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QUESTIONS WITHOUT NOTICE

WEDNESDAY 29 August 2018

PNG Descends to be APEC's Only "Fragile State" According to the World Bank and Asian Development Bank.

Thankyou Mr Speaker,

My questions are directed to the Treasurer, on the economic status of Papua New Guinea and its standing in the international community.

Mr Speaker, there are international criteria, for whether a country is termed diplomatically as being in a "fragile situation" – just a nicer term for the early and more normal reference for whether a country is known as a "fragile state". According to publically available data from the World Bank and Asian Development Bank, after years of improvement during the years of the National Alliance Government, PNG has fallen to once again, becoming listed, as a "fragile state". And we do not share, good company in this rating. The only other countries considered to be low to middle income and "fragile states" are Zimbabwe, suffering from the legacy of the autocracy of the Mugabe years, and Timor Leste, recovering from the civil conflict from its separation from Indonesia. PNG is behind, the rankings of low income countries such as Chad, the Republic of Congo, Kosovo, Liberia and Mozambique. Indeed, there are only 12 countries in the world with a rating that are lower than PNG – such

as Eritrea, Yemen, Afghanistan and South Sudan. So this is not good company.

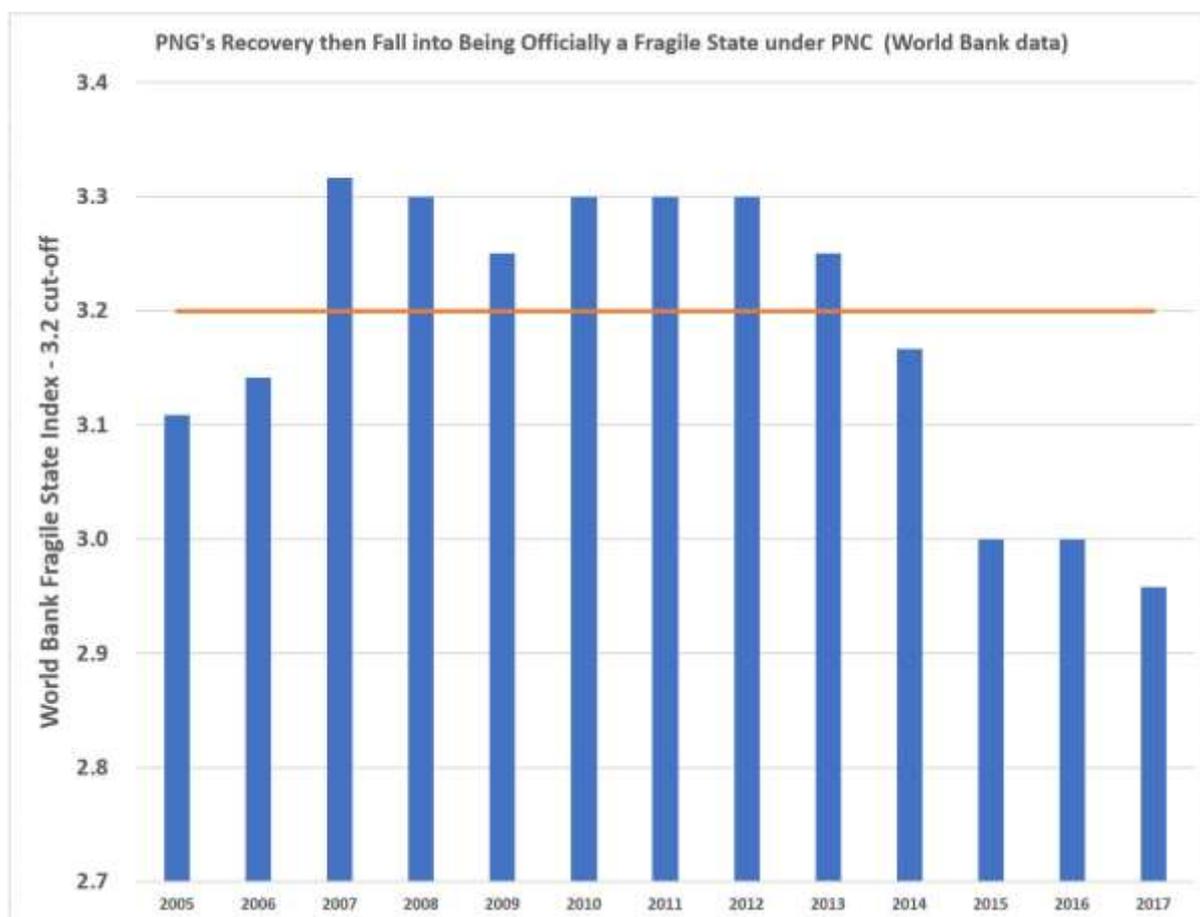
My Questions are:

1. Treasurer, in this year of hosting APEC, why is PNG now the only APEC "fragile state"? How do you explain this embarrassing position for our country?
2. Treasurer, will you concede that when looking at World Bank assessments of why PNG has gone backwards and become fragile, most of these are in areas of your responsibility? So once again, why is it that independent outside commentators consider that PNG is going backwards economically, while you have continued to paint a rosy picture of the economy when dismissing other commentators such as Moodys, and Standards and Poors, when they downgraded our international credit rating – the worst downgrades in PNG's history?
3. Specifically Treasurer, can you explain why the World Bank's ratings have lowered PNG's economic management from 4.0 in 2012 to 2.8 in 2017, a key cause of PNG becoming a fragile state? Can you explain why the World Bank's ratings have lowered PNG's economic management from 4.0 in 2012 to 2.8 in 2017 a key cause of PNG become a fragile state? Can you explain why the World Bank's ratings have lowered PNG's macroeconomic management from 4.5 in 2013 to only 2.5 in 2017, a key cause of PNG become a fragile state? Can you explain why the World Bank's ratings have lowered PNG's debt policy from 4.5 in 2013 to 3.5 in 2017, a key cause of PNG become a fragile state? Can you explain why the World Bank's ratings have lowered PNG's debt policy from 4.5 in 2013 to 3.5 in 2017, yet another key cause of PNG become a fragile state?

4. Treasurer, when will you finally start giving some more respect to outside economic commentators that are clear that PNG is suffering under the policies of the PNC? When will you concede that PNC's poor economic management has cost over 100,000 formal sector jobs and a decline in average incomes of K1,000 per person? Will you now apologize to the people of PNG, for the failing economic policies of your government, which have driven PNG to the embarrassing position of being officially considered, a "fragile state"?

Thank you Mr Speaker!

HON.IAN LING-STUCKEY,CMG.MP
SHADOW MINISTER FOR TREASURY & FINANCE



Source: Country Policy and Institutional Assessment Ratings for PNG updated 28 June 2018 – data download from World Bank Group, CPIA database (<http://www.worldbank.org/ida>).

Details of rankings

Country-Series Name	2005	YR2 2006	YR2 2007	YR2 2008	YR2 2009	YR2 2010	YR2 2011	YR2 2012	YR2 2013	YR2 2014	YR2 2015	YR2 2016	YR2 2017	YR20
PNG CPIA building human resources rating (1=low to 6=high)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
PNG CPIA business regulatory environment rating (1=low to 6=high)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
PNG CPIA debt policy rating (1=low to 6=high)	3.5	4.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.0	3.5	3.5	3.5	3.5
PNG CPIA economic management cluster average (1=low to 6=high)	3.5	3.8	4.2	4.0	4.0	4.0	4.0	4.0	3.8	3.5	3.0	3.0	2.8	2.8
PNG CPIA efficiency of revenue mobilization rating (1=low to 6=high)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
PNG CPIA equity of public resource use rating (1=low to 6=high)	3.0	3.0	3.5	3.0	3.5	4.0	4.0	4.0	3.5	3.5	3.5	3.5	3.5	3.5
PNG CPIA financial sector rating (1=low to 6=high)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.5	3.5	3.5	3.5
PNG CPIA fiscal policy rating (1=low to 6=high)	3.0	3.5	3.5	3.5	3.5	3.5	3.0	3.0	2.5	2.5	2.5	2.5	2.5	2.5
PNG CPIA gender equality rating (1=low to 6=high)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
PNG CPIA macroeconomic management rating (1=low to 6=high)	4.0	4.0	4.5	4.0	4.0	4.0	4.5	4.5	4.5	4.0	3.0	3.0	2.5	2.5
PNG CPIA policies for social inclusion/equity cluster average (1=low to 6=high)	2.5	2.5	2.7	2.6	2.7	2.8	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.6
PNG CPIA policy and institutions for environmental sustainability rating (1=low to 6=high)	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
PNG CPIA property rights and rule-based governance rating (1=low to 6=high)	2.5	2.0	2.0	2.0	2.0	2.0	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0
PNG CPIA public sector management and institutions cluster average (1=low to 6=high)	3.1	2.9	2.9	2.9	2.8	2.9	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.9
PNG CPIA quality of budgetary and financial management rating (1=low to 6=high)	3.5	3.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
PNG CPIA quality of public administration rating (1=low to 6=high)	3.0	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
PNG CPIA social protection rating (1=low to 6=high)	3.0	3.0	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
PNG CPIA structural policies cluster average (1=low to 6=high)	3.3	3.3	3.5	3.5	3.5	3.5	3.5	3.5	3.7	3.7	3.5	3.5	3.5	3.5
PNG CPIA trade rating (1=low to 6=high)	4.0	4.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.0	4.0	4.0	4.0
PNG CPIA transparency, accountability, and corruption in the public sector rating (1=low to 6=high)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
PNG IDA resource allocation index (1=low to 6=high)	3.11	3.14	3.32	3.30	3.25	3.30	3.30	3.30	3.25	3.17	3.00	3.00	2.96	2.96

Data from database: Country Policy and Institutional Assessment
Last Updated: 06/28/2018

Examples of downloads from the Harmonised List of "Fragile Situations" available at <http://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations>

Note that the name of this list has become "more diplomatic" over time. So it used to be called the fragile states" list as indicated in the second para below. Note that the group in the World Bank that puts this list together is known as the World Bank's Fragile, Conflict and Violence Group.



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BRIEF

Harmonized List of Fragile Situations



The World Bank Group's (WBG) [Fragile, Conflict and Violence Group](#) (formally the Center on Conflict, Security and Development CCSD) annually releases the Harmonized List of Fragile Situations.

The first such list was compiled in fiscal year 2006 and has gone through a series of changes in terms of classification from the Low Income Countries Under Stress List (LICUS) (2006-2009), to the Fragile States List (2010) to the now Harmonized list of Fragile Situations (2011-2015). The concept and the list have evolved as the WBG's understanding of the development challenges in countries affected by violence and instability has matured.

[This information note](#) provides a brief historical overview of the progression of the list to date, as well as some comments on current limitations of the FCS list, and future directions.

- [FAQ about the List](#)
- [FY19 List of fragile situations](#)
- [FY18 List of fragile situations](#)
- [FY17 List of fragile situations](#)
- [FY16 List of fragile situations](#)
- [FY15 List of fragile and conflict affected situation countries](#)
- [FY14 List of fragile and conflict affected situation countries](#)
- [FY10 - FY13 Lists](#)
- [FY6 - FY9 Lists](#)

Last Updated: Jul 01, 2018

This is the list from the FY19 list available by clicking
<http://pubdocs.worldbank.org/en/892921532529834051/FCSList-FY19-Final.pdf>

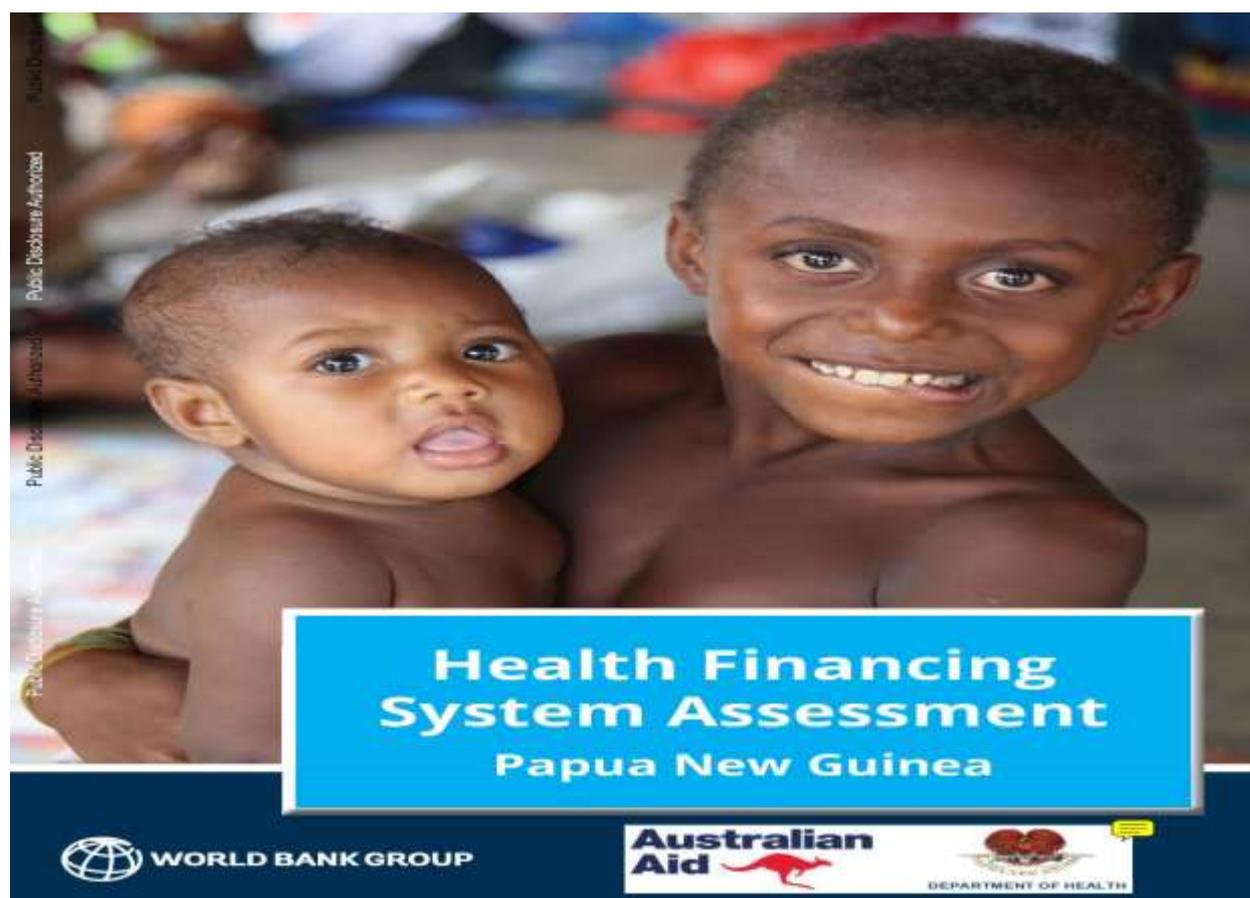
Harmonized List of Fragile Situations FY 19 a/						
Country	WBG CPIA	ADB CPIA	AFDB CPIA	Harmonized Average	Peacekeeping Missions b/	Political & Peacebuilding Missions c/
IDA Eligible						
Afghanistan	2.68	2.78		2.73		P
Burundi	2.91		3.11	3.01		
Central African Republic	2.48		2.48	2.48		P
Chad	2.66		3.23	2.94		
Comoros	2.81		2.12	2.46		
Congo, Dem. Rep.	2.83		3.25	3.04	PK	
Congo, Rep.	2.70		3.28	2.99		
Côte d'Ivoire	3.38		3.71	3.54	PK	
Djibouti	2.97		3.30	3.13		
Eritrea	1.85		2.13	1.99		
Gambia, The	2.97		2.94	2.95	PK	
Guinea-Bissau	2.45		2.63	2.54		P
Haiti	2.88			2.88	PK	
Kiribati	2.99	2.94		2.97		
Kosovo	3.57			3.57	PK	
Liberia	3.13		3.36	3.24	PK	
Mali	3.40		3.74	3.57	PK	
Marshall Islands	2.60	2.88		2.74		
Micronesia, Fed. Sts.	2.75	2.88		2.82		
Mozambique	3.17		3.16	3.16		
Myanmar	3.00	3.31		3.15		
Solomon Islands	2.93	3.23		3.08		
Somalia						P
South Sudan	1.53		1.86	1.69	PK	
Sudan	2.38		2.56	2.47	PK	
Syria						
Togo	3.13		3.19	3.16		
Tuvalu	2.90	3.02		2.96		
Yemen, Rep.	2.11			2.11		
Territories						
West Bank and Gaza						P
Blend						
Papua New Guinea	2.96	2.86		2.91		
Timor-Leste	2.85	3.46		3.15		
Zimbabwe	2.78		2.66	2.72		
IBRD Only						
Iraq						P
Lebanon						P
Libya						P

a/ "Fragile Situations" have: either a) a harmonized average CPIA country rating of 3.2 or less, or b) the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years. This list includes only IDA eligible countries and non-member or inactive territories/countries without CPIA data. IBRD countries with CPIA ratings below 3.200 do not qualify on this list due to non disclosure of CPIA ratings; IBRD countries that are included here qualify only by the presence of a peacekeeping, political or peace-building mission - and their CPIA ratings are thus not quoted here.

b/ Specifically defined as the presence of a UN and/or regional (eg. AU, EU, OAS, NATO) peace-keeping operation in this country in the last three years, with the exclusion of border monitoring operations [sources: UN DPKO, AU, EC, websites]. For additional information regarding this list, please read the FCS Information Note and FAQ found on our website: www.worldbank.org/fragilityandconflict

c/ Specifically defined as the presence of a UN and/or regional (eg. AU, EU, OAS) peace-building and political mission in this country in the last three years [sources: UN DPKO, AU, EU websites]

This information is used in a range of other reports. For example, in the World Bank's recent Health Assessment of PNG, it included the following excerpt on page 3. This used the FY17 rating of 3.13 (below 3.2 is "fragile". Over the last two assessments, the rating has now declined to only 2.91.



The short-term economic outlook is not positive. A key factor dampening nonresource growth is the required fiscal consolidation recently initiated by the government. The fiscal deficit has been increasing—a budget scenario that is expected to persist from 2018 to 2021 (Figure 2–3). Over the medium term, additional resource projects may lead to increased government revenue. PNG is in a situation of severe capacity constraint because of economic fragility. The Country Policy and Institutional Assessment (CPIA) rating in the Harmonized List of Fragile Situation for PNG is 3.13 in FY 2017. A country is in a “fragile situation” when its harmonized average CPIA rating is 3.2 or less.

PNG is one of the most resource-dependent economies in EAP, with resources (including natural gas, oil, gold, nickel, and copper) accounting for 19 percent of GDP in 2015, compared with a regional average of 4.9 percent (IMF 2016). This indicator is also high in comparison with other lower-middle-income countries where the average is 7.5 percent. The IMF is supporting the government’s