PRECONDITIONS FOR ECONOMIC GROWTH – A PAPUA NEW GUINEAN PERSPECTIVE.

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Abstract
Papua New Guinea [PNG] is at the crossroads of development coupled with internal struggles to contain social, political and economic dilemmas. The nation is greatly endowed with multiple revenue generating resources both sourced through the agricultural and mineral/mining industries.

The ensuing discussions attempts to express Walt Rostow’s (1960) theoretical stages of economic growth and development. The theory very much relates to the many preconditions that PNG should acquire prior to its progressive economic, social and infrastructural growth. Traditional and conservative values such as compensation, customary landownership, cultural obligations and gender roles prohibit national economic growth. In contrast, national policies such as the Medium Term Development Strategy [MTDS], Millennium Development Goals [MDG] and National Education Plan [2005 – 2014], law and order, sectoral and governance issues are discussed to shed light on the current status of growth in PNG.
Introduction
The last 34 years (since 1975), Papua New Guinea [PNG] experienced a growth process that virtually is termed “from the stone age to the space age.”\(^1\) It is only proper and fitting in this presentation to discuss what this paper’s abstract reflects. The author wish to state on the outset that much of the discussion presented here stems from the many lecture presentations and observations about PNG’s socio-economic development.

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Firstly, this paper attempts to highlight the major aspects and critiques of Walt Whitman Rostow’s theoretical Stages of Economic Growth [SEG]. Secondly, it will present key arguments highlighting PNG’s current economic status. SEG very much relates to the many preconditions that PNG should acquire prior to its progressive economic, social and infrastructural growth. Thirdly, the paper applies a number of practical policies and guidelines developed over the three decades which envisions PNG preconditions for economical development. Finally, key recommendations are put forward which addresses the issues discussed.

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1 In many literatures, authors have stated this expression which is also fitting to echo the same here, given the content of this presentation.
3 The Medium Term Development Strategy (MTDS), covers the period 2005 to 2010, is PNG's overarching plan for economic and social development. The three functional roles of the MTDS are to articulate a core development strategy that provides the guiding framework for the Government's expenditure program; to identify the supporting policy framework that will help put in place the enabling conditions for recovery and development; and to strengthen PNG's Public Expenditure Management system. The goal of the MTDS is to foster sustainable improvements in the quality of life of all Papua New Guineans.
4 The Millennium Development Goals (MDGs) are eight goals [supposedly] to be achieved by 2015 that respond to the world's main development challenges. The MDGs are drawn from the actions and targets contained in the Millennium Declaration that was adopted by 189 nations-and signed by 147 heads of state and governments during the UN Millennium Summit in September 2000.
Walt Whitman Rostow’s Theoretical Stages of Economic Growth.

In 1960, Walt Whitman Rostow\(^6\) (1916 – 2003), an American economist and political thinker, prominent for his staunch opposition to Communism and belief in the effectiveness of capitalism and free enterprise developed the Rostovian take-off model of economic growth, one of the major historical models of economic growth. The model argues that economic modernization and economic growth occurs in five basic stages of varying lengths:

1. Traditional Society
2. Preconditions for take-off
3. Take-off
4. Drive to Maturity
5. High Mass Consumption

This theory has become one of the important concepts in the theory of modernization. Its application is based on the author’s perception of PNG’s growth potential in many respects. Fittingly, PNG’s growth process may or may not be perpendicular to the Rostovian theory.

**Stage 1 – Traditional Society**

In brief details, Stage One focuses on the following: the economy of any nation is dominated by subsistence activity where output is consumed by producers rather than traded; any trade is carried out by barter where goods are exchanged directly for other goods; agriculture is the most predominant industry; production is very much labor intensive and a limited quantity of capital is used; and resource allocation and distribution is determined by traditional methods of production. In many respects, PNG illustrate certain elements of this stage in varying degree of assessments and observations.

**Stage 2 - Precondition for Take-Off – [Transitional Stage]**

This stage is crucial to note as it resembles the stage that PNG is perceived to be in. There is an increase in specialization which generates surpluses for trading. There is emergence of coordinated and functioning transport infrastructure \[?\] to support trade and economics. Entrepreneurs and merchants emerge as incomes, savings and investment grow. There is extensive external trade occurring but primarily concentrating on primary products.

**Stage 3 – Take-off**

The Take-off stage will see industrialization increases with workers switching from the agricultural sector to a manufacturing sector. Growth is concentrated in a few regions of

\(^6\) Ibid - 18.04.2009
the country and in one or two manufacturing industry. Levels of investments reach well over 10% of GNP. Economic transitions are accompanied by new political and social institutions that support industrialization. Economic growth is self-sustaining: Investment leads to increased incomes which in turn generate more savings to finance further investment [Investment = incomes = savings = investment]. PNG has not reached this stage yet as the national economy lacks sustainability [self-sustaining].

**Stage 4 – Drive to Maturity**

The economy is diversifying into new areas. Technological innovation provides a diverse range of investment opportunities. The economy is producing a wide range of goods and services. There is less reliance on imports. Currently, PNG relies heavily on importation of manufactured goods and services.

**Stage 5 – High Mass Consumption**

The economy is geared towards mass consumption. The consumer durable industries flourish. The service sector becomes increasingly dominant. Whether PNG will eventually reach this stage remains to be seen given the ‘boom and doom’ this nation is faced with.

Rostow notes that development requires substantial investment in capital. For LDCs to grow economically, the precise conditions for such investment should be created. For example; if aid or assistance is given or foreign direct investment occurs at Stage 3, the economy needs to have reached Stage 2. If Stage 2 has been reached, then injections of investment may lead to rapid growth. The perception in PNG is that, despite the continuation of aid and assistance from within and outside, there is existence of impediments detrimental to economic growth nationally.9

**Observations and Preconditions for Development.**

Having stated the above, much can also be expressed in relation to PNG’s current developmental state. Firstly, with the knowledge that 87% of Papua New Guineans live in rural village settings, this raises key questions. Over the last three and a half decades, have there been vigorous and tangible developments experienced nationwide? Does PNG experience propagated or selective development? Does the devolution of governmental institutions, services and the bureaucracy allow for smooth delivery of goods and services beneficial to the PNG population? The knowledge also that the rural PNG population engages in subsistence economy producing for sustenance with little influence of capital and revenue generation. This is directly contradicting when the nation’s economics of

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7 PNG’s economic growth currently is centered on two major primate cities [Port Moresby & Lae] which encapsulate manufacturing of light industries and consumer goods. Whether this is fact or myth remains to be seen, if there will ever be widespread industrialization and economic development nationally.  
8 LDCs are Least Developed Countries – PNG may be classified as a Least Developed Country based on categorical applications of economic indexes.  
PNG is classified under the medium developing countries. The 2006 Human Development Index [HDI] places PNG as 139th out of 177 nations. In 2008, the HDI places PNG as 149th out of 177 countries. This revision of the index was released on December 18, 2008. PNG has dropped 10 places.
developmental conventions requires otherwise. There are many perceived preconditions that exist but this discussion will only focus on six concerns.

**Precondition One – National Roads**

The knowledge also that the PNG national roads are in a dilapidating state despite governmental injection of multimillion kina earmarked for rehabilitation\(^{10}\) sends out a worrying signal indeed. PNG has an estimated 27,000 kilometers of roads, and land transport plays an important role in the country’s economy.\(^{11}\) Much of the country is mountainous, geologically unstable and subject to high, torrential rainfall. Rapid deterioration of roads is a constant risk and road construction and maintenance is exceedingly costly.

In the roads sub-sector, thousands of kilometers of minor rural roads were built between 1950 and 1980. Roads connecting rural areas with the main road networks are now in an advanced stage of deterioration. About half of all feeder roads in the country are impassable to vehicles carrying significant loads. Sealed roads have degenerated to poor gravel roads; gravel roads have been reduced to earth tracks; and some routes have closed altogether. Only about 37% of the national road network (about 8,400 km)\(^{12}\) is in a maintainable condition (i.e., can receive routine maintenance attention). About half the network requires some significant rehabilitation, restoration, or reconstruction to make the roads trafficable. Much of the past investment in road rehabilitation and upgrading has been lost through neglect of subsequent maintenance.\(^{13}\)

The major factors contributing to the poor state of the road infrastructure have been (i) large shortfalls in the funding provided for maintenance, and (ii) weaknesses in managing and delivering maintenance services. To reverse these impediments to the development of a soundly functioning road sub-sector, a program of financing, structural, and institutional reforms need to be adopted and successfully implemented. The Government recognizes that the decline in the quality of the country’s transport infrastructure has had a major adverse impact on service delivery and the capacity for Papua New Guinea to progress.

**Precondition Two – Agriculture**

The constructs of the National Agriculture Development Plan [NADP]\(^{14}\) proposes for a vision of sustainable transformation of the country’s agriculture sector into a vibrant and

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\(^{13}\) Ibid – 19.04.2009

\(^{14}\) National Department of Agriculture and Livestock (NDAL), (2006). *National Agriculture Development Plan [2007 – 2016]* In September 2001, the National Executive Council (NEC) directed the NDAL to develop a medium term National Agriculture Development Plan (NADP). The Plan was completed with national and international assistance and launched by 2006.
productive economic sector that contributes to economic growth, social wellbeing, national food security and poverty alleviation.

NADP’s mission of enhancing and improving the quality of life for over 87% of the rural population in 89 districts and 19 provinces; through increased productivity, sustainable and quality production coupled with integrated planning and environmental sustainable management is questionable. The Green Revolution\(^\text{15}\) as envisioned by the Somare Government in its last term in office had suddenly come to an abrupt halt. The assumption is that it lacks sustainability and continuity on the part of financial institutions to provide much required financial assistance for transportation costs. Primary produce were to be transported to central markets at a subsidized cost.

**Precondition Three - Health Department**

The notion also of the substandard state of the National Health Department\(^\text{16}\) is revealing signs of declining and demising standards of this crucial national institution. The media report of “K200 million for Health projects removed”\(^\text{17}\) sends signals of the declining standards. As Maureen Gerawa\(^\text{18}\) reports; “More than K200 million earmarked for health infrastructure in the Government’s supplementary budget was taken back by the National Planning and Monitoring Department. A document obtained by the Post-Courier shows that unless the money is returned, a lot of projects that have been committed will be put on hold. The Health Department will also have to find money somewhere to pay companies and non-government organizations that were contracted to carry out these projects.”

The case above reflects the encompassing state of the Health Department and the conniving influences of shadowy deals and decisions outside of due processes and procedures. It exemplifies the wholesale problematic issues affecting the department nationwide. Hospitals are in dire need of basic pharmaceutical drugs and reusable items. The Health personnel are overworked and underpaid\(^\text{19}\). Furthermore, the National Health Department had to seek the community and private enterprise assistance in cash and kind\(^\text{20}\). A reflection of poor management capabilities displayed by the health authorities.

**Precondition Four - Law and Order**

The prevalent intolerable and multifaceted levels of law and order, conflicts violence and crimes in PNG signify the necessity to contain this situation immediately before it reaches unimaginable proportions. In spite of coverage of daily reports of criminal activities, there seem to be little or no concerted effort being made to address the issue. Concerns about the unprecedented rise in organized crime and corruption in the country

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\(^{16}\)http://www.postcourier.com.pg/20090406/mohome.htm

\(^{17}\)Ibid – 06.04.2009

\(^{18}\)Ibid – 06.04.2009

\(^{19}\)Gerawa, M. (2009). ‘Striking nurses to lose pay.’ in The Post Courier 05.03.2009 (p3)

\(^{20}\)The National, ‘Bottled goodness for hospital’ 18.01 2009 (p6) – this signifies the declining standards of this vital state institution.
are a real threat to PNG’s stability and rule of law.\textsuperscript{21} Enforcing agencies must act now to rid these insurgencies to avoid widespread distribution and duplication in the communities. There is a general perception of lack of patriotism among many who were vested with powers and responsibilities to uphold the laws, especially the Constitution. Papua New Guineans are increasingly becoming frustrated because of seemingly long delays in dealing with implicated politicians and senior public servants and, with the infiltration of the Asian mafia into the country; the situation had become much more desperate.

The reason for the current open defiance of the rule of law in Papua New Guinea is because the common, ordinary and grassroots people are fed up with the so-called leaders getting away with punishable offences and crimes. The rule of law must be observed from the highest ranking State official in Port Moresby down to the ordinary villagers in the remotest parts of PNG. There seemed to be a two-tier law system for the wealthy and the underprivileged. Furthermore, rural disintegration in landownership\textsuperscript{22} has also resulted in prolonged tribal conflicts which in most cases result in damaged to properties and loss of lives.\textsuperscript{23}

**Precondition Five - Gender Issues**

Promoting women’s rights as indicated by Dr Ray Anere of the National Research Institute is no longer a women’s issue but a national issue.\textsuperscript{24} This is a key agenda as women are equal partners in development. With PNG’s overwhelming traditional patrilineal dominance and the subjugation of women, national and international conventions now require that women are treated and given the same preference as men. Report from the media depicts otherwise – women are still subjected to harassment sexual violence and exploitation in varying degree.\textsuperscript{25}

An academic wrote in her book that “PNG should catch up with countries that are benefiting from the realization that equality between women and men is a successful transition to market economy.”\textsuperscript{26} Organizations now require and advocate for gender equality and competency based performances rather than gender as an issue. Women are performing jobs that are traditionally male-dominated. Women are heading institutions and participating in the general development of PNG. Having stated these, more input in this area is crucial to achieve the second National Goal which advocates for Equality and Participation.\textsuperscript{27} As the nation experience more economic progress, gender equality will become more profound and a true catalyst for development. As expressed by the only

\textsuperscript{22} Yala, Charles. (2005). ‘Rethinking land tenure issues’ in the Post Courier, 03.08.2005 (p11)
\textsuperscript{23} [http://www.postcourier.com.pg/20090406/mohome.htm](http://www.postcourier.com.pg/20090406/mohome.htm)
\textsuperscript{24} Anere, Ray. (2009). ‘Women’s right to governance’ in the Post Courier 11.03.2009 (p16).
\textsuperscript{25} [http://www.postcourier.com.pg/20090406/mohome.htm](http://www.postcourier.com.pg/20090406/mohome.htm) - ‘Harassing women illegal’
\textsuperscript{27} PNG National Constitution pdf format 22.04.2009
female National Parliamentarian – Dame Carol Kidu, it is a tough challenge to compete with the males but with strategic planning, she has done well to seek reelection.28

Precondition Six - Education

PNG’s education system offers non-compulsory education from ages 6 through 15. In 2004, the National Department of Education [NDOE] published a National Educational Plan29 titled "Achieving a Better Future" meant to guide the nation's educational development from 2005 through 2014. The main objectives of this plan include universal access of education,30 improved retention, and improvement of teacher deployment for primary schools, improvement of quality, curriculum, and teacher development for secondary schools, and emphasis on shorter, more concise vocational courses. The Plan also includes issues of teacher education, management within the Department of Education- including representation from communities, and financing of the Plan.

One of the goals of the NEP states that by 2015 all children have access to free and compulsory primary education of good quality.31 The current statistics indicate otherwise. A lot of school age children are missing classes for a variety of reasons such as: unpaid school fees, family related issues that contribute to the children not in school, living conditions and many more. In brief, this highlights the issues as precondition for economic growth in PNG. Only when a higher percentage of children in most parts of PNG have unlimited accessibility to facilities and resources will the MDG Goal Two – Achieving universal primary education be achieved. The recent case in which NDOE’s Rehabilitation of Education Sector Infrastructure [RESI] funds being unaccounted for raised serious concerns.32 This highlights the major issue of management and prudent practice in transparency and accountability. This case is now being investigated by the watchdog institution – Ombudsman Commission.

Conclusion

As much as possible, the discussions above are in brief details. This is done purposely to illustrate an overview of the preconditions that PNG should work on to address its economic growth agenda. In assessing and applying Rostow’s stages of growth, it is clear that PNG oscillates between Stage One - Traditional Society and Stage Two – Preconditions for Takeoff. Of course the economy is seen to be progressive but there are

30 This NEP goal also addresses the second goal of the Millennium Development Goals – Achieve Universal Primary Education by 2015.
32 Eroro, Simon. (2009). ‘Education has no records’ in the Post Courier 08.04.2009 (p5); http://www.nbc.com.pg/news/articles/2009/04/02_More_misunderstanding_over_RESI_funds.htm - 22.04.2009 also contain a National Broadcasting Commission news report of the same case; ‘Forty years of complete neglect’ by Dr Kristoffa Ninkama in the Post Courier, 12.03.2009 9 (p16) and other relevant reports in the same newspaper (p7) carries similar report of comprehensive negligence of all educational facilities countrywide.
other vital conditions which must be achieved prior to actual progress being openly measured. There is mining/mineral boom but are the people ready to accept and adapt to the change agenda? National policies, plans, strategies and foresights are all there. Other preconditions such as land tenure, sustainable development, tourism, governance and security are not discussed, but are also crucial preconditions. Only when the general populace is ready to receive change then and only then, will they embrace development with understanding and proactive participation.

Recommendation:
The only recommendation that is put forward is this: Education must be *universal* for Papua New Guinea to experience real practical economic development.
References


Eroro, S. (2009). ‘Education has no records’ in the Post Courier 08.04.2009 (p5);

Gerawa, M. (2009). ‘Striking nurses to lose pay.’ in The Post Courier 05.03.2009 (p3)


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The *National*, ‘Bottled goodness for hospital’ 18.01 2009 (p6) – this signifies the declining standards of this vital state institution.