

Decentralisation and Reform of “Sub-National” Financing. Where to Now?

Last week a major workshop was held on Decentralisation and Sub-National Fiscal Reform, co-hosted by the INA, with the University of Papua New Guinea, Constitutional and Law Reform Commission (CLRC) and Australian National University. The workshop brought together politicians, public servants, academics, community leaders, and other key stakeholders to examine and recommend suitable political, administrative and financing options to ensure public sector functions are performed effectively at the sub-national level, notably delivering core services satisfactorily and equitably.

In opening the workshop Deputy Prime Minister, Dr Puka Temu, emphasised that the political leadership recognises the unsatisfactory performance of the current government system in delivering essential goods and services (particularly since the 1995 Organic Law on Provincial and Local Level Government), with 87% of PNG’s population more or less forgotten. He highlighted the considerable talent and energy in rural areas, with some public servants and community members providing valuable services on their own initiative, despite lack of official support. He said the political leadership wants to bring government closer to the people, creating a ‘rural democracy’, with 2008 as the year for consultation and designing a new system, with implementation in 2009, using mechanisms like CIMC for ensuring public consultation and oversight. He said the politicians want to move rapidly but some entrenched public servants and other leaders are holding the process back.

During the workshop several different models of sub-national government were proposed, including District Authorities and reinforced LLGs, reducing the tiers of government with Provinces becoming administrative bodies or providing an upper House (Senate), e.g. with one man and woman representing each province. Other proposals sought greater autonomy for Provinces, or new Provinces being formed to provide greater local control and benefits from resources. Each option was presented as providing better local representation and services. The past two Organic Law reforms were described as failures, severely undermining governance and services. Some argued that services were more reliable under various previous political or administrative systems, which should be more or less restored.

The dialogue was generally constructive and optimistic, recognising serious and disruptive past mistakes, but that now (with improved financial resources, awareness and dialogue on issues and commitment to reform) the best opportunity prevails to put heads together to agree practical, responsive and accountable systems to provide a better future for PNG and its ill-served communities.

Effective, accountable and equitable systems for service delivery are needed promptly, as people have been suffering and missing out far too long. The workshop, however, was concerned that ‘today’s solutions should not become tomorrow’s problems’. With ill-considered past reforms having created many of today’s problems, it is important that we don’t now repeat the mistake and move rapidly in the wrong direction. It was also recognised that ‘the ideal’ strategy may be ill-advised, if entailing excessive further

disruption, and that sometimes more modest reforms, or progressive refinements may be preferable, particularly providing improved management (including staff selection, training, and removal), awareness and accountability. It was also recognised that, although some countries apply decentralisation asymmetrically, with different systems in different provinces/regions, it is unrealistic and impractical to operate multiple systems in one relatively small country.

It was also emphasised that it would be highly counterproductive if the consultative process, involving the Governance Task Force and CLRC, was pre-empted by Government making commitments to further autonomy or new provinces, whilst simultaneously deciding to abolish all provinces or establish District Authorities or other contradictory arrangements. We should learn lessons from past, politically-motivated and inadequately considered reforms, and ensure future changes address the objectives and constraints which have handicapped effective and equitable delivery of local administration, infrastructure and services, rather than determining solutions prematurely.

There was considerable discussion over the need for capacity building to implement any system effectively, and there was astonishment at how inadequate and diminished the staff is responsible for supporting/overseeing the Provinces (e.g. in the Finance Department, with just 2 staff – roughly 1/5 of staffing 30 year ago, with much smaller Budgets and population).

The major constraint to effective delivery of rural infrastructure and essential services in PNG (which have progressively declined in many areas) has been inadequate funding. In real terms funding for rural services (provided for Provinces and Districts) has declined substantially over the past 30 years. Recurrent funding provides core functions, notably maintaining roads, schools, health facilities and providing government boat and air charters, and providing school materials, medicines, and some law and order services. Progressively squeeze these allocations and services will invariably collapse, as they have, around the country, despite valiant efforts by some public servants, community, church and NGO workers (and some MPs).

The Development Budget, normally a less crucial part of the Budget if recurrent funds are adequate and utilised effectively, now plays a valuable role (including “Windfall funds”) in restoring infrastructure allowed to deteriorate from lack of routine maintenance, and to meet increased demand from PNG’s growing population. The Development Budget (apart from the donor component) has, however, long been subject to political abuse, starting with the Sectoral Funds in the early 1980s, and remains inadequately transparent and accountable.

Effective planning and budgeting requires accurate, up to date information at national and local levels. In the past the National Planning Office (with NSO etc) collected and utilised extensive data, by sector and cross-sectoral, such as the provincial data system, on manpower, health, nutrition data, etc. The Department seems to have overlooked that function for years. The recurrent and development budget need much better coordination to meet the country’s needs.

Whilst determining the most appropriate form of decentralisation requires further analysis and consultation, the workshop agreed that the sub-national fiscal reforms, prepared by the National Economic and Fiscal Commission (NEFC) must not be delayed, being adaptable later to any chosen political/administrative structure.

NEFC has undertaken meticulous work in recent years on the real cost of public goods and service provision, how much and where funds have been actually gone, and highlighting the shortfalls. Although much more could and should be done (to the District level), this is the most rigorous and valuable planning material available to the country for decades and should be the basis for Government decision-making, particularly for Budget allocations. Yet, apparently, the Planning Department and other agencies have largely ignored this data to date.

The National Constitution (1st and 2nd National Goals and Directive Principles) requires equality in access to education and other services (including legal processes), and to participating in the country's economic, social, political and cultural life. NEFC's analysis shows how far these obligations have been ignored, with some provinces far worse funded to provide basic infrastructure, health, education, infrastructure and agricultural services. PNG has become a nation of increasing privilege and have-nots, with inhabitants of some cities and provinces having much better access to schools and health services. If you're in a remote part of a poorer province your chances of surviving any serious illness or gaining any education are remote; with women and girls more disadvantaged. This was not what the country's 'founding fathers' intended!

The proposed reforms to provincial and local level financing prepared by NEFC would reduce the extent of inequality for basic service provision, but a substantial shortfall would still remain. This is partly because much provincial funding is unavailable for redistribution, being tied by contractual arrangements. If the K890 million under the District Services Improvement Programme (DSIP) (K10 million per open electorate) were allocated to complement NEFC's reforms, and allocated on a cost of services/needs basis, rather than a flat rate, this would greatly improve the prospects of meeting basic service costs, whereas currently under DSIP equal amounts are paid to well-off and desperately poor Electorates. Is this a fair arrangement?

NEFC's proposed reforms should be approved by Parliament now, preferably supported by revisions to the Development Budget (including DSIP) to better integrate and meet basic funding needs. Whilst increased recurrent funding will enable improved basic services, there is no question, however, that other constraints on effective service provision must also be addressed. These include improved selection, short and long term capacity building programmes for public servants, politicians (including councillors), the wider community (including school boards and school students), more funding for official and community watchdogs and law enforcers, and ensuring penalties are applied (including dismissal) for non-performance or fraud (and better use of the private sector partnerships in service delivery).

Politicians blame public servants for poor performance and corruption. Often valid, this criticism is also misplaced. It was the politicians who undermined the merit-based appointment system, when PNG was short of experienced managers and professionals, and politicians diverted needed operational funds for core services, for example under sectoral programme, and latterly “electoral funds”.

Now is the best opportunity for politicians, public servants and the wider community to cooperate to develop a simple, accountable and practical system of sub-national government embracing the communities’ needs, whilst prompt approval for reformed sub-national financing will provide an equitable basis for all provinces and districts. The decentralisation review team will consult around the country over the next weeks.

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