

## **COUNTRY KNOWLEDGE PLAN (SUMMARY)**

### **I. Introduction**

1. Knowledge solutions will play a critical role for the Asian Development Bank's (ADB's) strategic approach in Papua New Guinea (PNG) during Country Partnership Strategy, 2016-2020. The PNG country knowledge plan (CKP) seeks to support the Finance++ agenda by identifying priority knowledge needs for PNG during this period, planning how ADB will contribute to meeting those needs along with the resourcing, products and activities that are required to deliver on this plan. Knowledge solutions for transport and energy will be focused on strengthening maintenance and operational management structures to ensure future investments are sustainable and have maximum impact. In health and urban water supply, the CKP identifies an important role for ADB in supporting knowledge-driven reforms prior to further project operations. Through this approach PNG's CKP highlights the unique characteristics and requirements of PNG, and offers practical steps that can be undertaken, within existing resource constraints, to maximize the effectiveness of existing and new sources of information to influence policy, enhance ADB's outreach and drive development results.

### **II. Identifying PNG's Knowledge Needs**

#### **a. Strategic Directions for PNG CPS, 2016-2020**

2. The majority of ADB financial assistance during the course of the PNG CPS 2016-2020 will be in two core sectors – transport and energy.<sup>1</sup> The remainder of the financial envelope will be allocated to supporting rural primary health delivery, water and other urban infrastructure and services, and public sector management. ADB will also support income earning opportunities by playing a lead role in private sector development, supporting SOE reform, financial sector development, competition policy reform and public private partnerships (PPPs). ADB's PNG CPS 2016-2020 also emphasizes the importance of mainstreaming both gender and climate change in all of these interventions, with the PNG CPS 2016-2020 Results Framework identifying targets for these drivers of change within each core sector of operations.

3. PNG's overarching knowledge challenge is how it can achieve inclusive job creating economic growth to address a lack of employment opportunity and gender imbalances in social outcomes. Employment growth must come from the private sector which in turn needs enabling private sector development strategies and policies to stimulate innovation. Knowledge on what are appropriate strategies and how they can be implemented is needed.

#### **b. ADB's Pacific Knowledge for Development (K4D) Agenda**

4. To progress ADB's Knowledge Management plan, the Pacific Department (PARD) has developed its own K4D agenda to address regional knowledge needs within the Pacific. PARD seeks to implement its regional K4D agenda by carrying out a range of targeted studies and through continuing attention to outreach and dissemination at both the regional and country level. The agenda draws on country partnership strategies and the Pacific regional country operations and business plan to highlight four thematic areas of particular importance within the

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<sup>1</sup> See ADB. 2015. *Papua New Guinea Country Partnership Strategy, 2016-2020*, Manila, for more details.

Pacific, including: Improved connectivity; Broadened access to quality services; Expanded resilience; and Increased scope for private sector development.

5. PARD's K4D agenda emphasizes the importance of a coordinated knowledge approach, with ADB engaging with other regional sources of knowledge including the Pacific Regional Infrastructure Facility (PRIF), Pacific Private Sector Development Initiative (PSDI), and Pacific Economic Management (PEM) program. PARD's K4D agenda also emphasizes a 'one-ADB' approach to ensure that Pacific countries are able to leverage of the full knowledge resources of the ADB. The PNG CKP seeks to support these regional knowledge priorities at the country level by focusing on topics relevant to PNG and distilling and disseminating development practices and lessons from ADB financed investment and technical assistance operations.

### **III. ADB Support for PNG's Knowledge Needs**

#### **a. Knowledge solutions**

6. The PNG CKP operationalizes PARD's K4D agenda at the country level. Table 1 provides a breakdown of the identified knowledge gaps and priorities for PNG during the course of CPS, 2016-2020 classified by each of ADB's sector priorities. Table 2 then provides a list of knowledge products which will be produced over the course of CPS, 2016-2020 to address these knowledge gaps and priorities. To maximize the relevance of its work, and to foster mutually beneficial linkages the plan highlights opportunities to strengthen collaboration between ADB's existing knowledge management efforts and ongoing operations in the country. Through this approach, the PNG CKP aims to maximize the countries operations towards supporting ADB's finance ++ agenda and ultimately the attainment of the Strategy 2020 mid-term review objectives. ADB's PNG Resident Mission (PNRM) is expected to play the key role in coordination and outreach activities however the plan also identifies opportunities for sector leaders and other Department's within ADB to enhance their contribution to knowledge outputs in the country. Close coordination will a be undertaken with the Pacific Department as well as with ADB's knowledge departments and Communities of Practice to mobilize in-house expertise to respond to the country's needs for knowledge solutions.

**Table 1: Knowledge Gaps and Priorities for PNG CPS 2016-2020 Priority Sectors**

<b>Transport</b>	<ul style="list-style-type: none"><li>• Poor project preparation and weak alignment between budget submissions and allocations, contributing to under spending of capital budget and accumulation of project funds in poorly managed trust accounts;</li><li>• Insufficient policy attention to maintenance funding of major transport investment and limited cost-recovery for statutory bodies;</li><li>• Small number and limited financial capacity of civil works contractors capable of implementing major projects;</li><li>• Climate change threatening livelihoods and/or threatening asset preservation and maintenance.</li></ul>
<b>Energy</b>	<ul style="list-style-type: none"><li>• Insufficient attention to cost-recovery and sustainable financing mechanisms for PPL;</li><li>• Ongoing need for the implementation of CSO policy;</li><li>• Addressing complex oversight arrangements for PPL with multiple agencies exercising mandates across the sector;</li><li>• Support for the establishment of the Electricity Industry Policy as well as advisory on planned privatization of electricity generation and distribution of PPL.</li></ul>
<b>Health</b>	<ul style="list-style-type: none"><li>• Rural primary health service delivery challenges and opportunities;</li><li>• Supporting policy reform and coordination across rural and urban health delivery systems;</li><li>• Promoting gender equity and mainstreaming in health policy design and systems.</li></ul>
<b>Water and other</b>	<ul style="list-style-type: none"><li>• Insufficient attention to cost-recovery and sustainable financing mechanisms for</li></ul>

<b>Urban Infrastructure</b>	<ul style="list-style-type: none"> <li>statutory bodies including Eda Ranu Ltd and Water PNG Ltd;</li> <li>Ongoing need for the implementation of CSO policy;</li> </ul>
<b>Public Sector Management</b>	<ul style="list-style-type: none"> <li>Weak budget coordination and execution systems leading to low development impact from public spending;</li> <li>Need for enhanced transparency and accountability of statutory authorities through improved monitoring and financial reporting frameworks;</li> <li>Establishment of a sovereign wealth fund to effectively manage resource revenues and to strengthen extractive industry transparency;</li> <li>Limited capacity of Central Supplies and Tenders Board to manage major procurement in a timely, transparent, accountable manner;</li> <li>Impact of decentralization on budget planning and accountability;</li> <li>Weak competition policy and regulatory frameworks inhibiting business investment, particularly in financial services;</li> <li>Opportunities for central supply and tenders board reform.</li> </ul>

CSO= Community Service Obligation, PPL = PNG Power Limited.

## b. Enabling actions

7. The central aim of ADB's knowledge solutions will be to help PNG address its development priorities and to identify and understand current and future challenges. In addition to knowledge solutions however ADB will also need to take a number of priority actions to ensure that PNG's CKP is tailored to the unique characteristics and knowledge requirements of PNG. The information below outlines a number of practical steps that can be undertaken, largely within existing resource constraints, to maximize the effectiveness of knowledge solutions to i) maximize leverage, ii) support Delivering as One and iii) to strengthen partnerships. , enhance ADB's outreach and drive development results. The following guiding principles support the achievement of these aim:

- a. **Maximizing Leverage** by making greater use of existing knowledge products and enhance communication of how ADB's operations impact on PNG's development results. Key actions will include:
  - i. Increased PNG specific content in the PEM including production of regular PNG addendums by PNRM;
  - ii. Disseminate findings of PNG country performance assessment through production and distribution of annual policy brief;
  - iii. Enhance credibility and transparency of ADB's macroeconomic forecasting by compiling a forecasting one page summary each year and disseminating to key stakeholders in PNG;
  - iv. Enhanced focus of Asian Development Outlook (ADO) and Pacific Economic Monitor (PEM) publications on issues of relevance to ADB operations in PNG, with a particular focus on undertaking detailed budget analysis in both publications to support understanding of public financial management challenges in the transport and energy sectors;
  - v. PNRM to strengthen role as a focal point for the collection, and dissemination, of Results Framework indicators for all active projects in PNG, including through the creation of a results monitoring database;
  - vi. External relations publications to strengthen utilisation of project data in the publication of press releases and other outreach activities with a focus on conveying operational impact and results rather than funding and output; and
  - vii. Continue to hold high profile media briefings ADO and PEM launches, including expanded focus on regional areas and engaging with print, radio and television media.

- b. **Delivering as One** through developing a joint capability to identify knowledge needs of PNG and facilitate fast response as “One ADB”. Key actions will include:
- i. Enhanced coordination arrangements between PNRM and ADB including enhanced collaboration for upcoming activities by Regional and Sustainable Development Department (RSDD), Economics and Research Department (ERD), and Office of Regional Economic Integration (OREI) including through the use of ADB’s new Knowledge Management Portal;
  - ii. Focus placed on ensuring PNG maximises its access to ADB resources to support an elevated role for ADB as a source of analysis and advice in CPS priorities;
  - iii. PNRM to strengthen its role as a focal point between sector project teams, private sector operations department and officers from PSDI. PNRM to ensure relevant staff are given the opportunity to join as project mission team members across all stages of the project cycle;
  - iv. PSDI team members to work closely with ADB project staff to determine the feasibility of incorporating State Owned Enterprise (SOE) reform principles into project design and development; and
  - v. Establish a Knowledge Sharing counterpart within either Department of National Planning and Monitoring or Department of Treasury.
- c. **Strengthening Partnerships** by coordinating with local and regional knowledge resources for the benefit of PNG’s policy discussion and development. Key actions will include:
- i. PNRM to participate in annual International Monetary Fund (IMF) Article IV Review Mission and assist in the preparation of the final report;
  - ii. Expanded linkages with local research institutes including the Institute of National Affairs, and the National Research Institute;
  - iii. Strengthen dialogue with Pacific Regional Infrastructure Facility for design of new transport and energy investments as well as other regional knowledge sources such as the Pacific Economic Management TA, University of South Pacific, and University of PNG; and
  - iv. Establishment of public sector management donor coordination group with major donors in the sector including Australia, European Union, Government of Japan, Japanese International Cooperation Agency, New Zealand Agency for International Development, United Kingdom Agency for International Development, United Nations, United States Agency for International Development and the World Bank.

**Table 2: PNG Pipeline of Knowledge Products (2015-2017)**

Knowledge Product	Type of output	Year of Initiation	Year of Completion
<b>Transport</b>			
Pacific Economic Monitor – PNG Addendum (PNRM)	Publication	Biannual	-
PNG Private Sector Assessment (PSDI - regional)	Publication	2014	2015
Establishing sustainable road maintenance financing for road and bridge infrastructure (PNRM)	Report	2015	2017
Gender Impact story: Labor based road building in the Highlands	Report	2015	2016
Support for infrastructure procurement, budgeting, planning and coordination (PNRM)	Training	2016	2018
Capacity support for climate proofing of transport infrastructure assets (PARC)	Training	2015	2018
Climate Change Adaptation in Pacific Island Countries (ADB)	Publication	2015	2016
Establishing a long-term investment plan with PPP options for the Highlands Highway (PARC)	Report	2015	2016
Applying new climate technologies to infrastructure investments in PNG (PARC)	Publication	2015	2015
Gender Impact Story: Lae Port Tidal Basin Project (PARC)	Report	2016	2016
Finding balance: State owned enterprise benchmarking (PSDI - regional)	Publication	Biennial	-
ADB Transport Forum (RSDD - regional)	Training	Annual	-
<b>Energy</b>			
Supporting the implementation of the Electricity Industry Policy in PNG (PARC)	Training	2013	2016
Promoting Energy Efficiency in the Pacific (PARC)	Training	2014	2016
PNG Private Sector Assessment (PSDI - regional)	Publication	2014	2015
Promoting Renewable Energy in the Pacific (PARC)	Training	2014	2015
Support for the implementation of the CSO policy (PSDI - regional)	Training	2015	2017
Finding balance: State owned enterprise benchmarking (PSDI - regional)	Publication	Biennial	-
<b>Health</b>			
ADB Guidance Note on Health (RSPG)	Publication	2015	2016
Development through Empowerment - Delivering Effective Public Services (RSDD - regional)	Publication	2015	2016
Tipsheet on Violence Against Women in Sectors (RSDD-GD - regional)	Publication	2015	2016
ADB Brief on Social Protection (RSPG)	Publication	2016	2017
Guidance Note on Human Rights-Based Approach to Gender and Development (RSDD-GD)	Publication	2016	2017
Policy and institutional reform in PNG's health sector (PARC)	Training/Report	2017	2020
PNG Country Gender Assessment (PARC)	Publication	2017	2018
<b>Water and other Urban Infrastructure</b>			
PNG Private Sector Assessment (PSDI)	Publication	2014	2015
Addressing institutional constraints to urban water supply and investment	Training/Report	2015	2017
Brief on Women, Water Leadership (RSDD-GD)	Publication	2015	2016
Support for the implementation of the CSO policy (PSDI - regional)	Training	2015	2017
Finding balance: State owned enterprise benchmarking (PSDI - regional)	Publication	Biennial	-
<b>Public Sector Management</b>			
Linking sub-national financing mechanisms with ADB operations (PNRM)	Report	2015	2016
Understanding and Responding to Papua New Guinea's Fragile Situation (PARC)	Publication	2014	2015
Macroeconomic Modeling for Improved Economic Assessment (ERD - regional)	Training/Report	2015	2016
Revenue Management in Resource Rich Countries (RSDD - regional)	Training/Publication	2015	2017
An assessment of resource revenue management and expenditure in PNG (PNRM)	Publication	2015	2016
Review of financial monitoring and accountability frameworks for statutory authorities (PNRM)	Training/Report	2016	2018

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Support for infrastructure procurement, budget and coordination in central government agencies (PNRM)	Training	2016	2018
Enhancing Transparency and Exchange of Information for Tax Purposes (RSDD - regional)	Publication	2016	2017
Participation in IMF Article IV review mission and contribution to final staff report (PNRM)	Publication	Annual	-

ADB = Asian Development Bank; ADO= Asian Development Outlook; CKP = Country Knowledge Plan; CSO = Community Service Obligation; ERD = Economic Research Department; PEM = Pacific Economic Monitor; PEMTA = Pacific Economic Management Technical Assistance; PSDI = Private Sector Development Initiative; PFMTA = Public Financial Management Technical Assistance; PNG = Papua New Guinea; PNRM = PNG Resident Mission; PPL = PNG Power Limited; PPP = Public Private Partnership; RETA = Regional TA; RSDD = Regional Sustainable Development Department; RSPG = Poverty Reduction, Social Development and Governance Division, SPCR = Strategic Program for Climate Resilience, TA = Technical Assistance.