



SHADOW MINISTER FOR TREASURY & FINANCE

PO Parliament House

Waigani.NCD

m: +675 71111777

e: chairman@kdda.gov.pg

2018 Budget: Criteria for Judging whether the Budget is a Success

"The 2018 Budget is about to be released. A budget is the most important annual policy statement made by the government. A budget translates policies into concrete actions by providing resources. It is the document that makes the hard choices on how much we need to tax, how much we should spend and on what, and how we finance any gaps" said the Shadow Minister for Treasury & Finance Ian Ling-Stuckey.

"Over the last two weeks, I have been setting out the criteria for judging the success of the budget.

"The first criteria is that the budget is credible. This is absolutely key. The starting point for credibility will be whether the revenue forecasts are realistic. Unfortunately, we know that the government has a poor record in that regard over recent years. When approaching this budget, I will take the perspective of a businessperson. Will this budget be credible from the perspective of a business person looking to grow their business and employ more people?

"The second criteria will be on how well the government plans to spend its money. The government has budget austerity in the key areas for PNG's development yet budget big spending in the wrong areas such as the bloated public service. As has been shown in my recent media releases, the government has been pretending that it has protected the health sector when budget figures clearly indicate it was cut by 20 per cent in the 2017 budget. The government has claimed that it protected vital infrastructure spending when we know that it has been slashed from K2.8 billion in 2014 down to only K1.1 billion in 2017. Large cuts have also been made in the education and law and order areas in recent years. Instead, funds have gone to bloated public administration costs and even Daire Vele admits public service

numbers have increased from 70,000 to 130,000. Funding priority has been given to big projects such as APEC, massive increases in interest costs, and funding for Provinces and Districts which currently lack enough accountability mechanisms to ensure the funds are well spent. We in the Alternate Government are very worried that the government will repeat these poor spending decisions. We are worried the government will keep cutting key areas while still putting out the rhetoric that everything is fine. In particular, starting from the 2012 budget we will see if they continue with the myth that a miserly K20m allocated for “free health care” is sufficient” said Mr Ling-Stuckey.

“The third criteria is whether the budget addresses the key linkages between the budget and inclusive growth. The 2018 budget is a real opportunity to reverse what Minister Maru described recently in Port Moresby as PNG “heading down to recession”,. The 2018 budget needs to deal with the foreign exchange crisis and jobs crisis facing PNG.

“The fourth criteria will be how the budget deals with deficits and debt financing. Frankly, we are concerned by the 2018 Budget Strategy which indicates the government is committing to deficits that are much larger each year than even contained in the 2017 budget. For example, last year’s budget aimed for a deficit of K700 million in 2021 – the 2018 Budget Strategy now targets K1,400 million – K700 million more. The government already appears to be playing games with the definition of the deficit. The government now wants to talk about “the non-resource primary balance”. This definition ignores interest costs which will increase to over K1.8 billion in 2018 – more than three times the cost of the tuition-fee free education policy.

“The fifth criteria is that the budget should follow proper processes. This didn't occur during the budget preparations, although we are pleased that the government, after some prompting, finally released the 2018 Budget Strategy Paper. A key part of the process will be to ensure, unlike in previous years, that there will be time for debate on the budget and a right of reply.

“As soon as the 2018 Budget is tabled in the Parliament, I will provide an initial analysis of the document. Over subsequent days, I will then go into more detail on how the 2018 Budget rates against the above criteria. I hope this will stimulate wider debate in PNG on how we can best work together to get PNG out of the current economic mess created by the government including the failing 100 Day Plan” said Mr Ling-Stuckey.

Hon. Ian Ling-Stuckey, CMG, MP
Shadow Minister for Treasury & Finance

Table 12: Medium Term Expenditure Profile (Kina, Million)

Sector	2016 Sup. Budget	2017	2018	2019	2020	2021
Administration	2,219.2	2,732.3	2702.1	2,549.3	2,476.0	2,443.8
Community & Culture	149.7	224.6	222.2	209.6	203.6	200.9
Debt Services	1,479.6	1,382.9	1,367.6	1,290.3	1,253.2	1,236.9
Economic	452.4	398	393.6	371.3	360.7	356
Education	1,242.8	1,162.5	1,149.7	1,084.7	1,053.5	1,039.8
Health	1,536.7	1,221.5	1,208.0	1,139.7	1,106.9	1,092.5
Law & Justice	1,232.6	1,124.5	1,112.10	1,049.2	1,019.0	1,005.8
Provinces	3,565.8	3,989.9	4,020.20	4,040.7	4,059.5	4,090.1
Transport	1,025.2	897.1	887.2	837.1	813	802.4
Utilities	371.5	216.2	213.8	201.7	195.9	193.3
Grand Total	13,280.9	13,349.5	13,276.5	12,773.6	12,541.3	12,461.5

Source: Dept. of Treasury

Source: Table 12 page 39 of PNG's 2017 Budget

Table 2 shows Net Borrowing of 4.9 per cent of GDP in 2015 and then a reduction in the levels of Net Borrowing over the medium term. This drives a reduction in the debt-to-GDP ratio over the medium term.

Table 2: Budget Balance 2015–2021 (% of GDP)

	2015	2016	2017	2018	2019	2020	2021
Net Borrowing (-)/ Net Lending (+)	-3,012.4	-2,112.5	-1,876.5	-1,839.6	-1,570.4	-1,215.1	-699.8
<u>2017 Budget:</u>							
Budget Balance (% of GDP)	-4.9	-3.1	-2.5	-2.3	-1.8	-1.3	-0.7
Debt as % GDP	29.1	29.4	28.8	28.8	28.7	28.1	27.0

Source: 2017 Budget

Table 4: Budget Deficit Projections 2018-22 (Kina Millions)

	2017	2018	2019	2020	2021	2022
Revenue and Grants	10,979	12,655.7	12,698	13,667	14,781	15,991
% of GDP	14.9%	15.8%	14.8%	14.8%	14.9%	15.0%
Total expenditure (including grants)	12,856	14,643	14,596	15,343	16,189	17,252
% of GDP	17.4%	18.3%	17.0%	16.6%	16.3%	16.1%
Net Lending (+)/ borrowing (-)	-1,876	-1,987	-1,898	-1,676	-1,408	-1,261
% of GDP	-2.5%	-2.5%	-2.2%	-1.8%	-1.4%	-1.2%
Non-resource primary balance	-665	-621	-439	-209	-1	-4
% of GDP	-0.9%	-0.8%	-0.5%	-0.2%	0.0%	0.0%

Source: Department of Treasury

Source: 2018 Budget Strategy