



Addressing development by challenging impunity: The social impact of state and corporate crime on Papua New Guinea¹

A submission to the Foreign Affairs, Defence and Trade Committee inquiry: "The delivery and effectiveness of Australia's bilateral aid program in Papua New Guinea"

April 2015

Executive Summary

Australian aid delivery in Papua New Guinea is increasingly informed by theories and policies that are deeply incongruent with local empirical realities. The Australian government's current aid strategy prioritises private sector growth through a range of mechanisms, including, the commodification of customary assets, the expansion of the extractive sectors, and reducing 'constraints' for business. However, counteracting any expected benefits from this approach are the stark realities of state and corporate crime in Papua New Guinea. Indeed, aided by government departments and executive bodies beset by systematic corruption, both national and international actors within the private sector, including Australian companies, have taken advantage of lax governance and law enforcement to engage in a range of illegal practices with impunity; when local resistance is met, it is frequently suppressed through state sanctioned violence, whether organised through the state's security apparatus or private security forces. These illicit state-corporate practices lead to the dispossession of public and community resources, and significant economic wastage, which are primary factors behind repeat failures to achieve sustainable development targets. While it is true the private sector faces certain constraints in Papua New Guinea, which should be given serious consideration, the primary barrier impeding development outcomes is the private sector's excessive freedom to violate the law, human rights, and custom, with the complicity of state actors.

Very rarely do these stark realities, which have been extensively documented by successive commission of inquiries, anti-corruption agencies, NGOs and researchers, directly shape how Australian aid is delivered. To the contrary, aid is being increasingly diverted into initiatives and areas that will elevate state and corporate crime in the years to come.

Accordingly, in this submission the International State Crime Initiative details these stark realities in order to help inform policy makers and civil society of the risks associated with current aid priorities. Notable forms of state-corporate crime highlighted in this submission include:

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- Grand corruption within the state, which leads to the mismanagement of funds, the misappropriation of public assets, serious organised frauds, illegal contracts, and substandard service delivery.
- The emergence of a black economy in ostensibly licit goods, in particular state and customary land, which is being acquired and circulated through illicit means on a wide scale in Papua New Guinea, with the complicity of a range of actors.
- The systematic and gross violation of human and environmental rights in the extractive sectors, in addition to agribusiness and fisheries.

It is argued in this submission that Australia's current aid strategy and practice in Papua New Guinea fails to heed these widespread, well evidenced realities that have a significant toll on human development and security. As a result, aid is being invested in contentious ways that will likely elevate state and corporate crime, with its associated negative impacts on development outcomes. In particular we find it concerning that aid will be increasingly focused on removing constraints from business, without recognising the excessive freedoms businesses enjoy in Papua New Guinea to violate laws and community rights, with impunity. Furthermore, the gearing of aid towards the funding of contentious mega-projects, the promotion of public-private partnerships, and the co-authorship of policy and service delivery with the private sector, is a particularly risky enterprise in an environment typified by high levels of corruption, weak law enforcement and the unaddressed impunity of corporate actors.

In order to promote a strategic rethink with respect to Australian aid, the International State Crime Initiative encourages a number of new priorities that will help enhance accountability, governance and popular participation, which are essential foundations for the long-term success of Australia's aid program in Papua New Guinea. In particular we encourage substantial investment in Papua New Guinea civil society organisations, higher education institutions, anti-corruption agencies, and a muscular fourth estate, employing a methodology that is more inclusive of local voices, innovation and knowledge, rather than simply private sector actors, where international voices tend to predominate. It is our contention that an independent, vibrant civil society, supported by popular participation, and complimented both by a probing media and well-resourced higher education sector, can promote new forms of innovation, accountability and good governance, and support reformist agencies within government. As a whole, this locally centred approach to innovation and transformation can create the governance and social framework for sustainable development that is congruent with community aspirations and custom, and compliant with human rights norms enshrined in Papua New Guinea's Constitution and international law. It also holds the greatest hope of both inspiring forms of responsible private sector involvement in Papua New Guinea which is accountable to communities, and for prosecuting actors – both national and international – found to be in breach of the law.

Introduction

The International State Crime Initiative (ISCI) is a research centre jointly administered by Queen Mary University of London, Harvard University, Ulster University and the University of Hull (www.statecrime.org). We have an active research program in Papua New Guinea that began in 2009/10; it is delivered in close collaboration with national and international civil society. Our research in Papua New Guinea is funded by a range of independent, peer reviewed sources including the United Kingdom's Economic and Social Research Council and British Academy. We have conducted over 200 interviews in Papua New Guinea with senior civil servants, government ministers, anti-corruption agencies, corporate actors, victims and civil society organisations. ISCI has also engaged in investigative documentary research that has uncovered records detailing fraud, corruption and serious human rights abuses. This data has been disseminated through 1 x research monograph, 3 x reports, 4 x book chapters, and 4 x journal articles.

It is our conclusion that state crime and corporate crime remain *the most serious* developmental challenges facing Papua New Guinea and its international partners. Aid provision must, therefore, take into account the profound impact state/corporate criminality has on security, economic participation, human rights and resource management in Papua New Guinea. If thoughtfully applied, in a way that is strongly informed by the complex empirical realities on the ground, aid has the potential to play a positive role in addressing the underlying factors that sustain state/corporate criminality in Papua New Guinea, particularly when engineered and operationalised through strong collaborative relations with Papua New Guinea civil society.

This submission summarises key issues raised by our research in Papua New Guinea, which has been focused on corruption, land confiscations, the extractive industries and state violence. We will also outline a range of concerns we have over Australian aid provision, before pointing to possible reforms that could help address these issues.

The social context of aid delivery in Papua New Guinea

To meaningfully address the inquiry's terms of reference, it is important to recognise the complicated terrain in which aid delivery occurs. Clearly a detailed treatment of this topic is not possible here. Nevertheless, we would like to draw the committee's attention to a number of key points that have been evidenced through a range of public inquiries, scholarly studies, and judicial decisions.

1) Grand corruption, public finance and public administration

Public assets in Papua New Guinea are systemically and systematically compromised by a range of illegal practices. It is impossible to know exactly how much public revenue is misappropriated each year through theft, fraud, inflated contracts, and other illegal practices, but we know it is very substantial. For example, the former head of Task Force Sweep – a defunded PNG government agency responsible for prosecuting corruption cases – observes that it has not been uncommon to lose billions in revenue per year owing to corruption (Koim 2014). To this we must add the substantial costs/wastage that is caused by the permissive environments – marked by lax governance and accounting – which grand corruption necessitates.

2) The emergence of elite criminality and its longevity

The emergence of elite actor networks systematically using illicit commercial practices, which are often backed by political violence, must be placed in historical context. Like other former colonies, Papua New Guinea was not bequeathed a particularly rich economic legacy by the Australian colonial administration – which itself was modestly funded. This, in part, helped to trigger a national situation where Papua New Guinea has become dependent on inward capital flows, particularly in the extractive industries (a dependency that was forged in the 1960s), which itself has few substantive economic legacies outside taxation revenues.²

Without the emergence of stable, profitable national industries, that can buttress local capital accumulation, business elites – who frequently straddle the public and private sectors – have frequently turned to parasitic economic practices and corrupt forms of rent-seeking to build up relatively substantial fortunes. This often creates something of a vicious cycle where corruption, rent-seeking and theft stifle other economic possibilities, which then channels subsequent entrepreneurial energies into future episodes of corruption, theft, and rent-seeking. Furthermore, private sector actors have been centrally involved in these episodes of grand corruption as organisers and facilitators. Notable examples of this phenomena include:

- The recent Commission of Inquiry into the Department of Finance implicated a range of prominent businessmen and public officials – including Australians – in a K780 million scandal consisting of several different forms of misappropriation of public finances (Davani et al 2009). One of the primary illicit mechanisms documented in the commission's findings involved private individuals, who, with the support of law firms and corporate consultants launched fraudulent legal actions against the Papua New Guinea state, which were then settled out of court by complicit public officials, often for many millions of kina. Some of the key actors at the centre of this inquiry have gone on to travel to Australia, acquire visas, and take up postings in Australian government funded institutions; or are indeed Australian citizens. To date, none of the commission's recommendations have been actioned by the Papua New Guinea government.
- A range of national court decisions and anti-corruption reports have documented a *black economy in state land* overseen by prominent politicians, national businessmen, and foreign speculators, in collusion with Department of Lands and Physical Planning officials (Public Accounts Committee 2006a).³ This criminal network has seen prime real estate illegally alienated to corporate actors through 99 year state leases for little or no return to the public. The corporate beneficiaries, which have included Australian owned companies, in turn use these illicit acquisitions to capture sizable rents that should in practice go to the state to fund services and

² Unfortunately these revenues only serve to lubricate unchecked predatory practices.

³ See for instance, the following recent examples, which include Australian owned companies and Australian banks: *Loa v Kimas* [2014] PGNC 209; *Noko No.96 Ltd v Temu* [2012] PGSC 27; *Open Bay Timber Ltd v Dekena* [2013] PGNC 81.

public infrastructure. Australian banks frequently take these illegally acquired state leases as security when even basic due diligence would raise significant concerns (see also Oxfam 2014); and it should be noted, state leases do not grant the holder indefeasible title, the latter can be challenged on the grounds of constructive fraud. This has seriously tarnished urban planning, hampered the rational production of commercial and industrial space, fostered a housing sector unresponsive to local needs and exposed the banking sector to dangerous levels of risk (see Green et al 2014; Jones 2012). The Public Accounts Committee in particular has raised specific concerns over this black market, which to this day remain unaddressed. For example, the committee reported in 2006 that, 'state land is stolen from or given away by the Department [of Lands and Physical Planning] for no return to the State' (Public Accounts Committee 2006a: 113), and concluded 'the Department of Lands and Physical Planning has, for many years, given priority to the interests of private enterprise and private speculators over the interests and lawful rights of the State' (Public Accounts Committee 2006a: 7). The Public Accounts Committee has also pointed to the misappropriation of public housing by National Housing Corporation executives, which adds another dimension to this black economy in state property (Lasslett 2013; Public Accounts Committee 2009). More recently, the partial privatisation of the National Housing Corporation through the National Housing Estate Limited has in effect deregulated oversight of the public housing stock, thus creating new opportunities for the illicit trade in licit public goods (Lasslett 2012c).

- In addition to the black markets in state land, and public housing, there has also emerged a black market in customary landholdings. In particular, provisions in the *Land Act 1996* which enable Special Agricultural and Business Leases have been employed to alienate customary land for up to 99 years largely to foreign companies, through a range of illegal practices and processes. For example, a recent Commission of Inquiry into the systemic abuse of Special Agricultural and Business Leases found that wide-scale fraud had led to the alienation of 11 per cent of PNG's land-mass, with foreign logging companies being the principal beneficiary (Numapo 2013). The commission observes, 'with corrupt government officials from implementing agencies riding shotgun for them, opportunistic loggers masquerading as agro-forestry developers are prowling our countryside, scoping opportunities to take advantage of gullible landowners and desperate for cash clan leaders' (Numapo 2013: 242).
- Public procurement and tendering is an enduring problem (Auditor General's Office 2001; Auditor General's Office 2005; Auditor General's Office 2014; Public Accounts Committee 2006a; Public Accounts Committee 2006b; Public Accounts Committee 2007). Fundamental infrastructural improvements and other services contracted by the government are frequently delivered through highly inflated contracts secured through inappropriate relations and incentives. Very often these illegal contracts are awarded using a certificate of inexpediency – which allows government agencies to circumvent a competitive tendering process – a measure which should be reserved for emergency situations such as national disasters or

war. The work done is frequently substandard, or indeed punctuated with illegal conduct that compromise public assets. For example, inquiries conducted into the Public Curator's Office – which administers intestate estates – by the Auditor General's Office (2005) and Public Accounts Committee (2006b) found numerous illegal contracts were awarded to private consultants. In one instance the Central Supply and Tender Board repeatedly rejected requests from the Public Curator's Office to issue a certificate of inexpediency that would have allowed the office to directly contract an Australian owned company for the provision of expensive consultancy services (in particular, the corporatisation of the Public Curator's Office). To circumvent the *Public Finance (Management) Act 1995* the rejected contract was allegedly funded out of intestate estates by the Public Curator's Office, which was in clear breach of the *Public Curators Act 1951*. The latter legislation places a fiduciary duty on the Public Curator and its agents to preserve estate assets.

- In a recent journal article the head of Task Force Sweep, Sam Koim, notes that the government's development budget has been preyed upon by senior politicians and the private sector. Koim observes: 'This complex network of corrupt activity occurs where private companies, through collusions with public officials and politicians, have infiltrated the government budgetary processes under the pretext of development projects, and squandered billions of kina. Corruption has distorted open markets for government contracts, as institutions that are established to administer the public procurement process wantonly apply the rules and have instead become havens, orchestrating government contracts under a thick veil of secrecy' (2013: 244).

3) The private sector is deeply enmeshed in illicit economies

The private sector has been a central player in land thefts, illegal resource extraction, procurement fraud, theft of public finances, bribery scandals, and other illicit activities; and therefore, cannot be seen as a panacea to Papua New Guinea's problems. It also needs to be noted, this includes a range of well-known multinational companies. Accordingly, it is fair to say in light of the substantive empirical evidence, private sector actors are prepared to strategically exploit lack of capacity and poor governance to illicitly access resources; and where local resistance is met, it is frequently suppressed violently with resource operators and 'developers' funding police operations, in addition to supplying logistic aid including weaponry (the latter relationship is particularly problematic, in light of the gross human rights abuses perpetrated by the Royal Papua New Guinea Constabulary, which have been documented on an ongoing basis by Amnesty International and Human Rights Watch). It would be wrong to assume, in lieu of major social change, that increased private sector involvement in Papua New Guinea will produced sustainable growth or development. At the moment the private sector is a major part of the problem, and has enjoyed near impunity for the widespread corporate crimes that have peppered a range of industries and sectors in Papua New Guinea.

4) The extractive industries have a poor human rights record

The resource extraction industries – minerals, oil, gas, forestry, fisheries – are marked by systematic human rights abuses and environmental harms, which remain unaddressed, and include major Australian owned companies (see Amnesty International 2010; Human Rights Watch 2010; Lasslett 2014; Lawson 2014; Shearn 2014). Frequently these extractive projects are secured without the informed consent of rural communities, or through bribery, force and other illegal means. The revenues from such projects - their one major legacy - then feed the illicit accumulation strategies of a national elite who prey on public finances.

Each of the major extractive sectors has been affected by human rights abuses and illicit conduct. The forestry sector suffers from illegal land transactions, illegal logging practices, labour abuses and police violence (see Lawson 2014). The mining industry has triggered seismic forms of environmental harm that deserve the label ecocide, in addition miners have also colluded with Papua New Guinea's security forces in a range of gross human rights abuses (see Amnesty International 2010; Human Rights Watch 2010; Lasslett 2014; Shearn 2014). The tuna industry has been implicated in illegal industrial practices, environmental harms and labour abuses (*Canning Paradise* 2012). While the palm oil industry has been directly linked to Papua New Guinea's 'land grab' crisis (Oakland Institute 2013).

Furthermore, Papua New Guinea lacks the diversified industrial base, and fine-tuned economic planning apparatus, to seriously benefit from the revenues generated by the extractive sectors. The optimistic predictions used to justify mining – often based off abstract theories incongruent with daily realities in Papua New Guinea – fail to materialise. Rather than funding a rapid expansion of capacity and industry the taxation revenues are strategically misappropriated through fraud, theft and inflated/ghost contracts, or misapplied owing to the permissive environments of lax governance corruption fosters. As a result mining tends to leave in its wake, environmental harm, inter and intra-community tension, conflict, and serious human rights abuses, without any lasting legacy to counterbalance these harms. Despite the deleterious record of mining in Papua New Guinea, IFIs and bilateral partners such as Australia, hold a sense of optimism that is not supported by the lived history of mining in Papua New Guinea.

While the elite echelons of the state and private sector are involved in a range of illegal practices, which facilitates the breakdown in service delivery, the demolarisation of the public sector, and the frustration of those involved in legitimate, productive business enterprises, nonetheless the vast majority of Papua New Guineans, rural and urban, have developed remarkable informal structures to sustain their communities economically, culturally and politically speaking. Whether one steps foot in an urban settlement or a rural village one will generally be greeted by robust local governance structures, people engaged in volunteer labour for community projects, thriving informal industries, and rich cultural conversations. It is, therefore, wrong to cast Papua New Guinea as a developing or impoverished nation – it is a rich and highly developed society. However, local aspirations and initiatives are

frequently disrupted and undermined by operators within the state and private sector deeply involved in a range of predatory and parasitic practices.

Australia's aid program in Papua New Guinea

Unfortunately when aid is applied in Papua New Guinea, practice is not always informed by a robust empirical understanding of the significant, systematic forms of state and corporate crime that shape aid's effectiveness and ultimate effects; nor is it informed by a rich enough range of local voices. Failure to acknowledge and tackle these substantive empirical realities diminishes the impact of Australian aid, and risks applying funds in ways that feed social contention, insecurity and corruption.

We include below a number of specific concerns we have with the Australian aid program in its current iteration.

1) 'Refocusing Australian aid to help unlock PNG's economic potential'

The proposed strategy for delivering aid in Papua New Guinea, set out in a 2015 Department of Foreign Affairs and Trade assessment, is problematic for a range of reasons that have already been highlighted, and which will be underlined in more detail below. However, it needs to firstly be noted with concern that the assessment is the result of what the Australian government calls "extensive consultation with a wide range of stakeholders from PNG and Australia including Government, business, civil society and international donors". We would strongly contest the claim that it was informed by an extensive consultation with a *wide* range of stakeholders, based on the lists provided in Appendix A and B of the assessment document. To the contrary, we are concerned the strategy is informed by a one-sided sample of organisational actors. The published sample is heavily slanted in favour of companies and organisations linked to two of the most controversial industries in Papua New Guinea – minerals/oil/gas and oil palm – some of whom are implicated in serious human rights abuses, including Exxon Mobil (Shearn 2014), and Bougainville Copper Limited (Lasslett 2014). It is difficult to understand why international mining corporations, and lobby groups associated with the extractive industries and palm oil, are in a specifically privileged position to determine the best application of Australian aid, given their parlous record in Papua New Guinea which has been carefully documented.

Furthermore, even the civil society sample consulted is over-represented by international financial institutions such as the World Bank, international NGOs, think-tanks and research institutes directly funded by the Australian government, many of whom are known for their strong ideological commitment to the principles of neoliberalism, whose application in the Papua New Guinea context is strongly contested by communities throughout the country. On the other hand, Papua New Guinea civil society and communities are notable by their absence, despite being the best placed to offer robust advice on how to apply aid in ways that can effectively counteract the significant barriers to meaningful human development, which is also congruent with local aspirations in Papua New Guinea. Indeed Papua New Guinea's most well-known and effective civil society organisations devoted to sustainable development and good governance were absent from the sample, including for instance CELCOR, EFF, BRG, Partners with Melanesia, Madang Peoples Forum, Act Now, in addition to Australian NGOs with a sustained track record of monitoring aid delivery and development policy in Papua New Guinea. It is perhaps not surprising, in light of the sample consulted, that many of the recommendations

made in the assessment are not only problematic, but potentially criminogenic in character, and will almost certainly lead to an increase in corruption and human rights abuses.

2) Private sector growth, or involvement, is not always *the* solution

It would be problematic to assume that in the current context the encouragement of private sector involvement, or public private partnerships will address the development needs of Papua New Guinea. To the contrary, in the absence of a significant shift in the political terrain – which can only be facilitated through the mobilisation of Papua New Guinea civil society behind reformist efforts – such arrangements will very likely serve to strengthen and fuel the networks of corruption that currently exercise significant control over the domestic economy and Papua New Guinea's political apparatus. The Australian government's stated plan to steer aid from service deliver into private sector growth risks contributing to corporate crime, and appears to be driven by an ideological belief that private sector (i.e. profit seeking business entities) can solve Papua New Guinea's challenges – this does not reflect empirical reality or local values.

3) Economic theory cannot be applied in abstraction from empirical reality

Australian aid has, on occasions, been informed by economic theories that are incongruent with the empirical realities of Papua New Guinea. For example, through the Pacific Land Program Australian aid has been used to campaign for procedures that would allow customary title to be registered and alienated for a substantial period of time, ostensibly to free up local capital for rural development (see, for instance, the 2006 white paper, *Australian Aid: Promoting Growth and Stability*). Yet those familiar with the commercial, administrative and political reality on the ground, should know any attempt to register and alienate customary land in the current climate would trigger an unprecedented black economy in customary land, which would facilitate the dispossession and marginalisation of rural *and* urban communities dependent on customary title. This is one primary example of contested economic theory being applied in abstraction from criminological and social reality in Papua New Guinea.

Another example is the considerable amount of aid funding that has gone into promoting the minerals industry in Papua New Guinea, both through the Mining for Development Initiative and via funding for research institutes with an active focus on promoting the extractive industries. Once again, independent researchers who have taken the time to familiarise themselves with the lived experience of large extractive projects in Papua New Guinea employing robust primary research that brings local voices and concerns to the fore, would be aware that they have been deeply etched with human rights abuses and significant environmental damage, as the examples of Ok Tedi, Porgera and Panguna attest. ISCI has specific experience researching the impacts of the Panguna mine on Bougainville. We uncovered significant evidence which supports the contention that the Australian owned mining company, Bougainville Copper Limited, logistically aided the Papua New Guinea Defence Force at a time (1989-90) when they were perpetrating gross human rights abuses (see Lasslett 2012a, 2014). Also, our research revealed that senior executives encouraged the military's offensive actions in meetings with Papua New Guinea politicians. Our evidentiary sources included the oral testimony of senior Bougainville Copper Limited (BCL) executives and internal company

records, which were corroborated by interviews with senior Papua New Guinea government and military officials. This evidence has been brought to the attention of the Department of Foreign Affairs and Trade by Senator Lee Rhiannon on numerous occasions. Nonetheless, aid funds continue to be used to buttress BCL's return to Panguna, despite significant local opposition, and unaddressed claims by victims for justice and accountability (Jubilee Australia 2014) - a point to which we will now turn.

4) Funding divisive mega-projects heightens insecurity and conflict

Australian aid has been earmarked for divisive, and often unwanted mega-projects that will potentially facilitate parasitic political practices and buttress the impunity of corporate actors accused of facilitating gross human rights abuses. For example, despite being both the trigger, and a key cause of, a ten year war that took up to 20,000 lives, significant quantities of Australian aid has been employed to facilitate the reopening of the Panguna mine under the auspices of BCL, a majority owned subsidiary of Rio Tinto. This has included, for example, innumerable meetings between Australian government officials, aid funded advisors, and mining company personnel; and the provision of multiple advisors to the Autonomous Bougainville Government whose role, in part, is to facilitate the mine's reopening. These substantive aid efforts have been plucked into the mine's reopening despite the fact there is evidence to suggest rural communities in the mine affected region remain deeply opposed to the mine's reopening in the short to medium term, especially under the auspices of BCL, who many consider to be responsible for serious human rights abuses (see Jubilee Australia 2014). Furthermore, there are also indications that revenues from the project could sustain and feed an autonomous government apparatus that has been found by the Auditor General and Bougainville's Public Accounts Committee, to be lumbered by mismanagement and misappropriation. For example, the Deputy Auditor General remarked in 2013 that there is "massive corruption among the bureaucracy on Bougainville" (*The National*, 2/9/2013).

In contrast to the Panguna mine reopening, more popular, locally run, grass-roots economic initiatives, which aim to foster rural self-reliance and independence have been, relatively speaking, overlooked by Australia; despite the fact that nearly the entire population of Bougainville is dependent on agriculture. For example, according to the Department of Foreign Affairs and Trade, between 2010-2014 only \$160,722 in aid was specifically earmarked for agriculture on Bougainville. Not only is agriculture a vital source of livelihood, it has the potential to play a crucial role in building stability on Bougainville, if pursued according to local aspirations.

5) Concerns over Australian aid advisors

During our research on Bougainville, ISCI raised concerns over AusAID advisory staff. For example, we found that \$362,117.71 has been expended in 2014/15 on a Bougainville mine negotiation advisor, whose mandate is to guide landowners and the government in their commercial negotiations with Bougainville Copper Limited. This mine negotiation advisor has also recently received substantial funding from Rio Tinto - Bougainville Copper's parent company - to conduct research in Australia. It remains unclear whether the Department of Foreign Affairs and Trade has taken any action to manage this potential conflict of interest.

While we have no doubt Australian aid provision in Papua New Guinea is driven by devoted officials, advisers and consultants, nonetheless, these efforts are at times framed by policies and theories that are incongruent with the empirical realities which have been documented by scholars, civil society, and Papua New Guinea's anti-corruption agencies. Until greater alignment is brought between theory, policy, practice and empirical reality, Australia's aid program will struggle to make a determinate difference to the everyday life of citizens in Papua New Guinea, or provide value for money to Australian taxpayers.

Reforming the delivery of Australia's aid program in Papua New Guinea

Drawing on our research and practical experience of working with civil society coalitions in Papua New Guinea, we would like to make a number of recommendations with respect to Australia's aid program. While Australian collaborative efforts to reform government and the private sector in Papua New Guinea has laudable intentions, it could be more effectively operationalised to help address the existing climate of corruption, criminality and impunity that significantly undermines development and security. The only way to produce the sort of seismic shift needed to address corruption, resource theft and other illegal practices, is to support civil society projects that empower and mobilise the people of Papua New Guinea, who remain the greatest hope and asset for change. Critical areas in need of support are signposted below.

1) Strengthening civil society

Civil society in Papua New Guinea remains small and vulnerable; many local NGOs are susceptible to co-optation owing to their size and resources. Yet a vibrant, critical, independent civil society, devoted to the values of human rights, good governance and people-centred development is integral to mobilising the public in ways that can enact substantive political and economic changes (Green and Ward 2012; Lasslett 2012b). Aid that can sustainably assist civil society organisations to grow and independently pursue objectives set at a local level – versus donor established metrics – can help build an independent civil society in Papua New Guinea that is resistant to intimidation and co-optation by forces looking to undermine good governance, human rights and accountability.

2) Promoting a free, independent media

The media in Papua New Guinea is not free to fearlessly report on vital issues. Journalists who report critically on powerful government officials or influential business figures, face significant repercussions including the loss of employment or violent reprisals. Indeed, the national media frequently publishes 'gushing' reports on corrupt figures and economic projects tainted with illegalities; these reports are very often PR releases disguised as news. This serves to buttress impunity, it misinforms the public and diminishes the political debate.

There is, therefore, critical need in Papua New Guinea for alternative news sources, which can fearlessly investigate and report on corruption, resource theft, illegal land transactions, bribery, procurement fraud, and other illegal practices. By directing aid towards initiatives that promote arms-length investigative reporting, Australia could help support the transformation of the fourth estate in Papua New Guinea.

3) Building a muscular higher education system

The higher education sector is in a state of disrepair in Papua New Guinea, and is itself a vehicle for corruption (see the example of Jubilee University reported in the Commission of Inquiry into the Department of Finance). Yet a well-funded, well-governed, university sector can be a vital tool that holds governments to account, supports an ethical, people centred mode of development and triggers innovation in government, society and industry. If strategically supported, the higher education sector could be a major spoke in the sort of seismic changes Papua New Guinea needs to unblock the rich potential that exists in a highly committed, politically active citizenry. However, this support must foster independent thought and research closely attuned to local concerns and it must be meaningful accountable to affected communities; as opposed to research projects and initiatives that are set up to justify and operationalise a predetermined set of objectives or policy aspirations prioritised from Canberra, without mechanisms in place to ensure researchers and research is accountable to, and conducted for affected communities. At the very minimum this requires more support for a research active higher education sector in Papua New Guinea, which could in part be facilitated by drawing aid resources away from Australian higher education institutions that already enjoy a relatively rich range of options for funding support.

4) Popular engagement with anti-corruption reform

The Auditor General's Office, the Public Accounts Committee, the Ombudsman Commission and the proposed Independent Commission Against Corruption, are essential conduits for inquiring into, reporting on and censuring corruption and other illicit practices. Accordingly, their health and vibrancy is essential to substantively tackling grand corruption and other illegal practices in the long term. Continued Australian support in the form of aid provision, knowledge exchange and technical assistance is important and should be continued. However, the work and reformist efforts of Papua New Guinea's anti-corruption institutions will not affect substantive change unless there is a vibrant civil society mobilising in support of their work. Isolated institutions lacking active, public support are vulnerable to political attack; only an active citizenry, organised through vibrant civil society groups can buffer anti-corruption agencies from political interference. This popular support requires patient, long term investment in civil society, a free, fearless media, independent research, and education.

5) Voluntary codes of conduct are not enough

Corporate actors are involved in systematic human rights abuses and corruption in Papua New Guinea. Voluntary international initiatives that centre on self-regulatory arrangements are entirely inadequate vehicles for dealing with the bleak empirical realities of corporate offending in Papua New Guinea which is systematic, wide-spread, harmful and occurs with near impunity. In some respects, it can be argued, these self-regulatory arrangements are an obstacle which corporate entities with parlous human rights records actively support, in order to stymie more robust forms of oversight. If trust is to be restored in the private sector, robust legislative and institutional mechanisms should be collaboratively developed with reformists within the Papua New Guinea government to ensure that corporate crime is prosecuted more effectively.

6) Listening to the grass-roots

Papua New Guinea's population remains largely rural. These are culturally rich communities, with complex governance structures, proud traditions and many strengths. Such communities do not need to be told how they should 'develop' no matter how well-meaning the advice is; indeed rural communities are hubs of thought and innovation which have the capacity to spearhead their own development agenda. Aid delivery should listen to the people, and be applied in ways that enable communities to reach locally set objectives, that are congruent with their own cultural, political and economic structures. This is not about being 'politically correct', it is about investing in those groups with the savvy to transform their communities in sustainable ways.

7) Invest in Papua New Guineans

A substantial amount of Australian aid suffers from the boomerang effect; we will not comment in detail on this, as there are other organisations with the expertise to speak more authoritatively on this front. Nonetheless, during our work in Papua New Guinea we have observed enormous amounts of aid money being spent on the salaries, and expenses of advisers and consultants. Some of these organisations have become highly profitable ventures trading on their ability to attract the aid dollar; yet they fly into Papua New Guinea, and then fly out, often with very little contact with the national population outside elite forums. Furthermore, these organisations can employ sophisticated methodologies to meet the metrics of aid providers, without actually having made any substantive impact on the ground. With that in mind, more aid needs to be invested in the countless unfunded, or underfunded organisations in Papua New Guinea who have a wealth of lived experience and expertise. Equally, where research excellence is needed, support must be given to Papua New Guinea universities to provide it, rather than their already better funded Australian counterparts.

Conclusion

Any attempt to reform the public and private sector without acknowledging the reality of state and corporate criminality in Papua New Guinea, risks fuelling this criminality, and placing even greater fiscal and social burden on Papua New Guinea's already long-suffering population. It is also important that aid providers recognise that Papua New Guinea is home to rich, highly developed social structures that are often weighed down by political and economic actors engaged in systematic illicit activities. It is these informal economic, cultural and governance networks, buttressed by a vibrant civil society, that hold the most hope of producing a popular groundswell that can underpin those leaders and agencies committed to a sustained, thoroughgoing reform effort that addresses the problems of corruption, resource theft, and mismanagement. They must be supported through projects and organisations that can build capacity and tackle at the source corruption, resource confiscation and state violence.

Clearly this is a politically sensitive context for Australia to be treading. On the other hand, to ignore this context will only serve to heighten risks that Australian aid amplifies, rather than resolves, the significant problem of state and corporate crime in Papua New Guinea.

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