

Remarks on PNG's budget trends

by Thomas Webster

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I want to thank the authors Professor Stephen Howes and Andrew Mako for their [article](#). It highlights some key points observed in the PNG budgets over the last ten years. It was presented at the [PNG Budget Forum](#), organised by the Development Policy Centre and the National Research Institute (NRI) on the 12th of September at the NRI. I have a feeling people in decision making roles have not taken note of these points and therefore wanted to re-emphasize them through the release of the Spotlight Article. I hope that these will be taken note of by Government in the formulation of the 2013 National Budget.

A number of points have been made but I want to pick out a few:

1. There is a need to emphasize improving governance and budget implementation mechanisms if we are to gain from increased revenues and planned budgets. The analysis shows that revenue growth was stronger over the recent period, and nearly tripled from an estimated K10.2 Billion in 2012, compared to K3.6 Billion in 2003. From observations and reports in key sectors such as education, health and infrastructure, we are no better off now than we were then. So how we implement the Budget is just as important as the allocation of funds to priority areas.
2. There is an imbalance in allocation and expenditures between national, provincial and local governments which needs to be rectified. The analysis shows that expenditure on salaries was evenly distributed between national and provincial Governments, yet provincial governments pay for teacher and health worker salaries, as well as for other public servants. So the expenditure on salaries should be skewed towards provinces rather than being even. In regards to goods and services, national government agencies expend 90 percent and provincial governments spend 10 percent. While the expenditure of many national government agencies is for the benefit of the provinces, in the spirit of the decentralised system of government we have, provincial governments should be allocated more funds and should have more say in the provision of basic goods and services.
3. The analysis highlights that recurrent budget expenditure has gradually declined whilst the development component of the budget has increased to more than 50 percent of the government's annual expenditure budget. This needs to be checked and more allocations should be made to the recurrent budget. Educational institutions are in dire need of funds for operational and facilities maintenance. Hospitals and health facilities are in dire need of funds for staffing and medicine. Police and law enforcement agencies need operational funds and human resources to keep up with increasing problems. The Works Department needs adequate funds to keep the national roads in good condition. There should be increases to the recurrent budgets in key priority areas rather than increasing the development budget allocations.

On the subject of budgets, I'd like to make two observations on recent discussions surrounding the Government's plans for next year:

First, I want to re-emphasize that Parliament is the appropriate body to approve budgets. The Executive Government only proposes how to raise revenues and how these revenues will be spent. The only body to approve the proposed Maxim Bank Loan and where these funds will be spent is Parliament. I have heard the PM make this point and I look forward to the presentation of the proposals to Parliament so that they can be debated and then approved. In that way, the information is available to the public. However, in recent weeks, we have been informed that the NEC has approved a loan of more than K150 million from the Maxim Bank of China and awarded a contract to a Chinese company to undertake work on new information management systems, including the introduction of a bio-metric identification system. I hope that these arrangements have been undertaken in a way that complies with the Financial Management Act.

Second, while I support the Government's proposal to borrow K6 billion to undertake major works on the Highlands Highway and on critical infrastructure, the Government must fix the governance and project management weakness that are evident in the way National Governments Tenders are awarded, how projects are managed and work that has been done is paid for. This has been highlighted in a full page advertisement taken out by the Minister for Works in today's papers. We have spent a substantial amount of money on various projects around the country over the last ten years and have very little to show for it. These institutional deficiencies need to be fixed and systems working effectively to better manage the expenditure of the funds from the proposed loan so that we can see tangible benefits.

This is an edited version of a post originally published on the website of the [National Research Institute](#). The remarks are in response to this [NRI Spotlight Article](#) (blogged [here](#)). Both are a part of the [Promoting Effective Public Expenditure in PNG Project](#).

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