Taking Advantage of the Reprieve with the use District Funding

2009 will be a tough year for the global economy, and, as the IMF Managing Director stated earlier this week, governments around the world will be expected to help restore demand and maintain economic activity. Papua New Guinea is fortunate that, despite being impacted by the lower commodity prices (for its minerals and agricultural exports), its financial sector is relatively liquid and part of the recent windfall revenue remains unspent, and available to support priority expenditure over the coming increasingly difficult months.

It is critical that the District funds are used wisely to build up the country's capacity, including opening economic opportunities for the private sector, especially small-medium enterprises and rural business (notably small farmers) which provide much of the employment and broad-based growth and income earning opportunities. The country cannot afford misguided macro-economic shocks, including on the minimum wages front, which might severely jeopardise employment, nor can it afford to squander investment funds, notably those designed to restore infrastructure and services to the Districts.

In 2008 K890 million was allocated to the Districts under the District Support Improvement Plan (DSIP), K10 million per District, (apart from other District Support Grants). A further K4 million per District has been allocated for 2010.

Most of the 2008 DSIP funds are yet to be released and spent. K4 million per District has been released (K356 million), of which by early November K101 million has been expended. How have these District projects been planned and funds spent? DSIP provides critical funding for each District to restore transport infrastructure, schools, health facilities, law and law, utilities and communication, and agricultural services. It is allocated on a crude standard basis, so the rich and poor Districts receive the same amount regardless of need. The system is also known from the past to be flawed, having been used widely as a political slush fund, with expenditure sometimes rubber-stamped by the Joint District Planning and Budget Priority Committees (JDPBPC). Some MPs, however, are being markedly more transparent and comply better with requirements. MPs, and respective government agencies (notably Finance, Planning and ORD and Provinces) and watchdogs, including Parliament's PAC, AG, Ombudsman Commission, NGOs and especially the local community, must ensure compliance and that these funds are used effectively. That first requires information must be released and widely available.

Who knows what the K101 million already spent has been used for? Details of this expenditure must be made public now, especially within each respective District, combined with approved plans and project specifications. What we know so far is that out of the K356 million released only K170 million of submissions were received by the National Department responsible, from 34 of the 89 Districts.

Of the K170 million submissions, 151 proposals from around the country (valued at K71 million) were screened by an inter-agency committee (ORDPAC) by early October, of which 67 (44%) or K43.7 million (61% by value) were approved, whilst 84 proposals (39% by value) failed to meet requirements, and were deferred/rejected; markedly more being deferred/rejected from some regions and provinces. More compliant and detailed projects proposals, approved by the inter-agency committee, included several from Rigo District, Samarai-Murua, Kavieng, Moresby South, Bulolo, Nawaeb, Kerowagi, Wosera, Yangoru-Saussia, Nuku and Telefomin; (several of which have made significant progress also with subsequent expenditure)

K57.8 million, however, appears to have been spent in addition to what was screened and approved above, mostly in other Districts. Were project proposals submitted and screened anywhere for this other expenditure, including use of Provincial Supply and Tenders Boards (where operational) or other procedures followed, or were they merely rubber stamped? For example, Goilala Disitrict appears to have fully expended its K4 million allocation; Kikori and Imbongu Districts have nearly used all their allocations, with Mendi, Koroba-Lake Kopiago, Kagua-Erave, Jimi, Kairuku-Hiri and Obura-Wanenara trailing closely behind. What were these funds used for. They may have been submitted elsewhere and may be sound, but some central (and local) registry is essential, where project information and compliance is readily accessible, not just crude expenditure totals.

Strengthening the District planning, implementation, compliance and monitoring system is critical before the further K890 million is released (from 2008 and 2009 allocations) and, to ensure that Papua New Guinea takes advantage of the windfall, putting it to good use in the public interest. Funds cannot be squandered now, as the country probably just has a short reprieve before the global economic downturn bites us more firmly.