

Media Council Forum on achieving the Millennium Development Goals

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**Budget Transparency and Social Auditing as means towards improving Social Indicators, including achieving the MDGs, and the role of the Media**

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President and members of the Media Council, ladies and gentlemen,

Thank you for the invite; once again it's great to be in Goroka and back here at UOG, and let me commend the Media Council on organising this forum and focusing on the population's basic needs and notably towards achieving the Millennium Development Goals.

I'm afraid I'm going to stray a little from my allotted theme of assessing MDG performance (which has been very poor, owing to lots of rhetoric and no action) and talk instead on budget transparency, social auditing, and the role of the media, NGOs and local communities as a means to achieve MDGs and improve basic services and opportunities for Papua New Guineans. This links up with the theme addressed over several years in the CIMC regional forums, of opening up the Budget process to public participation, its planning, implementation and monitoring, and including concepts like the 'citizens' report card' which we highlighted at the 2007 National Development Forum and which Alan Bird will discuss further in the context of Vision 2050.

I will also show one short film from Kenya to vividly highlight the potential for community initiatives to help keep expenditure consistent with plans and address budget abuses at the local and even national level; I will also mention some of the risks!

Much of Government's attention over recent years and months has been on the gas pipeline and its successor, the vast PNG LNG project, plus some other major resource extraction projects, with statements, for example, by the Planning Minister that LNG is PNG's answer to fiscal stimulus and will virtually solve all PNG's problems, including MDGs.

But experience worldwide shows that large increases of revenue from oil or LNG don't fix any problems, unless you have strong budget accountability first, otherwise the downside or the 'resource curse' effects will likely far outweigh the benefits. Yes, it is likely to make some groups extremely wealthy, but the trickledown theory is long discredited in terms of capacity to achieve more equitable benefits, unless specific and competently administered policies are applied to ensure broader based benefits and participation, including active social protection programmes, where necessary. Besides, it should be noted that significant LNG revenue won't occur in PNG until about 2017 (i.e. beyond the MDG target year of 2015)

and the country needs to make ends meet in the meantime, with a growing population and expectations, but dramatically rising costs, especially in some centres.

The question is always asked, how come PNG is resource rich but the Human Development Indices and MDGs are so low? There are many factors, and Papua New Guinea certainly does have some natural geographical and some historical constraints (mountain ranges, extensive swamps, islands etc), which certainly raise costs for infrastructure, service delivery and business, but a significant factor is how well the country shares its resource wealth within the community and how well its revenue and other capital are used.

Unfortunately, PNG hasn't planned and managed its expenditure well over the years, and in many areas administration and services have become substantially worse, rather than improved. Some within government take exception to commentators observing that things were better in the past, but frankly, for the public sector that's undeniably true. The public sector has become more fragmented, less competent and more corrupt, with politicians playing the role of public servants and public servants playing politics, with little effective planning, coordination and accountability of the public funds available. For example, we genuinely did have a system of rural aid posts and health centres, staffed and constantly (if not always reliably) supplied with medicines, and we had an extensive road and airstrip network, plus rural banking, much of which has now decayed. We also had a steady stream of health professionals being trained in various facilities around the country, supplying these centres with staff, but many of the training facilities have closed, with most midwives, for example, now in their fifties and sixties, with no successors lined up.

In the past there wasn't the major burden on most base hospitals, which are now struggling, as most cases were addressed satisfactorily in the field, with only more severe cases referred to the hospitals. Now, we have lack of health education and awareness and innumerable deaths in the rural areas, of patients unable to reach main centres for treatment, and encouraging the burgeoning fear of sorcery from unexplained deaths. Our maternal and child mortality rates, remain the worst in the Asia-Pacific region, and, according to the DHS, with no improvement in 20 years and possibly (depending upon problematic statistics) a deterioration over the past 10. The Government, in the meantime, approves a luxury hospital to service a privileged few at Bautama, to be developed apparently by some pushy real estate developers from Florida, with government considering diverting the already utterly inadequate health budget towards this project.

As we all know, there are many countries with limited natural resources (like Japan) which have performed well economically, whilst others with abundant resources, particularly oil and gas, have performed poorly, despite high and rising GDP but where the income is highly skewed (in favour of a small elite) and where the MDGs and other social indicators remain low; these latter countries include some of the oil rich Central and West African nations, where resource wealth has been squandered, appropriated by an élite or privileged tribes, sometimes fuelled wars and conflict, and where other industries and employment have

been undermined severely by so called “Dutch disease”; It doesn’t need to be like this, and countries like Botswana with its diamond wealth, show that, so long as there’s an underlying commitment to good systems and governance, resource wealth need not be a curse. But Botswana made a determined effort to improve governance standards before, rather than after developing its resource wealth, and has one of the lowest levels of corruption in Africa, according to the TI global corruption index.

PNG’s economy has grown firmly in recent years, on the back of strong commodity prices and East and South Asian demand, combined with firm reforms introduced early this decade and some years of fiscal prudence, but the country’s wealth has also been increasingly skewed, or concentrated. Urban poverty has become more apparent, adjacent to burgeoning property wealth and large shiny 4X4s. Most of the population away from main centres and provinces, but even within main centres, provinces and resource-owning clans, are barely sharing the benefits, if at all, despite the Constitution emphasising equity and regardless of more recent MDG commitments. Indeed, it is widely recognised that some of the worst social indicators and public services are to be found in the wealthiest provinces, which have shown the least accountability and stark exhibitions of ‘resource curse’ .

As ‘Vision 2050’ highlights, PNG’s social indicators were largely improving until about 1995, but subsequently slipped back to the average of sub-Saharan Africa. 1995 happened to be the time when the new Organic Law on Provincial and Local Level Government was introduced, with its mixed objectives; but whatever its objectives and ignored obligations, (like, LLG funding on grounds of frugality), the result has been that sub-national government funding has been drained. It must also be recalled that in PNG it’s the sub-national government which provides most of the basic infrastructure and services, access roads, rural airstrips, health facilities, which impact the majority of the population.

It was also from the early 1990s when public sector corruption, not such a big concern hitherto, really burgeoned (as indicated for example in INA’s successive business impediment surveys), and training institutions, notably including core administrative, technical and nurse training, were also starved of funding.

The National Economic and Fiscal Commission reports show clearly the outcome of years of squeezing provincial funding for roads, basic education, health and agricultural services, to the point where funding available to almost all provinces is totally inadequate to provide basic services, whilst the amount actually allocated for these services (as opposed to being available to allocate) is even less adequate, sometimes at less than a quarter of the minimum cost of providing basic health services for some of the worst off provinces, like Sandaun.

NEFC’s rigorous and independent research, and its routine public presentation of the results have instigated valuable reform to inter-governmental financing, so that the level of inequity is at least reduced, but funding for these basic services remains totally inadequate;

i.e. the reforms have improved the situation, but funding remains severely inadequate for many provinces, with the Constitutional obligations and MDG commitments over equitable and minimum humanitarian provision still ignored.

This decade has seen improved revenue to Government, and, with the recent commodities boom, increased allocations were provided for districts (notably under DSIP), including the so-called 'windfall' revenue. This was placed in trust funds to allow drawdown over a longer term, to restrain inflationary effects and counter the boom-bust scenario, and give time for local implementation capacity to be strengthened. Sadly, but perhaps invariably, it also provided time for MPs time to manipulate these funds for their own ends.

A provincial governor observed at a recent CIMC regional forum that the recurrent budget is controlled by the public servants, but that the Development Budget (including the Trust Funds) has been grabbed by the national politicians. Unfortunately, the government and some donors have encouraged this trend, mistakenly pursuing a shift out of recurrent and into the development budget, but forgetting that it is the recurrent budget which delivers (or should deliver) the core functions of government, i.e. basis services, teachers' salaries, medicines, school books and infrastructure maintenance. The MPs' role should be to overview effective use of that expenditure, but instead the legislature has grabbed effective direct control of a large portion of the total Budget as implementers, despite lacking capacity for this function. (The other least-monitored quasi-public funds now fall under the control of the Independent Public Business Corporation and, more modestly, some other Statutory bodies, like the National Fisheries Authority).

The District allocations (now including the NADP funds for agriculture) are critical funds intended to restore and upgrade infrastructure and capacity at the District level; i.e. to start rectifying years of neglect and degradation of these rural facilities, and specifically to make a real contribution to addressing PNG's poor social indicators and MDG performance.

Strict guidelines were provided for these District funds, to avoid wastage and counter concerns of sceptics that they'd just be MP's slush funds, but last year some 2/3 of these critical trust funds were reportedly drawn down (from about March onwards), without Treasury having any adequate idea how they'd been used and breaching fiscal rules.

These are **public funds**, yet they're too widely regarded by much of the community, MPs, but even by the press, as **Members' Funds**. The newspapers often state 'that this MP or that **'donated'** an ambulance or **built** a road or classroom'.

Public funds are **public funds**. They're not members' funds, or even government funds; the District Funds must be planned, managed and monitored carefully and in the public eye.

The mechanism chosen for District fund management is also atrocious; these funds should have supplemented the inadequate provincial and district allocations for core services,

highlighted by NEFC, and, for example, the absurdly small K30 million allocation to the Works Dept for national road maintenance in the 2010 Budget.

Project funding at the District level is meant to be based upon Ward Development plans working up to District Plans (and applying minimum district standards), yet we see lately the Government apparently using the provision of District grants as rewards, or conversely penalties, for MPs' loyalty.

MPs see these funds as essential tools to retain office at the next Election, whether through their good use or perhaps their abuse, even though some MPs recognise that it is not their role to manage funds and implement projects. Unfortunately, the public service capacity to manage and deliver services effectively and honestly has also been severely diminished, in the main, by years of inadequate management and resources.

It is regularly reported that the JDP&BPCs are used largely as mere rubber stamps for the MPs' and sometimes for the District Administrators' schemes, with additional funding often released regardless of required prior acquittals.

In a recent survey carried out by the INA and partners in nine Districts across the country, (two in each region and three in the Highlands region), District grants appear to have been used relatively effectively in a few districts, with some community consultation or awareness occurring, and with some roads, classrooms and other facilities restored or upgraded from the K14 million allocated per district.

In most other Districts, however, it is apparent that there is little or nothing on the ground to show from these major grants, nor awareness amongst the community of any consultations or projects occurring, with most local facilities provided by churches, donors, and in some cases locally based resource companies, like OTML, PNGSDP and NGOs. We are also aware that of the K5 billion kina of windfall revenue of 2006-9 set aside in trust accounts, only about K1 billion remains. Where is the rest? Some of this appears to have been shifted to new accounts, rather than expended to date (in which case, upon whose direction?). There is little evidence of major or widespread expenditure at the District level to restore or upgrade the existing collapsing or deficient local infrastructure and services. There is also justified concern that some MPs are perhaps withholding substantial funds for use, or perhaps misuse, closer to the 2012 National Elections.

We often hear in PNG and some other developing countries that we must improve budget accountability to satisfy IMF, World Bank or other international requirements. How about local requirements? It's not largely donor money, but PNG's own PUBLIC funds and it's the PNG public who are the direct beneficiaries (or losers) from its use (or abuse), so it's they who should be demanding accountability, directly and through their representatives in Parliament; .... except the MPs have now become the implementers themselves, so who's to provide oversight?

The trouble is that budgets and audits seem boring to many, and not readily understandable, so many tend to leave it to others 'more knowledgeable' to deal with them, especially in a population, like PNG's, with low literacy and financial literacy rates, and poor access to information.

Every two years we, the INA, conduct a survey as part of a global Open Budget Survey. It comprises 123 questions related to the openness of the Budget process, with 92 countries participating in this year's survey. PNG does perhaps surprisingly well in aspects of this survey, largely because the Treasury (and Central Bank) have done commendably over recent years (particularly leading to the passing of the *Fiscal Responsibility Act* in 2006), in releasing National Budget material to the public, notably on their websites, and latterly in reporting end of year and in-year Budget performance; the latest Open Budget Index will be released in mid-October.

PNG does much less well in tracking expenditure and especially the development budget, and how funds are actually used, including at the sub-national level, notably with District grants, and whether they're used for genuine development purposes; the audit process is also severely inadequate, as the Auditor-General's Office has inadequate resources to undertake timely or detailed audits of public funds, including quasi-government funds, managed by State-owned enterprises, and to show whether they've been used for valid purposes intended. The problem, as highlighted by the Public Accounts Committee, is particularly that the Departments fail to prepare accounts ready for audit, and are often years behind and show little interest in accountability.

The wider community has a right and need to know how these public funds are planned and utilised, but lacks the tools. Such budget information is required right down to the district and local institutional level, such as school budgets. There are Constitutional provisions for freedom of information, but no specific enabling legislation, as is becoming the norm in much of the world.

Each year in the CIMC regional forums Elizabeth Avasia provides details of district grants; how much has been spent and the balances available. The information isn't up to date, but it's the best available, following considerable effort on her part. It should be readily provided by responsible Departments, like ORD, but that has not been the case and it's more like obtaining blood from a stone, partly because the Departments themselves probably have little idea, or are severely out of date. In any case, the details presented by Elizabeth always amaze local civil society members who attend the forums, but even local council presidents and officials, who are invariably astonished that so much has been drawn down with little apparent to show for it on the ground.

It's up to Government, Parliament and the various watchdogs, like the Auditor General, NEFC and Ombudsman Commission, to make information more accessible and

understandable, to empower the community to contribute to oversight; but, as we know, some in government seem to prefer the status quo, and keeping the people in the dark.

It's also up to both the traditional and new media, including NGOs and bloggers, to help empower the community, by making the information accessible, but this requires the press having the skills themselves and being less inclined to flick meaninglessly from story to story given to them in press releases, and to be prepared to pursue, investigate and sustain a momentum of oversight on budgetary and governance issues.

Budgets may be tables of numbers, but their abuse have enormous tangible impacts on people's live; poor planning and lack of accountability costs lives, and result in roads and airstrips not being maintained, no teachers or books in schools, low literacy rates, no nurses, medicines or aid posts, and with men and especially women and children dying needlessly of preventable sicknesses or injuries.

Geography and other factors certainly raise the costs of service delivery, but PNG really did enjoy a better service delivery system in the past. For example, it had a wide network of health centres and aid posts, which provided accessible services and prevented base hospitals being over-burdened, as they are now. As it's been so long since many people in this country have secured better standards of public service, many don't know what they should expect. Many think public funds really are Members' largesse or generosity and hence the public don't feel ownership of public assets or what facilities or standards to demand. On the other hand, with improved telecommunications many, particularly younger people, are recognising the norms elsewhere and are able to observe better performance in some other districts, provinces or overseas.

The time for kowtowing to Ministers, MPs and bureaucrats should be over, and PNG must demand better standards, and the media, plus civil society organisations, must play a stronger part in making these standards commonly known and pressuring government to meet them.

If we don't, and PNG continues to accept second best, the nation will be left behind, with the cream of jobs and opportunities from the country's resources appropriated increasingly by a small elite and foreign skilled workers, companies and middlemen. The fact that the MDGs and other social indicators (and especially the disgraceful maternal and child mortality rates) have proven so resistant to improvement and remained so low by Asian and Pacific standards, where marked improvements have occurred in recent decades, is lack of public awareness, leading to muted or unheard public outcry, enabling government to continue ignoring the real issues, failing to focus funding on real priorities or requiring accountability or undertaking real reforms, or making any serious efforts to address corruption, which has become institutionalised, including through much of the political structure.

The media and community organisations must be ready to probe and not accept no for an answer;

PNG institutions have evolved from the old secrecy mode, which was prevalent in many developed countries in the past, with their 'official secrets acts' etc; but other countries have mostly moved on, and even neighbours like Indonesia now have FOI legislation, in Indonesia's case under pressure from their strong NGO and civil society movement, which plays a crucial part in making government's more accountable to their people. NGOs and the press present varied views, and sometimes can be bug-bears to authorities. NGOs are essential in both providing services themselves (in the absence of effective government, as in PNG) and, together with the old and new media, in ensuring that community interests are represented (especially where the formal political representation is weak and inattentive, also as in PNG).

With various exceptions, the PNG Government and Departments have little concept of being user-friendly and accountable to anyone, let alone the public they are meant to serve, as highlighted by a recent '6 Questions survey' we've recently undertaken (which I'll report upon at another time, but which highlighted the severe reluctance and incapacity of the PNG public sector to be responsive to public requests for information). The Prime Minister recently expressed great concern that ex-Cabinet members might spill the beans from NEC over public expenditure plans. Why does government have such secrets from the public over 'public' funds, when clearly greater transparency could reduce absurd waste or distortion, such as the K10 million Vanimo town plan, highlighted by former Minister Namah, when his district is starved of basic services, or a publicly funded private hospital near Moresby when the health services are already starved of funds, or an executive jet which costs more than the national road maintenance budget, and when there's no funding nationwide for rural airstrips? Without basic road, air or sea access, you can basically forget your schools and health services, access to markets and social and economic opportunities, including achieving MDGs.

So, we need Freedom of Information legislation to be introduced immediately, and removal of current secrecy laws, and the *Public Finances (Management) Act* and *Fiscal Responsibility Act* need amending to require budget information be released right down to the District and local level, so that expenditure can be readily monitored at the local level, to ensure expenditure accords with plans and waste minimised.

Some say that reform takes decades, but that isn't so if there's enough awareness and pressure and cooperation from within the executive, legislature, bureaucracy, watchdogs, the media and civil society bodies.

Uganda, for example, turned around 80% waste in its education sector almost overnight from 1992, when the nation was shocked by revelations of the level of abuse and made dramatic reforms to require budget transparency, including the requirement for posting



budget details on accessible community notice boards, right down to the level of the local school budgets.

There's now a surge going on around the world from India to Philippines, to much of Africa demanding greater budget transparency. This includes undertaking 'social auditing' by the community itself of allocations for activities of greatest local importance, notably funding for local services, including the equivalent of our District (conditional and unconditional) Grants. Such social auditing is a basic tool for improving livelihoods, including MDGs.

I'll now show you a short film from Kenya, which is self explanatory, and will ring many familiar bells. It shows determined community effort to undertake social auditing at the local level of their CDF funds (the equivalent of PNG's District Grants). It started to be piloted in a few Districts and has been extended across many districts of the country, and across other countries in Africa. It has caused a big shakeup, increasing local level awareness of the use and abuse of public funds by local politicians and their offices. It is understandably unpopular with some leaders, who've been long used to an absence of accountability with the grants they've controlled, but this local empowerment, combining the efforts of educated local people and NGOs with the wider community, has been causing something of a positive revolution, pushing the Kenyan (and other) governments to review and reform District and politically controlled funding mechanisms. There's a long way to go, but it's a serious start. In PNG, such social auditing and reform is long overdue, with the enormous backlog of work to be done here, especially in restoring and upgrading infrastructure and services, and addressing the very real poverty and poor MDGs which prevail in both urban and rural parts of this country, despite incessant denial by some blinkered leaders.

***SHOW THE KENYAN FILM "IT'S OUR MONEY, WHERE'S IT GONE?"***

I was also going to show you a short satirical film from an oil rich former Soviet country, Azerbaijan, called 'Interview with Super Expensive Donkey', but you can look it up yourselves on YouTube. The film highlights the difficulty in extracting basic information even in some wealthy oil rich countries, where great oil wealth sits alongside poor basic services. The film ridicules an item, found through a leak, namely of a massively expensive donkey purportedly imported from Germany. However, rather than the officials involved in clearly defrauding the State (the public) of large sums being punished, the young filmmakers, ended with longish custodial sentences. Fiji in this region, which always had the strongest economy and best social indicators, provides a demonstration of how easily rights, including to information, can be forfeited, with potentially dire consequences for the economy and social welfare.

Even China with its booming economy still has a highly inefficient public sector in terms of utilisation of public fund, but there too, some provinces and cities have demonstrated

strong commitment to greater public accountability, with positive resulting benefits to performance and public service delivery and welfare.

## **Requirements**

So, PNG, needs the FOI legislation (to have a clear and demonstrable right to access government documents, including what Lands Department is up to dishing out the people's customary land to unscrupulous operators, and sighting, for example, secretive environmental plans) and there should be a requirement for budget details to be publicly available in a timely manner right down to the local and institutional level, not for introduction in 2020, but in 2011, so it can make a tangible difference now, including before the conclusion of this round of MDGs in 2015

We also need a nationwide campaign of public awareness, generating ownership of the budget process and public goods, and undertaking social auditing, particularly at the local level

This requires a core coalition of reformers, from within government itself if possible, plus other members of the legislature, Auditor General, Ombudsman Commission and other watchdogs, civil society bodies, including TIPNG and the Coalition against Corruption, the Media Council and a strong commitment from the press, and a growing network of community-based organisations sharing capacity and information, and supported by donor organisations with skills training, information and other support. Yes, the donors can play a big part in helping PNG institutions and the wider community to gain the capacity to help themselves, through financial and basic auditing skills and wider literacy, including financial literacy, as well as financial capacity building in the respective public sector institutions themselves.

As in the Kenyan film, it will require skills, determination and mutual support and a readiness to withstand threats, intimidation and possible bribery (to turn a blind eye), and not be fobbed off with press statements, slick PR or trinkets.

It will require tenacity to obtain the information, if it's not readily available, checking the plans (which may not even exist) against the actual outcomes in detail, inviting MPs and officials to be participate in community hearings and respond to questions and concerns, and a readiness to expose deficiencies and abuse, and refer findings and apparent breaches to the government and official watchdogs, even if it implicates wantoks;

The role of an effective and independent media is to provide balance and ensure that, not only those with power get heard, but specifically that those without automatic access to the corridors of power are also heard. The media schools and Media Council need to reinforce skills to understand budget information and capacity to investigate and routinely reveal and expose abuses, perhaps looking overseas at models for reinforcing such investigative journalism, such as the dynamic Center for Investigative Journalism in the Philippines.

## **Outcome**

The end result of greater budget transparency, awareness, participation and accountability (plus application of suitable penalties for abuse to provide effective deterrence) is to ensure Papua New Guineans are better empowered to participate and contribute more effectively to the country's development, including gaining more suitable and lasting benefits from revenue and public funds, including from major projects and utilisation of the country's resources. This is essential to achieving the MDGs and other key social indicators, as well as other clearly set development standards and targets, and not putting these all off till later decades.

Greater budget transparency will also generate greater ownership of public goods, including schools and other infrastructure, and not just seeing government as a source of compensation or other payments and positions.

Thank you