

Parliament of Australia's Senate Standing Committee on Foreign Affairs,
Defence & Trade's

Inquiry into the delivery & effectiveness of Australia's bilateral aid program in Papua New Guinea

Submission by the World Bank Group

March 2015



1. Executive summary

The World Bank Group (WBG) is an important source of financing and know how to member countries around the world. It is not a bank in the ordinary sense, but a development cooperative, with its shareholders working to reduce poverty and increase shared prosperity. Established in 1944, its goals are to end extreme poverty by decreasing the percentage of people living on less than US\$1.25 a day to no more than three percent by 2030; and to boost shared prosperity by fostering the income growth of the bottom 40 percent of the population in each country, and to do so in ways that are environmentally, socially and economically sustainable.

This document comprises the WBG's written submission to the Parliament of Australia's Senate Standing Committee on Foreign Affairs, Defence & Trade's Inquiry into the delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea, and is structured as follows.

Section 2 provides an overview of the WBG and the instruments it uses to reduce poverty and promote inclusive economic growth.

Section 3 describes the WBG's operating model, noting that in Papua New Guinea (PNG), delivery of the WBG program relies on a small team of Port Moresby based staff to ensure local relationships are strong and playing a key role in connecting WBG regional and global expertise to advisory and investment opportunities.

Section 4 provides an overview of the WBG's strategy in PNG, which is aimed at (i) increasing access to physical and financial infrastructure in a way that benefits women and girls as well as men and boys; (ii) improving the quality of life and livelihoods for women and girls as well as men and boys; and (iii) supporting prudent and increasingly inclusive management of revenue and benefit streams at national and community levels. It sets out the priorities of the International Finance Corporation (IFC) – the private sector arm of the WBG – highlighting that IFC has worked closely with the Government of PNG, the local private sector, development partners (including Australia) and IFC clients to develop a business strategy for IFC engagement and implementation in PNG, aimed at supporting the private sector to deliver strong economic growth, increased opportunity, employment, and widespread improvements in livelihoods.

Section 5 describes the Australian Government supported WBG programs in PNG, noting that Australia is a critical partner for the WBG in PNG. The strong partnership allows each partner to leverage respective comparative advantages toward achieving development objectives.

Finally, section 6 describes the WBG's development results in PNG, briefly explaining how the WBG measures the results it delivers, before setting out the concrete results being delivered on the ground in PNG.

2. Introduction

The WBG is an important source of financing and know how to member countries around the world. It is not a bank in the ordinary sense, but a development cooperative, with its shareholders working to reduce poverty and increase shared prosperity. Established in 1944, its goals are to end extreme poverty by decreasing the percentage of people living on less than US\$1.25 a day to no more than three percent by 2030; and to boost shared prosperity by fostering the income growth of the bottom 40 percent of the population in each country, and to do so in ways that are environmentally, socially and economically sustainable.

The WBG is comprised of five separate legal entities:

- The *International Bank for Reconstruction and Development* (IBRD) lends to governments of middle-income countries and credit worthy low-income countries;
- The *International Development Association* (IDA) provides highly concessional credits and grants to low income countries;
- The *International Finance Corporation* (IFC) is the largest global development institution focused exclusively on the private sector;
- The *Multilateral Investment Guarantee Agency* (MIGA) provides guarantees against losses caused by non-commercial risks to investors in developing countries; and
- The *International Center for Settlement of Investment Disputes* (ICSID) provides international facilities for conciliation and arbitration of commercial disputes.

Each WBG institution offers relevant instruments to reduce poverty and promote inclusive economic growth. Financing, knowledge, and technical assistance to governments are provided primarily through the IBRD and IDA. For example, IBRD and IDA offer assistance to support institutional reform, strengthen governance, and improve service delivery. The WBG can also support efforts by member countries to undertake regulatory reforms needed to foster entrepreneurship, attract investment, and reduce red tape in order to create a business environment conducive to investment and trade.

Through IFC, loans, equity, and technical advice are provided directly to the private sector and – in selected cases – advisory services are provided directly to governments in conjunction with IBRD/IDA (for example, around public-private partnerships). IFC is uniquely positioned to leverage the private sector and help new investors in areas previously deemed too risky. IFC makes investments, provides advice, and mobilizes third party capital. It also acts as a convener, bringing key stakeholders together in large, complex transactions.

MIGA insures against political risk and provides credit enhancement. It helps protect investors against political risk and reduces the overall risk profile of an investment, thereby helping to attract or reduce the cost of financing. Its products protect investors from (i) currency inconvertibility or transfer restriction, (ii) expropriation, (iii) war and civil disturbance, and (iv) breach of contract. It can also offer credit

enhancement solutions that can help eligible countries and state-owned enterprises attract commercial debt financing and/or improve ratings for capital market transactions.

The WBG is working together – across its constituent parts – to deliver the best possible advice and support to the government and private sector clients in PNG.

3. The WBG's operating model

In October 2013, a new WBG Strategy was endorsed, envisioning a Bank Group that is financially strong, a recognized leader in knowledge and talent, fast and responsive, internally integrated, globally connected, locally engaged, and focused on achieving its underlying mission.

The new Bank Group structure became effective on 1st July 2014, and its agenda for change prioritizes three main areas:

- *Delivering results for clients:* Country programs will be more focused through implementation of a new approach to better identify opportunities and constraints, as well as to adjust and learn over the course of engagement. Country partnerships will be grounded in national priorities, owned by the country, and developed in coordination with partners. A shift to more informed operational risk taking will help tackle the greatest risk of not achieving results, while preserving the WBG's internationally respected fiduciary, integrity, and social and environmental norms. Global engagements and partnerships will be aligned to the goals, with an emphasis on collaboration within, across, and outside the WBG to realize synergies and avoid duplication. A new Regional Coordinating Mechanism will strengthen coordination among the Bank, IFC, and MIGA, thereby bringing the public and private sectors together and allowing the Bank to systematically leverage private sector resources. With knowledge being a key element of the WBG's value proposition, the WBG will continue to build a global repository of delivery knowledge and disseminate it through open sources, while the Bank's convening power will mobilize global practitioner knowledge and crowd source innovative solutions. The new structure is intended to strengthen accountability for the technical quality of WBG engagements, and combine the established strengths of local delivery support with the ability to generate, share, and deploy knowledge and expertise globally—facilitating rapid response to client demands and focusing on cutting-edge development challenges.
- *Strengthening the WBG's financial foundation:* The new strategy will be supported by a realigned financial strategy based on the principle of increased financial capacity. The new Finance and Risk Framework will ensure the Bank has the financial capacity to scale up support to clients, while maintaining financial stability. A component of the Framework is a Bank-wide Expenditure Review, which will see the WBG lock in cost savings of US\$400 million per year by 2017. This exercise aims to decrease the cost structure of the Bank to create space to expand lending capacity, invest in the capital base, and maintain financial sustainability. A first round of efficiency measures has already been implemented.

- *Leadership, culture, and values:* Under the new strategy, the WBG will realign leadership, culture, and values to foster collaboration, client solutions, and results.

The WBG's PNG work program is well positioned to benefit from the new WBG operational model as many of the areas of emphasis have already been implemented within the PNG work program. For example, IBRD/IDA collaboration with IFC in the Pacific is well established. The new structures are designed to allow the PNG program access to the most relevant global expertise, thereby enabling the WBG to provide global solutions to local problems, while maintaining a strong presence in country offices. This will facilitate the provision of the best services possible, and coupled with a stronger financial foundation, will allow the WBG to play a larger and more effective role in PNG.

Delivery of the WBG program in PNG relies on a small team of Port Moresby based staff to ensure local relationships are strong and play a key role in connecting WBG regional and global expertise to advisory and investment opportunities. A key success factor has been the recruitment and development of a local PNG team which now forms a solid base of talent to support future implementation of projects.

Working in coordination and collaboration with other development partners, including the Asian Development Bank, European Investment Bank, Australia and New Zealand is a key feature of our operating model in PNG.

IFC is also increasingly focused on attracting new international investors to PNG, capitalizing on IFC's relationships and in-depth knowledge of the global market. In addition, IFC works with and through local coordinating bodies, including the Investment Promotion Authority, the Financial Action Task Force, the Business Coalition for Women, and the National Working Group.

3. The WBG's strategy in PNG

Strategic directions for the WBG's PNG program were set out in a Country Partnership Strategy (CPS) in November 2012. The CPS focuses on: (i) increasing access to physical and financial infrastructure in a way that benefits women and girls as well as men and boys; (ii) improving the quality of life and livelihoods for women and girls as well as men and boys; and (iii) supporting prudent and increasingly inclusive management of revenue and benefit streams at national and community levels.

The CPS reflects the WBG's increasing re-engagement with PNG since FY07, after a period of limited engagement in the early 2000s. The WBG's engagement in PNG reflects the government's development priorities, consistent with the unifying themes of WBG global strategic directions, and encompasses:

- *A core portfolio* of IDA investments in agriculture, transport, telecommunications, and renewable energy; and
- *A selective program* of analytical and capacity-building activities as a core contribution in economic policy reform and extractives sector governance, water and sanitation, and a niche role in health,

education, and social protection, using our analytical work and global expertise for 'best fit' to support a more evidence-based policy dialogue, and to inform programs of key partners, including the Australian Government.

PNG has access to IBRD and IDA financing. Currently there are eight active IDA financed projects for a total commitment of US\$306.5 million and US\$21.4 million in co-financing.¹ In addition to the IDA financed projects, the portfolio includes seven recipient-executed trust funded activities amounting to US\$32 million.² Over the next three years, the Government of PNG could access an additional amount of about US\$400 million in IDA and IBRD resources.

IFC has worked closely with the Government of PNG, the local private sector, development partners and IFC clients to develop a business strategy for IFC engagement and implementation in PNG, aimed at supporting the private sector to deliver strong economic growth, increased opportunity, employment, and widespread improvements in livelihoods. The current strategic priorities driving IFC advisory and investment interventions are:

- *Triple access to finance via strategic partners:* one of IFC's primary goals in PNG is to promote and support responsible financial inclusion initiatives and broaden financial and gender inclusion. To do this, IFC works (i) at a macro level – with legislation to ensure the safety of consumers' money and efficient financial markets; (ii) at the meso or systems level – to help build efficient financial infrastructure and expand capital market reliability and reach; and (iii) at the institutional level – to provide assistance in the design and implementation of programs to delivery development goals and secure funding for small- and medium-sized enterprises (SMEs) seeking finance to expand their operations.
- *Increase investment in PNG-owned mid-sized companies:* IFC seeks to provide much needed expertise and capital to local firms so as to enable their full and meaningful participation in the economy. IFC is working with the Government of PNG to encourage the formalization and growth of the SME sector, with financial institutions to increase their appetite for lending to SMEs, and supporting industry-wide corporate governance programs to improve the efficiency of private and public institutions.
- *Facilitate private sector investment in infrastructure:* PNG's infrastructure needs are growing rapidly however the Government has limited ability to finance its priorities, and a weak track record on infrastructure operation and maintenance. IFC is approaching the challenge in two ways: (i) supporting existing IFC global infrastructure partners to develop and operate projects in PNG, especially to increase access to energy for business and consumers; and (ii) working with Government to explore a greater role for the private sector to help finance and deliver the country's infrastructure priorities through the development and execution of Public-Private Partnership (PPP) transactions.

¹ Co-financing for IDA funded projects is provided by the Global Environment Facility, the European Union, and the International Fund for Agricultural Development.

² Recipient-executed trust funds are provided by the Global Partnership for Education, the State and Peace Building Fund, the Japanese Social Development Fund, the PNG Sustainable Development Fund, the Global Facility for Disaster Reduction and Recovery, and the Japan Policy and Human Resource Development Fund.

Box 1 – Opportunities for infrastructure innovation in PNG

Australia has a special role and relationship with PNG. As a key donor, Australia has been critical to developing infrastructure across the country. An increased focus on private sector development can only see this increase in the future. Although the need for better infrastructure in PNG is clear, a long history of poor asset maintenance practices undermines the investment case. The cycle of investment in new assets, followed by a lack of maintenance and rapid deterioration leads to frustration on the part of governments, donors and users. Global experience shows that greater involvement of the private sector is one way to overcome this problem. While private sector investment will be integral to all of these approaches, private sector capacity and knowledge, coupled with strong incentives to perform to agreed standards will perhaps be the most vital ingredients in making a large infrastructure project a success.

IFC believes it is time to rethink development partners' approaches to infrastructure support in PNG through promoting a much greater role for the private sector. PPPs of various forms are one way to overcome the capacity limitations in PNG, and also increase greatly the opportunities for local business. Instead of providing resources for public procurement of assets which may not be maintained, donors can provide funding to bridge the 'viability gap', or the subsidy required to make the PPP viable, and thus be assured that maintenance can be built into the projects. With this kind of commitment from donors, PPPs have the potential to be much more widely applied in PNG. This potential is not limited to traditional infrastructure (transport, energy), but can work equally well in the social sectors like health and education where private sector participation as a delivery mechanism is growing globally.

A lesson IFC has learned from its work on PPPs in PNG is that substantial upstream engagement – usually in terms of scoping and preparation – is needed to identify a pipeline of viable PPP projects and bring transactions to the point where they are ready to be offered to the private sector. The cost of this up-front work can be prohibitively high, and are not likely to be met by the private sector alone. With support from its donor partners – including Australia – IFC is devoting increasing resources to scope and develop PPP opportunities in PNG, recognizing that this is essential if opportunities for private sector engagement are to become a reality.

- *Accelerate women's economic empowerment*: IFC is leading initiatives designed to directly improve women's economic empowerment. The support to women's employment via the PNG Business Coalition for Women and direct advisory services with private sector clients will address critical market failures at firm and industry levels by developing and sharing resources and practical tools for employing women and maximizing their potential to contribute to business growth.
- *Formalize agribusiness and supply chains*: IFC will focus on improving opportunities for fresh produce farmers, particularly women, to better access markets.

4. Australian Government supported WBG programs in PNG

The Australian Government is a critical partner for the WBG in PNG. The strong partnership allows each partner to leverage respective comparative advantages toward achieving development objectives. The Pacific Facility, a multi-donor Bank-executed trust fund, is the main vehicle through which the Australian Government channels funding for analytical and technical support via IBRD/IDA in the Pacific and PNG.

The strong support from the Australia and New Zealand Governments has enabled IBRD/IDA to broaden the scope and scale of activities, expand staffing, and deliver increased financing as well as analytical and advisory activities. These efforts have strengthened IBRD/IDA's credibility in PNG, and better positioned the Bank to undertake more substantive policy dialogue with clients around core macroeconomic policy and public expenditure issues, in close collaboration with other partners.

In addition to the Pacific Facility, global multi-donor trust funds such as the Extractive Industry Transparency Initiative, the Global Partnership for Education, or the Water and Sanitation Program – to which the Australian Government contributes – have enabled IBRD/IDA to engage in critical sectors to inform an evidence based policy dialogue with a view to improve transparency and service delivery.

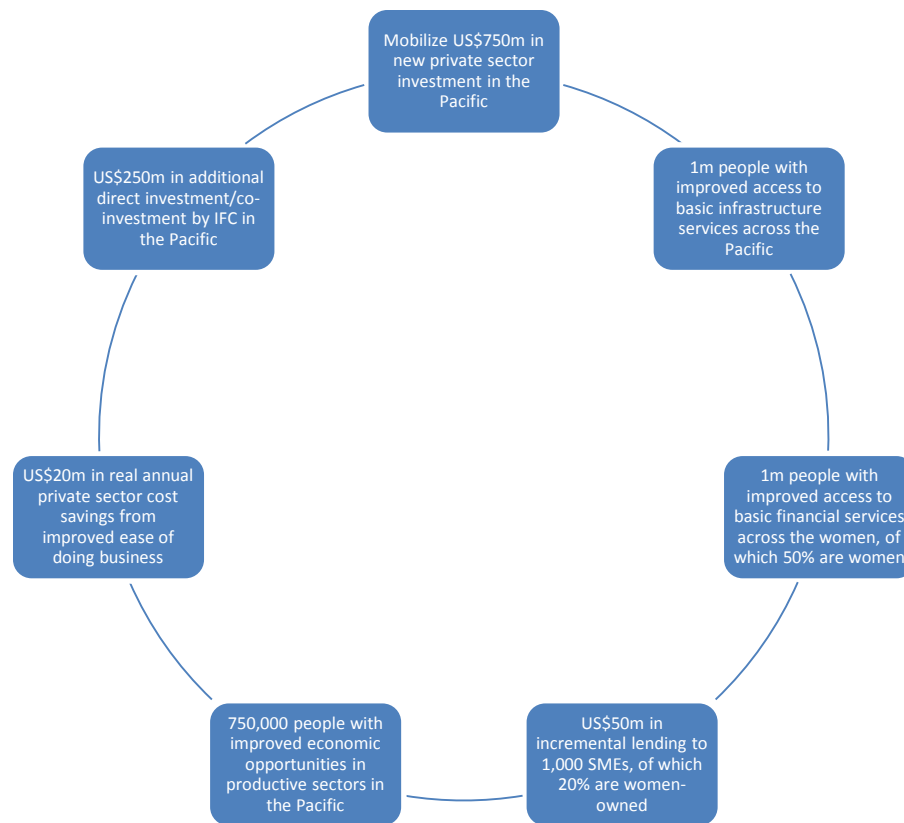
Going forward, the Australian Government and the World Bank aim to further strengthen collaboration through co-financing of ongoing World Bank-financed, government-executed programs, such as the Urban Youth and Employment Project and the Inclusive Development in Bougainville Project.

For the IFC, in December 2012, the Australian Government signed an innovative framework agreement aimed at putting the Australia-IFC relationship on a more strategic footing, and supporting IFC's private sector development activities in East Asia and the Pacific. This agreement also provided for the establishment of a new A\$20 million Pacific Partnership to build on and deepen the long-standing relationship between Australia and IFC in the Pacific, and provide opportunities to leverage one another's strengths, driven by clear impact targets and a shared vision. The Pacific Partnership is the mechanism through which all IFC's activities in PNG are supported. Of the A\$20m originally committed by the Australian Department of Foreign Affairs and Trade (DFAT), around 25 percent has been committed to projects in PNG.

The Partnership seeks to deliver sustainable economic development through (i) promoting inclusive growth; and (ii) supporting global integration. The Australian contribution to the Partnership leveraged a US\$4 million contribution from New Zealand, who joined the Partnership in mid-2013.

This innovative Partnership is structured around eight clear development targets (see figure 1). Activities funded under the Partnership are selected by a Steering Committee comprised of senior officials from DFAT, the New Zealand Ministry of Foreign Affairs and Trade, and IFC, with an eye to meeting the development targets by FY17.

Figure 1: Pacific Partnership FY17 development targets



Perhaps in recognition of the strong results being delivered in PNG through the Pacific Partnership (see below), in February 2015 the Australian Government, through their High Commission in Port Moresby, indicated a willingness to consider funding a significant scale-up of IFC's activities in PNG to deliver an additional:

- US\$250m in new private sector investment into PNG;
- US\$10m in private sector cost savings achieved through regulatory reforms;
- 30,000 people with improved economic opportunities in the productive sectors;
- 5,000 SMEs with improved access to finance, of which 50% are women-owned;
- 300,000 people with access to basic financial services, of which 50% are women;
- 50,000 women with improved economic empowerment; and
- 100,000 people with improved access to infrastructure.

While discussions are still progressing, the Australian High Commission in Port Moresby is considering an additional contribution of over AUD\$20 million to the Pacific Partnership to deliver significant results over and above those already being delivered. Note that the targets set out above are still preliminary and subject to refinement following additional discussions with stakeholders.

5. WBG development results in PNG

5.1 Measuring results

The WBG Corporate Scorecard is designed to provide a high-level and strategic overview of the WBG's performance toward achieving its two goals. It is the apex from which indicators cascade into the monitoring frameworks of the WBG institutions. The scorecard is structured in three tiers:

- The Goals and Development Context tier provides an overview of progress on key development challenges faced by WBG client countries.
- The Results tier reports on the key sectoral results achieved by WBG clients with support of WBG operations in pursuit of the goals.
- The Performance tier captures WBG performance in implementation of the WBG Strategy and includes measures of both operational and organizational effectiveness.

The WBG further strengthened its commitment to measuring results under IDA 17 (FY2015-17). The IDA Results Monitoring System draws on the corporate scorecard and measures progress on aggregate outcomes for IDA countries for selected indicators. The 22 indicators capture both the economic growth and the human development priorities of ongoing IDA programs.

At the project level, the use of standardized core sector indicators in project results frameworks is mandatory for IDA/IBRD operations, in addition to other relevant output and outcome indicators. Core indicators help IDA/IBRD to better measure its impact at the project level and aggregate it across projects, in line with the commitment to results, openness, and accountability.

PNG has weak statistical capacity and lacks robust and reliable data in many areas. Thus, IDA/IBRD relies heavily on project specific monitoring and evaluation systems. In line with IDA's commitment to strengthen statistical capacity, we closely coordinate with the Australian Bureau of Statistics, which recently lead a team to develop a roadmap to strengthen the National Statistics Office.

At IFC, development effectiveness and impact is measured and reported through the IFC's Development Outcome Tracking System (DOTS). DOTS allows IFC to track development results for its entire portfolio continuously through the project cycle, allowing IFC and shareholders to better understand what is working, and whether interventions are reaching the people and industries that need most help. IFC reports the development results for its entire portfolio, and has an external assurance provider review the application of the methodology.

For investment projects, staff provide ex-ante estimates of development results for all new projects and then track performance against expectations. On the advisory side, every intervention is subject to rigorous monitoring and evaluation. At project approval, objectives and results indicators are specified alongside a results framework and logic model. These indicators, developed in collaboration with donors and other Development Finance Institutions (DFIs), are tracked through project implementation and subjected to semi-annual supervision. The results are validated by an internal results measurement team, and a sample is validated by the WBG's Independent Evaluation Group. Pilot programs and large interventions are evaluated by academia, local consulting firms, and sometimes donors.

5.2 IBRD/IDA's results in PNG

- *Improved livelihoods of smallholder cocoa and coffee producers:* The majority of PNG's population lives in rural areas, largely dependent on agriculture for their livelihoods. Coffee and cocoa are the main cash crops, with half of the country's total workforce involved in their production, processing, and sale. Despite its importance, the quality and productivity of coffee has been declining, largely due to a lack of replanting, limited incentives for smallholder farmers, and poor access to markets. The cocoa industry is at risk of collapsing due to the threat posed by the cocoa pod borer and the urgent need to replant cocoa plants which are resistant to this insect pest. The *Productive Partnerships in Agriculture Project* (PPAP, US\$55 million IDA/US\$20 million EU and IFAD funding) aims to combat these problems in order to improve the livelihoods of smallholder cocoa and coffee producers, and promote rural development and poverty reduction more broadly. 20,000 smallholder cocoa and coffee farmers have already benefited from an improved performance of value chains in cocoa- and coffee-producing areas through partnerships between farmers and the private sector. Overall, at least 60,000 smallholders are expected to benefit from the *Productive Partnership for Agriculture Project*.³
- *Provided income opportunities for urban youth:* A large number of youth in Port Moresby are unemployed. Unemployment is anticipated to rise as the number of youths in Port Moresby increases alongside in-migration numbers and poverty rates. Overall, the poverty level in Port Moresby is likely to increase, with the growing inequality leading to rising social tensions and crime levels. The *Urban Youth Employment Program* (UYEP) is filling this critical gap as a public intervention addressing both the economic problem of unemployment and poverty, but also youth marginalization and crime in the city. At least 6,600 urban youth in Port Moresby have been provided with income from temporary employment opportunities, which also improved their employability. The *Urban Youth and Employment Project* (US\$15.2 million IDA) is contributing to (i) increasing employability and job search; (ii) savings behavior; and (iii) improving social behavior, including that related to crime. The

³ PPAP project appraisal document: <http://documents.worldbank.org/curated/en/2015/01/23181543/papua-new-guinea-additional-financing-productive-partnerships-agriculture-project>

PPAP results stories: <http://www.worldbank.org/en/news/feature/2014/09/17/papua-new-guinea-restoring-the-stream-of-cocoa-to-bougainville>

<http://www.worldbank.org/en/results/2014/12/02/papua-new-guinea-productive-partnerships-in-agriculture-project>

vast majority (80 percent) of youth in the project believe that participation in the project has enhanced their employability and there is a general perception among people interviewed in the community survey (60 percent of respondents) that there is now less crime because of UYEP. The Australian government indicated that it will provide additional funding for this project. Preparation of for this additional financing will start in March 2015.⁴

- *Improved road connectivity and facilitated trade and access to markets:* the PNG Logistics Performance Index is one of the lowest in the East Asia Region (126 out of 160 countries surveyed worldwide; only Lao and Myanmar rank lower in the region). The poor condition of the about 3,000 km road network is a significant contributor to this low ranking. For many people travel by road can be impossible, unsafe, or expensive. Without reliable access to roads people cannot reach schools, hospitals and markets when needed, and goods and services become unavailable. The poor condition of PNG's road network is due to historical underfunding of maintenance, rugged terrain, and periods of heavy rainfall. The *Road Maintenance and Rehabilitation Project* (RMRP, US\$169.5 million, IDA) aims to promote an efficient, safe and reliable roads transport system. The project has satisfactorily restored the physical condition and safety to parts of the network of national and provincial roads and bridges in six of the country's 22 provinces based on priority needs, achieving nearly 450km of national roads maintained and 600km of national roads restored annually. In addition, 46 national and provincial bridges were rehabilitated, maintained and/or replaced. The total affected population in the six provinces was estimated at 1.3 million or 27 percent of the population. The local economic benefits and improved access to markets, health and education that resulted from the maintenance of roads and bridges have brought positive and quantifiable benefits to rural communities and groups within the communities, notably women, children and the poor. Generally, women are pleased with the road improvements, particularly on the Kerema Road, as it has made access to Port Moresby easier for them. Women now travel more often to Port Moresby to shop, market their goods, and bank. Women also reported that it was easier to travel to special events like the church basket exchange and reported finding travel safer as a result of road improvements. Prior to works, the road had been in such a bad condition during the wet season that they had to walk some parts of the way or travel by boat, which was expensive. As a result, the road improvements have also decreased the price for travelling to Port Moresby. Furthermore, some women with children studying in Port Moresby say it is easier to visit them.⁵
- *Increased access to telecommunication services in rural areas:* One of the main barriers to development in rural areas is poor quality and lack of access to information and communication technologies. Access levels are some of the lowest in the world. Service delivery is extremely low due

⁴ UYEP appraisal document: <http://documents.worldbank.org/curated/en/2010/12/13283437/papua-new-guinea-urban-youth-employment-project>

Result stories: <http://www.worldbank.org/en/news/feature/2013/08/20/new-opportunities-for-urban-youth-in-papua-new-guinea>

<http://www.worldbank.org/en/news/video/2013/08/12/helping-urban-youth-papua-new-guinea>

⁵ RMRP appraisal document: <http://documents.worldbank.org/curated/en/2014/01/19388250/papua-new-guinea-second-phase-road-maintenance-rehabilitation-project-additional-financing-restructuring>

Result stories: https://www.youtube.com/watch?v=Zlg_nrV4Uv0 (long version)

<https://www.youtube.com/watch?v=20uJ3YWE6H8> (short version)

to high prices and limited investment in access networks. In mid-2007, total tele-density was just four percent countrywide and zero percent in the majority of rural areas. The Rural Communications Project (US\$15 million IDA) facilitates improved access to affordable and reliable telecommunication services in rural areas. It supports the installation of telecommunication points of contact in 59 sites across all four regions of the country; providing telecommunications services to nearly 500,000 currently unserved people in rural areas. This one-time subsidy, combined with existing initiatives by mobile operators, is expected to boost total population coverage from about 20 percent in 2009 to around 93 percent by the end of 2015.⁶

- *Increased provision of community-prioritized services and income-generating opportunities for women in Bougainville:* Prior to the Bougainville conflict, women played vital roles in community-level decision-making and were key agents of development. The dynamics of the conflict and post-conflict period weakened this role, resulting in women being marginalized from community decision-making processes. During the conflict, women suffered violence as victims of torture, rape, and forced labor. The weakened capacity of women as agents of development within their communities and the low capacity of government departments working at the local level are widely viewed as significant challenges to development efforts. The *Inclusive Development in Bougainville (IDIB) Project* (US\$2.5 million, State and Peace Building Fund) aims to contribute to the rebuilding of social capital at the community level in post-conflict Bougainville. A first round of 41 small grants for women's groups to implement small-scale, community-prioritized sub-projects, including infrastructure and income-generating activities, is nearing completion. Grants have been awarded to at least one project in each of the 13 districts of Bougainville. 48,139 people are benefitting from completed grant projects (51 percent of which are women) out of an estimated population of 250,000. Communities are now benefitting from, for example, improved water supply systems, access to critical roads, and upgraded market place infrastructure to sell produce. Currently additional funding from the Australian Government (US\$2.4 million) through the State and Peacebuilding Fund is being processed. The additional grant will allow this well-performing project to be extended and scaled up to provide two additional rounds of small grants and additional training to women's groups.⁷
- *Enhanced access to learning material:* In response to measures taken by the government to remove financial barriers to education, gross enrollment rates for basic education in PNG have increased significantly from 74 percent in 2009 to 81 percent in 2013. However, at the secondary level, overall enrollment rates are still the lowest levels in the Pacific at 23 percent in 2013. While more children across PNG are accessing education, the quality of education remains a concern. Attention must turn to ensuring that the quality of education is keeping pace with the impressive growth in student

⁶ Rural Communication Project appraisal document:

<http://documents.worldbank.org/curated/en/2010/06/12507284/papua-new-guinea-rural-communication-project>

<http://documents.worldbank.org/curated/en/2014/08/20346084/papua-new-guinea-rural-communication-project-restructuring-vol-1-2-main-report>

⁷ IDIB project documents: <http://www.worldbank.org/projects/P125101/inclusive-development-post-conflict-bougainville?lang=en>

Result story: <http://www.worldbank.org/en/news/feature/2014/07/31/women-in-papua-new-guinea-take-the-lead-in-community-development>

numbers. The *Reading Education Project* (US\$19.20 million, Global Partnership for Education) aims to improve quality of education by financing the establishment of classroom libraries, which will benefit approximately 7,200 elementary and primary students. In addition, approximately 4,458 elementary and primary teachers were provided with professional development activities to improve reading instruction. Improvements in reading skills will be evaluated through baseline and end-line assessments.⁸

- *Increased access to renewable energy and rural electrification:* At 13 percent, PNG's electrification rate is one of the lowest in the world. Limited access to electricity is a barrier to economic activity and the delivery of key public services, including health, education, and infrastructure services. At the household level, un-electrified households have been shown to spend more on energy than do households with access to electricity. This commonly takes the form of fuels for lighting, such as kerosene. The *Energy Sector Development Project* (ESDP, US\$7.9 million IDA and US\$0.9 million Global Environment Facility funding) aims to strengthen the policy development and strategic framework for renewable energy and rural electrification, and to attract investors for the sustainable development of a new hydropower generator that will supply the Port Moresby grid. In mid-2015, the National Electrification Roll-Out Plan will be presented to stakeholders and will provide an overview of possible investments to improve the provision of renewable energy. In addition, the project is supporting the government in the preparation and planning for Port Moresby's hydropower supply (the Naoro Brown hydropower project (about 80MW)).⁹
- *Approved Water, Sanitation, and Hygiene Policy:* Estimates put access to safe drinking water and improved sanitation in PNG in 2012 at 40 and 19 percent respectively. Both figures are the lowest when compared against 14 other developing Pacific island nations. Since 1990, the increase in access to safe drinking water has been very small (access in 1990 was 34 percent), while improved sanitation coverage recorded a drop from 20 percent in 1990 to 19 percent in 2012. PNG has missed its Millennium Development Goal target for water and sanitation, and is not on track to meet its own national development targets of 70 percent access by 2030, and 100 percent access by 2050. Service delivery in the sector is hampered by the unclear institutional roles and responsibilities. There is as yet no lead government agency in existence designated to lead the water and sanitation sector. The global *Water and Sanitation Program* (WSP) to which Australia contributes, has been engaged in PNG over the past years. Analytical and technical assistance has provided critical input into the policy dialogue in around water, sanitation, and hygiene (WaSH) issues. It allowed the World Bank to build trusted relationships with relevant government agencies and other stakeholders. WSP's technical

⁸ READ project documents: <http://documents.worldbank.org/curated/en/2011/02/13988918/papua-new-guinea-reading-education-project>
<http://documents.worldbank.org/curated/en/2014/03/19388274/papua-new-guinea-reading-education-project-restructuring-vol-1-2-main-report>

⁹ ESDP project documents: <http://www.worldbank.org/projects/P101578/png-energy-sector-development-project?lang=en>

assistance was instrumental in the drafting of the recently approved WaSH policy, which now opened avenues for financial support from the World Bank and other partners in the sector.¹⁰

5.3 IFC's results in PNG

The following highlights a cross-section of business results and associated impacts achieved through DFAT-supported investment and advisory interventions and partnerships in PNG.

- Committed investments totaling US\$375 million of IFC's own capital in PNG (FY04 to FY14), supporting infrastructure projects, financial institutions, and manufacturing and services companies. This investment leveraged in excess of US\$1 billion direct private sector investment. IFC recently completed its first investment supporting a PNG landowner company and has a current outstanding financial exposure (portfolio) of some US\$250 million.
- Supporting Bank South Pacific (BSP) to provide basic banking services to the poor through technology solutions and regional agents. With IFC assistance, BSP has reached over 145,000 first time financial service clients and supported over US\$83 million in non-cash (retail) transactions.
- Supporting courts in PNG to introduce mediation practices and legislation. The Alternative Dispute Resolution project has resulted in more than 70 mediators being trained. Cases worth more than US\$37 million have been resolved via mediation, saving businesses an average of US\$54,000 in legal fees.
- Supporting the Central Bank of PNG to develop an international payment systems strategy and implement legislation, promoting the safety and security of financial transactions.
- IFC has supported the implementation and expansion of the PNG Credit and Data Bureau over the past four years. The Credit Bureau has enabled responsible finance to be provided to over 300,000 Micro-, Small-, and Medium-Sized Enterprises (MSMEs). It is now used regularly by some 79 institutions and is in the process of establishing a subsidiary in the Solomon Islands.
- Supporting the creation of an online business registry that dramatically reduced the time it takes to open a business and start trading. The registry covers approximately 100,000 entities and allows on-line registration, maintenance of details and free of charge online public searching.
- Supporting telecommunications company, Digicel, to roll out solar-powered mobile phone charging stations for rural PNG which have provided over 200,000 people in 23 communities with improved access to improved services. The systems will also provide street lighting to rural areas, improving security, and are expected to provide income for approximately 500 new solar entrepreneurs by end 2015.
- Supporting the establishment and growth of PNG Micro Finance Ltd (PML) through equity and technical assistance over a four year period. PML provides savings, credit and insurance to some

¹⁰ Papua New Guinea - Sanitation, water supply and hygiene in urban informal settlements: <http://documents.worldbank.org/curated/en/2014/10/20264245/papua-new-guinea-sanitation-water-supply-hygiene-urban-informal-settlements>

55,000 householders and provides finance to the transport sector which is critical to employment, the agriculture and SME sectors. Over 60 percent of PML customers are women.

- IFC and IDA jointly implemented an SME Risk-Share Facility which has lent to date a total of K45 million to more than 650 businesses of which 175 are women-owned SMEs.
- Partnering with DFAT in PNG to lead the establishment of the Business Coalition for Women. IFC facilitated the recruitment of high caliber local leaders of the Coalition, and the development of its charter, board, and membership. Membership now stands at over 50 members; the board is fully functioning and meets regularly; four working groups have been established and have agreed work plans and clear deliverables for 2015; and a website and twitter account have been established.
- Trained over 7,000 farmers and 70 extension officers in improved agricultural and business practices, improving productivity and profitability for small holders, aggregators and exporters in coffee and cocoa.