

What is a Budget?

A Budget is a money plan for a year.

It shows how much money you expect to receive in the year and from where and how you intend to spend it.

The National Budget is very important

The formulation and implementation of the National Budget is very important to our social and economic development. It is an issue that should therefore attract close interest from all Papua New Guineans.

Budgets require tough choices

The preparation of a Budget, from the smallest household to the National Government, requires decisions to be made on how to make the best use of the available money.

There will never be enough money to do everything we would like. This means that in putting together its Budget the National Government needs to decide which programs and projects can be funded and which cannot.

This requires tough choices to be made in the national interest.

Once the Budget for the year is set, there is no extra money to allocate. So if money is not set aside for a program or project in the Budget, then it will not be funded in that year.

Spending too much results in high debt

If the Government spends more money than it receives in a year, we have to borrow to cover the shortfall.

In the past, the Government has spent more money than it received for many years. The result is that we now owe K7.5 billion, or around K1,500 for every person in PNG. The interest on this debt costs us nearly K100 for every man, woman and child in PNG each year.

We already owe too much, so we cannot afford to keep on adding to the debt by spending more than we receive.

What guides Budget decisions?

The Budget is developed using two main frameworks: the Medium Term Development Strategy (MTDS) and the Medium Term Fiscal Strategy (MTFS).

The MTDS identifies the Government's seven spending priority areas: rehabilitation & maintenance of transport infrastructure; basic education; primary health care; law and justice; promotion of income earning opportunities; HIV/AIDS prevention; & development-oriented informal adult education.

The MTFS identifies how much money government can afford to spend, taking into account how much revenue we will receive and how much we should borrow.

Who puts the Budget together?

The Minister for Finance & Treasury has overall responsibility for preparing the National Budget, and presenting it to the National Executive Council (NEC) and the National Parliament for their consideration and approval.

Each year, the public participates in the Budget process by either making written submissions or participating in Regional and National Development Forums.

National Departments and Agencies and Provincial Departments put in their submissions for funding each year, which are then discussed with the Departments of Treasury and National Planning. The Department of National Planning talks with international donors on the total amount of assistance they will provide in the year and what it will be spent on.

The outcome of those discussions is considered by the Ministerial Budget Committee for submission to NEC.

Where does the Government's money come from?

The main source of the National Government money is tax revenue. This includes tax on income and profits (personal income tax, company tax, mining and petroleum tax, DWT, gaming tax and other direct taxes), domestic tax on goods and services (excise, GST, mining levy and other indirect tax), and taxes on international trade. (import duty, export duty and excise duty on imports).

The second major source of funds for the National Government are donor funded project grants. However donors do not simply give their money to the Government to spend as we wish.

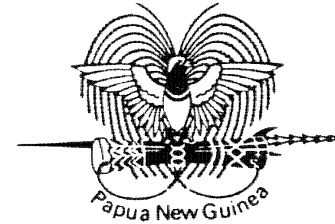
Another important source of the Government's income is dividends from Government-owned businesses and agencies and various fees and charges collected by various Departments (eg, rent on Government land, passport fees).

Where does the Government spend its money?

The 2006 Budget explains how the Government plans to spend its money in the year.

Of total spending of K4,829.3 million, K1,687.2 million is planned for the development budget, with K3,142.1million planned for the recurrent budget.

The distribution of the recurrent budget is as follows: National salaries (including superannuation & leave fares) 24% (K740.2m); National departments goods and services 30% (K951.9m); Provincial salaries (incl. Teachers salaries) 19% (K610.1m); Provincial Goods & Services 2% (K57.9m); Provincial conditional grants 1% (K37.0m); Transfers to Statutory Authorities 7% (K211.2m); Interest outlays and fees 16% (K497.0m); Other things 1% (K36.8.1m).



THE PNG NATIONAL BUDGET



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