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Financial Evaluation Division**

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**2009 Annual Issuance Plan for Inscribed Stock and Treasury Bills of the  
Independent State of Papua New Guinea**

Monday 25 November 2008

The Government of the Independent State of Papua New Guinea announced on Tuesday 18 November 2008 its 2009 Budget. The Medium Term Debt Strategy was updated, and the three existing strategies were reaffirmed:

1. Reducing Government Debt to sustainable levels by running budget surpluses.
  - Government Debt as a proportion of GDP is currently 35% of GDP and is forecast to be 29% by the end of 2009 below the IMF's threshold for sustainable debt of 30% of GDP
  - Standard & Poor's has assigned PNG as a sovereign rating of BB minus for local currency debt. PNG has set itself the target of a BBB rating. A BBB rating means the Rating Agencies consider PNG has adequate ability to meet its financial obligations
2. Reducing the excessive financial risks in the debt portfolio by:
  - Increasing the proportion of domestic Kina-denominated debt from about 50% of total debt to about 60% by 2012. The gradual increase will not crowd out the private sector. We will not use derivatives to reduce foreign-currency risks as the operational risks outweigh the benefits
  - Decreasing the proportion of external foreign-currency debt from about 50% of total debt to about 40% by 2012
  - Reducing the amount of short-term, variable rate debt (Treasury Bills) from the current level of about 30% of domestic debt to 20% by 2009
  - Increasing the amount of long-term fixed rate debt (Inscribed Stock) from the current level of 70% of domestic debt to 80% by 2009
3. Gradually making improvements to the domestic debt market
  - Establishing a project team overseen by a steering committee of both public and private sector stakeholders
  - Publishing documents out-lining the roles and responsibilities of Treasury, BPNG and Independent Public Business Corporation and Petromin



## **Treasury Bills**

Treasury Bills will continue to be auctioned on Wednesdays, and settled three days later on the Friday. Department of Treasury determines the amount of Treasury Bills required to hold sufficient cash balances in the Government's bank account so as to pay the government's expenses that are due. Bank of Papua New Guinea in its role as debt management issuing agent of the Department of Treasury will announce to investors by close of business Tuesday the amount and type of Treasury Bills to be sold. The Government intends to issue mainly 6 month and 12 month Treasury Bills.

## **Inscribed Stocks**

Inscribed Stock will be auctioned on the second Tuesday of each month and settled four days later on the Friday. The Government will auction each month K50 million of Inscribed Stocks from January to December. Bank of Papua New Guinea, in its role as debt management issuing agent of the Department of Treasury, will announce to investors during the first week of each month the amount of each Inscribed Stock series to be auctioned (each series has a specific maturity and coupon).

## **Other domestic loans**

There are no other domestic loans that are planned for issuance.

## **Updates of the debt issuance plan**

The above issuance plan is based on projections in the 2009 Budget, and if there are any changes they will be made as part of a Supplementary Budget in 2009.

By the beginning of each quarter Treasury will announce:

- The likely amount of Treasury Bills that mature over the next three months and the likely amount of Treasury Bills to be auctioned
- The series (maturity and coupon) of the K50 million Inscribed Stock to be auctioned over the next three months

## **Additional information**

Further information on the historical results of auctions is available on the Public Debt folder of the Department of Treasury's website: [www.treasury.gov.pg/](http://www.treasury.gov.pg/).

If you have any questions please contact Assistant Secretary Domestic Debts, Mr. Gibson Gotaha on 312 8745/8741 or email: [gibson\\_gotaha@treasury.gov.pg](mailto:gibson_gotaha@treasury.gov.pg)

## **Major Activities for first six months of 2009**

By end of June 2009 Treasury will seek formal feedback from main investors and provide them with a summary of the Government's debt management activity. Treasury will develop and distribute to investors a summary of the feedback received, and the major activities that Treasury and BPNG will undertake in second half of 2009.

The Project Steering Committee will continue to oversee the changes in the domestic debt markets and will be chaired by me and have representatives from private and public stakeholders.

A Government Balance Sheet Committee will be established to improve the management of the Government's financial assets and liabilities.

The Government will work with ADB to launch a Kina-denominated ADB Bond, or else convert a foreign-currency denominated ADB loan to Kina.

**ALOYSIUS HAMOU**  
First Assistant Secretary