

INTRODUCTION

BY

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This volume of the 2008 Budget details the Government's development expenditure programme for 2008. It contains development programmes and projects funded by the Government and its multilateral and bilateral development partners.

The 2008 Development Budget has been appropriated at K1,887.1 million, comprising K526.7 million of direct government financing, K1,123.7 million in project support grants from development partners, K163.0 million in concessional loans, and K73.7 million from the Infrastructure Tax Credit Scheme. This compares to a total appropriation of K1,636.6 million in 2007 with increases in both direct government financing (up K17.6 million) and in donor grants (up K244.6 million). The increase in grants is mainly from AusAID, NZAID and the European Union.

The Government's contribution to the Development Budget comes in three forms: direct financing, Tax Credit Scheme and loans. The Tax Credit Scheme and loans are predominantly spent on transport maintenance and rehabilitation whereas the Government's direct financing is targeted across the seven Expenditure Priority Areas (EPAs), as outlined in the Medium Term Development Strategy (MTDS) 2005-2010.

Given the importance of policy consistency and continuity, the current MTDS remains relevant as the Government's overarching national development strategy, providing the cornerstone for Government to maintain focus on its core roles and responsibilities in consolidating on the significant gains made since 2003 whilst surging forward with a stronger social and economic empowerment drive, guided by its agenda of "Consolidation and Empowerment", as announced by the Prime Minister upon taking office on 18th September 2007.

Consistent with the MTDS, the 2008 Development Budget Strategy has provided the basis for enabling significant funding of the seven MTDS expenditure priorities. Almost eighty three percent (82.7%) of the Government financed component of the 2008 Development Budget is completely aligned with the MTDS, demonstrating the Government's ongoing commitment towards delivering a policy-driven Development Budget. In addition, the proportion of the development expenditure which is aligned to the MTDS complements key MTDS-related programmes funded as Additional Priority Expenditures under the 2008 Supplementary Budget of K1,676 million, demonstrating the Government's continued devotion to fund its national development strategy, the MTDS.

Of the total 2008 Development Budget, Transport Infrastructure Maintenance and Rehabilitation receives the largest allocation (K558.8 million) followed by Income Earning Opportunities (K196.9 million), Primary and Preventative Health (K176.0 million), and Basic Education (K173.6 million).

Overall, the objective of the Development Budget has been to target funding at high-quality investments that do not generate excessive pressures on future budgets. At the sector level, consideration has been given as to the appropriate sequencing of development interventions that will deliver on respective sector plans as well as maximizing their spill-over effects to other sectors.

The majority of the spending outside of the MTDS is geared at assisting Government to meet its constitutional funding obligation to the districts in the form of annual District Support Grants aimed at underwriting development in the districts. In addition, funds are allocated for other obligatory Government commitments under State Agreements in the form of Special Support Grants (SSGs), Memorandum of Agreements (MOAs) funding, and Bougainville Restoration and Development Grant as stipulated under the Bougainville Peace Agreement. Appropriations for these development grants are again high in 2008 due to buoyant production levels across Papua New Guinea's extractive industries, increasing the value of SSGs apart from a deliberate pledge by Government to finance its MoA commitments.

Based on recent reviews and a set of improved guidelines, the Government will apply greater scrutiny on the disbursement, implementation, and reporting of these grants in response to the call for improved accountability, transparency, and effectiveness on the application of these funds as development grants.

Consistent with the Government's focus on rural development, the 2008 Development Budget continues to support the delivery of priority development interventions at provincial and lower levels through targeted programmes at these levels, aimed at improving basic service delivery and market access and capacity building, demonstrating the strong conviction by Government to balance and fast track the benefits from favorable global commodity prices and strong domestic economic and fiscal management to ordinary Papua New Guineans, aimed at building the foundation to propel greater prosperity, as outlined in the MTDS.

The Government is confident that using the MTDS to guide development expenditure in 2008 and subsequent development budgets reinforces Government's focus on the significance of results-based public expenditure management towards the sustainable delivery of our national development goals and targets as set out in the MTDS.

The overarching alignment to the MTDS reiterates again the Government's position that the Development Budget is a "policy driven budget". It is the Government's individual commitment that it will continue to deliver on the MTDS where the overall impact aimed for is to creating the enabling environment for all Papua New Guineans and the private sector to enjoy social and economic benefits.

The Development Budget in line with the MTDS also reiterates the 'consolidation and empowerment' agenda announced by the Prime Minister on the 18th of September 2007 when the Government came into office, and is committed to achieving consolidation of policy and empowering Papua New Guineans to improve their well being.

It is therefore my pleasure to commend to the Members of Parliament and the people of Papua New Guinea, the 2008 Development Budget.

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