

NINTH DAY

Wednesday 9 September 2020

DRAFT HANSARD

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PARLIAMENTARY DEBATES CORRECTIONS TO DAILY DRAFT HANSARD

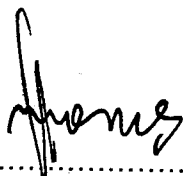
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Mr Harry Momos

Acting Principal Parliamentary Reporter

NINTH DAY

Wednesday 9 September 2020

The Deputy Speaker (**Mr Koni Iguan**) took the Chair at 10: a.m.

There being no quorum, Mr Deputy Speaker stated that he would resume the Chair after the ringing of the Bells.

Sitting suspended.

The Speaker (**Mr Job Pomat**) took the Chair at 10.45 a.m. and invited the Member for Chuave and Minister for Environment and Conservation, **Honourable Wera Mori**, to say Prayers:

‘Papa God, you are God of all nations, we come humbly before you and uphold you Lord, that you have sovereignty over our country. We thank you for giving us the opportunity to represent your people in the manner and the way you desire, this morning Papa God, I pray and commit the Speaker of this House, the Prime Minister and his Deputy, the Leader of the Opposition and all Members of Parliament, O God, that you have chosen through your will power that we will represent the beautiful people of this country. Lord, you have put us to trying times. We come before you and seek your forgiveness, O God. Despite the fact that that our spirit is willing but the flesh is weak, there are so many stumbling blocks. And I come before you and thank you in unison as members of this Parliament, the fact that you allow situations to prevail so that you can draw us near to you, that you will allow us not to focus on our own strength and understanding. God, we pray for your wisdom, so that we may be able to overcome the situations that we are in, including Covid-19. Papa God, I pray this morning and commit this country and its Government into your mighty hands. And I know you will grant us that wisdom, so that we can deliver in the manner you want us to, Amen.’

02/09

QUESTIONS

COVID 19 SME Assistance

Mr JOE SUNGI – Thank you, Mr Speaker. My questions are directed to the Minister for Commerce and Industry and are related to the funds allocated for Covid-19, which were parked at BSP and NDB.

There are many farmers in the rural area who would like to access these funds but they will face a lot of difficulties because of factors like the remoteness of their area and access to BSP and NDB facilities are very costly.

(1) Can the Minister explain in detail how the rural farmers can access these funds?

The Government has parked these funds into these banks but there are many remote farmers in the country.

(2) Can the Minister clarify if the funds have been equally distributed for all the provinces?

(3) Is it possible for the Government to ask these two banks to open sub-branches in all the remote areas?

Mr WILLIAM DUMA – Mr Speaker, I would like to thank the Member for Nuku for asking these important questions.

Mr Speaker, we all aware that the bulk of these people live in remote areas that we all come from.

The intention of the Government is to make sure that we give our people the services which they have been missing out on for a very long time. For instance, I understand that Nuku Electorate does not have a sub-branch of the two banks that the Government has allocated funds to. So, this is a challenge for the government to encourage the banks to consider establishing sub-branches or agents in these areas to allow our people to have easy access.

This is a long-term plan and it is very fitting because we are trying to introduce communication services like building communication towers in these remote areas.

Yes, it is true that the Government has good intentions for these funds but it is very costly for our people in the remote areas to get to these funds.

03/09

Many of our people fly, drive or walk to the nearest branch and in the case of West Sepik, Aitape is there. Many of our people do not have access to it so this is our chance.

As Minister responsible I recognise this difficulty. It is one thing for us to say that we are allocating money to our people but, it's another thing for them to actually have access to it. So, I will try and talk to BSP as well as NDB to see if they can make a special allocation to those areas so that people can have equal opportunity to apply and get that loan funding.

That is our challenge so I will take it upon myself to approach those two banks, to make special allocations for those areas so that our people can have access to it. I do not think that will be difficult. It is our money. The intention is for this government to make sure that all of us benefit.

This package has a special allocation for our sisters, aunts, wives and women in general. There is a special allocation for youths and in the case of Bougainville, as alluded to by the Prime Minister said yesterday. So, we are not going to throw this money vainly.

We have made it clear to those banks that they must make provisions to allocate specific funding to each of those sectors.

Currently in our situation, as the Member already said, we have to allow people to have access. I am repeating myself here but it is the truth. I appreciate his question so I will do my best, Mr Speaker, to ensure that they have access.

On top of that we are going to run a publicity campaign so that everybody will know and they will have equal opportunity. Gone are the days where the government will simply say that we've allocated this amount of money but then stop at that, and not go beyond by making it possible for our people to have access. We will have those publicity campaigns so that everyone knows what is required of them to be able to access those funds.

As the Prime Minister indicated yesterday, this is not a one-off thing. It will be a policy of the Marape Government to allocate at least K200 million every year. So we are looking at a billion kina over the next five years. This is long-term so we start planning by making sure that in areas where they do not have those branches, we will assist and build them.

Under the capital infrastructure program of the National Development Bank, we are looking at building agencies and sub-branches in areas where they do not have banking facilities. A Minister and Member has already written to me asking for an agency or branch to be opened up in his electorate and I have told him that it will be done. That is the start of the process. We have a five-year program which could be extended to 10 years so we will start building branches and make sure that our people have access to those funds.

So, once again I wish to say thank the Member for these very, very important questions.

Supplementary Question
SME Sector Bank Accounts

Mr JOHN KAUPA – Mr Speaker, I just want to add on to what the Member for Nuku has raised on SME.

I want to start by making a few remarks on what my people of Moresby North-East have done so my fellow Members can understand.

In 2018, I rolled out K1million from my DSIP as a grant and 400 mothers benefitted from it. Amongst them, many mothers who have never opened accounts before. They never registered their businesses with IPA but after that, they did so. They never had TIN numbers but now they have it. It is like moving from the informal sector to formal business.

One of the catch of that K200 million which went to NDB and BSP, yesterday the Prime Minister answered well, but, a catch would be the ‘paper farmers’. I am in the city but how can the 89 districts benefit.

Mr SPEAKER – Honourable Member for Moresby North-East, ask your supplementary question.

Mr JOHN KAUPA – My supplementary question is regarding the registration that we made to meet the requirements of finance. How can the NDB or BSP assist our people to meet the banks’ processes in opening their SME accounts because many of those in the SME sector do not have accounts?

04/09

I would like to ask the Minister if there are plans in place for the commercial banks to go out and help open accounts for people who want to participate in the SME Sector.

Thank you, Mr Speaker.

Mr WILLIAM DUMA – I would like to thank the Member for Moresby North-East for his question.

We have the MOU between BSP and NDB where certain clauses in the agreement requires the banks to go out when necessary to help our people. So, for the existing customers of BSP and NDB, it will be much easier. If they want to have access to those funds, they have

to apply the normal process where it includes GST and so forth. They have to meet the requirements.

For those who do not have an account, we have asked the banks to establish a dedicated team of employees set up branches to help open accounts, especially for the illiterate. These branches will be established in our electorates so that it will be easier for anyone to be assisted in areas like identification and letters of recommendation which may help them to meet the requirements in applying to the banks, mainly to open accounts.

This won't be difficult. Everyone now knows that the Government is genuine and it has allocated a lot of money, particularly in difficult economic circumstances. They all know that we are determined to help our people this time around honestly and genuinely.

So, it is incumbent on these two banks to go out of their way to establish specific teams who will then be able to help our people. Part of the administration cost of running this operation will be captured in the funds that we will be allocating. So, I do not think that anyone will be missing out in applying to loans in the bank because the funds will be available. It is incumbent on each electorate to coordinate with the banks and make sure that those who are genuine customers and who want to have access are not left out.

Once again, the two agreements that we signed between the two banks, there is a clause that specifically says the two banks to set aside dedicated teams to help our people. So, I want to assure everyone that, this will help our people and no one will be left out in trying to get help from these banks to establish themselves in the SME sector.

ABG Referendum Results

Mr SAM AKOITAI – Mr Speaker, my question is to the Minister for Bougainville Affairs.

Before I ask my question, I would like to thank the Government and the Minister for the successful referendum where we did not encounter problems during the process. The referendum begun last year and people of Bougainville were given 40 days to decide whether to go for or against the referendum. The outcome of it was good and the referendum was not disputed.

It has taken too long for the results and the people of Bougainville are asking. My question to the Minister is; where are we now on the issue of the referendum results?

Thank you, Mr Speaker.

Sir PUKA TEMU – Thank you, Honourable Speaker. I thank the Member for Central Bougainville for the important question he has raised.

In fact, Honourable Speaker, the Cabinet has approved my Ministerial Statement on the update of the referendum. Either today or tomorrow I will update the country and this Honourable House on the preparations that we had.

Let me summarise by saying that after the last Joint Supervisory Body meeting on the 21st of March this year at the APEC House, the two governments agreed that further consultation will be postponed because of the ABG elections.

05/09

The election was successfully conducted and we are into counting this week and according to the program of the ABG election, the writs will be returned on 15 September.

Mr Speaker, by 14 September the country will know who will be the new President of the Autonomous Bougainville Government as well as the new membership of the 40-member House of Representatives by the 15th.

I don't know why they have chosen 16 September for the return of their writs but that falls within our 45th anniversary as an Independent State. So, the election progress is very good.

And what I will detail in my statement is that during the Covid-19 period, Mr Speaker and honourable members of the Parliament, we have maintained communication between the two governments and our national technical team comprising both ABG technical officers and our government officers who have been regularly meeting to progress some of the outstanding matters, in particular, the principle that we need to follow during the consultations, the background information that the consultations teams will have to be given including all the members of Parliament and the forums that ABG will be engaging in terms of their consultation framework and as well as our national consultation framework, which I will highlight during my statement.

Actually, today at 12 O'clock, I will leave the Parliament and continue the virtual consultation with my counterpart which is coordinated by the UN. Hopefully tomorrow during my statement, I will update the Parliament and the country on the progress we have made so far.

But I want to say, the technical team have been meeting regularly and I maintain communication with my counterpart in Bougainville although they have gone through the elections.

We have faith that when they all sworn-in and are briefed, I think after the budget session in November, we will have the first Joint Supervisory Body meeting. We will agree to the consultation timetable during the 2021 period.

Thank you, Mr Speaker.

Amalgamation of SOEs

Mr MANASSEH MAKIBA – I direct my questions to the Minister for State Enterprises.

My questions are related to the amalgamations of certain State-owned companies.

(1) Are we proceeding with the amalgamation of the PNG Air and Air Niugini?

(2) If so, why are we doing the amalgamation and how is it going to benefit the companies?

(3) Relating to that amalgamation, does PNG Air have liabilities in terms of loans and will that affect the amalgamated merged company?

(4) In relation to the amalgamation of Bmobile and Telikom, are we proceeding with the merger of these two companies?

(5) If so, why are we doing that and if there is any outstanding loan and will it affect the merged company?

In relation to the amalgamation of Water PNG and Eda Ranu, I noted from your presentation of the second reading speech yesterday that this amalgamation will proceed after the enactment of the Water Supply and Sanitation Amendment Bill.

06/09

My question is regarding the loan.

(6) Is there an outstanding loan by Eda Ranu?

(7) If the amalgamation is to proceed, will it affect the new merged company?

Mr SASINDRAN MUTHUVEL – I thank the Member for his series of questions. All his questions mostly relate to the amalgamation.

With regard to his first question on whether Air Niugini and PNG Air are going to be amalgamated, I must say I do not have the answer. The answer lies with ICCC and the recent letter from them that confirms that they are not approving the merger between these two airlines.

In response to the second question on why we are doing this and how it is going to benefit our country and taking on their liability, there are many reasons both good and bad in terms of the initial bid.

Mr Speaker, we are talking about the employment of more than 400 Papua New Guineans with PNG Air. If anything should happen to the company, then many Papua New Guineans are going to lose their jobs and also the creditors who are involved in SMEs. The majority shareholder being Nasfund would suffer the most and lose investments of almost K70 million.

When you talk about liabilities and if we amalgamate with any company, then of course we will be taking both assets and liabilities. But in short, the latest from ICCC has confirmed that it is not going ahead with the merger therefore each company had to survive on its own and manage this Covid-19 situation and come out of it.

Mr Speaker, I also would like to take this opportunity to appeal to the Government of the day to look at the different perspectives and assist both companies in whatever ways possible to see how we can recover from this Covid-19 impact from the loss of business and revenue.

In reference to the question on Telikom and Bmobile, we are faced with some commercial difficulties even though both companies are subsidiaries of Kumul Holdings Group. They both have a different loan structure and different covenants with different banks. For example, Telikom has a loan with ANZ of almost K100 million while Bmobile has a similar loan of K100 million with BSP. The technical merger which Cabinet has given the endorsement is to merge the network.

Mr Speaker, the merging will give an immediate benefit to increase the customer base. As it is we have two different coordinates for the operating systems. Bmobile is operating on 2G and 3G whereas Telikom is operating on 4G so the immediate need is to integrate these two networks. Therefore, one does not have to have two different SIM cards; the Blue SIM and Red SIM but just one SIM card.

Mr Speaker, but here again the question is; we see fit to invest almost K1.5 billion and here will be investing of another K70 million to integrate these two networks. We can actually commercialise this investment of almost K1.5 billion. It involves NBN network of US\$ 173 million or around K611 million. The other one is the Kumul Undersea Cable which is US\$ 229 million or around K809 million. All this would total up to about K1.5 billion.

07/09

Mr Speaker, the challenge is to integrate these two networks and we need at least K18 million to get this network integration done. In relation to the question on outstanding loan, I did mention the numbers about the different loan structure which both Bmobile and Telikom PNG have.

Relating to the amendments to the *Water Sanitation Act* and *NCD Water Act* which allows the major amalgamation, this process had started in 2018.

Mr Speaker, the main purpose of this merger is to bring efficiency and many of us have different views and, yesterday, I noted the concerns raised by Governor Powes Parkop. They won't compromise the quality of any water services in Port Moresby and there won't be any compromise on loss of jobs and everyone retain their jobs, and the tariffs and fees will remain the same. But, this is to bring the company's good effort and entities under one roof which will actually bring a savings of almost K40 million per annum.

Mr Speaker, for example, Water PNG is a small company but its governing principle is one of the best in all the SOEs.

In the last 10 years, from 2008 to 2018, they declared almost K98.3 million profit by utilizing 75 mega liters of water per day whereas Eda Ranu, which uses 175 mega liters of water per day, 20 times higher than the amount used by rest of the country, in the last 10 years, declared only K40 million.

Mr Speaker, this company has a great potential to make at least K100 million net profit if it sticks to the true intent of the merger and bring efficiency into this company.

Supplementary Question

Follow Proper Appointment Process

Mr ALLAN BIRD — Mr Speaker, whilst I am happy that we are doing mergers in the hope of improving both profitability and services to our people, my concerns surround the governance of these organisations

How can the Minister ensure that the appointment of the board and the managing director is done through a process that is transparent in order to ensure that we get the best people on these boards because past experiences have been that the relatives, friends, and church mates of people in power tends to be the ones that run these organisations down?

Mr SASINDRAN MUTHUVEL – Thank you, Mr Speaker. I thank the Governor of East Sepik Province for his supplementary question. It's a bit of a generic question.

Mr Speaker, this is what we are striving to achieve in terms of our SOE reform policy matrix, which was already approved by the Cabinet. We make every possible attempt since we took office to make sure that we appoint people purely on merit-bases and purely credible people in terms of positions of MD through an independent selection and of course this may or may not go well with our present employees. Sometimes in terms of quality, you also bring people from outside.

But, Mr Speaker, I want to assure the Honourable Governor that in terms of our SOE reform policy, one of our main core principles to ensure every appointment is done through an independent selection process and purely on merits without any fear or favor.

Thank you, Mr Speaker.

Update on Papa-Lealea Drug Bust

Dr ALLAN MARAT – Thank you, Mr Speaker. My series of questions are directed to the Prime Minister. On 26 July 2020, a Cessna 402 aircraft flew into PNG airspace from Queensland, Australia and landed at Papa-lealea outside Port Moresby. The events surrounding that are now subject of serious police investigation. Apparently, very serious clandestine drug trafficking operation has been going on under our nose.

08/09

I have two very serious issues regarding this; one pertains to the drug cargo which the police claimed as the biggest haul in PNG's history.

The other relates to the frightening aspects of our response and deterrent capacity in relation to a terrorist attack. Had this aircraft been a terrorist attack, this Parliament, LNG Plant or indeed any target in Port Moresby of PNG could have been targeted.

My questions are as follows:

- (1) Where is the drug that the police have confiscated, is it in the country?
- (2) If it's not; then, where is it and on whose authority has this drug being removed?
- (3) Can the Prime Minister provide to Parliament with an update on the plane crash and the drug investigation to date?

Intelligence and Response Capabilities

- (4) What is the intelligence gathering capabilities of our security apparatus in early detection and prevention of international crime and terrorism?

- (5) Which agency is charged with this and what training and resources are available to it?
- (6) What is our emergency response capabilities in the event of such an attack?
- (7) If such capacity is lacking, as I suspect, what is this Government doing about it?

Mr JAMES MARAPE – I thank the Deputy Opposition Leader for asking this series of questions that are very important. It relates to our national security and sovereignty as in the case of the plane that was carrying the drugs. It would have been uplifted to Queensland but had crash landed. We have established that the drugs were on board.

I want to commence by saying that it's not a first-time drug bust. A similar incident happened in our country in 2018 on Budibudi Island in Milne Bay where bags of cocaine were apprehended when the plane crashed. These drugs were confiscated and brought but to date I have little knowledge of what has happened. This confirms that for now our country has been used by international criminals to transport drugs. But I am thankful that we have established that this plane was loaded with drugs.

In relation to the third question on what happened to the drugs confiscated; I want to inform this House that these matters are part of State property as far as evidence is concern and we are working with close collaboration with the Australian Federal Police, because the plane originated from Australia.

09/09

It was flown by an Australian pilot, under our instructions, the pilot has not left PNG has yet. He is here and will be processed by our laws but the drugs are in dual custody, between Papua New Guinea and the Australian authority. This is for evidences to be assembled both here and in Australia; to find out the people behind this drug syndicate.

Mr Speaker, I do not have much liberty to go into details of what is taking place because this matter is under investigation but let me assure the country that we will not be used as a drug transit point. And whatever happened to the shipment that was found on Budibudi in 2018, I have asked the present team of investigators to look into it and I am looking forward to a report on this to be furnished to my office soon.

The 2020 drug bust will be used to bring the Australia and Papua New Guinea networks to pay for their crimes. Investigations are ongoing so let me not divulge information but I

assure that this country will ensure that investigations will be given full support. The Deputy Opposition Leader also asked on the capacity that we have.

Let me admit that capacity as far as our own investigation is limited but we are also working in close collaboration with the Australian Federal Police to ensure that the Australian side of investigations are complete and the information they have as far as our content is concerned, is also finalized to us as we work alongside each other to prosecute this matter. And those who are responsible for this crime will be answerable for their conduct.

Mr Speaker, I am trying to recall all the questions that he asked but I think to summarise it all, let me assure him that when the full investigation is complete, the country will come to know who is behind this drug haul that was busted recently in the country. The pilot has not left our shores and that should show commitment on our part that we are serious in prosecuting those involved, although we have received request that he be sent out of PNG to go back and face charges in Australia.

I personally refused and wanted him to remain here until the entire investigation is complete. Their local accomplices have already been arrested and investigations are continuing to get all those involved. May this question be used as an opportunity for me to announce to everyone who want to use PNG as a drug trafficking country; this will not be allowed. The Deputy Prime Minister is working on penalties as far as drug handling is concerned. And I ask every sitting Member to give support to the Deputy Prime Minister to ensure we give the correct penalty to those who peddle drugs, handle drugs and or traffic drugs in our country as a business.

Western Pacific University – Awarding of Contracts

Mr WILLAM POWI – My questions are directed to the Minister for Higher Education, Science, Research and Technology. And these questions relate to the K35 million Chinese Government grant allocated for the Western Pacific University infrastructure in the Southern Highlands province.

10/09

Mr Speaker, I consulted with the National Procurement Commission, the Secretary for the Higher Education, Research, Science and Technology, Fr Czuba, and also the Chinese Ambassador to PNG on this matter.

My series of questions are as follows:

It is revealed that the PNG National Procurement Commission, the only legally mandated authority to procure contracts has no visibility of this contract as that function has been taken away by the Western Pacific University Project Steering Committee.

(1) Can the Minister confirm or deny whether this is true?

(2) Who are the members of this Western Pacific University Project Steering Committee?

(3) Who established this committee?

(4) Is this committee allowed by law to procure projects valued at K35 million?

Even if this funding is a grant from the Chinese Government, there has been no consultation with NPC or the Southern Highlands Provincial Government for that matter as this infrastructure will happen in my province.

Mr Speaker, this is important and the people of PNG must know if this process is in compliance with our laws or not.

(5) Can the Minister inform Parliament on how the tender process and contracts for infrastructure at the University has been awarded in the past?

(6) Is it true that the Western Pacific University is not in operation?

(7) Why is the University Council in full operation; is it standard practice?

Mr Speaker, relating to the K35 million, there were five companies that bided for this project and all of them are PNG based Chinese companies. The following are their tendered bids:

1. Guandong Foreign Construction Company bided for K34.8 million,
2. China Shangshui International Economic and Technical Corporation Group bided for K36 million,
3. China State Construction Engineering Corporation Limited bided for K34.5 million,
4. China Railway International Group Limited bided for K35.3 million and
5. China Xinchua Economic Technical Corporation Limited bided for K34.6 million.

Mr Speaker, minutes from the Western Pacific University Chinese Grant formal acceptance of bids at the Department of Higher Education, Research, Science and Technology Office, dated 20 July, 2020 reveals that Fr Czuba chaired this meeting and I quote," At that time extended to the tenderers introduction of the Projects Steering Team from the Higher Education Department and Western Pacific University and the representative from the Chinese Embassy. The purpose of this meeting was to publically open and formally record the bids in the tenderers presents. The tender review process would follow where the

submission will be granted according to the requirements issued to the tenderers at the start of 2020 for the Project Steering Committee to evaluate those bids and make final decisions.”

(8) Can the Minister, confirm or deny, whether China Xinchua International Economic and Technical Group Limited has been awarded this contract based on the recommendations by the Western Pacific University Council?

(9) If so, is this the same company that has been awarded a massive K800 million for Lae Wharf contract, started the brewery factory at 17 mile outside of Port Moresby and also purchased the Crown Plaza Hotel in Port Moresby?

11/09

(10) Mr Speaker, if the above are true and the Department of Higher Education has no courtesy to consult with the host provincial government and the Procurement Commission. My provincial government will formally petition the Marape-Steven Government to lodge a complaint that my provincial government is seriously concerned as a matter of law, that laws of contract and procurement, whether public funds or loans from overseas, as is in this case, confirmed by the Ambassador himself as having, complied with the PNG laws, has not complied with the Procurement Commission and therefore needs to be reviewed and reconsidered through the appropriate and legally correct process.

Mr Speaker, I stood against corruption in an unprecedented way and I will not wait to see another brewery coming to my province and do business without complying with the procurement laws of this country.

Thank you, Mr Speaker.

Mr NICK KUMAN – Let me firstly thank the Governor for the series of questions. They are quite important in terms of a program that was initiated by the former government during the APEC year in 2018. The economic cooperation and technical cooperation was signed, I believe, somewhere on the 16th of November 2018.

This project is one of the four or five projects including the Boulevard, the Convention Centre, the security program that is undertaken by the Chinese Government from the airport to downtown and the Customs facility built at the airport. And some of the money has gone on to build a TVET facility in Wapenamanda.

Mr Speaker, let me firstly inform the Parliament that as the minister responsible for Higher Education I had no visibility at all in that particular procurement. Although I am the Minister, I knew of the funds which was coming to the country specifically for Western

Pacific University but I had no visibility until through a good gesture from the Governor, he gave me a series of questions from which I can at least find some answers.

Mr Walter Schnaubelt – Point of Order! I want to ask if we can extend Question Time for another 20 minutes.

Mr SPEAKER – Honourable Member for Namatanai, your point of order is out of order. This should come a long time ago. The Minister is now answering the question so, Minister, continue.

Mr NICK KUMAN – I know there is a standing requirement for all procurement in the country, particularly with funds coming through various arrangements between governments or international organisations in this country. They invoke section (7) of the *National Procurement Commission Act* that talks about agreements. This particular agreement that was signed between the two governments in November 2018 set out a clear pathway in which procurement must be made with regard to the grant or aid. This is for what goes to, not only the Western Pacific, but other grants or aid that come through.

Therefore, I am aware that a management company has been appointed.

12/09

I am also aware that the procurement needs to be done between the Chinese representatives in Papua New Guinea with the host country agency of Government, which is the Department of Higher Education.

And the sub of that is the University of Western Pacific. I know the Governor asked the question in relation to council and the administrative arm of that council; why was it established? At that time there was an Act of Parliament in 2014 that establishes the University of Western Sydney. I am not privy to what had happened prior to my time. During that time, there was an appointment of a council to administer during the construction period. I do not know the utility of it.

But now I will carry out an investigation to ascertain the process that took place in procuring the K35 million or K40 million. At this point I want to thank the Government of China and the people of China for their generosity when they came here in 2018. They have funded a couple of projects in this city, through an aid program and Western Pacific is one of

those universities we just started building some years back. I want to see the completion of this institution.

I won't make it my business. I have with me a lot of documents in regard to –

Mr Peter O'Neill – Point of Order! Mr Speaker, whilst I thank the good Minister for his answers, the questions by the Governor are of a very serious nature.

I urge the Minister to investigate this fully and give us a written report on this Floor of Parliament on this matter. I am saying this because there are some very reputable Papua New Guineans on that council, including Sir Peter Barter, who is the Chairman. The companies that have been bidding for this project are all Chinese Government-owned companies.

So, if my good Governor has got some issues about corruption in awarding of these contract, he must produce his evidence and I urge the Minister to table that particular investigation report on the Floor of Parliament.

I am saying this because we are trying to get the first intake of students in 2021, Mr Speaker. Our region needs a university. Our Governor has not put one toea in this university, but he has got the audacity to ask questions and we respect that. But he must have evidence to support it, because these are grants from foreign governments that we need, to complete the construction of this university.

Thank you, Mr Speaker.

Mr NICK KUMAN – Mr Speaker. I thank the former Prime Minister and Member for Ialibu-Pangia. I was just coming to that point because these are very serious allegations which arose from that grant and it is important that we have to understand the full extent of it and the implications which will come out from this. So, it does not affect the relations that we have with the Chinese.

Therefore, I will conduct an internal investigation and hopefully I will be able to provide a detailed report to this Parliament in the next Sitting.

Mr Pila Niningi – Point of Order!

Mr SPEAKER – Honourable members, Question Time has lapsed and I won't entertain any more points of order.

Honourable Minister, resume your seat. Thank you.

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**PERMANENT PARLIAMENTARY COMMITTEE ON PUBLIC ACCOUNTS –
REPORT ON THE INQUIRY INTO THE PROCUREMENT,
SUPPLY AND DISTRIBUTION OF MEDICINES –
PAPER AND STATEMENT –
REPORT ADOPTED**

Sir JOHN PUNDARI (Kompiam-Ambum) – I present the following paper pursuant to statute:

Report on the Inquiry into the Procurement, Supply, and Distribution of Medicines National Department of Health.

I ask leave of Parliament to make a statement in connection with the Report.

Leave granted.

Mr Speaker, thank you, for giving me this opportunity to present to this honourable House the Permanent Public Committee on the Public Accounts (PAC) report on the inquiry into the procurement, supply and distribution of medicines in the country by the National Department of Health in our country.

Before I proceed to the actual report, let me share one of the unforgettable and heart wrenching stories that surface. It is a picture, Mr Speaker, an empty picture with no people in it.

A picture taken of a rural aid post with a grave next to it. They carried him miles to get to the nearest aid post. There was no hope to begin with, only a fools hope, Mr Speaker, but he was their brother, he was their father, he was their husband, they carried him and finally at the doors of the aid-post, they were told that there was no health worker there anymore.

Mr Speaker, medicines had stopped arriving a few months back so the aid post had been abandoned.

Mr Speaker, you looked at their tired and trebled faces and as he lay to die he asked them to bury him there so they would not have the burden of carrying his body back home.

Mr Speaker, they buried him there, away from his land, village and families. They buried him there alone.

Mr Speaker, this story is a perfect depiction of the truth about the facts of our failing system. It needed to come from a real patient and real end users like the health workers. The health workers who regularly see men, women and children of this country dying in front of them while they remain helpless to save their lives.

Mr Speaker, they tell us the truth and it is heart breaking stories like this that put the people Public Account Committee into motion.

Mr Speaker, let me commend fellow committee members without whom this crucial inquiry would not have been possible. The Deputy Chairman of the Committee Honourable Garry Juffa, deserve special mention for his strong and vibrant leadership.

Mr Speaker, I also give credit and have the utmost respect for Honourable Robert Naguri, the Honourable Salio Waipo, the Honourable William Tongamp, the Honourable James Donald, the Hononurable Philip Undialu and the Honourable William Powi. Their leadership and valued commitment gave the committee its quorum and capability to perform our functions.

They are all leaders with courage, integrity, and a great desire to serve their people. Mr Speaker, I also thank the leader of Government Business adding to the committee new members. We appreciate them and welcome them to the Public Accounts Committee.

For years our Public Accounts Committee has not been functioning to the expectations of our people or to the spirit and intend of our democracy. If one thing this enquiry has shown us, it is that our roles as legislators and oversight providers is crucial in providing checks and balances in our government system.

Mr Speaker, I also acknowledge and thank the Minister for Finance and Leader of Government business, the Honourable Rainbo Paita and the Honourable Prime Minister James Marape for the direct funding support to the committee.

Mr Speaker, a first of its kind, may our good Lord continue to guide and bless this government and each of you in your leadership and the goals.

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Jurisdiction

The Public Accounts Committee (PAC) of the National Parliament of Papua New Guinea is the Permanent Parliamentary Committee on Public Accounts. The PAC finds its 'primary' jurisdiction under Section 216 of the Constitution of the Independent State of Papua New Guinea (Constitution).

Mr. Speaker, the PAC also finds its jurisdiction to inquire into expenditure of 'public monies' in Section 86 of the *Public Finances (Management) Act 1995* and Section 17 of the *Permanent Parliamentary Committees Act*. Whilst engaged in inquiries the PAC is guided by two 'key' definitions contained in the Constitution, which are directly relevant to Section 216 of the Constitution.

Mr Speaker, and they are:

(1) "Public Accounts of Papua New Guinea' includes all accounts, books and records of or in the custody, possession or control of the National Executive or of a public officer relating to public property or public moneys of Papua New Guinea;" and

(2) "Public Moneys of Papua New Guinea' includes moneys held in trust by the National Executive or a public officer in his capacity as such, whether or not they are so held for particular persons;

Mr Speaker, apart from commencing work based on audit reports and conclusions of the Auditor General, PAC also conducts its own inquiry into matters deemed by the PAC to be of 'National Importance'. Endless reports of deaths from curable diseases, deaths of mothers from child birth, closure of many health facilities due to shortage of medicines/medical kits and doctors/health workers threatened to walk off their jobs is definitely a matter of National Importance.

This is despite the awarding of millions of kina in public contractors for the procurement, supply and distribution of medicines in the country. The failure by the National Departments of Health (NDOH) to investigate and remedy the situation resulted in the PAC passing a resolution to conduct an open inquiry into this matter in response to widespread public criticism and public outrage.

The inquiry

Mr Speaker, the inquiry into the procurement, supply and distribution of medicines begun on 21 August, 2019. The findings of the inquiry generally revealed that governance of the health system and medicine supply chain remains a real problem in our country.

It also discovered that the enthusiasm of development theorists and practitioners for improvements in governance have produced endless audits, reports, flowcharts, grids, workshops and strategies. Forty odd years on since Independence, and these efforts appear to have achieved little.

Mr Speaker, the committee was deeply saddened that our very own Papua New Guineans; politicians, bureaucrats and senior civil servants in positions of trust and authority have betrayed our own people in allowing greed and corruption to flourish in the

procurement, supply and distribution of drugs and medical kits in our country that have resulted in avoidable deaths from curable diseases.

'If ever there was a sector which should be safeguarded by political leaders to ensure that services are provided in an effective and efficient manner, free from exploitation, it is public health'.

Mr Speaker, the inquiry was about establishing the truth. It was about understanding the reasons for the failing procurement, supply and distribution of medicines and medical kits throughout the country. The Inquiry had no personal agenda or pursued no vendetta against any persons or corporations. The committee has stayed its objective throughout its proceedings; and the recommendations and the road map suggested are a result of the Committee's genuine and comprehensive efforts in the Inquiry.

Findings and Conclusions

The committee made a total of thirty-three (33) findings; however, some of the key findings and conclusions are as follows:

(1) Medicines Supply in Papua New Guinea.

Mr Speaker, Medicines in PNG are identified into two basic groups (100 per cent medical kits and routine orders and distributed using two distinct systems working parallel to each other.

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The Push System for 100 per cent Medical Kits which are pre-packed and delivered to Aid Posts and Health Centres and the Pull System for Routine Orders delivered upon request to Hospitals and Provincial Health Authorities.

(2) 100 per cent Medical Kits distributed by the Push System.

Mr Speaker, the Push System deals with 100 per cent medical kits. Medical kits are pre-packed kits containing selected medicines which are meant specifically for aid posts and health centres. This system is aimed at "pushing" medicines out to cover the bulk of the population. It aims to ensure that all aid posts and health centres around the country are at least given a basic supply of essential medicines. The supplier of the medical kits delivers to seven different sea ports across the country and they are: Wewak, Vanimo, Rabaul, Lae, Kimbe, Madang and Port Moresby. From the ports, four different logistics contractors distribute the 100 per cent medical kits to the four different regions of the country they are each assigned to. Many times, the logistics companies failed to efficiently distribute these

drugs to the recipient Aid Posts and health centres. On some occasions the distributions are done late.

(3) The Essential Medicines concept or the Push (100 per cent Medical Kit) System despite setbacks, is practical and currently necessary to ensure medicine availability across PNG.

Mr Speaker, the Inquiry concludes that essential medicines concept is a worthy public health principle and represents good value for money for our country. In this country we are faced with major challenges due to the majority of the population being dispersed across remote locations. The Push (Medical Kit) System provides an effective means to universally increase the availability of medicines in rural areas right across the challenging terrain of Papua New Guinea.

(4) Medical kit contents are not revised and packed according to the usage rate, needs and demands.

Mr Speaker, the committee found that it has been five years since the contents of the 100 per cent Medical Kits being distributed have not been reviewed. Update of the Essential Medicines List, reviewing the quantity of the different items packed depending on usage is not been done. No regular review has been conducted to ensure that the right amounts of drugs and medicines are packed and distributed based on the needs of each facility.

(5) Medical kits Oversupply or Undersupply Certain Drugs.

The committee identified that the shortage of medicines attributed to the 100 per cent medical kits at rural health facilities is mainly due to the undersupply of one particular drug in the medical kit for a particular disease that is more prevalent in that area.

Mr Speaker, currently, the supplier is delivering the medical kits as specified in accordance with its contractual requirements. In theory, when a facility runs short of medicines and medical kits, it should order from the closest AMS. In reality, however, when orders are sent by the facilities, medicines are not delivered on time or sometimes not at all. This is due to a number of reasons and lies under the domain of NDOH and logistics companies.

(6) Routine Orders distributed by the Pull System.

The Pull System delivers routine or general orders to large hospitals, health centres and Provincial Health Authorities. These are delivered upon request by the health facilities. In the Pull System, the supplier delivers medicines to the five Area Medical Stores in PNG. Located in Badili (POM), Lae, Mt Hagen, Wewak and Kokopo. Medicines are stored in at these

Medical Stores and when orders are made from hospitals or large health centers, distributors collect the orders and distribute them.

Mr Speaker, in the Pull System, hospitals place orders monthly to the nearest AMS for their medical supply needs. In the event of an emergency case where there is an urgent need for supplies; this is also catered for by the AMS depending on its stock.

(7) A combination of the Push and Pull systems in use currently is realistic and adequate with an intention to move towards a long-term solution.

The inquiry concluded that a combination of both the Push and Pull systems is the best fit for our country at present. The Pull System being the more rational system has been in operation in PNG since the 1950's. As the capacity of distribution channels is improved in the country, in the long-term we will ideally move towards a permanent Pull System, where facilities only order medical supplies from medical stores on a needs basis.

(8) The Supply, Procurement and Distribution links of the medicines supply chain at the Health Department.

Mr Speaker, the supply link comprises of all the pharmaceutical companies that purchase medicines from the drug manufacturers and supply medicines to the NDOH via ports or Area Medical Stores in the country.

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Before a supply contract is awarded through a tender, it is the responsibility of NDOH to verify the manufacturing source of the medicines and the quality of the drugs being delivered through certification and testing.

The procurement link of the medicine supply chain encompasses both supply and distribution aspects. It includes the tender process to award contracts and routine or emergency orders, and it includes verification of deliveries and payment to contractors.

Mr Speaker, this function is effected by the National Department of Health. The distribution link consists of the logistics companies that collect medicines and kits from ports of entry or Area Medical Stores and distribute them to the health facilities. From the AMS or sea ports to the health facility is referred to as the last-mile. The current system is compromised in the entire procurement, supply and distribution of medicines in the country.

(9) The Supply of Medical Kits, Antibiotics and Drugs.

The committee established from the inquiry that the 100 percent Medical Kits are being delivered as scheduled to the designated sea ports in the country by suppliers. Similarly,

antibiotics, vaccines and other drugs are delivered by the pharmaceutical companies according to their contractual agreements or for routine and emergency orders.

Mr Speaker, deliveries are being made to the respective Area Medical Stores as required. Questions over the quality of drugs being supplied have been raised by medical practitioners. The committee recognises this as the responsibility of NDOH to evaluate drug manufacturing certification and drug manufacturing sources before contracts are awarded.

(10) The last-mile is a leading concern in the medicine supply chain.

From the sea ports of entry or the AMS, it is the responsibility of the logistics companies under the management and supervision of NDOH to deliver over the last-mile to the health facilities. Herein lies the weakest link throughout the medicine supply chain that has been identified in the inquiry.

Mr Speaker, the committee established that it was over the last-mile the highest risks are posed towards medicine security and safety. Between the AMS and the health facilities issues have been identified that contribute directly towards the medicines shortage crises in PNG. These are:

- Theft of medicines
- Damage of medicines due to improper handling and storage
- failure or delayed delivery of medicines

(11) Failure to adequately manage logistics and distribution is a failure of the Health Department.

The inquiry established that failure to effectively manage the distribution system is a major concern and a challenge for the Health Department. When medicines arrive at the ports or AMS, ensuring that they reach their intended destinations, remains the leading challenge. Late last year in November, 2019, a batch of 100 percent medicine kits arrived at the ports, but by March 2020; more than half these kits had not been delivered by the logistics companies. One logistics company owner stated that he did not have the funds to deliver and was awaiting payment of outstanding invoices from NDoH before his company can deliver the kits.

(12) Medical Stores are bottlenecks and may have outlived their usefulness.

The five AMS are the cause of many problems in the medicine distribution supply chain from reports received during the inquiry. Medicines gone missing or misplaced, slow response to orders, and poor recording of medicine levels have contributed towards the crisis of medicine shortages in the country.

Mr Speaker, security issues in AMS across the country are also an ongoing issue raised by NDOH staff and health facility staff during the inquiry. The safe-keeping and accurate recording of drugs is poor and the sale of medical supplies is reported to be commonplace at the Medical Stores. Reports were received during the inquiry from health facilities, private clinics, retailers and the general public, who purchased medicines directly from AMS officers.

(13) There is no internal customer service culture or grievance resolution process within the NDOH medicines supply chain.

Numerous complaints and emails from health facilities have been sighted during the inquiry regarding, late delivery, incorrect delivery or no delivery of medicines. The Health Department has no complaints register or action team that can address and respond to such matters. Health facilities are left to their own personal anodes of communicating or simply just have to wait if they have any shortage or delivery issues.

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Mr Speaker, the Medicine Supplies Procurement and Distribution Branch has forgotten the primary role which, is to ensure medicines are delivered to the health facilities. Much of the focus and time spent by staff at the MSPD Branch is on contractors' issues, like contracts, tenders and payments. The MSPD Branch has lost sight of its principal clients, which are the health facilities. Lack of internal customer service and focus on issues faced by health facilities is enough cause for the Committee to conclude that the MSPD Branch has also gone past its usefulness. Recommendations have been made to address this vital but malfunctioning branch within the NDoH medical supply chain. The Committee has been found that all the roads lead here.

(14) The Health Department has failed as the custodian in its role to manage medicine supply, procurement and distribution.

Mr Speaker, the Inquiry revealed much controversy and criticisms, with fingers pointed at the companies and suppliers of the Health Department. The Committee has concluded that while it does in fact take "two to tango", the responsibility rests primarily on the management of NDoH, who are custodians of our medicine supply chain and our people's health. Our medical supply and distribution systems have been compromised, because NDoH has allowed this to happen; by either complacency, incompetence, design and or greed.

Numerous reports have been received of senior officers of NDoH directly involved in the procurement of medicines, affording to living extravagant lifestyles, far beyond that which is expected from a normal public servant salary.

Mr Speaker, the Committee noted a host of capacity building exercises, internal and external reports, and enthusiastic attempts to address these issues, but the realities today revealed in the Inquiry show that these have all failed.

New policy reform must be sought to restructure the current tender and procurement process as a matter of priority. This is the principal conclusion from the Inquiry and recommendations made by the Committee in the recommendations section, seek to redefine the structure of the medicine supply chain in the Health Department.

(15) A prevalent risk of corruption and wide perception of distrust exists in relation to the procurement of medicines by NDoH.

Mr Speaker, the Committee concludes that the Medicine Supplies and Distribution Procurement (MSPD) Branch has failed to create a transparent environment. The appearance of transparency is key in such an important public function. Transparency is demanded from the government, donor partners, medical professionals and the general public.

The lack of transparency and accountability at the MSPD Branch was raised at all levels: by district and provincial health managers, as well as government and non-government officials and agencies. There was universal acknowledgement that this remains a very serious problem across the medical supplies, procurement, supply and distribution system.

Mr Speaker, frustration was voiced at the conduct of MSPD Branch staff and their blatant disregard for the needs of the facilities in the regions. This branch has become a bottleneck over time and is frustrating the process, while at the same time receiving cover from senior management at the NDoH, said one health worker. This claim was supported when the Committee sighted several written complaints that were never addressed by top level management at NDoH.

Senior officers of the MSPD Branch have lost the confidence of donors, contractors and health facilities alike. The Committee is of the view that any new policy reform must engage these findings and address the concerns of transparency and accountability with an acceptable, amicable and permanent solution.

(16) The current public tender process being executed by the NDoH must be improved to ensure confidence.

Mr Speaker, the Inquiry initially was held due to widespread criticism on contracts awarded for medicine supply. A review was conducted on the contracts awarded and the tender process followed. We reviewed their compliance with all the relevant Papua New

Guinean laws, and measured them for performance against contract terms to ensure GoPNG had received value for money.

The Committee found that the public tender process was followed by the NDoH as required by law. Contract amounts above the NDoH and National Procurement Commission (NPC) legal threshold were submitted and approved by NEC. The processes and laws have been followed; however, the Committee believes there still remains room for improvement in the current process.

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Mr Speaker, corners are being allowed to be cut for convenience and an inherent risk factor and lack of transparency casts doubt over the process. Reforms endorsed in this Report aim to establish a more transparent process specifically for medical supplies.

Mr Speaker, partners in health like the National Government, the National Department of Health, donors, medical practitioners, contractors and the public; all deserve a system we can have confidence in. One that is producing the best outcomes in a transparent manner.

(17) Tenders conducted by Nation Department of Health are too slow and lack adequate planning.

The inquiry uncovered serious concerns in the timeliness of the current tender process for the supply and distribution of medicines. In some instances, it took almost a year to give contracts through tender by National Department of Health.

Request for tenders are often sent out late, which results in existing contracts expiring while new contracts have yet to be awarded.

Mr Speaker, this gives rise to the medicine shortages, emergency orders, certificates of inexpediencies and rushed tenders. The impression of collusion and suspicion towards the process is shared by a vast majority of partners within the health fraternity.

Reiterated from above, the tender processes are in accordance with the public tender process, however, the delays, whether deliberate or not, display unacceptable levels of inadequacy in planning and incompetence for such a vital function.

A new policy reform is recommended to expedite contracts for medicines in a timely fashion.

(18) The current system produces a large backlog of payments that remains unpaid to many contractors.

Mr Speaker, it was found that the current system accumulates a large backlog of payments outstanding to contractors. This backlog amounts to tens of millions, which directly

affects the flexibility of the National Department of Health to choose suppliers and also limits the ability of the contractors to meet their contractual obligations. For instance, the National Department of Health owes outstanding payments to the value of K73 million to one of its contractors; of which K40 million has been outstanding since 2017.

This places both the National Department of Health and the contractors in a precarious situation. It is imperative that new policy reform must seek to address the deficiencies in the financial management system and enable flexibility to negotiate with contractors.

(19) Appearance of Conflicts of interest amongst National Department of Health staff and contractors.

Mr Speaker, the committee was concerned over the significant level appearance of 'conflict of interest' within National Department of Health and its contractors. Most of the contractors are former and or current senior employees of either the MSPD Branch or the Area Medical Stores (AMS). The appearance of these conflicts of interest casts a doubt over contracts and engagements, and raises concerns that this may have influenced the way some of the contracts were awarded, and it also presents risk of collusion for payments of falsified invoices.

Possible collaboration between Area Medical Stores officers and contractors may possibly explain the theft of medicines and prescription drugs at Medical Stores. A fabricated shortage of medicines situation can be created, which allows the resale of stolen medicines and drugs back to National Department of Health.

Recommended policy reform must consider these strong existent relationships that may give rise to conflicts of interests. Mr Speaker, disregard for this will result in the prevalent risk remaining.

(20) There is a deficiency in internal controls and the internal audit function.

Mr. Speaker, the committee found that there is insufficient internal control, recording or management of stock, and a non-performing internal audit function within the National Department of Health. This directly contributes to the crisis of medicine shortage at facility levels.

Medicine shortage is basically an inability to purchase new medicines that are required, or the inability to know when to buy the medicines because the stocks have depleted from usage, wastage or theft. This can only be remedied with an effective internal control system.

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Mr Speaker, during the inquiry, stock reports were requested from the Badili AMS and the MSDP Branch of NDOH. To the committee's dismay, they could not provide to us any updated stock report. Medicines are highly desirable and valuable goods. They can be easily stolen and are easily sold. The fact that the most valuable commodity in the organisation is not given the attention it deserves, is telling of the state and priorities of the NDOH, especially the MSDP.

No periodical internal audits or stocktakes are conducted. Internal audits and investigations are done ad hoc and upon direction. There is no established process to identify weaknesses in the inventory management system.

(21) There is an absence of real-time, accurate and reliable data for effective decision making, planning & management of stock.

Mr Speaker, the inquiry established that the inability to collect and maintain accurate and reliable data is a significant challenge for NDOH. Without information, many critical decisions are being made blindly. There is no centralised database that is available for NDOH and no system in place to collect usage and storage level data of medicines. The MSPD is unable to produce stock reports of drugs upon request in a timely manner, and there is poor communication along the supply chain. Storage and record keeping at AMS and facilities is lacking, and this adversely affects their ability to stock, secure and order medicines. The Committee endorses new policy reform that captures these findings. We discuss it further in the recommendations section.

(22) Insufficient use of the MSupply system.

Mr Speaker, the MSupply system was discussed in detail during the Inquiry. It is a computer application software introduced at the NDOH that keeps records of drug supply and stock levels. The system is internationally used and is extremely user friendly. The system has the capacity to monitor and report drug usage and stock levels at facility levels throughout the country. Unfortunately, it was found that mSupply has not been implemented nationwide, and even where it has been installed: it is underutilized. The Inquiry revealed that the incomplete implementation and under-usage of mSupply, is due to a combination of factors. Firstly, there is a lack of competency to implement and run the system proficiently within the Health Department. Secondly, despite being installed, mSupply was deliberately avoided by officers at the AMS so that records are not kept accurately, leaving room for the theft and unaccountability of medicines. The committee concludes that new policy reform should drive the full implementation and use of the MSupply system.

(23) Lack of skilled workforce continues to be an ongoing concern.

Mr Speaker, the committee sees the lack of adequately skilled professionals as a critical inhibitor towards the performance and development of the pharmaceutical supply chain. The NDOH simply does not have enough pharmacists, health workers and technicians.

Even more concerning is that we are not training new professionals at a level that can meet rising demands. The lack of management and professional expertise employed by the Health Department in areas of accounting, finance, reporting, forecasting, information technology and planning is also a concern. This is displayed by the need to constantly engage external consultants.

(24) NDOH displays complacency, inability, and a vexing lack of willingness to change or act upon clearly identified failures and concerns in the system.

Mr Speaker, senior management of the Health Department have portrayed an overall lack of ability and/or willingness to change and adapt towards progress. Their complacency was highlighted during the inquiry when we found no emphasis on the continuous improvement of its procurement and distribution practices. Neglecting to attend to issues and its improve systems and processes; no forward planning, forecasting or preparation to meet rising population demands; has allowed medicine supply issues to escalate beyond the ability of the budget and capacity of the government purse. It is clear that no action is taken at the NDOH until a crisis forces management to act.

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No internal assessments are made unless an investigation is ordered and, even when reports are compiled that identify weaknesses, there is an absence of built-in willingness to address these concerns and seek better outcomes.

(25) Meeting the natural rise in population growth and increasing demand for medicines is a real and constant challenge.

Exponential growth in population will continue to outgrow planning and budgetary capacities of GoPNG. The Committee noted that population growth against budget constraints remains a concern that must be taken into account by any new policy reform. A long-term strategy must be designed to accommodate for this reality.

(26) The Medicine Quality Control Laboratory is not fully operational

Mr. Speaker, the state-of-the-art testing facility at Gordons, Port Moresby has the potential to serve all the Pacific island nations. At present it is working towards WHO and international accreditation and is not conducting any drug testing on medicines in-country.

The necessary accreditation should be attained as soon as possible to begin testing. Currently we are sending samples to be tested off-shore whilst batches are already en-route to health facilities. This runs the risk of medicines being dispensed to patients before they are re-called in time. Each batch that arrives should ideally be tested before they are allowed for distribution. Not just for good quality, but also to test for their used-by-dates.

(27) The risk of counterfeit and sub-standard medication sold at retail outlets is real and must be arrested as a matter of priority.

Mr Speaker, the Government has no control, and is not regulating and testing medicines that are entering the country through private pharmaceutical suppliers into the market. The Inquiry revealed that medicines are allowed to enter the country without approval or certification.

NDoH has little to no oversight on medicines being purchased by private hospitals, retailers and clinics. Take for instance, "How do we know that Panadol purchased from retail outlets, is indeed Panadol? This is a frightening question, and GoPNG has a responsibility to be proactive in ensuring that medicines available to our people are efficacious, effective and of good quality.

(28) Australia refused to assist in this Inquiry.

Mr Speaker, the Committee was deeply saddened at the refusal of the Australian DFAT and AusAID to take part in the Inquiry, despite several correspondences respectfully inviting them to do so. The Committee sent three letters of invitation — all of them without success. This is unfortunate, especially; since it was mostly Australian claims in the media that prompted the public outcry that led to the past PAC Inquiry in 2014.

The Committee was looking forward to understanding the facts and addressing the issues that caused these accusations to arise, and to find a better solution going forward that will engage once more our Australian friends in our medicine supply system. We have been unable to do so due to their absence in the Inquiry.

(29) Post PNG is unreasonably being overlooked for distribution contracts.

Mr Speaker, state owned entity Post PNG is the largest logistics and distribution company in the country, but has been persistently overlooked for contracts. On nine occasions in the past five years; Post PNG failed to satisfy the tender requirements for all the contracts it tendered a bid for.

This is despite the fact that Post PNG was the only company that bid to have track-and-trace technology, which enables customers to track all goods in transit in real-time. This indicates serious issues in the tender selection process and the criteria used.

The Committee is unanimous in that new policy reform must give priority to Post PNG to lead in the new medicine distribution system. Mr Speaker, any executive government will have the power to sack the CEO of Post PNG if they don't deliver drugs on time to our facilities.

We also recommend that logistics companies can be engaged at the provincial and district levels which opens up opportunity for participation from many more local contractors. At the same time, ensuing the system provides a level playing field for all bidders and companies.

(30) Accusations by Australia against PNG companies awarded contracts are unsubstantiated and were made without any evidence.

Mr. Speaker, without an opportunity to hear these arguments during our Inquiry, the Committee cannot validate the accusations made by Australian DFAT against local companies in respect to the contracts awarded to these companies. Our people and Government have always had the deepest respect and appreciation towards the Australian Government, but their refusal to assist in our Inquiry has left us no choice but to call them mere accusations.

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The Committee heard during the Inquiry that IDA; the Australian DFAT preferred contractor, purchased medicines from the North China Pharmaceutical Group (NCPG), coincidentally the same manufacturer that our current suppliers source medicines from. Criticisms were voiced by NDOH of the "Parallel" procurement system used by DFAT Australia when they supplied medicines during 2013, operating outside of PNG laws and processes. The medicines that were supplied to PNG by IDA, due to their quality would never have been allowed to be sold in Australia. When the Committee requested for comments, none were received on this, despite sending requests for written responses.

(31) We need to align donors and their programs with our national system.

Mr Speaker, we must integrate all donor run programs with the National Government. Donors have been pursuing parallel distribution channels due to the mistrust they have with the MSDP Branch in the Health Department. The Committee believes that both donors and GoPNG will benefit from increased synergies and alignment of resources. Some foreign advisors are identifying problems and suggesting their own solutions which have an incompatibility with the realities faced in PNG. These programs and reports at times can be

naïve to PNG culture and realities. We value the contribution of our partners and their advisors, but must look towards integrated and localized PNG solutions.

(32) NDOH lack cooperation with donor agencies and development partners.

Mr Speaker, despite being the sole department responsible for Health in PNG, NDOH remains unable to adequately take ownership of the relationship with our development partners. There exists a high level of mistrust and a general lack of cooperation. Senior management at the Health Department are yet to prove they are capable of running their own affairs, and to lead the programs being conducted by donors. Another agency should be tasked to achieve what NDOH has failed to achieve over many years. This is captured in first Recommendation.

Recommendations

Mr Speaker, based on Committee findings and conclusions, the following recommendations are made to the National Parliament:

(1) A National Pharmaceutical Authority (NPA) be established and be responsible for the procurement, and oversight of the supply and distribution of medicines and medical equipment in the country.

The major recommendation endorsed from the Inquiry is for the establishment of a National Pharmaceutical Authority. This authority will be responsible for the entire medical supply chain. From procurement of medical drugs and equipment to oversight of testing, packaging and distribution of medicines throughout PNG.

Mr Speaker, the National Pharmaceuticals authority (NPA) will be a government authority, created to manage the medicine supply, procurement and distribution for Papua New Guinea. Its mission is to provide quality medicines, medical supplies and medical equipment at the most affordable rate for the PNG market, and provide an end-to-end service for pharmaceuticals in PNG. From nearly all accounts and recommendations by various agencies and stakeholders, including a vast majority of health professionals, the procurement and tender function needs to be freed from the Medical Supplies and Procurement Division (MSPD) under the Health Department. Moreover, the constraints of public finances and public tender can be relaxed so that the authority has flexibility to negotiate pricing and contracts with international suppliers and manufacturers.

A Board should be established to govern this authority consisting of various stakeholders, such as NGOs, Church Health Services, Donor Agencies, and representatives from the Doctors and Nurses Associations who are the frontline users. The Board will be responsible for the oversight and performance of the authority.

Mr Speaker, establishment of the authority will solve the following pertinent issues concluded from the Inquiry:

- (a) Negotiation of pricing will enable more medicines to be purchased.
- (b) Donor agency programs can be managed through the Authority.
- (c) Greater transparency will result as donors are included and involved in the authority's affairs.
- (d) Contracts with suppliers and contractors can be measured against performance.
- (e) Specialization of responsibilities will allow the Authority to focus on vital areas such as testing, monitoring of stock levels and tracking of deliveries.

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(f) Improved planning and forecasting will be achieved as a result of enhanced management and monitoring of stock levels.

(g) Medical kit contents will be customized more proficiently.

(h) Attention given towards testing, increases the assurance around the quality of medicines.

(i) Treating health facilities like customers will guarantee that stock orders and grievances are attended to as a matter of priority.

(j) Freedom from public finances limitations enables payments to be effectively managed and prevents funding backlogs from accumulating any further.

(k) The timeliness of awarding contracts and payment obligations will increase notably, thus the performance of suppliers and contractors should be expected to improve correspondingly.

(l) A corporate culture is introduced and encouraged.

Currently, in existence is the Pharmacy Board of PNG and Pharmaceutical Services Standards Branch of NDOH. The proposed authority and its board will effectively replace both these bodies.

Mr Speaker, in essence, the pharmaceutical industry is a highly specialized discipline and should ideally function separately away from the National Department of Health. Like the PHAs, this authority will take on the responsibility of actual service delivery, and the Department can ideally focus on policy framework, monitoring and overall strategy.

The authority will be a super-consumer with the ability to purchase drugs, medicines, medical equipment, supplies and devices on mass. As a super consumer, it has bargaining

power to negotiate competitive contracts and prices with manufacturers and suppliers, getting better value for money.

Mr Speaker, establishment of this Authority will ensure the fundamental goals of the Government of Papua New Guinea Vision 2050, National Health Plan 2011-2020 and National Medicines Policy 2014 are achieved sooner, rather than later. Providing a concentrated and hands on approach to needs and realities in the pharmaceutical discipline, and we are confident that it will also have a positive overall impact on the wider health sector.

Cost benefit analysis indicates that no exceeding start-up funds or unplanned budgetary expenditure are required to initially establish the Authority. The Authority is ultimately the re-establishment of an already functioning board and division within the Health Department.

GoPNG allocates a fixed sum to NDOH for medicine procurement every year. Using economies of scale and contract negotiation techniques, the authority can procure generic medicines in the international market from suppliers and manufacturers.

Mr Speaker, the Authority will also potentially function as the independent national administrator responsible for the management and oversight of all programs and funding in PNG by donor agencies and foreign governments specifically for the purposes of medicine procurement and distribution.

The National Government will set the parameters for the Authority's engagement of suppliers and distribution networks. Government organizations such as Post PNG should be given first priority.

A transparent, vibrant and efficient tender and contract process can be established by the Authority, with adequate visibility by all stakeholders in the health and pharmaceutical sectors in PNG.

Mr Speaker, Australia has already indicated their willingness to support an independent authority responsible for the procurement of medicines. Our development partners already here, will be encouraged to help and work towards a central strategy provided there is visibility of transparency in the process. There will be no requirement for them to continue expending donor funds in parallel distributions systems for medication throughout PNG, if a workable alternative is provided.

The authority will be established, with a wider goal and vision; however, when it is established, it will need time to build up its capacity and competency. Thus a short-term, medium-term and long-term strategy with allied targets will need to be established. This is further explained in the Roadmap Forward in chapter 8 of this Report². Create a Division

within the pharmaceutical authority that is specifically responsible for medicine safety, regulation, licensing and testing.

(2) Create a division within the pharmaceutical authority that is specifically responsible for medicine safety, licensing and testing.

Mr Speaker, an Independent division within the proposed authority be created and responsible to implement the *Medicines and Cosmetic Act 1999*, the National Medicines Policy 2014 and other relevant legislation and policies.

23/09

Every medicine sold in the country must be registered by this Division according to relevant legislation and policy. It ensures that medicinal products, supplies and medical devices are safe, effective and of good quality for use by the people of Papua New Guinea.

The already existent Pharmacy Board of PNG and the Pharmaceutical Services Standards Branch will be dissolved to create this Division. The justification for this is the importance of its role. Regulation, testing and inspection should be carried out free from bureaucratic influence.

A small, independent and effective team can be able to produce the desired results. National Department of Health will ideally concentrate on policy matters and advise the government on the requirement for legislation or policy changes, allowing checks and balance with service delivery against policy oversight.

Mr Speaker, the Division will be responsible for the following:

- (a) Collection of fees from pharmacists and pharmacies,
- (b) Testing of medicines and drugs brought into the country,
- (c) Evaluating and monitoring the quality, safety and efficacy of medicines,
- (d) Inspection of all retail outlets selling medicines and drugs to ensure they are not procuring drugs from elsewhere, with the power to fine those that are caught, and
- (e) Providing advice to health workers and the public on how to use medicines.

It is important to separate the safety, testing and regulation aspect from the procurement, supply and distribution function. This is to avoid collaboration and or negligence of this vital responsibility.

Currently, the Health Secretary is the Chairman of the Pharmacy Board of PNG and also oversees the Medical Supplies, Procurement and Distribution (MSDP) Branch of NDoH. This is a conflict of interest. The regulation and execution functions must be clear and distinct.

Mr Speaker, through the collection of fees, and also providing paid services; the

authority can supplement the Government's appropriation, which at most times will be insufficient to fund all the programs and operations that need to be carried out. This recommendation is mirrored by a similar agency, Medsafe of New Zealand, that functions as a business arm of the New Zealand Ministry of Health. Medsafe is run by a small expert and dedicated team that delivers amazing results for the New Zealand people. In fact, it is interesting that Medsafe of New Zealand started off as a division inside PHARMAC itself and later became an independent agency of its own when its responsibilities grew. This is further discussed in Chapter 8 of this Report – the Roadmap Forward.

(3). A centralized distribution system led by Post PNG

Mr Speaker, it is the recommendation of the Committee that a Centralized Distribution System is used, and that Post PNG be the preferred distributor in this proposed centralized system. The proposed system will commission Post PNG to deliver from the central warehouse in Port Moresby to all the twenty-one provinces throughout the country; and manage collection from health facilities. From the provincial centers, the responsibility will be transferred to the:

- (a) Provincial Health Authorities,
- (b) District Authorities.

They will collect from Post PNG and deliver the medicines to their respective medical facilities, by their own means or through local distribution contractors. The proposed authority will ensure through contract discussions that Post PNG, PHAs and Districts can use and engage the following organizations as they deem necessary:

- (1) PNG Defence Force – to assist delivery in border provinces,
- (2) MAF – Already on the ground serving remote rural communities.

Mr Speaker, these are cost-effective, innovative options that will form part of the discussions when designing the national central medicine supply chain.

Post PNG has demonstrated its ability to successfully deliver under the Australian Funded Program in 2012 – 2013, and with real-time track and trace technology and a proof of delivery solutions; they are the ideal distributor for the proposed system.

Post PNG is the state-owned national distributor, and it should be given first priority to all nationwide distribution programs funded and implemented by the government. Post PNG has also put forward a compelling case to the Committee. They will renovate the post offices to facilitate medicine supply in all the provinces since the once filled and busy storage areas of the post offices now remain empty from the decline of physical mail as technological advances in communication.

(4). Control every medicine and drug entering the country ensuring that they all pass through a single-entry point.

Mr Speaker, it is highly recommended that Government of Papua New Guinea take steps to actively control all medicines and drugs entering the country through a single-entry point regardless of who is importing it. All medicines should be tested and approved by the pharmaceutical authority before they are even sold in private clinics or retailers.

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This is the surest and most cost-effective way to ensure patients are not being prescribed second-rated drugs.

The Government of PNG must make it a priority in identifying which manufacturers medicines are procured from. Ensuring that drugs are purchased from WHO and EU-approved manufacturers with the necessary standard quality assurance certification.

Mr Speaker, currently, how do we know that something as simple and over-the-counter medicine such as the Panadol we purchase from retail outlets, is indeed Panadol? This is a frightening question, and the Government of PNG has a responsibility to be proactive to protect its citizens.

(5) Outsource or create an agency responsible for managing information and data with respect to medicine stock-levels and health facilities.

Mr Speaker, this ICT firm or agency will ideally operate independently so that it can be can work flexibly with all the players in the supply chain distribution system. Its main roles will be:

- Implement and manage the MSupply system
- Keep track of stock levels of medicines in the central warehouse and health facilities
- Track and trace movement of deliveries
- Collate medicine usage data and compose useful reports that will be used to pack the medical kits and also provide reliable forecasts for the Pull System
- Maintain a centralized database of all health facilities around the country; the facility level, number of patients treated, patient data, disease patterns and prevalence, the equipment on site at the facility, staff and other essential data.

This agency or firm has the potential to be the information centre for the entire health system. It can inevitably drive the National Health Plan 2011-2020 by providing real-time

data, and identifying the gaps that will need to be focused on. No more than five qualified staff can run such an agency and produce the desired results.

Mr Speaker, we can learn from New Zealand in that they regard health information important enough to have its own board and authority.

Mr Speaker, our most difficult challenges in health service delivery admitted by the National Department of Health during the inquiry is the lack of monitoring and evaluation data. An Agency with a clear mandate and responsibility that is solely dedicated to information collection is a valuable asset.

All organizations need relevant, timely and reliable information to make appropriate decisions.

(6) Create a medical online profile for each citizen.

Mr Speaker, this inquiry unveiled clearly our stark reality, which is the lack of usable data, inability to forecast, and deficiency of monitoring and evaluation tools at our disposal.

Creating an online profile for patients is the solution, and using webhosting and cloud solutions does not cost an arm and a leg anymore.

This will be a key mission of the ICT agency recommended above. The benefits of an online profile for our citizens will be astronomical. Real-time data on disease patterns, prescriptions and administered medicines. Doctors notes and health records can be kept stored forever, referral of patients made easier, evaluation, planning and monitoring in the Health Department will reach a whole new level.

Mr Speaker, such examples are existent in New Zealand's HealthLink and Australia's My Health Record, its contents are privacy-protected and just like a Facebook page. It allows the user to customise which doctor or pharmacist can access their information. This will be a certain game changer.

(7) Price of medicines and drugs should be controlled by the Government of PNG.

Mr Speaker, being active in engaging with manufacturers will put the Government of PNG in a position to set the price ceilings for all medicines being sold throughout the country. Citizens or public health facilities that are purchasing from private pharmacies and clinics will be assured that they are paying amounts comparable to international prices.

Mr Speaker, the effect of entering contracts for bulk medical supplies from one supplier will reduce the unit price of medicines and drugs through economies of scale. This was proven by the case study of New Zealand in this report, and medicines will become more affordable for our citizens.

The Government of PNG can also curb pricing if it chooses to go down the path of buying on behalf of all retail and wholesale pharmacies in PNG. Thus, it will supply through a single-gateway, enabling it to dictate the allowable mark-up for medicine retail prices.

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Mr Speaker, price control is achieved without extensive regulation and monitoring. PHARMAC of New Zealand does this very effectively which is explained further in the Case Study in this in Chapter 7 of this Report.

(8) Construct a central warehouse facility to pack and warehouse medicines.

Mr Speaker, we recommend the Government of PNG construct a central warehouse in Port Moresby that has the capacity of storing, packing and distributing to the entire country. For control purposes, uniformity of packaging, testing and transparency will enable easier inspections of drugs. A simple, lean and streamlined system will result from this approach a much better alternative to the current clustered and confusing situation, creating nightmares for control and regulation.

Area Medical Stores need to be properly managed and integrated into a renewed distribution system. The Health Department officers and health workers during the Inquiry repeatedly emphasized on the challenges and difficulties faced in managing these facilities. Much of the theft and interruption causing delay in medicines reaching health facilities is because of these Area Medical Stores.

Mr Speaker, our recommendation is for these AMS to be taken over by the proposed Authority and then over time given to the PHAs to manage under their distribution networks. At the same time raising the facility levels of other provincial transit stores ensuring that each province has a quality AMS and is managed by the PHA. This will then be the location to which Post PNG delivers from the central warehouse facility.

Medicines will be stored here and then the PHA's will take charge and coordinate with district health authorities to distribute to facilities upon requirement. Some medicines like IV fluids need to be stored in a proper facility which many smaller aid posts and health facilities do not have the ability to do. These will be kept and delivered effectively to facilities upon request, which will save much wastage. Over one hundred trained personals are employed at the AMS nationwide, but the lack of supervision and morale is not allowing their expertise to be properly utilized.

(9) Commence testing in the National Drug Testing Laboratory immediately.

Mr Speaker, whilst ensuring purchases of medicines from EU and WHO accepted manufacturers decreases the risk of procuring second-rated drugs, nothing is entirely full proof. GoPNG must ensure that the Drug Testing Facility is up and running immediately, and that medicinal batches are being tested before they reach the populous. Testing off-shore whilst batches are en-route to health facilities, which is what is happening now, runs a high risk of medicines not being re-called in time and being dispensed to patients. Each batch that arrives must be tested before they are allowed to be distributed.

Not only for their good quality, but also importantly to check that they are not outdated. A greater emphasis and proactive approach need to be taken to guard the health of our citizens. We have left to chance, too long this vital responsibility as a government. This as mentioned above will be the charge of the Safety and Standards Division within the proposed Authority.

(10) Promote the UPNG Medical Faculty in Port Moresby into a stand-alone university and build more nursing colleges that can also train pharmacists.

Mr Speaker, with only 637 doctors and over 3,000 nurses in country, manpower and technical expertise remains a major inhibitor to health care delivery in PNG. Facilities and systems are as good as the people who manage them. Expansion of the current production base of health workers is an absolute necessity.

The exponential growth in population will only demand for more health workers. This is long overdue and needs to be implemented as a matter of priority. We simply and sadly do not have enough health workers, with the current doctor to patient ratio of 11,500 patients per doctor and 2,600 patients per nurse. The backbone of our health system is bending to a breaking point under the sheer weight of overwhelming population numbers.

(11) Involve our development partners in a more centralized system.

Global Fund, World Vision, Save the Children, Gavi, AusAID and other donor agencies are currently supplying and distributing medicines throughout PNG. They regularly tend to steer clear from the national procurement function because they simply don't trust it.

Mr Speaker, we need to re-engage our development partners and streamline their efforts into centralized priority areas. Why are different medicine deliveries systems in place when only one will do?

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Global Fund sends HIV and Malaria drugs, Save the Children sends mosquito nets, and GoPNG uses a separate vertical channel. Consolidating these channels will save money to be

spent on other priority areas in the supply, distribution and storage chain. The proposed authority recommended above can be tasked to make this one of its priorities.

(12) Government of PNG should consider procuring all medicines on behalf of Pharmacies.

Mr Speaker, this is a revolutionary and long-term recommendation and is the Committee's end-vision for the National Pharmaceutical Authority. The largest hindrance to the control and regulation of medical supplies in PNG is the Government's capacity.

The National Department of Health does not have the capacity to inspect and monitor medicine sales throughout the country. Creating a single-entry point into the country is the easiest way to outwit this limitation and control medicines and drugs nationwide. As our population continues to grow exponentially, the national budget will come under immense strain to support Primary Health Care.

Procuring generic medicines directly from manufacturers in Europe, Asia and the US will be cheaper and more cost effective in the long run. Enabling our government to negotiate favourable terms due to bulk orders.

Mr Speaker, when health priorities such as the procurement of medicines is administered at a national level, there is an economy of scales which promotes efficiency and value for money. Hence, we see superior health outcomes in countries which have adopted publicly funded health provision models, free from corruption. As seen in the case study in Chapter 7 of this Report.

Retailers will only be selling medicines procured by the Government of PNG which have already undergone testing and quality assurance measures.

The benefits of this is far-reaching and is elaborated and supported in the preceding recommendations.

(13) Subsidize medicines for public health from private proceeds.

Mr Speaker, should the Government of PNG choose to purchase on behalf of all pharmacies; the income received from the sale of medicines will empower it to purchase more medicinal supplies and support subsidized free primary healthcare; easing the burden on the government budget.

Basically, those that can afford to buy medicines will support those that are completely reliant on free health care. The reality in PNG is already a balance between public and private health. This is a common sense and equitable approach to capitalize on an already existing reality.

(14) Last but not least, the Christian Churches in PNG must be engaged fully and supported more by the Government of PNG.

Mr Speaker, the Christian Churches of PNG own and operate half of the health facilities around the country. They are fighting the good fight on the frontlines against overwhelming odds. A truly equal and significant partner to the Government of PNG and the National Department of Health.

They need to be given more voice in the health care sector in PNG, and we believe that being part of the board of the proposed authority as recommended in this Report is a first important step to doing this.

(15) A partnership with Church Missions to run Government Health Facilities in the country

Mr Speaker, provision of an efficient and effective health system in PNG presents a number of significant challenges for the Government, including overcoming many geographic, cultural, financial and systematic issues. For this reason, the committee recommends that church health service providers should be given an increasing role in Primary Health Care service delivery in PNG.

Primary Health Care Facilities are the predominant point of access to the health system in rural and remote areas of PNG where more than 80 per cent of the population live. Thus, for an efficient health and medical supply systems, church missions should be allowed to run many of the Public Health Facilities operated by the government under National Department of Health in the country through partnership arrangements with the Church and the proposed National Pharmaceutical Authority (NPA).

Mr Speaker, the provision of Government funding to subsidize church health institutions has been longstanding.

The government should fund church-run health services, covering operational and salary grants and subsidies for an efficient medical service through the Government's Free Primary Health Care Policy under this arrangement.

The funding and coordination of the delivery of the health services and the distribution of medical drugs can be synchronized through a combined effort by church-run organizations through the body such as the Christian Health Services (CHS) Secretariat formally known as the Churches Medical Council and the proposed National Pharmaceutical Authority (NPA).

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Conclusion

Mr Deputy Speaker, as I commend this report and its recommendations to the Honourable House, I hope you remember the picture of that lonely grave next to the abandoned aid post and take it upon ourselves to be the leaders who will make the necessary changes to "Take Back" the health of our people by improving the medicine procurement, supply and distribution system with the establishment of the National Pharmaceutical Authority.

What worthier cause can a Government have? To move the very mountains if need be to save one life.

Mr Deputy Speaker, when we strive to bring healing to our people, we will restore the people's faith in their Government. Ensuring that the vision of our founding fathers, and their dream of a prosperous united and healthy country, burns brightly even in this generation.

Mr Deputy Speaker, once again, let me thank you for the opportunity and I now commend the report and its recommendations to Parliament, Thank you.

Mr RICHARD MASERE (Ijivitari) –I move –

That the Parliament take note of Report.

Mr Deputy Speaker, firstly let me take this opportunity on behalf of my people of Ijivitari to congratulate the Chairman of Public Accounts Committee and his team who did a wonderful job in carrying out an inquiry into medical drugs distributions in the country. Let me also thank the chairman for a very in-depth report and recommendations to Parliament on their findings on the lack of distributions of drugs which has cost a lot of lives within our country.

Mr Deputy Speaker, in the past there were lack of drugs and medicine in our health centres, hospitals, aid post and for that reason, a system was introduced in 2011 where the Australian Government through AusAID decided to intervene and supply medical drugs to all rural health facilities were equipped with adequate medical drugs to be able to treat our people in the country.

Mr Deputy Speaker, I was involved in the distribution of drugs in 2011 and 2012 as a subcontractor to Post PNG, so I was one of those sub-contractors involved in ensuring that medical drugs were delivered to all our rural health centres.

Mr Speaker, let me say this without fear or favour, every time when politicians get involved, we encounter a lot of problem. Every time when a politician decides to intervene on a system that is working, we always encounter problems.

Mr Speaker, when this program was managed by Post PNG as the contractor to distributed medical drugs throughout Papua New Guinea that was supplied by Australian Government through AusAID, we never encounter any issues of shortages of medical drugs in the country. But, in 2013 when the National Government intervened saying that they must be involving in the delivery and the procurement of the medical drugs, that is when the problems emerged and continues today.

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When that happened, many of us who were sub-contractors were cut off. We were the local people who knew the land, the sea, the hospitals and the need in those areas. And prior to being selected as a sub-contractor, Post PNG came on the ground and investigated the people to ensure they have the resources on the ground before appointing us to do the delivery.

Mr Deputy Speaker, it is about time the Department of Health must learn to stay away. My people are dying, because of the lack of delivery of medical drugs to health centres. I have lost countless number of my coordinators to malaria. It angers me, Mr Deputy Speaker, when a simple process cannot be done properly. Why is so difficult to deliver medicine?

Mr Deputy Speaker, one particular day as I was walking to visit some villages, prior to becoming a Member of Parliament and I encountered a group of people carrying an old man on a makeshift stretch bed made from sticks. As we were crossing paths, this old man reached out to me for help. I had Panadol with me, Mr Deputy Speaker; I took it out of my bag and gave it to those families. I did not know whether what I did would have saved his life, but these are the daily encounters people are facing.

It is so serious that the simple processes are made difficult, because politicians and bureaucrats seated in good offices and do not see the hardships people are face in the rural communities.

I agree with the recommendation, Mr Deputy Speaker, on selecting Post PNG. Post PNG is a Government agent and can be an ideal distribution point of our medical drugs to our health centres in every provinces. Every time they tendered, because of political involvement, they kick them out. Political involvement is killing our people, Mr Speaker. Every time when there is political interference, we have more problems than solutions.

Mr Deputy Speaker, I believe in Post PNG because of its network and it's tracking systems in place. Why can't we make Post PNG the agent that will procure medical drugs,

distribute and provide reports on the distribution of the medical drugs? Why can't we make it simple? And politicians, stay away from this!

When we started choosing local businesses, when the Government got involved, they were giving; I call it 'jobs for the mate'. And I don't mean to sound harsh here but when you choose one company that may have some connections to politicians, we face problems. But when we choose a good Government business like Post PNG, it is regulated and controlled by a board and has proper systems in place, we will never face problems, Mr Deputy Speaker.

Mr Deputy Speaker, I want to thank the PAC Chairman and his team for all the recommendations that they have made. I believe it is up to the House to make sure that every single recommendation that is put here, must be implemented. And if we implement these recommendations that are put here, Mr Deputy Speaker, we will quickly address the problems of medical shortages in our rural aid posts, health centres and our district hospitals.

29/09

Mr Deputy Speaker, when we say AusAID was supplying poor quality drugs because of the agent they were buying from, I can assure you that between 2011 and 2012 when we delivered anti-malaria drugs as a sub-contractor, we never ever had a single case of death from malaria.

So, how can we judge that the medical drugs that were procured by Australian Government through AusAID were substandard when we didn't register a death? Why are we listening to the Department of Health? They are the same people causing these problems and yet recommend against these agencies.

Mr Deputy Speaker, we are dealing with lives of Papua New Guineans. Our bureaucrats sit in their offices and make policies without really experiencing the real issues on the ground so they don't understand. We members are dealing with people everyday and we know the problem. They don't represent people, we do. So, we experiencing it hands on.

In conclusion, I encountered similar experience as the story told by the Chairman of PAC. I walked through a particular area in my district, Safia LLG. This is one of my remotest area in my district.

I took the opportunity to travel before I got elected to spend time with the people and to understand their hardship. As I came to one particular village, under the house of a leader, there was a newly dug grave and I got curious while I was sitting there and stared at it. This caught the attention of the owner of the house and then he asked me why I was staring at the

grave. I said it caught my attention because it is a newly dug grave and he responded saying it was his two year-old son's grave.

He explained that his two year-old son had caught malaria and he walked two days and one night resting only a couple of hours in between to the nearest health center at Bareji station but when he arrived at the station, he had to wait another day for a truck to take his son to the district hospital at Oro Bay. While they were waiting the two year-old boy passed away and he returned home with his corpse. That story tremendously affected me.

Mr Deputy Speaker, this is the reason why I put my hands up to represent my people and deliver to them. These are the challenges that are affecting our people every day. Since I became a member, I have already lost six of my coordinators not from any major illness but from the curable disease malaria.

Mr Deputy Speaker, I want to thank the PAC and its Committee for bringing this report to this House. I want to challenge every members of this House to make sure that every recommendation put in this report must be executed and achieved. I have faith we will solve the drug shortage crisis in our country.

Thank you, Mr Speaker.

Sir PUKA TEMU (Abau – Minister for Bougainville Affairs) – Thank you, Mr Deputy Speaker. Once again, I want to commend the Chairman of the Public Accounts Committee, the Honourable, Sir John Pundari and his hard-working committee for a very comprehensive report on the Health Department that I have grown up with most of my life.

Mr Deputy Speaker, I just want to say that the report is in order and I will propose five more recommendations to the 15 recommendations that the Chairman and his committee has recommended through the report to this honourable House.

30/09

I couldn't but take to heart the little story that the Chairman started with. It is the story of so many people trying to reach health care in our country but only to find closed down facilities ending up with people, losing their lives and buried beside aid posts. Having spent the bulk of my life and still am because I still see patients even though I am a State Minister, I have some qualification to make some remarks and comments in response to the report.

Mr Speaker, our health system has been depicted by the WHO as being one of the best in a developing nation. This is because we started off with the aid post system serving our

communities throughout the country. Then we have the sub-health centre, the health centre, district hospital concept, the provincial health centres, the referrals and finally the national hospitals like Port Moresby General Hospital or Angau.

I remember the times when I was a practicing clinician, I would be upset with the medical superintendent then at PMGH for shortage of medical supplies that nurses and doctors needed to care for the patients. It was a never-ending story because this problem seemed to exist day-in day-out. Even the wards had no air conditions when I first graduated in 1975 and we were practically sweating doing ward rounds; X-rays were not available, drugs ran out and thermometers were hard to find.

Mr Speaker, even though the system was good, it was the management of the system that was a problem. The Report today highlights the deficiencies in the capability or the right manpower levels and the right qualified people to manage the system. However, there are some soothing facts that has come out of PNGs health system over time. Out of the ten patients that are allowed to be admitted in a health facility, 9 out of 10 come out alive with one dying. This is a soothing statistic meaning that our system is okay but it needs to be continuously improved.

Mr Speaker, when I became Secretary for Health under the Chan Government, I use to go and cry before the Secretary for Treasury for the Health Budget. I brought my budget but it would be cut by 30 per cent. I always had cuts with manpower, the maintenance of health facilities was the worst because this section hardly received any funding and then there was the drug supply. We were not adequately given our share. There was very little funding given for these items.

In page 4 of his Report, the Chairman mentioned and I quote, "if ever there was a sector which should be safe-guarded by political leaders to ensure the services are provided in an effective and efficient manner free from exploitation, it is the public health." I couldn't agree more, Mr Chairman. We the leaders in Parliament have to agree but my experience over the years is that it is not true.

31/09

We should have K28 million to buy drugs; WHO recommends 10 dollars per capita should be spent by the country to meet the drug needs according to the disease volumes in those countries.

Mr Speaker, the current 8 million when multiplied by 10 would give us K80 million and K80 million multiplied by 4, would give us about K320 million should be allocated to drug alone every year which we missed out over many years.

Mr Speaker, although there has been a lot of criticisms publicly and in this Honourable House, the reality is, we are not giving support to the health sector. So, our commitment as leaders is to make sure we give support to essential services like health, education, electricity, water and good housing. To me, these are important because they all impact on the health outcomes.

Mr Speaker, for example, I always believe that the government of the day should commit itself to connect the entire country with electricity. This is because it will have positive impact on the health sector and the business sector in the nation.

So, when the former Prime Minister announced that they will do a 70 per cent coverage in the country by 2030, I questioned Peter O'Neill as to why the remaining 30 per cent was not included as well? Our country is a very small island and electricity can cover the entire country. Those are the cascading positive things that we as a government can do to.

Another example is to increase the enrolment of the females in schools because their level of education is directly proportional to their health and wellbeing and that of their families and so the health of the nation. So, when the girls are missing out, the health of the nation is affected.

So, the tradition of keeping girls in the village and engaging them in home duties is something of the past. Therefore, those are the things we really need to do in order to improve the health.

But, for today's purpose, we are focusing on the procurement supply and distribution of medical supplies in the country which has been a very bad experience.

Mr Speaker, before I was removed as the Secretary for Health in 2001, I secured a project with the Australian Government for Pharmaceutical Upgrade Project (PUP). The idea was to look at all these areas and focus particularly on the medical supplies. So we created a catalogue and I initiated the 100 per cent systems because we wanted to make sure that the aid posts and health centers received the prescribed drugs on time. So, the logistic companies came in. During that time, the Area Medical Stores (AMS) were in five different locations to procure the medical supplies.

But I concur with PAC that the four regional AMS are defunct so we must move towards establishing provincial warehouses so that we bring the supplies directly to the provinces.

And therein lies one of my strong recommendations, rather than focusing on Post PNG, I think all the supplies should go to the provinces. The Provincial Health Authority (PHA) has to take over everything and be responsible, but we resource the PHA and it should comply with the standard and system that is established by the Health Department. They procure their own according to their needs rather than centralising. This is because centralising system never works in our country.

Therefore, in our effort to decentralising and give more power to authorities like PHA. I think we have to move away from centralising procurement and distribution, but go by the standards of Health Department and empower by better resourcing Provincial Health Authorities.

Now with the experienced during Covid-19, the PHAs can rise up to a level that can look after the health of the nation in a more efficient way.

32/09

The PAC have covered detailed information but I want to talk about two areas; the first area is the lack of budget support. And I recommended that perhaps the Honourable House should look at sanctioning by law a certain percentage of the GDP to go to essential services without fail.

The Treasurer and the Prime Minister must agree and allocate certain percentage of GDP to cater for essential services. Now, when you look at the World Health report you will notice that PNG falls below the level of percentage of GDP that it accords to the budget allocation process and is well below many of our neighboring Pacific countries. The National Economic Fiscal Commission should be tasked to revisit the unit cause of delivery in health and education throughout the country.

The National Economic Fiscal Commission and the Budget and Estimates Committee should become independent bodies in screening the budget before it goes to the Parliamentary Committee. The NEFC should revisit the budget allocation in terms of the key essential services to see whether NEC has allocated enough. If not, they should advice the Government that the allocation is too low and it should increase it.

These are some of the guidelines we need as leaders in this Honourable House to pass the National Budget every year. I am strongly recommending that we consider it and may be a committee can be established to consider a certain percentage of GDP to be spent on health and education. Because these are the two important key areas for human resource development.

Mr Speaker, over the years, we have always failed to support the training programs for health workers in this country. And one of the biggest contributing factors is the decline in the number of health workers in every category of the health workers force; doctors, nurses, technicians and et cetera because of no support given to them in terms of training.

And now is the time to ramp up and make a commitment. The recommendations for Medical Schools to become a standalone University is already with Cabinet to decide. Unfortunately, the UPNG Council took us to court and it's pending so, Minister for Higher Education, I hope you can solve this. The reason for pushing this is because our ability to support the Medical School to the main campus has been locked. We need 100 doctors graduating every year to maintain the proper requirements of a doctor to a patient population ratio.

That commitment has to be made and we must also support the health work force in terms of training programs because we need it. This same idea must be applied to the police force, land and other issues.

During the time when we were hosting APEC and the Pacific Games, the police personnel were walking the streets and it was controlled; law and order was contained. That's why if we have more doctors, nurses, teachers and policemen, some of these bad habits that people have developed in managing systems won't happen.

As the report highlighted the office of the medical supply's division of the Health Department, I hope the Chairman and his team actually visited the branch at the Department. You will hardly see many workers there, it's just less than 20 staff and we are talking about a big system.

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How can these 20 people manage it? And so, we have to really look into this and recommend the establishment of a stand-alone board. I want the committee and the Parliament to take note of the recommendations that I'm making.

There are 15 recommendations and am adding one; which is to lure a private company to establish a pharmaceutical manufacturing plant. We need to now open up because we are procuring everywhere. This pharmaceutical manufacturing plant can really help the country and we could become suppliers in the Pacific.

At the Pacific Forum, they raised the issue of efficiencies in procurement of drugs which creates a big debate in the Pacific leader's forum all the time. And PNG can play the pivotal role where the state partners a private company to establish a manufacturing plant for

drugs; for the top essential drugs to begin with. Drugs that we normally run out of all the time because of the usage rate.

Mr Spear, my second recommendation is that we need to now push the private sector to participate in the health system. At the moment the private sector input is just two per cent. Many countries have private sector input at 20 per cent. We know that the public health system and the way we have been managing it through this inquiry, we have continuously failed. So, we need the partnership of the private sector in the health system.

At the moment the partnership is too small, so we need to invite those such as medical tourism, we could be the medical tourism hub in the Pacific. All of you are flying to Manila, and Singapore but we could build one here and be the Pacific medical tourism center. We would be attracting big money, so we need to bring this in to increase our private sector participation from two per cent to 20 per cent.

And this we can achieve also by giving them the right incentives, like land and others that attract them to go into partnership with us.

Mr Speaker, the 18th recommendation is along outstanding issue and that is health cover. People are always paying out from their pockets. We must have a health insurance cover for our people. No government has delivered this. This will provide our citizens an avenue to choose either the public or the private hospitals because they are covered to access these services.

The nineteenth recommendation is to push for tele-medicine in Papua New Guinea. E-health, using drones to deliver vaccines. This is happening in other parts of the world. We need to move to this because we cannot produce any specialist to locate them in hospital. A specialist gynecologist can be in PMGH and a mid-wife calls from Telefomin regarding a difficult delivery; and because we do not have the capacity to produce more specialist doctors, we need to push for e-health. This may well save a lot more lives and under the current Covid-19 pandemic, we should really look into this.

My twentieth recommendation would be to secure a percentage of the GDP by law so that we secure the support. Thank you, Mr Speaker.

Mr ALLAN BIRD (East Sepik) – Mr Speaker, I would like to participate in this debate and I commend the Public Accounts Committee and also the Chair because what we heard today is important. This demonstrates the importance of the work of Parliament and I congratulate the Chairman of the PAC.

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Mr Speaker, I speak as a former Chairman of a hospital, the then Member for Wewak served as a member of the same board I sat on and we discovered from 2013-2016, that there was a failure in the system to deliver medicine to East Sepik. There was also no money in the system so we started to charge fees for the medicine and with those fees we went out and bought medicines.

To this day, as I stand before the House, the East Sepik Provincial Government through the Provincial Health Authority, is still purchasing its own medicine where we need to. Whilst, I commend the idea of building another big entity in Port Moresby, it might lack transparency like we see in all the other entities here.

If you summarise the entire report by the Public Accounts Committee, it will come down to one thing, there is a complete lack of transparency and accountability in the entire management of the health system here in Port Moresby.

Mr Speaker, if we talk about the Budget, this year the Department of Health will get K1.6 billion, that is in the Budget that we approved. The largest chunk of the Budget; K1, 600 million will go to the Department of Health. Yet, we wonder why all the thieves and corrupted men are all there and it is because of this huge sum of money we have parked there.

Wherever we put some huge money, people follow it so we should not be surprised that there is a lot of corruption in the Department of Health and in the procurement processes. This Report begs for transparency, accountability, decentralisation and demolition.

Mr Speaker, the Minister for Bougainville Affairs mentioned the NEFC. The NEFC currently is already sending functional grants very successfully down to the Provincial Health Authority.

In the case of East Sepik which has the second largest province by land area, we have the Samaritan Aviation. They deliver the medicine to most of the places that would normally never receive medicines. This is funded by the East Sepik Provincial Government and the Open Members DSIPs. We are funding a system that works so rather than talking about all the negatives, we should consider something that works.

Mr Speaker, when I became the Chairman of Boram Hospital, our Health System in East Sepik was ranked second last in the country. The people of East Sepik would say, "Yu go long Boram hausik long dai" (You are going to Boram Hospital to die). It was considered a place of little help. Today, I am happy to say that this is no longer the title that is given to that facility.

Mr Speaker, one of the key things that happened was the change in management. We improved the accountability of the entire facility.

I will give an example, when I became the Chairman of the Hospital, there was an account they used to keep the K5.00 fees for the health record books they collected and that account was zero but by the time I left, there was K360, 000 in that account.

When I, was campaigning for the elections, I went to a place called Ibom, which is in Chambri Lake, almost near the border of Kopiago and there was a lady who thanked me for the food in the hospital. She said, "Thank you, when, I went to the Hospital, I had eggs and bread and also had a cup of tea in the morning and then at lunch I had lamp chops.", and I was surprised.

So, rung the CEO and asked him how he was able to provide good quality food to the patients and he said it was all funded from the money saved to that account because no one has misused the funds.

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Mr Speaker, this boils down to a lack good, proper, transparent and accountable management. That's what it is.

We are looking for complex solutions when the solution is simple. You have a transparent health secretary, devolve the funding down to the provinces and let us manage it. Come down and check us, are people stealing or not? Nobody from the Health Department has come down to East Sepik to check the facilities since I've been Chairman up to now when I am Governor for three years. I have not seen anyone from Port Moresby going down to check as yet.

This is the same situation you can see in all of our arrangements. You can see it in Education but I want to commend the Education Minister because we have signed an agreement to devolve education powers to manage these functional grants that go down. We signed.

What's stopping Health from doing the same thing? Why is the Health Department sitting on K1.6 billion budget that's supposed to serve all of us? Why are they holding the money here? Devolve it.

Mr Speaker, if the Health Department still wants to do central procurement here, I guarantee you, before 2022, East Sepik will be buying all its medicines itself. We are already doing it. There is nothing in the law that stops us from serving our people. And if people

continue to mark-up things in Port Moresby and swindle money, we will still serve our people.

What is so difficult about giving the money and coming down and checking if we are purchasing the medicines?

You want a successful model, Mr Speaker, in East Sepik, we are serving people in containers. We do not have hospital buildings. But the staff are working. Even when the power supply is erratic, they are still working. They are still serving people.

This is what it boils down to, Mr Speaker. If you want to solve that problem, I am only asking for K12 million out of your K1.6 billion budget and you can forget about us, we'll buy our own medicines. You guys can keep the other K1.4 billion and continue to spend it the way you have been spending it here.

I am sure every other province will ask for the same thing. We don't need much money. Some districts are already helping to buy medicines. I am putting provincial government budget to buy medicines while K1.6 billion is sitting here in Port Moresby doing what, God knows.

Our issue is value for money, lean and mean operation, quality and governance. If we fix those things, we will get results for our people. It is not that complicated. We just have to separate the work and check. Someone needs to check someone else, Mr Speaker, that's what we need to do.

Thank you, Mr Speaker.

Dr LINO TOM (Wabag – Minister for Fisheries) – Mr Speaker, I take this opportunity to thank the Chairman of PAC, Deputy Chairman and all the hardworking committee members.

This report is one of the most elaborately and properly done reports and it actually shows us all the weaknesses we have in our health system. I am not going to add anymore on to this. I think what they have reported is exactly what we are facing in our health system.

Mr Speaker, before becoming a politician, I was a practicing doctor and I want to share some experiences. In many instances when we become leaders because we are reading so many things on the internet we tend to become experts on so many things.

So, with the Covid-19 experience, Mr Speaker, I wish to put out some points where we need to take note of.

Firstly, Sir Puka Temu mentioned something about a medical university, to convert the current medical faculty into a university. I think it should be a standalone university and it is the most important point mentioned today.

Medicine is the fastest growing field of science in the world today. In medicine we just don't open our mouths and say we should do this, we should that based on what you experience in life.

36/09

You have to do comparative studies and the evidences and the statistics must establish the package of medicine that you decide to do.

So in Medicine, evidence-based practice is the way to go. A major point I would like to stress here is, the health of a nation improves depending on the number of health workers, per population. That is the only way. We are talking about issues on systems and drugs etcetera, but in the world today evidence show that the more health workers we have per capita, it will improve the health sector and it is established.

So, this point is a very important and we need to convert the UPNG Medical Faculty into a stand-alone University so that the number of health workers improve. When I left the University, there were some highly qualified lecturers teaching there but these lecturers and professors have left because they were not paid well. The salary that the lecturer gets at UPNG is lesser than what the junior doctor gets. A junior doctor gets more. So they cannot survive. That is why the standards in our university are actually falling now.

I don't want to be treated by a doctor who is not trained properly. Being a medical practitioner myself, I don't want to be treated by a doctor who is not well qualified. So, this is something important and we must take this recommendation from the PAC very seriously and we must make Medical Faculty a standalone University as soon as possible.

Secondly, from the Covid-19 experience, we were getting advises from so many experts around the streets. We did not have the central place to get advice from. We must know that this world is actually changing at a very rapid rate and with 4G's and 5G's technologies coming on board, the trend of disease is actually changing.

We need to have a Department that is dedicated to research and technology. Whether, in the field of Medicine or other fields of science, we need to have that and I think I have to recommend that to the Minister of Higher Education that we need to have a standalone Department to will deal it.

Thirdly, the importance of this report cannot be underestimated because right now, we have a rise of different kinds of diseases which are drug resistance to most of the diseases we have in this country. There is something called, MRSA or penicillin resistant infections happening in the society. There is also resistance to TB because of unregulated drug prescriptions over the counters.

On that point, I would like to debate the point made by the Governor of East Sepik. We cannot allow each Provincial PHA's to buy their own drugs. We have to have a single entry point that has people doing tests to make sure the quality of drugs coming into this nation is the right one that we are getting for our people.

One of the recommendations I want to make is that we must have an independent body that actually maintains the quality of drugs coming in. When government assistant programs are given by AusAID, New Zealand Aid or the US, we should ask them to establish a laboratory here that works with the Pharmaceutical Board to ensure that all the drugs coming into this country are actually of a standard that is accepted worldwide. Right now, I can tell you, there is a lot of drug resistance happening. And if it starts happening in this country, we won't have the money to buy those expensive drugs that deal with drug resistance infections. It is quite expensive to deal with some of these infections that are resistant to the current drugs we have.

This is a very important recommendation made by PAC so instead of us dealing with it, I think we should ask foreign interventions to come on board, to set up a laboratory that deals with the quality of drugs coming into this country. Obviously, a lot of us are prone to corruption and we will still compromise in that regard and because it is something to deal with the health of our people.

37/09

My fourth point is in relation to statistics, we come here, but our development agendas are set on an ad hoc basis, I have mentioned this point so many times and I am doing it again.

Access to health services is a big impediment to health service delivery in any part of the world. Access to health delivery services is when we are building hospitals nearby just to score political points and not doing so based on the evidence that is given to us by the Department of Health. What is the use of building a big hospital in a place where there is no statistics? Then, we are just wasting the limited resources that we have.

So, please, when it comes to building aid posts and health centres, you must seek recommendations from the health authority on the ground, they should be the ones to give their report for you to see whether it be a need or not to build an aid post.

Before coming here, I was a medical officer. I used to go out and do medical patrols in the remote arears like Maramuni and Payala in Enga Province, and I will tell you that people did not have access to basic health services, and medicines such as access to Amoxicillin, Panadol or even anti-biotics and they are just dying.

So, in that regard, I would like to commend the Prime Minister for the Connect PNG Program which is a very important program and must not be cut from the Budget.

Instead of rehabilitating existing roads, we should build access roads in places where there are no roads so that the people of that area may have access to basic services and we can improve health in this country.

The World Health Organisation report has shown that worldwide there are almost 800 million people who are living without basic health services due to access to reach health facilities.

We talk about drones which are tools that can bring medicines to the rural areas, we can adopt that but I think access roads are more reliable.

Finally, I will have to agree with the Governor of East Sepik that the biggest problem that we encounter in this country is when we have political interference, like appointing political cronies to become the Provincial Health Authority and CEO.

If you plant a corn seed you will reap a corn, you plant a kaukau you will reap a kaukau and if you appoint a silly person to be the CEO position, he is bound to perform below expectation. We as leaders are politicising all the positions that is why our health services are deteriorating.

So, I appeal that when appointing the PHAs and CEOs, chose people who have health backgrounds and not our political cronies because we are dealing with the health of our people. We can play politics anywhere but not where our people's lives are at stake.

Our good Governor of East Sepik Province already said that if we appoint good managers our systems will work.

Just like the senior minister said, "Systems work but we have to appoint the right people to manage these systems.

I am a son of a former health worker and I recall when my father was there, we had an abundant supply of medicines coming in to all the clinics, we used to accompany him to visit the clinics he was in charge of.

But currently we are experiencing lack of medical supplies everywhere even when there is money. This is all because of corruption so we have to appoint qualified people to be in charge of all the PHAs and we will see change in the country. Thank you.

38/09

Mr GARRY JUFFA (Northern) – Thank you, Mr Speaker, in the interest of time, I will be brief. I know my colleagues are tired because of the lengthy session but there is nothing more important than our people's health so please bear with me. I think we can spare a few moments to talk about this important matter which concerns our people and the very reason why we are in this House.

Mr Speaker, I would like to thank the Chairman, Honourable Sir John Pundari for managing the activities of the Permanent Parliamentary Committee on Public Accounts which was a very fair and vigorous effort. I also would like to thank all my colleagues who sat with me during this period and carried out this inquiry. I thank the Prime Minister for supporting the work of Parliamentary Committees and in ensuring that there was funding and support from the NEC.

Mr Speaker, so much has been said by the previous speakers and they have all raised very credible points so I won't touch on the issues that they have debated. I however, would like to draw our attention to an issue that is not only restricted to our Health Department but to most of our government departments. This is the corruption of the procurement entities or mechanisms within all government departments.

Mr Speaker, if we were to conduct an inquiry into every government department and zero in and focus on the procurement mechanisms, we would find very similar acts of corruption taking place in these departments. There will be significant money being diverted into private pockets via various schemes and scams. Many of these schemes and scams are perpetrated with full knowledge of a few people in this House. If we know about this and even though we are not perpetrating it but we do nothing about it then we are just as guilty as those who are perpetrating it. This is the reality.

Mr Speaker, we are the first and foremost guardians of the economy of this House, the well-being of our people and the well-being of this nation and its future. If we know about things like this happening then we have no choice but to do something about it. This inquiry is a classic example of this situation. The story of corruption within the Health Department

goes back a long way. I would say that it has been happening for the last 20 years or maybe more.

Mr Speaker, in the last term a few others in here and myself were vigorously opposed to the granting of a contract at an inflated price of more than K20 million to a particular company. We did away with an Australian-based system who had come in upon our invitation. It was the late Jamie Maxtone-Graham who was then the Health Minister who realised what was happening and went to the Australian Government and sought help. He asked them to set up a proper procurement system that will ensure that our peoples' health was protected. They came and set up a system. It was our fault for not making the best of that system and not ensuring that system was firmly entrenched to identify and determine the weaknesses that existed. It was our fault for not interacting sufficiently with that system.

39/09

The organisation that was tasked to procure the drugs and distribute them in Papua New Guinea is the same organisation which is tasked to procure drugs in 40 other countries. It is actually an NGO and yes, they were procuring drugs from the North-China pharmaceutical company. Many other countries procure drugs from that organisation and, yes, they had some issues that were raised by the WHO but those issues were clarified eventually.

Now, I would like to go into detail to some degree but I would also want to respect our Chairman and the efforts he put into getting this report together.

We were limited by some funding because we wanted to visit some parts of the country but we were able to experience from just visiting the clinics here in Port Moresby. And if things here was that bad then we could already imagine what it is like out in the rest of Papua New Guinea, so we were satisfied with what we saw here.

From what I observed, having looked at the system and what is in place, it is a weak system that allows certain individuals to exploit it with the assistance of a few public servants and politicians.

If we wanted to carry out a very thorough investigation it will take a long time and it would be protracted and we do not have the capacity and means to do that. Our committee is not an investigation entity but it is an entity created for the purposes of carrying out an inquiry. Such protracted investigations need to be carried out by experts. I take note that the Minister for Health, Honourable Jelta Wong, upon the first initial phase of the inquiry took it upon himself to make reports to the Police, naming the person for the Police to deal with and that is very commendable.

The inquiry slowly exposed names of companies and individuals, we did our part by referring them to the relevant organisations to be dealt with.

What I want to state here is in relation to not just the procurement system in the Department of Health but in all the other government departments. There is a lack of fraud control methodology in place in all these departments. There are no risk assessment policies and mechanisms in place to ensure that fraud is minimised or prevented and there is lack of adequate risk management systems in place to prevent such fraud from taking place.

Since, we have attained Independence, we have allowed for the standards to drop in recruitment, our work culture and how we care for our people. And that goes hand in hand with lack of discipline and respect for ourselves, our people and what we do. So, we will have to find our way back to where we were when these aspects of management existed in every department: respect, standards and discipline.

I take note of what our good doctor said, when he visited Medical Faculty, I went there too and I was shocked, appalled by the standards there, in terms of the infrastructure, teaching etcetera

Once upon a time the whole of the Pacific used to come here to be trained as doctors, as engineers, accountants and even policeman. They came to train in our colleges but today, they do not come because our standards have dropped. We have lost respect for ourselves, what we do, who we are and our laws, discipline etcetera

I feel that we need to pay attention not just to systems in the management of the Department of Health, rather we should be carrying out a thorough review of how we manage the Department of Health, and I am sure that the Minister and his team will look into that.

40/09

We can't rely on public servants to do it. We have to lead the way. We have medical doctors in this House who are health experts and they should form this committee and advise us on how we should address the health problems in this country and give us a set of recommendations that we should take; one being for instance, establishing the University and secondly, the laboratory and thirdly, consider inviting a reputable company that can come and establish a pharmaceutical manufacturing plant.

And lastly, we have always looked at ad hoc type of arrangement to health. Whenever there is an illness, how do we deal with it? I would like to propose that we have to look at more proactive measures, lifestyle diseases are really the number one killer not just in PNG but the rest of the world, stress management and nutrition.

We have to start educating our people for instances, I mentioned this before, sugar kills more people than alcohol and drugs combined. There is little done to inform our people about the dangers of sugar, fats, poor diet and processed food. Our people must be made aware so that they will know how to prevent themselves from getting sick in the first place. I also want to raise an issue here about looking at not just the Western medical system that exist but other alternative systems also.

For example, the Cubans. I had a meeting in Brazil once and there was a Cuban lady there who happen to be attending the same meetings. This lady was pregnant and had to go for medical check-up but came back and reported that she was not treated properly at the medical checkup, she said the doctors in Brazil were not up to standard with Cuba.

In Cuba, they have a policy where every seven families must have access to a doctor and every district has a doctor and its open 24 hours. Their health system is based on preventative healthcare and a proactive system. But because of our alignment with Western ideology, there is hostility in bringing in Cuban doctors to PNG-and East Timor has 2 000.

There was an offer by the USSR to come and help build a hospital here but that offer has been ignored and forgotten. Let's consider these options as well, I mean if you cannot send doctors to my districts or you can't provide them than why don't you let me bring in Cuban doctors and station them in every districts and station in my Province. These are just some options that I bring which are not in the report.

Finally, I want to say thank you very much for all of your supports; NEC, Prime Minister and the rest of the colleague Members here who supported the PAC in the work that we carried out.

Mr JELTA WONG (Gazelle - Minister for Health and HIV/AIDS) – Mr Speaker, I won't take that much time but I want to appreciate the PAC Committee for presenting this report.

These report shows the inequities and the issues faced by NDOH after so many years. Some facts must be made here, since 2015 the annual budget for Health has been decreased by K1 billion and 2016 another K1 billion, 2017 another K1 billion, 2018 another K1 billion and it adds to K4 billion which has not been allocated to a system that we are all complaining about. How can we complain and yet we are not doing the right things?

41/09

Of course, we blame public servants but who put them there? We put them there, we have to train them. We let our systems collapse and we let them do what they want, but all is not lost because this Government has broken the record this year. The World Health Organization has given us US\$40 million to work on TB, HIV and all other health programs.

This is US\$6 million more than what we asked for; what does that mean? This means that the WHO and all the medical fraternity believe that we are doing the right thing for Papua New Guinea. Times have changed, give this Government some time, we will go through this paper and we will make sure that everything is heard.

And we will meet again to make sure that every province, district, ward and village will be looked at and again to the PAC that brought this up, it opens our eyes and I will take this to the Fraud Squad to continue my work.

As the good Governor of Oro said, when they first admitted those names within the PAC, I put those names into the fraud squad and we terminated some of them. And this statement will see us continue, all is not lost. Our Government will fix this.

Motion – That the question be now put – agreed to.

Motion – That the Report and its recommendations be adopted – agreed to.

MOTION BY LEAVE

Mr RAINBO PAITA (Finschaffen-Minister for Finance and Rural Development) – I ask leave of Parliament to move a motion without notice.

Leave granted.

SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS

Motion (by **Mr Rainbo Paita**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent Minister for Treasury presenting the Appropriation General Public Expenditure Amendment Bill 2020.

**APPROPRIATION GENERAL EXPENSES
(AMENDMENT) BILL 2020**

First Reading

Bill presented by **Mr Ian Ling-Stuckey** and read a first time.

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Second Reading

Leave granted to move the Second Reading forthwith

Mr IAN LING-STUCKEY (Kavieng-Minister for Treasury) – I move –

That the Bill be now read a second time.

Mr IAN LING-STUCKEY (Kavieng-Minister for Treasury) – Mr Speaker, when the *Appropriation General Public Service Expenditure 2020 Act 2019* was tabled in this House; due to some very last minute changes, some technical but minor important procedural matters associated with the passing and certification of the Bill were not fulfilled.

These were three in number, one the Appropriation for the Public Services Sector, which was printed and had a minor error. The amount printed was K30, 268, 376, 509, that should have read K30, 268, 312, 509.

Mr Speaker, whilst this is a very minor change of K64 000 representing less than 10 per cent less of one per cent, nevertheless it is important in our appropriation that we state the correct number.

Mr Speaker, as a result of this change there is a consequential amendment that had to be done to the Budget Agency Schedule whose grand total reflected the later number and correct number that I just read out.

Those are two of the changes and the final one is a part (a) of that amendment bill should now read operational expenditure that totals K12,409,594,287 and that comprises five line items;

(1) Personal Emoluments – K5,470,786,845

(2) Goods and Services – K3,687,235,915

(3) Functional Grant – K508,677,357

(4) Debt Interest Payment – K2,156,894,217

(5) GST and Book Makers Tax – K586,000,000

So, these changes need to be rectified before the *2020 Supplementary Budget*, goes through tomorrow.

The Appropriation General Public Services Expenditure 2020 Amendment Bill 2020, rectifies this procedural matter for formal certification.

Mr Speaker, I commend the Bill.

Motion – That the question be now put – agreed to

Motion – That the Bill be now read a second time – agreed to

Bill read a second time

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Third Reading

Bill, by leave, read a third time.

ADJOURNMENT

Motion (by **Mr Rainbo Paita**) agreed to –

That the Parliament do now adjourn

The Parliament adjourned at 2.15p.m.