

MONOGRAPH 26

DECENTRALISATION AND DEVELOPMENT POLICY

**Provincial Government and the Planning Process
in Papua New Guinea**

W. ANDREW AXLINE

**PNG Institute of Applied Social and Economic Research
1986**

CONTENTS

LIST OF TABLES	vii
LIST OF ABBREVIATIONS	xii
PREFACE	xiii
Chapter 1. INTRODUCTION	1
Chapter 2. DECENTRALISED POLITICS IN PAPUA NEW GUINEA	9
I. BACKGROUND	10
II. IMPLEMENTATION	15
III. DYNAMICS	23
A. Politics at the Provincial Level	23
B. Intergovernmental Relations	28
1. The National Fiscal Commission	28
2. The Premiers' Council	30
3. Political Rivalry	36
4. Bureaucratic Politics	42
IV. CONCLUSIONS	47
Chapter 3. THE LEGAL FRAMEWORK OF PROVINCIAL POLICY MAKING	53
I. THE LEGAL NATURE OF THE DECENTRALISED SYSTEM	53
II. THE CONSTITUTION AND DECENTRALISATION	56

III. THE ORGANIC LAW ON PROVINCIAL GOVERNMENT	58
A. The Division of Legislative Powers	59
B. The Basis of Provincial Executive Powers	61
IV. LEGAL UNCERTAINTY AND PROVINCIAL PLANNING	64
V. APPROACHES TO CONSTITUTIONAL INTEGRITY	67
A. Perpetuation of Existing Arrangements	67
B. Regularisation of Delegated Powers	69
C. Provincial Legislative Initiative	70
D. Co-ordinated Displacement of National Legislation	72
Chapter 4. THE FINANCIAL BASIS OF PROVINCIAL POLICY MAKING	77
I. SOURCES OF PROVINCIAL FUNDING	78
A. Provincial Government Grants	79
1. The Minimum Unconditional Grant	79
2. Additional Unconditional Grants	84
3. The Derivation Grant	85
4. Conditional Grants	86
B. Revenue From Taxation	87
1. Transferred Taxes	87
2. Provincial Taxes and Fees	87
C. Other Revenue Sources	89
D. National Government Spending in the Provinces	89
II. PATTERNS OF PROVINCIAL FINANCING	92
A. Implementation of the Funding Formula	93
B. Provincial Budgets and the National Budget	95
C. Stabilisation, Equalisation, and Development	102
D. Autonomy, Latitude, and Dependence	110

III. CONCLUSIONS	118
Chapter 5. PROVINCIAL GOVERNMENTS AND DEVELOPMENT PLANNING	131
I. PROVINCIAL GOVERNMENT AND THE PLANNING PROCESS	131
A. Origins of the Planning Process	132
B. Expenditure Planning in Papua New Guinea	134
C. Medium-Term Development Planning	139
D. Provincial Government and the Planning Process	140
II. THE ADMINISTRATIVE CAPACITY OF PROVINCIAL GOVERNMENTS	154
A. Indicators of Administrative Capacity	155
1. Provincial Planning, Decision Making, Implementation and Reporting	156
2. Financial Management	156
3. Provincial Assembly/PEC and Policy Secretariat	157
4. Local-Level Government	157
5. Personnel Management	158
6. Physical Resources and Equipment	158
7. Political Relationships	158
8. Divisional Management and Performance	159
B. A Profile of Provincial Capacity	161
1. General Planning, Programming, and Policy Making	161
2. Co-ordination, Co-operation, and Communication	163
3. Political Co-operation and Support	165
4. Administration and Management	167
5. Local and District Affairs	169
III. PLANNING AT THE PROVINCIAL LEVEL	171

Chapter 6. POLICY MAKING AT THE PROVINCIAL LEVEL	177
I. PATTERNS OF POLICY MAKING	177
A. Law Making	179
B. Resource Extraction and Allocation	184
1. Resource Extraction	184
2. Resource Allocation	186
3. Asset Maintenance	189
4. The Cost of Provincial Government	193
5. The Setting of Priorities	195
a. Capital works	196
b. Services	200
II. THE CORRELATES OF PROVINCIAL POLICY MAKING	207
A. Policy Environment and Capacity	209
B. Policy-Making Capacity and Performance	214
C. Policy-Making Performance and Output	216
D. The Responsiveness of Provincial Policy	218
 Chapter 7. DECENTRALISATION AND DEVELOPMENT POLICY: SOME CONCLUSIONS	 221
 APPENDIX I. Distribution of Legislative Powers	 279
 APPENDIX II. Provincial Tax Laws	 281