

INTRODUCTION

BY

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This volume of the 2008 Budget is the Government's Public Investment Programme (PIP) and details the major items in the Development Budget, representing the main programmes and projects funded by Government and also in collaboration with its development partners. These items together make up the Government's development investments through capital formation and institutional capacity building towards productivity and efficiency of public sector agencies and in building critical public infrastructure for growth in the economy.

The aim of the PIP is to accelerate the development of Papua New Guinea, through a series of deliberately targeted investments aimed at creating and expanding economic opportunities, while meeting Papua New Guineans' basic development needs, guided by the Medium Term Development Strategy (MTDS) 2005-2010.

Given the importance of policy stability and consistency, the MTDS continues to serve as Papua New Guinea's overarching strategy for the economic and social development, connecting the need to consolidate the significant gains made by Government since 2003, and the need to continue to empower ordinary Papua New Guineans. This is sensible and fundamental, and consistent with the Government's "Consolidation and Empowerment" agenda, announced by the Prime Minister in his State of the Nation Address on 18th September 2007. The Prime Minister's announcement on the floor of Parliament when the Government took office reiterates the MTDS and seeks further interventions to lift the standard and quality of life of ordinary Papua New Guineans.

Accordingly, the MTDS specifies seven Expenditure Priority Areas (EPAs) to guide public expenditure. These seven EPAs are: Primary and Preventive Health, HIV/AIDS Prevention, Basic Education, Development Oriented Adult Education, Transport Rehabilitation and Maintenance, Promotion of Income Earning Opportunities, Law and Justice. These seven EPAs each share two common features: they concern the basic needs of all Papua New Guineans (security, income, mobility, good health and schooling) and they require significant and increased financial resources. It is for these reasons that the seven EPAs represent the most important and fundamental spending priorities of Government through the budget, including the 2008 PIP and Development Budget.

Apart from the EPAs, the MTDS identifies various other urgent reform agendas facing the country such as public sector reform, public expenditure management, macroeconomic management, governance, and environmental protection and management. These however do not require significant public expenditure but stronger political and bureaucratic leadership, appropriate policies, and legislative amendments as part of the Government's reform agenda to create the enabling environment for growth and further economic and social gains.

Primary and Preventative Health care accounts for a larger portion of the PIP with an appropriation of K44.0 million through direct Government financing. The sector's Medium Term Expenditure Framework serves an important tool, ensuring adequate funding for priority health interventions, including immunisation, malaria prevention, and safe motherhood including family planning. As a response to the dire needs in the sector, Government is putting more funds into the purchase of medical equipment. Donor support extends to the Capacity Building Services Centre, which is aimed at rebuilding the human resource capacity in the health sector, and the Health Sector Resource Framework which provides the sector's financing plan, aimed at providing a more coherent approach to the provision of funding in the sector.

Government's response to the HIV/AIDS epidemic is further increased, in line with the HIV/AIDS National Strategic Plan. In 2008, the Government is allocating K17.0 million towards the implementation of this Plan. This represents a further increase in Government's financial commitment to address the epidemic, supported also by a number of development partners – AusAID, Asian Development Bank, and the United Nations.

In the area of Basic Education, a number of large donor programs will continue in 2008, including AusAID's Education Capacity Building initiative and the Basic Education Development Project and the European Union's Facilities Upgrade in Rural Primary Schools Programme.

According to the MTDS, Development Oriented Adult Education will address the needs of the 50 percent of adults who desire to enhance their functional literacy, numeracy, and life skills in order to participate productively in economic development. Despite its status as an expenditure priority area, the absence of a clearly defined policy on adult education and the clear delineation of responsibility for which part of Government should coordinate the sector's response have resulted in funding to the sector being markedly lower than for other expenditure priority areas. Government funding to the sector in 2008 is K3.7 million which targets supports to vocational training centers. This institutional dilemma will be addressed in 2008. Otherwise, the Government is

increasingly looking to churches, NGOs, the private sector and other civil society organizations to deliver services in this sector, consistent with the underlying principle of the MTDS on forging strategic alliances and partnerships for development.

Annual budgetary allocations to Transport Rehabilitation and Maintenance have reflected the priority status conferred to this sector in the MTDS. Total resources allocated to the sector have increased significantly year on year and now represent more than half a billion kina annually. This does not include the substantial additional financing made possible through the Supplementary Budgets. With two thirds of total funding to this expenditure priority area originating from Government sources, this remains one priority area where Government is clearly seen to be in the driver's seat to deliver. AusAID, Asian Development Bank and the World Bank are working closely with the Government in funding major interventions aimed at improving the quality of transportation in the provinces. The Government has provided counter part funding to all major road programmes and continued its support to the National Road Maintenance Programme to enhance its strategy under the National Roads Authority. Government funding under the PIP amounts to K338.1 million in 2008. Other important interventions to improve infrastructure for growth will also receive continued funding in 2008 such as the redevelopment and extension of the Lae Port, funded by Government.

Programmes aimed at promoting Income Earning Opportunities are numerous and diverse. Government, together with support from its development partners, continues to balance its support across traditional sectors, such as mining; potential downstream sectors such as in forestry, gas and fisheries, which promise employment and retain value-adding activities within PNG; and the country's emerging renewable sectors, such as tourism. A number of PNG's strategic economic sectors are beneficiaries of targeted interventions, such as the ongoing work to establish the Konebada Industrial Park to build PNG's gas-based downstream processing industry. The mining industry is supported through the mining sector support programme. The fisheries sector is supported by the Coastal Fisheries Management Project, financed by Asian Development Bank, and the development of cold storage and a processing plant in Lae by the Government of China. Through the first year of implementation of the National Agriculture Development Plan, a significant level of funding will be provided for its implementation, including funding to research and development through the commodity research institutions, AusAID's support through the Australian Centre for Agriculture Research, and Japan International Cooperation Agency's promotion of rice production including increased funding for the livestock sub-sector.

In the Law and Justice sector, Government is continuing to work with assistance from development partners towards strengthening performance in the sector in a more coherent way that will maximize the outcomes of the Law and Justice Sector Policy and Strategy. Government funding to the sector, through the Development Budget, has increased markedly in recent years. This has enabled greater Government leadership in a sector, which in the past was strongly reliant on development partners. Government's contribution to the Law and Justice Sector program is greatly increased in 2007 from K21.6 million to K31 million in 2008.

Under other important areas, the PIP focuses on initiatives aimed at improving governance and related reforms. Key governance initiatives included the ongoing Financial Management Improvement Program, donor funded scholarship schemes for capacity development and technical assistance programmes such as the Enhanced Cooperation Programme, and Australian Support Facility advisory programmes. Other programmes are aimed at improving governance and management capacity at lower levels such as the Provincial Performance Improvement Initiative. In addition, specific programmes for critical development programmes in the tertiary education sector are funded in 2008, including continued funding towards the full establishment of the University of Goroka and Vudal University.

I have no doubt that the 2008 PIP will have a significant development impact on the living standards of ordinary Papua New Guineans, subsequently leading to sustained economic growth and development into the future.

I therefore commend to the Members of Parliament and the people of Papua New Guinea, the 2008-2012 Public Investment Programme.

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