

Governance and Institutional Reforms in Papua New Guinea

Case Study on Rural Livelihood in Southern Highlands Province

By Yano Rala Belo

March, 2011

This thesis is presented to Higher Degree of Ritsumeikan Asia Pacific University in Partial

Fulfillment of Master of Science in Asia Pacific Studies

## ACKNOWLEDGEMENT

First and foremost, I would like to thank my supervisor, Prof. Miyoshi Koichi, for putting in me the idea and creating environment to complete this thesis to be qualified for Masters of Science in Asia Pacific Studies. Whatever the reason you offered me this opportunity, your unique style of letting students to explore and learn independently is the value that added to my knowledge.

Also, I would like to extend my profound gratitude to the Japanese Government through the Ministry of Education, Culture, Science and Technology (MEXT) of Japan for the scholarship which enabled me to further my education in the field of International Policy and Public Administration.

To those people who gave me their time to participate in interview and focus group from the two council ward areas, I thank you all and hope this research will do some justice.

I also want to extent my sincere appreciation to Bill for the overall editing to this paper.

Finally, my *parents*: Yano Belo Senior and Martina Belo. They gave me my name and the life I have now. They are the reasons I did this. Their pride for me is my main goal in life. The only thing I aspire for is that when they lay in their deathbed they would think, “I am proud of my son”. *Thank you, thank you, and thank you.*

## DECLARATION OF ORIGINALITY

I, Yano Rala Belo, hereby declare that this thesis is my own work and has been submitted for the award of higher degree.

Any contribution of others have been cited or acknowledged appropriately.

<b>TABLE OF CONTENTS</b>	<b>Pages</b>
Acknowledgment.....	ii
Declaration of Originality.....	iii
List of Tables & Figures.....	viii
Appendices.....	vii
List of Acronyms and Terms.....	x
Abstract .....	xii
<b>Chapter 1: INTRODUCTION.....</b>	<b>1</b>
1.1 STUDY BACKGROUND.....	1
1.2 Research Problem.....	1
1.3 Research Questions.....	3
1.4 Research Objectives.....	3
1.5 Significance of the study.....	4
1.6 Scope and Limitation of the Research.....	4
1.7 STRUCTURE OF THE THESIS.....	5
<b>CHAPTER 2: LITERATURE REVIEW.....</b>	<b>6</b>
2.1 Concepts and Definitions .....	6
2.2 Modes of Governance.....	7
2.3 Governance as a state.....	7
2.4 Governance through Market.....	7
2.5 Devolution of Power.....	8
2.6 Civil Society .....	10
2.7 Conceptual Difference between Governance, institution & Organization.....	11

2.8 The Role of Governance.....	12
2.9 Analytical Framework for Sustainable Livelihood.....	14
2.10 Definition.....	14
2.11 Rational of Livelihood Approach.....	16
2.12 Vulnerability Context.....	17
2.13 Livelihood Capital Asset.....	18
2.14 Impact of Poor Governance.....	21
2.15 Policy Process.....	22
<b>Chapter 3 METHODOLOGY.....</b>	<b>23</b>
3.1 Research Paradigm.....	23
3.2 Research Design.....	24
3.3 Method of Data Analysis.....	25
3.4 Data Collection.....	26
3.5 Field Work and Interview.....	26
3.6. Focus Group.....	27
3.7 Institutional Mapping.....	28
<b>Chapter 4 Institutional Governance and Reform in Papua New Guinea.....</b>	<b>29</b>
4.1 Country Background.....	29
4.2. Geography.....	29
4.3 Political System.....	30

4.4 State Powers.....	31
4.5 Government Machineries.....	33
4.6 Administrative Relation in Papua New Guinea.....	35
4.7 Governance & Institutional reform.....	36
4.8 Medium Term Plan for Public Sector Reform.....	37
4.9 Public Sector Policy and Process.....	38
4.10 Major Reform Analysis in Papua New Guinea .....	39
4.11 Present Situation.....	41
4.12 Political Development.....	41
4.13 Impact on Economic Development.....	44
4.14 Summary for Chapter 4.....	47
<b>Chapter 5 Case Study on Rural Livelihood Community .....</b>	<b>49</b>
5.1 Overview of southern Highlands Province.....	49
5.2 Governance and Administration Structure of Southern Highlands....	50
5.3 Powers Transferred to Local Level Government.....	51
5.4 Source of Provincial Government Grant.....	53
5.5 Special Purpose Authority.....	54
5.6 Situation in Tari District.....	54
5.7 Resource Development and Conflict in Tari.....	56
5.8 Macro Policies Associated to Alleviate Rural Poverty.....	58
5.9 Impact of Natural Resources Policies in Upstream Area.....	62
5.10 Benefits of Legislative Reform Oil & Gas Act.....	64
5.11 Negative Impacts on Women’s Education in Project Area.....	65
5.12 Tari Woman Association.....	66

5.13 Village in Transition.....	66
5.14 Livelihood Support Program.....	67
5.15 Changes in Community.....	69
5.16 Community Livelihood Analysis.....	74
5.17 Principle Health Challenge in Non Project Area .....	76
5.18 Accessibility and Poverty.....	80
5.19 Coping Strategy.....	84
<b>Chapter 6 Recommendation and Conclusion.....</b>	<b>86</b>
6.1 Summary of Findings.....	86
6.2 Achievement of Reform Objectives.....	87
6.3 Policy Implication .....	91
6.4 Area for Research.....	91
6.5 Prospect for the Rural Economy.....	92
<b>REFERENCE.....</b>	<b>94</b>
<b>APPENDICES.....</b>	<b>98</b>
Appendix: 1 Map of Study Area.....	110
Appendix: 2 Village Profile Form Interview Questionnaire.....	112
Appendix: 3 Interview Questionnaire.....	113
Appendix: 4 Papua New Guinea GDP (1980-2006).....	114
Appendix: 5 Summary of Livelihood Program.....	115
Appendix: 6 Tari Woman Steering Committee Structure.....	116

## LIST OF TABLES & FIGURES

Figure 2.1 Core Constituents of Good Governance.....	13
Figure 2.2 Sustainable Livelihood Model.....	15
Table 2.3 Categories of Vulnerability Context.....	17
Table 2.4 Variable of Conditions & Determinants of Pro livelihood.....	19
Figure 4.1 Map of Papua New Guinea.....	30
Figure 4.2 Organization of Government Machineries.....	34
Figure 4.3 Administration Relation in PNG Public Service.....	35
Figure 4.4 Structure of National Reform Policy.....	38
Figure 4.5 CACC in Vertical & Horizontal Formulation.....	39
Figure 4.6 Major Sector Reform Analysis.....	40
Figure 4.7 Overarching Framework of National Development.....	43
Table 4.8 Reform Contributing to Economic Growth.....	46
Figure 5.1 Map of Southern Highlands Province.....	50
Figure 5.2 Decision and Implementation Routes.....	52
Figure 5.3 Governance structure Hela Community Development.....	57
Table 5.4 Macro Policy Associated to Alleviate Rural Poverty .....	58
Table 5.5 Project Partnership Matrix.....	63
Table 5.6 Beneficiary & Benefit Stream Flow.....	64
Table 5.7 Formal Education & Literacy Level.....	65
Figure 5.8 Map of Research Site .....	67
Table 5.9 Rural Livelihood Support Project.....	68



Figure 5.10 Distribution of FHIRP .....	70
Figure 5.11 Community Labor Network.....	71
Figure 5.12 Public Motor Vehicle.....	72
Figure 5.13 Rural Water Supply.....	73
Table 5.14 District Level Poverty Indicator.....	82
Table 5.15 Livelihood Strategy for Coping Problems.....	85

**LIST OF ACRONYMS AND TERMS**

<b>AusAID</b>	Australian International Development Assistance
<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>PNG</b>	Papua New Guinea
<b>NGO</b>	Non Government Organization
<b>UNDP</b>	United Nation Development Program
<b>CDF</b>	Comprehensive Development Framework
<b>CCR</b>	Civil Service Reform
<b>SLA</b>	Sustainable Livelihood Approach
<b>DIFD</b>	Department for International Development
<b>LPV</b>	Limited Preferential Voting
<b>CPC</b>	Constitutional Planning Committee
<b>OLPG</b>	Organic Law of Provincial Government
<b>OLPLLG</b>	Organic Law of Provincial Local Level Government
<b>PSC</b>	Public Service Commission
<b>NFC</b>	National Fiscal Commission
<b>BPNG</b>	Bank of Papua New Guinea
<b>BSP</b>	Bank of South Pacific
<b>ANZ</b>	Australian New Zealand Bank
<b>SOEs</b>	State Own Enterprises
<b>PAC</b>	Public Account Committee
<b>LLG</b>	Local Level Government

<b>JDPBPCs</b>	Joint District Provincial Budget Priority Committee
<b>JPPBC</b>	Joint Provincial Budget Priority Committee
<b>MP</b>	Member of Parliament
<b>ILG</b>	Incorporated Land Group
<b>IDFA</b>	International Development for Association
<b>MTDS</b>	Medium Term Development Strategy
<b>MRDC</b>	Mineral Resources Development Company
<b>NLTP</b>	National Long Term Plan
<b>CACC</b>	Central Agency Coordinating Committee
<b>NEC</b>	National Executive Council
<b>PRG</b>	Petroleum Resources Group

**Abstract**

The government of Papua New Guinea has expanded its new development activities based on implementing the public sector reforms and forging long term partnership with development partners to achieve greater efficiency, and accountability in the delivery of social and infrastructure service. In this connection, the study has adopted two approaches in order to examine the policies relating to improve governance problems driven by political actors in the state institutions and the devolution of public administrative functions within the various levels of government in Papua New Guinea. The first approach was based on exploring the secondary data while the second approach relied on field work carried out in the selected site of southern highlands province.

Having analyzed all the elements, the financial and legislative reforms have significantly improved the coordination of national policy development departments thereby increasing the government's ability to reduce its national debt levels whilst addressing economic inefficiencies associated with poor governance and institutional incompetence in the country. Meanwhile, the implementation of the decentralization policies have given the local-level government some significant law making powers including financial and administrative control which impact the livelihood of rural communities through greater efficiency in delivery of goods and service. Although much of the policies have been implemented comprehensively, some reforms have fallen short of achieving their objectives partly due to shortcomings in the political commitment at the national level and the lack of management capacities in the implementation process. Nevertheless, this study has used qualitative and single case study approach and there is more room for indebt studies to analyze and address service delivery constraints.

# CHAPTER 1

## INTRODUCTION

### 1.1 STUDY BACKGROUND

#### 1.2 Problem Statement

Since the end of the 1980s, scholars and practitioners of public administration expressed the real concern about the failure of so many countries to reap the fruits of decade of stringent reform. By the early nineties it was widely agreed upon that those countries taking on reform simply didn't have adequate institutional depth and capacity. However, until recently the role of well-performing public institutions and good governance become increasingly recognized for poverty reduction and development effectiveness as evident in a number of theoretical and empirical works. For example, Kaufmann, Kraay and Zoido-Lobatan (1999) have proved empirically the close link between the quality of governance and the level of per capita income across countries. Similarly, the World Bank and International Monetary Fund have strongly supported the view that good governance is a key determinant of economic and social development in developing countries. Though the links between governance and economic development has well substantiated empirical proposition, there still remains the puzzling question as to why some countries are 'better governed' than the others, given that they have access to same level of technology and income.

In the context of Papua New Guinea (PNG), good governance lies at the core of development challenge of which has been the subject of extensive policy debate for the past three decades. It appears that the most critical area for improved governance was to reducing cost and waste in national and provincial government administration and correcting the underlying weaknesses that fail to control and prevent waste. At the same time, it is clear that reforming public institutions is complex and difficult task both technically and politically. Technically, the government's ability to achieve reform objectives has been undermined by shortcomings in the policy implementation while politically lacking the ownership to provide the enabling environment to pay of positive results. This has been a grave concern and the government of PNG has implemented number of policy reforms to strengthen the public service machineries within the state institutions.

The new Medium Term Development Strategy (2005-2010) is the recent comprehensive plan seeking partnership with civil society, private sector and donor agencies to address the declining social services associated with poor governance and institutional incompetence. While many of these plans and strategies were implemented successfully, it is still unclear whether these benefits have been translated into tangible development. It is in this connection that this study intends to describe the nature of the reform process, identify the forces that motivated those policies and assess the impact. Special attention is paid to the critical role of the state as the main actor of governance, the internal institutional arrangement, the nature and extent of harmonization of approaches by donors, and an assessment of sustainability of service delivery in Papua New Guinea.

### **1.3 Research Question**

This paper seeks to answer the following research questions which have been developed in the context of Papua New Guinea.

1. How have these policies and institutional reforms been implemented in Papua New Guinea?
2. Have these policy reforms translated on the ground to transform the livelihood of the rural community (case community)?
3. What are the achievements and limitations of the policy reforms implemented in the country?

### **1.4 Research Objectives**

The objective of the research is three-fold based on research questions aforementioned. The first objective of the research is to describe the national reform policies and how it has been implemented in conjunction with the Medium Term Development Strategy (MTDS) for the period of 2005 to 2010. The second objective is to examine the policy reforms and assess their impact on the nation's development. The third objective is to examine, through applying Sustainable Livelihood Model on historical data at different levels of government from the state down to district and household whether these difference in political and policy environment affected rural livelihood. Hence, based on these objectives, the conclusion will be such that governance and institutions don't impact directly on rural people but create enabling environment for the communities to access the resources needed to improve their livelihood.

### **1.5 Significance of the study**

It is noted that the Government of Papua New Guinea, in cooperation with international organizations and donor countries, has been making great efforts in pursuing its policies in various areas including governance and institutional reform to improve social and economic conditions. However, there seems to be a knowledge gap in academic study pertaining to the impact of central reform on service delivery in the Papua New Guinea context. This policy gap between macro- and micro level often results in policies and institution that do not reflect on the felt needs of rural people for goods and services required to improve their livelihoods. Therefore, this study will make some modest contribution to the knowledge of policy implementers, civil servants, scholars and donors to bridge the gap while implementing national development programs and projects in a timely and effective manner.

### **1.6 Scope and Limitation of the Research**

Although the study has somewhat reached its aims, it has shortcomings. Firstly, the researcher has limited experience to prepare a comprehensive and well-written master paper. Secondly, it can be observed that this study has used the single-case study approach even though the evidence from multiple cases is often compelling and regarded as more robust. The reason is that a multiple case study requires extensive time and resources for a researcher and therefore it was envisaged that the way in which the data was treated mainly relying on theoretical proposition as the most common strategy according to (Yin, p.103-104). Thirdly, the time to conduct the field work was relatively short due to unavoidable weather pattern of the tropical highlands of Papua New Guinea. The month of August and September are rainy season and this weather pattern had



occasionally disrupted the field visits and prevented the researcher from collecting adequate data at the research site.

### **1.7 Structure of the Thesis**

The thesis is organized into six main chapters. Chapter 1 provides the background of the research including the thesis statement, the research questions and objectives, significance and the scope and limitation of the study. Chapter 2 provides a brief literature review mostly relevant to following discussion of governance and institutional reforms, while chapter 3 outlines the methodological issues including the research design, data collection, methods and research sites. Chapters 4 consist of the main discussion which includes the description of the country background, and analysis of policy reform at the country level (macro). The next discussion is chapter 5 which presents the case study of a rural community, based primarily on data collected during field work in Papua New Guinea. Finally, chapter 6 presents the summary of findings, policy implications and prospects and potential areas of future research.

## CHAPTER 2

### LITERATURE REVIEW

This chapter articulates how this research was done based on theories of governance and institutions and thus conceptualizes the application of policy process among entities in the public and private sectors to improve delivery of public service. Based on this approach, a theoretical model has been derived from the theories of governance and institution to underscore the central focus of the study. The literature also provides the theoretical evidence of institutional networks and governance of which positive reforms have paid off in other developing countries.

#### 2.1 Concepts and Definition of Governance

Various authors have attempted to define the term governance. According to Bell (2002), governance is defined as “the use of institution and structure of authority to allocate resources and coordinate in society”. Kaufman et al (1999) define governance as “the traditions and institutions by which authority in a country is exercised”. It is important not to confuse governance with government. Governance is a much broader process than government, which is a subset of governance and may involve state and non state actors.

The preferred definition for this study is the one proposed by UNDP:

*[t]he exercises of political, economic and administrative authority to manage a nation's affairs. It is the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences. [...] Sound governance is therefore a subset of governance, wherein public resources and problems are managed effectively, efficiently and in response to the critical needs*

*of society. Effective democratic forms of governance rely on public participation, accountability and transparency (UNDP 1997)*

## **2.2 Modes of Governance**

It is noted that, governance is not exclusively the responsibility of the state or government. A non-state actor may also play an important role in the governance process. To underscore this point, a brief outline of different modes of governance is in order.

### **2.3 Governance as a State**

This concept is the most widely known form of governance and it is particularly relevant where the government is the major constitutive element of the governing process. It underlies the role of state/government in providing the regulatory environment and institutional underpinning to facilitate efficient market exchange. For example, without courts or laws to interpret the property rights of business, the commercial life will be non-existence. Thus this implies that state governance cut across all modes of governance and is central to the effectiveness of the entire system of governance.

### **2.4 Governance through Market**

Under this mode the balance of governance and coordinating function shifts towards greater reliance on markets, private allocation and contracting in which the economy is largely determined by the force of supply and demand, acting to a larger degree in a self regulating manner. Effective competition in the market depends on the rules of games set by the state governance. It is in this context that the state will be an important constitutive element of any form of market governance.

## 2.5 Devolution of Power

It is paramount to define the concept of devolution of power in the context of administration decentralization. Given the fact that different scholars and institutions have come up with different classification of power, it is useful to make distinction between these various concepts to see how they can be implemented successfully and mutually coordinated.

*Administration decentralization* seeks to redistribute authority, responsibility and financial resources for providing public service among different levels of government. It relates to transferable of responsibility for planning, financing and management of certain public function from central government and each agency to field units of government agencies. Administrative decentralization can be further divided into three categories, each of which has different characteristics. They include deconcentration, delegation, and devolution (World Bank's Decentralization Thematic Team).

*Devolution* refers to a situation where central government transfers powers in decision-making, finance and management to quasi-autonomous units of local government with corporate status. Meaning that, they are able to raise their own revenues, and independent authority to make investment decisions. In devolved system, they usually have clear and legally defined geographical boundary over which they exercise an exclusive authority to perform explicitly granted reserve functions. According to Sharbbir Cheema and Rondinelli (2007), devolution is embedded with the belief to improve efficiency in service deliver which enable shortening of decision making and bring government more closely to citizens.

*Deconcentration* is the least extensive form of decentralization and most commonly found in unitary states. It encourages reform of hierarchical functional distribution between central government and its regional branch office. Thus responsibility for specific functions is shifted to a lower level of administration but still within the central government structure. This concept implies that the government may assume to be closer to the people but powers still remained under the authority of central government (World Bank Decentralization thematic theme).

*Delegation* is more extensive form of decentralization. In this process, central government transfer responsibility for decision-making and administration of public function to semi autonomous organization. They are not directly or fully controlled by central government, but ultimately accountable to it. Governments delegate responsibilities when they create, for example, public enterprise or cooperation, housing, authority, regional development cooperation. They may exempt from regular constraint on regular civil service personnel and can charge user directly for service (World Bank's Thematic Decentralization Team).

Having analyzed the four concepts above, the key notion seems to be the distribution of power away from the center to empower local level government to maintain control over their territories. In Papua New Guinea, the introduction of provincial government was the main mechanism through which the national government implemented its aim of decentralization. This means that leaders at the provincial and local level would make many decisions which affect them and their people. However, despite the enabling nature of devolution of power, adequate decision making power still rest on central government. This is evident by the fact that central government derives its power from national constitution which can supersede the Organic Law of Provincial Government (Organic Law of Provincial Government, 1995). The debates about

devolution/decentralization have taken different twist in the past due to the state as provider in meeting its obligation to society.

## **2.6 Civil Society**

The concept of civil society encompasses wide range of organizations. In a broader sense, it includes nongovernment organizations such as business associations and labor unions in corporatist bargaining with government. It also includes the activities of organizations such as public-private collaboration and power sharing, together with the empowerment and engagement of various forms of community institutions (Senator, 2000).

Civil society organizations are also a part of the international aid architecture in various capacities as donors, as channels or recipients of official donor assistance, and by virtue of their role as watchdogs of the public goods. The World Bank recognizes the important role that civil society plays in public policy dialogue, service delivery, and wider development efforts. The Bank seeks to ensure that it is listening to, and learning from, the voices of the poor and agencies that deliver healthcare to the most underserved communities; improving the effectiveness of its development efforts; and promoting transparency and accountability in the countries where it works. In the countries with weak governance and large aid flows, civil society organizations have increased awareness of the development community in both donor and recipient countries. In Papua New Guinea churches are significant form of civil society in delivering services in the areas of health and education through some formal arrangement with state institution of a state. These faith based organizations are more engaged in community development to empower and create conditions for marginalized citizens to find solution for the social problems (Dickson, 1999).

## 2.7 Conceptual Difference between Governance, institutions and Organization

It is necessary to underline the important distinction between institutions, organization and governance to understand the roles they take on in recreating the livelihood of the people.

Firstly, the words institutions and organizations may be used interchangeably or exclusively and often lead to misunderstanding. The most widely used definition is the one propounded by North (1993), who describes the institutions, “as rules of the game and organizations as the players”.

*Institutions* exhibit both a formal nature (constitutional rules, regulations, laws, rights) and informal nature (sanctions, customs, tradition.). North (1993) characterized the roles of institutions as follows;

- ✧ They define the range of choices, regulate risks and uncertainty and determine transaction and enhance the feasibility and probability of engaging in economic activity.
- ✧ They evolve incrementally, linking the past with the present and future.
- ✧ They provide the incentive structure of an economy and set the tone of societal development.

*Organizations*, on the other hand, refer to a group or association, formal or informal, in which there are defined and accepted roles, positions and responsibilities structured in some relationship to each other in order to achieve specific objective(s) (Uphoff 1992). Organizations exist to secure and advance the interests of their members within the existing institutional framework, while constantly seeking to influence that framework so as to achieve greater

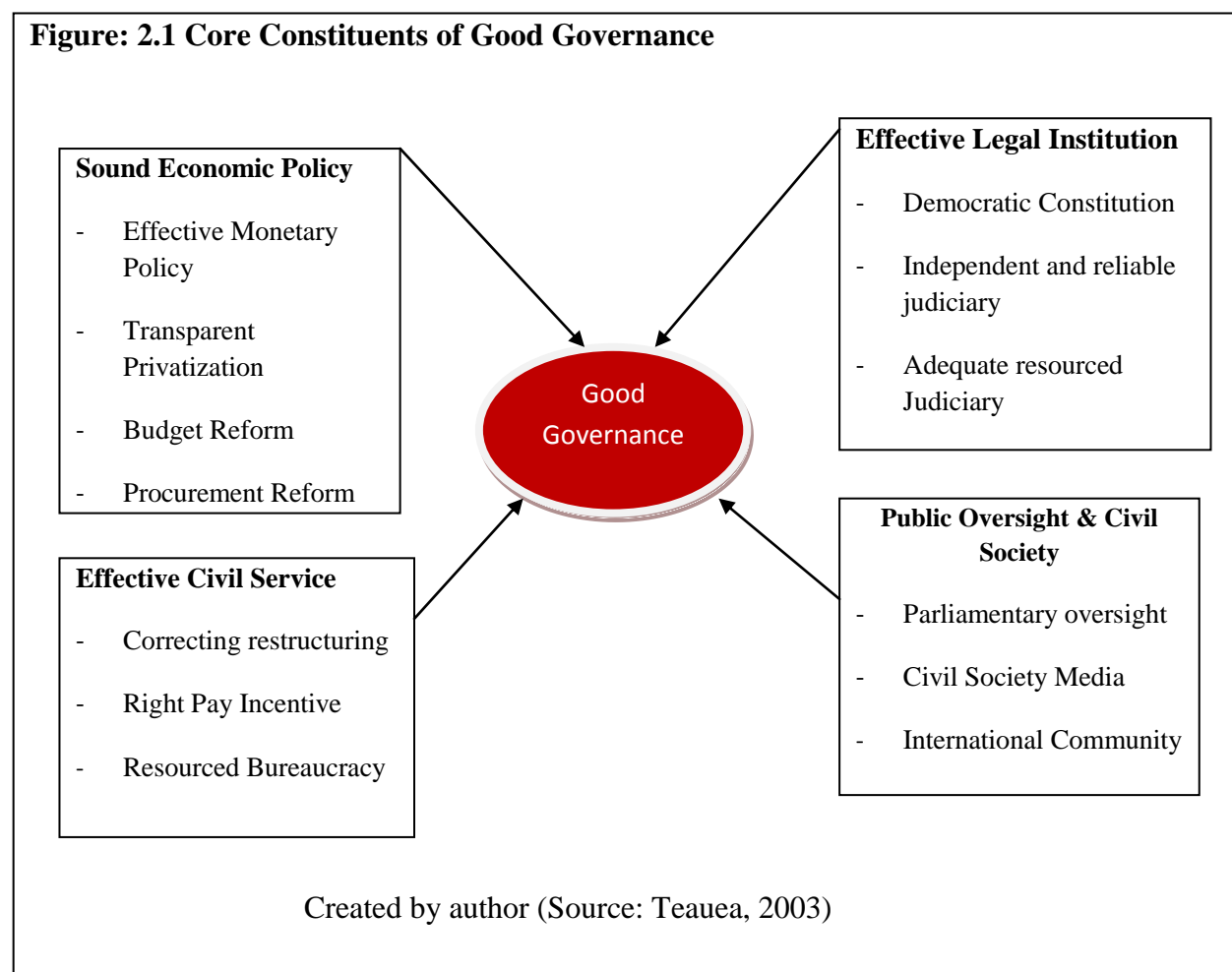
advantages and benefits. They are found at all levels, extending from the micro (family, community, community-based organization (CBO) to the meso (local, regional, provincial), to the macro (national) and international level (United Nations, World Trade Organization, multilateral organization). They perform a variety of roles and functions in order to fulfill the needs and meet the interests of their members and clients.

## **2.8 Role of Governance**

If the institution is about the rules, governance is essentially about setting, application, enforcement and mediation of those rules. It is important to note that governance is not carried out in vacuum but occurs through institution. It thus follows that the quality of governance is only as good as the quality of the institution that underlies it. The challenge is how to put in place the right governance structure that yields the incentives and constraints with the promotion of good governance. In terms of economic governance, institutions and the constraints that they engender have significant bearing on the manner in which a nation's resources are managed by policy makers. For example, if institutions relating to controlling public finance are weak, or dysfunctional they may not be bound to keep within the legislative-determined budgetary limits, resulting in overspending and misallocation of resources. What is critical is that they determine the growth path (social, economic, political, technological and culture) of the society. In other words, representative, robust and effective institutions play significant roles in advancing the development of society and enhancing the quality of life (North, 1990). In line with the definition of governance above, good governance can be materialized if the state is able, through, the power and authority vested in it to allocate national resources, and coordinate economic activities in an optimal manner. The notion of optimal connotes efficiency and effectiveness.



This means governance is conducted within the framework of effective rules and policies that underpin social harmony and sound development.



These constituents of good governance must, however, be measured against certain predetermined criteria. According to Soesastro (2000), good governance is widely identified with the following attributes: transparency, accountability, efficiency and fairness. These are the ground rules of governance, which must be used to assess governance outcomes. Therefore, good governance means not only that the state operates under effective policies and laws, but it also means, more importantly, that it executes those policies and laws of the state in a transparent,

accountable, predictable, efficient and fair manner. Examples of the channels through which institutions provide the authority and resources, thereby enhancing state capacity, include legislative provisions for fair and democratic electoral processes, effective rules for staff appointment, promotion, and dismissal in the bureaucracy, and the regulations and/or decrees covering performance standards and ethical behavior in the workplace. It also includes a range of institutions that facilitate the efficient flow and effective mobilization of the nation's resources, such as a Constitution, the Public Finance Act and a host of financial regulations and decrees.

## **2.9 Analytical Framework for Sustainable Livelihood Approach (SLA)**

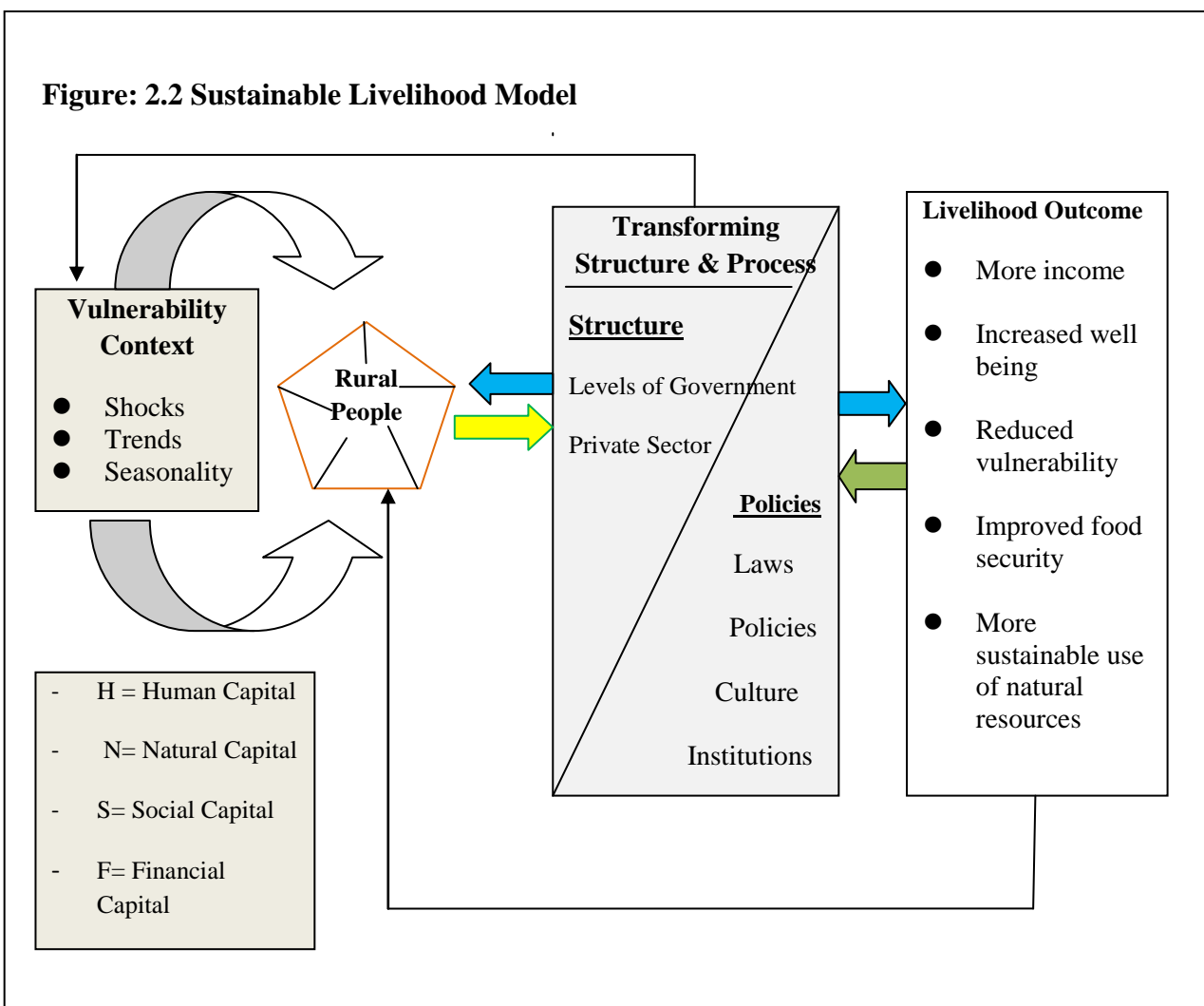
The concept of this model is central to this research thus it is necessary to analyze and assess the policies, process and impact of government institutions, non actors of governance (civil society organization , donors) and stakeholder's contribution towards sustaining the livelihood of the people. Importantly, the framework clarifies the relative importance of interaction between various forces and factors that affect the livelihood of the rural communities.

## **2.10 Definition**

The most acceptable and widely used definition of livelihood is cited by Department of International Development (DIFD) from the authors (Chamber and Corn way, 1992)

*A livelihood is comprised of capabilities, assets (including both social and material resources) and activities required for a means of living. Although livelihood revolves around resources such as (land, crop, labor, cattle, money and social relationship), these resources cannot be*

*disconnected from the issues and problems of access due to the changing political, socio-cultural circumstance.*



Created by author (Source: DFID, 2002)

It can be seen that the framework presents the main factors that the livelihood and typical relationship between these. The arrows are used as short hand to denote variety of connection and their relative importance at which they interact. This inter play of forces can be useful to structure the strategies for planning and implementing the development activities.

## 2.11 Rational of Livelihood Approach

It is useful to explain the rationality of the SLA approach due to its relevance to this study;

- It is noted that this framework place rural people at the center of the interrelated influence that affect how these people create livelihood for themselves. Closest to the people at the center of the framework are resources or livelihood asset. The arrows within the framework present the main factors that affect people's livelihood.
- It takes a wider perspective on poverty and recognizes that poverty is not only about income and monetary assets, or lack of them but it is also manifested in the lack of access to health services, education, vulnerability and exposure to risk and lack of power. The key concept of SLA in the context of this paper is to understand the complexity of poverty and provide the set of principles to guide action to address poverty in the context of Papua New Guinea.
- Most importantly, the framework presents the vulnerability context for the people in this study. For example, the access to resources is largely influenced by prevailing social institutions, political structure, and cultural environment which agree on the ways in which people combine and use their assets to meet their household needs. At the lower level of government (Provincial and local level government), decentralization is a good example of governing system to distribute power and authority, and is closer to the people in the society. It is noted that decentralization empowers community governments and social institutions which in turn encourage participation and equality in distribution of goods and services. Therefore it is envisioned that the implementation of decentralization will ultimately involved a positive societal change.

## 2.12 Vulnerability Context

It is useful to define and identify the sources of vulnerability in this study. *Vulnerability context* in this framework refers to people's exposure to external environment factors over which they have little or less control over it. The figure (2.4) below explains the three main categories of external vulnerability factors.

**Table 2.3 Categories of Vulnerability Context**

<b>Trend</b>	<b>Shocks</b>	<b>Seasonal shift</b>
Population	Human	Price (goods and service)
Resources	Natural	Production
Governance (including Politics)	Economic	Health
National Economic	Conflict/Tribal, Civil	Employment opportunities

Created by the author (Source: Chambers and Conway, 1992)

Most externally driven changes in vulnerability are a product of activity at the level of transforming structure and process (e.g. policy change). In the rural setting the sources of vulnerability can be lack of access to income earning-opportunity and to health and education services aggregated to affect people's capabilities to cope with shock and stress, and in general impede their full participation in the society. Lack of clean water and sanitation combined with lack of health services result in illness and deterioration of people's health. Nevertheless, the aim of the study is to widen a full understanding of all dimension of vulnerability context and identify those trends, shocks and aspects of seasonal shift in prices, employment opportunities

and food availability. Thus it is important to understand the constraints and conditions within which the people operate to meet their needs.

### **2.13 Livelihood Capital Assets**

Although the term *capital* is used by every author in the livelihood studies, all assets are not capital in the strict economic sense. The term capital in the context of sustainable livelihood framework is taken to mean the resources upon which people draw in pursuit of their livelihood objectives. Taking this into account, the present study has utilized five livelihood assets in a framework developed by Department for International Development (DFID) to assess the capital assets of selected villages in Papua New Guinea. The capitals assets are;

- 1. Human Capital:** refers to skills, knowledge, and ability to labor, and good health that together enable sustained livelihood. Human capital is very important as it increase the capability of a person to access other resources (Labor).
- 2. Social Capital:** the social resources (network, membership of groups, relationship of trust, access to wider institution of society) upon which people draw in pursuit of livelihood.
- 3. Physical Capital:** it comprises the basic infrastructure (transport, education, health and communication) and production equipment that enable people to support their live.
- 4. Financial Capital:** Is the resources which are available to the people (savings, credits or royalty payments from resources or pension which enable people to cope with shock.

**5. Natural resources:** Natural resources that are derived from land, water, wildlife, biodiversity and mineral.

**Table 2.4 Variables of Conditions and Determinants of Pro – poor Livelihood Outcome**

<b>Livelihood Capitals</b>	<b>Direct Support Accumulation</b>	<b>Indirect Support to transformation &amp; structure and process</b>	<b>Livelihood Outcome</b>
<p><b>Natural Capital</b></p> <p><u>Objective</u> More secure access to better management of natural resources.</p>	To conserve resources and biodiversity through technology & direct provision of service /input for forestry, agriculture and fisheries	Reform those organizations that involved in forestry, agriculture, fisheries and mineral resources. Change in institutions that manage and govern access to natural resources.	Higher income and investment with natural resource. Sustainable use of natural resources has impact on stock of natural resources.
<p><b>Physical Capital</b></p> <p><u>Objective</u> Better access to basic and facilitating infrastructure.</p>	Development of intermediate means of transport, pipe wells and water supply and schools.	Support through sector strategy and regulatory framework including participatory process with poor.	Increased income by saving what is often spent on shelter, water and power supply.
<p><b>Financial Capital</b></p> <p><u>Objective</u> More secure access to financial resource.</p>	Non (No cash handout)	Support to development of financial service organization, savings, credit and insurance. Reform of financial sector legislation and regulation	More sustainable resources management increases the scope of savings.
<p><b>Human Capital</b></p> <p>Improve access to high quality education.</p>	Support infrastructure development that provides health, education & training.	Through sector reform or Policy change in the service delivery sectors.	Improvement of health & education indicators.

Created by author (source: Department of International Development, 1992)

Based on the contribution of researchers and NGOs, case studies from 19 countries found that government policies and reforms can positively impact the livelihood of people (DFID, 2005). In this connection, there are five main livelihood assets. However, these assets can be classified

under two main policy reforms. The first policy reform is related to direct *livelihood support accumulation*. These sets of policies aimed at developing capital infrastructure, infrastructure support, financial support and leadership training. Their objective is to provide direct support to the people to improve social and economic conditions, particularly to reducing poverty. The infrastructure such as roads, railways and telecommunication are necessary support services that integrate remote areas to access services in urban centers. When such policy support is not provided particularly, transport infrastructure, this can possibly prevent the poor from accessing education, health and other income-related opportunities. In addition, direct reform policy support can also contribute to knowledge uptake (leadership training) that develops human capital in the society. It is a well known fact that education develops the capability of the people to cope with shocks and stress and thus enables one to access other resources.

The second category of reform policy of the framework refers to *Indirect Support of transformation, structure and process*. This set of policy reforms refers to institutional reform, organizational change, policies and legislation that provide the enabling environment in their areas of operation. For example, the reform policy relating to conservation of environment pollution in mining areas can support the local people who depend on the affected natural resources. In the case of Papua New Guinea, about 80 percent of the 7 million people live in rural areas, and most depend on subsistence agriculture to sustain their livelihood. As such the natural capital including (forest, agriculture, fisheries, and mineral resources) is critical life-supporting elements to those deriving their life from resources - based activities such as farming, fishing and mineral extraction. These policies have a direct implication for the livelihood of rural population in Papua New Guinea.



## **2.14 Impact of Poor Governance**

The impact of poor governance can cause poverty both in urban and rural areas. According to (ADB 2002:33-52) poor governance causes poverty in four main ways. These are political instability, non-transparency in resources allocation, weak public sector capacity, and inadequate access to justice. Three of these causes can be explained as follows.

The first link to political stability in the country is very critical to determine the development at both national and regional levels. All actors in the development process, including economic agents such as investors should create conducive political stability to support socio-economic development. These conditions can lead to an increase in economic growth in the country and are extremely important for poverty reduction.

The second impact of poor governance is non-transparency in resources allocation. Poverty seems to occur because of service delivery. In many villages, the poor do not have access to primary education, primary health care, social development and other public infrastructure such as, water supply, markets and roads, because social services are concentrated in urban areas rather than in rural areas (Asian Development Bank,2002:35).

The third impact of poor governance deals with inadequate access to justice. This is considered to be powerlessness; people don't have a voice in the exercise of their rights. In many urban or rural areas the dominant issues deal with rights to land, forest and sea where the ruling elite can take over. The owners of the resources (assets) are afraid to report this to justice official because they have been threatened or by other means denied their rights of seeking legal justice. The traditional rights to land, forest and sea often lead to conflicts between government projects.

### **2.15 Policy Process**

Policy can be defined as course of action designed to achieve particular goals or target. Public policy is made by the government to achieve particular national outcome. Private organization or communities may also form their own policies to achieve their defined goals. However, taken from the standpoint of the SLA, policy cannot be understood in isolation, but must be examined in context and as part of the process. Policy formulation and implementation is mediated through a wide range of institutions and organization. Therefore, the term ‘policy process’ refers to making policy, decision-making and ways of putting issues on agenda as matter of public concern along with the way issues are thought of and talked about” (Keeley 2001:5). Policy process encompasses;

- Formulation, involving information gathering, analysis and decision-making.
- Implementation, generally involving a set of rules, regulations and institutions to achieve the goals of the policy.
- Monitoring and evaluation of the formulation and implementation of policy.

The governance mechanism, process and institutions affect the possibility and ways of engaging in Public Policy Management. In this context public policy reform tend to increase the ability of public institutions not only to produce sound policies but also serve as a vessel for societal ambition, combining reliable performance with high level of legitimacy. Participatory policy making is one such approach that requires both the active engagement from the poor and responsive from the state. Therefore, impacts are positive as people in local can voice their concern and make their own choice in more democratic setting.

## CHAPTER 3 METHODOLOGY

### 3.1 Research Paradigm

In his book entitled *The Philosophy of Social Research*, John Hughes outlined two models or paradigms of social research which were premised on two different methodological positions, the natural science model based on positivism and the humanistic model based on naturalism (1990). A methodology based on positivism would involve a quantitative style of research consisting of research methods such as questionnaires, surveys and experiments. These would result in numerate or hard" data (Brewer 2000, p.30). A humanistic methodology based on naturalism, on the other hand, would result in "soft" data in a natural language obtained through a qualitative style of research that involves data collection methods such as in-depth interviews, ethnography and participant observation, or the content analysis of personal documents (Brewer 2000, p.30).

In this respect, it is useful to provide the working definition of the two models and distinguish their strength and weakness in the research setting. According to Lincoln (1994) Qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people (subject) bring to them. Qualitative research involves the studied use and collection of a variety of empirical materials case study, personal experience, introspective, life story interviews, observational, historical, interactional, and visual texts that describe routine and problematic moments and meaning in individuals' lives. One of the greatest strength of qualitative approach is the richness and depth of explorations and descriptions of which provides insights through discovering meanings to improve the comprehension of the whole.

In contrast, positivism (quantitative, scientific approach) used methods adopted from the physical science that designed to ensure objectivity, generalizability and reliability. These techniques cover the ways in which research participants are selected randomly from the study population in an unbiased manner and use standardized questionnaires and statistical method to test predetermined hypothesis regarding the relationship between the specific variables. The strength of the quantitative paradigm is, it produce quantifiable data that are usually general to some larger population. Contrarily, the greatest weakness of the quantitative approach it decontextualizes human behavior in ways that removes the event from its real world setting and ignores the effects of the variables that have not been included in the model.

### **3.2 Research Design**

Based on the relevance of the two research paradigms, the approach taken in this study is qualitative in nature in which a single case study is useful to describe the policy, implementation process and the impact of the reform. The chronological approach is useful here to trace events which have taken place in individual and organizational settings and how the events caused change to improve policy output or public benefit. The same logic is applied in future; its concern with how and why social phenomena or process in particular way can certainly support ideas might vary in different context. This type of research design can serve an important purpose in doing *explanatory* case study because if a presumed cause of an event occurs after the event has occurred, one would question the initial causality of the proposition (Yin and Oldsman, 1995).

### 3.3 Method of Data Analysis

For the purpose of this study the researcher has utilized three steps of data analysis in qualitative research profound by Yin (1994) in a single case study. Though the evidence from multiple cases is often considered compelling and regarded as more robust, it was envisage that the way in which the data was treated mainly relying on theoretical proportion as the most common strategy according to (Yin, p.103-104). The result of this is the collection of data based on research questions taken from previous studies and the analysis of the interviews conducted (i.e. words collected) as well as the review and use of documentation (i.e. annual reports and brochures). As previously stated, this multiple sources of evidence add to the validity of the study. According to the most recent thinking from these authors (Miles and & Huberman, 1994,) about writing qualitative data analysis, the focus is on the data in the form of words which emanated from the interviews conducted. In their extensive writing on qualitative analysis they define data analysis as three concurrent flows of activities: data reduction, data display, and conclusion drawing or verification (p.10).

**Data Reduction:** this reduction of data is the first step of the analysis that helps to sharpen, sort, focus, discard and organize the data in way that allows for final conclusion to be drawn and verified. They can be reduced and transformed through such means as selection, summary, paraphrasing, or through being subsumed in a larger pattern.

**Data Display:** the second major activity which the researcher carries out and this means taking the reduced data and displayed it in an organized, compressed way so that a conclusion can be easily drawn.

**Conclusion drawing and verification:** this is the final analysis activity for the qualitative researcher. It is that the researcher begins to decide what things mean by noting regularities, patterns, similarities, possible configuration, causal flows and proposition.

### **3.4 Data Collection**

Due to the nature of this study with respect to its research design and data collection method, both secondary and primary sources of data were utilized. The secondary data was mainly derived from the relevant government policy papers, particularly the Medium Term Development strategy for the period of 2005 to 2010, and the Organic Law on Provincial Government of Papua New Guinea. The donor policies and strategies, project papers, online reports and published journals were reviewed in order to enhance the depth of the research.

However, the primary data collection in particular required a variety of research techniques designed to produce complementary and cross-cutting information for this study. Five main techniques were used for primary data collection; interviews, observation, focus group discussion, institutional mapping and photo elicitation.

### **3.5 Field work interview**

During the field work the researcher collected sustained oral history accounts of livelihood or personal experience that would capture the changes from an observer-actor perspective. The methodology applied was oral interview in which he traced the sample of population living within the project area and outside the mainstream area. It was noted in the study that much of the work was done using a qualitative approach and much has been desired to explore the change which occurred after the intervention of the project. Virtually, the views and opinions of the

community members could not be quantified effectively in numerically terms to translate the meanings and expression of the actual situation of the target community. Therefore, this study has combined the qualitative interviews and observation approach of field work and analyze the raw data using a single case approach. Its objective was to describe the change in the case community after the intervention of the project and the strategies used to cope with uncertainties to achieve their livelihood outcome. Also a particular emphasis was placed on women household member's economic activities and their engagement in social institutions such as Women's Community Association, community development association and so forth.

### **3.6 Focus Group**

Upon arrival of the researcher, a village meeting was organized to explain the purpose of the study. Then a semi structured questionnaires and village profile forms were distributed among the sample population of the case community in which volunteers were asked to fill out the forms. The profile includes drawing a village map, obtaining demographic data as well as information about available infrastructure (i.e. schools, rural health clinics, water supply and feeder road) and social institutions or organizations supporting those projects. The researcher was acquainted with the local dialect and able to relate oral interviews well with the community throughout the session.

With regards to the selection of the survey village or research site, all samples of the villages were located along the priority roads and national roads on which improvement works were carried out under the Road Rehabilitation Program. The control villages were located two kilometers away from the road access and the upstream project area. The upstream project area is located within the petroleum development license (PDLs) and directly benefits from the royalties from the Hides gas project. The latter part of the session was to organize key informants,

including Local Government Leaders (2 council wards), a District administrator and the community leaders from the respective wards. The focus group also includes the local representatives of NGOs such as Huli Women Association, and Hela Community Development Association (president) of which all have been initiated by the petroleum producers.

### **3.7 Institutional Mapping**

Besides the primary data collection at the local area in Tari district, southern highlands province, this study has also included two weeks of field research in Port Moresby (Capital City) to collect detailed information on institutions and their governance structure for the coordination of reform policies. During this time interviews were arranged and the brochures and annual reports of three selected government organizations were also collated. The interviewees include members of government agencies, donor agencies (AusAID), NGOs, Transparency International and the Ombudsman Commission which the field survey contributed to this research by providing further and more detailed information. At the district level this process involved identifying the stakeholders associated with the projects and outlining the roles, responsibilities and main institutional issues concerning livelihood projects. Cultural, social and political issues were discussed with those people with directly or indirectly associated with the livelihood process.



## CHAPTER 4

### INSTITUTIONAL AND GOVERNANCE REFORM IN PAPUA NEW GUINEA

This chapter looks at the major reform issues related to governance aspects of public administration in Papua New Guinea. Importantly, it discusses the national reform process and examined the impact of those policies implemented so far. In order to understand the analysis that follows in the subsequent chapter, it is first necessary to examine in some detail the political and administrative context of PNG and the manner in which policy process is organized within departments, between departments, among powerful bureaucratic committees, between ministers and within the cabinet.

#### 4.1 Country Background

##### 4.2 Geography

Papua New Guinea is officially known as the independent State of Papua New Guinea and it is the second-largest island country in the world, occupying the eastern half of the island of New Guinea and numerous offshore islands (the western portion of the island is a part of the Indonesian provinces of Papua and West Papua). It is located in the southwestern Pacific Ocean, in a region defined since the early 19th century as *Melanesia*. Its capital, and one of its few major cities, is Port Moresby. It is one of the most diverse countries on Earth, with over 850 indigenous languages and at least as many traditional societies, out of a population of just under 7 million (Dorney, 1998). The country is one of the world's least explored, culturally and geographically, and many undiscovered species of plants and animals are thought to exist in the interior. Papua New Guinea is richly endowed with natural resources, but exploitation has been hampered by

rugged terrain, the high cost of developing infrastructure, serious law and order problems, and a system of land title which makes identifying the owners of land for the purpose of negotiating appropriate agreements problematic.

**Figure 4.1 Map of Papua New Guinea**



(Source: Papua New Guinea Post-Courier Online).

### 4.3 Political System

The Papua New Guinea political system is in the framework of a multi party state. The oldest party, the Pangu Party was formed in 1967 headed by the country's first Prime Minister, Sir Michael Somare. The parliamentary term is 5 years and a prime minister is elected while the cabinet is appointed through members of his party or coalition. The first national elections began

in 1964 while the most recent was held in 2007. There were two different electoral systems have been used between 1975 and 2002. The first was the first-past-voting-system adopted from the British electoral system in which winners frequently gained less than 15 percent of the vote while the latter *Limited Preferential Voting*, is an alternate version of that formerly used for single winner election in which voters rank candidates in order of preference. Notably, politics in Papua New Guinea (PNG) is characterized by two distinct features.

The first impressive record in PNG is the prolonged existence of democracy as the country in the developing world. It is noted that PNG had 40 years of uninterrupted democratic elections at the national level. Relevant political and social constituencies accept democratic institutions and regard them as legitimate. Elections are conducted on time and transfer of power has taken place peacefully on a regular basis since independence. It is noted that military and police have not engaged in active politics and this record alone makes PNG one of the most successful democracies in the world according to some analysis. The second feature is that despite the broad acceptance of the legitimacy of democratic institutions, PNG has had a politically unstable government for the last 30 years since the independence. It is noted that out of the 12 elected governments since 1977, the government had change ten times of which five governments have been ousted by votes of no confidence; four has been removed through national election and one each through court ruling and resignation (refer to appendix 6).

#### **4.4 State Powers**

Papua New Guinea has a unicameral national parliament system, previously known as the House of Assembly. It has 109 seats in the parliament of which 89 members are elected from each district and 20 members are from regional seat. All members of parliament are elected by

popular vote to serve 5 year terms. The power structure of state government includes the legislative, executive and judiciary branches.

**Legislative Power.** The national Legislative power is vested in both the government and parliament whereby the Prime Minister is the head of the ruling government. The parliament is a single chamber comprising 109 members elected through the new voting system and is the supreme law making body. In addition to its legislative role, the parliament exercises its power to enact laws, including the key budget and passing major reforms in the country. However, following the national election in 2007, the national parliament had 108 male MPs and only one female MP, Dame Carol Kidu. The Prime Minister, Sir Michael Somare, pledged to introduce 4 seats reserved for woman in 2012.

**Executive Branch.** The Governor General is the head of the state elected by the parliament, acts on the advice of the Prime Minister and the cabinet. At the present, Sir Palus Matane is the head of the state who simply represents Queen Elizabeth II, Queen of Papua New Guinea and of her other realms and territory of commonwealth nations. The Prime Minister chooses members within his party caucus to allocate Ministerial portfolios. Each ministry is headed by a cabinet member who is then assisted by the department secretary, a career public servant.

**Judiciary Branch.** The constitution declares that the Papua New Guinea Judiciary branch is independent of executive, political or military authority. The Supreme Court is the nation's highest authority and the final court of appeal. That means there is no higher court to which appeals of application can be made if a person is not satisfied with the decision of Supreme Court. At the core of government, the National Executive Council is very powerful

and thus makes important decisions for the government. For example, key policy measures such as the Appropriation Bill and statutes proposed by the government are in most cases being enacted by parliament with relative ease. The NEC comprises the prime minister and other ministers with a membership ranging between 25 and 30. At present (2010) there are 28 members, each drawn from four parties in the coalition government. The deputy prime minister is usually a member of the ruling party or the second largest party in the coalition. Senior ministers are also usually drawn from the largest parties in the coalition. The NEC is serviced by a number of cabinet and high powered official committees, who consider issues and advise the cabinet on issues of policymaking. The Governor General, acting on advice from the Prime Minister, appoints ministers and terminates their period in office. All ministers hold departmental portfolios for which, under the Westminster convention, they are responsible to parliament.

#### **4.5 Government Machineries**

The machinery of government is comprised of a wide range of public and semi-public organizations that are funded and controlled either directly or indirectly by the government. They are: central government departments which are under direct ministerial control, provincial department under provincial government jurisdiction and independent and statutory bodies.

Broadly, there are 36 departments and about 32 statutory authorities operating within the national and the provincial levels (see Table 4.2) below. These departments are responsible for specific function and perform a range of tasks. Importantly, departments are responsible for providing a range of policy advice to the minister and cabinet on matters that fall within the departments and service delivery. By comparison, the responsibility of the Department of Prime Minister and National Executive Council (NEC), Finance and Treasury (DF&T) and personnel management

has ultimate power over other central government departments and agencies, including provincial departments and statutory bodies. This status is underpinned by extensive powers allowing them to exercise range of central controls on matters of financial management, personnel management, policy coordination and strategic direction.

**Figure: 4.2 The Organizations of Government Machineries**

<i>Central Government Departments Under Direct Ministerial Control</i>	<i>Statutory Authorities Under a Board which reports to a Minister</i>	<i>Provincial Departments at the Provincial level</i>
Department of Prime Minister & NEC National Statistical Office Office of Bougainville Affairs Department of Finance & Treasury Fire Service Consumer Affairs Council Internal Revenue Commission Department of Foreign Affairs PNG Institute of Public Administration Department of Personnel Management Public Service Commission Judiciary Services Department of Attorney General* Department of Corrective institutions Department of Police Department of Planning & Monitoring National Intelligence Organisation Department of Provincial & Local Level- Government Affairs Department of Defence Department of Education Commission of Higher Education Department of Health Office of Home Affairs & Youth Office of Environment & Conservation Department of Agriculture & Livestock Department of Lands Department of Mining Department of Petroleum & Energy Office of Privatisation & Corporatisation Department of Transport and Civil Aviation Department of Trade & Industry Department of Labour & Employment National Tripartite Council Department of Works Office of Rural Development Central Supplies and Tenders Board	Auditor-General* Ombudsman Commission* National Research Institute National Training Council National Economic & Fiscal Commission Legal Training Institute University of PNG University of Technology University of Goroka University of Vudal PNG Sports Commission National Narcotics Bureau Nautical Training Institute National Aids Council Secretariat Institute of Medical Research Investment promotion Authority Small Business Development Corporation National Institute of Standards & Industrial Technology Industrial Centres Development Corporation National Museum & Art Gallery National Water & Sewerage Board National Housing Corporation National Cultural Commission PNG Electoral Commission* National Broadcasting Commission PNG Cocoa Coconut Extension Agency PNG National Fisheries Authority PNG Cocoa & Coconut Research Institute PNG National Forest Authority Tourism Promotion Authority National Agriculture Research Institute National Agriculture Quarantine & Inspection Authority	20 Provincial Departments

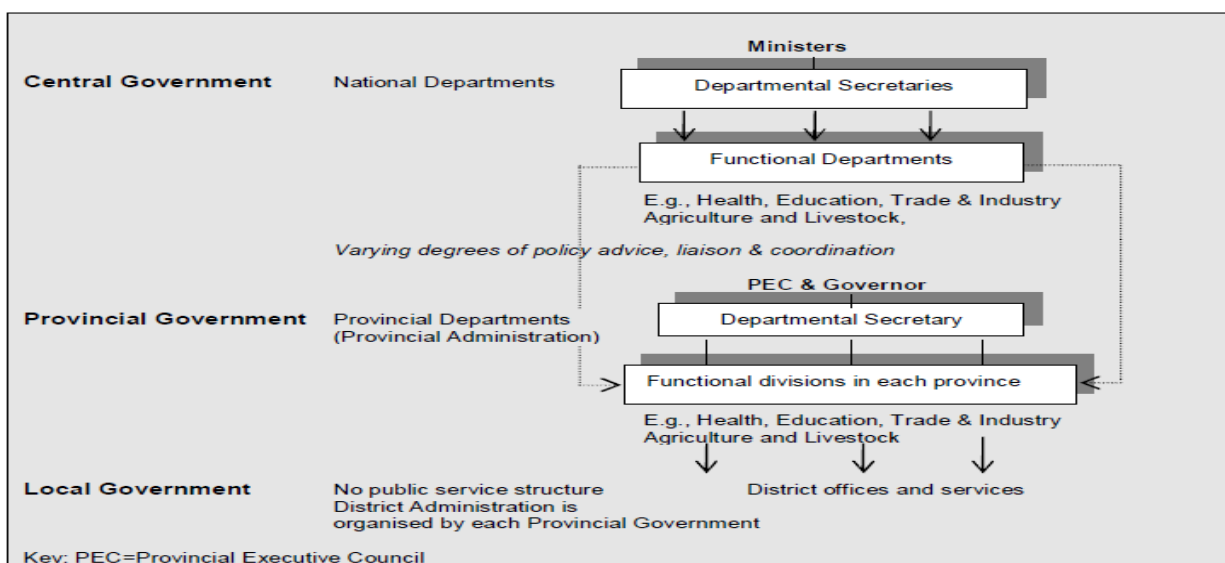
Sources: Department of Finance & Treasury, *2002 Budget, Volumes I & I*

The statutory authorities are established following the recommendation of a cabinet appointment committee not only to provide the government on its policies to service delivery but also to ensure government-owned assets are managed in more transparent and effective way.

#### 4.6 Administrative Relation in Papua New Guinea

As in the central government, the line departments and agencies within provinces are established on the basis of key functional responsibilities such as health, education, primary industry. Each line departments are responsible for undertaking a variety of tasks in those functional areas. However, most line departments and agencies found within the central government are duplicated at the provincial administration level. Figure 4.3 clearly show the top down administration relationship and how the policies and planning are integrated from the central to the local level government.

**Figure 4.3 Administrative Relationships in PNG Public Service**



(Source: Department of Personnel Management, 2007).

The operation and management of departments are determined largely by Public Service Management Act 1995 (PSMA) and the Public Finance Management Act 1995 (FMA). For example, Section 5 of the FMA confers on the departmental head responsibility for the financial

management of the department. This include proper record keeping of all accounts, proper authorization of expenditure, efficient and effective utilization of financial resources and the responsibility to provide the necessary financial records.

#### **4.7 GOVERNANCE AND INSTITUTIONAL REFORM IN PNG**

- *Crises Context 1990-1999*

During the late 1990s, the Papua New Guinea economy was adversely affected by a severe drought, Asian financial crises, and falls in prices of mineral export. The decline in economic activity and export led to deterioration of fiscal position, resulting in heavy borrowing by government from the central Bank to finance the large budget deficit. Coincident with the poor economic performance, the government spending continues to rise and the effects of these were often exacerbated by deterioration of roads, schools, aid post and other basic services.

In the wake of this crisis, a new coalition government was formed in 1999 headed by Sir Mekere Morauta. Within weeks of taking office, Mekere's government first adopted a national strategic approach with the focus on promotion of good governance and service provisions as part of the chief strategy for recovery and development. During the implementation period a number of policy recommendation were developed. A major consideration in making this policy recommendation was to safeguard the independence of the key institution such as Bank of Papua New Guinea (see Kamit 2000), the ombudsman Commission, the Auditor general and Organic Law on Political Parties and change was made to the electoral system. In doing so, the government reaffirmed the confidence of the World Bank and other foreign investors through its budget plans and appropriation as part of the Structural Adjustment Program (Reilly B. 2002.).



#### **4.8 Medium Term Plan for Public Sector Reform 2002-2003**

This is the first policy statement of the government that created the momentum for the reforms to be implemented in PNG. According to the Medium Term Development Plan (Chand .S 2007), the strategic plan identified five key objectives for the public sector reform. Each of the objectives is linked with the following key reform priorities.

- Reduce the cost of government, control spending, improve fiscal management and eliminate waste.
- Remove the barriers that impede efficient funding and allocation of responsibilities among the various levels of government.
- Strengthened the capacity of central government machinery to deliver reforms aimed at broader system of government.
- Improve the efficiency and performance of provincial and local level governments in delivering core government services in more coordinated fashion.
- Improve accountability, leadership and direction setting especially where initiatives in these areas support action to achieve.

In principle, these policy initiatives set the next phase for the government to implement further reforms to improve performance within the government machineries.

#### 4.9 Public Sector Policy and Process

Following the declaration of the policy statement in 2003, the government created a new administrative structure to facilitate and coordinate the reform process. This structure has been broadly maintained by the National Executive Council Decision 158/2000 with an inclusive approach to forge public-private partnership mechanism to achieve the policy outcome swiftly and boldly.

**Figure 4.4 Structure of National Reform Policies**

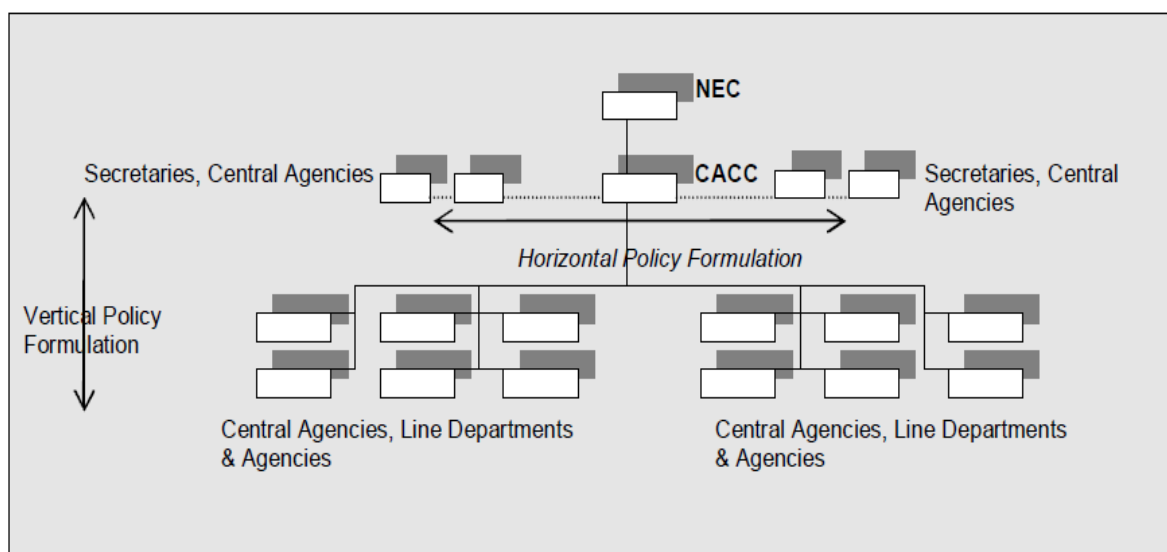
Stakeholders	Actors	Specific Role
<b>National Executive Council</b>	Prime Minister Cabinet Ministers	Provide political Leadership and direction
<b>Central Agency Coordinating Committee (CACC)</b>	Chief Secretary Department heads of key public sector institutions	Provide strategic oversight and direction
<b>Head of Agencies</b>	Department, agencies & provincial administration	Responsible for implementing the public sector reform with central agency support
<b>Public Sector Advisory Group</b>	Private Sector, NGO & Civil Societies.	Provide input from external stakeholders

(Source: Medium Term Development Strategy, 2005)

At the top of the structure is the Central Agency Coordinating Committee (CACC), chaired by the chief secretary to the government who has the overall responsibility for designing and managing public sector reform programs. The second important arm of the structure is the Public Sector Reform Management Unit (PSRMU), which provides professional capacity and support to CACC and government organization. These positions are formalized by the provision of the *Prime Minister and National Executive Council Act, 2002*. Ultimately, CACC is the driving force that coordinates and manages all the reforms while departments, agencies and provincial administration implement the policies within the sectoral level.

Unlike the previous governments' administration, the post 1990 saw a significant change in the government administration. Such change resulted from the new government leadership and the cooperation forged by the agencies and the external stakeholders under the new structure. This in turned helped stabilized the government machinery and created a more unified government administration with a broad sense of new direction for further national development.

**Figure 4.5 CACC in Vertical and Horizontal Policy Formulation**



Source (Lawrence Sausi, 2008)

The vertical arrow in the (figure 4.5) shows that all the policy work produced by the departments and agencies aimed at going to NEC must go through CACC. The CACC screens and recommend every policy, and sectoral plan of the departments to the NEC for approval.

#### **4.10 Major Reform Policy in Papua New Guinea**

In its short history as an independence state, Papua New Guinea has gone full circle of reform, inspired by different successive government and various developing partners and local experts.

This episode of reform exercise was mainly in pursuit to address shortcomings in the public financial management, political governance, and ultimately to restore civil service and administrative components in the government institutions (Bill Kua, 2004).

**Figure 4.6 Major Sector Reform Analyses**

Reform Area	Period	Pushers of Reform	Reasons for Change
Public Service	1980s Phase II	Chan & Morauta Government even though reforms have been undertaken in 1980s. The world Bank Supported Morauta Government.	To improve Public sector performance to a standard that enabled the government to function more effectively
Budget	Phase I&II	World Bank, external experts such as Australian export Import, Bank of PNG	To control government excessive spending and prevent budget deficits.
Provincial Government	Phase II	Chan Government	To further decentralized the power to local government for effective service delivery
Integrity of Political Party System	Phase III	Morauta Government	To achieve stable and affordable government through improving political party system.
Limited Preferential Voting System	Phase III	Morauta government	To upgrade electoral process by replacing old system with preferential voting system to obtain more democratic government.
Financial Sector	Phase III	World Bank in 1999. The IMF and World Bank undertook other reforms since 1990.	To instill good governance and safe guard the financial institutions (Bank of PNG) from government control or influence.

Created by author (Source: Government Policy Paper, 1998)

Figure 4.5 provide the key reform policies and the political actors' of specific government elements during the wave of administrative reform. It can be said that the level of influence of

political decision makers and involvement of donor partners had greater impact on the magnitude of the change.

#### **4.11 PRESENT SITUATION**

The following section will present the major development of the reform policies embarked by the government of Papua New Guinea. Part of this progress was made through the active engagement of civil society, donor agencies and growing public concern for good governance and pressure placed on the government to take action.

#### **4.12 Political Development**

In terms of political development, the government of Papua New Guinea has fruitfully attained three vital political institutions: the restitution of five year election cycle, the Organic Law on Integrity of Political Parties and Candidates (OLIPPC), and Limited Preferential Voting System (LPV). Collectively, the adoption of these new political institutions in 2001 significantly improved the ability of the executive government to implement its economic development plans much more effectively than experienced in the 1990s.

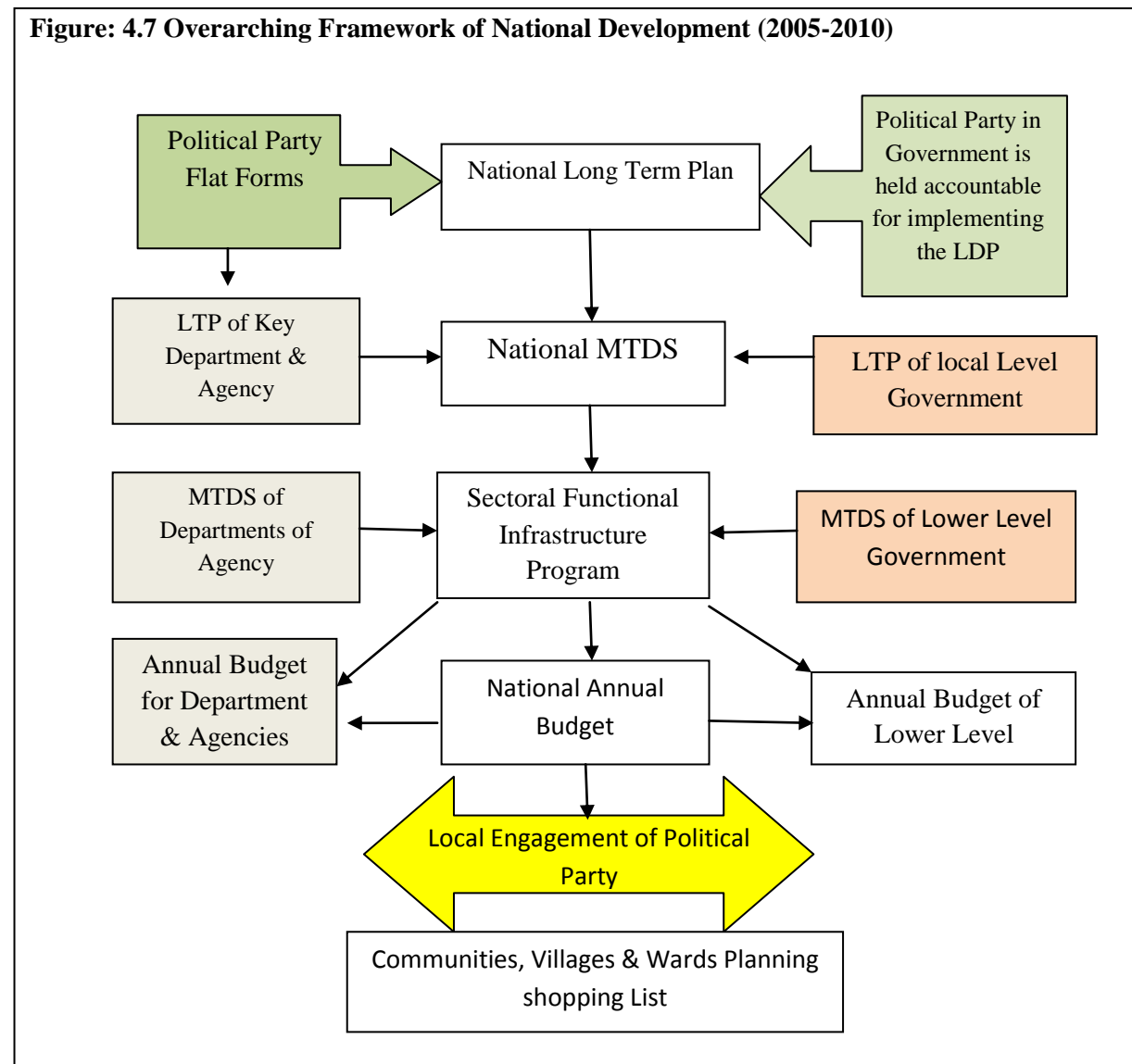
The smooth transition of government was directly resulted in 2001 shortly after the introduction of Political Integrity Bill. The aim of this legislative Act was designed to block the members of parliament from vote-of-no confidence against the Prime Minister, which occurred on a regular basis. Frankly speaking, the fragmented political party system and consistent change in the previous government has set a major setback in social and economic advancement of the country. However, this political trend has been reversed since the formation of new government led by Prime Minister Sir Michael Somare in 2002. The change in the government set down new policy

directions and standards for the public service machineries to produce results which was measured in wide range of macroeconomic variables including, among others, GDP growth, private investment and inflation. Ultimately, the establishment of the new institution encouraged the development of more coherent party system; stabilize the formation of executive government, and fundamentally improved the standard of electoral process (Bill, 2002).

***Limited Preferential Voting System.*** Limited Preferential Voting System is an alternate version of former which was replaced in 1999. The older version (First-Fast-The-Post-Voting-System) was adopted back then in 1977, which tend to favor the parties that are able to concentrate their votes in specific constituency. The results of the polls were undemocratic in a sense that most winners were elected by less than 20 percent of the total vote. Arguably, this method of voting system favored single party and undermine the integrity of the greater role of the government. To restore the credibility and have more representative government in the country, the old system was effectively replaced by new Limited Preferential Voting system. It is evident that this new pattern of voting improved the electoral process and the citizens were given ample choice to elect their government in more decisive manner.

***Decentralization:*** The decentralization policies were part of the long term vision of the government to allocate the state responsibilities to the lowest level of government administration. The important proposition in this policy is to maintain the equilibrium of power within all levels of government in the country. However, the most problem cited during the past government was the wide discrepancy of financial and political responsibility from central to other levels of government and this has been improved to certain degree. Frankly speaking, the implementation

of decentralization process helped stabilized the macro-economic situation and created more unified government administration in the country.



Created by the author (Source: Chand and Yala (2005))

The explanation to above diagram, LTP = Long Term Planning, MTDS = Medium Term Development Strategy, LDP = Long Term Development Plan. The box with broken line and arrows depicts interaction development plan (top left), the political Parties (top right) and electorate bottom center.

The Figure 4.7 illustrates the new decentralized administrative structure approved by the national government to encourage the participation of the lower level of government in partnership with other development actors. The design of this framework had significant influence on the government to expand its development activities beyond the established structure through the partnership with other non state actors such as cooperatives, trade unions, service organization and academic institutions thereby improving micro economic stability in the country.

#### **4.14 Impact on Economic Development**

As noted in previous discussion, PNG has witnessed negative growth with low exchange rate since the financial crises in 1990. However, progress was made, particularly, following the imposition of stringent legislative Acts on the budget institution while step up measures were taken to reduce the government expenditure. The following paragraphs present the key reform priorities and their contribution to the economic growth.

##### **Reforms in Public Financial Management (RPFM)**

The Reforms in Public Financial Management includes a series of training programs designed by the government of Papua New Guinea to improve the operational capacity of budget institutions. The trainings have been conducted by the Institute of Public Administration in a various functional areas relating to planning, budgeting, and accounting in government agencies. The similar trainings were also offered to the provincial and local level government officials to ensure that they received adequate training to carry on the reforms when the program ends. The key achievement of this program reflected positively in the current system where weakness were



identified, corrective measure were taken and budgeting and accounting were complied with the public financial Act. Notable achievements of the specific reforms include;

- Establishing an iterative relationship between the agencies and national budget in preparation and monitoring
- Decentralization of budget monitoring and information to agencies, provinces and local level governments;
- Develop internal auditing capacities within key spending Ministries (i.e. Ministry of Finance and Treasury, Education, Health, Agriculture and Rural Development)
- Introduction of Public Finance Act to ensure all money are maintained in Public Account.

### **Reforming Banking and Financial Institutions**

Reforming Banks and Financial institutions was supported by international multilateral financial institutions and bilateral friends of PNG since 2000. The important aspect of the reform program was to broaden the scope and improve the effectiveness of financial sector regulation, drawing on international best experience. One of the major financial enforcement Act was to ensure that Bank of Papua New Guinea (BPNG) was fully independent from political interference in the management of monetary and exchange rate policy. It is acknowledged that this legislation addressed many of the governance related problem that had contributed to the negative growth in the late 1990s. In this relation, the government influence was greatly reduced; fund administration and the investment were maintained with good cooperate governance and sound fiscal management. The provision of legislation also gave the legal power to Bank of Papua New Guinea to administer and regulate other financial systems including commercial banks, superannuation Fund, Life insurance companies and credit unions (savings and loan society) to

promote competition and strengthened in accordance with international best practice. According to the economic bulletin of BPNG (2000), the total financial sector asset is K19 billion, with banking asset comprising more than 60% of total asset.

### **Public Expenditure Reform**

After the national budget deficit of -1.5% GDP in 2002, the current Prime Minister Sir Michael Somare proposed a Medium Term Fiscal Strategy (MTFS) for 2002 – 2007. The aim of this policy was to support the implementation of government expenditure priority within the framework that kept the central government budget close to balance and progressively reduce public debt relative to GDP. The implementation of this policy assisted the government to improve its budgetary position since 2004 and eventually stabilized the micro economic condition in the country. The table 4.8 illustrates the evidence of the micro economic improvement since the implementation of budgetary reforms within the government expenditure priorities.

**Table 4.8 Reforms Contributing to Economic Growth**

<b>Principle Economic Indicators</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	Actual	Actual	Actual	Actual	Actual
<b>Real GDP Growth (%)</b>	1	2.1	2.7	3.4	3.7
<b>Non Mining GDP Growth</b>	1.5	2.1	3.1	3.1	4.1
<b>Inflation (year average)</b>	11.8	14.7	2.1	1.7	1.5
<b>Gold Price (\$US per ounce)</b>	311	36.3	409	600	600
<b>Copper Price (US \$ per pound)</b>	0.71	0.81	1.3	2.99	2.49
<b>Interest Rate % (Yearly 182) day T-B</b>	13.3	18.3	1.67	5	6

Source: National Statistics, IMF, Department of Treasury, BPNG (2008)

From the table, it can be seen that there is an upward trend of strong real GDP growth of 2.1%, 2.7%, 3.4 % and 3.7 in 2003, 2004, 2005, and 2006 respectively. While Inflation fell sharply

from 14.7 in 2003 to 1.7 percent in 2005. It is obvious that the improvement in monetary policies of the Bank of Papua New Guinea has led to lower the high inflation rate, and thereby stabilizing the exchange rate as well as in microeconomic environment. In addition, the government's fiscal stance greatly improved in 2003 and 2004 compared to the two preceding years. This improvement occurred following the government's unwavering support and commitment to Medium Term Fiscal Strategy. Moreover, the windfall revenues from the commodity boom were saved in trust account that builds up to 14 percent of GDP by the end of 2008 whilst the expensive public external debts were paid down to 13.2 percent of GDP in 2008 from high 54.2 percent of GDP in 2002.

#### **4.15 Summary of Chapter 4**

This chapter has presented the key policy reforms undertaken by the government of Papua New Guinea during its effort to address the constraints rooted in the political system of the country. The chapter has specifically focused on the policies relating to improve the fiscal governance and political system that has important implication in the development of the country. In each case, the chapter has pointed out the specific legislative Acts that put in force the government to implement the reform policies.

Under the political reforms, a progress was seen in three significant areas which led the government out of economic stagnation and political instability experienced over the last three decades. Notably, the key outcome of the political reforms include: the Integrity Bill of Political parties system, the Limited Preferential Voting System and the decentralized government system. These are the key pillars of the legislative reforms that led to lessen the vulnerability of political instability and provided the thrust for the executive government to achieve its key objectives of economic policies in the country.

In terms of the financial reforms, the government has taken strategic measures by introducing specific programs aimed at achieving five reform objectives. These include, more reduced cost

of public expenditure, controlled spending, improved fiscal management and eliminate waste in the state institutions. The key strategic approach is the introduction of the Public Financial Management Act thus shaped the behavior of the government to spend within controlled budgetary framework while improving the operational capacity of those institutions to maintain higher efficiency and growth. This in turn increased the national budget capacity and ultimately empowered the provincial and local level government in their ability to delivering core government services to rural areas.

For the banking sector, the key provision of the legislation was to prevent government from excessive borrowing from Bank of Papua New Guinea to finance its budget deficit. The Bank of Papua New Guinea was given the legal power to administer and regulate other financial systems including commercial banks, superannuation fund, life insurance companies and credit unions (savings and loans society) to facilitate credits available to small and medium business entrepreneurs and the farmers in the rural areas.

The donor agencies also played an important role to enable the government developed tools to improve transparency and bureaucracy inefficiency such as public expenditure tracking survey, quantitative service delivery survey and business environment survey aimed at providing the solution of the inherent political difficulty.

Nevertheless, in order for these reforms to be effectively implemented, it requires certain capacity of communities at the local levels and their actors including local government, community based organization and individual citizens. The participation of these actors is critically important to translate the national policies outcome to service delivery in the rural areas. In this connection, the case study in next chapter will present the impacts of those reforms at the rural context.

## **CHAPTER 5 CASE STUDY ON RURAL LIVELIHOOD IN SOUTHERN HIGHLANDS PROVINCE**

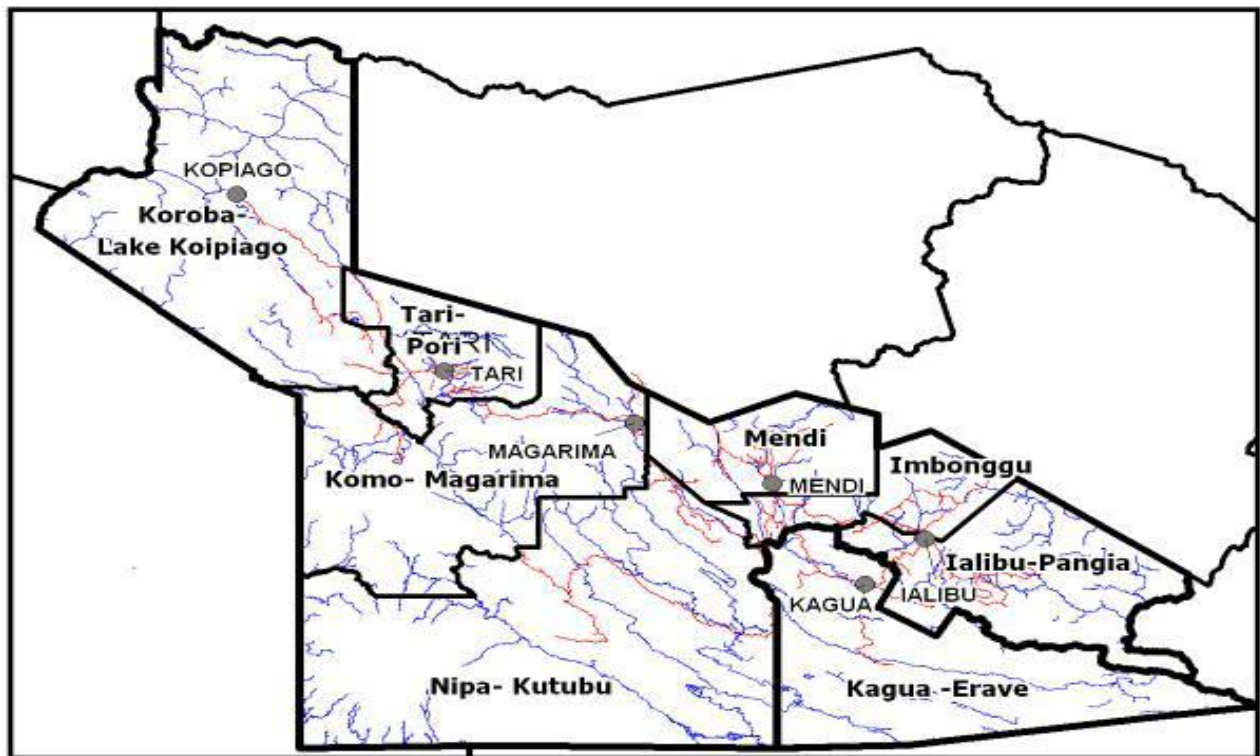
This chapter presents the analysis of the rural livelihood case study. The discussion is primarily based on qualitative data collection in Papua New Guinea. The analysis is based on the theories of government and institutional reforms and is organized through utilizing the Sustainable Livelihood Approach (SLA). This model is used to analyze how reforms of central government impact on service delivery in rural areas. The first section describes the change in the provincial government administrative structure after the 1995 national reform. The second section will investigate the existing community organizations and social agents that support the livelihood of the people. The third section draws on the analysis of livelihood of the case community.

### **5.1 Over view of Southern Highlands Province**

The Southern Highland Province (SHP) occupies 25,700 square km in the central west of Papua New Guinea. According to 2007 census the population is about 546,000 and of that almost 75 percent lives in the rural areas. The provincial growth rate since the 1990s has been approximately 5.4%, making it one of the fastest growing provinces in the country. There are four distinct geographic regions in the province. The first is called West Tari which includes Koroba, Kopiago and Komo District. The central part of province has Magarima, Nipa, Mendi, and Lai Valley while the eastern part consists of *Kagua, Ialibu, Pangia and Erave* district (see figure 5.1). Mendi is the provincial capital of southern highlands Province. In terms of road links, the highland highway links the capital (Mendi) and only extends to neighboring districts while the remotest parts of the province like Bosavi and the interior of western region requires more than a day travel. The region is known for mineral resource which has major gold reserves, oil

and gas production for the country. However, the benefits have reached the people living in upstream areas while many people's livelihood depends on subsistence agriculture.

**Figure 5.1 Map of Southern Highlands Province**



Source: (National Research Institute of Papua New Guinea, 2004)

## **5.2 Governance and Administration in Southern Highlands Province**

During the second wave of decentralization in 1995, the Government of Papua New Guinea passed the Law (Organic Law of Provincial Local Level Government) as a major policy reform to be implemented in the 20 province in the country. The main force behind this reform was to bring government more closely to the people by transferring provincial powers to local level government. It was envisaged that increasing authority and power of local administration for

planning and budgeting at the district level will enhance the service delivery of public goods to the people. In this context, Southern Highlands Province has undergone major restructure in political and administrative functions including the transfer of powers relating to finance and budget administration.

Within this new structure the governor has the political power over the province and chairs the provincial assembly. The deputy governor is elected from among the representatives of the local level government but since the governor appoints the committee chairs, this provision gives the governor considerable authority to make discretionary appointments. According to (Tuck, 2006), he points out that through the implementation of the decentralization policy; some positive results have been achieved. These include an increase of authority and power of local administration for planning and budgeting, improved planning of capacity of villages and districts resulting in better socio economic development plans, revenue and expenditure plan, and poverty alleviation plans, improved ownership and self strengthening at the grass-roots level in order to manage and realize integrated development in both urban and rural areas. Another important change in the structure is that the former ministerial system at the provincial level has been replaced by a new committee system comprised of national Members of Parliament. The creation of this system increased the opportunity for the local MPs to bring the local values and ideas in planning and making important decisions for the provincial government.

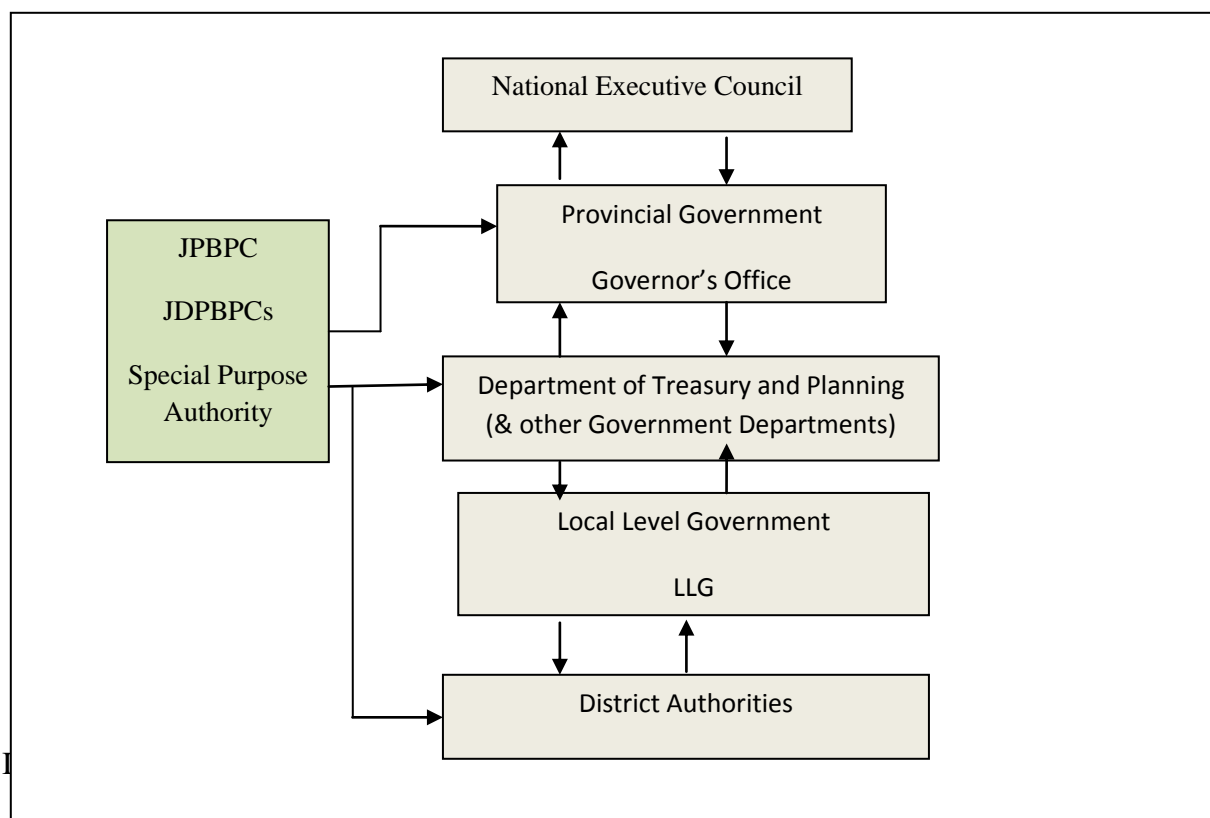
### **5.3 Powers Transferred to Local Level Government**

Following the establishment of new administrative structure required by the Organic Law of the National Constitution, the local level government has been mandated with new responsibilities and functions. They include.

- To prepare a five year district development plan and budget
- Responsibility for construction and maintenance for infrastructure
- Initiating and implementing projects for youth and woman

Along with the transition, a new structure was created to manage and administer the budget operation of the province. This structure comprises the Provincial Planning and Budget Priority Committee (JPBC) and Joint District Provincial Budget Committees.

**Figure 5.2 Decision and Implementation Routes**



Created by author (source: Provincial Treasury, 2000)

Importantly, the structure lays out the flow and process of national budget of which is broken further down to the low levels of government. At the provincial level, the two Planning Budget



Priority Committees prepares the provincial budget plan for the districts and funds are allocated to the council wards in the province. Whilst the provincial budget committee is solely comprised of national MPs, critiques have claimed that many state and local MPs have squandered public money that could have gone towards providing vital health and education services. Although the states and local budgets have been increased in the formative years, the consequence of mismanagement and theft has left basic health and education services to a state of decay. Following is the account of a government official noted during the field work.

In 1999, the provincial/district support grant was increased from K0.3 million to K0.5 million per electorate. Of this half is paid to JP/DPBPC to fund rural action and urban rehabilitation programs while the other half is parked in the Member of MPs discretion account to be allocated to the district support grant. In this relation, some of the early critics of local government remained convinced that transfer of functions to the district was a mistake; as some of the results remained partial and fragile (Ketan 2007). The MPs having mandatory power to access 50 % of the provincial budget parked in their account remains a great concern to many in the province.

#### **5.4 Source of Provincial Government Grants**

The Southern highlands provincial government (SHPG) receives six different grant supports from national government since the restructure to supplement their internal revenue sources:

- A provincial and local level infrastructure development grant
- A local level government and village service grant (all based variously on population, land and sea area) and town urban services grant (based on urban population)

- Provincial and local- level staff grant (related to provincial administration and teaching service salaries, but administered through the national payroll system in Port Moresby)
- Derivation grant based on export value of commodities produced in the province and special support grant provided for natural resource agreement.

### **5.5 Special Purpose Authority**

The Special Purpose Authority was created during the process of reform prior to the recommendation by the minister for Inter-Governmental Affairs and with the advice from the NEC. The primary function of the Special Purpose Authority is to advise the communities and Local Level Government to carry out some of its policies at arm's length of Ministers (Filer 2004, 3). The Southern Highland Province has set up special authority as advisory body to provide administrative support to the district governments to manage the royalties and equities from the mineral resources. Since 1995 reform, more authorities have been duplicated particularly, to support the districts that have mineral resources. Similarly, Provincial government tax revenue such as liquor licensing, airport fees and Value Added tax are directed into local government treasury account for the district development.

### **5.6 Situation in Tari District**

#### **● Service Delivery Context**

The Tari service delivery system has been restored from a long decline due to resource conflict and violence related to 2002 national election. According to the district administrator (DA), the district is said to play an important role with the strong coalition of churches, private business, NGOs and village community in the development of the district. Tari district has a five year

development plan which detailed the state of the district, the programs, themes and objective of the plan. In the same plan, ward levels have been put together by ward development committees chaired by LLG member or councilors including representatives from major sectors such as (health, education, department of forest and industry,) and churches are included in the plan and are feed into LLG plan. The district has mobilized support from the community based organizations particularly NGOs to act in action to some current issues that are affecting the province.

On one hand, the frequent delays of funding from the provincial government have set major setbacks in the operations of key sectors like health and education services. Despite, planning process is considered satisfactory and the coordination of government departments and agencies in the district are doing fairly well. The revenue resources available to Tari district include the District Support Grant, the Village Services Grant, the Administrative Grant from each LLG, (principally from license fees, village court fines, commercial revenues such as head tax). Communities also contribute in kind to development projects. Since the decentralization reform the government has established new treasury office in 19 provinces. It is believed that the establishments of district treasuries are seen to facilitate the smooth flow of development grant from provincial government treasury more promptly to accelerate the rural development.

Apparently, Tari district has its own Treasury office since 1999 and banking services were described adequate. Funding to sectoral activities was listed as a lingering problem in Tari due to duplication of function. It has been observed that the funds intended for certain sectors at the district levels have been diverted to the some program that has been eliminated from funding. In

the same vein, concerns have been raised that public funds have been squandered by some politicians.

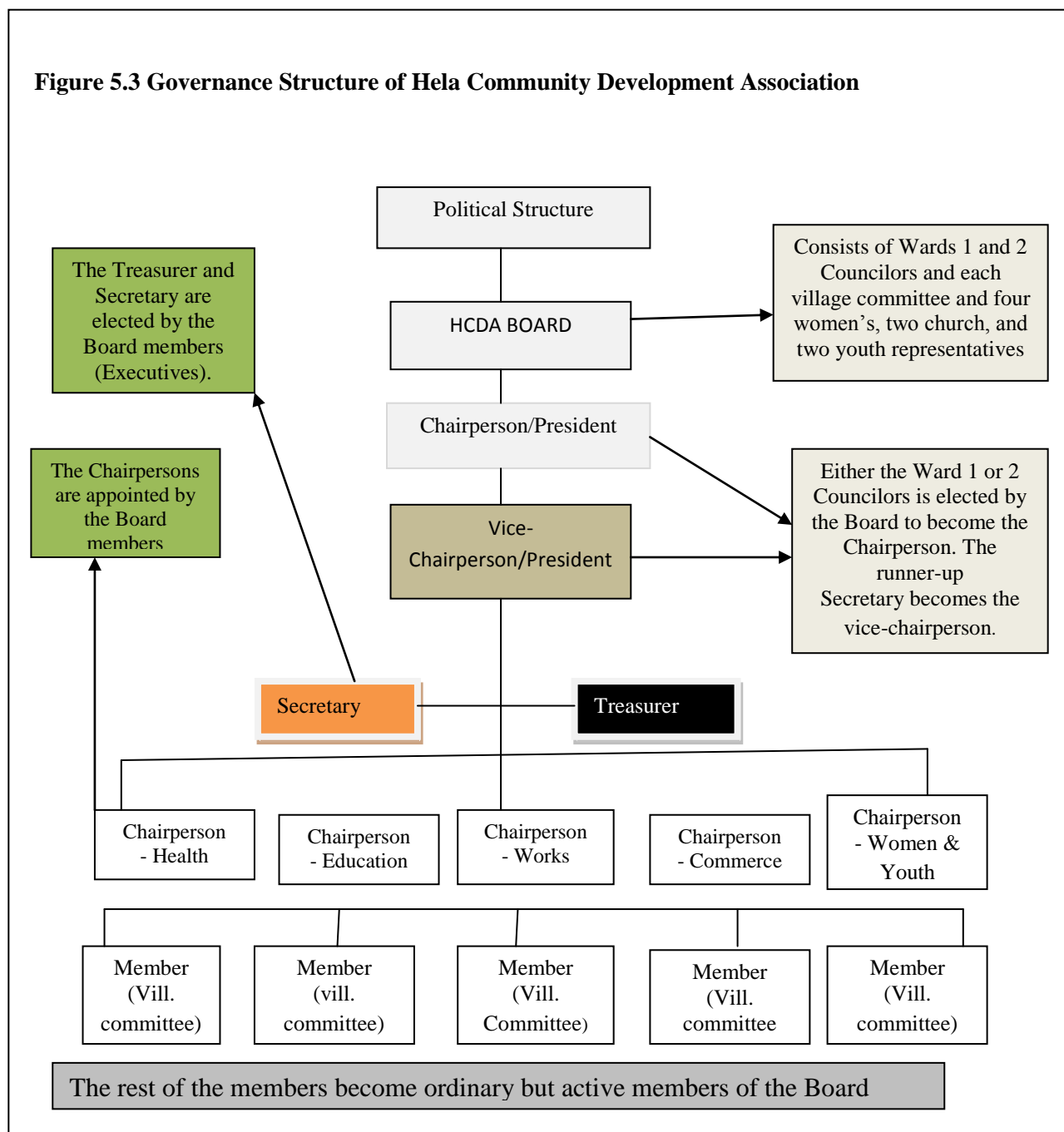
## **5.7 Resource Development and Conflict in Tari**

- *Livelihood Vulnerability Context*

In the early 2003, Tari district had experienced a tribal conflict between two warring tribes from south of the Township. The conflict erupted into civil war after two land owner groups fought over distribution of benefits from two big petroleum projects located within the district. According to reports death tolls from conflict have been relatively high from both sides. In 2003 things were not better off because another tribal conflict spurred in Tari town following a 2002 failed election. The declaration of failed election resulted in widespread confusion and further escalation of violence throughout the district.

As a result the road to main town was impassable and essential services such as communication were not functioning, banks and post office were closed as the fight grew bigger. From experience, there was no doctor at hospital and many rural aid posts have been closed, as more essential services fell to a despair state. One of the major factors that contributed to the conflict was lack of governance and transparency in the management of windfall revenues in the province. Secondly, the non existence of law enforcing bodies including, police personnel, justice and magisterial services to mediate peace and order in the height of escalating crime and lawlessness in the province. In the wake of the crisis the Hela people took the positive step to establish Hela Community Development Association. The community has set up this organization as a social entity to hold and control the natural resources and transfer of the benefits using community based structure which is more transparent and closely monitored by the communities themselves (see figure 5.3).

**Figure 5.3 Governance Structure of Hela Community Development Association**



Created by author (Source: Field work 2009)

The members of the organization are drawn from the two council areas (*Pukua and Duna council ward*) which this study was done. This organization is the most comprehensive and

inclusive community organization that makes very important decision which commands the highest involvement of Hela community.

### 5.8 Macro Policies Associated to Alleviate Rural Poverty

During the economic crises in 1990, the government of Papua New Guinea and the development partners recommended number of policies aimed at reducing poverty in the rural areas. Aid programs have been very supportive and thus impact on rural poor. The Grant financed assistance comprised the major component of PNG total external assistance, with Australia being the largest donor. While significant proportion of Australian aid projects were invested in improving governance, Japan Grant aid focused more on human development, public health and education. The table below attempts to illustrate the link between policy reforms and its associated impact on rural poverty incidence.

**Table 5.4 Macro Policies Associated to Alleviate Rural Poverty 1990/2005**

1990		2005	
Pillars	Associated Policies	Pillars	Associated Policies
<b>Labor intensity</b>	Small scale industry, special employment, local road construction	Opportunity	Micro finance, land reform and other assets, redistribution fiscal policies, Pro poor public expenditure pattern
<b>Investment in human capital of the poor</b>	Promotion of Primary Health, and education, especially among females and micro finance.	Security	1998 oil and Gas act, Environmental Law and Community rights

Created by author (Source MTDS, 2005)

The smaller bilateral donors including UK, Germany, New Zealand, and Taiwan Province of China have concentrated on developing energy sectors, transportation and agriculture.

**Grant Aid Assistance:** Despite increasing of grant aid during the 1990s, multilateral flows to Papua New Guinea have remained small in comparison to bilateral aid flows. A case in example is that the provision of safety nets and direct transfers is relatively small compared to sectoral aid. Given the vulnerability of a large part of the country's population to shocks, aid projects have not been effective at providing greater security to the poor. Credit and financial services are still not available to those in rural isolated communities constraining their incomes and limiting their ability to manage risk. The large number of remote villages lacks the effectiveness of organizations such as microfinance institutions and aid donors need to provide greater assistance in this area.

**Employment scheme:** PNG has implemented this policy to provide labor opportunity particularly in public works program. Because the number of poor has increased during the economic crises, the program was incorporated with the donors and government of Papua New Guinea. When the field work was conducted, it was found that the rural people had been involved in looking for temporary job in the building sector and roads. Even though the wage level was relatively low the people were able to support their daily needs. The wage employment program is used in emergency situation such as economic crises, drought and famine where there are a huge number of unemployed people.

**Free Education Policy** This policy was implemented during the crises in 1993 as part of pro-poor public expenditure to prevent adverse impact of the economic crises on the quality and effectiveness of education system. As noted, this reform is required by the provision of Organic Law of Provincial Government (1976) to sustain basic education program in rural communities. It is noted that about 85 percent of PNG's six million people live in rural communities with most parents struggling to make yearly school payment. As such many children are more susceptible

to miss out on basic education. Based on the need analysis, it was appropriate for the national government to invest K150 million to the Department of Education under the free education policy. The budget had the capacity to cover the cost of schools from grade one to grade eight within five year period.

Despite the increase in government expenditure, the objective of the policy has fallen short of expectation as many schools encountered numerous delays of subsidies. The reality is that the distribution of the subsidy was flawed at the provincial education board and many schools either received less than they were entitled or did not received any fund at all (NRI,2002). It is believed that the program has failed to deliver on its goal to cover many schools in the rural areas with the educational materials. The World Bank studies (2003) also showed that most officers from the provincial education board didn't keep proper records of the disbursement of subsidies. There was profound lack of information and coordination between provincial educations board on their part to gather accurate statics of remote schools in the provinces.

In this regard, a common remark was made by community leaders in a question form;

*'em usait ol lain ya? mipla ino save long ol, which, in English means, who are these people (district workers) we do not know them.*

Despite the good policies and reforms, it appears that funding don't trickle down to impact the essential sectors like education and health in the remote areas. According to (UNDP, 2007) the gross enrollment in basic education is 68%, (of which 45% are female) and 11% in secondary (of which 40% are female). Arguably, the failure of the policy is partly due to the lack of between national and provincial government in fiscal operation (UNDP, 2007).



**Environment and Sustainable Policy:** The government has done fairly well in the mineral resources sector since the introduction of new Mining laws in the country. It is acknowledged that these policies have been put together by the multilayer network of governance in the natural resources sector and private sector which spurred the economic growth. Also, the growth was in part contributed by well-administered and balanced fiscal regime with significant indirect tax derived from large-scale mine, salary tax, import and exercise duty and service charges. The political instability in the country has been a major source of the decline in investment thereby contributed to the fall in exploration expenditure from \$US83 million in 1989 to only \$US8 million in 2000. However, this trend has been reversed in 2004 after the country maintained an upward spiral in economic growth until 2006.

According to the economic bulletin (2006), PNG economy surged in 2007 to a record growth of 6.5%, followed by 7.2 % expansion in 2008, after almost 10 years (1990-2000) of low economic growth. It is noted that the growth was driven by increase in government revenue from the mining and oil export earnings. The windfall revenue from mining and oil created the large fiscal expansion that transmitted the mining and oil boom to broader economy. In addition the international reserves continued to accumulate on a net basis rising to 1.9 billion US in 2006 while the government also maintained an overall fiscal surplus for the third consecutive year (Economic Bulletin, 2006).

Nevertheless, only 20 percent of population experience better social and economic outcome. Arguably, only 5 percent of the growth is invested in social sector of which is relatively low despite its significance to improve quality of rural livelihood (World Bank, 2004). The state of social services such as education system, health infrastructure, water supply, better road

conditions need to be well-resourced as they directly support the livelihood of rural people. In essence, it is necessary for the government to invest in microcredit finance to provide credit to the poor and increased spending in education and skill-training to build human capital to drive the economy forward (UNDP: 1994). According to Goudie and Ladd (1999), economic growth alone is unlikely to reduce poverty in Papua New Guinea. Growth driven by the agricultural sector will be most beneficial but in the absence of the rapid development of this sector, growth must be accompanied by other policies and strategies to benefit the poor.

### **5.9 Impacts of Natural Resources Policies in Upstream Project Area**

- Background of Study Area

The green field area of Tari is the small settlement on the highlands fringe. It was established during the pre-colonial contact in mid 1960s. Intense tribal fighting during 2004 to 2005 resulted in most of the population fleeing both northwards to the Hides area, and southwards to Mananda villages. The airstrip at Tari has been re-fenced and opened up for the flights to resume normal operation and many infrastructures have slowly returning after 7 years of tribal conflict. One of the most significant impacts of the petroleum project is the facilitation of multi-level series of representative community organization. There are three important organizations offering support to this community; in cooperated Land Group (ILG), Land Owner Companies and Tari Woman Association.

ILG is defined as in cooperated Land Group involving the members who are entitled to benefits derived from mineral resources from the land. Since customary lands are communally owned, the land group in cooperation serves as an only available legislation to speed up registered group titles for the purpose of the customary group's endeavor in its own governance and dealing with other interested parties on the use of its land asset.

This legislation has recognized the rights of land owners and provides clear structure in which benefits are distributed for the upstream community. In addition, the establishment of ILG system has been the ideal legal solution that brought relative peace to the community after many years of tribal fight. At the macro level, the government of Papua New Guinea provides the policy support which clearly spells out specific roles and responsibilities ought to be entrusted to key stakeholders including: the landowners, petroleum companies and the relevant government institutions to manage windfall revenues from the project. The Figure 5.5 illustrates the stake holder arrangement of the project approved by National Executive Council in 1998.

**Table 5.5 Project Partnership Matrixes**

	<b>Government</b>	<b>Developer</b>	<b>Land Owner</b>
<b>Government</b>	Manage the developer and land owner interface. Use <b>revenue for the benefit of the entire nation</b>	Provide, Secure and attract <b>fiscal regime</b> for investor. Grant access by <b>license</b> and monitor performance of developer	Facilitate benefit sharing such as royalties, development levies, and equities received by resource owners through the established structure.
<b>Developer</b>	Pay economic rent, tax and <b>royalties</b> promptly to the government.	<b>Develop project</b> in safe and environmentally sound manner. Efficient production oil and return a adequate profit to share holders.	<b>Direct Benefit:</b> Provide business, job, education, village infrastructure to the community.
<b>Land Owners</b>	Grant <b>access to developer</b> chosen by government	<b>Grant access to developer.</b> Responsible for consequence of resource depletion and environmental degradation	Mobilize land groups to support project. Negotiate benefits and ensure timely deliver and spread benefits.

Created by the author (ILG Act, 1993)

The government also ensures that the developer company is committed to deliver its promise to provide basic infrastructure services such as roads, electricity and primary education are directed

at improving the well being of the society, while respecting the economic rights for both the developer and the land owners in the project development.

### 5.10 Benefits Recognized under Legislative Reform- Oil & Gas Act 1998

Since the Land group in cooperation Act was passed by Parliament in 1998, the land owners were given the rights to manage their affairs in a businesslike way. This legislative act identifies number of benefits to be paid for by the petroleum company to the land owners. This include: royalties, equity, compensations, and other Development Agreement Funds and Development Levy from developers and tax credits scheme (see figure 5.6) of the benefit structure.

**Table 5.6 Beneficiaries and Benefits Stream Flow**

<b>Recipient</b>	<b>Benefit Streams</b>	<b>Total in Million Kina (Local currency )</b>
<b>National Government</b>	Taxes and Equity	6,825
<b>Land Owner Cash Benefit</b>	Royalty, Equity, Land Compensation, land rentals	311
<b>Land Owner non cash Benefit</b>	Business development benefits, Memorandum of Agreement grants, trust funds	1,560
<b>Provincial Government/ Local Level Government and Benefits</b>	Special support grants, royalties, equity, memorandum of agreement development levies	610
<b>Total</b>		<b>9,306</b>

Created by author (Source: Department of Petroleum & Energy 1991-2007,)

The main beneficiaries of the project are the national government which collects tax and equity, the land owner's benefit in the form of royalties and equity payments while the provincial government receives special support grants for infrastructure maintenance, construction and

provision of basic services. Royalty is calculated at 2% of well head value of all petroleum produced and payment is made directly in cash to the land owners. The equities are payments made to the provincial and local level government as granted 2% free equity from the state's 22.5% in any projects.

### 5.11 Negative Impact on Woman's Education in Project Area

According to the study done by Goldman (2002), it has showed that the enrollment rate of the women in Tari district is relatively lower than the male population. The table 5.5 below illustrates the household survey report conducted by Oil Search Limited in 2008.

**Table 5.7 Formal Education and Literacy Level 1997 -2005**

<b>Over six years old: Normal Education</b>			<b>Over 15 years old: Literate</b>		
<b>Upstream Project Area</b>	<b>Impact</b>	<b>Males (%)</b>	<b>Females (%)</b>	<b>Males (%)</b>	<b>Females (%)</b>
Hides		37	50	54	36
Kutubu		35	45	67	48
Kikori		31	38	62	51
Gobe		36	52	67	44
Moran		63	72	30	18
Manada		49	64	49	31
<b>Total</b>		<b>40</b>	<b>50</b>	<b>55</b>	<b>40</b>

Source: This data is supplied by Oil Search Limited in their March 2008 Summary Social and Economic Report and draws on the various SIA/SEIS household surveys conducted for them from 1997 to 2005.

Based on the Social and Economic Report published in 2008, it has stated that only 40 percent of females over the age of 6 have completed grade 6 compared with 2000 national census. However,

some 60 percent of the women are illiterate compared with 45 percent of men. Of that age of 20, only 48 percent of males had no formal education. The inequality of gender in basic education has led to women having less job opportunities and responsibilities in the petroleum development. In this regard, the notion on the need to provide equal opportunity for education and employment is vital as noted by another study in 1998 by Gas Project specialist.

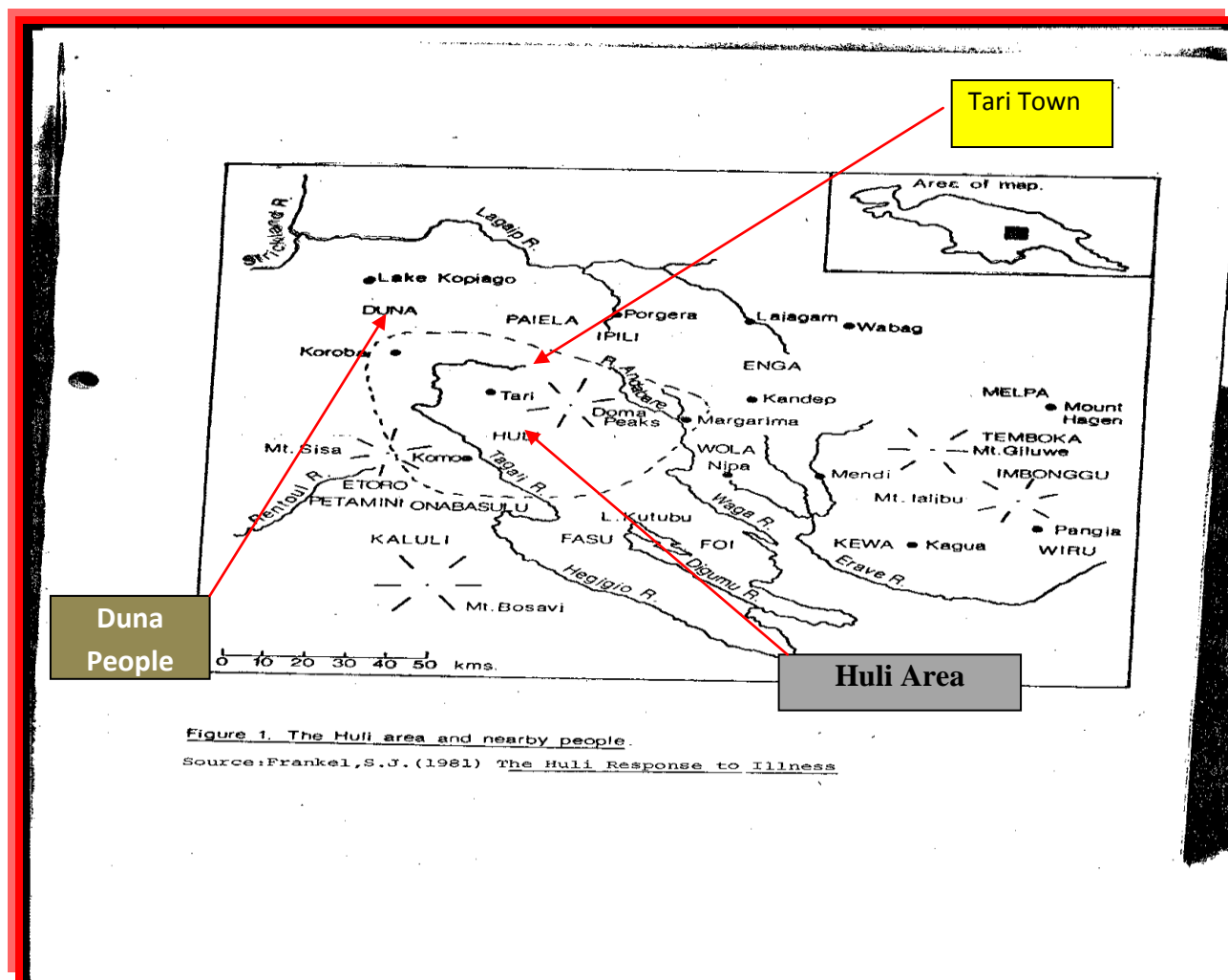
### **5.12 Tari Woman Associations**

Tari Woman Association is the first woman NGO group that represents the woman in the mining areas. This umbrella organization is affiliated with the respective provincial-district Council of Woman. The association serves as a political voice in the local level to advocate the right of woman and issues relating to mining and petroleum projects. The organization is inspired by partnership from churches and the civil societies mainly to address social problems affecting the communities. There are two common issues in the mining area: the rapid spread of HIV AIDS and the environment damage caused by the waste from petroleum activity. It was observed during field work that the partnership between woman NGO's and the civil society plays an advocacy work in the project area. The effect of this cooperation of network had changed the situation in the mining areas as many women are beginning to realize the importance of the organization. Recently, the Oil Search Company sponsored a leadership program "Community Action and Participation Training" not only to improve the economic conditions of the women in project area but also to prepare woman leadership to participation actively in the development of the project.

### 5.13 Village in Transition

*Huli village* is located in the southern part of Tari which is called the *the Kia people of Akuna* Local level Government. The Akuna LLG has 24 council wards, with more than 50 villages in the community, and is 63 kilometers from Tari town (See the map 5.8). The dominant livelihood in this community combines subsistence agriculture sweet potatoes, cash cropping, such as coffee in higher altitude, Irish potato and pyrethrum and raising live stock.

**Figure 5.8 Map of the Research Site**



Source: Frankel, S.J. (1981)

### 5.14 Livelihood Support Program

Until 2003, the Hela Community Development Association was incorporated into the Five-Year Electoral Development Plan. The current Tari MP, Hon. Francis Potape made a commitment of K 100 000 annual budget allocation in recognition of the organization. The idea of community based government evolved from this approach and eventually become the cornerstone to pay off positive change seen in the improvement of service delivery system in the district. In this connection, more responsibility is vested in local level government to coordinate with the civil societies, NGOs, and donor agencies to implement the existing programs in the community (see Figure 5.9).

**Table: 5.9 Rural Livelihood Support Project**

Organization	Program/Project	Objectives	Funding Source
Nazarene Health Ministry	Family Health and Rural Improvement (FHRI)	To provide holistic health care for communities through preventive, curative & health promotion measures	Local Level Government (LLG)
Melanesian First Farmer Network (MFFN)	In consultation with Agriculture Research institute	Skill development for poor and vulnerable populations	Ox & Palm International
Department of Works (DOW)	Rural Feeder Road Improvement	Upgrade 80 km of rural feeder road for local access.	District support Grant
Hela Development Association	Tari Rural Water supply	Provide clean water to local communities	World Bank
Local Level Government Council	Local Market	To help people generate income & reduce poverty	District support grant & Petroleum Resources company

Created by the author (Source: Rural Development Handbook, 2003)

Although these programs were funded by various sources and organization, it was mainly intended to provide a sustainable livelihood for the communities affected during the 2002 tribal conflict. The Tari Local Level Government is at the helm to support and integrate the programs



within the framework of its five year district development plan. The following paragraph presents the brief background of each project implemented so far and the transformations in the communities.

### **5.15 Changes in the Community**

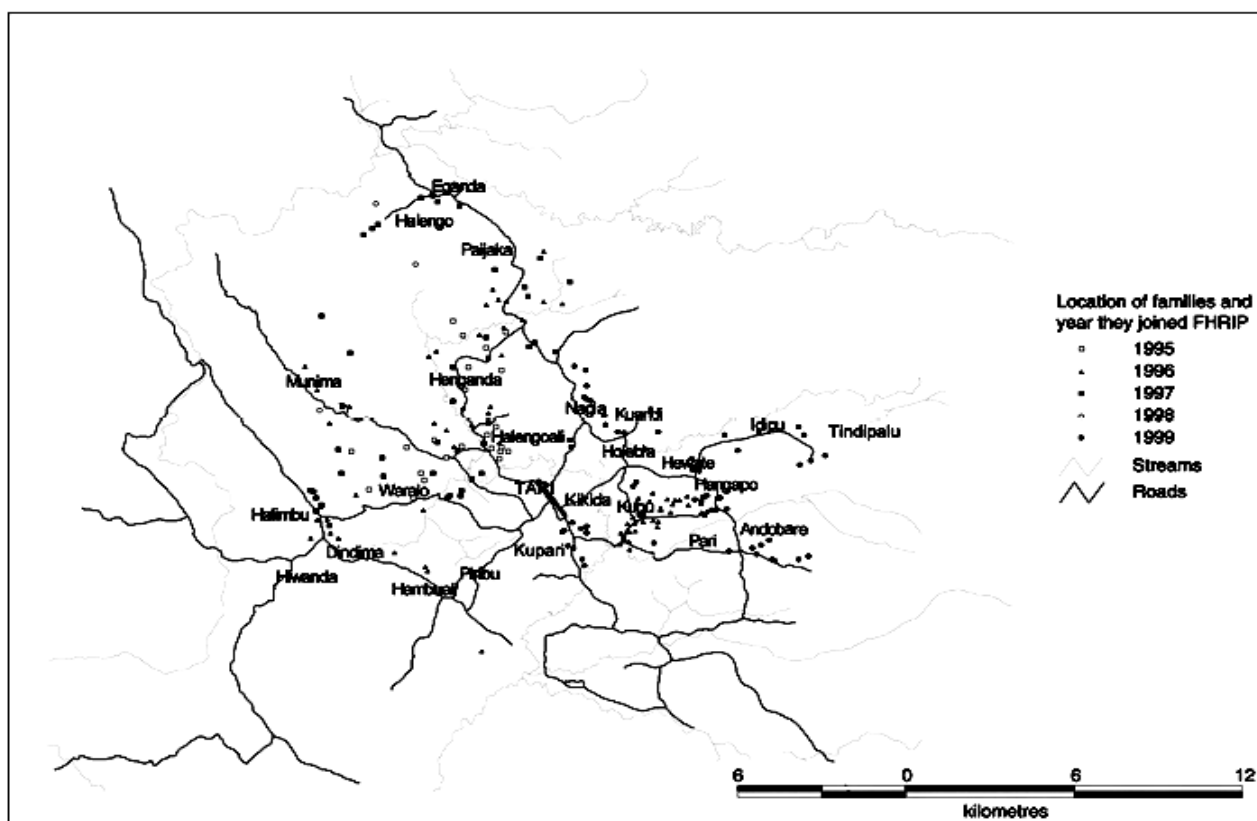
***Family Health and Rural Improvement (FHRI):*** This program started life back in 1967; it was initiated as Nazarene Health Care Ministry that first contact Tari. Later, in 1995, it was then integrated into the Community Health and Development program by the local-level government of Tari district. The basic aim of the program was to improve the family health through preventive means and to stimulate small scale rural enterprise. The components of the programs include water supply, sanitation, small livestock and health education. Interestingly, an article was cited during the field work (1990) by a nursing tutor who first served this community. According to the nursing tutor based in Tari;

*As a teaching personal and family health expert, “I began implementing what I thought to students in Domi village on weekends”. She realized that community needed a health rather than curative care and started preventive health work with the community. They started blending traditional ways of living with the modern influence which make tribal governance focus for this program. The community approach has improved the quality of life and also enabled the community into constructive enterprise and making them less likely to be drawn into self destructive in the society.*

According to the survey of Papua New Guinea Medical Research Institute, a total of 312 families participated in the program between 1995 and 2000. This represent about 10 percent of all target families in Tebi, Tgari, and Haeapuga sub district of Tari. Sixty one families (20 % )

left the program or were dropped, either for their own reason or due to external circumstance such as fighting. It was reported that many people have benefited from this program through healthy habits and clean sanitation. Figure 5.10 shows the distribution of families in program whose location were recorded by GPS.

**Figure 5.10 Distributions of FHIRP Families 1995-2000**



Source: (Vail 2002a).

**Melanesian Farmer Network:** The Melanesian Farmer First Network (MFFN) is a community based network organization in Papua New Guinea. The concept of MFFN was developed by Terra Circle, a group of persons with wide development experience at the community level in the Pacific, and is co-coordinated by the Kastom Gaden Association in Honiara, Solomon Islands (Kostom Gaden Association et al 2002). Nevertheless, MFFN is

directly providing capacity building programs Tari using the resources and network from the local communities. As can be seen in the (figure 5.11) the people from Pukua are planting Pacific taro as their new projects.

**Figure 5.11 Community Labour Network**



The Training is facilitated by *Mrs. Funke Samana*.

Although the program had started recently, it has benefited many communities living near and around the Township of Tari, Komo and Magarima Districts. The first community worker to be trained in this program is *Mrs. Funke Samana* from Tari. She became a local trainer and pass on skills to the Huli community to improve seed multiplication and storage methods. Gradually, the skills and methods acquired through seed management and multiplication of cash crop tend to reward the local participants to increase the scale of the pacific taro at the local markets.

**Rural Road improvement Program:** Rural Road Program is funded by Petroleum Company, under special projects and is managed by the Department of National Works. The 80 kilometer road was built to enable the villagers to sell more easily their farm products in the main town or buy any needed products in the city and sell them in the village. In fact, not many villagers were able to carry out these activities as many of them are not trained in business skills. From experience this feeder road linking the main highway used to be covered by mud during the rainy

season and the road was impassable for local residents to travel. Figure 5.12 shows a new upgraded 80 kilometer road linking North West, southwest and east west corners of Tari District.

**Figure 5.12 Public Motor Vehicle (PMV)**



Source: Field Work, 2009

The eventual upgrading and construction of this section along the highway not only reduced the travel discomforts for passengers but also reduced the wear and tear of the PMV trucks operated by the people of *Hela*, thereby increasing net income for rural PMVs. The main mode of transport is PMV that includes buses and trucks where the bed has been converted into seating and a roof canopy attached. Microbuses and other transport services are available in urban areas, but since there are numerous unpaved roads in Tari there is a strong demand for PMV, which are heavy duty vehicles.

**Rural water supply:** The rural water project was initiated to support the community in the interior of *Hela* during the drought in 2007. The *Hela* Development Association has implemented this project with the rural district development fund from Tari district. The

community members took their initiative to build a tank at a distance of 200 meters from the open dam. This tank has two chambers and has a capacity of 8000 liters of water. Through their community meetings and every individual were assigned a job on a particular day on the project. On the 13<sup>th</sup> April 2007, the *Huli* people dream of accessing fresh water from the mountain came true. The picture below shows how excited the community members, especially woman at *Tagali* are with water arriving in their village.

**Figure 5.13 Rural Water Supply in Tari District**



It can be said that these people have lots of reasons to celebrate because they will no longer hunt for clean fresh water anymore given that *Rurma spring* has finally reached their home. The community water supply is a large reservoir in a central location and most families use water for cooking, cleaning and washing. Interestingly, the water project is financially sustainable since the communities have taken the initiative to maintain their their own units for the water supply. Through this arrangement, user fees are collected through obtaining the units from each members of the community and thus subsequently finance and manage the operation of the maintenance

system. The potential of water supply has become a livelihood asset to local communities as more people are willing to work together and build strong lasting, and positive communities.

### **5.16 Community Livelihood Analysis**

*Natural Asset*           The key indicators for natural asset were land, water and mineral resources to all these were greatest in *Pukua* village. In this village, social status of a person or family is affected by asset ownership of such things as land and forest. The availability of assets vary much determines the daily living conditions of the villagers. If these assets are not available to the people, they find their lives more difficult. This difficulty becomes the main decisive factor of poverty. In traditional context, land is a mother and is the source of life. As mother, the land gives birth, food and everything they need to survive. Therefore, land constitutes a livelihood safety net for the vast majority of the population.

When the local people were asked about poverty, no one accepted that he/she was poor.

This was not because poverty was a sensitive issue but they argued that they had land and forest. On the other hand, they all agreed that they were all poor in terms of other assets such as human, infrastructure and institution. From economic point of view, it was interesting to note that the two communities had different view.

The people in the project area saw that land is an economic entity which can be easily sold for money or used for bank loans. Particularly, recoverable natural gas resources are estimated to be substantial, and are likely to be an important source of economic growth and commercial development in the years ahead. In terms of food security, both communities are more secured with surplus food gardens since they have low land dominated with high intensity of sweet potato production for pigs and food.

*Human Capital* According to the district census (2000), 70 percent of the population is illiterate and only 30 percent are literate. This data has to be validated due to latest government community based monitoring system findings that large numbers of school age children are not in school. Although the enrollment rate of elementary and senior high school has increased aftermath of 2002 education reform, the results were mixed as compared to number of intakes entering colleagues. According to report published by National Research Institute (2005), there was a serious access problem enrollment during free education period not only in Tari but in other parts of the country. The education system was only able to offer post primary education for about one in six children from grade six to grade ten to grade eleven. The colleague education was characterized by very high unit cost because majority of the institutions were boarding school. There were gender imbalances on most measures of education.

Thus, the accesses in education increase the capability of the person to obtain other resource using their skills and knowledge acquired from schooling. There are many conference and seminars conducted in Papua New Guinea that have stressed the importance of human capability in terms of regional program. And when they translate the capability concept to policies and programs, they tend to refer it to education, skill training and health nutrition. It is in this connection that capability is, owned by people and they can cope with stress or shock.

With regards to health outcome, it was found that there was no proper health record to monitor the health situation in Puka village. Medical supplies such as drugs are in short supply and aid post clinic are under-resourced. By comparison, the upstream area is relatively well off with health facilities and adequate medicinal supplies funded by Petroleum Company. The health workers in the project areas are well-trained and able to serve the community more effectively than the rural health workers found in non project area. Thus, the positive health outcome of the

people in the project area is resulting primarily from the high income, food security and education benefits obtained from the project. What is also seeing in the project areas is that many communities are more accessible to economic opportunities including income opportunities such job, market, and small scale business activities to sustain their livelihood.

### **5.17 Principle Health Challenge in Non Project Area**

Generally, there are many health issues confronting the Pukua community and following are the most observed situation during the field work.

- Lack of Knowledge and awareness about health
- Aid Post, Health Centers and Hospitals are not adequate relative to the population
- Shortage of medical drugs and supply of health facilities
- High staff absentee rate
- In adequate transport facilities and very high ambulance fees.
- Uneven quality of service. For example, Resources rich project area Moran gets preferential treatment from provincial government.
- People are shy of treatment for sexually transmitted disease although there is some case of AIDS in the villages.

**Financial Capital:** There is only one Bank of South Pacific serving the entire population in Tari District. Since there is limited access to banking services, higher positive real rate of interest would not serve a useful purpose to the majority of the people. Arguably, the formal banking sector in PNG only serves 1% of the rural population in terms of savings and lending services. According to the study done by Asian Development bank in 2000, they found that the incidence of poverty is directly linked to the inability of household to earn cash income to pay school fee for education, health care fees, and other non-food items. It is noted that the financial



institutions are fairly concentrated in the main urban centers while the vast majority of the rural areas have limited access to very important service.

***Social Capital*** There were positive ties and significant relationship between the government, the development company and the local land owner groups outside the project to increase the investment in social capital for the project affected communities. Each land owner groups have registered companies as group investment through the Mineral Resources Company Limited (MRDC). This entity (MRDC) is a management company purposely set up under the Act of parliament to properly manage the equity funds for land owner companies from the major resources project areas of PNG. The investment division is primarily responsible for providing business development advice to the respective resource owners to undertake strategic investment that will enable sustainable flow of dividend income after the life of mining and petroleum project. According to the Mineral Resources Group Investment Portfolio (2008), some major investment were recorded; MROT in June 2007 acquired the Prestige Apartments comprising four (4) executive units on Touaguba Hill; PRG and PRM made a commercial decision in 2008 and 2009 respectively to take up shareholding in a 5 Star Port Moresby Hotel & Casino Project; and lately in June 2008 MRDC, MRSM and MROT acquired a total of 24,500,000 ordinary shares in Airlines PNG Ltd at K1.00 per share. The dividends of these investments are reinvested in education, infrastructure services and health services in the country. Due to the high level of confidence vested in directors and management, the petroleum company continues to deliver on its promise to the government of PNG and the share holders of the project. The oil company has concentrated its investment on infrastructure including important services such as schools, road and hospitals to help sustain livelihood of the local people in the catchment area after the projects ends. According to the annual report (2008), the chevron Nuigni directly employs over 600

employees, 70 percent of whom are man and woman from Papua New Guinea. The hiring philosophy gives priority among the local land owners and their families. The Chevron Nugini has a localization program whereby in the next ten years 90 percent of all job will be filled by national employees. The expatriates' employees are required to transfer their skills and knowledge to the local employees as part of the key job responsibilities.

The largest land owner company is known as Huli Earth Movers, which represent the Huli speaking people, the main ethnic group of the project area. This local company has developed its contracting capabilities through its experience during the construction phase to a point where it has built a reputation as a contractor of choice. It is now applying this expertise to contractors and projects outside the oil field area to develop long term business interest. Another local company representing the upper Huli people surrounding the prince of Tari. The Chevron Nuigini Business Development has assisted them with the establishment of saw mill operation along the access road near *Inu* village. The business was originally established to cut and process timber felled as a result of Tari road access. The underline objective in the success of the project is meeting the local people's expectation. The resource owners perceived that the project is their best opportunity to improve the way of life and expected the company to provide goods and services that they previously been unable to obtained. While most of the spin offs of the projects benefits the resources owners, it is also true that the petroleum project has also set up organizations to support the majority of the communities living outside the project. There are two main local organizations, Tari Women and Hela Community Development Association, which of the members are often drawn particularly, from the local villages, government official and the public relation officers of the developer company. Apart from meeting the needs of the

communities through community project support, the key functional distinction among other local organization is geared towards channeling the economic benefits from the project to a more rural sustainable development. Hela Development Association is one such organization that has both political and administrative capacity to support the rural people. It operates closely with the petroleum company and the national government to facilitate the benefits is directed towards helping local people to meet their needs. Its vision is to provide political and institutional support to the people of Tari to realize their social and economic potential while encouraging the people to cultivate their local initiatives for self reliant. In fact the success story of Hela Development Association has transpired many key officials from several districts to visit Tari in recent years to learn from its development planning with the view to establish similar arrangement to accelerate development in their own districts.

On the other hand, the presence of civil society has demonstrated their capacities to mobilize communities and act as intermediaries for a wide variety of population groups. The NGO's response not only to solve social problems but also increasingly recognized as critical in tackling HIV/AIDS epidemics. One of such active non government organizations is Anglican Church, which tend to involved actively in imparting Christian principles and faith which in many respect seen as a bonding factor in bridging the broken families from grappling from the society. Frankly speaking, Christian influence has the potential to create effective union among church members and community with others in PNG and from other countries.

According to one social scientist, the major drawback in development in PNG is the people's limited experience beyond their immediate communities and churches appear to be the most generous providers of these scarce opportunities for interaction with a wider world (Baxter 2002).

In terms of cultural context, the most cited sources of social capital is ' *wantok system*'. In English (*wantok* means *wan* means one and *tok* means language). Put together, it means one language system. This concept has interesting characteristics where people are bound together by system of relationship, common geographical area of origin, social association and common belief based on principle of mutual reciprocity (Dickson. 1995). The strength of the wantok system in PNG is often praised as the great virtue of traditional culture, and described even idealized as the social 'safety net' (Lindstom 1998, 147, 166-170).

For example, in the traditional Huli kingship system, the blood line of family connection is very strong and is the main survival strategy. Although there are between 300 and 400 named clans in Huli, are bound to live together as one clan or unified community. Therefore, wantok system has proven to be an important form of social capital that support day- to -day life of most people.

### **5.18 Accessibility and Poverty**

It is necessary to understand the level in which the causes of poverty are originated. This understanding is linked to whether the causes come from individual (micro level), from the structural (macro level) or from some combination. The following paragraph will present the analysis underlying the tripartite dimension of poverty.

As noted in the fieldwork, most villagers' define poverty in terms of lack of something. When focus group discussion and interviews were conducted, the villagers identified that lack of '*something*' meant lack of sufficient food, sufficient income, credit, education, skill training and tools for fishing and farming. This suggested that poverty is not only about income and monetary asset, but also manifested in lack of access to health, education, vulnerability and exposure to risk and power.

According to the poverty assessment in 2000, poverty situation in *Tari* district was significantly correlated to poor road infrastructure. Poor road conditions and lack of access to markets hampered the sales of agriculture and other local products. The study found that the notion of improving road conditions has a positive relationship to alleviate poverty through increasing the accessibility to market and employment opportunities in rural areas (World Bank, 2000). The difficulty of accessing such services is seen to be the major livelihood challenge for the vast majority of rural population in southern Highland province.

In the other circumstance, the poor competition of transportation service in the rural area tend to raise the services fees high thereby creating access barrier to the local residents to meet their basic needs. Given the Papua New Guineas' high dependence on its road transport network for social and economic development, it is important for the government to increase the quality and reliability of the road users. To this point, the government has to beef up the organizational and technical capabilities of road sector to control and regulate the transportation services thereby benefiting the road users in the form of lower price, increase frequency of services and short travel time. This also remains true that many local communities suffered from high transport service as much of the province is mountainous, geologically unstable and subject to high torrential rainfall. The Figure 5.14 presents the results of the distribution of poverty associated with accessibility of road in southern highlands province.

**Figure 5.14 District Level Poverty Indicators**

Province/District	Income Poverty		Adult Literacy		Gross School Enrollment		District Dev. Index
	%	Rank	%	Rank	%	Rank	Rank
Koroba Kopiago	44	22	24	2	13	2	11
Komo- Magarima	50	13	33	18	20	13	14
Kagua Erave	48	15	33	18	20	13	14
Nipa Kutubu	42	31	32	15	19	10	23
Tari- Pori	43	29	49	39	23	27	32
Mendi Munihu	38	39	38	22	29	18	33
Imbongu	32	52	42	29	31	26	39
Ialibu	29	59	46	36	29	30	47

Source (World Bank, 2000).

The performance indicators range between 1 and 85, ranking the 9 districts of the province in order of poverty distribution. The shaded districts are included in 20 most disadvantaged districts in the country determined by poverty mapping exercise using UNDP HDI indicators. Interestingly, this analysis points to some reality of the development equation within the province. The first observation is the districts which have access to road and service centers tend to have low income poverty and yield high literacy rate in the province. For example, Ialibu

district has a higher adult literacy rate of 46 percent with a low poverty income of 29 percent in comparison to other districts in the province. The obvious reason is simply because the district is directly connected to the high national priority road (Highlands Highway) and bridge maintenance activities that support growth and poverty reduction. The national highways thus not only reduce the travelling time for the people to access vital services but also serve its role to stimulates the feeder road network to facilitate the economic growth and social integration of remote communities to the main stream of the economy.

By comparison, the rural incidence of poverty in Lake Kutubu and Tari are relatively higher though they receive royalties and better infrastructure support from the petroleum resources development. Much of the investment and spin off benefits are only concentrated in the project area whilst vast majority of the region still remained inaccessible and competing with limited resources and services to improve their livelihood.

There is also consensus that the sources of income vary among the groups with the share of wage income being the highest among project owners, and the share of wage income of majority depends on the agricultural productivity and employment. The various links can be illustrated with an example. For example, a road investment could result in an increase in agriculture productivity, nonfarm employment, thereby raising the wage and employment of poor, and enhance their economic welfare. The evidence further high lights that about three quarters of the population in Tari districts are living in poorly connected region to diversify their activities due to complex geography and the high population growth.

An illustrative example is that people living in the northwest, southwest and southeast corners of the province travel more than one day to access basic services. By contrast, the people in north east including; Komo Magarima, Koroba Kopiago are within 4 hours travel to major service

centers. Therefore, it is fair to say that the incidence of rural poverty in Southern Highlands Province is significantly associated with poor infrastructure services and high unemployment to generate household income. Putting it the other way, the public policy reform and investment in physical infrastructure thus significantly contribute to pursuit of inclusive development such as roads, health and education which directly impact on the livelihood of people. In the village where this field work has been carried out (*Pukua village*), both market and infrastructure are poorly provided and even in some places was not available. In addition, the non existence of government institutions such as credits schemes to empower rural farmers is seen to be the major constraint to boost rural based economy.

### **5.19 Coping strategy**

As explained earlier, the villagers have very strong networks of family relationships and highly inter dependent on each other to overcome the problems through coexistence. This system has traditional social value for taking care of those who are in need. Thus the system seems to be strong and reliable for the local people as a means of social safety net to meet their basic daily needs in the respective communities. Civil society organizations are also actively providing social support mainly in terms of strong advocacy work in human rights, gender and domestic violence to pressure the government to take actions on addressing rural poverty. In addition, the churches and woman group organization in Tari region are more proactive to provide the health and education services in a hard to reach communities. At the local markets, the residents support themselves through selling range of food and non food items including banana, pork, corn, rice, soap, cooking oil and small items like cigarette and tobacco. Main buyers at the local markets are government employees and land owners which rural markets don't have, what little cash they yield is principally earned by woman. The cultivation of cash crops to markets makes



an important contribution to the livelihood of rural population. The Figure 5.15 show some of the most cited coping strategies in the non project area during the field work.

**Table 5.15 Livelihood Strategies for coping with problems**

<b>Most Cited Problems</b>	<b>Coping Strategies</b>
<b>Lack of food clothing and house</b>	<ul style="list-style-type: none"> <li>• Grow vegetables</li> <li>• Plant crops to sell</li> <li>• Use local materials such as bamboos and tree to build house</li> </ul>
<b>Getting sick</b>	<ul style="list-style-type: none"> <li>• Borrow from relatives or neighbors to pay medical fee</li> <li>• Using traditional medicine</li> </ul>
<b>Education fees</b>	<ul style="list-style-type: none"> <li>• Gets assistance from elites/relatives working in towns.</li> <li>• Selling pigs at the market to pay for school fees</li> <li>• Selling coffee (cash crop)</li> </ul>
<b>Capital/ Cash</b>	<ul style="list-style-type: none"> <li>• Plant crops to sell</li> <li>• Sell cooked food &amp; fresh fruits near road sides</li> </ul>
<b>Lack of Job</b>	<ul style="list-style-type: none"> <li>• Self employed (working for local business man for payment, PMV driving, farming.</li> </ul>
<b>Electricity</b>	<ul style="list-style-type: none"> <li>• Using hurricane labs, torch</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Micro enterprise</b></li> </ul>	<ul style="list-style-type: none"> <li>• Run small chicken poetry, trade stores, and money sales for interest.</li> </ul>

Source: Fieldwork, 2009

Among the livelihood strategies, pig farming is one way to earn income since they can be easily exchange for cash value at which can be used for the payment of bride-prices and other exchanges. Apparently, pigs are mainly raised and sold at the market by parents to pay for their children's education. In general, the livelihood method is carried out through division of labor by age and gender, with men and woman cooperating to feed their families from gardening and other subsistence activities and children and other older person assisting in a variety of ways.

## **CHAPTER 6 RECOMMENDATION AND CONCLUSION**

The objective of this study is to analyze the government policy reforms and to what extent these reforms have an impact on rural communities. In addition to conversation and interviews with various experts in Port Moresby during primary data collection, the author has visited two communities (*Huli* and *Duna* Community) in Tari district of Southern Highlands Province, Papua New Guinea. The case analysis was conducted to gather evidence on the change in those communities due to recent reforms. Particular attention was paid to the policy, process and impact of reform at the different levels of governance (national, provincial and local government) to determine the trend of rural service delivery in southern highlands province. It was noted that reform policies aimed at improving services delivery has important policy implications at the rural level since the vast majority of the people are affected one way or another. The following presents the summary of the main findings of the study, policy implication and prospects and future research.

### **6.1 Summary of Finding**

Firstly it is important to revisit the policies that have been analyzed in this study. It is noted that the government of Papua New Guinea has implemented number of reform with the focus to find appropriate government since the crises in the 1990s.

The first governance reform was to decentralize political power by creating nineteen provincial governments, complete with legislature and executives. This division of power was set down in Organic Law on Provincial Government and subsequent delegation of power by the National Executive Council (cabinet). Until the 1990s, the government shifted its attention to structural

reforms factoring good governance as the main policy agenda to systematically improve the declining service delivery in rural areas.

It is noted that executive agency of these reforms and policies of the government is the Central Agency Committee (CACC) and they are responsible for coordinating and managing overall progress at the national level. Thus the primary responsibilities for implementing reform lies with each of the departments, agencies, and provincial administration in the public sector. It is envisaged that each organization had to play active and constructive roles in the public sector reform process. Following are the selected reform policies of which were analyzed during the course of the study.

- Reforms that improve political stability and political integrity
- Reforms to provincial and local level government
- Reforms to banking and financial institutions
- Programs at sector level, agencies, to be more effective in leading and supporting whole of government functions.
- Improving accountability institutions such as ombudsman commission and the public service commission

## **6.2 Achievement of Reform objectives**

The Government of Papua New Guinea has registered significant development as a result of implementing various reform policies in the country. The development, however, consist of two parameters of which significantly driven by two reforms in particular, political and financial reform.

- ***Political Reform***

The primary objective for the Government of Papua New Guinea was to achieve political stability to address the governance problems rooted in the political system. This objective was achieved after the successful enactment of three important piece of legislation in 2001. The first fruit of this reform was manifested in 2007 when a parliamentary election was conducted successfully under the new Limited Preferential Voting System. The changes made in the electoral process from 2002-2008 have been instrumental to the stability of the current Government. The ultimate political achievement aftermath of the reform is that the present government has reigned for five year full term since no government has served more than five years in the parliament since 1979.

Another notable achievement of the government is the adoption of the leadership code in March, 1998, by Prime Minister Micheal Somare. Given the political and economic constraint of the government, the inclusion of leadership code in the constitution prevented widespread of corruption and political patronage in the public sector. This code sets the public servants and politicians to carry out their duties in accordance with the working standard, rules and procedures of public service system. The breach of this provision imposes range of penalties such as reprimand, dismissal, suspension and possible imprisonment. These in turn, instill strict discipline required to strengthened and enforce the legislative function whilst executing the delegate functions and responsibilities of the public sector organization.

The other important achievement was the establishment of vital institutions such as the Auditor General's office, NGOs, and anti corruption measure which offer probity and over sighting support to the government. In fact, the Auditor General's office thus ensures all organizations, including government owned companies to be accountable in their fiscal operation in light of

good governance and public Finance Act. The standard of public financial system has been dramatically improved due to step measures taken within the budget institutions. The effect of this reform has produced positive results in financial operation at the end of 2004.

On the other hand, the significant reform in decentralization policies has led to increase of power transferred to the local governments providing services closer to the people. This includes the transfer of political and economic resources from central government to lower government. It is believed that political and financial empowerment is key element and thus reduces rural poverty through the provision of goods and services at the rural level.

However, the central government has mandated local level government the financial and administrative responsibility within the public health and education sectors. The government has also addressed inequitable public spending patterns for the subsectors. In 1997, only about 40% of current spending was devoted to primary education compared with 15% for secondary and 30 % for post secondary. The situation has changed in 2004 with the public spending on primary and secondary schools averaging 80 to 85 percent. The increased in the budget has improved the quality and internal efficiency of education service through the various policy actions. On contrary, there were significant constraints to this policy due to age population, shortage of school transportation, and lodging fees particularly in the districts with scattered secondary schools. Travelling distance of 5 km to lower or upper secondary school was identified as an access barrier. The financial disparity between rural and urban schools remains the main obstacle to fully realize the objective of decentralization policy. An important policy strategy appropriate to remedy this situation is to increase operational autonomy and financial capacity to empower poor by increasing the investment to health and education service.

- **Financial Sector Reform**

The legislative reform of financial sector is a successful case in Papua New Guinea. These reforms have complemented with the economic policies to help spurred the development of the financial sector. Notably, the implementation of the legislative Act on the Bank of Papua New Guinea (BNPG) has been highly noted among other reform since it contributed directly to the economic recovery aftermath of 1990 financial crises. This single Act of legislation reversed the negative growth and stabilizes the foreign reserve to compete in the free market economy. Furthermore, it improved the US dollar price for Papua New Guinea's main exports including gold, copper, and coffee and offset the trade balance in the world market.

The government of Papua New Guinea also acknowledged the fiscal reform in the budget institutions as the success factor to the growth. Particularly, the reforms in the management of public finance and budget performance have significantly reduced the public debt relative to GDP of -1.5 in 2002 to 2.1 in 2003. In addition, the enactment of Public Financial Act also minimizes the political interference from the management of Public Accounts and treasury department thereby improving position of the government to reduce its budget deficit. In the subsequent manner, the adoption of Organic Law in public financial management has strengthened the provincial budget management thereby improve the ability for local government to provide adequate service to the community. The improvement in procurement practice in the trade and industry has created positive investment climate for business partners in Papua New Guinea. It is noted that the transparency in the free trade agreement and procurement policies in PNG is more encouraging to attract offshore investment. These include the government's commitment in commissioning the department of finance to review the government procurement policy to create clear guideline and policies relating to procuring public goods and services. The

substantial reduction of high external debt from heavy borrowing from financial market was part of the national government commitment. The Public Expenditure Review and Rationalization Process (PERP) is the recent government's most concerted effort to curb the country's chronic budgetary problem.

### **6.3 Policy Implication**

While the Papua New Guinea has witnessed the economic growth and political stability at the macro level, efforts to translate the results into social expenditure to support growth and reduce poverty is somewhat a difficult challenge at the rural level. Particularly, reforms relating to distribute financial resources to develop rural infrastructure seem to be more political motivated and in many case promote regional bias in service distribution. Although some improvement has been made since the implementation of political decentralization reform, it is apparent that inter government relations between three levels of government seem to be weak and political leaders face incentives to place the interest of their local group above those of a nation as a whole.

### **6.4 Areas for Research**

Based on the findings from the case study of the two communities (Hela and Duna communities), it has been found that community governance is an area that needs research and policy attention. Linking community governance with the current push for sub national government strategies should include how governance is realized at the ward level, utilizing and implementing the provisions in the Organic Law on Provincial and Local-level Governments (OLPGLLG). The formal governance mechanism should recognize ward or community governance as the basic formal government institution. It is on that level that the government will be relevant to the people.

For the Hela Community, the Association has received publicity for being the model for local community government. The community is now moving towards seeking innovative ways to improve the living standard of the people through networking with community groups and relevant development partners. Hela People believed that development is about improving the quality of life of individuals. Yet little is known at the central government levels, about how the people organize themselves to access the basic services that the different levels of government are attempting to provide.

However, most community development initiatives happen at the grassroots level do not become public knowledge. Therefore, the local knowledge must be captured through research to further strengthen development initiatives and policies about community empowerment. In addition, sub national governance is the key priority reform issue in PNG, particularly to improve the modality of public service delivery in rural areas. Most of the government's community development budget is given to Members of Parliaments (MPs), through the Electoral Development Fund (EDF), this seldom trickles down to the communities, making community development a slow, agonizing, and protracted process in many electorates.

### **6.5 Prospects for the Rural Economy**

Rural economic prospects are about transforming the subsistence farmers into semi commercial farmers. Cooperative societies, which seemed to work successfully in the past, should be reintroduced to provide business security for small farmers against the exploitation of capitalist economy that has created new forms of economic vulnerability for people. When Papua New Guinea fulfils its development potential, it will be a country that has successfully harnessed the potential of the rural economy. There are economic benefits in encouraging the subsistence forms of agricultural activities to transform into semi-commercial or commercial forms of



production. However, the benefits to the social fabric of communities are also significant when communities are not reliant on outside assistance to provide the necessary resources to the people. The overall argument of this study is that there is a big disconnect between political intentions and policy outcome, which results in the decay of service delivery at the sub national level. In turn, they use data from the National Economic and Fiscal Commission (NEFC), which was gathered and analyzed for the period 2005- 2007, to demonstrate an overlooked and empirically testable point. Sub-national governments have insufficient funding (a funding gap) to carry out their mandated functions, and then spend their scarce resources on the wrong things (a priority gap). These gaps lead to the failure in service delivery accounts for the substandard policy outcome that is observable in the agricultural sector, and which seriously compromises the potential for growth in rural PNG.

## Reference

- ADB. (2006). *Country Strategy and Program: Papua New Guinea (2006–2010)*. Manila.
- ADB (Asian Development Bank)., (2002) *Issues, Causes and Institutional Responses*, Retrieved in December,2009 from <Http://www.adb.org/documents/reportspoverty/pak/forward/pdf>
- Avei, M., (1996). *Medium Term Development Strategy, (1997–2002)*. Waigani:
- Barter, Sir Peter. (2004). *Blunt Assessment, Hope and Direction*. Lower Level Government in PNG.
- Bell,S,. (Ed.). (2002). *Economic Governance and institutional dynamics*. Oxford University Press.
- Carney, D., (ed.), *Sustainable rural livelihoods: What contributions can we make?* DFID.
- Cabinet Committee on Planning. (1973). *Papua New Guinea's Improvement Plan (1973 – 1974)*.
- Chand, S. and Yala, C., (2005). *Economic Policy Making in Papua New Guinea*. National Research Institute of Papua New Guinea.
- Chambers, R. and G. Conway, (1992); *Sustainable rural livelihoods: Department for International Development*.
- Chand, S., (2007). *'Governance for Growth: Priorities for a Reform Minded Papua New*.
- Curtin, T. (2000). Public sector reform in Papua New Guinea and the 1999 budget. Retrieved June, 2010 from *Labor and Management in Development* (online) 1(14).
- Craig and Daniel Start, ( 2001). *Sustainable livelihoods guidance sheets*. London: Department for International Development; Johnson, *Rights, claims and capture: Understanding the politics of pro-poor policy*.
- Daniel Kaufman, AartKraay, and Pablo Zoido-Lobaton (1999), *"aggregating Governance indicators"*, World Bank Policy Research Working Paper No.2195 (Washington) retrieved June, 2010 from <http://www.worldbank.org/wbi/governance/>.
- David Silverman (2002) Department of education (2002a 2003), *The State of Education in Papua New Guinea*.
- Department of National Planning and Monitoring, (2004). *Plan for Economic and Social Advancement*.
- Development Strategy (2005–2010). Waigani: Department of National.

Dickson, W., (1999). 'Civil society and development, non-government organizations and churches', *Development Bulletin* 50: 44-50.

*Economic Bulletin*. Vol. 2 (17). Asia Pacific Press, Canberra, Australia

Financial Management Improvement Program (2003). *Papua New Guinea Yearbook* (2003, 10–11.). Port Moresby: The National and Cassowary Books.

Family Health and Rural Improvement Program. (2000) *Combined Quarterly Reports for (April-June & July-September 2000)*. Tari: Papua New Guinea Institute of Medical Research.

Final Consolidated Report (2006), Assessment of Woman's Association Group in Mining and Petroleum Project Impact Areas of Papua New Guinea.

Final Report (2007), *the Review of PNG Public Sector Reform Program*.

*The Medium Term Development Strategy (2005–2010): Our Plan for Economic and Social Advancement*. Port Moresby

Andrian Holliday, A. (2002). *Doing and Writing Qualitative Research*. London: Sage, Special Issue: Volume 3, No 4 (2002). Retrieved May 2010 from online, [www.qualitative-research.net/index.php/fqs/article/.../1709](http://www.qualitative-research.net/index.php/fqs/article/.../1709)

Hughes, J. (1990). *The Philosophy of Social Research*. London: Longman

Heinrich and L. Lynn, eds., *Governance and Performance: New Perspectives*. Washington, DC: Georgetown University Press.

Kaufmann, D., Kraay, A., and Pablo Zoido-Lobaton, (1999). 'Governance Matters', *Policy Research Working Paper 2196*, the World Bank.

Kamit, L. Wilson. (2000). *Reforms to the Central Bank Act and Financial Institutions Act*. INA Speech Series No. 2. Port Moresby: Institute of National Affairs.

Kua, Bill. (2006). Public Sector Reform in Papua New Guinea. *State, Society and Governance in Melanesia. Public Policy in Papua New Guinea — Discussion Paper 2006/1*. Canberra:

Keeley, (2000). *Participatory Reform from a Sustainable Livelihood Perspective*. Retrieved June, 2010 from on line <http://www.fao.org/docrep/006/ad688e/ad688e03.htm>

*A Pacific Food Security Network of Melanesian Community Organizations* (2002). Solomon Islands: Kastom Gaden Association.

Lawrence, P (1967): Cargo thinking as a future political force in Papua and New Guinea, *Journal of the Papua and New Guinea Society*, vol. III:20-25

May, R. J. (2006). *The public sector reform process in Papua New Guinea*.

Public Policy in Papua New Guinea Discussion Paper Series 2006/4. The National Research Institute and the State.

Miles, Matthew B. & Huberman, Michael A. (1994). *Qualitative Data Analysis, Second Edition*, and Thousand Oaks: London: Sage.

Masaki (1999:100). *Comparative Analysis of Governance, Allocation of Power among Network Members*

McCasker, A.W., (1970). *Economic Development Planning*. Port Moresby.

*Mineral Group Resource Investment Port Folio* (2008). Retrieved November 2010, from <http://www.mrdc.com.pg/investments/index.htm>

Nazarene Health Ministries. (2002). *Community Based Health Care Program Strategi*. Research School of Pacific and Asian Studies, Australian National University.

Ngairé Woods. *Good Governance in International Organization*, Final version published in *Global Governance* Volume 5, Number 1(January March, 1991).

National Planning Office, (2000). *The National Public Expenditure Plan in Papua New Guinea*.

National Conference. (1999), *Partnership for 21<sup>st</sup> Centaury for Good Governance*, Retrieved October, 2010 from Administration Volume Article first published online: 18DEC2002.

North, D., 1990. *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, Cambridge.

Papua New Guinea Government', *Pacific Economic Bulletin*, **22(1)**:70–82.

Papua New Guinea. (2003. 2004) *Budget. Volume 1. Economic and Development Policies*.

Papua New Guinea. Paper for the Public Sector Reform Advisory Group, April 2004.

Peters, B. G. and J. Pierre. (1998). "Governance without Government? Rethinking Public Administration." *Journal of Public Administration Research and Theory*, Vol. 8, No. 2: 223-243.

Public Sector Reform Advisory Group (2005). *Second Report. Improved Decentralization*.

Reilly B. (2002). *Economic decline and political reform in Papua New Guinea*. Pacific Economic Bulletin.

Rhodes, R. (1996). *The New Governance: Governing without Government*. Buckingham, Open University Press,

Road Map for Our Future. Information Paper No. 1 to Members of Parliament. Waigani: Department of National Planning and Monitoring

Scoones, I., (1998), *Sustainable rural livelihoods*: Institute of Development Studies, University of Sussex.

Shabbir Chema, G and Rondinelli, D.A (2007). *Decentralization Governance: Emerging Concepts and Practice*. Brooking Institution Press, Washington DC.

Senator, (2000). *The Role of Trust and Power in Not-for-Profit-Governance, Effective Utilization of Social Network and for Organizational Benefit*.

Social and economic conditions at Tari', *Papua New Guinea Medical Journal* 45(1-2): 113-127.

Soesastro, Hadi., ( 2000). "Governance and the Crisis in Indonesia", in P. Drysdale (edit) *Reform & Recovery in East Asia – The Role of the State and Economic Enterprise*, Rout ledge, London.

Tauea Toatu, (2003). *Asia Pacific school of Economics and Management*, Australian National University, Canberra 0200.

UNDP policy document, 1997. *Good governance and sustainable human development*.

Vail, J. (2002a) 'The Family Health and Rural Improvement Program', *Papua New Guinea Medical Journal* 45(1-2):147-162.

World Bank Report, (2000). *Reforming Public Institution and Strengthening Governance*

World Bank Report, November. (2000). *Public Sector Group and Poverty Reduction (PREM) Network*.

Ved P. Nanda (2006). Good Governance Revisited. *The American Academy of Political and Social Science*.

World Bank Report. (2003). *Public Expenditure Review and Rationalization*. 22<sup>nd</sup> Second Achieving Sustainable Development Growth in PNG.

World Bank Report, (2007) Strategic Direction in Human Development in Papua New Guinea

*Asia-Pacific Development Journal*, Vol. 10, No. 2, (December 2003).

World Bank Report. (2004). *Papua New Guinea Poverty Assessment*. Retrieved September, 2010 from <http://siteresources.worldbank.org/INTPAPUANEWGUINEA/Resources/PA-Report.pdf>

World Bank, Decentralization Thematic Team. What is decentralization? The online source book in decentralization. Retrieved October, 2010 from

[http://www.ciesin.columbia.edu/decentralization/English/General/Dfferent forms.html](http://www.ciesin.columbia.edu/decentralization/English/General/Dfferent%20forms.html)

Yin, Robert K. (1994). *Case Study Research, Design and Methods*. Thousand Oaks, CA: Sage Publications.

Yamauchi, T. and Ohtsuka, R. (2002) 'Nutritional adaptation of women in contrasting agricultural environments in Tari, Papua New Guinea.

**Appendix 1 VILLAGE MAP OF HULI VILLAGE**

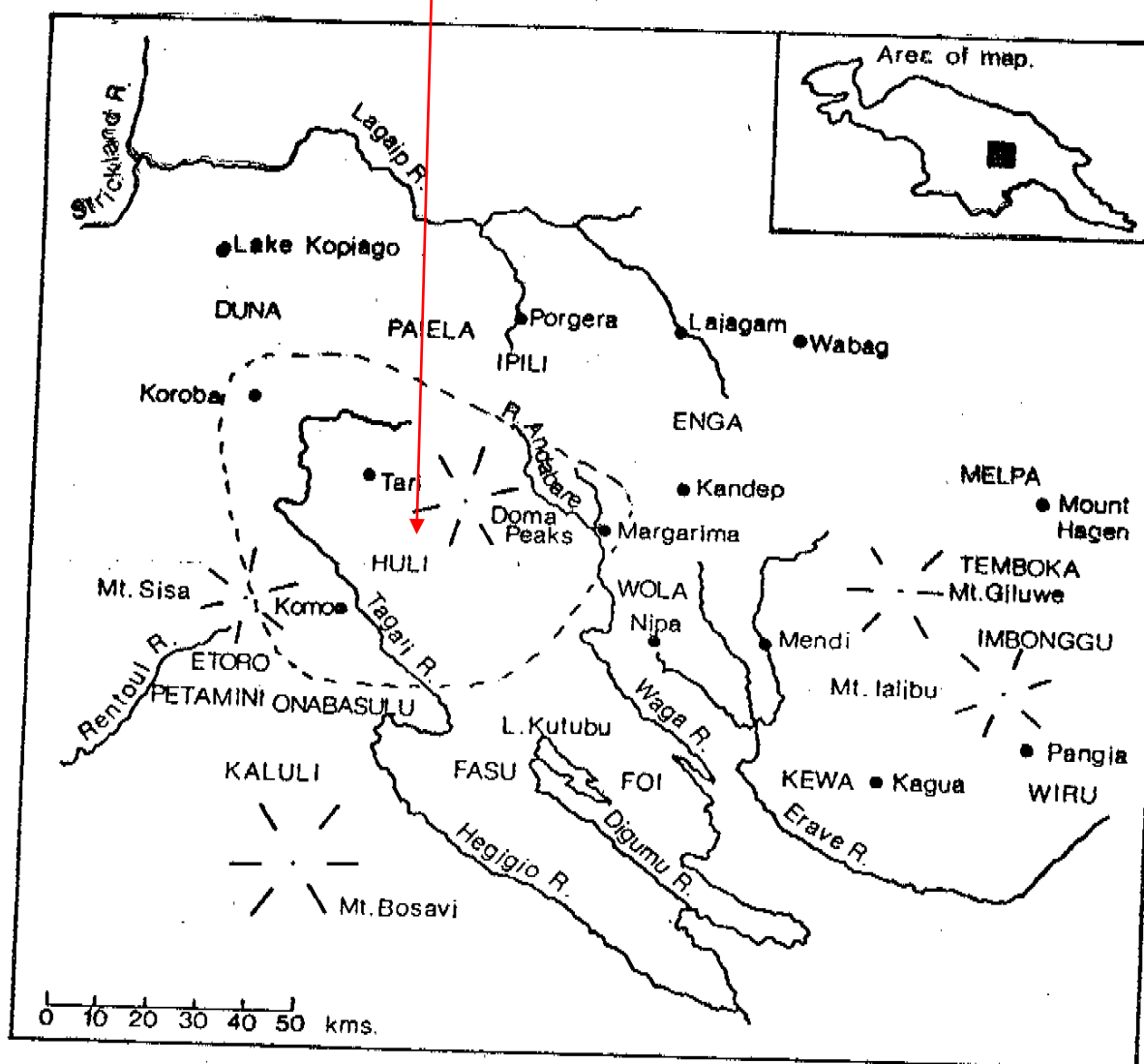


Figure 1. The Huli area and nearby people.

**APPENDIX 2****Questionnaire (2009)**

DATE OF THE INTERVIEW:

PROVINCE:

DISTRICT: .....

LLG / Constituency Name

WARD Name

Village Name

Household Number/Name (person interviewed)

Town \_\_\_\_\_, estimate the number of hours \_\_\_\_\_

Transport/Road/Distance Questions

1 How long does it take to walk to the nearest road that can be used by vehicles?

2 .What is your most frequently travelled road? From \_\_\_\_\_ To \_\_\_\_\_

3 Male household member: How often do you travel on this road each month to?

Female household member: How often do you travel on this road each month to

The nearest market \_\_\_\_\_, estimate number of hours \_\_\_\_

Education and schools

How far are the schools from your house?

Elementary \_\_\_\_\_ (hours) or \_\_\_\_\_ (minutes) \_\_\_\_\_ means of transport

Upper primary \_\_\_\_\_ (hours) or \_\_\_\_\_ (minutes) \_\_\_\_\_ means of transport

Questionnaire for PMV Operators/Transport Providers (cargo)

Date of the interview: \_\_\_\_\_

Road Corridor \_\_\_\_\_ Name of village/ province \_\_\_\_\_

Which is the road you most frequently use?

Origin \_\_\_\_\_ Destination \_\_\_\_\_

Village Profile Form

Village Name : District Province Village

Population:



---

Number: \_\_\_\_\_

of Women:

Number of Man \_\_\_\_\_

Number of Woman \_\_\_\_\_

Interviewers' Names \_\_\_\_\_

Road Benefits

How would an improved road affect you?

a). Easier movement

b). Reduction in transportation cost

d). Increase in income

e). Reduce agricultural products lost due to smoother road

---

### Appendix 3

What are the following would improve your quality of life the most?

a. Water supply

b. Sanitation

c. Electricity

d. Family planning services

Improved access to schools and technical vocational training

#### Agriculture

If you are a farmer, where do you sell your produce most frequent

Agriculture

b. Nearby market \_\_\_\_\_ (nearest town market)

c. Distant market \_\_\_\_\_ (further away town market)

How often do you sell your food crops at your most frequently used market?

a. more than once a week

b. once a week

several times per month

Access to social services and infrastructure

<b>Education</b>	
<b>District</b>	<b>Adult literacy rate %</b>
<b>Kagua</b>	<b>67</b>
<b>Erave</b>	<b>54</b>
<b>Mendi</b>	<b>68</b>
<b>Ialibu</b>	<b>80</b>
<b>Tari</b>	<b>67</b>
<b>Nipa</b>	<b>65</b>
<b>Koroba</b>	<b>54</b>
<b>Aus AID ,2007. According Household Survey</b>	
<b>Factors improving quality of life</b>	
<b>1Water supply</b>	
<b>2Sanitation</b>	

Appendix — Tables

Table 1: GDP level and growth rate

	GDP per capita, Purchasing Power Parity (constant 2005 international \$)	Annual GDP growth (%)
1975	..	-0.88
1976	..	-3.39
1977	..	0.83
1978	..	8.55
1979	..	1.83
1980	1699.24	-2.30
1981	1653.56	-0.27
1982	1617.62	0.35
1983	1626.74	3.22
1984	1579.08	-0.35
1985	1600.21	4.00
1986	1632.96	4.69
1987	1636.09	2.77
1988	1641.55	2.91
1989	1577.60	-1.42
1990	1491.31	-3.01
1991	1592.04	9.55
1992	1766.15	13.85
1993	2033.85	18.20
1994	2098.63	5.94
1995	1975.75	-3.31
1996	2072.03	7.73
1997	1938.03	-3.90
1998	1815.41	-3.77
1999	1901.20	7.55
2000	1829.88	-1.21
2001	1782.04	-0.1
2002	1734.73	-0.2
2003	1730.51	2.2
2004	1736.20	2.7
2005	1753.69	3.3
2006	1761.00	2.6

Source: World Bank, World Development Indicators (2008).

APPENDIX 5

**PROPOSED INTEGRATED DEVELOPMENT STRUCTURE FOR WOMEN ASSOCIATIONS  
IN MINING AND PETROLEUM IMPACTED AREAS**

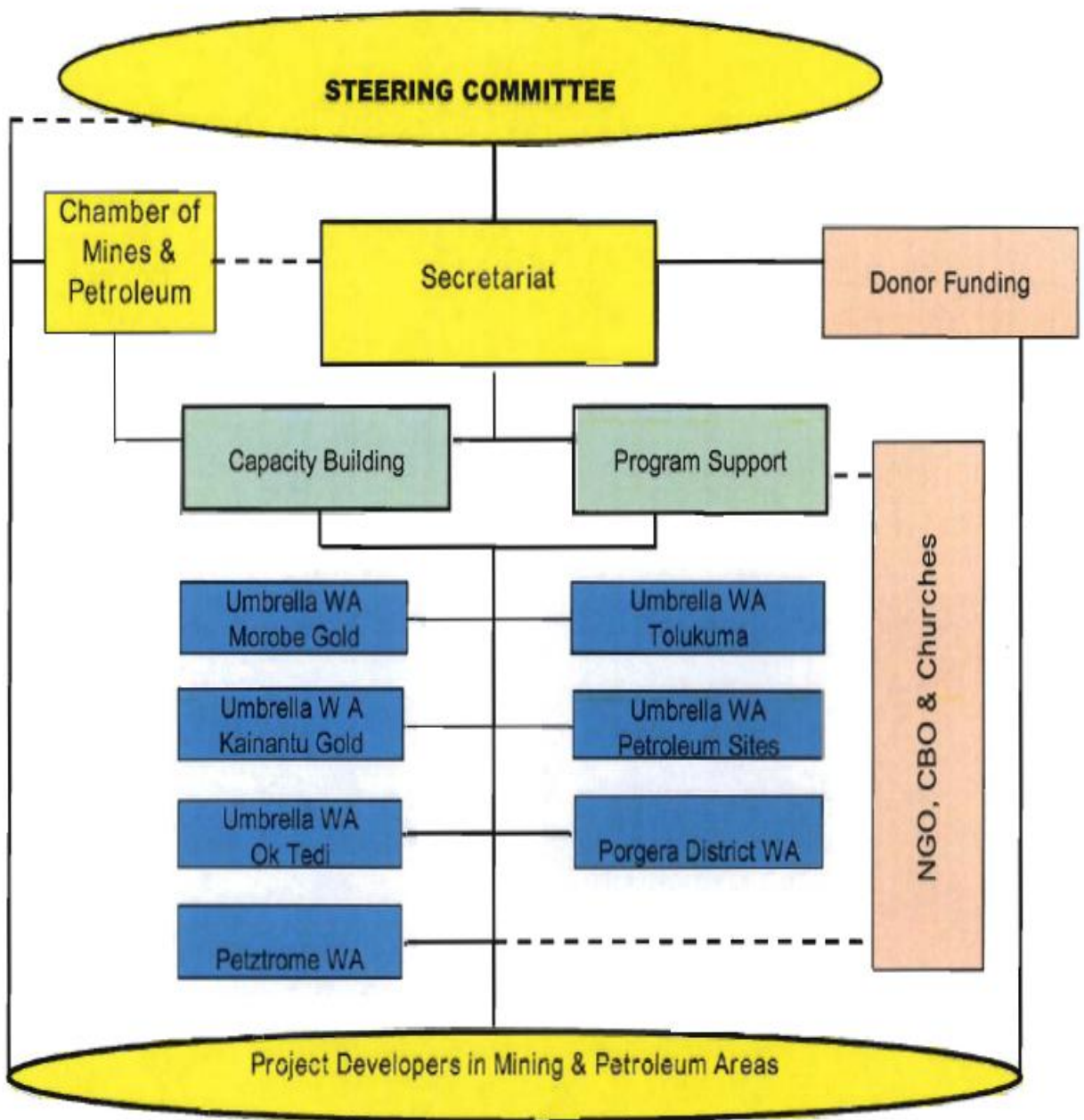


Table 4.6

**SUMMARY OF PROGRAMS IMPLEMENTED BY THE ASSOCIATIONS**

<i>Name of Association</i>	<i>Social program</i>	<i>Economic Program</i>	<i>Life Skills:</i>	<i>Capacity Building Programs</i>
1. Porgera District WA	<ul style="list-style-type: none"> <li>- HIV/AIDS Awareness</li> <li>- Health &amp; Hygiene</li> <li>- Malaria Eradication</li> <li>- Immunisation program</li> <li>- Domestic Violence</li> <li>- Counselling and Advice</li> <li>- Literacy</li> </ul>	<ul style="list-style-type: none"> <li>- Screen printing</li> <li>- Artefact Shop</li> <li>- Canteen</li> <li>- Vegetable buy/sell</li> <li>- Truck Lease</li> <li>- Credit scheme</li> </ul>	<ul style="list-style-type: none"> <li>- Cooking</li> <li>- Sewing</li> <li>- Agriculture</li> <li>-</li> </ul>	Bookkeeping
2. Petztrome WA	<ul style="list-style-type: none"> <li>- Yumi Bung Wantaim</li> <li>- Health and hygiene</li> <li>- Social Awareness</li> <li>- HIV AIDS Awareness</li> <li>- Literacy</li> </ul>	<ul style="list-style-type: none"> <li>- Credit scheme</li> <li>- Local Market Gate Takings</li> <li>- Can Crusher</li> <li>- Transport service (speed boat)</li> </ul>	<ul style="list-style-type: none"> <li>- Cooking</li> <li>- Sewing</li> <li>-</li> </ul>	Needs Identification & Analysis
3. Breido WA	<ul style="list-style-type: none"> <li>- Health Outreach</li> <li>- HIV/AIDS Awareness</li> </ul>	<ul style="list-style-type: none"> <li>- Curtain Sewing Contract</li> <li>- Camp cleaning service Contract</li> </ul>	<ul style="list-style-type: none"> <li>- Sewing</li> <li>- Art and Craft</li> </ul>	
4. AIG WA	<ul style="list-style-type: none"> <li>- Health Outreach</li> <li>- HIV/AIDS Awareness</li> </ul>		<ul style="list-style-type: none"> <li>- Sewing</li> <li>- Art and Craft</li> </ul>	
5. Wau Rural WA	<ul style="list-style-type: none"> <li>- HIV/AIDS Awareness</li> <li>- Community Justice</li> <li>- Literacy program</li> </ul>	<ul style="list-style-type: none"> <li>- Credit Scheme</li> </ul>		
6. Wau Urban WA	<ul style="list-style-type: none"> <li>- HIV/AIDS Awareness</li> <li>- Community Justice</li> <li>- Literacy program</li> </ul>			
7. Upper Watut WA	<ul style="list-style-type: none"> <li>- Literacy program</li> </ul>			
8. Star Mountain WA	<ul style="list-style-type: none"> <li>- Literacy program</li> </ul>			
9. Tari WA	<ul style="list-style-type: none"> <li>- Literacy program</li> <li>- HIV AIDS Awareness</li> <li>- Provide temporary shelter for disadvantaged children</li> <li>- Facilitate the FODE</li> </ul>	<ul style="list-style-type: none"> <li>- Guest House</li> <li>- Credit Scheme</li> </ul>	<ul style="list-style-type: none"> <li>- Sewing</li> <li>- Art and Craft</li> <li>- Agriculture</li> </ul>	- Sponsorship for young girls