



**Speech by the Minister for Finance and Treasury on the Occasion of
Signing the Project Financing Agreement for the Road Maintenance and
Rehabilitation Project between the Independent State of Papua New Guinea and
the PNG Sustainable Development Programme Ltd**

**Friday, 20 May 2005
at the
State Function Room, Parliament House**

Introduction

It gives me great pleasure to stand here, as a representative of the Government, to officiate at this occasion. Let me firstly take this opportunity to acknowledge the presence of the Chief Executive Officer of the PNG Sustainable Development Programme Ltd, Mr. Robert Igara, representatives of our Development Partners: World Bank Country Representative; Mr. John Davidson, Minister Counsellor of AusAID; Mr. Anthony Crasner, Head of Delegation, European Commission in Papua New Guinea; and Mr. Saito Katsuro, Resident Representative of JICA PNG Office. my brother Ministers: Minister for Works, Honourable Gabriel Kapris; Minister for Transport, Honourable Don Polye; Minister for Petroleum and Energy, Honourable Sir Moi Avei; Minister for Lands and Physical Planning, Honourable Dr. Puka Temu; Departmental Heads; Ladies and Gentlemen.

This occasion marks a very significant milestone for the Government and the PNG Sustainable Development Program Ltd. The PNSDP has been identified as one of our strategic development partners and more so as a potential domestic financing agency.

Background to Project

The Road Maintenance and Rehabilitation Project is an integral component of the Government's overall road maintenance program. The Project is designed to address the immediate needs of the road network to help reduce road transport constraints that are hindering socio-economic activities and development. The six provinces identified for the joint road maintenance program are Central, Oro, Morobe, Manus and East and West New Britain.

The Project covers the national and provincial road network and is jointly funded by the World Bank, the National Government and the Provincial Governments of the six Provinces. The total estimated cost of the Project is K241.0 (US\$ 65.1) million.

The total funding received by the project to date is K49.6 million of which the World Bank funding component is about Kina 7.5 million, the National and Provincial Governments is about K32.9 million and AusAID support in 2003 and 2004 is K8.6 million.

PNGSDP's support to the Project.

The Project did not start off well in 2002 as anticipated due to various reasons. One of the main reasons at that time was the economic and financial constraints that affected the Government's ability to support its commitment to provide counterpart funding for donor funded projects, including this project. Due to these constraints, the Government approached PNGSDP for financial support in 2003. Discussions took place in 2004 culminating in the successful conclusion in the negotiations this year. At this juncture, allow me to express my deepest appreciation in connection to the positive response from the Board of Directors' of PNGSDP to provide the Government with a complementary grant finance of K7.4 million towards the Road Maintenance and Rehabilitation project. This also complements the increased funding that the Government is now putting into road maintenance.

Let me point out that this financing arrangement is a good model where money generated from PNG's resources are properly harnessed and put back into sustaining important infrastructure maintenance which will help support further economic development. It is also good as it leverages funds from other development partners.

This grant financing is better than borrowing money which have to be repaid with interests that are usually very costly.

Relevance of the Project to MTDS and the Fiscal Strategy

This project is consistent with the Government's Medium Term Development Strategy (MTDS) for the period 2005-2010, which has been defined as export-driven growth, rural development and poverty reduction, including promotion of agriculture, forestry and fisheries on an ecologically sustainable basis. Consistent with this strategy is the identification of sectoral expenditure priorities, where transport infrastructure maintenance is one of the priority areas of development.

Obtaining grant funding to complement loan financing for projects such as this ties in with the guiding principles of the budget and consistent with the Medium Term Fiscal Strategy. As stated in the Budget, the Government will live within its means by producing a budget that is affordable and sustainable, will not add to debt in the medium term, and budgetary expenditures will be consistent with agreed national and sectoral priorities. These principles are achieved through tight fiscal controls and adhering to budget plans.

Gratitude and appreciation to PNGSDP

We would not be here today without the Papua New Guinea Sustainable Development Project and its finance. And my short speech is not complete without me conveying a word of thanks to the donor of the K7.4 million financing agreement to be signed today for the implementation of the project in Oro and Central Provinces.

I have been informed that preparatory work is ongoing to consolidate further PNGSDP funding for the project in the remaining four provinces.

This gesture by PNGSDP goes to show the commitment the company has in assisting the Government in developing the nation.

I must end my short speech by thanking the PNGSDP Limited Board and the Chief Executive Officer Mr. Igara, for walking the development talk - putting their money where their mouth is – so to say.

Ladies and Gentlemen, Thank you.