

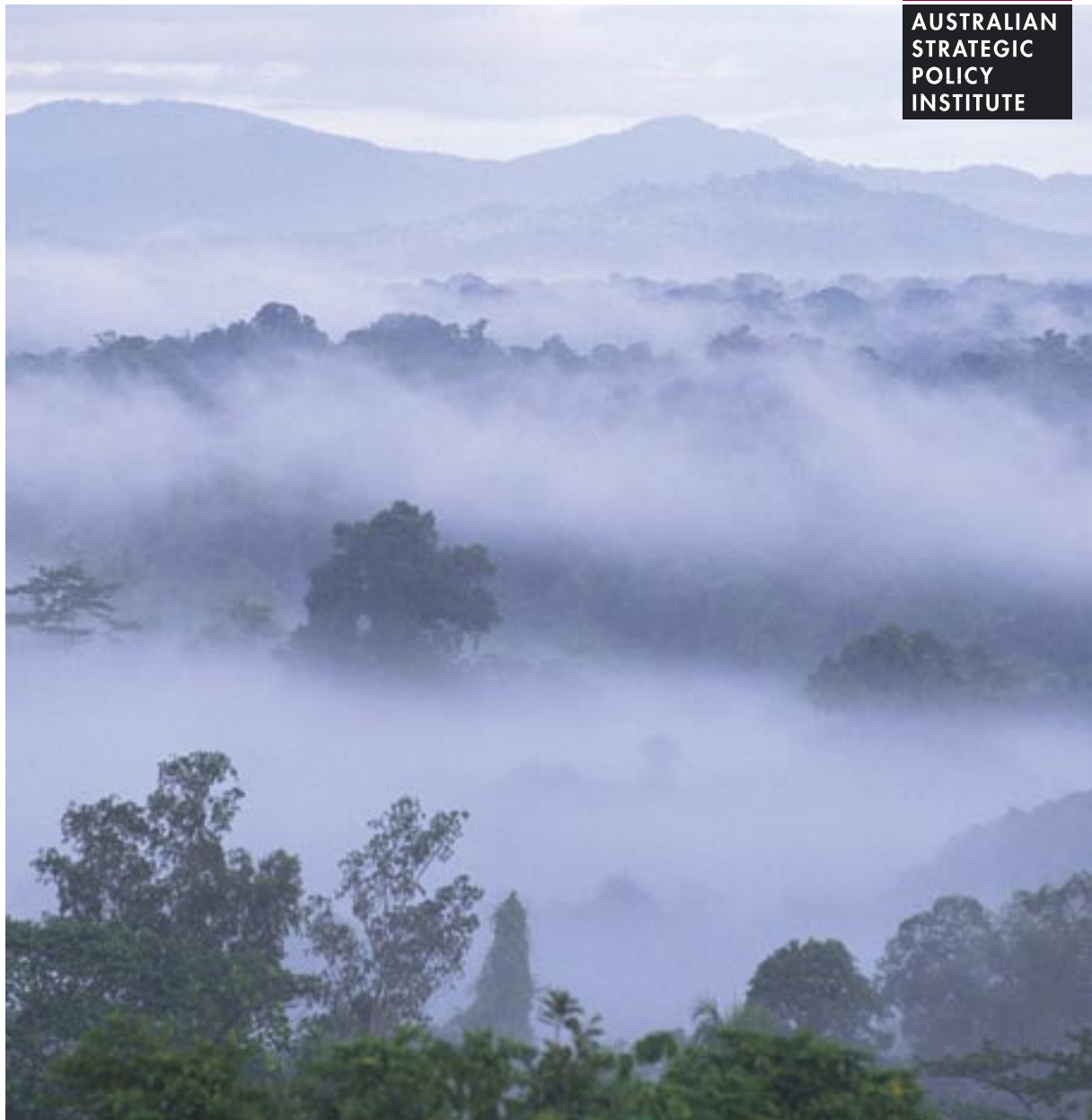
STRATEGY

A S P I

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

A S P I

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Strengthening Our Neighbour:

Australia and the future of Papua New Guinea



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Cartography by Keith Mitchell.

Director's introduction

Australia's nearest neighbour, Papua New Guinea (PNG), faces a host of significant challenges that go to the heart of that country's long term viability as a functioning state. These challenges include the capacity of PNG's political institutions to deliver necessary policy reforms; of PNG's bureaucracy to deliver the health, education and social services needed throughout the country; and of PNG's economy to deliver growth and to broaden prosperity.

The solutions to these issues must fundamentally come from Papua New Guineans. But Australia as a close neighbour and with uniquely close historical ties has an abiding strategic interest in the stability and prosperity of PNG.

The purpose of this ASPI report is to explore whether there are new ways in which Australia can assist PNG to address some of these challenges. Our efforts here build on the foundations recently established by the Australian Government's Enhanced Cooperation Program (ECP). But the ECP needs to be taken further. We see this program as a vital start in what should be a sustained and deeper re-engagement with the people and institutions of PNG.

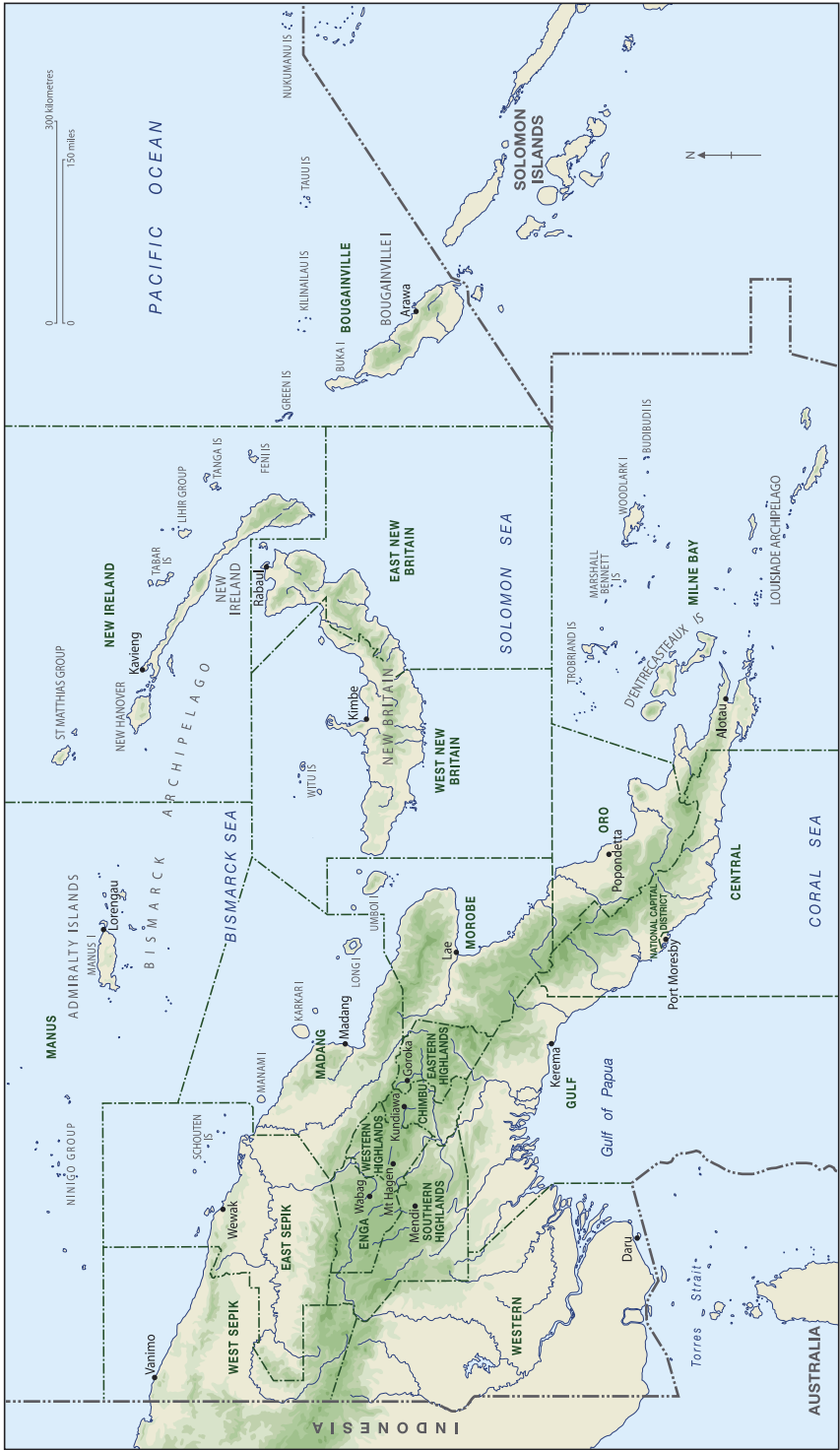
Developing the proposals that form this paper has been a substantial task for ASPI. We have been helped by a great many people in Australia, in PNG and elsewhere from government service, the private sector, academia and other areas. Our thanks go to all of them, and in particular to our contributors Ken Baxter, Rowan Callick, and ASPI Research Analyst Andrea Cole.

We have also been privileged to have contributions from two eminent Papua New Guineans, Mr Charles Lepani and the Rt Hon Sir Mekere Morauta, Kt MP. They have each provided their own valuable perspective on the issues.

I would like to thank former ASPI Director Hugh White and Elsin Wainwright for their work in preparing this report.

Many of those involved will not necessarily agree with everything in this report. And as with all our publications, the views expressed in this report are not to be taken as those of ASPI as an institution. Responsibility for the views expressed herein rests with the authors and with me as Acting Director.

Peter Jennings
Acting Director



Papua New Guinea. Cartography by Keith Mitchell.

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.

AUSTRALIA'S POLICY CHALLENGE

Papua New Guinea (PNG) is one of Australia's most important foreign policy challenges, and perhaps the most difficult. Our nearest neighbour is grappling with the enormous tasks of state- and nation-building. Over the thirty years since PNG's independence we have tried to assist in various ways, but little we have done has seemed to work. The problems have worsened, and as they have worsened the traditional instruments of diplomacy and aid have become less effective. A sense of exasperation has overtaken the policy process. At the same time, Australian policymakers know that unless the negative trends in PNG can be reversed, there is a risk that PNG could lapse into acute state crisis. That would have serious consequences for Australia, the broader region, and of course, for Papua New Guineans. So it is clear that we need some fresh thinking.

Papua New Guinea is one of Australia's most important foreign policy challenges, and perhaps the most difficult.

Australia's policy objective in PNG today is the same as it was at the time of independence thirty years ago. We want to help PNG develop the institutions and state capacities required for its government to function effectively. We want its government to be able to provide the essential conditions for economic growth and social development, to keep the country stable, enable it to control its borders effectively and prevent problems within its borders which could cause trouble to its neighbours, including Australia. We also want a stronger and more effective government in PNG so that it can be a better neighbour for Australia. And we want to lay the foundations for a better relationship between PNG and Australia in the future.

Deep roots

The problems in PNG that stand in the way of these objectives are hard to tackle, because they go very deep. The obvious symptoms include poor services, high crime rates, deteriorating infrastructure, economic stagnation and corruption. Underlying all these problems, however, are pervasive and systemic weaknesses in the capacity of the PNG state to provide effective government. PNG is not a ‘failed state’ experiencing the kind of complete breakdown of state function that we have seen in Somalia, Sierra Leone and Liberia over the past decade. PNG has maintained many of the institutions of government which were established at independence. To varying degrees, they carry out the business of state and fulfil their legislative, judicial and bureaucratic functions.

But the survival of these institutions, though welcome in itself, does not mean that the effort to establish an effective nation state in PNG has succeeded. The institutions of state lack the capacity to deliver services to PNG’s people, develop its economy, control and protect its territory, and respond effectively to the crises and pressures that buffet societies and governments from time to time. So 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 old paradigm

Australia’s efforts to help PNG deal with these problems have centred on development aid. Australia of course remained deeply engaged in PNG after independence, but we tried to conduct our relations as two sovereign states in accordance with the conventions of the Westphalian state system. This paradigm met the wishes of PNG’s new governing elite, who naturally wanted to run their own state, and of Australia, which was happy to ease its burdens in PNG and let Papua New Guineans deal with their own challenges. It also fitted global norms and Australian public expectations, which deprecated interference in the affairs of newly independent states, especially by former colonial powers.

As our colonial role in PNG has faded—surprisingly quickly—from Australia’s national memory, the aid program has come to dominate the wider bilateral relationship...

We have provided a lot of aid to PNG—nearly \$15.5 billion in today’s dollars to PNG since independence. As a proportion of GDP of the two countries, this has been one of the biggest aid relationships in the world over the past thirty years. Some contend that this aid—or much of it—has been counterproductive. That is too harsh a claim. There is little evidence that PNG would have fared better without the aid, and there are many areas in which Australia’s efforts have helped to keep things going and relieved real hardship for Papua New Guineans. But despite the money and technical skills we have invested, PNG’s national development has faltered. Our faith in traditional aid on its own as an instrument of nation-building has been misplaced. This probably reflects a misunderstanding of what aid could achieve in a society like PNG’s, and the nature of PNG’s problems.

As our colonial role in PNG has faded—surprisingly quickly—from Australia's national memory, the aid program has come to dominate the wider bilateral relationship, which has in effect been subcontracted to the Australian Agency for International Development (AusAID). Predictably, the bilateral government-to-government relationship has suffered. As the situation in PNG has deteriorated, mutual irritation and mistrust have intensified, and it has become harder for Australia to work constructively with PNG to provide assistance.

A global problem

The problems in PNG, and Australia's challenge in working out how to best assist, are not unique. Every case is different, of course, but state weakness is a global problem, and there is a burgeoning global industry examining what other countries can do to help. This phenomenon of state weakness, and its implications for international order, became increasingly evident over the 1990s, and it was brought into sharper focus by the events of 11 September 2001.¹ However, it would be wrong to see the war on terror as an important factor in driving the sense of urgency to find new ways for Australia to help PNG deal with its challenges. Even without 9/11, PNG would be at the top of Australia's foreign policy agenda right now.

Why now?

While there is no acute crisis in PNG, many of the long-term trends are negative. Despite important bits of good news, such as the recently improved budgetary situation and increased liquidity due to the commodity prices boom, things have slowly but steadily worsened. 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.

The risk is also growing that the institutions of governance in PNG have weakened to the point that they 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. Another is the recent widespread dispersal of modern and homemade arms and their use in criminal activities, inter-group conflicts, and electoral competition. There is also a risk of a fiscal squeeze on PNG's government, a long-term decline in the resource sector over coming years, and the growth of transnational crime and illegal immigration. PNG hardly has the capacity to deal with any one of these problems. Together, they could easily overwhelm its weak state system over coming years.

In Australia, our renewed interest in and concern about PNG is part of a broader trend towards taking a fresh look at our interests, roles and responsibilities in the immediate region. Each country is unique, and simplistic generalisations are unhelpful, but there is a pattern of state weakness among many Pacific Island countries. Australia has responded by giving higher policy priority to our immediate region, and rethinking the basis of our policies here. This has been reflected in Australia's engagement in Bougainville, East Timor and, especially, Solomon Islands. The decision to launch the Regional Assistance Mission

to Solomon Islands (RAMSI) in 2003 marked a sharp departure from the policy paradigm of detachment which had shaped Australia's approach to our Pacific Island neighbours throughout the post-colonial period.

The Enhanced Cooperation Program

The first fruit of Canberra's commitment to deeper engagement with PNG has been 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 of the ECP is to help improve law and order and other government functions. This is an important initiative, which carries substantial costs and risks for Australia, including significant risks to the personnel involved. The cost will be \$800 million over five years.

More importantly, by placing Australian officials into line positions in the PNG Government and police force, the ECP reverses the trend of disengagement, and marks the first, decisive step back to deeper commitment in PNG. Moreover, it should have a positive practical effect on policing and other areas of PNG's government. But we need to be realistic. Despite its scale and cost and while a good step in the right direction, the ECP is too limited in scope to have a substantial impact on the breadth and depth of PNG's problems. At the same time, some aspects of the ECP have caused unease and even opposition in PNG. Some of this opposition has predictably come from those who stand to lose from better government. But some of the reservations have been more legitimate, regarding both the fundamentals of the program, and the way in which it was developed and implemented.



PNG Internal Security Minister Bire Kimisopa (right) and Australian Federal Police Commissioner Mick Keelty farewell Australian police personnel taking part in the ECP in PNG, August 27 2004. AAP/Alan Porritt © 2004 AAP

Tough job, simple choice

PNG is one of our 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 toughest we face. It is the one which probably places the biggest demands directly on Australia, and the only one we face largely alone.

The experience of the ECP reminds us how hard it will be to find new policy approaches that work in PNG. This is especially complex for Australia. We are not just PNG's close neighbour and the major power in its region. Our previous colonial role there, the circumstances of independence, and the complex relationship that has developed since independence, have all made this a fraught and often difficult relationship.

Helping to build effective and appropriate state institutions in a country like PNG is inherently difficult; there is no established methodology for this kind of state-building.² PNG has now reached the point at which its institutions are too weak themselves to undertake and sustain the kind of major reforms needed to turn the country around. If PNG is going to be strengthened, it is going to need much more help—and different kinds of help—than it has received over the past three decades. If Australia does not take the lead in offering that help, no one else will.

If PNG is going to be strengthened, it is going to need much more help—and different kinds of help—than it has received over the past three decades.

Policy choices sometimes have a brutal simplicity. Any Australian policy program for PNG that does not address the underlying weakness of the PNG state and nation has no reasonable chance of reversing the negative trends of much of the past thirty years.³ To make a real difference, we need new policy approaches 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 approaches 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.

Working with PNG

Of course, since independence PNG's progress has been PNG's responsibility, and there is a natural limit to what any donor country can do to assist another. No Australian assistance will work that is not steered and led by PNG, with the full and active engagement and commitment of the PNG people. Any Australian program needs to be devised in consultation and negotiation with PNG.



AUSTRALIA'S INTERESTS

Why does PNG matter to Australia, and how much does it matter? Do we really need to worry whether PNG succeeds or fails? These questions are important, and not merely rhetorical. Australia already spends a considerable amount on PNG. New policies with a better chance of meeting Australia's objectives there may cost a lot more. We therefore need to get a sense of how important PNG's success as a nation is to us, to help judge how much we ought to be prepared to spend, what levels of commitment we should be prepared to accept, and what kinds of risks we should be prepared to run, to assist it.

Sheer neighbourliness means that we feel concern for the plight of the people of PNG, and a responsibility to help.

Altruism and responsibility

We might start by saying that Australia's reasons for helping PNG are not limited to our own direct interests. It would be wrong to ignore altruistic impulses as a factor in the way Australians—and hence Australian governments—approach the problems of PNG. Australian policy towards PNG has been motivated in part by a simple concern for the welfare of Papua New Guineans. The common bonds of humanity are reinforced by both history and geography. Australia's former role as colonial power leaves a vague and ill-defined but nonetheless powerful sense of residual obligation to help PNG make its way in the modern world. Sheer neighbourliness means that we feel concern for the plight of the people of PNG, and a responsibility to help. And both history and geography mean that, despite the erosion of contacts over recent decades, many Australians still have close personal links with PNG.

Photo opposite: Villagers crowd on a small boat near Madang
© AUSTRALIAN PICTURE LIBRARY/Brian A. Vikander

A global interest in good government

All around the world, good government in any one country matters not only to the people of that country, but also to its neighbours and to the wider international system. The last few years have renewed our awareness of how the interests of other states in the region and beyond can be damaged when national governments fail to deliver key services and, especially, when they collapse. Effective national governments are vital to social and economic progress within a country, because governments have an essential role in providing the conditions necessary for economic growth and social development. Without the effective institutions and basic services that only governments can provide, economies and societies stagnate.

Effective government is not just important to the citizens of a country. It is critical to the interests of other countries—especially close neighbours, but often quite distant countries as well. Governments might not be the prime movers in transnational threats like cross-border crime, pandemics, ecological disasters, and terrorism. But they remain central to any coordinated and effective response to such threats. Ineffective governments lack the power to control their territories effectively. They cannot prevent crime, control the flow of people and goods into and out of their territory, respond effectively to diseases and environmental problems that might affect their neighbours, and prevent actions on their territory which might injure the interests of their neighbours. Ultimately, weak governments can lose the capacity to hold their territory and protect their sovereignty against incursions and depredations by other states or by non-state actors.

Of course strong and effective governments can still make bad neighbours, and bad international citizens. They can choose—as so-called rogue states do—to blithely ignore or actively undermine the interests of their neighbours or of the wider international community. State weakness is a different problem, and much more widespread. Weak states often seek to do the right thing, but they can present various challenges to their neighbours, because a weak state cannot fully control what happens in its territory or what permeates from it. The international community relies on effective national governments to manage the interest we all have in preventing harm from crossing international borders. This reinforces the importance to international security of responsible and effective governments having control over what goes on within their borders.

A neighbourhood of weak states

This global issue is especially significant for Australia. By quirks of history, geography, demographics and economic endowment, Australia's neighbourhood contains many potentially weak states, from East Timor in the west across our north and out into the Pacific. Our interest in the nature and quality of governance in these states has a long history. Effective and congenial sovereign control of neighbouring territories has been a key preoccupation of Australian foreign policy since the mid-nineteenth century. We have always been concerned that our security could be undermined by anarchy in these states, or by them falling under the control of potentially hostile governments. That concern has given Australia a strong and enduring interest in the development of effective independent governments as colonial administrations have withdrawn.

What is now PNG has always loomed largest in these Australian concerns about the security of our neighbourhood. The colonisation of Papua was undertaken at least in part

because it was believed to be important for Australia's security to ensure that the territory did not fall into the hands of one of Britain's European competitors. Among the Pacific Island states, PNG has the biggest territory, with the largest population, and is the closest island neighbour to Australia. The challenges of government in PNG always seemed larger, and Australia's stakes higher, than elsewhere in the South Pacific. That is why Australia itself was prepared to accept the burden of colonial administration in PNG.

This early preoccupation with PNG's importance to Australia's security was vindicated in the global conflicts of the last century. In the first weeks of World War I, Australia deployed a substantial amphibious expedition to capture German colonies in New Guinea and prevent them being used as bases for raids against Australia. In the Pacific War, PNG saw the most sustained and intense battles for the defence of the Australian continent. For most of the time since 1945, the need to ensure that PNG does not provide bases for attacks on Australia has been a consistent foundation for Australian policy towards PNG.



Landing craft head toward Bougainville in the early morning light, 1943 © AUSTRALIAN PICTURE LIBRARY/CORBIS

High strategy

The enduring Australian national interests that Alfred Deakin identified in PNG in the late nineteenth century have not disappeared with the colonial age. Deakin's conception of Australian strategic interests in PNG remains a key feature of current Australian defence policy. In Canberra's 2000 Defence White Paper, the Howard Government said of Australia's closest neighbours, specifically including PNG:

We would be concerned about major internal challenges that threaten the stability and cohesion of any of these countries. We would also be concerned about any threat of outside aggression against them. We have a key interest in helping to prevent the positioning in neighbouring states of foreign forces that might be used to attack Australia.⁴

Does this still make sense today? The answer is that as long as Australia continues to give priority to defending our own continent against even the remote possibility of direct attack, it will be important to do all we can to prevent any potentially hostile power operating from bases within easy range of Australia. Despite the many changes in technology since World War II, in the event of a future direct threat to Australia we would have all the same reasons as we had in 1942 for wanting to ensure that Port Moresby could not be used as a base to attack us.

An unstable, impoverished or disintegrating PNG would be an easier place for a potentially hostile power to establish the kind of presence that would cause Australia concern. The risk of this kind of thing seems remote today, but relatively small changes in our wider strategic environment, not in themselves very unlikely, could make such developments seem much less implausible. Steady attention over the decades to minimise such risks is a sensible precaution.

Transnational security

Reducing the risk of direct military attack is not the only way PNG matters to Australia's security. Transnational security threats are a much more imminent problem. These are not new concerns. Governments have always been worried about transnational crimes such as 'blackbirding', smuggling and piracy. Their urgency and importance have been increasingly recognised by governments all over the world in recent years—especially since 11 September 2001.

It is important to note that terrorism is not the major potential issue in PNG. With porous borders and abundant firearms and explosives, there is a small risk that PNG might be a staging post for a terrorist attack on Australia, but we need to keep this risk in perspective. Any concerns about terrorism are only an additional element to an already strong set of interests in preventing a dysfunctional PNG from becoming a base for transnational crime.

PNG is a poor country, but it is rich in resources. The weaker PNG's government becomes, the more attractive the country becomes as a base for semi-legitimate or illegal operators in industries such as logging, and other forms of transnational crime are also a threat to PNG and its neighbours. Drug production and smuggling, people smuggling and trafficking, gun trafficking, and money laundering are all serious problems in our region already. Government weakness in PNG is allowing these problems to become worse. There is evidence that the presence of transnational criminal groups in PNG is growing, taking advantage of PNG's weak immigration controls and poor policing. The bigger organised transnational crime becomes, the more government itself might be corrupted and undermined. All of this is important for Australia. Entrenched transnational crime in PNG would make it harder to control such crime in Australia, and would further weaken PNG's ability to deal with its other challenges.

Crime is not the only transnational threat we need to consider. Effective national action and international cooperation are also vital to combating threats like HIV/AIDS and pandemics like Severe Acute Respiratory Syndrome (SARS) and Avian Flu. PNG already has a disastrous HIV/AIDS problem. Without effective action in PNG, and if health services there break down even further, this could cause real problems for the management of HIV/AIDS in Australia.

And if the PNG situation spirals down very sharply, there is a risk that significant numbers of Papua New Guineans might try to flee to Australia. We must be careful not to exaggerate this risk. There is no history of large-scale people movements from PNG to Australia. But that is not a guarantee that such movements could not happen in future. Intense population pressures in PNG in the next few decades could make this a much bigger problem than it has been before.

Regional stability

These problems are potentially contagious to other countries in the region too. Already there is evidence of cross-infection between coups in Fiji, insurrection in Bougainville, and violence in Solomon Islands. Transnational criminal organisations entering the region via PNG would find it easier to operate elsewhere among our neighbours. So as PNG's problems become worse, the risk of them spreading around the region increases. There are also potential consequences for PNG's, and hence Australia's, relations with Indonesia. Movements across the long and rugged land border with the Indonesian province of Papua are hard to control at the best of times. If Port Moresby's ability to control the border continues to decline, and people movements increase, relations with Jakarta are bound to suffer again, as they have in the past.

PNG's success is also important to the prospects for the broader Pacific Islands region.

PNG's success is also important to the prospects for the broader Pacific Islands region. It has become clear in recent years that closer regional cooperation on many aspects of government will be essential for the future of the whole region. Substantial efforts are now underway to look at ways to foster such cooperation. These efforts can hardly progress if, in a country as big and important in the region as PNG, the quality of institutions of governance is in decline. For closer cooperation to work, each country's institutions are going to need to be functioning at a level at which they add to, rather than detract from, the collective effort.

Safety of Australians

Australia has a direct interest in the security of Australians in PNG. Numbers have fallen since independence, especially as the security situation has deteriorated, but today there are still some 6,000–7,000 Australians in PNG. Their safety is a natural concern for Australian governments. Too much has perhaps been made of the threats posed to the safety of expatriates in PNG by the decline in policing and justice—the main sufferers have been the Papua New Guineans themselves. But PNG is a dangerous place for Australians and other expatriates, and it could become much more so if trends continue. A large-scale evacuation of Australians and other foreigners from PNG in the event of a crisis is a scenario no Australian government can afford to ignore. We have a clear interest in limiting the likelihood of such a problem.

Commercial opportunities

PNG's challenges also represent an economic opportunity cost to Australia. Problems in recent years have limited the opportunities for both domestic and foreign businesses, including Australian firms. Australia's exports to PNG were worth \$808 million in 2003–04, making it only our 23rd largest export market. But there are still significant Australian investments in PNG, and Australian companies remain major players in many sectors. If conditions were to improve, the prospects would be brighter. PNG's relatively large and rapidly growing population and its abundant resources make it a potentially much more valuable economic partner. But realising this potential will be difficult unless PNG reverses the economic, social, political and security trends of recent years.

International credentials

Other countries in the Asia Pacific region and beyond, including the United States, expect that Australia, as the largest and richest country in its immediate region, will take the leading role in ensuring that the region remains reasonably stable and its countries remain viable. We have fed these expectations with the high profile and successful roles we have played in supporting East Timor and Solomon Islands in recent years. Other countries and governments will judge us on how well we manage similar issues in our immediate neighbourhood in the future, and their judgments will affect our international standing to a significant degree.

Looking ahead

Our thinking about PNG needs to focus not only on what the country is today, but also on what it could become. If things go well in PNG, in thirty years time it could be a country enjoying the incomes of a middle-income country with a GNI per capita of, say, US\$1,920 per year, in today's terms.⁵ It would be a clear asset as a partner for Australia in working to keep the region stable and secure, a profitable field for trade and investment, and a place Australians would love to visit.

PNG's population will grow quickly over coming decades, and PNG will loom ever larger on our horizon as its population grows.

And if things go badly? Then central government authority in PNG could collapse. Politics and the economy could be dominated by criminals, and the rule of law and respect for human rights could disappear. HIV/AIDS could reach catastrophic proportions. Health and education services could cease to exist. And the country could disintegrate into half a dozen lawless and unviable mini-states. Australian policy towards PNG needs to recognise the possibility that unless today's negative trends can be reversed, Australia may find within ten or fifteen years that our closest neighbour is a state in acute crisis, whose people live a Hobbesian nightmare of lawless misery, and whose problems threaten to spread to our other neighbours.

If this transpires, it will not be a small problem. Whatever happens, PNG's population will grow quickly over coming decades, and PNG will loom ever larger on our horizon as its population grows. It now stands at approximately 5.7 million, with around 50% of the population under nineteen years of age. It is estimated that it will have doubled by 2020, even with the prevalence of HIV/AIDS. And on some estimates, within the lifetimes of babies now being born, PNG's population will pass twenty million—not too far behind our own much slower-growing population projection. If PNG can do well, its growing population will offer real opportunities, though it would be in PNG's interest to slow the growth. If things go badly in PNG, the growing population will amplify the problems both within PNG itself and for Australia.

We need to ask ourselves what kind of effort is it worth our while making to avoid the second of these outcomes, and to help promote the first? We need to ask whether Australia would or could stand by and watch our closest neighbour beset with human misery. And we need to ask what might happen if we do not make a serious and successful effort now. If things were to deteriorate dramatically in PNG, what kind of steps would we then have to take to help rebuild it?

Australia's objective is for PNG to become a strong, stable, prosperous and effective nation.

Shared interests and objectives?

We should not take for granted that Australia's and PNG's interests are identical. Some Papua New Guineans think they are not. It is important to address this issue directly if we are to build a stronger relationship based on more active Australian support for PNG. Papua New Guineans' interests in the future of their own country are even more compelling and direct than our interests in having a stable and well-governed neighbour. But our overall objectives are broadly compatible.

Australia's objective is for PNG to become a strong, stable, prosperous and effective nation. We want to see PNG build a government that can maintain effective control of its own territory, hold together as a national unit, sustain good working relationships with Australia, and equally enjoy good relationships with many other countries. We want to help avoid PNG becoming even weaker. That means we want to avoid economic decline, national disintegration, erosion of key institutions, and improper levels of influence by outsiders, whether they be foreign governments or non-state actors.

It is for Papua New Guineans to decide how closely Australia's interests and objectives coincide with their own. There is a good basis for thinking that there are no deep or irreconcilable divergences in interests and objectives between the two sides of the Torres Strait. But on some issues our priorities may differ. For example, Australian interests might put a higher priority on some issues in PNG than PNG's own interests might. PNG's immigration controls, border security and transport security, for example, are probably a higher priority for Australia than for PNG itself. Where such differences in priority exist, we should acknowledge them directly and reflect them in our policies. But we should not exaggerate them. Fundamentally, we both want the same things for PNG.



SCOPING THE PROBLEM

Anyone who knows PNG can recite the catalogue of familiar woes. But to help make a durable contribution to tackling the obvious symptoms, we need to look more closely at their underlying causes. PNG's economy stagnates because infrastructure is poor, lawlessness is rife in some areas, corruption is endemic, land ownership is economically fraught, and policies are unpredictable and often not implemented. Law and order is a problem in part because the police are poorly paid, badly housed, and lack basic equipment such as vehicles and even telephones. A young population, insufficient economic opportunities, urban drift, and the weakening of traditional authority structures are also contributing factors. Infrastructure is poor because little is spent on maintenance, and a lot is wasted on new roads and other projects of doubtful value, many funded directly by politicians with no provision for maintenance.

Health and education services decline because funds allocated at the national level get diverted and budgets are consumed by wages bills, leaving little for the goods and services needed for functioning schools and health centres. And when they do get the funds, local and provincial officials often lack bureaucratic skills to make the systems work.

Throughout PNG fraud and misappropriation is commonplace: it is made easy by inadequate accounting systems and weak audit and enforcement capabilities. Parliamentarians bypass the public service to deliver resources directly to their constituents. Throughout the government system, officials are under-skilled, demoralised and demotivated. And in light of all this, many Papua New Guineans hold their government in contempt.

Looking back

A collection of stateless societies

All of these factors which underlie the obvious problems in PNG today are themselves symptoms of an older, tougher problem—the pervasive weakness of the state in PNG. That state weakness in turn has its origins in the most basic roots of government—the relationship between state and society. PNG was essentially stateless before contact with Europeans. It is not just that PNG's borders reflect the accidents of colonial competition between European powers rather than a pre-existing political community. The point is deeper: nowhere in pre-colonial PNG was there an active tradition of political organisation above the level of the tribal group, or any government machinery or broader political affiliation. This distinguishes PNG—and other Melanesian societies—from many of the other colonised cultures in Asia and elsewhere. In places such as parts of Indonesia and India, there was an indigenous concept of the state, even if the shape and institutions were, at least at first, a colonial imposition. PNG was a collection of stateless societies, like some of the colonised populations in sub-Saharan Africa.

Nowhere in pre-colonial PNG was there an active tradition of political organisation above the level of the tribal group, or any government machinery or broader political affiliation.

Past Australian governments had some understanding of the challenges of building state institutions in a stateless society. After World War II we settled into what was expected to be an indefinite period of colonial administration. Elsewhere in the world, colonial powers had begun to take seriously the need to move relatively quickly towards granting independence, even in stateless societies. British and French colonial authorities began, in different ways and with varying rates of success, to build state institutions in stateless societies by developing local elites and bringing them into roles of government and administration.

We took a different approach. In the first decades after the war, Australia's aim in PNG was not to build a state, but to develop administrative machinery to facilitate continued Australian rule by replicating Australian institutions. At the same time we tried to foster gradual development of the whole population through a slow, steady process starting with an expanding program of primary education. High school and tertiary education were much more slowly developed.

Gradualism gets overtaken

This gradualist model might have provided a robust foundation for independent statehood, if it had been allowed many decades to work. But the winds of change that had swept colonialism away everywhere else in the world were also blowing in the South Pacific. Robert Menzies—characteristically—spotted the trend earlier than most. 'If in doubt you should go sooner, not later', he said in 1960. In 1962 Australia's administration in PNG was criticised by a visiting United Nations (UN) mission for doing too little to prepare PNG for

independence. The first distinct stirring of PNG political pressure came in 1964, when PNG public servants objected to being paid less than their Australian counterparts.

Yet as it happened, the pressures for independence did not in the main come from PNG, but from Australia and beyond. The idea that PNG might one day become a state of Australia was finally abandoned only in 1968. There was growing discomfort within Australia about continuing a colonial role that seemed, in the modern world, no longer legitimate. Australians started to worry that international opinion, especially in Asia, would be critical of us if we remained a colonial power; then Opposition Leader Gough Whitlam said that PNG was the issue on which, more than any others, we would be judged internationally.

Australians also started to realise just how hard the task of developing PNG would be. Separatist unrest in Bougainville and around Rabaul in 1969 presaged complex political challenges which Australia did not want to take on. There was a view that PNG's problems would become harder for Australia to manage the longer we delayed, and could be overcome only by granting PNG independence.⁶

Independence

In December 1969 Australia declared that PNG should move to independence within a few years. PNG was poorly prepared. The institutional basis of government in PNG was still weak, despite twenty-five years of effort. The appropriateness of many Australian institutions, transplanted as they were in the expectation of long-term Australian administration, was doubtful, and the people of PNG had little stake in them.⁷ The reservoir of people with the education and skills needed to take over the running of the country was small—the results of the earlier determination not to cultivate a local elite came home to roost. The first Papua New Guinean to graduate from high school had done so only in 1957; the first to graduate from a university had done so in 1964. And some of the problems we now regard as typical of post-independence PNG—such as law and order issues and separatist impulses in Bougainville and East New Britain—were already manifest.

Furthermore, PNG demonstrably lacked a sense of nationhood.⁸ We Australians congratulated ourselves on having moved to grant independence before it was demanded by Papua New Guineans, but this had its downside. As Peter Hastings wrote in 1973, 'Australia has always been one step ahead in its responses to indigenous demands for representative political institutions—even if five steps behind in creating the political climate and broad political base in which they could work.'⁹

The lack of a sense of nationalism meant that there was no concerted pressure on Australia to quit PNG. That is not to say there was no sense of resentment towards Australia and Australians within PNG. The careless racism of colonial rule made such resentment inevitable. LP Mair observed in 1970 that independence would come both too soon and too late: 'too soon for the development of the resources in personnel that are needed to solve the problems of a twentieth century state, and too late for the end of paternal rule to be achieved without creating resentment and suspicion among its subjects.'¹⁰ Still many Papua New Guineans, acutely aware of the risks and challenges of independence, were alarmed at Canberra's determination to get out of PNG as quickly as possible, and worried about their ability to handle the responsibilities that would befall them. Some, particularly in the Highlands, opposed independence outright.

Even those Papua New Guineans who supported early independence, especially among Michael Somare's PANGU Pati, were deeply aware of the problems they would face. The development of secondary and tertiary education, and a political consciousness stimulated by issues such as the public service wage case, provided just sufficient stimulus to result in the emergence of a group of leaders ready to take on the challenge. There is something very admirable about the spirit with which this remarkable group of people—then young politicians, lawyers and public servants, many still active in PNG public life today—faced up to what was evidently a daunting but exciting challenge.

In the years leading up to independence in 1975, the subject of PNG was one of intense public interest in Australia, and it generated a wealth of trenchant discussion about PNG's future. In 1972, EK Fisk and Maree Tait asked 'is there in fact any reasonable hope of success in this aim, or is failure inevitable? Can chaos in PNG really be averted in any case?'¹¹ There was a lot of debate about the best form of political organisation for an independent PNG, and about the chances of democracy surviving.



Governor-General John Kerr at Papua New Guinea's Independence Day Celebrations, 1975. From the collection of the National Archives of Australia

In retrospect, it is easy to blame Australia for thrusting independence on PNG before it was ready, for adopting an approach to colonial rule that contributed markedly to PNG's key weaknesses at independence, and for asking an embryonic state to pick up burdens in PNG that we had felt were too heavy to bear ourselves. That would be a little unfair; and the record of other colonial powers in preparing other stateless societies elsewhere in the South Pacific or in other parts of the world is hardly better. Nor is it clear that Australia had much choice. The legitimacy of colonial rule collapsed before we had time to allow the policy of 'uniform development' to take effect. And although few in PNG demanded independence, many resented our role there. Perhaps Australia might have defied international opinion and retained control in PNG for several more decades, but only at a great cost—in money, standing and goodwill.

After Independence

In the event things did not go nearly as badly as many in PNG and Australia had feared. Many of the gloomiest predictions about PNG's constitutional trajectory proved inaccurate. Parliamentary democracy was not soon overthrown by a military coup or overtaken by a one-party state as some had feared. Instead, PNG went its own way, unique as always. No one predicted the way PNG's government structures actually evolved. Nonetheless, many of the underlying weaknesses proved real and enduring—they fundamentally shaped the way the country evolved, and made difficult the development of more effective state machinery.

For the first ten or so years, things went relatively well. Up until the early 1980s, institutions functioned reasonably effectively, the public service was purposeful and independent, and there was a broad sense of promise. But within little more than a decade of independence, there were some worrying signs. Political parties had not developed as had been hoped, and in their absence PNG's unique style of parliamentary politics had evolved. Political leadership and coherent cabinet government had degenerated. Law and order had declined to the point that a state of emergency was declared in Port Moresby in 1985 and the Papua New Guinea Defence Force (PNGDF) was called in to help police deal with raskol gangs.

The independence and professionalism of the public service were undermined by changes made to the *Public Service Act* in 1986, though the changes were in part a reaction by ministers to the inability of the public service to respond to the government's needs. The same year warning bells started to sound about the continued rise in government spending, and the bias in favour of current spending at the expense of capital investment and maintenance.¹² And service delivery had already started to decline visibly in rural areas.

This set the stage for the problems that have mounted for PNG since the mid-1980s: a flare-up of the Bougainville crisis, including the loss of PNG's largest single source of revenue, the Panguna mine; economic and fiscal crises; Paul Tohian's attempted police coup; the Sandline crisis, including the apparent threat of a military coup; worsening law and order problems; increasing corruption; declining service delivery; persistent economic problems; and eroding national morale.

Australia's policy after independence was to provide generous aid and other support to help independent PNG build up the state capacities that we had not managed to build during our administration. There were two flaws in the strategy. First, PNG's institutions

lacked the vigour and, especially, the public legitimacy and credibility to be able to reform and strengthen themselves. They were too weak to be able to enhance their strength, and instead dissipated it. Second, the kind of help PNG needed to build up its institutions was not the kind that could be provided through traditional conceptions of development aid—especially in the early post-independence days, when aid was narrowly focused on budget support and administrative support (through seconded public servants), economic development and service delivery.

PNG today

Where then does PNG stand today? Perhaps the best place to start is the very visible problem of service delivery. One central factor linking PNG's problems is the dramatic weakening of service delivery by the PNG Government in the years since independence.



Stilt village in PNG © Australian Picture Library/Peter Guttman

Across PNG there is broad agreement that the delivery of basic services has declined to the point where the lack of these services constitutes a critical constraint on progress. Economic growth and social development will not take place until vital services—law and justice, infrastructure (especially roads but also air transport and telecommunications), health services and education—have been established or re-established.

PNG's problems cannot be fixed just by tidying up Port Moresby and Lae.

The true locus of this problem is not the highly visible shanty fringes of Port Moresby and Lae, but the villages of rural PNG where over 85% of the population lives. PNG's problems cannot be fixed just by tidying up Port Moresby and Lae.

Services to PNG's thousands of villages were under-developed at the time of independence, and since then things have deteriorated across the board. Schools and health centres often hardly function, lacking the most basic resources. Across large areas of the country there is no regular police presence; when there is it is often ineffective or corrupt. Roads do not exist or are impassable. As a result agricultural products cannot be brought to market, fuel cannot be delivered to businesses and airports, and businesses cannot operate safely. Health and social problems such as HIV/AIDS and rapid population growth cannot be effectively tackled, and the skills base of PNG's future workforce cannot be developed.

Schools and health centres often hardly function, lacking the most basic resources.

PNG's leaders understand as well as anyone how important these services are, and the government has a sense of what should be done. But good intentions have not been translated into effective service delivery on the ground in PNG's villages. Admittedly, PNG offers daunting challenges to government service delivery. Many of PNG's villages are extremely remote and almost inaccessible. But the failures of service delivery create vicious cycles. Past failures make services much harder to deliver today. Poor roads make villages hard to reach. Poor education limits the pool of skilled staff. Poor policing means officials working and travelling in many areas are at risk from criminals.

All these problems could be addressed by appropriate policy decisions and administrative arrangements and deliberate, prioritised and incremental improvements. With generous aid and substantial revenue from resource projects, there seems to be no reason why these constraints could not slowly be overcome. That certainly was what PNG's leaders—and their Australian counterparts—hoped at the time of independence. Why isn't it happening?

There is a set of underlying causes, starting with the division of responsibilities in PNG. Three separate arms of government are involved in most service delivery, often in a number of different ways. Line Departments in Port Moresby—the National Departments of Health, Education, Works, and Police—set policies and provide staff. Budget priorities are set by Port Moresby's central agencies. Responsibility for the actual delivery of many services, and some discretion in allocating resources between them, falls to the governments of PNG's 19 provinces, which acquired new powers under a 1995 decentralisation program. Ministers and cabinet have inputs, as do individual parliamentarians, through their access to discretionary funding.

Three problems in particular undermine this process. The first is the current inability to match responsibilities for the development of policies with the budget and implementation process for projects. The second is the structure of the budget. Offshore debt repayments and the wages and salaries bill are having a crippling effect on PNG's service delivery. At present, 29% of PNG's budgeted recurrent expenditure is going to interest payments on the nation's debt, while nearly 42% is going to the salaries and wages of government officials. The remaining 29% is insufficient to deliver services, as most of it is eroded by administrative and utility costs or is being mismanaged and not going to the priority areas. So police are left without cars, petrol or telephones, teachers without books or even schools, health centres without medicines, and there are inadequate funds for officials to travel out

to villages. Of course, the immediate cause of this problem has long been recognised. In the main, there are too many public servants and they are unevenly spread across departments. But simply cutting the payroll is not an answer by itself, because other factors are at work as well.

The third key weakness in PNG's service-delivery capacity is poor administrative and management skills. PNG's best public servants are highly capable and committed people who are often doing remarkable things under very difficult circumstances. Nonetheless at both the national and the provincial levels of government, service delivery is hampered by poor administration, including lack of expertise in managing a budget, implementing a project, running an office and upholding rules and standards. Without these skills the challenges of delivering services on tight budgets in remote areas with primitive infrastructure become almost insuperable.

The public purse

It is tempting to conclude from this that a major part of PNG's service delivery problem is caused by PNG's poverty. That would be wrong. PNG is an under-developed country; but the standard of service delivery being achieved now is well below what could be afforded by PNG from its current revenue base, if that revenue were simply collected and spent efficiently. Indeed it is probably true that PNG can afford from its current revenue base to fund services sufficient to reverse the cycle that now constrains growth.

Indeed it is probably true that PNG can afford from its current revenue base to fund services sufficient to reverse the cycle that now constrains growth.

PNG's systems for the collection and management of public moneys are very weak: much of the money that should be available to fund services is not only wasted, but stolen. Corruption has been recognised for some time as a serious, and worsening, problem in PNG. It is a complex phenomenon; attention usually focuses on the moral weakness of those who betray the public trust. That is certainly a factor, but it is far from unique to PNG. What makes corruption a serious problem in PNG is the weakness in accountability and enforcement systems which make official theft in different forms easy to do and get away with. In any society where theft is easy and unpunished it will become more common. And where it becomes more common, it becomes more acceptable as a form of behaviour.

Transparency International Corruption Perceptions Index (CPI) 2004		
Country Rank	Country	CPI 2004 Score*
1	Finland	9.7
2	New Zealand	9.6
3	Denmark	9.5
3	Iceland	9.5
9	Australia	8.8
102	Eritrea	2.6
102	Papua New Guinea	2.6
102	Philippines	2.6
102	Uganda	2.6
102	Vietnam	2.6
102	Zambia	2.6
145	Bangladesh	1.5
145	Haiti	1.5

Anti-corruption organisation, Transparency International (TI), surveyed 146 countries and ranked them according to degree of corruption. The CPI score ranges between a clean ‘10’ and a highly corrupt ‘0’. A score of less than three indicates ‘rampant corruption’.

Source: Transparency International, www.transparency.org

Dysfunctional politics

Why is this allowed to happen? PNG has maintained a vigorous and actively contested form of parliamentary democracy. The accountability supposedly provided by participatory democracy is meant to curtail corruption by exposing the crimes of those in power to the sanctions of voters. PNG voters should, in theory, vote out those who allow corruption and mismanagement, and return to power those who have shown they can do better. But it does not happen like that.

While there have been some important and courageous attempts at constitutional reform, PNG’s parliamentary politics continue to involve a series of dysfunctional relationships. They start at the foundation, in weak relationships between voters and their parliamentary representatives. In the 1997 elections, 82% of voters cast their ballots for losing candidates—so the parliament was supported by only 18% of the voting electorate. This is by far the lowest level of support for an incumbent parliament in any long-term democracy anywhere.¹³ Around 50% of those who do get elected are thrown out at each election. This means that few politicians can count on a long-term political career, or focus on any but the most parochial local issues.

Parliamentarians in turn have weak relationships with their parties. This cuts two ways. It has weakened governments by making them susceptible to motions of no confidence in a parliament in which they cannot reliably command the votes of their supporters. The resulting need to shore up support from other members of parliament undermines budget integrity and promotes fiscal indiscipline. It also weakens the accountability of governments to voters via local members. Parliamentarians are not closely associated with

government or opposition in their electorates, so elections do not provide voters with a ready means to hold governments to account or express a preference for one set of policies or national leaders over another.

Although more recently, following the passage of the *Political Parties Act* and the presence in cabinet of some high calibre ministers, cabinet has been working more effectively, on the whole PNG governments could best be characterised as opportunistic coalitions. Lacking the glue of a shared program or convergent political agendas, ministers have weak relationships with their colleagues in cabinet. Party leaders carry little authority, so party and cabinet discipline is weak. Tough decisions are hard to make, and harder still to make stick, largely because of the weak relationships between ministers, ministers' offices, the central agencies and the line agencies responsible for implementing cabinet decisions.

Finally, the relationships between the national government in Port Moresby and the 19 provincial governments are often confused and counterproductive. The current arrangements require the two levels of government to cooperate closely in the delivery of services, so the weakness of this set of relationships is a major problem.

Deteriorating institutions

There have been efforts to address some of these issues through reforms such as the *Organic Law on the Integrity of Political Parties and Candidates*. But there has been a steady decline in many of the other institutions that in PNG helped to counteract the weaknesses of the political processes.

There is some good news too. Some key institutions, especially the Central Bank (which has been strengthened and had its independence reinforced by legislation) and the Ombudsman's Office, continue to serve PNG effectively, and many of the other institutions still have some effect. However, while many of the key institutions in PNG retain their outward form, they are losing the capacity to make up for the deficiencies of the parliamentary system. As they weaken, the capacity of PNG's government is being hollowed out from within.

The public service is perhaps the most serious example of institutional decline. The already-described decline in administrative skills is compounded by poor relations with the governments they serve. The quality of government suffers as a result. The combination of weak cabinet discipline and weak authority of ministers over officials makes it hard for the central agencies to do their job effectively, so PNG governments can lack central direction and fiscal discipline.

The judicial system has been lauded as one of the success stories of PNG, and the rule of law has been upheld. But this can no longer be taken for granted. The judicial workload is enormous—there is a large backlog of cases and an insufficient number of judges. There have also been several recent cases of judicial misconduct. Papua New Guineans have little faith in the system, since the backlog makes it seem as if criminals aren't being punished; they also feel that the courts go after minor criminals and not those abusing public office.¹⁴ Access to justice is also an issue—the judicial system is urban-centred, while most people live in villages. This all threatens to undermine the credibility of the entire system, with consequences for PNG's future.

The authority of the Auditor-General's office has also been damaged by recent events that resulted in the Auditor-General being dismissed for misconduct. The credibility of the Electoral Commission, once highly regarded, has not fully recovered from the serious problems that plagued the general elections in 2002, problems which have been only partly addressed.

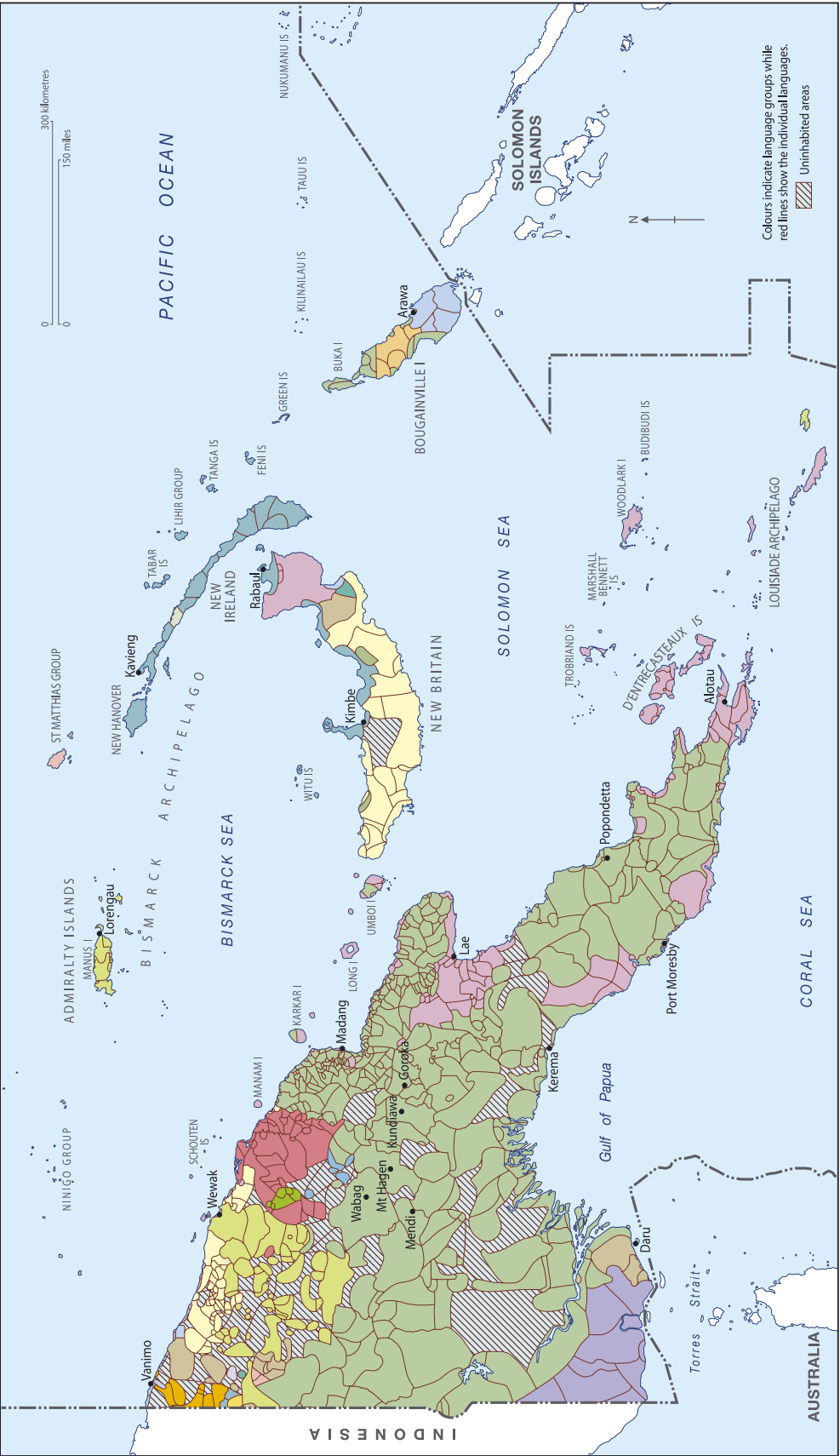
PNG's news media is pretty vigorous, and compares favourably with media in other developing countries. It remains relatively free of government-imposed constraints and both written and electronic media are prepared to be strongly critical of governments and politicians. But they have lost some of their capacity to perform their vital function of informing PNG's voters about the conduct and achievements of their governments. The key issues are reach and skills. The ability of the news media to reach most Papua New Guineans has fallen since independence, especially as the National Broadcasting Corporation's network of radio stations, which used to cover almost all of PNG, has deteriorated. FM radio piggy-backing on television and microwave signals has reasonable coverage; television claims to have over two million viewers; and Port Moresby is served by three newspapers, while some other centres also have local papers. But only a small proportion of PNG's population has regular access to credible news of national affairs. With news about the performance of governments not reaching the majority of Papua New Guineans, democratic accountability cannot function. And despite the efforts of some good journalists, the quality of news available is variable.

Assets

Against all these problems it is important to emphasise that PNG also has considerable assets, not the least of which is a host of impressive and committed citizens. Many of PNG's leaders, officials and businesspeople continue to do their jobs very well, and as official institutions have weakened, civil society groups have to some extent taken their place. Think-tanks such as the Institute of National Affairs, the PNG branch of the anti-corruption organisation Transparency International, church-affiliated groups, commercial businesses, and some gifted academics help to sustain a vibrant dialogue about PNG's direction. But their capacity to reverse the entrenched negative trends in PNG is inevitably limited.

Against all these problems it is important to emphasise that PNG also has considerable assets, not the least of which is a host of impressive and committed citizens.

PNG also has significant community-based resources: indigenous institutions and structures, such as local systems for managing disputes, continue to survive (albeit in weakened forms) at local levels. These are the structures that affect the daily lives of most citizens; the challenge is to somehow incorporate these into the national regulatory system.



Language groups in PNG. PNG has over 800 languages, reflecting a vast cultural diversity with until recently very little history of outside contact. Cartography by Keith Mitchell.

A deeper weakness

It is often said, both within PNG and outside it, that the weakness of PNG's institutions and politics can be traced to profound cultural, linguistic, historical and geographic factors. At one level that is self-evidently true: PNG has over 800 languages, reflecting a vast cultural diversity with until recently very little history of outside contact. It is evident that PNG's ethnic diversity is itself a major inhibition to economic development, complicating its service delivery and infrastructure development.¹⁵ PNG has some of the world's worst terrain for building roads. The colonial period was relatively brief. Almost all land is held under customary land title, and a deeply held social culture of mutual obligation within communities creates tensions with the demands of national identity and fair and effective administration.

This last factor, the wantok (*Tok Pisin* for 'one talk', usually referring to those from the same language group, clan or village) issue, is perhaps the most pervasive and elusive. The wantok system of today is an adaptation of the traditional kinship system. It involves a complex balance of relationships based on loyalty and mutual obligation, including giving favours in settings where individuals are away from their villages and the sharing of both burdens and excess. 'Wantokism' is sometimes offered as a one-word diagnosis of PNG's problems. Clearly it is an important issue: obligations to wantoks evidently impose real and often debilitating stresses on Papua New Guineans with authority or resources at all levels of society. Those who criticise PNG administration, and those who would seek to improve it, must take this simple cultural fact into account. PNG needs to find ways to manage the consequences of wantok obligations for the way governing is done in PNG.

Placing the wantok issue in a broader context may help us to do that. A strong sense of mutual obligations to one's immediate community is not unique to PNG. All societies, as they manage the transition to modern state organisations, have to balance the demands of traditional and deeply valued communal obligations with the demands of wider and less personal obligations to national objectives and institutions. Of course, this transition will not happen unless there are real benefits to be gained, such as better services and wider opportunities. On the issue of customary land ownership, for example, the state must function effectively to give confidence to customary landowners to register customary land.

PNG as a nation is an abstraction that seems to mean very little to most Papua New Guineans, and it has little on which to base a claim to their loyalty.

This issue remains especially significant in PNG for several reasons. The large number of small language groups—with, in many cases, little history of contact with outsiders—no doubt makes the claims of the community ahead of the nation unusually strong. Perhaps the most important factor, however, lies on the other side of the equation: the weakness of the modern state of PNG as a focus of affiliation and obligation. PNG as a nation is an abstraction that seems to mean 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. And the state lacks many of the most basic

attributes of state power, including an effective monopoly on violence and basic control over land. In PNG, land is not held in titles granted by the crown: it is held by customary right, over which the government has almost no effective power. Landowners demanding compensation are a serious impediment to development and a regular frustration for existing projects. Land tenure is a major administrative and economic issue, and a telling symbol of state weakness.

Nationhood

All this can be summed up very simply. 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. As Ted Wolfers foresaw in 1973: ‘An independent Papua New Guinea is likely to be a state without a nation.’¹⁶ The lack of service delivery undermines the sense of nationhood among Papua New Guineans. What Peter Hastings wrote in 1973 remains true today:

Few New Guinean villagers, comprising the vast majority of the country’s inhabitants, would perceive any connection between their own needs and desires and those of neighbouring villages as being part of a national pattern of needs, or that the true function of government, in the broad sense, is the satisfaction of those needs.¹⁷

This absence of a sense of nationhood is the foundation of many of PNG’s problems.

This absence of a sense of nationhood is the foundation of many of PNG’s problems. A weak government can deliver little to its people, so there is no reason for the people to offer it commitment. Officeholders, working for a government that has little popular standing, have little motivation to put the interests of the state and the nation above their own or those of their family. The resulting poor performance by the government further erodes service delivery, and reduces the standing of government in the eyes of the people.

This is the cycle which needs to be broken if PNG is to move on. Law and order, economic growth, better health and education, and more opportunities all depend in the first instance on the government being able to deliver better services to Papua New Guineans. For that the government needs to be stronger. For that, in turn, it needs to command more commitment from PNG’s people. As Ron May wrote in 2001: ‘What is needed ... is less institutional reform than a fundamental shift in patterns of political behaviour. If Papua New Guinea can achieve that, it will have done what few other post-colonial states have managed to accomplish.’¹⁸ And if Australia can find a way to really help and support and encourage this process, we will have done what few outsiders—and even fewer former colonial powers—have managed.

Australian aid to PNG

And what role has Australian aid played in addressing PNG’s problems? PNG is the recipient of Australia’s largest bilateral aid program—around \$330 million in 2003–04. In 2004–05 this has grown to \$436 million, with \$200 million of that going to fund elements of the ECP.

In the first two decades after independence the vast majority of Australian aid was provided as an untied, direct injection of funds into the PNG budget. This budget support began to be phased out in 1992 and ceased completely in 2000. Since then major priorities for the program have included strengthening governance; addressing law and order problems; supporting the development of civil society and the media; improving service delivery in critical areas, such as road maintenance, policing and the fight against HIV/AIDS; and helping to build prospects for sustainable growth. There has also been a focused effort to help consolidate the peace process in Bougainville.

The Enhanced Cooperation Program has of course built on and extended these priorities in substantial ways, and many Australian Government agencies are engaged in the effort. The PNG Australia Treasury Twinning Scheme (PATTS), which arranges staff exchanges between the PNG and Australian Treasury departments, has been in place for several years, and a number of officials from Australian agencies such as Treasury, the Department of Finance and Administration, and the Attorney-General's Department are taking up positions in the PNG Government under the ECP.¹⁹

In the last few years Australian aid to PNG has come under criticism, with some Australians arguing that aid money has been misused, and some Papua New Guineans complaining about 'boomerang' aid, saying that Australian aid primarily benefits Australian contractors. Some Papua New Guineans are suspicious of Australia's motives; a few believe that Australia actually wants to keep PNG weak. Many more, including many who recognise PNG's problems and respect Australia's motives in trying to help, doubt that the current program of aid is doing much good in tackling PNG's real problems.

A lot of the criticism is based on an unrealistic expectation of what aid can do. At one level, of course, our aid, and that provided by many other countries, non-government organisations (NGOs) and international agencies, does a lot of good. In recent years Australia has provided a significant amount of PNG's pharmaceuticals, 80% of the capital costs for education, and 82% of the maintenance costs of PNG's most important road, the Highlands Highway. It would be a mistake to overlook the importance and value of this kind of aid in alleviating serious misery and keeping things ticking over.

Important as it is, aid could never have stopped PNG's decline by itself, much less reversed the decline.

But while Australian aid to PNG is a lot of money by any standards, we need to keep it in perspective. Australia's aid has remained at about 17–18% of total PNG Government spending since 1989, which makes it very generous, but not predominant. The total amount can buy surprisingly little. By way of comparison, for example, \$330 million is not much more than it costs to run a single major hospital in Canberra for a year. So there are limits to what this kind of money can achieve against a task as vast as the development of a country of around 5.7 million people. Important as it is, aid could never have stopped PNG's decline by itself, much less reversed the decline.

This kind of aid does not directly tackle PNG's deep-seated problems of weak government. Increasingly in recent years, the strategic focus of our aid has been the transfer of skills needed for PNG to perform essential functions better itself, with a specific emphasis on capacity- and institution-building. A common approach is to provide consultants to work within or alongside an institution in a recipient country for a year or two. The objective here is right—to build stronger institutions that can deliver better services. But experience has shown that it is hard to make a lasting difference to the way an institution works in a place such as PNG by injecting relatively small numbers of people for relatively short periods of time. Often the skills that are brought by the experts leave with them at the end of the project, and little is left behind. Local employees can feel disempowered by the overseas experts, and the effect can be to weaken rather than strengthen the local capacity.

It is very hard for this kind of aid project alone to achieve lasting improvements in PNG's ability to deliver effective government to its people, because lack of technical skills is not the main problem. Even if skills are successfully transferred to local staff, they often make little difference, because the broader context remains unchanged. Poor performance is caused, as we have seen, by much wider problems—weak systems, dysfunctional structures and the lack of a bureaucratic culture of accountability in the public sector.

Many of the problems in service delivery in PNG are at the provincial and local levels. Some have their origins in the division of powers between different levels of government. Aid tends to be focused at the national level, but programs that do not reach into these other areas will have little chance of making a lasting difference. And public service cultures are even harder to influence. Institutional cultures take a long time to change even in the most adroit systems. Projects developed and delivered over a two or three year time frame will make little impact.

Sometimes too there may be genuine and legitimate differences in priority, and there is a danger that PNG's development objectives might become subordinated to Australia's concerns in the design of the aid program. Indeed the sheer demands placed on PNG's senior public servants in responding to and managing aid projects can themselves be a major constraint on the administrators' ability to get on and run their own organisations.

One critical consequence of diverging priorities and weak PNG commitment to projects is the tendency for aid to displace local resources, which are moved to what we might see as lower-priority areas. The obvious solutions to these problems of PNG commitment are to require PNG to provide its own resources to match those being put in by Australia, and to impose other conditions on the provision of aid, such as requiring reforms to other aspects of an institution in return for Australian assistance.

...tough conditionality can create a 'Catch 22': a weak system which cannot fulfil its promises, and so misses out on help that might strengthen it.

Some people who work in PNG think we should make much greater use of this kind of conditionality. But enforcement can be complex. In a weak state system where even simple decisions are hard to implement, the ability of the PNG system to meet its side of any bargain cannot be taken for granted. So tough conditionality can create a 'Catch 22': a weak system which cannot fulfil its promises, and so misses out on help that might strengthen it.

These problems are not faced by Australia's aid program alone. The same problems confront other aid agencies, both in PNG and in similar situations elsewhere in the world. AusAID tries to work closely with other donor governments, NGOs and multilateral aid agencies such as the World Bank, International Monetary Fund (IMF) and Asian Development Bank. Donors coordinate policies and programs to try to address some of the problems outlined above, but this can be resented by PNG as 'ganging up'.

All of these issues together create an atmosphere of tension around Australia's aid program with PNG. And since the Australia–PNG relationship has been largely based on the disbursement and receipt of aid, it has caused friction in the relationship.



Chapter 4

FINDING WAYS TO HELP

PNG, like other weak states, is hard to help. There are no ready precedents for successful government-to-government efforts to promote and achieve the kind of radical public sector reform, let alone root and branch state- and nation-building, on the scale that PNG needs. And PNG's geographic, institutional, cultural, security and political challenges make this task especially daunting.

What are the alternatives?

So what are the alternatives? One option would be to stand back and let PNG deal with its own problems. Some observers in recent years have argued that aid to countries such as PNG has done more harm than good. They say that it has been diverted to enrich an unproductive elite, and at the same time has reduced incentives for the kind of good policy that would allow market forces to drive and direct economic growth. It is hard to dispute that around the world, including in PNG, a lot of aid has been not just wasted but counterproductive.

There are three key issues for Australia. First, would PNG do better without our aid than with it and second, whether there is a reasonable chance that, left on its own, PNG could build a strong and flourishing state. There is reason to doubt whether this would be the case. Some countries that have inherently strong state structures may be better off without aid, which would only distort policy decisions towards sub-optimal outcomes. But in countries like PNG, with a flawed capacity to take and implement decisions, and without the capacity to provide the essential foundations of economic growth, the risks of aid withdrawal are high and the potential payoffs are low. The third key issue concerns the lessening of hardship in PNG. There is no doubt that aid has done

much to alleviate the day-to-day suffering faced by many Papua New Guineans, and will continue to do so.

A second alternative would be to move in the other direction and, in some way, take over key responsibilities for government in PNG. Until recently this would hardly have seemed an option at all. Thirty years ago Australia withdrew from PNG largely because colonialism had become untenable. For decades, anything that smacked of neo-colonialism was deeply taboo in the international community and in Australian policy. Now these issues are being rethought. After the crises in Somalia, Bosnia and Herzegovina, and Kosovo, there is some debate in UN circles about whether the international community needs to revive some version of the old UN trusteeship system. And the Australian-led RAMSI in Solomon Islands has provided one kind of model for a Pacific Island state inviting Australia and other regional countries to take over some of the responsibilities normally exercised by a sovereign government.

Might this kind of approach work in PNG? Apparently many Papua New Guineans suspect that this is Canberra's agenda, seeing Australia's role in Solomon Islands under RAMSI as a precedent, and some aspects of the ECP as confirmation. And some in PNG—especially outside Port Moresby—might welcome a return to some kind of post-colonial proconsular presence. But in truth such ideas are not, at the moment, in the realm of practical policy. PNG, for all its problems, is not in as bad a shape as Solomon Islands was before RAMSI, let alone like Somalia. If, some time in the future, effective government in PNG were to collapse, PNG itself might seek a RAMSI-style intervention, and Australia might conclude that there was no alternative to undertaking it. But we are still a long way from that situation yet. There is no chance at present of PNG's leaders seeking or acquiescing in this kind of intervention, and little likelihood that Australia would be prepared to pick up again the burden of responsibility for PNG that it laid aside in 1975.

A third option is to leave our policy settings where they are, and await developments. With the ECP, the Australian Government has already undertaken a major expansion of our commitment to PNG, and has committed a lot of extra money to back that commitment up. It might make sense to give these initiatives time to have an impact, while perhaps undertaking new projects of the same kind as opportunities arise.

This approach appeals to the prudent principle of taking things slowly and incrementally, and allowing initiatives time to work. But it has two drawbacks. The first is that, while the ECP is a good start, it is clear that on its own it will not be sufficient to turn the situation in PNG around. The best that can be hoped is that it will slow the rate of decline in some areas, and perhaps make some local headway. But it will not reverse PNG's negative trajectory. Second, we should not assume that we have the luxury of time. As things in PNG get worse, the risk of a collapse becomes higher. The longer we delay the search for a more effective policy, the higher the chance that we will act too late to prevent collapse.

The fourth option

The fourth option, then, is to look for a new policy approach that would allow Australia to play a more active part in helping to strengthen PNG's government, without assuming a proconsul-like role. Such a program would need to be big and well-funded, even compared to our current aid program. What might such a policy approach look like? It would need to have the following seven characteristics.

Long time frame. First, it would have to focus on the deeper sources of PNG's weakness discussed in this paper. Strengthening the national government capabilities and institutions that PNG needs is going to take our neighbour a long time, so our program of support likewise needs to have a long time frame. Nothing lasting can be achieved in three or five years, and little enough in a decade. We need to think instead in terms of generations.

Within that time frame, we need to work deliberately. In the short term there is an urgent need to stabilise PNG, prevent further decline, address urgent problems like HIV/AIDS, and get services moving in critical areas. And there is a need to make a clear commitment now to undertaking a long-term, generational partnership with PNG in strengthening the state. But approaches to the deeper problems will need more thought. Trying to do too much at once would be counter-productive, as it would be beyond PNG's capacity to absorb.

Local momentum. Second, a new program of engagement would need to work with the reformers in PNG and help build broader demand for reform. We can only help if we can first assist in building a demand for better government within PNG, and if the solutions we help to promote are genuinely desired by Papua New Guineans. Neither the desire for reform, nor the nature of that reform, can be driven from outside. The initiative must come from Papua New Guineans.

But we must frankly acknowledge a dilemma here. On previous experience, Australia can do little more than we are already doing to help strengthen government in PNG, unless demand for better government in PNG is stronger than it seems to be now. So what should we do? It is often said that most Papua New Guineans recognise the need for reform and are keen for it to happen. The foundations for reform are already there, along with a host of talented and dedicated political leaders and administrators; the beginnings of an active and dynamic debate about reform among PNG leaders; and some promising initiatives such as the new organic law on political parties, the revival of the Parliamentary Public Accounts Committee, the program to introduce preferential voting, and major reforms to the workings of the central agencies under the public sector reform plan.

But while there are a significant number among PNG's leadership and people committed to change, many others remain reluctant to launch major reforms, and are ambivalent about deeper Australian involvement in PNG. So the real question is how far Australia can go in helping to build demand in PNG for better government, encourage renewed commitment to state- and nation-building, and increase enthusiasm for a larger Australian involvement in the process.

There may be something we can do about this. Papua New Guineans' recognition of their country's problems is often offset by a deep fatalism—a view that PNG will always suffer from state weakness, and that there is nothing that can be done about it. To help build commitment to renewed state- and nation-building, people in PNG need a realistic idea of what that might mean, how it might be achieved, and where it might lead. The prospect of a broad-based program of assistance, backed by Australia, might help provide clearer hope that things could improve. The psychological impact of a high-profile Australian commitment to a long-term, generational program of engagement in strengthening PNG's government could start the ball rolling. And beyond this, any program of Australian engagement needs to put a top priority on measures which help sustain and build demand for effective government and strong institutions among PNG's people.

Homegrown solutions. Third, any program of state- and nation-building that Australia tries to support in PNG must promote PNG's solutions to its own problems. We need to be absolutely clear from the Australian end that the aim of the program is to help PNG achieve the reforms, and build the nation, that Papua New Guineans want. Any Australian-backed program needs to work with Papua New Guineans to build on the reforms already under way in PNG and, by doing so, strengthen the momentum for reform which is already there. But we must also be prepared to work with Papua New Guineans to look at radically new solutions that suit PNG. We may already have put too much effort in the past into propping up institutions in PNG that do not work.

Any Australian-backed program needs to work with Papua New Guineans to build on the reforms already under way in PNG and, by doing so, strengthen the momentum for reform which is already there. But we must also be prepared to work with Papua New Guineans to look at radically new solutions that suit PNG.

Mutual responsibility. Fourth, an Australian program of closer engagement would need a mature and effective sharing of responsibility on both sides. We would need to negotiate arrangements under which Australia could be confident that its resources were being effectively used. Arrangements would be needed to prevent PNG moving resources out of areas receiving Australian aid, and ensure that PNG fulfilled its side of project agreements. This might require, for example, some Australian involvement in the setting of PNG budget priorities. That would be uncomfortable for many in PNG, but it would seem hard to avoid if the problems with current aid projects are to be overcome, especially if the aid program included a return to direct budget support from Australia, which it might.

Comprehensive approach. Fifth, this kind of program would need to be comprehensive. As we have seen, PNG's problems exist at many levels, from the day-to-day maladministration of services to the deepest questions of national identity. All of these levels are interconnected, and an effective program needs to target all of them over the long term. This is very demanding, especially at the institution- and nation-building levels. At the same time a program would need to recognise and reflect the different priorities that Australia and PNG might have for particular programs. Australia's priorities in the short term might focus on some security related issues which are less important to PNG, and indeed less important to Australia's own long-term objectives for PNG's future viability. These differences in priority need to be acknowledged and addressed.

Working with other donors. Sixth, we would need to work effectively with other aid providers. Australia naturally tends to assume the lead in helping PNG, but other countries, NGOs and multilateral agencies have a lot to offer in both resources and expertise. None of PNG's major donors have objectives very different from ours. We have everything to gain by working closely with them, and that means drawing them into the process of designing a new program of engagement as early as possible, and coordinating with them the program's implementation. We also need to work with others to learn from our own

mistakes in aid delivery in the past—asking ourselves what has worked and what hasn't, and why—and to see what we can adapt from approaches being tried in similar situations elsewhere in the world.

Strong bilateral relationship as a basis. Finally, and as a result of all this, a long term, comprehensive program to help strengthen government in PNG would require that we develop a new kind of relationship between our two countries—more open, more trusting, more frank, more engaged and more committed to working together from both sides.

A sketch of a program

This is not the place to define in any detail what such a program might look like. That is a matter which can only be discussed between Australians and Papua New Guineans. But if Australia is to make a first approach, and if PNG is to think about how to respond, it might be helpful to offer some preliminary ideas about what might be involved. Any program would need to cover four elements—it would need to strengthen the relationship, strengthen the state, strengthen the economy, and strengthen the nation.

1. Strengthen the relationship

The essential first step is to start building a new and strong relationship between PNG and Australia. In the first instance we need a detailed, intensive, high-level dialogue about the issues canvassed in this paper. This dialogue needs to include both countries' senior political leaders, but it must also extend beyond them to draw in opinion leaders and key players on both sides, including churches, NGOs and the private sector.

The essential first step is to start building a new and strong relationship between PNG and Australia.

The aim should be both to set a new direction for the relationship which would provide a foundation for closer Australian engagement in PNG, and to establish infrastructure to carry the relationship forward. At the government level this could include the negotiation of a new Joint Declaration of Principles, building on the important agreement reached in 1987, but broadening and deepening it to reflect the demands and opportunities of our current situation. It should involve the establishment of regular—perhaps twice-yearly—bilateral meetings between Prime Ministers to manage and direct the relationship and the development of new programs, and much closer and more regular meetings between PNG and Australian ministerial counterparts. It might extend to inviting PNG ministers to the regular conferences of Australian state and federal counterparts which already often include New Zealand colleagues.

This kind of closer government-to-government contact will be essential if we are to develop and implement a program of closer Australian engagement in PNG. But such efforts need to extend beyond government as well—the relationship needs to be broadened as well as deepened. We should look at establishing an Australia–PNG Council, along the lines of the Australia Indonesia Institute and other bodies, to develop wider links between us. We should also consider convening a regular Australia–PNG Dialogue along the lines of the Australia–US Leadership Dialogue, which would bring together senior Australians and

Papua New Guineans from government, NGOs, academia, journalism and the private sector, to allow informed but informal off-the-record discussion of sensitive issues.

There is a need to increase mutual understanding of and fondness for each other's country. We should therefore commit resources to promoting cultural, student, and academic exchanges, and launch a focused campaign to develop Australian expertise on PNG by funding more high-level academic work. We should also look at ways to expand people-to-people contacts by easing limits on the movement of people both ways. From Australia's end we could make it easier for Australians, including young Australians, to spend time in PNG by expanding volunteer service opportunities and exchange programs. We should invest in the future relationship by fostering links between young people. This should include making a special effort to bring PNG's future leaders to Australia for their education, and PNG's promising athletes to Australia for their training and development. It should also include establishing a Young Leaders' Dialogue.

...expand and improve programs designed to help PNG strengthen the state and its institutions.

2. Strengthen the state

The second key step is to expand and improve programs designed to help PNG strengthen the state and its institutions. In some cases this needs urgent attention to improve service delivery, stabilise the situation and allow longer-term measures time to work. In many cases, we can build on existing programs if clear agreements between Canberra and Port Moresby can be reached to address some of the current problems described earlier in this chapter.

Early priority might be given to increasing support to existing projects aimed at four key areas:

- first, strengthening central agencies to improve policymaking and coordination, budget-setting and financial management;
- second, providing support for major reforms to the handling of public money, including stronger investigation and enforcement capabilities to attack corruption;
- third, introducing a major program to build administrative skills in the PNG public service, including a major program of secondments to Australia, a project to revive PNG's Institute of Public Administration, and a major campaign to help improve provincial and local administration;
- fourth, supporting a major overhaul of the distribution of responsibilities between national, provincial and local levels of government to remedy serious structural defects.

Another early priority would be to sustain and perhaps expand direct Australian support for the delivery of critical services. In education, we might help to re-establish the old national high schools to improve secondary education, offer more opportunities for PNG students to study in Australia, and increase direct support for PNG's critical primary education sector. In law and order, we could look at ways to expand the major effort already under way with the ECP. In health we should explore urgent measures to combat HIV/AIDS. In infrastructure we

could expand support to roads and telecommunications development and maintenance. And we could intensify our efforts under the Defence Cooperation Program to support the development of a more capable PNG Defence Force better matched to PNG's needs.



An AIDS public awareness campaign dominates the roof of Goroka's Central Market. AFP/Blackwood © AFP 2004

There are some areas in which Australia and PNG might want to discuss passing responsibility more directly to Australia. Some functions in PNG which are a high priority for Australian interests, including customs, immigration and transport security, might be handed over for Australia to run at its own expense, though obviously in conformity with PNG policies. Australia and PNG might also look at sharing institutions in some areas which would avoid duplication, save money, and provide a better service to PNG.

This kind of assistance would encounter a number of practical problems in implementation. They include the difficulty of passing on skills through advisory or in-line secondments of the kind we are undertaking under the ECP, and ensuring local staff's skills don't actually regress because they are discouraged or de-skilled by the help that has been provided. Part of the solution will be to embed this element of the assistance package into the wider program of nation-building. Another element will of course be to ensure that people posted into these jobs are trained in passing on their skills, and not just trained in the skills themselves. More broadly, cultural awareness and historical and political understanding on the part of the deployed staff is critical to success. Intensive training (including language training) is vital.

A related problem, also being faced with the ECP, is the difficulty of integrating expatriate and local workers in an organisation when the expatriates enjoy much better salaries and living conditions. It can be easy for Australians to underestimate the social and personal impact of such inequalities on the feelings and attitudes of Papua New Guineans, especially as such disparities resonate with the cultural or personal memories of colonialism. This issue needs to be tackled creatively and sensitively, in a way that does not leave the disparities too stark.

3. Strengthen the economy

Clearly poor economic performance is both a cause and an effect of PNG's problems of government. Measures directly aimed at strengthening PNG's economy need to go hand in hand with other elements of a program of state- and nation-building. Opportunities may exist to facilitate PNG's economic development more directly by helping to improve economic policies and macro-economic settings; offering market access; and undertaking targeted infrastructure and other projects which could help get sustainable development moving, provided they make sense in market terms.

The private sector needs active support, as it will be the engine of growth. This might include providing support to PNG local businesses and increasing access to Australia's market, as well as encouraging Australian investment in PNG. Continued economic reform could include reforming the regulatory environment to remove constraints on foreign investment and local entrepreneurialism, such as current company registration requirements and work permits, and privatising state-owned enterprises, particularly telecommunications.

Australia is PNG's major market. Economic access to Australia could therefore play a significant part in stimulating economic growth in PNG. Measures that are relatively insignificant in the context of the size of the Australian economy could considerably assist PNG's economic growth. These could include simpler access for PNG citizens wanting to travel to Australia for market development and management training, as well as improved quarantine procedures for PNG produce entering Australia.

It is also time to seriously explore the social and economic implications of granting PNG citizens access to Australia's job market.

It is also time to seriously explore the social and economic implications of granting PNG citizens access to Australia's job market. Short-term work visas to Australia would give opportunities to young Papua New Guineans whose prospects in PNG are very limited. It would take some of the pressure off PNG's economy to create jobs, increase incentives for young Papua New Guineans to develop new skills, provide extra cash, and enable Papua New Guineans to return home with experience that would benefit themselves and PNG.

Finally, PNG's customary land tenure system is deeply embedded in local cultures, but it is also an issue of economic development. Wholesale reform of the land tenure system is often proposed as an essential condition of the economic development of PNG. But the deeper significance of the issue to PNG's economy is a matter of debate, and major reform will remain beyond the capacity of any PNG government until the state is better understood and more trusted and respected than it is today. There would, however, be merit in undertaking systematic work aimed at improving the capacity to work with the current land tenure system to maximise economic opportunity, and to lay the foundations for longer-term reform.

4. Strengthen the nation

Most fundamentally, Australia needs to work with PNG in a long-term program of nation-building. This is both the hardest and the most important part of the process. Australia should look at ways to help build up a strong sense of national identity in PNG, and promote a broader sense of community.

One important nation-building initiative would be to support improved media coverage of national issues so it reaches all sections of the population. Its aim would be twofold. First, it would foster a greater sense of nation by telling Papua New Guineans about Papua New Guinea. This might help to establish countervailing loyalties that work against the wantok system. Second, it would help to establish an accountability connection between the elected representatives and voters by creating a situation in which people see their problems in a national context, and therefore have increased expectations of their elected representatives.

One important nation-building initiative would be to support improved media coverage of national issues so it reaches all sections of the population.

Effective news media is essential to making governments accountable to electors, and to electors feeling connected to and empowered in national politics. Strengthening the media's capabilities and reach would make a major contribution to building a sense of nationhood and helping voters understand the links between local issues and personalities, and national affairs. Radio is especially important here.

Australia already has an active and growing program of providing support to the PNG media, but more could be done. Australia and other countries could establish a project to restore and maintain the radio broadcast network and satellite television coverage throughout PNG to allow all Papua New Guineans access to national media. We should also provide support to the development of improved news services covering issues at both the national and provincial levels.

Support might also be given to developing other programming. One initiative would be fostering the development of PNG radio and television drama series dealing with the affairs of ordinary Papua New Guineans—a kind of *Blue Hills* and *Neighbours* for PNG. Such programs, if well made, could do much over a long period to build a sense of nationhood in PNG and contribute to an understanding of PNG's opportunities, problems, and place in the region and the world.

The development of sport in PNG would help to build many Papua New Guineans' identification with their country. AusAID now provides support for soccer in Solomon Islands and for sport in the broader Pacific region. It makes sense to provide support for PNG's national sporting development, particularly its rugby league. This could include support for the game at both community and national levels, and support for a national rugby league training centre. And the involvement of one or more PNG teams in Australia's National Rugby League competition, if broadcast throughout PNG, might do more to build PNG's sense of national identity than anything else we could do.²⁰

The development of sport in PNG would help to build many Papua New Guineans' identification with their country.

Free, fair and efficient elections are central to sustained strong democratic rule. Recent elections have indicated real strain on the PNG Electoral Commission's capacity to manage elections, and the task will become harder in future with the added complexity of preferential voting at the next election. The Australian Electoral Commission already provides significant support to the PNG authorities, but this was not enough to prevent major problems at the last election. Australia could undertake a major project to strengthen PNG's election administration, and provide additional support at election times.



A voter has his finger stained to prevent multiple voting. AFP/Blackwood © AFP

Additional support might also be given to strengthen PNG's civil society, in particular through women's groups. Women have a vital role to play in PNG. Women are often more focused than men on a better future for their children and themselves, and experience elsewhere shows that women are often critical in raising demand for better government services. But they face many challenges, including low status and widespread domestic violence, rape and sexual assault. AusAID and NGOs such as UNIFEM are doing much to improve the lives of women in PNG. There is a clear need to increase women's participation in decision making at village, provincial and national levels.

Finally, PNG may need to undertake more fundamental constitutional reform to evolve systems which work better in PNG's unique circumstances. This will inevitably be a long process, but it will be important to the task of nation-building. Australia should be prepared to do what it can to help.

First step

The first step would therefore be for Australia to seek to initiate a senior, multilevel discussion with PNG about how such a program aimed at strengthening the relationship, strengthening the state, strengthening the economy, and strengthening the nation, might be pursued.

Careful but ambitious

If, with PNG, we could build a relationship that would allow us to work together on a program something like this, and if we were committed to sustaining it for a generation or more, it would make a real difference in PNG. It would not come cheap. The roughest of estimates suggests that a full-scale program to address all these elements might cost as much as an extra \$500 million per year or more, on top of what Australia spends in PNG already—this would make for a total of around \$1 billion a year. And it certainly cannot be done unless a lot of Australians are prepared to commit themselves to working in PNG, not for high salaries and allowances, but for the rewards of the work itself in this fascinating place.

George Kennan once wrote, ‘The ways by which peoples advance towards dignity and enlightenment in government are things that constitute the deepest and most intimate processes of national life. There is nothing less understandable to foreigners, nothing in which foreign interference can do less good.’²¹ These wise words enjoin caution and modesty. But they should not dampen our hope that PNG can live up to its promise and become the country we would all like it to be. And they should not discourage us from trying to do all that we can to help.



Perspective: Papua New Guinea

Mr Charles Lepani

Strengthening PNG's state and Australia's role

Decentralisation

PNG is facing many difficulties in its efforts to build a nation state. The founding fathers of PNG's Constitution set in motion the decentralisation process and the train just does not seem to be going anywhere. The slogan 'National Unity through Diversity' sounds a remote hope today rather than the political force that many of us thought could provide the overarching beacon to guide PNG after independence. Decentralisation is not bringing Papua New Guineans together as a nation and not strengthening national unity as much as we had anticipated, after nearly 30 years of independence.

If the dilemma today is the weakness of the state and its institutions of government, why then do we persist in pouring in resources to sustain it? We need to acknowledge that the foundations and underpinnings of a functioning state are not as strongly founded as we had hoped. The trappings of parliamentary democracy and representative government and institutions of state are present. But linkages amongst them to provide the coherency and cohesion for the state to function effectively are weak.

Decentralisation was meant to bring government and decision making closer to the people. This has not happened because of an underlying fear by many Papua New Guineans and our leaders that if decentralisation was well resourced and effectively functioning they would contribute to a more rapid disintegration of PNG as a nation state.

We Papua New Guineans have accumulated a substantial body of experiences and a collective institutional memory in attempting to

build a nation state. We should be able to say that some of the building blocks are either not suitable or defective. We need to overhaul them. One emerging idea is to give provinces which have performed relatively effectively the resources and autonomy to continue the good work and to take the burden of development from the central government. The national government with its myriad of responsibilities cannot wait for all provinces to develop equally. The lack of effective decentralisation has contributed to the weakening of the nation state over the years since independence. We have failed to acknowledge the disparities in resources endowment, distribution of the benefits of development and, more importantly, that our nation was born of 800 or so different ethnic groupings. It has taken us 30 years to realise that effective district level administrations remain the focus of development and the link our people needed to sustain PNG as a nation.

Provinces as entities or vehicles for holding power and dispensing development may need to be reviewed. More workable entities based on common linguistic heritage, cultural and traditional trading linkages, should be considered in reforming workable political boundaries as vehicles or entities for decentralised development. This implies a range of options from large tribal aggregations of linguistic groupings such as in the highlands, to the Kula trading community in Milne Bay.

Role of development partners

Development partners (DPs) have contributed greatly to whatever development has taken place since PNG's independence. However, development policy coordination and planning have been contracted out to DPs over the last 15 years or so. Recent reviews of foreign aid to PNG have pointed to several factors that make use of this aid difficult, and cumbersome. They include the regularity with which DPs change the way they provide their aid to PNG making aid coordination burdensome for the PNG public servants. PNG also created its own budgetary management problems. The two budgets it provides annually have contributed to lack of fiscal cohesion and coherence with policy.

The Medium Term Development Strategy (MTDS), regarded as the centerpiece of PNG's development policy, has almost become a tourist type document handed out at Jackson's airport to donors and consultants. Donors then glean through it and decide which destination of PNG's priorities they like, to direct their funding to. It is not surprising that PNG then feels comfortable and at times exonerated in subcontracting its own development priorities for funding to the donors. Australia bears 80% of the burden of funding them. These priorities are Health, Education, Infrastructure (road transport), Governance and Administration, Law and Justice and Bougainville. The consequence of this separation of the Budget is that the recurrent spending has been allowed to continue without any tangible linkage to development priorities by default. For such an important document, MTDS attracts hardly any debate in Parliament, again a sense that it is the donors' document.

A single annual budget document could be a good start to budget reform.

Another reform and rationalisation to aid coordination and disbursement has been proposed elsewhere.* A National Development Trust Fund could be set up into which donors and PNG Government may jointly contribute and jointly manage. Donors need to be confident of the risk management issues involved. For PNG, its counterpart funding

* CW Lepani & F Williams-Igara, December 2003.

could be sourced from revenues from sale of state assets, dividends from state enterprises and equity holdings, and a proportion of minerals and petroleum taxes. The Fund could be used to fund PNG's priorities or concentrated on one priority that could make a substantial impact to development. It could for instance be used solely for roads, wharfs, airstrips and communication. The dividend contribution to the Fund from the state enterprises could be attractive to these institutions, if they could access finance to fund capital expansions with low interest concessional loans from the Fund.

This is an option that could be considered under a donor harmonisation effort.

The Rt Hon Sir Mekere Morauta, Kt MP

There is much in the ASPI paper that I agree with, but there are some aspects I doubt.

Weakness in state institutions is both cause and symptom of many of our problems. But it is not Australian policy failure, or the type of aid we have received from Australia, that is the cause.

I am reminded of the advice of Sir John Crawford, when I was a young Secretary for Finance: "Friend, you have started so well—good policies, good institutions, good decision-making structures and processes. The challenge will be to sustain these standards."

How right he was. We did start well. In the 1970s and early 1980s the public service was independent, coordinated, and worked in the public interest. Other state institutions also worked.

What went wrong? A combination of factors, all intrinsically Papua New Guinean, is the cause: too hasty localisation in some areas, the failure to make difficult decisions, the failure to invest wisely for the future, the 'bigman' culture of politics, politicisation of the public sector, and use of state power and privilege for personal gain.

Sadly, these are not recognised by many Papua New Guineans, especially those in power, as being problematic. Indeed, institutional weaknesses are now so widespread that many players—up, down and across the system—benefit from the weakness, and see no benefit in change.

Weakness in state institutions is a problem that friendly foreign governments and agencies can help us overcome, in the shape of financial resources and technical assistance, but *only if* the Papua New Guinea Government and society are driving the reform—conceiving it, being convinced of its importance, finding appropriate solutions and seeking help to implement those solutions.

Assistance for institutional reform should be in two phases. The first should focus on stabilising the situation, whatever the agreed problem target area, to ensure that it does not get worse. The second should help envelop the stability achieved into an institutional structure to prevent the problem from recurring.

In an earlier draft, the authors suggested Australia might establish a Central Budgeting and Financial Management Project. In the first instance, such a unit might help departments budget better, prioritise expenditure better, and control expenditure better. But unless

such capacity is integrated into the institutional structure, it will depart with the Australian personnel. It is not just a question of training Papua New Guineans better in these skills, or having a better financial information system. It is a question of having in-built checks and balances, of having a system and process of decision-making that use the skills and information available, of having bureaucratic and political leaders who respect the system and through their actions strengthen it.

I am worried that the Enhanced Cooperation Program is too much at once, and expensive for what it might achieve. *What is critical for any measure of success is for Papua New Guinean officials to be deeply involved in it and for people to see tangible accomplishments, soon.*

Corruption is identified as a target area of the ECP. Without question, state prosecution is weak. Police investigation and prosecution are weak. The judicial process is slow and, at lower levels, malleable. Papua New Guinea, especially Port Moresby, is a small place. Everyone knows which public employee or which politician has stolen what, or received what bribe. Our jails are full—but not with people who have stolen from the public purse. Petty thieves are caught and successfully prosecuted. Big thieves get away, despite the evidence. Papua New Guineans want to see the big thieves go to jail. Ten successful prosecutions of corrupt leaders will go a long way to demonstrate to other corrupt or would-be corrupt people that they might not get away with their crimes. Ten successful prosecutions of corrupt people in high places would also demonstrate to ordinary people that the law was prevailing—and order may well ensue.

Perhaps the ECP should at least initially focus on activities that will produce outcomes that Papua New Guineans can associate directly and immediately with the Australian intervention. It will then be welcomed with open arms.

A suggestion which has also been raised is a land tenure project. What is critical is not registering land, or trying to persuade commercial banks to accept land as security. What bank based in Port Moresby could exercise a mortgage over land inhabited and/or cultivated by villagers in a remote location? The critical issue is how to bring land into more productive use. If we have learned one thing in agriculture over the last 30 years, it is the value of the nucleus estate. What needs to be encouraged are projects of sufficient scale that the “nucleus” company is able to extend finance to people in adjacent areas to the estate to work their own land, with the loans repaid through sale of produce; to provide extension services; to develop local infrastructure in conjunction with the state—roads, bridges, schools, health centres. Vigorous pursuit of such projects—in oil palm, rubber, timber, cocoa, spices and food crops—is what is required.

Australia’s increased assistance to Papua New Guinea is welcome and, from both Australian and Papua New Guinean perspectives, 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 wellbeing has an immediate and direct effect on Australia’s well-being. The question is: how best can Australia help us, Papua New Guinea, to help ourselves?

Endnotes

- 1 Michael Ignatieff has recently written of ‘the emerging crisis of state order in so many parts of the world—from Egypt to Afghanistan—[which] would eventually become a security threat at home.’ Michael Ignatieff, ‘The Burden’, *New York Times Magazine*, 5 January 2003, p. 11. And Francis Fukuyama has written: ‘The ability to shore up or create from whole cloth missing state capabilities and institutions has risen to the top of the global agenda and seems likely to be a major condition for security in important parts of the world.’ Francis Fukuyama, *State Building: Governance and World Order in the Twenty-First Century*, Profile Books, London, 2004, p. xi. See also Simon Chesterman, Michael Ignatieff & Ramesh Thakur (eds.), *Making States Work: State Failure and the Crisis of Governance*, United Nations University Press, Tokyo, 2005 (forthcoming).
- 2 As Francis Fukuyama contends: ‘We know how to transfer resources across international borders, but well-functioning public institutions require certain habits of mind and operate in complex ways that resist being moved’, *ibid.*, p. ix.
- 3 For the purposes of this paper, ‘state’ is defined as the institutions and arrangements of government, and ‘nation’ is defined as the community of people bound by shared identity, interest and commitment to their country.
- 4 Department of Defence, *Defence 2000: Our Future Defence Force*, DoD, Canberra, 2000, paragraph 4.8.
- 5 PNG’s Gross National Income (GNI) per capita (Atlas method), as measured by the World Bank (2003) is US\$510. The GNI per capita is calculated by dividing the gross national product by the mid-year population and refers to the share of each person in the total value of products and services produced including the income that flowed into the country during a given year. The World Bank defines a middle income country as a country with a GNI per capita of US\$1,920. This would include countries such as Guatemala at

- US\$1,910, Former Yugoslav Republic of Macedonia at US\$1,980 and Thailand at US\$2,190. See: <http://www.worldbank.org/data/databytopic/GNIPC.pdf>
- 6 See Peter Hastings, *New Guinea: Problems and Prospects*, 2nd edn., Cheshire, Melbourne, 1973, p. 240.
- 7 Mr Justice John Kerr wrote in 1968: 'This apparatus of the state is superimposed on the New Guinea societies...The New Guinea State as it now exists has been designed in Australia and power within it is still exercised almost entirely by Australians. This state has not in any sense emerged from indigenous institutions. The stateless societies have no part in it.' Cited in Hastings, op. cit., p. 159.
- 8 'The most important missing ingredient in PNG's political development has all along been nationalism of any sort'. Hastings, op. cit., p. 241.
- 9 *ibid.*, p. 249.
- 10 Cited in WJ Hudson (ed.), *Australia's New Guinea Question*, ALIA Nelson, Melbourne, 1975, p. 3.
- 11 EK Fisk and Maree Tait, 'Aid' in Hudson (ed.), op. cit., p. 111. In 1973 Owen Harries gloomily predicted that 'the best that many would expect would be a "broken-backed" state...where the appearance of statehood is maintained, but where the effective writ of central government declines rapidly beyond about twenty miles of the capital'. Owen Harries, 'Australia's New Guinea Question', in Hudson (ed.), op. cit., p. 154. Peter Hastings worried that PNG 'appears to tremble uneasily on the brink of an Australian-style Congo'. Hastings, op. cit., p. 251. See also Hank Nelson, *Papua New Guinea: Black Unity or Black Chaos?*, Penguin, Melbourne, 1972, p. 208.
- 12 Ron May, *State and Society in Papua New Guinea: The First Twenty-Five Years*, Crawford House, Adelaide, 2001, p. 313.
- 13 Benjamin Reilly, 'Economic decline and political reform in PNG', *Pacific Economic Bulletin*, vol. 17, no. 2, November, 2002, p. 135.
- 14 See Sinclair Dinnen, 'Building Bridges: Law and Justice Reform in Papua New Guinea', *Discussion Paper 02/2*, Australian National University—State, Society & Governance in Melanesia Project, 2002, p. 6.
- 15 See Benjamin Reilly, 'Ethnicity, democracy and development in Papua New Guinea', *Pacific Economic Bulletin*, vol. 19, no. 1, 2004.
- 16 EP Wolfers, 'State of the Nation' in Hudson (ed.), op. cit., p. 14.
- 17 Hastings, op. cit., p. 245.
- 18 May, op. cit., p. 16.
- 19 Details of Australia's aid program and the ECP can be found at <http://www.ausaid.gov.au/country/papua.cfm>
- 20 See Benjamin Reilly, 'Strength lies in the Pacific footy hold', *The Australian*, 8 October 2001.
- 21 George F Kennan, 'America and the Russian Future', *Foreign Affairs*, vol. 29, no. 1/4, 1950/1951, p. 356.

Contributors

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Andrea Cole graduated top of her class with Bachelor of Arts (Hons) in International Relations from University of Queensland in 2003 and has been working as a research officer at ASPI since April 2004. Having studied at the St. Petersburg State University in Russia, she still maintains an active interest in the former Soviet Union, the development of politics in transition states and the nexus between security and development.

Perspectives

Charles Lepani has been a Consultant since 2000, mainly on PNG public policy and public administration. His most recent projects were as a member of the Review Teams on Aid to PNG and the PNG Law and Justice Sector Coordination and Planning. Mr Lepani's previous positions include Managing Director of two mineral resource companies; PNG Ambassador to the EU, Benelux Countries, Greece, Italy and UN Agencies in Geneva; Director of the Pacific Islands Development Program, East West Centre, Hawaii; and Director of National Planning Office for the PNG Government. He holds a Bachelor of Arts (Economics) from the University of PNG and a Masters Degree in Public Administration from Harvard University.

The Rt Hon Sir Mekere Morauta, Kt MP became a Member of the PNG National Parliament in 1997, and was Prime Minister from 1999 to 2002. He holds the seat of Port Moresby North-West, and is currently Chairman of the National Capital District Commission Board. Prior to entering politics, Sir Mekere held positions as Secretary for Finance; Managing Director of the PNG Banking Corporation; Governor of the Bank of PNG; and was also a company director and successful businessman. He was the first graduate in Economics from the University of PNG.

Acronyms and abbreviations

AEC	Australian Electoral Commission
ADF	Australian Defence Force
AusAID	Australian Agency for International Development
DP	development partner
ECP	Enhanced Cooperation Program
ICAC	Independent Commission against Corruption (NSW)
IMF	International Monetary Fund
MTDS	Medium Term Development Strategy
NGO	non-governmental organisation
PATTS	Papua New Guinea Australia Treasury Twinning Scheme
PNG	Papua New Guinea
PNGDF	Papua New Guinea Defence Force
RAMSI	Regional Assistance Mission to Solomon Islands
RPNGC	Royal Papua New Guinea Constabulary
SARS	Severe Acute Respiratory Syndrome
UN	United Nations

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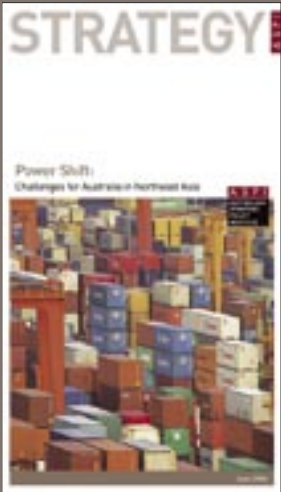
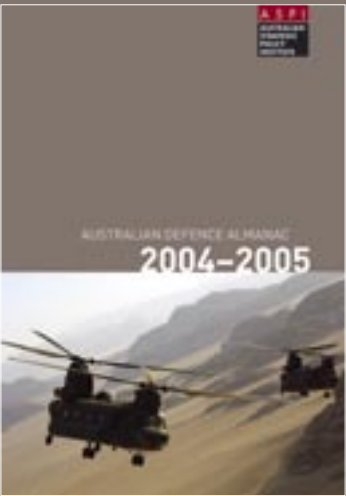
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Strengthening Our Neighbour: Australia and the future of Papua New Guinea

Papua New Guinea 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 and 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.

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.

Australia's efforts to help PNG deal with its problems have centred on development aid. But despite the money and technical skills we have invested, PNG's national development has faltered. While Australia's latest initiative—the Enhanced Cooperation Program (ECP)—is a good step in the right direction, it is too limited in scope to have a substantial impact on the breadth and depth of PNG's problems.

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 the 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.

This paper examines Australia's interests and the challenges facing PNG. It then suggests a policy approach which would enable Australia to play a more active part in helping to strengthen PNG.