

## **L Wilson Kamit: Good governance and accountability**

Speech delivered by Mr L Wilson Kamit, CBE, Governor of the Bank of Papua New Guinea, at the National Research Institute (NRI) Diploma Program in Economic Policy Analysis 16th Graduation Ceremony, Port Moresby, 25 June 2004.

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Archbishop Sir Brian Barnes, Chairman of the NRI Council

Members of the NRI Council

The Acting Director of the National Research Institute (NRI), Dr. Richard Guy Heads of NRI Divisions and Staff members

Graduands, family members and friends

Distinguished guests

Ladies and Gentlemen

I am honoured to address today's graduation ceremony of the National Research Institute's Diploma Program in Economic Policy Analysis. Thank you, Dr. Richard Guy for the invitation.

Over the past few years, I had had the opportunity to attend and address graduation ceremonies at various learning institutions around the country. These range from my former community school in the foothills of the Eastern Highlands province to two of our highest learning institutions, Unitech in Lae and UPNG in Port Moresby. Of course, there are the PNG Banking and Business Institute graduations which are obligatory because of the special ownership arrangements. The shareholders are the banks.

The graduands at those previous ceremonies represented potential new intakes into our labour force. Today's graduating class is different. Most, if not all, of you are current members of the workforce. And you would no doubt be aware of the challenges that we, in the public, private, formal and non-formal sectors continue to face in developing our country. That is, the need to forge a nation, and develop a progressive, prosperous and harmonious society for all of us, our children and future generations - a challenge today as it did at the time of political independence in 1975. You would have touched on most of these challenges and issues in your six (6) weeks course, as well as in your own workplace.

For our country, Papua New Guinea, the facts speak for themselves. In spite of a richly endowed base of natural resources, we today have amongst the lowest socioeconomic indicators within the Pacific region. Our physical infrastructure has been allowed to deteriorate over the years, especially in the rural areas where the majority of our people live. Our schools have fewer teaching materials, hospitals are short of medicine and trained personnel, while roads, bridges and airstrips are in need of repair work and maintenance. Many of you can relate to similar situations back in your villages or local environment.

All our natural wealth - the gold, copper, oil, coffee and other natural resources in the country - could produce a just and equitable society. However, the gap between the rich and the poor continues to widen and there is social disharmony in our communities. Economic inequalities confront us daily as we walk the streets, read the newspapers or watch the television. They remind us all of the challenges ahead of us - challenges to policy-makers, decision-makers, implementers of Government policies and providers of goods and services.

Today, eighteen (18) of you will receive your diploma in the Economic Policy Analysis Program. This diploma and the course itself would have highlighted to you those very challenges I mentioned in the areas of public policy and macro and microeconomic management.

The course you successfully completed would no doubt have given you an insight into what some of us in the forefront of economic policy design and implementation deal with on a daily basis. In the case of the Bank of PNG, the thrust is monetary policy, as well as advising the Government on appropriate fiscal policy, and other policy areas in order to achieve a sound and sustainable economic environment for PNG.

From our experience, managing economic policy today is very different from what it used to be like ten years ago under the fixed exchange rate regime. Since the exchange rate was floated in 1994, macroeconomic management has become more vigilant and dynamic, because of the immediate

effects policies have on the performance of the economy. For example, exchange rate movements now impact directly on domestic prices and both monetary and fiscal policies have to be managed appropriately in a consistent manner to achieve price stability. Whilst we have seen improvements in our economic indicators since 2003, as mentioned in our just-released March Quarterly Economic Bulletin, including stable exchange rates and increasing foreign reserves, falling interest rates and inflation, improved fiscal discipline and increasing employment, these have not translated into tangible benefits for the vast majority of our people - as yet.

These gains however should not allow us to become complacent. Rather, we have to continue to maintain vigilance in ensuring appropriate policies and actions are pursued so that we can continue to gain on these hard won gains.

Whilst your course work covered areas of policy concerns as well as topical development issues, an important issue I want to continue to stress is that of good governance and accountability. This was also mentioned earlier in the speeches by the Chairman of the NRI Board and the Acting director of NRI. Besides the other buzz-words of transparency, independence and integrity, what do these words entail?

You may also ask why I continue to speak on this particular topic, as in my previous speeches. This is because I have seen in practice what good governance and accountability can do to an individual, an organisation and society as a whole. It is an important issue which should be given more prominence in our various training programmes and courses. I am glad that the 'governance' topic in your course took up about 9 hours of your course programme and contributed 5 percent to your overall grade. This is a clear reflection of the importance of this issue in public policy and management. You can have the best policies and strategies but these may not work if good governance is missing in their implementation. And in PNG, we have had a poor record - but it is improving.

The lack of corporate governance and accountability in many of our institutions has been an area of concern. Our past history and record of management in Papua New Guinea, especially in public institutions which are guardians of the nation's interests and wealth, has given rise to the need to reestablish proper procedures and order. The on-going work of the Parliamentary Public Accounts Committee, which is an attempt to instill accountability on the use and management of public resources, is commendable. So are the efforts of the Ombudsman Commission, the Institute of Directors, Inc., Transparency International and other organisations that aim to promote good governance and accountability. These institutions not only advocate the use of proper rules and guidelines in conducting business, but also the use of one's good sense and due diligence.

Whilst it is one thing to have in place the best rules and regulations, it is another thing to practice them using common sense. The collapses of large companies abroad, some due to accounting fraud but others due to carelessness and neglect, highlight the need for diligence. Closer to home, the turn around of the former PNG Banking Corporation, prior to its sale, other financial institutions that we supervise and pension funds (case of NPF) from loss-making institutions to profitable ones in a short space of time was based on one thing alone; the newly appointed Board and management of these institutions ensured that everyone was diligent and followed the established rules and guidelines re-sounding good governance. The important lesson here is, do not take short cuts.

As you all return to your workplace, it is in your professional interests to also ensure that you remain a "Fit and Proper" person for purposes of directorships, management appointments and general community recognition and acceptance. This applies equally to a Managing Director of a company as it does to an Honorary Treasurer of a Church. This good reputation must come to you over time and you must work at it - you cannot buy an excellent reputation. You must earn it.

At the Bank of PNG, following the passing of several legislations (CBA 2000, BFIA 2000, Life insurance and Superannuation Acts) our responsibility now covers the supervision of almost the whole financial system in the country. Besides the commercial banks, finance companies, and savings and loan societies, we now oversee the life insurance companies, superannuation funds, and the micro credit schemes. This is in addition to our sole responsibility of managing monetary policy. These are responsibilities we take seriously because the impact of our decisions and actions or inactions on the economy and society as a whole are profound. We insist on the same standards we expect from those we supervise. I note here that the Boards of other institutions have adopted good governance and accountability procedures and processes for their organisations.

At this point, one may ask; who then supervises the supervisor? This is an important question given all that I have talked about on good governance and our increased responsibilities.

At the Central Bank, the recently passed legislations explicitly state that the Governor is solely responsible for managing monetary policy and supervision of the financial system. We have in place a Board of Directors drawn from a cross-section of the community - comprising presentation from accountants, trade unions, churches, businesses, and prominent individuals. This Board is very vigilant and their statutory role is to ensure that the Governor performs his roles diligently and prudently in the conduct of monetary policy and supervision. Performance can be gauged from the achievement of the objective of monetary policy, which is 'price stability', as well as the soundness of the financial system.

The Bank realises that its policies and activities cannot be done in isolation from those of other organisations. As mentioned in the speeches by the Chairman of the NRI Board, Archbishop Sir Brian Barnes and the Acting Director of NRI, Dr. Richard Guy, NRI is ideally placed to carry out detailed research and provide quality advice in areas of concern on public policies and developmental issues. In fact, the Central Bank did engage the NRI in the recent past to conduct a study on the public's needs and requirements of our copper coins (one and two toetas). I would like to see greater cooperation between organisations and institutions that conduct research work. We at the central Bank have a research programme and would like to cooperate with various institutions, including the NRI, INA, the universities and various specialised research organisations in conducting and providing applied research work to ensure that policy decisions finally get translated into real benefits for our people.

In conclusion, may I take this opportunity to thank the NRI for running this informative course annually since 1989. Its popularity is reflected in the over eighty (80) plus applications received annually, though the usual admissions are limited to twenty-five (25) participants. This year, only 18 of you are privileged to participate and graduate from the program.

Like many other organisations, we have encouraged our staff at the Bank of PNG to attend this program to keep themselves abreast of wider economic and social issues facing our country. Two of them are amongst the graduands here today. Our staff had found this course beneficial to their understanding of the PNG economy and about Government policies and given them a greater appreciation of their work in the Central Bank.

May I once again thank the Chairman of the NRI Council, Archbishop Sir Brian Barnes, the NRI Council, the Acting Director of the NRI, Dr. Richard Guy, professors and lecturers for your invitation and for your contributions to the Institute.

**CONGRATULATIONS TO ALL THE GRADUANDS.**

Thank you and God bless all.