

Give Credit Where Due, But Require Leaders to Face and Address the Facts

The police must be congratulated on arresting part of the team suspected of undertaking several recent armed bank robberies. The community owes a debt of gratitude, with such crime increasingly pervasive and progressively destroying needed banking services and trade, particularly in rural centres.

Arresting this gang is commendable, particularly with the force suffering continued internal divisions, leadership weakness and operational incapacity, following progressive breakdown of operating systems and undue political and criminal patronage, undermining its integrity, reputation and needed public trust. Unfortunately reforms, including application of the 2004 Police Review recommendations and effective donor support, have been slow, inadequate and undermined. These recent arrests have helped restore some confidence and recognition that there remain many good officers within the force, as elsewhere in the public sector. Now we need successful prosecutions, including reputed influential patrons (politicians and senior officials) without fear or favour, as the Commissioner has indicated, with those convicted kept behind bars, neither escaping nor allowed to flee.

The public will be watching closely to see that this investigation and prosecution is not derailed by influential interests. This organised crime remains the tip of an iceberg of growing white collar theft, or corruption, increasingly pervading government (and parts of the private sector), with little apparent drive amongst authorities to uproot it.

The public faces a daily barrage of stories of corruption and other wrongdoing by leaders and public servants. It is inclined increasingly to believe any negative stories told of leaders, although some may be malicious or mere rumour. Why wouldn't they? Detailed reports of massive financial malfeasance released by the Auditor-General and Public Accounts Committee show massive theft, whilst Inquiry reports are hidden and findings ignored. Many decisions have been made, apparently contrary to public interest, including massive payouts and out-of-court settlements (with little or nothing supplied), natural resource allocations or extensions and appointments to statutory Boards. Many politicians and officials have accumulated fortunes far beyond their salaries.

The public will assume the worst at least until effective transparency is established and demonstrates otherwise. This requires full investigation and exposure of corruption allegations, prosecution upon evidence, and prompt referrals under the Leadership Code to protect Public Offices from abuse, public release of Annual Returns by leaders (not merely confidential submission to the Ombudsman) and exposure of conflicts of interest. Whistleblower legislation is required to expose wrongdoing, and firm measures applied to encourage and protect whistleblowers. An Independent Commission against Corruption (ICAC) would help, but as with other institutions (OC, Auditor-General, PAC, Police etc) requires adequate funding and independence. Investigative bodies themselves require oversight, invariably being subject to infiltration from those under investigation or their patrons.

Corruption's direct impact is substantial, especially when extensive (as now), but its major impact comes from distorting resource decisions and undermining public (and business) confidence in State institutions. Corruption prevents much sound investment. This country should secure extensive investment in tourism, agriculture and other ventures, yet PNG businesses and individuals, as well as reputable overseas companies, widely prefer investment (and residence) overseas, owing to poor domestic law and order, including high rates of violence against women, pervasive and growing corruption, atrocious infrastructure, poor, costly and uncompetitive services, low skills levels (from inadequate investment in education) and excessive red tape from an unresponsive bureaucracy.

It could be so different, but only if the country's leadership plays its part in recognising and addressing the problems. There are many (men and women) with vision and commitment, including some political and bureaucratic leaders, like NCD's Governor, Powes Parkop, with his wide-ranging initiatives to revive the Capital's sad performance. But, when criticisms are made or corruption exposed, too many Political leaders, including those who should know better, vehemently deny wrongdoing, blindly defend the leadership, Government or Party, and attack the messengers, whether press or development partners. Leaders must be accountable.

How could a respected leader demand closing the Ombudsman Commission for performing its function, if belatedly, requiring mandatory annual returns? Or another respected leader demand a donor manager apologise for reporting the negative public perception of leaders over corruption? Hasn't he noticed this perception exists and is almost universal? It is certainly unhealthy, but removing the perception requires leaders recognise the problem, not shoot the messenger. 'Hearing, seeing and speaking no evil' never resolves anything, and a fawning bunch of followers telling the naked king that he has fine clothes, or that all is well in the land are failing their countrymen and children.

PNG has enjoyed several years of economic growth, thanks largely to higher commodity prices. The benefits have barely trickled down, and many services continued to decline, with poverty levels and mortality rates unacceptably high. The only service improvement has been increased mobile phone access (from competition); yet Government continues protecting other moribund State-owned enterprises.

PNG may soon enjoy an economic boost from LNG development. This project has commanded Government attention over recent weeks. Will it benefit or undermine PNG's future?

LNG provides big opportunities: - 30+ year life, substantial GDP growth, major revenue for national and local government and landowners, ancillary industries (connected with LPG) and supply and service industries (including hotels/real estate, food supplies/beverages, finance, aviation/transport), significant but not major local employment (with substantial, temporary employment for overseas workers). Its major benefit will be through boosting overall economic prospects and enabling government to

perform its core functions, of restoring and improving infrastructure and core services (health, education, law, order and justice).

But there are major potential risks and downside: short-term critical skills shortages, undermining other industries; ‘Dutch Disease’ driving up exchange and other rates and stretching governance weaknesses (including corruption). PNG has suffered ‘resource curse’ hitherto, especially in well-endowed but badly-managed provinces, notably SHP and Western. If LNG proceeds it will invariably change the prospects of various industries; some gaining, others losing. Unfortunately, those industries which provide greatest employment and extensive household incomes will be worst impacted, notably agricultural exports and import replacement and some manufacturing, hit by appreciating exchange rates and other factors.

Many developed countries have managed resource booms well, through careful planning and management, including sterilising revenue in well-managed and transparent ‘futures funds’ (partly offshore). Few developing countries have yet managed resource booms well, Botswana being one, with parallels with PNG, which has. Others, from Nigeria to Nauru, have seen resource wealth wasted, an elite grow wealthy, whilst the macro-economic effects and burgeoning corruption destroy the country’s prospects, especially for non-enclave industries.

Which way would PNG go? Investing in needed infrastructure and essential services, and managing a transparent endowment, to safeguard wider economic prospects (notably from renewable resources) or squandering increased revenue, allowing corruption to cripple the nation, with the elite grabbing the benefits, whilst squatter settlements burgeon and life in rural areas deteriorate further?

That’s a decision for PNG’s leaders and whole community to take now. Macro-economic conditions in PNG have improved in recent years, partly thanks to improved fiscal and monetary management, including improved reporting. Some institutions, such as superannuation, have been revitalised, but there remains minimal capacity to administer recent increased allocations, let alone potential future increments.

Unless PNG promptly plans for the future, improves operational capacity, (including freeing services, such as telecommunications, to private sector provision and competition and introducing effective PPPs, investing in extensive primary/secondary education and skills training), acknowledges and tackles governance problems (particularly corruption), ensures extensive and sustained infrastructure and basic services (including through PPPs), LNG development would handicap, rather than bolster PNG’s future, particularly for the less-privileged majority.