

Is PNG a Failing State and what do to?

There is much recent literature on what constitutes a failed or a failing State? Recently there has been some discussion within PNG on whether PNG constitutes a failing State, with some leaders, including the forthright Morobe politician Sam Basil confirming it is.

It seems extraordinary that with all its resources, positive economic growth and entering a further resource boom PNG's State could be failing. PNG is clearly not a failed State; that is reserved for countries, like Somalia, with no widely recognised government, run by multiple warlords and the State's remit barely stretching beyond the capital. But is the PNG State failing? Sadly, the evidence is all too apparent, with so many of the institutions comprising the State clearly not performing. The services they are mandated to provide the public are simply inadequate or non-existent, whilst PNG's human development indicators remain the Pacific's worst and amongst the lowest worldwide, with the highest maternal and child mortality and nearly half the youth never entering school. Our roads have decayed widely, with many impassable, rural airstrips closed with few or no air-services, health facilities closed, schools without teachers and so on, (whilst the Works Department receives less for road maintenance for the country than the Falcon jet's reputed annual lease, e.g. for hopping to Cairns). From a solid start PNG's institutions are dying of neglect and much of its population suffering and likewise neglected.

We're drowning in good intentions, with fine plans and multiple policies, but the commitments don't match reality, i.e. no-one makes the tough decisions to make the system operational again. That must come from the top, but with broad consensus from the whole community. Currently, our solutions are confused or plain wrong; many leaders see new facilities or institutions as solutions, without fixing underlying problems. The country has resources, they say, we're wealthy, so let's have new hospitals or executive aircraft!

PNG has resource wealth underground, in the land, plants and seas and especially in its people, but it requires major capital to open up this potential, including through investment in education, infrastructure and services; the country and most of its people currently remain relatively poor, with many talents untapped. New hospital and other facilities have been built over the years but then not staffed, equipped or provided adequate recurrent funds to be maintained and function. It's not grand new facilities which are needed, but looking after what we have, enabling them to function effectively, whilst progressively expanding capacity to meet growing demand and improving standards. Why have flashy new hospitals in NCD, if rural villages have no basic services and cannot even reach town if needing urgent treatment, or if the new facility has routinely no nurses, doctors or needed medicines and equipment?

Some say, doesn't government matter? Everything can be handled by the private sector and markets. Exxon will build LNG facilities and boost the economy, whilst Digicel invested and expanded telecommunications access massively, whilst competition pulled down mobile phone prices and some international air-services. Countries, like Italy, have had incessant changes of Government, but the economy has largely progressed regardless. Much of that is true; the private sector is the engine of growth, entailing both big corporations, like Exxon and Digicel, and small enterprises,

including village farmers selling cash crops for export or supplying local towns with food, whilst supporting their own household needs. Whilst major projects invariably provide infrastructure and services to local communities, this is not their primary focus and their footprint is often very localised and the project life of non-renewable resources projects limited, as also with logging (when harvested unsustainably).

Widespread household access to land, forests and marine resources has been PNG's great safeguard, allowing the majority to survive and even thrive, supported by the readiness of churches and other traditional and current community and civil society organisations, to support community needs. But despite many attributes of traditional life, it was not all roses, with many prevalent diseases, periodic food shortages, high child and maternal mortality. Access to cash incomes and public and private goods and services has certainly reduced seasonal and staple foods deficiencies (including protein), reduced mortality and morbidity and provided households extensive opportunities. People's expectations have been raised, but then denied, as the State's resources have been squandered, even under recent programmes to restore district infrastructure and services, using hopelessly inadequate mechanisms (like DSIP, NADP etc), clearly open to abuse.

The State's functions are dependent upon a narrow tax base, notably comprising Ok Tedi and Porgera mines (nearing their lives' ends), a small number of other corporate and household income tax payers and GST payers, and backed by donors, often band-aiding the provision of core infrastructure, health and education services, which are the State's primary functions, along with law and order, etc. Innumerable extended tax holidays have been granted, including to some mining operations, and even the Four-mile hotel and casino, which, whilst providing needed extra beds in NCD, may also impose extra burdens on the authorities and society from potential money-laundering, extortion, kidnapping, addiction and other problems associated with major gambling operations, whilst logging operations were granted unnecessary log export tax reductions, despite doing extremely well without!

Following its construction phase, the LNG project will employ only around 500 (professional) staff. Spin-off business opportunities will be very limited. We know from wide international experience that major oil/gas projects can have devastating effects upon the rest of the economy, severely undermining agriculture, manufacturing, other industry and employment, even when careful. Unlike agriculture, where benefits go direct to households and associated businesses (in processing, transport etc), the main benefits to PNG from LNG will be channelled through government, and quasi-government bodies like IPBC, provincial and local governments, plus landowner bodies. So LNG's local contribution is largely dependent upon government bodies, which are currently widely non-functional from years of politicisation and patronage in appointments and expenditure, under-funding of core functions, staff demoralisation, inadequate oversight and penalties for abuse or non-performance by some political or public service leaders and staff.

Effective State institutions (maintaining roads, ports and airstrip, schools, colleges, ensuring fair competition, and applying other laws fairly, including against corruption) remains critical both to opening opportunities for (most) private investment and business, which create broad-based jobs, as well as for households seeking equitable access to work, market outlets, quality education and health

services. With LNG, government's role is even more critical, as the project, whilst potentially providing major economic opportunities, also poses major threats, as experienced in many countries suffering from the "Dutch Disease" undermining other sectors, triggering conflicts and fuelling corruption. With the State's role so critical to whether the Country benefits or is undermined by LNG, current severe governance problems must be addressed, with State institutions made more accountable to the public, through the Courts, an effective Parliament, and Constitutional Offices, including the Ombudsman Commission, Auditor General, and directly to a better informed public.

In the next few years government revenue will probably remain tight, but the need to restore and upgrading decaying infrastructure and services will grow steadily. Reliable data, firm prioritisation of expenditure and adherence to priorities will be required, and the severe wastage of recent years (including through poorly scrutinised Trust Funds) must be halted. Revenue should improve markedly (from LNG) in six-seven years, but the population will have grown and PNG will still be trailing with its social indicators and failing to meet the Millennium Development Goals. Investing prudently and making public funds have maximum benefit is essential (whilst sanitising a suitable portion in a closely scrutinised sovereign fund).

Even with Public Private Partnerships and contracting out, more public servants will be required, not less, in many institutions, requiring adequate terms and conditions to attract and retain professionals of integrity and calibre (in an increasingly globalised economy). For example, whilst a merged and publicly accountable National Works and Road Authority, may not implement extensively itself, it will certainly require a strong team of professional engineers for design and oversight and operating funds to ensure contracted partners fulfil standards.

In summary, despite the considerable efforts of many dedicated leaders and public servants, the PNG State has been failing its people badly for many years, especially in rural areas. The leadership must be held largely to blame for this neglect and putting short term political and personal expediency (and sometimes greed) above wider public interest, good governance and the need for resolution and reform; but the wider community must also take responsibility for the quality of its leaders and the delivery of quality services, by not accepting electoral bribes, urging incompetent wantoks to fill key positions, demanding extortionate compensation for local infrastructure or services, or showing inadequate civic interest in the laws or whether funds are properly spent locally.

LNG has the potential to further undermine PNG's ailing public institutions and severely damage the broader economy and society. Or it could reinforce the State's ailing performance and provide some new economic opportunities, but only if the governance challenges are recognised and addressed now. There are already winners and losers from the recent urban-focused economic boom. The country cannot handle extensive failure in major (largely rural) employment generating industries. If governance challenges are not addressed, some leaders, as in Equatorial Guinea, may become extremely wealthy from enclave industries, surrounded by their foreign palace guards, whilst the rest of the community are left tapping begging bowls outside the palace gates. This dire forecast would apply particularly if vast portions of customary land continue being allocated through backdoor deals to shady land

speculators and disguised loggers taking advantage of failing institutions, corrupt officials and inadequate audit processes. With such weak governance and massive financial abuse, as highlighted by the Finance Inquiry and PAC report, this is certainly not the time to weaken the Ombudsman Commission's restraining powers over administrative abuse, as proposed in clauses of Maladina's Bill to Parliament, but to reinforce them and penalties!