



# INNOVATIONS FOR SUCCESSFUL SOCIETIES

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Interviewee: Charles Lepani

Interviewer: Matthew Devlin

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DEVLIN: Today is March 15th, 2010. We're in Canberra, Australia, with His Excellency Charles Lepani, Papua New Guinea's high commissioner to Australia. The high commissioner was one of Papua New Guinea's top public servants during the years we'll be discussing today and has a rather unique insight into both the political dynamics that shaped those events and the administrative aspects of the implementation of Papua New Guinea's decentralization. Mr. High Commissioner, thank you for joining us.

LEPANI: *Thank you.*

DEVLIN: If you don't mind, I'd like to begin by first asking you how you came to enter the public service, and what positions you held over the years of your governmental career.

LEPANI: *I started off as a trained trade unionist. After high school in Queensland, Australia, I spent two years at the University of Papua New Guinea in 1967-68. The University of PNG was first opened in 1966. I had a scholarship from the Australian Council of Trade Unions, Australian Public Service Unions and Papua New Guinea Public Service Association, then the largest union in Papua New Guinea, well organized because of the expatriates' membership working there. We had a few Papua New Guinea public servants, including Michael Somare then, who was a teacher. He was amongst the few Papua New Guineans educated enough to be paid under the Auxiliary Service Division, as they called it, which is a slightly higher pay level than most Papua New Guineans at that time. This would be the pre-independence years, around the late '60s and early '70s.*

*After I left university, I started off as an industrial advocate for the Public Service Association for two years, and I was then asked by the government to head the Industrial Relations Organization, the Bureau of Industrial Organizations set up by both the ILO [International Labour Organization] and Papua New Guinea government to look at harmonizing industrial relations between employers and employees. I spent 18 months there and then was asked by the prime minister of Papua New Guinea, then Sir Michael Somare, to join the government as deputy to the head of planning, who was a Canadian then. The Canadian head of planning left, and I took over in 1976. I was the head of the Planning Office immediately after independence and thereafter for about six years. Under my stewardship of the National Planning Office, we instituted the National Public Expenditure Plan, the NPEP, which is basically an expenditure management plan in the budget, run by my office and directly reporting to the prime minister and the cabinet. Those years included the debates on the constitutional review findings for setting up a decentralized system of government. That was passed at independence, but the actual implementation was very difficult. We had the pre-independence system of local government councils and district administrations, all governed through headquarters in Konedobu, then the colonial administration.*

*It was quite an effective form of a decentralized system, and in retrospect as it delivered services to the villages and outlying areas with regular surveys and regular patrols. PNG's population was then around two-and-a-half million at independence. So it was quite manageable except for the terrain, difficulties of terrain; much of the delivery of services was done through air transport, hardly any roads. Even some parts of the country were not opened up; people were still living in cultural and traditional ways of life very much dependent on subsistence production.*

*So at independence the issue of decentralization became inevitable, because the government or the founding fathers of our nation considered it imperative that we*

*recognize the 800 linguistic and ethnic groups of people, the diversity in our cultures and languages, by a decentralized form of government, both administratively and politically. There was a very prominent slogan at that time calling for Unity in Diversity. After a series of consultations conducted by the Constitutional Committee, a provincial governments system based on the Canadian model was adopted. That model was agreed to, but again the implementation issues and how to set up administratively remained a difficult proposition because of resourcing and funding issues and the division of powers and functions between national and provincial levels of governments. The government first brought some consultants, people in the McKinsey Consultants, mainly through the head of the planning office, my predecessor who was a Canadian but who worked for the McKinsey group in Tanzania when Tanzania was moving to the system of the socialist form of government to bring about development.*

*So the McKinsey group came, and we had a series of seminars within the public service particularly focusing on the views of bureaucrats at national level and district administrators. It was decided to proceed with it, and a system of shared powers and functions of public service was instituted somewhat commensurate with the national legislative power under the organic laws for provincial governments. Decentralizing health, education and agriculture services was devolved to the provincial authorities. That was an ongoing work in progress right up to now. It remains very vexing, and debates continue today as to whether the national government should take back those powers and functions, as delivery of services under the current system has been abysmal.*

*While most of us accepted the inevitability of decentralization at that time, some of us were fully aware of the financial and staffing constraints to making the decentralization system effective. The political will at the national level to provide the full resourcing of provincial governments so that they can move ahead to implement the functions that they took over didn't follow the political commitment, mainly because there were not that many resources, financial and trained human resources. So it was very slow, arduous, and up until now continues to befuddle and test, and very vexing questions confront our political leaders and continue to strain the capacity of delivery of government services. That to me was the biggest contributor to the gradual, or even up to now very drastic, decline in delivery of services to rural areas.*

*So there is a continual search to bring about effective decentralization. You had the mechanisms, you had the National Fiscal Commission, for instance, which was set up to look at balancing the distribution of funds to provincial governments. That took a long time also, because you had some richer provinces, you had some very poor provinces without resources, and to redistribute these resources accordingly was also a very vexing issue. So in a lot of ways we had the desire but not the capacity.*

*At times, in the last ten, fifteen years, there was a lot of serious thought to abolish provincial governments, look at regional governments, the four regions of the country: Papua Region or Southern Region, Highlands Region, Momase Region, and the Islands Region. So it is an ongoing work in progress. What has always kept that momentum going is the issue of Bougainville and its continuous agitation for secession from PNG. Bougainville was at the forefront of decentralization issues and the distribution of resources because of the critical importance to PNG in the early years of independence, of Bougainville Copper Mine, and issues surrounding the distribution of royalties which also brought into play—the government's overall consideration of not just ordinary taxes from major resource projects, but the issue of state equity and landowner equity holdings in such major resource projects and how they are to be distributed.*

*So Bougainville is a pioneer leading the country on decentralization and issues of resources sharing between the state, the investors through the fiscal regime which then included the capital gains tax, the state and the provincial governments, and the state and the landowners of the project areas. I think it was Bougainville that played the major role in setting up the political drive for decentralization. In fact, Father John Momis, one of the founding fathers of the constitution and independence, was a Bougainvillian, and he had a lot to contribute to the issue of decentralization, and you will need to meet him if you go to Papua New Guinea. I hope you do. So it is—I have no clear picture of where we're going to go to implement the effectiveness of decentralization, because you've got the political will, you've got the political mechanisms, you've even got the agreed administrative arrangements, but the resourcing continues to lag behind: effective resourcing, how you effectively distribute the country's resources to bring about effective decentralization.*

*There are issues of autonomous governments, autonomous regions; that's an alternative that is being considered. I support this view because it takes account of the disparity between developed provinces and regions and less developed regions. There is always the political fear that we as a nation might disintegrate; it won't take long for the country to disintegrate with decentralization mismanaged. There is political fear that PNG will disintegrate back to its tribal days, and the country will not survive its sovereignty and integrity as a nation.*

*I feel that is yet to be borne out by experience. I think Bougainville's experience on this issue is what is causing fear. For instance, New Guinea's Islands Region, which Bougainville is part of, has continued to prod the national government for an autonomous regional government system. I think they're the best candidate to try that out. They have sufficient numbers of educated people, well resourced in agriculture and minerals, fisheries, and forestry. So the national government has to see this in a constructive way. You give them a lot of the powers except for policing and defense and foreign relations, and probably setting standards; that would be under national control. But a lot of the development functions, like health, education, agriculture, and even a modicum of taxing powers should be given to them. I think they can do it. So the national government can focus a lot of its attention and resourcing to the poorer areas of the country.*

*The other issue that I think is worth highlighting is the issue of major resource projects as mentioned earlier. Bougainville Copper Mine set a pattern that all the major resources projects in mining, oil and gas now follow on the distribution of benefits streams from the major resources projects. These include state equity and royalties to recognize that the land belongs to the people of Papua New Guinea. Even though the state or national government can declare that land in the national interest, and have the area under the ground owned by the state for resource development projects, there is again the recognition of the diversity in PNG, of this aggregation of ethnic and linguistic groups. Therefore it has been decided that the owners or custodians of the land are provided equity and royalties from the state's stake, as well as the compensation for their land before the project starts. At independence, the key policy consideration was revenue generation to provide PNG's resources for development. Employment creation or value adding was not given serious consideration for Bougainville Mine, as major resource projects have been historically enclave in nature.*

*So it is a form of decentralization, but very narrowly defined. It is again bringing about a lot of wealth to rural areas, particularly to landowners of these project areas, but the issue of equal distribution of wealth and indeed of development remains vexing. Since the experience of Bougainville Mine benefits to landowners, the national government has ensured that issues of intertemporal and intergenerational benefits flow to landowners from major resources projects*

*are managed carefully. Future generation funds are common elements of landowner benefits arrangements. Social mapping to define who the real and correct landowners are to benefit from the resource projects are a necessary part of the exploration phase of major resources projects.*

*The government's biggest ambition and aim since independence and in the constitution is to maintain equality in the distribution of the wealth of the country, throughout the country. So these are the fundamental issues we're trying to grapple with now.*

DEVLIN: You raised several points of great interest I hope we can return to. Firstly, I was hoping to get back to this point of Bougainville, because as you so rightly pointed out, at this early stage that we're talking about, Bougainville really drove the process of decentralization so much so that even some steps, one could say, were very ad hoc, just knee-jerk reactions to a political necessity. There has been some comment that some of the legislation that was pushed forward at these points was simply geared toward Bougainville and really was not that applicable to the situation in other provinces at the time. Could you give us a sense of what that whole political debate looked like from the public service point of view? You and your colleagues are attempting to rationally build a system for a new state, a newly independent state, and on one of the most important issues, it would seem, you're really held hostage in terms of planning to this very fluid political negotiation that is going on.

LEPANI: *For the planning system we had at independence, it was a very different one from the one that is now current. The policy priorities have remained consistent over the years since independence, with differing and varying degrees of allocating resources depending on the priorities of the incumbent government. At independence we had a very modest form of planning. It was a three-year rolling public expenditure plan based on the cycles of our revenue flows of exports, then the four co's as we called them: copper, cocoa, copper and coffee. They were the major revenue earners. It was a three-year cycle when liquidity was available through the export revenues. We also had substantial budget support in foreign aid from Australia, our former administering authority. Based on these revenue flows, we projected over a three-year timeframe a real expenditure growth of 3% per year, very modest new growth in public expenditure.*

*Again you have the political process at that time, the cabinet under the leadership of Sir Michael Somare. The working relationship between the bureaucrats and politicians [ministers] was exceptionally good, as both sides knew and understood their role in decision making and respected each other's "expertise," so that we the technocrats could submit our advice, and if the ministers did not agree they took full responsibility for their decisions. At the time when I headed the Planning Office, there were very few Papua New Guineans, with only my deputy who was Papua New Guinean and about three or four in training. The majority of my staff were expatriates: Americans, Canadians, English and Australians, and some Indians. So there was no rivalry between me and them, because I know they do their job, but I'm the one who confronts the cabinet to explain what we're doing and policy recommendations we generate. So we worked very well together in those days, and there was no political animosity, no political distrust amongst us. We give the policy advice. We tell them, this is the basket of resources we have, and that if you want to change the composition, you will have to negotiate amongst yourselves so long as you do not go beyond what is there in the basket. You decide amongst yourselves but those decisions cannot result in overflows in the resources basket. They took that very well.*

*Within that new—as against recurrent—expenditure arrangement that I managed*

*in planning of 3% per year real growth, that worked very well. You can see politicians understanding the concept of bargaining with each other. We can't all have our projects funded for this year. Next year someone else may have his or her project at their electorate or in their sector, department, funded. So that worked relatively well. It wasn't as much as actually getting on and implementing. There were some projects that were quite successful, funded under the RIP. [Rural Improvement Program], but again at the bureaucratic level we'd go through very strenuous bargaining efforts with departments. Why do you want that? Zero-based budgeting, basically, all the requests except for recurrent, but even there we tried to cut recurrent spending to allocate resources to priority policy areas.*

*Planning officers with their Treasury counterparts would ask departmental representatives to justify why they want new expenditure, or why they should keep this function or activity funded. So that was a very good mechanism in retrospect. As I look back, it was a very good budget disciplinary mechanism. That's why we ran the country for the first six to eight years very effectively, very efficiently in terms of fiscal management, and governance was not a major issue. Australian aid was given to us in grant in aid to the budget, not project-tied, as it later became when Australians began to feel uncomfortable with the way our politicians began to take over technocratic roles and functions of decision-making that they normally would leave to bureaucrats.*

*So that level of negotiation and understanding was very important, crucially, for the success at the bureaucratic level, for effective fiscal management, effective implementation of macro-management policies: monetary, fiscal, and even currency policy. We set a separate currency policy; it was called the Hard Currency Policy to basically control inflation, because we imported a lot of things as PNG's economy was open and vulnerable to imported inflation.*

*Then a Kina was worth two US dollars, which was the heyday in those days. So it was a great experience. People were very concerned about national government, national pride, enthusiasm, all of us, including the political leadership. Very little thought of what's in there for me.*

DEVLIN: *So how did that idea of national pride, national identity, how did that intersect with this push for decentralization, which also had very strong ideological commitments? Because I could see from the outside, perhaps at the very point you're trying to build national identity, you're talking about what is essentially fracturing authority. How did people think about that?*

LEPANI: *As I said earlier, this is in recognition that we really are a diverse people. As I always explain in seminars at universities here, we are increasingly aware that we're not a nation, we're an aggregation of 800 linguistic ethnic groupings, and we respect that, and the reality of our nationhood is based on that. So even the nation spells the—yes, forget about all that, we are one people, we are Papua New Guineans, but in thought and in deed most of us still think of ourselves as Trobriander, Tolai, Sepik, Jiga, etc.: that's because that's where your identity is really. This nebulous concept called Papua New Guinea is a constitutional, western, new concept that we're still working to absorb and make it part of us. But we are from the start—I'm a Trobriander, I speak Kilivila language. It may take a while, but I think we've achieved a lot of it working within that context that we are each from 800 or so language groups, ethnic groups, but we have succeeded in molding a concept of some identity of a nation that is Papua New Guinea.*

*So decentralization did not come as a big issue in the beginning. It wasn't, say, oh, if we have this we can't have nationhood, or there is a risk nationhood will fall*

*apart. In the beginning it was accepted, and we all accepted the concept of unity in diversity. That was the slogan in the early days, unity in diversity. We were happy with it, we were comfortable with it. So politically this was not as big an issue. There is always at the back of our minds, if it didn't work, at least you don't destroy what you had by being a nation. It was always the same in developing a strategy that governed our National Public Expenditure Plan. The concept that the subsistence sector is the basis of our economic activity, where 80% of our people live—you build the monetary sector on top of that. You supplement it, you don't destroy it to create the cash economy. That was the concept that went into the political way of looking at nation-building, national unity.*

DEVLIN: Now this idea of very healthy respect for the different regions, the different ethnolinguistic groups within Papua New Guinea, it is interesting when you look at the legislation of this period. I'm thinking of the Provincial Government Preparatory Arrangements Act and later the Organic Law for Provincial Government. Both were very much driven by the situation on the ground in one particular province, Bougainville, which in comparison to others was quite significantly more developed. I'm wondering, why would you say this was allowed to happen? Why did one particular case prompt legislation that was universally applied across the country?

LEPANI: *Well, we thought it was a good model. There was no discomfort about that. For the national government it was more how much should we give in to them. I was involved in the negotiations on secession. We went to Bougainville. We found then that the majority of Bougainvillians did not want to secede. But a lot of it is driven by the project-area people, landowners in Bougainville Copper Mine. They wanted more resources, more royalties, more recognition of the damage by the mine on their environment. That was very significant in terms of their foresight of environmental impacts. At independence I must say our environmental laws were very tough, very tough. They were drafted by an environmental scientist from Australia who worked in our environmental office, Peter Ellyard.*

*As that came into impact it also gave credence to what the Bougainvillians were saying about how mining cannot be reckless about the environment around it. That again was one central issue that divided the government and the call for decentralization in Bougainville. The big issue for the government was to create the revenue. The mine was there to create revenue for an independent PNG. All these other issues such as landowner benefits, environment, provincial government share of benefits, did not factor much into government policy in the initial stages of Bougainville Mine development. Remember, the Bougainville project agreement was signed between the Australian Administration and CRA [Conzinc Riotinto of Australia]. PNG's independent government renegotiated it to include the capital gains tax.*

*As to why or how this came about, I think you could say that Bougainvillians and their issue of secession encapsulated and reflected what the rest of the country was inherently thinking and feeling about their identity in their tribal context and their identity and ambivalence in the context of an independent PNG. In a sense, we're proud of achieving independence, because that was a fight against Australian colonial administration, but to have a nation per se and its sovereign rights moving forward, that's a different issue. That is something we needed to work out for ourselves, as I said, and really define what that nationhood means for us.*

*As we look back on it, even if we don't admit it, we still retain a greater sense of the tribal, our village, our linguistic context, where we are from rather than Papua New Guinea. It was symbolically great we got rid of Australia; we can now start making decisions for ourselves. But as to what it meant to really run and manage*

*ourselves and how to pay for it, those issues remain very critical still today.*

DEVLIN: If that idea, as you said, prior to the tribal identity, if that was being articulated by Bougainville but felt much more broadly across the country, would it nevertheless be fair to say that there was this political fear again that if a special case was made of Bougainville that might be a stepping stone to a degree of—to even eventual secession?

LEPANI: For Bougainville?

DEVLIN: Yes.

LEPANI: *Yes, that's recognized, but most of us see, I think, Bougainville has a special case because of the way they were treated by the national government in the conflict days by the PNGDF [Papua New Guinea Defense Force] and the brutality of the campaign on both sides. That sort of heightened the Bougainvillians' sense of being different from the rest of PNG. But originally, had the Bougainville Copper benefits issue been handled properly, for instance, the timely renegotiation of the Bougainville Mine Agreement, the secession issue may not be as dominant a factor as it is now. They started off saying we really need to talk about this agreement, this agreement signed by the national government with Bougainville Copper Limited, the subsidiary of CRA. But the national government in the mid '80s ignored that call. Had they listened and said, "All right, the time is due to renegotiate, to review the agreement," every five years the agreement needed to be reviewed and Bougainvillians wanted to negotiate for a greater share of benefit flow from the mine. Had that been done then, the whole issue of conflict and secession may not have assumed such significance today. But that festered and festered until they first blew up the pylons, in 1989, I think it was. Then the national government decided to talk about the agreement. It was too late.*

*So when you talk about precipitative issues, that was the big issue. Bougainville landowners were not talking about secession at that time. Of course, they were talking about independence and all this, but a lot of people, it's more to build up the pressure for national government to negotiate on an actual Bougainville agreement. So when that didn't come, that compounded the issues, and the secession became a real choice for Bougainvilleans. Most Papua New Guineans don't wish to secede from the country, we have come so far. We hope Bougainvillians won't secede when it is time for them—I think it is three or four years' time, for the plebiscite.*

DEVLIN: Your point of the rhetoric of secession, that it can be used, it is a negotiating tool on occasion between regions and the center. It reminds me of the case of the supposed Papuan secession movement which in retrospect seems to be dismissed by most observers; it was never a serious real bid. What did it seem like at the time?

LEPANI: *I was there. Port Moresby City Council was the hotbed of it because Josephine [Abajjah] was the councilor with me. I led the opposing group at the city council. Every speech I made opposing Papuan secession against her and her mentor Dr. [Eric] Wright was based on my understanding, the understanding of other Papuan Leaders such as Sir Albert Maori Kiki and Sir Ebia Olewali at the national level, that Australians did not want us and that we were aware of the treatment they were giving to their aboriginals. For Papuans it is not secession, it is more to continue our association with Australia, so Papuans can be Australians. That was the driving issue.*



*For some of us who are nationalist Papuans like me, we just thought that was stupid. We are now independent, we move on as an independent country and to do what we can for us as Papuans. You just don't want to be a second-class citizen to Australia. Look at the aboriginals. I went to school in Australia for high school in Charters Towers, Queensland. I had no experience of racism but I could see that was not a viable thing to be part of Australia. Australians also rejected us, rejected that argument at their High Court. So it was a different argument from the Bougainvillians' argument.*

DEVLIN: One of the issues that comes up a lot in the writing that has been done on Papua secession is focused on Port Moresby, as you said, and the idea of migrants coming into the city from outside was a volatile issue.

LEPANI: Yes.

DEVLIN: When you have, I guess, an opponent in this context was Josephine Abaijah—you were arguing against her—that is a very emotional issue that spoke to a lot of Papuans' feelings. How did you, as the other side, attempt to compete in the public arena?

LEPANI: *I wish I had all my speeches. At that time there was really not that much immigration and land grab by people from other parts of PNG—by people from other parts of the country. Up to this day we're all quite happy to pay rent, all of us from outside the country, through some arrangement with the national government compensating Motuan people, national government is starting to grapple with that issue. Take Central Province people whose land the capital is built on. That argument by Abaijah has been undercut since the rural urban migration drift became a serious issue, because the landowners themselves started leasing, renting their land to the migrants and squatter settlers. It is a contributing factor, and you've got to seriously look at compensating them because the colonial authority, then Australia, purchased these areas of land with tokens such as axes and tobacco, etc., and very little or no cash at all. So maybe these areas of land should be revalued and some form of rent should be paid at today's fair market value to compensate them. You might care to find that out when you're in PNG if you're going up there, just where it is in the land reform legislation that has been very actively implemented now. How are the traditional landowners, on whose land areas present urban centers are located, to be compensated? Is there any policy on that?*

DEVLIN: I'm wondering, in addition to that issue—I'm keen to avoid a sense of anachronism here. Just because Papuan secession didn't become a major problem doesn't mean that it was always destined to not become—I mean the central government presumably handled it well, I would imagine, in your view.

LEPANI: No.

DEVLIN: No?

LEPANI: *I think a lot of us who were in the key areas of policy making at that time when this issue was hot, we knew its background. Josephine gained prominence by leading the protests against high cost of living. The women of Port Moresby, led by Josephine, stormed the chief minister's office, and it gave rise to two things. One is the hard currency policy, designed to keep imported inflation down, and the other was from that, Josephine's leadership branched out into the Papuan secession movement. That's where Josephine started her politics. It's true that the march on Somare's office culminated in Somare—instead of calling the police, they had a laugh, sat down, had a chat, and he called his policy advisors to sound them out. So hard currency policy was born. That's how policies were*

*basically made in those years, just before independence.*

*It wasn't dismissed totally, but the difference was, most of us didn't see the fight for Papua independence as a serious cause, because Josephine was associated with this doctor, Dr. Wright.*

DEVLIN: He is something of a unique character.

LEPANI: *Well, a bit of an opportunist, we thought, to put it kindly. So we didn't take her seriously, we didn't take that call seriously. Maori Kiki, Ebia Olewale, Gavera Rea, Reuben Taureka, they were all Papuan politicians. We could have just—I was head of the planning, Mekere was head of treasury then, and John Natara was head of agriculture; Philip Bouraga was head of Prime Minister's Department, and other Papuans who were heads of departments or holding senior positions in government. Sir Sere Pitoi was head of the Public Service Commission. So we could have gotten onto the bandwagon and said, right, we're all educated, we can run our own part of the country.*

DEVLIN: Which is something people always comment about when they talk about this potential threat of Papuan secession: the predominance of Papuans in the public service at that point. Could you talk a little bit about it—was it really that pronounced?

LEPANI: *Yes it was, but most of us were, as I said, nationalistic. We were enthused about decolonization, getting our independence from the Australians. That was the driving factor for us, that we can run our own country; whatever the challenges that come, we'll deal with it. That was probably too naïve an expression of our enthusiasm. But decolonization was the driving force, because we lived through the brunt of colonialism, we were affected by it. That was more a fight against colonial rather than a fight for nation-building, nationhood. That challenge came later, and we are grappling with it now.*

DEVLIN: If the Papuans within the public service were, as you said, nationalistic on the whole, nevertheless, I had come across reference to the fact that certain regions, I believe the Highlands in particular, were less than pleased at their representation in the public service.

LEPANI: *Because that was a function of the education process. Most of us along the coast were educated, went to high school level, even university. Highlanders, with the exception of a very few, such as Joe Nombri, colonized late.*

DEVLIN: So would it be fair to characterize the approach of such regions as the highlands to decentralization as also a moment when government could be localized, in a sense, an extension where—

LEPANI: *I think it was the reverse. The Highlanders generally feared decentralization more than the rest of us because they thought we're going to leave them behind. We had a few Highlanders who were district officers, district commissioners at that level, one of whom became a public service commissioner later. But very few educated Highlanders then, compared to those of us from the coast. Initially, much of the resistance for PNG to move to independence came from Highlands politicians.*

*It is one possible explanation why Highlanders seem to be very entrepreneurial, grabbing everything that comes their way. Their thinking has been that you coastals have had your share, it is our turn. So everything, political and bureaucratic power entitlements, resource distribution, they want to be there to grab it first because that's theirs now; they're entitled to it. We coastals have had it too good for a long time. So they're very aggressive now in terms of all these state issues.*

DEVLIN:

I can now understand why the Highlands, for example, would have approached decentralization with some trepidation. I imagine they must have been able to find quite a few allies in central ministries, because nearly every country experiences this dynamic where decentralization is a zero-sum power game. It can only happen with the loss of power to a central minister and his staff in the capital. Could you talk a little bit about what you saw at this time amongst the central ministries, their approach to decentralization?

LEPANI: *Politically, decentralization was easier to conceptualize and promulgate into the constitution. At the bureaucratic level there was a lot of resistance. The few Highlanders in public service senior positions, such as Joe Nombri, as far as I can remember, were not so concerned about political disenfranchisement because of decentralization. In fact the old guard of public servants, including Papuans, are in that category. They were very well inculcated by Australians in the tradition of a neutral public servant. The few of us, as they called us, the "gang of four," we were for decentralization. But the bureaucrats, the more long-serving public servants under the Australians, they were entrenched. They wanted to retain central control.*

DEVLIN: Are we talking about expats?

LEPANI: *No, no, these are Papua New Guineans who had taken over, people in the public service, people in agriculture, telecom, public works. These departments were headed by Papua New Guineans who had come through the colonial administration. Myself, Mekere [Morauta], Rabbie [Namaliu] and Tony Siaguru, didn't come under that regime. We went to get our degrees, came in with a vision of a new culture in the public service. They called us the gang of four because we wielded some power because we headed the central agencies after independence, over those old established, in fact, more senior public servants than us. So there was that internal conflict*

*We wanted decentralization; most of them didn't. They dragged their feet. We had the McKinsey consultants, who advised on the administrative framework to affect and implement decentralization, but the sway of the old guard resulted in the slogan to the final report, The Sirinumu Declaration Report, "One Nation One Public Service." There were several subsequent attempts at serious decentralization of public service.*

*So there are typically trained public servants by Australians who resisted, what we call the old guard public servants.*

DEVLIN: This, then, can be one of the hardest parts about initiating reform, such as the one you and your colleagues were attempting. Can you give us a sense of what this obstructionism looked like? Are there things that people could do to sabotage the process, to as you say drag their feet? What were some of the symptoms of this?

LEPANI: *I remember those seminars well, the three that I attended before I left to do my master's at Harvard's John F. Kennedy School of Government. They would stand up and argue against the minutest detail of what positions are to be transferred, costings, who is going to do the costings. We've got a central agency that does the costings in the Public Service Commission for establishments and positions and levels of salaries and classifications. But this is an extra workload—so we created the Provincial Government Department to manage that decentralization process. We said, well, we've got a department that can do that; you don't have to add it on to your role.*

*All right, then, who is going to man the Provincial Government Department? We can locate people from all the other organizations who had some functions previously in district-level administration; bring them in. So that was the debate. So I think there was a compromise eventually reached. The slogan was, "one nation, one public service," which was attributed to us giving in to them. But fortunately they didn't have any financial powers. Planning and Treasury, me and Mekere had the financial controls. So we steamrolled it through resource allocation or resource withdrawal from these sector agencies. That's how we managed it through in the beginning, through the control and use of financial powers.*

DEVLIN: This point of financial powers is really what it usually comes down to; that's where the rubber meets the road. If you can control that, you're in control.

LEPANI: Yes.

DEVLIN: So I was hoping that maybe we could come to that through the Organic Law on Provincial Government, because that had some very significant effects on the financial decentralization. Now, a first question would be the debate on costs. Everyone opposed to decentralization was saying, we cannot afford this; this is not for a country like Papua New Guinea at this point in its development. Was that true?

LEPANI: *We felt it was true. We saw that, in fact; my predecessor as head of planning, David Beatty's, first question was this, and Treasury and us, and Planning. We knew that. But the political gains, we thought, at that time outweighed the costs because of Bougainville. If we lost Bougainville, there would be a tremendous impact on the country's revenue. It's a tradeoff to accepting decentralization powers led by Momis, who is one of the constitutional founding fathers—the cost of that, giving some and retaining Bougainville, as against losing Bougainville altogether. So that was a key factor.*

*We knew we were—as financial managers, we knew—the thing was, through this planning process we saw some funds for new spending and new recurrent spending from central agencies to fund in the initial phases of decentralization.*

DEVLIN: Now, on the face of it, financial decentralization seems a significant gesture on the part of the central government; that's really where the power lies. But there are some elements in the way in which finances were decentralized that were more of a middleground; it wasn't quite that drastic. I think, for example, of the minimum unconditional grant—was the bulk of the transfers.

LEPANI: Yes.

DEVLIN: Now this was tied to—it was pegged to a benchmark, was the '76-'77 financial year. So it would seem from that, as time went on, the relative size of this grant would have cause to shrink.

LEPANI: *Diminish.*

DEVLIN: To diminish. Could you talk a little bit about why that was adopted, and perhaps why that was acceptable to an interest like Bougainville?

LEPANI: *I think it was a beginning at that time, but again, these things were to be reviewed, you see? The National Fiscal Commission was responsible for MUG allocations and distributions. These MUGs, as they were known, were to be reviewed regularly. But as time went on they weren't; you see, the national government began to say that reviewing it meant them losing more powers, more*

*financial powers. So they just dragged their feet at the national level. So that created more tension.*

DEVLIN: So you would say it was fair to say that your colleagues in Bougainville believed that be this as it may, it was a process that was open to review and that would happen.

LEPANI: *Yes, that was the understanding.*

DEVLIN: I see, that was the understanding.

LEPANI: *That was always the understanding.*

DEVLIN: Now there was—on the road to becoming fully financial responsible, a province would have to pass through a certification process that ultimately depended on a sign-off, I believe, from the Minister of Finance and Decentralization. Now I had heard that there were situations that some provinces preferred not to reach full financial responsibility, that the amounts that they would receive directly from the central government under a division of the national government were actually greater than they could expect to receive. Again, what dynamic did that—?

LEPANI: *Well, that is the perverse consequence of this type of fiscal arrangement. The export derivation grant was one victim of it, as it turned out, as provinces began to get wealthier through their own resources that they can export. They got the percentage of that, called derivational grant, derived export revenues. The thing about it is, as that increases there are commensurate cuts. The national government would say, oh, even though it is not in the fiscal arrangement, the national government would go ahead and cut it. One of the aspects of the fiscal arrangements that kept Bougainville angry is that the copper revenues really started hitting royalties and derivation grants and minimum unconditional grants. The national government said, look, that's it. You can start paying for your own public service. We can't keep paying for the national government grants to support your public service, because you're making the money now. So things started automatically getting adjusted by the national government politically. That's part of that fear, that if they sign off, OK, you're capable of running that government function. So what it is, is they sign off on the government's function, national government reducing funding resources, basically.*

DEVLIN: So again, things were kept fluid, one might say.

LEPANI: *Very fluid, experimentally. The negotiating skills of our politicians at that time, and what I observed through the budget process of the plan funding, is just amazing.*

DEVLIN: Who are you thinking of when you—.

LEPANI: *Sir Michael Somare, Sir Julius Chan, Sir Albert Maori Kiki, Sir Ebia Olewale. For instance, Sir Ebia and Maori Kiki—there was a paper by a historian, Donald Denoon, about the Torres Strait Treaty border negotiations and the treaty itself with Andrew Peacock, then Minister of Foreign Affairs of Australia. Just amazing. It is couched on people rather than legalities. Fortunately, what was negotiated for Torres Strait is fluid enough to stand today, and has served and continues to serve both countries well. Rather than draw an actual line—there is a line, but we can sort of flexibly adjust it as we move along in a pragmatic way that both friendly countries can understand—you know, issues coming up, we can adjust to these changing circumstances.*

*The same approach continued in the political process in Papua New Guinea; the fluidity allows for—and everybody just about knew each other because they went to school together and now are running the country. For instance, me and my secretary, my boss Phillip Bouraga, went to the same school in Charters Tower, Australia. He was the first patrol officer, Papua New Guinea patrol office. He was the secretary of Prime Minister's Department and I as head of office of Planning came under his jurisdiction, under the Prime Minister's Department. Many of our political leaders went to school at Sogeri Secondary High School at that time: Sir Micahel Somare, Sir Albert Maori Kiki, Gavera Rea, and Bougainvillians. So there is that understanding that you have a common course, that is independence and decolonization and nation building.*

DEVLIN: So a gentlemen's agreement was a political tool.

LEPANI: Yes.

DEVLIN: One thing you had touched on earlier was inequalities between provinces as an important issue. Of course, in the financial realm, the additional unconditional grant was initially intended to address these inequalities.

LEPANI: Yes, *that's where the National Fiscal Commission came in.*

DEVLIN: Exactly. So my question there is, a lot of comment on the National Fiscal Commission casts it as a rather ineffectual body and something that lost power relatively quickly and perhaps wasn't staffed the way it should have been to begin with. Is that fair?

LEPANI: *Yes, in the beginning it did have power, but as it went on it lost a lot of power because, of course, a lot of it has to do with the complications that came from projects, major resource projects. Most of the provinces and regions, provinces particularly, had these resource projects. Southern Highlands was a very poor province. Western Province with Ok Tedi. Sepik and Chimbu, the other three that are regarded as least developed provinces, the five provinces, Gulf, Southern, and Western Province, Chimbu and Sepik. They are, in our plan that we had, identified in terms of access to schools, access to health services, and the resource base that they have. The land is very poor, swampy; not much grows except sweet potato and sago. So they characterized these provinces as the least developed provinces. They are the ones that are supposed to be looked after by the National Fiscal Commission. The rest of the country is relatively well off and has good resources bases, good enough to sustain itself if a crisis emerged.*

DEVLIN: Am I right in saying that monies that would have been dispersed though this additional unconditional grant were usually channeled through the National Public Expenditure Plan? That became a major vehicle for—?

LEPANI: *No, the NFC has its own distributive mechanism through that legislation. The National Public Expenditure Plan mainly dealt—it is part of the budget, really, but it's new expenditure. For instance, we had border projects developed in the least developed parts of the border areas, and also for security reasons. We had agricultural projects of cocoa, coffee, rubber, where they can be grown; rubber, plantings, and so I'd go flying right across the border from the south, starting from Daru all the way to Vanimo and all the little villages stuck in the valleys, inspecting those every year when I was there.*

*Then you have the southern region food project, which was budgeted for four million kina. When you think of us having 20 million to piddle around with for new expenditure, the budget was K130 million total. So we had 20 million, of the K150*

*million. There was quite a small national budget to be spread around with in kina. Much of it was Australian funded, 60%, 70% then. Now it is 17% Australian aid funded of our total K6 billion budget. So yes, they have their own distributive mechanisms, unconditional grants allocated each year. We do projects in the planning office. But again, you find departments wanting to spend. But you give them money, agriculture, we gave them that K4 million for south coast food production, growing food to supply to Moresby. They didn't have anybody who knows how to grow food*

*They had people who knew how to grow coffee and tend to coffee, cocoa and cattle, in those days. World Bank projects. But no one knew how to grow food. It had to wait for about ten or fifteen years. The EU [European Union] funding was available. That was the constraint. So we didn't give much money to agriculture after that, just kept the extension services going for coffee and cocoa, but nothing new for a long time.*

DEVLIN: Now one other major issue you had brought up was the administrative decentralization, the fact that the public service was going to be controlled, or directed, shall we say, by the provincial governments.

LEPANI: *No, by the national government eventually, that was what was agreed.*

DEVLIN: Eventually.

LEPANI: *Selection, appointments, to be done by the National Public Service.*

DEVLIN: The National Public Service.

LEPANI: *Yes, that was a key grudge of the provincial governments.*

DEVLIN: So that is an interesting setup because it seems as though you are decentralizing to these departments in the provinces, yet at the same time you keep promotion, hiring, firing centralized. How was that bargain worked out?

LEPANI: *This was part of our grudge with the Public Service Commission and the established old guard: when you give them these powers, that's their way to make it effective. For provinces who know best what skills they need and what areas of priority they'll be focused on, they would do the hiring. But you can't keep those powers at the center. It just delays things, and you make appointments that may not be what the provinces want. So we had a big argument.*

*Eventually—I'd left by then, I had gone—I resigned to go to Harvard to do my master's in 1980. When I came back I heard that they had established this sort of centralized form of control, eventually, to the provinces. But I stood up for provinces in those areas because I knew what was happening at the national level. When we're trying to decentralize spending, to set up the agencies at provincial level which wanted them. The Public Service Commission didn't want to—the recruitment and termination, sackings, they want to control these powers. So I said, well, you can't. Departments know best who to hire and fire. Departmental heads should be responsible for that, so they can get things done quickly.*

DEVLIN: Your point is very well taken. Part of the whole emphasis behind decentralization is to improve efficiency, make it more responsive. However, to play devil's advocate, one can argue—and I am sure they did—that to decentralize personnel matters would be to court nepotism, if you will, or to open up the public service to politicization.

LEPANI: *Well, at that time, there was hardly any risk of it, because there was a very strong culture of good governance left by Australians. The legislation was there; it was just a matter of transferring that culture and legislation, the powers. But today, yes, today. I did a review of public service costs, what we call rightsizing, before I came here to Australia five years ago. The biggest areas of nepotism and mismanagement are in the provinces. One position of K40,000 per annum, for instance, is paid establishment position. For that position, some politicians at the provincial level hire about three or four others for that same position, but paid K40,000 each.*

*We managed to identify—what did we call them—the “unattached.” Anyway, it was costing millions, I think it was K60 million a year to the government budget. So we stopped it, cleaned that up. Things are starting to fall back, but there are still loopholes that have been—nepotism appointments have been made. The Public Service Commission, you’ll find when you go back, if you go and interview them, you will find there is a lot of animosity by all the departments and provinces against it because they are the worst. Departments sack people blatantly because they’ve done wrong. They’ve done this or they’ve been caught. But they go to Public Service Commission appeal and they re-hire them and put them back in their positions. You can imagine the terrible feelings amongst the other personnel in the organization.*

DEVLIN: At this early point, when control over personnel matters was still centralized at the PSC, I had come across statements by then Prime Minister Sir Michael Somare, and John Momis as well, criticizing the involvement of provincial premiers in public service appointments, saying that they were getting involved there. From the outside, that seems strange. If control over personnel is the prerogative of the PSC, how were provincial politicians getting involved there? I guess it must have been a very informal process?

LEPANI: *Yes, I think they do it informally at that level because they have no powers, because the powers are with the Public Services Commission. That is the problem of when they start influencing, making a phone call or even writing letters saying, I want this person as the administrator, the head of the province. That’s why some of them go even further, to the deputy or the driver. My driver has to be hired, my cousin or my uncle, that sort of thing. That’s the sort of thing they were complaining about. They could see the potential for that happening. That’s why eventually I think they settled for control to be at the national level. But still, the influence of the provincial premiers then and governors now does raise a question, that it is not because they’re looking for a relative or someone, it is somebody they could work with, because some of the people the national government appoints are just terrible also. They refuse to do anything. Like agents of national government not to promote provincial government. They put them there to just keep an eye on provincial management of funds, etc. So that’s what the frustration is at the provincial level.*

DEVLIN: We’ve talked about McKinsey and their role in this crash program, it is a one-year thing in three stages to decentralize several departments. Why McKinsey, why was it—?

LEPANI: *As I told you, the David Beatty connection, my predecessor, the guy who trained me when I got into planning, Canadian. He worked for McKinsey in Tanzania and he recommended that we bring these people.*

DEVLIN: Was it simply because they had the expertise, or perhaps was it—I mean it is also a politically controversial step to take. Perhaps there’s a utility in having an outsider push that?



**LEPANI:** *Yes, that's part of it. That we needed an outsider. Well, two of the McKinsey people are Australians; one of them is a very influential man, he is a vice chancellor of a university in New South Wales now. They were young people then, practically our age group, 29, 30-year-olds running the country. They came as our advisors. But yes, I think it is more the independence and neutrality value inherent in outside consultants, somebody from outside to look at it. We had a history of that. We had constitutional lawyers who came from East Anglia and universities in England. We hired lawyers and economists from the US and England, Canada and Australia. So for Papua New Guinea it wasn't much of a problem working with these people. But they also did some work, expertise in these areas of decentralization, McKinsey, particularly in Africa. So we thought they were appropriate at that time.*

**DEVLIN:** In terms of getting public servants out into the provinces, many countries, when they attempt similar reforms, there's an inertia there. Public servants in the capital have relatively little interest in getting out there. How did Papua New Guinea—?

**LEPANI:** *It is exactly the same experience.*

**DEVLIN:** What could you do?

**LEPANI:** *The people who were already in the district and sub-district level, they were quite comfortable: teachers, aid post orderlies, health, the extension service people in agriculture; they're quite happy to stay there. But if you want to put some more from headquarters on, there was a lot of resistance—in fact, part of the dilemma the government faces to implement provincial government, or even district level government now. Now the thinking is to go from national to district, avoid provincial governments. If and when the opportunity arises, they would most likely want to abolish provincial governments now. You have the politicians in parliament now having the funding resources that they have for district development in their electorates. They oversee the distribution of those funds. So provincial governments are left with their allocations, but normally that's not enough to bring about any new development, it's just maintaining pay for public servants and where possible maintenance of hospitals and schools. But that infrastructure is fast crumbling. There is that problem that you have to try to reorient people's thinking at the center. Why do I need to go back and work at the provincial or district level? The other thing that they could do now—I know you're looking at it from a historical view, but you have a wealth of public servants who resigned and retired, going back to their villages and just doing nothing, fishing and gardening and enjoying chewing betelnut. At some point the government has to revitalize, put a package together, reemploy these people at the local level. They would be excellent, excellent. A lot of skilled people are now living, doing nothing at the villages. They've got their pay out when they build this little trade store to buy their beer and cigarettes, but that's it, they're not being used.*

**DEVLIN:** Was there ever an effort—were there pay incentives for people to move—?

**LEPANI:** *No, see, this is it, this is something we want to do now. You've got to incentivize people to go to sub-national-level governments. You have allowances for people, teachers in areas, remote location allowances and hardship allowances, but it is not really that much. But to move people from the center out, I think you have to come with a different, a higher package. It's the same with police and the military, particularly police. We've got to pay our police better. They have been given a substantial increase about three years ago; so has the defense force. But to keep them disciplined and focused on their work—but the defense force haven't been*

*paid yet after three years of government decisions.*

DEVLIN: So when you look at the staffing levels for these central ministries prior to decentralization and after, they don't really change much.

LEPANI: No.

DEVLIN: It's the same amount of people—

LEPANI: *Exactly.*

DEVLIN: Who—

LEPANI: *This is it, that's what I always say: the key thing is it's like a balloon. When you expand here you have to compress the other end. You can't expand both because we can't afford that. You see? It's the same with the political level. You've got the provincial government there now. National-level politicians funding district-level political projects. Again, the resources come from the same baskets; you can't fund both. You've got to do away with provincial government, start focusing on district-level governments. Choose one or the other but not both.*

DEVLIN: So who dropped the ball in that sense? Was this a Public Service Commission obligation?

LEPANI: *It was a matter of—as you said, it's inertia in the Public Service Commission. Just because they were enjoying the perks and privileges of having the powers and the national public service wasn't so much of, let's actively go and make provincial government work—we said all the right things, let's sit back and see it fall apart kind of attitude.*

DEVLIN: One argument that central ministries will sometimes make when it comes to decentralization—and it is very hard to refute—is that the provinces simply don't have the capacity to deal with this, they don't have the human capacity.

LEPANI: That's the problem. We need to get them the human resources. Let them hire, fund their hiring, or send some that are sitting around at Waigani, send them back to do some work in the provinces. That's something that needs to be done.

DEVLIN: At the time though, in this early period, were there training initiatives, or that was just not—?

LEPANI: *Yes, yes, there were. You had very good training programs for public servants. You had senior executives come to Mount Eliza Executive Program; that's Australia's—one of Australians, in those days, compared to the profusion of them now—in those days that was a very key component of both public and private sector training of senior executives in Mount Eliza. A lot of those people, I was telling you—I didn't go to it—that were the established bureaucrats at the time of independence from the Australian government, colonial. They came and were trained there. So we had some very good senior public servants. Then at the middle level we had the Admin college, middle-management level. But all these institutions just fell apart. Admin college is still there, but they train clerks to fill in documents, not senior-level, executive decision-making kind of training. Now you have master's programs. At ANU [Australian National University], they're sending a lot of the senior management, assistant secretaries, deputy secretaries, to come and do their master's and doctorates here. The deputy secretary of treasury finished his doctorate; he is there in Waigani if you want to talk to him. He's a young fellow, he is equivalent to my son; his age is the same as my son, he is a 30-year-old. So he would not have*

*known that past experience.*

DEVLIN: So as you were saying, a main driver of decentralization was an ideological commitment to bring government closer to the people. It does seem strange that there were these institutions that were very grassroots, the local government, and yet decentralization is all about empowering the provincial government, it seems at times at the expense of the local.

LEPANI: *Exactly, exactly. They were supposed to work together. The resourcing in fact from the provincial government is not to build a big bureaucracy in provincial government, but to support the development functions that were decentralized, and councils. That was the intention originally. But then, like everything else, when you put in something there, it just expands. You know: oh, we've got to have this, we've got to have a driver, we've got to have a tea boy, we've got to have the office cleaner.*

DEVLIN: Which reminds me, the provincial secretariat, which I believe was supposed to be six people, and in the case of somewhere like Bougainville was 60 people. So these things really did have a life of their own.

LEPANI: That's true.

DEVLIN: So if power wasn't going down to the very local level, in your opinion, could people hold the provincial government to account or was it pretty much the same situation as dealing with the central government?

LEPANI: It's still the same.

DEVLIN: It's a different—?

LEPANI: *No it wasn't, people at the grassroots level just look at most layers of government as that nebulous conglomerate of ineffective something there. There's provincial government, and the provincial governor sort of gives some cash here, and it gets distributed amongst the councillors and then goes away for another three or four years and comes back. It's just dysfunctional. It's the same. The grassroots—I know, I go there for my leave and sit with the people at villages. They have lots of questions about why services such as health and education are not being delivered as effectively as in the past. "What's happening? Even our members come and look after their family, nothing for the rest of us people," they say to me. The government is just government, provincial and national. There's no difference.*

DEVLIN: There is this information gap. As you're saying, Papua New Guinea is very diverse geographically as well as linguistically, and otherwise, how—was there any real effort to bring the public on board as a constituency for decentralization, or was that never really going to be possible?

LEPANI: *There is a very useful unit, and it's worth it if you're there to talk to them, the CIMC [Consultative Implementation and Monitoring Council]; it's based in the Institute of National Affairs, the research body. It's the consultative body that goes around every time the budget comes out, or before the budget comes out in December. They go around talking to the people, hold consultations at the four regions to just bring the public, the private sector, NGOs, churches, anybody who wants to make a noise, come and talk in that area. They bring some ministers, key ministers—sometimes the prime minister attends and opens—to listen to what the people think about development issues. That's a very good forum. It was started by this institute to just initially garner public opinion on government policies resources and how they affect their lives. But now it has expanded to a*

*consultation on the way things are going in Papua New Guinea, politically, economically, whatever you want to say. So that's a very good forum. That's the only kind of formalized, established body that both brings some politicians, public servants, all the public servants that are supposed to be there, senior public servants at Waigani in the four regions—when they're at the regions, the provincial administrators are supposed to be there, the national and provincial leaders, politicians, ministers, and the prime minister goes and opens it. Just the community, everybody is supposed to attend. So that's a good initiative. And it has been going for the last ten or fifteen years.*

*There is the Constitutional Review Committee. The changes in organic laws, they go and talk to people, go around the country. Anything on constitutional changes, they have people go around; committees go around, parliamentary committee or just experts committee to go around and talk to people.*

DEVLIN: Now you were clearly a firm supporter of the idea of decentralization, but by the early '80s it seems as though consensus had emerged that provincial government simply was not performing, and in some cases was actually mismanaging, sometimes criminally, the allegations of financial misconduct. What did that look like at the time?

LEPANI: *Well, I had left government then. I went back and was an independent consultant, and I didn't have much to do with government because it was around the time that [Iambakey] Okuk and Chan were in power, the early '80s. I then, after that—one or two other governments after that, that I really didn't have much to do with. You can see the—sort of the dramatic fall. I did a budget analysis from independence until 2004, when I was a member of a Review Team [Lepani, Williams-Igara 2004], did a review of all aid coming to Papua New Guinea. You could see expenditures just rising dramatically, just brought on by oil and projects, gold projects in Porgera and Kutubu oil. Revenues were rising, but expenditures were rising faster than revenues. It just went berserk; public sector fiscal management policy just went—we got ourselves in a lot of debt. Fortunately we didn't go bankrupt, but very close, during the days of [Bill] Skate eventually. Then Mekere [Morauta] came in. The Morauta government was the reform government. It reformed the financial sector and introduced the Organic Law on the Integrity of Political Parties. Then the Somare government came in. Things have stabilized a bit, and we're on series of surplus budgets for the last few budgets, which is good. The economy is performing well, but more so it is under-expenditure—the surpluses were mostly from under-expenditure in government. So it is still a very fluid situation. But the performance of the economy is good, that's the thing, and the fiscal management. We're paying our debt increasingly, reducing our debt, which is good, public debt. Government borrowings are starting to be more realistic. There was a moratorium on international borrowing; they started borrowing domestically, and through treasury bills first, then to inscribed stock, so they can pay them slowly. So macro-management has stabilized much better the last ten years than ever before, since after the seven years of our reign in budgets and planning from 1974 to 1981.*

DEVLIN: So if—as you're saying, you left, you went to Harvard and you came back. Now we're talking about the mid '80s, so let's pick an arbitrary point, 1985. You're now out of government service at this point.

LEPANI: *I was consulting and running my own business.*

DEVLIN: Here you are, you're ten years on from independence, and Papua New Guinea is an independent country. Territorial integrity is intact. Provincial government is up and running. How would you assess those ten years? Were they a success?

How do you measure success?

*LEPANI: To me it was still relatively—law and order issues weren't as bad; it was still manageable. You were beginning to hear about break and enters, but not—about one report every month of a break and enter, but you can still drive around the suburbs; roads were still good. In fact, in that year we did a review of the economy. I was a part of an Independent Review team: [Raymond] Goodman, me, and [David] Morawetz, hired by both governments to review the economy. We saw that the university started to decline in the quality of the people they were producing and the people they were attracting to teach. This was a controversial finding, but we said it as we saw it. We saw state-owned enterprises starting to really depend on government coffers instead of moving on and making some money and paying the government off. So the initial phases of recommendations for privatizing state enterprises began with our recommendation. Public service itself we were beginning to—it was showing signs of decline, particularly in delivery of services in the rural areas. But there was Morawetz's section on under-employment. There was under-employment of capacity, the economy in general; we thought there was still hope because of the potential from mining and petroleum projects. Our agriculture was still quite vibrant. So it could have—you could call it a threshold, a real threshold. From then, you saw some decline, but still manageable. The country could, given good leadership, good—you know, not drastic, dramatic, revolutionary reforms, but some touching-up of certain sectors—we'd be back off and running, but things did not work out that way. It went berserk when the projects came in and revenues grew. Then expenditure just went wild.*

*DEVLIN: On the point of decentralization, obviously this is a debate that is still very current today. It is, I guess, more useful to think of this as a pendulum. This will go back and forth, the shifting power dynamics. But come the mid '80s, did you feel that that rhythm at least was comfortable, Papua New Guinea had found—?*

*LEPANI: No. At that time I had grave doubts of any success or effectiveness in decentralization. In fact, in 2000—I'll give you some articles and send some reports that you might look through on this retroactive sort of thinking that I was asked to do. I did one for ASPI [Australian Strategic Policy Institute], Australian security organization here. They asked me to write a paper on Papua New Guinea's prospects going forward. I focused instead on decentralization issues. You could see it was getting to an impasse. The Bougainville issue was going to explode again. So I said, it's like a train that is going nowhere that just didn't move on to deliver the promise of decentralization in my article to ASPI.*

*DEVLIN: I thought, if you don't mind—to end, I was wondering, a couple of the key points we've picked out, whether you might have advice for others who confront similar situations. Or, if you had to do it again, I guess, is one way to think of it. First, we talked about Bougainville as the driver of decentralization, how the situation on the ground in one province really did set the pace. Is that something, in retrospect again, that the central government should have been more cautious about?*

*LEPANI: Yes, I think we should have. I think a one-project psychology to form the basis of economic growth, revenues, resourcing of an independent economy was a mistake. We had the Ok Tedi coming on, but Ok Tedi was a very difficult case, never paid any dividends to the government until the mid '80s. We were hoping for something to come by so we could look at some alternative sources for growth in government revenue and resources, and economy. So yes, essentially, I think Bougainville held us for ransom in that context to focus on it more and start looking at decentralization in a more pressured negative way than had it been without the copper mine. It would have been—I think we would have had*

*space to breathe, to be more consistent and more considerate, deliberative in our approach to decentralization.*

DEVLIN: Another point we had talked about was centralized public service resisting decentralization, obstructionism, foot-dragging. Is there any—I mean, in some sense there's not much one can do about that, but I'm wondering: is there some advice you would offer to others who face that same challenge? Are there maybe—

LEPANI: *I think now there's very little at all levels. Power, a lot of power now rests with the cabinet, the politicization process has taken place. The cabinet will do what it wants. So it could do it for good, or it could do damage to the country. It has the overall power now. Political power has moved from a shared technocratic-political environment decision-making and resource allocation to now just political process and resource allocation. Public service per se has been debilitated from the Commission down to departments, sectors. The opportunity is there for the national government to decide what it wants to do to sort out a messy and an incoherent approach to decentralization and even development as a whole issue.*

DEVLIN: Again, I've been talking with Charles Lepani, Papua New Guinea's high commissioner to Australia. Mr. High Commissioner, thank you so much for taking the time.

LEPANI: *Thank you, Matthew.*