



## **PRESS RELEASE**

### **FINAL BUDGET OUTCOME**

The Final Budget Outcome (FBO) is a document which sets out the annual fiscal outcome and provides details of revenue and grants, expenditure and net lending and the financing requirement of the Government Budget.

The FBO is the first of its kind, and is required to be released in accordance with the *Papua New Guinea Fiscal Responsibility Act (2006)*. This represents a significant milestone in this Government's commitment to increase the transparency of the Budget process and provide information on how different agencies – be it national departments, statutory authorities or provincial governments – are performing.

The FBO for 2006 shows a budget surplus of K430.2 million or 2.5 per cent of GDP, compared with the original budget deficit target of K90.0 million or 0.6 per cent of GDP, and the revised estimate target of a balanced budget.

Consistent with sound fiscal management, the 2006 surplus has already been used for debt reduction. Consequently, it is not possible for 2007 expenditure to be funded from the 2006 surplus. Any attempt to do so would likely translate into a large 2007 Budget deficit, contradicting the Medium Term Fiscal Strategy, and leading to increased public debt.

The surplus position was largely due to the higher than estimated revenue collections continuing throughout 2006, which more than offset the higher than expected expenditure delivered through the two supplementary budgets in 2006. The higher than estimated revenues were mainly from higher mineral and petroleum taxes and dividends stemming from the higher than anticipated prices for PNG's major export commodities.

Lower interest outlays and national department expenditure, particularly in personal emoluments, compared to revised estimate were another contributing factor. The lower interest outlays were due to actual interest rate on treasury bills being lower than that anticipated in the Budget. Apart from that, inscribed stocks sold at premiums were also a contributing factor.

The Budget surplus, combined with the K100.0 million debt repayments in the Additional Priority Expenditure announced in the 2007 Budget, and the foreign exchange gains has resulted in total public debt falling below 40 per cent of GDP for the first time since 1982. This is a significant result and the subsequent reduction in interest payments is a benefit that will continue into the future.

The preliminary budget outcome as released by the Central Bank was based on earlier data which has since been updated. The information in the FBO is the official estimate.

The FBO is available on the Treasury website: [www.treasury.gov.pg](http://www.treasury.gov.pg)

*Authorized by:*

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