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Presentation title: "PRIVATE SECTOR INITIATIVE'S IN THE FIGHT AGAINST CORRUPTION"

Presented by: Peter Aitsi – Chair of Transparency International PNG

Acknowledgements

- Chief Secretary
- Department Heads
- Distinguished colleagues

Background

I am pleased that we have been brought together again to further the efforts to develop a National Anti-Corruption Strategy; Transparency International PNG is very supportive of this effort by Government and remains committed to contributing to the effort.

Today I will speak about the work of TI in seeking to engage and activate the private sector in the fight against corruption. In my presentation I will provide a summarized overview of a couple of key documents and then speak about the recent initiative that TI is supporting through the Port Moresby Chamber of Commerce and Industry.

- Outline the existing code of ethics used by the Port Moresby Chamber
- The APEC code of conduct for business

TI understands the activity of corruption is facilitated by people conspiring together, in most cases it takes a willing parties to commit the act of corruption. We are also very much aware in some instances the private sector has either been a party to corruption and or the initiator.

Let me share with you some examples of private sector corruption that have happened with PNG.

We all remember the National Provident Fund scandal; where the funds belong to members was either mismanaged or corruptly applied and as a result the organizations and the member's savings were almost lost. The resulting loss was totaled in the vicinity of K150 million (Kina). A friend of mine lost close to K32,000 overnight, when he received his corrected account statement after the scandal was exposed.

Another example was the Papua New Guinea Banking Corporation, PNGBC, the bank went through a number of management changes and was on the brink of closure as result of poor management and also outright corruption. The bank was handing out loans to individuals and companies and not following due process to protect the interest of the shareholdings (the People of PNG). As the clean up

of the PNGBC was undertaken these bad debts accumulated to 100's of millions of kina, some still remain unpaid or have been written off.

When we look at this examples we can better appreciate the difference within these two organizations now, you only need to look at their balance sheets to know how significant those changes have been. NPF now NASFUND has an asset base in excess of a billion kina, it has over the years since the scandal paid significant dividends in the form of interest to its members, a couple of years ago as high as 37%.

The PNGBC now BSP has declared significant profits over the last 3 years and has also paid dividends to its shareholders one of them being the State. Its balance sheet remains healthy and even during the global economic downturn the BSP has continued to generate profits and as a result as spread its operations through the Pacific.

I have used these two examples to demonstrate the positive impact a "corruption free" private sector can have on lives of our communities. Think about the number of people who as a result of the strengthening of our finance sector are better able to plan their retirement and also actively participate in some form of economic activity.

I ask you to reflect on what the situation would have been today if we would have allowed these organizations to remain in the hands of the Politicians and to be used as "cash pits" whenever they needed money.

Outline of existing codes

Let me now briefly share with you two documents as a background to the thinking behind the BACA initiative:

Firstly the Port Moresby Chamber of Commerce and Industry Code of Ethic's

(Read code)

Secondly the APEC Code of Conduct for Business

(Read headlines)

Details of BACA initiative

Last Wednesday 26/8 TI joined with the Port Moresby Chamber of Commerce and Industry to commence work on developing the BACA initiative. BACA is aimed at activating the Code of Ethic's the Chamber has committed itself and its members to uphold.

TI's aim is to support the Chamber to identify how best its members can support and commit to the fight against corruption.

The work has commenced with the setting up of a desk at the POMCCI, we will be recruiting a person who will as a first step consult the members of the Chamber and the private sector generally to gauge their expectations and perhaps to review the current code in terms of its relevance to the current business environment. This initial stage has been made possible through funding received via the British High Commission.

The BACA initiative will seek to form an alliance within the private sector driven by business houses and industry groups aimed at reducing corruption within the various spheres of activity.

As said by the Chamber President Mr. Ron Seddon: "A society that fights corruption is one that is good for legitimate businesses that see compliance as the norm. This alliance will be a small start by our members, telling government, investors, suppliers, and consumers that we aim to do our business fairly, properly in a non-corrupt manner and most importantly "you can trust us".

You may ask how can you change the way companies operate. Our aim is to work through a sector supported code of ethic's to establish a sector accepted and initiated criteria to recognize compliant companies.

Ultimately as the initiative is further developed we aim to seek the support of larger organizations such as Exxon Mobil, Ausaid and even the PNG Government who through their participation could generate a pull through for compliance if they were to agree to list compliant companies as preferred suppliers.

At this stage the BACA is at its early stage, we at TI PNG are committed to support the efforts of the Port Moresby Chamber and will be assisting where we can to advance this initiative.

Conclusion

In closing let me draw us back to the NPF and PNGBC examples, they clearly demonstrate that corruption whether it be outright stealing or mismanagement resulting in inefficiencies does have an impact on the private sector and because of the important role of the private sector this impact effect's the daily lives of our communities. These effects are translated in the form of higher prices as a result of the higher cost of doing business in PNG. The unfortunate truth is rising prices has the biggest effect on our grassroots as they money in their pockets these days buys even less.

End: Peter Aitsi - Chair TI PNG