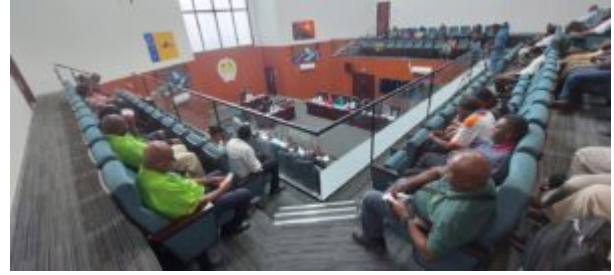


Internal politics and other threats to New Ireland's autonomy plans



Facebook/New Ireland Provincial Government

by Maholopa Laveil

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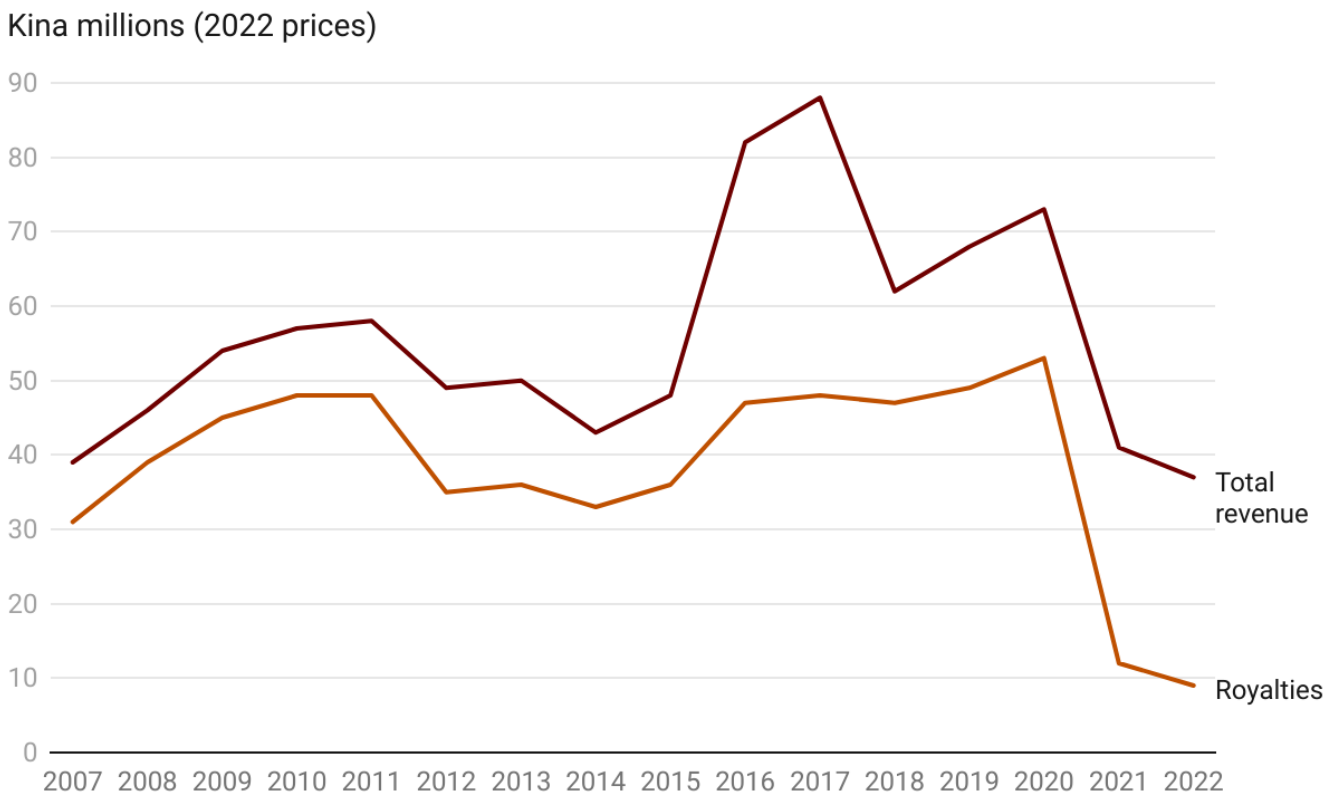
In Papua New Guinea, no province outside of Bougainville has pushed harder for autonomy than New Ireland. Since signing a [service delivery partnership](#) with the national government to begin the autonomy process in 2018, New Ireland has [developed a framework](#) for political, administrative and fiscal autonomy which it intends to present to the national government. However, a disagreement over royalty sharing between the three most powerful people of New Ireland – its provincial member of parliament (MP) and two district MPs – threatens its autonomy aspirations.

Provinces draw upon [five revenue sources](#) to fund the services they provide: Goods and Services Tax (GST), bookmakers tax, royalties from resource projects, own-source revenues, and dividends. Unlike many other provinces, New Ireland has two gold mines: the large Lihir mine and the smaller Simberi mine. It has historically been dependent on mining royalties for a majority of its revenue. By law, mines are required to pay 2% of the gross revenue of resource sales directly to landowners, local level governments (LLGs) and provincial governments. While Simberi pays royalties only to LLGs and landowners, Lihir pays royalties to landowners (20%), LLGs (30%), and the provincial government (50%). Between 2007 and 2020, the New Ireland provincial government received on average K42.5 million annually in real royalties, accounting for three-quarters of its revenue.

In 2021, the MPs representing New Ireland's two districts (Kavieng and Namatanai), both influential ministers, [successfully lobbied](#) the national government to divert 80% of the provincial share of royalties to the districts. By law, districts are not entitled to receive royalties and this marked the first time a resource project royalty-sharing agreement was amended to include districts, setting a dangerous precedent. With the change, royalties to the province have been split three ways: 40% to Kavieng, 40% to Namatanai and 20% to the provincial government. As a result, by 2022 real royalties to the New Ireland provincial government had fallen 83% below the 2020 level, following a steady increase between 2014 and 2020. New Ireland's total revenue has declined in line with the fall in royalties which has

forced the province **again to be dependent** on national government grants.

Figure 1: New Ireland real royalties and total revenue, 2007–22



Source: PNG Province Budget Database • Created with Datawrapper

Diverting royalties to the districts is problematic because district authorities are **ill-equipped** to deliver services, and **the weak governance** surrounding District Services Improvement Program (DSIP) funds has enabled **the misuse** of these funds. New Ireland’s districts are likely no different, given Kavieng has **failed to acquit** its DSIP funds since 2016, while Namatanai has **failed to acquit** its DSIP funds since 2019.

The New Ireland provincial government hasn’t performed well in governance either, **failing to acquit** Province Services Improvement Program (PSIP) funding since 2013. Another **governance indicator** that can be used to assess governance in the provinces is the National Economic and Fiscal Commission’s (NEFC) **budget quality scores**. According to the NEFC, New Ireland’s budget quality deteriorated from a high 76.5 in 2013, to having the lowest score of any province at 7 in 2018. Clearly governance needs to be improved before New Ireland is considered for autonomy.

The deterioration in the quality of provincial governance and the change in royalty sharing arrangements have not dampened New Ireland’s aspirations for autonomy. Its fiscal autonomy framework proposes additional revenue raising powers,

including through its own tax office which would collect GST, company taxes, personal income taxes, and customs duties. New Ireland also seeks to be granted the ability to set its tax rates and capture a greater share of the resource revenues currently received by the national government. It is, however, unlikely that New Ireland’s proposed fiscal arrangements will be granted, given company tax, personal income tax, and resource revenue are important sources of revenue for the national government.

In 2022, the latest year for which revenue data are available, New Ireland’s revenue was able to meet only 47% of its operational costs (staff salaries and service delivery costs). As the table below shows, New Ireland’s revenue came from GST, own-source revenues and royalties. Fiscal self-reliance, however, is possible if New Ireland returns to the original royalty-sharing arrangement, and if all its GST is remitted (instead of the 60% currently remitted). In fact, if GST and royalties were completely retained, in addition to own-source revenues, New Ireland would be able to meet all its operational spending needs and enjoy a 13% surplus.

Table 1: New Ireland’s real revenue sources current and fully remitted, 2022

Kina, 2022 prices

Real revenue	Partially remitted	Fully remitted
GST	22,817,603	38,039,338
Own source revenues	5,207,276	5,207,276
Royalties	8,908,062	44,540,310
Total revenue	36,932,941	87,786,924
Revenue share of total costs (%)	47	113

Source: PNG Province Budget Database • Created with Datawrapper

It would be more realistic for New Ireland to base its autonomy aspirations on royalties and GST given that these are two revenue sources to which it already has partial access — rather than asking for access to sources to which it currently has no right. However, for this financing pathway to be viable, there needs to be consensus among New Ireland’s political class that provincial autonomy is a shared goal and that royalties belong with the province rather than the districts. And New

Ireland needs to improve its financial management. Until then, demands for more autonomy will ring hollow.

Disclosures:

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