

Mr Speaker

I am honoured to present the 2023 Budget to the Parliament.

This Government was re-elected on a platform, to make this a fairer and more economically independent country.

Our Prime Minister has committed to ensure that no place and no one, will be left behind as we develop and grow this country in a sustainable way.

Mr Speaker, I am proud that this budget implements that vision.

### **Budget Context**

Once again, our proud country is having to sail through choppy international waters. The world outlook is “gloomy and uncertain” according to the IMF. Rising global inflation, rising global interest rates, falling growth rates, and a war in Ukraine that continues.

But today, I do not want to be “gloomy”.

PNG is doing much better than most countries. The real growth rate in our non-resource economy is recovering well. Real growth rates of 4.8% in 2021, 4.5% in 2022 and 4.6% in 2023. This is only the second time in our history, that we have had three years in a row, of such growth, of over 4%. Employment is growing. Inflation is falling and expected to be under 6 per cent in 2023. Foreign exchange reserves

are expected to reach about K13 billion, the highest level in our history.

We thank our people for their resilience, in contributing to such a good economic performance.

We are proud of the contribution, of our better economic management, while humbly acknowledging, that there is still more to be done.

We also thank our international partners, for their extremely strong support. We are committed to this international engagement, and will be considering further support, through an IMF program, starting in 2023 to back our own economic reforms.

### **Economic Vision**

This is the first budget after the re-election of the Pangu-led Government.

This 2023 Budget will ensure the Pangu vision shines through, especially economic independence, focused on our rural people.

### **Budget Overview**

Mr Speaker.

This budget continues to deliver, on fixing a budget, that was so badly broken under the PNC. Someone-sitting opposite, who in just a

few short years, exploded debt four-fold, while somehow being able to build his own mansions and business empires.

Mr Speaker, this budget is the largest in PNG's history.

Total expenditure will be K24,567 million, a 10.8 per cent increase on the original 2022 Budget. This is the largest investment, in our people's future in the history of our nation.

Total revenues will be another record estimate of K19,582 million, a 20.9 per cent increase on 2022.

Revenue growth of 20.9%, is nearly twice as fast as expenditure growth of 10.8%. This is a responsible outcome. It means our budget deficit falls.

Mr Speaker, the 2023 Budget delivers a billion Kina reduction in the size of the deficit, down from K5.985 billion in 2022 to K4.985 billion in 2023.

Our budget deficit has nearly halved, since the global COVID-19 pandemic did so much damage to our budget in 2020 – down from a deficit of 8.6% of the economy, to 4.4% in 2023.

And this responsible Marape-Rosso Government, will ensure that this figure keeps falling – down to 3.3% in 2024, down again to 2.7% in 2025, down again to 1.3% in 2026, and then, impressively, back into surplus by about 2027. This will be a good day for our children and their future. We get off the debt bandwagon. We can finally

start paying off our debts or making other investment choices once we get back to surplus.

This is all part of the 13 year plan, to get our budget books back into order, to stop building up debt.

## **Law and Order**

Mr Speaker, this new Government has targeted, five key priority areas

The first priority is law and order.

This budget delivers an extra K401 million into our law and order sector, the largest increase in funding in PNG's history. This is an increase of 28.9 per cent.

I was delighted, to see police paid advertisements in weekend papers, for a further 500 recruits and 60 extra officer positions. We have committed on-going funding to the police, to continue this level of recruitment. We will lift the size of the police force from 5,000 in 2022 to over 7,000 by 2026.

Mr Speaker, we are providing a 50 per cent increase in funding for the judiciary, increasing funding from K154 million to K232million in 2023, before a further increase to K310 million in 2024.

Major increases also for our Magistrates, for our Public Prosecutor, for ICAC, for the Ombudsman Commission and for the Constitutional and Law Reform Commission.

The Marape-Rosso Government, implementing its vision, for a better and safer PNG.

## **Infrastructure**

Mr Speaker, one of the transformations of this Government, has been the dramatic rebalancing of the budget. For too long, there has been a lack of significant and consistent, infrastructure development.

I am pleased to announce, that the 2023 Budget allocates K9,796 million to invest in our roads, in our ports, in our airways, in our schools and hospitals, in our power and water supplies. Of this, K6,615 million will be provided under PNG's own Public Investment Program, which is supported with a further K3,181 million in international support.

The K6,615 million in our own PIP programs is a historic allocation. When we inherited this budget, only K2,041 million was spent on the PIP in 2018.

In only four years, we have increased funding by over K4,400 million, I repeat, an extra K4,400 million, invested in our infrastructure in 2023 alone.

An extraordinary increase of 224 per cent, yet responsibly delivered within a budget repair program.

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

But the massive increase in funding tells only part of the story.

Because the investments are being done smarter.

The investments are being driven by the needs of our rural sectors.

The focus is on roads to markets, not roads to nowhere.

The focus is on devolved decision-making, to ensure that the roads are best used, according to local priorities.

Mr Speaker, in a move to ensure that no Province or District is left behind, in this massive infrastructure boost, we are investing K960 million for our District Infrastructure Program. This is historic – more than double the level of funds that were allocated in 2021. On top of this, we are also allocating K220 million to the Provincial Infrastructure Program.

K1,180 million for infrastructure at the local level. Moving the focus from the national level to the local level also creates local jobs and local contracts all in line with local priorities. We are going rural!

Mr Speaker, still at the heart of our infrastructure boom, is the PNG Connect program, our visionary signature policy, to link all corners of

our country. This program has been guaranteed a minimum of 5.6 per cent of the budget. Across the PIP, and loan and grant funding, this has been delivered with total funding of over K1,375 million. The Marape-Rosso government, delivering again on its campaign promises!

### **Education and Health**

Mr Speaker, this Government has already massively increased funding, for the health and education sectors. Much of this has been focused on improving facilities, especially with large investments in hospitals.

The 2023 Budget provides nearly K400 million, to support increases of at least 5 per cent growth per annum, in the number of workers in these sectors through to 2027. After that, funding is provided for increases of 10 per cent per annum.

No longer just targets in a medium-term plan, but actual funding within the sustainable financing framework of the 13 year plan.

Let me be more specific. It is estimated that this program will allow the number of teachers to grow from 59,307 in 2022 to 79,297 by 2027. A funded increase in Provincial Administrations for 20,000 new teachers. This is a growth of over 30 per cent over these five years, significantly faster than the expected growth, in student numbers of around 20%. This means improved student-teacher ratios and

hopefully, if cleverly backed by other policy changes, better educational outcomes. This funded policy is expected to support over 125,000 teachers by 2032.

A similar funding approach has been taken for health services, building on the transformation last year, of moving church health workers onto the government payroll system. Health care workers are expected to increase from 21,738 in 2022 to 29,065 by 2027, and 46,703 by 2032.

Mr Speaker, let me be clear on this extra funding. This is only made possible, because of very focused priority-setting. Major increases for people on the front-line delivering services, but zero growth in public service numbers in other areas.

In goods and services expenditure, the focus on key priorities has even tougher implications. Priority areas received increases, core central agencies reduced by 5%, and other agencies will be reduced significantly. These are tough decisions, and there will be some unhappy civil servants in Waigani. But with limited funds, we have to reprioritize spending, to reflect our mandated policy platforms.

### **Agriculture and the Economic Sector**

Mr Speaker, the creation of new agriculture Ministries, is a clear demonstration of the Marape-Rosso Government's policy commitments, to re-focus government priority on the agriculture



sector and other rural industries. Two resource sector Ministers, now four agriculture sector Ministers – a much better balance for our country.

These new Ministers are supported by sector-based commodity boards. I am pleased funding for each of these, has been increased substantially – major increases in funding for the Fresh Produce Development Company, for the PNG Coffee Industry Corporation, for the National Agriculture Research Institute, for the PNG Cocoa Board, for Kokonas Industri Koporesen and providing K2.6 million in funding, for the new Livestock and Development Corporation.

Overall, we have increased funding to the economic sector by K71.8 million to K989.3 million. This is indeed a major investment to support growth in rural incomes. Implementing the Vision.

### **2023 Household Assistance Package**

Mr Speaker, this Government knows that prices for some key items have gone up significantly over the last year, especially fuel, cooking oil, rice and for our farmers, fertilizer costs.

For the first time in PNG's history, the Marape Government developed a household assistance package, to help address some of these cost of living pressures. There was nothing similar by the former Government, as the drought and frosts of 2015-16 pushed

inflation to even higher levels than being faced today. This is a caring, responsible and responsive government!

Today, I announce a further package of K590 million, in cost of living relief.

This includes tax cuts of up to K63 per fortnight for those earning more than K20,000 per year for 2023, a very serious increase in take-home pay for workers. We will do this by temporarily lifting the tax-free threshold to K20,000 at a cost of K280 million.

K150 million will be provided, for reducing fuel prices. All excise taxes on fuels will be removed through to 30 June. As international oil prices have fallen substantially from their peak, the GST exemption will cease. This will keep petrol prices down by about 61 toea per litre, and diesel prices down by 23 toea per litre.

K160 million is allocated for removing school project fee costs in 2023. This is a particularly important measure to get assistance out to rural areas and families, many of whom, do not have a car or a job earning more than K20,000 per annum.

The total cost is K590 million. All forecasts indicate that inflation will fall in 2023, back to under 6 per cent. The government will continue reviewing the situation, and if inflation in fact increases more than expected, we will consider doing more, as long as it is consistent with budget repair.

Mr Speaker, in line with this Government's focus on fighting inflation, we are acutely aware of the uncertainties in the global economy.

Aggregate levels of expenditure will be kept under review, to ensure that they do not add to inflationary pressures, and provide fiscal stability in the medium-term. This is a critical element of our macro-economic framework – ensuring our fiscal strategy, does not add to inflationary pressures. In addition, if there is a more dramatic drop in oil prices than expected, and key resource revenues are unlikely to be realised, then aggregate expenditure levels, will also be reviewed.

### **Revenue Measures**

Mr Speaker, I have already covered two major revenue measures:

- a K280 million cut in Personal Income Taxes; and
- a K150 million cut in Fuel taxes.

But we simply cannot cut taxes. The development needs of PNG means that we must also grow our revenues.

This budget introduces the Non-Tax Revenue Administration Bill. The implementation of this bill is expected to collect more than K550 million in 2023. This restores the key budget principle, that revenue raised by government agencies, should come back to government, for prioritisation in the budget process.

Consistent with the objective of stopping round log exports and encouraging down-stream manufacturing, this budget builds on the 2020 budget measure to increase taxes on round log exports. A further 20% increase is added to the 50% increase in 2020. The expected K30 million in revenues from this increase, is allocated to a PNG United Nations biodiversity and climate change trust. We expect that this will be seed funding and attract much greater levels of international funding support as part of our “Targeted Grants Strategy.”

Mr Speaker, following consultations, we have decided to change the form of the tax introduced on the banking sector in 2022. From 1 January 2023, the rate of company tax payable by commercial banks will increase from 30 to 45 per cent. This is expected to raise K240 million in 2023, funding vital core services. We will consult closely with the banking industry in the first half of 2023, and consider if a different type of tax, such as an additional profits tax, may be more appropriate from 2024 onwards, while still raising the required revenues.

Mr Speaker, social drinks are a curse on our society’s youth. We acted on this in our 2020 budget with major increases in taxes on social drinks of over 400 per cent. We are acting on this again by closing down loopholes, being exploited by some unscrupulous operators, with a 493% tax on a wider range of social drinks.

## **Path Forward**

Mr Speaker, I have outlined how the 2023 Budget is delivering on the Marape-Rosso governments vision, especially the path forward for increased economic independence.

Continuing this vision has three vital components.

First, we must continue with on-going budget repair to a surplus by 2027 target. We cannot be economically independent, if we continue to rely on international budget support assistance, even when from good international partners. This will involve some tough choices in 2024. As we framed this budget, we have decided to fully allocate extra resource revenues to increased investments, and further household relief, rather than a SWF or other savings options. We are aware, that means 2024 expenditures are expected to be below the estimated levels of 2023, with particularly larger cuts for the capital budget. Of course, this approach will be adapted depending on developments in the international and domestic economies over the next year. We may push some expenditures to 2024 if deemed necessary, to manage inflationary pressures or macro-economic stability. We will remain a responsive and responsible Government.

Second, we need to continue micro-economic reform efforts for increasing jobs and growing incomes. Our businesses are clear that we must fix foreign exchange shortages, a foolish home goal from 2014. Fixing this problem is why our key business reform has focused

on modernising our central bank. We will continue to work with the IMF and other partners to return to a freely convertible Kina. We will implement the policies and make the investments to get back to real non-resource growth of at least 5 per cent per annum as we did under the late Grand Chief.

Third, we must strengthen our key institutions. This includes ongoing support for the special parliamentary committee on public sector reforms, chaired by Governor Juffa, supporting the new parliamentary committee on election reforms, chaired by Governor Bird, continuing support fighting corruption through establishing a strong ICAC but without depleting resources for the Ombudsman Commission, better service delivery with more accountability, and more performance orientation in key agencies. Therefore, Treasury wishes to announce that cabinet endorsement will be sought, for a comprehensive Public Sector Expenditure Review, examining whether we are spending our moneys in the best possible ways.

## **Conclusion**

Mr Speaker, this is the first budget after the re-election of the Pangu-led Government. The 2023 budget implements the vision.

This is a responsible budget of on-going repair with a further reduction in our budget deficit by a billion Kina, another decisive step to a budget surplus by our target date of 2027.

This is a budget that focuses on the key Pangu led government priorities.

Over K400 million extra for police and the judiciary. The largest and most significant investment into our law and order sector in our history.

Over K400 million for more police, teachers, doctors and nurses. Not just an empty promise. But a promise backed by full funding contained in the 13 year plan.

K1,180 million for a major expansion in the Provincial and District Infrastructure Programs – going local and ensuring no province and district is left behind.

Over K1,350 million in new investment for the transformative PNG Connect program.

And within these long-term structural and investment policies, K590 million in temporary support for households to help deal with cost-of-living pressures.

Implementing the vision, all within our available resources.

Visionary, responsible,

focused on all regions,

focused on leaving no one behind,

focused on investments for our children's future.

I commend the 2023 Budget to the Parliament.

Thankyou.



**The Hon. Ian Ling-Stuckey, CMG. MP**  
**Treasurer**

*The Ministry and Department of Treasury are grateful and acknowledge Mr Paul Flanagan, for providing the cover photo of the 2023 GOPNG Budget-taken from a Drone, piloted high in the heavens of new Ireland, above the turquoise waters of the Tigak islands in Kavieng.*

