



DEPARTMENT OF TREASURY

# **FISCAL OUTTURN REPORT**

**April 2008**

## April 2008 Fiscal Report

### 1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the April 2008 Fiscal Outturn.

**Table 1.1 Summary**

	Original Budget	Feb	Mar	Apr	Apr Trend	% of Trend	% of Budget
Total Revenue (GoPNG)	6004.2	479.3	692.2	1156.7	1194.6	97%	19%
Total Expenditure (GoPNG)	5801.8	563.7	809.0	1202.7	1135.9	106%	20%
Budget Balance	202.4	-84.4	-116.9	-46.0	58.7		
% of GDP	1.0%	-0.4%	-0.6%	-0.2%	0.3%		

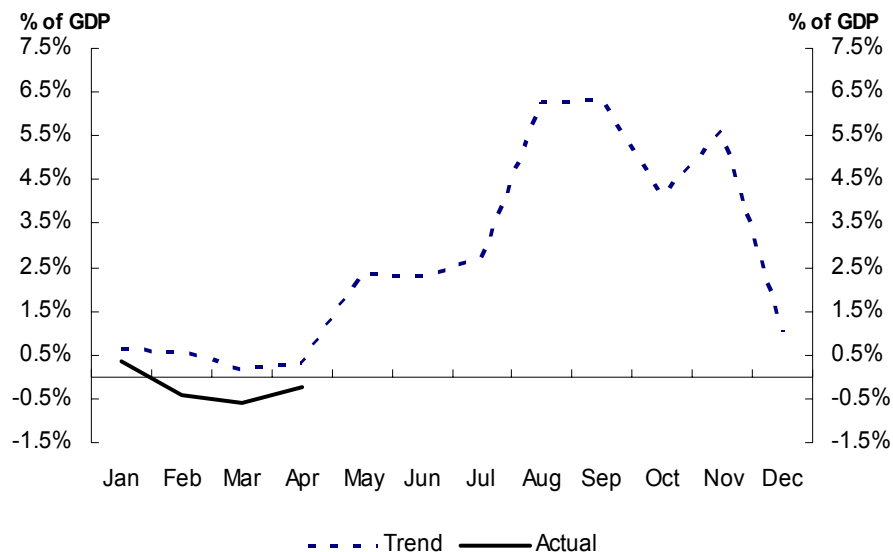
Source: Department of Treasury (based on Treasury Management System reports)

Total GoPNG revenue was below trend to April 2008, with collections 8 per cent below the trend required to meet 2008 Budget estimates.

Total GoPNG expenditure for the April 2008 outturn turned out to be right on trend.

Overall, the Government's Budget position was a surplus of K46.0 million or 0.2 per cent of GDP compared to the expected (trend) surplus of K58.7 million or 0.3 per cent of GDP. 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 2008 Original Budget. The trend also reflects the impact of the high mining and petroleum prices.

**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 April Fiscal Outturn of 2008.

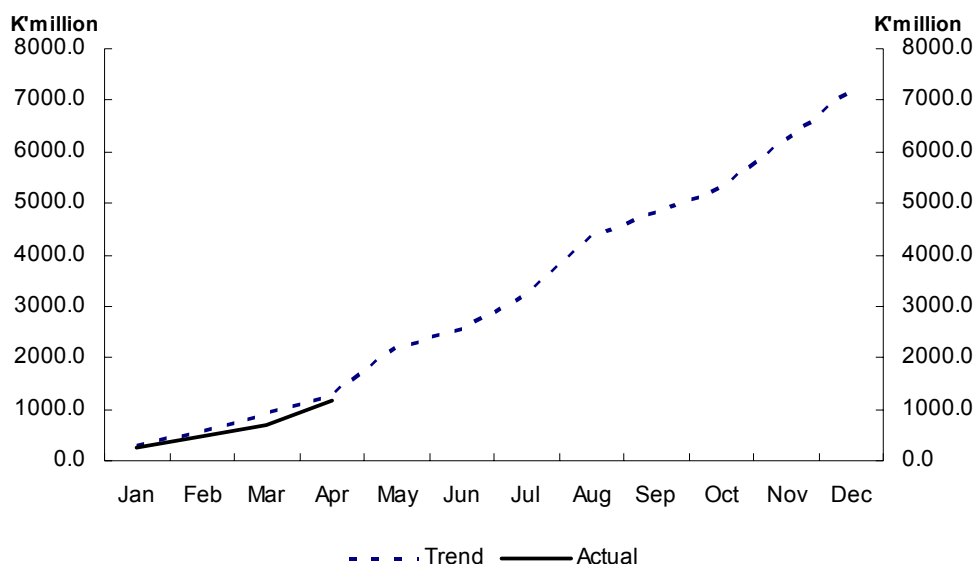
Tax receipts in the April 2008 Outturn were K1093.9 million, which is 3 per cent below trend. Taxes on income and profits were lower than trend by 6 per cent, primarily attributable to lower recording of the mining and petroleum taxes; domestic taxes on goods and services were lower than trend by 7 per cent due to the lower GST collection and taxes on international trade performed better than trend by 20 per cent. However, according to the projections by the IRC, tax collections have performed better than forecast by K49.5 million or 5.1 per cent for the first four months.

Non-tax revenue receipts for the April Outturn were K62.8 million, which is 1 per cent above trend. This was mainly due to the receipt of K40.7 million in mining dividends from OTML.

### *Tax Credits and Grants*

While not technically PNG Government revenue, project support grants from donors and infrastructure tax credits (ITC) 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**



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 K9.9 million are recorded as being utilized in the April Outturn, which is 57 per cent above trend and Project support grants from donors has yet to be recorded.

Total revenue and grants were K1166.5 million at the end of April 2008. This is lower than the trend expected at K1267.0 million by 8 per cent.

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

#### *Total Expenditure (GoPNG)*

National Departments' recurrent expenditure totalled K608.1 million as at April 2008. This is 4 per cent above trend, and represents 27 per cent of the 2008 Budget appropriation.

National Departments' personnel emoluments expenditure were K273.5 million in April Outturn, compared to the K250.4 million anticipated in trend expenditure, which is 9 per cent above trend and represents 29 per cent of the 2008 Budget.

National Departments' general goods and services expenditure was K334.6 million in the April Outturn. This is right on trend and represents 25 per cent of the 2008 Budget appropriation.

Grants to Provincial Governments totalled K228.8 million in April compared to K180.1 million in trend expenditure. This is 27 per cent above trend and represents 32 per cent of the 2008 Budget appropriation.

Provincial Government personnel emoluments expenditure (including teachers) was K177.2 million in the April Outturn compared to K146.8 million anticipated in trend. This is 21 per cent above trend and represents 30 per cent of the 2008 Budget appropriation.

Provincial Government goods and services grant expenditure totalled K33.4 million in the April Outturn compared to K20.4 million in trend expenditure. This reflects a quite higher expenditure during the first four months, and is 63 per cent above trend and represents 51 per cent of the 2008 Budget appropriation.

Autonomous Bougainville Government incurred total expenditure of K16.6 million compared to trend expected at K13.9 million. This is 20 per cent above trend and 31 per cent of the total 2008 Budget appropriation. The higher expenditure is mainly from the police grants.

Transfers to Statutory Authorities totalled K92.9 million in the April 2008 Outturn. This is 26 per cent above trend and is 41 per cent of the 2008 Budget appropriation

Interest payments and fees totalled K78.7 million in the April Outturn and is 33 per cent below trend. This represents 21 per cent of the 2008 Budget appropriation.

Domestic development expenditure in the April Outturn turned out to be K181.4 million, which is 19 per cent above trend and represents 34 per cent of the 2008 Budget appropriation.

Draw downs on concessional project loans turned out to be K0.2 million and this is 1 per cent of trend.

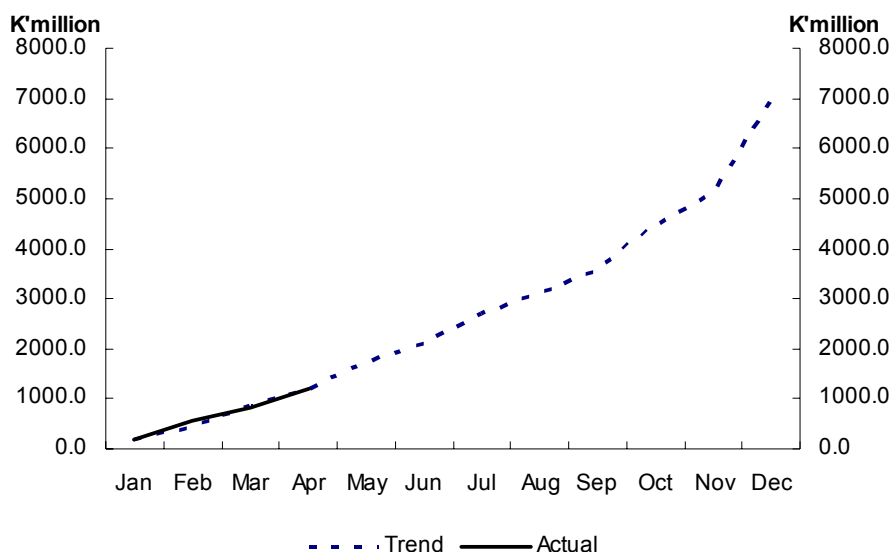
#### *Tax Credits and Grants*

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 K9.9 million are recorded as being utilized in the April Outturn, which is 51 per cent above 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 April Outturn were K1212.5 million compared to the trend estimate of K1208.3 million. This is right on trend, however represents only 17 per cent of the 2008 Budget appropriation.

#### **4. Financing**

A Budget deficit of K46.0 million (or 0.2 per cent of GDP) was recorded in the April 2008 Outturn, compared to the trend surplus of K58.7 million (or 0.3 per cent of GDP).

Net external outflows totalled K72.5 million and this along with the deficit was financed through the net domestic borrowing of K118.5 million.

Based on TMS Rundate: 10/06/08

Last Updated: 16/06/08

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

Kina, million

	2008 Budget	Mar Outturn	Apr Actual	Apr Outturn	Apr Trend	% of Trend	% of Budget
<b>A. TAX REVENUE</b>	<b>5,516.7</b>	<b>677.1</b>	<b>416.8</b>	<b>1,093.9</b>	<b>1,132.2</b>	97%	20%
<b>A1. TAX ON INCOME AND PROFITS</b>	<b>4,142.0</b>	<b>370.0</b>	<b>295.1</b>	<b>665.1</b>	<b>706.3</b>	94%	16%
Personal Income Tax	1,053.7	225.1	123.3	348.3	354.4	98%	33%
Company Tax	699.7	50.9	78.3	129.2	130.8	99%	18%
Dividend Withholding Tax	195.5	31.5	24.7	56.2	46.3	121%	29%
Interest Withholding Tax	21.4	4.4	1.4	5.9	6.4	92%	27%
Mining and Petroleum Taxes	2,011.8	13.0	54.5	67.6	111.6	61%	3%
Gaming Tax	86.5	21.0	6.6	27.6	29.3	94%	32%
Other: Direct	73.4	24.2	6.2	30.3	27.5	110%	41%
<b>A2. DOM. TAXES ON GOODS AND SERVICES</b>	<b>987.3</b>	<b>203.8</b>	<b>77.1</b>	<b>280.9</b>	<b>302.8</b>	93%	28%
Excise	368.3	85.9	31.2	117.2	114.9	102%	32%
GST	600.8	110.0	45.0	155.0	181.1	86%	26%
Mining Levy	15.0	6.8	0.5	7.3	5.0	146%	49%
Other: Indirect	3.2	1.1	0.3	1.4	1.8	79%	44%
<b>A3. TAXES ON INTERNATIONAL TRADE</b>	<b>387.4</b>	<b>103.3</b>	<b>44.6</b>	<b>147.9</b>	<b>123.1</b>	120%	38%
Import Duty	132.7	33.9	17.4	51.4	39.4	130%	39%
Export Duty	155.2	37.1	14.9	52.0	50.2	104%	33%
Excise duties on Imports	99.5	32.2	12.4	44.6	33.6	133%	45%
<b>B. NON-TAX REVENUE</b>	<b>487.5</b>	<b>15.1</b>	<b>47.7</b>	<b>62.8</b>	<b>62.4</b>	101%	13%
<b>B1. PROPERTY INCOME</b>	<b>388.3</b>	<b>0.0</b>	<b>40.7</b>	<b>40.7</b>	<b>40.6</b>	100%	10%
Dividends	128.5	0.0	0.0	0.0	7.4	0%	0%
Mining and Petroleum Dividends	259.8	0.0	40.7	40.7	33.3	122%	16%
<b>B2. INTEREST AND FEES FROM LENDING</b>	<b>5.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>1.5</b>	9%	2%
<b>B3. OTHER NON TAX REVENUE</b>	<b>94.2</b>	<b>15.0</b>	<b>6.9</b>	<b>22.0</b>	<b>20.4</b>	108%	23%
<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>6,004.2</b>	<b>692.2</b>	<b>464.5</b>	<b>1,156.7</b>	<b>1,194.6</b>	97%	19%
% of GDP	30.4%	3.5%	2.4%	5.9%	6.1%	97%	19%
<b>D. INFRASTRUCTURE TAX CREDIT</b>	<b>73.7</b>	<b>7.3</b>	<b>2.5</b>	<b>9.9</b>	<b>6.5</b>	151%	13%
<b>E. GRANTS</b>	<b>1123.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>65.8</b>	0%	0%
Budgetary Support	0.0	0.0	0.0	0.0	0.0		
Project Grants	1123.7	0.0	0.0	0.0	65.8	0%	0%
<b>F. TOTAL REVENUE AND GRANTS</b>	<b>7,201.6</b>	<b>699.5</b>	<b>467.0</b>	<b>1,166.5</b>	<b>1,267.0</b>	92%	16%
As % of GDP	36.5%	3.5%	2.4%	5.9%	6.4%	92%	16%
<b>G. PRINCIPAL RECEIPTS FROM LENDING</b>	<b>4.0</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>	<b>0.7</b>	222%	37%
<b>H. GROSS BORROWING</b>	<b>1793.9</b>	<b>236.3</b>	<b>43.5</b>	<b>279.8</b>	<b>156.8</b>	178%	16%
<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>8,999.5</b>	<b>936.3</b>	<b>511.5</b>	<b>1,447.9</b>	<b>1,424.5</b>	102%	16%
As % of GDP	45.6%	4.7%	2.6%	7.3%	7.2%	102%	16%

Source: Treasury

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

	2008 Budget	Mar Outturn	Apr Actual	Apr Outturn	Apr Trend	% of Trend	% of Budget
<b>1 RECURRENT BUDGET</b>							
<b>A. NATIONAL DEPARTMENTS</b>	<b>2,262.3</b>	<b>387.0</b>	<b>221.1</b>	<b>608.1</b>	<b>586.2</b>	104%	27%
Personnel Emoluments	932.1	186.0	87.5	273.5	250.4	109%	29%
Total Goods & Services	1,330.2	201.1	133.5	334.6	335.7	100%	25%
General Goods & Services	1,079.3	187.9	93.1	281.0	267.7	105%	26%
Education Subsidies	143.0	1.0	31.5	32.5	56.8	57%	23%
Arrears Payments	0.0	0.0	0.0	0.0	0.0		
SAP Payments	55.9	1.7	0.2	1.9	2.7	69%	3%
Court Orders	52.0	10.5	8.7	19.2	8.5	226%	37%
<b>B. PROVINCIAL GOVERNMENTS</b>	<b>723.5</b>	<b>172.8</b>	<b>56.0</b>	<b>228.8</b>	<b>180.1</b>	127%	32%
<b>Personnel Emoluments</b>	<b>596.8</b>	<b>133.3</b>	<b>43.9</b>	<b>177.2</b>	<b>146.8</b>	121%	30%
Staffing Grants	166.3	49.4	15.4	64.8	50.2	129%	39%
Teachers Salaries	430.5	84.0	28.5	112.5	96.6	116%	26%
<b>Goods &amp; Other Services</b>	<b>65.8</b>	<b>27.2</b>	<b>6.2</b>	<b>33.4</b>	<b>20.4</b>	163%	51%
Administration Grants	15.5	6.4	1.4	7.8	4.6	168%	50%
Health Function Grant	14.5	6.0	1.6	7.6	3.8	199%	52%
Education Subsidies	21.7	8.8	2.3	11.1	7.7	144%	51%
Derivation Grants	14.1	6.0	0.9	6.9	4.3	160%	49%
<b>Conditional Grants</b>	<b>60.9</b>	<b>12.4</b>	<b>5.9</b>	<b>18.3</b>	<b>12.9</b>	142%	30%
Trans/Infra/Maint. Grants	16.7	6.9	1.4	8.3	4.4	188%	50%
Local & Village Services Grants	30.9	4.6	1.4	6.0	4.7	127%	19%
Town & Urban Services Grants	11.1	0.0	2.9	2.9	3.0	98%	26%
Village Courts	2.2	0.9	0.2	1.1	0.8	142%	49%
<b>AUTONOMOUS BOUGAINVILLE GOVT</b>	<b>54.0</b>	<b>14.9</b>	<b>1.7</b>	<b>16.6</b>	<b>13.9</b>	120%	31%
Police Grant	2.2	1.1	0.0	1.1	0.3	345%	50%
Recurrent Grant	51.5	13.8	1.7	15.5	13.6	114%	30%
Conditional Grant	0.3	0.0	0.0	0.0	0.0		0%
<b>C. TRANSFERS &amp; LOANS TO C.S.A</b>	<b>226.8</b>	<b>63.6</b>	<b>29.3</b>	<b>92.9</b>	<b>73.4</b>	126%	41%
<b>D. INTEREST PAYMENT &amp; FEES</b>	<b>373.5</b>	<b>70.6</b>	<b>8.2</b>	<b>78.7</b>	<b>117.3</b>	67%	21%
Domestic	275.3	49.7	1.7	51.5	90.7	57%	19%
External	98.2	20.8	6.5	27.3	26.6	102%	28%
<b>E. NET LENDING TO C.S.A</b>	<b>-4.0</b>	<b>-0.5</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-0.7</b>	222%	37%
Gross Lending	0.0	0.0	0.0	0.0	0.0		
Less : Loan Repayments	4.0	0.5	1.0	1.5	0.7	222%	37%
<b>F. RECURRENT EXPEND. &amp; NET LENDING</b>	<b>3,636.1</b>	<b>708.5</b>	<b>315.2</b>	<b>1,023.7</b>	<b>970.3</b>	106%	28%
As % of GDP	18.4%	3.6%	1.6%	5.2%	4.9%	106%	28%
<b>2 DEVELOPMENT BUDGET</b>							
Domestic Funds	526.7	100.5	80.8	181.4	152.7	119%	34%
Project Grants	1,123.7	0.0	0.0	0.0	65.8	0%	0%
Infrastructure Tax Credits	73.7	7.3	2.5	9.9	6.5	151%	13%
Concessional loans	163.0	0.0	0.2	0.2	12.9	1%	0%
Commercial loans	0.0	0.0	0.0	0.0	0.0		
<b>G. TOTAL DEVELOPMENT BUDGET (PIP)</b>	<b>1,887.1</b>	<b>107.9</b>	<b>81.0</b>	<b>188.9</b>	<b>238.0</b>	79%	10%
As % of GDP	9.6%	0.5%	0.4%	1.0%	1.2%	79%	10%
<b>ADDITIONAL PRIORITY EXPENDITURE</b>	<b>1476.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		0%
<b>H. TOTAL EXPENDITURE &amp; NET LENDING</b>	<b>6,999.2</b>	<b>816.4</b>	<b>396.2</b>	<b>1,212.5</b>	<b>1,208.3</b>	100%	17%
As % of GDP	35.5%	4.1%	2.0%	6.1%	6.1%	100%	17%
<b>I. AMORTISATION</b>	<b>1996.3</b>	<b>119.5</b>	<b>114.4</b>	<b>233.9</b>	<b>215.5</b>	109%	12%
Domestic	1553.0	64.1	97.1	161.2	98.6	163%	10%
External	443.3	55.4	17.3	72.7	116.9	62%	16%
<b>J. LOAN REPAYMENTS</b>	<b>4.0</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>	<b>0.7</b>	222%	37%
<b>K. TOTAL PAYMENTS</b>	<b>8,999.5</b>	<b>936.3</b>	<b>511.6</b>	<b>1,447.9</b>	<b>1,424.5</b>	102%	16%
As % of GDP	45.6%	4.7%	2.6%	7.3%	7.2%	102%	16%

Source: Treasury

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

	2008 Budget	Mar Outturn	Apr Actual	Apr Outturn	Apr Trend	% of Trend	% of Budget
<b>A. TOTAL REVENUE AND GRANTS</b>	7,201.6	699.5	467.0	1,166.5	1,267.0	92%	16%
<b>B. TOTAL EXPENDITURE AND NET LENDING</b>	6,999.2	816.4	396.2	1,212.5	1,208.3	100%	17%
<b>C. DEFICIT (-) / SURPLUS (+)</b>	202.4	-116.9	70.8	-46.0	58.7	-78%	-23%
% of GDP	1.0%	-0.6%	0.4%	-0.2%	0.3%	-78%	-23%
<b>D. EXTERNAL FINANCING</b>	-279.3	-55.4	-17.1	-72.5	-107.7	67%	26%
<b>D1. CONCESSIONAL FINANCING</b>	-210.3	-32.4	-11.2	-43.6	-92.8	47%	21%
New Borrowing	163.0	0.0	0.2	0.2	9.0	2%	0%
Less Amortisation	-373.3	-32.4	-11.3	-43.7	-101.8	43%	12%
<b>D2. COMMERCIAL FINANCING</b>	-15.0	0.0	0.0	0.0	-3.4	0%	0%
New Borrowing	1.0	0.0	0.0	0.0	0.3	0%	0%
Less Amortisation	-16.0	0.0	0.0	0.0	-3.7	0%	0%
<b>D3. EXCEPTIONAL FINANCING</b>	-54.0	-23.0	-6.0	-28.9	-11.4	253%	54%
New Borrowing	0.0	0.0	0.0	0.0	0.0		
Less Amortisation	-54.0	-23.0	-6.0	-28.9	-11.4	253%	54%
<b>E. DOMESTIC FINANCING</b>	76.9	172.2	-53.7	118.5	49.0	242%	154%
<b>E1. DOMESTIC MARKET BORROWING (NET)</b>	77.0	179.9	38.9	218.9	189.1	116%	284%
New Domestic Borrowing	1630.0	244.0	136.0	380.0	287.7	132%	23%
Less Amortisation	-1553.0	-64.1	-97.1	-161.2	-98.6	163%	10%
<b>E2. OTHER DOMESTIC FINANCING (b)</b>	-0.1	-7.7	-92.7	-100.4	-140.2	72%	100362%
<b>E3. ASSETS SALES FINANCING</b>	0.0	0.0	0.0	0.0	0.0		
<b>E4. NET FINANCING</b>	0.0	0.0	0.0	0.0	0.0		
<b>F. TOTAL FINANCING</b>	-202.4	116.9	-70.8	46.0	-58.7	-78%	-23%
<b>G. GROSS BORROWING</b>	1793.9	236.3	43.5	279.8	156.8	178%	16%
Concessional	163.0	0.0	0.2	0.2	9.0	2%	0%
Commercial	1.0	0.0	0.0	0.0	0.3	0%	0%
Exceptional	0.0	0.0	0.0	0.0	0.0		
Domestic	1629.9	236.3	43.3	279.7	147.6	190%	17%
Financing Gap	0.0	0.0	0.0	0.0	0.0		

Source: Treasury