

OVERCOMING CONSTRAINTS IN PAPUA NEW GUINEA

EXECUTIVE SUMMARY

There is renewed concern among Australian policy makers about Papua New Guinea, but discussion often stalls in the face of the enormity of the challenges facing PNG. To avoid this, the Lowy Institute Conference “Overcoming Constraints in PNG” took a new approach. We looked at how individuals, groups, corporations and governments are succeeding in PNG - despite the obstacles. We hoped to draw out some of PNG’s success stories to see what might be learned.

The conference heard stories of success, in varying degrees, and report cards on some promising reforms and initiatives. Presentations were made by successful agricultural entrepreneurs, church representatives, the mining industry and PNG Ombudsman Commission. The conference also heard presentations on electoral reform in PNG, and on Australia’s aid program, including the recently inaugurated Enhanced Cooperation Program (ECP).

Drawing on these stories, the conference identified some of the ingredients of success. Good leadership is especially important, whether in the public or the private sector. More training and a firmer approach to corruption would improve leadership. Successful individuals and organisations show a great capacity for

self reliance, individually and on a collective basis. They dig deep into their own resources. Maintaining community involvement, a sense of ownership and unity is also important to success in PNG, one of the most culturally diverse countries in the world.

The conference discussed how PNG could best build on these positive developments and whether these successes could be replicated elsewhere in the country. Showing that it is possible to succeed within existing structures in PNG is seen as important in itself. A greater emphasis on ensuring the flow of quality information in PNG could spread knowledge of little-known success stories and better combat the constant flow of misinformation. Increasing knowledge of PNG's Constitution in particular would be a step towards improving national unity. And an increased profile for the Constitution would ideally also see an increased role for PNG's Ombudsman Commission which plays an important role in monitoring government. As the state has withdrawn, organisations in PNG, ranging from local self-help groups to large mining companies, have stepped in to fill the gap. Given this, it was suggested that AusAID could benefit from forging more partnerships outside the state. And re-energising Australia's relationship with PNG, particularly through people-to-people links, would also be an important positive step.

As the renewed debate about Papua New Guinea continues it will be important for policy makers to remain mindful of positive developments in PNG, many of which are reactions to previous failure. Success in PNG, as elsewhere, is more commonly the result of trial and error than chancing upon a magic formula. State-building is a long and complex process requiring patience and endurance. These qualities and a readiness to draw the appropriate lessons from previous experience will be essential for PNG to better realise its great potential.



(left to right) Dr Ila Temu and Stephen Pupune

INTRODUCTION

There is renewed concern among Australian policy makers about Papua New Guinea. 30 years after gaining independence, PNG has achieved only slow and inconsistent economic growth. It faces growing governance problems, including problems with law and order, corruption, and declining delivery of basic services. PNG has by far the worst social indicators in the Pacific.

Discussion about what should be done often stalls, however, in face of the enormity of the challenges facing PNG. Well-known constraints such as geographic and ethnic fragmentation, the weakness of national identity, the strong pull of local loyalties, and customary land ownership are too frequently cited fatalistically as broad-brush explanations for developmental failure. Conversely,

many proposed solutions for PNG call for radical and often impractical measures to overcome these constraints quickly.

The Lowy Institute Conference “Overcoming Constraints in PNG” (held in Sydney 18 February 2005) took a different approach. The Conference aimed to look at how individuals, groups, corporations and governments were working successfully within these constraints. In the process it was hoped that the Conference would draw out PNG’s success stories: both as a corrective to the overly negative reporting on PNG and in order to see what might be learned from these successes.

The Conference heard stories of success - in varying degrees - and report cards on some promising reforms and initiatives. Presentations were made by successful agricultural entrepreneurs, church representatives, the mining industry and PNG Ombudsman Commission. The Conference also heard presentations on electoral reform in PNG and Australia’s aid program, including the recently inaugurated Enhanced Cooperation Program (ECP). Finally, it looked at what might be learned from these successes for public policy development in Canberra and Port Moresby.

The Conference was organised into three thematic sessions:

1. *Dealing without the state* addressed the limited scope of state penetration. This session covered the development of new export industries with little state support, the role of the churches in health and education, and the changes in Australian aid policy feeding from this constraint.

2. *Clans and commerce* addressed the commercial constraint posed by PNG’s clan system and the complexities of customary land ownership. It covered issues such as agreements between major corporations and clan groups, commercial

mobilisation by clans and the tension between individual success and communal obligations.

3. *Making Westminster work* addressed the political constraint of an inherited political system which is frequently claimed to be “culturally inappropriate” and which has had mixed success in delivering stable, effective and accountable political representation.

The Conference was conducted under the Chatham House rule. Reflecting that, this report is a synthesis of discussion. Part 1 describes the ingredients of success identified during the conference. Part 2 is a discussion of the implications for public policy.



Participants at Lowy Institute Conference “Overcoming Constraints in Papua New Guinea”

PART 1: INGREDIENTS OF SUCCESS

Good Leadership

Good leadership was identified as central to success in PNG in both the private and public sector. Although PNG has produced good leaders there are problems in replicating and “modeling” good leadership. Some Papua New Guinean participants thought there were few external solutions to this problem and emphasised the need for individuals to take up the personal challenge to be strong, accountable and transparent.

The Ombudsman Commission plays an important role in policing PNG’s Leadership Code (part of PNG’s Constitution) and itself offers an example of strong leadership. It has recently taken a more prominent and pro-active role in attacking corruption. It also plays a role in assisting leaders to understand their duties and responsibilities and, more broadly, in addressing the lack of confidence in the political system caused by corruption. The Commission has run into problems, however, as a result of the lack of political support for reform and the prosecution of corruption. Many politicians benefit from corruption and are reluctant to support change. Very few parliamentarians attended a meeting the Chief Ombudsman recently called to discuss their constitutional obligations.

Recent political reforms aim to improve the quality of parliamentary leadership. The reintroduction of Limited Preferential Voting (LPV) ¹ aims to produce a more representative and accountable parliament. The first-past-the-post (FPTP) method has led to a decline in the percentage of the vote obtained by winning candidates: in 2002 there were an average of 26 candidates per seat and consequently half of the winners scored less than 16% of the vote. As a result Members of Parliament tend to work only for their base voters. LPV aims to broaden MPs constituencies

¹ LPV means that voters may choose 3 candidates in order of preference, with second and third votes being distributed if a candidate is eliminated for having the lowest tally of primary votes.

but it is too early to say whether it will do so. LPV has been used in 6 by-elections since 2003 with mixed and inconclusive results. The real test will be the 2007 national elections.

Successful entrepreneurs have demonstrated good leadership. They provide an inspirational example for members of their community, both in terms of their personal qualities and in terms of their business success. However, successful entrepreneurs must also manage the frequent and onerous demands placed on them by kin and members of the public. There is no single clear solution to this: individuals manage these problems in different ways.

Suggested steps to improve leadership include increased training for bureaucrats and dealing more firmly with corruption. It was suggested that greater resources could be directed to training bureaucrats in PNG universities. One goal of Australia's new Enhanced Cooperation Program (ECP)² is to identify and reduce corruption by successfully bringing perpetrators to justice. One participant noted, however, that to date gaoling corrupt politicians does not appear to have been a major deterrent.

Self-Reliance

Some of the more striking successes discussed during the Conference were achieved in the absence of external support, and for some participants, it was this lack of support that pushed them to succeed.

The Conference heard from two successful agricultural entrepreneurs. Despite not having met before, both commented on the similarity of their stories. Both developed their businesses slowly from a small amount of capital accumulated through private employment. They went through a long process of trial and error

² ECP delivers assistance in the areas of law and order, justice, economic management, public sector reform, border control, and transport security and safety. Under ECP, Australian police and officials will take up in-line positions in PNG Government departments and agencies.

and had to deal with major difficulties in accessing markets and managing cultural demands. One noted that it had taken eight years to make a profit. Neither had received any external support. One commented that dealing with this isolation and disappointment had been the hardest thing.

Other rural communities have succeeded on a more collective basis. The Burum Valley people developed their community in the absence of state support or services. They overcame extreme isolation to become successful coffee exporters. They initially flew their coffee to market but have now purchased a bulldozer with pooled funds in order to level their own road to the outside world. Their ultimate goal is to complete a road from Burum to Lae. They built their own schools and pressured the Provincial Government to supply them with a teacher. The Domil Community in the Western Highlands Province similarly maintain their own roads, support their own health centre and circumvent local coffee buyers to sell directly to the United States.

One panellist made more general observations about PNG's "vanilla boom". Vanilla is a more profitable crop for many isolated communities because it can be transported (often by foot) more easily. The boom developed quickly after market leader Madagascar was struck by a cyclone. State intervention was described as too little too late, and often counter productive. The government provided no financial support and no advice. Regulatory legislation was suspended and then put in the hands of the Minister for Agriculture, thereby exposing the industry to inconsistent and subjective regulation. When new regulatory legislation was finally passed in 2004, the industry was in decline. Only very few PNG producers have been able to turn the opportunity created by Madagascar's misfortune into longer term success. Of over 2000 new vanilla businesses started between 1991 and 2001 now only 3 remain.

Church groups in PNG now supply basic services in many parts of PNG in the absence of the state. It was estimated that church groups run 40% of the schools

in PNG and more than 45% of health services. In many cases the churches have been able to achieve this only because of the readiness of staff to volunteer and the church's special ability to inspire volunteerism. For example, when most schools in the Southern Highlands closed in 2004 – following the failure of Governor Yawari's "free education" policy - St Josephs' Secondary School near Tari remained open and took on extra students. Staff members volunteered to run classes until later in the day and some worked on weekends as well.

Access to Capital

Access to capital was identified as extremely important to success, both commercially and in the delivery of social services. Given the difficulty of obtaining private sector funding, one panelist has accumulated capital only through long term saving and budgeting. He began his business while working for a mining company, and utilised his leave and flexi-time to work on his business. Money from his wife's wages also contributed to the business. Another accumulated capital by building his business very slowly. He worked in the public service and sold eggs to co-workers as a sideline.

Church groups face similar problems. Although they received some PNG and Australian funding they are often dependant on the dedication of their workers.

National Lutheran pastors receive no salary unless in an official chaplaincy and the Anglican and United Churches are struggling to survive financially. A few years ago, the Catholic Diocese of Port Moresby was effectively bankrupt, with the Bank of the South Pacific foreclosing on land that the church had planned to use for educational and welfare projects.

Divine Word University provides certain students with a HECAS (Higher Education Contribution Assistance Scheme) scholarship worth K2,700 (A\$1,100) per year. In 2004, the University was due to receive K1,279,000 (A\$512,000) from the government as payment for scholarships. The government did not make a

payment to the University until September although classes began at the end of January. The University continues to operate through the commitment of faculty and staff and their willingness to make personal sacrifices.

Community Involvement and Ownership of Projects

Maintaining community involvement and a sense of ownership is important to many of the successful examples discussed during the conference.

Ideally, PNG's democracy should facilitate community involvement and popular "ownership" of the state. But this has not been realised. A particular concern is the decline in the percentage of the popular vote achieved by successful candidates in parliamentary elections. This concern has prompted the introduction of Limited Preferential Voting. The success of this reform – and the continuing viability of PNG's democracy - will be contingent, however, on popular support. There is considerable scope for corruption, particularly by entering ghost names on the electoral roll. Audit findings into the three mid-2004 by-elections carried out in October 2004 by the Institute of Policy Studies at Victoria University in Wellington point to the need for strong support for these reforms from both national and provincial government, and from officials and the public at large.

In the wake of negative experiences in Bougainville and Ok Tedi, the mining industry now pays greater attention to social and community issues. Mining companies frequently provide infrastructure and health services direct to local communities, often in return for "tax credits". Providing tangible benefits to local communities helps ensure that projects proceed smoothly. In fact community issues rather than technical ones are beginning to be seen as the "show stoppers" to such development.

A key factor in the success of church groups is their high credibility among Papua New Guineans: 96% of people call themselves Christian. There is strong support for churches and their activities. The benefits of church projects flow into the

community, with churches providing basic services like health and education. Churches are also often identified with a clan or tribal bodies, enabling churches to work with the community and address behavioural issues. The Nazarene church centred at Kudjip in the Western Highlands is promoting a system of Community Based Health Care where the focus is less on illness and more on having healthy families and a healthy community. Emphasis is therefore on cleanliness, waste disposal and healthy food supplies. Currently, there are 30 communities involved in this scheme in 3 provinces.

The active involvement of the Burum Valley community in collective development is maintained through a high degree of community consultation and an emphasis on maintaining agreement among community leaders. Consultations take place on goals, plans, priorities and methods relating to projects that are for the good of the community as a whole. It is important that community leaders live and work in Burum rather than in town.

Community involvement and local ownership is a crucial ingredient of successful foreign aid. The importance of engendering local ownership of Australian funded projects was noted. Australia currently provides over \$300 million in bilateral assistance to PNG each year, which is 85% of all PNG's donor support and 20% of its budget. As part of the Enhanced Cooperation Program Australian officials are taking up in-line positions within PNG's public service and police force. ECP was described as a quick fix response to the deterioration of institutions that underpin statehood. It was not intended to meet the deeper challenges of political and administrative reform. There appears to be little doubt that the ECP is popularly supported in PNG. But there was concern expressed that expectations of the new program may be too high. Some PNG participants emphasised that ECP should not be seen as a substitute for local political will.

Unity

The importance of maintaining and establishing unity of purpose was also identified as an important ingredient of success. Doing so is a particular challenge in PNG, one of the most culturally diverse countries in the world, and often requires longer processes of consultation than many in Australia are used to.

Maintaining unity is even a challenge for church groups. There are a large number of church groups in PNG including four mainline churches (Catholic, Lutheran, United and Anglican), the evangelical churches, the Pentecostal churches and independent churches. Although they have a history of acting independently, the churches have demonstrated greater unity in the face of the growing HIV/AIDS crisis. They have united to spread the message that HIV/AIDS is a health rather than a moral issue. To this end Reverend Philip Tony Dalaka from the Assembly of God, Archbishop Brian Barnes from the Catholic Church, Bishop Peter Fox from the Anglican Church and Reverend Samson Lowa from the United Church have appeared together with hands linked in an advertisement to support people living with HIV/AIDS. There is hope that the new AusAID Church Partnership Program will increase co-operation and unity among the churches. Participating churches include Anglican, Seventh Day Adventist, Catholic, Lutheran, United, Baptist and Salvation Army.



(left to right) Allan Gyngell and Peter Aitsi

PART 2: POLICY IMPLICATIONS

There was some discussion about how public policy could best build on these positive developments and whether it is possible to replicate success elsewhere in PNG. Participants were conscious of the risk of over-generalising. The fact that many success stories are the work of rare individuals – whose numbers will always be limited – made this a difficult question to answer. There was also more general discussion about Australia's aid policy.

Working within Existing Structures

The examples discussed during the Conference showed that it is possible to work within existing structures successfully. Agricultural entrepreneurs have

successfully mobilised customary land, in some cases on a collective basis. Indeed some participants expressed strong views on the importance of maintaining the system of customary land tenure given the importance of land to Papua New Guineans. The success of some entrepreneurs showed that it is possible to manage the heavy demands frequently placed on successful individuals by kin. Doing so was, however, extremely difficult and it is clear that the prevalence of these demands remains a significant obstacle to development in PNG. One individual has been forced to relocate to a different part of Papua New Guinea and keep a low profile to avoid these demands.

The success of the mining industry has shown that highly sensitive landowner issues are manageable. It was suggested that the mining industry's new approach – particularly in working with local communities – could be applied to the forestry industry, which was described as “dysfunctional”. But this proposal was not further explored in any detail. It was also suggested that some of the tax incentives given to the mining industry could be extended to other industries, particularly agriculture.

The introduction of Limited Preferential Voting is an attempt to manage the impact of PNG's clan system on the electoral system. Supporters of the new system claim that it will encourage candidates to seek support beyond their clan and give voters – especially women – greater freedom to show support for candidates other than the one supported by their immediate community.

The Role of the State in PNG

The Conference provided some insight into the variety of positive and innovative ways in which Papua New Guineans are responding to the state's shortcomings. These ranged from the activities of successful agricultural entrepreneurs to service delivery by churches and mining companies. This gave rise to discussion about the appropriate role of the state in PNG with some suggestion that the state

should aim to play a smaller role in some areas. On the other hand, many examples were given of areas in which the state needed to play a larger role, in particular by providing infrastructure which could facilitate self-reliance. The lack of roads necessary to get produce to market was cited a number of times. One participant also emphasised the need for greater state regulation of the forestry sector. In terms of Australian aid policy, it was suggested that AusAID could benefit from forging more partnerships with organisations other than the state in PNG, given the relative weakness of the state and success of organisations, ranging from local self-help groups to large mining companies, in stepping in to fill the gap (see below).

Constitution as a Unifier, Increased Role for Ombudsman

One participant proposed that more focus should be placed on PNG's constitution as a national unifier. The Constitution was drafted by a Constitutional Planning Committee, on the basis of extensive consultations across the country. The Constitution is seen to embrace PNG's common Melanesian culture and to provide a shared platform on which the country can move forward democratically. Suggestions were made about how to increase the general knowledge of, and support for, the Constitution among the people. One was for pamphlets written in plain language to be distributed among the people. Another was for respected figures to host information sessions and conduct readings from the Constitution over the radio. Popular readings were conducted in the past by the first Papua New Guinean Chief Justice, the late Sir Buri Kidu.

An increased profile of the Constitution would ideally also see an increased role for the Ombudsman Commission. The Commission is in effect the guardian of the Constitution, enforcing constitutionally guaranteed rights and freedoms. It oversees the whole of the government's performance, supervises and enforces the Leadership Code, and is a corruption watch dog. The Commission also provides citizens with a vehicle for their complaints and grievances to be settled

by an independent official. The Commission is staffed by dedicated individuals, committed to effectively and efficiently performing their tasks. Papua New Guineans are keen for the Ombudsman Commission to expand. An Ombudsman Commission is to be established in Bougainville as part of the new autonomous government.

Agriculture

85 per cent of Papua New Guineans live in rural areas. The overwhelming majority of them are in some way dependant on agriculture. Nevertheless it is clear that this sector remains significantly under-developed. There were calls for more infrastructure spending, particularly on roads, which would enable producers to get their goods to market and investment in value-adding as well as other incentives. It was suggested that the inadequate state attention paid to this sector was a result of the fact that it is less easily taxed than the mining sector.

Despite the large number of Papua New Guineans living in rural areas, one panelist made an impassioned case for attracting young people “back to the land”. He noted a common perception that agriculture is for the “unintelligent and for school drop-outs”. It was claimed that education is not preparing young Papua New Guineans for careers in agriculture. One participant countered that this had been addressed in recent curriculum reform programs.

Access to Information

A recurring theme in the conference was the importance of ensuring the flow of quality information. Media access is extremely limited, especially for those outside Port Moresby. Radio has been a major source of information in the past but this has been limited by under-funding of provincial repeater stations. Access to newspapers is also limited, although as one participant pointed out there is a hunger for news: the first question villagers always ask visitors is whether they

had brought the newspaper. In this context, AusAID's recent "media for development" initiative - designed to promote an open and democratic media - was a welcome step. The initiative includes subsidising program content, establishing a media exchange program, media research and analysis, and skills development for media personnel in government, civil society and the media industry.

Weak information flow also limits government accountability, reduces opportunities for people to work together and support one another, and limits the ability to capture community and individual successes as examples for others. For example, the two successful agricultural entrepreneurs were surprised never to have heard of one another despite the similarity of their stories. It was suggested that there were many more local-level successes taking place "under the radar." A particular problem is that successful Papua New Guineans have little interest in publicising their success if this means exposure to more demands.

Participants pointed out that the problem in PNG may be more to do with the quality of the information. Many farmers heard about the money to be made in vanilla but very few were able to turn it into a sustainable business. Misinformation can spread quickly in PNG, for example, the false rumour that spread that the World Bank was going to "take over" customary land caused widespread panic and confusion in the 1990s.

Australian Aid Policy

Participants noted that Australia's policy towards PNG has a history of changing suddenly, most recently through the rapid development of the ECP, and there was some discussion about the benefits of a more consistent approach. Consistency is seen as important for long-term planning, developing a broader understanding of the aid program, and establishing trust. A related point is the need for a longer-term approach to development in PNG. Some even spoke of the need for

generational timeframes for assistance programs. It is important for both Australians and Papua New Guineans to be patient. In the case of PNG it is particularly important to manage public expectations. Some participants said that Australia lacks the medium to long term framework necessary for proper prioritisation and coordination. It was also claimed that the current framework for assessing aid programs is inadequate.

It was also noted that Australia's policy towards PNG is currently under review. Although the ECP was described as a "quick fix" for some PNG institutions, concern was still expressed that it was only scheduled to run for 5 years. No-one suggested that the ECP could provide a long-term solution to PNG's problems.

There was discussion about the relative merits of a more multilateral approach to PNG, particularly with regard to the ECP which had been viewed by some as "neo-colonial". In support of a more multilateral approach, one participant cited the success to date of RAMSI (the Regional Assistance Mission to Solomon Islands). In response, it was noted that RAMSI and ECP are different programs: RAMSI aimed to restore basic peace and security and stabilise government finances while ECP is a capacity-building exercise. Although other countries had contributed to RAMSI, it is doubtful whether they would be ready or able to contribute to the ECP.

On the current content of the aid program some participants suggested that AusAID was "spreading itself too thin", while others suggested that AusAID should do more, and expand its programs to include other areas in need of assistance.

Churches, Mining Companies, Individuals: New Aid Delivery Partners?

AusAID's new 5-year partnership with PNG churches and Australian church-based NGOs (the "Church Partnership Program") recognises the increasing role that churches play on the ground in PNG. It was suggested that AusAID might

similarly consider working with mining companies because they are capable of delivering vital services to remote areas. Concern was expressed regarding the sustainability of services provided by mining companies. What will happen when mines close? Of many major mining projects in PNG, only one, Misima, has closed so far. Prior to its closure, AusAID was invited to complete a development program and a trust fund was created. In the process some difficult issues were raised: what level of services could or should be maintained once the mine has closed? To what extent could the government be assumed to take up its responsibilities?

There remains a question about whether this trend towards bypassing the state might further undermine its role. There was also concern that this could create sense of complacency in the government. On the other hand, one participant suggested that the decline of the state and the emergence of “surrogate states” had taken place “for a reason” and that rather than working to restore the old system, we should look more closely at how and why non-state institutions have been more successful and what the government could learn from these institutions.

Reenergising the Bilateral Relationship: People-to-People Links

One participant made a strong case for re-energising Australia’s bilateral relationship with PNG, particularly through people-to-people links. The relationship between Australia and Papua New Guinea is seen to have lost much of its intimacy over the last few decades, in large part as a result of lessening personal links. Personal links are the building blocks of a strong bilateral relationship. The importance of these links is often under-appreciated.

Another participant commented on the potential to build up young-people-to-young-people links, pointing out that although young Australian volunteers are reluctant to go to PNG, those who do are more likely to extend their time in-

country than volunteers who go elsewhere. These programs are seen to foster increased cultural awareness and acceptance, and to assist in rebuilding the trust that is needed for strong relationships.

Another participant noted that the renewed popular Australian interest in walking the Kokoda Trail could provide a basis for improved people-to-people links and increase Australian knowledge of PNG.



Participants at Lowy Institute Conference “Overcoming Constraints in Papua New Guinea”

Conclusion

The renewed debate about Papua New Guinea has raised fundamental questions about the state's viability, and in this respect is reminiscent of discussions which took place at the time of independence in 1975. The difference now is that Australian and Papua New Guinean policy makers have thirty years' experience of independence on which to draw. In future discussions it will be important for policy makers to take account of and learn from positive as well as negative experiences of the last thirty years.

Although this conference deliberately emphasised the positives, it also showed that many of the more positive developments in PNG have been reactions to earlier failure. Success in PNG, as elsewhere, is more commonly the result of trial and error than chancing upon a magic formula. As international experience has demonstrated, state-building is a long and complex process requiring patience and endurance. These qualities and a readiness to draw the appropriate lessons from previous experience will be essential for PNG to better realise its great potential.