



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 13-Oct-2020 | Report No: PIDC30473

**BASIC INFORMATION****A. Basic Project Data**

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|--|--|--|--|
| Country Papua New Guinea | Project ID P174594 | Parent Project ID (if any) | Project Name Enhancing Labor Mobility from Papua New Guinea (PNG) (P174594) |
| Region EAST ASIA AND PACIFIC | Estimated Appraisal Date May 03, 2021 | Estimated Board Date Sep 22, 2021 | Practice Area (Lead) Social Protection & Jobs |
| Financing Instrument Investment Project Financing | Borrower(s) Department of Treasury | Implementing Agency Labour Mobility Unit, Department of Treasury | |

Proposed Development Objective(s)

To build employer-responsive systems for increased participation in and equitable access to labor mobility schemes, while enhancing the benefits for participants and their households

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

| | |
|---------------------------|-------|
| Total Project Cost | 25.00 |
| Total Financing | 25.00 |
| of which IBRD/IDA | 25.00 |
| Financing Gap | 0.00 |

DETAILS**World Bank Group Financing**

| | |
|---|-------|
| International Development Association (IDA) | 25.00 |
| IDA Credit | 25.00 |

Environmental and Social Risk Classification

Concept Review Decision



Substantial

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

Papua New Guinea (PNG) is the largest country in the Pacific islands region, with a young, diverse and growing population of over 8.8 million people divided into more than 1,000 ethnic groups. About 67 percent of the population is under 35 years old and the population is growing rapidly, at approximately 2-3 percent per year (World Bank 2018a). The population remains primarily rural (87 percent). This is despite a fast pace of urbanization, with migration from rural to urban and peri-urban areas in recent years accelerating as rural residents seek better job opportunities and living standards. Urbanization has been associated with various challenges such as land and housing shortages, urban poverty, crime and social unrest, environmental pollution, and poor government services.

PNG's economy has been growing but is highly resource dependent. Between 2000 and 2019, GDP increased on average by 4.2 percent per year. Growth has nevertheless been volatile, given reliance on two main sectors: the extractives sector (including mining, petroleum, and natural gas), which accounts for 26 percent of GDP in 2016, and the agriculture, forestry, and fishery sector, which contributes 20 percent of GDP. These two sectors represent 82 and 17 percent of merchandise exports, respectively. The dependence on commodities exposes PNG's economy to external shocks in the global market and has contributed to an economic slow-down in recent years. Moreover, the relatively lower growth performance of the non-resource sector limits the inclusivity of PNG's growth, with most people reliant upon income-generating opportunities in informal non-resource sectors. As a result of COVID-19, PNG's GDP growth projections have been downgraded, with a contraction of -1.3 percent in real GDP projected in 2020.

PNG's labor market is characterized by a large informal sector that employs about 85-90 percent of the working-age population, primarily in subsistence agriculture. Formal job opportunities are scarce, mostly concentrated in urban areas, and have been steadily declining since mid-2013 when the construction of the PNG LNG Project passed its peak. The dominance of informal employment, coupled with low income levels, also helps to explain PNG's persistently low unemployment rate, which has hovered around 2-3 percent in the last two decades. Agriculture accounts for 67 percent of total employment, higher than in many neighboring Pacific island countries (Fig. 2) whereas the resource sector, despite being the major driver of exports and growth, accounts for only about one percent of employment due to its capital-intensive, enclave-based orientation and the relatively high levels of skills required.

The lack of formal sector job opportunities and unemployment are particularly acute among youth and females. Young Papua New Guineans are 2.5 times more likely to be unemployed compared to adults: 49 percent of workers registered as unemployed are aged under 25 (ILO 2013). In the formal sector, young workers are heavily under-represented, with survey data suggesting a formal sector employment rate of just 2 percent (1.5 percent in rural areas) among those aged 15-24 (World Bank 2020b). Although female labor force participation and unemployment at the national level are not considerably different to that of men, women face poorer labor market outcomes relative to their



male counterparts, with twice as many men as women employed in the formal sector. In addition, women, especially in rural areas have very limited access to wage employment.

Within this context, the COVID-19 crisis has hit PNG hard due to weak demand and less favorable terms of trade. GDP is projected to contract by 1.3 percent in 2020, before moderately recovering to 3.4 percent in 2021. The resource economy is driving this contraction and is expected to contract by 2.7 percent while the non-resource sector is estimated to experience no growth. The informal sector has also been hit hard. In a high-frequency phone survey on COVID-19 undertaken by the World Bank, 28 percent of households in PNG reported having reduced their food consumption since March 2020 and 52 percent reported taking at least one child out of school, raising grave concerns about the impacts of the crisis on food security and the long-term development and productivity of children. The survey also reveals that approximately 25 percent of those working pre-crisis were no longer working in mid/late June 2020 and that most workers who entered the labor market since the start of the crisis moved into either agriculture (59.7 percent) or small commerce (35.6 percent).

While this crisis necessitates a rapid and significant response, the government has been constrained by both limited fiscal space and its ability to target worker and households in the informal sector. The absence of a national social protection system has meant that, to date, the only social/food assistance targeting the informal sector has been implemented through churches and city/urban authorities. Limited fiscal space and a rigid exchange rate regime constrain the ability of authorities to react to the crisis, requiring an urgent mobilization of external financial support from the development partners. At the same time, the domestic labor market, already constrained in terms of formal job creation at skill levels that match those of the PNG'eans, is unlikely to adequately support the country's economic recovery, whether in the short- or medium-term.

Sectoral and Institutional Context

Given limited domestic employment and a vulnerable macroeconomy, labor mobility could provide an avenue for PNG to expand and diversify employment opportunities available to low- and semi-skilled workers, thereby supporting PNG's economic recovery. The 2020 Budget highlights labor mobility as one of its key themes, noting that employment overseas could generate a significant source of income to finance household consumption and investment, as well as form a source of foreign exchange. Remittances are particularly important in times of crisis as they tend to be counter-cyclical.

Training provided by overseas employers and on-the-job experience could also help upskill PNG workers. Participation in low skilled schemes helps to develop soft skills (communication skills, basic presentation skills, etc.) that are required (and often assumed) in the workforce, but which PNG employers commonly report are lacking amongst job-seekers. Most Pacific workers in Australia's Seasonal Worker Programme report picking up both job-related skills and soft skills while in Australia, with 91 percent suggesting these skills would improve their employment prospects upon return (World Bank 2018c). The commencement of the Pacific Labour Scheme (PLS), a semi-skilled labor mobility program, offers even more potential for skills development among participants. Indeed, PLS employers report widespread training of PLS workers once in Australia, including through formal training programs such as Queensland TAFE's Certificate 2 in Meat Processing.

PNG has special access to three main labor mobility schemes in Australia and New Zealand, together with other Pacific island countries. The oldest of these is New Zealand's Recognised Seasonal Employer (RSE) Scheme, which allows



low-skilled workers from PNG and other Pacific island countries (as well as from several non-PICs) to work in New Zealand's horticulture and viticulture industries for a period of 7 months in any 11 month period. The Seasonal Worker Programme is Australia's version of the RSE, enabling low-skilled workers from PNG and other Pacific island countries to work for 9 months in horticulture and (with limits) in some other industries such as tourism. The Pacific Labour Scheme is relatively new, having commenced in 2018, and allows workers from Pacific island countries to work in regional Australia in semi-skilled roles (skill levels 3-5) for a period of up to 3 years.

Despite potential, PNG's participation to date in labor mobility schemes to which it has access has been lackluster.

The number of PNG'ean workers engaged in labor mobility schemes in Australia and New Zealand was just 300 workers participating in Australia's Seasonal Worker Programme (SWP) and Pacific Labour Scheme (PLS), and New Zealand's Recognised Seasonal Employer (RSE) scheme in 2018-19 (see Table 1). This is despite a far larger workforce than other Pacific island countries: migrant workers from PNG account for merely 0.01 percent of the labor force, far below that of other Pacific sending countries. Emigration of Papua New Guineans more broadly has also been limited.

Several factors hinder labor mobility from PNG. On the demand side, employers from Australia and New Zealand have voiced concerns about a lack of soft skills among PNG workers, selection of workers, absence of a PNG government presence in hosting countries, and logistical difficulties associated with recruiting PNG workers such as high transportation costs. On the supply side, issues cited by stakeholders include: limited engagement between government and employers, lack of coordination between government ministries, limited government capacity to manage the recruitment and sending of workers (a function exclusively controlled by government), and administrative hurdles that impact the timely deployment of PNG workers overseas. Dispersion and high transportation and communication costs also create challenges for management of PNG's labor mobility system (with the labor sending unit based in Port Moresby), while also making pre-departure costs for prospective workers expensive. Substantial pre-departure costs, amounting to approximately K3,400 (US\$990), prevent workers, especially those from disadvantaged backgrounds, accessing the schemes.

Some of these problems can be attributed to previous recruitment arrangements. Until January 2020, the country used a centralized Seasonal Worker Work-Ready Pool managed by the Seasonal Worker Coordination Office, based within the Department of Labour and Industrial Relations (DLIR). The office had the sole power to pre-select workers into the work-ready pool and recommend them to employers, who made the final selection. The office was reportedly not responsive to employers' needs: by emphasizing the selection of workers with good English and education, selected workers were often ill-suited to the manual labor for which they were recruited (e.g., clerical workers) (Curtain 2018).

The government has since transitioned to a decentralized arrangement that relies on regional recruitment hubs across PNG selecting workers who are then recruited by employers and processed by a unit within the national government.

Program outreach and worker screening is now done by these respective regional hubs, with support provided by the national government. A new central unit—the Labour Mobility Unit (LMU)—has been established in the Department of Treasury. The new unit has strong political support: the LMU reports to a High-Level Ministerial Committee on labor mobility which is comprised of MPs and chaired by the Deputy Prime Minister.

Although broadly positive, it remains to be seen whether these changes will be sufficient to increase the number of workers participating in labor mobility schemes, particularly given the current context.

On a positive note, demand for seasonal and semi-skilled workers from the SWP, RSE and PLS schemes remains strong. The horticulture sector, which employs the major share of Pacific seasonal workers under the SWP and RSE schemes, is relatively less affected by the COVID-19 crisis than other economic sectors in Australia and New Zealand. A World Bank phone survey of SWP and RSE employers revealed that 99 percent of interviewed employers want to continue hiring Pacific workers next year and that



50 percent expect to employ more Pacific workers than they did this year as backpackers—the other main source of farm labor—are unlikely to return in the foreseeable future.

Increasing the number of PNG workers participating in these schemes relies first and foremost on (i) building links with employers in Australia and New Zealand and (ii) ensuring workers have the right skills and attributes that meet the demands of employers. Given that worker selection is now decentralized, it will be critical going forward that the LMU and regional hubs are responsive to employer demands and queries, can assist when there are problems, and can process the selection and sending of workers in a timely manner.

For labor mobility to result in significant and sustainable benefits for Papua New Guineans, inclusiveness of participation and maximization of benefits at the household level are also important. The inclusiveness of labor mobility opportunities entails expanding access to disadvantaged or under-represented workers, including females and workers from remote communities. At the household level, optimizing economic gains from labor mobility requires that income (often remitted) is used to improve living standards and/or increase productivity, including through investments in human capital. This is where support for sending households, including financial literacy training and reintegration support, along with reductions in the cost of sending remittances, can be beneficial.

The Government of Papua New Guinea (GoPNG) formally requested a labor mobility project from the World Bank in March 2020. The request is consistent with the government's aims of improving the country's participation in the SWP and RSE schemes and becoming a lead supplier of semi-skilled workers to the PLS. Budget papers highlight that the government considers labor mobility to be a long-term source of employment, income (through remittances), and human capital development for PNG going forward. In the letter requesting support, the government highlights several priority areas of support, including maximizing the value and effective use of remittances, and assisting PNG to develop robust decentralized sending arrangements.

Relationship to CPF

The Country Partnership Framework (CPF) 2019-2023 aims to support PNG in pursuing sustainable and inclusive growth and building resilience to shocks across three strategic focus areas. They are (i) improving macro and fiscal resilience, (ii) ensuring more effective and inclusive service delivery, especially in underserved areas, and (iii) enabling private sector development and inclusive growth in non-resource sector. The CPF also identifies addressing governance and institutional challenges as a cross-cutting theme to the World Bank Group's program in PNG.

This project fits squarely into the third strategic area of focus by promoting employment and boosting the skills stock through training and skill transfers from overseas employment. More specifically, the CPF identifies four broad action items within this focus areas, namely (i) create more jobs, particularly for women and young people, (ii) promote equal business opportunities, (iii) expand financial inclusion, and (iv) improve access to markets (World Bank 2018). The project key components will contribute to these agendas in several ways. First, the project will help increase job opportunities for PNG workers by supporting a recruitment system that meets the needs of overseas employers and expanding participation from under-represented groups. Second, by supporting employer-driven upskilling of Papua New Guineans, the project will help tackle skills shortages affecting businesses. More specifically, the skills that workers learn from their overseas working experience, together with the project's support for Recognition of Prior Learning and potentially training, will help improve both productivity and employment outcomes when migrant workers reintegrate into the domestic market. Third, the Project will support financial inclusion through its support to sending households and communities.



The project could also contribute to the cross-cutting theme of addressing governance and institutional challenges that is set out in the CPF. It is envisioned that technical assistance will be provided to the newly established Labor Mobility Unit (LMU) to support its general development and its project implementation capacity, including capacity to procure and document external resources. Such assistance and advisory services would help improve administrative and management capacity of the LMU and might have spill-over effects on capacity of the regional recruitment hubs. Engagement between the labor-sending unit and employers will be supported by project-funded workshops and activities that aim to build relationships and dialogue between employers, the LMU and regional recruitment hubs.

C. Proposed Development Objective(s)

The proposed PDO is to build employer-responsive systems for increased participation in and equitable access to labor mobility schemes, while enhancing the benefits for participants and their households. The project will help to expand PNG’s participation in the labor mobility programs in Australia and New Zealand by meeting employers’ needs, facilitating better and more inclusive access to labor mobility opportunities, while also helping to ensure that temporary migration has lasting impacts on the wellbeing of workers and participating households.

Given the prolonged impacts of COVID-19, a project priority will be to support PNG economically in the post-COVID recovery phase through facilitation of increased employment and skills development opportunities, as well as remittance income. Employment and income overseas will be an important source of livelihood for low- and semi-skilled workers and their households, who are more vulnerable to the adverse economic impacts of the pandemic.

Key Results (From PCN)

| Objectives | Indicators |
|---|--|
| Build employer-responsive systems for increased participation in and equitable access to labor mobility schemes | <ol style="list-style-type: none"> 1. Satisfaction levels amongst overseas employers of PNG workers 2. Number of PNG’eans participating in labor mobility programs (disaggregation by gender and urban/rural origin) 3. Out of pocket costs incurred pre-departure by workers |
| Ensuring that temporary migration has lasting impacts on the wellbeing of workers and participating households | <ol style="list-style-type: none"> 4. Value of remittances received or carried home 5. Improved financial well-being of sending households (surveyed during and after participation in scheme) |

D. Concept Description

To achieve the PDO, it is proposed that the project will be structured around five components, as described below.

Component 1. Expanding PNG’s participation in labor mobility programs by meeting employers’ needs
This component would support the development of employer-friendly systems and processes for the selection, recruitment and sending of workers overseas. It is envisaged that support would be directed towards institutions at both the national and sub-national levels, given the important role of regional recruitment hubs, with support channeled through the LMU. The component would be selective in the activities that it funds to complement existing support from



other development partners, particularly PLF. It is envisaged that the project through this component would aim to:

- Facilitate linkages between Australian and New Zealand employers and the LMU/regional recruitment hubs.
- Support employer-focused selection, recruitment and mobilization arrangements.
- Support employer-driven upskilling of Papua New Guineans.
- Examine and support the supply of workers to industries in which PNG'eans have a comparative advantage.

Component 2: Facilitating access to labor mobility opportunities for PNG workers

This component would improve access to labor mobility opportunities for PNG workers through outreach activities and by financing and reducing pre-departure costs for workers. Prospective migrant workers from PNG face considerable costs prior to leaving the country and earning income, including attending a mandatory pre-departure training in Port Moresby (or recently, several regional centers), passport and visa application fees, police clearance certificates, and various other fees. The project through this component would aim to:

- Support initiatives that reduce pre-departure costs by bringing necessary pre-departure processing services and/or training to workers.
- Subsidize pre-departure costs through grants to first-time prospective workers recruited by employers, with the size of the subsidy varied to encourage participation among under-represented groups.
- Expand participation among disadvantaged groups through outreach and preparatory assistance.

Component 3: Boosting household impacts from labor mobility programs

This component aims to boost the development impacts of labor mobility for both households and their participating communities by providing reintegration support to returned workers and their households.

Component 4: Project management

A project management unit would be established to support implementation and would house relevant advisors recruited under the project.

Component 5: Contingency Emergency Response Component (CERC)

A CERC would be included in the project with no financial allocation to allow for rapid response in the event a shock.

| Legal Operational Policies | Triggered? |
|--|------------|
| Projects on International Waterways OP 7.50 | No |
| Projects in Disputed Areas OP 7.60 | No |
| Summary of Screening of Environmental and Social Risks and Impacts | |

The Project is expected to provide significant benefits including: i) increased employment opportunities especially females and those from remote communities; ii) higher income and improved financial literacy leading to improved health, education and small business outcomes; and iii) skills development, boosting the skills stock of the domestic market labor.



Environmental Risk

The Environmental Risk Rating has been classified as 'Moderate'. Potential environmental risks and impacts include i) dust, noise, erosion, waste and occupational health and safety impacts from minor civil or refurbishment works; and ii) the generation of a very small volume of medical waste from the health assessments completed using medical equipment financed by the project to enhance pre-departure processing services.

Should any minor civil or refurbishment works be financed by the Project, the implementing agency will develop and implement a code of environmental practice (COEP). All activities will be conducted within existing government facilities/grounds and will be small in scale. The project will not finance any works which cause the disturbance of any critical, natural or high value modified habitats.

Regional hospitals generally have systems in place that are adequate to manage a small increase in hazardous waste. The Environment and Social Management Plan (ESMP) will assess waste management risks and identify suitable mitigation measures for implementation.

The above risks will not be significant, are temporary and easily mitigated in a predictable manner justifying the Moderate Environmental Risk Rating.

Social Risk

Whilst the benefits of the project are expected to be significant, social risks are considered substantial. Key risks include i) real or perceived inequities regarding access to project supported services and overseas labor opportunities - in particular, excluding disadvantaged or vulnerable individuals or groups; ii) the complexities of delivering the project to diverse cultural groups and the potential for social conflict; iii) poor working conditions and worker exploitation in Australia and New Zealand, including poor accommodation, under payment, no/inadequate vacation and sick leave, bonded labor and sexual exploitation and abuse / sexual harassment; iv) negative impacts on family and communities relating to the absence of seasonal workers; iv) gender based violence upon return from seasonal work assignments; and (v) COVID-19 transmission associated with the conduct of project activities in target communities.

No land acquisition or involuntary resettlement impacts are expected. All activities will be conducted within existing government facilities/grounds and no new land will be acquired or accessed.

While a number of these risks are significant, they are considered readily manageable through project design and implementation of mitigation measures. Many of these risks are currently being managed under the existing Australian and New Zealand labor mobility programs, with all work undertaken as part of these programs governed by Australian/New Zealand labor legislation. The Project will further mitigate these risks through design and the development and implementation of a number of instruments including an ESMP (including an infection prevention and control protocol), Stakeholder Engagement Plan (SEP) (including a Grievance Redress Mechanism - GRM) and Labor Management Procedures (LMPs) in line with the applicable Environmental and Social Standards (ESS) of the WB's ESF,

The lack of E&S experience of the LMU and the Department of Treasury can be addressed through the recruitment of and environmental and social specialist within the proposed PMU and provision of training to other IA staff.



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APPROVAL

| | |
|----------------------|-----------------------|
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|----------------------|-----------------------|

Approved By

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|-------------------|-------------|-------------|
| Country Director: | Michel Kerf | 15-Oct-2020 |
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