



SHEDDEN PAPERS



Enhancing the ‘Strongim Gavman Program’ to Stimulate Papua New Guinea’s Development and Protect Australia’s Interests

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Abstract

Rather than looking to create new policy prescriptions for the economic development and security of Papua New Guinea, this paper makes the case for improving on an existing set of policies. Through a series of coordinated and concurrent initiatives, termed the ‘Enhanced Strongim Gavman Program’, the paper details how existing strategies can be made more effective, and more efficient, in order to maximise the outcomes for Papua New Guinea and enable it to reach core development goals. In turn it argues Australia will also benefit from having a prosperous and secure northern neighbour.

This document is approximately 10,000 words, excluding its bibliography. It prints off at 65 pages.

¹ Editor’s Note. This paper was written in 2008. On 10 June 2009, the 19th Australia-Papua New Guinea Ministerial Forum was held in Brisbane. The forum endorsed the first five Implementation Schedules to the PNG-Australia Partnership for Development that focused on ‘transport infrastructure, basic education, health, the public service and statistics’. It also indicated that Australia’s ODA to PNG was expected to increase by 11% in 2009-2010. Of note, the forum noted the progress of the Enhanced Co-operation Program review and the revised arrangements for the Strongim Gavman Program, which ensured increased attention to ‘capacity building, improved integration with the broader aid program and joint management and ownership of the program’. Encouragingly, this emphasises the appetite both the Australian and PNG governments might have for the policies proposed in this paper. See Governments of Australia and Papua New Guinea, Joint Statement – 19th Australia-Papua New Guinea Ministerial Forum, Brisbane, 10 June 2009, pp. 2-4.

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*Papua New Guinea's social crisis is not just today's problem; nor is it just Papua New Guinea's problem; substantial assistance is needed and it will come from nowhere but Australia.*²

Introduction

Papua New Guinea is by far the largest of the Pacific island nations and is important to Australia for geographic, historic and security reasons. With a land area of 162,243 square km,³ it is nearly twice the size of New Zealand and its economic exclusion zone extends to 3.12 million square km.⁴ Its population of approximately 6.7 million is almost a third of the size of Australia's and is expected to double in the next 17 years.⁵

Now largely considered to be a 'fragile' state,⁶ Papua New Guinea (PNG) is experiencing significant domestic challenges that are retarding its economic growth and developmental progress. The combination of failing government services (law and order, health, and education), poor transport infrastructure (roads, airfields, and ports), a high HIV/AIDS infection rate, high unemployment, lethal inter-tribal conflict, a national drug trade and increasing lawlessness has created a strategic conundrum regarding which challenge should be addressed first to achieve maximum impact on the living standard of millions of Papua New Guineans. The Australian Agency for International Development (AusAID) indicates that fragile states impose large financial costs on themselves and their neighbours. Disengagement by donor countries is not an option, however, especially when there is a 'clear but complex link to their own national security'.⁷

Papua New Guinea ranks poorly as a nation in many international assessments and the prospect of it achieving its Millennium Development Goals (MDGs), as specified by the United Nations Development Program, by 2015 is bleak. As the security and prosperity of Australia is linked to the security and prosperity of its neighbours, it is therefore in Australia's interests to contribute to stimulating the development of this impoverished nation.⁸

This paper will argue that a more comprehensive and long-term view of Official Development Assistance (ODA) is required in PNG and will articulate policy changes to broaden the scope of the Australian Government's Strongim Gavman Program (SGP), announced in Madang on 23 April 2008. By enhancing the existing SGP with a

² John Fowke, 'Getting it Wrong in Papua New Guinea', *Quadrant*, Vol. 50, No. 12, December 2006, Sydney, p. 31.

³ Sam Bateman and Anthony Bergin, 'Maritime Security' in *Australia and the South Pacific – Rising to the Challenge*, Australian Strategic Policy Institute - Special Report, Issue 12, March 2008, p. 56.

⁴ Sam Bateman and Anthony Bergin, 'Australia and the South Pacific – Rising to the Challenge', p. 56.

⁵ Department of State, 'Background Note: Papua New Guinea', *United States Department of State website*, available at: <<http://www.state.gov/r/pa/ei/bgn/2797.htm#>>, accessed 13 May 2008.

⁶ Ian Anderson, *Fragile States: What is International Experience Telling Us?* Australian Agency for International Development, Canberra, June 2005, pp. 1-2.

⁷ Ian Anderson, *Fragile States: What is International Experience Telling Us?* p. 1.

⁸ Roland Rich, 'Hercules or Sisypus?' *Australian Strategic Policy Institute - Strategic Insights*, Australian Strategic Policy Institute, January 2007, p. 1.

more comprehensive range of long-term initiatives and resources, the proposed program, titled the Enhanced Strongim Gavman Program (ESGP), will build on the existing aid package to stimulate PNG's development to achieve the PNG Government's Medium Term Development Strategy 2005-2010 (MTDS) and MDGs. In order to simultaneously provide greater protection for Australia's interests, the ESGP has three discreet policies targeting three sectors; transport, education, and law and justice sectors. The investment of a substantial increase in ODA is designed to apply impetus to PNG's developmental progress towards sustainable economic growth, increased law and order and an educated youth capable of leading the country into a more prosperous future.

From a national security perspective, the ESGP will reduce the possibility of Australia facing the consequences of a 'failed' state on its doorstep, protect Australian citizens residing in or visiting PNG, and reduce the requirement for PNG citizens to cross the Torres Strait to access Australian labour markets and health care facilities.

Papua New Guinea's Challenges

Papua New Guinea is experiencing a number of challenges brought about by its dominant Melanesian culture, inadequate preparation for independence in 1975, institutional weakness and the rapid spread of HIV/AIDS. These challenges have impacted PNG's global standing and are reflected in a number of international indices.

PNG is said to have 'one of the most heterogeneous indigenous populations in the world'.⁹ The country's linguistic, topographic and cultural diversity have significantly impeded national communications and development.¹⁰ The traditional PNG social structure is Melanesian in nature and incorporates subsistence economy, 'wantokism', acquired status, customary land tenure, low-scale inter-community warfare, male superiority despite matriarchal inheritance and sexual behaviours that encourage the spread of HIV.¹¹

These elements of Melanesian society present a natural barrier to the successful implementation of wide-spread national developmental programs as they discourage personal development, community investment, entrepreneurialism, gender equality and health-orientated behaviours. Further, low-scale tribal warfare, which was traditionally used to settle inter-community disputes, has now assumed greater levels of seriousness with the introduction of modern automatic weapons.¹²

In PNG, over 95% of land ownership is governed by the traditional land tenure system.¹³ Communities retain the right to the fruits of the land. In the past, this form of land ownership has been blamed for retarding development in rural areas as there is

⁹ United States Department of State, 'Background Note: Papua New Guinea'.

¹⁰ United States Department of State, 'Background Note: Papua New Guinea'.

¹¹ United States Department of State, 'Background Note: Papua New Guinea'.

¹² United States Department of State, 'Background Note: Papua New Guinea'.

¹³ Ben Scott, 'Re-imaging PNG – Culture, Democracy and Australia's Role', *Lowy Institute Paper 09*, Lowy Institute for International Policy, Sydney, 2005, p. 26.

little incentive for individual investment and entrepreneurialism.¹⁴ However, Weiner and Glaskin assert that there is evidence to support the existence and vitality of entrepreneurship within customary land tenure arrangements.¹⁵

'Wantokism' is a traditional cultural system of obligatory kinship that extends beyond the family unit to the community, social group and tribe. Whilst it has been blamed for institutionalised corruption and nepotism in many areas of government and commerce, it also provides a surrogate welfare system for those who are unable to provide for themselves.¹⁶ Traditional land ownership and the wantok system coexist to provide a social safety net and a source of subsistence if a wantok returns to the community.¹⁷

With the spread of missionaries throughout the country, a new and powerful element of the social construct, Christian churches, has emerged. Working in conjunction with community-based womens' and youth groups, the churches currently provide around 50% of all health and education services in the rural sector.¹⁸

The Legacy of Colonisation

Papua New Guinea has been a security and financial challenge to Australia since the annexation of northern New Guinea by Germany in 1884. However, it was not until 1 September 1906, after it was proclaimed a Territory of the Commonwealth, that Australia formally accepted responsibility for the administration and defence of Papua.¹⁹ After World War One, Australia accepted New Guinea as a C Class mandate from the League of Nations. To all intents and purposes, this mandate conveyed virtually all the rights of annexation.²⁰ During the Second World War, Australian troops fought the Japanese in PNG, incurring substantial casualties (2,165 dead and 3,533 wounded) in a campaign that significantly impacted on Australia's psyche.²¹

To fulfil its administrative responsibilities, Australia transplanted a number of its institutions into PNG. Australian expatriates were appointed to most of the positions of authority. As a result, PNG nationals were not adequately prepared to assume responsibility for their own administration and governance when it achieved independence from Australia in 1975. Yet despite this inadequate preparation, state

¹⁴ United States Department of State, 'Background Note: Papua New Guinea'.

¹⁵ James F. Weiner and Katie Glaskin, 'Chapter 1 - Customary Land Tenure and Registration in Australia and Papua New Guinea: Anthropological Perspectives', in *Customary Land Tenure and Registration in Australia and Papua New Guinea: Anthropological Perspectives*, James F. Weiner and Katie Glaskin (eds), ANU E Press, Australia, 2007, p. 2.

¹⁶ Michael G. Morgan and Abby McLeod, 'Have we Failed our Neighbour?' *Australian Journal of International Affairs*, Vol. 60, No. 3, September 2006, pp. 412-428.

¹⁷ Ben Scott, 'Re-imaging PNG', p. 26.

¹⁸ United Nations in Papua New Guinea, *Millennium Development Goals: Progress Report for Papua New Guinea 2004*, United Nations Development Programme in Papua New Guinea, 20 December 2004, p. 7.

¹⁹ Hank Nelson, 'Fighting for Her Gates and Waterways: Changing Perceptions of New Guinea in Australian Defence', *State Society and Governance in Melanesia*, Discussion Paper 2005/3, The Australian National University Research School of Pacific and Asian Studies, 2005, pp. 1-10.

²⁰ Hank Nelson, 'Fighting for Her Gates and Waterways: Changing Perceptions of New Guinea in Australian Defence', pp. 7-10.

²¹ Peter Fitzsimons, *Kokoda*, Hachette Australia, Sydney, 2005, p. 445.

institutions in PNG continued to function reasonably effectively for the first decade of independence.²²

Prior to colonisation, no traditional political organisation beyond the level of the tribal community existed in PNG. Because of the heterogeneous nature of the country, there was no basic government mechanism or wider political affiliation beyond each community. In 1975, PNG was still a 'collection of stateless societies',²³ with virtually no notion of nationhood, fulfilling the Ted Wolfers' prediction that 'an independent Papua New Guinea is likely to be a state without a nation'.²⁴ Indeed, many of PNG's developmental challenges have been caused by 'a cultural clash between traditional tribal customs and the institutions of modernity'.²⁵ Fukuyama goes further citing the lack of a national elite as compounding this problem. Previously, this elite was educated in four national high schools established by the Australian administration,²⁶

Papua New Guinea's Contemporary Challenges

As White has said, 'anyone who knows PNG can recite the catalogue of familiar woes.'²⁷ The significant contemporary impediments to development in PNG include high-level corruption, widespread lawlessness, inefficient state institutions and inadequate delivery of basic government services.²⁸ Of the plethora of challenges facing PNG today, corruption, security and HIV/AIDS possess the greatest potential to derail further development efforts if they are not ameliorated.

Corruption

The PNG government admits that 'corruption within the public service remains the greatest cancer within constitutional government and economic and social development.'²⁹ Indeed, Opposition Leader Sir Mekere Morauta recently stated that 'corruption is widespread, it is systemic, it is systematic and deeply entrenched in PNG'.³⁰ PNG has been privy to a number of significant corruption scandals in recent years, including the disappearance of K1 billion (A\$532.23 million)³¹ from Department

²² Hugh White, 'Strengthening Our Neighbour: Australia and the future of Papua New Guinea', *Australian Strategic Policy Institute - Strategy*, Australian Strategic Policy Institute, Australia, December 2004, p. 23.

²³ Hugh White, 'Strengthening Our Neighbour', p. 22.

²⁴ Hugh White, 'Strengthening Our Neighbour,' p. 34.

²⁵ Susan Windybank and Mike Manning, 'Papua New Guinea on the Brink,' p. 7.

²⁶ Francis Fukuyama, 'Governance Reform in Papua New Guinea', *Johns Hopkins University School of Advanced International Studies website*, available at: <http://www.sais-jhu.edu/faculty/fukuyama/Governance_PNG.doc>, accessed 21 October 2008, p. 31.

²⁷ Hugh White, 'Strengthening Our Neighbour,' p.21.

²⁸ Mike Manning, 'Papua New Guinea: A Glass Half Full', *Pacific Islands Report*, Pacific Islands Development Program/East-West Center website, available at: <<http://archives.pireport.org/archive/2006/March/03-29-com1.htm>>, accessed 23 January 2008, pp. 2-3.

²⁹ Office of the Secretary for Justice and Attorney General, *A Just, Safe and Secure Society: A White Paper on Law and Justice in Papua New Guinea*, Government of Papua New Guinea, March 2007. p. xiii.

³⁰ Oseah Pnilemon, 'Somare Bows to Pressure', *Islands Business*, Vol. 34, No. 5, May 2008, p. 15.

³¹ A\$1=Kina 1.8789. Commonwealth Bank of Australia, 'Foreign Exchange Rates', *Commonwealth Bank website*, available at: <<http://www.commbank.com.au/guides/personal/other/foreignexchangerates.asp>>, accessed 8 September 2008.

of Finance coffers³² and the inappropriate expenditure of more than K270 million (A\$143.71 million) in public funds³³ reported in 2008. Corruption on this scale not only discourages legitimate donors and investors but erodes public confidence in the government.

Law and Order

Law and order in PNG have diminished to a point where all levels of PNG society are adversely affected. Such lawlessness has had a destructive impact on 'social, economic, political and cultural security'.³⁴ Businesses, banks, post offices, schools, colleges, health centres, hospitals and guesthouses have closed in some areas because security is virtually absent in the major urban centres.³⁵ Aid workers, church staff, and volunteers and have been withdrawn from some provinces³⁶ and the Australian Department of Foreign Affairs and Trade has specifically warned visitors about the high levels of serious crime and outbreaks of inter-tribal violence in the PNG Highlands.³⁷ In some areas, like the Southern Highlands Province, the police are outnumbered and outgunned by the local population because a significant number of adult men have access to homemade or factory-produced weapons.³⁸ The breakdown of law and order throughout many parts of the country has prevented the delivery of basic government services, jeopardised the safety of those providing support to the population, threatened the security of Australian expatriates, discouraged tourists, and dissuaded potential investors.

HIV/AIDS

The Australian Agency for International Development reports a disturbing array of statistics concerning the prevalence of HIV/AIDS in PNG.³⁹ An estimated 2% of the adult population, approximately 64,000 people, are now HIV positive. By 2025, it is estimated that over 500,000 people will be living with HIV/AIDS in PNG and 70% of all hospital beds will be needed for AIDS patients. Transmitted predominantly by unprotected heterosexual sexual activity, HIV/AIDS will significantly impact PNG's future because of reduced life expectancy, workforce depletion, increased health expenditure and reduced economic growth.

³² 'K1b 'goes' without trace', *Post Courier Online website*, available at:

<<http://www.postcourier.com.pg/20080501/thhome.htm>, 1 May 2008>, accessed 10 May 2008.

³³ Oseah Philemon, 'Somare Bows to Pressure', p. 15.

³⁴ Albert Nita, 'Papua New Guinea: National Assessment Report', *United Nations website*, available at: <http://www.un.org/esa/sustdev/natlinfo/nsds/pacific_sids/png_nar.pdf>, accessed 13 October 2008, p.xiii.

³⁵ Albert Nita, 'Papua New Guinea: National Assessment Report', p.xiii.

³⁶ Nicole Haley and Ronald J. May, 'Introduction: Roots of Conflict in the Southern Highlands', in Nicole Haley and Ronald J. May (eds), *Conflict and Resource Development in the Southern Highlands of Papua new Guinea*, ANU E Press, 2007, pp. 1-5.

³⁷ 'Travel Advice - Papua New Guinea', *Department of Foreign Affairs and Trade website*, available at: <http://www.smartraveller.gov.au/zw-cgi/view/Advice/Papua_New_Guinea>, accessed 27 October 2008.

³⁸ Nicole Haley and Ronald J. May, 'Introduction: Roots of Conflict in the Southern Highlands,' pp. 1-5.

³⁹ Australian Agency for International Development, 'HIV/AIDS in Papua New Guinea', *Australian Agency for International Development website*, available at: <<http://www.ausaid.gov.au/country/png/hiv aids.cfm>>, accessed 19 February 2008.

Measuring PNG's Performance

PNG's performance as a nation is annually assessed and ranked against other countries by such organisations as Transparency International, the United Nations, the Fund for Peace, and the World Bank.

The most recent rankings for PNG in a number of international indices are detailed at Appendix 1. The consolidated picture described by the Human Development Index,⁴⁰ Human Poverty Index,⁴¹ Failed States Index,⁴² Corruption Perceptions Index,⁴³ Worldwide Governance Indicators⁴⁴ and Logistics Performance Index⁴⁵ indicates that PNG is consistently positioned within the bottom half of all nations. These indices provide empirical evidence that PNG has significant domestic and developmental challenges and a relatively low starting point for any remediation activities. Additionally, the indices provide a meaningful benchmark from which to measure the success of the proposed policy initiatives.

From the Australian Government's perspective, these internationally developed indices highlight that Australia's influence, policy, aid and support since independence have not been sufficient to maintain PNG's viability as a nation.

The Security Implications of PNG's Challenges for Australia

PNG's Lack of Development Progress

Australia has a compelling strategic interest in a stable and prosperous PNG because the domestic challenges facing PNG could impact on Australia's security interests.⁴⁶ Despite the fact that PNG has received almost A\$16 billion in aid since its independence in 1975, the Australian Government's 2000 Defence White Paper acknowledges that 'PNG faces a long and uncertain road to prosperity and stability'.⁴⁷ Indeed, a number

⁴⁰ United Nations Development Program, 'Papua New Guinea', *United Nations Development Program Human Development Index website*, available at: <http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_PNG.html>, accessed 29 July 2008.

⁴¹ United Nations Development Program, 'Papua New Guinea'.

⁴² The Fund for Peace, 'Failed States Index Scores 2008', *The Fund for Peace website*, available at: <http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=292&Itemid=452>, accessed 29 July 2008.

⁴³ Transparency International, 'Corruption Perceptions Index 2008', *Transparency International website*, available at: <http://www.transparency.org/policy_research/surveys_indices/cpi/2008>, accessed 11 October 2008.

⁴⁴ World Bank, 'Governance Matters 2008: Papua New Guinea', *World Bank Worldwide Governance Indicators 2008 website*, available at: <http://info.worldbank.org/governance/wgi/sc_chart.asp#>, accessed 29 July 2008.

⁴⁵ World Bank, 'Logistics Performance Index', *World Bank Trade Logistics and Facilitation website*, available at: <<http://info.worldbank.org/etools/tradesurvey/mode1b.asp>>, accessed 9 August 2008.

⁴⁶ Australian Agency for International Development, 'Papua New Guinea Analytical Report For The White Paper On Australia's Aid Program,' September 2005, *Australian Agency for International Development website*, available at: <http://www.ausaid.gov.au/publications/pdf/png_report.pdf>, accessed 17 August 2008.

⁴⁷ Department of Defence, 'Defence 2000 – Our Future Defence Force', *Department of Defence website*, available at: <<http://www.defence.gov.au/whitepaper/docs/WPAPER.PDF,2000>>, accessed 19 January 2008, p. 22. Editor's note.

of the challenges that impact security and stability beyond PNG's borders will not be resolved without sustained development. The 2000 White Paper also indicates that if 'Papua New Guinea's problems continue, its ability to handle future challenges will be hampered, and its viability as an effective state could come into question'.⁴⁸

In 2006, the Economist stated that 'of all the failing states of the South Pacific, a remote region that Asia's astonishing burst of prosperity has largely bypassed, PNG would be the hardest for the Australians to handle if things were to go seriously wrong'.⁴⁹ More recently, the Australian Strategic Policy Institute (ASPI) indicated that the economic, political and security turmoil in countries such as PNG 'will ripple across to Australia and in likelihood draw Australia into any rescue'.⁵⁰ Therefore PNG's significant security and stability difficulties are likely to remain a challenge for Australia's security planners.

AusAID suggests that the most elegant definition of a fragile state is a state 'where the government cannot - or will not - deliver core functions to the majority of its people, including the poor'.⁵¹ As a 'fragile' state, PNG's economic and developmental status can threaten Australia's interests by providing an environment conducive to terrorists, transnational criminals, illegal immigrants and patients seeking access to Australian health care.

Terrorism and Transnational Crime

In the 1990s, there emerged a developing international awareness of the potential vulnerability of bankrupt and corrupt governments to the influence of external agencies - both state and non-state. In desperate need of funds, such governments could turn to such schemes as 'dumping toxic waste; money laundering; providing a transit point for transnational crime and terrorism; the selling of sovereignty; and, ultimately, resorting to the use of mercenaries to restore control in some areas in exchange for extraction rights'.⁵²

Since the turn of the century, the Australian Government has been preoccupied with security issues arising from the devastating terrorist attacks in New York and Bali, and has deftly exploited the fear associated with international terrorism to escalate the security implications of unauthorised arrivals.⁵³ The Australian Strategic Policy Institute added weight to this association by indicating that PNG could provide a

The 2009 Defence White Paper expressed similar sentiments; see Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Australian Government, 2009, 4.36, p. 36.

⁴⁸ Department of Defence, 'Defence 2000 - Our Future Defence Force', p. 22.

⁴⁹ 'Leaders: Policing the Pacific; Australia and its neighbours', *The Economist*, 3 June 2006, p. 15.

⁵⁰ Australian Strategic Policy Institute, 'Australia and the South Pacific - Rising to the Challenge,' p. 18.

⁵¹ Ian Anderson, *Fragile States*, p. 2.

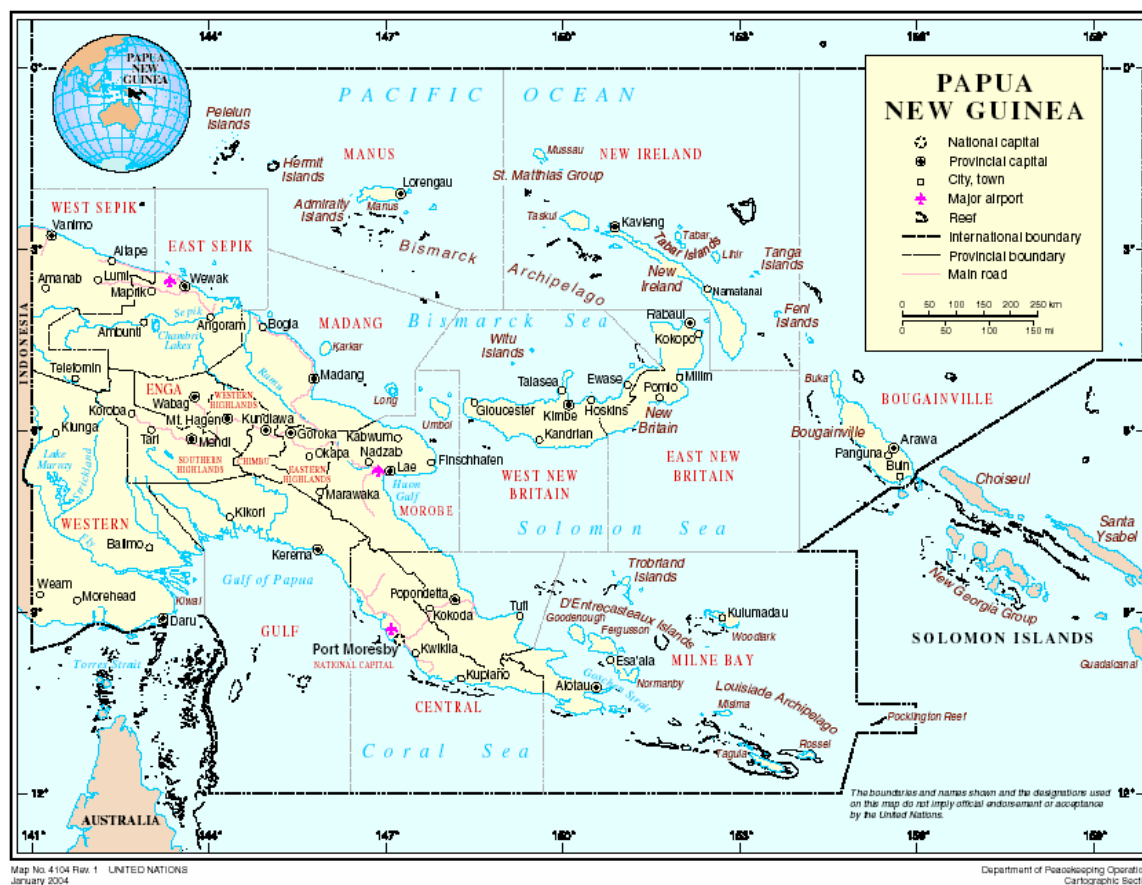
⁵² Elsin Wainwright, 'Our Failing Neighbour - Australia and the Future of Solomon Islands', *Australian Strategic Policy Institute - Policy Report*, Australian Strategic Policy Institute, Australia, June 2003, p. 16.

⁵³ Allan Patience, 'The ECP and Australia's Middle Power Ambitions', *State Society and Governance in Melanesia*, Discussion Paper 2005/4, The Australian National University Research School of Pacific and Asian Studies, 2005, p. 1.

foothold for transnational crime and a potential haven or thoroughfare for terrorists planning attacks in Australia. Further, according to Borgu, PNG's 'ability to resist penetration by outsiders—whether states or non-state entities—is almost nil.'⁵⁴

Cross Border Movement

The northernmost Australian island in the Torres Strait archipelago is only 6 km (see Map 1) from the PNG littoral and 40 km from Papua in Indonesia. It has been argued that Australia's proximity to PNG increases 'its vulnerability to not only a conventional military attack but also to the non-traditional threats that a failed PNG could generate'.⁵⁵ Every year, 5,000 small boats cross the Australian/PNG border, yet relatively few Papuan New Guineans have so far sought access to Australian markets or health services. On the northern side of the Strait, the Western Province is the least accessible province of PNG. On the southern side, there is no easily accessible urban centre in far north Queensland.⁵⁶



Map 1 – Papua New Guinea⁵⁷

⁵⁴ Aldo Borgu, *Beyond Bali: ASPI's Strategic Assessment 2002*, Australian Strategic Policy Institute, 2002, p. 29.

⁵⁵ Ben Scott, 'Re-imaging PNG – Culture, Democracy and Australia's Role', p. 13.

⁵⁶ Ben Scott, 'Re-imaging PNG – Culture, Democracy and Australia's Role', pp. 13-14.

⁵⁷ United Nations Office for the Coordination of Humanitarian Affairs, 'Map of Papua New Guinea', *United Nations Office for the Coordination of Humanitarian Affairs IRIN website*, available at: <http://www.irinnews.org/pdf/map/Papua.pdf>, accessed 19 October 2008.

In theory, the potential for the migration of disease between PNG and Australia is exacerbated by traditional cross-border movement. However, the demography and geography of far north Queensland means that there are no readily accessible urban centres to treat or absorb unauthorised arrivals or smuggled contraband.

Despite rumours of a guns-for-drugs trade across the Strait, the reality has been a limited and ad hoc trade with a far greater exchange being contained within PNG.⁵⁸ The 'tougher controls on traditional border crossings between Papua New Guinea and Australia' reported by ABC News Radio in May 2008 came about as a result of the governments of both countries committing to curbing the number of PNG citizens illegally gaining access to health care facilities in far north Queensland, rather than suspected terrorist activities.⁵⁹ Such a commitment, combined with the challenging geography and demography on both sides of Torres Strait, should abate fears of the potential security implications of cross border movement.

Access to Australian Health Care

The continuing disintegration of PNG's health care services and the spreading HIV/AIDS epidemic will likely increase the potential for a greater number of Papua New Guineans to seek assistance from Australian health treatment facilities in the Torres Strait. A small increase has already been observed and the Queensland government has requested increased federal health funding to alleviate the burden on its health services.⁶⁰ The uncontrolled arrival of HIV/AIDS sufferers into Australia could overwhelm medical facilities in northern Australia, and increase the potential of transmission to the Australian population, particularly given the rudimentary health care facilities located in the Torres Strait area.⁶¹

Potential Security Threats to Australia

Peter Urban states that the greatest threats to Australia's interests are likely to result from PNG's internal domestic challenges and the continued failure of Australian aid policy, rather than from external threats such as terrorists or transnational criminals using PNG as a thoroughfare or base.⁶² Although PNG has enjoyed relative political stability and economic growth in the last five years, the World Bank acknowledges that there are still significant developmental challenges, such as 'governance, infrastructure, human development, the business climate, public financial management, security, and service delivery'.⁶³

⁵⁸ Ben Scott, 'Re-imagining PNG – Culture, Democracy and Australia's Role', pp. 13-14.

⁵⁹ Australian Broadcasting Corporation, 'PNG, Australia to Increase Border Security', *ABC Radio website*, available at: <http://www.abc.net.au/australianetwork/news/stories_to/2233104.htm>, 1 May 2008, accessed 27 October 2008.

⁶⁰ Peter Urban, 'Not in our Backyard, On Our Doorstep', *Review – Institute of Public Affairs*, Volume 54, Number 4, Melbourne, December 2002, pp. 6-7.

⁶¹ Peter Urban, 'Not in our Backyard, On Our Doorstep', p. 7.

⁶² Peter Urban, 'Not in our Backyard, On Our Doorstep', p. 6.

⁶³ World Bank, 'East Asia: Testing Times Ahead', *East Asia and Pacific Update*, April 2008, pp. 49-50.

Behm is more pessimistic than Urban, warning that 'PNG remains on a long, slow slide towards ungovernability'⁶⁴ and attributes the erosion of PNG's developmental potential to corruption and poor governance. He suggests that PNG's regression will lead to violent anti-government demonstrations and demands localised autonomy and independence.⁶⁵ Similarly, ASPI predicts that political fragility will cause longer term threats to stability and security in PNG. It advocates that the Australian Government acknowledge the enormity of the PNG challenge, commit to a sustained strategy of assistance, and recognise that 'progress will be slow and greater security is likely to be hard won'.⁶⁶

Irrespective of the severity of the consequences of PNG's domestic challenges, ASPI's recommendation that Australia commits to a long-term support strategy would ensure that Australia's interests are protected within PNG and beyond its borders.

Development Co-operation Policy

Australia's longstanding strategic interests in both the security and stability of PNG have been moulded over a century of interaction, colonialism and post-independence support and are embodied in the in the 1987 Joint Declaration of Principles Guiding Relations between Australia and New Guinea, and the Treaty on Development Co-operation between the Government of Australia and the Government of Papua New Guinea (1999).⁶⁷

Treaty on Development Co-operation

The Development Co-operation Treaty indicates the development co-operation between PNG and Australia 'shall comprise a wide-ranging combination of agreed measures designed to contribute to development and self-reliance, including capacity building in Papua New Guinea'.⁶⁸ It reaffirms the Australian Government's commitment to the PNG Government's Medium Term Development Strategy 2005-2010 (MTDS) and agrees that in order to improve the effectiveness of ODA programs, aid should be directed in accordance with the development priorities in the MTDS. The Treaty indicates that a five year planning program will be developed and funded with a review to be conducted every three years.⁶⁹

⁶⁴ Allan Behm, 'The Need for an Australian National Security Strategy', *Security Challenges*, Vol. 3 No. 3, August 2007, p. 15.

⁶⁵ Allan Behm, 'The Need for an Australian National Security Strategy', p. 15.

⁶⁶ Stewart Firth, 'Threat Spectrum' in *Australia and the South Pacific – Rising to the Challenge*, Australian Strategic Policy Institute - Special Report, Issue 12, March 2008, pp. 16-17.

⁶⁷ Department of Foreign Affairs and Trade, 'Treaty on Development Co-operation between the Government of Australia and the Government of Papua New Guinea', *Australasian Legal Information Institute website*, available at: <<http://www.austlii.edu.au/au/other/dfat/treaties/2000/30.html>>, accessed 9 October 2008.

⁶⁸ Governments of Australia and Papua New Guinea, 'Australia and Papua New Guinea: Treaty on Development Co-operation', Article 2.

⁶⁹ Governments of Australia and Papua New Guinea, 'Australia and Papua New Guinea: Treaty on Development Co-operation'.

Cornerstone Development Strategies

The Paris Declaration on Aid Effectiveness

The Paris Declaration on Aid Effectiveness was signed on 2 March 2005 by ministers from both developed and developing countries who were responsible for promoting development. Heads of multilateral and bilateral development institutions, resolved to take far-reaching and measurable actions to reform the ways in which aid was delivered and managed in preparation for the United Nations' five-year review of the Millennium Declaration and the MDGs in late 2005.⁷⁰

Within the declaration, the signatories reaffirmed their commitment to the strengthening of partner countries' national development strategies and associated planning, budget, and performance assessment frameworks. They likewise committed to aligning aid with partner countries' priorities, systems and procedures whilst focussing on capacity building.⁷¹

The United Nations' Millennium Development Goals

In September 2000, the General Assembly of the United Nations determined that a strategy of collective responsibility needed to be implemented to 'uphold the principles of human dignity, equality and equity at the global level'.⁷² Consequently, member states and leading development institutions agreed to implement the eight MDGs, summarised in Table 1 below, with a targeted achievement date of 2015. The MDGs have become the blueprint for meeting the developmental needs of the world's most impoverished people.

⁷⁰ Organisation for Economic Co-operation, 'Paris Declaration on Aid Effectiveness', *Organisation for Economic Co-operation Development Co-operation Directorate website*, available at:

<<http://www.oecd.org/dataoecd/11/41/34428351.pdf>>, accessed 11 September 2008, p. 1.

⁷¹ Organisation for Economic Co-operation, 'Paris Declaration on Aid Effectiveness', p. 1.

⁷² United Nations, 'UN Millennium Development Goals', *United Nations Millennium Development Goals website*, available at: <<http://www.un.org/millenniumgoals>>, accessed 22 June 2008.

	MDG	Target
1	Eradicate Extreme Poverty and Hunger	Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 A day
		Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
2	Achieve universal primary education	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
3	Promote gender equality and empower women	Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015
4	Reduce child mortality	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate
5	Improve maternal health	Reduce by three quarters, between 1990 and 2015, the maternal mortality rate
6	Combat HIV/AIDS, malaria and other diseases	Have halted by 2015 and begun to reverse the spread of HIV/AIDS
		Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
7	Ensure environmental sustainability	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
		Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation
		To improve the lives of a least 100 million slum dwellers by 2020
8	Develop a global partnership for development	Address the special needs of the least developed countries, landlocked countries and small island developing states
		Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
		In co-operation with developing countries, develop and implement strategies for decent and productive work for youth
		In co-operation with the private sector, make available the benefits of new technologies, especially information and communications

Table 1 – United Nations Millennium Development Goals⁷³

The outlook for PNG to achieve its MDGs is pessimistic. A United Nations report in 2007 indicated that PNG was unlikely to achieve a number of its MDGs by 2015.⁷⁴ In concert with the United Nations, the PNG Government recently launched a National MDG Road Map and announced its fifteen national MDG targets and 67 performance indicators.⁷⁵

The Australian Government remains committed to assisting developing country partners achieve their MDGs. The government has indicated that priority will be given to helping the Pacific region and Papua New Guinea achieve their MDG through expanded assistance in 2008-2009. New development programs, focusing on infrastructure development, land administration, and public sector capacity-building

⁷³ United Nations, 'The Millennium Development Goals Report 2007', *United Nations website*, available at: <<http://www.un.org/millenniumgoals/pdf/mdg2007.pdf>>, accessed 30 July 2008, pp. 6-32.

⁷⁴ United Nations Economic and Social Commission for Asia and the Pacific, *The Millennium Development Goals: Progress in Asia and the Pacific 2007*, Bangkok, October 2007, p. 33.

⁷⁵ 'Papua New Guinea - MDG Profile', *Mdgmmonitor.org website*, available at: <http://www.mdgmmonitor.org/factsheets_00.cfm?c=PNG&cd=598>, accessed 22 June 2008.

will contribute to the *Pacific Partnerships for Development* announced in the Port Moresby Declaration.⁷⁶

The Medium Term Development Strategy 2005-2010

Subtitled 'Our Plan for Economic and Social Advancement', the PNG Government's Medium Term Development Strategy 2005-2010 (MTDS) aims to 'foster sustainable improvements in the quality of life of all Papua New Guineans'.⁷⁷ Aligned to the MDG, the MTDS is based on the PNG Government's Program for Recovery and Development and its priorities of 'good governance', 'export-driven economic growth', and 'rural development, poverty reduction and empowerment through human resource development'.⁷⁸

The purposes of the MTDS are to articulate an overarching development strategy for prioritising the PNG Government's expenditure program, identify a supporting policy framework to enable conditions for recovery and development and strengthen PNG's Public Expenditure Management (PEM) system.⁷⁹ The expenditure priorities for the period 2005-2010 are: 'rehabilitation and maintenance of transport infrastructure, promotion of income earning opportunities, basic education, development-oriented informal adult education, primary health care, HIV-AIDS prevention, law and justice'.⁸⁰ The Public Expenditure Management System (PEM) focuses on fiscal sustainability, strategic prioritisation of financial resources and cost-effective program implementation.⁸¹

The MTDS is pivotal to the success of PNG's developmental progress and the effectiveness of ODA contributions. Developed by the PNG Government for the PNG people, the strategy is vital if PNG is to retain ownership of its own development and maintain the necessary momentum and commitment to achieve its objectives.

Papua New Guinea – Australia Development Co-operation Strategy 2006-2010

The objectives of the PNG-Australia Development Co-operation Strategy 2006-2010 (DCS) are to support PNG's poverty reduction endeavours and promote sustainable development. It supports the MTDS and Medium Term Fiscal Strategy (MTFS) and concentrates on four areas: "improved governance and nation-building, sustainable broad-based economic growth and increased productivity, improved service delivery

⁷⁶ Australian Agency for International Development, 'Media Release: 2008-09 International Development Assistance Budget', 13 May 2008, *Australian Agency for International Development website*, available at:

<http://www.aisaid.gov.au/media/release.cfm?BC=Media&ID=5748_7603_7093_1168_6081>, accessed 27 June 2008.

⁷⁷ Government of Papua New Guinea, 'The Medium Term Development Strategy 2005-2010', *Australian Centre for International Agriculture Research website*, available at:

<<http://www.aciar.gov.au/system/files/sites/aciar/files/node/777/PNG+medium+term+development+strategy+2005-2010.pdf>>, accessed 30 May 2008, p. I.

⁷⁸ Government of Papua New Guinea, 'The Medium Term Development Strategy 2005-2010', p. I.

⁷⁹ Government of Papua New Guinea, 'The Medium Term Development Strategy 2005-2010', p. I.

⁸⁰ Government of Papua New Guinea, 'The Medium Term Development Strategy 2005-2010', p. iii.

⁸¹ Government of Papua New Guinea, 'The Medium Term Development Strategy 2005-2010', p. I.

and stability, and a strengthened, coordinated and effective response to the HIV/AIDS epidemic".⁸² This strategy reflects a "genuine partnership"⁸³ between the two countries and is driven by "PNG ownership and leadership and has a strong emphasis on sustainability and capacity building".⁸⁴

The DCS reflects Australia's whole-of-government approach to PNG's developmental challenges. Key Australian Government priorities link aid effectiveness with initiatives to improve governance, reduce corruption, stimulate broad-based growth, and promote internal stability. The DCS also provides alignment between the Enhanced Co-operation Program (ECP) and the wider aid program.⁸⁵ The DCS has a direct relationship with the MTDS in the areas of: transport infrastructure, income-earning opportunities, education, health care, HIV/AIDS prevention, and law and justice.⁸⁶

In 2008, the Australian government demonstrated its commitment to a 'new era of co-operation with the island nations of the Pacific'⁸⁷ by pursuing 'Pacific Partnerships for Development' with its island neighbours. These partnerships will be developed to address governance, economic infrastructure, private sector development, basic education, health services and governance. They will also assist Pacific Island countries achieve their MDGs.⁸⁸ In March 2008, Australia's Prime Minister Kevin Rudd signed the Pacific Partnership for Development with PNG. Under this agreement, Australia will 'provide increased development assistance over time in a spirit of mutual responsibility embracing commitments by the Pacific island nations to improve governance, to increase investment in economic infrastructure, and to achieve better outcomes in health and education'.⁸⁹

In February of that year, the Kavieng Declaration on Aid Effectiveness was signed by the PNG Government and its development partners, including the Australian Government. This joint commitment between signatories gives a local perspective to the Paris Declaration on Aid Effectiveness (2005) and sets measurable targets and prioritised actions to improve aid effectiveness in PNG over the 2007-2012 period and

⁸² Australian Agency for International Development, *Papua New Guinea – Australia Development Co-operation Strategy 2006-2010*, Australian Government, 2007, p. 1.

⁸³ Australian Agency for International Development, *Papua New Guinea – Australia Development Co-operation Strategy 2006-2010*, p. 1.

⁸⁴ Australian Agency for International Development, *Papua New Guinea – Australia Development Co-operation Strategy 2006-2010*, p. 1.

⁸⁵ Australian Agency for International Development, *Papua New Guinea – Australia Development Co-operation Strategy 2006-2010*, pp 1-2.

⁸⁶ Australian Agency for International Development, *Papua New Guinea – Australia Development Co-operation Strategy 2006-2010*, pp. 5-6.

⁸⁷ Australian Agency for International Development, 'Port Moresby Declaration', *Australian Agency for International Development website*, available at: <<http://www.aisaid.gov.au/country/PortMorDec.cfm>>, accessed 9 October 2008.

⁸⁸ Australian Agency for International Development, 'Port Moresby Declaration'.

⁸⁹ Satish Chand, 'Help-out, not hand-out!', *Islands Business website*, available at:

<http://www.islandsbusiness.com/islands_business/index_dynamic/containerNameToReplace=MiddleMiddle/focus/ModuleID=17934/overrideSkinName=issueArticle-full.tpl>, accessed 14 August 2009.

beyond. Significantly, this declaration is aligned to both the MTDS goals (by 2010) and MDG targets (by 2015).⁹⁰

Two months later, the PNG-Australia Ministerial Forum agreed that the deployment of senior experienced Australian government officials to PNG agencies, previously under the auspices of the ECP, was invaluable and should continue through a revised regime renamed the 'Strongim Gavman Program' (SGP). The Forum agreed that the SGP would be fully integrated with the overall Australian ODA program and would focus on the reform of the law and justice sector, transport sector, public sector, and border security.⁹¹

Current Australian Government Aid Activities

The Australian Agency for International Development (AusAID) manages the Australian Government's federally funded overseas aid program which aims to reduce poverty in developing countries. Its assistance programs, like the substantial program in PNG, are in line with Australia's national interest.⁹² AusAID's mandate states that Australia provides aid 'because we want to help those less fortunate than ourselves'⁹³ and because 'Australians believe that giving aid is the right thing to do'.⁹⁴ In addition to this philanthropic philosophy, AusAID acknowledges that the provision of aid to other countries improves Australia's security. It recognises that Australia's peace and security is 'inextricably linked to that of our neighbours'.⁹⁵ By contributing to the growth and stability of the region, Australia is able to enhance its own economic and security interests.⁹⁶

In 2007-2008, Australia provided \$3.155 billion in ODA to 35 countries. This assistance represented 0.30% of Gross National Income (GNI).⁹⁷ In 2008-2009, Australia will provide an estimated \$3.7 billion in ODA, increasing Australia's ratio of ODA to GNI to 0.32%. The Australian Government expects to increase its ODA to levels equivalent to 0.35% in 2009-2010, 0.37% of GNI in 2010-11 and 0.38% of GNI in 2011-2012. In 2008-2009, Australia will increase expenditure in major sectors influencing MDG outcomes,

⁹⁰ Australian Agency for International Development, 'Development Effectiveness', *Australian Agency for International Development Australian Development Gateway website*, available at:

<<http://www.developmentgateway.com.au/jahia/Jahia/pid/7042>>, accessed 9 October 2008.

⁹¹ Department of Foreign Affairs and Trade, '18th Papua New Guinea-Australia Ministerial Forum', *Department of Foreign Affairs and Trade website*, available at: <http://www.dfat.gov.au/geo/png/18_forum_joint_statement.pdf>, accessed 27 October 2008, p. 3.

⁹² Australian Agency for International Development, 'About Australia's Aid Program', *Australian Agency for International Development website*, available at: <<http://www.ausaid.gov.au/makediff/default.cfm>>, accessed 25 July 2008.

⁹³ Australian Agency for International Development, 'About Australia's Aid Program'.

⁹⁴ Australian Agency for International Development, 'About Australia's Aid Program'.

⁹⁵ Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability: A White Paper on the Australian Government's Overseas Aid Program', *Australian Agency for International Development website*, available at: <<http://www.ausaid.gov.au/publications/pdf/whitepaper.pdf>>, accessed 12 August 2008, p. ix.

⁹⁶ Australian Agency for International Development, 'About Australia's Aid Program'.

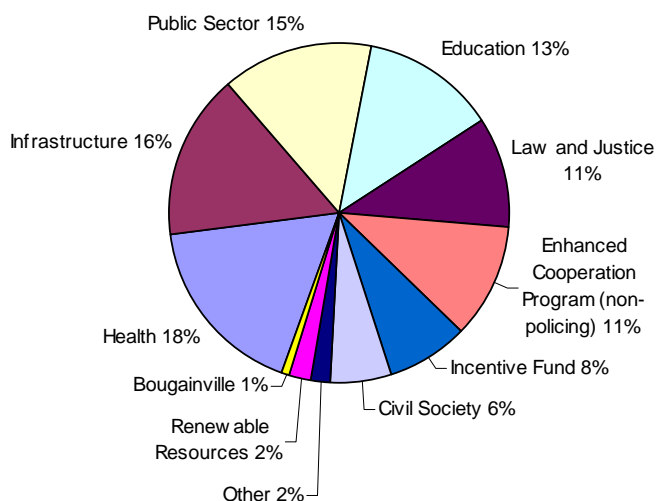
⁹⁷ Australian Agency for International Development, 'About Australia's Aid Program'.

including education (up 5%), health (up 8%), rural development (up 7%), environment (up 7%) and infrastructure (up 17%).⁹⁸

AusAID's current ODA program is structured on four interlinked themes:

1. 'accelerating economic growth,
2. fostering functioning and effective states,
3. investing in people, and
4. promoting regional stability and co-operation'.⁹⁹

In PNG, AusAID's ODA investment aims to address these themes across a range of sectors. The distribution of Australia's ODA contribution to PNG is shown in Graph 1. The areas attracting the most aid include health (18%), infrastructure (16%), public sector (15%), education (13%), law and justice 11%), and the ECP (11%).



Graph 1 – Australian Aid Estimates by Sector (2005)¹⁰⁰

Australian Aid: Promoting Growth and Stability

AusAID produced its first White Paper on the Australian aid program in 2006. This document clearly articulates the program's objective: 'to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest'.¹⁰¹ It provided the strategic framework to guide the direction and delivery of Australia's overseas aid and underlines the Government's commitment to poverty reduction, sustainable development and progress towards the MDG.

⁹⁸ Australian Agency for International Development, 'Media Release: 2008-09 International Development Assistance Budget'.

⁹⁹ Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability', p. 21.

¹⁰⁰ Danielle Heinecke et al, 'The Samaritan's Dilemma: The Effectiveness of Australian Foreign Aid to Papua New Guinea', *Australian Journal of International Affairs*, Vol. 62, No. 1, March 2008, p. 56.

¹⁰¹ Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability', p. x.

The White Paper also details how the Australian Government will double its annual aid budget to around \$4 billion by 2010, having conceded that successive Australian Governments had substantially reduced the allocation of aid to PNG in real terms since 1975 and that Australian aid per capita to PNG is now one sixth of its 1975 levels in real terms.¹⁰² Australia now recognises that significant effort and investment are required to improve governance and support the development drivers of 'infrastructure, skills training and rural development'.¹⁰³ Likewise, considerable investment will be needed to address the HIV/AIDS crisis.¹⁰⁴

As PNG's most significant bilateral aid donor,¹⁰⁵ the Australian government articulated its commitment to maximising the effectiveness of the aid program and indicated that the doubling of its aid contribution by 2010 would be conditional on its effective application. Aid effectiveness, the Australian government postulated, would be improved via the application of four key strategies:

1. 'strengthening the performance orientation of the aid program,
2. combating corruption,
3. increasing Australia's engagement with the Asia-Pacific region, and
4. working in partnership with regional governments and other donors'.¹⁰⁶

It also noted that an increase in aid would be ineffective if it was not accompanied by real reform and continued improved performance by the PNG Government. Hence, the Australian Government will seek to implement arrangements for a substantial performance-based increase in the allocation of aid to PNG by 2010.¹⁰⁷

In December 2004, Australia allowed PNG companies to bid directly for Australian aid contracts for the first time since independence. Whilst this appeared to be a positive step for PNG development, no training was provided to PNG companies in relation to the complex tendering application process and no technical assistance was provided to companies to achieve the required standards of output. Without such support, PNG companies experience difficulties competing against Australian companies which are more familiar with the exacting requirements of the government tendering process.¹⁰⁸

AusAID's efforts in PNG are greatly assisted by a range of Non-Government Organisations (NGOs) operating within the country. Charities and churches provide much of this support and are especially active in the rural areas where they provide over half of the education and health care services. The AusAID-sponsored Church

¹⁰² Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability', p. ix

¹⁰³ Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability', p. 30.

¹⁰⁴ Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability', p. 30.

¹⁰⁵ Organisation for Economic Co-operation Development, 'Ensuring Fragile States are not Left Behind', *Organisation for Economic Co-operation Development website*, available at: <www.oecd.org/dac/fragilestates>, accessed 11 September 2008.

¹⁰⁶ Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability', p. 21.

¹⁰⁷ Australian Agency for International Development, 'Australian Aid: Promoting Growth and Stability', p. 30.

¹⁰⁸ AID/WATCH, 'Australian Aid to PNG – The Boomerang Effect Continues: Part II', February 2005, *AID/WATCH website*, available at: <<http://www.aidwatch.org.au/assets/aw00681/PNG%20Feb%2028%20final.pdf>>, accessed 20 October 2008.

Partnership Program, launched in November 2004, involves Australian church-based organisations working with PNG churches to improve the delivery of essential health and education services.¹⁰⁹ In 2006-2007, AusAID contributed A\$5.25 million to this program whilst the combined contribution of the church organisations was expected to be A\$0.497 million.¹¹⁰

As the lead Australian agency managing Australia's significant ODA program, AusAID has acknowledged the substantial challenges associated with effectively investing and managing aid funding to achieve sustainable developmental improvement in PNG. AusAID's endeavours to improve the effectiveness of its activities by seeking performance-based arrangements, bodes well for the success of any future increases in aid funding.

Policy Reform in the Delivery of ODA to PNG

The Need for Policy Change in PNG

In 2004, the United Nations reported that it was 'very unlikely' that any of PNG's MDGs would be achieved by 2015. It further reported that while the MTDS had the potential to provide a supportive environment for the achievement of Goals 1-5, such was not the case for Goals 6-7.¹¹¹

In 2007, the United Nations Economic and Social Commission for Asia and the Pacific reported that PNG had made either no progress, or was regressing, in its endeavours achieving Goals 2, 3, 6 and 7.¹¹² This lack of progress, combined with PNG's poor ranking in a number of international indices, supports the premise that PNG is incapable of achieving adequate developmental growth and ameliorating its many domestic challenges in the current aid environment. Fukuyama suggests that 'the problem is that the country's resources are inefficiently exploited and badly distributed as a result of a highly dysfunctional political system'.¹¹³

Australia's role in supporting PNG has already been reinforced by the PNG-Australia Development Co-operation Strategy 2006-2010 (DCS) and more recently by the Port Moresby Declaration. In order to maximise the effectiveness of aid dollars and simplify the delivery and management of aid support, Australia needs to review its current ODA policy in PNG to stimulate development and facilitate the achievement of the

¹⁰⁹ Australian Agency for International Development, 'Partnerships in Aid Delivery', *Australian Agency for International Development website*, available at: <<http://www.ausaid.gov.au/country/png/partnerships.cfm>>, accessed 18 October 2008.

¹¹⁰ PNG Church Partnership Program, 'Annual Program Report: July 2005-June 2006', p. 48, *PNG Church Partnership Program website*, available at: <<http://www.pngcpp.org.au/pngcpp/documents/PNGAR2005-2006.pdf>>, accessed 1 June 2008

¹¹¹ United Nations in Papua New Guinea, *Millennium Development Goals: Progress Report for Papua New Guinea 2004*, p. 41.

¹¹² United Nations Economic and Social Commission for Asia and the Pacific, *The Millennium Development Goals: Progress in Asia and the Pacific 2007*, p. 33.

¹¹³ Francis Fukuyama, 'Governance Reform in Papua New Guinea', p. 2.

MDGs. From the PNG perspective, Australia's aid policy must promote PNG ownership of its developmental progress, support PNG's existing development strategies and safeguard PNG sovereignty.

Fukuyama further observes that 'PNG constitutes a special case in which it is hard to see significant institutional change taking place before there is a change in cultural attitudes' and suggests that such cultural change requires 'top-down' momentum and requires the development of a national elite to drive future reform change.¹¹⁴

To achieve top-down reform to stimulate PNG's progress towards the achievement of the MDGs and, ultimately, to protect Australia's interests, this paper argues that changes in ODA policy will be required to simplify the overall delivery of aid to where it most needed, maximise the outcomes of the aid invested and provide personnel support to prepare PNG to assume control of its own development. This comprehensive ODA program titled the 'Enhanced Strongim Gavman Program', has been developed to achieve such reform with three discreet policies targeting investment in PNG's transport infrastructure, education, and law and justice sectors

The Enhanced Strongim Gavman Program

This paper therefore makes a case for what it terms the 'Enhanced Strongim Gavman Program' (ESGP) to expand existing development strategies to create an environment within PNG whereby resources can be more effectively and efficiently deployed to enhance the country's long-term development outcomes.

The ESGP incorporates three central policies aimed at improving the infrastructure, education and law and justice systems. These systems have all been identified in PNG development strategies as being integral to effective long term development plus the growth of a workforce, bureaucracy and leadership that can effectively take the country into the future. Substantial concurrent improvements in transport infrastructure, universal education, and law and justice have the potential for greater developmental impact than addressing these sectors separately.

The Treaty on Development Co-operation between the Government of Australia and the Government of Papua New Guinea (1999) remains the cornerstone of the ESGP. However, the treaty only has limited planning and funding horizons and these must be extended beyond five years to reflect Australia's genuine, long-term commitment to remediating PNG's development challenges.

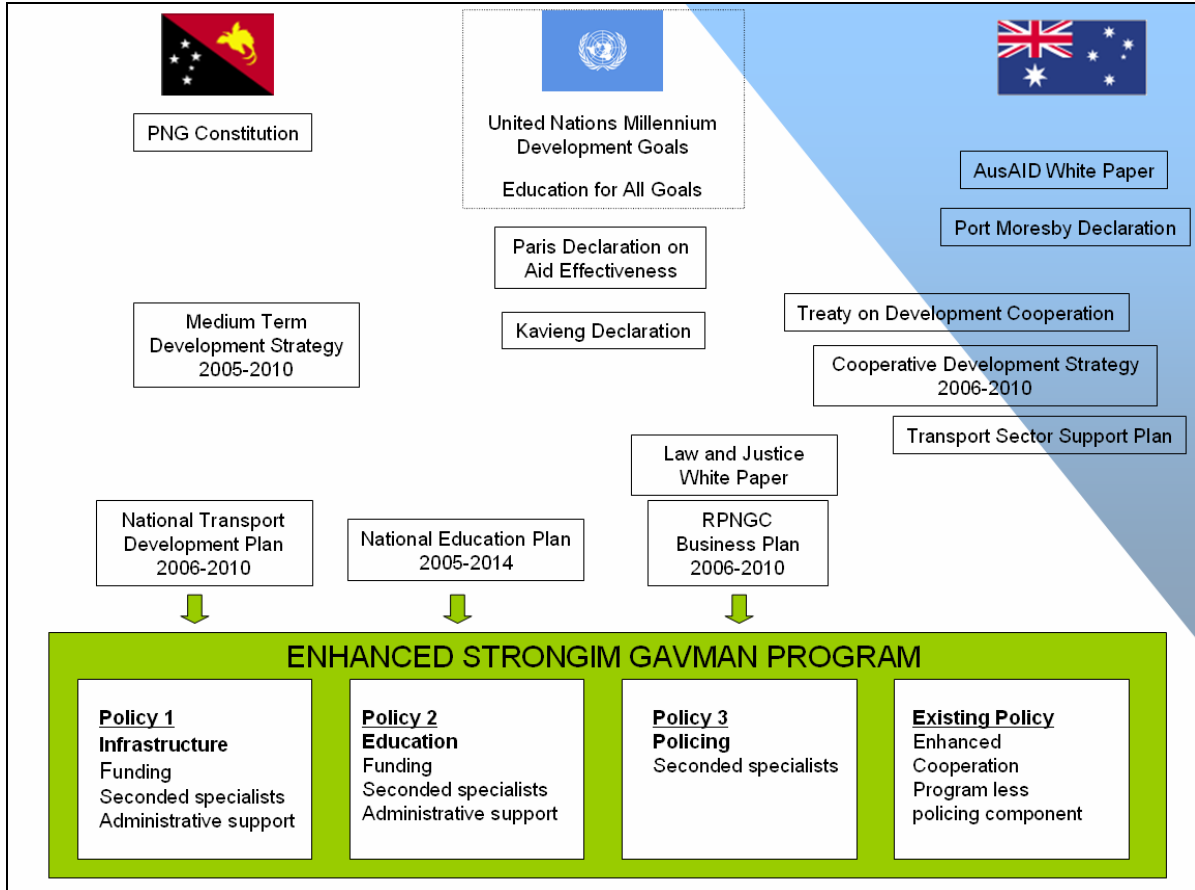
Under this proposed ESGP, the three central policy changes will support the goals and objectives of the MTDS and MDGs, in order to achieve:

- a. the upgrade and maintenance of the sixteen roads of national importance, with priority given to the Highlands Highway and its feeder roads;

¹¹⁴ Francis Fukuyama, 'Governance Reform in Papua New Guinea', pp. 30-32.

- b. the funding of the parental contribution for all primary and secondary school age children and the secondment of Australian education specialists to mentor PNG officials; and
- c. the funding of Australian policing specialists to mentor the Royal Papua New Guinea Constabulary (RPNGC).

The Proposed ESGP Policy Framework



Model 1 – Strategies Impacting the Enhanced Strongim Gavman Program

Changes to Australia’s policies on aid delivery to PNG must be aligned with existing international, and PNG’s national strategies, to foster PNG ownership of the processes and sustain the commitment of the PNG government and community. The proposed model, as Model 1 demonstrates, is a complex suite of PNG, United Nations and Australian policy strategies and plans that together create the Enhanced Strongim Gavman Program (ESGP). The MDGs, with its ambitious 2015 achievement date, provides impetus to the MTDS and the Port Moresby Declaration. The MTDS also articulates the objectives of the DCS and specific sector plans such as the National Transport Development Plan 2006-2010, the National Plan for Education Plan 2005-2014 and the Law and Justice White Paper (2007).

ESGP Policy One - Support to the PNG Transport Sector

Expand the Strongim Gavman Program to include specific support to the Transport Sector to upgrade and maintain the sixteen roads of national importance, with priority given to the Highlands Highway and its feeder roads.

Background

Papua New Guinea has an estimated 27,000 km of roads.¹¹⁵ The top sixteen roads of greatest national importance, however, comprise only 3,489 km¹¹⁶ or 13% of this total (see Table 2). Overall, there are 7,598 km of national roads, of which only 35% (2,647km) are sealed. The national Department of Works is responsible for the maintenance of national roads whilst the nineteen provincial and other local administrative agencies are responsible for the rest. The Highlands Highway is by far the longest of the roads of national importance and carries the largest volume of freight in PNG, servicing 40% of the country's population (see Table 2).¹¹⁷

Road (Importance)	Length (km)	Cumulative Village Income (Kina)	Cumulative Village Income (A\$)	Cumulative Population Served	Traffic AADT*
Baiyer River	60	1,955,000	1,040,502	378,000	495
Bouminsky Highway	337	9,500,000	5,056,150	210,000	338
Buka Road	183	1,218,000	648,252	132,000	435
Coastal Highway	209	1,850,000	984,619	230,000	598
Highlands Highway	585	42,506,000	22,622,811	6,896,000	1,486
Hiritano Highway	292	2,083,000	1,108,627	365,000	270
Kokoda Road	80	1,798,000	956,943	216,000	490
Koroba-Mendi Road	195	2,686,000	1,429,560	948,000	360
Magi Highway	226	574,000	305,498	282,000	687
New Britain Highway	215	1,730,000	920,752	380,000	215
Northern Road	81	542,000	288,467	132,000	152
Porgera-Togoba Highway	202	5,090,000	2,709,032	1,033,000	430
Ramu Highway	150	1,000,000	532,226	210,000	173
Sepik Highway	271	4,250,000	2,261,962	600,000	184
Wau Highway	140	1,113,000	592,368	404,000	314
West Coast Highway	263	950,000	505,615	53,000	163
Total	3489	* Annual Average Daily Traffic			

Table 2 - Top 16 roads of National Importance (listed alphabetically)¹¹⁸

¹¹⁵ World Bank, 'Project Information Document (PID) Appraisal Stage', *World Bank website*, available at: <http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/01/22/000104615_20070124104753/Rendered/PDF/PNG0Road0Maintenance1PID0FINAL1Jan22107.pdf>, accessed 14 October 2008.

¹¹⁶ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, Department of Transport, Volume One, Department of Transport, Port Moresby, 2006, p. 19.

¹¹⁷ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 20.

¹¹⁸ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 19.

The World Bank indicates that road transport in PNG ‘plays a strategic role in national development’ and is the dominant mode for the movement of freight and passengers.¹¹⁹ Unfortunately, the transport infrastructure has been allowed to deteriorate over a prolonged period to ‘the point where it threatens economic recovery’.¹²⁰ The poor state of the road network ‘hinders access to markets and services, imposes high transport costs on producers and consumers, discourages investment and worsens isolation and poverty to a significant proportion of the national population’.¹²¹ Rugged terrain, high rainfall, landslide activity and dispersed settlement make road construction and maintenance difficult and expensive.¹²²

Customary land tenure adds to the complexity of infrastructure projects due to the negotiations and funding required for land acquisitions, compensation and royalties. Most of PNG’s roads, except the Highlands Highway, are on customary land and the rights to the land have not been acquired by the government. Land acquisition is required not only for new roads, but also for additional land required for alignment or drainage improvements adjacent to existing roads. Further, royalties are payable for gravel and fill removed from quarries and waterways and compensation is payable for the loss of gardens, crops and commercial trees. Compensation can range from K3,000/km (A\$1,597/km) for the Highlands Highway to Okapa road upgrading projects to K83,000/km (A\$4,4175/km) for the 30km section of highway to be upgraded in the Wapenamunda to Wabag project. Hughes suggests that the government’s capacity to secure the necessary funds for land acquisitions is doubtful.¹²³

Current Aid Activities in PNG to the Transport Sector

To date, the PNG government has endeavoured to maintain its national transport infrastructure through grants, loans and ODA from donors such as the Asian Development Bank, AusAID, the Japanese government and the International Bank for Reconstruction and Development (World Bank).¹²⁴ The aim of Australia’s aid investment in the PNG transport infrastructure sector is to maintain and enhance transport infrastructure to support social stability and economic growth while PNG implements its own sector reforms.¹²⁵

AusAID currently dedicates 16% of its annual PNG ODA budget to infrastructure.¹²⁶ Its major projects are summarised in Table 3.

¹¹⁹ World Bank, ‘Project Information Document (PID) Appraisal Stage’.

¹²⁰ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. v.

¹²¹ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. v.

¹²² World Bank, ‘Project Information Document (PID) Appraisal Stage’.

¹²³ Philip Hughes, ‘Issues of Governance in Papua New Guinea: Building Roads and Bridges’, *State Society and Governance in Melanesia*, The Australian National University Research School of Pacific and Asian Studies, Discussion Paper 00/4, 2000, pp. 1-8.

¹²⁴ World Bank, ‘Project Information Document (PID) Appraisal Stage’.

¹²⁵ Australian Agency for International Development, ‘Infrastructure in PNG’, *Australian Agency for International Development website*, <http://www.ausaid.gov.au/country/png/infrastructure.cfm> [accessed 23 July 2008].

¹²⁶ Danielle Heinecke et al., ‘The Samaritan’s Dilemma: the Effectiveness of Australian Foreign Aid to Papua New Guinea’, *Australian Journal of International Affairs*, Vol. 62, No.1, March 2008, p. 56.

Activity	Contribution A\$ million	Duration
Transport Sector Support Program	280	2007-2012
Bridge Restoration Project	60	2006-2010
Key Roads for Growth Maintenance Project	50	2005-2009
Bougainville Coastal Trunk Road Maintenance Project	26	2002-2007

Table 3 – Major AusAID Infrastructure Projects in PNG¹²⁷

Existing Strategies

PNG National Transport Development Plan 2006-2010

The aim of the PNG National Transport Development Plan 2006-2010 (NTDP) is to 'provide safe and dependable transport services to all sections of the community in PNG in a cost efficient and effective manner'.¹²⁸ Three major strategies have been identified to help achieve this outcome: maintenance and improvement of the existing infrastructure and services; upgrading, rehabilitation and initiation of new construction works only where economically feasible; and the conduct of business on a 'Safety and Security First' basis.¹²⁹

The plan acknowledges that 'transport plays a vital role in creating and supporting economic growth by providing linkages from production areas to markets and for the efficient delivery of services between centres'.¹³⁰ It also indicates that efficient and effective transport systems contribute to economic wellbeing by creating an environment which supports agricultural production, small scale processing, government services and overall income earning opportunities.¹³¹

When the NTDP is fully implemented the PNG government aims to have a transport system that offers:

- a. 'improved transport access to education, health and other rural welfare and government services, and increased personal mobility, for all persons in the community at all times;
- b. better transport access to production sites and markets, at lower transport cost; and
- c. enhanced opportunities for raising income levels in remote and impoverished coastal rural areas'.¹³²

¹²⁷ Australian Agency for International Development, 'Infrastructure in PNG'.

¹²⁸ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 1.

¹²⁹ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 1.

¹³⁰ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 1.

¹³¹ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 1.

¹³² Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 4.

Transport Sector Support Program

Aligned to the NTDP,¹³³ the Transport Sector Support Program (TSSP) is a joint initiative of the governments of Australia and PNG, designed to improve the governance and performance of the PNG government's delivery of transport infrastructure (roads, airports and ports) services. Commencing in 2007 with an expected project life of 10-15 years, the TSSP is administered by AusAID and accounts for around A\$50 million each year. The focus of this Program is the improvement of governance, public sector management, technical capacity building, and institutional strengthening. It will continue to fund priority maintenance and rehabilitation works.¹³⁴

Policy Change Required in the Transport Sector

The proposed Transport Sector policy within the Enhanced Strongim Gavman Program (ESGP) includes the upgrade and maintenance of the sixteen roads of national importance with priority being given to the Highlands Highway and its feeder roads. The Highlands Highway will be given priority due to its high traffic volume and service delivery to such a large portion of the community. This Transport Sector reform policy is intended to:

- a. incorporate existing AusAID road infrastructure projects, including the Transport Sector Support Plan;
- b. increase funding from 2009/10 to finance the upgrade and ongoing maintenance of the sixteen roads of national importance, with priority given to the Highlands-Coast trade corridor;
- c. establish a cell of seconded Australian contracting, project and infrastructure specialists to mentor PNG officials; and
- d. establish a mechanism to assist PNG companies to prepare tender documentation to meet Australian and PNG contracting requirements.

This policy is focussed on economic and social development through the provision of greater road access to government services, markets and commercial institutions. The reduced travel times and decreased transport costs brought about by this policy should benefit both producers and consumers.

The benefits of this policy include:

- a. the provision of reliable transport routes for the movement of produce to and from domestic and international markets;
- b. reduced transport costs due to less wear on vehicles and reduced travel times;
- c. an improved standard and timeliness of law enforcement due to improved vehicular access to a larger number of communities;

¹³³ Australian Agency for International Development, 'Infrastructure in PNG'.

¹³⁴ Australian Agency for International Development, 'What is TSSP?' *Australian Agency for International Development website*, available at: <<http://www.pngtssp.com/about/index.htm>>, accessed 11 August 2008.

- d. increased school attendance rates as more students access higher standards of road and public/school transport; and
- e. reduced transit times to medical facilities.

ESGP Policy Two - Support to the PNG Education Sector

Expand the Strongim Gavman Program to include support for the Education Sector by funding the parental contribution for all primary and secondary school-age children and providing specialist support for pedagogy and education administration.

Background

The PNG Department of Education provides useful statistics concerning the Education Sector.¹³⁵ Prior to independence, the PNG national education system employed approximately 9,060 teachers to educate 254,000 students. By 2003, the system had expanded to employ 33,000 teachers to educate one million students in 4,000 elementary schools, 3,300 primary schools, 170 secondary schools and 140 vocational schools. Six prominent church agencies assist in the operation of the schools as an integral part of the twenty government-funded provincial education boards.

Education in PNG is highly decentralised and is resourced by the different levels of government (national, provincial and local), parents and communities. The PNG government has acknowledged that its own financial limitations will require parents and schools to assume a greater level of responsibility for education.¹³⁶ Throughout much of PNG, the combination of subsistence income, compulsory school fees, gender inequality and low school enrolments creates an environment that significantly impedes the achievement of MDGs 2 and 3.

Current Aid Activities to the Education Sector in PNG

AusAID works with a number of donor agencies to deliver services to the education sector. The Church Partnership Program is one such initiative that involves Australian church-based organisations working with PNG churches to improve the delivery of essential health and education services.¹³⁷ AusAID currently dedicates 13% of its annual PNG ODA budget to education.¹³⁸ AusAID's major projects are summarised in Table 4.

¹³⁵ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, Government of Papua New Guinea, 2004, p. 3.

¹³⁶ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, pp. 11-12.

¹³⁷ Australian Agency for International Development, 'Partnerships in Aid Delivery'.

¹³⁸ Danielle Heinecke et al., 'The Samaritan's Dilemma,' p. 56.

Activity	Contribution A\$ million	Duration
Education Capacity Building Program (ECBP) (Phase 2 – 2007-08)	44	2005-2014
Basic Education Development Project (BEDP)	35	2004-2008
PNG Targeted Training Facility (PATTAf)	20	2002-2008

Table 4 – Major AusAID Education Projects in PNG¹³⁹

Existing Strategies

A National Plan for Education 2005-2014

Papua New Guinea's education strategy, detailed in 'Achieving a Better Future: A National Plan for Education 2005-2014' (NPE), is guided by the PNG National Goals and Directive Principles in the PNG Constitution, the MDGs, the United Nations *Education for All* goals, the MTDS and contemporary community demands.¹⁴⁰ This plan aims to generate a literate and numerate population that can at the very least 'contribute towards an improved quality of life in their communities'.¹⁴¹

	<i>Education for All Goals</i>
1	Expanding and improving comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children
2	Ensuring that by 2015 all children have access to free and compulsory primary education of good quality
3	The learning needs of all young people and adults are met through equitable access to appropriate learning and life skills programs
4	Achieving a 50 per cent improvement in levels of adult literacy by 2015
5	Elimination gender disparities in education by 2015
6	Improving all aspects of the quality and excellence of education with measurable learning outcomes.

Table 5 – *Education for All Goals*¹⁴²

¹³⁹ Australian Agency for International Development, 'Education in PNG', *Australian Agency for International Development website*, available at: <http://www.ausaid.gov.au/country/png/priority_education.cfm>, accessed 23 July 2008.

¹⁴⁰ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, pp. 4-5.

¹⁴¹ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, p. v.

¹⁴² United Nations Educational Scientific and Cultural Organisation, 'Education for All by 2015', *United Nations Educational Scientific and Cultural Organisation website*, available at: <<http://portal.unesco.org>>, accessed 19 August 2009.

The *Education for All* goals were agreed to by United Nations in 1990. PNG is, therefore, committed to the goals outlined in Table 5.

The NPE acknowledges that ongoing financial support is required by donors and parents and that Australian assistance should also be directed towards the management and administration of teachers, organisational reviews and business practice assessment.¹⁴³

Policy Change Required in the Education Sector

The proposed Education Sector policy component of the Enhanced Strongim Gavman Program includes the funding of the parental contribution for all primary and secondary age children and the provision of specialist support for education administration. This Education Sector reform policy is intended to:

- a. incorporate existing AusAID education projects, including the Church Partnership Program;
- b. increase recurrent funding from 2009/10 to ameliorate the need for a parental contribution, thus allowing children to access free education; and
- c. establish a cell of seconded Australian education, teaching and administrative specialists to mentor PNG officials.

This policy aims to relieve the financial burden that the compulsory education contribution currently places on parents, many of whom are subsistence farmers. This should remove a significant impediment to universal education. The proposed cell of education specialists is designed to address shortcomings identified in the NPE, and provide expertise for the systems, people and processes that support the delivery of quality education and training at the national, provincial, district and school levels.¹⁴⁴ It will increase the education system's capacity to implement national strategies, effectively manage the indigenous workforce, employ responsible fiscal management strategies and develop an appropriate approach to the use of information communication technologies.

The benefits of this policy include:

- a. the provision of fee-free education for all PNG school-aged children;
- b. increased exposure to a national curriculum;
- c. a life-long awareness of gender respect, discipline, nutrition, health and hygiene;
- d. reduced numbers of children and youths roaming the streets; and
- e. a long-term reduction in illiteracy, domestic violence, unemployment and HIV infection.

¹⁴³ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, pp. 24-26.

¹⁴⁴ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, pp. 38-40.

It is anticipated that the product of this policy will be a generation of students who are ready for tertiary study and trade training, and an educated bureaucracy and business sector that are able to lead PNG into the future.

ESGP Policy Three - Increased Support for the PNG Law and Justice Sector

Expand the Strongim Gavman Program to include support to the Law and Justice Sector by providing specialist support to the Royal Papua New Guinea Constabulary (RPNGC).

Background

In 2004, the governments of Australia and PNG signed a treaty establishing the Enhanced Co-operation Program (ECP), committing A\$800 million to PNG over a five year period. The ECP was intended to provide 'in-line' personnel to key central PNG government agencies. Approximately 230 Australian Federal Police were to be seconded to the RPNGC where they would hold line positions in trouble spots such as Port Moresby, Lae, Mt Hagen, the Highlands Highway, and Bougainville. In May 2005, however, the Supreme Court of PNG deemed the ECP's enabling legislation to be unconstitutional and the policing component was withdrawn.¹⁴⁵

The RPNGC was formed under the Police Act of 1988 and in 2007 had a funded strength of 5,250 members. This police-to-population ratio of 1:1,121 is substantially below the United Nations' recommended ratio of 1:450.¹⁴⁶ While nearly half of the country's serious reported crimes occur in Port Moresby, only 8.5% of police are stationed there. Further, only two thirds of the regular police are engaged in operational duties.¹⁴⁷ These statistics indicate that the RPNGC requires significant assistance to improve its organisational structure, efficiency and effectiveness.

The PNG government's commitment to the RPNGC is questionable, with successive budgets severely curtailing the constabulary's ability to fulfil its primary functions. Government funding is not sufficient to meet basic operational costs such as uniforms, vehicles, fuel, stationery and communications. In addition to these financial constraints, the RPNGC faces a number of challenges, including: 'cultural clashes, indiscipline, poor community relations, gender issues, poor work performance, and an over-reliance on punitive policing'.¹⁴⁸

McLeod acknowledges that improving law and order in PNG has become 'a priority for those engaged (both externally and internally) in the promotion of security and development'.¹⁴⁹ Nita, however, provides a more specific solution and proposing that

¹⁴⁵ Abby McLeod, 'Police Reform in Papua New Guinea', in *Security and Development in the Pacific Islands: Social Resilience in Emerging States*, M. Anne Brown (ed), Lynne Rienner, Boulder, 2007, p. 76.

¹⁴⁶ Abby McLeod, 'Police Reform in Papua New Guinea', pp. 79-82.

¹⁴⁷ Abby McLeod, 'Police Reform in Papua New Guinea', pp. 79-82.

¹⁴⁸ Abby McLeod, 'Police Reform in Papua New Guinea', pp. 79-82.

¹⁴⁹ Abby McLeod, 'Police Reform in Papua New Guinea', p. 73.

‘the Enhanced Co-operation Program (ECP) with Australia could address the law and order problem if the ECP is revitalised’.¹⁵⁰

In 2008, the 18th Ministerial Forum agreed to the commencement of a policing partnership between PNG and Australia, starting with the deployment of a team of Australian police advisers, who would operate outside the SGP and be integrated with AusAID’s law and justice sector program.¹⁵¹ The Forum also acknowledged that the policing assistance should be directed towards enhancing the capacity of the RPNGC to respond to the emergent security challenges associated with transnational crime, border security and terrorist activity. It was proposed that other areas of assistance should include ‘infrastructure support, capacity building, fraud and anti-corruption, prosecution and forensic training’.¹⁵²

The 1977 Status of Forces Agreement (SOFA) between PNG and Australian clarifies the status afforded to defence force members operating in each other’s country. It outlines the criminal and disciplinary jurisdiction of military authorities of the two states and clearly articulates who exercises exclusive jurisdiction for offences arising out of any act or omission that occurs in the performance of official duties. The SOFA covers defence force members and at present does not address the status of police.¹⁵³

Current Aid Activities in PNG

In the twenty-five years following independence, Australia provided PNG with A\$540 million for the purposes of ‘institutional strengthening, capacity building, economic reform, and strengthening the rule of law, focusing primarily on the law and justice sector and in particular, the police force’.¹⁵⁴ In addition to providing support to the RPNGC, assistance has also been given to the courts, prisons, the ombudsman and public legal services.¹⁵⁵

AusAID currently dedicates 11% of its annual PNG ODA budget to the Law and Justice sector and 11% to the non-policing aspects of the ECP.¹⁵⁶

¹⁵⁰ Albert Nita, ‘Papua New Guinea: National Assessment Report’, p. xiii.

¹⁵¹ Department of Foreign Affairs and Trade, ‘Papua New Guinea: Strongim Gavman Program (SGP)’, *Australian Government, Department of Foreign Affairs and Trade website*, available at: <<http://www.dfat.gov.au/geo/png/sgp.html>>, accessed 26 July 2008.

¹⁵² Department of Foreign Affairs and Trade, ‘18th Papua New Guinea-Australia Ministerial Forum’, p. 3.

¹⁵³ Australasian Legal Information Institute, ‘Agreement Between Australia And Papua New Guinea Regarding The Status Of Forces Of Each State In The Territory Of The Other State’, *Australasian Legal Information Institute Australian Treaty Series website*, available at: <<http://www.austlii.edu.au/au/other/dfat/treaties/1977/6.html>>, accessed 30 July 2008.

¹⁵⁴ Abby McLeod, ‘Police Reform in Papua New Guinea’, p. 75.

¹⁵⁵ Abby McLeod, ‘Police Reform in Papua New Guinea’, p. 75.

¹⁵⁶ Danielle Heinecke et al., ‘The Samaritan’s Dilemma’, p. 56.

Existing Strategies

PNG Law and Justice White Paper

The 2007 Law and Justice White Paper acknowledges that significant improvements are required in the PNG Law and Justice Sector. Aligned to the MTDS, it articulates a vision of ‘a just, safe and secure society for all’ and sets goals which include improving: ‘policing, safety and crime prevention; access to justice and just results; reconciliation, reintegration and deterrence; accountability and reduced corruption; and ability to provide law and justice services’.¹⁵⁷ The White Paper establishes a blue-print for the effective delivery of law and justice services and is expected to be the focal point of government policy for the Law and Justice Sector.¹⁵⁸ The White Paper acknowledges that external assistance, particularly from Australia, will be required if PNG is to develop the capacity of the law and justice sector to perform its intended function.¹⁵⁹

The RPNGC Corporate Plan 2006-2010 is aligned to the MTDS and the goals and strategies of Law and Justice White Paper. This plan identifies a vision of ‘securing a safer community in partnership’ and sets goals which include:

maintaining law order in partnership with the community; improve investigation, detection and prosecution of offences; a highly professional and accountable organisation; improve highway and resource project safety; and a well equipped and professional police service.¹⁶⁰

Policy Change Required in the Law and Justice Sector

The proposed Law and Justice Sector policy within the Enhanced Stongim Gavman Program includes the provision of specialist support to the RPNGC. This Law and Justice Sector reform policy is intended to:

- a. expand the existing SGP to include a contingent of sworn and unsworn AFP personnel;
- b. increase recurring funding from 2009/10 to provide living expenses, equipment and vehicles for AFP officers seconded to mentor RPNGC officers; and
- c. redevelop the Status of Forces Agreement (SOFA) between Australia and PNG to include AFP personnel in order to overcome the previously unconstitutional requirement for immunity for Australian police officers operating in country.

¹⁵⁷ Government of Papua New Guinea, *A Just, Safe and Secure Society: A White Paper on Law and Justice in Papua New Guinea*, p. v.

¹⁵⁸ Government of Papua New Guinea, *A Just, Safe and Secure Society*, pp. 4-5.

¹⁵⁹ Government of Papua New Guinea, *A Just, Safe and Secure Society*, p. xiii.

¹⁶⁰ Royal Papua New Guinea Constabulary, ‘Corporate Plan 2006-2010’, p.11, *Royal Papua New Guinea Constabulary website*, available at: <http://www.lawandjustice.gov.pg/resources/documents/Corporate_Plan_2006_-_2010.pdf>, accessed 10 August 2008

The Law and Justice White Paper states that ‘good governance, law and order and an enabling environment for inclusive and equitable growth contribute to the reduction of poverty and increasing economic and social development’¹⁶¹ The Law and Justice Sector policy in the ESGP will specifically support the White Paper goal of ‘improved policing, safety and crime prevention’ and will be focussed on the strategies of rebuilding a professional police service that meets all legitimate community expectations and increasing support for community based crime prevention.¹⁶²

The benefits of this policy include:

- a. a more consistent level of policing throughout PNG;
- b. a reduction in police corruption over time;
- c. an increased uniformed police presence throughout PNG as RPNGC are redeployed into operational branches; medium to long term return of Australian expatriates to areas such as the Southern Highlands;
- d. increased tourism; and
- e. the delivery of health, financial, commercial, religious and education services by international donors, non-government organisations and state agencies.

Benefits and Risks of the Enhanced Strongim Gavman Program

The concurrent implementation of the Enhanced Strongim Gavman Program policies will provide a greater dividend for PNG than if the policies were implemented in isolation. The policy changes will complement each other in order to stimulate PNG’s medium to long term development progress and prosperity. The complementarity of the three policies that comprise the ESGP will ensure that the development of PNG and the security of Australia’s interests are maximised.

As infrastructure plays such an important role in development, improved road infrastructure will facilitate more efficient transport of goods to and from local and international markets, and the more timely movement of people to health, education and community facilities.¹⁶³

Improved access to schooling means young people will be meaningfully occupied during the day and become more informed about nutrition, immunisation programs, family planning, sanitation, communicable diseases, illegal drugs, gender equity, acceptable behaviour, and mutual respect. Improved enrolments will expose more children to the consequences of not observing rules on property destruction, illegal drug use and domestic violence; enhance self discipline and responsibility for their own behaviour; and basic business education. This increased level of social and self awareness may lead to incremental improvements in law and order.¹⁶⁴

¹⁶¹ Government of Papua New Guinea, *A Just, Safe and Secure Society*, p. 3.

¹⁶² Government of Papua New Guinea, *A Just, Safe and Secure Society*, p. 4.

¹⁶³ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, p. 8.

¹⁶⁴ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, p. 8.

Improved law and order will help create a secure environment which encourages state institutions and expatriates to provide basic services. This in turn reduces domestic violence and encourages the participation of women in education and community activity.¹⁶⁵

The intention of the ESGP is to improve PNG's developmental sustainability to a point where PNG becomes self-sustaining and Australia can reduce its ODA contribution. Other long term effects include sustained improvement in PNG's developmental, social and security progress.

The ESGP should facilitate a reduction in PNG's dependence on international aid to support economic development due to greater access to national and international markets and a locally educated bureaucracy and business sector. It should foster PNG's direct ownership of the processes required to achieve prosperity and stability via the achievement of the objectives of various PNG - authored development strategies.

The ESGP should also ultimately bring about a reduction in domestic violence and petty crime as a consequence of behaviour management and gender respect being taught in schools, and less unproductive time being available to teenagers because of school attendance requirements. From a health perspective, the long term dividends of a consolidated health education program should include a reduction in the infection rate of HIV/AIDS and other infectious diseases and an increase in the general health of the population.

One of the most significant long-term benefits of the ESGP should be the local establishment of the next generation of trusted bureaucrats and business leaders.

From Australia's security perspective, the ESGP should help produce a prosperous and proud nation that will be less attractive to transnational criminals or terrorist groups for training or staging activities. It should generate fewer reasons for individuals to illegally cross borders to Australia to access markets and health care facilities, and reduce the requirement for the movement of drugs and weapons to or from Australia. The ESGP should also facilitate a safer environment for expatriates, NGOs and government agencies to deliver vital services to urban, rural and remote locations throughout PNG.

Even so, the ESGP policy changes will be subject to substantial, but not insurmountable, barriers. A summary of these risks, potential consequences and mitigation strategies appears at Appendix 3.

The two risks with the highest likelihood of occurrence are resource based:

1. the failure of Australia to sustain the flow of appropriate specialists; and
2. the inability of PNG to provide sufficient resources - personnel, material, equipment, infrastructure and/or funding - to maintain the momentum of the projects.

¹⁶⁵ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, p. 8.

The consequences of many of the risks will be delays to the completion of projects and the reduction in confidence of the PNG community in the ESGP.

Risk mitigation strategies will need to be pre-emptive. A robust communication strategy, ongoing performance management, monitoring of the quality system and governance audits should ensure that these risks are minimised.

Policy Implementation

The implementation of these substantial and resource intensive policies, commencing in 2009-2010, will require oversight at the highest levels of government as well as dedicated coordination agencies in both Australia and PNG. Communication will be vital to the success of implementation over the life of the Enhanced Strongim Gavman Program.

If these policies are implemented, the ESGP will be a very substantial ODA program responsible for managing A\$1 billion per year. Consequently, this program will require the cooperation of a number of Australian and PNG government departments in order to ensure that funds are expended effectively and efficiently. The rollout of the ESGP will likely attract significant public, international and media scrutiny.

An Inter-Departmental Committee (IDC) with both Australian and PNG representatives will need to be established with the intention of providing oversight for the life of the program. AusAID will be the lead agency and Australian representatives will be seconded from the Department of Foreign Affairs and Trade; the Department of Education, Employment and Workplace Relations; the Department of Infrastructure, Transport Regional Development and Local government; the Attorney-General's Department and Australian Federal Police; and the Department of Treasury.

A multi-department agency will need to be established in Australia to manage the supply of resources - especially human resources - to the program. This agency, coordinated by AusAID, will be tasked with identifying and preparing resources, minimising duplication between different facets of the program, developing synergies between resources allocated to the different projects and coordinating feedback to/from the IDC.

Funding for the ESGP will be required from the 2009-2010 financial year onwards. As a long-term commitment to the developmental improvement of PNG and the security of Australia, this increased level of funding will be required for the medium term to ensure that the processes become entrenched and the PNG government progressively introduces alternative funding from within its own resources to sustain the initiatives. The initial investment in transport infrastructure will be replaced by ongoing maintenance funds for the foreseeable future. It should be acknowledged by both the Australian and PNG governments that the ESGP will be an ongoing initiative without an end date. This being said, the ESGP may change in nature over time as developmental priorities change.

A sustained communication strategy will also be required in both Australia and PNG to ensure that all stakeholders are aware of the intent, extent and progress of the ESGP policies. Communication will be vital to offset opposition to the policies and maintain ongoing public support for the significant cost and activity generated by these policy initiatives.

Even so, this significant increase in ODA expenditure in PNG may attract national and international opposition from a number of stakeholders.

In Australia, the federal opposition may suggest that further investment in PNG is imprudent as the billions of dollars directed towards ODA in PNG since independence have achieved limited developmental progress. Further, the Australian population may disagree with increased spending in PNG if it perceives that the money could be better invested in Australia. To counter such perspectives, a comprehensive communication strategy is required. Primarily, it should articulate the importance of having a stable and prosperous nation on Australia's northern doorstep. It should also emphasise that the program is structured to support existing international and PNG national strategies and that the additional expenditure of ODA is in line with international expectations for developed countries.

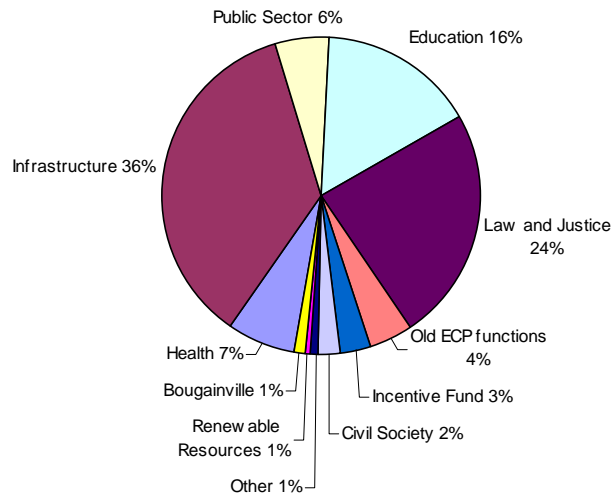
In PNG, the government may postulate that Australia is flexing its middle-power muscle to demonstrate that PNG is incapable of resolving its own domestic issues. Indigenous tenderers who bid unsuccessfully for ESGP contracts may attempt to undermine the process by voicing their grievances concerning the tender outcome or processes. A communication strategy is therefore required in PNG to emphasise how the ESGP supports PNG's existing development strategies, the long term intention for PNG to be independent of Australian ODA, and the technical assistance that will be provided to Papua New Guineans throughout the entire project so they are not disadvantaged.

Resource Implications

The successful implementation of the ESGP will generate a significant resource requirement, with the greatest demand being for funding and personnel to be sustained over the life of the program. A summary of the resources required to implement the ESGP is at Appendix 2.

Impact on Australia's Aid Program in PNG

The ESGP is estimated to cost an additional A\$600 million per annum from 2009-2010 onwards. This will bring Australia's annual ODA to PNG to almost A\$1 billion and will alter the distribution of funds across the various projects. The revised percentage breakdown of Australia's ODA contribution to PNG is shown in Graph 2. Infrastructure will now attract 36% of the annual ODA spent in PNG while Education and Law and Justice will attract 16% and 24% respectively.



Graph 2 – Australian Aid Estimates by Sector (ESGP)¹⁶⁶

These substantial resource intensive policies will be funded by increasing Australia's aid budget from 0.35% of GNI in 2009-2010 to 0.44% of GNI. This will accelerate Australia's aim of allocating 0.7% of GNI to foreign development aid by 2015 in line with the European Union member states to achieve the MDGs.¹⁶⁷

The identification of an additional A\$600 million from 2009-2010 onwards will impact on the Australian government's existing financial plans and may result in additional revenue being raised through an increase in taxation or a reallocation of funds derived from the export of resources. Expenditure of the ODA will be overseen to ensure that the maximum amount of the aid is expended in PNG and is not allowed to 'boomerang'¹⁶⁸ back to Australia in the pockets of contractors or Australian companies with branches in PNG.

Further, AusAID acknowledges that:

making use of the wide range of expertise available through the Australian government strengthens senior people-to-people links and enables Australia to develop more comprehensive and effective responses to the significant development challenges faced by PNG.¹⁶⁹

However, it is the intention of these personnel placements to support, train and coach within existing structures dominated by PNG nationals, rather than to overwhelm the existing human resource organisations in PNG with Australian expatriates.

There will an ongoing requirement to cycle personnel through the various positions created in the ESGP for the medium-long term. The sustained investment of an

¹⁶⁶ Danielle Heinecke et al, 'The Samaritan's Dilemma', p. 56.

¹⁶⁷ United Nations, 'The Millennium Development Goals Report 2007'.

¹⁶⁸ AID/WATCH, 'Australian Aid to PNG – The Boomerang effect Continues: Part II'.

¹⁶⁹ Australian Agency for International Development, 'Partnerships in Aid Delivery'.

additional 300 Australian government employees, specialists and contractors will require a carefully-planned human resource management strategy in both Australia and PNG to ensure that high calibre personnel are attracted and retained in these positions. Appropriate personnel must be recruited for ESGP positions and these people must be provided with appropriate professional, language and cultural training prior to deployment in order to maximise their effectiveness when they arrive in-country. Coordinating agencies established in Australia to manage the ESGP human resource function will need to be resourced from within existing organisational structures.

Performance Measurement

The implementation of these policy changes must be closely monitored to ensure that the intent of the changes is being addressed and that resources are being effectively expended. Performance will need to be measured using financial audits, AusAID's activity reporting system and the various international indices. Additionally, a strategy to address unsuccessful implementation is required if the intent of the ESGP is not being met.

The ESGP will need to be audited to ensure that funds are expended both effectively and efficiently and that no funds are inappropriately redirected to non-ESGP activities. All tendering and letting activities will be scrutinised in order to ensure that integrity of the process. The ongoing financial performance of the ESGP will be reported at regular intervals to the IDC.

AusAID's new quality reporting system (QRS) provides activity-level reports at all stages of aid activities. The QRS rates several quality principles, based on assessments made by activity managers. Verification of the assessments is conducted by line managers and peer review.¹⁷⁰ The implementation of the ESGP would need to be subjected to QRS reporting.

While the monitoring of financial performance will ensure the immediate effectiveness and efficiency of expenditure, a more long-term and comprehensive assessment of the program's success will be obtained from the various international indices that assess corruption, human development, poverty, state failure, governance and logistics performance. Within the first three years of the implementation of the ESGP, achievement of the 'desirable changes' listed in Table 6 should be noted. If positive change in these criteria does not occur within this period, a comprehensive review of the outcomes of the ESGP should be undertaken.

¹⁷⁰Australian Agency for International Development, *Annual Review of Development Effectiveness 2007*, Australian Government, 2008, pp. 16-17.

International Index	Criterion	Desirable Change
Worldwide Governance Indicators	Government Effectiveness	Increase percentile rank
	Rule of Law	Increase percentile rank
	Control of Corruption	Increase percentile rank
Human Development Index	Combined Primary, Secondary and tertiary Gross Enrolment Ratio (immediate)	Increase ratio
	Adult Literacy Rate (medium term)	Increase rate
Human Poverty Index	Adult Illiteracy Rate (medium term)	Decrease rate
Gender-Related Development Index	Adult Literacy Rate (female as % male) (medium term)	Increase ratio (target is 100%)
	Combined primary, secondary and tertiary gross enrolment ratio (female as % male) (immediate)	Increase ratio (target is 100%)
Failed States Index	Progressive Deterioration of Public Services	Decrease score
	Uneven Economic Development along Group Lines	Decrease score
Corruption Perceptions Index	CPI Index Score	Increased score (reduced CPI position)
Logistics Performance Index	Infrastructure – quality of transport and IT infrastructure for logistics	Increase score
	Domestic Logistics Costs – domestic logistics costs (local transportation, terminal handling, warehousing)	Increase score
	Timeliness – timeliness of shipments in reaching destination	Increase score

Table 6 – Desirable Change in International Indices

Any failure of the Enhanced Strongim Gavman Program to achieve developmental and social progress in PNG or failure to address the security ramifications of PNG's domestic challenges should not generate a withdrawal or reduction in funding. On the contrary, additional funding may be needed to successfully implement the ESGP over a longer period of time. By implementing the ESGP, Australia and PNG are committing to a long-term partnership for safeguarding the interests of both countries. Australia's withdrawal is not considered an option should the ESGP fail, rather, both countries would be compelled to renegotiate the best options for delivery of Australian ODA in PNG.

Conclusion

Despite its close proximity and longstanding relationship with Australia, PNG remains a fragile state with a number of significant cultural, developmental, environmental and political challenges impeding its growth. Poor rankings in a number of international

assessments have clearly chronicled PNG's struggle with governance, development, poverty, gender equity, corruption and logistics mechanisms.

Australia's interests are most likely to be compromised by PNG's domestic challenges. Any increase in unrest and lawlessness could further jeopardise the safety of Australians visiting and working in PNG. The potential threat of PNG's state institutions being unable to prevent the penetration, basing or thoroughfare of terrorists, transnational criminals including people smugglers must be considered. So too must the potential threat posed by the HIV/AIDs epidemic and PNG nationals illegally crossing the Torres Strait, albeit temporarily.

Although Australia's aid efforts since independence have been significant, they have been insufficient to stimulate growth, maintain the services delivered by state institutions, rein-in high-level corruption and sustain law and order throughout the country. To date, many of Australia's efforts, and those of other donor agencies, have been thwarted by the range of challenges peculiar to Melanesian cultures, especially customary landownership, 'wantokism', male superiority and inter-tribal warfare.

Papua New Guinea's developmental challenges are so great that they are likely to derail the achievement of its MDGs by 2015. Despite the comprehensive suite of international, local and Australian plans and strategies to address PNG's challenges, achievement of the MDGs are unlikely if PNG's development does not receive a substantial stimulus.

As PNG's most significant bilateral partner, Australia's aid is directed at supporting PNG's MTDS and sector strategies. The Enhanced Strongim Gavman Program draws on the Paris Declaration on Aid Effectiveness and the MDGs, and is deliberately structured to support the Port Moresby Declaration and build upon the recently announced Strongim Gavman Program.

The ESGP will specifically target infrastructure, education and law and justice as these sectors have all been identified as having great potential for progressing long term development and growing a workforce, bureaucracy and leadership to take the country into the future.

The ESGP will cost the Australian taxpayer an additional A\$600 million per annum and this increase will bring Australia's annual ODA to PNG to almost A\$1 billion. The program will aim to build indigenous capacity and maintain PNG's ownership of the solutions to its domestic challenges. The ultimate aim will be for PNG to continue its developmental journey independently. Performance management will be vital to ensure that the additional ODA dollars are expended effectively and efficiently, and the overall success of the program should be reflected in improvements in PNG's ranking in a number of international indices in the medium term.

In essence, the Enhanced Strongim Gavman Program as proposed in this paper, will galvanise Australia's long-term commitment to supporting Papua New Guinea's development and achievement of the MDGs. Such a program will ultimately protect

the interests of both countries, and Australia can enjoy the luxury of having a proud and prosperous neighbour to its north.

Appendix 1 – International Indices

Worldwide Governance Indicators¹⁷¹

The Worldwide Governance Indicators (WGI) is an annual report, compiled by the World Bank, which rates countries on the basis of six dimensions of governance: voice and accountability; political stability; government effectiveness; regulatory quality; rule of law; and control of corruption.

Governance Indicator	2007	2006	2005	2004	Average
Voice and Accountability	51.9	49.5	42.8	38.5	45.7
Political Stability	22.6	22.6	23.6	25.5	23.6
Government Effectiveness	25.1	22.3	14.7	24.2	21.6
Regulatory Quality	30.1	23.9	19.0	21.5	23.6
Rule of Law	21.0	20.5	15.7	20.5	19.4
Control of Corruption	9.2	13.1	13.6	17.5	13.4
Average	26.7	25.3	21.6	24.6	24.5

Table 1-1 – World Governance Indicators 2007

In the 2007 report (see Table 1-1), 212 countries and territories were subjected to this rating. PNG scored between a percentile ranking of 9.2 for ‘Control of Corruption and 51.9 for ‘Voice and Accountability’. Although improvements occurred in four criteria, ‘Control of Corruption’ decreased and ‘Political Stability’ remained the same. On average, PNG scored a percentile rank of 26.7 which shows that over 73% of the world’s countries and territories have more stable and effective systems of governance in place than PNG.

Human Development Index¹⁷²

The Human Development Index (HDI) is an annual report produced by the United Nations Development Programme, to facilitate the measurement of human development between countries by combining the indicators of life expectancy, education and income.

¹⁷¹ World Bank, ‘Governance Matters 2008: Papua New Guinea’.

¹⁷² United Nations Development Program, ‘Papua New Guinea’.

HDI Position	HDI Score	Life Expectancy at Birth (Years)	Adult Literacy Rate (% ages 15 and older)	Combined Primary, Secondary and Tertiary Gross Enrolment Ratio (%)	GDP Per Capita (PPP US\$)
145	0.530	56.9 year	57.3%	40.7%	\$2563

Table 1-2 – Human Development Index 2007

In the 2007/2008 index (see Table 1-2), PNG was ranked 145 out of 177 countries. This ranking indicates that 82% of the world's nations were assessed to have greater human development than PNG. Notably, this report highlights PNG's significant education challenges (literacy and school enrolment).

Human Poverty Index¹⁷³

The Human Poverty Index (HPI) is published with the HDI but focuses only on developing countries and the longevity, health, access to education and standard of living of the population. The HDI provides a multi-dimensional alternative to the US\$1-a-day per person poverty measure calculation.

Human Poverty Index Position	Human Poverty Index Score	Probability of Not Surviving Past Age 40 (%)	Adult Illiteracy Rate (%ages 15 and older)	People Without Access to an Improved Water Source (%)	Children Underweight for age (%ages 0-5)
19	40.3	20.7 %	42.7 %	61.0 %	35 %

Table 1-3 – Human Poverty Index 2007

In the 2007/2008 index (see Table 1-3), PNG was ranked 90 out of 108 developing countries. This ranking indicates that 83% of the world's developing countries are more affluent than PNG. This report highlights PNG's substantial education, health and developmental challenges.

¹⁷³ United Nations Development Program, 'Papua New Guinea'.

Gender-Related Development Index¹⁷⁴

The Gender-Related Human Poverty Index (GDI) is also published with the HDI and highlights the inequalities in achievement between women and men in the HDI criteria.

Gender-Related Development Index Position	Gender-Related Development Index Score (GDI as a % of HDI)	Life Expectancy At Birth [Female as % Male]	Adult Literacy Rate (%ages 15 and older) [Female as % Male]	Combined Primary, Secondary and Tertiary Gross Enrolment Ratio [Female as % Male]
25	99.7%	110.8%	80.3%	86.7%

Table 1-4 – Gender-Related Development Index 2007

In the 2007/2008 index (see Table 1-4), PNG was ranked 25 out of 156 countries with both GDI and HDI values. This report highlights the disparities between males and females in human development, including literacy and school enrolment levels. Despite the encouraging GDI score of 99.7%, PNG still trails behind 24 other developing countries.

Failed States Index¹⁷⁵

The Failed States Index is an annual report compiled by The Fund for Peace, which ranks countries on the basis of their social, economic, and political pressures. The Fund for Peace assesses violent internal crises, the capacity of key state institutions to respond to these crises, and state instability trends in the twelve criteria listed in Table 1-5.

¹⁷⁴ United Nations Development Program, 'Papua New Guinea'.

¹⁷⁵ The Fund for Peace, 'Failed States Index Scores 2008'.

	2008	2007	2006
Failed States Index Position	52	52	49
Failed States Index Score	84.6	85.1	84.6
Demographic Pressures	7.5	7.5	8.0
Refugees and Displaced Persons	3.5	3.5	2.5
Group Grievance	8.0	8.0	8.0
Human Flight	7.9	7.9	8.0
Uneven Development	9.0	9.0	9.0
Economy	7.3	7.3	7.0
Legitimacy of the State	7.8	7.8	7.8
Public Services	7.8	7.8	8.0
Human Rights	6.1	6.1	6.1
Security Apparatus	7.0	7.0	7.0
Factionalised Elites	6.7	6.7	6.7
External Influence	6.0	6.5	6.5

Table 1-5 – Failed States Index 2008

In the 2008 index (see Table 1-5), PNG was ranked 52 out of 177 countries. This ranking highlights PNG's sustained political fragility and indicates that only 30% of the world's nations are assessed as being more likely to fail than PNG. There has been no significant change in PNG's ranking over the last three annual reports.

Corruption Perceptions Index¹⁷⁶

The Corruption Perception Index (CPI) is an annual report, compiled by Transparency International, which measures the overall extent of corruption in a country's public and political sectors.

¹⁷⁶ Transparency International, 'Corruption Perceptions Index 2008'.

	2008	2007	2006	2005	2004
Corruption Perceptions Index Position	151	162	130	130	102
Corruption Perceptions Index Score	2.0	2.0	2.4	2.3	2.6

Table 1-6 – Papua New Guinea Corruption Perceptions Index 2008

In the 2008 index (see Table 1-6), PNG was ranked 151 out of 180 countries based on their perceived levels of corruption. This ranking highlights PNG's increasing and alarming levels of corruption and indicates that only 16% of the world's nations are perceived to be more corrupt than PNG. Whilst the 2007 index indicated that PNG demonstrated a higher level of corruption from the previous year, falling from position 130 in 2006 to 162 in 2007, the 2008 index indicates an improvement to 151.

Logistics Performance Index¹⁷⁷

The Logistics Performance Index (LPI) is an annual report, compiled by the World Bank, which ranks countries on the basis of their logistics environment and cost performance data. The World Bank assesses the key components of freight supply chains using the seven dimensions in Table 1-7.

	2007
Logistics Performance Index Position	95
Logistics Performance Index Score	2.38
Criterion Scores	
Customs	2.00
Infrastructure	2.00
International Shipments	2.57
Logistics Competence	2.29
Tracking and Tracing	2.29
Domestic Logistics Costs	3.43
Timeliness	3.14

Table 1-7 – Papua New Guinea Logistics Performance Index 2007

¹⁷⁷ World Bank, 'Logistics Performance Index'.

In the 2008 index (see Table 1-7), PNG was ranked 95 out of 150 countries. This ranking highlights the systemic vulnerability of PNG's transport routes, governance and freight supply chains and indicates that only 37% of the world's nations are assessed to have less efficient logistic processes than PNG.

Appendix 2 – Resources

Support to the PNG Transport Sector

Funding

The current cost of road infrastructure project contracts in PNG is A\$424.35 million with the funding being contributed by grants from AusAID, the PNG Government, The World Bank and loans from the Asian Development Bank (see Table 2-1).

	Contract Value (Kina million)	Contract Value (A\$ million)
AusAID Funded Road Infrastructure Projects	166.1	88.4
PNG Government Funded Road Infrastructure Projects	186.1	99.0
World Bank Funded Road Infrastructure Projects	74.6	39.7
Asian Development Bank (Loan) Funded Road infrastructure Projects	370.8	197.3
	797.6	424.4

Table 2-1– PNG Government and donor Funded Road Infrastructure Maintenance Projects¹⁷⁸

The National Transport Development Plan indicates that approximately A\$210 million (see Table 2-2) is required in 2009 and 2010 to maintain road infrastructure and finance new projects beyond the funding provided for Medium Term Development Strategy initiatives.

	2008	2009	2010
NTDP – Land (Kina)	366.2	385.54	397.89
NTDP – Land (A\$)	194.81	205.10	211.67

Table 2-2 – NTDP Funding Requirements¹⁷⁹

Including the road infrastructure projects articulated in the Transport Sector Support Program, AusAID currently funds approximately A\$70 million in infrastructure projects annually in PNG.¹⁸⁰

¹⁷⁸ Australian Agency for International Development, 'GoPNG & Donor Funded Road Infrastructure Maintenance Projects, *Transport Sector Support – Interim Program*, Australian Agency for International Development, Port Moresby, September 2008. pp. 1-6.

¹⁷⁹ Government of Papua New Guinea, *National Transport Development Plan 2006-2010*, p. 17.

¹⁸⁰ Australian Agency for International Development, 'Infrastructure in PNG'.

The aim of the Enhanced Strongim Gavman Program is to increase funding to cover the PNG Government's costs in the NTDP, maintain existing AusAID projects and fund a team of contracting, project and infrastructure specialists to support PNG activities.

Personnel

In order to provide support at all stages of the suite of infrastructure tasks required to upgrade and maintain the sixteen roads of national importance, it is estimated that a team of 50 seconded personnel will be required for the foreseeable future.

Estimated Transport Sector Resources

The estimated annual expenditure to achieve the Transport Sector policies in the ESGP is A\$360 million (see table 2-3).

Resource	Annual Cost (est) A\$ million
Personnel, logistics, housing, vehicles, infrastructure	60
NTDP projects (2010 figure Plus 10%)	230
Ongoing AusAID projects	70
Total	360

Table 2-3 –Papua New Guinea Estimated Annual Transport Sector Resources

Support to the PNG Education Sector

Funding

The current cost of the parental contribution for all primary and secondary age children is approximately A\$46 million. This figure will increase slightly by 2014 (see Table 2-4).

	2005 (Kina)	2005 (A\$)	2008 (Kina)	2008 (A\$)	2011 (Kina)	2011 (A\$)	2014 (Kina)	2014 (A\$)
Elementary	8,468.6	4,507.2	10,924.7	5,814.4	0.0	0.0	0.0	0.0
Primary	33,057.4	17,594.0	35,219.5	18,744.7	37,396.4	19,903.3	40,449.7	21,528.4
Secondary	34,128.5	18,164.1	34,609.1	18,419.9	36,948.9	19,665.2	41,141.2	21,896.4
Vocational	4,913.2	2,614.9	5,687.6	3,027.1	6,584.1	3,504.2	7,622.0	4,056.6
Total	80,567.6	42,880.2	86,441.0	46,006.2	80,929.5	43,072.8	89,212.8	47,481.4

Table 2-4 – Papua New Guinea Parental Contribution for All Primary and Secondary Age Children¹⁸¹

Including the Church Partnership Program, AusAID currently funds approximately A\$50 million in education services annually in PNG.¹⁸²

The aim of the ESGP is to increase funding to cover the parental contribution for education, maintain existing AusAID services and fund a team of organisational, human resource, financial, and information communication technology specialists to support PNG activities.

Personnel

In order to provide support to the various levels of government responsible for the delivery of education service throughout PNG, it is estimated that a team of 50 seconded personnel will be required for the foreseeable future.

Estimated Education Sector Resources

The estimated annual expenditure to achieve the Education Sector policies in the ESGP is A\$160 million (see table 2-5).

Resource	Annual Cost (est) A\$ million
Personnel, logistics, housing, vehicles, infrastructure	60
National Plan for Education projects	50
Ongoing AusAID projects	50
Total	160

Table 2-5 – Papua New Guinea Estimated Annual Education Sector Resources

¹⁸¹ Papua New Guinea Department of Education, *A National Plan for Education 2005-2014*, p. 120.

¹⁸² Australian Agency for International Development, 'Education in PNG'.

Support to the PNG Law and Justice Sector

Funding

The cost of the policing component of the ECP was approximately A\$800 million over five years (see Table 2-6). The funding of approximately A\$180 million per year was spread over salaries, accommodation, logistics, operations and technical assistance. For the financial year 2009-2010 onwards, it is estimated that A\$200 million will be required annually.

	2003-04	2004-05	2005-06	2006-07	2007-08	Totals (A\$)
Australian Federal Police (AFP) Salaries and Accommodation	3.09	75.53	83.67	87.02	90.5	339.81
AFP Logistics, Operational Costs	27.21	102.07	93	85.38	86.96	394.62
Sub-Total AFP	30.3	177.6	176.67	172.4	177.46	734.43
Royal PNG Constabulary (RPNGC) Technical Assistance	16.05	10.04	20.91	6.08	2.61	55.69
Total (Including Capital)	46.35	187.64	197.58	178.48	180.07	790.12

Table 2-6 - Distribution of Funds to the PNG Enhanced Co-operation Program¹⁸³

AusAID currently funds approximately A\$45 million in law and justice services, personnel and projects annually in PNG.¹⁸⁴

The aim of the ESGP is to increase funding to cover the deployment of Australian policing specialists to mentor the Royal Papua New Guinea Constabulary (RPNGC).

Personnel

In order to provide support to RPNGC personnel stationed throughout the country, it is estimated that a team of 230 seconded personnel (based on the previous ECP model) will be required for the foreseeable future.

Estimated Law and Justice Sector Resources

The estimated annual expenditure to achieve the Law and Justice Sector policies in the ESGP is A\$245 million (see table 2-7).

¹⁸³ AID/WATCH, 'Australian aid to PNG – The Boomerang effect continues: Part II'.

¹⁸⁴ Australian Agency for International Development, 'Law and Justice', *Australian Agency for International Development website*, <http://www.ausaid.gov.au/country/png/justice.cfm> [accessed 26 October 2008].

Resource	Annual Cost (est) A\$ million
Personnel, logistics, housing, vehicles, infrastructure	200
Ongoing AusAID projects	45
Total	245

Table 2-7 – Papua New Guinea Estimated Annual Law and Justice Sector Resources

Total Resources Required for the ESGP

The estimated annual cost of the ESGP is A\$810 million (see Table 2-8). With Australia’s current aid contribution to PNG at A\$389.4 million, the additional A\$600 million for ESGP initiatives will bring the revised cost of Australia’s aid package to PNG to almost A\$1 billion per annum.

	Existing Projects A\$ million (approx)	Additional Projects A\$ million (est)	ESGP Total A\$ million (est)
Transport	70	290	360
Education	50	110	160
Law and Justice	45	200	245
Existing ECP	45	-	45
Total	210	600	810

Table 2-8 – Resource requirements for the Enhanced Strongim Gavman Program

Appendix 3 – Risk Assessment of the Enhanced Strongim Gavman Program

Risk Area	Risk	Consequences	Likelihood of Risk Occurring	Mitigation Strategy
Cultural	Corruption redirects project funds to individuals	Less funds available for aid, reduced confidence in project	Medium	Governance processes, periodic audits
	Melanesian challenges overwhelm the project	Excessive compensation claims, females kept from schools, law and order not controlled	Medium	Ownership by community, ongoing engagement with PNG community, communication in local languages
	Integrity of tendering and contracting processes compromised by preferential treatment for wantoks	Legal challenges to tendering/letting processes, value for money not achieved, projects and/or contracts directed to inappropriate bidder	Medium	Assistance/training provided to PNG companies in the preparation of tender/contract documentation, ongoing financial and legal scrutiny of processes
Social	Waning popular support from the PNG communities	Sabotage of projects, uprisings, increased lawlessness	Low	Robust and sustained communication strategy within PNG, communication in local languages
	Waning popular support from the Australian community	Approaches to media by concerned citizens, potential federal election issue, anti-ESGP media campaign	Low	Robust communication strategy within Australia and internationally
Political	Waning support from either the PNG and/or Australian Government	Australian Government questions aid levels, aid levels reduced, scope of ESGP reduced, PNG withdraws support or resources to projects	Low	Sustained leadership from PNG and Australian Governments, robust communication strategy to PNG and Australian communities, ongoing reporting to/from IDC

	Lack of demonstrable commitment from PNG and/or Australian Government	Reduced community confidence in projects	Low	Leadership from PNG and Australian Governments, robust communication strategy to PNG and Australian communities
Policy	ESGP strategies ineffective in achieving intent of ESGP	Projects on track but not achieving intended outcomes	Low	Quality Management System, ongoing performance management and analysis, progress reports to IDC
Risk Area	Risk	Consequences	Likelihood of Risk Occurring	Mitigation Strategy
	Inability of policies to achieve their intent	Lack of developmental progress, international indices do not change as expected	Low	Quality Management System, ongoing performance management and analysis, progress reports to IDC
Resources	Funding is insufficient to achieve the intent of the policies	Projects finished but required developmental progress not achieved, projects unfinished due to lack of resources	Low	Quality Management System, ongoing performance management and analysis, progress reports to IDC
	Failure to retain specialists of the right calibre	Unfilled positions, inappropriate personnel delay progress, Australia's commitment questioned	High	Appropriate remuneration and conditions, ongoing liaison between relevant Australian agencies
	Funds expended slower than budgeted	Australian Government questions aid levels	Medium	Rescheduling of funds, re-scoping of ESGP to expend funds, expand timeline for project completion, periodic audits, Quality Management System, ongoing performance management and analysis, progress reports to IDC

	Cost of ESGP greater than budget	Projects unfinished, Australian Government questions effectiveness of aid delivery	Medium	Governance processes, periodic audits, Quality Management System, ongoing performance management and analysis, progress reports to IDC
Indigenous Capacity	PNG unable to provide sufficient personnel, material, equipment, infrastructure or funding to provide PNG's contribution to the policies	Time delays, reduced confidence in projects, frustration within communities at lack of progress	High	Quality Management System, ongoing performance management and analysis, progress reports to IDC, alternative sourcing from Australia or the region

Table 2-6 – Papua New Guinea Risk Assessment for the Enhanced Strongim Gavman Program

List of Acronyms

AusAID	Australian Agency for International Development
ASPI	Australian Strategic Policy Institute
CPI	Corruption Perceptions Index
DCS	PNG-Australia Development Co-operation Strategy 2006-2010
ECP	Enhanced Co-operation Program
ESGP	Enhanced Strongim Gavman Program
FSI	Failed States Index
GDI	Gender-Related Development Index
GNI	Gross National Income
HDI	Human Development Index
HPI	Human Poverty Index
IDC	Inter-Departmental Committee
LPI	Logistics Performance Index
MDG	United Nations Millennium Development Goals
MTDS	PNG Government's Medium Term Development Strategy 2005-2010
MTFS	PNG Government's Medium Term Fiscal Strategy
NGO	Non-Government Organisations
NPE	PNG Government's National Plan for Education 2005-2014
NTDP	PNG National Transport Development Plan 2006-2010
ODA	Official Development Assistance
PEM	PNG Government's Public Expenditure Management system
PNG	Papua New Guinea
QRS	AusAID's Quality Reporting System
RPNGC	Royal Papua New Guinea Constabulary
SGP	Strongim Gavman Program
SOFA	Status of Forces Agreement between PNG and Australia (1977)
TSSP	Transport Sector Support Program
WGI	World Governance Indicators

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