This issues paper is critical of a number of important premises that lie behind the draft integrated rural development policy for Papua New Guinea. Specifically, we: view the policy as laying the grounds for perpetuating living-on-government-hand-out programs; believe there is really no justification for providing housing and consumption subsidies for rural dwellers; doubt the sustainability of duplicate public services to support entrepreneurship in rural communities; question the claim that government commitment to rural sector development is lacking; view the policy as failing to link rural development to the progress in land reform, which should be the country’s most strategic policy priority; argue that intervening through guarantee schemes in rural enterprise financing is unlikely to achieve its intended objectives; see no reason for emphasising the absence of basic government services in defining rural places and non-durable household assets to inform the required intervention in each rural place; and decry the little or no emphasis placed on development indicators and information technology needed to prepare better rural development plans.

We conclude that the suggested rural development strategies and policy measures are a recipe for failure: they overestimate the expected impact of government actions; and undermine the problem-solving capacity of the country’s rural communities.

---

1. This issues paper is an expanded version of comments on the draft National Integrated Rural Development Policy for Papua New Guinea circulated for consultations by the Department of Implementation and Rural Development. I should thank colleagues at the Economic Policy Program of PNG National Research Institute for comments on an earlier draft of this paper.
This page is intentionally left blank
WHAT’S WRONG WITH THE (DRAFT) INTEGRATED RURAL DEVELOPMENT POLICY FOR PAPUA NEW GUINEA?

By Francis Odhuno

Introduction

When most developing countries worked with their development partners to write Poverty Reduction Strategy Papers (PRSPs) in the 1980s and 1990s, Papua New Guinea (PNG) chose a different path. It abandoned the PRSP project because it did not agree with her development partners on the context, definition, indicators and characteristics of poverty in the country (Cammak, No date). This is not to suggest that relieving poverty has hardly been on the country’s national agenda. Rather, PNG prides itself as the land of plenty, even as living conditions vary greatly across the country (Hanson, Allen, Bourke, & McCarthy, 2001): Some people in PNG earn relatively high incomes and have access to a range of relatively better health, education and information services, mostly in the metropolitan cities of Port Moresby and Lae. Other people are poor, remote and marginalised, often because of where they live. The 2011 Census shows that the population of PNG is just over 7 million, an increase of about 2 million people since the previous census in 2000; and approximately 85 percent of people live in rural areas (National Statistics Office, No date, a). Successive governments have therefore been planning and attempting a number of rural-based development projects aimed at narrowing the gap in living standards between rural and urban areas and between as well as within provinces (Shaw, 1980; Staples, 1978; Fernando, 1990). Thus, even in the absence of a PRSP, there are boundless programs and initiatives in PNG that aim to ultimately reduce poverty in the country. It is, however, disconcerting that many rural development projects fail to achieve sustainable benefits in the long run.

The lack of emphasis on self-reliance and the inherent ‘hand-out mentality’ are in part responsible for PNG’s unsatisfactory rural development outcomes. But other projects are usually simply abandoned after the donors’ financial and external organisational support is completed and ceased (Fernando, 1990). There is therefore relatively little to show today for the massive sunk costs. Rural people in many areas of PNG are no better served today than were those who lived there before them. Notwithstanding poor service delivery (Howes, et al., No date), PNG is yearning for a more equal distribution of economic benefits and services among people and between and within different areas of the country.

A new Integrated Rural Development Policy (IRDP) for PNG is in the works. The draft policy document was released by the Department of Implementation and Rural Development (DIRD) in June 2016 for stakeholders’ input, comments and suggestions. The proposed policy purports to: define the government’s strategy to expand development in the country’s rural areas; align to other sector programs for rural development to avoid duplication and parallel programs; and narrow the gap in living standards between rural and urban areas (Policy Development Secretariat, 2016). However, it rests on some faulty premises and flawed proposals. We discuss some of these disconcerting issues in the following sections.

Defining ‘rural’ areas in PNG

As a starting point, the draft IRDP should have commenced with a clear definition of ‘rural’ because the term is often ambiguous and its definition usually varies by country. In Japan, Mexico and Nigeria, for example, it is defined based on population density (Atchoarena & Sedel, 2003). ‘Rural’ in other countries is often used to refer to an area where the majority of the population living there engage in agriculture, broadly defined. Still, when discussing rural development issues, rural areas may include villages and nearby small towns/urban centres, as in Tanzania for example (Prime Minister’s Office, Tanzania, 2001). The PNG National Statistics Office (NSO) seems to have adopted this economic activity-based definition when sampling areas or residence: rural areas are areas outside of urban centres, characterised by significant agricultural activities and often with greater reliance on subsistence agriculture than cash-based transactions (National Statistics Office, No date, b).

The draft IRDP seems to put emphasis on the absence of basic government services in defining rural places. But lack of
basic services is not adequate to define a rural area in PNG; basic services are also either absent or, at best, minimal in squatter settlements in many urban areas all over the country. Moreover, there are many urban and suburban villages in PNG that are not classified as ‘rural’ but have similar socioeconomic characteristics to most less developed rural areas. Note that the NSO does not take into account the size of the population or facilities available when sampling areas of residence. A clearer and consistent definition of ‘rural’ in the PNG context for the purposes of operationalising this IRDP is therefore necessary.

The current situation of rural people

Ideally, rural development policy should reflect an understanding, by those developing it, of the situation of rural people. Yet the promoters of the IRDP for PNG appear to have not clearly spelt out the reasons, informed by the situation of rural people, for formulating it. Even then, it is important to acknowledge their reference to the most recent household survey conducted in 2009–2010 (National Statistics Office, No date, b). This survey revealed some grim statistics on the social and economic condition of the vast majority of rural villagers: 72 percent live in traditional houses; 95 percent use firewood for cooking; 49 percent depend on a river, stream, lake or pond for their drinking water; while only 3 percent use flush toilet. These statistics are central to targeting rural development activities and hence the case for an IRDP (Policy Development Secretariat, 2016, p. 5).

Yet, the authors of the draft IDRP do not provide reasons that justify the case for an integrated rural development policy using a clear discussion of the socioeconomic and demographic profile of rural areas. The authors also do not state what this IRDP will achieve. The promoters of the draft IRDP should remember that previous attempt at integrated rural development in PNG have failed (Fernando, 1990; Shaw, 1980; Staples, 1978) when stating the expected outcomes of the policy. So justifying the need for another IRDP and its objectives should be informed by a brief review of the country’s current rural development issues, focusing only on the key information, to make it easy to follow and understand. The key information that a reader expects in the IRDP includes a clear discussion of the situation of rural areas in PNG, including, but not limited to, socioeconomic and demographic profiles, such as population, age group and age dependency, and the gender imbalance that differentiates the country’s rural communities.

Other factors that describe the situation of rural communities include class composition, including whether there are professionals, skilled and semi-skilled people, their employment, unemployment and underemployment status, and poverty and living conditions. There is a strong international consensus that understanding the situation of rural people using these parameters (i.e. area-specific indicators) is not only central to identifying key areas of their development objectives but also to targeting rural development activities.

Lack of government commitment to rural service delivery

The authors of the draft IRDP present some ‘facts’ about some government institutions that are questionable. For example, the draft IRDP (p. 2) decries, without substantiating, “lack of government support for … agriculture, cottage industries, and downstream processing in local communities”. Yet the PNG National Government is addressing a number of issues affecting the country’s agricultural development, including: transport infrastructure and communication; law and order; land tenure; and product marketing and promotion. (See for example the National Agricultural Development Plan, 2007–2016 (National Department of Agriculture and Livestock, 2006)). The draft IRDP (p. 39) also alleges, without justifying, that “the [tourism] industry is not well supported by the Government”.

The draft IRDP (p. 28–29) also appears to suggest that services to the rural areas deteriorated with the shifting of responsibilities to the district and local-level governments. This suggests that the decentralisation policies, including funding mechanisms like the Provincial Services Improvement Program, District Services Improvement Program and Local Level Government Services Improvement Program grants, have not worked in PNG. If this is the case then it can be inferred that the objectives of this IRDP are unlikely to be met. This is because the draft IRDP (p. 56) proposes to “sustain and accommodate the existing arrangement with the provinces and districts” for the purposes of service delivery.

It might be asked why it should be necessary to retain government structures that are seen to have failed to deliver rural economic progress? Moreover, given the very recent establishment of the District Development Authorities, we do not know much about their subnational service delivery performance yet. Certainly whatever is currently known is not enough to justify the claim of dismal performance at subnational level. We know that through the Provincial Services Improvement Program, District Services Improvement Program and Local Level Government Services Improvement Program, sufficient financial resources are being earmarked specifically for services improvement in each jurisdiction. Funding to the local government level has been increasing since 2007 as fixed commitments are provided for in annual
government budgets. Moreover, as a show of commitment to service delivery in rural areas, the Government is also planning to allocate financial resources to each ward, starting from the 2017 budget, as another layer of these public sector services improvement programs.

Indeed, the draft IRDP (p. 1) acknowledges the Government’s endeavour to move resources to rural areas as reflected in various policy documents (Policy Development Secretariat, 2016). However, it is possible that what featured in various strategic documents over the years may have been mere planning rhetoric. If this is the case, then there is a strong case for the authors to justify the claim that there is a lack of government support for agriculture or any sector for that matter. The promoters of the draft IRDP should provide a succinct review of the implementation status of various government policies, particularly those targeting rural areas. The Department of Implementation and Rural Development is in a better position to ascertain the development outcomes (or lack thereof), and make suggestions on a viable model of where this IRDP will be rolled onto or rolled out.

**Financing rural enterprises and guarantee schemes**

To respond to the gaps in the government's rural development investment and services already alluded to, the draft IRDP is promoting rural economic support in terms of co-operatives and microfinance loan schemes. This is perhaps because there is a general notion that access to finance, especially for small and medium-sized enterprises (SMEs), co-operative societies and social enterprises, is an in dispensable factor for economic growth. To justify the case for a new approach to co-operative financing, the draft IRDP (p. 34) claims that co-operatives in PNG became [literally] “defunct due to lack of proper governance structure … which instigated corruption…” Therefore, in order to revive the co-operative sector at the village level, it is proposing a co-operative societies model that allows interest group and/or clan-based membership. It argues that this model will allow for greater social scrutiny, ownership and responsibility to help check the accountability of the co-operative society management. But this suggestion clearly demonstrates a lack of understanding of the co-operative business laws, principles and practice in PNG and worldwide.

The draft IRDP also does not acknowledge that attempts to run co-operatives the ‘PNG way’ is the reason the country’s co-operatives sector is not well developed. Recent research has pointed to the fundamental reason why the bad situation of the co-operatives sector has been worsening since independence in 1975: successive national Governments gradually replaced co-operative societies with individual entrepreneurs and private companies (Mugambwa, 2005; Orlegge, 2009). Yet the basic tenet of the co-operative movement is that only a ‘natural’ person may become a member of a (primary) co-operative society. Moreover, contrary to the suggestion, the business environment is already conducive enough for co-operatives to thrive in PNG – but not until co-operatives are formed for purposes other than receiving hand-outs from the Government for members. Instead, clan members should be encouraged to form primary co-operatives financed by members’ contributions and use such funds for business purposes to generate income.

The draft IRDP (p. 35–36) is also proposing the establishment of a loan scheme in each of the 89 districts in PNG. It suggests that the Government should support the district loan scheme by providing seed capital and guaranteeing loans advanced to SMEs through commercial and development banks. Ironically, the draft IRDP also acknowledges that similar programs have been tried before and failed. It recounts the case of a previous scheme run by the Agricultural Development Bank – the forerunner of the present day National Development Bank (NDB) – that collapsed due to political influence and a lack of transparency and accountability. The fact is that the borrowers never repaid their loans, leading to the scheme’s collapse. Yet the draft IRDP is still advocating for setting up another scheme before addressing the problem of hand-out mentality: Papua New Guineans believe that every government-backed loan facility is a free hand-out that is not supposed to be repaid.

Until Papua New Guineans grow out of the free hand-out mentality, no government-backed/guaranteed loan facility will work. Given this, one focus of the IRDP should be on how to use education to address the hand-out mentality and instil a business-sense culture, thereby enabling rural people to create income earning opportunities for themselves. Moreover, there are many existing loan options, such as those under the NDB and various microfinance institutions (for SMEs) that can be used, rather than coming up with new loan schemes. Such schemes will be sustainable only if there is financial capacity and willingness of rural people to repay the funds they borrow.

Still, not all districts in the country have financial institutions and banking services that will facilitate the loan scheme; hence it will be a huge challenge for some rural residents to access this kind of support. The draft IRDP should therefore suggest ways of improving rural banking services before advocating for the establishment of a government-backed loan schemes in each district.
Government housing for rural-based public servants and villagers

Apart from microfinance schemes, the draft IRDP (p. 25) is also encouraging government departments and institutions to put up accommodation facilities in the districts to attract and retain public servants serving in rural areas. It is claimed that this proposal aligns with other government policies. PNG Vision 2050, for example, is promising 100% institutional housing for all public servants in rural areas (National Strategic Plan Taskforce, 2011). The construction of staff houses in some districts in the Eastern Highlands Province, for example, is underway. Many districts in other provinces are likely to be doing the same.

While the need to provide housing for essential service workers is not in question, it is worth noting that providing institutional housing to public service employees in PNG has been misunderstood and is often problematic. In general, Papua New Guineans are used to free hand-outs from the government. This is a mentality that has been used by public servants who refuse to vacate their employer-provided houses when they retire or when they are transferred to other work stations. One reason for this could be the misconception or erroneous belief that the Government gave out the houses for free. Facing huge and unsustainable maintenance costs, the Government has been forced to sell off the bulk of its housing stock to public servants occupying the houses. These experiences suggest a failed government staff housing policy.

The draft IRDP is suggesting another misguided program to assist families in rural areas by building semi-permanent or permanent houses for them. However, for reasons already mentioned, providing free housing for families in rural areas or any part of the country is not a viable policy option. The draft IRDP is citing some PNG Members of Parliament (MPs) using their District Services Improvement Program grants to subsidise the construction of permanent houses for families in their electorates (Policy Development Secretariat, 2016). To support this expenditure, arguments have been put forward too briefly, without substantiation, about a massive scale of problems bedevilling the housing situation in rural PNG.

There are two factors worth noting, that show why the Government may not be able to provide free housing for rural-based public servants and villagers. The first is the current problem of inadequate land with secure title to build new houses, a problem exacerbated by the country’s rigid customary land laws. The second is that housing may be an emerging problem in the urban areas of PNG; but in the thinking of many Papua New Guineans it is not a development impediment of the country’s rural areas. They believe that villagers have a base of traditional shelter practices and lack of shelter is not considered to define poverty.

For these reasons, providing housing for all public servants and villagers in rural areas is clearly not a viable public policy. Instead, such a policy will perpetuate the culture of Papua New Guineans relying on government hand-outs in almost every sphere of their lives. Yet rural development should be considered as improving living standards of the mass of the low-income population in rural areas and also making the process self-sustaining (Staples, 1978). The IRDP should therefore aim at enabling rural people to be self-reliant and effectively deal with (their) rural poverty. To do this, PNG could emulate Namibia, where the Government is extending urban housing schemes to rural areas both to attract families to live and work there, and to encourage rural dwellers to invest in rural housing development (Ministry of Regional and Local Government, Housing and Rural Development, Namibia, 2011). Moreover, with the establishment of District Development Authorities, more public servants will be posted to the districts and rural towns. They do not only need housing, but facilities including schools and health centres.

Minimum basic rural family needs

In rural development policy literature, especially of developing countries, basic needs have been identified as food, shelter, clothing, safe drinking water, health and sanitation facilities, access to public services like education, healthy and humane environment, secure job for a sufficient income, and peoples’ participation in the planning and decision-making process (Prime Minister’s Office, Tanzania, 2001; Ministry of Regional and Local Government, Housing and Rural Development, Namibia, 2011). In contrast, the draft IRDP (p. 49) presents a list of durable household items such as stove, refrigerator, microwave oven, which are clearly not basic in an underdeveloped country like PNG. It would seem such a list was influenced by an attempt to ‘localise’ the context: in PNG, poverty is not considered in absolute terms of starvation and lack of shelter. So food and housing are, ironically, hardly considered key challenges in rural development.

In the process, the promoters of the draft IRDP failed to note the country’s extremely diverse range of natural environments. Large variations in landform, rainfall and altitude mean that some rural places have very low to low potential for most food and cash crops (Hanson, Allen, Bourke, & McCarthy, 2001). Basic non-food needs will hardly vary across rural areas. Therefore, a clearer discussion of basic needs, noting that needs and opportunities vary across rural areas, would inform the required interventions in each rural
place. For example not all rural areas have the opportunity to create quality employment opportunities in the tourism sector, hence only some rural communities have the opportunity to link tourism and food.

The concept of minimum basic needs is used as a tool for planning and budgeting in PNG. As noted above, the Government has been giving greater financial responsibility and accountability to lower levels of Government to improve the delivery of vital goods and services to people living in rural areas. However, other than advocating for continuing government hand-outs, the promoters of the draft IRDP do not suggest how its implementation will help meet rural households’ basic (budget) needs. One suggestion is to apply new thinking about poverty reduction in rural PNG: turning consumption subsidies into production subsidies. The strategy should enable poor men and women to gain for themselves and their children more of what they want and need. The strategy could then free government resources towards increasing workers at the local government levels to complement the greater financial responsibility aimed at improving rural service delivery.

Rural community and business resource centres

The idea of setting up rural business development centres (RBDCs) is not new but is noble. From the explanations provided, RBDCs will be educational and training institutions providing micro (especially SME and co-operative) business knowledge, skills and information with an added responsibility for sensitising people about proper business attitude. It would seem that the draft IRDP is attempting to duplicate or borrow a leaf from the Integrated Community Development Policy that came up with the idea of Community Learning Resource Centres (CLRCs) (Department for Community Development, 2007). The existing CLRCs provide access to information, skills, and ideas that help people improve their lives. What then, is the difference between the proposed RBDCs and CLRCs?

Rather than proposing to establish competing institutions and duplicate services, the promoters of the IRDP should explore ways of integrating or offloading the services of RBDCs to CLRCs or vice versa. Otherwise a very clear demarcation of roles and responsibilities of both institutions are required before proposing this as a convincing new policy initiative. Even if RBDCs are established, it will be necessary to justify the viability of these institutions. Perhaps the more important question is where will the funding come from? Promoters of the IRDP could convince any of the four levels of Government – national, provincial, district or local – to establish RBDCs but the cost of running the institutions remains. Since ‘user-pays’ is currently an alien terminology in much of PNG society, would rural Papua New Guineans be willing to pay for the services provided by the RBDCs or CLRCs? Would an SME owner be willing to sponsor him/herself or his/her employee to attend RBDCs or CLRCs for further training or skills development?

To answer this kind of question, the draft IRDP should provide a snapshot of the feasibility – costs and benefits – of running an RBDC instead of only dwelling on its expected benefits. In the absence of a feasibility study, and because the Government is already sponsoring a number of tertiary and technical institutions providing training, skills and information needed by grassroots population, it is not necessary to establish RBDCs. What is needed is for people to sponsor themselves to undertake the courses they need to grow their businesses and improve their lives. Rural dwellers need to get used to the notion that while information, advice and assistance were previously provided free, these will now need to be acquired at a cost to improve the competitiveness of rural businesses and make them sustainable over the long term.

Customary land for rural development

Another point on managing community resources is important to note: there are questions around land resources briefly discussed in the draft IRDP (p. 41). It is claimed that the administration of state land, which is only 3 percent of the country’s land resources, is poor. The fact is, however, that the 3 percent state land is not enough; it will only change hands between a few players, leaving out the majority of those who need to make use of land for production. The draft IRDP fails to recognise the unfortunate fact that the planning and administration of the state-owned land in PNG largely focuses on urban land use, which is not the subject of this draft policy document. In the country’s rural areas, which are the subject of discussion, the local communities constitute the largest share (97%) of land owners. It is also important to note that agriculture remains an important feature of the economic and cultural landscape of PNG’s rural areas. This will be the case for a long time yet.

The draft IRDP recognises that communities in rural areas largely depend on the land for their daily subsistence; but it fails to link rural development to the progress in land reform as the most strategic policy priority. Yet, according to the PNG Vision 2050 (National Strategic Plan Taskforce, 2011), decision-makers should not relent on their push for land reform. It is believed that the multiplier effect of such reform will reverberate throughout the country, beyond the lifespan of the country’s non-renewable resources. Indeed, the Government has been imploring traditional landowners
to free up their rural land for development via the ‘incorporated land groups’ mechanism (National Land Development Taskforce, 2007). But progress has been slow, often due to opposition by the landowners.

Given the slow progress in land reform, encouraging poor people living in rural areas to productively use their land to create sustainable livelihoods and decent work for themselves is a challenge of rural development in PNG. The promoters of the IRDP should therefore be intensifying the land reform program to ensure more land is made available to people and families in rural areas. Instead, the draft IRDP (p. 2) blames the import of agricultural products, purporting that imports kill and destroy domestic agriculture. The fact is, however, that the scale and quality of local produce has not been enough to meet local demand; the recent ban on importing vegetables led to shortages in Port Moresby where the demand for these products is highest. Hence, it is hardly convincing that any strategic interventions and approaches to prop up rural entrepreneurship should include banning the importation of agricultural produce.

Modern tools for local-level rural planning

The draft IRDP (p. 46, and arguably throughout the paper) is rooting for a bottom-up planning and consultation approach to rural development planning. It is therefore emphasising participatory rural appraisal, that is, community consultation and identification of projects at the village level, to be used in preparing ward-level development plans. While this is certainly a wise thing to do, the draft IRDP is rather silent on the use of relatively advanced techniques – like the Geographic Information System (GIS) – that can be combined with participatory rural appraisal to help local organisations prepare better rural development plans.

In the present era of information and communications technology (ICT), which is rapidly becoming available even at local levels in developing countries (Turyatunga, 2004), local communities need to become familiar with gathering (environmental) information using ICT-based decision support tools like GIS. Repeatedly using GIS will help track future changes in a community’s resources, assess how such changes affect livelihoods and make better decisions about managing resources. The draft IRDP should therefore endeavour to incorporate GIS as a companion to participatory rural appraisal tools for use in community development planning. This requires a close link with the National ICT Policy, especially on how ICT services can be made accessible to rural areas.

Conclusion

As in many developing countries around the world, successive Governments in PNG have attempted, without much success, to implement their ‘mandate’ to raise the standard of living of citizens, especially in rural areas. Indeed, the literature has shown how past government initiatives have caused the present economic stagnation in rural PNG. Yet the present Government has compiled similar development strategies and policy measures in a Draft Integrated Rural Development Policy paper circulated for stakeholder consultation and input. This issues paper is critical of a number of core premises of that document.

Like past attempts, the suggested rural development strategies and policy measures are a recipe for failure. The cause for the predicted failure rests with the planner, the perceived ‘mandated’ agent for change, i.e. the Government; because the expected impact of government actions are overestimated. The policy document paints a picture of a benevolent Government planning to intervene dramatically in every way it can to secure the material well-being of rural Papuans. This apparent lack of emphasis on self-reliance and the inherent hand-out mentality, even when the Government’s benevolence is unpredictable, imply that the suggested rural development policies and strategies undermine the problem-solving capacity of the country’s rural communities.

The present and subsequent PNG Governments can avoid past failures and accelerate rural development if they wish to narrow the gap in living standards between rural and urban areas and between as well as within provinces. To do this, they should give priority to improving the network of physical and business infrastructure (water, power/energy, telecommunications, roads, bridges, airports/airstrips, seaports/wharfs/jetties) and social services (schools, hospitals) in rural and remote locations where 85 percent of the country’s population live. These should enable rural dwellers to efficiently exploit their natural, human and/or cultural resources so that any credit for success goes to both the Government and rural dwellers once the development strategies and policies are implemented.

References


Dr Francis Odhuno is a Senior Research Fellow, currently leading the Economic Policy Program at the PNG National Research Institute.