



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

September 2008

September 2008 Fiscal Report

1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the September 2008 Fiscal Outturn. The trend numbers in this report are now based on the Revised 2008 Budget.

Table 1.1 Summary (Kina Millions)

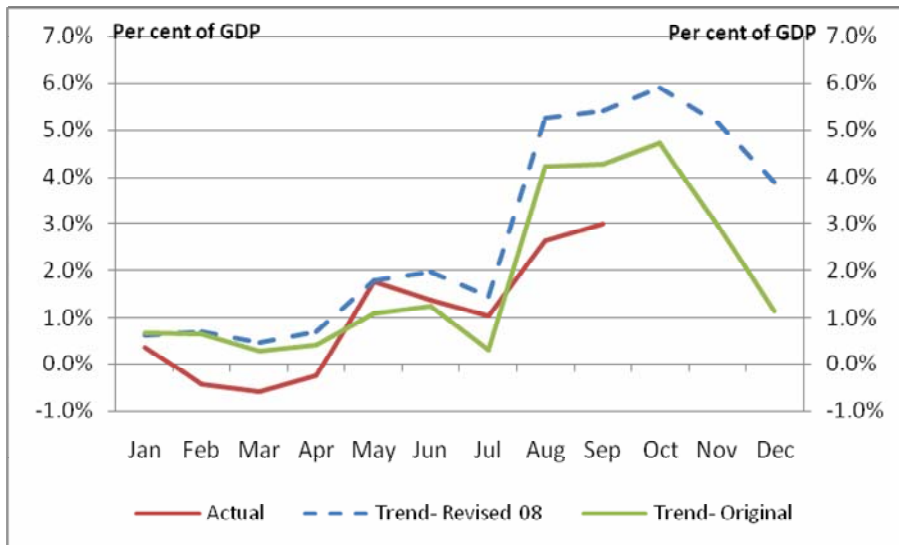
GoPNG ONLY	Budget 08	2008 Revised	July	August	Sept	Sept Trend	% of Trend	% of Revised 08
Total Revenue (GoPNG)	6004.2	6595.4	2502.4	4148.7	4481.9	4621.6	97.0	68%
Total Expenditure (GoPNG)	5801.8	4166.1	2198.1	3540.6	3343.1	2845.0	117.5	80%
Budget Balance	202.4	2429.3	304.4	608.1	1138.9	1776.6		
% of GDP	1.0%	11.3%	1.4%	2.8%	5.3%			

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

Total GoPNG revenue was slightly lower to September 2008, with collections 3 per cent below the trend required to meet 2008 Budget estimates. Total GoPNG expenditure for the September 2008 outturn turned out to be above trend by 17.5 per cent.

Overall, the Government's Budget position was a surplus of K643.1million or 3.0 per cent of GDP compared to the expected (trend) surplus of K1164.3 million or 5.4 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 and the 2008 Revised Budget.

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



2. Revenue and Grants

Total Revenue (GoPNG)

Total GoPNG revenue was slightly above trend in the September Fiscal Outturn of 2008.

Tax receipts in the September 2008 Outturn were K4335.5 million, which is 8 per cent higher than

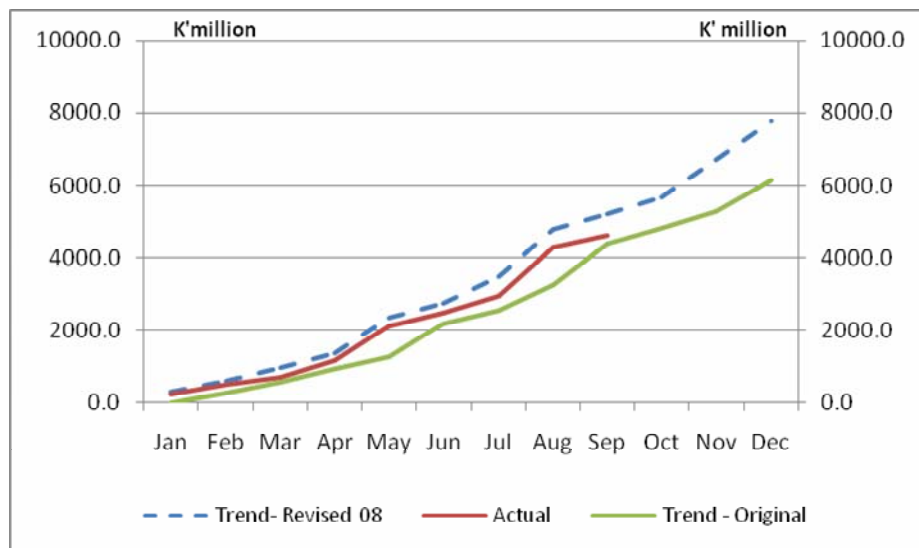
the trend. Taxes on income and profits were lower than trend by 3.5 per cent, primarily attributable to the slightly higher recording of all direct tax heads with the exception to gaming taxes; domestic taxes on goods and services were lower than trend by 8 per cent due to the lower GST collection and domestic excise; and taxes on international trade were below trend by 4.3 per cent.

Non-tax revenue receipts for the September Outturn were K146.4 million, which was way below trend. This is due Non mining dividends have yet to be recorded as dividend proceeds from these companies are managed by the IPBC who then decides on transferring these proceeds to the government accounts.

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 K21.9 million are recorded as being utilized in the September Outturn, which is 32.0 per cent below trend. Project support grants from donors have yet to be recorded. Treasury is yet to receive expenditure reports from donors.

Total revenue and grants were K4621.6 million at the end of September 2008. This is below trend by 11.5 per cent.

3. Expenditure and Net Lending

Total Expenditure (GoPNG)

National Departments' recurrent expenditure totalled K1814.8 million as at September 2008. This is 22.8 per cent above trend, and represents 80.2 per cent of the 2008 Original Budget appropriation and 79.7 per cent of the 2008 Revised budget.

National Departments' personnel emoluments expenditure were K653.8 million in September Outturn, compared to the K639.9 million anticipated in trend expenditure, which is 2.2 per cent above trend and represents 70.1 per cent of the 2008 Budget and 63.0 per cent of the 2008 Revised Budget.

National Departments' general goods and services expenditure was K705.4 million in the September Outturn. This is 34.0 per cent above trend and represents 90.1 per cent of the 2008 Original Budget appropriation and 89.7 per cent of the 2008 Revised Budget.

Grants to Provincial Governments totalled K575.6 million in September compared to K488.8 million in trend expenditure. This is 17.8 per cent above trend and represents around 80 per cent of the 2008 Budget appropriation and the 2008 Revised Budget.

Provincial Government personnel emoluments expenditure (including teachers) was K452.4 million in the September Outturn compared to K401.4 million anticipated in trend. This is 12.7 per cent above trend and represents about 75.8 per cent of the 2008 Original Budget appropriation and 75.2 per cent of the 2008 Revised Budget.

Provincial Government goods and services grant expenditure totalled K66.0 million in the September Outturn compared to K47.5 million in trend expenditure. This reflects a quite higher recording. It is 39.0 per cent above trend and represents 100.3 per cent of the 2008 Original Budget appropriation and 100.1 per cent of the 2008 Revised Budget.

Autonomous Bougainville Government incurred total expenditure of K39.7 million compared to trend expected at K29.1 million. This is 36.3 per cent above trend and around 73.6 per cent of the total 2008 Original Budget appropriation and 73.2 per cent of the 2008 Revised Budget.

Transfers to Statutory Authorities totalled K201.8 million in the September 2008 Outturn. This is 22.5 per cent above trend and is 89.0 per cent of the 2008 Budget appropriation.

Interest payments and fees totalled K228.9 million in the September Outturn and is 15.6 per cent below trend. This represents 61.0 per cent of the 2008 Original Budget appropriation and 64 per cent of the 2008 Revised Budget.

Domestic development expenditure in the September Outturn turned out to be K526.4million, which is 26.7 per cent above trend.

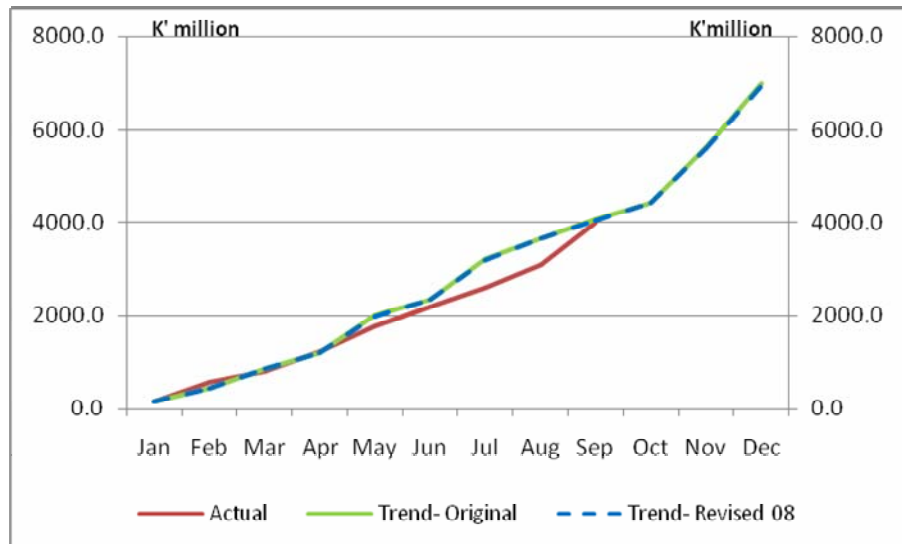
Draw downs on concessional project loans turned out to be K19.7 million which is also below trend.

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 K21.9 million are recorded as being utilized in the September Outturn. This is 41.4 per cent below trend. Project support grants of K93.2 million has been recorded in the September Outturn. This is way below trend and is due to most of the project support grants not being recorded yet.

Funds appropriated under the Additional Priority Expenditure, are parked under Department 207 which is managed by the Department of Finance and Treasury. Total payments from this by September 2008 were K193.7 million. This is around 67.0 per cent below trend.

Overall total expenditure and net lending for the September Outturn was K3978.5 million compared to the trend estimate of K4054.9 million. This is 2 per cent below trend, however represents only 56.8 per cent of the 2008 Original Budget appropriation and 51.0 per cent of the 2008 Revised Budget.

4. Financing

A Budget surplus of K643.1 million (or 3.0 per cent of GDP) was recorded in the September 2008 Outturn, compared to the trend surplus of K1164.3 million (or 5.4 per cent of GDP).

Net external outflows totalled K137.7 million and net domestic outflow turned out to be K505.4 million. Both outflows were financed through the surplus generated.

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2008	2008	Aug	Sept	Sept	Sept	% of	% of	% of
	Budget	Revised	Outturn	Actual	Outturn	Trend	trend	Rev Bdgt	Budget
A. TAX REVENUE	5,516.7	6,116.2	4,065.6	269.9	4335.5	4302.7	100.8	70.9	78.6
A1. TAX ON INCOME AND PROFITS	4,142.0	4,659.2	3,177.9	152.9	3330.8	3216.8	103.5	71.5	80.4
Personal Income Tax	1,053.7	1,086.2	718.8	79.9	798.8	809.2	98.7	73.5	75.8
Company Tax	699.7	778.2	504.9	48.5	553.4	553.6	100.0	71.1	79.1
Dividend Withholding Tax	195.5	196.8	184.3	9.9	194.3	150.0	129.5	98.7	99.4
Interest Withholding Tax	21.4	21.1	13.6	1.0	14.6	16.9	86.4	69.3	68.3
Mining and Petroleum Taxes	2,011.8	2,392.2	1,631.7	1.8	1,633.5	1,549.7	105.4	68.3	81.2
Gaming Tax	86.5	91.6	55.6	4.5	60.1	68.5	87.8	65.7	69.5
Other: Direct	73.4	93.1	69.0	7.1	76.1	68.9	110.5	81.7	103.6
A2. DOM. TAXES ON GOODS AND SERVICES	987.3	1,031.6	609.5	90.7	700.2	767.7	91.2	67.9	70.9
Excise	368.3	370.2	231.8	19.9	251.7	272.3	92.4	68.0	68.3
GST	600.8	646.1	364.0	70.0	434.0	485.0	89.5	67.2	72.2
Mining Levy	15.0	12.0	11.4	0.0	11.4	8.8	128.7	94.6	75.7
Other: Indirect	3.2	3.3	2.4	0.8	3.1	1.5	206.2	95.1	98.0
A3. TAXES ON INTERNATIONAL TRADE	387.4	425.4	278.2	26.3	304.5	318.2	95.7	71.6	78.6
Import Duty	132.7	149.9	102.5	10.9	113.5	114.5	99.1	75.7	85.5
Export Duty	155.2	152.0	92.0	7.4	99.4	110.0	90.4	65.4	64.1
Excise duties on Imports	99.5	123.5	83.6	8.0	91.6	93.7	97.8	74.2	92.1
B. NON-TAX REVENUE	487.5	479.2	119.0	6.6	146.4	318.9	45.9	30.6	30.0
B1. PROPERTY INCOME	388.3	376.5	70.7	0.0	89.9	239.8	37.5	23.9	23.2
Dividends	128.5	140.0	30.0	0.0	30.0	85.3	35.2	21.4	23.3
Mining and Petroleum Dividends	259.8	236.5	59.9	0.0	59.9	154.5	38.8	25.3	23.1
B2. INTEREST AND FEES FROM LENDING	5.0	9.0	1.2	0.1	1.2	5.4	22.7	13.6	24.6
B3. OTHER NON TAX REVENUE	94.2	93.7	48.8	6.5	55.3	73.7	75.0	59.0	58.7
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0				
C. TOTAL REVENUE	6,004.2	6,595.4	4,184.7	276.5	4,481.9	4621.6	97.0	68.0	74.6
% of GDP	30.4%	30.6%	19.4%	1.3%	20.8%	21.4%			
D. INFRASTRUCTURE TAX CREDIT	73.7	73.7	20.4	1.5	21.9	32.1	68.2	29.7	29.7
E. GRANTS	1123.7	1111.2	93.2	0.0	93.2	565.5	16.5	8.4	8.3
Budgetary Support	0.0	0.0	0.0	0.0	0.0	0.0			
Project Grants	1123.7	1111.2	93.2	0.0	93.2	565.5	16.5	8.4	8.3
F. TOTAL REVENUE AND GRANTS	7,201.6	7,780.3	4,298.3	277.9	4621.6	5219.2	88.5	59.4	64.2
As % of GDP	36.5%	36.1%	19.9%	1.3%	21.4%	24.2%			
G. PRINCIPAL RECEIPTS FROM LENDING	4.0	4.0	2.2	2.3	4.5	2.6	169.8	112.2	112.2
H. GROSS BORROWING	1793.9	2299.7	521.2	64.8	586.0	518.9	112.9	25.5	32.7
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0	0.0			
J. TOTAL RECEIPTS	8,999.5	10,084.0	4,741.6	345.1	5212.1	5740.7	90.8	51.7	57.9
As % of GDP	45.6%	46.8%	22.0%	1.5%	23.4%	26.6%			

Source: Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2008	2008	August	Sept	Sept	Sept	% of	% of	% of
	Budget	Revised	Outturn	Actual	Outturn	Trend	trend	Rev Bdgt	Budget
1 RECURRENT BUDGET									
A. NATIONAL DEPARTMENTS	2,262.3	2,275.8	1,475.9	606.2	1814.8	1478.3	122.8	79.7	80.2
Personnel Emoluments	932.1	945.4	582.2	71.6	653.8	639.9	102.2	69.2	70.1
Total Goods & Services	1,330.2	1,330.4	893.6	267.3	1161.0	838.4	138.5	87.3	87.3
General Goods & Services	1,079.3	1,084.1	705.4	267.3	972.6	726.0	134.0	89.7	90.1
Education Subsidies	143.0	143.0	134.1	0.0	134.1	97.1	138.1	93.8	93.8
Arrears Payments	0.0	1.2	0.0	0.0	0.0	0.0		0.0	
SAP Payments	55.9	51.3	5.2	0.1	5.2	12.3	42.4	10.2	9.4
Court Orders	52.0	52.0	49.0	0.0	49.0	2.9	1667.6	94.2	94.2
B. PROVINCIAL GOVERNMENTS	723.5	728.3	524.7	50.9	575.6	488.8	117.8	79.0	79.6
Personnel Emoluments	596.8	601.5	402.0	50.4	452.4	401.4	112.7	75.2	75.8
Staffing Grants	166.3	171.0	135.3	15.3	150.6	120.0	125.5	88.1	90.6
Teachers Salaries	430.5	430.5	266.7	35.1	301.8	281.3	107.3	70.1	70.1
Goods & Other Services	65.8	65.9	65.8	0.2	66.0	47.5	139.0	100.1	100.3
Administration Grants	15.5	15.5	15.8	0.0	15.8	10.4	151.6	101.8	101.9
Health Function Grant	14.5	14.5	14.5	0.0	14.5	10.9	132.7	99.8	100.0
Education Subsidies	21.7	21.7	21.6	0.0	21.6	15.3	141.3	99.5	99.6
Derivation Grants	14.1	14.1	13.8	0.2	14.1	10.8	129.9	99.5	99.7
Conditional Grants	60.9	60.9	57.0	0.3	57.3	39.9	143.4	94.0	94.0
Trans/Infra/Maint. Grants	16.7	16.7	16.3	0.0	16.3	11.9	137.7	97.7	97.8
Local & Village Services Grants	30.9	30.9	35.6	0.0	35.6	18.0	197.4	115.1	115.2
Town & Urban Services Grants	11.1	11.1	2.9	0.0	0.0	8.3	0.0	0.0	0.0
Village Courts	2.2	2.2	2.1	0.3	2.4	1.7	144.0	108.0	109.2
AUTONOMOUS BOUGAINVILLE GOVT	54.0	54.3	39.6	0.1	39.7	29.1	136.3	73.2	73.6
Police Grant	2.2	2.2	2.2	0.0	2.2	2.1	107.4	99.6	100.5
Recurrent Grant	51.5	51.8	37.4	0.1	37.5	27.1	138.5	72.4	72.8
Conditional Grant	0.3	0.3	0.0	0.0	0.0	0.0		0.0	0.0
C. TRANSFERS & LOANS TO C.S.A	226.8	226.8	182.6	19.2	201.8	164.7	122.5	89.0	89.0
D. INTEREST PAYMENT & FEES	373.5	358.2	226.0	2.9	228.9	271.1	84.4	63.9	61.3
Domestic	275.3	275.3	168.2	-4.2	164.0	208.9	78.5	59.6	59.6
External	98.2	82.9	57.8	7.1	64.9	62.3	104.3	78.3	66.1
E. NET LENDING TO C.S.A	-4.0	-4.0	-2.2	-2.3	-4.5	-2.6	169.9	112.2	112.2
Gross Lending	0.0	0.0	0.0	0.0	0.0	0.0			
Less : Loan Repayments	4.0	4.0	-2.2	-2.3	-4.5	-2.6	169.9	-112.2	-112.2
RECURRENT EXPENDITURE & NET LENDING	3,636.1	3,639.4	2,446.7	676.9	2816.6	2429.4	115.9	77.4	77.5
As % of GDP	18.4%	18.5%	11.0%	3.1%	13.1%	11%			
2 DEVELOPMENT BUDGET									
Domestic Funds	526.7	526.7	462.8	63.7	526.4	415.6	126.7	99.9	99.9
Project Grants	1,123.7	1,111.2	93.2	0.0	93.2	507.5	18.4	8.4	8.3
Infrastructure Tax Credits	73.7	73.7	20.4	1.5	21.9	37.3	58.6	29.7	29.7
Concessional loans	163.0	163.0	12.9	6.8	19.7	75.1	26.2	12.1	12.1
Commercial loans	0.0	0.0	0.0	0.0	0.0	0.0			
G. TOTAL DEVELOPMENT BUDGET (PIP)	1,887.1	1,874.6	589.3	71.9	661.2	1035.5	63.9	35.3	35.0
As % of GDP	9.6%	8.7%	2.7%	0.3%	3.1%	4.8%	0.3%		
ADDITIONAL PRIORITY EXPENDITURE SUPPLEMENTARY BUDGET	1476.0	1426.0	47.0	146.7	193.7	590.0	32.8	13.6	13.1
		850.0	0.0	0.0	0.0			0.0	
H. TOTAL EXPENDITURE & NET LENDING	6,999.2	7,790.0	3,083.0	895.5	3978.5	4054.9	98.1	51.1	56.8
As % of GDP	35.5%	36.1%	14.3%	4.2%	18.5%	18.8%			
I. AMORTISATION	1996.3	2290.2	852.3	69.1	921.4	2058.9	44.8	40.2	46.2
Domestic	1553.0	1834.0	709.6	61.2	770.8	1056.3	73.0	42.0	49.6
External	443.3	456.2	142.7	7.9	150.6	1002.7	15.0	33.0	34.0
J. LOAN REPAYMENTS	4.0	4.0	2.2	2.3	4.5	2.6	169.9	112.5	112.5
K. TOTAL PAYMENTS	8,999.5	10,084.2	3,937.4	967.0	4904.4	6116.5	80.2	48.6	54.5
As % of GDP	45.6%	46.8%	18.3%	4.5%	22.8%	28.4%			

TABLE 3: CENTRAL GOVERNMENT FINANCING
(Kina, million)

	2008	2008	August	Sept	Sept	Sept	% of	% of	% of
	Budget	Revised	Outturn	Actual	Outturn	Trend	trend	Rev Bdgt	Budget
A. TOTAL REVENUE AND GRANTS	7,201.6	7,780.3	4,298.3	277.9	4621.6	5219.2	88.5	59.4	64.2
B. TOTAL EXPENDITURE AND NET LENDING	6,999.2	7,790.0	3,083.0	895.5	3978.5	4054.9	98.1	51.1	56.8
C. DEFICIT (-) / SURPLUS (+)	202.4	-9.7	1,215.4	-617.6	643.1	1164.3	55.2	6628.2	317.7
% of GDP	1.0%	0.0%	5.5%	-2.9%	3.0%	5.4%	0.3%	-	-
D. EXTERNAL FINANCING	-279.3	-293.2	-129.8	-7.9	-137.7	-238.7	57.7	47.0	49.3
D1. CONCESSIONAL FINANCING	-210.3	-244.5	-62.7	-2.0	-64.7	-207.0	31.2	26.4	30.7
New Borrowing	163.0	163.0	12.9	0.0	12.9	75.1	17.2	7.9	7.9
Less Amortisation	-373.3	-407.5	-75.6	-2.0	-77.6	-282.1	27.5	19.0	20.8
D2. COMMERCIAL FINANCING	-15.0	-16.0	-8.3	0.0	-8.3	-11.0	75.5	51.7	55.2
New Borrowing	1.0	0.0	0.0	0.0	0.0	0.0			0.0
Less Amortisation	-16.0	-16.0	-8.3	0.0	-8.3	-11.0	75.5	51.7	51.7
D3. EXCEPTIONAL FINANCING	-54.0	-32.7	-58.8	-6.0	-64.8	-20.8	311.4	198.2	120.0
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0			
Less Amortisation	-54.0	-32.7	-58.8	-6.0	-64.8	-20.8	311.4	198.2	120.0
E. DOMESTIC FINANCING	76.9	284.6	1,085.5	625.5	-505.4	-925.6	54.6	-177.6	-657.2
E1. DOMESTIC MARKET BORROWING (NET)	77.0	76.8	-188.4	-3.2	63.0	-119.9	-52.6	82.1	81.9
New Domestic Borrowing	1630.0	1629.8	775.8	58.0	833.8	892.7	93.4	51.2	51.2
Less Amortisation	-1553.0	-1553.0	-709.6	-61.2	-770.8	-1012.5	76.1	49.6	49.6
E2. OTHER DOMESTIC FINANCING (b)	-0.1	207.8	-897.1	628.7	-568.4	-805.7	70.5	-273.5	
E3. ASSETS SALES FINANCING	0.0	0.0	0.0	0.0	0.0	0.0			
E4. NET FINANCING	0.0	0.0	0.0	0.0	0.0	0.0			
F. TOTAL FINANCING	-202.4	-8.6	1,215.4	617.6	-643.1	-1164.3	55.2	7467.5	317.7
G. GROSS BORROWING	1793.9	2300.0	441.1	693.5	285.1	518.9	54.9	12.4	15.9
Concessional	163.0	163.0	12.9	6.8	19.7	90.4	21.7	12.1	12.1
Commercial	1.0	0.0	0.0	0.0	0.0	0.0			0.0
Exceptional	0.0	0.0	0.0	0.0	0.0	0.0			
Domestic	1629.9	2137.0	521.2	686.7	265.4	338.6	78.4	12.4	16.3
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0			

Source: Treasury

