



WESTERN PACIFIC UNIVERSITY PROJECT

Prepared by:
Institute of National Affairs (INA),
Papua New Guinea



PAPUA NEW GUINEA



The Institute of National Affairs (INA) is a privately funded, non-profit policy research institute, or “think tank,” in Papua New Guinea (PNG). Its core running and management costs are supported by private companies with some project support from public institutions and foundations. The INA was founded in 1976 by concerned individuals from both the government and the private sector to promote dialogue between the two and to offer alternative advice to the public on social policy. The INA’s primary role is to carry out public policy related research and disseminate the results as widely as possible to the community, government agencies, statutory institutions, learning institutions, and politicians. Research is carried out by world-class academics from some of the world’s leading universities and institutions and has a conscious policy of including PNG academics in its research, where possible. The research is published, made available to the public, and generally sponsored by PNG and international bodies. The INA also administers the Consultative, Implementation, and Monitoring Council (CIMC) as a mechanism for public, private sector, and civil society dialogue on key public interests relating to social, economic, and wider development issues in PNG, including running the Family and Sexual Violence Action Committee (FSVAC).

Western Pacific University Project (WPU)

Acronyms and Abbreviations

CIPE	Center for International Private Enterprise
CJI	China Jiangsu International Economic and Technical Cooperation Group Ltd.
DoE	Department of Education
DHERST	Department of Higher Education, Research, Science, and Technology
China EXIM Bank	Export–Import Bank of China
GoPNG	Government of Papua New Guinea
INA	Institute of National Affairs
KSCNP	Kumul Submarine Cable Network Project
NEC	National Executive Council
ODA	Official Development Assistance
PGK	PNG Kina
PMIZ	Pacific Maritime Industrial Zone
PNG	Papua New Guinea
PRC	People’s Republic of China
RMB	Renminbi (PRC currency)
WPU	Western Pacific University

Image 1: Two Lecture Blocks and the Dining Hall, with Mt Ialibu behind



Source: INA Staff

Introduction

The Institute of National Affairs (INA) is part of a group of think tanks in Southeast Asia and the Pacific implementing a project that aims to promote transparent and accountable governance in the region. The project is supported by the Center for International Private Enterprise (CIPE) with overarching goals of mitigating the impacts of corrosive capital and making the best use of capital inflows. Corrosive capital is a term used to label financing from either state or private sources originating from authoritarian regimes—mainly China—that lacks transparency, accountability, and market orientation, and exploits and worsens governance gaps in recipient nations.¹

The project includes a review of the legislative framework governing the procurement of goods and services in Papua New Guinea (PNG). This project is accompanied by four case studies assessed for their compliance with PNG's procurement policies and guidelines, with the findings intended to raise awareness among individuals and organizations and devise appropriate strategies to address gaps and weaknesses.

¹ "Corrosive Capital," CIPE, May 16, 2021, <https://corrosivecapital.cipe.org/>

The first case study is the Pacific Maritime Industrial Zone (PMIZ). Although behind its scheduled timeline, the project was implemented under the technical leadership of the Department of Commerce and Industry with funding assistance from the People's Republic of China (PRC) through the Export-Import Bank of China (China EXIM Bank). The second case study is the Kumul Submarine Cable Network Project (KSCNP), a project implemented by state-owned DataCo. The project spans PNG's coastal provinces and links the two data centers of Port Moresby and Madang. Both the first and the second case study projects are funded by the Chinese government under the multi-billion-dollar Belt and Road Initiative (BRI).

The third case study is the Western Pacific University (WPU) project, implemented by the Department of Higher Education, Research, Science, and Technology (DHERST) and jointly funded by the Government of Papua New Guinea (GoPNG) and a PRC grant through the Ministry of Commerce. The findings of this case study are presented in this paper.

Project Description

On January 10, 2013, PNG and Chinese representatives signed an Economic and Technical Cooperation Agreement (ETCA) which included stipulations for K23 million (RMB 70 million) of Chinese funding for projects in PNG, including WPU.² The WPU project was then approved by the GoPNG on April 24, 2013 (NEC Decision no. 128/2013), with the drafting instructions for legislation approved on August 30, 2013 (NEC Decision No. 299/2013), and the Bill for tabling in Parliament authorized on October 23, 2013 (NEC Decision No. 381/2013). Next, the legislation was sponsored by then Prime Minister Peter O'Neill on October 7, 2013 via NEC Submission No. 289/2013 with specifying that "the creation of the new university is at the Prime Minister's initiative to address the present capacity problems at the university education level, which can absorb only about 4,000 of 17,000 graduates each year."³

The PNG Parliament passed the *Western Pacific University Act 2014* on August 28, 2014, which was certified into law by the Speaker of Parliament on November 8, 2014.⁴ Chinese grant funding for the project is drawn from the 2013 Economic and Technical Cooperation Agreement (ETCA) and the 'comprehensive strategic partnership signed during the State visit of President Xi Jinping to PNG in November 2018, coinciding with the APEC Leaders' meeting in Port Moresby.⁵ Details of the agreed-upon funding for the university are provided in a letter dated November 16, 2018, written in Port Moresby at the time of the APEC Leaders' meeting by the Chairman of the newly established China International Development Cooperation Agency, which specifies a ceiling of RMB 99,900,000 for specified facilities at WPU. The letter also specified the agreed counterpart contributions expected from the GoPNG. Minister for National Planning and Monitoring Richard Maru, the letter's recipient, responded in the affirmative to the letter on the same date and specified that his response "shall constitute an agreement" between the two governments.

² China AidData, "Project ID: 62854," Accessed December 3, 2021. <https://china.aiddata.org/projects/62854/>

³ NEC Policy Submission No. 289/2013, October 7, 2013, Independent State of Papua New Guinea

⁴ *Western Pacific University Act 2014*, No. 36, <http://www.parliament.gov.pg/uploads/acts/14A-36.pdf#:~:text=An%20Act%20entitled%20Western%20Pacific%20University%20Act%202014%2C,Minister%20for%20Higher%20Education%2C%20Research%2C%20Science%20and%20Technology>.

Press statement from WPU Chairman, June 11, 2021 <https://www.wpu.ac.pg/>

⁵ Ministry of Foreign Affairs of the People's Republic of China, "China, PNG Agree on Comprehensive Strategic Partnership," November 16, 2018. https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/bmdyys_664814/gjlb_664818/3417_664890/3419_664894/201811/t20181119_587237.html

WPU is located on a nineteen-hectare block of customary land—land held “in custom” by the traditional and/or indigenous landholders—in Ialibu, which serves as the headquarters for the Ialibu-Pangia District, a district in PNG’s Southern Highlands Province represented in Parliament by former Prime Minister Peter O’Neill. Ialibu is located at 1,990 meters (6,530 feet) above sea level at the foot of the extinct volcano Mount Ialibu, and is well connected to other parts of the country in terms of communication and transportation infrastructure. In addition to a connection Mt. Hagen and Lae, two important regional cities, via the Highlands Highway, the country’s main arterial road, Ialibu also features access to airports in two provincial capitals: Mendi in the Southern Highlands Province and Mt. Hagen in the Western Highlands Province.

Though not officially part of the Belt and Road Initiative (BRI), China’s global infrastructure investment strategy aimed at improving connectivity between Africa, Europe, and the Indo-Pacific, several comments by Chinese officials suggest that the WPU Project falls under the scope of BRI. PNG joined BRI in 2018, and during a visit to PNG that same year, Chinese Foreign Minister Wang Yi stated that education was a potential area of focus for cooperation with PNG under BRI.⁶ The MOU for WPU was signed the next month.⁷ Furthermore, one Chinese government official has stated that any project within the scope of BRI’s “five connectivities” (trade, infrastructure, policy, people-to-people, and capital) could be viewed as a BRI project.⁸ The WPU Project, which falls under the “people-to-people” category, may not bear an official connection to BRI, but context suggests that this project fits into the scope of China’s international investment strategy as well as the China-PNG partnership through BRI.

The plan was to develop the project in three phases over a seven-year period, at a full cost of USD \$179.8 million (K604 million).⁹ The first phase was initially scheduled for 2017–18 with the first intake of planned for 2018, but the first class was later deferred until 2021. Project plans estimated the cost of Phase I at USD \$43.3 million (K146 million), including the component to be funded by the PRC for USD \$11 million (K36.95 million). However, according to a letter dated November 21, 2016 from PNG Secretary for National Planning and Monitoring Hakaua Harry to Lai Shuizang, Economic Counselor at the Chinese Embassy, the cost ‘for immediate drawdown’ of Phase One had risen to USD \$14.97 million (K50 million). The WPU project plan also boasted ambitious construction goals for second and third phases, including student and staff accommodations, teaching facilities, sports facilities, and a chapel. The project fell further behind schedule due to delays in formalizing land acquisition for construction. However, the new government formed in 2019, headed by former Finance Minister James Marape, sustained PNG’s commitment to the project with the Chinese government, as recorded in Marape’s letter to Chinese Ambassador Bing on August 21, 2019, which also references an affiliated Chinese commitment to grant the funding of a (perhaps associated) Enga Technical College.

The academic program of the new university started in March 2021 with 49 students commencing a foundation year of studies to ensure international education standards are achieved.¹⁰ This initial class

⁶ “China, PNG pledge to further boost ties, cooperation under Belt and Road,” *Xinhua*, October 31, 2018, http://www.xinhuanet.com/english/2018-10/31/c_137572273.htm.

⁷ Isaac Nicholas, “PNG and China Sign Agreements,” *Papua New Guinea Post-Courier*, November 18, 2018, <https://postcourier.com.pg/png-china-sign-agreements/>.

⁸ Peter Connolly, “The Belt and Road Comes to Papua New Guinea,” *Security Challenges* 16, no.4 (2020): 41–64, <https://www.jstor.org/stable/26976257>.

⁹ This case study uses a conversion rate of 3.34 PGK to 1 USD for all currency conversions in the text.

¹⁰ Secondary school used to include Grades 9–10 and students would either begin university with a “foundation year” preparing them for university studies or attend national high schools, which provided Grades 11 and 12. When high schools were progressively upgraded to offer Grades 11–12, most universities discontinued the foundation year. WPU still offers this foundation year to ensure necessary preparation for students to study courses meeting international university standards.

included nine more students than announced by Minister for Higher Education Wesley Raminai in February 2021 but was fewer than the class size initially intended for 2021 owing to COVID-related disruptions.¹¹ INA researchers observed the on-site situation in terms of academic programs and construction work under Phase I, including components funded by the Chinese government, during a site inspection visit on August 14, 2021. Only 10 percent of the work on PRC-funded infrastructure was complete at that time. Factors associated with delay and slow progress are discussed in the following sections.

Background and Rationale

WPU is designed as a fully digitalized university and aims to graduate 12,000 students by 2040. The university planned to offer courses in programming, international business management, and network technologies beginning in Spring 2021.¹² These courses were selected and approved based on the findings and recommendations of a WPU team tasked with assessing the current and future needs of the labor market in PNG in 2017.¹³ As of November 2021, WPU has only offered “foundation year” classes: a year of classes to prepare secondary school students for university work. While all universities previously offered a foundation year, most phased out these courses when secondary school extended by two years. Given the inadequate numbers of teaching staff at the tertiary level within PNG, WPU's objective is to provide access to online resources. This includes on-campus and remote international staff, providing courses or course components online, and utilizing partnerships with various overseas universities, including the University of New England in Australia.¹⁴

The establishment of WPU brings the total number of registered universities in the country to seven, though at least three other private or church-run universities are pending registration with DHERST. The justification provided by the government for WPU's creation—and the creation of future universities—is the need to provide more opportunities for Grade 12 graduates. Education provision has been disappointing in PNG. In 1975, school attendance was projected to reach 95 percent by 1985.¹⁵ By 1977, 68 percent of school-age children reportedly entered primary school after several years of efforts to increase numbers, notably by the former colonial administration.¹⁶ Unfortunately, school intake and retention rates trailed off due to high population growth, disappointing economic performance, and a loss of focus on human resource development over subsequent decades. These numbers only started to pick up again after 2010, following some years of an improved economy and greater international awareness of PNG's poor social indicators, including in education. With foreign donor support, the government rolled out new programs to increase primary and secondary school intake and retention and encourage greater gender equity in the schools. At the same time, parents, students, and the teaching profession placed increased pressure on the government to provide sufficient tertiary education to meet schools' teaching needs and cater to the increased demands of the growing economy, including through technical training.

¹¹ Jeffrey Elapa, “Western Pacific University Now Open,” *Post Courier*, February 2, 2021 <https://postcourier.com.pg/western-pacific-university-now-open/>

¹² “Western Pacific University Announces Programs for 2021 Academic Year,” *The Sunday Bulletin*, November 1, 2020 <https://www.facebook.com/349747055559633/posts/western-pacific-university-announces-programs-for-2021-academic-year-monday-2nd-/883823908818609/>

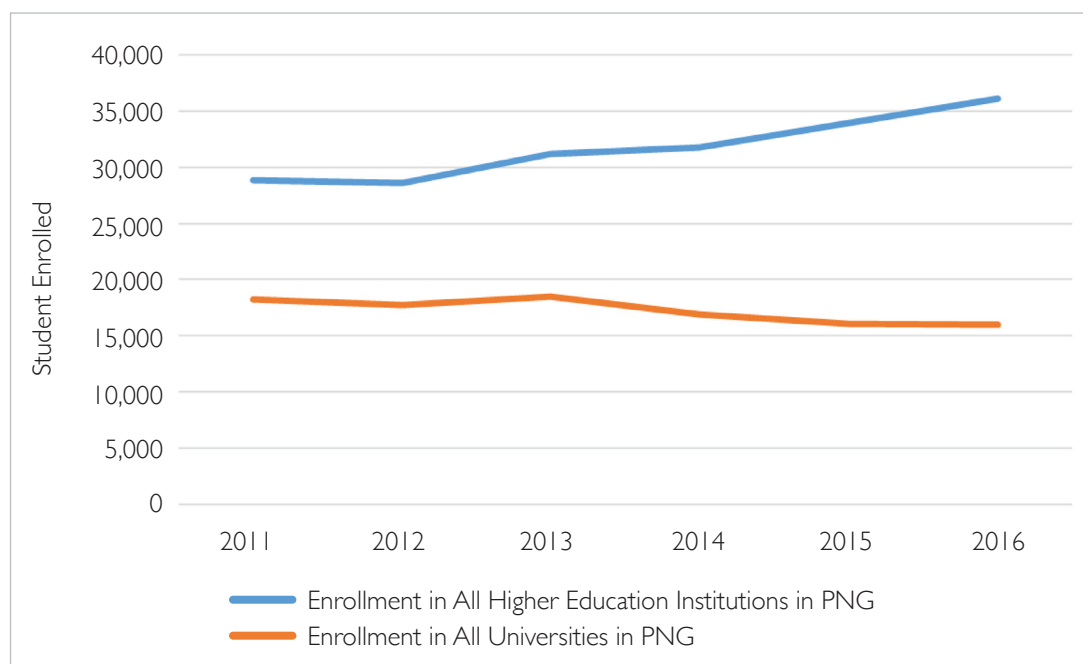
¹³ “Latest Developments,” Western Pacific University, Accessed October 12, 2021. <https://wpu.ac.pg/index.php/latest-developments/23-western-pacific-university-s-developments-in-2017>

¹⁴ The University of New England in Australia has the largest online program in Australia.

¹⁵ Education Staffing and Enrollment Statistics, Department of Education, August 1975, as featured in the National Public Expenditure Plan 1978-1981, National Planning Office, February 1978

¹⁶ Education Staffing and Enrollment Statistics, Department of Education, August 1975, as featured in the National Public Expenditure Plan 1978-1981, National Planning Office, February 1978

Figure 1: Enrollment in PNG Higher Education Institutions, 2011 to 2016

Source: DHERST¹⁷

This renewed effort towards universal primary education and retention through secondary school is evident in one key initiative: tuition-free education. This program, initially instituted in a few provinces before a nationwide rollout in 2012, seems to have prompted an increase in both correct-age and also a large number of over-age students, some of whom resumed education (Figure 1), with higher numbers continuing through all grades. However, tertiary educational institutions could not accommodate the increase in graduates. By 2013, only 22 percent of graduated secondary school students found places in universities or other tertiary institutions, compared to 50 percent in 2001. Of the students who entered post-secondary institutions in 2013, 50 percent went to universities, 21 percent went to primary school teacher training colleges, and the remainder matriculated to technical and business colleges, nursing schools, and other miscellaneous training facilities. By 2020, Grade 12 graduates had risen to 27,000, but only 9,000 found places in formal tertiary education institutions, leaving 18,000 people unable to attend, excluding those who left school at Grade 8 or Grade 10 because they were unable to continue their educations due to a lack of places (except through certain distance learning modules).¹⁸ Oddly, according to the data from DHERST, although enrollment increased across all higher education institutions from 2011–2016, places filled in the universities declined significantly over this period (see Figure 1). This may be partially because the supply of qualified teachers was not sufficient to meet the rapidly rising numbers of elementary and secondary students, leaving students less prepared to undertake university-level work. The draft National Education Plan 2020–2029 predicts substantial declines in enrollment for each post-primary grade, including a 62.6 percent transition rate from Grade 8 to 9 and a 52.7 percent transition rate from Grade 10 to 11 (see Figure 2, which also shows the continued high dominance of ‘over-age’ students throughout elementary, primary and secondary school).¹⁹ In 2020, only 9,371 Grade 12 graduates (34.5 percent of entrance exam

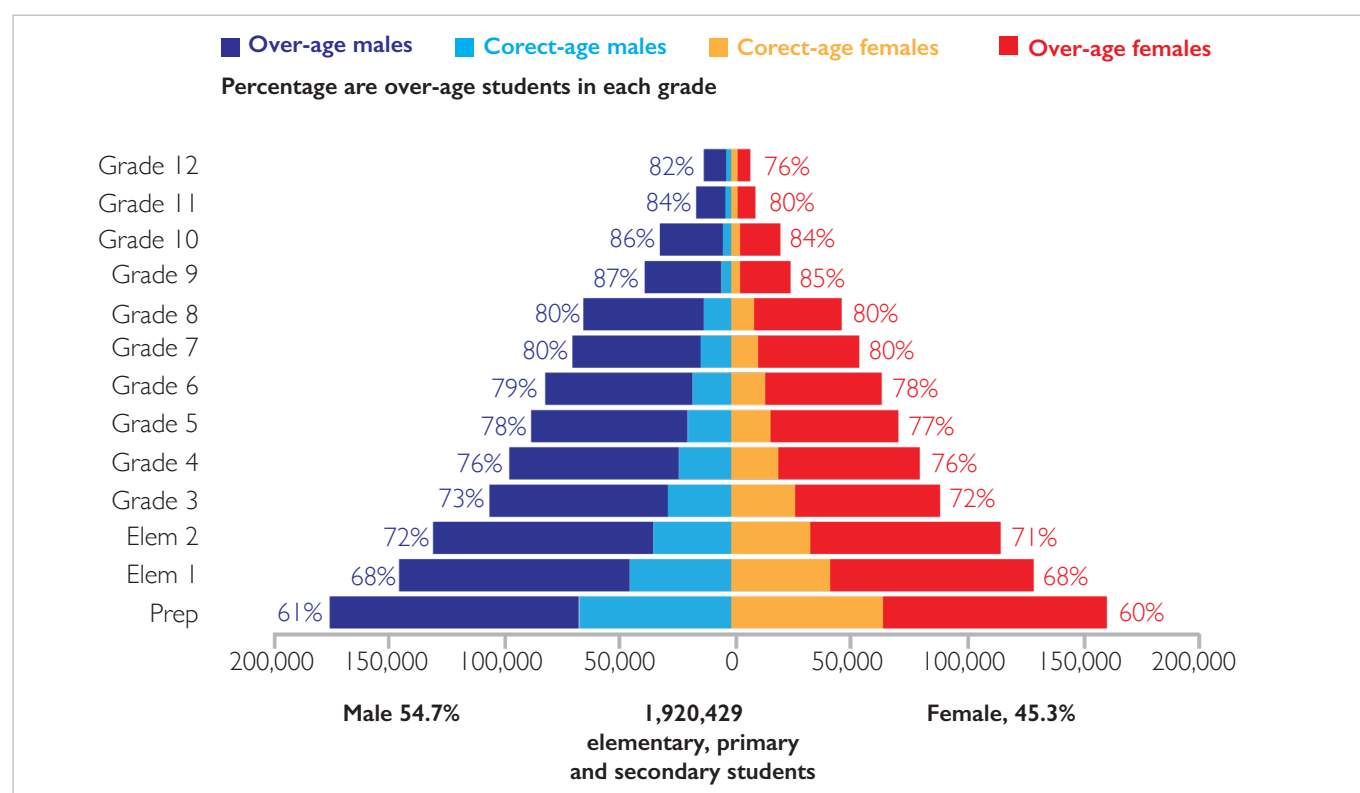
¹⁷ DHERST, “Enrolment and Graduate Analysis,” August 25, 2018 <https://web.dherst.gov.pg/about/secretary-office/statistics-reports/enrolment-and-graduate-analysis>

¹⁸ Enrolment and Graduate Analysis, DHERST, 2018 <https://web.dherst.gov.pg/about/secretary-office/statistics-reports/enrolment-and-graduate-analysis>

¹⁹ *National Education Plan 2020–2029*, Department of Education, 2020. <http://www.education.gov.pg/documents/nep-final-2021-2029.pdf>.

takers) achieved the GPA needed for admission to tertiary institutions, leaving a gap of 3,000 below full capacity. Combined with low retention rates in secondary education, this gap will result in a lack of skilled human resources. With PNG's high population growth rate and increased elementary and primary school enrollments over the past decade (partly in light of the introduction of tuition fee-free education and then partially subsidized tuition), the Department of Education (DoE) forecasts that student enrollment into Grade 12 will rise steadily to 63,000 by 2029.²⁰ This would require a major increase in capacity at universities and other tertiary institutions.

Figure 2: Student Population by Grade, Gender, including 'Over-age' Population, 2014



Source: National Education Plan 2015–2020, Department of Education

Although many commentators argued for the prioritization of increased capacity in existing universities, the establishment of the new WPU could help alleviate some of the issues faced by the education sector. For instance, most other universities, especially the University of Goroka (UOG), the only other university currently in the Highlands region, are short on land owing to disputes with traditional landowners and high land and rental costs, limiting their ability to increase capacity. There has also been strong political pressure to establish additional university capacity in the highly populated Highlands region, with several provinces competing to establish their own universities or polytechnics. A technical college, also supported by Chinese funding, has been planned for the Enga province, with the provincial government seeking to be re-designated as a university.²¹ A greenfield site in an accessible semi-rural area with a designated campus and housing and

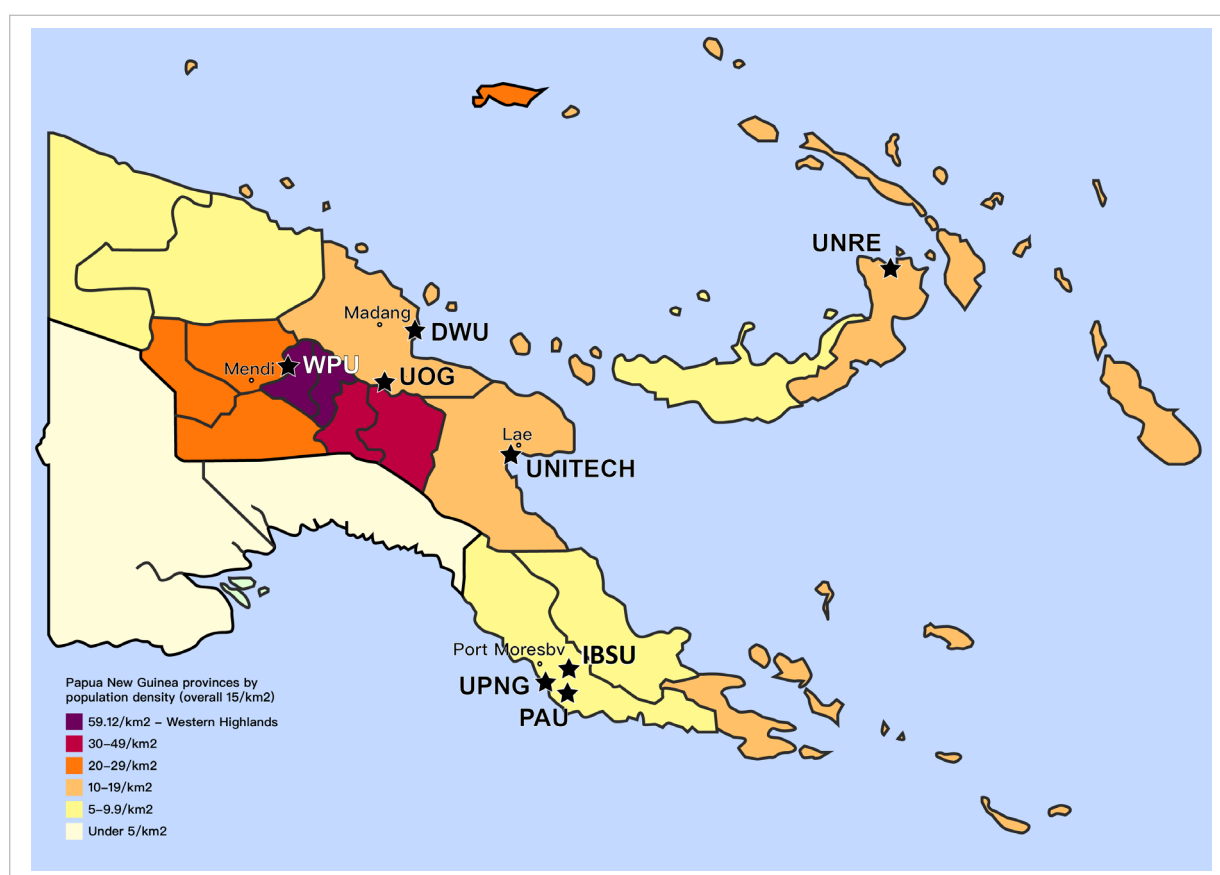
²⁰ National Education Plan 2020-2029, Department of Education.

²¹ It may be noted that Enga province, which was one of the first to initiate tuition fee-free school education and provided university scholarships reportedly provided more than one third of the national tertiary student intake in the early 2010s. This was made possible through strong revenue from the long established Porgera Gold mine in the province as well as the major focus of the provincial government on education.

Melissa Martin, "Enga scores highest in tertiary schools," *Post Courier* May 10, 2012 <https://kandepmyhome.blogspot.com/2012/05/enga-scores-highest-in-tertiary-schools.html>

dormitories on site may outweigh the challenges, albeit that the landowner rewards have been remunerative. Notably, WPU serves a relatively densely populated area, in the western half of the Highlands region, that was previously lacking a university (see Figure 3). WPU's greater capacity for onsite growth and capacity for distance-learning classes in cooperation with foreign universities may also contribute to achieving PNG's Vision 2050 and Development Strategic Plan 2010–2030—which “reinforces the fundamental directives required to advance PNG into a middle-income country by 2030”—target of increasing university graduates from 6,000 to 15,000 per year and technical workers to 295,000 by 2030.²² Certainly, former Prime Minister Peter O'Neill drew upon various initiatives indicating the need for greater tertiary education capacity and suggesting different institutional options, when advancing the project for his own electorate. If an open feasibility study had been conducted by the Higher Education Department it might well have selected an alternative venue, if it even chose to establish a further distinct institution at all as opposed to investing further in its existing universities and consolidating overheads. It may be noted that initial responses from staff in the other universities, including UOG, seemed negative due to concerns about current limited operating budgets, but some current and former UOG academics gave very positive feedback from certain current and former academics, following recent visits to WPU.

Figure 3: Population Density of PNG and Main Campuses of Current PNG Universities



Source: BRI Monitor

²² PNG Department of National Planning and Monitoring, “PNG Development Strategic Plan 2010 – 2030,” PNG Data Portal: Environmental Information for Decision Making, July 19, 2021 <https://png-data.sprep.org/dataset/png-development-strategic-plan-2010-2030>; Treasury of Papua New Guinea, *Volume 3A, Public Investment Program 2020–2024*, 2020 http://www.treasury.gov.pg/html/national_budget/files/2020/Volume%203A.pdf

The idea for the WPU Project seems to stem initially from the Tabubil Futures project, an initiative by the PNG Sustainable Development Program Ltd. (PNGSDP) to provide opportunities beyond the limited life of the PNGSDP-run Ok Tedi Mine, which was scheduled to close in 2013.²³ The project included the creation of Star Mountains Institute of Technology (SMIT), as “a world class, education, training and research technical training facility” in partnership with various national and international organizations. For various reasons, notably the end of PNGSDP control of the mine and its associated revenue, the initiative was unable to take off and SMIT was closed.²⁴ The model developed by Divine Word University (DWU) for the Tabubil Futures project, which included multiple, connected campuses with a main facility operating teaching and nursing colleges, was reassigned to Ialibu, albeit in a modified form. PNGSDP, which has already invested an undisclosed amount of funds in some of those facilities, with K13 million (USD \$3.89 million) worth of houses and classrooms gifted to mine-associated local communities and other facilities being reassigned in 2013.²⁵ It is unclear whether these facilities are still in use, demonstrating the risk of constructing new educational facilities without a commitment for sustained funding for annual operation expenses from the government and other funding entities.

The adjoining sub-districts of Ialibu and Pangia within the Ialibu-Pangia District and Electorate were reportedly offered the choice between a technical School of Excellence and an airstrip.²⁶ Reportedly, the leaders from each local-level government area sought to have both, adjoining the two townships in the district.²⁷ Ultimately, the 70 hectares of land leading up to Mount Ialibu which had been envisaged for the airstrip and was substantially owned under customary law by Oscar Yamuna (former Prime Minister Peter O'Neill's cousin and longtime business partner) and his clan was redesignated for a School of Excellence and subsequently reclassified as WPU in April 2013.²⁸ While an assortment of funding for the university was intended to come from the national government—notably from resource projects' proceeds or district grants—the prospect of utilizing the Chinese government's grant funding seems to have materialized early during Peter O'Neill's term as Prime Minister. Individuals in PNG government circles suggest that the Chinese government makes it a policy to offer each successive prime minister an allocation for project grant funding for such purposes as sports facilities, education, or infrastructure; WPU was the selected project under the O'Neill Government.²⁹ Whether this is a formal policy is unclear, but it appears to be the case in practice.

²³ Brad Damien Shaw, “Reframing Technical Vocational Education and Training in Papua New Guinea,” *Monash University*, June 2017. https://bridges.monash.edu/articles/thesis/REFRAMING_TECHNICAL_VOCATIONAL_EDUCATION_AND_TRAINING_IN_PAPUA_NEW_GUINEA_An_Autoethnographic_Investigation_into_the_Commercialisation_of_a_Mining_Town_Technical_College/5146666;

²⁴ Brad Damien Shaw, “Reframing Technical Vocational Education and Training in Papua New Guinea,”

²⁵ “2013 PNG Sustainable Development Program Annual Report,” PNG Sustainable Development Program, 2013. <https://www.pngsdp.org/uploads/2013-Annual-Report.pdf>.

²⁶ Personal correspondence with a specific person from Ialibu, who requested anonymity

²⁷ Personal correspondence with persons from Ialibu.

²⁸ Personal correspondence with persons from Ialibu; Melanie Vari, “Chinese Official Signs Away K23m to PNG,” *Mangi Tari*, January 10, 2013 http://mangitariwantok.blogspot.com/2013/01/deputy-pm-slams-media_10.html?m=1

²⁹ Personal correspondence; PNGi, “China and Australia Encouraged to Pork Barrel in Prime Minister's Backyard,” May 14, 2018. <https://pngicentral.org/reports/china-and-australia-encouraged-to-pork-barrel-in-prime-ministers-backyard>

A sports oval and various other facilities in Wewak were indicated as the arrangement under a previous government in the 2000s and funding for a Special Economic Zone in Ihu, Gulf Province, during a recent acting Prime Ministership.

Key Project Stakeholders

Image 2: Gatehouse at the Western Pacific University



Source: Paul Barker (INA)

There are several key stakeholders involved in the project planning and implementation of WPU, as reflected by the Project Mapping Outline in Figure 3. On behalf of the GoPNG, DHERST is the key government agency taking the lead in overseeing planning and implementation of the WPU Project in its capacity as the mandated entity responsible for the tertiary education sector along with the affiliated National Higher and Technical Education Board, which is responsible for institutional and course accreditation according to stipulated requirements and standards.

While the state solicitor played a crucial part in providing legal clearance on the engagement of China Jiangsu International Economic and Technical Cooperation (CJI) as the contractor, it is not reflected in the Project Mapping Outline. The Agency for International Economic Corporation under China's Ministry of Commerce is specified as the lead agency for overseeing the project's timely implementation by the managing contractor, IPPR International Engineering Co. Ltd. and IPPA International Engineering Co. Ltd. Nevertheless, under the "self-built mode" it is clear that PNG has responsibility for the design, commencing the tender process, providing the evaluation committee, and coordinating closely with PRC representatives in the procurement process.

CJI is the contractor that is responsible for project infrastructure development, and Seladi-85 is a PNG private architectural firm that is engaged to provide design, prepare technical tender documentation and advise on the selection, and supervise the winning contractor together with the external managing contractor (IPPR).

Project Timeline

Construction work began by 2017 following the GoPNG's second budget appropriation for the university of nearly USD \$4.4 million (K15 million).³⁰ Infrastructure development funded by the PNG Government under Phase I seems to have been completed by the end of 2020, albeit somewhat delayed by the onset of COVID-19.

Date	Activity
January 10, 2013	PNG Assistant Secretary for Foreign Affairs Lucy Bogari and visiting Vice Commercial Minister of China Zhong Shan sign Economic and Technical Cooperation Agreement, with funding for several projects, including a tertiary educational institution in Southern Highlands Province
April 24, 2013	NEC approves the establishment of a new university in Southern Highlands Province (Decision No. 128/2013)
August 30, 2013	NEC approves the drafting instructions for the legislation establishing the Western Pacific University in Southern Highlands Province (Decision No 299/2013)
October 23, 2013	GoPNG approves Bill for the establishment of WPU (NEC Decision 381/2013)
August 27, 2014	WPU Project initiated after PNG Parliament passed the <i>Western Pacific University Act 2014</i> (Certification No. 36/2014)
August 28, 2014	WPU Act passed by PNG Parliament
November 8, 2014	WPU Act certified
2014	GoPNG commences funding through the national budget, and Phase I initiated ³¹
December 23, 2015	GoPNG reaches agreement with China for funding of WPU
July 6, 2016	WPU Interim University Council inaugural meeting
September 15, 2016	Land for WPU was acquired and formalized as state land
November 21, 2016	Design for WPU was undertaken, with intake for students intended to begin in 2018
June 19-27, 2017	Ministry of Commerce of PRC Project team, with DHERST officials, undertake onsite visit to WPU, concluded with a joint meeting and Minutes signed by Professor Jan Czuba of DHERST and Liulinlin, Economic Counselor of the Chinese Embassy, specifying responsibilities and RMB 93,400,000 budget ceiling from PRC (USD \$14.8 million) for construction (excluding management costs)
May 2018	PNG joins BRI
November 2, 2018	Framework ETCA signed by PNG and PRC
November 14-15, 2018	President of PRC visits PNG
November 16, 2018	Exchange Letters on the Chinese Government's Agreement to Understand the Contract, executed by and between the GoPNG and PRC (represented by Chairman of China International Development Cooperation Agency, Wang Xiaotao and PNG Minister for National Planning, Richard Maru); PRC and PNG also sign 14 Memoranda of Understanding, including on cooperation in education;
August 21, 2019	, James Marape, PNG's new Prime Minister, sends a letter to the Chinese Ambassador expressing commitment to the project
September 20, 2019; October 10, 2019	PRC and PNG sign Amendment Letter
November 20, 2019	PRC and PNG execute Aid Project for WPU Implementation Minutes; China IPPR International Engineering Co., Ltd. and IPPA International Engineering Co. Ltd. chosen as managing contractors for WPU
January 23, 2020	PRC gives DHERST a list of six Chinese construction contractors and requests to begin the bidding process

³⁰. Department of Higher Education, 2b 2017 *Budget Estimate of Revenue and Expenditure of Government Departments*, Western Pacific University, https://www.treasury.gov.pg/html/national_budget/2017.html

³¹. Department of Higher Education, Vol 2b. 2016 *Budget Estimate of Revenue and Expenditure for National Government Departments*, Western Pacific University http://www.treasury.gov.pg/html/national_budget/files/2016/Volume2b-Rev&Exp_GovtDepts.pdf

Date	Activity
February 12, 2020	NEC gives approval for the Aid Project for WPU Implementation Minutes
February 27, 2020	PNG architect firm, Seladi-85, on behalf of DHERST, invites the six Chinese companies to bid on the aid project for WPU
June 15, 2020	Managing Contractor IPPR asked DHERST to remove CRECG from the bidding list ³²
May 26, 2020 June 22, 2020	Further information, and amendments for the project structure provided following IPPR's request for a site visit to lalibu by bidding contractors
July 9, 2020	Final drawings of construction to be financed by PRC grant released for tender
July 20, 2020	Tender closed by 3 PM, bids opened at 4 PM
July 22-23, 2020	IPPR and Project Steering Committee evaluated bids
August 10, 2020	Tender Evaluation Report prepared by Seladi-85
August 17, 2020	IPPR approved the selection of CJI and advised the DHERST to proceed to the next step
September 9, 2020	The governor of Southern Highland Province criticized the contract and tender process and lack of input by the provincial administration and the National Procurement Commission
September 21, 2020	DHERST gave a submission to the state solicitor's office seeking legal clearance for CJI as the contractor
September 22, 2020	Solicitor's office grants legal clearance to CJI
October 14, 2020	Letter from Prime Minister Marape to the Minister for Education, Nick Kuman, verified DHERST was not directly involved in the selection of the winning company, as advised by DEHERST
November 10, 2020	Contractor, CJI, is on-site and performing designated construction work
March 2021	Academic program of WPU commences with 49 students

Image 3: University Central Satellite Centre



Source: INA Staff

³² "Stunning Claim Jimmy Maladina Administered K42 million Extortion Scheme," *PNG Investigates*, May 19, 2020 <https://pngicentral.org/reports/stunning-claim-jimmy-maladina-administered-k42-extortion-scheme>

WPU Project Financing

The total reported cost of the WPU project is difficult to ascertain. Professor Jan Czuba announced a cost of USD \$118.7 million (K396.5 million) for project infrastructure on January 5, 2018, but he also highlighted the need for a further USD \$179.6 million (K600 million) for the completion of the WPU project.³³ Some officials have indicated costs as high as USD \$179.3 million, while others have publicly declared the number to be USD \$118.7 million. According to public documentation, total spending on the project is currently USD \$42 million (K140.4 million).³⁴

The GoPNG financing of the project began as early as 2014, immediately following NEC's approval of WPU's establishment in 2013. The university received an initial budget appropriation of USD \$24.21 million (K80.87 million) in 2014, but the actual expenditure was only USD \$2.76 million (K9.23 million) during that first year.³⁵ Despite the 2014 WPU budget appropriation document highlighting a joint financing arrangement with the PRC, it can safely be assumed that the project was entirely GoPNG funded during that stage. The agreed documentation in 2017 and 2018 set a ceiling of RMB 93,400,000 for project construction and RMB 6,500,000 for management. At the time, the project budget envisaged the total costs for stage one, to be undertaken in 2017-18, for the university's development would be K146,020,378, divided between GoPNG for K113,492,217 and the PRC for K38,801,960, amounting to the Chinese government bearing 26.57 percent of costs for the assigned buildings.

By 2019 the agreed ceilings for Chinese funding in RMB had been reduced. The Project Aid Implementation Agreement between GoPNG and the PRC, officially described as "An Aid Project on WPU of PNG (Self-Built Mode)," was executed on November 20, 2019, five years after this initial budget note. The reason for the gap between the initial budget note regarding Chinese support of WPU and the finalization of the agreement is unclear.

³³ "PNG Government Needs Additional K600 million to complete Western Pacific University," *PNG Education News*, January 5, 2018 <https://edu.pngfacts.com/education-news/png-govt-needs-k600-million-to-complete-western-pacific-university>; "K600 million more needed to complete Uni," *The National*, May 2, 2018 <https://www.thenational.com.pg/k600mil-needed-complete-uni/>.

³⁴ Papua New Guinea Department of Treasury, "Volume 2b: 2021 Budget Estimates of Revenue and Expenditure for National Government Departments," 2021. https://www.treasury.gov.pg/html/national_budget/files/2021/Volume%202b.pdf.

³⁵ Department of Higher Education, *Estimates of Revenue and Expenditure for National Departments 2014, Vol 2, Part B*, Western Pacific University https://www.treasury.gov.pg/html/national_budget/national_budget_2014.html; Department of Higher Education, Vol 2b. 2016 *Budget Estimate of Revenue and Expenditure for National Government Departments*, Western Pacific University http://www.treasury.gov.pg/html/national_budget/files/2016/Volume2b-Rev&Exp_GovtDepts.pdf

Table: I Project Budgets for Stage I, envisaged for 2017-18 for GoPNG and PRC

Project Management and Implementation Expenditures for Two Years: 2017-2018					
Activity	Total Cost (K '000)	Total Cost Two Years	No. of Buildings	PNG' Contribution	PRC's Grant
I. Project Management					
I.1 Management Setup Phase					
I.1.1 Setup management team					
I.1.2 Outfit management setup	150,000.00	150,000.00		150,000.00	
I.1.3 Generator 1000KVA/Building/Tank	1,300,000.00	1,300,000.00		1,300,000.00	
I.1.4 Contingency	3,600,000.00	3,600,000.00		3,600,000.00	
I.2 On-going Management Team Costs					
I.2.1 Administrative, management expenditures	4,263,657.60	4,263,657.60		4,263,657.60	
I.2.3 Professional fees					
Project Review Group	200,000.00	200,000.00		200,000.00	
Electrical Inspector	40,000.00	40,000.00		40,000.00	
Building Inspector	60,000.00	60,000.00		60,000.00	
Independent Financial Audit	150,000.00	150,000.00		150,000.00	
SUBTOTAL	9,763,657.60	9,763,657.60		9,763,657.60	
2. Land and Road					
2.1 Land Acquisition	15,000,000.00	15,000,000.00		15,000,000.00	
2.2 Side clearance and road construction	11,500,000.00	11,500,000.00		11,500,000.00	
SUBTOTAL	26,500,000.00	26,500,000.00		26,500,000.00	
3. Construction of All Buildings					
3.1 Dining Hall & Kitchen-I	4,449,600.00	4,449,600.00	1		4,449,600.00
3.2 Staff Houses - 450	170,280,000.00	11,352,000.00	30	7,552,000.00	2,270,400.00
3.3 Lecture Complex Buildings -8	52,184,400.00	18,652,000.00	2	9,326,000.00	9,326,000.00
3.4 Library-I	13,709,360.00	13,709,360.00	1		13,709,360.00
3.5 Assembly/ Recreation Hall - I	2,159,600.00	2,159,600.00	1	2,159,600.00	
3.6 Learning & Teaching Technology workshop-6	23,440,800.00	7,813,600.00	2	7,813,600.00	
3.7 Students Dormitories -80	241,242,660.00	18,093,200.00	3		9,046,600.00
3.8 Administration Building - I	#REF!	6,777,360.00	1	6,777,360.00	
3.9 Students Services Building - I	3,400,000.00	3,400,000.00	1	3,400,000.00	
4.0 WPU Staff Mutipurpose Building-I	6,500,000.00	6,500,000.00	1	6,500,000.00	
4.1 WPU Mutipurpose Service Facilities - I	12,250,000.00	12,250,000.00	1	12,250,000.00	
4.2 ICT Services	2,800,000.00	2,800,000.00	1	2,800,000.00	
4.4 Postgraduate Accommodation - 10 in 2019-2020	28,000,000.00	-			
4.3 Sport Facilities	1,800,000.00	1,800,000.00	1	1,800,000.00	
4.5 Chapel & Pastoral Care Building - I in 2019-2020	1,900,000.00	-			
SUBTOTAL- Construction of All Buildings	#REF!	109,756,6720.00			
Total Stage One		146,020,377.60			
Summary of the total cost for stage one by sponsor				113,492,217.60	38,802,960.00
Total	#REF!				

Source: Western Pacific University

The construction cost limit for the Chinese-funded portion of the construction is set at RMB 85.1 million (approximately USD \$13.5 million), including costs associated with the bidding, and the management cost at nearly RMB 6.3 million (about USD \$1 million). This portion includes a two-story lecture complex, six 3-bedroom staff houses, three 2-story dormitories housing 72 students each, and a digital library complex. Currently USD \$7.5 million (K25.21 million) of the PRC grant has been disbursed.³⁶ Drawdown was delayed by COVID-19 restrictions that prevented Chinese supervisory staff from entering the country and also by a deferral of the bidding deadline from March 26, 2020 to July 20, 2020, after revised drawings were prepared. Authorization by the State Solicitor for the contract to be awarded to the winning bidder, was issued on September 22, 2020, for the lump sum amount of K36,954,376.78, with the contract signed on October 24, 2020. The contractor commenced initial on-site construction for building components of the university designated for PRC funding in October 2020. Professor Czuba confirmed that the contractor was on site at WPU and undertaking the designated construction work during a meeting with INA and the CIPE Research team on November 10, 2020 at his office. This information was verified during a site visit by INA researchers on August 14, 2021. The contractor's term of engagement is scheduled to conclude in September 2022 (although undoubtedly extended in view of the Covid-19 disruption), and K20 million has been appropriated in PNG's 2022 budget for completion of the building construction work, (although it may be noted that PGK 20 million has also been budgeted annually in the 2022 Public Investment Plan as international grant funding for the subsequent four years to 2026, although without specifying the source of this prospective funding).

In accordance with the Annual Budget data presented in Table 2, the GoPNG will have spent USD \$33.7 million (K113.2 million) by the end of 2021, including about 5 percent on administration and 95 percent on infrastructure development. Total expenditures amount to USD \$36.6 million (K123.2 million) by the end of 2021, including USD \$2.9 million (K10 million) disbursed from the PRC grant. This total amounts to 30.8 percent of the publicly declared cost of USD \$119 million (K400 million).³⁷ The reasons for the discrepancy in publicly declared and actual cost of the project are unclear but potentially include record-keeping errors, unrealistic domestic and international budget expectations, and practical delays on the ground, including in land acquisition and project construction. Notably, in the absence of an official release of information from DHERST, media reporting regarding project costs and spending has cited inconsistent numbers regarding project spending.

Table 2: Western Pacific University Project Expenditure (Kina and USD, million)

		2014	2015	2016	2017	2018	2019	2020	2021	Total
GoPNG Capital Budget	<i>Kina USD</i>	9.23 2.75	0.0 0.0	15.0 4.46	5.0 1.49	40.0 11.9	30.0 8.93	4.0 1.19	10.0 2.98	113.2 33.7
PRC Grant	<i>Kina USD</i>								10.0 2.98	10.0 2.95
Total Expenses	<i>Kina USD</i>	9.23 2.75	0.0 0.0	15.0 4.46	5.0 1.49	40.0 11.9	30.0 8.93	4.0 1.19	20.0 5.95	123.2 36.6

Amount appropriated is given for 2019-2021. Amounts in USD are italicized.

Source: Various³⁸

³⁶ Ibid.

³⁷ Phoebe Gwangilo, K600 million needed to complete Uni, May 2, 2018, The National <https://www.thenational.com.pg/k600mil-needed-complete-uni/>

³⁸ Department of Higher Education, Vol 2b. 2016 *Budget Estimate of Revenue and Expenditure for National Government Departments*, Western Pacific University http://www.treasury.gov.pg/html/national_budget/files/2016/Volume2b-Rev&Exp_GovtDepts.pdf; Department of Higher Education, Vol 2b. *Budget Estimate of Revenue and Expenditure for National Government Departments*, Western Pacific University https://www.treasury.gov.pg/html/national_budget/files/2019/Volume%202b.pdf; Department of Higher Education, Vol 2b. *Budget Estimate of Revenue and Expenditure for National Government Departments*, Western Pacific University https://www.treasury.gov.pg/html/national_budget/files/2021/Volume%202b.pdf; Department of Higher Education, Vol 2b. *Budget Estimate of Revenue and Expenditure for National Government Departments*, Western Pacific University. https://www.treasury.gov.pg/html/national_budget/files/2017/Vol2b_Revenue%20and%20Expenditure%20National%20Govt%20Depts.pdf

Bilateral Agreements

Image 4: Site Board at the E-Learning Library Construction Site



Source: Paul Barker (INA)

The Chinese government's contribution to WPU is a government-to-government project governed by four agreements signed between Chinese and PNG governments. The *Meeting Minutes*, signed between the GoPNG and PRC on November 20, 2019, for the project entitled "Aid Project on Western Pacific University of Papua New Guinea" to be implemented under PNG's "Self-Built Mode" (or local implementation mode), has become the basis for the construction contents and standards and procurement of goods and services for the utilization of the USD \$11 million (K36.95 million) Chinese grant.³⁹ This Official Development Assistance (ODA)⁴⁰ grant was based upon the Agreement for Economic and Technical Cooperation of November 2, 2018, the Exchange Letter of November 16, 2018, and the Amendment Exchange Letter of September 20 and October 10, 2019, between the two governments.⁴¹

³⁹ Minutes of Meeting of November 20, 2019, signed by Secretary for National Planning and Monitoring, Koney Samuel, Secretary for Higher Education Prof Jan Czuba and Economic and Commercial Counselor of Chinese Embassy, Liu Linlin specifying the consensus reached on the basis of the earlier exchanges of letters.

⁴⁰ Official Development Assistance (ODA) is defined by the OECD Development Assistance Committee (DAC) as government aid that promotes and specifically targets the economic development and welfare of developing countries. ODA flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions are: (i) Provided by official agencies, including state and local governments, or by their executive agencies; and (ii) Concessional (i.e., grants and soft loans) and administered with the promotion of the economic development and welfare of developing countries as the main objective. OECD, "Official Development Assistance (ODA)," accessed January 12, 2022 <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm>

⁴¹ Agreement for Economic and Technical Cooperation, November 2, 2018; Exchange Letter, November 2018; Amendment Exchange Letter, September 20, 2019; Amendment Exchange Letter, October 10, 2019.

The minutes show that while the GoPNG has maintained much of the responsibility for project logistics, the Chinese government assumed responsibility for the managing contractor selection process. Furthermore, the construction contract was tendered through a process managed by DHERST but under criteria and oversight of the PRC through its managing contractor. The minutes specify the construction content required for the project to be designed, supervised, and constructed under PNG's "laws, administrative regulations, standards and technical norms." The Project Financing Agreement also contains language regarding compliance with procurement policies and guidelines. This includes appointing a joint managing engineer to provide "limited oversight" of construction, expenditures, standards, and the GoPNG-managed bidding process and to issue the project completion report. The Chinese government selected China IPPR International Engineering Co. Ltd. and IPPR Engineering International Co. Ltd. through its own open tender process as the joint Chinese managing contractors (or managing engineers) to conduct external supervision of the use of the funds and construction progress of the project. The Chinese government also made provision for the transfer of payments to the managing contractor's account directly in RMB without any involvement of DHERST.

The minutes further specify that the GoPNG is responsible for preparing the tender process, subject to external supervision from the Chinese managing contractor; but Section 4.1.1 makes specific provisions for the project's bidding to be limited to a list of recommended Chinese enterprises provided by the Chinese government as well as the right to disallow the bid in the case of non-compliance. Under Section 5.3.3, PNG "shall assist the Chinese technical team to supervise the tendering process, witness of bid evaluation and audit of bid evaluation report, [with] the bid evaluation report to be submitted to the Chinese Management Company for confirmation." The agreed-upon contract price must also comply with the funding ceiling set in cooperation with the Chinese government.

The GoPNG is assigned responsibility for the acquisition and provision of land, equipment, entry of materials, required access and utilities, and other logistics. The construction cost limit was set at USD \$13.4 million, or RMB 85.1 million (including costs associated with the bidding), and the management cost at nearly US\$1 million (RMB 6.3 million). The agreement specifies that the GoPNG gives the contract to the company that wins the tender in accordance with PNG requirements, and the Chinese government will pay the contractor on the basis of an initial 10 percent at the determined commencement; a subsequent 80 percent for the main construction; and a reserve 10 percent paid two years after the project's completion and the quality assurance period expires on conditions of satisfactory standards. The bidding process was delayed by the need for the Managing Contractor and the six selected bidding candidates to be able to make a site visit, which was not possible until mid-2020, and the Chinese managing contractor then required modifications to the building's designs and specifications, prior to the July 2020 deadline. The Chinese government also required the removal of the six companies from the bidding shortlist.

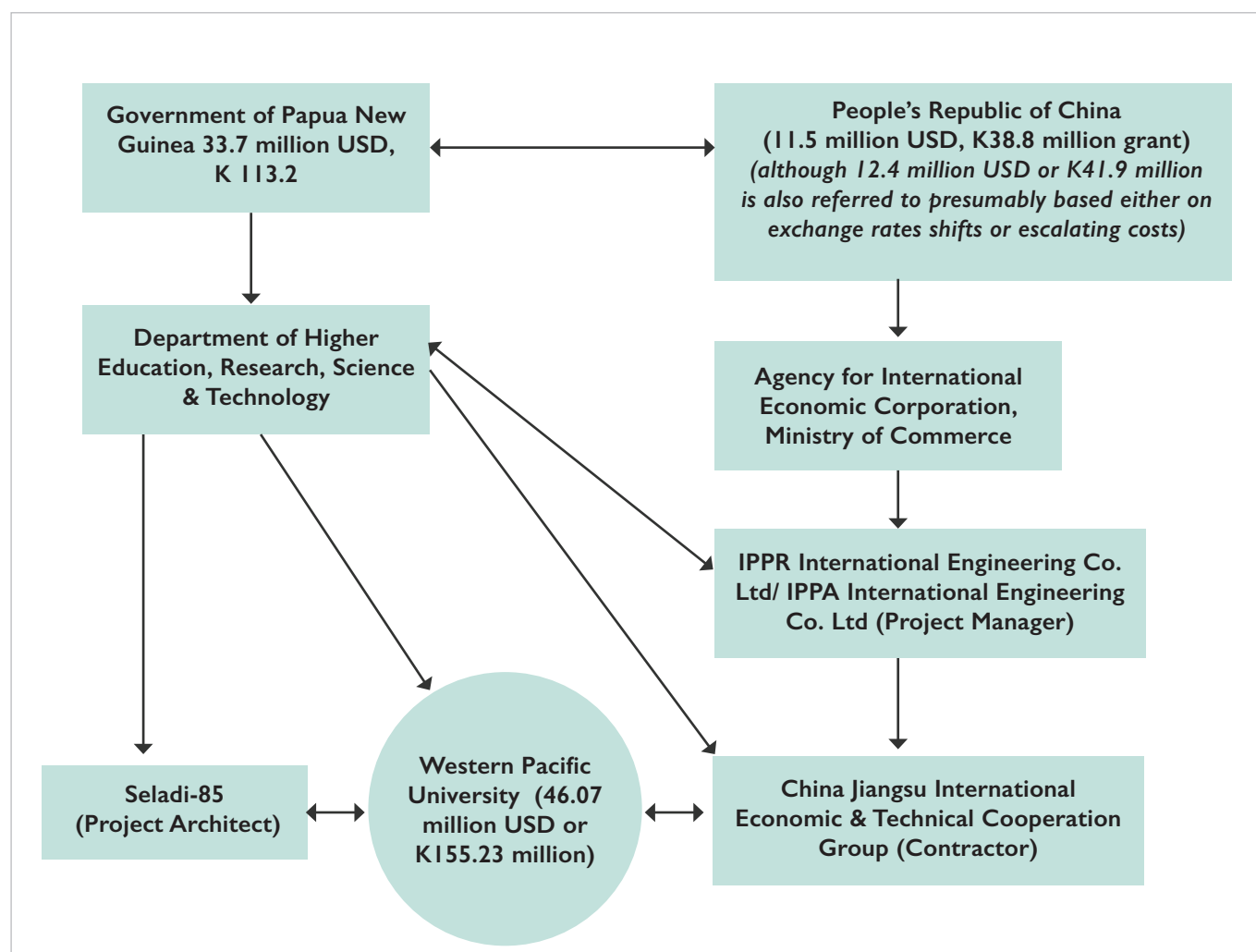
PNG's State Solicitor made several key observations in issuing legal clearance for the execution of the contract by the DHERST with CJI (the selected contractor), regarding the construction of the designated WPU infrastructure components on September 22, 2020. Some of these are restated here for the purpose of research regarding compliance with existing policies and guidelines:⁴²

⁴² Letter to Secretary, DHERST dated September 22, 2020, by Mr Daniel Ropalgarea, State Solicitor, Department of Justice & Attorney General, on the subject: Legal advice and clearance for an AID Project funded by the Ministry of Commerce of PRC by way of Grant for contract No. WPU Ref. IT 01 – Construction of WPU – Stage one: Capturing the following new buildings: (a) WPU No.1 – 2 Story Lecture complex; (b)

- Confirmation of the contract at a total of USD \$11 million (K37 million, exclusive of a goods and services tax, or GST) and wholly funded by the PRC's Ministry of Commerce by way of a grant;
- Steps undertaken so far were highlighted in existing key agreements between PNG and the PRC, including the ETCA dated November 2, 2018; Exchange Letter on the PRC's Agreement to Understand the Contract executed between the GoPNG and PRC dated November 16, 2018; Amendment Exchange Letter executed by the two parties on September 20 and October 10, 2019; and the Aid Project on WPU (Self-Built Mode) Implementation Minutes dated November 20, 2019;
- For the purposes of the contract, the state procurement process is waived on the basis that the expressed provisions of the International Agreements highlighted above—in particular the "Implementation Minutes"—provide for the procurement under the contract. This waiver is in accordance with Section 7 of the *National Procurement Act 2018*. Specifically, Article 4 and 5 of the Implementation Minutes relating to each party's responsibility expressly denotes that the procurement shall be carried out in accordance with the requirements of the Chinese government, as implemented through China IPPR International Engineering Co. Ltd. and IPPR Engineering International Co. Ltd. as a joint venture (the Chinese project management company); and
- As evidenced from the documentation provided to the state solicitor's office, the public tender requirements were met, the bids received from the shortlisted bidders approved by the Chinese government were further evaluated, and review opinions were provided by the Chinese project management company from the tender stage through the evaluation stage. Overall, the Chinese project management company ensured that the procurement of the contract complied with all procurement requirements laid out by the Chinese government, allowing for the contract to proceed to the execution stage and eventually implementation (construction) of the contract.

A total funding contribution to the end of 2021 of just over USD \$36.6 million (K123.2 million) has been made for the WPU project under Phase I (2014–2021) by both parties involved: the GoPNG has allocated USD \$33.7 million (K113.2 million), and the PRC is estimated by GoPNG to have released to date USD \$2.98 million (K10 million).

Figure 3: Project Mapping Outline (Stage I)



Project Issues

Conflicts of Interest in the Decision-Making Process

In 2013, The People's National Congress Party-led Government under former Prime Minister Peter O'Neill made the policy decision to establish WPU in the Ialibu district of Ialibu-Pangia Open Electorate of the Southern Highlands Province, the Prime Minister's own open Electorate. The NEC submissions of 2013 state that he is the initiator of the project, though there were various calls and plans being launched at the time for extra tertiary capacity, including for a further technical training and research facility, perhaps operating with different campuses. However, the choice of Ialibu for the WPU was made without a public feasibility study conducted by DHERST of the most cost effective, geographical and other options and considerations for enhancing university (including technical university) capacity in PNG, or an independent land evaluation.⁴³ This lack of transparency would suggest a conflict of interest even if WPU clearly addressed PNG's tertiary education needs. However, the underfunding of PNG's university system, the lack of available jobs for new

⁴³ Sarah O'Dowd, "Bridging the Belt and Road Initiative in Papua New Guinea," in *The China Alternative: Changing Regional Order in the Pacific Islands*, ed. Graeme Smith and Terence Wesley-Smith, (Acton: Australia National University Press, 2021), 397-426, <https://books.google.com/books?id=io0gEAAAQBAJ&printsec=frontcover#v=onepage&q&f=false>.

graduates prior to WPU, and the relative difficulty in accessing semi-rural Ialibu raise reasonable questions regarding WPU's feasibility compared to re-investing in PNG's existing universities.⁴⁴ In addition, Wild Cat Developments, one of former Prime Minister O'Neill's own companies at the time, was one of the first firms reportedly awarded a contract related to the construction of WPU.⁴⁵ The rush to choose Ialibu, the lack of a feasibility study, and the project's personal economic benefits for Prime Minister O'Neill all point toward a potential conflict of interest in the planning process of WPU.

Although the decision clearly favored the former prime minister's own electorate, and concerns were raised that the funding for WPU may have been better utilized enlarging and upgrading the existing state universities, there is little question regarding the need for extra public investment in PNG tertiary education. Education has been underfunded since the early 1990s, with established public universities and other tertiary institutions experiencing major reductions (in real terms) in their budgets. Priority was given to achieving universal primary and then secondary education from a limited education budget since the early 1990s. However, school numbers really started to increase as a portion of the growing school-age population since the late 2000s when tangible, enhanced budget allocations, including donor support, were provided. Most concerning, inadequate capacity in tertiary education, notably in teacher training in colleges and universities, meant that the substantial increase in primary and secondary intake over the past decade outpaced PNG's ability to produce well-trained educators. This suggests the expansion of primary and secondary intake was achieved partly at the expense of tertiary standards. Some of the existing universities also have physical limitations when it comes to further expansion, including UOG. Therefore, establishing another university in-country—with a technical focus and major use of information and communications technology (ICT)—located in the populous western part of the Highlands region is logical. Also, as indicated above, it is likely a sounder economic choice than institutional development in urban areas, with their lack of real estate, rental costs, and security issues.

Project Delays

Based on the INA researchers' observations during a site visit on August 14, 2021 and discussions with the university principals and the Papua New Guinean project architect (Seladi-85 Architectural Design Studio), the Chinese contractor is currently on-site but has only completed 10 percent of the required work. Delays were attributed to two factors: (1) PNG's COVID-19 restrictions limiting Chinese project staff's ability to enter the country, including staff from the supervising management company, China IPPR International Engineering Co. Ltd, and the competing companies required to make site visits in early 2020. This then delayed the whole tender process, including required revisions of plans and designs for the tender, and the subsequent commencement of the contract once awarded; and (2) delays in the release of project funds, which also slowed the procurement of building and construction materials. It is understood that in 2021 there have been some short delays involving disputes between some of the contractor's Chinese and PNG staff, that led to brief shutdowns. Despite these challenges, a team of about fifteen construction workers were on-site when INA researchers visited, mainly PNG nationals, who were divided between working on the different components simultaneously. The PNG architect indicated that the CJI team had commenced some of their work, notably the foundations, before he was in a position to provide any supervision on behalf of the university, which he had hoped would not be the case. However, he noted that work conducted without his supervision was limited and seemed to meet standards.

⁴⁴ "China and Australia Encouraged to Pork Barrel in Prime Minister's Backyard," PNGI, May 14, 2018, <https://pngicentral.org/reports/china-and-australia-encouraged-to-pork-barrel-in-prime-ministers-backyard>.

⁴⁵ "Lift Off: Prime Minister Millionaire," PNGI, July 12, 2017, <https://pngicentral.org/reports/lift-off-prime-minister-millionaire-the-midas-touch-part-3>.

Because the contracting company, CJI, already had workers within PNG for other contracts, they were able to commence initial site-work in October 2020 but were unable to undertake major structural work until the Chinese management staff from IPPR International Engineering arrived. Two IPPR staff members finally cleared quarantine and arrived on-campus on June 29, 2021 to meet with the PNG project management team. Notably, the majority of workers on the WPU Project are PNG nationals, which is rare for Chinese-funded projects and surely a first for PNG. According to Professor Jan Czuba, the former DHERST Secretary and Executive Chair of the WPU, it took two years of negotiating by the Department and the PNG project team with the Chinese authorities (notably the Ministry of Commerce) to include majority-local staffing as a condition of the project implementation agreement. The scope of works on the “Invitation to Tender for Western Pacific University Stage One” invited proposals to supply staff (if and where possible employing local people), building materials, and equipment.⁴⁶

Procurement Process

The establishment of the WPU funding commitment by the PRC, the process for approving a contractor, and the process for the drawdown of USD \$12.5 million (K41.9 million) went through extensive procedures to satisfy PNG law, including the new 2018 PNG procurement legislation.⁴⁷ However, it is notable that the 2018 PNG procurement law introduced a loophole that allowed foreign funders to use their own procurement systems rather than the PNG procurement system, while previously all projects (regardless of funder) were legally required to follow guidelines of the Central Supply and Tenders Board. The Chinese grant, at current estimations, only covers 82.1 percent of the construction it is earmarked for, with the remainder paid by GoPNG. This indicates that not only was the Chinese government able to dictate the terms of procurement for a national education facility, it also determined the management contractor but was able to strongly influence the determination of the construction contractor that would also receive some GoPNG funding.

The PRC grant of USD \$11 million (K36.95 million) is administered and drawn down in compliance with two important agreements between the PRC and GoPNG: firstly, the Framework Collaborative Agreement on Economic and Technical Cooperation of November 2, 2018 (Section 4.2 (v.)); and, secondly, the Aid Project on WPU (Self-Built Mode) Implementation Minutes (Section 4.2 (viii.)) of November 20, 2019. Specific clauses regarding the grant's drawdown—including the appointment of the managing contractor and tendering and selection of a Chinese contractor—made procurement favorable to the China's interests.⁴⁸ However, the GoPNG, notably through DHERST and its appointed project manager and architect, also has

⁴⁶ Invitation to Tender for Western Pacific University, Stage One, Construction of Buildings, dated February 27, 2020, issued by Chairman, DHERST

⁴⁷ Letter dated September 21, 2020, addressed to Mr. Daniel Rolpagarea, State Solicitor, Department of Justice and Attorney General of PNG by Secretary of DHERST, Professor Fr Jan Czuba provided additional information regarding the GoPNG clearance on contractor engagement

⁴⁸ Letter to Secretary, DHERST dated September 22, 2020, by Mr Daniel Ropalgarea, State Solicitor, Department of Justice & Attorney General, on Subject: Legal advice and clearance for an AID Project funded by the Ministry of Commerce of PRC by way of Grant for contract No. WPU Ref. IT 01 – Construction of WPU – Stage one: Capturing the following new buildings: (a) WPU No.1 – 2 Storey Lecture complex; (b) WPU No.2. 2 – 6 x 3 Bedroom High Set Staff Houses, (c) WPU No.3 – 3 x2 Storey 72 person Dormitory; and (d) WPU No.4 – Library Complex.

Letter to Secretary, DHERST dated 22 September 22, 2020 by Mr Daniel Ropalgarea, State Solicitor, Department of Justice & Attorney General, on Subject: Legal advice and clearance for an AID Project funded by the Ministry of Commerce of PRC by way of Grant for contract No. WPU Ref. IT 01 – Construction of WPU – Stage one: Capturing the following new buildings: (a) WPU No.1 – 2 Storey Lecture complex; (b) WPU No.2. 2 – 6 x 3 Bedroom High Set Staff Houses, (c) WPU No.3 – 3 x2 Storey 72 person Dormitory; and (d) WPU No.4 – Library Complex.

major management and joint oversight responsibilities under this agreement.⁴⁹ The PRC Embassy provided DHERST with a list of approved Chinese construction contractors operating in PNG and requested the DHERST to begin the bidding process with full cooperation from the Chinese managing contractor on January 23, 2020. The six companies proposed included five SOEs and one private company:

- China State Construction Engineering Corporation (PNG) Ltd., a central government SOE⁵⁰
- China Railway Construction Engineering Group Ltd. (CRECG), a subsidiary of China Railway International Group Limited (CREC), a central government SOE⁵¹
- China Railway International Group, a subsidiary of CREC⁵²
- China Jiangsu International Economic and Technical Cooperation Group Ltd. (CJI), a provincial SOE⁵³
- Guangdong Foreign Construction (PNG) Ltd., a private company⁵⁴
- China Shenyang International Economic and Technical Cooperation Corporation Ltd., a city government SOE⁵⁵

While the recommendation of several Chinese contractors may have allowed some limited competition (notably, all but one of the companies was a national or provincial SOE) for the bid, this circumvention of the PNG procurement system also did not provide PNG-based construction companies with an opportunity to participate in the bidding. However, Professor Czuba observed that “not all Chinese companies are corrupt or bad. The PRC has its own procurement system, which DHERST had used to the fullest in getting a contractor that met our requirements. It is about competition and survival of the fittest, so, if you open up, they will do likewise to be in business.”⁵⁶ The Chinese managing contractor recommended the removal of CRECG from the short list of companies invited for bidding. IPPR’s message on June 15, 2020 reads as follows:

Sir, last week I sent you an email and told you that the Chinese Side cared about the corruption case which China Railway Construction involved. And now we have a conclusion. Chinese Side think this case bring a bad effect, so we decide to cancel the bidding qualification of China

⁴⁹ Letter to Secretary, DHERST dated 22 September 22, 2020 by Mr Daniel Ropalgarea, State Solicitor, Department of Justice & Attorney General, on Subject: Legal advice and clearance for an AID Project funded by the Ministry of Commerce of PRC by way of Grant for contract No. WPU Ref. IT 01 – Construction of WPU – Stage one: Capturing the following new buildings: (a) WPU No.1 – 2 Storey Lecture complex; (b) WPU No.2. 2 – 6 x 3 Bedroom High Set Staff Houses, (c) WPU No.3 – 3 x2 Storey 72 person Dormitory; and (d) WPU No.4 – Library Complex.

⁵⁰ State-owned Assets Supervision and Administration, “Directory,” Accessed November 23, 2021. http://en.sasac.gov.cn/n_688_5.htm

⁵¹ Ibid; China Railway Group Limited, “Subsidiaries of CREC,” Accessed November 23, 2021. <https://web.archive.org/web/20210808001205/http://www.crecg.com/english/2687/3808/3938/index.html>

⁵² Ibid

⁵³ Jiangsu Provincial People’s Government, “2009 Report on the Work of the Government,” March 26, 2009. https://web.archive.org/web/20210507230232/http://en.jiangsu.gov.cn/art/2009/3/26/art_54128_6323825.html

⁵⁴ Guangdong Foreign Construction Co, “Company Introduction,” Accessed November 23, 2021. <http://www.gdfc.cc/en/aboutus.aspx?ContentID=165>.

⁵⁵ Department of Commerce of Liaoning Province, “China Shenyang International Economic & Technical Cooperation Co., Ltd.” October 24, 2018. http://swt.ln.gov.cn/english/outboundinvestment/Outbound/201810/t20181024_3340127.html

⁵⁶ <https://pngicentral.org/reports/stunning-claim-jimmy-maladina-administered-k42m-extortion-scheme>

Railway Construction. Chinese Embassy will also tell you this. The following is the link to this claim case.

At the same time, CJI, the company that ultimately won the bid, is the only company among the six Chinese companies suggested for this project to be debarred by the World Bank. CJI was sanctioned by the World Bank in February 2014 with the possibility for a lift in sanctions after three years if appropriate remedial measures had been conducted by the company.⁵⁷ As of November 2021, the company is still debarred by the World Bank.⁵⁸

Professor Czuba additionally advised the INA research team during a November 10, 2020 meeting that a few representatives from the bidding companies proposed gift offers and lunchtime meetings at their own expense, which he refused. He further advised us of serious questions raised by the Honorable William Powi, then the Governor of Southern Highlands Province, through phone calls regarding the administration of the tender process and the awarding of the contract in the absence of awareness and input by himself, his provincial administration, or the National Procurement Commission, the last of which is the authorized entity responsible for overseeing all procurements in the country. These issues and others were raised by Governor Powi on the floor of Parliament on September 9, 2020, directed towards the Minister for Higher Education, Research, Science, and Technology.⁵⁹ In a letter dated October 14, 2020 from Prime Minister Marape to the Minister for Education, the Prime Minister verified that, on the basis of documentation provided by DHERST, that DHERST “had no influence in the selection of the contractors.”⁶⁰ To be specific, the selection process was conducted by the WPU project steering committee and managed by Jordan Tegabwasa, the Project Manager for Western Pacific University, in accordance with the procedures specified by the Chinese Government (including the scoring process for bids), and under close supervision from IPPR on behalf of the Chinese Government. The WPU project manager provided the tender report from the evaluation process to the IPPR project supervision company for them to vet compliance and give approval, before being submitted to DHERST and in turn to the State Solicitor for approval. IPPR was involved throughout in attending and overseeing the whole tender process, including the opening of the bids.

While Governor Powi sought confirmation or denial on whether CJI had been awarded the contract, he implicated the company as having been involved in other projects in the country with linkages to the former prime minister.⁶¹ These projects included: the Lae Wharf contract for USD \$239.5 million (K800 million); the construction and establishment of the 17 Mile Brewery outside Port Moresby; and the purchase of the Crowne Plaza Hotel in Port Moresby.⁶² Certainly, CJI has received extensive public building projects during O'Neill's term in office, some of which are associated with O'Neill's own businesses, suggesting a potential conflict of interest. CJI's managing director in PNG Haozhong “Meck” Luo is reportedly a director of Paradise Brewery, which is wholly owned by the former prime minister, and one of the two directors of Sun Pacific Investments Ltd., along with controversial businessman and political adviser Jimmy Maladina.⁶³

⁵⁷ Notice of Uncontested Sanctions Proceedings February 14, 2014, Sanctions Case No. 294 IDA Credit Number 4333-ET

⁵⁸ World Bank, “Procurement – World Bank Listing of Ineligible Firms and Individuals,” Accessed November 23, 2021. <https://www.worldbank.org/en/projects-operations/procurement/debarred-firms>

⁵⁹ Papua New Guinea Parliament, “Awarding of Contracts,” Western Pacific University, September 9, 2020 <http://www.parliament.gov.pg/uploads/hansard/H-10-20200909-M20-D09.pdf>

⁶⁰ Papua New Guinea Parliament, “Awarding of Contracts,” Western Pacific University, September 9, 2020 <http://www.parliament.gov.pg/uploads/hansard/H-10-20200909-M20-D09.pdf>

⁶¹ Papua New Guinea Parliament, “Awarding of Contracts,” Western Pacific University, September 9, 2020 <http://www.parliament.gov.pg/uploads/hansard/H-10-20200909-M20-D09.pdf>

⁶² Papua New Guinea Parliament, “Awarding of Contracts,” Western Pacific University, September 9, 2020 <http://www.parliament.gov.pg/uploads/hansard/H-10-20200909-M20-D09.pdf>

⁶³ “The K2.65 Million Question: Jimmy Maladina and Meck Luo,” PNG Investigates, September 18, 2019. <https://pngicentral.org/reports/the-k2-65-million-question-jimmy-maladina-meck-luo>

CJI has reportedly gained contracts for urban developments in Madang and Maprik, initiated by the former Maprik MP Gabriel Kapris, as mentioned in the Madang PMIZ case study.⁶⁴ This instance also demonstrates the role that connections with Chinese entities play in local politics: Governor Powi was allegedly lobbying on behalf of CRECG, which was later disqualified from bidding at the request of the Chinese government.⁶⁵

Transparency

Out of the many government agencies with which INA has formally communicated in regard to its research on the case study, in seeking meetings, appointments, or obtaining project-related information, DHERST has been the first and—to date—only government institution which has acknowledged our appointment letter within a short period of time and met with INA researchers soon thereafter. Professor Czuba met with us and shared project-related information with our team, mostly copies of key correspondences, including submissions to the state solicitor seeking legal clearance for a contract execution with the successful bidder. The INA research team benefited from his wealth of knowledge, experience, and open discussion on higher education, transparency, and good governance issues. The documentation provided on the WPU Project, including copies of official correspondence and submissions, was helpful in seeing how Chinese grant-funded projects are administered and implemented in PNG under the prevailing domestic and Chinese public procurement policies and guidelines.

Furthermore, Professor Czuba was kind enough to welcome and introduce the INA research team, including its executive director, to the university senior management, academic staff, and project contractors during their site visit and inspection on August 14, 2021. Despite his removal as head of the DHERST and ongoing court case regarding allegations of abuse of office before he became the DHERST Secretary, whilst still President of DWU.⁶⁶ His ongoing commitment and support to our research project is acknowledged.⁶⁷

While extensive project details were provided to the INA team through an exchange of correspondence and a visit with the DHERST and WPU, in terms of assessing wider case study transparency and information accessibility—apart from material in the national budget documents—all project-related data regarding the terms of purpose, scope, costs, and implementation, are not readily available to the public online, whether through government websites or other internet searches.

Conclusion

WPU was established to address the inability of current universities and other tertiary educational institutions to meet PNG's growing demand for educational opportunities. Extant universities have only enough capacity to admit a minority of current of secondary school graduates, and this trend is expected to worsen over the next decade, leaving PNG unable to meet its needs for building a high-skilled labor force. In addition to major increases in school intake over the past decade, poorly applied past education reforms with deficient standards and inadequate teacher training have further exacerbated the issues faced by current tertiary schools. Thus, by increasing needed tertiary capacity, including for courses targeting ICT

⁶⁴ "The K2.65 Million Question: Jimmy Maladina and Meck Luo," PNG Investigates, September 18, 2019. <https://pngicentral.org/reports/the-k2-65-million-question-jimmy-maladina-meck-luo>.

⁶⁵ "Stunning Claim Jimmy Maladina Administered K42 million Extortion Scheme," PNG Investigates, May 19, 2020 <https://pngicentral.org/reports/stunning-claim-jimmy-maladina-administered-k42-extortion-scheme>

⁶⁶ "DHERST Secretary, Fr. Jan Czuba Arrested by Police for Corruption Charges," Study In PNG December 10, 2020 www.studyinpng.com/2020/12/dherst-secretary-fr-jan-czuba-arrested-by-police-in-relation-to-polish-software-company-to-manage-noas-and-help-programs

⁶⁷ Private correspondence to the INA team members (name withheld)

and other technical skills, the WPU initiative appears justified. However, while the question of whether it might have been more beneficial to expand existing institutions over building a new school remains, the development of WPU in the populous western half of the Highlands provinces may well prove more cost effective if the university gains sustained support, regardless of politics, over the coming years. Furthermore, by establishing WPU away from population centers with established universities, PNG has the opportunity to foster more equitable access to education countrywide and support scholarship on areas long considered the “hinterlands.”

As specific clauses were included in the agreements between the GoPNG and PRC in relation to the identification of specific projects and drawdown of the grant—including the appointment of managing contractors, tendering, and selection of a contractor of Chinese origin—all procurements were set to comply with the funder’s requirements and Chinese contractors and materials, if and where available. Despite Chinese influence, DHERST and the PNG architectural firm did well after a two-year effort to negotiate major local content and a majority Papua New Guinean workforce.

Project-related information on WPU in relation to project purpose, scope, contract terms and conditions, and bilateral agreements governing joint funding and implementation is not available to the public online or on departmental or other government websites. Although the cooperation of the (former) Secretary for Higher Education and the university authorities in releasing extensive details on project financing and contracting with the Chinese Ministry of Commerce is appreciated and acknowledged, there were gaps in the material provided, including the actual contract and the details of all government and donor project financing (including grant financing). Moreover, contracting details should be made readily available to the public within a timely manner, as it is a principle of Open Budgeting and Governance to which the GoPNG has committed to under the Open Government Partnership, which includes oversight and subsequent audits conducted by or for the auditor general’s office.

This project is seemingly better planned and coordinated than the other case studies INA has investigated: it has a project manager and architect who report to the PNG partner and project beneficiary; rather unusually, the project is grant-funded rather than loan-financed, with greater apparent clarity over the cost components funded by the PRC; and the project has greater local content (notably employment) during construction. The major funding for Phase I, and potentially the two future phases, lies with the GoPNG; it will be interesting to see whether and how these phases will be financed, as clearly there will be major competition in future years for limited public funds, including between education components and participants. Although DHERST made much documentation readily available upon request and some documents are accessible on the WPU website, there should be greater automatic levels of public transparency regarding funding and contracting. The material provided and viewed suggests that where persistent and professional negotiations are conducted, there is a better outcome for the PNG clients, which in this case are WPU, the DHERST, the users of tertiary education in PNG, and the country as a whole. With the areas of this project’s success, this can also provide more positive feedback for the PRC, its Ministry of Commerce, and Chinese stakeholders, even if questions continue to be asked with respect to the contractor selected and its business connections.

Recommendation

With the evidence secured by the INA researchers, stakeholders from PNG and the PRC should take this project to some extent as a role model for other projects under BRI (whether loan or grant-funded). This project has gained more mutual benefits owing to a clarity of purpose, PNG design and local, collaborative oversight, and firm professional negotiations. It certainly exposes various clear conflicts of interest and issues of significant concern, both in planning, its opportunity costs, and sustainability, but it does also entail substantial local ownership and engagement, consideration of prudent expenditure and greater public accessibility, or at least readiness to make documentation accessible, which has not been the case with the projects funded by the China Exim Bank, with confidentiality clauses.

The GoPNG and Parliament should prioritize the finalization and approval of the Public Rights to Information Bill to introduce and enforce the requirement for transparency and public accountability in government agencies and companies, including the public procurement and budget oversight process. Even prior to the passage of such legislation, and consistent with commitments and stated intentions under the Open Government Partnership, clear direction should be given to all PNG government entities involved in procurement and project negotiations, including the NPC. All contracting details should be made available publicly and in a timely manner—for information purposes as well as for audit purposes—even when an overseas funding body is involved.

In order for PNG to maximize opportunities provided through grants and loans, it should amend the *National Procurement Act* to require either the application of PNG procurement processes regardless of funder or at least require greater consistency with PNG's processes, including a requirement for a greater local component of PNG goods and services within contracts. In the meantime, such requirements should be pressed upon the PRC as an expectation by the GoPNG during negotiations on other projects, particularly those which are loan-financed (e.g., under China EXIM Bank). This should be sought for the inclusion of specific clauses favorable to PNG in future projects, both specific and broad bilateral economic cooperation framework agreements, so it does not take two years of potentially fruitless negotiation.

There are various practical difficulties with fulfilling the full requirements of open tendering in PNG, particularly during the duration of the COVID-19 pandemic, as there are few companies readily available to submit serious bids, including for local sub-contracting. Adequate lead in time and above average commitment of preparatory and supervisory effort by the PNG client organizations are required for successful, local participation and project outcomes.

BRI MONITOR



BRI Monitor is a collaborative effort by five civil society organizations in Southeast Asia and the Pacific: the Institute for Democracy and Economic Affairs (IDEAS) of Malaysia, Stratbase Albert Del Rosario Institute (ADRI) of the Philippines, Sandhi Governance Institute (SGI) of Myanmar, the Institute of National Affairs (INA) of Papua New Guinea and the Future Forum of Cambodia to promote transparency and accountability in major infrastructure projects funded through the Belt and Road Initiative (BRI) in the region.

These organizations have studied the regulatory environments governing these large infrastructure projects in respective countries, including public procurement, official development assistance, public private partnership (PPP), and more, to identify regulatory gaps. They have each researched a set of case studies to identify implementation gaps and governance gaps. Each case study assesses the level of transparency based on almost 40 data points, from basic project information to the tendering process to project completion. Last but not least, each organization maps out the structure of the projects in question in order to identify domestic and international entities involved in the project and to understand the degree of public financial exposure resulting from each project.

This website is intended to be a platform for the publication of our research outputs and as a knowledge repository. We also hope that the website can be used as a platform for knowledge sharing and a tool to advocate better governance of major infrastructure projects in the region.

BRI Monitor is supported by the Center for International Private Enterprise (CIPE).