



DEPARTMENT OF TREASURY

# **FISCAL OUTTURN REPORT**

## **SEPTEMBER 2007**

## September 2007 Fiscal Report

### 1. Summary of Fiscal Performance

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

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

GoPNG ONLY	Budget	Jul	Aug	Sep	Sep Trend	% of Trend	% of Budget
Total Revenue	4457.1	2764.4	4064.3	4465.0	3132.8	143%	100%
Total Expenditure	4492.1	2576.4	2960.5	3266.5	3062.6	107%	73%
Budget Balance	-35.0	188.0	1103.8	1198.5	70.3		
% of GDP	-0.2%	1.1%	6.2%	6.7%	0.4%		

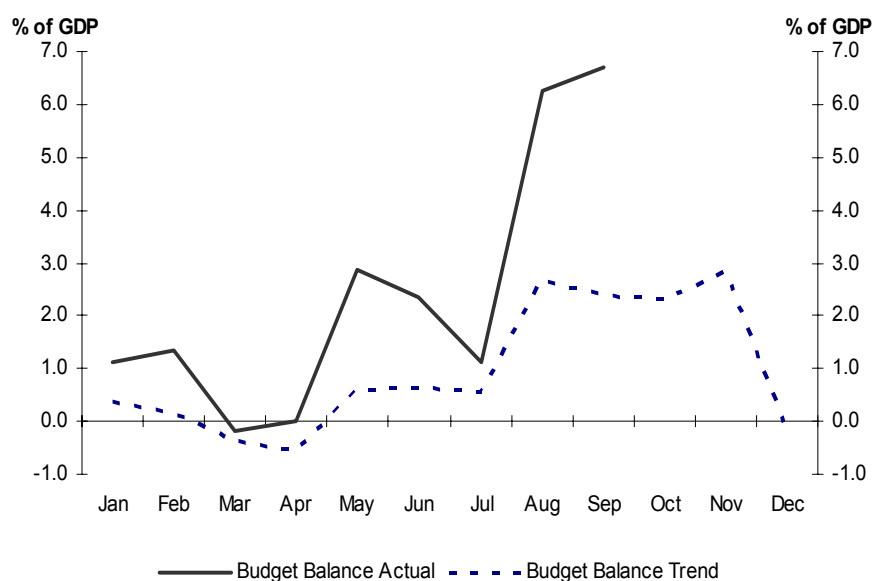
Source: Department of Treasury (based on Treasury Management System reports)

Collections for total GoPNG revenue was 43.0 per cent above the trend and expenditure was 7.0 per cent below trend 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 K1198.5 million or 6.7 per cent of GDP, compared with the expected (trend) surplus of K70.3 million or 0.4 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 September Outturn showed a huge surplus as revenue inflows were higher than the trend. This has been allocated to the Additional Priority Expenditure and is expected to be drawdown within the remainder of the year.

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



<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 continued from August to be substantially above trend in the September Fiscal Outturn of 2007.

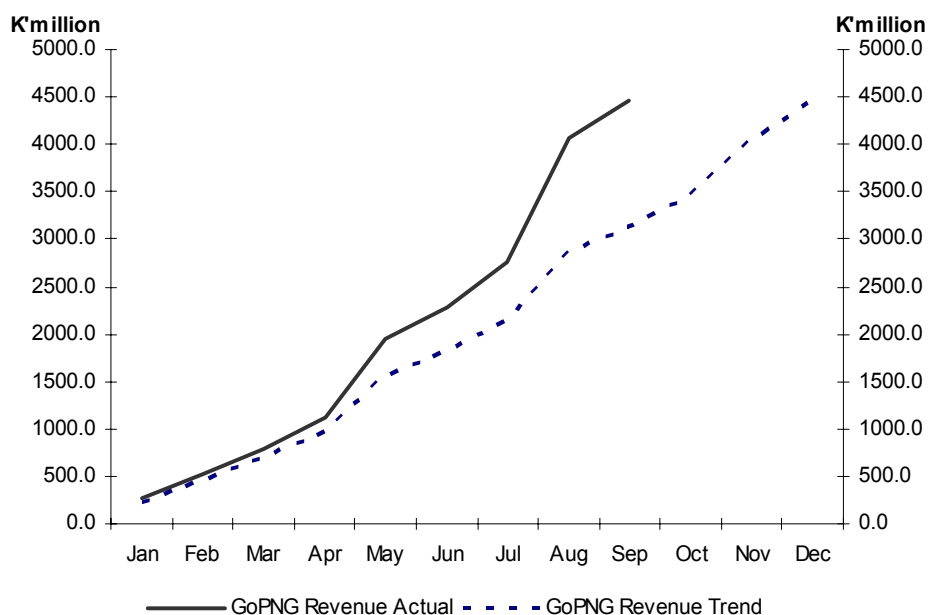
Tax receipts in the September 2007 Outturn were K4272.3 million, which is 47 per cent above trend. This is primarily attributable to the receipt of the larger than expected instalments of mining and petroleum taxes which is 92 per cent above trend. Other direct tax heads were also above trend with the exception to interest withholding tax which is 21 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 prices of our major export commodities, better economic conditions and continued good performance by the Internal Revenue Commission in ensuring compliance.

Non-tax revenue receipts for the September Outturn were K192.7 million, which is 17 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 September)**



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 recorded as being utilized in the September Outturn has been revised downwards to K14.9 million, which is 23 per cent of trend and project support grants from donors totalled K450.9 million which is 100 per cent of trend. Infrastructure tax credits has been revised downwards as alterations are made to the incorrect postings done earlier in the year. All project support grants are from the first and second quarter AusAID Expenditure Reports.

Total revenue and grants were K4930.8 million at the end of September 2007. This is higher than the trend expected at K3647.8 million by 35 per cent.

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

#### *Total Expenditure (GoPNG)*

National Departments' recurrent expenditure totalled K1467.5 million as at September 2007. This is 21 per cent above trend, and represents 76 per cent of the 2007 Budget appropriation.

National Departments' personnel emoluments expenditure was K587.9 million in September Outturn, compared to the K549.7 million anticipated in trend expenditure. This is 7 per cent above trend and represents 72 per cent of the Budget appropriation.

National Departments' general goods and services expenditure was K761.6 million in the September Outturn. This is 27 per cent above trend and represents 80 per cent of the 2007 Budget appropriation.

Grants to Provincial Governments totalled K504.6 million as at September compared to K465.5 million in trend expenditure. This is 8 per cent above trend and is 72 per cent of the Budget.

Provincial Government personnel emoluments expenditure (including teachers) was K428.2 million in the September Outturn compared to K380.5 million anticipated in trend (higher than trend by 13 per cent), and represents 74 per cent of the Budget.

Provincial Government goods and services grant expenditure totalled K43.3 million in the September Outturn compared to K47.3 million in trend expenditure. This is 8 per cent below trend and represents 68 per cent of the Budget.

Conditional grants totalled K33.1 million compared to K37.7 million in trend expenditure. This is 12 per cent below trend and represents 58 per cent of the Budget.

Autonomous Bougainville Government totalled K39.5 million compared to K38.0 million on a prorated basis. This is 4 per cent above trend.

Transfers to Statutory Authorities totalled K170.9 million in the September 2007 Outturn. This is 5 per cent above trend and is 77 per cent of the 2007 Budget appropriation.

Interest payments and fees totalled K261.8 million in the September Outturn or is 27 per cent below trend; representing 55 per cent of its total 2007 budget appropriation.

Domestic development expenditure in the September Outturn turned out to be K762.8 million including K63.9 million in expenditure made out of the K450.0 million Additional Priority Expenditure (APE).

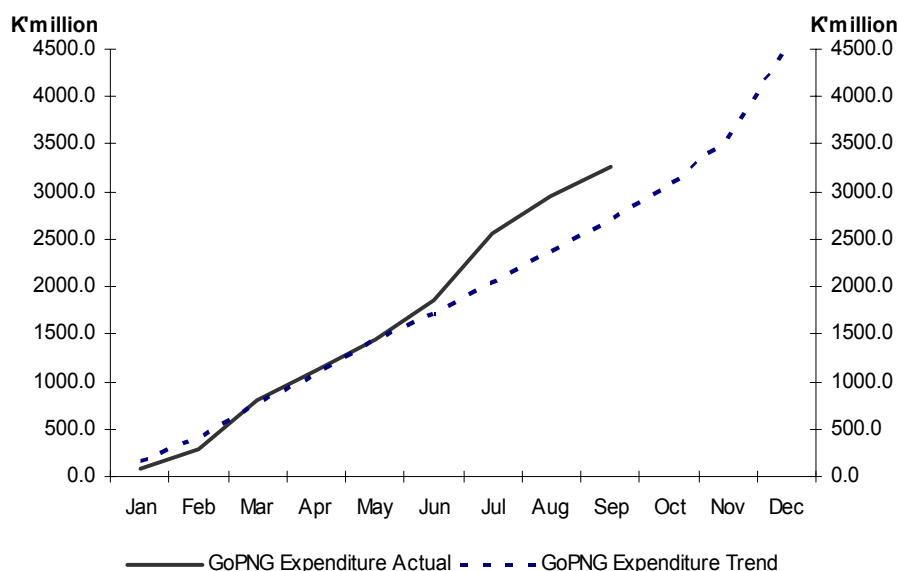
Draw downs on concessional project loans in the September Outturn were K63.3 million, which is 15 per cent below trend, and only 39 per cent of the 2007 Budget appropriation.

## 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 September)**



Infrastructure tax credits recorded as being utilized in the September Outturn has been revised downwards to K14.9 million, which is 23 per cent of trend and project support grants from donors totalled K450.9 million which is 100 per cent of trend. Infrastructure tax credits have been revised downwards as alterations are made to the incorrect postings done earlier in the year. All project support grants are from the first and second quarter AusAID Expenditure Reports.

Additional priority expenditure of K63.9 million includes K50.0 million for Higher Education Infrastructure, K8.9 million for NBC Infrastructure and K5.0 million for District Treasury Rollout.

Overall total expenditure and net lending for the September Outturn were K3732.3 million compared to the trend estimate of K3577.6 million. This is 4 per cent higher than the trend, representing 68 per cent of the 2007 Budget appropriation.

## 4. Financing

A Budget surplus of K1198.5 million (or 6.7 per cent of GDP) was recorded in the September 2007 Outturn, compared to the expected (trend) surplus of K70.3 million (or 0.4 per cent of GDP).

Net external outflows totalled K106.3 million and net domestic market borrowing totalled an outflow of K1092.2 million.

Based on TMS Rundate: 25/10/07

Last Updated: 14/11/07

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

Kina, million

	2007 Budget	August Outturn	Sept Actuals	Sept Outturn	Sept Trend	% of Trend	% of Budget
<b>A. TAX REVENUE</b>	<b>4,129.9</b>	<b>3,891.1</b>	<b>381.2</b>	<b>4,272.3</b>	<b>2,900.2</b>	147%	103%
<b>A1. TAX ON INCOME AND PROFITS</b>	<b>3,071.6</b>	<b>2,981.9</b>	<b>271.1</b>	<b>3,253.0</b>	<b>2,117.9</b>	154%	106%
Personal Income Tax	890.3	687.3	77.0	764.3	660.6	116%	86%
Company Tax	511.7	493.4	72.5	565.9	350.8	161%	111%
Dividend Withholding Tax	168.1	162.8	4.5	167.3	124.1	135%	100%
Interest Withholding Tax	21.9	12.1	1.8	13.9	17.7	79%	64%
Mining and Petroleum Taxes	1,292.8	1,485.4	101.0	1,586.4	825.8	192%	123%
Gaming Tax	106.0	70.3	7.3	77.6	77.9	100%	73%
Other: Direct	80.8	70.5	7.0	77.5	61.1	127%	96%
<b>A2. DOM. TAXES ON GOODS AND SERVICES</b>	<b>758.0</b>	<b>635.2</b>	<b>83.3</b>	<b>718.5</b>	<b>561.0</b>	128%	95%
Excise	309.8	231.8	24.7	256.5	227.1	113%	83%
GST	420.0	360.7	55.8	416.5	314.0	133%	99%
Mining Levy	25.6	40.9	2.8	43.7	18.8	233%	171%
Other: Indirect	2.6	1.8	0.0	1.8	1.1	158%	70%
<b>A3. TAXES ON INTERNATIONAL TRADE</b>	<b>300.3</b>	<b>274.0</b>	<b>26.8</b>	<b>300.8</b>	<b>221.3</b>	136%	100%
Import Duty	96.9	90.9	8.4	99.3	73.5	135%	102%
Export Duty	118.0	113.0	10.6	123.6	81.9	151%	105%
Excise duties on Imports	85.4	70.2	7.7	77.9	65.9	118%	91%
<b>B. NON-TAX REVENUE</b>	<b>327.2</b>	<b>173.2</b>	<b>19.5</b>	<b>192.7</b>	<b>232.6</b>	83%	59%
<b>B1. PROPERTY INCOME</b>	<b>242.8</b>	<b>141.0</b>	<b>0.0</b>	<b>141.0</b>	<b>166.4</b>	85%	58%
Dividends	73.5	43.0	0.0	43.0	40.7	106%	59%
Mining and Petroleum Dividends	169.3	98.0	0.0	98.0	125.6	78%	58%
<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>1.5</b>	31%	18%
<b>B3. OTHER NON TAX REVENUE</b>	<b>81.8</b>	<b>31.7</b>	<b>19.5</b>	<b>51.2</b>	<b>64.7</b>	79%	63%
<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>	na	na
<b>C. TOTAL REVENUE</b>	<b>4,457.1</b>	<b>4,064.3</b>	<b>400.7</b>	<b>4,465.0</b>	<b>3,132.8</b>	143%	100%
% of GDP	24.9%	22.7%	2.2%	25.0%	17.5%	143%	100%
<b>D. INFRASTRUCTURE TAX CREDIT</b>	<b>85.4</b>	<b>12.9</b>	<b>2.0</b>	<b>14.9</b>	<b>64.1</b>	23%	17%
<b>E. GRANTS</b>	<b>879.1</b>	<b>450.9</b>	<b>0.0</b>	<b>450.9</b>	<b>450.9</b>	100%	51%
Budgetary Support	0.0	0.0	0.0	0.0	0.0	na	na
Project Grants	879.1	450.9	0.0	450.9	450.9	100%	51%
<b>F. TOTAL REVENUE AND GRANTS</b>	<b>5,421.6</b>	<b>4,528.1</b>	<b>402.6</b>	<b>4,930.8</b>	<b>3,647.8</b>	135%	91%
As % of GDP	30.3%	25.3%	2.3%	27.6%	20.4%	135%	91%
<b>G. PRINCIPAL RECEIPTS FROM LENDING</b>	<b>6.0</b>	<b>1.9</b>	<b>2.0</b>	<b>3.9</b>	<b>3.3</b>	117%	65%
<b>H. GROSS BORROWING</b>	<b>2277.7</b>	<b>85.3</b>	<b>3.0</b>	<b>30.1</b>	<b>1344.1</b>	2%	1%
<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>	na	na
<b>J. TOTAL RECEIPTS</b>	<b>7,705.3</b>	<b>4,615.3</b>	<b>407.7</b>	<b>4,964.8</b>	<b>4,995.3</b>	99%	64%
As % of GDP	43.1%	25.8%	2.3%	27.8%	27.9%	99%	64%

Source: Treasury

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

	2007 Budget	August Outturn	Sept Actuals	Sept Outturn	Sept Trend	% of Trend	% of Budget
<b>1 RECURRENT BUDGET</b>							
<b>A. NATIONAL DEPARTMENTS</b>	<b>1,929.2</b>	<b>1,270.0</b>	<b>197.4</b>	<b>1,467.5</b>	<b>1,211.4</b>	121%	76%
Personnel Emoluments	816.2	516.3	71.4	587.6	549.7	107%	72%
Total Goods & Services	1,112.9	753.8	126.1	879.9	661.7	133%	79%
General Goods & Services	948.4	681.7	79.9	761.6	601.4	127%	80%
Education Subsidies	43.0	26.6	43.6	70.2	32.3	218%	163%
Arrears Payments	0.0	0.1	0.0	0.1	0.0	na	na
SAP Payments	69.6	5.2	0.5	5.7	20.3	28%	8%
Court Orders	52.0	40.3	2.1	42.3	39.0	108%	81%
<b>B. PROVINCIAL GOVERNMENTS</b>	<b>696.6</b>	<b>449.2</b>	<b>55.4</b>	<b>504.6</b>	<b>465.5</b>	108%	72%
<b>Personnel Emoluments</b>	<b>576.0</b>	<b>379.2</b>	<b>48.9</b>	<b>428.2</b>	<b>380.5</b>	113%	74%
Staffing Grants	156.4	120.5	13.7	134.3	109.6	122%	86%
Teachers Salaries	419.6	258.7	35.2	293.9	270.9	108%	70%
<b>Goods &amp; Other Services</b>	<b>63.4</b>	<b>40.4</b>	<b>2.9</b>	<b>43.3</b>	<b>47.3</b>	92%	68%
Administration Grants	14.2	9.6	0.9	10.5	10.1	104%	74%
Health Function Grant	13.4	8.1	0.8	8.9	10.3	86%	67%
Education Subsidies	21.6	13.2	0.2	13.5	15.6	87%	62%
Derivation Grants	14.2	9.5	0.9	10.4	11.3	92%	73%
<b>Conditional Grants</b>	<b>57.2</b>	<b>29.5</b>	<b>3.6</b>	<b>33.1</b>	<b>37.7</b>	88%	58%
Trans/Infra/Maint. Grants	15.3	9.3	0.4	9.7	11.3	86%	64%
Local & Village Services Grants	32.5	16.7	2.9	19.6	19.3	102%	60%
Town & Urban Services Grants	7.2	2.2	0.2	2.3	5.5	42%	32%
Village Courts	2.2	1.4	0.1	1.5	1.7	91%	68%
<b>AUTONOMOUS BOUG. GOVT.</b>	<b>50.7</b>	<b>37.2</b>	<b>2.3</b>	<b>39.5</b>	<b>38.0</b>	104%	78%
Police Grant	2.5	1.8	0.0	1.8	1.9	96%	72%
Recurrent Grant	48.0	35.4	2.3	37.7	36.0	105%	79%
Conditional Grants	0.2	0.0	0.0	0.0	0.2	0%	0%
<b>C. TRANSFERS &amp; LOANS TO C.S.A</b>	<b>221.6</b>	<b>154.4</b>	<b>16.5</b>	<b>170.9</b>	<b>162.9</b>	105%	77%
<b>D. INTEREST PAYMENT &amp; FEES</b>	<b>475.9</b>	<b>258.2</b>	<b>3.7</b>	<b>261.8</b>	<b>358.9</b>	73%	55%
Domestic	358.8	182.2	-2.0	180.1	269.7	67%	50%
External	117.1	76.0	5.7	81.7	89.2	92%	70%
<b>E NET LENDING TO C.S.A</b>	<b>-4.0</b>	<b>-1.9</b>	<b>-2.0</b>	<b>-3.9</b>	<b>-3.3</b>	118%	98%
Gross Lending	0.0	0.0	0.0	0.0	0.0	na	na
Less : Loan Repayments	4.0	1.9	2.0	3.9	3.3	118%	98%
<b>F. RECURRENT EXPENDITURE &amp; NET LENDING</b>	<b>3,370.0</b>	<b>2,167.1</b>	<b>273.3</b>	<b>2,440.4</b>	<b>2,233.4</b>	109%	72%
As % of GDP	18.8%	12.1%	1.5%	13.6%	12.5%	109%	72%
<b>2 DEVELOPMENT BUDGET</b>							
Domestic Funds	509.1	731.2	31.5	698.9	417.4	167%	137%
Project Grants	879.1	450.9	0.0	450.9	450.9	100%	51%
Infrastructure Tax Credits	85.4	12.9	2.0	14.9	64.1	23%	17%
Concessional loans	163.0	62.2	1.1	63.3	74.3	85%	39%
Commercial loans	0.0	0.0	0.0	0.0	0.0	na	na
<b>G. TOTAL DEVELOPMENT BUDGET (PIP)</b>	<b>1,636.6</b>	<b>1,265.4</b>	<b>34.6</b>	<b>1,227.9</b>	<b>1,006.7</b>	122%	75%
As % of GDP	9.2%	7.1%	0.2%	6.9%	5.6%	122%	75%
<b>ADDITIONAL PRIORITY EXPENDITURE</b>	<b>450.0</b>	<b>14.0</b>	<b>50.0</b>	<b>63.9</b>	<b>337.5</b>	19%	3%
<b>H. TOTAL EXPENDITURE &amp; NET LENDING</b>	<b>5,456.7</b>	<b>3,432.5</b>	<b>357.9</b>	<b>3,732.3</b>	<b>3,577.6</b>	104%	68%
As % of GDP	30.5%	19.2%	2.0%	20.9%	20.0%	104%	68%
<b>I. AMORTISATION</b>	<b>2242.7</b>	<b>1,180.9</b>	<b>47.8</b>	<b>1,228.6</b>	<b>1,414.4</b>	87%	55%
Domestic	1996.0	1,031.1	28.0	1,059.1	1,231.8	86%	53%
External	246.7	149.8	19.7	169.5	182.5	93%	69%
<b>J. LOAN REPAYMENTS</b>	<b>4.0</b>	<b>1.9</b>	<b>2.0</b>	<b>3.9</b>	<b>3.3</b>	118%	98%
<b>K. TOTAL PAYMENTS</b>	<b>7,703.4</b>	<b>4,615.3</b>	<b>407.7</b>	<b>4,964.8</b>	<b>4,995.3</b>	99%	64%
As % of GDP	43.1%	25.8%	2.3%	27.8%	27.9%	99%	64%

Source: Treasury

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

	2007 Budget	August Outturn	Sept Actuals	Sept Outturn	Sept Trend	% of Trend	% of Budget
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>5,421.6</b>	<b>4,528.1</b>	<b>402.6</b>	<b>4,930.8</b>	<b>3,647.8</b>	135%	91%
<b>B. TOTAL EXPENDITURE AND NET LENDING</b>	<b>5,456.6</b>	<b>3,432.5</b>	<b>357.9</b>	<b>3,732.3</b>	<b>3,577.6</b>	104%	68%
<b>C. DEFICIT (-) / SURPLUS (+)</b>	<b>-35.0</b>	<b>1,095.6</b>	<b>44.7</b>	<b>1,198.5</b>	<b>70.3</b>	na	na
% of GDP	-0.2%	6.1%	0.2%	6.7%	0.4%	na	na
<b>D. EXTERNAL FINANCING</b>	<b>-83.7</b>	<b>-87.6</b>	<b>-18.6</b>	<b>-106.3</b>	<b>-108.3</b>	na	na
<b>D1. CONCESSIONAL FINANCING</b>	<b>-4.3</b>	<b>0.0</b>	<b>-6.1</b>	<b>-6.1</b>	<b>-57.5</b>	na	na
New Borrowing	163.0	62.2	1.1	63.3	74.3	85%	39%
Less Amortisation	-167.3	-62.2	-7.2	-69.4	-131.8	53%	41%
<b>D2. COMMERCIAL FINANCING</b>	<b>-18.2</b>	<b>-7.8</b>	<b>0.0</b>	<b>-7.8</b>	<b>-13.3</b>	na	na
New Borrowing	0.0	0.0	0.0	0.0	0.0	na	na
Less Amortisation	-18.2	-7.8	0.0	-7.8	-13.3	59%	43%
<b>D3. EXCEPTIONAL FINANCING</b>	<b>-61.2</b>	<b>-79.8</b>	<b>-12.5</b>	<b>-92.3</b>	<b>-37.5</b>	na	na
New Borrowing	0.0	0.0	0.0	0.0	0.0	na	na
Less Amortisation	-61.2	-79.8	-12.5	-92.3	-37.5	246%	151%
<b>E. DOMESTIC FINANCING</b>	<b>118.7</b>	<b>-1,008.0</b>	<b>-26.1</b>	<b>-1,092.2</b>	<b>38.0</b>	na	na
<b>E1. DOMESTIC MARKET BORROWING (NET)</b>	<b>118.7</b>	<b>-451.9</b>	<b>16.0</b>	<b>-435.9</b>	<b>20.2</b>	na	na
New Domestic Borrowing	2114.7	579.2	44.0	623.2	1252.0	50%	29%
Less Amortisation	-1996.0	-1,031.1	-28.0	-1,059.1	-1231.8	86%	53%
<b>E2. OTHER DOMESTIC FINANCING (b)</b>	<b>0.0</b>	<b>-556.1</b>	<b>-42.1</b>	<b>-656.3</b>	<b>17.8</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>-1,095.6</b>	<b>-44.7</b>	<b>-1,198.5</b>	<b>-70.3</b>	na	na
<b>G. GROSS BORROWING</b>	<b>2277.7</b>	<b>85.3</b>	<b>3.0</b>	<b>30.1</b>	<b>1344.1</b>	2%	1%
Concessional	163.0	62.2	1.1	63.3	74.3	85%	39%
Commercial	0.0	0.0	0.0	0.0	0.0	na	na
Exceptional	0.0	0.0	0.0	0.0	0.0	na	na
Domestic	2114.7	23.1	1.9	-33.2	1269.9	-3%	-2%
Financing Gap	0.0	0.0	0.0	0.0	0.0	na	na

Source: Treasury