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CONSTITUENCY DEVELOPMENT FUNDS AND THEIR IMPACT ON THE ROLE OF MPs AND POLITICAL SYSTEMS

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Preamble/opening comments

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Professor Mezey's scenarios with respect to the nature and impact of CDFs around the world embrace all the scenarios faced within this region...

I've just come from a workshop in Washington DC on Fiscal Transparency, where many countries highlighting the efforts of various governments at the national levels to improve their budget transparency; this is critical as a first step for budget accountability and reliable delivery of needed public goods, but only a first step; the public doesn't necessarily respond, especially to national initiatives; they want the details where it matters to them, notably budgets and services at the local level, and they first need to be aware of the role of the State and what goods and services they should expect or demand from it, or its leaders, and what they should not!

PNG SCENARIO

- PNG Constitution provides for relative equal opportunities for men and women across the country – urban/rural, inter-regionally etc
- PNG – country with 2nd most rural population in the world – poses challenges (low literacy and financial literacy and limited awareness of laws and responsibilities of the State and leaders)
- Various efforts at Independence and subsequently to encourage equitable service delivery, and advance the less advantaged areas, with missed results; e.g.
 - Decentralisation to directly elected Prov Govts from late 1970s
 - NEFC – responsibility for equalising sub-national allocations (and later conducting extensive research on costs of service delivery)

- Provincial Data System (from 1970s) – data on accessibility of health, education etc services to influence allocations
- Provincial/District Integrated Rural Development projects
- NPEP - Sectoral Programs for priority provincial projects in transport, health, agriculture etc....but facility broke down in the 80s with increasing political patronage over these funds

Economic, Social and Political Context

- Apart from subsistence, agriculture the major export earner till 1984, when overtaken by mining (BCL)
- Agriculture puts food and cash directly into people's hands; but requires reliable local transport infrastructure especially
- Although Extractives dominant in export earnings, they provide proportionally much lower contribution to GDP and surprising low revenue contribution (esp. the more recent projects granted more sweeteners); the extractive industries, whether gold, oil or latterly LNG, have fuelled great expectations, which haven't translated, for most people, into tangible benefits on the ground
- Apart from oil palm and fresh produce, agricultural production has been relatively stagnant over past 3 decades – substantially because of poor local infrastructure and services
- Prov Govts handicapped by limited experience of staff and growing pressure from the 1980s to appoint from within the province – but had a structure to District level
- LLGs given very limited support (staff and funding) for community level services (apart from holding occasional Council meeting)
- Growing feud in the 1980s/early 90s for power/status/resources – between National MPs and the (directly elected) Provincial Govts, which MPs effectively won with the 1995 Organic Law on Prov and Local Level Govt (OLPLLG), replacing the PGs, or rather making them comprise of the National MPs together with LLG presidents
 - Provincial MPs became Governors
 - Open MPs as members of PG and Chairs of JDP & BPCs
 - LLGs meant to have been empowered, but largely forgotten (till lately, and subsequently re-forgotten with their budgets slashed again?)

- As in many countries, despite the formulae for provincial budget allocations (under the Organic Law) and some success by NEFC in improving equalisation of functional grants, budget allocations to provinces and district remain very inequitable, with an increasing bias of national funding latterly to a few main centres/ projects
- In PNG Constituency Development Funds became the major project funding for the districts (Constituencies are virtually, but not entirely consistent geographically with the Districts). The Districts, and services there, became increasingly neglected over the decades since Independence, but in recent years the allocations under Constituency grants have grown (firstly with the allocations to trust funds from 'windfall' high revenue in 2007-8) and more recently, until 2016, rising to K10 and then K15 million per District (regardless whether a district population is, say, 50,000 or 200,000 people)
- Constituency/District/Electoral/Slush funds...or whatever they're called, have a long history in PNG, and widely used around the world, esp in developing countries;
- In PNG – the Sectoral funds of 1980s were widely appropriated by political patrons, as with other National funds such as the NADP (agriculture fund) in the 2000s
- Electoral funds became important in 1990s – periodically being renamed and provided new sets of rules to give them greater credibility – with discretionary and non-discretionary allocations, but increasingly seen as vital by MPs for political performance, perhaps, and survival...
 - During the 1994 budget crisis (following a year of record high growth year)...when it was suggested to the then PM that electoral funds needed to be cut in an urgent mini-budget, he laughed, saying if he did that his Deputy, Julius Chan, would just promise to restore them and gain office; so these funds were already seen as politically critical back then...
- With the weakening capacity of the Public Service, especially at Provincial/District levels, notably after the budget crises and associated lack of new recruitment/training of the 1990s and politicisation of appointments etc, there's been an increasing use of parallel systems of govt at District levels, and even in some provinces (e.g. NIP under Ling Stuckey as Governor)

- Self-fulfilling prophecy: with declining public service capacity and lack of emphasis by Government on HR development, loss of public awareness of the role of public service reflected in weak public demand for routine 'public goods' and standards, there's been an increasing dependence upon the MP for goods and patronage, and therefore for the politician's claimed need for a parallel system to be able to deliver goods in the absence of a functioning and accountable Public Service
- As I said, the MPs have some discretionary electoral funds in many countries, but, as Prof Howes from ANU has highlighted, no-where have these reached the levels, and proportions of the total Budget, as in PNG and Solomon Islands
- The DSIP (District Support Improvement Program) mechanism has been in place for many years now, and progressively acquired more comprehensive rules, for planning expenditure, under the direction of the (horribly acronymed) JDPBPC (Joint District Planning and Budget Priorities Committee), chaired by the MP, and purportedly administered by the District Administrator
- Recently this has morphed into the new District Development Authorities (DDAs), now being rolled out, but essentially the mechanisms are the same, with some extra requirements for accountability etc...(public advice of plans/budgets, meetings to be held in the District etc)
- DSIP and its predecessors – is a double-edged sword for politicians. Over the years in PNG MPs have had around 50% chance of retaining their seats at elections. Use of the local grants (rather than performance as Ministers etc) helps determine whether they remain or are ousted...that may not necessarily equate to whether they were used in a correct or accountable manner, but just whether they're used to provide local benefits. There certainly can be an electoral backlash over misuse of constituency funds, or at least lack of tangible local outcomes.
- Over the years in CIMC regional development forums, the consistent concern and recommendations from communities, (including many LLG presidents and officials) has been over the lack of awareness and application of the rules for DSIP, shock over how much has been allocated and purportedly spent, in some cases with little to show for it, and complaints by LLG presidents over not being consulted, and officials not being involved, despite the requirement for their participation), lack

of process, such as linking ward development and district plans to allocations etc, but especially that, in many cases, the District Grants are effectively controlled by the MP.

- We constantly see – vehicles, boats or facilities, even school materials with signs saying ‘donated by the MP’ ...although they’re clearly from public funds, and widely used for short-lived boats and vehicles, rather than core development
- But the widespread concern and recommendation is that the MP’s role should be as representative, member of the legislature, overseer of the executive in Parl, but not as manager of a major multimillion kina expenditure program, for which they’re generally not trained
- As Govnr Ipatas goes further to say, ‘Open MPs shouldn’t also be allowed to hold Ministerial jobs, as well as be effective CEOs of their districts’, running major expenditure programs
- There’s no question that the Districts need extra funding to restore infrastructure and services. First this requires strengthened capacity to plan, manage and account for funds
- With the DDAs we have effectively 89 semi-independent semi-States, set up partly because of an incapacity or unwillingness of the MP or his staff to work with the provincial tier (Governor or Provincial Administrator)
- Some District, or MPs, spend money well and accountably, but many less so. But the mechanism at this stage is unsustainable:
 - Often, but not always, there’s poor tendering/oversight –so low quality and lasting infrastructure, so poor value for money, (as people in SHP recently observed comparing the donor-funded roads with those locally funded, which they said were not properly planned, supervised, completed in full or to standard and don’t last!)
 - Often focused in some parts of the districts not others (according to political allegiances)
 - Poor accountability in many cases: as highlighted in the Auditor General’s reports and various District Budget Tracking/ service delivery reviews...where extensive failures highlighted, in some cases leading to some local committees referring cases against MPs and officials for prosecution (as in Western – S Fly Province)
 - The Rules require acquittal of previous funds before further release – but this has widely not occurred, with funds released at

critical political times – e.g. prior to potential Votes of No Confidence

- But the lack of public ownership is a major issue.... funds are seen to be the MP's private assets/gifts, so some valuable and needed public facilities, like markets etc, maybe nearly completed, but the successor MP doesn't complete it or open it as he doesn't wish his predecessor to gain the credit
- Because of the weakness of the Public Service system, MPs establish parallel administrative systems...they need to, or they'd just sit on the funds until the capacity is there, as a few have done; but in the longer term this parallel system doesn't build up capacity, which requires a more coordinated govt approach
- The trouble is, years of lack of govt services, limited literacy and public awareness of laws, rights or the role of Govt, leaves many (not all) communities with only weak civic demand on govt...but has encouraged strong demands on MPs for goods/handouts/jobs/funeral expenses etc; the system has encouraged this, even if the MPs don't actually want it
- I'm not sure how the Constituency funds are progressing of late in Solomons or Vanuatu..but I recall that these, substantially ROC financed funds in Solomons, also provided projects, but mostly consumer products that didn't for the most part last
- In PNG, this concentration on project activities, which are often started but not finished, has tended to divert funds away from the real needs of the districts, which may not always be project related
- Particularly at times, like now, with tight Budget conditions, it's necessary to ensure that public funds are being put to best use
- As I've said, some MPs clearly do have functioning committees and do spend the funds accountably and on a number of planned activities or to address crises that occur in their districts. But the major issue, particularly where these are effectively the only funds for the districts, is ensuring that the mechanism is sustainable, delivers the services needed in an accountable manner
- Clearly, no one is going to be abandoning this mechanism in a hurry (it's noted that Fiji doesn't use such funding mechanisms), but even if they (the public particularly, but also some MPs) would prefer it discontinued, it's difficult to disengage once 'hooked', but what is critical is to ensure that it works markedly better:

- Allocations for districts are better tailored to population size and district need, not uniform amounts
 - MPs should be more distinct from the grant planning and management process; not the Chairman/effective CEO
 - Greater restoration of a qualified, effective and accountable district management service, with local audit committee etc
 - The DDA membership (such as woman or other civil society members) should not be so discretionary for the MP
 - The accounts should be integrated into the problematic IFMS (which needs to be rolled out properly), with suitable training
 - Effective coordination is needed with provincial budgets and programs, e.g. using the Provincial Health Authority model...remembering the critical role of transport infrastructure to be able to deliver all other public goods, or economic activity
 - BUT most of all the requirement must be there for full and timely fiscal transparency (including obligation for Freedom of Information), combined with active strengthening of community awareness and capacity to be fully engaged in the process – ie social auditing (as highlighted in the wonderful film from Kenya ‘YOU’RE YOUR MONEY’); i.e. knowing the rules, the roles of the District funding etc, understanding budgets, monitoring implementation and able to report back when there may be abuse: this can include the use of moderns apps on mobile phones for providing feedback to relevant authorities/watchdogs.
 - Share and Learn from better performing role models in other districts etc (including donor co-funded projects, as with the WB-supported project in Abau/Tapini etc)
- Some MPs might find that daunting, but many MPs have tended to feel uncomfortable with the role as district fund managers and would welcome effective mechanisms to strengthen their engagement, and relieve the pressure of constant demands, including for patronage
 - For those that wish to be effective, and gain the premium for being so, building up such accountability mechanisms within official bodies and the community is welcome
 - That can help build capacity and trust and respect and, hopefully, strengthen political stability, at least for those that choose to go down

that path, and without needing to have the OC or other national
watchdogs breathing down their necks