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SEMINAR ON PAPUA NEW GUINEA

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

SEMINAR ON PAPUA NEW GUINEA

Parliament House, Canberra

Tuesday, 12 November 1996

List of Participants

Mr Bill Taylor, MP

Senator Childs

Senator Forshaw

Senator MacGibbon

Mr Nugent, MP

Mr Price, MP

Rt Hon Mr Ian Sinclair, MP

Mr Bruce Alexander
Chief Executive
Pacific Regional Banking
Westpac Banking Corporation

Dr Bryant Allen
Australian National University

Ms Helene Anderson
Canada Fund Coordinator
Canadian High Commission

Mr Rodrigo Arcos
Third Secretary
Embassy of the Republic of Chile

Mr Bill Armstrong
President
Australian Council for Overseas Aid (ACFOA)

Mr Frank Arnauts
Counsellor
Royal Belgian Embassy

Mr Kevin Artango
Student
University of Wollongong

Mr Manfred Auster
First Secretary (Economic)
Embassy of the Federal Republic of Germany

Ms Joy Balazo
Secretary (Human Rights)
Social Responsibility and Justice Department
Uniting Church of Australia

Mr Alan Barden
Manager Corporate Services
Australian Centre for International Agricultural Research (ACIAR)

Mr Assa Bass
Second Secretary
Embassy of Israel

Ms Stephanie Beck
First Secretary
Canadian High Commission

Dr Ian Bevege
Principal Adviser
Australian Centre for International Agricultural Research (ACIAR)

Sister Veronica Brady
Department of English
University of Western Australia

Mr Laurie K. Bugden
Assistant Secretary
Refugee and Humanitarian Branch
Department of Immigration and Multicultural Affairs

Mr John Burgess
Assistant Secretary
NZ and PNG Branch
Department of Foreign Affairs and Trade

Mr Terry Butt
Head of Regional Delegation
International Federation of Red Cross and Red Crescent Societies
Regional Delegation
Sydney (Pacific)

Mr John Caldwell
Director
Health and Renewable Resources Section
PNG Branch
AusAID

Dr Satish Chand
Research School of Pacific and Asian Studies
Australian National University

Mr John Connell
Department of Geography
University of Sydney

Mr Michael Crawford
Manager
Government and Policy
Austrade

Mr T.K. (Tom) Critchley
Australia-Papua New Guinea Friendship Association

Ms Rima Das Pradhan
Executive Assistant
Pacific and Africa Committees Coordinator
Australian Council for Overseas Aid (ACFOA)

Mr Bruce Davis
Deputy Director General
Pacific and International Programs Division
AusAID

Mr Fred A. De Bruin
First Secretary
Royal Netherlands Embassy

Dr Tony Declan
Senior Lecturer in Law

School of Law
University of Canberra

Professor Paul Dibb
Head
Strategic and Defence Studies Centre
Australian National University

Mr Sinclair Dinnen
Law Program
Research School of Social Sciences
Australian National University

Ms Julie Eagles
Pacific Program Coordinator
Community Aid Abroad

Mr Tarcisius Eri
Deputy High Commissioner
Papua New Guinea High Commission

Mr John Farquharson

Mr Volker Fink
Minister-Counsellor
Embassy of the Federal Republic of Germany

Mr Ian Fliedner
Manager
Government Relations
BP Australia

Ms Helen Fraser
Pacific Report

Mr Peter Gamble
Australia Defence Association

Mr Vincent Giuca
Director
International
Department of Immigration and Multicultural Affairs

Professor Jim Griffin

Hon. Bob Halverson
Speaker of the House of Representatives

Mr Wayne Haslam
Director
Coffey MPW

Dr Graham Hassall
Centre for Comparative Constitutional Studies
University of Melbourne

Mr Javier Hernandez
First Secretary
Embassy of Spain

Mr Bill Hundy
Company Secretary
Placer Limited

Ms Janet Hunt
Executive Director
Australian Council for Overseas Aid (ACFOA)

Mr Paul Jameson
Development Manager
Emerging Markets
QBE Insurance Group Ltd

Ms Pat Jessen
Manager Pacific Regional Program
Overseas Service Bureau

Dr Wally Johnson
Chief Research Scientist Geohazards
Land and Water Resources Program
Australian Geological Survey Organisation (AGSO)
Department of Primary Industries and Energy

Mr Les Jones
National Director Border Management
Australian Customs Service

Lieutenant Colonel Joe Kewa
Defence Adviser
Papua New Guinea High Commission

Mr John Kjar
Petroleum and Fisheries Division
Department of Primary Industries and Energy

Ms Fiona Kotvojs
Consultant
ACIL

Mr Rob Laurie
First Assistant Secretary
South Pacific, Middle East and Africa Division
Department of Foreign Affairs and Trade

Vice Admiral David Leach
President
Australia-Papua New Guinea Friendship Association

Dr Ta-Yan Leong
Manager
International Scientific Liaison
CSIRO

Mr Bill Leslie
APHEDA (Australian People for Health, Education and Development Abroad)

His Excellency Mr Kris Lund-Jensen
Ambassador
Royal Danish Embassy

Mr Chris MacKay
Executive Director
Australia-Papua New Guinea Business Council

Captain Al MacKinnon
Assistant Defence Adviser
New Zealand High Commission

Dr Chris Manning
Australian National University

Mr Richard McArthur
Project Manager
BPT South Pacific Holdings Pty Ltd (Burns Philp)

Mr Cameron McRae
General Manager—Copper Development
Base Metals Development
CRA Limited

Mr Kaz Monden
Student
University of Wollongong

Mr Greg Moriarty
Assistant Director
PNG Section
Department of Foreign Affairs and Trade

Lieutenant Colonel Michael Morrison
Australia-Papua New Guinea Friendship Association

Mr John Scott Murphy
Advocacy Officer
Caritas Australia

Professor Hank Nelson
History Department
Research School of Social Sciences
Australian National University

Mr John Newsem
Australian Council for Overseas Aid (ACFOA)

His Excellency Brigadier General Kenneth Noga
High Commissioner
Papua New Guinea High Commission

Ms Ruth Nuttall
Counsellor
New Zealand High Commission

Professor Maev O'Collins
Visiting Fellow
Department of Political and Social Change

Research School of Pacific and Asian Studies
Australian National University

Mr Michael O'Connor
Executive Director
Australian Defence Association

Mr Tony O'Dowd
Senior Officer
PNG Branch
AusAID

Ms Ronnie Oracion
Project Officer for PNG
World Vision of Australia

Ms Kaarina Pellikka
Diplomatic Trainee
Embassy of Finland

Mr Liam Phelan
Papua New Guinea Campaigner
AID/WATCH
Australian Conservation Foundation

Ms Therese Posthma
former Pacific Program Manager
International Women's Development Agency
Australian Council for Overseas Aid (ACFOA)

Mr Murray Proctor
Assistant Director General
PNG Branch
AusAID

Mr John Quinn
Assistant Secretary
International Cultural Relations Branch
Department of Foreign Affairs and Trade

Colonel Donald Ramsey
Australia-Papua New Guinea Friendship Association

Mr Nigel Ray
Assistant Secretary
International Economy Division
Department of the Treasury

Ms Noreen Redhead
Acting Branch Head
International and Coordination Environment Australia
Department of the Environment, Sport and Territories

Mr Anthony Regan
University of PNG

Mr Stephen Ryan
Senior Trade Commissioner
Papua New Guinea
Austrade

Mr Tuan Zarook Amjadeen Samsudeen
Deputy High Commissioner
High Commission for the Democratic Socialist Republic of Sri Lanka

Mr Chris Seed
Counsellor
New Zealand High Commission

His Excellency Mr Elmo de Jacolyn Seneviratne
High Commissioner
High Commissioner for the Democratic Socialist Republic of Sri Lanka

Mr Ced Simpson
Campaigning Director
Amnesty International

Mr Fifita Siosifa
Student
University of Wollongong

Mr Robert Stewart
Senior Officer
PNG Branch
AusAID

Ms Beata Stoczinska
Counsellor
Embassy of the Republic of Poland

Mr Pat Stortz
Manager
South Pacific Regional Support Office
Austrade

Ms Maree Tait
Australian National University

Mr Sakias Tameo
Student
University of Wollongong

Mr Cameron Tampion
FAO, Middle East
South Asia and Pacific Section
Department of Primary Industries and Energy

Hon Andrew Thomson, MP
Parliamentary Secretary to the Minister for Foreign Affairs

Mr Doug Trappett
PNG Section
Department of Foreign Affairs and Trade

Ms Kim Urquhart
Director PNG Section
Regional Engagement Policy and Programs
International Policy Division
Department of Defence

Ms Linda Vanderwey
Student
University of Wollongong

Ms Kim Wallace
Attache
Canadian High Commission

Ms Prue Watters
MONAHP Project Manager
MONAHP (PNG Medical Officer Nursing and Allied Health Science Training Project)

Mr Alan Weeks
Project Coordinator
Moral Rearmament

Mr Hugh White
Deputy Secretary
Department of Defence

Ms Caitlin Wilson
PNG Analyst
Department of Defence

Professor Edward P. Wolfers
Professor of Politics
University of Wollongong

Ms Kerri Wolfers
Student
University of Wollongong

Ms Sherry Wongsawasdi
Student
University of Wollongong

Lieutenant Colonel Gary Young
Department of Defence

The seminar commenced at 9.30 a.m.

CHAIR—Welcome. I hope you found yesterday's session as useful as I did. This morning we have been joined by more of my committee colleagues: Senator Bruce Childs from the Labor Party, Senator David MacGibbon and also the Chairman of the Human Rights Subcommittee, Mr Peter Nugent from Victoria. Peter is heavily involved in an inquiry into the transitional arrangements with Hong Kong. Later on we will also be joined by Mr Roger Price, another opposition member, who was the previous Chairman of the Joint Standing Committee on Foreign Affairs, Defence and Trade.

The first segment today is on social issues and development cooperation.

Mr PROCTOR—The issues of urbanisation, employment and law and order are definitely strongly interlinked in PNG's development outlook. In particular, creating opportunities for long-term employment is a key issue for PNG. Unemployment exceeds 30 per cent amongst those seeking wage employment in urban areas and there are clearly high levels of underemployment as well. This high level of unemployment is a divisive social issue in PNG where the population growth is high, with an estimated 50,000 new entrants coming into the labour force each year.

Employment in the private sector, which accounts for less than one-sixth of the total formal labour force, has decreased in recent years. This loss of capacity is of particular concern in their ability to employ people. Public sector employment is likely to be static or falling, given the reining in of the national deficit and other reforms.

PNG is a strongly dualistic economy. When we talk of the formal sector, it has to be acknowledged that the agriculture sector is predominantly subsistence in nature and co-exists with enclave mining developments which can account for almost 30 per cent of GDP, but only three per cent of employment, and with an urbanised, if small, formal business sector.

Non-mining private investment fell from 13½ per cent of GDP in 1981 to less than eight per cent in 1994. A number of key constraints have contributed to this decline. They were covered yesterday. They include poor levels of infrastructure, high costs and cultural factors, including access to land. However, it would be a mistake to see no better prospects ahead in PNG. The policy changes introduced by the PNG government in the current economic reform program should lead to improvements in the environment for private sector activity in PNG.

In addition, the 1994 devaluation of the kina and the subsequent restraint in wages growth, have placed PNG firms in their most competitive position for many years. The longer term benefits of these will depend on the capacity of the PNG government to hold on to these achievements.

Even with the stronger formal private sector development, however, the absorption of most of the growing labour force will have to be in rural areas. As I said, over 80 per cent of the population still depends on agriculture for its livelihood. The growth in rural employment will need to be in areas such as cash cropping and support industries, rather than subsistence farming, which will be increasingly unappealing to educated youth.

This in turn will require many changes in the level of basic government services provided in rural areas. As well as health and education, passable roads and affordable finance are very important to enable rural producers to respond to growing market opportunities. The education curricula will also need to change to cater for the many students who will not enter into the formal urban employment sector. The need for growth in the informal and small business sectors is a clear outcome of a joint PNG-Australia study by AusAID of the private sector and will guide much of our assistance in this area in the future.

The growth of urban populations, in particular squatter settlements, is one indication of the failure to provide employment opportunities for the growing population in rural areas. As in all developing countries, many citizens are willing to move to urban areas on the prospect of improved income or access to other benefits, legal or otherwise, that the urban areas offer. PNG will be hard-pressed, though, to cope with the pressure on the infrastructure in its main two cities as this population drift continues. This has already been indicated by problems of water and power shortages affecting Port Moresby.

One of the objectives of the PNG government's reforms to provincial government was to force functions and public servants back to the provincial and district centres. However, no matter how laudable this objective of promoting moves back to provincial centres, it is becoming apparent that the provision of accommodation and other facilities to do this will be very expensive and beyond the immediate resources PNG has. Such moves are, therefore, likely to be slow.

In the meantime, urban populations are increasing and will continue to do so, with squatter settlements, in particular, continuing to grow on the fringe of major urban areas. These settlements have become fertile breeding grounds for, amongst other things, organised criminal gangs. The reasons for the level of these law and order difficulties, and those more broadly across the country, are quite complex. The solutions are no more likely to be simple ones.

I will leave it to Sinclair Dinnen to discuss the varied causes of law and order problems, but I would comment that it is too easy to believe PNG cannot address this problem. The moves in recent times by some highland provinces to ban alcohol, for instance, have demonstrated that governments can act to reduce crime levels and tribal fighting.

There is general agreement that there is a substantial law and order problem in

PNG. The change—increase or otherwise—is somewhat disputed. The Prime Minister, Sir Julius Chan, has nominated 1996 as the year of law and order. While this has provided a useful focus on the police force and the problems it faces in combating rising crime levels, it has not translated into generally increased resources for police operations.

That said, the solution to the law and order problem does not rest solely on having an effective, disciplined or impartial police force. But such a force is a fundamental part of a democracy and for ensuring respect for human rights. It is in recognition of this that, at PNG's request, Australia has supported improvements in the Royal Papua New Guinea Constabulary since 1988. This very large project, which is now in its second phase, has a particular focus on improving capacity and discipline within the constabulary. This is in support of the very strong direction being given by the Commissioner of Police, Mr Robert Nenta.

The project is also assisting with the development and implementation of community based policing strategies to reduce crime and disorder. But, as a whole, the constabulary has suffered real problems due to the economic stringencies of recent years and the decline of the disciplined structure. This led us to the difficult decision in 1995, with PNG's agreement, to focus Australia's assistance on longer term improvements in the police force, and less on assisting general functions in a wider range of geographic locations.

Separately, Australia is providing assistance to improve the very poor conditions in prisons and is now putting in place a program of assistance to strengthen the legal system in PNG. Training is planned for the Attorney-General's Department, the court system and the ombudsman's commission, as well as examining assistance for the development of a human rights commission.

In concluding the discussion on law and order, I would say that a particular concern is the level of violence against women in PNG. For this reason, we are funding, with PNG agencies, a study of community based initiatives to address law and order, including examination of the issue of violence against women and children.

The final area related to rural development involves the environment. Protection of the environment for PNG's long-term benefits remains a major challenge. The environmental issues related to mining have gained a lot of media prominence. The issue of logging, though, probably affects more people in PNG as a whole and has been somewhat less publicised.

The export of forestry products has been a major area of growth. These account for approximately 20 per cent of PNG's exports and contribute to almost 10 per cent of total government revenue and grants. We need to recognise that communities have also been attracted to the financial benefits of this rapid exploitation of their forests. In the absence of services from government, the offer of even minor development will appeal to isolated

communities. For better or worse, the only entity likely to bring a road near your village, in many areas, will be a logging company. That said, however, the costs of unconstrained logging are high. PNG is experiencing environmental problems and significant financial loss due to inadequate monitoring and surveillance. Many of these problems, though, have been addressed. PNG has adopted a logging code of practice which its government endorsed in March 1996. A private firm, SGS, has been engaged to improve monitoring of log exports, and although financial constraints have led to it not operating across the entirety of the country, at least 70 per cent of PNG ports are now covered by this monitoring. In addition, the continuing independence of the National Forest Authority and a system of increased royalty payments to resource owners have resulted from agreements with the World Bank.

Australia is helping in a range of those areas. Australia is also assisting in a range of areas to do with maintaining biodiversity, minimising damage from logging more broadly, and improving PNG's capacity to manage the broader environmental concerns it faces. Rather than dealing with those, can I just finish on the issue of Bougainville, which we touched on yesterday.

The long and useful discussion yesterday covered a range of things that Australia might do. In fact, the Australian government is currently providing $16 million in activities to assist Bougainville. These are particularly focused on hospitals, schools, distance education and, to a degree, upgrading infrastructure in areas such as the Buka airport. These have been all agreed with the Bougainville transitional government and PNG government as priorities. But inevitably they do focus on Buka and, where possible, on the northern end of the main island of Bougainville, except for the one million dollars that we are proposing to provide through NGO agencies to assist more broadly.

The future will involve focusing on the broader range geographically and in terms of need in PNG. We are having discussions, as Mr Butt referred to yesterday, with the Red Cross on the possibility of a $4 million package of assistance to people across Bougainville who are in need, and undoubtedly the future will involve much more assistance via local government entities and the BTG. Thank you.

CHAIR—I would like to welcome the parliamentary secretary for foreign affairs, Andrew Thomson, who has just joined us at the top table, and also Roger Price, who in the last parliament chaired the Joint Standing Committee; and a welcome back to Senator Forshaw from yesterday.

Mr DINNEN—Thank you, Mr Chairman. I am going to speak fairly briefly, and inevitably selectively, on these very complex issues of law and order. I want to divide my talk into two parts and initially talk about some of the main forms of crime and some of the problems of violence, and then move on to some of the responses to these problems.

In so far as I have a message, it really is that the responses very often have

become part of the problem themselves and there is a need to re-think the responses to crime in Papua New Guinea and to develop responses that are much more socially appropriate to the PNG environment, and ones that have a greater potential for having at least a more positive impact. Those responses in themselves are not going to overcome the problems, as we will see, but they will, nevertheless, in my view, make a significant difference.

The problems of crime and violence are inevitably connected to the processes of change and development that are taking place. I do not know if you saw the weekend *Australian* last weekend, but the current police commissioner indicated that about 42 per cent of all serious recorded crimes at the moment are taking place in Port Moresby and another 24 per cent are taking place in certain parts of the highlands. These seem to be related to areas where criminal opportunities are greatest; they seem to be concentrated in areas of highest development and along the rural highways which provide the main channel for the conveyance of goods and so forth.

The categories of crime that appear to be causing the most concern at the moment, as Murray said, are violence against women, gang crime—euphemistically referred to as raskolism, as we heard yesterday—tribal fighting and, very significantly, corruption. The first three are the main concerns. They appear to be related to the level of violence that is involved in those activities. Recently we heard about some horrific crimes of violence preceding the current imposition of the curfew last Friday. This appears to be related to the availability of very sophisticated firearms and their almost routine use in many raskol activities in tribal fighting and other areas of violence.

Another concern is clearly the relative ease with which criminals appear to be able to evade detection and apprehension—the whole issue of the ineffectiveness of controls over crime.

The underlying issues, which I am not going to go into in any depth, relate to integration into the global economy, the impact of economic change, new forms of marginalisation that are related to these economic transformations, growing social cleavages, which are most evident in the urban contexts, the general weakness of the Papua New Guinea state, evident both in relation to the failure to deliver basic services and to fulfil the, admittedly, very high expectations of state in Papua New Guinea and, more directly, the failure of state controls to really have any positive impact. As I shall argue in a moment, they very often have a negative impact in practice.

These are some of the broader issues which, as I said, I am not going to go into in any detail. There are no easy or quick solutions. We are talking about issues of development. We use this rather loose and convenient euphemism of law and order to cover a whole host of issues that are sometimes connected and sometimes are not. Different solutions have to be devised for different aspects of these things.

Let me say something about raskolism very briefly. There is no one form of raskolism; there are many different kinds of raskolism in evidence in the PNG context, as one would expect. Urban raskolism is very different to the kind that we find in rural parts. The urban groups tend to be culturally much more homogenous, much more sophisticated, much more organised, much more committed to their crime as a profession, as a career and as a kind of rational response to the limitation of economic options in that particular setting. In the rural areas we are really talking about social banditry, which tends to be much more episodic and much less sophisticated. We are talking about groups that are culturally much more homogenous. So we cannot really use this term 'raskolism' to cover one thing; we are talking about lots of different manifestations that are taking place in different parts of the country.

I mentioned this notion of marginalisation, which I see as underlying much of the raskol activities that are taking place. This is a kind of double marginalisation in my view. It is people being turned away from rural subsistence living, particularly young people who are being exposed to global cultures through education and migration, who no longer want to live in the village—that is boring or whatever—and at the same time are marginalised in the urban context because of lack of economic opportunities. I would argue that there is also a third level of marginalisation which relates to the nature of state responses to crime—a sort of institutionalised marginalisation at the hands of the police. I will say something about that in a moment.

I should mention that violence against women is a growing area of concern. We have the excellent Law Reform Commission reports from the 1980s documenting this. There is some very important work going on at the moment in Papua New Guinea in terms of research. Clearly, this is an area that is less susceptible to the kind of rationalisations in terms of social deprivation, unemployment and lack of economic opportunities to which raskolism is. It raises quite different issues. Again, I am not really going to go into that in any great detail here.

One of the aggravating factors at the moment which, I think, requires immediate concern is the widespread availability of firearms. Very often in practice, particularly in parts of the rural areas, the police are, in effect, outgunned. They are faced with criminal elements who have high-powered weapons. In Port Moresby last week—again, another of the precipitating crimes before Friday's curfew—involved the use by criminals of automatic defence force issued grenade launchers. There was a two-hour fire fight with the police with very sophisticated weapons. Related to this is the concern about the regular loss of high-powered weapons from the armories of the defence force and the police. This sort of leakage is clearly a major problem. It is welcoming to note that the Prime Minister has recently announced the setting up of an audit of weapons held by the police and the defence force.

Another issue here is the drugs for guns trade, which is reputed to be another major source of illegal weapons in the PNG context. The widespread availability of high

calibre, high quality marijuana and its trade has provided new avenues for purchasing weapons. This trade is believed to be going on around the Western Province, Torres islands. The potential disruption through using these weapons in the forthcoming election next year is a major source of concern in the PNG context.

My next few minutes will be devoted to state responses. In practice, what has happened with the criminal justice system is that it has been progressively overwhelmed by growing demands that have been placed upon it by escalating violence and the shortage of resources which are related to the fiscal crisis of the PNG state. As a result, there has been an increasing resort to emergency measures as a sort of routine response to criminal activities in PNG. So we see the use of curfews. Earlier we saw the use of a state of emergency. We see the use of special policing operations, very often using defence force personnel to supplement the workings of an incapacitated criminal justice system.

Earlier this year the current police commissioner produced some rather alarming figures relating to the Royal Papua New Guinea Constabulary. The police population ratio of the constabulary at the time of independence in 1975 was one police officer to 476 civilians. By 1996, by which time the population had doubled to approximately 4,000,000, the overall police numbers ran to 4,000, which made a police population ratio of one to 800. So the number of police has not kept up with overall growth of the population.

According to Mr Nenta, at any one time not all of the 5,000 uniform police are available for general duties. Many of them would be on administrative duties, some would be sick and so on. In practice, there are probably 2,100 police officers available for service at any one time in Papua New Guinea. They work in three shifts, which means that there are about 700 police officers available to police 4,000,000 people at any time. If you take into account the fact that there are 362 police stations in Papua New Guinea, this works out at approximately 1.9 police personnel per police station. So there is a very significant problem of a shortage of resources in this area. These resources have led to the kinds of responses that we have seen.

There is a cyclical pattern where there is a build-up of crime, usually triggered by one or two particularly brutal crimes. Criminal justice, clearly, cannot deal with that and so there is an imposition of a curfew. In 1991 we had this sort of curfew imposed. In 1993 there was going to be a curfew imposed, but the financial restraints at the time did not allow it to be imposed, so there was a special police operations instead. In 1996 we now have a similar peak, with the imposition of a two-month curfew recently being announced and then subsequently being qualified by the Prime Minister. Because of financial constraints, the curfew will now be a system of limited curfews imposed in the national capital district and the central province.

The problems with the short-term responses, in the PNG context, are plentiful. They are very serious and, as I said earlier on, these responses are very often part of the problem. What the short-term and essentially retributive responses that have been

developed do, amongst other things, is that they operate against the development of good police community relations. They lead to fear and distrust. They make it very difficult for the police to get the level of community support that they require in order to investigate, apprehend, and prosecute—areas of conventional policing that the PNG police fall down quite badly upon. It is not just a matter of lack of resources; it is a question also of the very bad police community relations that we see in many parts of the country. This sets up a sort of reinforcing pattern, whereby the only way police can achieve results is by resorting to the kind of retributive actions that they do and that, in turn, leads to further alienation with the communities.

In terms of my own research in the area of raskolism, violent encounters with the police and periods of imprisonment have become an important part of raskol induction. They have actually been taken on board as part of the rights of passage of becoming a raskol. So the constitution of raskolism is now integrally linked to the violence of state in relation to criminal justice, in particular.

At another level, as I said before, the existing marginalisations that are fitting into raskolism are being reinforced by the nature of institutionalised responses at the level of the state. Serious human rights concerns were mentioned yesterday by the representative from Amnesty, and these relate to extrajudicial killings, allegations of sexual assaults, and destruction of property and livestock. I agree with the point that was made by a number of speakers yesterday including, I think, Professor O'Collins about the carryover effect from the Bougainville experience to mainland policing. There is a distinct Ramboism attaching to aspects of police activity, particularly in parts of the highlands where mobile squads have been reported to be wearing the special uniforms that they were issued with in Bougainville and using the face paint in the conduct of general policing duties back on the mainland—a very worrying disturbance.

These responses are costing the state a lot of money. One of the biggest growth areas in terms of civil law in PNG is in the increase of actions brought against the state for compensation where damage is alleged to have been carried out, inflicted in the course of police raids. In practice, instead of forcing people to make peace with one another, if you like, the strong arm of the law in PNG is all too often really provoking further claims against the state itself.

I want to end with some glimmers of hope. I do see some positive things happening. Some of these are happening within the state but, more significantly, a lot of these things are actually happening beyond the states, in terms of responses to crime. Within the state, auxiliary policing is a development that began in 1991. It is a development which shows great potential for the evolution of a form of policing that is much more appropriate in the PNG context and that gains the kind of cooperation at community level that is desperately needed in the PNG situation. It is also cost-effective. I can talk a little more about that later, if you want. In relation to other developments, the recent announcement by the PNG government that they are setting up the Human Rights

Commission, which was mentioned yesterday, is to be most welcomed.

In terms of Australian aid assistance, Murray has already pointed out that in addition to traditional capacity building stuff—which is necessary but is not without its problems, as I have indicated—there is a move towards looking at community level responses; investigating what structures exist at the community level which can then be strengthened and supported as additional mechanisms for dealing with some of the things that currently are given over to the state to deal with.

The non-state level is where the most exciting things are happening. There have been a number of developments which have occurred at the grassroots level beyond the state, but which are very much in response to the inadequacies of state responses to crime. I will give you two examples: one, the gang retreats that are held quite regularly in different parts of the country; and, two, the phenomenon of mass criminal surrenders, which is happening throughout Papua New Guinea, where criminals actually give themselves up. What would be very interesting would be to try and gauge what proportion of criminals give themselves up voluntarily, as opposed to those who are apprehended by criminal justice. I suspect the figures would be fairly close.

This is something that is happening usually through the agency of civil society in Papua New Guinea, through the agency of the churches. It is something that is usually linked to addressing the underlying marginalisation by connecting reformed criminals to small-scale projects, by accepting their contrition and their very genuine wish to get involved in legitimate activities—to emerge from their marginality. These are things that are happening beyond the state and they are areas that really merit our further attention. I will leave it there to give the next speaker a chance, but I would be very happy to discuss some of these issues in greater detail later.

CHAIR—Thank you, Mr Dinnen. Before I ask Mr Jones to make some comments, Tom Critchley might like to make a brief supplementary comment on law and order.

Mr CRITCHLEY—I believe it is one of the most important problems in Papua New Guinea because it has an impact on so many other things. The perception of insecurity in Papua New Guinea affects tourism, which could be such an important earner, which in turn affects employment which in turn reinforces the crime situation. It also affects the level of development and, by no means least, we can easily see how it affects our cultural relations and cultural development.

I have often asked myself why it is that the perception of insecurity in Papua New Guinea is so much more serious than it is in Irian Jaya or in other south-western Pacific countries. I am indebted to Mr Dinnen who has gone some way to explaining what a complex situation it is. To my mind, among the reasons is the problem of law enforcement. I say that because I feel that Australia has had a very real responsibility in this regard.

In 1973, before independence, there were just under 200 expatriates in the Royal Papua New Guinea Constabulary. By August 1974, when independence was on the horizon, the number had fallen to just under 100. By February 1976, there were only 44. When I left Papua New Guinea in April 1978, there were only 25 expatriate officers. Obviously, there had to be promotion of young, bright Papua New Guinea officers. They were young and they were bright, but they lacked any experience in the positions they were expected to hold, and in many cases the training was not adequate. It can be seen why my first dispatch when I went to Papua New Guinea was about the prospect of problems of law and order in the future. My last dispatch was even stronger on the same subject.

Admiral Leach has referred to the seminar on Papua New Guinea security and defence that was held in Sydney. We had at the seminar Dr Bernice Masterson, a consultant to AusAID, who spoke on police cooperation, which I believe is a very important aspect of AusAID. To summarise what she told us, she said there was a discernible increase in crimes against both persons and property, but the increase had to be viewed in its overall context and not dramatised.

The Royal Papua New Guinea Constabulary, with minimum budget support, is operating at a reasonable level of efficiency but is in need of skill enhancement in many areas. The provision of basic equipment and facilities, together with ongoing technical assistance provided through the AusAID project, would comprise a solid foundation for the development of an adequate capacity for the maintenance of law and order.

I do not believe that the optimum benefit of the current assistance provided can be achieved without commitment and leadership of the constabulary management and the provision of adequate budget support. The RPNGC must be able to continue its evolutionary process as the law enforcement agency of Papua New Guinea. There is no quick fix solution—it must be a steady sustained effort, supported by government and in accord with community needs and expectations. What we have heard from Mr Dinnen confirms that it is a long-term evolutionary process, with which I certainly agree. I believe it is a very important consideration for AusAID to maintain its program, even though it may be discouraged in the short run.

I am delighted to hear about auxiliary police, because I have thought for a long while that this was a very important aspect of policing in Papua New Guinea. I have also thought that our own aid could be far more effective if the police who go up and help train the Papua New Guinea constabulary, or give them advice, could work in line positions. I realise that this is a very sensitive issue and I know that there would be a reaction from the police association but, in the long run, I believe that advice is more acceptable when those giving it also accept some responsibility, rather than operating outside the service.

Mr JONES—For a range of reasons, Papua New Guinea holds a special—if not

unique—place in the operations of the Australian Customs Service. As an island nation, Australia does not have any land borders to manage and protect. However, when you stand on the northern side of Saibai Island, you can look across the narrow stretch of water that separates us from our closest neighbour, Papua New Guinea.

Whilst it is the nature of Customs agencies around the world to want to control all movements of people, vessels, aircraft and cargo across the border, for traditional movements between Papua New Guinea and Australia under the auspices of the Torres Strait Treaty, we are obliged to sit back and watch as these pass, for the most part, without interference. That is not to say that we have any difficulty with the provision that allows this freedom of movement. I simply mention it to further emphasise the special nature of Customs' relationship with Papua New Guinea and the nature and complexity of our border management role.

The Australian Customs Services has long been active through the Pacific and South-East Asian region in providing assistance to Customs administrations. It would be fair to say that a significant share of those efforts have been in Papua New Guinea. In the late 1980s and early 1990s, the ACS managed a five-year AusAid funded Papua New Guinea customs development project. The objective was to improve the capability, operations and self-image of the Bureau of Customs and Excise staff. It successfully concluded in July 1992 with a cost to the Australian government in the vicinity of $4½ million and to the Papua New Guinea government in the vicinity of $1 million.

Unfortunately, shortly after the project concluded, the Bureau of Customs and Excise merged with the Tax Office to form the Internal Revenue Commission under the Department of Finance and Planning, and a new Commissioner of Customs was appointed. The restructuring resulted in many senior customs officers either leaving or transferring to other departments, causing the significant loss of expertise thus lessening the valuable results gained during the life of the project.

Since 1992, we have received few requests for assistance and, therefore, only a limited amount of technical assistance has been provided by the Australian Customs Service. A Papua New Guinea Customs nominee has participated in the Australian Customs Service funded Customs International Executive Management Program in 1992, 1993, 1994 and 1996. Under the forum's secretariat, coordinated joint police and customs drug enforcement training programs have been conducted in Papua New Guinea in October 1995. The ACS sponsored the participation of a Papua New Guinea Customs officer on the World Customs Organisation Fellowship Program in 1995.

Although there has been reduced contact over recent years, we remain on good terms, especially through our mutual involvement in the annual Customs Heads of Administration Regional Meeting—CHARM. As a member economy of the APEC forum, PNG is represented on the sub-committee on customs procedures. The committee has developed a nine-point collective action plan which aims at simplifying and harmonising

customs procedures in the Asia-Pacific region with the goal of removing impediments to trade in the region.

On the more specific issue of law and order, earlier this year I attended a cross-border crime conference held in Goroka. The conference provided an opportunity for a frank exchange of views on a number of issues relating to management of the border. The conference recognised the need for greater communications between Australia and PNG, and accepted the risk posed by the large number of persons moving through the Torres Strait. It recognised the unique problems posed for Australia with its only true border environment with another country, and it recognised the increasing incident of illicit movement between the countries.

As a consequence of that conference, more recently, officials from both the Australian Federal Police and Customs stationed on Thursday Island, travelled to Daru on an Australian Customs vessel for a meeting with their Papua New Guinea counterparts. The visit demonstrated our commitment to maintain the integrity of the border in the Torres Strait and reinforce the need for increased intelligence gathering. Feedback from people in Port Moresby indicated that that visit was extremely successful.

Information, largely anecdotal, points to increasing levels of illegal activity involving Australian and Papua New Guinea nationals in the Torres Strait. Members will no doubt have heard of assertions that there is a growing trade in guns for drugs. As do other agencies with border and coastal management responsibilities, Customs continues to monitor the law and order situation in Papua New Guinea.

Partly in recognition of the potential for heightened social and community tensions in Papua New Guinea to impact on the Torres Strait, the Australian Customs Service has made a number of significant changes to our resources deployed into that area. A new helicopter has been made available under the Coastwatch contract which provides for greater range and payload of activity throughout the Torres Strait. There are more frequent flights by new fixed-wing aircraft with a greater emphasis on electronic surveillance using state-of-the-art equipment. More recently, there has been the acquisition of an Australian Customs vessel named the *Wari* which is 27-metre high-speed patrol vessel to be located in the Torres Strait. The crew provides a substantial increase in the Customs presence in the region, as well as an increased law enforcement response capability. It is Customs' intention to seek to operate that vessel in the Torres Strait region for up to 300 days a year. We have also undertaken, in concert with our Papua New Guinea counterparts, to explore the feasibility of operating that vessel on the Papua New Guinea side of the border.

Other measures taken to improve our controls in the Torres Strait include changes to our concept of operations in the area, with a greater emphasis on intelligence to assist in the management of the risk and enhancement of our response capabilities. Increased levels of night surveillance will be undertaken. Also, there is the implementation of a

community awareness program under the customs watch banner, which has been especially adapted to suit the environment in the Torres Strait. Already that customs watch program has produced beneficial results.

The Australian Customs Service is very much aware of the potential for arms trade between Australia and Papua New Guinea through the Torres Strait. It is conscious of the fact that the tightening of gun control laws in Australia has created an environment whereby some unscrupulous gun owners may be tempted to make their now illegal semi-automatic weapons available for export to Papua New Guinea.

Two issues that may contribute to more effective control of illegal activities in the straits—but which yet are to be resolved—are a curfew on night travel and carriage of identity documents by persons travelling between Australia and Papua New Guinea as traditional visitors.

Finally, the Customs Service has identified a number of issues that have the potential to effect the relationship between our agencies. They are the upcoming general election in Papua New Guinea, the guns for drugs trade across the Torres Strait, the illegal movement of persons engaged in politically motivated violence and the use of the Torres Strait as an escape corridor by persons on both sides of the border seeking to avoid apprehension. Thank you, Mr Chairman.

CHAIR—Thank you very much. What I am going to do is invite John Caldwell and Professor O'Collins in a moment to move on to the health, education and women's development. Then we will take composite questions and have a discussion of both segments. But before we do that, Mr Phelan, would you like to make a brief comment in terms of environmental issues in Papua New Guinea?

Mr PHELAN—No, I will not. I may add something later, if that is okay.

CHAIR—That is fine. Mr Caldwell, would you like to go on into your segment?

Mr CALDWELL—Yes. Thank you, Mr Chairman. Both targeted efficient and cost-effective social service delivery systems, I think we would all agree, are going to be essential building blocks for PNG's growth. In both the sectors, major challenges face PNG in developing an adequate capacity.

I think most of us who have been up to PNG recently have seen or come across evidence—for example, in the health sector—where pharmaceutical supplies simply are not available or they are out of date; where health workers have not had adequate supervision or adequate guidance in their tasks; where hospital facilities are sadly inadequate for services; where health facilities have been allowed to deteriorate or close prematurely or; indeed, where equipment becomes unserviceable for the lack of a fuse, a 10c O-ring, a broken wire or just a lack of maintenance.

PNG certainly is starting to address these issues, but it certainly needs to be recognised that they are problems that have been building for a number of years. They have not just happened over the last year or two, but they have been generated over some period.

I just want to touch briefly on some of the key health indicators. Certainly, weaknesses in these are recognised. However, I think the data does provide an indication of the magnitude of the problem.

We are aware that PNG's population, currently around four million, has been estimated to be growing at around 2.3 per cent per annum, which is very high. More than 40 per cent of that population is under 15. Over 80 per cent live in the rural areas. Despite the gains that have been made prior to and post independence, statistics would suggest that, in fact, the health status has been deteriorating. For example, infant mortality has risen from, say, 72 per 1,000 live births in 1980 up to the order of some 82 per 1,000 live births in 1990. On average, one in eight children die before reaching the age of five. Maternal mortality rates have been estimated at 800 in 100,000.

There is also, though, a very wide variation in the health status between provinces in PNG. For example, in 1991, infant mortality was estimated to be at 115 per 1,000 in the Gulf province but much better in Manus, where it is about 40 per 1,000. There are, of course, significant variations between urban and rural areas.

I will just put those numbers in perspective. During the two days of the seminar, probably up to 70 children will have died—many of them from preventable causes. Infectious diseases now cause about 40 per cent of deaths. Tuberculosis is a growing problem for both children and adults, with the detected incidence of the disease rising about 50 per cent from 1991 to 1994. STDs and the growing number of HIV-AIDS cases pose major challenges for PNG. Also, the incidence of non-communicable diseases is increasing, partly attributed to lifestyle changes and the rural-urban drift.

Paradoxically, the decline in health status probably occurred while the reported number of health facilities and personnel in the health sector have, in fact, grown. Real per capita national expenditure on health has been estimated to have grown by about 25 per cent up to about the time of the financial crisis. At the same time, however, the sector's share of national expenditure has fallen about two percentage points down to about eight per cent.

A number of studies, including those carried out by the National Department of Health, have pointed to significant structural weaknesses in the sector. These cover: organisation, planning, management, health care and financing—not only the availability of funding for rural services but also the percentage share of the financing that goes into salaries in some provinces, where the salary component is over 90 per cent, leaving grossly inadequate funds for operational costs.

The distribution and quality of the health service is poor, with so many cross-sector services, such as pharmaceutical supply and equipment maintenance, functioning poorly. Health care facilities, in terms of both maintenance and standards, are inadequate.

In summary, the overall breakdown of the health service has probably fallen disproportionately on rural services, which service over 80 per cent of the population. It has to some extent shifted the burden to the hospital system. The end result is that the failure of the primary health care service has placed increased demands on the more expensive tertiary and curative health care system.

PNG is addressing these problems. PNG approved a comprehensive, five-year National Health Plan this year. A key objective of that plan is to improve the quality and access to rural services. Other policy priorities include expanded health promotion and preventative services; a reorganisation and restructuring of the national health system to reflect the constitutional reforms; development of professional, technical and management skills; and upgrading health infrastructure.

Under PNG's economic recovery program, emphasis has been placed on providing adequate funding for the social sectors. One of the conditions of the World Bank's loan, for example, for the release of the second tranche is that at least 25 per cent of budget funding be allocated to the social services.

The health sector is one of the three priority sectors agreed with PNG for growth in Australia's program assistance, with expenditure in the sector possibly rising to about 25 per cent of program aid by the end of the treaty period. Activities in the current program relate to training medical officers, strengthening the management capacity in five major hospitals, reproductive health, HIV/AIDS, and a child survival program. Australia's expanding program assistance in this sector will reinforce PNG's efforts to reform and strengthen the sector—through a program of activities consistent with the objectives and policy priorities articulated in the new plan—and will build on the earlier joint sector study carried by PNG and Australia in 1993.

We would see that the key areas of focus for the Australian program are in low cost primary and preventive health programs, institutional support, and enhancement of the cross-sector services, such as pharmaceuticals and medical equipment. We have a number of major projects that we are hoping to implement over the next 12 months or so, including programs for women's and children's health; the strengthening of rural health services; the provision of technical assistance to strengthen the National Department of Health in its new responsibilities; pharmaceuticals supply and distribution; and medical equipment maintenance and management.

Turning to education, despite the genuine progress and a high expenditure on education since independence, PNG's educational achievements remain low by international standards. Only 76 per cent of eligible children have access to grade 1. Of

these, 45 per cent would probably be expected to drop out over grades 1 to 6. For every 100 students enrolling in primary school grades, only one student might be expected to make it into higher education under the current system. The 1994 UNDP figures on adult literacy suggested rates of only 38 per cent for women and 65 per cent for men. Half the labour force has less than primary school education and only four per cent have completed full secondary schooling.

Looking at the finances, higher education consumes about 35 per cent of the education budget but serves only about two per cent of the student population. As with health, the share of the education budget is biased—as one would expect to some extent—very heavily towards the salary component. But again, when the squeeze comes on the budget, where are the cuts made? The cuts are made in terms of the operational costs—the costs of providing new materials.

As I mentioned, PNG has embarked on a program of major reform in the education sector. These reforms, in the first round, are aimed at achieving nine years of universal basic education by the year 2004 and, quite interestingly, the introduction of elementary education in vernacular languages and a restructuring of the primary and secondary school system. The reform is expected to have a significant impact on access, equity and quality across the education system; which, in the longer term, people are expecting would lead to an increased overall quality of life within PNG. Most encouragingly, there has been widespread support for reforms and, already, a good deal of momentum has been generated both at national and, particularly, provincial levels.

Again, within the current program, Australia's program is working on teacher training capacity; supplying materials for school infrastructure at the elementary, primary and secondary levels; support for technical education; and sector wide initiatives to increase female participation and strengthen institutional capacity. Our expected expenditure on education would be about $35 million in this financial year.

I will just touch on some of the main activities that we are looking to introduce within the forward program. In particular, there is one that has reached the final stage of preparation. It is focusing on initiatives to raise the participation rates of PNG women in the education system. Another significant program is on teacher education, again with a focus on elementary teachers and on the primary teacher and secondary teacher area.

In both health and education sectors the reforms do have significant implications for the allocation of resources—human, physical and financial. In education, overall unit costs can be reduced by careful phasing of the reform process, whilst still accommodating a high level of growth in the sector. But the decision to move to vernacular languages in the early years of education poses a particular challenge for the government in that you are talking about over 800 languages in the country.

Health will require a sustained effort at all levels of the delivery system, requiring a combined and coordinated approach not only by the public but by the church groups, by the community and by private agencies if they are to put in place a cost-effective and, just as importantly, sustainable health delivery system that meets PNG's priority needs.

Some hard decisions will have to be made on priorities, resource allocation, targets and reform management within the country. The success of the sector development in the broad sense, and for Australia's program in particular, will be critically dependent on provinces and districts allocating adequate budget resources for development initiatives and increased recurrent expenditure needs.

The reforms will require careful planning with a commensurate capacity to administer and manage the implementation of programs. That capacity needs to be developed right down to the district level because it is at those levels, particularly in the health and education sectors, that districts are responsible for the actual delivery of these services. The magnitude of the sector reforms and the current difficulties being faced in those sectors would certainly indicate a requirement of a long-term commitment in these sectors. It is going to be at least a 10-year process, if not longer, to bring about sustainable and lasting change in these sectors and it will require a long-term commitment by external agencies in providing that support.

I will conclude by making two other comments, which we often tend to take as given—that is, not to lose sight of the physical difficulties of working in PNG, from the nature of the country, the rugged terrain, the difficulties in just reaching some areas of the country and the rural-based population and, finally, as has been touched on earlier, of course, the current law and order problems.

CHAIR—Thank you very much. Professor O'Collins, would it be possible to restrict your speech to 10 minutes?

Prof. O'COLLINS—Mr Caldwell has done such a wonderful job that I think I will be able to do that. Mr Chairman, with your permission, I will table the paper for the secretariat.

CHAIR—Thank you.

Prof. O'COLLINS—I am just going to touch on a few more points, looking at it from the perspective of Papua New Guinea. I feel I have a little bit of a cheek doing that, and I know some of my Papua New Guinean colleagues here may think I have it wrong. But I feel that if Australian aid is to be effective, we have to also turn around and look at the aid planning and development implementation and the whole Australian aid system from the point of view of Papua New Guineans.

In the 1991 report there were a number of recommendations that covered health,

education and women and development. I will not mention them all, but they were under the overall umbrella that the move from budget support to program and project aid should be undertaken as a matter of urgency. This has had quite a lot of implications for the development of an effective, not just a sectoral, social program for areas of Papua New Guinea. One of the problems has been that projects are often fragmented and partial. Often they are instituted not only by aid from Australia but from United Nations agencies, from other countries—Japan, Canada and so on—and from non-government organisations. I think the very big challenge in the social sector now is how we coordinate and work with Papua New Guinean initiatives and other donor agencies in these very difficult areas of health and education.

If we are looking at health and education, I think three key 'A' words would be accessibility, adequacy and appropriateness. As has been mentioned many times, there are numbers of people who just do not have access to basic education, basic health or other services—women's group services and so on—partly because of distance and geographic problems and partly because of social accessibility and cultural problems.

If we take programs such as family planning, I can remember being at a meeting in a small village where the whole discussion was about how we could persuade the men to use the truck and the fuel to take the women to the clinic during the family planning sessions. This was a very real problem. It is a social problem which involves the men in the community, transport, the women's level of education and literacy and the attitudes of older women to the young, particularly daughters-in-law and so on. So it has a cultural component and a social component and involves transport and communication, and then we have to ask whether the service itself is efficient and effective and whether the health worker will be there when they finally get there. There is a whole range of things which make that program effective or ineffective. I think this multifaceted situation is something we often lose sight of when we are looking at projects or programs or, as Australian planners, we are looking at budget allocations. So that would be the first point that I would want to make about this.

The question of accessibility often means that there are certain very crucial periods where a dropout or a failure to receive a service can be very important. Perhaps in our aid planning we should look at those areas and target them. For example, if a young girl cannot go to primary school or drops out because her mother dies in childbirth—this is quite a common problem in Papua New Guinea—the whole question of literacy may be very important for those young women who otherwise will never ever be able to take advantage of various programs that come up. If she is in primary school and she gets through to grade 6 or 7 and then is taken away, even if there are not school fees, there are school expenses or she will be better off at home looking after the younger children while the mother is in the garden, if the mother is there.

The whole question comes up about programs for distance education. The distance education programs at one stage were free. It was a wonderful thing to go around the

country. You just encouraged people, saying, 'Look, it is free. All you have to do is take advantage of it.' But when it went up to 50 kina per course, this was money that people would not expend. So perhaps an Australian aid initiative might be better focused at looking at those opportunities of distance education right through to the tertiary education system.

Some of the distance education programs that are very successful have been carried out by churches and non-government organisations who bring people together. Sometimes the local radio stations encourage people. If your child has dropped out from school, here is a chance. There will be continuing access to education. Do not give up. So I think that this is another crucial crisis point for a lot of Papua New Guineans, and with education all the way through. That would be one point that I would make. But perhaps we need to look at where we can target our assistance more effectively to help in these crisis situations.

This change to project aid and program aid has, as Mr Caldwell has mentioned, had quite devastating effects on the health service. I would like to read out a comment that was made by someone when I said that I was giving this paper and I asked for the person's opinion. I was given a short anonymous comment from someone who works in Papua New Guinea. It was a description of the problems that were arising when in some situations aid projects provide the only dependable source of funds, staff, transport equipment and supplies.

I face some of this problem myself when the aid project says I am supposed to do something or rather. I get out to a situation and, clearly, some funds are needed for something else. By the time I go through the AusAid bureaucratic process—with great respect to everyone—and I do the mountainous paperwork to get the little program changed, the person has died, or I have moved on. So there needs to be greater flexibility. There need to be discretionary funds. We are so frightened of discretionary funds.

I was working in a police situation for a while and when you find that the prisoners do not have any food, your alternative is to go and buy the food yourself. You are doing the wrong thing; you are creating increased dependency. You get a black mark back at headquarters. But the prisoners cannot die. The constables are using their own money to provide food for prisoners that they may have beaten up when they arrested them. It is a very complex situation.

Let me go back to my friend. He wrote:

The health services have been starved of money. This not only has affected supplies and patrols—

which Mr Caldwell has mentioned—

it has also drastically reduced staff morale. The morale of staff has also been adversely affected by the uncertainty to the future of the provincial governments and administrative system. Over 20 per

cent of the present money spent on health in Papua New Guinea comes from an Australian project which has been formulated by Australian-paid consultants in consultation with Papua New Guinea officials. Consultation is often from a position of superior knowledge, superior skills and superior power, because you have the money—

and Papua New Guineans are very polite people and they probably will not tell you when you are going wrong—

This percentage is due to increase markedly over the next few years.

This is the point I want to emphasise. He went on to say that the Department of Health did not have the capacity to control all these inputs: the Australian aid, the consultants—to control us when we go to Papua New Guinea. We run wild—not just the raskols. We think that we are doing the great thing. The control of the country's health services is, in effect, being reduced. He ends up saying:

All these changes have made the country more dependent.

Perhaps, he was in an unhappy mood when he wrote, but it is difficult to assess how far these problems are transitional. They will be sorted out as we learn more from moving from budget support to project and program aid. But you hear the same story in the health, education areas—not so much in the women and development sector, because I think that has got a lot more of the non-government church and women's involvement. But that is perhaps my prejudice.

But it is a point that I think we need to look at: how are we now approaching this situation? Are we returning to pre-colonial days? Is the fact that Papua New Guinea is in greater need, socially and psychologically, making us be a little more domineering and impatient? I take your Excellency's point yesterday about the need for patience and understanding.

The next point that I want to make generally about all the social sector aid involvement is that we must have cultural understanding—Hank Nelson was talking yesterday about the slippage in this. Unless the people who go up to Papua New Guinea to work on our behalf really understand the culture of the country—and this is in the law and order sector, the health sector, the education sector or wherever—they will spend six months or so making mistakes. They will have about a year in which they might do some good work. Many aid organisations have this rather strange feeling that after two or three years people become too involved with the people and have to be moved. Just at the time they are going to be able to give good work, they are moved out.So it does seem to me that all Australian aid projects should have the opportunity built-in for all their workers to have a period, if they do not know Papua New Guinea, of cultural orientation in the country before they start work.

We tried one or two people—and I can remember bringing in Papua New Guinean

'experts', who were friends of mine from the university—and they were faced with some incredible questions by very well-meaning people, but it did help a little bit. I am just putting another plea that when we are working out cost-effective and efficient and technocratically superior programs, cultural understanding is dollar for money. We are using the money effectively.

I do have one eye on the time, and I have one more point because I do feel it is important. When we move to health services, Mr Caldwell—once again, to whom I am eternally grateful—has laid out the whole situation in very real terms. The whole question of the maternal death rate is one that is of tremendous concern. He mentioned a figure of 800 and something. There was a report released before the Beijing conference which had social statistics at the end. They had about 700 or 800 maternal deaths per hundred thousand for Papua New Guinea; they had about 240 for Vanuatu and nine for Australia. So we can look at that difference.

The point I would like to make is that Papua New Guinea started from a very difficult low base. I will just read these statistics from a good AusAid program here:

Papua New Guinea has made significant progress in social development for the period 1975 to 1992—

and then it goes on to mention reductions in infant mortality and life expectancy, which has improved to, I think, between about 50 and 55 in different parts of the country. School enrolment rates and retention rates for girls have also improved. It goes on to say:

While the significant progress can be applauded, comparisons with East-Asian countries—

and I would say, South-Pacific countries—

suggest that Papua New Guinea is lagging well behind. Problems in service delivery and the recent deterioration in facilities and services could jeopardise further progress in these indicators.

Papua New Guinea started at a very low level. We had 60 years and we really did not do a particularly good job in some of these areas, and in others perhaps we did a better job. So they started at a very low base. In the 20 years, they have improved, but now there is this very great deterioration on the horizon. I think that is where we need to look at ourselves and look at how we could help.

Finally, I just want to make a small plea for non-government organisations because I think that—in the area of women's development—health and education, churches and non-government organisations are willing to get there into those uncomfortable and difficult situations, where perhaps government workers are more concerned about security and uncomfortable living conditions.

If you go to the Gulf, you are terribly concerned that you are going to get

malaria—and having once had cerebral malaria, I know it is not a comfortable thing to have. If you are working in a place over a period of time, you get to know the people and you begin to feel that you are doing something that is more effective. Those little non-government organisations and church groups are perhaps the ones that find it the most difficult to do this mountain of paperwork. For all these things you need computers with special programs and all sorts of things to produce the reports and the performance indicators that are required by the government.

In August of this year the Australian National Audit Office produced a report on the non-government organisations that were being supported through AusAID. It noted that some of their reports were—I quote this from memory—'from a few days to four months behind'. I thought it was extraordinary that they put in their reports, but the audit office—that was its job—was pointing out that some of them were a few days behind. I think this is absurd if we are talking about aid.

I think we have to look at what it really means if a woman dies in childbirth, if her child is then pulled out from school, if the whole affect has social, health and education consequences and if her young son becomes a raskol. Many of these children come from dislocated homes as well. All this is very interlocking. I think Australian aid needs to be brave enough to be a bit more flexible. Perhaps we need to employ people whose job it is to interpret all these reports and put them in the right form and put them forward to the appropriate authorities so these people can go on doing their work. I will finish on that note.

CHAIR—Thank you very much for your experience, your counsel and, of course, your frankness. We have about 25 minutes to cover those areas. There is a lot of ammunition in terms of organisation, law and order, health, education and women's issues. Who would like to open with a comment?

Mr MACKAY—I would like to make a couple of comments and then ask a question, if I might, of AusAID. I applaud everything that you just said. There is an underlying theme which came out yesterday and today—that is, do we know what we are doing? Everything we do should have a purpose, shouldn't it?

We are talking about the capacity of the PNG government, but also the capacity of the PNG people, to participate in a changing environment. We are moving from one point in life to another point in life, which is usually categorised the same when they are joining the international economy.

Our interest is about the private sector. We understand that the private sector fuels everything else that occurs in a society. If there were not things called taxation receipts, a lot of us in this room would not be here today. I think that we are missing out on some measurement as to what the impact of our efforts are within Papua New Guinea.

Talking about the private sector, Tony Regan alluded to it yesterday when he said, 'Well, in other countries there is access to productive activity on a very small scale in the homes of every family in Africa, in the Philippines and so on.' That same access does not occur in Papua New Guinea, mostly because of the structure that the economy has been left in. It is a very high priced economy to operate in; it always has been. When I was living there in the early 1980s, when law and order was not such an issue, the ordinary Papua New Guinean did not have a great deal of access to a productive activity which could be translated into being able to pay school fees, being able to pay for medical services, being able to pay for a bit of recreation or whatever. I think that is something that we need to focus on.

The government has taxation receipts, which are called consolidated revenue. When I was doing some research there in the early 1980s, I calculated that 93 per cent of consolidated revenue came from foreign investment. I discussed this with the chief taxation person, John Loberger. He explained in detail how it was very difficult to obtain taxation receipts from indigenous activities. I do not know how much that has changed, but it is just an example. I do not think that it is probably very much different. I would also think that Papua New Guineans are thinking about these things.

The question I have for AusAID relates to whether we know what we are doing. Could AusAID tell us, in the context of the consolidated revenue impacts in Papua New Guinea, what AusAID's economic forecasting says about the consolidated revenue impacts of Australia's aid. Are they positive or negative, are they quantified, are they available to be included in this committee's report, is there a net gain or a net loss and is it negative in the short term and positive in the long term?

Mr PROCTOR—The impact on consolidated revenue is such that between now and the turn of the century each year the decline in budget support will mean that two per cent less of PNG's budget expenditure will be funded by Australia, if you take the base of the 1994 budget. The value of that money is not lost to PNG because every year $36 million is going into program and project assistance. Our estimates, prepared annually by an expert for AusAID on mineral revenues by PNG, suggest that as we get to the end of the decade there will be a very strong increase in mineral revenues. So that should more than offset the effect of the budget support decline on the government's revenue base.

More generally, what is the effect on PNG's economy? Our estimates, vague as they might be, suggest that the spending on the projects and programs as we are undertaking them will not greatly increase the amount of money spent on Australian goods and services. Sixty cents in every dollar that you put into PNG's budget gets spent by the importing of goods and services from the economy somewhere or other, half of which comes from Australia.

In a nutshell, we anticipate that the actual macro-economic effect of the change will not be large. On top of that, you will see an increased investment in PNG's main

sectors of infrastructure, health and education by the move to programmed assistance. Our money will go less and less to recurrent spending by the government and more into development of services, and infrastructure in some cases.

CHAIR—Are there any further questions or comments?

Mr HIATT—I wish to comment on a number of subjects that have been covered in this session. It is too hard to cover the lot—health, education and law and order. I would like to make the observation that having spent 40 years in PNG, both working for government and for private enterprise, I have observed Australian aid from its beginning, when it was direct aid, and now its slow transition to project or program aid.

An area in the aid project that I think Australia should look at is a development that has been happening pretty fast in PNG in the last few years. The government, particularly in the rural areas, are abrogating their responsibilities and services to the rural communities. That is where most of the troubles are happening and that is why people accumulate in the urban areas and that is why you have your problems with the unemployed in the urban areas.

The people in the rural areas are becoming extremely frustrated with governments because they are not getting the services they once had, whether it was rural aid, health services or education. Consequently, in this abrogation, we are seeing private enterprise resource developers such as ourselves and Ok Tedi, and now Lehir will start taking over government services that are not there. As was mentioned earlier, even the controversial logging projects also provide a certain amount of infrastructure and services to very remote communities.

Not only are developers taking over these services in the rural areas, but we see the development of church groups, the well-established missions in PNG, also taking over more and more of these services. We see the development of NGOs coming in in large numbers, and they are also taking over a lot of these services. It is all good stuff, and no doubt it is filling a gap, but my thought is that it is not the right way to go in the long term. It is a form of privatisation of government. There are some advantages in that, but I think it does damage to the morals and the dignity of Papua New Guinea as a nation.

I am certainly not suggesting a panacea to all the problems. We have heard this morning the very doomsdayish developments in law and order problems. I have just come from Port Moresby, where they have just brought in a curfew for the whole country. We have a project in the Highlands, which is in one of the most difficult areas, where we have to get an exemption to continue the project. What has been said by government is that, hopefully, this is the third curfew and the last and we can get on top of it. If they do not get on top of it, then we have some very long-term problems.

I am suggesting that aid should perhaps be directed more to the rural areas. In

particular, the problem is implementation of projects in the rural areas. The problem is basically that the administrators in those remote areas, at the patrol posts, at the district headquarters, have lost the plot. They are demoralised, they need assistance, they need help. So do the police. Perhaps aid or donor countries should be assisting the district manager in many ways. I also believe that aid or donor countries should try to help the national government rejuvenate the local government system. The local government system was very successful, was providing these services, but it is now in a state of chaos. There is no point in introducing new systems. The system is still struggling along; let us assist in trying to make it work better and provide services.

With the law and order situation, a lot of problems have been discussed and analysed this morning; I will not go over those. However, an area that Australian aid could assist is one which Tom Critchley touched on. Quite wisely, he said that Australian aid, through police, could be more directed to having Australian police, for instance, in line positions. Tom recognised that it is a very delicate area because the police association will not allow it. It has been tried before many times; you cannot put an expatriate policeman in charge of rural police for reasons we well know.

However, that is not to say you could not have police advisers. Whether they are from police backgrounds or military backgrounds does not really matter, as long as they are good administrators, they can fit into the rural scene, adapt themselves to the situation and advise the police officer or the administrator and give support in morale, in logistics. It does not matter how much you pour into the country in the way of vehicles, money and resources to help the police; if it does not get out to the rural areas, it is a waste of money. It is the logistics of making sure that police vehicles operate, that the radios operate, that the lock-up is not breakable, that they do not get out as soon as you put them in. All these things need an expatriate, not to run it, but to give support and moral support to those fellows out in the rural areas.

This goes on to health services, the whole lot. You need a good administrator being given support. The government is trying its hardest to implement the constitutional reforms and to decentralise. They are up against huge problems, but there are some good signs. For instance, the Madang province, with Peter Barter as governor, and our ex-Prime Minister Paias Wingti at Hagen in the Western Highlands, are doing quite a good job to implement that and get things happening out in the rural areas. So perhaps Australia could give support to that implementation.

Lastly, the disadvantage of women in rural areas has been mentioned. It is very much so. I do not think the statistics for increasing crime that were given earlier adequately cover the serious crime that is happening in the Highlands. It does not get into the papers, it probably does not get into the statistics—the rape of women is just horrific.

One of the reasons why that is happening is that women victims are not having their cases processed through the court, through the judiciary. The reason is that the clans

of the victim and the perpetrator are handling the situation and it becomes the subject of compensation. This means that the police cannot prosecute, or have great difficulty because they do not have witnesses, so what is the solution to that? It is difficult, but you have to give assistance here through prosecutions, through assisting the police, assisting administrators out in the field, to make sure that these cases involving violation of women are brought to justice.

Vice Adm. LEACH—I have a question on education for Mr Caldwell. We have heard some disturbing figures of 50,000 dropouts each year, and most of them are pushouts because there is nowhere for them to go; 10 per cent only go to higher education and a great proportion is allocated to higher education. But the figure that disturbed me a bit was the one for women—38 per cent, I think you said, are literate. Do you think there is any possibility of trying to get literacy improved in the female area because the mothers then teach the children? In the long term that would be progressive—maybe talking about the rural areas, even sending teachers there to give education to some of the mothers. Is it a cultural problem or do you think there is the possibility of redirecting funds for that sort of initiative?

Mr CALDWELL—A number of avenues are being looked at in the Australian program. One of the encouraging aspects I think is the move to vernacular education, although it is going to be a challenging exercise, which would, I suppose, increase the access to at least the starting point in the education system to a broader range of people. If that education is provided in the local language, then it makes access to that service a lot easier.

There are other potential programs that would help impinge on the information available to women in particular. For example, health promotion is one area where there are possibilities. The other point is to look at possibilities of how you get that information out. Certainly, distance education is one area that needs to be looked at. That program is still very much under development at this stage.

Mr PHELAN—I begin with a comment on environmental matters and then there is the question of law and order. Two issues were raised with regard to the environment—the first was mining and the second was forestry. I would like to comment on the forestry part. While it is true that a logging code of practice has been implemented and the World Bank has also listed directives with regard to what should be happening in that area for funding to continue, I think there is a difference between a particular code of practice or policy being adopted at the official level or the government level and things actually happening on the ground. I would suggest that what is happening is that in fact there is not a lot happening on the ground, that things are not looking too hopeful.

With regard to forestry, earlier exports of timber from Papua New Guinea were labelled as forest products, but I think it is quite clear that the vast majority of timber that is being exported from Papua New Guinea is simply round logs. There is no value adding

process implemented there and it provides very little revenue for the state or, indeed, the landowners.

With regard to law and order, I understand that the AusAID program is managed by ACIL, which is a private firm, and that there are to be three phases of that project. We are in the middle of phase 2 now and phase 3 is beginning next year or perhaps the year after. A mid-term review of that project was conducted by AusAID, or at least ordered by them. It said, 'Given the relative absence of results, it is difficult to recommend that there be consideration of a phase 3.' We had some general comments earlier about where that project—or what I understood to be that project—was going. I was just wondering whether there could be some more specific comment on whether ACIL will be continuing to manage and implement that project and what precautions will be undertaken to see that that project actually does work.

Mr PROCTOR—Thank you for both those issues. I heartily agree with you about the fact that the commitments on forestry do not necessarily reflect on the ground. I mentioned them as indications of progress, compared to what had been the case a few years prior.

I turn to the law and order issue. Certainly ACIL is implementing the second phase of this large police project. There are not necessarily three phases. The current project is due to finish at the end of next year. I think your quoting from the mid-term review is a bit selective. There was problem making real progress in the longer term. There were a number of achievements from the project in a range of areas. I flagged in my talk that we had to decide whether we keep assisting across the range of areas or go for the longer term development. Of course, we decided on the latter.

Whether or not there will be a third phase is a subject that PNG and Australia will have to think very hard about over the next year. In fact, we are starting to embark upon discussions on this topic at the moment. Whether there is a third phase, whether it is a project of this sort—which I might point out has something like 52 full-time advisers with the police, which is an interesting comparison to Mr Critchley's figures on decline of expatriates in the 1970s—whether that project is the same and whether it is run by ACIL or another contractor really is up for wide open discussion at this stage. We hope to talk to a range of interested parties, including NGOs, on that in the near future.

I just wish to respond briefly to Professor O'Collins while I have the floor. I think we do have to be very careful that what is seen as the effect of Australia's aid changes are, in fact, the case. I thank her for her salutary warnings about how we deal with the PNG bureaucracy and how we may, despite our own best beliefs, be seen as pushy, domineering or controlling the system. I think my colleague Bruce Davis will cover what program aid means and how in many ways it seeks to avoid the possibility of that happening.

It is not the change of Australia's aid arrangements that have led to the decline in the health services of PNG. Can I be quite emphatic about this and pick up much of what John Caldwell said. In 1993 we funded an emergency vaccination program with UNICEF of children in PNG because the vaccination services had collapsed. There was no money for health care patrols, there was no petrol for the cars and there was not much money for vaccines. In 1993 we had barely started to move out from budget support. We might have given $40 million for projects, but $260 million for budget support. It is not related to that; it is related to a range of things, primarily the squeezing out of health spending by wages and other costs at the expense of rural health.

There were also failings of provincial governments. There was also more recently a bit of chaos with the change in provincial government arrangements. But all these health services have been, as John said, in a long period of decline. Australia is genuinely seeking to address that. We are addressing it through advisers in hospitals to help operations, we are addressing it through looking at pharmaceutical supplies, at women and children's health and a massive program of funding for the six selected provinces to improve their basic health provisions. I think it is quite incorrect to say that we have led to this problem. We are not doing 20 per cent of health spending in PNG on one project. All our spending, which might have been $15 million last year on health, on all our projects has equalled 10 per cent of PNG's health budget.

Prof. O'COLLINS—I am sorry, Mr Proctor, if you felt that I was giving the whole blame or my informant was giving the whole blame for the deterioration of the health service on AusAID. That was not my intention. My intention was to flag that as we move into project aid, and into selective provincial expenditure, it becomes a little lopsided. At the same time, we have to think about how we can coordinate and assist health planning looking at the whole sector. Maybe one important area would be to assist, encourage and revive—I think one of the other speakers said this as well—the planning capacity of Papua New Guinea on an overall basis.

I really wanted to go back to the literacy programs. There are quite a lot of literacy programs being undertaken by non-government organisations. The department of education has also supported them. In this context, perhaps another area that Australian aid might look at is increased support for Papua New Guinea based organisations. I know this creates problems of accountability and whether the Australian taxpayers' dollar comes back, half of it coming back to support, say, Australians working in the field or Australian material. It may well be that if we give far more support to non-government organisations than to local things, that slight increase in the Australian material component that was mentioned earlier would not be so great. With literacy, for instance, we could give a great deal more support through these existing organisations. But to go back to health, I do hope that I did not give the impression that any death in childbirth was due to changes in AusAID, because that certainly was not my intention.

CHAIR—On that note, I think we will move on to development assistance. We

will pick up some of these things in the next segment I suspect.

Mr DAVIS—After a lot of specifics, I guess we are back to the generalities for a little while.

Mr Chairman, the 1991 report of your committee gave aid a great deal of attention, reflecting the importance that aid does have in the relationship between our two governments. While aid continues to play a very central role, I would like to convey some of the ways in which the aid relationship has changed in that intervening period.

My colleagues have been able to portray some of the very specific challenges we are facing in particular sectors. I will try to highlight some of the innovative approaches that we are now taking in the delivery of our program and the management of it and the impact it is having and to say a little about the outlook for the future.

Aid volume to Papua New Guinea this year, totalling just over $300 million, has declined very substantially since independence in real terms—in per capita terms—as a proportion of the Australian aid budget and as a proportion of the Papua New Guinea budget. Over this period the proportion of aid given in the form of direct budget support has fallen from 100 per cent to less than half for the first time this fiscal year. Our aid treaty with Papua New Guinea defines the continuing phasing out of budget support, which will be completely replaced by jointly programmed activities by the year 2000—the 25th anniversary of Papua New Guinea's independence.

As I mentioned yesterday, successive Australian governments have pursued the phase-out of budget support and its replacement with programmed aid, believing this to represent better value in both Papua New Guinea's interests and in Australia's accountability concerns. I will not dwell on that point any more; I think we have touched on that in some detail now.

Let me mention a few innovations in the aid process. The shift to program aid involves fundamental changes in the way we interact with Papua New Guinea and the way in which we get involved in delivery mechanisms. Your 1991 report recognised that 'negotiating projects and programs involves great administrative complexity and absorbs a large amount of scarce high level management capacity.' I think we are learning, basically on a daily basis, how true this statement is.

Program and project approaches have required us to enter into extensive formal and informal dialogue with the Papua New Guinea government to develop agreed strategies and activities. At a formal level, this dialogue takes place in the context of reviews of the treaty that we have—these reviews take place every three years—and a process of annual high level consultations between officials and at the annual Papua New Guinea/Australian ministerial forum. Through this dialogue we have reached agreement that the program should focus on six sectors—health, education, law and justice, transport and

communication, natural resources and the private sector.

More recently, the Papua New Guinea government has requested that the program focus particularly on improving delivery of basic services to rural communities, through activities in the areas of primary health care, basic education and road maintenance. Through these kinds of programs—these are the areas where we are giving particular focus—I believe our program is helping to expand opportunities for Papua New Guineans throughout the country.

The Papua New Guinea government has also highlighted the importance of the private sector as a priority for our program. This will also receive increased prominence in our future planning. The dialogue we do have between us is not just about these sorts of issues, but also focuses on the essential reforms that Papua New Guinea is committed to and looks at issues such as counterpart contributions to aid activities.

To provide a framework for our joint program, in 1995 the system performance benchmarks were agreed to by both governments. This system involves setting down markers against which progress in key sectors is judged. An example of one of the 1996 benchmarks in the health sector is reaching agreement that Papua New Guinea would endorse a national health plan which it produced itself for the period 1996 to the year 2000. Performance against benchmarks may result in changes in the shape and level of funding, for example, if it becomes clear that commitments to essential reforms for counterpart funding for a particular sub-sector are not being fulfilled. Australia and Papua New Guinea may agree that there is more sense to concentrate in other areas.

Programs in each of the six sectors are based on joint work that is undertaken between Australia and Papua New Guinea. The reviews that were undertaken identify the major issues and priorities and recommended strategies for Australian assistance. A process of quarterly sector meetings between AusAID and officials in the relevant Papua New Guinea agencies facilitates a cooperative approach to the identification, development and implementation of activities.

A very important characteristic of the project as it is developing is that, despite its size—it is very large—we are not focussing on high profile, sophisticated, new development activities. We are deliberately working in a lower profile way within the Papua New Guinea system to strengthen capacity to deliver basic services. We give particular attention to the recurrent cost implications of our activities for the Papua New Guinea government. We recognise that any new facility or service will be useless if the Papua New Guinea government cannot afford to maintain it after the activity is completed.

As further evidence of the integration of our assistance into the Papua New Guinea system, this year for the first time the aid program will be fully reflected in the 1997 development budget that has been formulated in Papua New Guinea. As well as standard project approaches, we are increasingly channelling funding through trust accounts and

rolling programs to various agencies within the country, ensuring our activity will strengthen rather than bypass PNG institutions. We are supporting the short-term needs of agencies for equipment and assistance with some operational and maintenance costs, while developing longer term activities to strengthen financial management and budgeting capacity.

An advisory support facility was recently established to address specific needs for technical assistance outside the context of our own project activities. We are going further now to see how we can integrate these approaches into an overall sector investment funding approach—SIF, for short—which represents a movement towards comprehensive sectoral programs as recommended in the 1991 committee report. The SIF approach involves establishing objectives and benchmarks for an entire sector, or subsector, or function, and working with the Papua New Guinea government in developing a mix of interventions, whether they be projects, advisory assistance, commodities assistance, short-term support for operational and maintenance costs, rolling programs, or trust accounts, to achieve the overall objectives that we have jointly agreed for that sector or subsector.

Relevant Papua New Guinea agencies need to be closely involved in the planning, implementation and review of activities, and both governments need to share the responsibility for achieving the outcomes. Many of the elements of this approach are already in place in our program, but what is now our task is to work with Papua New Guinea to integrate these further.

Let me just make a few comments about aid management. To meet the challenges raised by the rapid growth and complex nature of the PNG program, innovation and flexibility are obviously required. Within our own system, the volume of program aid has grown much more rapidly than the resources that we have available in Canberra and Port Moresby have grown to administer it. While the program has grown from $35 million in 1991-92 to $155 million in 1996-97, a factor of 4.4 times, overall staffing has grown by a factor of 2.8. More importantly, there have been—and we must acknowledge them—increased demands on the Papua New Guinea bureaucracy to administer the program. To address these concerns, we are attempting to strengthen capacities at both the central planning level and in the individual line ministries. I think that if we are to maintain the intensity of policy dialogue which is required to develop and implement effective development activities and ensure adequate monitoring and review of ongoing activities, the efficiency of these administrative processes, as has been mentioned this morning, will need to continue to increase.

We are also looking at how we might develop new approaches to designing activities, managing contracts, ensuring value for money, and monitoring results. Recent reviews of program effectiveness within the agency have emphasised the importance of putting more work into the front end of aid activities, getting the design right from the beginning. To address this we have developed approaches which aim to improve the quality and sustainability of development activities by giving more attention to the design

and planning stages. Likewise, effective contracting and tendering are of key importance and—to pick up a point made yesterday—we have also undertaken within the bounds of Commonwealth purchasing policy wherever we can, to involve PNG firms in this tendering and delivering process.

We are now halfway through the shift to program aid and I think there is evidence on the ground of some very concrete results of our jointly programmed activities, whether they be in terms of the schools which have been upgraded and equipped, or children who have been immunised, or doctors and nurses trained. But sustainable development also involves attention to the wider system in which schools and health workers function, and the structural and institutional changes which are required to address longer-term issues. To address these much more complex structural issues, we have continued to assist with higher levels of technical and policy advice in the central agencies to support management and financial systems. We work in areas such as environmental protection which is essential to sustainable development and we provide extensive training opportunities which help the skills of people who really, in the end, will make the difference.

We are also developing a range of approaches to support the Papua New Guinea government's implementation of the provincial reform processes. Results in these areas are much more difficult to quantify in the short term and, clearly, they are highly dependent on the degree of commitment of the Papua New Guinea government and of the broader community involvement in them. Institutional strengthening is always a difficult area for any aid donor. But, clearly, we will need to continue our involvement in this area if we are ultimately to deliver effective services and ensure that, in the longer term, the Papua New Guinea government is in a position to deliver these services without donor support.

At the broader policy level, we are working to support sound macro-economic policies, good governance approaches and other reforms being pursued by Papua New Guinea in cooperation with the World Bank and others. We are supporting PNG in meeting the enormous challenges posed by these reforms being implemented simultaneously with provincial government reform. This work must be done very much in concert with all other donors. So policy dialogue, performance benchmarks, human resource development and institutional strengthening are but four important components of our support for reform.

I will conclude by saying something about how we will be looking at the way progress has gone and the way forward. Early next year, we will be conducting a comprehensive program effectiveness review which will give us an opportunity to assess our achievements to date, determine which approaches are working best and which need rethinking, and develop effective strategies for the future. The outcomes of sessions such as this and the findings of the independent review of the aid program that is currently being conducted will obviously be important in that regard. Other recent and planned assessments of individual PNG program activities and cross-sectoral issues will also be very important.

The year 1998 will bring the next joint review of the aid treaty between ourselves and Papua New Guinea. This will be a critical milestone for establishing the framework for development cooperation activities post-2000. The shift from budget support to programmed aid is one of the most fundamental changes that has occurred in Australia's relations with Papua New Guinea since independence.

The challenge for AusAID over the last few years has been to demonstrate that jointly programmed aid is the better approach and that targeted aid activities can lead to real improvements in the lives of Papua New Guineans. The results we are seeing on the ground demonstrate this, although it should also be recognised that many of the activities will take a long time to yield measurable improvements. Until the end of the decade, the level of programmed aid will increase steadily. AusAID will need to continue to work closely with our Papua New Guinean colleagues to ensure the maximum impact of this additional expenditure. In this period, a stronger sector-wide focus to our activities and a greater emphasis on program rather than project approaches will be critical.

Beyond the year 2000, the future of our aid program to PNG will depend on AusAID's and the Papua New Guinea government's record in implementing program aid, and on the parliament's and the community's views on the value of aid in maintaining a strong relationship with Papua New Guinea. Continued scrutiny of the aid program, as has occurred during this seminar, is an essential element of that decision making process post-2000. Thank you.

Mr ARMSTRONG—I am going to find this very difficult because I want to comment on just about everything that has been said. I am pleased that the joint standing committee has organised this seminar, and that it continues to show a strong interest in Papua New Guinea and, more importantly, the relationship between Australia and Papua New Guinea. I appreciate this opportunity to say something because of my own longstanding interest in Papua New Guinea, including having been involved in helping to set up the Australian Volunteers Abroad program during the 1960s. I would like to say now that lots of comments have been made that I will probably ride right over the top of and it will seem as if I am ignoring them. I will not be; I will just not have the time to do justice to what people have been saying.

I believe our relationship with Papua New Guinea is a cornerstone of both our aid policy and our foreign policy. It is also something that has the potential to make or break our relationship with the Pacific region and, indeed, further afield. I do not want to go right back over all these things, but we all know Australia is the former colonial power in PNG and, since 1975, the principal aid donor to the country. Australia has been PNG's major source of trade, as well as its primary source of business linkage and investment. We are responsible for the training of its police force, army and public service. Their legal and education systems are based on ours. In short, Australia's relationship with PNG goes far beyond that of a mere aid donor and recipient. It is important that we recognise that and understand that framework. When we talk about PNG it is important that we

acknowledge we are part of the problem and do not just stand back and point the finger at PNG as though they are solely responsible for the current position.

Secondly, the perception one gained from the seminar yesterday—less so today—is that we all believe that the answer is to be found in the market; that private sector growth economics is the answer; that we must protect all the elements of growth economics and the resources; and that everything is designed around that because we believe that, ultimately, that will be the answer. 'Here he goes again,' I can hear someone saying, 'attacking the private sector.' I am not attacking the private sector.

What I want to say is that often we spend too much time concentrating on the hole in the doughnut and not enough on the doughnut. Yes, we need to develop and create elites; yes, we need to create wealth. Yes, these are all part of the answer, but they are only a small part of the answer. Time does not permit me to read what I have here about that, except to say that it is not just the non-government sector of the world that is raising questions about growth economics not being the answer to poverty alleviation. The United Nations and other credible sources are asking the same questions. It is time for us to ask some of these questions. I repeat, I am not saying that we do not need growth.

I am saying that growth needs to be complemented with programs that address the need for distribution policies by governments, leading to social equity and programs which empower the community rather than just provide charity to the poor. We need to analyse that with regard to Papua New Guinea. One way that this can be done is to build the capacity of the local community, through community government or community based organisations, to ensure both participation and ability to demand accountability from all levels of government and from outside development agencies. Capacity building and institutional strengthening must go on at all levels of the community, not simply in government departments.

We believe the focus of Australian aid should be human development, creating the context where communities can expand their choices and capabilities to improve their own situation—their income, health, education, physical environment and freedom. Fundamentally, to me, this is community education. I am very pleased with what John Caldwell of AusAID said, with what AusAID are saying and doing, and what His Excellency the High Commissioner said yesterday about universal education at the primary school level and teaching in the vernacular. That is a very good move in the right direction.

However, I ask that we go a lot further, that we look at universal community education which I understand is really literacy and numeracy. That is an absolutely important and vital part that we are missing. It would also mean that, through that, we would be helping to develop the non-formal sector, which was mentioned yesterday. I can remember having a discussion in Papua New Guinea in 1964 with the then director of education about what was happening in education. I have heard it repeated today. We are

training people for tertiary education systems; we are not training people for village and community life. We are training people—and we do it in our own society as well—not to live a life which is appropriate to their own livelihood. We are training them in order to pick out the cream for the tertiary education system. I would love to talk a lot more about that.

Community education begins where people are at. It builds on the good already present; it works from there and encourages the development and the creation of institutions that will assist what is already existing in the community. One of the great things that exists in the Pacific community, and certainly in Melanesian society and in Papua New Guinea, is the wantok system. Somebody yesterday said that the welfare system does not exist and we have to rely on the wantok system. The economic system that we have helped to introduce throughout Papua New Guinea demands the destruction of that community based wantok system for it to operate. I would ask us to look at that.

We talk about civil society nowadays. Civil society is not just about elections, it is as much to do with the ability of people to participate, and their freedom to participate, as it is in having politicians in parliaments. Community leadership must come from all levels of society, not just from the top.

I believe that the 1991 report is in the right direction and on the right track. At one point it said that the relationship between Australia and Papua New Guinea has weakened over time, especially at the individual level. I will not read it out because it has already been said by Professor Hank Nelson and other people that the relationship between Australia and Papua New Guinea is absolutely vital. Papua New Guinea does not figure in Australia's school curriculum. There are a few cultural, sporting and tourist links and the media in Australia presents a narrow and sensationalised view of Papua New Guinea as a violent and disintegrating society.

The report goes on to say also that the challenge will be to translate mining revenues into a broader economic base that will involve more of the population. Many of the recommendations are talking about linkages, exchanges and building bridges. They make mention of women's groups, researchers, family planning, security, police, army, customs, media, youth, culture, middle management, and all talking about linkages and building bridges.

The move to project and program aid has been extremely good. A lot of the comments that Maev O'Collins of the ANU had to make before are relevant. We need a lot more flexibility. Somebody said yesterday that accounting is not equal to accountability. One of the areas we really do have to get over is to have accountability but to also have flexibility and to have the freedom to move, to have the freedom to be able to be creative. If we keep on using accounting as our only form of accountability we will never have a creative aid program.

Let me make a proposition. In the time that I have it has to be very brief and I think that Therese will hopefully build on this. Let us accept the challenge of the report and re-establish our relationship with Papua New Guinea. Let us drop the idea of our relationship being based on aid, the ex-colonial power, the senior rather than the junior partner, the donor rather than the recipient, the paternalistic relationship that we did have. I do not in any way want to be seen to be negative about the past. That was an appropriate relationship in the past but it is not an appropriate relationship into the future.

I was going to say let us drop the aid program altogether to Papua New Guinea. In one sense I want to say that but if I said that your parliamentary colleagues, Mr Chair, would then say that 'you do not want the money.' Of course, we do want the money but we do not want the idea of aid. We want to talk about a partnership with our closest neighbour, a joint venture with Papua New Guinea as we move into the 21st century.

Mr Critchley, when he was talking before, was drawing a distinction between advice and working in line positions, working as colleagues and partners alongside of. It is an extremely important distinction to be drawn. Let us regard each other as equals. Let us learn from each other and learn together as we, Australia and Papua New Guinea, move into this new Asia-Pacific world, and it is a new Asia-Pacific world for both Papua New Guinea and Australia.

Let us pick up the report's recommendations and alongside the very important—it is important for NGO people to repeat the word 'important' at this point—private sector work that is going on and the private sector programs that we have, let us develop a community sector linkage program between Australia and Papua New Guinea. Let us develop a program that will direct more of our contribution to the community sector by concentrating on community capacity building, community education and basic community health services in the hands of the people.

Let us direct more of our contribution to education of women and children, literacy training, community awareness programs, environmental programs, and exposure programs for Australian and Papua New Guineans. The primary mechanism for such a program would be the development of links between the Australian community—Australian local government and Australian community organisations—and village and community groups in Papua New Guinea.

The other day our Prime Minister talked about the importance of 'people to people' links. Let us develop people to people links between Papua New Guinea and Australia. Let us recreate those links that were there some time ago, community to community; links between community health service in Australia and community health services in Papua New Guinea, and between community education, schools, hospitals, youth groups, universities, farmers groups, unions, professional associations, churches, HIV/AIDS activist groups and environmental groups in this country and similar groups in Papua New Guinea. Let us develop those links and work together. Let us create a new approach to our

development assistance, one which is very much based on equality and justice, and on learning and sharing together.

There are many organisations in Papua New Guinea, and many new ones. There are many fantastic people in government in Papua New Guinea. There are some fantastic leaders at the middle level in Papua New Guinea. Let us work with them; let us create a new relationship between the two countries. Development is not just about economic growth, it is about people and their growth. We live in this part of the world and we want to learn and be partners together. Therefore, as Maev O'Collins has said, we need to know each other, we need to learn to live together and we need to learn to live as equals. Let us stop being advisers. Let us stop being exploiters. Let us begin to be partners in this whole operation.

CHAIR—Thank you, Bill. Ms Therese Posthma will present the next report.

Ms POSTHMA—Will I make this paper shorter? Do you need to finish at 12 o'clock?

CHAIR—Please do, Therese. If you could cover it all in about five or six minutes, we would appreciate it, since all the papers are being tabled.

Ms POSTHMA—I will be focusing on the types of work currently being conducted by grassroots organisations. In my paper, I refer to them as non-government organisations, but I would like the term to be inclusive of church organisations as well, because church organisations have actually been responsible for establishing throughout Papua New Guinea very vast networks which are working on grassroots issues and enabling non-government organisations also to use those networks. In this paper I will be giving specific emphasis to women's issues because, as today and yesterday have illustrated, women are one of the most disadvantaged groups in Papua New Guinea.

I am representing the Australian Council for Overseas Aid, but my background is actually in working with the International Women's Development Agency. From the period of my work there and from talking to women, it is very clear that women actually feel that things are not improving. They are saying that they are concerned about their own and their families' security even more so. They are more worried about whether they can continue to provide their families with food and raise their children with a sense of confidence about their future. Some comments which have stuck in my mind from my field visits are: 'I am working my hardest to ensure that my family is fed and that they have a good education, but I worry a lot. I worry about the future of my children; I worry if they will find work; I worry if my son might join a raskol gang and cause trouble; I worry that my daughter will not find a good husband, one that does not beat her. I am worried. I am trying my best, but there is nothing I can do to help them.'

The traditional system is disappearing. At least with the traditional system people understood right and wrong, knew where to go when something went wrong, and

respected those with authority in the villages. Today, with the move to the towns and the introduction of cash, traditions are dying. However, the new system is not respected, because they see their leaders abusing the system. Also, not many people are aware of their rights under the new system. Instead, many are confused. They do not know where to go for help.

When a Papua New Guinean woman talks about a women's issue, the women express the problem as a family problem. Women in PNG still carry the major responsibility for looking after their families. Programs developed and implemented by women addressing issues of concern to women tend to be inclusive of everyone in that community and therefore benefit the whole community.

It is important to note here that, increasingly, the PNG government is providing more funds to address the specific needs of women. In this year's budget, there was more money allocated to maternal health care and education. The PNG government is also continuing to support the work of the National Council of Women and the Office of Women's Affairs, which are providing invaluable policy advice to the government at all levels regarding women's issues.The National Council of Women has offices in every province of Papua New Guinea. It receives funding from the government to run women's programs in the provinces. However, like most government services, they do not have adequate resources to meet the demands of women in those provinces.

As mentioned yesterday, commitments do vary enormously with respect to language, geographical areas, even within provinces. Often government services do not have the flexibility to respond to the diversity of needs as they arise as they have specific mandates, policies, and resources and are already over extended. For example, the hospitals in Papua New Guinea are responsible for providing women with information on family planning. The information provided is in English. There are many women from the villages who are not fluent in English, yet there is no provision for this language barrier.

Local non-government organisations have been established throughout Papua New Guinea in response to community needs which were not being adequately addressed by the government due to lack of resources and/or lack of awareness of the problems. The role of local non-government organisations is to facilitate the process of local people in identifying their problems and in problem solving. They also provide information and, if necessary, seek funding for projects from international non-government organisations.

The strength of local non-government organisations are that they rely on community participation and management. Non-government organisations focus on the communities developing their own solutions to the problems, rather than imposing outside solutions. They utilise non-formal education techniques, literacy programs, and awareness programs on environmental impact. Many of the communities are isolated and illiterate and do not have access to any information. Provision of information will assist them to make more informed decisions and to participate in policy development. Members of the

community are very committed then to go and spread the word. There is a project being implemented in Daru at the moment where 12 people come to meet once a year and are educated non-formally. These women then go to over 100 villages throughout the Western Province and hold the same kind of sessions explaining issues of concern to women. It has an enormous potential for reaching a lot of women and a lot of communities.

They respect existing community structures—that is, yesterday the wantok system was referred to. Non-government organisations assist communities to identify the strengths within their communities and to develop solutions to problems around these strengths. This is a very cost effective way of working. It is preventative, rather than reactive. It is innovative. The programs that are developed are able to respond to the diverse needs and contexts. There is also a transfer of skills. As mentioned yesterday, trained people who go through the education system tend not to return to their villages. NGOs concentrate on providing local people with the knowledge and skills required within their context.

The other role of non-government organisations in Papua New Guinea is advocacy: bringing out the issues that they are actually seeing with the communities with which they are working, and taking them to government organisations and lobbying for more resources or policy development. There is incredible potential for government and non-government organisations to work together, and perhaps that has not been fulfilled as much as it could be. There is potential for the government to adopt some of the low cost models that are being used by non-government organisations.

I would like to stress the importance of the work done by the non-government organisations and to commend AusAID for its support by providing access to funding for local non-government organisations. I would like to recommend that AusAID continue to support local non-government organisations and investigate new windows for local non-government organisations to access funding. Women's non-government organisations and desks within mainstream organisations do all of the above, but they focus on women. Previously, it was felt that mainstream organisations were not considering or involving women in their projects. It was thought that, if the men benefited from projects, the women and families would also benefit. This was not the case. Interestingly, women's projects are inclusive of men and do directly benefit the whole community.

Seeing there is a lack of time, I would like to focus on just one issue and give an example of how a local NGO is working on the issue. That issue is domestic violence, and the organisation that I will be focusing on is Escavaw, which is a non-government organisation based in Wewak in East Sepik province. The problem of law and order is an increasing concern. As someone mentioned earlier this morning, statistics probably do not do it justice; but statistics from the law commission state that 67 per cent of rural women, 56 per cent of urban, low income women, and 62 per cent of urban elite women have reported being hit by their husbands. It should also be stated that in some areas in the Highlands there have been reports that 100 per cent of women are experiencing domestic violence.

The issue of domestic violence in Papua New Guinea is actually even more complicated by reports that women also assault their husbands. Between 33 and 49 per cent of women reported that they had abused their husbands. In terms of a response to the problem, at the moment a legal system has been introduced. Escavaw is very concerned. Escavaw tends to focus on community awareness programs. Its concern is that the legal system is not able to respond to the level of assaults, and the courts cannot handle that. There are also difficulties in getting people to actually know what their rights are within the community. There is also the concern that police do not respond in the way they should with regard to the law.

Interestingly, these countries are looking to the Australian example of dealing with domestic violence, and there has been discussion of women's refuges going in. I, for one, do not think that is appropriate. A refuge system relies on a welfare system, and Papua New Guineans do not have a welfare system. They have a wantok system, so the answer needs to be different. Escavaw are actually talking not only to women about women's rights but also to men. Escavaw are finding that, when they talk to men about the consequences of domestic violence—the negative impacts for them, the family and the women—and about how things could be improved if there were no violence, they have actually found that there has been some change in attitude and behaviour. So community awareness and community discussion are really important and powerful tools that have been developed by local people and implemented by local people. They are very resource efficient.

Once again, the whole issue of domestic violence is a very complex one and it is one that women's groups are facing all around Papua New Guinea. It is really important for them to come together to have a dialogue about what they can do, what is working, and what they actually need to make their work more efficient and effective. That is an example of how local NGOs can work within their communities, within their cultural systems, within the social constraints, and there are a lot more examples out there like that.

I would just like to go now onto the infrastructure and management issues. There was an issue brought up yesterday about the difficulties—and it has been discussed today to some degree—of project managers programmed to be accountable for their projects. This is a particular issue with women's organisations because not many women have actually had formal education, not many women have written reports before, and so it is all very foreign to them.

That is an issue that we need to think about more as donors and funders and come together, as Maev O'Collins suggested, and look at more innovative and creative ways of looking at the accountability issue. You have to question the amount of time, because it is almost disproportionate, that they have to spend on putting in a report compared with what they could be doing out in the field.

Documentation is really important. A lot of the time the work of these non-government organisations goes unknown because they are not out there promoting the work that they are doing and they are not getting the acknowledgment about the impacts of the work that is happening because they have not got the skills to document what is happening and they have not got the opportunities to go and sell what they are doing. I think that is another area that AusAID and donors could be looking at. How do we get those messages and lessons that have been learnt out into the public arena?

The other issue is coordination. It is really important that the work that local NGOs are doing can be coordinated with work that Australian NGOs are doing in Papua New Guinea, as well as work that is happening with the government organisations, so that it is complementary. That is all I have to say.

CHAIR—Thank you very much. That was very interesting. I will just invite the parliamentary secretary to make a few concluding comments in relation to this particular segment.

Mr ANDREW THOMSON—It is interesting that in listening to a lot of the contributions this morning, time and time again the discussion of development assistance to Papua New Guinea runs into questions of national sovereignty, in that we are dealing with not a protectorate or a colony of this country, but a partner and a friend which deserves to enjoy the full parameters of their national sovereignty. So it is very important I think, and certainly this view is very strongly rooted within officialdom in AusAID, that we avoid acting in any fashion in a neo-colonialist or paternalistic way, both from a government point of view and, likewise, from a non-government point of view.

When we do, or when we are perceived as doing so, it is very obvious that it causes immense irritation among educated people in Papua New Guinea and in the long run that sort of reaction poses a threat to the friendship between both countries.

The ultimate aim of any development assistance program, and certainly of this one that we are discussing, is to reduce the recipient government's dependence on it and therefore some of the contributions that highlighted the importance of an increasing flow of tax revenue to the government of Papua New Guinea is likewise regarded as very important in the government. This is reflected in the basic notion that underpins the government's aid policy, which can be described in the phrase 'to assist developing countries to meet the basic needs of their people'. And I would emphasise 'to assist those developing countries'.

Some of these statistics that Murray Proctor offered are quite frightening about the decline in private sector employment. The fact that that has fallen by eight per cent in recent years, or that non-mining private investment as a percentage of GDP has fallen from 13½ per cent in 1981 to under eight per cent in 1994 is really quite scary, but it points very clearly to the need for a more vigorous effort on the part of our partner

government in Papua New Guinea to encourage investment, which is plainly the only way to create employment. And in an era of globalisation, with all the wonderful things that has brought the world, it does mean that capital has to be attracted. And I use that in a sort of a transitive sense: not that capital will come to where opportunities may exist but that governments and citizens must do something to attract it.

Therefore, what Mr Proctor and Mr Davis referred to as policy dialogue is very important from the government's point of view, because it is by engaging in that dialogue with the government of Papua New Guinea that a better policy environment can hopefully be brought about, which would attract this sort of capital, which would in turn create the employment that is necessary to build a civil society in that country, and hence gradually reduce the government's dependence on Australian aid.

But I was surprised there was no mention, at least in the time I was here—I was 10 minutes late in arriving—of the treaty with Papua New Guinea, which is up for renegotiation in 1998.

CHAIR—Bruce made it.

Mr ANDREW THOMSON—I beg your pardon. But in recent times, I think in the last six weeks, there have been some strident calls across the political spectrum in this country, both from the uninformed end of it, perhaps, such as Mrs Hanson from Oxley, to the very well informed end of it, Mr Bilney, the former minister for development and cooperation, for a very large cut to be made in aid flows. And that, to me, as part of the government, makes it clear that there is pressure out there in the community for more accountability, in a sense that what is the aid program actually achieving. When this particular aid program is on the table for renegotiation very soon, 1998, there will have to be some serious progress made in attracting capital and reversing this awful trend in private sector employment, if we are to resist the sort of pressures that have been highlighted by comments like that.

CHAIR—Thank you, Andrew. Just before I invite Tom Critchley to give a closing summary, would anybody like to make comment, particularly from the NGO area and from private enterprise, in relation to the development assistance program. Would somebody like to make a comment?

Prof. NELSON—Imagine the Victorian police force had a problem, and an agency said, 'Look, we have got a Japanese policeman, he is an extremely good policeman, his English is only fair, though, and he may have difficult communicating with a lot of the Victorian police, but he will get by. He has never been to Australia, he cannot come and live in Victoria but we are going to fly him over eight times, and he will stay in Victoria about a week at a time. He will get around the country, he will have an hour in Manangatang, two hours somewhere else and he might overnight in Mildura.' At the end of that time, at the end of the couple of years he has been monitoring the Victorian police,

and he puts in his report. He goes back to Bandung, and at a conference in Bandung he is absolutely sparkling. He has got a whole lot of anecdotes about what he found out about the Victorian police, about the scones that he was served in Manangatang and so on, and he really is in Bandung an expert on the Victorian police.

What has happened is that there has been a transference of knowledge about the Victorian police force to this Javanese expert and he is now extremely well informed and can talk authoritatively about the Victorian police force. What do you think has happened about the report that he put in on the Victorian police and the perception that those Victorian police have on that report from that Javanese outsider?

I talked about the police, but I could have talked about numerous other areas of expertise—I just happened to use the example of police. And that is what I regret about a lot of the sort of monitoring, expertise and advice that Australians give. It is the equivalent of sending that retired good Javanese policeman to Victoria to comment on the Victorian police force.

CHAIR—Thank you. Would somebody like to top that?

Mr REGAN—I agree with what Hank is saying. The aid budget is our problem, and listening to everybody here, it is forcing Australians into thinking about how they can sort of reconstruct Papua New Guinea. The one country I know in the world that basically fell apart and has pulled itself back together again in recent years is Uganda. They did it with their own developed solutions, contrary to huge amounts of advice received from outside, including lots of advice about the roles of political parties and civil society and so on.

I think ultimately, any solutions to Papua New Guinea's problems are going to come from Papua New Guinea. We need to reorient Australian thinking to try and facilitate that process in what ever small ways we can, rather than to find the solutions ourselves.

CHAIR—Thank you.

Mr MacKAY—Thanks. The thrust of our comments really has been in recognition of the fact that development aid is only required by a country when it wants things that it cannot already pay for by itself. Therefore, we think that that aid has to be cognisant of the future capacity of the society to develop and pay for those things from their own production.

The Australian private sector is not dependent upon Australian aid to Papua New Guinea to be a foreign investor and an employer in that country. When it goes to that country it actually becomes a part of the domestic economy. We call it foreign aid, but that is just by definition of where the shareholding comes from. And we are concerned

about the living standards of the people that we are in contact with. We are concerned about their future progress. We are concerned about everything about them—their recreational capacities, their health and their entire livelihood.

Yes, we are foreigners, but that does not mean that we do not have a view about what should happen or what could happen and that view really is encapsulated in the statement that we want to see them enjoying a standard of living equivalent to ours.

CHAIR—Thank you. I think we have reached the time when we should invite Tom Critchley to give a closing summary and for Ian Sinclair to formally close the two-day seminar. In my view, it has been a very successful day and a half. As I said to you yesterday, we will be providing a transcript of the entire day and a half, together with those papers that have been tabled. They will be available and they will be sent to each and all of you who have formally been accredited with this seminar.

Those of you who may have just popped in and may not have been formally accredited can still obtain a copy by applying to the secretariat to the joint committee. Following that, the task will be to produce a report, as indeed we did in terms of aid quite recently which, as I said yesterday, was tabled and debated, and I think it is a very important vehicle to dialogue in that area, as indeed I hope this one will be.

Realistically, the report will almost certainly not be prepared until early next year and I would think it will not be tabled until some time early in February. That is what the secretariat would be working towards providing to the parliament and to all of you who have come along. Tom Critchley, would you like to provide a closing summary?

Mr CRITCHLEY—This seminar has been about Australia's relations with Papua New Guinea. When I was in Indonesia in the late 1970s I discussed neighbourly relations with President Suharto and I will always remember his comment. He said, 'God has made us neighbours, it is up to us to be good neighbours.' I think that this applies in the case of Papua New Guinea with the added emphasis, as outlined in the previous report of this committee, that we also have responsibility for having brought the nation to independence.

We start with an obligation to be good neighbours and help one another. But, there is a cautionary consideration. It is sometimes said that a neighbour is somebody who knows your business better than you do. To be a good neighbour we need to help in ways that avoid interfering and on terms that Papua New Guinea finds acceptable. I was very pleased with the statements which were made by Mr Thomson and Mr Armstrong about the need to take into account Papua New Guinea's sovereignty as the basis on which we work with them.

I am reminded that when the Colombo Plan started, it was of critical importance to avoid words like 'donor' and 'recipient' or even 'aid'. What we spoke of instead was co-operation. Project and program aid, which I fully support, has to be based on close

consultation and accord with Papua New Guinea's priorities. It was reassuring to me to hear from Mr Davis this morning of the need for sensitivity, flexibility and support for PNG planning and management in carrying out the programs.

I have talked about the good neighbour side of it. As Mr Sinclair has said, our colonial relationship was unique. We even transferred the administration of such important departments as foreign affairs and trade, and defence, before we transferred sovereignty. Clearly, inevitably, we have responsibilities and we have lasting emotional ties with Papua New Guinea. They are important in the relationship. But, as was said yesterday, what matters most is not emotional ties but shared interests, and increasingly so in the modern world.

Let me touch briefly on some of these. In the discussions on defence there was an agreement that we have a strong strategic interest in Papua New Guinea; that we want friendly, strong and united countries along our northern borders. It was also pointed out yesterday that Australia has not forsaken Papua New Guinea in its move into Asia. On the contrary, what we have is a mutual interest in working together in this part of the world.

Mr Chris Mackay has reminded us of the importance of trade, the importance of Papua New Guinea as a market. I was surprised that we did not stress also the overwhelmingly dominant role we have in investment in Papua New Guinea. According to the economic bulletin of the Bank of Papua New Guinea which was issued earlier this year, Australian equity investment has increased steadily over the last five years to almost $1.5 billion. This is almost 64 per cent of the total foreign equity investment in Papua New Guinea. And when we consider that the next two most important countries, the United States and the United Kingdom together only provide about 14 per cent, it shows just how dominant Australia's role is there. The only other country that is worth noting on the scale would be Canada; the other countries are practically insignificant. So, in reality, it is quite clear that we have very real mutual interests with our investment involvement.

I also believe this investment is continuing to increase. Just as with Lihir, which had an overwhelming success with its float, we have had the very successful Oregon share float a little over a week ago. This was a success which took place at a time when there were hiccups with Porgera and also with Gobe. We have been told about the encouraging oil and mineral projects and, by no means least, about the extensive gas reserves, including the plans under consideration for the possibility of piping gas from Papua New Guinea to northern Queensland. So there is a wide range of important positives in the relationship which cannot be ignored.

On the other hand, there are negatives that have to be taken into account. At independence, the new nation of Papua New Guinea faced serious challenges. Some progress has been made but, sadly, those challenges remain and I think they have been the background to most of what has been said during the course of this seminar. Twenty years is not very long. Nevertheless, it should be noted that the serious problems existing when I

changed hats from being High Commissioner of Papua New Guinea to being Australian High Commissioner are basically the same. They still have to be dealt with effectively. We did not succeed.

I will enumerate those problems because, as I say, I believe they are central to what the discussion is about. They are: maintaining law and order; promoting a national consciousness and cohesion in a country where local identity is paramount; delegating authority to the provinces so that people will get the goods and services they need, not least of these being education, health and infrastructure; land ownership and the uncertainty of compensation claims; inadequacy of skilled and experienced personnel; and adopting policies that will promote an acceptable rate of economic growth.

As Professor Ted Wolfers has said, when you consider the problems Papua New Guinea has been facing, and the rapid changes which have been taking place and with which it has had to cope from a very small base, it is remarkable that it has remained an open society and one which is dependent on democratic processes. So we can take some pride in that.

On the economic front, Papua New Guinea has made some progress. It has made progress which has enabled it to overcome, for example, the closure of the Bougainville copper mine. This has been done with new mining projects and also with forestry becoming a very important export earner. But, at the same time, the economic progress has created new problems, with increasing concern about the environment and corruption. I would like briefly to say something about both of those concerns.

On the growing perception of corruption, the Business Council of Papua New Guinea, established last year by leading Papua New Guineans in business, has been seeking to do something about the problem. On 30 July, the council organised an ethics in business forum. As Chris MacKay has pointed out, as a result of that forum Transparency International is to be launched in Papua New Guinea in about a week's time. This is a very interesting development and one which should give us a lot of encouragement.

On environmental issues, I shall limit myself to saying something on mining and illustrate it in relation to Ok Tedi, because there was criticism of what the mine has been doing. Mr Sinclair, I thought, made a very useful suggestion in asking whether it would be possible to set international standards which could be maintained in all overseas countries. It is a fine concept and one which I think most of the big project companies would seek to do and, indeed, believe they can do. One of the problems, of course, is that conditions in countries differ very greatly. There was a lot of talk at one stage about a tailings dam at Ok Tedi. But, when we take into account the seismic problems, the nature of the soil and the topography, a tailings dam would have been environmentally the wrong policy. It could have risked irreversible damage which would have been, I think, the most serious sin a company operating in Papua New Guinea could commit. All mining, of course, causes some environmental damage, but the important consideration is that the damage is

kept as small as can be and that when the mining stops, any damage is reversible. In the meantime, ample compensation is given to those who are disadvantaged.

I know that this has been the policy with Ok Tedi. I will not go into details, but there are very considerable compensation schemes. I know that the company has been anxious that those schemes should be directed to community development as far as possible. It has not always been possible to do that, partly because of legal cases where money has been claimed, and partly because of the pressures of the people themselves who would like to get money. But, the compensation program in the case of Ok Tedi, is over a large number of years and I would hope that, increasingly, it will be directed to community development.

I have mentioned the two problems which have arisen out of the progress which has been made: corruption and environmental problems. I would like at this stage, to pay a tribute to the late general manager of BHP in Papua New Guinea, Kipling Uiari. As president of the Papua New Guinea Business Council, he took a leading role in getting the Business Council involved in the problem of corruption and of taking aboard the Transparency International. Earlier than that, he was involved in Ok Tedi's concern about the interests of the people in the area, and I know that he was very positive in that.

I would like to make a personal comment. In 1975, I visited the area where the mine is, and it was depressing. The people had very little outside contact. The standards of living were very low; expectancy of life was very short. There was rampant malaria. There were maternal deaths. All of those have been changed to a remarkable degree. I know that the important thing will be to do something when mining stops, but I think that all the companies have taken aboard the need to try to plan in terms of sustainable development in the future and, in particular, to associate the government with those plans.

Central to the many challenges which I have referred to has been the shortage of skilled and experienced people. There are many ways of approaching this, and we have heard of those during the seminar. It has always been my impression that skills and experience can best be promoted by on-the-job cooperation, in other words, on-the-job training. It is on this basis, as I mentioned yesterday, that I strongly support the move to project and program aid.

It follows that I would also like to strongly support the third recommendation that was made by the previous meeting of this committee on Papua New Guinea: namely, that there should be active assistance in developing administrative expertise in the Papua New Guinea public service and, in particular, in seeking where possible to achieve it by secondment and/or exchange of personnel in areas of need identified by the Papua New Guinea government.

At least two of the challenges that I have mentioned are involved in the

Bougainville problem. As we heard yesterday, it is a highly complex problem. I do not intend to speak about it at length partly because there is always the risk that it will

dominate discussions to an extent that the other equally important problems that we need to consider are neglected. My impressions from the meeting were along the following lines: firstly, Miriung was the main hope of promoting the peace process. His death is a very sad blow to getting that peace process launched. The militants in the BRA admit that the majority of Bougainvilleans and especially the women want peace, but their opposition to any compromise is the major obstacle to any settlement.There is unlikely to be a quick solution. Although Bougainville was not in mind when provincial government reforms were introduced, it is interesting that the new system does permit wide delegation of political and economic responsibility to the provinces. It should be possible under a negotiated agreement to give Bougainville a very wide measure of autonomy.

On the subject of the provincial government system and whether it will provide the goods and services people need, like most people around the table I am sure, I would say that it will depend on how well the reforms are implemented, whether the personnel are available to implement them, and whether there are satisfactory training schemes and supervision. But I think we can take heart, as Professor Wolfers has pointed out, in the fact that whereas originally there was fierce opposition to them—particularly from the island provinces—this seems to have died down.

It is interesting that those provinces, where they have the skilled people available—and I am thinking of West New Britain and Manus—are going ahead very effectively. Similarly, Professor Wolfers referred to the Western Highlands and former Prime Minister Paias Wingti, who is now the governor. He seized the opportunity to take advantage of the new system with initiatives on four priorities: to upgrade and maintain existing schools, to upgrade existing roads, to upgrade existing health services, and to improve law and order. His success as governor will strengthen his position politically, but it also shows that, with leadership, the provincial reforms can be used effectively at provincial level. However, it will still depend on whether the right sort of help is given to Peter Barter.

I was very pleased when Peter Barter was appointed minister for provincial and local level government. He showed in his short time as health minister that he was a man who wanted to get things done, and I think he is doing the same thing in his new portfolio. Whether he can provide the qualified staff and training remains to be seen.

As one final comment, the President of the Australia-Papua New Guinea Friendship Association pointed out in his opening remarks that the association may cease to exist next year. I think that is a pity. Our objectives were sound. What we wanted to do was to maintain person-to-person relations and understanding between the peoples of our two countries, particularly in a period when so many of our younger people have no memory of the close association that existed in the past.

I think there is a need, particularly in these days when communications are important, to encourage personal links between peoples at different levels who can come to understand one another, and important that something along these lines is promoted. It is something that goes beyond what a government does and, therefore, if this association cannot do its job then I think there is an increasing need for setting up an Australia-Papua New Guinea council—as we have done in the case of Indonesia and some of the other countries—which will aim at maintaining ties. Thank you.

Mr SINCLAIR—I shall not take much of your time. In fact, I have been threatened by Roger Price that he will cut me off at the knees if I take more than about half a minute, so I will do it fairly quickly. I did want to say—on behalf of the committee—thanks to all of you who have participated. I know for some of you it has meant travelling a long way, and for others it has meant putting aside other commitments.

Your Excellency, Ken Noga, it is great to have had your presence, and that of others of your mission, because your involvement is quite critical to our understanding of the relationship. There are others, too, who have come from PNG. To Ron Hiatt and Tony Regan, in particular, our thanks to you for being prepared to come down here and give us your advice and wisdom, and a different perspective. It is so much better when we have the input of those of you who are on the scene and have day-to-day experience of the problems there rather than just having the input of those of us who try to make judgments from afar.

I know each of you has put off other commitments and, for example, Sister Veronica Brady, from the University of Western Australia, has come a long way. Each of you has made a very notable contribution and I do thank you for the way in which you have helped us put together some understanding of where our relationship with PNG is as we face the end of 1996. As the chair has said, we will be preparing a summary of the proceedings. Those of you who have made a contribution will receive a copy of the *Hansard* report to correct or modify, should you wish, before it goes into the final report. The foreign affairs and defence committee will then look at the report and, ultimately, submit it to parliament.

There are a few individuals, apart from the participants, that I did want to particularly thank. To Bill Taylor, Chair of the committee—congratulations on a job well done. It is extraordinarily difficult, in the time available, to allow full discussion in the way we might wish, but I think you have done it admirably and we are all indebted to you. To those within the secretariat who have organised the seminar, particularly Margaret Swieringa and Jan Fuhrman, and Joanne Towner and the other staff of the committee, I would like to extend our thanks. Jan Fuhrman has been on secondment to us for a little while. She is sitting very quietly down there next to the door. Jan, thank you very much for the job you have done. When Senator Vicki Bourne, Margaret Swieringa and I were up in Bougainville a little while ago, I remember that, in the vernacular of the particular group of Bougainvilleans there, they talked about ‘big Meris’. I think you have really been

a very ‘big Meri’ in terms of your contribution to our committee. Thank you for the role you have played.

I hope this has been worthwhile for all of you. Demonstrably, to Andrew Thomson and to the government, it does give us another perspective from which we can look at our future policies. The whole idea of preparing an update on our relationship with Papua New Guinea is because, as has so often been emphasised, our geographic proximity does want to make us good neighbours. We do want to try and ensure that, in the adaptation of our policies, we work as partners and we do not impose on PNG, but cooperate with them.

In closing, I would like to say that I endorse the feelings and the hope, expressed firstly by my good friend Vice Admiral David Leach and finally by Tom Critchley, that the Australia-Papua New Guinea Friendship Association survives. I think it is important that we have non-government bodies working to promote friendship and understanding between countries. It can be done at universities. It is, of course, done within the many NGOs—and I know that Bill Armstrong, Janet Hunt and others do their best. But there are so many countries and it is important that we do have a non-government involvement.

As Hank Nelson said to us yesterday—and I must admit the figures quite astounded me—during World War II something like 400,000 of the 500,000 Australians who served in the Defence Force actually passed through PNG. At the end of the war, one in 20 Australians had personal contact with PNG. It is a unique relationship and it is up to us to try to preserve it. The association of which you, David, and Tom and Michael Morrison are members has done an admirable job in that respect. Thank you again to each of you for your participation. I trust you will find this report as worthwhile as the one we produced in 1991.

Seminar concluded at 12.40 p.m.