Papua New Guinea today faces its greatest challenges since independence. How these challenges are addressed will determine our future stability, growth and unity.

Even though these are great challenges, there has been one other period in our short history which has in fact been more critical, at least potentially so. The rebellion on Bougainville, and the closure of the Bougainville Copper Mine, occurred in the early period of my term as Prime Minister. Our recent and current economic and fiscal problems have tended to dull the enormity of the crisis my government confronted in late 1988 and 1989.

The closure of the mine, and the rebellion, had a tragic effect on the whole national economy. At the time of its closure, the Bougainville Copper Mine provided about 10 per cent of Papua New Guinea’s GDP, 36 per cent of export earnings, and 24 per cent of total government revenue. Virtually overnight, a massive slice of the whole economy—a third of exports, and a quarter of revenue—was taken away. The situation was made even worse by the destruction of the North Solomons cocoa and copra export industries, and by the massive cost of the security force operations on Bougainville.

In total, these conditions were far more serious and far more unexpected, than recent events have been. Despite that, the record of Papua New Guinea’s economy in the period immediately following the Bougainville Copper Mine closure is one to be proud of, and one which those in authority today can learn from.

In 1990 we managed to keep the budget deficit to 100 million kina, or 3.3 per cent of GDP, and to a similar figure in 1991. Bearing in mind that, in 1990 we lost, and lost virtually overnight, a quarter of total state revenue, that is no minor achievement.

Even though we lost more than a third of export earnings with the mine closure, we managed to maintain foreign reserves at a comfortable level. There was no foreign reserves crisis, as there was last year.

In the same period, and this is where the real lesson lies for today and for the future, we were able to achieve real mining and petroleum growth by 23 per cent in 1990, and a massive 41 per cent in 1991—our best ever performance.

The closure of the Bougainville Copper Mine, and the rebellion, ought to have had horrendous consequences for the mining sector and for mining investor confidence,
especially international confidence, yet 1991 was our best year ever for mining and petroleum growth.

Between 1988 and 1992, the Porgera Gold Mine, the Misima Gold Mine and Hides Gas were brought to production, and the nation’s first ever oil-producing project, Kutubu, was brought to production just months after the change of government in 1992.

These facts confirm a remarkable resilience in the Papua New Guinea economy during that period, strong investor confidence, and an ability to negotiate and bring on line more resource projects than were put together in the previous 30 years.

This record, and the fact that we were able to maintain foreign reserves, a strong currency, and social cohesion, offers real hope for the future, even though today we face quite different difficulties and challenges.

I have briefly gone over the record of my government, because some commentators have sought to distort it, and have failed to give us credit for managing a period which could have ruined our economy, given the enormity of the Bougainville Copper Mine closure and the rebellion as a whole. That brings me to current conditions—and to the challenges that lie ahead.

Despite the enormity of Papua New Guinea’s problems—and there is no point in downplaying their extent—I have confidence in our political and economic future. If that confidence is not misplaced, our social future and unity will be secured as well.

Our strengths outweigh our weaknesses. The commitment to true, competitive and open democracy among our people is as strong as it ever was. That is a tremendous strength and advantage. We have a judiciary that is fiercely independent, and we have a free and open press, and freedom of debate and discussions, as well as freedom of dissent. The basis of our democracy is strong, even if some of its component parts are not. We are rich in resources, and how we manage the development of our resources will be crucial to our economic and social future.

Our location gives us enormous potential advantages in trade and investment. We have to make the most of them, remembering that we are a part of the region and the world and cannot isolate ourselves from reality.

We have a tragically underutilised population. We must train and assist our people to play a more productive, useful role in nation building and community building.

We have strong, mutually beneficial relationships with countries such as Australia—relationships we must never take for granted, and work constantly to diversify and strengthen.

Above all else, we must not squander the benefits of resource development—and we must not presume that the world owes us a living and that investors have nowhere else to go. These are just some of our strengths, but they represent an imposing list, by any measure.

I do not want to go over all our problems. I merely will mention one or two which must be addressed without delay.

The first, the most urgent, and the most tragic, is the failure of successive governments—including my own—to really deliver basic services, services our people have a right to.

Recently, the founder of our nation, Sir Michael Somare, commented that many of our people are worse off in terms of basic services and facilities than they were at independence. The rundown in basic services, such as health care and rural roads, is not only a tragedy, it is totally inexcusable.

The second great problem we face is an alarming decline in respect for authority, as
evidenced by a breakdown in law and order in both urban and rural communities alike. While there is a relationship between poor services and a decline in law and order, there need not be. Restoring law and order is as much about restoring respect for authority as it is about police efficiency, tougher penalties and ending the ‘revolving door’ practice which seems to be universal in our prisons. Respect for authority—at all levels—is at an all time low, and that is largely due to perceptions, accurate or otherwise, about the performance and standing of leaders, especially political leaders.

I want to deal in more detail with the service delivery area, because I see it as being absolutely critical to our future harmony, unity and progress.

After the shocks caused by the Bougainville Copper Mine closure and the rebellion, my government entered into a structural adjustment agreement with the international community, led by the World Bank.

Both bureaucratic obstruction, some political indifference, and the onset of the 1992 elections resulted in the actual implementation of the program being less than it ought to have been. The outcome of the general election—a change of government—resulted in the program being more than just abandoned, it led to its whole strategy being reversed.

There have been some exaggerated claims made about the impact of structural adjustment in Papua New Guinea and other countries. Whether World Bank/IMF inspired or not, a whole range of countries, especially in our region, have carried out major structural adjustment programs to modernise their economies and make them more competitive. New Zealand is an outstanding example, so is Indonesia.

We should not be afraid of structural adjustment, provided it is managed sensitively and sensibly.

We simply have to be regionally and internationally competitive, and we must cut the cost of recurrent government, so that the emphasis can shift to basic service delivery and upgrading, and restoring our infrastructure. Structural adjustment may have failed in some countries, but it has worked in many. For Papua New Guinea, I see no real alternative to it, given our current economic and fiscal problems. The program my government agreed to was designed to address an urgent situation, even a greater crisis, potentially, than we faced last year.

Today we are facing the prospect of yet another structural adjustment program, only a far more comprehensive and crucial one.

The first requirement of government in Papua New Guinea today, and for as far as I can see into the future, must be improved service delivery for all people, coupled with a major upgrading and restoration of public infrastructure, particularly our roads.

Recently, the national parliament passed major constitutional changes relating to provincial and local-level government. The real test of these reforms will be whether they result in better rural health services, more and better school facilities, maintenance and expansion of roads, provision of water supplies and the extension of electricity.

If these reforms—the most far-reaching since independence—do not achieve, and achieve in a hurry, these basic requirements, then they will add to, not lessen, our problems.

The most potentially harmful aspect of the reforms is the prospect of power being centralised in the national government bureaucracy in Waigani. This is both contrary to the spirit of the national constitution, and the reform program, which is supposed to upgrade local-level government and reduce bureaucratic government.
If power is re-centralised in Waigani, our people, and good government will be the loser. The rundown in the effectiveness of our bureaucracy has contributed greatly to the problems we face. The reforms must genuinely decentralise power and upgrade local-level government which is closer to the rural majority, and the people overall. We are overgoverned, yet our people are poorly serviced in terms of virtually every area of basic government services and facilities.

In the critical areas, the position has worsened in recent years. In 1987, we spent 5,300 kina a kilometre on road maintenance, by 1993 it was down to 2,600 kina a kilometre. By now it is probably half that again.

Some of our social indicators are quite disturbing—such a high infant mortality, stagnating literacy levels and an escalation in crime rates.

Money alone will not solve these problems. With a comparatively high level of public expenditure as a percentage of GDP—almost double that of Indonesia and Colombia—we lag behind both these countries in terms of primary school enrolment, literacy and real GDP growth.

The vital question is how we spend, not what we spend. We are spending too much on our bureaucracy and on other recurrent expenditure areas, and nowhere near enough to service delivery and on basic infrastructure.

Until the urgent economic and fiscal steps taken late last year, we had gone on a spending spree, yet there had been no improvement in health care, basic education, road maintenance or infrastructure, let alone agricultural extension.

I believe we have to admit that government alone cannot meet the service delivery needs of our people.

Papua New Guinea is a vast decentralised country. Our urban population ratio is among the lowest in the world—more than 80 per cent of our people live in rural and coastal communities often remote from population centres and service delivery areas. We must get services to the people—we cannot expect the people to get to the service delivery areas.

Prior to independence, the colonial power, Australia, neglected a number of basic areas, none greater than the failure to provide adequate, or enough roads. But, 20 years on, we cannot keep blaming Australia for that. It is our problem, and it is one we have to address.

If we accept that government alone cannot provide basic services adequately, what is the alternative?

Papua New Guinea is a Christian country. The mainstream churches played vital roles in our early development, and they continue to serve our people well. I believe the government needs to draw on the resources, the energy and dedication of our churches to assist in the delivery of health care, education, welfare, training and rural extension, and that the churches should be fully subsidised for doing so.

I began this process when I was Prime Minister, yet today the vested interests, especially in the bureaucracy, continue to do everything possible to resist what I regard as plain commonsense, as well as good government.

Just as we need to involve churches and community groups in service delivery, we must involve our women more actively in politics and leadership. We can have no pride in the fact that we have not had a woman in our national parliament since 1987, and that only three women have served in parliament in the 20 years since independence.
While our women have made progress, achieved success, in the diplomatic service, and areas of the public service, progress and involvement at the national political level has been quite inadequate, and rather unfortunate. I hope all our main parties will endorse, and support, women candidates in winnable seats in the 1997 national elections.

There is a trend towards getting government out of business, and that is something I welcome. Government must concentrate on core service areas, and on overall economic management, and not on business enterprises.

We are in a period of change in the way Papua New Guinea is governed. The new provincial and local-level government system is much more consequential than most leaders, let alone most people, realise.

This is a test for all national parliamentarians, who will now have more power than ever. Like it or not, they will have more responsibility than ever as well, as it will recentralise decision-making back to Waigani. If our members fail that test, they will suffer the consequences at the elections less than two years away—and our people’s living standards will continue to suffer.

I detect in all democracies growing public cynicism at their political leaders. Papua New Guinea is no exception. The only difference is that, in Papua New Guinea, political leaders have now been given more power than ever and therefore the potential to abuse it is even greater than before. Like it or not, they will have to accept the burden of responsibilities and community expectations, that goes with the exercise of that power.

We have entered, I believe, the defining moment in our history. The choices we make, the course we follow, will determine more than just our political and economic future, it will determine whether we remain a united, harmonious nation as well.

Money alone is not the answer. It lies more in strong, firm leadership and good government.

Despite the extent of our problems—and the deep-seated, historic nature of some of them—we have cause for optimism about the future. But that optimism is not going to become a reality by good luck—there is no substitute for good government, and strong, honest leadership. Finally, we must never be afraid to seek the advice of our friends, and those who have enduring goodwill for us.

Government, and leadership in government, is not easy. Plenty of political leaders will attest to that. In a young, developing country such as Papua New Guinea, it is as tough as it gets.

While I remain basically optimistic about our future, I am concerned that we have little time to get it right. Time is just not on our side.

The four million people of Papua New Guinea deserve good government and the opportunity to share in the benefits of sound growth. All our leaders have a solemn duty to provide it.

This paper was presented as the opening address to the conference ‘Politics, Business and the State in Melanesia’, held in Sydney by the Australian Institute of Political Science and the National Centre for Development Studies on 4 August 1995.