

SPEECH TO THE DEVELOPMENT STUDIES NETWORK

ADDRESSING POVERTY: PRO-POOR GROWTH AND FINANCIAL INCLUSION IN ASIA PACIFIC

National Museum of Australia

5th December 2006

(Opinions expressed here are views of the author only and may not reflect views of the Government of PNG)

Distinguished Friends,

I am grateful to the organizers for the invitation and indeed humbled to share this evening with you, more so because of the subject of this symposium and the very distinguished gathering of policymakers, thinkers, practitioners and legislators to address poverty in Asia-Pacific Region.

I wish to preface my remarks with some comments on recent disagreements between Papua New Guinea and Australia as a case study. Of some relevance to the subject of your gathering, I sense that the issue of Australia's overseas development assistance has a lot to do with the simmering disagreement though it seems Mori's flight provided the precipitating factor for Australia to initiate the stoush.

I draw some strength from my immediate past life as a consultant looking at flows of development assistance to PNG and some work on reforming PNG's public sector institutions and policy development and formulation; small and insignificant though they were compared to your work and experiences definitely.

As PNG's official representative in Australia, I am bemused and saddened by the events over the recent past and the degree of intensity in the language with which we have been speaking to each other across the Torres Strait. One of the tools of trade I picked up quickly as a consultant is the use of acronyms. And for the past few months, as far as our official bilateral relations is concerned, PNG to Australia did not stand for Papua New Guinea but "Persona Non Grata" and GoA did not stand for Government of Australia but simply, "Go Away." More to the subject of your meeting, I suppose PNG could just as well stand for "Poor-No-Growth" country, if we are to believe the utterances of some of our very vocal learned friends from a particular research institution.

Fortunately, as of late last week, there are positive moves forward to resolve the outstanding issues between our two governments. I say the development assistance had some thing to do with the dispute mainly because of the misunderstandings and understandings it generated over the last three to four years to the extent that when I was in PNG last week I heard rumours that AusAID sent out minutes it no longer has, as its logo, the two intertwining boomerangs.

I want to assert some thoughts that you may or may not agree with.

Firstly, PNG 's policies have been sound and consistent over the years since independence.

Secondly, PNG 's perceived poverty is the result of a debilitated public service. It is not the result of lack of productive resources including money.

Thirdly, corruption has been touted as the cause of poverty in PNG but there are a lot of very corrupt countries which are also very rich and with a lot of very poor people. As part of your language of trade, it is the magnitude of the gap and distribution of income earning opportunities that matter between the well to do and the less well to do that poses the development dilemma.

The sooner the discourse on poverty moves from moral finger-pointing particularly limiting the definition of governance to corruption to a more broader appreciation of the government within culturally diverse contexts, the easier the task becomes of delivering development to the community at large.

Reform (structural adjustments, public sector and delivery of services) has also continuously been touted as the panacea to economic growth and poverty alleviation. In PNG reform measures have taken many twists and turns particularly in late 1980's to as late as two years ago.

In the late eighties and early nineties, World Bank's structural adjustment programs or SAP in various forms sapped much of the energy out of the political will and thrust PNG close to political turmoil culminating in the very near collapse of the government fiscal policy. Inexplicably, a former World Bank employee, who became a very close

confident of the then Prime Minister in early 2000s nearly pushed PNG over the brink to bankruptcy.

In our latest efforts, PNG's National Executive Council (NEC) made two decisions, one on 28 July 2004, and the other on 25 August 2004. Both decisions approved the establishment of the Public Sector Rightsizing Working Group (PSRSWG) with the latter decision clarifying and adding other details to the original July 28 decision. The objective of the review is to provide NEC "an appropriate policy framework, strategy and a plan of action" within which it can review the roles and structures of government.

It has been clear for some time that successive Government's policy priorities, embodied in the successive Medium Term Development Strategies (MTDS), are not being well served by the existing public sector structure. That structure is not allowing the Government to effectively budget for, implement or monitor its plans. The public sector structure therefore needs to be reformed and rightsized. It is not a matter of cutting the public sector for its own sake, but of creating a structure that permits the government to maintain close control of the size of the public sector and to provide for effective central planning, control and coordination of resources and better service delivery to Papua New Guineans.

The priorities for reform as contained in the **Public Expenditure Review and Rationalization (PERR)** project need to be included and merged with **Medium Term Development Strategy (MTDS) priorities** to provide consistency and sustainability in strengthening "Whole of Government" (WoG) approach to reforms. The PERR reform effort focuses on the following 9 areas and they include:

- Improvement in Budget stability
- Improvement in Budget Process
- Security of payroll and appointments
- Reduction of spending on salaries
- Control and prioritization of spending on procurement and improvement of oversight of spending
- Expenditure adjustment and prioritization Phase 1
- Expenditure adjustment and prioritization Phase 2
- Improvement of non-tax revenue
- Improvement of fiscal and governance oversight of statutory authorities.

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Expenditure must be driven by policy and not be independent of it. The matching of MTDS 2005-2010 priorities with PERR focus areas will strengthen and sustain reform and direct expenditure to development priorities.

The PSRSWG work also focuses on the priorities articulated in the **MTDS 2005-2010**. The Strategy specifies that *“for the period 2005-2010, the overarching development strategy is defined as export-driven economic growth, rural development and poverty reduction, including through good governance and the promotion of agriculture, forestry, fisheries and tourism on a sustainable basis-the strategy will be realized by empowering Papua New Guineans, especially those in rural areas, to mobilize their own resources for higher living standards.”*¹ The expenditure priorities to realize and bring to fruition the development strategy are the following:

[List of expenditure priorities]

The MTDS 2005-2010 bemoans the lack of implementation of past development strategies and refers to them as mere statements of good intentions. The framers of the Strategy are certain it is a different approach to guide and underpin PNG’s course for development. The Strategy is based on Somare Government’s Program for Recovery and Development, and its three interrelated objectives² of:

Good governance
Export driven economic growth
And rural development, poverty reduction and empowerment
through human resource development.

¹ Department of National Planning and Rural Development, MTDS:2004: (iii)

² MTDS 2005-2010 : 2004:iv

Relevant to the Public Sector Rightsizing (PRS) work, the MTDS 2005-2010 recognizes “good governance and public sector reform . Good governance, credible and stable policies are fundamental conditions for private sector growth. The public sector reform program will impart a clear sense of direction on our public service, reduce the cost of government, improve accountability and enhance the efficiency of service delivery. Fiscal governance will be improved by strengthening PNG’s public expenditure management system. Under the M T D S, the government’s expenditure program will be driven by the development strategy. The MTDS recognizes that as a nation, we can no longer ignore the dysfunctional system of service delivery that has arisen following the 1995 reforms to our system of decentralized government. Under the MTDS, there will be a renewed emphasis on the need to identify practical solutions to address the current constraints to service delivery.”³

So, if reform in policy and capacity in public sector delivery are key elements for growth, and poverty alleviation, PNG has had its inordinate share.

I conclude with this message that charity defined and delivered may be better than aid deviously clothed as charity and delivered with a punch.

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³ MTDS 2005-2010: 2004:iv-v