



**DEPARTMENT OF TREASURY**  
**Office of the Secretary**

Telephone: (675) 328 8812  
Facsimile: (675) 328 8804

Vulupindi Haus  
PO Box 542, WAIGANI, NCD

## **BUDGET CIRCULAR 4/2009**

9 June 2009

CIRCULAR LETTER TO:

All Heads of Departments, Heads of Statutory Authorities and Provincial Administrators

### **PROPER MANAGEMENT OF 2009 RECURRENT BUDGET APPROPRIATION**

This Budget Circular reminds Heads of National Departments, Heads of Statutory Authorities and Provincial Administrators (Agency Heads) of their important fiscal responsibilities in managing their agencies within their 2009 Recurrent Budget Appropriations.

#### **Background**

The release of the 2008 Final Budget Outcome<sup>1</sup> on 31 March 2008 recorded a deficit of K478.5 million. This was the first budget deficit in six years and was significantly higher than forecast, due to lower than expected revenue collections as a result of volatile and uncertain commodity prices affected by the Global Financial Crisis. To fund this unexpected significant budget deficit, Government has had to increase debt with consequent increases in public debt interest.

The lower than expected revenue collected in 2008 provides for a smaller revenue base this year, reducing the amount of money available for the Government's existing Budget commitments. As a result, the Government may need to review current agency programs and activities for savings throughout 2009.

In an address to Parliament in May this year, the Hon. Dr Puka Temu, MP, as Acting Prime Minister, said **“there were no more windfall revenues and there would be no Supplementary Budget this year”**. The Treasurer, the Hon Patrick Pruaitch, MP, also said **“the Government would undertake fiscal discipline measures this year to avoid any unplanned spending outside of the budget process”**.

#### **Action Required**

All Agency Heads are reminded of their legal responsibilities under the *Public Finances (Management) Act 1995* (PFM Act).

Heads of Departments should take particular note of Sub Section 5(1) – Responsibilities of Heads of Departments. In particular, Heads of Departments must ensure **“there is no overcommitment of funds”** and that **“all expenditure is properly authorized and applied to the purposes for which it is appropriated”**. Heads of Departments are also liable to **“disciplinary actions under the Public Service General Orders for improper discharge of responsibility”**.

Chief Executives of Public Bodies and Provincial Administrators should also review their responsibilities under Part VIII – Public Bodies, and Part IX – Provincial and Local-Level Governments of the PFM Act.

## **Budget Discipline**

Earlier this year I wrote to each of you and formally advised of your agency's 2009 Recurrent Budget Appropriation and reminded you of your responsibility to manage your agency so that it remains within the legislated 2009 Recurrent Budget Appropriation. Should you require another copy of this letter please contact the appropriate officer listed below.

There should be no expectation of a Supplementary Budget in 2009. The existence of windfall revenue over recent years has led to a loss of fiscal discipline, with agencies requesting and receiving additional funding outside the Budget process for a variety of purposes. The changed economic circumstances now require a more disciplined and rigorous approach as the Government has no capacity to provide additional funding throughout 2009 and may need to curtail expenditure.

I urge you to monitor your agency's expenditure and carefully manage your agency within its 2009 Recurrent Budget Appropriation. Should additional high priority expenditure be required in your agency, you will need to fund it by identifying savings elsewhere within your agency. This could mean that some of the expenditure items funded in the 2009 Recurrent Budget for your agency may need to be reconsidered.

## **2010 Budget Strategy and Process**

As outlined in Budget Circular 1/2009 – *2010 National Budget Timetable*, agency 2010 Budget submissions are due to Treasury by Wednesday 5 August 2009. Given the global recession, there will be limited opportunities for agencies to seek funding for new expenditure proposals in the 2010 Recurrent Budget without the identification of savings in current activities. In developing your agency's 2010 Recurrent Budget Submission I urge you to contact the appropriate officer listed below.

Further details on the 2010 Budget process, including the Budget Strategy Paper and Recurrent Budget ceilings, will be distributed in the coming weeks.

## **Contacts**

For further information please contact the relevant Treasury Budget Division Assistant Secretary.

### **Recurrent Budget (Department of Treasury)**

Economic & Infrastructure Sector	Mr Ropit Botong	312 8781
Social Sector	Ms Ruth Veapi	312 8753
Law & Order Sector	Mr Ravu Paku	312 8438
Administrative Sector	Mr Rudolph Aigili	312 8737
Provincial Sector	Mr Lazarus Enker	312 8739

**SIMON TOSALI**

Acting Secretary

**CC: All Government Chief Financial Officers**

<sup>1</sup>The 2008 Final Budget Outcome can be accessed from the Treasury website – [www.treasury.gov.pg](http://www.treasury.gov.pg).