

## **PNG's Economy, the Budget and other Major Tasks and Objectives to Address during the Remainder of 2008 and Beyond**

With some school exams already over, minds are already straying towards the end of year, to parties, Christmas and visits home. There remain, however, some events and big tasks to address first, including the finalisation of the 2009 National Budget (or money plan) and its presentation to Parliament on 18<sup>th</sup> November. The Provinces and the Local Level Governments must then also finalise their 2009 budgets, once they know how much is provided for them in the National Budget. Businesses, like government, must also budget for next year, before closing their books at the end of the current financial year, ready for audit at the start of the new year. Government's are like businesses, (although with a few unique rules, and many are very badly run), but they require revenue (or at least to be able to borrow) to enable them to spend,. They also depend upon cash flow, and cannot simply release everything up front in January, as some politicians and officials would like, until the revenue from taxes and other sources comes in. If the economy is vibrant and business and household incomes strong and growing, (paying increased taxes from salaries or sales) then government income also rises, enabling to fulfil its core mandate of providing infrastructure and basic services. Government operates under a social contract with its population, as it is the people's money, and, if it borrows, the debt also is a burden the country must pay off in future.

Parliament represents the people in examining and approving the Budget (prepared by the executive government), although over many years Parliament has performed its function inadequately, barely examining, or debating the Budget Bills or other legislation, and (despite the efforts of the Public Accounts Committee) inadequately examining expenditure. Many Ministries and agencies have virtually ignored Parliamentary oversight, considering Parliamentary committees to have no teeth, and continuing to abuse public funds at will. It now seems that senior public servants (or dismissed public servants) consider they can even halt Commissions of Inquiry designed to uncover facts, which the public has a right to know! Is that an admission of something?

Whilst PNG laws are generally sound it is clear they need reinforcing (including revising penalties) and that institutions with oversight responsibilities require substantially greater resources, independence and clear mandate to investigate and, where necessary, prosecute, or impose suitable disciplinary action. That includes the PAC with the Auditor General, PSC, Ombudsman Commission and the planned Independent Commission against Corruption (ICAC). PNG also requires mandatory disclosure on plans, budgets and expenditure covering National Government right through to the LLG and JDP&BPCs at the District level. The public, including public sector employees, must have a right to information (under Freedom of Information legislation) and feel some obligation to oversee public expenditure. There also needs to be Whistle-blower legislation to protect staff who reveal wrongdoings in government or business, possibly even rewarding or compensating them for disclosure (as occurs in the US). Those are major tasks for government, legislators and civil society organisations to address in 2009.

PNG's economy was quite stagnant for many years, but, with higher demand and prices for our commodities, more recently it has been growing steadily and strongly during 2007 and 2008, providing increased employment and spreading wealth, though still to a narrow portion of the community, as the poor infrastructure and inadequate access to basic services have continued to exclude much of the population. Strong government income is dependent upon a dynamic

economy, but government (as a business) has performed poorly over the years, by failing to perform its core functions effectively, retaining under-performing State-owned monopolies and imposing heavy red-tape on the private sector, restraining much of the rest of the economy. Now, with greater revenue, the challenge is whether government can improve its own management, performance and accountability to its 'shareholders,' i.e. the general public, understandably worried that much of the extra income is either squandered in extravagant travel and loose spending, but not on needed roads, schools or other priorities, or locked away (and forgotten) in inadequately disclosed "trust funds".

Much of the developed world has been in financial turmoil lately, triggered by excessive and inadequately secured lending and lack of trust. Many major economies are entering a recession, with some governments perhaps overburdened by debt (much assumed from the banking sector). This is also depressing global demand and prices for commodities, which had only recently skyrocketed (causing net gains for PNG, but hardship for many consumers and certain businesses heavily dependent upon fuel, for example). The decline in global demand is causing forecast growth rates to be reduced, even in the boom economies of East and South Asia, like China, which have been driving export and GDP growth in many developing countries over recent years, including PNG. PNG's economy and financial institutions are partially shielded from these international events (e.g. PNG bank deposits -unusually- exceed lending, and domestic financing is not dependent upon unstable global money markets). Nevertheless, PNG will also be affected (for example by substantially reduced nickel, copper, oil, vegetable oil, coffee and other prices) and those monitoring the 2008 economic and budgetary performance, or their own businesses, will see the changes, whilst budgets and forecasts for 2009 must also be adjusted to reflect likely new realities, although they're very difficult to predict. Some coffee producers will regret, for example, not selling their stocks earlier when prices were significantly higher, whilst airlines undoubtedly regret having pre-contracted fuel supply at US\$120 (barrel) with world market price now down to \$58; (and what's this opening of a new Air Niugini route to KL, nearby already serviced Singapore, when Tokyo was considered non-viable!?)

It's clearly a time for prudence and international cooperation. PNG cannot afford to squander the advantage gained in recent years from windfall revenues, reduced international debt, strong reserves, etc., by throwing money at extravagant projects, or unaccountable and inefficient bureaucracy. It must focus upon meeting the Millennium Development Goals and MTDS priorities, slashing waste in the public sector, enabling the private sector to deliver commercial services including ICT competitively (including internet and other services from February 2009), whilst developing public-private partnerships for less commercial public infrastructure and services. How can government even be thinking of borrowing and investing hundreds of millions of (essentially) public funds into new commercial ventures, when such large portions of the population do not have access to primary, let alone secondary education or basic health services, roads and markets, or safe water, i.e. the core State functions, and live in constant fear of armed criminals and conflict? Have all Wahgi Mek landowners made adequate commitment and contribution to restoring their coffee company's operations, brought down by disruptive action of some of their number, before being rewarded with a K20 million injection of public funds? Shouldn't the State's core responsibility with LNG be to ensure impartial oversight, equitable benefits and minimise negative (Dutch disease) side-effects (which could seriously undermine other critical sectors), rather than feuding (like medieval

barons, with their armies of costly followers) for favour and control over resources, whilst all swearing allegiance to their king?

For the 2009 Budget let's stick to the basic building blocks needed by country, to enable the community to access services and enable the private sector to continue to drive the economy forward. These basic building blocks include not just roads, wharves, schools (leading promptly to universal primary education) , health centres , police and justice and application of standards, but also essential national statistics, including a well prepared 2010 National Census, requiring adequate funding in 2009.

A programme of 20 days of Human Rights activism will commence later this month, to focus the public , including leaders' minds before the holiday season on some social priorities for PNG (and the world's) future. It will include events and celebrations on the the Rights of the Child and of the Disabled, Anti-Violence against Women, World AIDS and Human Rights days. PNG has one of the finest and most caring traditional community social security systems, (through the wantok system), but the efforts of the community and NGOs need to be supported more vigorously by government, and PNG must move on from its regional and tribal factionalism, and restore and reinforce respect for all, from whatever ethnic group, male or female, adult, child, young, old or disabled, and, where necessary, reinforce community systems to support the disadvantaged or traumatised, with professional services, safe houses, and 'social cash transfers'. We must lead towards 2009 as a continued growing economy, but also as a society, caring for its people, environment and its future, as envisaged in the National Constitution.

Finally, Minimum Wages, must reflect both human needs and capacity to pay in different sectors and regions. We must not 'throw the baby out with the bathwater', jeopardising industries and employment opportunities with unduly rigid rulings. The Wages Determination should not be based upon an expensive periodic roadshow, but an ongoing and respectful consultative process between Government, Private Sector and Trades Unions, notably, as intended, through a functioning National Tripartite Council.