Public Sector Reform in PNG

Denis Ives

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• ‘Public sector reform’ (PSR) is essentially about changes in the role, activities and performance of the executive arm of the State

• As such, it usually has a significant political dimension

• Particularly in regard to institutions, policies and management — the ‘IPM’ model of PSR

• In PSR, long lists of activities and ideas abound, but not all are significant

• The longer the list of proposed reforms, the less likely is success

• Such lists cause confusion about PSR, particularly about priorities
Some key issues with PSR

• The heartland of PSR is about remedying faults in institutions, policies and management in the executive arm

• PSR is about ‘fixing things’!

• What changes are needed in institutions, policies and management in PNG?

• How can change best be pursued?

• What influences are at work in the community?
• A preliminary observation —

Whatever definitions we use, most commentators would say that to date PSR in PNG has been relatively unsuccessful

• What are the key problems and constraints in seeking improvements to institutions, policies and management?
• Confusion about ‘national interest’

• Politicisation: The attitude of politicians is critical – political perceptions and will are central to PSR

• Culture: In PNG, is there a cultural issue about ‘fixing things’?

• Culture: Why is ‘problem solving’ a missing skill in PNG?

• Confidence of officials – much uncertainty about their role in pursuing PSR; reform can be resisted and avoided

• Teamwork and coherence lacking; absence of a focus on results; implementation is a problem area
Institutions

• This does not just mean ‘organisations’ but the ‘rules and systems’ that are available to the executive to influence and manage national affairs

• PNG has the usual array of institutions (Australian influenced) but they don’t always perform well

• One major institution is the Public Service

• Constitutional basis (and legislation) for the PS is reasonable but many criticisms about effectiveness and efficiency

• Recent issue about politicisation of Departmental Heads
Departmental Heads

• Aims to stop patronage, ‘revolving door’ and instant termination by new Ministers; and improve performance

• PSC has been resurrected and given a major new role in all appointments and terminations of Departmental Heads

• PSC must provide formal recommendations on these issues

• Now in place and recently extended to Statutory Agencies

• Ironically, may be causing a ‘roadblock’ — frustrations? Implementation needs to be improved
The ‘Watchdog’ function

• Two key bodies in accountability are the Ombudsman Commission and the National Audit Office

• The Ombudsman has a major role beyond complaints and deals with breaches of the Leadership Code

• The Ombudsman has been pro-active, effective and is often criticised by politicians

• The National Audit Office is much less effective, and a planned institutional strengthening project has not proceeded

• There is an imbalance to be remedied
Policies

- Medium Term Development Strategy (MTDS) should provide the overall framework; MTDS for 2003-07 to come

- Key economic policy areas include macro-economic framework, revenues, expenditures, incentives and regulation

- Key social policy areas include health and education; Infrastructure includes transport, roads and energy

- Other areas are security, law enforcement and anti-corruption

- Policy picture is worrying and implementation of decisions is always a problem.
Policies

• Drivers of policy are not always identified or readily accepted in political circles

• Affordability, benefit/costs, equity, sustainability and transparency are not given as much attention as might be expected; analysis is not a strong point

• Coordination structures are there at the political and official levels (from the Morauta Government)
  — NEC, Chief Secretary; CACC

• CACC could have a key role but evidence of this not seen - very time-consuming with few obvious results
Management

• This field is considered seriously deficient – management is ‘broken’; internal management of the public sector is weak

• Systems of planning, organisation, budgeting, performance, monitoring and evaluation need considerable development, not just at the central level but also at the line agency level

• This is a major area for improvement, particularly for Central Agencies – therefore a key part of future PSR

• A checklist of management needs can be used – financial, HR, performance, service delivery, IT, accountability and anti-fraud and corruption; and integration (whole of government)
Recent relevant developments

- PSR for PNG – new Strategic Plan
- AusAID focus on Central Agencies
- HR reforms
- Economic and financial reforms
- New Australia-PNG Economic Cooperation Program (ECP)
PSR – new Strategic Plan

• Meant to be an integral part of MTDS for 2003-07

• “We cannot afford to have a poorly focused inefficient public sector that resists improvements. We can no longer afford to tolerate high levels of corruption and unlawful behaviour.”

• Recognises key drivers—critical budgetary situation, high debt servicing and very high public sector payroll costs; Provincial Administration difficulties; accountability issues; lack of respect for rule of law

• Objectives, strategies and indicators set out in the document

• Can donors reinforce implementation of this Plan?
5 Key Objectives of PSR Plan

1. A public sector with a clear sense of direction
2. Affordable government
3. Improving performance and accountability
4. Good governance (probity, respect for the rule of law and anti-corruption)
5. Improving service delivery
AusAID focus on Central Agencies

• Over the last year, AusAID has moved to focus on the role of Central Agencies, as a key part of institutional improvement

• Support for CACC and PSRMU; new assessments of their role and issues in PSR (including new Strategic Plan)

• Additional assistance for Treasury (ASF advisors and support of PATTS; support for PERR); commissioning of Gap Analysis; Assistance for DPM and PSC (new areas of support)

• These developments have proved valuable in establishing a base for further assistance for institutional change
HR reform issues

• Major activity has been on new Payroll system (Concept)

• Payroll is large part of recurrent expenditure in Budget

• Many loopholes in records and therefore leakages; ‘ghosts’; hopefully rectified by the new system; data cleansing; but difficulties in implementation

• Outstanding PS pay claim and negotiations – Budget implications

• 2003 Budget announcement of funding for retrenchments (K30 million); staff ceiling issues
Economic and Financial Reforms

- A key area embracing macro-economic and Budgetary policy issues

- PATTS: Treasury twinning arrangement, since 1999; additional AusAID assistance (ASF) beyond twinning; since 1999, expenditures of about $5 million on the above

- FMIP: broader ADB supported activity; review of accounting systems and related IT and management issues

- PERR: major donor review in conjunction with GoPNG
PERR
Public Expenditure Review and Rationalisation

Four major themes:

1. A road map to fiscal sustainability
2. Reprioritisation of expenditures
3. Civil Service size and payroll
4. Restoring the integrity of Budget institutions and systems

Treasurer Philemon said the next phase of PERR to be undertaken in early 2004 will aim to identify medium term structural reforms to the expenditure side of the Budget, of at least 3% of GDP or around K400 million.”
New Australia-PNG initiative

- Enhanced Cooperation Package (ECP)
- Ministerial Forum in Adelaide on 11 December 2003
- $1 billion program
- Others will speak about this
- Highly relevant to PSR - institutions, policies and management
Outlook for PSR in PNG

• There is a basis for ‘take-off’ but this has been said before
• Is this ‘starting over’ (cyclical) or ‘moving on’ (progress)?
• Advisors can help by providing new capacity, but how will additional advisors ‘fit in’? Will this be smooth?
• There are issues in progressive engagement, proportionality, ownership, collaboration, capacity building and skills transfer
• There has to be coherence at the political and official levels
• Progress with PSR depends on PNG wanting change and being prepared to help itself
Outlook for PSR in PNG

• Executive government is led by politicians; therefore political leadership and will to change will be important

• Advisors can help but counterparts have to be prepared to take up the burden and ensure sustainability

• Advisors provide inputs but long term effectiveness will depend on how these inputs are absorbed and acted on by Papua New Guineans to achieve better outcomes

**Ultimately, progress with PSR is up to PNG politicians and officials — and the general PNG community**