



DEPARTMENT OF TREASURY

# **FISCAL OUTTURN REPORT**

**AUGUST 2007**

## August 2007 Fiscal Report

### 1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the August 2007 Fiscal Outturn.

**Table 1.1 Summary of GoPNG<sup>1</sup> Revenue and Expenditure**

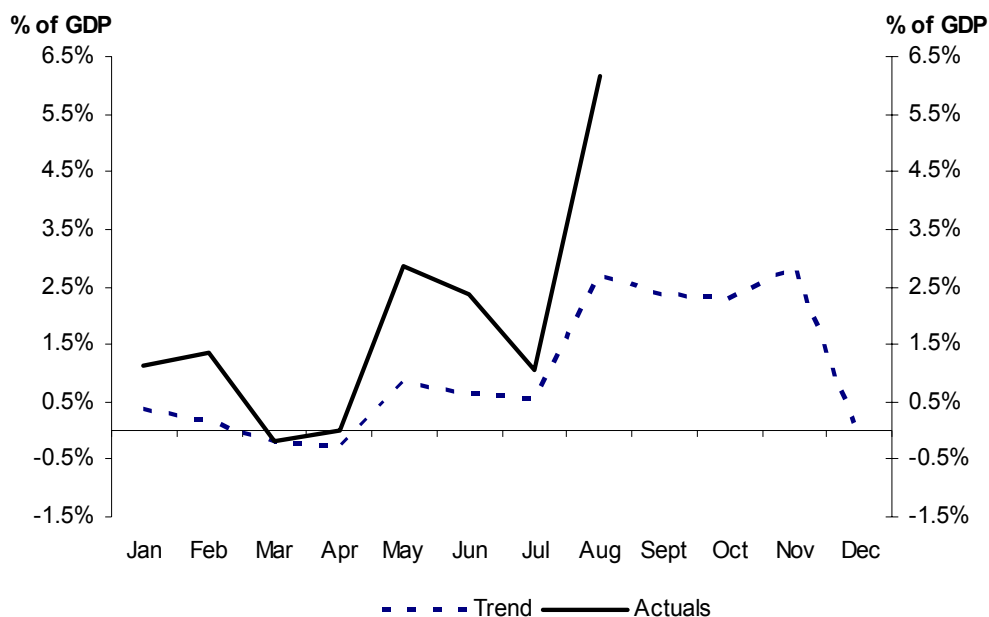
	Budget	Jun	Jul	Aug	Aug Trend	% of Trend	% of Budget
Total Revenue	4457.1	2286.1	2764.4	4064.3	2854.9	142%	91%
Total Expenditure	4492.1	1865.5	2576.4	2960.5	2433.5	122%	66%
Budget Balance	-35.0	420.6	188.0	1103.8	421.4		
% of GDP	-0.2%	2.4%	1.1%	6.2%	2.4%		

Source: Department of Treasury (based on Treasury Management System reports)

Collections for total GoPNG revenue was 42.0 per cent above the trend and expenditure was 9.0 per cent below trend, as required to meet the 2007 Budget estimates. This shows that end of year revenue will be higher than that anticipated in the beginning of the year.

Overall, the Government's Budget position was a surplus of K1103.8 million or 6.2 per cent of GDP, compared with the expected (trend) surplus of K421.4 million or 2.4 per cent of GDP if we were on target to meet the 2007 Budget target of a K35.0 million (or 0.2 per cent of GDP) deficit. The evolution of the Budget Balance as depicted in Graph 1.1 below reflects the actual budget balance incurred against the anticipated monthly trend base on the 2007 Original Budget. This is close to trend in the July Outturn as drawdowns in domestic funds under development budget increases. However, the August Outturn showed a huge surplus as revenue inflows were higher than the trend.

**Graph 1.1: Evolution of the GoPNG Budget Balance – Actual vs Trend (updated to August)**



<sup>1</sup> GoPNG Revenue and Expenditure excludes Infrastructure Tax Credits and Project Support Grants in both Revenue and Expenditure.

## 2. Revenue and Grants

### *Total Revenue (GoPNG)*

Total GoPNG revenue was substantially above trend in the August Fiscal Outturn of 2007.

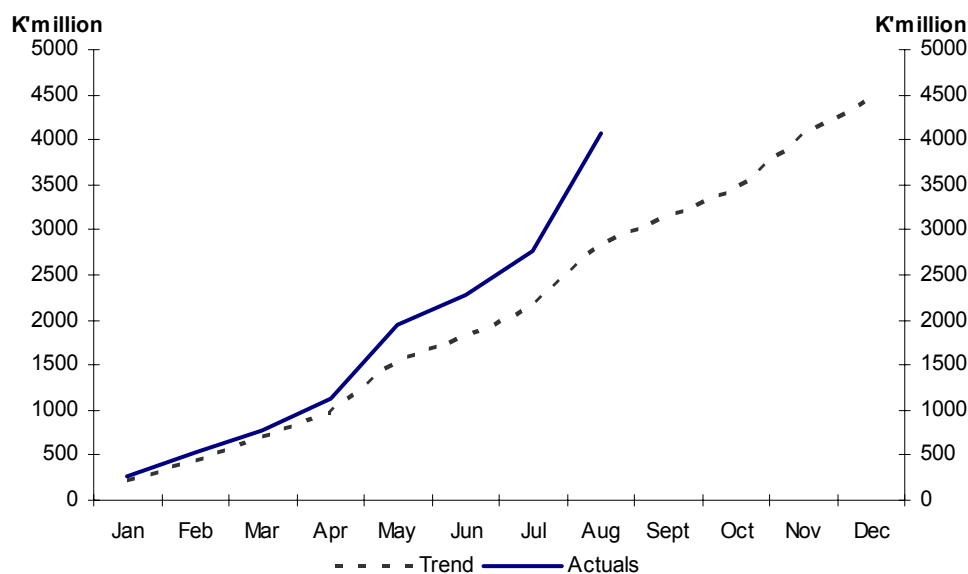
Tax receipts in the August 2007 Outturn were K3989.1 million, which is 46 per cent above trend. This is primarily attributable to the receipt of the larger than expected instalments of mining and petroleum taxes which is 81 per cent above trend. Other direct tax heads were also above trend with the exception to interest withholding tax which is 24 per cent below trend due to lower debt levels as well as lower interest rates. All domestic tax heads as well as all taxes on international trade are performing above trend. The better performance in tax revenue reflects continued strong economic conditions and continued good performance by the Internal Revenue Commission in ensuring compliance.

Non-tax revenue receipts for the August Outturn were K173.2 million, which is 10 per cent below trend. This is primarily attributable to lower mining dividend receipts, as well as lower departmental revenue.

### *Grants and Tax Credits*

While not technically PNG Government revenue, project support grants from donors and infrastructure tax credits are included in Budget estimates of revenue and expenditure in order to give a better picture of the total resources applied to development in Papua New Guinea.

**Graph 2.1: Actual Revenue against the Trend (updated to August)**



Unfortunately, tax credits utilized are only partially recorded on the Government's accounting system, making it difficult to assess progress in the implementation of this program, and the only grants report received from donors are recorded on a quarterly basis making it difficult to assess its implementation on a monthly basis.

Infrastructure tax credits of K21.1 million are recorded as being utilized in the August Outturn, which is 37 per cent of trend and project support grants from donors totalled K450.9 million which

is 30 per cent above trend. All project support grants are from the first and second quarter AusAID Expenditure Reports.

Total revenue and grants were K4536.2 million at the end of August 2007. This is higher than the trend expected at K3259.4 million by 39 per cent.

### **3. Expenditure and Net Lending**

#### *Total Expenditure (GoPNG)*

National Departments' recurrent expenditure totalled K1270.0 million as at August 2007. This is 13 per cent above trend, and represents 66 per cent of the 2007 Budget appropriation.

National Departments' personnel emoluments expenditure was K516.3 million in August Outturn, compared to the K488.3 million anticipated in trend expenditure. This is 6 per cent above trend and represents 63 per cent of the Budget appropriation.

National Departments' general goods and services expenditure was K681.7 million in the August Outturn. This is 29 per cent above trend and represents 72 per cent of the 2007 Budget appropriation.

Grants to Provincial Governments totalled K449.2 million as at August compared to K403.3 million in trend expenditure. This is 11 per cent above trend and is 64 per cent of the Budget.

Provincial Government personnel emoluments expenditure (including teachers) was K379.2 million in the August Outturn compared to K328.2 million anticipated in trend (higher than trend by 16 per cent), and represents 66 per cent of the Budget.

Provincial Government goods and services grant expenditure totalled K40.4 million in the August Outturn compared to K43.3 million in trend expenditure. This is 9 per cent below trend and represents 56 per cent of the Budget.

Conditional grants totalled K29.5 million compared to K31.8 million in trend expenditure. This is 7 per cent below trend and represents 52 per cent of the Budget.

Autonomous Bougainville Government totalled K37.2 million compared to K18.4 million on a prorated basis, representing 73 per cent of its 2007 total budget appropriation.

Transfers to Statutory Authorities totalled K154.4 million in the August 2007 Outturn. This is 9 per cent above trend and is 70 per cent of the 2007 Budget appropriation

Interest payments and fees totalled K258.2 million in the August Outturn or is 21 per cent below trend representing 54 per cent of its total 2007 budget appropriation.

Domestic development expenditure in the August Outturn turned out to be K731.2 million, which is twice that, anticipated in trend expenditure, and is running well above the 2007 appropriation. This is due to the additional priority expenditure which automatically dissolves into this category once transfers are made and transactions takes place.

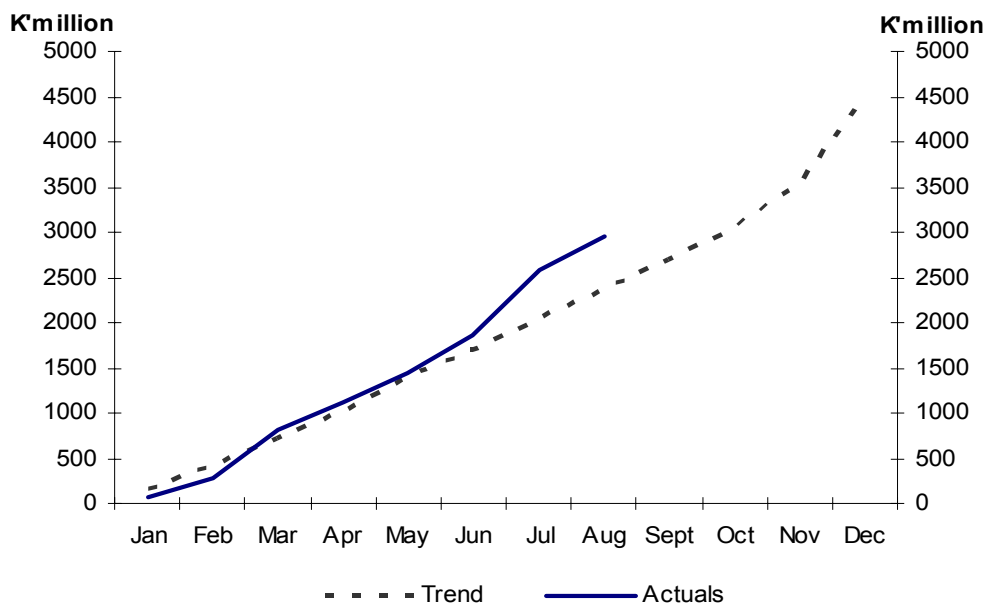
Draw downs on concessional project loans in the August Outturn were K62.2 million, which is 16 per cent above trend, however only 38 per cent of the 2007 Budget appropriation.

#### *Tax Credits and Grants*

As noted above, while not technically PNG Government expenditure, project support grants from donors and infrastructure tax credits are included in Budget estimates of revenue and expenditure in order to give a better picture of the total resources applied to development in Papua New Guinea.

Unfortunately, tax credits utilized are only partially recorded on the Government's accounting system, making it difficult to assess progress in the implementation of this program, and the only grants report received from donors are recorded on a quarterly basis making it difficult to assess its implementation on a monthly basis.

**Graph 3.1: Actual Expenditure and Net Lending against the Trend (updated to August)**



Infrastructure tax credits of K21.1 million are recorded as being utilized in the August Outturn, which is 37 per cent of trend and project support grants from donors totalled K450.9 million which is 30 per cent above trend. All project support grants are from the first and second quarter AusAID Expenditure Reports.

Additional priority expenditure has yet to be updated. However, most of this expenditure is included under Domestic Funds.

Overall total expenditure and net lending for the August Outturn were K3432.5 million compared to the trend estimate of K2838.0 million. This is 21 per cent higher than the trend, representing 63 per cent of the 2007 Budget appropriation.

#### 4. Financing

A Budget surplus of K1103.8 million (or 6.2 per cent of GDP) was recorded in the August 2007 Outturn, compared to the expected (trend) surplus of K421.4 million (or 2.4 per cent of GDP).

Net external outflows totalled K87.6 million and net domestic market borrowing totalled an outflow of K1016.2 million.

Based on TMS Rundate: 29/09/07

Last Updated: 05/10/07

**TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS**

Kina, million

	2007 Budget	July Outturn	August Actuals	August Outturn	August Trend	% of Trend	% of Budget
<b>A. TAX REVENUE</b>	<b>4,129.9</b>	<b>2,721.4</b>	<b>1,267.7</b>	<b>3,989.1</b>	<b>2,662.9</b>	150%	97%
<b>A1. TAX ON INCOME AND PROFITS</b>	<b>3,071.6</b>	<b>1,950.5</b>	<b>1,129.5</b>	<b>3,079.9</b>	<b>1,968.0</b>	157%	100%
Personal Income Tax	890.3	592.7	94.6	687.3	587.8	117%	77%
Company Tax	511.7	354.4	139.1	493.4	310.0	159%	96%
Dividend Withholding Tax	168.1	60.4	102.4	162.8	111.1	146%	97%
Interest Withholding Tax	21.9	10.3	1.9	12.1	15.9	76%	55%
Mining and Petroleum Taxes	1,292.8	807.1	776.4	1,583.4	818.6	193%	122%
Gaming Tax	106.0	63.7	6.7	70.3	68.9	102%	66%
Other: Direct	80.8	62.0	8.5	70.5	55.7	127%	87%
<b>A2. DOM. TAXES ON GOODS AND SERVICES</b>	<b>758.0</b>	<b>541.3</b>	<b>93.9</b>	<b>635.2</b>	<b>496.6</b>	128%	84%
Excise	309.8	196.6	35.1	231.8	201.7	115%	75%
GST	420.0	305.7	55.0	360.7	276.7	130%	86%
Mining Levy	25.6	37.3	3.6	40.9	17.1	239%	160%
Other: Indirect	2.6	1.7	0.1	1.8	1.1	171%	70%
<b>A3. TAXES ON INTERNATIONAL TRADE</b>	<b>300.3</b>	<b>229.6</b>	<b>44.4</b>	<b>274.0</b>	<b>198.4</b>	138%	91%
Import Duty	96.9	76.4	14.4	90.9	65.8	138%	94%
Export Duty	118.0	97.4	15.5	113.0	73.1	155%	96%
Excise duties on Imports	85.4	55.8	14.4	70.2	59.5	118%	82%
<b>B. NON-TAX REVENUE</b>	<b>327.2</b>	<b>43.1</b>	<b>32.2</b>	<b>75.2</b>	<b>192.0</b>	39%	23%
<b>B1. PROPERTY INCOME</b>	<b>242.8</b>	<b>10.0</b>	<b>33.0</b>	<b>43.0</b>	<b>138.5</b>	31%	18%
Dividends	73.5	10.0	33.0	43.0	36.2	119%	59%
Mining and Petroleum Dividends	169.3	0.0	0.0	0.0	102.3	0%	0%
<b>B2. INTEREST AND FEES FROM LENDING</b>	<b>2.6</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>	<b>1.3</b>	36%	18%
<b>B3. OTHER NON TAX REVENUE</b>	<b>81.8</b>	<b>32.6</b>	<b>-0.8</b>	<b>31.7</b>	<b>52.1</b>	61%	39%
<b>B4. ASSETS SALES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	...	...
<b>C. TOTAL REVENUE</b>	<b>4,457.1</b>	<b>2,764.4</b>	<b>1,299.9</b>	<b>4,064.3</b>	<b>2,854.9</b>	142%	91%
% of GDP	24.9%	15.5%	7.3%	22.7%	16.0%	142%	91%
<b>D. INFRASTRUCTURE TAX CREDIT</b>	<b>85.4</b>	<b>8.2</b>	<b>12.9</b>	<b>21.1</b>	<b>56.9</b>	37%	25%
<b>E. GRANTS</b>	<b>879.1</b>	<b>450.9</b>	<b>0.0</b>	<b>450.9</b>	<b>347.6</b>	130%	51%
Budgetary Support	0.0	0.0	0.0	0.0	0.0	...	...
Project Grants	879.1	450.9	0.0	450.9	347.6	130%	51%
<b>F. TOTAL REVENUE AND GRANTS</b>	<b>5,421.6</b>	<b>3,223.5</b>	<b>1,312.8</b>	<b>4,536.3</b>	<b>3,259.4</b>	139%	84%
As % of GDP	30.3%	18.0%	7.3%	25.4%	18.2%	139%	84%
<b>G. PRINCIPAL RECEIPTS FROM LENDING</b>	<b>6.0</b>	<b>1.9</b>	<b>0.0</b>	<b>1.9</b>	<b>3.0</b>	63%	31%
<b>H. GROSS BORROWING</b>	<b>2277.7</b>	<b>613.9</b>	<b>-536.8</b>	<b>77.1</b>	<b>786.1</b>	10%	3%
<b>I. ASSET SALES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	...	...
<b>J. TOTAL RECEIPTS</b>	<b>7,705.3</b>	<b>3,839.3</b>	<b>776.0</b>	<b>4,615.3</b>	<b>4,048.5</b>	114%	60%
As % of GDP	43.1%	21.5%	4.3%	25.8%	22.6%	114%	60%

Source: Treasury

**TABLE 2: CENTRAL GOVERNMENT EXPENDITURE**  
(Kina, Million)

	2007 Budget	July Outturn	August Actuals	August Outturn	August Trend	% of Trend	% of Budget
<b>1 RECURRENT BUDGET</b>							
<b>A. NATIONAL DEPARTMENTS</b>	<b>1,929.2</b>	<b>1,087.5</b>	<b>182.6</b>	<b>1,270.0</b>	<b>1,128.6</b>	113%	66%
Personnel Emoluments	816.2	427.7	88.5	516.3	488.3	106%	63%
Total Goods & Services	1,112.9	659.8	94.0	753.8	640.4	118%	68%
General Goods & Services	948.4	593.4	88.3	681.7	528.2	129%	72%
Education Subsidies	43.0	25.9	0.7	26.6	31.1	86%	62%
Arrears Payments	0.0	0.1	0.0	0.1	0.0	...	...
SAP Payments	69.6	5.0	0.1	5.2	46.4	11%	7%
Court Orders	52.0	35.4	4.9	40.3	34.7	116%	77%
<b>B. PROVINCIAL GOVERNMENTS</b>	<b>696.6</b>	<b>359.3</b>	<b>89.9</b>	<b>449.2</b>	<b>403.3</b>	111%	64%
<b>Personnel Emoluments</b>	<b>576.0</b>	<b>303.6</b>	<b>75.7</b>	<b>379.2</b>	<b>328.2</b>	116%	66%
Staffing Grants	156.4	95.5	25.0	120.5	95.6	126%	77%
Teachers Salaries	419.6	208.0	50.7	258.7	232.6	111%	62%
<b>Goods &amp; Other Services</b>	<b>63.4</b>	<b>35.3</b>	<b>5.1</b>	<b>40.4</b>	<b>43.3</b>	93%	64%
Administration Grants	14.2	7.8	1.8	9.6	9.0	106%	68%
Health Function Grant	13.4	6.6	1.5	8.1	9.3	88%	60%
Education Subsidies	21.6	13.2	0.0	13.2	14.8	90%	61%
Derivation Grants	14.2	7.6	1.8	9.5	10.3	92%	67%
<b>Conditional Grants</b>	<b>57.2</b>	<b>20.4</b>	<b>9.1</b>	<b>29.5</b>	<b>31.8</b>	93%	52%
Trans/Infra/Maint. Grants	15.3	7.5	1.8	9.3	9.9	94%	61%
Local & Village Services Grants	32.5	10.2	6.4	16.7	15.6	107%	51%
Town & Urban Services Grants	7.2	1.5	0.7	2.2	4.8	45%	30%
Village Courts	2.2	1.1	0.3	1.4	1.5	93%	62%
<b>AUTONOMOUS BOUGAINVILLE GOVT</b>	<b>50.7</b>	<b>32.4</b>	<b>4.8</b>	<b>37.2</b>	<b>18.4</b>	202%	73%
Police Grant	2.5	0.6	1.2	1.8	2.5	71%	72%
Recurrent Grant	48.0	31.8	3.6	35.4	15.7	225%	74%
Conditional Grants	0.2	0.0	0.0	0.0	0.1	0%	0%
<b>C. TRANSFERS &amp; LOANS TO C.S.A</b>	<b>221.6</b>	<b>134.4</b>	<b>20.0</b>	<b>154.4</b>	<b>142.2</b>	109%	70%
<b>D. INTEREST PAYMENT &amp; FEES</b>	<b>475.9</b>	<b>204.3</b>	<b>53.9</b>	<b>258.2</b>	<b>327.1</b>	79%	54%
Domestic	358.8	141.2	40.9	182.2	245.4	74%	51%
External	117.1	63.1	12.9	76.0	81.6	93%	65%
<b>E. NET LENDING TO C.S.A</b>	<b>-4.0</b>	<b>-1.9</b>	<b>0.0</b>	<b>-1.9</b>	<b>-3.0</b>	63%	46%
Gross Lending	0.0	0.0	0.0	0.0	0.0	...	...
Less : Loan Repayments	4.0	1.9	0.0	1.9	3.0	63%	46%
<b>F. RECURRENT EXPENDITURE &amp; NET LENDING</b>	<b>3,370.0</b>	<b>1,815.9</b>	<b>351.2</b>	<b>2,167.1</b>	<b>2,016.6</b>	107%	64%
As % of GDP	18.8%	10.2%	2.0%	12.1%	11.3%	107%	64%
<b>2 DEVELOPMENT BUDGET</b>							
Domestic Funds	509.1	713.0	18.3	731.2	363.1	201%	144%
Project Grants	879.1	450.9	0.0	450.9	347.6	130%	51%
Infrastructure Tax Credits	85.4	8.2	12.9	21.1	56.9	37%	25%
Concessional loans	163.0	47.5	14.6	62.2	53.7	116%	38%
Commercial loans	0.0	0.0	0.0	0.0	0.0	...	...
<b>G. TOTAL DEVELOPMENT BUDGET (PIP)</b>	<b>1,636.6</b>	<b>1,219.6</b>	<b>45.8</b>	<b>1,265.4</b>	<b>821.4</b>	154%	77%
As % of GDP	9.2%	6.8%	0.3%	7.1%	4.6%	154%	77%
<b>ADDITIONAL PRIORITY EXPENDITURE</b>	<b>450.0</b>	<b>22.9</b>		<b>22.9</b>		...	...
<b>H. TOTAL EXPENDITURE &amp; NET LENDING</b>	<b>5,456.7</b>	<b>3,035.5</b>	<b>397.0</b>	<b>3,432.5</b>	<b>2,838.0</b>	121%	63%
As % of GDP	30.5%	17.0%	2.2%	19.2%	15.9%	121%	63%
<b>I. AMORTISATION</b>	<b>2242.7</b>	<b>801.9</b>	<b>379.0</b>	<b>1,180.9</b>	<b>1,207.5</b>	98%	53%
Domestic	1996.0	675.2	355.9	1,031.1	1,048.3	98%	52%
External	246.7	126.7	23.1	149.8	159.2	94%	61%
<b>J. LOAN REPAYMENTS</b>	<b>4.0</b>	<b>1.9</b>	<b>0.0</b>	<b>1.9</b>	<b>3.0</b>	63%	46%
<b>K. TOTAL PAYMENTS</b>	<b>7,703.4</b>	<b>3,839.3</b>	<b>776.0</b>	<b>4,615.3</b>	<b>4,048.5</b>	114%	60%
As % of GDP	43.1%	21.5%	4.3%	25.8%	22.6%	114%	60%

Source: Treasury

**TABLE 3: CENTRAL GOVERNMENT FINANCING**  
(Kina, million)

	2007 Budget	July Outturn	August Actuals	August Outturn	August Trend	% of Trend	% of Budget
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>5,421.6</b>	<b>3,223.5</b>	<b>1,312.8</b>	<b>4,536.3</b>	<b>3,259.4</b>	139%	84%
<b>B. TOTAL EXPENDITURE AND NET LENDING</b>	<b>5,456.6</b>	<b>3,035.5</b>	<b>397.0</b>	<b>3,432.5</b>	<b>2,838.0</b>	121%	63%
<b>C. DEFICIT (-) / SURPLUS (+)</b>	<b>-35.0</b>	<b>188.0</b>	<b>915.8</b>	<b>1,103.8</b>	<b>421.4</b>	na	Na
% of GDP	-0.2%	1.1%	5.1%	6.2%	2.4%	na	Na
<b>D. EXTERNAL FINANCING</b>	<b>-83.7</b>	<b>-79.1</b>	<b>-8.5</b>	<b>-87.6</b>	<b>-105.5</b>	na	Na
<b>D1. CONCESSIONAL FINANCING</b>	<b>-4.3</b>	<b>-1.6</b>	<b>1.6</b>	<b>0.0</b>	<b>-60.3</b>	na	Na
New Borrowing	163.0	47.5	14.6	62.2	53.7	116%	38%
Less Amortisation	-167.3	-49.1	-13.0	-62.2	-114.0	55%	37%
<b>D2. COMMERCIAL FINANCING</b>	<b>-18.2</b>	<b>-7.8</b>	<b>0.0</b>	<b>-7.8</b>	<b>-11.8</b>	na	Na
New Borrowing	0.0	0.0	0.0	0.0	0.0	...	...
Less Amortisation	-18.2	-7.8	0.0	-7.8	-11.8	67%	43%
<b>D3. EXCEPTIONAL FINANCING</b>	<b>-61.2</b>	<b>-69.7</b>	<b>-10.1</b>	<b>-79.8</b>	<b>-33.4</b>	na	na
New Borrowing	0.0	0.0	0.0	0.0	0.0	...	...
Less Amortisation	-61.2	-69.7	-10.1	-79.8	-33.4	239%	130%
<b>E. DOMESTIC FINANCING</b>	<b>118.7</b>	<b>-108.9</b>	<b>-907.3</b>	<b>-1,016.2</b>	<b>-315.9</b>	na	na
<b>E1. DOMESTIC MARKET BORROWING (NET)</b>	<b>118.7</b>	<b>-128.8</b>	<b>-323.1</b>	<b>-451.9</b>	<b>78.3</b>	na	na
New Domestic Borrowing	2114.7	546.4	32.8	579.2	1126.6	51%	27%
Less Amortisation	-1996.0	-675.2	-355.9	-1,031.1	-1048.3	98%	52%
<b>E2. OTHER DOMESTIC FINANCING (b)</b>	<b>0.0</b>	<b>20.0</b>	<b>-584.2</b>	<b>-564.2</b>	<b>-394.2</b>	na	na
<b>E3. ASSETS SALES FINANCING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	na	na
<b>E4. NET FINANCING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	na	na
<b>F. TOTAL FINANCING</b>	<b>35.0</b>	<b>-188.0</b>	<b>-915.8</b>	<b>-1,103.8</b>	<b>-421.4</b>	na	na
<b>G. GROSS BORROWING</b>	<b>2277.7</b>	<b>613.9</b>	<b>-536.8</b>	<b>77.1</b>	<b>786.1</b>	10%	3%
Concessional	163.0	47.5	14.6	62.2	53.7	116%	38%
Commercial	0.0	0.0	0.0	0.0	0.0	...	...
Exceptional	0.0	0.0	0.0	0.0	0.0	...	...
Domestic	2114.7	566.4	-551.5	14.9	732.4	2%	1%
Financing Gap	0.0	0.0	0.0	0.0	0.0	na	na

Source: Treasury