

POVERTY ANALYSIS (SUMMARY)¹

A. Recent Poverty Trends and Characteristics

1. There is no official definition of poverty in Papua New Guinea (PNG), although the concept “poverty of opportunity” is often used, referring to a lack of access to education and health services and to income-earning opportunities. Indeed, there is some popular resistance to the very notion of poverty in PNG, including from political elites. This is because of an assumption that all native Papua New Guineans are customary landowners and therefore have a right to a life of “subsistence affluence” in the rural village communities to which they already belong or to which they could easily return. In practice, it is not clear how many of the people who do not live in rural village communities could actually exercise this right of return but, more importantly, it is not clear how many would even wish to do so, given the conditions in which most rural people actually live.

2. In August 2012, the minister of national planning launched the 2009–2010 Household Income and Expenditure Survey (PNG HIES) summary tables and dataset. The PNG HIES is the first comprehensive and nationally representative survey of the socio-economic status of PNG households since 1996, and the first that the Government of PNG has officially recognized since the mid-1970s. The survey was conducted from July 2009 to December 2010 in all 19 provinces of PNG, and includes interviews with 4,191 households.

3. In recognition of the widespread informal social safety nets provided by access to productive land assets, assessments of poverty in PNG have typically not been solely based on cash incomes but have also taken account of the economic value of subsistence production. For the 2009–2010 HIES, a “cost of basic needs” poverty line was determined, calculating the cost of an individual consuming 2,200 calories per adult equivalent per day plus the cost of essential nonfood items such as clothing.

4. Notwithstanding significant caveats regarding the comparability of data between the previous 1996 HIES and the 2009–2010 HIES, available evidence suggests that, despite more than 11 years of sustained high average rates of economic growth, there was no decline in poverty between 1996 and 2010. This situation places PNG as an outlier in the East Asia and Pacific region, which has seen historically unprecedented poverty reduction in the last two decades. Under the methodology described above, PNG maintains a national poverty rate of approximately 37%.

5. A lack of progress on formal poverty indicators is also supported by PNG's slow progress against other social indicators. PNG is ranked 156th out of 186 countries in the 2013 Human Development Index,² making it the lowest-ranked country in the Pacific region, and the third-lowest in Asia and the Pacific as a whole (after Afghanistan and Nepal).

6. The most recent national census conducted in 2011 estimated that PNG had a population of approximately 7.1 million people. About 88% of the population lives in rural areas, relying primarily on subsistence agricultural and informal cash crop activities for income-earning opportunities. Access to widely scattered rural communities is often difficult, slow, and expensive. Administratively, the country has 22 provinces and 89 districts. There are large

¹ This analysis is a summary of Government of Papua New Guinea (PNG). 2011. *Household Income and Expenditure Survey: Summary tables and statistics*. Port Moresby.

² United Nations Development Programme. 2013. *Human Development Report: The Rise of the South*. Geneva.

socio-cultural differences between and within provinces. Around 800 languages are spoken in PNG and each language group has a distinct culture.

7. Another important characteristic of poverty in PNG is the large geographical disparities which exist between and within provinces, and in particular the heavy concentration of poverty in rural areas of the country. Based on the 2009–2010 HIES analysis and estimated poverty lines, approximately 37.5% of national poverty exists in the Highlands Region, with 29.0% in the rural Momase Region, and 15.2% in the Islands Region. The analysis also shows that while poverty rates in the capital city, Port Moresby, have risen to levels closer to national averages, it is still only the location of 6% of total national poverty. As a result, it is important to emphasize that while urban populations have grown, PNG has not experienced the same urbanization of poverty that has been experienced in other countries of Asia and the Pacific. More than 80% of people living in poverty remain in rural and remote regions.

8. The rural nature of PNG's poverty profile amplifies the consequences of a lack of access to transport infrastructure within the country, which continues to be identified as a major driver of poverty.³ For instance, remoteness and the inaccessibility of roads has been found to be the primary determining factor of village income levels and poverty.⁴ Communities more than 60 minutes travel time to the nearest roads have double the poverty incidence of those immediately adjacent to roads, after adjusting for other income determinants. The poorest communities in PNG must travel 75% longer than the nonpoor to access the closest mode of motorized transportation. The average rural resident on the New Guinea coast must walk 90 minutes to reach the nearest road, while in the Highlands Region the average walk to the nearest road is more than 4 hours. Studies have also found that when the government improved the length and quality of the road network in the Highlands during the mid-to-late 1970s, it was the single most important factor in increasing cash incomes and reducing poverty in that area throughout the early 1980s.⁵ As about 90% of the labor force works in the agriculture and natural resources sector, expanding people's access to market opportunities and social services through enhanced national infrastructure networks is critical to reducing poverty and income inequality.

B. ADB's Strategy

9. Building on its comparative strengths, ADB will support poverty reduction by helping the country foster inclusive economic growth through improved internal and external transport links and enhanced energy access. ADB operations will be targeted at removing core infrastructure bottlenecks to improve access to basic social services and expand economic opportunities, particularly for the country's most marginalized Highlands Region communities. ADB will increase its emphasis on inclusiveness by expanding social sector activities, including a coordinated package of rural primary health and water, sanitation, and health activities. Under ongoing infrastructure projects, ADB will expand its use of community-based development

³ A summary of this literature includes D'Sa, E. 1986. Social Indicators and Spatial Disparities in Papua New Guinea. *Social Indicators Research* 18. pp. 285–319; De Albuquerque, K and D'Sa, E. 1986. Spatial Inequalities in Papua New Guinea: A district level analysis. *IASER Discussion Paper* No. 49. Port Moresby: Institute of Applied Social and Economic Research, Papua New Guinea; Gibson, J. 1998. Identifying the Poor for Efficient Targeting: Results for Papua New Guinea. *New Zealand Economic Papers*, 32(1), 1998, pp. 1–18; Gibson, J. et al. 2004. Mapping Poverty in Rural Papua New Guinea. *Pacific Economic Bulletin*, pp. 1–26; Gibson, J and S. Rozelle. 2002. Poverty and Access to Infrastructure in Papua New Guinea. *Working Paper* No. 02-008. Department of Agriculture and Resource Economics, University of California Davis; Allen, J., R. Bourke, and J. Gibson. 2005. Poor rural places in Papua New Guinea. *Asia Pacific Viewpoint*, Vol. 46, No. 2, pp. 201–17.

⁴ Gibson, J and S. Rozelle. 2002. Poverty and Access to Infrastructure in Papua New Guinea. *Working Paper* No. 02-008. Department of Agriculture and Resource Economics, University of California Davis.

⁵ D'Sa, E. 1986. See footnote 3.

initiatives. These efforts will include labor-based road building approaches as well as pilot business development initiatives, focusing on women entrepreneurs, in areas newly electrified under ADB-financed projects. To maximize impact, ADB will partner more closely with community groups and civil society, particularly to reduce project delays and manage environmental and social safeguards risks.

10. ADB's policy analysis and advisory services will help reduce poverty by improving the business environment, focusing on policy and regulatory reforms that boost job creation and particularly benefit small businesses. ADB will continue promoting women's participation in economic activity through direct and mainstreamed gender equity components in projects.