

Enga Provincial Government (EPG) -Position Paper

NRI Chairman's Seminar Series – Politics & Governance

Decentralization of Powers and Functions for 22 Economies:

Are we building strong economies?

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A) Background – Government Rationale for Decentralization

- 1975 (Independence): PNG was ranked 77th on the HDI.
- 1995 (OLPLLG): Ranked 128th.
- 2010 (PNG Vision 2050/DSP 2030): Ranked 147th.
- 2015/2016: Ranked 153rd & 154th respectively out of 186 countries.

Political (elected) representation

- 1975: **109** Members of Parliament
- 1977: Increased to **700** after Provincial Governments were established.
- Today: **6000** with three (3) levels of government down to ward levels.
Unfortunately, the quality of services has deteriorated very badly since the 1980s.

(A) Background: Government Rationale for Decentralization

- Enga Province has six (6) districts i.e. **Wabag, Lagaip, Porgera/Paiela, Ambum/Kompiani, Wapenamanda, and Kandep**. Each District has one or more local level governments (LLGs) headed by Council Presidents.
- After Governor Sir Peter Ipatas' attendance at the 2018 National Conference for Governors (and Alotau Accords I & II), we have worked tirelessly to install a number of national functions and programs/policies in the province through agreements with State departments and agencies.
- As in Sir Peter's visionary words this year; "*We will make Enga a country within a country*", the reforms and MoU/MoA undertakings are a positive step in the direction towards decentralization.

B) Policy Founding Initiatives of Alotau Accords I & II

- As a precursor to the National Conference for Provincial Governors in 2018; the O'Neill Government devised the Alotau Accord 2012 immediately after the National Elections to start the committed process of reforms on decentralization with clear objectives of growing economy and improving quality of life for Papua New Guineans. These commitments are articulated in the Alotau Accord 2012 to provide policy and institutional enabling environment for the reforms:
 - Review of the Organic Law on Provincial Governments and LLGs 1995;
 - District Development Authority Act 2014;
 - City Authority Acts for Lae, Mt. Hagen and Kokopo;
 - National Planning Act & National Service Delivery Framework; and
 - Service Improvement Program funding to Provinces, Districts, LLGs and now wards.

B) Policy Founding Initiatives of Alotau Accords I & II

- The Alotau Accord II (2017) was built on 2012 reforms of Alotau Accord I to ensure policy consistency and stability. It includes:
 - Directive 67: *More Autonomy to provinces*
 - Directive 68: *Early transfer of administrative and financial powers*
 - Directive 71: *Review of District Authority Act to strengthen role of designated town managers so they are addressed in the proposed Organic Law on Decentralization*
 - Directive 33: *Review Inter-Government Financing Arrangements*
- The three (3) Goals of the Alotau Accord II include:
 - Goal 1 – Cohesive Policy and Legal Framework for Smart-Balanced Decentralization for Growth & Quality of Life.
 - Goal 2 – Performance based power sharing or Gradative Decentralization.
 - Goal 3 – Provincial Government focus on Quality of Services and Growing Economy
- As a result, the **Organic Law on Decentralization** was proposed but shelved.

C) EPG Policy Undertakings

- Governor Sir Peter Ipatas was party and signatory to the *National Conference of Provincial Governors Communique*. The National Conference was held in Madang during 10th – 12th July 2018 focusing on Decentralization for provincial governments as the key topic of discussions. A number resolutions were made by the 22 provincial governors. Two (2) include:
 - 1) (23.) *The affirmation and support of the initial granting of Greater Autonomy and Gradative Decentralization for New Ireland, East New Britain and Enga Province within the National Framework for Performance Based Greater Autonomy and Gradative Decentralization; and*
 - 2) (28.) *Endorse and Support Enga Province official declaration of start of Greater Autonomy and Gradative Decentralization on **27th of July, 2018.***

C) EPG Policy Undertakings

- Since the National Conference for Provincial Governors (2018), Alotau Accord I (2012), and Alotau Accord II (2017), Enga has made landmark provisions with State departments and agencies. Examples include:
 - EPG-ICCC MoA to establish ICCC functions/duties (06th June 2023);
 - EPG-IPA MoU to establish Provincial IPA Office in Enga (07th June 2023).
 - Enga Provincial Physical Planning Board established as a local decentralized body from the Lands Department National Physical Planning Board (July 2023)
 - EPG-NCC MoU (10th June 2021);
 - EPG-IRC MoU (16th June 2020);
 - EPG-PNGTPA MoU (17th June 2019); etc.

C) EPG Policy Undertakings

- **Governor Hon. Chief Sir Peter Ipatas has provided critical leadership in the past 26 years (1997 – Current) which is key to the success of Enga’s Autonomy agenda and reforms.** He was a party to the formulation of the *Organic Law on Provincial & Local Level Government, Alotau Accord I, Alotau Accord II*, and the National Conference of Provincial Governors (2018). He has worked hard to acquire some powers from Waigani to Wabag. *Thus, the EPG/EPG will always work/partner with National State agencies/departments to promote greater autonomy for Enga.*

D) Service Delivery Partnership Agreement Between EPG & DDA Boards

- Goal 2 of the “**Strategy for Smart and Balanced Decentralization 2018 – 2022**” (spearheaded by late Inter-Government Relations Minister Hon. Kevin Isifu) included Performance based power sharing or Gradative Decentralization. Phase 1 was for *Provincial Collaboration towards greater Province – through the Inter-Government Arrangement for Service Delivery Partnership Agreement*. This phase focuses on partnership and results framework that guide pursuit of excellence in service delivery, with clear deliverables, agreed priorities and resource sharing through District Development Authorities (via the Provincial Governments).

D) Service Delivery Partnership Agreement Between EPG & DDA Boards

- The *Service Delivery Partnership Agreement(s)* between the Enga Provincial Government and the District Development Authority Boards of Kompiam/Ambum, Lagaip/Porgera, Kandep, Wabag, and Wapenamanda was signed in October 2018 initiating reforms for Degradative Decentralization. Governor Sir Peter signed on behalf of EPG whilst respective Chairman (Open MPs) signed on behalf of their DDAs in the presence of State Ministers for National Planning, Finance, Treasury and Inter-Government Relations.

D) Service Delivery Partnership Agreement Between EPG & DDA Boards

- This SDPA is developed from Section 06 of the DDA Act 2014 which provides for the Minister of Inter-Government Relation to determine “Service Delivery functions and responsibilities” in consultation with the Provincial Executive Council (PEC) and the DDA Boards of each province.
- ✓ **It is the policy initiative and desire of the Enga Provincial Government to work with the respective Chairmen (Open MPs) and their DDA Boards through the SDPA for service delivery, agreed priorities and resource sharing. But it must be done so in cooperation with the EPG/EPA for accountability and productive investments.**

D) Service Delivery Partnership Agreement Between EPG & DDA Boards

Policy Issue:

Unfortunately, DDA Chairmen (Open MPs) operate independently away from the EPG radar, and thus, there are no clear deliverables in terms of services, and priorities are not set and agreed with/by the Provincial Executive Council or Provincial Assembly (through EPG Annual Budget) for service delivery and resource sharing. As a result a lot of wasteful ventures are pursued by the DDA Boards with unaccountable expenditures.

Recommendations:

1. Open MPs/DDA Chairmen need to be held accountable through the Leadership Code and Ombudsman Commission for not complying or agreeing with/to the SPDA.
2. DSIPs and District Development Grants need to be channelled to the Provincial Administrations for accountability and efficiency of spending and productive investments.

D) Service Delivery Partnership Agreement Between EPG & DDA Boards

Mine Development Forum– District Equity Sharing 1% Each **[PROPOSED]**

- In the spirit of the Service Deliver Partnership Agreement (resource sharing), the EPG hopes to acquire a further 6% (or more) from the State's equity share (36%) through talks at the Mine Development Forum. This is so 1% (or more) equity can be issued to each of the six (6) districts in Enga Province (through local MPs and their DDAs) so they have a direct equity stake

E) National Economic & Fiscal Commission & EPG Financial Autonomy

- NEFC collects data on OLGPLLG grants and other transfers from the National Government to Provincial and Local Level Governments; the level of funding that is available to Provincial and LLGs and how equitably total funding is split between various Provinces and LLGs for economic, planning and financial management matters that impact on the system of financial transfers between the levels of government. But NEFC's data is biased because its dates are not accurate or available. Financing should look at each of the three (3) layers of Government.
- The solution would be to ignore NEFC's findings and get EPG's own house in order. Internal Revenue raising options should be looked at prior to calculation how much. Focusing on internal revenue financing is critical for autonomy planning which leads us to the Kenyan study (below).

E) National Economic & Fiscal Commission & EPG Financial Autonomy

- **Kenya's Evolution of Fiscal Decentralization under New Constitution**

Kenya is much like PNG with an ethnic population and major economic disparity between the urban-rural sectors other than population and service-distribution differences across provinces/states.

Findings: Kenya's autonomy had an Internal Revenue basis or focus prior to Finance functional consideration. But PNG/Enga's case is a Finance basis over Internal Revenue. We cannot budget our autonomous administration if we do not have the money raised to finance it. Having the internal revenue should determine our ability to finance our capacity and functions. The political economy in Kenya is driven by leadership to drive reform.

E) National Economic & Fiscal Commission & EPG Financial Autonomy

- **Two (2) Key Issues - Going Forward:**

- The issue of Autonomy - Administrative Capacity & Financing

1. **Self-Financing** (Internal revenues) **vs.** **State Financing** (State budget)

2. Provincial admin. capacity **vs.** National Departments/Agency Control

- **New Porgera Deal**

The new Porgera Mine Agreement is another initiative for internal revenue fund raising in the EPG's determination to be self-reliant temporarily and invest in long-term economic ventures. The State/EPG/Landowners stand to receive 51% majority equity stake whilst 49% to be retained by the operator - Barrick (compared to 5% to 95% previously)

F) Conclusion

Under the stable leadership of Enga Governor Sir Peter Ipatas, Enga Province will continue to setup new offices/branches through agreements with National Departments and Agencies that will bring National Government services to Enga. But we need to build Administrative Capacity and focus on sustainable Internal Revenues (Finance).

Recommendations:

The Enga Provincial Autonomy Committee raised recommendations yet to be addressed:

- 1. Village Courts:** Appointments and payment of officials should be done by Law & Order Division of the Enga Provincial Administration.
- 2. Education:** EPG/EPA to manage school inspectors and school subsidies like TFF (which EPG should get full 100%, and not only 40% cash disbursement);
- 3. Finance:** Provincial Budget should be approved by the Provincial Assembly and powers of the Treasurer should be delegated to the PEC Chair of Finance.

G) References

- 1) Ministerial Statement on Strategy for Smart & Balanced Decentralization 2018 – 2022, Kevin Isifu, MP (Minister for Inter-Government Relations), Independent State of PNG
- 2) *The Evolution of Fiscal Decentralization under Kenya's New Constitution: Opportunities and Challenges*, Paul Smoke (New York University) & Kathy Whimp (World Bank), 2013
- 3) Communique of the National Conference of Provincial Governors, 10 – 12 July 2018, Madang Resort, Madang Province (12th July 2018)
- 4) *A Service Delivery Partnership Agreement between Enga Provincial Government and District Development Authority Boards (2018 – 2022)*, K. Isifu, Minister for Inter-Government Relations, Independent State of PNG