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Papua New Guinea: When the extravagant exception is no longer the exception

By

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Two reports on recent events in Papua New Guinea have just been made public. On 5 November the Commonwealth Expert Group completed its report on Papua New Guinea's electoral arrangements, and on 20 November the Prime Minister, Sir Michael Somare, tabled the report of the commission of inquiry into the National Provident Fund.

Both provide detailed and persuasive evidence of systematic corruption and failing efficiency in significant national institutions. Thos Barnett, the commissioner who conducted the NPF inquiry, first worked in Papua New Guinea over thirty years ago, and had previously inquired into the logging industry. As well as bringing an exceptional knowledge of changing legal and administrative practices to his task, Barnett has demonstrated a sympathy for Papua New Guinean aspirations and readiness to make tough judgements based on thorough research. The total losses within NPF amounted to some K170 million, most of it dissipated by business practices that violated regulations and good sense, and several millions were stolen. In his report Barnett said that he and his staff had been able to follow money trails 'from the original fraudulent payments through many transactions and in and out of the books of Carter Newell Lawyers and Port Moresby First National real estate' to the eventual advantage of privileged individuals or their families or companies (*National*, 21 Nov 2002). The report detailed crimes, the breaking of prescribed rules, and disregard for accepted administrative practice. Those holding responsible office in NPF appeared, it was alleged, to have been involved in criminal conspiracy, fabrication of documents, perjury, failure to disclose conflict of interest, ignoring the requirement to present accounts to the auditor, inappropriate interference in NPF processes, failure to observe investment guidelines, tax evasion, breaching the Leadership Code, offering and accepting bribes, and other undesirable practices. Officers in the Department of Finance and elsewhere, who should have monitored the performance of the NPF, had failed to do so, or tried to carry out their duties but did not have the necessary competence or powers to do their work effectively.

Controlling the life-time assets of many Papua New Guineans with so few alternative pensions or welfare services, the NPF (now Nasfund) has a central importance in the nation, and those appointed to manage its funds have been among the highest in the land by position and by professional competence. But the wrongs revealed by the Commission of Inquiry have been long-term and pervasive: they involve much of the organisation and many of its officers. Through its investments the NPF interacted with many companies (from Steamships and Collins and Leahy to Crocodile Catering), it was involved in the buying of land and development, and it operated internationally. Banks assisted transactions, provided loans, and demanded sale of assets to cover doubtful debts. Many people knew something of some of NPF dealings, particularly where they were extravagant, risky and incompetent; but the Inquiry also exposed planned misuse of monies that involved sophisticated attempts to conceal what was happening. And when the Report was released some of those involved immediately made counter-accusations, greatly widening the numbers of people who were alleged to have benefited from the misuse of NPF monies, and providing real or fabricated evidence to support their claims (Jimmy Maladina, *National*, 21 Nov 2002; and allegations of K2 million to various people by Ken Barker, *National*, 21 Nov 2002).

By contrast, those obvious cases of mismanagement and criminal misappropriation of public funds that first began to emerge over twenty years ago were often rapid in conception and execution, and quickly and widely known in Port Moresby. Government officers sold themselves prestigious houses at low prices; they benefited when government departments made inappropriate, high cost purchases; government contracts went to the undeserving; resource compensation payments were dissipated on a thriller in Manila; shares were issued to privileged insiders; and there were other extravagant, singular acts of public funds criminally or carelessly lost for private benefit. But the Report into the NPF reveals a range of wrongs from the clearly criminal to what the commissioner calls 'frail attempts to comply with proper procedures' (quoted in *National*, 21 Nov 2002). Many people in the NPF were involved and over several years. The Commissioner recommended that the Ombudsman investigate the failure of 'all Trustees' to carry out their fiduciary duties when the 'abuses were so noticeable'. Professional skills were used to take and conceal funds. The extent of the losses took some time to emerge, and given the counter-charges and the deliberately confused money trails, then the chances of the public knowing all of those responsible, how they operated, and where the money went has diminished.

The Report of the Inquiry into the NPF has revealed systemic, collaborative, considered and incremental dereliction of duty and corruption. This is a long way from what once appeared to be the flamboyant acts of particular scoundrels amid the inefficiencies of institutions run by people new to public office.

The Commonwealth Expert Group did not monitor the Papua New Guinea elections: its five members (Jeremia Tabai of Kiribati, chair, Victor Ashby, Grenada, Sayan Chatterjee, India, Ian Dickson, Australia, and Robert Patterson, Canada) arrived after the election of the Somare Government, and they were asked to examine the 'arrangements' for the 2002 elections to enable them to make recommendations about

future elections. Although the Group's comments on the 2002 elections were expressed in language that was generally diplomatic and benign, their list of deficiencies was extensive. The fact that a projected two-week polling period extended into six weeks was, the Group thought, evidence of 'inadequate planning and coordination'. But the 'worst aspect' of the election, the Group decided, 'was to do with the inaccuracy of the common roll'. The rolls were out of date, people who claimed they had enrolled recently or who were on the roll in 1997 could not find their names, some citizens who were clearly under age were on the roll, people were enrolled under several names and in several electorates, and there were obvious inconsistencies between the rolls and the census figures. Excess ballot papers were printed using inflated rolls and adding 15% just to be sure. There were also 'numerous complaints about duplicate or extra ballot papers' being used. As a result those trying to keep track of ballot papers 'had problems'.

The Expert Group conceded that in many parts of the country the actual voting took place 'reasonably smoothly', but in other electorates, particularly the Highlands, there 'was a pattern of widespread threats and intimidation of voters and officials'. People were killed, ballot boxes stolen, candidates were involved in violence, and some of the police and defence force personnel charged with keeping the peace were 'openly' supporting candidates. In other areas the police were unable and 'often unwilling' to leave their stations. In six electorates the state simply could not provide the security for people to exercise a free vote. There was, the Group concluded, a 'massive failure to provide adequate security in some provinces'. (See Bill Standish and Abbie McLeod, separate papers given at the Papua New Guinea Update 2002, for detail on the elections.)

While the Expert Group understood the need for the Papua New Guinea Electoral Commission to maintain its financial and administrative independence, it revealed that the Commission did not demand tenderers meet normal requirements; failed to go to meetings with other sections of government; and made a simple one-line request to the Ministry of Finance for K40 million, had to be given another K31.5, and still had bills to pay not yet covered by the Ministry of Finance advances. At the time of the Expert Group's Report, the Electoral Commission was refusing to provide documentation to justify its expenditures, refusing to submit to an independent audit, and had employees complaining that they had not been paid for work done during the election.

The long queues of frustrated voters at polling booths, the many problems with the rolls, the lack of secrecy for voters, the violence and the theft of ballot papers and boxes were all reported by local media at the time; but the Expert Group's cautious summary of the electoral process, combined with its comments on the other workings of the Electoral Commission, is still an important document. It demonstrates that it is not the case that had the Electoral Commission been able to correct two or three particular faults then the election would have been held efficiently across the nation. Had the rolls, for example, been up-to-date and accurate, then there would still have been problems with matching voters with names on the roll, the excess ballot papers, the lack of secrecy, intimidation of voters, and inadequate security of the votes once they had been cast. The Expert group concludes, 'It ... appears that the PNGEC lacks the institutional capacity to deal with the ever-increasing challenges posed by conducting elections'.

Obviously a national election is an important event. And to assist the Electoral Commission do its work it had the accumulated experience of previous elections, five years in which to plan, the warnings of various authorities about the inadequacy of its preparations, and outside advice and aid. Electoral officials had their failures revealed in the media; they were seen as the cause of the anger of people unable to vote where and when they expected; and they were the specific target of the Prime Minister's anger when he was forced to wait for hours to vote. The Electoral Commission had opportunity and reason to be efficient. But if the Electoral Commission has such problems, then it is likely that other institutions under less scrutiny, and with less motivation and aid have at least equal difficulties in planning and execution.

On periodic visits to Papua New Guinea over the last twenty years, I have taken my visual impression of Port Moresby and imposed it on the nation as a whole. In the city new roads sliced through suburbs and around the harbour, and old roads were pot-holed and neglected; new high rise buildings rose above flourishing corporate gardens, and squatter settlements without sewerage or water sprawled through gullies and struggled up bare hillsides; within the compounds of new hotels staff moved with the same efficiency as staff in other hotels in other national capitals, and at the hospital crowds waited in despair for inadequate service. It seemed that both in the city and in the nation there were obvious signs of hope, dynamism and competence alongside inescapable evidence of misdirected energy, decay and despair. But the reports of the Commission of Inquiry into the NPF and of the Expert Group into the elections indicate that the visual contrasts of success and failure cannot be transferred to all national institutions: some now suffer such a deprivation of material and human assets and an impotence or a misdirection of effort that it is almost impossible for a few sections to operate efficiently. The impact of those honest and efficient staff members within the Electoral Commission and the NPF has been largely lost because of the general corruption and malaise.

In the past Papua New Guineans and overseas aid agencies have spoken of the need for 'institutional strengthening'. But what now appears to be imperative is 'institutional reform'. It is difficult to see how institutional strengthening can be effective if the executive, the board charged with oversight, and the monitoring agencies have all been part of the failure, and where weakness in function is long-term and widespread. By the same argument, the practice of attempting to assist institutions by directing aid to one section, or by providing material infrastructure, is unlikely to have more than limited success. The utility of a new computer system, a four-wheel drive, a building or a policy is dependent on the capacity of the receiving organisation to use it.

The reform that is needed has to be as pervasive and systemic as the corruption and the loss of capacity. The desire and the direction must come from Papua New Guineans and the role of outside agencies will be to provide sustained aid in circumstances where short-term success will be difficult to measure. The nature of the new institutions, one generation after Independence and for the first time constructed by Papua New Guineans to meet what they perceive to be their own needs, may not be

readily understood or approved by outsiders. For Papua New Guineans and aid agencies it looks like a long and difficult commitment.