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## PAPUA NEW GUINEA: UNDER THE SPELL

Corruption and law and order problems beset Papua New Guinea in its 20th year of independence. Says former Governor of the Central Bank, Sir Mekere Morauta: 'This nation is under the spell of the statement that we are rich. So our riches will deliver us from the evils, from our own evils. They didn't. Where are we now?'

By HELEN VATSIKOPOULOS

IT'S THE FIRST day of the year's parliamentary term in Papua New Guinea. One that this year, 1995, will see the country celebrate two decades of independence.

RABBIE NAMALIU (Speaker of Parliament): **In our 20th anniversary of independence, the country is at the crossroads. We need Christ's guidance if we are to get on the right road.**

Former Prime Minister Rabbie Namaliu, in this, his first term as Speaker, has introduced the practice of prayer breakfasts -- to bless the decision makers. Well may he pray for divine intervention, for the failures of Government have been many and for spiritual guidance they've invited an infamous mortal-cum role model.

NAMALIU: **Please welcome Sitiveni Rabuka and Mrs Rabuka...** (Applause.)

BERNARD NAROKOBI (Agriculture Minister): **Let us pray... thank you for brother Rabuka, we have often misunderstood him... In our desire for power and wealth, we neglect our people, we are greedy... We fight in tribal fights... no wonder the country has been brought to its knees. In Parliament we are seen as cats and dogs.**

**Oh Father, wash our people, cure payback.**

**Oh Lord, we pray for peace in Bougainville.**

**Amid wealth we are poor, we cry for help.**

A big wish list, indeed.

Papua New Guinea, for all its Third World problems, has resources that are the envy of first world economies. Gold, copper, oil, gas, fisheries and forests in abundance. Yet late last year it

faced a serious cash crisis, currency devaluation and float [of the kina] and faced the wrath of the World Bank and International Monetary Fund for unsustainable and high risk economic management. This isn't surprising at all to Sir Mekere Morauta, the head of the country's Central Bank until he was sacked by Prime Minister Sir Julius Chan.

**SIR MEKERE MORAUTA: Because I publicly disagreed with Chan and engineered his removal as Minister of Finance in 1994. Because he had prepared in 1993 and 1994 the most disastrous and most inappropriate budgets since independence. [Besides these factors there were also] the fiscal and social problems enveloping us with the closure of the Bougainville mine.**

This country is seen by everyone to be very very rich, yet why is it still so poor?

**MORAUTA: I am the only one who has not agreed with that statement for a long, long time. A true statement is that this country is potentially rich and I underline potentially. One of the problems we're facing now [is] why did we not make the necessary and immediate adjustment post-Bougainville? It's because this nation is under the spell of the statement that we are rich. So our riches will deliver us from the evils, from our own evils. [They] didn't. Where are we now?**

It's a question that many villagers want to ask their local members, politicians they hardly ever see. Where are the resource riches, will they ever see the benefits?

**KALA BOGAGU (Village magistrate): Nothing. When the election comes they come here to help us, give some money to youth. the people and the women's fellowship -- that's all we know.**

So they give you some money?

**BOGAGU: Yes, they gave about K1000 or K2000 to the women's fellowship and youth group.**

Before the election. After the election, do they give you anything?

**BOGAGU: Nothing at all.**

The villagers cry out for development, some new fishing boats... and a sewerage system a little more modern than this one. [Visual of outhouse over the sea]. Politicians are given a yearly electoral development fund to spend on such schemes.

The Electoral Development Fund began as a rural development fund. MPs were given K10,000 a year to spend on their electorates in self-help schemes to better the lives of the people. But over the years the fund grew to K300,000. It became a temptation and a trap. [Multiplying] K300,000 times 109 politicians is K32 million a year and now people are asking can the nation afford it any longer?

**BOGAGU: I think in some villages [the MPs] give to them but not in my village.**

Do you think it's a good thing that politicians have K300,000 every year?

**BOGAGU: We heard the news about the K300,000 but we don't know where this money goes.**

Postponed by four months and eagerly awaited by all, including the World Bank/IMF, the Budget that promised to cut the fat -- 4,500 public servants would lose their jobs, spending would be cut.

**WAYNE GOLDING (President, PNG Chamber of Manufacturers): It's a responsible Budget, we couldn't go on overspending.**

And what about that politicians' slush fund?

**SIR MEKERE MORAUTA: That should be eliminated absolutely immediately. But now they've added another K200,000.** [Morauta mistakenly said K200 million in the interview]. **Added K200,000. So each member will have half a million kina. Each Member will have K500,000 -- K300,000 is for him to spend on the projects that he conceives as priority to himself. The K200,000 is tied to projects that maybe provincial governments or electoral people, his electors, will elect. So he has K500,000.**

**SIR JULIUS CHAN (Prime Minister): No you have it all wrong. It hasn't increased.**

It may be a matter of interpretation. But most people agree, including the Australian Government, which provides K300 million in aid every year that the slush fund has gone up.

**BERNARD NAROKOBI (at the prayer breakfast): You all look so serious. What crime are you about to commit?**

And that's not a very funny joke in political circles these days. In the past ten years, politicians have been charged with misappropriating their Electoral Development Fund. It's become a disturbing trend.

For the past ten years, this man has been the bane of politician's lives. Sir Charles Maino was the Chief Ombudsman, until Prime Minister Sir Julius Chan had him replaced. Sir Charles is highly respected, and very outspoken, particularly when it comes to modern leadership.

**SIR CHARLES MAINO: Traditional leadership, I must say, is very strong. For instance, up in the Highlands we have a 'big man' system. This is a system whereby anyone from scratch, so long as he is wealthy, [becomes] a leader -- he's a big man.**

**He's a recognised figure in Highlands society. The question then -- sometimes I have been sitting back days and nights scratching my head in my previous job as Chief Ombudsman -**

**- has this sort of mentality had any effect on the current leadership at a political level? And I'm afraid to say, it tends to be.**

**They tend to think OK, back in the traditional society of the Highlands no matter how I acquire wealth, so long as I've got wealth, I am a man. Why not here now? In order to be a big man, I've got to be rich. A lot of young people today think that the only way to become wealthy is to become a politician. A lot of stupid politicians smile about such a statement, when they should take it as an insult.**

In the past ten years, the Ombudsman's Office has investigated 25 politicians. Fifteen have been charged with corruption, many resigned and so escaped prosecution, while ten went to jail.

Gabriel Ramoi works in the office of the Deputy Prime Minister. He has finished serving a two-year jail sentence for misappropriating his Electoral Development Fund. Several years ago, he was a young Minister for Communications and thought highly of as a prime ministerial hopeful. That was until he chartered an aircraft to fly two rock bands to his electorate, just prior to an election.

**GABRIEL RAMOI: [I did it for] two purposes. One, [it would] help raise funds politically, it would give me political mileage, it would make me look good -- there's a rock band playing in those places.**

**Second, members of these rock bands come from my electorate. The court said it was wrong, I could not possibly have used that kind of fund for that purpose and the interpretation was that these funds had been used to promote myself and getting into Parliament. It is wrong. You're not supposed to do that and as a result of that I went to prison.**

But the cases referred to the country's Leadership Tribunal reveal worse abuses than that.

In 1991, Deputy Prime Minister and Forests Minister Ted Diro was found guilty of 86 counts of misconduct in office, including receiving money from a foreign army general, benefits from foreign companies, lying to an inquiry into the forestry industry and misappropriating Government money. He resigned before he could be fined and dismissed.

In 1992, Tony Ila, MP, was found guilty of 42 counts of misconduct, including abuse of his Electoral Development Fund, using public money to pay his medical bills and misleading the Ombudsman's Office. He resigned before he could be prosecuted.

Then there was the famous case of the ex-ministers, Melchior Pep, Peter Garong, Timothy Bonga and Galen Lang. They'd written to the then Prime Minister, Rabbie Namaliu, seeking payment of money for various unauthenticated projects following their decision to voluntarily resign from the ministry just before a no-confidence motion in the prime minister. They allegedly committed political blackmail. They were recommended for dismissal.

And, recently, the case of Phillip Laki, [who was] found guilty on 25 counts of misconduct, including misuse of his electoral development fund. His dismissal was recommended.

**SIR CHARLES MAINO: I have named a number of leaders who have been prosecuted under the Leadership Code who I said should have been prosecuted under the Criminal Code for misappropriating public funds. Slush funds are public funds, therefore they should be prosecuted under the Criminal Code and these people should be behind bars.**

**For instance, with due respect to Phillip Laki who we prosecuted last March. He used about K800,000 of those funds to set up a wholesale in his province -- a couple of trade stores. Because the tribunal doesn't have the power to order the confiscation of these properties, the guy is enjoying the proceeds of his misappropriation. I bet he's still running the wholesale. I bet he's still running those stores, so he has suffered nothing.**

As Papua New Guinea enters its 20th year of independence and loosens its ties with Australia, like Australia it is seeking closer ties with Asia. A few years ago this motto translated into Government policy. It was called 'look north' and its architect was the then Prime Minister Paias Wingti.

**PAIAS WINGTI (Opposition Leader): That is where our future is in terms of trade, in terms of investment. So when I decided to take that position, I took it on a bigger scale, looking at the future of this country in the region.**

**We belong to this region and we have to live with Indonesia, we have to live with China, we have to live with the Asian countries -- and Australia and New Zealand are now doing the same -- so we made the right decision.**

But there are members of the established business community of Papua New Guinea who are questioning the decision. They won't say it publicly, but certain economists and even the Ombudsman's Office have been questioning projects negotiated with Asian partners.

For example, Halla Resources, a South Korean company, was granted a cement manufacturing monopoly. They were allowed a total import ban and a guarantee of 15 per cent profit above production costs. Why do this?

**JOHN MILLETT (Director, Institute of National Affairs): Would you like me do this without becoming angry or...**

Economists like John Millett say this development theory of pushing to industrialise despite the costs which was popular in the 1950s and 60s and since fallen into disfavour, is now being resurrected in PNG.

**. MILLETT: Unfortunately that sort of analysis doesn't take into account the jobs in the rest of the economy that will be killed off by introducing inefficient industries which tend to raise the general cost and price level in the economy. For example, the project you**

**mentioned, cement. When we switched to local production there was roughly a 50 per cent increase in price.**

Yet another curious example is the decision to grant a Malaysian company, FIMA, a tinned mackerel monopoly. Tinned fish is an important part of the local diet and the cost has already risen since the kina's devaluation and float.

**MILLETT: The only trouble is that it's a cold water mackerel so we're going to import the basic raw materials and of course we have no steel industry so we'll have to import the can that we put the imported raw material into. So the local value added is quite small and, unfortunately, the consumer will probably have to pay a substantially higher price for it.**

In Port Moresby, work is underway for housing for the country's armed forces valued at US\$55.5 million. The contract went to a Malaysian company without going to tender. All the materials are imported from Malaysia and neither the company nor its expatriate staff pay tax. Some bureaucrats will insist that this is an aid project because US\$5.5 million was donated by the Malaysian Government but the other \$50 million was borrowed from four Malaysian banks.

The Ombudsman's report slammed the project, saying the people of PNG will be paying for this for many years to come. It should have been vetted by a parliamentary works committee and approved by Parliament first. So how did it get through?

**SIMON PENTANU (Chief Ombudsman): I guess it was a decision, a very political decision, so it was a matter that was decided at a political level without going through the required procedures at all.**

**So for that to happen was there a finding that perhaps there is corruption on the scale of money being taken to push the project through?**

**PENTANU: There have been suggestions -- and everyone I know can only conclude that someone must have benefitted from that kind of deal.**

Business leaders in PNG privately express concern at the change in doing business. One prominent identity said the importation of this practice from the 'tiger' countries of Asia is known as 'bribenomics'.

This form of economics entails four criteria. First, the cost of facilitation -- it cuts the red tape. Second, it must be of nationalist benefit to the country. Third, the benefits must be from the top to the bottom, and last it must not be a burden on the people. When these [factors] aren't met it ceases to be bribenomics -- it's just plain corruption.

**PENTANU: Bribenomics is already in PNG and I think it's a concern to a lot of people.**

**SIR CHARLES MAINO: I've been hearing that if you put Somare's head in a passport and hand it over the counter, [there is] no problem [for] you getting a visa.**

How much is Somare's head?

**MAINO: Somare's head is a 50 kina note.**

And even a work permit...

**SIR MEKERE MORAUTA: It's got to a stage now [when] I think it would be fair for me to describe corruption as both systemic and systematic. Systemic because it has invaded the whole process of policy making and decision making. It has drowned the whole system, so it's systemic. It's systematic because it's organised.**

**You talk to private sector people here, particularly [those] you call the whiteys and none of them will say this publicly because they will be deported. Nothing goes through cabinet without a minder approaching you and saying, 'Hey, K100,000 ? K200,000 kina? Because I can make sure that your submission for a licence to do this, or approval to do that, would be organised.' But there's a price. Everyone talks about it.**

There seems to be a lack of respect for the institutions of government?

**SIR JULIUS CHAN: In Queensland, you also have corruption. In the end, we're all human.**

Far away from the major cities, there's little development. The villagers struggle on in very much the same way they have been for decades. But lately they've found that the resources on their tribal land are very much sought after by foreigners from countries in the north.

The most keenly contested sector is forestry. At the moment it is Asian-dominated, and of the Asian companies the Malaysians are the most active. They've been negotiating contracts directly with the landowners. Contracts that the World Bank says are unfair. Many of the landowners are unaware of the true worth of their assets and are new to negotiating business deals.

**SIR PAULIAS MATANE (elder statesman and author): We invite people to come here and make arrangements sometimes with the village people. Give say K300,000 to a group of people -- just cut, cut, cut. They don't care if there is deforestation or something, they just go and cut. Then they take the timber away. And I asked them, 'Do you really want to receive this K300,000 from these foreign people to develop your area?' They said: 'Yes'.**

**I said: 'Why?'**

**'This is a lot of money.'**

**Yes, it's true. It is a lot of money to the people in the village. But when we had a look at the timber and we made some very rough calculations we found that if they harvest the trees by themselves -- cutting only the trees they need and leaving the others so that the environment is intact -- if they did this, they would make K63 million.**

**And nobody tells them this.**

The province of West New Britain accounts for 70 per cent of all the country's log exports. But there are great social divisions developing as a result of this industry.

At the premier's office in the capital Kimbe, there's a steady stream of disgruntled landowners. Some landowners feel the less aware members of their communities have signed away resources without regard to the future.

FRANCIS AMON (a landowner): **Unfortunately, the people are not seeing the real benefit of the forest industries. [It is] kind of going only [to a] very few people who are really benefitting from it.**

So what has this done to the society -- some people getting money [while] others are getting nothing?

AMON: **For a start I see we have a kind of class system existing within the logging operation. You have the ordinary people down there and the managers up there -- way up there. That's the problem.**

Francis Amon is the nephew of Andrew Posai, also a landowner, who until a few weeks ago was the Forests Minister. At that stage [Posai] denied he had a conflict of interest, and was lobbying to change the the Forestry Act in order to fast-track logging projects. He also downplayed allegations of corruption that were made against him.

ANDREW POSAI (sacked Forests Minister): **I don't think it's such a very important issue that it can be referred to the tribunal. I believe in that. I know, for sure, that I can come out of it whether [or not] it's referred to the tribunal. I will still come out of it, but it's all politics.**

Andrew Posai has been referred to the leadership tribunal on 30 counts of corruption -- including the diversion of public money to a company in which he had an interest, and failing to furnish the Ombudsman's Commission with details of his electoral development fund spending.

He is one of two politicians currently facing the Leadership Tribunal. [In July 1995, Posai was found guilty on 30 counts of misconduct or misappropriation in office. He was dismissed from cabinet and the commission was forced to discontinue its investigation.]

The forestry portfolio has now been taken over by Prime Minister Sir Julius Chan.

The largest forestry company is Rimbunan Hijau, which is believed to control more than half of all logging licences. It is also responsible for the majority of complaints as well. Most of these seem to fall on deaf ears, but recently the Department of Environment and Conservation followed through [on their complaints].

TIM NEVILLE (former Forests Minister, 1992-94): **They came up with 22 cases of breaking the conditions under their permit and some of them are very serious.**



**As a matter of fact, they'll all really serious. One was that they haven't been doing any reforestation; they have been logging immediately around a protected lake, alongside streams; and they're supposed to stay back within a certain number of metres. They were going right up to the stream and going through it.**

Dateline sought to secure an interview with the PNG managing director of Rimbunan Hijau, Francis Tiong. He declined.

**POWES PARKOP (lawyer, Individual and Community Rights Advocacy Forum, ICRAF): I think Asian business and Asian culture has very limited social responsibility. Subjected to other concerns, it is purely business -- it's a very crude operation. We are here to make money and that's it. Never mind the social impact. Never mind the cultural impact.**

**And the criteria is only money and this is a problem in itself -- [as] we will start beginning to see things only in that criteria. Money, money, money.**

We returned to Rimbunan Hijau with another request. We wanted to ask questions -- about breaking environmental guidelines; about not engaging in reforestation, about breaking promises to landowners; and about engaging in divide and rule tactics in negotiations with traditional groups. After several weeks of requesting the company, it suggested a spokesperson. Curiously they suggested the Malaysian High Commissioner.

**M. SANTHANANABAN (Malaysian High Commissioner in Port Moresby): If any timber company, including Rimbunan Hijau, [is] guilty or found to have contravened any of the laws in the country then it is for the PNG authorities to take action against them. It does not help to make these allegations and not follow up on them.**

The Malaysian High Commissioner claims the Malaysian companies are here for the long haul, not just for the quick profit. Rimbunan Hijau has set up its own newspaper, The National, known by some as the 'daily log' to rival the other daily, Australian-controlled Post-Courier. Malaysian companies are now into food processing, banking -- and even buying tea plantations. And there are quite a few PNG nationals who are becoming concerned.

**TIM NEVILLE: They're just becoming spectators in their own country and they don't realise we're going to have a situation -- I give it probably another 10 years -- very similar to Fiji which is predominately run by the Indo-Fijians and they control the power as far as all economics is concerned in Fiji.**

Walking down Chinatown? The PNG leaders of the past few years have watched the tiger countries of Asia and are seeking to emulate them. But the tiger countries have different political and value systems. There is a growing fear that PNG will be pushed into Asia too quickly by its eager politicians and to the detriment of its people.

The new Chief Ombudsman is former parliamentary secretary Simon Pentanu. Mr Pentanu's greatest concern at the moment is the lack of accountability of the leaders. He also wants better

security for his staff who are constantly threatened. And more money to investigate because the guilty are becoming more sophisticated at covering their misdeeds.

**SIMON PENTANU: I'm looking at the assistance of AusAid, hopefully, to visit Australia -- specifically Canberra, NSW and Queensland -- where you have ICAC to establish some contact. So at least we can -- I mean it's not only a regional problem but an international problem -- so we can co-operate in the sharing of this kind of information.**

Dame Josephine Abaijah was the first woman elected to the PNG Parliament. Today there are no women in the House. Why not?

**DAME JOSEPHINE ABAIJAH: I maintain that I will not give money to somebody to vote for me. So I think that's one big reason. The men can get money, the men can bribe. We are finding it very difficult for women to go around bribing people. I think this is where the country is going nowhere because here there is a lot of bribes, there is a lot of corruption, something that women don't want in this country.**

The nature of PNG politics is such that regular no-confidence motions limit the lifespan of any Government. That means politicians face many elections and in PNG less than 60 per cent are ever returned. Therefore they're in for a short time and some make the most of it.

**CHRIS HAIVETA (Deputy Prime Minister): There is a loss of faith. That has happened because the institutions are not functioning effectively. For institutions to function effectively, you do not need just only politicians. You need the public service, and also the people, and both the people and the public servants and the politicians have to understand how the institutions function. And in many cases where such instances have happened there has never been any marriage between the two groups.**

The Public Services Commission at independence was an independent body. Since 1986, it has been answerable to the Government of the day. And this has left it open to abuse. As politicians rewarded cronies and relations -- the wantoks -- with prized jobs in their departments, it has set into motion a bureaucratic malaise.

**NAPOLEON LEOSI (Public Employees Association): If you're in power you want someone to simply say yes to you and anybody who reasons with you is not worth employing. And that also is affecting the public service. So we're weeding out people that should be in the system and bringing in people that should not in the first place be considered for employment.**

In the meantime, the law and order situation is a disaster. So much so, that capital punishment is once again on the agenda.

**LEOSI: Broad daylight killings at gunpoint. It's a daily happening. We live in cages and inside fences. What is happening?**

**DAME JOSEPHINE ABAIJAH: Now women can't go from their homes to their gardens because of fear of being raped. It's unfortunate. I don't want to paint a picture that is**

**negative -- this is my country and when I talk about it I want to give a good picture of it -- because I want to be proud of it. But how can I be proud of it when these are things that are happening?**

For many leaders there is a direct correlation between the increase in corruption and the increase in crime. If those at the top can do it, then there is nothing wrong with those at the bottom, with far less, doing the same. But the fears grow of a more menacing connection.

**SIR CHARLES MAINO: It's one of the fears I have and I hope that some of our political leaders, our politicians, don't go to that extent and lose their heads just for power and perks and privileges. And in order to stop anyone from competing against them. I hope they're not going to use these so-called youth groups as gangsters to get rid of those who may be potential [threats].**

Papua New Guinea celebrates 20 years of independence in September. This resource rich country has just signed a deal to develop the billion dollar Lihir project -- the biggest gold mine outside South Africa. But this country cannot boast about having the highest maternal mortality rate in the world.

In the past few weeks, representatives of the World Bank and International Monetary Fund have been in the country negotiating a bail-out package with the Government -- the budget may have been passed early in March, but so far there is no agreement. The Opposition is concerned that the Government will seek 'funny money'.

**CHRIS HAIVETA: We have our traditional friends but we must as a country not put too many of our eggs in one basket and allow the World Bank, the Australians or anyone else to dictate to us how this country is going to be run.**

**SIR CHARLES MAINO: I think what we need is a coup. With due respect, I was glad that the Prime Minister of Fiji was here to talk to them. I think what we need is a coup in Papua New Guinea. We really and truly need a new direction of leadership.**

Two weeks ago Prime Minister Sir Julius Chan met Prime Minister Paul Keating in Cairns to seek help. Wanting an advance in aid money to see them through their economic crisis, they got a conditional promise, but Australia hinted it should not be asked again.

Papua New Guinea has moved in new directions. It has established new economic ties and forged new relationships. Two decades into independence, its people will be hoping that its leaders are making all the right moves.

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• *An edited transcript of the report by Helen Vatsikopoulos. It was broadcast on SBS ♦s Frontline on 6 May 1995. It was later broadcast on EM TV, Port Moresby, on 15 May 1995 amid controversy.*