Public sector reform in Papua New Guinea: stalemate or progress?

Lawrence Sause and Daniel Aloi

Public sector reform, aimed at improving the performance of the public sector, has become cyclical in Papua New Guinea with no end in sight. This article argues that the reforms since 1995 have failed to have a positive bearing on public sector performance and demonstrates why this has been the case.

Lawrence Sause is a PhD scholar at the School of Government, Victoria University of Wellington.

Daniel Aloi teaches in the Department of Public Policy and Management, University of Papua New Guinea.

An intrinsic feature of public sector reform in Papua New Guinea is its cyclical nature, with successive governments recycling similar reform initiatives. Therefore, one must question the impact of reforms on public sector performance. In fact, the reforms have become so repetitious that they have been referred to as a 'bad case of reformitis' (Whimp 2000:2). With the exception of changes that fundamentally altered the operations of the entire government in decentralisation policy in 1976 and 1995, most reforms adopted post 1975 have been largely isolated cases of administrative re-organisations implemented incrementally. In 1995, however, Papua New Guinea took the unprecedented step of reforming its entire public sector. The unprecedented nature of the reform was evident in its scope, magnitude and focus: it was bigger, aimed at the entire public sector and covered a range of activities; it introduced new techniques derived largely from the New Public Management model; and it had the tacit support of the government and key financial institutions such as the World Bank (see World Bank 1995; Curtin 1999; Whimp 2000).

Despite nearly a decade of reform and much optimism about the benefits of many of the initiatives, the results have been disappointing. Overall, public sector performance has remained pathetically poor, and in some areas has degenerated severely. Successive governments have taken for granted the continuation of prior reforms without taking much notice of their impacts and without paying attention to the constraints that impede them. Limited resources have been repeatedly committed to futile attempts at improving performance.

Pacific Economic Bulletin Volume 18 Number 1 May 2003 © Asia Pacific Press

Background

In a recent evaluation, the World Bank describes Papua New Guinea as a country with a 'rich natural resource base…endowed with reserves such as copper, gold and oil; an extensive fishing zone; fertile soil and favourable climates; and extensive tropical climate' (2000:1). Such a description would naturally give rise to the perception that with this kind of wealth Papua New Guinea would prosper ahead of many developing economies. This, however, has not been the case. The World Bank (1995, 2000) also described it as a country with great promise yet having a dismal performance compared to its many Pacific neighbours. Long years of economic mismanagement culminated in the near collapse of the economy in mid 1994 and then again in 1999. These crises were reflected in low foreign reserves, frequent budget deficits, an expanding foreign debt incurred largely to finance the deficits, and severe cash flow problems (see Duncan and Temu 1995; Garnaut 1995; Chand and Stewart 1997). The problems generated by a weak economy had a compounding impact on an already ailing public sector unable to maintain its core functions. For example, the cash flow crises facing the government in 1995 and 1999 resulted in severe cuts in departmental spending and saw a reduction in expenditure on critical public services, including the maintenance of important infrastructure (Leechor 1995; Curtin 1999).

The near collapse of the economy and the dismal performance of the public sector prompted massive public management reforms in 1994/1995. Over time the reforms involved three separate governments: Chan (1994–96), Skate (1996–99) and Morauta (1999–2002). In 2002, the new Somare-Marat government pledged to initiate another round of reforms by committing itself to strengthen the role of the Public Service Commission, restore and maintain the integrity and transparency of top appointments, trim down the public sector to a leaner and more efficient service, and pursue an export-led economic growth strategy aimed at improving manufacturing and exports (Kalinoe 2003).

The reform initiatives begun in 1994 were subsumed under two broad categories: those concerned with improving macroeconomic management and creating economic stability over the long term, and those aimed at improving the performance of the public sector. The macroeconomic reforms—the structural adjustment program and the economic reform program—were implemented first in mid 1994, and were complemented by the public sector reforms in the following year. The latter were implemented by way of a variety of initiatives, including but not limited to

- the adoption of the Organic Law on Provincial and Local-Level Governments in 1995
- the imposition of a wage freeze coupled with a cut in public service recruitment
- improving financial management, especially in respect to expenditure controls, fiscal reporting and accountability mechanisms
- departmental restructuring and reorganisation
- improving service delivery in key sectors such as health and education
- an emphasis on result-oriented performance in government departments and other entities
- improving accountability and transparency
- improving policy coordination and coherence in the centre; and privatising state-owned enterprises (see Chand and Stewart 1997; World Bank 1999, 2000).

There was little in the way of sequential implementation of the reform initiatives; nor is it easy to separate out the reform initiatives. Rather, except for the changes in the Organic

Law on Provincial and Local-Level Governments and perhaps the changes in the government's privatisation program, most reform measures appear to have been grouped together and implemented incrementally.

Performance gained or lost?

The gains achieved from the reforms appear to be minimal. For example, this is evident in the limited adoption of legislation aimed at fostering good governance.[1] Anecdotal and *prima facie* evidence suggests that reforms have not progressed as expected and public sector performance has remained poor, if not deteriorated. External reviews carried out by donor agencies suggest that there were teething problems with implementation and reform strategies. The World Bank (2000), for instance, considers implementation of the first part of its Structural Adjustment Program loan to Papua New Guinea to be unsatisfactory, suggesting that programs that have been financed by the loan have not achieved their desired objectives. In an earlier report the Bank had singled out the improper adoption of policy mixes as a key problem stifling progress (World Bank 1999). A subsequent review notes that 'there was ineffective civil service reform' and the 'reform consisting mainly of the wage-bill and staff reduction measures were inadequate' (World Bank 2000:9).

In close to ten years of sporadic reforms, provincial bureaucracies have been the ones that have been most neglected. There has been a lack of concrete action to initiate much-needed reform in some 20 provincial departments by the central agencies—Departments of Finance and Treasury, Personnel Management and Provincial Affairs—responsible for carrying out the reforms. The concentration of reforms on national departments has meant that ineffectiveness and inefficiencies continue unabated in many provincial departments, despite the fact that a quarter of the national budget is taken up by provincial departments. Yet provincial departments service 80 per cent of Papua New Guineans who depend on them for critical public services. Moreover, fiscal allocation has been so skewed towards funding salaries and wages that there appears to be little left to fund basic service delivery, even though a key aim of the Organic Law on Provincial and Local-Level Governments was to

Table 1 **Allocations to salaries and wages versus operations and investments, 2001–03** (million kina)

	National departments			Provincial departments		
	2001	2002	2003	2001	2002	2003
Total allocation	1,242.3	1,343.7	1,160.8	588.6	555.5	545.5
Salary component	539.5	584.7	574.7	419.8	456.7	447.3
Per cent of total allocation	43.4	43.5	49.5	71.3	82.2	82.0
Balance remaining (for operations and service delivery)	702.8	759.0	586.1	168.8	98.8	98.2
Per cent of total allocation	56.6	56.5	50.5	28.7	17.8	18.0

Source: Calculated from Papua New Guinea, 2002. *Supplementary Budget 2002, Volume 1*, Department of Finance and Treasury, Waigani.

allocate more funds for capital items and delivery of basic services. For example, funds allocated for capital items and basic service delivery now account for less than 30 per cent of all funds allocated. In 2002 and 2003 that figure was even less than 20 per cent, barely enough to fund basic service delivery (see Table 1).

Furthermore, a lack of administrative and financial capacity continues to haunt some 284 rural and urban councils (Edmiston 2002). National and provincial governments have not sorted out the responsibilities of local councils; they have not provided them adequate staffing and resources; and, for the most part, many local governments appear only on paper (Sause and Kinkin 1997). As a result, a key aim of the provincial government reforms—to empower local-level governments to serve their local populace—has been difficult to achieve.

Privatisation of state-owned enterprises, a key reform initiative of the Morauta-Ogio government, and one that is being pursued by the current government, has also stalled. The only state-owned enterprise that has been privatised, after a long and costly process, has been the Papua New Guinea Banking Corporation (PNGBC). Moreover, the ongoing Commission of Inquiry into the sale of the PNGBC has highlighted a number of controversies surrounding the manner in which it was sold, including its selling price. Yet in another case, the transparent and merit-based procedure of appointing qualified personnel to manage the Independent Public Business Corporation—the organisation responsible for managing the government's privatisation process—was overturned by the incoming Somare-Marat government, fuelling fears of further crony appointments. The subsequent appointment of a fellow National Alliance Party candidate who had lost his seat in Parliament at the 2002 elections to the position of the Acting Managing Director of appears to reinforce, rather than remove, such fears.

Assessing departmental performance has been problematic due to poor departmental planning and a lack of evaluation and performance reporting. Despite these problems, there has been a tendency for the government to increase the purchase of a range of services from departments (Table 2).

Although there has been steady increase in budgetary allocations to departments, together with the introduction of a variety of measures to improve productivity, performance in key public services lags by comparative standards. For example, Papua New Guinea's Human Development Index (HDI) of 0.504 is lower than neighbouring Fiji (0.853), Samoa (0.7), Solomon Islands (0.563) and Vanuatu (0.562) (Papua New Guinea 1999). This is despite the fact that Papua New Guinea has the largest economy and spends a higher percentage of its GDP on public services (AusAID 1999). Moreover, an increase in the breakdown of sound fiscal management evident in poor expenditure control, lack of proper financial reporting and absence of fiscal accountability, raises

Table 2 **Selected allocations to national departments, 1999–2003** (million kina)

	1999	2000	2001	2002	2003
National departments	957.3	1,167.8	1,242.3	1,343.7	1,160.8

Source: Papua New Guinea, 2002. *Supplementary Budget 2002, Volume 1*, Department of Finance and Treasury, Waigani.

more doubts about the efficacy of ongoing financial management reforms ('Fraud rife in provincial treasuries', *The National*, 27 January 2003).

At the ministerial level, there has been some acknowledgement of the deteriorating performance of the public sector. In a statement by the then government of Sir Mekere Morauta, it was noted that

> [t]he quality of public sector management in PNG has deteriorated over the past decade. As strongly emphasised by the Government, poor governance is the root cause. The Public Sector's capacity for designing and implementing sound policies and to manage its responsibility has been eroded. A broad consensus has arisen that the situation must be reversed (cited in Asian Development Bank 2001:2).

This raises a serious question: if so much effort has been devoted to reforming the public sector for nearly ten years, why is it that during the same period the quality of public sector management has deteriorated? In our view, the reforms have been encumbered by numerous interwoven constraints.

Integrated versus piecemeal reform strategy

A viable strategy plays a key role in initiating and sustaining successful reforms. Such a strategy requires a good understanding of the relevant relationships between different management domains of the public sector, and how they function to shape and define public sector management. Viewing public management in an integrative fashion is crucial since problems (or, conversely, efficacy), in one area often affect other areas. Overall, the robustness and comprehensiveness of a strategy depends on whether the scope of the reform has covered all the areas that are connected. New Zealand has been seen as an exemplar for those countries wishing to engage in successful reforms (Boston 1999). But what is often forgotten is that a key element of New Zealand's public sector reform was the integrated and cohesive manner in which various initiatives were employed. This was evident in the coordinated and simultaneous changes aimed at improving departmental management and operations, the performance of managers and chief executives, accountability regimes, financial management and the imposition of the necessary legal frameworks to implement the reforms (Boston et al. 1991, 1996).

Incremental reforms are not inherently problematic but they must be part of a wider and carefully coordinated strategy. Piecemeal reforms may suffer a number of defects, including unclear objectives; poor reform strategies, evident in the poor planning of how objectives are to be met; poor coordination; and a lack of sound knowledge of the likely impact of the reforms. A likely consequence during implementation is that one area becomes the target of reform while related areas are omitted or neglected. The latter then either lags in progress or remains weak, which eventually thwarts the positive efforts that are already in progress. Furthermore, unclear objectives and ill-defined reform strategies are likely to frustrate the ongoing reforms because those involved do not have a clear indication of how far they must go to implement reform strategies or achieve objectives. Continuous reforms without a clear expectation of results therefore are likely to become an end in themselves rather than achieving lasting improvements in public sector performance. Finally, piecemeal reforms do not concentrate on the linkages or totality of problems, but concentrate on isolated parts of problems. Consequently, problems are likely to resurface and become another trigger for cyclical reforms.

A key problem of the public sector reforms in Papua New Guinea is the highly segmented and uncoordinated manner in which they were formulated and executed. With the exception of the initial economic stabilisation measures, reforms aimed at the core public sector were largely isolated initiatives, devoid of any coherent and clear objectives and strategy, and were implemented with minimal coordination.

The case of fiscal restraint, a common aspect of many initiatives to improve financial management, is indicative of these problems. In 1995, financial restraints aimed at curbing spiralling expenditure were imposed on line departments and agencies. The aim was to place a cap on expenditure in the ensuing years in order to eradicate the growing deficit. However, a lack of comprehensive and coordinated effort in implementing expenditure control measures, coupled with poor fiscal reporting and accountability across the public sector, meant that there have been budget overruns since 1997. Indeed, expenditure caps were rarely enforced in provincial and national departments and virtually all provincial departments have had budget overruns. Where overruns occurred, fiscal accountability was lacking. In 2002, the then government of Sir Mekere Morauta incurred an unprecedented annual deficit, estimated at K814 million, demonstrating once again that measures of curtailing expenditure were not coordinated and enforced at the bureaucratic and political levels. While the current Somare-Marat government reined in the excesses and reduced the deficit to K450 million, this was still an unusually high figure. Thus, the control measures introduced in 1995 were temporary and lacked any real impact because they were not complemented by additional measures of financial reporting and accountability.

Moreover, initiatives to improve departmental performance have been sporadic and aimed at selected areas, while neglecting key areas directly relevant to improving performance. For example, while strengthening accountability was aimed at the lower ranks of the civil service, departmental heads have rarely had to account for the performance of their departments. In a recent hearing the Parliamentary Public Accounts Committee was shocked to find that provincial governments have not accounted for a single 'cent' of the K2.7 billion of public money they have spent over the last six years ('No accounts for K2.7b since 1997', *The National*, 25 October 2002). No provincial departmental head or provincial treasurer came forward to accept responsibility and it is highly unlikely that accountability will be enforced in the future.

There is also a need to maintain transparency in performance. Current performance information is sparse and does not accurately report performance. Results-oriented performance is about knowing what departments are expected to produce, ensuring that outputs will produce the desired impact on government outcomes and that performance information is reported adequately by departments. All of these aspects are important for ensuring a sound system of accountability and providing the necessary incentives for departments to produce what the government expects.

However, planning, evaluation and reporting of outputs, while being an endemic problem, have not received the required attention in the ongoing reforms. For example, departmental annual reports, a critical part of the accountability process giving details of a department's performance during the year, are rarely submitted. Evaluations by central agencies of the performance of departments and agencies rarely take place. Furthermore, reporting regimes of departments are very poor. For example, there is no transparent reporting of outputs, and it has been difficult to determine the impact and, hence, the usefulness of departmental outputs on outcomes of government. Government does not know what its departments and agencies are producing, and many departments cannot demonstrate whether they have been achieving value for money in what they do. In such an environment results-oriented performance is unlikely to be nurtured.

Despite ongoing reform efforts, some problems that the reforms have sought to remove have resurfaced. Wage and entry restraints, two measures aimed at containing the public service wage bill at an affordable level (World Bank 2000), are illustrative. In assuming office in 2002, the Public Service Minister, Dr Puka Temu, raised serious concerns over the need to reduce the escalating annual wage bill which now stands close to K1 billion. A part of the problem, according to Dr Temu, was the existence of 10 per cent of 'ghosts' on the government payroll which, if removed, would save the government some K160 million.

The uncontrolled increases in public service job entry and the wage bill illuminate the bigger problem of a lack of sound financial management within the public sector. Financial management has not been comprehensively reformed and therefore it is not possible to maintain financial accountability on matters such as salaries. Spiralling expenditure only draws the attention of the government when it is out of control, but this is often too late.

Finally, there is a need to restructure many departments and institutions by de-layering departmental structures, refocusing departmental portfolios, amalgamating functions to avoid duplication, and perhaps doing away with departments that do not serve the purpose of delivering public services. Such a move would reduce staff numbers and reduce pressure on the wage bill.

Political and bureaucratic commitment

A comprehensive and sustained reform effort requires strong political and bureaucratic commitment. Political commitment is evidenced by government charting its broad intentions on the breadth and scope of reform (defining strategic intent) and ensuring that the core public sector is on course to implement that intention. In short, the government must give strategic direction to the core public sector while at the same time ensuring that departmental heads commit to its strategic direction; thus adding weight to the overall reforms.

The viability of any reform is also dependent on the state of the enabling environment created by the government and political leaders. The government can influence the environment by fundamentally shifting policy instruments, or in the case of some developed countries, by changing or enacting key legislation. The magnitude of reform also demands good policy and administrative coordination, effective leadership, and a thorough understanding of the mechanics of reforms on the part of senior bureaucrats. In New Zealand the decisive role of the Treasury in providing the intellectual impetus behind its reforms is evident (see Boston et al. 1996). Equally, the Australian Department of Finance was the driving force behind the Financial Management Improvement Program in Australia (Keating and Holmes 1990).

A key feature of the reform landscape in Papua New Guinea has been the lack of political and bureaucratic commitment to the reform efforts. In the bureaucracy, this void has been demonstrated by the inability to coordinate policy, a lack of understanding of the cohesive nature of reform strategies and the inability to implement reform initiatives horizontally among different public sector organisations. A more pertinent problem has been the lack of an effective Senior Executive Service to provide the necessary leadership and ensure that reform initiatives are carried through at the ground level. While it is true that such a service exists, declining morale, too few resources and a lack of work ethic in senior and middle level management and line staff have all worked against executing a robust reform program.

What is more striking is the passive attitude of the politicians towards sustained public management reforms. For instance, while politicians have reiterated the need for reforming the core public sector in order to improve its performance, their lack of action in creating an enabling environment for sustained reform is evident. For example, politicians often want greater accountability of performance, yet change in key legislation in order to strengthen managerial accountability has not occurred.

Furthermore, progress in the reforms is stifled by confused policy signals emanating from the government. This has been evident in two key domains: first, in not providing clear strategic direction, thus leaving people guessing about its reform agenda, and in saying one thing about reform and doing the exact opposite. For example, there is no clear blueprint of the government reform program in the public sector. In the privatisation program, for example, recent revelations in the ongoing PNGBC Inquiry demonstrate the lack of strategic direction in the entire process. Those who appeared before the Inquiry noted that there was no Government White Paper on the process ('Micah defends White Paper', *Post Courier*, 14 April 2003).

The contradictory signals from government are demonstrated in the latest round of appointments where, despite public assurances about a change in government policy to appoint top civil servants on merit and following due process, the new government decided to make four appointments without consulting the Public Service Commission and without following a transparent process. The highly suspicious nature of the appointments has elicited strong reactions from a number of unions, which have likened the action to that of a Sepik tsunami[2] ('Government warned over appointments', *The National*, 18 October 2002).

Combining maladministration with reforms

If reforms are to ensure sustained improvements in government performance, they must not be combined with maladministration. Moreover, creating an atmosphere that is attuned to high performance, especially by those who are driving the reform agenda (such as the central agencies) is essential.

The simultaneous practice of engaging in the reform process and the continuation of maladministration has been a feature of Papua New Guinea's reform landscape. For example, staff continue to engage in practices that add no value to their work, or undermine the effectiveness of their department. Departmental heads have not met their accountability commitments. For instance, the Departments of Personnel Management and Provincial Affairs, two lead agencies responsible for national and provincial departments, for many years now have not carried out performance reviews of departments. Also there has been no action taken to hold accountable departments that have failed to furnish performance reports to the two lead agencies. In the Department of Finance and Treasury, maintenance of fiscal accountability has deteriorated to such an extent that financial mismanagement has spiralled out of control in many departments ('Fraud rife in provincial treasuries', *The National,* 27 January 2003).

The proliferation of government corruption (here taken to mean both bureaucratic and political corruption) has also been a key impediment to the success of the reform process in recent years. In a recent case involving members of parliament, the Ombudsman Commission found a *prima facie* case of theft and the illegal diversion of public money in the Gaming Board—the entity in charge of collecting taxes from gambling activities—involving eight members of Parliament.[3] Seven of these are facing serious charges and are awaiting trial by a Leadership Tribunal to be convened by the Chief Justice; while in another recent case, a senior member of the former ruling PDM Party and a former senior Government Minister, awaits referral to the Tribunal by the Public Prosecutor (Sause 2002).

Results-oriented performance cannot be expected to take root within departments if the subversion of the merit-based system of appointing departmental heads continues unabated. For many years, especially after the demise of the Public Service Commission in 1986, appointments of heads of government institutions have heavily favoured cronies who appear to have little knowledge and expertise in managing organisations. Despite constant emphases throughout the era of the reforms on a merit-based system of appointments, nothing has changed. As a result it has been virtually impossible to enforce accountability either individually or collectively by ensuring that departmental heads are responsible and accountable for the performance of their departments. Many departmental heads have little or no incentive to perform, and see no need to create incentive structures within their departments to enhance performance. This problem contributes much to the inefficiencies of line departments and agencies.

Papua New Guinea can be said to have a unique brand of cronyism that is characterised by what can be called the 'appointment-protection syndrome'. The defining feature of this syndrome is epitomised in the apparent obligation to protect appointees even if they are incompetent or corrupt. One might perceive this as a process whereby the necessary obligation to appoint triggers the necessary obligation to protect. This explains why it is often very difficult to enforce accountability for performance and why some departmental heads are able to hang on to their jobs despite mounting evidence of incompetence.

In recent years, the appointment-protection syndrome has taken on a new character. This has been evident in individuals being appointed, only to be dismissed with handsome payouts for doing nothing except breaching contract. There is another element to this process—some departmental heads, particularly those in statutory bodies, have been able to set their own terms and conditions far beyond the approved standards, in blatant disregard of existing rules. This problem has become so pervasive that a National Court Judge has called on the Salaries and Conditions Monitoring Authority (SCMC) to bring back the kind of discipline and control exercised in setting terms and conditions of employment in the public service ('Judge: Prosecute contract abusers', *Post Courier*, 24 October 2002). The appointment-protection syndrome perhaps explains why there has been little control and accountability over this costly and corrupt practice. Overall, the appointment regime for senior positions has sustained an environment attuned to bad performance, poor work ethic and, in some instances, encouraging theft of public resources. Sadly, its persistent use has seen it become accepted as part of the country's political culture.

Without doubt such corrupt practices are doing inexorable harm to the public sector and the general state of governance. The degeneration of public services in Papua

New Guinea is an indication of the effect of such practices on the quantity and quality of public services. When funds are already too low to maintain essential public services, the theft of funds and resources compounds the problems of public service delivery.

The combination of maladministration and corruption has been evident in several adverse consequences on performance. For example, competent staff have been demoralised by having to work with incompetent departmental heads. In other instances, departmental heads with no strategic ability and management skills ran down organisations. Finally, wastage arising out of flagrant disregard for cost-effectiveness is often characteristic of incompetent departmental heads, who lack the ability to initiate prudent financial management.

Improving conditions for productive capability

Productive capability is defined as the 'ability of the permanent administrative machinery of government (public sector) to implement policies, deliver services and provide policy advice to decision-makers' (Polidano 2000:805). This ability is a function of the level of resources available, both material and financial; skills, competency and knowledge; and robust institutional arrangements within public sector organisations (Franks 1999).

However, reformers in Papua New Guinea, particularly politicians, seem oblivious to the fact that departments and agencies that are subjected to rampant corruption, maladministration and constant policy shifts are unlikely to develop people, skills, systems and resources. A severe weakening of productive capability is therefore inevitable in circumstances where maladministration and government corruption are rife. Without doubt, the public sector in Papua New Guinea is facing a capability crisis (Kolehmainen-Aitken 1992; Leechor 1997; Sause and Kinkin 1997; Edmiston 2002). Mismanagement has eroded the capacity of the public sector to effectively take charge of the reform process.

Conclusion

Developments in other countries demonstrate that there are no magic solutions to mounting successful public sector reforms. There are a range of administrative problems—for example, lack of administrative and management capacity to drive the reforms, too few resources to effect necessary change, and poor planning—that hinder the progress of reforms. In a developing economy such as Papua New Guinea, such hindrances can be monumental, exerting strain on those who are responsible for driving the reforms forward. However, the best efforts come from learning from existing problems, international trends and best practice, and then strategising how best to develop and employ reform strategies.

The current Somare-Marat Government has set public management reforms as one of its key priorities, following in the footsteps of its predecessor. The problem, however, is that this effort is merely repetitious, with no clear end in sight. This paper focuses on the constraints that have contributed to the lack of progress in the public sector reforms, and the ongoing cycle in which the reforms exist. In order for current and future reform efforts to have a positive impact on public sector performance, reformers need to refocus their attention to address these constraints. Overall, there is a need to redraw the blueprint of the reforms in an integrated fashion, put more political and bureaucratic commitment into the reforms, remove known obstacles to performance and concentrate on improving conditions for enhancing productive capability.

Notes

1 For example, this has been evident in the Integrity Law on Political Parties and Constitutional amendments in March 2003 which placed the Public Services Commission in charge of managing the appointment process for departmental heads.

2 The majority (three) appointees were from the East Sepik, home province of the Prime Minister, Sir Michael Somare.

3 Seven of these lost their seats in the 2002 National Election and therefore are no longer liable for prosecution under the Leadership Code. However, there is scope for them to be tried under the Criminal Code, and two have been charged at the time of writing this paper.

References

Asian Development Bank, 2001. News Release 192/01, 12 December 2001. 'Moving to a performance-based public sector in Papua New Guinea' Asian Development Bank, Manila. Available online at www.adb.org/Documents/News/2001/nr2001192.asp.

AusAID, 1999. *The Economy of Papua New Guinea, 1999 Report*, Australian Agency for International Development, Canberra.

Boston, J., 1999. 'New Zealand's model of public management: the promise and the reality', *NIRA Review*, 6(2):15–18.

Boston, J., Martin, J., Pallot J. and Walsh, P. (eds), 1991. *Reshaping the State: New Zealand's bureaucratic revolution*, Oxford University Press, Auckland.

——, 1996. *Public Management: the New Zealand model*, Oxford University Press, Auckland.

Chand, S. and Stewart, R., 1997. 'Economic reforms and structural change in Papua New Guinea: progress, performance and prospects', *Pacific Economic Bulletin*, 12(1):53–69.

Curtin, T., 1999. 'Public sector reform in Papua New Guinea and the 1999 Budget', *Labour and Management in Development Journal*, 1(4):1–26.

Duncan, R. and Temu, I., 1995. 'The need for fiscal discipline', *Pacific Economic Bulletin*, 10(1):14–18.

Edmiston, K.D., 2002. 'Fostering subnational autonomy and accountability in decentralized developing countries: lessons from the Papua New Guinea experience', *Public Administration and Development*, 22: 221–34.

Franks, T., 1999. 'Capacity building and institutional development: reflections on water', *Public Administration and Development*, 19:51–61.

Garnaut, R., 1995. 'Monetary stability or more devaluation?', *Pacific Economic Bulletin*, 10(1):19–23.

Kalinoe, J., 2003. Submission by the Chief Secretary of Government of the Independent State of Papua New Guinea to the Australian Senate Foreign Affairs, Defence and Trade Committee, Canberra, 28 March 2003, Department of Prime Minister and National Executive Council, Waigani (unpublished).

Keating, M. and Holmes, M., 1990. 'Australia's budgetary and financial management reform', *Governance*, 3(2):169–85.

Kolehmainen-Aitken, R., 1992. 'The impact of decentralisation on health workforce development in Papua New Guinea', *Public Administration and Development*, 12:175–91.

Leechor, C., 1995. 'Fiscal relations and service delivery', *Pacific Economic Bulletin*, 10(1):31–39.

Papua New Guinea, 1999. *Papua New Guinea Human Development Report, 1998*, Department of National Planning and Monitoring, Port Moresby.

——, 2002. *Supplementary Budget 2002, Volume 1*, Department of Finance and Treasury, Waigani.

Polidano, C., 2000. 'Measuring public sector capacity', *World Development*, 28(5):805–22.

Sause, L., 2002. Policy transfer and policy learning: the case of public management reforms in Papua New Guinea, paper presented at the Policy Network Conference, University of Tasmania,Hobart, 31 January–1 February, (unpublished).

Sause, L., and Kinkin, E., 1997. 'Managing decentralisation in local-level governments: Papua New Guinea', *Pacific Economic Bulletin*, 12(2):45–53.

Whimp, K., 2000. New public management and its application in developing countries: the case of Papua New Guinea, Department of Treasury, Waigani (unpublished).

World Bank, 1995. *Papua New Guinea: delivering public services: volumes I and II*, World Bank, Washington, DC.

——, 1999. *Papua New Guinea: improving governance and performance*, World Bank, Washington, DC.

——, 2000. *Papua New Guinea: country assistance evaluation*, World Bank, Washington, DC.