

***Speech to World Ethics Forum
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Background: Papua New Guinea

Papua New Guinea has only 30 years experience of managing its own house. It has a relatively small population, 5.5 million, made up of thousands of different tribes with their own cultures and speaking over 800 languages – roughly one quarter of the world's languages. The level of literacy is low - around 60 per cent. Some tribes and some parts of the country still are isolated. There are 20 provinces, with their own governments, but the National Capital is connected by road to only two of those provinces and even then, to only limited parts.

The political scene bewilders most observers. For example, the last election was contested by over a thousand independent candidates and 50 registered political parties, 20 of which (along with 10 Independents) won seats in a Parliament of 109 Members. The party system is still weak; people vote for individuals, not for parties or party policies.

Coalitions of multiple parties present a Prime Minister with an unenviable job of satisfying different and at times conflicting interests. Allegiances regularly change, depending on individuals' access to power. The result is a number of parties with some members on government benches, some in opposition, and some half way between.

This disparate environment and complex combination of factors suggest the challenges to good government and good governance.

Why Politics?

I entered politics after a long time in senior positions in the civil service and the financial sector, because scope for influence over decision-making and change had shifted decisively to the political arena.

I became Prime Minister at a time when:

- decision-making processes had weakened considerably, allowing interest groups to exercise undue influence;
- frequent changes of government had led to decisions being taken primarily for political reasons;
- the important institutions of state were foundering;
- the economy and public finances were sliding towards bankruptcy and the currency was facing inconvertibility;
- multilateral agencies had withdrawn and major bilateral donor governments were considering withholding support;
- the country was on the verge of collapse.

Priorities as Prime Minister

I therefore set about a programme of economic, financial, political and public sector reform.

Decision Making Processes and Strengthening Important Institutions of State

It was obvious that, as a first step, appropriate and proper processes and structures to guide decision-making had to be re-instituted: processes and structures which were predictable, clear and widely understood. The procedures followed by the Cabinet Office were reviewed, and a Central Agencies Committee established to coordinate consultation and relevant advice on all submissions.

Other important institutions were strengthened:

- the Treasury, and the integrity of the budget process;
- the Central Bank, its independence and its supervisory role over the financial sector;
- the sticky fingers of Government were severed from the operation and the financial resources of superannuation funds;
- the Ombudsman Commission was given greater resources and its independence respected;
- a programme of improving conditions of service of law enforcement agencies was commenced, in the hope of making them less open to corruption;
- a programme to recruit some judges from abroad was planned, to strengthen the impartiality of the judiciary;
- targeted restructuring of the costly and ineffective public service commenced; and
- a programme of removing state involvement in the commercial sector, which had been a fertile ground for corruption was begun.

Political Reform

On the political front, constitutional amendments to strengthen the integrity of political parties and candidates were passed.

These included a requirement for parties to have and follow constitutions, which had the effect of law; to file annual financial returns and to elect office bearers with statutory obligations; a requirement for parties and candidates to reveal the source of all contributions and account for all campaign expenditure; a limit on individual and corporate contributions to any one party or candidate; and measures to prevent individual Members of Parliament from jumping to different horses for political expediency. Thus members of a party were locked into remaining with that party except in specified circumstances, and were obliged to vote in accordance with resolutions of the majority of party members on election of a Prime Minister, votes of no confidence, the budget and on constitutional amendments.

The result of these last measures is that for the first time a Government will see out a full five year term.

Electoral Reform

Limited preferential voting was also introduced, again by constitutional amendment, to ensure that those elected represented a majority of the electorate. Under the previous first-

past-the-post system, many Members of Parliament had been elected with less than 5 per cent of the votes cast.

International Engagement

As far as interaction with the outside world was concerned, I saw value in re-engagement with the World Bank, International Monetary Fund and the Asian Development Bank, and establishment of a group of bilateral donors that became known as the “Friends of Papua New Guinea”. Through open discussion, they saw that the reforms being pursued were appropriate, and worthy of support.

These then were the kind of changes and mechanisms I saw as fundamental to engender and buttress a sound and fair decision-making process.

Some of the measures introduced are working. Others are not being enforced, for example the measures to stop MPs from constantly moving sides, (explaining my earlier comment about parties being on three sides at once). Generally, there has been no new reform, nor strengthening of the changes I introduced.

The path of reform was not always smooth. I faced two army mutinies and a violent student uprising, all engineered and led by political opponents of change.

Personal View on Ethics and Leadership

If asked what guides me personally when making decisions, I suppose there are three simple tests I always, consciously or unconsciously, set myself:

1. Does the decision benefit the majority?
2. If the decision is challenged, am I confident of convincing the public that it was the best decision and in the national interest?
3. Is my conscience clear?

How can International Organisations Help?

I conclude by offering some suggestions on ways that international organisations and friendly governments might help leaders in developing countries who choose to fight corruption.

Three areas I see as of importance.

First, in efforts to support reform or reduce corruption, multilateral and bilateral organisations should consider linking their programmes. Bilateral donors tend to shy away from sensitive areas, not wanting to create ripples and harm their longer term overall interests. Bureaucrats representing multilateral agencies can generally afford to be more severe. There can be value for both the recipient country and the donor if bilateral support for reform and anti-corruption is used in concert with multilateral assistance. In Papua New Guinea’s case, I was able to convince Australia, New Zealand, Japan and China to link their support to World Bank and ADB assistance. This proved effective.

Even for the multilaterals, it can be difficult to take on corrupt governments and remain welcome. The Bank and the Fund had withdrawn from Papua New Guinea during the regime which preceded my Government. This removed any semblance of discipline over the

Government, and deepened the crisis. Had the Bank been just one of a group of organisations acting together, it might have remained.

Similarly, in-country groups, such as NGOs or a national chapter of Transparency International need the support of a network of agencies, both domestically and internationally. On their own, they can be vulnerable, but if their efforts are supported by a wider group, it provides a broader coalition of support for leaders trying to fight corruption. Widespread exposure of corruption and corrupt activities might help prevent such activities from becoming systemic, particularly if exposure is followed by condemnation from governments, agencies and people important to the particular government and country.

The second point is that organisations like the Bank really have to examine their own practices, programme conditions and staff members, to assess whether their efforts are helpful to reformist and ethical leaders. This has been a real issue in Papua New Guinea. A World Bank staff member resigned to become the chief adviser to my predecessor. Many of us who despaired at that regime saw him as *persona non grata*, long before the Bank did.

During my time, the resident consultant appointed by the Bank to manage its programme proved to be extremely obstructive and thwarted the effort of reform, running his own agenda and insisting on approving everything, no matter the subject or whose resources were involved. It took some time for the Bank to be convinced of the problem.

Reinforcing my earlier point about the value of agency coordination, right now we have a bizarre situation. The World Bank is again out of favour, having effectively withdrawn from the country over the Government's questionable forestry policy; the ADB is tolerated because it is keeping quiet and spending money; while the Government takes heart from IMF praise of reduced deficits and improved level of foreign reserves. The latter are facts, but not the result of any ongoing structural reform. They are the result of across-the-board budget reductions and, most importantly, of unprecedented high prices for oil, gold, copper and palm oil. At the same time the size and appetite of the public sector remain unchanged, basic government services are under-funded, public infrastructure is crumbling, and corruption appears widespread.

I urge international organisations not only to work together, along with bilateral donors, in helping countries fight corruption, but most importantly, rather than individual spasms of intervention, support wider programmes of reform - programmes aimed at strengthening systems and processes and those institutions whose increased effectiveness might minimise corruption from happening in the first place.

Given that some slippery fish will still swim through the net, and should be caught, it is also important to give help in specific areas to organisations responsible for law enforcement and anti-corruption functions. In Papua New Guinea's case, the Ombudsman Commission, Public Prosecution, Police Prosecution and the Judiciary would benefit from such assistance, particularly in technical areas. Papua New Guinea does not lack laws or institutions to fight corruption and prosecute offenders; it lacks enforcement of those laws and resources for those institutions.

In my time a Commission of Inquiry established a clear case of large fraud and abuse of superannuation funds. Four years later, not one case has been successfully prosecuted. The Ombudsman Commission is currently under attack from leaders, its very existence even

threatened, for fearlessly doing its job. A number of government ministers and other leaders have recently been referred for prosecution. The question is whether the police, prosecution and judiciary can play, and will be allowed to play, their parts.

Ultimately, sending a corrupt leader to jail is probably the most effective medicine that can be administered. I know that most people in my country would welcome it.

Thank you.