



United Nations
PAPUA NEW GUINEA
Delivering as One



SOCIO-ECONOMIC IMPACT ASSESSMENT OF COVID-19 ON PAPUA NEW GUINEA

Advanced Edition

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United Nations Agencies Resident in Papua New Guinea
Food and Agricultural Organization
International Labour Organization
International Organization for Migration
United Nations Capital Development Fund
United Nations Family and Population Agency
United Nations Children's Fund
United Nations Resident Coordinator's Office
United Nations entity dedicated to gender equality and the empowerment of Women

Other

UNDP Asia-Pacific Regional Economists Network
UNDP Global Policy Network and Bangkok Regional Center
United Nations Environment Programme, Economy Division, Geneva

Acronyms

ADB	Asian Development Bank
ABG	Autonomous Bougainville Government
AROB	Autonomous Region of Bougainville
ART	Antiretroviral Therapy
BPNG	Bank of Papua New Guinea
BCP	Business Continuity Plan
CARE	Care International
COVID-19	Novel Coronavirus Disease 2019
CSO	Community Service Organizations
DFAT	Australia's Department of Foreign Affairs and Trade
DLIR	Department of Labour and Industrial Relations
DNPM	Department of National Planning and Monitoring
DOT	Department of Treasury
ESP	Economic Stimulus Package
FAO	Food and Agricultural Organization (UN)
GBV	Gender Based Violence
GDP	Gross Domestic Product
HIES	Household Income and Expenditure Survey
IES	Informal Entrepreneurial Sector
ILO	International Labour Organization
INA	Institute of National Affairs of Papua New Guinea
ICCC	Independent Consumer and Competition Commission
IOM	International Organization for Migration (UN)
IRC	Internal Revenue Commission
KFR	Kina Facility Rate
MTDP3	Medium Term Development Plan 3
MSMEs	Micro, Small and Medium-Sized Enterprises
NRI	National Research Institute of Papua New Guinea
NEO	National Emergency Orders
PGK	Papua New Guinea Kina
PLWD	People Living with Disabilities
PLWHIV/AIDS	People Living With HIV/AIDS
SEIA	National Socio-economic Impact Assessment of the global COVID-19 pandemic on Papua New Guinea
SDGs	Sustainable Development Goals
SOE	State of Emergency
SRH	Sexual and Reproductive Health
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNFPA	United Nations Family and Population Agency
UNICEF	United Nations Children Fund
UN RCO	United Nations Resident Coordinator Office
UN Women	United Nations entity dedicated to gender equality and the empowerment of Women
WASH	Water Sanitation and Hygiene
WHO	World Health Organization (UN)

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Papua New Guinea at a Glance



Papua New Guinea's Fiscal Year Follows the Calendar Year
(Currency Equivalent: PNG Kina to the USD as of 17 March 2020)

Papua New Guinea Preparedness and Vulnerability to Pandemic¹

Vulnerability to Pandemics

Population living below income poverty line

Working poor at PPP\$3.20 a day (% of total employment, 2018)	50.8
Social protection and labour programs (% of population without any, 2007-2016)	95.8

Immediate Economic Vulnerability

Remittances, inflows (% of GDP), 2018	0.02
Net official development assistance received (% of GNI), 2017	2.5
Inbound tourism expenditure (% of GDP), 2016-2018	0.1

Preparedness of Countries to respond to COVID-19

Human Development

Human Development Index, 2018 (Rank 155/189)	0.543
Life expectancy at birth (years)	64.3
Expected years of schooling (years)	10.0
Gross National income per capita (PPP \$)	3,686.0

Health System

Physicians (per 10,000 people), 2010-2018	0.5
Nurses and midwives (per 10,000 people), 2010-2018	5.0
Current health expenditure (% of GDP), 2016	2.0

Connectivity

Mobile phone subscription (per 100 people), 2017-2018	47.6
Fixed broadband subscription (per 100 people), 2017-2018	0.2

Source: UNDP

1 Papua New Guinea has been assessed as having a low level of preparedness and high level of vulnerability to pandemic

Executive Summary



COVID-19 and its Socio-Economic Impact on Papua New Guinea

The COVID-19 pandemic and its ensuing global socio-economic crisis has not spared Papua New Guinea. Global impacts have cascaded onto Papua New Guinea, and the initial impacts have been significant. Papua New Guinea has been hit hard at the macro, sectoral, household, and firm levels. This impact has been highlighted in UNDP's national survey of 9,000 respondents covering 6,000 households and 3,000 firms across Papua New Guinea. A national representative sample, it covers all 89 districts of the country's 22 provinces, including the Autonomous Region of Bougainville.

This SEIA of COVID-19 on Papua New Guinea report assesses the impacts and provides the Government, its partners and decision makers with policy and programme options that can support an effective and sustainable recovery. It assessed the critical impacts on vulnerable groups focusing on households and micro small and medium-sized enterprises (MSMEs). The SEIA is presented in 3 parts: context, impact, and policy recommendations.

The SEIA proposes recommendations on how to 'build back better', i.e. it provides options for supporting a sustainable and green recovery that is more inclusive and that addresses the needs of the most vulnerable segments of the population.¹

Papua New Guinea confirmed its first COVID-19 case on 20 March 2020. The Government's decisive action to contain the spread of the virus has saved lives and resources. The main measures to contain the spread of the virus was the State of Emergency (SOE) and the associated National Emergency Orders (NEOs) that were in place from 22 March 2020 until 16 June 2020. After the SOE expired, a National Pandemic Act was passed that allows the Government to continue to implement necessary actions and restrictions to contain and manage the spread of COVID-19.

The PGK 5.6 billion (US\$1.2 billion) Economic Stimulus Package (ESP) announced in June includes a PGK600 million (USD 170 million), for MSME support. The ESP is being implemented by the Government to address the impact of COVID-19. The ESP allocated for PPE, healthcare systems, protective measures, awareness, training, loan repayments, jobs, and business activities. Funding of the ESP was mobilized by the Government from domestic resources and supported by bilateral and multilateral partners.

¹ The SEIA is a rapid assessment and hence not an analytical evaluation as we are living through the COVID-19 crisis and deeper analysis and evaluation can only be better made after the crisis.

The initial impacts are being felt at the macro, sector, household, and firm levels. While impacts varied, almost everyone experienced some impact from the measures taken. The impact on people is unparalleled, but also uneven, as it has significantly transformed lives and livelihoods. The impact on vulnerable groups was severe.

Main Findings of the SEIA Report

At the macro level, growth, trade, investment, and employment have been heavily affected. With continuous disruption, coupled with low global oil and commodity prices, growth is envisaged to post a contraction of -1.8% for 2020 compared to the 6.2% of 2019.²

Prices for food and services surged by 1.6% to aggravate the already difficult affordability conditions of the poor and the vulnerable. Inflation spiked by 5% before settling back to 3%. This rise was largely due to the increase in prices of food items associated with the sharp drop in agricultural output resulting from the SoE. Prices for non-food products and services increased by 2.1% and 1.8% respectively. This price hike was associated with the panic buying before the SoE.³

By June 2020, more than 7,000 people in the public sector have lost their jobs. The number is much higher if we account for the private sector. About 35% job loss for households and about one-third of firms as well as for Government departments/agencies stemming from the laying off of contractual, casual and outsourced staff.

Government revenues shrunk by 10% compared with previous forecasts and this has led to reductions in Government capital spending. This may limit the Government to effectively fund public investment programmes.

Few sectors have been spared. Travel and tourism are the worst affected with a decline of about 97% of business. The Services sector, as well as labor-intensive manufacturing and industry, saw 90% layoffs. Manufacturing witnessed an 18% decline as major companies suspended or significantly reduced operations in several manufacturing facilities/factories. The entertainment industry and sporting events saw a 95% decline in business. Agriculture reported a 12% sharp fall in production and fresh food markets, food supply chains, seed supply, livestock, and agribusiness.

Travel restrictions, one of the measures that induced the most profound impact, accounted for 54% of the impact on the incomes of households. The SEIA survey results showed that the income of 80% of households was adversely affected. There was also a 38% decline in household expenditures.

Household debt servicing has been difficult. Of the 72% of the respondents that reported servicing some form of debt, more than 50% have been severely affected due to the adverse impact of the socio-economic crisis on their incomes.

Quantity of consumption of essential food items of households declined by 15% in half of the 6,000 households surveyed. Impact on the quality of food intake was also affected.

Impact on the employment of heads of households was severe, with 31% losing their jobs. This was a major contributing factor to the personal challenges faced by many respondents of the survey, which included reduced income opportunities, security concerns, travel expenses, managing children at home, mental stress and family and sexual violence.

² Bank of PNG Quarterly Economic Bulletin, June 2020.

³ Prices for some items such as buai was artificially inflated by 100% from the normal street value of K1.00 to K10.00 per nut during the SoE. These artificially induced price hikes were contained by the swift interventions of the ICC.

The assistance offered by Government, churches, NGOs, employers, or other sources was slow in its delivery and often unable to reach the segments of the population most in need. Established mechanisms of support were not able to cope with the need to rapidly deploy. Over 90% of respondents reported receiving no assistance from any formal sources, with only 10% of the respondents receiving some form of support.

For any future support, households proposed the below four key measures for the Government and development partners to consider:

- Reductions in income and GST taxes, as well as income tax holidays.
- Financial and other support for MSMEs.
- Specific measures to assist workers and employment.
- A range of social protection measures.
- MSMEs had businesses abruptly disrupted by the SOE measures with 75% of firms severely affected due to the lockdown, followed by a ban on operations (32%), and flight cancellations (12%). Other issues included a decline in Government spending on capital projects that caused several contracts to be put on hold.

Registered businesses were more impacted with over 40%, than non-registered businesses. Of these, 30% were severely impacted and had to lay off staff and temporarily cease operations. The survey results showed that 48% of wholesale/retail firms, 20% of agriculture firms, 10% of tourism/hospitality firms and 8% of construction firms were severely impacted. Most businesses were not supported during COVID-19. The results of the national survey showed that 81% required support, while only 13% received some sort of support in the form of policy advice or awareness and financial counselling. The ESP could be better targeted and rolled out to the intended beneficiaries to access. Over 52% of firms reported that the support offered through the ESP implemented by the Government had not yet reached them.

Policy options for the Government and its Partners

The Government should take the lead in facilitating well-conceived, strategically designed, and costed economic and social policies for an inclusive and green recovery that promotes resilient and sustainable development. Government policies and programmes should aim to:

- Improve living standards.
- Protect the most vulnerable.
- Enhance the business environment.
- Diversifying the nation's economic base.

To achieve these, the Government should consider:

- Building a socio-economic recovery coalition with its partners to effectively 'build back better'.
- Consolidate resources.
- Building on ongoing activities that have supported improved development outcomes.
- Assess, design, cost and implement programs for the immediate, medium and longer term that support effective and sustainable socio-economic recovery.

Immediate term responses could include direct assistance to vulnerable households, employer support programmes and supporting the continuity of business cash flow.

To 'build back better' over the medium to long term, Government policy options should include:

- Strengthening social protection systems.
- Sustaining firms, especially the MSMEs, and supporting them to expand and maintain profitability.

- Investing in human capital development and technological advancement, especially when it comes to green technologies and renewables.
- Increasing the fiscal space and diversifying PNG's economic base with an enabling environment, especially for green and sustainable economic growth.

United Nations Response and Recovery Support

The United Nations in Papua New Guinea is in the forefront of the response efforts. The UN is one of the lead partners on the health response, but also provides coordination, emergency, humanitarian, and longer-term recovery support. The UN Country Team in Papua New Guinea is engaged across all pillars of the response, i.e. humanitarian, health, as well as socio-economic recovery, with the present assessment being the cornerstone for the development of an integrated UN Socio-Economic Recovery Plan.

The United Nations will continue to work with Government, private sector, development partners and civil society to support national response and recovery efforts in the short, medium and long-term. Globally, the United Nations has identified five pillars to assist countries to recover from the impact of the

COVID-19 pandemic. The United Nations is currently delivering a USD 62 million programme in Papua New Guinea in direct response to COVID-19. This includes the emergency procurement of Personal Protective Equipment (PPE) and medical equipment, the provision of critical water, sanitation and hygiene supplies, COVID-19 awareness materials, engaging with Civil Society Organizations on disaster risk reduction, deploying technical expertise to assist national coordination efforts, and measures to support and protect victims of gender-based and family and sexual violence. The response also includes the current assessment and its policy options.



UNICEF Representative, David Mcloughlin (left), Minister for Health, Jelta Wong and UNDP Resident Representative, Dirk Wagener on hand to witness the arrival of the ventilators.

Part 1: Context and Background



Overview

The disease caused by the novel coronavirus was officially named Coronavirus Disease 2019 (COVID-19) and declared a global pandemic by the World Health Organization on 11 March 2020. Countries around the world immediately took precautionary measures based on WHO recommendations. Countries continue to implement entry screening requirements for arriving air passengers and flight suspensions and/or restrictions remain in place in most countries. Many countries (including Papua New Guinea) have also repatriated their stranded citizens from all over the world. Most countries went beyond closing borders to include an array of domestic restrictions on movements (closure of schools and on-essential businesses, restaurants, limitations on retail businesses, domestic travel, and trade restrictions, social distancing measures, and restrictions on public events/gatherings, stay at home orders, as well as curtailment of public transportation). These actions within countries and their synchronized nature across countries disrupted the global supply chains as much as travel restrictions.

The impact of COVID-19 is felt across the globe by almost all segments of society albeit the impact is distributed unevenly. The impact on the global population is unparalleled as it has significantly transformed lives and livelihoods, especially of the vulnerable segments of the

population. The impact is being felt and is unfolding as COVID-19 continues to spread globally. At the time of writing (4 August 2020), the pandemic has spread to 213 countries and infected more than 18 million people causing close to 700,000 deaths, with shifting epicenters across the globe, from Asia, to Europe, North and South America. The Pacific remains highly vulnerable due to its relative isolation and low coping capacity of its health systems.

The initial impacts are being felt at the macro, sectoral, household, and firm levels. At the macro level, the disruption to the global supply chain has resulted in the loss of business and employment and growth outlook. A recent survey conducted by the Institute for Supply Chain Management reported that 96% of companies reported disruption in the supply chain due to COVID-19 related transportation restrictions.⁴ Commodity exporting countries like PNG experienced a double shock emanating from the fast deteriorating global economic situation, which led to the sharp falls in the commodity prices. At the sector level, transportation, tourism, and hospitality industries were heavily affected. At the household level, the vulnerable and poor have been severely affected with losses to income, and deterioration in their overall livelihoods and well-being. At the firm level, many MSMEs have been knocked out of business. Impact on individuals have also been significant, including substance abuse, violence against women and children.

4 See <https://www.ioscm.com/about/>

COVID-19 in PNG and Response Measures Taken by Government⁵

PNG confirmed the first COVID-19 case in Lae on 20 March 2020. The index patient was a foreign national who was identified, quarantined, treated and repatriated. Another 7 cases were diagnosed on 16 April 2020 and 25 new cases at the end of July 2020. All were quarantined, treated, and discharged. Those associated with the index patients were also identified, quarantined, tested and discharged if not infected. Testing of persons who may have contracted the virus has been ongoing at designated health centres since mid-March 2020. At the time of writing (3 Aug 2020), 111 persons had tested positive for COVID-19 since March, with 2 officially reported death on 31 July.

The Government's immediate response made a remarkable difference. Faced with stark choices, the Government recognized COVID-19 as a significant public health and socio-economic threat early and made swift choices to address and reduce them. The priority on protecting lives has thus far largely contained the spread of the virus and prevented major impacts on Papua New Guinea's healthcare system.⁶

Restrictions on movement and entry points helped contain the spread of the virus. The Government declared an initial COVID-19 SOE on 22 March 2020 for 14 days. The SOE and the associated National Emergency Orders (NEOs) imposed the closure of schools, restricted all flights and shipping and stopped all forms of public transportation. During the lockdown, only essential staff could attend offices and only

essential shops remained open. Non-essential staff worked from home or were laid-off. On 7 April 2020, the SOE was extended for 2 months from the initial 14 days to 2 June, then further extended to 16 June 2020. After several weeks (on 1 May 2020) domestic flights resumed for selected destinations, and schools and business resumed operations on April 27. These measures were reviewed as new cases were confirmed in June. A National Pandemic Act was passed by Parliament that enables the Government to establish measures necessary to manage the pandemic beyond the end of the SOE, including domestic and international travel/movement restrictions, transport restrictions, social distancing measures, etc. A set of guidelines called the 'New Normal' have been introduced and Pandemic Act measures have been enacted. This will have a second wave of impacts as the pandemic evolves.

To cushion the fallout of the measures taken to minimize the spread of COVID-19, the Government swiftly mobilized an unprecedented K5.6 billion (US\$1.2 billion) ESP with its partners.⁷ This focused on cushioning the fallout of public health measures and the declining commodity prices, the latter of which PNG remains heavily dependent on. The recovery categories are clustered under Health, Safety, Education and Economic Relief.⁸ These categories aim to support the economy and livelihoods and have been allocated to the various relevant agencies and the banks to support the private sector. Table 1.1 shows the main areas the ESP is designed to support and the funding allocations.

5 The Government's official webpage on COVID-19 https://covid19.info.gov.pg/files/Situation%20Report/_PNG%20COVID-19%20Health%20Situation%20Report%2023%20%20 outlines the details of the measures adopted. This includes the specific measures under the State of Emergency and the associated National Emergency Orders.

6 Prior to the detection of COVID-19 in PNG, the Government was gearing to address 10 essential areas (including health systems) and formed an Inter-Sectoral Task Force to coordinate the PNG national response with a wholistic all of Government and its partners.

7 The initial announced amount of K5.6 billion comprised of-budget and off-budget package of about K1.6 billion and also covered K4 billion of deficit financing. Another K100 million was added on thereafter to bring the ESP total to K5.7 billion. Details on the ESP is in the Government's official webpage https://covid19.info.gov.pg/files/Situation%20Report/_PNG%20COVID-19%20Health%20Situation%20Report%2023%20%20. See also Sanida, O.O. (2020). COVID-19 and the PNG economy: Potential impacts of the K5.7 billion economic stimulus package on the 2020 National Budget. NRI Spotlight Vol.13, Issue 9.

8 BPNG adjusted monetary policies by directing Authorized Exchange Dealers to prioritize retailers, wholesalers of medical drugs, medical and pharmaceutical companies, particularly those that are directly importing COVID-19 related products. Measures aimed at the banking system include reduced Cash Reserve requirement and increased lending to commercial banks.

Table 1.1: Focus Areas and Resource Parameters of the Economic Stimulus Package

Key ESP Categories	Earmarked for	PGK (billion)	% of Total
1. Health System	PPE, Healthcare systems	2.00	35.0
2. Safety	Protective measures	0.80	15.1
3. Education	Awareness, training	0.80	14.9
4. Economic Relief	Loan repayments, jobs, business activities*	2.00	35.0
Total		K 5.60	100%

Data Source: Department of Treasury, Waigani, NCD, the PNG Treasurer's statements on COVID-19 on April 2 and 11 May 2020⁹

*Eligible loans are housing loans, school fees loans, job categories are especially those relating to the low strata including secretarial jobs, and businesses are mainly SMEs

Financing of the ESP was mobilized from domestic sources and development partners.

Funding for the ESP was solicited from the Government's domestic bond financing of PGK 2.7 billion (COVID-19 bonds); PGK 600 million in support for the deferral of mortgage or business loan repayments; PGK 1.5 billion in concessional financing from development partners; PGK 500 million for supporting jobs and business activities from the superannuation industry; Spending an additional PGK 600 million directly in the health and security sectors; PGK 1 billion of savings through a supplementary budget.¹⁰ It is noted that the PGK 5.6 billion partially covers the fiscal gap, and may not result in increased economic activity although the redirected funds will prevent a deepening of the crisis.

The ESP is supplemented by monetary and regulatory actions to strengthen the Government's fiscal position.

A revenue shortfall of PGK 2.2 billion is being driven by the collapse in oil, gas, mineral and commodity prices and reduced levels of domestic economic activity. This has resulted in a revised deficit forecast of PGK 4.6 billion for 2020. This means even with the ESP, the revenue shortfall will result in a high fiscal deficit for 2020. Macroeconomic risks and potential knock-on effects continue and will impact possible future stimulus as the space for fiscal action is significantly reduced.

Purpose, Methodology, and Scope of the National Socioeconomic Impact Assessment of COVID-19 on Papua New Guinea

Purpose of the SEIA is to inform the Government, businesses, development partners and CSOs to make better targeted choices in building a sustainable and inclusive economy and society. The SEIA evaluates the impact on aspects of economic and social sectors and proposes policy measures to ensure social protection, resilience and economic recovery with a view to preserve development gains. It offers insights to address structural challenges exacerbated and exposed by COVID-19. It aims to help Papua New Guinea 'build back better,' with informed policy and programmatic interventions that either reorient current programs and policies or develop new ones to refocus and realign with Government-led recovery efforts toward a sustainable 'new normal'.¹¹

9 See also <http://www.treasury.gov.pg/html/speeches/files/2020/Ministerial%20Statement%20on%20COVID-19>.

10 The Treasurer's presentation to the National Parliament, 2 June 2020.

11 The SEIA is in line with the United Nations framework for immediate socioeconomic response. It was led by UNDP with support from UN Agencies resident in PNG (UNRCO, UNICEF, UNFPA, UNCDF, IOM, FAO, ILO, UN Women). The SEIA was coordinated with other Development Partners, including DFAT, World Bank, ADB, IMF, and in partnership with the Government, especially the DNPM, and the private sector, including the Digicel, the National Broadcasting Commission, Trade Union Congress of PNG, Business Council of PNG, MSME Council. It involved desk reviews of available materials from NRI and INA. The SEIA report was peer reviewed by BCPNG, NRI, INA, WB, ADB, DFAT, DNPM, DOT, DOF, and the UNDP Asia-Pacific Regional Economic Network.

The scope of the SEIA is confined to assessing the socioeconomic impact emanating from measures taken to minimize the spread of COVID-19. These effects are felt by everyone in PNG. Whilst all segments of society have experienced impacts, the SEIA focuses on vulnerable groups as these are most affected. These groups were sampled throughout PNG. To ensure reliability, a national representative sample of over 6,000 households and 3,000 firms from across all 89 districts of Papua New Guinea's 22 provinces was collected. Sampling size for provinces and districts were based on population density (per 2011 national census).

The methodology applied involved interviews, observations, desk studies and a national survey covering households and businesses.¹² Two sets of questionnaires were designed for the national survey to capture the impacts, one for the household income and expenditure, and the other for the productivity and sales of firms,

especially the MSMEs. The questionnaires were pre-tested and closely administered. The sample was chosen carefully for representativeness. Special consideration was accorded to those most vulnerable with particular attention given to women, children, and people with special needs. The Kobo Toolbox software, email, hardcopies and telephone surveys were used for data collection. Both qualitative and quantitative methods were used to analyse the impact of COVID-19 on households' income/expenditure and MSMEs production, supply and employment. Data was also collected on attitudes and behaviours related to COVID-19 associated measures. The data was analysed based on key objectives of the SEIA. Responses were subjected to triangulation, comparing section specific responses across a wide spectrum of respondents and data. Observation data was coded and analysed.¹³

12 A mixed-method approach was opted for the SEIA to allow the strength of the results to be greater than either using qualitative or quantitative methodologies. UN agencies resident UNRCO, UNICEF, UNFPA, UNCDF, IOM, FAO, ILO, UN Women provided specific surveys to support the analysis.

13 In designing and conducting the surveys, the SEIA team adhered to research ethics that enshrine respect for, and sensitivity to, respondents' beliefs. There was clear separation between rights holders and duty bearers to reduce bias and ensure freedom of expression. The following principles were key in guiding field work - Informed consent, Inclusion, Participation, Fair power relations and Use of mixed methods for more effective triangulation. Language sensitivity was key and the enumerators ensured participants clearly understood the questions in Tok Pisin and English. The SEIA only focuses on the impacts of the first wave of impacts of COVID-19 measures (March -June 2020). Impacts from the second wave (July 2020 onwards) emanating from the new measures taken on 27 July 2020 are not part of this SEIA.

Part 2: Assessment of the Impact of Measures Taken to Minimize the Spread of COVID-19 in Papua New Guinea¹⁴



PNG's Socioeconomic Structure and the Entrepreneurial Sector Setting

Political and administrative system of PNG loosely follows the British Westminster system. The National Parliament is unicameral, and the state comprises 3 arms, these being the executive, legislature and judiciary. With 112 representatives, PNG conducts elections every 5 years. Administrative power is decentralized to the 22 Provinces, 89 Districts, 326 Local Level Governments (LLGs) and 6,122 Wards in a quasi-federal model.

The social structure of PNG is 77% rural and 23% urban. It is sparsely populated with 850 languages spoken across the country.¹⁵ The structure varies with most of the population living across a diverse rural landscape in villages. Rural residents depend mainly on subsistence livelihoods and rely minimally on the cash economy, except for those producing cash crops (e.g. coffee, oil palm, cocoa, etc.). The urban population is more cash dependent. Rural-to-urban migrants bring their languages and diverse tribal customs and re-create their social norms in urban areas. Social bonds and obligations of the 'wantok' system

provide support during times of hardship. This can create heavy demands on the more well-off who feel obliged (or are pressured) to support their kin. COVID-19 disrupted this system and there is no formal welfare system to offset this loss of support. Existing gender inequalities remain an issue and are further exacerbated.

The economic structure of PNG encompasses agriculture, forestry, fishing and the extractives sector. A lower middle-income country with a GDP per capita of USD 2,852 (2019), the economy is driven by the extractives industry (oil, gas, gold, copper, nickel) and agricultural commodities (cocoa, coffee, palm oil, tea), fishery and forestry. The agricultural, forestry, and fishing sectors employ an estimated 65% of the PNG labour force. The extractives sector is responsible for most of the country's export earnings, which drives GDP growth and real GDP growth per capita has averaged 4.3% since 2000. The economy is vulnerable to external shocks and was sluggish when COVID-19 surfaced in early 2020. The immediate impacts of COVID-19 on trade and investment are adding pressure to the country's weak fiscal position and debt burden. To mitigate domestic risks and withstand external shocks, PNG needs to adjust macroeconomic policy and focus on structural transformation. Table 2.1 provides an overview of selected key indicators of the PNG economy.

14 The Government focused on preventive measures to contain the spread of COVID-19. Thus, priority was given to health and safety measures. This has thus far minimized the spread of the virus and prevented major threats to PNG's healthcare system. Enforcing the SOE and its associated NEOs are highlighted in Chapter 1 and detailed in Section 1.2 above.

15 Based on the estimates of the Department of National Planning and Monitoring and the National Statistical Office.

Table 2.1: Key Economic Indicators of the PNG Economy

Currency	Papua New Guinea Kina (PGK 1.00 = USD 0.288)
Fiscal Year	Calendar Year
Country Grouping	Low Middle-Income Economy
Population	9 million (2019 estimates)
Gross Domestic Product	US\$25 billion (nominal 2019 estimates) US\$35 billion (purchasing power parity 2019 estimates)
GDP Growth (2010 – 2019)	5.6% (annual average)
GDP Per Capita	US\$2,852 (nominal, 2019 est.) US\$3,983 (PPP, 2019 est.)
GDP by Sectors	Agriculture 22% Industry 43% Services 35%
Inflation (consumer price index) 2010-2019	5.2% (annual average)
Population Below Poverty line	39.9% (2010 based on the last HIES) 64% on less than \$3.50/day (2019 estimates)
Gini-coefficient	40.1 median (2019 estimates)
Human Development Index	0.54 low human development (2018 estimates), place #155, lowest in the Pacific and only Pacific developing country ranked 'low human development'
Labor Force	2.7 million (2019 estimates) 48% employment rate (2019 estimates) 2.5% unemployment (2019 estimates)
Labor force by Occupation	Agriculture 85%, Industry 6%, Services 9%
Main industries	Copra crushing, palm oil processing, plywood production, wood chip production; mining (gold, silver, copper); crude oil and petroleum products; construction, tourism, livestock (pork, poultry, cattle), dairy products, spice products (turmeric, vanilla, ginger, cardamom, chili, pepper, citronella, and nutmeg), and fisheries products
Ease of Doing Business Rank	120 in 2020 (medium)
Exports	\$11.4 billion (2019 estimates)
Export Goods	Liquefied natural gas, oil, gold, copper ore, nickel, cobalt logs, palm oil, coffee, cocoa, copra, spice (turmeric, vanilla, ginger, and cardamom), crayfish, prawns, tuna, and sea cucumber
Main Export Partners	Australia 19%; Singapore 17%; Japan 14%; China 13%; Philippines 5%
Imports	Imports of goods \$3.7 billion and imports of services \$1.6 billion (2019 estimates). Items are mainly machinery and transport equipment, manufactured goods, food, fuels, chemicals
Main Import Partners	Australia 30.1%; China 17.3%; Singapore 10.2%; Malaysia 8.2%; Indonesia 4%
Foreign Direct Investment (stock)	\$4.2 Million (31 December 2019 estimates) Abroad: \$473 Million (2019 31 December estimates)
Current Account Balance	\$5.2 billion (2019 estimates)
External Debt (gross)	\$19 billion (31 December 2019 estimates)
Public Debt	37% of GDP (June 2020 estimates)
Budget Balance	–4.8% (of GDP) (June 2020 estimates)
Revenues	\$3.638 billion (June 2020 estimates)
Expenses	\$4.591 billion (June 2020 estimates)
Credit Rating	Standard & Poor's BB- (Domestic), B+ (Foreign), Outlook: Stable. Moody's: B2. Outlook: Stable
Foreign Reserves	\$2.1 billion (June 2020 estimates)

Data Source: Bank of PNG Quarterly Economic Bulletin; Department of Treasury; National Statistical Office; UNDP estimates

The impact of the measures taken to minimize the spread of COVID-19 was felt by almost everyone in PNG, albeit it has heavily impacted the most vulnerable. At the national level, the economic impact is evident in the decline in growth, trade and employment. At provincial and district levels, business closures, job lay-offs and supply chain disruption have been prominent. At the Ward, Village and Household levels, the impacts are more pronounced with the decline in income and rise in expenditure. The adverse impacts on PNG are significant and recovery and adjustment to the 'new normal' will take time. Disruption to food distribution networks, loss of livelihoods and safety nets, panic hoarding of essential goods, limited access to healthcare and schools, and incidences of gender-based violence (GBV) have led to further increased uncertainties and anxiety

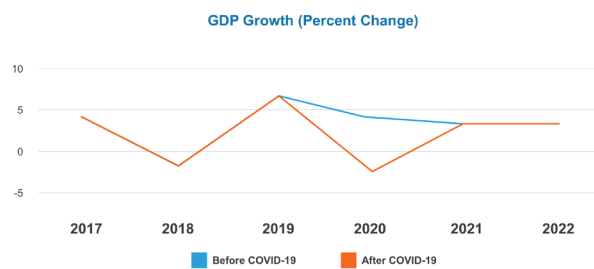
Impact on the Macroeconomy

Economic growth shrunk by 3.5% against what was forecasted in the first half of 2020.¹⁶

The PNG economy which was recovering from a 0.8% recession in 2018 and 6% growth in 2019, was knocked back into the negative territory by the onslaught of COVID-19. The recovery was severely affected in the first half of 2020, as measures taken to prevent the spread of COVID-19 halted any economic activities during the second quarter. The most affected sectors were aviation, tourism, shipping, and the IES. Firms lost 53% in productive gains.¹⁷ This saw the economy losing approximately K0.5 billion every day during the lockdown period.

Overall, there was a loss of about PGK 10-15 billion in GDP in the first half of 2020. Growth remains subdued as economic activities remain constrained (since 20 March 2020 to date). Growth is projected to remain sluggish and is expected to post a contraction of approximately

Figure 2.1: Impact of COVID-19 and SOE Measures on PNG's GDP Growth



Source: Government of Papua New Guinea, Economic Intelligence Unit and IMF estimates

-1.8% in 2020 as the economy adjusts to COVID-19 and the fall in oil, gas, mineral and commodity prices. In case a vaccine for COVID-19 becomes available and accessible in the near future and business returns to normal, then growth is forecasted to pick up to 3.1% in 2021 and slightly higher in subsequent years.¹⁸ Figure 2.1 shows the impacts and outlook on GDP growth. However, broad access to a vaccine will be a challenge, even if available in 2021.

Inflation rate increased to 5% in the first half of 2020 mainly due to supply shortages.

Supply shortages affected several sectors due to panic buying, increased usage of goods to prevent COVID-19, and disruption to factories and logistics. This situation has also led to price gouging. Supply shortages of pharmaceuticals saw panic buying in many areas and consequent shortages of store food and other essential grocery items. Prices of household items such as rice, cooking oil, canned goods, which crept up were contained as the ICCC stepped in to prevent unsolicited inflated pricing. Prices did however jump by 70% for some household items during the lockdown period. Prices of agricultural commodities have also increased due to logistical issues associated with restrictions on people's movement. Inflation is projected to increase in the near-term as domestic demand for goods and service surge in line with the new norm. Table 2.2 shows the outlook on selected indicators during 2020 – 2022.

¹⁶ Department of Treasury, Brief to the National Parliament, 2 June 2020.

¹⁷ Bank of PNG, Estimates of the Impact of COVID-19 on the PNG Economy, June 2020.

¹⁸ The IMF, World Bank, ADB and think tanks including the EIU, and Consensus Economics, NRI and INA have projections within this range. PNG's large informal sector coupled with high gold prices are envisaged to sustain growth. By 2022, the economy is projected to return to 3- 5% growth as the mineral projects begin production and as the oil sector rebounds and COVID-19 is brought under control.

Table 2.2: Outlook on Selected Economic Indicators, 2019-2022

Selected Indicators	2019	2020	2021	2022
GDP Growth	5.6	-1.8	3.1	3.2
Inflation (Consumer Price Index ave %)	3.7	4.8	6.4	6.7
Government Balance (% of GDP)	-5.0	-7.9	-7.6	-7.2
Current Account Balance (% of GDP)	25.0	17.0	24.9	23.2
Money Market Rate (ave %)	6.3	3.3	3.5	5.3
Unemployment Rate (%)	2.5	3.5	3.2	3.0
Exchange Rate (Kina to the US\$ ave)	3.29	3.39	3.45	3.55

Data Source: Bank of PNG, Department of Treasury, United Nations Development Programme PNG, Economic Intelligence Unit, International Monetary Fund

Unemployment is assessed as a 20% loss of job hours nationally in the first and second quarters of 2020, equivalent to PGK 200 million in full-time jobs. As at mid-June 2020, the Department of Labour and Industrial Relations (DLIR) estimates about 2,000 people had lost their jobs. The SOE has had an impact on employment of both households and firms in the formal and informal sectors. DLIR estimates that approximately 90% of servers, bartenders, and all ancillary employees from bars, restaurants and nightclubs were laid off.

Contracted, casual and outsourced staff in many Government agencies were required to stay at home under the lockdown order. They were however paid during the period of absence under the COVID-19 orders. Moreover, as large parts of the workforce move to digital communication and exchanges, the digital divide widens. Those without access to internet and digital tools lost out and fell further behind. For instance, the strategy of working from home was unavailable for day laborers, many IES workers, and the poor. They were hit first and hardest by social distancing measures, finding themselves on the wrong side of the growing digital divide.¹⁹

The PGK's value depreciated in the first half of 2020. From November 2019 to February 2020 the PGK remained relatively stable, but depreciated by about 5 basis points during April to June 2020 (Bank of PNG). The PGK further weakened during late March to end the of April

2020, when measures to prevent the spread of COVID-19 were heavily imposed, and there was a downturn in the global economy. This was exacerbated by decline in global demand for PNG's commodities of oil and gas. These large movements have a direct correlation with GDP growth, inflation, trade, and sovereign risks. Commodity-dependent PNG is most susceptible to these risks. The Kina is envisaged to further depreciate in the immediate term raising implications for the price of goods and services and inflation as a whole.

Government revenue shrunk by 10% with significant implications for the development budget. In consolidating its fiscal position, the Government had a 20% reallocation from its initial allocation to the development budget. The reallocation of the 20% from the development budget has increased the current fiscal position to service on-going and COVID-19 related operations. Major revenue streams that support the national budget were already under duress before COVID-19. The country has limited options to raise additional funds to make up this deficit. Charges and fees, sales tax and gross receipts, income taxes and licenses fees – which comprise 42% of all-generated revenue – are at risk and the Government was anticipating a PGK 2 billion revenue loss. Government expenditures are increasing as additional funding is poured into healthcare systems, and public safety services, and education.

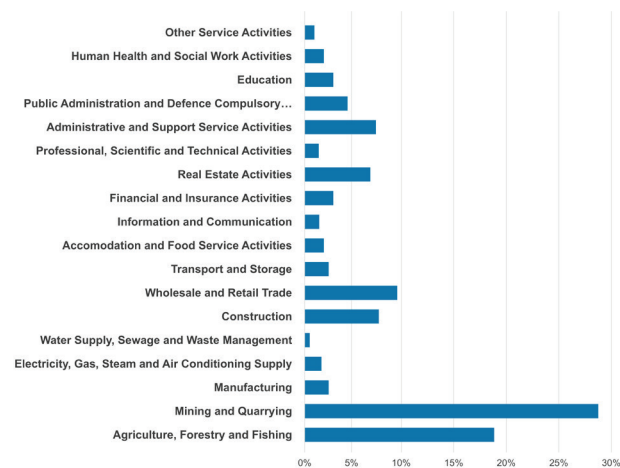
19 The DNPM estimates that about 2 million people especially the near-poor and the vulnerable segment of the populace could fall behind the poverty line in 2020 and in the immediate term. It could take 2-5 years to fully recover.

Transportation saw a 95% decline during the lockdown period. This was the most affected sector during the lockdown period. Associated logistical problems saw tea and coffee estates and vanilla, cocoa, copra and palm oil delay harvesting costing about 35% in lost revenue.²⁰ The tea industry saw an 8% fall in the volume of exports and the dairy industry lost 10% in revenue. These losses are associated with the disruption in the supply chain associated with controlled transportation. The National Development Bank which focuses on agricultural banking, notes that borrowing declined by 9%.

Manufacturing witnessed an 18% decline.²¹ Major companies such as Atlas Steel, have suspended or significantly reduced operations in several manufacturing facilities and factories across the country. Nearly all manufacturing companies halted production until further notice during the SOE as only essential staff were permitted on-site. Many companies have opted to remain closed until the COVID-19 SOE measures were lifted. Lae (PNG's manufacturing hub) has shut facilities except for factories producing essentials.

Retail trade in urban centers saw a 50% surge in demand during mid-March to mid-June 2020.²² Retail stores have seen demand exceeding supply for many consumables, resulting in empty retail shelves. Some retailers were opting for contactless home delivery. Shopping hours were drastically reduced and hand sanitizer was offered at entrances and exits. Some retailers installed markers to ensure the 1.5 meters social distancing is maintained. Some restaurants and bars operated with limited takeout orders and delivery. Some centers, including Lae and Mt. Hagen have experienced shortages of medical supplies. Urban dwellers have been lining up in front drug stores to buy surgical masks. Some stores hoarded supplies of

Figure 2.2: Industry Share in PNG's Growth Domestic Product



Data Source: Bank of Papua New Guinea, Quarterly Economic Bulletin, June 2020; Department of Treasury

surgical masks and hand sanitizers, driving up prices, seeing the ICCC crack down on such acts.

Services sector (especially tourism, retail, hospitality, and civil aviation) as well as labour-intensive manufacturing, industry and lower level government casual and contractual jobs saw a 90% layoffs and unemployment. The travel services industry has been an early casualty with the national airline (Air Niugini) and several other airlines and hotel chains at the brink of bankruptcy as the country restricts travel and closed borders to contain the spread of COVID-19. At the same time, the pandemic has created demand for the web-based economy, such as e-commerce, online education, food delivery, as well as for medical services. Figure 2.2 shows the share of industry in the GDP.

Travel and tourism are the worst affected with a 97% loss of business in the first half of 2020.²³ The travel restrictions resulted in a 98% scale back on employees and 95% revenue loss across hotels and tourism enterprises, as travel to PNG declined by 98%. Various businesses

20 Bank of PNG June 2020; National Research Institute, Spotlight, May 2020; Department of Agriculture, Ministerial Brief, June 2020; Department of Transport, Secretary's Brief, May 2020.

21 PNG Chamber of Commerce and Industry, Industry Update, June 2020.

22 PNG Chamber of Commerce and Industry, Industry Update, June 2020. PNG's retail sector is diverse and includes everything from Grocery Stores and Supermarkets, General Merchandise Stores, Specialty Stores that Sell One Type of Product, Non-Store Retailers and Restaurants/Dining Establishment. Retail sector sell products that were made by other companies who manufacture or distribute them without altering or editing those products.

23 PNG Tourism Promotion Authority Survey on the Impact of COVID-19 on Travel and Tourism Industry Business, April 2020.

such as hotels and air and shipping lines have cut salaries and laid off employees. The cruise ship industry has also been heavily affected by the downturn. The aviation industry was hard hit as aircrafts were restricted to only essential flights. The airline industry sustained a loss of PGK 1 million a day during the lockdown period or a quarterly loss of about 90%. Buses and taxis are also operating at a loss. The reduction in economic activity in travel exposed sectors including higher education, which is projected to reduce GDP by 0.1%.

The entertainment industry and sporting events saw a 95% decline in business.²⁴ The closing of cinemas and postponing of festivals have reduced revenues in the sector by K3 million. The gambling and betting industry experienced losses of up to PGK 5 million since the COVID-19 measures were announced. Some gambling companies are shifting customers from retail to online poker games in order to fight the loss of revenue due to the cancellation of sports fixtures and the shutdown of betting shops. Major sporting events in PNG such as the NRL and the rugby competitions have been deferred. In National Capital District, nightlife declined by 95% compared to the same period in 2019. This was the biggest fall for any metro area since the last curfew was imposed decades ago. Lae, Mt. Hagen and Kokopo reported drops by up to 90%. The financial sector was also heavily affected. A United Nations Capital Development Fund (UNCDF) survey conducted on some financial service industry players to assess the impact of COVID-19 on the sector in May 2020 outlined some crucial impacts. Box 2.1 summarizes these impacts.

Box 2.1: Impact on the Financial Services Industry in PNG

As part of SEIA the UNCDF conducted interviews with some financial service industry players to assess the impact of COVID-19 on the sector in May 2020. The assessment focused on 6 areas: 1. Effect of COVID-19 on Banks and other Financial Institutions, 2. Steps to mitigate the impact and Lessons learnt, 3. What changes institutions would like to carry out, 4. Business outlook should the pandemic continue or post Covid-19, 5. What institutions have done or considered doing in the area of digitization in COVID-19 times, and 6. Support needed by institutions.

Most Financial Institutions activated their Business Continuity Plan (BCP) upon the announcement of the COVID-19 SOE on 20 March. Only essential staff were allowed to work from the office, with most staff asked to work from home. Staff and customers alike were encouraged to practice good personal hygiene, minimize overcrowding in branches and keep to social distancing protocols. However, for some institutions, staff could not work from home because the institutions did not have the logistics and structures in place to encourage work remotely. Rather, some staff were advised to use their annual leave days and stay at home since work volumes had reduced drastically. For staff who were still commuting to work, punctuality was an issue and productivity levels went down especially because most of them could not easily get vehicles to go to work. Some Institutions however arranged transportation for their staff as public transport systems were unavailable. Again, staff motivation and drive towards work was affected by the COVID-19 situation and this impacted on their output at work.

There was no direct impact on liquidity as customers were able to access their funds easily. Although there were panic withdrawals across all institutions following the announcement of the SOE on 20 March, banks and other

24 PNG National Gaming Board, Industry Brief on Revenue Loss, June 2020.

financial institutions did not have liquidity issues. Loan repayment was however identified as an issue across the sector as most businesses were heavily affected by development from COVID-19 in the country. The Bank of PNG also announced a 3-month loan repayment holiday for commercial banks for businesses and individuals directly affected. Although seen as a step to lessen the burden on PNG businesses and the large informal sector, the loan books of most Financial Institutions have been badly hit. Women's Microbank, noted that mostly women entrepreneurs were affected which saw a sharp decrease in deposit and loan repayments. During April and May, loans amounting to PGK 1 Million had to be restructured. The NASFUND Contributors Savings and Loans noted that most Financial Institutions, especially with the Savings and Loans and Microbanks, saw loan portfolio shrinking significantly.

PNG's 2 superannuation funds also announced payments of 20% or a maximum of PGK10,000 of members' contribution upon job loss, a move that will allow newly unemployed members to get their benefits upfront. This resulted in long queues at NCSL offices as members who had been affected were accessing the benefits. Compulsory employer and employee contributions were also to be deferred on a case-by-case basis.

Steps taken to mitigate the impact and lessons learnt, most institutions took very stringent steps to reduce the impact of COVID-19 by activating their BCPs and encouraging a virtual working culture where most staff used various telecommuting tools and other platforms to carry out their duties. Most institutions bought laptops for their staff to be able to work from home and serve customers (both internal and external). Staff were also put on a rotational schedule, a move aimed at applying the social distancing and safe working environment principle. Despite the progress made, there were some challenges encountered as some workers in PNG were not used to Telecommuting. This was further aggravated by the high cost of internet as well as network connectivity challenges. Again, there were privacy issues for staff working from home in a country with

high communal living where most staff live in homes with lots of other people.

MicroBank noted that institutions will have to do more in training their staff on the use of different technological tools to be able to work remotely. Also mentioned was staff should be trained on the ethics of working from home in order to build resilience. Staff working from home is low compared to other Pacific Island Countries. Some institutions also adopted innovative strategies to sustain their operations. They were agile in response to the situation by reducing interest rates on loans for customers who were making repayments. This was an incentive to encourage more customers to repay their loans even in the face of the challenging times.

With regards to changes that institutions would like to carry out, it was evident that the COVID-19 situation has heightened the interest in the use of technology and digitization for work processes. Customers were educated and encouraged to use digital tools and platforms including Cards, EFTPOS, Agents points, ATMs, Mobile and Internet banking. This was in the quest to 'de-risk' institutions and help build resilience in the COVID-19 era. Westpac Bank noted the use of technology and digital platforms as the way to go even as we are being encouraged to practice social distancing and a safe work environment. Similarly, NCSL is encouraging clients to use digital platforms as most services from NCSL could be accessed electronically and this paid off as most customers leveraging NCSL's user friendly digital platforms including biometric and internet platforms to access their suits of products and services. The Association of Microbanks in PNG stressed the need for institutions to be more agile in response to changing business needs in order to build more resilience and use different digital platforms including Mobile Banking and Internet Banking by customers to access various services.

Institutions are moving towards digitization; from internal processes to engagement with customers. Some financial institutions already had digital/online platforms in place, but these were under-utilized. With social distancing measures in place and restrictions on people's movement, institutions are looking at ways

to digitize their internal processes and also improve on the customer's digital experience.

Support is needed from the Bank of PNG with liquidity injection. Institutions also called for the Government's Economic Stimulus Package to support a quick rebound and recovery of MSME's. The Retail Electronic Payment System which will allow for interoperability among banks is seen as a platform that would be a major boost to the digital banking agenda once completed. Currently, some institutions are not connected to the platform due to capacity issues in terms of capital and IT infrastructure. Getting all financial institutions connected will further expand on PNG's digital economy drive. In all, support needed as highlighted by institutions interviewed is categorized as follows: 1. Technical and financial support to expand on digitization and IT infrastructure; 2. Assistance in the form of capital to be able to connect to the National switch; 3. Credit Guarantee scheme to help MSMEs improve their businesses and economic opportunities and thus build resilience; and creation of an SME Relief Fund to support struggling SMEs.

COVID-19 has exposed weaknesses in institutional structures and accelerated the need for innovation across the industry and other sectors of the economy. Institutions with well-developed IT infrastructure easily allowed their staff to work from home. They were also quick to activate their BCP when the first case of COVID-19 was announced. Institutions with electronic/digital platforms were flexible with customers to access various services without physical presence. This helped to reduce face-to-face contacts and also enhanced efficiency. Institutions with huge capital/reserves were more agile and were able to react and make changes to their business models while those with limited capital were thinking survival. Going forward, institutions need to automate their processes including the use of DocuSign and automating approval processes all in the quest to building resilience among staff and within the work environment.

At the sectoral level, this is an opportunity for structural transformation of the informal economy. This requires reforming the barriers to formalisation or recognition of informal enterprises, improving access to financial services particularly micro-insurance, providing incentives for diversification of enterprise types to meet local needs, and establishing more efficient food distribution systems. These reforms need to be combined with social protection measures that ensure the sustainability of livelihoods and promote individual and household well being particularly for the most vulnerable people (women, children, disabled people and the elderly).

The impact of the pandemic is likely to increase the load of unpaid care of sick people on women, reducing their capacity for child care, with an adverse impact not only on younger children, but also on school age children if schools close during the emergency. Any disruption to food distribution or lack of food affordability is likely to have a particularly severe impact on children, many of whom are already suffering from poor nutrition and a range of factors causing stunting. Sexual exploitation or abuse of children is also a possibility.

Impact on the Sustainable Development Goals (SDGs)

Impacts on vulnerable groups, like informal sector labour and women, vary across crucial sectors like agriculture and tourism and will directly affect the progress of SDGs. Cash-flow constraints for businesses and households and operational obstacles like supply chain disruptions are a few factors that will inhibit progress towards the SDGs at the industry-level. SDG 5 with indicators on GBV, maternal health, digital divide, can use some of the market assessment reports and also survey through the protection cluster on GBV during the emergency. Table 2.3 summarizes the impact on some of the SDGs.

Table 2.3: Impact on the Sustainable Development Goals

Sustainable Development Goals	Impact of COVID-19
<p>1 NO POVERTY</p> 	<ul style="list-style-type: none"> • Poverty is expected to increase in the short-term due to loss of jobs, incomes, and livelihoods for those working in hard-hit sectors. • As shown in the UNDP’s household income/expenditure survey as well as the survey on firms, the incomes of 82% of affected households were adversely affected. • Further, 75% of MSMEs were adversely affected. Living conditions deteriorated for 85% of the surveyed households. • The Government’s limited ESP is unlikely to adequately support the large informal sector that is experiencing severe adverse impact will take longer to fully recover.
<p>2 ZERO HUNGER</p> 	<ul style="list-style-type: none"> • Measures taken to prevent COVID-19 has limit provision and access to food due to disruptions in supply chains– agricultural food production and distribution. • Travel restrictions have severely impacted food distribution network. As a result, food related expenses increased for the 57% of the surveyed households. • Food security was negatively affected by the compounding effect and spread of the fall army worm and African swine fever throughout the country. • Also, the loss of employment, loss of household income and reduced access and ability to the quantity and quality of food intake of households indicate that recovery will take longer and is likely to aggravate hunger. • Prices of basic food items such as rice, sugar and oil were hiked.
<p>3 GOOD HEALTH AND WELL-BEING</p> 	<ul style="list-style-type: none"> • Persons living with HIV/AIDS had difficulty accessing their ART supply. • Constraints to the provision of and access to Sexual and Reproductive Health (SRH) and maternal health services within the current COVID-19 response in PNG has been observed. • These include lack of prioritization of the continuation of SRH and Maternal health service provision due to diversion of supplies and financial resources to respond to COVID-19, inadequate protection of health workers, lack of dedicated spaces, equipment and tools for SRH and Maternal health service provision, and limited access of emergency obstetric and neonatal cases to health facilities.
<p>4 QUALITY EDUCATION</p> 	<ul style="list-style-type: none"> • COVID-19 had a detrimental impact on education. Schools were closed as part of the prevention measures. • Many of the students were unable to access the technology that would allow remote learning. • The survey showed significant barriers to delivering remote learning, including very limited access for students in the home to basic learning materials, as well technology such as radio, basic and smart phone, television, or internet.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<ul style="list-style-type: none"> • Negative impacts of COVID-19 is undermining the achievement of the goal by reducing the overall growth and hitting unemployment and wages across industries. • A fall in tax revenue and therefore the Government’s ability to spend on capital investment. • Many sectors that provide employment and income were adversely affected, especially businesses in the wholesale/retail sector, agriculture, tourism/hospitality, and the construction sector. • There is also reduction in the world market price and global demand for oil/gas. Oil/gas is the largest sector in PNG contributing 17.7% to PNG’s GDP, therefore negatively affecting growth.

Progress of almost all 17 SDGs will be affected. While COVID-19 directly affects SDGs 1-11 it also indirectly affects SDGs 12-17. Since all 17 SDGs are integrated in sustainable development, the impact of COVID-19 measures on a few are bound to affect them all.

Through the pledge to 'Leave No One Behind', PNG has committed to first fast-track progress for those furthest behind.

This creates an opportunity to build back better and accelerate the implementation of the SDGs. As the SDGs are integrated into PNG's Medium-Term Development Plan 3 (2018-2023), the achievement of the SDGs should be an important consideration when developing policy responses.

Impact of COVID-19 Related Measures on the Households of PNG

A typical PNG urban household comprises an average of 7 individuals.²⁵ With mainly one income earner, the head of the household earns to support about 6 immediate dependents and from time to time additional relatives or 'Wantoks'. A typical household may contain more than one income earner, with the majority working in the informal economy. Even those working as employees in the formal sector are likely to gain additional income from part time participation in the informal enterprises. Essential items account for about 87% of expenditure, with a typical household spending an average of PGK 150 per week. Other necessary expenses include utilities, phone credits, school and medical fees. Workers also put money aside for "rainy days" to deal with urgent needs (such as a funeral or cultural obligations) as they arise.

The poor constitute about 40% of PNG's population.²⁶ The poor means the segment of population in the monetary sector who live on PGK 7 (US\$2.00) or less a day. This segment of the population lives mainly on the informal economy and occupies the bottom layers of the labour force in any industry. They lack access to goods and services above the affordability range of the minimum wage.

The poor and the vulnerable segment of the society are usually hit hardest in any socio-economic shock. Vulnerable groups are the part of the populace whose livelihood/wellbeing is drastically affected by economic shocks or significant policy changes or Government actions. Like the poor, the vulnerable are not in a position to readily influence policy changes or do not have a formal social safety net to help cushion the adverse effects of socio-economic shocks. Vulnerable groups comprise individuals with particular disadvantages arising from their gender, income, age, access or ability. Table 2.4 outlines the vulnerable and the poor in PNG.

Disadvantaged people also fall under the poor and vulnerable groups category. They share the same or similar characteristics of the poor and the vulnerable (Table 2.4). As a society with relatively weak protection systems, this segment of the populace is vulnerable to shocks. And with inadequate social protection measures, this group is easily pushed back into poverty during crisis or shocks. The initial impacts of COVID-19 are indicating such a scenario.

25 Data based on United Nations Development Programme, Household Survey, June 2020; and UNDP estimates based on observation.

26 The 2019 UNDP Human Development Report estimates the income poverty in PNG at 39.9%. The ADB estimates 37.5% of the population living below the national poverty line. See also poverty and vulnerability in rural PNG <https://core.ac.uk/reader/30680394>.

Table 2.4: The Poor and the Vulnerable Segment of Population in the PNG Context

Vulnerable Groups	Percentage of Total Population (2020 estimate)	The Poor/Near Poor	Percentage of Total Population (2020 estimate)
People Living with Disabilities and Special Needs	04	Subsisting on Less than K7 or \$2 a day	40
Children under the Voting and Employment Age of 18	35	No/Limited Access to formal education	20
Uneducated/Undereducated Segment	15	No/Limited Access to public information	35
No/Limited Access to public information, justice, police protection	68	No/Limited Access to official communication	77
No/limited ability to generate an income	80	No/limited ability to generate an income	90
No/limited access to basic Government services such as clinics, primary schools, clean water,	67	No/limited access to basic Government services such as health clinics, primary schools, clean water	65
No/limited ownership of land	15	No/limited ownership of land	15

Data Source: Based on Estimates of the National Statistical Office, Bank of PNG, and UNDP estimates

Total labour force of PNG is 3 million (one third of the 16-60 years active population).²⁷

Although the employment to population ratio is 45%, the unemployment rate remains high at about 5% of the total labour force. The labour force participation rate of PNG is about 70%. This figure includes those engaged in the public and private sectors across PNG. The public sector is the biggest employer in PNG employing about 715,000 employees. Many employees are also engaged in earning a supplementary income through some informal entrepreneurial means or through moonlighting. Whilst there are industrial and special interest representatives, there is no unemployment benefits or a national credit scheme. Gender disparity is evident in all sectors. Women are much more concentrated in the IES, often being self-employed and largely focussed on trade. The IES operates outside the taxation system, and workers lack legal protections as well as income security.

Children comprise 33% of the population and is a significant vulnerable group.

With over 2% annual growth rate, PNG's population is envisaged to double in 3 decades. Whilst the quality of life of children is fundamental to the prosperity of PNG, the basic indicators (i.e. the mortality rates for under-5 children and infants) relating to water, hygiene and sanitation and early childhood development remains a cause for concern. PNG is in the bottom quartile for most indicators, including 50% of children recorded as stunted or chronically undernourished.²⁸ Enrolment and completion of basic education remains low at 15%. COVID-19 has further increased pressure on the national education and health systems and resources that may jeopardize.

27 International Labor Organization, Employment to Population Ratio, 2019.: http://devpolicy.org/Events/2017/PNG%20Update%20Conference/Presentations/4c_Pandey.pdf https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-suva/documents/publication/wcms_553880.pdf.

28 The DHS 2016-2018 notes the mortality rate of children under 5 years at 49 deaths per 1000 live births, a median years completed with the education attainment of females was 5.5 and for males 6.9. See also Papua New Guinea Economic Update. World Bank Group. January 2020. <https://openknowledge.worldbank.org/bitstream/handle/10986/33288/Papua-New-Guinea-Economic-Update-Facing-Economic-Headwinds.pdf?sequence=1&isAllowed=y>.

The IES contributes around 24% of GDP, or over 30% if the resource sector is excluded.²⁹

If subsistence farmers are included, then the IES contributes around 50% of national productivity excluding the resource sector. Close to 65% of the IES workers are in rural areas and engaged in cash crop and vegetable farming and produce for retail sales. In the urban areas the IES is engaged in vegetable marketing, roadside and street vending, services and labour-intensive manufacturing, which account for a high proportion of income generating activities. Table 2.5 show the estimated share from the IES and MSMEs to PNG's GDP.

Table 2.5: Share of the Informal Entrepreneurial Sector and MSMEs to the National GDP

Labor Force Category	Participation Rate	Contribution to GDP (estimate in %)
Formal Sector	1,512,000	75.00
• Government /Public Sector	715,000	23.00
• Large Businesses and Transnational Corporations	197,000	27.00
• Micro/Small and Medium-sized Enterprises	300,000	25.00
Informal Sector	5,600,000	25.00
• Informal Entrepreneurial Sector	4,100,000	24.88
• Non-entrepreneurial informal economy	1,500,000	00.12
Total	7,112,000	100.00

Data Source: Based on Estimates of the National Statistical Office, and Department of Labor & Industrial Relations February 2020

There are disparities of wealth within urban areas and between urban and rural areas, creating pockets of poor and vulnerable groups. A national audit of the informal economy conducted by UN Women in 2018 of a sample of 5,000 IES found that the informal economy provides incomes for 80% of the national workforce; 90% of incomes of households; is a major provider of affordable and accessible goods and services; an essential provider of food security; two thirds of workers are involved in trade; 60% of workers are women; workers predominantly occupy the older age groups; are better educated than the average for PNG adults; and include a high proportion of disabled people.

MSMEs comprise about 25% of the GDP of the formal economy and contribute about 24% of the labour force participation rate. MSMEs in PNG are mainly engaged in retail and services sectors and operate in urban and peri-urban settings. They employ between 10-

100 persons, mainly relatives and semi-skilled workers. MSMEs generate a profit ranging between PGK 10,000–50,000 per annum. With the Government's inducement of capital investments and as the economy transforms, the sector stands to expand in the medium term. This means the MSME sector will be a major driver of growth and a pillar for PNG's manufacturing and industrial efforts.

Recent national data show that women comprise approximately 48% of the IES workers throughout PNG.³⁰ The 2018 National Audit of the informal economy by UN Women shows a much higher proportion of women in the IES, though with some variation between regions. The informal economy is heavily concentrated in the buying and/or sale of goods. Depending on the economic prosperity of the locality, a woman in the IES earns an income ranging between PGK 100–300 per fortnight. Table 2.6 show the estimated share of the PNG population engaged in the IES and MSMEs.

29 Informal Entrepreneurial Sector (IES) means all entrepreneurial or income generating activities which are not categorized as normal/formal/regular income sources. These include enterprises who are not formally registered with the Investment Promotion Authority, and are not paying taxes. They include hawkers, marketers, vendors, artisans, cross border traders, table mamas, etc.

30 Department of Labor & Industrial Relations, Employment Estimates, April 2020.

Table 2.6: Share of the Population Engaged in the Informal Entrepreneurial Sector and MSMEs by Gender

MSMEs and IES	Proportion of Female Participants	Proportion of Male Participants
Micro/Small and Medium-sized Enterprises	500,000	400,000
Informal Entrepreneurial Sector	3,100,000	2,400,000
Total	3,600,000	2,800,000

Data Source: Based on Estimates of the National Statistical Office, and Department of Labor & Industrial Relations February 2020

Internal migration particularly economic migration is common across PNG. People move to access formal and informal economic opportunity, particularly to urban parts of PNG. Most occupy the middle and lower levels of the workforce. Living conditions of many internal migrants are generally low. Many migrants live in informal settlements, characterized by temporary shelter, poor sanitation/hygiene and limited access to clean water or other services. A survey conducted across 10 provinces in 2017 by the International Labor Organization shows that migrants are mostly male in the 25-35 age group. The dominant migration movement is from the Highlands Region to other provinces, and from rural areas or small towns to large urban centers, encouraged by economic factors as well as civil unrest and violence.

The National SEIA Survey on Households and Firms of PNG, April-June 2020³¹

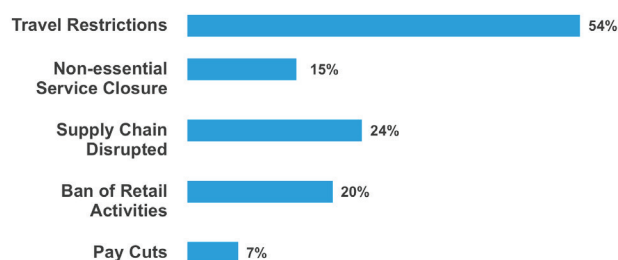
The SEIA survey assessed the immediate impact of the measures taken to minimize the spread of COVID-19. The survey covered over 6,000 households and 3,000 firms across all 89 districts of the 22 provinces of PNG. Data was disaggregated by sex. The survey focused on assessing impacts on income, expenditure, and behavioral changes within households. It also considered impacts on supply chains and productivity. Impact on employment was a major aspect covered in both surveys. Complementary surveys were carried out by various UN agencies resident in PNG, including

UN Women’s surveys on the impacts on market vendors, UNFPA’s survey on the impact on GBV, the UNCDF’s survey on financial institutions, and UNICEF’s survey on social impacts.

Impact of COVID-19 on Households – the SEIA Survey Results³²

The measures taken to contain/minimize the spread of COVID-19 disrupted the socio-economic setting of PNG. Among the various COVID-19 related measures, travel restrictions and the disruption to the supply chain had the most severe impacts on households. Travel restrictions (especially road travel) accounted for 54% of the impact on households. This has significantly affected living conditions to a point where 85% of households have reported a worsening condition. Other measures as shown in Figure 2.3 show the various COVID-19 SOE measures and their impacts on households. It is noted that these measures had similar impacts on MSMEs.

Figure 2.3: Impact of the COVID-19 associated SOE Measures on Households



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

30 The survey instruments (questionnaires) for Firms/MSMEs and the Households are in <https://ee.humanitarianresponse.info/x/#aOk7K8SG>, and <https://ee.humanitarianresponse.info/x/#y4lxm2lc> respectively.

31 The subsequent analysis follows from the SEIA Household Income/Expenditure and Firms survey unless otherwise stated.

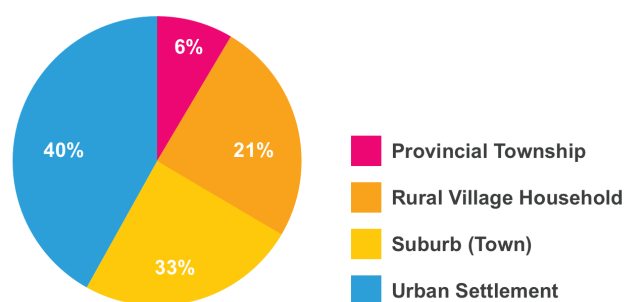
The impacts of the COVID-19 socio-economic crisis were felt by all 6,000 households surveyed across the 89 districts of PNG.

Of the 4 geographical (provincial townships, rural villages, urban suburbs, urban settlements) categories of households surveyed, a majority were from the urban squatter settlements where the bulk of the vulnerable groups dwell. In terms of the severity of the impacts, this was the hardest hit category of the households surveyed. Whilst the sample appears to be more urban, almost a third of the respondents are from the rural areas, hence the impact was severe and experienced across the various household types in PNG.³³ The most affected provinces were National Capital District, Western Highlands, and West New Britain. Figure 2.4 shows the geographical categories of households covered by the SEIA.

General characteristics of the heads of households surveyed were mainly married men. Whilst a good proportion of female members of households were bread winners of households, the head of household was accorded to the father or the man of the house due to cultural practices. This is deduced from the 26% of female married respondents and affirmed when looking at approximately an equal composition of men and women that comprised the 12% of the single male/female respondents. Figure 2.5 show the civil status of the heads of households by gender and geographical dwellings.

Employment of respondents skewed mainly towards the formal sector. Most respondents were in formal employment 56%, followed by 42% who worked in informal enterprises such as roadside table markets. Of the formal sector respondents 35% were male, and 21% were female. For the IES respondents, 21% were male, and 16% were female. In general, the impact was about the same for both female and male employees. The difference would be from the sampling size where the male proportion of respondents was larger than female.

Figure 2.4: Geographical Categories of Households Surveyed Across the 89 Districts of PNG



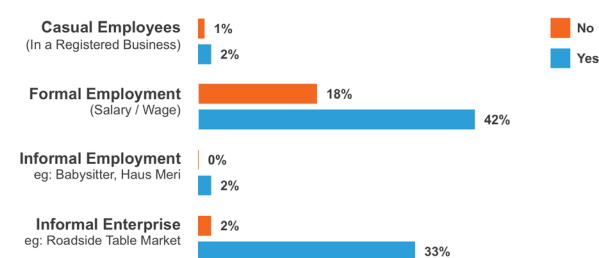
Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.5: Civil Status of the Heads of Households Surveyed per Dwelling



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.6: Impact on Employment of Heads of Households by Gender in the Formal and Informal Entrepreneurial Sectors



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Impact on employment of heads of households was severe with 31% temporarily losing their jobs. Employment was hard hit in both the formal sector and the IES and had about the same impact on both male and female employees. The difference is due mainly to the sampling size. This significant impact on employment was due to (i) business closures

33 It should be noted that provinces with the larger population size had a larger sample size compared to the less populated districts or provinces. For example, Morobe (most populous province) had a larger sample than Manus with a smaller population size.

(35%); (ii) scaling down operations (17%); and (iii) other related factors such as market closures, downscaled wages and restricted movement. An important element of this is that long-term benefits such as long service leaves of many employees were used up in the process. This was significant in employees from the private sector.³⁴ Figure 2.6 show that about the same proportion of male and female employees had their employment affected across both the formal and informal sectors.

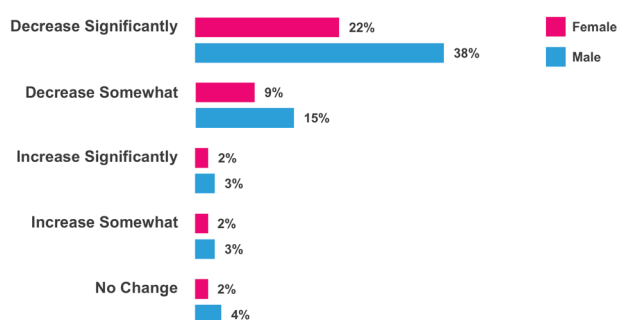
Incomes of 80% of households were adversely affected.

Almost 60% of respondents experienced significant declines in their incomes. For households with an income of PGK 101- 500 per fortnight, incomes declined by 13%. For the households that had some form of earnings in the range of PGK 7-100 within a fortnight, incomes declined by 23%. The IES had a significant reduction in their income sources due to travel restrictions given that their main income source was from fruit/vegetable marketing. More than 85% of households envisage their income to decline further if the socio-economic shock induced by the COVID-19 pandemic continues and if further restrictions are being imposed. Similarly, 84% of those affected were unable to supplement their incomes with alternative means. Figure 2.7 show the impact on the main income source of the heads of households.

Incomes of households of extended and nuclear families were unequally impacted.

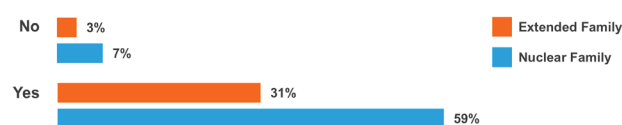
For extended family households including members of households who were engaged in gainful employment (besides the head of the household) had their incomes declined by 59% compared to the 31% of nuclear family households. This unequal impact was because the head of households of most extended families were engaged in lower level jobs who were among the first employees to be laid off by employers. Head of households of nuclear families were mainly engaged in upper level jobs and were not among the first layer of employees laid off. This indicates that those earning less

Figure 2.7: Impact on the Main Income Source of Heads of Households if restrictions are extended



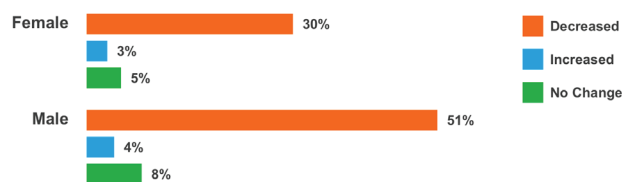
Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.8: Impact on the Incomes of Extended and Nuclear Family Households



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.9: Impact on Income of Female Headed Households



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

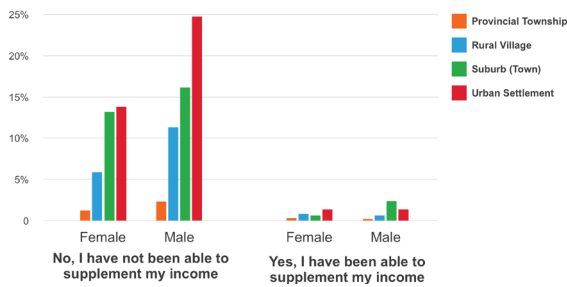
were more affected than those earning more, a disproportionate impact that could increase inequality and poverty in the country. Figure 2.8 show the impact on the incomes of households.

Impact on the incomes of formal and IES workers was significant.

The survey results show that the incomes of 42% of formal sector workers and 35% of IES workers, including those from the roadside table markets, were affected. More than 50% of male headed households were adversely affected compared with 31% of female headed households. Figure 2.9 show the impact on the main income of female headed households.

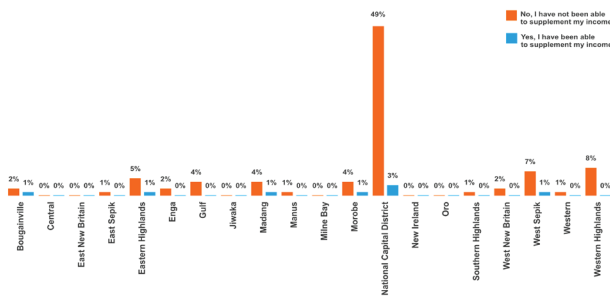
34 Food and Agriculture Organization, Situation Report 3, June 2020

Figure 2.10: Households that were able to Supplement their Main Source of Income by Locality



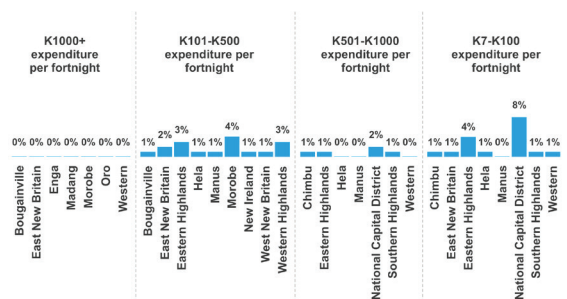
Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.11: Households in Selected Provinces that were able to Supplement their Main Income Source



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.12: Fortnightly Expenditure of Households Prior to COVID-19 Measures



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Of those whose income were affected, only 9% reported that they were able to supplement their income. Of the 91% that were unable to supplement their income, the majority (37%) lived in urban settlements while 30% came from the suburbs and 19% from rural households. Most of the affected households lived in NCD (49%), followed by Western Highlands (8%), and West Sepik (7%). Figures 2.10 and 2.11 show the percentage of households (by locality and province) that were able to supplement their main source of income.

Prior to COVID-19 expenditures of an average household was in the range of PGK 101-1000 per fortnight. This ranged across PNG with Morobe and NCD and several other urban centers being in the higher range. Figure 2.12 show the impact on the fortnightly expenditure of households prior to the COVID-19 measures.

Impact on expenditures of households was mixed. Survey results show a 38% decline in household expenditures, as well as a similarly high percentage (26% of households) reporting an increase in spending. This is because of the 38% of households that reported a decline in their spending, 23% were in the formal sector, and 14% were in the IES. The survey results show that 40% of nuclear families experienced a decrease in spending compared with 20% of extended families. More men (38%), than women (22%), reported a decrease in spending during the SOE measures. This indicates a significant increase for a normal household and adds pressure on the security of the household. This is the main daily income. Overall, 68% of households reported increased expenditures, which means disrupting their spending on daily basic needs such a food. Such increases were mainly for food related expenses. It was established that 54% of households spent between PGK 7-100 per day, of which 21% were female headed households. Those spending between PGK 101-500 on a fortnightly basis made up 35% of respondents. Figure 2.13 show the impact on the expenditures of households during the COVID-19 restrictions/lock down.

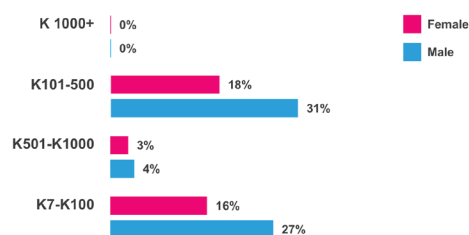
Heads of households were unsure about job prospects after the lockdown. The survey results show that most nuclear families (44%) were not sure if they would be able to return to their former jobs or finding a job when the COVID-19 measures were over. The survey also showed that 20% of extended families were also not certain of a job return or finding another job. In contrast, 9% of nuclear families and 7% of extended families were certain of finding a job or returning to work after the COVID-19 measures. Figure 2.14 shows the proportion of households indicating their return to work after COVID-19.

The quantity of consumption of basic food items of households decreased significantly. The survey show that nuclear families had the quantity of their food intake decline by 20%, which is twice more than the extended families. This was because most members of the nuclear households had dependents who were students and not usually home prior to COVID-19. This is in contrast to the extended families who were normally home before and during COVID-19 and families were used to rationing food intake and lockdown did not change their eating habits much. Figure 2.15 show the impact on the level of the quantity of food consumed by families during the COVID-19 lockdown.

The quality of food consumed by nuclear households decreased by 26%. Nuclear families were more adversely affected than extended families. The survey results show that overall, 27% of the nuclear families experienced a decrease in the quality of food items consumed, compared with 14% of extended families. Also, 17% of nuclear families compared with 8% of extended families, reported a decline in quality of food items consumed. Figure 2.16 show the impact on the level of the quality of food consumed by families during the COVID-19 lockdown.

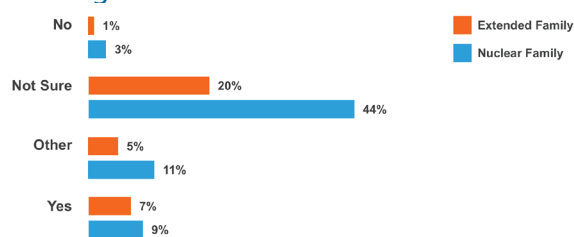
The provinces experiencing a decline in food consumption were mainly NCD, West New Britain, and Bougainville. However, 9% of respondents in NCD, 10% in Western Highlands and 6% from West New Britain reported an increase. Overall, 61% of respondents reported a decrease in the quality of food consumed. These include 13% in NCD, 11% in Western Highlands and 8% each in West New Britain

Figure 2.13: Impact on Household Expenditure during SOE



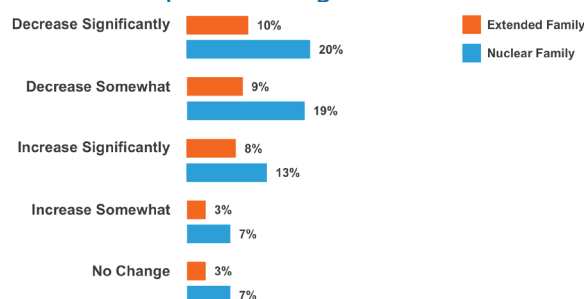
Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.14: Proportion of Households Indicating their Return to work after COVID-19



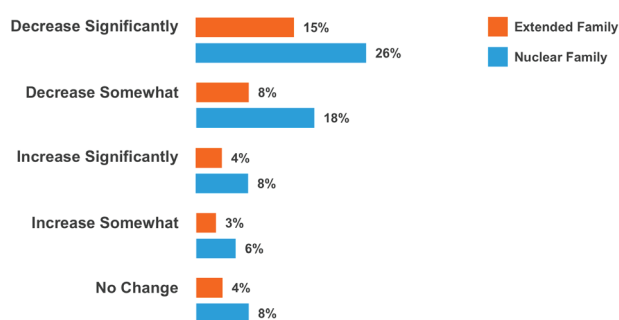
Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.15: Impact on Families' Quantity of Food Consumption during the lockdown



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.16: Impact on Families' Quality of Food Consumption



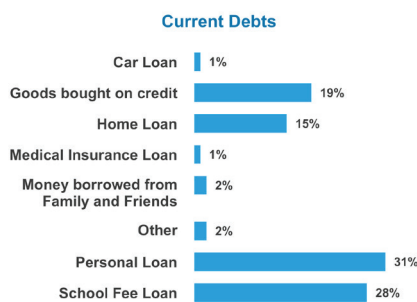
Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

and Bougainville. Only 13% overall reported an increase in the quality of food consumed. These include 5% in NCD and 3% each in West New Britain and Bougainville.

Debts of households increased by 42% resulting from COVID-19 related measures.

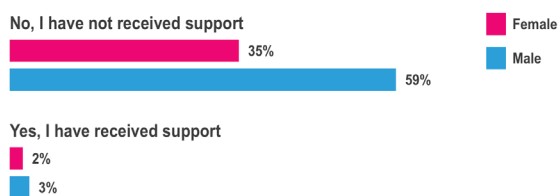
Debts increased due to additional borrowings. The survey showed that 50% of households are currently servicing some form of debts. Of these, 72% are experiencing difficulties repaying their debts due to the decline of their incomes.³⁵ The survey data shows that 79% of respondents reported that the lockdown and related restrictions/measures affected their main source of income, Respondents also reported that the lockdown and related restrictions affected their ability to repay their debts. Debts from borrowing for food consumption increased

Figure 2.17: Impact on Current Debts of Households during the First Wave of COVID-19 measures



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.18: Level of Support Received during the first Wave of COVID-19 measures by Gender of Heads of Households



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

as well.³⁶ The main form of debts are in home mortgages and personal loans (31%), school fees (28%) and goods bought on credit (19%). Personal loans have no collateral and not from formal financial institutions and hence carry a serious risk. Figure 2.17 show the impact on the current debts of households during COVID-19 related measures.

Forms of support for households during the crisis was insignificant.

Most respondents (94%) reported no support from any formal sources. Only 6% received some form of support from the Government, churches, CSOs, relatives, or employers. This shows that COVID-19 exacerbated an already weak institutional system that has weak or limited capacity to withstand the pandemic. It also shows that the funds earmarked to support various sectors could have been better informed and targeted to help the recovery and build back better process. The ESP which has been earmarked could have been better informed and targeted. Figure 2.18 show the level of support received during the COVID-19 related restrictions and measures by gender of heads of households.

Personal challenges associated with COVID-19 measures has surfaced prominently. Among those significantly affected, 43% were women.

More than 35% of women reported reduced income opportunities as the main challenge. Besides security concerns, 11% of women reported other challenges including travel expenses, managing children at home and mental stress during the lockdown period. A mini-survey by UNFPA on the State of GBV during COVID-19 crisis noted that the registering of family violence cases dropped, whilst calls to hotline centers increased.³⁷ Family Support Centers initially considered as non-essential services were scaled back, though safe houses remained operational with a limited capacity. A major constraint for GBV and family violence has been restrictions on transportation in reporting the matter to police and access to safe houses. Access to justice for victims of violence remained a challenge as the police force had

35 Most are not aware and did not apply for debt repayment holidays introduced by commercial banks during SOE.
 36 Food and Agricultural Organization, Situational Report on Food Security, 3, March 2020
 37 The State of Gender Based Violence During the COVID-19 Crisis and State of Emergency, United Nations Population Fund, June 2020.

been directed towards COVID-19 response, and they lacked the human resources to handle the complaints.³⁸ Figure 2.19 shows some challenges faced by individual respondents in selected provinces during the COVID-19 lockdown period.

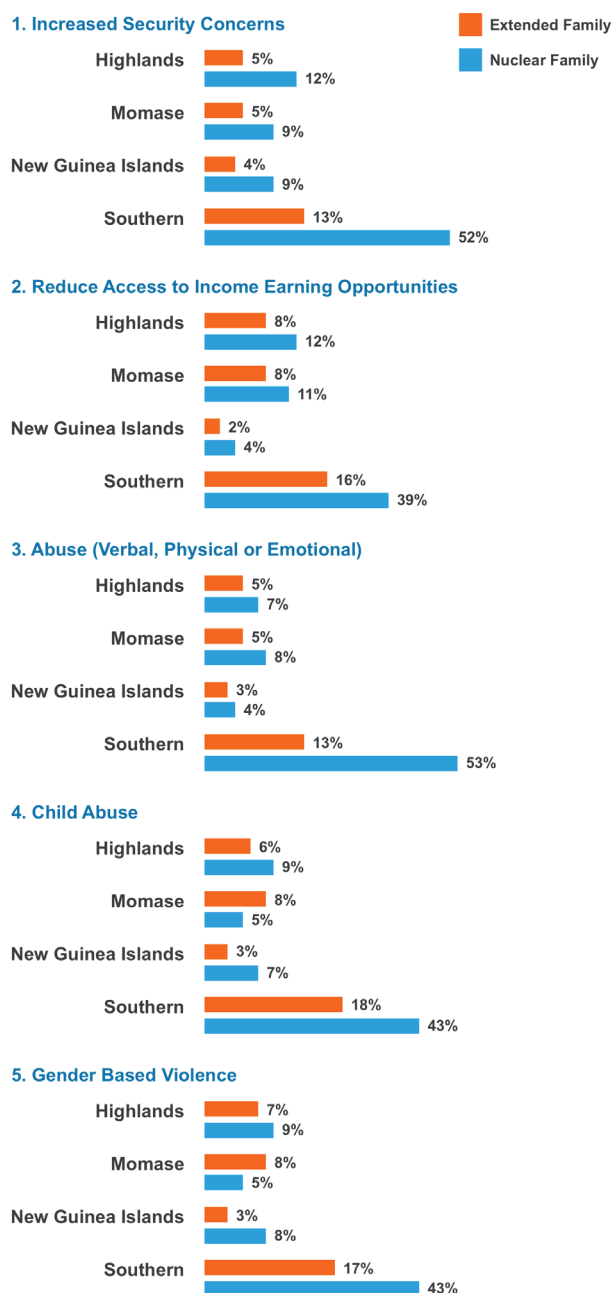
Other social challenges have also surfaced during the COVID-19 lockdown. Some of these are covered in the specific assessments conducted by UNICEF, UNFPA, UN Women, IOM and FAO. These assessments highlight some obvious social impacts such as increase in domestic violence including physical, emotional and sexual abuse experienced by women; limited access to justice by victims as the police manpower was stretched; and barely functional safe houses due to lack of human resources or logistics; increase in criminal activities due to locking down at homes with no job and loss of income; limited information flow on COVID 19, and the protocol established by the Controller resulting in confrontations and excessive use of force by the police; during the lockdown period, counselling and other services could not reach vulnerable people; allegations of discrimination and undue remarks on “persons of interest” or people in quarantine. Restrictions on *buai* trade resulted in small vendors losing their daily income, but that artificially jacked *buai* price up by 200%.

Overall, 87% of households reported worsened living conditions because of COVID-19. Over 57% of these were nuclear families and 30% extended families. Figure 2.20 show the impact on living conditions of families during the lockdown period.

Households proposed several support measures for the Government and its partners to consider. These support measures are placed into 4 categories:

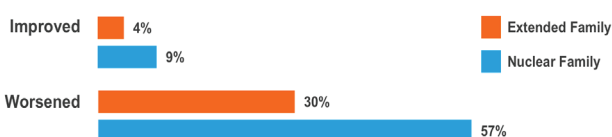
- I. **Tax measures.** Under tax measures, households called for reductions in income and GST taxes, and income tax holidays.
- II. **Financial and other significant support for MSMEs.** For financial and other significant support for SMEs, households proposed that the Government enable access to finance, provide efficient transport facilities,

Figure 2.19: Some Challenges Faced by Individuals in Selected Provinces



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

Figure 2.20: Impact on Living Conditions of Families



Data Source: United Nations Development Programme, National SEIA Household Income and Expenditure Survey, June 2020

38 See report of Boroko family violence unit <https://postcourier.com.pg/family-violence-rises-suspects-remain-at-large/>.

provide market facilities, promoting an enabling environment where persons in the informal sector can establish an MSME, empower farmers and agro-processing, and promote women and youth in businesses.

- III. **Measures to assist workers.** Households proposed measures that would promote labor and social policies.
- IV. **Social protection measures.** In the open-ended question, many respondents called for changes in labor laws, an increase in the minimum wage and a general increase in salaries. There were also proposals to reform and improve health and education services and implement social protection measures such as assistance with school fees, welfare payments to assist persons with financial problems, subsidies or pricing policies reform, and reform of the pension system to better assist the elderly.

Impact on Firms – the SEIA Survey Results

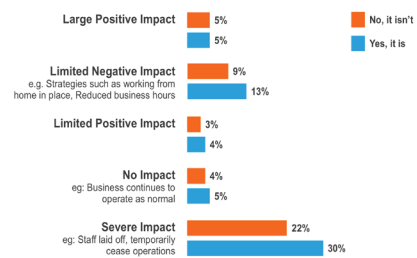
Firms were affected by the SOE measures and the global economic slowdown caused by COVID-19. Registered businesses were more impacted than non-registered businesses. The survey results showed that 43% of registered business were adversely affected by COVID-19. Of the 43%, 30% were severely impacted and had to lay off staff and temporarily cease operations. For non-registered businesses, 22% were severely impacted while 9% had limited negative impact such as reduced business hours.³⁹ Figure 2.21 below show the overall impact of the lockdown measures on both registered and non-registered firms across the country.

Firms were mainly adversely affected by the COVID-19 measures across the country. The results of the survey show that 73% of firms were adversely affected by COVID-19. Of these firms, 51% were severely affected and 22% with limited negative impact such as reduced business hours. Severely affected firms laid off staff and

temporarily ceased operations. Figure 2.22 shows the impact on firms that reported severe adverse impacts on their operations during the lockdown.

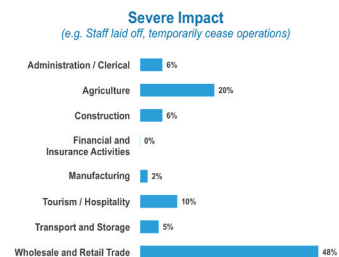
Impact on firms varied across sectors and localities. The survey results showed that 48% of wholesale/retail firms, 20% of agriculture firms, 10% of tourism/hospitality firms and 8% of construction firms were severely impacted. The province most severely affected was the National Capital District, where 55% of the firms reported

Figure 2.21: Overall Impact of the SOE Measures on MSMEs Across PNG



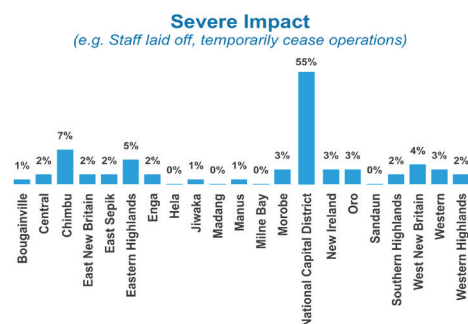
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.23: Severity of Impacts of COVID-19 Measures on Firms in Respective Sectors



Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.24: Firms that Experienced Severe Impacts by Province during the SOE



Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

39 The lockdown had the most severe impacts with 75% of firms citing disruption, followed by ban on operations (32%), and flight cancellations (12%). The other issues affecting business included the lack of Government spending on capital projects and services.

severe impact, followed by the Simbu Province with 7% of the firms and Eastern Highlands with 5% of the firms. Figures 2.23 and 2.24 show the level of severity experienced by firms in respective sectors and in various localities.

Firms took various measures to cope with the impact of COVID-19 related measures.

To cope with the COVID-19 related measures, both registered (19%) and non-registered (20%) businesses temporarily ceased operations with wage reduction common among employers. Figure 2.25 show the main measures taken by firms to adjust to the impacts of the SOE.

COVID-19 measures affected the production of goods and services of many firms in PNG.

The survey results showed that production of 40% of firms completely halted, for 29% of firms, the fall in production was between 20% to 49%, and for the remaining 31% of the firms surveyed, production level dropped by about 50% to 90%. The wholesale/retail sector was the worst affected with production halting for 19% of firms within the sector. The second most affected sector was agriculture which showed a 19% overall decline in production, followed by tourism/hospitality with an 11% overall decline and construction which showed a 6% fall in production. Figure 2.26 show the impact on production of firms.

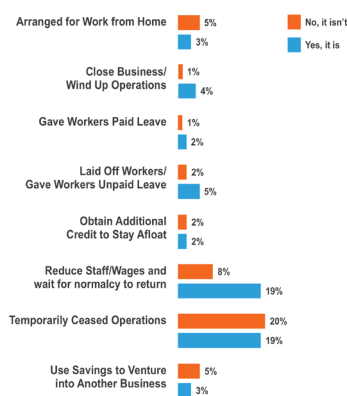
Firms that sourced their inputs locally were the most affected by COVID-19.

The survey results showed that 69% of businesses where production was adversely affected sourced their inputs from businesses within the same province, while 15% sourced their inputs from other provinces and 7% of affected firms sourced their inputs from overseas. Figure 2.27 show the impact on supply chains of firms on the levels of production.

COVID-19 had a detrimental impact on the sales and revenue of most SMEs.

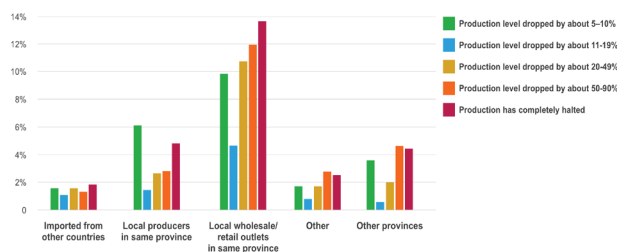
In the most affected sector, wholesale/retail, 19% of firms reported a drop in revenue by 50% to 90%. In the agriculture sector, 6% of firms reported a halt in revenue, while 5% of tourism/hospitality firms experienced a complete halt in revenue. Figure 2.28 show the impact on revenue of firms by sector.

Figure 2.25: Measures Adopted by Firms to Cope with COVID-19 related Measures



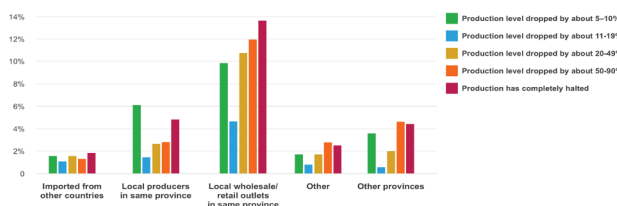
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.26: Impact on Production Level during the COVID-19 SOE



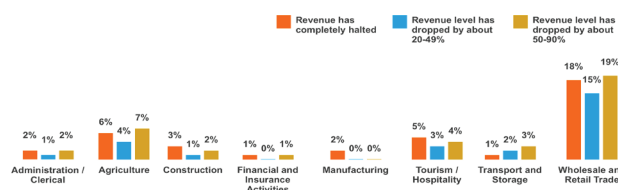
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.27: Impact on Supply Chain for Firms on Production Level during the COVID-19 SOE



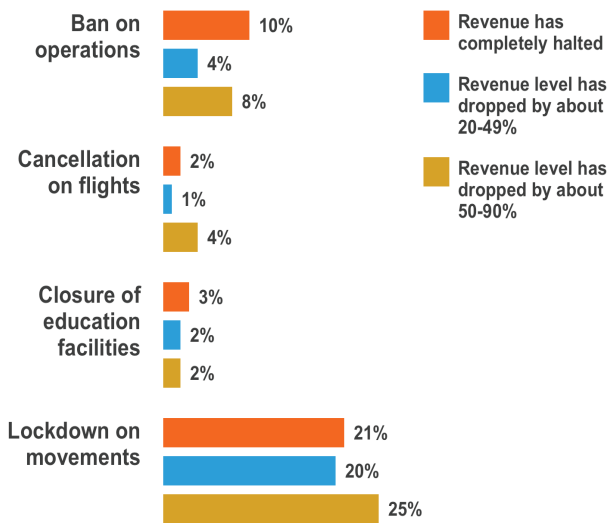
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.28: Impact on Revenue of Firms by Sector



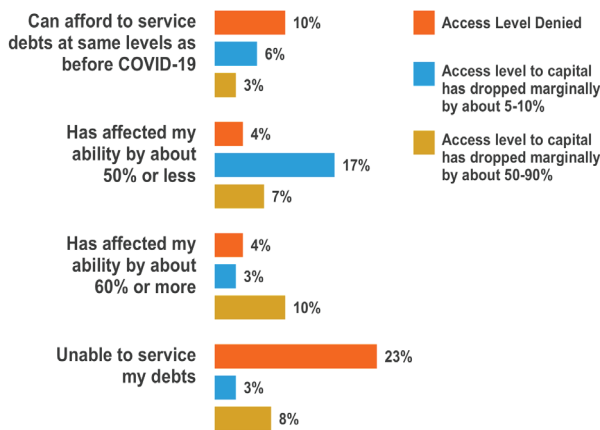
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.29: Impact of COVID-19 SOE Measures on Revenue of Firms



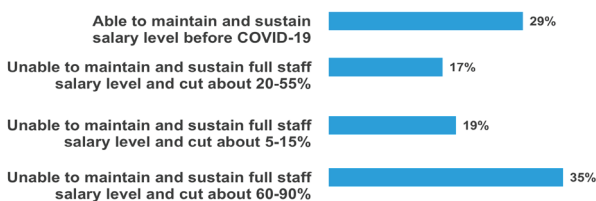
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.30: Impact on Access to Capital for Debt Servicing on Firms during SOE Measures



Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.31: Impact on Employment's Salary during the SOE



Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

The various COVID-19 measures and restrictions had varying impacts on firms. Firms reported that the main reason for the fall in revenue was the lockdown with movement restrictions. The survey data showed for 30% of the firms where production had completely stopped, sales decreased by 20% to 50%, and for 24% of the firms where production of goods and services dropped by 50% to 90%, sales declined by 20% to 50%. Interestingly, 10% of firms reported an increase in sales. Figure 2.29 show the impact of the lockdown on the revenue of firms.

Firms access to capital especially for debt servicing was significantly hit. The survey results showed that the repayment of debts and access to capital were adversely affected during the COVID-19 SOE period. Of the firms that were unable to service their debts, 23% reported that they were denied access to more capital by financial institutions. 66% of firms reported that their ability to service their debts were adversely affected by COVID-19. Many are not aware or do not know where and how to go about enquiring with the banks on the debt repayment holidays. Of these firms, 18% were denied access to additional capital, while 26% of firms reported a marginal drop in their access to capital. Figure 2.30 show the impact on access to capital for debt servicing revenue by firms.

COVID-19 also had an impact on the employment and salaries of SME staff. While 29% of SMEs reported that they were able to maintain the salaries of employees at the same level as before COVID-19, 71% reported that they were unable to maintain such salary levels. 35% of firms, reported a 60% to 90% cut in the salary of full-time staff, while 19% reported a 5-15% salary reduction for their staff. The survey results showed that 3% of firms were able to maintain employment levels despite COVID-19. On the other hand, 32% of firms surveyed laid off about 60% to 90% of their staff. Figures 2.31 and 2.32 show the impact on employee's wages/salary and employee retainment during the COVID-19 lockdown.

MSMEs took several measures to cope with COVID-19. Of the firms surveyed, 37% temporarily ceased operations, 25% reduced staff or wages and 8% either arranged for work from home or used their savings to venture into other businesses.

Production and supply chain effects were felt by over 90% of the firms. Close to 50% of MSMEs involved in manufacturing or primary production had their production halted. Another 27% had their production decline between 50% to 90%. More than 82% of firms that had their production materials sourced locally (within Provinces) experienced a halt in production. These were mainly in the wholesale/retail sectors. This also applied to firms that experienced a 5%-10% drop in production. Of the firms that sourced production materials from abroad 50% were severely affected. The wholesale/retail sectors followed by agriculture and construction sectors had their supply chain severely disrupted.

Customers of firms were reduced between 20-50%. Most firms reported a significant decline in sales thus resulting in lost revenue. The most severely affected sectors were wholesale/retail, tourism/hospitality, hotel/restaurants, agriculture, and public transportation. In many instances, sales were affected by up to 50% because of restrictions on transportation and customer mobility. Figure 2.33 show that 41% of the firms reported that customers decreased by between 20-50%.

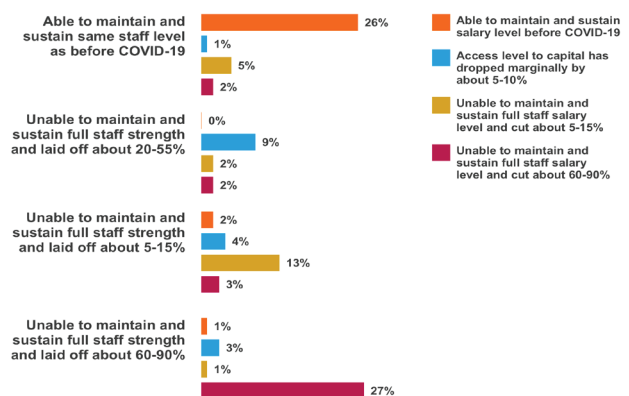
Firms were unable to sustain employment, wages and salaries of employees. Mainly due to not operating in full capacity, more than 50% of firms laid off 61% of their staff (20% of which were female). About 30% of the firms scaled back operations and cut between 60%-80% of wages and/or salaries. MSMEs in the formal sector were severely affected.

The IES is the most affected in the economy. A significant 95% of the IES across PNG, both in the urban and rural areas, have been hard hit. All firms surveyed have reported income loss, mainly from job layoffs, thus resulting in subdued expenditure for basic needs such as utilities, food, clothing and medication. Farmers across the country, who grow

and sell perishable garden foods such as kumu, vegetables, bananas, kaukau, taro in main urban vegetable markets, are particularly affected. The most affected urban areas are National Capital District, East New Britain, East Sepik and West Sepik provinces respectively. Figure 2.34 show the composition of the IES and formal sector respondents.

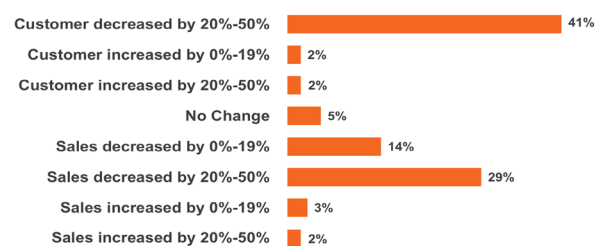
A majority of businesses were not supported during COVID-19. The survey showed that 81% did not receive support from the Government, while 13% received 'policy' advice. This means Government institutions were not positioned to embrace the fall out on businesses and measures taken were not coordinated with businesses. Businesses received other support from awareness and dissemination of information and financial counselling. Nearly 52% of business surveyed, reported that the ESP implemented by the Government did not help them. A further 40%

Figure 2.32: Impact on Retaining Employees during the lockdown



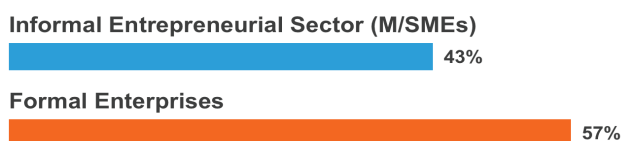
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.33: Impact on Customers and Sales of Firms during the SOE



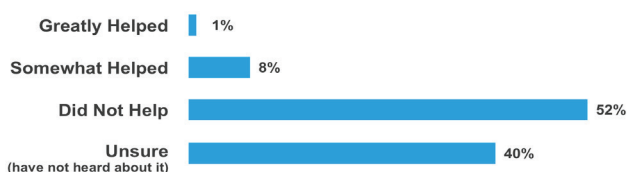
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.34: Composition of IES and Formal Enterprises



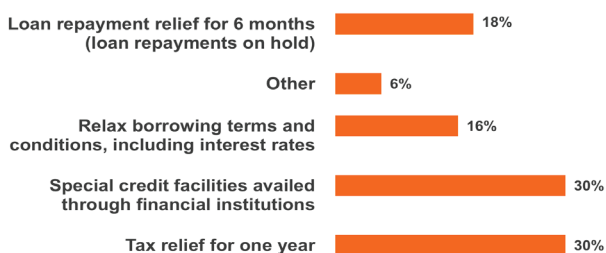
Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.35: Support for Firms during the COVID-19 SOE



Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

Figure 2.36: The Government's Economic Stimulus Package and its initial Impact on Firms



Data Source: United Nations Development Programme, National SEIA Survey on Firms, especially MSMEs, June 2020

of businesses reported that they were unsure of the ESP, do not know how to access that support, or have not heard about it. Figure 2.34 and Figure 2.35 show that firms received minimal support including from the ESP or other sources during the lockdown period.

Key recommendations for support from the Government and its partners from firms is for tax relief, loan repayment relief for 6 months. Other equally important recommendations include: (i) Special Credit Facilities availed through banks/financial institutions; (ii) relaxed borrowing terms and conditions such as interest rate cuts; (iii) relaxation of SOE measures

especially in lifting the ban on the buai trade. Figure 2.36 show the various forms of support proposed by survey respondents.

Impact on the National Healthcare System

The health system has been facing acute shortcomings before the COVID-19. It is underfunded, poorly capacitated and overwhelmed. An evaluation review of PNG's health system in 2019 by the WHO, the Asia Pacific Observatory on Health Systems and Policies (APO) and the World Bank noted that for PNG to achieve Universal Health Coverage by 2030, it needs to address the inequities in access to primary health care and the WHO-defined essential package of services in PNG immediately.⁴⁰

Key challenges in terms of life expectancy include maternal and newborn health, lack of access to health facilities and chronic shortages of health care workers, particularly in rural and remote areas. Coverage of these services is low and has declined in recent years, and noncommunicable diseases are on the rise. The Government's 'back-to-basic' approach in improving access to health and investing in human resources and infrastructure for improved access to quality and cost-effective primary health care, particularly in rural and remote areas, are crucial for PNG to reach the SDG targets on health. Improved management capacity at provincial level is also important.

There is limited access to quality maternity and reproductive health services with approximately 40% of pregnant women experiencing pregnancy-related health problems. An acute shortage of personnel, and an ageing health work force is evident in the low densities at 0.5 physicians per 10,000 population and 53 nurses per 10,000 population (WHO, 2018).⁴¹ PNG has 500 doctors, less than 4,000 nurses, and 5,000 beds in hospitals and health centres. Access

40 <https://www.who.int/papuanewguinea/news/detail/28-02-2019-first-review-of-papua-new-guinea-health-system-highlights-need-for-stronger-health-system>

to hospitals/clinics is limited especially by the majority of people living in rural and remote areas. The restriction to access hospital/clinics had significant impacts on people requiring constant medical treatments including those with communicable diseases such as TB and HIV/AIDS.

People Living with HIV/AIDS had difficulties reaching clinics for essential life-saving medications. This vulnerable group had greater trouble accessing medical services resulting from public transportation restrictions. An appraisal by UNAIDS on people living with HIV in PNG during COVID-19 in April 2020 showed over 66% of individuals had difficulty getting their ART supply due to transport restrictions. Figure 2.37 show the impact on people living with HIV/AIDS.

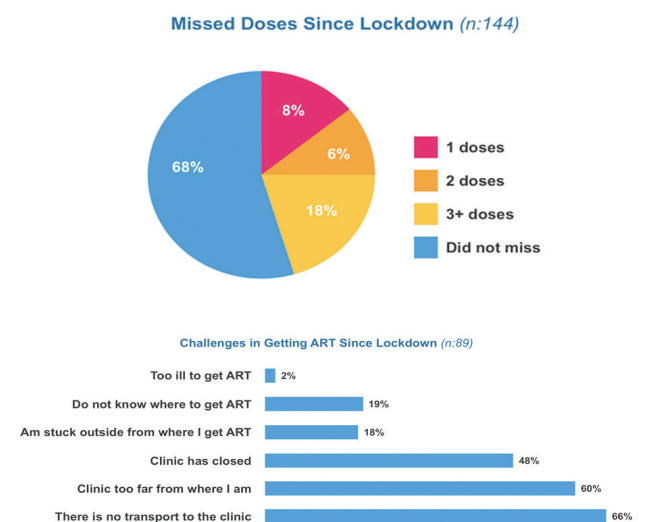
The UN Women surveys of market vendors showed that health messaging needs to take account of the fact that many people rely on traditional medicines and remedies, and any added health concerns combined with service access/cost difficulties may increase this reliance. Messaging needs to be respectful of traditional health practices while seeking to clarify what preventative or treatment tools are appropriate in response to the previously unknown virus. Women are well placed to communicate health awareness messaging due to their household roles and networks.

PNG has very minimal capacity to test, confine and treat COVID-19 cases. The Department of Health situation report of March 2020 point to the chronic deficiencies in both equipment and people capacity. Nurses across the country have threatened to strike over the lack of basic medical supplies and preparedness, and demanded more information about the virus. There is need to take urgent steps to ensure that information is accessible, that personal protective equipment is provided to health care workers, and that affordable and accessible

medical care is available to protect PNG's poorest and most vulnerable people.

With a health system that is fragile, underfunded and limited capacity, with high rates of malaria, tuberculosis, HIV and diabetes among its population of 9 million, the country has limited capacity to deal with a major outbreak. The Department of Health notes that access to hospitals is extremely limited, with about 70% of the population living outside the access grid. With only 500 doctors, less than 4,000 nurses, and around 5,000 beds in hospitals and health centres and the entire country has a limited number of ventilators necessary to treat critical COVID-19 cases. The United Nations has played a critical role and concentrated its efforts, together with other development partners, on containment and mitigation. At the same time, efforts are underway to scale up interventions addressing secondary impacts, such as on WASH, protection, gender-based violence, nutrition, food security, as well as education and awareness.

Figure 2.37: Impact on People Living With HIV/AIDS during the SOE



Data Source: United Nations AIDS, Survey on People Living with HIV/AIDS, April 2020

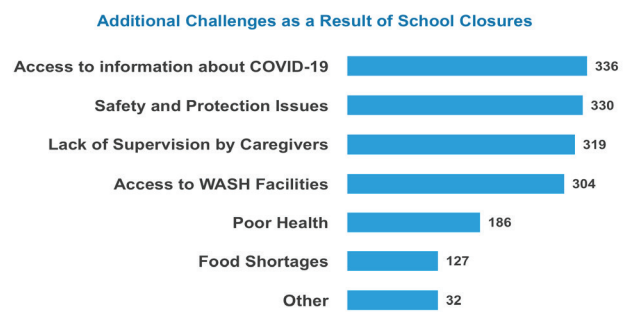
41 Based on the latest Demographic and Health Survey 2016-18. Midwives and community health workers necessary for maternal health service delivery also lack. The Total Fertility Rate is high at 4.2, with urban and rural at 3.5 and 4.3 respectively. The Contraceptive Prevalence Rate (any method) was 37%, and the CPR modern methods at 30%. Among currently married women, the unmet need for family planning was 26% with the unmet need highest among the lowest wealth quintile. The Maternal Mortality Ratio at 171 maternal deaths per 100,000 live births remained high in comparison with countries at similar levels of development. This ratio is even lower at the provincial and district levels especially in those difficult to reach remotest parts of the country.

Impact on Education

The national education system was significantly affected by the shutdown of schools. Results from a survey of 404 schools across PNG conducted by the National Department of Education with support from Save the Children and UNICEF show more than 83% of the schools lack accurate information on COVID-19. Over 81% had safety and protection issues. Nearly 79% lacked supervision at home and over 75% had limited access to WASH facilities.⁴² There was no contingency plans or programs for the continuation of studies from home mainly because most educational institutions in PNG have no or limited access to online or internet services.⁴³

The survey noted that PNG's educational systems and schools were brought to a halt during the lockdown. The closures of schools and universities across PNG took its toll on parents and students alike as well as the academic calendar. About 1.5 million students (about 87% of enrolled learners) stayed home with no ICT system in place to help with distance or virtual learning and the academic calendar was readjusted all resulting in approx. K1 billion in losses. This includes costs due to tuition fee refunds, free deferral of study, realignment of teaching calendars, changes in student boarding and lodging, and teachers' salaries. Many foreign teachers/lecturers left the country after the first case was reported in March 2020. Figure 2.38 show some challenges related to school closures.

Figure 2.38: Challenges Resulting from COVID-19 Related School Closure



Data Source: UNICEF Survey on the Impact of COVID-19 on the National Educational System, April 2020

Most schools were unable to deliver remote learning, including no access by students at home to basic learning materials, as well as radio, smart phone, television, or internet. Most schools also have limited access to these resources which present a challenge to delivering quality education, including booster learning programs, for students on return to school. Over 1.2% of the students with disability were significantly affected by school closures. Students with a disability require additional support or adapted home learning materials. Boarding students at secondary and tertiary institutions were vulnerable to COVID-19 through the increased risk of infection and being unable to safely travel back to their homes.

Impact on other services was significant. Continuity of services needs careful consideration in relation to maternal and sexual reproductive health, as such services could be diverted to addressing the COVID-19 emergency to the detriment of individual and family wellbeing. Continuity as well as augmentation

42 A rapid assessment conducted by UNICEF 22-29 April 2020 on the impact of COVID-19 in the National Education System surveyed inspectors and guidance officers using telephone interviews with the head teachers of 405 schools and education institutions (2% of total). Schools in the sample represented a total population of 131,937 students. Telephone interviews were conducted in 18 provinces (81% of provinces) and 48 districts (55% of all districts).

43 In the early stages of COVID-19 the NDOE developed a PNG COVID-19 Education Emergencies and Response Recovery Plan (\$22 million) with the support of Australia, Save the Children and UNICEF. This plan is helping NDOE mobilize support and focusing on response and recovery.

44 PNG students studying abroad were forced to return, whilst others opted to remain overseas due to travel restrictions. Overseas students enrolled in PNG educational institutions have also returned home.



of services addressing family violence will also be important, particularly as the consequences of the emergency could be a surge in violence and sexual exploitation of women, children and disabled people. This is discussed further below. The 2020 report by CARE Australia noted that critical gaps in the treatment of survivors of domestic and sexual violence place thousands of women at serious physical and psychological risk, even without the added pressures of a disaster. However, at the time when many women and girls need GBV services more than ever. Evidence suggests that those services are likely to decrease as resources are diverted to dealing with the COVID-19 health crisis.

Service continuity for disabled people, including family-based care, will also be important. If their usual carers have restricted access they may be denied food, personal care and communication, effectively abandoned. Discrimination may prevent them receiving the help they need from alternative sources. Reliance on police and justice services to address crime and violence may be compromised as resources are diverted to address the COVID-19 emergency. It may be difficult in this situation to prevent an upsurge in crime arising from shortages of goods, substance abuse and social stress.

Physical/social distancing will be particularly stressful (if practicable at all) for low income households including those living at high densities within informal settlements. Stress triggers could encourage substance abuse and violence, including sexual assault,

with women, children and disabled people particularly vulnerable. In this situation the family home may not be a safe space, and alternative accommodation may be needed for protection of vulnerable individuals. Identifying people at particular risk may be problematic, as there is often a reluctance to involve external professionals including police. Reliance on community networks such as local churches may be more effective.

In communities where there is poor access to water and sanitation, social isolation practices may result in women and girls being at greater risk of violence in public spaces when they need to access common water supply or sanitation facilities. Quarantine requirements may be even more problematic, and could require that individuals or families be removed from their home environment for the required period – use of vacant buildings such as hotels may be appropriate. The 2020 CARE report suggests that: *“Response recommendations should consider how the quarantine experience can be different for women, men, boys, girls, people with disabilities and other marginalised groups, such as whether different physical, cultural, security, and sanitary needs are being met as well as recognize that the home may not be a safe place for some women, children and people with disabilities and may indeed increase exposure to partner violence.”*

Removal of women from their more usual active roles within their communities, due to social isolation or quarantine requirements, may result in less capacity to promote supervised hygienic preventative practices such as hand washing in public places. Women are the main providers of unpaid care outside their households within their communities, as volunteers within various community mobilisation initiatives. There is potential for some of these activities to be incentivised through cash or other financial payments. Female headed households may be particularly vulnerable to homelessness given that they are likely to have less secure tenure than male headed households. This could result from their inability to pay rent, or their lack of clear ownership in a situation where this

is contested. The competition for dwindling economic resources during the emergency could place these household at particular risk.

PNG benefits from a social safety net through the wantok system. This is likely to be significantly disrupted through social distancing requirements during the emergency. There is a heavy reliance on mobile phones to maintain these networks, with workers in the informal economy commonly spending 20-25% of their earning on phone bills, indicating the very high priority given to these social connections. If incomes are reduced, maintenance of these networks by phone may become unaffordable.

An Analytical Snapshot of the SEIA

The extensive coverage of SEIA to cover 6,000 households and 3,000 firms across all 89 districts of the 22 provinces within the midst of the restrictive measures of COVID-19 using innovative methods is remarkable. Whilst there is room to for improvement, this is sufficient and credible evidence to make sound and evidence-based policy formulation to build back better.

The SEIA provides a first real attempt at assessing how effective the economic and monetary measures have been in alleviating economic pains suffered by households and MSMEs. The results of the survey for households found that living conditions worsened for an overwhelming majority of households. These worsening living conditions are directly linked to lower incomes, and caused by: job loss and the inability to supplement income lost.

The lockdown brought to fore the weak formal social safety net of the country. The lack of which has disrupted the whole livelihood and even the fabric of the PNG socio-economic system. This provides an excellent opportunity for the government and its partners to now build better with more sustainable and resilient approaches.

The domino effect emanating from an unprecedented disruption to people's movements, has cracked the economic and social system of the country. It caught the country unprepared and hence would take time for the country to readjust and rebound given its weak institutions, systems, capacity, mobility, and overall resources. PNG needs to establish formal social safety nets as a matter of priority. The COVID-19 pandemic and its impact on the society has exposed PNG yet again that the country is highly vulnerable to any major social and economic shocks.

Severe affordability problems from income loss has caused a domino effect which saw the expenditure of households on food increasing by 30-50%. It means a PGK 150 foregone per week per household. This exerts more pressure on basic items such as quantity of basic food (let alone quality), utilities if in urban squatter settlements.

The surveys show that the 40% poor in PNG is likely to move behind the poverty line as their livelihoods gets disrupted. The 87% of rural households and the 13% of urban households would see the inequality gap widening. This is bound to put more pressure on the government's weak fiscal position, institutions and infrastructure.

MSMEs that could absorb the country's unemployment situation need urgent support. This is an opportunity to the Government to introduce resources for capacity enhancement as well as reorienting the critical cluster of the wealth generation mechanism to now revamp and build back with better and greener approaches to withstand shocks.

Whilst Government and its partners responses are yet to reach all intended beneficiaries, this assessment provides some evidence that can be used to better reorient and reprioritize the support. Focus must be on MSMEs and households to help put in place a fundamental socio-economic transformation in the medium term.

Part 3: Policy Options for Sustainable Recovery in the New Normal



Navigating and managing the ‘New Normal’ during an evolving global and national COVID-19 pandemic and ensuing socio-economic crisis will require a suite of responses. Some must focus on the short-term, others on the medium to longer-term. This will require that policy settings are appropriately calibrated and initiatives well targeted.

Papua New Guinea is not starting this effort from a blank canvas. Over the last decade, it has invested heavily in articulating and implementing a national vision for its development. Papua New Guinea has a comprehensive long-term policy architecture, among which features *Vision 2050* and the *Development Strategic Plan 2010 – 2030*. The former contains the national vision statement, while the latter the strategies and initiatives that facilitate the Development Strategic Plan.

The Development Strategic Plan is further broken down into five-year, Medium-Term Development Plans (MTDPs). Papua New Guinea is currently delivering on its third such plan. The United Nations, through UNDP, has played a pivotal role in supporting the development of this plan and the Government’s commitment to harmonising its objectives with *2030 Agenda for Sustainable Development* and its Sustainable Development Goals or SDGs that lay out specific targets to be achieved. In July 2020, Papua New Guinea presented its first voluntary review of its progress toward achieving the SDGs.

The policy recommendations presented below, seek to balance addressing the challenges presented by COVID-19 to Papua New Guinea with a commitment to **continue delivering on the nation’s longer-term aspiration** to ensure by 2050, it ‘is smart, wise, fair, healthy and happy society’, and to ensure that the country does not slip back on development gains made over the past decades. The recommendations and options presented also aim to support ‘building back better’, i.e. addressing some of the structural challenges while promoting a transformation towards a sustainable and inclusive green growth path.

The United Nations Development System Response and Recovery Framework

The United Nations has developed a Response and Recovery Framework to assist its member states respond to the impacts of COVID-19. This framework is presented under five pillars. These are:

1. Health First: Protecting health services and systems during the crisis.
2. Protecting People: Social protection and basic services.
3. Economic Response and Recovery: Protecting jobs, small and medium-sized enterprises and the informal sector workers.
4. Macroeconomic Response and Multilateral Collaboration.
5. Social Cohesion and Community Resilience.

The Framework addresses key priorities. At its heart, lies the strategic objective of helping countries, 'build back better.' The objective highlights both the challenges that countries face and as importantly, the opportunities they have to orientate their recovery in a manner that supports the most vulnerable and ensures no one is left behind.

For Papua New Guinea, these pillars align with a number of Key Result Areas under the MTDP III. Of particular importance are:

MTDP III – Key Result Areas (KRAs)	Pillars of the United Nations Development System Response and Recovery Framework
<i>KRA 1:</i> Increased Revenue and Wealth Creation	<i>Pillar 3:</i> Economic Response and Recovery <i>Pillar 4:</i> Macroeconomic Response and Multilateral Collaboration
<i>KRA 3:</i> Sustainable Social Development	<i>Pillar 2:</i> Protecting People <i>Pillar 5:</i> Social Cohesion and Community Resilience
<i>KRA 5:</i> Improved Service Delivery	<i>Pillar 1:</i> Health First

In summary, the policy recommendations presented below encourage:

- Investment in human capital and the strengthening of basic service delivery.
- The development of mechanisms to better protect the most vulnerable, particularly women and the unemployed.
- Economic diversification and a pivot towards a 'greening' of the economy.
- More inclusive and forward-looking socio-economic policy settings that facilitate stronger livelihoods and more equitable opportunity.

While Government will play a key role in leading recovery efforts, the policy recommendations presented below also suggest a number of actions for the private sector, civil society and Development Partners.



Policy Recommendations for Government, Civil Society, Business and Development Partners

1. Health First: Protecting health services and systems during the crisis.

In the short-term Government must:

- Continue to invest in strengthening its national health systems. This requires investment at the national and sub-national levels. This investment should look not only at addressing the impacts of COVID-19, but longer-term challenges presented by diseases such as tuberculosis, HIV/AIDS and chronic conditions such as malnutrition.

In the medium to longer-term Government should:

- Improve and broaden access to health care, including for sexual and reproductive health.
- Take into account expanding investments aimed to make health care more affordable and of a higher quality across all of Papua New Guinea.

2. Protecting People: Social protection and basic services.

In the short-term Government should:

- Expand counselling and community support services, shelters for victims of domestic violence and displaced people to address emerging social challenges and economic hardship.
- Implement the *National Food Security Policy 2019-2028* and associated *Action Plan 2019-2023*. In doing so, ensure this policy is integrated into provincial and district development planning.

- Stabilize access to food, improve seed banks to increase the supply of seeds and planting materials and farmer extension services, especially in difficult-to-access rural and remote areas.

In the medium to longer-term Government should:

- Invest more in technical and vocational education to increase the 'employability' of people and their life skills. Such investment should prioritise the most marginalised, vulnerable and single parents with fee subsidies.
- Train and deploy social workers to address issues faced by the vulnerable, among them, family and sexual violence, child welfare, people living with disability and elderly care.
- Assess, design, cost and implement a universal child benefit system for all children younger than 16 years old, as well as a universal old-age pension system for all persons 60 years old and older.
- Increase the use of technology to improve remote access to learning, including through television, radio and digital platforms.
- Increase engagement and partnerships with Civil Society and Faith-Based Organisations while encouraging their more active participation in policy dialogue and service delivery.

In the medium to longer-term Civil Society should increase:

- Assistance to vulnerable persons in a coordinated manner with the national and sub-national levels of Government.
- Coordination across the sector in how it supports communities and engages with Government, Development Partners, the Private Sector and international non-government organisations.

3. Economic Response and Recovery: Protecting jobs, small and medium-sized enterprises and the informal sector workers.

In the short-term Government should:

- Invest in employment generation. One option could be to develop schemes to employ those out of work on Government infrastructure projects.
- Sponsor programmes that build the business skills and those pursuing start-up opportunities. This could include financial literacy and business administration.
- Deliver social protection programmes for the most vulnerable. Among them, those who have lost jobs and had businesses close, particularly women, casual workers and those who have left the communities to seek work across the country. Such measures could include health benefits, child-care, cash transfers and/or cash for work initiatives.
- Maintain livelihoods for farmers and other primary producers by opening international trade corridors to facilitate increased trading opportunities.

In the medium to longer-term Government should:

- Increase support to the SME Corporation and related institutions to provide training and other assistance to the IES promoting their growth and inclusion in the formal business sector.
- Increase support to the Investment Promotion Authority and relevant agencies to implement their mandates including operationalizing their strategies to expand small business operations and national investment policies.
- Operationalize the special economic zone to support local businesses in a more conducive investment environment. This should operationalize designated export

processing/manufacturing zones, marine parks, business incubation centers and cyber parks. This includes supporting supply chains to minimize disruptions.

- Empower the Women's Micro-Bank with micro-finance programs using favourable terms to encourage economic activity. This could include health insurance options where insurance covers up to 14 days' lost wages in the IES together with medical treatment.
- Provide 'green' fiscal incentives for those MSMEs that start the transition to resource-efficient operations and sustainable business models. This could see greater investment in green jobs, clean technologies, natural capital for ecosystem resilience and regeneration.
- Make access to digital/ICT infrastructure and services more affordable. This would reduce administrative costs and improve the efficiency of services.
- Apply a more environmentally sustainable lens to public financial management and the spending of consolidated revenue on public projects. This should also include 'green' incentives to attract investment in renewable energy and other green technologies.

In the medium to longer-term Business should:

- Re-orient business operations to make better use of digital platforms and technology. For example, many businesses around the globe and to some extent in Papua New Guinea are using digital platforms to innovate how their products and services reach consumers.
- Work with Government, civil society and development partners to create a more conducive business environment promoting investment in the SDGs and in diversifying products and/or services to generate employment opportunities.

4. Macroeconomic Response and Multilateral Collaboration.

In the short-term Government should:

- Continue working towards ensuring the ESP is well-targeted and well-coordinated. The ESP should focus on meeting immediate health and food security needs, offer social protection and support economic stability in a transparent manner.
- Continue working with Development partners to restructure existing aid investments, where practical, to support national COVID-19 response efforts.

In the medium to longer-term Government should:

- Modernise the tax and social security systems to make more efficient use of public monies in a way that supports citizens more equitably.
- Relax the exchange rate regime and gradual floating of the Kina to allow it to find its market value.
- Pursue alternate development financing such as a carbon trade fund and develop a proactive debt management strategy.
- Better safe-guard Papua New Guinea's environment and natural resources by addressing drivers of unsustainable natural resource use and ensure stronger and more transparent environmental management.
- Expand the use of public-private partnerships to develop social and public infrastructure and increase investment in corporate social responsibility to accelerate sustainable economic recovery and growth.

In the medium to longer-term Development Partners should:

- Assess options to increase trade in commodities and possible areas of investment to stimulate job creation.
- Consider relaxing provisions on financing, lending and aid conditionality where such efforts inhibit or increase the Government's capacity to recover from COVID-19.
- Maintain their aid and other investments in Papua New Guinea to off-set shortfalls in Government financing, particularly for basic service delivery.

5. Social Cohesion and Community Resilience.

In the short-term Government should:

- Continue to push forward with its national COVID-19 response ensuring planning and recovery efforts are flexible and adaptable.
- Where possible, cushion the impact of job losses with credit concessions, easing of lending conditions and tax relief for those most impacted by any economic disruption.

In the medium to longer-term Government should:

- Protect human rights and focus on inclusion across the preparedness, response, and recovery spectrum. Age, gender, living with a disability, and migratory status are factors to consider. This measure should also include making information in readily understandable formats and languages, consistently available to all people.

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