed the Country Policy and Institutional Assessment scores even more. Weaknesses in the independence of the auditor general and the overall governance deterioration pose increasing risks for budget support financing.

Severe data limitations also undermine policy, planning, and effective targeting. Many statistical indicators considered standard in other parts of the world are either not prepared or are produced so irregularly or with poor quality that their usefulness is limited. The World Bank's 2018 Systematic Country Diagnostic (SCD) highlighted the National Statistical Office's insufficient resources and technical capacity to carry out a comprehensive program of national statistics, citing outdated or nonexistent censuses, household, and other survey data and the lack of timely macroeconomic data. During the evaluation period, the United Nations (UN) recalculated the population size, drawing previous population estimates into question. A 2020 national estimation based on growth rates using Papua New Guinea's 2011 census (itself considered unreliable) estimated the population at 8.9 million people. A UN Population Fund exercise conducted in 2022 using Earth observation data suggested that the population is approximately 12 million—a 33 percent increase over a decade. These data deficiencies have resulted in significant gaps in the understanding of average living standards and other welfare estimates, complicating efforts to deliver services effectively to those who need them the most.

Nonextractive Growth

Nonextractive growth is critical for achieving sustainable development gains, but it represents a declining share of GDP, and underinvestment in nonextractive sectors is severe. From an average annual rate of 6.2 percent between 2008 and 2012, nonresource real GDP growth averaged just 1.8 percent between 2013 and 2019 and 1.9 percent between 2019 and 2022 during and after the global pandemic (IMF 2022). This performance is associated with low levels of investment in the nonresource sector and a weak link between the resource and nonresource sectors. The resource sector's enclave nature means that a boom in resources does not necessarily translate into growth in the nonresource sector. Overvaluation of the currency (the kina) and the significant state-owned enterprise (SOE) sector that crowds out the private sector while delivering poor services and accumulating debt have also undermined nonextractive growth (IMF 2022). Key labor-intensive sectors with potential to drive nonextractive growth include agriculture and agribusiness and fisheries, among others.

Agriculture is the backbone of the nonextractive economy, but the sector is underperforming severely amid high and persistent rates of malnutrition and stunted growth in children. Agriculture accounts for about 22 percent of the nation's GDP and 26 percent of its exports (World Bank 2022b). Eighty percent of the population live in rural areas, and farming supports approximately 85 percent of the rural population (World Bank 2022b). This includes a large smallholder population that relies on a mix of cash crops and subsistence farming for food and income. Coffee production has been the most important part of the rural economy, accounting for 30 percent of the labor force and providing income for more than 2 million people. It is also a key source of government revenue. Yet underinvestment in production (for example, replanting, pruning, and pest management), processing, and market access have undermined the productivity of key commodities: coffee, cocoa, and coconut (Benny et al. 2022). For oil palm (Papua New Guinea's largest cash crop), inefficiencies are mainly associated with institutional issues and a need to ensure that local communities surrounding the oil palm plantations benefit. Staple food crop production, which is critical for poverty reduction, has received less attention from both the government and donors, despite high and persistent rates of malnutrition and stunted growth in children. There has been very little investment to help farmers bring traditional staple crops to market, including support for services, storage, processing, and transport facilities. Customary land challenges (97 percent of all land is customary) and lack of access to credit also constrain the sector.[1]

Poor infrastructure, low access to electricity, limited access to finance, and tenure challenges (for land-based activities) constrain private sector development. The limited reach and poor condition of Papua New Guinea's road network isolate large swaths of the population from markets, income, and services, imposing significant costs on the economy (DOWH 2018). In addition, the high costs of domestic air and sea freight shipping allow international trade to outcompete domestic trade. These factors, together with poor export capacity, constrain farmers' ability to get products to domestic and international markets. Papua New Guinea's mobile phone and internet penetration has been increasing because of investments in telecommunication infrastructure,[2] but users pay some of the highest costs in the world because of the nature of the telecommunications market (one company holds a 92 percent market share).[3] Furthermore, a notable urban to rural access divide remains.[4] Limited access to financial services is one of the primary constraints to the growth of micro, small, and medium enterprises (MSMEs) in the nonextractive sectors. Less than 30 percent of Papua New Guinea's 49,000 small and medium enterprises (SMEs) operating in the wholesale, retail, agriculture, tourism, and fisheries industries and only 20 percent of the entire population have access to formal financial services. Women especially are excluded from these services. A lack of competition among the country's few banks leads to risk aversion, with negative implications for lending to SMEs (World Bank 2019b).[5] Nonbank financial institutions (for example, microfinance institutions) also lack the capacity to provide financing to MSMEs.

The SOE sector that accounts for several productive sectors is a major source of inefficiency in the economy. Papua New Guinea has 12 SOEs, many of which are leading firms in markets such as power, water, telecommunications, and transport. Performance is poor across the SOEs and has been in a steady decline since 2015, making the country's SOEs, along with those of the Solomon Islands, the least productive in the Pacific region. The poor performance is caused by weak governance that negatively affects management and oversight, limited technical capacities, and political interference—all of which result in expensive, inefficient, and low-quality service provision and hinder competition. The state of SOEs severely restricts the government's ability to prioritize expenditures for areas such as education, health, and security because they are highly indebted and in tax arrears (SOE debt has grown to represent a contingent liability), exposing the government to fiscal risk and the periodic need to provide capital injections.

Gender Inequality and Gender-Based Violence

Systemic gender inequality constrains women's economic, political, and social empowerment and is a key barrier to sustainable and inclusive growth. As emphasized in the SCD, women's limited access to economic opportunities, endowments (such as education and health), and voice and agency threaten the country's long-term growth prospects. Women are more likely to be heads of households, but they are not marrying later, having children later, or having fewer children. Access to contraception has improved, but it remains very low, and women are no more likely to receive antenatal care now than they were 20 years ago (Howes and Pillai 2022). 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 men. Significant barriers to women's political participation are evident in the limited number of women in formal leadership positions.

Extremely high levels of gender-based violence (GBV) perpetuate barriers to full economic participation. Papua New Guinea has one of the highest rates of GBV globally. About two-thirds of women have experienced GBV, 50 percent have experienced sexual assault, and half of all reported rape victims are younger than 15 years old (Kalebe 2020; LRC 1992; World Bank 2018a). 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. In addition, high levels of sexual violence against men and children undermine development outcomes further. Although several law and policy reforms in the past decade have made some progress in supporting women, significant work remains to address entrenched sociocultural norms.

Fragility, Violence, and Disaster Risks

A complex set of fragility, violence, and disaster drivers and risks undermines inclusive and sustainable development in Papua New Guinea. As identified by the SCD and featured in the CPF for FY19–23 (extended to FY24 per the Performance and Learning Review recommendation), compounding and interrelated risks involving the interplay between different forms of violence, conflict, disasters, institutional fragility, and governance limit human capital development and constrain investment and growth severely. In the country's rural, resource-enclave, and urban settings, ethnic identities also emerge as fault lines for violence. Modern politics brings together neotraditional patronage and wider, modern political boundaries that set clan against clan and village against village, undermining cooperation and sustained service delivery. Although intertribal conflict has decreased overall in many regions, interpersonal violence remains high and by some metrics higher than at the start of the evaluation period (IHME 2019).[6]

The Autonomous Region of Bougainville (the site of Papua New Guinea's longest standing conflict) also exhibits high levels of fragility as it seeks to achieve full independence. The Country Program Evaluation covers a period that included postconflict activities and an independence referendum for the island of Bougainville. A separatist conflict in the resource-rich region took place between 1989 and 1999 and left 20,000 people dead. The conflict was triggered over grievances associated with a large-scale mining operation (the Panguna copper mine that at one point accounted for over 45 percent of export earnings and 17 percent of government revenues). An influx of workers from other provinces, severe environmental damage, displacement of local communities, and limited local benefits triggered conflict in the region. In 2019, Bougainville mounted a referendum that resulted in a vote for independence, and the parties now aim to decide on its future political status between 2025 and 2027. The 2018 SCD and the 2019 CPF point to the risks associated with the region's political status. Most critically, Bougainville is unlikely to achieve fiscal self-reliance without a return to mining.

Located in the active Pacific Ring of Fire, Papua New Guinea also faces very high natural disaster risks, which it is ill-equipped to mitigate. The country ranks highest in population exposed to severe volcanic risk and is among the highest in the percentage of its population exposed to earthquakes (GFDRR 2015). Climate change exacerbates the frequency, magnitude, and intensity of natural hazards. Disaster risks can also exacerbate preexisting political grievances, as became apparent in 2018, when slow disaster relief after an earthquake prompted violence. Together with the diverse social traditions of the hundreds of distinct tribal groups, this creates a deeply complex web of conflict, crime, and violence drivers and disaster risks.

Evaluation Approach

The evaluation assesses the relevance and effectiveness of Bank Group engagement in Papua New Guinea over time and focuses particularly on three key development themes. After assessing the evolution and performance of the Bank Group's country strategy and portfolio, the evaluation drills down on those development themes that the external literature and the 2018 SCD identified as binding constraints to growth and poverty reduction. The three themes are lack of investment in Papua New Guinea's nonextractive sectors and their poor performance (chapter 4); the economic exclusion of women and GBV issues associated with it (chapter 5); and unmitigated disaster, violence, and conflict risks (chapter 6). Chapter 7 presents lessons to inform the next CPF. Three questions were used to guide the evaluation. The first explores the extent to which the Bank Group adapted its engagement in line with key constraints, including in relation to key development partners, changes in country context, and lessons from experience. The second focuses on results and explanatory factors (lessons from experience), answered by applying a gender lens where relevant. The third question explores the extent to which the Bank Group successfully identified and addressed conflict, violence, and disaster risks.

[1] Approximately 97 percent of land in Papua New Guinea is held by its traditional owners under customary principles of landownership. The rules of the customary land tenure system vary from place to place (FAO 2019).

[2] Total internet penetration was 1 percent in 2008, 11.2 percent in 2017, and 32 percent in 2021, per the World Bank Data Portal, information and communication technology indicators database.

[3] According to the International Telecommunication Union DataHub, in 2021, Papua New Guinea consumers paid 19 percent of their monthly income for 2 gigabytes of 3G data versus the world average of 1.3 percent. Papua New Guineans' information and communication technology costs exceed those of users in Afghanistan, Haiti, and Somalia. For more information, see the DataHub at https://datahub.itu.int.

[4] According to the International Telecommunication Union, in 2021, about 41 percent of urban residents used the internet at least once that year, compared with 11.35 percent of rural residents.

[5] Although retail banking has grown in recent years, the number of commercial bank branches in Papua New Guinea per 100,000 is 1.5—the lowest globally and lower than other countries affected by fragility, conflict, and violence, such as Afghanistan and Haiti.

[6] See also "Papua New Guinea," Uppsala Conflict Data Program (database), Uppsala University, Uppsala, Sweden (accessed October 2, 2023), https://ucdp.uu.se/country/910.

2 | Evolution of World Bank Group–Supported Strategies

Highlights

World Bank Group–supported country strategies have relevantly evolved to cover major development constraints by staying engaged in core sectors where results have been achieved while nurturing new sector relationships (including through analytics) and by focusing more on governance and institutions to address development gaps, as identified in the Systematic Country Diagnostic.

The World Bank has increasingly leveraged its multilateral position and technical expertise to achieve more meaningful complementarities with partners. Reflecting its status as a relatively minor development partner for Papua New Guinea in financial terms, the Bank Group's role evolved from one focused on delivering services in core sectors (such as transport and agriculture) to leading by demonstrating innovative technical approaches that others are replicating and by leveraging co-financing to achieve complementary donor aims.

Decisions on the scope of Bank Group engagement have not always been based on an assessment of what is feasible in the Papua New Guinea context. To achieve country strategy objectives, a better sense of realism was needed about what could be achieved, considering limited state capacity. The International Finance Corporation's engagement involved relevant advisory services and investments, especially the rollout of information and communication technology infrastructure in underserviced areas, but its country strategy depended heavily on reforms that exceeded reform capacity.

Data scarcity has been a major constraint in setting feasible and measurable objectives and in determining scope, and it has undermined planning, targeting, prioritizing, policy development, monitoring, and evaluation. Bank Group strategies did not sufficiently prioritize addressing this constraint.

The Bank Group relevantly pursued a pragmatic approach to gender that focused on the economic justification for gender equality. The International Finance Corporation also relevantly and effectively demonstrated the business case for addressing gender-based violence.

Country strategies have included fragility, conflict, and violence considerations, but the Bank Group's approach gained relevance by drawing on analytics that identified the need to understand and address the interrelated risks posed by fragility, disaster, and climate change. Despite these efforts, disaster risk reduction and climate change issues were underprioritized during most of the evaluation period.

This chapter discusses the evolution of the Bank Group–supported strategies in line with changing priorities and considering key diagnostics. The chapter covers the CAS for FY08–11, the CPS for FY13–16, the CPF for FY19–23, and the IFC Country Strategy for FY19–23. It considers how the changing context and key analytics such as the FY18 SCD and the FY18 Risk and Resilience Assessment (RRA) informed these strategies. Figure 2.4 maps the evolution of strategic priorities.

A strained relationship between the Bank Group and the government made it difficult for the Bank Group to engage in Papua New Guinea effectively before the evaluation period. Government attention to development effectiveness was limited between the early 2000s and 2008. Government noncompliance with a World Bank–supported forestry operation (among other complications) resulted in suspension of the operation, a breakdown in World Bank–client relations, and cessation of all new lending between 2003 and 2007. Nevertheless, the World Bank maintained a country presence through an Interim Strategy Note that included ongoing transport activities and selected analytical work while assessing alternative delivery mechanisms (for example, community-driven approaches) to improve implementation.

The Reengagement Period

The World Bank made considerable efforts to rebuild trust and reestablish entry points during the first CAS (2008–13), or reengagement period. Finding reentry points was challenging because the World Bank had very little financing to offer compared with other donors. The Bank Group remained a relatively small donor throughout the evaluation period, providing about 9 percent of international development assistance. The Australian government and the Asian Development Bank together provided 70 percent over the same period. The government of Papua New Guinea also receives significant grant financing from bilateral donors, especially Australia. The World Bank did not undertake joint strategy development with other donors during the reengagement period. The government viewed donor coordination as threatening at the time, with donors being accused of "ganging up," ultimately upending initiatives (World Bank 2007).

The World Bank rebuilt its country engagement by focusing on core infrastructure in sectors where it could generate goodwill and had long-standing engagements, especially in transport and agriculture. It did so along with other donors that were also supporting transport projects, for example, by working in different geographic zones. The World Bank built on its long-standing engagement in the transport sector to support the second phase of a road program focused primarily on sections of the Hiritano Highway, which connects the capital to a secondary city in the Gulf of Papua region, whereas the Asian Development Bank focused primarily on rehabilitating the Highlands Highway, for example. The World Bank also supported a smallholder oil palm development project, leveraging its background in the sector, and focused on supporting improving production in existing cultivated areas and rehabilitating smallholder access roads. Although oil palm development is controversial, the program ensured that no new oil palm trees were planted in new areas. Besides being a large source of export revenue, oil palm contributes to smallholder incomes significantly.[1]

Despite being a relatively small player, the Bank Group's role in relation to other key donors has evolved from one focused on delivering services (in parallel with others) toward leveraging its multilateral position and global technical expertise to achieve more meaningful complementarities and replication effects. The World Bank had difficulty finding entry points early in its engagement, but it has increasingly used innovative technical approaches to overcome institutional bottlenecks, thus stimulating replication or engendering more meaningful collaboration (including co-finance) in agriculture (through a productive partnership model), transport (through performance-based contracts), and health (by engaging subnationally) to amplify impact (see chapter 3).

During this period, the World Bank also focused on the residual drivers of conflict in the Bougainville region and conflict risks in other mining areas but left other risks unaddressed. The World Bank focused on addressing grievances associated with the use of mining resources by supporting local economic development in postconflict Bougainville. It relevantly used a community-driven development (CDD) approach implemented through women's groups, thus also supporting the fragile social capital that emerged from the warring period. In addition, the strategy focused broadly on enhancing natural resource governance, supporting the development of a sovereign wealth fund for mining that could also be used to help manage prospective liquefied natural gas (LNG) revenues. Other significant risks to sustaining development outcomes, such as disaster risks and climate change, were left unaddressed.

The World Bank engaged cautiously on gender issues during the early strategy period as it worked to regain trust and rebuild its relationship. The World Bank framed gender equality largely in relation to social inclusion (limiting its focus to women in mining primarily). GBV was referenced only in relation to HIV/AIDS. During this strategy period, it was also sensed that the national dialogue had not advanced enough to allow the World Bank to propel reforms in the gender space.

The FY13–16 Country Partnership Strategy Period

The CPS for FY13–16, largely a continuation of the previous engagement strategy, was overoptimistic about Papua New Guinea's economic trajectory. LNG exploitation constituted a major investment in Papua New Guinea, estimated at approximately $17 billion, or more than double Papua New Guinea's annual GDP. The World Bank's 2010 CAS Progress Report focused on the associated growth and revenue opportunities. The CPS for FY13–16 predicted an aggregate GDP expansion of 25 percent as the LNG project moved to full production, while noting that expectations about transformational gains in welfare and employment should be tempered somewhat. But sector and economic risks were not considered adequately—commodity prices (including for LNG) had been declining since 2012, and challenges with sector governance and taxation were well known. By 2016, GDP growth receded. A profit-based royalty regime and generous capital allowance negated any tax benefits, leaving a sizable hole in the government's finances (World Bank 2018a).

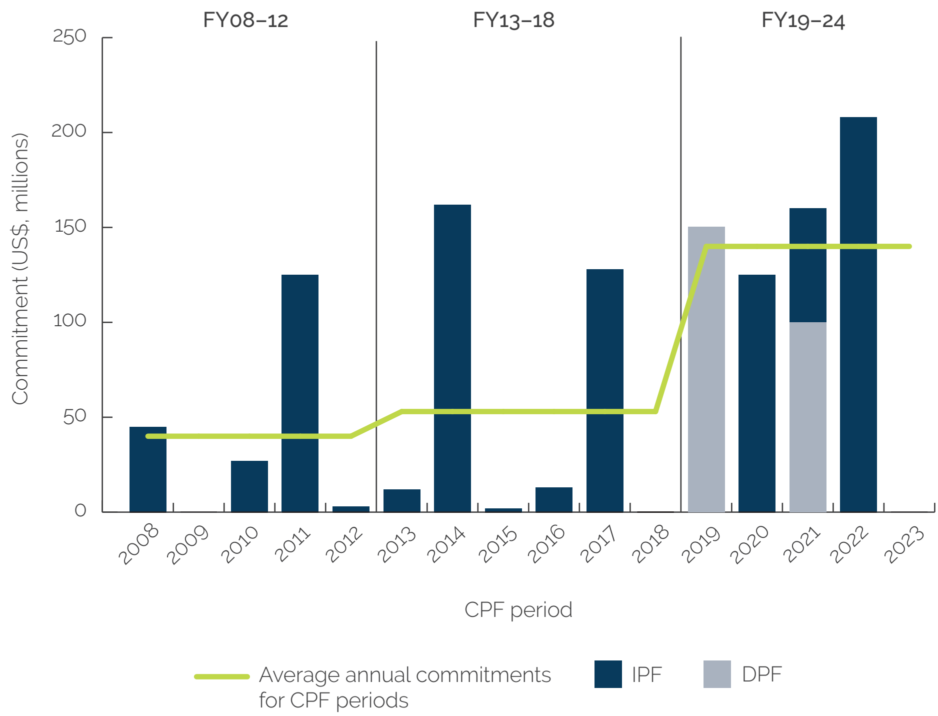
The Bank Group took a pragmatic approach to gender and a more expansive view of fragility, conflict, and violence (FCV) during this period. The CPS for FY13–16 applied a pragmatic approach to gender by addressing the underlying economic justification for gender integration both in society and at the communal and household levels. IFC advisory services played a strong role in making the business case for gender equality and addressing GBV. The CPS amplified FCV issues by expanding its reach to conflict-affected areas outside of Bougainville and by continuing to work on mining sector governance. During this period, diagnostics and investment in youth employment increased the attention to crime and violence issues. Disaster risk management and climate change resilience were again left unaddressed.

Country strategies before FY19 paid limited attention to human capital development. Papua New Guinea, like other clients in the region, preferred borrowing for infrastructure because of the blended or International Bank for Reconstruction and Development lending terms offered by the World Bank. That—together with support from other donors, limited staffing, and the World Bank's need to find common ground with the government—explains the historical lack of focus on human development issues (see figure 2.4). Other entry points, such as focusing on domestic food production as part of a health and nutrition strategy, were slow to become operational. The World Bank focused primarily on cash crops before its FY19 strategy, although additional financing for the Productive Partnerships in Agriculture Project (PPAP) supported a small nutrition intervention pilot focused on education and training. The follow-on agriculture project (Agricultural Competitiveness and Diversification Project) will increase nutrition interventions, including improving targeting and delivery mechanisms through diagnostics and institutional capacity building and diversifying household crop production. Historically, the government was also averse to the concept of social protection.

The 2019–23 Country Partnership Framework Period

The World Bank has rapidly increased its financial assistance to Papua New Guinea as part of a wider effort to provide increased financial support to the Pacific region. Average annual World Bank commitments during the current strategy period ($140 million) were almost four times greater than the earliest period under review ($40 million), with greater lending volumes attributable to the preponement of the 20th Replenishment of the International Development Association (IDA) for the global pandemic response and increasing IDA's levels for FCV (figure 2.1). The introduction of budget support during this latter strategy period (that accounted for 39 percent of all lending during this period) was notable. This increase mirrored trends in the region whereby the World Bank multiplied its support six times over the past decade, mostly through expanded concessional credits from IDA.

Figure 2.1. Annual World Bank Commitments, FY08–23



Source: Independent Evaluation Group.

Note: CPF = Country Partnership Framework; DPF = development policy financing; FY = fiscal year; IPF = investment project financing.

The 2019–23 CPF period consolidates activities across core sectors by building on long-standing relationships while taking risks by engaging in new sectors to address key development constraints. Investment project approvals have notably been concentrated in fewer sectors—from nine sectors during both the CAS and CPS periods to six sectors in the CPF period (figure 2.2). The World Bank has maintained its involvement in the transport and agriculture sectors, including through new investment projects (figure 2.2). More recently, it has also taken risks by engaging in sectors where it lacks established relationships (such as in health and social protection) to address key development challenges identified in the SCD. The World Bank's support in these areas fills coverage gaps but also risks overwhelming client capacity—a risk that must be managed carefully (box 2.1). Development policy lending was introduced in this period for the first time in more than two decades to support macroeconomic reforms, but inadequate risk analyses marked this decision (see chapter 4).

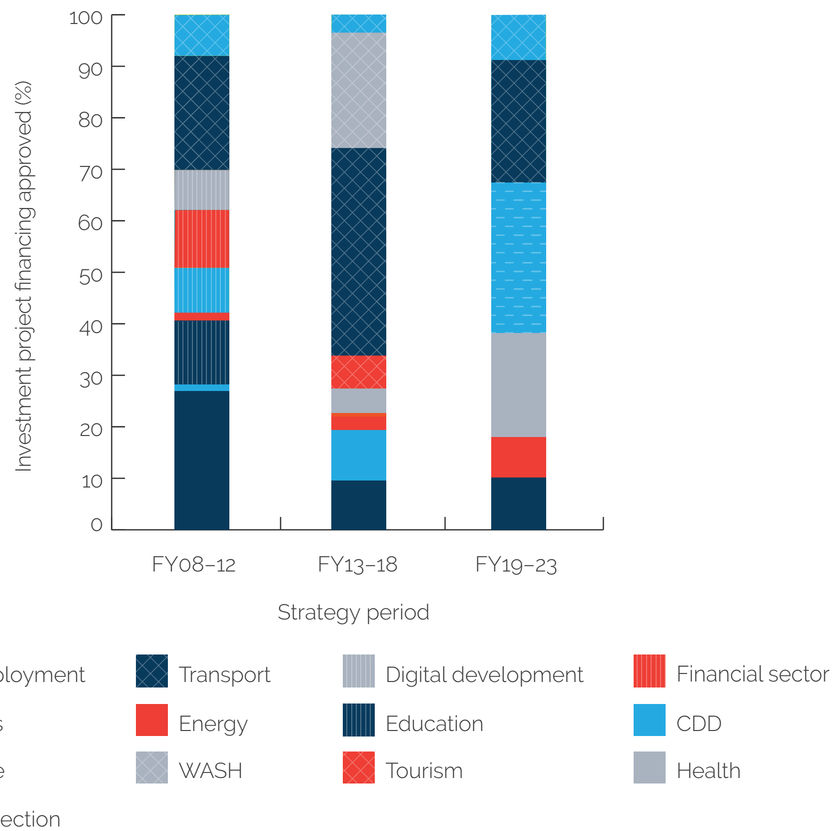
Box 2.1. Taking Risks to Address Key Development Challenges in Papua New Guinea

The decision to simultaneously run multiple human development projects in the latest Country Program Evaluation period, although aligned with Papua New Guinea's human development challenges, risks stretching client absorptive capacity. The simultaneous development of multiple human development investment projects reflected the need to respond to COVID-19, expand the tuberculosis program, and strengthen health systems, especially to address malnutrition and stunted growth in children. However, this has placed a heavy burden on the country's Department of Health, which before fiscal year 2017 had no previous experience implementing World Bank investment projects. Previously, other donors provided much of the support for human development through grant mechanisms. The World Bank's new lending involves new modalities to improve service delivery that are being tested for the first time, such as disbursement-linked indicators and cash transfers. Multiple interviews confirm that although the engagement is highly relevant, it must deliver results, or the client may choose not to borrow from the World Bank again for this critical development need. Implementation status reports point to challenges associated with the complexity of program design. Overall implementation progress in the latest Implementation Status and Results Reports has been rated moderately unsatisfactory for two of the active health projects.

Sources: Independent Evaluation Group; World Bank 2023a, 2023b.

Evidence shows that the World Bank's most recent engagement strategy is poised to leverage complementarities to achieve impact at scale. In the latest strategy period, the World Bank partnered with the Australian Department of Foreign Affairs and Trade (DFAT) in the health sector to support the Fast-Track Initiative to Reduce Stunting. DFAT is co-financing programmatic advisory services and analytics and an investment operation with the goal of achieving more economies of scale at the sector level. Similarly, a recently approved World Bank transport project leverages Australian co-financing of $15 million to improve the focus on maintenance and rehabilitation that improves climate resilience (of portions of the Ramu and Hiritano highways), including helping build the capacity of the road sector.

Figure 2.2. Investment Project Financing Approved by Sector across Strategy Periods, FY08–23



Source: Independent Evaluation Group.

Note: CDD = community-driven development; FY = fiscal year; WASH = water, sanitation, and hygiene.

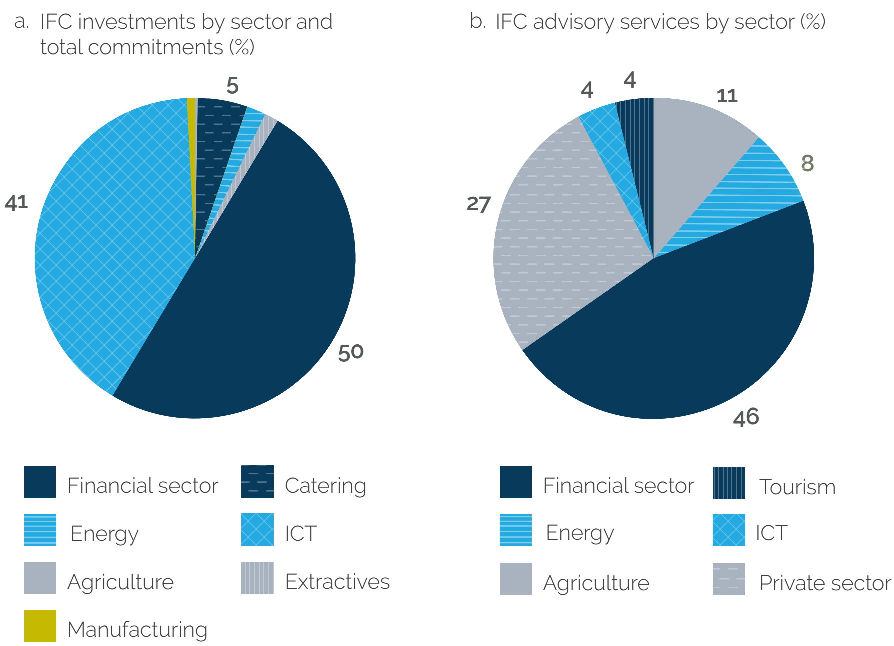
The need to improve governance and institutions and subnational engagement—prominent themes of the 2018 RRA and the SCD—are a focus of the CPF for FY19–23. Addressing governance and institutional challenges is a cross-cutting theme in the CPF, drawing on the RRA recommendation to work with subnational governance structures in supporting service delivery improvements. The RRA made a case for mainstreaming political economy analysis across sector engagements, in line with the SCD's finding that political economy knowledge constitutes a key knowledge gap in designing and implementing effective programs. Previously, political economy analyses were infrequent or drew from other donors' work (for example, in the transport sector).

The CPF made the strongest commitments yet toward addressing conflict drivers and mainstreaming disaster and climate resilience (see figure 2.4). The RRA (which informed the SCD) underpinned the need to address conflict, violence, disaster, and climatic risks—interrelated and compounded risks that undermine development effectiveness. The SCD and the RRA reinforced the need to increase focus on gender equality and to address GBV directly as an integral part of the Bank Group's strategies. The CPF committed to maintain a "watching brief" to support a risk-informed approach to portfolio decision-making and engagement decisions. The idea maintaining a watching brief was developed after the 2019 national referendum that resulted in a near unanimous vote for independence for the Autonomous Region of Bougainville and increasing violence in the resource-rich Southern Highlands. In response to a lack of traction and client demand on disaster reduction and recovery, combined with the impact of a 2018 7.5 magnitude earthquake and its resulting tensions, the World Bank produced a disaster reduction and recovery diagnostic report and an investment plan.

Gender also emerged as a prominent theme. Gender equality was a key theme in the CPF that committed to exploring ways to go beyond a "strictly project-based" approach. The CPF also laid out its commitment to screen all projects for GBV risks.

IFC's engagement across strategy periods involved relevant investment and advisory services. During the evaluation period, IFC's investment and advisory portfolio consisted mainly of support for information and communication technology (ICT) expansion and financial services, as depicted in figure 2.3. Mobile penetration in Papua New Guinea is estimated to have been 1.6 percent in 2006, and it increased to 35 percent in 2015. Financial sector activities were also greatly needed: Papua New Guinea has one of the least developed financial markets in the region, one in which accessing financing is most difficult (the ratio of private sector credit to GDP is one of the lowest in the world). IFC also contributed positively to developing a credit reporting framework, helped implement a small business tax, put an electronic payment system in place, and contributed to the adoption of a national biosecurity policy. In the energy sector, IFC has also contributed to expanding access to solar power and phone charging through the Lighting Papua New Guinea program and is engaged in discussions on energy reforms.

Figure 2.3. International Finance Corporation Investments and Advisory Services by Sector and Total Commitments



Source: Independent Evaluation Group.

Note: ICT = information and communication technology; IFC = International Finance Corporation.

IFC introduced a 2019 Country Strategy that depended heavily on reforms that exceeded the country's reform capacity. IFC Country Strategies are designed to elevate private sector support ambition under different scenarios of reform pathways. The IFC Papua New Guinea Country Strategy sought to capitalize on the resource sector to boost investment in private sector activities, with agriculture, financial inclusion, and sustainable energy as key focal points, along with gender issues. IFC identified 9 reforms in a low-reform scenario that would allow it to mobilize $245 million and 19 reforms in a high-reform scenario that would enable $400 million. Without reforms, IFC predicted that only $150 million would materialize, as during the previous strategy period. Indeed, in the case of Papua New

Guinea, only some of the reforms under low-medium scenario were achieved. IFC was candid about the risks inherent in achieving impact, but its strategy relied too much on the World Bank and other donors to support needed reforms. The Bank Group in general relied too much on potential benefits from the LNG-fueled extractive sector boom. The SOE sector is a major source of inefficiency in the economy; however, the World Bank has shied away from engaging in SOE reform (even though the strategies referenced the need for reform). IFC is currently involved in an electricity sector through a public-private partnership advisory that aims to introduce private concessions. The SOE reform is conducted by other donors, such as the Asian Development Bank.

Figure 2.4. Mapping of the FY08–11 Country Assistance Strategy, FY13–16 Country Partnership Strategy, Priorities in the FY18 Risk and Resilience Assessment and Systematic Country Diagnostic, and FY19–23 Country Partnership Framework

CAS FY08–11	CPS FY13–16	Key Diagnostics (SCD, RRA)	CPF FY19–23
Macrofiscal management · Debt and fiscal management · Extractives management (SWF) · Domestic resource mobilization	**Macrofiscal management** · PFM and debt management · Extractive sector governance (SWF) · Domestic resource mobilization	**Macrofiscal management** · PFM and debt management · Extractive sector governance · Domestic resource mobilization	**Macrofiscal management** · Increased dialogue on macro policy · Extractive sector governance · Domestic resource mobilization
Rural infrastructure and inclusive services · Infrastructure connectivity (physical and financial) · Institutional strengthening · Gender-equitable access · Human development	**Rural infrastructure and inclusive services** · Infrastructure connectivity (physical and financial) · Institutional strengthening · Gender-equitable access · Human development	**Inclusive services** · Quality of infrastructure and service (transparency, accountability, inclusion) · Subnational governance (PEA) · Gender disparities · Human development (health and social protection)	**Inclusive services** · Quality of infrastructure and service (transparency, accountability, inclusion) · Subnational governance (PEA) · Gender-equitable access · Human development (health and social protection)
Gender and social inclusion · Consultations with women's groups · Gender only in context of mining · GBV only in context of HIV/AIDS	**Gender and social inclusion** · Service delivery for women and girls · Women's economic participation · GBV	**Economic exclusion of women** · Inclusive service delivery · Women's civic participation · GBV	**Gender equity** · Inclusive across sectors, including by IFC · Women's empowerment · Projects screened for GBV
Resilience to risks · Bougainville conflict · Urban crime and violence · Disaster risk management + CC	**Resilience to risks** · Limited coverage of Bougainville conflict · Crime and violence · Disaster risk management + CC	**Resilience to risks** · Address Bougainville risks · Urban violence and youth employment · Disaster risk management + CC · Monitor other conflict risks	**Resilience to risks** · Bougainville · Urban violence and youth unemployment · Disaster risk management + CC · Conflict monitoring (for example, watching brief)

Source: Independent Evaluation Group.

Note: Black arrow = strategy themes carried over; green arrow = increased strategy focus; red arrow = decreased strategy focus. CAS = Country Assistance Strategy; CC = climate change; CPF = Country Partnership Framework; CPS = Country Partnership Strategy; FY = fiscal year; GBV = gender-based violence; IFC = International Finance Corporation; PEA = political economy analysis; PFM = public financial management; RRA = Risk and Resilience Assessment; SCD = Systematic Country Diagnostic; SWF = sovereign wealth fund.

[1] Papua New Guinea was the fifth largest oil palm exporting country in the world in 2022, according to data from the United States Department of Agriculture International Production Assessment Division.

3 | Performance and Implementation of World Bank Group Strategies

Highlights

Performance has improved although from a low level. Throughout the evaluation period, greater realism was needed about what could be achieved and measured during a strategy period, considering limited state capacity. Strategy implementation was challenging because of weak government capacity for financial and contract management, procurement, auditing, safeguards in central or implementing agencies, and insufficient counterpart funding. Some of the World Bank's approaches have also overcomplicated engagement and overwhelmed client capacity, especially those associated with introducing international best practices, and so has switching approaches too often, including in response to changing corporate priorities.

The World Bank Group has overcome engagement challenges by increasingly adapting to the country context. The World Bank increased technical staff presence significantly in ways that potentially allow programs to be grounded better in an understanding of context and the client. More effective support has been associated with high-frequency, low-intensity engagement by layering advice and support, not going too quickly, and never letting the engagement cool. This includes staff efforts to build personal relationships over time with clients in ways that help staff navigate patronage dynamics and identify appropriate entry points. Layering institutional analyses and technical fixes to address patronage dynamics over time, such as using performance-based approaches in the road sector, is showing promise. Other efforts featuring low-frequency, high-intensity support provided in short bursts have been less effective.

Other key challenges that continue to undermine the Bank Group effectiveness require additional reflection and adaptation. The high cost of operating in Papua New Guinea has affected engagement and supervision capabilities negatively, and solutions to navigate this constraint more effectively do not appear to be forthcoming. The short duration of postings for international technical staff (because of the fragility, conflict, and violence nature of the environment) has limited opportunities for staff to build client relationships to support medium- to longer-term reforms. Using a regional hub has provided important continuity in some cases.

Overall Strategy Performance

Performance of the World Bank–supported portfolio improved although from a low level. The Independent Evaluation Group (IEG) rated the overall development outcome for implementation of the strategy for FY08–12 as unsatisfactory. The CAS portfolio was slow to become operational: advisory services and analytics delivery experienced delays, and most lending operations were not approved until FY11—three years after the strategy launch. IEG noted that this initial program required greater realism about what could be achieved and measured in a single strategy period. IEG rated the development outcome for the FY13–16 period as moderately unsatisfactory. It recognized progress on roads, telecommunications, agriculture, youth training and employment, the modest progress made on extractives management, access to credit, and the efficiency of opening a business but noted the negligible progress on access to energy or water or debt sustainability. IEG also determined that Papua New Guinea's economic volatility and limited state capacity had not been adequately factored into the FY13–16 strategy. The strategy was based on an overoptimistic macroeconomic outlook, whereas conditions suffered from adverse commodity price shocks after 2014, affecting the country's financial capacity to fund projects. Collaboration between the World Bank and IFC was also very limited.

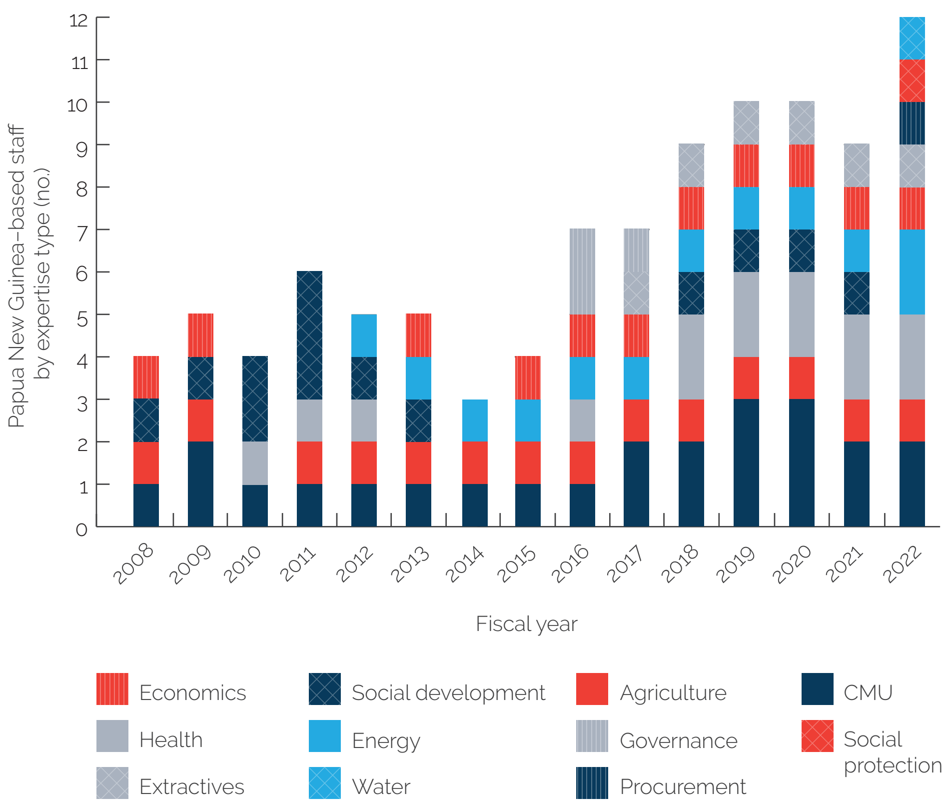
Papua New Guinea's limited institutional capacity has affected implementation. Weak capacity for financial and contract management, procurement, auditing, and safeguards in central or implementing agencies, along with insufficient counterpart funding, has at times affected implementation throughout the evaluation period.

The Bank Group has and continues to try to overcome some of these implementation challenges by adapting to the country context:

- Effective implementation support has been associated with high-frequency, low-intensity engagement (efforts likened to "lacquering a bowl") by layering advice and support, not going too quickly, and never letting the engagement cool. This includes staff efforts to build personal relationships over time with clients in ways that help staff navigate patronage dynamics and identify appropriate entry points. Other efforts featuring low-frequency, high-intensity support provided in short bursts have been less effective (see discussions on factors of success and failure across sectors in chapters 4–6).

» The World Bank increased technical staff presence significantly in the region and country in ways that potentially allow programs to be grounded better in an understanding of context and the client (figure 3.1). For example, the resident mission maintained modest staffing during the first half of the evaluation period (including a country manager, an internationally recruited economist, and local operations officers), but it has recruited several international and local technical experts in the country, including through using extended-term consultants.

Figure 3.1. World Bank Specialist Staff Operating out of Resident Mission, by Area of Expertise



Source: Independent Evaluation Group.

Note: This figure shows only (grade level) GF+ technical specialist staff, thus excluding corporate functions (such as country security specialist, External Affairs/External and Corporate Relations, or GE level staff, or technical extended-term consultants). CMU = Country Management Unit.

- The World Bank applied a political economy lens to improve the design and targeting of certain sector engagements and enhance performance in the latest strategy period. Political economy analysis has been undertaken by several teams since the CPF launch in 2019. The effort to increase political economy analysis is part of the Bank Group's response to its CPF commitment to have project design and implementation informed by deeper political economy analysis. Governance specialists have worked with Human Development teams to develop mechanisms to improve targeting through enhanced subnational implementation arrangements. For example, Human Development teams used institutional assessments conducted by the Governance Global Practice to redirect some of the child nutrition activities away from the district level toward the provincial level to attempt to shield these activities from political interests. As the analyses suggested, provincial health authorities have more potential to deliver services effectively based on their mandate, capabilities, and incentives, compared with the national or district levels that were highly influenced by political interests and pressures to redirect resources to patrons. Before the recent period, the Bank Group did not use political economy analysis to address institutional and sector challenges.

Other implementation challenges have and continue to be harder to overcome given the country context, including the following:

- A shift in the World Bank's approaches has sometimes overcomplicated engagement with the authorities and risked overwhelming client capacity. The ability of local institutions to adapt to new program requirements needs to be weighed against the World Bank's proclivity to introduce new approaches that have worked elsewhere globally or that respond to corporate or sector priority setting. For example, the World Bank has supported four different program designs in the agriculture sector in Papua New Guinea over the past decade, each focused on a different or expanded set of commodities or livestock and each with new program requirements. Interviews with the World Bank and the government attest to the difficulty of effectively engaging new commodity boards (that are also highly political), building new implementation arrangements subnationally, and communicating new program expectations to lead farmer partners and agricultural communities. Other examples include the introduction of CDD concepts and tourism activities that worked in the region but that were not sufficiently adapted to Papua New Guinea's low level of subnational governance and implementation capacity.

» The high cost of doing business in Papua New Guinea, in part because of security constraints, has affected engagement and supervision capabilities negatively. The number of suitable private security companies in the country is limited, and unlike in some other FCV countries, the UN does not provide security assistance to World Bank missions. Security threats are also multifold and diffuse. Multiple staff and visiting missions have provided data on the cost of doing business in the country related to security costs. Although every country has a unique set of risks associated with a unique set of conflict and violence drivers, the security risks in Papua New Guinea are undermining staff's ability to comprehensively support their projects subnationally. The lack of a corporate-wide gathering or analysis of supervision-related security costs limits an assessment of comparators.

» The short duration of internationally recruited staff technical postings (because of the FCV posting, including rest and recuperation or time out of country) limits opportunities for these staff to build client relationships to support medium- to longer-term reforms. Based on an analysis of human resources data, the average duration of an international staff technical posting in Papua New Guinea (between 2008 and present) is two years,[1] because of its FCV nature, and time in country is even less because internationally recruited staff are given time off and resources to leave the country for rest and recuperation. Long-standing locally recruited staff in certain sectors that have nurtured their client relationships have helped overcome some implementation challenges but are not alone sufficient to mitigate significant delays.

» A lack of continuity in IFC's staffing presence affected deal flow, which decreased when IFC resident representatives and investment staff were not based in the country. In the early part of the evaluation period, the appointment of a former banking executive from the region to the position of country coordinator and resident representative helped increase IFC's footprint by staffing the office (including with an associate investment officer) and by using their extensive networks to develop multiple advisory activities and financial sector investments. The resident representative held the position for several years (2009–15), after which in-country staffing was reduced significantly. During this middle period (2016–17), few advisory activities and almost no investment activities took place. The COVID-19 crisis (2020–22) further undermined efforts to reinvigorate the investment program. Over the past two years, IFC has put a resident representative with FCV experience in place and brought significant skills to the country in agribusiness, the financial sector, and gender, but investments have been slow to materialize. Nevertheless, a renewed focus on relationship building holds expectations that opportunities will materialize.

- IFC advisory services, supported by external donors, faced disbursement pressures and had ambitious objectives that were met due to country capacity constraints, especially in the agribusiness, telecommunications, and private sector industry areas. IFC has faced challenges in cultivating client relationships—a factor exacerbated by the COVID-19 pandemic. Until 2023, disbursement ratios remained low.

[1] Time series data on basic staff characteristics (job title, internationally recruited staff, locally recruited staff, and so on) for all staff with duty station in Papua New Guinea as of June 30 for fiscal year (FY)08 through FY22 were collected from the People and Culture Vice Presidential Unit (that is, fiscal year end snapshots). The evaluation team categorized staff as being Country Management Unit or technical based on their job titles and other information. These data were used to calculate average duration of (grade level) GF+ technical and Country Management Unit staff posted in Papua New Guinea during the evaluation period FY08–22. Based on these calculations, the average time spent by the staff in the country during the evaluation period is two years for technical staff and three years for Country Management Unit staff. International Finance Corporation staff, GE and lower grades, short-term consultants, extended-term consultants, and "corner cases" (that is, staff who were only in Papua New Guinea during FY08 or FY22, the two end points of the evaluation period) were excluded from the calculation of the average duration.

4 | Supporting Growth in Nonextractive Sectors

Highlights

Several constraints undermine Papua New Guinea's nonextractive growth aims. Among others, these include governance challenges that impede policy reform, weak institutions, overvaluation of the kina and its lack of convertibility, poor road infrastructure that constrains access to markets and services, underinvestment in agriculture, a lack of competition, and security.

The World Bank and the International Monetary Fund have cited the overvaluation of the kina as constraining growth in the nonextractive sectors and have called for a gradual relaxation in exchange rate restrictions. The World Bank conducted analytical work on the costs and distributional effects of the overvaluation across populations and included it in the 2023 Country Economic Memorandum to inform policy dialogue being supported by the International Monetary Fund.

The World Bank's attempt to use budget support for fiscal and public management reforms was unsuccessful. The development policy operation failed to adequately identify and mitigate risks related to the government's inability to implement reforms, contributing to the development policy operation's failure to meet its objectives. Along with this, poor design of results indicators and a lack of provision for gathering data led to a moderately unsatisfactory rating for Bank performance.

The World Bank is effectively using performance-based contracts in the road sector and alternative service delivery models in the agriculture sector that others are replicating. Both aim to address deeply embedded patronage dynamics undermining nonextractive sector performance. The International Finance Corporation's agribusiness work in Papua New Guinea has been limited, with modest results.

A lack of competition has undermined efforts to achieve inclusive growth in key nonextractive infrastructure sectors. The Bank Group (the International Finance Corporation and the World Bank) contributed to a significant increase in information and communication technology infrastructure; however, without successfully supporting enhanced market competition, penetration remains limited and costs are exorbitantly high. Similarly, a lack of competition in the banking sector has constrained small and medium enterprises' access to finance—a core goal of the International Finance Corporation during the evaluation period.

Macroeconomic Issues

This chapter assesses the results of the Bank Group's support for nonextractive growth. It first examines the Bank Group's support for macroeconomic management as a key enabling condition. Next, it covers aspects of the physical enabling environment by focusing on infrastructure development for ICT and transport, including market linkages and agricultural development. Then it assesses Bank Group direct support for increasing access to finance for MSMEs in nonextractive industries, such as in the wholesale, retail, agriculture, tourism, and fisheries industries. It also covers Bank Group direct support for developing tourism opportunities.

Papua New Guinea's lack of fiscal space and the lack of kina convertibility hamper growth across the economy, particularly the nonextractive sectors. Inadequate fiscal space—partly caused by disappointing collection of revenues from the extractive sector (only 11 percent of which flow into the budget)—and rising public sector debt service constrain the availability of finance for core development needs (debt service rose from less than 5 percent of government spending in 2012–13 to over 11 percent in 2017–20). The country's risk of debt distress increased from low in 2017 to moderate to high in 2021 (World Bank Group 2022). Dutch disease, which is typical of a resource-dependent economy, has also contributed to low growth in the nonextractive sectors through an overvalued exchange rate.[1]

The lack of kina convertibility poses a substantial barrier to growth in the nonextractive sectors. The overvaluation of the kina has led to rationing of foreign exchange, dampening investment, and undermining productivity. However, domestic support for devaluation is limited because it would raise urban inflation significantly as a result of the reliance on imported goods. Consumers recall the inflationary effects of depreciation in 2013 and 2014 when global prices of copper, gold, and oil dropped and with them the value of the kina. The exchange rate is de facto fixed, although the central bank claims that the current exchange rate regime is floating and that foreign exchange is not rationed, despite ample evidence of foreign exchange rationing. The treasury has stated that the overvalued exchange rate and resulting foreign exchange shortage are hurting growth and employment in the nonmineral sectors (IMF 2022). However, devaluation would increase the private and government external debt burden. Without reform to the exchange rate regime, a sudden and disorderly adjustment is increasingly likely.

The World Bank and the International Monetary Fund have cited the overvaluation of the kina as constraining growth in the nonextractive sectors and have called for a gradual relaxation of exchange rate restrictions. Although other factors, such as insecurity, challenging terrain, poor infrastructure, and low human capital, also hamper growth, the International Monetary Fund has recognized kina overvaluation as a constraint. The International Monetary Fund has recently approved a $918 million arrangement to support measures to reform the foreign exchange regime (IMF 2023). The World Bank has also recently conducted analytical work on the costs and distributional effects of the overvaluation across populations, sectors, and regions in the country to inform the policy dialogue. The World Bank has argued for more flexibility and convertibility, most explicitly, in the recent (July 2023) Country Economic Memorandum.

The World Bank sought to use budget support for fiscal and public management reforms but was unsuccessful. The World Bank's first development policy operation (DPO) in Papua New Guinea in two decades (approved in FY19 as part of a programmatic series) sought improvements in revenue performance and public financial management.[2] The DPO's prior actions were relevant, but none of the related targets were met. The nonresource primary fiscal balance as a percentage of nonresource GDP deteriorated significantly instead. A prior action intended to improve revenue administration and enhance compliance did not achieve its intended impact because a required act was delayed in the legal process. Targets on timely submission of financial statements to the auditor general's office and financial inclusion were also not met.

The DPO failed to adequately identify and mitigate risks related to the government's low capacity and capability to implement reforms, contributing to the DPO's failure to meet its objectives. Political fragmentation and an unpredictable policy environment limit the government's ability to credibly commit to policy reforms, particularly policies that constrain spending. This can significantly reduce a DPO's probability of success and the risk that medium- to longer-term policy reforms will not be sustained high. The volatile political environment that is not conducive to implementing revenue reforms and restraining unproductive expenditure often undermines government plans for implementing fiscal consolidation measures. Along with this, poor design of the results indicators and a lack of provision for gathering data led to a moderately unsatisfactory rating for Bank performance. (The World Bank approved a subsequent $100 million DPO in 2021 with prior actions focused on mitigating the COVID-19 pandemic's negative economic and health effects, but it is too soon to assess the overall results.)

Rural Infrastructure Connectivity and Agriculture Development

The limited reach and poor condition of the country's road network isolate large swaths of the population from markets, nonextractive income earning opportunities, and services. Poor roads are a key constraint to inclusive economic growth. Papua New Guinea is one of the few countries without a fully interconnected national road network, and its nine road networks in 21 provinces are unconnected because of challenging topography and high construction costs. The condition of the major roads has continuously deteriorated as a result of lack of maintenance, imposing significant costs on the economy (DOWH 2018). Household income and expenditure survey data show the relationship between a lack of road access and poverty.

The World Bank helped rehabilitate national and provincial road infrastructure, but massive underinvestment in road maintenance undermined outcomes. Transport sector operations have been the backbone of the portfolio. Projects representing 20 percent of the investment portfolio have helped rehabilitate 711 kilometers (8 percent) of the national road network, 274 kilometers of provincial roads, and 375 kilometers of feeder roads. However, over the evaluation period, most roads fell into disrepair because of the lack of government investment in road maintenance. By 2018, there were fewer roads in good condition and more roads in poor condition than in 2008, and 64 percent of provincial and local roads were in poor or failed condition, as reported by the Department of Works and Highways

(DOWH 2018). The full scope of the challenge is difficult to estimate, given sporadic and poor-quality data on road conditions that undermine the World Bank's ability (in partnership with others) to engage in the sector more strategically.

To achieve results in a context of deeply embedded patronage dynamics, the World Bank is testing new forms of performance-based approaches to address transport sector governance shortcomings. The World Bank's January 2021 Economic Update (World Bank 2021b) reflects on the institutional and political factors undermining transport outcomes, including strong political incentives to build roads rather than maintain them and an unwillingness to safeguard road maintenance funding (leading to a vicious cycle of build-neglect-rebuild). As such, the World Bank (in partnership with the Department of Works and Highways) has been testing the use of long-term road contracts that include maintenance. Starting in 2014, the World Bank provided additional financing to pilot alternative methods for maintaining roads using long-term performance-based contracts that build the cost of road maintenance into the life cycle of road rehabilitation contracts. The World Bank leveraged its long-standing relationship with the Department of Works and Highways—cultivated through decades of World Bank support for road rehabilitation—to advance this shift and demonstrate the feasibility of this approach, and it will be scaled up in the latest transport project, which has attracted co-financing from DFAT. The government has indicated that it intends to adopt the model in its own contracts. Time will tell if this intention translates into reality and if long-term rehabilitation and maintenance contracts can yield sustainable results. Although not a panacea, they can at least guarantee maintenance for several years during and after rehabilitation. As of April 2023, World Bank support for the rehabilitation of the Hiritano Highway (which includes a long-term maintenance contract) increased the portion of the road maintained in good condition from 30 percent to 42 percent, achieving the project's target.

Efforts to achieve enhanced agriculture market linkages through more targeted transport infrastructure connectivity have not come to fruition. A lack of infrastructure to physically integrate Papua New Guinea's rugged terrain is a major impediment to expanding market opportunities for rural producers. Although the World Bank began to develop a transport project that would co-locate subnational roads in prime agricultural areas, the project design was dropped because the World Bank deemed it too complicated amid complex and fragmented institutional mandates and jurisdictions for national and subnational roads and because of political interference in road selection and high costs. The need to disburse IDA within deadlines also contributed to a decision to simplify the transport project, resulting in a reduced scope that reengaged mainly in national roads.[3]

The World Bank helped increase the production of key export crops but paid inadequate attention to food and nutrition security and building resilience. Between 2008 and 2020, the government of Papua New Guinea and the World Bank focused mainly on growing cash crops for export, which was the theme of the PPAP supported by the World Bank between FY10 and FY21. PPAP was piloted in six provinces and scaled up in 2014 to an additional six provinces reaching 10 percent of cocoa and coffee farmers and was innovative in introducing a parallel service delivery model. This model linked the farmers to lead partners who could aggregate, buy, and sell the products to exporters. Although project monitoring and evaluation was inadequate to determine income effects, the project helped replant 15,000 hectares of disease-resistant cocoa and rehabilitate 115 kilometers of market access roads. The PPAP also developed into a strong brand that other donors are now using (such as the International Fund for Agricultural Development, the European Union, and the Australian Centre for International Agricultural Research). However, it did not pay enough attention to food systems, considering the country's issues with severe malnutrition—especially in women and children—and the rates of stunted growth in children. PPAP included a small nutrition intervention pilot with a gender focus, but progress has been slow in taking this to scale in a follow-up project (Agricultural Competitiveness and Diversification Project). Moreover, the follow-up project continues to focus on export commodities but also diversifies to spices, coconuts, and small livestock and plans to scale nutrition interventions, especially for the poorest. Toward the end of PPAP, many coffee farms experienced a pest invasion, but the World Bank directed only a small amount of support toward helping manage the infestation (box 4.1).

Box 4.1. The Coffee Berry Borer Is Devastating Coffee Yields in Papua New Guinea

Figure B4.1.1. Evidence of the Coffee Berry Borer Pest

Source: Lauren Kelly, Independent Evaluation Group.

Papua New Guinea is one of the last coffee producing countries in the world to be affected by the coffee berry borer pest, a small beetle that feeds on the coffee seed and damages the quality and quantity of the harvested crop (figure B4.1.1). Although the pest was detected in the Productive Partnerships in Agriculture Project areas in the highlands, very little has been done to address this threat (physical roadblocks helped but were insufficient to stop the flying pest, and efforts to use methanol at the farm level were unsuccessful because community members resorted to drinking it). A new project (Agricultural Competitiveness and Diversification Project) has a small component to address the pest, but financing is insufficient. Much more support is needed from the World Bank, research institutions, and other donors to stave off the devastation that is facing the coffee crop and thus the livelihoods of smallholders.

Source: Independent Evaluation Group.

IFC's agriculture-related work in Papua New Guinea has been much more limited, with modest results. IFC supported one investment (in an indigenously owned coffee exporting company) and four advisory services in the agribusiness sector. Its support for the indigenously owned coffee exporting company was canceled because the client could access more attractive terms in the market. The four agribusiness advisories included support for supermarkets, aggregators, and a brewery. IFC effectively helped a global coffee buyer develop local certification capacity of 1,374 farmers that led to increased production, but no information was available about sales. An effort to support the production of starch from cassava through an outgrower program (for a brewery client) was dropped as a result of restrictions placed on alcohol exports in Papua New Guinea. A key piece of analytical work, co-produced by IFC and the World Bank on gender in agriculture (*The Fruit of Her Labor: Promoting Gender-Equitable Agribusiness in Papua New Guinea*), informed the design of an IFC agribusiness advisory services, which focused on fresh produce—source of self-managed income for women (unlike coffee and cocoa). Although this agribusiness advisory achieved gender participation targets in the fresh produce sector, it missed them in the coffee and cocoa sectors and did not report on gender-related income or benefit sharing results.

Expanding Information and Communication Technology Services for Nonextractive Sector Growth in Rural Areas

The Bank Group catalyzed growth of the ICT sector through infrastructure development but fell short of supporting increased market competition, leaving penetration limited and costs exorbitantly high. Through its Rural Communications Project (2011–18), the World Bank contributed to expanding ICT infrastructure (2G and 3G cell towers) in rural underserviced provinces, as planned. As a result, more than 80 district centers in four underserviced rural provinces (that are less commercially viable) received internet coverage. IFC, through advisory and investment, supported the training of telecommunication retailers and helped a telecommunication firm build telecommunications infrastructure (800 towers). IFC also piloted the installation of solar phone charging stations, providing access to about 34,000 rural inhabitants. However, ICT access (as defined by affordability and use) is limited because of the monopolistic character of the telecommunications market. Although IFC helped privatize telecommunication services by displacing an underperforming SOE, it did not support other entrants to the market to increase competition. As of 2022, an international telecommunications firm held 92 percent market share in Papua New Guinea.

Stark gender disparities in access to mobile and internet technology undermine women's effective participation that would help grow the non-extractive economy. Women are 10 percent less likely than men to own a mobile phone and 23 percent less likely to use mobile internet (Highet et al. 2019). However, this varies depending on the relative status of women regionally, with starker divides in patrilineal versus matrilineal areas (Curry, Dumu, and Koczberski 2016). Safety concerns are a key barrier to women's access to mobile and internet technology, in addition to barriers related to affordability, accessibility, digital literacy, and skills (Highet et al. 2019). Women's partners often restrict their access to mobile phones, and women report that men are suspicious of women using mobile phones. To lessen tensions in the household, many women avoid owning a mobile phone or use phones only in front of their partners because of the negative associations with women's mobile phone use, such as extramarital affairs (Highet et al. 2019). Although accelerating digital inclusion for women can help address gender inequalities, as with all areas of development, it is critical to consider the social context within which women operate and the social risks involved in efforts to increase women's mobile phone uptake and use.

Micro, Small, and Medium Enterprise Access to Finance

IFC support allowed banking institutions to expand their business, but market competition remains limited, constraining SME access to finance. Bank South Pacific (BSP), the largest and only Indigenous bank in Papua New Guinea, has traditionally dominated Papua New Guinea's banking sector. In 2010, BSP controlled 50 percent of Papua New Guinea's loan and deposit markets, making short-term deposits its primary funding source. IFC aimed to increase access to finance for MSMEs by addressing BSP's poor liquidity. BSP was IFC's main beneficiary, representing 7 out of 17 financial sector activities. Although IFC helped BSP expand its business, it had limited impact on increasing its goal of achieving MSME access to finance because of little competition in the banking sector (three large banks dominate). Even so, during the evaluation period, two of the three major banks (ANZ and Westpac) began to scale down their operations. IFC successfully supported a small domestic bank, Kina Bank, to acquire ANZ, absorb its SME customers, and provide better-quality SME services, but this did not increase competitiveness or total MSME financing. As of 2021, the ratio of deposits to loans exceeded 100 percent, with outstanding loans concentrated in large corporations. In 2019–20, IFC supported a nonbank financial institution to increase SME financing, but the operation failed because of COVID-19.

Tourism

Bank Group support for downstream tourism activities lacked realism and was ineffective. Representing only 1.8 percent of GDP and about 2.9 percent of total employment (WTTC 2022), Papua New Guinea's niche tourism opportunities—with its diverse culture, pristine coral reefs, and prime surfing and diving sites—are largely untapped. Country strategies either envisioned the Bank Group playing a key role in developing the sector (Papua New Guinea CAS for FY08–13; IFC Country Strategy for FY19–23) or exercised caution, pointing to severe limitations associated with institutional capacity, the security environment, and infrastructure quality (CPS for FY13–16). A $20 million World Bank tourism investment project (2017–22) was canceled after disbursing 10 percent of the loan because of the inability of national institutions to implement activities at the subnational level (including the Tourism Promotion Authority's weak capabilities).[4] The project was not informed by relevant analytical work (a regional tourism analysis focused on the Pacific islands overstated opportunities and underestimated risks for Papua New Guinea). An IFC advisory also helped the Tourism Promotion Authority obtain market data while seeking to build tour operators' capacity. Yet inexperience at the subnational level, including a lack of awareness about local political issues between tour operators, led to project staff being coerced and threatened (a director of one of three companies being provided advisory to withdrew from project activities as his position in the local community was complicated by his involvement with IFC) and the closure of community activities. According to the closeout report, more direct communication was needed with local operators about the project's nature, including explaining the difference between investment and advisory.

[1] Dutch disease is an economic phenomenon where the rapid development of one sector of the economy (particularly natural resources) causes a substantial appreciation of the domestic currency, which hampers exports and thus causes a decline in other sectors.

[2] During the first development policy operation, no International Monetary Fund Staff Monitored Program was in place. There was the Staff Monitored Program from February 2020 to June 2021, after which a new Staff Monitored Program was approved in December 2021.

[3] Specifically, the Road Maintenance and Rehabilitation Project II (fiscal years [FY]11–23) and the Productive Partnerships in Agriculture Project (FY10–21) attempted to link improvements to national and district roads to improve connectivity for coffee and cocoa producers in East New Britain province. This included traveling to several potential project sites to reach an agreement on a coordinated approach. Similarly, the Resilient Transport Project (FY22–29) originally aimed to connect transport infrastructure to agricultural opportunities provided by the Agriculture Commercialization and Diversification Project (FY20–26). It sought to support spatial connectivity along the Ramu-Madang economic corridor in the Momase Region by connecting its highway rehabilitation and maintenance activities with planned provincial and agricultural feeder roads supported by the agricultural project. However, none of these efforts came to fruition, undermining opportunities for enhanced development effectiveness in the agriculture sector.

[4] The treasury requested the cancellation of undisbursed balances because of COVID-19.

5 | World Bank Group Support to Promote Gender Equality and Combat Gender-Based Violence

Highlights

Systemic gender inequality precludes women's economic, political, and social empowerment and is a key barrier to sustainable and inclusive growth in Papua New Guinea.

The World Bank Group's focus on addressing gender inequality and gender-based violence (GBV) intensified over time in country strategies. The Bank Group also made a more convincing case for gender equality and increasingly recognized GBV risks to the portfolio. It relevantly rolled out a "smart economics" approach to gender integration by using data and analytics to show the economic benefits of women's empowerment to the country, thus giving gender issues more traction in the agriculture and transport sectors. It also used a culturally appropriate family and community-based engagement model that sensitizes the whole of family and community to the household benefits of improving women's labor opportunities.

More evidence is needed about what works to achieve gender-related outcomes in different contexts. Tested in the agriculture sector, the smart economics approach to gender—implemented through a family engagement model—reportedly helped achieve increased agency for women in the sector and household but mainly in matrilineal versus patrilineal areas, and data are hard to validate. Other sector efforts to employ women safely faced implementation challenges because of a lack of household discussions about labor allocations. Gender-related results have also not been reported at the strategy level.

The World Bank's recent shift toward building a human development program addresses gender gaps in access to human capital endowments. However, the achievement of gender outcomes will depend on careful consideration of the local, normative context in which these programs are implemented.

The International Finance Corporation advisory led the way in demonstrating how to tackle GBV in the workplace directly through guidance, building coalitions, and training and by financing safe houses for victims.

The World Bank has increasingly addressed the risks of GBV through a do-no-harm approach in individual projects, but this approach falls short of achieving a more strategic engagement at the portfolio level and in partnership with others.

Systemic gender inequality precludes women's economic, political, and social empowerment and is a key barrier to sustainable and inclusive growth in Papua New Guinea. Gender refers to the social, behavioral, and cultural attributes, expectations, and norms associated with being male or female (box 5.1). As emphasized in the SCD (World Bank 2018a), women's limited access to economic opportunities, endowments (such as education and health), and voice and agency threaten the country's long-term growth prospects. Fewer than one-quarter of women participate in the labor force (IFC 2017). Legal impediments and entrenched social norms restrict women's access to employment opportunities, many of which are at a distance from the home or within professions considered the preserve of men. Significant personal safety challenges constrain women's economic opportunities further and result in productivity losses. Significant barriers to women's voice and agency are evident in the discrimination against women in customary law, the power imbalances women face in their families and clans, and the dearth of female representation in leadership positions. Although two women were recently elected to parliament, in the previous parliamentary period, Papua New Guinea was one of only three countries globally without female representation in parliament. Without addressing the structural impediments to gender equality (legal, cultural, and personal security), women will be unable to take advantage of growth opportunities.

Gender equality and GBV are deeply intertwined in Papua New Guinea, with extremely high levels of GBV perpetuating barriers to economic and social participation. The country has one of the highest rates of GBV globally. It is estimated that two-thirds of all women have experienced GBV, 50 percent of women have experienced sexual assault, and half of all reported victims of rape are younger than 15 years of age (Kalebe 2020; LRC 1992; World Bank 2018a). Many women remain violently subordinated in family and wider social contexts, and GBV tends to be culturally accepted, with nearly 70 percent of women believing that a husband is justified in beating his wife (NSO and ICF International 2019). The abysmal growth of employment for both men and women reinforces these trends. Power imbalances affect the overall economic health, governance, and resilience of the country by limiting women's economic, political, and civic participation. GBV results in productivity losses because of its impact on women's economic and social participation, including through increased absenteeism in the workplace (an estimated 10–12 days of work are lost annually for each employee affected by GBV; IFC 2017) and decreased ability to accumulate human capital. In addition, high levels of sexual violence against men and children undermine development outcomes further. Overall, limited collection of data on GBV impedes accurate assessments of these trends and thus appropriate policy responses. Although several law and policy reforms in the past decade have made some progress in supporting women, significant work remains to address entrenched sociocultural norms.

Box 5.1. Gender Definitions

Gender refers to the social, behavioral, and cultural attributes, expectations, and norms associated with being male or female. As defined by the World Bank, gender equality refers to how these factors determine how women and men or other nonbinary gender identities relate to each other and the resulting differences in opportunities and outcomes between them. Gender-based violence takes many forms, including sexual, physical, and psychological abuse. Although much gender-based violence is perpetrated by men against women, it also includes violence against men, boys, and sexual minorities or those with gender-nonconforming identities. Such violence both reflects and reinforces underlying gender-based inequalities.

Source: World Bank 2015.

The Bank Group's focus on gender inequality and GBV deepened over time by making the economic case for gender equality and by increasingly recognizing GBV risks to the portfolio. The Bank Group treaded lightly on gender issues early in its engagement. The CAS for FY08–11 framed gender equality narrowly regarding social inclusion and limited its focus to women in mining. GBV was referenced only in relation to HIV/AIDS. GBV—a sensitive topic—was seen to be more in the purview of UN agencies (the Bank Group also lacked expertise). A change in Country Management Unit leadership, increased IFC gender expertise, and a country-level analysis conducted for the *World Development Report 2012: Gender Equality and Development* (World

Bank 2011) and a Country Gender Assessment contributed to deepening the approach. The CPS for FY13–16 introduced a shift in the World Bank's approach: it made an economic case for gender equality, an approach the CPS referred to as "smart economics." This approach was pragmatic and played to the Bank Group's advantage by focusing on the economic reasons for gender integration at the social, communal, and household levels. Its rollout is associated with the findings from *The Fruit of Her Labor: Promoting Gender-Equitable Agribusiness in Papua New Guinea*—a 2014 joint World Bank–IFC study that showed how to improve agriculture sector productivity by increasing the quality of women's labor inputs and focusing on labor distribution in the household (World Bank and IFC 2014). IFC helped launch the Pacific Women in Business Program to enhance women's economic empowerment in business. The program also directly supported GBV case management. By 2019, the World Bank developed a country gender action plan to inform the new strategy, conducted a GBV assessment, and adopted a project screen to assess and mitigate GBV risks.

The World Bank relevantly rolled out its smart economics approach to achieve gender integration through a culturally appropriate family and community-based engagement model. Engaging women in domains related to economic benefits is highly challenging as a result of resistance from local government, Project Management Unit staff, and men in communities because men view these domains as traditionally masculine. Given that men hold much of the power in Papua New Guinea society, it is critical to gain their buy-in in the process of change through advocacy targeting men and women in the household and community. As such, the World Bank rolled out its smart economics approach through a family-based engagement model that engages and sensitizes the whole family and community to the household benefits of improving women's labor opportunities. CARE, an international nongovernmental organization, and the Australian Centre for International Agricultural Research developed this model indigenously and tested it successfully. Several interviews with multiple stakeholders in government and the wider donor and nongovernmental organization community confirmed the relevance of this approach and engagement modality. According to interviews, the smart economics approach and efforts to gain buy-in at the communal and family levels are more effective than the normative approaches used by UN agencies, as determined through continued client uptake.

However, more evidence is needed about what works to achieve gender-related outcomes in different contexts. The family-based engagement model, tested in a project in the agriculture sector, reportedly helped achieve increased agency for women but mainly in matrilineal versus patrilineal areas, and results were hard to validate. PPAP reportedly improved gender interaction within households, although mainly in matrilineal (cocoa-growing) areas (53 percent of participating households versus 33 percent in nonparticipating households), with an almost negligible improvement (4 percent of households) in patrilineal (coffee-growing) areas (World Bank 2022b). However, these data and the sustainability of these outcomes were difficult to validate after project close. In Bougainville, using a CDD approach in a postconflict environment reportedly helped bring women into public decision-making. By empowering women's groups to help develop and manage community-prioritized infrastructure and services, the Inclusive Development in Post-Conflict Bougainville Project helped elevate how women saw themselves and how the men in authority with whom they collaborated regarded them. The approach was innovative because even though other CDD programs globally had established rules for participation, many of these programs tended to pigeonhole gender, resulting in siloed women's projects that reinforced inequity. Achieved largely in a matrilineal area (although also in a postconflict context), it is unclear whether this approach can be replicated effectively in other contexts.

Some other sector efforts to employ women safely faced implementation challenges because of a lack of household discussions about labor allocations. Although the Road Maintenance and Rehabilitation Project II was restructured to enhance women's economic opportunities and provided an increase in job opportunities for women, the women the project interviewed indicated that while the approach increased their access to paid work significantly, it failed to ensure that they could retain their own income and did not include provisions for childcare. The World Bank's Urban Youth Employment Project (UYEP) also increased skills development and job opportunities for women, but an impact evaluation revealed that over one-third of participating females experienced negative impacts, and most concerning was an increase in domestic violence. Subsequently, UYEP II is strengthening its approach to GBV by including GBV awareness and prevention as part of the training curriculum and strengthening the referral process for GBV cases. Gender specialists were engaged in the design of these projects, but a lack of gender specialists in the country to support implementation led to a disconnect between project design documents and implementation results. Other sectors, such as tourism (although the project was canceled), would have missed opportunities to empower women because it lacked a gender focus in their design.

Gender-related results have not been reported at the strategy level. Two of the three pillars in the CPS for FY13–16 included a commitment to achieve gender-equitable access (physical and financial infrastructure) and gender-equitable improvements in lives and livelihoods. Although three projects (transport, agriculture, and youth employment) had gender-disaggregated indicators, the indicators fell short of providing the information needed to assess the Bank Group's contribution to these pillar aims. For example, a roads project reported on the number of days that women worked but not on the benefits they received from the labor (for example, retention and use of income or market access). A youth employment project, or UYEP, reported on the share of women graduating from training but not on job placement or associated benefits (or on GBV-related risks of obtaining employment; see chapter 6). IFC also had gender-disaggregated targets for access to finance, but IFC assessments could not verify them.

The World Bank's shift toward building a human development program should increase benefits flowing to women and girls in the portfolio. Gender inequalities in health and education create barriers to women's participation in economic activity and social and political life (World Bank 2022a). The World Bank seeks to address this gap by building a human development program. The Child Nutrition and Social Protection Project aims to direct cash transfers to households with children or pregnant or lactating women to promote women's financial inclusion and nutrition. The Improving Access to and Value from Health Services project aims to improve the coverage and quality of essential health services for women to help close the gender gap in health endowments. If implemented effectively, these programs can improve women's access to finance and health services and help drive inclusive growth. Nevertheless, the local, normative context in which these programs are implemented matters greatly and will have implications for gender relations and family dynamics that need careful consideration, particularly in the application of cash transfers.

Gender-Based Violence

IFC led the way in demonstrating how to tackle GBV in the workplace directly. IFC addressed gender inequity and GBV in the workplace directly by helping establish a business community platform focused on women's empowerment and addressing GBV. The Business Coalition for Women, supported by IFC advisory (and funded by the Australian government), helped 45 member companies to increase women's leadership opportunities, put GBV policies in place, and provide support for family and sexual violence services. Interviews that IEG conducted in 2022 confirmed that IFC showed early results in the form of increased productivity and cost savings in certain firms that adopted and followed the GBV policies (IFC 2017). IFC also helped establish Bel Isi, a public-private partnership created to provide safe houses and case management services to employees from subscribing companies and to the public. Interviews with women's groups attested to Bel Isi's efficacy. This advisory services project has been foundational for IFC's work on gender (IFC is replicating the model elsewhere), and it is shaping IFC's approach to performance standards on GBV. Furthermore, DFAT is scaling it up. In addition to gender advisory services, IFC is exploring opportunities for upstream investment in creating a technical and vocational education and training center for women employed in the construction and extractive sectors.

The World Bank increasingly addressed the risks of GBV through a do-no-harm approach in individual projects, but this approach falls short of achieving a more strategic engagement at the portfolio level and in partnership with others. The World Bank has increasingly identified and mitigated GBV risks at the project level through its safeguards. The approach, per the Environmental and Social Framework guidance, focuses on sexual exploitation and abuse and harassment for project-affected communities. However, the approach does not address wider GBV issues concerning coercive control within the household and community, restrictions to economic and financial independence, and the lack of GBV support services (Demian 2017). The do-no-harm approach is situated at the project level, which enables the World Bank to identify and mitigate GBV risks within project areas, but the approach is not capable of identifying opportunities and tackling trade-offs across the portfolio and with relevant partners. For example, although efforts to promote a family-based approach to gender integration in the agricultural sector are expected to reduce the potential for harm, other efforts that promote job creation for women have documented some level of harm, as in the transport and urban employment projects. Opportunities also exist to make successful GBV engagements in the private sector more visible to engage in policy dialogue on these issues better and to collaborate with other development partners at a strategy level.

6 | Building Resilience to Conflict, Violence, and Disaster Risks

Highlights

A complex set of interrelated fragility, violence, and disaster-related drivers and risks undermines inclusive and sustainable development in Papua New Guinea.

Country strategies, buoyed by a 2018 Risk and Resilience Assessment, have increasingly recognized the need to address the drivers of fragility, conflict, and violence (FCV) and to mitigate compound risks wrought by climate change, disasters caused by natural hazards, and FCV drivers. However, despite strategy commitments, FCV issues remain ill-monitored, relevant staff lack access to credible conflict analyses, and disaster and climate risks have not been elevated at the policy level, although they have been recognized.

The World Bank sought to address drivers of urban crime and violence through youth employment programs, which have achieved some employment benefits. However, causal links among skills development, job placement, and crime reduction in targeted neighborhoods are not evident. The intractable and rising challenge of urban violence will require redress through multiple security, justice, and social reforms that exceed the World Bank's youth employment programs' labor market incentives.

The Bougainville situation is testing the World Bank's ability to balance client relations with the need to sustain development gains, including in contested spaces. Contrary to its past efforts, the World Bank Group has distanced itself from the autonomous region in ways that are unaligned with FCV strategy aims.

A complex set of fragility, violence, and disaster drivers and risks undermines inclusive and sustainable development in Papua New Guinea. As identified by the SCD (World Bank 2018a) and featured in the Country Program Evaluation's framework, compounding and interrelated risks involving the interplay between violence, conflict, disasters, institutional fragility, and governance limit human capital development and constrain investment and growth severely. The country's ethnic and cultural diversity and the remoteness of many communities have so far stopped any single issue from fostering nationwide conflict, but local ethnic and gender relations and rising numbers of underemployed youth all fuel the endemic daily violence. In Papua New Guinea's urban settings, underlying ethnic identities also emerge as fault lines for new kinds of violence. Modern politics brings together neotraditional patronage and wider, modern political boundaries that still set clan against clan and village against village, undermining cooperation and sustained service delivery. Papua New Guinea also faces very high natural disaster risks that it is ill-equipped to mitigate. Exposed to earthquakes, tsunamis, volcanoes, cyclones, drought, and flooding, the country is expected to incur (on a long-term average) $85 million per year in losses. This exacerbates preexisting vulnerabilities and can multiply risks, as became apparent in 2018, when slow disaster relief after an earthquake prompted violence. Along with all this, the diverse social traditions of the hundreds of distinct tribal groups create a deeply complex web of conflict, crime, and violence drivers and disaster risks. Although intertribal conflict has decreased overall, interpersonal violence remains high and by some metrics higher than at the start of the evaluation period (IHME 2019).[1]

World Bank strategies have increasingly recognized the effects of compound or compounding and interrelated fragility, conflict, and disaster risks. Reflecting the poignancy of the Bougainville conflict (1988–98) triggered by grievances over extractive governance issues, the 2007 CAS prioritized support for sound natural resource management and equitable service delivery, including through mining technical assistance and CDD in postconflict areas. It also supported analyses of youth unemployment and urban violence. The 2012 CPS linked FCV drivers to development effectiveness more explicitly. The strategy thus expanded the World Bank's physical presence in Bougainville and supported a project on youth unemployment to address urban violence. However, FCV analyses were not integrated into engagement or portfolio decision-making. Disaster risks were recognized but not elevated, and climate risks were not analyzed. The period of the 2018 SCD and the 2019 CPF represents an inflection point for FCV analyses. A well-written RRA emphasized the need to address economic volatility, extractive sector governance, limited youth opportunities, weak subnational governance, and multidimensional risks. It recommended support to Bougainville, monitoring emerging conflict risks and applying a peace and inclusion lens to the portfolio. With the aid of the RRA and governance-focused advisory services and analytics, the SCD presented a holistic analysis of the multiple and interrelated FCV and disaster risks that needed to be addressed to support development effectiveness (box 6.1). Accordingly, the 2019 CPF committed to using a "risk-informed approach" by applying an FCV selectivity filter to portfolio decisions and maintaining a watching brief on Bougainville and the resource-rich Southern Highlands. The 2019 CPF also indicated that the World Bank would work closely with the Autonomous Bougainville government and local communities to ensure ownership of development activities and with the UN, other development partners, and nongovernmental organizations to maintain vigilance on the referendum.

Box 6.1. Compounding and Interrelated Risks in Papua New Guinea

A confluence of emerging risks affects the Southern Highlands. On February 26, 2018, a 7.5 magnitude earthquake hit the Highlands, affecting more than 500,000 people in five provinces. The earthquake triggered a wave of violence linked to a range of interconnected factors, including frustrations over the slow institutional response to the disaster and slow arrival of relief supplies, and ongoing political disputes and conflict related to recent leadership appointments. Tensions over the focus of the relief reignited grievances related to the intraclan and interclan distribution of benefits from the construction and production phase of the Papua New Guinea Liquefied Natural Gas Project. Four years after gas started to flow, beneficiaries had yet to receive royalties, which contributed to a spike in violence.

Source: World Bank 2019b.

Use of Analyses of Fragility, Conflict, and Violence Issues

FCV issues remain poorly monitored, however, and staff lacked access to credible conflict analyses. The SCD identified violence and conflict as major barriers to development, and the RRA recommended that the World Bank use a fragility lens to ensure that the portfolio is developed (and projects are designed) in line with fragility-reducing aims, including with political economy or conflict analyses or both. As the RRA recommended, applying a fragility lens would include a robust conflict-sensitive results framework with data collection and monitoring systems, and key disaggregated beneficiary indicators and a robust communications strategy, with ongoing stakeholder engagement. However, since its finalization in 2019, the analyses underpinning the RRA have not been made available to many staff engaged in Papua New Guinea, and the promised watching brief on developments in Bougainville and the Central Highlands has never materialized. A 2019 intersectional risk analysis consisting of a national-level analysis and four subregional intersectional risk profiles was also not shared with development partners that expressed interest, even in an abridged format. Interviews with staff showed a high level of interest in integrating FCV considerations into operations better (for example, by applying a project-level peace and conflict lens), but a lack of access to relevant analyses has hindered this. As of May 2023, an RRA update was underway, but to be effective, it will need to develop a clear engagement strategy for the Country Management Unit and operational staff.

Urban Crime and Violence

The World Bank sought to address the complex drivers of urban crime and violence through youth employment programs. The drivers of urban crime and violence are politically and socially complex (box 6.2). Young people are gravitating toward urban centers to pursue better jobs and standards of living, but without the language and practical skills necessary for scarce formal sector jobs, they settle into the fiercely competitive informal sector or turn to crime (World Bank 2019b). The cost of urban crime is estimated at 10 percent of average business profits (Lakhani and Willman 2014). The government's development strategic plan for 2010–30 states that

"80 percent of crimes are committed by young people, and 71 percent of prisoners are below the age of 25 years" (DNPM 2010, 111). The World Bank, through UYEP I (2011; plus additional financing) and UYEP II (2020), posited that a combination of productive activities through temporary employment, increased employability, and attitudinal change through training would lead to "a reduction of [antisocial behavior] (violence and crime)" among youth and thus reduce the impact of crime (World Bank 2020a, 8). The project would measure this outcome through perception surveys capturing both participants and other community members.

Box 6.2. Drivers of Urban Crime and Violence

The drivers of urban crime and violence are politically and socially complex, and although communal grievance resolution mechanisms show promise, the World Bank has not directly supported them. Youth exclusion, petty crime, communal tensions about clan or tribe identity, gang activity, inequality, and the declining authority of traditional leadership form a complex web of interconnected drivers of urban crime and violence. A high urban cost of living, limited employment opportunities, high informality, and linguistic diversity combine to create a highly competitive urban environment. Together, these challenges make Papua New Guinea's fast-growing cities sites of social and political diversity, connectivity, and contestation. However, robust data on the scope of crime and violence or the relative importance of the various drivers are lacking. Various communal mechanisms have emerged throughout the country to resolve conflict without violence. These range from village courts to urban neighborhood mediation committees and cover issues such as adultery, violence, swearing, unpaid loans, unruly competition in markets, and youth. These forms of mediation are usually timely, accessible, affordable, and flexible and, if strengthened, offer promising ways to manage conflict. However, as of September 2023, these mechanisms remain largely outside the purview of World Bank Group operations, including the safeguard mechanisms.

Source: World Bank 2019b.

Although UYEP delivered employment benefits, targeting and scale have been challenging, and evidentiary links to reduced crime and violence are weak. The World Bank helped provide job training and work placement for

1,184 youth through UYEP, but implementation was challenging because the program struggled to include and retain entrants from the poorest households. The choice to bypass existing civil society institutions working in this space aligned with World Bank goals to build public institutional capacity, but that choice opened the program up to potentially more forms of political interference in entrant, ward, and company selection. Of the 11,506 entrants, 4,548 were selected for on-the-job training based on their (financial) literacy, 2,890 youth completed this training, 1,184 graduates accessed a paid job, and 1,222 sustained their employment for at least six months after project close. Regarding targeting, the program theory was geared toward prevention, but there is no evidence that the program was designed to effectively recruit and retain youth most likely to engage in criminal activities. In fact, the program broadened the age range because of the recruitment challenges (beyond the average criminal age demographics) and loosened poverty targets. The program did not collect crime data for the neighborhoods, and even though surveys indicated that participants and nonparticipants perceived a reduction in crime, the self-evaluation did not demonstrate causal links.

Supporting the reduction of urban crime and violence requires going beyond providing labor market incentives. Emerging research from West Africa suggests that a combination of financial support (which could include employment) and (behavioral) therapy, among other contextually relevant incentives, has worked to reduce crime and violence among vulnerable youth (Blattman, Jamison, and Sheridan 2017). In its urban resilience evaluation, IEG recommended and management agreed to undertake relevant analytical work to address localized typologies of crime and violence and to assess the mechanisms most effective at reducing crime and violence within specific operations and varying contexts (World Bank 2019a). As UYEP moves into a second phase and expands from Port Moresby to Lae (a city with reportedly twice the murder rate and higher intercommunal tensions; World Bank 2020b), it should strengthen data collection, analysis, monitoring, and evaluation to understand and adapt its approaches related to crime and violence reduction that in similar programs often depend on the viability of civil society organizations and other institutions, including the police.

Bougainville

The Bougainville situation is testing the World Bank's ability to balance client relations with the need to achieve and sustain development gains in politically contested spaces. The Autonomous Bougainville government has a stated goal of becoming independent by 2027, but it faces substantial challenges because at present rates, it would not be able to raise sufficient state financing. Large parts of the Bougainville population see the referendum as guaranteeing independence. However, per the peace agreement, the national parliament must ratify the outcome of the referendum. Humanitarian and peace-building actors recommend vigilance if parliament allows increased autonomy rather than full independence—one of several likely hybrid scenarios. The World Bank has a unique apolitical position as the only donor not involved in the postwar settlement supporting Bougainville's economic development. It has historically had a strong physical presence in Bougainville, including supporting postconflict projects on extractive governance and agriculture to counteract the reliance on extractives. Yet as of September 2023, there was only one World Bank national project operating in Bougainville—the Agriculture Commercialization and Diversification Project for Papua New Guinea. Although a relevant mining technical assistance project was prepared by the World Bank, it was dropped because of the inability of the national and regional government to reach agreement on implementation and fiduciary arrangements. A watching brief recommended by the RRA and planned for the CPF has not been conducted. Since the referendum, the World Bank has also not attended Bougainville meetings organized by the UN liaison office.

The World Bank's small footprint in Bougainville is out of step with the RRA and FCV strategy guidance. The situation in Bougainville is fragile. If Bougainville were to achieve full independence, it would be mired in economic difficulties, including the need to raise revenue; political contestation; and severe service delivery challenges. A hybrid solution would likely give rise to grievances, with latent potential for violence of uncertain extent. Nevertheless, the Bank Group's FCV strategy recommends engagement, in line with the strategy's aim of "pivoting to prevention," beginning with the most basic of aims of having "eyes on the ground" (box 6.3). The World

Bank's historic engagement, focused on extractive governance, nonextractive sources of growth, and women's empowerment, was highly relevant and of broad scope. As of FY22, only one World Bank agriculture activity is situated in Bougainville. Development gains will be eroded if violent conflict erupts, including the strengthening of social capital achieved through World Bank–supported community-led approaches. Interviews suggest that multiple financing and portfolio factors have contributed to the shift in World Bank presence and that its strategic role needs to be considered more intentionally, with a goal of contributing to its conflict prevention aims.

Box 6.3. Engaging in Contested Areas

The World Bank's engagement in Bougainville is sensitive, given the island's ambition to become independent and thus its uncertain future. To inform its engagement, the World Bank could look to its experiences with other contested areas. The World Bank has a long-standing engagement in separatist Somaliland, where it struck a balance between supporting centralization while using its resources to incentivize better relations between Somaliland and the Somali federal government. Similar experiences exist in Aceh (Indonesia) and Mindanao (the Philippines), where the World Bank has maintained a robust investment program and dialogue with all parties.

Source: Independent Evaluation Group.

Addressing Disaster and Climate Change Risks

Papua New Guinea has no national efforts to promote disaster risk reduction, so the World Bank relevantly directed its focus on sector operations but with modest effects. Located in the Pacific Ring of Fire, Papua New Guinea is one of the most disaster-prone countries: it has an 81 percent chance of experiencing a disaster yearly and has some of the highest levels of population exposure to volcanic and earthquake risks (GFDRR 2015). Yet the country lacks coherent national conversation about disaster risks and pays little attention to risk identification, planning, and preparedness, and underinvestment is chronic, perhaps because of the low level of built infrastructure. Institutional issues compound the challenge. The Disaster Assistance Act has not been updated since 1984, the National Disaster Center was placed into the Defense Force and has no budget authority, and the provincial disaster centers are delinked from the National Disaster Center. The World Bank with support through the Global Facility for Disaster Reduction and Recovery analyzed Papua New Guinea's disaster risk management framework in 2019–21 and produced a diagnostic report and investment plan, but proposed investments—including a catastrophe deferred drawdown option–never materialized.[2] Because of the lack of national traction, the World Bank has integrated disaster resilience into some sector operations since FY17 (agriculture, water supply, and transport). It is also increasingly using contingency emergency response components (in water, agriculture, and health operations), but if triggered, these can support disaster response, not risk mitigation.

The World Bank staff has tried to initiate a dialogue among government and UN officials about compounding and interrelated disaster, climate change, and conflict risks, but these issues have not been prioritized amid competing demands. World Bank staff with deep country knowledge conducted a relevant analysis of the links between disaster and conflict risks ahead of the 2019 CPF. The analysis, which included national and provincial risk assessments, showed how slow institutional responses and competition for aid can ignite local grievances, leading to widespread violence. It also demonstrated the inadequacy of treating disaster and climate risks as separate provincial problems. World Bank staff presented the analysis at a joint disaster risk committee of the UN and the government, but no actions have been taken based on this assessment. Moreover, the Country Management Unit's decision to not provide the analysis even in an abridged format has limited its distribution and influence with donors. Actions to address compounding and interrelated risks would have involved, among other things, pairing provincial-level risk assessments with community activities to support enhanced resilience at the local level.

[1] See also “Papua New Guinea,” Uppsala Conflict Data Program (database), Uppsala University, Uppsala, Sweden (accessed October 2, 2023), https://ucdp.uu.se/country/910.

[2] This was informed by the 2019–21 strengthening the policy and institutional framework for disaster risk management in Papua New Guinea World Bank advisory services and analytics supported through an African, Caribbean, and Pacific–European Union grant. The deliverables included “Emergency Preparedness and Response in Papua New Guinea” diagnostic report (August 2021) and an investment plan for disaster preparedness and emergency response in Papua New Guinea (October 2021).

7 | Conclusions and Lessons

Bank Group–supported country strategies have become more relevant by building on long-standing relationships in core sectors while increasingly taking some risk to cover key development gaps in new sectors, risks that will also need to be managed. Having rebuilt its engagement by focusing on core sectors with existing relationships, the World Bank gradually shifted its approach toward addressing key human development challenges identified in the SCD while maintaining a focus on those core sectors where results were achieved. Engaging in new sectors requires taking some necessary risks that will also need to be managed. Conducting programmatic advisory services and analytics and using partnerships in these sectors (for example, health) helps mitigate some but not all risks.

The World Bank has increasingly leveraged its multilateral position and technical expertise to achieve more meaningful complementarities. During the evaluation period, the Bank Group provided about 9 percent of official development assistance, compared with 70 percent provided by the Australian government and the Asian Development Bank combined. Reflecting its status as a relatively small development partner in financial terms, the Bank Group's role evolved from one focused on delivering services in core sectors (such as in transport and agriculture) to leading by demonstrating innovative technical approaches that others are replicating and by leveraging co-financing to achieve complementary donor aims.

However, decisions on the scope of Bank Group engagement have not always been based on an assessment of what is feasible and measurable. To achieve country strategy aims, a better sense of realism was needed about what could be achieved and measured, considering limited state capacity.

Data scarcity that has undermined planning, policy development, monitoring, and evaluation has been a major constraint in setting feasible and measurable objectives and in determining scope. The SCD (World Bank 2018a) cited the challenges to effective programming associated with outdated or nonexistent censuses, household and other survey data, and the lack of timely macroeconomic data. Data deficiencies have resulted in significant shortcomings in population estimates and the level of poverty and have prevented effective targeting for service delivery, especially in rural areas. Bank Group strategies did not sufficiently prioritize this constraint.

Bank performance in the early part of the evaluation period was less than satisfactory, but it has improved over time. Strategy implementation was challenging because of weak government capacity for financial and contract management, procurement, auditing, and safeguards in central or implementing agencies and insufficient counterpart funding. The Bank Group also underestimated capacity and implementation constraints. Some of the World Bank's technical approaches have also overcomplicated engagement and overwhelmed client capacity, especially those associated with introducing international best practices, and so has switching approaches too often, including in response to changing corporate priorities.

The Bank Group has overcome some engagement challenges by increasingly adapting to the country context. The World Bank increased technical staff presence significantly in the region and country in ways that potentially allow programs to be better grounded in an understanding of context and the client. More effective support has been associated with high-frequency, low-intensity engagement by layering advice and support, not going too quickly, and never letting the engagement cool. This includes staff efforts to build personal relationships over time with clients in ways that help staff navigate patronage dynamics and identify appropriate entry points. Layering institutional analyses and technical fixes to address patronage dynamics over time, such as using performance-based approaches in the road sector, is showing promise. Other efforts featuring low-frequency, high-intensity support provided in short bursts have been less effective.

Other key challenges that continue to undermine the Bank Group effectiveness require additional reflection and adaptation. The high cost of operating in Papua New Guinea because of security constraints and high logistics prices has affected engagement and supervision capabilities negatively, and solutions to navigate this constraint more effectively are not forthcoming. The short duration of postings for international technical staff (because of the FCV nature of the environment) has limited opportunities for staff to build meaningful client relationships to support medium- to longer-term reforms. Using a regional hub has provided important continuity in some cases.

Despite progress at the sector level, Bank Group efforts to enable the nonextractive growth have been limited. To address deeply embedded patronage dynamics undermining nonextractive sector performance, the World Bank is effectively using performance-based contracts in the road sector and alternative service delivery models in the agriculture sector that others are replicating. However, IFC's agribusiness work in Papua New Guinea has been limited, with modest results. The Bank Group (IFC and the World Bank) contributed to a significant increase in ICT infrastructure (and IFC contributed to banking services), but a lack of competition has undermined affordable access and use.

Political fragmentation and an unpredictable policy environment limit the World Bank's ability to support meaningful policy reforms. The World Bank was unsuccessful at using budget support to support fiscal and public management reforms. It inadequately identified and mitigated risks related to the government's low capacity to implement reforms, particularly policies that constrain spending. Along with this, declining governance quality and increasing bilateral aid flows spurred by geopolitical interests are also making it challenging for the World Bank to pursue durable policy reforms.

The World Bank appropriately approached gender equality as smart economics, applied through culturally appropriate family and community-based models, but more evidence is needed about what works to achieve gender-related outcomes in different contexts. The Bank Group's strategic focus on gender deepened over time by using data and analytics to show the economic benefits of women's empowerment, thus giving gender issues more traction in certain sectors. Tested in the agriculture sector, the family-based engagement model reportedly helped achieve increased agency for women but mainly in matrilineal versus patrilineal areas, and results are hard to validate. Other sector efforts to employ women faced implementation challenges because of a lack of household discussions about labor allocations.

IFC led the way in demonstrating how to address GBV in the workplace directly. Through its advisory work, IFC showed the costs of GBV to doing business and has helped clients develop guidance, build coalitions, provide training, and establish safe houses for victims of GBV. IFC also engaged on the financial side.

The World Bank has taken a do-no-harm approach to GBV at the project level, but this approach falls short of achieving a more strategic engagement at the portfolio level and in partnership with others. The World Bank's safeguards are not poised to address GBV directly at a strategy level, and they do not cover the more subtle GBV issues pertaining to coercive control, restrictions to economic opportunities and financial independence, and the lack of GBV services. The World Bank also lacks a gender specialist covering Papua New Guinea specifically.

Strategies identified compound and interrelated FCV, disaster, and climate change risks, but country engagement has not addressed them adequately. The RRA and SCD highlighted interrelated drivers of fragility and risks, but the Bank Group's engagement strategy did not integrate them adequately, including as part of an adaptive management approach. A promised conflict watching brief also never materialized. The Bougainville situation is testing the World Bank's ability to balance client relations with the need to sustain development gains in contested spaces. Youth employment programs made efforts to address drivers of urban crime and violence, but causal links are not evident.

Lessons

These findings yield the following lessons to inform the next CPF.

1. Data gaps need to be addressed to inform sound policy making and effective programming in Papua New Guinea. Using data has helped the World Bank engage in previously neglected sectors, such as health (tuberculosis) and nutrition (maternal, newborn, and child health and stunted growth in children), and on sensitive issues, such as gender equality. Yet a lack of timely economic and social data, especially household survey data, continues to undermine strategic decision-making and program targeting.

2. Declining governance quality and increasing bilateral aid will require the World Bank to reassess how it supports key policy reforms to achieve development impact, including through using DPOs. Coupled with the World Bank's limited leverage in relation to other key donors, Papua New Guinea's insufficient political capability to credibly commit to sustained policy reform is at the heart of the matter, particularly policies that constrain government spending and promote inclusive growth.

3. The Bank Group could elevate its impact on gender equality and GBV by shifting from a project-centric approach to a strategic country engagement approach. This will require assessing and sharing information better about the effectiveness of its different approaches to gender integration and GBV (including across sociocultural contexts), internally and as part of a wider country dialogue with clients and donor partners. The Bank Group has developed entry points on gender equality and GBV that clients accept, so it is appropriate and timely for the Bank Group to identify opportunities and address trade-offs more strategically at the country engagement and portfolio levels. Country-based staff with gender and GBV expertise will be critical for ensuring a more strategic approach to gender, as IFC's effective advisory experience has shown.

4. The negative effects that compound and interrelated risks pose to achieving development aims need to be addressed more comprehensively. Relevant staff need to understand the interrelated drivers of fragility and risks examined in the RRA and the SCD, and those drivers should be integrated into strategy and portfolio decision-making as part of an adaptive management approach and appropriate analysis available to relevant staff. The World Bank can also address these risks in Bougainville by staying engaged so it can continue to build on past sector experiences that focused on strengthening social and economic resilience that also had a strong gender focus.

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APPENDIXES

Independent Evaluation Group

The World Bank Group in Papua New Guinea

Appendix A. Methodology

This evaluation used mix methods to triangulate evidence to answer the evaluation questions (listed in the Country Context section of chapter 1 of the main text). Methods included the following:

- Portfolio review and analysis, including review of project- and task-related documents. The evaluation conducted a portfolio review to identify the World Bank Group's support during fiscal years 2008–23 that is relevant to the evaluation questions. The Independent Evaluation Group (IEG) carried out a structured document review of lending and nonlending portfolios across the Bank Group to extract, code, and analyze data and information relevant to the evaluation questions. Documents reviewed included outputs of advisory services and analytics and advisory services, Project Appraisal Documents, Implementation Completion and Results Reports and Implementation Completion and Results Report Reviews, Implementation Status and Results Reports, Expanded Project Supervision Reports, Project Completion Reports, aide-mémoire, review of meeting minutes, case studies, and other outputs documenting technical and policy dialogue.
- Existing evaluative evidence. The evaluation drew from existing internal validations and evaluations, including Implementation Completion and Results Reports of 12 World Bank projects and Implementation Completion and Results Report Reviews of 11 projects. The evaluation team also examined the Expanded Project Supervision Report Evaluative Notes for three International Finance Corporation (IFC) investments and IEG Evaluative Notes for nine IFC advisory activities. The evaluation also used findings from the Urban Youth Employment Project impact evaluation.
- Review of World Bank and IFC analytical work. Relevant sources include the Systematic Country Diagnostic, Country Economic Memorandum, Country Gender Assessment, political economy analysis in the transport sector, public financial management review, Public Expenditure Reviews, regular economic updates, risk and resilience analyses, and Country Policy and Institutional Assessment data.

- » Review of external analytical work and data. The evaluation reviewed analytical work relevant to the evaluation questions from other development partners and academia. Government strategies were also reviewed. In addition, IEG analyzed aid data using the International Aid Transparency Initiative database and conflict data using the Uppsala Conflict Data Program. Analyzing the change of road conditions over time, IEG used the Papua New Guinea national road network condition data from 2008 and from 2012, and the Papua New Guinea Department of Works and Highways road condition survey data from 2011, 2014, and 2018. To access the Bank Group's support to improving access to telecommunication services, IEG used the International Telecommunication Union's data on the cost of mobile internet and the Demographic and Health Survey data on telecommunication coverage in rural areas.
- » Background papers. Four sector specialists were tasked with developing background papers focused on agriculture, transport, gender, and the private sector based on a sector analysis template structured around the evaluation questions. These papers included detailed analysis of the Bank Group's engagement in the sector, including design issues, implementation challenges and achievements of each sector's portfolio, and assessments of the World Bank's learning and adaptation over time. The synthetic nature of these reports allowed the team to analyze similar phenomena from different lenses, deepening their understanding of core constraints, the relevance of Bank Group interventions, and subsequent contributions to development outcomes.
- » Interviews. The evaluation team conducted semistructured interviews with Bank Group staff, government officials, development partners, representatives of private sector associations and companies, and relevant academics and members of Papua New Guinea civil society. A subset of interviews was conducted in person during a mission to Australia and Papua New Guinea in November–December 2022.

Workshops and Field Visits

- » Agricultural development. IEG conducted a workshop with 12 members of the Program Coordination Unit and regional Project Management Units from

World Bank–supported agricultural programs and a lead partner benefiting from program support to engage in a dialogue on the Bank Group's contribution to agricultural development. The discussion focused on implementation challenges, Bank Group performance, achievements, emerging lessons, and future strategic directions for the World Bank's support in agriculture.

- Field visit. With the support of a local agricultural specialist, IEG conducted a field visit to the Eastern Highlands to undertake a deeper analysis of the Bank Group's engagements in agriculture, with a specific focus on the coffee industry. This included visits to Goroka, Kundiawa, and surrounding areas. The team held a roundtable discussion with members of the regional Project Management Unit for the Productive Partnerships in Agriculture Project and the Coffee Industry Corporation based in Goroka and interviewed former lead partners of the Productive Partnerships in Agriculture Project and prospective partners of the Agricultural Competitiveness and Diversification Project, including coffee farmers and exporters, and others involved in the industry, including a coffee roasting company (Goroka Coffee Roasters Ltd.), and visited coffee plantations and farms.
- Gender. IEG held a roundtable on gender to discuss approaches to gender-based violence and increasing opportunities for women in the workplace. The workshop was attended by female business leaders and advocates from local nongovernmental organizations and foundations who advocate for women facing gender-based violence. The discussion touched on the World Bank and IFC's support specifically related to the Business Coalition for Women and the role of the donor community in this space.
- Bougainville. IEG engaged with representatives of the Autonomous Bougainville government and the United Nations liaison officer for Bougainville in Port Moresby.

Appendix B. Portfolio

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

Project Name	Approval/ Closing Year	Actual Closing FY	Time under Implementation (years)	Total Commitment (US$, millions)	Overall Outcome Rating
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	2011	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 Post-Conflict 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	U

(continued)

Project Name	Approval/ Closing Year	Actual Closing FY	Time under Implementation (years)	Total Commitment (US$, millions)	Overall Outcome Rating
Rural Communications Project	2011/2019	2019	8	15.0	MS
Urban Youth Employment Project	2011/2020	2020	9	15.8	S
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	a
Additional Financing Productive Partnerships	2014	2019	5	30.0	a

(continued)

Project Name	Approval/ Closing Year	Actual Closing FY	Time under Implementation (years)	Total Commitment (US$, millions)	Overall Outcome Rating
Inclusive Development in Bougainville Additional Financing	2015	2019	—	2.4	a
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 DPO	2019/2020	2020	1	150.0	MU
Agriculture Commercialization and Diversification Project	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	—

(continued)

Project Name	Approval/ Closing Year	Actual Closing FY	Time under Implementation (years)	Total Commitment (US$, millions)	Overall Outcome Rating
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	—
Papua New Guinea Resilient Transport Project	2022	2029	7	92.5	—
Enhancing Labor Mobility from Papua New Guinea (Papua New Guinea)	2022	2027	5	32.0	—
Child Nutrition and Social Protection Project	2022	2028	6	80.0	—

Source: Independent Evaluation Group.

Note: DPO = development policy operation; FY = fiscal year; IBBS = Integrated Biological and Behavioral Survey; MS = moderately satisfactory; MU = moderately unsatisfactory; RMRP = Road Maintenance and Rehabilitation Project; S = satisfactory; U = unsatisfactory.
a. Additional financing ratings are the ratings of their parent projects.

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

Project Name	Approval FY
Papua New Guinea Post CAS AAA	2008
Country Assistance Strategy (FY07)	2008
FIRST: Risk-Based Capital Supervision for Nonlife Insurers	2008
Development of an Approach to Governance in Papua New Guinea	2008
Papua New Guinea: Design and Implementation	2009
Papua New Guinea Oro Province Disaster Response	2009
Program Knowledge for HIV Prevention Programs in Papua New Guinea	2009
Local Statebuilding Political Economy Lessons	2009
Achieving Sustainable Economic Growth by Managing Resource-Induced Volatility	2010
Development of a Comprehensive Framework to Address EI Governance	2010
Papua New Guinea—Climate Change Strategy	2010
Enhancing Statistical Analysis and Public Reporting in the Insurance Sector	2010
Urban Youth Empowerment Studies	2010
Local Learning on Statebuilding in Papua New Guinea	2010
Papua New Guinea Country Assistance Strategy—Progress Report	2010
Human Resources for Health in Papua New Guinea—Operational Review	2011
Papua New Guinea—Measuring Financial Competency	2012
Papua New Guinea Household Income and Expenditure Survey	2013
Papua New Guinea Political Economy (TF094304)	2013
Papua New Guinea Country Partnership Strategy 2012–16	2013
GIIF—Policy and Regulatory Capacity Building in the Pacific	2013
Papua New Guinea: Development of Prudential Standards #10148	2013
Papua New Guinea—HIV/AIDS Survey	2014

(continued)

Project Name	Approval FY
Papua New Guinea Smallholder Agriculture Development Project Effluent Study	2014
Social Protection Nonlending Technical Assistance	2014
Papua New Guinea #10115 Implementing On-Site Supervision	2014
Water and Sanitation Policy Development in Papua New Guinea	2014
Papua New Guinea—ROSC Accounting and Auditing	2015
Costs of Crime and Violence in Papua New Guinea	2015
Education Public Expenditure Review Papua New Guinea	2015
Papua New Guinea Household Income and Expenditure Survey Analysis Support	2015
Support the Development of Electrification Roll Out Plan	2015
Papua New Guinea Economic Briefings FY13–14	2015
Programmatic Papua New Guinea Strategic Partnership Multidonor Trust Fund	2015
Resource Distribution and Benefit Sharing Research	2016
Papua New Guinea AAA—Health Sector Analytics	2016
Technical Assistance to the Implementation of Papua New Guinea Financial Competency Survey	2016
Papua New Guinea Social Protection Nonlending Technical Assistance 2	2016
Papua New Guinea: Connectivity Analysis	2016
2nd DeMPA Papua New Guinea	2016
#B020 Financial Services Development Strategy	2017
Papua New Guinea Health Systems Strengthening Course	2017
Papua New Guinea Performance and Learning Review	2017
Urban Safety in Port Moresby and Lae Papua New Guinea	2018
Papua New Guinea Health Programmatic AAA	2018
Support to Civil Society Organizations in Papua New Guinea	2018
Health Financing and Service Delivery	2018

(continued)

Project Name	Approval FY
Nutrition Education and Implementation	2018
Papua New Guinea—Debt Management Strategy and Sustainability	2018
Papua New Guinea Systematic Country Diagnostic	2018
Papua New Guinea Economic Updates	2018
Core Rural Nonfarm Activities in Papua New Guinea	2019
Papua New Guinea: ICT Sector Development Technical Assistance	2019
Papua New Guinea Country Partnership Framework	2019
Papua New Guinea Nutrition Study	2019
Mainstreaming WASH Development Planning and Implementation in District Development Authorities	2019
Papua New Guinea—Economic Updates	2019
Wind Power Resource Mapping: Papua New Guinea	2020
Public Financial Management Reform and Subnational Service Delivery Scoping Activity	2020
Just-in-Time EEX Support	2020
Papua New Guinea—Economic Updates	2020
Papua New Guinea: Extractive Industries Accountability and Governance Enhancement	2021
Papua New Guinea—Programmatic Public Finance Review	2021
Papua New Guinea—Economic Updates	2021
Programmatic ASA in Health Sector 2018–21	2022
Papua New Guinea: Accelerate SME Innovations and Finance	2022
Designing Child Nutrition and Social Protection Interventions in Papua New Guinea	2022
Papua New Guinea Country Economic Memorandum	2022
Support NDoE to Implement National Education Plan 2020–29	2022
Mapping Wind Resources in the Pacific and Papua New Guinea	2009
TA for EAP Nutrition	2010
Sustainable Management through Reduced Risk from Disasters and Climate Variability in the Pacific Islands	2010

(continued)

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

Source: Independent Evaluation Group.

Note: AAA = analytical 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; FY = fiscal year; GIIF = Global Index Insurance Facility; ICT = information and communication technology; ID = identity; NDoE = National Department of Education; ROSC = Report on the Observance of Standards and Codes; SME = small and medium enterprise; TA = technical assistance; WASH = water, sanitation, and hygiene.

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

(continued)

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)
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 South Pacific; EQ = equity; GF = Guarantee Facility; 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	Completion End FY	Total Funds Managed by IFC (US$, millions)
Institutional Building for Papua New Guinea Microfinance Limited (PML)	Financial sector	2008	2011	1.8
Pacific Financial Markets Infrastructure	Financial sector	2008	2012	1.61
GTFP—In-house Training for BSP in Papua New Guinea	Financial sector	2008	—	—
Papua New Guinea Country SEZ Strategy	Private sector	2009	2011	0.37
Papua New Guinea Regulatory Simplification and Investment Policy and Promotion Project	Private sector	2009	2016	3.01
DigicelPNG	Telecom	2011	2012	0.36
ECOM Coffee Papua New Guinea	Agriculture	2011	2012	0.39
BSP Rural Electronic Banking and Mobile Money Project	Financial sector	2011	2015	1.46
Papua New Guinea Commercial Mediation	Private sector	2012	2014	0.64
Pacific Payment Systems	Financial sector	2013	2022	8.57
Lighting Papua New Guinea Extension	Energy	2013	2019	3.45
Pacific Women in Business Program	Private sector	2014	2020	5.11

(continued)

Project Name	Focus	Implementation Start FY	Completion End FY	Total Funds Managed by IFC (US$, millions)
Agribusiness Papua New Guinea	Agriculture	2014	2019	3.24
Regional Westpac Mobile Banking Project	Financial sector	2014	2018	1.54
Papua New Guinea SME Tax Simplification	Private sector	2015	2020	2.23
Pacific Renewable Energy Generation Project	Energy	2015	2021	3.31
Papua New Guinea and Fiji Capital Markets Development	Financial sector	2018	2022	2.45
Papua New Guinea Tourism Project	Tourism	2018	2020	1.49
Papua New Guinea Consumer Protection Project	Private sector	2018	2023	1.46
BSP E&S Technical Assistance Advisory	Financial sector	2018	2020	0.11
Papua New Guinea SME Competitiveness Project	Private sector	2019	2023	1.92
Kina Bank Papua New Guinea—AS Technical Assistance	Financial sector	2019	2022	2.00
Papua New Guinea Cassava Starch Production	Agriculture	2020	2023	2.57
Pacific Infrastructure Finance Platform	Financial sector	2020	2023	1.15
MoniPlus Papua New Guinea Business Transformation Technical Assistance	Financial sector	2020	2022	1.20

(continued)

Project Name	Focus	Implementation Start FY	Completion End FY	Total Funds Managed by IFC (US$, millions)
Papua New Guinea Comprehensive Credit Reporting	Financial sector	2020	2023	0.52

Source: International Finance Corporation management.

Note: AS = advisory services; BSP = Bank South Pacific; E&S = environmental and social; FY = fiscal year; GTFP = Global Trade Finance Program; IFC = International Finance Corporation; PNG = Papua New Guinea; SEZ = special economic zone; SME = small and medium enterprise; telecom = telecommunications; — = not available.

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