



Strengthening Our Neighbour: Australia and the future of Papua New Guinea

Executive summary

Papua New Guinea (PNG) is one of Australia's three top-priority foreign policy challenges, along with China–US relations and the future of Indonesia. The deep nature of the problems in PNG makes it perhaps the most difficult we face. It is the one which probably places the biggest demands directly on Australia, and the only one we face largely alone.

Our nearest neighbour is grappling with the enormous tasks of state- and nation-building. Over the thirty years since independence we have tried to help in different ways, but little we have done has seemed to work.

In PNG, despite important bits of good news, things have slowly but steadily worsened. There is no acute crisis, but many long-term trends are negative. A vicious cycle links failing service delivery, falling revenues and national fragmentation with increasing fragility of government institutions, poor economic performance and lack of legitimacy of the government in the eyes of the people. The longer this cycle continues, the more vulnerable PNG becomes.

Underlying all of PNG's problems are pervasive and systemic weaknesses in the capacity of

the PNG state to provide effective government. While PNG has considerable assets, including many talented and dedicated people, it has not developed the capacity to govern effectively; and indeed that capacity has declined significantly.

The risk is also growing that the systemically weakened institutions of governance in PNG might collapse under the effects of the kinds of crises that have occurred several times already in PNG's short history—a major secession movement, attempted coup, or acute economic crunch. Several major problems loom that could lead to this result. One is HIV/AIDS: infection rates are believed to be heading towards those of the worst African pandemics, and a full-blown AIDS crisis will now be very hard to avoid.

In PNG, the weakness of the state—the institutions of government—is in large measure the result of the weakness of the nation—the community of people bound by some sense of shared identity and interest and commitment to their country. PNG as a nation is an abstraction that means very little to most Papua New Guineans, and it has little on which to base a claim to their loyalty. The state

delivers to its people very few of the services which are the foundation of national life.

Australia's efforts to help PNG deal with these problems have centred on development aid. PNG is the recipient of Australia's largest bilateral aid program: we have provided nearly \$15.5 billion in aid in today's dollars to PNG since its independence. But despite the money and technical skills we have invested, PNG's national development has faltered. The bilateral relationship has in effect been subcontracted to the Australian Agency for International Development (AusAID). Predictably, the bilateral government-to-government relationship has suffered.

As well as the aid program, Australia has recently committed to the Enhanced Cooperation Program (ECP), under which around 210 Australian police officers and 64 public servants are being inserted into PNG's law and justice agencies; key economic, finance and public administration agencies; and areas such as immigration and customs. The aim is to help improve law and order and other government functions, and it marks Australia's first, decisive step back to deeper commitment in PNG.

This will cost around \$800 million over five years, and is part of a broader trend to take a fresh look at our interests, roles and

responsibilities in the immediate region.

But while a good step in the right direction and despite its scale and cost, the ECP on its own is too limited in scope to have a substantial impact on the breadth and depth of PNG's problems.

PNG's deterioration matters to Australia for a host of compelling reasons, from high strategic and transnational security concerns through to altruistic impulses born of history, geography and common humanity. More broadly, PNG's success is important to the prospects for the entire Pacific Islands region as it moves to pursue closer regional integration.

Australia's policy objective is for PNG to become a strong, stable, prosperous and effective nation. We also want to lay the foundations for a better relationship between PNG and Australia in the future.

To make a real difference in PNG, we therefore need to find a policy approach that can help get to grips with the underlying weakness of state and nation in PNG, and remedy the problems that have bedevilled the bilateral relationship. But such an approach will entail a deeper engagement, greater commitment and even bigger costs than we have been prepared to accept so far, and it will require big changes to the way we think about and conduct our relationship with PNG.

Recommendations

A new policy approach which might allow Australia to play a more active part in helping to strengthen PNG would need to have the following seven characteristics:

Long time frame. Strengthening government capabilities and institutions in a lasting way in PNG cannot be achieved in three to five years. We need to think in terms of generations.

Local momentum. We need to work with reformers in PNG to help build a broader demand for reform. We can only do more to assist if we help to build the demand for better

government within PNG itself, and if Papua New Guineans genuinely want the solutions we are helping to promote.

Homegrown solutions. Any program of state- and nation-building that Australia tries to support in PNG must promote PNG's solutions to its own problems.

Mutual responsibility. We need to negotiate arrangements where responsibilities are shared and where Australia is confident that its resources are being effectively used.

Comprehensive approach. PNG's problems are multi-layered and interconnected. An effective program needs to target all of them over the long term.

Working with other donors. We need to work effectively with other aid providers. None of PNG's major donors have objectives very different from ours, and they have a lot to offer in both resources and expertise.

Strong bilateral relationship as a basis. A program to help strengthen PNG needs to be underpinned by a new, more engaged and more robust relationship between our two countries.

What such a program might look like is a matter to be discussed between Australians and Papua New Guineans. But any program would need to cover the following four elements.

Strengthen the relationship

The essential first step is to set a new direction for the relationship between Australia and PNG. To do this we need:

- a detailed, intensive, high-level dialogue that includes both countries' senior political leadership but also draws in key players on both sides, including churches, non-government organisations (NGOs) and the private sector
- the establishment of regular bilateral Prime Ministerial meetings and more regular meetings between Australian and PNG ministerial counterparts
- to develop closer people-to-people links, including between young people.

Strengthen the state

The second key step is to expand and improve programs designed to help PNG strengthen the state and its institutions. Early priority should be given to:

- increasing support to current projects aimed at strengthening PNG's central agencies

- supporting major reforms to the handling of public money, including stronger investigation and enforcement capabilities to attack corruption
- a major program to build administrative skills in the PNG public service and improve provincial and local administration
- supporting a major overhaul of the distribution of responsibilities between national, provincial and local levels of government.

Strengthen the economy

Measures directed at strengthening PNG's economy need to go hand in hand with other elements of a program of state- and nation-building. This could include initiatives to:

- help improve economic policies and macro-economic settings, offer market access in Australia, and undertake targeted infrastructure projects to get sustainable development moving
- actively support the private sector in PNG
- explore the social and economic implications of granting PNG citizens access to Australia's job market.

Strengthen the nation

The hardest and most important part of the process is for Australia to work with PNG in a long-term program of nation-building. Australia should look at ways to:

- help build a stronger sense of national identity in PNG, including support for improved media coverage of national issues throughout the country
- promote a broader sense of community by strengthening civil society, particularly women's groups
- support the development of sport, electoral systems and constitutional reform.



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