

## Budget and Budget Oversight and Review of Development Assistance

The Annual National Budget forms a core component of the Social Contract between citizens and their state, in terms of the funding for the Public Goods that are required to be provided by the State for the population (including businesses) and the collection of that funding, in the form of taxes and duties from the public and businesses for those public goods and services. Those core public goods including law, justice and security (from external aggression and domestic threats and wrongdoing), public infrastructure such as roads and other transport and communications facilities, produce markets, social protection etc, although some maybe provided by businesses, health and education and certain research, certainly regulatory functions, e.g. on safety, environment etc.

Every two years the INA conducts the Open Budget Survey, as part of a worldwide survey of the openness of the budget process. Open budget processes, in terms of the accessibility, timeliness, but also rigour and public participation in all stages of Budget preparation to auditing, are critical towards budget accountability and ensuring that public funds and resources are used effectively. Access to loan finance details, project agreements, contracts, debt levels, conditions, duration and servicing costs are all critical components, including the openness of transactions, such as between resource companies and the State, and between the State and sub-national governments and stakeholders, and ensuring no conflicts of interest by officials/leaders in contracts, and openness of beneficial ownership, and minimizing any opportunities for sole discretion in decision making over resources (appointments etc), are all fundamental to ensuring public funds and resources are used properly, and abuse is minimized.

But openness only goes so far; It also requires active interest and engagement by the public, at the national and local levels, in engaging and understanding the budget process and engaging actively in its oversight, together with the official watchdogs, including the Finance Inspectorate, the Auditor General's office, the Ombudsman (including applying the Leadership Code, which needs to be strengthened) and the Ombudsman Commission and others (including now ICAC)

During 2024 the INA, together with CIMC and other civil society partners, will be seeking to raise awareness and public participation in the Budget process and composition. It will also be facilitating public examination of the annual Budget and the 5 year Medium Term Development Plan 4 (2023-27), whether they reflect the public priorities and whether they are delivering what is required by the public and good value for money, including whether waste or other maladministration and abuse may be involved in its application, nationally or at the local level.

The findings from the 2023 Open Budget Survey will be launched in early 2024, and also the Bertelsmann Transformation Index review of the state of governance, democracy and the economy and business conditions. During the year we will host a series of seminars and consultations, as part of the review and encourage public participation, presentations and papers from interested persons/academics and professionals.

Development Assistance

As part of the Budget review, the INA will also be assessing development assistance to PNG, its role, effectiveness and suitability. Fundamentally, the citizens should be concerned over how government manages the country's own finances and resources in the best interests of its own citizens. Most governments around the world also legitimately borrow funds at times, particularly during temporary periods of revenue shortfall, where an economic downturn may squeeze revenue, but needs to sustain its core functions, or possibly seeks to temporarily stimulate the economy and jobs, through deficit financing. Resource richer nations, like PNG, have generally established Sovereign Wealth Funds to iron out these budgetary peaks and troughs, by investing proceeds from their resource wealth during good times, to iron out budget and economic troughs, but also set aside for the future, when the resource wealth will be depleted. After much talk and some preparation PNG has still not operationalized its SWF, while still tucking resource proceeds into much less accountable State-owned enterprises (Kumul companies), and operating, effectively, parallel budgets, and investing back into the same industries from which they gained proceeds, thereby further exaggerating, rather than smoothing, the resource cycles of swings and troughs.

Many developing countries, like PNG, have also had access to development assistance from a variety of sources. Such development assistance, or donor aid or lending, can be useful if well targeted to develop the economy, or human resource capacity to enhance the medium term and sustainable capacity of the country. Development assistance is sometimes secured to fill gaps, while loan finance that is concessional can also usefully displace more costly commercial borrowing. However, when development assistance is widely scattered, poorly coordinated, or used as an excuse by government to bypass funding core public goods required in the social contract between the citizens and their government, so it can spend on other things, like inessential but costly status projects, or frivolous overseas travel, vehicles and perks, then the public has good reason to be concerned. The administration, duplicative overheads, agenda, and commercial administration of much development assistance should all be subject for examination, both by citizens of donor countries and those of the recipient country. If donor funds or lent funds, are provided for projects that maybe low priority, uncompetitive or unduly add costs to the state or PNG SOEs, and indirectly jeopardizing their viability, and adding to sovereign debt, or being used by the State to increase authoritarian control, these could all be subjects of concern to citizens. Who determines the agenda for development assistance and the actual costs and benefits should all be subject to scrutiny.

Again, public and professional feedback, presentations, papers and partnerships in this review will be sought and welcomed on this theme during the year.