PAPUA NEW GUINEA
GOVERNANCE UPDATE 2021:
STEADY AS SHE GOES?

www.pngnri.org

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Abbas Maaroof
Prashanth Parthiban

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Graham Teskey
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The Papua New Guinea National Research Institute (PNG NRI) is an independent statutory authority established by an Act of Parliament in 1988 and confirmed by the IASER (Amendment) Act 1993.

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(b) The undertaking of research into social, political and economic problems of Papua New Guinea in order to enable practical solutions to such problems to be formulated.

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Responsibility for views and opinions expressed in this paper remains solely with the authors and does not represent the views of the PNG NRI.

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Tara Davda: project management, data collection, data analysis, data visualisation and technical note.
Dr Abbas Maaroof and Prashanth Parthiban: data collection and data analysis.
## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
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<tr>
<td>ACL</td>
<td>Authority, Capacity, and Legitimacy</td>
</tr>
<tr>
<td>CDF</td>
<td>Constituency Development Funds</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development [United Kingdom]</td>
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<tr>
<td>DSIP</td>
<td>District Services Improvement Program</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
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<td>GoPNG</td>
<td>Government of Papua New Guinea</td>
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<td>LLG</td>
<td>Local-Level Government</td>
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<td>MP</td>
<td>Member of Parliament</td>
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<td>NRI</td>
<td>National Research Institute</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PNG</td>
<td>Papua New Guinea</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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The Covid-19 pandemic has forced the idea of ‘governance’ towards the top of the current affairs agenda. Which regimes have proved to be the most capable in responding: democratic or autocratic? Is it simply a matter of regime type, or are there other elements in every polity that influence the state’s interest in, and ability to, respond? The debate over Covid responsiveness raises wider questions about the role of governance in national development – just what constitutes effective governance? This paper seeks to answer that question in the case of Papua New Guinea. For at least the last decade, Papua New Guinea has been accused of having weak or poor governance. Indeed, one misguided Australian commentator claimed in 2016 that PNG was already a ‘failed state’. This paper demonstrates that this is absolutely not the case. Using a recognised methodological framework of authority, capacity, and legitimacy, and drawing on 114 data points from 15 publicly available sources, the research shows that governance in Papua New Guinea, given its per capita income, is about as ‘good’ as it could be expected to be – no better and no worse.
Introduction

Background

The idea of ‘effective governance’ is rooted in Papua New Guinea’s Constitution. Emerging from its colonial past, the country’s founding fathers recognised that change was needed: the Preamble to the 1975 Constitution notes that:

WE ACCORDINGLY CALL FOR -

(1)

a fundamental re-orientation of our attitudes and the institutions of government, commerce, education and religion towards Papua New Guinean forms of participation, consultation, and consensus, and a continuous renewal of the responsiveness of these institutions to the needs and attitudes of the people; and

The Constitution recognises the need for equality for all citizens and proclaims human development as a national goal. It calls for an equitable distribution of incomes, an equalisation of services throughout the country, and for natural resources to be managed for the benefit of the nation and future generations. International evidence gathered over the last 40 years demonstrates beyond doubt that these laudable objectives can only be achieved when governance is ‘good’; i.e. when decisions are taken for the public good rather than for private interest. Using the normative term ‘good’ implies nothing about the form of government, the structure and patterning of accountability, or the frequency and performance of elections. All these can vary – and they do, country by country. What is critical is the extent to which decisions are taken that benefit the many (the public good), not for the few (private interest).

While ‘governance’ is never precisely defined in any PNG Government documentation, it features in a number of important documents. Vision 2050 (GoPNG, 2009) refers to ‘good governance’ and relates it to improvements in transparency and accountability – as well as strong leadership. The long-term vision is for a ‘smart, wise, fair, healthy and happy society’ (GoPNG, 2009, p. 30). The Government of PNG (GoPNG) Medium Term Development Plan III 2018–2022 discusses governance in the context of improved public administration, public expenditure management, the efficiency of spending, the transparency of reporting, and public accountability.

Papua New Guinean scholars also recognise that PNG possesses a complex web of traditional and modern governance systems that interact often in uncertain and hard-to-decipher ways. According to Joseph Ketan (2016), the PNG nation-state, its government systems and institutions, and incorporated values and ideas, are still to be fully understood and accepted by most Papua New Guineans. It is in this context that PNG’s nation-state building project continues to strive to exercise authority and capacity over its entire territory and population.

The international evidence shows that the quality of governance matters for development. Recent research by the Asian Development Bank (2013) demonstrated that at lower levels of per capita income, the performance of the bureaucracy and the quality of economic governance matters most for growth, while it is only at higher levels of per capita income that voice and democratic participation have a bigger impact.

In late 2020, to reach conclusions on long-term governance performance and trends, the author undertook this PNG ‘Governance Update’ in collaboration with NRI. The purpose is not to make any subjective judgements. On the contrary, the purpose is to present data that describe governance outcomes. This report is therefore the first public version of what we anticipate will become a biennial series of reports examining the
state of governance in PNG.

The purposes of this paper are to:

• compare PNG’s governance metrics with seven other countries (including one Pacific neighbour);
• identify key governance issues that emerge from the data;
• primarily stimulate debate and policy discussion in PNG.

Structure

This paper is presented in six further sections. Section 4 summarises why a biannual governance assessment will be useful: what role do we think it will play in PNG? Section 5 explains what we mean by governance, how it is being framed in this study, the indicators used, and which country comparators have been chosen. Section 6 summarises the method (which is detailed in the accompanying ‘Technical Note’). Section 7 presents the key findings of the research. Section 8 discusses and interprets these findings within the contemporary state of governance in PNG. Finally, section 9 offers some conclusions.
The purpose of this section is to describe PNG’s political economy. The sections that follow will assess the political economy.

PNG’s geography has shaped the character of the state and its political economy. PNG is one of the most rugged and ecologically diverse countries in the world. The terrain contributes to the isolation of many rural communities. It also creates barriers to political and economic integration. The GoPNG has historically had difficulty exercising authority over its own population and territory, evidenced by independence being accompanied by the launch of a range of secessionist movements. International boundaries have been and continue to be porous.

The state is present, in a legal sense, all across the country as a result of the three levels of government: national, provincial, and local. The provincial governments and local level governments (LLGs) are established by the Organic Law on Provincial Governments and Local-level Governments (OLPGLLG), 1995. There are 331 LLGs and 6,375 wards. The wards (made of villages) are the smallest unit of government presence, and are headed by Councillors. A number of wards make up a LLG. That said, services provided by government are limited in practice, especially in rural areas where most of the LLGs and wards are located. A number of social, economic, political, and geographical factors contribute to this situation. Citizens therefore tend to view the state as a somewhat distant and none too relevant concept.

The history of state formation in PNG is short and fractious. Before colonisation, there were few pre-existing large-scale political structures on which the foundations of a nation-state could be built. The state, therefore, was largely an imported concept. PNG’s diversity and the relatively small scale of indigenous socio-political groupings limit the degree to which broad interest groups have emerged to challenge the private use of public power. There is little sense of nationhood and, as Francis Fukuyama (2007) noted, the fundamental challenge for PNG is not just state-building but also nation-building.

PNG’s political economy has social roots. As noted, the diversity, remoteness, and competitive character of inter-group relations in much of PNG society has limited the development of larger political structures. The ‘big man complex’ in which individuals accrue power, influence, and followers, has in practice colonised the formal political system. There is a strong vein of consensual politics within many social groupings in PNG, but this deliberative approach to resolving disputes seldom extends to inter-group relations.

Women are socio-politically marginalised in much of Papuan New Guinean society. In many parts of the country, women carry the economic burden of the household, but have few social and political entitlements. Gender-based violence is a pervasive problem, see for example: (Kanan, 2021). Women are largely absent from the public sphere; there are currently no female Members of Parliament (MPs) in the national parliament.

The ‘rules of the game’: formal and informal institutions

The informal rules of the game tend to ‘trump’ the formal rules. Behind the façade of the state, it is informal socio-economic networks, cultural norms and expectations, and the exercise of personal power that shapes governance and inhibits transparency. The formal institutions of the state are relatively comprehensive. PNG is a signatory to most major international conventions. The PNG Constitution is thorough and provides the basis for a Westminster-style system of government. Legislation and policy frameworks are often relatively comprehensive, including in areas such as corruption control. Over the years, changes to the formal rules of the game should have led to improvements in the quality and efficiency of governance. However, many reforms have had less of an impact than anticipated, see for example: (Mooney, 2015).

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1 We acknowledge here Taylor Brown, now sadly missed, on whose original work this snapshot is based.
Politics is highly personalised and localised. Elections are based on the patrimonial logic of ‘big man’ politics, in which MPs and other officials are elected based on their ability to act as patrons to their core group of supporters. Once in power, most elected officials must constantly scramble for allies and use the influence and resources of their office to sustain their position. This logic fundamentally limits the role of cross-cutting issues or ideology in politics and reinforces the highly personalised character of leadership. Once elected an MP’s hold on power is precarious; short stints in office do not create strong incentives for elected officials to focus on longer-term development.

The independence of the government bureaucracy has been eroded in recent years. Ministers and other politicians have a great deal of discretion over how and where state resources are spent and tend to engage directly in decisions through which significant rents might be generated (e.g. natural resource concessions). Constituency Development Funds (CDFs) are one example of this situation.

Four features that characterise the Papua New Guinean state

Penetration: The state and its formal administrative structures have not yet penetrated rural PNG to a degree that would enable the effective delivery of services or create a substantive and deep-rooted sense of citizenship and nationhood. The ability of the state to deliver public goods and services (health care, education, and infrastructure) is weak. Most Papua New Guineans rarely engage with representatives of the state and, for most, the government in Port Moresby remains a distant abstraction.

Fragmented and centrifugal politics: PNG’s population is divided into approximately 850 language groups and further sub-groups and clans. These groups tend to be socially and politically insular and strongly cohesive. Currently there are 46 registered political parties in the country, with no one dominant party. There are a number of one-man parties (and they are men). Few are based on policies or programs. Even when there are policies, more often than not they are overridden by ‘big man politics’. In this context, it is difficult to generate collective action around larger economic or political identities. This means that to an extent all politics is local. MPs seldom gain and retain power by delivering on issues of broad national or even regional interest. They are elected and re-elected based on their ability to deliver resources to their locality and to their immediate supporters. Localised political affiliations and electoral realpolitik therefore provide little space for issue-driven or policy-driven politics. Broader-based politics are unlikely to make any headway while politicians (and most of the electorate) continue to view the state as an instrument for directing scarce resources towards their localities and core supporters.

Institutionalisation: The institutions of government in PNG (e.g. elections, judiciary, legislature, and public service recruitment) are not robust, deeply rooted or routinised, and many government institutions are unstable and politically contested, for example: (World Bank Group, 2021). They can be manipulated by individuals in positions of authority and tend to reflect rather than challenge the interests of the dominant coalition. Political parties are fluid. Party membership is based on patronage not ideology; the party itself is considerably less important than the individuals who constitute it. That said, unlike many of its neighbours, PNG has been democratically governed for five decades and has avoided both military rule and dictatorship.

Autonomy and pluralism: The government is not independent of society and sometimes there is only a narrow distinction between public and private spheres of action. Again, the operations of CDFs demonstrate this. The state can serve as a vehicle for social and economic advancement of individual politicians and bureaucrats and their clients, rather than the wider ‘national interest’. Political mobilisation seldom results from broad-based socio-economic identities or interests. There are few independent and ‘horizontal’ social groupings that have the membership and capacity to hold government to account. In practice, government policy and practice is therefore shaped in response to the demands of elites and donors, not the electorate or civil society.

Given its history, geography, economy, and social structure, just how ‘good’ or ‘effective’ should we expect governance to be? This is the question that this research seeks to investigate. Per capita incomes are low in PNG, and its political economy is in (slow) transition. This paper seeks to situate PNG governance in a broader context, and interrogate what the data tell us.
A governance update is useful for five reasons

First, to inform understanding of PNG’s historic, strategic, and geographic context. Every country is unique. PNG’s current governance institutions were bequeathed to it at independence and no less an authority than Frances Fukuyama (2007) has written that ‘the reasons for state weakness in Papua New Guinea are not rooted in the formal specification of the political system’. It is important that any discussion of governance in PNG recognises this, as well as other aspects of PNG’s institutional legacy.

Second, to reach conclusions and interpretations on both the quality and effectiveness of governance and its broad trajectory. It is reasonable for politicians, public servants, and citizens of PNG to ask how their institutions of governance are performing. Are they improving over time? If so, in what ways? Are they becoming increasingly efficient? Are they doing what they are supposed to? Are they using taxpayers’ money sensibly and well?

Third, to consider how PNG’s governance compares with other nations at similar levels of development, and with similar natural resource-based economies. It is also reasonable for politicians, public servants, and citizens to ask how governance in PNG compares with governance in other countries in the South Pacific, and – perhaps more relevantly – with other countries at similar levels of per capita income and with similar natural resource bases around the world.

Fourth, to inform policy dialogue and decision-making. Forming a government carries huge responsibilities. For election campaign promises and manifesto commitments to be turned into policies and feasible programs capable of implementation, data are needed. An important objective of this exercise is to create a baseline that will track changes in governance performance over time, which can subsequently be used to reach judgements on the effectiveness of policy decisions and resource allocation: did this policy achieve what it was intended to? If not, why not? What aspect did not work as we thought it would? What can be changed?

Finally, to inform the identification and prioritisation of future aid programming. The final purpose of the governance assessment is to assist the Government of PNG to identify priorities for its investment programs funded by external partners.

The most important use of the assessment will be in the dialogue, discussion, and debate that it generates. We are well aware that all of the data used can be contested. However, if all the data tell a consistent story, it becomes unsustainable to argue that it is all wrong. We welcome debate; the purpose of this paper is to stimulate a more informed debate, as well as a more public and transparent one.
‘Governance’ is a slippery term and is used to mean different things, in different contexts, by different writers, and by different organisations. At its heart, though, there is agreement that governance is about power and authority, see for example: (Acemoglu and Robinson, 2012; Andrews, 2013; Carothers and de Gramont, 2013; Fukuyama, 2012; Farrar et al., 2014, Farrar et al., 2012; Rodrik, 2007). How will that power and authority be used? Will it benefit the many or the few? The central questions of governance are about the use of scarce resources; how are they used and who benefits from their use? How are decisions taken regarding the deployment of these resources: are they open to debate, contestation, and participation, or are they taken in secret by elite rulers? How do societies mediate among competing interests to meet multiple needs? To what extent is power shared and how is it accounted for? How is it reproduced? These are the critical questions that are asked of ‘governance’ in all societies.

There has been considerable research on governance over the last 20 years. We know that power and authority operate through the functioning of institutions – often called the ‘rules of the game’. These institutions can be formal, including constitutions, laws, and public finance regulations, or informal, such as backroom deals, covert agreements, and a willingness to ‘turn a blind eye’ when malfeasance occurs.

Evidence shows that the achievement of decent rates of economic growth and some degree of equitable sharing of that growth depends on how effective are the institutions of governance, see for example: (Asian Development Bank, 2013): are resources allocated and used for everybody’s benefit, or are they used to benefit a narrow political, economic, and social elite? How will decision-makers be held accountable for the decisions they make, and how goods and services are shared among the population? We have learned that without effective governance, in the short-term aid may be wasted, and in the long-term the chances for development, growth, and poverty reduction are likely to be compromised.

Governance thus affects all aspects of a country’s prosperity. Effective governance (a functioning, predictable institutional environment) provides the foundation for innovation, inclusive and sustainable economic growth, private sector investment and trade, and an educated, skilled, productive, and healthy workforce. Well-functioning institutions support peace and stability, reduce poverty, and enable long-term development. Consistently, international evidence shows that where governance is poor, ineffective, or weak, outcomes are poor. Governance matters.

Some definitions: As noted above, there is broad agreement in the literature and among the international community that governance is about the use of power and authority in the management and oversight of a country’s affairs. The World Bank defines governance as ‘the process through which state and non-state actors interact to design and implement policies within a given set of formal and informal rules that shape and are shaped by power’. This definition, taken from the 2017 flagship World Development Report on ‘Governance and the Law’, is presented in Figure 1.

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2 Douglass North’s Nobel Prize in 1993 stimulated research and debate. DFID’s establishment of its Governance and Institutions Department in 1995 helped foster the uptake of ‘institutional’ approaches and understanding in the aid world. See section 5.1 for further references.

3 The authors of this report prefer the term ‘effective’ governance to ‘good’ governance, as the latter is normative and usually implies all the tenets of Western liberal democracy.
Figure 1: What is Governance for the World Bank?

For the GoPNG, governance is about improving transparency and accountability, as well as improving state capability and leadership (agency). Figure 2 summarises key PNG Government approaches to understanding governance.

Figure 2: Key GoPNG Policy Position on Governance

Key GoPNG Policy Positions on Governance

Vision 20250 associates governance with the notion of ‘good’ governance - and relates this to improvements in the transparency and accountability, as well as state capability and leadership. The PNG Medium Term Development Plan III 2018-2022 discusses ‘governance’ in the context of improved public administration and governance arrangements that focus on expenditure efficiency, transparency of reporting, and better public accountability.

How governance is ‘framed’ in this paper matters because it will:

• shape the way in which policymakers receive and interpret the data in this study;
• explain what governance factors can be influenced by PNG policymakers and what is outside their control;
• explain what external partners can, and what they cannot, influence in PNG’s governance trajectory;
• determine the selection of indicators used in this study; and
• determine the language that is used to talk about governance in debate following the release of this study.

The framing adopted in this paper is that effective governance occurs when a state has the capacity, legitimacy, and authority to deliver public services, regulate the economy, maintain order and the rule of law, collect and use revenue, and act in the public good. By measuring capacity, legitimacy, and authority, and tracking it over time, we can build up a picture of governance and how it is improving. In this framing, ‘governance outcomes’ can be captured and measured by interrogating the data that already exist and are in the public realm. This study therefore organises ‘governance data’ into the three categories of authority, capacity, and legitimacy (ACL) (Teskey, 2012).

This framing has a solid research and empirical basis. There is a strong consensus that these three dimensions form the ‘core’ of effective governance; different authors refer to them in different ways, but the substance of the three recur frequently. The historical process whereby states emerge is about the development of these three sets of what can be called ‘political goods’. It is what Moore et al.(2009) refer to when discussing effective public authority: ‘i.e. the construction of institutions that successfully undertake three main functions: providing
protection from external threats and managing external relationships; the peaceful resolution of internal conflicts; and providing and encouraging the provision of collective goods and services’. In turn, these refer to authority, capacity, and legitimacy. Moore uses the term ‘effective public authority’ in preference to ‘state-building’ on the grounds that the latter has contested meanings – and has fallen into disrepute somewhat following western misadventures in Iraq and Afghanistan. This paper will follow this practice.

Goldstone and colleagues (2003) emphasised state effectiveness (the ability of a regime to get things done) and state legitimacy. Frances Stewart and Graham Brown (2009) identified that states can ‘fail’ in three ways: there are authority failures, there are service failures, and there are legitimacy failures. Again, although the terminology differs, we are talking about authority, capacity, and legitimacy. A Canadian study developed a fragility index based on exactly these three categories (Carment et al., 2006). Brinkerhoff (2009) has noted that ‘theories of the modern state posit that political and administrative institutions arose to address state–society relations in three broad functional areas: safety and security, provision of public services, and the legitimate exercise of authority’. Finally, DFID’s 2008 paper on ‘States in Development’, although using the language of ‘survival functions, expected functions, and the political settlement’, translate directly into authority, capacity, and legitimacy (Whaites, 2008).

Authority, capacity, and legitimacy

- **Authority** is the ability of the state to project its political power over all of its territory, to reach all citizens regardless of their location, to maintain law and order and protect citizens from predation and violence. It is the ability of the laws and rules of the state to trump all other laws and rules.

- **Capacity** is the ability of the state to deliver or procure goods and services, design and implement policies, build infrastructure, collect revenue, dispense justice, and maintain a conducive environment for the private sector. Capacity is a latent or potential concept: it stands in distinction to effectiveness, which is the extent to which the government actually achieves its policy objectives. An organisation has capacity when it can identify, plan, prioritise, implement, monitor, and learn from specific courses of action; mobilise and deploy resources (assets, people, money, and information); and discipline a heavily constrained system to pursue agreed objectives.

- **Legitimacy** refers to the extent to which citizens judge the government as having the right to govern – and whether they trust the government. Legitimacy can arise from both performance (how well the government is doing in creating jobs, or from delivering safe water, or standing up to neighbouring states), or from process (ranging from how the government of the day acquired power to whether the institutions have a process of dialogue and engagement of women and ethnic/excluded minorities in policymaking and service delivery choices). Some form of accountability is essential for increasing the state’s legitimacy – both by increasing the perception of fairness in the way the government and other public institutions conduct their business, and by increasing state responsiveness and thus performance legitimacy.

Clearly these three are interdependent: failures in one of the three elements may cause or accentuate failures in the others. The immediate objective of these three elements is to provide a template — and a common language — for identifying the core components whereby effective public authority will be created and strengthened. Figure 3 illustrates this idea.
By constructing the framework in this way – governance (effective public authority) immediately becomes measurable. While some manifestations of ‘authority’ (levels of criminality) can be measured more easily than others (secure borders), the framing does undermine the often-heard remark that ‘governance cannot be measured’. It can. The question is which indicators to select and why.

Using the A, L framework allows us to be a little more sophisticated and precise. The literature recognises that the state has two broad sets of responsibilities or functions. These are called ‘survival’ functions and ‘expected’ functions (sometimes also called the ‘constitutive’ domains and ‘output’ domains, respectively), see for example: (Whaites, 2008). ‘Survival functions’ are those things a state must do to sustain itself: achieve a basic agreement among the elites about how power is obtained and exercised – the political settlement and political system – and set up a basic administrative structure to mobilise revenue to manage and control violence. However, the responsibilities of a state go well beyond ‘survival’. Hence, there are a set of ‘expected’ functions: these include economic management and service delivery. An effective state has to ‘deliver’ in both of these key areas. Both sets of functions are further divided into two:

‘Survival’ functions include:
- Security: are people able to live their lives and conduct business in a secure environment?
- Political/government: is there a functional government and a minimally-inclusive political system? Do people have access to their representatives/leaders, and to what extent is the decision-making process transparent and contestable?

‘Expected’ functions include:
- Economic management: is the economy successfully managed, resulting in economic growth, job creation and macroeconomic stability?
- Social/service delivery: are the people provided with basic public services, including basic social services (such as education, health, and access to water and sanitation) and public transportation networks?

We now have an operational framework that can be used and populated with data. By combining the three elements of ACL with the four functions or ‘domains’, a 12-cell matrix results. This is shown in Figure 4. The task is now to identify the core questions or issues for each cell, and then to populate the cells with relevant data.
Figure 6 indicates the types of questions that are being asked in each of the 12 cells. By interrogating the data, we can build up a comprehensive picture of governance outcomes in PNG. Furthermore, if we can collect a common set of data over time, we will be able to build up a picture of how governance outcomes are changing.

<table>
<thead>
<tr>
<th>State Domains</th>
<th>Expected Functions (Output domains)</th>
<th>Effective Governance</th>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
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<td>Political/Government</td>
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<td>Economic</td>
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<td>Social/Service delivery</td>
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Figure 5: The full conceptual framework for the PNG Governance Update

(Teskey, 2012)
This study tracks governance outcomes across the three key elements of authority, capacity, and legitimacy, and presents them by the four ‘domains’ of security, political governance, economic governance, and social/service delivery, where:

- security refers to the strength of the state’s institutions (e.g. rule of law, policing) to provide for and oversee stability within its sovereign borders;
- political governance refers to voice and accountability, political rights, and civil liberties;
- economic governance refers to the regulatory environment and government effectiveness; and
- social/service delivery refers to the ability of the state to deliver services (e.g. health, education) to its citizens, as well as the outcomes from these services.
Method summary

The national quantitative assessment. Based on this methodology, we reviewed country governance against open-source indicators. The analysis identified, normalised, and aggregated 114 governance indicators from 15 different datasets (see annex 1), to provide a rating on a scale from 0 to 1 for eight countries of similar per capita income status, economic structure, and data availability (the other seven being Angola, Cambodia, Lao PDR, Mongolia, Sri Lanka, Timor-Leste, and Solomon Islands). This data was collected and normalised over five time periods: 2011, 2013, 2017, 2018, and 2020. In addition, PNG data was collected for 2004 and 2008 to provide a 16-year, seven dataset series.

Data collection and analysis were undertaken in four stages:

- **Phase 1 - data review and country selection:** The datasets used in an internal AusAID multi-country study undertaken in 2013 were reviewed (AusAID, 2013). In so doing, datasets and indicators were selected based on availability, comparability to PNG’s economic structure, and country coverage. Annex 1 summarises the data used and coverage.

- **Phase 2 – data input and normalisation:** This phase focused on collecting and inputting data into the spreadsheets, and a process of ‘normalisation’ that allowed the different indicators to be aggregated/ weighted. After this the different indicators could be compared and aggregated both within and across the three governance dimensions (ACL).

  It is worth noting how to interpret and understand normalised data. Each dataset used in this report has a different way of reporting their findings. Some use a ranking scale of 1–10, whereas others use a scale of 1–100. For this reason, the data in this report has been ‘normalised’. The original units of measurement for each dataset were eliminated and all data converted to a common scale. This ‘normalisation’ enables the data to be compared in relative terms (i.e. compared against one another, rather than as an absolute measure or against values on a different scale).

- **Phase 3 – data visualisation:** This phase involved a review, selection and use of data visualisation software to present results.

- **Phase 4 – analysis, interpretation, and report writing.**

  Full details on the method, the selection of indicators, and the issues raised, are detailed in the ‘Technical Note: Quantitative National-Level Indicators’ (October 2021), which is published alongside this paper.

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1 To improve indicator coverage, the range for each time period was typically two years, with each year named for the year where the majority of indicators were collected. This means that ‘2020’ contains data from 2021 and 2020, ‘2018’ contains data from 2019 and 2018, ‘2017’ contains data from 2017 and 2016, ‘2013’ contains data from 2014 and 2013, ‘2011’ contains data from 2012 and 2011, and ‘2008’ features data from both 2007 and 2008. The exception to this approach was data collected for ‘2004’: in this instance, because data for PNG prior to 2007/2008 is so scarce, 2004 features data from 2006, 2005, 2004 and 2002.
Findings

Findings are presented in three parts, including:

- A high-level commentary and assessment regarding what the data tell us about authority, capacity, and legitimacy of governance in the four domains in PNG, and how they have fared over the 2004 to 2020 period.
- How does PNG compare with other countries with comparable per capita incomes and similar economic structures?
- Key trends over the past 16 years for all countries.

Authority, capacity, and legitimacy in PNG

The main data results for PNG are shown in Figure 6. Several observations can be made.

- Since 2004, in five of the 12 categories, the trend is upward, and in four, it is downward. In three domains, the long-term trend is flat. The trend line in most cases is erratic.

- The strongest improvements have been registered in capacity in the political/government domain (referring to voice and accountability, political rights, and civil liberties), and authority in the economic domain (the formal economic rules of the game). Regarding the former, the later years (2018 and 2020) record considerable improvements when compared with 2011 and 2013 in terms of both capacity and legitimacy. This demonstrates that PNG has a noisy and vibrant democracy, and a free media where many voices clamour to be heard. The frequency of national and sub-national elections probably play an important role here.

- Over the full 16-year period, performance is least impressive in the domain of security, particularly with regard to capacity, which registered long-term decline (is the state able to maintain rule of law, deliver effective policing, enforce security, and dispense impartial justice?). There has been some modest improvement – from a low base – since 2013, but not sufficient to offset the decline from 2004 to 2013.

- Social/service delivery performance is weak in all three governance dimensions, particularly with regard to capacity, have declined since 2004, although with an uptick from 2018.

- In terms of economic governance outcomes, only authority registers a long-term and significant improvement, although both legitimacy and capacity turned positive in 2018.

- All four legitimacy scores have barely moved; indeed in the two ‘expected’ functions of the state, the long-term trend is either flat or declining. One possible interpretation of this is the resurfacing of the decentralisation agenda in the national policy dialogue. As discussions take place over the allocation of powers, increased responsibilities, and the transfer of resources, this may have created more visible signs of the state in sub-national areas, an outcome that may have impacted perceptions of the state’s ability to distribute economic outcomes more equitably, particularly in harder to reach or more remote regions where the state has little presence.

This leads to the first conclusion: there are no clear, incontrovertible improvements, nor serious deteriorations, in governance over the last 16 years. Trends are erratic. Overall, PNG governance scores highest (just) in the economic outcome areas, although not by a significant margin. Capacity scores are the most worrisome, with deteriorating long-term trends in all domains except for ‘political’.
PNG and the seven comparator countries

How does PNG compare with the seven selected global comparator countries? Figure 7 measures PNG’s performance in each governance dimension (ACL) against the performance of the seven countries in 2020 (Annex 2 provides the data for the years 2011 to 2018). These countries were selected on the basis of similar per capita income status, levels of dependency on mineral and/or petroleum resources, and data availability. The seven comparator countries are Angola, Cambodia, Lao PDR, Mongolia, Solomon Islands, Sri Lanka, and Timor-Leste.

An immediate visual glance shows that PNG does not stand out in any domain or dimension of governance as significantly better or significantly worse. The dotted horizontal line in each cell shows the eight-country average: PNG is above average in six and below average in six – two of which are marginal. The one dimension where PNG performs relatively poorly is in the social/service delivery domain in all three dimensions of effective governance. Since 2011, PNG has ranked consistently in the bottom two or three countries among the eight. It is noteworthy that in this domain (social/service delivery), in terms of authority and capacity, since 2011 PNG has been consistently outperformed by the Solomon Islands. Counterintuitively, the opposite applies to legitimacy.

In terms of the economic domain, across all three dimensions of the state, PNG ranked relatively well in 2020, and this is consistent going back to 2011.

PNG is an average performer in terms of authority, capacity, and legitimacy of security provision, (suggesting that PNG is not an outlier in this regard). However, security here encompasses all aspects of physical security, and while PNG may not face some of the civil conflict challenges faced by other countries, such as Sri Lanka, it has major challenges with petty crime and domestic and gender-based violence and insecurity.

There is no one ‘stand-out’ country performer across all domains and dimensions. Mongolia comes closest, particularly in delivering the expected functions of the state. This would confirm that each country faces its own unique set of governance challenges at this stage of development, depending on its domestic context and global standing. This is also true of comparator countries with a similar level of economic activity as PNG: if we consider Lao PDR, Timor-Leste and Cambodia (three countries with broadly similar levels of gross domestic product (GDP) per capita to PNG since 2013), success in each of the domains and dimensions of governance is distributed fairly evenly, with no single stand-out performer.

This leads to the second conclusion: governance in PNG is about as effective as its level of development would suggest; no better and no worse.
Key trends

Figure 8 plots trends in each domain and each dimension of governance for PNG from 2004 and for the other seven countries from 2011.

First, it is in the social/service delivery domains across all three dimensions of governance that PNG performs the worst when compared to other countries. This is particularly the case for authority. It is interesting to note that for all seven (other) countries 2018 seemed to mark a turning point in terms of capacity to deliver services; all countries recorded sharply improved scores in 2020.

Second, PNG scores well in the political domain of governance, consistently above the other countries in terms of authority and legitimacy. Counterintuitively, it scores consistently below comparator countries in terms of capacity/effectiveness. It is difficult to unpick this without detailed, local level research. One explanation may be that PNG citizens accept, and indeed expect, elections to be won and lost through the buying of votes, together with the fact that the outcome of all elections are (largely) respected. In comparator countries at this level of gross national income (GNI) this is often not the case.

Third, it is hard to identify consistent trends in any of the eight countries. Explaining country trends must be country-specific.

Figure 9 compares how PNG has performed overall against the average of the seven comparators, where all of the 114 data points have been combined into one measure. It can be seen that PNG’s overall ‘governance score’ is slightly below that of the seven comparator countries. However the overall trend line is remarkably similar. The only thing that can reasonably be concluded here is that the governance improvements are both marginal and slow.

This leads to our third conclusion: that governance in PNG over the long-term is improving, yet at a very slow rate – and this is similar to the experience of other countries.
Figure 8: Trends in governance, all countries

Changes in average governance scores over time, by dimension and domain (outcome area) – grouped by (i) PNG and (ii) all countries excluding PNG

Figure 9: Consolidated trend in governance

How has governance performed overall and over time? Grouped by (i) PNG and (ii) all countries excluding PNG
Interpreting governance in PNG: four governance issues

It is important here to reiterate what this report is and is not seeking to achieve. It is not an intellectual enquiry into the internal structure and functioning of formal and informal institutions in PNG. The nature of the state in PNG has been thoroughly researched, from Francis Fukuyama (2007) through to Taylor Brown (2010), Bill Standish (2012), Joseph Ketan (2016), and the World Bank (2017). The concerns of governance in PNG are well known and frequently noted: poor service delivery, an inability to concentrate political authority and thus curb violence and lawlessness, low human development outcomes, and poor infrastructure. Some would say PNG is a state whose ambition exceeds its reach – or using the terms of the 1997 World Development Report, a state whose formal role exceeds its capability. Such assessments have also been supported by successive donor reviews – including the 2012 external review of AusAID’s governance programs, which concluded that a significant change of direction was required to better respond to the nature of the state in PNG (Morris, 2012).

Is it legitimate to ask whether governance in PNG is better or worse than can be expected at its current level of development? How ‘good’ was governance in the UK when its per capita GNI (in purchasing power parity) terms was USD 2,689.74? How does PNG compare with other developing countries at similar levels of GNI per capita and with similar economic structures?

As noted in paragraph 1.1, the purposes of this paper are to:

• compare PNG’s governance metrics with seven other countries (including one Pacific neighbour);
• identify key governance issues that emerge from the data;
• primarily stimulate debate and policy discussion in PNG.

Section 8 discusses how governance in PNG compares with seven countries of similar income status and economic structure (Angola, Cambodia, Lao PDR, Mongolia, Sri Lanka, Timor-Leste, and Solomon Islands). The data shows that governance in PNG is broadly as could be expected given its level of development. The purpose of this section is to pull out some of the key governance issues that emerge from the data. Four strategic issues are noteworthy.

Authority is as much of a challenge as is capacity

PNG’s governance challenges revolve around authority as well as capacity, particularly in the social/service delivery domain. The main development challenge in PNG is often seen as one of weak technical, managerial, administrative, and organisational capacity. A common response is to design projects to ‘build’ that ‘capacity’ within the bureaucracy. While it is true that capacity (the ability of the state to do things) is weak across all levels of government, at least as far as expected functions are concerned, the data show that the PNG state is struggling to project its authority throughout its territory. PNG’s authority scores deviate from the comparator average to a greater extent than do capacity scores – most notably in the social services domain. This has important policy implications. Functional authority refers to the extent to which the state has:

• the ability to project its power over the whole geographic territory for which it is legally responsible;
• laws and rules that are pre-eminent – i.e. ‘trump’ all other laws (e.g. custom or tradition); and
• the ability to control violence – in the sense of taking away the freedom to use violence from citizens.

State authority tends to be weak in PNG because accountability does not function in a way that delivers effective public authority – i.e. decisions taken for the public good rather than private interest. We can see this by examining three dimensions of accountability (see Figure 10):
• **Popular accountability:** citizens see their Open MPs as ‘project managers’ and demand that they directly provide them with goods and services. Open MPs use District Services Improvement Program (DSIP) funds to provide these goods to their local supporters to stay in power. Voters reward them accordingly. This undermines the nominal role of an MP under a Westminster system in effectively representing and responding to all of their electorate’s interests and needs in parliament.

• **Political accountability:** given that Open MPs can respond to citizens’ demands for private and public goods directly through the use of DSIPs, there is little incentive for them to demand the bureaucracy to deliver public goods. Indeed, they actively wish to bypass the bureaucracy, as it is perceived as being rigid and unresponsive.

• **Social accountability:** citizens have few expectations of, and interactions with, the bureaucracy to demand and receive public goods. The bureaucracy is opaque and inaccessible to many citizens through remoteness, isolation, or sheer indifference. Rather, citizens demand private and public goods directly from their Open MPs. In such a context, this represents a rational choice.

Authority – the ability of the state to project its power throughout its territory – is constrained by the way ‘the rules of the game’ operate. For accountability to work effectively, there has to be a set of functioning and appropriate incentives in place: incentives for ‘good’ performance and consequences or sanctions for poor performance. These incentives need to operate at three levels:

• **Institutional incentives** – for example, the political life expectancy of politicians is often only one parliament and is often dependent on their ability to deliver direct benefits to local supporters, rather than making decisions to deliver public goods to the constituency as a whole. This leads to a short-term outlook, rather than a focus on long-term development needs. Sanctions for contravening formal laws are often not enforced.

• **Organisational incentives** – for example, government agencies may have insufficient incentives to perform due to a lack of good leadership, ineffective performance management and accountability systems, unclear roles and responsibilities, insufficient funding to perform their roles, and inappropriate donor interventions.

• **Individual incentives** – for example, health workers and teachers may have insufficient incentive to
provide effective services due to a lack of supervision, training, and ongoing support, poor housing and working conditions, and low salaries. There are few, if any, consequences for poor performance.

To reiterate: a critical challenge of governance in PNG is the weakness and insufficient centralised political authority acting for the public good. This is caused by an absence of incentives for good performance and consequences of bad performance. PNG has not been able to centralise authority effectively: it cannot project its power throughout the whole territory; its own rules and regulations are flouted or ignored by members of the executive; and the citizens of PNG are free to use violence seemingly with impunity. Given the challenge of authority, a strategy focusing on capacity alone will not succeed. In this sense, the improvements evident across governance outcomes related to state legitimacy are encouraging; they suggest that, increasingly, governance as exercised by the state is perceived as valid/legitimate, despite the diversity and factionalisation that exists.

**Putting in place an effective, functioning public service**

Partners cannot expect PNG to ‘skip straight to Weber’ and put in place – in short order – a functioning, effective, and transparent bureaucracy (Pritchett and Woolcock, 2002, p. 196). History tells us that institutional change takes decades. In a widely cited paper, Lant Pritchett (2013) examined improvements in the quality of government administration over the period 1998–2008 for developing countries, and calculated how many years it would take for each of them to reach the average level of bureaucratic capacity (as recorded in 1985) for OECD countries, assuming their quality of government continued to grow at each individual country’s own post-independence average. The median result was 148 years. This of course applied only to those developing countries whose ‘quality of government’ had actually recorded post-independence improvements. PNG was excluded from the calculations, as the quality of government post-independence had actually deteriorated.

Donors may be able to tinker around the edges of this process, but they cannot drive or engineer change. As a result, the formal institutional arrangements that eventually emerge to sustain growth in PNG will not necessarily look familiar to outsiders, be they from Australia, the United States of America, or Fiji. A specific form of a ‘Melanesian’ (non-Weberian) state may emerge and be effective if it can ‘fit’ with the political settlement, and economic growth can be sustained.

**PNG is neither a failed nor a failing state**

PNG is not a failed state, nor is it heading in that direction: PNG’s unique levels of ethnic diversity, isolation, and segmentation certainly make it different from many other countries. Some argue that the PNG state has already ‘failed’, and is doomed for long-term disintegration, ethnic fragmentation, conflict, and possibly even separation into new autonomous entities (Seccombe, 2016).

We do not accept this argument and the data presented above belies it. It is not the case that the state has ‘failed’. Evidence tells us that the state in PNG is in transition. PNG’s track-record on governance differs little from other states at similar levels of development, as we have shown in the data presented in section 8. If we look at the six major World Governance Indicators: voice and accountability, ensuring regulatory quality, government effectiveness, rule of law and control of corruption, PNG ranks around the 50th percentile. This helps us understand that the current state of governance in PNG is not vastly different from other countries at similar per capita income levels.

**Is PNG unique? Yes and no**

Leaving aside the fact that all countries are unique with regard to their geography, history, and so on, can it be argued that PNG faces a unique set of development and governance challenges – challenges that differ in degree and in kind from all other country experiences? Clearly the answer is no. There is strong historical evidence that PNG is no different from other countries in making a transition from elites governing in their own interests to representative governing for the public interest. All rich countries have gone through such periods of contested transition. It took the UK centuries to achieve this, from the time Edward III first held ‘parliaments’ in the 14th century to women achieving the vote in the 1920s. More recently, it took South Korea (one of the so-called ‘Asian miracles’) decades to transition to civilian rule and reform its patronage-based system of ‘chaebols’ (or business conglomerates) to integrate into the global economy.
All modern polities have made this transition. Transition involves an extraordinary array of institutional changes, including safeguarding property rights, controlling the military, and encouraging foreign investment. The political settlement undergoes a transition from one based on exclusion and privilege, to a more inclusive ‘open’ society where stability and order is maintained through economic and political competition, rather than rent creation.

It is important to recognise that while PNG is undergoing a similar historical process of transition as experienced by other (now richer) countries, this does not mean that it will be easy or straightforward. Only eight countries have moved from limited to open access orders since World War II, and none of these countries were priorities for international donors (North et al., 2012). This process is not achieved by simply ‘photocopying formal institutions’; for example, strengthening the justice sector, introducing pro-market reforms, or promoting better education, and expecting the rest of society to catch up. While important, these changes will only take a country so far. Unless those with power see it in their interests to transact business with a wider set of individuals, rather than just their patron networks, and to follow the formal ‘rules of the game’, rather than relying on informal ways of getting things done, no amount of capacity building or technical assistance will fix the problem.

At its heart, the process of transition is inherently political, as it requires changes in the political settlement and the various pacts, and informal and formal agreements elites use to gain and keep their power. We also know from history that transition creates winners and losers, who, if powerful enough, can undermine stability unless placated. We should therefore expect to see contestation and continuing ‘ineffective’ governance as the PNG political settlement transitions to one that is more inclusive over time. Some of the governance ‘bads’ (the redistribution of rents, for example) that currently occur in PNG may well be delivering other governance ‘goods’ that maintain stability by buying off the right people. These rents tie the interests of PNG’s elite to the governing coalition, making it in their interests to maintain the status quo and actively resist change – such as ignoring technically-sound advice on electoral reform or economic policy.

Similarly, we know modest growth can occur in the absence of ‘good’ governance in the liberal sense of the term. All countries that have reached high income status did so under exclusive political settlements. Policies that espoused electoral participation, fairness, human rights, and transparency were adopted only later.
Conclusion

The findings of this report should not be surprising. When we situate PNG in an historical and global context, its governance effectiveness falls into line with other countries that are undergoing the transition from limited access orders to open access orders. Part of the challenge here is to see PNG’s contemporary governance experience through the lens of research and scholarship, rather than to ‘project’ on to it the experience of the country of the observer. There is no reason why PNG should mirror the institutional experience of other countries. Its institutions will evolve according to the needs and dictates of PNG’s domestic political economy.

A good example of such ‘projection’ is the fact that many external observers often judge that PNG politics is unstable and dysfunctional. What is observed is a seemingly constant formation, dissolution, and reformation of coalitions for governing, as MPs cross the floor of parliament. This is interpreted as dysfunctional and unstable, leading to an ineffective parliament and a paralysed bureaucracy. In the short-term, this may to some extent be true. Politics is indeed turbulent and inherently unpredictable as individuals and political elites squabble over rent-seeking opportunities. However, in the longer-term, the politics of PNG are remarkably stable. We can be pretty sure that the patterning of politics in PNG will be much the same in five years’ time as it is now. It has been this way since 1975. Individual elites may rise and fall, individuals and groups will come together and form governments that will be challenged, and will fall either in parliament or at national elections. New elites will come to take their place. All the time this structuring of politics is doing its job: providing rent-seeking opportunities for the well-connected, the wealthy and the politically powerful – and in doing so, preventing (buying off) any substantive threats to the status quo.

Outsiders often make the assumption that the next change in the cast of characters will bring about more stable, principle-based government. Their arrival is anticipated, but hopes of them generating these changes are slowly dashed over time. While the individuals change, the structuring of politics remains the same. Thus, the good news is that the power of agency is recognised, but too often those promoting change are bystanders in the social processes that generate transformational leadership. Too much hope is invested in the idea that the next government will be replete with reformers and will offer a window of opportunity to bring about changes considered desirable. Simultaneously and paradoxically, too little time and effort is invested over the long-term in nurturing the network of informal and formal institutions and individuals that do want to solve collective action problems for the public good.
References


Annex

Annex 1: Indicator sources and coverage

This report used 114 data points from 15 sources.

Table 1: Number of indicators, by source - 2020

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTI</td>
<td>Bertelemann Transformation Index</td>
</tr>
<tr>
<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
</tr>
<tr>
<td>DB</td>
<td>Doing Business</td>
</tr>
<tr>
<td>EFI</td>
<td>Economic Freedom Index</td>
</tr>
<tr>
<td>EIU</td>
<td>Economist Intelligence Unit</td>
</tr>
<tr>
<td>FH</td>
<td>Freedom House</td>
</tr>
<tr>
<td>FSI</td>
<td>Failed States Index</td>
</tr>
<tr>
<td>GCI</td>
<td>Global Competitiveness Index</td>
</tr>
<tr>
<td>GPI</td>
<td>Global Peace Index</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>RSF</td>
<td>Reporters Without Borders (RSF)</td>
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<tr>
<td>TI</td>
<td>Transparency International</td>
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<tr>
<td>UNDP GII</td>
<td>UNDP Gender Inequality Index</td>
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<td>WDI</td>
<td>World Development Indicators</td>
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<td>World Governance Indicators</td>
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<td><strong>Grand Total</strong></td>
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Not all data points were available for every country for each of the five years.

Table 2: Percentage of indicator coverage, by dimension and country – 2011

<table>
<thead>
<tr>
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<th>Authority</th>
<th>Capacity/Effectiveness</th>
<th>Legitimacy</th>
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<tr>
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<td>72.27</td>
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<td>PNG</td>
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<td>87.50</td>
<td>97.30</td>
</tr>
<tr>
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<td>92.50</td>
<td>100.00</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>100.00</td>
<td>87.50</td>
<td>100.00</td>
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<td>Cambodia</td>
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<td>92.50</td>
<td>100.00</td>
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<td><strong>Grand Total</strong></td>
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Table 3: Percentage of indicator coverage, by dimension and country - 2013

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<tr>
<td>Angola</td>
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### Table 4: Percentage of indicator coverage, by dimension and country - 2017

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### Table 5: Percentage of indicator coverage, by dimension and country – 2018

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<td><strong>89.86</strong></td>
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### Table 6: Percentage of indicator coverage, by dimension and country - 2020

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<tr>
<td>Sri Lanka</td>
<td>100.00</td>
<td>90.00</td>
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<td>91.89</td>
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### Table 7: Average data coverage, by year and country (as a percentage - %)

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<td>81.45</td>
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</table>
Annex 2: Dimension and domain (outcome area) scores 2011–2018

Table 8: Average governance dimension and domain (outcome area) scores by country; PNG relative to comparators – 2011

Table 9: Average governance dimension and domain (outcome area) scores by country; PNG relative to comparators – 2013
Table 10: Average governance dimension and domain (outcome area) scores by country; PNG relative to comparators – 2017

Table 11: Average governance dimension and domain (outcome area) scores by country; PNG relative to comparators – 2018
Marketplaces play an important social and economic function in sustaining and improving the lives of people and the economy. Early work on French Polynesia by Pollock and Crocombe (1988) highlighted that markets play a vital role performing a dual function of providing access to fresh locally produced food for urban residents and an opportunity for income generation for market vendors, thereby improving food security. Keen and Ride’s (2019) recent study of informal markets in Honiara, Solomon Islands affirms the argument that livelihoods are supported to a great extent by income from market vending, rural-urban connectivity and food security.

Markets contribute to the local and national economy by providing employment and business opportunities for small and medium enterprises (SMEs) and utility service providers (Dewey, 2011; Foundation for Development Corporation, 2010). Revenue generated through market gate fees and rental of other market facilities is an important source of income for local governments. For instance, Dewey (2011) noted that in Suva, market-generated revenue comprises almost half of all income for local government in some areas.

Further, markets are vital hubs of social, cultural exchange, meeting and socialisation in PNG as they are...