

INTRODUCTION

BY

Hon. Paul Tiensten, LLM, MP
Minister for National Planning and District Development

This volume of the 2009 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 and the Millennium Development Goals (MDGs). The 2009 Development Budget is historical in terms of the proportion of total PIP funds that have been committed in the form of Government direct financing (53.4%) and the substantial increase in Government direct financing from K526.7 million in 2008 to K1,385.9 million. The total Development Budget 2009 amounts to K2,595.4 million with 37.5 per cent funded by donor grants. Therefore the 2009 Development Budget will focus on a high amount of funds on capital expenditure that will create impact on PNG's development in line with the seven MTDS Expenditure Priority Areas (EPAs).

The seven EPAs were specified in the MTDS to guide public expenditure and represent the areas in which Government must channel adequate resources to address the basic needs of all Papua New Guineans. The MTDS also identifies various other essential reform programmes of the Government such as public sector reform, public expenditure management, macroeconomic management, governance, and environmental protection and management. These, however, do not require significant levels of 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.

The 2009 Development Budget is targeted at "Empowerment and Transformation of the Rural Economy". Forecasts of slowing economic growth imply that countercyclical measures must be taken to ensure that the economy does not adversely affect the quality of life of Papua New

Guineans, especially those living in rural areas and depending on cash agriculture for their incomes and livelihoods. The 2009 Development Budget targets investment that will provide the opportunities for services to be delivered more effectively to the rural communities and to empower the rural economy.

To achieve these goals the 2009 Development Budget has realigned the sequencing of the EPAs. The two of the seven EPAs reprioritized for 2009 are as follows: (i) Transport and Rehabilitation and Maintenance; (ii) Income Earning Opportunities; (iii) Primary and Preventative Health, (iv) HIV/AIDS Prevention (v) Basic Education, (vi) Adult Education and (vii) Law and Justice.

This realignment comes with the recognition that new approaches must be adopted and embraced to improve basic infrastructure that is critical for development and service delivery, particularly health and education services. As such the highest expenditure priority of the 2009 Development Budget is transport maintenance and rehabilitation and a move towards missing link road constructions. The second expenditure priority is the promotion of income earning opportunities. The 2009 Development Budget aims to ensure that improving basic transport infrastructure and enabling the majority of Papua New Guineans to create wealth for themselves, will have large spillover effects on the success of other sectors. The other five EPAs are still of great importance to the development effort. However, the large amount of funds allocated to health and basic education in Trust Accounts has meant that these areas have received less funding in the 2009 Development Budget.

Transport sector allocations are the highest of all the EPAs, reflecting the sector's priority status. Major new transport programmes and projects include the Provincial Roads Maintenance Programme and the loan funded Highlands Region Roads Improvement Investment Programme. Other critical ongoing maintenance projects such as the ADB Road Maintenance & Upgrading Project (5 Highlands Provinces), the World Bank Road Maintenance Project (6 Provinces) and the National Bridges Maintenance Programme continue to receive high funding in the 2009 Development Budget.

Promotion of income earning opportunities is addressed by major new Government funded projects such as the Strategic District Markets Programme, Coastal Fisheries Development Project and the Development of Business Growth Centres, while the National Agriculture Development Plan (NADP) continues to support the agricultural industry.

Within the social sector, the Government has allocated K30 million towards the new Social Development Programme (State-Church Partnership), which aims to improve health and basic education service delivery by increasing support to Churches that are critical in supporting these services in rural areas. Many large ongoing projects and programmes will continue in areas

of health, basic education, law and justice and HIV/AIDS prevention. Several large donor programmes dominate the PIP for primary healthcare and HIV/AIDS prevention, including the Capacity Building Service Centre, Health Sector Improvement Programme, the Health Sector Resourcing Framework and the Sanap Wantaim (PNG-Australia HIV and AIDS) Programme. Basic education is also supported by large donor programmes, including the Education Training and Human Resource Development Programme, Education Capacity Building Programme and the Basic Education Development Project (BEDP).

Outside of the seven EPAs other important areas have been funded. Governance reform continues to receive priority attention with the Government now fully funding the Financial Management Improvement Programme (FMIP), which was previously jointly Government and donor funded. Other important areas include the funding of housing programmes.

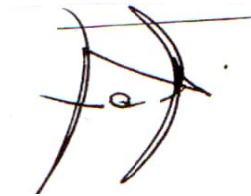
Compared to previous Development Budgets, the 2009 Development Budget allocates a much higher amount of resources directly to provinces. Each district will receive K4 million under the District Service Improvement Programme (DSIP – K356 million) for housing and offices. Furthermore each province will receive K1 million under the Provincial Development Improvement Programme (PDIP – K20 million) and as in previous Development Budgets, District Support Grants and Special Support Grants are allocated to provinces. In addition other major impact programmes that target provinces and districts include the NADP, Selected Provincial Roads Programme, District Markets Programme and other agriculture and tourism programmes.

The MTDS Alignment ensures that the MTDS is effectively implemented. It measures the proportion of GoPNG financing (direct, loans and tax credit) that goes towards the seven EPAs. The Budget Strategy Paper Target was to maintain the figure of 82.7% that was achieved in 2008, but in the Development Budget 2009 only 73.6% of Government funding went towards the seven EPAs. Many programs and projects, though indirectly contribute to achieving the MTDS priorities, are not directly MTDS EPAs, and therefore did not positively affect the MTDS alignment. Consequently the alignment figure is lower than in previous years. However, given the importance of policy stability and consistency, the MTDS remains the overarching strategy for economic and social development in PNG. Reprioritisation between the EPAs and the recognition that some of the above basic needs are critical to improving the quality of life in both rural and urban areas have changed the focus of the Development Budget for 2009. The strategy of the 2009 Development Budget therefore places a greater focus on rural driven economic growth and improving access to affordable health and education services to rural communities. This aims to increase progress towards achieving the MDG targets by 2015. To ensure an impact is made in these areas, the 2009 Development Budget deliberately consolidates resources to fund critical major impact programmes and projects rather than spreading resources too thinly resulting in minimal development impacts. Furthermore by addressing critical basic infrastructure and

the agricultural industry, the 2009 Development Budget lays the foundation for the Long Term Development Strategy (LTDS) 2010-2030. The LTDS will now form the basis for effective alignment of both GoPNG and donor development fund based on the Paris Declaration and the Accra Agenda for Action (AAA) in the medium to long term strategic development framework of this country.

The 2009 PIP is people centred and will have a significant development impact on the living standards of ordinary Papua New Guineans and will leverage growth in the non-mining sectors, particularly the rural sector. I believe that the investments will address some of the critical basic infrastructure which will subsequently create an environment in which sustained social improvements and equitable wealth creation can take place.

I, therefore, commend to the Members of Parliament and the people of Papua New Guinea, the 2009-2013 Public Investment Programme.

A handwritten signature in black ink, consisting of stylized, overlapping loops and curves, likely representing the name 'Paul Tiensten'.

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