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OFFICE OF THE DIRECTOR

25th March 2015

Mr. David Sullivan
Committee Secretary
Senate Foreign Affairs, Defence and Trade Legislation Committee
P.O. Box 6100
Parliament House
Canberra ACT 2600

**Re: Submission to the Senate Inquiry into the Delivery and Effectiveness of Australia's
Bilateral Aid Program in Papua New Guinea**

The National Research Institute (NRI) is delighted to make this submission to the Senate Inquiry on 'The delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea'.

The submission draws on four case studies written by four experts who have both the academic training and practical experience in the assessing the effectiveness of Australian aid delivered into PNG. The submission, moreover, is informed both by the collective experiences of the authors and the institutional memory of the NRI.

We submit for:

- (i) an increased role for the private sector in generating growth in the non-mineral economy;
- (ii) improvements in access to quality education country-wide so as to provide the opportunities for income and employment for the burgeoning population of youth;
- (iii) improved access to land for private enterprise; and
- (iv) an enhanced role for Australian aid in each of the above-enumerated.

We strongly believe that Australia can help with each of the above given the commitment of a total of A\$577.1 million as official bilateral development assistance to PNG in the 2014/15 fiscal year. Australia is the most important development partner to PNG: the two neighbours are linked via history, geography, and their peoples. These linkages can be strengthened through a partnership between the public and private sectors across sovereign borders to generate economic value-add for all.

The four selected case studies from PNG are used to demonstrate the weaknesses in the existing aid delivery mechanism and provide options for the way forward. The main lessons emphasise are:

- the need for locally led national initiatives based on wide consultations for politically sensitive reforms that the Australian Aid Program has repeatedly failed to recognise;
- the use of short-term consultants with little knowledge and limited appreciation of the context (i.e. politics, culture, and structural impediments) have led to waste and reform failures;

- the channelling of goods and services funded through aid to the public sector which has led to a public consumption led development bias. Aid needs to support the development of a private sector that will create jobs and increase income levels. Our collective experience informs us that there is much opportunity in this sphere.

Our case studies show that the current aid arrangements have failed to support local initiatives, the local context has often been ignored in policy formulation, and that the common use of short term fly-in-fly-out technical advisors and consultants have not helped the progression of reform. The failed land reforms of 2002 provide evidence in support of the aforementioned.

Improving the delivery and effectiveness of aid calls for significant change in tactics. It requires a shift of focus from the public to the private sector in delivering goods and services; it demands prioritisation of locally led policy analysis and advocacy; and, it requires transparent baselines, benchmarks, and milestones to assess progress.

Details discussion on the above mentioned and supporting evidence is provided in the attached submission.

We wish the committee success in its deliberations.

Yours faithfully,

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Dr. Thomas Webster
Director

Submission to the:

Foreign Affairs, Defence and Trade Committee,
Department of the Senate, Parliament House,
Canberra ACT 2600

on:

The delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea

Submission by:

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1. Introduction

The governments of Australia and Papua New Guinea (PNG) espoused their joint wish to position the aid program to “address key constraints to sustainable economic growth and equitable development in PNG” (DFAT, emphasis added). Sustainable economic growth is inimical to growth founded on the extraction of natural resources while a prerequisite to equitable development is access to employment and basic services across the nation.

We argue for an increased role for the private sector in generating growth in the non-mineral economy, and underscore the role of quality education and access to land for enterprise in raising income and welfare for the bulk of the population. Australia can help with the above given the commitment of a total of A\$577.1 million as official bilateral development assistance to PNG in the 2014/15 financial year. Australia is linked to PNG via its history, geography, and people-to-people networks. These linkages can be strengthened through a partnership between the public and private sectors across sovereign borders to generate economic value-add for all.

Each of the contributors to this submission has worked for the National Research Institute (NRI) in analysing development trends and policy analysis in PNG. We bring to the fore on our collective experiences in this submission on delivering effective aid to PNG.

We make the case for an increased role of the private sector; and Australian Aid can play a lead role in the above. We use four selected case studies from the past to demonstrate the weaknesses in the existing aid delivery mechanism and provide options for the way forward. The three lessons we emphasise are enumerated below.

1. The need for sound locally led national initiatives based on wide consultations and rigorous analysis that has not received recognition nor support from the Australian Aid Program.
2. The use by donors of short-term consultants with little knowledge and limited appreciation of the context (i.e. PNG politics, culture, and structural impediments) has often times undermined locally led initiatives. That is, the so-called experts have contributed to confusion within the public and policymaking circles.
3. A focus by donors on public sector administration in the provision of goods and services has created a public consumption led development bias. We argue for support to the growth of a private sector that will create jobs and increase income levels. Our collective experience informs us that there is much opportunity in this sphere.

The main thrust of this submission is that the existing aid arrangements do not support local initiatives, many of the technical advisors and consultants have limited appreciation of the local context thus fail to provide context specific advice, projects tend to have short-term horizons, and projects tend to be biased towards public sector administration.

The rest of the submission is organised as follows. Section 2 discusses the political, economic and social objectives of Australia's Aid to Papua New Guinea (PNG). Sections 3 discusses four specific cases – education sector reforms, land reforms, support to socio-economic revival of Bougainville following the signing of the 2001 Peace Agreement, and Medium Term Development Planning, with the view to drawing lessons for improving the direction of aid delivery to PNG. Section 4 summaries the findings and outlines the recommendations.

2. Political, economic and social objectives of Australia's aid

There are compelling economic, developmental, and political reasons for Australia to provide assistance to PNG. PNG lags many of her counterparts within the Asia Pacific region in terms of the levels of social and economic development. Life expectancy at 62 years (compared to 82 for Australia), a youth literacy rate of 71 percent (100 for Australia), and maternal mortality at 220 per 100,000 live births (compared to 6 for Australia) leaves considerable room for improvement.¹ Thus the returns from a dollar of aid in PNG are likely to be higher than that from her more developed counterparts. PNG is the closest neighbour to Australia and was administered as an Australian territory from 1945 to 16th September 1975 when political independence was granted. PNG will be 40 years old this September, remains a dear friend of Australia, and retains a strong Australian character that was left behind from pre-independence. English is the official language and Pidgin English the lingua franca, the legal system has parallels with Australia, and many Australian businesses have straddled the periods before and after colonisation and across the Torres Strait. Many Australians chose to take up PNG citizenship at independence in 1975 and many more continue to work and visit the nation regularly. The kangaroo is renowned as an Australian native but it is also indigenous to PNG, reflecting their close geographic ties and the now submerged land bridge.

Australia and PNG are next door neighbours, but miles apart in terms of economic development. PNG is rich in natural resources but the people are far from being rich. Per capita Gross National Income for 2013 in US dollars after adjusting for the difference in purchasing power was \$2,430 compared to the corresponding figure for Australia of \$42,450. In other words, the average income of an Australian is 17 times that of his/her PNG cousin. Inequality of access to basic services and employment opportunities in PNG is in all likelihood a lot greater than in Australia. Some 40 percent of the population of PNG as of 2010 were deemed to having expenditure insufficient to pay for their basic needs and thus deemed poor. A similar proportion of children of five years and younger were stunted. And unlike Australia, PNG does not have a publicly funded social welfare system leaving the poor to fend for themselves.

The PNG economy has been growing rapidly for the past decade and a half. The Economic Intelligence Unit has forecast the PNG economy to grow by 14.8 in the 2015 calendar year

¹ The data used here are for 2013 or the most recent period available and sourced from the World Development Indicators ([online](#)) database, accessed on 4 March 2015.

while the [Asian Development Bank](#) forecasts growth for 2015 of 21 percent.² GDP has grown at an annual average rate of 6.9 percent for the decade to 2014 with the uptick in growth is likely to continue for the foreseeable future. Much of the recent growth has been driven by the natural resources sector, but this is not the whole story as non-mining growth has also been very strong, averaging 7.1 per cent over the same period. Expansion in the natural resource sector can deliver large windfall gains in terms of foreign exchange but rapid growth driven by exports can come with severe growth pains; a phenomenon known as the 'Dutch disease' in economics. The symptoms of the 'Dutch disease' include a sharp appreciation in the exchange rate, a spike in inflation, and a commensurate decline in the non-mining sectors of the economy. This unbalanced growth has the risk of raising income inequality given that some 80 percent of the population reside in rural regions and depend on agriculture for their livelihoods. An appreciation of the exchange rate penalises exporters of oil palm, coffee, and cocoa: a serious issue for those reliant on these crops for their daily cash needs.

The windfall in income from exports of minerals is a boon to the public coffers. It thus provides the funding to deliver the healthcare, education, and employment for those in need of the above. Clearly the government will not be able to deliver each of the above-mentioned. A careful divvying up of the deliverables between the public and private sectors is called for. In short, contemporary PNG now has the resources to fund social and economic development. The government lacks the capacity to provide all of the services needed but has the opportunity to provide the environment for growth of private enterprise that in turn will fill the void in terms of needed employment, goods, and services.

We contend that significant opportunity exists for a productive private sector engagement between Australia and PNG. Leaders of Australian businesses embraced the 'Business of Sustainable Development' as part of the UN's Sustainable Development Solutions Network last month.³ Contemporary PNG provides the context for the engagement of private enterprise for sustainable development. The private sector expanded as a result of improved business confidence and the growth in construction and related activity for the large LNG project. This growth has nearly doubled the private sector workforce in just one decade, and in the process "created new opportunities for an emerging middle class" (ADB, 2014 Outlook; page 113). Further reforms targeted at improving productivity and access to capital (i.e. land and foreign technology) for private enterprise has the potential to substantially raise productivity and formal sector employment.

The two governments have considerable room to improve policies for private sector participation in international trade and commerce for economic development and employment creation. We believe that Australian enterprises have a role to play in the provision of basic services and in job creation in PNG. Progressing the above calls for better coordination between private, public, and the non-government sectors including

² The ADB outlook for 2014 forecasts growth for developing Asia of 3.7 percent and that for the major industrial economies of 1.6 percent.

³ The first meeting took place on 20 February 2015 and was hosted in Melbourne by BHP Billiton.

the churches in delivering quality education (as elaborated next), the utilisation of the abundant fertile land for private enterprise (covered in Section 3), and the engagement of labour to propel prosperity and sustain peace (also noted in Section 3). We draw upon the case of economic revival of Bougainville, an autonomous region of Papua New Guinea that is slowly recovering from the decade long civil war that was brought to an end in 1998 through and Australian-led peace keeping operation, to illustrate the last of the above. Australian aid can help in deepening the partnership between Australia and PNG.

3. Four Case Studies

Four case studies, written by each of the contributors are discussed in this section. The cases include improving access to quality education, improving access to land for private enterprise, development planning in PNG, and the economic revival of Bougainville. Special focus is given to analysing the role of the Australian aid program in each of the policy areas covered in the case studies. The overall objective is to draw lessons from these case studies to inform the future delivery of Australian Aid to PNG.

Case Study 1: Improving access to quality education to provide the skills for employment and growth in productivity.

The School Focused Universal Basic Education (UBE) Plan that has been denied focus.

PNG will not have achieved the Universal Basic Education Status by 2015, the second MDG Goal. About thirty percent of school aged children do not enter first grade of school, of those that do, more than half drop out before they leave the final grade of school. The quality of learning is so poor that of those that do complete primary schooling, as many as fifty percent are illiterate. The net result is that possibly less than fifty percent of school aged children have access to quality education and less than fifty percent literacy rate within the wider population.⁴

PNG and its development partners will report to the UN later this year that despite billions of kina invested, the MDG targets have not been attained. The usual problems of difficult terrain and dispersed population in difficult to get places will be offered as explanations for the dismal performance. And that they are given another chance to deliver.

The Australian Government through AusAid has had a major role since the 1993 Education Reforms in PNG. AusAID has provided the bulk of donor led development funding for the Education Sector and in many ways also influences the development of Education Policy and Practice in PNG. Dr Thomas Webster, an author of this submission, next offers some of his personal reflections on UBE policy.

⁴ The results of the 2011 National Census just made available show a literacy rate of 67% of the population aged 10 years and over. However, this result is from a self-declared response. A study by ASPBAE, an Education Advocacy Organization conducted simple literacy tests on sample groups from five provinces who declared themselves literate, similar to the census questions, found that in four provinces, the effective literacy rate was less than 15% and in one province with overall better education status, 25%. Even more alarming, only 15.4% of those who had completed primary school and self-declared as literate showed effective competences in the simple literacy test conducted (ASPBAE & PEAN:2011).

Personal Reflections of Dr Thomas Webster in the development of the UBE Plan.

I was a member of the PNG Delegation to the October 2005 UNESCO General Conference that was held in Paris and led by the then Minister for Education, Hon. Michael Laimo. With him was the then Secretary for Education, the late Dr. Joseph Pagaleo. We participated in the Education Committee Session where the Status Report on Basic Education was presented. PNG's performance was embarrassingly disappointingly: ranked amongst the ten bottom countries on the list, along with war-torn Sudan.

The Minister was very disappointed with the report and in subsequent private discussions, we briefed him that this was correct and that PNG needed to lift its performance. As advised, on his return he appointed a Taskforce in January 2006, chaired by the Secretary for Education with membership from key Central Government agencies (National Planning and Treasury Departments) as well as other key agencies with the main task of formulating a plan of action to fast track the achievement of Universal Basic Education. The Development Partners (World Bank, UNICEF, AusAID) who were also influential in the Education Sector Improvement Program Committee, nominated UNICEF to represent them on the Taskforce. The NRI was appointed a member of the Taskforce and I nominated the Head of the Education Research Program as the representative on the Taskforce.

The Taskforce agreed to formulate a UBE Plan for the consideration and approval by the Government of PNG that would then guide implementation. The Department of Education did not have the technical capability to lead the development of a UBE Plan. The development partners wanted consultants to conduct various analyses and present status reports for information to propose a plan. However, by the end of the year, not much progress had been made.

I was specifically invited by Dr. Pagaleo to a special meeting in March 2007 to listen in on the discussions and advise him on a way forward. The development partners wanted more studies to be conducted by consultants that they were willing to pay to provide more information. Dr. Pagaleo and the Government of PNG wanted a clear plan and did not want any more time wasted in getting more studies done as the ones done previously were not very helpful.⁵

Personally, waiting for more data and reports while children were missing out on education was very frustrating. I could see that more consultants would be engaged to analyse data that were readily available and present reports that may not be used in the development of a plan.

I had been one of a few people trained in Education Planning in the 1980s under a World Bank supported Program and had left the Department of Education at the end of 1989 after holding the post of National Education Planner. I knew that the bulk of information sought was available within the Department but required expertise and team work to pull these together in providing accurate information on the current status, an analysis of the

⁵ AusAID, the main partner, had spent about \$1billion on education in PNG over the 2000s, primarily on consultants. The failure of the consultant led approach to education development saw PNG slip to 4th last in the World in primary education outcomes in 2011 according to the World Bank's development indicators.

constraints and in the identification and development of strategies to address the constraints.

During morning tea, I quietly offered to Dr. Pagaleo my services to work with some of the young people within the Education Department in working through the data that was available, assist in the analysis and also assist the UBE Taskforce with the development of a UBE Plan. Dr. Pagaleo jumped at the opportunity and quickly announced after tea my appointment as the head of a Working Committee to work on the Drafting of a UBE Plan. I sensed then that the Development Partners were caught by surprise and the mood of a disappointment flowed from the subsequent discussions.

I gathered a team of young people, - middle level public servants from the Education Department as well as from Treasury and from Planning Departments. The Donor Community nominated UNICEF to represent them as UNICEF was also providing the funds used to develop the UBE Plan.

Personally, I had the expertise to do the analysis and write up a draft plan. I was trained in Education Planning and my Doctoral Thesis was on PNGs attempts to Universalise Primary Education.

But this would have delivered a Plan, without understanding the context and the direction of the plan, thus not building a coalition of support for the plan. Secondly, I wanted to build up capabilities of the young people by involving them in obtaining the data from different sources, analyse these to inform of current status and then to discuss and work on strategies and targets. I wanted to build up a cadre of young people with the appropriate technical skills and know how.

I set aside Thursday mornings 10-12 to work with the team in analysing reports and progress and in identifying further tasks for the team to do during the week.

It was not an easy task. The Schools Census Data for 2007 due in July to use in the analysis did not come in smoothly as most schools and provincial officials were not cooperating in sending in the reports. The Secretary was disappointed and sent out two waves of teams to provinces to assist in getting the data from schools. We set the benchmark of about 80% of schools and this was reached in early 2008.

The following six months was involved in the analysis of the data and possible constraints both from PNG research and analytical work sourced from the international literature.

Universal Basic Education is defined as incorporating the following :

- Access – that all Children should enter school at a specific age – they should enter elementary prep at the age of six years;
 - Retention – that all children should complete the elementary and primary cycles of education that constitute a basic education – this is nine years of basic education;
- and,

- Quality – All children should reach a required standard of literacy and numeracy at the end of these years of education.

The three main constraints to achieving Universal Basic Education that were identified are enumerated below.

1. Limited Access to Schools - There was either no place at a school nearby or within walking distance. If a school was available, other factors such as school fees, gender bias etc. were barriers to participation.
2. Poor Retention - It was obvious that poor retention of those who enrolled in school was also a problem. On average, more than forty percent of those children will have dropped out of school before completing the final grade for a variety of reasons.
3. Poor Quality learning - Main reasons being inadequate time spent on learning activities, poor teacher quality including frequent teacher and student absences, poor supply of learning materials, and poor classroom and other enabling infrastructure.

We agreed that the main causes of the Poor Access, Poor Retention and Poor Quality were school and community level factors and that a strategy at developing a “School Focused Approach to Universalising Basic Education” was needed. The National Department of Education was to work through Provincial and District level authorities to support communities and schools in addressing the constraints. The communities know the children who are not attending school, they would know those who were truant and at risk of dropping out, and they would know and address those factors likely to affect quality of learning.

At the time of drafting the plan, there was pressure from different groups to include strategies that they sponsored but did not reflect the analysis and in were according to our analysis of low priority with limited impact than others. I argued strongly against most but was outvoted on others. The donors once gain drew on external consultants to support their views.

Two external consultant experts were engaged by the Development Partners to peer review and in my view harness support for their positions. The first was flown in from Amsterdam after the Working Committee completed the first draft and before submission were made to the Taskforce. After reviewing the data and the draft plan, he was pleased with the quality of analysis as well as the structure of the plan. He commented that the plan was quite unique compared to others he had seen and commended the plan for its uniqueness and relevance to the PNG context as analysed.

The Taskforce approved the draft plan and recommended for presentation by the Minister for Education to the National Executive Council. However, not satisfied, the development partners pushed for and engaged another expert consultant to review the plan document before submission to Cabinet. This time someone from UNICEF's New York Office was

engaged. At the end of the visit, she found little wanting in the plan document and recommended it for adoption.

The Plan was finally approved nearly three years later and launched in October of 2009. The donor led reviews were largely responsible for the delay.

The Implementation of the Plan was left to the Department of Education, and the other relevant Government Agencies and development partners. Sadly, the plan has been set aside and has not been followed up in implementation of the strategies that were outlined in the plan.

The school focused thrust that would have enabled communities to address the constraints at the local level and collectively improve the overall progress towards achieving Universal Basic Education has not been implemented.

Notable among those who did not support and appreciate the thrust of the plan were the Development Partners who have since supported their own initiatives. The World Bank supported a trial "Reading Project" as part of their UBE contribution. I have heard that AusAid was keen to support a large infrastructure development support program to schools but it is not clear to me what Australian Aid money is now being used for Education programs.

The School Level Focused thrust of a sound locally based analysis has been dumped and PNG remains to achieve the MDG Goal of Quality Universal Basic Education for All.

Case Study 2: Land reform as a means to increasing private sector participation in the economy

Land reform as a means to increasing private enterprise in the economy remains a critical reform agenda for PNG. The issue dealing with land reforms falls into four broad categories as dot-pointed next.

- Reforms into customary land tenure. Land under customary tenure constitutes 97 percent of the total land in the country. This large chunk of the total PNG landmass does not have a formally sanctioned administrative process because their access and use is defined by customary land tenure laws. The challenge of creating a system for planning, development and administration of records for land under customary tenure remains politically sensitive but important for investment and growth of income.
- Improving the system for planning, development and title records management for land under state ownership. Though limited to 3 percent of the total in the country, this land constitutes the most valuable covering urban centres (including Port Moresby and Lae) and some of the major plantations (of cocoa, coffee, rubber and oil palm) in the country. Inefficiencies within the Department of Lands and Physical Planning is a drag on the efficient use of these lands. In fact, the administrative system facilitates fraudulent transactions, including issuing of duplicate titles, which is undermining the use of State leases as collateral to acquire credit from banks and the formal sector (Chand, Nao and Ondopa, 2014).

- Managing land related disputes, especially on land under customary tenure. Given the absence of written records, continued reliance on an ever changing oral narrative is creating disputes undermining security of tenure. An efficient land court system that creates a viable dispute resolution system is critical for the efficient mobilisation of land currently held under customary tenure.
- Structured system for developing a viable land and properties market, with all the necessary skills set (town planning, valuation, surveying, and IT management system) remains a challenge.

The land reform agenda for PNG is comprehensive. It prioritises the need for security of tenure to land leases, be they on State-owned or under customary title, for private investment that is critical to growth in income. Security of tenure is critical for long term investments into fixed investments and to access credit from the formal sector. The test of the latter is when leases become bankable.

A process aimed at achieving the above started in PNG in 2005, and is making inroads in all four enumerated aspects highlighted above. Throughout, the focus has been on adopting existing laws and indigenous institutions to provide security of tenure.

In 2005, the Government of PNG (GPNG) following previous failures to bring customary land into formal land management systems, hosted a land summit which asked two critical questions – are Papua New Guineans ready for reforms to the land tenure and if yes, then what form of land reforms? The summit outcome provided an affirmative response, with demand for a lease based system for customary land, as the people wanted land ownership to remain with the customary landowning clans. Upon receipt of the summit outcomes, the Government established a Taskforce in 2006 to explore options and strategies to implement the summit outcome. The Taskforce in 2007 submitted its report to the Government, which outlined 54 recommendations. The majority (i.e. 47) of the recommendations dealt with improving the system of land planning, development and records management. Six recommendations dealt with the design of a system for reforming the customary land tenure system. One recommendation dealt with the creation of a land dispute settlements system.

Upon receipt of the Taskforce report, the Government adopted the recommendations and established the National Land Development Program (NLDP) to implement the recommendations. Between 2007 and 2015, a total of K130 million has been committed by the Government of PNG to this reform program.

In 2009, the Voluntary Customary Land Registration (VCLR) system, which is defined by two pieces of legislation [i.e. Land Groups Incorporation (Amendment) Act 1974 and Land Registration (Customary) (Amendment) Act 1982] were passed into law. While the first law creates a body corporate type structure that defines ownership of land within the customary landowning community, the latter creates a lease system. As demanded by the people at the 2005 Land Summit, the Government of PNG, through the NLDP has delivered the lease based system, as defined by the VCLR system. Ownership of land remains with the customary landowners through the incorporated land group, but tradable leases similar to state leases have been created.

As part of the implementation of the VCLR system, a position of Deputy Secretary, responsible for customary land has been created within the Department of Lands and Physical Planning. Two sections headed by a Registrar (as per the Land Groups Incorporation (Amendment) Act 1974) and Director (as per the Land Registration (Customary) (Amendment) Act 1982)) have already been established. This is a pioneering achievement for PNG. Both laws came into effect in 2012 and are at early stages of being implemented across the country.

With regards land disputes settlement, a single Land Court system has been created within the Magisterial Services, headed by a Deputy Chief Magistrate. This court has been in operation since 2010.

The bulk of the reforms yet to be implemented deal with the system of planning, development and titles records managements. Note that these are largely technical in nature and include issues such as the computerisation of Valuation system, digitalization of the records database, digitalization of the cadastral survey system, updating the planning and development system, and updating the legal and administrative systems. The NLDP is charged with the responsibility to see through these reform initiatives. Because these are technical in nature, lessons can be drawn from other jurisdictions, especially the ACT system that provided the initial thinking to the design of the leasehold system in PNG at the time of independence. This includes issues such as the separation of the office of the Register of titles from the Department of Lands and Physical Planning, creating land development facilitation agencies, adopting an appropriate IT system, computerisation of the valuation system, digitalization of the Cadastral Survey system, and digitalisation of the titles records management system.

From 2005 to the present, the National Research Institute (NRI) has had a dominant role to play in this reform program. In 2005, the NRI was invited by the GPNG to coordinate the Land Summit. In 2006, the GPNG invited the NRI to lead the Taskforce. In 2007, the GPNG invited NRI to provide research and analysis to provide ongoing guidance to the NLDP and to provide an independent oversight to the NLDP implementation by being the Secretariat to the NLDP Advisory Group. The later comprises of community, academic and business groups tasked to independently monitor and report on the reform implementations process to the GPNG.

At this juncture, it should be mentioned that AusAID initiated a major program in 2005, following on the back of the successful PNG Land Summit. AusAID sponsored a summit in Vanuatu in 2006, modelled out of the PNG Land Summit. AusAID's initiative was later morphed into the Pacific Land Program in 2007. The AusAID initiated program was aimed at pushing for reforms into the land sector within the Pacific islands. It started with a series of case studies, commissioned by AusAID, covering many cases across the region over the period 2008-2009. Drawing from these case studies, the main policy document, Making Land Work, was drafted and launched in 2009. A sum of A\$50 million was allocated in the 2009 Federal Budget to roll out the reform initiative across the Pacific Islands, including PNG. Unfortunately, the whole program failed to progress beyond the conception phase, and was finally scrapped by the Federal Government in the 2011 Budget. Lessons can be drawn from a comparison of the AusAID sponsored and PNG-government sponsored land reform programs.

It has been established that about A\$1million was taken out of the PNG Aid program to fund Making Land Work. Making Land Work was a publication produced in house at AusAID with the writing and editing controlled by AusAID staff with no research experience in land reform anywhere. 'Making Land Work' was of no relevance to land reform in PNG, was not asked for by PNG, was not wanted by PNG, yet A\$1 million was spent from the PNG Aid program for an AusAID-sponsored initiative. This type of one-way Canberra based Corporate spending designed for Canberra consumption at the expense of Aid for PNG is reported to be rampant.

The PNG initiative, in contrast, benefited from limited funding provided by AusAID through the Research Support to the NRI. A portion of the research support program funding from 2005-2010 was used to fund the Land Summit, the work of the Taskforce, and the early phase of the NLDP from 2007-2010. The bulk of the money was used to support the work of the secretariat and facilitation of the research and analysis that informed the land reform conception and formulation phases.

The contrast between the two reform initiatives is stark: AusAID led initiative with many consultants, AusAID bureaucrats, case studies and funding failed to progress beyond the conception phase. In contrast, the PNG initiative, with limited funding through the AusAID research support to the NRI, led by a local institution (NRI), and subsequently fully funded by GPNG grants has made progress from conception, formulation and to implementation. The NRI will now focus on research activities that monitors, evaluates and provides feedback to the implementing agencies and the GPNG. Further, the local Champions that started the process in 2005 remain in responsible positions of influence in different GPNG offices and continue to play a lead role in the reforms to date. Their passion and commitment has stood the test of time (see Yala, 2010 for a list of the lead players in this reform agenda).

Case Study 3: A new era of Development Planning in PNG

In 2009, the PNG Government revamped its efforts at development planning, drawing on local talent for contextual analysis. Inspiration came from two quarters: (1) the failure of the past AusAID consultant led development planning that offered little more than muddling along and delivered little in terms of development outcomes; and (2) an appreciation amongst senior bureaucrats and politicians of the Malaysian model of development planning that was ambitious, effective, and excluded development partners.

The result is a structured and an ambitious planning framework that has been embraced amongst politicians and senior bureaucrats and has been implemented since 2011. In the years since, PNG has experienced unprecedented broad based economic growth — average non-mining GDP growth has been around 8 per cent a year. The key to the planning framework is that it was prepared in-house taking into account the PNG context and of the aspirations of Papua New Guineans. Despite repeated overtures by AusAID and other development partners demanding their involvement, the PNG Government stood firm.

There are three-tiers in the planning framework. At the top sits Vision 2050 which spells out in broad terms where PNG should be in four decades. The Vision of being a middle income country is converted into a plan for getting there in the PNG Development Strategic Plan 2010-2030 (PNGDSP). This spells out the policy framework and the

investments needed to reach middle income status by 2030. Targets for 2030 across a range of indicators are articulated. At the third tier are five-yearly plans for implementing the PNGDSP known as the Medium Term Development Plans (MTDPs). The MTDPs translate the 2030 targets into shorter term targets and link Budget funding into the planning framework.

The underlying thrust of the plans is that the private sector will deliver prosperity to PNG. Accordingly, the focus of the PNGDSP and MTDP is about building the enabling environment for widespread private sector development — with micro and small businesses the priority. Key enablers identified are land, law and order, public infrastructure, education, and health. The plans are centred around these enablers and funding in the annual Budgets is prioritised accordingly.

The new planning framework was not well received at AusAID. It represented a cultural change where AusAID was forced to step back after a decade of increasing encroachment into the everyday running of the bureaucracy of PNG. In short, Australian Aid has continued its expensive and unproductive forays into public administration at the neglect of support to broad based private sector development initiatives of the planning framework.

Implementation is about initiatives that make progress against the targets identified for the enablers. For Australian Aid to be effective in its delivery, it must develop internal systems for ranking initiatives according to the progress that would be made against the targets laid down in the PNGDSP and MTDP. In this way, Australian Aid would transparently be directing funding to the development and wellbeing of PNG in accordance with the priorities of GPNG. Such an approach for Australian Aid would be a radical departure from the existing consultancy based support for public administration

The benefits for Australia are clear. First, recasting Aid in this way would boost the close ties between the two nations that are tied together through history and geography. Second, a prosperous nation built on broad based private sector development provides opportunity for Australia to participate in the rapid growth in PNG — in both investment and in trade. Third, the successful transition of PNG to middle income status is a positive for Australia's national security.

Case Study 4: Increasing private sector involvement in Bougainville

The means via which Australian businesses can assist in the economic recovery and social development of Bougainville is taken up in some detail next. The case for economic revival of Bougainville is strong given that prosperity is critical to undergirding peace there.

The turbulent past of the autonomous region of Bougainville illustrates the disruptive potential of uneven growth — between enclave mining and the rest of the economy. Peace was negotiated following a decade-long war that is estimated to have caused approximately 2000 killings and possibly ten times as many deaths due to lack of services. Bougainville has remained peaceful for 14 years following the signing of the Arawa Peace Agreement in August 2001. Elections for the post of the President is to be held mid-2015 and a referendum for independence is due to be held within five years following the

installation of the new President as stipulated in the peace agreement (GoPNG, 2001). The past experience of a vibrant economy built on cocoa, copra, and mining and healthy socio-economic indicators which were destroyed during the decade long war has lessons for a future Bougainville. Whether as an independent nation or as peacefully integrated region of PNG, broad-based economic recovery and widespread access to basic services and jobs will be critical to sustaining peace for the foreseeable future.

Preparatory work is underway to restarting the Bougainville Copper and Gold mine. Negotiations between the management of the old mine and the Autonomous Bougainville Government, and that amongst the landowners themselves is bringing to the fore some of the past problems that led to the conflict. At least in the minds of some Bougainvilleans, Australia was far from being impartial in the lead-up to the conflict. There is however recognition within Bougainville of the contribution the regional peacekeeping mission that was led by Australia (and New Zealand) made to ending the conflict. The subsequent contribution to the rebuilding and strengthening of the autonomous government and to social and transportation infrastructure is widely acknowledged.⁶

We believe that given the past history of conflict and the destruction arising, the Autonomous Region of Bougainville needs special and close attention of both the governments of Australia and PNG. While public infrastructure is being restored, a lot more is required to restore access to basic services and generate employment. Sylvia Simili and Satish Chand (2014) report that private entrepreneurs are providing much needed services in Bougainville and in the process generating income and contributing to the development of business expertise. They also note that some 17 percent of the entrepreneurs are ex-combatants with a majority engaged in the provision of 4-wheel drive transportation services while 30 percent of new businesses were run by women.⁷ Growth of private enterprise in Bougainville has the potential to contribute to sustainable development whilst under-girding peace. Harnessing the entrepreneurs for the above has to be part of a deliberate strategy of socio-economic development for Bougainville.

The decision to reopen the gold and copper mine at Panguna is that of the people of Bougainville. If they do decide to go ahead with mining then the decision on how best to handle the impact of mining is also that of the people of Bougainville. The Australian government has assisted in the rebuilding of the transportation infrastructure, in the revival of cocoa production, and in improving access to basic education. Bougainville still has a lot of rebuilding to do, and the challenge of land reform so as to allow expansion of private enterprise and cocoa cultivation is likely to remain a priority. On the last, there are lessons from the reforms introduced by the PNG government as explained in the second case study above.

There remains considerable latent demand for basic services and jobs in Bougainville. Schools, health centres, and government buildings were 'cooked' during the conflict.

⁶ Satish Chand was part of a team commissioned by the PNG and Bougainville governments to review progress made on the peace agreement signed in 2001. The views noted here are those collected as part of the focus group discussions held as part of data collection.

⁷ See <https://www.acmc.gov.au/wp-content/uploads/2014/09/May-2013-Entrepreneurs-Post-conflict-Bougainville.pdf>

People with trade and professional skills departed leaving the provincial government decapitated. Many youth remain unemployed. One third of the population in 2011 was less than 15 years of age and one half were 20 years or younger; and one third of the children between 6 and 10 years were not enrolled in school then. Even for those entering school in grade 1, less than 10 percent made it to Year 12.⁸ Thus a shortfall in the supply of skilled and professional workers is likely to remain for some time, and will be acute should mining recommence. Thus the issues raised in the first case study (on UBE) and lessons reported therein on improving the level of access to, retention and quality of education is doubly important for Bougainville.

Australia can provide a boost to the people of Bougainville by exposing them to a well-functioning prosperous society. Let us illustrate the above using the case of an ex-combatant who came for a workshop to UNSW Canberra in 2013. On being asked at the conclusion of the workshop on the most important lesson, he noted with considerable surprise the smoothness with which society functions in Australia. This was the first time for this individual to leave Bougainville, and just 3 days in Canberra had exposed him to something he had never seen before. This particular individual returned to give a talk at the local primary school where his wife teaches, telling the children of his observations in Australia. Such people-to-people links from the middle tiers of society has the potential to deepen links. We believe that providing 1,000 work visas to the people of Bougainville to come and work in Australia for a year at a time for the next decade has the potential to expose 10,000 guest workers to the prosperous and peaceful Australian society whilst providing savings to be repatriated home. These workers could also be selected on the premise that they will engage in private enterprise on their return, and provided basic training in record keeping while working in Australia.

While the business and people-to-people ties remain strong between the neighbours, mobility of people across the national borders has rigidified over the recent past. Papua New Guinea mandates visas for Australians, apparently in retaliation for the Australian government mandating the same of Papua New Guineans. These barriers to mobility of visitors to PNG are hampering growth of tourism, an industry with enormous potential within the provinces and Bougainville. Similarly, trade and commerce is impeded by red tape in the forms of import licenses and quarantine restrictions. Our own experience of importing PNG produce including cocoa, coffee, and fish explains why we seldom see products from Australia's closest neighbour and a former trust territory in the markets in Australia.

4. Main findings, Recommendation and Conclusions

The main lessons from the four case studies are:

Education case study: Notable among those who did not support and appreciate the thrust of the plan were the Development Partners who have since supported their own initiatives. The World Bank supported a trial "Reading Project" as part of their UBE

⁸ See http://ips.cap.anu.edu.au/sites/default/files/SSGM-DP-2013-5-Chand-ONLINE_0.pdf

contribution. AusAid was reportedly keen to support a large infrastructure development support program to schools but it is not clear as to what Australian Aid money is being used for now in Education. Hence, the School Level Focused thrust of a sound locally based analysis will have missed the focus that it badly needs.

Land reform case study - The contrast between the PNG owned and led initiative and the AusAID Pacific Land Program is stark: AusAID led initiative with many consultants, AusAID bureaucrats, case studies and funding failed to progress beyond the conception phase. In contrast, the PNG initiative, initiated with limited AusAID funding, led by a local institution, subsequently funded largely by the GPNG has progressed through from conception, formulation and to implementation. Further, the local champions that started the process in 2005 remain in responsible positions of influence in different GPNG offices and continue to play a lead role in the reforms to date. Their passion and commitment has stood the test of time.

Development planning case study – PNG has now developed a clearly structured and ambitious planning framework that has been embraced by the politicians and senior bureaucrats and has been implemented since 2011. The key to the planning framework is that it was prepared in full by PNG in a way appropriate for the PNG context and with the ambitions of Papua New Guineans in mind. Despite repeated overtures by AusAID and other development partners demanding their involvement, the PNG Government stood firm. In contrast, Australian Aid is consistently being used for consultancy based support for public administration – an approach that has been a failure in terms of delivering development outcomes.

Bougainville Case study – Sustained peace and sustainable prosperity in Bougainville remains a challenge for both Australia and PNG. Finding a political solution to the crisis is the immediate priority with the looming Referendum for Independence. Australia can assist in supporting prosperity for peace by continuing to fund basic public goods, and through exposing the people to a well-functioning prosperous Australian society. This requires a serious revisit to Australia's Immigration policy.

Overall, the argument presented from these case studies is that, Australian Aid would need to be transparently administered and directed towards the development and wellbeing of the people of PNG. Such would require a radical departure from the existing consultancy based support for public administration. Supporting the private sector will deliver prosperity. Hence, developing a supportive policy environment and enhancing the role of the private sector should be the priority of Australian Aid.

The other areas to be emphasised are ownership of reforms, engagement of the PNG institutions and reform champions, and remaining focus over the long-term with difficult reforms in the aid delivery mechanism. Finally, we stress the need for continued public discussion and debate to inform the public and maintain the momentum for much needed reforms. This can be done through long-term focused research, policy analysis and advocacy. Reform to leasing of land under customary title is a good case in point.

In conclusion, we emphasize that PNG has strong historical, political, and geographic ties to Australia and lags its neighbours in terms of social and economic development. Each of the above provides a reason for Australian developmental assistance to PNG and

collectively they make a compelling case for the half a billion Australian dollars (amounting to approximately one billion Kina) that Australia has committed to supporting sustainable economic growth to the people of Papua New Guinea. The lack of quality infrastructure, insecure rights to property and land particularly, poor education outcomes, ongoing law and order problems and capacity all constrain service delivery and growth of private enterprise.

PNG, however, is at a point in its history when income from the exports of natural resources provides the resources to deliver on development. Capacity to manage the boom and reap the rewards will not arise overnight, the requisite skills for growth in production will take time to be cultivated, and the public sector will not be able to meet all of the needs of the people. We have argued here that there is a role and room for greater private sector participation in the creation of employment, the delivery of basic services, and in supporting sustainable development.

Australian business has embraced the United Nation's goals of sustainable development. A few of these enterprises are engaged in the natural resources sector in PNG, and one is undertaking groundwork to restart a large copper and gold mine in Bougainville. It is the opportunity for the governments of Australia and Papua New Guinea to work in partnership with private enterprise to support and sustain development in PNG. We have provided pointers to the potential productive partnerships waiting in the pipelines.

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