

Introduction

Background

Imbalances in Papua New Guinea's fiscal performance in the early 1990s resulted in a precipitous halt of government spending on goods and services in 1994. This was followed by an economic rescue effort by the International Monetary Fund (IMF) and the World Bank (WB), assisted by both Australia and Japan, in 1995–1996. The Economic Recovery Program (ERP) provided for government policy to redirect spending to the social sector, particularly in health and education. These events established a framework conducive to a health sector development program loan as part of the overall rescue effort.

The Health Sector Development Program (HSDP)¹ is the first sector-wide assistance program in health in Papua New Guinea. The policy-based loans were designed to support the implementation of the government's National Health Plan 1996–2000 and they reflected the reform process embodied in the *Organic Law on Provincial Governments and Local Level Governments* passed in 1995, adjusting and completing the process of decentralization begun after Independence. Implementation of HSDP coincided with the progressive institution of the National Health Administration Act (1997) and began in 1998.

The reform process initiated under HSDP introduced a framework, which established a working relationship between the National Department of Health (NDOH) and the provinces, in line with the *Organic Law on Provincial Governments and Local Level Governments*, and to which other Departments and government agencies are also party. Management innovations were instituted, creating an environment of greater transpar-

ency and accountability. Issues related to performance began receiving greater attention and public service officials have become increasingly responsive to governance issues. This is of fundamental importance in a country where public spending on health hardly translates into a larger supply of effective health services, due to inefficiency, poor accountability, and lack of transparency in public service provision.

The Land and the People

Papua New Guinea presents a challenging environment, with its rugged terrain, extreme population dispersion, complex land tenure systems, a serious peace-and-order problem, and poor human resource development.

Geography and Climate

The country forms the eastern half of the island of New Guinea, the world's second largest island. The western half of the island is the Indonesian province of Irian Jaya. The northeastern tip of Australia lies just to the south and Solomon Islands is to the east. It has a total land area of 461,691 square km, with the mainland making up 394,765 square km and approximately 600 smaller islands constituting the remaining 66,926 square km. The largest of these islands are New Britain, New Ireland, North Solomons and Manus.

The mainland is dominated by a rugged central mountain range running east to west that rises to 4,509 m at Mt. Wilhelm. Principal rivers include the Fly, Sepik, and Ramu that drain south, north, and east respectively. The Fly River forms a vast swampy delta plain in the southwest. The major islands are mostly volcanic in origin, with rugged relief and enclosed by coral formations. Volcanic and seismic activity is common along the north coast of the mainland and in the islands. Nearly three-quarters of Papua New Guinea is covered by dense tropical rainforests.

The climate is generally hot, humid, and wet the whole year. Temperatures are fairly consistent along coastlines, ranging from 25 to 32 degrees Celsius. In the Highlands, the temperatures are cooler, especially during the dry season. Rainfall averages 2,000 mm to 2,500 mm most of

which falls during the rainy season (December to March in most places). Some extreme rainfall areas (West New Britain, Gulf, Western provinces) receive as much as 9,000 mm. The *El Niño* climatic event can severely disrupt weather patterns in Papua New Guinea. Its 1997–1998 occurrence produced widespread drought that affected the Highlands and many islands and resulted in famine conditions for nearly a quarter of the population.

Language and Religion

PNG is noted for its cultural and linguistic diversity. Approximately 750 indigenous languages are spoken, each a defining characteristic of a clan. The principal lingua franca is Melanesian Pidgin, widely spoken in and around most urban centers in the country. Hiri Motu is spoken along the southern New Guinea coast. English is the language of education, administration, and commerce. It is not uncommon to speak three or four languages: *tok ples*, or one's mother tongue; Pidgin and/or Hiri Motu; and English.

Christian churches, both Protestant and Catholic, are widely represented and found even in remote villages. Indigenous religious beliefs and practices—often based on magic, the atonement of spirits, and the observance of taboos—coexist with western Christian beliefs. While Christian churches and missions have contributed substantially in developing health and education services, traditional values and practices predominate in every day life.

Population and Poverty

Based on final figures from the 2000 census, the total population as of July 2000 was 5,190,786, with males comprising 51.9% and females 48.1%. Forty-two percent of the population is under the age of 15. The average annual growth rate (1980–2000) is 2.7%. The Highlands region is the most populous with 38% of the total population.

A great majority of the population (85%) lives in the rural areas and the remaining 15% is urban-based. However, many urban dwellers return frequently to their villages for long stays and could be considered temporary residents. In an annual cycle of internal migration, a large propor-

tion of urban residents return to their native village during the months of December and January.

Among Pacific countries, Papua New Guinea's Human Development Index (HDI) is the lowest, and the poverty incidence, as measured by the Human Poverty Index (HPI), the highest.

A poverty study in 1996 concluded that:

- approximately 37% of the population lived below a poverty line of US\$350 per year (1996 prices);
- 93% of the poor lived in rural areas;
- the Gini coefficient of household expenditure (0.46) was high compared with countries of similar income levels;
- approximately 17% of the population cannot meet the basic requirement of 2,200 calories per day per adult equivalent, even if they spend all their income on food; and
- while overall literacy is assessed at 52%, 31% of males and 49% of females have never completed primary school.

Poverty and low levels of human development have an important gender dimension. Although it has improved over time, the gender-related development index is lower than the overall HDI at the national level and for all provinces. This illustrates that life expectancy, income, and educational achievements of women are universally lower than those of men. Although men and women have equal rights under the constitution, gender inequality remains a severe impediment to development and one of the most visible violations of human rights.²

Papua New Guinea Society

The more than 750 languages spoken in Papua New Guinea translate into as many different cultures. The high degree of ethno-linguistic diversity has a profound impact on the country's social and economic performance. It has been shown in particular that cross national variations in either under-5 or infant mortality is influenced negatively by the extent of ethno-linguistic differences within a country, whatever the level of public spending on health.³ Tribal fights and tensions are common, arising from disputes between clans over the control of resources. Studies⁴ have found that the control of public policy is less effective the higher a society's polarization and degree of social conflict, resulting in higher

public spending but a lower supply of public goods.

Civil society in Papua New Guinea is under pressure to change. The country is rapidly adapting to the modern world, but most of the population still live in small villages on subsistence farming. There is a stark contrast in living conditions, cultural attitudes, and the level of development between most rural areas and the western type of environment in the major cities. The speed of change imposed on rural communities in just one or two generations are beyond any comparison with the speed of changes that have occurred in the industrialized countries or even many other developing nations.⁵

Central to Papua New Guinea society is the sense of obligation to and the broad responsibilities for the extended family. Assistance or help is given as a duty but also with the understanding that equal value is owed and will be returned. Contributions, for example, towards bride price, death feast, school fees, and construction—in currency or in kind—are entered into a spoken, unwritten ledger shared among clan members. The intricate web of mutual obligation and the opportunity for some to achieve high standing is the foundation of the *wantok system*.

In most traditional settings, the *wantok system* provides for an egalitarian sharing of wealth and responsibilities. It provides a safety net not unlike social security but with strong community obligations. While the *wantok system* procures advantages for the clan, it often does so at the expense of modern social and professional obligations, which go beyond the boundaries of one's extended family or clan. In particular, "the concept of common good does not seem to have taken root in the culture."⁶

In the political arena, the *wantok system* undermines the democratic process as many candidates run not on the basis of a political platform but rather on the promise of future wealth shared. In the public service, the *wantok system* leads to much conflict of interest and nepotism. The obligations to the clan frequently supercede the responsibilities of a specific administrative function and the obligations to larger geographic (district/province) or national interests.

Government, Administration, and Infrastructure

The head of state is the British sovereign, represented by a governor-general. The head of government is the prime minister who is assisted

by the National Executive Council (Cabinet). The government is responsible to the National Parliament, a 109-member body (one representative for each of the 89 districts and one for each province and the National Capital District [NCD]) elected for five years by universal adult suffrage. Successive governments have been based on coalition arrangements.

The *Organic Law on Provincial Governments and Local Level Governments* (1995) provides for three levels of government: national, provincial, and local level. The country is divided into 19 provinces and the NCD. All provinces have their own provincial government. Each province is further subdivided into districts, from one to nine in number depending on the province, and of which there are a total of 89. There are, in principle, three local level governments to each district.

Each province has a provincial capital whose population, along with that of the National Capital District, is considered to make up the country's urban-based population (15%). Travel between the provincial capitals and to/from NCD is almost exclusively by air and defines the national airline carrier network. A key strategic road is the Highlands Highway, which links the provinces of the Highlands together, and the entire region to Lae and Madang, both important seaports. Other road infrastructure is predominantly local. Sea travel and freight between coastal provincial capitals and some coastal towns are undertaken by several shipping companies.

Lack of maintenance has resulted in a serious deterioration in the transport infrastructure. Most rural roads have lost their surfacing and many bridges have collapsed. As a result, trips that once took a few hours can now take days, and some roads are only passable in dry weather.⁷ The gradual decline of roads, shipping and airlines over the past decade has reduced the delivery of services. This situation has been compounded by declining government budgets.

ADB's Pacific Strategy

The Asian Development Bank (ADB) operates in 12 Pacific developing member countries (PDMCs).⁸ The Pacific strategy for the new millennium responds to five key development challenges facing the PDMCs over the medium term: (i) disappointing macroeconomic and growth performance

over the last decade; (ii) increasing poverty, particularly in Papua New Guinea, Solomon Islands, and Vanuatu; (iii) continuing reliance on large government investments due to inadequate private sector response; (iv) increasing environmental degradation; and (v) little progress in strengthening the role of women in political, economic, and social spheres.

To address these challenges, six key variables are: (i) vulnerability of the Pacific island economies, because of their remote locations, narrow resource base, susceptibility to natural disasters, and the influence of the global markets; (ii) political instability and good governance; (iii) limited availability of skilled human resources; (iv) the wide range of socio-cultural factors influencing politics and productivity; (v) rising population growth rates; and (vi) inadequacy of physical, technological, and financial infrastructure necessary to underpin sustainable growth.

ADB's Pacific strategy focuses on five broad strategic objectives: (i) continuing support for economic, governance, and public sector reform; (ii) promoting private sector development in the region; (iii) promoting a more active role for women in social, economic, and political spheres; (iv) supporting sustainable environmental management; and (v) supporting poverty reduction as a unifying theme.

Papua New Guinea's fundamental development problem is ensuring that most of the population participates in and shares the benefits of economic growth. The levels of social indicators remain extremely poor, especially for women, due to past under-expenditure on providing essential services and inadequate development management. To reduce poverty, ADB's strategy in Papua New Guinea emphasizes improving the quality and efficiency of public sector management as well as creating an enabling environment for private sector development. Progress in achieving the Millennium Development Goals (MDGs) will require increased and sustained public investment in the education and health sectors. ADB is helping to improve public sector financial management under an ongoing loan project. Program assistance is being provided for public service improvement, encompassing improved management of the public service, strengthened institutions of good governance, and improved delivery of basic services, especially at the provincial and local levels. Further assistance to strengthen provincial and local level government management capacities is being envisaged.