

Report highlights

In general New Zealand's development cooperation activities were relevant and valid. A focus on agriculture, energy, gender and support for Bougainville should continue to be strategic investment areas for New Zealand.

Papua New Guinea is characterized by a high level of political, economic, environmental and social volatility. A high degree of flexibility and adaptive management is required at the activity level and deep knowledge of constraints in the various sectors is required to design effective activities.

Gender equality is a fundamental development issue requiring strategic attention.

MFAT needs to become better at capturing the impacts of activities on different groups of people including women, men, youth and different marginalised groups.

Context

Papua New Guinea is the most populous and culturally diverse of the Pacific island nations. It has a population of approximately 7.7 million speaking over 800 languages. More than 80 percent of the population live in rural areas, many organised in tribal and language groups.

The country faces several critical development challenges, including achieving and maintaining fiscal sustainability, redressing income inequality, reducing the high incidence of family and gender-based violence, enhancing the business environment, and bolstering the fledgling private sector.

Our relationship

New Zealand has a long history as a trusted partner to Papua New Guinea. The Joint Commitment for Development for 2015-2018 concentrated on increasing economic and food security benefits from agriculture, expanding access to affordable and sustainable clean energy, strengthening law and justice systems, scholarships to study in New Zealand, strengthening public sector economic governance and building partnerships to deliver sustainable development. Since 2012, New Zealand refocused on economic growth with increase in bilateral aid between 2015/16 and 2017/18 from NZD \$13.7 million to NZD \$27.7 million. We committed NZD \$70 million in bilateral aid between 2015 and 2018.

New Zealand also has a significant presence outside of our development programme, particularly through the private sector. Two-way trade in manufactured goods exceeds NZD \$300 million. It is estimated that trade in services exceeds NZD \$250 million. New Zealand's comparative advantage in consolidation through export houses allows it to provide a product mix that satisfies Papua New Guinea's market requirements. There is strong interest between both governments for trade opportunities to expand further.

Aid Quality

The evaluation found that New Zealand's development cooperation was relevant. Our objectives remained valid and overall the activities and outputs of the programme is consistent with the attainment of both New Zealand and Papua New Guinea objectives. The report notes that context was an important issue to take into consideration when considering efficiency. Papua New Guinea is an expensive and complex place to do anything. It is foreseeable that most projects will be inefficient when compared with projects in other countries. Activities need to be designed in a way that accounts for this context.

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What has worked well and what needs to change

Most New Zealand funded investments are **considered 'effective' and are likely to achieve their objectives**. This is a strong performance in the Papua New Guinea context. New Zealand's investments do realise their objectives, but this may take some time.

The **efficiency of New Zealand's investments is highly variable**. Agricultural and energy investments were less efficient suffering from long delays and cost effectiveness issues. However, **the lack of outcome and impact data** means it is difficult to measure the efficiency of MFAT investments.

Moreover, **because of a complex and costly context**, efficiency can be difficult to achieve. This requires less ambitious and more realistic timeframes for investments.

The **"Strengthening Services for Survivors of Gender-based Violence" project is an effective and potentially high impact investment**. It faces challenges needing to improve its sustainability and demonstrate impact. However, it could be an entry point for a more ambitious and impactful systematic approach to tackling what is one of the biggest development challenges in Papua New Guinea.

Linking farmers to markets through value chain improvements has merit. However, there are questions about the design of these types of investments:

- Should New Zealand work with other donors to build national capacity in these areas?
- Is community level development a worthwhile area for future New Zealand involvement?

New Zealand's **renewable energy investments in Papua New Guinea is based around funding expensive and complex infrastructure activities**. The evaluation team questions if this is a sound approach.

New Zealand is a trusted partner when working in Bougainville. Investments are having a meaningful impact at the community level. Indeed, MFAT's most effective investments are in Bougainville.

The evaluation team considers effort should be focused on strategic areas

New Zealand should **focus on being an influencer and advocate** in areas where it has a comparative advantage. We should focus more on policy dialogue, technical advice, and piloting new approaches in Papua New Guinea. This approach could be applied in tackling gender-based violence, developing effective community development approaches, applying lessons from renewable energy investments and from the 'lead firm' approach in agriculture.

Less effort should be placed on large scale infrastructure programming where there are no credible implementing partners that can manage and maintain the assets over the long term.

EVALUATION NOTES

Questions were focused in two areas:

1. Achievements and challenges in the past and current aid programme
2. Future considerations for how to maximise New Zealand's approach to working in PNG.

We completed a strategic analysis of New Zealand's relationship with Papua New Guinea. This was underpinned by MFAT's Programme Evaluation Framework:

- the social and sustainable economic and development context
- high-level scoping of the sectors in which New Zealand engages
- key achievements and challenges of the aid programme
- consideration of implications for the aid programme's future strategic focus.

Who we engaged with

MFAT commissioned Adam Smith International (ASI) to strategically assess New Zealand's engagement with Papua New Guinea.

The evaluation focuses on the aid programme from 2013 as well as the current and future development and engagement relationship between New Zealand and Papua New Guinea.

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The evaluation team recommended the following for future direction

MFAT to consider **developing a Gender Strategy specifically for Papua New Guinea**. We should also **scale up support for addressing Gender-Based Violence** linked to the 'Strengthening Services for Survivors of Gender-Based Violence' project.

New Zealand to **develop a private sector linkages programme that supports New Zealand's private sector and builds skills in Papua New Guinea**.

New Zealand to **continue to work with and through other donors** such as the ADB and Australia to improve the quality of aid delivery.

New Zealand to **rethink investments in renewable energy projects** and focus on providing practical skills and technical advice that address key capacity and technical constraints.

New Zealand to do more to **quantify the impact of its activities in Papua New Guinea**. More work is required on developing theories of change to support monitoring efforts. This includes quantifying the intended and unintended, positive and negative impacts of its interventions, particularly for gender equality outcomes and impact.

MFAT to work closely with the Papua New Guinea Government, Autonomous Bougainville Government and donors to **develop a cohesive strategy to assist with the deliver of the referendum**.

What risks might impact on future progress?

Papua New Guinea's current economic landscape reflects the paradox inherent in a resource dependent economy. Impressive, but highly fluctuating, GDP growth has disguised entrenched problems in the broader, non-resource economy. These problems include reduced agricultural productivity due, in part, to 'Dutch Disease' style impacts, low administrative capacity across all levels of government, and a shrinking tax base. The curtailment of expenditure on capital projects due to the decline in global commodity prices, coupled with the Papua New Guinea Government's cash shortage, has adversely affected growth in the non-resource sector¹. A critical challenge for the country's development is transforming resource revenues into shared prosperity.

1. World Bank (2017) East Asia Pacific Economic Update, April 2017: Sustaining Resilience.

EVALUATION METHOD

Evidence in the evaluation is based on the following:

1. Review of MFAT and other organisations' documentation.
2. Analysis of qualitative data obtained from interviews and focus groups with bilateral partners, beneficiaries and informed third parties.
3. Specific case studies of MFAT-support activities.
4. Analysis of quantitative data from MFAT, World Bank, UNDP and other official sources.

The evaluation team

- Dr David Carpenter — Evaluation Team Leader
- David Osborne – Deputy Team Leader and Senior Economic Adviser
- Richard Slattery – Sub National Governance and Service Delivery Expert
- Juliana Komun-Kubak – Development and Community Adviser
- Simon Tosali – Political Economy Adviser

They were supported by Annie Major, ASI Senior Manager.

Evaluation information

This strategic policy brief is supported by in-depth reports focused on different aspects of the evaluation. This will be available from the MFAT website.