



2007 SUPPLEMENTARY BUDGET PRESS RELEASE

Papua New Guinea's economy and financial situation continues to improve in 2007, Minister for Treasury and Finance Patrick Pruaitch said when releasing the 2007 Supplementary Budget.

Economic growth in 2007 is now expected to be higher than the Mid Year Forecast of 5.2 per cent. The Government's fiscal and debt position have significantly improved. The budget's fiscal balance has been in surplus over recent years and total debt has declined from 72 per cent of GDP in 2002 to 39 per cent of GDP in 2006. Government debt is expected to be around 34½ per cent of GDP at end 2007 as a consequence of debt repayment included in the 2007 Supplementary Budget.

Minister Pruaitch also highlighted that the Government has handled the surge in revenue associated with the high international prices of PNG's major commodity exports well to date. This has been undertaken by maintaining recurrent Government expenditure at sustainable levels and using the windfall revenue to provide for the future by spending on one-off infrastructure investments, and by repaying debt and other outstanding State liabilities.

The Government has adopted a strategic approach in framing the 2007 Supplementary Budget, which is set within a medium-term framework. The Government is spending more money on priority areas such as the maintenance of public infrastructure in education, law and justice, health, and developing wharfs and roads. It delivers a substantial amount of funds to new infrastructure projects and to each and every district of the country so that the benefits of high commodity prices are spread across the country.

In allocating the additional revenue of K1, 637 million, the Government decided to allocate: K197 million for various recurrent expenditure; K893 million for public infrastructure - with K240 million of this allocated for maintenance by sector, K356 million allocated by district under the District Service Improvement Program and K297 million for major improvements in infrastructure; K297 million for repaying Government debt and K250 million to reduce the Government's superannuation liabilities.

The Government's decision to allocate K197 million for Recurrent Expenditures funds a broad range of activities. These activities include:

- National Agricultural Development Plan – K40 million.
- Civil Aviation Authority restructuring – K21 million.
- Provincial and local level disaster fund – K7 million.
- Maritime Boundary Project – K5 million.
- Technical Rapid Response Group – K3 million.
- Greenhouse Office – K1 million.
- Community Development – K0.61 million.
- Office of Rural Development – K0.75 million.
- Cocoa-pod and coffee borer counter measures – K12 million.

- Replenishing the Secretary's Advance for contingencies in the remaining part of the year — K20 million.
- Cost over-runs for the national election — K15 million.
- Increases in Special Support Grants (SSGs), associated with increases in expected mineral and petroleum revenue since Budget time — K15 million.
- Back-payment of Doctors salaries and wages – K10 million.
- Defense Force uniforms — K8 million.
- Outstanding legal fees — K8 million.
- Court orders — K8.54 million.
- NAQIA for measures against avian flu — K3 million.
- Marienberg Community College – K3 million.
- Murik Lakes Resettlement - K2.1 million.
- Cartarets Islands Resettlement - K2 million.
- Mirigini Haus & Morauta Haus Refurbishment – K4 million.
- Financial Management Improvement Plan – K2 million.
- Land Development Committee – K 3 million.
- National Forest Authority Impact Project fast tracking – K3 million

The Government's decision to allocate K893 million for Public Infrastructure Maintenance reflects a substantial investment for the future. The funds are being placed into trusts in order, to allow for the money to be spent effectively over time as appropriate spending plans are developed and implemented. The allocations of the Public Infrastructure spending are:

- K240 million for public infrastructure maintenance of which education, health and law and justice each receive K80 million.
- K356 million (ie K4 million to all 89 districts) to support the District Service Improvement Program as follows:
 - District Health Improvement Program – K89 million.
 - District Water Supply Program – K89 million.
 - District Law and Justice Program – K89 million.
 - District Education Improvement Program – K89 million.
- K297 million to fund major improvements in infrastructure.
 - Lae roads - K25 million.
 - Wewak roads - K10 million
 - Lae port – K145 million
 - Wewak wharf – K37 million
 - Central city – K30 million
 - Port Moresby wharf re development– K10 million
 - Institutional housing – K10 million
 - Housing development – K15 million
 - Urbanization Programme – K15 million

The Government has also allocated K297 million to retire public debt and K250 million to reduce the Government's liability for superannuation, as the employer of public servants with Nambawan Super Limited (formerly POSF). Lower levels of debt and other liabilities will reduce the risks faced by the Government, free up Government funds for the future and assist to strengthen the private sector.

Minister Pruaitch said that the 2007 Supplementary Budget sets the foundations for national prosperity using prudent fiscal management. The Government will continue to strengthen the private sector, improve the maintenance of public infrastructure, and will improve service delivery to the people of Papua New Guinea. Minister Pruaitch then concluded by calling on Government departments and agencies to follow through with appropriate spending plans and effective implementation.

The 2007 Supplementary Budget Speech is available on the Treasury website:
www.treasury.gov.pg