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State Society and Governance in Melanesia

PUBLIC POLICY IN PAPUA NEW GUINEA — DISCUSSION PAPER SERIES

2006 / 4

THE PUBLIC SECTOR REFORM PROCESS IN PAPUA NEW GUINEA

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Papua New Guinea has been undergoing a major process of public sector reform since 1999, with substantial donor assistance. With the proliferation of new programs, new initiatives and restructuring, however, it has been difficult, even for senior civil servants, to keep up with the changes being introduced, and it is sometimes hard for outsiders to judge whether a new initiative represents an active program or simply a good idea which may be forgotten or diverted before its implementation. Moreover, with a fairly high level of staff turnover, poor documentation processes, and weak institutional memories, and donors frequently poorly informed about the past history of public sector reform, there has been some tendency to overlook the potential lessons of past failures and successes.

This paper does not attempt a comprehensive history of public sector reform in Papua New Guinea (on which see Turner and Kavanamur, forthcoming) nor a substantive critique of the present reform process (on which see Whimp 2001); its intention, rather, is to provide something of a roadmap to the reform process, particularly since 1999, in the hopes of better informing those participating in it and those seeking to understand it.

A brief history of public sector reform

Public sector reform in Papua New Guinea began within the first four years of independence, and has been a more or less continuous process ever since.

In May 1979 a Committee on Administrative Problems in the Public Service, chaired by Bank of Papua New Guinea governor Henry ToRobert, was set up by the National Planning Committee (NPC) to examine the major administrative problems facing Papua New Guinea and suggest immediate and longer-term measures to resolve them (ToRobert 1979). The ToRobert Committee identified a range of problems and recommended remedial actions. Some of the problems were specific to the early post-independence time, but many have been recurring issues. They included, for example: poor coordination and communication of national policies; lack of adequate management and performance accountability; poor coordination between national and provincial programs and inadequate technical support to provinces; inadequate funding for provincial maintenance; ineffective staff development; lack of control over funds; poor payroll system;

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problems with trust accounts; and inadequate training and staff development.

The ToRobert Report contained a long list of specific recommendations, including the creation of a Programme for Administrative Improvement with a number of specified high priority projects, a clear policy on manpower development, and programs to improve police effectiveness. It also raised basic questions about the traditional role of the public service in development and proposed a high-level working group to develop policy proposals on the role of the public sector *vis à vis* the private sector. However, in a review of public sector reform in Papua New Guinea, Turner and Kavanamur (forthcoming) comment that 'there is little record of action and achievement' in the areas of concern identified in the ToRobert Report.

Just over three years later, the first of a series of World Bank missions visited Papua New Guinea to look at public sector management in the light of the ToRobert recommendations. These visits culminated in a report (World Bank 1983) which suggested that Papua New Guinea enjoyed 'basically strong public sector management' with 'strong and carefully controlled budget procedures', 'close expenditure controls', a sound planning process, a Public Services Commission (PSC) which had 'kept itself above politics', and appointments to the public service 'largely free of nepotism or inappropriate political influence'. It was, however, critical of Papua New Guinea's 'highly centralized' manpower development, budgeting and planning systems, the lack of mechanisms for the formulation and implementation of long-term development strategies, and the absence of 'well-functioning administrative mechanisms for the transmission of national policy directions from centre to periphery' (*ibid.*:4-6).

Notwithstanding its positive comments on the PSC, the World Bank Report was also critical of the strong role of the Commission, suggesting that 'the PSC and the rest of the government seem to work at cross-purposes' (*ibid.*:34). By 1983 some of the powers previously exercised by the PSC had been transferred to a Department of the PSC (subsequently restructured, with World Bank assistance, and renamed Department of Personnel Management (DPM)), and responsibility for management policy and the appointment of heads of departments and agencies was passed to the NEC. The *Public Service Management Act*, 1986 saw the demise of the PSC and the replacement of tenure for departmental heads by negotiated employment contracts. Predictably, perhaps, and ironically given the World Bank's acknowledgement of the PSC's apolitical role, there followed an increasing politicization of the public service.

As part of a World Bank-assisted public sector reform, a Program Management Unit (PMU) was set up in 1984 to oversee a restructuring of the public service, and a Resource Management System (RMS) was introduced with a view to creating an integrated planning system to meet the deficiencies identified earlier by the World Bank. The *Public Finances Management Act* was amended in 1986, giving departmental heads delegated financial authority, and performance-based accountability systems were developed.

Turner and Kavanamur characterize the period from 1985 to 1994 as one of 'creeping crisis in public sector management'. They conclude that, 'It is doubtful whether the PMU's efforts resulted in improved organizational outcomes', and that despite 'much objective-writing, timetable-setting and mission-debating….the RMS did not eventuate as the guiding force of the public sector'. Several training initiatives, culminating in the World Bank-funded National Training Policy launched in 1989, 'fell well short of targets' (Turner and Kavanamur forthcoming). Several attempts were made to downsize the public service, with little success, and in 1992 a Rationalisation Task Force was created 'to examine ways in which the national departments could be restructured and their management practices improved'. A Policy Coordination and Monitoring Committee was established. Following an international trend, the World Bank supported a policy of corporatization, which commenced in 1991 (following revelations of corrupt dealings in the forestry industry) with the replacement of the Department of Forests by a National Forest Authority. Notwithstanding these reforms, Turner and Kavanamur suggest that by 1995 the 'creeping crisis' had become 'an acute crisis': 'A steady stream of reports reiterated the need for action to address serious problems in almost every aspect of public sector management'.

Major developments between 1995 and 1999 included: the passage of a new *Organic Law on Provincial Governments and Local-level Governments*, with provision for a National Monitoring Authority to develop minimum service standards and monitor performance; a series of public sector reforms (including improved personnel management and payroll controls and some restructuring of departments and agencies) under World Bank structural adjustment programs; further efforts at public service downsizing, and several institutional strengthening projects. In 1999 a World Bank review of public sector performance identified existing personnel management practices as contributing to inefficiency and corruption (World Bank 1999:122) and subsequently supported the revival of the PSC structure it had helped dismantle in 1986.

The later years of the 1990s, however, saw a period of deteriorating governance, economic decline, and rising tensions in relations with the World Bank and other donors. This culminated in a vote of no confidence against the prime minister, Bill Skate, and in 1999 Sir Mekere Morauta replaced Skate as prime minister. Morauta promptly moved to initiate policies designed to achieve reconstruction and development (see Igara 2000).

Public sector reform since 1999

The Morauta government set itself six objectives: to stabilize the economy; to stabilize the budget; to rebuild the institutions of state; to remove impediments to investment and growth; to reach a peaceful political settlement on Bougainville; and to create political stability and integrity. A number of fiscal and broader economic measures were introduced with respect to the first two objectives and a Medium Term Plan of Action for Public Sector Reform was drawn up for the period 2000-2003; steps were taken to safeguard the independence of, and to strengthen, the Bank of Papua New Guinea (see Kamit 2000), the Ombudsman Commission, the auditor general, and the public service; an *Organic Law on the Integrity of Political Parties and Candidates* was passed and changes made to the electoral system, and a long-running peace process culminated in the Bougainville Peace Agreement of 2003. Notwithstanding these reforms, economic and political stability proved hard to achieve.

Following the national elections of 2002 (which were generally conceded to have been marked by greater irregularities and violence than any previous national election), a new coalition government, headed by Sir Michael Somare, came into office. The Somare government quickly made clear its intention to maintain the previous government's commitment to policies of recovery and public sector reform. With respect to the former, and in the context of a substantial deterioration in the fiscal situation, in August 2002 the government announced a Program for Recovery and Development, which identified as its three main objectives, 'good governance; export-driven economic growth; and rural development, poverty reduction and empowerment through human resource development'.[2]

As a framework within which to pursue these objectives, the government presented, after a lengthy process of consultation, a revised *Medium Term Development Strategy* (MTDS) for 2003-2007, which replaced the previous MTDS for 1997-2002.[3] The MTDS 2003-2007 has subsequently been replaced by the MTDS 2005-2010. With regard to its public sector reform agenda, the Somare government also presented, in November 2003, a *Strategic Plan for Supporting Public Sector Reform in Papua New Guinea 2003-2007*, which superseded the Morauta government's Medium Term Plan of Action for Public Sector Reform.

These documents define the broad framework for government policies. Within this framework, however, there has been a proliferation of new systems, programs and initiatives addressing particular aspects of the reform process. For example, in presenting the 2004 budget, the then Minister for Finance and Treasury, Bart Philemon, announced that the government's reform agenda would be supplemented,

> …by a new focus on improving the management of public sector employment and the control of personnel expenditures; restoring the integrity of budget institutions and systems to improve budgetary discipline; and to review the role, functions, and outputs of each spending agency in order to identify ways of improving the allocative and technical efficiencies of public expenditure (Papua New Guinea 2003:23).

Several new measures were described by the minister, including a Performance Management System for Department Heads, a Medium-term Budget Framework, an Integrated Financial Management System (IFMS), and the creation of a Budget Screening Committee (BSC). (Also see Kua 2006.)

The following overview attempts to provide a rough guide to the public sector reform landscape.

The MTDS 2005-2010

In a foreword to the MTDS, the Acting Minister for National Planning and Monitoring, Sir Moi Avei, noted that, 'Since independence, successive governments have prepared many worthy development plans and strategies that have promised to realize our national vision', but that, while such plans and strategies 'were often soundly based, they have not been translated into results on the ground' (MTDS 2005-2010: iv). The MTDS 2005-2010, prepared by the Department of National Planning and Rural Development (DNPRD), seeks to reverse this trend.

The role of the MTDS is defined:

> First to articulate an overarching development strategy that will provide the guiding framework for prioritizing the Government's expenditure program….
>
> Second, to identify in broad terms, the wider policy framework that will help strengthen the enabling environment for the Program for Recovery and Development.
>
> Third, to improve fiscal governance by strengthening PNG's Public Expenditure Management (PEM) system (MTDS 2005-2010:iii, chapter 1).

The key objectives of the government's development policies, its expenditure priorities, and the principal elements of a 'supporting policy environment' are spelled out in the MTDS (chapters 2, 3), which also lists ten broad 'guiding principles' (p.i-ii). Also noted are some of the constraints upon, and threats to, development; among these, along with poor infrastructure, HIV/AIDS, high population growth, unplanned urbanization and impediments to land utilization, is listed 'dysfunctional service delivery systems' (see MTDS 2005-2010:9-10).[4]

The ability of the government to give effect to the MTDS will depend in part upon whether the programs identified are affordable and sustainable. To this end the MTDS is complemented by a Medium Term Resource Framework (MTRF), designed 'to integrate the "top-down" resource envelope with the "bottom-up" sector programs' (MTDS 2005-2010:52). The '"top-down" resource envelope' is defined by a Medium Term Fiscal Strategy (MTFS) formulated by Treasury for the period 2003-2007.

The implementation of the MTDS also depends on having an effective administrative structure, and the MTDS explicitly recognizes the importance of good governance and credible and stable policies. It devotes some attention to the government's Public Sector Reform (PSR) program, which, in broad terms, seeks to 'reduce the cost of government, abolish waste and non-priority activities, improve service delivery and strengthen accountability and other systems of good governance' (MTDS 2005-2010:v, chapter 5). The PSR program is spelled out in fairly general terms in the *Strategic Plan for Supporting Public Sector Reform in Papua New Guinea 2003-2007*, and addressed in more detail in the Public Expenditure Review and Rationalisation (PERR) program (both of which are discussed below).

In his foreword to the MTDS, Sir Moi Avei commented: '…we can no longer ignore the dysfunctional system of service delivery that has arisen following the 1995 reforms to our system of decentralised government'. Since a large part of governance, including delivery of basic services, is carried out at sub-national level, the performance of government at provincial, district and local level is critical for any program of recovery and development – though it must be observed that problems of service delivery were well in evidence before 1995. With regard to decentralization, the MTDS states: 'Improving the relationship between the three levels of government will be crucial for the effective implementation of the new MTDS', and it notes that a number of activities are in place 'that are designed to identify practical solutions to the functioning of the decentralized system of government' (MTDS 2005-2010:IV, chapter 4). These are discussed below.

A final chapter of the MTDS discusses the issues of monitoring and evaluation. The MTRF, quarterly budget reviews, and the annual budget documents will form part of the financial monitoring process, but in addition, national departments and agencies, provincial and local-level governments, NGOs and community-based organizations, and other stakeholders 'will be required to participate' in monitoring and evaluation. Specific performance indicators (for both the MTDS and the Millenium Development Goals [MDGs] (to which Papua New Guinea is committed as a signatory to the UN Millenium Declaration)[5] were to be prepared by the end of 2005. In a few key sectors (including health and education) performance indicators have already been prepared and incorporated into sectoral plans. Overall responsibility for monitoring and evaluation rests with the DNPRD, which will report through the Central Agencies Coordinating Committee (see below) to the National Executive Council (NEC).

A Strategic Plan for Supporting Public Sector Reform in Papua New Guinea 2003-2007

'Good governance' was listed first amongst the objectives of the Somare government's Program for Recovery and Development. In an address to the National Parliament in August 2002, the prime minister elaborated the goals for good governance:

- Strengthening the democratic process;
- Political stability at all levels of government;
- Efficient and effective delivery of government services;
- A sound regulatory framework; and
- Transparency and accountability.

These were to be achieved through an all-encompassing program of public sector reform (MTDS 2005-2010:53-57).

A Strategic Plan for Supporting Public Sector Reform in Papua New Guinea 2003-2007 (hereafter Strategic Plan) was presented in November 2003.

In an introductory statement to the Strategic Plan, Prime Minister Somare commented that on taking office in 2002 his government found that progress had been made on many aspects of the reform program initiated by the previous government, but 'felt it was essential to reframe and to more sharply focus what had, by then, proved to be an overly ambitious reform agenda'.

The key objectives of public sector reform for 2003-2007 were listed as:

- A public sector with a clear sense of direction
- Affordable government
- Improving performance, accountability and compliance
- Improving service delivery.

The strategic plan lists a series of strategies and 'broadly stated' indicators under each of these headings.

The structure for public sector reform

With the introduction of the *Medium Term Plan of Action for Public Sector Reform 2000-2003*, the Morauta government also created a new administrative structure to facilitate and coordinate the reform process. This structure has been broadly maintained by the Somare government.

At the apex of this new structure, a Central Agencies Coordinating Committee (CACC), chaired by the chief secretary to the government (currently Joshua Kalinoe), was given overall responsibility for designing and managing the public sector reform program (Strategic Plan:16) The position of the CACC was formalized by provisions of the *Prime Minister and National Executive Council Act*, 2002.

A Public Sector Reform Management Unit (PSRMU) was also created, 'to support public sector reform by providing professional capacity and support to the CACC and government organizations' (*ibid.*). And an independent Public Sector Reform Advisory Group (PSRAG), representative of national, provincial and local-level administrations, the private sector, churches, the public sector union, the National Council of Women, and research organizations, was established to provide stakeholder input.

The Strategic Plan (p.17) outlines the reform implementation process in the following terms:

- The NEC will provide political leadership and direction.
- The CACC will provide strategic oversight of the public sector reform process.
- Departments, agencies and provincial administrations are responsible for implementing public sector reform, with central agency support.
- PSRMU is an expert resource available to assist central and line agencies and provincial administrations.
- PSRAG provides input from external stakeholders to the public sector reform process.

The PSRMU has probably taken a more proactive role than simply 'assisting' agencies, at times putting gentle pressure on them to meet their obligations and commitments.

Though not part of this formal structure, a Consultative Implementation and Monitoring Council (CIMC) provides a private sector input to the policy making process, in part through public national development forums. In 2005 the CIMC was working with government to ‘open up the budget process’.

The Public Expenditure Review and Rationalisation (PERR) program

The PERR is a joint initiative of the Papua New Guinea government, World Bank, Asian Development Bank (ADB) and AusAID, initiated in 2002, aimed broadly at improving fiscal management. It is described in the MTDS 2005-2010 (pp.57-58) as ‘a key vehicle for generating the savings and cost-efficiencies necessary for the successful implementation of the MTDS’. A PERR Implementing Committee is chaired by Treasury.

In 2003 the PERR produced six discussion papers: ‘Road map to fiscal sustainability’, Civil service size and payroll’, ‘Restoring the integrity of budget institutions and systems’, ‘Expenditure adjustment and prioritization’, ‘Improving health spending’, and ‘Improving education spending’.

On the subject of fiscal sustainability, the authors of the PERR paper suggested in 2003 that,

> The root causes of PNG’s fiscal malaise lie in poor governance in public finance management. Although most of PNG’s budget systems are sound, and by some accounts even sophisticated, poor governance over the years has led to an erosion of budgetary discipline, weakening of accountability and proliferation of waste, leakage, irregularities and malpractices across the board….tinkering with budget numbers and mandating ad-hoc expenditure cuts, as the Government has tried in the past, can hardly be expected to be effective in such a flawed system.

Several areas were identified for attention in the subsequent papers.

With regard to *civil service size and payroll*, it was argued that ‘public sector employment in PNG is larger than the country needs or can afford’, and that ‘the payroll system is flush with waste, leakage and irregularities’. A DPM audit suggested that there were some 2000 unproductive public servants on the unattached list (1,200 of them in provincial administrations) in 2002, and ‘a large number of ghosts on the payroll’. Departments were said to recruit and make payments with no regard to budget ceilings, and Treasury was accused of ‘unrealistic appropriations’.

On the topic of *restoring the integrity of budget institutions and systems*, it was argued that ‘poor governance over the years has allowed [budget systems and processes] to be ignored, neglected, misused and abused’ while ‘watchdog bodies have been rendered ineffective because of absence of follow-up action on the irregularities they uncover’, with cases ‘delayed, blocked or even abrogated because of political pressures and vested interests’. There was ‘no sense of collective responsibility for the overall budget strategy’. Decentralization was said to have ‘led to an erosion of budgetary control’.

In relation to *expenditure adjustment and prioritization*, the PERR authors proposed an agency-by-agency review of functions (apparently going beyond existing Functional Expenditure Reviews), expenditure patterns and staffing levels, outputs and results, and whether certain functions might be privatized. They also supported the development of a Medium-term Expenditure Framework.

Actions on several of these fronts were detailed by the Minister for Finance and Treasury in his 2004 budget speech. As part of improved management of public sector employment and control of personnel expenditure, measures had been taken to remove ghost names from the payroll, implement a Concept Payroll System, reduce the pool of unattached officers by reassigning them or scheduling their redundancy, reduce the number of casual employees, and improve budget estimates and expenditure controls. In 2003 the *Public Service (Management) Act* was amended to facilitate merit-based appointments at senior levels; this is to be complemented by measures to extend merit-based appointment procedures to statutory authorities, and supported by a system of performance-based contracts (the appointment of senior public servants has, however, remained a point of controversy[6]). A review of government procurement was undertaken in 2001, and subsequently measures have been taken to strengthen the Central Supply and Tenders Board (CSTB), reduce discretionary powers to create lower-level supply and tenders boards, and improve information, reporting and disclosure systems (though not all departments have subscribed to the new measures). A Budget Screening Committee, comprising deputy secretaries of the central agencies, was created in 2003 to evaluate spending programs, assist prioritization of spending, and establish expenditure ceilings in the preparation of the 2004 budget. The government also announced its intention to develop a Medium-term Budget Framework within which to consider adjustments to public expenditure in the light of changes in available funding. And the Financial Management Improvement Program (FMIP), 'an integrated reform program of financial management at all levels of the government', was described as 'the most significant single reform of financial management ever undertaken by the Government' (Papua New Guinea 2003:27. Also see FMIP 2003).

Further measures within the context of the PERR have addressed budget stability, budget processes, expenditure controls (including an embargo on out-of-court settlements of claims against the state[7]), payroll processes, salary administration, appointments procedures, expenditure prioritization and adjustment, non-tax revenue, oversight of statutory corporations, and inter-government relations.[8]

'Rightsizing'

Reduction in the size of the public sector has been a recurring theme in reviews of the public sector, particularly reviews by the World Bank, in Papua New Guinea and elsewhere. In 1990 (coinciding with Papua New Guinea's first application for a structural adjustment loan) the World Bank called for a downsizing of the public sector, while at the same time noting the need for improved health and education services (World Bank 2000; also see Curtin 2000). Retrenchment exercises were carried out in 1990, 1994 and 1996, but were generally judged to have had little effect, with retrenched public servants either remaining on unattached lists, being reemployed, and/or being replaced by new recruits. In 1999 the Skate government announced plans to reduce the public service from 60,000 to 52,500, with costs to be met from privatization of public enterprises. But the proposal was not based on any review of functional requirements and substantially underestimated the costs of the retrenchment, with the result that many 'retrenched' personnel remained on the payroll. When the Morauta government came to office, the retrenchment program was suspended, pending further study.[9] As noted, the issue was raised again in the PERR, and is referred to in the MTDS 2005-2010 (p.54) as a core objective of public sector reform.

In 2005, an independent committee, headed by Mike Manning, then director of the Institute of National Affairs, was asked to undertake a study and make recommendations on public sector rightsizing, in the context of a government policy of reducing the public sector by 10 per cent, primarily in 'non-key service areas' (though it does not seem to be clear whether the 10 per cent referred to wage and salary costs or workforce numbers). The committee reported in September 2005. It recommended the abolition or merger of several government departments and agencies (including DPM, DNPRD, DPLGA and the National Research Institute), reduction in the number of ministries and ministerial advisers, closure of several overseas missions, and the outsourcing of some services to public providers (Public Sector Rightsizing Working Group 2005. Also see *Post-Courier* 23, 24, 28 February 2006), but Manning was reported as saying that the committee was unable to achieve the desired reduction of 10 per cent and maintain the essential services of government (*Post-Courier* 24 February 2006). By end 2006 few of the committee's recommendations had been implemented.

Separately, retrenchment within the Papua New Guinea Defence Force (PNGDF), as part of a recommended Force restructuring, seeks to reduce troop numbers from around 4,200 to less than 2,000.[10] But despite external funding for the retrenchment, poor handling of the exercise resulted in early 2001 in a near mutiny, during which soldiers broke into the PNGDF armory. The Morauta government agreed to rescind a cabinet decision on Force size reduction, though in fact numbers continue to decline, primarily through a Voluntary Release Scheme.

The Public Sector Workforce Development Initiative (PSWDI).

The PSWDI was created in 2004 with the aim of providing a 'comprehensive framework…which guides all activities related to public sector workforce development', with emphasis on workforce development rather than 'traditional training', local ownership, use of existing linkages and networks, and incentives to improved performance. It envisages two phases – 2005-2007 focusing on the public service, and 2008-2010 to include the wider public sector – each with a framework and annual implementation plans. The PSWDI is described as a 'cross-agency partnership across the three tiers of government'. It is led by a 'think tank' comprising senior executives of key national institutions, chaired by the deputy secretary of the Department of Personnel Management (DPM). Initially it has identified eight 'action areas': engaging all stakeholders, strengthening lead institutions (listing DPM, CACC, DPLGA, PNG Institute of Public Administration [PNGIPA], and National Training Council [NTC]), executive development, providing the 'new basics', developing the 'next generation', aligning supply with demand, building and sharing knowledge, and coordination and management.[11]

Corporatization/privatization

Like 'rightsizing', corporatization/privatization has been a prominent item on the 'New Public Management' agenda espoused by the World Bank and other donors since the late 1970s.[12] From the 1990s privatization of government enterprises was also seen increasingly as a (one-off) source of government revenue.

On coming to office in 1999, the Morauta government, assisted by a loan from the World Bank, which was pushing to have major public enterprises 'brought to the point of sale', established an Independent Public Business Corporation (IPBC) to pursue a privatization policy. Strong popular opposition to the policy led to protest marches in 2001 and 2002, in which disgruntled members of the PNGDF supported student leaders and during which four students were shot dead by police. Notwithstanding this, the government divested itself of its 50.1 per cent equity in Orogen Minerals Ltd (a public company, floated in 1996, which took over a substantial part of the government's equity in mining and petroleum companies operating in Papua New Guinea) and sold a 75 per cent interest in the Papua New Guinea Banking Corporation to the local subsidiary of the Australian-based ANZ Bank. The latter transaction yielded K153 million to Consolidated Revenue. Telikom PNG and PNG ElCom (the Papua New Guinea Electricity Commission [now PNG Power]) were also put on the market.

Following the national election of 2002, the Somare government suspended the privatization process, calling off a nearly-completed sale of Telikom PNG to Fiji's privatized telecommunications corporation and refusing an offer from a Zimbabwean company. According to the MTDS 2005-2010, privatization will be maintained under the PSR program, but 'on the basis of a public-private partnership approach' in which 'the long-term interests of the Papua New Guinean community will take priority over the short-term financing requirements of the National Budget'. The IPBC remains, but as a 'long-term asset manager' with the task of seeing that state-owned assets are rehabilitated and service levels improved.

Decentralization

A system of decentralization, based on provincial governments, was recommended by the pre-independence Constitutional Planning Committee, dropped from the constitution by the Constituent Assembly, and subsequently revived (in part as a response to the unilateral declaration of independence by Bougainville in 1975) through the *Organic Law on Provincial Government* in 1977. By the early 1990s all but five of the nineteen provincial governments had been suspended at least once – mostly on the ground of financial mismanagement (though as Sir Peter Barter (2004:136) has noted, 'Undoubtedly, too, suspension of provincial governments was sometimes politically motivated').

In 1993-94 a Village Services Programme was introduced with the objective of empowering some 240 community governments through a structure of district centres and community councils linking the national government with village groups, largely bypassing provincial governments. Also in 1993 a Bi-partisan Parliamentary Select Committee on Provincial Government recommended a comprehensive restructuring of the provincial government system. Draft legislation was tabled in the National Parliament early the following year.

In June 1995, in the face of strong opposition from some provincial governments and senior politicians, the new *Organic Law on Provincial Governments and Local-Level Governments* (OLPGLLG) was finally passed. In explaining the general thrust of the proposed new organic law in 1994, the Constitutional Review Commission described it as one 'of greater decentralisation…in that more powers are decentralised further to local level governments' (quoted from a CRC brief published in *Times of PNG* 7 April 1994, pp.31-42). Others, however, saw it as a re-centralization, in that it did away with elected provincial members and enhanced the role of national MPs.

As reflected in comments of the MTDS and Strategic Plan, however, there is a widespread feeling that the 1995 reforms have not solved the problems of the decentralized system. In the words of the MTDS (pp.9-10):

> …in the years since the passage of the Organic Law [1995], service delivery has deteriorated. On the whole service delivery systems are dysfunctional and there remains widespread confusion over functional (who does what) and financial (who pays for what) responsibilities across the three levels of government. As well, institutional capacity to deliver services is best described as grossly inadequate.

Several problems have been identified:

- To give effect to the new decentralization arrangements, a range of new legislation and amendments to existing legislation was required; much of this has not been done.
- The division of government responsibilities between three levels of government has made for a very complex form of decentralization, in which functional responsibilities are not always clearly understood, contributing to poor service delivery.
- In the context of deteriorating economic and fiscal circumstances, the financial provisions of the 1995 Organic Law have proved unworkable, resulting in the underfunding of provincial governments (that is, provincial governments have received less than mandated by the funding formulae of the OLPGLLG), and consequent legal challenges. An additional problem is that provisions for some ‘equalization’, or redistribution of funds from the richer provinces to the poorer, provided for in both the 1977 and the 1995 arrangements, have never been put into effect.
- Underfunding, poor capacity and deteriorating infrastructure, mismanagement and corruption, lawlessness, and the politicization of provincial, district and local-level administration, have contributed to poor service delivery in many parts of the country, especially the more remote areas. In the extreme case, in parts of the Southern Highlands Province there has been a collapse of governance at district and local level.
- During the 1990s and early 2000s there also appears to have been a decline in the capacity of the DPLGA to support provincial and local-level governments and carry forward the changes introduced by the OLPGLLG.

Within the context of the Public Sector Reform program several initiatives have been taken in the area of decentralization.

National Economic and Fiscal Commission (NEFC) initiatives

Provision for a NEFC was included in the OLPGLLG, though the NEFC was not set up until 1998.[13] Since then it has played an active role in identifying problems in intergovernmental relations and formulating proposals to address them, specifically through a Review of Inter Governmental Financial Relations (RIGFA) requested by the national government.

The NEFC has been focusing on three projects: (i) a Responsibility Specification Exercise (RSE), designed to produce a detailed ‘specification matrix’ which identifies, for the three levels of government, who decides, who actions and who pays (Simonelli 2003) (by early 2005 detailed matrices had been prepared for eight sectors – health, education, agriculture, community justice, forestry, fisheries, infrastructure, and lands and physical planning – for consultation with provincial government representatives); (ii) an exercise to measure the relative costs of providing services at district level (which demonstrated that the costs of service delivery in the higher-cost provinces, districts and local-level government areas were several times those of delivering the same services in the lower-cost provinces, districts and local-level government areas); (iii) an exercise to measure the relative revenue-raising capacities of provinces (most of the resource-rich provinces, such as New Ireland, have a relatively high revenue per capita, even though their costs of service provision may be relative low). By taking revenue-raising capacities and relative costs of providing services, the NEFC has been able to identify the ‘fiscal gaps’ at provincial level, and on this basis has recommended new inter-governmental financial arrangements designed to achieve some degree of ‘equalization’ amongst provinces (see NEFC 2005). A Less Developed Districts Grant Program (for districts identified by the NEFC and DNPRD) was introduced as part of a package of interim proposals for new intergovernmental financial arrangements in

2003.[14] In late 2006 the necessary amendments to the OLPGLLG had passed the first reading stage in the National Parliament. The issue of fiscal inequality is a familiar one in virtually all federal and federal-type systems of government, most of which have mechanisms for fiscal redistribution broadly of the type proposed by the NEFC. Both the 1977 OLPG and the 1995 OLPGLLG contained such provisions, but they were never put into effect.

Strengthening of DPLGA

DPLGA provides the key link between sub-national governments (provinces and local-level governments) on the one hand and the national government (specifically NEC, CACC and NMA) on the other. For some time after 1995, however, there was a general feeling that the Department was not fulfilling this role very effectively. An internal review of DPLGA was undertaken in 2003, leading to departmental restructuring and the preparation of a corporate plan. In an introduction to DPLGA's *Strategic and Corporate Plan June 2004-December 2007*, recently appointed secretary, Gei Ilagi, speaks of 'the resolve of DLGA to re-invent itself into an efficient and effective public sector organisation'. The Corporate Plan identifies four 'strategic result areas':

- provide policy and legislative support to provincial and local governments;
- coordinate, monitor and report on the governance performance of Provincial and Local Governments;
- help build the capacity of Provincial and Local Governments; and
- undertake special projects related to Provinces and Local-level Governments as required by the National Government.

Performance indicators and completion dates are listed for each area.

AusAID is assisting in the implementation of the corporate plan, capacity building for provincial and district management teams, remobilization of the National Monitoring Authority (see below), and policy and legal advisory roles to provinces and the minister.

Revival of the National Monitoring Authority (NMA)

The NMA (formally titled the Provincial and Local-level Service Monitoring Authority [PLLSMA][15]) was established under the OLPGLLG with a range of functions, including:

(a) coordination and monitoring of the implementation of national policies at the provincial and local level;

(b) establishment and monitoring of minimum development standards for rural and urban communities;

(e) assessment of the effectiveness and efficiency of sub-national governments, and

(h) ensuring that all appointments to offices at sub-national level are based on merit.

To carry out these functions, the OLPGLLG requires that it establish an inspectorate in each province. Enabling legislation for the NMA/PLLSMA was to be drafted in 2005; meanwhile, operating guidelines prepared.[16]

The NMA/PLLSMA comprises the heads of the major sectoral departments and the NEFC as permanent members (chaired by the secretary, DPLGA), but may also call on other agencies or public enterprises. It is required to meet four times per year, one of those meetings to coincide with the annual meeting of provincial administrators. DPLGA provides the NMA/PLLSMA secretariat and has administrative responsibility for the proposed inspectorates.

Several meetings of the NMA were held in the latter part of the 1990s, with little concrete output, but it did not meet from 2001 to 2004. Neither were the mandated inspectorates established. In 2001 the government announced a Performance Management Process (PMP), to be introduced into all provinces between November 2001 and December 2002, designed to improve service delivery to communities. A *pro forma* Annual Provincial Performance Report was prepared on behalf of the NMA, with a range of questions under six headings – Governance, Organization Development, Education, Transport/Works, Agriculture and Livestock, and Health – and a *Handbook for Completing the Annual Provincial Report* was distributed amongst provincial advisers.[17]

As part of the recent public sector reform program, and particularly its recognition of the importance of sub-national governance and service delivery, the NMA was re-activated in August 2004 (see Barter 2004:133-135) and has held several meetings in 2005 and 2006. Provincial inspectorates are to be established progressively, initially with one in each of the four regions. The NMA/PLLSMA, in consultation with the national sectoral agencies, has been developing minimum service delivery standards, a monitoring and performance assessment system, and a provincial performance system (it is proposed that a select number of provinces be assessed each year, with all provinces being assessed every three to four years); this has been a long drawn-out process.

The Provincial Performance Improvement Initiative (PPII)

The PEII was launched in late 2004 as joint undertaking of the DPLGA, the DNPRD and the Australian government. Its purpose is 'to improve provincial public administration including accountability and the integrity of budget systems, so that provinces are better able to fulfill their service delivery mandates'. Initially it has operated in three provinces – East New Britain, Eastern Highlands and Central, selected in part on the basis of their political and administrative leadership commitment and track record of good management (that is to say, the relatively 'easy' provinces). AusAID, under its Sub-National Initiative (SNI)[18] and with funding from the PNG Incentive Fund (PNGIF), has provided five budget/expenditure advisers co-located in the three provinces, as well as input from a strategic planning adviser. The three provinces' 2005 budgets and related improvement plans – which 'articulated current and future provincial reforms including retrenchment, asset management and internal revenue collection as well as identifying priority development areas such as key roads and rural poverty alleviation strategies' – were submitted to the PPII steering committee in December 2004, and AusAID allocated K1 million to each of the provinces for planned activities. An AusAID officer is also co-located within DPLGA to coordinate support for the PPII and link the PPII provinces to ongoing national initiatives and donor programs.

Provincial management teams (PMTs) and district management teams (DMTs)

PMTs and DMTs were established in the 1980s as part of the provincial government system which existed prior to 1995, with a view to achieving improved coordination of provincial and local-level government activities. They are not mandated by the OLPGLLG, but are being revived in most provinces, with support from DPLGA under its Capacity Building Initiative. PMTs normally comprise the provincial administrator (who chairs the team), the provincial treasurer, provincial section heads/advisers, district administrators and treasurers, and representatives of national functions in the province as required. There has, however, been some confusion about the relationship between PMTs and JPPBPCs, and some provincial administrators have complained that the PMTs usurp the position of the provincial administrators).

National Development Charter

The National Development Charter was negotiated in 2000-2001 as a mechanism for delivering priority services at sub-national level, primarily through matched national and donor funding and district funds allocated through the Rural Action Program/district support grants. The National Development Charter appears to have lapsed around 2002 (Barter [2004:145] says that in 2004 DPLGA could not find a copy of it), but was restored in 2004, with proposals for a Planning Systems Support Program (to support the implementation of a uniform planning system across all levels of government), a Provincial Services Cadetship Program (to support tertiary students interested in a career in provincial and district administration), and provincial medium term development strategies.

A new initiative under the National Development Charter in 2005 was the District Roads Improvement Program (DRIP), though which provincial governments and JDPBPCs will allocate funds for specified road projects and receive matching national government and donor funding. It is proposed to introduce similar improvement programs for primary health care (DHIP) and basic education (DEIP) (MTDS 2005-2010:49-51).

(District) Services Improvement Program (SIP/DSIP)

A Service Improvement Program (SIP), funded under an Asian Development Bank structural adjustment loan, was designed to strengthen capacity building for service delivery at provincial and district levels, but apparently funds were withdrawn in 2005 (Kua 2006). Subsequently a District Services Improvement Program (DSIP), was announced in the 2004 budget, together with a supporting Capacity Building Program (CPB) for local-level governments. Initially described as 'aimed at re-engineering cumbersome government processes', the DSIP appears to have become a mechanism for fast-tracking district infrastructure projects. The DSIP was operating in six provinces in mid 2005, with more to follow.

Another initiative at district level has been the *District Treasury roll-out*, which aims to bring not only Treasury facilities but also banking and postal services to district headquarters. The roll-out program was always an ambitious initiative. It involves the provision of office and infrastructure for existing staff, power generators for staff accommodation and computer facilities in district headquarters. A chronic shortage of fuel usually leads to security problems. According to a Department of Finance presentation to the Governors' Conference in 2004, 38 (of a planned 83) district treasuries were 'fully functional', but some of these appear to have closed and further progress has been affected by an enquiry into allegations of corruption within the Treasury Department.

Provincial Economic Impact Program (PEIP)

The PEIP was announced in the 2005 development budget, as a program to 'identify areas, in each province, in which the Government can help to facilitate increased economic activity'. K10 million was allocated to PEIP in 2005.

Overview

The post 1999 reforms have given rise to a plethora of 'programs' and 'initiatives', mostly designed to achieve what one might expect to be part of the normal day-to-day activities of departments, agencies and sub-national governments (but which clearly have not been). Inevitably perhaps, much of what is listed in the goals and guiding principles of these programs and initiatives consists of broad, uncontroversial statements of intention; nevertheless experience suggests that it is sometimes useful to spell out what might seem obvious, especially if in spelling out objectives and strategies one can provide a framework within which specific problems may be identified, addressed and monitored. As several people, including Prime Minister Somare, have observed, what has been lacking in public sector reform in Papua New Guinea in the past has been not so much sound policies as a commitment to implement them at all levels of government.

In the proliferation of new initiatives, some of them largely donor-driven, there is a danger that overall coordination becomes more difficult. It is clear that many public servants (and advisers), including some senior officers, have an incomplete knowledge of the range of new activities being introduced (Sir Peter Barter's comments on the National Development Charter have been quoted above). This is exacerbated by the facts that key documents are often almost impossible to obtain,[19] that increasing demands on the time of senior officers means that they frequently delegate or miss attendance at joint committee meetings, and that rapid turnover of staff (not to mention the retrenchment of a generation of middle managers with extensive field experience) shortens collective departmental memories. It is also clear that there is a significant knowledge gap between Waigani and the provincial capitals, district headquarters, and local-level government wards.

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Endnotes.

1 I am indebted to Kathy Whimp for her comments on a draft of this paper.

2 In the 2004 Budget Speech, these are restated as '(a) promotion of good governance; (b) improving economic management; (c) improving public sector performance; and (d) removing barriers to investment and economic growth' (Papua New Guinea 2003:23).

3 Referring back to the MTDS 1997-2002, the MTDS 2005-2010 (pp.5-6) says, 'Although the policies and priorities contained in the MTDS 1997-2002 were soundly based, they were not rigorously applied or followed in practice', partly because there was 'very little ownership of the MTDS, across all levels of government'. Specifically, the earlier MTDS 'was poorly integrated with the policies and programs of the provincial and local level governments'.

4 For a review of the MTDS 2005-2010, and a summary of its predecessors, see Mawuli *et al.* (2005).

5 The eight MDGs, to be achieved by 2015, broadly, are: eradicate extreme poverty and hunger; achieve universal primary education for all children; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, TB and other diseases; ensure environmental sustainability; and develop a global partnership for development. Papua New Guinea is currently behind schedule in achieving

the targets (see *Millenium Development Goals: Progress Report for Papua New Guinea 2004*, and *National* 26 September 2005).

6 See, for example Michael Unage in *National* 18 August 2005, and Prime Minister Somare's earlier statement to parliament, printed in *Post-Courier* 12 July 2005. Also see the comments of Chief Secretary Joshua Kalinoe, who accused politicians of bypassing formal procedures required under the *Public Service Management Act* to remove departmental heads who had not 'cooperated' with them (*Post-Courier* 30 January 2007, *National* 30 January 2007).

7 In August 2005 it was reported that successful compensation claims against the state over the past ten years (mostly arising from police actions) had amounted to K500 million (*National* 16 August 2005); the following month it was further reported that the National Court had ordered the state to pay K266,000 to a victim of a police shooting in 1995 (*National* 21 September 2005).

8 Chief Secretary, Joshua Kalinoe, presentation to National Research Institute, 24 September 2005.

9 Notwithstanding this, in an article in *Papua New Guinea Yearbook 2002*, Morauta stated that retrenchment had cut K27.6 from the public service wage bill and that in the National Fisheries Agency and the Government Printer alone staff had been reduced by 235 Morauta 2002:8-9).

10 Numbers vary: at the end of 1998 Force size was 4,600; in 2000 there was talk of reducing numbers from 4,200 to around 3,000 at end 2000 and 1,500 by mid 2001; in January 2001 a Commonwealth Eminent Persons Group recommended a cut from what was then 4,150 to 1,900 within six months; in June 2001 Force size was quoted as 3,340 and the aim was to reduce this to 2,000 over three years. At end 2006 Force size was around 2,300.

11 See PSWDI, *Framework 2005-2007*, 1 March 2005.

12 For an account of corporatization/privatization policy in Papua New Guinea, see Curtin (forthcoming). Also see Whimp (2001).

13 The OLPG of 1977 provided for a National Fiscal Commission, which was active in the early years of decentralization but was allowed to lapse after disagreements with the national government.

14 Funds (amounting to K3.3 million in 2005) allocated for less developed district grants were in fact diverted elsewhere (mostly for expenditures in the Southern Highlands).

15 Since the latter part of 2006 the NMA has reverted to its formal title (PLLSMA).

16 See Department of Provincial and Local Government Affairs, *Operating Guidelines for the National Monitoring Authority (NMA)*, Port Moresby, n.d. (2004).

17 The record shows, however, that only 9 provinces submitted annual management reports in 2001, 2 in 2002, 8 in 2003 and 7 in 2004.

18 The SNI is an AusAID program focused specifically on governance at the sub-national level, with a view to improving service delivery at provincial, district and local-level government. It has three components: (1) support for national agencies (DPLGA, NEFC, and NMA) in coordinating and facilitating sub-national government performance; (2) support for provincial and local-level governments 'in improving their public administration and strengthening their planning, budgeting, implementing and monitoring cycle' (principally through the PPII and support for PMTs and the PMP), with provision to engage flexibly with Special Case Provinces – 'provinces of strategic and national interest to both Papua New Guinea and Australia' (currently Bougainville, Western Province and Southern Highlands); 'In provinces where governance reforms are lagging, alternate partnerships with non-state institutions, such as resource companies, will be explored to ensure delivery of some basic services to disadvantaged rural populations are maintained'; (3) better alignment of Australia's assistance program with Papua New Guinea's decentralized system, including support for 'reform opportunities'. In 2006 the SNI was expanded, as the Sub-national Strategy.

19 Donors are not always innocent on this account: for example, an expenditure tracking exercise for education, undertaken by the National Research Institute for the World Bank in 2003 as part of a Public Expenditure and Service Delivery study, and involving an extensive collection of data, has never been released. The data is now more than five years old.

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