

PERFORMANCE AND LEARNING REVIEW

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INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

**PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP STRATEGY**

**FOR THE
INDEPENDENT STATE OF PAPUA NEW GUINEA
FOR THE PERIOD FY2013-FY2016**

July 1, 2016

**Timor-Leste, Papua New Guinea, and Pacific Islands Country Management Unit
East Asia and Pacific Region**

**The International Finance Corporation
East Asia and Pacific Region**

The Multilateral Investment Guarantee Agency

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CURRENCY EQUIVALENT (as of June 14, 2016)

Currency Unit: Papua New Guinea Kina (PGK)

US\$1.00 = PGK 3.16

ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics	LNG	Liquefied Natural Gas
BoP	Balance of Payments	MDG	Millennium Development Goal
BCFW	Business Coalition for Women	MIGA	Multilateral Investment Guarantee Agency
BPNG	Bank of Papua New Guinea	MTDP	Medium Term Development Plan
BSP	Bank South Pacific Limited	PACER	Pacific Agreement on Closer Economic Relations
CPF	Country Partnership Framework	PER	Public Expenditure Review
CPI	Consumer Price Index	PGK	Papua New Guinea Kina
CPS	Country Partnership Strategy	PLR	Performance and Learning Review
DDA	District Development Authority	PNG	Papua New Guinea
DFAT	Department of Foreign Affairs and Trade (Australia)	PPAP	Productive Partnerships in Agriculture Project
DSA	Debt Sustainability Analysis	PPP	Public-Private Partnership
EITI	Extractive Industry Transparency Initiative	RMRP II	Road Maintenance and Rehabilitation Project, Phase 2
GDP	Gross Domestic Product	RSDLGP	Rural Service Delivery and Local Governance Preparation and Pilot
HIES	Household Income and Expenditure Survey	RSDP	Rural Services Development Project
IBRD	International Bank for Reconstruction and Development	SCD	Systematic Country Diagnostic
ICT	Information and Communications Technology	SDG	Sustainable Development Goal
IDA	International Development Association	SME	Small and Medium Enterprise
IDIB	Inclusive Development in Post-Conflict Bougainville Project	SORT	Systematic Operations Risk-Rating Tool
IFAD	International Fund for Agricultural Development	SWF	Sovereign Wealth Fund
IFC	International Finance Corporation	UYEP	Urban Youth Employment Project
IMF	International Monetary Fund	WaSH	Water, Sanitation, and Hygiene
IPA	Investment Promotion Agency	WBG	World Bank Group
IRC	Internal Revenue Commission	WDR	World Development Report

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TABLE OF CONTENTS

I. INTRODUCTION	1
II. MAIN CHANGES IN COUNTRY CONTEXT	1
Economic Developments and Outlook.....	1
Trends in Poverty and Shared Prosperity	4
Political Developments.....	5
Emerging Development Issues.....	5
III. SUMMARY OF PROGRAM IMPLEMENTATION	6
Portfolio Performance	6
Evolution of Partnerships and Leveraging	7
Progress toward CPS Objectives	8
VI. EMERGING LESSONS	12
V. ADJUSTMENTS TO THE COUNTRY PARTNERSHIP STRATEGY	14
VI. RISKS TO THE CPS PROGRAM	17

Tables:

Table 1: Papua New Guinea Selected Economic Indicators.....	3
Table 2: Papua New Guinea Portfolio Highlights	7
Table 3: Updated Total IDA, IBRD, and Trust Fund Commitments	17
Table 4: Revised Systematic Operations Risk-Rating Tool	18

Figure:

Figure 1: Distribution of Living Standards Over Time	5
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Annexes

Annex 1: Updated CPS Results Matrix	19
Annex 2: Summary of Changes to CPS Results Framework.....	26
Annex 3: Progress Toward CPS Objectives	31
Annex 4: ASA Delivered in FY2012–2016 and Ongoing	45
Annex 5: Summary of Commitment Amounts, IBRD and IDA, FY2007–2016.....	46
Annex 6: IFC Deliverables	47

PAPUA NEW GUINEA

PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP STRATEGY

I. INTRODUCTION

1. This Performance and Learning Review (PLR) updates and assesses progress in implementing the World Bank Group (WBG) Country Partnership Strategy (CPS) for the Independent State of Papua New Guinea (PNG) for the period FY2013–2016, discussed by the Board of Executive Directors in November 2012. The CPS is aligned with the government's Vision 2050, the PNG Development Strategic Plan 2010–2030, and the Medium Term Development Plan (MTDP) 2011–2015. Under the overarching theme of “building foundations for prosperity,” the MTDP prioritizes four key policy objectives: (i) sustaining prudent fiscal and macro management; (ii) nurturing the development of entrepreneurial culture and a vibrant business environment; (iii) reversing the regressive conditions of human development; and (iv) supporting “key enablers” such as transport infrastructure, key utilities, education, health, unlocking land for development, and law and order. In September 2012, the government included “investing in a sustainable economy” as another “key enabler” of development. The country’s development strategies and plans also emphasize that all people, irrespective of gender, should have the opportunity to reach their potential.

2. **Performance of the CPS program has been mixed, with some standouts, such as agriculture and rural development and the extractives sector, but also some delays.** Problems with the relevance and monitoring of some outcome indicators have made it difficult to accurately track progress toward CPS outcomes. This PLR has made several revisions to the CPS results matrix to strengthen its measurability, accuracy, and links to ongoing, regularly monitored interventions in PNG.

3. **It is proposed that the CPS period be extended by two years, through FY2018, to allow sufficient time to engage with the new government following national elections slated for mid-2017 and to align the follow-on Country Partnership Framework (CPF) with the government’s development planning cycle.** Given that parliamentary turnover is traditionally high (over 60 percent) in PNG, it is expected that a period of adjustment will follow the vote. This PLR proposes to extend the CPS period to end-FY2018 to allow sufficient time for the government to form and to engage and agree with the new government on strategic priorities for Bank engagement going forward. This added time will give the country team a chance to track a strengthened results matrix, in which CPS outcomes, indicators, and milestones are better aligned with restructured projects and ongoing monitoring activities. In addition, the government has limited its second development plan (MTDP2) to a two-year period (2016–2017), after which it plans to align its development planning cycle with the five-year parliamentary cycle. As such, by extending this CPS period by two years, the WBG can better align its next CPF with the government’s MTDP3 for 2018–2022. The Bank’s country team is planning to deliver a Systematic Country Diagnostic (SCD) in FY2017 in preparation for the CPF to follow.

II. MAIN CHANGES IN COUNTRY CONTEXT

Economic Developments and Outlook

4. **Papua New Guinea’s economy is facing strong headwinds from lower global commodity prices, which was compounded by the suspension of production at a major mine and the unfavorable weather conditions brought on by El Niño.** Growth in gross domestic product (GDP) averaged 7 percent

per year between the end of 2012 and 2014.¹ In 2015, the World Bank expects economic activity to expand by about 8.6 percent, which represents a downward revision from the April 2015 forecast of 16 percent. Nonmining GDP is expected to grow by only 0.5 percent in 2015 due to the adverse impact of El Niño and lackluster growth in the construction sector. The global drop in commodity prices between 2014 and 2015 adversely affected the terms of trade of commodity exporters. The suspension of production at the Ok Tedi mine, owing to low water levels in the Fly River, is expected to lead to a contraction of 20 percent (year-on-year) in the mining sector.

5. The current account has moved to a surplus due to outflows in the capital account. Liquefied natural gas (LNG) production is reaching full capacity, offsetting falling prices and pushing the current account from a deficit of 4.2 percent of GDP in 2014 to an expected surplus of 4.1 percent of GDP in 2015. In contrast, a capital and financial account deficit due to a build-up in the foreign currency account balances of resident mineral companies, combined with net loan repayments by the government, is expected to result in an overall balance of payments (BoP) deficit. BoP data for December 2015 show an overall deficit of PGK 374 million, compared to a deficit of PGK 465 million in 2014 and PGK 3.2 billion in 2013.

6. The currency is coming under pressure despite the recent current account surplus. The currency depreciated from PGK 0.48/US\$ to PGK 0.33/US\$ between January 2013 and January 2016 in the wake of falling commodity prices since mid-2012. Currency depreciation against the US dollar was limited due to central bank interventions in the foreign exchange market, but with the introduction of a trading band in June 2014, there have been signs of increasing pressure on the exchange rate. By the end of December 2015, foreign exchange reserves stood at US\$1.8 billion (3.5 months of import cover), which is below the level of 5 months deemed adequate by the International Monetary Fund (IMF). The continuous decline in foreign exchange reserves since April 2012 is concerning. There are also signs of a significant shortage of foreign exchange in the market, with the US dollar queue for foreign exchange at commercial banks at approximately US\$700 million. In PNG, the exchange rate has been the de facto monetary policy anchor, with policy interest rates having a limited impact. The Consumer Price Index inflation rate was 6 percent in 2015, 0.8 percentage points above the previous year and one percentage point above 2013.

7. The downturn in commodity prices has led to a significant reduction in resource-related revenues. Tax revenue from minerals and petroleum in 2015 (PGK 195 million) was approximately one-tenth of budget assumptions. Consequently, overall revenue (excluding grants) for 2015 is PGK 10.1 billion, PGK 2.4 billion below what was expected in the 2015 budget. This has resulted in a decline in revenue (excluding grants) from 25 percent of GDP in 2014 to 20 percent. Revenue performance is not expected to improve significantly in 2016, given that commodity prices are expected to remain subdued. The 2016 budget expects revenue (excluding grants) to be PGK 11.1 billion (20 percent of GDP), with mining and petroleum tax revenue falling further to PGK 130 million.

8. Authorities responded to the decline in revenues with fiscal consolidation. PNG passed a supplementary budget, which reduced expenditures by 8.3 percent of the 2015 budget. The final budget outcome reveals that expenditure declined by 17 percent (PGK 2.7 billion) from the appropriated amount of PGK 16.2 billion. This has resulted in a marginal increase in the actual budget deficit to 5 percent of GDP from 4.5 percent of GDP in the 2015 budget. The budget deficit is lower than the 2014 deficit of 6.9 percent. The reduction in expenditure under the 2016 budget continues the process of fiscal consolidation, and the budget deficit in 2016 is projected to be 3.8 percent of GDP.

9. The limited fiscal space may lead to monetary financing of the deficit. The central bank changed its monetary policy framework in March 2016. The Bank of Papua New Guinea (BPNG) would purchase

¹ Nominal GDP, using a variety of data sources, has been re-estimated for the period between 2006 and 2013. These figures were published on March 31, 2016. The World Bank and IMF are reviewing the new GDP numbers to extrapolate them to 2014 and 2015. Real GDP data based on this re-estimation have not yet been released.

long-dated Tbills (182-day and 364-day) directly in the primary market and onsell them as 28-day, 63-day, and 91-day treasury bills by issuing these short-dated securities on behalf of the government. This indicates that the central bank will be engaging in monetary financing of the deficit.² The risks associated with this action include rising budget deficits, growing inflation, and increasing pressure on the local currency, coupled with declining foreign exchange reserves.

10. The most recent (November 2015) WBG-IMF Debt Sustainability Analysis (DSA) shows PNG to be at low risk of debt distress, based on an assessment of public and publicly guaranteed external debt. However, factoring in public domestic and private external debt and contingent liabilities, the overall risk of debt distress remains heightened, and a failure to consolidate the fiscal position would worsen debt dynamics. According to the government statistics, total public debt rose from 26.7 percent of GDP in 2012 to 35.2 percent by the end of 2015.^{3,4} Maintaining a stable debt to GDP ratio will require further fiscal consolidation and a reduction in the fiscal deficit, in line with the projections shown in Table 1. Without significant fiscal consolidation, the IMF projects an increase in the public debt to GDP ratio by about 10 percentage points by 2020 as a result of the weakened revenue situation due to deteriorating commodity prices.

11. Growth is expected to moderate to an average of 3.5 percent over 2016–2018. While LNG exports will eventually bring in government revenues through dividends, tax payments, and royalties, benefits accruing to the domestic economy from LNG production will be limited in the short term. Given that the PNG LNG project is approximately 80 percent owned by nonresidents, only a fraction of LNG receipts will be retained in the domestic economy. (See table 1 for selected economic indicators on PNG.)

Table 1: Papua New Guinea Selected Economic Indicators

	2013	2014	2015e	2016f	2017f	2018f
<i>Real</i>¹						
GDP growth, at market prices	5.5	8.5	8.6	3.0	4.1	2.9
Mining and petroleum GDP growth	0.5	7.9	8.1	0.1	0.1	0.2
Nonmining and nonpetroleum GDP growth	5	0.6	0.5	2.9	4.0	2.7
CPI inflation, period average	5	5.2	6.0	6.0	6.0	6.0
<i>Fiscal</i>^{2,3}						
Revenue	28.4	26.5	21.6	22.9	21.6	21.6
Expenditure	36.1	33.4	26.6	26.8	23.9	23.1
Balance	-7.7	-6.9	-5.0	-3.8	-2.3	-1.5
Debt	34.6	35.5	35.2	35.8	35.9	35.6
<i>External</i>²						
Current account balance	-31.8	-4.2	4.1	3.0	3.1	3.3
Resource	-16.4	7.4	14.5	14.0	14.9	14.8
Nonresource	-15.4	-11.5	-10.4	-11.0	-11.8	-11.5

Notes: e = estimate, f = forecast

1/ Annual percentage change, unless otherwise indicated

2/ Percent of GDP, unless otherwise indicated

3/ Based on the 2016 Budget and 2015 Final Budget Outcome

² The new monetary policy framework does not contravene the Central Bank Act, since the act does not explicitly state that the central bank should not purchase treasury bills in the primary bond market.

³ These figures differ from the WBG-IMF DSA, as the DSA includes the Union Bank of Switzerland loan of \$A 1.2 billion (6.8 percent of GDP) that was undertaken in 2014. However, as the loan has been transferred onto the National Petroleum Corporation, the government does not include this loan as public debt.

⁴ With the recent rebasing of GDP, the public debt-to-GDP would decrease from 35 percent to 28 percent.

12. **Creating sufficient jobs has been—and will continue to be—a challenge.** There was no growth in formal sector employment between 2013 and 2014, and BPNG’s employment index shows that formal sector employment in the nonmineral private sector declined by 2.2 percent between 2014 and 2015. Employment reductions were driven by the wholesale and manufacturing sectors. It will most likely take time for these workers to be reabsorbed into the economy, given that construction sector growth is expected to slow in the near future as government spending slows in response to revenue shortfalls. There will be some support for both employment and growth in the construction sector in the medium term, however, in response to government spending related to the Asia-Pacific Economic Cooperation Conference to be held in PNG in 2018. In the short to medium term, the potential for significant private sector job creation across sectors remains limited, given the challenges facing the business environment as well as human capital and infrastructure constraints.

13. **PNG ranks low (145th of 189 economies) on overall ease of doing business.** A 2012 survey revealed that doing business in PNG is impeded by a combination of high crime and security costs, poor government-business relations, weaknesses in supporting institutions, poor infrastructure and utility services, and corruption. Businesses have also expressed significant concerns related to the stability of rules, regulations, and policies, as well as the excessive cost of compliance with new regulations, which can place a disproportionately large burden on small and medium enterprises (SMEs).

Trends in Poverty and Shared Prosperity

14. **Like many mineral-rich developing countries, PNG struggles to transform economic growth and increasing national revenues into widespread improvements in household income and livelihoods, and it appears that poverty rates have changed very little over the last two decades.** Findings from the 2009/10 Household Income and Expenditure Survey (HIES), which were preliminary at the time the CPS was published, indicate that 40 percent of Papua New Guineans live below the national poverty line, and 27 percent do not have the means to purchase a nutritionally adequate diet. More than 40 percent of children under five years of age suffer from moderate to severe chronic malnutrition, and 44 percent are stunted. Alternative welfare indicators also point to PNG’s relatively low level of human development. Life expectancy at birth is 62 years, considerably below the Pacific Islands average of 70 years; the infant mortality rate is 48 per thousand births, as compared to a regional average of 26.5; and the maternal mortality rate is high at 230 per 100,000 live births. Despite some progress, PNG did not meet any of its Millennium Development Goals (MDGs), and it will be a challenge for the country to improve the effectiveness and efficiency of service delivery to reach the new Sustainable Development Goals (SDGs) for 2030. The shift from construction to the more skill-intensive production phase of the PNG LNG project, together with dampened commodity prices and subdued growth in the nonmineral sector, is expected to have an adverse effect on poverty reduction across the country, offering fewer employment opportunities for less-skilled poor people.

15. **Poverty is more prevalent in rural areas than in urban centers, but urban poverty is on the rise—a trend that is likely to accentuate urban social ills.** Rural areas account for 90 to 94 percent of poor people in PNG because poverty rates are much higher in rural areas (42 percent) than in urban areas (29 percent). More than two-thirds of poor people in PNG reside in the Highlands and in rural Momase. Growing urban poverty remains a concern, however. In 1996, the risk of falling into poverty in the National Capital District was about three-fourths the risk at the national level. By 2009–2010, this risk was on par with the national average. High poverty rates in urban areas undermine traditional family structures, feed crime and inequality, and lessen social cohesion.

16. **Income inequality has remained steady, with a Gini coefficient of 0.40.** The distribution of living standards appears to have deteriorated slightly for those in the bottom 40 percent between 1996 and 2009/2010, while remaining more or less the same for those in higher income deciles (Figure 1).

17. **Households without access to formal sector jobs are significantly poorer.** Although a large share of consumption is self-produced in PNG, cash is still needed for essential items such as school fees and kerosene. Cash can also provide insurance for periods of low agricultural productivity. Higher rates of poverty among those without formal employment suggest that formal sector policies would not effectively reach poor people. Boosting agricultural production in the short and medium term will also be important to combat rural poverty.

Political Developments

18. **Political accountability in PNG has faced some challenges in recent years.** Observers have raised concerns that the lack of effective political opposition, the insufficient controls against using financing outside normal budgetary processes, and capacity constraints in PNG's accountability institutions could pose risks for overall political accountability. The period during which a no confidence motion can be filed against the prime minister ended in June 2016.

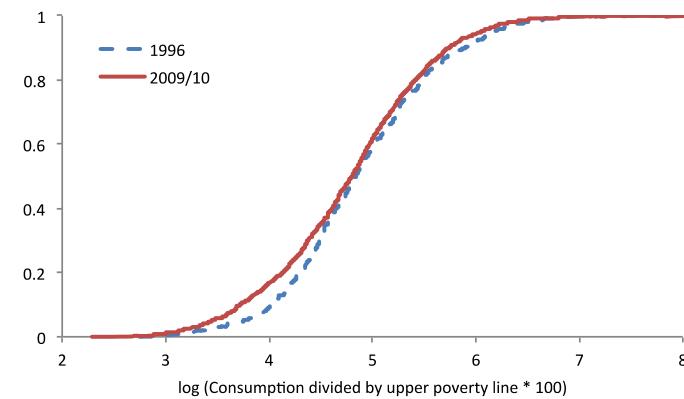
19. **It is expected that a referendum on Bougainville's independence will be held by 2020, presenting a challenge to PNG's territorial integrity.** It is possible that the referendum will yield a majority vote in support of independence, although the central government maintains the right to determine how to respond. Discussion of the referendum's substance and potential consequences is limited, although there is a great deal at stake—particularly given the potential of returns from Bougainville's significant natural resources and concerns with regard to Bougainville's governance capacity and economic viability.

Emerging Development Issues

20. **The creation of District Development Authorities (DDAs) represents a significant administrative reform, changing how money flows to lower levels of government and, in turn, how services are delivered in PNG.** The DDAs, which took effect in January 2015, have replaced the previous Joint District Planning and Budget Priorities Committee. Accompanied by a significant budget allocation (PGK 15 million, or a 50 percent increase in district support grants) for district-level funding, the DDA model aims to decentralize governance in PNG and improve service delivery at the district level. However, this new approach places considerable pressure on the capacity of provincial and district administrations, which is already constrained, and raises risks regarding transparency and accountability, including the potential for supply-driven service provision as well as leakages or delays in the disbursement of funds.

21. **In July 2015, the Government of PNG passed legislation to create a Sovereign Wealth Fund (SWF), with the aim of preserving natural resource revenues for future generations.** The SWF includes two funds under a single governance framework: a stabilization fund into which a percentage of

Figure 1: Distribution of Living Standards Over Time



receipts will be deposited as a cushion against fluctuating world commodity prices, and a savings fund to preserve the remainder. Deposits to the fund are to include all mineral and petroleum revenues, investment earnings, and other government contributions. No inflows to the stabilization fund are expected in 2016 due to the low prevailing commodity prices. Moreover, there will only be limited inflows into the SWF in the first few years of operation given tax concessions provided to mining and petroleum companies. Withdrawals will go through the budget process, capped at the 15-year moving average of mineral and petroleum revenues as a share of nonmining revenues. In operationalizing the SWF, it will be important to ensure consistency with the country's overall macroeconomic policy framework by ensuring that the medium-term fiscal strategy and the SWF are adequately integrated within a fiscal framework that mitigates the impact of volatile natural resource revenue flows.⁵

22. **In a related initiative, the government moved to consolidate all state-owned assets (including its equity stakes in petroleum and mining) under the umbrella of a single Kumul Trust.** The creation of the Kumul Trust may help to ensure that government assets are managed more efficiently, and could potentially enhance transparency through stronger public disclosure requirements. However, there are uncertainties surrounding whether and how much resource revenue will be kept in the Kumul Trust and what proportion will flow into the SWF. The rules governing the relationship between these two entities will be important in protecting the integrity of the SWF. The IMF has recommended that the Trust be established in a way that allows funds to flow through the national budget process to the extent possible and ensures that the SWF is adequately resourced to fulfill its savings and stabilization functions. If well designed and well implemented, the Kumul Trust and SWF could provide for more effective and transparent management of natural resource revenues and allay some of the broader public concerns about how these revenues are used to improve the quality of life of Papua New Guineans.

III. SUMMARY OF PROGRAM IMPLEMENTATION

Portfolio Performance

23. **The World Bank portfolio for PNG has expanded in recent years and is well aligned with CPS and country priorities, but performance is mixed (table 2).** As of April 30, 2016, there were ten active projects with a total commitment of US\$323.4 million and six advisory services and analytics (ASA) programs (including technical assistance), in collaboration with government line agencies. At the end of FY2015, the portfolio had disbursed 12.5 percent (US\$31.47 million) of its total commitments, falling behind the East Asia and Pacific regional disbursement ratio of 16.5 percent, highlighting the need to improve disbursement rates across the board. A Country Portfolio Performance Review was prepared in August 2013, followed by annual portfolio reviews in 2014 and 2015.

24. **The International Finance Corporation's (IFC's) efforts to help address the substantial development challenges in PNG rest on five core goals.** These objectives include: (i) increasing access to finance via strategic partners; (ii) increasing investment in and the productivity of mid-sized PNG companies; (iii) facilitating private sector investment in infrastructure; (iv) accelerating women's economic empowerment; and (v) formalizing agribusiness and supply chains. To help unleash transformational change, speed up business-led solutions, and bring more value to clients, IFC has worked to integrate its Investment and Advisory Services. More than 90 percent of IFC's committed portfolio in the Pacific is in PNG. The Multilateral Investment Guarantee Agency (MIGA) has not yet engaged in PNG.

⁵ The Government of PNG is working to operationalize the SWF legislation.

Table 2: Papua New Guinea Portfolio Highlights

Indicator	FY2012	FY2013	FY2014	FY2015
Net commitment				
Number of projects under implementation ^a	8	8	10	9
Average implementation period (years) ^b	2.2	2.5	3.2	4.1
Problem projects ^{a, c}				
% of total, by number	12.5	25	30	33.3
% of total, by amount	16.2	19.1	13.3	10.0
Projects at risk ^{a, d}				
% of total, by number	37.5	62.5	40	44.4
% of total, by amount	40.1	68.3	18.1	20.2
Proactivity				
Disbursement ratio (%) ^e	14.9	5.1	16.9	10.0

Notes: a/ As shown in the Annual Report on Portfolio Performance; b/ Average age of projects in the Bank's country portfolio; c/ A problem project is one for which implementation progress is unsatisfactory and/or development objectives are not likely to be achieved; d/ Projects at risk are those at risk of not meeting development objectives, including both actual and potential problem projects; e/ Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year, including only investment projects.

25. The World Bank's PNG portfolio faces continued challenges owing to capacity constraints and a limited understanding of WBG requirements and procedures. The most recent annual portfolio review, conducted in June 2015, highlighted several crosscutting implementation challenges: (i) delays in counterpart funding, leading to project cost overruns and inaccurate agency budget submissions; (ii) delays in the submission of audit reports and interim unaudited financial reports, which is perceived as a fiduciary risk; (iii) lengthy and cumbersome government procurement processes, which significantly delay the awarding of large contracts; and (iv) implementation capacity constraints, due in large part to overlapping roles and responsibilities and insufficient interagency cooperation at all levels. Other issues include the need to step up the disbursement of project funds, the lack of sufficient sustainability planning at the project design stage, and the weak level of ownership among agencies, which are unwilling to commit resources to support project implementation. The WBG continues to work with counterparts in Treasury, the Department of National Planning and Monitoring, and the Central Supply and Tenders Board to strengthen engagement and cooperation, develop a greater understanding of procedures, and proactively monitor contract implementation.

Evolution of Partnerships and Leveraging

26. The Government of PNG launched a new development cooperation policy in April 2016. The Department of National Planning and Monitoring relaunched its biennial high-level donor meetings in November 2015, and the government and development partners have reiterated their commitment to improve aid effectiveness and strengthen cooperation. Continued dialogue is critical to learn lessons from the experience in implementing the MDGs, as PNG starts to implement the SDGs. Going forward, a greater focus on key priorities and improving data for planning and monitoring will be important.

27. The WBG has expanded its technical and financial cooperation with PNG's development partners during the CPS period. IDA has leveraged US\$6.4 million in European Union funds to support additional financing for the Productive Partnerships in Agriculture Project (PPAP), in continued close collaboration with the International Fund for Agricultural Development (IFAD), which has committed to provide a total of US\$36 million in parallel financing for PPAP (including the additional financing operation) and participates in joint missions. Cooperation with Australia's Department of Foreign Affairs and Trade (DFAT) has also expanded during the CPS period. In addition to providing funding for the country team's ASA, for IFC engagement in PNG, and for the Inclusive Development in Post-Conflict

Bougainville Project (IDIB) through the State and Peace Building Fund, DFAT has provided additional funds to co-finance the Urban Youth Employment Project (UYEP) and is planning to do the same for the Road Maintenance and Rehabilitation Project Phase 2 (RMRP II), in both cases through the PNG Strategic Partnerships Multi Donor Trust Fund. This fund was established in 2015 to allow partner organizations to transfer funds to the World Bank in support of joint activities in PNG. Financial support from donors, notably Australia and New Zealand, has been crucial to IFC's development impact. The WBG continues to work with development partners to find creative ways to harmonize financing regulations in support of joint efforts in PNG. The Bank also engages regularly with PNG's civil society organizations, particularly in areas such as the Extractive Industries Transparency Initiative (EITI).

Progress toward CPS Objectives

28. **CPS program performance has been mixed, although problems with the relevance and monitorability of some outcome indicators pose challenges for tracking progress.** Of 23 outcome indicators, 48 percent have been achieved or are on track to be achieved by the end of the CPS period, and 13 percent are on "watch," indicating a need for further progress. Just under two-fifths of these outcome indicators are to be dropped and, in most cases, replaced with new indicators that more accurately capture intended progress and/or are actively monitored by counterparts and through WBG project interventions. Many of the original CPS outcome indicators were vaguely specified, not monitored by government agencies, or insufficiently linked to ongoing operations, either because such operations were not yet under implementation at the time the CPS was prepared or because they have since been restructured. Progress toward milestones—the more procedural building blocks of the CPS program—has been more positive, with 73 percent of milestones achieved, partially achieved, or on track for completion by the end of the CPS period and only 13 percent on "watch." Following is a brief assessment of the performance of the CPS program, by pillar; more details can be found in annex 3.

Pillar 1: Increased and More Gender-Equitable Access to Inclusive Physical and Financial Infrastructure

29. **Progress toward CPS outcomes in the roads sector is beginning to pick up after a slow start.** As of May 2016, 64.75 km of roads have been rehabilitated in provinces targeted by RMRP II, falling below expectations due to delays caused by slow internal government processes and by the need to prepare designs and bid documentation. Natural disaster hazard risk assessments were completed for transport assets in two provinces, and hazard analyses have been undertaken in eight additional provinces.

30. **Mobile communications coverage in targeted rural areas expanded beyond expectations.** In response, the first universal access demonstration subproject was restructured in 2013 and its scope expanded to include all four regions of PNG. In partnership with the private sector, this component has provided basic telecommunications access to around 500,000 previously unserved Papua New Guineans. IFC investment client Digicel, the largest telecommunications provider in PNG, estimates that 4.5 million people, or 75 percent of the country's population, were covered by basic telecommunications services by 2012, up from 20 percent in 2009. The Rural Communications Project helped boost coverage of telecommunications services to over 90 percent by the end of 2015. Mobile penetration rates, which measure the share of mobile subscribers, remain at around 45 percent of the total population. A second universal access demonstration subproject aims to upgrade existing networks to enable mobile Internet and implement public Internet access points in targeted rural schools.

31. **Progress on financial sector outcomes has been slower than expected, but prospects remain positive for advancements in the near future.** Progress delays have resulted from the lower-than-expected impact of the PNG LNG project on business opportunities for local SMEs and slow implementation of the government's SME Development Strategy due to lack of capacity and coordination. Progress is expected to pick up, however, based on the government's policy and strategy commitment to support SMEs under

the renewed SME Development Strategy 2016–2018, backed by additional capacity building activities under the SME Access to Finance Project. Strengthening financial institutions, including IFC investment client Bank South Pacific Limited (BSP, the largest retail and commercial bank in PNG), has been central to IFC’s efforts to promote sustainable and inclusive growth. Credit to SMEs has expanded moderately, but with support from the SME Access to Finance Project, targeted lending by the participating bank (BSP) has seen its SME loan portfolio grow from zero to 1.5 percent of its total loan portfolio, as of end-December 2015. More than 1,500 loans have been underwritten to local SMEs, about 25 percent of which were issued to women-owned businesses. The WBG is working closely with the government and financial institutions to facilitate the inclusion of a second financial institution in the Risk Sharing Facility in 2016.

32. Achievement of renewable energy outcomes has been held up by delays in constructing a planned 80 MW hydropower plant. A feasibility study has been completed, and a transaction advisor has been contracted. It is expected that it will take another four to five years for the hydropower plant to become operational. It appears, therefore, that the original CPS outcome indicators were overly ambitious in light of the capacity constraints in PNG. Delivering energy solutions is also a key focus of IFC in PNG. To support increased access to affordable, sustainable, and clean energy, IFC’s Pacific Renewable Energy project and “Lighting Papua New Guinea” solar off-grid lighting are helping to empower businesses outside of daylight hours, to enable children to study at night, to cut household costs, and to keep women safe on the streets. IFC has been working with private solar manufacturing companies to ensure the quality of their products, access market intelligence and business connections, and make innovation opportunities available. An advisory pilot project in 2013 tested a new solar street lighting and phone charging product across 24 sites. Solar stations are being rolled out to an additional 400 sites through a network of locally based solar entrepreneurs through business training and, potentially, access to finance. As of June 2015, around 769,000 people have gained access to off-grid solar lighting/phone charging solutions in rural communities.

Pillar 2: Gender-Equitable Improvements in Lives and Livelihoods

33. Progress toward agriculture and rural development outcomes has been strong. As of April 2015, 33 productive cocoa and coffee partnerships have been formed and financed under the PPAP. As of June 2015, PPAP has reached nearly 34,000 beneficiaries, of which 35 percent have been women, and IFC’s agribusiness project has helped 4,784 coffee farmers to obtain certification standards. Interventions in this sector have achieved, or are on track to achieve, all outcomes and milestones set out in the CPS, reflecting increases in agricultural yields for oil palm, cocoa, and coffee, as well as the adoption of improved farming practices and increased support to women farmers in particular.

34. Youth development interventions are on track to meet targets by the end of the CPS period. There are currently 90 to 100 employers providing five-month employment placements for youth beneficiaries of the UYEP, far exceeding the CPS’s original goal of 30. Over 8,000 young people have completed training through the project and received a mobile phone and bank account. The economic and employment context in which the project operates has become more challenging following a contraction in the job market after the conclusion of the PNG LNG project’s construction phase.

35. Since the launch of the online business registry in November 2013, significant improvements have been recorded by PNG’s Investment Promotion Agency (IPA). The time required to process a company registration has dropped from an average of 30 days in January 2014 to five days (or less) by December 2014—a much shorter time than the target of 45 days envisioned in the CPS. (The CPS baseline of 51 days relates to the total time required to register a business, including processes outside the control of the PNG business registry). Further improvement in the number of days required for business registration is expected since the full online registration is now available. The IPA is preparing to implement a revised plan for more efficient processing by its back-office staff. It is hoped that targeted outreach to women

business owners will improve under a program on simplifying business formalization, currently under consideration by IFC.

36. **IFC's SME tax project, which commenced implementation in 2015, is helping to improve the tax regulatory environment for SMEs by simplifying and streamlining tax regimes, improving risk assessment of the tax authority, and strengthening the goods and services tax refund processing mechanism.** The project is raising awareness of the importance of taxation and developing appropriate use of tax incentives. Feedback from small businesses has indicated that an increase in the Internal Revenue Commission's (IRC) education and awareness programs would improve their understanding of tax requirements. IFC is working with the IRC to discuss the option of a simplified tax regime for small businesses, systematic risk-based selection for businesses for audit purposes, and development of an effective communication strategy for small businesses. The IRC is supportive of these proposals, but there have been challenges in extracting relevant data from the IRC system. The IRC has convened an internal project team to support implementation of the project.

Pillar 3: Increasingly Prudent Management of Revenues and Benefits

37. **Good progress has been made toward planned outcomes in the extractives sector.** The Government of PNG committed to joining the EITI in 2013, and the CPS objective of candidacy status was achieved in March 2014. PNG's first EITI report was released publicly in February 2016. Although the report does not comply fully with the requirements of the EITI standard, it does provide a comprehensive overview of extractive industries in PNG and makes recommendations for addressing gaps and weaknesses in the government's management of the sector. These recommendations and lessons learned will inform PNG-EITI's work plan going forward, including the production of a second report by December 2016, on the basis of which PNG will be formally assessed for EITI compliance in March 2017. So far, the government has provided the majority of funding for EITI implementation, which is a positive sign of its commitment to the process. The mining sector's legal and policy framework has been updated, including several mining laws that are currently up for parliamentary approval—some of which contain specific clauses on women's representation in decision making and allocation of royalties for women's programs. Seven current project appraisal documents include benefits for women, and this number stands to rise in the near future.

38. **Progress toward improved rural service delivery has been slow but positive.** PNG Sustainable Development Program, Ltd., an affiliate of the Ok Tedi copper mine, has put US\$3.5 million toward the Rural Service Delivery and Local Governance Preparation and Pilot (RSDLGP), and the State and Peacebuilding Trust Fund has provided US\$1.8 million in cofinancing. Approximately 60 communities have received training in project planning and implementation, and community development grants for approved subproject proposals have begun to be issued as of December 2015. Most of the subprojects (including schools, nurse housing, and water supply infrastructure) are expected to be completed in FY2017. Monitoring data suggest that ward development planning meetings across participating wards have been conducted in an inclusive manner, with nearly 44 percent of ward residents participating and women comprising 45 percent of participants. Implementation of the IDIB has progressed well in its effort to strengthen the implementation of community development, with a particular focus on empowering women. Over two-thirds of project participants have been women, exceeding the project's target of 40 percent, and as of December 2014, over 300 women have received training on topics related to inclusive development.

39. **Macroeconomic management activities are on track for achievement by the end of the CPS period.** In an effort to pursue prudent macroeconomic policies, the government has developed a medium-term debt strategy and produced a budget strategy in October 2015. The government continues to follow a countercyclical fiscal policy, although a downturn in commodity prices compelled a reduction in spending

as compared to budgeted levels. As discussed above, the government passed legislation to create a Sovereign Wealth Fund to preserve natural resource revenues for future generations; the SWF is expected to become operational in 2016. The World Bank has engaged *Publish What You Pay* to strengthen the participation and engagement of civil society organizations in EITI in PNG, and it is expected that support to civil society will contribute to improvements in extractive industry governance and accountability.

40. Progress on efforts to strengthen capacity for statistics in PNG has been mixed. The HIES and Poverty Profile were completed, as was an education public expenditure review (PER), social protection modeling, and some work on health financing. It is unclear, however, to what extent this analytical information has been fully integrated into policy and planning.

Cross-cutting Theme: Prioritizing Gender Equality as “Smart Economics”

41. The CPS pledged to put gender issues “front and center” throughout the WBG’s program, prioritizing interventions that would address barriers to women’s economic participation in PNG and seeking out activities and project design elements that would deliver a disproportionately positive impact on women and girls. The country team has worked to mainstream enhanced gender initiatives throughout the portfolio, including in PPAP, UYEP, and RMRP II. The Bank has strengthened its engagement on financial inclusion of women and plans to continue this work jointly with IFC. A recently approved grant on Addressing Family and Sexual Violence in Extractive Industries Areas of Papua New Guinea aims to develop and improve mechanisms to provide better quality of care in selective areas of the extractives sector, where risks tend to be particularly high, and to develop collaborative public-private approaches to change norms and support survivors. A policy note produced in 2014, “The Fruit of Her Labor: Promoting Gender-Equitable Agribusiness in Papua New Guinea,” found the contribution of women to be key to ensuring quality in PNG agriculture and provided recommendations on strengthening their capacity, tackling gender differences in labor dynamics, improving the gender-responsiveness of key services, and addressing systemic barriers affecting supply chain performance. As a follow-up to this study, DFAT has approved financing for a time use study in the agriculture sector that will be conducted jointly with the PPAP intermediate impact evaluation survey, and is expected to illuminate the intra-household dynamics of labor allocation and income distribution in cocoa and coffee growing families across the country. Findings will inform PPAP’s engagement with female beneficiaries.

42. The original CPS made a good-faith effort to track results in a gender-disaggregated way, as a means to better understanding the impact of CPS programs on both men and women. Data collected on women’s participation in SME credit, education, agricultural extension, and youth employment programs have indeed strengthened these interventions’ ability to target and strengthen assistance to women in PNG. In other areas, such as outreach to women business owners, delays in core project areas have prevented a true focus on gender from developing within project interventions and monitoring systems.

43. The WBG’s new gender equality strategy provides new guidance to strengthen the PNG country team’s commitment to addressing gender-related needs within the CPS program. Published in 2015, the *World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction, and Inclusive Growth* focuses on four strategic objectives: (i) improving human endowments; (ii) removing constraints for more and better jobs; (iii) removing barriers to women’s ownership and control of assets; and (iv) enhancing women’s voice and engaging men and boys. In doing so, it helps to shift the focus to second-generation issues such as the content of schooling and school-to-work transitions. The strategy emphasizes the importance of improving monitoring and evaluation capacity in order to understand and build on what works. The PNG country team will work to tailor this approach to the country context as part of its ongoing commitment to keeping gender issues “front and center.”

44. **IFC's work to empower women in PNG is reflected in the Pacific WINvest project, which launched in July 2014.** Two months later, IFC signed a Project Services Agreement with a client to undertake a gender diagnostic to identify gender gaps in the company and analyze potential causes. In January 2015, IFC committed to support the PNG Business Coalition for Women (BCFW) as the platform for knowledge sharing, development, and dissemination of gender-smart employment practices and policies tailored to the PNG context. IFC has supported the BCFW Working Groups in undertaking the following activities: (i) launching resources for PNG businesses to address family and sexual violence and the workplace; (ii) conducting a workshop with PNG private sector representatives on a model policy on addressing sexual harassment; and (iii) engaging a local training organization to develop BCFW's flagship certificate IV course on business leadership. An interactive workshop was held in June 2015 with BCFW members to discuss course content and agree on electives that meet specific PNG industry needs.

Addressing the Drivers of Conflict

45. **The drivers of conflict identified in the CPS remain relevant and will continue to be addressed.** The CPS identified the following drivers of conflict: (i) social fragmentation; (ii) extreme power imbalances between men and women; (iii) competition for land; (iv) the capture of public sector positions by interests along family, clan, and ethnic lines; (v) intergenerational conflict; and (vi) the challenges faced by institutions in effectively managing the stresses arising from social and economic changes. These factors have been addressed throughout the portfolio. For example, the UYEP project successfully provides opportunities for young people in Port Moresby to engage productively in society, and if requested this could be expanded to additional cities. The RSDLGP and its scale-up will continue to mitigate the power imbalance between men and women as well as supporting institutions at the subnational level and minimize elite capture of public funding. ASA on Urban Safety in Port Moresby and Lae will explore how disputes are being addressed in PNG's major cities.

VI. EMERGING LESSONS

46. **The challenges encountered in tracking progress toward CPS outcomes point to the need for stronger specification of progress indicators and more consistent monitoring of results.** Several of the original CPS outcome indicators were difficult to measure or were no longer being tracked, owing either to a lack of reliable data sources or to changes in project results frameworks. Indeed, several key projects to which CPS outcomes and indicators were linked have been restructured since the CPS results framework was created, and in some cases the relevant projects had not yet been designed. While this is a good indication of the PNG country team's flexibility in adapting program interventions within a changing context, it highlights the importance of extending this flexibility to how CPS outcomes and indicators are specified at the start of the strategy and monitored over the course of its implementation. Outcomes relating to interventions that are not yet online need to be clear about the possibility for adjustment as project design becomes clarified, and in most cases should be less ambitious to account for the absence of a contributing intervention during the early part of the CPS period. On the other hand, outcomes related to ongoing interventions are most useful when linked directly to the monitoring and evaluation framework of those projects, as these are the indicators that are tracked over the normal course of implementation and on which the team regularly engages with counterparts. In either case, it is important to ensure careful construction of measurable and meaningful indicators that accurately capture progress toward sector outcomes and can thus highlight areas where success may be replicable, as well as areas where greater attention is needed to support the achievement of results.

47. **Consistent engagement and targeted capacity building are required to translate project objectives and planned activities into tangible results.** The impact of WBG interventions depends in part on the government's capacity to implement project activities, including processing procurement contracts, devoting human and financial resources to supporting project outcomes, and coordinating initiatives across

government agencies. In PNG, progress toward CPS outcomes has been held up in many cases by delays in counterpart financing, procurement, and effectiveness. These delays tend to arise from weak government ownership, limited awareness of WBG procedures, cumbersome government procurement processes, weak capacity for financial management and auditing, and insufficient interagency coordination. The WBG has been working with the government to address these concerns, and will continue to engage with counterparts in a consistent manner to move projects forward more quickly. For example, the country team is engaging closely with the Auditor General's office to improve the timeliness of audit submissions, including through a single contract with an outside auditor. The country management unit has strengthened its implementation support by recruiting two implementation specialists and is planning to recruit a senior operations officer based in PNG to further enhance capacity building efforts. The use of retroactive financing and project preparation facilities is also being explored to improve project readiness and reduce effectiveness delays. These efforts will need to be accompanied by dedicated resources to strengthen ownership, support project processing, and supervise implementation.

48. The WBG could take more steps to ensure project readiness before implementation begins, and to monitor progress closely once projects are underway. Project implementation and monitoring of results suffer if activities are vaguely defined. While the Bank has made important strides in improving the feasibility of its interventions in PNG, project design could do more to ensure the realism of project objectives, procurement plans, and expected results. Given that any engagement in a new sector is likely to consume considerable resources, it will be important for the Bank to proceed cautiously to build ownership, get the design right, and budget accordingly. Close, intense implementation support—especially on fiduciary issues—is necessary in PNG, where capacity is low and public financial management weak.

49. There is a need for even greater selectivity and a continued focus on long-term engagement. The CPS emphasized the importance of taking a strategically selective approach to ensure the effectiveness of the PNG program, focusing on core sectors and building long-term relationships with key partners rather than fragmenting the portfolio. Going forward, the country team will deepen efforts at selectivity, at both the project and portfolio level. Given PNG's fluid political and development context, however, the WBG must also remain flexible and stand ready to seize opportunities for dialogue as they arise. At the same time, it remains clear that long-term engagement is critical to achieving results over time. An example is the WBG's long-term engagement in the water, sanitation, and hygiene (WaSH) sector through the Water and Sanitation Program, which allowed the Bank to establish itself as a trusted lead partner in this area, eventually leading to the approval of a WaSH policy and subsequent lending to be approved in September.

50. The country team needs to follow through more carefully on advisory services and analytics. As part of an active ASA program, the WBG has supported the preparation of several studies and surveys under the CPS. Yet it is unclear the extent to which some of these activities have been meaningfully disseminated, discussed with key decision makers, or taken up by counterparts. Experience during the CPS period has shown that a long-term, sustained presence on the ground is critical for ASA activities to have an impact. The WBG will continue to work toward more meaningful engagement on and greater selectivity in ASA, focusing even more on areas with clear reform momentum and multiple champions. In a fluid political environment where reform momentum can ebb and flow, just-in-time policy notes and hands-on technical assistance will be increasingly pursued.

51. Lessons from fragile states indicate the importance of transforming institutions that provide security, justice, and jobs, and restoring confidence in those institutions to break the cycle of insecurity and mistrust. As laid out in the *World Development Report 2011: Conflict, Security, and Development* (WDR 2011), fragile states face a host of interconnected challenges that require multidisciplinary responses. The key messages of the report are as follows: (i) institutional legitimacy is the key to stability, and early wins—actions that generate quick, tangible results—are critical to building confidence and buy-in; (ii) investing in citizen security, justice, and jobs is essential to reducing violence,

and both men and women need to be included in these efforts; (iii) institutions need to change—not just those within the country, but those in other countries that seek to respond with greater agility, speed, and coordination; (iv) a layered approach is needed to ensure that problems are tackled at the most appropriate level, be it in country or at the regional or global level; and (v) the importance of south-south and south-north exchanges is becoming increasingly important as the global landscape evolves. Although PNG is not currently listed among the Bank clients facing the most fragile situations, its current challenges in ensuring personal security, justice, and sufficient employment across regions and genders speak to the utility of applying the four main principles developed in the WDR 2011: prioritizing inclusion without requiring “all-inclusive” coalitions, building trust and citizen confidence to build momentum for longer-term institutional transformation, focusing on basic institutional functions to start, and remaining pragmatic so that a quest for perfection does not hold back meaningful progress. In Bougainville, for example, the WBG can work with other development partners, within its comparative advantage, to help mitigate the risk of renewed subnational conflict. Such efforts could include a greater focus on developing capacity in less contentious industries, such as agriculture and tourism, as well as supporting social inclusion through ongoing and pipeline projects, for example PPAP, IDIB, and the tourism project.

V. ADJUSTMENTS TO THE COUNTRY PARTNERSHIP STRATEGY

52. The CPS remains broadly consistent with the WBG’s twin goals of ending extreme poverty and promoting shared prosperity in a fiscally, socially, and environmentally sustainable manner. Given the limited progress in reducing poverty in PNG, the WBG program will continue to focus on poverty reduction interventions—for example, in the agriculture sector, which provides livelihoods for the majority of Papua New Guineans; in the tourism sector, which has significant job creation potential; and in overall private sector development. Increased support will be directed toward inclusive growth, targeting communities that have not benefited from PNG’s resource wealth and, if the government were to request assistance, toward the growing youth population. The WBG’s commitment to improving the quality of investments and the efficiency and effectiveness of public service delivery in PNG continue to be relevant in this regard, as is the aim of catalyzing innovation and leveraging financing among the country’s development partners.

53. In light of upcoming national elections and the government’s intention to align its development planning cycle with the five-year parliamentary cycle, it is proposed that the CPS period be extended by two years to the end of FY2018. PNG is gearing up for its next round of national elections, slated for June 2017. Given that parliamentary turnover is traditionally high (over 60 percent) in PNG, it is expected that a period of adjustment will follow the vote. This PLR proposes to extend the CPS period to end-FY2018 to allow sufficient time for the government to form and to engage and agree with the new government on strategic priorities for Bank engagement going forward. Moreover, by extending the CPS period, the Bank will be able to align the follow-on CPF with the government’s MTDP3 for 2018–2022. In the interim, the WBG will prepare an SCD in FY2017, which will serve as a key input to the CPF and may identify opportunities to better align future operations to the twin goals.

54. The strategic pillars of the CPS remain relevant to PNG’s current development strategy, but the PLR recommends several amendments to the results framework to strengthen the links between CPS outcomes and indicators and those being monitored under ongoing project interventions. More details on adjustments to the CPS results framework can be found in annex 2.

- **Pillar 1:** In the area of roads, the CPS outcome target has been revised downward slightly to account for delays in the RMRP II, and to align with the project’s recent restructuring. Indicators on the gender impact of road rehabilitation activities have been revised to better capture employment of women in non-routine maintenance activities and to correspond with project restructuring. In the area of information and communications technology (ICT), previous outcomes on network

coverage and on the use of these technologies to support transparency and accountability are being replaced with outcomes on improving the penetration of mobile telecommunications services and usage of Internet services in targeted rural areas. On the financial sector, targets regarding the expansion of SME credit are being revised downward in line with an updated assessment of banking sector data. The outcome on increased registration of formal sector SMEs is being moved to the more relevant outcome area on the business-enabling environment and adjusted to reflect tax registrations specifically. Given the slow start made on renewable energy interventions, the original CPS outcome is being replaced with a more moderate one that aligns with current plans and expectations, and a new milestone is introduced. A new outcome area on water access is being added to reflect plans under a new project in the sector (see paragraph 56).

- **Pillar 2:** In the area of agriculture and rural development, the first CPS outcome indicator on increasing average oil palm yields is being dropped, as the relevant project is now closed; in its place, an indicator and related milestone on rural road rehabilitation and maintenance, linked to the PPAP results framework, are being added. In addition, the second outcome on improving smallholder sustainability and resilience is being revised to drop the specific reference to price and income volatility, and the first indicator is being replaced to better link to indicators being measured under the PPAP. This indicator would capture support for women farmers; as such, the third CPS outcome in this area can be dropped. Indicators of youth development will be revised to reflect the restructuring of the UYEP, including tracking the labor-days completed by beneficiaries of all components, measuring the share of on-the-job-training graduates who receive offers of paid employment, and disaggregating results by gender. The outcome area on the business-enabling environment will now include an outcome on SME tax registration. Baselines and targets regarding the time required to register a business are being revised in line with changes in *Doing Business* methodology.
- **Pillar 3:** The first outcome in the extractives sector is being amended to reflect achievement of the original outcome, and three new milestones are being added to track progress in this area. In the area of rural service delivery, the original CPS outcome is being replaced with a new outcome that aligns with plans under the RSDLGP and the IDIB. The original outcome on macroeconomic management, which is no longer relevant, is being replaced with a new outcome on the robustness of the debt management framework. The outcome on statistics capacity building is being dropped in the interest of selectivity and in the absence of planned work in this area during the remainder of the CPS period. Further opportunities to support statistics capacity building will be evaluated under the planned SCD.

55. **The WBG plans to scale up its assistance in key areas through additional financing operations in roads and youth employment, and a new operation to scale up the recent pilot experience on inclusive rural development.** Additional financing for a restructured RMRP II, approved in 2014, strengthened the focus on rural roads, and the WBG is seeking to continue its support to the government in this area. Additional financing for a restructured UYEP intends to scale up program activities and deepen engagement on gender equity, training in literacy and numeracy, and coaching for young people. A new Rural Services Development Project (RSDP) would scale up current activities to provide capacity building and small grant funding for a greater number of community organizations. The expected outcomes of these additional financing operations have been integrated into the revised CPS results framework (annex 1). Diversifying investments in PNG's productive capacity will be a central driver of growth, jobs, and opportunities for poverty reduction in an economy dominated by extractives. To this end, IFC aims to accelerate the flow of private investments in PNG by investing directly, mobilizing private investments, developing capital markets, and facilitating new transactions.

56. **It is proposed that WBG support to PNG be expanded to target emerging development needs in three narrowly defined areas: water, tourism, and power.** A Water Supply and Sanitation Development Project is under development for presentation to the World Bank's Board of Executive Directors in September 2016. This intervention will assist the government in implementing the National WaSH Policy by: (i) supporting the development, establishment, and strengthening of the sector institutional and financing structures provided for in the policy, and (ii) using these structures to improve access to and sustainability of water supply and sanitation services in selected district and provincial towns. Through this project, the WBG will address a targeted need in coordination with other development partners working in the water supply and sanitation sector, including the European Union and DFAT.

57. **The WBG is preparing a tourism development project for presentation to the Board in early 2017, with the aim of improving tourism services and infrastructure in PNG, as well as strengthening the government's capacity to provide such services.** IFC Advisory Services has commissioned a tourism study to quantify the economic impact of cruise visits on the economies of PNG and the Solomon Islands, and to assess the potential impact of growth of the cruising sector, as well as the investments required to allow this growth to occur. This report will be launched in 2016.

58. **Finally, the government has requested support to improve the country's electrification rate to the tune of about US\$250 million in funding from the International Bank for Reconstruction and Development (IBRD).** This would be the largest project in the Pacific and the first IBRD-financed project in PNG since 2002, and would likely be presented to the Board in FY2018. This initiative would build on work undertaken through the Energy Sector Development Project to finance key building blocks of the national electrification plan. Going forward, IFC will seek to increase access to infrastructure by structuring public-private partnerships (PPPs), developing capital markets, and investing in energy and transport. The mix of PPPs and direct investments in the project portfolio mitigates the risks involved in these innovative projects. Details of new programming are laid out in table 3, and information on planned ASA is available in annex 4.

59. **Under IDA18 the WBG stands ready to continue engagement in extractive industries, education, and social inclusion.** Projects in these sectors have recently closed or will close in in FY2018. The WBG has had a long-term engagement in these areas and stands ready to continue its assistance, if the government were to request support. IFC recognizes the opportunity to create value in partnership with project developers in the resource sector by stimulating linkages between foreign investors and suppliers to domestic firms and downstream processors.

60. **To help drive inclusive development, IFC remains committed to improving access to finance for SMEs and improving the business climate.** There is a strong positive relationship between financial inclusion and income equality. For firms, particularly small and newly established enterprises, access to financial services is associated with stronger innovation, job creation, and growth performance, enabling new entry and more efficient allocation of resources across sectors. IFC aims to increase access to finance for SMEs in PNG by strengthening financial institutions and leveraging payments systems. Furthermore, IFC will continue its work to remove impediments to SME formation and growth and thus to help improve the business climate by providing better information on what is required to formalize a business, with an emphasis on outreach to women. IFC is planning a review of licensing and permitting processes and, subject to funding, a broader analysis of impediments to entrepreneurship in PNG. IFC will also continue to work to improve the regulation and administration of imports and exports in PNG (including customs, quarantine, and other processes). This work is associated with PNG's commitments under the World Trade Organization's Trade Facilitation Agreement and—subject to PNG signing on to the PACER Plus trade agreement with Australia and New Zealand—could open up a broader work program on assisting PNG in complying with that agreement.

Table 3: Updated Total IDA, IBRD, and Trust Fund Commitments

Project	CPS Pillar	IBRD \$m	IDA \$m	TF \$m	Total
FY2013					
Energy Sector Development Project	1		7.3	1	8.3
Total FY2013			7.3	1	8.3
FY2014					
Road Maintenance and Rehabilitation Project AF	1		126.5		126.5
Productive Partnerships in Agriculture Project AF	2		30		30
Rural Services Delivery and Local Governance Pilot	2			5.3	5.3
Total FY2014			156.5	5.3	161.8
FY2015					
Inclusive Development in Bougainville AF	2			2.4	2.4
Total FY2015				2.4	2.4
FY2016					
Urban Youth and Employment Project AF	2			10.8	10.8
Addressing Family and Sexual Violence in Extractive Industry Areas	3			2.6	2.6
Total FY2016				13.4	13.4
FY2017					
Road Maintenance and Rehabilitation Project AF	1		27	7	34
Water Supply and Sanitation Development Project	1		70		70
Rural Services Development Project	2		23		23
Tourism Sector Development Project	2		20		20
Total FY2017			140	7	147
FY2018					
Power Transmission and Distribution Lines Project	1	250			250
Total FY2018		250			250
Total		250	303.8	29.1	582.9

VI. RISKS TO THE CPS PROGRAM

61. **The CPS identified several risks to the achievement of envisaged results.** These included political risks, such as policy reversal and compromises in the face of political bargaining and actions to obstruct governance reform. These political risks continue to prevail, particularly as planned national elections draw nearer. As discussed, the political movements in advance of, and in response to, upcoming elections are a key reason for the proposed extension of the CPS period. The CPS also highlighted macroeconomic risks linked to volatile commodity prices and unemployment, which have been enhanced by the shift from construction to production in the PNG LNG project. As pointed out in the CPS, a drastic change in the policy regime surrounding the extractives sector would complicate efforts to implement the strategy, although PNG's recent steps in strengthening the sector's legislative and policy framework and in becoming an EITI candidate country have eased these concerns to some degree. The risk of a reversal on key debt management and fiscal policies could still create a gap between the government and its development partners, which could pose challenges for program implementation, particularly as the government moves toward its first IBRD loan in over a decade. Finally, risks with regard to institutional capacity and frustrations with slow or halting progress toward the achievement of key objectives continue to be a factor.

62. **A revised Systematic Operations Risk-Rating Tool (SORT) analysis (table 4) reaffirms the prevalence of these risks, rating the overall risk as substantial.** The macroeconomic risk has increased due to low commodity prices globally and resulting lower-than-expected GDP growth. The foreign

exchange shortage also poses a high risk to private sector development and its ability to contribute to growth and job creation. Although the team's ability to mitigate against global shocks is limited, the WBG stands ready to support the government in improving domestic revenue mobilization, debt management, and the effectiveness and efficiency of public expenditures. An additional risk has emerged in the wake of the establishment of the new DDAs, which could lead to a fragmentation of service delivery responsibilities and greater challenges in moving national policy initiatives forward. The expected high turnover of members of parliament following the 2017 elections may have a negative impact on the continuity of sectoral engagement. The WBG will actively seek to mitigate this risk by engaging selectively in areas where government ownership is clear and expected to remain substantial. This would also mitigate the high risk posed by limited institutional capacity for implementation and sustainability, which will be further addressed through intensified implementation and capacity building efforts through fiduciary initiatives and enhanced operational support. The country team will strengthen its efforts to engage with stakeholders at all government levels, for example through projects such as the RSDP and the Water Supply and Sanitation Development Project, which will work directly with subnational government institutions. Moreover, the risk of a weakening public financial management system will be mitigated by the recently approved public financial management roadmap, which the WBG stands ready to support in selected areas if requested to by the government. Overall, addressing the drivers of conflict, including in Bougainville, within the sphere of influence of the WBG will be critical to mitigate political and social risks. Going forward, the country team will build on interventions conducted during the CPS period to address, for example: (i) capacity for mediation (UYEP, ASA on urban safety); (ii) conflict over land resource allocation (PPAP, RSDP, EITI); and (iii) social divides between men and women (IDIP, PPAP, UYEP, RSDP, ASA on urban safety).

Table 4: Revised Systematic Operations Risk-Rating Tool

Risk Categories	Rating*
1. Political and governance	H
2. Macroeconomic	H
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	H
6. Fiduciary	S
7. Environment and social	S
8. Stakeholders	S
Overall	S

* H = High, S = Substantial, M = Moderate, and L = Low.

Annex 1: Updated CPS Results Matrix

Papua New Guinea Country Partnership Strategy FY2013–FY2018		
Indicators	Milestones	Bank Group Interventions (indicative)
PILLAR 1: INCREASED AND MORE GENDER-EQUITABLE ACCESS TO INCLUSIVE PHYSICAL AND FINANCIAL INFRASTRUCTURE		
1.1 ROAD REHABILITATION		
<i>Relevant goals in MTDP: "Improved conditions of priority national roads (rehab, upgrade, maintain)" p. 48; "Climate-proofing infrastructure" pp. 109–111</i>		
<p><i>1.1.1 More and safer roads, benefitting women and girls as well as men and boys, as measured by:</i></p> <ul style="list-style-type: none"> (a) Additional roads rehabbed in target provinces Baseline: 0 (2010) Target: 125 km (2018) (b) Cumulative number of person-days worked by women as a result of project activities that are not related to routine maintenance activities Baseline: 0 (2011); 2,100 (2015) Target: 4,000 (2018) 	<p>Gender-Sensitive and Climate-Resilient Road Rehabilitation</p> <ul style="list-style-type: none"> - 8 domestic companies trained in bidding and contract management - 20 gender-based violence and HIV/AIDS awareness workshops conducted, in addition to 2015 baseline of 22 workshops already conducted - Natural disaster risks incorporated into design and maintenance of roads 	<p>Ongoing: IDA: RMRP II, Disaster Reduction and Recovery Building a More Disaster and Climate Resilient Transport Sector Project</p> <p>Pipeline: IDA: RMRP II AF (TBC)</p>
1.2 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) POLICY		
<i>Relevant goals in MTDP: "Continue reform to the ICT policy framework" and "utilize PPP to provide (telecommunications) services where otherwise commercially unviable" p. 56</i>		
<p><i>1.2.1 Improved penetration of mobile telecommunications services, as measured by the number of mobile cellular telephone subscriptions in targeted provinces (per 100 inhabitants)</i></p> <p>Baseline: 21% (2009); 45% (2015) Target: 55% (2018)</p>	<p>ICT Coverage</p> <ul style="list-style-type: none"> - Universal access subsidies finance investments in increasing telecom and Internet services in underserved rural communities - Public Internet access points established in five schools 	<p>Ongoing: IDA: Rural Communications IFC: Epure BOT/Sound Global Ltd; Asia Environment</p> <p>ASA: Connectivity Analysis</p>

Papua New Guinea Country Partnership Strategy FY2013–FY2018		
Indicators	Milestones	Bank Group Interventions (indicative)
1.2.2 Increased Internet usage in rural communities targeted by the Rural Communications project Baseline: 0% (2010); 20% (2015) Target: 30% (2016)		
1.3 FINANCIAL SECTOR <i>Relevant goals in MTDP: "Expand microfinance and SME banking services" p. 83; "Encourage rural outreach by financial services" p. 14</i>		
1.3.1 PGK 550m increase in credit provided to SMEs in PNG (some institutions do not share data, measurement limited to project banks) Baseline: 0 PGK (2012) Target: 300m PGK (2018)	SME Credit Expansion <ul style="list-style-type: none">- 20% increase in SME lending by Bank South Pacific (PGK volume)- One more pre-cleared financial institution joins Risk Share Facility (RSF) Women's Access to Credit <ul style="list-style-type: none">- Outreach to/training for minimum of 100 women SME owners- National Forum showcases financial literacy obstacles and generates funding for women-focused financial literacy	Ongoing: IDA: Small and Medium Enterprise Access to Finance Project ASA: IFC TA on Simplification of Business Registration for SMEs (completed); IFC TA on Mobile Banking Expansion (ongoing); IFC TA on Simplification of Tax and Financial Reporting for SMEs (ongoing); TA for Financial Capability Survey (completed)
1.3.2 Increased number of women with access to financial institutions in rural areas, either branches or mobile networks Baseline: Less than 5% of BSP's total SME lending was for women (2013) Target: 10% increase		
1.4 RENEWABLE ENERGY <i>Relevant goals in MTDP: "Increase electricity generation utilizing hydropower (and other renewables)" and "export clean electricity to neighboring countries" pp. 58–59</i>		
1.4.1 Building blocks in place for a larger renewable energy contribution to increased access to electricity through renewable PPP, as measured by the GoPNG taking one medium-to-large renewable energy PPP to financial close Baseline: 0 (2015) Target: 1 (2018)	Renewable Energy <ul style="list-style-type: none">- GoPNG rural electrification strategy in place- GoPNG policy and third-party access code adopted- Tendering process for a developer for 80 MW Naoro Brown Hydropower Project commenced	Ongoing: IDA/GEF: Energy Sector Development Project Pipeline: IBRD: Transmission and Distribution Lines Projects ASA: Access to Renewable Energy TA; Rural Electrification Study

Papua New Guinea Country Partnership Strategy FY2013–FY2018		
Indicators	Milestones	Bank Group Interventions (indicative)
1.5 WATER ACCESS		
<i>Relevant goals in MTDP: "Increase access to improved water sources" pp. 68–70</i>		
1.5.1 Improved access to water, as measured by the number of people in urban areas provided with access to improved water sources under the project Baseline: 0 (2016) Target: 1,000 (2018)	Access to Improved Water Sources - Construction of one urban water supply project completed	Pipeline: IDA: Water Supply and Sanitation Project ASA: Water and Sanitation TA
PILLAR 2: GENDER-EQUITABLE IMPROVEMENTS IN LIVES AND LIVELIHOODS		
2.1 AGRICULTURE AND RURAL DEVELOPMENT		
<i>Relevant goals in MTDP: "Efficient institutions serving agriculture sector; improved cash crop production; improve agricultural infrastructure including feeder roads as key links in the supply chain" p. 70; "Climate change research supporting climate-resilient agricultural sector" pp. 109–111</i>		
2.1.1 Improvements in yields of smallholder coffee, cocoa and oil palm farmers, as measured by: (a) Rural roads rehabilitated and maintained in project areas, per Maintenance Agreements Baseline: 0.7 km (2015) Target: 50 km (2018) (b) Increase in average cocoa yields for project participants Baseline: 169kg/ha (2011) Target: 575 kg/ha (2018) (c) Increase in average coffee yields for project participants Baseline: 382 kg/ha (2011) Target: 575 kg/ha (2018)	Agricultural Productivity - Maintenance agreements completed for 10 feeder roads - Implementation of at least 35 Productive Partnerships for coffee and cocoa	Ongoing: IDA: PPAP; PPAP AF; Disaster Risk Management and Climate Change Adaption Program in Agriculture Pipeline: IFC: Asia Pacific Medical Group ASA: Fruit of Her Labor; PNG Agriculture Notes; El Nino Response Trust Fund for PNG; IFC Agribusiness TA

Papua New Guinea Country Partnership Strategy FY2013–FY2018		
Indicators	Milestones	Bank Group Interventions (indicative)
<p><i>2.1.2 Improved smallholder sustainability and resilience, as measured by:</i></p> <p>(a) Cumulative number of beneficiaries of Productive Partnerships in Agriculture Project (PPAP), including women Baseline: 0 (2010); 33,967 total, of which 11,850 women (2015) Target: 60,000, of which 24,000 women (2018)</p> <p>(b) Training of oil palm growers in sustainable production practices Baseline: 0 (2012) Target: 1,500 cumulative (2016)</p>	<p>Climate Resilience</p> <ul style="list-style-type: none"> - New research available on climate change and disaster risks in agriculture sector <p>Support to Women Farmers</p> <ul style="list-style-type: none"> - Targeted outreach to women coffee/cocoa farmers - Gender-disaggregated monitoring of agriculture project results 	
2.2 YOUTH DEVELOPMENT		
<p><i>Relevant goals in MTDP: "Increase programs to nurture and develop youth as agents of change and increase opportunities for youth engagement informal employment" p. 94</i></p> <p><i>2.2.1 Youth in urban areas have more access to training and job opportunities, as measured by:</i></p> <p>(a) Days of workfare completed by youth beneficiaries over the course of Urban Youth Employment Project (UYEP) Baseline: 340,000 total cumulative (2015) Target: 660,000 total cumulative (2018)</p> <p>(b) Share of on-the-job graduates who have an offer of a paid job as they leave UYEP Baseline: 0 (2011), 39% (June 2015) Target: 30% (2018)</p> <p>(c) Share of female participants graduating from each component of UYEP (Basic Life Skills Training, Youth Job Corps, Pre-</p>	<p>Youth Development</p> <ul style="list-style-type: none"> - 30 private sector employers in Port Moresby have new source for trained workers - 9,000 youth beneficiaries have and use new bank accounts and are trained to use mobile phones for personal financial tracking - 2,400 project beneficiaries offered an on-the-job training placement 	<p>Ongoing: IDA; UYEP; UYEP AF; READ; FODE</p> <p>ASA: Education PER</p>

Papua New Guinea Country Partnership Strategy FY2013–FY2018		
Indicators	Milestones	Bank Group Interventions (indicative)
Employment Training, and On-the-Job Training) Baseline: 40% (2015) Target: 40% (2018)		

2.3 BUSINESS-ENABLING ENVIRONMENT

Relevant goals in MTDP: "Ensure processes that facilitate business and investment" p. 86; "Remove inefficiencies in regulation, ensure low business costs" p. 94; "Increase women's access to economic opportunities and awareness of economic rights" p. 96

<p><i>2.3.1 More efficient opening/operation/closing of businesses in PNG, as measured by shorter number of days in Doing Business</i> Baseline: 35 (2012) Target: 10 (2016)</p>	<p>Improved Business-Enabling Environment - IPA outreach and website enhanced - On-line business registration active</p>	<p>Ongoing: IDA: Small and Medium Enterprise Access to Finance Project</p>
<p><i>2.3.2 10% increase in annual number of women-owned businesses who "graduate" to formal status with registered businesses</i> Baseline: [to be generated by SME Survey sex-disaggregated "count" using IPA data in early 2013; IFC program with IPA will use IPA's data to track] Target: 10% increase (2016)</p>	<p>Improved Outreach to Women - Improved outreach to women business owners</p>	<p>ASA: Doing Business; IFC Business Coalition for Women; IFC Agribusiness TA</p>
<p><i>2.3.3 20% increase in number of firms filing tax returns</i> Baseline: 8,400 (2014) Target: 10,000 (2018)</p>	<p>Increase in SME Tax Registration - Data analysis undertaken to support the development of profitability ratios and business benchmarks for small business, as an input into a simplified tax regime</p>	

PILLAR 3: INCREASINGLY PRUDENT MANAGEMENT OF REVENUES AND BENEFITS

3.1 EXTRACTIVES SECTOR

Relevant goals in MTDP: "Improved capacity of Minerals Resource Authority (MRA) and Department of Minerals Policy and Geo-hazards Management (DMPGM), regulatory and policy frameworks reviewed" p. 79; "Ensure equitable distribution of benefits to landowners and broader community" p. 77

	<p>Extractives Sector Governance - Updated and revised mining sector policy framework</p>	<p>Ongoing: IDA: Mining TA Project (closed 2015); Recipient-Executed SPF on family and sexual violence in</p>
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Papua New Guinea Country Partnership Strategy FY2013–FY2018		
Indicators	Milestones	Bank Group Interventions (indicative)
<p><i>3.1.1 Better governance and accountability in oil/gas/mining revenues, as measured by status in EITI process</i> Baseline: No formal commitment, Step 0 (2012); Candidate status, Step 2 (2016) Target: PNG achieves compliance with requirements of The EITI Standard, Step 3 (2018)</p> <p><i>3.1.2 More equal involvement of women in community benefits from oil/gas/mining, as measured by rights for women in project agreements</i> Baseline: 1 (2008) Target: 3 (2016)</p>	<ul style="list-style-type: none"> - Cabinet approves PNG joining EITI, and multi-stakeholder group working to EITI Candidate Status - Government commits ongoing funding support to EITI compliance - EITI reports produced on an annual basis - Government acts on recommendations made in EITI reports <p>Women in Oil/Gas/Mining</p> <ul style="list-style-type: none"> - Policy initiatives on women's participation in extractives Memorandum of Agreement (MOAs) 	extractive industries communities; JSDF: Social and Economic Empowerment for Women in Mining and Petroleum Areas ASA: TA Strengthening CSO Participation in EITI
3.2 RURAL SERVICE DELIVERY		
<p><i>3.2.1 Inclusive bottom-up planning in three provinces promotes increased local decision making, as measured by:</i></p> <p>(a) Number of community development subprojects implemented through community participation Baseline: 0 (2016) Target: 100 (30 in Central and Western provinces, 70 in Bougainville) (2018)</p> <p>(b) Number of persons, including women, benefitting from community development subprojects Baseline: 0 (2016) Target: 130,000 (50,000 in Central and Western Provinces and 80,000 in Bougainville), of which 50% women (2018)</p>	<p>Improved local decision making</p> <ul style="list-style-type: none"> - 30% of ward residents (male and female) in 74 wards covered by the Rural Service Delivery and Local Governance Preparation and Pilot (RSDLGP) participate in ward development planning meetings - 50% of residents of beneficiary villages in Bougainville (male and female) participate in subproject consultation meetings 	Ongoing: IDA: RSDLGP; SPBF IDIB Pipeline: IDA: RSDLGP II ASA: Resource Distribution and Benefit Sharing Research - PNG

Papua New Guinea Country Partnership Strategy FY2013–FY2018		
Indicators	Milestones	Bank Group Interventions (indicative)
3.3 MACROECONOMIC MANAGEMENT		
<i>Relevant goals in MTDP: "Seek sustainable investment of revenues to benefit current and future generations" p. 77; "Strengthen and enforce accountability and transparency initiatives" p. 114</i>		
<p><i>3.3.1 More robust debt sustainability framework, as measured by integration of WBG-IMF debt sustainability framework into the medium-term debt strategy document</i></p> <p>Baseline (2016): WBG-IMF debt sustainability framework has not yet been incorporated into the government's latest medium-term debt strategy document (2013–17)</p> <p>Target (2018): WBG-IMF debt sustainability framework has been incorporated into the government's medium-term debt strategy document (2018–22)</p>	<p>Macroeconomic Management</p> <ul style="list-style-type: none"> - New debt and fiscal strategies announced that continue prudent acyclical policy & expenditure rules - Proactive public dialogue on regulatory/institutional provisions for SWF compared with international good practice and SWF Law - 2017 Budget Strategy Paper uses the WB-IMF Debt Sustainability Framework to determine the implied debt-to-GDP ratio for 2017 and forward years based on the 2017 Budget Strategy Framework 	<p>ASA: Analysis of Fiscal Policy in PNG (ongoing); Debt Management Performance Assessment (ongoing); WB-IMF TA on Debt Sustainability and Medium-Term Debt Strategy; informal WB TA on operationalizing fiscal rules for PNG</p>

Annex 2: Summary of Changes to CPS Results Framework

In addition to extending the end date of results targets from FY2016 to FY2018, this PLR proposes the following changes to the PNG CPS results framework. Explanations for the changes can be found in the PLR, pages 7–11 and 14–15, and in relevant sections of the progress matrix (annex 3).

Current Indicators/Milestones	Proposed Changes to Indicators/Milestones
PILLAR 1: INCREASED AND MORE GENDER-EQUITABLE ACCESS TO INCLUSIVE PHYSICAL AND FINANCIAL INFRASTRUCTURE	
1.1 ROAD REHABILITATION	
1.1.1 <i>More and safer roads, benefitting women and girls as well as men and boys, as measured by:</i>	
a) Additional roads rehabbed in target provinces	Revise target from 150 km to 125 km for FY18 to align with targets set out in proposed restructuring of RMRP II.
b) Number of gender pilots underway in Department of Works (DoW) roads portfolio	Drop and replace with: b) Cumulative number of person-days worked by women as a result of project activities that are not related to routine maintenance activities Baseline: 0 (2011); 2,100 (2015) Target: 4,000 (2018)
– Increased number of private contractors doing works for GoPNG benefitting from project training	Rephrase milestone as follows: – 8 domestic companies trained in bidding and contract management
– One or more gender-targeted pilot (women-led community maintenance, gender-focused consultations, etc.) at DoW	Drop and replace with: – 20 gender-based violence and HIV-AIDS awareness workshops conducted, in addition to 2015 baseline of 22 workshops already conducted
1.2 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) POLICY	
1.2.1 <i>Increased coverage of targeted underserved rural areas by mobile networks and/or broadband</i>	Replace original outcome with two new outcomes and associated indicators in line with restructured Rural Communications Project: 1.2.1 <i>Improved penetration of mobile telecommunications services, as measured by the number of mobile cellular telephone subscriptions in targeted provinces (per 100 inhabitants)</i> Baseline: 21% (2009); 45% (2015) Target: 55% (2018) 1.2.2 <i>Increased Internet usage in rural communities targeted by the Rural Communications Project</i> Baseline: 0% (2010); 20% (2015) Target: 30% (2016)
1.2.2 <i>Increased use of ICT for transparency/accountability through at least one pilot approved for scale-up in monitoring service delivery</i>	Drop
– At least five pilots underway using ICT to monitor or support service delivery sponsored by development partners (incl WBG) in at least three sectors	Drop and replace with milestone linked to new 1.2.2: – Public Internet access points established in five schools

Current Indicators/Milestones	Proposed Changes to Indicators/Milestones
1.3 FINANCIAL SECTOR	
1.3.1 550mPGK increase in credit provided to SMEs in PNG (some institutions do not share data, measurement limited to project banks)	Revise target to 300m PGK to align with prospects under RSF portfolio specifically, as 550m PGK figure refers more broadly to SME lending by banks and is less easily attributed to WBG interventions.
1.3.2 20% increase in number of formal sector SMEs registered	Move outcome to section 2.3 on Business-Enabling Environment
1.3.3 Increased number of women with access to financial institutions in rural areas, either branches or mobile networks	Renumber as 1.3.2 and include new baseline: Baseline: Less than 5% of BSP's total SME lending was for women (2013) Target: 10% increase
1.4 RENEWABLE ENERGY	
1.4.1 Larger renewable energy contribution to increased access to electricity through renewable PPP	Replace original outcome with new outcome (previously a milestone) that aligns better with current plans and expectations under the Energy Sector Development Project: <i>1.4.1 Building blocks in place for a larger renewable energy contribution to increased access to electricity through renewable PPP, as measured by the GoPNG taking one medium-to-large renewable PPP to financial close</i> Baseline: 0 (2015) Target: 1 (2018)
<ul style="list-style-type: none"> – GoPNG policy and third-party access code expands electricity transmission and distribution networks – GoPNG takes one medium-to-large renewable energy PPP to financial close 	Rephrase milestone as follows: <ul style="list-style-type: none"> – GoPNG policy and third-party access code adopted Move milestone to outcome level and replace with one new milestone to track implementation progress: <ul style="list-style-type: none"> – Tendering process for a developer for 80 MW Naoro Brown Hydropower Project commenced
1.5 WATER ACCESS	
	New outcome and milestone introduced, reflecting planned water supply and sanitation development project <i>1.5.1 Improved access to water, as measured by the number of people in urban areas provided with access to improved water sources under the project</i> Baseline: 0 (2016) Target: 1,000 (2018)
PILLAR 2: GENDER-EQUITABLE IMPROVEMENTS IN LIVES AND LIVELIHOODS	
2.1 AGRICULTURE AND RURAL DEVELOPMENT	
2.1.1 Improvements in yields of smallholder coffee, cocoa and oil palm farmers, as measured by:	
a) Increase in average oil palm yields in project areas	Drop indicator, as it refers to SADP project, now closed. Replace with: a) Rural roads rehabilitated and maintained in project areas, per Maintenance Agreements Baseline: 0.7 km (2015) Target: 50 km (2018) Add new milestone: <ul style="list-style-type: none"> – Maintenance agreements completed for 10 feeder roads

Current Indicators/Milestones	Proposed Changes to Indicators/Milestones
b) Increase in average cocoa yields for project participants	Revise baseline from 300 kg/ha to 169 kg/ha based on more accurate information. Target revised to 575 kg/ha for end-FY18 to align with PPAP targets.
c) Increase in average coffee yields for project participants	Revise baseline from 500 kg/ha to 382 kg/ha based on more accurate information. Target revised to 575 kg/ha for end-FY18 to align with PPAP targets.
<i>2.1.2 Improved smallholder sustainability and resilience to price and weather volatility, as measured by:</i>	Revise outcome to drop the specific reference to “price and weather volatility”: <i>2.1.2 Improved smallholder sustainability and resilience, as measured by:</i>
d) Number of cocoa and coffee farmers adopting improved farming practices	Revise indicator to capture data being measured in PPAP results framework and introduce gender disaggregation: a) Cumulative number of beneficiaries of Productive Partnerships in Agriculture Project (PPAP), including women Baseline: 0 (2010); 33,967 total, of which 11,850 women (2015) Target: 60,000, of which 24,000 women (2018)
<i>2.1.3 Increased support to women farmers, as measured by the number of partnerships with their explicit participation</i>	Drop and replace outcome with above indicator that measures female beneficiaries of PPAP
2.2 YOUTH DEVELOPMENT	
<i>2.2.1 Youth in urban areas have more access to training and job opportunities, as measured by:</i>	
a) Labor-days completed by project beneficiaries	Revise indicator to reflect labor-days completed through all project components, not just Youth Job Corps: a) Days of workfare completed by youth beneficiaries over the course of the Urban Youth Employment Project (UYEP) Baseline: 340,000 total cumulative (2015) Target: 660,000 total cumulative (2018)
b) Share of on-the-job beneficiaries who enjoy 20% increase in incomes	Revise indicator to align with restructured UYEP: b) Share of on-the-job graduates who have an offer of a paid job as they leave UYEP Baseline: 0 (2011); 39% (June 2015) Target: 30% (2018)
	Introduce new indicator to address plans for including sex-disaggregated data: c) Share of female participants graduating from each component of UYEP (Basic Life Skills Training, Youth Job Corps, Pre-Employment Training, and On-the-Job Training) Baseline: 40% (2015) Target: 40% (2018)
	Introduce one new milestone in line with restructured UYEP – 2,400 project beneficiaries offered an on-the-job training placement
2.3 BUSINESS-ENABLING ENVIRONMENT	
2.3.1 More efficient opening/operation/ closing of businesses in PNG, as measured by shorter number of days in Doing Business Baseline: 51 (2012) Target: 45 (2016)	Revise baseline and target to reflect changes in Doing Business methodology: Baseline: 35 (2012) Target: 10 (2018)

Current Indicators/Milestones	Proposed Changes to Indicators/Milestones
<p>2.3.3 <i>20% increase in number of formal sector SMEs registered</i> Baseline: 32,692 (2013) Target: 39,230 (2016)</p>	<p>Move outcome from Section 1.3 on Financial Sector and revise to reflect focus on strengthening tax registrations.</p> <p><i>2.3.3 20% increase in number of firms filing tax returns</i> Baseline: 8,400 (2014) Target: 10,000 (2018)</p> <p>Introduce new milestone to measure progress toward this outcome.</p> <ul style="list-style-type: none"> – Data analysis undertaken to support the development of profitability ratios and business benchmarks for small business, as an input into a simplified tax regime
PILLAR 3: INCREASINGLY PRUDENT MANAGEMENT OF REVENUES AND BENEFITS	
3.1 EXTRACTIVES SECTOR	
<p>3.1.1 <i>Better governance and accountability in oil/gas/mining revenues, as measured by status in EITI process</i> Baseline: No formal commitment, Step 0 (2012) Target: Candidate status, Step 2 (2016)</p>	<p>Replace achieved target with new target: Target: PNG achieves compliance with requirements of The EITI Standard, Step 3 (2018)</p> <p>Introduce three new milestones in line with revised target:</p> <ul style="list-style-type: none"> – Government commits ongoing funding support to EITI compliance – EITI reports produced on an annual basis – Government acts on recommendations made in EITI reports
3.2 RURAL SERVICE DELIVERY	
<p>3.2.1 <i>Inclusive bottom-up planning in three provinces promotes local decision making measured by increase in % of households who participate in allocation and use of \$\$ through local councils</i></p>	<p>Replace original outcome with revised outcome and two new indicators in line with RSDLGP and IDIB:</p> <p><i>3.2.1 Inclusive bottom-up planning in three provinces promotes increased local decision making, as measured by:</i></p> <ul style="list-style-type: none"> a) Number of community development subprojects implemented through community participation Baseline: 0 (2016) Target: 100 (30 in Central and Western provinces, 70 in Bougainville) (2018) b) Number of persons, including women, benefitting from community development subprojects Baseline: 0 (2016) Target: 130,000 (50,000 in Central and Western provinces and 80,000 in Bougainville), of which 50% women (2018)
<ul style="list-style-type: none"> – Extractives industry foundation co-finances pilot community development block grant project with GoPNG 	<p>Replace milestone with:</p> <ul style="list-style-type: none"> – 30% of ward residents (male and female) in 74 wards covered by the Rural Service Delivery and Local Governance Preparation and Pilot (RSDLGP) participate in ward development planning meetings
<ul style="list-style-type: none"> – At least two rounds of community block grants in two provinces, with active participation by 	<p>Replace milestone with:</p>

Current Indicators/Milestones	Proposed Changes to Indicators/Milestones
community in delivering infrastructure sub-projects	<ul style="list-style-type: none"> – 50% of residents of beneficiary villages in Bougainville (male and female) participate in subproject consultation meetings
3.3 MACROECONOMIC MANAGEMENT <p><i>3.3.1 Expanded outreach to civil society and communities on SWF measured by forums and public campaigns</i></p>	<p>Drop outcome, which is no longer relevant, and replace with:</p> <p><i>3.3.1 More robust debt sustainability framework, as measured by integration of WBG-IMF debt sustainability framework into the medium-term debt strategy document</i></p> <p>Baseline (2016): WBG-IMF debt sustainability framework has not yet been incorporated into the government's latest medium-term debt strategy document (2013–17)</p> <p>Target (2018): WBG-IMF debt sustainability framework has been incorporated into the government's medium-term debt strategy document (2018–22)</p> <p>Introduce new milestone:</p> <ul style="list-style-type: none"> – 2017 Budget Strategy Paper uses the WB-IMF Debt Sustainability Framework to determine the implied debt-to-GDP ratio for 2017 and forward years based on the 2017 Budget Strategy Framework.
3.4 STATISTICS CAPACITY BUILDING <p><i>3.4.1 Increased capacity for and use of updated survey data, poverty monitoring and analysis of expenditures in transparent public debate measured by number of NEC (Cabinet) submissions using new data analyses</i></p>	<p>Drop outcome in the interest of selectivity and in the absence of planned work in this area during the remainder of CPS period. Further opportunities for support to statistics capacity building will be evaluated under forthcoming SCD.</p>

Annex 3: Progress Toward CPS Objectives

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
PILLAR 1: INCREASED AND MORE GENDER-EQUITABLE ACCESS TO INCLUSIVE PHYSICAL AND FINANCIAL INFRASTRUCTURE			
1.4 ROAD REHABILITATION			
<i>Relevant goals in MTDP: "Improved conditions of priority national roads (rehab, upgrade, maintain)" p. 48; "Climate-proofing infrastructure" pp. 109–111</i>			
Indicators	Milestones	Status	Milestones Comments
<p>1.1.1 More and safer roads, benefitting women and girls as well as men and boys, as measured by:</p> <ul style="list-style-type: none"> (a) Additional roads rehabbed in target provinces <p>Baseline: 0 (2010) Target: 150 km (2016)</p> <p>Progress (May 2016): 64.75 km</p> <p>Note: Target is revised to 125 km for end-FY18 to align with targets set out in proposed restructuring of Road Maintenance and Rehabilitation Project Phase 2 (RMRP II). Progress toward project objectives was delayed by slow internal government processes and by the need to prepare designs and bid documentation.</p> <p>Revise/Watch</p> <ul style="list-style-type: none"> (b) Number of gender pilots underway in Department of Works (DoW) roads portfolio <p>Baseline: 0 (2010) Target: 1 (2016)</p>	<p>Gender-Sensitive and Climate-Resilient Road Rehabilitation</p> <ul style="list-style-type: none"> - Increased number of private contractors doing works for GoPNG benefitting from project training 	Watch	No progress so far. The recently restructured RMRP II sets out a target of 5 domestic companies trained in bidding and contract management by FY16, 10 by FY18. The phrasing of this milestone is being revised to match RMRP II phrasing.
	<ul style="list-style-type: none"> - One or more gender-targeted pilot (women-led community maintenance, gender-focused consultations, etc.) at DoW - Natural disaster risks incorporated into design and maintenance of roads 	Revise	This milestone is not being tracked specifically by the RMRP II project. The milestone is being revised to capture the number of gender-based violence and HIV/AIDS awareness workshops conducted as part of RMRP II implementation.
		Watch	Technical assistance provided to improve PNG's resilience to the impact of natural disasters and climate change in the transport

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
Progress (January 2016): This indicator is not being tracked specifically by the RMRP II project. This indicator is being replaced by an indicator of the number of person-days worked by women as a result of project activities that are not related to routine maintenance. <i>Drop/Replace</i>			sector. Detailed hazard risk assessment focusing on transport assets in Gulf and Central provinces completed. Hazard analysis undertaken in 8 additional provinces.
Indicators	Milestones	Status	Milestones Comments
1.2.1 Increased coverage of targeted underserved rural areas by mobile networks and/or broadband Baseline: 2% (2010) Target: 14% (2016) Progress (October 2015): This indicator is no longer tracked following restructuring of the Rural Communications Project in 2014. This indicator is being replaced by two new indicators, which will track: (a) the number of mobile telephone subscriptions in provinces targeted by the project, and (b) the annual increase in Internet users in rural communities targeted by the project. [Note: sex-disaggregated data were to be collected and incorporated into the CASPR. However, sex-disaggregated data on mobile subscribers and coverage are not currently tracked, so these indicators have not been added.] <i>Drop/Replace</i>	ICT Coverage - Universal Access subsidies finance new telecoms investment in under-served rural districts of at least two provinces	Achieved	Mobile coverage in the 2 targeted provinces (Chimbu and East Sepik) increased beyond expectations. The first universal access (UA) demonstration subproject was restructured in 2013 and its scope expanded to include all four regions of PNG. In partnership with the private sector (PPP), this component installed mobile base stations at 59 sites and provided basic telecommunications access to around 500,000 previously unserved Papua New Guineans. A second UA demonstration subproject for Internet services aims to upgrade the mobile network and create school community access points. Implementation is expected to begin in mid-2016 under an output-based PPP scheme.

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
1.2.2 Increased use of ICT for transparency/accountability through at least one pilot approved for scale-up in monitoring service delivery Baseline: 0 (2010) Target: 1 (2016) Progress (February 2016): These data are not tracked and estimates are unavailable. <i>Drop</i>	Use of ICT for Transparency/Accountability		
	- At least five pilots underway using ICT to monitor or support service delivery sponsored by development partners (incl. WBG) in at least three sectors	Drop	These data are not tracked and estimates are unavailable.
1.6 FINANCIAL SECTOR <i>Relevant goals in MTDP: "Expand microfinance and SME banking services" p. 83; "Encourage rural outreach by financial services" p. 14</i>			
Indicators	Milestones	Status	Milestones Comments
1.3.1 550mPGK increase in credit provided to SMEs in PNG (some institutions do not share data, measurement limited to project banks) Baseline: 0 PGK (2012) Target: 550m PGK (2016) Note: The target value refers to total SME lending by banks, not limited to the RSF portfolio. Target is revised to 300m PGK to align with RSF portfolio lending prospects. Progress (December 2015): Total committed credits to SMEs by Bank South Pacific (BSP) reached PGK 126 million under the Risk Share Facility (RSF) portfolio. BSP's total SME lending was about PGK 200 million during the same period.	SME Credit Expansion <ul style="list-style-type: none"> - 20% increase in SME lending by Bank South Pacific (PGK volume) - One more pre-cleared financial institution joins Risk Share Facility (RSF) 	Achieved On Track	BSP lending to SMEs increased by 92% in FY2013 and 166% in FY2014, but has slowed to 30% in FY2015, as SMEs have been affected by lower demand. A total of 1,400 SMEs benefitted from the new SME lending program. It is likely that at least one more financial institution will join the RSF in 2016. IDA, IFC, and the Department of Commerce and Industry (DCI) Project Implementation Unit (PIU) started the screening process in February 2016, and the target date for completing due diligence on potential banks is September 2016.

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
On Track/Revise			
	1.3.2 20% increase in number of formal sector SMEs registered Baseline: 32,692 (2013) (new baseline generated by 2013 SME–RSF Survey using IPA data) Target: 39,230 (2016) (newly specified target showing 20% increase over baseline) Progress (December 2015): A second SME survey is proposed for 2016 to measure SME sector growth and performance.		
	Watch 1.3.3 Increased number of women with access to financial institutions in rural areas, either branches or mobile networks Baseline: Less than 5% of BSP's SME lending was for women-owned businesses (2013) Target: 10% increase Progress (December 2015): 395 women-owned businesses have borrowed from the RSF. Approximately 25% of new loans under the RSF were for women-owned businesses.	Women's Access to Credit - Outreach to/training for minimum of 100 women SME owners - National forum showcases financial literacy obstacles and generates funding for women-focused financial literacy	Achieved On Track Training provided to 185 women as of December 2015. The revised training plan aims to reach out to more women-owned businesses, including informal businesses. A Financial Competency Survey has been completed, with follow-up activities to be coordinated by the Bank of Papua New Guinea. An action plan targeting businesswomen in both the formal and informal sectors has been endorsed by the DCI and GoPNG under the SME Training Program. The newly established SME Corp plans training programs for women in 2016–17 per the SME Development Master Plan. Funding is included in its budget proposal for 2017.
1.4 RENEWABLE ENERGY <i>Relevant goals in MTDP: "Increase electricity generation utilizing hydropower (and other renewables)" and "export clean electricity to neighboring countries" pp. 58–59</i>			
Indicators	Milestones	Status	Milestones Comments
1.4.1 Larger renewable energy contribution to increased access to electricity through renewable PPP			
	Renewable Energy - GoPNG rural electrification strategy in place	Watch	Contract for preparation of rural electrification strategy (geospatial planning and investment prospectus) signed in January 2016 and

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
<p>Baseline: 12.4% of households with access to electricity; 215 MW of national supply comes from renewables (2011) Target: 20% and 330MW (2016)</p> <p>Progress (October 2015): No progress; needed infrastructure not yet in place. Indicator is being replaced with a new outcome indicator (previously a milestone) that aligns better with current plans and expectations under the Energy Sector Development Project.</p> <p>Drop/Replace</p>	<ul style="list-style-type: none"> - GoPNG policy and third-party access code expands electricity transmission and distribution networks 	On Track/Revise	<p>inspection mission conducted in February 2016. Delay is a result of institutional capacity constraints.</p> <p>Third Party Access Code and Grid Code adopted in 2014. Training for implementation completed January 2016.</p> <p>It is not possible to track whether third-party access codes are expanding transmission and distribution networks, milestone is being revised to refer only to the adoption of these codes. A new milestone is being added on encouraging private sector participation through the adoption of these codes, as evidenced by the signing of Power Purchase Agreements.</p>
	<ul style="list-style-type: none"> - GoPNG takes one medium-to-large renewable energy PPP to financial close 	Revise	<p>Selection and engagement of transaction advisors underway PNG Power Ltd.</p> <p>This milestone is replacing the outcome indicator. Two new milestones are being added in its place to track the selection of transaction advisors and tendering for a developer for the project.</p>

PILLAR 2: GENDER-EQUITABLE IMPROVEMENTS IN LIVES AND LIVELIHOODS

2.1 AGRICULTURE AND RURAL DEVELOPMENT

Relevant goals in MTDP: "Efficient institutions serving agriculture sector; improved cash crop production; improve agricultural infrastructure including feeder roads as key links in the supply chain" p. 70; "Climate change research supporting climate-resilient agricultural sector" pp. 109–111

Indicators	Milestones	Status	Milestones Comments
2.1.1 Improvements in yields of smallholder coffee, cocoa and oil palm farmers, as measured by:	Agricultural Productivity		
(a) Increase in average oil palm yields in project areas Baseline: 21 tons/hectare (2010) Target: 24 tons/hectare (2016)	<ul style="list-style-type: none"> - 190 km of roads upgraded in SADP project areas - Implementation of at least 35 Partnerships for coffee and cocoa 	Achieved On Track	<p>223.1 km upgraded as of December 2013.</p> <p>33 partnerships implemented and/or scaled up and likely to be sustained as of October 2015. 20 new partnerships expected in the coming months.</p>
Progress (December 2013): 23.37 tons/hectare			
Mostly Achieved			

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
<p>(b) Increase in average cocoa yields for project participants Baseline: 300 kg/ha (2010) Target: 600 kg/ha (2016)</p> <p>Progress (December 2014): 376 kg/ha</p> <p>Note: Baseline as expressed in CPS was inaccurate; average cocoa yield for project participants was 169 kg/ha in 2011. Target is revised to 475 kg/ha for end-FY16 and 575 kg/ha for end-FY18 to align with targets set out in Productive Partnerships in Agriculture Project (PPAP). Indicator is measured annually; 2015 figure not yet available.</p> <p><i>Revise/On Track</i></p> <p>(c) Increase in average coffee yields [for project participants] Baseline: 500 kg/ha Target: 800 kg/ha (2016)</p> <p>Progress: 816 kg/ha as of December 2014; 403 kg/ha as of October 2015</p> <p>Note: Baseline as expressed in CPS was inaccurate; average coffee yield for project participants was 382 kg/ha in 2011. Progress figures may not be representative, as they do not reflect an annual average but rather a specific season, and refers only to a small sample of farmers. Target is revised to 475 kg/ha for end-FY16 and 575 kg/ha for end-FY18 to align with PPAP baselines and targets. Indicator is measured annually; 2015 figure not yet available.</p>			

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
On Track			
2.1.2 Improved smallholder sustainability and resilience to price and weather volatility, as measured by: (a) Number of cocoa and coffee farmers adopting improved farming practices Baseline: 0 (2010) Target: 24,000 [cumulative] (2016) Progress (October 2015): 21,545 (13,469 coffee farmers and 8,076 cocoa farmers). Outcome is being revised to drop the specific reference to price and weather volatility, as PPAP focuses mainly on resilience to pests and diseases. Indicator is being revised to capture data being measured in PPAP results framework, namely the number of beneficiaries, including women.	Climate Resilience - New research available on climate change and disaster risks in agriculture sector	Partially Achieved	A small TA grant on the Disaster Risk Management and Climate Change Adaptation Program (Agriculture) was implemented by the Department of Agriculture and Livestock. A pre-feasibility study on the feasibility of agriculture risk insurance was completed.
Revise/On Track (b) Training of oil palm growers in sustainable production practices Baseline: 0 (2012) Target: 1,500 [cumulative] (2016) Progress (December 2013): 1,500 growers trained			
Achieved [Sex-disaggregated data will be collected and incorporated into the CAS Progress Report (CAS-PR)] Note: Sex-disaggregated data will be captured by revising the indicator above			

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives						
to track the number of project beneficiaries, including women. 2.1.3 Increased support to women farmers, as measured by the number of partnerships with their explicit participation Baseline: 0 (2010) Target: 20 out of 35 (2016) Progress (October 2015): This indicator is not actively tracked. Replace with new indicator that measures number of female beneficiaries as compared to total (see above). <i>Drop</i>						
	Support to Women Farmers					
	<ul style="list-style-type: none"> - Targeted outreach to women coffee/cocoa farmers 		On Track	As of October 2015, the Productive Partnerships in Agriculture Project (PPAP) has reached 33,967 beneficiaries, of which 11,850 (35%) are women. The project continues to reach out to female farmers and female members of farming households, and to mainstream gender concerns into the project activities. A national gender specialist joined the Project Coordination Unit in November 2015.		
2.2 YOUTH DEVELOPMENT						
Relevant goals in MTDP: "Increase programs to nurture and develop youth as agents of change and increase opportunities for youth engagement informal employment" p. 94						
Indicators	Milestones	Status	Milestones Comments			
2.2.1 Youth in urban areas have more access to training and job opportunities, as measured by: (a) Labor-days completed by project beneficiaries Baseline: 0 (2011) Target: 300,000 cumulative (2016) Progress (September 2015): 361,000 labor-days completed by project beneficiaries through public works (Youth Job Corps) and on-the-job training components. Original indicator referred only to Youth Job Corps work; indicator is being revised to reflect labor-days completed through all project components.						
	Youth Development					
	<ul style="list-style-type: none"> - 30 private sector employers in Port Moresby have new source for trained workers - 9,000 youth beneficiaries have and use new bank accounts and are trained to use mobile phones for personal financial tracking 	Achieved On Track	<p>There are currently 90–100 employers providing 5-month employment placements for youth beneficiaries of the Urban Youth Employment Project (UYEP).</p> <p>8,100 youth have completed at least one full training course through the UYEP, and have therefore been given a phone and have a bank account for which they can track deposits.</p> <p>Given that UYEP youth receive phones and set up bank accounts at the start of their participation in the project, and some of them drop out before completing the training course, it is likely that the target of 9,000 youth having a new bank account has been met. The project is aiming for 10,500 youth to have bank accounts and mobile phones by the end of FY2016.</p>			

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
<p>Revise/On Track</p> <p>(b) Share of on-the-job beneficiaries who enjoy 20% increase in incomes Baseline: [being established by intake surveys] Target: 50% (2016)</p> <p>Progress (November 2015): This indicator is no longer tracked due to measurement difficulties. In view of proposed project restructuring, indicator is being revised to reflect the share of graduates from on-the-job training who have an offer of paid employment.</p> <p>Drop/Replace</p> <p><i>(All data are sex-disaggregated and a minimum of 30% of labor-days and increased income will be young women. Current youth programs generate benefits for groups with less than 10% young women beneficiaries.)</i></p> <p>Progress (November 2015): All data are sex-disaggregated and provided separately. The number of female beneficiaries has expanded from 33% to 41%, reaching 3,326 women out of 8,100 youth. In the most recent intakes, the project has effectively addressed the challenge of ensuring that female participants complete project activities, achieving a 40% completion rate in all components.</p>			

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
2.3 BUSINESS-ENABLING ENVIRONMENT			
<i>Relevant goals in MTDP: "Ensure processes that facilitate business and investment" p. 86; "Remove efficiencies in regulation, ensure low business costs" p. 94; "Increase women's access to economic opportunities and awareness of economic rights" p. 96</i>			
Indicators	Milestones	Status	Milestones Comments
<p><i>2.3.1 More efficient opening/operation/closing of businesses in PNG, as measured by shorter number of days in Doing Business</i></p> <p>Baseline: 51 (2012) Target: 45 (2016)</p> <p>Progress (January 2015): 5 days, on average, from receipt of business registration application and issuance of company registration, according to Investment Promotion Agency (IPA).</p> <p>Original CPS indicator referred to the total time required to register a business, register for taxes, acquire the necessary business license, and register employees for the provident fund. Doing Business 2016 indicates that this process required 53 days in 2015. The change in score reflects changes in the Doing Business methodology rather than the impact of any negative reform. Since publication of the CPS, the baseline for business registration has been revised to 35 days, reflecting the average estimated time required by the business registry, and implying a revised target of 10 days. This amendment is reflected in the revised CPS matrix.</p>	<p>Improved Business-Enabling Environment</p> <ul style="list-style-type: none"> - IPA outreach and website enhanced - On-line business registration active 	<p>Achieved</p> <p>Achieved</p>	<p>IPA website provides full information on business registration and allows the public to search the business registry, previously available only through paper searches. In 2014 and 2015, IFC assisted IPA with an outreach program to stakeholders on revisions to legislation and new registration process.</p> <p>Business registry is online and certain types of registration can now be undertaken online. The registry allows online searching of business ownership, director, and address details. Company registration applications still need to be submitted at the IPA (or its provincial offices, or at post offices) owing to a delay in gazettal of a key regulation required for online registration to take place. This regulation was gazetted late in 2015, and the full online registry is now in place.</p>

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
Achieved			
Improved Outreach to Women			
<p>2.3.2 10% increase in annual number of women-owned businesses who "graduate" to formal status with registered businesses</p> <p>Baseline: To be generated by SME Survey sex-disaggregated "count" using IPA data in early 2013; IFC program with IPA will use IPA's data to track.</p> <p>Target: 10% increase (2016)</p> <p>Progress (October 2015): Because the full online registry has not yet been implemented, the system is not yet able to gather data on numbers of women business owners registering businesses. It is hoped that this information will be gathered in the next phase of work, currently under consideration, on business formalization simplification.</p> <p>Watch</p>	<ul style="list-style-type: none"> - Improved outreach to women business owners 	Watch	<p>This activity was to be undertaken under the IFC (T&C) Regulatory Simplification project. Delays in implementing online registration prevented specific outreach activities to women entrepreneurs. It is hoped to undertake these activities in a follow-on program under consideration.</p>

PILLAR 3: INCREASINGLY PRUDENT MANAGEMENT OF REVENUES AND BENEFITS

3.1 EXTRACTIVES SECTOR

Relevant goals in MTDP: "Improved capacity of Minerals Resource Authority (MRA) and Department of Minerals Policy and Geo-hazards Management (DMPGM), regulatory and policy frameworks reviewed" p. 79; "Ensure equitable distribution of benefits to landowners and broader community" p. 77

Indicators	Milestones	Status	Milestones Comments
<p>3.1.1 Better governance and accountability in oil/gas/mining revenues, as measured by status in EITI process</p> <p>Baseline: No formal commitment, Step 0 (2012)</p>	<p>Extractives Sector Governance</p> <ul style="list-style-type: none"> - Updated and revised mining sector policy framework 	On Track	<p>Laws reviewed and updated for parliamentary approval include Mining Act 1992, Mining Regulation, Mining (Safety) Act, and Mining (Safety) Regulation. Policies prepared and approved by</p>

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
<p>Target: Candidate status, Step 2 (2016)</p> <p>Progress (March 2014): Candidacy application approved.</p> <p>Achieved/New Target</p> <p>Note: Following the approval of PNG's candidacy application, and in light of the proposed extension of the CPS period, a new target of EITI compliance has been added.</p> <p><i>3.1.2 More equal involvement of women in community benefits from oil/gas/mining, as measured by rights for women in project agreements</i></p> <p>Baseline: 1 (2008) Target: 3 (2016)</p> <p>Progress (2015): 7 current projects include dedicated support</p> <p>Achieved</p>			
<p>- Cabinet approves PNG joining EITI, and multi-stakeholder group working to EITI Candidate Status</p>			
	Achieved	Cabinet on sustainable mining development, involuntary resettlement, and mining projects rehabilitation and closure.	
		Government committed to joining EITI in May 2013. Funding for EITI National Secretariat and hiring of Independent Administrator borne solely by government.	
		A new milestone on government commitment of ongoing funding support to EITI compliance is being introduced to support the new target.	
<p>Women in Oil/Gas/Mining</p>			
	Achieved	Seven current agreements include benefits for women. This excludes agreements that have been reviewed and are now before the National Executive Council for endorsement, so the number stands to rise. Benefits include percentages of royalties to women's associations or groups for women's development programs, micro-credit financial schemes, representation in infrastructure development committees and Special Purpose Authorities, and inclusion of women's projects in Socio-Economic Development Plans.	
		In addition, reviewed mining policies/legislation managed by the Department of Mineral Policy and Geo-Hazards Management (which contain specific clauses on women's representation in decision making and allocation of royalties for women's programs) are awaiting endorsement by the Parliament.	
3.2 RURAL SERVICE DELIVERY			
<p><i>Relevant goals in MTDP: "Strengthen partnership with private sector and community based stakeholders for development" p. 114</i></p>			
Indicators	Milestones	Status	Milestones Comments
3.2.1 Inclusive bottom-up planning in three provinces promotes local decision	Rural Service Delivery		

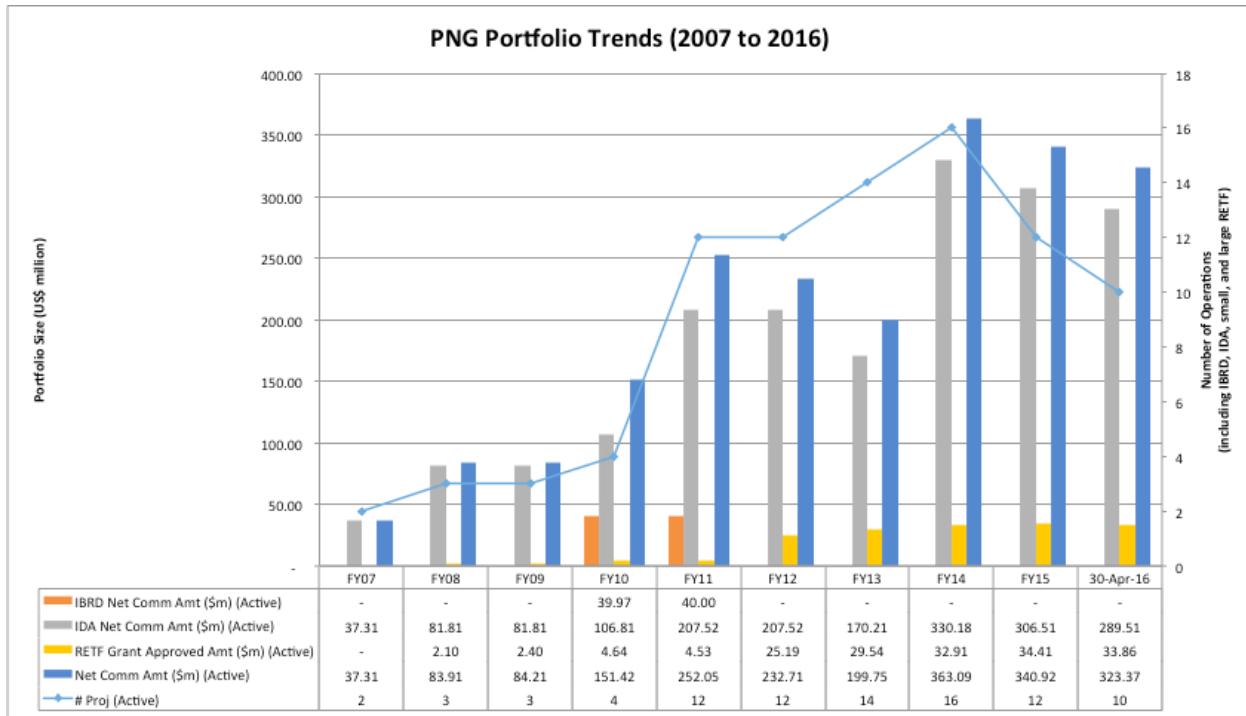
Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives								
<i>making measured by increase in % of households who participate in allocation and use of \$\$ through local councils</i> Baseline: 0 (2012) Target: 70% of households in target districts and 40% of women (2016) Progress (October 2015): This indicator is not tracked by the Rural Service Delivery and Local Governance Preparation and Pilot. New indicators proposed on participation in ward development planning meetings in Central and Western provinces, and in subproject consultation meetings in Bougainville.	<ul style="list-style-type: none"> - Extractives industry foundation co-finances pilot community development block grant project with GoPNG - At least two rounds of community block grants in two provinces, with active participation by community in delivering infrastructure sub-projects 	Achieved Not Achieved	PNG Sustainable Development Program Ltd. (an affiliate of the Ok Tedi copper mine) financed US\$3.5 million toward RSDLGP. Further partnership discussions are ongoing but at an early stage. Only one round of community block grants is being supported in the RSDLGP pilot in two provinces. Most of the subprojects implemented with the community block grants are expected to be completed by FY17. Two rounds will have been disbursed in a third province, Bougainville.					
<i>Drop/Replace</i>								
3.3 MACROECONOMIC MANAGEMENT								
<p><i>Relevant goals in MTDP: "Seek sustainable investment of revenues to benefit current and future generations" p. 77; "Strengthen and enforce accountability and transparency initiatives" p. 114</i></p> <p>3.3.1 Expanded outreach to civil society and communities on SWF measured by forums and public campaigns Baseline: 4 (2012) Target: 8 (2016) Progress (May 2016): Public forums have been held in the context of SWF development, but the exact number has not been actively tracked. This outcome is no longer relevant and is being dropped. A new outcome on debt sustainability analysis is being introduced.</p> <p><i>Drop/Replace</i></p>								
Macroeconomic Management								
	<ul style="list-style-type: none"> - New debt and fiscal strategies announced that continue prudent acyclical policy & expenditure rules - Proactive public dialogue on regulatory/institutional provisions for SWF compared with international good practice and SWF Law 	On Track On Track	The government has a medium-term debt strategy and produced a budget strategy in October 2015. The government is still pursuing a countercyclical fiscal policy, but a downturn in commodity prices compelled a reduction in expenditure from budgeted levels in 2015. SWF legislation passed in 2015. Proactive public dialogue on regulatory and institutional provisions has taken place. SWF expected to be operational in 2016.					

Papua New Guinea Country Partnership Strategy FY2013–2016: Progress Toward CPS Objectives			
Indicators	Milestones	Status	Milestones Comments
<p>3.4 STATISTICS CAPACITY BUILDING</p> <p><i>Relevant goals in MTDP: "Improve availability of national statistics and ensure effective coordination between National Statistics Office (NSO) and agencies that use statistics"</i> p. 117</p> <p><i>3.4.1 Increased capacity for and use of updated survey data, poverty monitoring and analysis of expenditures in transparent public debate measured by number of NEC (Cabinet) submissions using new data analyses</i> Baseline: 0 (2012) Target: 3 (2016)</p> <p>Progress (October 2015): There has been no progress on this indicator. The WBG has no immediate activities scheduled in support of this outcome, so it is being dropped. As part of the planned Systematic Country Diagnostic, the WBG will examine opportunities for further support to statistics capacity building.</p> <p><i>Drop</i></p>	<p>Statistics Capacity Building</p> <ul style="list-style-type: none"> - Results of Household Income and Expenditure Survey, HIES Poverty Profile, Education PER, Social Protection modeling, and Health Financing Review fed into GoPNG policy and budget planning processes 	Partially Achieved	<p>Household Income and Expenditure Survey (HIES) and Poverty Profile completed and training provided in data analysis using ADEPT. HIES data fed into the discussion and formulation of WaSH policy, but there is scant evidence of other use of these data in debates on policy formulation.</p> <p>Education PER completed, but not disseminated or used in policy dialogue.</p> <p>Social protection modeling completed and technical assistance provided to the relevant department. Analysis fed into the development of policy, which is awaiting approval.</p> <p>Health financing work ongoing and informs policy and budget planning processes. Health ASA has also fed into a number of policy briefs.</p>

Annex 4: ASA Delivered in FY2012–2016 and Ongoing

	CPS Pillars		
	Gender-equitable access to inclusive physical & financial infrastructure	Gender-equitable improvements in lives and livelihoods	Prudent management of revenues and benefits
FY2012			
TA			
PNG Measuring Financial Competency	√		
FY2013			
TA			
PNG: Development of Prudential Standards #10148			√
PNG Household Income and Expenditure Survey		√	
FY2014			
TA			
PNG # 10115 Implementing On-Site Supervision			√
Social Protection NLTA	√	√	
Social Protection NLTA			
Water and Sanitation Policy Development in Papua New Guinea	√	√	
PNG - HIV/AIDS Survey		√	
The Fruit of Her Labor: Promoting Gender-Equitable Agribusiness in PNG		√	
FY2015			
ESW			
Costs of Crime and Violence in PNG	√	√	
PNG Economic Briefings FY13-FY14			√
PNG - ROSC Accounting & Auditing			√
Education PER Papua New Guinea	√		√
TA			
Papua New Guinea HIES Analysis Support		√	√
Support the Development of an Electrification Roll out Plan			√
FY2016			
ESW			
Resource Distribution and Benefit Sharing Research - PNG			√
PNG AAA - Health Sector Analytics		√	√
TA			
TA to the Implementation of PNG Financial Competency Survey			√
PG: Connectivity Analysis		√	
PNG Social Protection NLTA 2	√	√	
2nd DeMPA PNG			√
Ongoing (FY2017 delivery)			
ESW			
Time Allocation Study in Agriculture Sector		√	
TA			
PNG - Debt Management Strategy and Sustainability			√
Financial Services Development Strategy (FSDS)	√		√
Renewable Energy Resource Mapping and Geospatial Planning: Papua New Guinea	√		√
PNG Health Systems Strengthening Course		√	√
Support to CSOs in Papua New Guinea			√
FY2018			
ESW			
Urban Safety in Port Moresby and Lae		√	

Annex 5: Summary of Commitment Amounts, IBRD and IDA, FY2007–2016



Annex 6: IFC Deliverables

Project Name	Business Line	Implementation Timeframe	Status as of May 2016	CPS Pillars		
				Gender-equitable access to inclusive physical & financial infrastructure	Gender-equitable improvements in lives and livelihoods	Prudent management of revenues and benefits
Digicel Solar	Cross –Industry Advisory Services Energy	2011-2016	Active	Yes	Yes	N/A
Pacific Investment Climate Rapid Response Project (Pacific IC RR)	Trade & Competitiveness	2014-2017	Active	Yes	N/A	N/A
Agribusiness PNG	Manufacturing, Agribusiness and Services	2012-2019	Active	Yes	Yes	N/A
PNG SME Tax	Trade & Competitiveness	2013-2017	Active	Yes	N/A	N/A
Pacific Women in Business (Pacific WINvest)	Cross –Industry Advisory Services	2014-2017	Active	Yes	Yes	N/A
ANZ Mobile Banking	Financial Institution	2014-2017	Active	Yes	Yes	N/A