

Savage spending cuts in Papua New Guinea budget

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The 1999 budget delivered in the Papua New Guinea parliament on Monday makes savage new inroads into public spending that will further erode the living standards of ordinary workers, urban poor and villagers.

Between 6,500 and 7,000 out of a total of 65,000 public sector jobs are to be destroyed in the space of one year through voluntary retirements and widespread sackings. The job cuts--at all levels of government--are part of a major restructuring of 21 national departments including the Departments of the Prime Minister, Foreign Affairs and Defence.

PNG Treasurer Iairo Lasaro also plans to abolish 15 statutory authorities, agencies and committees. Some staff and functions will be transferred to other bodies. Agencies like the PNG Institute of Public Administration will be run as commercial bodies. The Institute of Medical Research, which has developed an international standing, is to be abolished.

The government is preparing to privatise some of the largest and potentially most lucrative public bodies, including the Department of Works and Supply, Telikom and the PNG Banking Corporations. Its shares in mining operations and plantations are to be sold off. Aspects of government activity, including sea and air surveillance, and road and bridge building, are to be turned into commercial ventures.

The introduction of a Value Added Tax (VAT) in July will lead to further price rises for basic items. Workers have already been hit by declining real wages and sharp price increases caused by the falling value of the kina.

Lasaro delivered the budget speech but the real architect was Prime Minister Bill Skate's economic adviser Pirouz Hamilton-Rad, who has reportedly been paid 7 million kina (\$US3.3 million) for his

services--more than the annual budget of some of the bodies that he has targeted for closure.

During his 16 months in office Skate has lurched from one crisis to the next. He is protected by the constitution from a parliamentary vote of confidence until February 26 but already his political opponents, both on the government benches and in the opposition are sharpening their knives.

Skate and Lasaro are attempting to shore up their support by claiming that more money will be spent in rural areas where basic facilities such as schools, health centres, roads and other infrastructure are desperately needed. Recurrent spending will be slashed by 325 kina million (\$US158 million) or 5 percent of the total budget in order to provide more money for so-called development spending.

In reality, the government is performing a sleight of hand. Money will be taken from local and provincial budgets and thus from existing services, and transferred to the national government. Without adequate guidelines, the development budget simply becomes a large slush fund for key electorates. Significantly, the amount of money available to MPs to spend at their own discretion has increased from 1.5 to 2 million kina per electorate.

A few sketchy statistics in the budget papers provide a glimpse of the economic backwardness and social misery resulting from years of government cutbacks to services and the legacy of decades of Australian colonial rule. Papua New Guineans have a life expectancy of 57 years, an infant mortality rate of 79 deaths per 1,000 and an adult literacy rate of only 72.2 percent.

More than one million out of the population of 4.5 million live below the poverty line--double the figure in 1985. According to the papers, 96 percent of the

population have access to health services but many have to travel considerable distances and the health care is often limited. Only 28 percent have access to safe water and 22 percent to adequate sanitation.

An editorial in the *National* newspaper berated the government for not going far enough, commenting: 'Overall the basic principles are sound. The vicious circle of foreign and domestic borrowing has to be reduced; the ridiculous size of the public service which feeds upon itself needs trimming and not just by 7,000; the business of running business ought to be left in the hands of those who know it best; and of course the rural sector cries out for basic services.'

But the concerns about the government in the ruling circles in Port Moresby, Canberra and internationally go far beyond dissatisfaction with the budget. Skate came to power after national elections last year in which the previous prime minister Julius Chan lost his seat. Support for Chan collapsed after news was leaked of a government plan to use hired mercenaries from Sandline International to launch a military offensive against the separatist Bougainville Revolutionary Army. These revelations provoked an army revolt and popular unrest.

Since Skate patched together his unstable coalition he has been embroiled in scandals. Just recently he restored the leader of the army revolt, Brigadier-General Jerry Singirok, to head the PNG Defence Forces. This move immediately resulted in friction within the top ranks of the military and a decision by the police force to reactivate charges of sedition against the army leader.

Skate was forced to hold a nationally televised address with Singirok and the Acting Police Commissioner Robert Korus to offer assurances that there would be no coup d'etat or clashes between the police and military during the budget session of parliament.

Just prior to the budget session, the possibility of a challenge to Lasaro from within his Peoples Democratic Movement (PDM)--one of the parties comprising the ruling coalition--was openly discussed. Mekere Morauta, former governor of the PNG Central Bank and now Fisheries Minister, is being promoted for the position of deputy prime minister and as a replacement for Skate next year.

An article in the *Australian Financial Review* made

clear the significance of the PDM leadership challenge: 'If successful, Sir Mekere would be strongly backed for the prime ministership by PNG's worried business elite, as well as by Australian business and political interests increasingly worried by PNG's political and economic decline.'

Mekere has been openly critical of Skate. In an interview with the same newspaper he called for tougher austerity measures and pro-business policies, saying: 'No amount of money, printed or taxed, will get us right. The answer lies in reducing the size of the public sector and reallocating the resulting savings from consumption to capital.'

In the event, the leadership challenge did not eventuate. Mekere and other challengers are no doubt biding their time. The political problem facing workers is that amidst all the sordid wheeling and dealing in Port Moresby by politicians and their international backers, no-one represents the class interests of those whose living standards are rapidly plummetting.

See Also:

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