

# Introduction

Mr Speaker, once again it is an honour for me, and my people of Kavieng, and as Treasurer in the Marape Government, to stand here in her Majesty's house to introduce the 2022 Budget. This is my third annual budget, as well as presentation of my third Supplementary budget.

Mr Speaker, I stand here much more optimistic about PNG's future than I was 12 months ago. At that stage, we had a deeply divided Parliament. We have now re-united under the stewardship of our leader and Prime Minister, James Marape. The world economy is recovering from the worst, health crisis in a century. We are seeing the benefits of the Marape reform continue to bloom. And as I will set out today, we have a specific, costed fiscal plan, that will see the benefits of our economic reforms, deliver historic gains to the economy, returning PNG to budget surplus. And the options from then are bright indeed – including the option of reducing our countries debt, to absolutely zero.

## 2. The Journey so far

Mr Speaker, let me quickly cover key parts of the journey already travelled over the last two and a half years.

We have cleaned up the former government's fake budgets, through the Due Diligence exercise with IMF assistance, in late 2019.

We set out 10 clear principles, guiding our fiscal repair and reconstruction program, all in line with Vision 2050 and our Medium Term Development Plan 3.

We have been setting a responsible, balanced pace of fixing the budget. Within that budget repair and reconstruction, we moved more to the capital budget. In the last 2 and half years, we have spent K18 billion on infrastructure, an 80 per cent increase on expenditure. We are rebuilding our districts, our provinces and our country.

We moved to good, cheap concessional financing.

We put a real focus on the infrastructure and health sectors – responsible investments in these areas, to grow our human and physical capital.

We responsibly dealt with the worst economic crisis in a century. The global COVID-19 pandemic, so soon after our first 2020 full budget, started devastating economies and budgets around the world.

In the midst of this crisis, we delivered on the 2020 Budget responsibly, absorbing the extra COVID-19 costs.

Our 2021 Budget, set out a continuing plan of responsible, steady, budget repair and reconstruction. Further major increases for infrastructure and health. Further reductions in the budget deficit. More good, cheap financing, lowering our interest costs.

The 2021 MYEFO, made careful adjustments mid-year, to keep us on course, while lifting infrastructure, health and education spending further.

Action, action, action. There are many, many more detailed steps along the way. Considered choices. Often the hard choices, to keep on the steady path of budget repair and reform. Some of these choices were not easy. There are always those calling out for more special deals. But, the Marape Government is working as a team. We know we must work in the interests of the team. And it is wonderful, having a team captain, that is not just interested in building his business empire. Like some! He cares about the people of PNG. He cares about our land, our gardens, our oceans, our forests and the beauty and potential of PNG. He has a vision for our future.

### 3. 13 YEAR FISCAL PLAN

Mr Speaker, it is an honour for me today to announce our 13 year fiscal plan.

“Why 13 years?” some may ask. “Why are you going further, than the usual, 5 year fiscal plans?”

Mr Speaker, as a business person, I need my shorter-term cash flow, profit and loss and assets and liabilities statements. But I also, must have longer-term strategic plans, for my business going out 10 or 20 years. And not just some visions or high level statements, but costed plans, that fit within my revenue and financing estimates. It is good, that PNG’s fiscal planning goes beyond just one year, and out to five years. But I was concerned, it wasn’t long enough, to help shape our strategic thinking and possibilities. So I directed, that a longer term fiscal plan, must be prepared.

Mr Speaker, I am pleased today to share the results.

The usual 5 year budget plan, using the usual Treasury assumptions, would have shown a small, but continuing deficit at its end.

By extending the plan by just one year from 2026 to 2027, the next term of parliament, we see something very, very different. Something very important

For the first time since 2010, our government-the marape government, has a plan to return our budget to surplus!

In 2027, our earnings, are finally greater than our expenses.

Mr Speaker, as a business person, I like it when our sales exceed our costs.

We can start paying back our creditors.monies we borrowed.

Finally, finally, after 17 years, getting back to a budget surplus. 8 years down due to the former government, 1 year down due to COVID-19, and 8 years up under the Marape Government. Finally out of the budget deficit hole. Which I had warned would take years to achieve.

Mr Speaker, let us look forward just one more year to 2028.

We reach another milestone. We would have reduced our debt to GDP ratio back below 40 percent of GDP, the level set out in the Fiscal Responsibility Act. This can be delivered 2 years earlier than originally set out when we said the debt ratio would be back under 40 per cent within 10 years. Few believed that it could be possible. Sit back, watch and learn!

Our steady budget repair path, has made that possible.

Mr Speaker, the options for our country, then start becoming very exciting indeed. Powerful options reveal themselves over the next six years. So let me talk about one of those choices now.

Mr Speaker, by extending the budget repair course through to 2034, we have another very exciting option. The option to pay off, all our debt.

YES. Repay all our debt!

Repay all the debts of recent years built up because of the economic mess inherited in 2019, from the former government, of an irresponsibly high budget deficit, and then having to cover the estimated K10 billion in debt costs from COVID-19.

Repay, all the explosion of nearly K30 billion in debt and hidden debt under the former government.

Repay all the K8 billion in debt, built up under all the earlier governments going back to Independence.

Mr Speaker, for the first time in our history, we have the option of having zero debt. Economic freedom and independence, by not being dependent on any banker or financier.

Mr Speaker, the zero debt option is available in 2034. This is why I have chosen a 13 year fiscal plan framework. In 13 years, we have the choice to have zero debt for the first time ever.

Mr Speaker, we can achieve this zero debt outcome, even with very positive development outcomes through the budget.

Once we reach budget surplus in 2027, the plan allows for an acceleration in the numbers of teachers and health workers and police. The plan makes provision for population growth of 3.1% and wage growth of 5% and a “better service factor” of 1.9% for all our essential services estimated at 70 per cent of the public service workforce. 1.9% per year does not sound much, but as a mathematics major, let me assure everyone, of the power of compounding growth rates.

For between 2027 and 2034, this allows for a reduction of 14.1% in key service ratios. So instead of a teacher having 40 students in a classroom, there would be 35 students. There would be 14.1% more police for every single person in the country. There would be 14.1% more doctors and nurses for every person in the country. And if the fiscal path was set even further forward, we would continue to see these improvements.

## 4. 2022 Budget Highlights

Mr Speaker, the 2022 Budget demonstrates once again, the benefits of steady budget repair and how the government's economic stimulus plan, of protecting the budget is helping the economy.

Mr Speaker, I am pleased to announce that in 2022 we become a K100 billion economy. The economy will grow from K93 billion to K101.7 billion.

Our vital non-resource economy is expected to increase by 3.5% in real terms. Including the mining sector, growth is estimated to be 5.4%, reflecting the expected recommencement of Porgera, and improvements in Ok Tedi production.

This continued resumption of growth, helps lift revenues. Overall, tax revenues are expected to grow by 12.6%. This is in line with 15 of the last 31 years in terms of tax revenue growth. This growth is supported by new taxes on the banking and telecommunication sectors, where market concentration means monopoly type super-profits. Despite the scare campaign and threats, from a particular telecommunication company, we will work with our



regulators, to ensure that any license holders comply fully, to their obligations in our rural areas.

There are also important non-tax measures, including the introduction of a bill, to ensure that most of the fees collected by government agencies, actually come back into the government's central account. We are also expecting higher dividends from the resource sector, as commodity prices increase. There is also a recognition, that the level of donor grants, has been understated in recent years. In addition, for the first time in nearly twenty years, the Australian government, is providing direct grant funding, to support our budget. This has been directed towards our education and health programs, support that is greatly appreciated.

Mr Speaker, on the expenditure side, even within this budget repair, we are continuing with our program, of redirecting more of the budget, to investment spending.

There is a major increase in the PIP capital budget of 19%, increasing from K4,824m to K5,758m. Overall, our Public Investment Program funding, has increased by 167%, from K2,155m in 2018 to the current levels.

Mr Speaker, as has been set out by our Prime Minister and the Minister for Works, this funding is having very concrete

impacts on the ground around Papua New Guinea. The signature K20 billion Connect PNG Program is already underway with 2,242 km of roads already being improved.

Mr Speaker, we have 323 projects underway, most of them at local level, generating jobs and incomes for our people. If each of these 323 projects employed even only 50 workers, that is over 16,000 jobs.

We are connecting our country through Missing links projects such as:

- Erave-Samberigi of Gulf-SHP Highway
- Vanimo-Aitape of Sepik Coastal Highway
- Kerema-Kikori Road
- Wabag-Maramuni Road.

Also starting early next year :

- Highlands Highway tranche 2-Bridge replacement program K1.0 billion.
- Lae Nadzab 4 lane highway K379m
- Sepik Coastal Highway K146m
- Manus Highway K99m
- Magi Highway 213m
- Northern Highway and Kokoda K51m
- And always last, often forgotten, our beloved buluminski highway 50.9m

Mr Speaker, the Marape Government is, the infrastructure government!

This is a responsible budget, and it is clearly a budget for the COVID-19 era. I undertook to protect our key services in 2022, at least keeping up with inflation. But we have done so much more. The Marape Government, lightening the burden on families, through major health and education programs

Mr Speaker, I am very proud to announce, the 2022 Budget will deliver massive on-going increases in health spending. K810 million extra in 2022, lifting from K1,745m in 2021 to K2,555m in 2022.

This is a truly historic increase of 46%. Since coming to office, health spending has now increased by a massive 89%.

We want to make sure, that if there is ever, another global pandemic, that we are ready. We want our people to have access to better hospitals throughout the country. We want more nurses and doctors and medical supplies, going all the way down to our aid posts to help our people.

Mr Speaker, on education, we are increasing spending from K1,095 million to K1,417 million – an increase of K333 million or 34%.

We are providing K632 million for Full government tuition-fee subsidies – the highest level of fee subsidy support, ever provided.

We are investing more in our community services with an increase in funding by 52%, up from K102 million to K156 million. This includes full funding, for establishing the Gender-Based Violence Secretariat and support to important NGOs, working to address domestic violence. We have also for the first time, set out a specific section setting out key components of the Women's Budget – those programs specifically targeted at meeting the needs of women and addressing issues of gender discrimination and domestic violence.

We are also increasing spending on law and justice by K124 million, a 10% increase

And in utilities by 35% from K387 million to K524 million.

We are doing all of this vital spending in our human resources, and into our physical resources, while continuing the process of budget repair and reconstruction.

Mr Speaker, with the revenue increases, combined with expenditure constraint on the operating budget, the budget deficit will fall once again by a very large amount. The on-going process of budget repair.

From the high point of 8.9% of GDP during the worst of the COVID-19 crisis in 2020, down to 7.1% of GDP in 2021, and now down to 5.9% in 2022. This drop would have been nearly twice the size, except we are committed to providing for the once every 5 year cost of K600 million for the elections. Responsible government – steady falls in the budget deficit, which as they continue, will lead us to the budget surplus in 2027 as mentioned earlier.

All in the midst of the worst global pandemic in a century.

## 6. Conclusion

Mr Speaker. The Marape Government has brought back the days of inclusive, sensible economic management.

We have moved from budget destruction, to budget reconstruction.

We are fixing the broken budget with a responsible, steady path of reducing the budget deficit, whilst protecting core services and giving more to roads and hospitals and other infrastructure.

We have announced today, the largest ever investment in our health system, an increase of K810 million, lifting total health spending to K2,555 million.

We have lifted our Public Investment Program, by another K934 million to K5,758 million, nearly double that in 2019. The Marape Government is, the infrastructure government.

We have lightened the burden. through targeted tax cuts, for consumers in petrol, cigarettes and beer, whilst asking telecommunications and banking industry to lift some more.

Mr Speaker, we have a fiscal plan. It is the type of plan, that I would expect for my business. It is costed, realistic and credible. It gives powerful choices for our people.

It shows the path to surplus.

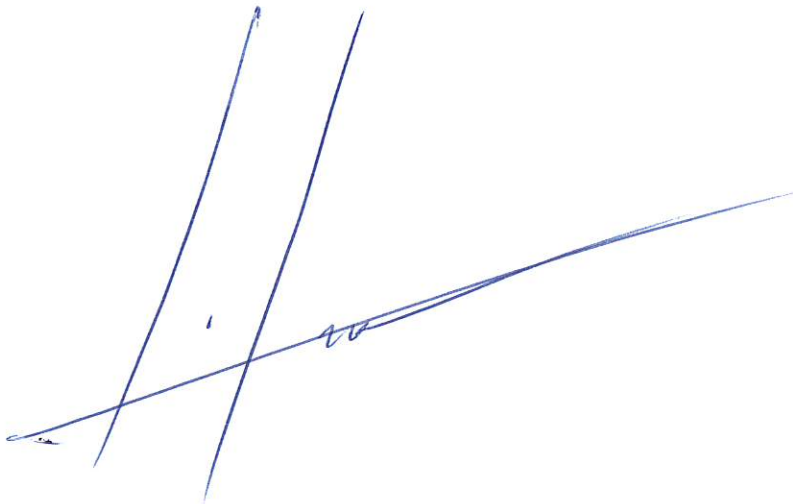
It shows the option, to repay all of our debts, incurred since Independence.

It shows the option of instead, investing K110 billion in tax cuts and the largest spending programs in our history-all within the framework of debt sustainability.

The future is bright under the Marape Government.

Mr Speaker, I thank my parliamentary colleagues, and especially, my ministerial advisers-Misty, Paul, Tim, Hitolo and all my other staff, who continue to dedicate their life, for the betterment of our people. The IFMS ransomware hack, has had a major impact on our budget preparations, indeed it has led to the delay in today's presentation. I know good Treasury staff have had to work so hard, that they have slept in the Treasury building for the last week. Secretary Vele, Andrew, Maryanne, Napae, Roda, Winfred, Larry, Peter, and Mirriam, for these exquisite budget books and all of our other dedicated team at Treasury and ofcourse, Ministers and Secretarys for National Planning and Finance and all your staff, THANKYOU ALL, for your contributions to deliver yet, another national government budget for the people of Papua New Guinea.

Mr Speaker, I commend the 2022 National Government Budget to the House and wish the people of PNG and Members of this Parliament, a Merry Xmas and a Prosperous 2022 New Year!

A handwritten signature in blue ink, consisting of several overlapping, sweeping lines that form a stylized, abstract shape.

*to my children telita, tennyson, tiana, yvana & milan  
and their patient, respective and respected partners,  
my grandchildren salote, baby katara & baby adrianna,  
stay safe, be considerate always and eat your vegetables..*

