Papua New Guinea 1999: Crises of Governance
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Major Issues

After an acute political crisis the Papua New Guinea National Parliament on 14 July replaced Prime Minister Bill Skate's Government with one led by the former finance official, Sir Mekere Morauta. The Skate Government had emerged after the mid-1997 elections following the revolt by sections of the military protesting against the hiring of Sandline mercenaries to prosecute the Bougainville war. The Defence Force remains factionalised deeply. Mr Skate's Ministry was itself unstable, with three deputy prime ministers in two years. It increasingly politicised the public service, and state activities suffered across the country.

This Government attracted international attention after its most senior ministers were videotaped discussing bribery and thuggery; and other personal scandals shocked the PNG community. Catholic bishops warned of popular revolt against declining levels of government services and increasing social misery and crime. It appeared that the independence of the Central Bank and the Judiciary had been seriously compromised. The Parliament had lost its capacity to effectively check the Executive, and was adjourned for seven months until July 1999. Senior parliamentarians expressed alarm at the possibility of the military intervening in politics to support Mr Skate. By June the Government was close to bankruptcy, with international banks unwilling to lend to Papua New Guinea because of its loss of fiscal control.

The Skate Government started imploding in June, with key supporters abandoning Mr Skate and exposing the dysfunctional operations of the Cabinet. The Speaker, John Pundari, complained of politicians interfering with administrative processes and police investigations; of the lack of ethics in the manipulation of political parties and the hiring and firing of ministers and public officials; of the total disregard for democratic conventions; and the serious deterioration in PNG's international image adversely affecting investor confidence. Like other national leaders, PNG academics and writers of letters to the editor, Mr Pundari identified these issues as affecting the foundation of 'good governance'.

Eventually the Prime Minister was forced to accept the reconvening of Parliament and the likelihood of a vote of no-confidence. In the hope of gaining US$2.35 billion in grants and loans from the Taiwanese Government, in early July Mr Skate and Foreign Minister, Roy Yaki, signed an agreement in Taipei to grant diplomatic recognition to Taiwan. Papua New Guinea's domestic crisis became an international one, and China's annoyance had the capacity to destabilise regional bodies and weaken PNG's strategic situation. After Australia communicated its message to the PNG Government on this issue it was accused
of interfering in PNG affairs, but PNG commentators eventually decided the Taiwan deal was a sell-out of national sovereignty.

Mr Skate resigned, apparently hoping to control the next government to emerge, and the country's MPs engaged in a prolonged round of political 'horse-trading' as rival leaders sought to create majority coalitions. After 'yo-yo-ing' from Government to Opposition, and back, twice, Mr Pundari and his group helped to create a solid majority in the Parliament for Sir Mekere Morauta. The Constitution held, the soldiers stayed in their barracks, and PNG's people are proud of the peaceful and democratic transition.

The new Government includes many former Skate ministers. Sir Mekere's election has been welcomed by the Australian Government and greeted with relief by the international business community. The Morauta Government has removed several tainted officials, reaffirmed ties with China and introduced a mini-budget which cuts 'development' spending. Yet PNG still faces balance of payments difficulties and a fiscal crisis. After a small initial grant from Australia to help tide it over, PNG will need considerable loan funding from the international financial community to stabilise its economy. However, underlying PNG's economic management problems there are major challenges of uneven development and underdevelopment, with limited employment creation for a rapidly rising population.

Papua New Guinean politicians and commentators have generalised their country's problems over the last several years as problems of governance. The country's political system has evolved in quite dysfunctional ways including the widespread of 'money politics', which reduces governmental capacity and undermines the power of parliament and the stability of cabinets to the extent that constitutional reform is again an issue. This is what Papua New Guineans usually mean by governance issues, but the governance concept is generally used differently by many aid donors. They stress the management aspects of governance in describing their programs to improve financial administration in recipient countries, and to promote transparency and accountability in government, concentrating on the public service. Yet other aid donors take a more political approach to promoting good governance.

What happens within PNG can impinge upon Australia. Its relations with Australia are fundamentally sound, although complex, and carry considerable historical baggage. These issues affect the Australian aid program, which has almost completed a transition from untied budget support to jointly programmed aid in several key sectors of government activity. PNG politicians naturally want to control aid flows, and some resent this transition. Although aid is needed and welcome, there is always the possibility for confusion when intentions are ambiguous and for resentment of unintentionally overbearing behaviour by aid workers. Furthermore, as its programs expand, Australian Agency for International Development (AusAID) has recently sought to promote 'effective governance' promoting civil society activity and encouraging democratic accountability. In doing so it might in future be seen as intrusive by PNG politicians, who see 'governance' as their own sphere.
Introduction

Political Changes and Governance Issues

After Prime Minister Bill Skate resigned on 7 July and the National Parliament elected Sir Mekere Morauta a week later, Australian media comment stressed the unpredictability of politics in Papua New Guinea (PNG). This is a young country of 4.5 million people spread over hundreds of islands which rejoices in the tourist slogan 'Land of the unexpected'. PNG is a place where—in addition to geological upheavals—instability has often led to ill-considered decisions and reduced the capacity and authority of governments.¹ Such problems tend to be self-perpetuating. They were manifest in the March 1997 political crisis which last attracted international attention to Port Moresby—when the hiring of the Sandline mercenaries for military training and use against Bougainville secessionists was opposed by core elements of the PNG Defence Force (PNGDF).² This in turn prompted large demonstrations outside Defence Headquarters and Parliament House, and the combined pressure forced Sir Julius Chan to suspend the Sandline contract and step aside as Prime Minister pending a judicial inquiry.³ Bill Skate, the pre-eminent critic of Sandline, used the issue when campaigning for the prime ministership in July 1997; the splits and alliances from this period have permeated PNG politics ever since.

Bill Skate's period in office was eventful, outdoing PNG's previous political turbulence. Having pushed through his harsh yet partly unfunded 1999 Budget, on 4 December 1998 Mr Skate used his numbers to adjourn PNG's National Parliament for over seven months. The effect of this was to delay by five months a motion of no-confidence which the Opposition had predicted for early 1999. From early June 1999 the Skate Coalition was in its dying throes, with new parties and alliances conceived and buried within days. This frenetic phase climaxed in early July with Mr Skate seeking funds in return for diplomatic recognition of Taiwan. Mr Skate then resigned, perhaps to avoid parliamentary humiliation, but also to increase his chances of controlling whatever government emerged. The struggle culminated with the last minute double floor-crossing manoeuvres of the former Speaker, John Pundari, whose supporters ultimately held the balance of power. Like an opera, this saga ended quietly with almost the whole Parliament in unison supporting a new Prime Minister. PNG has many doom sayers in Australia,⁴ but we can say that its political turmoil is only unpredictable for those foreigners who are not watching. In 1999 the problems in the independent State of Papua New Guinea extend far beyond the Port Moresby elite.
For most of the last two decades Papua New Guineans have expressed concern at the state of their nation. This starts with the occasional habit of governments to make unappropriated large-scale expenditure. Corruption by politicians has been demonstrated often in Leadership Tribunals, causing twenty parliamentarians to lose their seats. Imprisonment has not prevented MPs returning to the ministry. For years, there has been public outcry at the steady and now rapid decline in government capacity and services throughout much of the country. In rural areas, public anger and frustration have gone beyond local disputes and inter-clan or tribal fighting to vandalism against government buildings. One aspect of the state's response has been violence against citizens by police attempting to gain 'respect'. Perceived and actual levels of crime and violence are rising, especially armed robberies and rape, which over many years have provoked huge public demonstrations usually led by women and church people. Women also have led demands for peace on Bougainville. In Port Moresby Bill Skate's Prime Ministership will be most positively remembered for his encouragement of the Bougainville peace process.

In the 1990s public despair about politics has prompted many ordinary people and leaders to join Christian revivalist movements. Anguished rhetoric about corruption has dominated elections since 1987. In late 1996 the then Governor-General, Sir Wiwa Korowi, led several prominent political figures in the Brukim Skru (kneel down for forgiveness) campaign which prayed that a clean government would emerge in the 1997 election. Near Parliament House a huge billboard proclaims the Proverb 'When the righteous are in authority the people rejoice, but when the wicked rule the people suffer'. Nowadays that sign is rather weather-beaten, and public discourse more mundane with its concentration on governance.

'Governance' is a catch-all term which broadly encompasses 'the act and manner of governing' including both political and administrative elements of government. In the 1990s the global cry for 'good governance' has been promoted by aid donors and duly echoed by aid recipients. The meaning of this buzz word depends on the user. The World Bank, prevented by its charter from political intervention, tends to use governance to emphasise sound economic management and administrative probity, including transparency. To this end the Bank in recent years has sought to foster a strong civil society, namely the non-state political actors. Another rather vague term, 'the civil society', refers to people organised outside the state. It includes churches and other community-based and non-government organisations (NGOs), which can be seen as linking society with the state, like the media in their roles of scrutiny and publicity. Yet in a country like PNG, the nascent civil society paradoxically involves public servants and soldiers. In practice, the term carries highly political connotations, and state leaders can resent their critics in the civil society. Some Western bilateral donors like the United States quite frankly stress that good governance demands the democratic institutions of responsible and responsive government, and accountability requires participatory politics. More cautious aid donors imply that governance is a more technical and administrative field, glossing over the political agenda implied in governance programs.
The Australian Agency for International Development, AusAID, explicitly promotes a strong civil society, but in its current aid program does not discuss the political implications inherent in its governance programs. A recent AusAID article concentrates upon 'Effective Governance', which it says 'means competently managing a country's resources in a manner which is open, transparent, accountable, equitable and responsive to people's needs'.

In PNG political debate since early 1998 the fashionable diagnosis has been that the country suffers from poor 'governance'. Educated Papua New Guineans often use this terminology when discussing corruption. The term is used in different ways in differing context but is always intensely political. PNG commentators have tended to generalise their country's recent difficulties as the absence of good governance, and sought 'a good government', one which is 'honest, transparent and principled'. Since Sir Mekere Morauta's election there has been an outpouring of relief in the PNG media, messages of international goodwill and of hopes that PNG can now create good governance. Meanwhile, other voices in both PNG and Australia have warned that the problems manifest in PNG's way of doing politics are deep-rooted, and that—as well as political will—great patience will be required by all. Governance issues as seen in PNG go right to the core of politics.

In examining these issues this paper has eight sections. Following an introduction, the second part outlines the origins and early days of the Skate Coalition, the effects of politicisation on the public service, the military and police, and notes several major scandals involving politicians. The third part surveys deteriorating social and economic conditions in PNG faced by the Government, and its economic mismanagement culminating in the 1999 budget. The fourth part examines political concern in early 1999 and fears the Constitution could be challenged. These worries included statements by Catholic bishops warning of public disquiet and calling for the Government to resign, and MPs expressing alarm that the security forces might intervene in politics; this in a context where Parliament had been adjourned for months and quite marginalised by the Executive. The fifth part on the mid-year crisis in government describes the Skate Government self-destructing. The Government's desire for a 'quick fix' was exemplified in the decision (not formally carried out) to recognise Taiwan instead of China, with all the potential problems that could have created for PNG and its neighbours. The sixth part describes the political climax of 'horse-trading' in the run-up to an expected vote of no-confidence and the anti-climax when the parliamentary vote was taken in a peaceful atmosphere. The seventh part notes the appointments to the new Morauta Cabinet and highlights several early decisions of that Government. The eighth part notes the ongoing challenges facing PNG and points to the continuing institutional and socio-economic factors which contribute to PNG's sometimes dysfunctional political system and problems of governance. The paper concludes by noting some of the implications of recent trends for the Australian aid program, especially its focus on governance, and—despite its necessity—the ambivalent attitudes found in PNG towards aid.
The Skate Era

PNG’s Political Parties

Since self-government commenced in December 1973 PNG governments have been coalitions of up to six parties. These 'political parties' are actually personalised factions centred around wealthy and powerful individual leaders. There is usually no policy foundation but often some regional base. Over half the 109 MPs are replaced after each five year term. Most new MPs are elected as Independents but quickly join parties to recoup their electoral expenses. Some once-prominent parties, like United and National, may now have only one member. Others are divided, with members on both sides of the House. Ten parties have been involved in government since 1997 (see Table 1).

Table 1. Papua New Guinea Political Parties in government since 1997

<table>
<thead>
<tr>
<th>Party</th>
<th>Leader</th>
<th>Status in Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDM People's Democratic Movement</td>
<td>Iairo Lasaro (until June 99); Sir M. Morauta (from June 99). (Founder: Paias Wingti)</td>
<td>In Government from July 97–.</td>
</tr>
<tr>
<td>PNG First (previously PNC, People's National Congress)</td>
<td>Bill Skate (Founder)</td>
<td>In Government until July 99</td>
</tr>
<tr>
<td>PPP People's Progress Party</td>
<td>Andrew Baing (until December 97; Nali (Founder: Sir J. Chan)</td>
<td>In Government until October 98. Divided December 97.</td>
</tr>
<tr>
<td>URP United Resources Party</td>
<td>Anderson Agiru (Founder)</td>
<td>In Government until July 99</td>
</tr>
<tr>
<td>Pangu Pangu Pati</td>
<td>Chris Haiveta (Co-founder: Sir M. Somare)</td>
<td>In Government until 1 December 97; and from June 99–July 99</td>
</tr>
<tr>
<td>APP Advance PNG Party</td>
<td>John Pundari (Founder, June 99)</td>
<td>In Government from July 99</td>
</tr>
<tr>
<td>NA National Alliance</td>
<td>Sir M. Somare (Founder: former Pangu leader)</td>
<td>In Government from July 99</td>
</tr>
<tr>
<td>MA Melanesian Alliance</td>
<td>Bernard Narokobi (Opposition Leader until July 99) (Founder: J. Momis)</td>
<td>In Government from July 99</td>
</tr>
<tr>
<td>PAP Peoples Action Party</td>
<td>Ted Diro (Founder)</td>
<td>In Government from July 99</td>
</tr>
</tbody>
</table>

The Sandline Affair and the Skate Coalition

Bill Skate, a former accountant, parliamentary Speaker (1992–94) and Port Moresby Governor (1995–97), gained the prime ministership in July 1997 after the national elections which ousted the incumbent Prime Minister Sir Julius Chan and his predecessor Paias Wingti. New MPs are financially stretched just after elections in PNG and this is a
People from Papua (the southern region) had long argued it was their turn to lead a government which helped Skate. Aided by Wingti and Chan, he collected together a large group of MPs to a well-guarded 'camp' (or lock up) at Tufi in Oro Province.

Initially the Tufi group offered their leadership to Sir Mekere Morauta who, like Bill Skate, comes from the Gulf area of Papua. A long-serving Secretary for Finance and Governor of the central Bank of Papua New Guinea, Sir Mekere had been removed from that post by Chan and in March 1996 had publicly named corruption and 'slush funds' as major problems in PNG. He had also signed the 'Citizens' Letter' in March 1997 which called for the termination of the Sandline contract and for the responsible ministers to step aside. A freshman politician among some tough operators, Morauta declined this offer of the prime ministership, apparently because Skate's team included people from PPP and Pangu, parties with which Skate had said he would never form a coalition. Morauta moved to the rival National Alliance camp at Madang, which included many talented people gathered together by the country's first PM and former Pangu leader, Sir Michael Somare. Despite a somewhat tarnished reputation, Somare insisted on being their candidate as PM. This weakened the National Alliance grouping, enabling Skate to win power by 71 votes to 35, greatly assisted by the heavy involvement of Wingti and Chan.

Bill Skate had been the first and strongest parliamentary opponent of the Sandline deal. As Governor of Port Moresby he had used the resources of the city's government, the National Capital District Commission (NCDC), to feed the soldiers during their protests. An anti-Sandline alliance was promoted in March 1997 by leaders associated with Melanesian Solidarity (known as Melsol), and related bodies. Some Melsol leaders were elected on anti-Sandline and anti-corruption tickets, and there is one report that some thirteen pro-Melsol Independents backed Skate's new Coalition, helping counteract the political malodour caused by ministers from the Chan Governments. As Deputy PM and Finance Minister under Chan, Chris Haiveta had driven through the Sandline contract and US$ 18 million initial half payment in ways which attracted strong criticism from the first Commission of Inquiry. The new Government comprised Skate's own People's National Congress (later reborn as the PNG First Party), Haiveta's faction of Pangu Pati and those remnants of the Chan's People's Progress Party (PPP) and the Wingti's People's Democratic Movement (PDM) which had survived the election.

Skate committed his Coalition to transparent and clean government but the public credibility of this claim was weakened by the return of key figures from previous governments. Many NGO activists were outraged by their leaders' apparent abandonment of their ideals in following what was seen as their crude lust for power. Once in power and safe under the Constitution from potential votes of no-confidence for 18 months, Skate attracted more MPs, especially from the Highlands, apparently seeking the benefits of office. This is a standard pattern at this stage of the PNG parliamentary cycle. Skate sacked Haiveta in December 1997, whereupon Morauta and the former PM and Speaker, Sir Rabbie Namaliu, crossed the floor. These highly respected men hoped to improve the...
quality of decision-making in a Government with at least a year to run, but also found
themselves accused of opportunism.

Patronage and Factionalism

The Government soon created difficulties for itself by politicising senior levels of the
public service far more than had any previous government. Under 1986 legislation,
ministers can control senior appointments and the Skate Government crudely used these
powers to replace many competent and experienced senior officials with its own less
qualified political clients. This 'jobs for the boys' style may have short term political
benefits, but the appointment of too many deprived the Ministry of talented servants,
corporate memory and frank advice. With several departmental heads seen as politically
compromised 'yes men', professional civil servants were demoralised and spoke of their
acute insecurity. These problems were greatly worsened by constant changes in the
Ministry. There were three Deputy Prime Ministers and three Finance Ministers in Skate's
23 months of power. The central bank, the Bank of Papua New Guinea, is the key to
financial stability because of its control over currency, credit and overseas transactions, a
role which requires political independence. However by late July 1998 the Bank had its
third Governor in three months. By early 1999 few departmental heads had held their jobs
for more than a year and observers described a climate of fear in the bureaucracy.

There was particular concern over what are constitutionally called the Disciplined
Forces, but better known as the security forces. The Defence Force, long politicised,
had become increasingly factionalised during the 1990s. Sir Julius in 1994 had appointed
Brigadier-General Jerry Singirok as Commander and then sacked him during the Sandline
crisis. In the weeks before the 1997 election Chan appointed Colonel Leo Nuia as
Commander. As Brigadier-General, Nuia proceeded to relocate members of the Special
Forces Unit which Singirok had used in ejecting the Sandline mercenaries. In August 1997
Mr Skate opened a second Commission of Inquiry into the Sandline affair, which as well
as raising doubts about Chan Government Ministers, served to increase tension in the PNG
military. Certain pro-Singirok officers still faced charges—which were only dismissed in
late July 1999—arising from their alleged intervention in the 1997 election. Some of
these men in battle dress liberated one of their leaders from a cell at the Boroko Police
Station on 28 July 1997, and then mutinied, holding Nuia under house arrest until the
Prime Minister negotiated his release.

The PNGDF was brought into politics in October 1998 when, as part of a wider reshuffle,
Skate replaced Nuia with Jerry Singirok. This was controversial, because in June 1997,
although a private citizen, Singirok was reported to have allied with Melsol leaders and
endorsed the election campaigns of Melsol's anti-Sandline leaders. His reappointment as
Commander was made without cabinet backing and despite the commencement of sedition
charges arising from his leadership of the Sandline revolt. In addition, the Ombudsman
had commenced an investigation under the Leadership Code of Singirok's receipt of
K72 000 (31 000 pounds) from the British military supplier, J. and S. Franklin, which Mr Skate dismissed as 'only 70 000 lousy kina.' Singirok was now seen by many as quite beholden to his patron and protector, Mr Skate, to the extent that there were rumours he might use force in support of the Prime Minister. Singirok promptly denied he would do favours for the Skate Government. Several former Defence Force commanders wrote publicly to the General suggesting he step aside. In 1999 the Commander used the budget requirement to downsize the force to conduct what were seen as factional purges in the PNGDF.32

Another key early appointment was that of Police Commissioner. The previous Commissioner, Bob Nenta, had refused to join the Sandline revolt and was sent to Singapore as High Commissioner. He was replaced by Peter Aigilo, a former junior officer who had earlier quit the constabulary. Then Chief Superintendent John Wakon, who had been vigorous in his handling of the Singirok case and another alleging insurance fraud by Skate himself, was first suspended then sacked early in 1999, and his investigation team disbanded. The Police Association unsuccessfully fought this move through the courts. The Royal PNG Constabulary was also clearly becoming politicised, to the benefit of those like Skate and Singirok whose cases were set aside.

Scandal at the Top

Major scandals surfaced in the Government's first year.34 Most visibly for Australians, in late 1997 Australian ABC TV ran extracts from surveillance tapes recorded by one Mujo Sefa, an Australian businessman closely associated with Skate, in which the Police Minister Thomas Pelika and Mr Skate appeared to be discussing political bribes. More definitively, the tapes showed the PM boasting about a gangland killing and debating with his Deputy, Haiveta, over who was the 'Godfather' of Port Moresby.35 The role of the Australian media enabled the affair to be portrayed as meddling by the former colonial power, which helped Skate avoid the issue. He excused himself, saying it was the whisky talking. Skate and the Opposition Leader, Bernard Narokobi, traded full-page statements in the press about the matter, but Parliament was not recalled. Seeking another scapegoat, Skate sacked Haiveta (in front of Australian TV cameras) for allegedly setting him up and also removed the PPP leader Andrew Baing, moves which split both the Pangu and PPP parties. A police investigation which cleared the Ministers of the bribery allegations was described by Narokobi as a sham. Parliament did nothing; the matter lapsed apart from newspaper correspondence recalling the incident as shame-making for the nation.

Another scandal was similarly brushed aside. This involved an amateurish video, initially tabled in Parliament, which shows the Deputy Leader of Skate's PNG First Party having sexual intercourse with an underage girl. It was alleged the tape had been used to blackmail the PM's party to ensure a businessman and former politician received a K6 million loan to suppress the video.37 Because PNG's Constitution provides for an 18...
months' period of 'grace' in which a new prime minister cannot be challenged by a motion of no-confidence, Mr Skate was able to outface the small and rather ineffectual parliamentary Opposition. Then in July 1998 certain Government figures were privately but reliably reported as organising a prolonged orgy at Wabag in Enga Province. An outspoken talkback program on the Government's FM radio station was scrapped, although editorials, letters and cartoons in the press revealed continuing public outrage at stories of abuses of power, greed and moral turpitude by leaders.38

Yet another matter involved the city government. In June 1997, while Governor of Port Moresby and campaigning as an anti-corruption crusader, Mr Skate had initiated an investigation of the NCDC's affairs by an Australian corporate investigator, Joe Noonan. A former detective, Noonan claimed to have uncovered fraud worth A$30 million before fleeing the country in fear of his life. The investigation had been stopped after a prime ministerial adviser repeatedly told Noonan not to initiate criminal prosecutions. The new Governor of Port Moresby, Philip Taku, a former police officer and Skate ally, reportedly instructed Noonan not to prepare a final report and terminated his services. One expatriate supervisor had claimed 'his boys' working as security guards at an NCDC yard were 'better armed than the police' and, to use a polite word, messing with him would involve messing 'with the Prime Minister and his boys'. Mr Noonan gave The Sydney Morning Herald 'an extraordinary account of a city administration ruled by terror where his six-month investigation was sabotaged by official intervention, violence and threats including the near-death bashing of one of his key informers'. Mr Noonan left the country after a threat he would be next in line.39 The employment of criminals at NCDC has long been rumoured in Port Moresby but this matter also quietly disappeared.

The second Commission of Inquiry in late September 1998 reported the Sandline contract as executed by Mr Haiveta did not follow lawful procedures. It also found Mr Singirok had had no lawful justification to order the contract aborted. It confirmed that he had received funds from J. and S. Franklin but did not uncover any secret commissions or bribes. The Commissioners reported that Sandline had made improper payments of US$500 000 to persons unknown, and evidence of another US$1.8 million payment made on receipt of the US$18 million.40 Regarding Mr Haiveta, the commissioners said 'His credibility is brought into question. By necessary implication, Mr Haiveta may have had something to hide…', and concluded 'that money he transmitted from Switzerland was a corrupt and improper payment'.41

Mr Haiveta, who was still challenging the inquiry process in the higher courts, responded by saying the Inquiry was biased, and denied receiving any funds from Switzerland. He claimed that the present Prime Minister (Mr Skate) had orchestrated 'the civil unrest on 17 March 1997' (the date the PNGDF Commander moved against Sandline and called for the Ministers involved, including Haiveta, to resign). He cited 'other scandals' under the Skate Government, including the diversion of K8 million of drought relief donations to cover public servants' pay increases. Mr Haiveta stated that the PM had attempted to intimidate the judiciary, and had permitted a cowardly parliamentary attack on the Chief
Justice. In a press release, the Prime Minister attacked Sir Julius Chan as 'ultimately responsible' for his Ministers' conduct. 'Our great nation of Papua New Guinea has been plundered and pillaged by a scattering of politicians and corrupt leaders and we want this sad chapter to be closed.' He then called for an Independent Commission Against Corruption (ICAC), saying 'if you have nothing to hide you have nothing to fear.' Soon after, Mr Skate expelled Chan's PPP from the Government and at the same time removed Chan's appointee as PNGDF Commander, General Nuia. The ousted Deputy PM and Finance Minister, Michael Nali, complained of Skate's 'rock and roll, whisky' style of governance. The Port Moresby political community was shaken. Mr Skate felt obliged to deny he would remove the Chief Justice, and the next month comfortably reasserted his control of Parliament.

**Economic Difficulties**

**Deteriorating Social Conditions**

Papua New Guineans criticise governments for the overall decline in their living standards and in public order. Rates of population growth have outstripped economic growth for two decades, which means there are fewer resources for most people—setting aside for the moment the declining effectiveness of the national public service, which has barely expanded since 1975. The benefits of development are unevenly spread and at the grass roots rural people have few services. Since 1992 governments have focussed their energies on the minerals sector and dissipated unwisely much of the windfall revenue from gold and oil. Ideally, government services should reach people through the subordinate provincial governments covering the nineteen provinces and the national capital but their share of state funds has declined steadily since 1978. When the national government has suffered sharp falls in revenue, like that in 1990 following the closure of the Bougainville copper mine, the provinces have carried the largest share of cutbacks, especially in funding for health and education. Since Independence in 1975 health indicators have worsened and services deteriorated badly, even in the cities. Until recently major issues like the spread of HIV/AIDS have not been acknowledged by politicians. Other transmissible diseases like typhoid fever are now common in urban areas. The physical infrastructure, especially rural health clinics, schools and feeder roads, is seriously degraded after more than 20 years of neglect. Water and power supplies in towns are unreliable and in most rural areas are still not available.

Paid employment is limited in rural areas and, as in the towns, high unemployment and lack of economic opportunity are seen as the prime cause of crime. The police force is under-trained and under-funded and has grown little despite the national population of 4.5 million having nearly doubled since Independence. Personal insecurity, especially fear of sexual violence felt by women, is a real concern. This combination of limited state
capacities and a divided society leads to the weakening of the authority of the state.\(^5^1\) While he was Speaker, Sir Rabbie Namaliu spoke of 'growing public cynicism about their political leaders' in PNG—noting the same occurred in all democracies.\(^5^2\) These major issues have combined to deter investors, thus reducing the prospect of employment growth and reinforcing the whole negative process. Clearly, the PNG state and society face major challenges in many spheres.\(^5^3\) These are the issues Papua New Guineans raise most often under the label of governance, and they blame their leaders.

### Economic Problems

Effective economic management proved to be beyond the Skate Government, although many problems in its first year were clearly caused by factors beyond its control.\(^5^4\) Following PNG's self-induced fiscal crises of 1994 and the World Bank–International Monetary Fund Structural Adjustment Programs of 1996, the Skate Government inherited a small budget surplus (K15.4 million) in 1997. However the country was soon faced with the consequences of the 1997 Highlands frosts, effecting crops such as coffee, and the 1997–98 nationwide drought. The A$30 million Australian food relief effort in remote areas was successful. The country's need for aid was resented by some leaders. However, Skate agreed that PNG had mishandled distributing food in areas accessible by road, which were the responsibility of the PNG governments, national and provincial. The drought seriously reduced export revenues from agricultural commodities and earnings from the Ok Tedi copper mine, which shut down for 6 months, and the Porgera gold mine. In the 1990s minerals have usually provided around 70 per cent of PNG's exports, but prices dropped with the Asian economic crisis. The lucrative activities of Asian logging companies in PNG also dropped by about half, whereupon, under pressure from the loggers, PNG ceased taxing the majority of logs—those valued at less than K130/cubic metre.\(^5^5\) In 1998 the government had a large deficit (K137.4 million). The natural disaster of the tsunami at Sissano (Aitape) in July 1998 had little economic impact, despite costing over 2000 lives, but did preoccupy the Government and dramatically demonstrated the limited capacity of the PNG state to help its own people.

### Poor Economic Management

It was poor fiscal management which took the 1998 budget into a K300 million deficit. In 1998 many provinces received their annual operating funds nine months late, and many schools shut down early for lack of operating funds. The Government was borrowing heavily from the commercial banks and inflation grew from 5.3 per cent in 1997 to 21.8 per cent in 1998.\(^5^6\) Treasury bond and commercial bank interest rates were lifted above 21 per cent from June 1998 and were still above 18 per cent in July 1999. The PNG economy is very open and relies heavily on imports. Currency fluctuations translate quickly into domestic effects, including rising prices of the food staples of the urban poor.\(^5^7\) The Kina had been at parity with the US dollar (and at A$1.50) in 1994 before losing a third of its value after it was floated in the September 1994 fiscal crisis. Its value fell 20 per cent for
the year to September 1998 and reached US$0.47 at year's end. In 1998 PNG had a balance of payments deficit of K264 million. In the first half of 1999 exporters were reportedly deferring repatriating their earnings in order to retain their value in harder currency. The Kina was falling sharply and reached US$0.29 and A$0.40 in early June 1999, but by the change of government was fairly steady at US$0.38 and A$0.57. The central Bank used up K60 million of the country's declining foreign reserves to prop up the currency in mid year and the country faced a severe balance of payments crisis with limited import cover.

The 1999 Budget was a definitive sign of the Government's inability to manage the economy. Expenditure was to be K2097 million, with a projected deficit of K80 million, but the Budget lacked credibility. It purported to hugely increase development funds (which should be capital investment), but most of this increase was disguised recurrent expenditure, especially the electorate funds. In July 1999 the PNG Government introduced a uniform 10 per cent value added tax (VAT). Business people and the public were ill-prepared, and annoyed. So the Prime Minister decided to defer the introduction of the VAT but the Tax Commissioner refused to comply. Although both regressive and initially inflationary, this consumption tax will widen the tax net and may help provinces which are giving up some minor sales taxes for a promised share of the VAT. The carrot for parliamentarians to pass the Budget was the offer of K124 million, over K1 million per MP, in electorate development funds. Such 'slush funds', as they are known, started on a small scale under Prime Minister Somare in 1983. In 1999, the Government paid K500 000 to all its 62 members but did not pay the Opposition's 36 members. Outraged at this discrimination, they persuaded the National Court to order payment. Few MPs pass their slush funds on to provincial and local-level governments, whose cash flow has been unpredictable at best since the 1995 'reforms'. In recent years provinces have lacked the means to deliver basic health and education services or to maintain infrastructure. Salaries and operational funds have also been cut for the Christian church agencies which are contracted to provide health and schooling services in many rural areas where the state has little presence. The twenty provincial governments suffered cuts of K115 million in 1999, after a hard year in 1998.

This Budget made harsh cuts but much of its revenue projections appeared dubious. The impact was immediate. The Police and Defence forces suffered 10 per cent funding cuts requiring downsizing. Universities lost 20 per cent of their grants and closed whole teaching programs. The Budget demanded cuts of 20 per cent in public service employment, requiring the retrenchment or retirement of 7000 public servants, well beyond the 2000 recommended by the World Bank. The K65 million retrenchment costs were not funded. As a result some agencies, including Health and Lands, were taken below the staffing levels needed for core operations. By early 1999 many provinces were hitting the wall, unable to pay staff or operate services. Yet there was still a major gap on the revenue side. The Budget projected tax inflows of K416 million from the minerals income stabilisation fund, which may occur, but also relied on US$100 million of extraordinary financing associated with the Structural Adjustment Program. In addition the
Government hoped for a US$120 million commercial loan from Europe which was
announced in 1998 but never appeared, and sent a 'roadshow' overseas, seeking to make a
bond issue of US$250 million both to fund the Budget and reduce domestic debt. So this
difficult Budget was posited upon receiving around K350 million in foreign loans, which
had not come by mid-year.

A Foreign Adviser

The 1999 budget was put together by Skate's Chief Economic Adviser, Dr Pirouz
Hamidian-Rad, working from a hotel room. He had previously been the World Bank's
PNG country manager from 1996, in which role—seeking inputs from outside
government—he had formed a close alliance with Melsol leaders such as Peti Lafanama,
who was elected MP in 1997. Hamidian-Rad's consultancy firm Ikub had a two year
K7 million contract to provide economic advice to the Government. The Government
accepted the consultant's advice, against the early protest of some top PNG officials, like
the Governor of the Bank and the Secretary for Finance, who were both replaced. The
Ikub consultancy was widely believed in PNG political circles to include as shareholders
and employees some of PNG's most senior economic managers and/or their family
members. An accountant by background, Hamidian-Rad seemed to overlook complexities
in his attempts to balance the books. Thus in order to save around K7 million, the budget
defunded and appeared to abolish fifteen statutory bodies including invaluable research
institutes, some of which in health and agriculture were the channel for tens of millions
of dollars of foreign project assistance which was thereby foregone.

Since July 1998, Hamidian-Rad had claimed that PNG had no need for World Bank or
International Monetary Fund (IMF) support. It is noteworthy that the World Bank from
October 1998 had declined to release Structural Adjustment Program funds or negotiate
with Papua New Guinea while Hamidian-Rad remained in the PNG team. This was
because of a clause in his previous contract intended to prevent conflict of interest by
prohibiting immediate employment by the Bank's clients. Rather than remove him from its
team, PNG looked elsewhere for funds. Known as 'the 7 million Kina man', Dr Hamidian-
Rad proved very expensive for PNG.

Searching around for US$300 million, PNG officials found that commercial banks in
Europe would not lend money or buy government bonds. The Sandline company played a
role here, in its efforts to force PNG to pay the second half of the US$36 million fee for
the aborted 1997 contract. Sandline brought legal action in Brussels which tied up Euro 13
million (A$21.5 million) of European Union aid. Sandline also blocked funds for
companies trading with PNG, effectively closing off PNG's access to alternative sources of
funds. Eventually PNG agreed to pay Sandline US$13.3 million and let the company keep
the US$12 million of military hardware which had been stored in Australia. Legal fees
were crippling, and Mr Skate said that PNG paid up as it would have spent K120 million
(A$76 million) on this futile exercise, and would have been prevented from raising the
funds it was seeking in Europe. Indeed foreign lenders were deterred by the Government's stand-off with the World Bank and International Monetary Fund, and the Bank's public warnings of the country's poor fiscal record. The government had no obvious way out of the fiscal crisis.

Political Concerns

Catholic Bishop's Warning

The deteriorating situation led to an extraordinary intervention in April 1999 when the Catholic Archbishop of Port Moresby, Brian Barnes, used his Easter message to call on behalf of church members for a change of government to save the country and people from suffering and disaster. He cited poor economic management leading to inflation and suffering, lack of money, a breakdown in the delivery of goods and services, unethical and immoral behaviour among leaders and rising unemployment and crime as factors that necessitated new national leadership. The Bishop said 'Corruption has begun to seep in and is growing quickly' and was providing an excuse for crime. He called for the creation of an ICAC. (This idea had lapsed after the Government sent its principal advocate to be PNG's Ambassador to the United Nations on an unusually lucrative contract.) Archbishop Barnes, after 30 years in PNG, warned that a popular uprising could be triggered by the current situation. Although he was bluntly told to 'butt out' of politics by several Government Ministers, and also a Pentecostal preacher close to Mr Skate, the Archbishop received considerable support in the correspondence columns and newspaper polls and was backed up by the Catholic Bishops' Conference. Eventually he and Mr Skate had a cordial meeting and the issue dropped off the agenda.

Alarmism about a Coup

Early in 1999 close observers of Port Moresby politics privately reported that Bill Skate was losing influence in his Papuan base areas such as his wife's peri-urban village of Pari on the outskirts of Port Moresby. However the Prime Minister at this time seemed to retain a strong position in Port Moresby overall. One well-connected Papua New Guinean political participant-observer provided a tough-minded analysis on a non-attributable basis. The argument was that the Prime Minister had effectively rendered irrelevant the institutions of parliamentary democracy in PNG and might be immovable. Bill Skate was believed to dominate the top police and military, key ministries, the central bank, the Port Moresby city administration and some of the judiciary and to have the backing of prominent Pentecostal Christian preachers. Further, it was said, he had instilled a climate of fear in the public service and had well-paid political enforcers within settlements as far
as the Eight Mile settlement of immigrant Highlanders, who could deter people from demonstrating against the Government and also mobilise crowds in its support. By this analysis Skate controlled the key levers of power and was untouchable. As we now know, this did not occur, but the mindset behind such a scenario indicates the type and level of concern prevalent in Port Moresby early in 1999.\textsuperscript{70}

Clearly the country was facing a major crisis in government and some parliamentarians also feared a worst case situation. Seventeen MPs from the New Guinea Islands region (known as the G17) met in April to discuss their concerns and several wrote to the Prime Minister with a warning that 'elements of the security forces might be planning to intervene in politics if they do not find the result of a possible parliamentary vote of no-confidence acceptable to them'. Veteran Rabaul MP, Sir John Kaputin, referred to a 'widespread perception that elements of the security forces … might provide them with a pretext for intervention'. Government Ministers from the region rejected these statements as lacking a mandate from all the G17 but such concerns were echoed by Opposition Leader Narokobi.\textsuperscript{71} Despite denials by Skate, the Defence Minister Peter Waieng and General Singirok (after he had spoken with former Commander, Ted Diro, MP), Mr Narokobi repeatedly spoke over the next two months of his fears of police and military intervention in politics.\textsuperscript{72} General Singirok as late as 11 July felt impelled to pledge that the PNGDF would uphold the Constitution.

Indeed a coup was seen as unlikely in 1999. The PNGDF has appeared to lack either the capacity or political stature to take over national government since its limitations were shown in its handling of the Bougainville secession crisis. The coup possibility has been raised in Port Moresby's over-heated political discussion occasionally in the last two decades,\textsuperscript{73} but usually ruled out because of rivalries between the two security forces. Combined operations on Bougainville since 1989 and similar budget problems have reduced the tension and rivalry between the two security forces\textsuperscript{74} yet they do not always act together—as was shown during the Sandline crisis. Both forces have been deeply demoralised and factionalised lately, itself a matter for concern, but one thought to make political intervention less likely. Some observers doubted that the police force would follow Commissioner Aigilo in any action to support Mr Skate. In the month before the July parliamentary vote there were rumours that large numbers of firearms were held by supporters of some prominent politicians, and could destabilise the city. In early July senior police confirmed reports of unregistered weapons and threats against politicians.\textsuperscript{75} If, for whatever reason, there had been a breakdown of public order in Port Moresby necessitating a State of Emergency, as was declared in 1996, the Constitution requires the reconvening of the National Parliament.

\textbf{A Marginalised Parliament}

The seven months eleven days adjournment of the National Parliament from December 1998 indicates the Executive's dominance of the legislature and also poor consultation on
essentials between the Government and Opposition. In late November 1998 the Government considered using its numbers to force a 12 month adjournment of Parliament. Angered, Opposition members managed to seriously undermine the Bougainville peace process by blocking a constitutional amendment designed to facilitate the creation of a Bougainville Reconciliation Government (BRG). The BRG would have precluded MPs for Bougainville from having the dominant roles in the province which, under the 1995 provincial government reforms, MPs have elsewhere. Opposition leaders reluctantly supported the amending Bill, as part of the peace process but other Opposition members abstained themselves. The Bill lacked the required three-quarters absolute majority so the constitutional amendment failed. This major disruption of a delicate political manoeuvre incensed Mr Skate, who rightly counts the Bougainville peace process as an imperative for Papua New Guinea and as his Government's finest achievement. However the amendment might have passed if Parliament had met again, and perhaps that is what Opposition members wanted to force. Skate angrily ignored that opportunity and—having obtained supply—forced through the long adjournment, blaming the Opposition.

The dominance of the Executive arises from the electoral insecurity of MPs. Local members are desperate for funds for their electorate, their immediate supporters or themselves. Part of the rationale for 'slush funds' has been the declining capacity of provincial governments, which is worsened by losing around half their potential budget to MPs. Cash for MPs can only legitimately come from the government, which gives prime ministers immense control if they manage well the incessant demands of this 'system'. Only when the prime ministership is in question do MPs have real bargaining power. This situation has developed over two and a half decades but the parliamentarians can only blame themselves for their loss of role. Despite frequent and often poorly grounded motions of no-confidence between 1978 and 1991, oppositions in PNG have not provided effective scrutiny of government. The national budget is usually passed after only a few hours' discussion and rarely challenged. Nor do parliamentary committees work effectively. They are entrenched in the Constitution but rarely meet, except for the Public Accounts and State of Emergency committees. Committee chairmanship is regarded as a perquisite equivalent to membership of the executive. This situation has been exploited by prime ministers since 1992. One expert observer says that the PNG parliament as a whole has been 'totally suborned by the executive'.

A constitutional lawyer who in the 1970s advised on the creation of the Constitution, Professor Yash Ghai, argues that the courts and the Ombudsman Commission are 'the redeeming features of PNG's constitutional system. They have prevented the decline of the executive and parliament into total irresponsibility and unaccountability'. The Chief Ombudsman, Simon Pentanu, is a former Clerk of the National Parliament who knows his former masters well and he too recently argued that parliament has almost become a rubber stamp for the executive. He is the state's fearless watchdog of official integrity and occasionally draws bitter comment from some MPs. The Ombudsman earlier this year sought a Supreme Court ruling on the question of the long adjournment. Parliament had sat on only 17 days since mid-July 1998, which, the Commission argued was far less than
required by the Constitution. The issue was resolved in late June when six of the seven Supreme Court judges, with Chief Justice Sir Arnold Amet dissenting, ruled that conformity with the Constitution did indeed require that the National Parliament sit for nine weeks in each parliamentary year.\textsuperscript{82} By then, however, the momentum towards a vote of no-confidence was irresistible.

**A Crisis in Government**

**The Skate Government Self-destructs**

The Government was starting to implode. The Speaker, John Pundari from Enga Province, announced in May that he would form a new party and seek power. The Prime Minister brushed the issue aside, saying Pundari was a 'small boy'. This insult led seven of Skate's vice-ministers to issue a statement defending the Speaker.\textsuperscript{83} However for 10 months there had been hints that Morauta of PDM was positioning himself to move against the PM. Bill Skate's insecurity was manifest on 3 June when he sacked Sir Mekere, then Fisheries Minister, allegedly because he had failed to create a rescue package for the economy within a fortnight. Morauta defended himself but in response to his critics Skate claimed a virtue in being 'unpredictable', which became his nickname.\textsuperscript{84} Morauta's replacement was the irrepressible Chris Haiveta, whose return was an anathema to many other PDM ministers.

On 14 June Mr Pundari launched his Advance PNG Pati (APP), claiming twenty-two MPs as firm members. Among those present at the launch included the former PPP leader and Deputy PM, Michael Nali, and well wishers including political associates of Sir Julius Chan, Paias Wingti and Sir Michael Somare. APP was seen by some observers as having Chan's full backing. Mr Pundari succinctly raised several major national issues, which clearly pre-dated this particular parliamentary crisis:

- constant political interference in administrative processes in government institutions … including unwarranted, blatant and illegal interventions into police investigations relating to cases implicating certain leaders …

- total lack of appreciation for ethics, which form the basis and foundation of good governance, evidenced by constant manipulation of political parties and unceremonious sackings of ministers, departmental heads and chief executives of statutory and corporate organisations

- total disregard of democratic conventions shown by certain Government leaders in the conduct of the nation's affairs, and
serious deterioration in PNG's international image which adversely affected investor confidence.  

He also raised lack of confidence in government, lack of fiscal discipline, and a serious breakdown of law and order. Despite his professed religiosity and unassertive manner, Mr Pundari had given a hard-hitting summary of the country's crisis of governance. As part of his campaign, Pundari highlighted the political dimension of the country's problems, a focus very different from the public administration emphasis of international aid donors.

Late in June Sir Mekere Morauta became the new leader of PDM and criticised the decision-making process in the Skate ministry, saying the hiring of the economic adviser was ill-conceived, the Prime Minister was 'dictatorial' and public servants feared giving independent advice for fear of being bundled out. Cabinet meetings, he said, were not held on a schedule, with agendas unstructured or made up on the spot. Ministers were hand-picked to attend and make particular decisions, he said. In all, twelve Ministers left Cabinet in June, along with five Vice-ministers. Of the largest party, PDM, only a small faction remained in Government, led by the Deputy PM and Finance Minister, Iairo Lasaro. The PM's desperation was shown in late June when, attempting to shore up his numbers, he purported to split his own PNG First party into three. He then offered the leadership of one new 'party' to Francis Koimanrea and a knighthood to Koimanrea's brother, Alois Koki, MP, the leader of a major cargo cult and political movement at Pomio. They both refused.

Poor Governance and Political Partying

Votes of no-confidence are regular features of the PNG parliamentary cycle and create months of frenzy and policy paralysis in Waigani, the Port Moresby suburb where government is located. In all PNG parliaments elected since 1977, there have been motions of no-confidence which have either failed or been withdrawn when the Prime Minister has used the control of the public purse to attract a majority. Nonetheless there has been a change of prime minister and governing coalition mid-way through each five year term. Some observers see the game of musical coalitions as a factor stabilising the country's constitutional democracy, because 'the system has ensured a regular change in prime ministers and ministers, so that the key actors are willing to wait for their turn rather than upset the applecart'. While this may be true in the longer term, each potential vote of no-confidence is extraordinarily destabilising, a point recently made by Sir Rabbie Namaliu, who while Prime Minister experienced eight such episodes between 1988 and 1991.

By late June 1999, Mr Skate had lost his majority. In response he sought to attract new recruits into his Coalition. This is always possible, because of the way electoral politics work in PNG. Candidates mobilise electoral support from local clans rather than utilising the party membership. So MPs owe little to parties and their loyalties are tenuous. Party
discipline is weak. In practice, MPs rely for their re-election on delivering benefits to their own core voters, so blatant opportunism is seen as both rational and necessary for survival. Accordingly, alliances with party leaders, often based merely on the hope of rewards, are notoriously fluid. Party-swappers are called 'yo-yo' politicians. Similarly, bonds between coalition parties are frail. Some PNG observers and politicians believe a strong party system would rectify this destabilising trait.

The 1975 Constitution provides for a law, which never eventuated, aimed at ensuring the integrity of political parties. Since 1982 Sir Anthony Siaguru, now head of the PNG chapter of Transparency International, has advocated legislation to ban party-swapping at the expense of facing an immediate by-election. Parties were strongest in the 1982 election campaign, but even with government funding, strong parties cannot be legislated into existence. Currently MPs in the Constitutional Development Commission (CDC) are drafting new legislation to regulate parties, provide state funding, and ensure MPs' continuity of membership. The current Prime Minister recently told a Commonwealth Parliamentary Association regional meeting that 'It is no secret that PNG has problems with the way the political system operates. They have been building up for years. They need fixing now'. He also suggested there are problems with the first-past-the-post voting method not reflecting the majority will of voters. In order to work, should the necessary two thirds absolute majority of MPs ever legislate such self-denying proposals, the proposed integrity legislation would require a substantial mind-shift in the electorate, because the present system of extravagant electioneering gifts is entrenched under the guise of Melanesian culture. Cynical MPs might skirt the legislation by calling themselves Independents. In August the CDC began discussing the possibility of changing or even scrapping the provisions for no-confidence motions, a complex set of issues.

In 1991 the Parliament recognised the negative impacts on policy-making and implementation caused by this system and lengthened the period before and between votes of no-confidence. Yet the problem remains, because there is no effective electoral sanction against MPs' disloyalty within the normal five year parliamentary term. In the last year of the 1987–92 House, when a no-confidence vote would have precipitated an immediate election, the Parliament was an effective legislative body. This did not occur in 1996–97, however. In the run up to an election or just before votes of no-confidence, prime ministerial anxiety can result in a search for 'a quick fix', which for Chan was the Sandline adventure. For other PMs, it has been money. In mid-1999 Bill Skate was still able to use the well-known rules of the game but his Government was broke.

The Taiwan Misadventure

The periods of coalition-making in PNG are often times of over-hasty decision-making. While trying to retain power Bill Skate decided to grant diplomatic recognition to Taiwan, hoping to gain soft loans and grants, with immediate access to US$500 million. This move was designed by Dr Hamidian-Rad and the Foreign Minister, Roy Yaki. The story broke
on 2 July, the day these two went to Taipei with Mr Skate and several senior officials. The negotiations were apparently leaked by an Australian source to a journalist who wrote that the information came from 'intelligence sources', which some observers think were Chinese. Reportedly China hoped that Australia could persuade PNG to halt the recognition process, which—if true—overestimates Australia's influence in Waigani. A recognition agreement was signed on 4 July but has not been released. Within a week, Taiwan had opened an 'embassy' in Port Moresby. Australian diplomatic niceties and more outspoken parliamentary comments from Canberra, provoked an initial nationalist response from Foreign Minister Yaki and PNG government supporters, as well as the Opposition Leader Narokobi. Australian interventions often seem counter-productive. Something similar had occurred after the Australian Government and the entire Parliament had expressed concern at the Sandline contract in 1997, when Roy Yaki was Opposition Leader. When challenged, patriotism can be a convenient first refuge but over decades Yaki's nationalism has been consistent.

Eventually, PNG's own political processes started working. It was reported that the Taiwan issue had not been raised with the PNG Department of Foreign Affairs and Trade for advice. Then the move was criticised by four former Foreign ministers, including Chan and Somare, and two former secretaries for Foreign Affairs. After a week the discussion in the PNG press and PNG student web pages had moved from supporting the deal to calling it a sell out of PNG sovereignty. It emerged that the aid proposed was US$2.35 billion, about half PNG's Gross Domestic Product. However it was revealed that this figure was what the Skate Government had sought, rather than what Taipei had committed, and the Deputy PM, Mr Lasaro, told the press that Cabinet had not endorsed the recognition proposal. Perhaps all the hoped-for funds might not have come. Further, the decision was made unconstitutionally and the agreement with Taiwan required parliamentary endorsement to become valid.

The Dangers for PNG

PNG has long had close relations with both Beijing and Taipei, and for some years PNG political figures have been agog with the idea that Taiwan had US$28 billion to spare. PNG watchers say Sir Julius Chan once came close to recognising Taiwan but reconsidered. Diplomatic recognition may seem a symbolic act but can have practical consequences. Mid-1999 was a period of serious tension between Taiwan and Beijing, which sees Taiwan as a breakaway province—which led some PNG observers to say it was like Bougainville. Taiwan denied there was a 'money diplomacy' trade of aid for recognition. Yet the funds under discussion would be tempting to an accountant or politician wanting ready cash, despite the PNG cabinet submission having admitted the step would 'generate significant resentment from China and several other countries'. The submission went on to say 'However, PNG as a sovereign nation should determine its own destiny and its foreign policy.' Implicitly countering the economic incentive, Australia's Foreign Minister Alexander Downer publicly raised PNG's possible loss of the China
market.99 Taiwan buys a few PNG exports, mostly timber, whereas China, which buys around ten times more (US$110 million per annum), is PNG's fourth largest trading partner. Both have given small amounts of agricultural training aid, yet China also donated a national showpiece, the Sir John Guise Stadium in the Waigani town centre. Although he went to Taiwan in 1998, Bill Skate had visited Beijing earlier in the year, so China had reason to think PNG was a friendly country, PNG having accepted Chinese development aid and discussed possible defence assistance arrangements.100

Mr Downer and Australia's High Commissioner David Irvine also mentioned regional destabilisation. The issue of regional instability was not explored in the media. PNG is the largest member of the South Pacific Forum, which after each year's heads of government meetings has structured dialogue sessions with major aid donors. The fact of Taiwan's recognition by three island states necessitates a separate small meeting for Taiwan, while the majority of Forum members meets China together with other major donors. China is far more significant than Taiwan in the APEC Forum, where PNG represents the other Pacific Island countries. Taiwan has limited diplomatic influence in South East Asia which for PNG is an area of great economic, political and strategic importance. PNG is a Special Observer at ASEAN meetings, and has long desired full membership, partly to help balance the influence of Indonesia. Taiwan is not a dialogue partner in the important regional discussions held with major powers after ASEAN ministerial meetings.

China would have been unlikely to let PNG's recognition of Taiwan pass without retaliation, if only to deter others. China would have had an immediate chance to punish PNG through its role on the board of the Asian Development Bank. Antagonising China could carry strategic ramifications because of PNG's sometimes problematic relationship with Indonesia. More than three decades of West Papuan secessionist movement in the province of Irian Jaya has meant that there are thousands of Irianese refugees in PNG, which still experiences occasional Indonesian military incursions over the jungle border. Relations have been relatively smooth since the mid-1980s. However in the last year, with Indonesia changing its central government regime and the people of East Timor anticipating their act of self-determination, there has been a nationalist upsurge in Irian Jaya, followed by security crackdowns. If this conflict escalates and spills over into PNG, the Waigani government could want diplomatic support and international observers from ASEAN. It will need as many allies as possible. Peacekeeping assistance from the United Nations Security Council would similarly require the support of China, which as one of five permanent members of the Security Council could veto such action. China has used this power when it blocked the extension of the UN peacekeeping operation in Macedonia—a country which had recognised Taiwan in return for considerable aid.101 Several Chinese government spokespersons in early July mentioned possible 'serious consequences' for PNG if it went ahead with diplomatic recognition of Taiwan,102 which—given the Macedonia precedent—is a formal warning which cannot be taken lightly. It would appear, however, that—having obtained the promise of massive funds—Mr Skate had other things on his mind.
Mr Skate was in Taipei on 4 July when the Australian Defence Minister, John Moore, was asked in a TV interview about the PNG situation; his reply was prominently reported in Port Moresby. He mentioned 'some instability in Government' and the possibility of a motion of no-confidence: 'If it is carried, and that leads to a new government, then that might well lead to a better outcome in PNG'. There would almost certainly be increased stability once the dust had settled, no matter who emerged as Prime Minister. But Australia looms large in the political hothouse of Port Moresby and Bill Skate's supporters read the remark as hostile meddling. On 7 July Mr Skate resigned as Prime Minister, taking several swipes at Australia as he went, possibly in an effort to attract nationalist support and smear Morauta.

The Politics Climaxes

Political Horse-trading

It was the MPs' political 'camps' and 'horse-trading' into coalitions which attracted the Australian media in late June. Twenty members of Morauta's People's Democratic Movement travelled together to stay in Cairns, where PNG elite members often go for peace and quiet. Then in early July the Morauta team in close liaison with Sir Michael Somare moved to Madang. Advance PNG Pati joined them, led by Mr Pundari, who had resigned as Speaker. Some 54 men and one woman, Lady (Carol) Kidu (the respected Member for Moresby Southeast) then spent seven days and nights on a tourist vessel owned by a former MP, Peter Barter, discussing policy and wrangling over their candidate for PM. Only six of the 16 official Opposition members were in Madang, and the Opposition Leader Mr Narokobi was a minor player throughout.

Mr Pundari was sleeping at a Madang motel of another former MP, Peter Yama, and, although Pundari proposed that Morauta become PM, he retained leadership ambitions. He stayed on in Madang with his 22 MPs when Morauta's team returned to Port Moresby on Sunday 11 July. The previous few days had been dominated by news that Mr Skate's Principal Political Adviser, Utula Samana, had been intercepted at Madang Airport, allegedly holding considerable cash and cheques, which he denied. The MPs and the PNG media assumed the funds were for the crude inducements which feature in PNG political horse-trading. Mr Samana may not have been involved but subsequently such suspicions proved well-founded: Skate ministers report six million Kina of state funds had been paid in Mr Skate's attempt to retain power. In contrast, Morauta supporters back in Port Moresby gladly accepted donations for food for their team from friends and the public. On Sunday Mr Pundari was joined in Madang by Mr Skate's group, which flew in by air charter from Rabaul. Skate and his allies now had a majority and on 12 July they too returned together to Port Moresby, where Skate finally named Pundari as his group's candidate for PM. Nevertheless, a Morauta supporter, Peter Waieng, warned his former allies that Bill Skate's resignation changed nothing if the whole system of governance was not changed. Those who had split from Mr Skate had 'a desire to change a system that was...
not working in the best interest of the country'. He added: 'When an individual steps aside, not out of the system, but leaves his system in place he can control it from anywhere he is. Do we want to become puppets? That is my question to my fellow members who left with me and are now going back'.

Parliament Decides

Just as the English have been said to be only truly free on voting day, PNG parliamentarians may only have real power when choosing a Prime Minister.

As we now know, on Tuesday 13 July some 57 MPs voted for Iairo Lasaro, Mr Skate's nominee as Speaker, compared with 47 votes for Bernard Narokobi, Sir Mekere's candidate. This seemed to foretell the vote for Prime Minister the next day, but the politicking continued through the night, with Skate's team well-guarded at the PM's residence, Mirigini House. The Morauta team in desperation offered the leadership to Chris Haiveta, thereby prompting Skate to do the same. This prospect apparently so outraged Pundari that at dawn he changed camps for the third time. Much of this manoeuvring was last minute ad hocery, and it was said one offer was never conveyed because of flat batteries in the recipients 'mobile' phone. Then, as the MPs were driven to the Parliament House next door, Mr Pundari deflected his bus load to the Opposition's entrance. When Parliament reconvened at 10 a.m., John Pundari declined Chris Haiveta's nomination for the prime ministership and himself nominated Sir Mekere Morauta. The other candidate, Francis Koimanrea, formerly with Skate, was irrelevant. Recognising defeat, Skate's team saved some face by crossing the floor, which gave 99 votes to Sir Mekere and five to Koimanrea. In an anti-climax, Iairo Lasaro resigned the speakership, and was replaced unopposed by Bernard Narokobi, who pledged to work to strengthen parliament.

The Constitution had been upheld. Papua New Guinea had shown for the fifth time that it can change government peacefully. Yet there was apprehension. Fearing upheaval, a number of senior officials had left Port Moresby and some elite members were warned to quit the country for the duration. Trade unionists were advised to stay home, as were non-essential Australian High Commission staff. On the morning of 13 July, just before Parliament reconvened, police prevented a group of people from storming Mirigini House. Police also seized a number of licensed rifles and automatic pistols at the MPs entrance to Parliament House. In the end, this phase of the transition involved only a reshuffle of the parliamentary elite and there were no public disturbances. PNG's democracy had survived another major crisis.
The Morauta Government

In a resonating acceptance speech, Sir Mekere Morauta, told the Members they had 'made a date with destiny':

We have chosen order over chaos. We have chosen hope over despair. We have chosen pride in our young country over mindless pursuit of narrow interests. We have chosen to give our children the chance of a decent life in their own country, in place of fearful descent into poverty, poor health and disorder.109

Morauta then excoriated the economic management of the previous Government and its weakening of the central institutions of government and of talented Papua New Guineans serving the public. Sir Mekere said his Government's first objective was 'to restore integrity to our great institutions of state, the very institutions that are necessary for our personal security and our prosperity'. He pledged to respect the state institutions, 'to seek advice from them and listen to their cautions'. The new government, he said, would stabilise the Kina, restore stability to the national budget and remove obstacles to investment and growth. It acknowledged the Skate Government's achievements in the Bougainville peace process and committed itself to pursuing 'a progressive political settlement in Bougainville without threat or use of force and based on the rule of law'.110

Members of the new Coalition were determined to confine the 'spoils' of victory to loyalists who had committed themselves early, thereby excluding the talented Sir Rabbie Namaliu, who changed sides on the last day. On 14 July Sir Mekere established a caretaker Ministry of eight, with John Pundari of Advance PNG Pati his Deputy PM. On 26 July Morauta created a cabinet of 24, with four positions in reserve available, given the constitutional limit of 28. Obviously seeking to control key areas, Morauta has taken a huge workload. As well as the National Security Council and the National Executive Council (cabinet), normally held by Prime Ministers, he holds Finance, Treasury, Health, Bougainville Affairs, Information and Communications. No doubt he will shed some of these once they are under control and he has replacements of quality. Accordingly, late in August, Sir Michael Somare took charge of the Bougainville Affairs portfolio.

The Deputy PM Pundari has the Home Affairs, Women, Youth and Churches portfolio, traditionally a junior ministry but one which is being upgraded. Kilroy Genia, Minister for Justice, is the only other appointee from APP. Mr Pundari's party may have been punished for its leader's vacillations, which upset one party official who said the APP deserved nine ministers.111 Nor did the People's Progress Party fare well, although with only four MPs it had little bargaining power. Sir Michael Somare became Foreign Minister, and Ted Diro112 (Peoples Action Party, PAP) was allocated Agriculture and Livestock. Sir John Kaputin has gained the important Mining portfolio and seems likely to continue as the 'bipartisan' Special Negotiator on Bougainville, a role established by the Bougainvillean parties meeting in New Zealand.
This Cabinet involved the recycling of many recent Ministers into new portfolios. In all, some sixteen former Skate Ministers, all well known to Sir Mekere, gained ministries. They included Peter Waieng, the former Defence Minister, who is Minister Assisting the Prime Minister. Overall, PDM has 17 Ministers (including five ex–PNG First members); the National Alliance has three; the APP two and PPP and PAP one each.\textsuperscript{113} The absence of Lady Kidu from the Cabinet was criticised by Dame Josephine Abaijah, the only other woman MP, and the allocation of portfolios drew adverse comment from several disappointed parties.\textsuperscript{114}

The new Government quickly got to work, preparing a mini-budget, with the help of a tax adviser John Ralph (the former head of CRA) and economists Professor Ross Garnaut and Andrew Elek, both old hands in the PNG Finance Department. Introduced on 10 August, this 'Last Chance' mini-budget to 'help stop the rot' is designed to reduce the deficit, cutting expenditure by K140 million (especially 'development' spending) in particular and raising taxes by K72.4 million (especially indirect taxes). A newly-introduced 15 per cent interest withholding tax on mining and petroleum companies would be axed. A deficit of 1.7 per cent of GDP was possible, which would be raised by external funds. Sir Mekere said this involved a turnaround from the K218 million shortfall till July, with an expected surplus of K60 million in the second half of 1999.\textsuperscript{115} The privatisation of some state enterprises and utilities has been mentioned and has been discussed in PNG since 1992 but few if any of these would be attractive to investors after being run down this decade.

The government made several other important decisions in the first weeks, including:

- removing Mr Aigilo and appointing John Wakon as Police Commissioner
- reaffirming the validity of PNG's recognition of China, saying the Taiwan arrangement had not been properly implemented
- appointing the experienced Deputy Governor, Wilson Kamet, as Governor of the Bank of Papua New Guinea
- removing the Finance Secretary, Brown Bai
- preventing Dr Hamidian-Rad from leaving the country and later charging him with fraud and tax evasion
- bringing to retrial five soldiers previously acquitted of a late 1997 mutiny against General Nuia, and
- suspending Major-General Singirok as Commander on 6 August 1999 and appointing as Acting Commander Colonel Karl Malpo (whom Singirok had sacked). The sedition charges against Singirok were reactivated and the Ombudsman recommended to the Crown Prosecutor that Singirok face a Leadership tribunal over the J. and S. Franklin money.
Removing Skate appointees may have been necessary, but 'may ironically be seen as further entrenching the politicisation of public office.'\textsuperscript{116} A problem of continuing concern will be the politicisation of the security forces, especially the military.

The Parliament met for several weeks in July and August, with much to discuss. Soon the new government faced strike action by health workers over unpaid salaries, all the national aircraft engineers in the state-owned Air Niugini were sacked after industrial action, and a power strike was averted. The western part of the Southern Highlands was described as a 'war zone', and has been for months. Reports surfaced that PNGDF troops on Bougainville were not being fed. There was discussion both of closing the Ok Tedi copper mine and of extending its life. PNG was travelling along, bumpily, as normal.

**Ongoing Challenges**

**Good Governance**

PNG's problems this decade are rooted deep in the society and the country's recent history, but their current scale is unprecedented, as Sir John Kaputin said while publicly joining Sir Mekere. He added:

\begin{quote}
As we struggle to restore national confidence and international acceptance, we should keep in mind that we are being constantly judged for political transparency, accountability and good governance.\textsuperscript{117}
\end{quote}

Diagnoses of poor governance differ in emphasis, like the concept itself. Hence there is a need to examine what people mean by the term and what causes difficulties in each case, and never expect to find one single cause. Having said that, the political instability which contributes to poor governance in PNG appears to come from regional, ethnic and kinship fragmentation.

Local divisions contribute to the apparently dysfunctional ways in which the political system has evolved in the last three decades. Intense localism combines with poor government performance to strengthen the widespread belief that MPs should themselves handle various government funds in order to benefit their constituents. Such funds now total about half the grants a province would have obtained previously. They rarely go to the provincial government or are rarely spent across the electorate as a whole, but usually only benefit an MP's supporters (who may be a small minority of voters). And, as Sir Mekere Morauta has said, MPs are not project managers.\textsuperscript{118}

The 1995 provincial 'reform' arrangements transferred power from what had been locally elected provincial assemblies and cabinets to the MPs and also put electorate funds effectively under the control of MPs.\textsuperscript{119} Money politics starts with general elections,
which are an expensive part of PNG's political culture. At the local level, elections are battles for group pride and for access to state resources, and in the Highlands elections often follow the same divisions as tribal warfare and have become increasingly violent. Once elected, MPs want to recover their investment. Those who benefit from the present system would be losers if all slush funds were to cease. Changing such entrenched modes of politics to improve governance will require more than good leadership and luck. Governments will first will have to deliver basic services to the citizenry and offer realistic hope of advancement.

There are several major administrative and historical factors which will affect moves to regenerate government in PNG. They include:

- the complex system of power and revenue sharing between the national government and the provinces
- the limited tax base and low revenue levels
- insufficient trained and experienced staff, particularly in provinces, and
- the debilitating side effects of the decade long Bougainville crisis.

Underlying such factors is the country's human geography, the rugged terrain and the dispersed pattern of human settlement. PNG remains an underdeveloped country, despite several enclaves of intensive resource development which employ few people. Eighty per cent of the people live in villages and small hamlets combining subsistence farming with cash cropping. The population is young and growing, with more than two million people under 18 years of age. Their educational levels and economic skills, like the available opportunities, cannot satisfy people's expectations of a better life. Such factors add to pressures which can overwhelm governments. Many of PNG's challenges—especially at the grass roots—are not amenable to short-term government action.

Governance issues of various types impinge on all people of PNG, not least the 10 000 or so Australian citizens living there. Governance affects the daily lives of ordinary people and in towns and villages, as well as public servants and business people. The people of PNG know that recent governments have failed them. They are barraged with both rumours and reports of corruption and scandal in high places, which, as the Catholic bishops pointed out, provides a ready rationale for property crime and interpersonal violence. In such a context, even dedicated people can lose the sense of public duty. Public cynicism can promote a breakdown of the civility essential in a functioning society. Many public servants appear to be demoralised. Sometimes villagers express their frustration against the state and anger against each other. Parents or friends of children who feel they have been denied schooling or that the school has failed them, may burn the school. People can lose respect for each other. Unsafe sexual practices have been documented, and disease is endemic. As always, just as in the Balkan wars, in PNG's tribal fighting pack-rape is an attempt to assert male solidarity and superiority. The implications for the spread
of HIV means rape is also now a health issue.\textsuperscript{121} There have been two recent pack rapes of schoolgirls, in one case by their own classmates.\textsuperscript{122} Bougainville has suffered a decade of social trauma and rape in civil war. This paper has not closely examined PNG's social problems, or crime and the spread of firearms,\textsuperscript{123} yet there are clear signs that parts of mainland PNG society are entering a profound crisis, just when Bougainvilleans start their internal reconciliation processes.

Issues for Australian Aid

After the change of government Australia immediately reactivated its relationship with PNG, starting with a visit by Treasurer Peter Costello, who offered to advance a A$31 million quarterly payment to assist PNG's liquidity crisis and started preliminary discussions with the World Bank and IMF about reactivating the Structural Adjustment funding. Australian Foreign Minister, Alexander Downer, then personally conveyed Prime Minister Howard's congratulations and stressed Australia's commitment to the bilateral relationship. Mr Downer recently said he was now 'a great deal more relaxed about' the bilateral relationship.\textsuperscript{124} Acknowledging recent tensions, he argues the new PNG Government provides an opportunity for a fresh start by the two countries working together. He stresses that Australia is not a colonial power—as shown by the Sandline episode. Australia ignored or downgraded this 'vastly important' relationship at a high price, Mr Downer said.\textsuperscript{125} However good inter-governmental relations are only part of the interaction between the two countries, which carry a lot of historical baggage and which may not be able fulfill each others' varied expectations.

Australia has complex relationships with PNG,\textsuperscript{126} ranging from privately and officially-sponsored schooling of PNG children in Australia and inter-marriage and family migration; business investment (A$2.6 billion in 1996, the majority in mining); bilateral trade (in 1995 about A$2.2 billion per annum; at times in PNG's favour because of its gold exports); exports of services (A$292 million in 1995–96) and imports of services (A$125 million in 1995–96),\textsuperscript{127} and to defence co-operation (A$10.3 million this year).\textsuperscript{128}

AusAID's well-publicised development assistance has been steady at around A$300 million per annum in monetary terms for many years but declined in real terms. Australia's jointly programmed aid to specific sectors especially health, education and infrastructure has increased in size, spread and significance just as the PNG state's own capacities have declined. Over this decade PNG governments have only reluctantly agreed to jointly-programmed activities replacing by June 2000 all untied budget support (currently A$35.5 million). It is often argued in PNG that tied aid denies PNG's independent capacity to allocate its own priorities. The donor can always say 'No', but recipients can resent their lack of choice. PM Chan often said that 'beggars can't be choosers'. The aid relationship is unlikely to be free of tension, however. Another Development Cooperation treaty is currently under renegotiation and the Australian Government is pledged to maintain funding at current monetary levels for five years. The Australian Government assesses that
PNG's level of poverty will take a long time to overcome and notes the country's susceptibility to natural disasters. Additional emergency relief, such as that provided after the 1998 tsunami, is immensely welcome in PNG. In addition, Australia's important peace monitoring contribution and reconstruction work on Bougainville continues.

The Australian High Commissioner, David Irvine, reviewed aid issues at the end of his three year posting in Port Moresby. Australia had spent over A$1 billion (K2.7 billion) in that time, and last year its development spending in PNG was double that of the PNG Government's Budget. He listed a range of AusAID achievements, and noting the lesson of recent overseas studies, argued the need to make the best use of a country's citizens, stressing the crucial importance of the education and advancement of girls and women. He then suggested that PNG should not rely on aid alone to solve its developmental needs:

> The key to sustainable development is prudent and constructive overall management of the economy. When an economy is well managed, aid can assist substantially. But when poorly managed, then in the long run no amount of aid will make much of a difference.

As noted, the bulk of Australia's aid is now program assistance in five sectors: Infrastructure, Renewable Resources, Education, Health and Governance. Many of PNG's identifiable problems however, are probably not rectifiable by externally-funded aid programs, especially not large scale projects. The system of aid contractors, with short-term goals often does not provide much continuity for the recipient bodies or PNG counterpart workers. If foreigners are to be involved in development, and PNG people generally seem to want them, the desired human capacity-building may occur better with long attachments of Australian staff in government agencies. Similarly, NGO teams, including well-supported volunteers, can work well in government or the community sector on smaller projects. Provided expectations are not too high, individual projects can lead to identifiable improvements. Performance varies from sector to sector, and province to province.

All aid programs must be dovetailed into PNG's own effort without undermining that country's government. This can involve profound ambiguities. As Australian aid has become more engaged with domestic programs in PNG some PNG ministers and officials have become increasingly wary of Australia. Depending on matters as diverse as national pride and individual counterpart's personalities and experiences with Australians, Papua New Guineans can perceive and resent meddling or domination by outsiders. Some believe their country can stand on its own, or would prefer that was the case, as seemed to happen with the emergency relief in the 1997–98 drought. PNG politicians naturally enough would like to control projects and certainly want to take the credit for them. They tend to prefer visible edifices and employment creation rather than community or staff-development projects. Some resent any form of missionary activity, be it religious or secular. Some do not like their country people demanding foreign projects, which can tend to show up the weakness in their own government's performance. This is to be expected as
a natural assertion of the country's independence but it makes the bilateral aid relationship extraordinarily difficult.

Australian aid contractors and NGOs now employ Papua New Guinean counterparts in their project teams, and most Australians work well with their PNG colleagues. The intention is that these programs be sustainable once the foreign inputs end. However, given the short term of many projects and changing priorities among recipient governments, continuity may be beyond the control of donors. Contradictions are always inherent in the best-intentioned aid programs, with the paternalistic impulse to quietly take over being a strong temptation. Foreign-led projects sometimes unintentionally undermine the confidence of PNG staff and the PNG public in their own capacities.

The current Australian aid budget gives top listing to the aim to 'improve governance by strengthening institutions both in government and civil society including community based organisations'. AusAID's literature describes as 'governance' activities which were previously called institution-building or capacity-building in public administration. However the Acting Director General interestingly gives a broader 'operational framework for governance', which includes 'Promoting effective and equitable legal systems and strengthening the rule of law', and 'Strengthening civil representation and participation to enable better scrutiny of policies and practices'.

In the overtly political spheres of governance, which are so often identified in PNG debate, there may be a little scope for Australian help. These are particularly sensitive fields. Some highly relevant and recent small projects can be mentioned which have started or are being designed after requests from PNG agencies to help strengthen their institutions for accountability. One example is the four day workshop on parliamentary committees held last April at the request of Speaker Pundari. This was funded by the Commonwealth Parliamentary Association and conducted by the Clerk Assistant (Committees) of the Australian Parliament, Cleaver Elliott. The officers of the PNG National Parliament are likely to welcome a revival of previous assistance programs from Australia. The PNG Ombudsman Commission also receives assistance from AusAID and other agencies such as the Australian Federal Police. In consultation with the Australian Electoral Commission and the PNG Electoral Commission, AusAID is exploring whether Australia can assist central electoral administration in PNG. These projects are welcomed by the recipient agencies, if not the country's financial managers or all senior people in the PNG state. Hence the promotion of accountability in government requires great caution. It is possible to imagine other institutional-strengthening projects which might help promote good governance but which might not be among the PNG government's highest priorities. Success with aid relationships requires that the recipient country feels it 'owns' the initiatives.
Conclusion

In mid-1999, as on previous occasions, Papua New Guineans are proud at having resolved their immediate political crisis. While the National Parliament demonstrated the Melanesian flair for reconciliation after angry confrontation, this year's events taken as a whole reflect a prolonged and complex set of problems. Papua New Guineans themselves express concern about systemic weakness in the country's governance. They also take responsibility. While wanting foreign aid they give no suggestion that they think outsiders can solve their political problems.

This paper has described PNG's recent political crises in the hope that events in that country—which will always be politically volatile—will seem less unpredictable for outsiders. Major events in PNG soon ripple across the Torres Straits. While focussed on the politics of the last few years, the paper has highlighted perennial difficulties in the parliament, the military, the public service and the provinces, and in the monetisation of politics. The rising level of population poses fundamental challenges for the state in Papua New Guinea. Growing public order problems are likely to prompt increased movement of the elite, which may benefit Australia but weaken PNG.

The new Government led by Sir Mekere Morauta faces issues similar to those of its predecessor and the public will no doubt retain their desire for political short-cuts and easy benefits from politicians. Under the Constitution as it now stands, the Morauta Government has only 18 months guaranteed rule to stabilise the economy and implement the necessary tough reforms. Achieving good governance in Papua New Guinea in the long run necessitates both a major change in the way the people of that country conduct their public affairs and a reorientation of their political and bureaucratic cultures. That sort of shift is not made quickly; the country's governance problems are unlikely to be readily rectified by any national leadership team or foreign government. The people of PNG will have to work out their deepest problems together, while receiving outside financial and technical help, hopefully on terms they can accept.

For Australian readers, this analysis points to the limitations built into the entire bilateral relationship and to the risk of expecting too much too soon. It particularly illustrates the complexities being tackled under Australian development assistance programs, especially those grouped under the heading of governance. Papua New Guineans appear to use this terminology in discussing their political problems, whereas aid donors have tended to see governance matters as technical issues of administrative capacity. Clearly these interpretations are not unrelated, yet this divergent use of 'governance' has the potential to create confusion, if not resentment, on both sides. No matter how necessary, aid programs which are too assertive in the political spheres of governance are likely to be seen as intrusive.

Although neighbours, the contrast been the two countries is immense. One is quite rich, the other relatively poor, the difference heightened by their geographic closeness and shared news media. The two countries have been closely linked in times of peace and
times of war. They also share their region with Indonesia, a giant country with its own governance problems, and so have reason to cooperate in many spheres. Yet there remains the niggling issue which Prime Minister Bob Hawke once called 'the colonial overhang', and, not surprisingly, people in the two countries have occasional irritations with each other. They are, after all, neighbours for the long haul.

Endnotes


4. After discussing PNG's high population growth, slow economic growth rates and low levels of waged employment, former Foreign Affairs Minister Bill Hayden wrote that PNG is 'a social and political time bomb on our doorstep and the cause rests solely with Port Moresby'. Hayden: An Autobiography, Angus and Robertson, Sydney, 1996, p. 433. A long time observer of PNG, Peter Ryan, in 1984 said: 'PNG hurts downhill into an ungovernable morass, for which the Australian taxpayer parts with some A$300 million a year. But it is 'unhelpful' and almost jolly bad form to mention it'. Melbourne Herald quoted in Papua New Guinea Post-Courier (Post-Courier), 18 December 1984, p. 3. These concerns are echoed by a former Department of Foreign Affairs and Trade economist, Peter Urban, in 'The Balkans on our doorstep', Canberra Times, 10 May 1999, p. 10. See also B. A. Santamaria in The Australian, 'A return to barbarism' 9 August 1988, 'Mayhem and massacre—the growing fear in PNG' 16 August 1988 and 'Nationhood squandered', 7 March 1989. Santamaria's arguments were countered by Rowan Callick 'Fuzzy-wuzzy fear clouds relations with northern neighbours', Australian Financial Review, 19 August 1988 and Jim Griffin, 'A barbaric report', The Times of Papua New Guinea, 25–31 August 1988.


6. This issue will not be explored here. See the submissions and hearings of the inquiry of the Joint Standing Committee on Foreign Affairs, Defence and Trade, Foreign Affairs Sub-Committee into 'Bougainville: The Peace Process and Beyond'.

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12. It goes on to say 'The aid program is promoting effective governance through: public sector reform; economic management including monetary and fiscal policy, financial sector reform and private sector development; promoting and protecting human rights, including through civil society; [and] promoting accessible and fair electoral systems'. Source: 'Governance: Promoting effective governance to reduce poverty', *Focus* [AusAID magazine] July 1999, p. 4.


15. At the same stage in July 1982, while acting as a power broker, the just defeated Deputy PM Iambakey Okuk, said 'The voters have no rights at the moment. Once elected, the MP must decide what is best for his career', and added 'I can afford it. I can buy most of them.' Bill Standish, *Melanesian Neighbours: The Politics of Papua New Guinea, the Solomon Islands and the Republic of Vanuatu*, Canberra, Parliamentary Library, p. 62, quoting *The Times of PNG*, 15 July 1982.


20. Melsol is wide-ranging human rights organisation founded in the 1980s by key activists at the University of PNG. Melsol activists are effective political campaigners, initially for the West Papuan nationalist movement in the neighbouring Indonesian province of Irian Jaya, and for the Kanak *Independentistes* in New Caledonia. Melsol is concerned about the preservation of the environment and the rights of landowners, especially around resource projects. It has been highly critical of political corruption, of the undisciplined activities of the security forces in the Bougainville war and of militarisation and authoritarianism in the...
PNG state at large. Melsol leaders took a leading role in the March 1997 public demonstrations against the Sandline contract. The offices of several related NGOs were raided by police in April 1997, which led to international protests led by Amnesty International. Several leaders were charged in relation to the demonstrations, but later acquitted.

21. Melsol is closely linked with the PNG Trust for Integral Human Development (which raises public consciousness about the country's very liberal constitution); the Individual and Community Rights Advocacy Forum (ICRAF, which among other services runs a women's rights office and refuge); and the PNG Watch Council (an umbrella group for NGOs, a rival body to the National Alliance of NGOs, NANGO). The most prominent ICRAF figure is Powes Parkop, a former law lecturer who has often represented dissident soldiers and General Singirok in court.


25. These are the PNG Defence Force, the Royal Papua New Guinea Constabulary (the police) and the Corrective Institutions Service (CIS, the prison warders).


27. It was alleged that 12 soldiers had purported to exercise police and electoral functions between Mount Hagen and Goroka during the June 1997 elections, but the cases against them were ultimately dismissed because the State had made a fundamental error in not identifying those accused of the offence. 'Illegal army charges thrown out', *Post-Courier*, 30 July 1999, p. 3.


32. Tensions within the military were exacerbated because the Defence Force could not fund the retrenchment packages of several senior officers removed by General Singirok, so these men remained around the Defence bases as a focus of discontent. On the PNGDF in 1997–98, see R. J. May, 'Papua New Guinea', in Charles E. Morrison ed., *Asia Pacific Security Outlook 1999*, Japan Center for International Exchange, Tokyo and New York, 1999.


35. *Sydney Morning Herald*, 28 and 29 November 1997. Initially, few in PNG understood the literary reference to mafia leadership implied by the term 'Godfather'.


37. Kerr, op. cit., p.58. The young woman involved was charged first, and eventually acquitted for lack of evidence. The MP, Fr Robert Lak, was brought to the National Court on a carnal knowledge charge but acquitted in June 1999 on the same grounds.

38. One Jonathan Kawaro wrote that crime was definitely 'a sure sign of this great and beautiful country of ours being deliberately thrown to the dogs by a few self conscious and greedy bunch of pigs in the so-called 'Haus tambaran' [Parliament House] and their 'princely sum earning' advisors and political boys in high places (not forgetting the business partners)', Letter to Editor, 'Many are barely surviving everyday', *Post-Courier*, 24 December 1998.


51. ibid. and Sinclair Dinnen, 'Law, Order and State in Papua New Guinea', *Discussion Paper 97/1*, State Society and Governance in Melanesia Project, Australian National University, Canberra.


57. The price of rice—which is controlled—rose by 19 per cent in June 1999. The rice market can indicate economic stress, especially for townspeople, which is reflected in national politics. Price rises and the threat of import restrictions preceded changes of government in 1980, 1985 and 1988.

58. 'Real GDP to rise 4.4 per cent this year, says BPNG', *The National*, 14 July 1999.

59. Curtin, loc. cit.

60. 'Court orders Govt to pay slush funds', *The National*, 30 June 1999.


63. Where at least he would have had uninterrupted water, power, air-conditioning and telephone services, unlike the Prime Minister's Department in the nearby office block named Morauta House.

64. In 1995 Melsol had been the World Bank's most virulent critic in PNG. Despite (or perhaps because of) their attacks on the Bank, several non-government organisations, especially Melsol, subsequently benefited from a K50 000 grant which the Bank intended to promote the 'civil society'. Melsol leaders obtained a well-funded office system and vehicle, which were useful during the Sandline demonstrations and the June 1997 elections. (The figure of K15 million of World Bank funding for NGOs to be channelled through Melsol-related bodies has been discussed in PNG, but the are no hard reports of it ever being paid.). O'Callaghan, *Enemies Within*, op. cit., p. 167.


66. Yala and Levantis, op. cit.
67. 'Govt will pay off Sandline', *Post-Courier*, 3 May 1999; O'Callaghan, *Enemies Within*, op. cit., p. 366. Mr Skate's resistance to paying the Sandline account apparently related to his use of the issue to discredit former PM Chan. Against legal advice, Skate insisted the contract was unconstitutional under PNG law—which it probably was. However, the document itself specified that any disputes had to be resolved under British, rather than PNG, law.

68. 'Bishop: Govt must go' and 'Weed out the bad leaders, says church head', *Post-Courier*, 1 April 1999.

69. Chief Justice Arnold Amet's term was coming up for renewal. As mentioned above, in October 1998 there had been intimidatory rumours that he would be removed, just as Paias Wingti's government had removed his predecessor, Sir Buri Kidu. Mary-Louise O'Callaghan, 'Chief Justice safe in Skate's reshuffle', *The Australian*, 21 October 1999, p. 9.


76. 'Adjournment decision was 'touch and go' ', *The Independent*, 4 December 1998, p. 4.


83. 'Speaker Pandari "confirms" new party', *Post-Courier*, 7 May 1999; 'Senior govt MPs break rank over name calling', *Post-Courier*, 12 May 1999.


89. Namaliu chose to stay in Mr Skate's Government till the last day, not just to observe what the Government was doing but because he was negotiating the $5 billion natural gas pipeline to Queensland, a project which could greatly improve PNG's foreign earnings for decades. *The National*, 7 July 1999.

90. 'Party time is over, says Pokawin', *Post-Courier*, 26 August 1999.

91. ibid.


94. 'Beijing seeks Australia's help to reverse deal', *Post-Courier*, 7 July 1999.

95. Regarding this example of Australia's limited political and diplomatic influence in Waigani, see Bill Standish, 'Why Singirok took on his political master', *Sydney Morning Herald*, 22 March 1997, p. 20; Dorney, loc. cit.; O'Callaghan, *Enemies Within*, op.cit.

97. During Sir Michael Somare's 1988–92 term as Foreign Minister the Taiwanese lent millions of dollars to what was Pangu's business arm, Damai. This paid for a 12 storey office block now owned by the Somare Foundation. Called Somare House, it is located diagonally opposite the traditionally-styled Chinese embassy in Waigani. Most South Pacific countries do not see what the fuss is about between these two ethnic Chinese countries and have close aid relations with both.


102. For example, 'Beijing issues protest note to government', *Post-Courier*, 7 July 1999.


104. After mentioning Taiwan, public order and investment issues, Skate said: 'I am sad to say Australia thinks Papua New Guinea is their state. Australians think they have to continue dictating to us. They must understand that Papua New Guinea is more mature. It's a sovereign State (and) they must respect our views. Australians are equally trading with Taiwan and why shouldn't we go further to strengthen our relationship in that region.' He went on to say, that the issue of the prime ministership had 'nothing to do with Australians influencing me. It is said that Australians are putting up Mekere Morauta. The Papua New Guineans (people) should decide who should be the Prime Minister.' Regarding his resignation, he said 'I chose that for my members who have been loyal to me and of course for PNG and it has nothing to do with Australian influence.' Source: 'Full transcript of Bill Skate's resignation announcement', *Post-Courier*, 8 July 1999.

105. 'Previous govt paid MPs K6m to return Bill Skate to power', *The National*, 12 August 1999.

106. 'Change of leadership is not enough, says Waieng'. *The National*, 12 July 1999.


110. ibid.

111. 'Coalition partners grumble', *Post-Courier*, 28 August 1999.

112. Diro was Defence Force Commander from 1975–81. Elected in 1982, he reached Deputy Prime Minister. Following the 1989 Barnett inquiry into timber industry corruption he was
dismissed from parliament in 1991 after a Leadership Tribunal found him guilty on
83 charges.


114. 'Kidu deserves a ministry, says Abaijah', and 'Allocation of portfolios draws mixed reactions', The National, 3 August 1999.

115. 'Taxes up as Mekere moves to "stop the rot"', SMH, 11 August 1999, p. 8. See also The National, 11 August 1999 for the full budget speech.


117. 'Problems need more than a change of Govt: Kaputin', The National, 15 June 1999.

118. SBS TV, Dateline, 30 March 1996.


125. He was speaking at the ANU while launching O'Callaghan, Enemies Within, op. cit.


128. There are 27 Australian Defence Force technical and training personnel attached to the PNGDF, which has 3 men on attachment in Australia, as well as trainees. Australia, Portfolio Budget Statements 1999–2000. Defence Portfolio. Budget Related Paper No.1.4A, Canberra, 1999, p. 179.

130. Frank Senge Kolma, 'Australia spent K2.7b on growth', *The National*, 5 August 1999. This paper published Irvine's departure speech to the PNG Media Council in full.

131. Commonwealth of Australia, ibid.
