



# PNG anti-corruption agencies show their teeth

by Grant Walton

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The Papua New Guinea Ombudsman Commission has been rather quiet of late, leaving many in PNG to wonder if the old lion has been sleeping. But over the past fortnight the Commission has been on the attack. Last week, recently appointed Chief Commissioner Rigo Lua, and Ombudsman Phoebe Sangetari, announced that they had issued a directive to freeze progress on a 3 billion kina (AUD 1.25 Billion) government loan from Swiss financial services company, UBS. The government will to use the loan to purchase a 10.01 per cent share in [Oil Search](#) – a partner in the country's liquefied natural gas (LNG) Project.

After the Commission's public announcement, senior government members admitted that the deal had already been [signed](#) on March 13, one day before the Commission issued their directive. Despite not being able to stop the deal from going ahead, the Commission will review the legalities of the transaction. Prime Minister Peter O'Neill welcomed an investigation, claiming that no wrong doing had taken place and that owning Oil Search shares would ensure that PNG would benefit from the forthcoming LNG project – a project set to substantially raise the country's GDP.

The Commission's move was made amid growing frustration about the UBS deal. Former Treasurer, Don Polye, recently alleged that the Prime Minister tried to strong-arm him into signing off on the loan and, in so doing, unconstitutionally bypass parliament. Polye didn't sign and was sacked as a result. As featured [in this blog](#), PNG's National Research Institute also strongly criticised the deal, suggesting it was financially risky, contravened principles of good governance and was illegal. Their critique made it to the front page of PNG's *National* newspaper. Last Thursday, the University of Papua New Guinea's Student Representative Council [announced](#) that it was petitioning the government to drop the loan. They questioned its legality and said that more should be done to enable ordinary Papua New Guineans to own shares in Oil Search.

A few days after announcing their investigation into the UBS loan, the Commission

reportedly issued a directive for the state to stop the building of a skyscraper in Port Moresby. The 1 billion kina (AUD 390 million) project was signed in Singapore, with Naima Investment Ltd., now known as Central Lands Limited. PNG's *Post Courier* newspaper reported that senior state officials – including the Prime Minister and State Solicitor – have been concerned about the legality of the procurement process of this deal since April last year. While the Chief Secretary's office said the project is on hold, it was reported that workers were still busy at the site late last week.

There's still a long way to go before these investigations are concluded, and it is far from clear as to whether the Commission will secure any convictions or, in the case of Central Lands Limited, cause workers to down tools. Still, it's good to see the Commission on the prowl.

PNG's newest anti-corruption predator, Taskforce Sweep, has recently shown that its bite can be as bad as its bark. The first case it investigated after its creation in 2011 involved a 10 million kina (AUD 4.1million) deal between infamous businessman Eremas Wartoto and former Minister for National Planning and Monitoring, Paul Tiensten. The payment was made to Wartoto's airline company, Travel Air. The case went to trial where Tiensten was found guilty of misappropriation under Section 383A of the Criminal Code. Last week he was sentenced to nine-years of hard labour, one year short of the maximum sentence. He'll serve five years if he pays back the 10 million kina. Tiensten has lost more than time and money, he has also been forced to step down from his seat in parliament.

This is a significant victory for Taskforce Sweep. There have been few convictions of politicians over PNG's history. The last prominent case was that of the then Prime Minister, Sir Michael Somare, who was taken to court by the Commission for submitting late and incomplete financial statements over 20 years. Then Chief Commissioner Ila Geno announced the investigation just before his retirement. Some suggest Geno's timing was politically smart: it meant that he could conduct the investigation without it affecting his career.

After a mammoth legal struggle Somare was **found guilty** of 13 charges of misconduct in 2011 but was given a slap on the wrist: he was suspended for two weeks without pay. In comparison, Tiensten's nine years hard labour is a substantial sentence.

Despite these developments, there's still a lot more investigation needing to be done. After leaving his post, Don Polye went on radio openly accusing the Prime Minister of corruption by signing a letter to release funds to Paul Paraka Lawyers. Paraka was arrested in October 2013 over the 71.8 million kina (AUD 29.7 million)

his firm allegedly received from the Finance Department. The letter authorising the payment appears to bear the Prime Minister's signature, although O'Neill has said that it is a forgery. In his radio interview Polye insisted the signature was real. A Taskforce Sweep investigation into the matter concluded that the Prime Minister had **no case to answer**. Polye's explosive revelations may give the Taskforce grounds to reopen the case, and answer critics who accuse it of only targeting O'Neill's enemies. If Polye's Triumph Heritage Empowerment Party – a key government partner – removes him as their leader, as they've **threatened to do**, Polye may be more inclined to cooperate with an investigation.

There's also a need to investigate the government awarding the firm **Borneo Pacific Pharmaceuticals** a 71 million kina (AUD 29 million) contract to procure medical supply kits into the country over the next three years. Civil society groups and medical experts **questioned the decision** given that Borneo's tender was more expensive than two companies that, unlike Borneo, held international quality assurance (ISO 9001) accreditation. Concerns have also been raised about Borneo's **links** to substandard and possibly counterfeit drugs. Australia's aid Program pulled funding to distribute these medical supply kits across PNG as a result of the decision.

In March the PNG parliament passed a bill to institute a constitutional amendment for an Independent Commission Against Corruption, with an overwhelming 91 votes for the motion and none against. It is hoped that this new institution will augment existing anti-corruption efforts in PNG. However, given the serious concerns raised about the draft ICAC bill (see this **PDF**), many fear that this new institution will fail to live up to expectations.

In the meantime, it's heartening to see PNG's existing anti-corruption agencies baring their teeth.

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