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2018 Budget Must Protect the Health Sector

“The government must stop its slashing of health services. The people of PNG deserve better health services so when they turn up at an aid post, sub health center or hospital, medicines are available with caring doctors, gentle nurses and maintained facilities.” This statement was made by the Shadow Minister for Treasury & Finance Ian Ling-Stuckey at a community development forum held at laburua village in the Tikana LLG area yesterday.

“Contrary to the government’s claims, funding for PNG’s health sector has been sliced and diced in recent years. In last year’s budget alone, the health budget was cut by over 20 percent. This is a chainsaw approach that we expect to be applied to the public service – not our critical health sector.”

Using PNG Treasury’s own figures, spending on health was being cut from K1,536.7m in the 2016 Supplementary Budget to only K1,221.5m in the 2017 budget.

This was a reduction of over K300m in just one year.

“How can the government say that health is a priority and is being protected when it takes one-fifth of the entire health budget away in a single year?” asked the Shadow Treasurer.

“Such massive cuts are draconian – they sap the morale of health workers and the people that need help.

“And everyone knows that the so-called ‘free health care policy’ has absolutely failed to deliver. It just seems to be a myth when we listen to health officials and feedback from our rural citizens – I think, some pleasant words hiding the truth of massive funding cuts.

“On top of last year’s massive cuts, the government is planning on big cuts in future years, again!

“The government has indicated that by 2020, it intends to cut over another K100m from the health sector – down to K1,106.9m.

“None of these cuts take account of the impacts of inflation with a need for additional money to pay for rising health care costs.

“These cuts also do not take account of population increases. According the National Statistics Office, there are around an extra 250,000 new babies every year (3.1% of around 8 million people). Between 2016 and 2020, there will be nearly an extra one million people in PNG that need care” said the Shadow Treasurer.

A concrete example of the cuts to health is the large reduction in funding for the Angau Hospital in Lae. Funding was cut by 15% in 2015, another 15% in 2016, and another 11% in 2017. Analysis by the ANU indicates that funding for PNG's second largest hospital in 2017 is less than it was in 2009. Just think how much Lae has grown over that period.

“Of course, there is scope to improve some elements of health expenditure. In particular, there is a need to retender recent medicine supply contracts which are now over-priced with poor delivery.

“But it is not realistic to find savings of K400m in health without hurting people. Prices of medicines are going up, doctors and nurses will need a pay rise at some stage, there will be lots more people to take care of, and yet the government slashes funding for such a vital service.

“This is a heartless approach. There are better areas where cuts can be made such as removing waste in public administration and getting interest costs under control.

“The Treasurer must ensure that the health sector is truly protected in the 2018 Budget, with doctors, trained nurses, aid post orderlies, health officials and of course, the people of PNG, expecting this key service is given priority. The government promised big benefits from the PNG LNG project and another government freebie on free primary health care services. This created false expectations. But rather than dramatically cutting the health budget, there are better ways to cut the cloth to deal with extraordinary drop in revenues, driven mainly by poor domestic economic policies.” said Mr Ling-Stuckey.

Hon. Ian Ling-Stuckey, CMG, MP
Shadow Minister for Treasury & Finance

22th November 2017

Table 12: Medium Term Expenditure Profile (Kina, Million)

Sector	2016 Sup. Budget	2017	2018	2019	2020	2021
Administration	2,219.2	2,732.3	2702.1	2,549.3	2,476.0	2,443.8
Community & Culture	149.7	224.6	222.2	209.6	203.6	200.9
Debt Services	1,479.6	1,382.9	1,367.6	1,290.3	1,253.2	1,236.9
Economic	452.4	398	393.6	371.3	360.7	356
Education	1,242.8	1,162.5	1,149.7	1,084.7	1,053.5	1,039.8
Health	1,536.7	1,221.5	1,208.0	1,139.7	1,106.9	1,092.5
Law & Justice	1,232.6	1,124.5	1,112.10	1,049.2	1,019.0	1,005.8
Provinces	3,565.8	3,989.9	4,020.20	4,040.7	4,059.5	4,090.1
Transport	1,025.2	897.1	887.2	837.1	813	802.4
Utilities	371.5	216.2	213.8	201.7	195.9	193.3
Grand Total	13,280.9	13,349.5	13,276.5	12,773.6	12,541.3	12,461.5

Source: Dept. of Treasury

Source: Table 12 page 39 of PNG's 2017 Budget

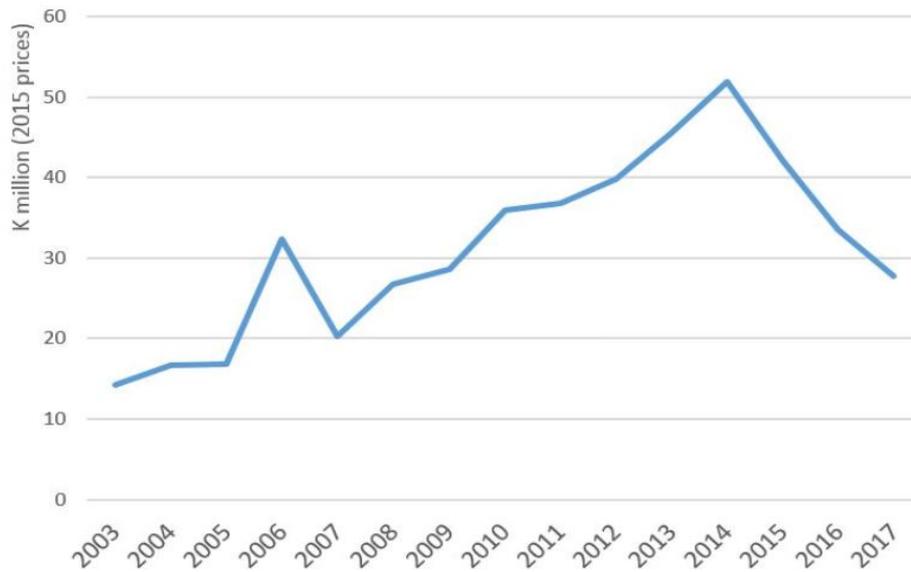
Total funding for Health in 2017 is K1,221.5 million or 9.2 per cent of the total budget. This is a reduction of 20.5 per cent from the 2016 Supplementary Budget.

The Government has maintained its key commitments in the Health Sector. The Capital component of K351.6 million includes K20.0 million fixed support for the Free Primary Health Care Service policy. The total operational component for the sector is K870.1 million which constitute of K535.6 million in Personnel Emoluments and K334.5 million in Goods and Services. From the Goods and Services component, K160.7 million is allocated for Medical Supplies Procurement and Distribution processes.

Source: Page 44 of PNG's 2017 Budget

Education, health and so on are abstract categories. More concrete examples are useful. Take the Angau Memorial Hospital, PNG's second biggest, in Lae. It received a nominal cut of 11% in the 2017 budget (relative to the original 2016 budget), on top of two successive annual 15% cuts. Adjusting for inflation, as one needs to do for comparisons over longer periods of time, Angau's budget for 2017 will be just over half of what it was in 2014: see Figure 2. No wonder there are reports of staff being laid off. As the figure below shows, Angau did well during the boom years, but has suffered since: its 2017 budget is below 2009 levels. Just think about how much Lae has grown over that period.

Figure 2: Angau Hospital budget since 2003



Source: ANU Development Policy Blog 10 November 2016 at <http://devpolicy.org/angau-hospital-stories-pngs-2017-budget/>