Social and Spiritual Development Strand
Social Science

Unit 5: Economic Development

Additional Support Material

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Materials written and compiled by Sue Lauer (PASTEP adviser).

Layout and diagrams supported by Nick Lauer.

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Section 1 – Budget 2001

The 2001 Budget continues the goal of providing an appropriate fiscal framework for achieving sustainable economic growth. Once again, the emphasis will be on more efficient expenditure, rather than on increased taxes. The Government's goal is to provide an environment that is conducive to greater private sector investment, which is essential for long-term sustainable development in Papua New Guinea.

In the 2000 Budget, the Government announced the establishment of a Taxation Review. As part of the 2001 Budget, the Government is pleased to announce a number of reforms adopted from the recommendations of the Review. Throughout this process, a guiding principle has been to make the tax system more efficient, more equitable and less costly to administer. The reforms will not increase the overall tax burden, but will remove obstacles to investment and economic development, thus improving employment prospects for Papua New Guineans.

A well-considered and well-directed development expenditure policy is also a very important part of this Government's policy program. Volume One outlines the development expenditure policy and priorities, with a particular eye to the philosophy that the Government cannot simply spend its way to higher living standards. Rather, the Government should ensure that the limited funds available are carefully targeted to priority areas. The Government's development expenditure priorities are in elementary and primary education; primary health care; transport infrastructure maintenance; law and order; and the promotion of income earning opportunities for local entrepreneurs including agricultural producers. Thus, government expenditure under the 2001 Budget has been designed around these priorities.

Economic developments in 1999 and 2000

1. Overview

There was a major change in the direction of economic policy when the current Government took office in July 1999. In the first half of 1999, the previous Government was running a substantial fiscal deficit. Domestic public debt had risen to K2, 586.2 million by the end of June 1999, of which more than half was held by the Bank of Papua New Guinea (BPNG).

The increased financing requirement of Government put huge upward pressure on interest rates. In June 1999, interest rates on Treasury Bills ranged from 21.84 per cent for 28-day bills to 26.50 per cent for 182-day bills.

The BPNG's international reserves also came under pressure. In June 1999, the Bank's holdings of gold and foreign exchange were valued at K228.3 million, representing only 1.9 months of import cover. The Kina fell against all major currencies through the first half of 1999, prompting an increase in inflationary pressures.

In August 1999, the current Government introduced a program of macroeconomic stabilisation measures. By November 1999, the Government had formulated and approved the Structural Reform Program 2000 (SRP 2000), which was subsequently endorsed by both the World Bank and the International Monetary Fund. Following the introduction of these measures, government finances began to stabilise. In the first half of 2000, the deficit was contained to K24.7 million.

Domestic public debt was reduced to K1, 774.6 million by the end of June 2000. At the same time, the BPNG's holdings of domestic debt had fallen to K340.0 million.

Interest rates on 28-day Treasury Bills stabilised through the second half of 1999 and the first half of 2000 at a little over 20 per cent, while the yields on longer-term government securities, particularly 182-day Treasury Bills, began to move lower. This trend continued through to the end of October, while yields stabilised in November.

The BPNG's holdings of gold and foreign exchange increased to K625.5 million by June 2000, representing 3.0 months of import cover. This was a significant improvement on the situation in June 1999.

The currency initially stabilised after the change of government at levels of around 35 to 37 US cents, before climbing to highs of around 41 US cents in May 2000. More recently, the currency has fallen back to levels of around 31 to 33 US cents, reflecting the strong performance of the US dollar against all currencies and weakness in agricultural commodity prices and export volumes. Partly offsetting these factors are the continued strength of world oil prices and modest growth in imports.

Inflation remains at levels of around 15-20 per cent per annum, reflecting the lagged impact of the large currency depreciation that occurred from late 1998 to mid 1999. Inflation was also affected by new tax measures introduced in the 1999 Supplementary Budget and in early 2000. Inflation will fall further as currency stability is maintained and the one-off impact of excise increases falls out of the index.

The Department of Finance and Treasury estimates that gross domestic product (GDP) growth in 1999 was 3.2 per cent. This represents a significant improvement from the 3.8 per cent fall in GDP that the National Statistical Office reported for 1998. The improvement mainly reflected a turnaround in growth in the agricultural sector, as drought conditions lifted, and increased production of oil and minerals.

Growth in most other sectors of the economy remained relatively weak in 1999, reflecting the uncertain business environment.

In 2000, agricultural growth slowed as a result of lower coffee and copra oil production. Crude oil production also fell significantly, reflecting the diminution of the existing oil fields and a one-month halt in production at the Moran field following a landslide in August. Gold production is expected to fall marginally. Because of this weakness in commodity production, total GDP growth is estimated at 0.8 per cent in 2000. However, private business activity should pick up as interest rates continue to fall.

Agricultural commodity prices were generally weak in 1999, reflecting increases in the world supply of many of Papua New Guinea's major tradable crops. Copper and gold prices also moved lower in 1999. World oil prices rose substantially in 1999, after a period of weakness in 1998. These trends continued into 2000.

2. Gross Domestic Product

The Department of Finance and Treasury estimates that gross domestic product (GDP) grew by 3.2 per cent in 1999, following falls of 3.8 per cent in 1998 and 3.7 per cent in 1997. Total GDP is expected to grow by 0.8 per cent in 2000.

The agriculture, forestry and fishing sector is estimated to have grown by 3.7 per cent in 1999, after recovering from the drought conditions of 1997 and 1998. Production of cocoa and palm oil grew strongly in 1999, while coffee production fell a little after the bumper crop in 1998. Production of logs was higher in 1999, reflecting stronger demand from the recovering East Asian economies.

In 2000, the agriculture, forestry and fishing sector is expected to grow by 0.9 per cent. Cocoa production is expected to be significantly higher as conditions in Bougainville improve and log production is also expected to increase in line with continued increases in regional demand. In contrast, coffee production is expected to fall significantly in 2000 in response to the longer wet season and weaker export prices. Copra oil production is also expected to fall in response to weak export prices.

Growth in the mining and quarrying sector is estimated at 12.3 per cent in 1999, reflecting solid increases in production for all major minerals and for petroleum. In 2000, production is expected to fall by 7.9 per cent. This fall is largely the result of lower crude oil production. Production at the test wells on the Moran field was interrupted for around a month following a landslide in the second half of the year. However, the decline in production mainly reflects the ongoing depletion of reserves in existing oil fields.

Output in other sectors was mixed in 1999. Private business conditions were generally difficult as a result of the broader problems facing the economy. Against this, output in the transport, storage and communication sector is estimated to have grown by 9.5 per cent in 1999 as a result of increased agricultural production and the move to higher technology communication products. Community, social and personal services are also estimated to have grown strongly in 1999, as government spending accelerated.

Preliminary data from the BPNG suggest that business conditions remained very difficult in the first half of 2000. This is consistent with the high interest rates that prevailed in the first half of 2000, before they began to moderate in the middle of the year. Growth in community, social and personal services is estimated to have moderated in 2000 in line with government spending restraint.

Looking forward to 2001, real GDP growth is forecast to be 3.1 per cent. Growth in the agriculture, forestry and fishing sector is forecast to accelerate to 6.5 per cent in 2001, reflecting continued strong growth in cocoa production and a recovery in coffee production.

Mining and quarrying production is forecast to fall by 6.5 per cent in 2001. Oil production will continue to decline, with a forecast 17.0 per cent fall in 2001, and gold production is also forecast to fall as production rates at the Misima and Porgera mines slow relative to 2000 levels.

Most other sectors are forecast to record growth rates consistent with their estimated long run potential in 2001. This will represent an improvement in economic conditions, consistent with falling interest rates and lower inflation.

3. Labour market

In 1999, total private non-mining employment in the formal sector, as measured by the BPNG's employment index, increased by 3.0 per cent. Employment rose in all industries except building and construction and transportation. Mining employment increased by 1.3 per cent. All surveyed regions experienced increases in employment except the National Capital District and the Islands region.

Employment data for 2000 are currently unavailable. However, it is likely that employment growth has remained relatively flat in line with the difficult economic conditions. As economic growth accelerates into 2001, better employment opportunities should be secured.

4. Prices

The Consumer Price Index (CPI) increased by 13.2 per cent in the year to the December quarter 1999. The major factors affecting the CPI in 1999 were a large fall in betelnut prices in the first half of the year and the introduction of taxation measures in the 1999 Supplementary Budget in the second half of the year. The Supplementary Budget measures affected the CPI most heavily in the September quarter 1999. Quarterly inflation in September 1999

Structural reform program

1. Introduction

The Government of Papua New Guinea is committed to the continued implementation of structural reforms in order to realise more of the nation’s considerable economic growth potential. During 2000, the Government successfully gained the endorsement of the World Bank, the International Monetary Fund (IMF) and the Friends of Papua New Guinea for the structural reform policies articulated in the 2000 Budget. Furthermore, this endorsement was backed-up with financial support of:

- US$115 million standby arrangement from the IMF
- US$90 million concessional loan from the World Bank
- US$110 million concessional loan from the Government of Australia
- US$50 million concessional loan from the Government of Japan
- Grant of ∈10.4 million (Euro) from the European Union

During 2000, the Government made significant progress in implementing the structural reforms outlined in the 2000 Budget. In particular, the Government is on target to bring the Papua New Guinea Banking Corporation to the point of sale by the end of December 2000. It is therefore expected that the floating tranche of the World Bank loan will be drawn down by the end of 2000. The structural reform agenda for 2001 continues the implementation of measures contained in the Structural Reform Program (SRP) outlined in the 2000 Budget. In addition, further measures are being introduced to roll forward the agenda and to build on the progress to date. These are concentrated in the areas of public sector and financial sector reform and privatisation.

The SRP in 2001 will be coordinated by the Central Agencies Coordinating Committee (CACC), supported by the Department of Finance and Treasury, the other central agencies and the CACC Secretariat.

The Government will continue to work closely with the World Bank and Friends of Papua New Guinea to refine and develop many of the initiatives outlined in the SRP 2001 matrix

2. Improving the policy making process

In previous years, there was a serious deterioration in the policy-making process of Government. Policy submissions reached the National Executive Council (NEC) without proper evaluation and scrutiny, and decisions were driven by other priorities instead of being based on careful analysis and consultation. To address this problem, a NEC Submission reviewing NEC procedures and committees was produced and its recommendations implemented in 2000.

From the beginning of 2000, procedures and processes for policy-making have been introduced. A streamlined system of committees has been put in place to make sure government agencies are consulted on policy matters relevant to their mandate. More effective procedures have been established for all departments and ministries, so that no confusion exists as to the necessary steps that need to be taken every time a proposal is intended for NEC's consideration.

In 2000, the National Planning Committee was re-established to ensure better co-ordination between the bureaucratic and the political decision-making levels and to further screen and discuss submissions before they reach the NEC. The CACC was established to assist both the National Planning Committee and the NEC in discharging their functions. The CACC is headed by the Chief Secretary to Government and includes heads of all Central Agencies — Finance and Treasury, National Planning and Monitoring, Personnel Management and Attorney-General.

In addition, all decisions taken by the NEC (except for those classified, for example, for security reasons) have been, and will continue to be, widely publicised through appropriate means (notice boards, government web-sites, etc).

In 2001, the NEC Submissions Screening Committee and CACC will continue to ensure compliance with procedures for screening and evaluation of NEC Submissions and continue to publish all NEC decisions.

3. Ensuring political stability

Political instability has often created major disruptions in governance processes in Papua New Guinea. A bill for the Integrity of Political Parties and Candidates has been endorsed by NEC and presented to Parliament. This bill is designed to promote reforms in the party system that will prevent candidates and Members of Parliament from switching their party allegiances at will. It is intended to stabilise the configuration of Papua New Guinea's politics and should reflect positively on governance structures at all levels.

4. Improving reporting and monitoring

In Papua New Guinea's public sector, enforcing good governance and clear accountability has often proved difficult in practice, because of a general lack of reporting and monitoring arrangements. While formal requirements for reporting are in place for many agencies, these have not always been adhered to.

As part of the 2001 Budget process, government agencies provided and discussed their 2001 Budget Estimates with the CACC. To further build on this, work plans will be produced for 2001 by the end of 2000 and all agencies will be required to produce annual reports as part of the 2002 Budget process.

At the same time, it has often been difficult to measure the adequacy of agencies' performances, especially in the more important areas of basic service delivery, because of the general lack of reliable data on various aspects of social and economic development. In order to improve the situation, the National Statistical Office (NSO), and its capacity to design, commission and conduct surveys, will be further strengthened in 2001.

The 2000 Census was successfully completed by the NSO. When the results become available, they will provide important updated information on the demographic, social and economic profile of Papua New Guinea. This will enable analysis of what has been completed so far and point to areas of need, which will, in turn, contribute towards better and more targeted policy-making in the future.

5. Strengthening oversight agencies

A key aspect of governance deals with the existence and functioning of agencies that have the role of keeping government activities under close scrutiny to avoid corruption and mismanagement. The Auditor-General and the Ombudsman's Commission, among others, will be ensured their independence and granted increased funding in 2001. In addition, the role of the Parliamentary Public Accounts

Committee will be restored. The Auditor-General's Office, with assistance from the Public Sector Reform Management Unit, have refined a proposal to reform and strengthen the Auditor-General's Office. Funding will be sought in 2001 to strengthen the Office of the Auditor-General. The Ombudsman's Commission has already completed its organizational restructuring, whilst institutional strengthening of the Attorney-General is in progress.

2001 Budget

CENTRAL GOVERNMENT BUDGETS

	Million Kina		
Revenue	2000 Actual	2001 Estimate	2002 Projected
Tax Revenue	2314.9	2320.7	2416.5
Non-Tax Revenue	144.5	231.2	201.3
Foreign Grants	516.4	572.1	667.9
Total	**2975.8**	**3124.0**	**3285.7**

	Million Kina		
Expenditure	2000 Actual	2001 Estimate	2002 Projected
National Depts	1218.1	1127.2	1233.8
Prov. Govts	526.6	570.5	554.8
Other	548.3	570.6	551.0
Recurrent Expenditure	*2293.0*	*2268.3*	*2339.6*
Development Expenditure	*913.2*	*1038.6*	*1160.6*
Total	**3206.2**	**3306.9**	**3500.2**

1. Overview

The Fiscal Framework of the 2001 Budget is crucially dependent on a set of underlying assumptions regarding world and domestic variables, particularly the exchange rate and the price of our major exports.

2. Fiscal strategy

Since July 1999, the Government has sought to minimize fiscal deficits in order to reduce the rate of increase of indebtedness and the resources obligated to servicing the debt. The Fiscal Strategy of the 2001 Budget aims to continue the trend towards a balanced budget that was first established with the introduction of the 1999 Supplementary Budget. The fiscal deficit at the end of 1999 was equivalent to 2.2 per cent of GDP; the 2000 fiscal deficit is estimated to be 1.8 per cent of GDP, whereas the 2001 fiscal deficit is projected at 1.3 per cent of GDP (half a percentage point lower than 2000).

Although the deficit has not been completely eliminated in the 2001 framework, the reduction by half a percentage point as a proportion of GDP represents a significant improvement. In addition, the value of the deficit is more than accounted for by the combination of one-off external loan-funded investment expenditures (K65.8 million), additional external loan-funded development expenditures (K41.3 million) and conditional arrears payments (K61.5 million). Continuing to relieve the banking system of the Government's financing requirements will ensure that monetary policy is free to achieve its objectives of stabilising the Kina and lowering inflation.

Furthermore, if the proposed Fiscal Strategy is sustained, the downward movement of interest rates that is anticipated to emerge in 2001 will encourage the private sector to invest and grow.

In summary, the objectives of the Fiscal Strategy of the 2001 Budget are:

- To maintain the trend towards minimising fiscal deficits, thereby slowing the rate of increase in indebtedness of the State and the proportion of resources obligated to servicing that debt
- To maintain a responsible fiscal stance, so that the more stable macroeconomic environment established through this Government's policies is consolidated and not endangered through a responsible fiscal stance, to provide an environment
- For the continued decline in nominal interest rates in order to encourage new private sector investment and growth
- To increase the level of resources available to priority sectors to enable development objectives to be successfully pursued

The Fiscal Strategy has taken into account progress in implementing the measures from the Government's Structural Reform Program (SRP) 2000. Its successor, the SRP 2001, is a comprehensive reform program that rolls forward the SRP 2000 giving an implementation progress report and the reform agenda for 2001 and beyond. The content of the SRP 2001 and the 2001 Fiscal Framework were the main negotiating points in the recent program reviews with the International Monetary Fund (IMF) and World Bank. Both the IMF and the World Bank have endorsed the 2001 Fiscal Strategy and Structural Reform Program.

The priority departments and agencies identified by NEC and consistent with the Government's development policy are:

- Health and Hospital Management Services
- Education
- Transport, Works and the Office of Civil Aviation

- Agriculture and Livestock, Fisheries Authority and Forestry Authority
- Police, Corrective Institutional Services, Attorney-General, Auditor-General and Ombudsman's Commission
- Internal Revenue Commission (IRC)

All of the priority institutions are proposed to receive increased appropriations in 2001.

A key assumption of the 2001 Fiscal Framework is that substantial budget support loans to the value of K424.2 million (US$140 million) are available from the Friends of Papua New Guinea and International Financial Institutions. At this time only US$95 million of the US$140 million has been identified. This is made up of US$25 million from the Asian Development Bank, US$10 million from the Australian Government, US$35 million from the World Bank and US$25 million from the Japanese Bank for International Cooperation. The total financing not yet secured, amounting to US$70 million (of which the Asian Development Bank has indicated a willingness to fund US$25 million), will be sought through a Consultative Group Meeting currently scheduled for March 2001. Total revenue and grants for 2001 are estimated at K3, 223.3 million, a rise of 6.0 per cent on the estimated 2000 outcome.

Taxation reform

1. Introduction

In August 1999, the Government announced the establishment of a Taxation Review chaired by Sir Nagora Bogan KBE. The Taxation Review's primary focus has been to assist the Government lay the taxation foundations for the long-term development of Papua New Guinea.

The Taxation Review report was completed in October 2000 and sets out recommendations aimed at:

- Improving the tax system to encourage the expansion of investment, employment and economic development
- Simplifying and improving taxation administration to facilitate compliance by taxpayers and improve efficiency in revenue collection
- Enhancing fairness in the tax system by ensuring that all taxpayers share the cost of providing government services
- Improving the process of tax policy formulation to safeguard the integrity of the tax system

The Government has reviewed the recommendations of the Taxation Review and identified recommendations for inclusion in the 2001 Budget.

2. Personal and corporate income taxation

Personal Income Tax Schedule

The Government is introducing a new tax schedule as recommended by the Taxation Review. The current personal income tax schedule will be replaced with a new personal income tax schedule for residents. In keeping with changes to the resident personal income tax rates, it is proposed that non-resident rates also be changed.

The new schedule has a number of advantages over the old schedule:

- The tax-free threshold has been extended from K4, 000 to K5, 500, which will immediately take many low-income earners out of the direct tax net
- The initial band, which extends from K5, 500 to K16, 000 is wide so that many taxpayers will pay the same rate of tax on their regular employment and their overtime employment

The new rates will make almost all taxpayers better off, with relative improvements in net pay being higher at lower income levels. For example:

- A taxpayer earning K6, 000 annually currently pays K300 in tax, will pay only K125 in tax
- A taxpayer earning K20, 000 per annum now pays K4, 100 in tax, will pay K4, 025 in tax

3. Tax administration

Corporate governance

Provisions for the appointment of the Commissioner-General by the Minister for Finance and Treasury are contained in the Income Tax Act. The Act provides for the appointments of the Commissioners of Tax and Customs by the Minister upon recommendation of the Commissioner-General. The tenures of the Commissioner-General and the Commissioners are not assured by legislation. Upon consideration, the Taxation Review found that the current system leaves the senior management of the IRC susceptible to political interference. The Minister for Finance and Treasury, acting solely on his own advice, can appoint and remove all three senior staff members.

In keeping with the practice in other institutions in Papua New Guinea (for example, the Bank of Papua New Guinea), and in Australia, it is proposed that:

- Changes be made to the system by which the Commissioners (including the Commissioner-General) are appointed to ensure security of tenure, whilst allowing for dismissal for non-performance or criminal activity. Non-performance will be monitored by the NEC. The Commissioners will be subject to the Leadership code.
- The Commissioner-General's remuneration will be fixed by National Parliament, following consideration of a recommendation by the Salaries and Remuneration Commission.

Development expenditure policy and priorities

1. Introduction

As with the taxation reform program, development expenditure policy is an integral component of the Government's overriding objective to improve the living standards of all Papua New

Guineans on a sustainable basis. Since independence, Papua New Guinean governments have purported to honour this objective through the preparation of numerous development strategies, plans and policy statements. However, while the statements and plans have generally been soundly based with laudable objectives, they have ultimately failed because of a lack of political commitment and poor implementation capacity.

Reflecting the lack of political commitment in the past, the national budget has not been based on the government's development plans. For instance, the budgets have contained too many projects and programs that have failed to address the national development priorities. Rather, many of the programs were designed to appease short-term sectional interests. Moreover, the well-intentioned expenditure programs were often uncoordinated and poorly sequenced, which served to compound the problems arising from weak implementation capacity. Finally, a preoccupation with new projects resulted in a failure to address maintenance requirements of existing infrastructure.

Poor development expenditure policy has contributed to Papua New Guinea's disappointing record on economic growth and to the poor record on social indicators. It is important to note that these indicators are not abstract statistics; they relate to the fundamental human condition of Papua New Guineans. For example, a single, sobering comparison is that if Papua New Guinea could match the infant mortality rate of Fiji, the lives of 10,000 infants would be saved each year.

2. The development policy framework

The current Government has broken with past practice and has ensured that the National Budget is based firmly on sound development policies. In this context, the development policy framework adopted by the Government is founded on three key principles:

- The Government will focus on clearly defined, core functions such as maintaining macroeconomic stability, ensuring the rule of law, protecting the country's most vulnerable and disadvantaged citizens and protecting the natural environment.
- The Government is also committed to open and transparent practices. In terms of its expenditure program, the Government is committed to ensuring that the basic services are delivered to all Papua New Guineans. The need to focus more clearly on the core functions is all the more compelling for a country, such as Papua New Guinea, with limited institutional and implementation capacity.
- Government at all levels must form partnerships in order to promote effective and integrated development. Under the Organic Law on Provincial Governments and Local Level Governments, the National Government's role is to determine the national development policies and priorities that are to be addressed at the local level according to local circumstances. Provincial and Local Level Governments and District Administrations must ensure that their financial and administrative resources are focussed on the efficient implementation of the particular programs which have been identified as the development priorities.
- The Government will help out, not hand out. Handouts are neither affordable nor appropriate given Papua New Guinea's rich heritage of self-reliance. Development is a two-way process. While the Government is firmly committed to improving the delivery of basic services, communities must provide counterpart contributions to development projects by providing land, labour, and materials and by accepting responsibility for

ongoing maintenance costs. There must be an effective partnership between the Government and civil society, NGO's and the private sector.

3. The National Charter on Reconstruction and Development, 2000 - 2002

The Government's principal statement of development priorities is contained in the National Charter on Reconstruction and Development. The Charter, which was endorsed by the Prime Minister and Provincial Governors in November 1999, reflects the development policy framework outlined in the preceding section. In identifying Papua New Guinea's immediate development expenditure priorities, the National Charter builds on the priorities identified in the Medium Term Development Strategy, 1997-2002 (MTDS). In summary, the development expenditure priorities are:

- Elementary and primary education
- Primary health care
- Transport infrastructure maintenance
- Law and order
- The promotion of income earning opportunities for local entrepreneurs (largely small-holder farmers), particularly in rural areas

The development priorities reflect the philosophy that the Government cannot simply spend its way to higher living standards. Rather, the role of Government is to ensure that its expenditure is carefully targeted at contributing to the enabling environment which will assist Papua New Guineans to mobilise their own resources for self-advancement. Importantly, the development priorities, or core services, are not only the building blocks for growth and sustainable development, but they are also consistent with the basic human rights of all Papua New Guineans.

Expenditure on the core services is also mutually supporting. Basic education is necessary for the success of primary health programs and agricultural extension. Primary health care contributes to improved productivity and skills development. Well-maintained transport infrastructure is essential for the efficient movement of goods markets and for service delivery. Trade and access to cash incomes improves nutrition, health and welfare.

In addition, law and order is a fundamental requirement for the smooth functioning of any society and market economy. In total, expenditures focussed on the core services will generate high social and economic rates of return. They will also serve as a most effective form of poverty alleviation.

4. The Development Charter Program and the Development Budget

The commitment to ensure that expenditure programs were based on sound development policy was demonstrated in the 2000 Budget, the first full-year budget of the current Government. Overall, and notwithstanding a tight fiscal envelope, there was a significant increase in funding for the priority sectors. In addition, the 2000 Budget introduced the District Development Program (DDP), which was a key initiative of the National Development Charter. The funds provided under the DDP are tied to a nation-wide effort for the provision of key infrastructure for basic service delivery. Eligible projects include aid posts, classrooms, public service housing and transport infrastructure.

For the 2001 Budget, the Government's commitment to ensure that the expenditure program is based on sound development policy has been further demonstrated. As noted in chapter 2, the overall budget has increased the allocation of resources to the priority sectors. The key initiative of the 2001 Development Budget and the Public

Investment Program is the Development Charter Program. The Program is designed specifically to implement the development priorities outlined in the National Development Charter and reflected in the MTDS. The program will commence in 2001 and will provide the framework for future development budgets. As currently designed, the project consists of five components which are described below.

Medium term outlook

1. World economic outlook

Overview

World economic conditions have improved markedly in 2000 with strong economic growth in all major economic regions. For 2000, growth in world output is expected to be 4.7 per cent, which compares favourably against the 3.4 per cent growth in 1999. The strong growth in 2000 is attributed to continued strength of the United States economy, the upswing in Europe, consolidation of the recovery in Asia, a rebound growth in the economies of Latin America and the Middle East and improved economic activity in Africa.

World economic growth projections for 2001 point to a degree of economic imbalance among the United States, Japanese and European economies, which poses a potential risk for world GDP growth (details below). The IMF projects growth in world output of 4.2 per cent in 2001, with the newly industrialised Asian economies the main source of this growth. The major industrialised economies will grow at a modest 2.9 per cent.

Papua New Guinea's interest in the world economy concerns the state of its trading partners' economies and its imports and exports. Papua New Guinea's most important trading partners by trade value are Australia, Japan, the United States, the United Kingdom and New Zealand.

Commodity prices and inflation

In recent months, oil prices have been significantly higher than previous levels, due to both supply constraints in producing countries and the continued strength of world demand. Gold prices have remained steady over recent months at historically low levels, while other mineral prices have remained high. Prices of agricultural commodities have remained strikingly low. The divergence between mineral and agricultural commodities mainly reflects supply side developments. There has been an oversupply of agricultural commodities and continued low supply of minerals.

Inflationary pressures in advanced economies have steadily increased over the course of 2000, mainly due to the inflation pressures in the United States and Japan, accompanied by upward pressure from oil prices, which have remained high throughout the year.

Risks and uncertainties

A number of economic and financial imbalances continue to exist in the world economy. These include the uneven pattern of GDP and demand growth among the United States, Europe and Japan, and the associated imbalances in their external current accounts. The imbalance also includes apparent misalignments between the US dollar, the Euro and the yen; as well as the high level of equity market valuations in a number of countries, including the United States. Over the past few months, some progress has been made towards resolving these imbalances. However, the possibility that these imbalances may unwind in a disorderly fashion remains a risk to the global expansion. In addition, if the recent increase in oil prices is sustained, the major industrial economies, particularly the United States and Europe, may consider it necessary to tighten monetary policy in order to control inflationary pressures.

2. Domestic economic assumptions

Real GDP is forecast to increase by 3.1 per cent in 2001, 5.7 per cent in 2002, by 8 per cent in 2003 and by 5.1 per cent in 2004. The main contribution to increased GDP growth in 2001 is expected to come from the agriculture, forestry and fishing sector. Coffee output is expected to grow strongly after a weak year in 2000 and palm oil, cocoa and copra output should also show solid growth.

The construction sector is forecast to contribute to stronger growth in 2001, with preliminary work expected to commence on both the Ramu Nickel and PNG-Queensland gas projects. These projects are expected to provide some benefits to other sectors of the economy, although flow-on benefits from the gas project will be constrained by its relative isolation from major population centres.

From 2002 to 2004, the annual rate of GDP growth is forecast to strengthen; rising capital expenditure on the Ramu Nickel and PNG-Queensland gas again play a large role in this strength.

The commencement of production of nickel and cobalt from Ramu by 2003 and gas and other by-product fuels from the gas project by 2004 should provide somewhat of a buffer for the economy against the reduced oil production. The current oil fields have a limited life span and Papua New Guinea is already experiencing the effects of reductions in production from the three main oil fields.

The agricultural sector is forecast to grow at 6.5 per cent in 2001 and 3.5 per cent per annum from 2002 to 2004 in real terms. Given that the main crops (palm oil, coffee, copra and cocoa) are relatively susceptible to weather conditions and international price movements, unpredictable swings in output from the agricultural sector from year to year are not unusual.

3. Prices

Average CPI inflation is forecast to fall to 11.6 per cent in 2001, with the price effects of the Kina devaluation playing an important role in the level of inflation. Inflation is projected to fall to 6.2 per cent in 2002 and 5 per cent in 2003 and 2004 as the exchange rate stabilises in the forecast period.

Section 2 – The National Goals and Directive Principles (1975) – Summary

WE HEREBY PROCLAIM the following aims as our National Goals, and direct all persons and bodies, corporate and unincorporate, to be guided by these our declared Directives in pursuing and achieving our aims:

1. Integral human development

We declare our first goal to be for every person to be dynamically involved in the process of freeing himself or herself from every form of domination or oppression so that each man or woman will have the opportunity to develop as a whole person in relationship with others.

2. Equality and participation

We declare our second goal to be for all citizens to have an equal opportunity to participate in, and benefit from, the development of our country.

3. National sovereignty and self-reliance

We declare our third goal to be for Papua New Guinea to be politically and economically independent, and our economy basically self-reliant.

4. Natural resources and environment

We declare our fourth goal to be for Papua New Guinea's natural resources and environment to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations.

5. Papua New Guinean ways

We declare our filth goal to be to achieve development primarily through the use of Papua New Guinean forms of social, political and economic organization.

Specific goals relating to development

- Improvement in the level of nutrition and the standard of public health to enable our people to attain self fulfilment
- Every effort to be made to achieve an equitable distribution of incomes and other benefits of development among individuals and throughout the varies parts of the country
- Equalization of services in all parts of the country, and for every citizen to have equal access to legal process and all services, governmental and otherwise, that are required for the fulfilments of his or her real needs and aspirations
- Equal participation by woman citizens in all political, economic, social and religious activities

- The maximization of the number of citizens participating in every aspect of development
- Active steps to be taken to facilitate the organization and the legal recognition of all groups engaging in development activities
- Our leaders to be committed to this National Goals and Directive Principles, to ensure that their freedom to make decisions is not restricted by obligations to our relationship with others, and to make all the decisions in the national interest
- All govern mental bodies to based their planning on political, economic and social development on these Goals and Principles
- Citizens and governmental bodies to have control of the bulk of economic enterprise and production
- Strict control of foreign investment capital and wise assessment of foreign ideas and values so that these will be subordinate to the goal of national sovereignty and self-reliance, and in particular for the entry of foreign capital to be geared to internal social and economic policies and to integrity of the Nation and the People
- The State to take effective measures to control and actively participate in the national economy, and in particular to control the major enterprises engaged in the exploitation of natural resources
- Economic development to take place primarily by the use of skills and resources available in the country either from citizens or the State and not in dependence on imported skills and resources
- The constant recognition of sovereignty, which must not be undermined by dependence on foreign assistance of any sort, and in particular for no investment, military or foreign-aid agreement or understanding to be entered into the imperils our self-reliance and self-respect, or our commitment to these National Goals and Directive Principles, or that may lead to substantial dependence upon or influence by any country, investor, lender or donor.

Section 3 – Australia's Aid Projects in Papua New Guinea

Project	Province	Project	Province
Public administration and economic analysis		**Health**	
Strengthening National and Decentralised National Planning Systems Project	National	Women's and Children's Health Project	All provinces
Consultative Implementation and Monitoring Council	National	Sexual Health and HIV \ AIDS Prevention and Care Project	NCD, Morobe, SHP, EHP Enga, Simbu; ENB
Immigration and Citizenship Division Development Project	National	Hospital Management and Operations Improvement Project	NCD, Morobe, EHP, WHP, Bougainville, ENB
Advisory Support Facility	National (Morobe, NCD, ENB)	Medical Officer, Nursing and Allied Health Sciences Training Project	National (Central. Morobe, WHP, EHP, ENB)
Australian Contribution to the Land Mobilisation Project - Census Village Mapping Project	National	Medical Equipment Management Project	National
Census 2000 Project	National	Pigibel Vaccine Supply Project	National
PNG-Australia Treasury Twinning Scheme	National	Field Site Support for Malaria Vaccine Trials Project	EHP, ESP, Madang
Provincial Government Reform	National	Tertiary Health Services Project – Phase II	National
PNG Economic Reports	National	Health Sector Support Program	National
Other Economic Studies	National	National Immunisation Days and Sub-National Immunisation Days	National
Support for World Bank Programs	National	**Infrastructure**	
Law and justice		Highlands Highway Upgrading Project	SHP
Royal PNG Constabulary Development Project - Phase II	National	National Roads Regravelling and Scaling Project	National (Madang, WNB, Manus, Central, ESP, Sandaun, NIP)
Correctional Services Development Project - Phase II	National (MP, NCD)	Lae City Roads Upgrading Project	Morobe
Renovation of Royal Papua New Guinea Constabulary Buildings and Associated Infrastructure	National (MP ESP, Morobe, WHP, EHP)	Bridge Replacement and Upgrading Project	National
Ombudsman Commission Institutional Strengthening	National	Wapenamanda to Wabag Highway Upgrading Project	Enga
Law and Justice Sector Support Program	National	Transport Sector Support Program	National
Access to Laws	National	Balus	National
Private sector development		Airport Maintenance and Upgrading Project	National
South Pacific Project Facility, Port Moresby Office	National	South Fly Telecommunication Project	Western
Liklik Dinau Abitore Trust Micro-finance Project	Eastern Highlands	Communications Sector Support Program	National

Project	Province	Project	Province
Bougainville Haus Moni	Bougainville	**Renewable resources**	
WTO Trade Policy Review of Papua New Guinea	National	Australian Contribution to the National Agricultural	National
Civil society		Australian Contribution to the National Agricultural Research System	National
PNG Community Development Scheme	National	Agricultural Quarantine Support Project	National
Small Activities Scheme	National	ACIAR Research and Development Activities	National
Education and training		Conservation Program - Oro Province	Oro
Institutional Strengthening Project for the Department National of Education	National	Department of Environment and Conservation Strengthening Project	National
Elementary Teacher Education Support Project	National	Forestry Human Resource Development	National
Primary and Secondary Teacher Education Project	National	Forestry Human Resource Development	National
Upgrading of Provincial High Schools Project – Phase II	Sandaun; ENB	Post-tsunami restoration Tsunami Disaster Rehabilitation Project	Sandaun
National Trade Testing and Certification System Project	National (EHP and WHP)	**Gazelle Peninsula restoration**	
Secondary School Students Project	National	Rabaul Vulcanological Support Services Project	ENB
Basic Education Infrastructure and Curriculum Materials Program - Phase I	National (Morobe, WNB, EHP, Gulf, Central)	Gazelle Reconstruction Project	ENB
PNG-Australia Targeted Training Project	National	**Consolidating the peace process in Bougainville**	
Australian Development Scholarships Scheme	National	Bougainville Support to Peace Process	Bougainville
Primary Schools Equipment - Phase IV	National	Bougainville Peace-Related Transport	Bougainville
Secondary Schools Equipment	National	Bougainville Institutional Strengthening Project	Bougainville
		Nissan Holy Cross High School	Bougainville
		Bougainville Coastal Land Transport Rehabilitation Project	Bougainville
		Bougainville District Development Officers Project	Bougainville
		Emergency and Community Support	Bougainville
		Bougainville Health Rehabilitation Program	Bougainville
		Bougainville Provincial Rehabilitation Project	Bougainville
		Radio Bougainville Rehabilitation Project	Bougainville

Section 4 – World Bank's Rural Development Strategy

Fighting poverty for lasting results

Adapted from an article by Dr Beno Boeha - Director of the National Research Institute

AT THE consultation on the World Bank's Rural Development Strategy, the bank's president James Wolfensohn, called on the delegates from East Asia and the South Pacific region to allocate their time and resources to the people who comprise 70% of the world's poor, living in the rural areas.

The bank's concern with poverty focused on rural development and rural poverty. These are also concerns of many governments, businesses, and NGOs around the world today.

Why is the World Bank so concerned about this?

Some reasons

- IT IS estimated that about six billion people earn a total global income of about 30 trillion dollars. Yet, a wide range of inequalities exist among countries, regions, an individuals.
- TWENTY per cent of the world's population (1.2 billion) live in developed countries and earn 80 per cent of the world's income.
- EIGHTY per cent of the world's population (4.8 billion) live in developing countries with transition economies. They only earn 20 per cent of the world's income. Such countries, including Papua New Guinea, have great differences in the sharing of wealth and income.
- AT THE bottom end of the distribution of world population there are about 800-million people who go to bed hungry every night. The majority of these people live in the rural areas. Of course, 70 per cent of the world's poor live in the rural areas. Yet, in 2001, the World Bank's loans are at an all-time low as seen in the proportion of lending for rural development and agricultural purposes, as against other demands.

Is the World Bank doing a good job in addressing the issues of rural poverty?

The World Bank's views

The issue of rural poverty has forced the World Bank to review its global rural development strategy.

Wolfensohn reminded delegates that the World Bank could do a better job than it has done so far, although the issues are not only concerns for the World Bank, but also for other donors such as the Asian Development Bank, the United Nations Development Program, AusAID, and US-Aid. Wolfensohn emphasised the need to allocate time and resources to rural communities, which lack advocacy and voice, and are suffering the most.

Unfortunately, the World Bank is concerned about this problem when the world is experiencing very low commodity prices. This problem is compounded by certain developed countries which provide food to the world based on high subsidies and are competing with farmers from the developing and transition economies.

The bank is concerned about the future of these affected countries, especially when the world's population will increase by another two billion people during the next 25 years. With this addition, there will be a tremendous need for more food.

We need to look at increased demands for food production and the maintenance of water supplies in cities and towns which will put incredible pressure on the world's water supply. In 20 years time, it is estimated that three to five billion people will not have proper access to clean water.

As there will be pressure on the world's water and environment we need to improve the efficiency of our production.

What can we do?

It is likely that we will need more land for agriculture. This will put pressure on our limited available land resources and our environment which is already subjected to deforestation of areas the size of Switzerland each year.

The bank has called on all countries to address these issues. All countries and governments now have a real chance to improve food production and distribution and to prepare for the challenges and needs for the next 25 to 50 years. We have to consider the global, regional, and country challenges, from Africa to the Middle East, to the subcontinent of Asia, to the South Pacific where there is adequate food production. Because of poverty and the lack of adequate distribution mechanisms, people are starving.

What would be the bank's strategic objectives when there is enough food production but people are still dying from hunger?

Strategic objectives

The bank has four strategic objectives in tackling the issues - reducing rural poverty, stimulating rural economic growth, improving food security and supporting natural resources. Consequently, a series of programs and projects is being developed in consultation with different stakeholders, to suit the priorities and uniqueness of each country. For example:

- IMPROVE the economic and social well-being of rural people by ensuring that the voice of the rural people is heard, the people's needs are examined and programs that address the questions of the rural poor are established;
- DISCUSS ways in which improving food security is considered seriously by looking at technology, methods, sciences, and the straight civil questions of how farmers can be encouraged to cooperate and work in their collective interests. It is important to consider the same in the world's interests, in terms of the production of food;
- FIND ways of ensuring the sustainability of natural resources in order to unite everyone. The first priority is to increase the focus on poverty and equity so that the

voice of the poor can be heard around the world. Finance and Treasury, in budget discussions with partner countries, must address the needs of this vulnerable section of the community. There is also the need to strengthen the policies and the institutions that deal with the issue of rural development. Policies and institutions that start at the top in this country must reflect the request of the strongest voices - those coming from the rural areas as they grow rapidly;

- IMPROVE access to social and economic infrastructure. It is not just a question of improving technology and getting farmers to be more progressive and more efficient in terms of food production. There is a need to improve the whole rural development infrastructure - roads, distribution mechanisms, education, health services, electricity and water supplies. These are essential elements in terms of appropriate rural development. It was essential for the World Bank to approach rural development in a comprehensive way;
- FACILITATE agricultural growth and competitiveness, particularly through the use of technology, which can bring down the costs of production. There is also the need to address the issues of international trade and subsidies of agricultural commodities which are central to many weaknesses in rural development in developing and transition economies; and
- ENHANCE rural, non-agricultural, and private-sector activity. Not everyone in rural areas needs to work on farms. Therefore there is a need to establish a rural economic framework whereby the private sector can participate and invest, particularly where there are non-farm activities. This could enhance economic activity in rural areas and add value to production in developing countries such as Papua New Guinea.

Another important strategic objective for the World Bank is to improve natural resource and environmental management.

Rural poverty

Rural poverty not only concerns changing the balance between the resources the are being poured into cities and towns, but also the poor management of resources intended for the rural poor. Resources need to be directed to those people with the least voice and who are suffering the most. Such attention must be given, particularly in rural areas. If there is inequity, people will starve. If there are disadvantages and poverty, then no-one will be able, or available, to address environmental and peace issues.

Delegates were also concerned with global peace for children. Therefore, the World Bank has revised its action plans for the Asia-Pacific region. Its thematic issues will promote unity in the global "rural family" and focus on implementation.

Having only a short time frame, the World Bank recognises the urgency and importance of new budgets, planning, strategies, and formulation of projects in the refocusing of efforts on rural development.

Wolfensohn believes that the time for talking, academic discussions, and theoretical approaches has passed. It is now time for implementation and positive action, using effective programs.

The implementation of plans, and performance of these programs can be monitored so that, over the years, there can be a real change in the quality of life for people throughout the world, particularly the majority of poor people in rural areas.

Post-Courier, 2 May 2001

Section 5 – Privatisation Issues

What’s the alternative to privatisation? : PM

(The National, 18 July 2001)

PRIME MINISTER Sir Mekere yesterday defended his Government’s structural adjustment program, which includes privatisation, and challenged his critics to offer him alternatives. He confirmed telling Privatisation Commission Chairman Ben Micah and Minister Vincent Auali not to make public statements while the “fire is still burning” from the recent student protest, saying… “it’s like feeding, kerosene to the flames….. Privatisation will go on. …The whole nation is still mourning the death of Papua New Guineans over issues that are utterly misunderstood, totally emotionalised for different motives…” said Sir Mekere. “And I want to make this point, when the people say stop privatisation, chase all the white men out, don’t borrow any more money, I want you to come out and tell me what are alternatives. If they give alternatives I will consider them very seriously…Frankly, I know of no other way than what I’m doing,” he said.….. Government doesn’t have the skills, doesn’t have the integrity, doesn’t have the knowledge to run these businesses. Papua New Guinea has to make a choice: Do you want a bankrupt Elcom or a bankrupt PNGBC which are half running and half struggling? Or do you want the service; do you want cheap electricity and airfares? Those are issues. So the choice is ownership or service. …..” said Sir Mekere.

Through private eyes with Ben Micah

Your questions answered.

Q: Can the government clearly show how ordinary village people will benefit from privatisation?

A: There are no guarantees in life, but economic principles and international experience demonstrate that privatisation is most likely to lead to improved efficiency in the operation of public enterprises.

Q: Will privatisation really make a difference to living standards?

A: Public enterprises are currently providing a range of services including banking, utilities and transport that directly and indirectly impact on the lives of ordinary village people. The improved efficiency, associated with privatisation, effectively means there will be more of the economy’s resources available to support higher living standards and fund social objectives.

Q: Can the government guarantee that the services of public enterprises will improve following privatisation?

A: Improved efficiency of enterprises following privatisation will improve the competitiveness of the businesses that will in turn lead to stronger income and employment growth.

Q: As privatised entities will become profit-oriented won’t this mean compromising social objectives in the quality of services?

A: As part of the privatisation process the government will develop a superior approach to the specification and provision of social and community service objectives, this will include a cleaner specific contractual arrangements with the private sector in the course of privatisation. Once clarity and contractual arrangements are established, the strong profit incentives of the private sector will play an important role in ensuring better service delivery for social and community functions that are contracted out.

Q: Has the government considered experience in other developing countries with privatisation?

A: International experience documented confirms the positive experiences of privatisation in terms of higher productivity, better profitability, increased sales and investment and larger workforces for both developed and developing countries.

Research privatisation well

(The National 20th July 2001)

I READ with interest the views expressed by the two unnamed economists in your business section (The National, July 19). While I subscribe to most of their views. I am at a loss to understand why at the end, as if in passing, one of them says that Air Niugini should not be privatised, at least at the present time. It would give the profession much credit and also the ordinary reader an informed view, if a 'back of the envelope' analysis was provided to back up that particular assertion. The problems we face as consumers of the services provided by these public assets are common knowledge as one of your editorials succinctly described this week. The monopoly enjoyed by these enterprises has created effective barriers for entry of competitors. Over the years, the services some of these organizations provide have deteriorated to unacceptable levels, whilst others have become national liabilities. The monetary values are colossal by PNG standards as highlighted recently. The proposed privatisation process is in part an attempt by the Government to redress the 'government failure' as known in economic terms. There is however, the fear of "crony capitalism" as rightfully expressed by some sectors of our country. A fear which has been substantiated by observation of how rent-seeking behaviour has flourished in PNG over the years. A problem which is not unique to PNG but is also rife in other developing countries where similar privatisation exercises have been implemented (e.g. Zambia). Hence, it is an issue that needs to be properly addressed in the whole process. The challenge now is for the Privatisation Commission and/or the relevant institution mandated with the exercise to assess the economic merits of each privatisation-bound enterprise and inform the people of PNG accordingly. They deserve an unbiased and very well researched analysis of the whole privatisation exercise at least in the PNG context.

E.E Omuru, Agriculture and Resource Economics
University of Western Australia
Nedlands, WA

Find root cause of debts before privatisation

(Post-Courier 18 July 2001)

There is so much sorting out that needs to be done before the privatisation program is allowed to go through or implemented. One has to look at the long-term impact that it will have on the country and the people if these national assets are privatised and are controlled by a few wealthy elite. One has to really go back to where the main problem was which led to massive debts experienced by these government organizations such as Elcom (K400m as quoted on the front page of *Post-Courier,* Thursday, July 12). The worst thing that will happen and most likely is that these national assets will be sold to the dogs. It seems the Government is hurrying to go somewhere and is trying to get rid of some burden. What we not realise is that these assets are here to stay for the people and the country. Governments can come and go but the assets have been serving the people and will do so for years to come. What we need to do is to overhaul the system and fix the wrong by getting rid of the debt-causing activities and practices. What the Government fails to do is to give the people a clear picture of how these entities got into debt. I say this because when you see Elcom running into a K400m debt, I think it's a big joke. Several questions are going through my mind and I am sure many people should be asking the same questions. How could an organization, which has the monopoly of electricity in country, run into such a massive debt? Is it because our Papua New Guinean managers are incompetent? Is it because politicians are suing the profits to build political strength? Is it because the Morauta government wants to acquire the money-making national assets in order to strengthen their political stronghold while they are in government? We must get to the root of the problem and fix it and get it back to profitable levels. We must retain our national assets. Selling is not the answer to our economic problems. We will only be people without assets and wealth. A few wealthy elite and most probably foreigners who will not give the slightest consideration to our people and their wellbeing will control these assets. What we are doing so far as a country is this: We have sold our abundant resources and it seems like we have not made enough money, now we are resorting to sell our national assets. If we do not make enough then we will sell our land through the land reform program and when we are done we will be selling ourselves as labourers in our own land. Before we get into deep trouble and, worse still, become beggars in our own land, we should stop, retract and rebuild in the true Melanesian way and forget the rest of the world until our economic performance is stronger. I see a black cloud gradually covering Papua New Guinea if this privatisation program goes through. We as people must stop this privatisation in order to retain some goodness and pride in our country.

Thomas M Gultine, Porgera.

Budget links to bank sale

(Post-Courier, 1-3June 2001)

The projected receipt from privatisation sales of K183 million cannot be achieved if the PNG Banking Corporation is not sold this year.

And if it does not happen, there will be “a significant short-fall in the National Government's Budget for 2001”. David Andrew McDougall, of KPMG International Projects Group (PNG) Ltd, raised this concern in his affidavit to the court yesterday in an application by a creditor of Finance Pacific Ltd, Ken Winston Bromley, to further restrain the Privatisation Commission from selling the bank. KPMG is directly involved in the arrangements to sell PNGBC as part of the privatisation program of the National Government. Mr McDougall is the corporate advisor of the accounting firm. He stated that continuation of interim injunctions in court preventing the Privatisation Commission from disposing of, selling, mortgaging or pledging PNGBC Ltd and any assets of the bank, would act as a major deterrent to potential bidders lodging expressions of interest in time to be considered by June 22, when the Government hopes to have ready a shortlist of potential buyers for the bank. "A continuation of the interim injunction past that date will effectively prevent the commission from proceeding with the sale of PNGBC Ltd," the court heard yesterday.

"If the PNGBC sale process cannot continue in the manner intended and outlined in the timetable, the commission will suffer a loss because either the bids which are received from potential which are received from potential bidders are for amounts lower than the price which the commission otherwise expects to achieve for the sale of PNGBC or the commission's receipt of the sale proceeds from the sale of PNGBC will be delayed. "The National Government has budgeted for the receipt of about K183 million form privatisation sales during 2001 and if the commission cannot sell PNGBC during 2001, this amount will be a significant shortfall in the National Government's Budget for 2001," Mr McDougall stated in his affidavit which was tendered in court. Mr McDougall also gave oral evidence in court that a due diligence investigation of PNGBC did not cover the liability aspect of Finance Pacific Ltd, adding the liabilities still remained with Finance Pacific. He told the court that the liability aspects of Finance Pacific would be considered and settled at a later date. "We will certainly consider the matter and settle it before going to the market place." He said. Justice Maurice Sheehan, who heard the application reserved his ruling to next Monday.

Regulator to watch service

(Post-Courier, 12 September 2001)

THE Morauta cabinet has endorsed the establishment of an independent regulator designed to ensure services provided after State-owned enterprises are sold are efficient, better and cost less. The PNG Independent Competition and Consumer Commission, to be established by an Act of Parliament, will be single regulator with economic and in individual cases, technical, regulatory responsibilities across a number of industries. It will specifically have a key regulatory role on industries currently provided by Elcom, Telikom, Post PNG, PNG Harbours Board, Eda Ranu and the Water Board once these State enterprises are sold. Structurally, it will comprise a chief commissioner and two associate commissioners with staff and relevant experts. The Government is aware that some of the State-owned enterprise do not "offer immediately an increased competitive environment." With the establishment of the regulator and the competition policy, the Government hopes to provide certainty and a continuing incentive for capital investment in the regulated industries through "10-yesr price paths". A price path is an agreed formula that will determine prices in the future based upon relevant costs of supply. According to a Government brief: "These price paths and associated key technical and operating standards will be laid down in Long-Term Regulatory Contracts between the government and the owners of the regulated companies. Entry into such a contract would be on a condition of purchasing a regulated company." The proposed commission would play prescribed roles in administrative and transitional matters under the contracts during the initial 10-year term. "Any changes made to price paths and technical and operating standards would be subject to strict processes and formula controls," according to the brief.

Namaliu slams new bank rules

Post Courier 10 July 2002

THE Bank of Papua New Guinea must intervene to prevent the commercial banks imposing “discriminatory conditions” on the opening of bank accounts, the Member for Kokopo Sir Rabbie Namaliu, said yesterday.

Sir Rabbie said he was disappointed and surprised that the Bank of South Pacific — now controlling 60 per cent of the commercial bank market — has introduced conditions which clearly discriminated against the average Papua New Guinean.

“The requirement that a person wanting to open an account must have a passport with a photograph, or even a drivers licence with photograph and be personally known to the bank manager or assistant manager, is both unjust and unnecessary,” he said.

“The banks must be able to make certain that anyone opening an account be identified, but why have rules which have been followed by banks for many years suddenly toughened, so that they make it much more difficult for Papua New Guineans to open an account.

“If this is clear, then these restrictions are far too excessive and contrary to what BSP promised when it was allowed to take control for the PNGBC, where the vast majority of rural citizens have their accounts and do their banking,” he said.

“This development shows up yet another flaw in the privatisation process.

“The Privatisation Commission needs to explain to the nation whether it required the BSP to maintain basic services for Papua New Guineans, and whether it was aware that the bank intended to impose tough conditions on opening accounts.

“How many Papua New Guineans living in rural and distant parts of the country have a drivers license, let alone a passport?

“It is open to interpretation that BSP wants to encourage small passbook holders, especially those living in remote areas,” he said.

“The Central Bank needs to intervene immediately, and require the BSP to review its new rules and restore some sense of fairness to them,” Sir Rabbie said.

Section 6 – Statistics

Economic statistics by selected country, 1999

Country	GDP/PPP	GDP/PPP per capita	Real growth rate (%)	Inflation (%)
Albania	5.6 billion	1,650	8.0	0.5
Algeria	147.6 billion	4,700	3.9	4.2
Angola	11.6 billion	1,030	4.0	270.0
Antigua	524 million	8,200	2.8	1.6
Argentina	367 billion	10,000	–3.0	–2.0
Armenia	9.9 billion	2,900	5.0	2.5
Australia	416.2 billion	22,200	4.3	1.8
Austria	190.6 billion	23,400	2.0	0.5
The Netherlands	365.1 billion	23,100	3.4	2.2
New Zealand	63.8 billion	17,400	3.1	1.3
Nicaragua	12.5 billion	2,650	6.3	12.0
Niger	9.6 billion	1,000	2.0	4.8
Nigeria	110.5 billion	970	2.7	12.5
Norway	111.3 billion	25,100	0.8	2.8
Oman	19.6 billion	8,000	4.0	–0.1
Pakistan	282 billion	2,000	3.1	6.0
Palau	160 million	4 8,800	10.0	
Palestinian State	1.17 billion	1,060	4.6	5.0
Panama	21 billion	7,600	4.4	1.5
Papua New Guinea	11.6 billion	2,500	3.6	16.5
Qatar	12.3 billion	17,000	1.5	2.0
Russia	620.3 billion	4,200	3.2	86.0

Labour force status of economically active population by age and sector, 1990 Census

Rural sector

Age group	Wage job	Self-employed	Running business	Subsistence + cash cropping	Subsistence only	Unemployed	Total
10-14	1,327	350	3,556	40,813	53,516	16,310	115,872
15-19	9,172	1,254	8,539	85,259	84,001	21,999	210,224
20-24	19,930	1,741	8,891	91,411	76,931	13,002	211,906
25-29	22,647	1,784	8,193	93,757	75,279	5,888	207,548
30-34	19,278	1,411	6,372	77,849	63,018	2,650	170,578
35-39	14,723	1,374	6,324	65,512	54,747	2,264	144,944
40-44	9,251	936	5,031	50,871	44,335	1,559	111,983
45-49	6,577	807	4,150	46,094	41,010	1,370	100,048
50-54	4,053	621	3,364	37,231	33,1321	1,003	79,404
55-59	2,206	422	2,293	27,216	24,765	674	57,576
Total	109,164	10,700,	56,753	616,013	550,734	66,719	1,410,083

Urban sector

Age group	Wage job	Self-employed	Running business	Subsistence + cash cropping	Subsistence only	Unemployed	Total
10-14	450	54	88	322	335	5824	7,073
15-19	8,706	409	575	1,248	1,066	20,331	48,799
20-24	25,170	554	904	1,739	1,252	15,846	48,014
25-29	27,719	530	1,001	1,919	1,163	8,307	37,617
30-34	24,697	495	1,074	1,693	903	4,787	26,920
35-39	17,968	422	938	1,363	834	3,353	17,996
40-44	11,086	331	696	971	597	2,324	11,366
45-49	6,447	202	520	912	515	1,821	7,732
50-54	3,762	158	364	611	412	1,245	4,659
55-59	1,869	80	230	431	295	819	2,794
Total	127,874	3,235	6,390	11,209	7,372	64,657	220,737

SOURCE: NSO (1994) Tables 20

Currency by selected country

Country	Currency	Country	Currency
Afghanistan	Afghani	Bosnia and Herzegovina	Dinar
Albania	Lek	Botswana	Pula
Algeria	Dinar	Brazil	Real
Andorra	French franc/Spanish peseta	Brunei Darussalam	Brunei dollar
Angola	Kwanza	Bulgaria	Lev
Antigua	East Caribbean dollar	Burkina Faso	Franc CFA
Argentina	Peso	Burundi	Burundi franc
Armenia	Dram	Cambodia	Riel
Australia	Australian dollar	Cameroon	Franc CFA
Austria	Euro (schilling)	Canada	Canadian dollar
Azerbaijan	Manat	Cape Verde	Cape Verdean escudo
Bahamas	Bahamian dollar	Central African Republic	Franc CFA
Bahrain	Bahrain dinar	Chad	Franc CFA
Bangladesh	Taka	Chile	Peso
Barbados	Barbados dollar	Czech Republic	Koruna
Belarus	Belorussian ruble	Denmark	Krone
Belgium	Euro (Belgian franc)	Djibouti	Djibouti franc
Belize	Belize dollar	Dominica	East Caribbean dollar
Benin	Franc CFA	Dominican Republic	Peso
Bhutan	Ngultrum	Ecuador	U.S. dollar
Bolivia	Boliviano	Egypt	Egyptian pound
China	Yuan	El Salvador	Colón
Colombia	Peso	Equatorial Guinea	CFA Franc
Comoros	Franc CFA	Eritrea	Nakfa
Congo	Franc CFA	Estonia	Kroon
Costa Rica	Colón	Fiji	Fiji dollar
Côte d'Ivoire	Franc CFA	Finland	Euro (markka)
Croatia	Kuna (May 1994)	France	Euro (French franc)

Demographic, social and economic indicators (2000)

(from The State of the World Population 2000 – UNFPA)

	Total population (millions)	Average population growth rate (%)	% Urban	Life expectancy M / F	Maternal mortality ratio per 100000 births	Infant mortality per l000 live births	Proportion of women using contraception (any method)	GNP (1998) PP$	Primary enrolment (gross) M / F per 100 in age group	Secondary enrolment (gross) M / F per 100 in age group	% Illiterate (under 15 years) M / F
South Africa	40.4	1.5	51	51.5/ 58.1		59	50	8296	135/ 131	88/ 103	14/ 15
Germany	82.2	0.1	87	73.9/ 80.2	8	5	75	22026	1041104	105/ 103	
Japan	126.7	0.2	78	76.8/ 82.9	8	4	59	23592	101/ 101	103/ 104	
Switzerland	7.4	0.7	61	75.4/ 81.8	5	6	71	26876			
Cuba	11.2	0.4	76	74.2/ 78.0	27	9	70	-	108/ 104	76/ 85	3/ 4
Puerto Rico	3.9	0.8	73	69.4/ 78.5		12	64	-			7/ 6
Indonesia	212.1	1.4	35	51.5/ 55.0		48		2407	123/ 104	31/ 17	
Vietnam	79.8	1.6	21	64.9/ 69.6	160	38	65	1689	115/ 111	48/ 46	5/ 9
India	1013.7	1.6	27	62.3/ 62.9	410	72	41	2060	109/ 90	59/ 39	32/ 56
Mexico	98.9	1.6	75	69.5/ 75.5	48	31	67	7450	116/ 113	64/ 64	7/ 11
Israel	6.2	2.2	91	75.5/ 79.7	5	8		16861	96/ 96	89/ 87	2/ 6
Iraq	23.1	2.8	75	60.9/ 63.9		95	14	-	92/ 78	51/ 32	35/ 55
Argentina	37.0	1.3	88	69.7/ 76.8	38	22		11728	114/ 113	73/ 81	3/ 3
Brazil	170.1	1.3	78	63.1/ 71.0	160	42	77	6460	107/ 98	31/ 36	15/ 15
Chile	15.2	1.4	84	72.3/ 78.3	23	13		8507	1031100	72/ 78	4/ 5
Peru	25.7	1.7	72	65.9/ 70.9	270	45	64	4180	125/ 121	72/ 67	6/ 15
Zimbabwe	11.7	1.4	32	43.6/ 44.7	400	69	48	2489	115/ 111	52/ 45	8/ 16
Egypt	68.5	1.9	45	64.7/ 67.9	170	51	47	3146	108/ 94	83/ 73	34/ 57
Canada	31.1	1.0	77	76.1/ 81.8		6	75	22814	103/ 101	105/ 105	
USA	278.4	0.8	76	73.4/ 80.1	8	7	71	29240	102/ 101	98/ 97	
Australia	18.9	1.0	85	75.5/ 81.1		6	76	21795	101/ 101	150/ 155	
New Caledonia	0.2	2.1	62	69.2/ 76.3		11		-	127/ 123	95/ 106	
New Zealand	3.9	1.0	86	74.1/ 79.7	15	7		16084	101/ 101	110/ 116	
Papua New Guinea	4.8	2.2	16	57.2/ 58.7		61	26	2205	87/ 74	17/ 11	30/ 44
Vanuatu	0.2	2.4	19	65.5/ 69.5		39		2892	101/ 94	23/ 18	
Rwanda	7.7	7.7	6	39.4/ 41.7	-	124	21	-	83/ 80	12/ 9	27/ 41
Ghana	20.0	2.7	36	58.3/ 61.8	-	66	20	1735	81/ 69	44/ 28	21/ 39
Philippines	76.0	2.1	54	66.5/ 70.2	170	36	40	3725	115/ 113	77/ 78	5/ 5
Singapore	3.6	1.4	100	74.9/ 79.3	6	5	74	25295	95/ 93	69/ 65	4/ 12

Poland	38.8	0.1	65	68.2/ 76.9	8	15	75	7543	97/ 95	98/ 97	0/ 0
United Kingdom	58.8	0.2	89	74.5/ 79.8	7	7	82	20314	115/ 116	120/ 139	-
Belarus	10.2	-0.3	71	62.2/ 73.6	22	23	50	6314	100/ 96	91/ 95	0/ 1
Armenia	3.5	-0.3	69	67.2/ 73.6	35	26	-	2074	87/ 91	100/ 79	1/ 2