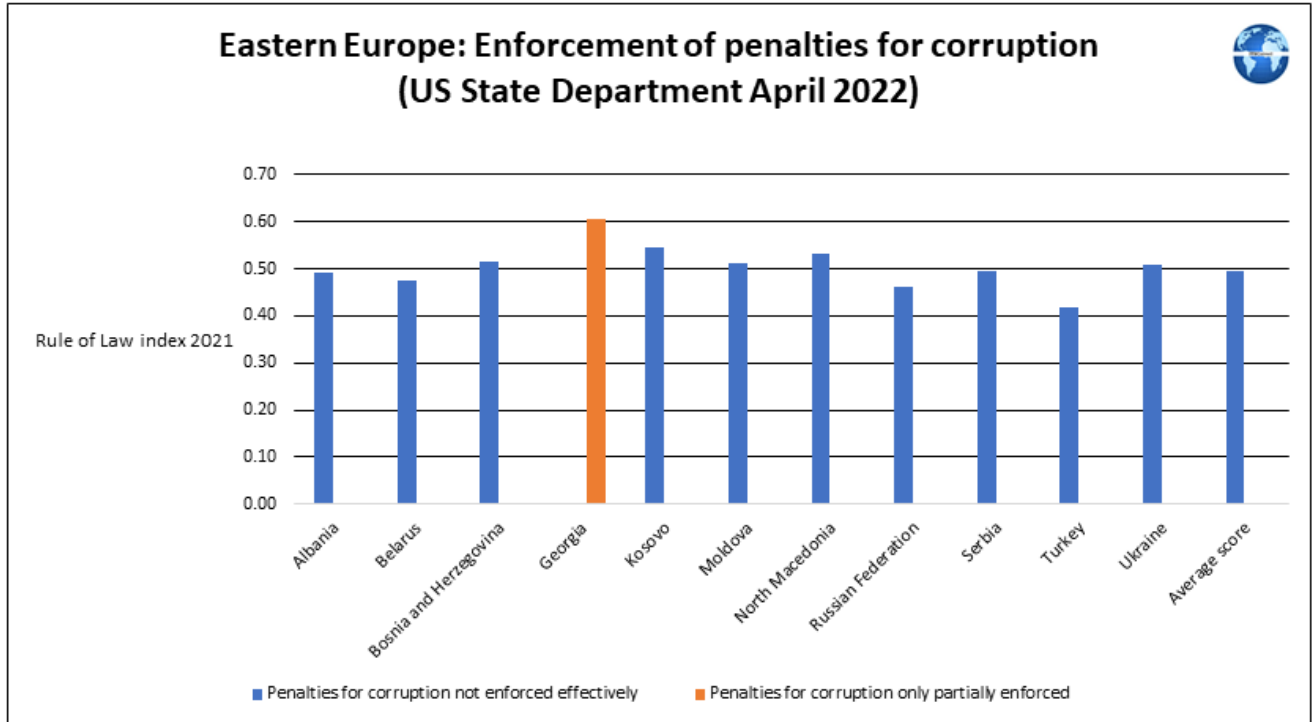


Corruption in Eastern Europe (a US perspective)



Introduction

The United States State Department's *Country Reports on Human Rights Practices* ("country reports") strive to provide a factual and objective record on the status of human rights worldwide. The 2021 country reports were published on 12 April 2022. Section 4 of the country reports provides an assessment of Corruption and Lack of Transparency in Government which addresses the extent to which a country's law provides criminal penalties for corruption by officials and the level of implementation of these laws. This blog examines current enforcement action to address corruption in Eastern Europe by officials.

Scores for Eastern European countries published by Transparency International in their 2021 Corruption Perceptions Index (CPI) report demonstrate that Eastern Europe was ranked second out of global regions in terms of improvements in CPI scores during 2012-2021. Improvements in CPI scores in excess of the global average were recorded by the majority of Eastern European countries during the 2012-2021 period. The country reports for Eastern European countries reveal that only one Eastern European country was making progress in effectively implementing current criminal penalties for corruption by officials (and only on a partial basis). Further discussion on corruption trends in Eastern European countries is provided [here](#).

Details of the overview comments for Eastern European countries in the 2021 country reports are provided below.

Albania

“The law provides criminal penalties for corruption by public officials and prohibits individuals with criminal convictions from serving as mayors, parliamentarians, or in government or state positions, but the government did not implement the law effectively. Corruption was pervasive in all branches of government, and officials frequently engaged in corrupt practices with impunity. Through September, the Special Prosecution Office against Corruption and Organized Crime (SPAK) announced that it had opened investigations and brought charges against several public officials, including former ministers, mayors, sitting judges and prosecutors, former and sitting judges of the Constitutional Court’s Vetting Appeal’s Chamber, former judges of the Supreme Court, and officials in the executive branch. As of September, one judge, two prosecutors, one mayor, and the former procurement director at

the Ministry of Interior were indicted on abuse of office or corruption charges.

The constitution requires judges and prosecutors to undergo vetting for unexplained wealth, ties to organized crime, and professional competence. The Independent Qualification Commission conducted vetting, and the Appeals Chamber reviewed contested decisions. The International Monitoring Operation, composed of international judicial experts, oversaw the process. As of November, 125 judges and prosecutors were dismissed, 103 confirmed, while 48 others had resigned rather than undergo vetting. As of July, 173 judges and prosecutors were dismissed, 148 confirmed, while 89 others had resigned or retired.

Several government agencies investigated corruption cases, but limited resources, investigative leaks, real and perceived political pressure, and a haphazard reassignment system hampered investigations.”

Armenia

“The law provides criminal penalties for official corruption. Following the 2018 “Velvet Revolution,” the government opened investigations that revealed systemic corruption encompassing most areas of public and private life. The government launched numerous criminal cases against alleged corruption by former high-ranking government officials and their relatives, parliamentarians, the former presidents, and in a few instances, members of the judiciary and their relatives, with cases ranging from a few thousand to millions of dollars. Many of the cases continued, and additional cases were reported regularly. The government also initiated corruption-related

cases against several current government officials and members of the judiciary.

In addition to integrity checks of nominees, the Corruption Prevention Commission exercised its powers to review sitting judges' asset declarations and to communicate to law enforcement information that may indicate a crime. As a result, three disciplinary, three administrative, and one criminal case had been initiated.

Authorities took measures to strengthen the institutional framework to fight corruption, including establishing the Anticorruption Committee, which served as the primary law enforcement body dealing with corruption. The committee began operations in October and initiated several cases, such as charging former chief of police Vladimir Gasparyan with legalizing criminally obtained property worth more than two billion drams (\$4.1 million) and other criminal acts."

Azerbaijan

"The law provides criminal penalties for corruption by officials, but the government did not implement the law effectively and officials often engaged in corrupt practices with impunity. While the government made some progress in combating low-level corruption in the provision of government services, there were continued reports of corruption by government officials, including those at the highest levels.

Transparency International and other observers described corruption as widespread. There were reports of corruption in the executive, legislative, and judicial branches of

government. For example, in six reports on visits made to the country between 2004 and 2017, the CPT noted that corruption in the country's entire law enforcement system remained "systemic and endemic." In a report on its most recent visit to the country in 2017, for example, the CPT cited the practice of law enforcement officials demanding payments in exchange for dropping or reducing charges or for releasing individuals from unrecorded custody. These problems persisted throughout the year. Media reported that on April 26, the head of the Shamkir Executive Committee Alimpasha Mammadov was detained on corruption-related charges.

Similar to previous years, authorities continued to punish individuals for exposing government corruption. For example, during the year police detained two civil society activists who were then turned over to the Main Department to Combat Organized Crime of the Ministry of Internal Affairs. The two activists were preparing a media story about government corruption. Main Department to Combat Organized Crime officials reportedly tortured one of these individuals."

Belarus

"The law provides criminal penalties for official corruption, and the government appeared to prosecute regularly officials alleged to be corrupt. The World Bank's Worldwide Governance Indicators reflected that corruption was a serious problem in the country. In 2019 the Council of Europe's Group of States against Corruption (GRECO) declared the country noncompliant with its anticorruption standards. The government did not publish evaluation or compliance reports, which according to GRECO's executive secretary, "casted a dark shadow over the country's commitment to preventing and combating corruption and to overall cooperation with GRECO." In 2019 GRECO's

executive secretary repeated its concerns regarding the country's "continuous noncompliance."

Bosnia and Herzegovina

"The law provides criminal penalties for corruption by officials, but the government did not implement the law effectively nor prioritize public corruption as a serious problem. There were numerous reports of government corruption during the year. Courts have not processed high-level corruption cases, and in most of the finalized cases, suspended sentences were pronounced. Officials frequently engaged in corrupt practices with impunity, and corruption remained prevalent in many political and economic institutions. Corruption was especially prevalent in the health and education sectors, public procurement processes, local governance, and public administration employment procedures.

The government has mechanisms to investigate and punish abuse and corruption, but political pressure often prevented the application of these mechanisms. Observers considered police impunity widespread, and there were continued reports of corruption within the state and entity security services. There are internal affairs investigative units within all police agencies. Throughout the year, mostly with assistance from the international community, the government provided training to police and security forces designed to combat abuse and corruption and promote respect for human rights. The field training manuals for police officers also include ethics and anticorruption training components."

Georgia

“The law provides criminal penalties for officials convicted of corruption. While the government implemented the law effectively against low-level corruption, NGOs continued to cite weak checks and balances and a lack of independence of law enforcement agencies among the factors contributing to allegations of high-level corruption. NGOs assessed there were no effective mechanisms for preventing corruption in state-owned enterprises and independent regulatory bodies. NGOs continued to call for an independent anticorruption agency outside the authority of the State Security Service, alleging its officials were abusing its functions.

On September 8, Transparency International/Georgia stated the country had “impressively low levels of petty corruption combined with near total impunity for high-level corruption.” The country also lacked an independent anticorruption agency to combat high-level corruption.

Several months after resigning, in a May 31 interview former prime minister Giorgi Gakharia noted that the country’s “biggest challenge is weak institutions. When institutions are weak, corruption and nepotism represent a problem.”

The Anticorruption Coordination Council included government officials, legal professionals, business representatives, civil society, and international organizations. In March amendments to the Law on Conflict of Interest in Public Service moved responsibility for assisting the work of the Anticorruption Council from the Justice Ministry to the Administration of the Government, headed by the prime minister but separate from the Prime Minister’s Office. Formation of the relevant secretariat was underway at year’s end. The last Anti-Corruption Strategy and Action Plan was developed by the council in 2019. The council has not met since it was moved

under the government's administration.

Transparency International/Georgia, in its October 2020 report *Corruption and Anti-Corruption Policy in Georgia: 2016-2020*, noted the government annually approves national action plans to combat corruption. It reported some shortcomings, however, including ineffective investigations of cases of alleged high-level corruption. Although the law restricts gifts to public officials to a maximum of 5 percent of their annual salary, a loophole allowing unlimited gifts to public officials from their family members continued to be a source of concern for anticorruption watchdogs. In January, Transparency International/Georgia noted that the country's anticorruption reforms did not progress.

As of March, Transparency International/Georgia listed 50 uninvestigated high-profile cases of corruption involving high-ranking public officials or persons associated with the ruling party."

Kosovo

"The law provides criminal penalties for corruption by officials, but the government did not implement the law effectively. There were reports of government corruption. Officials sometimes engaged in corrupt practices with impunity. A lack of effective judicial oversight and general weakness in the rule of law contributed to the problem. Corruption cases were routinely subject to repeated appeal, and the judicial system often allowed statutes of limitation to expire without trying cases."

Moldova

“While the law provides criminal penalties for official corruption, the government failed to implement the law effectively, and officials frequently engaged in corrupt practices with impunity. Despite some improvement, corruption remained a serious problem. Corruption in the judiciary and other state structures was widespread. Addressing corruption was one of the main promises of the new government formed after the July 11 snap parliamentary elections. One of the new government’s first steps was to amend the Law on the Prosecutor’s Office to allow the dismissal of the prosecutor general for “unsatisfactory performance” or his suspension in the event of a criminal case against him. Opposition parties contested the law, which was upheld by the Constitutional Court on September 30.

The law authorizes the National Anticorruption Center to verify wealth and address “political integrity, public integrity, institutional integrity, and favoritism.” The National Integrity Authority (NIA), which was formed to check assets, personal interests, and conflicts of interest of officials, was not fully operational due to prolonged delays in selecting integrity inspectors, as required by law. The PAS harshly criticized both the National Anticorruption Center (NAC) and the NIA for lack of action in investigating corrupt officials. Civil society organizations maintained that the NIA and NAC were still ineffective in fighting corruption. In November PAS members of parliament passed a bill that allows parliament to directly appoint or fire the director of the NAC. On November 19, parliament heard the legal committee’s report regarding NAC activity and fired the center’s director. Another bill voted by PAS on October 7 more clearly defines the role of NIA and enhances its operational capacity. On September 21, the Constitutional Court struck down the

December 2020 law that limited NIA powers.”

Montenegro

“The law provides criminal penalties for corruption by officials, but the government did not implement the law effectively, and corruption remained a problem. Corruption and low public trust in government institutions were major issues in the 2020 parliamentary elections. There were numerous media and NGO reports that the new government upheld old patterns and that the public viewed corruption in hiring practices based on personal relationships or political affiliation as endemic in the government and elsewhere in the public sector at both local and national levels, particularly in the areas of health care, higher education, the judiciary, customs, political parties, police, the armed forces, urban planning, the construction industry, and employment.

The Agency for the Prevention of Corruption (APC) was strengthened through continued capacity-building activities and technical assistance during the year, but domestic NGOs were critical of the agency’s lack of transparency and described periodic working group meetings with it as cosmetic and superficial. The European Commission noted that problems related to APC’s independence, priorities, selective approach, and decision quality continued.

Agencies tasked with fighting corruption acknowledged that cooperation and information sharing among them was inadequate; their capacity improved but remained limited. Politicization, poor salaries, and lack of motivation and training of public servants provided fertile ground for corruption.”

North Macedonia

“The law provides criminal penalties for conviction of corruption by officials. The government generally implemented the law, but there were reports officials engaged in corruption. NGOs stated the government’s dominant role in the economy created opportunities for corruption. The government was the country’s largest employer. According to the Minister of Information, Society, and Administration, as of the end of December 2020, there were 131,183 persons employed in the public sector. Previously, some individuals on the government’s payroll did not fill real positions in the bureaucracy. On January 19, the government adopted a plan for assigning 1,349 civil servants paid by the Ministry of Political Systems and Community Relations – who at that time did not encumber a real position – to specific jobs across 237 government institutions. On April 27, the government dismissed the State Market Inspectorate director, Stojko Paunovski, for refusing to enforce the government decision assigning 35 civil servants to his institution.

On April 18, parliament adopted the 2021-2025 National Strategy for Countering Corruption and Conflict of Interest, along with the implementing action plan. On July 14, the government adopted a 2021-2023 National Strategy for Strengthening Capacities for Financial Investigations and Confiscation of Property as part of its plan for fighting corruption and provided for a commission to monitor the strategy’s implementation.”

Russia

“The law provides criminal penalties for official corruption,

but the government acknowledged difficulty in enforcing the law effectively, and officials often engaged in corrupt practices with impunity. There were numerous reports of government corruption during the year.”

Serbia

“The law provides criminal penalties for corruption by officials, but the government generally did not implement the law effectively, and convictions for high-level official corruption were rare. According to an April public opinion survey by the CRTA, 65 percent of citizens believed there was significant corruption in the country, the majority believed the state was ineffective in fighting corruption, and 62 percent believed the government put pressure on individuals, media, or organizations that identified cases of corruption in which members of the government were reportedly involved. There was a widespread public perception that the law was not being implemented consistently and systematically and that some high-level officials engaged in corrupt practices with impunity. There were numerous reports of government corruption during the year. The government reported an increase in prosecution of low- to mid-level corruption cases, money laundering, and economic crimes cases. High-profile convictions of senior government figures for corruption, however, were rare, and corruption was prevalent in many areas and remained a problem of concern.

The Freedom House *Nations in Transit 2021* report described the country as a “hybrid regime” rather than a democracy due to reported corruption among senior officials that had gone unaddressed in recent years. While the legal framework for fighting corruption was broadly in place, anticorruption entities typically lacked adequate personnel and authority and

were not integrated with other judicial, legal, or other entities, which inhibited information and evidence sharing with the prosecution service. Freedom House's 2020 report on the country noted the work of the Anticorruption Agency (ACA) was undermined in part by the ambiguous division of responsibilities among other entities tasked with combating corruption. Freedom House downgraded the country's political pluralism and participation score in part based on the credible reports that the ACA did not thoroughly investigate dubious political campaign contributions, including the use of thousands of proxy donors to bypass legal limits on individual campaign donations and disguise the true source of funding. The *GRECO 2020 Annual Report* found that the country had not fully implemented anticorruption measures related to the recruitment and rules of conduct governing members of parliament, judges, and prosecutors.

EU experts noted continuing problems with the overuse of the vague "abuse of office" charge for alleged private-sector corruption cases. Despite the government's publicly stated commitment to fight corruption, both the country's Anticorruption Council and the NGO Transparency Serbia continued to point to a lack of governmental transparency."

Turkey

"While the law provides criminal penalties for conviction of official corruption, the government did not implement the law effectively, and some officials engaged in corrupt practices with impunity. Parliament entrusts the Court of Accounts, the country's supreme audit institution, with accountability related to revenues and expenditures of government departments. Outside this audit system, there was no dedicated regulator with the exclusive responsibility for investigating

and prosecuting corruption cases and there were concerns regarding the impartiality of the judiciary in the handling of corruption cases. According to Transparency International, the public procurement system has consistently declined in transparency and competitiveness, with exceptions to the Public Procurement Law widely applied.

While opposition politicians frequently accused the ruling party of corruption, there were only isolated journalistic or official investigations of government corruption during the year. Journalists and civil society organizations reported fearing retribution for reporting on corruption issues. Authorities continued to pursue criminal and civil charges against journalists reporting on corruption allegations. Courts and RTUK regularly blocked access to press reports regarding corruption.

In May the state-run Anadolu Agency fired reporter Musab Turan after he asked government officials about corruption allegations against Minister of Interior Suleyman Soylu during a press conference. Anadolu Agency issued a statement that Turan was fired for lacking “journalistic principles” and propagating “political propaganda.” The statement also said that Anadolu requested that prosecutors open a terrorism investigation into Turan. Fahrettin Altun, the presidency’s communications director, wrote on Twitter, “Those who seek to harm the respectability of our state will pay the price.”

Ukraine

“The law provides criminal penalties for corruption. Authorities did not effectively implement the law, and many officials engaged in corrupt practices with impunity. While

the number of reports of government corruption was low, observers noted corruption remained pervasive at all levels in the executive, legislative, and judicial branches of government. From January 1 to June 30, the National Anticorruption Bureau of Ukraine launched 336 investigations that resulted in 25 indictments against 43 individuals. Accused individuals included public officials, heads of state-owned enterprises, one judge, and others.

On September 5, the High Anticorruption Court (HACC) announced that in the previous two years it had convicted 10 judges for a range of offenses, including soliciting bribes, lying in financial declarations, and abuse of office. The court sentenced the judges to between two and nine years in prison, deprived them of the right to hold office for a period of three years, and confiscated property. In 2020 and during the year, the HACC sentenced 36 officials to imprisonment on corruption-related charges. Anticorruption bodies continued to face pressure from antireform elites and oligarchs in the form of misinformation campaigns and political maneuvering that undermined public trust and threatened the viability of the institutions. Human rights groups called for increased transparency and discussion regarding proposed changes to these bodies, particularly respecting procedures for appointments to leadership positions. As of September 13, it was widely held that the selection process for the new head of the Special Anticorruption Prosecutor's Office remained stalled due to political interference.

Human rights groups claimed another threat to the anticorruption infrastructure came from the Constitutional Court, where antireform interests exercised undue influence on judges. Parliament amended some provisions of anticorruption legislation that had been overturned by Constitutional Court decisions in 2020, and legislation to safeguard the

independence of the National Anticorruption Bureau was adopted by parliament on October 19. Also pending was a review by the Constitutional Court on the constitutionality of the High Anticorruption Court law.

On July 13, parliament adopted legislation to relaunch the High Qualification Commission of Judges and High Council of Justice (HCJ), bodies that control the hiring of judges and judicial self-governance, respectively, and that judicial reform groups characterized as influenced by corrupt interests. Implementation of the law governing vetting of HCJ members, however, faltered within weeks of enactment, when the Council of Judges refused to nominate at least one candidate to serve on the HCJ Ethics Council, which is envisioned to comprise three legal experts nominated by international partners and three Ukrainian judges nominated by the Council of Judges. On October 23, the Council of Judges nominated four judge candidates, but legal experts noted the Supreme Court had referred the judicial reform law to the Constitutional Court to assess its constitutionality.”

Conclusion

The country reports for Eastern European countries demonstrate an unsatisfactory outcome with no countries in the region well placed to fight against corruption by officials.

Significant challenges in combatting corruption in Eastern Europe are likely to remain until there are material improvements in all countries in their ability to enforce criminal penalties for corruption.

Belarus Public Financial Management Profile



Introduction

This note presents a series of charts which provide an **overview** of Belarus's recent public financial management (PFM) performance based on this country's 2014 Public Expenditure and Financial Accountability (PEFA) assessment. Comparisons are made between Belarus's performance and the performance of the other twenty-three countries that had PEFA assessments published in 2014-2015. All analyses have been prepared using results reported from using the 2011 PEFA methodology.

Overall PFM performance

Individual country PFM performance has been determined by applying the following points scale to reported individual

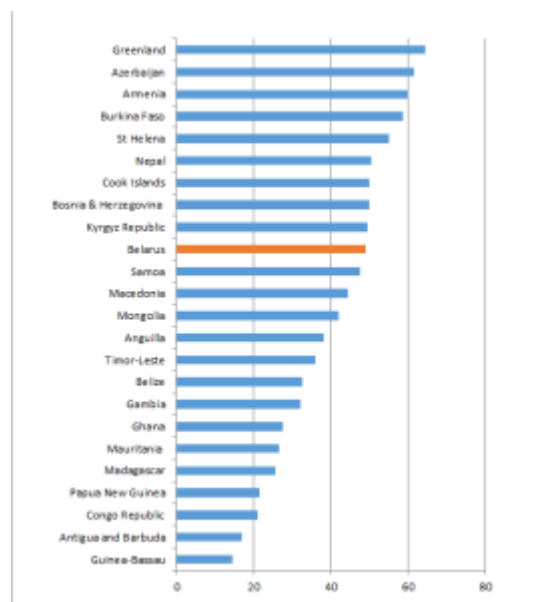
performance indicator (PI) scores as presented in Table 1. No points were allocated to PIs that were not scored because either data was unavailable, a D score was given or the PI was not applicable.

Table 1: PI scoring methodology

PEFA PI score	Points allocated
A	3
B+	2.5
B	2
C+	1.5
C	1
D+	.5
D	0

The graph in Figure 1 below shows Belarus's overall score was ranked tenth out of the twenty-four countries.

Figure 1: Aggregate PEFA scores for 24 countries



Details of the distribution of overall country scores across PFM performance categories, as determined by PFMConnect, are presented in Table 2. Belarus's overall score was 49 points.

Table 2: Distribution of country PFM performance levels

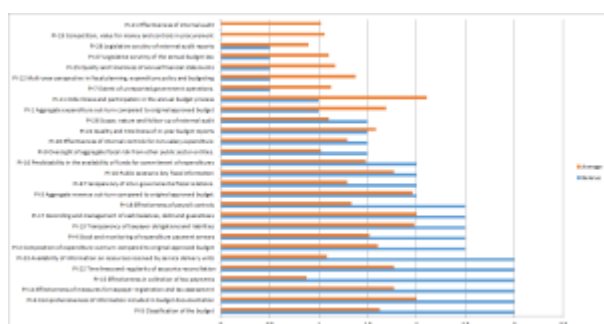
PFM performance	Overall Scores	Number of countries
Very strong	66.37-84	0
Strong	49.57-66.36	8
Moderate	32.77-49.56	7
Weak	15.97-32.76	8
Very weak	0-15.96	1
Total		24

Belarus's overall PFM performance is classified as "moderate".

PI performance

The graph in Figure 2 below shows the scores for Belarus individual PIs compared with the average score recorded for each PI across the twenty-four PEFA assessments we have studied. Please note that no score was recorded for the top two indicators in Figure 2 as these indicators (PI-19 and PI-21) were given D scores.

Figure 2: Belarus PI score comparisons



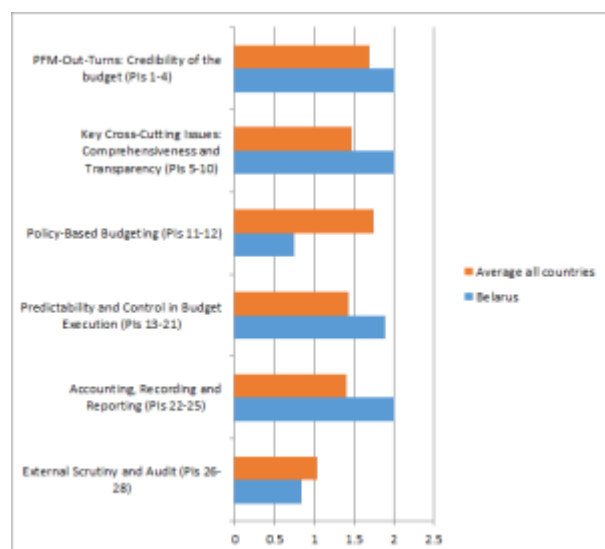
Download a pdf version of Figure 2 [here](#) (Belarus PIs) to review individual PI scores in more detail.

Twenty-eight PIs were assessed. Nineteen PIs had scores above the country average whilst nine PIs had scores below the country average.

Performance across key PFM activities

The graph in Figure 3 below shows the average scores for the six key PFM activities compared with the average score recorded for these activities across the twenty-four country PEFA assessments we have studied.

Figure 3: Belarus key PFM activity comparisons



Four key PFM activities recorded scores above the country average whilst two key PFM activities recorded scores below the country average.

PEFA ASSESSMENT

You can download the 2014 PEFA assessment for Belarus [here](#).

Trend in Papua New Guinea's public financial management

Which way is Papua New Guinea's public financial management trending?



SlideShare presentation

We have prepared a SlideShare [presentation](#) that discusses the desperate state of Papua New Guinea's public financial management (PFM). The presentation highlights a deteriorating trend in the country's PFM over recent years and its very poor recent performance compared with most other countries based on Public Expenditure and Financial Accountability (PEFA) assessment methodology. The presentation recommends the government publishes its recently prepared PFM reform road map to facilitate an open evaluation of the root causes of Papua New Guinea's poor PFM performance and reform options by a full range of stakeholders. We end the presentation by reiterating our view that in its current form PEFA methodology is unsuited to play a really constructive role in the reform of PFM practice in fragile states.

Papua New Guinea's poor and deteriorating financial management: can it be turned around?



By David Fellows and John Leonardo^[1]

Background on Papua New Guinea (PNG)

Papua New Guinea (PNG) is a lower-middle-income economy heavily dependent upon commodity exports. It has an extremely diverse social structure with fierce clan loyalties, characteristics that provide severe challenges to the effective working of government that have not yet been successfully addressed.^[2]^[3] The country's social development^[4] trails its economic status. Overall, the performance of the PNG public sector is weak, the lower tiers of government are dysfunctional and corruption is rife.

Key findings of PNG's latest PEFA assessment

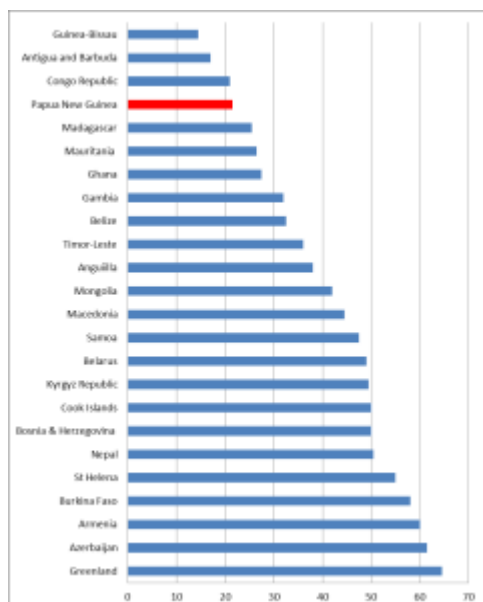
The latest PNG Public Expenditure and Financial Accountability (PEFA) [assessment](#) completed in August last year has been published. Scores for the various public financial management (PFM) performance indicators (PIs) were determined using both a new so-called “testing” methodology and the existing 2011 methodology. Details of the scores are available in this [spreadsheet](#) and a summary of the new testing methodology scores are given at the end.

The PEFA exercise gives ranking for about 30 criteria on a scale from A to D. In the 2015 assessment, A and B scores represented a very disappointing 17% of all PI scores applying the new testing methodology or 18% using the 2011 methodology. Nine out of the ten scores under the two key headings of ‘Predictability & Control in Budget Execution’ and ‘Accounting, Recording and Reporting’ were ‘D’ or ‘D+’. In many cases financial regulations and improvements recommended by internal audit review were simply not observed reflecting perhaps a mixture of poor oversight, inadequate training, lack of basic ability and blatant disregard for proper practice.

Twenty-four PEFA assessments have been completed since 1 January 2014 and published by the PEFA Secretariat. (In addition, six completed assessments have not been published to date.) As the graph in Figure 1 below shows, Papua New Guinea's overall score was ranked 21st out of the twenty-four countries. (Details are available [here](#), including our methodology to derive aggregate scores from PEFA rankings.) Only Congo Republic, Antigua and Barbuda and Guinea-Bissau recorded lower overall scores than Papua New Guinea.

Figure 1: Aggregate PEFA scores for

24 countries



Note: The PEFA scores are aggregated by us using a methodology set out in the spreadsheet mentioned above. The highest possible score is 84.

PNG is also one of the poorest countries rated, but its overall performance is weaker than some other even poorer developing countries as set out in Table 1 below.

Table 1: PEFA scores sorted by Gross National Income (GNI) per capita (US\$)

	GNI per capita 2014	HDI* 2014	PEFA score
Papua New Guinea	2,463	0.505	21.5
Nepal	2,311	0.548	50.5
Burkina Faso	1,591	0.402	58
Gambia	1,507	0.441	32
Madagascar	1,328	0.510	25.5

*Human Development Index

What is also disturbing is the suggestion that financial management in PNG has worsened. Two earlier PEFA exercises have been carried out for PNG, in 2005 and 2009. While these have not been released, we know from the ADB's Country Operations Business Plan 2015-2017 that in 2009 32% of PIs were scored an A or a B. The fall from 32% to 18% suggests a major deterioration in public financial management in PNG. (The 2005 methodology used in 2009 and the 2011 methodology used in 2015 are not identical, but sufficiently similar for this comparison to be made.)

The IMF team observes that PNG's budget process is orderly and well understood, and that some progress has been made in embedding the medium-term dimension into fiscal planning. The aggregate credibility of the budget appears satisfactory though only with some serious caveats. Most of the 2015 report, however, contains a damning indictment of financial administration: control over budget execution is weak; there are high levels of variance between budget and expenditure; expenditure control is weak; project implementation is weak; budgets contain insufficient analytical detail; many bank reconciliations are not carried out in a timely manner and contain significant unresolved items; the coverage and classification of in-year data does not allow comparison with original approved budgets; many state owned enterprises receive very poor audit reports; there is no overall PFM reform strategy; and much else besides.

In our recent blog "[Proposals for PEFA reform](#)", we remarked on the failure of the PEFA methodology to come to terms with fundamental institutional weaknesses. The PNG assessment contains a short section on institutional factors but fails to establish the root causes of the perceived deficiencies. The remedies proposed – including the use of a longer time span, creating a more structured approach and the formation of a Ministerial steering committee – are worthy but unequal to

the task of addressing the long list of recommended priority improvements that end the report.

Readers of the report are left asking for an explanation of underlying reasons for this catalogue of critical deficiencies, the lack of progress made and the decline in standards in some areas.

PNG's response

The PNG government has made no formal response to the latest PEFA assessment but the recent Budget Speech contains reforms concerning state-owned enterprises, Government Finance Statistics and debt management that partially address material weaknesses identified in the latest PEFA assessment. There were no specific initiatives to promote increased accountability in PFM activities in either the 2016 Budget Speech or supporting volumes.

The government's stated expectation in the 2016 Budget that the 2015 PEFA assessment "should provide confidence to development partners to gradually rely on government systems" (Vol. 1, p. 46) appears optimistic to say the least.

Following the completion of the PEFA assessment the IMF and the Government of PNG created a "road map" for public financial management (PFM) reform. This is referred to in the [IMF 2015 Article IV report](#), but has not been published, as far as we can tell. It seems to have been designed to give effect to the extensive list of priority reforms identified in the 2015 PEFA assessment but the published fragments are lacking in explanation about how these improvements are to be achieved. It was not, as far as we are aware, created out of any form of extensive public or corporate consultation.

Conclusions

PFM reform is not an end in itself nor can it be achieved in isolation from the broader condition of a fragile state. Good

PFM is, however, an essential component of policy development, service and project implementation, obtaining value-for-money, promoting economic development, fighting corruption and providing public accountability.

Clearly, financial management in PNG is in a parlous state. No significant progress has been made in most PFM activities at government level in recent years; indeed there is evidence of regress.

The failure to publish previous PEFA reports has denied both the tax payers and the people of PNG with any real appreciation that the resources expended on PFM enhancement activities have generally failed to produce material overall improvements in key PFM areas. A stance must now be taken by international development agencies that all future work in relation to the reform of PFM in PNG must be undertaken in a much more transparent manner. A good start would be to publish the road map.

There is an opportunity for progress with a Finance Minister, James Marape, committed to reform and a Finance Secretary, Dr Ken Ngangan, who is well-respected and capable. However, the effort, to be successful, must go beyond a small number of individuals. We suggest that, given the relative failure of reform activity to-date, there should be an open assessment of the public financial management reform challenges and their root causes involving the full range of stakeholders. This should result in an agreed set of objectives, reform processes, expected performance levels and timescales designed to deliver feasible and desirable improvements in administrative practice, governance and political relationships to achieve an acceptable minimum overall PFM standard. External agencies should require evidence of extensive support from the government of PNG as a condition of continued participation in the reforms. A collective approach to the problems of PNG involving Government and development partners could provide added value from the future resources

deployed by all parties.

Unlikely though the achievement of these proposals may seem, donors must now ask themselves what purposes further reform activities are expected to serve if they choose to ignore their lack of results. The ADB country plan for PNG expected the proportion of As and Bs to rise from 32% in 2009 to 50%[\[5\]](#) in 2015. Instead, it has fallen to 18%.

As we have said [before](#), the PEFA methodology can no longer ignore the need to identify the root causes of poor PFM in fragile states. PNG seems to offer a perfect case in point.

APPENDIX

PNG 2015 PEFA

Scores (using “testing” methodology)

PFM Pillars	Performance Indicator (PIs) Scores*			
	A	B	C	D
Credibility of Fiscal Strategy (<i>PI:1-3</i>)	1	1		1
Comprehensiveness and Transparency (<i>PI:4-9</i>)		2	1	3
Asset & Liability Management (<i>PI:10-13</i>)				4
Policy-based Planning & Budgeting (<i>PI:14-18</i>)		1	2	2
Predictability and Control in Budget Execution (<i>PI:19-25</i>)			1	6

Accounting, Recording and Reporting (PI:26-28)				3
External Scrutiny and Audit (PI:29-30)				2
Total scores	1	4	4	21

**each column includes '+' scores, so 'D'; includes D and D+*

[\[1\]](#) The authors are Principals of PFMConnect. They have been engaged on projects in Africa, Asia and the Pacific funded by major development partners. A slightly abbreviated version of this blog is available at the [Devpolicy Blog](#) of the Development Policy Centre based at the Australian National University's Crawford School of Public Policy.

[\[2\]](#) The three Political Economies of electoral quality in PNG & Solomon Islands by T. Wood ANU DevPolicy Centre

[\[3\]](#) Political Governance & Service Delivery in the Western Highland Province, PNG by J. Ketan ANU ISSN: 1328-7854

[\[4\]](#) Asian Development Bank Country Partnership Strategy Papua New Guinea 2016–2020, March 2015, page 1

[\[5\]](#) This was an objective included in ADB's Country Operations Business Plan 2015-2017 "Updated Country Partnership Strategy Results Framework" published in October 2014. This document was superseded by ADB's Country Operations Business Plan 2016-2018, published in March 2015, from which this objective was omitted