



Budget Strategy Paper - 2012

Presented by the

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Government of Papua New Guinea

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A. INTRODUCTION

This Budget Strategy Paper (BSP) provides an early indication from the Government to the people of Papua New Guinea (PNG) of the priorities for the 2012 Budget. These priorities are based on the announcements of the new Government and the development goals outlined in the PNG Development Strategic Plan (DSP) 2010-2030, the Medium Term Development Plan (MTDP) 2011-2015 and the Vision 2050. This BSP places these announcements and development goals in the context of PNG's challenging economic situation.

The 2011 Supplementary Budget and the 2012 Budget will have a special focus on delivering the Government's commitment to tuition free education to Grade 10 and subsidising school fees from Grade 11 to tertiary level. It will also invest in health, infrastructure, land and law and justice sectors. This Budget Strategy commits to significantly increase funding for these five key areas in the 2011 Supplementary Budget and the 2012 Budget. The 2012 election must also be funded. The Government will meet these commitments while maintaining a balanced budget.

The booming economy creates risks such as inflation. Inflationary pressures continue to increase and have now reached 9.6 per cent. Without a balanced budget, inflation is likely to increase further, sparking increases in interest rates and cuts in the availability of credit for families and PNG businesses. This Government is committed to good macroeconomic management which means that there should not be budget deficits when the economy is booming and inflation is high.

The strategic budget goals set out in this document are an important component of the Government's approach for better management of public finances in PNG. This Budget Strategy indicates that the level of Government expenditure is expected to increase by nearly 50 per cent in two years – from K6.7 billion in 2009 to an estimated K9.9 billion in 2011 and continue at that level in 2012. The Government will ensure this increased funding is focused on meeting the needs of PNG people. Strengthened budget processes are set out later in this document including ensuring the Development Budget is better integrated into budget processes.

In summary, the 2012 Budget Strategy will be for a balanced budget, focused on delivering the Government's commitments to increasing funding for key MTDP enablers such as education, health, infrastructure, land and law and justice, and ensuring that all public monies are spent well.

This document has been made available to the public, consistent with the Government's approach to improve public transparency and accountability. The document is required under the *Papua New Guinea Fiscal Responsibility Act 2006*.

