1. Country and Sector Background

While 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, basic development outcomes have remained stagnant or improved only marginally over this same time period. PNG is fairing 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. Based on current progress, PNG is unlikely to achieve most of its MDG targets by 2015. While geography plays a part in PNGs 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 has contributed much more to the current poor state of development in the country.

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-level Governments (LLGs)—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 at District level. Low demand for and capacity to enforce government procedures and
financial management controls have further contributed to a 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 (the LLG) 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) 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

In light of these challenges facing, in particular, rural communities of PNG, the World Bank initiated discussions with the Government of PNG in 2008 regarding a possible project that uses a community driven local development (CDD) 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 financial support, community members can effectively organize in order to identify community priorities to address local problems, implement solutions by working in partnership with local governments and other supportive institutions, and in so doing improve responsiveness and accountability of the service providers.

Such an approach fits well within the parameters established by the Government’s recent strategic planning efforts, as reflected in the Vision 2050, Development Strategic Plan 2010-2030, and Medium term Development Plan 2011-2015 documents. It would specifically match the Strategic Plan’s emphasis on rural development, support to economic and social infrastructure, partnerships with civil society, and in strengthening local level governments for the delivery of basic services. This approach also reflects the identified strategy of the “Vision” in terms of enhancing citizen’s involvement in service delivery, and in addressing issues of accountability and transparency in the use of development resources through increased participation and voice of intended beneficiaries.

This approach also complements other development partners’ activities at Provincial and District levels.² For its part, the World Bank sees this pilot activity as a key mechanism for

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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).
² Most important among these are AusAID’s Provincial Performance Improvement Initiative (PPII) and AusAID’s “Strongim Pipol Strongim Nesen” (SPSN) project.
operationalizing a local development platform to improve service delivery and livelihoods, especially in rural areas (the second pillar of its Country Assistance Strategy). Such an approach would also explicitly seek to contribute to building a more responsive and accountable state, a core area of interest to several partners and a key rationale for the potential co-financing from the Bank’s State and Peace-building Fund.

2. **Objective**

The Project Development Objective is to pilot a community driven development (CDD) platform that would be adopted by Government as a way to improve the access, quality and management of basic public services delivered in rural communities.

3. **Rationale for Bank Involvement**

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. 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.

4. **Description**

The project would be financed as an Investment Project Financing (IPF) from Trust Fund resources and it would be implemented over a period of three years from 2013 to 2016. A grant of US$3.5 million has been provided by the Papua New Guinea Sustainable Development Program (PNGSDP Ltd.) in support of the project. A further US$2.5 million is being sought from the Korea Economic and Peace-building Trust Fund, while the balance of US$300,000 is expected in local counterpart and community contributions. It is expected that the pilot project would, if proven successful, lead to a scaled up local community driven development operation with IDA, other development partner, and Government of PNG funding.

The pilot would operate in two provinces, Central Province and Western Province, and involve 8 LLGs (covering a potential beneficiary population of approximately 280,000). Testing of the CDD systems and procedures would be done through the financing of ward-level grants. Each participating LLG would receive an allocation of US$250,000 which would then be awarded to

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3 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 PNGSDP Ltd. is a not-for-profit limited liability company registered and operating in PNG that was established as a result of an agreement between the Government of PNG and BHP Billiton (the Australian company that ran the Ok Tedi Mine in PNG), which supports sustainable development projects and initiatives to benefit the people of PNG.
approximately 10 selected wards (numbers of selected wards could vary between) for subprojects proposed by Ward Development Committees based on a participatory planning process. The average amount of individual grants for subprojects grants is expected to be US$25,000). These ward-level grants could be used for a wide-range of small-scale social or economic investments and/or services (e.g., to improve health or education facilities, water or sanitation systems, access infrastructure (roads, bridges, wharves, etc.), and/or livelihood opportunities). The specific purpose of individual grants would be determined by communities 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.

The project would have three main components: (i) systems and financing of community service-delivery grants, (ii) capacity building of national and sub-national government (or non-government) entities, and (iii) project management (including monitoring, evaluation and knowledge sharing). These three components are described in more detail below.

Component 1: Systems and Financing of Community Service Delivery Grants ($2.3 million) -- would provide grants to LLGs to finance community-identified sub-projects. Communities will be responsible for the identification and prioritization of community needs. The sub-projects will be developed through a participatory planning process that will be integrated into the preparation of Ward and LLG development plans. Typical sub-project grants are expected to include small-scale community infrastructure, technical assistance and capacity building, and enhancement of sustainable service delivery systems. However, at this stage it is impossible to say which specific areas of support (e.g., education, health, water and sanitation, roads/bridges/wharves, etc.) would be prioritized. The project would finance community grants that would be used to support these community projects based on agreed-upon procedures and criteria that would be outlined in an operations manual that the Government would develop and the World Bank would approve. These procedures would draw on recent research on exclusion and benefits sharing (around the Ok Tedi Community Mine Continuation Agreements) to help ensure equity in project identification and development.

Component 2: Capacity Building of National and Sub-national entities ($2 million) -- would support the strengthening of capacities of national and sub-national government (and non-government) entities to manage and implement the project, and to improve local governance as it relates to basic service delivery. One aspect of this support would build capacity of Ward and LLG personnel to manage the project at the local level, including improved ward planning, review and evaluation of specific ward plans, grant management to communities, basic financial management and procurement, reporting, and monitoring of community projects. LLG managers would be the key focal point for work at this level while ward recorders will likely be trained to serve as community facilitators. Another aspect of this support at local level would be to develop the tools and training materials to introduce social accountability and participatory performance monitoring initiatives (e.g., community scorecards, public expenditure tracking, and public feedback mechanisms) to strengthen the downward accountability and responsiveness of providers of support and services, to LLG and to communities. Training and capacity building
support to help improve the participation and inclusion of traditionally marginalized groups (including women) would be articulated and financed as well.

As appropriate, this component would also support the involvement of non-governmental agencies (NGOs, churches or civil society groups) that have traditionally provided basic services in certain areas of PNG. The decision to involve such entities to either facilitate planning or support the provision of services would depend on the presence and strength of local level government authorities and service providers in a given area, and on the demand from communities. Given the wide range of capacities and coverage of service delivery groups throughout PNG, the testing of such a public-private partnership under this pilot scheme is seen as being valuable to Government’s understanding of what works best under what circumstances.

Component 2 would also support the capacity of the Department for Provincial and Local Government Affairs (DPLGA) at the central level to help in: the overall development and monitoring of the project; evaluation of impacts (as part of the current responsibilities of the Provincial and Local Services Monitoring Authority and the Performance Management Division of DPLGA); coordination across the key government stakeholders (including Community Development, Rural Development, the National Economic and Fiscal Commission, etc.); and coordination among other donor and international development agencies who are implementing similar programs. The project would also provide support to provinces to ensure close linkages with the activities being supported in respective LLGs. In addition to capacity strengthening, the project would finance minor equipment purchases and operational costs to facilitate effective participation of the different levels of government offices.

Component 3: Project Management ($2 million) -- would support a project coordinating team at the national level and small project management teams in the targeted provincial administrations. The national team would lead the dialogue with sub-national partners in setting up and executing the project, in the development of the procedures and materials to be used in support of the first two components of the project, and in coordinating the work at national level. Where required, additional contractual staff, consultants, and technical advisors will be brought in to support project implementation and gradually build local capacity. A robust monitoring and evaluation (M&E) system, a project information system, and a grievance redress mechanism will be developed as part of the overall project management system. Disaggregated gender data would be collected, and a detailed evaluation of the project processes (versus impact) would be undertaken. An independent monitor of project implementation will be contracted locally to ensure timely information on project progress and to assist in identifying adjustments where warranted.

The project management component will also include a strong information, communications and knowledge sharing element to address the problems of fragmentation and disconnectedness, as well as a general deficit of information and development knowledge at the local level and between the local and national levels. This sub-component would also serve to inform various stakeholders about the project and its operational procedures, and to disseminate implementation. Learning events could include exchange visits across provinces, local governance forums, study tours, and development of various learning and knowledge products. These activities will draw on the M&E data-- as both process and impact data become available, they would be translated
into materials to facilitate learning. The events would target other potential provinces, non-governmental partners and practitioners, policy makers and development partners particularly interested in the sector (e.g. AusAID and the EC). This information would be complemented by the already large amount of data on CDD operations from the region.

5. Financing

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<tr>
<th>Borrower/Recipient</th>
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<tr>
<td>PNGSDP Trust Fund</td>
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<tr>
<td>Korea Economic and Peace-building Trust Fund (proposed)</td>
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<td>Financing Gap</td>
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<td><strong>Total</strong></td>
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6. Implementation

The Department for Provincial and Local Government Affairs (DPLGA) is the main implementing agency of RSDLGP. The Provincial and District Governments of the two pilot provinces, selected Local Level Governments (LLGs), and the Ward Development Committees of selected wards are the major partners in project implementation. Other government agencies with mandates relevant to the pilot project (e.g. Department of Finance, Department of Treasury, Department of Community Development, etc.) shall participate in RSDLGP implementation through the Project Steering Committee (PSC). The Papua New Guinea Sustainable Development Program (PNGSDP, Ltd) and the World Bank shall provide funding and general technical support to the pilot-testing. AusAID will directly contract an Independent Monitoring Group and provide funding to hire technical specialists to strengthen the gender dimensions of the project. RSDLGP shall actively seek the participation of other development partners in the pilot implementation.

DPLGA shall have the responsibility for the implementation and overall administration of RSDLGP, including general management; staffing and oversight of the PMU work; overall financial management particularly of the community grants; delegating / mobilizing relevant divisions of the department (e.g. Local Government Services (LGS), Capacity Building Division (CBD), Performance Monitoring Division (PMD), and the External Relations Division (ERD), etc.) in the implementation of the project components and in providing technical assistance to sub-projects; monitoring and evaluating progress and submitting reports to the PSC as well as coordinating policy concerns with the World Bank, PNGSDP and other development partners. The DPLGA Secretary shall chair the RSDLGP Project Steering Committee while a DPLGA Deputy Secretary shall direct the work of the Project Management Unit (PMU). The PMU, which is lodged within the DPLGA, shall manage the day-to-day operation of the project.

Implementation of RSDLGP shall be closely coordinated with the concerned provincial and district government offices whose main functions in the project are to designate staff to be part of the RSDLGP Provincial Project Office (PPO); provide technical and financial support to the local development planning processes, particularly the ward profiling and development planning, and ensure that these are incorporated into the district and provincial development plans; provide
contributions to RSDLGP community projects and help link such projects with other resources; provide technical support and help link RSDLGP communities with relevant technical agencies; provide logistical support to RSDLGP to pilot wards; and provide office space and other support to the RSDLGP PMU.

The participating Local Level Governments (LLGs) in the 2 pilot provinces shall be the focal points for determining the pilot wards and sub-projects within the LLG; managing the transfer of grant funds from the LLG account to the accounts of pilot wards; providing counterpart contributions and mobilizing other resources for the approved sub-projects; overseeing and providing support to WDCs and CPTs in sub-project implementation; and ensuring timely and accurate progress and financial reporting by the participating wards.

The Ward Development Committees (WDCs) shall be the main responsible units for project implementation at the ward level. Working under the WDCs are (i) the Ward Recorder who will be designated as the RSDLGP Community Facilitator (CF) and who will be responsible for facilitating all the CDD processes at the community level; and (ii) the Community Project Team (CPT) which will be organized and trained to undertake the implementation of the approved RSDLGP sub-project. The pilot wards are likewise expected to provide cash and in-kind counterpart contributions for the community project. The RSDLGP Project Operations Manual and Guide for Field Implementers shall be the main bases for all the project activities to be undertaken by the WDC, CF and CPT.

Component 2 of the project shall strongly support the development of capacities of all the primary stakeholders from the national down to the ward level. Training and capacity building activities shall be intensively undertaken within the first 12 to 18 months of project to ensure that these stakeholders shall have sufficient knowledge, attitudes and skills to undertake the pilot-testing.

7. Sustainability

The CDD approach is a relatively new concept in PNG thus there are a number of risks associated with this pilot effort. The weak management and administrative capacity of Government offices/counter-parts at all levels has the potential to weaken or cause significant delay in project implementation. Fiduciary risks are significant particularly at the local level where systems are typically weakest. The high degree of social stratification and persistence of traditional patronage systems create a risk of elite capture and political interference. Local traditional practices may inhibit the inclusion of women and other disadvantaged groups from the community planning and participation processes.

RSDLGP has been designed to mitigate these risks and, indeed, eventually address these risks and weaknesses in a sustainable manner. Being a pilot project, RSDLGP shall be implemented initially in only two provinces to allow for, among others, adequate management and control over the piloting and the risks associated with it. Furthermore, significant time and resources will be allocated for intensive training and awareness-raising activities which will precede the provision of community grants to ensure that sufficient capacities have been built among the primary stakeholders at all levels to implement the pilot testing and thus, mitigate the risks.
related to weaknesses in management and administration as well as those that are fiduciary in nature. Observance of the prescribed community organizing and mobilization processes by the Community Facilitators shall be closely monitored to ensure that the project contributes to promoting community cohesion and social inclusion thus minimizing elite capture and political interference in the development, implementation and use of RSDLGP-supported community projects.

To further ensure sustainability, World Bank and PNGSDP shall work closely with the Government to synthesize lessons learned and best practices gained from the pilot-testing into a CDD model that best suits the PNG context and best responds to weaknesses in the delivery of public goods and services at the local level. The Project shall also build on previous and on-going CDD-related in-country experience such as those implemented by AusAID (i.e. Strongim Pipol Strongin Nesen and Community Development Scheme) through continuous consultation with relevant partners (AusAID, Department of Community Development, etc.) and engagement of stakeholders with related experience (e.g. the use of the SPSN Community Development Workers as trainers) in the course of the pilot-testing. Further models for local government administrations that may exhibit immediate readiness to absorb greater involvement and responsibility in the Project (e.g. the Western Province) shall be developed to facilitate earlier localization and embedment of CDD approaches within the Government. Design weaknesses as well as opportunities to increase sustainability shall be among the main foci in documenting the pilot-testing to ensure that the final/succeeding design of RSDLGP will gain increased effectiveness and sustainability.

8. Safeguard Policies

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9. Contact point

World Bank
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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas
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