

POVERTY ANALYSIS (SUMMARY)¹

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. There are two different types of poverty: urban poverty and rural poverty. In rural areas, poverty relates to the lack of access to services, including transport, education, and health infrastructure. Survey results² show that, in 2001, respondents considered the proximate causes of poverty in urban areas to be the shortage of livelihood opportunities, including opportunities to earn cash and the lack of land on which to cultivate food crops. There is evidence that many Papua New Guineans are resilient to income shocks because they are able to respond by producing more domestic food staples and turning to traditional coping mechanisms, grounded in strong ethnic group links. However, groups that are particularly vulnerable to food security issues include landless populations living in settlements around provincial towns. In these communities traditional social systems are becoming stretched because of greater mobility and urban drift.³

2. In 1996, it is estimated that 30.2% of the population lived below the national poverty line. Only 5% of those classified as poor are dependent on wage employment in the formal sector. Those under the national poverty line tend to have lower literacy rates and to depend heavily on agriculture for their livelihoods. Another important characteristic of poverty in PNG is the large geographical disparities, which exist between and within provinces, districts and even local governments. For example, estimates using the Theil index show that consumption inequality within provinces accounts for 88.4% of the between and within province inequality. For districts and local level governments, these figures are still high at 77.3% and 63.7%, respectively.

3. Levels of access to basic services and income poverty indicators show that poverty in PNG is likely to be more severe than in many countries at similar gross domestic product (GDP) levels. This can also be observed by comparing the GDP per capita, education, and life expectancy indexes of the United Nations Development Programme human development index (HDI). Education access is significantly lower in PNG than for other countries with similar per capita GDP levels. Despite recent economic growth, PNG’s HDI position has dropped from 123 (out of 177 countries) in 2003 to 148 (out of 182) in 2007. Some of this is because increases in GDP growth do not compensate for population growth, but some is due to lack of progress in health and education indicators.

4. Although per capita economic growth was higher in the 1990s than in the preceding decade, the rate of improvement in social indicators was higher before the 1990s. Although PNG is progressing in terms of its social indicators, the rate of progress is slowing and remains poor relative to other countries in the region. There are few countries in the world where life expectancy and other mortality indicators vary so much between different geographic areas.

5. The slow progress against education and health indicators is a concern in itself, but in addition the conditions for pro-poor growth are closely related to access to human and physical capital and the return the poor get on their assets. Growth is important, but so is the effective delivery of basic services. This is of particular importance in PNG where a significant proportion of the population does not participate in the cash economy. A more pro-poor pattern of growth

¹ This summary is an update of World Bank. 2004. *Papua New Guinea: Poverty Assessment*. Washington DC.

² ADB. 2002. *Priorities of the Poor in Papua New Guinea*. Manila

³ D. Mellor. 2010. *Social Impact of Commodity Price Volatility in Papua New Guinea*. Manila.

would increase the rate of return that the poor get on their land and labor. As about 90% of the labor force works in the agriculture and natural resources sector, the performance of this sector is critical to reducing poverty and income inequality. The characteristics of the poor imply that poverty reduction will require the government to support measures to allow the rural population to participate in the growth process as well as to improve services through the budget.