



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

**January, February and
March 2008**

March 2008 Fiscal Report

1. Summary of Fiscal Performance

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

Table 1.1 Summary

	Budget	Jan	Feb	Mar	Mar Trend	% of Trend	% of Budget
Total Revenue	6004.2	243.2	479.3	692.2	839.4	82%	12%
Total Expenditure	5801.8	169.4	563.7	809.0	804.9	101%	14%
Budget Balance	202.4	73.8	-84.4	-116.9	34.5		
% of GDP	1.0%	0.4%	-0.4%	-0.6%	0.2%		

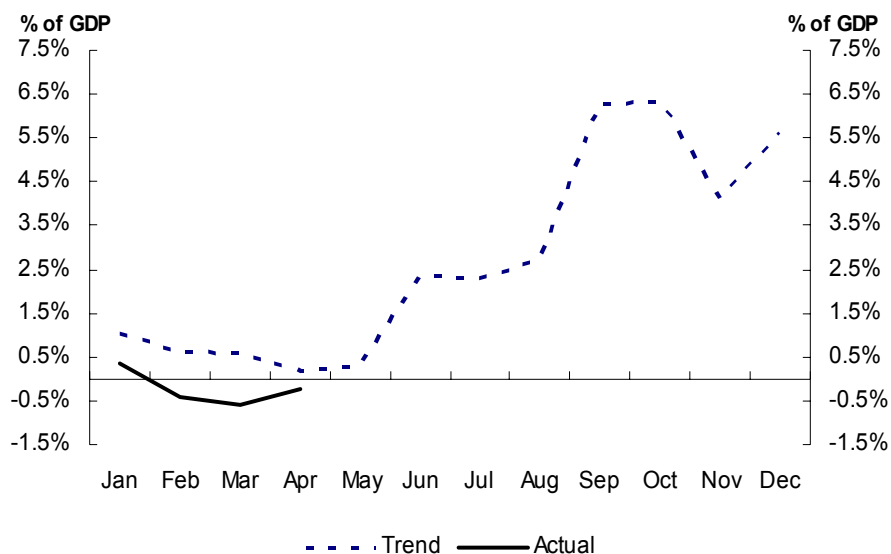
Source: Department of Treasury (based on Treasury Management System reports)

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

Total GoPNG expenditure has been higher and the March 2008 outturn turned out to be 1 per cent above trend.

Overall, the Government's Budget position was a deficit of K116.9 million or 0.6 per cent of GDP compared to K31.4 million or 0.2 per cent of GDP in 2007, and the expected (trend) surplus of K34.5 million or 0.2 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 March Fiscal Outturn of 2008.

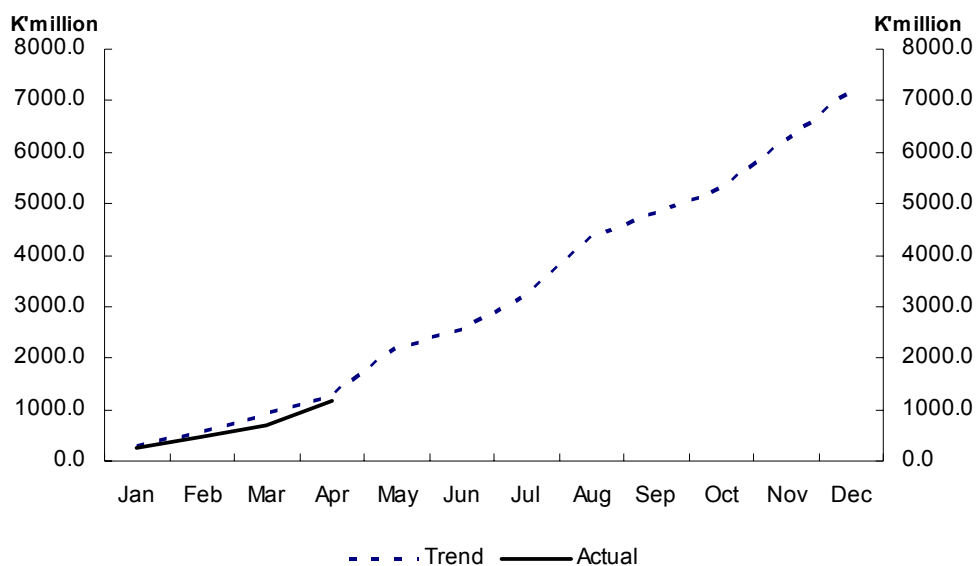
Tax receipts in the March 2008 Outturn were K677.1 million, which is 14 per cent below trend. This is primarily attributable to the lower receipt of major direct taxes (lower by 23 per cent) and domestic taxes (lower by 8 per cent) in the first quarter, though IRC reported a higher collection than forecast. Taxes on international trade performed better than trend by 12 per cent.

Non-tax revenue receipts for the March Outturn were K15.1 million, which is below trend by 69 per cent. This is primarily attributable to the non receipt of dividends and to a lesser extent, lower departmental revenues.

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 K7.3 million are recorded as being utilized in the March Outturn, which is 20 per cent above trend and Project support grants from donors has yet to be recorded.

Total revenue and grants were K699.5 million at the end of March 2007. This is lower than the trend expected at K911.3 million by 23 per cent.

3. Expenditure and Net Lending

Total Expenditure (GoPNG)

National Departments' recurrent expenditure totalled K387.0 million as at March 2007. This is 11 per cent below trend, and represents 17 per cent of the 2008 Budget appropriation.

National Departments' personnel emoluments expenditure was K186.0 million in March Outturn, compared to the K183.4 million anticipated in trend expenditure, which is 1 per cent above trend and represents 17 per cent of the 2008 Budget.

National Departments' general goods and services expenditure was K201.1 million in the March Outturn. This is 20 per cent below trend and it represents 15 per cent of the 2008 Budget appropriation.

Grants to Provincial Governments totalled K172.8 million in March compared to K126.3 million in trend expenditure. This is 37 per cent above trend and represents 24 per cent of the 2008 Budget appropriation.

Provincial Government personnel emoluments expenditure (including teachers) was K133.4 million in the March Outturn compared to K104.6 million anticipated in trend. This is 27 per cent above trend and represents 22 per cent of the 2008 Budget appropriation.

Provincial Government goods and services grant expenditure totalled K27.2 million in the March Outturn compared to K11.9 million in trend expenditure. This reflects higher expenditure in the first quarter, and is 127 per cent above trend, however this represents only 41 per cent of the 2008 Budget appropriation.

Transfers to Statutory Authorities totalled K63.6 million in the March 2007 Outturn. This is 21 per cent above trend and is 28 per cent of the 2008 Budget appropriation

Interest payments and fees totalled K70.6 million in the March Outturn and is 24 per cent below trend. This represents 19 per cent of the 2008 Budget appropriation.

Domestic development expenditure in the March Outturn turned out to be K100.5 million, which is 18 per cent above trend. However, this represents only 19 per cent of the 2008 Budget appropriation.

Draw downs on concessional project loans has yet to be recorded in the March Outturn.

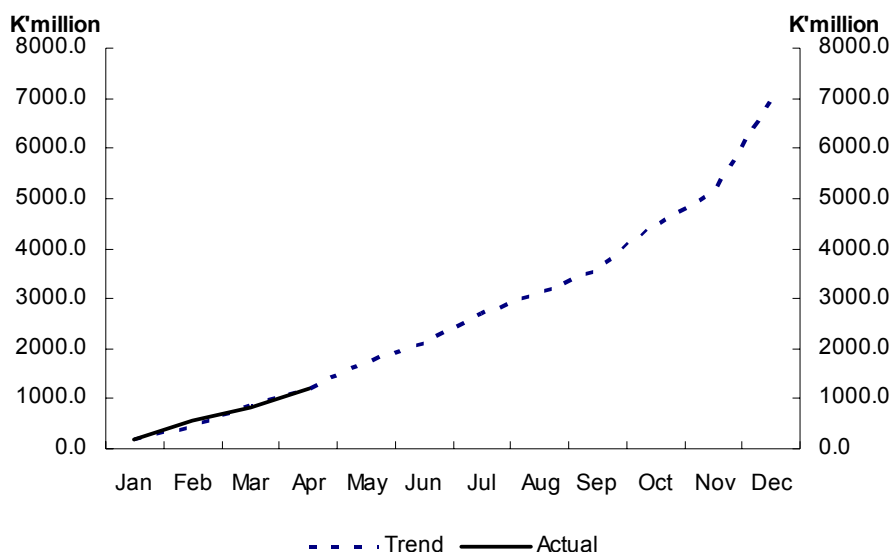
Tax Credits and Grants

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 K7.3 million are recorded as being utilized in the March Outturn, which is 20 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 March Outturn were K816.4 million compared to the trend estimate of K876.9 million. This is 7 per cent below trend, and represents 12 per cent of the 2008 Budget appropriation.

4. Financing

A Budget deficit of K116.9 million (or 0.6 per cent of GDP) was recorded in the March 2008 Outturn, compared to the trend deficit of K34.4 million (or 0.2 per cent of GDP).

Net external outflows totalled K55.4 million and this along with the deficit was financed through the net domestic borrowing of K172.2 million.

Based on TMS Rundate: 28/04/08

Last Updated: 06/05/08

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2008 Budget	Jan Outturn	Feb Outturn	Mar Outturn	Mar Trend	% of Trend	% of Budget
A. TAX REVENUE	5,516.7	240.6	470.2	677.1	790.8	86%	12%
A1. TAX ON INCOME AND PROFITS	4,142.0	131.1	254.5	370.0	478.2	77%	9%
Personal Income Tax	1,053.7	93.9	158.4	225.1	275.2	82%	21%
Company Tax	699.7	8.0	34.3	50.9	63.8	80%	7%
Dividend Withholding Tax	195.5	8.3	25.7	31.5	33.8	93%	16%
Interest Withholding Tax	21.4	0.7	1.8	4.4	5.0	89%	21%
Mining and Petroleum Taxes	2,011.8	3.9	3.9	13.0	57.0	23%	1%
Gaming Tax	86.5	7.5	14.3	21.0	21.8	96%	24%
Other: Direct	73.4	8.8	16.1	24.2	21.6	112%	33%
A2. DOM. TAXES ON GOODS AND SERV.	987.3	67.5	143.8	203.8	220.8	92%	21%
Excise	368.3	37.6	61.1	85.9	86.6	99%	23%
GST	600.8	25.0	75.0	110.0	128.8	85%	18%
Mining Levy	15.0	4.3	6.8	6.8	3.8	177%	45%
Other: Indirect	3.2	0.6	0.9	1.1	1.5	70%	34%
A3. TAXES ON INTERNATIONAL TRADE	387.4	42.1	72.0	103.3	91.8	112%	27%
Import Duty	132.7	12.6	25.3	33.9	27.1	125%	26%
Export Duty	155.2	14.1	23.0	37.1	40.1	93%	24%
Excise duties on Imports	99.5	15.4	23.7	32.2	24.6	131%	32%
B. NON-TAX REVENUE	487.5	2.6	9.1	15.1	48.6	31%	3%
B1. PROPERTY INCOME	388.3	0.0	0.0	0.0	30.7	0%	0%
Dividends	128.5	0.0	0.0	0.0	4.1	0%	0%
Mining and Petroleum Dividends	259.8	0.0	0.0	0.0	26.6	0%	0%
B2. INTEREST AND FEES FROM LENDING	5.0	0.0	0.0	0.1	1.4	5%	1%
B3. OTHER NON TAX REVENUE	94.2	2.6	9.1	15.0	16.6	91%	16%
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0		
C. TOTAL REVENUE	6,004.2	243.2	479.3	692.2	839.4	82%	12%
% of GDP	30.4%	1.2%	2.4%	3.5%	4.3%	82%	12%
D. INFRASTRUCTURE TAX CREDIT	73.7	1.6	3.8	7.3	6.1	120%	10%
E. GRANTS	1123.7	0.0	0.0	0.0	65.8	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%
F. TOTAL REVENUE AND GRANTS	7,201.6	244.8	483.1	699.5	911.3	77%	10%
As % of GDP	36.5%	1.2%	2.4%	3.5%	4.6%	77%	10%
G. PRINCIPAL RECEIPTS FROM LENDING	4.0	0.0	0.0	0.5	0.7	65%	12%
H. GROSS BORROWING	1793.9	-41.0	186.0	236.3	134.0	176%	13%
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0		
J. TOTAL RECEIPTS	8,999.5	203.8	669.1	936.3	1,046.0	90%	10%
As % of GDP	45.6%	1.0%	3.4%	4.7%	5.3%	90%	10%

Source: Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2008 Budget	Jan Outturn	Feb Outturn	Mar Outturn	Mar Trend	% of Trend	% of Budget
1 RECURRENT BUDGET							
A. NATIONAL DEPARTMENTS	2,262.3	100.1	257.5	387.0	435.1	89%	17%
Personnel Emoluments	932.1	63.3	129.2	186.0	183.4	101%	20%
Total Goods & Services	1,330.2	36.8	128.4	201.1	251.7	80%	15%
General Goods & Services	1,079.3	36.7	119.4	187.9	199.8	94%	17%
Education Subsidies	143.0	0.0	1.0	1.0	43.9	2%	1%
Arrears Payments	0.0	0.0	0.0	0.0	0.0		
SAP Payments	55.9	0.1	0.5	1.7	1.6	104%	3%
Court Orders	52.0	0.0	7.5	10.5	6.4	165%	20%
B1. PROVINCIAL GOVERNMENTS	723.5	33.4	116.6	172.8	126.3	137%	24%
Personnel Emoluments	596.8	33.4	85.4	133.3	104.6	127%	22%
Staffing Grants	166.3	19.2	35.2	49.4	37.2	133%	30%
Teachers Salaries	430.5	14.1	50.3	84.0	67.4	124%	20%
Goods & Other Services	65.8	0.0	22.2	27.2	11.9	227%	41%
Administration Grants	15.5	0.0	5.1	6.4	3.9	162%	41%
Health Function Grant	14.5	0.0	4.3	6.0	3.3	179%	41%
Education Subsidies	21.7	0.0	7.2	8.8	1.3	703%	41%
Derivation Grants	14.1	0.0	5.5	6.0	3.4	176%	42%
Conditional Grants	60.9	0.0	9.1	12.4	9.7	127%	20%
Trans/Infra/Maint. Grants	16.7	0.0	5.2	6.9	3.6	190%	41%
Local & Village Services Grants	30.9	0.0	3.3	4.6	3.6	128%	15%
Town & Urban Services Grants	11.1	0.0	0.0	0.0	2.3	0%	0%
Village Courts	2.2	0.0	0.6	0.9	0.2	385%	39%
B2. AUTONOMOUS BOUGAINVILLE GOVT	54.0	1.1	12.8	14.9	6.8	221%	28%
Police Grant	2.2	0.0	1.1	1.1	0.3	345%	50%
Recurrent Grant	51.5	1.1	11.6	13.8	6.4	215%	27%
Conditional Grant	0.3	0.0	0.0	0.0	0.0		0%
C. TRANSFERS & LOANS TO C.S.A	226.8	25.1	44.7	63.6	54.2	117%	28%
D. INTEREST PAYMENT & FEES	373.5	9.7	71.0	70.6	92.4	76%	19%
Domestic	275.3	-0.7	52.5	49.7	71.4	70%	18%
External	98.2	10.3	18.5	20.8	21.0	99%	21%
E. NET LENDING TO C.S.A	-4.0	0.0	0.0	-0.5	-0.7	65%	12%
Gross Lending	0.0	0.0	0.0	0.0	0.0		
Less : Loan Repayments	4.0	0.0	0.0	0.5	0.7	65%	12%
F. RECURRENT EXPENDITURE & NET LEND.	3,636.1	169.3	502.7	708.5	714.1	99%	19%
As % of GDP	18.4%	0.9%	2.5%	3.6%	3.6%	99%	19%
2 DEVELOPMENT BUDGET							
Domestic Funds	526.7	0.0	61.0	100.5	85.4	118%	19%
Project Grants	1,123.7	0.0	0.0	0.0	65.8	0%	0%
Infrastructure Tax Credits	73.7	1.6	3.8	7.3	6.1	120%	10%
Concessional loans	163.0	0.0	0.0	0.0	5.5	0%	0%
Commercial loans	0.0	0.0	0.0	0.0	0.1		
G. TOTAL DEVELOPMENT BUDGET (PIP)	1,887.1	1.7	64.8	107.9	162.9	66%	6%
As % of GDP	9.6%	0.0%	0.3%	0.5%	0.8%	66%	6%
ADDITIONAL PRIORITY EXPENDITURE	1476.0	0.0	0.0	0.0	0.0		0%
H. TOTAL EXPENDITURE & NET LENDING	6,999.2	171.0	567.5	816.4	876.9	93%	12%
As % of GDP	35.5%	0.9%	2.9%	4.1%	4.4%	93%	12%
I. AMORTISATION	1996.3	32.8	101.6	119.5	168.4	71%	6%
Domestic	1553.0	4.4	54.5	64.1	77.3	83%	4%
External	443.3	28.4	47.2	55.4	91.1	61%	12%
J. LOAN REPAYMENTS	4.0	0.0	0.0	0.5	0.7	65%	12%
K. TOTAL PAYMENTS	8,999.5	203.8	669.1	936.3	1,046.0	90%	10%
As % of GDP	45.6%	1.0%	3.4%	4.7%	5.3%	90%	10%

Source: Treasury

TABLE 3: CENTRAL GOVERNMENT FINANCING

(Kina, million)

	2008 Budget	Jan Outturn	Feb Outturn	Mar Outturn	Mar Trend	% of Trend	% of Budget
A. TOTAL REVENUE AND GRANTS	7,201.6	244.8	483.1	699.5	911.3	77%	10%
B. TOTAL EXPENDITURE AND NET LEND.	6,999.2	171.0	567.5	816.4	876.9	93%	12%
C. DEFICIT (-) / SURPLUS (+)	202.4	73.8	-84.4	-116.9	34.4	-340%	-58%
% of GDP	1.0%	0.4%	-0.4%	-0.6%	0.2%	-340%	-58%
D. EXTERNAL FINANCING	-279.3	-28.4	-47.2	-55.4	-85.5	65%	20%
D1. CONCESSIONAL FINANCING	-210.3	-19.0	-25.3	-32.4	-71.8	45%	15%
New Borrowing	163.0	0.0	0.0	0.0	5.5	0%	0%
Less Amortisation	-373.3	-19.0	-25.3	-32.4	-77.3	42%	9%
D2. COMMERCIAL FINANCING	-15.0	0.0	0.0	0.0	-3.5	0%	0%
New Borrowing	1.0	0.0	0.0	0.0	0.1	0%	0%
Less Amortisation	-16.0	0.0	0.0	0.0	-3.5	0%	0%
D3. EXCEPTIONAL FINANCING	-54.0	-9.4	-21.9	-23.0	-10.2	225%	43%
New Borrowing	0.0	0.0	0.0	0.0	0.0		
Less Amortisation	-54.0	-9.4	-21.9	-23.0	-10.2	225%	43%
E. DOMESTIC FINANCING	76.9	-45.4	131.6	172.2	51.1	337%	224%
E1. DOMESTIC MARKET BORROWING (NET)	77.0	73.6	121.5	179.9	186.0	97%	234%
New Domestic Borrowing	1630.0	78.0	176.0	244.0	263.3	93%	15%
Less Amortisation	-1553.0	-4.4	-54.5	-64.1	-77.3	83%	4%
E2. OTHER DOMESTIC FINANCING (b)	-0.1	-119.0	10.0	-7.7	-134.9	6%	7701%
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	-202.4	-73.8	84.4	116.9	-34.4	-340%	-58%
G. GROSS BORROWING	1793.9	-41.0	186.0	236.3	134.0	176%	13%
Concessional	163.0	0.0	0.0	0.0	5.5	0%	0%
Commercial	1.0	0.0	0.0	0.0	0.1	0%	0%
Exceptional	0.0	0.0	0.0	0.0	0.0		
Domestic	1629.9	-41.0	186.0	236.3	128.4	184%	15%
Financing Gap	0.0	0.0	0.0	0.0	0.0		

Source: Treasury