



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

**January and February
2007**

January and February 2007 Fiscal Report

1. Summary of Fiscal Performance

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

Table 1.1 Summary

	2007 Budget	Jan Outturn	Feb Outturn	Feb Trend	% of Trend	% of Budget
Revenue and Grants	5421.6	275.0	522.4	461.0	113%	10%
Expenditure and Net Lending	5454.6	75.1	283.1	433.8	65%	5%
Budget Balance	-33.0	200.0	239.3	27.2		
% of GDP	-0.2%	1.1%	1.3%	0.2%		

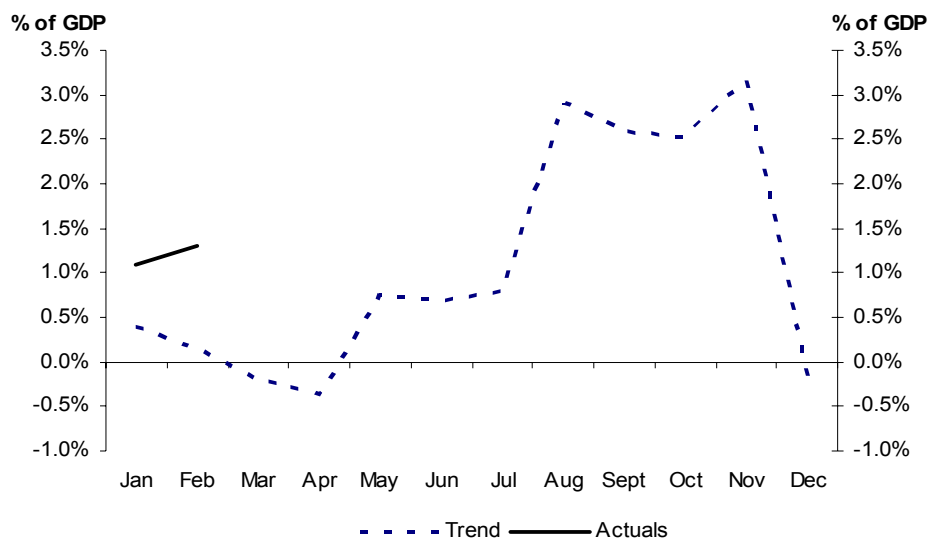
Source: Department of Treasury (based on Treasury Management System reports)

Total GoPNG revenue was well above trend to February 2007, with collections 13 per cent above the trend required to meet 2007 Budget estimates.

Total GoPNG expenditure has been slower and the February 2007 outturn indicates only 65 per cent of trend.

Overall, the Government's Budget position was a surplus of 1.3 per cent of GDP or K239.3 million, compared with the expected trend of a surplus of K27.2 million or 0.2 per cent of GDP if we were on target to meet the 2007 Budget target of a K33.0 million 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.

Graph 1.1: Evolution of the Budget Balance – Actual vs Trend



2. Revenue and Grants

Total Revenue (GoPNG)

Total GoPNG revenue was well above trend in the February Fiscal Outturn of 2007.

Tax receipts in the February 2007 Outturn were K502.2 million, which is 17 per cent above trend. This is primarily attributable to the receipt of a larger than expected instalments of company taxes, personal income taxes and gaming taxes. Major domestic tax heads also performed better than trend as well as import and export duties.

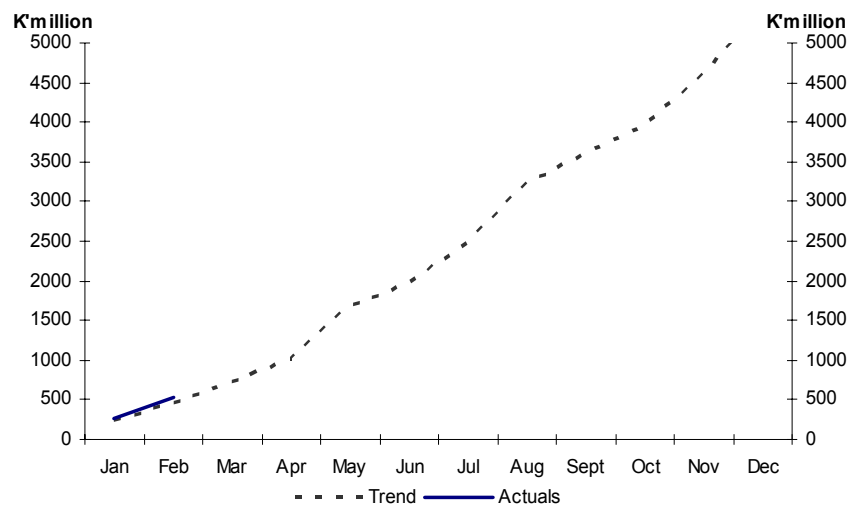
More generally, most tax revenue items recorded collections at or above trend to February, reflecting continued strong economic conditions and continued good performance by the Internal Revenue Commission in ensuring compliance. Notably exceptions were interest withholding tax (reflecting lower interest rates), mining levy (reflecting its phasing out) and excise duty on imports (reflecting increased domestic production of refined fuel).

Non-tax revenue receipts for the February Outturn were K18.2 million, which is below trend by 11 per cent. This is primarily attributable to lower departmental revenues. The K10.0 million recorded under dividend receipts was from the National Fisheries Authority.

Tax Credits and Grants

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 (GoPNG) against the Trend



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 K2.1 million are recorded as being utilized in the February Outturn, which is 17 per cent of trend and Project support grants from donors has yet to be recorded.

Total revenue and grants were K522.4 million at the end of February 2007. This is higher than the trend expected at K461.0 million by 13 per cent.

3. Expenditure and Net Lending

Total Expenditure (GoPNG)

National Departments' recurrent expenditure totalled K255.6 million as at February 2007. This is 44 per cent below trend, and represents 8 per cent of the 2007 Budget appropriation.

National Departments' personnel emoluments expenditure was K16.7 million in February Outturn, compared to the K93.9 million anticipated in trend expenditure.

National Departments' general goods and services expenditure was K100.9 million in the February Outturn. This is only 85 per cent above trend and it represents 9 per cent of the 2007 Budget appropriation.

Grants to Provincial Governments totalled K10.0 million in February compared to K61.4 million in trend expenditure.

Provincial Government personnel emoluments expenditure (including teachers) was K0.6 million in the February Outturn compared to K 49.7 million anticipated in trend.

Provincial Government goods and services grant expenditure totalled K6.1 million in the February Outturn compared to K6.2 million in trend expenditure.

Transfers to Statutory Authorities totalled K35.5 million in the February 2007 Outturn. This is 2 per cent below trend and is 16 per cent of the 2007 Budget appropriation

Interest payments and fees totalled K88.7 million in the February Outturn or is 17 per cent below trend. This reflects the higher than trend anticipated expenditure.

Domestic development expenditure in the February Outturn turned out to be K27.5 million, which is 57 per cent of trend.

Draw downs on concessional project loans in the February Outturn were K3.6 million, which is 16 per cent above trend but only 2 per cent of the 2007 Budget appropriation.

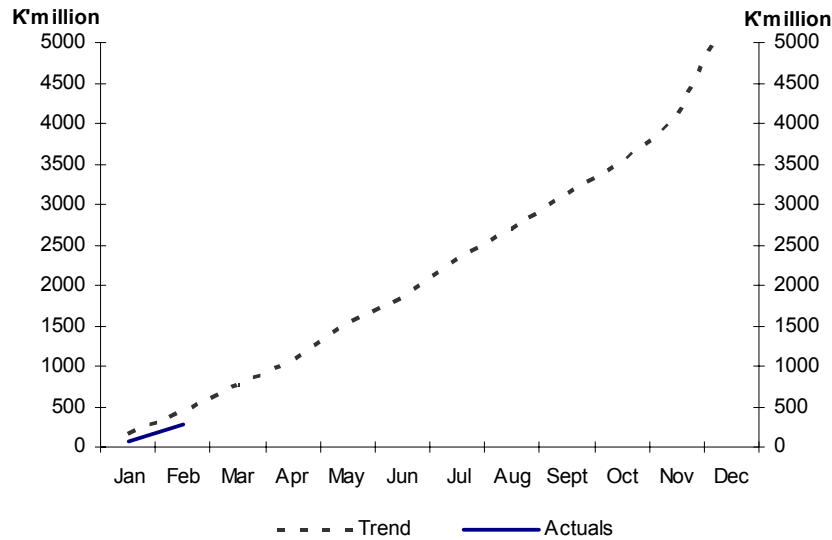
Tax Credits and Grants

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



Infrastructure tax credits of K2.1 million are recorded as being utilized in the February Outturn, which is 17 per cent of trend and Project support grants from donors, has yet to be recorded.

Funds appropriated under the Additional Priority Expenditure, are yet to be recorded.

Overall total expenditure and net lending for the February Outturn were K283.1 million compared to the trend estimate of K433.8 million. This is 43 per cent lower than the trend, and 2 per cent of the 2007 Budget appropriation.

It is noted that, not all expenditure under National Departments, Provincial Departments and the Development Budget are recorded, due to technical reasons, resulting in the lower expenditure outcome in the February Outturn.

4. Financing

A Budget surplus of K239.3 million (or 1.3 per cent of GDP) was recorded in the February 2007 Outturn, compared to the trend surplus of K27.2 million (or 0.2 per cent of GDP). Nevertheless, it is noted that expenditure recorded does not reflect all expenditure incurred within the past two months resulting in a much higher budget surplus.

Net external outflows totalled K27.7 million and net domestic market borrowing totalled an outflow of K211.7 million.

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2007 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget
A. TAX REVENUE	4,129.9	261.1	241.1	502.2	428.7	117%	12%
A1. TAX ON INCOME AND PROFITS	3,071.6	157.6	138.5	296.1	273.2	108%	10%
Personal Income Tax	890.3	87.7	92.0	179.7	146.4	123%	20%
Company Tax	511.7	45.0	18.5	63.5	24.5	259%	12%
Dividend Withholding Tax	168.1	5.1	11.6	16.8	19.6	86%	10%
Interest Withholding Tax	21.9	1.6	0.9	2.5	4.3	59%	11%
Mining and Petroleum Taxes	1,292.8	0.0	0.0	0.0	42.3	0%	0%
Gaming Tax	106.0	10.5	10.0	20.5	17.7	116%	19%
Other: Direct	80.8	7.6	5.5	13.1	18.4	71%	16%
A2. DOM. TAXES ON GOODS AND SERVICES	758.0	74.9	81.5	156.4	109.1	143%	21%
Excise	309.8	31.6	25.0	56.6	48.6	116%	18%
GST	420.0	35.0	50.0	85.0	55.6	153%	20%
Mining Levy	25.6	8.1	6.5	14.6	3.8	384%	57%
Other: Indirect	2.6	0.2	0.1	0.2	1.1	23%	10%
A3. TAXES ON INTERNATIONAL TRADE	300.3	28.7	21.0	49.7	46.5	107%	17%
Import Duty	96.9	8.9	6.3	15.2	12.4	123%	16%
Export Duty	118.0	13.0	9.3	22.3	20.1	111%	19%
Excise duties on Imports	85.4	6.8	5.4	12.2	13.9	88%	14%
B. NON-TAX REVENUE	327.2	12.8	5.3	18.2	20.5	89%	6%
B1. PROPERTY INCOME	242.8	10.0	0.0	10.0	13.2	76%	4%
Dividends	73.5	10.0	0.0	10.0	1.0	965%	14%
Mining and Petroleum Dividends	169.3	0.0	0.0	0.0	12.2	0%	0%
B2. INTEREST AND FEES FROM LENDING	2.6	0.0	0.0	0.0	0.6	7%	1%
B3. OTHER NON TAX REVENUE	81.8	2.8	5.3	8.1	6.8	121%	10%
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0	0%	0%
C. TOTAL REVENUE	4,457.1	273.9	246.4	520.4	449.3	116%	12%
% of GDP	24.9%	1.5%	1.4%	2.9%	2.5%	116%	12%
D. INFRASTRUCTURE TAX CREDIT	85.4	1.1	1.0	2.1	11.8	17%	2%
E. GRANTS	879.1	0.0	0.0	0.0	0.0	0%	0%
Budgetary Support	0.0	0.0	0.0	0.0	0.0	0%	0%
Project Grants	879.1	0.0	0.0	0.0	0.0	0%	0%
F. TOTAL REVENUE AND GRANTS	5,421.6	275.0	247.4	522.4	461.0	113%	10%
As % of GDP	30.3%	1.5%	1.4%	2.9%	2.6%	113%	10%
G. PRINCIPAL RECEIPTS FROM LENDING	6.0	0.2	0.9	1.1	0.7	147%	18%
H. GROSS BORROWING	2275.7	-177.5	-11.6	-189.1	56.8		
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0	0%	0%
J. TOTAL RECEIPTS	7,703.3	97.7	236.7	334.4	518.6	64%	4%
As % of GDP	43.1%	0.5%	1.3%	1.9%	2.9%	64%	4%

Source: Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2007 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget
1 RECURRENT BUDGET							
A. NATIONAL DEPARTMENTS	1,929.2	38.1	79.5	117.6	212.6	55%	6%
Personnel Emoluments	816.2	4.9	11.9	16.7	93.9	18%	2%
Total Goods & Services	1,112.9	33.2	67.6	100.9	118.7	85%	9%
General Goods & Services	948.4	33.2	60.6	93.8	106.7	88%	10%
Education Subsidies	43.0	0.0	6.0	6.0	10.4	58%	14%
Arrears Payments	0.0	0.0	0.0	0.0	0.0	0%	0%
SAP Payments	69.6	0.0	0.3	0.3	1.2	27%	0%
Court Orders	52.0	0.0	0.7	0.7	0.4	200%	1%
B. PROVINCIAL GOVERNMENTS	696.6	0.0	10.0	10.0	61.4	16%	1%
Personnel Emoluments	576.0	0.0	0.6	0.6	49.7	1%	0%
Staffing Grants	156.4	0.0	0.2	0.2	20.4	1%	0%
Teachers Salaries	419.6	0.0	0.4	0.4	29.4	1%	0%
Goods & Other Services	63.4	0.0	6.1	6.1	6.2	98%	10%
Administration Grants	14.2	0.0	1.3	1.3	2.0	66%	9%
Health Function Grant	13.4	0.0	1.3	1.3	1.7	76%	10%
Education Subsidies	21.6	0.0	1.7	1.7	0.6	312%	8%
Derivation Grants	14.2	0.0	1.7	1.7	1.9	90%	12%
Conditional Grants	57.2	0.0	3.2	3.2	5.4	60%	6%
Trans/Infra/Maint. Grants	15.3	0.0	1.6	1.6	2.0	83%	11%
Local & Village Services Grants	32.5	0.0	1.1	1.1	2.1	51%	3%
Town & Urban Services Grants	7.2	0.0	0.2	0.2	1.0	26%	3%
Village Courts	2.2	0.0	0.3	0.3	0.4	76%	13%
AUTONOMOUS BOUGAINVILLE GOVT.	50.6	0.0	5.0	5.0	2.3	217%	10%
Police Grant	2.5	0.0	0.6	0.6	0.4	141%	24%
Recurrent Grant	48.0	0.0	4.4	4.4	1.9	234%	9%
Conditional Grants	0.2	0.0	0.0	0.0	0.0	0%	0%
C. TRANSFERS & LOANS TO C.S.A	221.6	16.9	18.6	35.5	34.8	102%	16%
D. INTEREST PAYMENT & FEES	475.9	15.6	73.1	88.7	75.6	117%	19%
Domestic	358.8	4.0	62.4	66.4	59.6	111%	19%
External	117.1	11.6	10.7	22.3	16.0	139%	19%
E. NET LENDING TO C.S.A	-6.0	-0.2	-0.9	-1.1	-0.7	147%	18%
Gross Lending	0.0	0.0	0.0	0.0	0.0	0%	0%
Less : Loan Repayments	6.0	0.2	0.9	1.1	0.7	147%	18%
F. RECURRENT EXPENDITURE & NET LENDING	3,367.9	70.4	185.2	255.6	385.9	66%	8%
As % of GDP	18.8%	0.4%	1.0%	1.4%	2.2%	66%	8%
2 DEVELOPMENT BUDGET							
Domestic Funds	509.1	0.0	21.8	21.8	33.1	66%	4%
Project Grants	879.1	0.0	0.0	0.0	0.0	0%	0%
Infrastructure Tax Credits	85.4	1.1	1.0	2.1	11.8	17%	2%
Concessional loans	163.0	3.6	0.0	3.6	3.1	116%	2%
Commercial loans	0.0	0.0	0.0	0.0	0.0	0%	0%
G. TOTAL DEVELOPMENT BUDGET (PIP)	1,636.6	4.7	22.8	27.5	47.9	57%	2%
As % of GDP	9.2%	0.0%	0.1%	0.2%	0.3%	57%	2%
ADDITIONAL PRIORITY EXPENDITURE	450.0	0.0	0.0	0.0	0.0	0%	0%
H. TOTAL EXPENDITURE & NET LENDING	5,454.6	75.1	208.0	283.1	433.8	65%	5%
As % of GDP	30.5%	0.4%	1.2%	1.6%	2.4%	65%	5%
I. AMORTISATION	2242.7	22.5	27.8	50.3	85.1	59%	2%
Domestic	1996.0	12.2	6.8	19.0	57.0	33%	1%
External	246.7	10.2	21.0	31.3	28.0	112%	13%
J. LOAN REPAYMENTS	6.0	0.2	0.9	1.1	0.7	147%	18%
K. TOTAL PAYMENTS	7,703.3	97.7	236.7	334.4	519.6	64%	4%
As % of GDP	43.1%	0.5%	1.3%	1.9%	2.9%	64%	4%

Source: Treasury

TABLE 3: CENTRAL GOVERNMENT FINANCING
(Kina, million)

	2007 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget
A. TOTAL REVENUE AND GRANTS	5,421.6	275.0	247.4	522.4	461.0	113%	10%
B. TOTAL EXPENDITURE AND NET LENDING	5,454.6	75.1	208.0	283.1	433.8	65%	5%
C. DEFICIT (-) / SURPLUS (+)	-33.0	200.0	39.4	239.3	27.2		
% of GDP	-0.2%	1.1%	0.2%	1.3%	0.2%		
D. EXTERNAL FINANCING	-83.7	-6.7	-21.0	-27.7	-23.9		
D1. CONCESSIONAL FINANCING	-4.3	-5.7	-12.6	-18.4	-15.6		
New Borrowing	163.0	3.6	0.0	3.6	3.1	116%	2%
Less Amortisation	-167.3	-9.3	-12.6	-22.0	-18.7	117%	13%
D2. COMMERCIAL FINANCING	-18.2	0.0	0.0	0.0	-3.6		
New Borrowing	0.0	0.0	0.0	0.0	0.0	0%	0%
Less Amortisation	-18.2	0.0	0.0	0.0	-3.6	0%	0%
D3. EXCEPTIONAL FINANCING	-61.2	-0.9	-8.4	-9.3	-4.7		
New Borrowing	0.0	0.0	0.0	0.0	0.0	0%	0%
Less Amortisation	-61.2	-0.9	-8.4	-9.3	-4.7	198%	15%
E. DOMESTIC FINANCING	116.7	-193.3	-18.4	-211.7	-3.3		
E1. DOMESTIC MARKET BORROWING (NET)	118.7	112.8	37.2	150.0	277.1		
New Domestic Borrowing	2114.7	125.0	44.0	169.0	334.1	51%	8%
Less Amortisation	-1996.0	-12.2	-6.8	-19.0	-57.0	33%	1%
E2. OTHER DOMESTIC FINANCING (b)	-2.0	-306.1	-55.6	-361.6	-280.4		
E3. ASSETS SALES FINANCING	0.0	0.0	0.0	0.0	0.0		
E4. NET FINANCING	0.0	0.0	0.0	0.0	0.0		
F. TOTAL FINANCING	33.0	-200.0	-39.4	-239.3	-27.2		
G. GROSS BORROWING	2275.7	-177.5	-11.6	-189.1	56.8		
Concessional	163.0	3.6	0.0	3.6	3.1	116%	2%
Commercial	0.0	0.0	0.0	0.0	0.0		
Exceptional	0.0	0.0	0.0	0.0	0.0		
Domestic	2112.7	-181.1	-11.6	-192.6	53.7		
Financing Gap	0.0	0.0	0.0	0.0	0.0		

Source: Treasury