

International Open Budget Survey results 2008 – some positive progress by PNG’s Treasury but much more to be done by Government.

Today the results of the Open Budget Survey 2008 are being launched. The survey, undertaken in 85 participating countries, shows the deplorable state of Budget transparency worldwide. The survey evaluates how open countries’ Budgets and their implementation are to public scrutiny. It does not provide an examination of how public funds are spent. Lack of budget transparency (sometimes justified under the guise of secrecy or confidentiality, but usually entailing slackness, slyness or downright deception) encourages unsuitable, wasteful and corrupt spending and, by shutting out the public from decision-making, reduces the legitimacy and impact of measures designed to improve services and opportunities and improve welfare and reducing poverty.

Papua New Guinea participated again in the 2008 survey (based upon 2007 Budget data), as it did in the 2006 survey (based upon 2005’s Budget). The Open Budget Index 2008, based upon the extensive survey questions, scores countries out of 100 points on the accessibility and comprehensiveness of the eight key budget documents that international good practice expects all governments to publish. The survey was conducted by researchers, plus independent peer reviewers. The Index breaks up the 85 countries reviewed into five categories, those providing: -

extensive information	(over 80 points on a scale of 0-100),
significant	(61-80),
some	(41-60),
minimal	(21-40) and
scant or no information (0-20).	

Only five (developed) countries reached the first category; 12 developed and developing countries, including Sri Lanka and Botswana, reached the second category, whilst 25 countries fell in the worst category, providing scant or no information, including several countries in Africa and the Middle East, with Equatorial Guinea, Congo, Sudan, Rwanda and Saudi Arabia deemed publicly unaccountable.

PNG fared perhaps surprisingly well in the survey, appearing at the upper end of the third category, i.e. providing some information, with 60 points, and having shown a marked improvement from 2006 (with 51 points). This improvement shows the considerable effort by Treasury staff over several years, with support from development partners, to provide more comprehensive Budgetary information to the public, pursuing former Treasurer Bart Philemon's vision. The development of the Medium Term Development Fiscal and Debt strategies and introduction of the *Fiscal Responsibility Act 2006*, imposed greater discipline in fiscal and debt planning, management and reporting, including end of year and mid-year fiscal reports. The delay in auditing the accounts of government bodies has also been reduced, although, as highlighted by the Public Accounts Committee, the management of public money is atrocious, with lack of cooperation and disdain for inspections, inquiries and hearings by many public sector managers, suggesting a severe

nonchalance over the use public funds for which they are responsible, and assumption that no penalty will be applied for abuse.

So does PNG merit a pat on the back? Yes, for the relevant staff in the Treasury who've enabled this improvement, promptly presenting Budget material and reports including on their Department's website. The Bank of PNG and the Treasury are well ahead of most Government institutions in providing data and managing informative web-sites. Most public bodies have neither websites nor email addresses, and those with websites often provide neither current nor accurate information. Even simple organograms are not provided, showing contacts and responsibilities. Such annual Government directories, produced by the Office of Information until the early 1980s, were extremely useful, especially for those in the provinces. Last week the Planning Department also finally entered the digital era with a web-site. Reporting by Planning on the Development Budget has long been deficient, so let's hope that this new initiative will not provide Ministerial travelogues and feel-good stories, as in the Government's periodic newsheet (Siverai), but accurate and useful programme reports, and details on social indicators, progress with MDG commitments and restoring PNG's infrastructure and services. The NSO already has a website, but it needs updating and progress made with overdue surveys and timely release of data, hitherto promptly available. The Auditor General, like other watchdog bodies, needs adequate funding to undertake audits and release them promptly by website for easy public scrutiny.

At Provincial and District levels little, however, remains known of expenditure and application, and Districts grant are inadequately reported, with some District plans and allocations subject to a central screening process, whilst others spend readily without any apparent transparent process. The use of multiple Trust Funds is readily open to abuse, nurtured by confusion and short memories. Managing District funds through more transparent mechanisms, rather than the current system, open to undue discretion of local MP, would be preferable. Nevertheless the Treasurer's reported intention to release funds from Trust Accounts for priority programmes, requires caution. PNG must avoid fuelling rampant inflation, which reached serious levels in 2008. Retaining funds in the banking system and sustaining liquidity, and the capacity for private sector borrowing is advantageous over ill-planned and Government expenditure, which may be substantially wasted. Well targeted expenditure on priority infrastructure and service is required, but casually throwing money at problems will not resolve them.

Currently PNG is somewhat shielded from the force of the global economic downturn, but that won't last. Although some of PNG's mineral and agricultural commodities are still enjoying good prices (notably gold and cocoa), others have severely plummeted, with major projects, like Ok Tedi barely breaking even, with dividends unlikely for 2009. Major projects are laying off staff, deferring development or in some cases even closing or mothballing. Funding major new commercial projects requiring international finance may prove hard. In 2009 the Government and some businesses may have reserves and windfall revenue accumulated in recent boom years, but if, as appears likely, the global economic downturn is longer lasting, PNG cannot afford to squander its windfall revenue in ill-planned and managed schemes or unneeded extravagance, like new government aircraft. Government should however, undertake priority infrastructure restoration to facilitate economic activity or reduce unnecessary expenditure, like restoring the Central Government Offices, long kept empty (although there's nothing structurally wrong with it), whilst paying out hundreds of millions for private office rentals, often for second rate offices.

So let's give credit where its due, to Treasury and other staff, but recognise that Budget and wider financial transparency in PNG remain totally inadequate, as highlighted by PAC and the current Finance Inquiry, and the apparent desperation of various leaders and officials to prevent inquiries proceeding, for example into Taiwanese money or the US\$40 million logging proceeds reportedly spirited by PNG politicians into Singapore bank accounts. Many public funds also remain inadequately subject to budget processes and oversight, including revenue from State-owned Enterprises and license fees paid to the Fisheries Authority.

PNG must build upon the the positive progress it has made with Budget transparency. But, especially with funds likely to get tighter over the next months, we need further transparency and accountability of public funds in all institutions, through all tiers of government, including Districts. This requires public awareness and ownership of public funds and assets, but also strengthening obligations to reveal abuses, including strong whistle-blower legislation (in the USA the State even pays rewards for whistle-blowing on corruption by government or corporations) and more effective investigatory and prosecution capacity and institutional independence, with adequate penalties and deterrence.

We need increased commitment to improving processes, but currently leadership for this appears weak. Pressure from powerful forces seeking to undermine transparent processes, including weakening the Ombudsman Commission's limited powers, are being resisted inadequately by other leaders, perhaps more concerned with avoiding penalties for abuses of money and power than upholding standards in public office. We must also ensure the Budget process is respected, and that ad-hoc or ill-advised directions by Ministers to borrow or make unapproved payouts (e.g. out-of-court settlements) are behind us. Open budgeting, right down to the local level, ensures better services and accountability.