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2011 Annual Issuance Plan for Inscribed Stock and Treasury Bills of the Independent State of Papua New Guinea

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The Government of the Independent State of Papua New Guinea announced on Tuesday 14 November 2010 its 2011 Budget. The Medium Term Debt Strategy was updated, and the three existing strategies were reaffirmed:

1. Maintaining Government Debt at sustainable levels by running a balance budget.
 - Government Debt as a proportion of GDP is forecasted to be 27% for end 2010 which is lower than the IMF's threshold for sustainable debt of 30% of GDP. It is projected to reduce further to 24% in 2011.
 - The State has a foreign currency rating of B plus. This means that the rating agencies believe PNG is vulnerable to adverse conditions but currently has the capacity to meet financial commitments. 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:
 - Continuing to maintain the current proportion of domestic Kina-denominated debt of about 57% in 2011.
 - Reducing the amount of short-term, variable rate debt (Treasury Bills) from the current level of about 36% of domestic debt to 30% by 2011
 - Increasing the amount of long-term fixed rate debt (Inscribed Stock) from the current level of 64% of domestic debt to over 70% by 2011
3. Gradually making improvements to the domestic debt market

Summary of 2011 Debt Issuance Plans

Set out below is an outline of the debt issuance plan for 2011. Further details on the strategy and issuance plan are shown in Chapter 9 and Appendix 3 (Table(s) 9, 10 and 12) of Volume 1 of the 2011 Budget Papers. This information is available on website:

http://www.treasury.gov.pg/html/national_budget/national_budget_2011.html

Summary of Repayments and New Issuance during 2011

In Millions of Kina

	Projected Balance 31/12/10	Repayment During 2011	New Issuances During 2011	Projected Balance 31/12/11	Net Change During 2011
Treasury Bills	1,479.9	1,479.9	1,097.3	1,097.3	(382.6)
Inscribed Stock	2,587.0	500.4	700.0	2,786.6	199.6
FX Debt	2,847.3	205.4	388.4	3,030.3	183.0
Total Government debt	6,914.3	2,185.7	2,185.7	6,914.3	0

GDP	25,837.2	28,718.0
Govt. Debt/GDP	26.8%	24.1%

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 will continue to issue mainly 6 month and 12 month Treasury Bills.

Inscribed Stocks

Inscribed Stock will be auctioned on the Third Tuesday of each month and settled three days later on the Friday. The Government will auction each month K63 million of Inscribed Stocks except February, August, November and December with K70m each and K49m respectively. 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). Refer to the issuance calendar below for more information.

2011 Issuance Calender – Inscribed Stock

Issue Date	Amount on Offer
Tue, February 15, 2011	K70.0 million
Tue, March 15, 2011	K63.0 million
Tue, April 19, 2011	K63.0 million
Tue, May 17, 2011	K63.0 million
Tue, June 21, 2011	K63.0 million
Tue, July 19, 2011	K63.0 million
Tue, August 16, 2011	K70.0 million
Tue, September 20, 2011	K63.0 million
Tue, October 18, 2011	K63.0 million
Tue, November 15, 2011	K70.0 million
Tue, December 20, 2011	K49.0 million
Total Issuance	K700.0 million

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 2011 Budget. It may be reviewed in accordance with the 2011 Mid Year Economic and Fiscal Outturn Reports or as part of a Supplementary Budget in 2011. Note that the monthly amounts on offer are subject to change whereby investors will be notified accordingly.

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 K63 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/. If you have any questions please contact Assistant Secretary Domestic Debts, Mr. Gibson Gotaha on 312 8864 or 312 8741 or email: gibson_gotaha@treasury.gov.pg

Major Activities for first six months of 2011

By beginning of February 2011 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 2011.

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

An ADB technical assistance is scheduled to commence work in mid January 2011 for a period of three months and will be assisted by a legal expert on Bond issues market to oversee the development and rolling out of the ADB Bond program.



JOHN UWARE
Acting First Assistant Secretary