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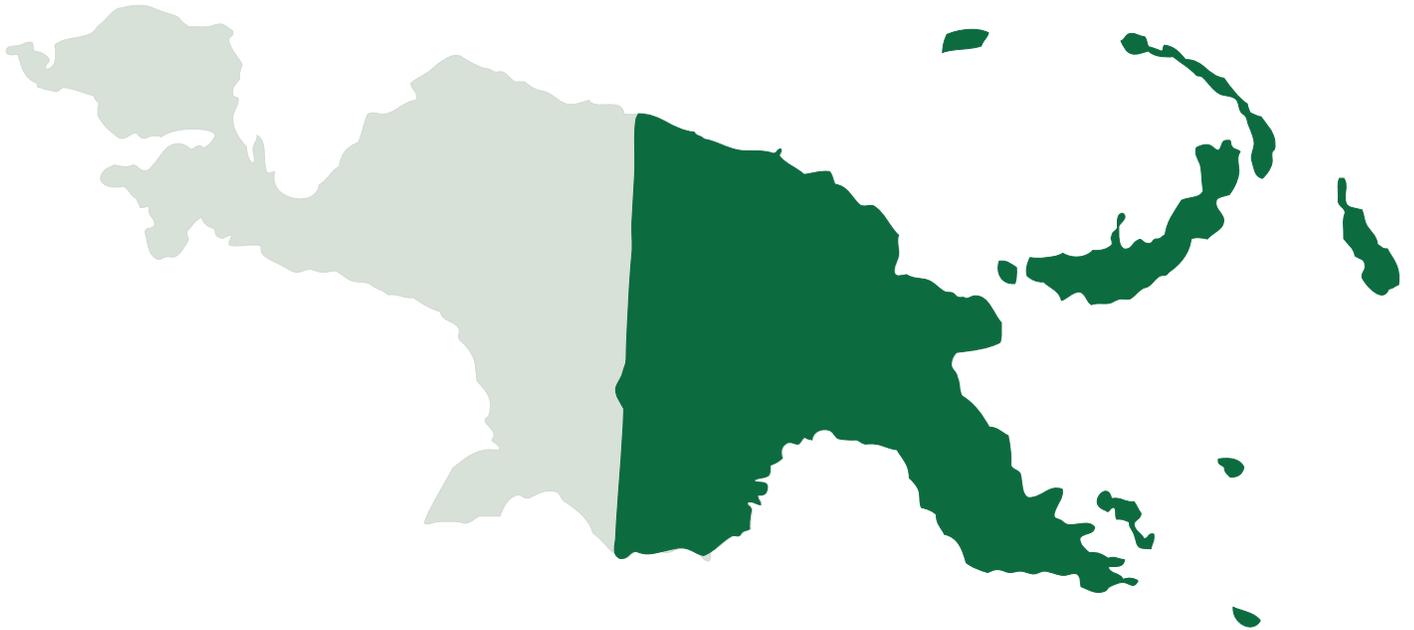
Agribusiness Commercial Legal and
Institutional Reform Assessment

RECOMMENDATIONS:
FEASIBILITY AND ACTION PLAN



MAY 2012

This report was produced by the USAID/Enabling Agricultural Trade (EAT) project, implemented by Fintrac Inc., with funding from USAID's Bureau for Food Security and APEC.



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EXECUTIVE SUMMARY

The Agribusiness Commercial Legal and Institutional Reform (AgCLIR) report addresses the legal, institutional, and social environment for doing business in Papua New Guinea's agricultural sector. Through close examination of agricultural-related policies, laws, institutions, and social dynamics, it aims to inform strategies and decisions by government institutions, donors, nongovernmental organizations, the private sector, and others with respect to the development of agricultural enterprise and economic growth generally. The potential uses of this document are multifaceted: it can be accessed as a foundation for agricultural policy development, a framework for donor intervention, a substantive resource for future projects, a benchmark for assessing change, a tool for academic instruction, and, most immediately, a "jumping off point" for stakeholder discussion and consensus-building.

This companion document to the report contains a full outline of each recommendation, detailing why reform is needed, a description of the costs associated with the problem, obstacles to reform, the timeline for change, and the resource commitments required by the donor community to encourage reform. The full AgCLIR Papua New Guinea report is available online at www.eatproject.org.

Papua New Guinea is endowed with abundant natural resources to support a robust agricultural sector. Reliable, abundant rainfall, coupled with fertile soils and a year-round growing season, allow for hundreds of food crops, along with an excellent foundation for agricultural commodities that potential trading partners value highly—including coffee, copra, cocoa, palm oil, rubber, spices, and fresh fruits. In contrast to many of the world's developing economies, Papua New Guinea (PNG) is generally food secure¹ with resilient traditional food production systems and has the potential to expand its participation in international agricultural markets.

Yet starting and operating an agricultural business in PNG is a risky endeavor. Legal and institutional constraints limit access to land, skilled labor, and the investment capital needed to transform PNG's agricultural sector. The AgCLIR team assessed these constraints and identified proposed reforms based on successful practice and the feasibility and potential impact of the reform in the PNG context. These recommendations are included in summary form in this report.

UPGRADING PNG'S AGRICULTURAL VALUE CHAINS

PNG's agricultural sector is incredibly diverse, including a wide variety of both "food crops" that feed the people and individual "commodity crops" that put cash into their pockets. Along the value chain for each crop, the AgCLIR team uncovered roadblocks and opportunities for reform. For example, while the AgCLIR team observed considerable entrepreneurial spirit in both urban and rural markets, this is scarcely fostered by adequate access to education and agricultural extension. Educational opportunities, especially for girls, fall far short of meeting the needs of students entering the workforce and, for that matter, of employers seeking workers capable of performing skilled industrial or agricultural work. A lack of enforcement of quality standards, both for certain export crops and local production, also inhibits agricultural sector growth by impeding the generation of added value along agricultural value chains. An effective response to these issues will require advocacy,

¹ Although generally food secure, a trend towards urbanization in PNG threatens the food security of the growing ranks of urban poor who lack access to these traditional methods.

yet across each commodity subsector, industry participants lack a coherent vision and voice that represents the value chain from producer through trade, processor, and/or exporter.

PUBLIC SECTOR IMPLEMENTATION AND ACCOUNTABILITY

The legal and regulatory framework governing the agricultural sector in PNG is generally sound.

While many of the laws could benefit from updating or the drafting of clearer regulations, the greatest problem in Papua New Guinea is a failure to implement the laws and regulations in a clear, consistent, and transparent manner. Whether engaged in licensing a product, trading across borders, accessing marketing infrastructure, or launching a competitive enterprise, agribusinesses face distinct weaknesses in the institutions charged with supporting and regulating the sector.

Of particular note is the gross failure of public financial management and the clear disconnect between budget appropriation and policy formulation. Funds are routinely diverted into special projects and away from comprehensive strategic plans for the development of roads, schools, and other infrastructure necessary for an improved agricultural sector. With a large increase in public funds expected as windfall from a major liquid natural gas project, the need for increased accountability is vital.

SOCIAL DYNAMICS AND ECONOMIC OPPORTUNITY

One key theme throughout this report is the impact of traditional social systems within PNG on the incentives of participants throughout the agricultural sector. The traditional system of social support within one's *wantok* network serves a key function as a social safety net, but can, in some circumstances, also act as a disincentive to individual wealth accumulation. The AgCLIR team found that many successful entrepreneurs operate far from their communities or otherwise seek to conceal their wealth to avoid increased requests for assistance from family members. As a result, economic incentives to increase production or improve quality show less impact in PNG than might be expected elsewhere, reducing the value to outgrower companies.

The *wantok* system also acts in many communities as the de facto basis for the rule of law. Police and judges can harbor bias towards their *wantok*, and lenders have found that it is difficult to enforce delinquent loans in places where the lender is considered an "outsider." This drives up the risk premium and thus the cost of a loan, restricting access to credit throughout the agricultural sector.

As described throughout the report, cultural constraints on women in PNG negatively affect their ability to effectively participate in the formal agricultural sector and belie the notions of equality that exist within Papua New Guinea's constitution. Whether looking at access to infrastructure, access to customary land, or access to finance, women seeking to start up and operate a formal business in PNG's agricultural sector enter the sector at a distinct disadvantage.

Traditional systems of customary land ownership also remain a key constraint to agricultural growth as 97% of the country is held in customary title, yet no clear process currently exists in practice to enable investors to access land while protecting legitimate claims of smallholders. Governmental policy favoring protection of customary land users over investment has led to drastic underinvestment and under-utilization of land. While policymakers have sought to build a national dialogue to identify a new way forward on customary land rights, at present access to land remains a key constraint for investors.

In the period since the team's departure from Papua New Guinea, political turmoil has continued unabated, raising the already high political risk profile for Papua New Guinea. The recommendations to these constraints will require a participatory process and dialogue among key stakeholders to undertake the reforms necessary to improve the enabling environment for the agricultural sector. Importantly, the recommendations made in this report will require unambiguous national leadership as well as a firm commitment to a reform agenda if there is any likelihood for success.

PAPUA NEW GUINEA RECOMMENDATIONS

CHAPTER	TIER*	RECOMMENDATION	TIMELINE	FEASIBILITY	RESOURCES	POTENTIAL IMPACT
Starting a Business	3	Amend the Cooperative Societies (Amended) Act to allow Cooperative Societies Unit (CSU) staff to be appointed by the Department of Personnel Management.	6 months	Medium	Medium	Medium
	3	Redirect cooperative seed capital funds to finance training and marketing initiatives.	3 months	Low	Low	Low
	3	Strengthen the internal auditing capacity and the external monitoring capacity of both the Investment Protection Agency (IPA) and Cooperative Societies Unit (CSU).	2 years	Medium	High	Low
Dealing with Licenses	2	Strengthen the human resource capacity for SPS inspection and certification of the National Agriculture Quarantine and Inspection Authority (NAQIA).	18 months	Medium	Medium	High
	2	Strengthen the national laboratory capacity to allow for comprehensive testing of export products for aflatoxins and agri-chemical residues.	2-3 years	High	High	High
	3	Amend the fee structure associated with the local government licensing regime for food establishments so that implementation of the licensing regime can proceed.	9 months	High	Medium	Low
Employing Workers	1	Create a public/private coalition of stakeholders committed to improving conditions for women in the agricultural sector that will set tangible, specific targets for change and help guide a national campaign and accountability initiative that helps PNG achieve these goals.	3 years	High	Medium	Medium
	2	Drawing from key PNG value chains, identify the primary demands for agricultural skills implicated over the next generation and share this information with education and training institutions to improve the responsiveness of the education system to workforce demands.	1 year	Medium	Low	Medium
Registering Property	2	Undertake a sensitization campaign to encourage gender equality protections within the voluntary customary land registration process.	3 years	Low	Low	High
	3	Provide technical assistance to support the institutional development of the Land Title Commission to rebuild institutional capacity.	3 years	Low	Medium	High
Getting Credit	1	Finish development of the framework of financial laws and regulations in PNG.	2-5 years	High	Medium	High
	1	Provide public outreach and product development support for lenders to enable swift and effective implementation of collateral reforms under the recently passed Personal Property Security Act.	2-3 years	High	Low	Medium
Protecting Investors	2	Provide technical assistance and administrative support in the creation of the Sovereign Wealth Fund, ensuring that systems for governance, transparency, and accountability are well in place as the fund is launched.	2 years	High	Medium	Medium

CHAPTER	TIER*	RECOMMENDATION	TIMELINE	FEASIBILITY	RESOURCES	POTENTIAL IMPACT
Paying Taxes	1	Introduce the use of performance-based budgeting methods for provincial and local-level governments.	5 years	High	Medium	High
Competing Fairly	1	Review and update all statutory board legislation; separate out advocacy from regulatory functions.	1 year	High	Low	High
	2	Develop industry-led commodity associations to develop a common industry development vision and provide advocacy.	3-5 years	Medium	Medium	High
Accessing Marketing Infrastructure	3	Develop realistic, long-term plans for the development and maintenance of PNG's transportation infrastructure, particularly the road network, including clear targets, performance incentives, and multi-year financing.	5-7 years	Medium	High	High
	3	Launch a public awareness campaign to develop local ownership of infrastructure and raise awareness of the importance of shared stewardship, particularly highlighting the relevance of infrastructure and its maintenance to service delivery.	3-5 years	Low	Medium	Low
Trading Across Borders	1	Implement a one-stop shop for processing by the Customs Service and NAQIA at the ports in Lae and Port Moresby to create a centralized location for importers and exporters to present entry documents.	3-6 months	High	Low	High
	2	Expedite receipt processing by the Customs Service and NAQIA through the use of electronic funds transfer (EFT) payments and account processing.	1 year	Medium	Medium	High
	2	Simplify and expedite Customs Service import processing at Lae by devising modern practices to alleviate the bottlenecks identified in the Time Release Study (TRS) completed in 2012.	9-12 months	Medium	Medium	High
	2	Establish selective processing using Risk Management (RM) techniques as the key operating principle for the Coffee Industry Corporation (CIC) and NAQIA in conducting their regulatory oversight of imports and exports.	12-18 months	Medium	Medium	High
Enforcing Contracts	1	Implement a system for reviewing and dismissing dormant cases automatically based on the time since the last action in the case file (e.g., two years). Allow plaintiffs to object to the dismissal and have the case reinstated within a set period of time (e.g., one month).	1-2 years	High	Low	Medium
Resolving Insolvency	2	Encourage the introduction of simplified bankruptcy procedures for small businesses, particularly with perishable goods.	1 year	High	Low	Low

* Each recommendation is tiered based on consideration of the estimated timeline, feasibility, required resources and potential impact of reform. Tier 1 recommendations are those that should be prioritized based upon these considerations.

STARTING A BUSINESS

RECOMMENDATION: Amend the Cooperative Societies (Amended) Act to allow Cooperative Societies Unit (CSU) staff to be appointed by the Department of Personnel Management.

Priority of recommendation	Tier III
Why is reform needed?	Since the key posts within the CSU are political appointments, they are viewed as short-term appointments from which maximum benefit should be derived in the shortest possible time.
Impact of constraint	This political influence within the CSU favors a culture of corruption and has resulted in the misappropriation of funds.
Benefits of reform	Decreasing political interference in the CSU would enable more stable management, increase the availability of funds, and promote more effective service delivery for rural farmers.
Obstacles to reform	This reform would likely be opposed by vested political interests and by those within the CSU who are currently benefitting from corruption.
Fit with other donors	None known.
Best practices	The separation of public and political appointments is well recognized in many countries, especially the UK, Canada, Australia and New Zealand.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> Undertake a legal assessment of the existing Cooperative Societies (Amended) Act and its implications. Draft an amendment in line with existing PNG legal framework to depoliticize the CSU. Propose the amendment to civil society in PNG and to Government. Assist civil society to lobby for the proposed amendment.
Time frame for reform	Six months
Feasibility	Medium – The key constraint is the political will for this to happen. If political will is limited, feasibility will be low; if high, the reform is quite feasible.
Potential impact of reform	Medium

RECOMMENDATION: Redirect cooperative seed capital funds to finance training and marketing initiatives.

Priority of recommendation	Tier III
Why is reform needed?	The Cooperative Societies Unit (CSU) is actively pursuing its mandate to encourage and support cooperative development. One of the mechanisms used is the provision of grant finance (of up to PGK 10,000 per cooperative), to cover initial startup costs. These funds encourage the creation of opportunistic cooperatives formed simply to receive grant funds from the CSU.
Impact of constraint	The use of financial incentives to promote cooperative formation has been shown elsewhere to result in weak and unsustainable cooperatives and to be a poor use of resources. At the same time, inadequate finance is available in PNG for the training of farmers and for promoting marketing initiatives that support cooperative development.
Benefits of reform	Potentially viable cooperatives would receive more effective services and greater funding from the CSU.
Obstacles to reform	Opposition to this initiative is likely to be high both from politicians and from farmers themselves. The political benefit of providing windfall cash to farmers will almost certainly outweigh any political will to address this issue. In addition, farmers who are aware of the current program and expect to benefit from a windfall of cash upon registering as a cooperative would oppose an effort to channel the funds into services such as training and marketing.
Fit with other donors	None known.
Best practices	The weakness of rural groupings formed as a direct or indirect result of anticipated incentives is well documented in development in many countries, including Zambia, Tanzania, Kenya, and Ethiopia.

Resources required	Low
Action steps	a. Cease all Public Investment Program (PIP) activities related to Cooperative grants. b. Redirect funds to training and marketing initiatives.
Time frame for reform	Three months
Feasibility	Low – The apparent political benefit of windfall cash being made available to farmers will almost certainly outweigh any political will to address this issue.
Potential impact of reform	Low

RECOMMENDATION: Strengthen the internal auditing capacity and the external monitoring capacity of both the Investment Protection Agency (IPA) and Cooperative Societies Unit (CSU).

Priority of recommendation	Tier III
Why is reform needed?	The capacities of both the IPA and the CSU to undertake (1) internal audits of their own systems and (2) external monitoring of the businesses and cooperatives under their purview are limited. Strengthening these capacities would reduce both the number of non-compliant businesses and the extent of internal corruption.
Impact of constraint	The lack of external monitoring allows businesses to abuse the rights granted to them, including foreign investors using companies registered as locally-owned operations and opportunistic businesses registering as cooperatives to take advantage of seed capital funds. Inadequate enforcement capacity also results in alternative detrimental measures such as the Cottage Business Activities List (CBAL). The lack of internal auditing capacity results in internal corruption and the abuse of government funds. For example, up to PGK 1 million intended for rural cooperatives was reportedly misused in one district.
Benefits of reform	Rural farmers would receive more effective services from the CSU. Rural communities would not be exploited through the loss of resources to businesses undertaking opportunistic development. Foreign investors in agricultural production need not be excluded from CBAL operations if their operations could be effectively monitored.
Obstacles to reform	The key constraint to the reform will be the active opposition of key actors within each institution, from the highest level downwards, who have vested political interests in the status quo or are currently benefitting from the corruption.
Fit with other donors	None known.
Best practices	All countries that operate an Investment Promotion Center recognize the need for the monitoring of investments and actively engage in monitoring of investment agreements and results (e.g., Canada, Zambia, South Africa, and Mali).
Resources required	High
Action steps	a. Select and install external (expatriate) reform leaders. b. Select and appoint five assistants in each case. c. Develop internal auditing methodology. d. Develop external monitoring methodology in liaison with provincial authorities. e. Pilot auditing procedures. f. Pilot external monitoring systems in liaison with provincial authorities. g. Refine and implement auditing procedures. h. Refine and implement external monitoring procedures.
Time frame for reform	Effective impact could be achieved within two years.
Feasibility	Medium – The key constraint is the political will for this to happen. If political will is limited, feasibility will be low; if high, the reform is quite feasible.
Potential impact of reform	Low

DEALING WITH LICENSES

RECOMMENDATION: Strengthen the human resource capacity for SPS inspection and certification of the National Agriculture Quarantine and Inspection Authority (NAQIA).

Priority of recommendation	Tier II
Why is reform needed?	All agricultural export shipments require SPS certification as part of the shipping and payment process. Exporters complain that delays in obtaining the necessary documents can lead to delayed shipping and delayed payments. Reform is needed to accelerate the process of SPS inspection and certification of export shipments by NAQIA.
Impact of constraint	Delays in inspection increase the time spent at the wharf, which increases shipping costs. A slow certification process following inspection can result in delays in the drawing down of letters of credit or direct payment with negative impacts on cash flow, especially for smaller businesses.
Benefits of reform	Expedited SPS inspection and certification would benefit exporting companies by reducing costs and enabling earlier payment. In addition, the buyers that supply exporting companies would be exposed to a wider choice of exporters if the survival of smaller companies was enhanced.
Obstacles to reform	The budget available to the Department of Public Services to finance the increased manpower and training required within NAQIA will dictate the feasibility of the reform.
Fit with other donors	None known.
Best practices	Ideally inspection and certification should be carried out within 24 hours of application. The process should also be concurrent with inspections by other agencies if possible.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> Recruit and train four additional NAQIA inspection agents. Develop and institute a performance –based remuneration package for NAQIA staff.
Time frame for reform	Effective impact could be achieved in 18 months.
Feasibility	Medium – Feasibility is directly contingent on the budget that can be made available (which could be donor sourced initially) and whether there is political will within the Department of Personnel Management to adopt the approach.
Potential impact of reform	High

RECOMMENDATION: Strengthen the national laboratory capacity to allow for comprehensive testing of export products for aflatoxins and agri-chemical residues.

Priority of recommendation	Tier II
Why is reform needed?	PNG lacks the necessary laboratory capacity to test fresh fruit and vegetables for several key criteria including agrichemical residues or aflatoxins.
Impact of constraint	Currently PNG exports only limited volumes of fresh fruit and vegetables but is developing the capacity to increase volumes. World markets are already sensitive to chemical residues in food and are becoming increasingly concerned over aflatoxin levels. PNG's domestic markets are also beginning to demand more in terms of food safety. The growth of the subsector will be constrained unless adequate laboratory testing facilities are available to support a comprehensive licensing program.
Benefits of reform	Improved capacity for chemical testing of fresh produce will benefit domestic market consumers and the fresh fruit and vegetable subsector as a whole by providing the capacity to meet increasing market demand for proven low levels of toxins and chemicals.
Obstacles to reform	The national laboratory lacks sufficient financing for the equipment, manpower, and training needed to develop this type of testing capability.
Fit with other donors	None known.

Best practices	In most countries, laboratory resources are adequate to allow for the broad-based protection of domestic consumers, including the regular spot testing of foods and food products for residues and aflatoxins.
Resources required	High
Action steps	<ol style="list-style-type: none"> Identify the required laboratory equipment. Procure the necessary equipment through a transparent tendering process. Build and equip new laboratory facilities. Recruit and train capable staff.
Time frame for reform	Thirty months
Feasibility	High – This reform is highly achievable provided finance can be obtained.
Potential impact of reform	High

RECOMMENDATION: Amend the fee structure associated with the local government licensing regime for food establishments so that implementation of the licensing regime can proceed.

Priority of recommendation	Tier III
Why is reform needed?	Although legislation requiring the licensing of all food establishments exists, it is not implemented and consumers are effectively unprotected. According to the Food Sanitation Regulations, fees for the food business license should be set by provincial authorities according to the level of risk associated with each business, as determined by the local medical authorities. Lacking guidance in the assessment process, local authorities have not established an appropriate fee structure and have therefore been unable to issue any licenses.
Impact of constraint	The lack of any form of licensing of food establishments leaves consumers unprotected against poorly prepared foods and agricultural residues.
Benefits of reform	Consumers of domestic produce would be protected against poisoning and food-borne diseases.
Obstacles to reform	The implementation of a licensing regime requires action by local government authorities who have limited administrative capacity. The reform process would call for extensive training and possibly additional manpower (although inspection should be carried out by local medical authorities). Lack of finance to carry out the necessary inspection and financing may also be a constraint.
Fit with other donors	None known.
Best practices	In most countries, establishments that prepare and sell food are licensed in order to protect downstream consumers.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> Undertake an assessment of the most appropriate flat-rate fee for licensing and the key components of inspection. Develop and implement a training program to be rolled out in all provinces to ensure that licensing and inspection are carried out according to the law. Recruit and train additional staff at each provincial authority as necessary.
Time frame for reform	9 months
Feasibility	High – Feasible, provided finance can be sourced.
Potential impact of reform	Low

EMPLOYING WORKERS

RECOMMENDATION: Create a public/private coalition of stakeholders committed to improving conditions for women in the agricultural sector that will set tangible, specific targets for change and help guide a national campaign and accountability initiative that helps PNG achieve these goals.

Priority of recommendation	Tier I
Why is reform needed?	Conditions for rural women in PNG are known to be among the poorest in the world, including with respect to access to education, health, meaningful livelihoods, and political participation. With half the population significantly deprived of resources that will help them become more productive, the overall economy of PNG cannot meet its potential for economic development.
Impact of constraint	Worker skills in PNG, especially those of women, are notoriously underdeveloped. This is a major reason why employers engage outside labor and why citizens of PNG have such poor access to formal employment in their own country.
Benefits of reform	Strengthening the overall condition of women will contribute to a more valuable workforce generally. Moreover, this reform aligns with priorities identified by Secretary Clinton in late 2010, and acting on those priorities will strengthen trust in the U.S.
Obstacles to reform	At the very top of PNG government, there is reluctance to accept how poor conditions for women in PNG are, especially compared to conditions and opportunities for women in other countries. There are very few women in positions of economic or political leadership, thus limiting the models for opportunity and reform. In addition, the deficit of meaningful statistics at this time makes the quantification of conditions, and targeting of reforms, extremely difficult.
Fit with other donors	Nearly all donors in PNG have highlighted conditions for women as a reform priority. This initiative will help identify and leverage existing opportunities.
Best practices	The annual Global Gender Gap report of the World Economic Forum provides a variety of illustrations of how strengthening conditions for women results in improved overall economic performance and opportunity.
Resources required	Medium – There are many ways to move forward with a gender initiative, implicating different levels of resources.
Action steps	<ol style="list-style-type: none"> Use the most up-to-date statistics to quantify the state of women’s education, health, economic participation, and political participation in PNG. Consider conducting a thorough gender-specific assessment, which would provide far more detailed information about the relationship between PNG women and economic activity in the country. Identify the major resources for change in PNG, including lead organizations, individuals, programs, and donors. Create a public outreach plan that seeks to educate men and women about how women’s empowerment is good for PNG overall. Prepare sex-disaggregated statistical tracking mechanisms that will allow citizens to watch for change and demand accountability of their institutions.
Time frame for reform	3 years – A successful women’s empowerment initiative would require an investment of no fewer than three years.
Feasibility	High – This diagnostic found a great deal of “pent-up” demand for improvements to PNG’s overall environment for women and girls.
Potential impact of reform	Medium

RECOMMENDATION: Drawing from key PNG value chains, identify the primary demands for agricultural skills implicated over the next generation and share this information with education and training institutions to improve the responsiveness of the education system to workforce demands.

Priority of recommendation	Tier II
Why is reform needed?	There is a dearth of skilled labor in PNG, at all junctures of the major agricultural value chains. Reform is needed across the sector, beginning with literacy in farm communities, but also at “middle-level” junctures such as management and trade, and also with respect to such higher-order pursuits as agricultural research, policy-making, financial interventions, and science-based professions.
Impact of constraint	Though it employs or engages the highest proportion of people, agriculture suffers the greatest shortages of skills in PNG. Growth in the sector is constrained by limited knowledge, skills and abilities along key value chains, including cash crops, food crops, and livestock.
Benefits of reform	This reform will bring more tangible understanding to the general perception that the agriculture sector is lacking in skills. Education and training institutions can respond by adjusting their programs to the actual needs not only in a single community or cluster of activity, but also to PNG’s overall place in regional and global value chains. This reform will further help PNG target its efforts to produce higher-quality outputs, including those that conform to international standards, and to become more responsive to the demands for its agricultural products.
Obstacles to reform	Constraints to this reform include access to information and up-to-date statistics; a general inadequacy to date in the efforts to map and understand the country’s primary agricultural value chains; and lack of full clarity about the network of public, private and non-government education and training facilities in the country that serve the agriculture sector.
Fit with other donors	This reform proposes to fit with the specific educational and training initiatives of other donors, including Australia, New Zealand, the European Union, and others, by providing tangible information about the actual demand for skills. It also should begin with a full analysis of work performed to date by other donors in the areas of agricultural value chains and demands for skills.
Best practices	There is increasing awareness that, just as mapping of value chains provides insight for how industries can “upgrade” their products, processes, and functions to meet current and future market demands, it can also highlight key junctures where upgrading of workforce capacities may lead to greater overall competitiveness, and, ultimately, increased economic growth and reduced poverty. For a lengthy discussion of this burgeoning approach, see Gary Gereffi, Karina Fernandez-Stark, and Phil Psilos, <i>Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries</i> , Duke Center on Globalization, Governance, and Competitiveness and RTI International (November 2011).
Resources required	Low
Action steps	<ol style="list-style-type: none"> With respect to the top 5-10 agricultural products in the country, develop a set of maps (or refine and update already existing maps) that reflect the major steps along their respective value chains. Prepare a “skills overlay” for the value chain maps, identifying the general categories of low-skill, moderate skill, and high-skill demands for labor. This work should incorporate the perspectives and feedback of both formal employers and informal workers in the respective value chains. Using the findings from the skills overlay, prioritize the critical areas of skills deficits in the agricultural sector. Work with major stakeholder institutions – emphasizing the educational and training services that are most likely to produce results, including those in the private sector – to generate ideas for responding to these critical deficits. Publicize the results of this initiative and encourage the next generation of skills interventions to be responsive to the tangible demands for skills identified by this exercise.
Time frame for reform	1 year – A value-chain skills overlay initiative could take place in one year, including significant public dialogue about key areas of skills deficits. This initiative should be coordinated with other activities aimed to strengthen education and training in the agricultural sector.
Feasibility	Medium – PNG’s value chains are very complex, and reliable data and information in the country is hard to come by. The purpose of this initiative would be to provide tangible, actionable recommendations for revisions and updating in national agricultural curricula and opportunities.
Potential impact of reform	Medium

REGISTERING PROPERTY

RECOMMENDATION: Undertake a sensitization campaign to encourage gender equality protections within the voluntary customary land registration process.

Priority of recommendation	Tier II
Why is reform needed?	A gender-bias exists in many clans throughout Papua New Guinea with respect to the distribution and decision-making processes for customary land. This gender disparity most often favors men, but there are some clans based on maternal land distribution as well. Reform is needed now, before broad-scale implementation of the voluntary customary land registration process occurs.
Impact of constraint	Owing to the inalienable nature of land registered through the voluntary customary land registration process, incorporated land groups (ILGs) threaten to establish in perpetuity the gender-bias, precluding certain citizens from receiving benefits from the land on the basis of their gender.
Benefits of reform	This reform provides greater gender parity in access to land and the benefits thereof.
Obstacles to reform	Deep-rooted customary practices woven into the fabric of certain Papua New Guinean clans are the source of this specific gender disparity in access to customary lands. The existing institutional framework precluding meaningful access to customary land on the basis of gender is interconnected to other aspects of traditional culture, which is a highly political matter for which it is difficult to effectuate change.
Fit with other donors	Numerous donors have expressed a desire to provide greater support to promote greater access to land for women.
Best practices	South Africa's Communal Land Rights Act has included a provision specifically precluding discrimination based upon gender for communal land, which has had some measure of success providing greater protection for women's access to customary land.
Resources required	Low
Action steps	<ol style="list-style-type: none"> Identify and collaborate with potential champions to encourage reform effort. Adopt campaign to promote greater gender parity among ILGs that are provided recognition by the government of Papua New Guinea. Provide support for drafting an amendment to the Land Groups Incorporation (Amendment) Act 2009 requiring gender equivalence within the membership of ILGs.
Time frame for reform	3 years
Feasibility	Low – Great uncertainty exists regarding reforms to the customary land system. Further, there are great differences among clans in gender disparity within customary land inheritance (with some clans based upon maternal distribution; some based upon paternal distribution). Constitutional recognition of the equality of every Papua New Guinean citizen, plus potential champions within the Ministry of Agriculture and Ministry of Land focused on gender issues could serve as a stepping off point for a broader campaign.
Potential impact of reform	High

RECOMMENDATION: Provide technical assistance to support the institutional development of the Land Title Commission to rebuild institutional capacity.

Priority of recommendation	Tier III
Why is reform needed?	The Land Title Commission (LTC) in Papua New Guinea serves as the exclusive means of converting land from traditional title to private freehold and resolves complex land disputes. A lengthy vacancy at the head of the commission has left the LTC bereft of adequate organizational strategy and leadership.
Impact of constraint	Thousands of outstanding applications for conversion to formally registered title have left property holders uncertain of their claims and have in effect eliminated conversion to freehold as an option to customary owners, despite a legal framework enabling this process.
Benefits of reform	The LTC offers a choice in how a customary title holder can derive value from the land. If the LTC is well-managed, it can offer a plausible option to convert land to freehold estate, enabling the flexibility of conversion to leasehold for broadest possible use. Freehold estate will also enable use of land as collateral, enabling greater access to finance.
Obstacles to reform	Land reform in Papua New Guinea is a highly-politicized topic. A history of perceived corruption in land transactions has led to a distrust of all governmental land institutions in PNG. Further, a political shift toward customary registration has siphoned off support from the LTC in favor of alternative methods, such as lease-leaseback and voluntary customary registration.
Fit with other donors	None known.
Best practices	Numerous.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> a. Identify gaps and needs in critical skills, staff training, and roles and responsibilities. b. Develop a multi-year strategy for capacity-building, training, and systems support.
Time frame for reform	3 years – Time to provide systems and training support could be shorter-term, but institutional capacity building would require time and training.
Feasibility	Low – Absent political commitment to support reform and rebuilding the LTC, interventions – while necessary – will be futile.
Potential impact of reform	High

GETTING CREDIT

RECOMMENDATION: Finish development of the framework of financial laws and regulations in PNG.

Priority of recommendation	Tier I
Why is reform needed?	The legal and institutional framework for credit is well developed but still incomplete. Needed legal reforms include: adoption and implementation of a personal identity system that creates a unique national identifier for each individual; adoption and implementation of a “truth-in-lending” disclosure law; implementation of the personal property registry under the Personal Property Security Act; revision of the Banking Act of 2002 to separately regulate banks, microfinance institutions, savings and loans (S&Ls), and mobile banking; adoption and provision of national credit insurance.
Impact of constraint	Each missing component raises the costs and risks of capital in PNG. In the aggregate, these gaps reduce the availability of affordable credit. Although each reform can be addressed individually, they are actually interconnected parts of a system; until the system is fixed, individual reforms will have limited impact.
Benefits of reform	These reforms will benefit both lenders and borrowers, resulting in greater availability of affordable finance. This will provide for greater working and expansion capital for farms and agro-industries, leading to greater export income, which in turn creates greater tariff revenues for the government and enhances job growth in the private sector.
Obstacles to reform	The key constraint is technical capacity of existing human resources. There are well qualified individuals in the Bank of PNG and elsewhere who can guide many of the reforms, but outside experts will be needed. There may be some resistance to disclosure requirements by financial institutions that profit from consumer ignorance, but most of the other reforms are already under consideration. There are no particular “losers” in these reforms.
Fit with other donors	Donors are already assisting with some of the reforms. For example, the Asian Development Bank (ADB) has helped with mobile banking and secured lending. The Central Bank is in conversation with foreign experts on issues regarding revisions to the Banking Act as well as implementation of a national identity system.
Best practices	The secured lending registry is likely to (and should) be designed based on existing registries in the region, such as in Vanuatu. India’s personal identification system appears to be appropriate for PNG and can serve as a model. Mobile banking is still being developed internationally but should be based on deposit accounts, not “electronic wallets” for safety, and should include appropriate risk analysis.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> a. Establish a steering committee at Bank of New Guinea (with appropriate representation from the executive branch, Parliament, and the private sector) that is charged with: <ol style="list-style-type: none"> 1. establishing a reform agenda and schedule, 2. setting priorities, and 3. coordinating with other stakeholders. b. Orient Government and Legislature to reform needs, including putting National Identity Law (in concert with appropriate ministries), Truth-in-Lending, Banking Act, and deposit insurance reforms on the appropriate executive parliamentary legislative agenda. c. Identify resource needs for analyzing reforms for each law, including support from international donors to draft reforms, vet drafts with stakeholders, and begin implementation once adopted. d. As each reform is completed, commence public education campaigns and work with educational institutions, business organizations, and other stakeholders to create new training and educational materials highlighting the changes. e. Establish a monitoring and evaluation unit (public- and private-sector-based) to examine regularly on status of implementation and any additional reform needs.

Time frame for reform	2-5 years– Many elements are already underway, but full implementation is likely to take at least five years on most reforms, and longer on some. Deposit insurance will require much more start-up work, as it appears not to have been on a national agenda so far.
Feasibility	High – All reforms are fully feasible. They have low resource requirements but do require political will and specialized expertise. There are few likely opponents.
Potential impact of reform	High

RECOMMENDATION: Provide public outreach and product development support for lenders to enable swift and effective implementation of collateral reforms under the recently passed Personal Property Security Act.

Priority of recommendation	Tier I
Why is reform needed?	The Personal Property Security Act (PPSA) of December 2011 resulted in the adoption of a modern secured lending law and authorized the establishment of regulations and a registry. These reforms are underway. Due to the participatory manner in which this law was drafted, there is great awareness of the reforms, but there is no knowledge – due to no experience – of how to structure loans under the system and what kind of finance products can be offered. For many potential lenders (especially businesses providing trade credits to customers), there is a great need for education and assistance to take full advantage of PPSA.
Impact of constraint	In reforms elsewhere, uptake has sometimes been very slow without public education and industry education and assistance. The agricultural sector in particular may be left out of new product development, or at least develop far more slowly than demand would mandate. These lost opportunities result in lost earnings and growth.
Benefits of reform	Development of new products, especially agricultural products, permits an increase in access to capital at more affordable rates. Also, because the loans are properly secured, there is a reduction in risk over unsecured or poorly collateralized practices currently in use. By providing assistance to potential lenders and incorporating new experiences into various training materials, the costs of changing existing practices can be kept low and passed on to the borrowers.
Obstacles to reform	Existing resources are expected to be sufficient to complete the regulations and launch the registry. However, there are few foreign or local lenders in PNG with the appropriate background and experience to develop products. Outside specialists will be needed (preferably from Canada). In addition, some lenders will wait and see how things work out before they enter the new market – this should not slow reform, but will create phased uptake. Finally, the judiciary must be included early and continuously to track disputes under the new law. Poor judicial interpretation can completely undermine the reforms if they introduce unintended elements of risk.
Fit with other donors	The ADB is helping with the regulations and registry. Some private banks (e.g., BSP) may be willing to provide resources for product development, public education or training. The Institute of Banking and Business Management (IBBM) will be available (but will need to be paid) to provide training on a fee basis. The Port Moresby Chamber of Commerce and the Bankers Association are likely to be able to provide at least a venue for public education and training, if not additional resources.
Best practices	Once the law is final (as it is in PNG), development of products should begin immediately. This includes changes to existing products by preparing appropriate documentation and practices to convert them to the registry system. It also includes development of new forms of secured lending, extending collateral status to various farm products. Canada and the US have extensive experience with the full array of secured lending products; China has successfully used inventory and receivables to extend significant levels of new loans; while Vanuatu can provide insights from their recent experiences with a very similar system.
Resources required	Low

Action steps	<ul style="list-style-type: none"> a. Establish a steering committee to promote product development within the following sectors: <ul style="list-style-type: none"> 1. banks and S&Ls, 2. microfinance institutions, 3. non-bank financial institutions, 4. businesses that supply customer credit, and 5. agricultural associations. b. Identify local and international experts to provide input. c. Identify existing resources and determine additional needs that could be met by donor or governmental funds. Include resources needed for review by consumer organizations. d. Hire appropriate experts to help develop products for each group, utilizing established successful practices from jurisdictions with similar system as models. e. As products are developed and adopted, mobilize public information campaigns, keeping in mind that some organizations will wish to opt out of general campaigns in favor of proprietary advertising. f. Work with law schools, IBBM, business schools and others to create curricula and training materials for business. Establish a monitoring and evaluation unit (public and private sector) to examine regularly on status of implementation and any additional reform needs. g. Provide specific, detailed training to judges, lawyers, and others who might be involved in litigation of PPSA cases. As cases come to court, monitor them closely and provide appropriate support to the court, if permissible, to ensure appropriate decisions based on rule of law.
Time frame for reform	<p>2-3 years – Products can be developed in the first year, along with public information materials. Public education should be instituted for at least two years following introduction of new products. Appearance of legal cases is likely to take at least two years, with another year or more to judgment.</p>
Feasibility	<p>High – All reforms are fully feasible. They have low resource requirements and require specialized expertise with little input from public officials. Some financial service providers will be slow to join in, but will be unlikely to oppose the reforms.</p>
Potential impact of reform	<p>Medium</p>

PROTECTING INVESTORS

RECOMMENDATION: Provide technical assistance and administrative support in the creation of the Sovereign Wealth Fund, ensuring that systems for governance, transparency, and accountability are well in place as the fund is launched.

Priority of recommendation	Tier II
Why is reform needed?	Many of the risks presented by PNG's investment environment, including in agribusinesses, are the result of poor financial management and inadequate infrastructure. The Sovereign Wealth Fund (SWF) presents an opportunity to counter these risks through productive use of monies earned through large resource extraction projects. It is critical that the SWF start off "on the right foot."
Impact of constraint	PNG suffers from endemic poverty, particularly in its rural areas, as a result of the poor financial management by government institutions.
Benefits of reform	If the SWF is well managed, the benefit will not only be improved infrastructure and public services in PNG but also a model for good governance that to date has been lacking in the management of public funds.
Obstacles to reform	Constraints include local capacity for sound financial management and the temptations of "inside dealing" among privileged lawmakers who may have some access to the funds.
Fit with other donors	All international donors, particularly the ADB, are interested in and committed to the success of the SWF. A coordinating group among donors may be especially useful for this initiative.
Best practices	One best practice cited during the development of the SWF in PNG is that of Norway, which has managed to become one of the world's most stable and prosperous countries, due in significant part to its wise management of profits from its natural resources. Botswana presents another example of sound government management of national wealth.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> Map all SWF-related assistance currently planned by all donors. Identify gaps and needs in technical assistance. Devise a two-year plan for leveraged technical assistance to implementers of the SWF.
Time frame for reform	2 years – A minimum of two years committed to serving as a resource for the sound development of the SWF would be ideal.
Feasibility	High
Potential impact of reform	Medium

PAYING TAXES

RECOMMENDATION: Introduce the use of performance-based budgeting methods for provincial and local-level governments.

Priority of recommendation	Tier I
Why is reform needed?	The national budget in Papua New Guinea has been described as “paper money” – citizens rarely see the budgetary line items translate into concrete benefits in their communities. The budgets of provinces and local-level governments, which rely predominantly on allocations from the national government, similarly lack transparency.
Impact of constraint	Poor public financial management reduces public faith in government and limits economic growth opportunities for the population as a whole.
Benefits of reform	Performance-based budgeting, particularly at the community level, invites taxpayers to participate in setting budgetary priorities, monitoring progress, and holding elected officials accountable for the use of public funds.
Obstacles to reform	There are many entrenched interests in Papua New Guinea that might resist this type of reform – for example, politicians and companies that currently benefit from procurement fraud and government waste. However, there are also some politicians and many private sector businesses and associations who are fed up with the status quo and ready to fight for meaningful reform.
Fit with other donors	The Australian Agency for International Development (AusAID) has instituted capacity-building programs for the PNG civil service by embedding Australian civil servants in many government agencies. Other donors, including the Asian Development Bank, are currently focusing on public procurement reform. These efforts would be complementary to the proposed reform.
Best practices	In the Ukraine, the use of performance-based budgeting has transformed municipalities across the country. With greater transparency and public oversight of municipal spending, spending has become more efficient, and the communities have seen tangible results of government funds going to projects that they support.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> Select several provinces and local-level governments (LLGs) as pilot locations for performance-based budgeting on the basis of available physical and human resource capacity, the presence of government champions, and the openness of the government and local community to the project. Provide training for provincial or LLG staff, identify budgetary priorities in consultation with the community, and develop a performance-based budget for each pilot location. Implement the budget in each pilot location with frequent public forums to discuss progress and review priorities. Continue refining of the budgetary process from setting priorities to implementing public works over a period of 2-3 years. After the pilot phase, hold regional workshops with other provinces and LLGs to discuss lessons learned and prepare to roll out the project more broadly.
Time frame for reform	5 years to conduct the pilot phase, evaluate the effectiveness of the program for various levels of government, refine the budgetary process, and commence a roll-out country-wide.
Feasibility	High – There is a lot of interest in public sector reform in PNG, but the public as a whole feels powerless to effect change. If the pilot locations can demonstrate to the PNG people that public sector spending can occur in an effective and transparent fashion, local ownership over and commitment to the project will likely be strong.
Potential impact of reform	High

COMPETING FAIRLY

RECOMMENDATION: Review and update all statutory board legislation; separate out advocacy from regulatory functions.

Priority of recommendation	Tier I
Why is reform needed?	The current iterations of the statutory board acts are largely outdated, and only a few are slated to be reviewed and updated in the near-term.
Impact of constraint	While the current statutory boards in PNG are not overly interventionist in regulating the respective commodity commerce, the legal framework allows them to intervene with anti-competitive practices.
Benefits of reform	Active advocacy, representing complete value chains with a unified voice, is largely absent. Legal reform will open up the possibility of strong commodity associations, separating advocacy from the regulatory functions of the statutory bodies.
Obstacles to reform	There may be some resistance to separating out advocacy from the commodity boards as these boards may feel that they are currently serving adequately in that role.
Fit with other donors	The World Bank is already funding, via the Productive Partnerships in Agriculture Program (PPAP), the review and update of the Cocoa Board Act and the Coffee Industry Corporation Act.
Best practices	Best practice advocates the separation of regulatory functions from industry and commodity advocacy to allow stakeholders to comment on and inform regulatory reforms. Active private sector associations (inclusive of diverse stakeholders) are often indicative of a receptive and collaborative regulatory framework, as seen in many developed commodity markets.
Resources required	Low
Action steps	<ol style="list-style-type: none"> Each statutory board act should be reviewed in the context of the experience to date with broad stakeholder consultation. Updated acts should be drafted and submitted to Parliament.
Time frame for reform	1 year – Review, revision, and stakeholder consultation should be easily completed within a year.
Feasibility	High – This activity is already underway for a few of the statutory board acts, but they would all benefit broad consultation and review.
Potential impact of reform	High

RECOMMENDATION: Develop industry-led commodity associations to develop a common industry development vision and provide advocacy.

Priority of recommendation	Tier II
Why is reform needed?	In PNG, there is a significant communication gap between the agricultural sector and the public sector at all levels of government. Advocacy by the private sector would be strengthened through the creation of industry-led commodity associations that can develop a common vision for each industry.
Impact of constraint	While recent policy reforms are largely positive, they have been perceived to have been made largely absent significant consultation with the private sector and civil society. There are few to no independent stakeholder-driven industry groups for the public sector to turn to for input representing a complete value chain.
Benefits of reform	There are natural tensions between stakeholders along a value chain. A mechanism is needed where this tension can be worked through and a coherent voice developed. This reform would also facilitate effective government decision-making – the public sector often receives differing perspectives from individual value chain stakeholders, requiring them to weigh the priorities instead of the value chain participants themselves working out the trade-offs.
Obstacles to reform	The statutory bodies currently feel they adequately represent the respective industries and sectors and play an advocacy role. In addition, the natural tensions between value chain participants may create initial resistance to the work required to develop a shared industry perspective.
Fit with other donors	Donors are largely working within the current statutory board structure and are not working to create industry associations for advocacy purposes.
Best practices	The African Cashew Alliance is one example of a multi-country industry association with national chapters offering relevant experience.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> a. A fact-based industry roadmap exercise would be the starting point for identifying key industry rallying points around which to form an initial advocacy platform. b. Technical assistance and a subsidized secretariat operating budget would be needed over the medium-term to support the new associations.
Time frame for reform	3-5 years – At least one year will be needed for developing an initial advocacy platform around which to form each industry association. Subsequent support will be decreasing as the associations gain strength and establish relevancy for self-sufficiency.
Feasibility	Medium – Independent stakeholder-driven industry groups are not possible without first undertaking regulatory reform to separate advocacy from the regulatory functions of the statutory boards.
Potential impact of reform	High

ACCESSING MARKETING INFRASTRUCTURE

RECOMMENDATION: Develop realistic, long-term plans for the development and maintenance of PNG's transportation infrastructure, particularly the road network, including clear targets, performance incentives, and multi-year financing.

Priority of recommendation	Tier III
Why is reform needed?	Transport infrastructure in PNG suffers from the under-resourcing and political capture of infrastructure projects. A lack of implementation and accountability related to planning is the largest challenge to improving PNG's infrastructure.
Impact of constraint	High costs related to infrastructure directly impact PNG's competitiveness in global commodity markets, which are dominated by other production zones.
Benefits of reform	The proportion of final commodity value received by producers is directly related to cost of transport in competitive commodity markets. Improving delivery and implementation of transport infrastructure maintenance and development should directly impact the proportion of commodity value received by producers.
Obstacles to reform	Politicians prefer cutting ribbons on new projects to filling potholes. Education for politicians and constructive public awareness will facilitate the prioritization of maintenance and improve accountability. The national budget also needs to allow for multi-year financing in alignment with long-term plans.
Fit with other donors	AusAID has and continues to invest in infrastructure and transport sector support. They have initiated gains in institutional capacity and planning structures.
Best practices	Brazil and Argentina built their successful commodity production and export expansion in large part based on strategic, long-term investment in decreasing logistical costs within commodity value chains via transport infrastructure.
Resources required	High
Action steps	<ol style="list-style-type: none"> The government's budgetary process must be modified to encourage multi-year financing in alignment with long-term infrastructure planning. An education program for politicians and constructive public awareness must be put in place that emphasizes maintenance plans, especially the quantification of cost over the life of the infrastructure and impact on related transport costs (access to services, access to markets, etc.). The public sector planning and implementation process should be included in the education program to indicate where decisions are made and input points for both politicians and civil society. Strengthening of monitoring and evaluation capacity and public reporting within each of the transport related agencies is needed to ensure plans are followed.
Time frame for reform	5-7 years – This reform is a long-term investment requiring ongoing education and reinforcement.
Feasibility	Medium – Acceptance of political capture is the largest obstacle to reform in the transport infrastructure sector.
Potential impact of reform	High

RECOMMENDATION: Launch a public awareness campaign to develop local ownership of infrastructure and raise awareness of the importance of shared stewardship, particularly highlighting the relevance of infrastructure and its maintenance to service delivery.

Priority of recommendation	Tier III
Why is reform needed?	The lack of civil society ownership of public infrastructure and the monetary success of public officials from rent-seeking behavior is increasing the cost of maintenance and infrastructure investment.
Impact of constraint	These social dynamics drive up the cost of transport, which directly impacts the efficiency of business and the delivery of public services to communities.
Benefits of reform	An increased sense of ownership should also drive accountability from public officials, improving delivery of transport related investment and implementation as a result.
Obstacles to reform	PNG has such a rich cultural diversity that developing a cohesive sense of communal ownership and stewardship for public infrastructure will require significant effort and expertise. Also, a campaign without simultaneous improvements in service delivery to the same communities will fall flat.
Fit with other donors	Not known.
Best practices	Public awareness campaigns related to other public service activities can provide examples of success, including preventative health consultations, motor vehicle insurance, and public stewardship of natural resources.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> a. A public awareness campaign should be developed and implemented to increase a sense of ownership over infrastructure by local communities and to raise awareness of the importance of shared stewardship of public resources. b. The campaign should be continually adapted based on evaluation of impact and the need for message and delivery modification.
Time frame for reform	3-5 years – The campaign must coincide with transport infrastructure service delivery improvements and provide for adaptation based on campaign impact.
Feasibility	Low – A public awareness campaign will only succeed if improved implementation and accountability of transport infrastructure maintenance and development plans directly results in improved service delivery.
Potential impact of reform	Low

TRADING ACROSS BORDERS

RECOMMENDATION: Implement a one-stop shop for processing by the Customs Service and NAQIA at the ports in Lae and Port Moresby to create a centralized location for importers and exporters to present entry documents.

Priority of recommendation	Tier I
Why is reform needed?	Current combined processing times of the Customs Service (Customs) and NAQIA exceed five to six days due to the sequential procedures. This inefficiency increases port congestion because imports remain on the wharf awaiting clearance. A one-stop shop would significantly decrease processing time for import and export clearance by public agencies, thereby relieving port congestion and reducing transaction and transport costs for all users.
Impact of constraint	The current delays require import cargo to incur port storage charges because clearance times often exceed the five days of free storage provided. Export cargo has difficulty getting into port on a timely basis due to the congestion caused by inbound cargo. These delays increase transport costs for all users.
Benefits of reform	Concurrent processing should significantly reduce clearance time for both imports and exports and therefore reduce transaction and transport costs and relieve port congestion.
Obstacles to reform	Neither Customs nor NAQIA has the authority to commit the other to the project. A higher authority (e.g., the Port Authority) must mandate their cooperation and oversee the joint plan to accomplish the objective in a timely manner. Office space at the ports will have to be reconfigured to accommodate a one-stop shop, which can be implemented in stages if required.
Fit with other donors	Australian Customs/AusAID is working on improved customs procedures. These reforms are complementary.
Best practices	Mombasa Kenya has one of most successful one-stop shops. The APEC Sub-Committee on Customs Procedures under the Committee on Trade and Investment can supply information on similar operations in APEC countries in similar stages of development.
Resources required	Low
Action steps	<ol style="list-style-type: none"> The Port Authority should issue a mandate to create integrated processing through creation of a one-stop shop for traders. NAQIA and Customs should map new processing procedures under the one-stop approach. Input from the trade community should be sought at all stages and considered an integral part of decision-making. Office space at the ports will have to be reconfigured to accommodate a one-stop shop. The Port Authority should be consulted on accommodations required for implementation, and a phased approach should be devised if required. Establish measurable criteria relating to the timeline for implementation and expected results as well as accountability. Establish and furnish the office and reassign Customs and NAQIA officers. Not all agency staff should be located in the operation, but rather only those essential for clearances. It will be their responsibility to coordinate all phases of clearances with officers located outside the one-stop shop. Prior to opening, adequate notice and information should be given to the trade community. Measure results and modify procedures as required to achieve a significant reduction in processing times.
Time frame for reform	3 to 6 months
Feasibility	High – Feasibility is high if Customs and NAQIA are committed to the process and held accountable for its implementation.
Potential impact of reform	High

RECOMMENDATION: Expedite receipt processing by the Customs Service and NAQIA through the use of electronic funds transfer (EFT) payments and account processing.

Priority of recommendation	Tier II
Why is reform needed?	Both Customs and NAQIA spend excessive time accepting taxes and user fee payments, which currently are paid in cash or by check. NAQIA has an ATM account drawdown system that is underutilized. Customs cannot move to paperless transactions on the 80% of all cargo currently accepted on transmission (“self-declared”) without this feature in place.
Impact of constraint	Receipt takes an average of one to two days for each agency to complete. For NAQIA’s Port Moresby location, payments can only be made to the headquarters office. Brokers now wait several days to receive checks from clients after their transmission has been accepted by Customs while the cargo sits on the wharf. The current receipt process significantly delays clearances and adds to transaction costs.
Benefits of reform	Electronic Funds Transfer (EFT) payments and account processing as used by Customs administrations worldwide would simplify and expedite border processing, especially for major repetitive agribusiness traders who are compliant. It is a required step for paperless transactions for Customs and could allow immediate release of all cargo designated “green” (80% of all cargo) immediately after Automated System for Customs Data (ASYCUDA) transmission.
Obstacles to reform	Lack of IT capabilities within NAQIA and the unreliability of PNG’s IT networks could slow implementation. NAQIA must simplify receipt processing by accepting payment at the same location where bill is issued, expand use of its ATM drawdown system, and explore account-based collections. Customs can process EFT payments within its IT system, ASYCUDA, but will need training in how to utilize these capabilities and ensure accountability of collections. The major PNG banks are competent to handle such transactions. Clients must be educated on the benefits of EFT payments as a way to expedite clearances and move to paperless transactions.
Fit with other donors	None known.
Best practices	EFT payments and account processing are used by Customs administrations worldwide and are available in many of the countries in South East Asia such as Indonesia and Philippines as well as PNG’s neighbors Australia and New Zealand.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> a. Train Customs management on how the IT system can be used to process EFT payments and ensure accountability of collections. b. Appoint a Customs team, including selected Customs managers and ASYCUDA personnel, to oversee project and build on previous implementation experience, lessons learned, and best practices. Hire a short-term technical advisor if needed. c. Conduct a Customs-bank consultation to determine a work plan for activation and designation of participating banking institutions. d. Develop a work plan for implementation with realistic goals for the level of participation and reduction in processing times. Accountability for meeting objectives should be well established. e. Select major traders to participate, offering them paperless processing on the majority of transactions. Build post-audit reviews and random checks into the process as a compliance measure. f. Initiate the pilot program with selected banks, traders, and Customs. Test transmissions, and when the reliability of EFT is established, implement the program fully. g. Continue to expand EFT payments based on trade volumes and compliance levels of major players.
Time frame for reform	12 months
Feasibility	Medium – Limited capacity of Customs personnel to understand complexity involved in establishing EFT payment process could prevent development of a feasible work plan and effective oversight of project implementation.
Potential impact of reform	High

RECOMMENDATION: Simplify and expedite Customs Service import processing at Lae by devising modern practices to alleviate the bottlenecks identified in the Time Release Study (TRS) completed in 2012.

Priority of recommendation	Tier II
Why is reform needed?	Customs processing at Lae has the most impact on the agribusiness sector due to the high volume of related trade at the port. The current process is inefficient and takes too long to complete, especially in light of the low percentage of cargo that Customs predetermines it can release without intervention.
Impact of constraint	Excessive Customs clearance times often result in untimely delivery of critical agricultural inputs and excessive port storage charges that increase transaction costs. Inefficient processing also does not make good use of the limited resources available to Customs, resulting in critical steps in the process such as receipt of payment being understaffed.
Benefits of reform	The key beneficiaries of simplified processing will be the port, trade community, and Customs. Traders can eliminate port storage charges and more quickly receive payments and provide needed inputs to producers. The port will be less congested, and Customs can allocate needed personnel to priority functions and realign staffing to commercial/port working hours.
Obstacles to reform	There should be little, if any, opposition to a simplified process. However, limited staffing and capacity within Customs to address bottlenecks and sustain reforms is a concern. The generally unproductive working relationship between Customs and brokers will hinder securing the required level of cooperation needed to address issues in a timely manner and with quality results.
Fit with other donors	Australian Customs is assisting PNG Customs in its strategy to simplify import processing. Implementing the TRS as a critical step in the reform process. This recommendation ties directly into their work, and any donor initiatives must be closely coordinated with their efforts.
Best practices	The Philippines has a much improved trade process whereby Customs clearance takes about half the time as in PNG. Of the neighboring islands in similar stages of Customs development, Vanuatu appears to have the least time-consuming border process.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> Appoint a team of senior and mid-level Customs managers and private sector representatives and task them with redesigning procedures to address bottlenecks at Lae as identified by the TRS. The Lae Chamber of Commerce, which has the goodwill and respect of the trade community, should be invited to oversee these meetings. Develop a strategic plan to address problem areas comprehensively with a time table for implementation, accountability, and measurable results. The plan must incorporate modern Customs procedures and facilitate trade processes. Upon determination of revised and expedited procedures, design and implement a pilot program at Lae. The Lae Chamber of Commerce can be used to publicize and train the private sector on the simplified requirements. Implement and measure the results of the pilot program according to a methodology that includes a user survey and uses the results of the TRS as a benchmark. Make modifications if required.
Time frame for reform	9 to 12 months
Feasibility	Medium – Lack of training with respect to the new procedures for Customs officers, Customs brokers, and the trade community could prevent effective implementation. Constructive dialog with the private sector is not well established, and unless a level of trust and acceptance of the mutual interest in success of the process redesign is gained, the project could be jeopardized.
Potential impact of reform	High

RECOMMENDATION: Establish selective processing using Risk Management (RM) techniques as the key operating principle for the Coffee Industry Corporation (CIC) and NAQIA in conducting their regulatory oversight of imports and exports.

Priority of recommendation	Tier II
Why is reform needed?	Currently, NAQIA reviews 100% of all import and export declarations, and CIC inspects and samples 100% of all coffee exports. These procedures impede efficient border processing and result in additional storage charges and transaction costs for all importers and exporters.
Impact of constraint	CIC's intensive quality testing delays coffee shipments from entering the ports on a timely basis and therefore jeopardizes shipping schedules. NAQIA's review of all shipments increases processing times for all cargoes, including those with a strong history of compliance. Delays result in additional storage charges and transaction costs for all importers and exporters.
Benefits of reform	The use of selectivity in processing based on sound risk profiles according to RM techniques would expedite clearance of low risk cargo and allow allocation of NAQIA's limited resources to shipments that present the highest potential for pests and disease. Clearances for reliable traders/shipments will be expedited, resulting in lower transaction costs. The potential for discovery of suspicious/ low quality shipments will improve compliance rates.
Obstacles to reform	Acceptance of the RM concept and the use of selectivity in processing as an improved means of fulfilling their role will be a difficult sell to agencies. Training in how and where to apply RM will be needed. Agencies may resist the use of RM techniques due to a fear of loss of control and the associated decrease in user fee collections. Lack of modern business practices that integrate IT capabilities will also slow development and implementation of the RM methodology.
Fit with other donors	Although the European Union (EU) is working on improving NAQIA's technical expertise in SPS areas, it is unknown if any donor group is currently focusing on institutionalizing an RM methodology within either of these statutory agencies. A recent SPS assessment by the EU should be reviewed to determine its applicability to the recommendation.
Best practices	Unaware of RM programs in similar agencies in neighboring countries at similar stages of development. However, Australia and New Zealand most likely have quality selectivity programs in their agricultural oversight agencies.
Resources required	Medium
Action steps	<ol style="list-style-type: none"> Select an RM group that will establish an RM strategic plan detailing the objectives and priorities of the program. Train management and staff as to the value of RM as an operational tool to enhance facilitation and controls. Conduct a risk analysis to identify cargo that presents the lowest and highest potential for noncompliance. Establish risk profiles based on this analysis and determine the level of controls required to address high-risk shipments. Permit no- or low-risk shipments to proceed without intervention. NAQIA can use Customs' ASYCUDA system to flag such shipments for their attention. Establish an effective monitoring mechanism to gauge results and update criteria as needed.
Time frame for reform	12 to 18 months
Feasibility	Medium – Since there are only 8 to 10 coffee exporters, it should be relatively easy for CIC to determine the quality-testing capabilities and compliance of exporters, which will form the basis to initiate selective rather than 100% sampling and testing. NAQIA officers can identify high/low risk cargo and input criteria into a selectivity module in Customs' ASYCUDA system that will inform traders of the level of review required by the agency. A high level mandate for improved trade facilitation is required, as well as a comprehensive approach to achieving it that incorporates risk analysis as a fundamental operating principle for the agencies regulating international trade.
Potential impact of reform	High

ENFORCING CONTRACTS

RECOMMENDATION: Implement a system for reviewing and dismissing dormant cases automatically based on the time since the last action in the case file (e.g., two years). Allow plaintiffs to object to the dismissal and have the case reinstated within a set period of time (e.g., one month).

Priority of recommendation	Tier I
Why is reform needed?	There is currently a backlog of an estimated 60,000 cases, many of which have been in the court system for five or more years. These dormant cases likely include cases that the parties no longer wish to pursue or for which mediation could resolve any lingering issues quickly.
Impact of constraint	In an attempt to clear some of the backlog, judges are currently spending a significant amount of time conducting “call-overs” of dormant cases. Although these hearings may result in dismissal of the case for lack of appearance of either party, they are a drain on time the judges could be spending to conduct trials on active cases. They are also a drain on the registrar’s office, which is currently charged with identifying and referring matters to the judge for summary determination.
Benefits of reform	The reform would decrease the backlog of cases and free up judicial resources, benefiting all users of the court system.
Obstacles to reform	The Listing Rules of 2005 currently require the Registrar to send a notice to the plaintiff with a copy to the defendant stating that the case will be referred to the judge for summary determination in 30 days, citing the reasons for summary determination, describing the procedure through which the plaintiff can object, and proposing a court date for the next hearing. Similar provisions appear the rules governing appeals.
Fit with other donors	The International Finance Corporation is also working to decrease the backlog of cases through the development and expansion of the Alternative Dispute Resolution (ADR) Centre and the use of mediation to resolve disputes. These reforms are complementary.
Best practices	In 2007, Tonga introduced a procedure for automatically dismissing certain dormant cases without notice. This procedure was contrary to the traditional process, which required 28 days’ notice. The new procedure instead allows 28 days for the plaintiff to request reinstatement of the case. Only 10 of 518 cases dismissed under the new process were later reinstated, dramatically decreasing the backlog without taxing the court’s resources.
Resources required	Low
Action steps	<ol style="list-style-type: none"> Analyze the court rules to determine whether the new procedure is legitimate under those rules or whether the rules must be amended to allow for the dismissal of a case without notice. Form a working group to determine criteria for which cases should be dismissed under the new process, including the amount of time since the last activity in the file and the estimated likelihood that the parties will not wish to proceed. Train registrar staff to implement the guidelines honestly and correctly. Put in place a procedure for plaintiffs to object to the dismissal. Conduct a broad campaign to educate the public and ensure that all parties have the chance to object within 30 days of the dismissal of their dispute.
Time frame for reform	1-2 years – Based on the experience in Tonga, this entire process could put into effect in less than one year. However, the Chief Justice who implemented these reforms in Tonga had a lot of individual authority and a highly motivated staff. Given the sheer number players and cases within the PNG court system, it may take more than a year to implement this reform.
Feasibility	High – The procedures for identification and summary dismissal of dormant cases already exists. The reform would simply remove some of the administrative hassle and cost of pre-hearing notification.
Potential impact of reform	Medium

RESOLVING INSOLVENCY

RECOMMENDATION: Encourage the introduction of simplified bankruptcy procedures for small businesses, particularly with perishable goods.

Priority of recommendation	Tier II
Why is reform needed?	The process of receivership can be cumbersome, yet the perishable nature of agricultural products can require speedy decision-making not always consistent with the length of time required for receivership. Small businesses, particularly agribusinesses with perishable goods, need a more rapid process.
Impact of constraint	Small businesses, particularly agribusinesses with perishable goods, lose value in their underlying assets quickly. The speed required to encourage a work out or encourage highest value for creditors at liquidation is not always feasible under PNG's existing insolvency law, which discourages its use.
Benefits of reform	Greater value retention for agricultural receivership and a faster bankruptcy process for less complex businesses can encourage greater use of formal processes to dispense with insolvency more efficiently, provide greater assurance to creditors, and reduce the costs of finance for agricultural enterprises.
Obstacles to reform	Insolvency is not considered to be a chief concern for reform.
Fit with other donors	None known.
Best practices	Romania introduced simplified procedures for small-scale firm insolvency reducing time and cost for dealing with these less complex insolvency situations.
Resources required	Low
Action steps	<ol style="list-style-type: none"> Conduct a deeper-dive analysis of the insolvency law. Undertake stakeholder outreach through consultations with practitioners, agricultural firms, and creditor representatives. Provide legal drafting support to draft revised terms. Undertake an impact analysis of the regulatory reform. Develop and implement a communications plan for reform activity.
Time frame for reform	1 year
Feasibility	High – Reducing time and cost through a simpler process is likely to have few vested interests entrenched in support of the existing system.
Potential impact of reform	Low

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