



**GRIEVANCE DEBATE**

**“Unfair sharing of the PIP Funds between 2007-2011”**

**MINISTER FOR NATIONAL PLANNING AND MONIOTORING  
HON. SAM BASIL, MP**

**NATIONAL PARLIAMENT**

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## **1. Introduction**

Mr. Speaker,

I want to thank all the Honourable MPs for expressing their thoughts, frustrations as well as their compliments and commendation on the 2012 Annual Budget. Honourable Treasurer and Finance Minister and Member for Kandep Don Polye has already given what the O'Neill-Namah Government's thinking is behind the 2012 money plan.

As a Government of the People, we are duty-bound, constitutionally, and through the policy frameworks, commitments made by successive Government to ensure that the distribution of our wealth is as fair as well possible – and that it empowers the people.

Mr Speaker, the people I refer to – embraces the totality of our people representing the 849 language groups, living in the 89 districts, grouped in 22 provinces (including the National Capital District and Autonomous Region of Bougainville) that live in the mountains, valleys, plains, coastlines and islands of Papua New Guinea.

All of them – collectively – are the responsibility of the Sovereign State of Papua New Guinea. Each one of us here – are mandated by them in district constituencies or provincial ones – to be their representatives. The acid test of whether the nation's wealth has been shared equally and empowered our people equitably – is expressed in this Honourable House, through you Honourable Members of Parliament.

If we do not hear you – or refuse to hear you through childish points of order and gagging of debates – we will be saying we do not want to hear Papua New Guineans who gave us the mandate to be here.

Our peoples expectations of us are simple: make good decisions and bring us back our fair share of the national wealth – in sustainable services and goods.

It is therefore with a heavy heart that I rise to present to this Honourable House a statement on expenditure allocations of major programmes under the Development Budget from 2007 to 2011, which are implemented by the Department of National Planning and Monitoring.

Mr. Speaker, reporting on the overall PIP Budget performance is something that has not been done by previous Governments nor has reporting on allocations of PIP funds under various programmes to districts like this.

The O’Neil-Namah Government under my leadership wants to improve on this by making sure so that funds are allocated evenly and correctly to projects that meet the purpose of the programmes.

At the same time, the Department of National Planning and Monitoring under my ministry is working on improving the monitoring of funds by the recipients to ensure transparency and accountability on the use of the nation’s scarce development funds and maximise their impact on the lives of our people, particularly at the district and rural level.

Mr. Speaker, this statement of the expenditures on projects under various programmes focusing at the district level is just the starting point and more detailed analysis and reports of the PIP funding is expected to be undertaken and reported periodically to this honourable House and to the general public.

Mr. Speaker, the major programmes that continue to target our districts where funding has been allocated since 2007 to present are the following:

- District/Strategic Markets 2009 – 2011;
- Rural Electrification 2010 - 2011;
- Rural Communication 2010 - 2011;
- District/Provincial Support Improvement Programme (DSIP/PSIP);
- Social Development Programme 2009 – 2011 and;
- Rural Roads.

Let me work you through each one of them.

## **2. DISTRICTS MARKETS PROGRAMME 2009 - 2011**

Mr. Speaker, the district markets program began in 2009. Its main purpose is to fund clean, well-serviced market facilities to benefit small entrepreneurs and the rural people. From 2009 to 2011, a total K67 million was released by the Department under this program. Only 47 districts received money through the district market program, leaving out 40 districts during the life of the program.

Of those districts that benefitted, most received K1 million. Those that used the money well for example Talasea District have been able to provide high quality and

extensive market facilities. However there is evidence of excessive over-funding in some districts. These districts are Nipa Kutubu received K7 million, Kompiam Ambum received K1.8 million, two including Central Bougainville received K1.6 million while Wapenamanda, Komo Margarima and Injivitari received K1.5 million each.

Mr. Speaker, in 2011 alone, Nipa-Kutubu received K7 million from district market funds, more than three times that received by any other district in the life of the program. This is enough to see well over twenty well serviced district markets. Sadly the people of Nipa-Kutubu have yet to see the full benefit of this money.

In some of the districts that received funding, there is little evidence of any construction of a district market. A total of K886,000 was paid to Kagua-Erave district including K600,000 in March, 2010. There is as yet **nothing** to show for it.

In other districts the value for money is questionable. For example the district of Kompiam Ambum was funded with K900,000 in 2009 and again with the same amount in 2011. Work has only just commenced.

Mr. Speaker, the Department is continuing to check progress in all other districts to verify the appropriate use of funds since the program commenced.

Let me go on ....

### **3. RURAL ROADS PROGRAMME 2010**

Mr. Speaker, in 2010, K40 million was expended in the rural roads programme but surprisingly, K8 million was expended on unbudgeted projects – not related to rural

roads. These projects include an agriculture project in the Komo Margarima district and rural electrification project in the Aitape-Lumi District.

Mr. Speaker, the remaining K42 million was allocated correctly to fund rural roads. Southern Highlands received about K24.9 million or about 62.3 per cent of the total rural roads funding. This money was released to build and rehabilitate feeder roads, roads and bridges in the province.

Let's move on to power funding ...

#### **4. RURAL ELECTRIFICATION PROGRAMME 2010 -2011**

Mr. Speaker, rural electrification program commenced in 2010. In the last two years, K79.1 million was expended. Some 26 per cent of these funds were allocated to PNG Power for rural electrification without any indication of where this money was to be used.

To date, only 12 districts have received funding under this program. Of these, two districts – Angoram and Pomio – received K10 million each while the 10 other districts mostly received below K2 million each.

Mr. Speaker, evidence of implementation in these 12 districts and by PNG Power is now being collated by the Department.

Now let's go on to communication ...

#### **5. RURAL COMMUNICATION PROGRAMME 2011**

Mr. Speaker, the rural communication program commenced in 2011. To date, K8.4 million has been released, of which K5.4 million was released to North Bougainville District Treasury and K2 million to PNG Telikom Ltd to implement a wireless communication project in North Bougainville.

On the other hand, Mr. Speaker, K1 million under this program was released to fund Ambukuna Cocoa Project – completely un-related to the rural communication. Funding for this agriculture project should have been considered under National Agriculture Development Programme or District Services Improvement Program funding.

That brings me to DSIPs and PSIPs...

## **6. DISTRICT SUPPORT IMPROVEMENT PROGRAMME AND PROVINCIAL SUPPORT IMPROVEMEMENT PROGRAMME 2010**

DSIP and PSIP were administered under my Department's orbit in 2010. A total K178 million was budgeted and released in 2010. Mr Speaker, it may amaze you to know that 75 per cent of these funds, or K136 million, was released all on one day – the 22<sup>nd</sup> July, 2010.

On the very same day, 14 provinces and 55 districts each received K2 million in return for their support of the previous Government during a motion of no-confidence by the then Opposition.

Let me add, Mr Speaker, that then Opposition MPs of which I was a part, had to wait for months for the release of this K2 million.

Even in this program, the benefits were greatest for certain members of the Cabinet of the previous Government. Two provinces, East New Britain and West New Britain, received K7 million, significantly more than all other provinces. Mr. Speaker, the districts of Pomio received K6 million, Sohe received K8 million, Rai Coast, Madang and North Fly received K5 million each.

Mr. Speaker, it is difficult to monitor the benefits of these programs because they have no specific purpose. The funds were not released to district treasuries and provincial treasuries in response to project submissions. There are known instances where the use of the funds was publicly announced for education facilities and other key services, but for most of the funds, this type of announcements were not done.

## **7. SOCIAL DEVELOPMENT 2009 - 2011**

Mr. Speaker, the social development program commenced in 2009. Its **main purpose** is to focus on social services provided by Civil Societies and Community Based Organisations. Under this program, a total K67 million has been released since 2009.

Mr. Speaker in 2009 alone, more than K29 million was released under this program to fund the social projects. Arch Diocese of Port Moresby received K5 million or 16.7 per cent of the total amount released. Diocese of Aitape and Don Bosco Technical Institute also received more than 10 per cent of the total amount released.

Mr. Speaker, in 2010, more than K29 million was released under this program. The Diocese of Wewak, Enga Provincial Treasury, Komo Margarima and Evangelical



Church of PNG received more than 10 per cent of the funding for clinics and a new teachers college.

Mr. Speaker, in 2011, more than K28 million was released. Of which Hagen Central received K6.4 million or 12 percent of the total funding released to support Christian Academy and Village Banking. Pomio received K1.5 million or 5.3 per cent of the total funding to purchase an ambulance for Health Centres. Cesare Boivento PIME Bishop's House received K2 million or 7 per cent of the total funding to construct a new secondary school. In contrast, most districts have not been provided with any funding under this program.

## **8. OTHER PROGRAMS**

Mr. Speaker, several other programs have been funded under PIP and administered by my Department including Economic Corridors and Specialist Hospitals. Generally these programs have been used to fund very few districts. Under the 2011 budget for example, the **majority** of districts, 43 in all received **no** PIP support in 2011. Only 38 districts received any funding under the 2011 PIP budget and five districts received over half of all PIP funding (Pomio, followed by Madang, Nipa Kutubu, North Bougainville and Hagen Central).

Mr. Speaker, Pomio on its own received 19 per cent of PIP funds paid out in 2011. In Pomio, the PIP funds received included K16.8 million under the Economic Corridors program. No other districts benefited under this program. Not even Petroleum Resource Area Economic Corridor (PRAEC) districts were funded despite the urgency

of establishing the PRAEC corridor in order to transform infrastructure investment in the PNG LNG project area into broad based economic development.

Mr. Speaker, Pomio District also received K10.9 million under the rural electrification program. This constituted 38 per cent of the total rural electrification monies released. Pomio otherwise received K1.5 million for social development and K1 million for strategic markets.

Nipa-Kutubu received K11 million from the 2011 PIP funds. As previously mentioned, this was K7 million for strategic markets and K4 million for the rural electrification program.

Mr. Speaker, in Hagan Central, K7.1 million was paid to a total of nine different recipients, predominantly under the social development program.

## **9. UNBUDGETED ITEMS**

Mr. Speaker this is a very important part of this report. It has become apparent that in the past, PIP program monies were regularly used to fund items that are unrelated to the program. Either payments are being attributed to the wrong program or are being used to fund unbudgeted items.

For example, Mr. Speaker, in the rural roads program of 2010, 25 per cent of funding, or K10 million, was allocated to unbudgeted items.

Similarly, K19.5 million of district market funds were used to fund other programs instead of being directed to districts that missed out. This was particularly the case in 2010 when K13.3 million of district program funding was used for other purposes.

Mr. Speaker, a further example is that K1 million of the rural communications fund was **not** used for rural communications but was allocated in May 2011 to the Ambukuna Cocoa project in Madang.

Mr Speaker, under the social development program, K7 million was released for unbudgeted purposes in 2010. A further K6.5 million was released for unbudgeted purposes in 2011, including a total of K3.5 million released to Zenalis Waterfalls Ltd to fund an agriculture project in Madang and K2 million released to Ipave Ltd for a cocoa and coconut rehabilitation project in South Bougainville.

The Department is as yet unable to confirm how these agriculture projects used the funds, but it is clear that they should not have been funded at the expense of the services provided by churches and civil service organisations throughout PNG.

Mr. Speaker, under the current Government, it is recognised that there is an urgent need to rectify the management of PIP payments to ensure monies are used in accordance with Government policy as expressed in the relevant Appropriation Act.

#### **10. Overall distribution of PIP funding by district, 2007-2011**

Mr Speaker, PIP funds have been inequitably distributed.

In the five years from 2007 to 2011, 25 per cent of PIP funds went to just four districts – Hela (K86 million), Hagen (K56 million), Nipa Kutubu (K51 million) and Pomio (K46 million). Payments to Hela were made in 2010 as part of their entitlements under the petroleum and gas project agreements with the Government.

Mr Speaker, eleven districts and two provinces together received half of the PIP funds released between 2007 and 2009. Among these are Kagua Erave which received K28.5 million, and Komo Magarima which received K30.5 million.

## **11. Conclusion**

Mr Speaker, this inequitable distribution of funds is inefficient. While some received more than they could ever spend appropriately, many others received next to nothing. If PNG is to move forward, Mr Speaker, we need to achieve a more equitable distribution of funds.

Funds must be distributed according to the needs of the people instead of the political agenda of the day.

The previous Government, under Somare and his Kitchen Cabinet, has not provided the leadership and management to deliver development across all districts and provinces of Papua New Guinea.

There were significant signs of political influence and interference in the Department and the whole of government systems and processes. Funds were diverted from one programme to another because of pressure from the politicians.

We must return to the Constitution and the guidance given to us by the National Goals and Directive Principles – particularly Equality and Participation in development funding.

Despite time pressure and political pressure, the O'Neill-Namah Government has begun these exercise with the theme "Sharing the wealth and empowering the people".

We intend to break the cycle of unfairness and inequitable distribution of wealth favouring those in power.

On top of that, Mr. Speaker, the current Government will monitor all programmes to **ensure** that they are effectively implemented, that services are delivered successfully, and that the people of Papua New Guinea see the value of the millions of kina spent under each programme.

Honourable Members, we have started... Support this budget and we will continue.

Thank you very much Mr. Speaker.