

Historical Perspectives on Australian Aid to Papua New Guinea

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High Commissioner, Ladies & Gentlemen, thank you to the ANU and the PNG Canberra Students Association for inviting me to speak today.

On behalf of AusAID I would like to offer congratulations and best wishes to PNG on the occasion of its thirtieth year as an independent nation. I will use the short time I have to make some personal observations about the PNG aid program. My comments are not a statement of official views of AusAID, and I would welcome the opportunity to discuss these issues at greater length.

Anniversaries are a good time for reflection on the past and planning for the future. C.K. Chesterton once said we can be almost certain of being wrong about the future if we are wrong about the past, so I offer you these thoughts in a spirit of respect and cooperative learning as a contribution to all of our efforts to get things right for PNG's future.

In my work with AusAID's PNG program over the last fifteen years I have been part of an interesting evolution of the bilateral relationship. In 1989 when I joined the then AIDAB Centre for Pacific Development and Training in Mosman in Sydney, we did not have much to do with PNG, as Australia gave untied budget support with very limited technical engagement apart from scholarships. This was a change from earlier days, when the Centre had close links with PNG, as the Australian School of Pacific Administration or ASOPA, the place where all the patrol officers were trained.

From PNG Independence in 1975 to the early 1990s, Australia gave PNG about \$300m per year in untied aid, in line with the prevailing development thinking of that time that the basic development problem was a lack of money, and that money alone should enable progress. The hands-off aid policy was intended to respect and support the views of PNG leaders that PNG should manage its own affairs as an independent state. Budget support funded key public services and supported PNG's national unity and stability. In hindsight, however, it is fair to say budget support was not used effectively enough for development. This can be seen by PNG's weak economic growth, with PNG's per capita income of about US\$540 per year now lower than at Independence. The criticisms include that budget support supported a culture of dependence, and contributed to the rise of political patronage and a bloated and inefficient public sector, and did not address the key role of institutions for development.

Whatever the truth of these arguments, budget support was not addressing PNG's governance problems, such as low productivity, weak management culture and lack of focus on service delivery and revenue management. These problems were recognized in the 1980s, and budget support was replaced over the 1990s by jointly programmed aid at a rate of \$37m per year. The change away from budget support also coincided with major shocks to the PNG economy, principally the Bougainville civil war and mine closure, but also the 1994 Rabaul volcanic eruption which dumped two metres of ash on the best commercial port of the region. Economic problems included budget blowouts, politicization of the public service and devaluation of the kina. Coping with reduced Australian budget support in this context compounded the challenges for the PNG government.

In the early 1990s under the new bilateral Treaty on Development Cooperation, priority sectors were set for programmed aid, and intensive sector studies were conducted to work out how to use the funds most effectively. Infrastructure, education and health were each intended to receive one quarter of the aid funds, with the remaining quarter to be split between law and justice, renewable resources and private sector development. This split was only roughly adhered to, due to factors including weak PNG capacity and changing policy.

The main change in the PNG aid program since then has been the emergence of governance as a central theme, recognizing that problems such as public sector reform and weak financial management are constraints across the whole system. In 2000, the bilateral country strategy set the objectives of the aid program as improved governance, economic growth, service delivery and addressing the Bougainville conflict. Australia also seeks increasingly to work together with PNG's other development partners, especially the World Bank and ADB.

AusAID and the other Australian government agencies involved in the aid program are giving considerable attention to strategic analysis, with a White Paper on the aid program to be presented next year. Debate about the balance between aid objectives continues, with questions for the PNG program including how far improved governance can provide the enabling environment for economic growth, to what extent a focus on growth can provide communities with the cash incomes to fund better services, and whether the humanitarian work of funding service delivery, for example pharmaceuticals, textbooks and road maintenance, produces an undue level of aid dependence while letting PNG spend its own revenues on lower priorities.

A main current challenge is to work out how aid can help achieve improved performance by the whole PNG budget, to help the PNG government direct its revenues to the most important priorities for social and economic development. PNG's rather fragile condition makes this difficult, especially since many in PNG seem to be more concerned about what is good for them personally than what is good for the nation. In the lead up to the 2007 election there will be an ongoing need for the PNG community to keep the government accountable by carefully discussing budgets to make sure PNG's own funds are spent on the highest priority areas.

It is sometimes said that PNG's optimism of 1975 has been replaced by pessimism, as the nation searches its soul to address its problems such as growing poverty, crime, corruption and HIV/AIDS. I would like to suggest today that responding to these serious problems requires a longer view of PNG's development challenges.

We should not be too pessimistic. I don't agree with a recent IMF article which likened PNG to Congo, Somalia and Haiti as 'countries that have received substantial aid yet have had disastrous records'.¹ PNG is nothing like those places, which are dismal and collapsed military fiefdoms suffering extreme poverty. Even so, searching questions have been asked in recent years about how Australian aid can contribute to better outcomes for PNG. We have seen this more intensive concern and engagement represented by the Enhanced Cooperation Program, by the recognition that if aid is to produce sustainable development it needs to be integrated within PNG systems and work to return those systems to a higher degree of effectiveness. Today I want to highlight how these most recent chapters are part of a long story of a close relationship between Australia and PNG, to help describe some background of current policy debates.

¹ IMF Finance & Development, September 2005, Volume 42, Number 3, Aid and Growth, Steven Radelet, Michael Clemens, and Rikhil Bhavnani

PNG suffers a lot of criticism, but I have grown to have great admiration and respect for the people of Papua New Guinea, for the depth of their cultural traditions, their amazing diversity, and their strong sense of identity and resilience. As a basically rural agrarian society with more than 850 different languages, PNG's people have largely retained their language, culture and land, despite the massive impact of modernization. PNG's traditions, going back thousands of years, are a valuable part of the cultural heritage of all humanity. Anthropologist Wade Davis recently said "a language ... is a flash of the human spirit, the means by which the soul of each particular culture reaches into the material world. Every language is an old growth forest of the mind, a watershed of thought, an entire ecosystem of spiritual possibilities."² As PNG seeks to develop, I feel it is essential that its people retain their distinctive identities and traditions. Once it is lost, valuable cultural knowledge can often never be recovered. The challenge today is for PNG to adapt to the competitive global world, achieving social change and broad based economic growth while retaining the good things from its past, with the help of its international friends.

We sometimes hear it said that aid is shifting its focus from poverty to security. However, over the longer term Australian aid to PNG has always been closely linked to security. In economic terms, PNG needs a sound approach to security to reduce poverty and foster business investment, and to support economic growth and social development. Security and development need to go hand in hand. One of the main reasons Australia gives more aid to PNG than to more distant countries is because we share mutual security interests as friends and neighbours. PNG has benefited from the fact that its stability and growth are in Australia's interest, while Australia, for its part, has invested heavily in PNG's development as a nation because of Australia's longstanding regional strategic assessments.

Dr Hank Nelson of ANU wrote an interesting paper last year³ pointing out that PNG has been seen as important to Australia's defence since the 1880s, and that Australian administration of PNG until Independence was viewed as a way to help establish a security buffer between Australia and the potentially hostile countries of Asia, while also protecting PNG from the predation of less benign countries.

PNG enjoys a special affection in Australia, especially among the generation who fought there in World War Two at Kokoda, Milne Bay and other battles, and among the many Australians who served in the Territorial administration before Independence. We have just celebrated the 60th anniversary of the end of the war against Japan, in which 500,000 Australians, including my grandfather, served in PNG. World War Two is a defining event in Australia's view of PNG, having transformed Australia's strategic outlook towards our region. Australia got the shock of its life in 1942 when we stood almost alone against the real threat of Japanese conquest. The high mountains of PNG served as a physical barrier between Australia and Asia, helping Australian troops to stop the Japanese advance at Kokoda and shielding Australia from invasion. The war created a realization that PNG should not be left unaided by Australia, and that the economic development and social cohesion of PNG are essential to Australia's national security interests.

After the war, Australia's commitment to PNG expanded massively. Australia built PNG's schools, roads, hospitals, and judicial and political systems during the territorial period, effectively establishing PNG as a modern state. This assistance was generous and mostly altruistic, based on the recognition that a stable, prosperous, friendly and cohesive PNG directly strengthened Australia's own security. From the time of Sir Robert Menzies and his Ministers Percy Spender and Paul Hasluck, Australia had a strong sense of the strategic

² http://news.nationalgeographic.com/news/2003/05/0522_030522_humandiversity.html

³ , 'Fighting for her Gates and Waterways – Changing Perceptions of New Guinea in Australian Defence' in http://rspas.anu.edu.au/papers/melanesia/discussion_papers/05_03_dp_nelson.pdf

importance of development in PNG.⁴ As Minister for Territories, Mr Hasluck said he wanted PNG to be a stable community fully able to govern itself. He set objectives for the Territorial administration including mass literacy, higher living standards, a blend between the best of native life and western civilization, replacement of paganism by Christianity, and strengthened bonds with Australia.⁵

Of course, the paternalistic and racist approaches of the 1950s were swept away by the winds of change of decolonization, a process which still causes debate about how it occurred. Sir Michael Somare recently commented that PNG needs to cut its umbilical cord with Australia, but I would respectfully suggest this happened a long time ago. PNG Independence was not just about political structures – it involved a sudden shift from dependence on Australian managers across the whole range of official tasks to an expectation of PNG self-reliance, partly funded by untied Australian budget support. Very many Australians quickly packed their bags and left PNG in 1975.

I would like now to share with you several images to highlight the importance and scale of the pre-independence relationship. The first is the work of the CSIRO, which collected an immense amount of scientific data on PNG, especially on agriculture, but severed its relations completely in 1975. The Land Management Group here at ANU is now the main repository for much of that data, helping to provide it for planning and policy so the work of those years can be retained and built upon.

A second image, which I saw during my work in PNG with the health sector, is the static plant at PNG's provincial hospitals, the boilers, generators, water supply and sanitation systems that keep the hospitals running. Most of this plant dates from before Independence and has seen little maintenance since.

A third image is from Tapini, in the rugged Goilala district of Central Province. I was lucky to visit Tapini in 1997, and I was surprised then to learn that in 1968 this remote place was home to about 15 Australian officials, who were responsible for a whole range of administrative tasks for the district. Those fifteen were just a small part of the network of more than 50,000 Australian officials who were spread throughout all parts of PNG, as District Commissioners, kiaps, school teachers, and public servants of all kinds.

It is interesting to talk with Australians who worked in PNG in the 1960s as many recall it fondly as the best time of their lives. I have got to know one of them, Brian Thirkell, who was an air traffic controller in Madang. Brian told me a main part of his job was supervising the planes that carried bridge parts up the mountains to build the Highlands Highway, a massive engineering project far bigger than anything done since in PNG. If it had not been for the work of Brian and those like him, the people living in the PNG Highlands might still be largely cut off from the outside world. The Highlands Highway was just part of a 20,000 km network of roads that at Independence reached most of the people of PNG, a network that is gradually deteriorating due to lack of maintenance.

Before 1935, the million people living in the fertile valleys of the PNG Highlands had no knowledge of the outside world, including of things we take for granted such as metal, paper and the sea. The wrenching change of modernization has been immense for them and for all of PNG. One way I like to think about this change is by looking at the shift from the village to the office. The traditional values of village culture are a major influence in PNG, where 85% of people live in small rural communities. It is an important question how the assumptions that govern village life translate into the modern office environment.

⁴ Gavin Souter, *New Guinea: The last Unknown*, p.245 In the early 1950s, Mr Spender described the importance to Australian security of building up a friendly prosperous and loyal people in PNG “who will be able in times of crisis ... to provide strength to the Australian nation”

⁵ *ibid* p.247

For example, in PNG's culture of subsistence affluence, where there is basically always enough food and land, the need to plan for the future is less than in countries with colder climates where harvests must be stored over winter, so long term planning gets less emphasis in PNG. The need to maintain equipment is less where wood and stone tools and grass huts are replaced when they wear out, rather than repaired. The wantok system does not value cooperating with strangers, but emphasises strong cooperation within the clan. These patterns regarding planning, maintenance and social relations served well in traditional village life but are problematic for modern bureaucratic systems, with their impersonal management needs, and especially now with rapidly growing population.

Another big development question is the role of the state. It can be hard to understand how thin the state presence is in PNG, and why rural people lack a sense of ownership of schools, clinics and roads, which they often see as 'something belonging to the government'. Australians come from a background of a strong system of British state institutions. We are one of the only places in the world where the state preceded the society, having been established as a penal colony of the British state over the destruction of Aboriginal society. By contrast in PNG the state is a recent thing in people's lives, and there are extensive traditions of non-state social relations. The risks of tinkering with the state were shown by the 1995 Organic Law, which has actually weakened capacity to delivery services. Development policy needs a sound understanding of state capacity and the role of non-state bodies such as churches, businesses and community groups.

Looking at colonial history can also help to understand the sensitivity of land in PNG. People can see that the Australian land tenure system of Torrens Title may be good for the economy, but it was based on the legal fiction of terra nullius, and so is inappropriate as a replacement for the complex cultural realities of PNG customary land tenure which recognize that land is more than just a commodity.

Another important factor in PNG's development I would like to mention is the role of Christianity, which was central to the dramatic change from traditional isolation to modern contact. The story of Jesus Christ, as told by the missionaries, helped people in PNG to give meaning to the whole story of development, and was directly associated with the astounding powers of Western civilisation. Sometimes religion is seen as unimportant by modern secular aid workers, but I wonder if leaving religion out of the picture can make it hard to engage with people of faith. An example is work on HIV/AIDS, which should be based on the best scientific evidence while also speaking to people in a way that respects their faith.

One of the big lessons today is that sustainable development requires local ownership, and cannot be driven from outside. Technical assistance can achieve short term results but can sometimes weaken longer term capacity, displacing local staff rather than really helping them. In a fragile bureaucratic context, where budgets are inadequate and systems are weak, cultural understanding is essential. External experts really need good understanding of PNG's cultural patterns if they are to contribute to lasting results.

Aid provides about one fifth of the PNG's government budget, and Australia gives about four fifths of all donor aid received by PNG. Since Independence, Australia has give PNG about \$10 billion in aid, building on the massive engagement pre-Independence. Australian aid to PNG has been a lot of money, but it is only about \$50 per PNG person per year, which really does not go far. As well, the real volume of Australian aid to PNG is now only about one third what it was in 1975. The daunting development agenda includes governance reform, economic growth, service delivery and conflict prevention, through high quality programs based on strong analysis to create sustainable partnerships led by PNG. Good understanding of history is essential to achieve these goals.