Politics matter: governance, oversight and the case of Air Vanuatu

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Overview

Despite governance reforms undertaken under the Comprehensive Reform Programme since 1997, Vanuatu’s executive arm of government dominates parliament.

- Parliament has become the major arena for gaining the numbers to form government.
- Weakness in oversight functions of parliament allows for Executive dominance.
- Successive administrations have made unaccountable policy decisions.
- During political instability there are clear effects for SOEs and SmOEs - Air Vanuatu and Vanair
  - This creates uncertainty.
1980 Independence
- Vanua’aku Pati governs with 2/3 majority
- 1991 Vanua’aku Pati loses office after factional splits

1995-1998 endemic parliamentary instability
- 1995-1997, three changes of government by no-confidence motion; 8 coalition changes

Parliament becomes an arena for gathering the numbers to form government
- Policy interrogation, oversight and lawmaking subordinate to ‘horse-trading’

Economic mismanagement
- Mid-1997 government reserves exhausted
A Brief History of Politics and Reform

- To counter these trends, the ADB grants an emergency conditional loan, 1997
- Comprehensive Reform Program (CRP) begins, July 1998
  - Introduction of legislation to ensure the transparent and accountable management of public finances, improve policy formulation and so on
Donors and IFIs reluctant to target national parliaments and MPs, but this is changing

- After 1997, CRP/donors target MPs for training
  - 2003, ADB-funded institutional strengthening project for parliament begins to address systemic weaknesses of parliament

Institutional weaknesses of Vanuatu’s parliament

- Does not or cannot scrutinise Executive actions and performance
- Debate limited by inexperience of MPs
- Lack of legal and technical secretariat support
- Poor quality legislation, no oversight

Policy decisions made unilaterally rather than after intensive parliamentary debate, public scrutiny or accountable practices of governance

- Therefore, executive often acts unilaterally
Political manoeuvring carried out away from public scrutiny:

- Boards of directors become rewards for political loyalty
- Government maintains control of boards of government majority owned enterprises through political appointments to boards
- Successive administrations overturn major decisions of their predecessors without consideration of the effects
- Boards become arenas for power tussles generated in parliament
- In coalition governments, one party often acts contrary to the wishes of the other, knowing that their defection will mean the end of that government
  - When transferred to boards of directors, these struggles have transparent effects for SOEs and SmOEs
Case study: Air Vanuatu & Vanair

Air Vanuatu considered crucial to economic development:

- Tourism worth 3-4 billion vatu (25 million AUD) annually
- Tourism sector employs ~ 4,000 people
- Hence, political actors vie for influence on boards of directors for tourism related activities, viz. Air Vanuatu and Vanuatu Tourism Office (VTO)
Examples of decisions made and rescinded regarding Air Vanuatu and Vanair

- 2000, Vanair and Air Vanuatu merged by Sope MPP, UMP, NUP government; 2002, de-merged by Natapei VP/UMP coalition
  - 2004 merger imminent under Natapei VP/NUP/Grin Pati coalition
- March 2002, plans made public for direct flights on the Vanair DHC-8 aircraft between Nadi and Luganville, lobbying by tourism sector
- November 2002, DHC-8 returned to its owners; Vanair uses 18-seat Bandereinte, reducing tourist carriage to regional tourist centres, Santo and Tanna
- 2003, Vohor pushes through purchase of 46-seat ATR42 from France, against recommendations of feasibility study
- ATR 42 grounded/not used for domestic service
- Insufficient carriage of tourists to regional tourist centres, Santo/Tanna
- 2004 ATR 42 sold
Conclusions

- Decisions made without public/parliament scrutiny
- Political struggles played out in the boards of directors
  - Boards are used as rewards for political loyalty and serve as the means to effect government policy
- Despite the emphasis on institutions, accountability and transparency, politics still matter