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Fostering Subnational Autonomy and Accountability
in Decentralized Developing Countries:
Lessons from the Papua New Guinea Experience

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FOSTERING SUBNATIONAL AUTONOMY AND ACCOUNTABILITY IN DECENTRALIZED DEVELOPING COUNTRIES

Lessons from the Papua New Guinea Experience

1. Introduction

Decentralization is increasingly becoming the *sine qua non* of public sector reform in developing countries. There is a general consensus among academics, international donor agencies, and field practitioners that decentralization, properly designed and implemented, can yield enormous benefits in the form of allocative efficiency gains. Further, decentralization has been viewed by some as a mechanism for encouraging horizontal competition among governments (Breton, 1996), enhancing economic growth (Martinez-Vazquez and McNab, 1997; Zhang and Zou, 1998), staving off pressures for regional disintegration (Litvack, 1994), and even reigning in Leviathan (Ehdaie, 1994).¹ Of course, for these benefits to be realized, and the adjustment costs to be minimized, decentralization has to be designed and implemented well.

A voluminous decentralization literature has surfaced in recent years, derived in large part from experiences in individual countries or sets of countries. By connecting theory and application from real-world experiences, a set of consensus best practices has emerged. The result has been increasingly well-designed, if not well-implemented, decentralization policies and programs. Nevertheless, many issues remain unexplored and much remains to be done. For the most part these best practices have been oriented around the “holy trinity” of decentralization questions: expenditure assignment, revenue assignment, and resolution of fiscal imbalances. Another more limited literature has focused on implementation issues.² Where the research is most limited, however, is the design of mechanisms to promote subnational autonomy and

accountability.³ This paper attempts to fill part of the void by examining the implications of political and administrative organization and electoral politics for fostering these critical components of any successful decentralization program. The main findings can be summarized as two broad lessons:

- C the centralization of policy prerogatives and the imposition of centrally-administered accountability structures undermines autonomy and renders the public sector unaccountable for its actions
- C despite a reluctance among international donor agencies (who play a major supporting role in decentralization efforts) to interfere with “politics,” the electoral system matters a great deal for accountability

The discussion revolves around the experiences of Papua New Guinea, a country that embarked on an ambitious decentralization program in 1995, and in the process, offered many hard lessons on the importance of good political and administrative structures. The overall lesson is that the institutions have to be right from the beginning if subnational autonomy and accountability are to evolve and decentralization is to have a chance at success. Only then should capacity building and then the transfer of functions begin.

While the issues are discussed in the Papua New Guinea context, every developing country pursuing a fiscal decentralization program has great potential to suffer the same set of problems, problems that can be, and often are, critical setbacks in their efforts. The hope is that the lessons of Papua New Guinea’s experience can be used to strengthen the current state of knowledge on fiscal decentralization in developing countries, and therefore to avoid in other countries some of the problems Papua New Guinea has faced.

2. An Overview of Papua New Guinea's 1995 Provincial Reforms

2.1 Goals and Context

Papua New Guinea's *Organic Law on Provincial Governments and Local-Level Governments (Organic Law)*, which replaced the 1977 organic law governing provincial and local government affairs, was passed by the National Parliament in July, 1995 with the stated intentions of improving public service delivery, especially in rural areas, increasing participation in government at the community and local levels, and ameliorating the misuse and uneven distribution of funds. These goals were to be accomplished by shifting additional responsibilities to local governments, providing additional financial resources to provincial and local-level governments in guaranteed amounts, and enhancing the monitoring and advisory roles of the national departments.

Five years have passed since the commencement of Papua New Guinea's provincial reforms, but surprisingly little real progress has been made. For the most part the major players seem committed, but substantial problems have surfaced to thwart the effort, and there has been a substantial deterioration in public service delivery. Although more general governance problems, practical implementation issues, and coincident macroeconomic deterioration are major factors in Papua New Guinea's decentralization woes, a more pressing issue is fundamental problems with the underlying structure of the reforms. Specifically, the key things that would be empowering under a decentralization scheme, subnational political and administrative autonomy, simply are not there.

2.2 Papua New Guinea's Reformed Political and Administrative Structure

The *Organic Law* was a sweeping reform that completely redrew the geographic division

of government jurisdictions in Papua New Guinea, created several new political and administrative institutions, and altered many previously existing institutions. The geographic division of government jurisdictions under the provincial reforms resulted in the creation of 18 provinces, 87 districts, and 284 local-level governments, excluding the National Capital District and Bougainville (Table 1). This section briefly outlines the new political/administrative structure of Papua New Guinea under the 1995 reforms. The reformed government structure is summarized in Figure 1, which also illustrates the primary interactions among the different institutions.

2.2.1 National Government

New administrative units at the national level included the National Monitoring Authority (NMA), a Provincial Inspectorate, and the National Economic and Fiscal Commission (NEFC). The NMA, which is composed of representatives from several of the national departments, is charged as the overall coordinating force for implementing the provincial reforms. Activities of the NMA have included awareness campaigns, workshops addressing the implementation of the provincial reforms, and policy directives. The Provincial Inspectorate is responsible for evaluating service delivery in the provinces and local areas according to a set of minimum standards, while the NEFC is charged with ensuring an equitable distribution of resources across the provinces, including the consideration of requests for additional funds.

2.2.2 Provincial Government

The provincial government structure was altered considerably under the reforms. The new *Organic Law* replaced separately elected provincial legislatures with an assembly of representatives of national and local level governments, and the former provincial departments

and ministries were replaced with an executive arm composed of Provincial Assembly committees.

The Provincial Assembly consists of the national members of Parliament (MPs) representing electorates in the province, the heads of the rural local level governments (LLGs) in the province, a single representative of urban LLGs in the province, and appointed members, including paramount chiefs in the province and a women's representative. The Chairman of the Provincial Assembly is the regional MP representing the provincial electorate, who also serves as the Provincial Governor.

The executive arm of the provincial government, the Provincial Executive Council, consists of the Provincial Governor, the Deputy Governor, and the chairmen of the Provincial Assembly committees. The only Provincial Assembly committee explicitly provided for by the *Organic Law* is the Joint Provincial Planning and Budget Priorities Committee, whose members are to oversee and coordinate planning in the province and to approve provincial budgets.

Provincial administrative units established under the *Organic Law* include the offices of Provincial Administrator, Provincial Treasurer, and Provincial Auditor. The Provincial Administrator, who is appointed by the National Executive Council from nominations submitted by the Provincial Executive Council, is charged with being the Chief Executive Officer of the Joint Provincial Planning and Budget Priorities Committee, and in that capacity is to coordinate policy, planning, and implementation for the province. The Provincial Administrator is also charged as the administrative head of staff in the province. The Provincial Treasurer and Provincial Auditor serve as extensions of their national counterparts and report directly to the Department of Treasury and Planning and Auditor-General, respectively.

2.2.3 *District Government*

District structures under the *Organic Law* are designed to serve local-level governments in an advisory and coordination capacity and to act as a liaison between provincial governments and local-level governments. The District Administrator serves a function similar to that of the Provincial Administrator, but performs at the district level. Primary responsibilities include being the administrative head of staff in the district and overseeing the development and implementation of district plans and budgets. There is a District Treasurer who is responsible for managing funds for the district administration and local-level governments in the district.

The *Organic Law* provides for a Joint District Planning and Budget Priorities Committee, which serves a role similar to that of its provincial counterpart, only at the district level. Other responsibilities include determining the budget allocation priorities for district LLGs and determining the allocation of funds from a portion of the District Support Grant (described below). The Chairman of the Joint District Planning and Budget Priorities Committee is the MP representing the open (district) electorate, while other members include the heads of LLGs in the district and up to three appointed members.

2.2.4 *Local-Level Government*

Each local-level government area consists of between 4 and 40 wards, which are made up of villages, hamlets, or other small communities. Each ward elects a Ward Councillor to represent them in the local-level government assembly, which serves as the law-making body for the LLG. In addition to the Ward Councillors, each LLG assembly includes a number of appointed members, such as representatives from women's groups, workers' organizations, and employers' organizations.

3. Political and Administrative Organization

History is rife with examples of decentralization programs that were stifled at their commencement by national leaders preoccupied with maintaining their power and influence over public affairs.⁴ Decentralization often is perceived as a substantial threat to national political figures and bureaucrats, and thus they make great efforts to “clawback” any *real* power or influence that has been transferred to subnational governments in the process of decentralization (Manor, 1999). These efforts can be constitutionally manifested from the onset of the decentralization program by retaining policy prerogatives and administrative control at the center.⁵ “Decentralization” is then a matter of transferring the financial and delivery responsibility for public functions to the subnational governments. Because the great benefits of decentralization arise from subnational autonomy and accountability, and the great costs are incurred with implementation at the subnational level (generally in the form of financial constraints and inadequate capacity), the fiscal decentralization program is doomed from the beginning. This is exactly what has happened in Papua New Guinea.

3.1 The Papua New Guinea Experience

The 1995 Organic Law was Papua New Guinea’s second major attempt at fiscal decentralization since it gained independence. The objective in this round was primarily to devolve activity from the provincial level to local-level governments, although a substantial shift of responsibilities occurred at the national-provincial level as well. In reality what happened is that while considerable responsibilities for public functions were transferred from the national government to the provinces and from the provinces to the districts and local-level governments, much of the political and administrative autonomy previously enjoyed by the provinces was

transferred back to the center rather than down to the local-level governments. Politically this is reflected by an increasingly important role for the national parliamentarians in the affairs of subnational governments, while administratively the centralization of power was realized in a transfer of administrative control to national line departments.

3.1.1 The Centralization of Political Power in the National Parliament

Papua New Guinea's reformed political structures, as outlined in Section 2, were designed in such a way as to ensure the National Parliament a strong hand in virtually every aspect of subnational governance. For example, all Members of Parliament (MPs) who represent district electorates in the province are assigned membership in the Provincial Assembly, and the Chairman of the Provincial Assembly is the MP representing the provincial electorate. This MP also serves as the Provincial Governor and as the Chairman of the Provincial Executive Council (PEC). Additionally, the Joint District Planning and Budget Priorities Committee is chaired by the MP representing the relevant district electorate, and the Provincial Administrator is nominated by MPs in the Provincial Executive Council. Because the Provincial Administrator also chairs the Joint Provincial Planning and Budget Priorities Committee, MPs in essence control all planning and budgeting at the provincial and district levels. Furthermore, to the extent that the Joint District Planning and Budget Priorities Committee is responsible for local-level government planning and budgets, MPs control local-level planning and budgeting as well.

To illustrate the extensive role of MPs in subnational government affairs, consider the District Support Grants, which are provided to each electorate in guaranteed amounts to support development under rural action programs and urban rehabilitation programs. One-half of these grants is made directly to the MP representing the district, giving him or her full control over use

of the funds, and the other half of the grant is controlled by the Joint District Planning and Budget Priorities Committee, which is chaired by the district MP. Thus, a substantial portion of money available for development projects in the district is used at the MP's discretion, and not surprisingly, much of this money has not been used for its intended purpose. In many cases these funds have been used as political "slush funds" by the MPs. That is, the "development projects" are chosen to benefit, often directly, the narrow constituency required to win an election in Papua New Guinea.⁶ In the 1999 budget these District Support Grants were increased substantially (by Amendment No. 7 of the *Organic Law*, October, 1998), while at the same time, other grants to subnational governments were reduced. Moreover, new Provincial Support Grants were established to be allocated by the provincial MPs and Joint Provincial Planning and Budget Priorities Committees.

3.1.2 *The Centralization of Administrative Control*

The degree of administrative control imparted to national departments under the provincial reforms exacerbates the problems arising from the lack of subnational political autonomy.⁷ Provincial governments, and to a significant but lesser degree, local governments, were largely autonomous from an administrative perspective before the reforms, but the new *Organic Law* has effectively eliminated much of that autonomy. Administrative control by the national departments is especially pervasive in the areas of personnel, planning, and financial matters.

Prior to the passage of the *Organic Law*, provincial and local-level governments had the authority to hire, control, and fire their own staffs, and there were separate national and provincial public services. Now all public servants fall under the guise of the national

departments in their association with a new unified national public service. With planning, all provincial and local-level government budgets must be approved by the national Department of Treasury and Planning and therefore are required, in some sense, to fall in line with national objectives and priorities. Finally, administrative autonomy in financial matters is also reduced. The subnational governments could have maintained their own staffs and accounting systems, as was done before the reforms, but now provincial and district treasuries are to serve as extensions of their national counterpart.

3.2 The Issues

The high level of national political influence and administrative control in the affairs of subnational governments presents significant obstacles to successful decentralization. Specifically, the concentration of political power at the center (the National Parliament) erodes subnational fiscal autonomy, while reliance on hierarchal (centrally administered) accountability structures is both cost-ineffective and generally inadequate. Moreover, the make-up of the provincial political structure eliminates a critical link between the geographical boundaries of decision-making and the boundaries of voting districts.

3.2.1 Centralized Political Power and Subnational Autonomy

The primary benefit of decentralization is a government that is more responsive to the needs and desires of local communities. Because local officials are closer to a more narrow constituency, they can better gauge their needs (Inman and Rubinfeld, 1997; World Bank, 1997). Moreover, subnational fiscal autonomy allows public services to be targeted to the specific needs of each area rather than distributed broadly across several jurisdictions that may have very different preferences for public services (Oates, 1972; Musgrave, 1983). If decision-making is

concentrated at the center, the responsiveness of government to the needs of its constituents is substantially reduced.

3.2.2 Costly and Inadequate Administrative Controls

Reliance on political retribution for ensuring the proper use of funds and adequate delivery of public services is much more cost-effective than extensive control by national departments. With adequate citizen voice, local politicians are held accountable by the possibility of being voted out of office for poor performance.⁸ That is, the nature of a democratic system provides for accountability by imposing incentives for officials to do right by their constituents.⁹ If the proper levels of political accountability are established, there will be no need for the national government to micro-manage the affairs of provincial, district, and local-level governments (although they may want to).¹⁰ In the absence of political accountability, the national departments must spend inordinate amounts of money to monitor the effectiveness of subnational governments.

Administrative accountability structures are not only costly, but due primarily to financial constraints and inadequate capacity, are often ineffective as well. In Papua New Guinea, as in many other developing countries, very little is made available in the way of resources for monitoring officials and investigating malfeasance. In many cases, local-level governments have asked the Department of Provincial and Local Government Affairs or the Auditor-General to investigate officials, but their requests have been denied due to lack of funds. With little or no political accountability and insufficient capacity for monitoring at the national level, subnational government officials must answer to virtually no one. Current problems with the misuse/mismanagement of funds in Papua New Guinea are directly related to this unhealthy

combination of inadequate political accountability at the subnational levels and insufficient monitoring capacity at the national level. While theoretically (and ignoring the efficiency issues discussed immediately above) the form in which accountability takes is irrelevant, in practice administrative (or hierarchal) accountability mechanisms tend to be very weak in developing countries, which means political accountability is especially crucial.

3.2.3 The Importance of a Correspondence Between Administrative Divisions and Electoral Districts

One might argue that in the Papua New Guinea context, there is at least a fundamental basis for political accountability because the primary decision-makers at the subnational level, the MPs and heads of local-level governments, are locally elected (at the district and local levels, respectively). Nevertheless, because national and local officials are appointed to *provincial* bodies, there are no direct links between those responsible for delivering provincial government services and those who receive public services at the provincial level. This is perhaps the greatest problem with the current political structure in Papua New Guinea.

First, on a practical level, MPs are given too many responsibilities under the provincial reforms and therefore cannot serve all of their roles adequately. For example, a number of Joint District Planning and Budget Priorities Committees and Joint Provincial Planning and Budget Priorities committees have not been established due in large part to the absence of the MPs involved in those committees. Because they are parliamentarians, Provincial Governors have also been conspicuously absent from the provincial headquarters, and the general feeling in the provinces is that the Provincial Governors are spending too much time in the capital and are neglecting their provincial responsibilities.

Secondly, national, provincial, and local priorities sometimes conflict. In such cases, local officials are likely to respond to local concerns, and MPs are likely to side with national interests, because these are their primary roles. Thus, neither should be given responsibility for provincial matters. Further, neither local nor national officials are likely to be fully accountable for what happens at the provincial level because their “electoral mandate” is to serve the interests of their local or district constituency. Accountability at the provincial level in Papua New Guinea requires a separately elected provincial government. More generally, for political accountability to be effective in any country, it is not enough to have elected officials – there has to be a direct correspondence between the geographic boundaries of decision-making and the jurisdictional boundaries of electoral districts.

4. The Electoral System Matters

Given the financial constraints and practical difficulties of establishing appropriate administrative (hierarchical) accountability standards and practices in developing countries, political accountability is crucial. Nevertheless, Papua New Guinea, and a likely majority of other developing countries, is faced with a double-edged sword: political structures and electoral institutions do not provide the set of incentives required for political accountability.

4.1 The Papua New Guinea Problem

The major hurdle in Papua New Guinea is the *first past the post* electoral system. Under this system, there is a single round of voting in which the highest vote-earner is the victor. Because elections tend to be heavily contested, as little as five to ten percent of the vote often is sufficient to ensure victory.¹¹ The optimal campaign strategy in these cases would be to cater

extravagantly to a small core group of the constituency in such a way that their quality of life will depend substantially on their candidate's election. This is exactly what has happened in Papua New Guinea.

As noted above, a large share of development funds, such as the district support grants, are allocated at the discretion of the MPs. Given Papua New Guinea's electoral system, it is not surprising that some MPs have been using these funds to finance projects that directly benefit a small group of supporters rather than the district at large. In some cases these funds have even financed automobiles, refrigerators, *etc.* for use by key constituents. In this sense, development funds have been used as a campaign slush fund for the MPs rather than as a mechanism for improving public service provision, economic growth, and more generally, the quality of life for Papua New Guineans.

Of course, the misappropriation of development funds is not the only problem with an unrepresentative government. Individuals can relate the costs of government (the taxes and fees they pay) to the benefits of government (the quantity and quality of public services they receive). If they feel they are not getting the kinds of services they demand or the quality they feel they have paid for, they have recourse if a proper and democratic electoral system is in place. That is, they may replace the responsible official during the next election cycle. If there is no representation, there is no recourse, and public officials have no incentive to prioritize public expenditures or to ensure that services are delivered as efficiently as possible. Thus, the current electoral system in Papua New Guinea leaves elected officials unaccountable, and efficiency in public service delivery suffers.

An alternative mechanism for delivering development funds would help to ameliorate the

problem of misappropriation.¹² Nevertheless, the perverse incentive structure would remain, and MPs will always play a large role in the allocation of development funds. As long as the current electoral system remains in place, MPs and other elected officials will continue to cater to core constituents, and most Papua New Guineans will continue to lack adequate representation. The only viable and sustainable solution to the problem of underrepresentation, and hence misappropriation and inefficiency, is to provide an incentive for elected officials to be responsive to all of their constituents.

4.2 *Do Inadequate Accountability Structures Imply that Decentralization Should Be Abandoned?*

A natural argument would be that the lack of sufficient citizen voice, if coupled with the under-developed hierarchal accountability structures, would make decentralization contra-indicated in developing countries. Prud'homme (1995) argues that citizen voice is silenced in developing countries because “local elections, when they exist, are usually decided on the basis of personal, tribal, or political party loyalties” and “are often a mere rehearsal of national elections” (208). It is certainly true that, for many of the reasons Prud'homme suggests, political institutions often are not designed to give the incentives necessary for accountability at the local level in developing countries. Nevertheless, empirical evidence suggests that Prud'homme's *universal* indictment of voter behavior in developing countries is invalid (see, *e.g.*, Fitzbein, 1997). Moreover, in places where his indictment is on the mark, including Papua New Guinea, the electoral system can be designed to bring about the proper incentives for accountability, as discussed below. Finally, contrary to conventional wisdom, a more “primitive” public sector probably is more suited to *decentralized* governance because efficient centralized administration

requires especially well-developed information networks, civil services, and institutions of accountability (Shah, 1998).

4.3 *Enhancing Political Accountability Through the Electoral System*

Political accountability in Papua New Guinea and countries with similar problems will not be possible without major reform of the electoral system. While there are several workable options, perhaps the best option to accomplish this goal is to institute a preferential voting system, such as the *Hare System* (Single Transferable Vote) or *Approval Voting*.¹³

Under the Hare System, each voter ranks candidates according to their preferences. The first-choice votes for each candidate are tallied, and if a single candidate gets more than fifty percent of the vote, he is elected. Otherwise, the candidate with the fewest first-choice votes is eliminated from the contest, and the second-choice votes in those ballots are allocated to the remaining candidates. This process continues until one of the candidates has a majority of the votes and is declared the victor. Under an approval voting system, voters can approve of (vote for) as many candidates as they wish. Each candidate approved of receives one vote, and the candidate with the most approvals (votes) wins.

Some argue that preferential voting is too complicated, especially for developing countries where society is largely under-educated and civically unsophisticated. In countries where the system has been attempted however, the evidence suggests otherwise (Richie, 1999). For example, when Northern Ireland used preferential voting for a few elections in the 1920s, there was an eighty-nine percent voter turnout and the invalid ballot rate was less than one percent, which is lower than in most current elections (Richie, 1999).

These methods of preferential voting would provide a substantial benefit in Papua New

Guinea in that they induce candidates to respond to a majority of voters rather than to cater to minorities who could give them a winning margin in a crowded plurality contest. The likely winner is the candidate most *acceptable* to the entire pool of electors.

Another option would be run-off elections and a majority rule. The problem is that run-off elections probably are not practical in places like Papua New Guinea for logistical and financial reasons. More importantly, under a traditional majority rule system, the candidates who garner the most votes in the initial election still will make the run-off, which means that the candidate with the greatest overall support may well be excluded from the subsequent contest. This is likely to alienate much of the population and would not correct the incentive problems in Papua New Guinea. A preferential voting system would allow voters to choose both a preferred candidate and a more viable alternative, which may encourage greater participation in the electoral process.¹⁴

One could make a good argument for this kind of voting in any country, even in the United States and United Kingdom. But it is especially important in Papua New Guinea where there is virtually no accountability of public officials to their constituents and a great potential for corruption. If the public sector is to make a turnaround in Papua New Guinea, people will have to believe that their vote counts, and public officials will have to believe that their actions will be judged by the entire population at the voting booth. Any other reforms are likely to be ineffective until accountability is improved through electoral reform.

The reshaping of political and administrative structures in Papua New Guinea would be an arduous task and would therefore require a substantial commitment from all parties, a commitment that may not be possible there. Nevertheless, the benefits would be substantial and

would far outweigh the costs involved. Decentralization simply will not work if individuals cannot get their voices heard and their local officials are not held accountable for their actions and performance.

5. Concluding Remarks

Using Papua New Guinea as a case study, this paper has highlighted the critical importance of political and administrative organization and electoral politics in fostering subnational autonomy and accountability in decentralized developing countries.

First, simply offloading the responsibility for financing and administering public services is not decentralization. The major costs of decentralization generally are financial constraints and inadequate administrative capacity at the local levels, while the benefits come from catering public services to the needs of local communities, which may differ radically across a single nation. Offloading ensures that the country will suffer the adjustment costs that come from fiscal decentralization, while enjoying none of the benefits: the program will fail to achieve its desired results. Real decentralization thus requires subnational autonomy, which means locally directed policy initiatives, and subnational accountability, which in developing countries especially, means political accountability. This kind of accountability, in turn, requires a correspondence between the boundaries of decision-making and electoral districts.

Secondly, while seemingly a taboo subject among the international agencies that play the major supporting role in decentralization in developing countries, the electoral system really does matter for subnational political accountability, and it matters a great deal. If there is no recourse for constituents who are disenchanted with the local officials, there is no local accountability.

Of course, it should be noted that both subnational autonomy and accountability also require at least some local control of the public revenue coffers. Regardless of the quality of the political and administrative structures that are in place and the incentive-compatibility of the electoral system, autonomy will always lie with the person holding the purse strings. Moreover, the lack of revenue flexibility provides local officials with a much too convenient escape when local conditions become unsatisfactory. That is, they can simply, and reasonably, blame the central government.

The lessons gleaned from Papua New Guinea are hard lessons, but the analysis suggests that the hurdles can be overcome. The hope is that these lessons from the Papua New Guinea experience will help other developing countries that are undergoing or contemplating similar reforms to avoid similar problems.

NOTES

1. Litvack, et al. (1998) reviews this literature on the benefits of decentralization, as well as the views of its detractors. See also Tanzi (1996) and Bahl (1999).
2. See Bahl (1999) for a general analysis and any of a number of World Bank country studies for country-specific experiences with implementation. An annex in Litvack et al. (1998) lists World Bank projects with decentralization components from 1988- 1997.
3. Of course, it should be kept in mind that expenditure and revenue assignments play a crucial role in subnational autonomy and accountability as well. A predominant theme in this paper, and the fiscal decentralization literature more generally, is that the efficiency benefits of decentralization come from local authority to adjust the composition and level of public expenditures to meet the needs of its constituents. Because the capacity to alter the level of spending is largely dependent on financial resources, the ability to adjust revenues, at least on the margin, also is required. Not only is local autonomy enhanced, but local revenue flexibility also creates a fairly transparent link between the cost of local public services and the benefits received. This connection makes local officials more accountable to their constituents because they can not appeal to policies at the center to shirk responsibility for their actions.
4. For examples, see Crook and Manor (1994) and Manor (1999).
5. This is not to say that policy control of devolved functions should never be centrally directed. For example, in many countries the central government has a reasonable interest in curriculum matters, although education delivery is a local responsibility. Policy directives should not emanate from the center as general rule, however, which akin to unfunded mandates.
6. This problem is discussed in more detail in Section 4.
7. MPs are elected at the district level, and in that sense there is some degree of political autonomy. Nevertheless, national interests have a tendency to over-ride local interests, and at best, the system only superficially offers subnational political autonomy.
8. A similar mechanism for accountability is provided by citizen exit, or the possibility that constituents will “vote with their feet” by relocating to a jurisdiction that better meets their preferences (Tiebout, 1956). This mechanism generally is not relevant for developing countries because geographic mobility often is restricted by weak labor and land markets and poor information (Litvack *et al.*, 1998). Geographic mobility is especially restricted in a country as socially fragmented as Papua New Guinea, which boasts of over 800 different languages.
9. Of course, political structures must be designed in such a way that elected officials have the proper incentives. Papua New Guinea’s political structures are inadequate in this regard because decision-makers at the provincial and district levels are elected at the national and local levels, and the first past the post electoral system requires that politicians be accountable to only a very small fraction of their constituency. These issues are discussed in more detail below.
10. Decentralization may require hierarchal administrative accountability structures initially, but the important issue is eventually to move *towards* political accountability. Papua New Guinea seems to be moving backwards.

11. As an example, consider recent parliamentary elections. In the 1997 elections, over 1,000 candidates vied for only 109 seats. In the 1992 elections, more than one-half of the MPs were elected after having garnered less than twenty percent of the popular vote.

12. Papua New Guinea's recently established Office of Rural Development (ORD) is a step in the right direction in this regard. The intention of the ORD is to establish a set of procurement guidelines and to approve proposals by NGOs and other groups for development projects.

13. For a more detailed discussion, see Brams and Fishburn (1991), Independent Commission on the Voting System (1998) [The Jenkins Report], or Zimmerman (1990). There are several variants of these voting systems as well. Although they all are similar in spirit, each has its own unique advantages and limitations. A full discussion of this issue is beyond the scope of this paper, and the Hare and Approval Voting systems are mentioned simply to give a taste for preferential voting. The key issue here is that the electoral system needs to be organized in such a way that political accountability is fostered and citizen participation and voice is encouraged, and that preferential voting may provide the mechanism that is needed in Papua New Guinea. Of course, determining the right approach for Papua New Guinea would require very careful and detailed study, and is in the purview of the Papua New Guinea people.

14. Proportional representation often is suggested as an alternative to single-district winner-take-all elections when faced with problems similar to those in Papua New Guinea. However, Papua New Guinea's elections generally are decided on the basis of personal or tribal loyalties rather than party loyalties, and thus the proportional voting system is likely to do little to remedy the problem of underrepresentation.

FIGURE 1
 Papua New Guinea's New Political and Administrative Structure Under the
 1995 Provincial Reforms

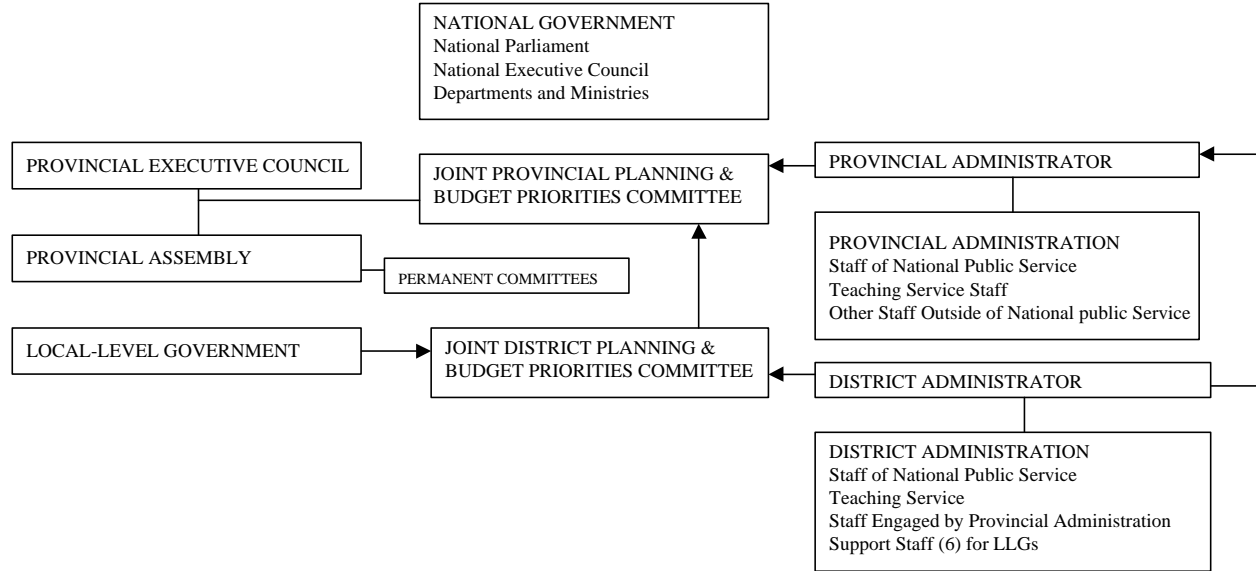


TABLE 1
Reformed Governments in Papua New Guinea*

PROVINCE	DISTRICTS	LOCAL-LEVEL GOVERNMENTS			WARDS	DATE OF APPROVAL
		URBAN	RURAL	TOTAL		
Morobe	9	2	26	28	497	09/10/96
New Ireland	2	1	8	9	138	09/10/96
West New Britain	2	1	10	11	111	09/10/96
Simbu	6	1	18	19	311	10/01/96
Southern Highlands	8	3	27	30	633	10/01/96
East New Britain	4	2	16	18	370	10/01/96
Madang	6	1	15	16	435	10/01/96
East Sepik	6	1	25	26	575	10/01/96
Sandaun	4	1	15	16	326	10/01/96
Oro	2	1	7	8	157	10/01/96
Gulf	2	1	9	10	151	12/18/96
Western	7	3	11	14	290	12/18/96
Central	4	0	13	13	201	12/18/96
Milne Bay	4	1	15	16	395	12/18/96
Western Highlands	7	1	12	13	460	12/18/96
Manus	1	1	11	12	127	12/18/96
Eastern Highlands	8	2	9	11	247	01/15/97
Enga	5	1	13	14	323	04/23/97
TOTAL	87	24	260	284	5,747	

* Excludes the National Capital District and Bougainville

SOURCE: Department of Provincial and Local Government Affairs.

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