

The need to greatly enhance the management and quality of PNG expenditure, particularly in the face of the Global Economic Downturn

PNG's improved growth and high revenue of recent years have been driven substantially by strong commodity prices of the mineral and agricultural products we export. Although we have failed to make significant structural reforms since the early 2000s, earlier firm fiscal restraint also contributed to increasing availability of funds for development purposes, including restoration of the country's run down infrastructure.

Recent reports have highlighted how severe the backlog of work on restoring the country's school infrastructure really is, let alone the roads, health and police facilities, technical colleges and universities and so on. What has the country been doing all these years with its funds? We've also learnt how readily boom can turn to bust, and that with many global commodity prices tumbling from the second half of 2008, the Government failed to adjust revenue forecasts and planned expenditure, resulting in a hefty half billion kina Budget deficit for 2008 (excluding the accumulated Trust Funds).

In contrast to much of the developed world and increasingly the developing countries, PNG's economy remains relatively buoyant and not yet in need of any additional fiscal stimulus. What it really needs is to utilise existing expenditure much more effectively. The 2008 Open Budget Index of 85 countries found that PNG had significantly improved its Budget transparency by the Treasury; but do we know how the Government actually spends the billions of kina of public money, as opposed to how it says it's spend? The Auditor General's and PAC reports highlight almost widespread indifference and unaccountability amongst public sector management. We know that Government is totally top heavy, with too many Ministries, agencies and provinces (etc), often working independently from each other. We also know there's a severe lack management capacity with Ministers often surrounded by yes-men and so-called advisers and hangers on, many with unscrupulous track records of financial impropriety, even if never properly held to task for misdemeanours or extravagance.

The District Support Improvement Programme (DSIP) and National Agricultural Development Plan (NADP) are two examples of programmes managing major funds needed for priority investment, capable of improving economic opportunities and development. Yet, none of the first K4 million under DSIP (out of the K10 million allocated per District in 2008) released for the 89 Districts has yet been acquitted, although K153.2 million had been expended by the end of January 2009. No doubt some funds have been well spent, and we an idea of the Districts where funds are better managed.

With the NADP a change of management team has recently been announced, but many of the past commitments are atrocious, clearly providing little if any positive impact on the sector. K17 million to shift cattle around, with no apparent increase in cattle numbers (in fact many are reported to have died) is an atrocious waste; in whose interest? Funding for many coffee plantations, which to all intense and purposes no longer exist and unlikely to do so despite the injection of millions of kina, (with ongoing land disputes etc), seems a disgraceful waste (or worse) when the

sector is crying out for funds for legitimate activities. Yet, despite the Deputy Prime Minister's commitments to greater transparency and dialogue with the private sector and wider community there are clearly powerful vested interests which prefer to keep decision-making and use of public funds out of public scrutiny. Let's hope the new NADP management team will operate in a more transparent manner and the questionable projects already have been shelved.

Over the next months the lower commodity prices and squeezed corporate profitability will increasingly impact the PNG economy. PNG may be better off than many countries, including in this region, but certainly cannot afford to be wasteful with its recent windfall. With the immense backlog the country's limited funding for restoration and development and recurrent expenditure must be used for greatest impact. Government must prioritise expenditure, slashing unproductive spending - like the large delegations travelling incessantly overseas, fancy offices and unproductive consultants. Monitoring, including by the official bodies and the wider community, must be strengthened, with penalties for abuse.

The public must be far more demanding over how the Government uses public funds, as they have started to be lately over the use of Education Investment Funds (under RESI). The country needs a freedom of information and whistle-blowers legislation, and strengthening of anti-corruption laws (under existing or new institutions) and a genuine commitment right from the top to needed reforms to make government more accountable, rather than the encroaching consolidation of power and control over resources and undermining of the Institutions of the State and its needed checks and balances.