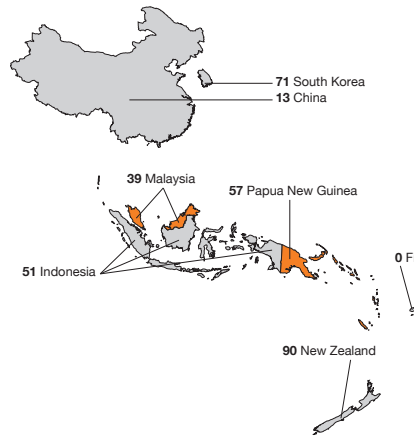
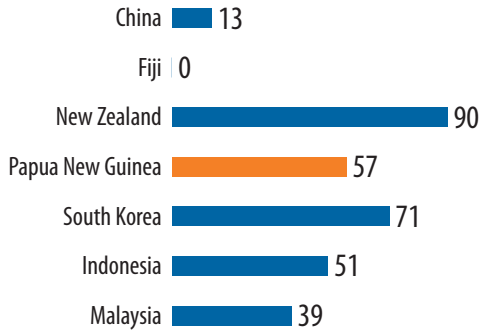




Overall score: 57 (Out of 100) Provides some information to the public in its budget documents during the year.

How Does Papua New Guinea Compare to Its Neighbors?



Key Findings

The scores for 92 questions from the Open Budget Survey (see text box) are used to compile objective scores and rankings of the relative transparency of each country's budget process. These scores constitute the Open Budget Index.

Papua New Guinea's score is 57 out of 100, which is above the average score (42) for the 94 countries surveyed. Papua New Guinea's score indicates that the government provides the public with some information on the central government's budget and financial activities assessed by the Survey. The absence of full information makes it challenging for citizens to hold the government accountable for its management of the public's money.

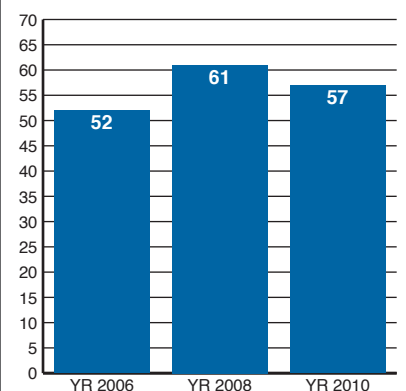
Papua New Guinea's OBI 2010 score is higher than what it was in 2006 but lower than in 2008.

Information in Public Budget Documents

Adequacy & Availability of Eight Key Budget Documents

Document	Level of Information Grade*	Publication Status
Pre-Budget Statement	A	Published
Executive's Budget Proposal	B	Published
Enacted Budget	E	Produced, Not Published
Citizens Budget	E	Not Produced
In-Year Reports	E	Not Produced
Mid-Year Review	A	Published
Year-End Report	C	Published
Audit Report	E	Not Produced

OBI Scores Over Three Surveys



* Grades for the comprehensiveness and accessibility of the information provided in each document are calculated from the average scores received on a subset of questions from the Open Budget Survey. An average score between 0-20 (scant information) is graded as E; 21-40 (minimal) is graded as D; 41-60 (some) is graded as C; 61-80 (significant) is graded as B; and 81-100 (extensive) is graded as A.

An **Executive's Budget Proposal** is the government's most important policy instrument. It presents the ways the government plans to raise revenues and where these funds are allocated, thus transforming policy goals into action. In Papua New Guinea the budget proposal consists of Budget Documents Volume 1 to 3, Appropriation Bills, and the Medium Term Fiscal Strategy 2008-2012. While these documents provide fairly comprehensive details, there are gaps in information in the following areas:

- The budget proposal presents limited information on certain fiscal activities that can have a major impact on the government's ability to meet its fiscal and policy goals, including information on extra-budgetary funds; quasi-fiscal activities; tax expenditures; aspects of the development budget, including funds held in trust funds; contingent and future liabilities; and financial and other assets. Without this information, the public does not know the government's true fiscal position.
- The budget proposal also lacks comprehensive information on outputs and outcomes. This information is important for those who are interested in monitoring the budget's impact.

A **Pre-Budget Statement** sets forth the broad parameters that will define the government's forthcoming budget. Papua New Guinea publishes a comprehensive Pre-Budget Statement.

An **Enacted Budget** becomes a country's law and provides the baseline information for all budget analyses conducted during the budget year. In general terms, the Enacted Budget should provide data the public can use to assess the government's stated policy priorities and hold it to account. In Papua New Guinea, the Executive's Budget Proposal is usually approved in its entirety, and the budget proposal is treated by government institutions and the public as the Enacted Budget. However, a certified copy of the Budget Appropriation and associated legislation, which is what is needed both to reflect changes to the budget proposal if they are made and to provide a clear baseline, is not publicly available.

A **Citizens Budget** is a nontechnical presentation of a government's budget that is intended to enable the public — including those who are not familiar with public finance — to understand a government's plans. Papua New Guinea does not produce a Citizens Budget.

In-Year Reports provide a snapshot of the budget's effects during the budget year. They allow for comparisons with the Enacted Budget figures and thus can facilitate adjustments. Papua New Guinea does not publish its Fiscal Outturn Reports (In-Year Reports) in accordance with the international standards incorporated into the OBI methodology, notably with respect to timeliness. In most cases those reports that were completed were released well beyond the deadline, sometimes together with other overdue reports.

A **Mid-Year Review** provides a comprehensive overview of the budget's effects at the midpoint of a budget year and discusses any changes in economic assumptions that affect approved budget policies. Information in this report allows the government, legislature, and the public to identify whether or not adjustments related to revenues, expenditures, or borrowing should be made for the remainder of the budget year. Papua New Guinea publishes a comprehensive

OPEN BUDGET SURVEY 2010

Papua New Guinea

The International Budget Partnership's Open Budget Survey assesses the availability in each country assessed of eight key budget documents, as well as the comprehensiveness of the data contained in these documents. The Survey also examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAI), as well as the opportunities available to the public to participate in national budget decision-making processes.

Research to complete this country's Open Budget Survey was undertaken by:

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Mid-Year Economic and Fiscal Outlook Report (Mid-Year Review).

A **Year-End Report** compares the actual budget execution to the Enacted Budget. The Year-End Report can inform policymakers on tax policies, debt requirements, and major expenditure priorities, thus facilitating adjustments for upcoming budget years. While Papua New Guinea publishes its Final Outcome Report (Year-End Report), it is not sufficiently comprehensive. It does not provide a breakdown of all expenditures, including expenditure for some government programs, trust funds, and quasi-government funds.

An **Audit Report** is an evaluation of the government's accounts by the country's supreme audit institution (SAI). It reports whether the government has raised revenues and spent national revenue in line with the authorized budget, whether the government's bookkeeping is balanced and accurate, and whether there were problems in the management of public funds. Papua New Guinea's Auditor General does not publish an Audit Report in accordance with the standards incorporated into the Open Budget Survey methodology. This is because the Audit Report is not released in a timely manner, which reduces its value as a tool for understanding the budget or for the timely resolution of problems.

Public Participation and Institutions of Accountability

Beyond improving the availability and comprehensiveness of key budget documents, there are other ways in which Papua New Guinea's budget process can be made more open. These include ensuring the existence of a strong legislature and SAI that provide effective budget oversight, as well as providing greater opportunities for public engagement in the budget process.

Are oversight bodies effective in their budget role?

Oversight Institution	Strength**
Legislature	Weak
SAI	Weak

** Legislature and SAI strengths are calculated from the average scores received for a subset of questions from the Open Budget Survey. An average score between 0-33 is graded as weak, 34-66 as moderate, and 67-100 as strong.

According to the Open Budget Survey, budget oversight provided by Papua New Guinea's legislature is weak because it does not:

1. have sufficient powers to approve changes made to the budget over the course of the fiscal year;
2. adequately scrutinize audit reports;
3. have sufficient time and opportunity to debate the budget (including consideration at the committee stage) before approving it; and
4. hold open budget discussions which allow the public to be present and contribute during legislative hearings at which the executive testifies on its proposed budget.

According to the Open Budget Survey, budget oversight provided by Papua New Guinea's SAI is weak because it does not:

1. have a high degree of discretion in law to select what it will audit;
2. have sufficient resources to meaningfully exercise its mandate in cases where it does have discretion to audit;
3. issue timely Audit Reports on the final expenditures of national departments, various statutory authorities, and other public bodies and trust funds;
4. have proper and routine channels of communication with the public; and
5. provide adequate reporting on the follow-up steps taken by the executive or the Public Accounts Committee to address audit recommendations for remedial action.

Recommendations

Papua New Guinea should:

- publish the Enacted Budget;
- begin to produce and publish a Citizens Budget;
- provide opportunities for the public to testify at executive and legislative hearings on the budget;
- strengthen the role of the legislature and the SAI in the budget process;
- empower the SAI to secure timely and comprehensive accounts of all public funds from all public bodies to publish comprehensive Audit Reports, including information on extra-budgetary funds and future mechanisms, such as sovereign wealth fund(s);
- increase the resources of the SAI and encourage line agencies and other public institutions to submit timely accounts to the SAI for audit; and
- improve the timeliness and comprehensiveness of the Executive's (notably Treasury and Planning Department's) In-Year Reports on budget performance.