

Preconditions for economic growth: a PNG perspective

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During the past 34 years, Papua New Guinea has experienced a growth process 'from the Stone Age to the space age'.¹ The trajectory of this process is discussed within the framework of Walt Rostow's theoretical stages of economic growth and development (http://en.wikipedia.org/wiki/Walt_Rostow, accessed 18 April 2009). This theory points to the many preconditions that Papua New Guinea must establish in order to achieve economic, social and infrastructural growth.

This article first highlights the major points of Rostow's stages-of-economic-growth theory. Second, it presents key points about Papua New Guinea's current economic status. Third, we discuss several of the important preconditions for economic development and where Papua New Guinea presently stands with respect to these.

Rostow's theoretical stages of economic growth

In 1960, Rostow (1916–2003), an American economist and political thinker, prominent for his staunch opposition to communism and belief in the effectiveness of capitalism and free enterprise, developed the Rostovian take-off model of economic growth, one of

the major theories of economic growth (http://en.wikipedia.org/wiki/Walt_Rostow, accessed 18 April 2009). The model argues that economic modernisation and economic growth occur with five basic stages of varying lengths

1. traditional society
2. preconditions for take-off
3. take-off
4. drive to maturity
5. high mass consumption.

The theory's application in the following discussion is based on the author's perception of Papua New Guinea's present economic situation and its growth potential.

Stage one: traditional society

Stage one is where the economy is dominated by subsistence activity, output is consumed by producers rather than traded, any trade undertaken is carried out by barter, agriculture is the predominant industry, production is very labour intensive and a limited quantity of capital is used, and resource allocation and distribution are determined by traditional methods of production. In many respects, Papua New Guinea has elements of this stage to varying degrees.

Stage two: preconditions for take-off (transitional stage)

This is the stage in which Papua New Guinea is perceived to be at present. There is increasing specialisation of economic activity, generating surpluses for trade. Coordinated transport infrastructure is emerging to support economic activity, including trade. Entrepreneurs and merchants are emerging as incomes, savings and investment grow. External trade is occurring but for the most part is concentrated on primary products.

Stage three: take-off

The take-off stage sees industrialisation increasing with workers switching from the agricultural sector to the manufacturing sector. Economic growth is concentrated in a few regions of the country and in one or two manufacturing industries.² Levels of investment reach more than 10 per cent of gross national product (GNP). Economic transition is accompanied by new political and social institutions that support industrialisation. Economic growth is self-sustaining. Investment leads to increased incomes, which in turn generate more savings to finance further investment. Papua New Guinea has not reached this stage yet and the national economy is not self-sustaining.

Stage four: drive to maturity

In this stage, the economy is diversifying into new areas. Technological innovation provides a diverse range of investment opportunities. The economy is producing a wide range of goods and services. There is less reliance on imports. Papua New Guinea presently relies heavily on the importation of manufactured goods and services.

Stage five: high mass consumption

In this final stage, the economy is geared towards mass consumption. Consumer

durable industries flourish and the service sector becomes increasingly dominant. Whether Papua New Guinea will eventually reach this stage remains to be seen, given the 'boom and doom' the nation is currently facing.

Observations on the preconditions for development

Rostow notes that development requires substantial investment but that the conditions for such investment to take place must be created. There are many preconditions for investment and economic development; however, this discussion focuses on six that are of major concern.

Precondition one: national roads

Papua New Guinea has an estimated 27,000 kilometres of roads and land transport plays an important role in the economy. Much of the country is mountainous, geologically unstable and subject to high, torrential rainfall. Rapid deterioration of roads is a constant risk and road construction and maintenance are costly. Papua New Guinea's national road system is in a dilapidated state despite government injections of many millions of kina earmarked for rehabilitation.

Thousands of kilometres of minor rural roads were built between 1950 and 1980. Roads connecting rural areas with the main road networks are now in an advanced stage of deterioration. About half of all feeder roads are impassable to vehicles carrying significant loads. Sealed roads have degenerated into poor gravel roads, gravel roads have been reduced to earth tracks and some routes have been closed altogether. Only about 37 per cent of the national road network (about 8,400km) is in a maintainable condition. About half of the network requires significant rehabilitation,

restoration or reconstruction to make the roads trafficable. Much of the previous investment in road rehabilitation and upgrading has been lost through neglect of subsequent maintenance.

The major factors contributing to the poor state of the road infrastructure have been large shortfalls in the funding provided for maintenance along with weaknesses in managing and delivering maintenance services. To reverse these impediments to the development of a soundly functioning road sub-sector, a program of financial, structural and institutional reforms needs to be adopted and successfully implemented. The government recognises that the decline in the quality of the country's transport infrastructure has had a major adverse impact on service delivery and the capacity for the PNG economy to progress. Massive injections of funds are deposited into trust accounts, but accessing the funds for immediate commencement of rehabilitation and maintenance requires a stringent process that is often in danger of corruption. Additionally, the National Works Department is unproductive and lacks the physical resources and financial capacity to carry out its basic functions adequately.

Precondition two: agriculture

The National Agriculture Development Plan (NDAL 2006)³ proposes a vision for the sustainable transformation of the country's agricultural sector into a vibrant and productive economic sector that contributes to economic growth, social wellbeing, national food security and poverty alleviation.

The plan's vision of enhancing and improving the quality of life for the more than 87 per cent of the rural population living in 89 districts and 19 provinces through increased productivity, sustainable and quality production, coupled with

integrated planning and environmentally sustainable management, is questionable. The 'green revolution,' as envisioned by the Somare government in its previous term in office, has come to an abrupt halt because of incapacities in financial institutions.

Furthermore, the estate and plantation sector has declined in productivity and management capacity. At one point, these primary industries generated significant revenue. Many of the plantations have been sold, are poorly managed or lose considerable revenue due to landowner disputes and high transport and management costs.

Precondition three: health

The substandard state of the National Health Department is appalling. An article in the *Post-Courier* (Gerawa 2009b) titled 'K200 million for health projects removed' reported the declining standards. Maureen Gerawa (2009b) reported:

More than K200 million earmarked for health infrastructure in the Government's supplementary budget was taken back by the National Planning and Monitoring Department. A document obtained by the *Post-Courier* shows that unless the money is returned, a lot of projects that have been committed [to] will be put on hold. The Health Department will also have to find money somewhere to pay companies and non-government organizations that were contracted to carry out these projects.

This report reflects the influence of shadowy deals and decisions made outside of due processes and procedures. It exemplifies the problematic issues affecting the department nationwide. Hospitals are in dire need of basic pharmaceuticals and reusable items, and health personnel are overworked and underpaid (Gerawa 2009a). Furthermore, the National Health Department has had to seek community and private enterprise assistance in cash and kind ('Bottled goodness for hospital', *The National*,

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18 January 2009:6). This is a reflection of the poor management capabilities displayed by the health authorities. These and many other cases point to a system that requires considerable attention from the government. The improved health status of Papua New Guinea's people is critical for the country's development.

Precondition four: law and order

The present intolerable and multifaceted problems with law and order, conflicts and violence and crime in Papua New Guinea point to the necessity to contain this situation immediately, before it reaches unmanageable proportions. Despite daily reports of criminal activities, there seem to be little or no concerted efforts being made to address the issue. The unprecedented rise in organised crime and corruption in the country is a real threat to our stability and rule of law (<http://www.thenational.com.pg/040709/nation11.php>). Enforcement agencies must act now to avoid widespread duplication of these problems. There is a general perception of a lack of patriotism among many who have been vested with the powers and responsibilities to uphold the country's laws and especially the constitution. Papua New Guineans are increasingly frustrated by the seemingly long delays in dealing with implicated politicians and senior public servants, and, with the infiltration of the Asian mafia, the situation has become much more desperate.

The current open defiance of the rule of law is because ordinary people are fed up with the so-called leaders getting away with punishable offences. The rule of law must be observed from the highest-ranking state official in Port Moresby down to ordinary villagers in the remotest parts of Papua New Guinea. There seems to be a two-tiered legal system: one for the wealthy and one for the underprivileged.

Further, rural disintegration caused by landownership disputes (Yala 2005) has resulted in prolonged tribal conflicts, which, in most cases, result in damage to property and loss of life (<http://www.postcourier.com.pg/20090406/mohome.htm>).

Precondition five: gender

Promoting women's rights is no longer a women's issue; it is a national issue, as stated by Dr Ray Anere of the National Research Institute (Anere 2009). Women should be equal partners in development. National and international conventions now require that women are treated the same as men. Reports from the media, however, suggest the opposite is the case: women are still subjected to sexual harassment, violence and exploitation to varying degrees (<http://www.postcourier.com.pg/20090406/mohome.htm>).

One academic has written that Papua New Guinea 'should catch up with countries that are benefiting from the realization that equality between women and men is important in the successful transition to a market economy' (Kelep-Malpo 2008). Organisations now require and advocate for gender equality and competency-based performance. Women are now performing jobs that have traditionally been male dominated. Women are heading institutions and participating in the general development of Papua New Guinea. More progress in this area is, however, crucial to achieve the second national goal, which advocates equality and participation. As the nation experiences economic progress, gender equality will become more profound and a true catalyst for development. As noted by the only female national parliamentarian, Dame Carol Kidu, it is a tough challenge to compete with males but, with strategic planning, she has done well to gain re-election (Kidu and Setae 2002).

Precondition six: education

Papua New Guinea's education system offers non-compulsory education for children from ages six to 15. In 2004, the National Department of Education published a National Educational Plan entitled *Achieving a Better Future*, which was meant to guide the nation's educational development from 2005 to 2014. The main objectives of this plan include universal access to education (the second Millennium Development Goal), improved retention rates, improved teacher deployment to primary schools, improvements in the quality of education, curriculum and teacher development for secondary schools, and emphasis on shorter, more concise vocational courses. The plan also covers issues such as teacher education, management within the Department of Education—including representation from communities—and the financing of the plan.

One of the goals of the National Education Plan is that by 2015 all children will have access to free and compulsory primary education of good quality. Current statistics indicate this is not yet the case. Many school-age children are missing classes for a variety of reasons, such as unpaid school fees, family-related issues and poor living conditions. Only when a much higher percentage of children in most parts of Papua New Guinea has unlimited access to education facilities and resources will the second Millennium Development Goal be achieved. The recent case in which expenditure of the Department of Education's Rehabilitation of Education Sector Infrastructure funds were unaccounted for raised serious concerns (Erero 2009).⁴ This case highlights the major issues of transparency and accountability in management, and is now being investigated by the watchdog institution, the Ombudsman Commission.

Conclusion

In applying Rostow's stages-of-growth theory to Papua New Guinea, it is clear that the country is somewhere between stage one (traditional society) and stage two (preconditions for take-off). Of course, the economy is seen to be progressing in some respects, but there are vital preconditions that must be established before substantial progress is achieved. There is a mineral boom, but are the people ready to accept and adapt to the agenda of change required to use this revenue effectively for economic development? National policies, plans, strategies and forecasts exist, but effective implementation is absent. Only when the general populace is ready to accept change will they embrace development with understanding and proactive participation.

Notes

- ¹ Many writers have used this expression. It is fitting to use it here, given the article's context.
- ² Papua New Guinea's economic growth is currently centred on two major cities (Port Moresby and Lae), which have light industrial and consumer goods manufacturing.
- ³ In September 2001, the National Executive Council directed the department to develop a medium-term National Agriculture Development Plan. The plan was completed with national and international assistance and launched in 2006.
- ⁴ See also http://www.nbc.com.pg/news/articles/2009/04/02_More_misunderstanding_over_RESI_funds.htm, which carries a National Broadcasting Commission news report of the same case. Ninkama (2009:16) and other reports in the *Post-Courier* offer similar stories of comprehensive negligence of all educational facilities countrywide.

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