Papua New Guineans want to live in a secure, stable and prosperous country. Without question, Australia supports that view and that desire.

Australia’s increased assistance to Papua New Guinea over the next four years is welcome. From both Australian and Papua New Guinean perspectives, it is necessary. Given the geographical proximity of the two countries and the security implications that follow, the historical relationship built through colonial administration and war, economic relations through trade and investment, and the fundamental similarities of law and government institutions, Papua New Guinea’s well-being has an immediate and direct effect on Australia’s well-being.

The question is: how best can Australia help Papua New Guinea?

There is a general consensus in both countries as to what our problems are:

- a weak and in some areas bloated public sector, unable to deliver health and education services, especially in rural areas
- poor governance and weak institutions of state
- lack of enforcement of laws, and lack of order, and
- increasing corruption.

These features are both cause and symptoms of our problems. They can develop into a complex web of interconnected problems which, if not tackled head on, and in a way that recognises the interconnections, have the potential to make Papua New Guinea unmanageable.

Are we on the road to solving them? One of the biggest hurdles we face is that many of our leaders refuse to acknowledge the gravity and depth of these problems. Lack of commitment to undertaking real reform, and initial resistance to the idea of the Enhanced Cooperation Package (ECP), are manifestations of that denial.

On top of that, the ECP is widely seen as an Australian, not a Papua New Guinea initiative. It is seen as having been forced on us, or at least the result of our not being able to say ‘no’ to more assistance when offered. Aspects of it were not thought through properly—for example, the immunity issue—
and reinforce the view that Australia is imposing the program on Papua New Guinea.

This perception will not change unless Australia takes a back seat and Papua New Guinea takes primary responsibility for the planning and implementation of the program. Papua New Guinea should navigate the journey. Australia can chauffeur the vehicle, and indeed help fill the petrol tank. But the purpose of the journey, the destination and the direction, have to be set by Papua New Guinea.

We may well need to change direction and take detours on the route. Flexibility in the program is of paramount importance. Open communication, regular discussion, analysis of whether desired goals are being achieved, and willingness to change course if they are not, are essential.

The ECP is a very large program—indeed it may prove to be too much at once, and expensive for what it might achieve. The concerns recently raised by Craig Sugden of Focus Economics (Sugden 2004) are legitimate. Is the ECP the best use of Australia’s generous grant of an additional A$800 million over the next four years? Could increased expenditure on other initiatives achieve greater development results?

Recent Australian project aid has been often criticised for its ‘boomerang’ effect, with a significant proportion of the assistance spent in Australia on project management and on Australian personnel, goods and services, and insufficient spent in-country on direct activities.

I do not see the ECP alleviating such concerns. We do need technical assistance in many areas, including but not limited to those identified in the ECP. But consultants, advisers, foreign colleagues, call them what you will, are costly, and not always effective. They often cause administrative overload. Some will have scant knowledge of Papua New Guinea and what might work. Others will learn on the job from their PNG counterparts, and then leave the country just as they are becoming useful. Instead of undertaking ‘real work’, or learning technical skills from expatriate counterparts, many Papua New Guinean public servants will spend their time managing the advisers.

It has been estimated that each ECP adviser will cost the Australian Government roughly A$1 million per annum. Careful monitoring and evaluation will be necessary so that both governments know that expenditure of such magnitude is producing the intended outcomes.

At the same time, the distorting economic effects of the injection of 300 foreign workers into the community, all at once, should be recognised. The cost of rented accommodation in Port Moresby has skyrocketed and a chain reaction of shortage of rental accommodation is already being experienced. The Yacht Club will overtake the Aviat as the ‘Australian Cultural Centre’, and a few other bars and restaurants will witness a temporary boom. Are these positive long-term benefits to the economy and people of Papua New Guinea? I doubt it.

In my comments on the Australian Strategic Policy Institute’s paper (Morauta 2004), I made the point that wider acceptance of the ECP would largely depend on people being able to see tangible accomplishments, soon. Seeing results and seeing change will avoid the growth of official and public scepticism about the benefits of the ECP, and reduce the volume of the ‘boomerang’ criticisms.

An explicit Australian aim of the ECP is to reverse the trend of wasteful expenditure and of official corruption, and to entrench the rule of law. If effective, it will bite. Once it does bite, it is sure to encounter resistance. Institutional weaknesses are now so widespread that many players—up, down and across the system—benefit from the weakness, and will see no benefit in change. They will oppose change. Will both Governments have the commitment to plough through the inevitable opposition over the duration of the program?
We must also bear in mind that any process of reform in Papua New Guinea will not only meet opposition, it will take a long time to take permanent effect.

When reading the Australia’s Department of Foreign Affairs and Trade report (Australia 2004), I was interested to note the account of the reforms undertaken by my government—though not acknowledged as such. Yes, the financial sector reforms—increased independence and supervisory powers of the Central Bank, a complete overhaul of the superannuation industry, and the partial sale of the Papua New Guinea Banking Corporation—have stuck. Unfortunately, much other of the work I undertook has been shelved, or overturned. Reform in the PNG environment is fragile, and shaky.

Take the public sector reform work of my government in fisheries as an example. I quote the report,

Papua New Guinea’s management of its fisheries industry in recent years has shown that good governance in the management of natural resources is possible (Australia 2004:xx).

My government did restructure the National Fisheries Authority. Staff numbers were reduced from over 200 to about 50 professional officers. Clear management plans were set for each major fishery, with domestication of the industry the primary goal. Licensing powers were in the hands of an independent board, and access agreements were negotiated properly by the state against clear criteria.

The reforms saw a massive growth in the industry. Fisheries exports from the late 1970s to 1995 averaged 10 million kina annually. By 2002–3, exports reached 350 million kina, with direct employment growing from about 450 to around 6,000, and indirect employment perhaps four times that figure. The National Fisheries Authority became a regional showcase of fisheries management.

In the past two years it has been wrecked by political meddling, bad management, misappropriation and other impropriety. The National Fisheries Authority has, again, become a trading house of licences to foreign companies.

The activities of the National Fisheries Authority have put us in breach of international treaties. We are increasingly regarded as a renegade state as far as fisheries management is concerned. Our marine resources are under threat, and the security of our borders is at risk from indiscriminate licensing.

The lesson: reform can be very easily undone, without political commitment and strong, impartial administration.

The glue we apply for reform to stick needs to be much stronger than the variety used so far in the public sector. That glue cannot be manufactured by Dick Smith. It must be ‘Made in Waigani’.

References


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