



INNOVATIONS FOR SUCCESSFUL SOCIETIES

PROVINCIAL SECESSIONISTS AND DECENTRALIZATION: PAPUA NEW GUINEA, 1985-1995

SYNOPSIS

In 1995, the government of Papua New Guinea under Prime Minister Sir Julius Chan enacted a sweeping reform of its system of provincial and local government. The reform aimed to address the challenges resulting from the country's first two decades of decentralized government. Although decentralization was originally intended to provide a degree of autonomy to provinces and local governments in the interest of economic development, by 1985 corruption, nepotism and poor administration at the provincial level had deprived local governments and communities of the resources and skills required to provide health, education and infrastructure services. Chan's reforms served a dual purpose. They responded to swelling anti-provincial sentiment among national politicians, and they shifted authority to local levels of government at the expense of provinces. The national government encountered substantial resistance to reform proposals, particularly from provincial premiers of the New Guinea Islands, a group of five provinces that saw themselves as geographically and culturally distinct from the mainland. These provinces threatened to secede if the national government's reforms in any way diminished their autonomy. This policy note outlines the manner in which national political leaders balanced the need for further decentralization of authority to local levels with the challenge of maintaining national unity in the face of provincial secessionists.

Rohan Mukherjee drafted this policy note on the basis of interviews conducted in Port Moresby, Papua New Guinea, in March and April 2010. A separate memo, "[Decentralization Without Disintegration](#)," deals with provisional government in PNG from 1972 to 1985.

INTRODUCTION

On a balmy September evening in 1994, five men sat under a mango tree in the port town of Kimbe in West New Britain province of Papua New Guinea. They were the premiers, or chief executives, of the five provinces that made up the New Guinea Islands region of PNG: East New

Britain, Manus, New Ireland, West New Britain and Bougainville. Accompanied by their staff from the New Guinea Islands secretariat and a few international advisers, they met to declare the secession of their provinces and the formation of a new country, the Federated Melanesian Republic. Their chief grievance was the impending reform

of PNG's system of provincial government. The national government was drafting a law that would take away the autonomy enjoyed by provincial leaders. The premiers saw this as a direct threat to their control of their region, which made up not more than 15% of PNG's population and was hence already in a perpetual minority in national lawmaking and policymaking. They resolved not to tolerate a further diminution in autonomy.

The grievances of the island provinces reflected the challenges of governance and nation building in a culturally diverse and geographically divided country in the South Pacific. Papua New Guineans spoke 850 distinct indigenous languages, comprising around 10% of all languages spoken in the world. While the country was rich in natural resources, particularly oil, copper and gold, most of the population relied on agriculture for a living.

A former colony of Britain and Germany, PNG was administered by Australia under international trusteeship from 1949 and gained independence in 1975. PNG in the 1990s was a democracy with a single house of Parliament. The leader of the party or coalition with the most seats in Parliament became prime minister and was the national chief executive. He/she nominated the cabinet from among the elected members of Parliament.

As clan- and tribe-based groups vied for power, the concept of nationhood often took a backseat. Politics in PNG revolved around so-called "big men," local leaders who could rally their kinsmen for electoral support. Personalized politics weakened party loyalty and led to high turnover of elected representatives at the national level. The overwhelming priority of most politicians was to enter public office and employ the resources at their command to satisfy the clan, or *wantok*, patronage networks that brought them to power. Of the numerous political parties, none

had national appeal and all had similar political platforms. Party membership did not influence the behavior of individual legislators, and political parties did not endorse many of the 1,654 candidates who contested the 109 parliamentary seats in the 1992 national election.

Under pressure from secessionists on the island province of Bougainville, national leaders in 1977 decentralized financial, administrative and political powers to the provinces, which were given control over the local level. By the early 1990s, however, it was clear that most provincial governments were badly managed and that decentralization had not benefited people at the local level. Around this time, PNG's auditor general released reports detailing irregularities in the administration of provincial governments. According to Australian scholar Ronald May, by 1994 all but five of the 19 provincial governments had been suspended at least once. Suspended provincial governments were run by the national cabinet until they could convince Parliament that they had enacted sufficient reforms. In a 2001 book, May also referred to "copious documented and anecdotal evidence of lax and inefficient administration, nepotism and outright corruption" in provincial governments.¹

The 1995 reform effort aimed to curtail the powers of the provinces and shift authority to the local level. The case provides insights into how national leaders must often balance the need for deeper decentralization to the local level with threats to national unity from provincial secessionists. Although in 2010 politicians and observers largely had negative opinions of the 1995 reform, the effort was still recognized as an important step. Many argued that the reform would have been successful if it had been fully implemented. The chief architects of the reform were voted out of office in 1997, and they claimed their vision was subsequently distorted by successors.

THE CHALLENGE

Looking back on the 1995 reform, Sir Julius Chan, one of its chief architects, said, “Decentralization must be meaningful, not only between the national and the provincial government, but between the provincial government and the local-level government. There is a blockage there.” Many national level legislators and civil servants shared this opinion. The system of government adopted by PNG in the 1970s had not done enough to create economic development and provide social welfare at the village level. Many areas still remained remote from the government and untouched by progress.

According to Alphonse Gelu, a senior research fellow at the National Research Institute, a government organization in Port Moresby, “When the provincial government was introduced [in 1976] the people felt that the provincial government is still located far from them because local-level governments basically are located within the village setting.” PNG citizens viewed provincial governments as too distant, while local government lacked the ability to deal with community needs. Indeed, the 1977 law on decentralization made no mention of local governments except to say that they would be under the control of the provinces.

Another problem in 1995 was the national government’s inability or unwillingness to clarify the 1977 law. The law and associated regulations were unclear about the roles and responsibilities of national agencies and provincial governments, the transfer of staff and functions to the provincial level, and the funding arrangements for provinces. The national government transferred functions to the provincial level without the required funding. As a result, service delivery deteriorated at the local level, which received even less funding than provincial capitals or commercial centers. To complicate matters, in 1983 the national government amended the law and the constitution to make it easier for Parliament to suspend

provincial governments. Parliament began taking such actions for political reasons rather than to weed out corrupt and inefficient administrations.

The national government’s actions in 1983 reflected national politicians’ worries about competition from provincial leaders, who were elected by the same constituents as the national members of Parliament. Although these two groups did not compete for the same offices, according to Gelu, “they actively competed for recognition as leaders of the same people.”² Government projects in the provinces were more likely to be identified with provincial leaders, even if national agencies paid the bills. Moreover, many provincial politicians harbored ambitions to run for Parliament. In the personalized and clan-based atmosphere of PNG’s democracy, the political competition spawned conflict and mutual distrust, and complicated policy making at the national level. According to Ben Micah, chairman of the parliamentary committee that drafted the 1995 reform, “Prime ministers found it difficult to affect national government policies and programs down at the provincial and local government level because of this political struggle.”

Local governments were the biggest losers in the contest between national and provincial politicians. As one report observed at the time, “In most provinces, lacking skilled manpower and deprived of revenue by diminished tax collection and parsimonious allocations under provincial budgets, local government councils continued to decline from the 1970s through to the mid 1990s.”³ Local governments lost skilled manpower to better-paying jobs at the provincial level and especially at the national level.

Throughout the 1980s, the national government tried to review the system of provincial government on technical grounds. Each of these attempts was met by counter-proposals from the Premiers’ Council, a coordinating body made up of all the provincial premiers, the prime minister and senior national cabinet ministers. Although the full council met

officially only once a year, provincial premiers used it more often to coordinate their approaches toward the national government on important issues.

In 1988, events in Bougainville, long considered to be a model provincial government, tipped the debate. Young landowners took up arms against the state presence on the island, citing unfair policies involving a massive copper mine. When the Bougainville provincial government supported the insurgents, opponents of strong provincial governments argued that the autonomy given to Bougainville had empowered the island to launch a bid for secession. As a result, the mood in the national government shifted toward the need for “an assault on the very existence of provincial government,”⁴ according to Gelu.

FRAMING A RESPONSE

In March 1990, Parliament appointed a committee to review the provincial government system. The panel recommended that provincial governments be abolished and replaced by a body comprising the heads of local government bodies. It also recommended that local governments be extracted from the domain of provincial governments, and that provincial civil servants be brought under the control of the national government. At this time, the national government also considered a bill to set up “district development authorities” below the provincial level, under the control of members of Parliament. This bill would create a mechanism for national MPs to directly fund development projects at the sub-provincial level, thus undermining the powers of provincial premiers.

In November 1990, the Premiers’ Council retaliated with its own report, assembled by Stephen Pokawin, premier of Manus province in the New Guinea Islands. The report criticized the proposed district development authorities on grounds that they would further complicate development planning and funding at the local

level. Pokawin also exhorted Parliament not to abolish provincial government and to instead thoroughly review past reports on the system and fully implement their recommendations. Pokawin also proposed a joint committee to look into ways in which the provincial government system could be improved but not abolished.

A subsequent impasse was broken in July 1992 by the election of Pias Wingti as prime minister. Wingti, an ardent critic of provincial government, came to power with an explicit resolve to abolish it. Chan, who would play a major role in the 1995 reforms, was deputy prime minister in the Wingti government. A few weeks after his election, Wingti’s minister for provincial affairs, John Nilkare, launched a controversial program that aimed to provide funds for development directly to villages.

Nilkare wanted the village services program to compensate for the lack of skilled manpower for local-level service delivery by involving churches, non-governmental organizations and youth groups. He was also very clear that the program had the ultimate objective of removing provincial government. “We viewed it as a step towards passing the organic law” on provincial and local-level government in 1995, Nilkare said. Parliament and the national cabinet passed it quickly despite vocal opposition from the Premiers’ Council.

In early 1993, amid growing antagonism between provincial premiers and national legislators, Wingti and his deputy, Chan, decided to form a parliamentary committee to again review the provincial government system, but this time with an eye to concrete reform and a consultative and conciliatory approach. To lead the committee, they chose Ben Micah, an MP from New Ireland, one of the New Guinea Island provinces. Chan was impressed by Micah’s dominating physical presence and reputation for smooth talking. “Ben Micah, he is a very vocal person, and he cut across boundaries,” Chan said. “He can talk with his enemies as good as he talks

with his friends, and he was physically structured; he's a pretty heavyweight. Those heavyweights are able to ameliorate, they're able to talk to anybody."

Micah had other qualifications that made him a good choice. He had been politically active since his school days, when he was president of the Papua New Guinea National Union of Students. Micah had also worked for the premiers of two of the better-performing provinces—Morobe and New Ireland—and knew the challenges of inter-governmental relations. Most importantly, he was a native of New Ireland, which was one of the island provinces that most stridently opposed any move to diminish the autonomy of provincial governments. Acknowledging his unique position in Parliament, Micah said, "I was requested by Prime Minister Wingti really as a compromise candidate." Indeed, it was Micah's pro-provincial government leanings that eventually prevented Wingti and Chan from abolishing provincial government.

GETTING DOWN TO WORK

Micah's committee of 13 was politically diverse because Wingti and Chan wanted to win the support of a number of opposition parliamentarians who supported provincial government. Members included some prominent members of the opposition, including Sir Peter Barter, who became minister for provincial affairs after the reform, and Bart Philemon, who became minister of finance in 2002. Micah also staffed his committee with outside experts and officials who had worked in the provinces. In this way, although the committee in its official composition did not include any representation from the provinces, Micah ensured that provincial views were represented.

Nationwide consultations

Micah's mandate was clear. "They told me to chair the committee and find out what the people think," he said. Once the committee could put its finger on the public's pulse, it was to make

recommendations on whether the provincial government system needed revision, and how it might be revised. Among the options were Nilkare's village services program and Wingti's plan to do away with provincial government. The cabinet gave the committee just three months to come up with recommendations. During that time Micah and his colleagues held public meetings across PNG. To cover as many people as possible in the time they had, Micah asked the government-owned National Broadcasting Corporation to record some of the meetings and air them on television and radio.

Provincial reactions

Public consultations were not an easy task, especially in the New Guinea Islands. In Rabaul, the capital of East New Britain province, crowds told the committee to go home. In West New Britain, the premier, Bernard Vogae, directed his administration not to cooperate with the committee. As a result, the group often would arrive at a district airport and find no transport to take them to their meeting. On one such occasion, a construction contractor gave them a ride. Micah sat in the front of the dumptruck while the other committee members rode in the back. In Manus, the committee met the premier, Pokawin, and his government at the provincial assembly and engaged in a heated discussion that lasted until three o'clock in the morning. The committee was unable to visit Bougainville because of concerns for their safety.

In contrast to the New Guinea Islands, the Highlands region reacted favorably. According to Micah, his committee encountered overwhelming support and calls for the removal of provincial government because the Highlands had a tradition of strong local government. Nilkare, the architect of the village services program, said that in the Highlands people "treated provincial politicians like nobodies."

Micah said he observed a general trend throughout the country. "The further you went

out to the bush or to the remote islands, the more aware you became of the total neglect of the people by both governments,” national and provincial, he said. According to Micah, most of the population did not understand the national constitution or system of government but cared passionately about the quality of services. Although they could not follow the committee’s discussions on structures of government and constitutional roles, they exhibited “a burning desire” for better services such as roads, schools and health centers, Micah recalled. And people in rural areas immediately identified the lack of services with a failure of provincial government, he said: “The overwhelming response in the remote communities was to get rid of them—provincial government—because it is an obstacle, it is eating up services.”

Not surprisingly, discussions in urban areas were far different. There, educated professionals and provincial government employees argued in favor of retaining provincial government and improving the system that was already in place.

Debates in the committee

When deliberations began, the committee had to decide on whether to recommend that the government leave the system as is, or modify it in order to address current challenges, or replace it with a new system. Members of the Melanesian Alliance party such as John Momis, a key figure in decentralization debates during independence, and Bernard Narokobi were “passionately pro-provincial government,” said Micah. Their arguments were threefold. First, provincial governments should be given more powers, not fewer, because PNG could not function without decentralized government. Second, proposals to change the role of provinces would tend to centralize power in the national government rather than decentralizing it. Third, provincial governments could be more effective if they had more funding. Opposition members from the

national Parliament in Micah’s committee concurred to some extent with these ideas. Peter Barter and Bart Philemon both held the view that instead of replacing the system of provincial government with an entirely new structure, it would be wiser to work incrementally on the existing system in order to improve it.

Micah, himself a supporter of provincial government, was aware of the pressure on the government and his committee to significantly reduce the autonomy of provincial governments, if not remove them entirely. He was therefore careful to use the 1990 committee report, which had found favor among parliamentarians, as the basis for deliberations within his committee. Making its recommendations in early 1994, Micah’s committee formally concurred with the need to reduce the power of provincial governments but did not agree on the need to abolish them entirely. Instead it recommended the abolition of elected positions at the provincial level and the creation of provincial bodies comprising presidents of local-level governments with a regional MP (a national representative) as its governor, or chief executive. The key compromise between the two sides of the debate was that this new body would have law-making powers, as would local governments, which would no longer be under the control of the provincial governments. Thus the new provincial government bodies would have much less political power but would still be more than straightforward administrative bodies.

Reactions of the New Guinea Islands

The island provinces were hostile to the Micah report, as it was known. Through the New Guinea Islands Secretariat, a coordinating body for the five provinces, they began issuing threats of secession. Word got out that a new republic was in the making: the Federated Melanesian Republic (FMR). Micah bore the brunt of the island premiers’ bitterness. “They hated me and

called me names,” he recalled. “... at the height of the debate and reforms they didn’t want to see me.”

In August 1994, in a matter unrelated to the provincial government debate, the Supreme Court ousted Wingti from the prime minister’s position for unconstitutionally attempting to evade a motion of no confidence. Chan, his deputy, succeeded him as prime minister. Although he was in favor of provincial government, Chan could not reverse the preparations for reform that were already under way nor stem the tide of anti-provincial sentiment among national legislators. Chan established a constitutional review commission with the task of drafting a new law, based on the Micah report, to replace the old one from 1977. He picked Micah to head the commission, along with several members of Micah’s original committee. The commission also included representatives of local governments from urban and rural areas; Pokawin, premier of Manus, as a representative of provincial governments; a representative from the Council of Women; one from the Council of Churches; and one from the Trade Union Congress. All told, the group numbered about 16 members, including the parliamentarians.

The island premiers, who represented PNG’s best-performing provincial governments, were not placated. Pokawin resigned from the commission. From Micah’s perspective, the island provinces were unyielding in their demands. “They didn’t want concessions. Their position was very firm that the whole system was to be kept, there was nothing wrong with it,” he said. The only compromise the islanders were willing to make was to have two systems, one that worked for the mainland and one that worked for the islands. The latter could retain the existing system of provincial government, and the national government could do what it liked with the former.

Chan and Micah understood the delicacy of the situation. They had received reports that the

prime minister of the Solomon Islands, Solomon Mamaloni, was meeting regularly with the island premiers. It was possible that the proposed FMR would include Vanuatu and the Solomon Islands, recalled Micah. At the same time, Chan knew that despite his personal preference for regional autonomy, yielding to the demand for two systems within the same country would deal a major blow to national unity. Micah agreed, especially in the context of the crisis in Bougainville. “It would have been a recipe for disaster,” he said. “For us to allow them to continue would have given them more wood to transfer the sentiments on Bougainville to other provinces.”

The proposal to set up the FMR was not an idle threat. In September 1994, the premiers of the five island provinces met at Kimbe and declared their intention to form a new republic. They resolved to demand complete legal and administrative control over 11 major government functions: police, public service, agriculture, fisheries, forests, mining and petroleum, education, lands, transport, environment and conservation. They set a deadline of 7 December for the national government to meet their demands. The premiers adopted a flag and a draft constitution, and set January 6, 1995, as Independence Day.

The island provinces knew their threat of secession carried weight because of the large amounts of natural resources—copper, gold, copra (a source of coconut oil), fish and timber—that they possessed. Until its closure at the start of the Bougainville insurgency, the Panguna copper mine in Bougainville was the largest of its kind in the world and earned more than half of PNG’s annual revenue. Many Bougainvilleans supported independence from PNG because they believed the mine, if reopened, could sustain them economically. Each of the island provinces held resources that had significant revenue potential.

Prime Minister Chan was aware of the importance of the island provinces, not just for PNG’s national unity but also for its economic

potential. He also knew that the secessionists were capable of carrying out their threat. “They could have done it; they could have achieved a political status,” he said. However, he also believed that the islanders did not really understand the financial implications of secession. “Those who want the secession don’t really know exactly what sort of situation they will end up with. They just think of power, that’s all. ... Concomitant with power is responsibility, and a lot of them have no financial capacity to manage that power,” Chan said. Still, he knew he could not permit the island provinces to secede. “I just refused to fragment the nation because it would be a nightmare if it happened,” he said.

To preempt any further moves toward secession, Chan got his cabinet to approve charges of sedition against the island premiers and their staff. The national government also ordered arrests of the members of the New Guinea Islands Secretariat, the deportation of the expatriate lawyers who were part of the secretariat and the freezing of all grants and loans to Manus province. The attorney general issued arrest warrants for those present at the meeting in Kimbe. Some were arrested and were later freed. The national government registered cases against the meeting’s participants for sedition and issued a gag order on any talk of secession. In 2010, the cases remained dormant in the judicial system.

The arrest of the secessionist leaders was not sufficient to quell the movement for secession in the island provinces. However, soon after the meeting in Kimbe, an extraordinary event took place that gave the national government a clear advantage. On 19 September 1994, the town of Rabaul—capital of East New Britain and “hotbed of anti-reform,” according to Micah—was buried by the eruptions of two nearby volcanoes. The entire town was evacuated and relocated to nearby Kokopo. “I think the intervention of the volcano in a way was a blessing. ... Had the volcano not erupted, Rabaul would still have been there. ... A

new geopolitics of the region would have shaped up,” said Micah.

Because Papua New Guinean culture and religious beliefs were open to superstitions and myths, many people of the island provinces began to believe that they had angered nature or a higher power with all their talk of secession. Chan echoed this explanation: “Here is a group of leaders wanting to secede from Papua New Guinea, and then all of a sudden the mountain blew up.”

The 1995 law

As the secessionist threat began to subside, Micah’s constitutional review commission began its work in earnest. Micah led a small team to study countries where strong central governments interacted effectively with local-level governments. After visiting Malaysia, Indonesia and China, Micah concluded that for effective decentralization the center should not only decentralize power to the periphery but also strengthen itself to play a guiding role in the process.

Increasingly, Micah realized that concerns about the national election in 1997 were responsible for Parliament’s pressure to do something about provincial governments. “The national members already felt threatened by the fact that provincial government members were now openly campaigning against them to remove them and come in and keep the systems,” said Micah. The Chan government had its hands full with concerns about national unity following the island provinces’ secessionist attempts and the worsening situation in Bougainville. It could not afford to fumble the reform effort.

Chan was clear in his instructions to Micah. His main concerns were the cost of the provincial government system and the instability caused by the political competition between members of Parliament and provincial elected leaders. Chan’s central question was: “How do we create a

structure that is financially responsible without too much cost and also try to introduce some stability?” The answer was based on the recommendations of the earlier Micah report. The 1995 law was drafted to abolish elected positions at the provincial level and create provincial executives comprising MPs elected from constituencies within the province, and one MP elected by a province-wide vote, who would be governor of the province. Local government leaders would become members of the provincial legislature. In this manner, the law removed 300 elected positions at the provincial level and replaced them with national and local level representatives, who had a dual function.

The national Parliament passed the Organic Law on Provincial Government and Local Level Government in June 1995 by a vote of 86-15. Some members of Chan’s cabinet who opposed the reform, including Momis and Philemon, abstained from voting. Chan subsequently removed them and three other MPs from their cabinet. During the drafting process, some financial aspects of the law were modified in order to mollify the island provinces. In essence the drafters increased the amount of central funds apportioned to the island provinces. Nilkare, former minister for provincial affairs, recalled that the amount given to each province was “substantial, but not too much overall.”

OVERCOMING OBSTACLES

For more than a decade after the reform, implementation moved slowly, and the promised improvements in local service delivery did not materialize. Finance was the most important obstacle. Successive national governments did not meet their targets for devolving funds to provincial and local levels, and funds that did get devolved were largely spent on salaries and administration, leaving very little for development projects or service delivery. A 2009 provincial expenditure review published by the National Economic and Fiscal Commission, a previously

defunct government body empowered by the 1995 reform, showed that even under the new arrangement provincial governments spent far too much on administration and far too little on health, education, infrastructure and agriculture.⁵ The report found that while average provincial outlays on administration were more than 2½ times the cost of administration, average health spending amounted to only 25% of the real cost of providing health services. Similarly, education spending amounted to 59%, infrastructure to 14% and agriculture to 41% of total cost of providing services in these sectors respectively.

The national government’s desire to exert control over the funding and functions of local and provincial governments was largely responsible for the absence of improvement in service delivery. Bill Standish, an Australian academic, noted that between 1984 and 1999, the amount of annual discretionary funds available to MPs for spending in the provinces grew from 10,000 kina to 1.5 million kina, i.e. from US\$4,785 to US\$717,700 at the 1999 exchange rate (the exchange rate for 1984 was not available). At the same time, “... provincial governments were progressively starved of capital works and recurrent operating funds,” according to Standish.⁶ The national government did not adequately devolve funds to provincial and local levels, thus impairing their ability to improve service delivery or even maintain earlier standards in service delivery in some cases. National-level discretionary funds did not contribute to development either. Instead, national MPs used their discretionary funds to shore up political support in the provinces and to benefit their clan-based supporters.

The national government exerted its control in other ways.⁷ Under the new law, it replaced each former provincial government with a body comprising members of the national Parliament from the province, heads of rural local level governments, one representative of the heads of urban authorities, up to three traditional leaders or

chiefs, one nominated woman representative and up to three members appointed by the provincial body on an ad hoc basis. The head of this provincial body was called a governor, and the national MP from the province-wide electorate occupied this position. The governor was responsible to the national minister for provincial and local level government, and was not permitted to become a national-level minister or speaker or deputy speaker of the national Parliament without giving up the position in the provincial body.

The national government also abolished provincial departments and gave the national Public Service Commission the authority to recruit civil servants for the provinces. The chief civil servant in a province—the provincial administrator—was appointed by the national executive council from a list of nominees provided by each provincial executive council.

While local governments were earlier under the authority of provincial governments, the new arrangements put them under the authority of the national government. In each district (an administrative unit), the national government aimed to establish district planning and budget committees chaired by a provincially elected national MP to coordinate district level planning, to control budget priorities for local governments, and to approve local government budgets. These committees were formed almost a decade after the reform, in 2006, but in 2010 they were yet to be activated.

In terms of functions, although the new law devolved more decision-making powers to local governments in areas such as employment, education, health, dispute settlement and the environment, national legislation could still trump local legislation in the event of a conflict. Moreover, financial control was still in the hands of the national government. Although the new law promised to devolve further financial powers to the provincial and local levels, the national government retained spending power and the

ability to withdraw finances from non-performing local government.

ASSESSING RESULTS

The 1995 law aimed to bring local government out from under the shadow of provincial government and make it the driver of planning and implementation of development policies. The law's proponents justified it in terms of cost saving, improved service delivery and the elimination of the inefficiency and corruption that pervaded provincial governments.

On these counts, the law did not have the impact its drafters and promoters had hoped it would. Both Chan and Micah expressed disappointment at the way in which the law was subsequently implemented, and they regretted that they could not continue in power long enough to see their vision through to completion. Chan was forced to resign as prime minister in March 1996 following the so-called Sandline crisis, in which his government was discovered to have contracted with mercenaries to stamp out the insurgency in Bougainville. The crisis led to a mini-revolt among the military and countrywide demands for Chan's resignation. He lost the 1997 national election and remained out of politics until 2007, when he returned as governor of New Ireland province. Micah lost the 1997 election as well and did not go back into politics. After chairing the government's privatization commission until 2002, he became a private consultant in Port Moresby and a member of the New Ireland autonomy committee established by Chan in 2008.

Gelu, of the National Research Institute in Port Moresby, argued that the system created by the 1995 reform reflected mainly political considerations: "What was eventually passed on the floor of Parliament was not what the experts [who helped Micah's committee design the reform] wanted." For example, although the law aimed to reduce corruption at the provincial level, it did not contain any provisions to increase

accountability or efficiency in provincial authorities. The reform did not improve service delivery, either. Funding constraints and the lack of skilled manpower continued to plague local governments. Whereas funds previously had been concentrated in the hands of provincial elected leaders, after the reform they were in the hands of the national MPs who populated provincial authorities. Although the law contained a per capita prescribed amount for central transfers to provinces, governments in subsequent years fell far short of that target.

Chan was candid about the reform's failures. "We failed to provide the funds, and without the funds they cannot engage the right people to implement at the local level," he said. He added that the lack of skilled manpower at the local and provincial levels was due to the imperatives of nation building and economic development that caused the central government to appropriate the lion's share of the skilled workforce. The central government needed all the skilled labor it could get, thus depriving local and provincial governments of human capital. "We just cannot balance both [center and periphery]. It would have been the right thing to do to stabilize all areas of development, but because of the scarcity of the technical resources available, we had to look after the center first," he said.

Micah was also critical of the reform's implementation. He argued that subsequent governments had taken funds away from the provinces and the local governments and put them in the hands of national MPs. "I now see it as a convenient tool by the national government and the members of the national Parliament to run their crony projects," he said. Some of the reasons for the reform's failure were unique to PNG, according to Micah. Others had more to do with the lack of understanding among the populace about government and administration, which allowed those in power to use the system for personal interests. According to Micah, "In PNG you can come up with any kind of system but it

will never work, firstly because the politicians will personalize it and then you don't have the capacity at the bureaucratic level to implement it at all levels, be it national, provincial, local, or in the village."

Philemon, an MP who was critical of the reforms in 1995, held national politicians responsible for the reform's failure. "National MPs were very self-centered when it came to the question of delivery of services to the provinces. ... What was once a vibrant political system which allowed the grass-root people to exercise their democratic right at provincial level was destroyed," Philemon said. On the point of political competition between national and provincial levels, Gelu suggested that although the reform reduced the rivalry between these two types of politicians, it kindled a new rivalry between national ministers and provincial governors.⁸

Last, decentralization and Bougainvillean secessionism were intertwined issues and continued to influence each other in ways that threatened national unity. In 1976, in order to address Bougainville's secession, the national government had decided to adopt a system of provincial government that would extend to the entire country, not just Bougainville. Two decades later, in the midst of an insurgency on Bougainville and faced with challenges in the provincial system, the national government enacted a new law. However, this time Bougainville was exempted, and in 2001 the island was granted special autonomy status.

Bougainville's new status ignited movements for autonomy in the rest of the island provinces. In 2003, East New Britain demanded autonomy, and in 2007 New Ireland, under its governor Julius Chan, did the same. "The kind of autonomy we want is absolute; something equal to, no less than Bougainville," Chan said. "... If Bougainville will go for independence, we will go for independence." Micah echoed this sentiment: "The province that opened the door for provincial

governments [Bougainville] has now opened the door for autonomy and towards independence.” The threat of secession was clearly alive in the New Guinea Islands in 2010.

REFLECTIONS

Looking back on the 1995 reform, many of those who were involved found fault with prime ministers Paias Wingti and Julius Chan’s large-scale overhaul of the provincial government system. John Nilkare, an ardent advocate of reform in the mid-1990s, said that in retrospect, “step-by-step reform would have been ideal.”

Ben Micah, who headed the committee that designed the reform, expressed reservations about rushing into the wholesale implementation of the provincial government system from the 1970s onward. He suggested that an incremental approach that allowed Bougainville to experiment with provincial government before giving it to the rest of the provinces might have worked better than giving it equally and simultaneously to all provinces, many of whom were ill prepared for

autonomy and responsibility.

Chan claimed his vision had been distorted by his successors. “The people that took over from me actually put the whole system to sleep,” he said. Although he did not regret introducing the law and initiating the reform program, he regretted not being around to implement the reform.

Micah, proud of his achievement despite its flaws, said, “In PNG people like to come up with very nice ideas and they debate these ideas until the cows come home, but not many would stand up and put their muscle behind it and take the risk that goes with it. I took the risks and I lost, but this system came into being.” He offered three precepts for reformers in similar situations: “Basically, don’t attempt change if you know you do not have the political capacity and the political will to carry it through. ... Secondly, your government must have the financial and administrative capacity to implement it. ... Thirdly, you must have the skills to survive the reform.”

¹ R.J. May, *State and Society in Papua New Guinea* (ANU E Press: 2001), p. 187.

² Alphonse Gelu, “The Quest for Good Governance: A Survey of Literature on the Reform of Intergovernmental Relations in Papua New Guinea,” The National Research Institute, Feb 2008, p.23

³ May, *State and Society*, p. 186.

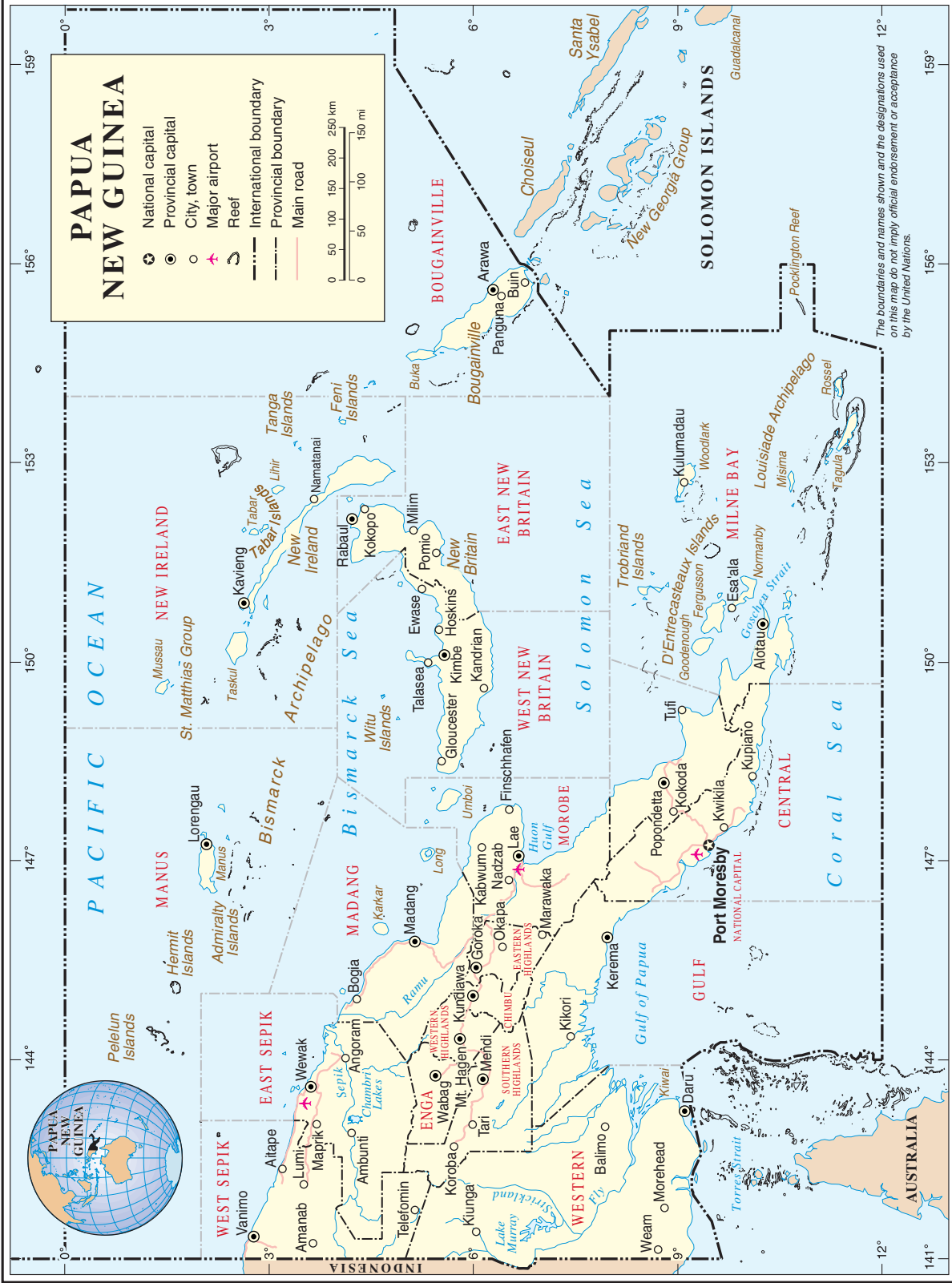
⁴ Gelu, “The Quest,” p.37

⁵ National Economic and Fiscal Commission, “Walking the Talk: Review of all Expenditure in 2008 by Provincial Governments,” November 2009.

⁶ Bill Standish, “The dynamics of Papua New Guinea’s democracy: an essay,” *Pacific Economic Bulletin*, Volume 22 Number 1 March 2007.

⁷ See May, *State and Society*, pp. 195-200.

⁸ Gelu, “The Quest,” p.44



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