PNG DEVPOLICY BLOGS 2018-19

DEVELOPMENT
POLICY CENTRE

Preface

This fifth collection of Devpolicy Blog posts on Papua New Guinea brings together some of our most engaging writing from 2018 and 2019.

It has been a significant time for PNG, including the hosting of APEC in Port Moresby, and political change in 2019 with new Prime Minister James Marape taking power. Our blog continues to attract a strong amount of Papua New Guinea readers, particularly during news and political events, but also reflecting the interest in the wide variety of research, analysis and opinion we share throughout the year.

We've grouped this collection under six headings: the economy; policy challenges and opportunities; PNG and the region; politics and government; health and wellbeing; tackling family sexual violence.

There is a lot more on the blog that we were unable to include in this volume. All PNG posts can be found here: http://devpolicy.org/category/png-and-the-pacific/png/.

This publication is made possible by support from the Australian aid program through the Pacific Leadership and Governance Precinct, which supports the partnership between University of Papua New Guinea's School of Business and Public Policy (SBPP) and The Australian National University's Crawford School of Public Policy, of which the Development Policy Centre (Devpolicy) is part.

We hope that this collection will give you a taste of the PNG material on Devpolicy and that, if you aren't already, you will become a regular reader of our blog at devpolicy.org.

You may also consider becoming a contributor: we are always keen to receive new posts and comments. Visit the blog or contact us at devpolicy@anu.edu.au.

Professor Stephen Howes
Devpolicy Blog Editor
Director, Development Policy Centre (Devpolicy)
Crawford School of Public Policy, ANU

Acknowledgements

Thank you to Arichika Okazaki and Ashlee Betteridge for their work in compiling this publication. Special mention to Holly Lawton and Sachini Muller, co-editor and former editor respectively of the Devpolicy Blog, for their work sourcing, editing and publishing contributions.

Table of contents

The economy

Policy challenges and opportunities

PNG and the region

Politics and government

Health and wellbeing

Tackling family and sexual violence

The economy

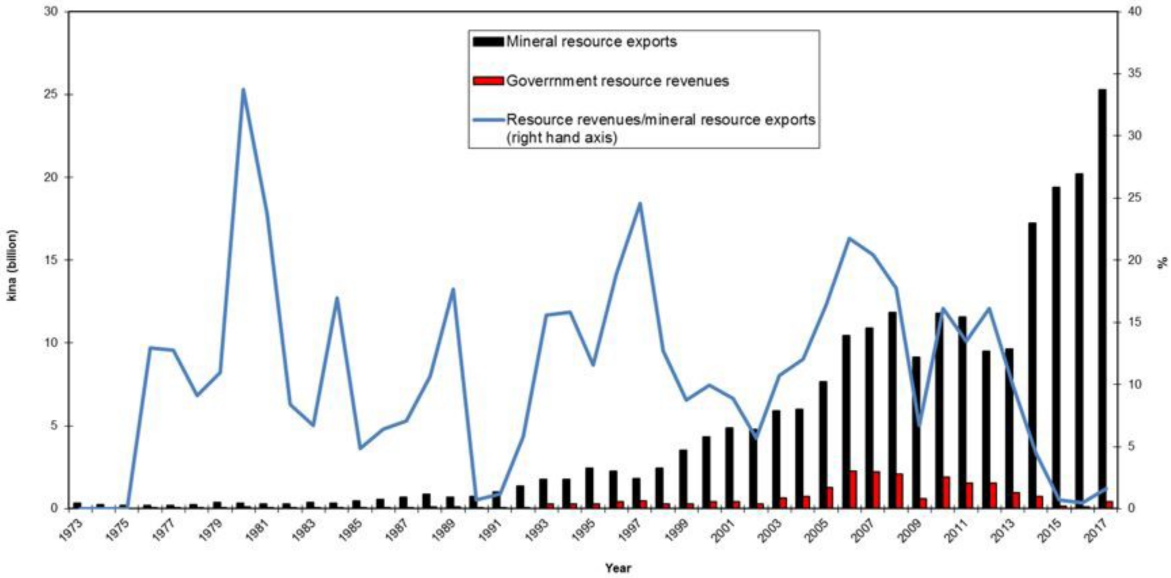
Papua New Guinea's disappearing resource revenues

By Glenn Banks and Martyn Namorong on August 15, 2018

Government revenues from Papua New Guinea's mining, oil and gas sector have essentially dried up. With the ongoing effects of the devastating earthquake in Hela province, the eruption of election-related violence in the Southern Highlands, a significant budget shortfall, and a foreign exchange crisis driving business confidence down, the resources of the government are severely stretched… and the massively expensive APEC meeting looms in November.

In this context, the drop in government revenue from the resource sector is staggering, and accounts in significant part for the growing fiscal stress. Figure 1 shows the extent of the issue: in 2006-2008, according to BPNG figures, the government collected more than K2 billion annually from the sector by way of taxes and dividends, on mineral exports that had just topped K10 billion for the first time. In 2017, the figure is just K400 million on exports of K25 billion – a revenue reduction of more than 80% in the same time that exports have increase by 150%! Government dividends and corporate taxes made up just 1.6% of the value of exports in 2017 (and that was a significant increase over 2015 and 2016). If we take the long-term average share of the value of exports that the government has received (at a little over ten percent), this points to a potential 'hole' of at least K8 billion over the past four years, an amount that would go a long way to covering the current fiscal deficit.

Figure 1



Source: BPNG. Resource revenues are defined as "MRSF receipts," that is, the receipts that used to go into the Mineral Resource Stabilisation fund. Even though the MRSF no longer exists, BPNG still records resource revenues, which include corporate tax and dividend payments from resource companies.

There are some precedents for the rapid drop in government revenues from the sector, as Figure 1 show. In 1990 and 1991 – just as the 'resources boom' triggered by the Porgera gold mine and oil production at the Kutubu oilfield began – revenues collapsed, largely due to the closure of the Bougainville copper mine in 1989; and again, briefly in 2009 due to the onset of the global financial crisis in 2008. But neither of these has been as deep or as sustained as the current hole.

A full explanation of the precipitous decline in resource revenues is beyond the scope of this analysis. Clearly, a number of factors are involved, including a fall in commodity prices, major construction and expansion costs (which attract accelerated depreciation provisions) and generous tax deals. The revenue dry-up of the past four years also reveals that the State bears a disproportionate share of the risks associated with resource projects and investments. If we go back to the original intent of the post-Independence mineral policy, it was to translate mineral wealth into broad-based development across the whole country:

'…known mineral resources should be developed for the revenue they can provide to the Government' (PNG Department of Finance 1977: 2).

This clearly has not happened in the last four years. And certainly the Treasurer can't be critiqued for commissioning yet another fiscal review: this seems appropriate, although whether it effectively addresses broader issues of a 'fair share' of mineral wealth remaining in PNG remains to be seen.

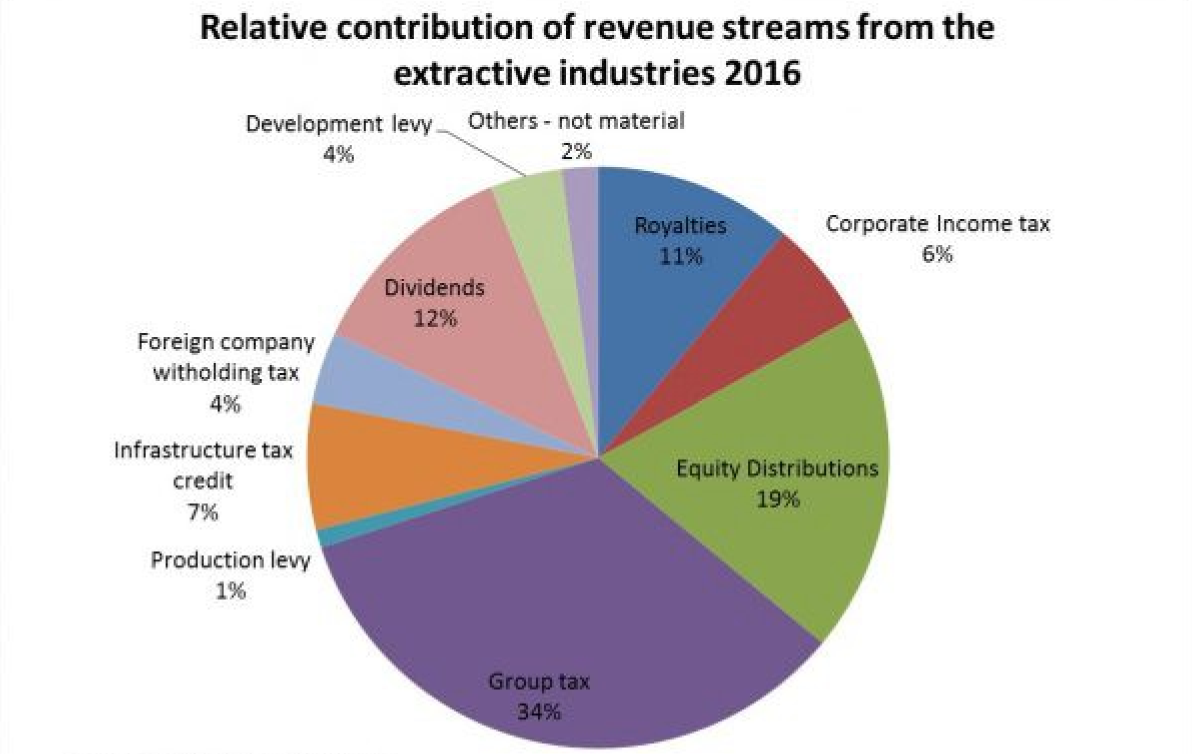
While there is much less money coming from the resources sector, there is at least better data than there used to be. The Extractive Industries Transparency Initiative

(EITI) is a global initiative begun in 2002 to give transparency to what were regarded as often opaque flows of resource revenues from multinational companies in the extractives sector (especially oil) to the state in the countries in which they were operating. It is a voluntary initiative in which countries (and companies) can elect to become a 'candidate' country, and so long as they are able to be compliant with EITI standards, they can be admitted as a full member of EITI. The key requirement is to be able to report in a reliable way (through third party audits) on the revenues paid by companies, and reconcile these with payments received by the different arms of the state. The involvement of all parties – companies, governments and civil society – and public communication around the event and its products is also seen as central to both transparency and raising awareness of the nature of resource revenues and their destination.

PNG initiated its involvement in EITI in 2012. Four annual EITI reports have so far been produced (for the years 2013 to 2016). These reports provide an increasingly rigorous and transparent set of data on flows from the sector to the government, and identify additional revenue streams to the government than what BPNG use (and have used for the past 40 years). When all the additional revenue streams that EITI identify are included, the total share of the value of mineral exports rises to around 6.5% for 2017, up from the 1.6% based on the BPNG data. EITI is not without its problems and the most recent PNG country report identifies areas where it needs to be strengthened in PNG, and a focus on companies rather than operations can lead to the obfuscation of total flows and payments from each mine, oil and gasfield. In the PNG context, an examination of the sub-national flows and audit trails is also significant, and an initial study into this is underway.

One surprising revelation from EITI is that the single largest revenue stream from the mining, oil and gas sector to the government for at least the last two years has been so-called "group taxes": the taxes paid on the wages and salaries earned by employees in the sector (Figure 2). These were worth more than K500 million in both 2016 and 2017, and in 2016 represented 34% of the revenue streams from the sector to the government, as identified by EITI. This is significantly more than the K46-88 million in corporate income taxes, K200 million in dividends paid to the State, or the almost K200 million paid in royalties in 2017. These group taxes are likely to be a more stable revenue stream than taxes or dividends – the workforce is unlikely to expand and contract to the extent that it impacts on the taxes they pay (leaving aside construction phases), or at least not as much as global commodity prices and profitability. But – and here we come back to the issue of PNG securing a fair share of its mineral endowment – this is a tax on the labour used to extract the resource, not a means of necessarily securing a direct share of the value of the resource itself.

Figure 2



Source: EITI 2016 Report, Figure 3

The second area where EITI has revealed some interesting questions is around the operation of the Infrastructure Tax Credits (ITC). ITC originated in the sector in 1992 when the Porgera Joint Venture negotiated with the state to use a portion of their taxable income to directly provide infrastructure for surrounding local and provincial governments in exchange for a tax credit on this spend. Over the years the value and the uses of the ITC have varied, including at times supporting various national projects, and has been the subject of debates in various reviews as to its value. In 2016, four companies reported expenditures of K135 million in tax credit projects to DNPM[i], a significant amount that could well have contributed significantly to local and provincial development aspirations… but we don't really know given the relatively poor reporting of the outcomes of these expenditures. More significantly, though, it is difficult to reconcile the size of these expenditures with the actual taxes paid by the four companies, which come in at well under K100m in total. That tax credits have come to exceed tax payments should ring alarm bells, and would explain why the government has in fact put a temporary stop on them.

Going forward, we would suggest two additional areas of focus, based on the above analysis. This first is local procurement. What is clear from the EITI reports (and earlier work by Banks (1990) on BCL) is that extraction of minerals is an expensive process, and a significant amount of the value of the mineral resource is spent by the companies on the labour, machinery, fuel, food, and the multitude of other costs needed to extract and export the mineral resource. An analysis from the last year of the Bougainville Copper Ltd mine at Panguna revealed that an estimated two thirds of the value of the mine accumulated directly outside Papua New Guinea, and indirect or second round spending would increase this (Banks 1990: 108). Imported materials and services made up 23% of the total value of the gross revenue of the minerals exported, cost of sales (all spent offshore) another 13%, depreciation 8% and dividends to non-PNG shareholders 12%. Local content spend on materials and services sat at just 5.5%, less than a quarter of the equivalent imported costs, while in total local wages and salaries were around two-thirds of the expatriate salary costs, despite the much greater numbers of local employees.

A long-standing objective and challenge for the State has been to find ways to ensure a larger proportion of these capital and operating costs are spent on PNG- based labour and other inputs. Plans at most of the major operations have been successful in localising the workforce significantly, hence reducing imported labour (and costs) at operations over time, although foreign labour continues to be important during construction. In terms of the goods, services and materials used to construct and operate a mine though, there appears to be scope to increase the proportion that is spent and retained locally. In large part this is tied to corporate and state support for a stronger local small business sector that can effectively service these mines (and potentially service the growing extractives industry across the Pacific).

The second area to which attention needs to return is the Sovereign Wealth Fund (SWF). This Fund, which would serve the dual function of saving a component of the resource revenues and having a portion committed to developmental needs through the budget, is in place (in terms of the legislation for it) but has not yet been implemented by the government. This well-proven mechanism for translating immediate resource revenue into a long-term sustainable fund can play a critical role in reducing the volatility of flows to the government. Ironically it may be that the factor holding back the government from moving on its implementation is the dire need for all the resource revenues right now. But neither is it sensible to wait for revenues to return to high levels before initiating the SWF: it will almost be certain that political and bureaucratic processes would delay the first flow of revenue to such an extent that several years' worth of revenues that could kick start the fund would be lost. In other words, in many ways this period of low revenue is an excellent time for the Fund to begin.

So, the answer to the question of where have all the resource revenues gone, is not a simple one. The EITI reports show that a range of factors at the different operations (accelerated depreciation, tax holidays, ITC and re-capitalisation in plant expansions etc), have impacted on the revenue flows to government. To this we can add global commodity price drops, a compromised fiscal regime and some less-than-transparent governance structures and processes. The fact remains though, that over the past four critical years in its development, Papua New Guinea has missed out on a 'fair share' of the value of its mineral resources that have been extracted.

Glenn Banks is Professor and Head of School at the School of People, Environment and Planning at Massey University, New Zealand. Martyn Namorong is the Coordinator of the Papua New Guinea Resource Governance Coalition, and a member of the PNG EITI Multi-Stakeholders Group (PNGMSG).

Notes:
[1] Although confusingly there are different figures recorded as tax credits claimed by the companies from IRC – where the total credit offset against tax from three of the four companies come to K54million.

References:

PNG Department of Finance (1977), Financial Policies Relating to Mining and Mining Tax Legislation: Statement of Intent. Waigani: October.

Banks, G. (1990), Minerals and Development in Papua New Guinea. Unpublished MSc Thesis, Department of Geography, University of Canterbury.

PNG's 2015 non-resource recession

By Stephen Howes and Nelson Atip Nema on August 24, 2018

Papua New Guinea is a resource dependent economy. Much of the resource sector – which makes up 30% of Gross Domestic Product (GDP) – is foreign- owned, and a large share of the benefits flows offshore. For such an economy, Gross Domestic Profit (GDP) is a misleading indicator of national economic activity. Gross National Income (GNI) would be a better aggregate economic indicator, but is unavailable. In such circumstances, the best measure is non- resource GDP (sometimes called "non-mining GDP"), that is, GDP excluding the output of the mining and petroleum sectors, but including their spillover effects (e.g. through taxation and private domestic spending).

Way back in 2016, after surveying the available evidence, we concluded that:

> … it is hard to believe that the non-resource economy has *not* been contracting in 2015 and 2016. Certainly GDP grew in 2015 thanks to strong LNG export growth. But it should not surprise us if the end of the LNG construction phase and the fall in commodity prices led to a contraction in the non-resource economy. Employment, imports, tax revenue and qualitative evidence all seem to point in this direction.

This was written at a time when the only estimates available for non-resource GDP in 2015 and 2016 showed positive albeit weak growth. Late last year, in the 2018 budget, Treasury shows growth of 0.7% in the non-resource sector and overall GDP growth of 10.5% in 2015. But in March this year, the PNG National Statistical Office (NSO) released its 2015 estimate for GDP. The NSO (on its website) now says that real growth in GDP in 2015 was not 10.5% but 5.3%. 2015 was the first full year of LNG production – this resulted in an increase in resource output of almost 50%. NSO has not released its sectoral disaggregation, but it is safe to assume that Treasury's resource output numbers are correct for 2015: resource GDP is easy to measure as it approximately equals mineral and petroleum exports. Combining the NSO estimate for total GDP with the Treasury estimate for resource GDP gives the result that non-resource GDP declined by 5.9% in 2015 after inflation (see "2018 estimate" in the table below).

Estimates of GDP, resource GDP and non-resource GDP real growth for 2015

	GDP growth		Resource GDP growth		Non-resource GDP growth	
	Value	Source	Value	Source	Value	Source
2017 estimate	10.5%	Treasury	48.3%	Treasury	0.7%	Treasury
2018 estimate	5.3%	NSO	48.3%	Treasury	-5.9%	NSO & Treasury combined

Sources: "2017 estimate" from PNG Treasury (2018 budget); "2018 estimate" from NSO. Notes: NSO has only published its estimate for GDP growth in 2015. In the "2018 estimate" row, the Treasury resource GDP figure is combined with the NSO GDP figure to obtain the "NSO & Treasury combined" non-resource GDP growth estimate. All values are in constant prices.

Of course, one cannot be sure of the 5.9% estimate. The IMF estimates resource growth in 2015 at 43.2%. This gives non-resource growth of -4.6%. For several months, the NSO website has said that the detailed tables for 2015 GDP by sector will be published "shortly." Only release of this data can clear up the uncertainty.

It is hardly surprising that non-resource GDP contracted in 2015. As we noted in our 2016 blog, construction for the mega PNG LNG project finished the year before. That construction, which was carried out over 3-4 years, was valued at $19 billion, which is about equivalent to PNG's GDP. The removal of that stimulus must have placed significant downward pressure on GDP, both direct and indirect. In addition, 2014 was the year in which government revenue peaked, with revenue falling thereafter partly due to economic contraction but also due to a drop in commodity prices. The resulting fiscal contraction would have also caused a contraction in non-resource GDP.

In addition, and again as we noted in 2016, there were several clear signs of negative growth in 2015: not only falling tax revenue, but plummeting import demand, falling employment, and worrying business accounts of falling sales.

What is more surprising is that this contraction in GDP has taken so long to be recognised in government statistics. The downgrading of GDP growth from 10.5% to 5.3% is not due to a rebasing. In fact, it is not clear what the source for the difference is, other than that one estimate comes from NSO and one from Treasury. Given that NSO receives support from the Australian Bureau of Statistics, the NSO estimates are more credible.

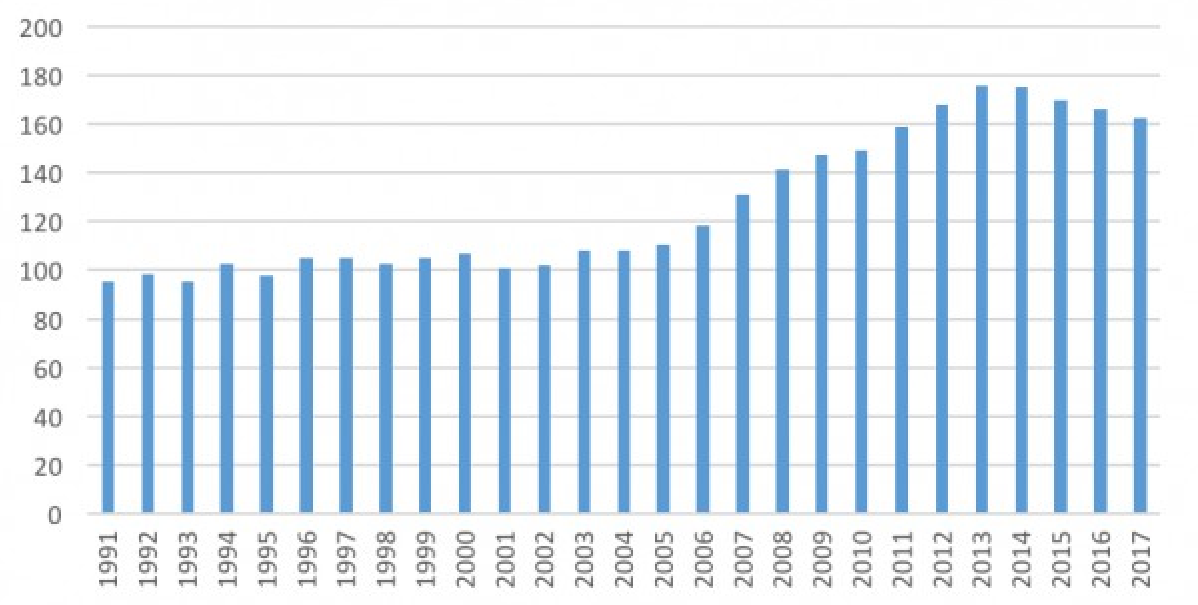
The IMF, the World Bank and the Asian Development Bank (ADB) all missed the severity of the non-resource downturn that is now evident in the official data. The ADB does not report non-resource GDP growth. The IMF and the World Bank do, and their latest 2015 figures do deviate slightly from Treasury estimates. The World Bank and IMF last year reported non-resource sector growth of about -1%, below Treasury's 0.7%, but well above our estimates of -5 to -6%.

2015 is now a few years ago, and this analysis might seem to be only of historical interest. Far from it; the implications are far-reaching.

First, there has been too much emphasis in PNG economic discussions in recent years on fiscal consolidation, that is, deficit reduction and debt containment. Of course, this is important. But the underlying problem is lack of economic growth. If there had been broader agreement earlier on the 2015 contraction, there might have been more emphasis subsequently on stimulating the economy, in particular through exchange rate depreciation.

Second, if the 2015 Treasury GDP estimates were so off, then their estimates for subsequent years can't be taken at face value either. The same indicators that suggested a recession in 2015 point to a further contraction in 2016 (as we argued in this 2017 blog). The data for 2017 is more mixed (as we discuss in our latest PNG economic survey). The best recent estimate for economic activity that we have is formal sector employment. As the graph below shows, that in fact started declining in 2013, and has fallen every year since.

Formal sector employment (March 2002=100)



Source: BPNG

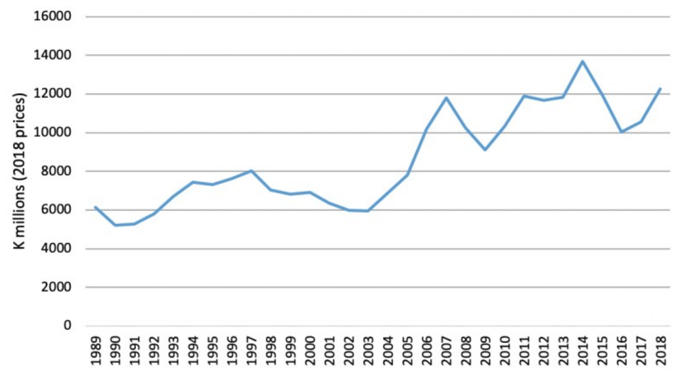
Third, the credibility of the World Bank, ADB and IMF is dented. In fact, we shared our 2016 analysis at the time with the World Bank and the ADB: we were ignored by the former, and dismissed by the latter.

Fourth and finally, the Australian Bureau of Statistics provides support through the aid program to the NSO to undertake these GDP computations. That is Australian taxpayers' money, and it is hardly effective use of that money if 2015 statistics are still not available two and a half years later.

This post is based on the ANU-UPNG "2018 PNG Economic Survey" which was presented at the 2018 PNG Update.

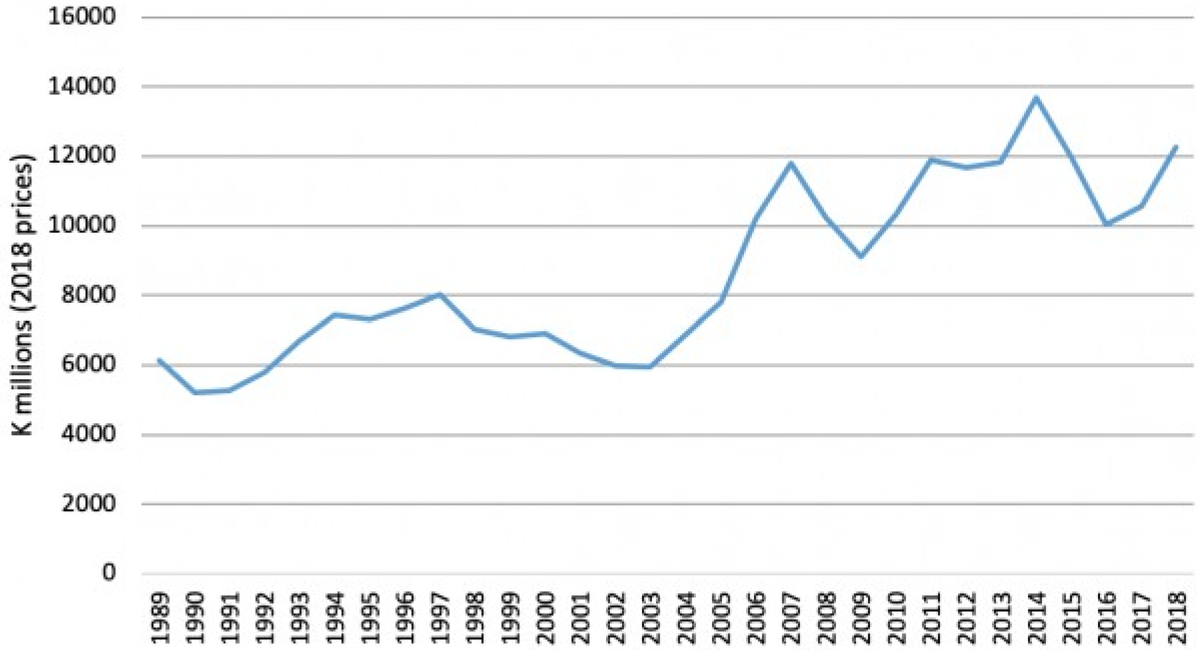
What explains PNG's 2018 revenue boom?

By Rohan Fox on June 14, 2019



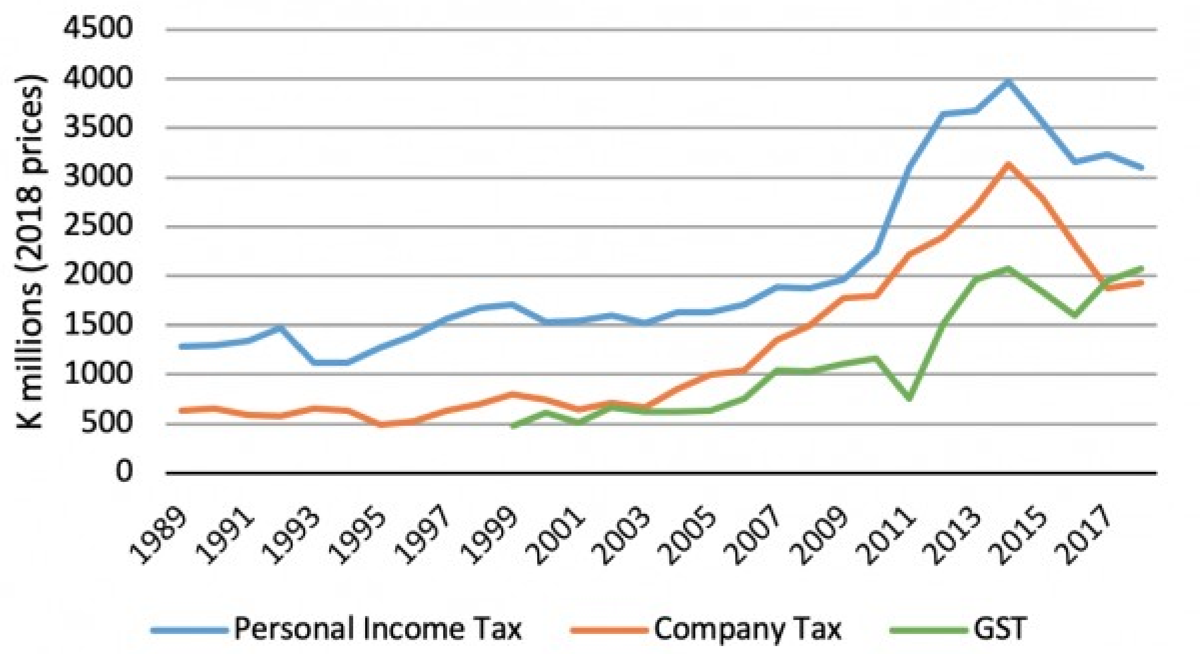
PNG's 2018 Final Budget Outcome, released in April, shows that government revenue increased sharply last year. Not taking into account donor grants, revenues increased by 21.5%, which, after inflation, is the second highest single- year increase in the last three decades (the highest was in 2006). This is good news, as the government in previous years has struggled with revenue at crisis levels. That said, the rise reflects one-off adjustments, and it is too early to say that things are back on track.

Figure 1: Revenue (excluding donor grants) 1989-2018



There are three taxes we can look at that reflect growth in the non-resource sector – where most Papua New Guineans work. Personal income tax, which reflects employment and wage growth, company tax, which reflects private sector growth, and GST, which reflects consumption. GST revenue grew by 5.7% (after inflation), about half the average year-on-year rate of growth since its creation in 1999. Company tax revenue grew by 3%, also around half the average rate of growth over the same time period. Income tax declined in real terms. There was a bill tabled in the 2018 budget to reduce the income tax on termination of employment payments, however the reduction in income tax is also consistent with a fall in formal sector employment. This is a disappointing result, though roughly in line with expectations from the initial budget.

Figure 2: Broad-based taxes 1989-2018

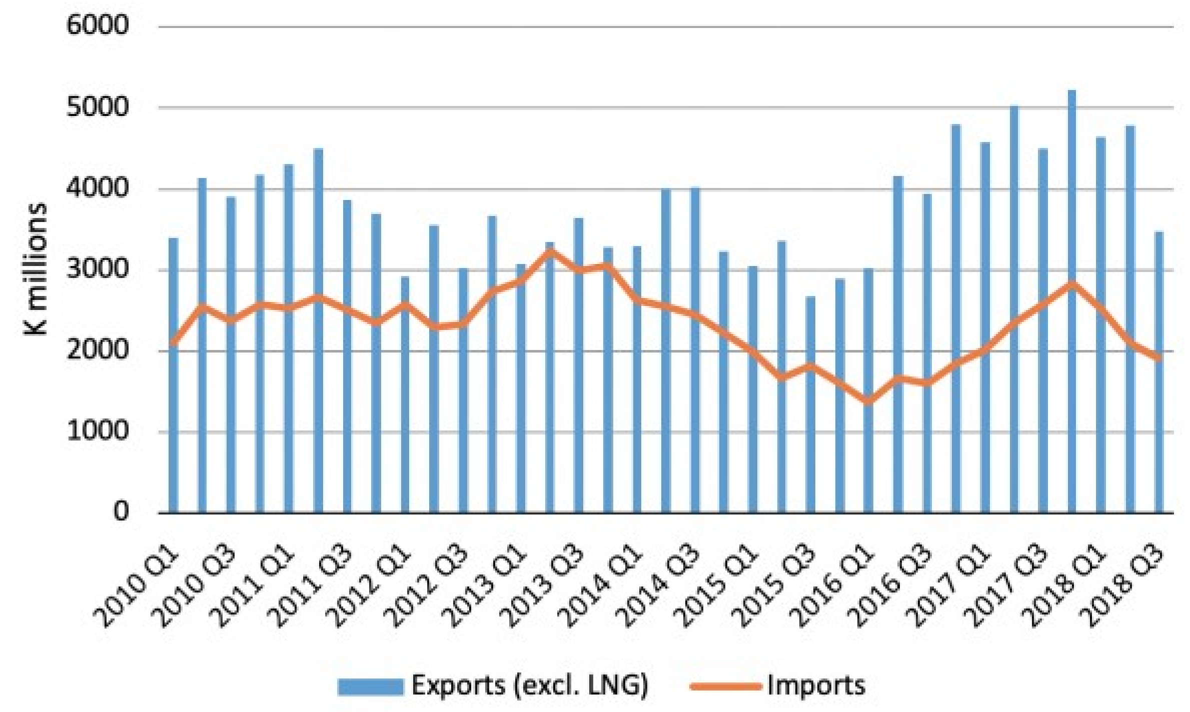


Other economy-wide taxes also increased. After inflation, import-related taxes increased by 54% compared to 2017, and export-related taxes by 26%.

Figure 3 shows the movement in export and import value each quarter since 2010. A number of tariffs were increased in 2018, and this may be driving increased import-related revenues, as imports compressed further in the first three quarters of 2018. The value of exports in the first three quarters of 2018 is roughly the same as in the first three quarters of 2017. We will have to wait for the release of results by the Bank of PNG to confirm whether there was a substantial boost to exports in quarter four to explain the increase in export- related taxes. Though this seems plausible due to the holding of the APEC leaders meeting in November.

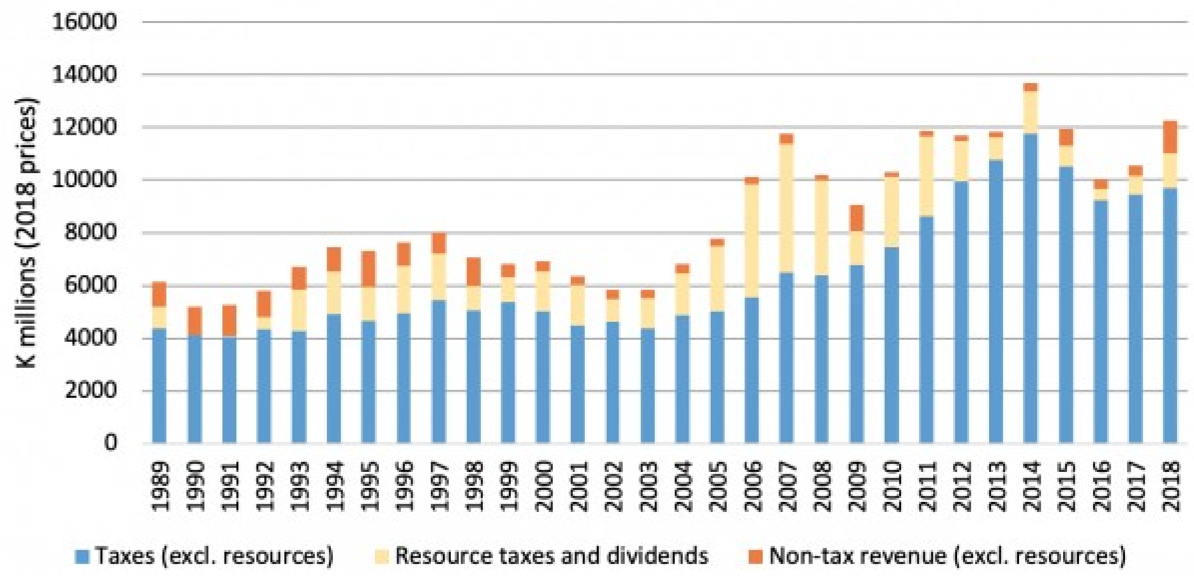
Figure 3 shows a comparison between imports and exports, excluding LNG, which is a useful distinction, given the extraordinary size of the LNG project and its related exports.

Figure 3: Import and export value by quarter, Q1 2010 – Q3 2018



Overall, revenue from economy-wide taxes increased, but only by K260 million, or 3%, after inflation. More important were the boosts in resource revenues, and in non-tax revenue.

Figure 4: Break-up of revenue sources by category (excluding donor grants)

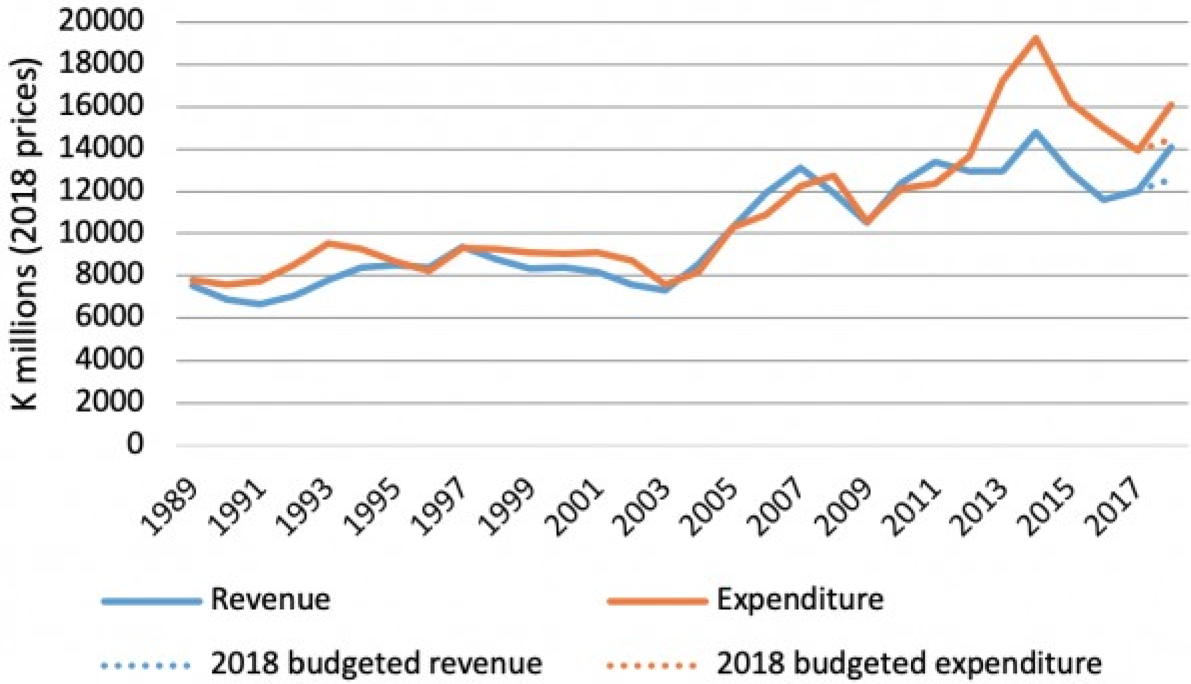


Non-tax non-resource revenue reached its second highest level ever, increasing by K820 million, or 206%, after inflation. The new policy forcing statutory authorities to hand over most of what they earn worked well, with the National Fisheries Authority in particular having to hand over hundreds of millions of Kina. In all, state services and statutory authorities provided around half a billion Kina to the budget in 2018, or around 5% of total revenue, up from less than one million the prior year!

Resource revenues (from taxes and dividends) are still low by historical standards, but are recovering after severe compression in 2016. Compared to the prior year, in 2018 they increased by K622 million, or 88%, after inflation.

Total revenue is higher in 2018 than was expected in the 2018 budget, however, as shown in Figure 5, expenditure was also higher than budgeted. The value of the increase in expenditure is lock-step with the increase in revenue.

Figure 5 Revenue and expenditure 1989-2018



The government has successfully found ways to increase its revenue, something necessary to improve its budget situation. However, the growth in revenue hasn't been due to a recovery in the non-resource economy, which would affect the lives of the majority of Papua New Guineans. The stronger performance has largely been due to better performance from the resource sector, higher tax revenue from international trade, and a one-off increase in the contribution to the budget from statutory authorities. Neither the PNG budget nor the economy is out of the woods yet.

The PNG Budget Database has been updated to include the 2018 FBO and is available here.

Rohan Fox is a Research Officer at the Development Policy Centre.

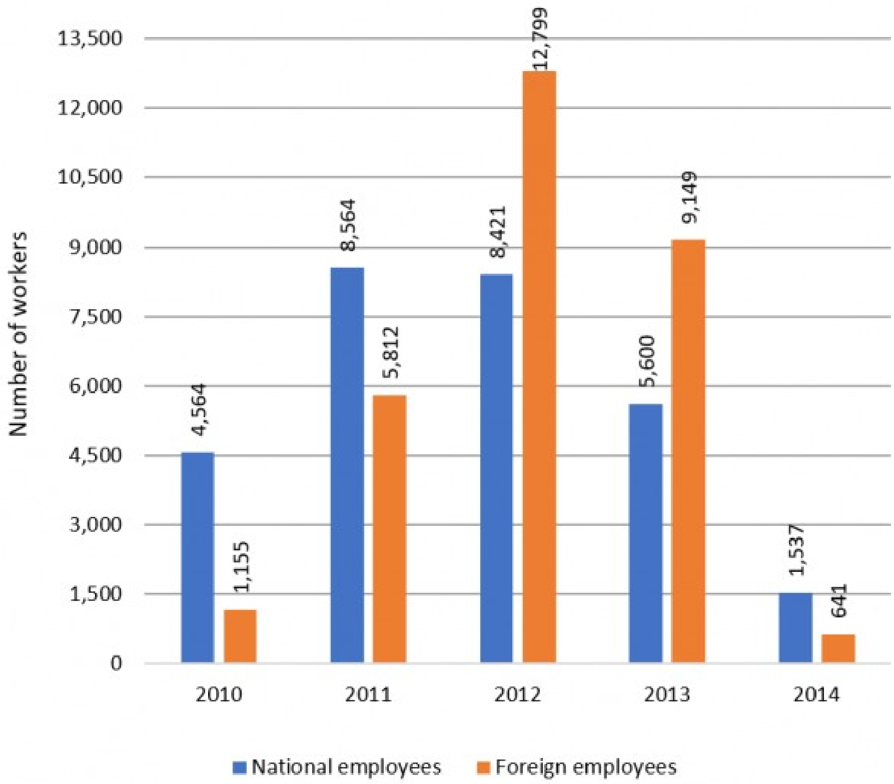
PNG LNG and skills development: a missed opportunity

By Carmen Voigt-Graf and Francis Odhuno on March 27, 2019

PNG's extractive sector is set to expand, with the construction of the next mega- project – the Papua LNG project – about to start this year. In light of this, a new discussion paper analyses the employment and skills development impacts of the Liquefied Natural Gas (LNG) project in PNG. Lessons from the US $19 billion PNG LNG investment, the largest resource project ever completed in the country, can inform workforce development for future projects.

The construction of the PNG LNG project began in 2010 and the first gas shipment was made in May 2014. The project construction phase saw unprecedented growth in formal employment. Data provided by ExxonMobil suggest that at its peak, the project employed an estimated 21,220 workers, of which less than 8,500 were Papua New Guineans. When the project construction phase ended in 2014, the number of jobs on the PNG LNG project fell to about 2,000, with some 1,500 jobs for Papua New Guineans (see Figure 1).

Figure 1: PNG LNG workforce 2010-2014



The majority of skilled nationals who worked on the PNG LNG project were likely poached from other companies. However, no figures are available to show how many of the skilled workers who resigned from previous positions to work on the project were replaced by Papua New Guineans, thereby creating local employment opportunities. It is therefore impossible to determine the number of additional skilled nationals who may have gained employment in the PNG LNG project.

In contrast, low-skilled labour is readily available, and low-skilled Papua New Guineans from project areas were recruited as preferred area employees. During the construction phase, they made up the majority of the local workforce, but received little training, and their time on the project was short. As construction of roads, pipelines and other infrastructure moved on, workers living near the new areas were recruited instead, so few workers had the opportunity to make a permanent transition into the formal workforce.

Although no data is available, the recruitment of preferred area employees has increased the proportion of project workers from mining areas and host provinces. Oxfam's study in four villages closest to the Central Province LNG plant revealed increased incomes, but many villagers also expressed concerns about the large number of foreign workers.

The lack of technical and vocational skills and experience of working on large, complex, projects resulted in many positions being filled by foreign workers. The Department of Labour and Industrial Relations (DLIR) facilitated the employment of foreigners on the PNG LNG project in several ways. It established an "LNG Priority Line" which guaranteed a quick turnaround time of ten days for processing work permit applications, instead of the usual 42 days. Some of the work permit requirements were also lifted, and the *Employment of Non-Citizens (Amendment) Act 2008* exempted ExxonMobil from advertising in PNG to find suitable citizens before offering positions to non-citizens.

Most foreigners worked as managers, engineers, technicians, and qualified tradespeople. The shortage of welders was particularly acute – according to DLIR, PNG had less than 600 licensed welders, but more than 5,000 were needed when construction began, so large number of specialist welders were imported, mostly from the Philippines. The Project Agreement between ExxonMobil and the PNG government is not publicly available, but is widely assumed to contain only vague and general commitments regarding training and localisation of workforce. Close to 100 local welders were trained during the LNG project but it is not clear where they now work, and the number of welders registered in PNG is still at under 600.

The number of LNG Project jobs has fallen substantially since the end of construction (see Figure 1). And skill shortages have become less severe. While there are enough welders, electricians and fitters to operate the LNG project, there is a shortage of process technicians (or plant room operators) who can operate the LNG plant.

The overall impact of the project on employment is difficult to determine because the LNG workforce was not monitored. A manager of one recruitment agency told us "there are now many workers with the experience of working on a large, world-class project.

They were [however] used to huge salaries which created expectations that cannot be fulfilled outside of the LNG project… Some are currently registered in databases and are waiting for the next big project to set off”. However, there is no centralised database and it is unknown how many former LNG workers are still on the project, unemployed, or employed elsewhere. As such, it will be difficult to track down individuals with the skills or experience to be employed on future projects.

The PNG LNG project brought some employment benefits to PNG, but these could have been considerably larger if there was more emphasis on training and local employment. Earlier investment in training would have benefitted more Papua New Guineans, giving them skilled employment opportunities on the project. Moreover, the PNG LNG construction phase did not last long enough to build up specialised technical skills, while the exposure of low-skilled local workers was ad hoc and intermittent. PNG nationals who worked on the LNG project were not skilled or re-skilled to give them other employment options when their contracts ended.

For employment on mega-projects to be sustainable, companies should ensure that national workers are able to find alternative employment after the project construction phase. At the very least, they should acquire skills which help them find work elsewhere. Since there is no record of the employment history of the PNG LNG workforce before and after the construction phase, the number of Papua New Guineans who have transitioned into other formal employments is unknown.

The PNG government missed the opportunity to impose stronger local employment and training targets in the PNG LNG National Content Plan. With negotiations on the Papua LNG project ongoing, it is not too late to impose stronger targets for the country’s next mega project. The PNG government should undertake a detailed survey of the project workforce to assess the skills that Papua New Guineans acquire while employed on the project, and their employability in future projects.

Given the continuing lack of quality public education and training, company training remains the only strategy to create a technically competent indigenous workforce. In this vein, one lasting benefit from the PNG LNG project is the high- quality live gas process training facility in Port Moresby, which provides skills for the oil and gas sector. Given the low level of workforce skills in PNG, there is little risk that increased training will result in an oversupply of skills any time soon.

Carmen Voigt-Graf is a Visiting Fellow at the Development Policy Centre. Francis Odhuno is Senior Research Fellow at Papua New Guinea's National Research Institute.

Read the full discussion paper here.

UPNG student employment outcomes: results from a survey of economics graduates

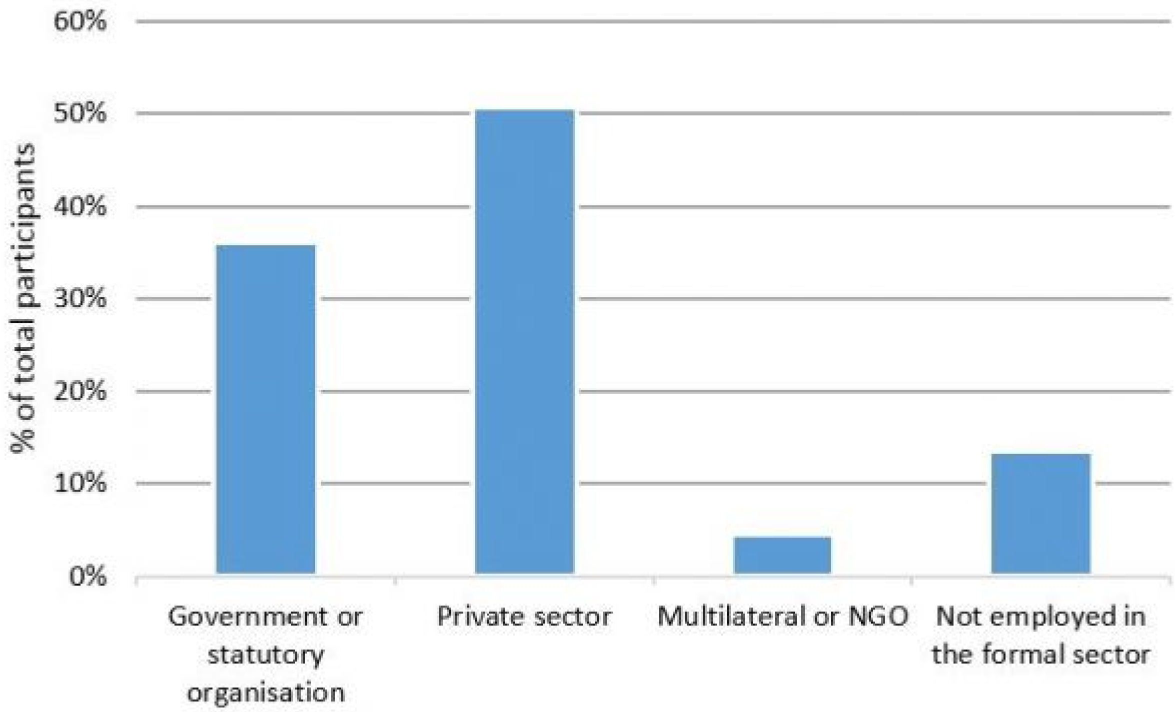
By Rohan Fox on July 25, 2018

According to BPNG data, there have been four years of decline in formal employment in PNG since 2013. Getting a first job is always hard, and a tough economic climate makes it even harder. This blog looks at the results of the latest of two surveys of the University of PNG (UPNG) economics class of 2015. The first survey was conducted at the end of their final semester of classes and asked questions about their experience at UPNG and the desires for future work. The results of this survey were written up as a Development Policy Centre discussion paper (read the blog on the paper here). This second survey, conducted in 2017, looked at the job-seeking process and employment outcomes. Despite the economic climate, results from the cohort are generally strong, with the majority of graduates finding good positions within one year of graduating.

24 out of the 35 students responded, and all bar two of the respondents were living in Port Moresby, with the other two respondents living in Madang and Lae. The resulting averages are likely skewed in favour of more successful graduates. Likely, less successful graduates were harder to reach and less inclined to respond.

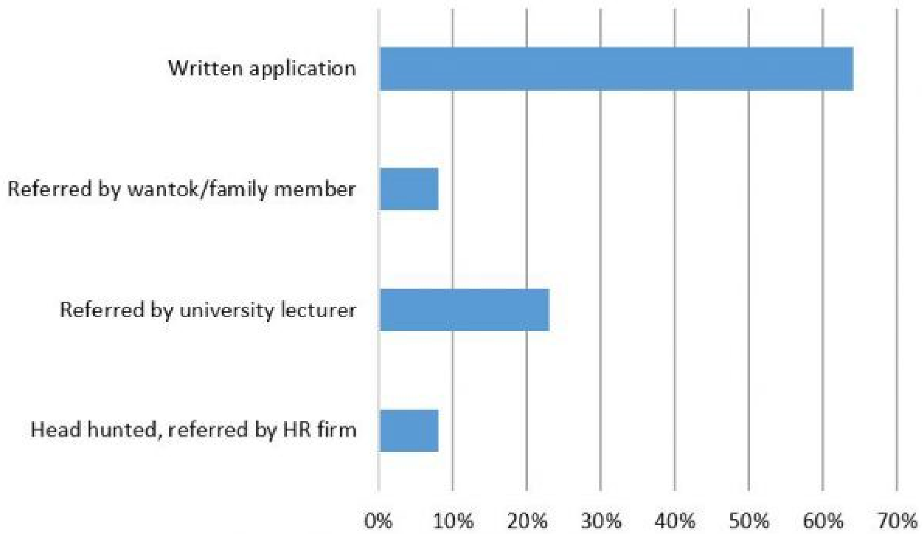
Most graduates who answered the survey were employed in the formal sector. Of those, most graduates were employed in the private sector. This is despite 58% of graduates indicating in the prior 2015 survey that they sought careers in the public sector, and only 20% indicating a preference for the private sector. This could be partially reflective of the government salary and hiring freezes that hit just before these students graduated. Nonetheless, all of the employers listed were high-profile, large organisations with strong reputations.

Sector of employment



The majority secured their job through a written application, while the rest were referred by various contacts, wantoks (relatives and friends), lecturers, or HR firms. All following graphs report percentages of the total number of participants successful in gaining employment.

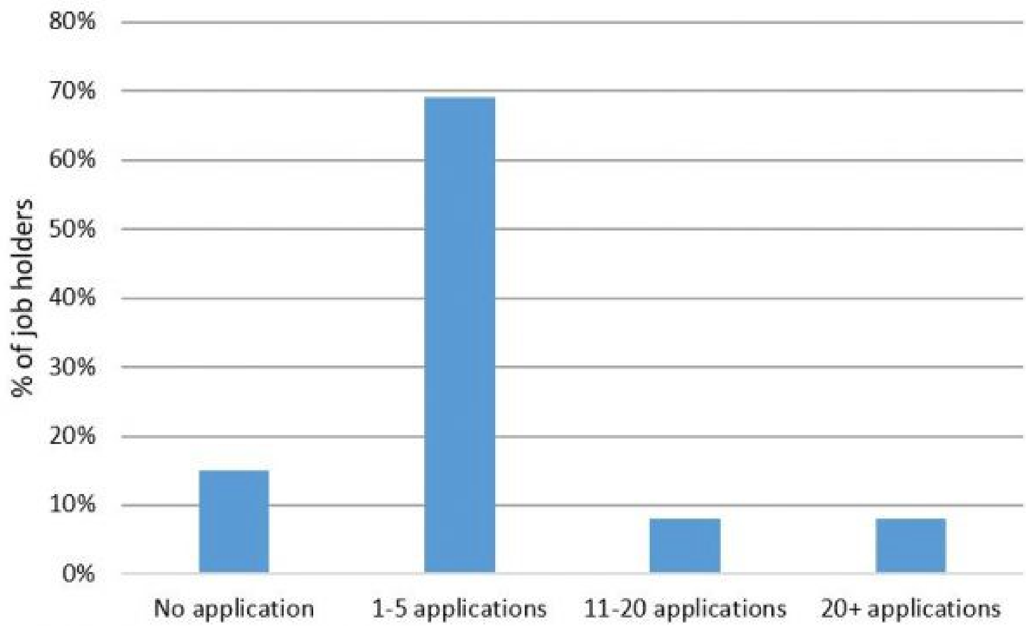
Method of securing current job, % of employed participants



Of those who secured a position, the vast majority submitted 5 or less applications for jobs before they were offered their current job. This is an interesting statistic even once you take in to account that this survey may be skewed towards more successful candidates, as we may have expected that with the majority of participants still waiting to hear back from jobs at six months, most may have submitted a higher number of applications.

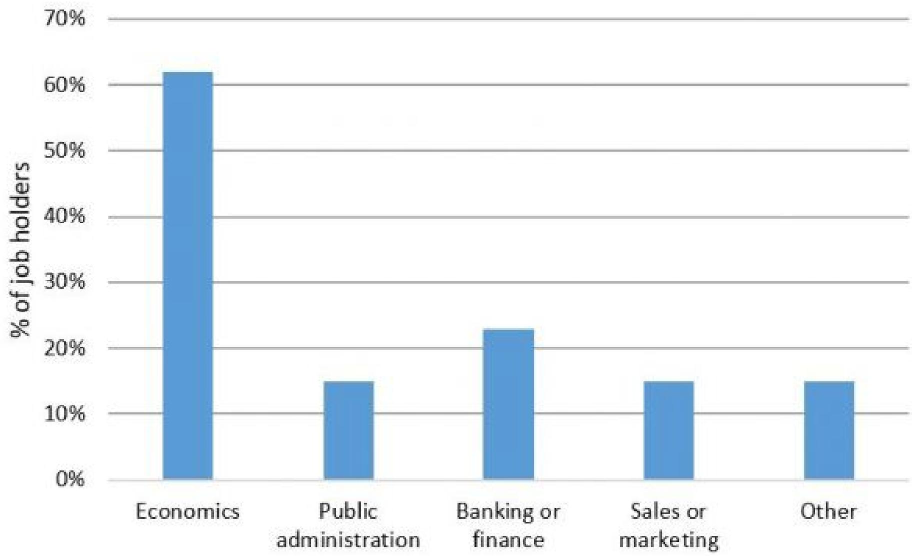
Possible reasons are that due to the economic downturn, far fewer graduate jobs were advertised; that graduates were only aware of a small number of advertised positions and only aware of a few of the major employers to submit applications; or that many only wanted to apply to larger, recognisable organisations.

Number of applications submitted before securing current job



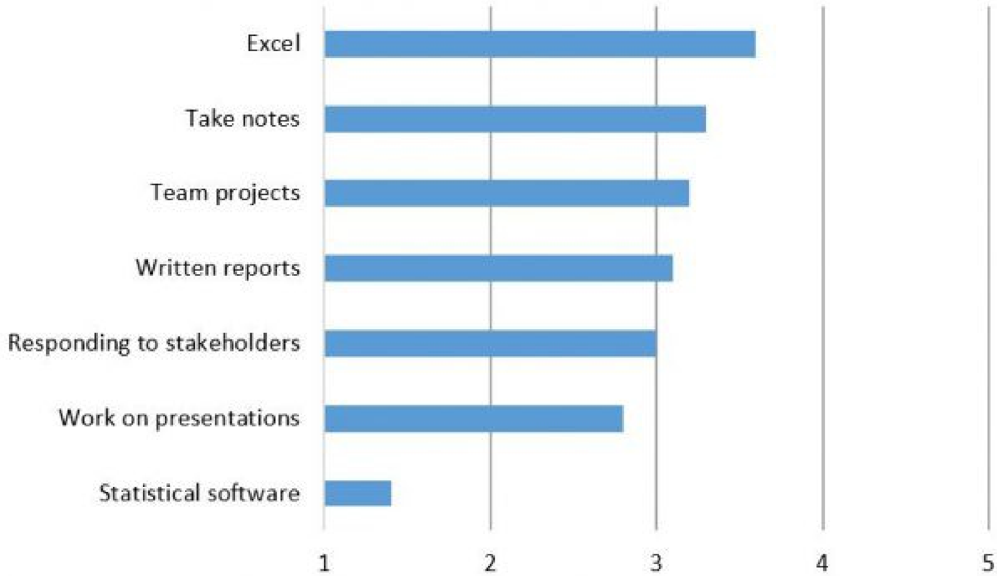
Notably, not all jobs related to economics. Participants were asked whether the job that they do involved aspects of economics, public administration, banking/finance, sales/marketing or other. Participants were allowed to check more than one job type in answer to this question. This means that we can infer that 38% of participants, assuming they understood the question correctly, felt that their job did not involve economics at all. This is quite a large percentage, especially if this sample over-represents candidates with successful careers.

Job characteristics

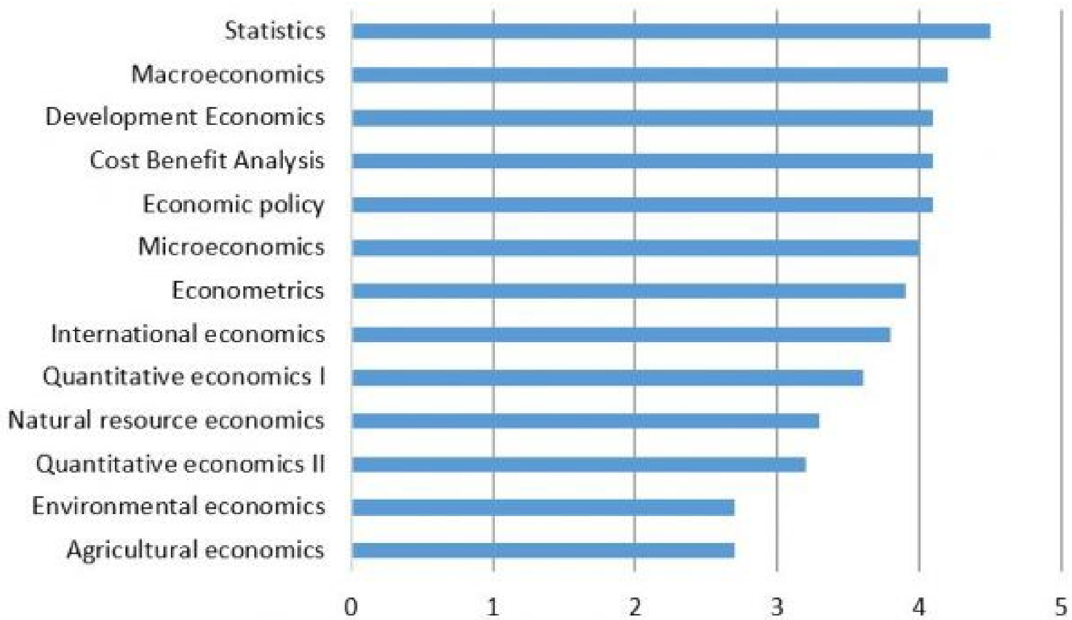


To find out how graduates spent their time at work, and what kind of work they do day-to-day, participants were asked to rate several actions on a scale of one to five, where one is never, three is once a week and five is every day. One notable result is the relatively high rate of Excel use, with participants across the board on average saying they use Excel between two to three times per week.

Skills that graduates use most often at work, average score across all participants
(1=never, 3=once per week, 5=every day)

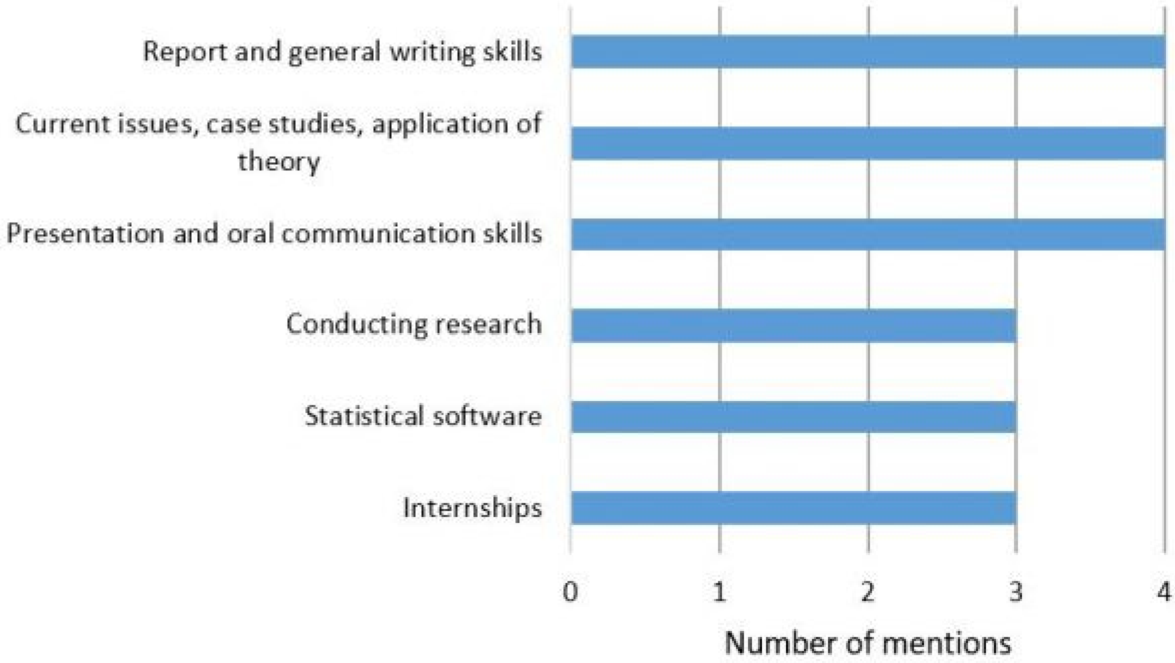


Graduates were also asked what courses that they studied at UPNG were the most relevant to their current job. The highest ranked course by broad applicability on average was statistics, while the lower ranked courses were much more specialized – like agricultural economics and environmental economics. These courses may be useful to a small number of specialised workplaces.



Students were asked free-response questions about their current role, and what changes, in hindsight, they would like to see in the economics curriculum at UPNG. In these responses, the students related their experiences of the difficulty of finding economics-related jobs in PNG. Six key themes arose around skill improvement, these responses are outlined below.

Skills on which participants would like to see UPNG put greater emphasis



Overall, the survey provides useful information to ponder. Employment results are, as far as we can tell, positive. Despite harsh economic conditions, the majority of graduates found jobs within one year of graduation. These graduates are arguably some of the most employable entrants into the workforce in PNG, so we would hope that the results are strong. There is also valuable information about the type of jobs and sectors in which the graduates find work, their opinions of the work they do, and what they think the most relevant coursework is.

The participants in the survey are all UPNG economics graduates, so insights from this survey relate to this program at UPNG, its current, former, and future students and staff. However the results may have some broader interest too, including for any university-educated job seekers, as well as employers, government, education professionals or those implementing aid or employment programs in PNG.

Rohan Fox is a Research Officer at the Development Policy Centre.

The full 2017 "Graduate student outcomes report" is available here.

Counterarguments to the devaluation of the PNG Kina

By David Lea on September 21, 2018

The proposed devaluation of the PNG Kina has recently been promoted by international donor agencies, specifically the IMF, and academics at The Australian National University (ANU). Stephen Howes, of the Crawford School of Public Policy within ANU, has been a strong academic voice arguing for devaluation. In a blog earlier this year, he argued that in recent years traditional business concerns such as security, skills shortages and infrastructure have been displaced by concerns around foreign exchange availability:

"The only real solution is a devaluation of the exchange rate. A devaluation would be neither painless nor a panacea, but there is simply no other way to resolve the foreign exchange crisis other than to try to wait it out. Again, the IMF has it right: "[We] recommend that the Kina be allowed to depreciate to eliminate the current over-valuation of the currency, end the FX shortage, and promote external competitiveness.""

Moreover, in the same article he continues to explain his position: "If businesses can't import, they are not going to produce and employ. And if they can't get their profits out, foreign investors are going to stay away… The IMF put it well in its December 2017 report on PNG: "The main impediment to private sector development is macroeconomic policies. The main obstacle to business activity and investment are difficulties in obtaining foreign exchange."

If I understand Howes' argument correctly, it appears he believes that essentially, businesses find it difficult to import because of the missing foreign exchange required to purchase imports. The high cost of the Kina means high operational costs within PNG. Lowering the cost of the Kina means lower operational costs, allowing for profits that will offset the cost of imports. As PNG thus creates a more profitable business environment, new investors will find it attractive, with a devalued Kina consequently increasing foreign investment – bringing in much- needed foreign exchange.

One might argue that a devalued Kina, which lowers the cost of investment for foreign investors, will not work if the prospective investor lacks confidence in the business environment. Howes claims, nevertheless, that business confidence is high and it is the lack of foreign exchange availability that is holding matters back.

But who are these investors that will rescue PNG from the foreign exchange crisis if the Kina is cheapened, allowing investors to "get their profits out"? PNG has a very limited resource-based economic market. As Adam Smith noted in the *Wealth of nations* (book one, chapter one), the division of labour is limited by the size of the market and the converse is true, limited specialisation is indicative of a limited market. Smith underlined that where there is little division of labour, each individual must assume a plurality of tasks as in a subsistence system, and a significant market cannot be generated. PNG approximates this assessment of the realities in a limited market, with one estimate that over 85% of the population engages in subsistence agriculture. This environment will fail to attract investors, regardless of Kina costs, unless factors are addressed which allow for market expansion.

Without proper transportation infrastructure which allows for market expansion, investment possibilities will remain extremely narrow. Outside Moresby, the road only reaches about 100 kilometres eastward to Kupiano, and a somewhat longer distance westward. In Lae, the Highlands Highway is in desperate need of repair, with holdups and road blocks frequently occurring as transportation has become a perilous undertaking.

The weakness of the central government is another factor. Law and order can be maintained to an extent in the urban centres, but beyond this the government's ability to police relations diminishes.

Finally, skills shortages present further issues. Successive governments have failed to support a viable system of education. The national high school system that produced a core of elite well-prepared secondary school leavers has collapsed, while the universities have been starved of funds and cannot guarantee the quality of their graduates (see here and here). These are serious problems and cannot be simply resolved by tweaking monetary policy.

On the other hand, a devalued Kina would have a devastating effect on the urban markets, which are the only viable economies external to the subsistence economy. Significant economic activity, as it exists in PNG beyond the resource extraction industry, is centred in the urban areas, particularly Lae and Port Moresby. These markets depend heavily on the importation and trade of goods which are unobtainable locally. A devalued Kina will severely hinder the capacity to purchase and make these goods available on the local market. Because more Kina will be required to purchase the foreign exchange necessary to buy foreign products, foreign goods which do become available will exhibit a significant price increase in Kina. Inventories will go unpurchased and an inevitable economic downturn will follow. Staff will have to be laid off, and increasing unemployment will have a knock-on effect as demand shrinks along with growing unemployment. A devalued Kina would more than decimate retail trade in the urban centres.

Although Howes refers to the opinion of contacted CEOs, my anecdotal experience with numerous local businessmen, both expat and national, indicates a decidedly emphatic rejection of the notion of devaluation for the above reasons. I found that many already see the Kina as too low, attributing this to banking policies and the failure of resource developers to bring profits onshore. Many see the unavailability of foreign exchange as attributable to these realities, rather than the alleged overvalued Kina.

The counterargument holds that a degree of short-term pain is inevitable but that in the long-term the environment will be better off when investment picks up, bringing in much-needed foreign reserves and strengthening employment. This form of proposed austerity would be difficult to handle. Unemployment is already an issue in the urban centres, and risking an increase in unemployment will further worsen security and effective governance. This development would have the potential to make the local environment even more antithetical to investment.

The IMF report which Howes refers to argues for a devalued Kina that will "promote external competitiveness". Again, competitiveness will depend upon the presence of plurality of investors, yet as argued, the market is not sufficiently large to attract this plurality. This is due to above the factors mentioned, and real competitiveness will not happen until these matters are actively addressed.

David Lea is a Professor and Head of Political Science at the University of Papua New Guinea.

Exchange rate flexibility critical for PNG

By Dek Joe Sum and Bao Nguyen on May 8, 2019

Papua New Guinea's (PNG) economy is no stranger to balance of payment (BoP) shocks. The most recent occurred in 2014 when the inward flow of capital abruptly halted due to construction of the PNG LNG project nearing completion. The reversal in capital flow accompanied by the then-weak commodity prices triggered a rapid decline in the value of the kina.

The sharp decline in the kina prompted the Bank of PNG to intervene in the foreign exchange market by exhausting its foreign reserves and imposing a rationing on foreign currency in mid-2014. During much of this period, PNG's foreign reserves were only sufficient to support around five to six months of total imports. Various studies have reported that the main concern for businesses in PNG is the shortage of foreign currency and how the crisis has led to severe imports compression and weak economic growth.

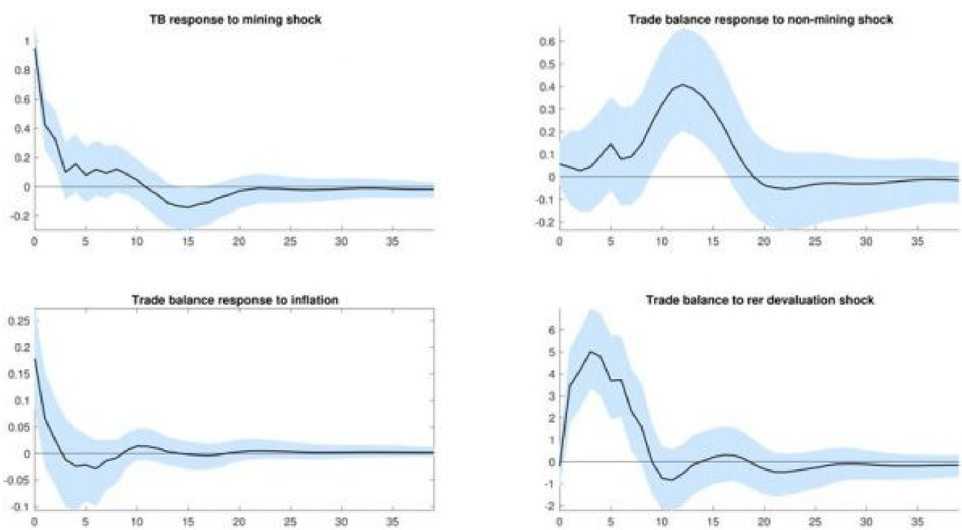
To better understand PNG's BoP shocks, we focus on three main questions: (i) which macroeconomic shock accounts for the largest contribution to trade balance adjustments; (ii) to what extent these structural shocks affect the movements of trade balances; and (iii) how PNG's overall trade balance responds to macroeconomic shocks in the economy.

We examine these questions by employing the Vector Autoregressive (VAR) model (an econometric technique) with Bayesian inference to overcome the paucity of long time series macroeconomic data in PNG. There are two outputs from the model estimation: the impulse response functions (IRF) and historical decomposition analysis. The IRF describes the evolution of PNG's trade balance along a specified time horizon after a one-time shock, whereas the historical decomposition measures the contribution of different shocks on the historical evolution of PNG's trade balance. If both interval bounds are jointly above or below the zero line, it indicates statistical significance at the chosen significance level and specific horizon for the IRF.

The IRFs presented in Figure 1 show that one standard deviation positive shock in the resource sector and a devaluation in the kina's real exchange rate improve PNG's overall trade balance significantly. These results are hardly surprising considering that resource exports make up more than 80 per cent of PNG's total exports and that the real exchange rate of the kina has long been argued to be overvalued. However, when we compare the magnitude and time length of the effects of the resource boom and currency devaluation on PNG's trade balance, we find that the latter exerts a much larger and longer impact than the former.

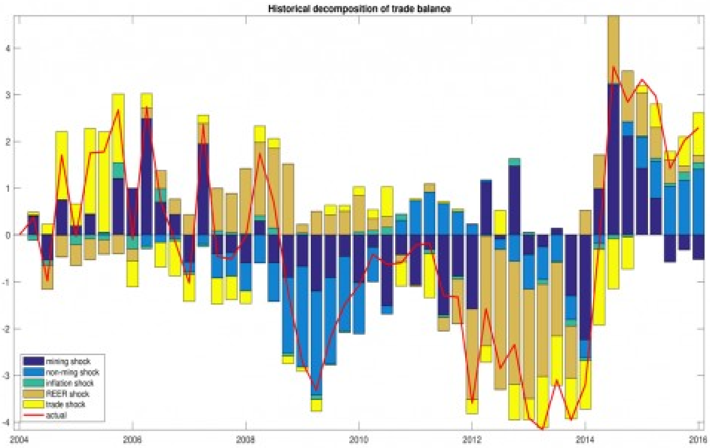
The resource sector shock only improves trade balance by four quarters, whereas a devaluation in the kina's real exchange rate triggers an immediate and significant improvement in the trade balance for more than ten quarters (or two years). This result suggests that exchange rate adjustments (devaluation) are an effective and sustainable policy tool in managing trade balance adjustments, rather than relying solely on the expansion of resource projects which only improve the trade balance in the short-term. On the other hand, shocks in the non-resource sector and inflation are found to have a general positive impact on trade balance, but they are mostly statistically insignificant.

Figure 1: IRF of PNG's trade balance to macroeconomic shocks



Then, we analysed the historical decomposition to determine the relative importance of each macroeconomic shock on PNG's trade balance adjustments. The actual trade balance series is recovered if we sum up the contributions of all the shocks at any time (t). As presented in Figure 2, the historical decomposition of trade balance indicates that at a different point in time, all identified shocks except inflation contributed to the fluctuations of PNG's trade balance with varying magnitude. This result is contrary to the popular belief of resource activity being the sole dominant factor in explaining PNG's trade balance adjustments. For instance, the deterioration of the trade balance during the 2008-2010 global financial crisis is actually explained by shocks in the non-resource sector. The spill-over was transmitted through a rise in imports due to global food inflation and the onset of PNG LNG construction, while the contribution of resource sector shocks was negligibly small.

Figure 2: Historical decomposition of PNG's trade balance, 2002- 2016



The historical decomposition of the trade balance from 2010 onwards paints a very interesting story. We found that the overvalued kina accounted for the largest contribution to the deterioration of PNG's trade balance between 2012 and 2014 through a shortfall in exports as a result of reduced trade competitiveness. The value of the kina (documented to be overvalued by 20 per cent) elicits an adverse pass-through on the country's total exports. While the commencement of PNG LNG exports improves the trade balance in the following period, our result shows that the impact of the resource boom is again very short- lived, consistent with Figure 1. The continued improvement in the trade balance in the later period was superseded by larger shocks which originated from the non-resource sector from 2015 onwards. Contrary to widely-heard expectations, we found that the broader surplus trend was actually driven by sharp import compression in the non-resource sector, mirroring the shortage of foreign reserves experienced by PNG.

From a policy perspective, our findings suggest that continued reliance on the resource sector cannot be considered a permanent remedy to the BoP shocks the country often experiences. The results indicate that a flexible kina exchange rate is critical for preventing the adverse effects associated with capital reversal and financial account deficits, especially around the time of resource project completion.

Dek Sum is an Associate Lecturer and Bao Nguyen a Lecturer at the Development Policy Centre, based at the University of Papua New Guinea under the ANU-UPNG partnership.

This blog is a summary of a recent Devpolicy discussion paper. Read the full paper here.

PNG turns protectionist in its APEC year

By Rohan Fox, Stephen Howes and Maholopa Laveil on August 13, 2018

The first sign that Papua New Guinea would be taking a more protectionist trade policy came in late 2015, with the banning of a number of fresh fruit and vegetable imports from Australia. That ban was short-lived, but this last year has seen a major reversal in trade policy. For the last two decades, PNG has been following a policy of tariff reduction. As part of its negotiations with the World Bank and IMF, the country introduced a Tariff Reduction Program (TRP) in 1999, which set out tariff reductions to 2006. Despite some opposition, the TRP was upheld by a 2003 review, and the 1999 plans were broadly implemented. Another review in 2007 resulted in a further round of reductions out to 2018. The reductions planned and/or achieved are shown in the table below. It is important to note that most tariff lines (three-quarters) in PNG are in fact zero, with no tariffs being applied on imports of most goods for which there is no domestic production. The table below shows the tariff rates for those goods that are subject to tariffs. Since 1999, there have been three tariffs – 'intermediate', 'protective' and 'prohibitive'. All have fallen significantly.

Non-zero tariff rates under PNG's two Tariff Reduction Programs (TRPs)

	Actuals	First TRP				Second TRP			
		Largely implemented							Legislated but not implemented
	pre-1999	1999-00	2001-2	2003-5	2006	2011	2012	2015	2018
Intermediate	30	30	25	20	15	15	12.5	10	10
Protective	49	40	35	30	25	25	20	15	10
Prohibitive	55-100	55	50	45	40	40	35	30	25

With a few exceptions, the tariff reductions were implemented over the last two decades as planned. The unweighted average of the three tariff categories fell from 42% in 1999 to 18% in 2015. The Import and Export Customs Tariff Act of 2012 legislated a series of tariff changes that would come into effect immediately, with further reductions to come into effect on January 1 2015, and yet more to be implemented on January 1 2018. However, in August 2017, the TRP was suspended. In legislation accompanying the 2018 budget (November 2017), about 250 tariffs lines were increased, and over 600 decreases were abandoned. On average, the tariff increases were moderate (about 7%), but there were some substantial increases. In particular, a 25% tariff on milk — which had been duty- free — was introduced to support the new Ilimo Dairy Farm. The table below shows a sample of the increases.

Selected tariff increases from the Customs Tariff (2018 Budget) (Amendment) Bill 2017

		Old	New
Clothes	Stockings, socks	15%	20%
	Cotton or woolen clothes	15%	20%
Household and consumer items	Toilet paper	15%	20%
	Tablecloths	10%	20%
	Baths, sinks, washbasins	10%	25%
	Detergents	10%-15%	20%-25%
	Glue	10%	20%
	Soap	15%	20%
	Shampoo	10%	20%
	Nail polish	10%	20%
Food	Ice cream	15%	20%
	Milk	0%	25%
	Cocoa products	10%	15%
	Meat	10%-15%	12.5%-20%

Examples of protectionist measures from the past in PNG are instructive. Ramu Sugar was initially partly government owned, and has received generous protection since its inception in the 1980s. PNG Halla Cement was also partially government owned and received support in the 1990s. Neither business lived up to expectations. Ramu Sugar provided no dividend in its first ten years of operation. The government stake in Ramu Sugar was eventually sold to New Britain Palm Oil, who converted 2,500 hectares of the land from cane sugar to palm oil. Despite now being over three decades old, hardly part of an infant industry, it is said that domestic sugar production still wouldn't be able to survive without large tariffs, now 30% on the import of sugar. After seven years of poor performance, the PNG government sold its 50% share in PNG Halla Cement to Japanese company Taiheyo. The privatised company is said to be profitable now, though it still benefits from a 10% tariff, and has a monopoly on the cement market in PNG. It has also had difficulty meeting demand in the past.

2018 is the year PNG is hosting the annual meeting of APEC, an organization created to promote free trade. While PNG is not the only APEC economy to be turning protectionist, it is ironic that, having reduced tariffs for almost 20 years, PNG baulked at the final tariff reductions due in this APEC year, and instead increased tariffs. It is certainly a departure from past economic policies, which emphasised outward orientation. And administrative costs will be higher for a less uniform system: the new changes have introduced new tariff rates of 12.5%, 20% and 25%, in addition to the older ones of 10%, 15% and 30%. Now that the TRP has been abandoned, businesses will lobby for further tariff increases.

On the positive side, the tariff increases are mainly moderate, and may be justified given exchange rate overvaluation. However, they will harm exporters. A more direct and efficient method to help domestic producers of both imports and exports would be to correct the overvaluation by devaluing the Kina.

Rohan Fox is a Research Officer, and Stephen Howes is Director of the Development Policy Centre. Maholopa Laveil is a Lecturer in economics at the University of Papua New Guinea.

This blog is based on the ANU-UPNG 2018 PNG Survey. In the first table, figures up to 2006 are from the 2007 tariff review (Table 1); and figures from 2011 from the 2012 budget (Table 36).

Can PNG become the richest black nation in the world in ten years?

By Maholopa Laveil on June 14, 2019

Papua New Guinea (PNG) recently underwent a change in leadership, which saw the incumbent Prime Minister resign prior to a prime ministerial election on the floor of parliament. James Marape was elected PNG's eighth Prime Minister on 30 May 2019, with an overwhelming majority (101 parliamentary members voted for Mr Marape, with seven voting for the other nominee, Sir Mekere Morauta). That same evening Mr Marape addressed the country on one of its free-to-air television stations, EMTV, and later on social media. Amid thanking the former government and assuring the country it was in safe hands, Mr Marape announced that he aspired to make PNG the "richest black Christian nation on planet earth" within ten years.

To assess the realism of such an aspiration, I put together a list of the top ten richest, black, Christian nations. Christian nations are identified as those where most of the population identify as Christian (of whatever denomination). The richest were those with the highest real GDP in 2011 US dollars ('real' means adjusted for inflation) per person, using purchasing power parity (PPP) which adjusts for different costs of living across countries. Real GDP per capita is a good indicator of wealth, as it measures the amount of income available to each person in a country. Black countries are those from sub-Saharan Africa, the Caribbean and the Pacific.

The richest black nation is Bermuda, with a GDP per capita of US$50,669. Bermuda is also predominantly Christian. Four nations that make the top-ten list are African, the remaining six are Caribbean nations. None of the predominantly black Christian nations in the Pacific region were wealthy enough to make the list (the richest being Fiji with a real GDP per capita of US$8,703).

Table 1: Richest black, Christian countries based on real GDP per capita

Black, Christian countries	Real GDP per capita (constant 2011 dollars), PPP, US$, 2017 or most recent available	Population (in millions) 2017
1. Bermuda	50,669	0.065
2. Trinidad & Tobago	28,763	1.369
3. Bahamas	27,718	0.395
4. Seychelles	26,657	0.096
5. Equatorial Guinea	22,214	1.267
6. Antigua and Barbuda	21,380	0.102
7. Barbados	16,869	0.285
8. Gabon	16,464	2.025
9. Botswana	15,474	2.291
10. Grenada	13,776	0.108
23. Papua New Guinea	3,825	8.251

Indicators available from: https://en.wikipedia.org/wiki/Christianity_by_country, https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD?view=chart, https://data.worldbank.org/indicator/SP.POP.TOTL?view=chart

It is of interest that none of the countries that make the top ten are as populous as PNG. However, there are also larger black nations with a much higher GDP per capita than PNG. For example, South Africa, with a population of 57 million, has a GDP per capita of US$12,294 – more than three times PNG's GDP per capita.

All top-ten nations have a GDP per capita of above US$13,000, making them relatively wealthy, compared to PNG's GDP per capita of US$3,825. If a simple compound growth rate is applied, for PNG to reach Bermuda's current GDP per capita within ten years, it would have to sustain growth at 30 per cent yearly.

PNG has never experienced 30 per cent growth in the past; nor has any other country for that matter, at least not for any sustained period of time. PNG has experienced two notable high GDP per capita growth rates in the past (according to World Bank data). In 1993, PNG enjoyed 15.3 per cent growth. However, PNG's growth rate plummeted to negative 5.8 per cent growth in 1995 during a period of excessive government spending, increased domestic interest payments, and unbudgeted advances on government price support scheme, decreasing public confidence and leading to capital flight and depletion of the Central Bank's foreign reserves. PNG's second-highest real GDP per capita growth period was in 2014, when PNG experienced a 13 per cent growth rate resulting from the first shipments of the PNG LNG project. This was also followed by a sharp decrease in 2016 to negative 0.5 per cent growth. This sharp decrease was due to the fall in world oil prices in 2015, which affected government budget revenues and resulted in a reduction in real GDP growth in subsequent years.

Policy changes proposed by the new government centre on increased local content in renegotiated mining and petroleum agreements, coupled with improved mechanisms for corruption detection and prosecution, and better accountability of government ministers. Regardless of the merits of these policies, PNG's history has shown it has not been able to sustain high growth rates. There are no quick and easy solutions to issues around lack of infrastructure, remoteness, and volatility in resource prices that make economic growth in PNG difficult.

While it is good to aspire to higher income, aiming to become a high-income country within a decade is unrealistic. It may be more realistic to settle for goals such as catching up with Fiji's per capita GDP of US$8,703, and aiming to be the richest Pacific nation, outside Australia and New Zealand. Even this would require a growth rate of 8.6 per cent for the next ten years (assuming Fiji doesn't grow at all). Catching up with Fiji alone will require not only very good policies, it will require longer than a decade.

Maholopa Laveil is a Lecturer in economics at the University of Papua New Guinea.

Policy challenges and opportunities

How can Papua New Guinea gain more opportunities for seasonal work in Australia and New Zealand?

By Richard Curtain on October 4, 2018

Why is it that Papua New Guinea, as a country of nearly nine million people, including 3.2 million men and women aged 20 to 45 years of age, have so few workers accessing high paying, low-skilled jobs in its near neighbours?

The issue of few PNG workers getting jobs through Australia and New Zealand's seasonal work programs was raised in PNG's National Parliament at the end of August 2018. Mr Ling-Stuckey, Member for New Ireland and the Shadow Treasurer stated: "I am very concerned that PNG is not rising to meet this wonderful opportunity. Last year, Tonga, with a population of about 107,000 people — which is smaller than New Ireland's population — successfully engaged 2690 of its citizens in Australia, sending home about A$26.253 million in foreign exchange or about K64 million."

In a recently published Devpolicy Discussion Paper, I have analysed the most recent available data to the end of financial year 2017-18, and compared PNG's performance with the other eligible countries for both the Australia and New Zealand seasonal work schemes. In 2017-18, PNG had only 92 workers go to Australia under the Seasonal Worker Programme, and 138 workers go to New Zealand under the Recognised

Seasonal Employer scheme. These are very small shares of the nearly 8,500 SWP workers and nearly 10,600 RSE workers in that year, particularly taking into account PNG's population, which dwarves the rest of the Pacific.

The Discussion Paper also looks at what other countries, namely Timor-Leste, Fiji and Solomon Islands, have done to lift their performance and what the lessons are for PNG. The starting point for any approach to improving PNG's performance has to be a realisation that Australia and New Zealand employers hold the key to access to seasonal work. There are no country quotas. It is approved employers who decide whether to recruit workers from local sources such as residents or itinerant backpackers or go to the extra expense of recruiting directly from eligible countries. And they choose which country to recruit from.

The challenge for a sending country is to make it as easy as possible for approved employers, within the proper safeguards, to recruit the workers who they think will be the most reliable and productive. The most difficult part of the process for employers is the first step. Many employers travel themselves to a country to oversee the selection process based on a government-managed pre-selection process called the work-ready pool. Or they turn to a trusted intermediary they know who has links to a community in the sending country.

The Discussion Paper concludes that some form of intervention is needed to improve a sending country's performance. The paper shows how the Fiji Government has made considerable effort to ensure the pre-selection process draws workers from rural areas, who have been nominated by their own communities as good and reliable workers.

Timor-Leste has funded a labour attaché and employed an assistant labour attaché, recruited from Canberra. These Australia-based intermediaries and hosting a conference for employers in Timor-Leste have played a key role in lifting Timor-Leste's numbers to 914 workers in 2017-18, gaining third place behind Vanuatu and Tonga.

The Solomon Islands Government has made use of funding from the Australian High Commission to employ, on a two-year contract, a coordinator resident in Australia to make contact with employers, help them gain approved employer status and to minimise the transaction costs involved in the recruitment process by liaising with the Labour Sending Unit. The Solomon Islands Government has also taken the initiative of inviting employers from both countries to take part in the Pacific Labour Mobility Annual Meeting (PLMAM) in Honiara, 8-12 October.

The PNG Women in Agriculture pilot program prepared women to take part in the SWP, showing what rural selection involves in PNG. Five women from Jiwaka Province became the first group of women to travel to work in Australia. An important element of the success of program has been the role of the program coordinator who has been able to act as a trusted intermediary between the selected women and an grower in Australia.

The PNG Government prohibits recruitment agents to stop them charging workers large fees. And it virtually forces employers to select from workers the government has pre-selected into its work-ready pool. Leaving the recruitment function solely in the hands of the government has many problems, including the high risk of government officials taking bribes, selection on the basis of relationships rather than merit, and the inability of government to respond to employers in a timely and responsive manner. Finding trusted intermediaries with ties in both the sending and receiving communities is one way to overcome this problem. One option for PNG is to encourage the mainline churches in PNG with links to both communities in PNG and in Australia to be intermediaries who are trusted at both ends of the recruitment process.

The recruitment, selection and preparation processes for seasonal workers are complex and their management is fraught with risks. No one method is the most suitable to manage these three processes. The sending country context shapes what is possible. Government and bilateral donors need to try out different options to work out the most effective options for that sending country. But surely PNG can, and needs to, do better. Given the shortage of employment in country, and the opportunities for expansion, especially for the SWP (which is growing at 40% a year), PNG should make it a national priority to grow its participation in the SWP.

PNG is making a success of its hosting of APEC because it made it a priority, because partners such as Australia are assisting generously, and because it is involving the private sector. Taking the same approach to seasonal work could make PNG a major supplier of agricultural labour for the region.

Richard Curtain is a Research Fellow at the Development Policy Centre.

Read the full Discussion Paper here.

The potential for anti-corruption reform in PNG's public sector

By Grant Walton on April 15, 2019

The challenges facing Papua New Guinean bureaucrats are, undeniably, daunting. The country's fiscal crisis has seen budgets for service delivery significantly cut. There are signs that politicians are increasingly interfering in the bureaucracy and side-lining public servants. In addition, public servants need to manage pressures to provide unofficial favours to kith and kin through PNG's 'wantok' system (an informal system of reciprocity). While the anecdotal evidence is easy to find, there is little empirical data on how and why public servants support or resist these pressures. This lack of data exacerbates difficulties associated with implementing anti-corruption reforms.

To address this research gap, a newly published discussion paper presents research findings from interviews conducted with 136 public servants across four provinces – Eastern Highlands, Madang, Milne Bay and New Ireland.

The paper examines how respondents conceptualised good governance and corruption, as well as their beliefs about the role of unofficial favours in the public service, causes of corruption, and challenges associated with reporting corruption. This blog examines what findings might mean for anti-corruption reform in PNG.

Most respondents said they were concerned about corruption. In turn, many had thought long and hard about what they and others could do to address poor governance. They suggested more training, improved mechanisms for reporting, and enhanced law enforcement. These are sensible suggestions given that only 57 per cent of respondents knew how to report corruption (more on this later) and the rules and laws governing the public sector are poorly enforced.

While such suggestions are worthy of serious consideration, findings suggest policymakers should not underestimate the difficulties of undertaking anti- corruption reform. More than 90 per cent of respondents believed corruption was common or very common in the public service; two-thirds suggested it is hard to get public servants to work without a bribe. Of those who had found out about a case of corruption, less than half reported it. In turn, addressing corruption in such an environment – where corruption is the norm – will not be easy: attempts to do so will likely meet great resistance.

Findings also point to challenges around reporting. Only 17 per cent said the processes for reporting corruption were absolutely or mostly effective. There were also widespread fears around reporting– 72 per cent agreed that people who report corruption suffer for it.

Most respondents who knew how to report said that if they came across it, they would report corruption through internal processes (such as to their superior). However, in corruption cases involving networks of public servants, politicians and businesses – and where the boss might be corrupt, which was a common concern – it is important that public servants are aware of and can report to independent agencies that are able to investigate. With anti-corruption agencies experiencing significant budget cuts, the findings provide further evidence that PNG's anti-corruption agencies need more resources to: 1) provide safe processes for reporting; 2) effectively process complaints; and 3) promote processes for reporting within the public service.

This is particularly the case for female public servants, who were less likely to know how to report. Even women who found out about corruption and understood reporting processes were less likely to report than their male counterparts. In turn, there is a role for governments and donors to provide gender sensitive pathways for reporting corruption.

Given PNG's decentralisation efforts, it has become increasingly important for policymakers to tailor policies to the country's different subnational contexts. The findings from this research reinforce this message. Out of the four provinces surveyed, public servants in Milne Bay and Madang were in a better position to respond to corruption. In these provinces, strengthening existing monitoring and reporting processes might be easier. On the other hand, policymakers should respond with greater caution in Eastern Highlands, where reporting rates are lower because respondents are concerned that those who report corruption will suffer for it.

Further complicating potential reform is a deep ambiguity about how public servants should deal with pressure from their wantoks. Almost two-thirds acknowledged that providing unofficial favours for kith and kin is wrong, but saying no – particularly for junior staff – was extremely difficult. The 20 per cent of respondents who said they refused their wantoks' requests said it was easier to do so as an outsider, if they could refer the request further up the managerial chain, or draw on other experiences to justify refusals. These are areas where policymakers could focus their attention. Moving staff between subnational governments and providing guidance on how to handle requests from wantoks could help.

The more difficult task facing reformers will be understanding and then untangling the web of ties between citizens, public servants, political, and private interests. Findings suggest that recent decentralisation and public service reforms have made this more difficult, as they have increased the power of business and political elites at the subnational level, leading to increased concerns about expanding corruption networks.

In sum, while findings point to potential areas for anti-corruption reform in PNG's public sector, anti-corruption reformers will need to move 'isi isi' (slowly/carefully) to ensure their cure is no worse than the disease.

Grant Walton is a Fellow at the Development Policy Centre and Chair of the Transnational Research Institute on Corruption.

Read the full discussion paper here.

Landowner identification in PNG: a job for government

By Peter Dwyer and Monica Minnegal on March 21, 2019

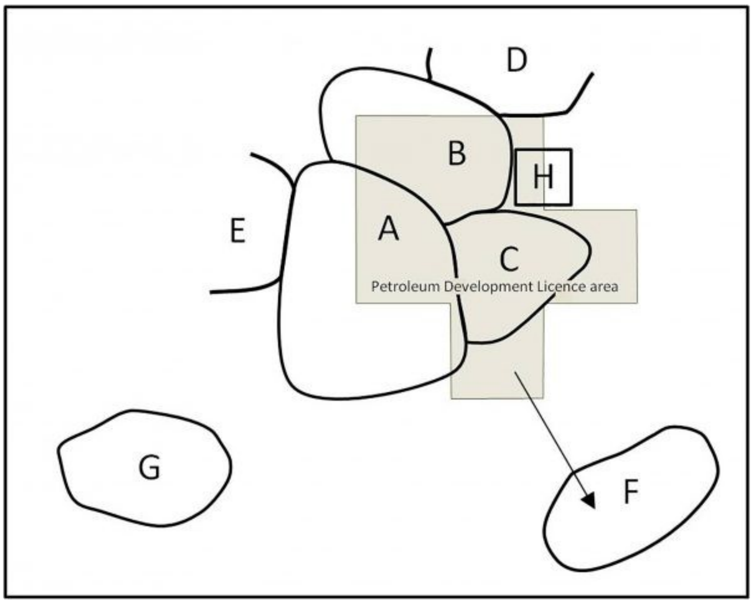
The Papua New Guinea Liquefied Natural Gas (PNG LNG) project commenced exporting gas to China, Korea and Japan in May 2014. Under agreements reached in 2009, landowners of eight petroleum licence areas, eight pipeline licence areas and a liquefaction plant site near Port Moresby were to receive royalties. By February 2019, payments had been made to people in only the last of these areas. The identification of landowners has been a major difficulty, and assigning responsibility for completing the task has been a matter of debate.

At the close of 2018, social mapping and landowner identification studies carried out by consultants to petroleum companies, clan-vetting exercises carried out by officers of the Department of Petroleum and Energy, and alternative dispute resolution processes implemented by the judiciary had failed to solve the problem. By this time too, agreements for two other LNG projects (in Western Province and Gulf Province) were under discussion. In January 2019, Petroleum Minister Fabian Pok told parliament that the government would not repeat the mistakes of the first LNG project. He wanted the companies to be responsible for identifying landowners in the new LNG project areas and he wanted this done before those projects moved to production. On January 23rd, referring to the Gulf Province LNG project, Prime Minister Peter O'Neill said that the government "had tasked the developer to do the landowner identification process" and Minister Pok reported that Total – the developer – had agreed to do this.

The small print is not yet to hand so we cannot be sure just what the government has requested or what Total has agreed to do. Here, however, we argue that ceding responsibility for landowner identification to the petroleum companies is a seriously bad idea – bad for the companies, the government and for the people of Papua New Guinea.

Under the Oil & Gas Act 1998, final determination of landowner beneficiaries for a petroleum licence area is to be made by the responsible minister and gazetted as a Ministerial Determination. Recent determinations provide a record of landowner beneficiary identification for specified licence areas or pipeline segments. Those determinations name clans (variously 'major clans', 'stock clans', 'beneficiary clans') but do not name individuals within those clans. With reference to differential benefit-sharing arrangements they may subdivide clans as 'highly impacted', 'least impacted' and 'invited'.

The diagram below shows some categories of landowner beneficiaries appearing in recent determinations and in clan-vetting exercises that precede and feed into those determinations. On the diagram, the boundaries of the lands of clans A to G are shown relative to a Petroleum Development Licence (PDL) area. Clans A, B and C are classed as landowner beneficiaries on the basis of long-term residence and use. Clans D and E are 'invitees' initially recognised as landowner beneficiaries on the basis of boundary-sharing with A, B or C with the possibility that they are subsequently granted equivalence with those clans. Clan F is classed as a landowner beneficiary on the basis of asserted ancestral connection and an ideology of rights to land being held in perpetuity. Clan G is an 'invitee' recognised as a landowner beneficiary on the basis of assistance rendered to A, B and C. H is a private citizen, or group, that holds registered title to a portion of the PDL area and, on this basis, under the Act is a landowner beneficiary.



The concept of 'landowner' is being used here in a broad and fluid sense. It is not used in agreement with any likely academic definition, with any detectable legal rigour or in conformity with a pan-PNG ideology of tenure because, of course, there is no pan-PNG ideology of tenure. The Oil & Gas Act requires that a company applying for a PDL must submit a "full-scale social mapping study and landowner identification study of customary land owners" of that licence area. Under the Act, customary landowners are persons whose relationship with the land has to do with "rights of proprietary or possessory kind". Not all clans identified as landowner beneficiaries in Ministerial Determinations satisfy this definition. And the status of others, both the included and the excluded, as members of this category will be always amenable to contention. Several possibilities are implied in the diagram.

For example, a judgement that clan C was 'more impacted' than A or B because all land attributed to C is within the PDL area while portions of land attributed to A and B lie outside that area, could be challenged by the latter clans on the basis of area or numbers of people affected. Similarly, members of A, B or C could well have different opinions regarding acceptance of D or E as 'invitees' and their possible upgrading to the status of landowner is even more problematic in being politically, rather than empirically, motivated. Inclusion of F as landowner will be dependent on assessing the validity of accounts of ancestral connections from claimants who may well have competing agendas. Finally, inclusion of G could elicit claims from other clans that assert that they too provided assistance to A, B and C. Resolving problems of these kinds cannot be achieved by an anthropological study of 'in situ' land ownership. These sorts of problems are ultimately resolved only by facilitated negotiation with those charged with identifying landowners, or by litigation.

No petroleum company can produce a list of clans that will conform to, or satisfy, the sorts of decisions that currently inform Ministerial Determinations. They did not do so in the past and they cannot do so in the future. If companies now assume responsibility for producing a definitive list of landowner beneficiaries, there will no longer be any ambiguity about who to blame or who to take to court when the list is considered defective. The fault will be theirs. On these counts, the desire to shift responsibility – or at least the perception of responsibility – to the petroleum companies might, in the short term, prove beneficial to the government in domains of financial management and public relations.

There is, however, another reason why responsibility for identifying landowners should remain with the government. Only Papua New Guineans – the PNG government, courts, and the landowners themselves – can determine who owns the land in Papua New Guinea. This responsibility should not be ceded to outsiders. It should not be ceded to American, Australian, Chinese or French companies. Papua New Guinea is not their country. They are guests. Only Papua New Guineans can determine what is right for Papua New Guinea. The petroleum companies should recognise and acknowledge this and step back from this area of decision-making. The government should also recognise and acknowledge this and step forward to ensure that the rights of all Papua New Guinean woman and men are guaranteed by Papua New Guineans.

Peter Dwyer is an Honorary Senior Fellow in the School of Geography at the University of Melbourne. Monica Minnegal is an Associate Professor in Anthropology in the School of Social and Political Sciences at the University of Melbourne.

A tax on mobile phones in PNG?

By Amanda H A Watson and Rohan Fox on May 16, 2019

The government of Papua New Guinea (PNG) is considering imposing a mobile phone tax, in order to generate revenue. This blog post examines the proposed measure and its potential impacts.

In the 2019 budget handed down late last year, the PNG government suggested that it would use 2019 to look into the possibility of introducing a 'turnover tax' on mobile telecommunication companies. It outlined two reasons for this: that these companies were making above average profits, and that complex pricing schemes in the sector made it difficult for the Internal Revenue Commission (IRC) to adequately assess and audit them. Complex pricing schemes such as transfer pricing can be used by multinational companies to shift profits offshore. In the mobile telecommunication space in PNG, Digicel holds an effective monopoly as it has 92 per cent of market share (see page 19 of this recent report) and is the only network that covers rural and remote locations. There appears to be no publicly available information on how much, if any, company tax it pays.

Turnover includes most income, but excludes income not directly related to running the business, like interest. Turnover is relatively easy for the IRC to track. Additionally, there have been several recent years of poor growth and economic hardship – revenues have fallen consistently since 2013, as have employment and government spending on public services. There is also a large amount of debt to repay in coming years, and spending has already been cut substantially. New taxes, like the turnover tax on telecommunication companies, would improve the current budget situation by creating revenue.

However, turnover taxes encourage companies to do as much as possible in- house. Instead of outsourcing a service to a local business (which would involve a taxable transaction), companies have an incentive to create a new department within the company to do it instead. This might be more expensive to run, but cheaper overall than paying the tax. Telecommunication companies may also be less inclined to expand their services and/or networks if their profits are reduced by new taxation obligations. In 2018, Nissan Island had no mobile coverage following lightning strike damage to a tower – a sector-specific tax may decrease the likelihood of a tower being fixed in a timely manner, leaving people without communication.

However, as Digicel has a monopoly on most of the PNG market, a tax on mobile communication companies may be less likely to reduce services for consumers, because there's no real competition in the marketplace.

Cross-country comparisons

In countries like PNG where a very large portion of the economy is informal and does not produce tax returns, and resources at the IRC are lower than in developed countries, ease of enforcement of tax collection can be a vital issue. There is evidence that a turnover tax has improved tax compliance in Pakistan, where firms are taxed on the larger of turnover or profit. This kind of result could tip the balance in favour of a turnover tax despite negative impacts.

In the 2019 budget, the government explicitly references Kenya, Gabon and Uganda as countries that have introduced telecommunication sector taxes. However, in the case of Kenya, this tax was removed in its most recent budget. The PNG government also states that its intention is not to reduce the amount of phone calls or text messages. Nonetheless, when Gabon imposed an excise on incoming international calls, call volume dropped substantially. Uganda introduced an excise on domestic calls and analysis suggests that this decreased the number of minutes of phone usage.

Brazil's turnover tax was recently scrapped, and it is argued that this resulted in substantial improvement in economic output for producers of intermediate goods. That said – in both Brazil and Kenya, the tax was levied not just on large telecommunication firms, but also on small and medium enterprises – and was designed to improve tax collections from the informal sector. This means that the comparison is imperfect.

Sin taxes

As well as exploring the option of a telecommunication tax, the PNG government is considering the introduction of a tax on sugared drinks. Known as 'sin taxes', such taxes are often intended to reduce consumption of a product with negative health and/or social effects, for example tobacco or alcohol. According to KPMG, a possible excise duty on sugar sweetened beverages such as soft drinks "is aimed at increasing the health of the population". In other words, if the drinks cost more, people will buy them less often, therefore becoming healthier due to lower levels of sugars in their diets.

It seems logical then that, if a tax is also introduced in the telecommunication sphere, companies could pass the cost on to consumers, who might then use telecommunication services less often. In PNG, the majority of people live in rural areas. For these people, mobile phones are often the only available method of real-time, two-way communication. Thus, such devices play important roles during urgent situations, such as medical emergencies and disaster warnings. The effect of introducing a telecommunication tax in PNG could be that increased costs would be passed on to consumers and these costs may be prohibitive.

Nonetheless, these two sectors might have a key difference. There may be reasonable competition between companies supplying sugared drinks in PNG, and thus a tax would drive prices up at retail outlets. For reasons outlined previously, Digicel's effective monopoly may reduce this effect.

Conclusions

A telecommunication sector-specific tax is likely to have both benefits in terms of revenue generation, and negatives in various forms. Ease of enforcement of a turnover tax may make it an appealing tool for the PNG government to employ. However, there are concerns around negative impacts. At this stage, we do not have enough information to determine whether the introduction of a turnover tax in PNG is a good idea.

A first step should be revelation of the corporate income tax paid by Digicel. Resource companies voluntarily provide information about their corporate tax payments in PNG through the Extractive Industries Transparency Initiative. Digicel should do the same. Until it does – or alternatively, until the government releases this information – the suspicion will remain that Digicel is not paying any corporate tax in PNG, and the push will continue for alternative ways to tax Digicel's monopoly profits.

Amanda H A Watson is a Lecturer at the Development Policy Centre, based at the University of Papua New Guinea where she is a Visiting Lecturer in Public Policy as part of the ANU-UPNG partnership. Rohan Fox is a Research Officer at the centre.

PNG and the region

For PNG's sake let's hope hosting APEC is for the better

By Busa Jeremiah Wenogo on November 9, 2018

In August, under a headline that read "APEC is for you PNG", APEC Minister Hon Justin Tkatchenko said the benefits of hosting APEC would last for many years and would strengthen many sectors in the economy. The Minister's statement seemed to portray APEC as a defining event in the country's history. As the date for the APEC Leader's Meeting draws nearer, Papua New Guineans will get a chance to assess whether APEC 2018 will live up to its hype and transform our fortunes for the better, or if it will instead become a shadow that will haunt us for many years to come. For PNG's sake, let's hope it is the former.

APEC is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific. It aims to create greater prosperity for the people of the region by promoting balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration. Out of the economies of APEC member countries, PNG is described as the smallest and poorest. Perhaps this is why the prospect of PNG hosting APEC is so intriguing to both its citizens and the world at large. Although the PNG Government is adamant it will be a success, nobody really knows – certainly it will be by far the biggest event PNG has attempted to host. Ensuring the safety of some of the world's most powerful leaders is in itself a monumental task at a time when there are heightened geopolitical tensions and risks of terrorism.

Port Moresby is regarded as one of the most dangerous cities in the world. A successful APEC would help to change that perception. But failure to deliver would be catastrophic.

Preparation for the summit so far has been a roller coaster. The government is trying to sell APEC to PNG's public by promoting it as a "historic event". But skepticism over the cost associated with hosting the event is rapidly eroding public support. The recent controversies surrounding the purchase of 40 luxury Maserati Quattroportes and Bently Flying Spur V8s to be used by leaders has resulted in widespread public condemnation in light of the lack of budget allocations for health issues, especially the re-emergence of polio, the ongoing struggles to contain tuberculosis, and an accelerating incidence of malaria. Furthermore, hospitals and clinics have reported shortages in drugs, medical consumables and supplies. On the economic front, the cost of fuel, food and other basic necessities are constantly rising.

Although the event will put PNG in the spotlight, whether there will be massive investment and trade benefits to PNG as a result of hosting APEC, as the government predicts, remains to be seen. In any case, so far large investments in the extractive sector have not translated into tangible outcomes for the majority of Papua New Guineans. For instance, the PNG LNG project has so far not lived up to its hype of being a transformational project.

Port Moresby, as the host city, is expected to benefit significantly. Indications from the 2015 Pacific Games and 2017 Rugby League World Cup are that residents will derive monetary benefits through their engagement as volunteers and cleaners. Companies receiving contracts to provide transportation, hospitality, catering and other services will also benefit.

Yet, while APEC Haus and the new world class Hilton Hotel in Hohola will play host to the world leaders and their entourage, many Papua New Guineans in Port Moresby will be waking up in crowded settlements, most of which lack basic necessities like water and power. In villages across Papua New Guinea, life will go on as it always has. While major freeways in Port Moresby are undergoing maintenance, most suburban and street roads are in a deplorable state – and one can only imagine the state of the roads outside of Port Moresby. The public transportation system in Port Moresby and in other major urban centers is a mess. Public spaces in the city are increasingly being taken over by hordes of petty criminals who, driven by desperation, prey upon shoppers and female market vendors.

The 2018 APEC theme 'Harnessing inclusive opportunities, embracing digital future' is ironic for a country that has one of the most expensive internet rates in the world and where provision of mobile telephony and telecommunications services remains one of the biggest challenge to service delivery. Yet in a country with well-documented physical constraints, technological innovation can be a key driver in advancing important development agendas such as financial inclusion, small and medium-sized development and good governance. And not all is gloom and doom – the government has promised to reduce internet rates once a new submarine cable connecting Australia and Papua New Guinea is completed in 2019.

In the area of inclusiveness, the government still has a long way to go, although it should be credited for promoting gender equality and social inclusion in workplaces. Through chairing APEC, PNG has the chance to be the vanguard in promoting the importance of the informal economy and outlining its efforts in that regard.

As the largest Pacific island economy, PNG can play a leading role in mapping out a sustainable future for its people and the Pacific island region by ensuring that critical issues ranging from fair trade to climate change are highlighted.

Papua New Guinea is moving into uncharted waters with the hosting of APEC. At the negotiating table, PNG will have to use tactful diplomacy as the host and chair to get more out of the event, especially bearing in mind that the Asia Pacific region is increasingly becoming a hotbed for global supremacy, and the risk that the summit will end up becoming another slugfest as the biggest economies jostle for prominence.

For PNG's sake, let's hope that APEC is worth all the sacrifices that the people of this country have to make, willingly or not.

Busa Jeremiah Wenogo is an economist who specialises in the informal economy.

Papua New Guinea is not Pasifika

By Martyn Namorong on April 29, 2019

Last year I attended a Pasifika themed party at a hotel in Goroka, hundreds of kilometres from the sea and 3,000 meters above sea level.

Luckily I had taken my sulu on that work trip, and so with a Bula shirt on I was all Pasifika for the night. It turned out later that I was the only Pasifika-dressed partygoer at the event, and by default the winner of the prize offered.

This experience shows that PNG wants to be Pasifika but doesn't behave like it – not just in fashion but in terms of the common values, and more importantly customs (kastom), that define this region and its people.

My first observation that demonstrates why I think PNG is not a Pasifika nation is the perception of the physical environment. One does really get a sense of Pasifika as the "liquid continent" when one takes off on a plane from Honiara, Nadi or Nuku'alofa. You note how tiny your islands are and how big the ocean is. From Port Moresby, you can look into the horizon and see the land as it stretches to the highlands.

This is an important contrast because it gives people a sense of their place in the world. Do we Papua New Guineans see ourselves as people of the liquid continent that Epeli Hau'ofa wrote about? In the current context of regional integration, do we see ourselves as part of the Pacific Islands Forum's agenda as a people of the 'blue continent' with a 'blue economy'? Is PNG's economic future on the land, or in the ocean like other Pasifika nations?

Another important reason I say PNG is not Pasifika is that it needs to and wants to industrialise to take care of its eight million people. Industrialisation means increased carbon emissions and contribution to global warming and climate change. We can afford to do this because much of our land mass is 1,000 meters above sea level (even on the other major islands – Manus, New Britain, New Ireland and Bougainville.) Indeed we are extracting oil and gas and selling it to the world. And we do have coal, which we might soon be exploiting. We may also feel the negative consequences of climate change, but they are less likely to erase our nation than they are other Pasifika states.

The other reason why I don't think PNG is Pasifika is about the nature of the relationship the state has with society in PNG, as opposed to other Pasifika countries. Regional integration is easier if nation states have shared values and principles of governance. The relationship between state and society in PNG is one I would describe as paternalistic, whereas as Pasifika states are more maternalistic.

In PNG the economic relationship between the state and society is a predatory relationship. Waigani's predatory elite exploit the land and resources of the people – apparently in the national interest. In terms of provision of public goods and services, the state tends to throw its people out to fend for themselves and be exploited without any social safeguards or access to justice. Pasifika governments tend to take better care of their people and protect their interests.

There are other, perhaps more controversial, areas of contrast – for example culture, sovereignty, decolonisation, demilitarisation and West Papua – but I won't delve into them.

My view therefore is that PNG has a very different development trajectory to that of other Pacific island nations. It won't be easy to throw PNG out of the regional space, due to historical and geographical reasons. I believe however that PNG's place in the Pacific is similar to that of Australia and New Zealand: we are a friend but we are not a member of the Pasifika family of nations.

Martyn Namorong is a Papua New Guinean writer and blogger. A version of this article was first published on the PNG Attitude blog.

Politics and government

PNG politics: the dawn of a new era?

By Bal Kama on May 14, 2019

The almost seven years stability enjoyed by Papua New Guinea's (PNG) government of Prime Minister Peter O'Neill is now under challenge as the country prepares for a gripping vote of no confidence in late May. Some have already shared key insights on the developments, including some historical background and technical aspects of the vote of no confidence process (see here, here and here). This analysis builds on these discussions to draw some general observations regarding the present political climate in PNG and possible future implications.

Impetuses to change the O'Neill government

Up until Tuesday of last week, Peter O'Neill was the dominant political player in PNG politics. He assumed the position of Prime Minister in August 2011 after ousting Sir Michael Somare in a dramatic power struggle that included resisting judges of the Supreme Court. The 2011 constitutional crisis cemented O'Neill's place among his peers as an experienced combatant of the country's hostile politics. Within the region and abroad, his elevation and Somare's demise was seen as the 'changing of the guard' in PNG politics.

One of O'Neill's key reforms following his ascension was the establishment of Investigative Task Force Sweep (ITFS) – an intra-governmental agency charged with combatting corruption. The successes of ITFS resulted in widespread public support for O'Neill. However, his standing quickly unravelled in 2014 when he became the subject of an investigation into the famous 'Paraka-gate Affair', a case of alleged high-level corruption. His staunch resistance and interference in the investigative processes – in particular, his dismantling of ITFS – raised serious questions about his commitment to the rule of law.

Nevertheless, O'Neill maintained commanding support in Parliament. In Australia, he was dubbed as "PNG's champion of progress", a call that would later appear misguided as O'Neill's leadership led the country into severe economic and fiscal difficulties. His government borrowed heavily from foreign lenders to sustain its ambitious policies and projects, including hosting international events such as the Pacific Games and the Asia Pacific Economic Cooperation (APEC) meetings at exuberant cost.

These issues finally and suddenly resulted in the mass exodus of senior ministers, coalition partners and members of O'Neill's political party over the last two weeks to the Opposition. The first sitting on Tuesday 7 May exposed, for the first time in O'Neill's dominating prime ministerial career, the real possibility of being unseated, as the Opposition put forward 50 MPs against O'Neill's 56 MPs. Unlike in the past, O'Neill now maintains only a slim majority, and a small margin provides no confidence at all in a notoriously fluid political environment.

Future possibilities and implications

The 26 MPs that defected from the O'Neill government demonstrate a serious lack of confidence in the Prime Minister. That these MPs are putting conscience before convenience and principles before perks is likely to inspire other MPs in the O'Neill government to defect. O'Neill, however, may counter that likelihood by using various methods of attraction, one of which, according to former Prime Minister Sir Julius Chan, is to "keep individual politicians 'happy'".

Those who defected, especially Finance Minister James Marape, and Governors Sir Peter Ipatas, Phillip Undialu and William Powi, are from the resource-rich Enga, Hela and Southern Highlands provinces. Their defection may present a challenge for resource developers in these provinces. The investors rely on local leaders to overcome complexities such as dealing with landowner issues, so the defection of these local leaders is likely to affect the confidence of investors in the O'Neill government.

The motion of no-confidence comes at a time of increased bilateral and multilateral engagement with traditional and non-traditional partners. The hosting of APEC reinforced PNG as a regional leader and presented O'Neill's government as stable and enduring. However, the motion of no-confidence, supported by several members of O'Neill's own political party and senior Cabinet ministers, portrays a contrary image of Prime Minister O'Neill internationally.

Parliament was abruptly adjourned to Tuesday 28 May, which, according to the Opposition, is a political tactic to delay the vote of no confidence. However, given that the vote of no confidence is now filed, it triggers a constitutional urgency. Unlike other ordinary parliamentary motions, the vote of no confidence needs to be dealt with by the Parliament at the earliest possible time. There is ample

Supreme Court precedence to support the Opposition applying to the Court to possibly bring the Parliament sitting forward.

Security is likely to heighten around Port Moresby as political uncertainty looms over the embattled city. The Speaker of Parliament needs to guard against any compromise and the democratic processes of the vote of no confidence needs to be strictly followed to prevent any adverse situations among the disgruntled population.

Conclusion

In PNG – the 'land of the unexpected' – it is difficult to predict an outcome of the impending vote of no confidence. The defection within O'Neill's government suggests that if the normal parliamentary processes are strictly followed, O'Neill may suffer defeat, as some within his party may not be as loyal as they appear.

The nomination of the former Finance Minister, James Marape, as the alternative Prime Minister is an indication of the changing of the guard in PNG politics. His reputation is not without question, but he presents a strong challenge to O'Neill given his previous senior ministerial portfolios, as well as his influence among the different factions in the Opposition. While the future is unpredictable, it appears promising as leaders forgo privileges and perks to rally for change.

Bal Kama is a PhD Candidate at ANU College of Law and a Sessional Lecturer at the University of Canberra.

Draining the Waigani swamp: a congratulatory message to Prime Minister Hon James Marape

By Sam Koim on May 31, 2019

I join the rest of the country to congratulate you on your election as the eighth Prime Minister of Papua New Guinea.

I'll skip most of the pleasantries as I believe you have had a bucket full of them by now. Please allow me to get straight to my message to you.

Prime Minister, you are taking the baton of leadership at a difficult time when our country is in a critical condition. The economic turmoil with the fall in income and rise in public debt, increasing law and order problems, and lack of basic services are amongst the many development challenges we are facing.

Prime Minister, your message to "take back PNG" and transform it to be the "richest black Christian nation on earth" brings so much hope and a sense of direction for the country. I am one of those hopefuls, who, in the following passages, would like to put up some sign posts on the side so that you can achieve that goalpost for us all.

Like you, many before you had jubilantly entered this most coveted office with so much passion, vision and energy, but regrettably left without achieving much. They meant well and started well, but lost their path and got stuck in what I call the "Waigani swamp".

May I take this opportunity to draw your fresh attention to the Waigani swamp and swamp-dwellers that continue to undermine service delivery, sap energy, steal dreams, manufacture inertia, and stifle development. That swamp is the "weak bureaucracy" which comprises of (a) institutions (swamp) and (b) public servants (swamp-dwellers).

The bureaucracy is the fulcrum of the government, for without it nothing gets done. It is the lynchpin for the change that you envisage. It is the main driver of your new government's policies. It can propel you forward toward successes or bog you down in failure.

Unfortunately for you, Mr Prime Minister, while they are still plenty of good, hard-working bureaucrats who fight against the odds, as a whole the bureaucracy that you are inheriting is weak and dysfunctional. The theme "take back PNG" is the clarion call we all share, as it truly reflects the sick state of our bureaucracy and the need to restore it. It needs immediate treatment, but not without proper diagnosis first. As medical practitioners would attest, it is a cardinal sin to offer treatment without first diagnosing the disease itself.

Curing the democratic deficit, fixing regulatory fragilities, cutting out red tape to restore institutional efficiency and agility, realigning policy and institutional coherence, and reinvigorating public servants' sense of duty and improving their performance, are among the mammoth tasks ahead. It will require a pruning exercise. Pruning is always painful, but the health of our young democracy depends on it.

I am a strong advocate for institutional governance, for it is the institutions that run a country. Transient occupants of the office like yourself, those before and after you, are only drivers of this machinery of government. The driver's role is to ensure that this machinery is well-lubricated and in good running condition, without tempering with the mechanical composition of it. Unfortunately, this machinery you're inheriting is dysfunctional, inefficient and too weak to take you to the peak ("make PNG the richest black Christian nation on earth") due to tempering and neglect by previous drivers since independence.

PNG needs powerful institutions, not powerful individuals. We are a country that must be ruled by law, not individuals.

Another major impediment to our development is, of course, corruption. There is growing public demand for establishing an Independent Commission Against Corruption (ICAC) as a central anti-corruption agency. All eyes are on you whether you will complete the establishment of the ICAC from where it was left off by the previous government.

Whilst this may be an immediate action that would have popular backing, I have reservations for a quick fix to an endemic and rooted problem. In my experience and research of international literature, many ICAC (or ICAC-like) institutions have failed, whilst only a few have succeeded. Those experiences show that an ICAC works well in a sound governance environment. In a weak governance environment such as ours, where most of the existing integrity institutions are either weak or have collapsed, an ICAC will become another problem rather than a solution. Improve the existing institutions as I have proposed here. They can be enabled and coordinated to curtail the spread of corruption. I do support the call for the creation of an ICAC, but not until after the existing institutions are properly empowered and improved.

In the next few days, you will be deciding on who will run with you – your dream partners. Whilst you owe it to those who made you PM, your choice of leaders should have more to do with competence than convenience. A coach who aims to win a game knows the ability of his players and positions them accordingly. I believe I am representing the silent majority to urge you to choose carefully. The pruning process can start with the selection of your dream partners.

The law guarantees you an uninterrupted balance of this term of parliament to make decisive decisions and turn this country around. The task of draining the swamp (or curing it) may seem daunting and onerous, but it can also set the platform for another term if you perform well. Even if you do not return as Prime Minister after the next election, history will remember you for draining the swamp and rebuilding institutional governance. Remember, Goliath was too big to die, but he was also too big to miss a stone.

Corruption and bureaucracy are the two main development challenges that I would like to draw to your attention. Address these two issues and you will be able to effectively address other challenges. It is my hope that you will not join the former club of promisers, but stand out to trailblaze the delivery this country has been earnestly seeking.

I believe you have acquired the experience to manage the politics, the knowledge for institutional governance, and the heart to make this great nation the "richest black Christian nation on earth." May God grant you prime ministerial wisdom.

Congratulations again! May God bless PNG!

Sam Koim is a Papua New Guinean lawyer whose career has focused on anti-corruption efforts. He was a Principal Legal Officer at the PNG Department of Justice and Attorney General, before becoming Chairman of Investigation Task Force Sweep, PNG's multi-agency anti-corruption body.

Peter O'Neill's eight years as PNG's Prime Minister

By Stephen Howes on June 13, 2019

Peter O'Neill was PNG's second longest serving Prime Minister, and by a long way. He was PM from 2011 to 2019, about one-fifth of the country's history as an independent country. He may well remain a political force, and even be a future PM. But for now at least his term of office is over. How should we assess it? Certainly, no other individual has so dominated the pages of the Devpolicy Blog, which I have co-edited since its inception in 2010. Indeed, the pages of our Blog provide a rich source of materials on which to base an assessment of O'Neill's long tenure. In what follows, I focus on domestic policy, the importance of the 2013 O'Neill-Rudd Manus agreement notwithstanding.

On the positive side of the ledger, attempts had been made before Peter O'Neill became Prime Minister to abolish school fees in PNG, but none had lasted. O'Neill did it, and it stuck. One can criticise some of the modalities and consequences (in most provinces, a massive increase in school class sizes), but getting more kids in school is a step forward.

Free education stuck in part because O'Neill was PM for so long, and that stability was itself an achievement. It enabled O'Neill to pursue long-term goals like the hosting of APEC, which, while controversial, resulted in PNG getting more foreign aid. The stability also provided the environment in which the ADB's 2017 US$1 billion loan to fix up the Highlands Highway was finalised – a transformational project.

The negative side of the ledger is prominent. First, O'Neill borrowed heavily during his first years of office, the boom years of 2012 to 2014. That was a big mistake, resulting in a heavy interest burden today, and accentuating the impact of the downturn on government services during the post-2014 bust years.

Second, and crucially in my view, O'Neill failed to grasp the opportunity which the end of 2014 presented. When oil prices crashed, he could have called the greatly changed external circumstances a crisis, and pushed through much- needed hard decisions, like budget cuts, revenue measures, and an currency devaluation. He could have done all this and blamed it on external necessity.

Instead, until much too late his government denied that the fall in oil prices would have any consequences at all. By then, the PM was trapped by his own spin into a passive economic policy stance, perpetually on the defensive, denying that there were any economic or other problems at all, even as employment fell, growth outside the resources sector fell below the population growth rate, foreign exchange dried up, revenue collapsed, and government services deteriorated. The admission of his successor – the new Prime Minister James Marape, in a maiden speech that was generally favourable to O'Neill – that the economy is "bleeding and struggling", was never one the former PM could have made after he missed his 2014/15 window of opportunity. O'Neill's defence of his healthcare policies at a time of health crisis was particularly galling.

Third, the former Prime Minister antagonised too many of his colleagues via a series of controversial decisions or captain's calls. O'Neill could ban Australians like Ross Garnaut and Paul Flanagan with no fallout. He could nationalise Ok Tedi without consequence. But the 2014 UBS loan to purchase Oil Search shares cost him valuable allies, as did – much more recently – his finalisation, against bureaucratic advice, of the Papua LNG gas agreement. It is sometimes said that all power rests with the PM in PNG politics, but O'Neill's eventual demise illustrates the dangers of concentrating rather than sharing power. (On his resignation as Minister in April, James Marape said that PNG was not a nation "to be dominated by one person".)

O'Neill also struggled with many of the dilemmas that ruling PNG involves. The first and most prominent of these concerns corruption. Everyone agrees it needs to be contained, but when corruption is widespread clamping down on it is risky. O'Neill came in with energy at the end of Somare's lethargic final term. He established Taskforce Sweep to fight corruption within two weeks of becoming PM, in August 2011. But it lasted less than three years, being disbanded by the man who set it up when the agency went after the O'Neill himself on corruption charges. He promised thereafter to replace Taskforce Sweep by an Independent Anti-Corruption Commission, but never did. While it is difficult to quantify corruption, the consensus is that it increased and institutions weakened under O'Neill's reign.

Second, O'Neill supported decentralisation, but without clear direction. In his early years, he supported decentralisation to the districts or MP level, with multi- million Kina funds for MPs to disburse and new District Development Authorities to manage those funds. Provinces (made up of districts) seemed irrelevant. But in his later years, O'Neill tacked back to the provinces, promising their governors greater autonomy. Absent a settled and affordable framework for decentralised governance, expect service delivery to continue to decay.

Third, O'Neill – or at least his government – flirted with but never committed to a number of controversial policy stances. Policies to quarantine large parts of the economy from foreign investment and to hand mineral ownership to landowners were advanced, but then not implemented. There is a clear mood of economic nationalism in PNG which no leader can ignore, but it needs to be constructively channelled towards outlawing backroom deals rather than isolating the country. Women's parliamentary representation is another issue the former Prime Minister flirted with but left in the too hard basket.

Peter O'Neill, by virtue of his longevity and energy, was probably PNG's most powerful PM, but he was also perhaps the most divisive. A skilful politician, he appeared invincible for so long, but he finished his time as PM isolated and defeated by what even he admitted was a perceived “need for change”, his achievements insufficient to counter his mistakes and vacillations.

Stephen Howes is Director of the Development Policy Centre.

PNG’s fluid politics: winners and losers from O’Neill to Marape

By Michael Kabuni on June 19, 2019

On 30 May 2019, James Marape replaced Peter O’Neill as the Prime Minister (PM) of Papua New Guinea (PNG). This blog does three things: first, it shows the level of fluidity in PNG politics by discussing events leading up to Marape’s election as PM; second, it compares the allocation of portfolios by party numbers and by regions under O’Neill and Marape Governments; third, it discuses the re-appointments of ministers in the Marape government.

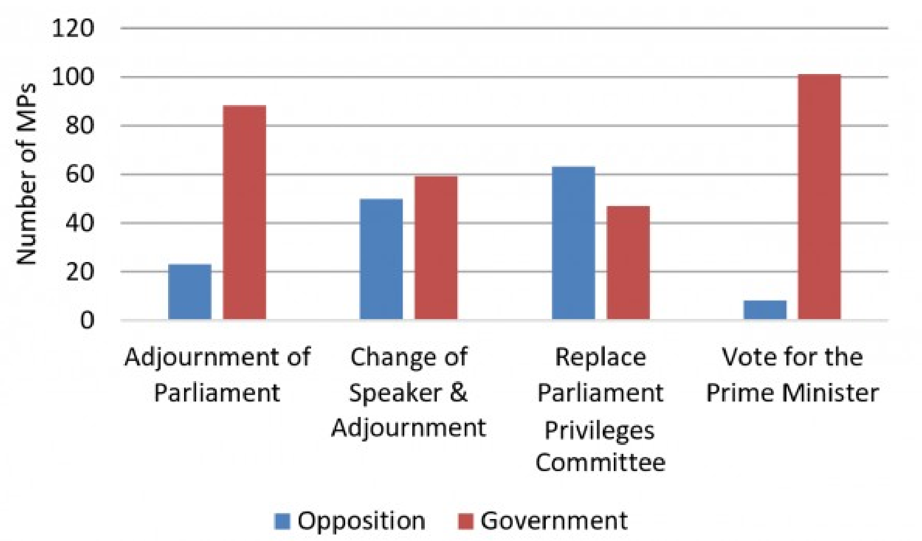
Fluidity of PNG politics

PNG politics is fluid. In January 2019 the government voted to adjourn parliament with 88 votes to the opposition’s 23 (Figure 1). On 10 April 2019, Marape resigned as Minister for Finance as well as member of People’s National Congress (PNC) party led by O’Neill. Joining the opposition, he was nominated to replace O’Neill in a vote of no confidence when parliament met on 7 May 2019. Marape was later followed by 26 other MPs who either resigned as PNC members or left the coalition and joined the opposition, increasing numbers to 50. To avoid a vote of no confidence, the government voted again to adjourn the parliament to 28 May 2019, but this time by only 59 votes to the opposition’s 50. After the adjournment, in an attempt to attract more MPs to the opposition camp, James Marape withdrew his nomination and put the position on the table. More MPs from the coalition, including 15 MPs from the United Resource Party (URP), led by William Duma, left the government coalition to join the opposition.

In a secret ballot, the opposition nominated Patrick Pruaitch, leader of National Alliance party, as the opposition’s nominee for prime minister. When the parliament met on 28 May 2019 the opposition moved the motion to replace the Parliament Business Committee – the committee that decides the validity of the motions of no confidence. They succeeded in replacing the government MPs in the Committee with opposition MPs by 67 votes to government’s 42 votes. With a vote of no confidence against him imminent, O’Neill resigned on 29 May 2019. In turn creating a vacancy in the prime minster’s position, invalidating the vote of no confidence, and nullifying Patrick Pruaitch’s nomination as opposition candidate for prime minister.

James Marape then moved to the government side on the same day and was nominated as the government candidate to contest the vacated prime minister position the next day. On 30 May 2019, James Marape was voted prime minister by 101 votes, to Mekere Mourata's eight votes. Mekere, who earlier supported James Marape for prime minister during the vote of no confidence attempts, was nominated as the opposition's candidate on the floor of parliament. The sway of votes between the government and the opposition in the first half of 2019 alone goes to show how fluid PNG politics can become.

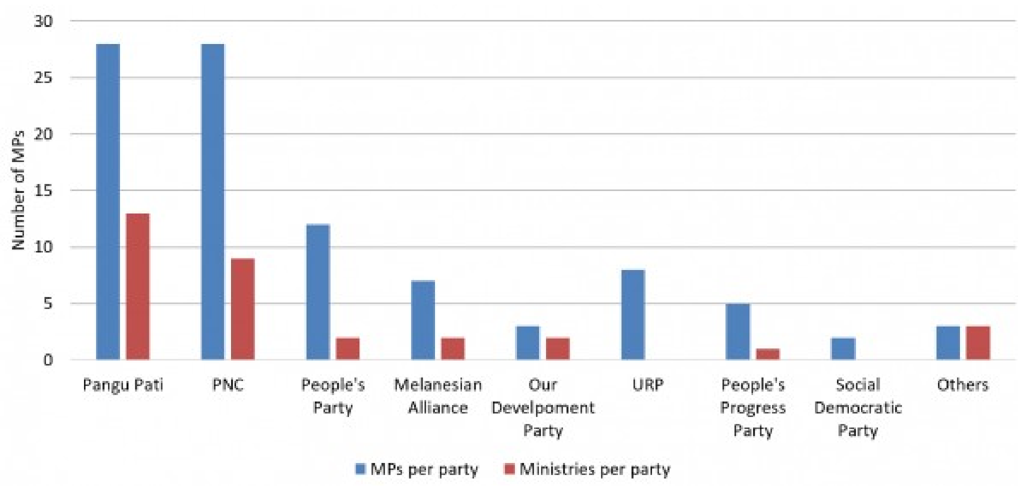
Figure 1: How MPs voted in the first five months of 2019



Ministerial portfolios under O'Neill Government (August 2017 – June 2019)

Coalitions in PNG follow the office-oriented theory, whereby the MPs and political parties form coalitions to access ministerial portfolios. The party with the largest number of MPs usually has most of the portfolios. Figure 2 show that PNC had 46 MPs and 20 ministerial portfolios under the O'Neill government, the highest number of MPs and portfolios. It is the same for the rest of the political parties that were in the coalition, except Pangu Party that had 14 MPs but only two ministries. This is because Pangu Party was in the opposition when the different political parties and joined it between April and June 2019. The People's Party left the O'Neill-led coalition in May 2019. United Resource Party (URP), which did not get any portfolios, had 15 MPs but seven resigned and joined other parties, leaving eight. Marape explained that some political parties wanted more portfolios and rejected one or two portfolios he offered to them. It is possible that URP was one of those parties that negotiated for more portfolios and missed out.

Figure 3: Political parties and ministerial portfolio – Marape Government



Ministerial allocation by region

Figures 4 and 5 show portfolio distributions by region under the O'Neill and Marape Governments respectively. There are four regions in PNG: Highlands, Momase, Southern, and Niugini Islands. Both figures generally show that portfolio allocations are proportionate to the number of MPs from each region. The Highlands region, with 41 MPs (6 provincial governors and 35 open MPs), has the highest number of ministries. Niugini Highlands has the least number of MPs and ministries. The Momase region had fewer portfolios than Southern region in the O'Neill Government but more under Marape. Chimbu province was allocated four ministries by Marape – the highest –, whilst Northern Province, Western Province and Bougainville were not allocated any portfolios.

Figure 4: Allocation of ministries by region under O'Neill Government

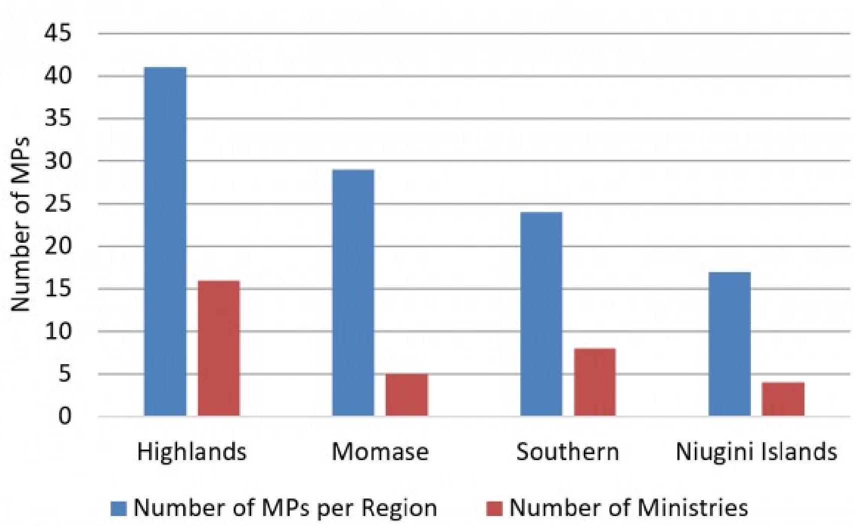
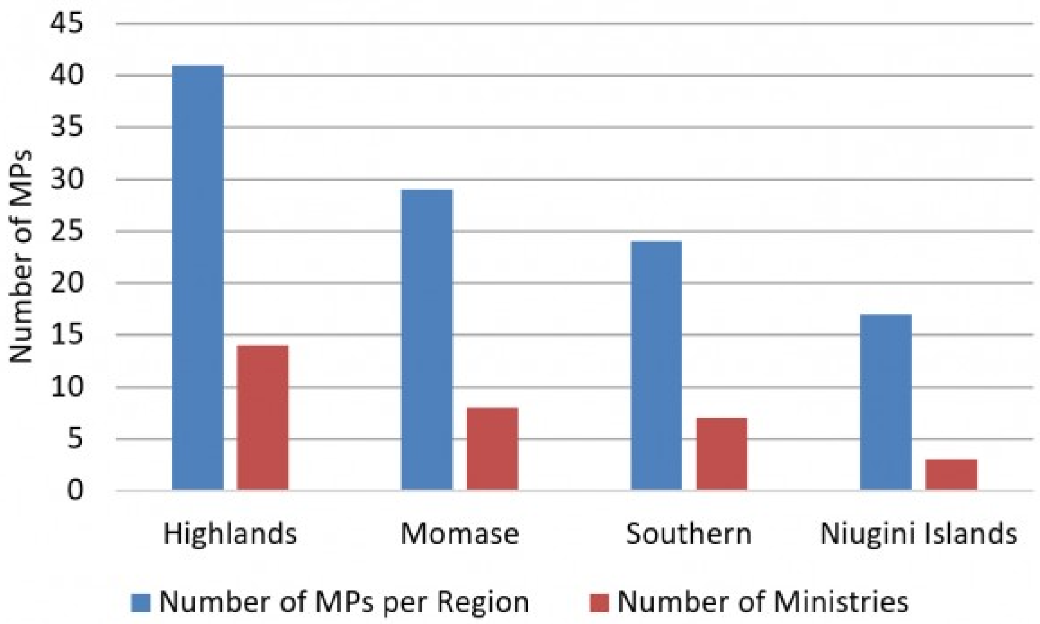


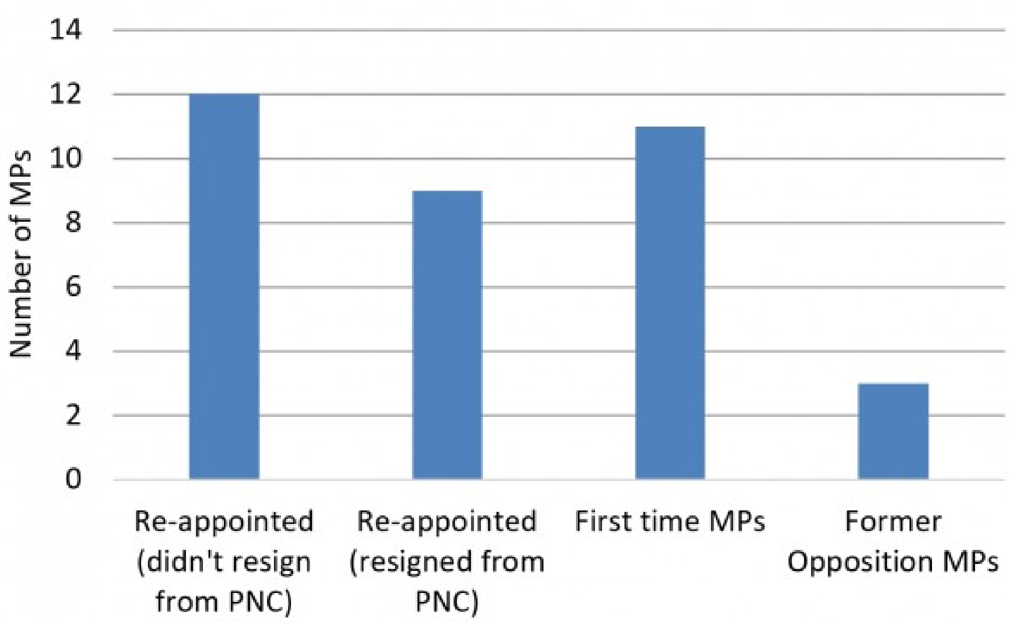
Figure 5: Ministry portfolio allocation by region under Marape Government



Composition of Marape Cabine

As Figure 6 shows, twenty-one out of the 32 ministers in the Marape government served under O'Neill as ministers. Nine are surviving PNC MPs whilst 12 are PNC MPs who resigned from PNC between April and June 2019. Eleven are first time ministers, and three were appointed from opposition ranks.

Figure 6: Composition of the Marape Cabinet



The fluidity displayed in the events leading up to change of prime minister is not uncommon in PNG. Despite critics arguing on social media that portfolios were not distributed fairly (for instance, that Northern Province, Western Province and Bougainville did not receive any portfolios), by region, the ministries are proportionate to number of MPs. As a province, Chimbu province is the biggest winner with four of its seven MPs given portfolios. As a region, Momase gained with three more ministers than were allocated under the previous government. MPs that joined Pangu had higher chances of being allocated portfolios. The biggest losers in terms of ministerial representation are URP (from four to no ministers) and People's Party (12 MPs but only 2 ministers).

Michael Kabuni is a Teaching Fellow in Political Science at the University of Papua New Guinea.

Health and wellbeing

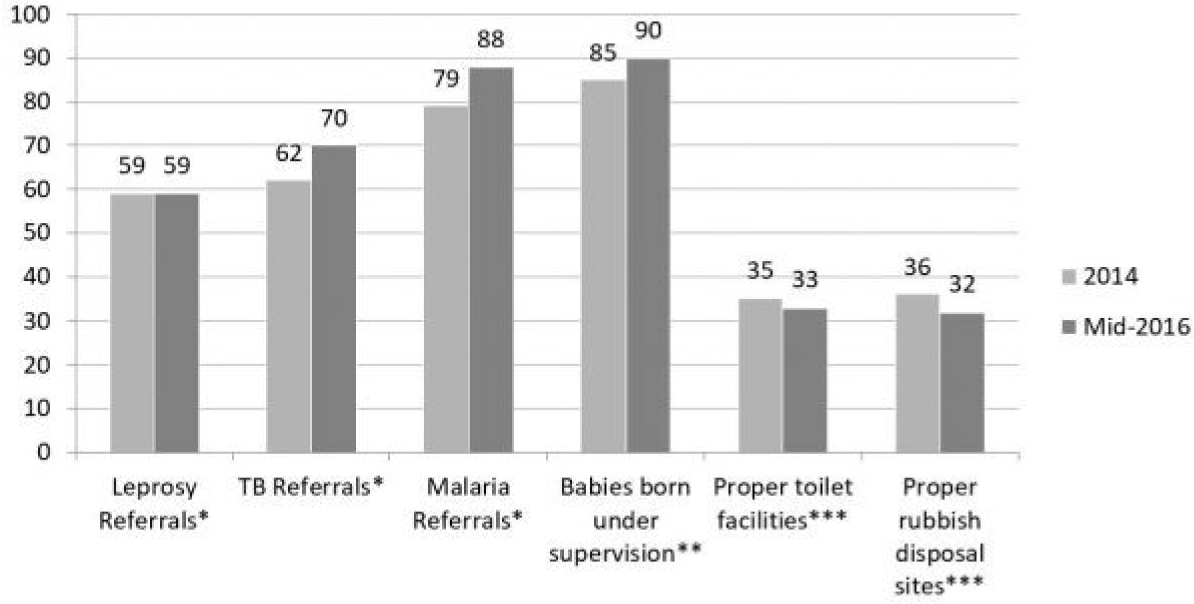
Integrating formal and informal institutions: towards a healthy community in Bougainville

By Lhawang Ugyel on July 19, 2018

The case of the Bougainville Healthy Communities Program (BHCP) stands as a testament of how an organisation can work effectively in PNG in delivering critical services. BHCP started as an off-shoot of the successful implementation of the leprosy elimination program in Bougainville funded by the New Zealand government in 2001. Following the success of the leprosy program, a new project proposal was submitted to New Zealand Aid to promote health awareness. In 2006 the program was rolled out in three of the 13 districts in Bougainville, with a small group of staff that included the program manager and three district facilitators.

An evaluation of the BHCP was commissioned by the New Zealand Ministry of Foreign Affairs and Trade in 2012. The evaluation found that the BHCP is an 'excellent example of a well-planned and well-executed public health and community development model… implemented within the enormous constraints and challenges of a post-conflict setting'. In the July 2016 half-yearly summary report, various indicators reflect its effectiveness in promoting health awareness and educating people in basic health care. Figure 1 shows the increase in referrals since 2014, particularly in TB, malaria and number of births, and that an area that the program needs to focus on is sanitation.

Figure 1: Outcomes of the BHCP



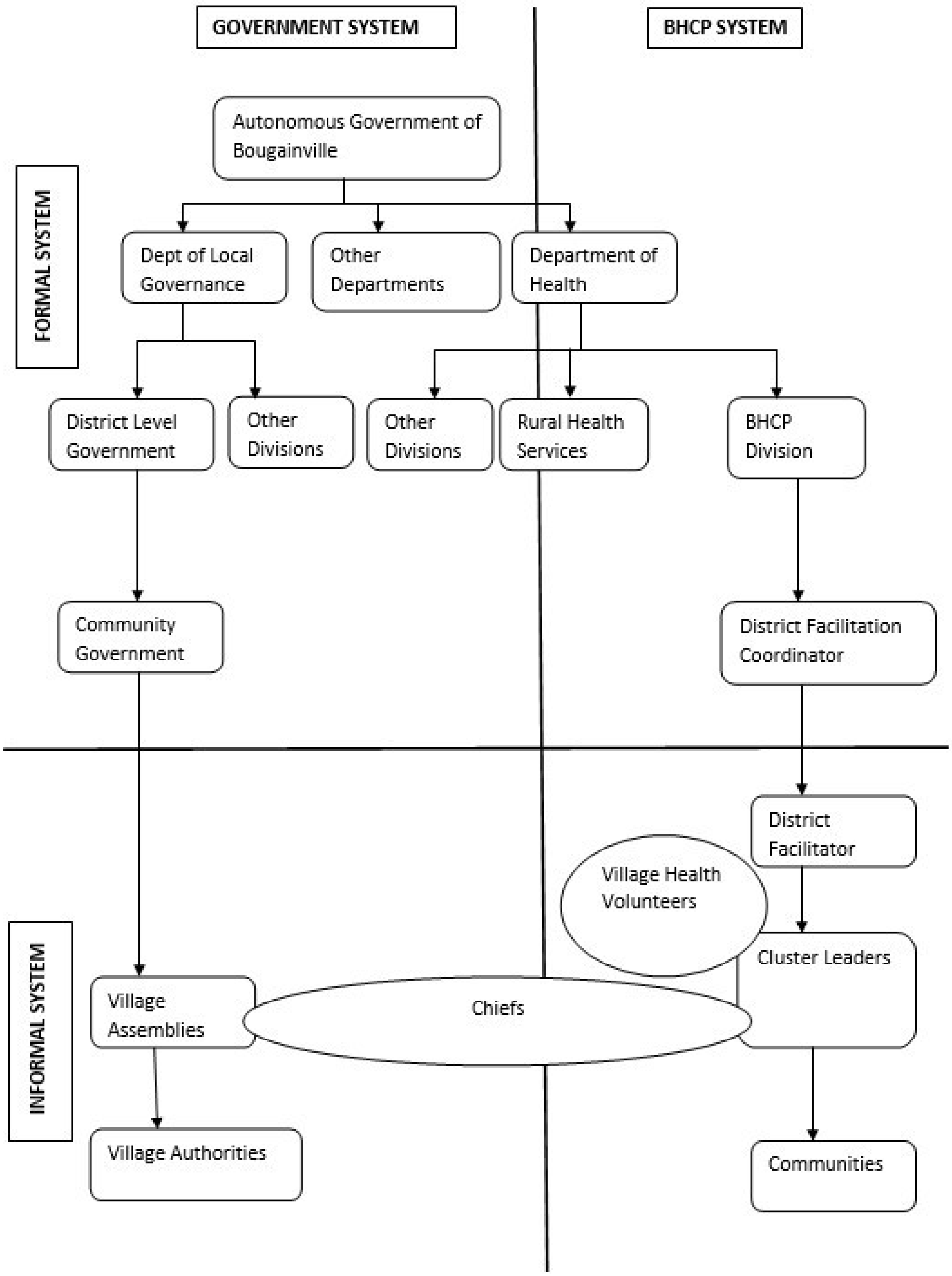
**Proportion (in percent) against total suspects made by Village Health Volunteers; **proportion (in percent) of babies born; ***proportion (in percent) of families*
Source: ABG DOH, 2016

At a time when PNG, and particularly Bougainville, faces multiple political and socio-economic challenges, the success of BHCP gives some hope. To understand the reasons behind its success, I conducted research into the program, including interviews with key people involved with the BHCP. Findings of the research highlighted some key factors attributing to BHCP's success: generous and sustained donor support; good leaders; a committed group of people working towards a common goal; and, unique to BHCP, the integration of formal and informal institutions in the delivery of public health services.

The integration of institutions is important, and the 'right mix' of institutions is visible in the case of BHCP. Douglass C. North provides the most common definition of institutions: that they are the humanly-devised constraints that structure political, economic and social interaction. This definition encompasses aspects of both formal and informal institutions as a combination of formal constraints, informal rules, and their enforcement characteristics. In practice, the focus is mostly on the formal institutions, but the role of both formal and informal institutions is important. Such mixes of institutions are particularly important in countries where local government plays an important role in the provision of local services and infrastructure, but there is also a risk that these governments are over-tasked, which affects performance.

Figure 2 below shows the structure of BHCP, and how it relates to government. The figure is divided into four main quadrants. The government and the non- governmental systems form the horizontal rows, and formal and informal systems the vertical columns. Section 16(35) of Bougainville's Constitution provides for partnerships in the provision of health services. At the local government level is the community government (earlier the council of elders) that is comprised of leaders from the village assemblies. Based on the definition of formal institutions where structures are legally organised, the government departments and the community government form the formal system in Bougainville. The informal system in Bougainville includes the village assemblies, which are supported by the village authorities.

Figure 2: Structure of the BHCP within the overall system of governance



Currently, BHCP functions as a non-governmental program. The BHCP program manager and the two district facilitation coordinators are paid by the government. Under the district coordination facilitators are the district facilitators. These district facilitators operate at the informal level and liaise directly with the leaders and chiefs of the villages. Each village also has one to two village health volunteers, who are the point of contacts for the district facilitators. The village health volunteers and district facilitators while working for the BHCP play an important role as a link connecting the people to the formal health system.

In a typical setting, informal and formal institutions are seen as operating independently, and often formal institutions are given preference over informal ones. As the notion of government as a single decision making authority has widened to include multiple actors, the divide between formal and informal institutions and actors begins to blur. The overlap between formal and informal institutions are sometimes necessary to lead to positive outcomes. The manner in which BHCP functions is an example of an integration between its formal and informal institutions. All actors within the four quadrants play an equally important role in implementing the activities of the BHCP.

The lessons from BHCP's experience should be used to allay concerns of the lack of capability in PNG for effective service delivery mechanisms. While challenges certainly remain in their formal institutions, the governments and NGOs of Bougainville and PNG should look to the strength in their informal institutions to work together in improving governance.

Lhawang Ugyel is currently a Lecturer at the School of Business, UNSW Canberra. From 2016 to 2018, he was a Visiting Lecturer in Public Policy at the University of Papua New Guinea under the ANU-UPNG partnership

Read the full paper here.

Poverty driving TB in Papua New Guinea

By Joyce Sauk on Septermber, 2019

Tuberculosis is such an old disease, such a normal part of the landscape in many countries, that many governments fail to recognise the extent to which it is a major driver of poverty, with a devastating impact on individuals, families, communities, and the country. In countries with weak health systems, the dangerous symbiotic relationship is even more obvious.

Papua New Guinea (PNG) is one of those countries where neglect of the disease through the years has caused the number of cases to spiral exponentially and allowed new drug-resistant strains to develop, resulting in many communities being trapped in a vicious cycle at the interplay of poverty and tuberculosis – one driving the other. According to the 2017 World Health Organization *Global TB Report*, TB kills more people in PNG than any other infectious disease. Daru, the capital of the Western Province, has one of the highest rates of multi-drug resistant TB per capita in the world. There were 30,000 new cases of TB in PNG in 2016. As the numbers continued to increase, early this year the Government declared a state of emergency in several provinces, including Gulf Province and National Capital District. The outbreaks are blamed on the Government's failure to honour its TB funding commitment.

There is no overlooking the conditions of extreme poverty in any conversation about TB in PNG. Living conditions are often over-crowded and insanitary in many settings, both rural and urban. More than two thirds of the population are illiterate and mostly without income, nutrition is poor, and many communities lack access to basic health services. In the remote rural areas, patients can travel for hours or even days to reach a medical facility, costing them up to 100 kina (approximately US $40) for a few hours in a dinghy – one of the most popular forms of transportation in PNG.

Under these conditions, it is no wonder that, for many patients, a TB diagnosis is a death sentence, even though the disease is preventable and curable. In addition to the physical challenges and the difficulty of accessing care, follow-up is also hard. Most drugs must be taken with food, and the treatment period can be as long as two years. Treatment for MDR-TB is even more arduous, and the stigma and discrimination around the disease often serve as a deterrent to those seeking treatment.

The irony is that PNG is resource-rich. Yet it ranks 153 out of 185 countries on the Human Development Index. Alongside its record TB numbers, there are also high rates of HIV and infant and maternal mortality. Weak governance characterised by corruption, high rates of lawlessness, struggling health and education systems, and increased violence against women and children in a male- dominated society are all factors that drive poverty and the conditions that breed diseases like TB.

Widespread illiteracy, for example, means people do not understand what TB is, that it is infectious, and how the infection is passed from one person to the next. Cultural practices, such as the belief in witchcraft or sorcery, also drive behaviours which lead to negative health outcomes.

We need government policies and actions targeted at eliminating the conditions that breed these diseases. Despite receiving millions from the Global Fund and other donor agencies for many years, the government has failed to control or eliminate TB in PNG, because of its failure to address poverty.

The United Nation's High-Level Meeting on TB alongside the 73rd General Assembly on September 26, will hopefully result in a political declaration on TB endorsed by heads of state. This can then form the basis for TB response in future, including addressing the urgent need to fund programs that look into enablers like life skills and livelihood programs, which are necessary to combat a lifetime of poverty and are the road to eradication of TB in the world.

After years of being at the bottom of the list of global priorities, TB is getting the urgent attention it deserves. For thousands of Papua New Guineans, it cannot come soon enough.

Dr Joyce Sauk is a public health specialist and TB advocate, who survived extra-pulmonary TB 15 years ago. She has worked with the PNG National Department of Health, Port Moresby, for eight years, and is currently pursuing her PhD in Australia.

Catastrophic failures in PNG health service delivery

By Martha Macintyre on April 4, 2019

Reflecting on 25 years of research into health service delivery and the health status of women and children in Papua New Guinea, it is distressing to observe the current catastrophic failures and continued decline in services for women and children. The anticipated improvements to health services from mining and liquid gas royalties have not eventuated, and the problems of corruption and inefficiency in service provision are compounded by the government's apparent lack of concern for the health of the population. This has led to a crisis in public health. Although the budget allocation for the Department of Health has increased, most interventions in public health remain dependent on foreign aid agencies. Research assessments of population health are almost all managed or funded by outsiders.

Decades of financial and technical assistance from the Australian government, other international donors, and a range of NGOs notwithstanding, the health of PNG's population is declining. Diseases that in the past had been brought under control through immunisation now seem to be reappearing with the reduction in fully immunised children and the increased difficulty of maintaining a reliable delivery of vaccines. Tuberculosis (TB) is now categorised as a pandemic, with PNG one of the worst-affected countries in the world. Health service delivery to rural areas is increasingly difficult, with a lack of trained staff, low wages, deteriorating buildings and frequent lack of critical drugs and dressings.

Of all the Millennium Development Goals that were not achieved by PNG, those specifying improvements in women's and children's health are perhaps the most egregious failures. PNG's maternal death rate of 215 per 100,000 is the highest in the Pacific region and among the worst in the world. While infant mortality has shown a steady decline since 2000, currently it is 37 per thousand live births compared to 14 in the Solomon Islands. Women's and children's health is disproportionately at risk, particularly in rural areas, and TB is now the major cause of death of women between the ages of 15 and 44 years. Leprosy has increased by 25 per cent in recent years, with a high proportion of those affected being women and children in rural areas. Childfund Australia observed that TB was becoming a scourge for children, many of whom are not diagnosed or treated.

Recent reports of very high rates of child malnutrition and stunted growth in children under five years are cause for alarm for the future mental and physical health of a generation. Hou's 2015 examination of the stagnant rates of child stunting in the country found that: "Malnutrition in PNG is prevalent and severe… the overall stunting, underweight and wasting rates are high, 46 per cent, 25 per cent and 16 per cent respectively and varies across regions."

Where does the money go?

As many researchers of PNG health service delivery over many years have found, health funds go missing. An independent assessment of the PNG National Department of Health in 2013 found that in spite of millions of dollars in donor aid and an increase to the national health budget, service provision, infrastructure and management were not functioning effectively. The problem of accountability generally and the muddled reporting mechanisms do not permit clear figures for expenditure – making it difficult to trace funds accurately. Corruption and misappropriation are rarely examined in the context of health services but rumours and anecdotes support the view that funds are very often diverted or simply 'go missing'. There is a great deal of slippage and blockage of funds, and funding simply fails to arrive at its designated destination.

But it is not always just funds that go missing, critical staff are often not to be found. A recent case is one of many examples of system failure. Desperately needed HIV anti-retroviral drugs, syphilis treatment kits and oxytocin drugs needed to treat newly delivered mothers had run out and a New Zealand aid- funded shipment of drugs was on the wharf waiting for customs clearance, but the person responsible for processing the release of drugs was 'missing' and apparently nobody else was able or available to perform the task. There are a number of anecdotes of health shipments waiting on the wharfs for months.

Resolution of some of the problems requires commitments to change in numerous departments that no government of Papua New Guinea has been prepared to undertake. The "locked-in absence of political will" observed by Susan Crabtree extends to all areas of health service provision.

Governance in health systems

Governance of the health system remains a problem. The enthusiasm of development theorists and practitioners for improvements in governance embraced the introduction of corporatist managerial methods as a means to this end. Endless audits, flowcharts, grids, log frames, workshops and surveillance strategies later, this approach appears to have achieved little. Failures of leadership, breakdowns in communication, lack of transparency, and a host of other systemic problems have been identified, and managerial solutions prescribed to resolve them. But assumptions about the universal applicability of managerial systems not only ignore the practical difficulties for the health sector staff in PNG, but are also blind to their neo-liberal foundations.

The gulf between rich and poor is widening and economic dependence on resource extraction incomes to narrow that gap has proven chimerical. There is no political will to tackle the multiple complex problems that are manifest in poor public health generally, women's and children's health in particular, and declining services to remote rural communities.

Martha Macintyre is an Associate Professor at the University of Melbourne. This blog post is based on this article in Development Bulletin No. 80.

Rural poverty and undernutrition widespread in Papua New Guinea

By Emily Schmidt on May 23, 2019

The dinghy ride up the Ramu River takes nine long hours, but my excitement mounted as we approached the small villages in the lowlands of northern Papua New Guinea (PNG). Upon arrival, we were greeted by children paddling and playing in wooden dugout canoes, and women washing sago palm (an important staple food among lowland populations of PNG) for food preparation. When the rumble of the boat's diesel motor finally cut out at the small sandbar that would serve as our boat dock for the next several days, we were surrounded by an incredible silence that whispered of the isolated lifestyle and resilience of the villagers.

We spent three months last year collecting detailed household survey data for a research project investigating how rural communities ensure food security when faced with natural disasters or other unplanned shocks to household food production. After several months of analysing the data, I recently returned to PNG to discuss the results of our study with government officials and development aid agencies. Papua New Guinea is home to approximately seven million people, and is struggling to ensure adequate nutrition for its citizens. One of the country's largest challenges is a lack of data to inform food security and nutrition indicators. With the rising threat of climate impacts, this challenge is becoming more urgent. Quick response evaluations in the wake of PNG's food production crisis during the 2015/16 El Niño (El Niño Southern Oscillation) noted that insufficient data made it difficult to design and mobilise efficient food aid delivery systems for affected populations.

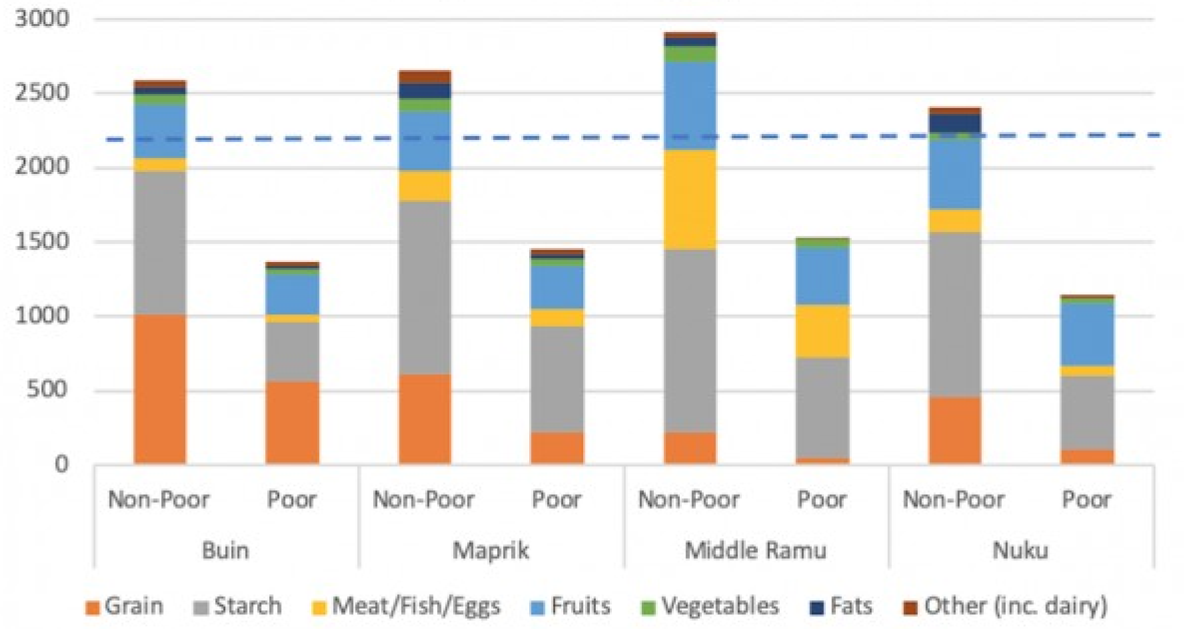
My task for this research project was to identify the degree to which households were able to effectively provide the necessary quantity and quality of food for their families. In doing so, we carried out a rural household survey covering 1,026 households in four lowland areas of the country: East Sepik, West Sepik, Madang, and South Bougainville (Autonomous Region of Bougainville), that asked questions about household consumption and expenditure, agricultural production practices, and livelihood activities.

The survey data confirmed some of the worries that the villagers shared with me during my visits. A successful harvest is crucial to survival in rural PNG. Descriptive survey results suggest that rural populations are vulnerable to climate shocks resulting in crop losses. They produce approximately 70 per cent of the total value of food consumed.

When I asked villagers about their experience during the last El Niño event, many told stories of losing loved ones due to lack of food or increased incidence of disease.

However, not everyone had the same story, and the survey data helped to provide a more nuanced picture of food security and nutrition in the survey villages. We found that approximately [44 per cent of surveyed individuals are poor](with total expenditures below the national poverty line of $1.21 per day). A large share of individuals within poor households do not consume enough calories to live a healthy life (Figure 1).

Figure 1: Calorie intake, by expenditure category and food source



Source: Authors' calculations. Note: Dotted line shows the suggested daily caloric intake level of 2,250 calories / adult equivalent / day weighted values.

An even larger share of individuals is not eating enough of the "right" calories, whereby both poor and non-poor are not consuming the recommended daily protein intake. The lack of sufficient quantity and quality of calories may be leading to PNG's sobering growth and development outcomes in young children. Approximately 29 per cent of children under five years old in the sample were stunted (too short for their age) in their growth and approximately seven per cent were wasted (low weight for their height). Stunting leads to poor educational performance, lower labour productivity, and a greater risk for health problems throughout life. Wasting is an indicator of acute malnutrition that has led to a failure to gain weight or a loss of weight, and in extreme cases can lead to death.

Augmenting the data systems within PNG will improve the country's overall development trajectory in several ways by: making emergency aid relief more efficient and better targeted to populations-in-need; informing program design to ensure investments have significant impact on poverty reduction and food security; and informing government and development aid funding via robust evaluations of program activities and outcomes. Building on this important data collection effort, future analyses will investigate the correlates of poverty and undernutrition in the survey areas. In addition, the International Food Policy Research Institute (IFPRI) plans to work with government partners to build a data system that can provide improved monitoring of household needs and food security levels across the country.

Continued data collection and analysis are critical to achieving the outcomes and objectives outlined in PNG's strategic development plan. Equally important is a concerted effort in institutional and individual capacity building to support data- driven policy analysis and dialogue. Through these efforts, improved data collection and analysis can provide a foundation for effective action to alleviate poverty and undernutrition in Papua New Guinea.

Emily Schmidt is a Research Fellow at the International Food Policy Research Institute.

This post first appeared on the Thomson Reuters Foundation site. Funding for this research was provided by the Australian Department of Foreign Affairs and Trade (DFAT) and the CGIAR Research Program on Policies, Institutions and Markets (PIM) led by IFPRI. The full report is available here.

Tackling family and sexual violence

Bel Isi PNG: a world first

By Stephanie Copus-Campbell on October 19, 2018

Can family and sexual violence (FSV) be more than the humanitarian concern that we know it to be? The answer is yes. In Papua New Guinea (PNG) FSV has been quantified as a significant cost to business. For example, for one company recently surveyed in Port Moresby the cost was three million kina in one year alone.

One common story is of a person, most often a woman, who experiences family and sexual violence, and is distracted at work, worried about her safety and that of her children. She may miss days at work because of injury or mental stress. She is concerned that disclosing her situation will only create more problems, so she remains silent and is increasingly exhausted from pretending that everything is fine. Her job performance suffers, she is disciplined by her supervisor and this causes even more stress.

Now let us propose a different scenario. The same woman walks into a workplace that is actively committed to providing immediate, practical support to staff. She has access to safety planning, counselling, legal advice and, if required, to a safe haven. She is aware, as are her colleagues, that her company will help her and that there is a safe space to share her situation.

Such is the direction chosen by Bel Isi PNG (Peaceful PNG): to tackle the problem from the angle of the economic impact on the workplace. The initiative has the dual purpose of benefiting both individuals and companies.

Bel Isi PNG's innovation is three-fold. First, it takes a strong partnership approach involving all sectors – government, private sector, and community. Second, it increases resources for support through asking companies to pay subscription fees. Finally, it galvanises leadership, both male and female, to prevent violence and improve services. Combined, this model is a world-first public-private partnership to address family and sexual violence.

Bel Isi PNG started with donations – a building from Bank of South Pacific to be used as a safe house and an office space from Steamships Trading Co for a case management centre, both in PNG's capital, Port Moresby. The Oil Search Foundation agreed to design, manage and help fund the project, and the Australian Government stepped in with significant financial backing. Since the initiative was launched, G4S – a local security firm – has donated 24-hour free transport from an unsafe location to a safe one; Nine Mile Farm and Stop and Shop local producers have donated regular food supplies; Brian Bell – a local homeware store – is giving furniture and cleaning supplies; and PNG

Power all of the power. The operation of Bel Isi services by [Femili PNG](), a PNG NGO, will assist survivors and support the existing network of services.

So, how does Bel Isi PNG work? Companies pay a subscription fee, and can steer their staff who need help towards targeted individual support such as medical care and counselling, police and legal resources, and shelter if necessary. This allows those experiencing family and sexual violence to better cope with their circumstances and return to work sooner and more focused. Bel Isi services will also assist public clients, with the case management centre open to all.

Bel Isi PNG also offers the potential for longer-term, deeper influence, as it gives companies help in drafting and implementing their own policies defining their response to family and sexual violence.

A clear, sustained company policy works in depth at shifting perspectives: as outspoken opposition to family and sexual violence becomes part of the company culture, survivors are made aware of their rights and feel secure in the availability of help, whilst transgressors are warned of the consequences of their wrongdoings, at the employment and legal levels, whilst they are supported to change their behaviour.

Inclusivity and collaboration are cornerstones of Bel Isi PNG. The combined reach of private, public and community efforts will provide easier access to support, and increasingly so as the initiative grows. An annual Executive Leadership Forum and quarterly newsletters will facilitate communication and provide a way to share innovative leadership initiatives to combat it.

In an inaugural Executive Leadership Forum held on 3 September, Australians Elizabeth Broderick (founder of the Australian Males for Change) and General Angus Campbell (seasoned champion of male commitment to gender equality) discussed family and sexual violence with PNG leaders from the private and public sectors.

Around the table at the Forum were prominent names from the PNG economic and government scene including Governor Powes Parkop, Lady Winifred Kamit and Chief Executive Officers of most major PNG companies. All participants shared a common frustration with the impact of family and sexual violence on their organisation, and the need to address it.

Through bold, collaborative action and active networking with kindred local and national initiatives, Bel Isi PNG participants will draw strength from each other, creating ripples converging to the shared awareness that family and sexual violence is simply unacceptable.

Bel Isi PNG is a potential game changer. It's a public-private partnership that could bring about real change in PNG and could set a positive example and precedent for the rest of the world.

Stephanie Copus Campbell is the Executive Director of the Papua New Guinean (PNG) Oil Search Foundation. Note: Devpolicy provides pro bono support to [Femili PNG](), which is part of the Bel Isi intiative.

Family protection orders in Lae: some positive signs

By Lindy Kanan and Judy Putt on November 23, 2018

Over the past ten years, numerous Pacific island countries have amended their laws to address gender-based violence. This blog post looks at one aspect of Papua New Guinea's (PNG) domestic violence legislation: family protection orders (also known as restraining orders or domestic violence orders). It draws on data from Femili PNG, a specialist family and sexual violence (FSV) service that has been assisting survivors of FSV since mid-2014.

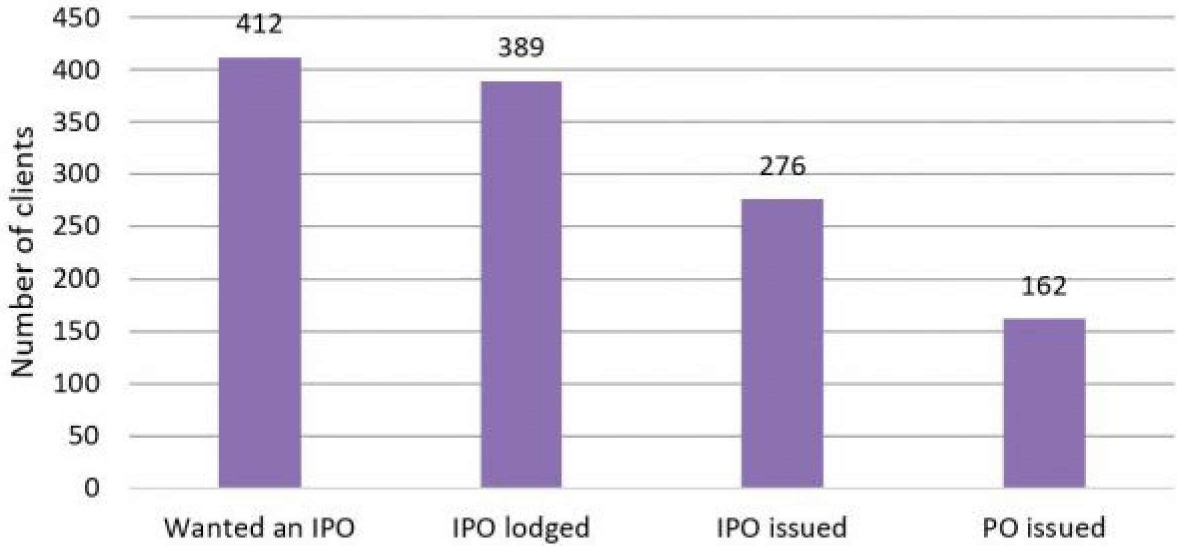
PNG's domestic violence legislation, the *Family Protection Act 2013*, came into force in March 2014, and the accompanying *Family Protection Regulation 2017* commenced in May 2017. The Family Protection Act makes domestic violence a criminal offence, with a penalty of up to PGK 5,000 (AUD 2,000) and/or a jail term of up to two years.

The Family Protection Act also established a regime for issuing family protection orders. A family protection order is a legal intervention intended to reduce the risk of future harm by one family member who is considered to be a threat to another. Under the Act, a complainant may seek an interim protection order (IPO) from a District or Village Court, which, if issued, may then be converted into a longer-term protection order (PO) by a District Court. IPOs and POs offer the same level of protection and only vary in duration. IPOs last for 30 days and have an option to be renewed (once only) for a further 30 days. A PO, however, remains in force for the period specified in the Order, which can be up to two years (see the PNG Department of Justice and Attorney General's *Guidance Notes for the Family Protection Act 2013*).

The Femili PNG data was taken from their Lae case management centre and spans from August 2014 to May 2018. The protection order data relates to applications lodged at the Lae District Court in Morobe Province. The data showed that 412 Femili PNG clients wanted an IPO during that time period. The majority were adults (97%), women (94%) and in their twenties or thirties (74%). The average age was 32 years, ranging from a baby to a 60 year old. A quarter of the 25 males were children or babies.

The data showed that of the 412 clients who indicated that they wanted an IPO, 389 lodged an application, 276 had an IPO issued to them and 162 had the IPO converted to a PO.

Figure 1: Numbers of clients who reached key stages of the process



From this we can see that the rate of attrition increased at each stage of the process. Of the 412 who wanted an IPO, a majority of clients (67%) had one issued and a minority of clients (39%) went on to have the IPO converted into a PO.

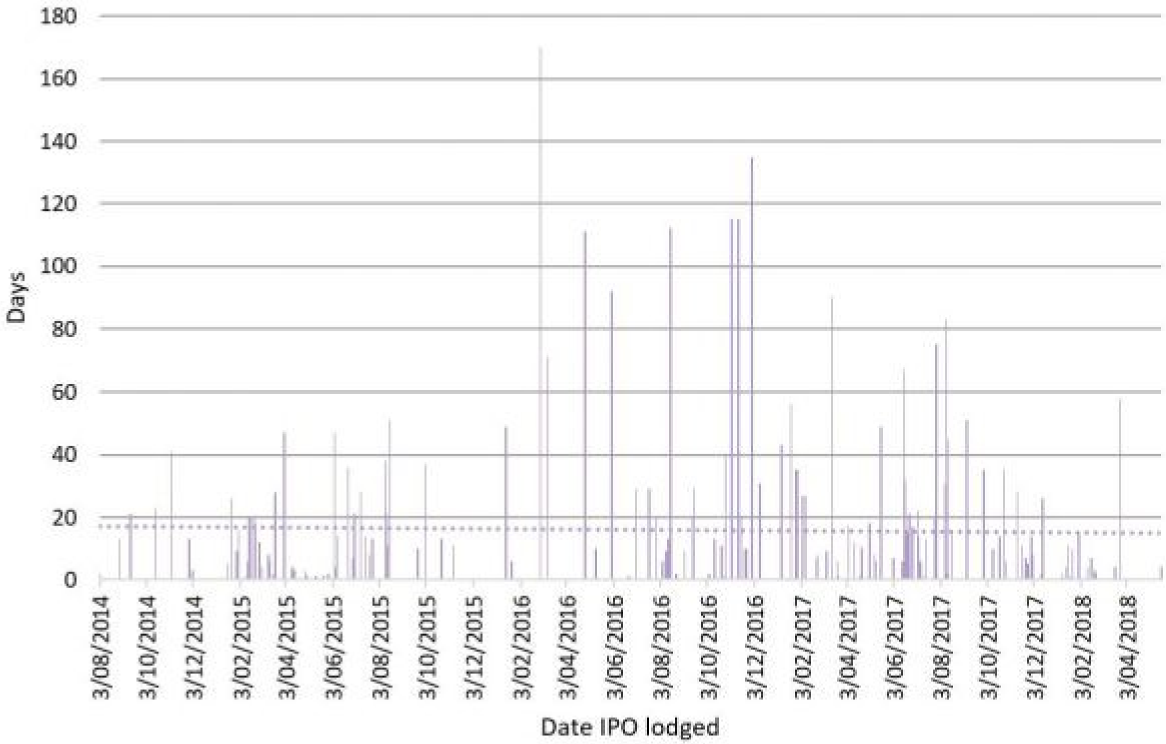
The main reasons recorded for not getting an IPO were that the client never returned or withdrew her/his application (30% of the clients who wanted an IPO). Similarly, there was no conversion to a PO primarily because the matter was struck out in court due to the non-appearance of the applicant or both parties (24.5% of clients who had an IPO issued) or because the client never returned or withdrew the application (13%).

Where the client withdrew an application or never came back, and a reason was recorded, the most common reason was the delay in the process. In 17 cases, a long delay was recorded due to factors such as no available magistrate, no IPO clerk, missing documents and multiple adjournments. Clients were noted as becoming tired or giving up because of the lengthy delays.

Other reasons recorded for withdrawals included changes in the husband's behaviour or attitude, safety concerns, and/or repatriation of the client to her home village.

On average, it took 15.9 days from when an IPO application was lodged until the IPO was issued. Almost three-quarters of the IPOs were issued within a month of the application being lodged. Almost one fifth (18%) were issued on the same day, and around half (51%) were issued within a week. A small proportion took longer than 36 days (10.5%) with several taking more than four months. The trend line in the graph below shows that the time taken to obtain an IPO has been gradually decreasing over the past four years, but only very gradually and with lots of volatility.

Figure 2: Time in days from IPO lodgement to issue, August 2014 to May 2018

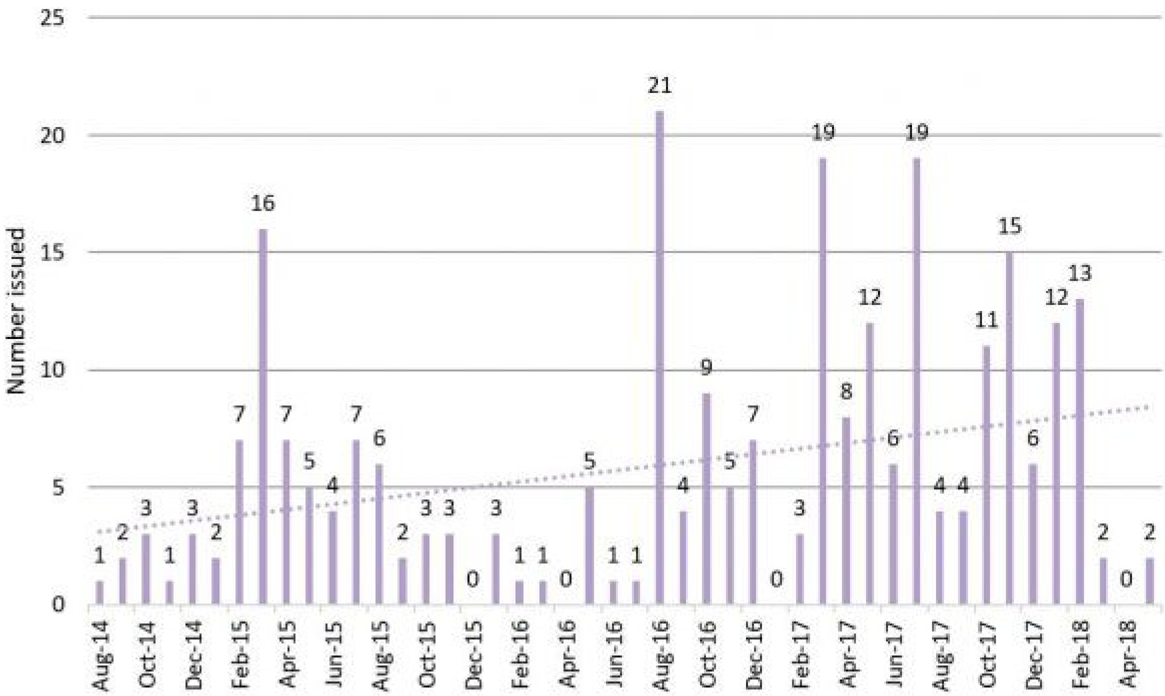


The average time between the issuing of an IPO to the conversion to a PO was 38.5 days. For more than half of the clients (59%) who obtained a PO, it took up to 29 days from when the IPO had been issued. For 13 percent of the clients, it took 71 days or longer, and a few took more than seven months.

The data shows a decrease in the time between the lodgement and issue of an IPO, and in the time between an IPO being issued and its conversion to a PO.

Another finding from the data is that, compared with 2015 and 2016, more IPO applications were lodged in 2017 and there was a higher rate of IPOs issued (82%) and IPOs converted into POs (68%). The graph below shows the increasing number of Femili PNG clients who had IPOs issued from 2014 to 2018.

Figure 3: Number of IPOs issued each month, August 2014 to May 2018



This analysis of Femili PNG's client data is part of a pilot project that has examined the uptake and use of family protection orders in Lae more broadly. Based on interviews with key stakeholders, it is likely that the increase in IPO lodgements and improvements in timeliness and outcomes of the applications in 2017 are due to several factors, including changes in the District Court and in the practices of Femili PNG, especially the addition of in-house legal expertise.

This is the first analysis of IPO and PO data in PNG that we are aware of since the passing of the Family Protection Act. While many critical questions remain unanswered, such as whether family protection orders are effective in protecting women from further violence in PNG, the data has helped us to understand how long it takes to get an order in place, and has shown positive trends in the Lae District Court's efficiency.

Lindy Kanan is an independent researcher and was the Development Manager of Femili PNG from 2016-2019. Judy Putt is a Research Fellow at the ANU School of Regulation and Global Governance and the ANU Department of Pacific Affairs.

A report on the Femili PNG protection order data is available [here](#).

Family and sexual violence and its impact on families in Lae

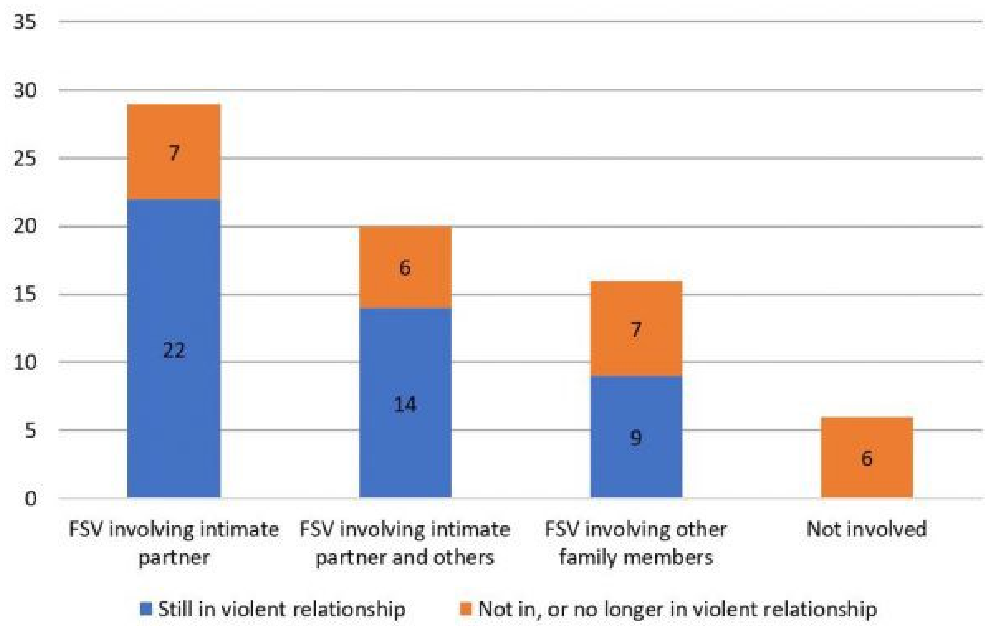
By Dora Kuir-Ayius, Miranda Forsyth, Michelle Nayahamui Rooney and Mary Aisi on December 6, 2018

In April 2018, as part of a research project into family and sexual violence (FSV), we interviewed women from a range of communities in Lae, PNG's second largest city. In this blog, we share some insights from the stories we heard relating to the financial pressures women face because of violence, and the impact of that violence on families and the next generation(s). Financial hardship is widespread, and impacts both on women's ability to access justice services, and also upon their ability to leave violent relationships and still support themselves and educate their children.

Violence and financial hardship

49 of the 71 women who came to see us (55 from informal settlements, 15 from formal residential areas, and one from a rural area) were the victims of intimate partner violence (IPV) (Figure 1). For 20 of these 49 women, their experience of IPV also involved other people, such as the husband's other partner. In 16 cases, the perpetrator was not an intimate partner but another family member, such as a son. Most women (36 out of 49) experiencing IPV remained in the abusive relationship (the orange bar), and indeed many expressed a determination to continue in the relationship.

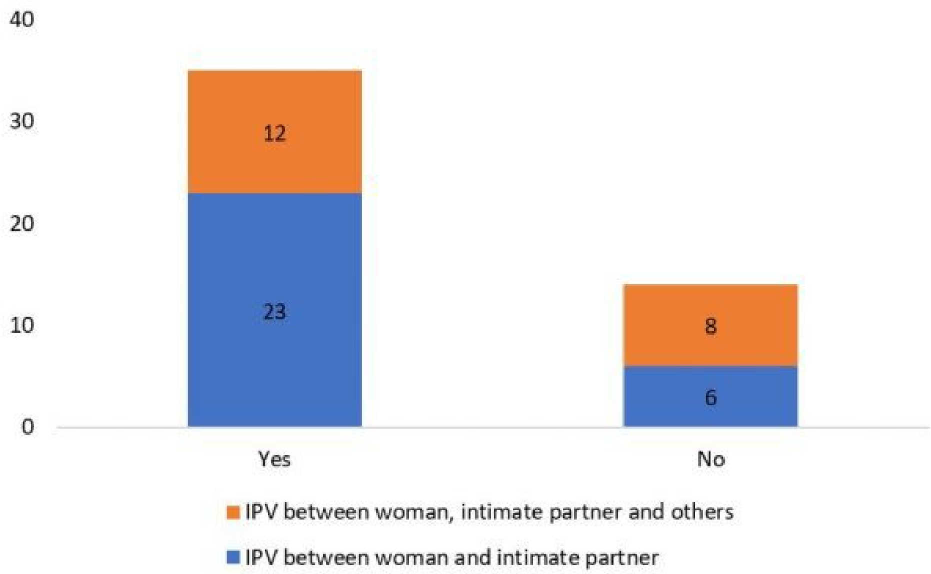
Figure 1: Participants experiencing or who have experienced FSV (N=71)



With or without violence, most of the women we interviewed live precarious lives. They had low educational backgrounds, earned low incomes, and worked in the informal sector. 42 per cent earned less than K100 a fortnight. 60 per cent worked on a *tebol maket* (table market) or *haus maket* (house market), the common references to small market stalls, selling goods outdoors near their homes.

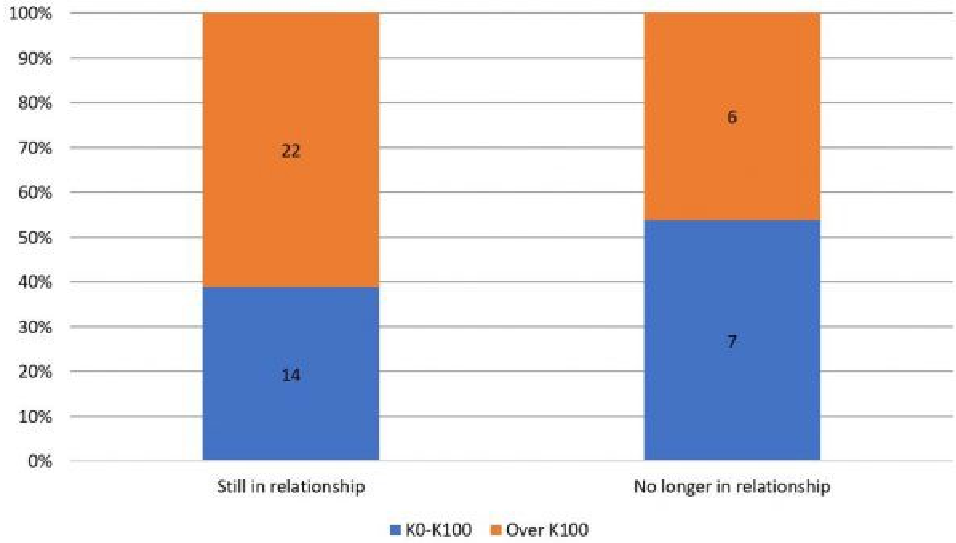
Of the 49 women who suffered violence at the hands of their intimate partner, including IPV that involved other people, 71 per cent related experiences about how violence led to financial hardship (Figure 2). Financial hardship was common for women still involved in abusive relationships, and even more so for those who were separated.

Figure 2: Experience of IPV involving financial hardship (N=49)



As can be seen in Figure 3, 39 per cent of the women who remained in relationships with IPV earned personal incomes below K100 per fortnight. Many of these women were financially dependent on their husbands and were reluctant to leave or even report the violence because of concerns for their children and family livelihoods. In contrast, most of the 13 women who were no longer in the relationship had been abandoned by their partner for another woman, leaving them in severe financial hardship and often dependent on family for support. Over half (54 per cent) of these women who were no longer in the relationship with their intimate partner earned less than K100 per fortnight (Figure 3).

Figure 3: Income of women experiencing IPV (N=49)



Some husbands left without any information about where they were going and did not stay in touch with their family. Some men had had multiple affairs or entered into polygamous relationships, living with their family but being very violent towards the mother and children. Other husbands came home drunk and woke up the whole family, chasing them out of the house. Most children were left with their mothers when their fathers left for other women. In many of these cases, the man also stopped supporting their family financially. Hardly anyone who had separated from her partner was able to obtain maintenance from him to support their children.

Resilience and social support

We found many resilient women who, despite their experiences of violence, still created avenues to support their family. Many of them sold *buai* (betel nut), cigarettes, biscuits and other items they could access, usually making just enough to support their family, while the men contributed little or nothing at all.

The community and neighbours are reluctant to assist couples or people involved in FSV, which in many ways contributes to the escalation of violence, as an earlier resolution would usually lead to less violence, especially to women. Many women said that neighbours hardly ever intervene to stop physical violence between a couple because of the perception that domestic violence is a family matter that must not be interfered with by anyone outside of the family or the household. On the other hand, insiders do play a role. Both family members and other non-family members within the same household often stop or control violence among family members.

Friends and relatives do provide support for families experiencing FSV. Although they are unlikely to intervene to try to stop the violence, friends – especially other women – and relatives do assist women and children in need. Sometimes they step in by taking care of children when the parents are unavailable.

For many women who remained in abusive relationships, many said they believe in God and trust Him to take care of them and their children. They expressed their reliance on God to help them solve violence in their family or with dealing with their partner.

Most women staying in relationships involving IPV also sought support from a number of avenues including the local mediating committees, the hospital, and the police. The police were the main avenue for seeking support, and in a subsequent post we will discuss some issues involved in seeking police support.

FSV and boys

We will talk more in the next blog about the impact of FSV on school attendance. But there were clear impacts of FSV on the behaviour of boys in particular. Women told stories about how their sons resorted to drugs, homebrew, excessive alcohol consumption, pick-pocketing and other unlawful activities. Children who are involved in this type of activity are disadvantaged and can become trapped.

Some women also spoke about violence and verbal abuse from sons when there is no food or money. Their sons expect their mothers to provide for them. These youths spend most of their time taking drugs or drinking alcohol before returning home. Women in this scenario suffer from the double effect of FSV – from their partners first, then from their children, especially sons. Continuous and cumulative occurrences of violence, especially from abusive fathers, lead to children developing negative perceptions on schooling and turning to anti-social behaviours.

At the same time, women also recounted stories of their sons being important sources of support by entering into income-earning activities, such as collecting bottles to sell or going to the market to sell betel nut, from an early age. As they got older, some sons also intervened to stop their fathers from beating their mothers.

Conclusion

Most women who experience FSV suffer financially as a result. Most women who experience FSV nevertheless stay with their partner, in part for financial reasons, and in part for reasons of faith. We will discuss some of the challenges and experiences in seeking formal or informal support in a forthcoming blog. Neighbours and family members provide some level of support in relation to FSV, but this tended to be limited to care in crisis moments, rather than intervening to prevent harm from occurring.

Our research also suggests that family violence creates cycles of crime, violence and drug abuse, both in the short term (with some boys abusing their mothers) and possibly in the long term (with those boys going on to abuse their future partners). Boys may end up involved in criminal activity to earn an income, and may also abuse their mothers for being unable to support them. FSV services need to include mechanisms to better accommodate and disrupt the cycle of financial abuse and hardship faced as a result of violence.

Dora Kuir-Ayius is a Lecturer in social work within the School of Humanities and Social Sciences at the University of Papua New Guinea. Miranda Forsyth is an Associate Professor *at the School of Regulation and Global Governance at ANU. Michelle Rooney is a Research Fellow at the Development Policy Centre, working for the partnership with the University of Papua New Guinea. Mary Aisi was head of the PNG UNITECH Department of Communication and Development Studies until 2018, and is currently a PhD Candidate at UNITECH and the President of the UNITECH National Academic Staff Association*

A previous blog on services to address family and sexual violence in Lae can be found here. Part three of this post, on how FSV affects school attendance, can be found here, and part three, on police responses, here.

The Development Policy Centre (Devpolicy) is a think tank for aid and development serving Australia, the region, and the global development community. We undertake independent research and promote practical initiatives to improve the effectiveness of Australian aid, to support the development of Papua New Guinea and the Pacific island region, and to contribute to better global development policy. We were established in September 2010 and are based at Crawford School of Public Policy in the College of Asia and the Pacific at The Australian National University. The Devpolicy Blog is our platform for analysis, discussion and debate.

DEVELOPMENT
POLICY CENTRE

devpolicy.anu.edu.au
devpolicy.org

Cover image: Students at the Kumbareta School run by Oaktree and Baptist Union, 2015. Photo courtesy of Oaktree.