Two ideas from Fiji for PNG’s upcoming budget

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Fiji's Deputy Prime Minister and Minister of Finance Biman Prasad presenting his 2024 budget. (Parliament of Fiji)

Inflation, low wage growth and little job creation have made life very tough in Papua New Guinea for the ordinary person. The PNG government has made some effort to respond to cost-of-living pressures. Depreciation of the kina, while painful for urban residents, helps rural producers earn more for their coffee exports and helps make their vegetable sales more competitive against imports. Increasing the tax-free income tax threshold and doing away with tuition fees helps the working poor and parents. But, with the 2025 budget due to be delivered next month (November 2024), PNG should look to Fiji to see what else it could do to help the country's population.

Unlike PNG, Fiji has a multiple-rate GST, or VAT as Fiji calls its equivalent. Fiji introduced its VAT in 1992. In 1999, it introduced zero-rating – a zero VAT charge – for various food items. Since then, the number of items zero-rated has been expanded and currently stands at 22, including basic food items (such as flour and rice), basic household items (such as soap and kerosene) and essentials such as prescribed medicines and sanitary pads. Fiji thus currently has two VAT rates: 0 and 15%.

PNG by contrast has persisted with its uniform 10% rate since its introduction of the GST in 1999. More detailed modelling is needed, but some arrangement whereby basic goods were zero-rated and the main rate increased to, say, 15% (as in Fiji) would be much more equitable than PNG's current system since it would shift more of the tax burden to the better-off consumers (via the 15% rate) away from the worse-off (whose consumption is focused more on basic goods, such as food, which would not be taxed).

Fiji also stands apart from PNG with respect to its social transfer system. Fiji's Finance Minister Professor Biman Prasad stated in his 2024-25 budget, "We need to protect our vulnerable, the elderly and people with disabilities". He went on to say that the budget would provide $F200 million (about K360 million) "for around 104,000 beneficiaries under the family assistance scheme, social pension scheme, care and protection allowance, disability allowance, rural pregnant mother food allowance and transport assistance scheme".

That's about 10% of the population, so about one million people in PNG. Social transfers tend to be dismissed in PNG as handouts and leading to a dependency mentality, but surely those in need for reasons of disability or age should be getting government support. And, in fact, international evidence shows that such support is empowering rather than debilitating. Certainly such transfers would be a better use of public funds than the massive MP slush funds.

Of course, a system of cash transfers presupposes an administrative capability to disburse funds to individuals. Looking at how PNG has fared with large public-facing projects such as the National Identity Card does not fill one with confidence. Nevertheless, a start could be made in this year's budget, perhaps with the introduction of cash transfers to the disabled and the non-rich elderly poor. Not only are these groups clearly in need of help, but they are also ones with relatively straightforward eligibility criteria.

One way forward would be through outsourcing. Banks, other financial institutions and mobile phone operators could be invited to tender to distribute the new social transfers. International expertise should also be drawn on. Both the World Bank and Australia's

Partnerships for Social Protection have extensive expertise in this area. The next 12 months could be dedicated to planning, with the actual launch of the transfers in 2026.

The January riots should be a wake-up call. When it formulates its 2025 budget, the PNG government should look to Fiji to see what more can be done to prevent future riots, to make life easier for the ordinary Papua New Guinean, and to fulfil PNG's constitutional directive "to achieve an equitable distribution of incomes".

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Fiji **Papua New Guinea** **PNG budget** **Social protection** **Taxes**

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