

Climate-Policy Based Financing

P001062 - Papua New Guinea Growth and Resilience Program with Catastrophe Deferred Drawdown Option

Environmental and Social Matrix

Prior Action	Likely environmental impact	Likely social impact
<p>Prior Action 1. To establish the regulatory framework for carbon markets, PNG has passed the Climate Change (Management) (Carbon Markets) Regulation 2025, which defines the institutional arrangements, governance structure, procedures for carbon market development, authorization, and oversight of carbon market activities in PNG.</p>	<p>Positive (indirect). The Regulation replaces the prior moratorium with a rules-based authorization framework and establishes the legal basis for MRV and registry systems. By introducing MRV requirements and consistency with Article 6 cooperative approaches, the Regulation reduces the risk of fragmented, low-integrity carbon market activity and creates the legal basis on which environmental integrity safeguards (anti-leakage, additionality, double-counting controls) can be operationalized. No significant adverse environmental impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: Future carbon offset and REDD+ projects developed under the Regulation will remain subject to the Environment Act 2000, the Climate Change (Management) Act 2015 (as amended), and the safeguards of the relevant project financiers. CCDA's capacity to administer the permit, MRV, registry, and independent verification functions will be further strengthened through the approved standards and guidelines, biennial reporting, and independent verifier mechanisms provided for in the Regulation. Further technical assistance to support development of administrative guidelines for permitting under the Paris Agreement Crediting</p>	<p>Positive (indirect). The Regulation establishes the authorization regime and codifies free, prior and informed consent (FPIC) procedures and benefit-sharing rules materially relevant to customary landholders, including a Certificate of Consent subject to independent verification, designated focal points, and an offences regime for fraudulent FPIC under Section 50. Indirect risks relating to the application of FPIC and benefit-sharing at downstream carbon market projects have been considered and are not assessed as significant, given the Member system arrangements described below. No significant adverse social impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: FPIC and benefit-sharing arrangements for downstream carbon market and REDD+ projects are governed by PNG's framework for customary land and natural resources (e.g., Constitution of the Independent State of PNG, Land Registration (Customary Land) Act 2009, Land Disputes Settlement Act 1975, Forestry Act 1991) alongside project-level safeguards of the relevant financiers. Pre-appraisal consultations with CCDA confirmed ongoing dialogue with the National Forest Authority on Article 6 implementation and benefit-sharing. CCDA's capacity to discharge its FPIC verification and benefit-sharing oversight functions, including the operation of focal points, verification of Certificates of Consent, and enforcement of the offences regime, will be progressively strengthened through the approved standards and guidelines provided for in the Regulation, alongside complementary technical assistance from development partners.</p>

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	Mechanism, aligned with CCDA's expected adoption of those guidelines in Q2 2026, is under discussion subject to a formal request from CCDA.	
<p>Prior Action 2. To strengthen climate resilience in the transport sector, PNG through its Department of Works and Highways has approved the Climate-Responsive Road Infrastructure Manuals which establish technical standards and design requirements to integrate climate risk considerations into the design, construction, maintenance, operations, and rehabilitation and decommissioning of road infrastructure.</p>	<p>Positive (indirect). Embedding climate risk and resilience considerations into mandatory road engineering standards is expected to reduce climate-related damage to road assets, lower the risk of unplanned reconstruction, and contribute to lower lifecycle environmental impact over time. No significant adverse environmental impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: Project-level environmental impacts of any future road construction remain subject to the Environment Act 2000 and the Environment (Prescribed Activities) Regulations 2002, administered by the Conservation and Environment Protection Authority, and to project-level safeguards arrangements of the financing entities for those projects, including AIIB's own ESP for any AIIB-financed downstream investments such as the proposed Trans Island Highway Upgrade Project (112 km, Morobe Province). DOW's capacity to apply the Manuals' engineering and design provisions consistently across road projects, on which the expected reductions in climate-related damage and lifecycle environmental performance depend, will be further strengthened through operational uptake monitoring during program supervision and complementary technical</p>	<p>Positive (indirect). Climate-resilient road design supports the durability and safety of transport corridors that are essential for rural communities, smallholder agricultural producers, and access to health and education services in geographically isolated provinces. No significant adverse social impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: Application of the Manuals to specific road projects, including any associated land acquisition or customary land considerations, is governed by PNG's land legislation, including the Land Act 1996, the Land Disputes Settlement Act, and the Land Groups Incorporation Act as amended in 2009, and by project-level safeguards arrangements of the financing entities. DOW's capacity to apply the Manuals consistently across road projects, on which the expected durability and accessibility of transport corridors serving rural communities, smallholders, and other end-users in geographically isolated provinces depend, will be further strengthened through operational uptake monitoring during program supervision and complementary technical assistance for road project preparation.</p>

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	assistance and capacity building for government engineers.	
<p>Prior Action 3. To improve trade facilitation and market access, PNG has passed the Biosecurity Act 2025, which provides: (a) the legal foundation for effective, modernized import controls and export certification; and (b) a framework for biosecurity surveillance, and other animal and plant health measures.</p>	<p>Positive (indirect). A strengthened, internationally aligned biosecurity framework reduces the risk of incursions of pests and diseases that could harm PNG's biodiversity, agroecosystems, and forest ecosystems, and supports obligations under the International Plant Protection Convention and the World Organization for Animal Health. No significant adverse environmental impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: Hazardous waste streams generated through implementation of the Act (treated or destroyed plant and animal material, decontamination chemicals) are managed under the Environment Act 2000, the Public Health Act 1973, the Environment (Hazardous Waste Management) (Control of Transboundary Movement) Regulations 2018, and the National Waste and Chemical Management Policy 2020-2030 ("Changing Our Ways"). Destruction and disposal authority for biosecurity-relevant material is provided by the Biosecurity Act 2025 itself and, on a transitional basis, by the Animal Disease Act 1952 and the Plant Disease and Control Act 1953. The Biosecurity Authority's capacity to operationalize the surveillance, inspection, certification, and waste management functions on which the framework's effectiveness depends will be progressively strengthened through the implementing regulations and related</p>	<p>Positive (indirect). The Act provides the statutory basis for managing transboundary pest and disease risks that threaten agricultural livelihoods, food security, and trade, and is particularly relevant to smallholder producers (in which women are well represented) who face disproportionate losses from outbreaks. Pre-appraisal consultations with the Biosecurity Authority identified potential localized livelihood impacts on farmers, small producers, and affected communities where movement controls, inspection requirements, or disease containment actions disrupt production and trade, including circumstances requiring culling of livestock. These constitute likely adverse indirect impacts of the prior action but are not assessed as significant, given the Member system arrangements described below. No significant adverse social impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: The Biosecurity Authority confirmed an existing public hotline for outbreak-related reporting and complaints, and case-by-case compensation, typically through in-kind support such as restocking. The Authority's capacity to operationalize compensation, complaint handling, and producer outreach functions during outbreak response and enforcement, on which the equitable and timely management of livelihood impacts on smallholders and vulnerable households depends, will be progressively strengthened through the implementing regulations currently under preparation by the Authority and continued engagement during program monitoring, alongside complementary technical assistance from development partners.</p>

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	instruments currently under preparation by the Authority, with completion targeted by end-2026, alongside complementary technical assistance discussed during the mission as a potential area of partner support.	
<p>Prior Action 4. To strengthen institutional arrangements for emergency preparedness and response, PNG has passed the Fire and Rescue Service Act 2025, which: (a) mandates the Fire and Rescue Service to respond to rescue operations and emergency response, and (b) strengthens the resourcing for the Fire and Rescue Service.</p>	<p>Positive (indirect). A coordinated emergency response capability reduces secondary environmental damage from unmanaged hazard events, including unsafe recovery operations in floodplains, landslide-prone areas, and locations affected by industrial or chemical incidents. No significant adverse environmental impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: Construction or rehabilitation of any future fire and rescue facilities remains subject to PNG's environmental regulatory framework, including the Environment Act 2000, and project-level due diligence. PNGFS's capacity to deliver coordinated emergency response will be progressively strengthened through the implementing regulations currently under preparation, occupational health and safety arrangements and training are expected to be developed as part of the operationalization of the Act, and complementary technical assistance from development partners. Pre-appraisal consultations with PNGFS indicated that emissions tracking from fuel consumption is not currently undertaken, given the perceived minimal contribution to global GHG emissions.</p>	<p>Positive (indirect). The Act establishes the statutory authority through which emergency preparedness and response can be expanded to address fires, industrial hazards, and climate-related extreme events including floods, landslides, and heat-related risks that disproportionately affect communities in geographically remote and underserved districts. Pre-appraisal consultations with the PNG Fire Service confirmed coverage in 13 provinces, with planned expansion to all provinces and the Autonomous Region of Bougainville, supplemented by smaller stations to support major districts. Over 100 staff completed basic firefighting training in 2025, and women are represented across several functions including frontline roles. No significant adverse social impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: The PNG Fire Service confirmed an existing mechanism for receiving and responding to public queries and complaints, ongoing public awareness activities (schools, communities, hospitals), and continued efforts to strengthen gender inclusion. PNGFS's capacity to operationalize emergency response across the expanded scope of the Act and the planned sub-national rollout, on which the expected benefits for communities in geographically remote and underserved districts depend, will be progressively strengthened through the draft implementing regulations currently under preparation (expected to be submitted to the State Solicitor for targeted approval within the year), occupational health and safety arrangements and training are expected to be developed as part of the operationalization of the Act, and</p>

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		complementary technical assistance from development partners, with WB planning related activities including development of operational guidelines and a related workshop targeted for mid-2026 and DFAT having expressed interest in supporting this area subject to further discussion with PNGFS. Sub-national rollout will be tracked during program monitoring.
<p>Prior Action 5. To provide an integrated approach to Internally Displaced Persons (IDPs) linked to climate change and natural disasters, the National Executive Council has approved the National Internally Displaced Persons Policy 2025 - 2035, which: (a) sets out strategies for responding to internal displacement from climate change and natural hazards impacts (Chapter 3, Policy Strategies 6 and 7); and (b) establishes coordination mechanisms between departments responsible for provincial government, disaster response and climate change (Chapter 3, Policy Strategies 3, 6 and 7)</p>	<p>Positive (indirect). A coordinated displacement response framework reduces the likelihood of ad hoc settlement in ecologically sensitive areas and supports planned, climate-informed approaches to relocation and recovery. No significant adverse environmental impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: Implementation of the Policy is coordinated through the institutional framework established by the Disaster Management Act 1984, emergency powers provisions of the Constitution, the Climate Change (Management) Act 2015, the Land Act 1996 (for any State-led acquisition associated with relocation), and the Environment Act 2000. During the pre-appraisal mission, consultations with the Department of Provincial and Local Government Affairs (DPLGA) confirmed that environmental aspects of the Policy will be addressed through coordination with CCDA, the Conservation and Environment Protection Authority, and the Department of Lands and Physical Planning, with the National Disaster Centre (under the Department of Defense) coordinating disaster</p>	<p>Positive (indirect). The Policy establishes PNG's first national framework for protecting and assisting persons displaced by climate change and natural hazards, including durable solutions, gender focal points in Provincial IDP offices, sex-disaggregated data systems, GBV referral pathways, and livelihood support measures for displaced women. Preparation was supported by IOM and USAID through a policy development process spanning approximately a decade, and was informed by extensive consultations across 17 provinces with approximately 5,000 to 6,000 stakeholders, including vulnerable groups, provincial authorities, and civil society organizations. The Policy is materially relevant to communities affected by climate-induced displacement, including in coastal and highland regions where customary land tenure is prominent. Indirect risks relating to provincial-level operationalization, including engagement with customary landowners, have been considered and are not assessed as significant, given the Member system arrangements described below. No significant adverse social impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: DPLGA confirmed an existing grievance handling mechanism, the establishment of a dedicated IDP office within DPLGA, and continued IOM support on a draft relocation policy and a database holding socio-economic profiles and vulnerability risk assessments. Gender is mainstreamed in the implementation plan, including</p>

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	<p>response. DPLGA's capacity to lead implementation across this multi-agency coordination, on which the expected avoidance of ad hoc settlement in ecologically sensitive areas and consistent application of climate-informed relocation approaches depend, will be progressively strengthened through the operational measures under development with IOM support, alongside complementary technical assistance from development partners.</p>	<p>identification of GBV. DPLGA's capacity to lead provincial-level operationalization, particularly where relocation or resettlement support requires engagement with customary landowners and coordination with the Department of Lands and Physical Planning to manage potential land-related disputes and tensions between IDPs and host communities, will be progressively strengthened through the draft relocation policy under preparation with IOM support, the dedicated IDP office within DPLGA, and complementary technical assistance from development partners.</p>
<p>Prior Action 6. To improve the responsiveness of health system during climate and health emergencies, the National Executive Council has approved the National Health Information and Technology Policy 2024-2030, which includes robust data systems for disease surveillance and monitoring, enabling responsive decision making and an early response system for disease outbreaks and disasters.</p>	<p>Positive (indirect). The Policy provides the governance framework for digital surveillance systems that support earlier detection and more targeted response to climate-sensitive diseases, including vector-borne illnesses (malaria, dengue) and water-borne illnesses (cholera, diarrhea) whose incidence is shaped by climate variability and extreme weather events. Digital health surveillance is identified by WHO as a core climate adaptation function for health systems. Secondary co-benefits include more efficient resource allocation, reduced paper consumption, and potential reductions in transport-related emissions where digital tools enable remote care delivery in PNG's geographically dispersed health system. No significant adverse environmental impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: End-of-life management of ICT hardware (electronic waste) is governed</p>	<p>Positive (indirect). The Policy establishes the governance framework for a digital health architecture that supports real-time disease surveillance, early warning, and continuity of care during climate- and health-related emergencies, with particular benefits for rural, remote, and underserved populations and for the digital upskilling of female health workers. Pre-appraisal consultations with the Department of Health (DoH) confirmed governance arrangements including a Steering Committee chaired by the Secretary of Health and co-chaired with the Department of ICT (DICT), with participation from NICTA, WHO, UNICEF, and DFAT, and a Technical Working Group at Deputy Secretary level. No significant adverse social impacts, whether direct or indirect, are expected from this prior action.</p> <p>Member system: Data privacy and protection are governed by the Digital Government Act 2022 and the Government Cloud Policy 2023. DoH and DICT's capacity to operationalize the Policy across the urban-rural and gender digital divide, service continuity, data handling in contexts of limited digital literacy, and the transition of project-modality digital systems into government ownership on which the expected benefits for rural, remote, and underserved populations</p>

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	<p>by PNG's existing waste regulations, including the Environment Act 2000, the Environment (Hazardous Waste Management) (Control of Transboundary Movement) Regulations 2018, and the National Waste and Chemical Management Policy 2020-2030 and will be monitored during program supervision, particularly as project-modality digital health systems transition into government ownership and routine operation.</p>	<p>depend will be progressively strengthened through a phased implementation approach, a partnership under preparation to deploy satellite-based internet solutions in remote areas, the GEDSI desk within DICT with GEDSI policy mainstreamed, and complementary technical assistance from development partners, including ongoing work with WB to formalize a systematic feedback and complaints mechanism. Sub-national rollouts will be monitored during program supervision.</p>