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**OPTIONS FOR THE RESTRUCTURE OF DECENTRALISED
GOVERNMENT IN PAPUA NEW GUINEA**

by

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**A Report from the National Research Institute's Program on
National-Subnational Governance**

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ACRONYMS

DPLGA	Department of Provincial and Local Government Affairs
EDA	Electoral Development Authority
GST	Goods and Services Tax
LLG	Local-level Government
MP	Member of Parliament
MUG	Minimum Unconditional Grant
NEC	National Executive Council
NEFC	National Economic and Fiscal Commission
NRI	National Research Institute
OLPG	Organic Law on Provincial Government
OLPGLLG	Organic Law on Provincial Governments and Local-level Governments
PSRAG	Public Sector Reform Advisory Group
PNG	Papua New Guinea
RIGFA	Review of Intergovernmental Funding Arrangements

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CHAPTER 1: LESSONS FROM THE PAST: THE HISTORICAL BASES OF THE POLICY PROCESS FOR THE RESTRUCTURE OF DECENTRALISED GOVERNMENT

Background

In 2008, the Government of Papua New Guinea began the process of changing the structure of decentralised government, with the major funding provisions occupying a central place in that process. This initiative is broadly the **restructure** of decentralised government, and represents the third phase in the reform of intergovernmental relations in Papua New Guinea. The details of the various proposals concerning the previous reform initiatives, along with the text of the recommendations have been presented in a literature review and bibliography produced by the National Research Institute (National Research Institute 2008).

The first phase occurred during the 1980s, and culminated in the move to establish a mechanism for granting greater autonomy to the better-performing provincial governments (Working Group on National/Provincial Devolution 1990). This phase was dominated by expert technical studies that recommended changes in the arrangements to make them more capable of delivering services to the people of Papua New Guinea. For the most part, the recommendations of the various commissions and committees established during this period were not carried out.

The second phase consisted of reforms that were proposed during the 1990s, culminating in the arrangements contained in the Organic Law on Provincial Governments and Local-level Governments (OLPGLLG), which was adopted in 1995 and implemented in the following years. This phase was dominated by political considerations and politicians, rather than technical experts, and resulted in financial arrangements that were generally recognised to be plagued with serious shortcomings in their conception, application, and operation. The failures of the 1995 regime gave rise to the current phase of reforms, which started with a reconsideration of the entire funding package in 2002, and has evolved into a wholesale consideration of the political, administrative, and financial bases of decentralisation in Papua New Guinea in 2008.

This paper provides a background to the discussion of the most recent changes that are being considered. It provides an historical context and proposes some patterns that emerge out of past attempts at reform, in the hope that it can contribute to the future changes to be adopted by allowing us to situate the present proposals into the larger history of the reform of decentralised government in Papua New Guinea.

The Original Decentralisation Arrangements

The 1977 Organic Law on Provincial Government (OLPG) established a basis for decentralisation and a provincial funding formula that was in operation from 1978 to 1995, when it was replaced as part of an overall restructuring of the political relationship between the national government and provincial governments.

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The establishment of the decentralised system in Papua New Guinea endowed the nineteen provinces with significant legislative and policy-making powers. These powers were designed to allow the provincial governments to make and execute policies in areas directly related to the development of the provinces. It was recognised that the capacity of provincial governments to fulfil this policy-making role would predominantly depend upon their ability to allocate resources to reflect their own priorities.

In turn, the funding of the provincial governments influenced the way that they were able to exercise the powers with which they had been endowed. The original arrangements for funding provincial governments were never implemented in the way that they were envisaged. For example, when the functions designated as provincial responsibilities were formally transferred, only the North Solomons Provincial Government received financial control over all of these activities. This was because other provincial governments were considered incapable of effectively carrying out the powers that were to be transferred to them.

The way in which the funding arrangements were implemented affected provincial governments in a number of ways. It determined the total amount of resources that were made available to provincial governments, as well as the proportion of the financial resources over which they had effective control, as part of their policy-making activities. Further, it determined the pattern of distribution of financial resources among provincial governments.

Although the funds which were provided under the formula for the Minimum Unconditional Grant (MUG) clearly did not keep pace with the needs they were designed to finance, this constraint was only felt by those provincial governments that had full financial responsibility. The national government funded the transferred functions for the other provincial governments at levels that exceeded those required by the MUG formula — in some cases at significantly higher levels (Regan 1988). The shortcomings in the original arrangements for funding provincial governments led to a series of studies and reviews that were designed to lead to a reform of the arrangements.

The Reform of Decentralised Government

The history of proposals to reform provincial government in Papua New Guinea can be divided into two phases — the *technical approach* and the *political approach*. The reports containing the recommendations for making improvements within the present system of provincial government fall within the category of the first approach. The second approach encompasses reports that were based on considerations which were overtly political, and mainly addressed the competition between national politicians and provincial politicians for control over the distribution of resources and delivery of services to the people.

The technical recommendations, no matter how central to the process of improving governance in Papua New Guinea, did not address what national politicians saw as the greatest problem relating to provincial government — the very existence of provincial politicians. Simply put, the proposals required political

support to be adopted, but they did not address the political concerns of those whose support was required.

The First Phase of Reform

The first phase of attempted changes adopted a technical approach to the improvement of intergovernmental relations, and was marked by slow progress towards reform, the conservatism of the reform package agreed to by the National Executive Council (NEC), and the imbalance of the package, particularly in relation to equalisation of development among the provinces. It never succeeded in bringing about most of the changes it had proposed, and was eventually overtaken by political events. 1990 marks a clear turning point in the approach towards institutional reform in Papua New Guinea, when there was a shift away from a technical approach to modifying the provisions relating to provincial government, towards an assault on the very existence of provincial government. In part, it resulted from the slowness of the progress made towards implementing reform, based on the technical approach.

The slow progress towards reform was all the more remarkable given the fact that, for some ten years, all parties had been in basic agreement as to the need for reform. Part of the reason has been the considerable growth of opposition to the provincial government system at the national level. Precipitated mainly by the loss of role and status resulting from the establishment of the provincial government system, and the takeover of functions by the provinces from the national government, opposition had grown very strong by the early 1980s, and has remained so. The growing dissatisfaction of the Members of Parliament has interacted with changes in the attitudes and functioning of the NEC, and has resulted in increasing opposition to provincial governments (Ghai and Regan 1989).

With weak political parties having to form unstable and shifting coalitions to achieve a majority that is sufficient to create a government, methods of providing patronage had assumed ever-greater importance. As a result, senior Ministers and their supporters had considerable incentive to attempt to displace provincial governments as the main dispensers of projects and services, which, at times, resulted in significant disruption of government programs. In turn, this led to the move towards more fundamental political changes in provincial governments in 1990. The troubles in Bougainville, culminating in the declared secession of that province in 1990, further contributed to forces that were determined to move politically against the provincial government system.

The Amendments to the Decentralised System, 1995

The Bi-Partisan Committee Report, which led to the fundamental changes introduced in 1995, represented a change from previous reports made by committees composed of public servants to proposals emanating from the political branch of government — the last of these being a committee comprising entirely national-level politicians (backbenchers from the Government and the Opposition). This knowledge of the composition of the committee is essential in understanding the nature of the proposals made by the Bi-Partisan Committee. With this shift in the composition of the committees that were making recommendations, the problems which were identified changed from administrative to political difficulties, the

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recommendations shifted from proposals for technical change to structural change, and the overall focus of reform shifted from bureaucratic solutions to political solutions.

The Bi-Partisan Committee Report was different from previous, technical proposals for reform because it started from a very different premise. Previous reports took the continued existence of provincial political institutions as given; that is, they assumed that provincial governments were here to stay, and proposed specific changes within that system as a means for improving them.

The Bi-Partisan Committee started with the premise that provincial governments were to be replaced with an institutional structure which was designed to obviate the problems that emanated from the very existence of politicians at the provincial level of government. The recommendations of the Bi-Partisan Committee did not build upon the earlier studies and proposals for reform. They ignored previous recommendations, and often did not address the same problems at all.

The changes brought by the OLPGLLG in 1995, following the lines of the Bipartisan Committee Report, preserved the commitment to a decentralised system of government which could not be easily changed on the basis of short-term political considerations. To this extent, it served to temper the political competition between the levels of government, in that major challenges to the system would not be subjected to the vagaries of everyday politics, but would require careful consideration before being adopted.

The 1995 reforms had little impact on increasing accountability, reducing the cost of government, improving the delivery of services, or increasing good governance. In so far as an effective decentralised system was put in place, its entrenchment in an organic law contributed to its integrity against shortsighted attempts to dismantle it. On the other hand, if the new arrangements failed to respond to the expectations of its designers, or resulted in continued abuse and mismanagement by members of provincial authorities who could exercise considerable control over the allocation of resources, they would be as difficult to amend as the existing system. The 1995 changes left the powers and functions of provincial authorities relatively intact and unchanged from those which they previously enjoyed. It also reflected the overall thrust of the proposals, which was to leave the structures and powers of the new institutions essentially as they were, but change the composition of their membership.

The most fundamental change from the previous system of decentralisation was political. The amended organic law provided that each provincial government would still have its own constitution, which would be structured around certain principles. All national Members of Parliament (MPs) became members of the provincial legislatures, with the MP representing the Open Electorate of each province being the designated governor of the province. Local government leaders also became members of each provincial legislature.

These changes reflected the essentially political nature of the reforms adopted in 1995, as opposed to the previous technical proposals for reforming intergovernmental fiscal relations. They essentially abolished the elected provincial legislatures and replaced them with a body comprising all the members of the national parliament and

local government bodies. The new arrangements effectively eliminated the previously existing middle-level of government — provincial government — by replacing it with members of the legislative branch of the national government and representatives of local governments. The MPs who were elected from the national electorates within each province constituted the membership of the provincial legislatures, along with presidents of local government councils.

The 1995 reforms flowed from the concern with political rivalry and confrontation between the two levels of government. Rather than attempting to improve the relationship between politicians at the provincial and national levels, by adopting mechanisms of control and cooperation, the 1995 changes attempted to eliminate political rivalry between national and provincial politicians by eliminating one of the rivals — provincial politicians. Although the reforms marginally reduced the rivalry between national and provincial politicians, it was replaced by a new rivalry between national Ministers and provincial governors, and collectively between the NEC and backbenchers, which has been as disruptive as the rivalry it replaced.

The provision for specific control systems to guarantee accountability drew attention to the concern about effective control of expenditure of funds and accountability of government that previously had been a central element of the technical proposals for changes in provincial governments. However, the lack of detail with respect to the kinds of control systems over expenditure represented a step back from the proposals of previous committees of review, which had included a series of specific mechanisms for increased accountability of provincial governments.

There was no evidence offered by any of the studies and reports dealing with the reform of provincial government in Papua New Guinea that the occurrence of mismanaged or misappropriated funds, or corruption, was any greater at the provincial level than the national level. The failure to include any specific additional mechanisms significantly reduced the ability of the new system to achieve increased accountability and efficiency.

With respect to the increased accountability for the use of public funds, the replacement of provincial politicians by national politicians did not lead to any significant improvement. One of the central justifications of the 1995 changes was that it would improve the delivery of services to the people. Even though previous studies had not identified provincial politicians as a major obstacle in this area, funding shortfalls and lack of skilled personnel were among the most important shortcomings.

With respect to increased accountability, there is no reason to believe that susceptibilities to the temptations of abuse are any less likely for a governor than a provincial premier. Moreover, a governor is not subject to the system of ‘checks and balances’ that is inherent in the principle of ministerial responsibility to the majority in the legislature. Even though the total number of politicians has been reduced, the number of politicians with direct access to the distribution of funds actually increased under the new arrangements, as MPs were given greater direct control over the allocation of resources through their role in the provincial legislature.

The strong desire on the part of politicians to have access to funds for their distribution has been a hallmark of politics in Papua New Guinea. In this context, the proposal for a formal structure within the electoral constituency of each individual MP is the direct descendant of the diversion of sectoral development funds, the National Development Fund, direct tied grants to local governments, and other attempts by politicians to gain direct control over the distribution of discretionary funds (Ghai and Regan 1992:121). The 1995 reforms embodied this desire to distribute funds directly to the electorate in the proposal to create Electoral Development Authorities (EDAs).

The 1995 reforms created a 'fourth tier' of government at the level of national electorates, which became the basis for defining the boundaries of districts. These institutions operate between the provincial and local level, with one provincial body for every Open Electorate Member of Parliament. They represent 89 new 'administrative and planning' institutions (one for each electorate), in addition to the local-level management committees for each local-level government and the provincial Secretariat for each provincial authority. The source of the proposal was the *Electoral Development Authority Act* of 1992, which was adopted separately from the other proposals for reform of the provincial government system. These arrangements contradicted the stated goals of the reforms that were instituted in 1995, and virtually every previous proposal for the reform of provincial government financing.

It was not clear how the channelling of provincial government funding through individual Members of Parliament would contribute to the effective delivery of services to the people of Papua New Guinea. The result has been the expenditure of funds by politicians, often for political purposes, which usually meant highly visible new projects, which may or may not have long lasting benefits, rather than improving the general level of existing services, such as education and health, or the expenditure on the maintenance of existing assets.

In addition to this, the direct funding of electoral districts allows MPs to determine their own priorities, based on political considerations, often independent of any planning taking place at the national, provincial, and local-levels, and resulting in a reduction in the coordination of spending according to well-developed priorities. Given the limited funds available for all levels of government, spending that is funded in this way would almost always be at the expense of reduced expenditure on existing services.

The implementation of a new decentralised system in 1996 reflected the outcome of a pattern of political competition that had operated in Papua New Guinea since the creation of provincial governments. The political competition comprised two fundamental divisions — competition between politicians and bureaucrats on one hand, and between national politicians and provincial politicians on the other. The OLPGLLG altered the political structure of decentralised government in Papua New Guinea, and represented the victory of politicians over bureaucrats, and victory of national politicians over provincial politicians.

The Member of Parliament for the Regional Electorate replaced the provincial premier as the political head of the provincial government, and eventually did so with

the Members of Parliament in the Open Electorates controlling the Provincial Assembly, which comprised *ex-officio* members rather than elected representatives. Politicians effectively usurped the implementing role of bureaucrats with the redefinition of district boundaries to coincide with electorates, and with Members of Parliament occupying controlling positions on Joint Budgeting and Priorities Committees at the provincial and local levels. Along with the major political changes, the overall arrangements for financing provincial governments were basically altered in 1995.

The OLPGLLG that created funding arrangements for provincial governments was based on a different premise than the arrangements under the original OLPG. Funding under the previous system was based on the principle of the cost of delivering the services that were the responsibility of provincial governments. Under the system that was created by the OLPGLLG, the funding arrangements are divorced from any principle of meeting the costs related to the delivery of services. The principle of funding, according to the cost of function, was abandoned and replaced with a formula that was based on population and area, combined with the derivation principle of revenue returning to the province of generation.

The new funding arrangements reflected a major shift away from determining the financing of provincial governments, based on the needs to carry out their activities, or differences among provincial governments. Although differences in the needs of each province were recognised, in that provincial government grants were calculated on a per capita basis, funding was allocated on an equal per capita basis across all provinces, which ignored the differences in the cost of delivering services to a population across different provinces.

The adoption of an arbitrary kina per head amount is not related to the actual costs of delivering services, and the uniform application of the formula across provinces did not allow for any redistribution towards the less well-off provinces. Because of this submission, the 1995 financial arrangements represented a move away from two of the major goals of provincial government funding — *equalisation* and *delivery*. The third of these goals, *development*, was also ill-served, as the total amount of funding fell short of the necessary increases that were foreseen in the original design of the arrangements.

The 1995 reforms were implemented rapidly and with little preparation, which resulted in a great deal of confusion over the responsibilities of provincial governments and the powers that had been transferred under the new arrangements. Except for 1997, the amount of funding for provincial governments fell short of the obligations contained in the OLPGLLG, and declined in real terms over the period from 1997 to 2005 (National Economic and Fiscal Commission 2007).

Patterns and Lessons from Previous Reforms

At the beginning of 2008, a new movement to reform intergovernmental relations was well under way. This movement comprises several different initiatives that have been developed since the shortcomings of the 1995 reforms became apparent. The various studies and proposals that have been initiated since the early 2000s comprise a series of specific changes that clearly reflect the tendency towards politically

motivated reform, and one major project that contains new financial arrangements, and which reflects an approach based on technical expertise. Proposals for political change include the creation of additional provinces of Hela and Jiwaka, the granting of greater autonomy to the East New Britain Provincial Government, the creation of District Authorities, and others.

The origin and background of each of these proposals emanate from different sources, resulting in a number of contradictions. These incompatibilities are dealt with elsewhere. The comments here are limited to a general discussion of the broad patterns of past reform efforts and the lessons that can be learned from them, in the hope that past mistakes can be avoided in the present move to restructure decentralised government in Papua New Guinea.

The Failure of Previous Reforms

From the time when provincial governments were established, there has been debate on the desirability of decentralised government. The national government has argued that provincial governments are inefficient, wasteful, and corrupt, and that their very existence is the major reason for the decline in the delivery of governmental services. The essence of the argument is *post hoc ergo propter hoc*; that is, services have declined since the establishment of provincial governments, therefore, provincial governments are the cause of the decline in services.

Supporters of provincial government state that provincial governments have not been adequately funded or supported by the national government, which has prevented them from successfully carrying out their functions. This debate has informed most of the efforts to improve decentralised government. Unfortunately, debate has not often been based on sound empirical data generated by rigorous systematic research. When debate was based on such research, as in the 'technical' reports of the 1980s, the recommendations were not acted upon. Moreover, when reforms were eventually adopted in the OLPGLLG, they emerged out of political interests, rather than sound research.

The Bi-Partisan Committee proceeded with its proposals, even though a consultant, who had been engaged, recommended that they not adopt its major provisions (Axline 1993). The 1995 reforms signal the turning point from an approach that adopted improvements to decentralised government, which were developed on the basis of technical expertise, towards an approach which was rooted in the political interests of the major players.

Intense competition between the 'centre' and the 'periphery' is common — perhaps even universal — in federal and quasi-federal systems of government. Papua New Guinea is no different. However, beyond the simple 'centre and periphery dichotomy', between the national and provincial levels of government, it is possible to identify elements of the decentralisation debate that help in understanding the evolution of the reform process in Papua New Guinea. The two central dimensions of the provincial government debate are competition between national politicians and provincial politicians, and competition between politicians and administrators. With the devolution of responsibility for the delivery of essential services to provincial governments, provincial politicians; that is, elected members of

the provincial assembly, and provincial ministers, displaced national politicians, especially backbench MPs, as the most visible benefactors of the people.

Although the stated goals of the 1995 reforms were to improve the delivery of services to the people of Papua New Guinea, the central thrust of those reforms was to allow national politicians to regain political ‘territory’ that they had lost with the creation of political centres in the nineteen provinces. Regional Members of Parliament replaced provincial premiers as executive heads of provincial governments, and Open Electorate MPs put themselves in a position to ‘deliver the goods’, as members of provincial legislatures, and by dominating the Joint District Planning and Budget Priorities Committees, in districts with boundaries redefined to correspond to the national Open Electorates. Rather than ‘strengthening decentralisation’, the 1995 reforms **recentralised** control over the delivery of provincial services into the hands of national politicians. The concept of Electoral Development Authorities clearly reflect this tendency, which was reinforced by the creation of District Support Grants and the direct funding of districts in the 2007 Supplementary Budget.

The recentralisation of power into the hands of national MPs was further reinforced by the assumption of an administrative role by these legislators, as they moved into the role of policy implementers, displacing administrators from their normal responsibilities. The clear distinction between rule-makers and rule-implementers which is the hallmark of a functioning modern democratic state, was blurred by the actions of MPs as they became more and more involved in the actual disbursement of funds, rather than limiting their role to decisions concerning fund allocation. This usurping of the implementation responsibility by political actors may have an even greater impact on the delivery of services, as more and more funds are directly disbursed on politically motivated projects outside the normal policy channels, without appropriate overseeing.

One basic problem is the conflation of the policy-making and the policy-implementation roles in the position assigned to MPs since the 1995 reforms. The problem is not so much that politicians are occupying more than one position (MP and Provincial Governor; member of Provincial Legislative Assembly and head of Joint Provincial Budget Planning and Priorities Committee). Rather, they are rule-makers and rule-appliers. These two roles are clearly distinguished in well-functioning democratic systems. However, politicians want to do it all. The demands on politicians to do this are great, while their capacities are limited.

The trends that have emerged from the adoption and implementation of the OLPGLLG, the elimination of provincial rivals by national politicians, and the usurping of an implementing role by these politicians, might be characterised as the victory of the centre over the periphery. In a sense, the centre ‘captured’ the periphery through the 1995 reforms:

- MPs as governors;
- MPs as members of provincial assemblies;
- MPs controlling planning and budget priorities committees; and
- District Support Grants.

Also, the political proponents gained dominance over the bureaucratic stand, through the direct funding of districts, thus weakening the capacity of the central agencies, and politicians becoming implementers.

In reality, however, the interests of the periphery have come to dominate the interests of the centre. Politicians are tempted to put more time and interest into visibly distributing the spoils of political victory, and pay less attention to broader interests on the national scale. The result is that one may question whether there is any 'centre' remaining, or at least whether there are enough people to strongly defend the interests of the centre (national priorities, effective control over macroeconomic policy, and equalisation among the poorest and richest provinces).

Lessons for Future Reforms

There is no doubt that the time and effort devoted to reforming the decentralised system of government and the amount of resources that have been committed to the reform were made in good faith. The reform attempts reflect a genuine effort to make things better. Unfortunately, they often made things worse. That is certainly the case with respect to the 1995 reforms, which had the stated goal of improving and strengthening decentralisation. However, it resulted in a more centralised system. Clearly, there was a lack of fit between the aims of reform and the mechanisms adopted to effect those reforms.

Generally, governmental reforms have involved changing rules and institutions when the fundamental problems have been behavioural; that is, in the form of performance, capacity, or corruption. Even though the problem may be behavioural or related to limited capacity, it is more often than not addressed by a legislative approach. There is a temptation to use organic laws to effect change, as they are perceived to be more permanent and less subject to arbitrary change, partly because the procedural hurdles to amend or repeal them are more cumbersome.

There is a tendency to solve basic problems by adopting legislation, big problems by adopting an organic law, and really big problems through constitutional amendments. However, this also means that if there are problems in a new organic law, it becomes more difficult to address them. If one is going to resolve a problem through the adoption of an organic law, it had better be done correctly the first time. The problems now faced as a result of the shortcomings of the 1995 Organic Law are witness to this.

The central problem with this approach is that shortcomings in capacity and performance are not easily resolved by simply adopting new laws. Moreover, although it may be a straightforward process to adopt a new law, it is a much more difficult challenge to ensure that the law is enforced. In Papua New Guinea, there is a contradiction between the tendency to adopt legalistic solutions to problems, and failure to conform to legal obligations. This is obvious through the failure by the national government to meet the funding requirements laid down in the OLPGLLG. In a governmental system, where the commitment to the rule of law is weak and fragile, reform attempts have placed a major emphasis on legal solutions.

Even though the problem may be that existing legal obligations are not being respected (acquittal of funds, payment of required grants, and so on), the solution is seen as passing further laws. This often leads to unrealistic expectations through the adoption of reforms that assume the capacity to implement, when that capacity simply does not exist. In principle, the implementation of improvements is bound to fail under these circumstances.

As a result of the 1995 reforms, the ‘particularistic’ interests have conquered the collective good. The pre-eminence of particularistic values is reflected in several of the current proposals for restructuring decentralised government. They also show the extent to which fundamental changes in the nature of the constitutional system are treated as political footballs, in exchange for favours or political support. This is reflected in the proposed changes that have been ‘promised’ by politicians — the new provinces of Hela and Jiwaka, the devolution of greater powers, and more money (autonomy) to East New Britain and other demanding provincial governments.

These promises have been made without a competent study of the capacity to make them work, their impact on broader provincial or national interests, the additional administrative demands at the national or provincial levels, or any other measure of effectiveness or efficiency related to good governance. There are possibly other provincial interests waiting in the wings, to be next on the agenda for the granting of political favours.

This approach has led to a kind of ‘constitutional tinkering’; that is, a piecemeal approach where specific individual changes are made in fundamental laws, based on short-term, narrow-based interests that are founded in political expediency. Such changes rarely consider any implications beyond the political *quid pro quo* involved in the promise of granting concessions in exchange for political support. The problem with fundamental reforms being adopted in this manner is not because they are based in political decisions. Policy making is the central responsibility of the political process, and politicians are the appropriate decision makers. The problem is that the **content** of the policy decisions has often been determined on the basis of narrow political bargaining rather than on the broader concerns of good governance. Often, policy decisions are made without the slightest attempt to understand the implications of the change beyond the immediate political considerations.

It is appropriate that politicians are the final decision makers on any governmental reform. However, the detailed, complex restructure of decentralised government requires that appropriate, underlying research, analysis, and evaluation of policy alternatives are carried out by technical experts. On the basis of this analysis, policy evaluation and recommendations will be presented to political officials for adoption. Political interests will, of necessity, play a role in the final determination of policies to be adopted, but they will address the broader concerns of overall effectiveness and efficiency, rather than being based on short-term, narrow, political expediency.

It is important that any proposal concerning the restructure of decentralised government must be assessed according to the criteria for good governance. Every proposal must be examined to verify what it aims to accomplish. For example:

- Is it an appropriate goal?
- Is it likely to achieve the goal?
- What is its impact on the immediately interested party?
- What is the impact on other provincial governments?
- What is the impact on the overall process of government in Papua New Guinea, including the broader goals of the national government?
- What is the likelihood that the capacity exists to implement a particular reform?

In 2008, Papua New Guinea has become involved in a new phase of considering fundamental changes in the decentralised system of government. Steps are under way to create a new form of decentralisation, with new structures, new rules, new incentives, and new opportunities. The adoption of new rules and the establishment of new institutions are essential, but not complete conditions for establishing a more effective system. There must also be the development of new patterns of behaviour. This provides an opportunity to reflect on the past, draw lessons from previous experience, and apply those lessons to the present policy-making process.

It is an opportunity to set things right, after living with the unfortunate consequences of the 1995 reforms. The challenge is to design an approach that will incorporate the principles of good governance into a decentralised system that will take into account the political interests of the individual political decision makers — the Members of Parliament — while, at the same time, responding to the broader collective needs of Papua New Guinea.

As a first step, it is essential that the political decision makers in the National Executive Council defer any final decision on the specific issues concerning fundamental changes in decentralisation which have emerged out of the narrow bargaining for political support. These issues include, but are not limited to, the granting of autonomy to the East New Britain Provincial Government, the direct funding of electoral districts through Members of Parliament, the establishment of District Authorities, and the creation of the new provinces of Hela and Jiwaka.

All of these proposals must be considered within a single, coherent policy process that deals with the question of the restructure of decentralised government in Papua New Guinea (Gelu and Axline 2008). These proposals, as well as the numerous other issues that are currently on the reform agenda, must be considered within the broader criteria of good governance. Any recommendations must be based on rigorous, detailed research in order to assess the institutional capacity to implement them and their broader implications on Papua New Guinea as a whole. Only when this has been done will the lessons of the long history of attempts to reform intergovernmental relations in Papua New Guinea contribute to the creation of a more successful system of decentralised government.

Past experience provides some guidelines and directions for the establishment of a policy process that has the potential to lead to the adoption of effective improvements in decentralised government. For example:

- it is essential that policy making is based on rigorous empirical analysis;

- the specific proposals for change must be developed into coherent policy options that can be tested against principles of good governance; and
- the policies must be submitted for political consideration, only after they have been elaborated through the policy process, as indicated in the previous two steps.

The elements of a policy process that will reduce the likelihood of repeating errors of the past include:

- the restructure of decentralised government requires a firm research basis that involves:
 - ❖ the assessment of policy proposals according to the criteria of good governance;
 - ❖ research on the past performance and future prospects relating to specific proposals; and
 - ❖ analysis that leads to conclusions as to the consequences of proposed changes;
- the development of policy proposals must be undertaken within a single, coherent, policy process that includes:
 - ❖ elaboration of options by skilled technocrats, relevant bureaucrats, and appropriate specialists and experts in the matter under consideration;
 - ❖ consultation with all the agencies and departments implicated in the proposals being considered; and
 - ❖ preparation of a comprehensive report that sets down the preferred options and the underlying reasoning behind the recommendations; and
- the involvement of political actors in the final stages of the policy process that requires:
 - ❖ the establishment of a high-level committee (ministerial level) to consider the proposals and make recommendations regarding their adoption;
 - ❖ extensive briefing of political leaders on the recommendations;
 - ❖ involvement in the political process, through the dissemination of information at Cabinet level; and
 - ❖ parliamentary approval.

Although these guidelines cannot guarantee that a successful restructure of the decentralised system will be achieved, they will reduce the likelihood of mistakes, which marked past reform efforts, being repeated.

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CHAPTER 2: DECENTRALISATION REFORM AND EAST NEW BRITAIN'S QUEST FOR AUTONOMY

Introduction

The East New Britain Provincial Government is seeking a status of greater provincial autonomy. Apart from the new funding arrangements that have been developed by the National Economic and Fiscal Commission (NEFC), the East New Britain submission for greater provincial autonomy is the most advanced of a range of proposals for changes to the decentralised system of government in Papua New Guinea.

The East New Britain proposal will be considered as part of a larger process that has been designed to restructure decentralised government in Papua New Guinea. Although this paper does not argue for or against greater autonomy, it does suggest that, before taking any decision on this issue, some fundamental matters must be addressed, and any policy on greater autonomy must be based on well-founded research, as part of the evaluation process.

Greater Provincial Autonomy and Restructuring Decentralised Government

Several other proposals concerning the restructure of the decentralised system of government have also been put forward for consideration. They are being evaluated through different institutional processes and are at different stages in the policy-making process, each proceeding independently in isolation from the others. In addition to the proposal for the restructure of decentralised government emanating from the Department of Provincial and Local Government Affairs (DPLGA), the Public Sector Reform Advisory Group (PSRAG) is independently pursuing the adoption of wide-ranging proposals that would, *inter alia*, eliminate the provincial level of government altogether. Further proposals concerning the creation of the additional provinces of Hela and Jiwaka are being considered at the Cabinet level.

The present initiatives for the restructure of decentralised government which are being undertaken contain the potential for creating a great deal of confusion and incoherence in the policy process. The evaluation of policy options within a single analytical framework requires a clearly defined institutional structure within which the appropriate evaluation can take place. Although there are some fundamental contradictions amongst the policy options currently under consideration, the issue of decentralisation reform is not a problem in itself. A coherent policy process is being designed specifically to deal with, and resolve, such contradictions, when determining policy choices. However, if these contradictions are to be resolved, all policies must be incorporated into a single policy process. Any policies regarding greater provincial autonomy must be incorporated into the overall restructuring of the decentralised system of government.

It is possible that the East New Britain submission will be channelled through the Office of Autonomy and Autonomous Region. There is some basic logic underlying the decision to make the Office for Bougainville Autonomy also responsible for East New Britain's autonomy. This office (formerly the Bougainville Reconciliation

Office and the National Coordinating Office for Bougainville Affairs) is the agency that has had the most experience in dealing with autonomous government within Papua New Guinea. It is appropriate to use that experience and knowledge when deciding on future steps towards provincial autonomy. Also, where institutions already exist, the creation of new institutions to carry out the same or similar duties risks redundancy, confusion, and waste of resources. If the Government decides to adopt a policy for granting greater autonomy to provincial governments, this office may be the logical single agency to administer and oversee autonomous provincial governments.

Even though the Office of Autonomy and Autonomous Region may play an invaluable role in offering advice and administrative expertise on the overseeing of autonomy, the adoption of a provincial autonomy policy should be carried out within the single, coherent policy process for the restructure of decentralised government. The office is not the correct institution for developing and adopting the policies and procedures regarding the granting of autonomy.

This paper argues that essential research must be carried out before any policy on autonomy is adopted. Moreover, an evaluation of the consequences of granting greater autonomy to the East New Britain Provincial Government must be carried out within a framework for research on greater autonomy in general, with a view to contributing to the quality of any subsequent policy decisions. Although the specific policy initiative for such a study comes from the East New Britain Provincial Government, the research framework must address the proposal within the larger context of provincial autonomy in Papua New Guinea. In particular, this research must ensure that future policies in this area contribute to the improvement of national-subnational government per se. This approach is consistent with the overall mandate of the National Research Institute's Research Program on National-Subnational Governance.

Fundamental changes in arrangements for any provincial government will have consequences for all provincial governments, as well as the overall quality of governance in Papua New Guinea. The specific proposals for East New Britain must be considered within the larger geographical context of governance in Papua New Guinea as a whole, and within the larger normative context of principles of decentralisation and greater autonomy.

East New Britain's Proposal for Greater Provincial Autonomy

The National Executive Council (NEC) received a policy submission containing proposals for greater provincial autonomy for the East New Britain Provincial Government on 21 March 2004. Extensive preparation at the provincial level has been followed up at the national level in the form of a submission that was prepared and submitted to the NEC on 23 August 2004. The purpose of the submission was to inform the NEC that the people of East New Britain expect an early response to previous submissions requesting greater political autonomy for the province (East New Britain Provincial Government 2004). Although the national government took no further formal action on these proposals for the next few years, the East New Britain Provincial Government continued to actively pursue its desire for greater

provincial autonomy, including broad consultation and extensive study on the form and nature that autonomy would take.

The main focus of the East New Britain request is to achieve greater autonomy in several areas:

- political structures, including a provincial constitution;
- financial arrangements, including increased access to, and control over, revenue; and
- administration, including enhanced control over an increased range of government functions, agencies, and personnel.

The East New Britain submission proposes several political structures:

- the adoption of a provincial constitution;
- a provincial political structure that is essentially the same as the current system, including a provincial legislative body comprising national Members of Parliament, local-level government presidents, and appointed members;
- a provincial department that would oversee the operations of all existing and additional functions, and have a departmental head who would be responsible to parliament, through the National Executive Council. Lower-level governments would consist of the district government headed by the district administrator and local-level governments. Under this structure would be the wards or village development committees; and
- the local-level governments would include the following functions:
 - ❖ service;
 - ❖ regulatory;
 - ❖ representation;
 - ❖ community planning and coordinating; and
 - ❖ participation.

The autonomy submission by the East New Britain Provincial Government proposes a provincial political structure that is essentially the same as the one created under the OLPGLLG. The submission considers the 1995 reforms to be good initiatives, but recommends that they be strengthened with better qualified personnel and sufficient financial resources in order to function properly.

The composition of the legislative assembly, with the governor as the head of the executive branch, is to be retained. The submission provides few details on the actual powers to be accorded to the provincial legislature, other than to indicate that the provincial constitution should specify the powers, functions, and procedures of the legislative assembly and the executive. The provincial constitution would also provide for the establishment of other institutions, including those required to administer the public service, teachers, and local government bodies. The East New Britain Provincial Government would have the power to create independent constitutional office-holders, and to establish its own salaries and remuneration commission.

The funding arrangements proposed by the East New Britain Provincial Government are based on a combination of the arrangements under the existing OLPGLLG and the arrangements contained in the Bougainville Agreement for funding the Autonomous Bougainville Government. The existing grants provided for under the OLPGLLG — administration support, development, provincial support, town and urban services, local-level government (LLG) and village services, district support, and derivation — would be retained as part of the funding arrangements, as would the existing formula for adjusting the annual grants. As East New Britain's revenue base increased, these grants would be decreased accordingly.

In addition to these grants, the East New Britain submission includes an establishment grant similar to the one provided in the Bougainville Agreement, for the reconstruction and re-establishment of the Bougainville government. The proposal is for a one-off grant to cover the cost of the establishment of the autonomous government. The taxation powers proposed by East New Britain also mirror the arrangements in the Bougainville Agreement, whereby virtually all taxing powers are taken over by the provincial government, including company tax, customs duties, export tax, excise tax, and 80 percent of the GST collected in the province, as well as the tax incentives available under the *Income (Company) Tax Act*. A provincial tax office would be established to assume the role of the Internal Revenue Commission in the establishment and collection of taxes.

With respect to administrative matters, the submission calls for provincial responsibility and exclusive control over recruitment and the terms and conditions of employment of the East New Britain public service and teachers, as well as all public authorities established by the provincial government. The proposals also include provisions for transitional periods concerning administrative arrangements and details of accountability and auditing for financial arrangements.

Although the autonomy submission prepared by the East New Britain Provincial Government only deals with arrangements designed to apply to that provincial government, the proposals have much broader implications for government in Papua New Guinea. The submission is premised on the assumption that provisions for greater autonomy will be determined through one-on-one negotiations with the national government. The Papua New Guinean Government must consider the proposal within the broader context of a policy of differential devolution of powers that might apply to any provincial government. The evaluation of a national policy of differential devolution raises a number of fundamental issues with respect to the nature of government in Papua New Guinea.

Broader Issues Related to Greater Provincial Autonomy

The autonomy request by the East New Britain Provincial Government demonstrates the necessity of considering all policy options relating to the restructure of decentralised government within a single coherent policy process. This policy initiative, when juxtaposed with the PSRAG proposal to eliminate provinces as a level of government in Papua New Guinea, highlights the contradictions that could arise, if these proposals were evaluated independently of one another. It makes no sense to consider the question of greater provincial autonomy, if there are to be no provincial governments.

Retain or Abolish Provincial Governments

The fundamental issue that must be addressed, as a prerequisite to the consideration of greater provincial autonomy, is whether provincial governments are going to continue to represent a major level of government in Papua New Guinea. The issue of whether to grant greater provincial autonomy to the East New Britain Provincial Government only needs to be addressed, if the answer is affirmative.

Uniform or Asymmetrical Decentralisation

If the decision to eliminate the provincial political and legislative (rather than administrative) component of provincial government, as proposed by the PSRAG report, is rejected, and provincial governments are retained as major political institutions in the decentralised system, a second fundamental issue must be addressed:

- Does the Government of Papua New Guinea wish to create a system of decentralisation where different provincial governments have different levels of financial, political, and administrative powers?

The proposal by the East New Britain Provincial Government, requesting greater autonomy than it presently has, implies that it will also possess greater autonomy than other provincial governments. It effectively commits Papua New Guinea to a system of differential devolution of powers to provincial governments. The East New Britain proposal does not address this issue beyond the assertion that its request should be treated as a 'one-off' decision, which should not be interpreted as a general example of autonomy that would be applied to other provincial governments.

'One-off' or a Precedent for Future Cases

The establishment of the Autonomous Bougainville Government within Papua New Guinea's decentralised system of government already represents a form of asymmetrical decentralisation, albeit one created out of extreme circumstances. The East New Britain proposal explicitly rejects Bougainville as a precedent for its proposal, although its provisions — particularly the financial arrangements — appear to be inspired by that example. Even if the extraordinary circumstances underlying the creation of an autonomous government in Bougainville are sufficient to eliminate it as a precedent for other provincial governments, a decision to grant greater autonomy to the East New Britain Provincial Government, despite any protestations to the contrary, would inevitably be treated as an example for other provincial governments to emulate.

Given the intense political rivalry between national and provincial politicians, and the intense pressures from provincial leaders to be given the same powers and resources that other provincial governments enjoy, it is unrealistic to expect that East New Britain autonomy would not lead to similar moves by other provincial governments to be given greater autonomy. This is not an argument against the granting of greater autonomy, but an argument that the East New Britain proposal cannot be treated in isolation, as a 'one-off' example.

The form that greater autonomy for East New Britain — or any provincial government — might take must be a form of autonomy that would be viable for Papua New Guinea as a whole, if every provincial government had greater autonomy. This is not an argument in favour of all provincial governments being given greater autonomy, but a criterion that must be applied, if any provincial government is to be given greater autonomy. It constitutes an important element of any research framework that is used to analyse requests for greater provincial autonomy.

Government-to-Government Negotiations or National Policy

If a decision is made to retain the provincial level of government, and it is determined that differential powers are to be devolved to provincial governments, the treatment of the East New Britain proposal raises the issue of the procedure for defining greater autonomy. The documents that have been prepared by the East New Britain Provincial Government are defined explicitly as a basis for negotiating the detailed provisions of autonomy, one-on-one, with the national government.

It is important to ask if government-to-government negotiations, as exemplified in the Bougainville Agreement, are appropriate in the case of East New Britain, especially as it will serve as a precedent for other provincial governments that make requests for greater autonomy. If this approach is adopted as the means to implement a policy of asymmetrical decentralisation through the differential devolution of powers, it implies that separate government-to-government negotiations will be required for each application for greater autonomy. Does the Government of Papua New Guinea wish to negotiate different levels of devolution of powers to different provincial governments on a one-by-one basis? The time and resources that will need to be devoted to these negotiations would impose a great burden on national and provincial personnel and resources.

If a decision is taken to provide for different levels of provincial autonomy, the demands on time and resources that individual negotiations would require suggest that it would be advantageous to consider the adoption of a single national policy on differential devolution. The adoption of such a policy would not only avoid the political bargaining that will inevitably characterise government-to-government negotiations, but also reflect the fact that Papua New Guinea is a unitary state, not a federal state, where the national government has the authority to decide unilaterally on the distribution of powers.

Such a national policy on differential devolution would ensure that the national government preserved its capabilities to determine national priorities. This policy would include elements which would be used to evaluate any request for greater autonomy by a provincial government. For example:

- a single process for assessing requests for a greater devolution of powers;
- an institution and a procedure for evaluating requests for a greater devolution of powers;
- a model which will apply to all provincial governments that seek a greater devolution of powers; and

- a set of criteria to determine if and when greater powers should be devolved to a provincial government that is seeking greater autonomy.

The adoption of a national policy on differential devolution offers a number of advantages, if Papua New Guinea decides to provide a means for provincial governments to have greater autonomy. The creation of an institutional structure to consider applications for greater autonomy would eliminate the piecemeal granting of autonomy on the basis of short-term, political trade-offs, which have marked previous changes in the decentralised system. It would also reduce the demands on time and resources that case-by-case negotiations would require.

The adoption of clear criteria in order to be considered for greater autonomy would have the advantage of removing a major decision on governmental restructuring from the everyday vicissitudes of national-provincial politics. It would provide an incentive for provincial governments to improve capacity and performance to qualify for greater autonomy. Perhaps, most importantly, it would allow the Government to retain control over national priorities and overall macro-economic policy, including the redistribution of resources towards areas of greatest need.

This approach views the concept of autonomy not as a specific **condition** related to a particular provincial government, but rather as a **process** of differential devolution should Papua New Guinea decide that a system of asymmetrical decentralisation would better respond to the conditions of Papua New Guinea, and that such an arrangement would better satisfy the criteria of good governance. If the Government decides to retain provincial governments, and if it deems that it should consider a system of asymmetric decentralisation, the ultimate decision on this policy should be supported by evaluation based on rigorous research on the desirability of adopting a national policy of differential devolution of powers to provincial governments.

The essential research underlying the evaluation of greater autonomy should be carried out within a research framework that has been adapted to the analysis of this proposal. The research framework would include:

- a brief history and background of the proposal, including its basic elements and reasons for the submission;
- the broad issues raised by the proposal relating to the retention of provincial government as a political level of government and the question of asymmetrical decentralisation;
- the research questions which need to be addressed in order to assess the proposal with respect to the principles of good governance; and
- the resources required to carry out the research.

CHAPTER 3: FINANCIAL REFORMS AS A PLATFORM FOR THE RESTRUCTURE OF DECENTRALISED GOVERNMENT

Introduction

At its first sitting in 2007, the National Parliament unanimously passed the first of two required votes to adopt a new organic law, which would create new funding arrangements for provincial governments. This achievement was the culmination of years of work under the rubric, ‘the Review of Intergovernmental Funding Arrangements (RIGFA)’ by the National Economic and Fiscal Commission (NEFC). To enable the implementation of these new arrangements to proceed, the organic law must be passed a second time, at a separate sitting of the parliament, by a required two-thirds majority. Historically, the reform of intergovernmental financing arrangements has been the greatest challenge in improving the decentralised system of government in Papua New Guinea.

The significance of the accomplishment represented by the NEFC review arrangements is even more impressive when viewed in this light. The implementation of these reforms and the provisions contained within them should be taken as given, in the consideration of the broad restructuring of decentralised institutions. The challenge is to accept the NEFC reforms as the platform on which changes will be adopted, while not ruling out the incorporation of any of the other possible options.

The approach adopted by the NEFC in carrying out the RIGFA reforms allows the funding arrangements to serve as the financial basis for virtually any formal governmental structure. The adoption of the principle that ‘funding follows function’ permits the determination of the actual activities which are involved in delivering governmental services to the people of Papua New Guinea. A comprehensive inventory of these activities and a detailed account of the actual costs of carrying them out provide the basis for the calculation of the levels of funding required to deliver essential governmental services. Rather than being based on an arbitrary figure of per capita funding for recurrent costs of service delivery for each provincial government, the RIGFA proposals are grounded in a rigorous empirical analysis of the cost of meeting the needs that are to be serviced by provincial, district, and local-level governments (National Economic and Fiscal Commission 2007).

Based on the foundation of combining the principle of ‘funding follows function’ and the data on the cost of functions, the NEFC studies calculated the cost of carrying out the delivery of services to the level of government charged with carrying them out, and compared this cost to the actual funding provided to that level of government. On this basis, it calculated the extent to which financial capacity met needs, developed a set of financial arrangements designed to increase the ability to meet those needs, and provided a formula to redistribute these increases to the provincial governments that fell short of adequate funding by the greatest margin.

The various proposals that are currently being considered as possible alternatives to the existing system of decentralisation vary considerably, and in some cases are contradictory. This paper does not intend to reconcile these different options. Its

purpose is to demonstrate that the immediate implementation of the RIGFA reforms does not pre-empt the adoption of any of the other proposals, and does not need to be delayed until the broader restructuring process is completed. For the first time in the reform of intergovernmental financial relations in Papua New Guinea, the funding arrangements can serve as a foundation on which the other reforms can be built.

Given the wide range of proposals for reform that are currently under consideration, it is useful to indicate how each of these options can be effectively integrated into the NEFC financing arrangements, and how the apparent contradictions in these proposals can be overcome. The examination of the general characteristics of these proposals provides a basis for understanding how the RIGFA proposals can serve as the funding basis for each of them. The proposals range from technical adjustments, to the radical modification of existing structures.

Amendments to the Existing System Proposed by the DPLGA

The proposals which comprise the NEFC reforms were developed between 2002 and 2007, within the decentralised arrangements that had been established in the 1995 reforms. As these structures comprised the 'platform' on which the reforms were conceived, they do not pose a fundamental obstacle to the implementation of the RIGFA proposals.

During 2006 and 2007, the Department of Provincial and Local Government Affairs (DPLGA) organised corporate planning workshops in several provinces and identified a number of provincial management issues that were impeding the effective functioning of the provincial administrations. Given the administrative nature of these issues and the necessity to consult with provincial governments on these matters, amendments were not proposed. Other issues, such as those arising from the adoption of the *District Authorities Act*, and other amendments relating to provincial management were left to the broader review of decentralisation.

In 2007, the DPLGA produced a report containing a list of 'technical' amendments to be made to the existing OLPGLLG, in order to 'clean up' inconsistencies and inaccuracies, and suggested several other issues to be considered at a more fundamental level (Department of Provincial and Local Government Affairs 2007). The report contains forty recommendations that fall into three categories:

- those relating to proposed amendments to the OLPGLLG dealing with the NEFC reforms to the intergovernmental finance system and constitutional defects in Division 8;
- those that can be addressed through legislative amendments and/or administrative changes, including several aimed primarily at improving service delivery; and
- those that require further research.

There is no inherent contradiction between the new intergovernmental financing arrangements and the amendments proposed by the DPLGA. Both were conceived as changes to be effected to the existing decentralisation arrangements. The DPLGA amendments take into account the proposals contained in the RIGFA. As the

existing OLPGLLG arrangements will remain in effect until the more detailed consideration of the restructure decentralised government, it would be appropriate to adopt the RIGFA reforms **and** the DPLGA amendments.

Establishment of District Authorities

In 2006, the National Parliament adopted the *District Authorities Act*, which had been introduced by the then Leader of the Opposition, Peter O’Neill. The goals cited in support of the proposal included attaining a higher level of efficiency in government and public sector management, human resource use, and the delivery of goods and services within a deliberately structured approach. O’Neill maintained that the Act provided for the creation of a dynamic district administration structure within which local-level governments could participate in development, policy making, and wealth sharing, with the intention of providing the means for effectively coordinating national development goals and objectives with those of the districts (O’Neill 2006).

The purpose of the *District Authorities Act* was to create a new institutional structure at the district level within the provinces. For each district, a district authority would be established to formulate policy, determine budgetary priorities, and oversee the implementation of policies related to the development of infrastructure and the delivery of services to the people.

The Act was intended to provide for the elevation of local-level government capacity to articulate and construct sustainable development initiatives for their respective districts or local-level government areas. The Act was envisaged as a means to achieve greater participation and a feeling of ownership of development policies and initiatives by district and local-level government decision makers. The initiative was designed to provide for the active and direct participation of people in the process of effective and efficient government, and to provide opportunities for the people, institutions, and interest groups who are at present excluded from the decision-making process, or have been marginalised in the development process.

The adoption of the Act was a response to the perception that the multi-tiered system of delivery of public services and national development programs was not responsive to the people’s or the nation’s development, and that gainful wealth-generating opportunities have to be made more accessible. It was seen as a response to the need for an appropriate administrative infrastructure.

District authorities were seen as enabling administrative structures, to ensure the wise use of public funds for social and economic development projects that would maximise the living standards of the people within defined district boundaries or open electorates. It was envisaged that the administrative structure which accompanied the establishment of district authorities in each open electorate would remove cumbersome provincial bureaucratic red tape, political preferences and biases, and other systemic flaws that, in the past, made it impossible to attain the efficient delivery of basic life support and development services. The initiative was intended to improve the delivery of goods and services, engender good governance, lead to the accountable and transparent distribution of public wealth, and bring development opportunities and public investment programs directly to the people.

The *District Authorities Act* was designed to modify the existing structures under the OLPGLLG, and create new institutions at the district level, within the present arrangements. While district authorities might be seen as being in conflict with existing arrangements for determining budget priorities within the provinces, they do not affect actual arrangements for funding provincial governments. Consequently, the implementation of the RIGFA reforms would neither conflict with, nor impede, the operation of district authorities, if they are eventually established.

Abolition of Provincial Governments: The PSRAG's Proposals

The elimination of the provincial level of government altogether is one of the most drastic proposals for changes to the existing system of decentralised government. From the time of the establishment of provincial governments, there has been debate over the very desirability of decentralised government. One position argues that provincial governments are inefficient, wasteful, and corrupt, and that their very existence is the major reason for the decline in the delivery of governmental services. The essence of the argument is *post hoc ergo propter hoc*; that is, services have declined since the establishment of provincial governments. Therefore, provincial governments are the cause of the decline in services.

The Public Sector Reform Advisory Group (PSRAG) Report on the reform of provincial governments contains one of the strongest arguments for the elimination of government at the provincial level. It takes the position that the decentralised system of government in Papua New Guinea is too complex, and has poorly defined functional responsibilities, which result in a declining ability to deliver services. Provincial governments are not popularly elected, resulting in government that is not responsible, or responsive, to the people, and an administration that is not sufficiently accountable. The report argues that the three-tiered governmental system should be replaced with a two-tiered system — the national and the local government levels. Provincial governments should be abolished.

The 1995 reforms and the OLPGLLG were ill-conceived, poorly implemented, and inadequately supported. The report states that it was a mistake to make district boundaries coincide with electoral boundaries, and that this arrangement should be changed to boundaries that contribute to administrative effectiveness. The report places a strong emphasis on increasing the capacity of local-level governments by providing them with sufficient finance and support (Public Sector Reform Advisory Group 2006).

Although, it might seem that a proposal to eliminate the provincial political level of government would be in conflict with the NEFC reform of the provincial financing arrangements, there is no contradiction that would preclude the implementation of both reforms. Thus, the implementation of the RIGFA proposals will neither pre-empt the debate over the elimination of provincial government, nor preclude the adoption of the PSRAG proposals.

Two fundamental underlying characteristics of the RIGFA proposals contribute to their adaptability to a decentralised system that is not characterised by political institutions at the provincial level. Although funding under the arrangements is allocated to *provincial governments*, the important principle underlying the funding

is that it is destined to serve the population of a specific province. Under the present arrangements, provincial governments are the structures that are given the authority to receive and allocate the funding. The second principle on which the RIGFA proposals are founded is 'funding follows function', where the financing of activities is provided to the particular institution responsible for carrying out those activities.

In the absence of provincial governments, the funding of activities previously carried out by provincial governments could be directed to the institutions assuming those responsibilities, be they national departments with provincially-delimited responsibilities, administrative institutions at the provincial level, district authorities, or local-level governments within each province, as proposed in the PSRAG Report. The funding that is now provided to a particular provincial government would be provided to the appropriate institutions which assumed the delivery of services in that province.

These institutions would then be funded on the basis of need, ensuring that all citizens had equal access to services. These observations should not be taken as support for the elimination of provincial governments, but rather as an argument that the implementation of the NEFC reforms should not be deferred on the grounds that they prevent discussion of the possibility of adopting reforms proposed in the PSRAG Report.

Greater Provincial Autonomy

The East New Britain Provincial Government is actively pursuing a greater degree of autonomy within the decentralised system of government. The East New Britain proposals are the most advanced among those of several provinces which aspire to the same status of greater autonomy. Extensive preparation at the provincial level has been followed up at the national level in the form of a proposal that was prepared and submitted to the National Executive Council on 23 August 2004.

The preparation of the request by the East New Britain Provincial Government to be granted greater autonomy was undertaken within the structure of the existing system of decentralised government in Papua New Guinea. It is clear that any form of provincial autonomy would be incompatible with some of the competing proposals for the restructure of decentralised government, such as the complete elimination of provincial governments. However, where political institutions are retained at the provincial level, a policy of differential levels of autonomy is feasible, and is not inherently incompatible with the NEFC reforms.

The focus is neither on the compatibility of the East New Britain proposal with competing models of reform, nor the desirability of a decentralised system with different levels of devolution of powers to different provincial governments. It is on the extent to which an asymmetrically decentralised system can be accommodated within the reform of financing arrangements contained in the RIGFA proposals. The issue is not whether the specific aspects of the East New Britain proposal can be accommodated, but whether Papua New Guinea wishes to create a system of

asymmetrical decentralisation, where different powers are accorded to different provincial governments.

Instead of framing the issue as one where some provincial governments have more autonomy than others, it is more useful to see it as the differential devolution of powers to individual provincial governments. If the East New Britain proposal is taken as the first example of devolving greater powers to provincial governments within a larger national policy of differential devolution, it can be a model for future such requests, within a framework that is accommodated under the new financing arrangements proposed by the RIGFA.

Greater provincial autonomy should not be taken to automatically mean having access to greater financial resources, and the East New Britain proposal should not be construed that way. Previous initiatives to grant greater autonomy to provincial governments were conceived as a means of giving greater control over the allocation of resources to provincial governments that already had access to considerable resources, and possessed the capacity to allocate those resources in a more effective manner. Greater autonomy generally still means more control over the sources and allocation of funding, not necessarily more or larger grants, new taxing powers, or a greater proportion of rebated taxes. The greatest possible contradiction between greater autonomy and the new financial arrangements is that provincial governments with greater autonomy might seek a larger portion of the available funding for national and provincial government activities, thus making it impossible to achieve the redistributive goals of the NEFC reforms.

If the East New Britain request is treated as an opportunity to develop a national policy on the devolution of powers, within asymmetrical decentralisation, rather than the first of a number of 'one-off' requests, it could be accommodated within the NEFC reforms. However, if the Government of Papua New Guinea decides to adopt a policy of differential devolution of powers to provincial governments, the East New Britain model could serve as the basis for developing criteria, procedures, and institutions for a national policy on the devolution of greater powers to provincial governments.

The research and principles underlying the NEFC studies on provincial government funding and expenditure provide a basis for developing such a policy. For example:

- the research underlying this work provides data on the detailed costs of provincial government activities;
- the principle of 'funding follows function' provides the basis for increasing the funding of a provincial government when control over new activities is transferred to it; and
- the overall provisions for providing equalisation funding for all provinces provides the financial parameters within which any provincial government could contemplate acquiring control over additional activities, without compromising the ability of the national government to fund the decentralised system.

If it is clear that Bougainville's autonomy **cannot** serve as a model for any other provincial government, it can also be asserted that the granting of greater autonomy to East New Britain must be in a form that is potentially a model for every other provincial government seeking greater autonomy. It must take a form which would ensure that, if every provincial government had that level of autonomy, Papua New Guinea would still be a viable functioning state, and the national government would be able to fulfil its responsibility of overall macroeconomic control, including the ability to fund the equalisation policies set out in the RIGFA proposals.

Under a national policy for differential devolution, provincial governments could qualify for control over the allocation of greater amounts of funding, without necessarily receiving larger grants or retaining a greater amount of derived revenue — both of which could compromise the equalisation elements of the NEFC reforms. Provincial governments could qualify for greater autonomy by meeting certain standards of organisation, capacity, and performance, which would demonstrate their ability to effectively exercise autonomy. A basic qualification criterion for autonomy would be the demonstration that the provincial government is managing the funding, over which it currently has control, in an effective and efficient manner. This could easily be achieved by reducing the amount of misappropriation and corruption, in addition to reallocating funds from high administration overhead costs towards the funding of service delivery.

Another performance criterion could be the application of funds from the Provincial Support Grants and District Support Grants to the funding of provincial services, where it could be directed towards the activities and areas that are most in need. In this way, meeting the performance criteria for greater autonomy could also serve the equalisation goals of the NEFC reforms. Additional funds would be directed towards provincial needs, as determined by the provincial government, which would reflect the essence of greater autonomy. This would help to dispel the perception that greater autonomy involves additional grants from the national government, which implies the opposite of autonomy — greater dependence. As part of this criterion, provincial governments seeking greater autonomy would be encouraged to direct more funding to the sectors that need it most. This would further reduce pressures to divert funds from national equalisation needs in order to fund greater autonomy.

If Papua New Guinea is to adopt a policy regarding the differential devolution of powers, it should do so within a broader framework of asymmetrical decentralisation in the form of the differential devolution of powers, whereby different degrees of control over specific activities are devolved for individual provincial governments. The provisions contained in the RIGFA proposals can ensure that a realistic, workable autonomy framework is adopted within the financial constraints of a viable funding system for provincial governments, where the principles of 'funding follows function' and greater equalisation are respected.

The RIGFA proposals contain a number of mechanisms to specifically address calls for increased autonomy. For example, provincial governments are able to negotiate with the national government to perform additional responsibilities. Provincial governments can also enter into an agreement with the national government that

would provide greater provincial budgetary freedom for those that have illustrated the capacity to manage their budgets well.

From these observations, there is no apparent reason to defer the full implementation of the RIGFA proposals pending a decision on the request for greater autonomy from the East New Britain Provincial Government. Conversely, in order for the decision on East New Britain's request for autonomy to be considered within the larger issue of a national policy on differential devolution, a final decision on that request should be made only after the consideration of such a national policy on differential devolution can be undertaken, within the broader proposals for the restructure of decentralised government in Papua New Guinea.

New Provinces of Hela and Jiwaka

One of the fundamental changes to be proposed in the existing decentralised system, since the creation of the Autonomous Region of Bougainville, is to create two additional provinces in the Highlands Region. Consideration is being given to the creation of a separate province of Jiwaka out of Western Highlands Province, and a separate province of Hela out of Southern Highlands Province. Both of these proposals have been advanced by interested parties, and have been given encouragement by promises of support by national politicians.

Of all of the proposals for the reform of intergovernmental relations currently under consideration, the creation of these two new provinces stands out as the policy initiative that has been subjected to the least amount of scrutiny within the criteria of good governance. Also, it is the most difficult of all of the proposals to reconcile with the NEFC reform of intergovernmental financial arrangements.

The equalisation provisions of the RIGFA proposals are spatially based on existing provincial boundaries. Even without provincial governments (in a district-based system of decentralisation), the districts within the boundaries of a province would define the territory to be served. The fundamental change in boundaries that is inherent in the proposals to create two new provinces would require a recalculation of the needs which form the basis of the equalisation formula.

The new financial arrangements might arguably be compatible with the creation of administrative and political structures on new provincial boundaries, with funding based on the distribution of districts within those boundaries. Although this would be cumbersome, it would not be an impossible task. More problematic is the basis for calculating derived revenue and transferred taxes, which comprise part of the funding sources of provincial governments.

One of the major motivations for a Hela province is the argument that it should receive revenue based on the rich mineral deposits which are currently shared with the entire Southern Highlands Province. The implementation of the creation of additional provinces would necessitate a reorganisation of the entire structure of the financing arrangements contained in the NEFC reforms.

The proposal to create the provinces of Hela and Jiwaka is a classic example of 'constitutional tinkering', which is a piecemeal approach where specific individual

changes are made to fundamental laws, based on short-term, narrowly-based interests that are founded in political expediency. Such changes do not take into account any implications beyond the political *quid pro quo* that is involved in the promise to grant concessions in exchange for political support. The problem is that the content of these policy decisions has been determined on the basis of narrow political bargaining, rather than on the broader concerns of good governance, and often without the slightest attempt to understand the implications of the change beyond the immediate political considerations.

The proposal to create the new provinces of Hela and Jiwaka has not been considered in relation to any criteria of good governance, such as the underlying capacity to carry out the responsibilities of provincial government, the impact on service delivery, the performance of existing structures, and so on no formal assessment has been made of their impact, in the larger context on the Western Highlands Provincial Government, the Southern Highlands Provincial Government, and other provincial governments, or the national government's capacity to meet its own fiscal responsibilities. The inclusion of these factors is essential for any responsible consideration of policy changes of this fundamental nature.

It should be clear from the earlier discussion that deferring the implementation of the RIGFA proposals, so that they can be reconsidered in light of an eventual decision to create additional provinces, is not advisable. Rather, any consideration concerning the creation of the Hela and Jiwaka provinces should be deferred until it can be evaluated within the larger context of the restructure of decentralised government, including the new financial arrangements.

Direct Funding of Districts

Although there is no formal proposal for the rebuilding of decentralised governments on the model of direct funding of districts, there are advocates of this approach. In one sense, it could be seen as the logical extension of the trend in the evolution of decentralised government in Papua New Guinea that was embodied in the 1995 reforms. The adoption of the OLPGLLG signalled a victory for national politicians over provincial politicians, with the control over the allocation of provincial funds coming under the influence of national Members of Parliament.

The most transparent of the elements of this trend was the adoption of the Electoral Development Authorities, and it was further extended by the statutory obligation to pay funds to Members of Parliament (MPs) in the form of Provincial Support Grants and District Support Grants. This move received further impetus in the 2007 Supplementary Budget which provided an additional K10 million to each Member of Parliament. Along with the elimination of directly elected provincial legislatures, and the domination of district and provincial priorities committees, national politicians have further increased their dominance in provincial affairs.

As the portion of total government spending is paid directly as increases for Members of Parliament, there will be fewer resources to allocate to other national and provincial priorities, including the financing provisions of the NEFC reforms. If current trends continue and these allocations increase, it is conceivable that direct funding to Members of Parliament could come to dominate the funding of provincial

governments, which would effectively undermine the goals of the NEFC reforms. The direct allocation of funds to MPs is determined neither on the basis of need, nor according to the principle of ‘funding follows function’.

There is no assurance that the funds will be used to address any shortcoming in the delivery of services, as the temptation to distribute the monies in a politically advantageous manner is strong. Many new projects will appear, while basic services will decline. The amounts are not based on per capita amounts, but are paid equally to each MP. The distribution of funds is based solely on expediency—when one MP gets a certain amount, all MPs want to get the same amount.

The way that the direct funding of electoral districts through Members of Parliament is currently implemented violates some of the fundamental principles of good governance, and conflicts with the goals of the NEFC reforms. There is an inadequate system of accountability of these funds, and they serve to further blur the line between policy making and policy implementation. The basic goals of stabilisation, equalisation, and development, which were painstakingly crafted into the RIGFA proposals, are undermined to the extent that direct district and provincial funding to MPs assumes larger proportions. As they now stand, these funding arrangements do not conform to the principles embodied in the RIGFA, and to the extent that they are expanded, they will further undermine these reforms.

In spite of the contradictions between the NEFC reforms and the direct funding of MPs, it is possible to envisage modifications in the district funding arrangements that could be compatible with the implementation of the RIGFA. Fukuyama (2007) argues that, given the political realities of Papua New Guinea, it is unrealistic to hope for the immediate abolition of direct funding of districts through Members of Parliament, but that it is feasible to envisage the modification of these arrangements.

Certain modifications could be put into effect that would make the direct funding of electoral districts more compatible with the NEFC reforms. The essential move would be to subject these allocations to the most stringent accountability procedures to reduce the potential for misappropriation and corruption, including the requirement that they be channelled through the provincial budgeting process, along with all other sources of funding. This would imply that these funds should be included in the resources that are allocated to the priorities that are determined by the provincial and district administrations, rather than by individual MPs.

A second move — admittedly more difficult to achieve politically — would be to allocate at least some portion of these direct grants on the basis of the NEFC criteria of greater funding towards provincial governments that have greater need. While these modifications might reduce some of the shortcomings in direct provincial funding through electoral grants, more extensive changes are needed to make them compatible with the central principles of the NEFC reforms. The payment of equal direct grants to all MPs violates both the equalisation principle of directing more funding to where there is greater need, and the principle of ‘funding follows function’. Although the move would face formidable political resistance, the replacement of equal grants to each MP, with grants whose calculation took into account relative need, based on NEFC criteria, would allow these funds to support, rather than undermine, the central thrust of the RIGFA.

One incentive that might help overcome political resistance to the proposals already outlined here would be to link the granting of greater provincial autonomy to the meeting of performance criteria which would include the allocation of direct provincial funding according to the principles of good governance. The addition of electoral district grants to the total funding available to a provincial government would provide additional resources to be allocated to provincially-determined priorities, as part of the greater autonomy of that provincial government.

Concluding Remarks

The purpose is not to advocate the adoption of any one or several of the proposals discussed here. Rather, it is to demonstrate that, although these proposals may be contradictory to one another, none are inherently incompatible with the RIGFA reforms. There is no attempt to argue that there are no fundamental contradictions between any particular proposal and the NEFC reforms, or that no conceivable amendments to the decentralised system are incompatible with the RIGFA.

The purpose is to show that the RIGFA reforms are so important that they should not be delayed because of their possible incompatibility with any of the other current proposals for constitutional reform. Some proposals may be difficult to reconcile with the RIGFA proposals, such as the creation of new provinces. However, these proposals need to be considered within the context of the requirements of good governance, and should take the RIGFA proposals as given, and work within that context.

There are compelling reasons for structuring any further reforms to decentralised government around the RIGFA proposals. The extensive work of the NEFC has ensured that these proposals have been:

- built on fundamental principles of fiscal decentralisation;
- based on detailed research on the needs of the people of Papua New Guinea;
- constructed in such a way as to respond to the basic goals of decentralisation in Papua New Guinea; and
- rooted in strong political support, which has been developed through effective consultations.

The NEFC reforms are an invaluable contribution to the improvement in the funding of basic services for the people of Papua New Guinea. The reforms respond to the original goals of funding decentralisation — *stabilisation, equalisation, and development*. The principle of stabilisation is served by basing the amount of funding for delivery of services on the actual cost of delivering those services. The principle of equalisation is served by providing for the redistribution of the amounts of funding according to the greatest needs. The principle of development is served by providing for increases in the level of funding to recognise the growing needs of the people.

The conclusion to be drawn from this analysis is that the NEFC reforms should be adopted as the basis for all further reforms of decentralised government, and that their formal adoption should not be deferred. Their implementation will not eliminate the consideration of any of the options currently under consideration or likely to be

considered in the restructure of decentralised government. The RIGFA proposals, as developed by the NEFC, should serve as the centrepiece of future reforms, with other options that may be adopted being tailored to these reforms. The essence is to adapt the political structure to the financial arrangements, **not** to adapt the financial arrangements to the political structure of decentralisation. Previous attempts at reform were based on the contrary proposition that funding arrangements should be adapted to administrative and political reforms.

Building on the NEFC reforms is not only a desirable option because of the inherent value of the RIGFA arrangements, it is eminently feasible because of the way these reforms have been developed. Funding is based on the functions being carried out, at whatever institutional level, and needs have independently been determined on the spatial basis of whether these needs are funded by institutions at the local, district, provincial, or national level. Needs have been determined on the basis of activities carried out within the territory of a particular province, and financial resources can be directed to the institution carrying out the activity that requires funding. The ability to tailor other reforms to the RIGFA proposals lies in these characteristics of the reforms. The new funding arrangements:

- are not tied to any particular institutional structures;
- do not require political or legislative institutions at the provincial level;
- do not require a system based on symmetrical decentralisation; and
- are compatible with a system that is based on administrative decentralisation.

In conclusion, it is important to stress that any proposal for the restructure of decentralised government must be assessed according to the criteria for good governance. Every proposal must be examined in order to determine what it aims to accomplish:

- Is it an appropriate goal?
- Is it likely to achieve the goal?
- What is its impact on the immediately interested party?
- What is the impact on other provincial governments?
- What is the impact on the overall process of government in Papua New Guinea, including the broader goals of the national government?
- What is the likelihood that there is the capacity to implement a particular reform?

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CHAPTER 4: A Research Framework for the Evaluation of Policy Options Related to the Restructure of Decentralised Government

Introduction

This paper builds on earlier discussions published by the National Research Institute on National and Subnational Governance, as part of its contribution to the reform of intergovernmental arrangements in Papua New Guinea (Gelu and Axline 2008). The earlier research underlined the importance of evaluating policy options for the reform of intergovernmental relations within a single coherent structure.

This paper focuses more on the process of policy evaluation, and the necessity for analysis to be founded on a strong basis of rigorous empirical research. Research-based analysis is an important element of any policy evaluation, and is particularly crucial when a wide range of competing options are being considered for the restructure of decentralised government in Papua New Guinea. The various sections of this paper emphasise the importance of research-based policy evaluation, indicate the relevant criteria for the evaluation of different options, and provide an indication of the essential elements of a framework for research on the range of options.

The general research framework that has been developed will be fleshed out and supplemented by the elaboration of a specific research framework tailored to the evaluation of each option, along with an indication of the resources required to carry out that research. The results of the research generated within this framework will provide the basis for policy recommendations.

Current Initiatives

On 1 September 2007, the National Executive Council (NEC) approved a decision which, *inter alia*, directed the Minister for Inter-Governmental Relations to prepare a policy option paper on restructuring provincial government (NG4/2007.9). In response to this directive, the Department of Provincial and Local Government Affairs (DPLGA) proposed the creation of a ministerial committee and an advisory group on the restructure of decentralised government. The advisory group's proposed membership included a representative from the National Research Institute (NRI)

In January 2008, the NEC established a taskforce on government and administration to undertake a series of governmental reforms, including the restructure of decentralised government in Papua New Guinea. The taskforce is to look into a broad range of proposals for amending the existing arrangements, with a view to improving the delivery of basic services to the people of Papua New Guinea. The need for a major restructure of the existing arrangements is widely acknowledged. There is general consensus that the reforms which were implemented with the adoption of the 1995 Organic Law on Provincial Governments and Local-level Governments (OLPGLLG) did not bring about any improvement on the previous arrangements, and led to additional problems. In the intervening period, several proposals for the amendment and improvement of the system have been advocated, but no single policy process for the restructure of the system, as a whole,

had been initiated, until the creation of the taskforce early in 2008. The recently appointed taskforce aims to do that.

If the present moves to restructure decentralised government are to succeed, they must avoid the mistakes that have marked virtually all previous attempts to improve the system. One of the major shortcomings of past reform efforts has been that the proposals did not take into account the findings and results generated by earlier reform efforts. At times, different proposals have been channelled through separate departments, resulting in competing, and often incompatible policies being considered or adopted.

All of this has contributed to an incoherent policy process, which has led to changes that have been ineffective or have worsened the situation. A recently published annotated bibliography, which contains the official and unofficial documents relating to previous reform efforts, aims to correct this shortcoming. This bibliography includes a survey of the literature on the reform of intergovernmental relations, and provides an important historical background which is designed to provide a basis for evaluating the current options (National Research Institute 2008).

Initiatives for Restructuring Decentralised Government

The context in which the present initiatives for the restructure of decentralised government are being undertaken reveals the potential for creating a great deal of confusion and incoherence in the policy process. Proposals for change have emanated from a variety of sources, including the Leader of the Opposition in the National Parliament, individual provincial governments, quasi-official study groups, and formal processes for amending the arrangements within governmental agencies.

In addition to the proposal for a restructure of decentralised government emanating from the DPLGA, the Public Sector Reform Advisory Group (PSRAG) is independently pursuing the adoption of wide-ranging proposals that would, *inter alia*, eliminate the provincial level of government altogether. Other proposals to consider the creation of additional provinces of Hela and Jiwaka are being entertained, and the East New Britain Provincial Government is pursuing greater autonomy, which is being channelled through the Office of Autonomy and Autonomous Region (East New Britain Provincial Government 2004).

Recommendations relating to the means for incorporating each of these proposals into a single integrated policy process can be found in papers that have been produced by NRI's Research Program on National-Subnational Governance. These proposals vary from the redesign of the funding arrangements by the National Economic and Fiscal Commission (NEFC), and a comprehensive overhaul of the system in the PSRAG report, to very specific requests from provincial governments or individual districts on the part of East New Britain, and Hela and Jiwaka, respectively. This paper elaborates on the earlier argument that a single coherent policy process is essential for the proper evaluation of the various options proposed for the restructure of decentralised government, and sets down a research framework for evaluating the various options that are currently being considered.

An earlier paper argued for the establishment of a clear policy framework to address the underlying problems related to decentralisation and evaluate the policy options that are to be proposed as solutions to these problems. This paper introduces the essential elements that must form the structure of the research required for the evaluation of policy options relating to the reform of the provincial government system. This framework will provide a basis for developing specific research projects to evaluate the advantages and disadvantages of the various proposals. In addition, it will serve as the foundation for the design and implementation of research projects for evaluating the wide array of the current policy proposals.

Evaluating Policy Options

The first step in evaluating a policy proposal is the consideration of the details with respect to its origin, purpose, and constituent elements. Every policy option has a specific purpose, which is either to solve a particular problem or create a particular benefit. The goals of the option must be explicitly stated in order to make a *prima facie* judgment as to whether the proposal will deliver the intended benefits. Often, the plausible benefits of a proposal are expressed in terms of broad goals, such as the improvement in the delivery of services, without any clear indication as to how the changes are linked to the achievement of those goals. The logical relationship between the policy proposal and the generation of the benefits claimed for that proposal must be clearly set down. There must be a reasonable expectation that the proposal will redress the shortcoming, or create the benefit claimed, regardless of the feasibility of its adoption.

A fundamental objective that underpins the evaluation of the different policy options is the desire to improve governance in Papua New Guinea so that the overall delivery of governmental services is enhanced. Each policy proposal should be evaluated in relation to the criteria of good governance, with respect to its ability to contribute to this enhancement. This requires that the policy evaluation takes place within a single, coherent policy process which considers each option, with respect to its consequences, not just for the immediate interest being served, but also for the broader impact at the local, provincial, and national levels. For example:

- the implications of each proposal at different levels;
- the consideration of the broad issues underlying each proposal; and
- the assessment of each proposal, with respect to the criteria of good governance.

Policy proposals which emanate from the provincial level, such as according of greater autonomy to provincial governments or the creation of new provinces, should have the criteria for judging the desirability of the proposal contained in the justification of the proposal. This justification will not only be debated on normative grounds, but must also be analysed in terms of its likely impact on generating the benefit for the affected provincial government, and whether the proposed changes will benefit the province. Empirical research is also required to assess whether the proposed changes are likely to result in the expected improvement at the provincial level, once adopted and implemented. This research must involve, *inter alia*, an assessment of the performance and capacity at the provincial level.

Consideration must also be given to the broader impact of any policy proposal. The evaluation of every policy option must be undertaken within a wider perspective, not just the immediate impact on the interested party. The consideration of greater autonomy for any provincial government, the creation of an additional province from an existing province, or any other reform for that matter, must be assessed with respect to its impact on all provincial governments, and its impact on the decentralised system as a whole. Only when a policy option has been evaluated within this larger perspective can it be assessed with respect to its impact on governance in Papua New Guinea, as a whole.

When individual proposals are considered in isolation and dealt with on a piecemeal basis, rather than within a single, overall, comprehensive, policy-making process, this important dimension of policy evaluation is lost. It is essential that carefully designed empirical research is carried out and executed within an appropriate research framework in order to assess the impact on the benefits and costs of any specific proposal at the local, provincial, and national levels.

In addition to the desirability of adopting a particular proposal, the likelihood of producing its claimed improvement, and the costs associated with its adoption, the evaluation of the option must also consider its feasibility. For example, do the various institutions and personnel involved possess the capacity to actually carry out the proposed reforms? It is essential to know that, if new responsibilities are to be granted to provincial institutions, they have the capacity to discharge them. It is equally essential to evaluate the ability of institutions, at the national level, to deal with any additional burdens or complexities that are generated by a particular policy proposal. For example:

- Do the new proposals for changes to the operation of provincial governments create additional administrative burdens on the national government?
- Are there conflicts or redundancies between proposed new arrangements and institutions that are in the existing system?
- Can the problem be addressed under current arrangements, without fundamental changes to the existing system?

The answers to these questions require investigation into the potential consequences of each proposal, as well as research on the capacity of the institutions and personnel to respond to these consequences.

Establishing a Research Framework

The earlier observations provide a guide to the kinds of questions that will form the basis of a research framework for the evaluation of specific policy reforms. The indications as to the different levels at which research must be carried out on the consequences of any specific proposal must be accompanied by an evaluation of the advantages and disadvantages of each option in comparison to alternative options.

The evaluation of competing options, particularly those that are directly contradictory and are based on radically different premises as to the direction that reforms should take, requires that the fundamental issues underlying the different premises be addressed as an integral part of the policy process. Even if these major

questions cannot be resolved at the outset, they must be recognised, discussed, and analysed as part of a coherent policy evaluation that is designed to resolve contradictions between conflicting and incompatible options.

Some of the most obvious issues to be addressed are raised by contradictions between the different proposed options:

- the request for greater autonomy by the East New Britain Provincial Government;
- the request to create additional provinces of Hela and Jiwaka; and
- the proposal by the PSRAG Report to eliminate provincial governments altogether.

The bigger issue underlying these proposals is whether there are to be provincial governments at all. If it is decided that provincial governments are to be retained as a major political level of government in Papua New Guinea, the underlying issues of the appropriate number of such governments, and whether they will all be endowed with the same powers must be addressed.

Making a decision on according greater autonomy to the East New Britain Provincial Government must consider the issue of whether Papua New Guinea wishes to create a decentralised system of government based on the differential devolution of powers and responsibilities to provincial governments. If the differential devolution of powers to provincial governments is considered desirable, the mechanism and criteria to be used to determine how devolution will be accorded must be developed. Among the most obvious issues are whether separate negotiations will take place between individual provincial governments and the national government for each case, or whether a national policy of differential devolution will be established to provide for the consistent implementation of the policy, within an established mechanism and according to set criteria.

These issues have not been addressed in previous reform proposals, which have been advanced on an *ad hoc* basis, without considering the broader consequences or the competing contradictory proposals. These issues must be addressed through a process of rigorous research on competing options before decisions are taken. The framework for research that must underlie the analysis and evaluation of the various policy options relating to the restructure of provincial governments will be based on the following basic principles of good governance, including:

- the appropriate characteristics of decentralisation to achieve development;
- the requirements for the operation of a functioning democratic state;
- the specific cultural, social, economic, geographical, and political characteristics of Papua New Guinea; and
- the background to decentralised government in Papua New Guinea.

These principles provide the basis for developing more detailed criteria for the analysis and evaluation of specific options that have been proposed for the restructure of decentralised government. Although these broad principles are relevant to the evaluation of any policy proposal, the research framework for each option will be designed around the criteria that are relevant to each proposal.

The ensuing research underlying the evaluation of policy options will be carried out within a research framework that has been adapted to each specific option. Research will be organised around each of the policy proposals, taking into consideration the wide range of problems and shortcomings that have been identified in the existing arrangements, as well as the proposed solutions to the problems with the present system. The research framework for each proposal will be structured to include:

- a brief history and synopsis of each proposal — where it is coming from, what are its antecedents, and who are its proponents;
- the detailed elements of each proposal — the problems it addresses, and the proposed benefits;
- the broad issues raised by each proposal — differential devolution, maintaining a level of provincial government, and so on;
- the research questions which need to be addressed in order to assess each proposal, with respect to the principles of good governance; and
- the specific research project that is required to carry out the research.

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