

CHAPTER 13. MEDIUM TERM FISCAL STRATEGY 2013-2017

13.1 OVERVIEW

This Medium Term Fiscal Strategy (MTFS) 2013-17 has been developed at a time when the medium term outlook for the Government's revenue remains uncertain, driven in part by the potential impact on commodity prices of ongoing turmoil in Europe and a sluggish US recovery. Domestically, there is also scope to increase taxpayer compliance to ensure a level playing field for all.

On the upside the PNG LNG project is due to commence full production in 2015, providing a significant boost to revenue, though the full benefits are not expected for a number of years.

Despite these challenges, this MTFS seeks to increase overall expenditure levels. This reflects the benefit of the work done over the last decade in reducing Government debt. The pattern is a quick "step-up" in expenditure in the first year, followed by much more moderate expenditure growth rates so as to return the budget to surplus by 2017. Expenditure quality must also be increased. This means some lower priority or wasteful expenditure will need to be cut, while high priority expenditure such as on health, education, law and order, and infrastructure, increased and made more effective. It is essential that the PNG people receive the best possible value for money for the funds that are available.

This MTFS indicates that with fiscal discipline in non-priority areas, there is scope to double nominal expenditure on health, education, infrastructure and law and order by 2017, including for key priorities such as expanding tuition fee-free education, rebuilding the Highlands Highway, expanding the police force and improving health provision. This MTFS provides a strategy for having the funds available for the priorities chosen by the Government, while maintaining macroeconomic stability. The challenge will remain ensuring other policies support growth to attain such a level of resources, as well as ensuring the funds are well spent.

To maintain the macroeconomic stability that is required for economic and social development to continue, it will be necessary to adopt specific rules to govern the Government's fiscal decisions. The rules, set out below, are designed to be consistent with the MTFS's Guiding Principles:

13.1.1 Expenditure

1. Increase the share of the total budget allocated to the key enablers of the Medium Term Development Plan to two thirds by 2017.
2. Improve spending agencies' focus on expenditure effectiveness and transparency in expenditure reporting and public accountability.

13.1.2 Revenue

1. Maintain equitable taxation regimes with a focus on compliance.
2. Restrict taxation exemptions and special arrangements.

13.1.3 Debt

1. Maintain a gross Government debt¹² to GDP ratio of less than 30.0 per cent, apart from in 2013 and 2014, when it will not exceed 35.0 per cent.
2. Limit gross Government liabilities¹³ to less than 60.0 per cent of GDP.
3. Greatly increase the Government's average debt maturity profile¹⁴.

13.1.4 Deficits

1. Ensure a return to surplus by the end of the MTFS period in 2017.

13.2 REPORTING

Government performance against each of these rules will be reported on in the Annual Budget and associated documents.

13.3 GUIDING PRINCIPLES

The guiding principles for PNG's MTFS 2013-2017 are as follows:

- Maintain macroeconomic stability by providing stable and prudent fiscal arrangements, which are critical for sustained job creation and development;
- Support an increase in the share of public expenditure going to the key Medium Term Development Plan enablers, including education, health, infrastructure, and law and order;
- Provide a framework to help address the development needs of Papua New Guinea through a better and more sustainable provision of services and strong broad based economic growth; and
- Ensure that revenue collection is maintained to support development and macroeconomic stability objectives.

Consistent with these principles, this MTFS adapts to the significant changes that have occurred over the last decade, as well as responds to future challenges.

13.4 KEY CHALLENGES FOR THE 2013-2017 MTFS

Implementing an appropriate fiscal policy which maintains macroeconomic stability as well as supports broad based economic growth is a considerable challenge during a period of sluggish revenue growth and global economic uncertainty.

¹² Includes all Government debts apart from Superannuation. Excludes contingent liabilities such as guarantees.

¹³ Gross Government liabilities include gross Government debt, superannuation as well as explicit Government guarantees, including for the SOE sector, though excludes the PNG LNG guarantee due to its near completion.

¹⁴ That is, reduce the portion of the debt that is required to be refinanced in any given year.

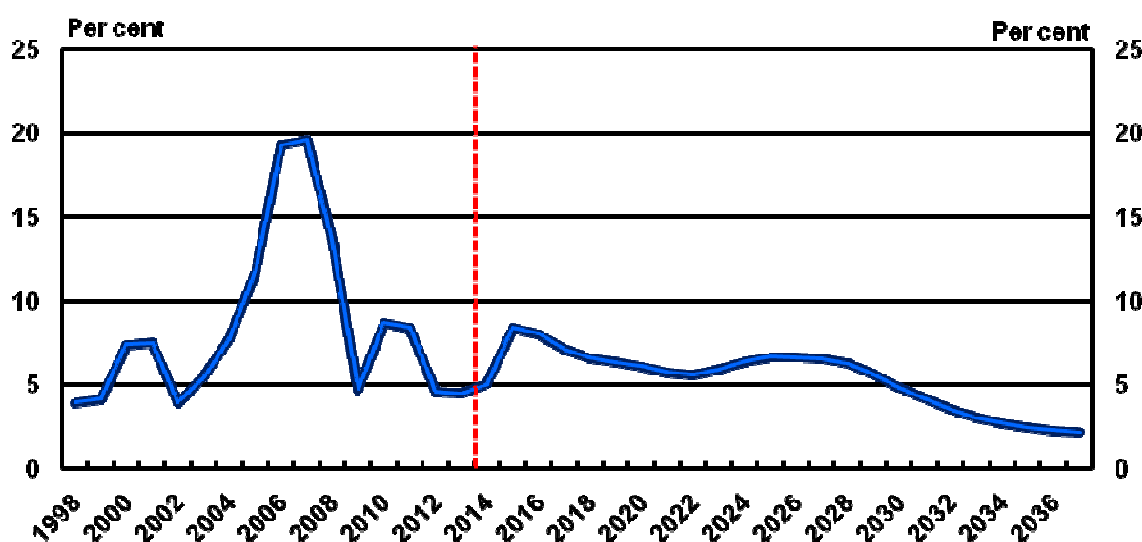
This MTFS will therefore adopt a framework that will strike the right balance between meeting the significant development needs of the people of PNG, supporting current economic growth and maintaining macroeconomic stability.

Perhaps the greatest challenge is in relation to expenditure effectiveness. The link between Government expenditure and effective service delivery needs to be considerably strengthened.

For example, high resource¹⁵ prices from 2002 through to 2011,¹⁶ allowed significant increases in expenditure. Expenditure increased over three fold in nominal terms, from K3.3 billion in 2002 to over K10.5 billion in 2012. Critically, however, this increased expenditure has not led to noticeable improvements in service delivery. Taxpayers' money needs to be spent better for a better PNG.

The challenge in relation to resources is shown in **Figure 42** which indicates that the resource boom in PNG previously peaked in the mid 2000s. Resource revenue as a per cent of non-resource GDP has now fallen to levels below those experienced over the last 10 years.

Figure 42: Resource Revenue



Source Department of Treasury

Further key challenges include:

- The need for strong ongoing support of IRC and PNG Customs Services to improve tax compliance;
- Ensuring an appropriate return to PNG for its non-renewable resources wealth by eliminating special tax concessions on all new resource projects;
- Improving non-tax revenue collection;

¹⁵ The term 'resource' is defined as consisting of the mining, oil and gas sectors for the purposes of this paper.

¹⁶ With the exception of 2008, which was greatly affected by the global financial crisis.

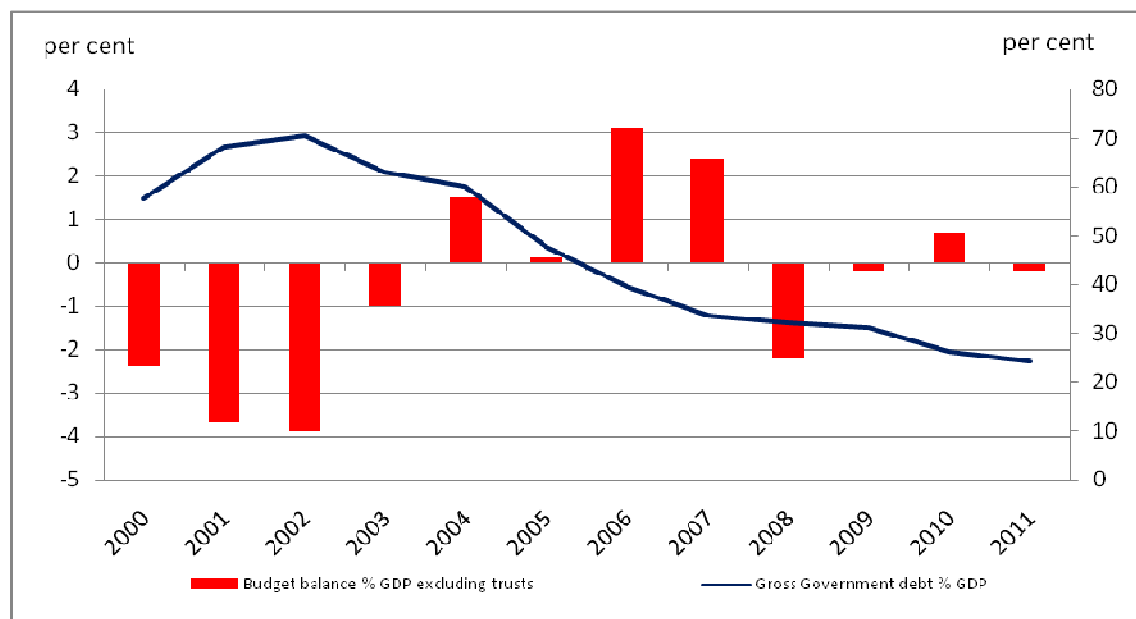
- Establishing and strengthening expenditure control measures to improve spending effectiveness;
- Providing greater certainty of funding and improved transparency by adopting multi-year budgeting;
- Modernising Budget reporting by adopting modern Government Finance Statistics (GFS 2001); and
- Integrating the Recurrent and Development Budgets into a single National Budget.

BOX 2: PREVIOUS MEDIUM TERM FISCAL STRATEGIES

The first Medium Term Fiscal Strategy 2002-2007 was designed to help end a serious economic and financial crisis. This crisis was caused by very large budget deficits; high and unsustainable levels of public debt; high inflation; and poor expenditure effectiveness.

The first MTFs provided a fiscal consolidation framework that progressively reduced the large budget deficit and moved the budget into a sustainable position and consequently reduced debt significantly thereby greatly improving macroeconomic stability within the economy (see Figure 43).

Figure 43: Government Fiscal Performance: 2000 - 2011



Source: Department of Treasury

The second Medium Term Fiscal Strategy 2008-2012, was framed amid expectations of high revenue as a result of unusually high commodity prices. It provided a sound framework for fiscal and macroeconomic stability over this period by managing the highly volatile resources revenue, while allowing for significant increases in development expenditure.

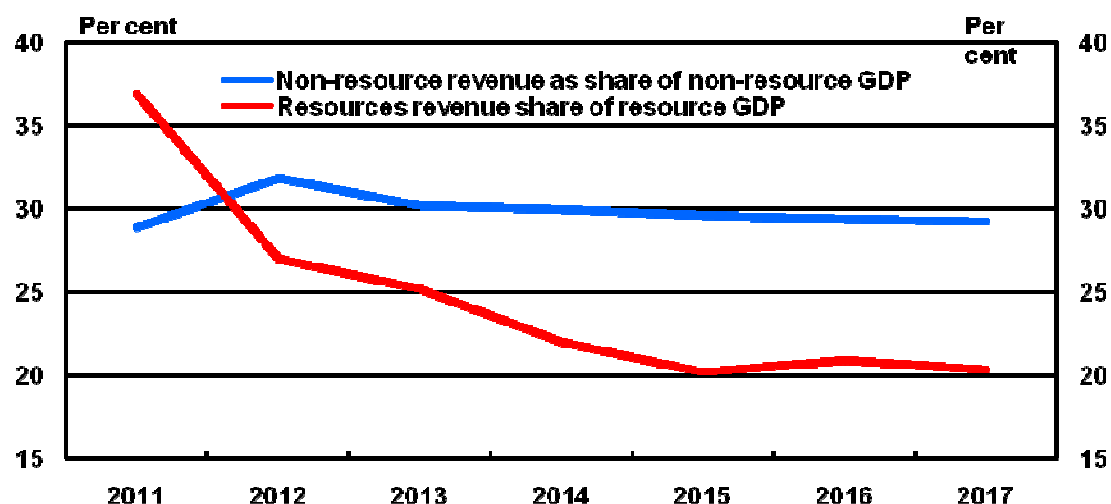
Notably, the MTFs 2008-2012 was critical in allowing PNG to successfully navigate the global financial crisis and the subsequent volatility in the international economy, through a significant reduction in debt levels. Without the creation of the 'fiscal space' that this debt reduction created, PNG could have suffered the same ongoing financial and social turmoil that has affected many countries in Europe and elsewhere.

13.5 MEDIUM TERM REVENUE OUTLOOK 2013-2017

Total Government revenue as a share of GDP is projected to fall slightly over the course of this MTFS (2013 – 2017) from around 29.0 per cent to 27.0 per cent. However, this represents a significant fall from 2012, where total Government revenue was forecast to be 31 per cent of GDP. These revenue projections indicate a declining share of revenue as a proportion of the economy that is available to finance development compared to the previous MTFS.

As can be seen from Figure 44, the decline in the Total revenue share of the economy is, in large part, being driven by the significant fall in resources revenue as a portion of the resource sectors' contribution to GDP. Going forward, it will be critical to refrain from offering further tax concessions to resource companies and ensuring that the PNG Government gets its fair share of the nation's natural wealth.

Figure 44: Revenue projections



Source Department of Treasury

The key downside risks over the medium term to the revenue projections include disruptions to mines including the PNG LNG project, falls in commodity prices, a further appreciation of the PNG Kina against its major trading partner's currencies, a weakening of the non-mining sectors of the economy and the continued granting of tax concessions through project agreements.

The upside risks to the revenue projections include new resource projects (including the possibility of a second LNG project) and improvement in the compliance efforts of revenue collecting agencies.

The following actions are proposed in order to lift revenues above those currently forecast.

Increased focus on tax compliance: First, an increased focus on tax compliance is needed to improve revenues. This includes continuing strong support for the financing of the Internal Revenue Commission and the revenue collection parts of PNG Customs Services through the budget process. It is important to note that no agency should raise any funds for its own use outside of the Budget process.

Review of Taxation: Second, a review of PNG's tax system is overdue. Funding is being provided in the 2013 Budget for the first stage of the review which will focus on the appropriateness of current resource tax arrangements.

Review non-tax fees and charges: Third, the current review of non-tax fees and charges in order to update them in line with modern charging structure and pricing levels is greatly needed, as many have not been revised in a number of decades. Improved compliance with existing fees and charges is also a key objective of the overall review process.

Improve the integrity of the tax base: Fourth, improving the integrity of the tax base is needed to reverse the fall in resource revenues, as shown in Figure 44. The tax system is severely compromised when concessions are provided to specific projects or taxpayers:

- The use of project agreements to create special tax arrangements for individual projects has encouraged a wide range of investors to seek a growing list of additional tax concessions, even when forms of tax relief are already provided by tax law for investors in the type of business involved;
- Project agreements containing project specific tax concessions have created an uneven playing field on which businesses have to operate;
- The PNG LNG project concessions were based on a first mover basis for this particular industry and should not be used as a benchmark for future projects; and
- Often the concessions sought are difficult to cost, but in many cases they have the effect of depriving the Government of significant amounts of revenue.

It is current Government policy that entities should access generic tax concessions available to industries or companies, rather than providing individual exemptions for each company. Standard project documentation will be used to help achieve this and a template for oil and gas has nearly been completed. This would ensure equitable treatment of projects in each sector, and transparency in tax policy. The assurance of equitable treatment for all investors would encourage further investment in the country.

Our tax system needs to remain robust with regard to the mining industry so to avoid depriving our economy of significant amounts of revenue.

13.5.1 Revenue rules:

1. Maintain equitable taxation regimes with a focus on compliance.
2. Restrict taxation exemptions and special arrangements.

13.6 MACROECONOMIC STABILITY

Macroeconomic stability is a necessary requirement for ongoing economic growth and the achievement of economic development outcomes. Countries with a stable economy give businesses the confidence to make long term investments and thereby create the jobs that help lift people out of poverty. It also provides Government with the steady revenue base it needs to fund the services that improve development outcomes.

A lack of macroeconomic stability – often caused by excessive Government debt and deficits – leads to job losses, a decline in standards of living and a collapse in Government tax revenue and services. PNG experienced a similar situation in the 1990's and early 2000's

when excessive Government borrowing over a number of years led to an economic crisis that left PNG much poorer and with a debt burden that took a decade to substantially reduce. The need to repay this debt and the very high associated interest payments meant that much needed Government development expenditure was not available.

To avoid a repeat of this situation it will be important to keep debt at prudent levels over the medium-term and to keep inflation at moderate levels.

The Central Bank's maintenance of stable, low inflation will also continue to play a critical role in anchoring low inflationary expectations going forward and in underpinning private sector investment.

High inflation must be curtailed as it undermines people's standard of living as well as creating damaging macroeconomic instability. A failure to control inflation potentially undermines confidence in the entire country's economic future.

13.6.1 Debt

The PNG Government must manage debt responsibly. This means controlling the level of Government debt, its maturity profile, and the risks of different sources of debt (such as exchange rate risk for foreign debt). Control of debt must also take account of possible calls on the PNG people to repay non-debt obligations, such as guarantees made by government to private or government companies. Fundamental to avoiding a debt crisis is ensuring that the Government has pro-growth policies that recognise the fundamental importance of the private sector in helping grow the economy.

The MTFs proposes anchoring Government debt to GDP at the current rate of 30.0 per cent contained in the *Papua New Guinea Fiscal Responsibility Act 2006*. Although initially it will exceed this level given the planned "step-up" in development expenditure, it will only be on a temporary basis (for 2013 and 2014). Keeping Government debt at a sustainable level is in line with obligations to consider the interests of future generations, whom should not be left with high levels of debt, as well as continued investor confidence in the PNG economy, which is important for broad based growth.

On current estimates, the proposed Government debt to GDP in 2014 is expected to drop significantly in 2015 to back under the usual 30.0 per cent limit. This is driven by strong revenue growth from the resource sector, planned restraint in Government expenditure, and the impact of a substantially higher GDP base with the commencement of the PNG LNG project. This debt level is expected to reduce further as a share of GDP so that by 2017, it will return to almost the same rate as 2012.

It should be noted, though, that this debt limit does not include the money the Government owes in superannuation payments (K2.1 billion) or contingent liabilities, such as Government guarantees. To account for these other types of debts and liabilities and the significant risks that come with them, the MTFs also places a maximum limit on total liabilities of 60 per cent of GDP.

These two debt rules will require modifications to the *Papua New Guinea Fiscal Responsibility Act 2006*.

It will also be important to lengthen the Government's debt maturity profile so as to reduce 'roll over' risk¹⁷ should a recession or other adverse shock occur in the future.

13.6.2 Debt rules:

1. Maintain a gross Government debt to GDP ratio of less than 30.0 per cent, apart from in 2013 and 2014, when it will not exceed 35.0 per cent.
2. Limit gross Government liabilities to less than 60.0 per cent of GDP.
3. Greatly increase the Government's average debt maturity profile.

BOX 3: Sovereign Wealth Fund

A significant change from the previous MTFS is that PNG has now passed an Organic Law which establishes the PNG Sovereign Wealth Fund (PNG SWF). The PNG SWF includes a Stabilisation Fund, the deposit and withdrawal rules for which, effectively replace the "excess minerals revenue" rules of the last MTFS. The PNG SWF is consistent with international best practice as it will be on-shore managed, with investments made offshore to minimise "Dutch Disease" impacts. All funds (including earnings) will be on-shore spent.

Its overall design intention is to buffer PNG from the high price volatility experienced in the mining sector, in particular the impact of this volatility on the exchange rate and Government budgets. It also ensures that over time the Government has the access it needs to the revenues it is receiving from the mining sector.

It will do this by having all mining revenues deposited into the Stabilisation Fund. This Stabilisation Fund will then transfer to the Government's annual Budget an amount not exceeding the 15 year moving average of resources revenue as a share of non-resources revenue.

This means that in any given year if commodity prices and associated revenues are exceptionally high, the PNG SWF will accumulate funds. If they are below the 15 year moving average rule, then all the mining revenue for that year, as well as potentially some of the saved balances from previous years, will be paid into the Budget. On average, there will be no overall accumulation of funds within the Stabilisation Fund. Any funds accumulated in years of very strong resource revenues are expected to be fully disbursed in years of low resource revenues.

As the SWF will commence at a time of relatively low resource revenues, no funds are expected to accumulate until after the end of this MTFS 2013-2017 based on current estimates. However, even a slight increase in prices or volumes would probably lead to some initial accumulations as early as 2015 and 2016, with possible withdrawals in 2017

A second component of the PNG SWF will be the Development Fund. It will accumulate revenues allocated out of the Budget, equal at a minimum to the expected average PNG LNG dividends. The Budget will also allocate how the Development Fund is spent each year. The Priority Nation Building Infrastructure package in the 2013 Budget exceeds the expected minimum contributions required.

¹⁷ 'Roll over risk' occurs when refinancing is temporarily unavailable to refinance existing stocks of debt. This could occur if there problems in wholesale funding market, perhaps as a result of some future domestic or global banking sector difficulties.

The PNG SWF drawdown rules have been developed to support both the Government's development and external investment objectives. Given the importance of ensuring that mining and petroleum corporate taxes (including dividends) are accounted for in a transparent and coordinated manner, the net revenues will be reported in the Budget, with the allocation of drawdowns from the PNG SWF being considered by the Government in the Budget process.

13.6.3 Expenditure

There are clear and substantial pressures on the PNG Government to provide improved facilities, infrastructure and services.

The MTFS allows for an increased ability to deliver the Medium Term Development Plan (MTDP) 2011-2015 and the PNG Development Strategy Plan 2030. The MTDP focuses on the following key priority development enablers:

- Unlocking land for development;
- Improving law, order and justice;
- Establishing quality national transport corridors that connect rural population to markets and services;
- Higher and technical education to redress the severe skills shortage within PNG's labour force;
- Universal access to quality primary and secondary education;
- Improving health outcomes; and
- Provision of key utilities such as electricity, clean water and sanitation and communications.

In recent years, the share of the overall budget allocated to these MTDP enablers has fallen to just over half the budget. The MTFS targets an improvement in the allocative efficiency of the budget by lifting the share going to the MTDP enablers to reach two-thirds by 2017.

The increased share of the budget going to the MTDP enablers provides a large resource envelope for meeting new commitments in areas such as education, health, infrastructure and law and order. This should provide sufficient funds to meet the new Government's key priority commitments in these areas (see Box 4 and Figure 45 below).

However, changing the focus of the Budget towards the MTDP enablers has significant implications for other parts of the Budget. Non-MTDP enabler elements of the Budget will face significant spending limits - in aggregate, essentially maintaining current nominal levels of expenditure which represent cuts in real terms.

Rather than simply applying uniform cuts to all non-MTDP enabler expenditure, there will be a need to examine which areas should continue to receive support, and those areas for which support should be reduced.

The Government should also ensure that private sector capacity developed over a decade of growth is used, where appropriate, to supply public services to further enhance the effectiveness of Government expenditure.

13.6.4 Expenditure rules:

1. Increase the share of the total budget allocated to the key enablers of the Medium-Term Development Plan to two thirds by 2017.
2. Improve spending agencies' focus on expenditure effectiveness and transparency in expenditure reporting and public accountability.

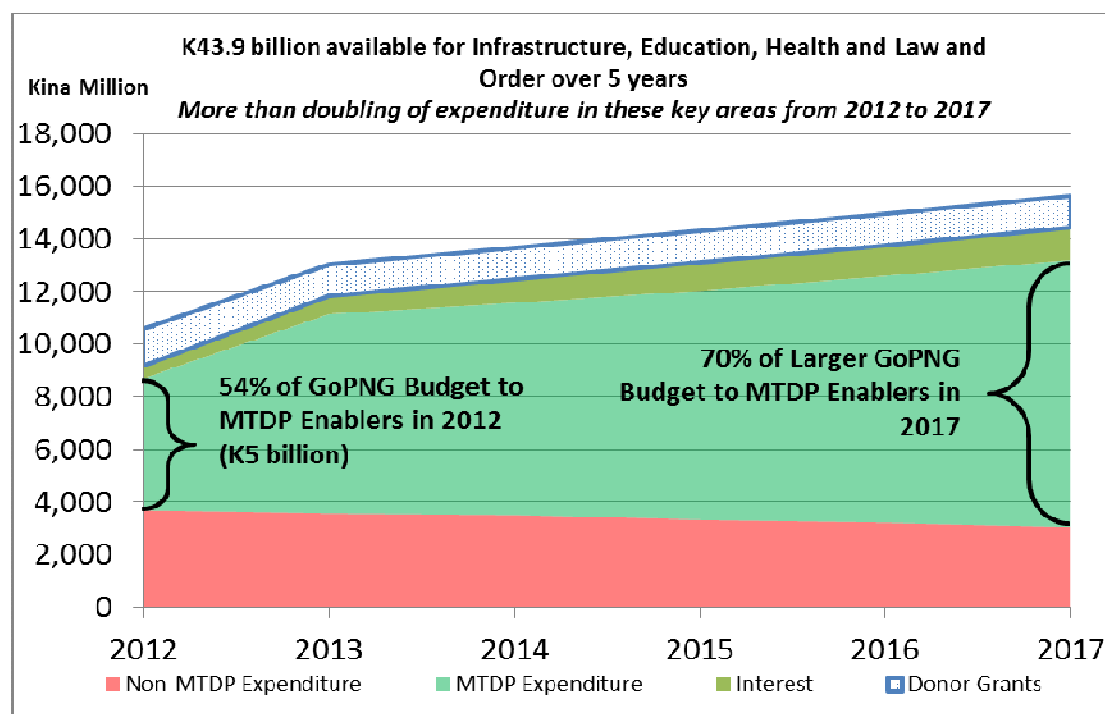
BOX 4: Implications of the Expenditure Rules

The expenditure rules will allow for a very significant increase in funding for the key MTDP enablers of health, education, infrastructure and law and order. These are estimated to be able to double between 2012 and 2017, from around K5.0 billion to around K10.0 billion.

This large increase in expenditure in these key areas should provide scope to fund the Government's key priorities. The planned increase in expenditure is shown as the growth in the green (top) part of Chart 4. By 2017, an extra K5.0 billion will be available annually for the MTDP enablers. This extra funding, over and above existing expenditure levels, is expected to be sufficient to cover expanding tuition fee-free education, building the Highlands Highway, expanding the police force and improving health provision by 2017.

Along with this planned significant increase in funding for the key MTDP enabler areas is the need to support effective expenditure which actually leads to better service delivery. There is also a need to improve transparency of this expenditure and stronger systems of public accountability.

Figure 45: Increased Funding to MTDP Enablers



This growth in MTDP enablers expenditure is also only possible if other lower priority areas of expenditure are strongly controlled. The non-MTDP enablers will have declining nominal growth between 2012 and 2017. This is shown by the declining size of the red (bottom) part of **Figure 45**. This will require strong leadership decisions to reduce wastage and

duplication. At the same time, some of the non-MTDP areas will require funding increases (such as the IRC and PNG Customs Services as part of the approach in this MTFS to improve revenue compliance). Overall, it will be a green 'go' for the enablers, and red 'stop' for the non-MTDP enablers.

13.6.5 Deficits

The determination of an appropriate budget balance requires several judgements. This involves balancing the urgency of development needs with potential risks to inflation and other elements of macroeconomic stability. Key considerations include the quality of the expenditure, the availability of financing at reasonable rates, and the impact on debt sustainability. A short period of significant deficits with a clear and credible strategy to return to surplus can help minimise any risk arising from deficits.

Additionally, the overall impact of any future deficits will depend strongly on the rate of economic growth and what available spare capacity exists in the economy. A period of lower growth, for example in 2013 and 2014, may allow for larger deficits, without causing significant impacts such as an excessive increase in inflation.

As noted above, an important consideration for judging the economic impact of a deficit is the type and quality of the expenditure. Higher quality expenditure on infrastructure, while initially increasing inflation, may place downward pressure on inflation in the medium term once projects are completed. Deficit financed expenditure on public sector wages without corresponding productivity increases, or payments to special interest groups, would both be expected to place strong upward pressure on inflation.

The 2013 Budget sets out a medium term fiscal approach of taking a large "step-up" in providing funding for key areas such as education, health, infrastructure and law and order. Expenditure in these areas is expected to increase by 50.0 per cent between 2012 and 2013 and more than double from K5.0 billion in 2012 to K10.0 billion in 2017.

Combined with the expected slow-down in revenues in 2013 and 2014, such a multi-year fiscal approach entails a significant deficit of around 7.0 per cent of GDP in 2013, but then returning to surplus by 2017. Maintaining high levels of growth as in 2013, or in continuing large deficits on an on-going basis, is recognised as being unsustainable.

For example, if deficits continued at 7.0 per cent for the next five years, the Government Debt to GDP ratio would climb to be close to 50.0 per cent of GDP, inflationary expectations would continue to build, the share of the budget simply going into repaying debt would continue to increase, interest costs would be expected to increase, the balance of payments would be adversely affected by the strong drawing in of imports, and there could be downward pressure on the Kina.

With the historic shift to sub-national Governments already undertaken in 2013, and rapidly growing funding already set aside for major investments in key infrastructure activities, and the key Government commitments of Alotau being covered including the extension of tuition fee free education and free basic health care, there is the opportunity to maintain the new higher level of expenditure without further significant growth.

If revenue forecasts prove stronger than expected at the time of launching of this MTFS, there may be the opportunity to lift expenditure further. However, on balance, with funding for key parts of the Government's agenda already put in place, it is responsible to return to a surplus by 2017. Continued real growth in the areas of education, health, infrastructure, law and order and unlocking land will then be supported by the MTFS rule to lift the share of these key areas to at least two-thirds of Government expenditure by 2017.

Returning to a surplus requires a credible plan to reform expenditure and taxation. The details of such reforms are included in the 2013 Budget. These include immediately initiating key reforms that have been known about but not implemented for years such as the right-sizing of the public service to remove duplication and free resources to improve service delivery.

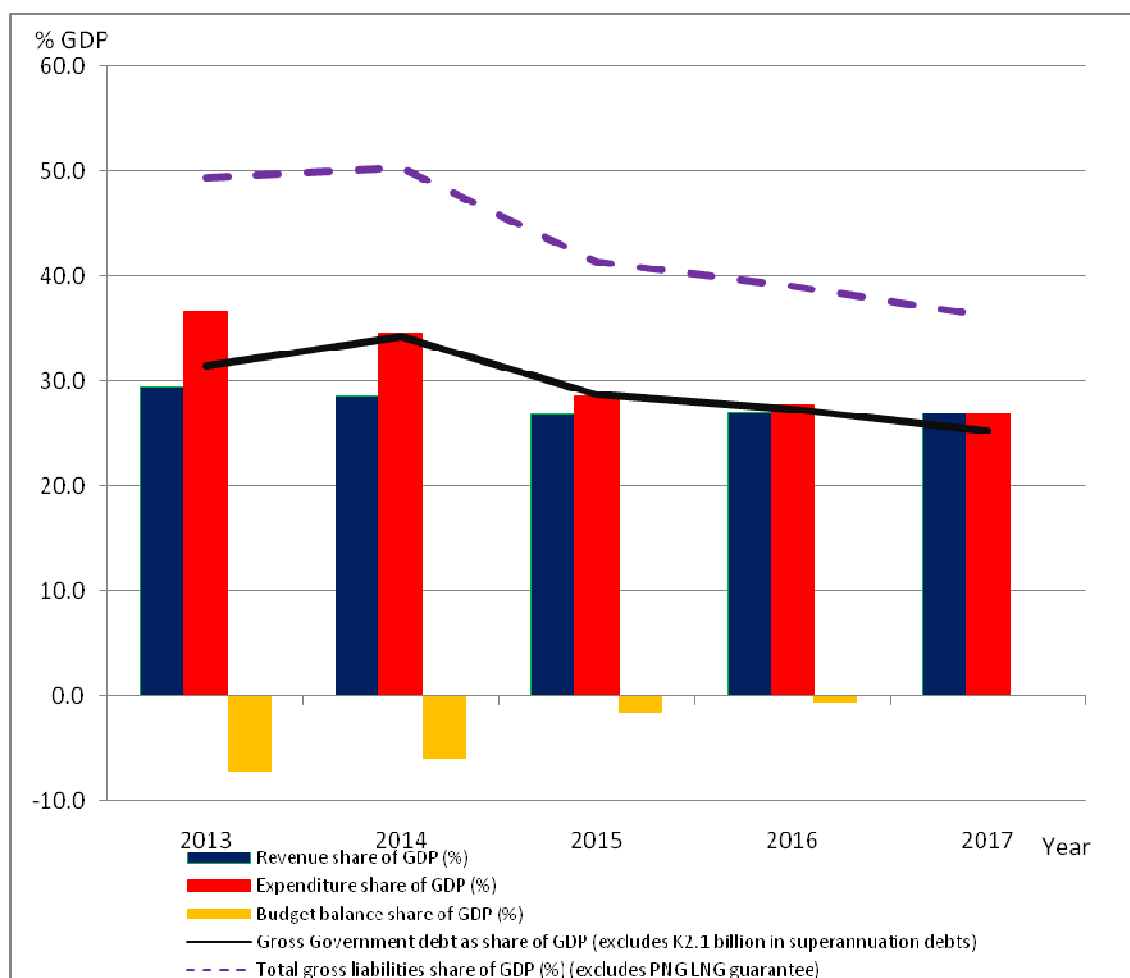
13.6.6 Deficit rule:

1. Ensure a return to surplus by the end of the MTFS period in 2017.

13.7 MEDIUM TERM EXPENDITURE OUTLOOK 2013-2017

Figure 46 reflects the fiscal outlook for the period 2013-2017 based on the current revenue and expenditure outlook.

Figure 46: Fiscal outlook



Source: Department of Treasury

Figure 46 shows that the overall budget deficit is forecast to be initially over 7.0 per cent in 2013, before declining and returning to surplus in 2017.

13.8 HIGH PRIORITY REFORMS

To support the principles outlined earlier, and to improve the effectiveness of public expenditure and accountability, three other high priority reforms are incorporated into this MTFS.

13.8.1 Multi-year Budgeting

The implementation of multi-year budgeting during the course of this MTFS will be important to enhance the ability of the Government and its agencies to plan expenditure over time as well as to give individual departments the ability to better manage their budget allocations from year to year.

A key example of where multi-year budgeting will lead to better expenditure decisions is in the case of infrastructure construction projects that take longer than a year to implement. In this case the Government will be able to clearly see the cost over a number of years of each project as well as the associated ongoing maintenance cost. It allows for the proper design, costing and then provision of funding to priority projects.

A move to multi-year budgeting can also help deal with the annual end-of-year surge in expenditure where agencies simply spend money to avoid losing it. Options such as a modest level of carry-over will be considered to help to create better incentives for effective spending.

13.8.2 Adopting the 2001 Government Financial Statistics (GFS)

Currently, the Government uses the guidelines of the *1986 Government Finance Statistics Manual* in the compilation of statistics on the finances of the Government.

The 2001 GFS system replaces the 1986 GFS system. The 2001 GFS system is designed to provide statistics which best enable policymakers and Government to analyse government operations and their effect on the economy, to implement appropriate fiscal policies, and to compare PNG's performance with other countries. As well as improving PNG's ability to implement fiscal policy, adoption of the 2001 GFS system is required by all members of the International Monetary Fund.

The shift to the 2001 GFS during the course of this MTFS will lead to some changes in how the Government reports expenditure. Currently, funds are considered spent simply if it is placed in a trust account. Going forward, the funds will only be counted for expenditure purposes when they are actually used for the agreed purpose. This will improve public accountability as reporting should be more closely aligned with actual delivery of services.

13.8.3 Integration of the Recurrent and Development Budget s

One of the original purposes behind the establishment of separate Recurrent and Development Budget was to try and ensure that a greater share of expenditure went into sectors deemed to be of the most benefit for development.

The reality has been that both the Recurrent and the Development Budget s devote money to the Medium Term Development Plan enablers:– health; education; infrastructure; law and order; and land reform. Indeed, in 2012, and estimated two-thirds (or 66.0 per cent) of GoPNG expenditure in these key areas were made through the "Recurrent" Budget.

The integration of the Recurrent and Development Budget s will allow the Government to see more accurately how much money is going to the MTDP enablers – and therefore

increase this where required. It will also better identify areas of wasteful or lower priority expenditure which could be reallocated and permit the full costs of projects (capital and recurrent) to be seen more clearly

Budget processes for approving new expenditure or cutting underperforming areas will also be much smoother and integration will allow a greater ability for the Government to compare the performance of existing programs or different bids for new expenditure.

During 2013, action will be taken to fully integrate the two budgets so that the Government's 2014 Budget will be the country's first fully integrated National Budget.