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ECONOMICS AND PUBLIC POLICY IN PNG

DEVPOLICY BLOG POSTS
IN 2015-16

**DEVELOPMENT
POLICY CENTRE**

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IN 2015-16

Edited by Professor Stephen Howes

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The Australian National University.

The views expressed in this publication do not necessarily reflect the views of Crawford School of Public Policy,
The Australian National University, or the University of Papua New Guinea.

Introduction

This second collection of Devpolicy Blog posts on Papua New Guinea brings together some of the most engaging writing from the Blog in 2015 and 2016 in the areas of economics and public policy. We've grouped the collection under four main headings: economics, education, gender and governance. 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/>.

Over this last year, ANU and UPNG have forged a closer relationship and deeper partnership, in particular between ANU Crawford School of Public Policy, within which the Development Policy Centre sits, and the UPNG School of Business and Public Policy. I am delighted that this volume includes writings by both UPNG and ANU academics, and look forward to more participation by UPNG academics on the blog in the months and years to come.

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.

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Julius Chan

Economics

PNG's booming arrivals

By Carmen Voigt-Graf on January 19, 2015

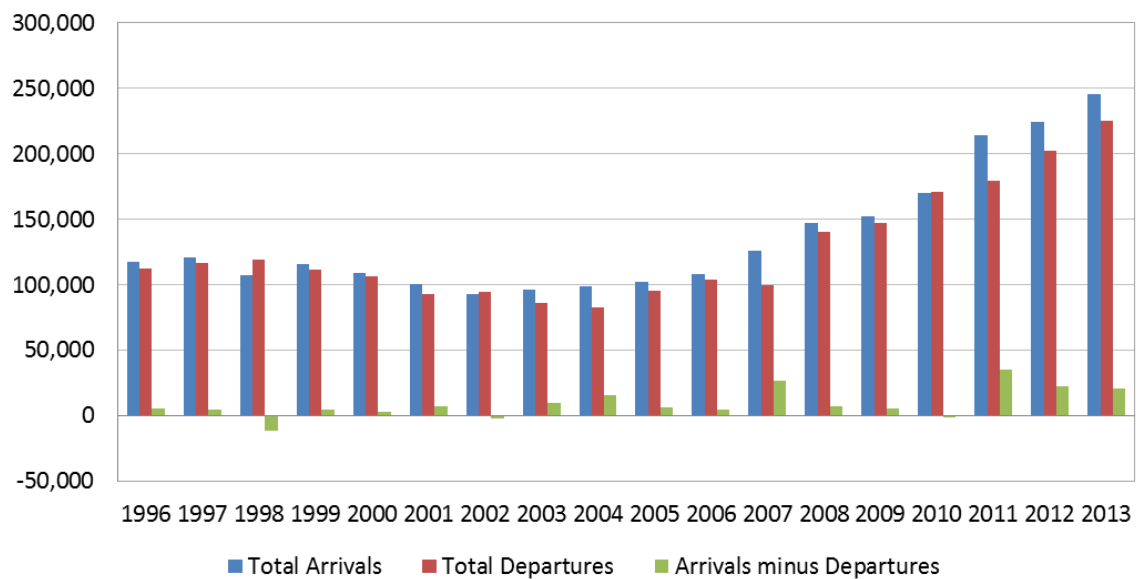


This is the first in a series of posts analysing arrival and departure data in PNG. The analysis is based on annual statistics released by PNG's National Statistics Office (NSO), which compiles data on persons entering or leaving PNG as recorded on arrival and departure cards in accordance with the requirements of the Migration Act 1978. The Migration and Citizenship

Division of the Department of Foreign Affairs and Trade administers these regulations. Excluded from the statistics are members of the armed forces of other countries, with the exception of members of the Australian armed forces seconded for service with the PNG Defence Force. Traditional and illegal border crossers between PNG and neighbouring countries (such as Indonesia or Solomon Islands) and refugees do not fill out arrival and departure cards, and are therefore excluded from the analysis.

PNG has witnessed a substantial increase in the number of international arrivals, especially since 2007 when construction of the PNG LNG project began. Partly as a result of the resources boom, arrivals of workers have increased greatly. In all but two years between 1996 and 2013 arrivals have outnumbered departures, resulting in a net population gain for PNG (see Figure 1). The largest gain was experienced in 2011 (34,806 persons), while the largest population loss was experienced in 1998 (-11,755 persons). The latest year for which data was available, 2013, witnessed the largest number of arrivals (245,844) and departures (225,128), resulting in a net gain of just over 20,000. In all years, male arrivals made up over 70% of total arrivals. In 2013, 192,929 of the total 245,844 arrivals were male (78%), pointing to highly gender-imbalanced population flows. There is also an age imbalance, with persons between 30 and 59 years dominating population flows. The gender and age imbalance point to population flows being dominated by men in working age groups being attracted to employment opportunities in PNG.

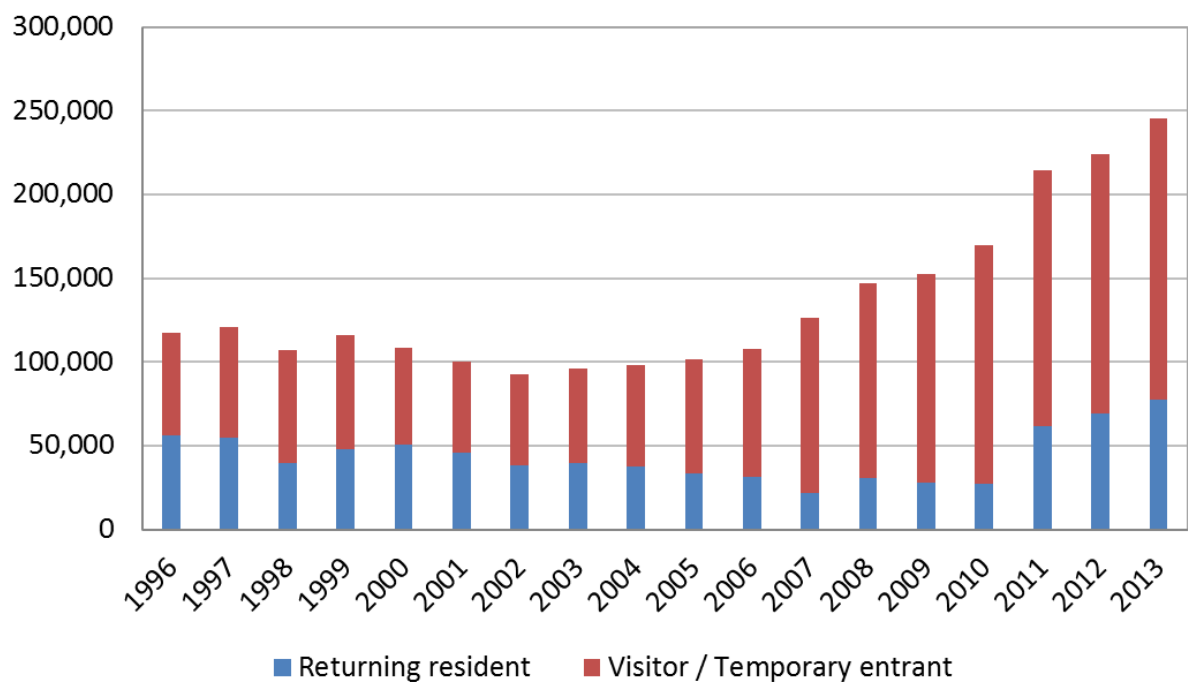
Figure 1: Total number of arrivals and departures in PNG, 1996 to 2013



Port Moresby is by far the most important point of entry. Of the 245,844 arrivals in 2013, 235,616 arrived in Port Moresby by air (96%).

Total arrivals figures consist of returning residents as well as visitors/temporary entrants, the latter being foreign nationals. While it can be speculated that some PNG residents might have been inclined to return to PNG to take advantage of its booming economy, the number of visitors and temporary entrants is more telling of work and other opportunities for foreign nationals in the country. As Figure 2 shows, the number of visitors/temporary entrants has grown rapidly in recent years. 2002 had the lowest number of total arrivals. Since then, the number of visitors/temporary entrants has more than tripled — from 53,762 to 168,212 in 2013 — while the number of returning visitors has only doubled from 38,572 in 2002 to 77,362 in 2013.

Figure 2: Distribution of returning residents and visitors/temporary entrants among total arrivals



Future posts will focus on the category of visitors and temporary entrants, and investigate characteristics such as their countries of origin, age, occupation groups, reasons to visit, and length of stay.

Carmen Voigt-Graf is a Fellow at the Development Policy Centre, and a Senior Research Fellow at the National Research Institute in Papua New Guinea.

PNG's exchange rate: evidence of over-valuation

By Rohan Fox on November 3, 2015

In my last post, I showed how the introduction of trading bands in June 2014 prevented Papua New Guinea in the subsequent 12 months from experiencing the depreciation that other resource-dependent economies with floating exchange rates saw.

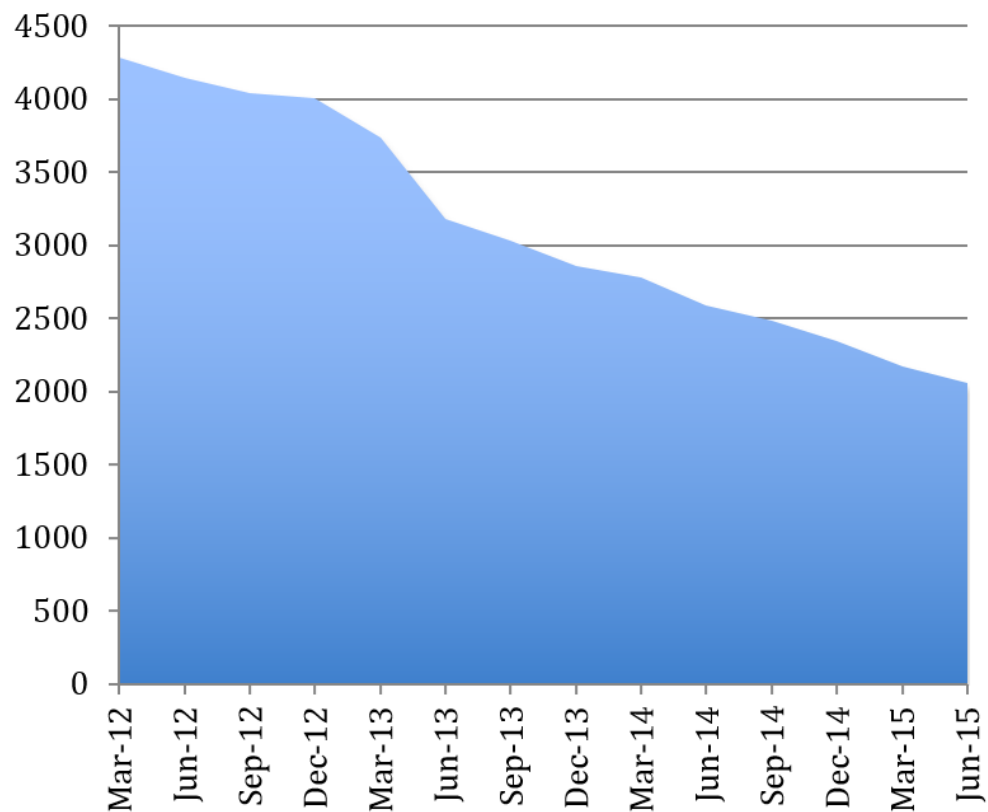
BPNG maintains that the PNG exchange rate is floating, but the IMF has described the PNG exchange rate as a “de facto crawl-like exchange rate regime”, indicating that, while the exchange rate still moves, it is ultimately determined by the government rather than the market.

The economic evidence seems to support the IMF. As the previous post in this series showed, all other resource exporting economies with floating exchange rates saw their currency lower in June 2015 than June 2014, but not PNG.

There is also a very large excess demand for foreign exchange that is not being met. There was reportedly a waiting list of 1.5 billion kina worth of foreign currency as of May 2015. Some have said this is an underestimate, and that the true figure is K3 billion. At the moment, importers in PNG are struggling to pay their suppliers because foreign exchange is now in short supply. This is adversely affecting business and investor confidence, and is having a negative effect on the economy. If the exchange rate was floating, we would expect to see similar exchange movement to similar economies and a price that makes demand equal supply.

The fact that foreign exchange reserves have been falling also suggests that the government has been trying to defend the exchange rate. This can be seen in Figure 1. The central bank's reserves still equal about nine months of import cover. However, this does not include the large backlog of foreign exchange orders.

Figure 1: Foreign exchange reserves (millions \$US)



Source: BPNG monthly updates

It is also worth taking a look at longer-term exchange rate trends. The graph below shows that the kina-USD exchange rate is only back at 2008 levels. With much higher inflation in PNG than the US, and the commodity price boom over, one would expect further nominal currency depreciation. The kina is also at a high level against other PNG trading partners, especially Australia.

Figure 2: Kina vs USD: January 2000 to June 2015

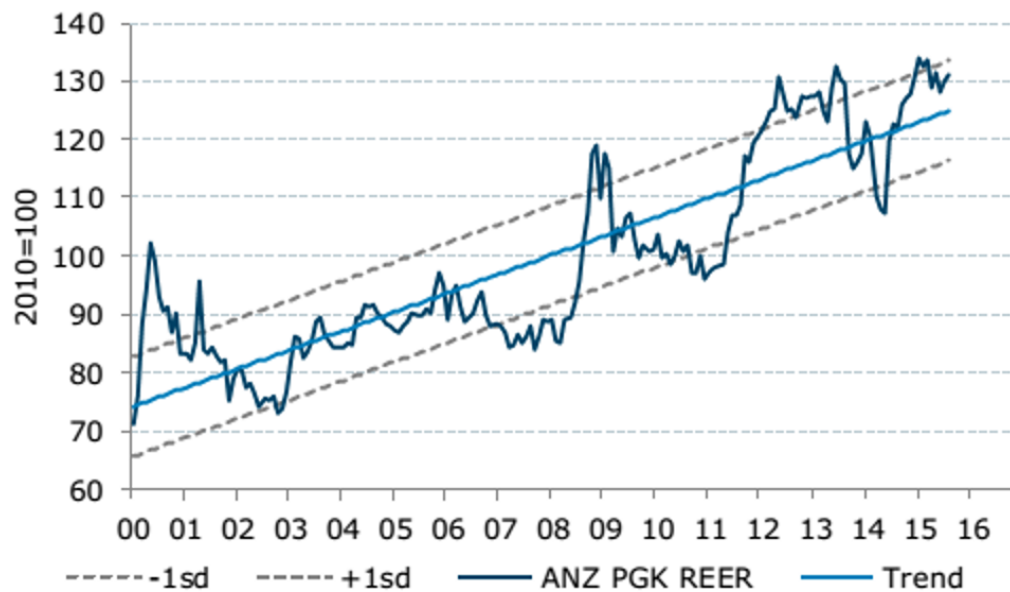


Source: OANDA (2015); monthly bid averages

The nominal exchange rate affects the 'real' exchange rate, that is, the overall relative price of goods in one country compared to other countries. A rising real exchange rate results in business that is relatively more expensive to conduct and a higher overall cost of living. The real exchange rate has appreciated steadily since 2005, as would be expected given the resource boom. The IMF reports that, from a value of 100 in 2005, the REER increased to 112.7 in 2010, 122.5 in 2011, 144.3 in 2012 and 143 in 2013. The Bank of PNG reports further real exchange rate appreciation of 6.1 per cent in 2014.

ANZ reports that PNG's real exchange rate has almost doubled since 2000. Note that the ANZ measures the real *effective* exchange rate, which is a weighted average of the real exchange rates with different trading partners. The ANZ graph is shown below (with standard deviations (sd) shown as dotted lines around a trend line, as well as actuals). According to the ANZ, the real effective exchange rate is at an all-time high in PNG.

Figure 3: PNG real effective exchange rate according to the ANZ



There is lots of evidence – the unusual trajectory of PNG’s exchange rate compared to other resource-exporters, foreign exchange rationing, falling foreign exchange reserves, a relatively high nominal exchange rate, and a very high real exchange rate – that the kina is over-valued.

Rohan Fox is a Lecturer and Research Fellow in the University of Papua New Guinea Division of Economics.

PNG's SME policy: the right aim, but dubious means

By Win Nicholas on July 18, 2016

Introduction

Small and Medium Enterprises (SMEs) are the largest source of employment across the world. Papua New Guinea (PNG) recently released a new SME Policy with the fundamental aim of promoting and driving inclusive economic growth through employment and wealth creation. The overall vision of the Policy is that the SME sector would be a major contributor toward PNG becoming a middle-income country by 2030 and a high-income country by 2050.



The government through its agencies intends to achieve inclusive economic growth through promoting SME sector. Other countries that have experienced robust economic growth through success in the SME sector include New Zealand, Malaysia, Taiwan, and Japan, among others. Many of these countries have transitioned from Third World to developed economies as a result of the SME sector, which has historically been an engine for economic growth.

The recently developed PNG SME Policy is consistent with other development and strategic plans such as the PNG Vision 2050 and Development Strategic Plan 2010-2030. The SME Policy states that SMEs are expected to increase from 49,500 today to 500,000 by 2030 and that employment opportunities in the SME sector would grow from 291,348 today to about 2,000,000 jobs by 2030. This is forecast to reduce the unemployment level from 84.1% to 49% of the population over the same period.

It is also anticipated in the policy that by 2030 PNG citizens would own over 70% of formal economic sector from current 10% by 2030. Income per capita is expected to rise from current \$2000 to US \$9600. Inclusive and sustained economic growth would be achieved by 2030, as SME's GDP contribution of 6% would increase to 50%. Most importantly it is expected that, through SME growth, the share of PNG's population living below the poverty line would reduce from the current 40% to 30%.

The SME Policy is protectionist

In essence the SME Policy is protectionist. Its fundamental aim is to protect locally owned businesses from foreign competitors. Protectionist policies are intended to help the domestic industry to maintain or increase its market share while foreign entities are expected to lose market share and sales revenue.

Currently, only a few cottage-type activities are closed to foreign investment in PNG. The new PNG SME Policy has an extensive Reserves Activity List (RAL) under which many sectors are reserved for 100% PNG ownership (and a few for 51% PNG ownership). Sectors reserved for 100% PNG ownership include trade stores, building, and tourism and security services.

It is also envisaged that special taxation and non-taxation incentives are to be provided for SMEs engaged in RAL activities.

Effects of the SME Policy

The PNG SME Policy is mistakenly seeking PNG business development through protectionist policies. The SME Policy will reduce competition, not advance welfare, and it will hamper economic growth. Protectionist policies are also likely to cause the prices of domestic goods and services to increase, and depress foreign investment.

The SME Policy, which is tailored to protect locally owned business, will limit physical, financial and human capital inflows. The SME Policy will disadvantage current foreign businesses and provide a disincentive for future foreign investment in the country. There will be potential loss of skilled employment, training and foreign exchange earnings as a result of the policy as foreign business interests diminish in PNG.

Many PNG businesses may possess the required resources like the land and ideas to do business, but they are limited with respect to funding and skills. This is where foreign participation can be crucial.

The SME policy is anti-foreigner, discriminatory and contrary to the PNG government's interests and its agenda to promote foreign businesses opportunities in the country. The SME policy is not conducive for growing a vulnerable economy like PNG.

How to support local businesses

Rather than pursuing a protectionist agenda, the government should take alternative measures to support SMEs. The major constraint for doing business in PNG is the provision and maintenance of essential infrastructural services like roads and bridges, electricity and telecommunication. The government should increase funding and support such infrastructure services.

An important resource for any business is funding. The government should ensure that the financial sector is providing funds for small businesses to borrow.

The government should encourage locally owned businesses to partner with and learn from foreign businesses, and maximise skills and technological 'spill-overs' from foreign to local businesses. A skilled and well-trained workforce would be created through such arrangements.

Conclusion

The SME Policy has the right aim. We should be supporting PNG businesses, but the way to do this is not by shutting out foreign business. PNG needs the capital and expertise of foreign businesses, large and small. The SME Policy should focus on improving the environment for all small businesses, and on strengthening the workforce; not on shutting out access to what we need.

Win Nicholas is a Lecturer in Economics at the School of Business and Public Policy, University of Papua New Guinea.

From economic boom to crisis management in PNG

By Paul Flanagan on January 5, 2016

Papua New Guinea (PNG) is a land of contrasts. 2015 started with the prospect of PNG having the highest GDP growth rate in the world at over 21 per cent. It finished in crisis management and cash shortages. PNG proudly celebrated its 40th anniversary of independence, hosted a successful yet expensive



Pacific Games and its prime minister strode the world and regional stage. But the 2016 Budget, rushed through Parliament in November given a looming vote of no-confidence, introduced even more extensive expenditure cuts than Greece has endured.

Extensive currency controls are hurting businesses and undermining growth. Local businesses are facing major drops in sales and most believe the outlook will not improve in 2016.

Newspaper stories report shortages of government cash. Funding is not being paid to urgent medical programs, there are uncertainties as to whether public servants will be paid, teacher entitlements are being deferred and superannuation contributions are not being deposited. A sovereign bond was the planned solution to these cash flow problems but it has been put on hold until the middle of 2016, reportedly due to a lack of market interest.

The new PNG LNG project is functioning better than planned and LNG export volumes are booming. This should have been an opportunity for PNG to improve its international credit rating. However both Moody's and Standard and Poor's have moved PNG onto a negative watch list. And the high GDP growth rate over the last two years hid the negative growth rate on better measures such as non-resource GDP per capita.

So what has gone so wrong?

The overly simplified short-term answer is to blame the fall in oil prices. Government ministers initially denied that there would be any impact on revenues from LNG, PNG's largest export, claiming PNG LNG contracts were based on fixed prices.

Officials acknowledged the inevitable budget hit in early August with revenue forecasts being reduced by 20 per cent. But there were no specific expenditure cuts to match the fall in revenues. In early October the government finally recognised the export earnings decrease, yet no changes were made to monetary or exchange rate policies.

The 2016 Budget released in November looked good on paper. This was possibly an attempt to win over potential investors in the proposed sovereign bond solution. But more detailed analysis shows that the budget suffered from serious errors and contained unrealistic levels of expenditure cuts.

A more complex answer to what went wrong is based on the tendency of PNG's political leaders to focus too much of its hopes on its resource sector rather than its people.

Like in the early 1990s, the government started spending up big before actually receiving any revenues from major new resource projects. PNG's budget deficit levels reached 9.5 per cent of GDP in 2013 and 8.6 per cent in 2014 — the highest deficits in its history. If the fiscal starting point in 2015 had been similar to the almost balanced budgets of the previous decade, then the fall in commodity prices could have been met with an expansionary fiscal policy rather than fiscal consolidation.

Greater focus on improving the performance of the agriculture sector would do much more for the people of PNG than a focus on the resource sector. Around 80 per cent of PNG's population still depends on subsistence agriculture. From 2003 to 2015, real per capita growth rates in the agriculture sector averaged only 1.1 per cent per annum — one-third of the growth rate of other non-resource sectors. The high exchange rate is possibly the most important policy instrument that undermines incentives for growth.

Looking ahead, economic policy in 2016 will be greatly affected by the uncertainties of a possible vote of no-confidence in the government and the rapidly approaching 2017 elections.

The easy option will be to talk up the foreshadowed major Papua LNG project. Providing generous tax concessions will help get the project underway. And the investment stage of such a project could start injecting cash into the economy by the time of the 2017 election. But such resource tax concessions are part of the reason for PNG's current fiscal problems.

A harder path politically would require a more balanced and realistic approach to PNG's medium-term development. A lower, market-based exchange rate would improve the

incomes of agriculture exporters and import-competing industries as well as boost the prospects for foreign investment. The revenue base will need reinforcement and tax reform proposals suggested by the government's recent tax review need to be embraced. The expenditure focus should be on effective implementation and fighting corruption.

Wages and competition policies also need to support longer-term growth. PNG has muddled through similar crises in the past. But on each occasion, there has been a change of Prime Minister and an international assistance package.

PNG has great prospects, but slow policy responses and a growing number of poor policies hinder its outlook. Yet, given the politics, it is unlikely that PNG will benefit from the leadership required for making the tough decisions rather than taking the easy way out.

Paul Flanagan is a Visiting Fellow at the Development Policy Centre.

The ongoing impact of the El Niño drought and frosts in Papua New Guinea

By Michael Bourke, Bryant Allen and Michael Lowe on January 15, 2016

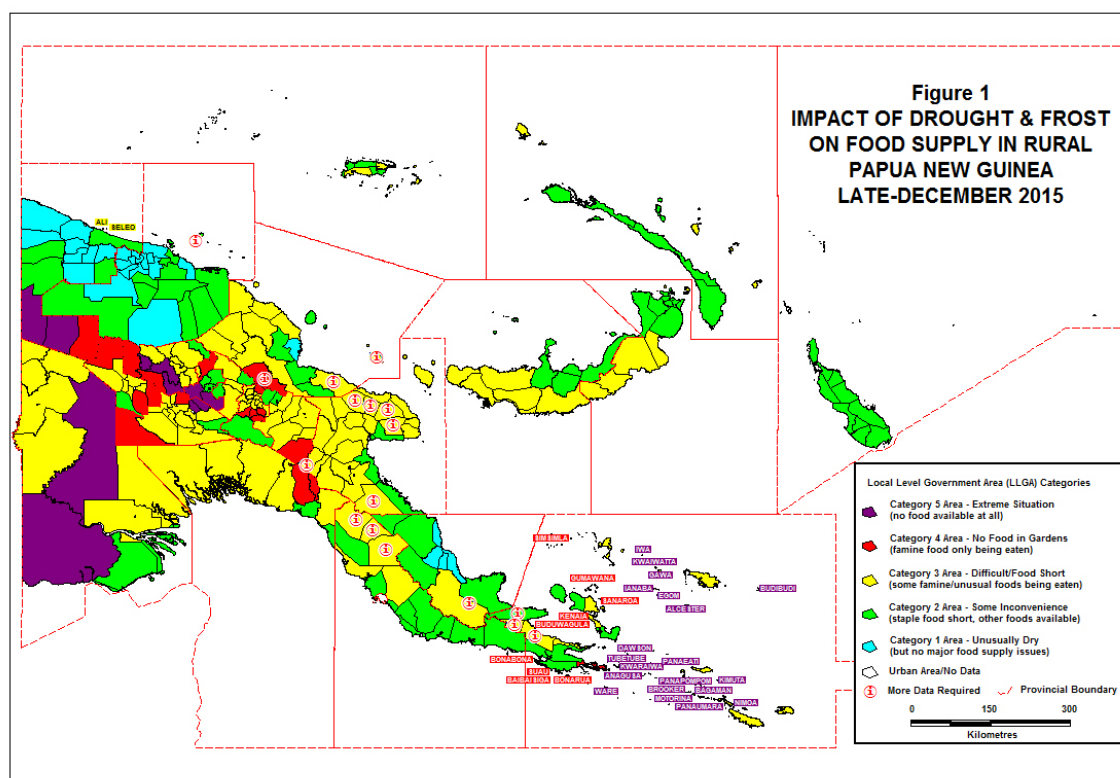
During 2015, much of rural Papua New Guinea (PNG) has been harshly impacted by a severe drought and, at a number of very high altitude locations, by repeated frosts. The impact is similar, but not identical, to that of the major 1997 drought and frosts. The El Niño associated drought had a major impact on water supply in very many parts of PNG, with negative impacts on school operations, women's labour and villagers' health. Wildfires have caused considerable damage to buildings, forest and grasslands in some locations. In many locations, subsistence food supply is affected and rural villagers are short of food. There are strong indications of an increase in the crude death rate in several remote locations, as well as claims for a higher than normal death rate in other locations.

Villagers have responded in a number of ways, including by purchasing food, mostly imported rice, which has resulted in an estimated 35–40 per cent increase in rice sales. Other responses include consuming unusual foods ('famine foods') or usual foods in much greater volumes than normal; migration to other rural or to urban locations;

dispersal from villagers seeking sago stands; and sourcing drinking water from unusual sources, such as large rivers.

We assembled over 200 reports, including eight formal assessments and numerous informal observations, on the impact of the drought and frosts on food supply in rural PNG. These have been summarised in a database, and a map (GIS) and tables generated at the Local Level Government Areas (LLGAs) level. In 27 of the 271 rural LLGAs, food from all sources is reported to be very or extremely short. Food is also extremely short in a number of small islands in Milne Bay Province, which fall within LLGAs where conditions are not as dire. People suffering the greatest food deficit are located in four ecological zones: very high altitude (over 2200 m) in parts of four highland provinces; a number of locations in the central highlands or fringe of the highlands; interior lowland locations in Western Province; and many small and remote islands in Milne Bay Province.

Figure 1: Impact of drought and frost on food supply in rural Papua New Guinea, late-December 2015



Since November, rain has fallen in many locations in PNG and this has eased the water supply situation. Despite this, access to clean drinking water remains a problem for

villagers in a number of locations in the far south of PNG, in particular in southern and central Western Province, and on small islands in Milne Bay Province. Following recent rain, villagers in many locations, including in the central highlands, are currently re-planting food gardens and fast maturing green vegetables are starting to become available.

Despite the recent rain and the distribution of food in some places, food remains very scarce for rural villagers in a number of areas, including: very high altitude locations (over 2200 m altitude), where all food crops were destroyed by repeated frosts in July to September; many remote locations in inland Western Province, where lack of water prevents people from processing sago and food gardens are not producing; and a number of remote locations on the fringe of the central highlands, such as inland Gulf Province near the border of Eastern Highlands and Morobe Province. Carbohydrate staples, including sweet potato and banana, are scarce for villagers in many other locations as they wait for newly planted food crops to mature.

Based on patterns in the 1997-98 drought and recovery phase, we anticipate a sharp increase in the death rate in a limited number of very isolated locations as the rain returns and the recovery begins. This is because villagers work hard to re-establish food gardens while they remain very short of carbohydrate food, and their health is compromised by a reduction in resistance to an increased disease burden.

Food, medical and other aid is urgently needed to help those in greatest need. The number of people in greatest need is not great, perhaps 100,000 to 200,000 people of the estimated 770,000 people who live in locations where food was reported to be very scarce. However, most of those in greatest need live in very remote locations where assistance can only be delivered by air. The cost of transporting food to such places is much greater than the cost of the food itself.

R.M. (Mike) Bourke and Bryant Allen are Honorary Associate Professors at the ANU College of Asia and the Pacific at The Australian National University. Dr Michael Lowe is an independent consultant. This blog post summarises Development Policy Centre Policy Brief 11, 'Estimated impact of drought and frost on food supply in rural PNG in 2015'.

Towards a Melanesian way of beating the resource curse

By Glenn Banks on October 16, 2015

Critics of resource-led development will have a field day: in the first quarter of 2015, the BPNG records that Papua New Guinea's LNG-led export growth had reached a peak, with over K5.26billion worth of mineral sector exports for the quarter, up from K2.7billion in the same period 12 months earlier. Yet the government revenue take from the sector was one of the lowest quarterly amounts in decades, just K27.4million (or 0.52 per cent of the value of the exports for the quarter) [1].

I hesitated before putting these figures in because they might become apocryphal – the classic case of the resources of a country being ripped off by foreign multinationals for (almost literally) no return. There are some good reasons for the figures – lag between exports and taxes paid, low commodity prices impacting on profitability at the different operations, and the changes in state equity holding impacting on dividends recorded and taxation paid – but regardless, the first quarter numbers are a vivid illustration of the Finance Minister's recent announcement at the 2015 PNG Update that 'LNG is a myth' in terms of delivering economic development to the nation.

What the numbers illustrate most clearly are the effects of price volatility in the sector, and the subsequent, highly uneven returns to the government. Papua New Guinea is not alone in this: indeed commodity price volatility is held to be one critical element of the 'resource curse' – the well-worn idea that extractive industry-led development can impede the social, environmental and economic transformation of a country. Volatility in resource revenues makes it extremely difficult for governments to manage these flows effectively, and makes strategic development planning difficult. In this regard, and others, Papua New Guinea certainly exhibits many of the classic markers of the 'curse'.

This resource dependency and volatility was a central element of the story that was told in the UNDP National Human Development Report (NHDR) released at the end of 2014.



The question that framed the report was: how can Papua New Guinea better translate its extractive-led economic growth path into improvements in human development than has occurred over the past 40 years? As the report documents, despite resource-led economic growth, the indicators of human development – including progress towards the Millennium Development Goals (MDGs) and poverty levels – have barely moved. The little evidence there is suggests that inequality has risen dramatically over the past decade, backed by widespread reports of high-level corruption and governance failures.

The NHDR then sought to offer guidance and policy alternatives on these issues to the government, civil society and the sector, developing 33 ‘policy option’ areas that sought to improve the links between extractive industries and more inclusive and sustainable forms of development. Building on both Papua New Guinea’s 40 year history of engagement with the large-scale extractive industry, and recent global experience and policy experiments, the NHDR put forward a range of suggestions for ways to better connect the extractive industries with improvements in broad-based human development and reduce the social and environmental damage the industry creates, while paying particular heed for the policy options to fit the local Melanesian context.

The policy options were structured around a recent UNDP Strategy on Extractive Industries and Human Development, and covered suggestions that went from the development of policy and regulation, to ways to improve social and environmental outcomes. Four broad areas were seen as being of particular importance:

At the macro-level, the question of state equity in the sector (through state ownership) continues to be contentious as the strongly nationalistic streak among the public and politicians can divert attention from the risks associated with such investment. Transparency of resource flows (from the operator, within government at all levels, and perhaps most significantly within landowning companies and communities) needs to be heightened, and the report noted initiatives that sought to do this (such as the country’s application to join EITI). In the long-term, the Sovereign Wealth Fund (SWF), which recently came into being, will be critical (as it has been in Timor-Leste, Chile and Ghana) for managing the volatility of revenue flows from the sector. However, there are still concerns about how it will articulate with revenue flows from the new State *Kumul* bodies that consolidate state equity in the minerals and petroleum sectors.

Given history and the Papua New Guinea context, the NHDR devotes attention to a range of policy areas concerned with improving the connection between communities and the extractives sector. Most fundamentally, the report calls for the issue of mineral ownership to be fully and openly debated at the national level. Much of the conflict

around the sector is generated by the state ownership of minerals, which sits at odds with Melanesian forms of ownership, and there have been calls for the last twenty years to grant ownership of sub-surface resources to landowners. Local mineral ownership, though, would be difficult to put into practice: if nothing else, the sector would need to be certain that the regulatory processes and procedures protected their multi-billion dollar investments from the vagaries of landowner politics. The report also called for the greater involvement of women and marginal groups in the development of mineral policy and in the negotiations for specific resource operations. Finally, the report proposed an independent ‘Ombudsman’ with the power to investigate and rule on conflicts within the sector. This would require a lot more detailed work (in terms of staffing, location and ambit), but it could provide recourse for those individuals and communities negatively affected by resource developments in a way that isn’t currently available.

Any discussion of extractives and development inevitably leads to governance and institutions. In the context of Papua New Guinea, such discussions typically descend to broad-brush calls for ‘improvements in governance’. And there clearly are serious problems with institutions and systems within the country – as Howes et al (2014) showed so effectively for the health and education sectors. What they also showed, though, was that there had been some improvements in some provinces over the past decade. The key is to identify what decisions, processes and systems had led to such improvements and build on them to improve the links between the expanding health and education budgets, and human development outcomes. Incremental improvements in the quality of service delivery year on year are likely to lead to more sustained improvements in human development indicators, and livelihoods for the bulk of the population, than more grandiose initiatives such as the SWF. Two other issues around governance that the report flagged were the need for greater levels of integration at the local level of the resources available from the various arms of government, politicians and corporations, and the need to properly resource and give power to those regulatory arms of government with oversight of the industry.

The environmental aspects of the extractive industries present the greatest challenge to broader notions of sustainable and inclusive human development in Papua New Guinea: the Ok Tedi mine is the ultimate proof of this. The NHDR discussed these effects in some detail, and argued that if (as is likely) the country continues to rely on these massive operations, then environmental effects will always occur: the key is to make sure that affected communities are genuinely involved in discussions of the impacts and compensatory developmental benefits, and that regulators ensure that the corporations minimise these effects by utilising leading technologies for environmental management.

Innovative approaches, including the biodiversity offset program being trialled by ExxonMobil in the context of the PNG LNG project, should also be part of discussions.

Some – indeed many – of the policy options in the NHDR were aimed at providing novel options for government, building on successful recent initiatives and seeking to bring gradual shifts in the thinking and talk around the role of the extractives industry in the country’s development. The report is very clear that many of these policy arenas require urgent attention, or opportunities will be lost. Amidst the economic crises and political turmoil associated with Papua New Guinea, there are reasons to be optimistic, with indications – new Acts, policies and regulations, and new ways of operating by the government and by the companies – that suggest that this current, heightened phase of resource dependence will produce more positive development outcomes for Papua New Guinea than previous ones.

Associate Professor Glenn Banks teaches in the Development Studies Programme and is associated with the Pacific Research and Policy Centre at Massey University. He was lead author of the recent Papua New Guinea National Human Development Report 2014: From Wealth to Wellbeing: Translating Resource Revenue into Sustainable Human Development, for the United Nations Development Programme (UNDP).

Education

Economics at the University of Papua New Guinea, 1969

By John Langmore on July 2, 2015

I had worked for several years for the colonial Administration in Papua New Guinea, predominantly with the Labour Department, when I left to study my Masters degree in economics at Monash University. I soon returned to Port Moresby, and was offered a lectureship in economics at the University of Papua New Guinea by the distinguished Professor Anthony



Clunies-Ross, initially teaching macroeconomics and labour economics. It was 1969 – a time of change, excitement, and gathering momentum towards independence.

The University had been established in 1966 with the appointment of the effective Deputy Administrator, John Gunther, as Vice-Chancellor. He oversaw the planning of fine, durable, well-designed concrete-block buildings and the recruitment of a number of outstanding professors and other staff. By 1969 the University was a flourishing academic community, focussed on teaching subjects specifically designed for Papua New Guinean conditions and to prepare students for work in what was expected to shortly be a self-governing country.

The University decisively broke through the ethnic and therefore class distinctions in Port Moresby, energised an intellectual and cultural renaissance about movement towards nationhood, stimulated fine writing on Papua New Guinean history and prospects, such as Hank Nelson's *Papua New Guinea: Black Unity or Black Chaos?* and generated much creative art, drama and autobiography. Moving to live on the campus was a transformation into forums of intellectual, social and cultural vitality. A notable University initiative was the establishment of annual Waigani Seminars where scholars, researchers, public policy makers, business people and civil society leaders debated

innumerable aspects of political, social and economic development. The excitement of that time has been insightfully narrated in Donald Denoon's history *A Trial Separation* and vividly in Drusilla Modjeska's novel *The Mountain*.

Lecturing was a great challenge because it involved preparing syllabuses which reflected Papua New Guinea and its future needs and this led to the delight of attempting to spread ideas and increase the students' analytical capacity and imagination. I benefitted enormously at the University because I was given the opportunity not only to teach, but also to write and publish, and to establish some of my strongest friendships. I published a series of articles on aspects of economic policy and labour relations and jointly edited *Alternative Strategies for Papua New Guinea* with Anthony Clunies-Ross.

Economic strategy was one of the major subjects in the ferment about policies leading up to self-government. The desire to move responsibility for economic and social decision making from Canberra to Port Moresby was as strong amongst the expatriates committed to self-government as it was amongst Papua New Guineans. The Australian Minister for Territories, Andrew Peacock, sponsored amending the Australian PNG Act to set 1 December 1973 for self-government, creating a firm framework for generating and adopting policies suitable for an independent PNG.

One of the many initiatives to which this led was a personal commission for me to prepare a proposal for the establishment of a national economic planning office. The economist Sir John Crawford had written ten years earlier that: 'We can perhaps afford, I think unwisely, to do without forward economic planning in Australia: I am sure we cannot afford the same luxury in Papua New Guinea' and went on to describe what he meant and what could be achieved. Michael Somare and his staff may not have known of Crawford's foresightful comments but they had the wisdom to recognise the necessity of setting goals, preparing plans for movement towards them and policies for their implementation.

My ten years in Papua New Guinea, of which four were spent at the University, established my own independence and were a strong foundation for later activities in my life. Through work, postgraduate study, and the rich diversity of life in the country, it also generated a greater knowledge and sophistication which then concretely influenced the policies I was able to propose as a political advisor and MP in Australia, as Director of the Division for Social Policy and Development in the UN Secretariat in New York, and as a Professorial Fellow at Melbourne University. Working in Papua New Guinea turned out to be a fine foundation for a career in public policy. Living and working at the University was a powerful formative experience.

This is an edited extract from: John Langmore, 'A Powerful Formative Experience', in Ceridwen Spark, Seumas Spark and Christina Twomey (eds), Australians in Papua New Guinea: 1960 – 1975, University of Queensland Press, 2014.

Professor John Langmore is a Professorial Fellow and Assistant Director Research (Security and Political Engagement) in the Melbourne School of Government at the University of Melbourne, and former Lecturer in Economics at the University of Papua New Guinea.

Economics at the University of Papua New Guinea, 2015

By Michael Cornish on July 3, 2015

I am currently a lecturer in economics at the University of Papua New Guinea, paid for by the Australian aid program.



My role is not only to teach, but to develop the relationship between the University's School of Business Administration and the Australian National University's Crawford School of Public Policy – a partnership to improve the teaching of economics in Papua New Guinea – and to collaborate on research. It is also my role to aid the UPNG Economics Division in any way I can to meet the many and various challenges that we together face.

And there are many challenges. Until recently, the permanent staff of the Economics Division was down to one lecturing, full-time tutor who heroically held the discipline together with the sheer grit and quiet acquiescence to reality that is so common in the country. Now we are up to five full-time staff – myself, an Australian volunteer, a senior lecturer from India, and two Papua New Guinean lecturers.

The durable concrete-block buildings that John Langmore wrote of are still there, if a bit blackened and stained by tropical damp. By Western standards, the facilities are poor and very run-down. Power outages are also a haphazard if common occurrence – just the other day, instead of lecturing in the dark, the class and I moved out to the Haus Win (an open-air pergola) where the students clustered closely on concrete benches just to

hear me speak on the challenges in international trade that face Papua New Guinea. Most of the textbooks in the library are from the 1960s to the 1990s, partly because the more modern textbooks are not often returned, and partly through a fear that any new purchases will simply meet a similar fate. The internet connection is better than it was, but still slow and sporadic.

Reading this list, it might seem that there is little hope, but that is completely the wrong conclusion. The opposite is true, because the students are as keen as mustard; willing and hungry to learn. Their educational backgrounds are obviously not as strong as those enjoyed by their Australian counterparts, and they have to negotiate all the usual challenges of students in poor, developing countries. While some are from middle class Port Moresby families, few – if any – are rich by developed-country standards, and many struggle to pay their fees and living expenses. Most of those who have made it this far are both bright and engaged.

The students also have a strong sense of national spirit. The great majority of my students want to work for the national government or provincial-level governments when they graduate so that they can serve their people.

And the country certainly needs them. Papua New Guinea, like Australia, benefited greatly from the resources boom, and, just like Australia, is now seeing the boom dwindle before its eyes. The government budget is under increasing pressure, and the economic problems facing the country are becoming more complicated and complex. The country needs top quality economists, and the University of Papua New Guinea is still the only place in the country where you can get an economics degree.

While there is a long way to go, the economics faculty and the School of Business Administration, within which economics sits, are on a reform path. With more teachers, the economics division is less reliant on casual teachers. We are improving access to textbooks, and we are recommencing research and outreach, including through the now-revived PNG Update.

I am greatly thankful for the opportunity to work at the University of Papua New Guinea to improve the state of economics, and to contribute to the knowledge of the country's future economists. It is an honour and a pleasure, and I only hope that I can live up to the task.

Michael Cornish is a Visiting Fellow at the Development Policy Centre and Lecturer in Economics at the University of Papua New Guinea.

Creeping re-centralisation in PNG's education sector

By Peter Kanaparo, Denise Lokinap, Tara Davda, Colin Wiltshire and Grant Walton on June 15, 2016

Introduced in 2012, PNG's Tuition Fee Free (TFF) policy is one of the few government initiatives that has shown significant signs of success – especially during its initial roll out. More recently, questions have been asked about whether the policy is unravelling, as accusations of mismanagement and unnecessary policy changes emerge. In this post we draw on our recent pilot fieldwork in Central Province to show how changes to the TFF policy are being received by district administrations, school management and communities.

| Financial Report for 2015 | | | |
|---------------------------|-----------|--------------------------------------|----------------------------|
| Income Receipts: | | Receipts b/f | Receipt for the quarter |
| | | Income 3rd quarter or July-Sept 2015 | Oct-Dec 2015 |
| Opening Balance | 153.57 | - | 153.57 |
| TFA | 35,454.02 | 5,100.27 | 40,554.29 |
| TOTAL | 35,607.59 | 5,100.27 | 40,707.86 |
| EXPENDITURE PAYMENTS | | Payment b/f | Payment for the quarter |
| | | and Oct-July-Sep | Oct-Dec 2015 |
| | | | Total Payment for the year |

One of the key features of the TFF policy was that subsidies were sent directly to school accounts, bypassing provincial and district administrations. For example, when the policy began each primary school allocated 270 kina per student, and schools could decide on what it should be spent on. They could directly access this funding once their budgets had been approved by subnational administrators. This was a significant shift towards devolving the management of funds to the school level.

The PNG National Research Institute and Development Policy Centre's *A Lost Decade?* report found that most primary schools were receiving TFF subsidy payments, and school administrators and the community had more say in how they were spent (although few had received monitoring visits). Since then, there have been attempts to reduce the say that schools have over how subsidies are spent.

At the start of this year the PNG Government announced it would split the TFF payment into three components: a cash administration component of 40 per cent; a teaching and learning component (for school materials) of 30 per cent; and an infrastructure component of 30 per cent. According to the policy, schools will only be paid the cash administration component, leaving 60 per cent to be distributed by government officers. While the government has had a policy of retaining funds for teaching and learning materials for the past few years, this new policy means that funding for infrastructure will be held in a trust account in district treasuries. The distribution of these funds is to be

decided on by district officers through newly established District Education Implementation Committees (DEICs).

During the recent pilot research in Central Province we were told that its DEIC had its first meeting a week before we arrived. According to one district officer, the committee included the District Development Authority (DDA) CEO (District Administrator as Chair), the District Education Superintendent, Education Standards Officers (inspectors), as well as community, women's and church representatives. This is a good start – it suggests that, unlike the distribution of the MP-controlled District Services Improvement Program (DSIP), those engaged with managing the education sector have a formal seat at the table. In addition, more centrally controlled district management of these funds may have its advantages – funds can potentially be pooled and devoted to large-scale projects that, by themselves, schools wouldn't be able to afford on their own.

However, our initial research suggests there is reason for concern.

For a start, in Central the DEIC was chaired by the DDA CEO, who is appointed by the MP for the electorate (normally made up of one or two administrative districts). In the words of another district officer, "The CEO will never say no to the MP. If he says no, he is at risk [of losing his job]". It is very possible that, in some electorates, the MP could wield influence over spending decisions through the DDA's CEO. There was also some suggestion that the new committee would have limited powers, with one member of DEIC suggesting that it would advise the DDA on how to spend funds. He said the DDA, which is heavily influenced by the MP and Local Level Government Presidents, would ultimately decide on funding. District officers said that DSIP funding was being directed to shore up support for the MP as well as LLG presidents at the 2017 elections.

In the two primary schools we visited, there was apprehension about what these new committees would mean for funding allocations. One teacher said that even though they thought the TFF was a good policy, the DEICs were "not a good initiative, as we may not get the money we are supposed to". Given that three million kina of promised district funding for education infrastructure in 2015 reportedly never arrived in districts across the country (through the District Education Improvement Program), this fear is justified.

Putting decision making powers in the hands of district officers also increases risks of shonky contractors. At one school a contracting company employed by the district to build a classroom block in 2012 was allegedly connected to a member of the DDA. The contractor reportedly received 200,000 kina but failed to finish the job and vanished, forcing the school to use 15,000 kina of its own money. The building was completed but

poorly built. In comparison, both schools had examples of the school managing, funding and building teachers' houses and classrooms. They engaged community members in the builds – in one example, the president of the school's Board of Management (BoM) was himself in charge of the construction. In both schools these buildings were in better condition than those built by outsiders.

As schools are no longer able to raise their own revenue – due to a ban on collecting project fees – they are now almost completely reliant on the government for funding. One school sought our advice on how they could get around this policy. One respondent asked if they could “fundraise” within the community without being accused of charging project fees. While this would be in breach of the government's current education policy, the question suggests a sense of desperation about how funds might be sourced to provide schools with greater autonomy over their funds; particularly given the tendency for the government to pay subsidies late or less than budgeted.

Respondents were also concerned about how the ban on project fees might impact on community engagement. Members of the Parents and Citizens Committee and BoM still play an important role in supporting teachers, maintenance, infrastructure development and cleaning the schools. But, in the words of one teacher, when schools charged fees:

The community engaged with the school, helping out. But they are not doing [as much] now, even though we still need them to engage because the funding we get is not enough

A BoM women's representative echoed these sentiments saying, “imposing project fees has made parents slack”. In the midst of great uncertainty about the timing and amount of funding available to schools, current government policy may be restraining local community engagement when it is needed more than ever.

We went to well-performing schools where most Grade 8 students go on to secondary school. Undoubtedly poorly performing and remote schools (and district administrations) will have different issues to contend with. Yet, the concerns that this initial research raises provide food for thought for policy makers and others seeking to understand the impacts of recent education policy reforms in PNG.

The government's new TFF policy is clawing back decision-making over school resources, and recentralising decision making to the district level. This is a gamble given the initial success of school management over TFF funds on the one hand, and the mixed results of district funding and late TFF payments on the other. As DEICs roll out

across the country, analysing and understanding their impact will be critical. That is something we will do – albeit on a modest scale – in the next phase of this research project, as we visit provincial and district administrations and schools in Gulf (a generally poorer performing province) and East New Britain (a province renowned for good service delivery outcomes).

Peter Kanaparo and Denise Lokinap are lecturers at the University of Papua New Guinea's School of Business and Public Policy. Colin Wiltshire is a Research Fellow with the State, Society and Governance in Melanesia (SSGM) Program at ANU. Tara Davda is a Research Officer and Grant Walton is a Research Fellow with the Development Policy Centre.

Is education a magic bullet for addressing corruption? Insights from Papua New Guinea

By Grant Walton and Caryn Peiffer on June 17, 2015

Picture this. You're at a party and, as can often happen (particularly in academic and development circles), conversation turns to corruption in developing countries. As beer bottles empty, and after discussing the pernicious effects of corruption and the lack of action by



citizens to address it, someone passionately argues that corruption can only be reduced through education, and lots of it. If people really knew what corruption did to the economy and society then they wouldn't tolerate it.

But is this really the case? When it comes to fighting corruption, is education the magic bullet many people make it out to be?

In the development industry millions of dollars are spent educating citizens about the dangers of corruption, with the expectation that this will improve citizen reporting. Yet there is surprisingly very little research on what motivates citizen reporting, particularly in developing countries.

The literature that is available points to three factors that explain citizens' willingness to report corruption. The first, of course, is education. Even though there has been scant empirical work done to support some of these claims, the literature from developed and developing countries suggest that the more educated citizens are, the more likely they will report. The second explanation offered is that reporting is influenced by institutional trust. That is, if citizens don't trust that the state will act on corruption, they will be less likely to report it when they see it. Finally, there is a concern by some that a lack of institutional trust might cancel out the benefits of education altogether. Heather Marquette, for example, argues that even if citizens are well educated they won't report corruption if their level of trust in the state is low.

In a recent discussion paper released by the Developmental Leadership Program and the Development Policy Centre we test these three claims in the context of Papua New Guinea. We draw on a household survey conducted in nine provinces with more than 1800 people. The survey included scenarios that depicted different types of corruption, and in this paper we analyse the factors that shaped respondents likelihood of reporting these scenarios to authorities.

In relation to the effect of education on reporting we found that:

- Higher levels of formal education increased the likelihood of a respondent being willing to report by up to 31 per cent, and this relationship was significant across 6 out of 8 scenarios;
- More frequent consumption of news increased the likelihood of reporting by up to 24 per cent, and this was significant across 4 out of 8 scenarios;
- Knowing how to report increased it by up to 78 per cent, which was significant across 4 out of 8 scenarios.

So, in most cases, higher levels of education (particularly formal education) improved willingness to report corruption.

Next, we looked at how trust that the state will respond to corruption affected reporting. While we looked at other types of institutional trust, one helped explain reporting the most – responses to the statement: 'there is no point in reporting corruption because nothing useful will be done about it'. We found that agreeing with this statement reduced the likelihood of being willing to report by up to 43 per cent, which was significant in 3 out of 8 corruption scenarios. So, lack of trust that corruption would be acted on diminished willingness to report, but less consistently across the scenarios than education.

How does institutional trust influence what impact education can have? Further analyses showed that when paired together, a belief that *something* would be done about corruption and higher levels of education results in improvement in the likelihood of being willing to report a corruption scenario by up to 32 per cent. But when people believe *nothing* will be done about corruption, the positive impact that education can have on reporting is estimated to dramatically fall. For instance, for half of the scenarios, our findings suggest that low levels of institutional trust completely nullify the positive impact that education had on reporting. The most dramatic reduction of reporting rates occurred with a scenario depicting corruption between a logging company and community – a popular example of corruption in PNG. Thus, in most cases, education's impact on willingness to report diminished with lower institutional trust.

What does all this mean?

Well, for a start it challenges the notion that citizen education on its own is a magic bullet for addressing corruption. Education is certainly important, but as one of us has argued previously, we need to be aware of its limitations. That's something to keep in mind when next discussing the potential of education to triumph over corruption.

In the context of PNG, the findings are sobering given recent events. The Prime Minister, Peter O'Neill, has effectively dismantled Taskforce Sweep, the country's successful, but short lived, anti-corruption taskforce. The long-running Ombudsman Commission has also been struck a blow, likely from political forces. Recently the Chief Ombudsman Commissioner, Rigo Lua, has been denied an opportunity to continue in his role. Lua has led the commission while it has investigated numerous MPs. These events undoubtedly reduce citizens' confidence that the state can and will prosecute corruption, and, according to this research, most certainly have worked to undermine citizens' willingness to report it.

In other words, the research provides yet another reason why attacking PNG's anti-corruption agencies is a bad idea.

Grant Walton is a Research Fellow with the Development Policy Centre. Caryn Peiffer is a Research Fellow with the Developmental Leadership Program at the University of Birmingham.

Moving on from PNG's UNITECH Saga: an interview with Albert Schram

By Albert Schram and Grant Walton on May 9, 2016

In March 2013, Dr Albert Schram, the Vice-Chancellor of the University of Technology (UNITECH), was controversially deported from Papua New Guinea. Schram's exile came off the back of his efforts to address mismanagement within the university's governing council,



attracting the ire of university administrators and the PNG government. While Schram spent his exile in Australia's James Cook University (where he is an Adjunct Professor), a coalition of UNITECH staff, students and others coordinated protests calling for his return. Their efforts saw Schram re-enter UNITECH, on the shoulders of cheering students, in April 2014. These events became known as the 'UNITECH Saga'.

The UNITECH saga captured both local and international headlines. However, little has been written about the legacy of one of the country's few successful anti-corruption protests. In a recent interview with Grant Walton, Schram reflected on how both student politics and the university's administration has changed since his return.

Since he's been back, Schram stated that there had been no ethnic clashes and, until recently, no boycotts (as explained below, a recent political boycott started after this interview). Student leaders have been engaged by university management through regular monthly "management forums", where student representatives and staff have a chance to air their grievances and work with management towards finding solutions.

While protesting students helped ensured his return, Schram said he has guided students away from politics and protest. "We try to tell students that real leaders do not only protest. They also graduate to become lawyers, scientists, and teachers who contribute to society". For those involved in student politics, he warns, "you are not a real student leader unless you graduate". He believes that students continue to follow this advice and embrace more peaceful methods of protest, in particular through airing grievances on social media.

Yet, he still encourages students to register their concerns directly with politicians. In the lead up to Christmas in 2015, UNITECH was told by the government that there would be

a cut of over three million kina (1.25 million AUD) to scholarship funding, which would affect about 320 ongoing students. The Minister of Higher Education, Research, Science and Technology, Malakai Tabar, met with Schram, while concerned students independently called the Minister. The resultant conversations between the Minister, the students and university management led to the Minister backing down. For Schram, this victory reminded students that violent protest is not the only way to achieving their goals, and negotiation can produce better results

Since this interview took place, UNITECH students have joined other PNG universities in boycotting classes to protest the suspension of Fraud Squad Director, Matthew Damaru. They are also demanding that Prime Minister O'Neill resign. The UNITECH student body overwhelmingly voted to boycott classes indefinitely from Monday, 9 May. This suggests that while political activism might be discouraged, it is never far from the students' concerns.

The nature of UNITECH Council meetings under the leadership of Chancellor Sir Nagora Bogan, has also changed since Schram's return. The current council has adopted a Conflict of Interest policy, which means members and management must declare their interests at each university council meeting. "Now, those not interested in the university [and are] only [there to] pursue their private interests, don't show up", he said.

The UNITECH Saga reminded university management of the importance of meeting students' aspirations. "If the students don't have hope that things will get better then they will become unmanageable; this is clear to everyone now. So we must be seen to be improving services for students", Schram said. He stressed that management is making efforts to show how it is improving student welfare, and is producing "highly employable graduates". To this end, in 2015 UNITECH introduced an annual graduate survey to monitor ex-students' employment rate five months after graduation.

Still, there is a lot to do. Schram notes that he has yet to significantly change the structure of the council and its procedures. He is still working to "institute a statute on how the Vice-Chancellor is elected, and how council meetings are run". The university is now working to reduce its "bloated payroll with an excessive number of support staff", and Schram is organising an audit to get a better sense as to what personnel the university has and how resources can be best utilised.

Schram is concerned about what the Higher Education (General Provision) Act of 2014 means for institutional autonomy and academic freedom in PNG:

“This act was passed and gazetted in December 2014 without meaningful consultation with PNG Universities. It stipulates the direct appointment by the government of the Chancellor and the indirect appointment of the Vice-Chancellor....this opens the flood gates for political appointments and interference by politicians to further their own narrow personal agendas”.

He'd like to see this Act rewritten.

Re-establishing a national union of students is also on the agenda, but developing and sustaining such an institution will not be easy. Indeed, Schram suggests that the idea scares politicians because they “are worried about students uniting and overthrowing the government...they would rather have students divided”. As the recent nation-wide student boycotts highlight, politicians are well aware of the power of students to agitate for change – so much so that some try to directly influence Student Representative Council elections. But for Schram the risks are worthwhile. Unifying students' voices, he believes, is essential if student politics is to move beyond the ethnically fragmented cliques that undermine broader debates about academia and development.

Since Schram's return students have engaged with the government and university management peacefully, but this truce is likely to be tested in June. That's when the university expects to experience negative cash flows. Schram estimates that UNITECH will need a further 15 million kina to continue its operations this year. “The students know this is the situation, because they are members of the council”, he said. If the government doesn't fill this fiscal hole he fears that students will again take matters into their own hands. A situation all concerned should be keen to avoid.

Albert Schram is the Vice-Chancellor of the Papua New Guinea University of Technology. Grant Walton is a Research Fellow with the Development Policy Centre.

What are exams good for? Primary and secondary school exam reform in PNG

By Anthony Swan on December 15, 2015

Not many people have fond memories of school exams. It's probably a fair generalisation to say that most students don't like them, teachers don't like marking them, and education administrators don't like coordinating them. On top of this they are really expensive to run. The question that Motown legend Edwin Starr might ask then is, like war, what are exams good for?

This question cuts to the heart of a debate occurring in Papua New Guinea on how students should be assessed as they progress through primary and secondary school. Currently all students at the end of primary school (grade 8) and lower secondary school (grade 10) are required to sit an externally administered nation-wide exam. However, as PNG prepares to release a new 5-year National Education Plan, these national exams are set to be phased out over the next six years from 2016 and replaced by "internal school assessment systems". Unless new national exams are introduced, such as NAPLAN in Australia, the only national examination will be for students at the end of high school (grade 12).

The main reason being communicated to the public for the change is to remove constraints on students progressing from primary to secondary school and into year 12. As reported by the PNG Department of Education, "Each year around 100,000 students are pushed out of the education system as a direct result of these examinations". The problem is that the grade 8 and 10 results are used by provincial administrations to select students into secondary schools. The "pushed out" students are those that fail to meet the minimum cut-off grade in these exams. According to the acting Education Secretary Dr. Kombre, examinations are "a colonial legacy to ensure that every student is not given an equal chance of completing their education".

Indeed, improving access to secondary school is commendable. However, it is worth asking two questions that push a little deeper on this issue. First, will the abolition of the national exams help remove constraints on students progressing into secondary and high school? Second, do the national exams help strengthen the education system and raise educational outcomes, perhaps in ways that are not obvious to casual observers?

The national cut-off grade for entry into secondary school is set by the Department of Education at a total of 80 marks out of 150 marks (across three exam subjects).

Presumably the cut-off grade is designed to ensure that students achieve a minimum standard at the end of primary school. However, the national cut-off grade is really just a guide for provincial administrations since the responsibility for determining student intake is at the provincial level.

In practice nearly all provincial administrators set their own cut-off grade substantially below the national cut-off, typically at a total mark in the mid-60s which happens to be close to the national average total grade. The lower provincial cut-off grades indicate that low academically achieving students are already being accepted into secondary school. It seems then that the cut-off grades for selection into secondary school are really being used to manage over-crowding at schools due to a lack of infrastructure and teachers. If this is the case then the grade 8 examinations are not really pushing students out of secondary school – in fact it would seem that they are totally irrelevant for the number of students progressing into secondary school.

So what might be given up by abolishing the national exams and can internal assessment at schools fill the vacuum?

The results from standardised national exams can help stakeholders identify how teachers, schools and provincial education systems are performing – as measured by student learning outcomes – both over time and across locations. This is particularly important given the difficulty of monitoring activity and effort levels being put in by students, teachers, and education administrators. For example, around 20 per cent of PNG primary schools in our 2012 survey reported not having any type of inspection visit in that year, and those that are inspected typically only receive one visit per year.

Standardised test results help with performance monitoring because they can be used to diagnose where problems in the education system may lie. For example, suppose a student performed poorly in an exam then if the result was an exception to the rest of the class then it would indicate that student specific factors were to blame. However, if that student's class performed poorly on average but other classes in the school did not then class or teacher specific factors are likely to blame. Similarly, a comparison of results across schools or provinces can also indicate potential problems at those levels, although appropriate controls need to be applied to ensure that comparisons are being made between reasonably similar types of students. The My School website, for example, facilitates comparisons of NAPLAN results that control for differences in the socio-economic background of students across schools.

Students can also be tracked over time to see which secondary schools are better able to “value-add” to student learning by comparing the gain in performance between grade 8 and grade 10 or 12 exam results on an individual student basis. Unfortunately, the education system in PNG does not yet have the capacity to track student exam results over time.

The enhanced transparency of student learning performance that the standardised exam results can provide is particularly important under PNG’s Tuition Fee Free policy (TFF) whereby schools have control over large sums of funding but sometimes face little oversight on the way funds are spent. As explained by Ludger Woessmann, the more flexibility a school has over its management the more important it is to have external standards and assessments.

In contrast, internal assessments cannot function in this way because they tend to be subjective in nature, are not likely to be comparable across teachers or schools or provinces, and can be influenced by local factors in a way that distorts the true assessment of learning outcomes. For example, if TFF funds at a particular school are being wasted to the detriment of student learning outcomes then the school could encourage a lenient approach to internal assessment in order to hide the poor performance.

Furthermore, the national exam system is designed to centrally collate the results and facilitate the analysis and dissemination of information based on the results. In this way students may be able to use this information to benchmark their performance against the entire cohort in the country as they progress through school. This is helpful for decision making on subject selection, how much effort to devote to learning, and education pathways that best suit their ability and ranking. In contrast, an inherent problem of internal assessment based systems is the difficulty in collating the data at a national level for analysis and dissemination. Furthermore, the subjectivity of internal assessment results makes benchmarking across students and time difficult or unreliable.

Abolishing national grade 8 and 10 exams does not mean that all of these benefits will be lost. There are two reasons for this. First, the full potential benefits of the grade 8 and 10 examinations are not currently being realised due to difficulties in standardising and implementing the exams, a poor data collection and housing system, limited analysis of test results, and little information provided to students, parents and teachers for benchmarking purposes. Second, external standardised assessments, such as the Pacific Islands Literacy and Numeracy Assessment, may be introduced or scaled up to deal with the shortcomings of internal assessment systems. However, these sorts of

assessments are survey based and tend to cover only a small proportion of the student population. For this reason they are limited in their ability to signal how the majority of students, teachers and schools are actually performing.

The challenge for education reformers is to invest in both school infrastructure and teachers to facilitate access to school as well as to ensure that time spent at school by students is not just leading to “empty learning”. National, standardised and externally based examinations allow for independent and transparent measures of student learning outcomes which are crucial for raising the quality of education. That’s what exams are good for.

Anthony Swan is a Research Fellow at the Development Policy Centre.

Gender

Women's economic empowerment: the importance of small market stall vendors in urban Papua New Guinea

By Michelle Nayahamui Rooney on June 16, 2016

Women's economic empowerment is a key priority in the development agenda in Papua New Guinea, and is viewed as a key solution to empowering women and addressing problems like poverty and gender-based violence. To address this, significant attention is being given to employment creation, to women's engagement



in the agricultural sector or improving urban market places. In urban areas significant efforts, with considerable donor support, have been made towards improving the state of urban market places so they are safer and more accessible to women.

Less attention has been paid to the many women in urban areas who make their living from the smaller market stalls that are so prevalent in places like Port Moresby.

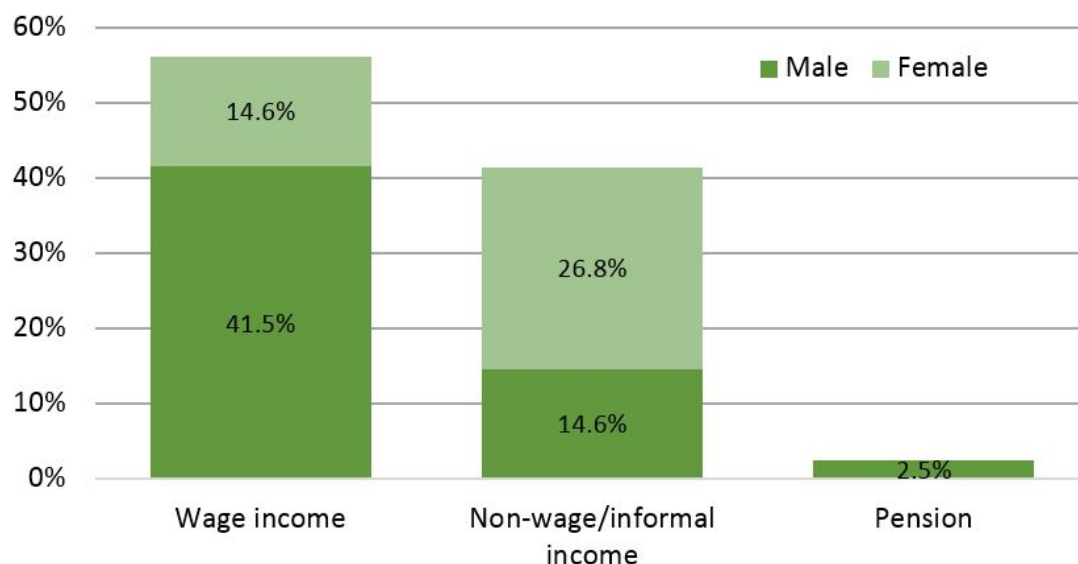
Rather than viewing these smaller local markets and home-based stalls as marginal players in the bid to improve women's economic empowerment, small market stalls are just as – if not more – important than the larger markets because they are such a prolific feature of the urban landscape. Understanding these small stalls as sites of economic empowerment can shed important insights into local processes of women's empowerment and disempowerment, and the moral values and norms that shape how women make a living.

Small market stalls play an important social role in the localities. They are places where people convene to catch up with the day's news, organise plans to support each other with issues like childcare, or simply to take a breather and have a conversation. Community communication takes place at these sites not only through leaving messages for each other but through the sales of phone credits or sharing of news. Other important economic activities also occur, such as the borrowing and lending of cash by the vendor

to a known customer who has fallen short of money to buy food or other items. Because many of these stalls operate into the night, they can also have implications for improving law and order in urban areas. As lit-up areas where people interact, they often provide a sense of security in localities which enables more people to move about in the evenings – something places like Port Moresby desperately need.

Evidence already tells us that a significant number of people in urban areas rely on the informal sector, and that women dominate this form of economic engagement [1]. A similar pattern is shown in the findings of a small survey I conducted during my fieldwork in Port Moresby in 2013. Men dominated income earning activities in waged employment while women were the key players in the informal sector (Figure 1).

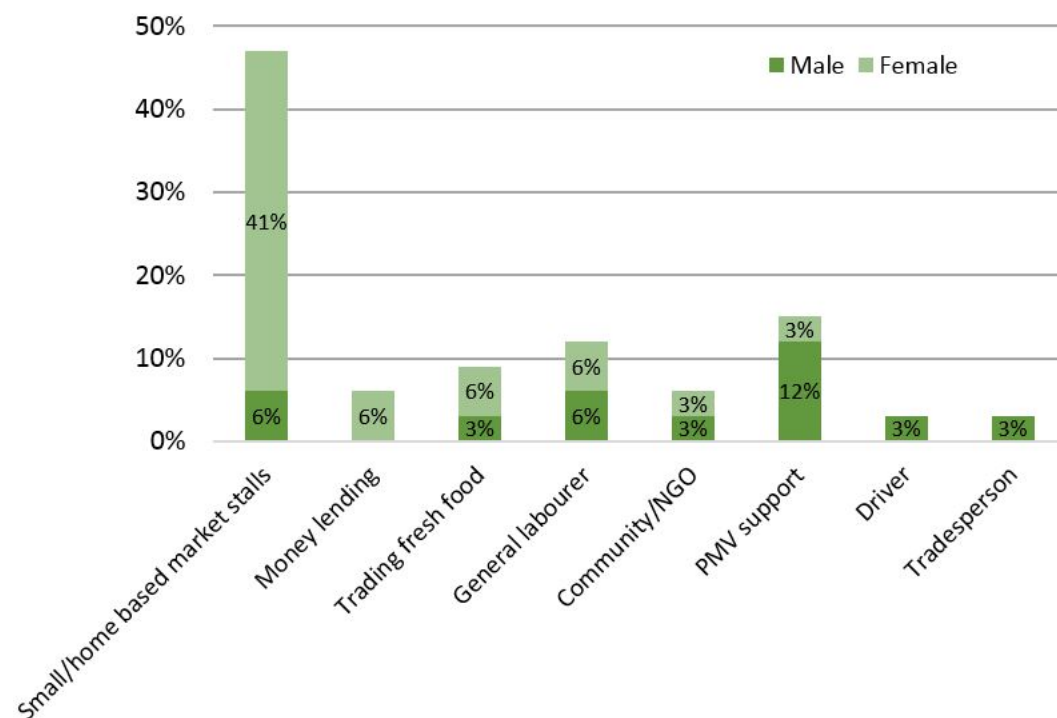
Figure 1: Types of income earning activity, by gender (%; n=82)



Source: Michelle Rooney, household survey, Port Moresby, 2013

Moreover, among those that were engaged in the informal sector, by far most people were operating small market stalls near their homes, which I refer to as ‘residential markets’ in an earlier paper (Figure 2). Of those operating small market stalls, the majority were women who were mothers. Most had a husband who was employed in the formal sector.

Figure 2: Types of informal sector activity, by gender (%; n=34)



Source: Michelle Rooney, household survey, Port Moresby, 2013

Although these figures are for a survey conducted in a settlement in 2013, it is worth exploring if this pattern is the same more broadly across Port Moresby and other urban areas in PNG.

Most of the women running home-based or roadside market stalls are mothers with young children, elderly or ill. Even if they are more able and willing to be more economically engaged, many lack access to land in the surrounding region to make gardens. Many are also not in a position to engage in the wholesale purchase of goods from rural gardeners to engage in the larger urban markets.

Perhaps most importantly, as this report highlights, we need to recognise that women's economic engagement does not take place in a vacuum, void of family, social and cultural dynamics. Most of the households that I interviewed deployed an income generation strategy that combined different forms of income. Mainly, the husband was employed in wage employment while the wife ran a small market stall. Other members of the household may also be engaged in some form of income earning activities. Indeed, households that combined formal wage and informal incomes also had the highest incomes. In this role, women are vulnerable in the sense of having a low income which is subject to being appropriated by other family members, but they are also a powerful

force in enabling their families to survive the fortnightly cycle of wage income. Without access to gardens, urban livelihoods depend on cash incomes, and urban household dynamics involve a negotiation between those in the formal and informal sectors that is critically important to enabling the household to survive. While formal incomes, generally paid on a fortnightly basis, provide a stable and predictable income, it usually falls short of sustaining the family's entire needs over the fortnight. When the family falls short they turn to the informal income earner – usually the mother whose income is earned on a daily basis from her small market stall – to supplement income until the next payday. Because the income is earned daily, the family is able to buy food in smaller portions on a daily basis.

For many — perhaps most — women in urban areas, small market stalls are usually their most viable option for making a bit of money to support their families. These intimate spaces of economic and social empowerment have been long neglected, but deserve to be better understood.

Michelle Rooney is a Research Fellow at the Development Policy Centre.

[1] Gibson, J. 2013. *Technical Report: The Labour Market in Papua New Guinea (with a Focus on the National Capital District)*. Waikato: University of Waikato.

State of the service: women's participation in the PNG public sector

By Nicole Haley on March 4, 2016



Papua New Guinea's new Public Services (Management) Act 2014 (PSMA) is one of several important administrative and legislative reforms implemented by the O'Neill/Dion Government in accordance with the Alotau Accord of 2012. Key among the changes is formal consultation with members of parliament (MPs) in relation to the appointment of provincial and district administrators, which in effect gives MPs a formal role in hiring and firing decisions at the subnational level. Seemingly, this is already having a detrimental impact on the gender profile of the public sector, with four of the five most senior

women in the Simbu provincial administration already replaced at the recommendation of MPs in the province (Anna Naur, personal communication, 10 March 2015).

Drawing on previously unpublished data, this post offers an analysis of the gender profile of the Papua New Guinea (PNG) public sector as at June 2014, before the implementation of the new PSMA. The analysis reveals that while women are well represented in central government agencies, they are severely underrepresented in senior positions at the subnational level where services are delivered.

Labour force participation and state of the service

Labour force participation rates in PNG have remained relatively static over the past decade. And despite near to gender parity, women are predominantly concentrated in informal and subsistence sectors (ILO 2013, p. 3). They currently account for 38% of all public sector employees. The gender profile of the service is remarkably complex, with some agencies and regions performing considerably better than others. In 2013–14, the PNG Public Service grew by 5%, although the overall proportion of women in the workforce remained essentially static. As at June 2014, 96,986 people were employed in the PNG public service. Of these, 122 individuals (0.1%) were employed at executive level, 1,234 (1.3%) in senior appointments (Grade PS17 or above), and 4,800 (5%) in middle management (Grade PS13–PS16). Most public servants are teachers (57%), are employed in junior administrative positions (26%), or as health workers (11%).

Collectively, the uniformed services, Correctional Institution Services, the PNG Defence Force, and the Royal PNG Constabulary account for 10% of the total public service workforce.

Women in the public service

Women are best represented in the service professions, accounting for 54% of all health workers (doctors, nurses, community health workers, health extension officers and allied health professionals), and 42% of teachers. By contrast, only 24% of administrative positions are held by women. The number of women rapidly diminishes with seniority, such that women occupy 18% of all senior management appointments and 7% of all executive appointments. Although the overall number and proportion of women in the public service rose by 1,878 positions in the 12 months to June 2014, the proportion of women in executive positions effectively remained static, while the number of women in senior management positions dropped from 22 to 18%. On the face of it, then, PNG looks a long way off reaching its goal of 30% of women in public service leadership positions by 2017. However, this is not the case across all agencies; indeed, progress towards the 30% target has been uneven. For example, women currently occupy close to a quarter (23%) of all senior management positions and 31% of middle management positions in PNG's central government agencies.

Moreover, they account for more than 30% of the senior management appointments in several of PNG's larger central government agencies, including the Department of National Planning and Monitoring (52%), the Department of Community Development (50%), the Internal Revenue Commission (47%), Attorney General (35%), Department of Defence (33%), and the Prime Minister's Department (31%). Other agencies, such as the Department of Personnel Management (29%), Treasury (27%), Finance (26%), and the Department of Labour and Industrial Relations (26%), are approaching the 30% target.

By contrast, women fare poorly at the provincial level and in the uniformed services, with very few occupying critical decision-making positions. They currently hold no executive level appointments, only 6% of senior management and 10% of middle management appointments in provincial administrations, and account for only 2% of senior officers and 6% of junior officers in PNG's combined services.

Whereas women are represented at senior levels in all central government agencies, there are only six provinces (East Sepik, Milne Bay, Morobe, New Ireland, Eastern Highlands, and Southern Highlands) with women in senior management positions, and only eight women in total in senior management positions at provincial levels across the

entire country. By contrast, there are 210 women holding senior management positions in PNG's central government agencies.

At the regional level, the New Guinea Islands region out-performs other regions, with 16% of middle management positions held by women. By contrast, the lowest levels of women's representation are found in the Highlands region. Notwithstanding considerable variation — for example, women account for 3% of middle management positions in the Enga and Southern Highlands provincial administrations, and 20% in the Eastern Highlands — women account for less than 6% of all middle management appointments across the Highlands.

Improving women's participation

As part of broader public service reforms, PNG adopted a Gender Equity and Social Inclusion (GESI) policy in 2013. The policy provides for the establishment of GESI coordinators within each department, agency and provincial administration. To date, however, these positions have not been funded through the budget. Nonetheless, some agencies, such as the Internal Revenue Commission, which is headed by a woman, have appointed GESI coordinators from within their existing budget, and the 12 months to June 2014 saw improvements to their gender profile. Importantly, key improvements were noted in all central government agencies headed by women or with women in executive positions. Clearly, critical gains can be made when women occupy leadership positions.

Another key factor contributing to women's success are scholarships (see Zubrinich and Haley 2009). Indeed, 90% of those who participated in the 2009 survey had held scholarships for tertiary study abroad. Panellists and participants in the Women in the Public Sector panel at the PNG Women's Forum, hosted by the US Embassy in March 2015, also highlighted the importance of scholarships, structured mentoring, the need for women in key decision-making positions, and better reintegration of scholarship recipients. They also called for at least one senior woman to sit on all public service appointments committees.

Looking forward

The Australian Government, through its aid program, has committed to investing strongly in enhancing women's leadership and decision-making. Given this, PNG's renewed focus on decentralised service delivery and the important gains already made in the larger central government agencies, government and donors should now give attention to the

gender profile of line agencies and provincial and district administrations. Some of the biggest challenges at the provincial level are the existing lack of women in leadership positions, and the small pool of suitably qualified women from which to draw. Three ways Australia should respond to these challenges are: offering priority scholarships for women employed at the subnational level, ensuring a suite of courses designed specifically for women in the public sector are offered through the new Pacific Leadership and Governance Precinct, and advocating in favour of performance-based budgetary incentives based on successful implementation of the GESI policy.



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Program at ANU and co-chief investigator (with

Kerry Zubrinich) on the Improving Women's Leadership, Political Participation and Decision Making in the Pacific research project. This post was originally published as SSGM In Brief 2015/60.

Are PNG's family and sexual violence police units working?

By Ashlee Betteridge on April 26, 2016

When women in Papua New Guinea experience violence and try to access help, the police can often be just another challenge to surmount. Under-resourced, slow to act, and sometimes dismissive of domestic violence cases in particular, the police response has been criticised in report after report on the family and sexual violence (FSV) challenge in PNG, despite the dedication of some individual officers to the issue.

Family and Sexual Violence Units (FSVUs) within the PNG police have been one of, if not the main attempt to improve the response that survivors receive when trying to access justice. The Australian aid program has been a particular supporter of this approach and, through the PNG-Australia Law and Justice Partnership (PALJP), has supported the establishment of 15 FSVUs across the country since 2008.



A recent evaluation of FSVUs provides some insight into whether they are working, exactly what police officers and survivors are up against, and what more needs to be done.

In many ways, the report paints a grim picture of the operating environment for FSVUs – not allocated resources in police budgets (this was bluntly stated: “The Evaluation Team found no evidence of budgets allocated for FSVUs”), not formally recognised within official police structures, under-staffed, and in some cases, under-trained.

Although the report notes the major problems with data collection at many FSVUs, particularly case data, the data tables in the report show increasing demand for services year-on-year. They also show just how low the rates of arrest are in cases seen by a FSVU—something that earlier research in Lae also demonstrated. For example, in Lae in the first quarter of 2015, out of 49 FSV cases only two arrests were made. In Waigani, from 411 FSV cases in 2014, there were only seven arrests, and no follow-up at all in 109 of those cases.

The evaluation argues that the low arrest numbers are “linked to the fact that most FSVU officers are female and they are not in a position to arrest people due to potential threats to their safety” – but it cannot show that arrest rates would change if the gender profile within FSVU staffing did.

The low level of arrests may be more a consequence of FSVUs being ghettoised within a chronically under-staffed police force. In a presentation at last year’s State of the Pacific conference in Canberra on the Kokopo FSVU, Stephanie Lusby’s research showed that many male police officers don’t see working for a FSVU as a good career move – it is work that is less likely to lead to recognition or promotion, and there’s a lack of senior positions within the units. Officers volunteer to work in FSVUs, and women have been more willing – and they were also willing to go out and make arrests.

Both Lusby’s research and the evaluation show that the overwhelmingly female FSVU officers struggle to get assistance from their overstretched colleagues when they need it and ask for it. Their resources, such as cars, are often poached by other police units (and the evaluation shows that many officers working in FSVUs don’t know how to drive). They are also swamped with cases. Adequate resourcing, of FSVUs and the police more broadly, would seem to be the biggest constraint on arrest numbers and case follow-through, rather than the gender of officers.

Interim Protection Orders (IPOs) are another area where confusion reigns – some locations charge to issue them, some take a long time to issue them (putting the survivor at risk in the meantime), their availability is largely limited to urban locations, and they are ineffective if breaches are not, or cannot, be reported. And, IPOs often depend on coordination with other service providers: coordination that, on this issue and several others throughout the report, is often not happening effectively.

The report doesn't summarise itself very well. At one point it says that FSVUs have 'in principle' expanded services, the meaning of which is completely unclear. Tucked away in an appendix, the report actually gives the effectiveness of the project it is evaluating (Australian support to the FSVUs) a red light status – a fail grade. A broader summary of the report's findings is that some FSVUs are achieving positive outcomes and have catalysed some gradual changes in attitudes on FSV within police, but there are large differences across locations, many problems and a long way to go. The report implicitly argues that FSVUs are deserving of support and continuation through its recommendations section, which details ways to address particular areas of weakness.

Better coordination and the development of referral networks is one of the key recommendations in the report. It recommends Femili PNG's case management approach in Lae be looked at as an example of good practice in PNG. (Disclosure: Devpolicy supports Femili PNG in a pro-bono capacity.)

Above all else, this evaluation shows that if FSVUs are to achieve better outcomes for survivors, they need more respect and more resources. They will also do better as part of an ecosystem of service providers working together to support each other and their clients.

Ashlee Betteridge is a Research Officer at the Development Policy Centre.

Making hospitality work for urban PNG women

By Michelle Nayahamui Rooney on August 4, 2016

Wage employment is an important source of income for most urban people, both men and women. In 2013, I undertook a small household study among 32 households living in one settlement in Port Moresby, Papua New Guinea. Among these households, 82 people were engaged in some form of income earning activity. Of these, 46 people worked in wage employment — 34 men and 12 women (Figure 1). (I used the same data in an earlier post to understand the important role urban women play as small market stall vendors.)

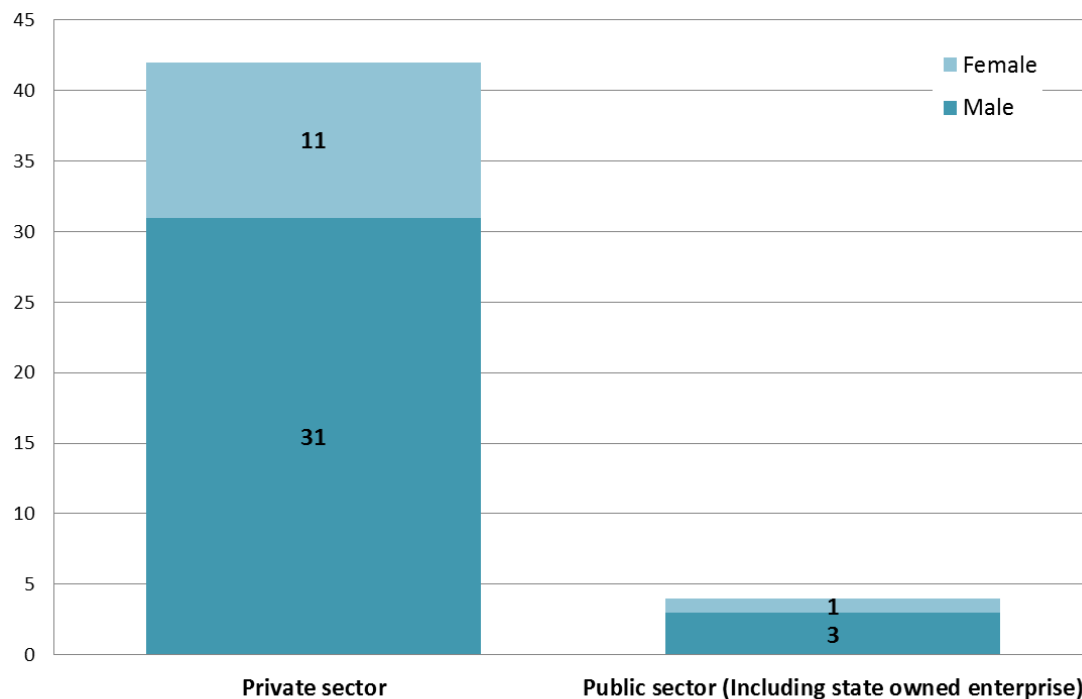
Figure 1: Type of income earning activity by gender (n=82)



Source: Michelle Rooney, household survey, Port Moresby, 2013

The private sector is by far the largest employer of both men and women, employing 42 people (Figure 2). These shares underestimate the importance of the public sector in PNG's formal sector. This is either due to small sample size or may reflect the situation for low income households living in urban settlements, or the situation for this particular migrant group.

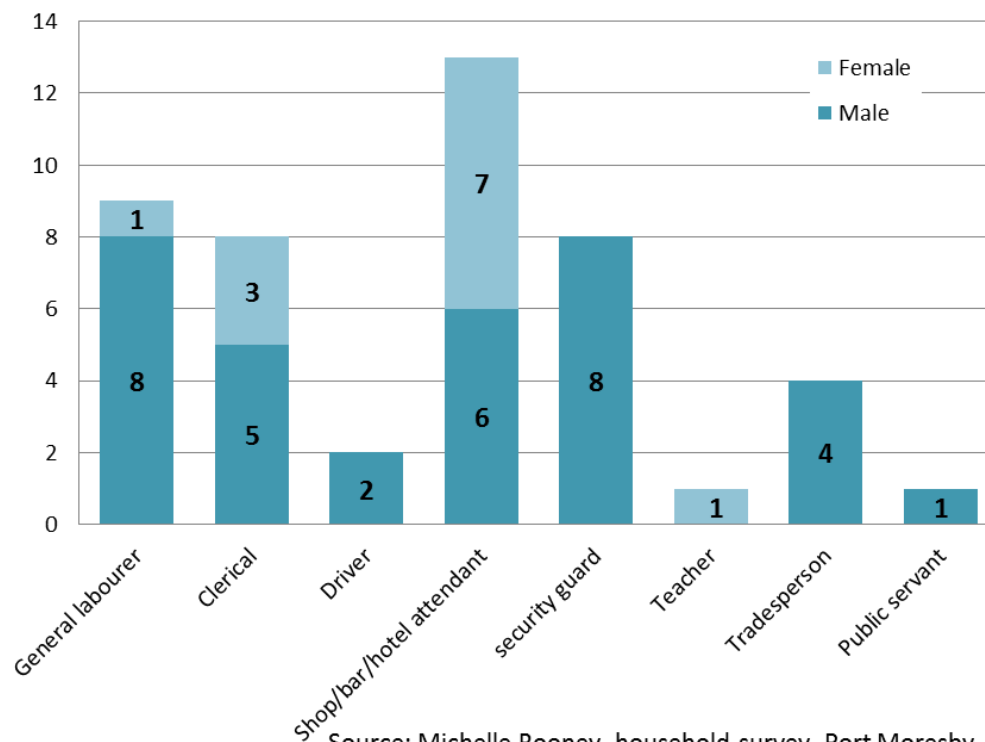
Figure 2: Sector of waged employment (n=46)



Source: Michelle Rooney, household survey, Port Moresby, 2013

Of those 46 people who were earning a waged income, 12 were female (Figure 1). Among these women, apart from one who was employed as a teacher, the others were employed in the private sector. Three women worked in clerical positions as accounts clerks. Most had low skill jobs as general labourers doing work like cleaning or in the hospitality, retail or entertainment industry as hotel cleaners, kitchen hands, hotel maids, waitresses in the city's growing number of restaurants, or as bar attendants and waitresses in the city's nightclubs (Figure 3). The men were more likely to work as security guards, general labourers or tradespersons.

Figure 3: Type of wage employment by gender (n=46)



Source: Michelle Rooney, household survey, Port Moresby, 2013

This very small snapshot suggests that the hospitality, tourism and entertainment sector offers an important employment pathway for women. This is consistent with recognition by the PNG government and its development partners of the potential of tourism and the hospitality sector to contribute to the country's development. But my research also points to particular challenges women working in these industries face.

In particular, work in these sectors involves irregular and long working hours that very often extend late into the night. One woman, who was still breastfeeding her infant child, needed to return to her work as a waitress in one of the city's restaurants. An international restaurant, it opened from lunch until late in the evening. She was required to commence work before the lunch period and remain at work up until the dinner shift. Because there is no functioning public transport system in Port Moresby, she then had to wait until the restaurant closed late at night, when her colleagues finished their shift of cleaning up, before they all could take the work bus home. The bus then had to travel all around the city dropping people off and as she was living on the outskirts of the city she was one of the last people dropped off, which would by this time be well after midnight. The low income meant she was not able to afford to pay anyone to babysit her child while her husband worked. It also compromised her child's health. She had to give up work. She was one of the lucky women whose husband worked and was able to help her start a small informal market to support the family. Others are not so lucky.

Another woman, also with an infant child, faced a similar work arrangement as a bar attendant in one of the city's popular nightclubs. In her case her mother was able to provide childcare for her young children. A key difference in this line of employment was that their employer offered extra cash incentives to his female bar attendants if they could sell more drinks to the many male patrons who frequented the clubs. The woman I interviewed expressed discomfort at this work culture, saying she and her colleagues often found themselves in compromising situations with male clients who often tried to solicit sexual favours in return for buying more drinks. In another example, a woman working as a hotel maid found that she was often approached by male guests for sexual favours in return for a cash payment. During work, many of these women's challenges involve being able to negotiate their positions and setting acceptable boundaries between their employer's and their employer's clients' expectations. These work-related challenges and difficulties of family responsibilities mean that many women eventually opt out of formal employment.

Transport is a major challenge. As mentioned above, Port Moresby does not have a public transport system at night, and taxis are expensive and late at night would be unsafe for a woman travelling alone. Most hotels, nightclubs and restaurants provide some form of transport to assist their staff to return home after work. But this means travelling all over the city late in the night to drop off co-workers before arriving at one's home. For those living in settlements, this involved a walk in the night to their home which often required a relative to wait at the drop-off area to accompany them home. This raises the risk of a woman being raped.

Despite these challenges, there is a positive side to these stories. Women value the opportunity that earning an income offers. Indeed for many women the opportunity to engage in formal employment opens up new social connections and boosts self-esteem. Even if their incomes are low, their work is often part of a wider family strategy that balances waged and informal incomes. For example, one woman who had been unemployed for a very long time took the opportunity to attend some training being offered in her community by World Vision. This enabled her to apply for a position as a kitchen hand in one of the city's international hotels. When I interviewed her she had completed her probation and was in the process of opening a bank account so her regular pay could be deposited. She was a middle-aged woman free from the burden of caring for young children, and her income enabled her to support her high school-aged children. Nevertheless, her low income still needed to be supplemented by her adult children. Her adult daughter, who was unemployed, also played an important role in supplementing the family waged income by operating a small informal market stall in the

settlement while attending to household chores like fetching water from the communal tap.

The private sector, and in particular the hospitality, tourism and entertainment industry, provide important employment opportunities for women. To expand these opportunities, providing training for women in the industry is important. Employers need to do more to make it easier for women with small children to work. And improving safety has to remain a priority.

Michelle Rooney is a Research Fellow at the Development Policy Centre.

Governance

A snapshot of a district struggling against the odds

By Rebecca Robinson on April 15, 2016

CARE's Integrated Community Development Project (ICDP) has been implementing activities in collaboration with district and local level government (LLG) authorities, as well as local NGOs and communities, in three disadvantaged districts of Papua New Guinea for some years.



The results of CARE's collaborations in Obura Wonenara, the district where the project has been implementing the longest, are impressive and include: 7,000 children enrolled in school, who would not otherwise have had the opportunity; eight new village courts (which include female magistrates and clerks) where there were none before; establishment and training of ward development committees, and local identification of ward development priorities for a population of about 78,000; LLG project funding allocations for ward priorities; government officers being more engaged with grassroots communities; nearly 18,000 people with greatly improved access from the construction of seven footbridges (the majority funded through provincial and district development funds); and people in the most remote locations eating more protein-rich diets, and growing subsistence crop varieties that are more drought tolerant.

CARE's ICDP is in the first year of what is anticipated to be a five-year project expansion and consolidation in its three target districts. What follows is a snapshot of the working environment for our government partners in one of these districts.

It had been some time since we last had a courtesy call and update meeting with our partners in Obura Wonenara, so we planned a short trip. Ringing ahead the week before our planned visit, we confirmed that we would be able to meet with the District Administrator (DA), some senior District Administration officers and LLG managers. We also arranged to meet with the local member (MP). We rang again the day before the visit to re-confirm.

Arriving as planned, we called the DA and he said to please come to his office. Here we found him in a room full of men and women – mourning mud covering their faces. He was in negotiations, with the hope of avoiding the escalation of a recent murder into tribal fighting. Apologising for our disruption to their discussions, we postponed our meeting to the next morning.

For the afternoon, we decided to take a drive to Obura, in the middle of the district, and observe how people's food gardens were progressing as they recovered from the drought. On the way we passed the MP in the front passenger seat of a district development grant-funded police vehicle. He confirmed that we could meet with him in the morning, but not at the District Administration offices due to a two-day power cut. He was on his way to pick up the DA so that together they could visit the community where the murder had recently taken place. The week before, he and the DA had spent much of their time dealing with tribal fighting and multiple killings in another part of the district. The fighting and deaths were retaliations following a death attributed to sorcery, which the MP believes ultimately has its roots in an ongoing land dispute.

On our drive to Obura and back we observed the beautiful new food gardens people have planted. Within two to three months they will start to have a steady supply of their staple foods once again. In the meantime, despite the challenges of insect damage and some crops rotting before they ripen – and the detrimental effects of too much rain – corn, pumpkins and beans have started to ripen, creeks and springs are re-charged, and life is starting to look more hopeful.



We arrived back at the Obura Wonenara District Administration office and waited for the return of the District Elementary Coordinator. He had taken a two-hour bus ride to the provincial capital that morning to visit the provincial headquarters and obtain a list of the trainee elementary teachers

accepted into the PNG Education Institute (PNGEI), as well as a list of the postings for teachers for the year. He was dropped off late in the afternoon. He and I went to his office where we discussed the PNGEI list. Only one person from the district was on the list. We discussed options for finding out why others we had expected to be included weren't – and what could be done about it. We agreed to meet early in the morning so that he could see me before the rush of teachers, who would be arriving to find out where

they had been posted. I then left the administration buildings, making way for those public servants who sleep in the offices when there is no other accommodation available.

Teachers were meant to be at their schools almost two weeks previously, but their placements were only now available. Demonstrating how politicised senior public service positions have become, the provincial administration had been in disarray for months as two men and their supporters contested for the position of Provincial Administrator (PA) – one being supported strongly by the Provincial Governor. In the interim, the provincial administration had almost completely stopped functioning. One week before, a court decision had established one of the contenders as the acting PA, pending a “final decision” by the National Executive Council (cabinet). With an acting PA, critical pieces of paperwork could finally be signed off by the administration – including teacher postings.

The next morning, after meeting with the elementary coordinator again (who already had a queue of teachers waiting to see him), we went to another venue to meet with the MP, DA and senior officers. Here the MP was at first busy on his mobile – trying to find out why the power had been disconnected from the district administration offices, and what needed to be done to get it reconnected. He and the DA and LLG managers were also preoccupied with finding a way to have the printer, used for printing official district cheques, fixed.

During the meeting we discussed plans and schedules, and were frankly updated on various matters. For example, last year the district should have received K10 million in development grant funds (DSIP – District Services Improvement Program). It should also have had access to a further K5 million for additional health and education development projects. The district apparently submitted the required proposals in order to access and use additional health and education funds, but had not yet received any allocations. The MP and DA said they had heard that the education and health development grant was now going to be reduced by half, but they weren't hopeful that any of this would actually come through. By the end of last year, the district had received K6 million of the K10 million DSIP grant that it was meant to receive, and none of the K5 million in health and education development grants. That is, it had only received 40 per cent of the available development grants. In November of 2015, the district had received official financial instructions that K2 million of the development funds it had received could be used for drought response. In the words of the MP, ‘it was too late – we already had budget allocations for our DSIP, it was really too late. We found little bits and pieces of money to help with our longer term drought response.’

The situation that the Obura Wonenara District Administration and MP find themselves in is not uncommon. They know the intricacies of the problems they face in more intimate detail than anyone. Despite this, or perhaps because of this, they keep working towards the changes that they envision for their district. Contributing to their positive vision is their continuing partnership with CARE to improve the ability of political and administrative governments to collaborate to make sustained, positive change for and with the people of Obura Wonenara.

Rebecca Robinson is the Integrated Community Development Program (ICDP) Manager for CARE International in PNG.

Assessing the shift to limited preferential voting in Papua New Guinea: money politics

By Nicole Haley and Kerry Zubrinich on September 1, 2015

In this post, which forms part of a series of *SSGM In Briefs* considering the success or otherwise of the 2002 reforms to Papua New Guinea's Organic Law on National and Local-Level Government Elections, we examine the extent to which the introduction of limited preferential voting (LPV) has influenced local political culture, particularly with respect to money politics. In doing so, we draw on the findings of the 2007 and 2012 domestic observation reports (Haley and Anere 2009; Haley and Zubrinich 2013). LPV was introduced in the that hope elections would become more peaceful and would see the election of members of parliament with wider and more representative mandates.



The proliferation of 'money politics'

Evidence gathered by observers during the 2007 and 2012 elections shows that money played a huge part in both elections. Since the introduction of LPV, 'money politics' is more significant than ever before. In contrast to earlier elections, widespread vote buying was reported in 2007 and 2012, with candidates (winning and losing alike) spending millions offering incentives to voters. For the most part, candidates who campaigned with

money and gifts performed better than those who did not. Vote buying was evident in every electorate in which observations took place, and citizen surveys revealed an unprecedented amount of gifting with food, pigs and other material items including boats, trucks and ambulances. It is noteworthy that money politics has spread beyond the highlands and is now evident in parts of Papua New Guinea where there are no 'big men' and where cultures of competitive exchange are largely absent.

Nonetheless, vote buying continues to be most pervasive in the highlands, although the largest individual payments reported in 2012 were made outside the highlands. One campaign manager interviewed claimed to have distributed K12 million on the eve of polling, while observers in Northern (Oro) Province reported that 'gifting, vote buying and bribery seem ... to have become the accepted norms of electoral politics in the province'. Formerly a feature of elections in the highlands, campaign houses and men's houses are now central to the distribution of cash and gifts around the country.

As in 2007, votes were bought, sold and marketed, with typical payment configurations of K100, K50, K20 and K50, K20, K10 for 1st, 2nd and 3rd preferences respectively. In the highlands, individuals received as much as K3,000 for first preference votes in 2012 compared with K1,000 in 2007. Observers also noted the competitive nature of vote buying in 2012, reporting that 'money candidates' sought and gained prestige through increasingly larger payments to would-be voters. Cashed-up candidates were also reported to have made larger payments of K10,000–15,000 at the household level, with one winning candidate in Jiwaka Province reporting that he handed out K2 million in cash inducements. Another described himself as a 'walking automatic teller machine', while a losing candidate in Chimbu (Simbu) Province claimed to have spent K6 million buying votes.

A new era of opportunism

LPV provides new opportunities with respect to vote buying. Voters now have three preferences to sell, and sell them they do. At several locations observers saw signs reading 'Votes for Sale'. In many places, voters capitalised on the new opportunities LPV provides by moving across electoral boundaries to vote in two or more electorates (cf. Haley and Dierikx 2011). Particularly enterprising voters also capitalised on the rolling elections in the highlands by voting in several provinces.

Mt Hagen settlers from Southern Highlands, Hela and Enga provinces, for example, were noted to have voted in their home provinces before voting in Mt Hagen, while observers in Eastern Highlands and Chimbu noted the arrival of trucks and buses loaded with

people who had voted in Lae (Morobe Province). Those from Lae were specifically targeted by candidates and campaign managers, and were the principal beneficiaries of cash for votes on polling day.

Church congregations and clan, youth and women's groups have also benefited through the advent of novel fundraising activities made possible by LPV. For example, grandstands, platforms and opening ceremonies were used to great effect during both the 2007 and 2012 elections, with community groups inviting open and provincial candidates to speak at and support their event. In the highlands such events typically netted event organisers K10,000–40,000 in donations from candidates vying for uncommitted minor preferences.

Money politics and leadership

Since the introduction of LPV, local leaders are no longer in a position to mediate the flow of money and gifts at election time. Instead, money now flows directly to individual voters, even in areas where there are strong local candidates. Previously, communities without a strong local candidate were favoured by candidates seeking to buy votes.

Gone, too, are the days when wealthy candidates distributed largesse to supporters as a means of creating indebtedness to sure-up votes. Instead, candidates must now rely on larger and larger networks to finance their campaigns. Indeed, wealthy businessmen and community leaders 'back' candidates by contributing towards their campaigns to create indebtedness and ensure the candidate is beholden to them should electoral success ensue.

Money politics is strongly gendered

Overall, a greater proportion of people in the highlands than elsewhere in the country received cash for their votes. Within electorates, men typically received money more often than women, and in larger amounts. For example, the 2012 domestic observation found that 47 per cent of highlands men and 39 per cent of highlands women had received cash from candidates. The average amount received by highlands men was K488 and the average received by women was K264. Similarly, Momase men, on average, received K468 while women received K196, demonstrating that money politics is strongly gendered. Regardless of the amounts received, and even in electorates where few respondents admitted to having received cash for their votes, there was general agreement that vote buying and gifting were more significant in 2012.

Conclusion

Since the introduction of LPV, the incidence of money politics and political gifting has proliferated. Concomitantly, the nature of money politics has changed, and while money now flows to the community at election time, men benefit the most. Of course money is not the only factor influencing voter choice. Where there is a strong local candidate, voters invariably vote locally regardless of whatever cash or gifts they may have received. Nevertheless, even diehard supporters now have minor preferences to assign, and it is these that are fuelling money politics. Moreover, the introduction of LPV has required a lot of effort and expense for very little gain, and it may be that in the longer term the negative consequences, such as the proliferation of money politics, will far outweigh any perceived benefits.



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Shifting in-line in Papua New Guinea

By Stephen Howes on August 6, 2015

The PNG Prime Minister has released a plan to revamp Australian aid. In 2016, he says, “Papua New Guinea will move to a model where our partners will be welcome to fund positions within our Government.” It sounds radical, but it’s not a new idea. In fact, it is one that various people, including myself, have been advocating for some time. I was a co-author of the 2010 Review of the Australia-PNG Development Cooperation Treaty (DCT) (along with Eric Kwa and Soe Lin). We noted that “Using Australian aid to fund in-line positions would be a return to earlier days, when budget support was often used for this purpose.” We also quoted from a synthesis by Lynn Pieper of a set of interviews with eminent former PNG civil servants, that suggested that moving away from this model was a mistake. Back in 2004, Lynn wrote:

“[After independence], expatriate personnel were in contracted, line positions, subject to normal lines of command, discipline, and public service ethics. The shift to off-line, advisory support during the 1980s, whilst a well-intentioned part of the localisation process, ‘was a step backwards’ in the opinion of interviewees. Apart from being much more expensive, it has created a feeling of condescension between ‘advisers’ and their ‘counterparts’; reduced sustainability prospects by separating the work done by advisers from the ‘normal’ work of departments; created a dependency by Departmental Heads on using advisers to fix problems rather than training nationals to learn the job by doing it; destroyed the collegiate sense that previously existed (‘we used to work and socialise together’); and eroded any sense of pride in achievements – counterparts do not have any sense of ownership of results, and advisers today ‘are not long term stayers’.” (Pieper, 2004, p.3)

We also commented that the in-line model had been effectively used by another small resource-rich country, Botswana. We quoted from Tony Land, who in 2002 summarised the Botswana approach as follows (and then went on to praise its effectiveness):

“TA personnel [were] generally assigned to established posts (line positions) rather than to projects or advisory positions; and TA personnel are contracted by, and [were] responsible to the government in the first instance, and to the sponsoring donor second.”

Since our 2010 report, Australia has experimented with in-line positions, rather than embraced the approach. Now is the time for an embrace. The time is right not only because the recipient wants it, but because Australia is in the process of redesigning and putting out to tender two major projects, one for governance and one for law and justice. These are big projects – \$450 million for governance and \$90 million for law and justice, both over five years – that will define how Australia gives aid in these sectors for years to come. As currently drafted, they are adviser-heavy. In-line does not rate a mention.

A change to an in-line approach would not be easy. First, if it is to be mainstreamed, it can't be around a model of employing Australian government officials to take PNG government positions. There are too many sensitivities around sovereignty and spying, on the PNG side, and around diplomatic immunity, on the Australian side, for that to be sustainable. So, rather than relying on the AFP, for example, the PNG Government would have to go to the market for expat police.

Second, there would be concerns around corruption. Australia would rightly be worried about paying the salary of someone who could be overseeing a corrupt department or agency. These risks could be mitigated by the donor being involved in the selection process, and by a contractual commitment that donor-funded staff would have to report suspicions of corruption to both the PNG Government and donors. But Australia should also be realistic. A move to in-line positions won't eliminate corruption, but it will do a better job than the advisory model, where it is all too easy to keep well-intentioned advisers out of the loop.

Third, hiring a large number of expatriates would carry a heavy administrative burden. Here, the services of a contracting company could be drawn on to help with hiring, and also to provide "expat provisions" such as housing and security.

It won't be easy, but it could be done, and it's time to change. Many advisers have worked hard and some have been able to make a difference, but in general aid-funded personnel would be more productive if in-line. I always remember the words of a Provincial Administrator we quoted in our DCT review: "Advisers are outside the system. They find it very difficult to tell [staff] what to do. They are not attached to any position number in the civil service. They've got to be in the action, in the 'tribe', not outside."

Stephen Howes is Director of the Development Policy Centre.

Reflections on Australia and PNG: Sir Julius Chan's remarks at the launch of 'Playing the Game'

By Julius Chan on March 24, 2016

Last week, the Development Policy Centre hosted the launch of the memoirs of Sir Julius Chan, who served as PNG Prime Minister twice, and is currently Governor of New Ireland Province. The following are Sir Julius' remarks from the launch.



It's been some years since I last visited this great man-made city [Canberra], the foundation stone of democracy in Australia. 38 days short of 25 years ago, on 24 April, 1981, it was my privilege to open the Papua New Guinea High Commission office in Canberra.

I said then that in a traditional Papua New Guinea society the beat of the Kundu drum has been the means of summoning leaders to the kivung, or meeting ground. I remember clearly Andrew Peacock and I played the drums calling many leaders from other countries to the opening, jointly participated in by then-Prime Minister Malcolm Fraser and myself.

It is momentous to be back this evening, in this school named after my personal economic mentor and friend Sir John Crawford — a close friend of Papua New Guinea. I therefore feel somewhat spurred by the spirit of that great Australian — giving me confidence to outpour years of exciting experiences, taking Papua New Guinea from a colony to self-government and independence.

In many ways, many of you have been part of the making of the independent state of Papua New Guinea and I am enlightened by your presence.

In collaboration with my writer and editor, Lucy Palmer, I have written an account of my life and the development of my country over the last 70 years. It is a deeply personal account and I have been more candid in this memoir than at any other time in my public life.

Papua New Guinea is a culture where oral history still dominates. There are still relatively few books written by our people. To have a former Prime Minister produce a memoir of this kind is unique. Indeed, I believe mine may be the first political memoir that looks back and tries to give an account of our country's modern history, at least from my perspective!

In doing so, I have created something I never thought possible — a permanent record for generations of Papua New Guineans to come.

Just as Australians can read the documents surrounding Federation in 1902, our people now have an account of their history written by someone who was there and who actually experienced it.

The late American Senator Robert Kennedy once said:

“Like it or not we live in interesting times. They are times of danger and uncertainty; but they are also more open to the creative energy of men than any other time in history.”

The period surrounding Papua New Guinea's journey to independence from Australia in 1975 was such a time. As I said earlier, many of you here will remember it well.

We witnessed the birth of a new nation and experienced what still remains as one of the smoothest transitions to democracy in modern times.

It has been more than 40 years since the flag of our Australian colonisers was lowered for the last time, and I have been privileged to serve as Prime Minister for two terms in that period. Grand Chief Somare has served four times and Pias Wingti twice. This is rare in any country, including yours.

As a sovereign nation I think we have achieved a great deal since then, and there is much for us to be proud of. However, everyone here tonight knows that Papua New Guinea faces unique and urgent challenges.

There is still so much to be done.

Tonight I would like to briefly share some reflections from my memoirs, in particular those that focus on the relationship between Australia and Papua New Guinea.

I was born on the island of Tanga, off the east coast of New Ireland, just before the Second World War. My mother, Miriam Tinkoris, was a Papua New Guinean, and my father, Chin Pak, a Chinese migrant from Guangdong Province. I was the fifth born of their six children.

Our family life was completely transformed by the advent of the war. The Japanese were suspicious of my family and forced us all into a labour camp, and tortured my uncle. I was much too young to remember of course, but I do recall our eventual arrival in Rabaul on a barge under the command of an Australian soldier called Robinson. He was the very first Australian I ever met.

I grew up in a large and striving extended family in Rabaul. We lived with my father's brother, a shipping captain named Chin Him. He and my father ran a modest shipping cargo carrier, transporting goods around the islands of East New Britain and New Ireland.

My first significant experience of the Australian way of life came when I was 14. Along with my cousin Joe Chan, I was sent to board at Marist Brothers, Ashgrove, in Brisbane.

We came to a strange land, not knowing anybody. Our Australian schoolmates knew we did not belong so they looked after us and treated us like kings. I could not have found a better place to grow up — they were probably the best years of my life. It was here that I discovered the importance of mateship and made many lifelong friends, even though I found school work difficult.

Luckily I was very good at sport, particularly rugby where I represented the First XV for three consecutive years. Ashgrove produced a lot of footballers, like Des Connor and later John Eales and many other champions. After a year at the St Lucia campus of the University of Queensland, I had an accident riding a motorbike on a rainy day. My wheels locked in the tramline in Brisbane and I was hospitalised for several months. I was forced to abandon my studies and return to Rabaul. That was 57 years ago, and it seems more than mere coincidence that Cathy Vallance of the University of Queensland Press is present tonight.

The only way to get business experience at the time was through the co-operative movement, so I applied for a position in the public service based in Port Moresby. I think when they saw the name Chan they assumed I was pure Chinese and let me in. As soon as I arrived in Port Moresby I began to feel the impact of discrimination. I was kicked out of the 4-mile Donga after one night and shifted to Ranaguri Hostel. Another evening, I was taken to the Kone Club by an Englishman, Bill Onslow, and we were asked to leave.

Even though he did not tell me, I knew the reason. I made an appeal to my boss, John Keith McCarthy, the Director of Native Affairs. After the club refused to have me as a member, McCarthy and several others resigned their membership in protest. This incident in the late 1960s showed that times were changing — many Australians supported Papua New Guineans having a more equal place in their own country.

Despite this incident, my brief life as a public servant was happy. I was taught the basic accounting systems of the cooperative movement. All the Australians I worked with became great friends; we went on patrols all over the country from the Highlands to the Sepik River.

After a while, I returned once again to Rabaul to help my father in the family shipping business. One of the people I came to know was a former Australian World War II Coastwatcher and plantation owner called Ray Lacey from Anir Island. It was Ray's idea, supported by local Chiefs, that I should stand for the House of Assembly as an elected member. I was successful. My first election victory was in 1968 for the seat of Namatanai.

It was during this period that questions about the political future of Papua New Guinea became more pressing, both from inside and outside the country. [Australian Prime Minister Gough] Whitlam's decision for self-government in December 1973 to be followed by full independence was not widely popular. Many people thought we were not ready. This is still being debated today.

When I became the Minister for Internal Finance, I was told by the Administrator Les Johnson that we needed to move on building a stronger economic base, then take the hard road to establish a central bank, a banking system and a new currency. "You have a long way to catch up. We have got to move," Johnson told me. I was expected to create all of this within a very short time frame, to catch up with the popular push for freedom. Ready or not, change was coming.

I was fortunate enough to have good people around me in Ross Garnaut and Henry ToRobert. Frank Crean and Andrew Peacock also gave me a great deal of advice and support. Fraser and Peacock crossed swords with Treasurer Phillip Lynch to secure the first independent budget for PNG.

We went into independence with confidence as we knew Australia would not abandon us. It's important to understand that many of us did not really know what independence would mean for Papua New Guinea. We were just prepared to work hard and to do our

best. Writing this memoir has been an opportunity to think about the long standing relationship between our two countries, which are bound together by geography and history.

Many of my closest friends have been Australians. I think of the late Sir Ken Tresize and of Warren Dutton, who dedicated their lives to the service of people in Papua New Guinea. I cannot imagine a more trusted or treasured friend. My understanding of Australians, their values and the way they think, began on the sporting fields of Queensland during my formative years. I was privileged to have such an opportunity to see firsthand what “mateship” was all about. There are still today many Papua New Guineans who have the chance to study and work here, to open their minds to the way Australians think and behave. There is a significant Australian aid program and an ongoing commitment to improving the lives of our people. But there needs to be more opportunities in order to capitalise on our long relationship, for the benefit of all. After reflecting for some time, I have come to the conclusion that our friendship has suffered in recent years. One issue is the difficulty that Papua New Guineans face when trying to come to Australia — even for a brief visit. We are not afforded any of the privileges that many post-colonial nations enjoy with their former “masters.”

There has also been a significant shift in the years since independence in the number and calibre of Australians who really know and understand Papua New Guinea. There is still a great deal of misunderstanding in the Australian media about who we are. Sadly, it is mostly negative news. The Australians who understand us best, know that our nation and its cultures are complex — they recognise that forty years is a very short period of time to create a modern state.

As I move into another year as Governor of New Ireland, I can see all the problems that need addressing in my own electorate. There are issues of land ownership and the exploitation of our natural resources. There is an urgent need for health, education and training. We have an ambitious program of total elimination of malaria in New Ireland. Some very committed organisations, like Australian Doctors International and Malaria Alliance, are with us tonight.

There is also the upcoming referendum on Bougainville, which will have a significant impact on the future and unity of our nation. If Bougainville does become independent then I think other island provinces will surely want to follow, including New Ireland, and I would support that. Only responsible, good and fair governments will hold us together.

These are issues of enormous significance not only to Papua New Guinea, but also to Australia and our region.

There are some people who say Australians do not understand Papua New Guinea or are indifferent to us, their closest neighbors. Ethnic differences exist the world over. Even as I speak, millions of asylum seekers are swamping different European countries, and even democratic campaigns in old democracies are disturbed by protesters. Problems like these are common worldwide. They are created by men and must be solved by men.

I have confidence that when leaders follow laws and rules that they themselves make, then “playing the game” might help to bridge the gap.

*The Hon Sir Julius Chan MP, GCL GCMG KBE CBE, is Governor of New Ireland Province and former PNG Prime Minister. His memoir, *Playing the Game*, is published by University of Queensland Press.*

DEVELOPMENT POLICY CENTRE

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.

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