



1. Project Data

Project ID
P102396

Project Name
PG Mining Sector Inst Strengthening TA 2

Country
Papua New Guinea

Practice Area(Lead)
Energy & Extractives

L/C/TF Number(s)
IDA-44910

Closing Date (Original)
31-Dec-2013

Total Project Cost (USD)
18,700,000.00

Bank Approval Date
26-Jun-2008

Closing Date (Actual)
30-Jun-2015

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	17,000,000.00	0.00
Revised Commitment	15,068,747.62	0.00
Actual	13,712,598.05	0.00

Sector(s)
Central government administration(88%):Sub-national government administration(12%)

Theme(s)
Other public sector governance(29%):Regulation and competition policy(29%):Gender(14%):Other environment and natural resources management(14%):Tax policy and administration(14%)

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2. Project Objectives and Components

a. Objectives

The project development objectives (PDOs) as stated in the Financing Agreement (Schedule 1, page 5) was:

“To improve the benefits to, and contribution of Extractive Industries to the national budget and to mining affected communities and to mitigate mining’s health and safety risks for Artisanal and Small- Mining (ASM) miners.”

The PDOs as stated in the Project Appraisal Document (PAD) was similar.

“To improve the benefits from Extractive Industries (EIs) to the national budget and to mining affected communities and to mitigate mining’s health and safety risks for ASM miners.”

The PAD further states that the PDOs were to be achieved through improving effectiveness of key EI sector institutions, supporting EI



communities to be better able to monitor the delivery of community programs and services, empowering disadvantaged groups including women and youth in extractive industries affected areas.

This assessment is based on the PDOs as stated in the Financing Agreement.

- b. Were the project objectives/key associated outcome targets revised during implementation?

No

- c. Components

There were five components.

Component A. Strengthening the Policy and Regulatory Frameworks for the Mining Sector. Appraisal estimate US\$1.90 million. Actual cost US\$2.14 million. This component aimed at strengthening the regulatory capacity of the Department of Mineral Policy and Geo-Hazard Management (DoMPGM). Activities included: (i) Reviewing and recommending improvements to the existing mining policy and legislation. (ii) Establishing and implementing an effective policy development forum process for coordination and cooperation with other relevant agencies, and (iii) Preparing new mining-related policies and legislation.

Component B. Strengthening Mining Sector Governance, Regulation and Sustainable Development Outcomes. Appraisal estimate US\$8.19 million. Actual cost US\$6.74 million. This component aimed at strengthening the Mineral Resources Authority's (MRAs) capacity to undertake its mandated role. Activities included: (i) Strengthening Governance and accountability in the mining sector institutions through preparing an Anti-Corruption Plan for MRA, establishing internal systems for financial management and transparency and activities relating to community participation, transparency of benefits, management and use of MRA's website. (ii) Building MRA's capacity to carry out its technical role in promoting the licensing, controlling and monitoring mining sector activities. (iii) Improving sustainable development outcomes for the sector such as through establishing standards for mitigating negative environmental and social impacts, improving the health, safety and effectiveness of small miners, improving the management of mining benefits, monitoring social and environmental outcomes including preparing strategic environmental and social Assessments and keeping stakeholders of MRA's role and activities including in the Autonomous region of Bougainville.

Component C. Improving Revenue Collection and Audits of the mining sector. Appraisal estimate US\$4.22 million. Actual cost US\$2.42 million. This component aimed at training the Internal Revenue Commission (IRC) staff in the areas of reviewing and drafting mineral tax legislative amendments, conducting revenue risk assessments and carrying out mining and petroleum project audits.

Component D. Strengthening the foundations for a conflict-free mining sector in Bougainville. Appraisal estimate US\$2.01 million. Actual cost US\$2.46 million. This component aimed at training the staff of the Autonomous Bougainville Government's (ABG) Department of Mining (DoM) in the areas of reviewing and developing ABG's mineral policy, strategy for promoting exploration, regulatory capacity for artisanal and small-scale mining sector, mine safety and health and mine closure, develop mining legislation for ABG and staff training for transition of powers to ABG.

Component E. Project Management. Appraisal estimate US\$0.67 million. Actual cost US\$1.69 million. This component financed the costs associated with project implementation, coordination, supervision and Monitoring and Evaluation (M&E) to the Mineral Resources Authority (MRA).

- d. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. Appraisal estimate (including baseline cost and costs associated with physical and price contingencies) US\$18.70 million. Actual cost at closure (including costs associated with physical and price contingencies) US\$15.45 million.

Project Financing. The project was financed by an IDA grant. Appraisal estimate US\$17.00 million. Actual amount disbursed US\$15.45 million.

There was parallel financing for complementary institutional and capacity building activities for Mineral Resources Authority (MRA) and for artisanal and small-scale mining sector activities from the European Union (EU), the Australian Agency for International Development (AusAID), the Asian Development Bank (ADB) and the Papua New Guinea Sustainable Development Program Limited (PNGSDP).

Borrower Contribution. Appraisal estimate US\$1.70 million. At closure counterpart funding was more than planned at US\$3.25 million.

Dates. The project was restructured twice. The first restructuring on November 15, 2013, extended the project closing date by a year. Some activities were dropped, which were completed by the government using their own funds. The second restructuring on December 29, 2014 reallocated expenditures between project components (from component one to component two), for scaling up activities associated with Women In Mining (WIM). The project closing date was also extended by an additional six months.

The project closed 18 months behind schedule on June 30, 2015.



3. Relevance of Objectives & Design

a. Relevance of Objectives

The Project Development Objectives (PDOs) were highly relevant to the Government Strategy. At appraisal, over a third of Papua New Guinea's (PNGs) population was classified as below the poverty line. Extractive Industries (EI) – mainly copper, gold and oil –were the backbone of the economy- with the EI sector accounting for 20% government revenue and over three-quarters (80%) of its exports. Despite the importance of the EI sector to the economy, PNG had made only modest progress in transforming its mineral wealth into poverty reduction and better living conditions for its population. Although the sector accounted for 25% of the country's Gross Domestic Product (GDP), formal employment provided by the sector represented just about 5% of total formal employment. The government strategy for the mining sector that aimed at encouraging environmentally and socially sustainable private-sector led mineral exploration development that contributed to poverty reduction was highly relevant in the country context.

At appraisal, the elements of the Government's Poverty Reduction and Development Strategy were articulated in its *Mid Term Development Strategy* (MTDG) for the 2005-2010 period. The key elements of the strategy included, good governance, export-driven economic growth, rural development, poverty reduction and empowerment through human resource development, with priority on pro-poor expenditure. The PDO's were also highly relevant to the Government's 2007-2012 *Women in Mining* (WIM) Action Plan which included specific actions aimed at increasing the positive impacts of the sector (such as support to women to start small businesses and initiatives to improve literacy rates of adult women) and reducing the negative impacts (such as social stress and family violence).

The PDOs are relevant to the Bank strategy for PNG. The PDOs were consistent with the Country Assistance Strategy (CAS) issued in 2007 for the 2008-2013 period. While the first pillar of the CAS highlighted the importance of strengthening sector governance, improving sector management and promoting socially and environmentally sustainable sector activities, the second pillar of the CAS aimed at supporting the mining communities attain improved development outcomes from mining benefits (which included mining company community-related expenditure and mining related funds received by sub-national governments and mining landowners associations) and enhanced rural livelihoods through improving Artisanal and Small-Scale mining activities. The PDOs were also consistent with the Bank's mining sectoral strategy to mainstream gender promotion at all levels of the Extractive Industries value chain. The current CPS for the 2013-2016 period highlighted the objective of achieving better governance, improved management capability for public institutions in charge of overseeing mineral activities and economic and social empowerment through increased private sector development.

Rating

High

b. Relevance of Design

The PDOs and the results framework were clear. The project design incorporated technical assistance activities aimed at addressing all stages of Extractive Industries value chain (such as, organizational matters for commencing extractive industries activities through establishing a modern and contractual framework, regulating and monitoring mineral sector operations, process for collecting taxes and royalties, managing and distributing revenues and process for sustainable development of the sector).

The causal links between project activities, outputs and the intended outcomes were clear. The outputs of Component A activities (support for preparing mining-related policies and legislation) to the Department of Mineral Policy and Geo-Hazard Management in conjunction with the outputs of B and D activities (strengthening sector governance and accountability, capacity building for licensing and monitoring sector activities, establishing standards for mitigating negative environmental and social impacts, improving health, safety and effectiveness of artisanal and small-scale miners), can be expected to contribute to the PDO of increasing the benefits from the extracting Industries to the mining affected communities. The outputs of component C activities (such as preparing mineral tax legislative amendments and mining and petroleum project audits) to the Internal Revenue Commission can be expected to contribute to the PDO of improving the benefits from the sector to the national budget.

Rating



Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To improve the benefits from Extractive Industries (EIs) to the national budget and to mining affected communities and to mitigate mining's health and safety risks for artisanal and small scale miners.

Rationale

Outputs.

- Six mining sectors policies were developed as compared to the target of three (This included, Sustainable Mining Development Policy, Mining Projects Rehabilitation and Closure Policy, Mining Involuntary Resettlement Policy and Bougainville mining policies).
- Three new legislation pertaining to the mining sector were completed as targeted. This included: (i) The Revision of the Papua New Guinea Mining Act of 1992. This act unlike the previous act, included provisions for royalties. (ii) Mining Regulation. (iii) Mining (safety) Act 1977 and Mining (Safety) Regulation). The Bougainville Mining Act was enacted in 2015.
- The new mining monitoring and evaluation (M&E) framework was developed as targeted. The new framework was adopted by six mines as targeted.
- Five community plans reflecting the priorities of women and youth were completed as compared to the target of six. Three community groups including women and youth in each mine site participated in community planning as per the target.
- At closure, in 24 communities the Mineral Resources Authority provided reports on benefit streams. This exceeded the target of six.
- The number of exploration licenses by the new Autonomous Bougainville Government (ABG) was not completed due to the moratorium of exploration in ABG.
- The Anti-Corruption Plan was completed by the Mineral Resources Authority as targeted.
- Two Internal Revenue commission (IRC) audits were completed as compared to the target of six.

Outcomes.

- Based on figures from the Internal Revenue Commission audits, taxes collected from the mining sector at project closure was US\$35 million. This exceeded the target of US\$24 million.
- About 1,600 Artisanal and Small Scale Miners (ASM) were using safer ASM practices (mercury management or zero mercury technologies). About 400 youth ASM miners were using safer practices as compared to the target of 180.
- Exploration and mining license processing time reduced from 300 days at the baseline to 100 days by project closure. This exceeded the target of 120 days.

All outcomes were either realized or surpassed. While it is difficult to gauge the extent to which the project contributed to the development outcomes, it is reasonable to assume that the project activities made a significant contribution to realizing the project development outcomes.

Rating

Substantial



5. Efficiency

Economic and Financial Analysis.

There was no traditional quantitative economic analysis, as the project financed only technical assistance activities. Given the importance of extractive industries in the country, the project activities were expected to result in increased fiscal revenues to the government. Other benefits from the project were expected to come from increased export revenues from the mining sector, increases in investment for exploration by mining companies, increased tax collection and wider social and economic impacts with respect to growth in artisanal and small scale mining sector. While the tax collection from the sector during 2009-2011 was on average around US\$ two to ten million, tax collection obtained from the project had increased to US\$29 million in 2014 and to US\$35 million in 2015.

Administrative and operation issues. The project became effective a year after Board approval, due to the difficulties associated with fulfilling project effectiveness conditions. Following this, for nearly another year, there was procurement delays. These delays were further exacerbated by political factors. At the Mid Term Review, 15 consultant selections and the Small Grants program had not yet been launched and there were problems associated with the level of involvement by beneficiaries. The project closed about 18 months behind schedule.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project development objectives were highly relevant to the government and the Bank strategy for Papua New Guinea. Relevance of design was rated as Substantial. Efficacy was rated as Substantial. All outcomes were either realized or surpassed. While it is difficult to attribute the extent to which the project activities contributed to the realization of the outcomes, it is reasonable to assume that the project made a significant contribution to realizing the development outcomes. Efficiency was rated as Modest due to the administrative and operational issues during implementation.

a. Outcome Rating
Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating

Country Risk. There is substantial risk to ongoing benefits given the lack of trained government staff in the country context.

Government Risk. Although the project aided in setting systems for ensuring transparency and the legal and regulatory framework for the EI sector under the auspices of the project, there is modest risk associated with policy reversal on the part of Government. This is particularly so given that new legislation needs to be ratified by parliament at the time the ICR was written.



- a. Risk to Development Outcome Rating
Substantial

8. Assessment of Bank Performance

a. Quality-at-Entry

The project built on the lessons from a successful prior Bank-financed mining sector project in PNG (PNG: First Mining Sector Institutional Strengthening Technical Assistance Project) and from similar projects in Africa and Latin America, particularly in the areas of cadaster establishment and management, policy and regulatory support, gender inclusion and geoscience data management. One of the lessons incorporated in this project from the prior Bank financed project was that engagement with Women's groups can help in achieving improved development outcomes in a sector such as mining. Several risks were identified at appraisal and appropriate mitigation measures were incorporated at design. Appropriate measures for incorporated at design for compliance with safeguards and fiduciary issues. (discussed in section 11).

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

Ten Implementation Status Reports (ISRs) were filed over a seven year period, implying supervision missions of slightly less than two a year. Close interactions between the implementing agencies and the supervision team during implementation aided in identifying issues and taking remedial actions. The supervision team also revised the M&E indicators in view of the realities on the ground (discussed in section 10). Following the Mid Term Review which had identified delays in procurement as a concern, the supervision team engaged in more intense hands-on implementation support to build a procurement plan and this aided in implementation during the latter years of the project. The repeated change in Bank Task Team Leaders (four over the life of the project) impacted on project implementation and there were delays associated with restructuring of the project.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

In the early years of the project, the government was not sufficiently committed to the project as witnessed by the delays between approval and project effectiveness, with the project becoming effective almost a year after Bank approval. There were delays associated with staffing and counterpart financing. The beneficiaries were not clear regarding their responsibilities and this in conjunction with procurement delays, contributed to low disbursements in the early years of the project. There were delays on the part of Government in implementing the gender and youth component and to engage with the private sector on community development issues.

The remedial actions taken by the Government helped in addressing the implementation delays in the early years of the project. The government took actions pertaining to staffing of the project management unit (including hiring an international and national procurement specialist and an accountant and financial specialist). The meetings of the Steering Committee were more regular and this aided in coordinating the actions of project beneficiaries. At closure, the counterpart funding was more than planned at appraisal.



Government Performance Rating
Moderately Satisfactory

b. Implementing Agency Performance

There were two implementing agencies. The Mineral Resources Authority (MRA) was responsible for overall project coordination and implementation including fiduciary operations. The Department of Mineral Policy and Geo-Hazard Management (DMPGM) was responsible for activities associated with development of key mining policies and legislative text. The MRA had appointed a gender coordinator who was the key liaison with the Women in Mining Technical committee (WIMTC) and led the MRA work on gender and youth in coordination with other relevant government departments. The staff of the implementing agencies had the required skills during the implementation period and this aided in implementation of the project. The delays in effectiveness were due to the international procurement person having to leave the country due to the deteriorating security situation, which also distracted and slowed project progress during 2010 and 2011.

Implementing Agency Performance Rating
Moderately Satisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The key performance M&E indicators – increased tax collection from the mining sectors, the number of artisanal and small scale miners using safer practices were appropriate.

b. M&E Implementation

Following the restructuring of the project, changes were made which entailed rephrasing of some project indicators to enhance measurability. Some indicators were adjusted to better reflect the reality on the ground (For instance, one original indicator required the project to track of issuance of exploration licenses in Bougainville. This indicator was dropped in view of the moratorium on mining exploration activities all through the implementation phase.

c. M&E Utilization

The indicators were used not only for monitoring project performance of Extractive Industries, but was also by the National Statistical Office.

M&E Quality Rating
Modest

11. Other Issues

a. Safeguards

The project was classified as a category B project. One safeguard policy was triggered: Environmental Assessment (OP/BP 4.01). A Strategic Environmental and Social Assessment (SESA) of the mining sector was conducted during implementation to identify performance gaps that could inform decision making about future support to the mining sector, as envisaged at appraisal (ICR, page 18). The ICR (page 18) notes that with regard to safeguard requirement, no significant issues were identified in connection with this project.



b. Fiduciary Compliance

Financial Management. The ICR (page 18) notes that there were no major financial issues during implementation. The Special Project Unit which was responsible for financial management had adequate staff with financial management specialists. Project audit reports that were deemed to be adequate were submitted in a timely fashion during implementation and final audit reports for 2014 and 2015 were submitted by project closure. There was an issue of potential ineligible expenditures with a consultant but this was rectified with the refund of ineligible expenses. **Procurement:** The ICR (page 18) notes that there were delays in procurement due to capacity consideration in the initial years of the project. However following the appointment of a procurement advisor to the Mineral Resources Authority, these issues were rectified and there was compliance with Bank procurement policies and guidelines (ICR, page 19).

c. Unintended impacts (Positive or Negative)

d. Other

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The ICR (page 30) draws the following main lessons from implementing this project.

(1) **It would be useful to address concerns with procurement capacity early during project preparation.** Although provision of capacity building and training by the Bank helped, shortage of capacity remained an issue throughout implementation for the mining institutions in the Government.

(2) **Designing appropriate gender programs (such as adult literacy programs and selection of leaders among women groups/associations) can help in promoting gender promotion in the EI sector.**

14. Assessment Recommended?



No

15. Comments on Quality of ICR

The ICR is reasonably well written and provides a reasonably good overview of the mining sector related activities. The results framework is clear and the discussion of efficacy aspects is evidence-based.

The ICR however provides very few details on implementing agencies performance. The ICR could have drawn better lessons from the implementation experience of this project.

- a. Quality of ICR Rating
Substantial