

## **A Focus for 2014, with Zero-Tolerance of Exorbitant Public Contracts and other Abuses**

Welcome to 2014. While PNG and Australia swelter and much of the US freezes, sectarian conflicts embrace the Middle East, spreading into central Africa, and old-style ethnic and territorial disputes, often fuelled by resource envy, erupt or simmer from South Sudan to the East and South China seas. Where sane heads prevail, and regional and international dispute mechanisms function, issues are readily resolved, or retained at the negotiating table; where international or local systems and laws are not embedded or respected, and personal greed and ambition are unrestrained by effective institutions and social pressure, then inequitable and dangerous outcomes may ensue.

The respected 'Economist' Magazine provided its first 'country of the year' assessment for 2013, avoiding crude rankings based upon economic growth (where conflict entwined South Sudan performed the best, largely owing to recovery from severe economic decline in 2012!) or other simple economic performance indicators. Such indicators are valuable tools, but each measure shows only part of the picture. GDP growth (in total or per capita) only shows the total value of goods and services produced in a country, not how much of the proceeds remains in-country or how the benefits are distributed. It records production, demolition and extraction all as output, and fails to measure the loss of capital or social and environmental consequences. It is a tool, but needs to be taken together with many other economic and social indicators to be of value, and, of course, needs to be accurate to have any value, which is a problem in PNG where statistics are often estimates.

For 2013 the Economist instead selected the unpretentious South American State of Uruguay as 'country of the year', on the basis of bold but seemingly costless social reforms and the nature of its president, who has initiative but remains responsive and humble, driving himself to work in a modest old car and flying economy class. This contrasts with the insatiable demand for ostentatious vehicle ownership and incessant travel by many aspiring leaders in PNG.

So for PNG, 2014 should see the PNG LNG project's construction phase concluded and succeeded by production and first export. This is associated with great expectations, including GDP growth in 2015, but in reality it is the construction phase, with its considerable local employment generation, which provided the greatest economic impact across the economy, rather than the production phase, when little employment is sustained, but which will provide long term revenue from late this decade. This revenue will be of great value to PNG if the government (and provinces) manage the proceeds (and economic conditions) prudently, including carefully targeting expenditure on genuine priorities and minimising waste, including during these interim years, when the government is borrowing heavily against future expected revenue.

How are the Government and the economy performing? Of the large initiatives, like restoring capacity at District level, notably using DSIP, priority projects have been funded in some districts, but in many others performance and accountability remain badly deficient, and MPs/authorities have had to deal with extortionate or non-performing contractors. Realistic commentators recognised that government's declared 'Year of Implementation' would be a long shot, with institutions and capacity so badly run

down and inadequate commitment for restoring needed capacity, competent management or oversight mechanisms.

So, 2013 saw major infrastructure and other projects launched which didn't make much headway. This wasn't entirely a bad thing, as many were overpriced and concocted hurriedly (including new curricula needing more than a few weeks to prepare, train and apply) . On the other hand, much non-priority recurrent expenditure seemed to blow out, and, despite supposed restrictions on overseas travel, it seemed like incessant overseas travel for officials, often in the Kumul executive jet which was to have been sold, whether to summits or football. A year-end insult to maligned electricity consumers was the exorbitant executive travel to Iceland to view geothermal power, with football thrown in, (despite geothermal power plants galore on the doorstep in New Zealand), followed by a new year hike in user charges. The INA's recent survey of PNG's business environment found the unreliable and costly power supply as one of the major impediments to business and investment, after law and order and corruption.

2013 was a year of promises, of improved infrastructure, education, health, law and order, tackling corruption and district recovery. By year end some legislation had been passed, and some useful reviews and other first steps taken, but generally the public and business sector are left wondering how much is rhetoric and what will actually be delivered, with a series of public tenders awarded, not to the lowest credible bids, but seemingly to amongst the highest, or not even tendered at all, and with concerns that the counterfeit drugs already highly prevalent in PNG will extend to public facilities; apparent land and trading monopoly deals for rice continued to be presented as rice production and food security (involving a known overseas criminal fugitive, granted a PNG passport), whilst SABLs and other questionable land deals continue to swipe customary and public land (and forests) without being halted rigorously, with no government effort to support the efforts by landowners to thwart this blatant land grabbing, whilst established checks and balances on abuse of power, by Parliament and various Constitutional Offices, were not reinforced and in some cases undermined (e.g. with the OC powers and appointments and further restrictions on no confidence votes).

The Prime Minister and some able Ministerial colleagues provided reassuring comments, whilst in some cases expressing private concern over exorbitant expenditure or deficient standards. No doubt there is firm intent, but the inconsistency of Statements amongst Ministerial ranks, and the ambiguity and slow progress on critical reforms undermine development prospects. For example, statements and some actions related to business ownership, agricultural export taxes (at a time when prices are well down and producers facing severe pest and disease incidence, notably cocoa pod-borer) and imposed nationalisation of (already PNG-owned) mining and associated development agencies, all generate uncertainty and undermine needed investment in sustainable industries, whether by local or overseas businesses, large companies or SMEs.

Investment conditions need to enable positive net benefits to PNG, be consistent within and across industries, but also sufficiently attractive for local or international investors. PNG desperately needs to generate employment and broad-based income-earning opportunities in viable industries for its (still) fast growing population. Such extensive and long-term opportunities cannot be provided by extractive

industries, so proactive effort is required to set, rather than undermine, investment conditions in sustainable industries, including agriculture, but also manufacturing and service industries, recognising PNG is a high cost and in many cases uncompetitive market, with its poor transport, power, telecommunications infrastructure, limited trained staff and high cost of security. Setting suitable conditions is not about providing favoured arrangements for one or two selected firms, but establishing more competitive and affordable conditions across the board, with improved and accountable public goods/services and efficient markets, but also not imposing one industry's costs of upon others, e.g. permitting extraction and waste disposal or other environmental damage, which undermine more sustainable industries, and requiring environmental offsets for damage incurred.

If PNG is to gain the fruits of its resources, capacity and talent in 2014 and into the future, it must focus upon its human resources, not by wasting funds on multiple second rate universities, but ensuring standards in teaching training facilities, right through the education systems, including upgraded TVET facilities, focusing upon quality and needed skills, including dialogue with stakeholders (including business and students). Much more attention is required to build up the police numbers, calibre and morale for a unified, disciplined and independent force, which applies the law and protects the citizens, rather than operating as factionalised units for a variety of powerful interest groups.

For PNG to avoid becoming like some troubled African states, subject to conflict and immense wealth disparity, fuelled by unequal control and benefits from natural resources, and is to provide the opportunities that it needs and its citizens expect, then from 2014 it must apply a zero-tolerance of corruption, including over-priced and crony contracts, exorbitant out of court settlements, land grabbing (i.e. resource theft) in favour of privileged groups (when accessible land will be an increasingly scarce commodity, and accessibility will be critical for food security and household welfare). The Finance Inquiry, incomplete SABL inquiry, Auditor-General's reports and other documentation clearly highlight the level of abuse of public finances and other powers and resources. PNG can only develop soundly for the benefit of its own population if its resources are carefully applied and NOT WASTED or substantially misappropriated. These reports must be timely, publicly available and responses rigorous and visible, and not simply referred to some Minister, who may be implicated himself .

However, for accountability, quality services and broad-based opportunities to be achieved, requires awareness and determination by the public to stand up to misuse of power and resources, and not (themselves) to demand or facilitate abuses (from officials, including wantoks), and for the Constitutional offices (including Watchdogs) to perform their mandated functions impartially and more rigorously than of late, and for the Government itself to really demonstrate its commitment to the country's best interests, and not the interests of a select few, as much of the sceptical public perceives.

So for 2014, let there be zero tolerance by the public (or authorities) of over-priced or substandard public contracts, or other deals which short-change PNG and jeopardise the country and its people's prospects. Maybe some lessons from Uruguay too, on accountable and humble leadership, might not be amiss...certainly, if PNG is to be a beneficiary, rather than victim of its resource wealth and potential.