



Initial Poverty and Social Analysis

January 2020

Papua New Guinea: Fiscal and Debt Sustainability Program

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

as of 2 December 2019

Currency unit	–	kina (K)
K1.00	=	\$0.294
\$1.00	=	K3.401

ABBREVIATIONS

PNG	–	Papua New Guinea
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Papua New Guinea"/>	Project Title:	<input type="text" value="Fiscal and Debt Sustainability Program"/>
Lending/Financing Modality:	<input type="text" value="Policy-Based Guarantee"/>	Department/ Division:	<input type="text" value="Pacific Department/ Social Sectors and Public Sector Management Division"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Papua New Guinea (PNG) Vision 2050 aims to achieve inclusive economic growth by transforming the economy, improving infrastructure, and achieving robust economic growth.^a The Medium-Term Development Plan, 2018–2022 includes key result areas around increased revenue and wealth creation and responsible sustainable development.^b The Asian Development Bank country partnership strategy for PNG, 2016–2020 identifies public sector management as a priority area for assisting the government in converting its resource wealth into higher human capital to drive inclusive and sustainable economic growth.^c

The Government of PNG recognizes that improving fiscal management and debt sustainability is critical to fostering more inclusive and sustainable economic growth. Despite substantive legal and regulatory upgrades over recent years, significant policy and implementation gaps remain which constrain the effective implementation of fiscal and debt management and undermine long-term development planning. The proposed Fiscal and Debt Sustainability Program will support government efforts to improve fiscal and debt management practices, and their implementation.

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)

The program will aim to improve long-term fiscal sustainability by strengthening revenue and expenditure management and budget transparency, creating a more resilient finance sector, and enhancing debt management strategy and operation.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The program will have an overall impact on all Papua New Guineans both present and future with a more stable fiscal environment and better debt sustainability. Foundational reforms to enhance fiscal management will promote a more productive allocation of public expenditure, while measures to strengthen the domestic finance sector will expand access to international credit, and improved debt management will provide improved forecasting and strategic planning abilities for the government.

2. Impact channels and expected systemic changes.

Strengthening fiscal management and debt sustainability will improve budget management across sectors including health and education, which will promote more efficient and higher quality service provision, directly benefitting the poor and most vulnerable.

3. Focus of (and resources allocated in) the transaction technical assistance or due diligence.

While there is no technical assistance (TA) attached to the program, the TA for Supporting Public Financial Management (Phase 3) will support key policy reform areas, and the regional TA for the Pacific Private Sector Development Initiative.^d

4. Specific analysis for policy-based lending.

Following the successful approval of the Health Services Sector Development Program subprogram 2 policy-based loan, the government has shown a clear commitment to reform and improvement of its fiscal environment and ability to effectively manage debt.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?

Not relevant.

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No

<p>4. Indicate the intended gender mainstreaming category:</p> <p><input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming)</p> <p><input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>
III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.</p> <p>The main stakeholders of the program are the Department of Treasury and the Bank of PNG.</p> <p>2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded?</p> <p>Not applicable because of the nature of the policy-based guarantee.</p> <p>3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?</p> <p><input type="checkbox"/> Information generation and sharing (N) <input type="checkbox"/> Consultation (N) <input type="checkbox"/> Collaboration (N) <input type="checkbox"/> Partnership (N)</p> <p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not applicable</p>
IV. SOCIAL SAFEGUARDS
A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement. <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>Not applicable</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze poverty and social impact, gender impact, participation dimensions, social safeguards, and other social risks? Are the relevant specialists identified?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No There is no attached TA.</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence? N/A</p>

-
- ^a Government of PNG. 2009. *Papua New Guinea Vision 2050*. Port Moresby.
- ^b Government of PNG. 2018. *Medium-Term Development Plan 3, 2018–2022*. Port Moresby.
- ^c ADB. 2015. *Country Partnership Strategy: Papua New Guinea, 2016–2020*. Manila.
- ^d ADB. 2016. *Technical Assistance to Papua New Guinea for Supporting Public Financial Management (Phase 3)*. Manila; ADB. 2019. *Technical Assistance for the Pacific Private Sector Development Initiative, Phase IV*. Manila.