



CDI Policy Papers on Political Governance

2007/02 *The Use and Abuse of Electoral Development Funds and their Impact on Electoral Politics and Governance in Papua New Guinea*

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Executive Summary

The Electoral Development Fund (EDF) is one of several “slush funds” available to Papua New Guinea (PNG) parliamentarians for pork-barrel politics. These development grants, annually handed out to 109 electorates through respective Members of Parliament (MPs) under various district improvement programs, have had a significant impact on electoral politics and governance in Papua New Guinea. Such “handouts” from the state are often invested in personal networks to secure support for large-scale group enterprises (business, elections, warfare, ceremonial exchange). Politicians rely on localized support bases to win elections and thus tend to devote much of the resources at their disposal to their strongholds, to the exclusion of the wider electorate. The disbursement of the EDF is no exception. Critics argue that the EDF promotes corruption, nepotism and bad governance, while supporters argue that the EDF is the only effective mechanism for allocating development grants to remote parts of the country. The truth probably lies somewhere in between. Despite the controversial nature of the scheme, the EDF has been maintained under the same loose guidelines for 25 years. Neither critics nor supporters have backed their arguments with detailed studies on how discretionary funds have (and have not worked), as part of the wider game of electoral politics in PNG. This has made it difficult for policy-makers to formulate and implement reforms. The current paper aims to rectify that situation by providing fresh information on the use and abuse of slush funds in Papua New Guinea.

This paper outlines the history of slush funds, then examines the impact of the EDF on electoral politics and governance in order to determine whether such funds have achieved any of their objectives or whether they have just become a vehicle for corruption, and finally provides several policy options for future reforms.

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The CDI Policy Paper series focuses on pressing issues of political governance in the Asia-Pacific region. The series publishes original papers commissioned by CDI, each of which deal with important issues for policymakers interested in issues of democracy, governance and political institutions. The papers feature new research and policy recommendations, and aim to forge research-to-policy links and provide new insights and analysis on subjects of concern to CDI.

Under the current rural development programs, about K272.5 million is allocated, each year, to districts: K500,000 in provincial and district support grants for each of the 109 MPs; and a further K2 million each for the 89 open electorates (districts) and 20 provincial (regional) electorates under various other grants (including district improvement programs for roads, transport infrastructure, education, health, law and justice, and water supply). Fifty percent of the EDF (district support grants) is spent at the MP's discretion on any project, while the joint planning and budget priorities committees

for each electorate are responsible for the disbursement of the non-discretionary component. The composition of these committees raises serious questions of accountability. The respective government departments are responsible for the administration of the other grants for sectoral programs. Politicians and bureaucrats are required to comply with the Public Finance (Management) Act in the disbursement of these funds, but the evidence presented in this study indicates that this law and the Office of Rural Development financial management guidelines and procedures have been breached on a number of occasions for political expediency. In May 2007, for example, the Somare Government paid out K90 million in EDF grants, in spite of an Ombudsman Commission directive that no further payments are made until MPs account for previous allocations. Only 14 MPs had submitted their acquittals for 2006, while 95 parliamentarians had failed to account for K190 million allocated under various programs.

The evidence shows that PNG parliamentarians have misappropriated hundreds of millions of kina intended for

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projects in their electorates. Various slush funds have been created — and controlled by government ministers — to facilitate the systematic looting of development grants to enrich themselves and to use in pork-barrel politics. Calls from international financial institutions, anticorruption agencies, and from local civil society organizations for the abolition of slush funds have been ignored, principally because of the increasing significance of such funds in electoral politics. Cash crops cannot be taken to markets and government services no longer delivered because physical infrastructure in rural areas has collapsed, as money meant for transport infrastructure, basic health, primary education, and primary industry are frequently siphoned off by corrupt politicians and bureaucrats.

The PNG Ombudsman Commission, however, has been exceptionally diligent in investigating and referring corrupt leaders to the Public Prosecutor for prosecution. An overwhelming majority of leaders charged under the Leadership Code for misconduct in office were charged for misappropriation of electoral development funds. This study presents 41 cases of successful prosecution of parliamentarians, comprising 20 government ministers (including seven deputy prime ministers) and nine governors — with 35 convictions — which is a disturbing trend in a small country with a parliament of 109 seats. Even more worrying is the large number of corrupt leaders who have either escaped punishment all together or been subject to very soft penalties. The lack of resources and political will to tackle corruption has contributed to the widespread abuse of public funds. Like international aid donors, many prominent PNG leaders have suggested that slush funds provide an opportunity for corruption, and that their abolition would indicate a commitment from the government that it is finally serious about weeding out corruption. Catholic Bishop's Conference President Archbishop Karl Hesse, Transparency International (PNG) Chairman Mike Manning, and former Chief Ombudsman Commissioner Charles Maino have consistently linked slush funds to corruption. The new government would do well to heed the advice of civil society leaders and show some real commitment by taking appropriate steps to eliminate corruption in public office.

In spite of the incontestable evidence of abuse of slush funds and the exceptionally high number of leaders prosecuted for misconduct in office, it would be wrong to assume that all PNG politicians have corruptly benefited from slush funds. There are notable exceptions — beacons of hope — in Rabbie Namaliu, Lady Carol Kidu, Bart Philemon, John Hickey, Peter Barter and a few others. The former MPs for Kokopo (Namaliu), Hagen (Paul Pora) and Western Highlands (Robert Lak) are among a small group of leaders who have used their EDF in a transparent and

accountable manner. We can draw from such success stories to improve the system so that public funds are effectively used for rural development, unimpeded by corruption. The options for policy reform offered in this paper are designed: (a) to eliminate wastage of scarce resources; (b) to ensure efficiency in the delivery of government services; (c) to promote good governance (transparency and accountability); and (d) to protect the integrity of our leaders and that of public offices. The ultimate aim is to restore confidence in state institutions — especially by strengthening state capacity for policy implementation — so that ordinary citizens can feel safe enough to send their children to school, conduct business in a lawful manner, participate in state-sponsored activities and, above all, accept elected leaders as having the right to govern the country.

Introduction

This policy paper contains the findings of a study commissioned by the Centre for Democratic Institutions (CDI) at the Australian National University (ANU). It is principally based on field research in Port Moresby (comprising interviews with government officials and civil society leaders) and newspaper reports on Ombudsman investigations and prosecution of parliamentarians for misappropriation of electoral development funds and other breaches of the PNG Leadership Code. The study also benefited from audience responses after presentation of the preliminary findings at the ANU's PNG Update sessions in Port Moresby, Kokopo and Alotau in April 2007.

A steady stream of leaders found guilty of corruption and mismanagement of public funds reinforces a common perception that politicians and bureaucrats are abusing electoral development funds and other government grants. While the International Monetary Fund (IMF) and the World Bank have been especially critical of slush funds, and civil society organizations have condemned the immoral actions of leaders, and the courts have shown no leniency to corrupt leaders, voters nevertheless tend to quickly forgive tainted leaders by sending some of them back to parliament. This practice seems to indicate conflicting value systems. Are state institutions and the small-scale Melanesian societies operating under parallel moral realms? The wider governance implications of the entrenched political culture are beyond the scope of this paper to deal with in a comprehensive manner. Instead, the paper seeks to explore accountability and transparency issues by focusing on the impact of electoral development funds on electoral politics and governance.

This paper is divided into three sections. Section 1 outlines the history of slush funds in PNG, by examining the arguments made by both sides of the debate, and by analysing the cultural and political contexts of the use and abuse of slush funds. Section 2 contains a discussion on slush funds, with reference to the Office of Rural Development guidelines for the administration of these funds. Numerous cases of successful prosecution of leaders under the Leadership Code for misconduct in office are presented to indicate the extent of misappropriation of public funds and its impact on governance. A number of success stories on the use of the EDF are also examined to determine the impact of slush funds on rural development and electoral politics. Finally, Section 3 discusses the lessons that can be learnt from the experience of slush funds in PNG, and offers some policy options for future reform.

Section 1 | Background on Slush Funds

1.1 Introduction

In an environment where politicians are becoming increasingly unpopular around the world, Pacific Island politicians have found ways to enhance their status through electoral patronage and pork-barrel politics, perhaps emulating the behaviour of their well-heeled counterparts in Australia, New Zealand and the United States of America. Pacific Island parliamentarians have quickly learnt that political patronage creates obligations that can easily be converted into votes during elections. By establishing 'slush funds' that are administered under loose sets of guidelines, politicians have awarded themselves electoral development funds, some of which they can use at their discretion, ostensibly because of their specialist knowledge of the development needs of their electorates.

Supporters of the discretionary fund initiative argue that the allocation of slush funds enables MPs to assume their proper role in community development planning and budgeting. They say that the funds allow them to perform their duties more effectively, without being impeded by complicated bureaucratic and financial management procedures. And, because state agencies have failed to deliver services to people in rural areas, politicians believe that they have a special moral (and legal) obligation to provide services to disadvantaged communities. Of course, politicians do know their electorates well and understand the problems that their voters face, so it makes both political and economic sense to make funds available under discretionary programs so that they can deliver services to their people. Unfortunately, this does not always

happen, and when it does happen it often does so under partisan lines, whereby one local group is favoured over others.

Critics of slush funds argue that the availability of large sums of money encourages “corruption, cronyism and non-accountability” (Ben Reilly, personal communication, 5 December 2006). Slush funds, labelled variously as Electoral Development Funds (EDF), Rural Action Program (RAP) Funds, or Parliamentary Discretionary Funds, have been abused in PNG (as evident in various Ombudsman Commission reports), and also in the Solomon Islands, Vanuatu, FSM and the Cook Islands (see Crocombe 2001). But there are also some success stories that are worth telling: a number of PNG politicians (including the former Members for Kokopo and Hagen Open) have established useful community development projects, mainly through project coordinating committees that they set up to manage electoral funds. The arguments put forward by both sides of the debate provide a useful starting point for any analysis, but for this study, we need to go beyond this to understand the socioeconomic, political and cultural contexts in which slush funds are used and abused by PNG politicians and bureaucrats.

1.2 History of slush funds in PNG

The idea of MP slush funds started in the early 1980s, with firebrand Chimbu politician Iambakey Okuk getting sectoral funds for transport (during his tenure as Deputy Prime Minister and Minister for Transport and Civil Aviation), while his National Party colleague, Roy Evara, (MP for North Fly and Minister for Agriculture) gained sectoral funds for agriculture. In an attempt to stop the abuse of sectoral funds, parliament decided to give MPs something to play with outside of the normal procedures for managing public funds. This crucial decision seems to have been made in some haste, without due consideration for its ramifications. The parliamentary discretionary funds kept increasing over the years — from K10,000 in 1984 to K1,500,000 in 1999 — until Sir Mekere Morauta stopped it in theory, but allowed the scheme to continue unabated under a new name (despite great pressure from the IMF and the World Bank to have it abolished).

Veteran PNG politician, Sir Peter Lus, who represented Maprik Open in the National Parliament for eight consecutive terms (1964-2002), is credited with the dubious honour of introducing the Electoral Development Fund in PNG (Rynkiewich 2000). When first established in 1984 by the Somare Government, each MP was allocated K10,000 annually to spend at his or her discretion on any community development project

within his or her electorate. The value of the EDF has increased considerably over the years — K100,000 in 1993, K300,000 in 1994, K550,000 in 1996. While EDF allocation (Provincial Support Grants) for the 20 Provincial MPs remained at K500,000 each, the allocation (District Support Grants) for the 89 Open MPs rose dramatically to a staggering K1.5 million each in 1999, in the final months of the tumultuous Skate administration before its implosion. This amount has since been reduced to K500,000 by the Morauta Government, following public outcry. One would think that half a million kina is still a considerable amount of money handed out to both Open MPs and Regional MPs as District Support Grants and Provincial Support Grants, respectively, under the Rural Action Program. But it seems this is not quite enough for MPs, as there is a proposal for the amount to be increased to K1,500,000 again.

It is important to note the political events surrounding the substantial increases in EDF funds over the years (especially between 1993 and 1999). All increases were in response to pressure from the government backbenches. Government MPs threatened to join the opposition to topple the government through votes of no-confidence. To placate disgruntled MPs, the Wingti Government made two significant increases in the EDF in 1993 and 1994. And to remove the threat posed by a vote of no-confidence, Paias Wingti devised and executed an ingenious strategy to secretly resign and get himself re-elected by parliament on the same day that he announced his resignation. The opposition was stunned, initially, but later recovered to seek a ruling from the courts on the constitutionality of the move. This strategy was an attempt to gain Wingti an additional 18 months of immunity, which would have guaranteed him a full five-year term in office. But the National Court ruled in September 1994 that Paias Wingti's resignation and re-election was unconstitutional. As a result of this judicial decision, deputy Prime Minister Sir Julius Chan, took over as Prime Minister. Like Wingti, Chan increased the EDF in 1996 in an attempt to fight off a no-confidence motion.¹ Bill Skate became PM after the 1997 elections and, when his 18 months 'grace' period was over, he, too, faced a motion of no-confidence. Like his predecessors, Skate, in a desperate attempt to avoid the vote on the floor of parliament, made the substantial increase in EDF to K1.5 million in 1999. This decision was made in spite of the fact that PNG was facing a fiscal crisis that year, which resulted in massive cuts in budget allocations for universities and zero funding for

¹ Chan was implicated in the Sandline crisis, in which he was accused of hiring South African mercenaries to neutralize rebel leaders in Bougainville, and was forced by the military to resign in 1997 and subsequently lost the election (a poll that also claimed Wingti's seat).

state research institutes (including the National Research Institute (NRI), National Agricultural Research Institute (NARI), and the Institute of Medical Research). The evidence shows that all attempts to avoid votes of no-confidence and to prolong tenure of government have ultimately failed — which seems to contradict the argument that the EDF has enabled the Executive to successfully buy off the Legislature (but see discussion on *the debate on slush funds*, below).

The Office of Rural Development (ORD), the government agency responsible for the implementation of the Rural Action Program, has produced guidelines for the assessment of acquittals and disbursement of EDF funds, but the large number of politicians found guilty of misappropriation of EDF funds suggests that something has gone wrong somewhere. An explanation for this may be found in a former MP's assertion that politicians are legislators, not accountants, so it is unreasonable to expect them to be diligent in bookkeeping, especially when adequately trained personnel are not made available to them (John Momis, personal communication, December 2006). This is an important point to which I return later (see section 2.1 for a detailed account of ORD guidelines for the management of slush funds).

1.3 The debate on slush funds

The points made in support of slush funds and those against them require further examination. The following statements by ANU academic Dr Ben Reilly and the PNG branch of the international anti-corruption agency, Transparency International (TI), are quoted here to contextualise the discussion in the succeeding sections of this paper.

The funds were originally envisaged as a useful initiative for utilising a sitting member's intimate knowledge of local needs to by-pass bureaucratic bottlenecks and fund roads, bridges, and other basic infrastructure where they are most needed in an electorate, thus (presumably) increasing overall living standards and cohesion. Instead the provision of such direct funding has more often served to reinforce fractionalisation at the electoral level, as funding is widely expected to be a 'payola' from the winning candidate to reward and reinforce clan support (Reilly 1996:69).

Critics contend that the program exists to 'buy off' the support of the Legislature by the Executive, and that the monies have been brazenly misappropriated or mismanaged with virtual impunity by MPs. Supporters just as vocally contend that the PNG public service machinery simply does not deliver basic and essential public services,

and outside the main cities the only impact of public expenditure is felt through the District Support Grants (TI-PNG 2006:1).

Similarly, Ombudsman Commission investigations, newspaper reports and academic publications suggest that the EDF scheme has, in the main, not served its purpose. The EDF was designed to address the specific needs of the electorate and was based on the idea that bureaucrats in Port Moresby (and the development aid experts who advise them) have limited knowledge of local conditions, hence the elected representatives considered themselves the most appropriate agents for implementing development policies. Further, politicians, unlike civil servants, are accountable to their voters and, therefore, would be compelled to spend their electoral development funds on projects that would help improve the lifestyle of the people in their electorates.

But the circumstantial evidence points to the contrary. Declining human development indicators suggest that socioeconomic conditions in many rural areas have deteriorated, in conjunction with collapsing infrastructure and rising crime level. This state of affairs has reinforced the assumption that many politicians have manipulated public funds to achieve private goals by:

- (a) feathering their retirement nests by depositing public funds into private accounts and investing public funds in private businesses;
- (b) strengthening their power-bases by allocating EDF funds only to their supporters, at the exclusion of the entire electorate; and
- (c) using EDF funds to buy votes and to pay for campaign hospitality and other election-related expenses.

A further assumption is that the loose guidelines around slush fund spending, discourage transparent and accountable spending practices. This assumption is reinforced by Ron Crocombe's assertion that few MPs account for these funds, and little can be done to force them as they make the rules, so the amount keeps increasing (Crocombe 2001:528). The constant stream of leaders referred for prosecution for misappropriation of slush funds will be of concern to many people, thereby lending further weight to the perception of widespread misuse of public funds.

While numerous MPs have been investigated for misuse of these funds, many more are believed to have escaped punishment. Under Section 29(1) of the PNG Constitution, the Ombudsman Commission is obliged to refer matters to the Public Prosecutor for prosecution before a Leadership Tribunal if satisfied that there is a *prima facie* case that a leader has been guilty of misconduct in office. Note that most, though by no means all,

Ombudsman referrals to the Public Prosecutor have been for misappropriation of slush funds. Many MPs, after being charged under the Leadership Code, have opted to resign from parliament in order to avoid facing Leadership Tribunals, while at least 35 have been found guilty and removed from office. At least nine national parliamentarians and one provincial premier were convicted under the Criminal Code, following Leadership Tribunals; two of these were returned to parliament in subsequent elections, with one serving as minister and the other almost becoming prime minister. Despite their records, convicted MPs and others found guilty by Leadership Tribunals have still managed to return to parliament.²

These types of cases contribute towards the erosion of the integrity of the political system. The significant function of the Ombudsman Commission in maintaining integrity of public office through stringent application of the Leadership Code and its impact on politics and governance are explored in the second section of this paper (see Section 2.2 for discussion on *Misconduct in Office*).

There is, however, sufficient evidence suggesting that governments have manipulated slush funds to control backbenchers and to punish the opposition. Nearly all post-independence governments have been guilty of frustrating opposition MPs by delaying the release of EDF funds to them, while authorizing payments to government MPs. In June 1999, for example, Prime Minister Bill Skate, Treasury Minister Iairo Lasaro and his department were ordered by the National Court to immediately pay more than K4 million in discretionary funds to Opposition MPs. The court found that the Skate Government had selectively paid K500,000 each to the 62 Government MPs while withholding K4,440,000 in District Support

² One outrageous case involved a convicted MP who was allowed to collect his parliamentary salary from prison for the entire duration of his two-year jail term, and was voted back into parliament on the strength of 'sympathy votes' in a subsequent election. Similarly, a convicted rapist was allowed to contest the 2007 elections on the basis of legal advice from a prominent constitutional lawyer that a pending appeal "freezes the sentence and allows the leader to remain as a Member even though he was in jail and convicted by another court" (John Nonggorr, quoted by Robert Palme, *Post-Courier*, 9 May 2007, p. 3). This MP became the first person in PNG (and possibly the Commonwealth) to win an election from prison after retaining his seat in July 2007. Whether the MP will be allowed to take his seat in parliament to elect a prime minister on 13 August 2007 is a matter that has yet to be sorted out between the Supreme Court and the Correctional Services. TI (PNG) has already pointed out that this case makes a mockery of the law in this country.

Grants owed to the 36 Opposition MPs for 1998.³ Despite this disastrous attempt to marshal support for his government, Skate failed to win the confidence of his colleagues and was forced to resign before a no-confidence motion was put to the vote in July 1999.

I shall now examine the arguments put forward by supporters and critics of slush funds. Politicians have justified the establishment, maintenance and increases in the value of slush funds in mostly socioeconomic terms, while the salient political and cultural arguments have remained muted (an important point addressed in the next section). The important question here is whether EDF funds have made any difference in the lives of rural people. This is a difficult question to answer, but we might begin by documenting some success stories on EDF funded projects — Fr Robert Lak's rural women's credit scheme and village electrification projects in Western Highlands, Paul Pora's rural water supply project in Hagen Open, and Sir Rabbie Namaliu's community development projects in Kokopo are good examples. Other examples of slush funds being put to good use are discussed in section 2.3 of this paper.

A major argument put forward by politicians in support of slush funds is that the PNG public service machinery lacks administrative capacity for policy implementation, especially at provincial and district levels, being incapable of delivering basic services to rural communities. As already mentioned, often the only impact of public expenditure in remote parts of the country is felt through the provincial and district support grants. Hence politicians express fear that community development projects and rural infrastructure for basic health, primary education, and transport may fall apart if slush funds are taken away from them and given to provincial governments. They say that provincial bureaucracies tend to use up development funds for administrative purposes, leaving little or nothing for development projects. In turn, provincial governments may well argue that this situation has more to do with lack of allocations from the National Government rather than any lack of provincial capacity, as pointed out by slush fund critic and current chairman of Transparency International (PNG) and former Director of the Institute for National Affairs Mike Manning:

One of the main causes for concern is that budgets at all levels of government are seen to be works of fiction. Provinces and LLGs [Lower Level Governments] do not get the allocation that is in the National

³ Opposition Leader Bernard Narokobi sued Prime Minister Skate and others for deliberately not paying Opposition MPs, describing their actions as discriminatory (Taimbari 1999:2).

Budget, they do not get it at the time it is supposed to come and they do not get the amounts that they are promised. This becomes worse during the year and the fourth quarter is often unfunded. This means LLGs don't get their money and rural services dry up (Manning 2004:11).

Along with the administrative issues, the cultural and political significance of slush funds cannot be underestimated. People expect cash handouts from MPs at every opportunity, and voters demand cash in exchange for votes, which makes it extremely difficult for politicians to function without slush funds. In opposition to the Wingti Government's 1994 plans to remove the EDF, several MPs threatened to challenge the government in court, saying that "the Government's move would certainly demoralize the status of MPs because without the fund they would not bring direct benefits to their people" (*Post-Courier*, 15 February 1994, p. 5). We shall return to the cultural contexts of the use and abuse of slush funds shortly, but must now turn to justifications put forward by critics for the abolition of slush funds.

One of the most vocal critics of slush funds is the former Chief Ombudsman, Sir Charles Maino, who argued that PNG was wasting its resources and money because leaders had got their priorities wrong. Sir Charles said that too many slush funds take up much of the development budget, thereby proving to be more of an impediment rather than a catalyst for development in PNG (see Maribu 1994:2). A PNG journalist quoted him saying:

I hope that they will wake up and do away with all forms of slush funds and inject all these millions of kina into providing free education — with its fullest meaning — better health services in cities, towns, and villages, and of course agricultural development projects (Sir Charles Maino, cited in Nalu 1994:3).

So too, while commenting on the Morauta Government's reforms, Mike Manning said that "the most important reform this government can make is to finish the slush funds and ensure that district and provincial grants are allocated to the priority areas of health, education, maintenance and agriculture" (Manning 1999:11). Manning was particularly critical of the 1999 national budget which allocated K1.5 million to each MP rather than to LLGs. Manning believes that parliamentarians would restore a great deal of confidence in the political system if these grants were paid to LLGs rather than themselves. This raises serious questions about the integrity of the political system, its key players (politicians), and policy implementers (bureaucrats).

As outlined above, international financial organizations and local civil

society organizations have also spoken out against slush funds. Indeed the IMF and World Bank demanded the abolition of the EDF as part of the 1999 structural adjustment programs because they were convinced that slush funds negatively affected the country's economic development. But the Moratua Government opted to keep the controversial funds, promising to make them more effective and accountable by instituting guidelines and management structures under the Rural Development Program. Rural Development Minister William Ebnosi said that a major part of the process requires MPs to consult with people in their electorates as well as their Joint Planning and Budget Priorities Committees to identify, prioritize, select and approve projects for funding (Post Courier, 5 August 1999, p. 2). However this crucial requirement does not seem to have been followed, with many such committees being politicized and controlled by MPs.

Caritas PNG (the Catholic Agency for Justice, Peace, Relief and Development) has supported the recommendations of international financial institutions to abolish slush funds:

Caritas PNG believes that the original concept of the fund may have been aimed at bringing about community-based development programs, but over the years little or no visible or tangible evidence that the aims and objectives of the program have been accomplished. Thus the use of the fund has been a drain on the nation's economy. As well as name changes, there have been financial increases to the payments made to Members. More recent increases have been substantial, and a conservative estimate of the total payout by the Government under the program since 1981 is perhaps around K650 million (Caritas PNG, quoted in *Post-Courier*, 5 October 1999, p. 3).

The Catholic Bishop's Conference (CBC) has cited "lack of guidelines, lack of accountability, and widespread abuse of slush funds" as justifiable grounds for abolition of these funds, saying that they are used to serve political rather than developmental purposes:

Good long range planning should not be hampered by wasteful and inefficient prestige projects. We have not seen any significant long term development achievement from the administration of these funds, only a steady stream of referrals to the [Public Prosecutor] for corruption and mismanagement (CBC President Archbishop Karl Hesse, cited in Niesi 2004:2).

Several MPs have admitted that slush funds have not achieved their objective because of a lack of accountability, coordination and implementation capacity. In October 1999, then Prime Minister Sir Mekere Morauta and Communications Minister Peter Waieng called for the direct

involvement of donor countries and agencies in the planning and use of the Rural Development Fund “to make it transparent, accountable and effective” (Hiambohn 1999:1). The Opposition, however, rejected this call, with deputy Opposition leader and Imbonggu MP Peter Peipul justifying the Opposition’s stance on the basis of “lack of understanding of the people’s needs in the rural areas and provincial governments’ tendency to eat up all funds for administrative purposes” (cited by Wally Hiambohn, *Post-Courier*, 5 October 1999, p. 3). Gazelle MP Nakikus Konga said that he had “rejected that suggestion because it would have put back Gazelle and Kokopo, Rabaul and Pomio districts, who have done very well with their funding components”. He said that it would take them “back to the provincial government regimes where projects and basic services would have to go through all the bureaucratic red tapes” (cited in *Post-Courier*, 7 October 1999, p. 8).

It is worth mentioning here that the debate on slush funds, thus far, seems to have been restricted to a few academic publications and PNG newspapers. At the policy level, it might be useful to open up the debate to the public through workshops and seminars. This process has to be informed by rigorous academic research and analysis. In this context, research and educational organizations like the National Research Institute (NRI) and the University of Papua New Guinea (UPNG) should provide leadership in research on corruption and governance issues. The objective is to formulate and implement policy reforms to make slush funds more transparent and accountable. Opportunity for corruption must be removed at all levels, whilst at the same time effective programs put in place to ensure that services are delivered to people in rural areas. Abolition of the EDF scheme without an effective alternative scheme would deny many people their only means of access to state resources.

1.4 Contexts of use and abuse of slush funds

It is important to understand the social, economic, political and cultural contexts in which EDF and other state funds are used and, sometimes though not always, abused by politicians. PNG is probably the most difficult country to govern, principally because of complex cultural and geographical factors, but also because of unique political conditions. The nation-state of PNG is made up of 820 distinct cultural-linguistic groups and over ten thousand autonomous political entities commonly known as tribes (which are usually divided into several clans of several hundred people occupying adjacent territories and cooperating in political, military and economic activities). Traditionally, each tribe — depending on its size

and number of constituent clans — would have several leaders to act and speak for their people in matters of public significance. By contrast, the national parliament has only 109 seats, so parliamentarians are expected to represent not only the interests of their own clans (which provide their primary power base) but of course the broader interests of all the clans, tribes and cultural-linguistic groups of the electorate.

Distinguished PNG statesman, Grand Chief John Momis, who served 33 years (1972-2004) as MP for Bougainville, recently pointed out to me that PNG politicians deal with a multitude of competing issues on a daily basis, while operating under exceptionally difficult conditions. During the Bougainville crisis, for instance, Momis said that foreign consultants and international aid agency representatives had access to enormous resources and were thus able to travel around in helicopters while he, the MP for Bougainville, and his staff had to travel by vehicle and sometimes by foot to attend meetings with them. The international visitors who carried satellite phones and other sophisticated communication technology would have been surprised to learn that the MP for Bougainville and Governor of the province did not even have a telephone in his office. But John Momis, like other PNG MPs, had to attend to his duties. As indicated below, the 'electoral duties' of PNG MPs differ in many ways from those performed by MPs in Australia, NZ and USA.

There are some regional differences in the performance and expectations of MPs, but the average PNG parliamentarian has to balance *family and kinship obligations* with *electoral duties* and *political commitments*. Family obligations include daily provisions of food and other household items for the extended family (of approximately 25 people), regular visitors (10 people), electoral staff, henchmen, and others (5 people). Wives of MPs regularly complain of lack of privacy and the constant burden of cooking for so many people each day. You will often hear them saying:

In this house we do not put single items of food into pots for cooking. Instead, we pour bags of food into pit ovens for roasting. How else can we cook for so many people?

It is not uncommon to find large numbers of people at the residences of MPs. Approximately 30 relatives and clansmen eat and sleep in the same property. In rural areas the property may constitute several houses in a single hamlet, but in Port Moresby it is normally a single three-bedroom house owned or rented by the MP. All of these people depend on the MP for their daily requirements. The sharing of private quarters with so many people presents enormous social and psychological problems for the MP and his nuclear family. A government minister once showed me where he

sleeps: on a mat in the living room; the rooms had all been taken by visiting VIPs from home. Many MPs avoid their congested homes, regularly eat outside and sleep elsewhere (mostly in hotels), thereby neglecting their wives and children. They often complain of unreasonable demands and expectations from kinsmen, but acknowledge the fact that they cannot maintain their power-base without the support of their kinsmen. So the unhappy relationship continues.

Kinship obligations include contributions towards large-scale group enterprises (ceremonial exchanges, compensation payments, church openings and other festivities) as well as more personal events (birthdays, baptisms, marriage ceremonies, funerals, school fees). It also includes the provision of airfares and pocket money for relatives and clansmen who often travel to Port Moresby on one-way tickets and consequently get stranded there. This category of expenditure applies to all wage earners, but MPs are expected to be a lot more generous than others because of the misguided notion that they have access to an endless supply of cash and other resources. In funeral contributions, for example, middle-income earners usually contribute between fifty and two hundred kina, while MPs can give as much as one thousand kina, depending on the status of the deceased. Once a precedent is set, it is difficult for one to escape such obligations (because reputations are at stake); indeed, the amount for each contribution is carefully maintained at the same level.

Electoral obligations constitute a large percentage of expenditure for politicians. Cash handouts to community groups (women and youth), churches, schools, sporting and other organisations take up much of the EDF funds. A significant proportion of the EDF funds may also be spent on community development projects and physical infrastructure (roads, bridges, aid-posts, classrooms, electricity lines, and water pipes and tanks), on purchase of capital items (including vehicles for health centres and schools), and on electoral tours (airfares, vehicle hire, accommodation and per diem for MPs and their staff). Sometimes, electoral duties merge with kinship obligations. For example, MPs are expected to attend the public funeral ceremonies of important local leaders within their electorates. Attempting to meet such expectations can deplete scarce resources, and get MPs into trouble for signing too many cheques and government ILPOCs (Integrated Local Purchase Order and Commitment) for activities that may be outside of their statutory duties.

Political commitments made by politicians, as part of electoral maneuvering or strategic alliance networking, require considerable economic and emotional investment in social relations. Deals made with

community leaders and potential rivals are reinforced by regular exchange of goods and services. By marrying the principles of reciprocity with patron-client relations, MPs depend on community leaders (local government councillors, village court magistrates, pastors, and clan leaders) to mobilize support for elections. To maintain warmth and trust in the relations, MPs (as patrons) often reward their henchmen (clients) with cash handouts and occasionally by sponsoring them trips to Port Moresby, while community leaders reciprocate by speaking highly of their patrons at public gatherings and by honouring them with choice portions of pork at pig ceremonials.

MPs also often try to secure the allegiances of potential rivals through the awarding of government contracts and jobs. This may include making deals with owners of local businesses (particularly vehicle hire companies and hotels) to defraud the state through 'kick-backs' and similar scams.⁴

The obligations and commitments do not end there. MPs must also deal with massive election campaign expenses. The campaign expenditure for urban electorates in the National Capital District is generally higher than the expenditure for rural electorates. One candidate for the Port Moresby North-East electorate is said to have spent K1 million during the 2002 general elections. The same candidate, according to his supporters, spent almost the same amount during the 2004 Port Moresby North-East by-election. The campaign expenditure for the Highlands region is generally higher than the lowland coastal and islands regions. The range of election expenditure for Highlands electorates is between K50,000 and K500,000 (although one MP said that he had spent close to 1 million kina during the 2002 elections). Astute politicians can secure votes for re-election through selective use of EDF funds, but the fact that such funds are limited (which means that many people cannot be satisfied) can cause problems for MPs. The following observation by Bill Standish exemplifies this point:

In 1992 the main form of discretionary funds available to MPs were the EDF. These funds became something of a liability to MPs. It is impossible to satisfy an electorate with this kind of funding, although Nilkare as regional MP for 1982-87 did well by organizing the purchase of ambulances which carried his name as donor. Wagi Merimba,

⁴ For example, a local entrepreneur will deliberately invoice for more than the actual value of the goods and services rendered on the understanding that the extra amount, perhaps 50 percent or more, will be divided between the supplier (businessman) and the client (MP or his electoral staff operating either with or without his knowledge). Note that this method is also used by senior public servants and others entrusted with discretionary financial powers.

Kundiawa MP, had passed all his EDF funds on to the provincial authorities to spend, which gained him little credit, and he was blamed in southern parts of his electorate for having done nothing. The province, in fact, lacked the planning and administrative capacity to use such funds on complex new projects, but needed the funds for maintenance (Standish 1996:298-99).

The obligations and commitments outlined above have contributed to the abuse of slush funds in PNG. Another major contributing factor is the electoral system. Under the now abolished first-past-the-post (FPTP) voting system, winning candidates polled as low as seven percent of the popular vote and therefore concentrated economic and emotional investments in their respective base-vote areas (comprising their primary kin-group and alliance networks) at the exclusion of the wider electorate. The research implications for the recently introduced limited preferential voting (LPV) system will need further investigation. For example, it would be interesting to see if politicians distribute slush funds in a more equitable manner in attempting to secure preferences from across the electorate. Another feature of the electoral system is the high turnover of MPs at election times. ANU academic Dr Ron May reported that “in all but one election since 1972 some 50-55 percent of MPs have failed to gain re-election” (May 1998:66; see also Saffu 1996; Reilly 2002). May argues that this system is particularly prone to politicians seeking short-term advantage:

Political candidates outlay relatively large sums to get elected and incur debts to their supporters; if elected they naturally seek to recoup these outlays, with interest, and to reward their supporters. In implicit recognition of this in early 1996 each member was receiving K0.5 million from an Electoral Development Fund for discretionary allocation within his electorate (May 1998:66).

This point is reinforced by another ANU academic and constitutional lawyer, Anthony Regan, who argued that the political system determines much of the way in which state resources are extracted:

The high costs of being elected to the parliament, the expectations of significant ‘returns’ by financial backers, the localized support base of most politicians, and the rapid turnover of politicians in elections ... means there is considerable pressure on most politicians to extract what they can from or through the state when in power. In the process, politicians can easily become agents for narrow economic interests, including those of foreign-owned companies (Regan 1997:84-5).

Others have made similar observations (see Dinnen 2001:172-74; Ketan 2004:Chap. 6; see also Reilly 1996; Standish 1996; Rynkiewich 2000). But

apart from sweeping statements about the high cost of elections and the correspondingly high expectations of returns from 'collective investments' in elections, no one has come up with a comprehensive cost-benefit analysis on electoral expenditure. What is required is a detailed study on electoral economics, comparing campaign costs and other obligatory expenses with parliamentary wages and entitlements to see if the expectations realistically match the benefits and, if not, to determine how much of the EDF is used to cover the shortfall. Such an exercise would also be useful in determining the impact of 'foreign' money on local politics (perhaps indicating the degree of local influence at the national level).

Apart from the electoral system and cultural factors, we must also examine the administrative arrangements put in place for the disbursement and acquittals of EDF funds. Politicians are not accountants and therefore should not be directly responsible for keeping records of expenditure. The people who are supposed to do this job are the electoral staff of MPs. These staff members are often handpicked by MPs in a non-meritorious manner and often lack the necessary skills or training required for such work. Even ministerial staff — first and second secretaries and research officers — whom the minister relies on for advice are recruited haphazardly and rarely possess the appropriate academic qualifications or experience necessary for handling complex national policy issues. I would argue that most staff in the parliamentary offices of both ordinary MPs and government ministers are more their employer's cronies or henchmen who may well have a good knowledge of local politics and can successfully manage competing issues at the single seat/electorate level, but often struggle with the complexity of affairs at the national level. It seems that many politicians, by hiring such incompetent staff, have made life difficult for themselves. But would MPs trust their staff with the disbursement and acquittals of EDF funds if they were hired on the basis of competence and integrity? Would MPs work with competent staff hired and appropriately trained by either a government agency or a professional non-government organisation? Some of these points are addressed in the final section of this paper.

Section 2 | Discussion on Slush Funds

Under the current rural development programs, about K272.5 million is annually allocated to districts: K500,000 in EDF for each of the 109 MPs; and a further K2 million each for the 89 open electorates and 20 regional (provincial) electorates in various grants (including district improvement programs for roads, transport infrastructure, education, health, law and justice, and water supply). Each MP is allocated K12.5 million during the five-year parliamentary term, which works out at a collective total of K1,362,500,000 for all 109 MPs over a five-year parliamentary term. This amount does not include salaries and other entitlements (allowances for sitting, traveling, accommodation, vehicle), nor does it cover ministerial entitlements, which would be in millions of kina per annum.

Fifty percent (K250,000) of each MP's annual EDF (provincial and district support grants) is discretionary, while the other half is non-discretionary. As the name suggests, MPs are allowed to spend the discretionary component of the EDF on any project of their choice, while the joint planning and budget priorities committees for each electorate are responsible for the administration of the non-discretionary component. The composition of the joint planning and budget priorities committees raises accountability issues. If the MP has good intentions, he is bound to select good representatives from the community to assist him in identifying projects that will be of benefit to the whole electorate. But if his intentions are less honourable, he will pick his cronies. In a situation where virtually everyone is aligned to someone in political power, even public servants are not neutral, as they often owe their jobs to politicians.

Provincial and district administrators, as the principal financial officers in the electorates, are supposed to ensure that public funds are managed properly to achieve development objectives. Local government councillors and village court magistrates, as community leaders, are supposed to ensure that services are delivered in an equitable manner. Administrators and community leaders who sit on planning and budget priorities committees are often in client-patron relations with the MP, thereby enabling the MP to exert considerable influence over them. In other words, rather than performing their duties as responsible civil servants and community leaders, many district administrators and councillors often collude with MPs to defraud and rob the state.

Astute politicians, however, take considerable care in the disbursement of their discretionary funds by investing in social networks. The former MP for Hagen Open, Paul Pora, delegated the financial management responsibility to a committee made up of representatives from all the

tribes within his electorate. The committee was responsible for screening and approving applications, while the Provincial Treasurer made cheque payments for the selected projects. A great deal of transparency and accountability was achieved in this way. As indicated in section 2.3 (below), similar arrangements have been put in place by the former MPs for Kokopo (Sir Rabbie Namaliu), Western Highlands (Fr Robert Lak), North Wahgi (Dr Fabian Pok) and the MP for Lae (Bart Philemon). This shows that the basic foundations for good structures and processes are there to build on (but we believe that this is not widespread).

The respective government departments administer the other rural development grants. The Department of Works, for example, administers the funds for roads and transport infrastructure improvement programs. MPs are required to submit project proposals to this Department for funding construction and maintenance of roads, wharves and jetties. Problems arise from the practice of handing out cheques to MPs for projects in their electorates under these programs, rather than making payments directly to contractors and suppliers of goods and services. The recent Leadership Tribunal hearings on misconduct charges against Gulf Governor Chris Haiveta confirms a common perception that sectoral funds for transport, law and justice, and agriculture have been consistently misappropriated by parliamentarians, a practice that has been largely aided and abetted by corrupt public servants.

Politicians and bureaucrats are required to comply with the Public Finance (Management) Act in the disbursement of these funds, but the evidence presented in this study indicates that this law and the ORD financial management guidelines and procedures have been breached on a number of occasions.

The evidence shows that many PNG politicians and bureaucrats have misappropriated hundreds of millions of kina of public funds intended for rural development projects. Various slush funds have been created — and controlled by government ministers — to facilitate the systematic looting of development grants to enrich themselves and to use in pork-barrel politics. Calls from international donors and anticorruption agencies for the abolition of slush funds have been ignored, principally because such funds have become an important feature of PNG electoral politics, but at what cost? — Cash crops cannot be taken to markets and government services no longer delivered because physical infrastructure in many rural areas has collapsed; the state has lost much control over public order, with criminals and rogue police officers harassing and frightening law-abiding citizens, while governments continue squandering windfall revenue from

the mineral and petroleum boom. Fortunately however, the PNG Ombudsman Commission has been exceptionally diligent in investigating and referring corrupt leaders to the Public Prosecutor for prosecution, and an overwhelming majority of leaders charged under the Leadership Code for misconduct in office were charged with misappropriation of electoral development funds.

The discretionary component of the EDF is viewed by most MPs as part of their entitlements, often deposited into private accounts and used as a social welfare fund to pay for school fees, medical and funeral expenses. A recent Leadership Tribunal decision clearly indicated that District Support Grants (DSGs) are not meant for settling family bills. While dismissing Sir Moi Avei from office for misappropriation of DSGs, Tribunal chairman Justice Timothy Hinchliffe made the following remarks:

Public policy must surely be that the DSGs were not to be treated as a social welfare fund to be expended on school or medical fees or purchase of store cargo or funeral or death-related expenses or airline tickets and PMV fares or sports and recreational activities. Surely there is no public good in dishing out disbursements for the benefit of individuals of family units only and not for a whole village or the district. To say there is public good in assisting struggling families with school fees and other expenses is not convincing. How does one pick out a desperate case in an electorate teeming with needy families?

DSGs are for district infrastructure and were intended to enhance capacity in the respective electorate through project funding, for the benefit of every one in the electorate. We believe the desired outcomes expected through proper spending of the DSGs is to help people in the electorate participate in economic and income generating activities and become self-reliant, thereby enabling people to be creative and get rid of the mindset of dependency and free handout (cited in Clifford Faiparik, *The National*, 14 May 2007, p. 1).

Generally, the discriminatory application of slush funds has caused more harm than good to the country. Only a few well-connected people have benefited from these government grants, while the vast majority continues to suffer in silence. Slush funds have been largely responsible for the creation of a political culture based on nepotistic patronage and pork-barrel politics. In particular, the use of slush funds in campaign hospitality and vote buying has resulted in the 'commoditisation' of votes, whereby it is now accepted by candidates and voters that votes are to be exchanged for cash.

Slush funds have also nurtured a condition described by an observer of sub-Saharan African politics as the *political kingdom*, where the economy is

intertwined with politics — so much so that it is almost impossible for people to freely wheel and deal to enrich themselves without leverage from political power (see Ottaway 1995). In PNG, like sub-Saharan Africa, it is difficult to separate the economy from politics. Nearly all politicians are businessmen of some sort, government contracts are regularly awarded to businesses owned by relatives and cronies of government ministers, and slush funds used to build personal empires — accentuated by many wives, many pigs, fat bank accounts, and physical corpulence.

In essence then, it is clear that the basic principles of good governance are often compromised, with politicians and bureaucrats ignoring the key public financial management requirement that government grants are disbursed in a transparent and accountable manner. Entrenched Melanesian political culture of gift-giving associated with big-man status seems to be in conflict with modern principles of good governance. Yet, careful analysis of Melanesian cultural values and political practices shows that such concepts as democracy, transparency and accountability, and moreover, the need to protect and conserve resources for future generations, are not alien to Melanesian societies. The disbursement of wealth in ceremonial exchanges, for instance, has always been conducted in a transparent and accountable manner. People could actually count the number of pigs given away as gifts to exchange partners or kept by big-men for themselves. With cash, however, this is no longer possible because people cannot tell how much money politicians keep in their bank accounts. Accountability problems have been compounded by the fact that cash can easily be transferred from one place to another, hidden, or quickly spent. This has enabled corrupt politicians and bureaucrats to evade public scrutiny and prosecution. Despite the commendable efforts of the Ombudsman Commission, the Public Prosecutor's Office and the higher courts in prosecuting corrupt leaders, it is believed that the really big thieves have evaded punishment because of lack of evidence. Clearly, there is an urgent need for policy reforms to address the issues raised in this paper.

2.1 Guidelines for the management of slush funds

There are operational guidelines for the management of slush funds available to guide parliamentarians and others. For the administration of EDFs for example, the Office of Rural Development requires that:

- the Joint District Planning and Budget Priority Committees screen all applications for District Support Grants funding, and the Joint

Provincial Planning and Budget Priority Committees screen applications for Provincial Support Grant funding;

- the disbursement of District Support Grants and Provincial Support Grants comply with public tender procedures under the Public Finance (Management) Act which stipulates that contracts are awarded to suitable candidate after public bidding; and
- all government grants for the previous year must be fully acquitted before new funds are released.

Upon receipt of expenditure reports from the districts (via the Finance Department), the Office of Rural Development (ORD) clears all acquittals, issues a certificate of compliance, and delivers a copy of the correspondence to the Ombudsman Commission. There are two clearing-houses dealing with acquittals of the same funds. Expenditure reports from districts are required by the Finance Department to formulate budget papers for parliament, in accordance with the Public Finance (Management) Act, and the ORD needs the reports to clear MPs for further allocations, while sharing the information with the Ombudsman Commission to ensure that MPs comply with the Leadership Code. The problem with this arrangement is that reports are not readily available when required, and lack of inter-agency cooperation can be quite frustrating. MPs have demonstrated distrust and contempt of cumbersome bureaucracy by taking short-cuts, for example, by forcing chairman of tenders boards to sign expediency certificates or getting the Secretary for Finance to waive acquittal requirements.

The administration of all slush funds falls under the Public Finance (Management) Act, which requires:

- that MPs submit project proposals to qualify for funding under various schemes (including EDF and the district transport, education, health, law and justice, and water supply programs);
- that the allocation of all government grants for projects under various programs comply with public tender procedures under the Public Finance (Management) Act which stipulates that contracts are awarded to suitable candidate after public bidding; and
- that all government grants for the previous year must be fully acquitted before new funds are released.

Many politicians and bureaucrats for reasons of political expediency have deliberately breached these rules. Public tender procedures have not been followed, with funds regularly allocated along partisan lines — to support politicians' pet projects and to fulfill kinship obligations. Acquittal

procedures have either not been properly followed, or completely disregarded. On at least two occasions, the Somare Government paid out electoral development funds to parliamentarians despite non-acquittals of funds allocated for previous years.

- Alex Rheeny of the *Post-Courier* reported that on the 20th January 2004, most parliamentarians were each paid K100,000 in discretionary funds, despite the failure by some to submit acquittals for 2003 allocations. He noted that this payment came on the eve of the Somare Government's third attempt to get Parliament to vote on controversial amendments to Section 145 of the Constitution to extend its life in office from 18 to 36 months. Rheeny stated that a copy of a National Planning and Rural Development circular number 03/04 dated 20 January 2004 — written and signed by Secretary Valentine Kambori and addressed to all MPs — advised that the Secretary “waived” acquittal requirements for that week's K100,000 payment (Rheeny 2004:3).
- A local newspaper revealed that cheques totalling almost K90 million were paid to parliamentarians after parliament rose on Tuesday (1 May 2007) for the 2007 polls. The funds — comprising both discretionary and non-discretionary components of the EDF — were paid out despite a direction from the Ombudsman Commission requiring that no payouts be made unless MPs fully account for previous funds received, and followed the proper procedures to apply for the funds. The newspaper noted that the funds were held back at the National Planning and Rural Development Office because of directives from the Ombudsman Commission, but paid out at the last minutes after almost five months of delay (*Weekend National*, May 4-6, 2007, p. 1).

The Ombudsman Commission revealed in March 2007 that 95 MPs had failed to account for public funds totalling K200 million allocated under various programs in 2006, while only 14 parliamentarians had acquitted their funds. In attempting to help MPs and bureaucrats to comply with the Public Finance (Management) Act, the Ombudsman Commission had directed the Ministers for Finance and Planning and Treasury and their departmental heads in November 2006 to stop the release of more public funds until these funds were acquitted (Palme 2007:1). Violation of an Ombudsman Commission directive is a breach of the Leadership Code, and those facilitating the issue of cheques in defiance of such a directive may be referred for misconduct in office. The risk of prosecution, however, is not a sufficient deterrent for a government that has shown no restraint

in spending windfall revenue from the mineral and petroleum boom. An Australian academic, Dr Roderick Duncan, has expressed fears that the Somare Government might spend all of the K2.4 billion that former Treasurer Bart Philemon has managed to save over the last four years. Dr Duncan says that because the money was not tied to any programs, it might be misused as “re-election cash” (*Post-Courier*, 12 April 2007, p. 5).

2.2 Misconduct in office

The PNG Ombudsman Commission has investigated and referred numerous leaders to the Public Prosecutor on misconduct charges under the Leadership Code — mostly relating to misappropriation of EDF and other public funds. Many leaders have opted to resign from office in order to avoid facing Leadership Tribunals to answer charges, but the evidence presented below (in Table 1) shows that a good number have been successfully prosecuted and dismissed from office, fined and/or sentenced to prison. However, the small number of criminal convictions suggests that more commitment is required by all relevant agencies in pursuing corrupt leaders under the Criminal Code.

In a speech delivered to students at the University of Technology in February 1994, Sir Charles Maino, then Chief Ombudsman Commissioner, urged police and the Public Prosecutor’s office to open up criminal proceedings against MPs found guilty by Leadership Tribunals of misappropriating public funds (see Nalu 1994). Sir Charles reportedly made reference to former MPs Ted Diro (Central), Peter Garong (Tewai-Siassi) and Timothy Bonga (Nawae) as examples of those who should be prosecuted (Nalu 1994:3).

Failure to allow these people to be answerable to the Criminal Code under the justice system makes the man on the street wonder whether there is one law for leaders and another for the grassroots. Grassroots people were jailed for stealing a can of fish, or some cigarettes; some leaders had misappropriated thousands of kina and yet the law had not caught up with them (Sir Charles Maino, cited in Nalu 1994:3).

A Mount Hagen-based Melpa Lutheran Church pastor made a similar point:

Petty criminals who steal small amounts of money (two kina or five kina) are subjected to more pain and humiliation than parliamentarians who steal thousands of kina. Unlike ordinary folks, MPs have not been beaten in public, or forced to smell their feaces in cramped cells. When they know that they are guilty, MPs hire the best lawyers that money can buy to keep them out of jail. How can they learn that stealing large

sums of public money is wrong if they can get away with such crimes?
(Merewo Akeo, personal communication, July 2007).

Despite the constant lack of resources, the admirable performance of the Ombudsman Commission, in terms of investigating and referring corrupt leaders for prosecution, is evident below (in Table 1; with details in Appendix 1).

Table 1: Misconduct and Criminal Cases

Resigned from Parliament	Removed from Parliament	Imprisoned	Fined & survived as MP	Others		
				Decision pending	Charges dropped	Outcome unknown
Bonga	Aigiru	Avini	Ipatas	Haiveta	A. Somare	Doi
Burege**	Avei	Burege**	Kapris	Zurenuoc	Yawari	Onguglo
Garong	Baing	Jaminan	Pep*			
Kunangel	Balakau	Kas	Temu			
Lang	Benjamin	Lawi				
Pep*	Diro	Ramoi**				
Ramoi**	Dusava	Tekwiew				
	Kuli	Yaki				
	Laki	Yali				
	Munginepe					
	Nali					
	Nilkare					
	Sigulogo					
	Taku					
	Yumbui					
	Zeming					
				2	2	2
7	16	9	4	6		

Total No. of Cases: 41 Total No. of MPs: 40

**** Burege and Ramoi resigned from parliament in order to avoid charges under the Leadership Code, but were prosecuted and convicted under the Criminal Code.**

*** Pep appears twice.**

Table 1 contains a summary of the detailed information provided in Appendix 1 on successful prosecution of parliamentarians under both Leadership and Criminal codes for misconduct in office (misappropriation of public funds, corruption, rape and other crimes). The information covers 41 cases involving 40 parliamentarians, comprising 20 government ministers (including seven deputy prime ministers), nine provincial governors, and 11 backbenchers. One MP appears twice here but was actually prosecuted by three different Tribunals on three separate occasions for misconduct in office. Two others resigned from parliament in order to avoid Leadership charges, but police laid criminal charges against

them for misappropriation of public funds and they were found guilty and sentenced to prison. Why so few criminal convictions when there is ample evidence before Leadership Tribunals? Part of the answer lies in an absurd rule of evidence, which stipulates that any material submitted as evidence in a Leadership Tribunal may be inadmissible in a court of law. It means that police have to conduct independent investigations to lay criminal charges against leaders charged under the Leadership Code. The other is of course the perennial excuse that a lack of resources is a major impediment to the prosecution of corrupt leaders. A lack of commitment and political interference has also contributed to the problem. As a result, many people who should be behind bars are still out there wheeling and dealing to steal more money from the state.

Of the 40 MPs charged for misconduct, 16 were found guilty by Leadership Tribunals and dismissed from office, nine were found guilty by the Courts and sentenced to prison, seven resigned from parliament (two of which were convicted under the Criminal Code), five were found guilty by Leadership Tribunals but escaped with fines,⁵ and two are awaiting Tribunal decisions. The charges against two other MPs were dropped under suspicious circumstances, while the fate of a further two is difficult to determine.

The leaders identified in Table 1 (and Appendix 1) represent only a small fraction of the total number of leaders investigated by the Ombudsman Commission for corruption. Numerous heads of government departments and statutory organizations that have been prosecuted for corruption are not listed here because of the narrow focus of this paper. The exact number of referrals is difficult to determine, but we believe that over 50 MPs have been dismissed from office for misappropriating slush funds alone. In any case, 41 referrals and 35 convictions represent an unacceptably high number of corrupt leaders in a small country with a parliament of 109 seats.

While admitting that corruption remains a difficult challenge in PNG, positive steps must now be taken to weed out corruption before it destroys everything in this country. The opportunity for corruption must be

⁵ One of these five who escaped with fines (a prominent parliamentarian) is said to have avoided dismissal from office by getting all the leaders of the Christian Churches operating in his province to write glowing character references for him. Apparently impressed with the petition from the Churches, the Leadership Tribunal fined the MP K1,000 for each of the 10 charges, thereby allowing him to continue as MP and Governor of the province.

removed, starting with a serious reconsideration of the justifications for slush funds. A number of observers have suggested that slush funds provide an all too easy opportunity for corruption, and the abolition of EDF would indicate firm commitment from the government that it is really serious about tackling corruption (see, for example, Turner 1990; Ketan 2000; Manning 1999).

Apparently disturbed by the high number of political leaders being prosecuted before the Leadership Tribunal for misconduct in office, a recent newspaper editorial made the following comments:

This is an alarming trend for Papua New Guinea and raises many questions and issues on the quality of leaders we have in this country. The misuse of public funds, failure to acquit funds given to them and failure to provide annual leadership returns to the Ombudsman Commission as required under the Leadership Code makes one wonder about where this country is heading.

If leaders want ordinary citizens to follow the laws of the country and live according to accepted standards of behaviour in society then they had better set the right example. Failing to fill in annual returns and failing to account for public funds or misusing public funds is certainly not the kind of example we want from our leaders (*Post-Courier* editorial, 10 April 2007, p. 10).

The *Post-Courier* editorial concluded by suggesting that “leaders convicted for misconduct in office should be banned from holding any public office for the rest of their lives” because “they are a disgrace to their own people and the nation as a whole and do not deserve the trust of the people ever again” (ibid). Others, including former Prime Minister Sir Mekere Morauta, have also expressed similar sentiments. Sir Mekere said that convicted criminals should not be eligible for public office (*Post-Courier*, 4 May 2007, p. 6). We shall return to this point in the final section of this paper, but must now turn to success stories.

2.3 Success stories on slush funds

Despite the overwhelming evidence of abuse of slush funds, it would be wrong to assume that all politicians are guilty of abusing them. The evidence presented in Table 2 supports the argument that most MPs feel compelled by virtue of elected office to provide at least *some* basic services via such funds. The problem in PNG is not that MPs have failed to allocate funds for projects in their electorates. Rather, it is the selective allocation of funds to their supporters and business associates at the exclusion of the wider community that raises considerable concern. Nevertheless, there are

notable exceptions — success stories — of slush funds being put to productive use for the common good. Some examples of success stories on use of slush funds are listed below:

- Former Western Highlands Regional MP Fr Robert Lak funded a K2 million rural women's micro credit scheme in the province, which enabled women (and some men) to start small business projects. As pointed out to me by National Research Institute Director and former Provincial Administrator of Western Highlands, Dr Thomas Webster, a major achievement of the scheme was the empowerment of women in a male-dominated society. He gave examples of women shrugging off the proverbial cultural shackles and standing up on ceremonial grounds to deliver formal speeches to large groups during public ceremonies. In traditional Hagen society, oratory is the exclusive domain of men, and women, until recently, were never permitted to take centre stage on a ceremonial ground. Dr Webster says that women started out in a tentative manner, but soon gained confidence with control over family budgets as a direct result of increased family business activities. Female behavioural changes were thus effected in a profound manner through financial empowerment.
- A newspaper report claimed that Lae MP Bart Philemon has publicly declared how he had used more than K19 million of his EDF since his election to parliament in 1992. He reportedly said that "by the end of this parliamentary term" he "will have spent a total of K19,126,924.69 of his District Support Grant" in his electorate to support "churches, community schools, high schools, vocational centres, sporting bodies, youth and women's groups and people of Lae district". The report further quoted Mr Philemon as having claimed that he had allocated K2 million from his total K3million for 2007 for Lae city road maintenance (cited in a report by Robert Palme and Alex Rheny, *Post-Courier*, 2 May 2007, p. 9).
- Former Dei Open MP Puri Ruing funded a number of projects in his electorate, including the construction of the district headquarters at Muglamp, the sealing of some sections of the Mt Ambra-Penga road, and the installation of electricity lines from Gumanch to Kotna.
- Former Hagen MP Paul Pora used his EDF to establish a number of projects in his electorate, including the installation of a piped water supply from Ogelbeng to Kagamuga, and the construction of classrooms in several community schools.

- Former North Wahgi MP Dr Fabian Pok funded the construction of the PNG Defence Force base at Kerawil to facilitate the PNGDF Engineering Unit's civic duties.
- Former Jimi Open MP Kimb Tai used his electoral development funds to construct the Kol district office and to purchase six vehicles to serve the community. A group of MPs, including Deputy Prime Minister Sir Julius Chan, attended the opening ceremony (*Post-Courier*, 28 June 1994, p. 16).
- Many people, including the Director of the Office of Rural Development, Mr Paul Saii, have singled out former Kokopo MP Sir Rabbie Namaliu for having a very good record in the administration of his electoral development funds.

The exemplary performance of certain leaders in their role as elected representatives of their constituencies requires special acknowledgment. Sir Rabbie Namaliu, Mr Bart Philemon, Mr Paul Pora, Fr Robert Lak and Dr Fabian Pok have demonstrated transparency and accountability in their use of electoral development funds. They were able to do so by entrusting their grants to provincial treasuries and the Lae district administration (in Philemon's case) for the management of these funds. Unlike other MPs who get themselves into trouble for handing out cheques and cash to people, these particular MPs allowed committees to screen applications for funding while utilizing the accounting services of provincial governments to comply with public financial management guidelines. This protected them from accounting problems as well as ensuring that funds intended for various projects were actually allocated through the normal provincial budget processes.

Sadly, however, this did not prevent Mr Pora, Fr Lak and Dr Pok from losing their seats in 2002, and Sir Rabbie from losing his in 2007, which serves to make the important point that in the complex world of Melanesian electoral politics, transparent and accountable management of slush funds, in and of itself, is no guarantee of continued electoral success — but neither is bad management, as we have also seen throughout this paper.

Table 2: Use of slush funds by current MPs from Western Highlands Province

Name of MP	Electorate	Projects
Paias Wingti	Western Highlands	Unknown
William Duma	Hagen	Road Maintenance; Classrooms for schools; Piped Water supply
Francis Kunai	Jimi	Road construction (from Tsenga via Kantz to Mala) and maintenance; bridges (Tsau river footbridge, Kanz river); construction of classrooms; provided assistance to churches; Health center (upgraded Tsenga aid-post to sub-health center; school fee subsidies for secondary and tertiary students; Purchased motor vehicles (for health, police, district admin) and heavy equipment (grader, excavator, bulldozer, dump trucks) for road-works; construction of village court houses; classrooms (Telta community school); generator for Tsenga health center;
Jamie Maxton Graham	Anglimp-South Wahgi	TV satellite; Beasts of burden (buffalo); Bicycles for district officials;
Kuri Kingal	Mul-Baiyer	Road maintenance (with assistance from, PNGDF); construction of new road (from Baiyer zoo to Tigi; built by hand); bridges; Vehicles for Tinsley Hospital and Baiyer patrol post police; provided funds for hospital; Ten percent of EDF to district council of churches; rural electrification (Remdi, Nengka; Munjka); funding of peace negotiation (tribal fighting hot-spots); funding for Baiyer Zoo;
Melchior Pep	Dei	Built aid-post (Miti Ku) and health center at Tigi; Upgraded road from Muri-orong to Muglamp-Kraldong junction); Rural electrification (Walga, Baisu); Purchased vehicle for rural police and for health centre; drainage of Gumanch swamp;
Michael Mas Kal	North Wahgi	Built Wahgi Valley Secondary School
Mark Anis	Tambul-Nebilyer	Unknown

As indicated in Table 2 (above), there are many other examples of use of slush funds to support development projects in rural areas. Close inspection, however, reveals some disheartening facts: that funds intended for the entire electorate have been spent on projects that benefit only a few communities; that pet projects of former MPs often collapse because their successors refuse to fund them. Examples of these are given below:

- The Western Highlands Women’s Micro Finance Scheme was dismantled after founder Governor Robert Lak lost the election in 2002. The new Governor Paias Wingti apparently saw no benefit in supporting a project that would gain kudos for Fr Lak
- Former Anglimp-South Wahgi MP Kuk Kuli funded three major projects in his electorate: (a) the sealing of a feeder road between Kindeng and the community school at the Tuman-Tun border; (b)

the installation of electricity poles and lines from Kindeng to his village near the community school; and (c) the construction of a bridge across the Tuman river to connect his village to his maternal uncles at Tun village.

- The rural electrification project initiated by Kuk Kuli was never completed – the power poles have been erected, but the installation of electricity lines has yet to be completed. A Leadership Tribunal found Kuli guilty of misconduct in office and dismissed him from parliament. His successor, Paul Wai, from the neighbouring Kuli-Pin clan, died in office and was succeeded by Jamie Maxton-Graham in a 2004 by-election. Maxton-Graham, whilst attempting to solidify his power-base among the eastern tribes around Minj, has shown little interest in completing projects initiated by his predecessor.

Box 1: Responsibilities of leadership: A Leadership Tribunal's View

Government in a democratic society should be both representative and responsible. It is representative by means of the ballot box whereby every eligible person has equal vote. By this process an elected member becomes the representative of the people within his or her electorate.

However, a Member of Parliament not only becomes a representative of the people, he or she also becomes responsible to them. In other words, a Member of the National Parliament, upon election, becomes publicly accountable both to his electorate and to the nation.

He or she acquires a role in national decision-making process and thereby exercises not personal or private powers but public powers. Should a Member of Parliament be appointed a Minister, then additional duties are acquired since the allocation of a particular portfolio or area of government activity becomes his or her specific responsibility.

It is important that Members of Parliament and Ministers of State should be answerable for their actions to the community from which they derive their power. That is why this nation has a Leadership Code, that is why this nation has an Ombudsman Commission and that is why this nation has a Leadership Tribunal. This is how public accountability is achieved in this country.

The reasons for this system may be simply stated: Members of Parliament hold special positions and have special powers; they therefore have special duties and special responsibilities. Unlike ordinary citizens, whose conduct is usually only called into question by statutes such as the

Criminal Code, the conduct of leaders is subject to additional obligations and additional statutory provisions have been enacted to enforce those obligations.

In the Constitution and in the Organic Law on the Duties and Responsibilities of Leadership are to be found provisions which leaders, such as Members of Parliament, are required to obey.

Such provisions are intended to ensure that leaders do not have a conflict of interests; in other words, that they are not making decisions based upon their personal interests. These provisions are also intended to assist in the achievement of honest government where decisions are based upon merit and not upon any unworthy motive.

Members of Parliament not only represent their electorates; they represent their country in that foreigners observe their conduct and thereby form a view of this country. A Member of Parliament who engages in sub-standard conduct gives his country a sub-standard reputation.

Source: These eloquent words were formulated by Justice Graham Ellis, Martin Loi and Iova Geita (Leadership Tribunal) in their recommendations for dismissal of Ted Diro, a former deputy prime minister, from office after finding him guilty on serious corruption charges relating to the Barnett forest inquiry.

Section 3 | Lessons learnt and options for policy reform

This final section of the paper is divided into two parts. The first serves to (a) highlight the major policy issues raised in the preceding discussions, and (b) establish analytical parameters for policy options. In particular, it deals with the question of the range of lessons that can be learnt from the PNG experience, and provides some explanation for the unusually high number of misconduct cases. It will be of interest to policy-makers in PNG, the Solomon Islands, Vanuatu and other Pacific Islands countries that might entertain the idea of introducing or reforming slush funds. The second part outlines the options for policy reform, some of which may not be popular with MPs, but could help restore state legitimacy and enhance administrative capacity for policy formulation and implementation.

3.1 *Lessons learnt*

A number of useful lessons can be learnt from the experience of slush funds in PNG. Various slush funds, comprising both discretionary and non-discretionary components, have been established over the years to provide government grants to development projects in rural areas. Although administered by different ministries under different names, ranging from the initial Village Economic Development Fund to the current Rural Development Program, the outcome has been essentially the same: very little has been achieved in terms of rural economic development, while governance has been adversely affected by an emerging political culture of extravagance in election campaign hospitality and handouts.

3.1.1 What are the most common breaches of the Leadership Code?

We have learnt that MPs continually get into trouble for:

- failure to provide the Office of Rural Development with acquittals for electoral development funds (district support grants);
- failure to provide the Ministry of Education with acquittals for education subsidy cheques;
- failure to provide the Department of Works with project completion reports for Rural Transport Infrastructure Improvement Program funds;
- failure to provide the Ombudsman Commission with annual returns (including failure to disclose liabilities in annual returns);
- failure to comply with public tender procedures in the awarding of project contracts;

- double-dipping in vehicle allowances;
- appropriating funds in the form of cash or cash cheques (contrary to law); and
- misappropriation of slush funds themselves (EDF and other grants for district improvement programs for roads, transport infrastructure, education, health, law and justice, and water supply).

How can we prevent these breaches? Some suggestions are offered in the next section. CDI's parliamentary induction course for new MPs in August 2007⁶ (and their electoral staff) may help eliminate some of these problems, but other issues have to be considered as well (see section on policy options).

3.1.2 Why so many cases of misconduct in office?

There are several plausible explanations for the unusually high number of misconduct cases. First, the growing number of leaders referred for misconduct in office is the inevitable result of the corruption of the 'legitimacy cycle'. In an election audit of the recent LPV by-elections, Dr Andrew Ladley of the Institute for Policy Studies in Wellington spoke of governance as a megacycle of three "V"s — moving from virtuous to veneer to vicious cycles, depending on factors such as the composition of parliament, electoral behaviour, political culture, and modes of governance (Institute for Policy Studies 2004). Recent elections in PNG have been marred by violence, intimidation, fraud, theft and destruction of ballot papers, impersonation, multiple voting and other irregularities. This has allowed a number of thugs and fraudsters to enter parliament, who in turn have appointed their cronies and rascal friends to senior management positions in government departments and statutory bodies. The public service as the policy implementation agency has thus been rendered somewhat ineffective by incompetence and corruption, while legislators engage in the 'politics of the belly', thereby avoiding important matters of government business.

⁶ CDI is assisting the National Parliament of Papua New Guinea in organising the induction program for Members of Parliament following the 2007 national elections. CDI is working in partnership with the Parliamentary Service and is receiving support from the United Nations Development Programme Parliamentary Support Project in PNG for this activity, which is scheduled to take place from 14 to 16 August 2007 at Parliament House in Port Moresby. See the following web page for more details: http://www.cdi.anu.edu.au/png/2007_08_PNG_PRO_MP_Induction.htm

The system seems to be moving towards a vicious cycle, with one bad government replacing another in an endless pursuit of personal goals at the expense of national development and economic growth. If, however, a new cohort of leaders are elected in 2007 and in future elections, then we may be able to turn this around because good leaders tend to make appointments and award government contracts on meritorious grounds, whilst dealing with policy matters effectively and competently. This can produce a virtuous cycle of competitive politics resulting in the allocation of state resources and services on the basis of electoral needs and demands. At the moment, though, we seem to have a mixture of good and bad leaders, which has resulted in an odd mix of people in high office, some of whom are competent and ethical, but many, as the evidence presented here suggests, who are essentially crooks seeking to enrich themselves at any cost.

Second, the criterion for selection of modern leadership in government is flawed. Traditional Melanesian leaders have to prove themselves in several arenas of competition before achieving leadership status. They have to demonstrate knowledge and entrepreneurial skills in the management of large-scale events, such as ceremonial exchange, peace-making, and warfare. In contrast, politicians require no special qualification to get into parliament. We have seen over the years an unusual assortment of parliamentarians, ranging from illiterate villagers to PhD holders, from cult leaders to clergymen, from rascal gangsters to judges, and from school dropouts to professionals. Many of these people got into parliament by exploiting tribal preoccupation with prestige, power and wealth. Others simply forced their way into parliament through use of violence and deception. The lack of capacity, training, and grooming of candidates — along with a premeditated, basic desire to get their hands on the money as discussed above — threatens to reduce parliament to a house of mediocrity.

Third, the quality of national leadership reflects the quality of leadership and governance at the local level. In this context, it is fair to say that the misappropriation of slush funds represents only the thin end of the wedge of corruption in this country. In fact, it is a manifestation of a wider crisis of governance, where destructive political culture has undermined the functions of state institutions, whilst at the same time promoting a mode of governance called 'politics of the belly', epitomized by the African expression, 'the goat grazes wherever it is tied to'. The combination of political tenure with wealth accumulation has assumed new proportions recently, with officials from the Finance Department and the Public Solicitors Office paying out billions of kina in fraudulent out-of-court

settlements in return for kickbacks. The 'criminalization' of state institutions (Bayart, Ellis and Hibou 1999), as exemplified by corruption within a number of government departments (illegal sale of passports and work permits, fraudulent payments, and illegal contracts), suggests that the state might be operating as a 'kleptocracy' (rule by theft). Indeed, in many parts of the country, it can be claimed that the state has lost control of its Weberian claim to monopoly over the legitimate use of force.⁷

The fourth explanation for the high number of misconduct cases may be found in the notion that traditional Melanesian cultural values and political practices conflict with the principles of the modern state system. Transactions within the Melanesian kinship system are based on personal friendship and trust, without any written records, while those within the state bureaucracy are largely impersonal and based on written contracts, with records kept for future reference. Big-man status is mainly achieved and maintained by sponsoring large-scale ceremonial exchanges in which large herds of pigs, previously shells, and nowadays cash and cattle are given away as gifts to exchange partners. But, as noted by Ben Scott in a Lowy institute paper, "the term 'big-man' is now used to describe businessmen, or more commonly, politicians (and often both) who maintain their leadership by delivering patronage and resources to their constituents" (Scott 2005:51). Scott also mentioned two other factors — the *wantok* system and 'cargo culture' — which are of relevance here:

The term *wantok* (pidgin for 'one talk') literally refers to those from the same language group but its use (often by someone asking a favour) has less to do with language and more to do with links. Modern *wantok* networks — especially in urban areas — can be based on language, geography, kinship or simple personal connections, and can embrace people from different parts of the country. The term *wantok* captures something of the continuing strength of traditional and regional loyalties in Papua New Guinea. Even the best-intentioned public servants and politicians can find it difficult to resist pressure brought to bear from *wantoks* from their village, clan or tribe (Scott 2005:51).

We can conclude by saying that strong tribal backgrounds combined with poor knowledge of government systems and limited exposure to global issues has contributed to political ineptitude and poor governance. It may be too much at this stage of development (though by no means unreasonable) to expect MPs with clearly disadvantaged backgrounds to

⁷ For example, during the 2002 elections, police were outnumbered and outgunned in the Southern Highlands and Enga provinces, where warlords and thugs solidified their vote with guns.

comply with administrative procedures and financial guidelines within an alien system. But even those who have been trained in the best schools in Australia, New Zealand, USA and UK have succumbed to parochial pressure from local communities, thereby lending weight to a political theory that the centre is often controlled by the periphery in Third World countries (see Clapham 1985). Such a situation has been compounded by some ridiculously soft penalties imposed by Leadership Tribunals in recent times. Several MPs found guilty of misappropriating thousands of kina were fined K1,000 for each count of misconduct in office rather than dismissed from parliament. This has further dented the legitimacy of the state, with an already disillusioned public beginning to lose faith in the judicial system, which until recently has been one of the few saving graces of the state system in PNG.

3.1.3 What are the administrative impediments to good governance?

PNG's cultural and governance problems have been compounded by administrative problems. While commenting on the establishment of the Rural Action Program (RAP) under the 1999 budget, Dr Colin Hunt of the National Research Institute warned that:

The difficulties posed in planning, allocation, verification, and recording of small, multiple investments are not to be underestimated. At present it is very difficult to get basic information about development from several provinces. The problems will be even greater at the district level (Hunt 1999:11).

As previously noted by Dr Hunt, the Department of National Planning and Rural Development has the difficult task of managing and monitoring the district and provincial development programs targeting primary health and primary education. The department is also responsible for the integration of development budgets at the provincial and national levels (see Hunt 1999). Dr Hunt further noted that:

The department's herculean task includes reviewing the plans, approving the plans, and then subsequently obtaining details of the actual spending, while making sure that district plans are incorporated at the provincial level. Moreover, the new infrastructure that has been developed under the program will need maintenance. Officers at the provincial and national level will need to record these maintenance requirements and include them in future provincial and national budgets (Hunt 1999:11).

ORD Director Paul Saii informed us that district treasurers are each allocated a vehicle, a house, an office, computers, and funds to pay for electricity, but are inadequately trained. Mr Saii indicated that there is a

need for real accountants to handle planning and budgeting jobs for the districts. Another weakness identified by the ORD Director was the current practice of having all funds in one basket, whereby funds allocated for different projects are regularly diverted when funds under a particular vote is exhausted. Mr Saii admitted that there are serious problems with the administration of district and provincial support grants. Most problems result from lack of compliance of guidelines, so any attempts to make slush funds work more effectively to achieve development objectives must address the serious management issues raised here.

In view of the recurring administrative problems, one may be tempted to seek new ways of managing scarce resources to ensure maximum output in service delivery, such as the proposal before the last parliament which aimed to give districts greater financial management powers. These types of proposals need to be carefully developed as they may run the risk of giving politicians even greater control over rural development funds than they currently have under the Rural Development Program.

3.2 Options for policy reform

On the basis of the findings of this study, some policy options are offered, with a view to improving the system so that scarce state resources are effectively delivered to the most needy in rural areas. By removing the middlemen, it is hoped that resources will be directed to genuine projects that would benefit the entire community rather than serving the narrower interests of a few well-connected families. This leads to our recommendations on the pressing issue of slush funds.

Option 1: Restructure EDF format

Restructuring the current format of the EDF could ensure greater transparency and accountability in the use of public funds. Consider the following options:

- Remove the discretionary component of the EDF and give the funds to the provinces to spend on the priority areas of primary health, basic education, rural transport infrastructure, and primary industry.
- For non-discretionary funds, MPs could participate in the planning and budgeting process, but do not need to touch any cash. Chronic acquittal problems would thus be transferred from politicians to professional finance officers. High levels of transparency and accountability could be achieved through independent audits, inspections and reporting.

- ORD guidelines need to be revised in simple and concise language, published in the three major languages (English, Tok Pisin and Motu), and made available at no cost to all parliamentarians, bureaucrats, local level government councillors, district officials, teachers and other community leaders.
- To maximize the chances of success, Dr Colin Hunt recommended that for the Rural Development Program, “appropriations and expenditures are published by the Planning Department, for all districts and provinces, as a supplementary paper, along with the main budget papers”. Dr Hunt argued that: “It would be most valuable not only to have the financial rundown of allocations and expenses under the fund, but also the physical development outcomes. For example, if expenditure was made on primary education, what was the physical result in terms of classrooms, training or materials? And if funds were put into primary health, how many aid posts were constructed, equipped, and staffed?” (Hunt 1999:11). This recommendation is now reiterated here.
- Improve accountability of public funds by (a) strictly enforcing guidelines for the administration of public funds, (b) strengthening law enforcement agencies, with increased funding for law enforcement agencies (including the Ombudsman Commission), to prosecute corrupt leaders, and (c) handing out stiffer penalties for convicted leaders, preferably longer prison terms and banning them from ever holding any public office.
- Enhance administrative capacity at all levels of government by (a) hiring creative and competent officers, exclusively on professional criterion, and (b) training government officials, (i) through short courses and workshops on planning and financial management procedures, (ii) graduate cadet programs, (iii) post-graduate studies at universities, and (iv) mentoring programs within and outside the country.
- Develop the management capacity of parliamentarians by conducting either compulsory or optional induction courses for new MPs (and their electoral staff) on parliamentary procedures, public policy formulation and implementation, planning and budgeting, project proposals and reporting, guidelines for acquittals and disbursement of public funds, and also on the impact of political culture on democracy and governance. MPs need to understand the wider governance implications of electoral politics as well as the procedural aspects of the Westminster system of

parliamentary democracy. The Centre for Democratic Institutions has already demonstrated its support for such a scheme, which would also benefit from input from local academics, policy-makers, and other professionals from within civil society organizations and donor agencies.

Option 2: Divide EDF between state and church agencies

The established Christian Church agencies enjoy greater legitimacy than their state counterparts simply because they deliver services more effectively than government departments. Their development ethos and practical approach to work also differ from state agencies. They tend to be more successful in achieving their development goals with scarce resources. Resources are allocated in a more transparent and accountable manner because of a firm belief that church workers are answerable to higher powers, compared with public servants who report to fallible and therefore malleable bosses. The incoming government may wish to consider the following:

- Divide the EDF between districts and churches, with churches taking care of the discretionary component to fund ongoing programs on social services (education, health, peace and good order), while districts look after the non-discretionary component to fund transport infrastructure and utilities.
- Engage the churches to coordinate and manage the rural development programs targeting primary education, basic health, and law and order. The planning, budgeting, allocation, verification, and reporting process needs to be worked out between the provincial governments, districts, and churches to ensure transparency and accountability.

Option 3: Completely abolish EDF and other slush funds

The abuse of slush funds must be seen in its broader context: that such practices are part of a wider crisis of governance in PNG. The new government would do well to heed the advice of local civil society leaders and international donor agencies by showing real commitment in tackling corruption in public office. The government needs to be steadfast in its efforts to restore public confidence in state institutions. It must begin by taking the following steps:

- Abolish all slush funds, starting with parliamentary discretionary funds, and channel all government grants for rural development through the provincial and district planning and budget priority committees, with membership of these committees broadened to

include representatives from all sectors of the community. This will ensure that public funds are disbursed in an accountable and transparent manner. The removal of this opportunity for corruption will help restore the integrity of public office, and protect leaders from the temptation to misappropriate funds. Of course, MPs will lose an important source of resources required for pork-barrel politics, but it will be good for them, their electorates and their country in the long run. Voters will have to learn to live without cash handouts from parliamentarians, and candidates must find other ways of winning elections, without resorting to vote buying tactics.

- Strengthen the capacity of law enforcement agencies by increasing funding levels for the Ombudsman Commission, Royal PNG Constabulary, and the Courts so that they can go after the big criminals. The Australian Government, through AusAID, has funded a number of technical assistance programs such as the Law and Justice Sector Program, while the New Zealand Government has indicated that it will assist in whatever capacity required by the PNG Government. The incoming PNG government must approach Australia and NZ for technical assistance to investigate and prosecute the big criminals. We must specifically ask for forensic accountants, criminal investigators, prosecutors, and lawyers and judges to investigate and instigate criminal proceedings against those implicated in fraudulent payouts from Finance Department and in other scandalous cases involving theft of billions of kina (including National Provident Fund, Cairns Tower, Cayman Islands, Poreporena Freeway, Sandline International, and the PNG Forest Industry).
- Strengthen the capacity of the National Research Institute and the University of Papua New Guinea, through increased funding and appropriate training, so that they can contribute to policy reforms by providing fresh information on corruption and governance issues from a Melanesian perspective. The Australian Government has already provided NRI with a large amount of money for research, but the institute lacks analytical capacity and research leadership in key areas of crime, corruption, governance, democracy, political culture, and state-society relations. The AusAID-funded PNG Advisory Support Facility provides capacity building assistance to key state agencies, including NRI through an ANU-based governance advisor, and there are plans to extend such assistance to other key areas. This is a step in the right direction, but

the planning, designing and managing of research programs must be handled by Papua New Guineans to ensure ownership and continuity in such exercises.

3.3 The final word

The use and abuse of slush funds in electoral politics must be understood in a broader context of corruption of the legitimacy cycle, with its corrosive impact on politics and governance. Such electoral reforms as the introduction of the limited preferential voting system have been designed and implemented to influence changes in electoral behaviour. The FPTP electoral system was replaced with the LPV system after the 2002 elections. Under FPTP, all eligible voters were entitled to a single vote for both 'open' and 'regional' seats, and the candidate who polled the highest number of votes was declared winner. Winning candidates polled as low as seven percent of the popular vote and almost inevitably directed all state resources (including EDF) to their base-vote areas (comprising primary kin-groups and alliance networks) at the expense of the entire electorates. In view of the widespread electoral misbehaviour (violence, intimidation, coerced voting, impersonation and multiple voting) associated with FPTP, it can be argued that this faulty system — perhaps best described as more of a democratic facade than a truly representative system — was largely responsible for the corruption of the legitimacy cycle. The LPV system was intended to correct such misbehaviour and, hopefully, to strengthen the legitimacy cycle, so that we can end up with a virtuous cycle (fair elections, honourable leaders, good governance), rather than a vicious cycle (fraudulent elections, corrupt leaders, bad governance).

In a similar way, the Organic Law on Integrity of Political Parties and Candidates (OLIPPAC), locally known as the 'Integrity Bill', was introduced to strengthen political parties and to stop party-endorsed MPs from switching parties on the floor of parliament after elections. It seems that both reforms were based on the assumption that policy changes at the national level can influence changes in electoral and political behaviour. While the intentions of the reforms were noble, changing entrenched political culture with policy reforms is always a difficult task and only time will tell whether the objectives can be achieved with any degree of success.

We can draw from the experiences of the provincial government system in PNG. The provincial government system, in which members of provincial assemblies were directly elected by the respective constituencies, was abolished in 1995 and replaced with a government headed by the

provincial ('regional') member of a province in the national parliament as Governor, who then gets to pick a number of local level government presidents as members of the Provincial Executive Council (PEC). This has led to the politicization of the provincial bureaucracy, with increased levels of corruption and cronyism, thereby rendering them ineffective and paralysed.

One reason that the provincial and local level government reforms have failed is because of the intentions of the initiators. Statistics on provincial government expenditure were manipulated by one prime minister to force the reforms through parliament. Parliament was misled into thinking that provincial governments were economically unsustainable. Revenue-generating capacity of some provincial governments were either ignored or downplayed. Hostile relations between some national politicians and their provincial counterparts were overplayed. And, the original rationale for the introduction of the provincial government system in PNG was conveniently forgotten. Given the diverse cultural and difficult geographical setting of the country, the founding fathers of PNG felt that a decentralized form of government system would empower ordinary people through collective decision-making processes and would ultimately result in the development of the individual person as a responsible citizen.

Institutional or policy reforms, like provincial and local level government reforms, will not work if premised on flawed logic or inappropriate development models. We need to reconsider development models and policies with a view to making them relevant to modern Melanesian societies. This requires new approaches to democracy and governance, grounded in Melanesian philosophy or Pacific epistemology, and based on rigorous research, meaningful consultation, and public debate. Our premier research and higher learning institutions (USP, UPNG, NRI, NARI) must justify their continued existence by taking more active roles in translating research into policies dealing with key issues such as service delivery, rural development (especially, agriculture, land, forestry, fisheries), public order, and governance. Australia and NZ play major roles in many of these areas through the provision of development aid and technical assistance programs, but development thinking and ideas must come from Melanesian and Pacific scholars and leaders because it is their future that is in question.

Appendix 1: Leaders charged and convicted under Leadership and Criminal Codes

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No.	Leader	Leadership & Criminal Code	Details of Charges	Outcome
Year: Unknown				
1	John Jaminan (MP for Yangorou-Saussia)	Charged under both Leadership and Criminal Codes for misconduct in office.	Jaminan was alleged to have raped an under- aged girl at a Mount Hagen hotel and was prosecuted on charges of carnal knowledge.	Mr Jaminan was found guilty and sentenced to prison. He was allowed to contest a subsequent election, was returned to parliament and appointed Minister for Housing.
2	Philip Taku (MP for Moresby North East and NCD Governor)	Charged under the Leadership Code for misconduct in office.	Details not available.	Suspended from office.
Year: 1982				
3	Opai Kunangel (MP for Anglimp-South Wahgi; Minister for Commerce and Industry)	Misconduct charges under the Leadership and Criminal Codes for misappropriation of government funds.	Kunangel was alleged to have misappropriated K20,000 from the Village Economic Development Fund (Post-Courier, 31 December 1982, p.3). As Commerce Minister, Mr Kunangel was responsible for the administration and approval of VEDF grants.	Mr Kunangel resigned from Cabinet in February and from Parliament in March 1982. The National Court acquitted Mr Kunangel on the charge of misappropriation of K20,000 in government funds for his own use, but convicted him on a lesser charge that he obtained the money by false pretence (<i>Post-Courier</i> , 25 April 1984, p2).
1986				
4	Kindi Lawi (MP for Western Highlands)	Charged under the both Criminal and Leadership Codes for misconduct in office.	Mr Lawi was alleged to have misappropriated public funds.	Mr Lawi was found guilty and sentenced to prison.

1989				
5	Gerald Sigulogo (MP for Kavieng Open)	Charged under the Leadership Code for misconduct in office.	Sigulogo was alleged to have received a free trip to Singapore and at least K2,000 in spending money from a notoriously corrupt logging company operating in New Ireland. He requested K30,000 from shipment sales, and in return promised that the company would "continue to operate as long as I am a Member of Parliament" (see Ketan 2000:59).	A Leadership Tribunal found Mr Sigulogo guilty of misconduct in office and recommended his dismissal from office.
1990				
6	Gabriel Ramoi (MP for Aitape-Lumi and Minister for Communication)	Charged under both Leadership and Criminal Codes for misconduct in office.	Mr Ramoi was alleged to have misappropriated K18,500 belonging to the state (Ketan 2000:70).	Mr Ramoi resigned from parliament in September 1990 in order to avoid facing a Leadership Tribunal. The case was later transferred to police prosecutions and Mr Ramoi, a former UPNG law graduate, was charged under the Criminal Code. He was found guilty of the charges and sentenced to prison (Ketan 2000:70).
1991				
7	Ted Diro (MP for Central; and former Deputy Prime Minister)	Charged under the Leadership Code for misconduct in office relating to corruption.	Mr Diro was prosecuted on charges relating to corruption within the Forest Industry; for receiving K139,400 from an Indonesian army general, and a free Jaguar motor vehicle from a logging company; and for other breaches of the Leadership Code (see Barnett 1990:20-22; Ketan 2000:58-66).	A Leadership Tribunal found Mr Diro guilty on 81 of 86 corruption charges. In 70 cases the misconduct was so serious that the Tribunal recommended that he be dismissed from office (see Ketan 2000 for details). Despite the serious nature of the charges, the former army commander, was allowed to contest a subsequent election and was returned to parliament.
8	John Tekwiew (MP for West Sepik and Governor)	Charged under the Leadership Code for misconduct in office.	Mr Tekwiew was alleged to have misappropriated public funds while Governor of West Sepik.	Mr Tekwiew was found guilty and sentenced to prison.
9	Roy Yaki (MP for Lalibu-Pangia)	Charged under both Leadership and Criminal Codes for misconduct in office.	Details not available.	Mr Yaki was found guilty and sentenced to prison.

1992				
10	Galen Lang (MP for Sumkar)	Charged under the Leadership Code for misconduct in office.	Mr Lang was alleged to have received K100,000 from the Prime Minister's discretionary fund as compensation for being replaced during a ministerial reshuffle.	Mr Lang resigned from parliament in order to avoid Leadership Tribunal charges. He died shortly after this.
11	Peter Garong (MP for Tawei-Siassi)	Charged under the Leadership Code for misconduct in office.	Mr Garong was alleged to have received K100,000 from the Prime Minister's discretionary fund as compensation for being replaced during a ministerial reshuffle (Ketan 2000:69).	Mr Garong resigned from parliament in order to avoid facing Leadership Tribunal charges. He died soon after.
12	Melchior Pep (MP for Dei; Minister for Correctional Services)	Charged under the Leadership Code for misconduct in office.	In a deal reached between the Prime Minister and three ministers, including Pep, the ministers received K100,000 each (from the PM's discretionary fund) as a form of compensation for being replaced during a reshuffle (Ketan 2000:71).	Mr Pep resigned from parliament in order to avoid Leadership Tribunal charges, but was removed from parliament after he won the 1992 elections. He was allowed to contest the 2002 elections and returned to parliament.
1993				
13	Esorom Burege (MP for Gazelle)	Charged under both Leadership and Criminal Codes for misappropriation of public funds.	Burege was charged and convicted of having misappropriated funds from the Provincial Affairs Department (K26,000), National Development Fund (K150,000), and 45 school subsidy cheques (K57,897.92) — all for the Gazelle electorate (Peter Niesi, Post-Courier, 15 October 1993, p.4).	Mr Burege resigned from parliament, but was convicted by the National Court on 14 counts of misappropriation of more than K200,000 of government funds and sentenced to prison.

1994				
14	Philip Laki (MP for Angoram)	Charged with 26 counts of misconduct in office under the Leadership Code for misappropriation of public funds.	Alleged improper payments include use of more than K3,000 of electoral development funds to pay for his son's school fees in Charters Towers, Australia, and K887.45 for his son to hire musical instruments and equipment for his band (Harry Momos, <i>Post-Courier</i> , 16 February 1994, p.4).	A Leadership Tribunal found Mr Laki guilty on each of the 26 allegations of misconduct relating to misappropriating public funds for his personal use. The Tribunal recommended that he be dismissed from office (Ketan 2000:71).
1996				
15	Yaip Avini (MP for Finschhafen; Minister for Health)	Charged under the both Leadership and Criminal Codes for misappropriation of government funds.	Avini was charged and convicted of misappropriating K100,000 intended for road projects in his electorate. The Ombudsman Commission had referred Mr Avini to the Public Prosecutor for alleged breaches of the Leadership Code relating to misappropriation of EDF, Rural Transport Improvement Program Funds, and for improper application of other funds (Neville Togarewa, <i>Post-Courier</i> , 30 December 1996, p.1).	The National Court found Mr Avini (along with co-accused Plaridel Nonoy Acosta) guilty of misappropriation of public funds and sentenced to eight years imprisonment with hard labour.
16	Jeffery Balakau (MP for Enga and Governor)	Charged under the Leadership Code for misappropriation of government funds.	Balakau was charged and found guilty of misappropriating K150,000 intended for 10 road projects, and K53,000 from his EDF (Colin Taimbari, <i>Post-Courier</i> , 12 December 1996, p.1).	Mr Balakau was found guilty by a Leadership Tribunal on 12 of 15 charges of misconduct in office and was dismissed from parliament.
17	Joseph Bare Onguglo (MP for Kundiawa; Minister for Education)	Charged under the Leadership Code for misconduct in office for misappropriation of public funds.	Onguglo was alleged to have misappropriated EDF and other funds in 1994 and 1995 (Neville Togarewa, <i>Post-Courier</i> , 30 December 1996, p.1).	Outcome unknown.

18	Timothy Bonga (Lae City Authority Chairman and former MP for Nawai and Minister for Youth and Home Affairs)	Charged under the Leadership Code for misconduct in office.	A Leadership Tribunal found Mr Bonga guilty on 14 of 16 charges of misconduct, including a request of K120,000 from the Prime Minister's discretionary fund, failure to acquit 1989 school subsidy cheques, and failure to acquit 1990 EDF (Peter Kili, Post-Courier, 30 April 1996, p.1).	Mr Bonga who escaped prosecution for alleged misconduct in office in 1992 by resigning from parliament during the course of legal proceedings had been referred for the second time on the same charges, after the Public Prosecutor decided that Mr Bonga's new position as Chairman of Lae City Authority was subject to the Leadership Code (Neville Togarewa, Post-Courier, 7 February 1996, p.2). Mr Bonga was removed from Lae City Authority (but later appointed Chairman of the Port Moresby water resource company, <i>Eda Ranu</i>). He was returned to parliament in 2007.
19	John Nilkare (MP for Gumine; Minister for Village Services)	Charged under the Leadership Code for misappropriating public funds.	Nilkare was alleged to have demeaned his office and integrity and respect for the Government by requesting funds without complying with guidelines. He was also charged with misappropriation of public funds.	A Leadership Tribunal found Mr Nilkare guilty of 25 out of 31 counts of misconduct in office. He was found guilty on the charge of misuse of K20,000 from the Minor Transport Program Fund (Jonathan Tanos, Post-Courier, 28-30 June 1996, p.1). He was dismissed from parliament.
1999				
20	Jim Kas (MP for Madang Regional and Governor)	Charged under the Criminal Code.	Mr Kas was alleged to have endangered the lives of passengers at Madang airport while under the influence of alcohol.	Mr Kas was found guilty and sentenced to prison.
2000				
21	Akoko Doi (MP for Ijivitare; former Deputy Prime Minister)	Charged under the Leadership Code for misconduct in office.	Details not available.	Outcome unknown.

2001				
22	Anderson Aigiru (MP for Southern Highlands and Governor)	Charged under the Leadership Code for misconduct in office.	Details not available.	A Leadership Tribunal found him guilty and was disqualified from contesting the 2002 elections.
2002				
23	Kuk Kuli (MP for Anglimp-South Wahgi)	Charged under the Leadership Code for misconduct in office.	Mr Kuli was alleged to have misappropriated EDF and other public funds.	Mr Kuli was found guilty and dismissed from office.
24	Bernard Hagoria (MP for Yangorou-Saussia)	Charged under the Leadership Code for misconduct in office.	Mr Hagoria was alleged to have misappropriated public funds, including EDF.	Mr Hagoria was found guilty and dismissed from office.
2004				
25	Michael Nali (MP for Mendi; former Deputy Prime Minister)	Charged under the Leadership Code for misconduct in office for misappropriation of government funds.	Nali was found guilty of misappropriating K50,000 from the Southern Highlands Regional Member's Trust Account and K610,000 from his EDF, which were deposited in his personal bank account (Michelle Yiprukaman, Post-Courier, 5 April 2004).	A Leadership Tribunal found Mr Nali guilty of four counts of misconduct in office (for misappropriation of EDF and other funds), and was dismissed from parliament).
2005				
26	Gabriel Dusava (MP for Yanggorou-Saussia)	Charged under the Leadership Code for misconduct in office.	Details not available.	Mr Dusava was found guilty and dismissed from office

2006				
27	Mao Zeming (MP for Tewai-Siassi; former Deputy Prime Minister)	Charged under the Leadership Code for misconduct in office.	Mr Zeming was alleged to have misappropriated EDF and other public funds.	Suspended from office.
28	Peter Ipatas (MP for Enga and Governor)	Charged under the Leadership Code for misconduct in office.	Mr Ipatas was alleged to have misappropriated electoral development funds and other public funds.	A Leadership Tribunal found Mr Ipatas guilty of misconduct in office for misappropriation of public funds. The self-styled "action governor" was fined K1,000 for each count.
29	Gabriel Kapris (MP for Maprik Open; and Minister for Works)	Charged under the Leadership Code for misconduct in office.	Mr Kapris referred on charges of misconduct in relation to the appointment of the Forests Service Director.	A Leadership Tribunal found Mr Gabriel Kapris guilty and fined him K2,000. He survived as an MP.
30	Arthur Somare (MP for Angoram; Minister for Planning and State Enterprises)	Charged under the Leadership Code for misconduct in office.	Details not available.	Charges were dismissed.
31	Dr Puka Temu (MP for Abau; Minister for Lands)	Charged under the Leadership Code for misconduct in office.	Dr Temu was referred to the Public Prosecutor on charges relating to failure to submit annual returns to the Ombudsman Commission.	A Leadership Tribunal found Dr Puka Temu guilty and fined him K2,000 for failing to submit annual returns of business activities. Dr Temu survived as an MP and resumed as Lands Minister.

32	Hami Yawari (MP for Southern Highlands and Governor)	Charged under the Leadership Code for misconduct in office.	The Ombudsman Commission referred Mr Yawari for prosecution on alleged breaches of the Leadership Code. He was also charged with misappropriation (The National, 14 September 2006).	The charge on misappropriation was strangely dismissed owing to lack of evidence, and Mr Yawari reinstated as Governor of the oil-rich, but least developed, province.
2007				
33	Charlie Benjamin (MP for Manus Open)	Charged under the Leadership Code for misconduct in office.	Details not available.	A Leadership Tribunal found Mr Benjamin guilty of misconduct in office and dismissed him from parliament (Jeffery Nape, The National, 4 May 2007, p.12 and 37).
34	Andrew Baing (MP for Markham Open; former Deputy Prime Minister)	Charged under the Leadership Code for misconduct in office.	Details not available.	A Leadership Tribunal found Mr Baing guilty of misconduct in office and dismissed him parliament ((Jeffery Nape, The National, 4 May 2007, p.12 and 37).
35	John Munginepe (MP for Bulolo)	Charged under the Leadership Code for misconduct in office.	Mr Munginepe was referred to the Public Prosecutor by the Ombudsman Commission to inquire into 13 allegations of misconduct in office in June 2006 for failing to submit six annual statements (The National, 4 April 2007, p.5).	A Leadership Tribunal found Mr Munginepe guilty of misconduct in office and dismissed him from parliament (Jeffery Nape, The National, 4 May 2007, p.12 and 37).
36	James Yali (MP for Saidor and Governor of Madang)	Charged under the Criminal Code for rape.	Mr Yali was charged for raping his younger sister-in-law.	The National Court in Madang found Mr Yali guilty and sentenced him to 12 years imprisonment in 2005. But Mr Yali has been cleared by the Electoral Commissioner on advice from Constitutional lawyer Dr Nonggorr to contest the 2007 elections, pending his appeal (Roselyn Albaniel, Post-Courier, 9 May 2007, p.1). He became the first person in PNG to win an election from prison after retaining his Saidor Open seat in July 2007.
37	Gallus Yumbui MP for Wosera-Gawi)	Charged under the Leadership Code for misconduct in office.	Details not available.	A Leadership Tribunal found Mr Yumbui guilty of misconduct in office and dismissed him from parliament (Jeffery Nape, The National, 4 May 2007, p.12 and 37).

38	Guao Zurenuoc (MP for Finschhafen)	Charged under the Leadership tribunal for misconduct in office for misappropriation of public funds.	The allegations of misconduct against Mr Zurenuoc relate to his former position as Secretary for Department of Lands and Physical Planning for the period March 2000 to February 2002. The leader is alleged to have misappropriated (1) K18,000 of department funds, (2) received K50,000 in motor vehicle allowances, while at the same time using a fully maintained official vehicle as department head; and (3) misused funds intended for his farewell party (The National, 20 March 2007, p.4).	A Leadership Tribunal has been appointed to hear the charges at a date yet to be determined. But the charges will now have to be dropped as a result of Mr Zurenuoc losing his Finschhafen Open seat to his nephew Theo Zurenuoc in July 2007.
39	Melchior Pep (MP for Dei and Minister for Health)	Charged under the Leadership Code for misconduct in office. This was the second time that Pep had been referred for misconduct in office. The first had been in 1992 (see above).	Mr Pep was referred for allegations that he received double benefits under his transport or motor vehicle entitlements by having at his disposal a 24-hour fully serviced motor vehicle at the expense of the state, provided by the Department of Health when he became the Minister for Health; that he awarded a road maintenance contract in his electorate to a contractor without calling for public tender as required under the guidelines for the use of district support grants; and that he applied K79,100 in discretionary funds at his disposal, contrary to law in that he and the members of Dei Joint District Planning and Budget Priorities Committee subcommittee on small projects withdrew and paid the funds out of trust account to recipients in cash instead of raising cheque payments in their names (The National, 9 May 2007, p.1-2).	A Leadership Tribunal found Mr Melchior Pep guilty of three counts of misconduct in office and fined him K3,000. The Tribunal dismissed three other allegations due to lack of sufficient evidence. The leader was fined for counts 4, 5, and 6 for failing to submit his annual returns to the Ombudsman Commission for the years 2001-2004, and for not paying a debt. He was fined K1,000 on each of the counts. The Tribunal found no credible evidence on the allegations of double-dipping on vehicle allowance, and for improper use of district support grants.

40	Chris Haiveta (Governor of Gulf Province; former Deputy Prime Minister)	Charged under the Leadership Code for misconduct in office for misappropriation of public funds.	Mr Haiveta was referred by the Ombudsman Commission on 30 January 2006 for failing to give annual statements and for misappropriating over K700,000 in provincial support grants while in office between 1999 and 2002 — K524,000 in 2001 and K250,000 in 2002 (David Kapi, <i>The National</i> , 4 April 2007, p.3; Clifford Faiparik, <i>The National</i> , 18 May 2007, p.3; and <i>Post-Courier</i> , 16 May 2007, p.9).	The Tribunal hearing against the suspended MP may be forced to disband owing to lack of funds (within the Magisterial Services) to run the Tribunal (<i>Post-Courier</i> , 11 May 2007, p.3).
41	Moi Avei (MP for Kairuku- Hiri; Minister for Petroleum; former Deputy Prime Minister)	Charged under the Leadership Code for misconduct in office for alleged misapplication of 2002 discretionary component of District Support Grants meant for his electorate.	Moi Avei allegedly misappropriated a substantial part of his district support grants: (1) made 59 improper cheque payments totalling K79,397.77; (2) further made 37 improper cash cheque transactions totalling K71,910. Sir Moi was also alleged to have failed to pay his rentals to the National Housing Corporation; and knowingly, recklessly or negligently failed to inform the Ombudsman Commission about his rental liabilities (Dominic Krau, <i>Post-Courier</i> , 15 May 2007, p.8).	A Leadership Tribunal on April 4, 2007, had found Sir Moi Avei guilty on five of nine misconduct charges. The Tribunal found the suspended MP failed to ensure K250,000 in public money allocated for his electorate in 2002 for rural infrastructure projects was properly applied; failed to properly acquit those funds; and failed to pay rentals to the National Housing Corporation (<i>Post-Courier</i> , 11 May 2007, p.3). Sir Moi Avei was dismissed from parliament on Friday 11 May 2007 (<i>Sunday Chronicle</i> , 13 May 2007, p.1 and 6).

Note:

Corruption in public office is not just restricted to politicians; numerous public servants have been involved in sophisticated schemes to defraud the state of millions of kina. To emphasize this point, a few examples would suffice. The names that are in the public domain include Woasi Wekina (Secretary for Commerce) who was arrested and charged by the Police Fraud Squad for allegedly misappropriating K40,000 in government funds in Port Moresby on 15 October 1981 (*Post-Courier*, 31 December 1982, p.3). The others are Timothy Bonga (Chairman of Lae City Authority), Gao Zurenuouc (Secretary for Lands Department) and Gabriel Dusava (Secretary for Foreign Affairs), all charged under the Leadership Code, while Dr Beno Boeha (Director of NRI), was dismissed from office after the Parliamentary Accounts Committee found him guilty of misappropriating over K1 million belonging to the National Research Institute. Dr Beno, however, was not charged under the Criminal Code.

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Acronyms

Catholic Bishop's Conference	CBC
District Support Grant	DSG
Electoral Development Fund	EDF
Federated States of Micronesia	FSM
First-past-the-post	FPTP
Integrated Local Purchase Order and Commitment	ILPOC
International Monetary Fund	IMF
Limited Preferential Voting	LPV
Local Level Government	LLG
Member of Parliament	MP
National Agricultural Research Institute	NARI
National Research Institute	NRI
Office of Rural Development	ORD
Organic Law on Integrity of Political Parties and Candidates	OLIPPAC
Rural Action Program	RAP
Transparency International	TI
University of Papua New Guinea	UPNG
University of the South Pacific	USP

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This is the first comprehensive study on electoral development funds (“slush funds”) in Papua New Guinea. Despite the controversial nature of the EDF and its increasing significance on electoral politics, there are no research publications devoted to slush funds. It seems that social scientists have avoided this important issue probably because of its sensitive nature. While supporters and critics of slush funds have made passionate arguments in the media, neither side of the debate has justified their arguments with detailed research findings. In attempting to rectify this situation, CDI Director Dr Benjamin Reilly initiated this project by approaching the present author (then a Visiting Fellow in Governance at the University of the South Pacific) to undertake a detailed study on how slush funds have (and have not worked) in Papua New Guinea. On the basis of the research findings, this paper aims to provide options for policy reform.

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About the Author

The author is a keen observer of politics in Melanesia, with research interest in state-society relations and the impact of political culture on democracy and governance. Joe Ketan was awarded a fieldwork-based PhD in History and Politics from the University of Wollongong, NSW, Australia, and has held academic posts at the Institute of PNG Studies, the PNG National Research Institute, the University of Papua New Guinea, and recently at the Pacific Institute of Advanced Studies in Development and Governance at the University of the South Pacific, Suva, Fiji. He has observed the 2006 general elections in Fiji and numerous PNG elections, including the testing of the limited preferential voting system in the 2004 LPV by-elections in Anglimp-South Wahgi and Moresby North-East electorates. Dr Ketan is the author of *The Name Must Not Go Down: Political Competition and State-Society Relations in Mount Hagen, Papua New Guinea* (IPS, USP, 2004). He is currently a free-lance consultant and special advisor to the Melpa Lutheran Church in Mount Hagen, and can be contacted by email joseph_ketan@yahoo.com, or by phone +675 325 7563 (NCD); or +675 697 0802 (mobile).

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