

# Introduction

The National Informal Economy Policy 2011-2015 is a product of extensive research and wide consultation between key stakeholders from the government, civil society and the private sector. The need to develop the policy emanated from the enactment of the Informal Sector Development and Control Act 2004 which was an initiative by Honorable Dame Carol Kidu to protect the interest of the participants of the Informal Economy, many of whom consists of women, children and unemployed youths. It was intended that this policy will enable the implementation of the existing Informal Sector Act. Given that the informal economic activities are part of Papua New Guinea's total economic system, it is more accurate to speak of the **'informal economy', not the 'informal sector'**. Thus the name **"National Informal Economy Policy"**.

## Policy Vision and Mision

### The vision

To establish the position of the informal economy as the grassroots expression of private enterprise, and to see the informal economy acknowledged as the full and legitimate partner of the formal economy in the economic system of Papua New Guinea.

### The mission

- To focus the attention of policy-makers, officials and the private sector on the need to achieve the maximum participation of citizens, both urban and rural, in the economic opportunities offered by a dynamic and diversified informal economy; and
- To provide guidelines for creating an enabling policy and regulatory environment in which the informal economy can grow and flourish.

### The policy objectives are:

- To enable the informal economy to grow in size and in diversity and quality of the goods and services it produces, in accordance with the tastes and needs of the people of Papua New Guinea;
- To enable the informal economy to embrace a growing proportion of the population as producers, and to yield to them increasing cash incomes; and



- To enable the informal economy to supply a growing proportion of the marketed consumption and investment needs of the low- and middle-income population, leading to a progressive 'nationalization' of the grass roots economy.

## The rationale of the Policy

The rationale behind the development of the policy are,

- 1) The informal economy *is here to stay* and no democratic government can suppress it and
- 2) It is *driven by market forces*.

Subsequently, the Policy

- Is also recognized by the constitution under its preamble and
- Will be a key policy to implement the dreams and aspiration of important policy initiatives such as the Vision 2050, the Development Strategic Plan 2010-2030, the MTDS, the National Urbanization Policy, Integrated Community Development Policy, SME Policy, National Agricultural Development Plan and of course the UN Millennium Goals.

## Differences between the Formal and the Informal Economy

The informal economy is different to the formal economy because in the informal economy people;

- "get by" earning money without having jobs,
- where individuals don't pay and collect tax such as government tax,
- where what individuals produce is not counted in the gross national product (GDP),



- where individuals are not counted in the workforce, because they are self-employed or engage in household-based activities and
- where workers and enterprises are without rights and protection, or their rights are ignored.

## Implementation through Public Private partnership (PPP)

The Policy outlines several strategies and pathways in ensuring that the Public Private Partnership can take place to effectively drive informal economy forward. Partnership with the private sector and the other key stakeholders within the civil society is a way forward for the success of any government policy. As such the policy will be driven through its two nominated arms which are to be known as "Public Goods and Services" and "Financial Inclusion".

### 1) Public Goods and Services

The first arm will be mainly driven through a Whole Government Approach and will basically look at creating that enabling policy and regulatory environment with an informal economy focus while assuring consumer protection and the safety of deposits in financial institutions. The government will be required to look into providing **priority public goods** with an informal economy focus such as;

- *Establishing market places with clean water, electricity and toilet facilities*
- *Agriculture extension, research and marketing facilities,*
- *Other "spaces" and structures in the urban areas*
- *Law and order regime*
- *Urban planning regulations.*

The government will also be tasked to provide **priority services** such as;

- *Transport, urban and regional planning*
- *Active policing of market places*
- *Political representation and "voice"*
- *Education and training, business development services, and agriculture extension services,*



- **Consumer protection**
- **Financial literacy campaigns,**
- **A comprehensive national audit** of informal economic activity in PNG,
- **Consideration of micro-privatization and government procurement policies and**
- **A sensible resolution of the “betelnut problem”.**

Through these goods and services the government can provide regulatory oversight to protect the people (both producers/seller and consumers/buyers) as well as educating people about the importance of developing a saving culture first before venturing into the idea of acquiring loans to start up business ventures.

## 2) Financial Inclusion

This arm of the policy will be more focused on attaining the goal of “**financial inclusion**” since most Papua New Guineans are financially excluded (about 92% of the people). *To be ‘financially included’ means having access to formal financial institutions and services including payment system, having access to bank accounts, savings and credit markets.* Without that access, people are said to be financially ‘excluded’. It will be primarily driven by the private sector partners and the service providers in general, most notably microfinance and other financial institutions. This particular arm of the policy will be basically carried out through what is known as the **Six roads to financial inclusion in PNG which includes:**

- **Agent banking:** This policy solution refers to policies and regulations governing non-bank agents partnering with banks and others to provide distribution outlets for payments and other financial services. Typical agents include retail commercial outlets such as lottery kiosks, pharmacies, post offices.
- **Mobile phone banking:** With the explosive growth of mobile phone usage around the world, a range of operations can be facilitated, including cash deposits and withdrawals, third-party deposits into a user account, retail purchases, over-the-air prepaid top-ups using cash in the user’s account, transfer of cash or airtime credits between user accounts, and bill payments.
- **Diversifying providers:** This solution deals with policies

that lower the regulatory barriers for start-up institutions and offer savings and insurance products geared to low-income clients.

- **Reforming public banks:** This solution requires innovative policies that improve the governance and management of these institutions to help them provide more effective, commercially sustainable financial services.
- **Financial identification:** This innovative policy solution helps to build inclusive financial identities that will lead to an increase in access to formal financial services. Furthermore, it helps to transform a client’s transaction history into a financial asset, which can be used to gain access to a greater variety of financial services.
- **Consumer protection:** This solution covers policies that address fair treatment, data privacy and security, predatory lending, clear and transparent disclosure of information, efficient and accessible dispute settlement, and comparability of rates and terms.



Prepared by the Informal Economy Committee (IEC).

Informal Economy Committee is a committee of the Consultative Implementation and Monitoring Council (CIMC) comprising of partners from private sector, NGO, government and civil society who meet on a regular basis to provide advice and direction to encourage the development of the informal economy.

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CIMC is an independent organization that brings together civil society, private sector and government partners to develop policy and directly influence and monitor government decision making for the long term development of Papua New Guinea.



**CONSULTATIVE IMPLEMENTATION  
& MONITORING COUNCIL**

# NATIONAL INFORMAL ECONOMY POLICY

**2011 - 2015**

