



Chronic Poverty
Research Centre

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Chronic Poverty in Papua New Guinea

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What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty.

Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation.

This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.



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Acronyms

AAP	Annual Action Plan (health)
ADB	Asian Development Bank
ANU	Australian National University, Canberra
ART	Anti-retroviral therapy (for HIV/AIDS)
AusAID	Australian Agency for International Development
DFID	UK Department for International Development
ECP	Enhanced Cooperation Program, AusAID
FER	Function and Expenditure Review
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
HSIP	Health Sector Implementation Policy
HSSP	Health Sector Support Programme
IMF	International Monetary Fund
JICA	Japanese International Cooperation Agency
LDC	Least Developed Country
LLG	Local-level Government
MDG	Millennium Development Goals
MP	Member of Parliament
MTDS	Medium-term Development Strategy
MTEF	Medium-term Expenditure Framework
NCD	National Capital District (aka 'Waigani' or Port Moresby)
NDoH	National Department of Health
PG	Provincial Governments
PM	Prime Minister
PNG	Papua New Guinea
PRSP	Poverty Reduction Strategy Paper



SAP	Structural Adjustment Programme
SWAp	Sector-wide Approach
UNDP	United Nations Development Programme
WB	World Bank
WHO	UN World Health Organisation



Executive Summary

In terms of internationally accepted measures, the people of Papua New Guinea (PNG) are poor. Worse yet, many are getting poorer. The reasons for this are complex, rooted in the geography of the country, its political economy and its social and political processes. To reduce its poverty is complicated and by most accounts, beyond the government's ability or will to achieve, even with donor support.

PNG is an exemplar of the thesis that environment is destiny, for its extreme landscape has left its mark on the nation in numerous ways. It consists of more than 600 islands, it ranges from sea level to 4500 meters and is subject to volcanic eruptions and earthquakes. The nation hosts nearly 6 million people divided into more than 850 language groups (clans or *wontoks*), with strong cultural identities and traditions. The sense of nation is weak and politics at all levels are chaotic.

Many people live in areas that are difficult to access, isolated in the mountains, and amongst the dense forests and swamps. There are no railroads, and few roads – none links the capital city to any provincial capital – and people coming into towns walk, or arrive by water or air. Many rural people are outside the cash economy, mainly dependent on subsistence agriculture, which is handicapped by poor soils, steep slopes, and heavy rainfall. Marketing of produce is hindered by poor infrastructure. Many people migrate to towns where they hope to find jobs and public services, which are scarce in the hinterland. They are not really welcome, though, especially if they turn to begging or crime to live. Towns (Port Moresby, Lae, Mt Hagen and recently Madang) are subject to violent crime, though clan-based and politically inspired conflict is found in some rural districts as well. HIV/AIDS is making inroads, especially in the cities.

The national economy benefits from mineral, hardwood, and oil/gas extraction, but relatively few of the profits are used to improve public facilities or infrastructure. The nation's administrative and political structures are highly decentralised, based on the 'Organic Law for Provincial and Local-level Government'. This structure of government has proven to be dysfunctional as there is a disconnect between central and local levels, such that sector policies designed in the capital are not implemented effectively in the districts. This is because funding is insufficient and because a large percentage of sector funds is spent on staffing rather than operations. Complicating the issue is politicised service delivery and the fact that senior staff may work for one level of administration (e.g., central government) while junior staff work for another (district or province), which results in poor discipline. Moreover, the delivery of services is complicated by overlapping authority. Naturally, where resources and effective management are scarce civil servants are de-motivated and demoralised. The example of health service delivery in three provinces is given.

Government has redesigned its Medium Term Development Strategy, though efforts to turn this into programme frameworks have been slow. There is no Poverty Reduction Strategy. Donors, especially AusAID, support government's policy priorities, providing more than \$250m per year in development assistance. Much of this goes to social sectors, as well as infrastructural projects and governance programmes.



Civil society is relative weak, as many people are illiterate and live in isolated areas. These and clan loyalties affect national and local politics. Various small projects initiated by local groups and NGOs contribute to development, but these cannot take the place of capable, developmental leaders and a strong nation state.

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We are where we are today [in Papua New Guinea] because this is where our leadership has taken us.... I think it is fair to say that our leaders over the many years have not looked after the people that we were elected to serve. ... For many years we have spent our money poorly, often going into debt to fund ill or poorly conceived projects or projects that would benefit a few well-connected politicians and bureaucrats. We allowed the bureaucracy to become bloated and inefficient, and for corruption to fester. -Bart Philemon, PNG Minister of Finance & Treasury¹

1 An introduction to chronic poverty in PNG

In terms of internationally accepted measures the people of Papua New Guinea (PNG) are poor.² Worse yet, many are getting poorer.³ The reasons for this are complex, rooted in the geography of the country, its political economy and its social and political processes. To reduce its poverty is complicated and by most accounts, beyond the government's ability or will to achieve, even with donor support. This report will outline how poverty that spans generations is manifest in PNG and in the health sector especially, why it is getting worse, and why there has been so little success in tackling it in recent years.⁴

Labelling this nation of nearly 6 million people as 'chronically poor' is a new departure because it was long assumed that the state, even if dysfunctional, was at least developmental. That is, the nation's capacity to turn profits from agriculture and natural resources into per capita growth was assumed, as was the effectiveness of its larger national development project. But now it is recognised that even as national GDP climbs (mostly a result of increases in resource revenue since 2003) underdevelopment at the national level and poverty at the local level deepen. Indeed, the UN recently classified PNG as a Least

¹ Australia Broadcasting Corporation, Correspondents Report, 26 March 2006, at <http://www.abc.net.au/correspondents/content/2006/s1600073.htm>

² 33.5% of the rural population and 11.4% of urban people in 2000 lived where household consumption was deemed to be below the poverty line. The rural poor accounted for more than 94% of the nation's poor, and rural poverty was more severe than urban. John Gibson and Scott Rozelle, 'Poverty and Access to Infrastructure in Papua New Guinea, Department of Agricultural and Resource Economics, University California Davis, 2002, <http://www.agecon.ucdavis.edu/ARELibrary/WP/02-008.pdf>.

³ 'Papua New Guinea has experienced volatile and declining growth since 1960. Gross domestic product increased at an average rate of 5.5 percent during the period 1960–75, but growth slowed to 2.3 percent during the period 1976–2004, and to less than 1 percent during the period 1996–2004. The downward trend is even more pronounced if we consider developments in real per capita GDP growth, which has declined even faster because of high population growth. Estimated per capita real GDP at the end of 2004 was about 50 percent lower than at independence in 1975.' Ebrima Faal, 'Growth and Productivity in Papua New Guinea', *IMF Working Paper*, May 2006. www.imf.org/external/pubs/ft/wp/2006/wp06113.pdf. Also, Asian Development Bank, *Millennium Development Goals in the Pacific: Relevance and Progress*, March 2005. The World Bank Interim Strategy Note 2005 stated that per capita income had dropped from US\$970 to \$510 between 1997 and 2003.

⁴ UN Common Country Assessment, 2001, http://www.undp.org/rbap/Country_Office/CCA/Cca-PapuaNewGuinea2001.pdf; Maev O'Collins, 'Isolation, Vulnerability and Governance: Reflections on Poverty Assessment in Papua New Guinea, Fiji and Vanuatu,' *State, Society and Governance in Melanesia Project*, March 2001; Susan Windybank and Mike Manning, 'Papua New Guinea on the Brink,' *Issue Analysis*, 12 March 2003; and Bryant Allen, R Michael Bourke and John Gibson, 'Poor rural places in Papua New Guinea,' *Asia Pacific Viewpoint*, 24, 2, Aug 2005.



Developed Country (LDC), a label the government abhors though it is quite accurate.⁵ Further, it is now recognised that there are structural problems that unless tackled, will continue to undermine the people's and country's prosperity.⁶

Chronic poverty is defined as long-term ('always' or 'usual') poverty of a multidimensional nature that entails vulnerability and deprivation, especially of basic capabilities such as health and education. With regards to households, 'it is the combination of capability deprivation, low levels of material assets, and social or political marginality that keeps people poor over long periods.'⁷

Some regions of the world, some nations, and areas within countries also suffer from chronic poverty. For instance, certain states and districts are without natural resources to trade, and/or they are isolated and not integrated fully into the national or global economy. Others are 'adversely integrated' – e.g., nations with single products to sell the world at low or vacillating prices, or countries positioned in unstable neighbourhoods. Fragile states such as Afghanistan, Somalia and Haiti come to mind, but so do impoverished countries such as Malawi and Ethiopia.

PNG was integrated into the world economy relatively late, especially the central mountainous parts of the country. Some sections of the country – especially in the highlands, but also in low-lying flood plains or forested areas – are still extremely isolated and far from being a part of the national, let alone the international economy. Furthermore, PNG has been integrated into the world economy mostly as a supplier of natural resources (timber, minerals, oil and gas, agricultural produce, fish, etc.), selling mainly to neighbouring states (Malaysia, China, Australia and New Zealand) and often at corrupt and/or exploitative terms of trade.

The inability of the state to share earnings from resource extraction fairly with all its citizens, and the environmental ruin resulting from some forestry and mining projects mean that selling off its natural resources has not been wholly beneficial to the nation.⁸ This, then, fits the definition of national adverse incorporation.

⁵ Adam Vai Delaney, 'Importance of being "Least" developed', *Islands Business*, www.islandsbusiness.com. Also, <http://www.un.org/esa/policy/devplan/e200633.pdf> and <http://www.pm.gov.pg/pmsoffice/pmsoffice.nsf>.

⁶ Structural issues are identified in Australian Government, 'Papua New Guinea Sub-National Strategy, 2007-2011', draft design document, Aug 2006; and 'Democratic Governance in Papua New Guinea: Draft strategy and Program Concept Design for Peer Review,' Aug 2006. These rely upon the PNG government's own analysis, e.g., its Medium Term Development Strategy 2005-2010.

⁷ CPRC, *Chronic Poverty Report, 2004-05*, www.chronicpoverty.org

⁸ 'In 2001, the five active mines in Papua New Guinea contributed a total of over US\$32 million in compensation and benefits to local landowners and provincial governments. However, despite this substantial revenue, the benefits have not been equitably distributed. For Papua New Guinea's Porgera mine, a minority of the clans living within the special mining lease receives most of the benefits. As a result, many of Papua New Guinea's mining provinces [Western, Central, Milne Bay, Enga and New Ireland] remain among the most disadvantaged in the country. Four out of five mines are located in districts defined by researchers as "extremely disadvantaged" or "severely disadvantaged," suggesting that the wealth generated from mining benefits only those living closest to the mine. This inequitable distribution of wealth has exacerbated already existing tensions amongst local communities, especially since the wealth provided by mining far outweighs other income generating activities'. Marta Miranda, *et al*, *Mining and Critical Ecosystems: Mapping the Risks*, 2003, http://pdf.wri.org/mining_chapter4.pdf



Analysts have recognised for decades that some areas of PNG are poorer than others, and researchers have expended great effort in explaining the environmental roots of poverty in particular areas.⁹ As outlined below, environmental constraints continue to cause poverty directly and indirectly, but importantly, political factors undermine the government's capacity to address the causes and manifestations of poverty in such areas. Here we highlight what is understood to be one of the main causes of worsening rates of poverty – the decentralised government system. How it operates generally, and in particular in the health sector, is the focus of analysis.

2 The ecology of chronic poverty

PNG is an exemplar of the thesis that environment is destiny,¹⁰ for its extreme landscape has left its mark on the nation in numerous ways. First, PNG consists of more than 600 islands (though 85% of the landmass is on mainland PNG) with the largest number of active volcanoes in Melanesia. It rises from sea level to 4500 meters, with all the variations in climate, flora and fauna that entails. The difficult terrain is a main factor in the isolation of most rural communities. This nation of nearly 6 million, independent in 1975, includes more than 850 language groups (from two distinct population types, one along the coast and the other in the mountains), dispersed as extended families and clans (*wantoks* in Tok Pisin) through the isolated river valleys and dense forests, and into the swamps that lay down along the seashore. Before Europeans explored and settled the islands (in the 19th and 20th century) there was a small amount of trade between the highlands and coast while warfare characterised much of the interaction between the peoples of the forest.¹¹ When European (copra, cocoa and coffee) planters did settle they took the flatter, more fertile and evenly watered lands with access to international markets and local labour. Pockets of commercial life emerged – road and communications networks, some social services, and subsidiary local farmers producing for the global market. In enclaves foreign miners and loggers and later transnational companies opened up a few areas (PNG has abundant gold, copper, nickel, oil, natural gas and exotic hardwoods.) But the vast majority of the forests remained relatively untouched and the inhabitants unchanged for decades.

⁹ LW Hanson, BJ Allen, RM Bourke and TJ McCarthy, *Papua New Guinea Rural Development Handbook*, 2001. See their summary chapter but each districts' details are also provided.

¹⁰ Jared Diamond, *Guns, Germs and Steel: The Fates of Human Societies*, 1999, starts his exposition with PNG.

¹¹ DNA evidence suggests that interactions between clans has been minimal historically. Mark Stoneking, *et al*, 'Geographic Variation in Human Mitochondrial DNA from

Papua New Guinea', *Genetics*, 1990, <http://www.genetics.org/cgi/reprint/124/3/717.pdf> European contact with the two million people of the Highlands occurred only in the 1930s.



Figure 1: Map of PNG and its provinces¹²



This is not to say undifferentiated, for in the relatively undisturbed hinterland some lands (Table 1) were less productive (almost ¾ of the land area) and people’s diets were inadequate in caloric terms and especially low in protein and fats, while clans in areas with better land had greater surpluses, better and more diverse diets, and therefore, higher population densities (4-6 times), more complex societies and trade.

Table 1: PNG land quality and population density, 2000

Land quality	Land area (km ²)	Land quality class as % of total land area	2000 rural population	% of total rural population	Population density (persons per km ²)
Very low	85 270	18.5	468 300	10.9	5.5
Low	251 563	54.7	1 817 349	42.3	7.2
Moderate	92 121	20.0	1 151 418	26.8	12.5
High	20 532	4.5	511 264	11.9	22.0
Very high	10 368	2.3	348 003	8.1	39.4
Total	459 854	100.0	4 296 334	100.0	9.3

Source: Bryant Allen, R Michael Bourke and John Gibson, ‘Poor rural places in Papua New Guinea,’ *Asia Pacific Viewpoint*, 24, 2, Aug 2005.

¹² Map from Bryant Allen, R Michael Bourke and John Gibson, ‘Poor rural places in Papua New Guinea,’ *Asia Pacific Viewpoint*, 24, 2, Aug 2005.



2.1 Infrastructure and poverty

These patterns of development have remained: there are a few commercial farming regions, logging concessions and mines largely under foreign ownership. Only about 3% of the land has been alienated from customary tenure. Traditional customary land tenure systems characterise the remainder, although demographic pressures are creating strains on the land in some regions. The most 'disadvantaged'¹³ areas are on the mainland in the west (along the Indonesian border), to the north and south of the highlands, along the Huon Peninsula (Morobe province), the Owen Stanley mountains (the central spine of PNG), and along the south coast of New Britain island.¹⁴

Table 2: Provincial Human Development Indicators, 1996¹⁵

Port Moresby (NDC)	.758	Madang	.336
Western	.472	Gulf	.331
East New Britain	.432	Eastern Highlands	.325
Manus	.421	Simbu	.320
Milne Bay	.420	East Sepik	.304
Central	.408	Enga	.283
New Ireland	.396	Western Highlands	.282
West New Britain	.394	Southern Highlands	.274
Morobe	.389	Sandaun (W Sepik)	.262
Oro	.386	PNG (1995)	.515

This is not to say there are not ecologically stressed areas in other parts of the country (e.g., in Western and Central Provinces), only that in terms of land potential some districts in the provinces of Madang, Sandaun (W Sepik), Enga, E New Britain, Morobe and the Southern Highlands are particularly distressed. Therefore, perhaps more than in other countries any explanation of poverty in a particular community in PNG must start with an analysis of its natural environment.

In richer countries infrastructural development largely overcomes the difficulties created by natural constraints. But in PNG, with relatively few roads (and only 3-4% of these are paved) or other major infrastructural projects (dams, railroads, canal systems, etc), difficult terrain, dense forests, heavy rainfall and swamps continue to affect people's capacity to move about. This impacts their productive capacity and quality of life.

¹³ 'Disadvantage' is measured by five variables: land potential, cash income from agriculture, population density compared to land quality, access to services (via surface transport), and child malnutrition. Bryant Allen, R Michael Bourke and John Gibson, 'Poor rural places in Papua New Guinea,' *Asia Pacific Viewpoint*, 24, 2, Aug 2005. See LW Hanson, BJ Allen, RM Bourke and TJ McCarthy, *Papua New Guinea Rural Development Handbook*, 2001 for details of disadvantages in each of PNG's 89 districts.

¹⁴ Bryant Allen, R Michael Bourke and John Gibson, 'Poor rural places in Papua New Guinea,' *Asia Pacific Viewpoint*, 24, 2, Aug 2005. Cammack interview with Bryant Allen and Mike Bourke, Canberra, 21 Aug 2006.

¹⁵ National Economic and Fiscal Commission, 'Review of Intergovernmental Financing Arrangements, Interim Report, May 2003, citing *PNG Human Development Report*, 1998. Human Development Indicators measure life expectancy, GDP/capita and levels of educational attainment – i.e., the quality of life not just income. See http://hdr.undp.org/statistics/indices/hdi_calculator.cfm.



Measures of the access to roads in PNG's four main regions show that road access in the two most poverty-stricken regions (the Momase/North Coast region and the Highlands) are the poorest. In the Highlands, for example, rural residents have to walk more than 4 hours to reach the nearest road. Travel times in the Papuan/South Coast and the Momase/North Coast regions exceed 90 minutes.

This is not to say there are not severe shortages of infrastructure and services in many other areas of PNG.



Transport in the East Sepik, Karawari River, 2003

Geographers have demonstrated that the incidence and severity of poverty is least in the region of the Port Moresby, and worst on some parts of the north coast and in the highlands. Similarly, 'educational attainment is lowest and the proportion of people who never attended school is highest in the Highlands and the Momase/North Coast (region). Illiteracy rates are also highest in the two regions. Moreover, access to health services is poorest in these regions.'

With regard access to rural health posts, it is

the poorest for the Highlands and the Momase/North Coast [from Sandaun to Morobe] region (although it is equally as poor for the Papua/South Coast Region). Even to get access to the most basic health services, households in these regions much walk from 66 to 76 minutes. Access to community schools is equally poor; travel times in the poorest regions are all around one hour. Travel times to high schools average more than 3 hours. According to the headcount measure of poverty, when households live more than 60 minutes from the nearest road, the incidence of poverty more than doubles when compared to those living less than 60 minutes from a road. The same is true for access to schooling. Poverty

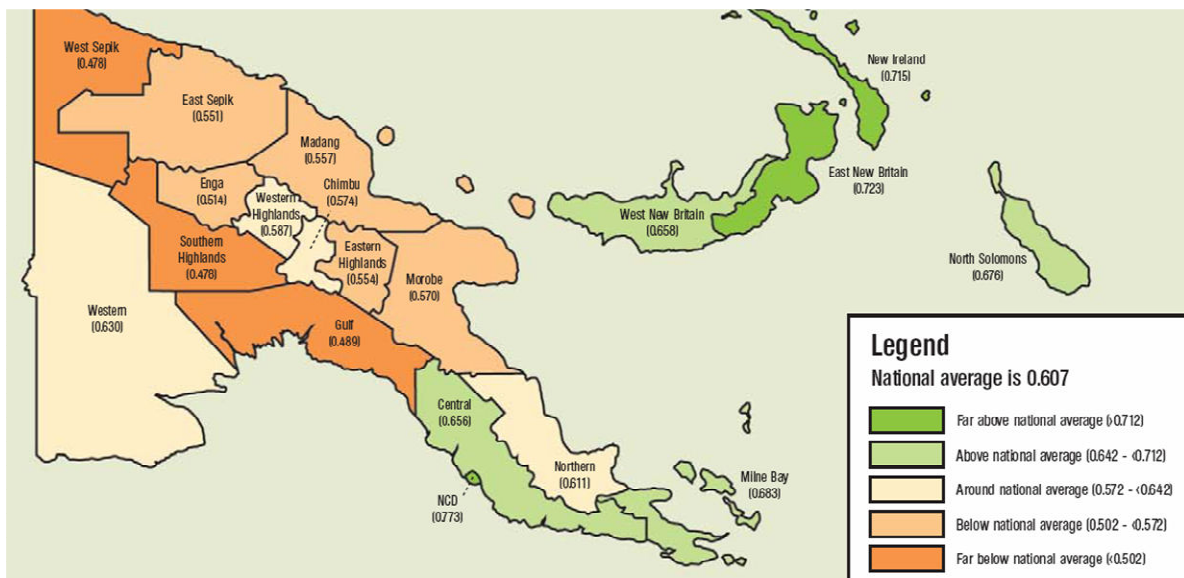
headcount measures increase markedly when the nearest school is more than 60 minutes away.¹⁶

Further, 'the correlation between poverty measures and rural infrastructure increases when the depth and severity of poverty indices are used.'

Moreover,

The effect of access to roads on poverty can most clearly be illustrated by the marked differences in access to transportation infrastructure among income groups. The lowest consumption quartile must travel over twice as long to gain access to the closest mode of transport than the richest quartile. The poor travel 75 percent longer than the non-poor to the closest mode of transportation and over three times longer to reach the closest road. Access to a road affects the price farmers receive for their crops and the prices that households must pay for their purchased food.¹⁷

Figure 2: The MDGs in PNG: progress till 2004 and targets for 2015



Source: Government PNG & UNDP, 'Papua New Guinea - Millennium Development Goals Progress Report 2004'

¹⁶ John Gibson and Scott Rozelle, 'Poverty and Access to Infrastructure in Papua New Guinea, Department of Agricultural and Resource Economics, University California Davis, 2002, <http://www.agecon.ucdavis.edu/ARELibrary/WP/02-008.pdf> .

¹⁷ John Gibson and Scott Rozelle, 'Poverty and Access to Infrastructure in Papua New Guinea, Department of Agricultural and Resource Economics, University California Davis, 2002, <http://www.agecon.ucdavis.edu/ARELibrary/WP/02-008.pdf> .



The lack of access to services and infrastructure have an impact on social indicators. Specifically, while national economic growth continues as a result of the resource boom, there is little evidence that parts of PNG, especially the traditionally poor and ecologically stressed areas, will be able to meet the MDGs. (Figure 2).

In PNG then, there is a correlation between environmental handicaps, which are severe in many parts of the country, but particularly in some provinces; the absence or dilapidation of infrastructure and public service facilities; and poverty in its various guises, including poor health status and low education levels. To overcome natural constraints and address the structural causes of impoverishment, a clear development strategy is needed, but this is something the PNG government has not yet been able to implement.



3 Deepening poverty in PNG

The literature indicates that even if it were once the case it is no longer true that most people of PNG are able to eat well from their gardens or labour. Vulnerability is increasing, though how susceptible to shocks a person is¹⁸ or how likely they are to live below the poverty line depends, as noted before, on the quality of their land (Table 1) and the province in which (s)he lives (Table 2). Other factors like age, health status, and education also play a part as do the rural-urban divide and the dual nature of the economy.¹⁹ Increasingly important too, is the reported inability of traditional social safety nets to support marginalised rural populations (including the elderly, young and infirm) or to reach into the isolated and poor rural areas from the cities, where relatively well-off family members may live.²⁰

But it is exactly these points – about the capacity of the land to sustain people, the efficacy of the traditional safety net, the extent and composition of poverty generally, and the risk of an HIV/AIDS epidemic – that many locals will dispute. When asked whether poverty has become worse, as all external agencies report, a Papua New Guinean will typically ask how ‘poverty’ is defined. For them its not just a matter of semantics, or a sense that foreigners don’t understand the country. Nor is it simply defensiveness (or ‘face saving’ – though there may be some of that) that motivates the question, but rather a real desire to discuss what being poor in PNG actually means.

¹⁸ During the mid-’90s drought, for instance, the hardest hit areas were marginalised communities living in isolated regions, without transport or access to food from outside. Cammack interview with Bryant Allen and Mike Bourke, Canberra, 21 Aug 2006. For details, see R Michael Bourke, ‘How Papua New Guinea villagers survived the 1997 drought and frosts,’ *Development Bulletin*, 67, April 2005, Development Studies Network, ANU.

¹⁹ Maev O’Collins, ‘Isolation, Vulnerability and Governance: Reflections on Poverty Assessment in Papua New Guinea, Fiji and Vanuatu,’ *State, Society and Governance in Melanesia Project*, March 2001. 2000 census data suggest that 41% of the rural population is poor compared to 14% of the urban. Information supplied by Robert Tulip, 7 Sept 2006. ‘It [PNG] has always muddled through because people could fall back on subsistence farming and the local economy to survive. This safety net now appears to be disintegrating. Crime is not confined to urban areas. It is a nationwide problem. The resulting hardship is taking its toll on traditional village life and the social support system that has enabled ordinary Papua New Guineans to weather hard times in the past.’ See Susan Windybank and Mike Manning, ‘Papua New Guinea on the Brink’, *Issues Analysis*, 12 March 2003. <http://www.cis.org.au/IssueAnalysis/ia30/ia30.htm>

²⁰ ‘It [PNG] has always muddled through because people could fall back on subsistence farming and the local economy to survive. This safety net now appears to be disintegrating. Crime is not confined to urban areas. It is a nationwide problem. The resulting hardship is taking its toll on traditional village life and the social support system that has enabled ordinary Papua New Guineans to weather hard times in the past.’ See Susan Windybank and Mike Manning, ‘Papua New Guinea on the Brink’, *Issues Analysis*, 12 March 2003. <http://www.cis.org.au/IssueAnalysis/ia30/ia30.htm>



Table 3: PNG development indicators, 1970-2005²¹

Social Indicators	1970s	1980s	1990s	2000-05
Population			4.4 m (1996)	5.9 m (2005)
Total GDP				\$3.4 bn (2000) \$4.7 bn (2005)
GNI per capita US\$	\$560	\$700	\$510	\$566 (2003) \$560 (2004)
GDP per capita Kina	K1500/yr	K1500	K1490 (1990) K2000 (1994)	
GDP per capita US\$			\$1300 (1994) \$1208 (1996)	\$744 (2000)
<i>HDI</i>	.425 (1975)	.467 (1985)	.515 (1995)	.525 (2003)
<i>Gini coefficient</i>			.484 (1996)	
<i>Percent below poverty line (\$1/day)</i>			37.5 (1996) 45.2 (1999)	51.8 (2000) 53.5 (2003)
<i>Maternal mortality rate per live births</i>			390/100,000 (1990) 370/100,000 (1996)	300/100,000 (2000)
<i>Life expectancy at birth</i>				
<i>All</i>	49	53 (1980-85)	54 (1996)	54 (2000)
<i>Male</i>	49	52	55	54
<i>Female</i>	49	54	54	55
<i>Under-5 mortality per thousand</i>	147 (1970-75)	111 (1980)	95 (1996)	87 (2000) 93 (2004)
<i>Under-5 s chronic malnutrition/stunting</i>		30% (1980-85)		43% +50% of poorest quartile (2001)
<i>Infant mortality</i>		78 (1980)	83 (1990)	61 (2001)
<i>Literacy</i>				
<i>All</i>			51% (1996)	56% (2000)
<i>Men</i>			57	61
<i>Women</i>			43	50
<i>Completing grade 6</i>				
<i>All</i>			37% (1996)	39% (2000)
<i>Men</i>			42	43
<i>Women</i>			32	33

²¹ Source: World Bank, 'Interim Strategy Notes,' Annexes A & B 'Poverty in Papua New Guinea,' March 2005, <http://siteresources.worldbank.org>; CIA, *World Fact Book on Papua New Guinea*; Alan Morris and Rob Stewart, 'Papua New Guinea: Analytical Report for the White Paper on Australia's Aid Program,' Sept 2005; 2006 World Development Indicators database, World Bank, April 2006. Ebrima Faal, 'Growth and Productivity in Papua New Guinea', *IMF Working Paper*, May 2006; John Gibson and Scott Rozelle, 'Poverty and Access to Infrastructure in Papua New Guinea, Department of Agricultural and Resource Economics, University California Davis, 2002, and *PNG Business & Tourism*, www.pngbd.com/forum/showthread.php?t=12751. Also www.global.net.pg/atprojects/aboutpng.htm, www.imf.org/external/pubs/ft/wp/2006/wp06113.pdf, www.ausaid.gov.au/country/png/infrastructure.cfm, www.ausaid.gov.au/hottopics/png/png_glance.pdf.



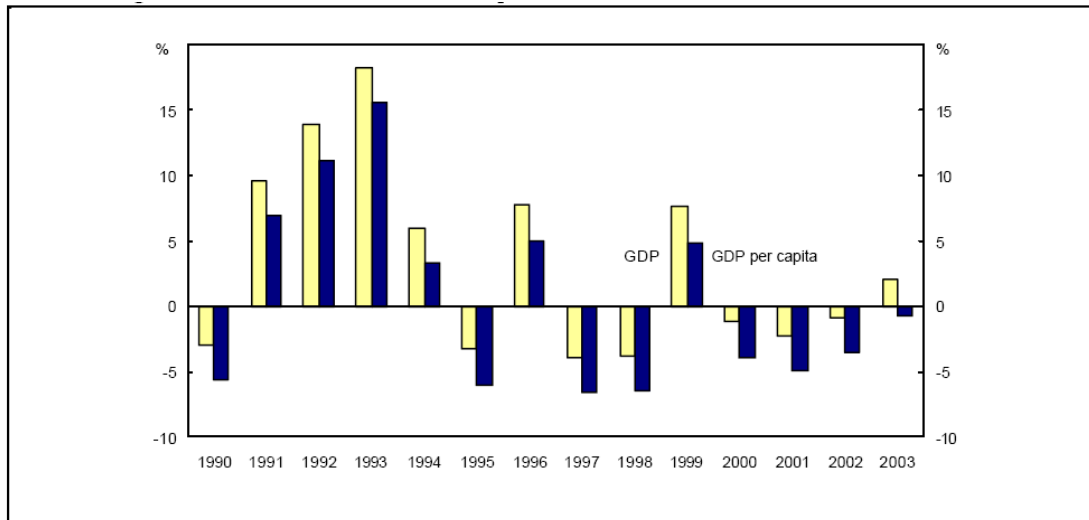
Social Indicators	1970s	1980s	1990s	2000-05
Road networks			19000 (3% paved)	7500 km (3% paved)
Telecommunications tele/persons		15/1000 (1986 est)	8/1000 (1990)	12.6/1000 (2004) & 26,000 cell (2005)
Tl corruption index				2.1 (2003) 2.3 (2005)

According to published reports poverty in PNG became worse (Table 3) from the mid-‘90s as economic growth slowed²³ (Figure 3) and as changes in the law – especially the ‘Organic Law on Provincial and Local-level Government’, which underpins the decentralised system of politics and administration – began to undermine the delivery of public services. Since then PNG, with a birth rate of 2.7% per annum, has seen a steady fall in economic growth and per capita living standards. A return to national economic growth since 2003 (though *not* enough to increase per capita income) has been explained by analysts as a result of good weather and higher export commodity prices, especially for minerals,²⁴ rather than by any fundamental changes in economic policy. (This is a view that locals disagree with as well.²⁵)

²³ ‘Real GDP growth in Papua New Guinea slowed in the second half of the 1990s, reflecting growing governance and law and order problems, lack of new mineral exploration activities, deteriorating physical infrastructure in the rural areas that inhibited agricultural production, and the decline in export prices during the Asian crisis. As investor confidence evaporated, private capital outflows intensified, the kina depreciated, and international reserves fell sharply.’ IMF Public Information Notice No. 03/78
June 25, 2003.

²⁴ E.g., the new Chinese nickel mine at Ramu and gas pipeline from Southern Highlands to Queensland have increased national income. Minerals contribute approximately 25% of GDP, (see www.imf.org/external/country/png/rr/pdf/042206.pdf). Government’s current ‘windfall’ earnings may well be spent on consumption rather than development, as was the case during the mining boom of the 1990s. Susan Windybank, ‘High Prices for a bruised ego,’ *Australian Financial Review*, 26 April 2005. Also see Satish Chand. ‘PNG Economic Survey: some weak signs of recovery,’ Dec 2003 draft.

²⁵ The former Minister of Finance and Treasury claims that growth results from ‘steady progress on economic policy.’ See Bart Philemon, ‘Achieving Sustainable Economic Growth in PNG’, speech given in Cairns on 15 May 2006. Economic growth outstripped population growth in 2006 and is likely to rise to 4% in 2007, he said, citing as reasons structural adjustment, changes in the tax regime, new investment, improved governance, privatisation, tariff reforms, etc.

**Figure 3: GDP growth and per capita GDP Growth, in constant prices, 1990-2003**

Source: <http://siteresources.worldbank.org/INTPAPUANEWGUINEA/Resources/Annexes.pdf>

Importantly – and this is a point no one disputes – in the same period roads have seriously deteriorated and public service delivery has collapsed, making it much harder for rural communities to participate in the cash economy or to access services, such as education and health.²⁶

This is what Papua New Guineans call ‘poverty of services’ or ‘poverty of opportunity’. This, for them, is different than simple ‘poverty’, which they define as not having enough food to eat.²⁷ But this is very much dependent on access to land, which many in PNG believe is nearly universal.

Unifying local and international perceptions of poverty is therefore relatively simple, as the paucity of services has negatively affected national health and education indicators,²⁸ and the lack of roads keeps rural families from accessing the cash economy when required. These are creating more vulnerable people and generating migration to areas closer to roads and into towns.

²⁶ John Gibson and Scott Rozelle, ‘Poverty and Access to Infrastructure in Papua New Guinea’, Department of Agricultural and Resource Economics, University of California Davis, 2002, www.agecon.ucdavis.edu/ARELibrary/WP/02-008.pdf.

²⁷ Having a full stomach does not mean good nutrition though, and malnutrition among children is significant. Cammack interviews with Bart Philemon, 24 Aug 2006 and with Dorke De Gedare, 25 Aug 2006.

²⁸ For instance, during Cammack discussion with the ‘State, Society and Governance in Melanesia’ researchers at ANU, Nicole Halley, who has extensive field experience in PNG’s Southern Highlands, noted that the lack of immunization has caused epidemics to spread widely and easily among children. 4 Sept 2006. This is a view shared by Robert Tulip in information provided 7 Sept 2006.

3.1 Characteristics of poverty

Some 85% of the population is rural,²⁹ with many of the poorest people living on the least productive land (covering three-quarters of the country) and in remote and isolated areas. Here poverty has become long term because the country's transport and communications network has deteriorated to the point where villagers who were once linked to main roads are now isolated and inaccessible. As a result, schools, postal (and banking) facilities and clinics have closed because infrastructure is not maintained, restocked or serviced,³⁰ and professional staff refuse to live in cut-off areas. These handicaps – taken together with land tenure systems that affect investment,³¹ backward technologies, gender discrimination, insecurity, and natural disasters – have created a country that is characterised by reduced real incomes³² and an 'enclave nature of development [and]... high levels of inequality'.³³



Women farmers at Naweb, Morobe Province, 2005

²⁹ 'Agriculture, forestry and fisheries sector ... contributed 26.3 percent of GDP and 14.8 percent of total exports in 2000, excluding manufactured agriculture products. Compared to 1999, GDP fell by 4.2 This fall is largely the result of lower coffee and copra production, and a decline in export receipts for agricultural products due to lower export volume and lower export prices. The share of agriculture, forestry and fisheries, which is the mainstay of the majority of the people, has maintained its contribution to GDP, though there has been a small decline from 29 percent in 1990 to 26.3 percent in 2000.... 82 percent of coffee, 75 percent of cocoa and 83 percent of copra. 68 percent of rubber and 32 percent of oil palm is produced by smallholders.' PNG Business & Tourism, www.pngbd.com/forum/showthread.php?t=12751

³⁰ For example, residents in Lumi District, Sandaun (W Sepik) Province complained they had not 'seen vital services ... for years' due to the state of the roads. Their MP and the Forestry Minister, they said, 'did not use money wisely' but gave it to 'political cronies within the district' instead. *Post-Courier*, 23 Aug 2006.

³¹ Traditional land tenure systems reportedly undermine rural development because land is not used as collateral for loans; nor is it leased or otherwise consolidated for more extensive use. For this debate see Tim Curtin, Hartmut Holzknacht, and Peter Larmour, 'Land Registration in Papua New Guinea: Competing Perspectives,' *State Society and Governance in Melanesia*, Discussion paper, 2003/1.

³² World Bank, *Papua New Guinea Poverty Assessment*, 2004, notes poverty (measured by the income to pay for 2200 calories/day and necessary expenditures) stood at 37.5% of the population in 1996 and 54% in 2003.

³³ John Gibson and Susan Olivia, 'Attacking Poverty in Papua New Guinea, But for How Long?' *Pacific Economic Bulletin*, 17, 2, 2002. For problems with statistically modelling poverty, see John Gibson, et al, 'Mapping Poverty in rural Papua New Guinea,' *Pacific Economic Bulletin*, 20, 1, 2005.



Airport at Rabaul covered with volcanic ash, 2003

3.2 Rural poverty

Many Papua New Guineans³⁴ doubt that half the nation is living in poverty and urge foreign researchers to go into the villages and see for themselves. In the rural areas, they say, there is little hunger, though they accept that the subsistence diet is not diverse. They admit that people do not have services, but claim that no vulnerable person – the widowed grandmother for instance – will go hungry; the extended family will make sure of that. They stress that villagers' needs are simple and easily met. Sufficient food crops are grown and easily stored (sweet potato, sago and bread fruit, for instance); there are enough animals and foods from the forest to supplement the diet; and housing materials are simply harvested. The point they make, then, is that subsistence-level lifestyles are the norm, and that while there may be land and population pressure in places, and new needs (like rice, kerosene and soap) that require some interaction with the cash economy, the traditional rural economy and safety nets (providing basic foods) still work for the vast majority of people.³⁵ This notion seems to reflect a rural romanticism and a reluctance to accept urbanisation and change.³⁶

As it is, rural people living in areas with, say, roads/wharfs and access to markets to buy and sell produce, or with opportunities to work (e.g., on plantations or mines) are relatively well-off. They live within the cash economy and are able to more easily satisfy needs above subsistence level. In areas where services still exist and land quality is satisfactory,

³⁴ Cammack interviews with twelve senior staff at the Department of Rural Development; 23 Aug 2006; Nawi Nano at City Mission, 24 Aug 2006; Gwen Laru and Lina Bade at UNDP, 25 Aug 2006; Kais Digerero, village magistrate in rural Morobe, 27 Aug 2006; Kayak Zozok, ward counsellor in rural Morobe, 28 Aug 2006; Ewa Ososo, NGO development officer, Lae, 29 Aug 2006; Robin Bazzinuc, LLG council manager, Madang, 29 Aug 2006; Joseph Bande, Community Development Officer, and John Bivi, Evaluation and Monitoring Manager, Madang, 31 Aug 2006; John Barre, Acting Town Manager, Madang, 31 Aug 2006; and Mr Hurahura, NGO manager, 1 Sept 2006.

³⁵ A common approach in PNG known as 'cash targeting', involves a short-term effort to meet a specific cost, such as school fees, reverting to subsistence level activities afterwards. Results of this approach include lack of financial reserves, consumer products and of any tax revenue base. Information from Robert Tulip, 7 Sept 2006.

³⁶ As one local put it – migrants will lose 'basic knowledge' about farming, the processing of foods and plants for medicines. 'Knowing these old ways makes people better off'. Another close observer stated that some Papua New Guineans seem to feel that as 'most PNG citizens have retained their land, their language and their traditional customs, quality of life in rural areas is ok and modernisation has more risks than benefits.'

subsistence farmers will manage even if they are isolated. But those people who are cut-off and living in minimally serviced villages and outside the cash economy are more likely to live at subsistence level, especially if their lands are poor. Poor services leave them vulnerable to disease, deaths during childbirth, illiteracy and the like. They are the most disadvantaged, but because of their isolation their plight is largely hidden from view. Moreover, this group is growing larger as the government withdraws from the rural areas, leaving these families with few ways of climbing out of poverty, except for migration to towns or rural areas with better land and roads and access to the cash economy, jobs and services.



Rural smallholding near Madang, 2005

3.3 Urban poverty

Easier to see is urban poverty, which many locals will argue is the only real poverty in the country. Migration to Port Moresby was initially facilitated by administrators needing labour and 'settlements' (such as 'Wangela') date from before WWII. Several generations have been raised there on the seashore beneath the noses of politicians, businessmen and expatriates living in the hills.

Reports suggest that twenty settlements a year are now founded in and around the capital, mostly on land belonging to villagers, for which rent is paid. Adults with children come from all over the country, many paddling, flying or walking into the city (for there are no roads from the provinces to the capital city) in search of work³⁷ and services, particularly education, which is increasingly unavailable as rural schools close.³⁸ In Lae on the north coast the

³⁷ Those who do find work in town are able to move out of poverty more quickly than those who remain in the villages, a fact that must inspire more urban migration. Statistics demonstrate that rural poverty is worse than urban poverty and that assuming constant economic growth – an increased per capita consumption rate of 2% per annum – it takes rural dwellers nearly twice as long (at 21 years) as urban residents (12 years) to exit from poverty. That is because rural people are much poorer and rural economic growth rates are less. Urban poverty stands at about 1/3 of the population, but there has been an 'increase in poverty exit time [in Port Moresby]... due to a rise in inequality.... [and] due to the fall in the average living standards of the poor' between 1986 and 1996. Looking at historical growth rates, it will take an average of 20 years for a poor family to rise above the poverty line. John Gibson and Susan Olivia, 'Attacking Poverty in Papua New Guinea, But for How Long?' *Pacific Economic Bulletin*. 17, 2, 2002.

³⁸ Cammack interviews with Satish Chand, ANU, 21 Aug 2006 and with Nawi Nano, Community Service Manager, City Mission, Port Moresby, and discussion with ward counsellor at Wangela, 24 Aug 2006.



situation is not much different, though migrants there and in Madang are able to return home by road or sea (to the highlands or islands) more easily than those who migrant to Port Moresby and become 'stuck' there for lack of affordable transport.



Wamgela Settlement, Port Moresby, 2005

Those living in the settlements seem to have little interest in going back to the villages, as the towns retain their attractions even after the migrants learn they don't offer the jobs, housing or services they expected. In Lae, as in Port Moresby, second and third generation youth are on the streets, often begging and participating in criminal activities to survive.³⁹ They argue that its impossible for them to return to the rural areas because they would be unwelcome by their clans and unable to access land because their parents had left a decade or more before. For them education and jobs in town are key, but there is a paucity of both. Government provides them with little help, though some NGOs, such as City Mission PNG, help some of them with food, beds, security, education, training ... and most importantly, hope.⁴⁰ Land tenure disputes in these peri-urban area arise when owners who rent land to settlers find them claiming ownership after some years.

³⁹ Nationwide, over 50% percent of the population is under 19, and over 50,000 youth enter the labour market each year while there are only a few thousand new jobs created. In fact, the formal work force has grown from only 124,000 in 1978 to 146,000 in 2001, during which period the PNG population doubled. PNG Government, Medium Term Development Strategy, and Cammack interview, with Bart Philemon, 24 Aug 2006.

⁴⁰ Locals report that more migrants now arriving in Lae are from the Highlands, where most earlier migrants had come from Morobe Province. Regarding settlements and services, Cammack interviews with John Bivi, Evaluation and Monitoring in Planning Dept, and head of civil servants trade union and Joseph Bande, Community Development Officer, Madang, 1 Sept 2005, and Manasiyze Zurenuoc, Morobe Province Administrator, Lae, 28 Aug 2005.



Former street children now in training in Lae, 2005

Gender plays a role too. Describing village life, one long-time observer noted that ‘PNG’s problems stem from a lack of employment and income for men.’ Women work hard in the villages to grow food and cash crops. On the other hand, men’s traditional occupations, ‘cutting down rainforests with stone axes for gardens, hunting and defending their villages’ are now of little use. As a result, young men especially ‘drift’ to towns in search of work.⁴¹

But women move into town too. One woman buying *buai* (betelnut) at ‘Sawdust’ settlement outside the gates of Divine Word University in Madang – a settlement on public land that was cleared of migrants by the city authorities not long ago, but which still houses many people (including mid-level civil servants unable to find housing elsewhere in town) – explained that she’d been born and educated in Sepik. In fact, this is where many residents living in the north coast settlements originate.



Betel nut customers, ‘Sawdust’ settlement, Madang, 2005

⁴¹ Helen Hughes, *Sydney Morning Herald*, 14 Jan 2004.



Migrants come to Madang ‘because,’ she said ‘we like to eat rice’ – in other words, for employment and the varied supplies found in town. While many women without skills turn to prostitution, this woman was working for the council cleaning Madang’s streets and bring in enough money to buy coconut oil and other items with which to make soap. Selling soap she earned enough to live.

There are few jobs to be had in town. Only 2% of PNG adults are in formal employment. And few children in the settlements can afford to attend school as education (even primary) in PNG is fee-paying and fees start around K200/ year, a sum that is well beyond the ability of their parents to pay. As a result many adults and youth remain unemployed, living in squalid conditions with few good prospects .

3.4 Violent conflict and crime

Notorious in the capital, Lae and Mt Hagen are marauding unemployed youth and periodic tribal warfare, which terrorise residents. Such behaviour also gives Port Moresby the unenviable title of being the worst city in the world in which to live because of its ‘high crime rates, corruption, instability, low availability of entertainment, goods or services and a dilapidated infrastructure.’⁴² Victims are often the weakest and most marginalised, such as the elderly and infirm. Gender-based violence has become the norm, with gang rape and wife beating especially prevalent.

Local government and the general public appear to have little sympathy for urban migrants, for they are thought to be the source of crime in towns and are believed to have land in the villages, to which they should be encouraged (indeed, they are sometimes forced) to return.⁴³

Gun-related crime (*raskolism*⁴⁴) is prevalent in the cities and the five highland provinces – indeed, the Southern Highland Province is ‘virtually crippled’ and is living under a state of emergency.⁴⁵ Traditional disputes⁴⁶ are settled by men carrying modern weapons, elections

⁴² Economist Intelligence Unit, *Press Release*, 3 Oct 2005. This impacts the economy: ‘Surveys of the private sector in Papua New Guinea by the Institute of National Affairs revealed that employers rated crime, corruption, and political instability as the biggest impediments to doing business. The average company reported spending about 10 percent of its revenue on private security and losses from theft. The surveys conclude that irregular application of law and regulations, sudden changes in public policy, and bribes to corrupt officials were major cost drivers and significant obstacles to investment.’ Ebrima Faal, ‘Growth and Productivity in Papua New Guinea’, *IMF Working Paper*, May 2006. www.imf.org/external/pubs/ft/wp/2006/wp06113.pdf

⁴³ Cammack interviews with town manager, Madang, 1 Sept and with civil servants, Lae, 28 Aug 2006. Also see a report of the removal of settlements in Madang, and public support for the action. www.asiapac.org.fj/cafepacific/resources/aspac/png3865.html

⁴⁴ Criminal gangs of young men who undertake shoplifting, bag-snatching, breaking-and-entering, armed robbery, banditry, ‘pack rape’, and murder.

⁴⁵ For example, the remote Koroba-Lake Kupaigo District of the Southern Highlands province, home to more than 50,000 people, is now entirely without government services. Information supplied by Robert Tulip, 7 Sept 2006.

⁴⁶ Disputes over property (‘land, women and pigs’ especially), sorcery and adultery were settled historically by migration, e.g., ‘the history [of a typical highlands clan was] of disaffected men taking their retinue, that is, the fragment of their social universe remaining to them, leaving their natal residence, and migrating to other places ‘ where they were given rights to carry out ‘subsistence tasks.’ See James Weiner, Abby McLeod and Charles Yala, ‘Aspects of Conflict in the Contemporary Papua New Guinea Highlands,’ *State Society and Governance in Melanesia*, Discussion Paper, 2002. Also see Philip Alpers, Small Arms Survey, Special Report 5, ‘[Gun-running in Papua New Guinea: From Arrows to Assault Weapons in the Southern Highlands](#),’ June 2005.



are literally fought for by gun-toting youth,⁴⁷ robberies are carried out by gunmen, and the urban elite, even MPs,⁴⁸ have been cited for shooting one another. Some weapons are home made, but modern weapons are stolen (or sold) from the security forces' armouries or smuggled into PNG from Asia and surrounding island states.⁴⁹

Crime and conflict in the countryside are often manifest as tribal violence. There it disrupts farming activities and the marketing of goods.⁵⁰ This contributes to the breakdown of the rural economy:

Highway hold-ups and potholed roads hamper the delivery of essential services and the development of a domestic market because people and goods cannot move easily.⁵¹ Villagers often have to cover long distances to reach health clinics. Teachers have deserted posts in some regions. They do not have access to banking facilities or basic food and other goods because transport has broken down and travel is unsafe. Parents see little point in sending their children to school when there are no jobs to go to at the end of it.⁵²

Clan warfare takes a social and economic toll. Where once women and children were immune from attack, now they are deliberate targets. Also, subsistence systems are strained as refugees, warriors and mercenaries concentrate in areas unable to carry large populations, and as men stop economically productive activities in order to fight. Rural facilities are also destroyed.⁵³

In rural areas the capture of local public services (schools, clinics, transport, etc.) by one tribe, thereby denying other groups access to those services, also causes open warfare as well as the destruction of facilities by clans denied access to them. Other causes of violent

⁴⁷ Traditionally leaders were recognised for their prowess, oratory skills and wealth, and these positions would be contested and impermanent, but now would-be leaders emerge due to the new emphasis on education and business acumen. Also, it is perceived that substantial wealth results from being elected an MP, and like any leader, a parliamentarian's wealth must be distributed to voters to reciprocate their support. Taken together these make politics 'a major source of violence and conflict.' Abby McLeod and Charles Yala, 'Aspects of Conflict in the Contemporary Papua New Guinea Highlands,' *State Society and Governance in Melanesia*, Discussion Paper, 2002.

⁴⁸ 'Elected elites' also supply weapons. 'They supply arms in response to social pressure, expectations, and obligations to their [rural] tribesmen. An educated person who fails to support their tribe during tribal warfare loses face and should they harbour political ambitions, their prospects for political success are diminished. People listen to and respect such educated people largely because their tribes depend upon them for arms.' Abby McLeod and Charles Yala, 'Aspects of Conflict in the Contemporary Papua New Guinea Highlands,' *State Society and Governance in Melanesia*, Discussion Paper, 2002.

⁴⁹ Jerry Singirok, 'The use of illegal guns: Security implications for Papua New Guinea,' *State Society and Governance in Melanesia*, Discussion Paper, 2005/5.

⁵⁰ Some 20-30% of coffee production is stolen, with an estimated loss of K150m per year. Susan Windybank and Mike Manning, 'Papua New Guinea on the Brink', *Issue Analysis*, 12 March 2003.

⁵¹ For a detailed discussion of the problems facing engineers designing and building roads in PNG, where land claims are contested and government authority is weak, see Philip Hughes, 'Issues of governance in Papua New Guinea: Building Roads and Bridges,' *State Society and Governance in Melanesia*, Discussion Paper, 2000/4.

⁵² Susan Windybank and Mike Manning, 'Papua New Guinea on the Brink', *Issue Analysis*, 12 March 2003.

⁵³ James Weiner, Abby McLeod and Charles Yala, 'Aspects of Conflict in the Contemporary Papua New Guinea Highlands,' *State Society and Governance in Melanesia*, Discussion Paper, 2002/4.



conflict include ordinary criminality, gender discrimination,⁵⁴ envy and jealousy,⁵⁵ alcohol, marital disharmony, witchcraft, failed obligations, and 'payback' (retaliation for a perceived injustice). The weakening of traditional institutions meant to resolve conflict plays a part in the escalation of conflict, as does the withdrawal of the state from rural areas and inappropriate and/or inadequate policing.

3.5 Corruption

Corruption is another factor undermining service provision and the productive use of state resources. For instance, one study of schools found 15% of teachers were 'ghosts' (nonexistent but being paid salaries) and upward of 16% of school subsidies 'leaked'.⁵⁶ Scandals involving politicians – e.g., the purchase of the Cairns Conservatory by Sir Julius Chan in what appeared to the Ombudsman to be a money-laundering operation – have been well publicised by the relatively free press.

PNG's forestry sector is especially rife with corrupt practices involving senior politicians and the local elite. The Barnett Inquiry into logging noted in 1990 that 'some of the companies, ... are now roaming the countryside with the self assurance of robber barons; bribing politicians and leaders, creating social disharmony and ignoring laws in order to gain access to, rip out, and export the last remnants of the provinces' valuable timber.'⁵⁷ The commission also identified a link between corruption and electoral politics (as foreign timber companies provided campaign funds to politicians) and with poor governance generally, defined as 'an absence of policy; inadequate legislation; lack of information; confusion of responsibilities; and ineffectiveness of government bodies...'⁵⁸ More recently litigation initiated by local NGOs has focused on the practices of the Forestry Minister and international logging companies operating in Western Province.⁵⁹ Similarly, misuse of public funds paid by Chevron to government for rights to exploit the Niugini oil fields has reportedly resulted in inadequate public service provision in that area.⁶⁰

⁵⁴ Sinclair Dinnen, 'Law, Order and State in Papua New Guinea,' *State Society and Governance in Melanesia*, Discussion paper, 1997/1.

⁵⁵ This trait is known elsewhere and is sometimes called the 'tall poppy syndrome', as those without goods attempt to 'cut down' those who aspire to better themselves, and attack those who manage to acquire property without sharing it with the clan.

⁵⁶ 'Papua New Guinea: Public Expenditure and Service Delivery,' 2004. Capacity failures were as deleterious. http://admin.corisweb.org/files/PapuaNewG_PETS_20051120723525.pdf

⁵⁷ Barnett Commission of Inquiry, Interim Report, No. 4, Vol. 1, p. 85 cited on http://abc.net.au/timetotalk/english/opinion/TimeToTalkOpinion_440064.htm .

⁵⁸ Peter Larmour, 'Corruption and Governance in the South Pacific,' *State Society and Governance in Melanesia*, Discussion paper, 1997/5.

⁵⁹ Cammack interview with Yati Bun, Executive Director Foundation for People and Community Development, 24 Aug 2006 and see *Masalai i tokaut*, 36, 18 Feb 2005. (www.cotse.net/users/masalai) and *Greenpeace Crime File*, Aug 2006.

⁶⁰ Karen McPhail, 'How oil, gas and mining projects can contribute to development,' *Finance & Development*, IMF, Dec 2000.



Quite common is the abuse of public office by politicians, often in return for votes and other support, and theft by public servants.⁶¹ The dysfunctional bureaucratic, financial and political structures (see below) make it possible for politicians and administrators to ignore the chaotic and weak regulatory environment and to use their 'discretion' to abuse their positions and misuse funds. Theft and corrupt practices are exposed by the media daily, but with little affect. It appears that the 'overstretched' Ombudsman, fraud squad and the courts are constantly pursuing offenders, but with little impact either.⁶² Thus a sense of powerlessness emanates from locals who shrug their shoulders and shake their heads when asked about the absence of state services, the lack of accountability for public funds, corruption by those in authority, and what the public can do about it.

3.6 The resource curse

PNG is also subject to the 'resource curse' in that 'windfall income' from mining and petroleum exploitation has not been used on sustainable activities, creating public assets or for the long-term benefit of all the people, but rather as general revenue that 'facilitated expenditure and consumption behaviour that is unsustainable and difficult to alter' now. While as much as one-third of government internal revenue has come from this sector in recent years, it appears that little of it is directed to developing rural areas.⁶³

PNG has seen its natural resources exploited ruthlessly by transnational corporations, with lost revenue resulting from poor government policies⁶⁴ and little benefit trickling down to local communities. Local groups also report that they suffer from adverse environmental and social changes accompanying mineral and forest projects in their neighbourhoods.⁶⁵ At the same time, companies have built their own infrastructure and provided most of their own services, bypassing unreliable local providers, an understandable practice for profit-oriented companies, but one that has contributed little in the longer term to local and state development.

After booming in the early 1990s, the collapse of the mining sector contributed over half of the decline in GDP in the second half of the decade. Yet this volatility contributed relatively little (14%) to the increase in poverty because of the enclave nature of the extractive resource sector. This also means that as mining takes off again (as it has since 2003) it will contribute little to tackling poverty. In the longer term, experts tell us that the 'end of the

⁶¹ For instance, an MP from the Southern Highlands was accused of having his mother, his 8 year old son, two brothers, a cousin, his mother-in-law and various friends on the government payroll. *PNG Post-Courier*, 25-27 Aug 2006.

⁶² Cammack interview with Dorke De Gedare, human rights advisor, Port Moresby, 26 Aug 2006.

⁶³ Michael Baxter, 'Enclaves or equity: The rural crisis and development choice in Papua New Guinea', *International Development Issues*, 54, 2001.

⁶⁴ This was outlined by Clement Waine in *The National*, 25 Aug 2006. He noted for instance, that the 2002 merger between Oil Search and Orogen has cost the nation K4.5bn.

⁶⁵ World Bank, *Papua New Guinea Poverty Assessment*, 2004. For a review of forestry, corruption and their impact on PNG see www.forest-trends.org/documents/png/index.php



sector's dominant role in the national economy is in sight.'⁶⁶ Meanwhile extractive industries have also been blamed for 'distracting' the government from the real business of developing the non-mineral economy.

3.7 HIV/AIDS

HIV/AIDS has begun to take a toll with more than 50,000 HIV+ people living in the country and an expected prevalence rate of perhaps 10% by 2010. Many of the characteristics of the early phase of the epidemic in Africa are now being seen here: those most likely to catch the disease (e.g., civil servants in urban areas) are living in denial;⁶⁷ traders and other mobile populations, and those living along trade routes, are most vulnerable to the disease, as are women (who are notoriously disempowered in PNG); public employees, such as teachers, are now dying; and the stigma attached to the disease undermines attempts to deal with its spread. In places it has been observed that changes in cropping patterns are resulting from the poor health of farmers.⁶⁸ Thus far the number of orphans does not seem to be outstripping the capacity of extended families to care for them, though pressure is being put on the already debilitated health services by the sick and the need to distribute anti-retroviral drugs. Further, traditional community support for vulnerable people is under threat by prejudice against people with HIV/AIDS.⁶⁹ The Global Fund to Fight AIDS, Tuberculosis and Malaria, along with bilateral agencies and international NGOs, are helping the National AIDS Council and local groups with funding and programme development. If the nation can mobilise its resources, it has a chance – one that Africa did not have in the 1980s – to use ARV treatment to reduce the impact of AIDS.⁷⁰

Poverty, then, is growing worse in PNG even while the nation's resources are being sold off and generating capital inflows. Ordinary people have few ways to improve their life-chances, as access to education is restricted by fees, lack of schools and teachers, and poor infrastructure. Land is not always available due to traditional restrictions on its alienation. There are few new jobs, especially for the unskilled. Government spending on health, education and the like, as we will see below, is generally absorbed by salaries rather than by providing services. Gender discrimination, illness, violence and crime undermine people's

⁶⁶ Michael Baxter, 'Enclaves or equity: The rural crisis and development choice in Papua New Guinea', *International Development Issues*, 54, 2001; *White Paper Analytical Report, PNG*, p. 12.

⁶⁷ Cammack interview with a dozen senior civil servants from Department of Rural Development, Port Moresby, 23 Aug 2006, who were adamant that AIDS is not an issue in PNG, while Alan Morris and Rob Stewart, 'Papua New Guinea: Analytical Report for the White Paper on Australia's Aid Program', Sept 2005, note that the HIV prevalence rate is approaching 2%.

⁶⁸ Cammack meeting with 'State, Society and Governance in Melanesia' researchers at ANU, 4 Sept 2006, especially Nicole Halley speaking about the Southern Highlands.

⁶⁹ 'Papua New Guinea is a nation of many tribes whose cultures in the past have provided a safety net for those who are orphaned, sick or aging. With the arrival of this "new virus", fear has turned families and relatives away from supporting their loved ones,' said Prime Minister Somare. *Islands Business*, 'Politics/PNG: Clinton's Words of Wisdom to PNG,' n.d. [2005-6?]

⁷⁰ *The National*, 30 Aug 2006, according to the Minister, who was responding to Australian Broadcasting Corporation programme 'Four Corners'. 'Papua New Guinea "New Frontline" of HIV/AIDS Pandemic in Asia-Pacific Region, UNAIDS Director Piot Says', 24 Feb 2005.



capacity to improve their lives. Corruption with impunity emerges from the inability of the public to hold politicians, international corporations, and 'big men' to account, and from the country's weak regulatory and chaotic administrative environment. This siphons off national income, and it and political strategising affect the way decisions relating to national development (the prioritisation of projects and funding, etc) are made by the country's leaders at all levels. So, the incidence of HIV/AIDS increases, the state withdraws from rural areas, vitally needed infrastructure is not built, services deteriorate, crime escalates, etc. All of these, which characterise poverty in PNG, demand government attention.

4 Government's initiatives for addressing chronic poverty

The 1990s has been described as the 'decade of lost opportunity' in PNG. Major crises (e.g., Sandline affair⁷¹, an El Nino drought, the Asian financial crisis, a major volcanic eruption destroying the port and much of the city at Rabaul, civil war in Bougainville) contributed to low domestic growth. But the main causes of economic collapse were fiscal mismanagement caused by government incapacity and 'political instability',⁷² the deteriorating infrastructure, and reduced levels of investment. Also, as noted earlier, this period of setbacks must be seen in the context of the nation's long-term structural problems. National revenue was cut by the closure of the large Bougainville copper mine in 1989 and by the shift in Australian development assistance from untied budget support to project aid.

The state and donors have proposed a number of development programmes aimed at tackling these problems, ranging from structural adjustment and sector-wide approaches to the use of technical advice through the importation of security and line-ministry personnel. Growth and poverty-alleviation are both on the government's agenda as are the MDGs. In other words, the cause of continuing and deepening poverty and underdevelopment is not a lack of good policies, but rather, a failure to implement them effectively.

4.1 Government development policy

In response to the worsening economic crisis, in late 1996 the government adopted a Medium Term Development Strategy (MTDS) for 1997-2002. It prioritised a set of fiscal and economic reforms that coincided with the 1999 Structural Adjustment Programme (SAP), brought on by cash-flow problems, mounting debt, falling cash reserves, high inflation and interest rates, a falling Kina, negative growth and rising poverty. These were compounded by

⁷¹ After Bougainville attempted to secede from PNG, the PM in 1997 hired Sandline company mercenaries to force the islanders to remain part of PNG. The PNG Defence Force mutinied, forcing the expulsion of Sandline, and the government fell.

⁷² A local euphemism covering a number of behaviours, including the frequent fall of governments and changes of prime minister, the politicisation of senior administrative appointments and dismissals (which accompany the frequent change of cabinet ministers and provincial officials), coalition-building accompanying clientelist politics, and the disagreements between various levels and streams of government.



corruption, and a lack of accountability and transparency, which undermined budget management and efficiency in the civil service. While the WB and IMF demanded the normal fiscal and governance reforms, and set conditions on borrowing (that they subsequently ignored)⁷³ the 1997-2002 MTDS prioritised primary health care, basic education, transport infrastructure maintenance, law and justice, and promotion of the private sector. As it turned out, political instability and lack of will and capacity to pursue this national development strategy and process (or the SAP) meant that fiscal indiscipline remained a serious problem, MTDS policies and priorities were not translated into spending via the budget, and their implementation was poorly coordinated at all levels of government. The national GDP contracted by nearly 4% in those five years.

In 2002 the government announced a 'Program for Recovery and Development', which focused on good governance, export-driven economic growth and rural development, poverty reduction and empowerment through human resource development. Governance was generally defined as promoting public sector reform and 'political stability'. Export-led growth focused on improving agriculture, forestry, fisheries, and tourism to complement on-going developments in mining, petroleum, gas and manufacturing. Poverty-related development highlighted education, health and agriculture. This Programme is now being operationalised by the MTDS 2005-2010, which is the government's development and growth framework.

There is also a draft National Poverty Reduction Strategy, with similar objectives and strategies, with longer-term objectives and a focus on meeting the MDGs.⁷⁴ It is rarely mentioned (not even in the draft of the new UN Country Programme document) and is not official government policy.

⁷³ Daniel Weise, 'Structural Adjustment Programs in Papua New Guinea, Implementation and experiences', *KSI 2002 Conference*, <http://dspace.anu.edu.au/handle/1885/40599>

⁷⁴ *UNDAF framework (2003-07)*, Papua New Guinea, 2002 <http://www.undp.org.pg/documents/PNGUNDAF.pdf> From early this decade it has been working with the Asian Development Bank, UNDP, AusAID, the World Bank, the European Union and other partners to write a national Poverty Reduction Strategy (PRS). A Task Force was established that included representatives from the national and provincial levels of government, community leaders, NGOs, donors and the private sector, and according to the UN, 'a key activity' was 'the need to reach agreement on the context, definition and indicators and characteristics of poverty in Papua New Guinea.' To date the PRS has not emerged, though the Government's second Medium Term Development Strategy (2003-2007) purportedly reflects the thinking underway within the Task Force. Again according to the UN, the PRS is structured around five pillars:

1. *Strengthen Governance* with the objective to strengthen government institutions, improve enforcement of law and order and improve basic service delivery.
2. *Increase Development of land and Natural Resource* through increased exploration and sustainable usage of natural and marine resources, development of agro-industries and planned urban/rural linkages and development.
3. *Improve and Maintain Physical Infrastructure* with the objective to undertake maintenance and improve capacity of transport infrastructure and utility networks.
4. *Improve and Expand Economic Growth Opportunities* with the objective to improve access to financial services and facilitate income generating opportunities.
5. *Strengthen and Expand Social Services* with the objective to improve delivery of social services especially in the areas of health and education and expand awareness of gender issues, cultural and spiritual development.

'The achievement of these five objectives or pillars cannot be expected in the next five years and as a consequence the Strategy is defined around first, second and third level immediate goals, with the focus of the medium Term Development Strategy (2003-2007) to be on the achievement of the first and second level goals.'



4.2 MTDS, 2005-2010⁷⁵

The 2005-2010 MTDS has ten guiding principles,⁷⁶ claims to have been a product of 'extensive consultation' with stakeholders, who are said to have demonstrated 'strong support' for the Program for Recovery and Development.⁷⁷ It is now thought by some to have 'political traction' and the support of officials, though others, including people in government, express doubts about its focus (on micro-economic issues rather than macro- and fiscal issues) and the likelihood that it will be effectively implemented. Nonetheless, it is a well-conceived short-term framework for fostering development and growth, with seven priorities clearly set out. If implemented effectively it would go some way towards addressing the immediate and structural causes of poverty:

- rehabilitation and maintenance of transport infrastructure;
- promotion of income-earning opportunities;
- basic education;
- development-oriented informal adult education;
- primary health care;
- HIV/AIDS prevention;
- law and justice.

These are to guide allocation of resources during the budget process and the creation of strategic alliances with partners, and to be translated into sector strategies and policies as well as implementation mechanisms.⁷⁸ A Medium Term Resource Framework and Medium Term Fiscal Strategy were written to guide financing of the MTDS. And monitoring and evaluation of the MTDS is to be part of the MTDS process from the start.

The MTDS identifies several 'key threats to growth and development', including:

- HIV/AIDS;
- high population growth;
- unplanned urbanization;
- dysfunctional service delivery systems;
- impediments to land utilization.

⁷⁵ *The Medium Term Development Strategy, 2005-2010: Our Plan for Economic and Social Advancement*, Nov 2004.

⁷⁶ Private-sector led economic growth, resource mobilisation and alignment, improvements in the quality of life, natural endowments, competitive advantage and the global market, integrating the three tiers of government, partnership through strategic alliances, least developed areas intervention, empowering Papua New Guineans with new skills, and 'sweat equity' and Papua New Guinean character.

⁷⁷ Respondents note that different iterations were written by expatriates and locals, while NGOs and community leaders discussed its contents at workshops after it was drafted – a process not unlike that accompanying the typical PRSP.

⁷⁸ It is important here to recognise that provincial governments are responsible for delivering the services outlined in the MTDS; national government is responsible for funding and paying service-delivery staff (locally based national civil servants). Information supplied by Kathy Whimp.



If well implemented, the MTDS is expected to contribute to:

- political and policy stability;
- the rule of law;
- macroeconomic stability;
- an outward-looking, market-friendly and transparent trade and investment regime;
- international competitiveness;
- land reform;
- protection of the vulnerable and disadvantaged;
- gender equality;
- protection of the natural environment.

It is expected to achieve these outcomes by reaching a number of objectives, including:

- 'quality' economic growth of 5% per annum 'in real terms', with all PNG citizens benefiting through increases in cash income, and participating by investing 'sweat equity' (labour and land), and by improving growth in the primary sectors of agriculture, forestry and fisheries;
- the service industry, particularly tourism, driving the economy;
- mining, petroleum and gas development in a way that underpins broad-based economic growth; improving investor confidence;
- promoting value-adding manufacturing and downstream processing, including attracting labour-intensive industries, considering tax incentives, investment and trade promotion;
- attracting foreign investment for large-scale projects, including agro-industries;
- manpower planning to improve workforce productivity;
- promoting urban informal enterprises and employment in non-formal jobs to improve growth and reduce poverty;
- reviewing land tenure and use;
- strengthening policies that help with achievement of the MDGs, e.g., education (basic education and adult literacy) to break 'the cycle of intergenerational poverty' and to foster poverty reduction through integrated, multi-sectoral approaches (education and health programmes as well as economic growth);
- strengthening the family unit, fostering gender equality and the empowerment of women, and addressing youth and disable people's needs;
- arresting the AIDS epidemic in a multisectoral way (including by reducing poverty and empowering women);
- promoting a decline in the population growth rate by promoting family planning;
- reducing the negative impacts of urbanisation and improving the quality of rural life;
- improving the telecommunication network and closing the digital divide.



The new development strategy acknowledges the problems with implementing the previous development strategy – weak links between goals and expenditures, under funding, inadequate evaluation of programmes, poorly coordinated processes, etc. Thus one key aim of the new MTDS is to strengthen public expenditure management, including ‘strategic prioritisation of available resources’ and ‘strengthening the link between the development goals, the sectoral expenditure priorities [the seven are listed above] and the actual expenditure programs’.

This will require, the MTDS states, governance and public sector reforms, as outlined in an address by Prime Minister Somare in August 2002:

- strengthening the democratic process;
- political stability at all levels of government;
- efficient and effective delivery of government services;
- a sound regulatory framework;
- transparency and accountability.

The MTDS goes on to outline the public sector reform programme, the Australian Enhanced Cooperation Program (ECP) as well as the public expenditure management programme, which are to ensure that the ‘administrative structure of government conforms to the development priorities’ laid out in the MTDS and that ‘resources are allocated to programs that have the greatest impact on the Government’s development goals.’

The problem foreseen with the MTDS is implementing it. Thus far little progress seems to have been made on creating a ‘road map’. There is a health SWAp, but it was designed some years ago. The transport department has a sector strategy but it was written in 1999. The Law and Order sector appears to be progressing under the tutelage of AusAID, which is preparing other sector strategies (e.g., a Sub-national Strategy and a Democracy and Governance Strategy). Meanwhile other PNG departments are reportedly ‘in disarray’ and are ‘lagging behind’. Overall government has yet to turn the MTDS into sector programmes and appear to be waiting for the Planning department to kick-start the process, though reports suggest that that department ‘is not working well’. Therefore, while some will argue that the MTDS has ‘political capital’ it has thus far failed to achieve ‘traction’.⁷⁹

Before turning to the health sector – to demonstrate how government policy to improve service delivery is translated into a sector strategy and programmes, and how implementation of the government’s health policy is generally poor – the ‘Organic Law on Provincial and Local-level government’ must be introduced. This is because it is central to understanding why the government has been unable to tackle poverty or provide needed services.

⁷⁹ Cammack interviews with Bart Philemon, MP, 24 Aug 2006; Kathy Whimp, 24 Aug 2006; and members of the Office of Rural Development, 23 Aug 2006.



5 The Organic Law on provincial and local-level government

In spite of its small size PNG has the longest constitution and one of the most complex political and bureaucratic structures in the world,⁸⁰ so much so that the operations of, and the linkages between the political and administrative systems of government, and between the government's various layers, are beyond the understanding of many working within them. More importantly, the systems are dysfunctional and unable to deliver public services, yet they serve a political end which appears 'logical' if looked at through a 'hybrid' (or neopatrimonial) state lens.⁸¹

Prior to independence the administration and government comprised two levels⁸² – the House of Assembly and national administration, and local government councils and the administrations they employed. The *Organic Law on Provincial Government* of 1976 introduced a three-tier system of government, at national, provincial and local levels. Provincial governments were given authority over local governments. As a result, many local governments became ineffective. 'Provincial governments assumed the more interesting and lucrative local government responsibilities, and absorbed the grants and subsidies'. Provincial politicians gained power, and 'few benefits trickled down from provincial headquarters to districts and villages.' As a result services deteriorated, and tension between provincial and national politicians escalated. On more than one occasion the operations of provincial governments had to be halted by central government. In the early '90s reforms were introduced that strengthened community powers, though these were lost in the subsequent 1995 amendment to the Organic Law.

According to close observers the 1995 amendment was driven by political competition.

The imperative for reforming the provincial government system... was predominantly a political one. National parliamentarians saw provincial politicians as commanding control over a much larger resource base than the national MPs, and wanted to dissipate that control. (There was also an element of politicians seeking to wrest control of resources away from the bureaucracy. Under the old [1976] Organic Law, the bulk of provincial resources were controlled through the national budget.... Which meant that provincial and national government

⁸⁰ James Robins of PNG National Research Institute to Cammack, email, 29 Aug 2006.

⁸¹ A neopatrimonial (or hybrid) state is one where informal political systems have more influence than in a modern state, where formal systems are the norm. Political decisions (including development decisions) are made by leaders by this method and according to a 'logic' that is driven by sectarian (clan, religious, regional, tribal, etc) loyalties and needs, personal ('big man') power requirements, and clientelist (and patronage) politics. Corruption, or the use of state funds, facilitates the operations of this system of rule. African neopatrimonial systems (not unlike those found in PNG) have been described in detail by Patrick Chabal and Jean-Pascal Daloz, *Africa Works: Disorder as Political Instrument*, 1999 and Michael Bratton and Nicolas Van de Walle, *Democratic Experiments in Africa*, 1997. The key is to see the components of the neopatrimonial state (big-man politics, violence, poor service delivery, corruption, clientelism, etc) as a unified whole with its own logic, systems, structure and aims.

⁸² This discussion is adapted from the Public Sector Reform Advisory Group, 'Improved Decentralisation, Second Report', July 2006 and information supplied by Kathy Whimp and Erue Morea in Port Moresby.



bureaucrats largely controlled the allocation of resources, and thus the determination of de facto priorities.) ...From 1995 local-level government [was meant to report]... to national government instead of to provincial governments.⁸³

In other words, competition between different levels of power (local vs. central) and between different types of authority (administrative vs. political) resulted in a new structure of governance. Unfortunately, the new system did not assuage the underlying power struggle. Worse yet, it is extremely complex and has proven to be highly dysfunctional.

5.1 Current decentralisation structure

In 1995 the law was amended, and today Papua New Guinea has three levels of government:

- a Parliament comprising representatives of 20 provincial electorates and 89 open electorates;
- 18 provincial governments (PGs), plus the National Capital District Commission, mostly comprising *ex-officio* members; and
- some 89 local-level governments in 18 provinces, plus the Motu Koitabu Council and three urban local-level governments in the National Capital District (NCD).

It also has three levels of administration:

- national departments and agencies, some with direct responsibilities at the provincial level;
- 18 provincial administrations, and the NCD administration; and
- 83 district administrations under the 18 provincial administrations.⁸⁴

Importantly, further legislation strengthened the ties between the political and administrative structures, resulting in many administrative decisions now being made by politicians. For instance, the MP for the provincial electorate is automatically governor of the province and chairperson of the provincial executive council (as well as being eligible to be PM or cabinet minister). This concentrates power into the hands of MPs/governors at provincial level, with

⁸³ Information supplied by Kathy Whimp. Cammack interview with David Kavanamur, Political Science faculty, University of PNG, 2 Sept 2006. He said that in the early 1990s the central-level politicians were upset by the powers (influence and a tax-base) acquired by politicians at the provincial and local levels. The 1995 amendment should therefore be seen as a 'power grab' by the centre.

⁸⁴ Autonomous Bougainville has its own government and administration.



little effective oversight from above or below.⁸⁵ This causes some informed commentators to worry that unscrupulous governors might abuse their powers and act like ‘warlords’.⁸⁶

Moreover, the relatively powerful provincial governments are not popularly elected. Provincial assemblies were originally meant to contain national MPs and local-level government (LLG) presidents, which were to be elected directly by the people. As it turned out though, in all but one province, LLG presidents, who are elected by LLG members, are appointed to the Provincial Assembly.⁸⁷ Importantly, then, while the national civil service is paid by central government to deliver services at local level, its members take their day-to-day instructions from the relatively unaccountable and highly politicised provincial government. Moreover, these systems function independently of the legal and regulatory framework that governs them – that is, some enabling legislation has not been passed and some laws that were passed are ignored.

Moreover, the functions of different levels of government overlap, or sometimes have functional gaps, but are always confusing. Thus any grassroots task – such as immunizing children or providing textbooks – means that ‘all levels of government have a responsibility’ in delivering services, and must ‘also ... provide funding so that that chain of service continues to its desired destination.’⁸⁸ This just does not happen, and so services are often not provided at the grassroots level.

5.2 Dysfunction under the Organic Law

After the Organic Law was amended in 1995 the division of functions within each sector has led to a progressive decline in the delivery of services in the districts. This is in part the result of there being few LLG staff with the capacity to implement programmes. Moreover, they are expected to operate in remote areas with few facilities. Technical reporting structures are ‘fractured’ as well, in that health workers will, for instance, report to district administrators rather than provincial health officials. (Table 4)⁸⁹ Similarly, ‘the capacity and willingness of the national government to either transfer funds to match functions or to empower the lower levels of government to generate internal revenue to match functions ... [also] declined’ after 1995.⁹⁰

⁸⁵ The extent of national government control over provincial governments is open to interpretation, and in reality, the means by which national government can hold them to account is through the approval and monitoring of budgets by the Treasurer. This is not effective as provincial governors are members of parliament, as is the Treasurer, and often belong to the same political party. Information supplied by Kathy Whimp.

⁸⁶ ‘Comments ... on S[outhern] H[ighlands], Women’s Representation, Warlordism, Electoral Matters etc’ July 2006, sent by Sir Barry Halloway to Cammack, email, 15 Aug 2006.

⁸⁷ Information provided by Kathy Whimp.

⁸⁸ Discussion adapted from National Economic and Fiscal Commission, ‘CIMC 2006, Southern Region Development Forum’, power-point presentation, 31/7-1/8 2006.

⁸⁹ Information supplied by Kathy Whimp.

⁹⁰ Public Sector Reform Advisory Group, ‘Improved Decentralisation, Second Report’, July 2006.

**Table 4: Differentiation of functions at three levels of education and health sectors** ⁹¹

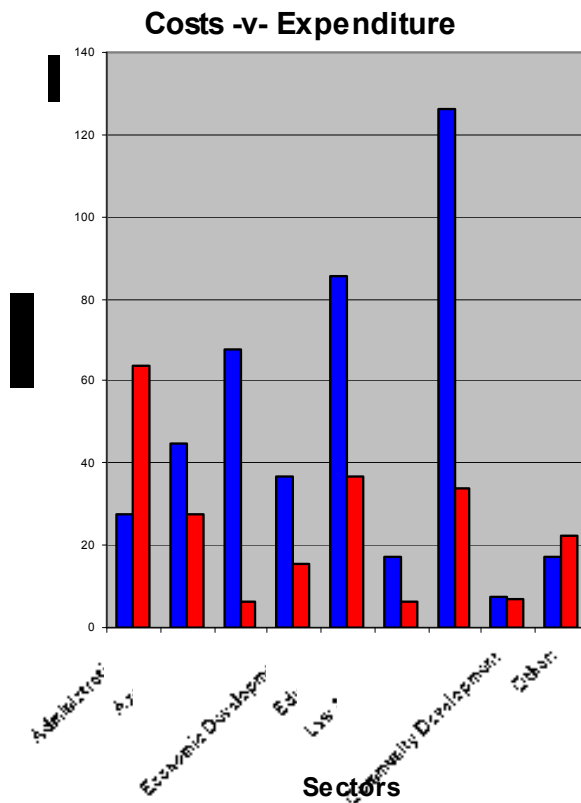
Levels of Administration	Dept of Education - Responsible for ...	Dept of Health - Responsible for ...
Province	Distribute school subsidies Arrange exams Maintain secondary schools Buy school materials Distribute school books Teacher leave fares & payroll administration	Supervise district health office Collect health statistics Distribute drugs to districts
District	Coordinate elementary schools Prepare submissions for new schools Support elementary & primary inspectors	Supervise aid posts Fund health centre operations Maintain medical equipment Fund health patrols to villages, schools
Local (LLG)	Maintain elementary & primary school buildings	Maintain aid posts Fund aid post operations

Recent studies show that the 'core sectors of Health, Education, Infrastructure maintenance, Economic Development & Law & Order do not get the minimum funding they need,' (Figure 4) which demonstrates reduced levels of funding but also provincial spending priorities.⁹²

⁹¹ National Economic and Fiscal Commission, 'CIMC 2006, Southern Region Development Forum', Power-point presentation, 31/7-1/8 2006.

⁹² National Economic and Fiscal Commission, 'CIMC 2006, Southern Region Development Forum', Power-point presentation, 31/7-1/8 2006.

Figure 4: Provincial spending: Need vs. expenditure by sector ⁹⁴



The nation cannot bear the cost of this complicated and bloated political and administrative system. Where the appointment of one politician to several posts may have been meant to save money, this has not been the case. Politicians' benefits (except national MPs' salaries) are paid from provincial budgets, eating up some forty percent of the money given in grants by central government to sub-national governments. At the same time, the number of staff in administrative and supervisory functions has increased while those at operational levels has declined.⁹⁵ Add to this the fact that funds available for service provision are minimal. The

⁹⁴ National Economic and Fiscal Commission, 'CIMC 2006, Southern Region Development Forum', over Point, 31 July-1 Aug 2006. Data (at 2005 prices) on expenditure cover provinces and LLGs, but do not include staff costs (no permanent public servants, teachers, LLG secretariat and other local casuals are included - only ongoing goods and services running costs). Costs include only recurrent goods & services costs (no capital costs and no salaries included). 'The figures in themselves do not tell whether money given is spent as it should be or are never given at all. All we show here is that whatever national government grant and provinces' own internally raised revenue was available to province, this is how they spent it compared to what the N[at]ional E[conomic] F[iscal] C[ommission] think the actual costs for these sectors are.' Email from Erue Morea to Cammack, 25 Aug 2006.

⁹⁵ Information supplied by Kathy Whimp.



result is insufficient funds and national staff working at operational levels in the provinces and local-level governments to implement programmes or run their offices. Thus service delivery is negligible in many areas.

Other ‘criticisms [of the systems of administration and governance] indicate [a] disconnection between P[rovincial] G[overnment]s, service delivery, and empowerment of the people.’ In fact, ‘they are, by and large, removed from promoting equal opportunity or popular participation in government, providing basic human needs through economic self-reliance, or promoting responsible citizenship through self-management, control, and accountability for one’s actions. [Thus, since 1976] the national government has largely divested itself of the ability to deal with responsibilities at provincial and local levels.’⁹⁶

The aim of the 1995 amendment was not realised in practice. Furthermore, people at all levels recognise the system as dysfunctional. Nonetheless, it has been kept. Its continuation and its complexity are explained by the logic of neopatrimonial politics. That is, ‘big men’, clients and patronage networks benefit from its operation even though the nation suffers. (How and exactly what happens in each area and who are the beneficiaries of this system, must be the subject of detailed enquiry). Overall there is politically determined administration, patronage appointments, high levels of corruption and abuse of funds, political instability and frustration, confusion at all levels of government about responsibility for financing and service delivery, a lack of financial and political accountability, and a deep mistrust between different levels of the government.⁹⁷

These in turn contribute significantly to the ‘poverty of opportunity’ and ‘poverty of services’ discussed above, to the inability of government to provide infrastructure to overcome ecological constraints and isolation, and to increasingly levels of clan- and regional-based violent conflict.⁹⁸ Specifically, this opaque bureaucratic muddle has several outcomes that undermine pro-poor economic growth, democratic governance, and political stability in PNG:

- it allows officials and politicians seeking to abuse the system (e.g., to divert resources, put relatives or ‘ghosts’ on the payroll, take bribes, award contracts to friends, provide funds and projects to clan members, pay off thugs and political supporters, buy weapons, etc) as accountability mechanisms are weak;

⁹⁶ Public Sector Reform Advisory Group, ‘Improved Decentralisation, Second Report’, July 2006

⁹⁷ Without further research in PNG it is simply speculation, but evidence from other neopatrimonial states supports the view that aid funds provided to such systems – especially in the form of Budget Support – only makes them more dysfunctional.

⁹⁸ The Public Sector Reform Advisory Group, ‘Improved Decentralisation, Second Report’, July 2006, states that the law created a complex system of decentralisation that has failed in most provinces; and resulted in declining social indicators; corruption and lawlessness; police and judicial systems which are inadequate for their tasks; decaying general administrative systems; decades of resource exploitation, with little lasting benefit; political patronage which benefits only a few; most citizens removed from positive interaction with the government; most citizens not provided with the means or motivation to better themselves; poorly maintained infrastructure and assets; and that it has relied on large inputs of overseas aid, with results not commensurate with the volume of aid.



- it undermines professionalism and morale in the civil service as non-meritorious appointments are made, as few projects are actually implemented, and oversight of work norms is weak;
- it reinforces the power of provincially based politicians, who retain immediate control of the administration (channelling funds, prioritising local projects and implementing central government policy) at provincial and local levels through their chairing various committees and appointment of administrative staff;
- it requires large numbers of people to operate, and makes government the single largest employer in PNG;
- it is expensive and absorbs a large percentage of the state budget to operate, leaving little left over for project implementation;
- it exacerbates tensions between different groups who gain control of different areas or levels of government, as there appears to be little effective centralising tendency or authority to overcome the ever-present tendency toward factionalism at local levels. This works against a centralising national vision and policy;
- it depends on capacity at provincial and local levels to prioritise and implement projects, which is often missing;
- it is poorly understood by local people, even those within the system, thus undermining their capacity to demand proper enforcement, which variously increases public anger or apathy;
- it is generating anger amongst those who care about PNG development, and apathy amongst the masses, both of which erode good governance and stability.



6 PNG's health sector: an example of dysfunctionality

Exploring the way that development policy has been translated into a sector-development framework and strategy – in this case, the health sector – helps us understand the way government goes about tackling the causes of chronic poverty. It also enables us to look more closely at the problems that are encountered when operationalising the development strategy.

Health services have a bearing on poverty in two respects: first, because poor access to public health service is of itself an indicator of poverty; and second, because the resultant poor health in a community adversely affects income and wellbeing through well known mechanisms, including individual low productivity, increased time spent caring for the sick and additional costs of seeking distant, prolonged and often private, services. For this reason, improving primary health care is one of the MTDS's seven development priorities.

In Papua New Guinea, delivery of health services is inherently challenging because the country's rugged terrain and poor communications. These challenges are seriously aggravated by governance deficiencies, including dysfunctionality associated with the Organic Law, frequent poor stewardship of funds and resources at national and sub-national levels, poor capacity and lack of funds at the service-delivery level, the inability of communities to hold government to account, and the associated lack of responsiveness of especially provincial governments.

Health status in PNG is poor, the lowest in the Pacific islands, and though it improved in the 1980s, it has declined since then.⁹⁹ Communicable diseases remain the major cause (50%) of morbidity and mortality. HIV/AIDS is now a major disease in PNG (ranging from 1.3-3.7% of antenatal attendees) and is the leading cause of death of adult inpatients in Port Moresby Hospital. Malaria is the leading cause of outpatient visits and the second cause of death. Where some provinces were once malaria-free, now malaria is endemic to the whole of PNG. Child and maternal mortality rates are high, while over 40% of under-5s are stunted due to long-term malnourishment. There is, according to WHO, a non-communicable disease epidemic in PNG, as the incidence of cancer, diabetes, alcohol- and tobacco-related illnesses climbs alarmingly.

6.1 Health planning, management and finance

In 1999 PNG's fifth National Health Plan for 2001-2010 was prepared. It and the health sector MTEF (Medium Term Expenditure Framework) for 2004-06 (extended to 2008) identified some explicit priorities. These include maternal and child health, immunization, malaria control, HIV/AIDS and water and sanitation programmes. According to WHO, the 2001-2010 National Health Plan was developed through extensive consultation with national and international partners. There is now one annual activity plan for the National Department

⁹⁹ Much of the following discussion on health and health policy is derived from *Papua New Guinea: WHO Country Operation Strategy, 2005-2009*.



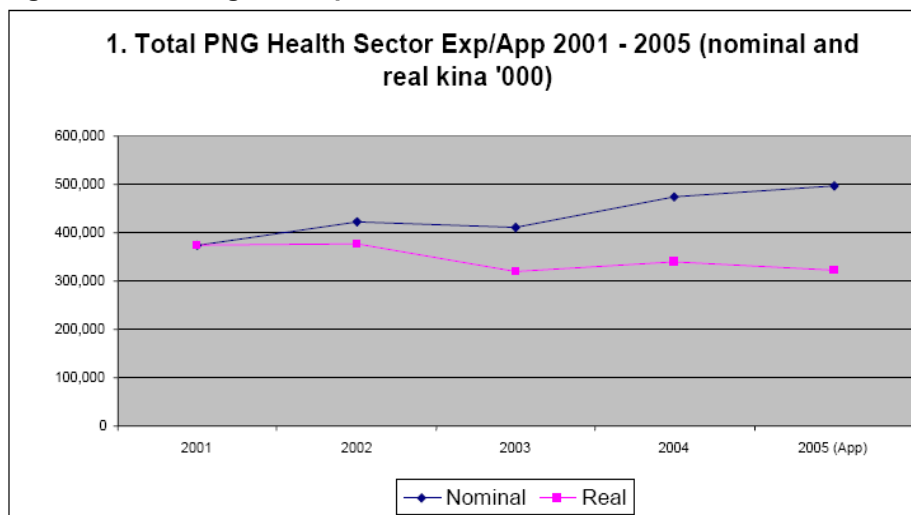
of Health (NDoH) and all donor partners. Recently, too, major efforts have been made by PNG and the donors to have a more unified approach to health sector development.

The National Health Plan sets the 10-year vision, a policy direction, priorities and guidance for both strategic and operational planning at provincial and local level governments. It builds on an ongoing sector-reform programme and the extensive decentralization of responsibility for, and control over, many aspects of health services delivery and financing to provincial and local level governments.

Papua New Guinea and its main donor partners in health development are implementing a Health Sector Implementation Policy (HSIP) that is based on the philosophy and principles of a Sector-wide Approach (SWAp). All provinces are required to produce Annual Activity Plans (AAPs), but in practice these are often unwieldy and used primarily to secure funding and/or to meet bureaucratic requirements. Current practice is to use these documents as a broad guide and to pursue the recommendations of the MTDS at a general level and the Functional and Expenditure Reviews (FERs) on Rural Health Services and Medical Supplies, which are approved by the powerful Public Sector Reform management unit. Church-based groups also play a major role in the provision of health care, managing facilities and training schools especially.

Total health expenditure stood at 4.1% of GDP in 2001 – around 10% of the government’s budget. Nonetheless real per capita (measured in US\$) spending on health fell from \$32 to \$24/year in 1997-2001 and continued to fall after that (Figure 5). Funds are raised from donors, government, local taxes and user fees. Much of the money comes to provinces from central government in block grants, but the bulk (80% in 1996) of recurrent spending goes to salaries, with little left over for goods and services.

Figure 5: Declining real expenditures in health, 2001-05¹⁰⁰



Source, PNG Public Health Sector Expenditure Report, 2004

¹⁰⁰ In real kina per capita terms, expenditure declined from K69.8 per capita in 2001 to K58.6 per capita in 2004, with an appropriated kina per capita of K54.4 in 2005.



In keeping with the Organic Law, responsibility for essential health services is decentralised. In 1983 the management of hospital and rural health services were transferred to the provincial administrations (though hospital management was transferred back to central government in 1996). Thus, within the public sector, management of hospitals and rural health services is divided between the central health ministry and the local governments, respectively. In 1995 the revised Organic Law gave greater autonomy to district and local-level governments in service planning and management. This led to an increase in the number of people involved with planning, management, budgeting, without a 'clear definition of roles and responsibilities. It gave provincial and district administrations almost total freedom to allocate funds from central government to health or other sectors.'

The Organic Law also resulted in a confusion of the functions and roles of supervisory staff, such that provincial health staff have little authority (discipline) over district health staff. Similarly there is little central health department oversight of provincial staff because it has few 'direct command and control tools at its disposal'.¹⁰¹

Staffing problems have also led to a decline in health service delivery. First, there is a paucity of staff, aggravated by the 1998 Public Sector Reform programme that reduced the number of health workers in aid posts in rural areas. As a result, WHO says that a thousand nurses are needed in the service and that some provinces (and many districts) have no doctor. The staff who are left are suffering from low morale, isolation and lack of incentives, such as housing and hardship allowances. Taken together, then, 'the transfer of senior personnel, including doctors, from rural health centres as well as the withdrawal of vehicles made outreach services and supervision almost defunct as hospitals became less involved in district supervision.' Attempts to solve these problems (e.g., the National Health Administration Act) have largely failed.

Overall then, a paucity of funds and the division of responsibility without adequate coordination and communication between government agencies is largely to blame for what the health sector FER described in 2001 as 'the slow breakdown and collapse' of the health system, only saved from 'complete collapse' by the donors.¹⁰²

¹⁰¹ *Papua New Guinea: WHO Country Operation Strategy, 2005-2009*. The Functional and Economic Review

¹⁰² *Papua New Guinea: WHO Country Operation Strategy, 2005-2009*, citing the Functional and Expenditure Review on health in 2001, which noted that some 600 rural health clinics had closed or were not functioning, and that 'where services remain, the breadth and quality of services is diminishing.'

**Table 5: Summary of the main causes in the decline of health service delivery**

Breakdown of vertical integration = no accountability and no supervision <ul style="list-style-type: none"> • Most health staff report to District Administrators • Non-health staff are supervising health staff • Clinical supervision is fragmented • New Organic Law structures have had a negative impact
Not enough funding <ul style="list-style-type: none"> • Service delivery relies heavily on funding • Goods and services funding = most important type of funding • Not enough goods and services funding • Funding not flowing to service-delivery front line
Poor infrastructure planning = recurrent resources don't go where they are most needed
Hospitals not integrated with rural health

Source: Public Sector Reform Management Unit, *Health Functional and Expenditure Review: Interim Report on Rural Health Services, Power point, 2001*

6.2 Health policy in practice

The institutional problems outline above have clear consequences for health facilities and thus the people in the rural areas. For instance, in health financing, plans and policies are agreed nationally, but the NDoH can neither require a province to provide the needed funding for implementation nor to spend funds that are budgeted. At the provincial level, senior medical staff complain they are unable to dismiss ineffectual junior staff over whom they have no authority. Moreover, money that should be spent on health services might easily be diverted for paying the salaries of health staff in administrative units.¹⁰³

Indeed, a survey of rural health systems in 2005 documented a whole range of problems in Oro (Northern), Western and Western Highlands¹⁰⁴ provinces that were in large part due to the financial and management constraints outlined above. These included:

¹⁰³ For instance, the Provincial Health Officer in Oro Province reported in 2005 that 20 Aid posts were removed completely to save money to enable the province to get approval and pay for two senior administrators at the Provincial Administration. He also had ineffective people he wanted to remove and he made the necessary request to provincial HRM and they referred it to a Committee, which did nothing. Notes from Review of HSSP, Sept 2005.

¹⁰⁴ As noted in Table 2, Western Province is particular disadvantaged, while Oro (Northern) is less so. None the less, large parts of Oro are characterised as very low-income and poor access areas. The 1982-83 National Nutritional Survey noted that 35% of children in the area were stunted. Western province is characterised by poor soils, lack of access and some of the heaviest rainfall on earth. Incomes vary but are generally low or very low. Stunting rates of under-5s ranged from 54% to 15% in the early 1980s, depending on district. The Western Highlands has some areas of relatively high population density, partly because some areas have high land potential and the Highlands Highway and other roads provide access to markets, employment and services. Population pressure on the land generates high levels of poverty in some areas though, while isolation and poor environments in others also result in disadvantage. Depending on district, 28-53% of under-5s were stunted in the early 80s, according to the National Nutrition Survey. Further details available in LW Hanson, BJ Allen, RM Bourke, and TJ McCarthy, *Papua New Guinea Rural Development Handbook*, 2001.



- few leaders and role models at any level of the health system;
- expectations of managers at all levels not well defined or monitored;
- managers frequently in positions beyond their ability;
- tolerance of poor management and performance;
- authority of managers is compromised by process and/or culture;
- senior managers not supportive or understanding of realities at service delivery level;
- staff morale is poor: lack of support, supervision, needed equipment and supplies, and housing;
- absenteeism and poor performance are tolerated by managers. Disciplinary procedures are not applied;
- good administrative and/or clinical supervision is infrequent;
- distribution of staff is inequitable in numbers and qualification;
- reallocation/replacement of staff needs national and provincial approval, causing long delays;
- the size/nature of most health facilities is adequate but many need maintenance, especially to facilitate hygiene;
- essential equipment is frequently un-maintained/ un-repaired; hospital biomedical technicians could help cover rural health services;
- significant vaccine supply issues remain;
- cold Chain equipment management highly variable;
- variable understanding of quality control for vaccines;
- mother Child Health outreach erratic & infrequent.¹⁰⁵

6.3 The example of medical supplies

As an example of the way the decentralization of management has impacted health service: a particularly difficulty has arisen in the area of medical supplies. The supply chain for medicines goes from a central store to Area Medical Stores (AMS), which are both within the control of NDoH. The AMS delivers to provinces, which deliver to districts, but these stages of the supply chain are under provincial control and out of sight of the central Department of Health. (Current programmes designed to strengthen supply systems stop at AMS level, because that is where the remit of NDoH ends.) Problems with the delivery of drugs by, and the functioning of the AMS were noted by the 'Medical Supplies Functional and Expenditure Review':

¹⁰⁵ Michael Douglas, *et al*, 'Independent Review – Health Sector Support Program, Pharmaceutical Upgrade Project', Power point presentation, Sept 2005.



AMS were not focussed upon assisting their customers - the health facilities. A number of symptoms of this were observed. In some cases, medical supplies are packed and left at the dispatch section for weeks and months, whilst enquiries from customers in remote areas about their medical supplies ordered some eight months ago were not treated seriously.... [Also] productivity at AMS is very low. There appears to be no sense of urgency and respect for their daily core-business. This is as a result of leadership/management deficiencies, poor attendance by AMS staff, low morale, and a general lack of skills. In many AMS it was stated by managers that casual workers were the best workers. Very few people had the 'big picture' of operation of a medical store. In some AMS, store-persons were not literate and unable to undertake the basic arithmetic calculations required in a store.¹⁰⁶

Such difficulties leave a lasting impact on communities, which suffer from a lack of medicines and expired medicines being distributed, as well as poor management of pharmaceutical services generally. The assessment in Oro (Northern), Western and Western Highlands provinces in late 2005 concluded that poor management systems resulted in a 'significant lack of cleanliness and tidiness; absence of basic hygiene and infection control; contaminated waste and sharps disposal being frequently inappropriate and unsafe..., highly variable quality of knowledge and skills for diagnosis and treatment; the widespread inappropriate use of antibiotics; lack of basic diagnostic tools and poor laboratory quality control.'

A detailed field investigation of a two clinics (at Teapopo and Tapila) in South Fly District, Western Province¹⁰⁷ found:

- pharmacy at hospital – expiry and overstocking; no stock record;
- high maternal & neonatal deaths at Teapopo and Tapila;
- excessive TB drugs at Teapopo; disorganised pharmacy:
 - 25000 Pyrodoxine expiry 9/06
 - 27000 Rifampicin expiry 4/05
 - 39000 Pyrazinamide expiry 5/07;
- Teapopo has no power;
- some drugs said to be in short supply, they are locked in a shed in Daru, and will not be released till rent is paid.

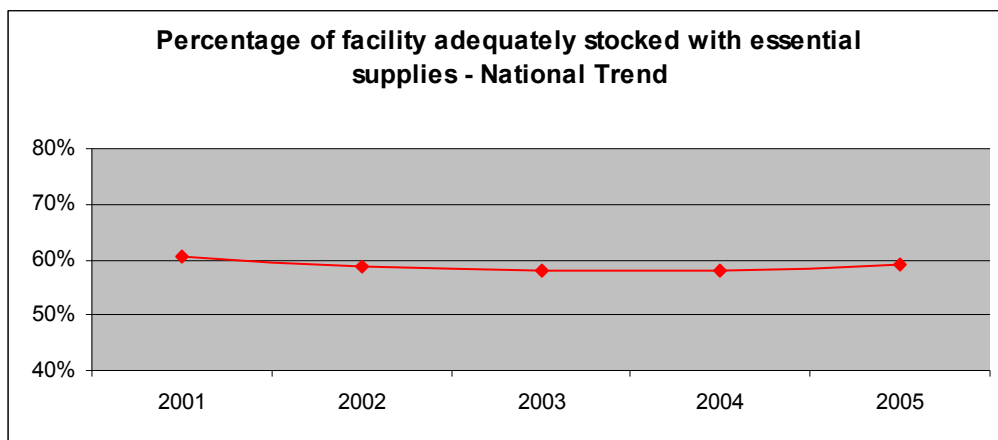
¹⁰⁶ CACC Review, Public Sector Monitoring Review Unit, 'Medical Supplies Functional And Expenditure Review', Dec 2004.

¹⁰⁷ Tim Cammack field notes, HSSP, Sept 2005. The South Fly District is largely a floodplain and river delta, with poor and very poor soils. Roads are generally poor and river transport is the norm. Incomes are low or very low, as people live from sales of food, fish, rubber, betel nut and crocodile. Sago and food crops are cultivated. The 1982-83 National Nutrition Survey found 17% of under-5s stunted. Overall, people in the district are 'seriously disadvantage relative to people in other districts of PNG.' LW Hanson, BJ Allen, RM Bourke, and TJ McCarthy, *Papua New Guinea Rural Development Handbook*, 2001.



- Teapopo eight Aid Posts, but only three open (Maipane, Tirere & Damera);
- no internal water supply at Tapila;
- condom distribution at Teapopo was controlled and difficult for girls to access; they thought that they would be unable to get a fresh supply; PA restricts access;
- no beds at Tapila, one at Teapopo [people lying on floor];
- staff housing at Tapila abandoned because of leaking roof;
- cluttered dispensary at Tapila;
- Tapila vaccines all in one big bag; a lot of Tetanus. Expired in April.

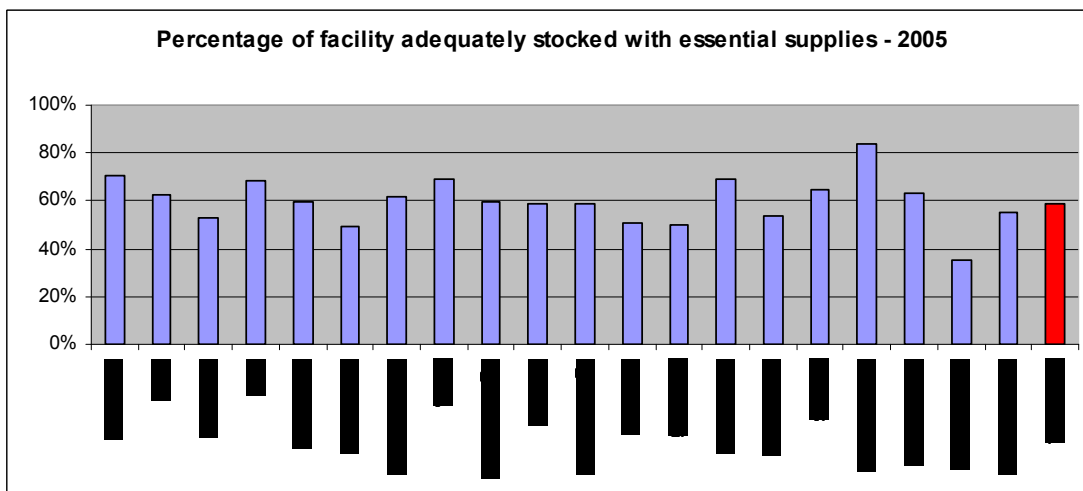
Figure 6: Percentage of health facilities adequately stocked with essential supplies, 2001-05



Source: NDoH, Annual Sector Review, 2006

What management and fiscal problems at pharmacies mean nationally is suggested in Figure 6. As is evident, little progress has been made countrywide in recent years.

Figure 7: Percentage of health facilities adequately stocked with essential supplies, by province, 2005



Source: NDoH, Annual Sector Review, 2006



Figure 7 provides a breakdown by province. These data measure how well facilities are stocked month by month during the year. The indicator is very sensitive, in that if any of the nine listed supplies stock-out during the month, then that centre is deemed not to be adequately supplied. The indicator therefore looks at the combined efforts of all players in the supply chain. It requires effective management at facility level, appropriate and efficient policies and procurement procedures at national level, and effective intermediaries to ensure the supply-chain is working.

6.4 Ad hoc coordination in the health sector

Many of the challenges faced in the health sector, such as those posed by terrain and communications, financial constraints, and the obstacles arising from the Organic Law, require action at national cross-sectoral level. In the absence of national reform (which is now under discussion by government, donors, and civil society) health sector workers have tried to implement a number of *ad hoc* local solutions. Indeed, the MTDS recognised that a 'dysfunctional system of service delivery ... has arisen following the 1995 reforms to [the] system of decentralised government' and so it proposed 'a renewed emphasis on the need to identify practical solutions to address constraints to service delivery.' One proposal is the District Service Improvement Program, which emphasises the development of infrastructure and security covering all tiers of government and K50 million has been set aside for this. Other measures taken include the inception of a National Health Conference, where representatives from all levels of the health sector, perhaps 200 people, meet annually for two to three days to discuss common issues and make plans to resolve problems.

Another informal method of overcoming discontinuities caused by the Organic Law are service agreements, which lay out how health departments at different levels of government will operate to facilitate coordination. For instance, in Central Province in 2003 the agreement between the NDoH and the Provincial administration¹⁰⁸ stated that:

The *National Department of Health* will:

- Provide technical and financial management support to provincial and district health staff to implement the activities identified in the AAP;
- Undertake regular monitoring of the activities in the AAP and progress towards the targets specified in the Performance Monitoring Framework;
- Keep the Provincial Health Board informed of all developments in standards and monitoring and assist the Board in evaluating progress under the Performance Monitoring Framework;
- Provide the additional financial support and in-kind support from donor partners specified in the AAP taking into consideration the Province's capacity to absorb the additional support;
- Ensure church health services receive regular and adequate funding.

¹⁰⁸ 'Central Province Health Activity Plan', 2003, Funding Agreement.



The *Central Province Administration* will:

- Ensure the Provincial Health Board meets regularly to review progress under the AAP and keep the NDOH informed of the content of the meetings;
- Ensure donor partner funds provided through the HSIP trust system are managed in strict accordance with the Manual of Procedures;
- Work to appropriate in standard 10 program health budget and to account for health expenditure in the same standard 10 health programs;
- Provide financial contribution required from the Provincial Government indicated in the attached AAP, disbursed in a timely manner.
- Direct available resources to these priorities: Program 1: Supervision, Program 4: Patrols, outreach and immunization; Program 5: Disease control and Program 8: Distribution and storage of medical supplies.
- Ensure maintenance of all buildings, vehicles, boats and equipment procured through the HSIP.

The Western Highlands has attempted to tackle the lack of coherence caused by the Organic Law (and National Health Administration Act) by writing a memorandum of understanding regarding the coordination of work between Mt Hagen General Hospital and the National Health Department for the improvement of provincial health services. The joint working arrangements reached in 2002-03 covered rural-outreach health programming, the repair of medical equipment throughout the area, security arrangements, and combined health management arrangements. The HSSP review in September 2005 found that the 'Western Highlands model [was] working well [and] leading to healthcare integration.'¹⁰⁹

Longer-term strategies have been devised to deal with the dysfunctionalities in the delivery of health services. (Annex 3) As expected, they recommend ways of permanently restructuring provincial and national medical administrations, improving management, enhancing funding, improving financial systems, and rebuilding infrastructure. Reform of the Organic Law, which is underway, is also expected to help.

¹⁰⁹ Michael Douglas, *et al*, 'Independent Review – Health Sector Support Program, Pharmaceutical Upgrade Project', Power point presentation, Sept 2005. Also, 'Memorandum of Agreement between Western Highland Provincial Government on Behalf of the Provincial Division of Health and Mt. Hagen General Hospital Board of Management and the National Department of Health on the Provision of Health Services in the Ewestern Highlands Province,' n.d. [2003].



7 Donor assistance

There are relatively few donors in PNG, with Australia being by far the largest single funder (providing over 80% of the US\$266m in 2004¹¹⁰). Others donors active in PNG are the Asian Development Bank, United Nations, European Community, Germany, the Japanese (JICA), New Zealand, Netherlands, the World Bank and IMF. Taken together aid accounts for all of the PNG government's development budget and 20% of its current account budget. Australia plays a key role by holding trust fund accounts that allocate donors' money to government development programmes. This method of 'ring fencing' aid funds is in response to the weak capacity of government to manage aid monies and egregious corruption by some senior officials in the past.¹¹¹ Attempts to harmonise the aid agendas of the various donors have been discouraged by the PNG government, which views this as donors 'ganging up' on the government rather than as a positive move to coordinate aid.

Table 6: Average Composition of Foreign Aid in Annual Budgets, 1975 – 2000
(Million Kina in nominal values)¹¹²

Source	1975 - 1979	1980 - 1984	1985 - 1989	1990 - 1994	1995 - 1999	2000 - 2004*
I. Domestic						
Internal Revenue	400	520	650	760	1,050	1,700
Domestic Borrowing	100	90	110	160	210	315
<i>Subtotal</i>	<i>500</i>	<i>610</i>	<i>760</i>	<i>920</i>	<i>1,260</i>	<i>2,015</i>
II. Foreign Aid**						
Australian Budget Support	180	220	200	190	210	0
Project Grants	na	na	3	11	175	430
Concessional Borrowing (Loans)	50	60	50	120	130	150
Commercial Borrowing (Loans)	10	20	50	290	210	180
<i>Subtotal</i>	<i>240</i>	<i>300</i>	<i>303</i>	<i>611</i>	<i>725</i>	<i>760</i>
Total Revenue	740	910	1,063	1,531	1,985	2,775

¹¹⁰ OECD, Papua New Guinea, statistics show Net Overseas Development Assistance of US\$4203m in 2002 and \$220 in 2003, around 90% from bilateral sources. www.oecd.org/dataoecd/

¹¹¹ For instance, the WB withdrew funds in September 2003 from forestry programmes as a result of corruption. See WB, *Country Assistance Strategy*, 18 March 2005, at <http://web.worldbank.org/WBSITE/EXTERNAL>

¹¹² Christopher Taylor Hnanguie, 'The Future of Foreign Aid in Papua New Guinea after 25 Years of Successes or Failures,' 2003. <http://www.pngbual.com/300socialsciences/foreign-aid/PNG-Future-of-Foreign-Aid-in-PNG.htm>



Source	1975 - 1979	1980 - 1984	1985 - 1989	1990 - 1994	1995 - 1999	2000 - 2004*
Foreign Aid as % of Total Revenue	32%	33%	29%	40%	37%	27%
Australian Budget Support as % of Total Revenue	24%	24%	19%	12%	11%	0%
Project Grants as % of Total Revenue	na	na	.28%	.72%	9%	16%
Concessional Loans as % of Total Revenue	7%	7%	5%	8%	7%	5%
Commercial Loans as % of Total Revenue	1%	2%	5%	19%	11%	7%

Source: *Estimates of Revenue and Expenditure, Government of Papua New Guinea Budget books 1980, 1985, 1990, 1995 and 2001*. Notes : Figures refer to average for the period; * Projections based on annual averages and macroeconomic forecasts; ** A significant portion of grant aid is not reflected, as it is not provided through the Government's budgetary system.

7.1 Specific donor priorities

7.1.1 AusAID

After a period of what Papua New Guineans see as 'benign neglect' by Australia, the Australian government began to use a 'whole of government approach' and an 'Enhanced Cooperation Program' ¹¹⁴ (ECP, using Australian staff as technical advisors) to deliver aid. This more intense programme is a direct response to terrorist attacks in the USA, Europe and Indonesia, and the fear of state failure in PNG, including the possibility of transborder threats (e.g., crime, drug trafficking, disease, refugees etc). The programme is led by Foreign Affairs (of which AusAID is part) and includes other departments, such as Treasury and Justice, whose staff may have minimal development training and little experience working in third world countries. A breakdown in law and order in PNG, as there was in Bougainville, East Timor, Fiji or the Solomon Islands, would be a much more serious matter for Australia. Development aid is meant to help forestall any slide toward state fragility.¹¹⁵

¹¹⁴ The ECP began in response to requests by the Minister of Finance for help in budgeting and accounts. Cammack interview with Bart Philemon, 28 Aug 2006. It grew into a broader programme with a planned aid package of A\$2.5bn over 5 years, with a couple hundred Australian civil servants and policemen taking up positions in the PNG public service at central and provincial levels. Police left after the PNG courts ruled they would not be immune from prosecution, though a handful returned to do police training. Today there are about 40 public employees working for the PNG government under the ECP. See <http://www.ausaid.gov.au/country/png/ecp.cfm>

¹¹⁵ Susan Windybank and Mike Manning, 'Papua New Guinea on the Brink,' *Issue Analysis*, 12 March 2003.



PNG was administered by Australia until self government was granted in 1973. Between independence in 1975 and 2003 Australia provided PNG with more than A\$12bn in aid.¹¹⁶ Australia provided its programme to PNG almost entirely as budget support until the mid-1990s,¹¹⁷ after which budget support was phased out – from US\$200m in 2001 to zero in 2002 – while project and commodity aid from all sources moved from \$155m in 2001 to \$193 m in 2003 and \$142m in 2004.¹¹⁸

Table 7: ODA Commitments to the Health Sector, 2006

	Health	
	PGK (millions)	% all donors
All donors – total	184.8	100
AusAID	105.8	57.3
NZAID	11.1	6.0
JICA	4.5	2.4
WHO	10.3	5.6
GFATM	33.3	18.0
UNICEF	1.9	1.0
UNFPA	0.4	0.2
ADB	12.5	6.8
Sustainable development	5.0	2.7

Source: HSIP Management Branch

Today AusAID provides PNG with approximately A\$300m per year. 96% of ODA for health in 1998-2000 was from Australia—by far the most significant donor in volume of aid and breadth of support – though today many other donors are providing health financing (Table 7).¹¹⁹

AusAID is currently designing governance sector and sub-national (decentralisation-support) programmes, and in doing so is trying to align its programmes with the priorities outlined in the government's MTDS. It aims particularly to strengthen civil society and democratic

¹¹⁶ Susan Windybank, *International Herald Tribune*, 8 April 2003. <http://www.cis.org.au/Exechigh/Eh2003/EH13103.htm>

¹¹⁷ 'From PNG Independence in 1975 to the early 1990s, Australia gave PNG about \$300m per year in untied aid, in line with the prevailing development thinking of that time that the basic development problem was a lack of money, and that money alone should enable progress. The hands-off aid policy was intended to respect and support the views of PNG leaders that PNG should manage its own affairs as an independent state. Budget support funded key public services and supported PNG's national unity and stability. In hindsight, however, it is fair to say budget support was not used effectively enough for development. This can be seen by PNG's weak economic growth, with PNG's per capita income of about US\$540 per year now lower than at Independence. The criticisms include that budget support supported a culture of dependence, and contributed to the rise of political patronage and a bloated and inefficient public sector, and did not address the key role of institutions for development. Whatever the truth of these arguments, budget support was not addressing PNG's governance problems, such as low productivity, weak management culture and lack of focus on service delivery and revenue management. These problems were recognized in the 1980s, and budget support was replaced over the 1990s by jointly programmed aid at a rate of \$37m per year.' Robert Tulip, 'Historical Perspectives on Australian Aid to Papua New Guinea,' 13 Sept 2005, http://peb.anu.edu.au/pdf/Tulip-Historical_perspective_on_Australias_Aid_program.pdf

¹¹⁸ IMF, Papua New Guinea, March 2006, Table 20. <http://www.imf.org/external/pubs/ft/scr/2006/cr06105.pdf>

¹¹⁹ *Papua New Guinea: WHO Country Operation Strategy, 2005-2009*



governance, justice and the law, and national/sub-national bureaucratic capacity as well as funding programmes that will re-vitalise roads, schools and clinics. The four pillars of the AusAID bilateral country strategy are state building, economic growth, service delivery and combating HIV/AIDS. AusAID aims to harmonise its programmes with those of other donors.

7.1.2 *Asian Development Bank*

The ADB strategy for Papua New Guinea focuses on strengthening governance, supporting private sector development, and improving social conditions. Weak public sector management and ineffective public services remain the main development problems. Some \$33 million in concessional funds are earmarked for Papua New Guinea over the in 2006-07. This includes \$18 million loan for road improvement and a \$15 million grant for HIV/AIDS work. In addition, \$42 million in loans from ADB's ordinary capital resources are planned for the road sector over the period. The programme also proposes \$2 million a year in technical assistance grants to carry out economic, thematic, and sector work on the key priorities of the country strategy. Final assistance amounts will be linked to factors that include the country's performance in fiscal and sector management, and absorptive capacity. It appears that the ADB takes good governance into mind when designing programme, though governance appears to be more about technical reforms rather than the informal political systems that currently drive underdevelopment.¹²⁰

7.1.3 *United Nations*

UNDP's 2003 Country Outline emphasised capacity building and human development. 'Set against the three objectives of the UNDAF of (i) enhanced leadership and participation; (ii) improved access quality and delivery of basic services; and (iii) improved internal, regional and global integration, the proposed programme aims to achieve this focus through implementation of activities that centre around the promotion of good governance and poverty reduction.'¹²¹

The UN is currently writing a UN Country Programme, which in draft highlights capacity development for nation-building; promotion of good governance and crisis management; the development of the essential foundations for human development, relating to the social sectors of health, education and child protection; the pursuit of sustainable livelihoods through improved environmental management and employment creation and income generation; gender equity and the promotion of women, and HIV/AIDS.¹²²

¹²⁰ Cammack interview with Ellen Kulumbu at ADB, Port Moresby, 25 Aug 2006; ADB, 'Strategy and Program Assessment: PNG; Governance in Papua New Guinea – a Thematic Assessment,' March 2006. Also see www.adb.org/Documents/News/2005/nr2005159.asp

¹²¹ <http://www.undp.org.pg/documents/undppngcp.pdf>

¹²² Cammack interview with UNDP staff, Port Moresby, 25 Aug 2006 and *UN Country Programme, Papua New Guinea, 2008-2012*, Sept 2006 draft programme document.



7.1.4 World Bank and IMF

These agencies have had a powerful impact on PNG's macro-economic performance. The Structural Adjustment programme in particular, set off protests that were heard worldwide.¹²³ Nonetheless, fiscal and macro-economic reforms were carried through by the Minister of Finance, and the WB and IMF have been able to claim that they were by 2002, beginning to make a difference to the economy.¹²⁴ (The increase in foreign investment in mid-decade has probably played a role too). The WB's current portfolio of projects is heavily infrastructure-focused (roads and gas development). The IMF's recent recommendations to government include 'to accelerate fiscal reform and to persevere with fiscal prudence, a supportive monetary policy, and structural reform to encourage private investment. Strengthening the non-mineral sector will be key to diversifying the export and revenue base, and promoting private sector job opportunities. Directors welcomed the commitment to these policies in the government's Medium-Term Development Strategy..., and called for their resolute implementation.'¹²⁵

In summary then, most of PNG's donors are well aware of the state's and regime's shortcomings and the problems arising from them, as well as the long-term structural constraints to development. Some are more ready to speak about the weakness of government's will and capacity to respond than others, but all take these into account – albeit, some to a lesser degree – when programming their aid. Most of PNG's donors are past the stage of designing programmes as if they were working in a political vacuum. Yet some new thinking is needed to encourage government to consider reforms that ease the public's access to clinics and schools, HIV testing and ART, training and employment, and urban settlement. Ways to increase public demand for services, to empower women, to build national identity that crosses clan loyalties, to ensure law and order, and to make government at all levels more accountable and responsive to public needs should also be on the donor agenda.

¹²³ 'The World Bank and the PNG government finalized the SAP programme on 28 August [1995], committing PNG to drastic economic reforms to qualify for a \$US683 million loan from the World Bank, Asian Development Bank, Australia, Japan, Germany, France and New Zealand. Reforms include scrapping the minimum wage, removing price controls on basic foods, introducing fees for health and education services and abolishing controls on foreign investment. Land law reform to give companies easier access to forest and mineral resources, originally part of the package, has been withdrawn or at least postponed due to the protests.' <http://www.hartford-hwp.com/archives/24/024.html>. In 2001 riots set off by WB and IMF policy recommendations saw 3 killed and 17 injured by government.

¹²⁴ WB, Country Brief, http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/PAPUANEWGUINEAEXTN/0.._menuPK:333777~pagePK:141132~piPK:141107~theSitePK:333767,00.html Also see IMF Mission Team report, 22 April 2006, <http://www.imf.org/external/country/png/rrr/pdf/042206.pdf>

¹²⁵ IMF Press statement, 14 March 2006.



8 At the grassroots

In the villages and towns around PNG people agree that the governance and administrative systems are dysfunctional.

8.1 How dysfunctionalities and underdevelopment are viewed by civil servants

Two provincial-level civil servants in Madang, for example, said that neither had the wherewithal to carry out their duties. ‘Services which are supposed to go to the people,’ one said, ‘aren’t reaching them’. The reason they gave was insufficient funds – ‘Waigani’ controls the money and doesn’t provide enough’. They compared their operations now with pre-1995 styles of work, when (they said) they would go into the rural areas and meet with the people, and when the government was building schools, clinics, and roads. Now, the community development officer complained, he has no telephone and no transport and so his six staff are unable to go to the field. Money, he said, is spent on local politicians (e.g., counsellors) and their allowances rather than services. Money that comes through the province as grants is too often used for politics rather than projects, they claimed. Neither had seen any of the money given to their MP as a development grant,¹²⁶ and claimed that the district plans drawn up for projects were ‘ignored’ by the MPs. In some districts (e.g., Bogia) political tensions between individuals further exacerbated the implementation of development projects.¹²⁷

8.2 Dysfunctionalities and underdevelopment described by local-level representatives

In Huon Gulf District, an LLG council manager stated that ‘money comes, but not often’. He has received money from two sources: the national government and the provincial government. In the first instance, he does not receive the full grant designated by law (K20 per person per annum) but much less. Of the money he does receive, much of it is earmarked for salaries. Spending of the rest was for infrastructural projects but priorities were determined by local politicians. Ward counsellors, he said, came with their communities’ project requests, but these are either too expensive (compared to the funds he has been given) or too localised to be an LLG priority. Rather than fund one or two projects with his limited funds, the ward counsellors insist that he shares the money out equally, and so none of them has enough to ‘build their classrooms’ (i.e., undertake their priority projects). As for the MP’s district development grant, he explained that it is supposed to be spent as the district planning committee says, but ‘everything is politicised’ instead, and how it is actually spent will depend on the individual MP. ‘We have a very good system,’ he insisted, ‘but the persons can be a problem’.¹²⁸

¹²⁶ MPs are given annual development grants – constituency development funds – by central government, which they are meant to spend in conformity with their constituency or district development priorities. But reports from the field suggest they are instead used in ways that the MPs feel would most improve their vote count.

¹²⁷ Cammack interview with Joseph Bande and John Bivi, Madang, 31 Aug 2006.

¹²⁸ Cammack interview with Robin Bazzinuc, Huon Gulf District, 29 Aug 2006.



Ward counsellors are also unhappy with the system. One in Morobe explained that he had been pleased to be elected by the community. (They selected him, he said, because he was educated to tenth grade and can ‘talk well’). He said he makes an effort to find out what the people in his ward want (roads, water supply, coffee pulpers, and plastic sheeting to dry coffee beans) and takes their priorities to the LLG council. But since the budget is ‘not enough to cover anything’, he has been unable to get any funds to help them. Each ward, he explained, receives K620 annually for land and infrastructural development, while the LLG receives K10,100 for ‘administration’ (sitting allowances and transport for counsellors, etc). Other money comes through for administration, and this year there was an unconditional grant of K85,000 for the LLG president to spend (from the MP’s development grant), But the president ignored the committee established to decide how to use it and spent the money ‘on his own political purposes’ instead. These were not projects, the councillor insisted, but ‘handouts’ in cash to supporters. While the LLG councillors took the step of voting the president out of office, he has remained. (According to the councillor, the president is related to the provincial governor who appointed him, and a member of the same political party). Thus, in this LLG both the system – with no effective accountability up or downwards, too little money overall, open to non-meritocratic appointments, and politicised at all levels¹²⁹ and the personalities at the top keep it from serving the communities.¹³⁰

8.3 Popular perceptions of dysfunctionalities and underdevelopment

How do the people feel about this governance and administrative system? First, few understand it and according to the Ward Councillors, they are blamed for its not working. As Mr Zozok explained, he appointed a ward development committee – three men, two women and himself – that drew up a development plan (to build a ward at the health clinic), which he submitted to the LLG. When it wasn’t funded, the committee stopped meeting. Another ward councillor. Mr Yatu Nomayong, also in Nabak, told a similar story: he appointed a community development committee, which set its priority (a new classroom), but when its members saw ‘nothing from government’ in return, it too disbanded from lack of interest. He complained that the road (built by a logging company in the ‘60s) was in need of grading, but that rarely happened, and that the school, built 34 years ago, had not been improved since. ‘In ten years I have never head anything back’ from the LLG about the local project requests he’s forwarded from the community. Nor is he involved in the LLG budget process, so he had no way of linking the priorities from below to the money coming from above. He was aware that

¹²⁹ He charted a system demonstrating the links between the political and the administrative streams of government, which showed the MPs/Governors in control of provincial and district administration, and LLG presidents in charge of councils and wards. In essence he was describing a system where decisions about how money was spent were made for political, rather than technical or administrative purposes. When asked who benefits, he said it was ‘politicians and staff who make false claims for their own use’. Cammack interview with Kayak Zozok, Fourth Ward Councillor, Nabak LLG, Nawab District, Morobe, at Lae, 28 Aug 2006.

¹³⁰ Cammack interview with Kayak Zozok, Fourth Ward Councillor, Nabak LLG, Nawab District, Morobe, at Lae, 28 Aug 2006.



some K100,000/year came from the 'discretionary fund', but he didn't know -- nor did he have a say in – how it was spent.¹³¹

Politicians are blamed for the failure of the system in general. For instance, people were shocked when told that some A\$300 million a year comes in annually for development from the Australians alone. Fond of metaphors, one Papua New Guinean said 'its like killing a fat pig. But we never see it. All we get are the bones of the pig.'¹³² Another likened the system to a fat man – with a regular-size head, a big stomach, and skinny legs upon which to stand. 'We just need to cut off the fat belly,' he said.

In summary, it is a failure of the state and bureaucratic systems to overcome PNG's ecological handicaps, to manage macroeconomic stresses, to provide public services, or to steadfastly pursue a developmental agenda, that is mostly to blame for what Papua New Guineans see as 'poverty' – a lack of opportunity and paucity of services. Poverty for them results from the deepening isolation of communities as government withdraws from the rural areas and fails to fulfil its functions in towns. Many rural people are less able now than before to access the cash economy, send their children to school, attend clinics, post letters or bank money, all of which give rise to the poverty indicators the international community cite.

How well the traditional safety nets in individual villages are consistently able to help the most vulnerable people requires detailed field research beyond the scope of this study. But it is important to understand that whatever safety nets exist they are under threat, as they must function without the help of the state, or without the support of relatives in town, which are increasingly cut off from the villages.

Migrants seeking a better standard of living in towns feel let down by the state – which in large part, they are – and depend solely on themselves and clan members, or local patrons to make their way. How long this situation can remain without fuelling political unrest is anybody's guess.

8.4 Solutions at the grassroots

Local initiative is alive and well in PNG, though the state system does little to promote or support it. Some urban-based groups are working to reform the system, while local and international NGOs are actively aiding small projects in the hinterland and in towns, with the aim of improving service delivery, raising productivity and improving livelihoods. In some cases, agencies are combating the relative isolation and powerlessness of communities. A quick review of some initiatives is provide below:

¹³¹ About the tumbling-down bridge over the rushing river the villagers were hopeful: since 2007 was an election year, they thought it might finally get built. Cammack interviews with Yatu Nomayong, Ward 11, and with Kais Digeru, Village Magistrate, Ward 13, and misc. villagers in Nabak LLG, Nawe District, Morobe, 27 Aug 2006. The Magistrate was not aware of his budget either.

¹³² Cammack interview with Kasumbe Yatu, wife of ward councillor at Nabak, Nawe District, Morobe, 27 Aug 2006.

8.4.1 *Reform of Organic Law on provincial and local-level government*

Efforts are currently underway in the country to re-write the laws that govern the state bureaucracy and its functioning. This is vital in order to improve service delivery and to promote voice and accountability by the people. The 'Public Sector Reform Advisory Group,' has published (July 2006) its second report on 'Improved Decentralisation: Getting People involved in Democracy, Strong Civil Society, Peace and Good Order, and Self Reliance.' It has, it says, 'held extensive discussions on how to put in place an achievable, manageable, cost-effective, two-level legislative system of government, with an emphasis on strengthening local government to make it more self-reliant and play a greater role in economic and social development.'

8.4.2 *The foundation for people and community development (FPCD)*

It is based in Madang and helps grassroots groups who approach the NGO for support with community forestry, community development and advocacy. For example, a group of land owners might wish to halt an international logging company and the PNG state from clearing forests (for export) in their area, and they will approach the NGO to help them fight the action, and to devise a plan to exploit their forest in a more ecologically sustainable fashion. FPCD is currently undergoing a certification process that will allow the communities they work with to export their timber under an eco-friendly label. In the meantime they are supporting a number of local initiatives, such as one in Aware Forest, where a family is cutting a few cubic meters of timber (e.g., Pon Taun and Kwila trees) each year (under the direction of an FPCD milling supervisor/trainer) from its 400 ha forest, following a 35 year cycle, and selling it to a New Zealand company. Within a year of removing a few trees, the area has returned to its natural state. The family also takes care to plant a new tree for every one they remove.¹³³



Aware Forest, community forestry programme, Madang, 2005

¹³³ Cammack interviews with Yati Bun, FPCD Executive Director, Port Moresby, 24 Aug 2006, and with Kafuri Yaro, FPCD, Forestry Management Supervisor and Fletcher Onise, Milling Supervisor, on Mr Gamora's land in Aware Forest, Madang, 31 Aug 2006



8.4.3 *Zifasing ranch*

Set on an 800 ha. parcel some 50 km outside Lae, this ranch is owned by thirteen clans, who amalgamated their land under a Land Lease Agreement some 15 years ago. Its been run by managers for profit and had at one point, as many as ten thousand beef cattle. After being allowed to deteriorate (to a couple thousand cattle and those being butchered by the clans rather than sold for meat), the ranch is now being revitalised with the help of experienced ranchers working as (New Zealand) volunteers. The project is meant to supplement the income of the family-owners, who live off the farm, grow betel nut and other foods for sale near the main highway. The clans remain involved as they send a representative to the Ranch's management board, though ranch labour comes not from the clans, but from outside the area. This ranch can be seen as a model for land amalgamation within the existing law, as a model for profit-making ventures, especially when owners get technical support and their basic livelihoods are not at risk. Bris Kanda, a local community development and rural enterprise NGO, is supporting the ranch, along with other projects that aim to alleviate poverty and increase economic participation. They do this by mobilising people, and training them in business development, enterprise management, husbandry, agricultural management, and literacy where necessary.¹³⁴

8.4.4 *City Mission PNG*

Begun by foreign businessmen in 1993, the City Mission (first in Port Moresby and now another in Lae) offers male youth training and support, including a bed and food. It has a shelter for abused women and children, and a feeding programme for street children in POM as well. It trains boys in farming, welding, carpentry and animal husbandry, and gives them counselling to overcome their addiction to drugs and alcohol. They also teach literacy and life-skills, conflict resolution, etc. Boys living there understand the opportunity provided them by the Mission, and over the years many have successfully moved from a life of crime on the streets to work in towns.¹³⁵



Former street children in training at City Mission, Port Moresby, 2005

¹³⁴ Cammack interview with New Zealand volunteers and 'Bris Kanda' NGO staff, who support the project. 29 Aug 2006.

¹³⁵ Cammack interviews with City Mission staff and children in Port Moresby and Lae, 24 and 28 Aug 2006.



8.4.5 Good News Workshop

Development Bulletin, 67, April 2005 features a set of case studies of 'effective development in Papua New Guinea'. These included a number of local projects that have been successful.¹³⁶

For example, the *Tari Family Health and Rural Improvement Programme* began in 1995 and ran five years before joining with Community Based Health Care. The aim of the programme was to off-set the erratic arrival of goods due to the decline in transport. It aimed to apply low-cost technologies and simple techniques to improve the health and living standards of rural families in Tari. First families had to build improved pit latrines and plant a nutritional garden. Health teams visited the families and provided them with kits to treat sores and keep their amenities clean. Then came small livestock, iron sheets (for water catchment). A nearby farm served as the resource base, where agricultural extension techniques (e.g., use of animal manures) were taught. Water tanks were designed and distributed, while other innovations included storage cupboards for food and seed. At the end of the first 5 years, more than 250 families had improved water and livestock, 75% of those had improved pit latrines though less than half still had their gardens.

Another case study of *Saraga* settlement in Port Moresby explains that leaders of the 34 ethnic communities living there in 1998 responded to high rates of crime, poorly attended to by the State, including the murder of a child, by forming a *Community Development Association*. Its aim was to promote development, a healthy environment, conflict mediation, skills training, and good governance; to improve the status of women; and to prevent delinquency and HIV/AIDS. One way the leaders moved forward was to obtain sports sponsorship from nearby businesses, which has led to sporting events involving over 350 participants, and 800-900 spectators. Conflict mediation based on traditional principles was undertaken to deal with 6 murders and pay-back conflicts between 1997 and 2004. This included the victims welcoming the offenders back into the community. Other cases within the community, such as rapes, wife beating, land disputes, etc, are also mediated by the community association. Today government sponsors the Association's work, as do local companies. Its current goal is to install streetlights and electricity in their settlement, to build a community hall, extend the water supply, improve the sewage system, etc – i.e., to provide the services that the government is unable or unwilling to do.

¹³⁶ The journal grew out of the Good News Workshop held at Divine Word University in Madang in November 2004. Information provided by Pam Thomas, director of the Development Studies Network, for the information, Canberra, 5 Sept 2006.



9 Conclusion: what is to be done?

Papua New Guinea is blessed with an abundance of resources – both human and natural – but most remain underdeveloped or are being exploited without benefiting the nation. For instance, mineral, energy and forest reserves have been opened up and their produce sold to foreigners; the national treasury receives hard currency and some ‘big men’ are known to have pocketed cash inducements in return. Little of that wealth has managed to create generalised (non-enclave) employment, effective public services, enhanced trade or industry, etc. Moreover, communities nearby some mines and cleared forests have had to deal with the negative environmental, health and economic consequences of their exploitation.

In many cases, though, the people of PNG are largely untouched by the outside world. This can have just as devastating a consequence, for remoteness in PNG often means people lack access to necessary services, markets, and employment. Worse yet, as we have seen above, some areas are becoming *more* isolated as infrastructure breaks down and as the state withdraws from areas. It is this that explains deepening poverty – and the reason why poverty that might once have been relieved within a generation, has now become long-term.

Some parts of the country are notoriously poor, and have been historically. This is a result in large part, of their environmental disadvantages (heavy rainfall, poor soils, steep slopes, etc). While generalised in some provinces, such ecological shortcomings are to be found all over the islands, and only a nuanced understanding of a particular region or community can explain exactly why those people’s livelihoods and life-chances are poor.

But we cannot blame PNG’s short- or long-term poverty on its environment, for many countries have managed to overcome similar handicaps and factor endowments, and become developmental. They have built roads, channelled water, constructed and maintained clinics and schools, managed their resources, terraced land, housed their poor, built industries, created employment and have become integrated into the world market on a more or less equal footing. How is this done?

First, the political will to do so is needed, and this is sometimes in short supply in PNG... or at least, is insufficient due to political distractions. Political will in a democracy can be boosted by the populace and organised civil society demanding improved services, human rights and reform from government, but strong civic institutions are in short supply for (deep structural reasons) in PNG. Secondly, a *depoliticised* development policy is needed – one that is not liable to be changed with changes in the regime, and one that is driven by a need to develop the nation as a whole, not to benefit certain regions or interest groups. More than that, though, the policy must be implemented fairly, consistently, and honestly. This requires a state bureaucracy that is capable, relatively uncorrupt, hardworking, and buttressed from interference by politicians and other (sectarian) interests. In the case of PNG, the law underpinning the functioning of government and its bureaucracy has let the nation down, and is seriously in need of reform.

Other states that have successfully pursued a developmental path have also demonstrated a desire to innovate – taking other nation’s social and technical innovations and implementing them where needed. Generally, cultures that are developmental also are tolerant,



meritocratic, socially mobile, and they value education and applied learning. Such states also have an elite that is vested in the development project – generally benefiting from, and advancing it (e.g., investing their earnings at home, and shunning non-productive corrupt practices). Without further research, it is not clear just how PNG's society would score on such an assessment.

Finally, both the nation state and the government should have legitimacy. The first results in stability, a sense of nation, and strong borders – all of which are weak in PNG. Thus, state- and nation-building seem to be fundamental prerequisites of PNG's developmental success. Secondly, where there is government legitimacy, leaders will not have to redistribute state resources to obtain and retain support. A regime can govern – build coalitions, pass budgets and implement policies, and win elections – by other means.

Development, then, is not about technical solutions alone – a new Organic Law, or better accounting and management systems – for the process must generate programmes that address the deeper, structural constraints that keep the people from seeing themselves first as a nation with rights, and that work against the implementation of a national development strategy. People must be empowered to demand their services and to hold their government to account, while leaders must find the will to institute national development strategies. This demands a political solution, which is not easy to engineer, especially by outsiders. But poverty will continue to get worse until PNG 'gets its politics right' and is able to address the lack of opportunity nationwide. Not doing so may eventually destabilise the country, creating the violent African scenario that Ben Reilly foresaw.¹³⁷

9.1 Recommendations

The list of recommendations below is not exhaustive, but is indicative of the type of reforms and the levels at which change is needed. Inspiring this list is the need to create a developmental state in PNG and to address the structural issues inherent in a state that make it non-developmental. Further research and analysis should be undertaken to better inform such initiatives.

- *Revision of the Organic Law on Provincial Government and Local-level Government, etc.* This process is already underway, as government and advisors are collecting data and making recommendations for reform. The key, besides making the political and bureaucratic systems more functional and affordable, is to ensure reforms foster nation-building and counter the separatist tendencies evident in PNG. To ensure conformity, reforms will have to be transferred into all sectors' legislation, development plans and strategies as well.
- *Developmental-state building* To create a developmental state in PNG requires a clearer understanding of the political economy, and the deep processes that drive politics in PNG and undermine the 'political will' to reform. Aid agencies need to support research on incentives and institutions that influence behaviours. Until government's determination to develop the country is evident, well-considered and

¹³⁷ 'The Africanisation of the South Pacific', *Australian Journal of International Affairs*, 54, 3, 2000.



designed and adequately funded policies (in education, health, governance, the resource sectors, etc) will not be effectively operationalised.

- *Use of mineral windfall (oil, gas, mining) profits* can be improved by channelling them into education, infrastructure, health, etc, but if that is impossible, by putting them in trust until government finds the political will to use them better.¹³⁸
- *Civil service reform* To turn PNG into a developmental state it is important to build up the capacity and professionalism of the civil service. Re-opening a full-time institute for long-term courses/training of civil servants might be considered.
- *Create public demand for reform* While this may be dangerous unless government can more effectively supply reform, missing in PNG is a vibrant civil society demanding good governance and development and holding government accountable for them. Less ambitious would be the creation of a civil society that is at least informed of, and supports the national developmental project.
- *Prosecute corruption and mobilise public support* This would increase government legitimacy. Aid flows might be predicated on this measure being implemented, though in this regard it is important that government is not seen to be accountable to donors rather than its citizens.
- *Free primary education and civic education* Fees bar students from primary school and need to be removed. Civic education is important in creating a public (and NGOs) that holds government to account. Higher education would improve the capacity of civil society to organise in favour of reform.¹³⁹
- *Address the HIV/AIDS epidemic* at the earliest opportunity, through public campaigns to change attitudes, testing, ART distribution, etc.
- *NGOs receive political and human rights training* NGOs (and churches) should not just supply services, but should lead the public demand for reform, good governance, an end to corrupt practices, etc. Civic organisations should take up their historical political role, as the media in PNG have already done.
- *Parliamentary strengthening* This is required urgently, and should focus on the role of parliament in promoting democracy and development, not just civics training. No one, even MPs, should be above the law.
- *Infrastructural development, including communications* This is absolutely required to reconnect the rural areas and improve public services, which are key elements of nation-building.
- *Tackling violent conflict and crime* Support to local and national initiatives to address the roots of conflict as well as address existing violence and crime are required. These range from local conflict resolution to the arrest of instigators of violence, no matter how well connected.

¹³⁸ For the Norwegian and other examples of how to use or protect mineral earnings, see 'Petrol peril', http://www.boston.com/news/packages/iraq/globe_stories/041303_ideas2.htm

¹³⁹ An 'Education: Public Expenditure and Service Delivery in Papua New Guinea' study was planned in 2001 as part of the government's series of Functional and Expenditure Reviews, and a tracking survey was undertaken the following year. Power point of the tracking survey's findings at <http://siteresources.worldbank.org/> and see <http://www.worldbank.org/research/projects/publicspending/tools/PNG%20QSDS%20Education/PNG.TOR.conceptnote.pdf>



- *Donor coordination/alignment/harmonisation* Donors must attempt to coordinate their aid better, to programme with local politics in mind, and to ensure that their programmes are aligned with government priorities. Remember to include NGOs in monitoring of government/aid programmes as this empowers civil society.
- *Promote existing grassroots initiatives* All over PNG local initiatives are underway that could be supported and extended by agencies, while taking care not to crush them with too much aid or direction.



Annex 1: Attributes of a developmental state and society

- *State authority* Developmental states must have the authority (control) to implement its policies, which requires that they are strong, consolidated, and viewed as legitimate. Measures of this might be the extent to which the state is able to tax its citizens, to maintain its borders and territory, to tame foreign capital, to regulate labour, and to support the permanently poor. Often nationalism plays a part (and many theorists see threats, e.g., of war, as instrumental in creating unity of purpose and vesting the state with authority).
- *Public service* A state bureaucracy that is powerful, insulated from politics, and competent is needed to create, direct and manage the broad shape of economic and social development. Its probity, competence, professionalism and autonomy have to be nurtured. They should not be subjected to tests of political loyalty but be given leave to create effective state institutions, systems, structures and processes to design and implement development policies over the long term.
- *Legitimate government* Governments (regimes) gain legitimacy nationally through fair elections, and if they represent the wishes of the bulk of the population, redistributing goods and promoting development that benefits the general public. The nature of the 'social contract' and how its being fulfilled are important.
- *Non-state actors* The state must remain relatively independent of (not captured by) special interests, while at the same time 'embedded in a dense web of ties with non-state and other state actors... who collectively help to define, re-define and implement developmental objectives.' (Leftwich).
- *Policy* The top and consistent priority of the state and government must be national development and the policy must be transformed into institutions ('rules of the game') that promote productive entrepreneurship.
- *Culture of development* Social and technical innovations must be either generated domestically or adopted from outsiders, then adapted to solve problems and to create functioning institutions and systems. Traits that are associated with development include tolerance, scientific rationalism, trust, participation, meritocracy, professionalism, social mobility, gender and equality. Also, high-levels of education are valued and promoted, as is national identification.
- *Elite investment* There exists a determined developmental elite that is either relatively uncorrupt or performs corrupt act that are not predatory but promote productivity. Individually and as a whole the elite should be (in)vested in (and rewarded by) promoting national development to increase their own assets.
- *Civil society backing* Many analysts note that (capitalist) economic development generally proceeds democratic governance. Because the benefits of national growth may not be equitably distributed immediately, civil society in an already-democratic state must understand, be engaged in and support the slow, national development process. The other option has been 'strong-man' style states with weak civil societies, where enough benefits 'trickle down' to placate the masses. The Asian Tigers provide such an example.



Annex 2: People interviewed and institutions visited

Date	Institution	Informants
9 Aug 2006	AusAID (seconded to DFID)	Steve Hogg, ex-PNG programme
17 Aug 2006	Ex-ODI Fellow	Rachel Wilson, PNG Min of Planning, 2004-05
17-20 Aug 2006	Flight from UK to Canberra	
20 Aug 2006	AusAID	Jane Lake, ex-Governance Advisor, PNG
21 Aug 2006	Centre for Democratic Institutions, ANU	Ben Reilly, Director
	Dept Human Geography, ANU	Bryant Allen and Michael Bourke, Rural PNG specialists
	Pacific Policy Project, ANU	Satish Chand, Director, and Urban settlement specialist
	AusAID	Round Table discussion with 13 staff from PNG programme, Treasury, Research, Health division, etc.
	AusAID	Catherine Walker, Assist. Director General, PNG programme
		Jim Gilling, Principle Advisor, Office of Development Effectiveness
		Theo Levantis, Economic Advisor
		Jim Tulloch, Head of Health Programme
		Robert Tulip, head of research
24 Aug 2006	Flight from Canberra to Port Moresby	
23 Aug 2006	PNG government advisor since 1970s	Prof Edward Wolfers
	Ministry of Finance, Planning and Rural Development	Round Table discussion with 11 senior staff, Department of Rural Development
24 Aug 2006	Foundation for People and Community Development	Yati Bun, Executive Director
	Member of Parliament and ex-Minister of Finance	Bart Philemon, MP
	City Mission, Port Moresby	Nawi Nano, Community Services Manager
		Discussions with street children (teenage boys) now working for City Mission
		Visit with Mr Nano to settlement on waterfront and discussions with local ward counsellor
	Ministry of Finance, Planning and Rural Development	Cathy Whimp Consultant & fiscal specialist
25 Aug 2006	Human rights NGO	Dorke De Gedare, Programme Manager (in private capacity)
	UNDP	Michael Askwith, consultant
		Gwen Laru, Environment project officer
		Kina Bade, Planning
	Asian Development Bank	Ellen Kulumbu, Project Implementation Officer
26 Aug 2006	Flight from POM to Lae	Discussion with high school inspector at POM airport



Date	Institution	Informants
27 Aug 2006	Morobe Province, Naweb District	Kais Digeru, Village Magistrate, Ward 13, Nabak LLG Yatu Nomayong, Ward Counsellor, Ward 11, Nabak LLG
28 Aug 2006	Morobe Province, Naweb District Morobe Provincial HQ City Mission, Lae	Kayak Zozok, Ward Counsellor, Ward 4, Nabak Manasiyze Zurenuoc, Province Administrator Vincent Kautu, Administration manager, and founder (Larry George) and discussion with 25 boys living in mission
29 Aug 2006	Bris Kanda (NGO) Wampar LLG HQ, Huon Gulf District Zifasing Ranch, Huon Gulf District	Yakue Mzi, Project Development Officer and Ewa Ososo, Senior Programme Development Officer Robin Bazzinuc, LLG Council Manager Jud and Tony Leef, NZ volunteers, revitalising the ranch, supported by Bris Kanda and NZ govt
30 Aug 2006 31 Aug 2006	Flight from Lae to Madang Foundation for People and Community Development Rai Coast District, Aware Forest Project	Bazakie Babut, Forestry Programme Manager Kafuri Yaro, Forest Management Supervisor (FPCD) Fletcher Onise, Milling Supervisor and family from Uya village, milling trees on their land
1 Sept 2006	Madang Provincial HQ Madang Urban Local Level Government Nature Conservancy 'Sawdust' settlement	John Bivi, Evaluation and Monitoring in Planning Dept, and head of civil servants trade union Joseph Bande, Community Development Officer John Barre, Acting Town Manager Mr Hurahura, Director Anon. woman buying betel nut
2 Sept 2006	Flight from Madang to POM University of Papua New Guinea	David Kavanamuur (sp), Political Science
3 Sept 2006 4 Sept 2006	Flight from POM to Canberra Development Studies Network, ANU 'State, Society and Governance in Melanesia' Programme, ANU	Pam Thomas, Director Discussions with 5 staff members (inc. convenor, David Hagarty) re. PNG and governance



Annex 3

Functional and expenditure review of health services (2001)

Interim report on rural health services

Summary of recommendations

Breakdown of Vertical Integration

Recommendation 1: Provincial health administrations should be restructured so that health staff in the province report to the PHA. District Administrators should retain involvement in the management and coordination of staff in districts on a day-to-day basis.

Recommendation 2: In order to carry Recommendation 1 into effect immediately pending full implementation, Provincial Administrators should delegate personnel powers over district health staff to the PHA. The DPM and the NDoH should jointly determine the nature of the delegations that should remain with District Administrators.

Structure of Provincial Health Services

Recommendation 3: Provincial health staff should be organised so as to ensure that the positions and their arrangement reflects the core priorities of the National Health Plan and the provincial priorities determined in provincial strategic plans. The DPM, provincial administrations and NDoH should jointly develop model structures for provincial health services that reflect these priorities.

Recommendation 4: The DPM, NDoH and provincial administrations should develop options for restructuring provincial administrations to reflect the importance of health as a provincial function. In view of the numbers of provincial staff in the health sector, it may be appropriate to consider upgrading the position of senior provincial health manager from the level of a provincial adviser. This might be achieved by:

- establishing a separate division of health within the provincial administration, headed by a Deputy Administrator; or
- establishing a separate division of social services, also incorporating education staff; or
- (establishing a special program within the Office of the Provincial Administrator, headed by a position at a similar level to Deputy Administrator.

Fragmentation of clinical supervision and support networks

Recommendation 5: The NDoH should initiate a process of reviewing the relationship between public hospitals and provincial government health administrations. Where necessary, the Department should assist in redrafting the MOUs between the two agencies, to encourage better working relationships. The importance of MOUs as a process not a product should be emphasised, and the focus should be on improving the flow of resources to district health services.



Inadequate Resources

Recommendation 6: The NDoH and the DoF should continue to produce annual reports of provincial spending on health as part of an overall National Health Account. The Financial Management Improvement Program should institutionalise the production of this and other similar reports within the DoF and promote the dissemination and use of this information.

Recommendation 7: Funding for rural health should be quarantined from the provincial grants using a dedicated budget revenue code, in a similar manner to church health operating grants and education subsidies. The NDoH should monitor the release of warrants against the rural health budget code to provinces.

Recommendation 8: The amount to be quarantined for the rural health vote should be determined on the basis of a costed package of basic services, negotiated with provinces as part of the budget process.

Recommendation 9: Options for alternative channels for funding health services in provinces, including the creation of a separate rural health vote under Division 241, and the use of the HSIP trust account, should be explored as a ways of better ensuring funds reach health services in provinces.

Budget accountability

Recommendation 10: There should be a single point of budget accountability for provincial rural health services: PHAs should have control of health budgets. (Under a revised structure the provincial health manager might have a different designation).

National government cannot ensure implementation of national policy

Recommendation 11: The NEC should issue a directive to provincial administrations to ensure that essential health programs are adequately provided for in 2002 provincial goods and services budgets. Where budgets do not provide adequately for health, the Minister for Finance should refuse to approve them. The Minister for Health should advise the Minister for Finance what constitutes an adequate level of funding, in accordance with the National Health Administration Act.

Recommendation 12: The Government should use the budget approval process more strategically, to ensure that adequate provision is made for essential components like maintenance. The CACC should adopt a set of criteria by which the DoF budget section can assess health budgets presented by provincial governments. The criteria for assessing provincial budgets should include a minimum ratio of goods and services to salaries.

Recommendation 13: The DoF should formally consult the NDoH on the allocations to health in provincial budgets, prior to their approval each year by the Minister for Finance.

Recommendation 14: NDoH and DoF should develop a mechanism for ongoing cooperation and coordination and the involvement of health planning staff in review of health components of provincial budgets for 2002. Consideration should be given to seconding an officer from the health planning section to the DoF budget section for the period during which budgets are under review. Donors to the health sector should be requested to fund capacity building



to strengthen DoF Budget Division's capacity to critically scrutinise health budgets and ensure they provide for essential components of the ten health programs and are coded correctly.

Provincial budget structure

Recommendation 15: The DoF should consult with the NDoH on the question of the development of the new chart of accounts, before the Financial Management Improvement Program is finalised.

Recommendation 16: The DoF should require provinces to implement 10 program health budget, and beginning with the 2002 budget, should not accept budgets that do not conform.

Recommendation 17: The Department of Health and DoF should support the development of a provincial budget formulation tool to assist with correct coding and layout of provincial budgets in future years. This could extend beyond health to other sectors, and could be incorporated into the Provincial Financial Management Improvement Project (FMIP).

Provincial budget processes

Recommendation 18: Provinces should reinstitute consultative budget development processes and should ensure that senior health managers are involved in budget negotiations.

Use of donor funds

Recommendation 19: The Government of PNG should ensure that donor funds (in particular loan funds) are directed toward investment rather than recurrent expenses, or used in a way that leverages increased allocations by provincial governments to displace the donor funds over time.

Recommendation 20: The NDoH should support capacity-building in provinces for the administration of the HSIP. The need for staff at provincial level to support administration of the program, and the appropriate level of qualification of those staff, should be identified. The NDoH should hold discussions with the DPM to ensure that provincial administrative structures adequately provide for the administration of the program.

Recommendation 21: A legal framework should be established for the HSIP within the National Health Administration Act, with provision for appointment of account managers at provincial level, appropriate powers of independent audit and investigation, and sanctions in the event of inappropriate dealing with the account, including appointment of caretaker account administrators while account irregularities are resolved.

Problems with the flow of funds

Recommendation 22: The NDoH should negotiate an agreement with the DoF for:

- the regular and timely release of funds, especially during the first quarter; and
- for the priority release of health funds to provincial governments when cash flow to provincial governments is tight. (Note that this recommendation will require introduction of a health specific budget revenue code for provincial governments).



Recommendation 23: The DoF should investigate options for increasing the flow of operating funds to the front-line service delivery facilities as part of the Financial Management Improvement Project. Options to be considered include the reintroduction of imprest facilities at districts and outstations.

Recommendation 24: Provincial health budgets should make provision for each rural health facility (health centre or sub-centre) individually.

Recommendation 25: The Department of Health and DoF should explore the options for regularising the collection and use of fees by rural health facilities and make recommendations for legislative change if necessary. Issues including the impact of user fees on women and the poor, and the public health implications of exemption policies need to be carefully considered, as do the arrangements to ensure appropriate accountability for fee collection.

Poor infrastructure planning

Recommendation 26: The NDoH should develop criteria for determining whether to approve the establishment of new facilities, or the upgrading of existing facilities using District Development Program funds.

Recommendation 27: Province-specific Facility master plans should be developed on the basis of Minimum Standards for District Health, with NDoH assistance, as a foundation for approving future facility proposals.

Recommendation 28: All proposals for health infrastructure to be funded under the District Development Program should be referred by the Office of Rural Development Project Appraisal Committee to the Health Department. Before giving approval to any facility, the NDoH should assist the relevant provincial government to do a feasibility study of the health service needs of the community within the catchment of the facility, the availability of positions for the staff of the facility, and the requirements for ongoing recurrent funding and equipment, and identify whether sufficient resources (including recurrent funding for operational expenses) are available for the proposed facility.

Inefficiencies

Recommendation 29: The DPM should immediately assess the need for funds to retrench unattached staff, and the Government should approach donors to assist in retrenching these staff. If the funding to retrench unattached staff cannot be sourced in the near future, the staff should be restructured back into provincial administrations and put back into productive work.

Recommendation 30: The NDoH should revisit the policy on patient transfers and repatriation, and should consider:

(a) whether the current 'zoning' arrangements for referring patients to particular hospitals are appropriate;

(b) whether payment out of district budgets is efficient, or whether provincial health offices or hospitals should manage these costs;



(c) Evaluate whether there should be any change to the policy on payment for accompanying guardians;

(d) clarify the steps district facility staff have to take in order to obtain approval for a referral; and

(e) take steps to publicise the policy better among provincial health offices, district health staff and public hospital staff.

Recommendation 31: The NDoH and DPM should jointly develop a policy for the housing of health staff in different locations (provincial headquarters, districts and aid posts). The policy should take into account the realistic likelihood of staff being able to find housing without government assistance given local markets, and should assess the financial and management options for managing the provision of housing where necessary.

Recommendation 32: DPM should immediately take steps to release file numbers to staff where recruitment processes were completed prior to the introduction of the expenditure freeze in April 2001.

Community involvement

Other issues

Options for improving the delivery of rural health services

Problems with the current arrangements under the Organic Law

Recommendation 33: The Organic Law should be amended to remove the requirement that all staff in a district report to the District Administrator.

Recommendation 34: Intergovernmental funding arrangements should be restructured so that:

- funding is linked to function (funding should be based on a realistic estimate of the cost of delivering a particular service);
- single point accountability (a single authority should be responsible for deciding over both recurrent and capital budgets for particular functions); and
- financing package considered as a whole (financing for provincial governments should be looked at as a whole package, and structured so as to ensure that inter-provincial inequities are addressed).



Restructuring the health system

Three models

Three models are proposed for discussion:

(1) The first model involves transferring management responsibility for both hospitals and rural health services to the Provincial Health Boards that have been recently established under the *National Health Administration Act*.

(2) The second model involves transferring management authority over rural health staff to the existing Hospital Boards established under the *Public Hospitals Act*.

(3) The third model involves establishing a new Provincial Health Authority at provincial level (by amalgamating hospital and provincial health boards) staffed by a national health workforce employed by a Health Services Commission.

Model A: Provincial Health Board manages the health system in the province

Model B: Hospital Board manages health system in the province

Model C: New Provincial Health Authority manages health in the Province, health staff employed within a Health Service Commission structure

Issues in considering the different models:

- Gains in hospital management capacity
- Influence and control over Boards
- Funding arrangements
- Legislative changes required

Phased introduction of structural change:

Immediate phase

The two most critical issues to address immediately are:

- re-integrate health services between district and provincial levels by rearranging provincial reporting arrangements so that district health staff report to the PHA; and
- quarantining rural health vote in the 2002 budget (on the basis of a costed package of basic services for each province).

At the same time, work should be proceeding on strengthening those mechanisms and relationships that will be critical to the establishment of an integrated health service delivery system. Attention should be focused on issues in relationships between hospitals and provincial health offices, with a view to building the links necessary to operate effectively as a single organization. NDoH should also support the strengthening of HSIP management capacity in provinces and at the national level. (This work is proceeding already).



Medium-term phase

Medium-term goals are to establish more appropriate models for structure of provincial health staff. NDoH and DPM should jointly be responsible for this work. These models should take into account the longer-term goal of establishing a unified provincial structure. NDoH can support this work through its organization development review process.

At the same time, Provincial Health Boards can be encouraged to support the streamlining initiative, and explore provincial implications, by establishing sub-committees or working groups. These bodies can provide a provincial input into the review of provincial health service and hospital structures, and contribute to proposals for how an integrated service should be organised.

At the national level, NDoH, DPM and provincial representatives should be working on the development of proposals for the establishment of a Health Service Commission. This will include an assessment of the numbers of staff involved, consideration of implications, design of the new organization structure, and detailed policy development on the design of the new Provincial Health Authorities. A detailed project plan for the establishment of the new structures, preferably on a phased basis (so that the establishment process is piloted in one or two provinces first) should be developed.

A most important issue to be resolved at this stage is the funding arrangements for the new structure. The available options will depend on whether the Organic Law has been amended to reform intergovernmental financing arrangements or not. Negotiation with provincial governments may be required. The Departments of Finance and Treasury should be involved in these discussions.



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