I. Introduction and Context

Country Context
Papua New Guinea (PNG) has benefited from strong, resource-led, economic growth over the past 10 years, with per capita GDP steadily rising since 2003. However, basic development outcomes have remained stagnant or improved only marginally over this same time period. PNG is faring significantly worse on average than East Asia and Pacific Island countries as well as other lower middle-income countries in nearly all key measures of development including infant, child and maternal health; HIV/AIDS prevalence; education and literacy; and life expectancy. PNG is ranked 145th of 177 countries on UNDP’s Human Development Index (2008), and it is estimated that more people are living in poverty now than a decade ago. Based on current trends, PNG is unlikely to achieve most of its MDG targets by 2015. While geography plays a part in PNG’s difficulties (an extremely diverse population spread out over challenging, and often isolated, terrain that includes more than 600 islands), the poor management of public sector resources is felt to have contributed much more to the current poor state of development in the country.

Sectoral and Institutional Context
Observers agree that changes brought about under the 1995 Organic Law for Provincial and Local-level Government have contributed to the worsening of service delivery by: (i) increasing the layers of government and therefore the overall administrative costs of service provision at sub-national levels, (ii) increasing the layers through which public funds pass, thereby increasing leakages, (iii) reducing the flow of funds to local government levels—the front line for village level service delivery, and (iv) politicizing the use of development resources by enhancing the role of politicians in technical and financial decisions regarding development priorities. Low demand for and capacity to enforce Government procedures and financial management controls have further contributed to the disconnect between public expenditures and priority public services. Positive elements of the Organic Law that promote a bottom-up planning process linked to the lowest levels of elected officials have been thwarted by national level politician’s engagement through District level budgeting and authorizing structures.

Alternative service delivery providers (including churches, NGOs, or Special Purpose Authorities associated with extractive industries or special circumstances) have emerged in response to coverage gaps, funding short-falls and poorly functioning public institutions. While these efforts have been important in covering critical gaps, there is little indication that they can be scaled up to a national level. These efforts also do not generally focus on strengthening the overall service delivery system, and indeed often bypass Government systems. Supply side efforts on the part of Government and key partners to improve the fiscal transfer system, and the administrative and technical capacities at provincial and district level are proving helpful for the overall system, but are yet to reach down to the LLG and ward levels where the most basic services are needed to respond to the poor development outcomes that PNG currently faces. In short, the lowest levels of government are starved of resources and staff and the most basic social and economic services and infrastructure function irregularly if at all. 1/

1/ The National Economic and Fiscal Commission (NEFC) estimates that almost half of the provinces have approximately 50% or less income to deliver a set of basic core services, and that all provinces are failing to utilize fully their revenues to respond to these priority services (Walking the Talk, Review of all Expenditure in 2008 by Provincial Governments. NEFC, Nov. 2009).
4. The rationale for Bank involvement with an investment operation focusing on local level government and basic service provision is strong. First, such an operation would directly help to operationalize a local development platform designed to support the second core pillar of the CAS: to improve service delivery and livelihoods, especially in rural areas. Second, such an approach explicitly seeks to contribute to building a more responsive and accountable state through its emphasis on participatory and inclusive development, a core area of interest to the country management unit. This is a particular area of concern given the fragile nature of the country and the potential risk of violence that could be triggered by the combination of extremely weak public institutions and non-transparent use of public funds. 1/

1/ As highlighted in the most recent World Development Report (2011) on Conflict, Security and Development.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective is to pilot a successful local community driven development (LCDD) platform in PNG that would be adopted by Government as a way to improve the access, quality and management of basic public services delivered in rural communities in PNG. As such, the project will help to address the low levels of access and desired outcomes of a number of basic services (health, education, water, access, etc.) as identified by local communities.

Key Results

The key results to be achieved in this regard by 2015 would be as follows:

i) Satisfactory implementation of the RSDLGP as determined through regular Bank supervision mission, mid-term review and completion report,

ii) Satisfaction levels of participating communities with sub-project process and investments as determined through an end-of-project survey, and

iii) Request from the GoPNG to scale-up the RSDLGP with Bank assistance.

III. Preliminary Description

Concept Description

In light of the country and sectoral challenges outlined above, the World Bank initiated discussions with the Government of PNG in 2008 regarding a possible project that uses a local community driven development (LCDD) approach to improve the delivery of basic services. Experience from other countries has shown that given clear rules of the game, access to information and appropriate capacity, and access to financial support, poor communities can effectively organize in order to identify priorities problems, implement solutions and work together in partnership with local governments and other supportive institutions to improve responsiveness and accountability of the service providers.

In this context, the proposed Rural Services Delivery and Local Governance Project (RSDLGP) would be a pilot scheme to be implemented over a three year period in two provinces (Western and one other to be agreed upon with government and the funding agency). The pilot will pursue two main avenues of work: developing and testing the systems and procedures to be applied to a LCDD mechanism for the delivery of basic services; and strengthening the capacities of national, sub-national and local level government staff to oversee, manage and evaluate the pilot. A byproduct of this pilot scheme would be the documentation of a project proposal for a scaled-up RSDLGP, to be presented to the World Bank and other development partners for possible financing.

It is proposed that the pilot would operate in two provinces and involve approximately 14 LLGs (covering a potential beneficiary population of approximately 280,000). Testing of the LCDD systems and procedures would be done through the financing of community grants of an estimated US$100,000 per participating LLG per year (for years 2 and 3 of the pilot). These community grants could be used for a wide-range of small-scale social or economic investments and/or services (e.g., improvements to health or education facilities, for water or sanitation, to improved access (roads, bridges, wharves, etc.), and/or to improve livelihood opportunities). The specific purpose of individual grants would be determined by communities on an annual basis with the support of trained facilitators, and would be approved at LLG level based on agreed-upon criteria that reflect Government policies and any relevant World Bank requirements. This system of sub-grant design, approval, fiscal transfer and reporting on progress would be linked to, and integrated with the Government’s existing systems to avoid duplication and additional administrative burden.

IV. Safeguard Policies that might apply

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VI. Contact point

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