

First Impressions upon return.

I have just returned from a year and a half working in the Solomon Islands, PNG's smaller troubled neighbour of one thousand widely scattered and beautiful islands. The Solomon Islands were long known as the "Happy Isles", but, as in Bougainville and elsewhere in PNG, problems were allowed to fester and boil over rather than being addressed early. Now after several unhappy years, the smiles are back on most faces in the Solomons.

The social tensions in the Solomon Islands – which were manifested as an ethnic conflict - were largely the result of imbalanced development and opportunities, with portions of the population feeling alienated and aggrieved, considering they were missing out on opportunities, had an injustice done to them or lost control over land and other resources. Corruption and deals over natural resources struck between a few political or local leaders and outside business interests contributed to the dissatisfaction, whilst an undue emphasis on academic education fuelled unfulfilled expectations and resulted in inadequate practical skills needed for development.

The tensions caused severe disruption to the economy and serious hardship to many families, but the resilience of the subsistence-based agricultural economy, as in PNG, meant that most households were able to survive, even when public and privately provided services and infrastructure had broken down. Although criticised by a handful of overseas academics as a constraint to development, and despite growing land pressure in some areas, the prevailing system of land tenure, which provides wide access and food security, remains one of the Solomon Islands and PNG's most valuable features. Reforms to the land system in Solomons and PNG should only entail practical, widely discussed and supported refinements, rather than wholesale changes, combined with improved systems of dispute resolution and administration of alienated land to ensure greater transparency and legal compliance, reducing unnecessary delays and preventing abuses, such as multiple titles for the same portion which have been prevalent in both countries.

The arrival (if belatedly) of the regional assistance mission, RAMSI, brought back law and order (including proper financial management) to the Solomon Islands and has been a prerequisite for the recovery of the economy and re-establishment of core services, such as education and health. The task of RAMSI was not unduly hard because the community undertook much groundwork and eagerly sought peace, and, as in Bougainville, it was the women who were at the forefront of the peace process. RAMSI has been very popular amongst the vast majority of the population, although less so with those leaders, public servants and businessmen who were complicit in the nefarious activities which were prevalent prior to and during the tensions, and helped bring about those tensions.

Now the challenge for the Solomon Islands is to cement the peace and provide the peace dividend by restoring and developing the economy in an equitable manner and generating employment and long term opportunities, not only in the vicinity of the National Capital. This part is not so easy and is expensive, as the infrastructure, education and other services were badly run down, and the economy unduly dependent upon a few key export

industries, some of which, notably oil palm and gold production, ceased during the tensions and now require major reinvestment. Others core industries, notably logging, are providing short term export income but undermining the country's future prospects. With little planning and limited control over forestry, especially during the 1990s, logging licenses were issued for virtually the entire accessible resource and the harvest rate is now estimated at four times the sustainable level, so that within a decade the resource will be exhausted. A relatively modest, but positive feature is that there are one or two forestry companies with a long term horizon, which are running permanent forestry estates and one has met the standards for FSC sustainable certification. Extensive village plantings of introduced and some indigenous species also provide long term prospects for local communities, although this "teak fever" has some potential risks.

The Solomons will need considerable vision and good leadership in the next few years to ensure the peace is embedded, a commitment to necessary reform, prioritising and tightly controlling expenditure, re-establishing core and affordable infrastructure and services, and providing an enabling environment for long term private investment in activities which generate sustainable income and opportunities, including tourism, agriculture, sustainable forestry and fisheries, including aquaculture, rather than from short-term over-exploitation of the natural forests and some marine resources. Whilst continued assistance from donor partners will remain critical over several years, including through RAMSI, it is essential that Solomon Islanders take increasing and full control over their own future, by reinforcing their own institutions and ensuring that these institutions are fully answerable to their own public, rather than principally to the donor partners. International intervention was essential because these institutions had lost credibility and become largely self-serving, rather than answerable to the wider community. It is good to see, as Sir Rabbie Namaliu has highlighted recently, that various PNG companies are in the forefront of investment in the Solomon Islands, taking advantage of the restored peace.

Turning back to Papua New Guinea. Is there relevance from the Solomon's experience for PNG? Well of course there is. Apart from being neighbours the two countries have much in common, socially, economically, politically and ecologically. Although there may be competition for a very few products for the domestic market, the two countries could and should be cooperating and sharing much more than they are now, in the fields of education, communications, agricultural research and information dissemination, natural resource management and market intelligence and enforcement, ideas, social reform and governance and the list goes on. There are certainly many lessons both countries can share with each other.

So what has occurred in PNG whilst I have been out of the country? Despite closely following the PNG press, having been only an occasional visitor during the past eighteen months it would be presumptuous of me to make assessments of trends over the period or provide diagnoses regarding the critical issues. Over the next months, however, I hope that through this column the INA will, however, be able to provide constructive opinion, elicited from different informed sources, and encourage constructive discussion on

critical development-related issues affecting PNG: - economic, social, governance and environmental.

I will make a few observations at this point, however, on some recent trends and issues. On the economic front the past year and a half has continued a positive trend. The 2006 Budget envisages the fourth year with a GDP growth rate at or possibly surpassing population growth (depending somewhat upon the reliability of both statistics). Although still only a modest margin, together with factors such as the reduction in debt and balance of payments situation, it is a positive trend, even if still fragile and unduly dependent upon a narrow range of commodities and a few high commodity prices. A low inflation rate, (finally) an affordable borrowing rate, several critical institutional reforms, some reinvestment in infrastructure and shipping since the late 1990s (including the establishment of the National Roads Authority and prospective support for rural shipping) do provide a more positive basis for investment and development.

Progress with focal investments is now gaining ground, notably the gas pipeline and in the mining sector, although managing the high expectations, ensuring that associated spin-off effects occur and avoiding the potential downside, sometimes termed the “Dutch Disease”, will be critical, requiring effective planning and oversight of revenue and expenditure at the national and local levels. Trends in the renewable resources sector (including tourism) continue, however, to be generally disappointing, although short term commodity cycles have provided some gains, notably for coffee farmers, as well as recent losers, such as vanilla producers with prices invariably subsiding. Cocoa production has continued its firm recovery, largely based upon reinvestment in Bougainville. The lack of sound or steady growth in this sector, largely as a result of inadequate returns plus other constraints, is a particular concern considering the sector provides the living for the vast majority of the population.

It is not just PNG which is contending with the issue of trying to achieve both growth and then ensure wider benefits from that growth. At the recent World Economic Summit held in Davos in Switzerland, it was observed that, whilst globalisation provides a net international gain, there are losers within the global and local communities and growth in recent years has provided increasing income disparities, with employment creation trailing behind the growth in GDP. PNG still has the lowest social indicators in the region, a situation likely to be exacerbated by the worsening HIV/AIDS scenario. PNG’s poor indicators are followed in the Pacific region, in most cases by our neighbour the Solomons, although the latter has a lower per capita GDP, particularly since the tensions. Ensuring that PNG is in a position to respond to economic opportunities and maximises the income and related benefits from what it produces (and could produce), requires the right policies and their implementation, suitable investment conditions (including for the informal sector) and skills. Making public sector expenditure more cost effective and gearing the education system to providing the practical skills needed by the community will be critical to PNG’s prospects and to ensuring widespread participation in the economy.

The long overdue Medium Term Development Strategy was finally released and has helped guide sector strategies, budget allocations and donor support, although in reality its broad brush approach does not focus plans and expenditure as much as it should. In terms of governance and public sector reform, much valuable background work has been undertaken in undertaking reviews: - for example, of the police; national and provincial revenue flows, preparing reforms to national and provincial government systems and service delivery mechanisms, on impediments to business and investment, and preparing industry plans (as in tourism, for example).

These reviews and drafts all form a valuable basis for future action, but so far only limited implementation of the reviews and planned reforms has occurred. Much, including reforms to the overcostly and generally non-performing Provincial Government system, seems to be left in the too hard basket. The bulk of public expenditure remains in the payroll with little operating funding, poor use and accountability of funding and limited service delivery, particularly away from the main urban centres. Whilst the restored Public Accounts Committee and the Ombudsman Commission have done fine work, there remains little answerability to the public by many State bodies, including by resource rich provincial governments with respect to unconditional funds and notably accounting for funds from sources outside the National Budget, such as royalties. It would be a shame if the opportunity provided by a single Government for a full five years was wasted by deferring much of the needed reform programme.

Little progress seems to have been made by the authorities in following up the NPF Inquiry and bringing to justice or recovering money from those responsible for the major loss of contributors' funds in the 1990s. It has to be said that PNG does have a very bad reputation overseas (as well as at home) for corruption and law and order problems, which really costs the country badly in terms of loss of longer term (as opposed to short term and extractive) overseas investment and tourism, but also in a range of ways, such as loss of students attending PNG institutions, international/regional organisations which could be based here, for example. Whilst some of this negative reputation is ill-informed and gives inadequate recognition to the major effort within government and especially civil society to addressing these real problems, it is partly real, needs to be adequately recognised and addressed, as the main cost is on the lives of the people of this country, in terms of lost opportunities, services, etc. If society fails to adequately tackle the corruption and malpractice of the past and present, such as highlighted by the NFP Inquiry, and fails to re-establish or reinforce the credibility of governance and public institutions now, then future prospects are badly undermined.

In the Solomon Islands the police force, which was badly tainted during the tensions, has been substantially cleaned up with assistance from an impartial outside team and recruiting and training a large numbers of new Solomon Islands male and female officers. Long term support will still be needed, however, to develop their capacity. Reinforcing the capacity of the police and other law and order institutions in PNG also needs extensive support and, until there is adequate transparency, awareness and answerability by these institutions to the PNG public, there needs also to be some impartial outside participation in this process. During the past 18 months I was absent for the debacle of

the ECP support for the law, order and justice sector. Although support in this sector is clearly critically needed, the heavy-handedness entailed in its introduction, high cost and special service conditions provided inevitably undermined its welcome and prospects of success. Hopefully, under an ECP mark 2 unit costs of assistance would be rather less exorbitant, and team members better prepared for the positive realities of life in PNG than under ECP mark 1, when they seem to have been advised they were heading for a war zone!

Again on the positive side, but largely on the back of a stable economy and continued monopoly conditions, several of the core State-owned utilities and other corporations have returned to profitability in recent years. But there is wide concern over potential slippage; these organisations still have a very long way to go to provide the level of service which they should, and at a less exorbitant cost, yet there is anxiety that they are now going to squander their newly gained viability. Whilst more profitable, and in the case of Air Niugini apparently more reliable, there remains a lack of focus upon the main function of the commercial and other statutory bodies, namely the provision of an efficient and affordable service to the community, and if these services can be provided more reliably and cheaply by other means, providing greater opportunities to other economic activity, including tourism, then their monopolies and price structure are hard to justify.

Boards and sometimes management of some Statutory bodies seem still to be unduly costly, with excessive travel and meetings, and are still unduly appointed on the basis of political connections, or cronyism, rather than needed skills. To be effective and transparent Board appointments, for promotional or regulatory bodies, for example in tourism, commodity boards and industry supervisory bodies should include representatives of interest bodies, such as from the relevant PNG business and civil society, selected by those bodies themselves, even if these people don't always share the views of government, rather than being handpicked by the respective Minister.

Recent reforms to encourage the informal sector have been positive. With the slow rate of economic and formal sector employment growth over the past thirty years, but a rapid population increase, especially in urban areas, the persistent impediments imposed by various authorities upon informal sector activity have been extraordinary, and inevitably pushed people to crime for survival. Nevertheless, even with recent reforms, rather than actively encouraging informal sector opportunities through suitable facilities and practical training, there is still a mindset in some of the authorities to threat and intimidation of informal sector participants. An argument given for this is to discourage urban settlement, but this is both unrealistic and better addressed by encouraging real opportunities and improved lifestyles in the smaller centres and rural areas, starting with improved infrastructure and services. Interestingly with its more relaxed law and order situation, Honiara, the Solomon Islands capital, features various fresh produce market outlets and locally-run food stalls, providing significant employment and good service. They provide a variety and accessibility of food outlets not seen in PNG's major cities, though in turn well below the level of informal food outlets found in many Asian towns and cities.

Another serious area of concern is that there appears to be no improvement in the management of PNG's so-called renewable natural resources. New forestry projects do not seem to fulfil the sustainability requirement set in law back in 1991, whilst some appear to be still pursuing backdoor methods for seeking approvals, similar to the purported road and agricultural projects launched in the 1990s. The deficiencies highlighted in a rigorous review of ongoing forestry projects undertaken for government in 2003/2004 have still not been addressed, and these projects have not been brought into compliance, at great cost to the resource owners now and into the future.

In fisheries it is sad to see that the domestic long-line industry, which was successfully established over the past decade, providing extensive local income, employment and export earnings, has already contracted severely, partly it seems as a result of over-harvesting by purse-seiners and other international vessels (including stern trawlers). The evidence seems to be accumulating now that, whereas for years the Pacific was considered to host the last remaining abundant tuna resource, it is now increasingly recognised that the intensity of harvesting is now excessive for some stocks and there is a need to immediately rein in the number of licenses issued in PNG and elsewhere in the region if the resource, and hence the industry, is to avoid the serious and ultimately terminal decline that has occurred in pelagic as well as more sedentary fisheries elsewhere in the world.

These are first re-impressions upon returning to PNG's shores. Many others are more familiar with the achievements, events, opportunities, constraints and frustrations in PNG over recent months, and I apologise if you feel I have given inadequate (or excessive) recognition to achievements or poorly presented events and scenarios, but you are welcome to provide your perspective.