

Which “Groups” Serve our needs best? Balancing wider community and local needs and entitlements, and the Role and Capacity of the State and Sub-National and local institutions.

Humans are sociable by inclination, and despite some preferences for solitude and individualism, we have clearly gained advantages over thousands of years from living and working together. Humans crave company and to be members of groups, and secure benefits from that association. By belonging to a group, whether family, clan, tribe, social club, trades union, or nation, we must be ready to contribute to that group or concede to its rules, in exchange for certain benefits, whether access to clan land, club facilities, or the provision of law and order or health services by the State.

Of course we don't always choose the groups to which we belong. We are born into families, clans and nations, for example, but, whilst there is some capacity to change group, club or in some cases citizenship, there are restrictions, including willingness of other families, clubs or countries to give you partial or full membership rights. Nevertheless, whilst we may not have chosen our group, we are generally entitled to information on how it works and make constructive criticism and suggestions to make it more effective and accountable to its members, whether club members or as citizens.

The notion of the Nation-State goes back arguably to 19th Century Europe. States and sense of nationality went back much further in some countries, but the idea of that common nationhood coinciding with a State had a shorter time-frame; for example, Germany and Italy only became single States in the 19th C, merging many small States or principalities. It's partly a case a chicken and egg; which came first, a sense of nationhood or the State? The sense of shared identity may really only develop once the unified State was created. Of course there was initially no common purpose across what became PNG, but that has grown, despite glitches, as mutual awareness has developed and relationships fostered. There are many advantages in combining into a larger State (or regional grouping), so long as it is efficient, running the economy well, providing reliable services and infrastructure, and is answerable to its population over how it conducts itself, including through fair and honest use of the ballot box (i.e. not one manipulated by money or intimidation).

In theory the wider community can throw out its government if not performing, and even redefine States and boundaries. Current National (and sub-national) boundaries worldwide were determined fairly recently, especially in regions like Africa and the Pacific where set by former colonial events rather than ethnic dispersion. Countries, like Yugoslavia, ultimately fell apart, owing to historic grievances, manipulated by local leaders, but perhaps also because of inadequate time to smooth away differences and create a shared sense of nationhood. Sometimes whole nations or ethnic groups are kept within a bigger State by coercion, and should be allowed to break away if they so choose.

Boundaries may change, with some areas splitting off, or countries merging or combining under bigger groups, like the Australian States agreeing to merge into a single federal State. Perhaps during a regional economic crisis, the Melanesian neighbours might merge into a federal state, or even choose to combine with bigger neighbours. It is not however practically possible (let alone beneficial) to satisfy all

ethnic groups that feel culturally unique and inclined to split from their State or province. Often such groups are a minority even in their own region, or have insufficient resources to operate independently, or generally still gain much more from the larger State, so long as it performs effectively, and recognises human, cultural (and religious) freedoms, rights and differences.

Normally, whilst we should review and improve our institutions, it is better, therefore to accept the status quo of our nation boundaries and work to improve, or ensure refinements by mutual consent, avoiding unnecessary disputes that can trigger bitterness and sometimes conflict.

A nation requires adequate revenue to perform its functions, and capacity and accountability to use the funds collected fairly and properly. Despite Constitutional requirements to provide equitable opportunities across the nation, over many years PNG has drained funds away from most Provinces/ Districts and rural access roads, health, education and other services, [J]. It is now pumping some back, but through largely ineffective mechanisms, notably the politically-controlled District Service Improvement Programme.

There is also a tussle between resource owners and the State for resource rentals, with the former understandably wanting a fair share, particularly in light of the poor service delivery by respective authorities for many years.

Landowners want increased royalties and equity, whilst various leaders are pursuing new provinces, districts and greater autonomy. Unfortunately, whilst the National Government has used its revenue very poorly over the years, maintaining a large but increasingly ineffective bureaucracy (and extravagant political tier), the Provinces (now controlled by the same MPs and unaccountable public service) have generally performed no better (though some markedly better than others) and landowner leaders have also failed to utilise royalty revenue effectively. Look what's happened in PNG's richest provinces, like SHP and Western. 'Warlord' controlled SHP abandoned normal systems of government budgeting and expenditure, had a payroll of multiple duplicates, whilst Daru was reportedly the centre of false invoices, promptly paying out for goods and services never provided. Hopefully, after recent probes and leadership changes, improvements are occurring there, but wealth, as demonstrated in various Western African countries, does not necessarily bring wide community benefits, let alone good and accountable government and democracy; often the reverse.

Landowner leaders, have widely used rental payments (royalties, etc) from logging, mining, oil and even Kokoda trail fees in a way that fails to provide sustainable benefits to their communities. There are no doubt cases of sound investment with broad-based and potentially long term benefits. However too often these payments are squandered in consumption by local leaders themselves, largely in towns, even overseas, sometimes with the local impact being heightened conflict, new weapons and ammunition or the introduction of HIV/AIDS into the family back home. A Hela Province may manage revenue and expenditure better than SHP, but possibly not, and will distort the national cake further. Where Jiwaka province is to gain its income from is another matter; it has tea and coffee, but these agricultural products, like

cocoa and copra in Bougainville, barely provide any tax revenue to redistribute. So it would drain more funds into administration from needed services.

Every time we increase transfers to selected landowners the less that's available for the State to perform its responsibilities across the whole country, including the resource-poor provinces and districts. Forest resource owners live in remoter areas with few or no services. For years their royalties and benefits have been inadequate, although increased recently, but benefits remain substantially siphoned off by a few. The forest resource (and carbon contained therein) clearly belongs to landowners to manage (including contractually through the Forest Authority). In the case of minerals, including oil and gas, the resource legally belongs to the State. Resource owners need a portion of project proceeds, delivered through a mechanism providing more lasting benefits.

With mining, which generally causes more extensive local environmental damage than oil/gas development, as at Panguna and Ok Tedi, adequate support is required for those negatively affected, including women and families losing good farming and fishing opportunities. With oil and gas, if managed properly (unlike the Niger delta) direct impact is minimised. 2% Royalties (on well-head value) for landowners is already an immense benefit for a relatively small community. A significant increase (or on the 2% equity) e.g. to 5%, would provide disproportionate local income (if the LNG project proceeds) and probably add to local health and social problems, whilst setting a bad precedent for other projects and severely undermining National Revenue. Mind you, the State must first establish its own credibility, that it can handle public funds in the wider public interest, performing core functions and tackling ingrained abuse highlighted by the current Finance Inquiry.

PNG needs consensus on nationhood, and how the cake should be split, what should be administered nationally and locally, how many governments and layers it really needs (already too many), recognising these layers come at a cost; whether it wants to achieve the MDGs and provide universal primary health and education services, as it should and can afford, and how much it can afford to give away to richer provinces and landowners. There are already large and growing contrasts in wealth between provinces and districts, and between the elite, using private and overseas schools and health care, and the majority. The country cannot afford to give away too much in once-off deals, or through mismanagement.

State organisations now retaining revenue formerly transmitted direct to government, like National Fisheries Authority and IPBC, should be made more publicly accountable, and subject to consistent laws, with Statutory authorities complying with the *Public Finances (Management) Act*.

Finally, despite the global downturn, PNG's economy currently remains charged, so it's not until later that any further expenditure stimulus may be needed. In the meantime Government should better utilise resources for priorities (e.g. needed infrastructure) and retain adequate funds for rainier days ahead. Across the Pacific foreign exchange reserves are already critically low; PNG remains more comfortable, but they're draining fast. This is a time for well-considered and coordinated monetary and fiscal policy, including private sector dialogue, encouraging sustained domestic production and export earnings, not misguided knee-jerk reactions.