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Alternative Government Supports Better Budget Transparency

"The Alternative Government welcomes the recently released international survey on budget transparency and Treasurer Abel's commitment to budget open-ness and accountability. This is an excellent initiative led by the Institute of National Affairs in PNG. It is unfortunate that PNG's score dropped from 55 out of 100 in 2015 down to 50 out of 100 in 2017, the lowest level for PNG since the survey started more than a decade ago. The Alternate Government believes that the government should be much more open about the budget, and also should allow the people of PNG more participation in the budget processes" said the Shadow Minister for Treasury and Finance, Ian Ling-Stuckey.

"One key element of making budgets actually work for the people of a nation is to ensure accountability. Let me make it very clear that the Alternate Government will hold the government to account during 2018. The Alternate Government will expose, oppose and propose as outlined in my Budget Response on 5 December 2017. In particular, we intend to closely examine the following material during 2018, and provide a perspective other than the government's media spin doctors:

- On 31 March, the PNG Treasury should release the 2017 Final Budget Outcome. This will be an official statement on 2017 revenues and expenditures after the close of accounts. There is a possibility that these figures will be "fine-tuned" such as hiding expenditure through payment arrears etc. As indicated by the Honest Budget report on PNG, this should also include information on forecasting and nonfinancial information performance.
- On 31 March, Loi Bakani will also release the six monthly Monetary Policy Statement. The key focus used to be on inflation levels, but the current key issues are around the foreign exchange crisis as well as the level of private credit growth (so loans to businesses for investment as well as to PNG families to buy houses). These reports appear to have become less independent over recent years and now don't include more independent comments on fiscal policy or separate GDP estimates.
- On 31 July, the PNG Treasury will release the Mid Year Economic and Fiscal Outlook. This should give a good snapshot of how things are actually going in the 2018 budget but unfortunately won't cover all the off-budget expenditure and debt hidden in State Owned Enterprises and other games.
- In August, there should be a 2019 Budget Strategy. This was a major failing last year as this required report did not come out until too late in the budget process.
- In August, if not before, there will also likely be a Supplementary Budget. The fake revenue forecasts in the 2018 budget means that expenditure will need to be reduced and key promises broken. Key issue is where the cuts will fall –

infrastructure and health, or the expensive political promises of the Prime Minister and his Treasurer.

- On 30 September, Loi Bakani will release his second six monthly monetary policy statement for 2018.
- In November we should see the 2019 budget. However, this timing clashes with the APEC leaders summit. The budget should be brought forward to deal with the revenue shortfalls and provide confidence that the government has a strategy for dealing with its problems and opportunities prior to the APEC summit.
- The government has indicated that its five year medium-term development plan will be released in the middle of the year. This will be an important document. A key underlying issue will be expectations around future revenues – the fear is that games will be played in boosting fake revenues so even more fake promises can be made.
- There are also some other publications from the Asian Development Bank, World Bank and IMF during the year. These can provide some more independent judgements of how the economy and budget is performing. The caution is that these organisations are actually controlled by governments, and they tend to be too diplomatic in their language.
- The World Bank is also now doing a more comprehensive assessment of the economy every six months. The second of these is likely around May or June.
- APEC will involve many lead-up meetings during the year. These will cover most sectors. The Alternative Government will closely monitor outcomes from these meetings.
- The financial ratings agencies will also do updates on PNG's credit rating. They have already downgraded PNG's credit rating during the O'Neill government period.

"The Alternative Government also strongly believes in increased public participation in the budget processes. PNG getting 6 out of a 100 on public participation is an appalling outcome – we would want all our student's to be doing better in class! PNG's Consultative Implementation and Monitoring Council (CIMC) is a positive start as an independent organisation bringing together civil society, the private sector and government. This type of cooperation and accountability needs to be expanded down to district levels. With much greater funding going to districts, local people deserve to be told exactly how much is received, how much is supposedly being spent on various projects, and then be able to have a say on whether the money has been spent properly. This would be a worthwhile initiative to increase accountability and reduce the chances for corruption" said Mr Ling-Stuckey.

"Much more also needs to be done not strengthen budget oversight. Hopefully, the Parliamentary Public Accounts Committee will be given the resources to do a better job. The National Audit office should be given more resources.

"The Alternative Government will be watching closely and holding the O'Neill/Abel government to account in 2018. The people of PNG should be given much more information so they can also do the same – we are stronger as a team" said the Shadow Treasurer.

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

6 February 2018

**Key extracts from the International Budget Partnership
Country Report on PNG 2017
PNG Institute of National Affairs is IBP's analytical partner**

<https://www.internationalbudget.org/budget-work-by-country/findgroup/group-data/?country=pg>

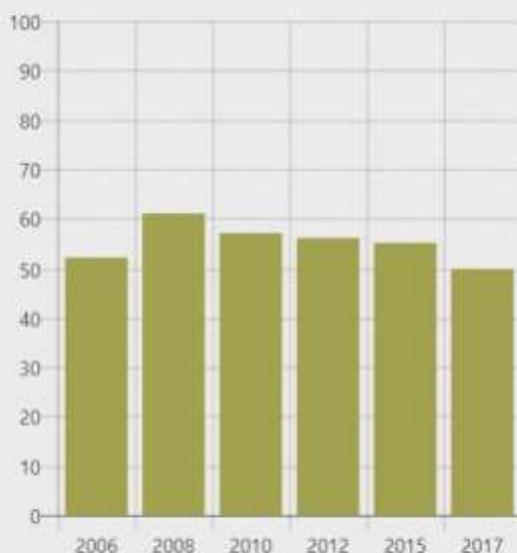
TRANSPARENCY (OPEN BUDGET INDEX)

50

Papua New Guinea provides the public with **limited** budget information.

OUT OF 100

HOW HAS THE OPEN BUDGET INDEX SCORE CHANGED OVER TIME?



RECOMMENDATIONS FOR IMPROVING TRANSPARENCY

Papua New Guinea should prioritize the following actions to improve budget transparency:

- Publish a Pre-Budget Statement online in a timely manner.
- Produce and publish In-Year Reports, an Audit Report, and a Citizens Budget.
- Increase the information provided in the Year-End Report by including comparisons between planned nonfinancial outcomes and actual outcomes and comparisons between original macroeconomic forecasts and actual outcomes.

PUBLIC PARTICIPATION

6

Papua New Guinea provides **few** opportunities for the public to engage in the budget process.

OUT OF 100

HOW DOES PUBLIC PARTICIPATION COMPARE TO OTHER COUNTRIES IN THE REGION?

Global Average	12/100
New Zealand	59/100
Australia	41/100
South Korea	39/100
Japan	20/100
Fiji	15/100
China	6/100
Papua New Guinea	6/100

RECOMMENDATIONS FOR IMPROVING PARTICIPATION

Papua New Guinea should prioritize the following actions to improve public participation in its budget process:

- Pilot mechanisms for members of the public and executive branch officials to exchange views on national budget matters during both the formulation of the national budget and the monitoring of its implementation. These mechanisms could build on innovations, such as participatory budgeting and social audits. For examples of such mechanisms, see fiscaltransparency.net/mechanisms.
- Hold legislative hearings on the formulation of the annual budget, during which members of the public or civil society organizations can testify.
- Establish formal mechanisms for the public to assist the supreme audit institution in formulating its audit program and to participate in relevant audit investigations.

BUDGET OVERSIGHT (BY LEGISLATURE & AUDIT)

31

The legislature and supreme audit institution in Papua New Guinea provide **weak** oversight of the budget.

OUT OF 100

TO WHAT EXTENT DOES THE LEGISLATURE PROVIDE BUDGET OVERSIGHT?

Formulation/Approval	33/100
Execution/Audit	27/100

The legislature provides **weak** oversight during the budget cycle. This score reflects that the legislature provides weak oversight during the planning stage of the budget cycle and weak oversight during the implementation stage of the budget cycle.

TO WHAT EXTENT DOES THE SUPREME AUDIT INSTITUTION PROVIDE BUDGET OVERSIGHT?

Weak	33/100
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The supreme audit institution provides **weak** budget oversight.

RECOMMENDATIONS FOR IMPROVING OVERSIGHT

Papua New Guinea should prioritize the following actions to make budget oversight more effective:

- Ensure legislative committees examine and publish reports on their analysis of the Executive's Budget Proposal online.
- Ensure a legislative committee examines and publishes reports on in-year budget implementation online.
- Ensure the supreme audit institution has adequate funding to perform its duties, as determined by an independent body (e.g., the legislature or judiciary).
- Consider setting up an independent fiscal institution.