



MID YEAR ECONOMIC AND FISCAL OUTLOOK REPORT

2014

INTRODUCTION

The Mid Year Economic and Fiscal Outlook (MYEFO) Report is released in accordance with the requirements of sections 9 to 12 of the *Papua New Guinea Fiscal Responsibility Act 2006*.

The purpose of the MYEFO Report is to provide updated fiscal information, especially for the current financial year, to allow the Parliament and the public to assess developments against those set out in the 2014 Budget.

The MYEFO contains the following:

Part 1: The Mid Year Economic and Fiscal Outlook

- 1.1 The Economic Outlook
- 1.2 The Fiscal Outlook
- 1.3 Revenue and Grants
- 1.4 Expenditure and Net Lending
- 1.5 Status of Supplementary Budget
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Part 2: Mid Year Expenditure Estimates by Agency and MTDP Enablers

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The MYEFO essentially covers Central Government fiscal operations in the government sector. Consistent with the 1986 Government Finance Statistics (GFS) cash reporting framework, the government sector is defined as covering all units performing government functions, that is, the implementation of public policy through the provision of primarily non-commercial services and the transfer of income, supported mainly by compulsory levies on other institutional sectors.

Government owned or controlled units, which sell industrial or commercial goods and services to the public on a large scale, are excluded from the government sector and are classified separately as non-financial public enterprises. Government owned and/or controlled financial institutions are also classified separately from the Government sector as public financial institutions.

The financial information presented in this report is based on the same reporting standards as the 2014 Budget. Generally, this follows the cash reporting standards originally laid down in the 1986 Manual of Government Finance Statistics published by the International Monetary Fund (IMF). It should be noted that as part of the ongoing reform of the Budget process, Budget Reporting, including MYEFO, will be gradually shifted from the 1986 GFS to the 2001 GFS.

PART 1

THE MID YEAR ECONOMIC AND FISCAL OUTLOOK

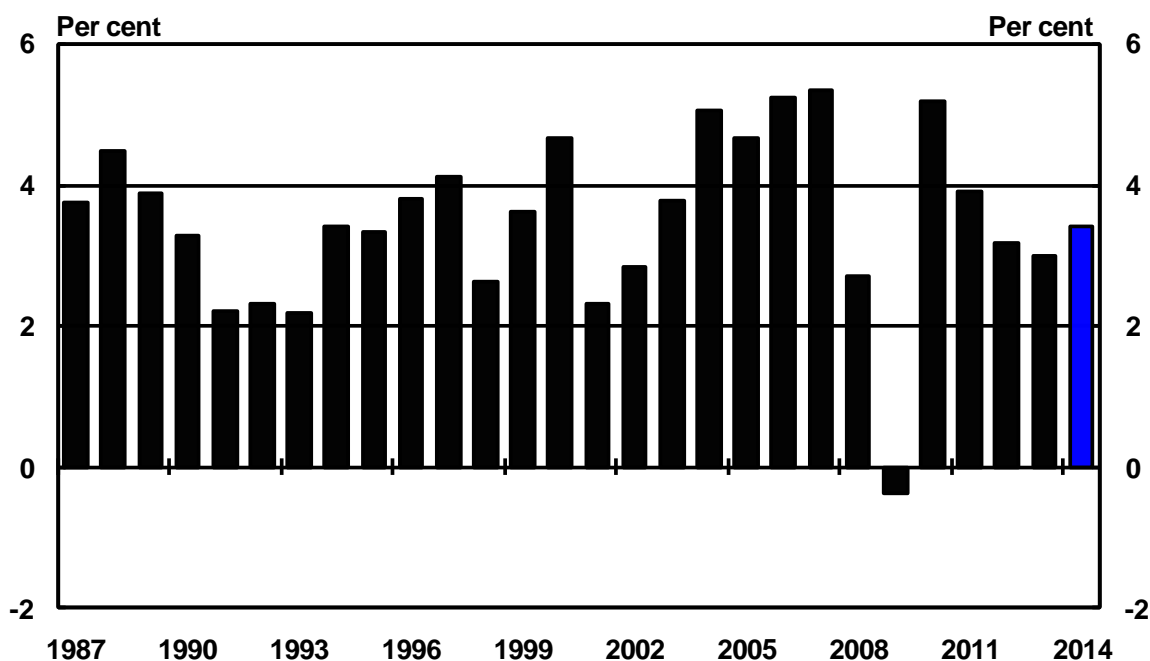
1.1 THE ECONOMIC OUTLOOK

Overview

International Economic Outlook

The world economy is expected to strengthen in 2014 although the latest global growth trajectory is lower than previous forecasts. According to the International Monetary Fund 2014 July update to the World Economic Outlook, the world economy is anticipated to grow by 3.4 per cent in 2014. This is a downward revision from the 2013 October WEO projected world economic growth in 2014 of 3.6 per cent. Recovery in the advanced economies is anticipated to continue, but growth prospects in the developing economies and economies in transition have weakened largely because of worsened economic and/or political tensions in a number of countries that make up the developing and transition group of economies. Looking ahead to 2015, the world economy growth is expected to accelerate to 4.0 per cent, up from 3.4 per cent in 2014.

Chart 1: World Economic Growth (1986-2014)



Source: International Monetary Fund, World Economic Outlook (July 2014)

Advanced economies are projected to grow by 1.8 per cent and 2.4 per cent for 2014 and 2015 respectively. This is an upward revision from the 2013 October WEO.

In the United States the growth momentum built in the second half of 2013 weakened notably in the first quarter of 2014, mainly because of inclement weather, but growth is expected to pick up going forward. Gross Domestic Product (GDP) is expected to grow by 2.5 per cent and 3.2 per cent in 2014 and 2015 respectively. Both private consumption and business investments are expected to improve in the United States supported by an accommodative monetary policy and less restrictive fiscal policy. The external conditions for the United States economy are expected to improve, but only slightly as foreign demand from major trade partners is expected to remain relatively weak.

In Japan, with a stronger than expected performance in the first quarter, growth in 2014 is now projected to be higher at 1.6 per cent, decelerating to 1.1 per cent in 2015 mostly due to the planned unwinding of fiscal stimulus.

Growth in the Euro area is expected to strengthen to 1.1 per cent in 2014 and 1.5 per cent in 2015 but remain uneven across the region, reflecting continued financial fragmentations, impaired private and public sector balance sheets, and high unemployment in some economies.

In emerging markets and developing economies, growth is now projected to decrease to 4.6 per cent in 2014 and then strengthen to 5.2 per cent in 2015.

In China, the authorities have resorted to limited and targeted policy measures to support activity in the second half of the year including tax relief for small and medium enterprises, accelerated fiscal and infrastructure spending and targeted cuts in required reserve ratios. As a result growth in 2014 is projected to be 7.4 per cent. For 2015, growth is projected to moderate to 7.1 per cent although it is less than the government's target. In India, growth appears to have bottomed out, and activity is projected to pick up gradually growing by 5.6 per cent in 2015. In Brazil, tighter fiscal conditions and continued weakness in business and consumer confidence are holding back investment and dampening consumption growth. In Mexico, weaker construction and a slower United States recovery are projected to result in slower growth in 2014. In Russia, investment is expected to remain weaker for longer, given geopolitical tensions. Growth in South Africa is expected to remain sluggish as a result of electricity constraints and labour conflicts.

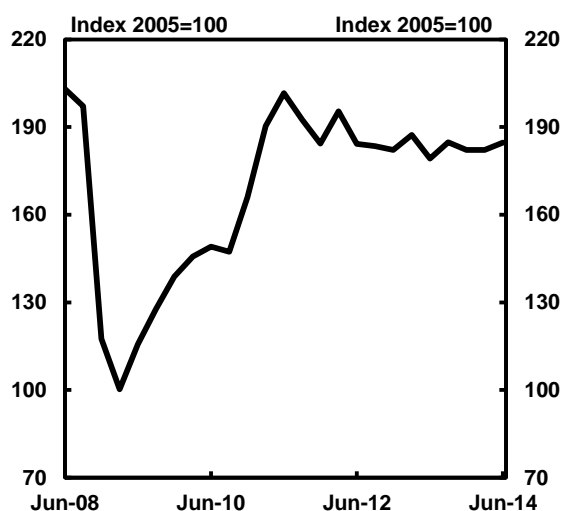
Forecasts for global inflation have moved in line with the general developments in the world economy. In developed economies, year average inflation is expected to increase from 1.4 per cent in 2013 to 1.6 per cent in 2014 whilst inflation in the developing economies is expected to moderate to 5.4 per cent from 5.9 per cent in 2013.

Commodity Prices

Movements in commodity prices continue to remain sensitive to developments in the global economy. Developments in the United States economy, concerns about weaker demand from China and the geopolitical tensions in Ukraine, Russia and Iraq have largely influenced prices over the first half of 2014.

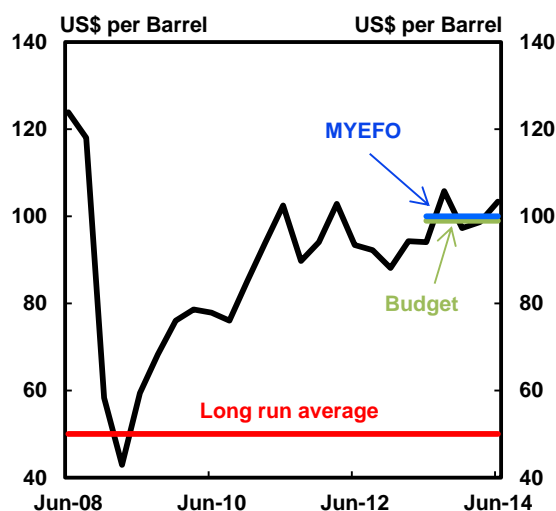
Oil prices averaged around US\$101 per barrel in the first half of 2014. However, recent developments which include geopolitical tensions in Ukraine and Iraq and fear of further supply disruptions, in Iraq, have increased prices to trade to around US\$106 per barrel on average in the month of June 2014.

Chart 2: IMF Commodity Price Index



Source: International Monetary Fund (IMF)

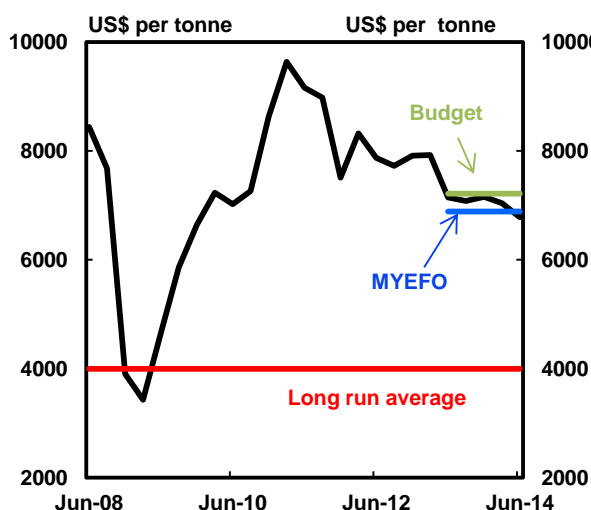
Chart 3: Oil Price



Source: IMF /Energy Information Administration

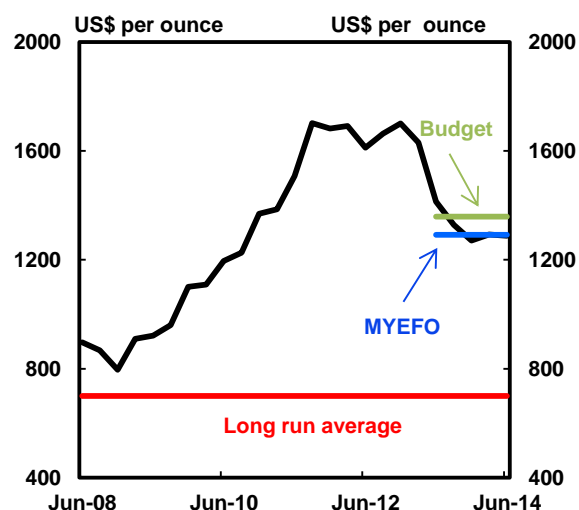
Copper prices, which averaged around US\$7,046 per tonne in the first quarter of 2014 have dropped by 3.7 per cent to US\$6,784 per tonne in the second quarter. The drop in copper prices in part is due to weaker demand from China.

Chart 4: Copper Price



Source: IMF/London Metal Exchange

Chart 5: Gold Price



Source: IMF/Bank of England

Gold prices which averaged around US\$1,291 per ounce in the first quarter of 2014, dropped by 0.2 per cent to US\$1,288 per ounce in the second quarter. The factors dampening gold prices include the positive outlook of the United States economy, the

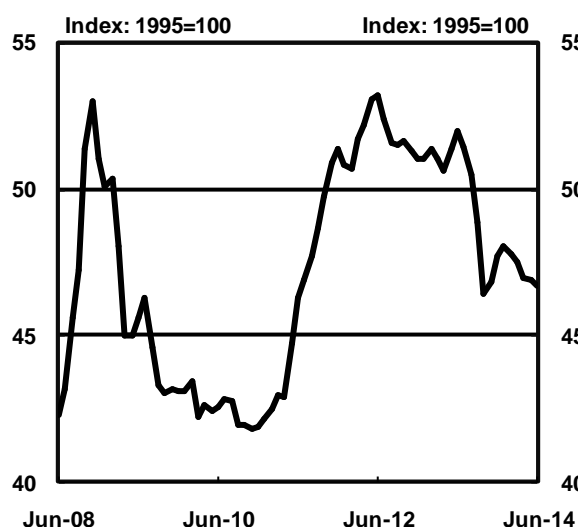
stronger US dollar and bond buying program of the United States economy which is expected to phase out in late 2014. Developments associated with the US economy continue to remain crucial to gold price movements.

To reflect the recent movements in commodity prices, the 2014 Budget assumptions have been revised. The Budget oil price assumption of US\$99 per barrel has been revised up to US\$100 per barrel, copper price down to US\$6,890 per tonne from US\$7,213 per tonne at Budget and the gold price revised down to US\$1,292 per ounce from US\$1,359 per ounce at Budget.¹

Exchange Rate Developments

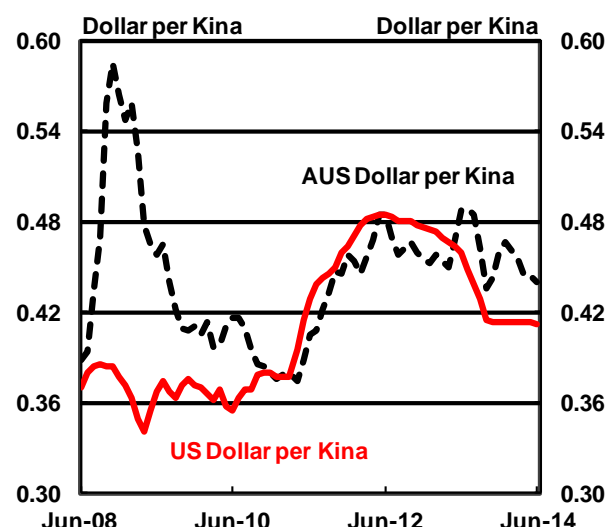
PNG's Trade Weighted Index (TWI)² remains subdued over the first half of 2014 reflective of the weak performance of the Kina against PNG's major trading currencies. As shown in Chart 6, PNG's TWI depreciated by 5.2 per cent over the first half of 2014. Against the Australian dollar, the Kina depreciated by 5.6 per cent while it remains fairly flat against the US dollar due to the Central Bank intervening in the foreign exchange market to ease the pace of depreciation (Chart 7).

Charts 6: Trade Weighted Index



Source: Bank of PNG

Charts 7: Exchange Rate Developments



Source: Bank of PNG

The PNG Kina also depreciated against other key trading currencies including: the Japanese Yen (2.1 per cent), New Zealand Dollar (4.3 per cent), Malaysian Ringgit (2.7 per cent), and Singapore Dollar (1.8 per cent) while it appreciated against the Chinese Renminbi (1.2 per cent) and remained steady against the Euro.

¹ The price forecast methodology uses the actual year to date average price plus an assumption (using average of June plus 05th July spot price) for the remainder of the year.

² The Trade Weighted Index (TWI) measures the value of the Kina against a basket of currencies of PNG's major trading partners.

The depreciation of the Kina against most of PNG's major trading currencies is due to the effects of the US Dollar strengthening globally in the first half of 2014. In addition, less foreign direct investments associated with the completion of the PNG LNG construction phase, as well as, a slight rise in import payments has further reduced the strength of the Kina in the first half of 2014. The depreciation of the Kina against the Australian Dollar was attributed to cross currency movements as the Australian Dollar appreciates against the US Dollar on the back of positive manufacturing data from China and lower inflation in Australia. The depreciation of the Kina is expected to lead to higher import prices. Recently, the Central Bank has introduced the Exchange Rate Band of 75 basis points below and above the interbank or official rate. This is expected to stabilize the Kina.

The Outlook for the Domestic Economy

In 2014, the PNG economy is expected to grow at 5.4 per cent, a downward revision from the 2014 Budget estimate of 6.2 per cent. This downward revision is due to lower production expected from major mines and a lower production of cocoa, coconut oil and coffee, as growers from assessing conditions in the first half of 2014 anticipate a loss in volumes due to the cocoa pod borer and a low yielding year expected for coffee. In addition, the coconut oil processing plants are yet to re-open for business in 2014.

One of the biggest concerns of most mines over the past year has been dealing with the prospects of increasing production amidst the rise in cost of production. According to most major mines, cost of supplies including food, machinery and spare parts have increased significantly over the last twelve months and this has been attributed to the general increase in costs exacerbated by the weaker Kina. Despite commodity prices remaining at reasonable levels in the first half of 2014, returns have been eroded by growing costs. This has triggered mines to review operations whereby some began to scale back labour over the past twelve months. Recent data suggests that this exercise has continued in the first half of 2014 where mines have also scaled back production targets for the year in order to control costs. The downgrade in production has slowed down the growth in the mining sector to 6.0 per cent from the 2014 Budget estimate of 13.8 per cent.

According to Treasury's discussions with growers, commodity boards and businesses in the agriculture sector, indications are that volumes of most commodities will be lower in 2014 and this has been attributed to the cocoa pod borer, expectations of a low yielding year for coffee and low coconut oil production due to the uncertainties surrounding the re-opening of coconut oil processing mills which ceased operations last year. Copra production remains low and is dependent on world prices, however, palm oil is the lone cash crop that exhibited strength in the first half of 2014. Overall, risks to the downside remain high, therefore growth in the agriculture forestry and fisheries has also been revised down to 3.0 per cent from 4.8 per cent estimated at the 2014 Budget.

While developments in the mining and agriculture sector have been slower than expectations, the PNG LNG project continues to support the PNG economy, delivering the first cargo in May, well ahead of general expectations. While this marks the commencement of gas production in the economy, the first cargo is also a unique achievement as it is one which celebrates the success of the people that have worked hard to make it happen

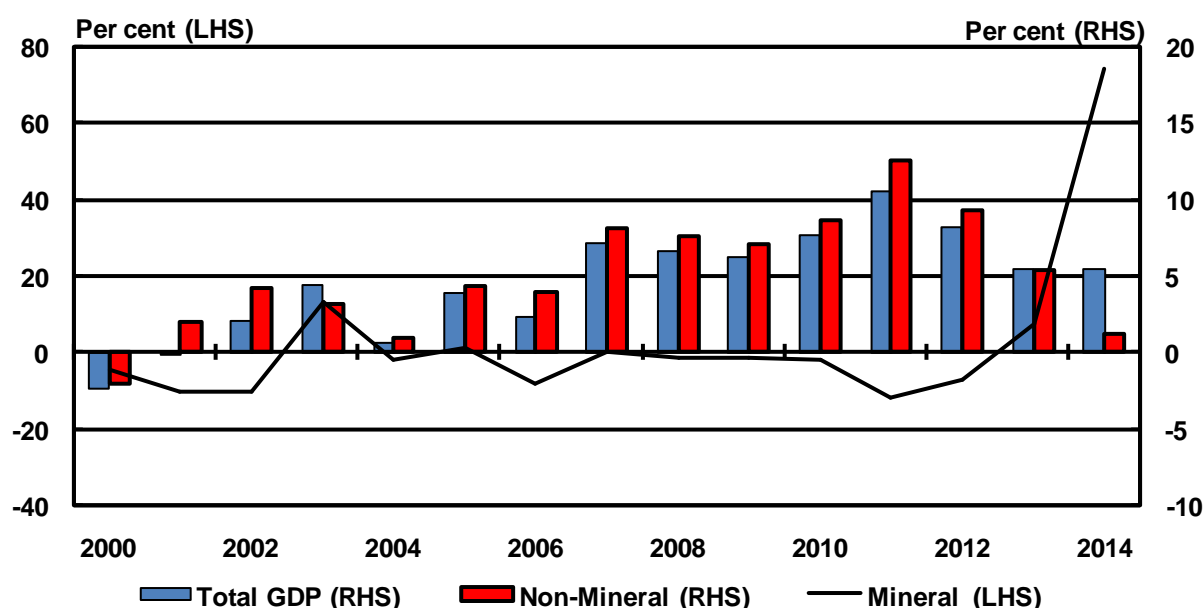
including, the project developer, partners, the PNG Government and most importantly the people of Papua New Guinea.

The commencement of gas production has provided a significant boost to the oil and gas sector. Production is expected to be half of full capacity in 2014 and since this is the first time gas is produced in the economy, its impact on the oil and gas sector is phenomenal with the sector estimated to grow by 350 per cent in the year.

Despite the huge gain in the oil and gas sector, the impact of the production phase of PNG LNG on the non-mining sectors of the economy remains small compared to the construction phase. Non-mining GDP in 2014 is projected to grow by 1.1 per cent, which is very slow compared to the faster pace of 9 per cent recorded during the construction phase of the PNG LNG project. The completion of the PNG LNG project was always anticipated to have a significant impact on the economy given the overwhelming boost injected during its construction. It is clear that the amount of resources mobilised including the total spent during construction of the project dwarfed any investment ever made in the economy therefore its completion is deemed to have a deflating affect on overall activity. With the project construction phase completed, the stimulus experienced during the construction phase will be hard to replace nor repeated hence growth is projected to decelerate in the non-mining sectors especially in those that benefited from the indirect impacts of the construction phase including community, social and personal services, finance and real estate and electricity gas and water. The construction sector is expected to contract as it was the one to have borne the bulk of the direct impacts.

Most non-mining sectors, on the other hand, are expected to display a slowdown in growth from the previous year. Manufacturing and wholesale and retail trade are expected to grow higher and this is due to the effect of increased cash flowing in the domestic economy given the strength and increase in the size of the economy.

Chart 8: Economic Growth: 2000 – 2014



Source: Department of Treasury

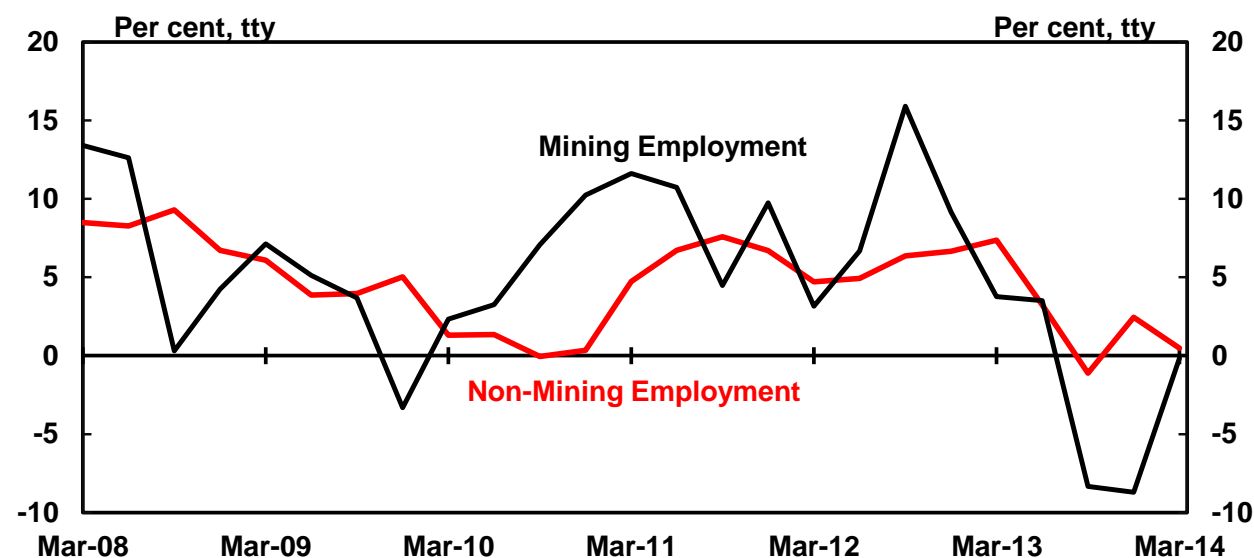
Table 1: Economic Forecasts and Assumptions

	2013 Actual	2014 Budget	2014 MYEFO
Economic Growth (%)			
Total GDP (est)	5.5	6.2	5.4
Non-Mining GDP (est)	5.3	1.6	1.1
Inflation (%)			
Year average	3.5	6.5	6.3
Interest Rate (%)			
Kina Facility Rate (KFR)	6.25	6.25	6.25
3 year Inscribed Stock (IS)	5.0	5.0	5.0
Mineral Prices			
Gold (US\$/ounce)	1411	1359	1292
Copper (US\$/tonne)	7331	7213	6890
Oil (Kutubu:US\$/barrel)	104	99	100

Source: Department of Treasury

Employment

Total employment has moderated in line with developments in the domestic economy growing by 0.2 per cent through-the-year to March quarter 2014, reflecting an increase in employment in the non-mining sector which offset the decline in the mining sector.

Chart 9: Employment Growth

Source: Bank of PNG

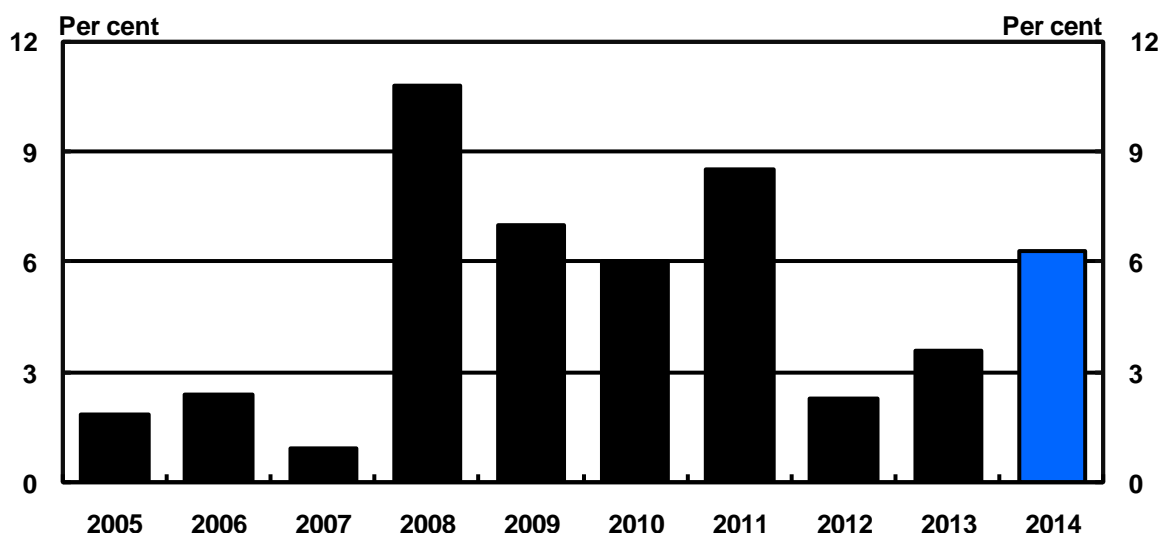
Through-the-year growth showed the non-mining sector employment growing moderately by 0.5 per cent in the March quarter 2014, compared to an increase of 7.4 per cent in the corresponding period of 2013. The increase was mainly driven by the building and construction sector, specifically ongoing maintenance and upgrading of roads in National Capital District, Gulf and Morobe provinces which commenced in 2013, as well as, building construction activities of the 2015 Pacific Games facilities.

Employment growth in the mining sector declined by 0.2 per cent through-the-year to March quarter 2014, compared to an increase of 3.8 per cent in the corresponding period of 2013. The decline was associated with the restructuring done by the Ok Tedi and Tolukuma mines, and the termination of a number of workers by a mining company in Morobe following an industrial dispute.

Inflation Outlook

At the time of the 2014 Budget, Treasury projected inflation in 2014 to be around 6.5 per cent reflective of the Government stimulus spending and the delayed pass through of the exchange rate depreciation. This has been revised slightly down to 6.3 per cent taking into account the low 2013 inflation outcome of 3.5 per cent, and to some extent the low inflation in major trading partner countries³ which are expected to cushion the impact of the current exchange rate depreciation of the Kina and the current high international oil prices.

Chart 10: Inflation outcome and projection-2005-2014



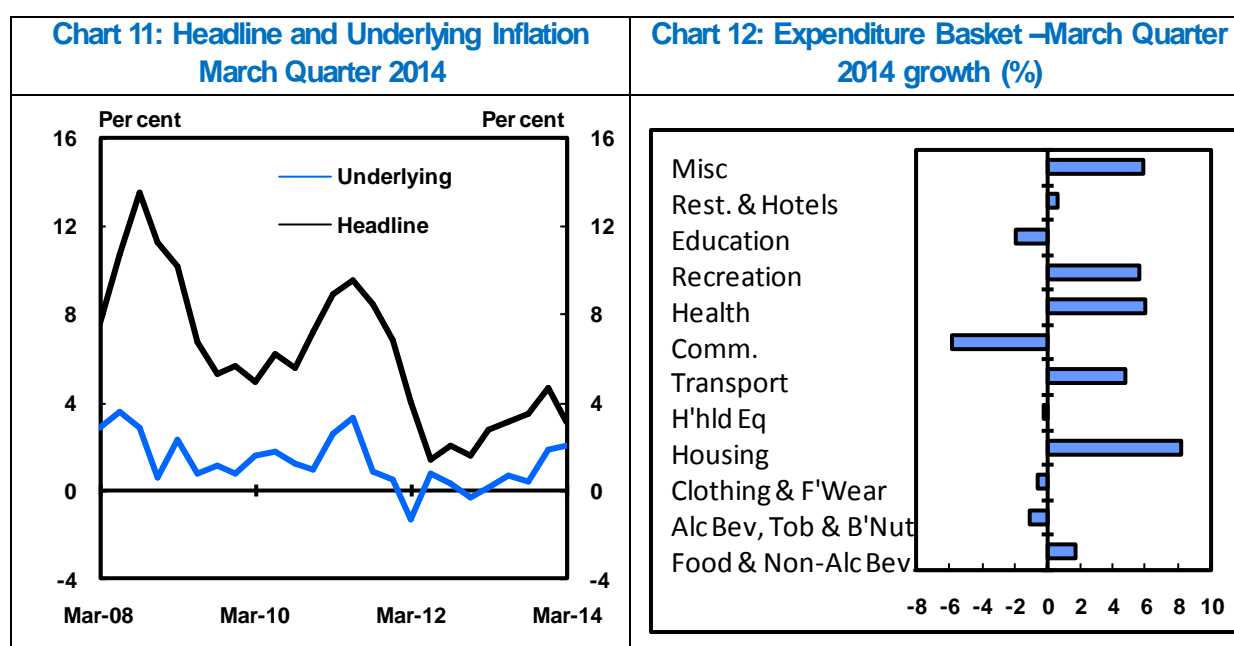
Source: National Statistical Office (NSO)/Department of Treasury

In the first quarter of 2014, headline inflation was 2.0 per cent, compared to 0.1 per cent recorded in December quarter 2013, and 0.3 per cent recorded at the same time last year (Chart 11). This resulted in a high through-the-year headline inflation of 3.8 per cent over the twelve months to March quarter 2014. Prices rose across all the major urban centers in the March quarter with Alotau/Kimbe/Rabaul increasing by 4.1 per cent followed by Lae (up 2.4 per cent), and Port Moresby (up 1.6 per cent). The only region to record a drop in inflation was Goroka/Hagen/Madang (down 0.2 per cent).

³ According to the April 2014 WEO Inflation in advanced economies has undershot projections, reflecting still - large output gaps and recent commodity price declines.

The major drivers of the March quarter⁴ inflation were mainly housing (up 8.2 per cent), Health (up 6.0 per cent), Miscellaneous (up 5.9 per cent), Recreation (up 5.6 per cent), Transport (up 4.8 per cent), and Food and non-alcoholic beverages (up 1.7 per cent) while Clothing and Footwear, Alcoholic Beverages, Tobacco and Betelnut, Communication, and Education recorded a fall in inflation during the quarter.

The underlying measure of inflation excluding the seasonal and price control items grew by 2.5 per cent in the March quarter 2014 compared to a lower inflation of 0.5 per cent in the previous quarter to be 3.4 per cent higher through-the-year (Chart 11).⁵ This reflected prices of some imported items, mainly Transport in particular motor vehicle purchases and fuels and lubricants starting to increase in the March quarter (Chart 12).



Source: National Statistical Office and Department of Treasury

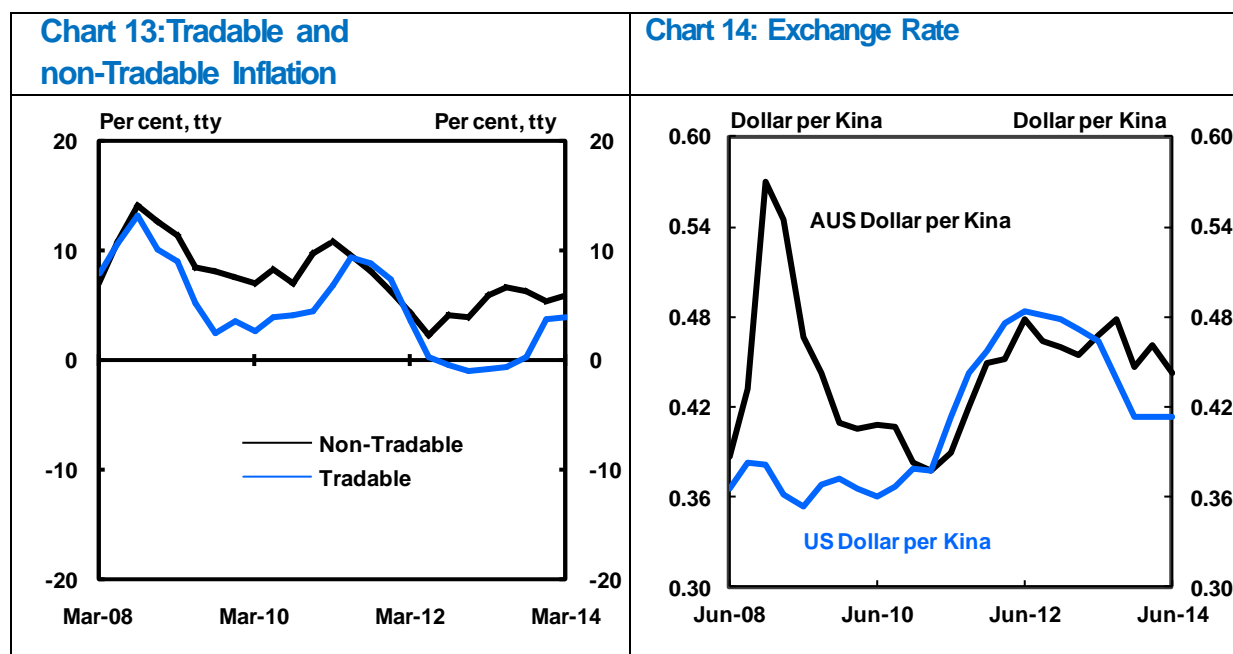
Prices of imported (tradeable) goods have increased quite significantly. In the March quarter 2014, prices of imported items increased by 2.0 per cent to be 2.7 per cent higher through-the-year (Chart 13). The high import inflation realised in the March quarter was attributed to the pass through effect of the depreciation of the Kina exchange rate of the previous quarters (Chart 14). While the depreciating kina is fueling inflation, it is important to note that due to strong competition in the domestic economy, businesses are not passing the full cost of inflation to consumers, rather they consider cost cutting measures or product diversification to maintain their margin.

Prices of domestic (non-tradable) goods continued to rise in the March quarter 2014, up on average by 1.6 per cent, to be 4.3 per cent higher through-the-year. The rise in prices of

⁴ Treasury is now reporting using the New CPI basket released by the National Statistical Office (NSO) with the first publication in the March quarter 2014

⁵ Price control items are items subject to Government's regulation through taxes. For example, consumer items such as, alcohol, tobacco, electricity etc.

domestic goods in the March quarter reflected mainly higher prices of housing⁶ (up 8.2 per cent) and health services (up 7.4 per cent) reflective of uninterrupted growth in the domestic economy and high demand for housing and health services.



Note: Through the year denoted as tty

Source: National Statistical Office

Source: Bank of Bank

In 2015, inflation is expected to ease to 5.5 per cent reflecting the inflows from the PNG LNG export which is expected to translate into an improvement of the Kina resulting in a reduction in imported (tradeable) inflation. This is expected to cushion the effect of the on-going Government stimulus spending in the economy. Over the medium term, inflation is projected to ease to 5.0 per cent from 2015 to 2018 on the assumptions of effective and coordinated monetary and fiscal policies.

Monetary Developments

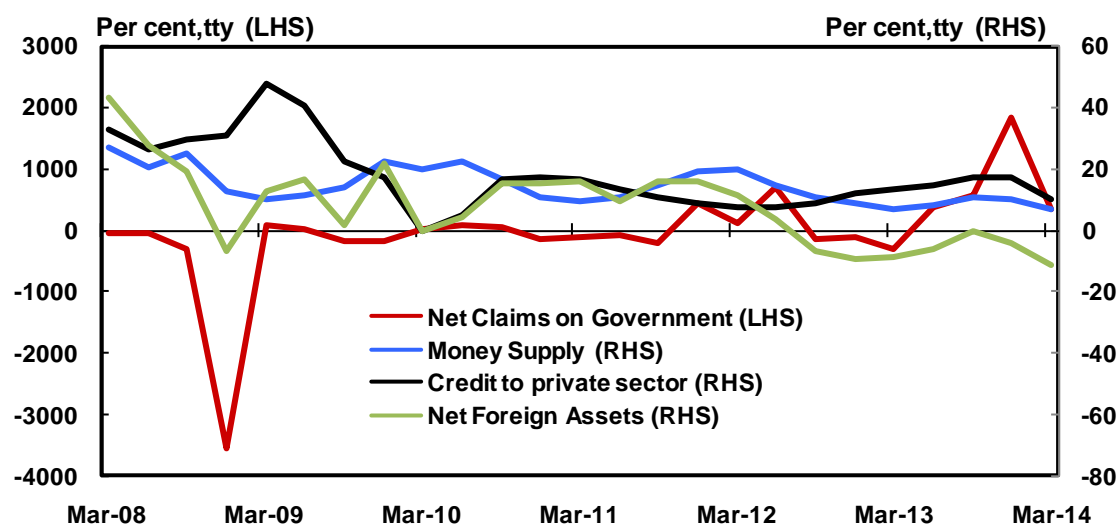
The Central Bank maintained its monetary policy stance by maintaining its Kina Facility Rate (KFR) at 6.25 per cent to support economic activities as stated in its March Monetary Policy Statement (MPS)⁷. The broad money supply over the twelve months rose on average by 6.6 per cent to K17,781.9 million in the March quarter 2014, up from K16,679.0 million in the corresponding period of 2013 (Figure 14)⁸. This is primarily due to net claims on Central Government (up 343.7 per cent) whilst credit to the Private Sector grew on average by 10.1 per cent. The increase in the net claims on Central Government is reflective of the continuous issuance of Treasury Bills and Inscribed Stock over the twelve months to finance the 2014 Budget. Net Foreign Assets (NFA) declined on average by 11.1 per cent to K7,963.9 million from K8,953.8 million in the corresponding period of 2013.

⁶ Housing has a weight of 11.17 percent under the New CPI and comprises of the following sub-groups; Rents, Housing Maintenance, Electricity; Water and Cooking.

⁷ Central Bank March quarter Monetary Policy Statement (MPS)

⁸ Central Bank June quarter Quarterly Economic Bulletin (QEB)

Chart 15: Monetary and Credit Growth (% growth)



Source: Bank of PNG

According to Central Bank's 2014 March Monetary Policy Statement (MPS), broad money supply is expected to grow, up by 7.2 per cent in 2014, mainly driven by increases in Net Domestic Assets (NDA), reflective of credit to the Private Sector and the Government which are projected to increase by 15.3 per cent and 14.1 per cent respectively. Net Foreign Assets is projected to increase by 2.5 per cent, rebounding from a decline of 11.8 per cent in 2013. The monetary base is projected to increase by 6.1 per cent, a pick up from a slow growth of 0.5 per cent in 2013.

Balance of Payments

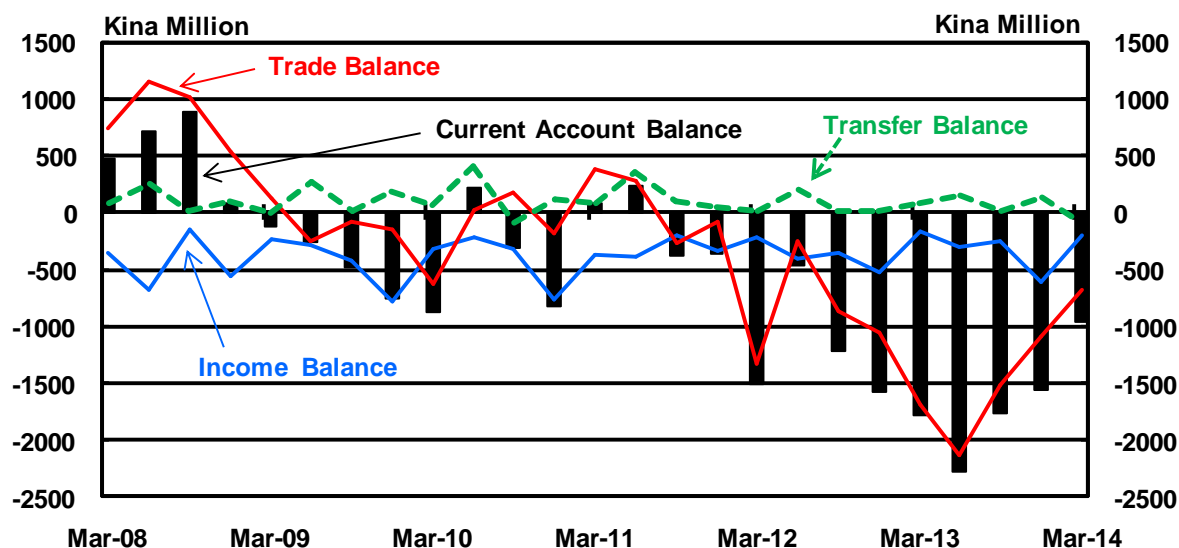
At the time of the 2014 Budget, the large current account deficit experienced in 2012 and 2013 was expected to narrow down in 2014. The high import spending from the PNG LNG project was expected to cease in 2014 with the completion of the construction phase while the commencement of first LNG exports in late 2014 was expected to significantly boost exports, thus an improvement in the current account balance.

In the March quarter of 2014, the current account showed a deficit of K964.8 million, compared to a deficit of K1,572.0 million in the previous quarter. This improvement was mainly due to the narrowing of the deficits in the trade and income balances. This is due largely to low dividend payments during the quarter including lower payments for service and merchandise imports while export receipts remains stronger. In contrast, the transfer balance recorded a deficit compared to a surplus in the previous quarter (Chart 17).

The trade balance deficit was K687.7 million in the March quarter 2014, compared to a deficit of K1,087.0 million in the previous quarter. This reflects a higher surplus in the goods account during the quarter and is due to the onset of production and export from the PNG

LNG project⁹ as well as the ramp up of production from the Ramu Nico Mine which more than offset the general decline in imports.

Chart 16: Balance of Payment



Source: Bank of BPNG

The services balance deficit was K1,523.5 million in the March quarter 2014, compared to a deficit of K1,553 million in the previous quarter. Over the last 12 months, the services balance deficit declined on average by 19.1 per cent due to low service payments associated with the general decline in imports.

The income deficit was K196.3 million in the 2014 March quarter. This is significantly lower than the deficit of K612 million recorded in the previous quarter, as the latter included large interest and dividend payments to foreign shareholders. The transfer balance recorded a deficit of K80.8 million in the 2014 March quarter, compared to a surplus of K127.0 million in the previous quarter. The outcome was due mainly to higher payments for superannuation, gifts and grants and tax payments which more than offset the lower income receipts.

It is expected that in the coming quarters, the current account deficit will continue to narrow as imports are expected to be lower due to the completion of PNG LNG construction activities and as exports from PNG LNG gain momentum.

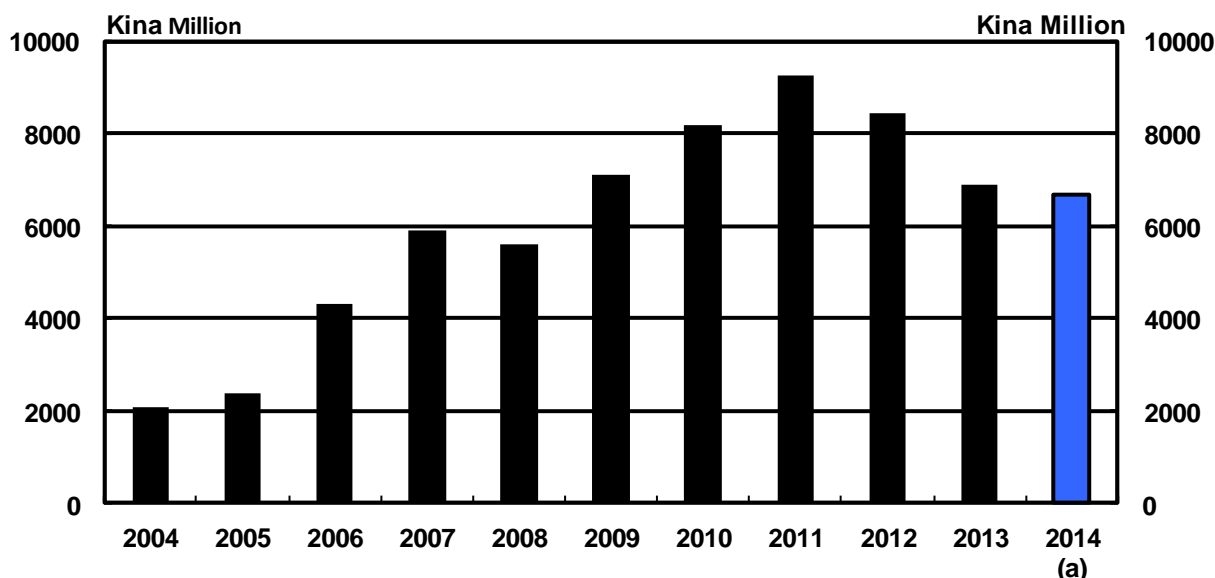
Over the medium-term, the current account deficit is expected to move in line with the developments of the PNG LNG project. It is anticipated that beyond 2015, the current account will move into a large surplus position following the full production and exports of PNG LNG.

International reserves were K6,841.8 million at end of December 2013 and have fallen to K6,659.6 million at the end of March quarter 2014 sufficient for 6.9 months of total import

⁹ Initially, the PNG LNG project was scheduled to commence production and export in the third quarter of 2014. However, production and export have commenced in May 2014, sooner than expected.

cover and 9.9 months of non-mineral import covers. As at May 26th 2014, the level of gross foreign exchange reserves declined to K6,326.4 million, reflecting intervention by the Central Bank in the foreign exchange market.

Chart 17: International Reserves



Source: Bank of PNG

(a) Includes reserve levels up to March 2014

1.2 THE FISCAL OUTLOOK

The fiscal position for 2014 is expected to be a deficit of K2,725.0 million which is an increase of K372.5 million compared to the initial deficit of K2,353.0 million at the time of the 2014 Budget. This is attributable to lower than expected revenue receipts, in particular for mining and petroleum taxes.

Total Revenue and Grants is expected to be lower than earlier anticipated at the time of the 2014 Budget. This revenue shortfall is estimated at K372.5 million, whilst the estimate for Total Expenditure and Net Lending has remained the same as in the 2014 Budget.

In the first half of 2014, Total Revenue and Grants collected amounted to K4,723.0 million, which is 37.2 per cent of Budget whilst Total Expenditure and Net Lending amounted to K5,286.7 million, which is 35.1 per cent of Budget. The updated fiscal estimates for 2014 are set out in Table 2.

Table 2: Budget Balance 2013-2014 (Kina, million)

	2013 Actual	2014 Budget	June Outturn	2014 MYEFO	Budget Variation
Total Revenue and Grants	9,832.7	12,688.5	4,723.0	12,316.0	-372.5
Total Expenditure and Net Lending	12,505.1	15,041.5*	5,286.7	15,041.5	0.0
Deficit (-) / Surplus (+)	-2,672.4	-2,353.0	-563.7	-2,725.0	-372.5
% of GDP	-7.7%	-5.9%	-1.4%	-6.9%	-1.0%

Source: Department of Treasury

*Total Expenditure and Net Lending consists of the Total Appropriated Expenditure and Net Lending of K15,294.5 m, minus K100 million of payroll efficiency savings and K152.9 million for aggregate estimates allowances.

Major MTDP enabling expenditure commitments in the 2014 Budget will continue to be delivered. These include Government priorities such as Tuition Fee Free Education, key infrastructure such as roads and facilities for the 2015 Pacific Games; as well as K1,492 million annual direct investments in Provinces, Districts and Local Level Governments.

The final expenditure outcome for 2014 will be at risk from any expenditure decisions made outside of the 2014 Budget process and from overspends for projects agreed in the 2014 Budget which did not have robust business plans and costings at the time of decision.

In addition there is a risk that anticipated revenues from State Own Enterprises (SOEs) dividends (K287 million) and assets sales (K600 million) do not materialise.

The deficit will be financed mainly through domestic issuance of Treasury Bills and Inscribed Stocks. The challenge for the Government is to maintain fiscal discipline throughout the second half of 2014. The performance of borrowing and all funding sources will continue to be monitored and necessary adjustments made as and when required. Also given the large expenditure envelope, transparency and accountability in expenditure reporting is an increasing priority for the Government.

1.3 TOTAL REVENUE AND GRANTS

Total Revenue and Grants is now revised down by K372.5 million to K12,316.0 million from the Budget projection of K12,668.5 million. In the first half of 2014, a total of K4,722.9 million, which is 37.2 per cent of the Budget projection was collected. A significant portion of non tax revenues including donor grants is yet to be received. Compared to 2013 actual outcome, the revised 2014 projection is higher by K2,483.0 million.

Table 3: Total Revenue and Grants 2013-2014 (Kina, million)

	2013 Actual	2014 Budget	2014 June Outturn	2014 MYEFO	Budget Variation
Tax Revenue	8,588.5	9,743.5	4,518.6	9,504.2	-239.3
Non Tax Revenue	273.9	1,260.0	121.6	1,127.0	-133.0
Grants and ITC	970.3	1,685.0	82.7	1,685.0	0.0
Total Revenue and Grants	9,832.7	12,688.5	4,722.9	12,316.0	-372.5

Tax Revenue

Total tax revenue is revised down by K239.3 million to K9,504.2 million from K9,743.5 million at Budget. In the first half of 2014, tax revenues collected totaled K4,518.6 million, which is 46.4 per cent of the Budget projection. Compared to the 2013 actual outcome, the 2014 revised projection is higher by K915.7 million.

Table 4: Tax Revenue 2013-2014 (Kina, million)

	2013 Actual	2014 Budget	2014 June Outturn	2014 MYEFO	Budget Variation
Tax on Income & Profits	6,081.3	7,117.2	3,189.5	6,821.9	-295.3

Domestic Taxes on Goods & Services	1,765.8	1,879.4	953.1	1,897.8	18.4
Taxes on International Trade	741.3	746.9	376.1	784.5	37.6
Tax Revenue	8,588.5	9,743.5	4,518.7	9,504.2	-239.3

Source: Department of Treasury

Taxes on Income and Profits

Total Taxes on Income and Profits is revised down by K295.3 million to K6,821.9 million from Budget projection of K7,117.2 million reflective of downward revisions to Mining and Petroleum Taxes, Dividend Withholding Taxes, Gaming Tax and Interest Withholding Tax. In the first half of 2014, a total of K3,189.5 million or 44.8 per cent of the Budget estimate was collected.

In contrast, Personal Income Tax and Company Tax collections increased and were on target, however, these increases were insufficient to offset the weak collections in Mining and Petroleum Taxes due to lower than expected commodity prices and production. Compared to 2013 actual outcome, the 2014 revised Taxes on Income and Profits is higher by K740.6 million.

Table 5: Tax on Income and Profits 2013-2014 (Kina, million)

	2013 Actual	2014 Budget	June Outturn	2014 MYEFO	Budget Variation
Personal Income Tax	2,808.4	2,852.0	1,651.9	2,924.0	72.0
Company Tax	2,060.5	2,647.4	1,094.4	2,704.1	56.7
Dividend Withholding Tax	244.5	261.3	86.5	217.6	-43.7
Mining and Petroleum Tax	666.7	1,001.8	181.8	648.7	-353.1
Interest Withholding Tax	38.5	49.0	15.4	38.4	-10.6
Other Direct	118.1	125.0	90.7	135.9	10.9
Gaming Tax	144.6	180.8	68.8	153.2	-27.6
Tax on Income and Profits	6,081.3	7,117.2	3,189.5	6,821.9	-295.3

Source: Department of Treasury

Domestic Taxes on Goods and Services

Total Taxes on Domestic Goods and Services is revised slightly up by K18.4 million to K1,897.8 million from the Budget projection of K1,879.4 reflective of the upward revision to Goods and Services Tax (GST). In the first half of 2014, a total of K953.1 million or 50.7 per cent of the Budget was collected. Collections in major domestic taxes of GST and Excise Duty were on target. Compared to 2013, the 2014 revised projection on Domestic Taxes on Goods and Services is higher by K132.0 million.

Table 6: Domestic Taxes on Goods and Services (Kina, million)

	2013 Actual	2014 Budget	June Outturn	2014 MYEFO	Budget Variation
Excise	541.9	689.3	323.3	689.7	0.4
Goods and Service Tax	1217.2	1181.4	622.0	1199.4	18.0
Other Indirect	6.7	8.7	7.8	8.7	0.0
Domestic Taxes on Goods & Services	1765.8	1879.4	953.1	1897.8	18.4

Source: Department of Treasury

Taxes on International Trade

Taxes on International Trade is revised up by K37.6 million to K784.5 million from the Budget projection of K746.9 million, reflective of the upward revision to Export Duty. In the first half of 2014, a total of K376.1 million or 50.4 per cent was collected. In contrast to strong

collections in Export Duty, collections of Import Duty and Excise Duty on Imports were lower than expected. Compared to 2013, the 2014 revised projection on Taxes on International Trade is higher by K43.2 million.

Table 7: Taxes on International Trade (Kina, million)

	2013 Actual	2014 Budget	June Outturn	2014 MYEFO	Budget Variation
Import Duty	257.2	288.8	123.0	283.8	-5.0
Export Duty	211.7	176.5	139.1	227.5	51.0
Excise Duty on Imports	272.5	281.6	114.0	273.2	-8.5
Taxes on International Trade	741.3	746.9	376.1	784.5	37.6

Source: Department of Treasury

Non Tax Revenue

Non Tax Revenue is revised down by K133.0 million to K1,127.0 million from K1,260.0 million at Budget. In the first half of 2014, a total of K121.6 million, which is 9.7 per cent of Budget. This is significantly below Budget and only reflects collections of Other Non-Tax revenues. Compared to the 2013 actual outcome, the 2014 revised Non Tax Revenue is higher by K853.1 million.

Table 8: Non-Tax Revenue 2013-2014 (Kina, million)

	2013 Actual	2014 Budget	June Outturn	2014 MYEFO	Budget Variation
Property Income	55.0	420.0	0.0	287.0	-133.0
Non-Mining Dividends	55.0	287.0	0.0	287.0	0.0
Mining & Petroleum Dividends	0.0	133.0	0.0	0.0	-133.0
Interest & Fees from Lending	0.0	4.0	0.0	4.0	0.0
Other Non-Tax Revenue	218.9	200.0	121.4	200.0	0.0
Injection from Trust Accounts	0.0	36.0	0.2	36.0	0.0
Asset Sales	0.0	600.0	0.0	600.0	0.0
Non Tax Revenue	273.9	1,260.0	121.6	1127.0	-133.0

Source: Department of Treasury

Grants and Infrastructure Tax Credits

Grants and Infrastructure Tax Credit (ITC) is held unchanged at Budget projection of K1,555.0 million and K130.0 million respectively. In the first half of 2014, a total of K40.2 million in ITC, which is 30.9 per cent of Budget was expended. Donor grants is subject to donor discretion and exchange rate movements and may vary from the Budget projection.

Table 9: Grants and Infrastructure Tax Credit (ITC) 2013-2014 (Kina, million)

	2013 Actual	2014 Budget	June Outturn	2014 MYEFO	Budget Variation
Grants	877.5	1,555.0	42.5	1,555.0	0.0
Project Support Grants	877.5	1,555.0	42.5	1,555.0	0.0
Infrastructure Tax Credits	92.8	130.0	40.2	130.0	0.0
Total Grants and ITC	970.3	1,685.0	82.7	1,685.0	0.0

Source: Department of Treasury

Internal Revenue Compliance Measures Update

Internal Revenue Commission (IRC) compliance measures outlined in the 2014 National Budget are forecasted to generate an additional K600 million in revenue .

Registration Compliance

Over the first half of 2014, IRC has improved compliance by registering active companies not previously registered with IRC. This work has so far centred around capitalising on improved information sharing and cooperation between IRC and the Investment Promotion Authority (IPA). A two pronged approach has been used by IRC; (i) using the existing IPA database to review historical data to ensure existing companies are registered with IRC, (ii) establishing a small team at IPA to register 100% of new companies with IRC going forward. Initial tasks involved establishing registration teams, setting up processes and reporting frameworks, before registration activities commenced. Progress has been going well with over 1000 new registrations achieved in the second quarter as a direct result of these activities.

There is also potential to expand information sharing arrangements to include other agencies to capture increased registrations. IRC will also continue to drive forward the taxpayer identification number (TIN) requirement for company bank accounts initiative, based on a directive from the Prime Minister's Office. Progress on this initiative is underway and initial meetings have been held with Central Bank and commercial banks. Once implemented, this initiative is also expected to have a significant impact on taxpayer registrations, with a flow on effect to lodgements and payments.

Lodgement Compliance

For lodgement compliance, additional staff have been recruited and two new units have been established to follow up on all outstanding tax returns and payments. This has resulted in around 500 taxpayers submitting their outstanding returns, many of which came with payments. The focus has been on both; (i) taxpayers that continually lodge late, and (ii) long-term or serious non-lodging taxpayers. This lodgement demand work has so far primarily centred on salary and wages (group) tax lodgement of returns and payments, but will also be expanded to GST lodgement in the near future.

Lodgement compliance is also being supported this year with the newly established 'missing taxpayer team', who are responsible for locating taxpayers that have changed address without notifying IRC. This resulted in 800 taxpayers being successfully traced as of June, with contact details updated.

Work is currently underway to reform and improve IRC's processes in the lodgement enforcement section. This includes applying stronger lodgement enforcement action empowered to IRC through current legislation; for example application of late lodgement penalties, greater use of default assessments and court action with non-lodgement cases.

Reporting Compliance

The reporting compliance focuses on additional assurance and verification measures to support the correct reporting of income or tax liabilities by taxpayers. Activities undertaken to date include an increase in the number of GST debit audits (i.e. tax audits of GST taxpayers

that are in a GST 'payable' position, as opposed to a 'refund' position). A review of the foreign contractors' withholding tax (FCWT) legislation resulted in IRC issuing revised advice on the correct FCWT rate for taxpayers from certain double tax agreement (DTA) countries. For a number of foreign contractors, this resulted in an increase in the rate from 7.5 per cent to 12.0 per cent, which has led to additional revenue collected this year. A number of foreign contractors have also been correctly re-categorised as employees and now subject to salary and wages tax, which is a greater tax rate. This is a result of a tax circular being issued by IRC and these contracts being reviewed by IRC officers under a new initiative.

An income data matching project has also commenced this year which takes advantage of information shared by other government agencies and departments on the contracts they have issued. These contracts are obtained and reviewed to determine if the correct amount of tax has been reported and paid by the contractor. Some information has already been obtained by IRC, discrepancies identified, and revised assessments issued.

Payment Compliance

Payment compliance strategies this year have focused on increasing the number of staff engaged in this capability and using both new and firmer debt management tools to collect additional revenue from outstanding tax debts, as well as, providing an incentive for more taxpayers to make their payments on time.

The new debt collection tools used so far this year include director penalty notices (which hold company directors personally liable for unpaid salary and wages tax), and statutory demands (which result in company wind ups if the taxpayer fails to pay their tax debts). A number of taxpayer cases have been started using these approaches which have already resulted in some significant debts being collected.

In terms of firmer debt action, late payment penalties have started being applied automatically this year through IRC's new revenue accounting system (SIGTAS). The IRC will be building in the initial media and public awareness raising campaign over the coming months. This currently applies to the withholding taxes which are live in SIGTAS, including salary and wages tax, FCWT, dividend withholding tax, interest withholding tax, etc. This is creating a strong incentive for taxpayers to start making payments on time, and bring their tax accounts up to date by submitting outstanding returns and payments. Year to date around K30 million of late payment penalty notices have been issued. Other firmer debt action includes applying the broader use of garnishee notices, including issuing of garnishees to taxpayers' debtors and paying authorities, which is taking place this year. Work from the new missing taxpayer team is also resulting in tracing of taxpayers that have debt on their accounts but have remained un-contactable for some time and have not been receiving IRC's payment demand notices, etc. Successful tracing of these taxpayers with debts has resulted in some additional payments this year.

Payment compliance and the other compliance measures are being supported by additional taxpayer education and awareness activities this year in major centres around PNG. Awareness sessions are being held to enforce key messages to taxpayers of tax requirements that are expected to be met in order to be a compliant taxpayer. These forums also inform taxpayers of the main changes being undertaken in IRC (e.g. application of late

payment penalties), and the additional activities being undertaken this year to improve taxpayer compliance.

Earlier Processing

Additional work is being undertaken to clear backlogs, implement new processes along with new system implementation phases, and complete some processing tasks earlier than otherwise is also generating additional revenue. IRC has engaged graduates, cadets and over 90 short-term contract officers this year to assist with this revenue raising work. This includes clearing backlogs of assessing tax returns and issuing of assessments, and reconciliation of taxpayer accounts.

Additional Revenue Estimates

As a result of the additional compliance measures discussed above, this has generated an estimated more than K200 million year to date, out of the K600 million forecast for the year. It is estimated that this K200 million is currently split evenly between Salary and Wages Tax and Company Income Tax. This is consistent with IRC expectations of progress and also consistent with overall revenue collections in 2014 to date.

Looking at areas of compliance that have had a direct impact on revenue collection this year gives a partial picture of the overall impact. Work is being undertaken at IRC to estimate the impact of compliance measures on revenue, but this is a longer term exercise – noting that the international experience is that the nature of these impacts means that they can never be precisely quantified with any real level of confidence.

However given implementation progress of the activities to date, K200 million is expected to be a reasonable estimate of the overall impact on revenue that has already been made. The compliance measures to date have already resulted in higher proportion of taxpayers lodging and paying, and a focus on earlier processing has also meant more timely revenue generation and collection. IRC's expectation is that most revenue outcomes from these measures will be achieved in the third and fourth quarters of 2014.

1.4 EXPENDITURE AND NET LENDING

The 2014 Budget appropriated K15,294.5 million to fund operational and capital expenditures and the cost of public debt interest in 2014. After adjustment for aggregate estimates of allowances and projected payroll savings across agencies, the 2014 Budget estimate of Total Expenditure and Net Lending is K15,041.5 million (Table 10). This represents an increase of K2,536.4 million or 20.2 per cent over the actual expenditure in 2013.

In aggregate the 2014 Revised Budget is unchanged from the original Budget passed in December 2014. However, there is a net movement of K72.8 million from operational to capital expenditure as a result of transfers between appropriations arising from: the *Supplementary Appropriations (Judiciary Services) Amendment Act 2014* passed in March 2014 to provide additional resources for judiciary services (see 1.5 below); allocations from the Secretary's Advance (see 2.1 and Table 15); and, various other transfers between appropriation items within agency budgets.

The actual Expenditure and Net Lending for the six months to June 2014 is K5,097.1 million or 33.9 per cent of the total Revised Budget for 2014. The low level of expenditure to date is largely due to the rate of capital spending on development projects, 24.9 per cent of the Revised Budget as at June 2014. A rate of spending below the pro rata Budget is not unusual for development projects owing to the nature of such projects and the longer lead times associated with capital spending.

Table 10: Total Expenditure and Net Lending 2013-2014 (Kina, million)

	2013 Actual	2014 Budget	2014 Revised	June Outturn	2014 MYEFO
Operational Expenditure	7,385.4	7,823.9	7,751.1	3,217.2	7,751.1
Capital Investment Expenditure	5,119.6	7,470.6	7,543.2	2,098.5	7,543.2
Total Appropriation for Expenditure	-12,505.1	-15,294.5	-15,294.5	-5,315.7	-15,294.5
Adjustments for whole of government payroll savings/underspending	-	(253.0)	(253.0)	-	(253.0)
Total Expenditure and Net Lending	-12,505.1	-15,041.5	-15,041.5	-5,315.7	-15,041.5
% of GDP	-7.7	-5.9	-5.9	-1.4	-6.9

Source: Department of Treasury

The 2014 MYEFO estimate of K15,041.5 million is unchanged from the Revised Budget. While the rate of spending on development projects will accelerate in the second half of the year, full expenditure of the 2014 Budget is unlikely.

The MYEFO estimate for Operational costs is K7,751.1 million which remains unchanged from the 2014 Revised Budget. While a full year projection of the expenditure trend to June shows a potential underspend on Personal Emoluments of K89 million this trend is expected to be reversed by year end. The main elements of the underspending to June are leave fares and retirement/retrenchment payments. Expenditure on these items is traditionally higher in the second half of the year.

Operational Goods and Services are trending close to Budget. The rate of spending is expected to increase achieving full expenditure in aggregate by December 2014. Operational spending also includes Public Debt Interest. Expenditure to date is K406.5 million and is trending above Budget owing to higher average interest rates compared with the 2014 Budget (6.5 per cent versus 6.25 per cent) and a weaker exchange rate for the PNG Kina. The full year forecast is K802.2 million which is K50.9 million above the Budget.

1.5 STATUS OF SUPPLEMENTARY BUDGETS

In March 2014 the Supplementary Appropriation (Judiciary Services) Bill 2014 was passed to provide for additional expenditure of K82 million by Judiciary Services (Division 223). Additional resources are being provided to meet the costs associated with the appointment of five additional judges, establishing Court houses in additional provinces, organisational restructuring, case management initiatives and other reforms to court processes. The funding comprises K52 million for operational costs and K30 million for capital costs.

The Bill does not add to aggregate spending as the increased funding of K82 million to Judiciary Services has been offset by an equivalent reduction to the Appropriation (General Public Service Expenditure 2014) Act 2013. The reductions are within Treasury and Finance Miscellaneous (Division 207): K62 million from the Secretary's Advance (reducing that appropriation from K100 million to K38 million) and K20 million that was being held in Division 207 for Judiciary Services Infrastructure Development.

1.6 STATUS OF TRUST ACCOUNTS

Since 2005, up to and including the 2014 Budget, a total of K8.9 billion has been appropriated to Budget Funded trust accounts for implementation of priority budget expenditure programs. These trust accounts have largely been funded from additional mineral revenue in Supplementary Budgets and annual Budgets.

The purpose of holding funds in trust is to spread spending over time to help manage inflationary pressures in the economy and to give time to agencies to properly plan and implement projects. The Table below shows the movements of funds for these trust accounts for the period 1 January – 30 June 2014.

TABLE 11: Movement of Funds in Budget Funded Trust Accounts from 1 Jan – 30 June 2014 (Kina, million)

Description	Balance as at 1 Jan 14	Debit (Receipt)	Credit (Payment)	Balance as at 30 June 2014
Education Sector Infrastructure Rehabilitation	1.1	0.0	0.0	1.1
Higher Education Sector Infrastructure Rehabilitation	2.8	1.8	0.0	1.5
National Parliament Infrastructure Rehabilitation	0.0	0.0	0.0	0.0
Transport Sector Infrastructure Rehabilitation	0.0	48.3	0.0	8.0
Resettlement of Rabaul Volcano Victims	0.2	0.5	0.0	0.7
Hospital and Healthcare Centre Rehabilitation	0.0	0.0	0.0	0.0
Rehabilitation of Housing for Nurses	0.2	0.0	0.0	0.2
Rehabilitation of Housing for Police	18.7	9.5	0.0	22.1
District Services Improvement Program	54.1	0.0	13.3	40.8
Institutional Housing Pilot	0.0	0.0	0.0	0.0
Urbanisation Pilot	4.2	0.0	0.0	4.2
Housing Development Pilot	0.0	0.0	0.0	0.0

Rural Electrification	0.0	0.0	0.0	0.0
Konebada Petroleum Park	0.0	0.0	0.0	0.0
National Infrastructure Development	0.0	0.0	0.0	0.0
Regional, Provincial Treasury and District Admin. Offices	0.2	0.0	0.0	0.2
LNG Project Development Cost	0.0	0.2	0.0	0.2
Infrastructure Development Grants	122.4	0.0	1.0	121.4
Coastal Vessels	0.1	0.0	0.0	0.1
Outstanding MOA Liabilities	0.0	0.0	0.0	0.0
Highlands Highway Rehabilitation	0.0	0.0	0.0	0.0
Lae City Roads Rehabilitation	0.0	2.1	0.0	0.0
Rural District Roads Support	2.1	0.0	0.0	2.1
PNG LNG High Impact Infrastructure	43.4	0.0	42.7	1.7
Varirata National Park Rehabilitation	0.0	0.0	0.0	0.0
District Offices Rehabilitation	0.4	0.0	0.0	0.4
Mining Legal Costs	0.3	0.0	0.2	0.1
2010 National Census	0.0	0.0	0.0	0.0
Provincial Government Members entitlement	0.0	0.0	0.0	0.0
National High School Renovation and Upgrading	0.0	0.0	0.0	0.0
Port Moresby Roads	0.3	0.0	0.0	0.3
Tuition Fee Free Education	40.3	11.6	0.0	51.9
Port Moresby General Hospital Infrastructure and Improvement	0.0	0.0	0.0	0.0
Defence Barracks Maintenance and Improvement	0.0	0.0	0.0	0.0
Restoration and Development Grant (ABG)	151.8	0.0	120.4	31.5
PNG LNG Additional Equity	0.7	0.0	0.0	0.7
2015 Pacific Games	89.3	0.0	75.6	13.7
Trade Skills Scholarships	3.5	0.0	0.4	3.1
Central Malalaua Highway	10.0	0.0	0.0	10.0
Trans East-West New Britain Highway	0.7	0.0	0.3	0.4
Kokopau to Arawa Road Upgrading	3.6	0.0	3.5	0.1
TOTAL	550.5	74.1	257.4	274.6

Source: Department of Finance

Note

The opening balance for the Urbanization Pilots and Rural District Road Trust Accounts have been w as adjusted to reflect all their subsidiary accounts.

It is also noted that all trust accounts which also had main account in BPNG did not include the balances from BPNG as Statements w ere not available on time. You w ill note that number of deposits not included in the Receipt column as BPNG statements w ere not available in time.

The opening balance of the Budget Funded Trust Accounts as at 1 January 2014 was K550.5 million. Deposits totaled a K74.1 million from 1 January to 30 June 2014. Expenditure incurred in this period totaled K257.4 million, and the closing balance at 30 June 2014 was K274.6 million.

As at the reporting date only K163.8 million of the K645.0 million appropriated in the 2013Supplementary Budget and 2014 Budget has been released by Department of Treasury. Included in this amount is K143.8 million for the 2015 Pacific Games that was paid directly to the PM & NEC and not via the Trust Accounts system and K20.0 million for High Impact Projects. The remaining funds will be released as required or as funds become available.

The following 2014 Budget funded trust accounts funds will be released when funds are available.

- 2015 South Pacific Games - (K231.2 million)
- Infrastructure Development Grant (UBSA) – (K120.0 million)
- High Impact Projects (UBSA) – (K30.0 million)
- Restoration and Development Grant – (K100.0 million)

Following is a summary of expenditure above K5 million from Budget Funded Trust Accounts for the period 1 January – 30 June 2014:

- **K13.3 million was spent from the District Service Improvement Program Trust Account** for implementation of the District Services Improvement Program around the 89 districts of PNG during this period.
- **K42.7 million was spent from the PNG LNG High Impact Infrastructure Trust** during this period in relation to impact projects associated with the LNG project in the Southern Highlands Province.
- **K120.4 million was spent from the Restoration and Development Grant (ABG) Trust Account** during this period in relation to restoration of infrastructure development through the ABG Government.
- **K75.6 million was spent from the 2015 Pacific Games Trust Account** during this period in relation to the payment of contractors of the 2015 Pacific Games infrastructure and consultants and the Games Authority.

District Services Improvement Program (DSIP) Trust Accounts

DSIP Trust Accounts are designed to fund priority expenditure programs in the districts. A total of K1,611 million has been paid into the DSIP Trust Account over the period 2006 up to and including 30 June 2014.

Take note that after Government opted for multi-year budgeting framework all DSIP funds have been going through the Development Budget since 2013.

However, Table 8 shows expenditure from the subsidiary DSIP Trust Accounts for the 89 districts. As at 30 June 2014 the combined balance of the subsidiary DSIP Trust Accounts is K40.8 million.

Table 12: Movements of funds in District Service Improvement Program (DSIP) Trust1 January 2014-30 June 2014 (Kina, million)

District	Total Fund Paid into Trust	Balance as at 1/1/2014	DSIP Debits (Receipts)	Non DSIP Deposits	Credits (Payments)	Balance as at 6/30/2014
Abau	18,000,000	24.47	0	0	20	4.47
Goilala	18,000,000	2,830.50	0	0	20	2,810.50
KairukuHiri	18,000,000	34,823.24	0	0	20	34,803.24
Rigo	18,000,000	1,482.07	0	0	20	1,462.07
Gazelle	18,000,000	133,402.21	0	0	20	133,382.21
Kokopo	18,000,000	114,164.82	0	0	20	114,144.82
Pomio	18,000,000	19,449.38	0	0	11,025	8,424.38
Rabaul	18,000,000	1,182,918.45	0	0	-69	1,182,987.41
Ambunti-Drekikir	18,000,000	27,060.02	0	0	20	27,040.02
Angoram	18,000,000	2,298,796.33	0	0	24,778	2,274,018.50
Maprik	18,000,000	408,914.20	0	0	-23	408,937.07
Wewak	18,000,000	1,955,422.86	0	0	49,853	1,905,569.86
Wosera-Gawi	18,000,000	79,613.83	0	0	20	79,593.83
Yangogoru-Saussia	18,000,000	54.47	0	0	20	34.47
Daulo	18,000,000	35,578	0	0	40	35,538.00

Goroka	18,000,000	57,485.72	0	0	20	57,465.72
Henganofi	18,000,000	5,015.03	0	0	20	4,995.03
Kainantu	18,000,000	1,163.63	0	0	20	1,143.63
Lufa	18,000,000	14,286.75	0	0	20	14,266.75
Obura-Wanenara	18,000,000	734,024.15	0	0	-37	734,061.07
Okapa	18,000,000	5,087.50	0	0	20	5,067.50
Unggai-Bena	18,000,000	3,684.76	0	0	2,884	800.84
Kandep	20,000,000	13,328.29	0	0	20	13,308.29
Kompam-Ambun	18,000,000	6,735.56	0	0	20	6,715.56
Lagaip-Porgera	18,000,000	15,956.38	0	0	20	15,936.38
Wabag	18,000,000	26,925.35	0	0	20	26,905.35
Wapenamanda	18,000,000	128.76	0	0	26	102.76
Kerema	18,000,000	12,769.01	0	0	20	12,749.01
Kikori	18,000,000	4,098.00	0	0	26	4,072.00
Bogia	18,000,000	2,381,761.34	0	0	2,089,312	292,449.78
Madang	18,000,000	233,526.62	0	0	20	233,506.62
Middle Ramu	18,000,000	2,195.46	0	0	20	2,175.46
Raikos	18,000,000	2,039.85	0	0	20	2,019.85
Sumkar	18,000,000	61.11	0	0	37	23.93
Usino-Bundi	18,000,000	73,272.89	0	0	20	73,252.89
Manus	19,000,000	5,001,757.95	0	0	-504	5,002,262.10
Alotau / Rabaraba	18,000,000	81,799.06	0	0	20	81,779.06
Esa'ala	18,000,000	351,281.76	0	0	-17	351,298.52
Kiriw ina	18,000,000	212,841.45	0	0	20	212,821.45
SamaraiMurua	18,000,000	3,826.11	0	0	20	3,806.11
Bulolo	18,000,000	21,748.57	0	0	45	21,703.57
Finschaffan	18,000,000	2,702,203.78	0	0	35,548	2,666,656.16
Huon Gulf	18,000,000	543,013.38	0	0	61,596	481,417.37
Kabw um	18,000,000	42.45	0	0	21	21.05
Lae	18,000,000	539.44	0	0	20	519.44
Markham	18,000,000	592,319.06	0	0	18,970	573,349.18
Menyamya	18,000,000	238,129.69	0	0	20	238,109.69
Naw aeb	18,000,000	136,665.31	0	0	26	136,639.31
Tew a-Siasi	18,000,000	2,274,610.27	0	0	-218	2,274,828.64
Moresby North East	18,000,000	121,161.89	0	0	20	121,141.89
Moresby North West	18,000,000	142.18	0	0	20	122.18
Moresby South	18,000,000	32,587.00	0	0	20	32,567.18
Kavieng	18,000,000	357,621.14	0	0	1,983	355,638.57
Namatanai	18,000,000	953,335.68	0	0	-60	953,396.00
Central Bougainville	18,000,000	1,051,832.69	0	0	740,276	311,556.39
North Bougainville	18,000,000	8,335.39	0	0	70	8,265.39
South Bougainville	18,000,000	96,790.82	0	0	10	96,780.82
Ijivitari	18,000,000	198,384.87	0	0	100,026	98,358.87
Sohe	18,000,000	170,201.24	0	0	92,073	78,128.64
Aitape-Lumi	18,000,000	29,109.09	0	0	26	29,083.09
Nuku	18,000,000	203,493.14	0	0	26	203,467.14
Telefomin	20,000,000	21.31	0	0	20	1.31
Vanimo-Green	18,000,000	3,838,776.07	0	0	-362	3,839,138.35
Chuave	18,000,000	13,230.19	0	0	20	13,210.19
Gumine	18,000,000	665,434.19	0	0	-50	665,483.92
Karamui-Nomane	18,000,000	23,129.76	0	0	-4,480	27,609.76
Kerow agi	18,000,000	1,403.40	0	0	26	1,377.40
Kundiaw a-Gembogl	18,000,000	49,183.36	0	0	8,244	40,939.80
Sinasina-Yongumugl	18,000,000	1,003,035.22	0	0	-50	1,003,085.32
Ialibu-Pangia	18,000,000	3,065,877.28	0	0	60,835	3,005,041.87
Imbongu	20,000,000	10	0	0	-15	24.99
Kagua-Erave	18,000,000	74,530.42	0	0	35	74,495.42
Komo-Magarima	18,000,000	76.79	0	0	20	56.79
Koroba-L/Kopiago	18,000,000	28,731.14	0	0	20	28,711.14
Mendi	19,000,000	390,192.66	0	0	15,122	375,070.23
Nipa-Kutubu	18,000,000	8,541.37	0	0	20	8,521.37
Tari-Pori	18,000,000	1,000,052.45	0	0	-85	1,000,137.25
Kandrian	18,000,000	151,627.83	0	0	20	151,607.83
Talasea	19,000,000	2,586.44	0	0	20	2,566.44
Middle Fly	18,000,000	10,167,109.39	0	0	9,998,955	168,154.84
North Fly	18,000,000	20,166.99	0	0	175	19,991.99
South Fly	18,000,000	4,312,870.79	0	0	-432	4,313,302.75
Dei	18,000,000	251,469.49	0	0	-6	251,475.84

Hagen	18,000,000	3,643,456.62	0	0	-362	3,643,818.43
Jimi	18,000,000	29.92	0	0	20	9.92
Mul/Bayer	18,000,000	124,735.43	0	0	20	124,715.43
North Waghi	18,000,000	770.61	0	0	20	750.61
South Waghi	18,000,000	770.61	0	0	20	750.61
Tambul-Nebiler	18,000,000	1,566.76	0	0	20	1,546.76
TOTAL	1,611,000,000	54,111,240.91	0	0	13,306,157	40,805,083.64

Source: Department of Finance

In the 2013 Budget year the Government has shifted its focus on multi-year budgeting which has resulted in all DSIP appropriations being put through the District Treasury Operating account

- The DSIP Trust accounts are yet to be closed and all remaining funds will be transferred back to the DSIP Main Account at BPNG as reserve for any outstanding project payments from districts that have sufficient funding at the close of these accounts and will later be refunded to the Consolidated Revenue Fund (CRF).
- Note that certain districts were overpaid by K1 million or K2 million, this was reported previously and raised at the Ministerial level.

1.7 FINANCING

The 2014 Budget financing task comprised a budget deficit of K2,353.0 million.

The updated estimated budget deficit is expected to be K2,725.6 million in 2014 requiring further issuance to fund the State's cash needs. Additional financing of K372.6 million is required to be raised by the end of this year.

1.8 PUBLIC DEBT

Total public debt outstanding is projected to increase to K14,603.5 million at the end of 2014 which is 37.1 per cent of GDP compared to the original budget estimate of K13,955.9 million.

Table 13: Public Debt (Kina, million)

	2013 Actual	2014 Budget	June Outturn	2014 MYEFO
Domestic	8,844.8	10,458.6	10,129.6	10,929.3
Treasury Bills	4,200.7	4,250.9	4,560.1	4,721.7
Inscribed Stock	4,644.1	6,207.7	5,569.5	6,207.7
Other Domestic Debt	0.0	0.0	0.0	0.0
<i>Domestic debt as % GDP</i>	<i>25.6%</i>	<i>26.4%</i>	<i>25.7%</i>	<i>27.7%</i>
External	3,032.5	3,497.3	3,154.8	3,674.2
International Agencies	3,018.4	3,497.3	3,147.5	3,674.2
Commercial Loans	14.1	0.0	7.3	0.0
<i>External debt as % GDP</i>	<i>8.8%</i>	<i>8.8%</i>	<i>8.0%</i>	<i>9.3%</i>
Total Public Debt Outstanding	11,877.3	13,955.9	13,284.4	14,603.5
<i>As % GDP</i>	<i>34.3%</i>	<i>35.2%</i>	<i>33.7%</i>	<i>37.1%*</i>

Source: Department of Treasury and BPNG

The current legislated debt limit is 35 per cent of GDP. The updated MYEFO estimates exceed this debt limit in 2014. The 2015 National Budget will consider the debt limit in its formation.

The additional financing task from 2013 and 2014 has resulted in a buildup of Treasury Bills (short-term debt) in the portfolio resulting in the MYEFO amount estimated at K4,721.7million (Table 13). Over the forward years the Government will seek to restructure

its debt portfolio to reduce interest rate risk and refinancing risk (the risk of not being able to roll over this debt) by increasing Inscribed Stock issuance whilst decreasing Treasury Bill stock on hand.

The Medium Term Debt Strategy contains a target mix of concessional foreign currency debt of 40 per cent of total debt to benefit from the attractive financing terms offered whilst limiting exchange rate risk on public debt. The target mix of external debt does not consider the use of commercial external debt. In future years external commercial debt may comprise part of the financing task and appropriate targets will be considered as part of the 2015 National Budget.

1.9 RISKS TO THE MID YEAR ECONOMIC AND FISCAL OUTLOOK

To highlight the emerging economic and fiscal risks currently faced by PNG.

Recent global economic developments continued to impact PNG, through low commodity prices, translating into the possibility of low export earnings for the country and low receipts for the Government; as well as, posing a threat to economic activities in PNG's two biggest sectors:- the agriculture, forestry & fishing sector and mining and quarrying sector.

On the domestic front, fiscal risks have intensified for the Government in 2014 and over the medium term. Risks have emerged from political commitments and National Executive Council decisions which were made outside of the 2014 Budget process and from overspends for projects agreed in the 2014 Budget which did not have robust business plans and costings at the time of the 2014 Budget.

On the revenue side, the challenge for the Government going forward will be to ensure there is improved collection of revenue through tax compliance by revenue raising agencies. In addition, the Government will have to restrain from approving tax concessions to individual tax payers without a guiding policy or on an ad hoc basis. Of equal importance, is the possibility of the initial LNG exports having minimal impact on Government Budgets in 2014 to 2023 if LNG dividends are diverted away from the budget.

Heavy reliance of the 2014 Budget on domestic borrowings has also increased financing risks associated with interest rate and refinancing risks.

1.10 2014 AND BEYOND

Outcomes of the second round of economic parameter updates and fiscal projections for 2014 to 2019 will be incorporated into the 2015 Budget Strategy Paper (BSP). The third round of economic parameter updates and fiscal projections will be incorporated into the 2015 Budget.

1.11 FISCAL OUTTURN TABLES

TABLE 1 : CENTRAL GOVERNMENT REVENUE (KINA MILLION)

	2013 Outcome	2014 Original	2014 Revised	June Outturn	% of Budget	2014 MYEFO
TAX REVENUE	8588.5	9743.5	9743.5	4518.6	46.4%	9504.2
TAX ON INCOME AND PROFITS	6081.3	7117.2	7117.2	3189.4	44.8%	6821.9
Personal Income Tax	2808.4	2852.0	2852.0	1651.9	57.9%	2924.0
Company Tax	2060.5	2647.4	2647.4	1094.4	41.3%	2704.1
Dividend Withholding Tax	244.5	261.3	261.3	86.5	33.1%	217.6
Mining and Petroleum Taxes	666.7	1001.8	1001.8	181.8	18.1%	648.7
Interest Withholding Tax	38.5	49.0	49.0	15.4	31.3%	38.4
Gaming Tax	144.6	125.0	125.0	90.7	72.6%	135.9
Other: Direct	118.1	180.8	180.8	68.8	38.1%	153.2
DOM. TAXES ON GOODS AND SERVICES	1765.8	1879.4	1879.4	953.1	50.7%	1897.8
Excise	541.9	689.3	689.3	323.3	46.9%	689.7
GST	1217.2	1181.4	1181.4	622.0	52.6%	1199.4
Other: Indirect	6.7	8.7	8.7	7.8	89.2%	8.7
TAXES ON INTERNATIONAL TRADE	741.4	746.9	746.9	376.1	50.4%	784.5
Import Duty	257.2	288.8	288.8	123.0	42.6%	283.8
Export Duty	211.7	176.5	176.5	139.1	78.8%	227.5
Excise duties on Imports	272.5	281.6	281.6	114.0	40.5%	273.2
NON-TAX REVENUE	273.9	1260.0	1260.0	121.6	9.7%	1127.0
PROPERTY INCOME	55.0	420.0	420.0	0.0	0.0%	287.0
Dividends	55.0	287.0	287.0	0.0	0.0%	287.0
Mining and Petroleum Dividends	0.0	133.0	133.0	0.0	0.0%	0.0
INTEREST AND FEES FROM LENDING	0.0	4.0	4.0	0.0	0.0%	4.0
OTHER NON TAX REVENUE	218.9	200.0	200.0	121.4	60.7%	200.0
ASSETS SALES	0.0	600.0	600.0	0.0	0.0%	600.0
Injections from Trust	0.0	36.0	36.0	0.2	0.6%	36.0
TOTAL REVENUE	8862.4	11003.5	11003.5	4640.3	42.2%	10631.2
% of GDP	25.6%	27.8%	27.8%	11.8%		27.0%
INFRASTRUCTURE TAX CREDIT	92.8	130.0	130.0	40.2	30.9%	130.0
GRANTS	877.5	1555.0	1555.0	42.5	2.7%	1555.0
TOTAL REVENUE AND GRANTS	9832.7	12688.5	12688.5	4723.0	37.2%	12316.0
As % of GDP	28.4%	32.0%	32.0%	12.0%		31.3%
PRINCIPAL RECEIPTS FROM LENDING	1.0	4.0	4.0	0.0	0.0%	0.0
GROSS BORROWING	7,431.1	7,892.3	7892.3	3,760.4	47.6%	8268.5
TOTAL RECEIPTS	17,264.8	20,584.8	20584.8	8,483.4	41.2%	20,584.5
As % of GDP	49.9%	52.0%	52.0%	21.5%		52.2%

Source: Department of Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE AND NET LENDING (KINA MILLION)

	2013 Outcome	2014 Original	2014 Revised	June Outturn ²	% of Budget	2014 MYEFO
National Department	6490.71	9221.40	9146.26	2529.31	27.4%	9146.3
Personnel Emoluments	1463.39	1794.70	2029.25	899.31	50.1%	2029.3
Goods & Services	1919.71	3316.90	2959.10	393.55	11.9%	2959.1
Utilities, Rentals and Property Costs	555.06	594.70	596.17	230.15	38.7%	596.2
Grants Subsidies and Transfers	1285.29	1094.70	1157.73	483.97	44.2%	1157.7
Acquisition of Existing Assets	25.96	55.20	43.46	9.52	17.2%	43.5
Capital Formation	868.06	2365.20	2360.55	512.82	21.7%	2360.5
Other	373.24	0.00	0.00	0.00		0.0
Provincial Government	2813.44	3305.40	3320.43	1455.70	44.0%	3320.4
Personnel Emoluments	1006.30	1008.30	1016.50	573.23	56.9%	1016.5
Goods & Services	930.95	942.50	947.47	407.64	43.3%	947.5
Utilities, Rentals and Property Costs	0.00	0.00	0.00	2.89		0.0
Grants Subsidies and Transfers	745.76	1176.80	1178.62	461.94	39.3%	1178.6
Capital Formation	137.25	177.80	177.85	10.00	5.6%	177.8
Other (write offs and depreciations)	-6.82	0.00	0.00	0.00		0.0
Autonomous Bougainville Government	228.29	262.50	262.50	62.55	23.8%	262.5
Personnel Emoluments	56.11	64.70	64.73	31.99	49.4%	64.7
Goods & Services	4.02	4.80	4.81	0.00	0.0%	4.8
Grants Subsidies and Transfers	70.34	189.50	189.47	30.57	16.1%	189.5
Capital Formation	98.00	3.50	3.50	0.00	0.0%	3.5
Other	-0.18	0.00	0.00	0.00		0.0
Commercial & Statutory Authorities	1000.98	1623.80	1671.89	559.72	34.5%	1671.9
Personnel Emoluments	276.47	262.90	265.41	140.51	53.4%	265.4
Goods & Services	149.39	306.70	332.65	125.71	41.0%	332.7
Utilities, Rentals and Property Costs	41.93	40.80	40.78	19.51	47.8%	40.8
Grants Subsidies and Transfers	133.07	106.40	128.05	49.79	46.8%	128.1
Acquisition of Existing Assets	0.35	0.00	0.00	0.00		0.0
Capital Formation	399.78	907.00	905.00	224.21	24.7%	905.0
Capital Transfers	0.00	0.00	0.00	0.00		0.0
Interest Payments	484.90	751.30	763.32	406.48	54.1%	763.3
Domestic Interest Payments	442.70	687.40	681.44	371.28	54.0%	681.4
Foreign Interest Payments	42.20	63.90	81.89	35.19	55.1%	81.9
Infrastructure Tax Credits	92.79	130.00	130.00	40.23	30.9%	130.0
Grants	877.51	1555.00	1555.00	42.50³	2.7%	1555.0
Concessional loans	516.50	871.20	871.20	190.16	21.8%	871.2
Commercial Loans	0.00	0.00	0.00	0.00		0.0
Total Expenditure and Net Lending¹	12505.11	15294.40	15294.40	5286.65	34.6%	15294.4
%GDP	36.1%	38.6%	38.6%	13.4%	34.7%	38.8%
<i>Payroll Efficiency Savings</i>	0.0	-100.0	-100.0	0.0	0.0%	-100.0
<i>Aggregate Estimate Allowances</i>	0.0	-152.9	-152.9	0.0	0.0%	-152.9
Total Expenditure and Net Lending	12505.1	15041.5	15041.5	5286.6	35.1%	15041.5
AMORTIZATION	4361.0	5536.8	5536.8	2595.6	46.9%	5536.8
Domestic	4188.0	5313.4	5313.4	2501.1	47.1%	5313.4
External	173.0	223.4	223.4	94.5	42.3%	223.4
LNG Equity Purchase	305.0	0.0	0.0	0.0		0.0
LOAN REPAYMENTS	1.0	0.0	0.0	0.0		0.0
TOTAL PAYMENTS	17172.1	20831.2	20831.2	7882.2	37.8%	20831.2
%GDP	49.6%	52.6%	52.6%	20.0%		52.9%

Source: Department of Treasury

1. Total Expenditure and Net Lending without Payroll Efficiency Savings of K100.0 million and Aggregate Estimate Allowances of K152.9 million.

2 For Agencies, figures are purely GoPNG. Donor Grants, Tax Credit and Concessional Loans figures are a separate expenditure line item.

3 GoPNG expenditure as a percentage of the Budget spent to date.

TABLE 3: CENTRAL GOVERNMENT FINANCING (KINA MILLION)

	2013 Outcome	2014 Original	2014 Revised	June Outturn	% of Budget	2014 MYEFO
TOTAL REVENUE AND GRANTS	9832.7	12688.5	12688.5	4723.0	37.2%	12316.0
TOTAL EXPENDITURE AND NET LENDING	12505.1	15041.5	15041.5	5286.6	35.1%	15041.5
DEFICIT (-)/SURPLUS (+)	-2672.4	-2353.0	-2353.0	-563.6	24.0%	-2725.5
% of GDP	-7.7%	-5.9%	-5.9%	-1.4%		-6.9%
NET EXTERNAL FINANCING	343.6	647.8	647.8	95.7	14.8%	641.7
CONCESSIONAL FINANCING	395.1	703.5	703.5	123.4	17.5%	696.7
New Borrowing	516.5	871.2	871.2	190.2	21.8%	871.2
Less Amortisation	-121.4	-167.7	-167.7	-66.8	39.8%	-174.5
COMMERCIAL FINANCING	-14.2	-16.3	-16.3	-7.4	45.1%	-14.1
New Borrowing	0.0	0.0	0.0	0.0		0.0
Less Amortisation	-14.2	-16.3	-16.3	-7.4	45.1%	-14.1
EXCEPTIONAL FINANCING	-37.4	-39.4	-39.4	-20.3	51.6%	-40.8
New Borrowing	0.0	0.0	0.0	0.0		0.0
Less Amortisation	-37.4	-39.4	-39.4	-20.3	51.6%	-40.8
NET DOMESTIC FINANCING	2328.8	1705.2	1705.2	468.0	27.4%	2083.9
DOMESTIC MARKET BORROWING (NET)	2726.6	1707.7	1707.7	1069.2	62.6%	2083.9
New Domestic Borrowing	6609.6	7021.1	7021.1	3570.3	50.9%	7397.3
Investment Financing	305.0	0.0	0.0	0.0		0.0
Less Amortisation	-4188.0	-5313.4	-5313.4	-2501.1	47.1%	-5313.4
OTHER DOMESTIC FINANCING	-397.8	-2.5	-2.5	-601.2	0.0%	0.0
TOTAL FINANCING REQUIREMENT	2672.4	2353.0	2353.0	563.6	24.0%	2725.6
% of GDP	7.7%	6.8%	6.8%	1.4%		6.9%
GROSS BORROWING	7431.1	7892.3	7892.3	3760.4	47.6%	8268.5
Concessional	516.5	871.2	871.2	190.2	21.8%	871.2
Commercial	0.0	0.0	0.0	0.0		0.0
Exceptional	0.0	0.0	0.0	0.0		0.0
Domestic	6914.6	7021.1	7021.1	3570.3	50.9%	7397.3
GROSS AMORTISATION	4361.0	5536.8	5536.8	2595.6	46.9%	5542.9
Concessional	121.4	167.7	167.7	66.8	39.8%	174.5
Commercial	14.2	16.3	16.3	7.4	45.1%	14.1
Exceptional	37.4	39.4	39.4	20.3	51.6%	40.8
Domestic	4188.0	5313.4	5313.4	2501.1	47.1%	5313.4

Source: Department of Treasury

PART 2

MID YEAR EXPENDITURE ESTIMATES BY AGENCY

2.1 FUNDED EXPENDITURE SINCE THE 2014 BUDGET

Since the commencement of the 2014 Budget, Parliament has passed the Supplementary Appropriation (Judiciary Services) Bill 2014 (the Supplementary Budget) and the Government has also approved a number of other new spending proposals which have been funded from the Secretary's Advance under Section 3 of the Appropriation (General Public Services Expenditure 2014) Act 2013.

As reported earlier (see Part 1.5 above) the Supplementary Budget does not add to aggregate expenditure as the cost of the additional K82 million provided to Judiciary Services has been offset by an equivalent reduction in the appropriation for General Public Services, specifically K62 million from the Secretary's Advance and K20 million that was already held for Judiciary Services Infrastructure Development in Treasury & Finance Miscellaneous (Division 207).

The Supplementary Budget reduced the Secretary's Advance from K100 million to K38 million. By 30 June 2014 the residual appropriation had been transferred to other agencies to fund several new commitments as listed in Table 14.

The full utilisation of the Secretary's Advance at this stage of the year leaves the Budget without a key mechanism for dealing with urgent and unforeseen spending pressures. Any such pressures emerging in the remainder of the year will have to be through reprioritisation of existing Departmental or Provincial appropriations.

Table 14: Secretary's Advance expenditure since the 2014 Budget (Kina, million)

Recipient Department	Amount	Explanation
223 - Judiciary Services	62,000,000	Reduction in appropriation as per Supplementary Appropriation (Judicial Services) Bill 2014 to offset the cost of increased Judicial Services.
207 - Finance and Treasury Misc	1,273,100	Legal fees – brief-out to Twivey Lawyers
242 - Community Development	300,000	Contribution to funeral arrangements for Late Ms Kakas
242 - Community Development	300,000	Contribution to funeral arrangements for Late Ms. Kakas
203 - Prime Minister and NEC	10,000,000	PM's commitment
207 - Finance and Treasury Misc	20,000	Solwara 1 equity
207 - Finance and Treasury Misc	19,980,000	Solwara 1 equity
232 - Provincial and Local Govt Affairs	1,500,000	Operational costs – Office of the Deputy Prime Minister

565 - Civil Aviation Authority	2,500,000	Increased staff salaries
254 - Mining	1,000,000	CCOP Annual Session
203 - Prime Minister and NEC	120,000	Deployment of security personnel – Incident at Indonesian border
225 - Attorney General	230,000	Ramu Nickel Project dispute settlement.
207 - Finance and Treasury Misc	250,000	Transfer of funds
257 - Department of Public Enterprises	297,000	Consultancy cost L1 Ventures
254 - Mining	229,900	Vehicle purchase for Dept Head for DMPGM
TOTAL	100,000,000	

Source: Department of Treasury

2.2 2014 BUDGET EXECUTION

The 2014 Budget provided for appropriations of K15,294.5 million, a substantial increase over the total expenditure in 2013 of K13,218.7 million. After adjustment for projected payroll savings and underspending across agencies the 2014 Budget estimated total expenditure of K15,041.5 million.

The 2014 Budget provided for a continuing focus of spending on the Government's key policy priorities of infrastructure development, health services and education. Major spending commitments in these areas in 2014 include roads and bridges funding of K1,417 million, facilities for the 2015 South Pacific Games K375 million (including funding through the 2013 Supplementary Budget), continued roll-out of tuition fee free education K605 million, universities infrastructure K222.8 million, hospitals redevelopment K267.2 million and housing and land development K61 million.

Total expenditure for the year to date is K5,097.1 million or 33.9 per cent of the Revised Budget (Table 15). The rate of spending is lowest for capital works, particularly those funded through National Departments where expenditure is K752.8 million or 17.6 per cent of the full year budget. Slower initial spending on capital projects is consistent with the planning and lead times typically associated with these projects. However, the level of spending now required to achieve full expenditure within the Budget year will be challenging for many agencies.

Table 15: Total Operational and Capital Expenditure by Agency Type (Kina, million)

Agency Type	2014 Budget	2014 Revised Budget	Expenditure YTD June	Expenditure YTD / Revised Budget (%)
Operational Expenditure				
National Departments	3,553.10	3,832.70	1,648.10	43
Multi-Agency & Misc.	1,565.70	1,162.40	166.7	14.3
Statutory Authorities	377.1	411.2	223.1	54.3
Provincial Governments	1,576.60	1,581.60	743.8	47
Public Debt (Interest)	751.3	763.3	435.5	57
Sub Total	7,823.90	7,751.30	3,217.20	41.5
Capital Expenditure				
National Departments	4,233.60	4,281.20	752.8	17.6
Statutory Authorities	1,245.70	1,260.70	345.4	27.4
Provincial Governments	1,991.30	2,001.30	781.8	39.1
Sub Total	7,470.60	7,543.20	1,879.90	24.9

Total	15,294.50	15,294.50	5,097.10	33.3
Adjustments for whole of government payroll savings / underspending	-253	-253		
Total Expenditure and Net Lending	15,041.50	15,041.50	5,097.10	33.9

Source: Department of Treasury

Medium Term Development Plan (MTDP) Enablers

The 2014 Budget saw increased funding for Medium Term Development Plan enablers. The MTDP enablers focused on improving law and order, improving health, education and transport. Additionally, the Operational (formerly recurrent) Budget also provides funding for other activities which do not fit easily within the Medium Term Development Plan key enablers.

Table 16 identifies expenditure by MTDP enablers to 30 June 2014 against Revised Appropriation.

Table 16: Total Expenditure by MTDP Enabler (Kina, million)

Sector	2014 Budget	2014 Revised Budget	Expenditure YTD June	Expenditure YTD / Revised Budget (%)
MTDP Enabler				
Health	1,471.60	1,471.60	439.3	29.8
Education	2,337.80	2,337.80	508.2	21.7
Law & Justice	1,259.70	1,357.50	441.9	32.6
Transport & Infrastructure	2,094.00	2,077.60	620.5	29.9
Subtotal	7,163.10	7,244.50	2,009.90	27.7
Non MTDP spending				
Interest	762.1	774.1	435.5	56.3
Other	7,369.30	7,275.90	2,651.70	36.4
Subtotal	8,131.40	8,050.00	3,087.20	38.3
Total	15,294.50	15,294.50	5,097.10	33.3
Adjustments for whole of government payroll savings / underspending	-253	-253	-	-
Total Expenditure and Net Lending	15,041.50	15,041.50	5,097.10	33.9

Source: Department of Treasury

Expenditure against the Education enabler is driven by Personnel Emoluments expenses, for teachers in the Provinces and funding for Tuition Fee Free Education.

Expenditure for the Health Enabler is largely driven by Personnel Emoluments expenses, primarily for the staff of the Hospital Management Service (Division 241), which accommodates all the hospitals in PNG.

In 2014, expenditure for the Law and Order enabler is influenced by Defence, Police and Correctional Services which involves improvement and upgrade of these disciplinary forces.

Expenditure for the Transport and Infrastructure enabler is strongly influenced by the performance of the Department of Works.

Table 17: 2014 Capital Investment Expenditure by MTDP Enabler (Kina, Thousands)

MTDP Key Enablers	Original Budget	Revised Budget	Warrants Issued to 30 June	GoPNG Actual Expenditure 30 June	Concessional Loan Draw Down	Total Actual Expenditure	% of GoPNG actual Expenditure to Warrants Released	Expenditure Total
Land	14,000	14,000	7,810	2,000	0	2,000	0	
Law, Order and Justice	36,000	36,000	25,110	7,478	0	7,478	0	
Transport Rehabilitation and Construction	1,410,800	1,434,800	812,575	379,227	98,737	477,964	0	
Higher and Technical Education	65,000	65,000	39,100	14,000	6,114	20,114	0	
Primary and Secondary Education	17,000	17,000	7,600	0	0	0	0	
Water	5,000	5,000	2,000	1,000	0	1,000	1	
Sanitation	31,000	31,000	11,162	9,321	94	9,415	1	
Information & Communication Technology	74,000	74,000	36,000	20,000	7,969	27,969	1	
Energy Infrastructure	17,000	17,000	14,000	13,000	772	13,772	1	
Primary Health	134,000	134,000	80,880	53,900	706	54,606	1	
Sustainable Development	107,172	184,172	136,938	123,543	25,632	149,175	1	
Non-MTDP	1,897,262	1,902,262	1,384,382	748,716	1,436	750,152	1	
TOTAL	3,808,234	3,914,234	2,557,557	1,372,185	141,460	1,513,645	1	

Source: Department of National Planning and Monitoring

For further information see **ATTACHMENT J** Implementation status of High Impact Projects/ Key Productive Infrastructure Investments across the Capital Investment (Development) Budget for 2014

Table 18: Personnel Emoluments and Goods & Services Expenditure to 30 June 2014 by Agency Type (Kina, million)

Account Type	2014 Budget	2014 Revised	June Outturn	Expenditure share Revised Budget (%)
Personnel Emoluments	3,443.8	3,375.8	1,645.0	48.7
National Departments	1,474.5	1,591.2	774.9	48.7
Multi-Agency & Misc.	625.3	438.0	124.4	28.4
Statutory Authorities	262.9	265.4	140.5	52.9
Provincial Governments	1,081.2	1,081.2	605.2	56.0
Goods & Services	11,850.6	11,918.6	3,452.0	29.0
National Departments	6,312.3	6,522.6	1,626.0	24.9
Multi-Agency & Misc.	940.4	724.5	42.3	5.8
Statutory Authorities	1,359.9	1,406.5	427.9	30.4
Provincial Governments	2,486.7	2,501.7	920.3	36.8
Debt (Interest)	751.3	763.3	435.5	57.1
Total Appropriation	15,294.5	15,294.5	5,097.1	33.3
Adjustment for whole of government payroll savings / underspending	-253.0	-253.0		
Total Expenditure and Net Lending	15,041.5	15,041.5	5,097.1	33.9

Source: Department of Treasury

In total, Personal Emoluments expenditure is trending very close to Budget at 48.7 per cent (Table 18). A continuation of this trend would result in an underspend of approximately K85.8 million. However, under-expenditure is unlikely as the items causing the underspend to date are leave fares and retirement/retrenchment payments, both of which tend to increase in the latter part of the year.

Total Goods and Services expenditure is well under Budget. As noted above this trend is driven by low early spending on development projects and capital works. Details are provided in Table 20.

TABLE 19: PESONNEL EMOLUMENTS EXPENDITURE TO 30 JUNE 2014 BY ACCOUNT TYPE (KINA, MILLION)

Full Description	2014 Original	2014 Revised	Expenditure YTD	Potential (Overspend)/ Underspend
Operational Expenditure				
Salaries and Allowances inc. Staffing & Teachers Grants & Pay Increase	2,733.2	2,666.7	1,341.3	-16
Village Court Allowances	8.2	8.2	2.2	3.7
Wages	130.9	136.4	57.6	21.2
Overtime	12.8	13.3	7.5	-1.8
Leave Fares	73.5	74.4	26.7	21.1
Public Service Leave Fare	12.8	12.8	3.4	6
Teachers Leave Fares	27.1	27.1	1.9	23.3
Member for Parliament Allowances	44.6	44.6	20.4	3.8
Contract officers Education Benefits	8.6	7.9	4	-0.2
Retirement Benefits, Pensions, Gratuities and Retrenchment	383	381.1	176.4	28.3
Sub Total	3,434.7	3,372.4	1,641.5	89.4
Capital Expenditure				
Salaries and Allowances	7	1.6	2	-2.4
Wages	2.1	1.9	1.5	-1.1
Sub Total	9.1	3.5	3.5	-3.6
TOTAL	3,443.9	3,375.9	1,645.0	85.8

Note: A positive number represents underspend whilst negative number represents overspend

Source: Department of Treasury

Table 19 shows Personnel Emoluments for Operational Expenditure and Capital Expenditure. The total Personal Emoluments for Operational expenditure is trending very close to Budget at 48.7 per cent. A continuation of this trend would result in an underspend of approximately K85.8 million.

Given the nature of the projects, there is a small share of Personnel Emoluments for Capital Expenditure. Compared to the original expenditure, there would be an overspend of K3.6 million, if this expenditure trend is continued.

Table 20: Goods & Services Expenditure to 30 June 2014 by Account Type (Kina, million)

Account Type	2014 Budget	2014 Revised Budget	YTD Expenditure	Potential (Overspend)/ Underspend
Operational Expenditure				
Domestic Travel	4.5	4.5	2.0	44.1
Overseas Travel	-	-	-	
Travel and Subsistence	109.8	112.4	44.1	39.2
Utilities	211.1	212.7	92.9	43.7
Office Materials and Supplies	25.2	24.9	9.2	37.0
Operational Materials and Supplies	283.9	282.8	118.2	41.8
Transport and Fuel	64.5	64.5	26.1	40.5
Administrative Consultancy Fees	53.7	59.6	15.4	25.8
Rental Accommodation	-	-	80.8	
Rentals of Property	267.6	266.7	33.8	12.7
Routine Maintenance	149.4	154.7	43.7	28.2
Other Operational Expenses	804.7	721.4	69.3	9.6
Training	42.8	42.8	13.8	32.3
Membership Fees and Contributions	23.5	23.3	8.6	37.0
Administration Grant	25.4	25.4	7.5	29.5

Education Function Grant	96.3	96.3	26.8	27.9
Goods & Services Grants - ABG	19.1	19.1	5.2	27.3
Grants and Transfers to National Departments	-	-	0.0	
Grants and Transfers to Public Authorities	780.3	840.2	386.2	46.0
Health Function Grant	89.4	89.4	25.2	28.2
Infrastructure Grant	126.2	126.2	36.8	29.2
LLG Village Services Grant	53.1	53.1	5.0	9.4
National Functions and Powers Grants	0.3	0.3	0.1	27.3
Police & Services Grants - ABG	2.8	2.8	0.8	27.3
Primary Production Grant	29.9	29.9	9.1	30.5
Service Delivery Grant	43.0	43.0	12.3	28.7
Towns and Urban Services Grants	3.7	3.7	1.0	27.3
Village Courts Grant	6.2	6.2	1.7	28.2
Grants to Individuals and Non-Profit Organisations	72.2	74.3	33.5	45.1
Domestic Interest Payments	678.6	678.6	-	-
Interest - I/Stock	-	-	319.8	
Interest - T/Bills	-	-	51.4	
Foreign Interest Payments	37.5	37.5	31.7	84.6
Borrowing Related Charges	26.4	44.4	32.6	73.4
Domestic Loan Expense	8.9	2.9	-	
Acquisition of Lands, Buildings and Intangible Assets	13.2	1.5	-	-
Information & Communication Technology	10.0	10.1	0.1	0.9
Office Furniture and Equipment	33.6	36.8	9.0	24.5
Purchase of Vehicles	11.0	19.0	4.8	25.4
Feasibility Studies, Project Preparation and Design	0.0	0.0	0.0	43.8
Plant Equipment and Machinery	51.0	48.7	3.5	7.2
Construction Renovation and Improvement	95.9	85.3	11.4	13.4
Substantial and Specific Maintenance	34.3	34.0	2.1	6.3
Sub Total	4,389.1	4,378.9	1,575.7	36.0
Capital Expenditure				
Domestic Travel	4.5	4.7	2.0	42.2
Travel and Subsistence	1.0	1.2	1.1	92.2
Utilities	0.1	0.2	0.2	100.0
Office Materials and Supplies	4.7	4.9	1.6	33.0
Operational Materials and Supplies	54.1	40.3	11.9	29.5
Transport and Fuel	1.8	2.0	1.2	58.6
Administrative Consultancy Fees	129.7	141.7	10.6	7.4
Rentals of Property	0.1	0.8	0.8	100.0
Routine Maintenance	7.1	1.9	0.4	21.3
Other Operational Expenses	2,599.1	2,654.2	611.5	23.0
Training	66.6	66.9	7.6	11.4
Other Category for Donor Funded Projects	15.2	15.2	-	-
Grants and Transfers to Public Authorities	1,199.0	1,232.0	411.4	33.4
Special Support Grants	-	-	-	
Grants to Individuals and Non-Profit Organisations	118.7	118.7	55.0	46.3
Acquisition of Lands, Buildings and Intangible Assets	42.0	42.0	9.5	22.7
Information & Communication Technology	69.6	71.4	2.5	3.5
Office Furniture and Equipment	0.5	0.5	0.1	26.1
Purchase of Vehicles	1.1	1.2	0.9	74.5
Feasibility Studies, Project Preparation and	54.0	51.0	20.8	40.8

Design				
Plant Equipment and Machinery	36.3	33.2	2.7	8.3
Construction Renovation and Improvement	3,037.2	3,006.6	714.2	23.8
Substantial and Specific Maintenance	15.0	45.0	10.0	22.2
Procurement Category for Donor Funded Projects	4.0	4.0	0.3	7.8
Sub Total	7,461.5	7,539.7	1,876.3	24.9
Total	11,850.6	11,918.6	3,452.0	29.0

Source: Department of Treasury

Funding for Capital Investment Expenditure

The aim of Capital Investment funding is to establish the fundamental physical, human and social capital that will serve as the foundation for human development and sustainable economic growth. This is achieved by closely aligning this budget with the strategic plans of the Nation including the Vision 2050, the PNG Development Strategic Plan and the MTDP 2011-2015. Funding of the key MTDP enablers will establish a conducive environment for economic growth in all other sectors and this has again been given prominence. The capital investment component also reflects the priorities of the O'Neill-Dion Government, as it physically implements the priorities and directives of the Alotau Accord. This includes large investment projects such as the Pacific Games 2015, road projects such as the Missing Links road from Baiyer to Madang, the East-West New Britain Highway and investments in human and social capital, such as the Fee Free Primary Education Program. Other High Impact Projects in the Capital Investment Budget include regional grants to our Pacific Neighbours, Major Hospitals, large road improvement programs especially in the Highland, POM and Lae City Roads and vital investments in maritime and air transport infrastructure.

Between January and June, the GoPNG Budget Capital Investment of K4,916.6 million was increased to K4,987.2 million by the Government. This is the most significant share with 66.0 per cent of the revised Total Capital Investment. Contributions from the development partner's, both loans and grants, still play a significant role and comprise of 20.1 per cent and 11.5 per cent respectively.

Table 21 shows all components of the 2014 Capital Investment of the Budget. It shows the Direct Financing component and funds from Development Partners (both loans and grants) and Infrastructure Tax Credits.

Table 21: Capital Investment Expenditures 2013 – 2014 (Kina, million)

	2013 Actual	2014 Budget	2014 Revised	June Outturn	2014 MYEFO
GoPNG	3,632.8	4,914.60	4,987.2	1,825.6	4,987.2
Donor Project Grants	877.7	1,555.00	1,555.0	42.5*	1,555.0
Infrastructure Tax Credits	92.8	130.00	130.0	40.2	130.0
Loans	516.5	871.20	871.2	190.2	871.2
Concessional	516.5	871.20	871.2	190.2	871.2
Commercial	-	-	-	-	-
Total Capital Investment Expenditure	5,119.6	7,470.8	7,543.4	2,098.5	7,543.4

Source: Department of National Planning and Monitoring

* Note: Data on grants released is available only for those released by the Australian Department of Foreign Affairs and Trade for the 1st quarter which explains the low incidence of project grant support expenditure.

While appropriations set the overall target for this year, the expenditures until the 30th of June give an indication of how far the government has progressed in financing the above policy targets. Overall, 27.8 per cent of appropriated funds have been expended by the end of June. It is a recurring experience that capital investment projects have delayed funding, as procurement and contracting must be finalized before capital works can begin. The Capital Investment component comprises large fixed commitments (Service Improvement Program funding to provinces, districts and LLG's, the District Support Grants, the High Impact (SIP) grant to AGB, Memorandum's of Understanding) and the above strategic targets. These are important commitments that must receive full funding until the end of the year. Therefore, expected expenditures in the Capital Investment component until the end of the year are equal to revised appropriations.

GoPNG WARRANTS AND EXPENDITURE

The Table below summarizes the total funding released to date to implementing agencies. This is the GoPNG direct financing or Cash component of the Capital Investment Expenditures and does not include concessional loans or project support grants from donors or Tax Credit Scheme funds.

Table 22: Funding released by Classification (K, million)

	2014 Budget	2014 Revised	Warrants released to June	June Unspent Outturn	Warrants as % of Revised	Outturn as % of Warrants	Outturn as % of Revised	
Commercial & Statutory Authorities	780.8	795.8	374.5	336.6	37.9	47.0%	90.0%	42.0%
National Department	2183.8	2231.3	1432.6	714.5	718.1	64.0%	50.0%	32.0%
Provincial Government	1950.1	1960.1	959.2	774.5	184.7	49.0%	81.0%	40.0%
Total	4914.6	4987.2	2766.4	1825.6	940.7	55.0%	66.0%	37.0%

Source: Department of National Planning and Monitoring

As of the 30th of June, 2014;

1. The Capital Expenditure component of the National Budget, the Public Investment Programme increased from the original appropriation of K4.915 billion to the revised appropriation of K4.987 billion, an increase of K72 million. The revised appropriation is the result of a movement of funds from the Recurrent Budget, Vote 207 (Treasury & Finance Miscellaneous) into the capital investment component to finance the following projects: K10 million for Court House Design & Maintenance, implemented by the National Judiciary (NJSS), K15.0 million to the National Development Bank for NDB Credit Micro Bank, and K10.0 million to Simbu for the Kerowagi Agriculture Development Project;
2. K2.77 billion or 55.0 per cent of the revised appropriation has been warranted and released to agencies and provinces to date:

- i. National Departments received K1,432.7 million in warrants, or 64.0 per cent of their revised appropriation. 50.0 per cent of these warrants have been expended.
- ii. Commercial & State Bodies received K374.5 million in warrants, or 47.0 per cent of their revised appropriation. The majority of this funding (90.0 per cent) was expended before July.
- iii. Provincial Governments received K959.2 million in warrants, or 49.0 per cent of their revised appropriation and 81.0 per cent of these warrants have been expended.

The 2014 trend in actual expenditure across the GoPNG direct funding component of the Public Investment Programme demonstrates an improvement from previous years. National Departments and Provinces have expended a higher percentage of warrants this year than in 2013 and previous years. In 2013 28.0 per cent of warrants had been expended by National Departments and 61.0 per cent of warrants to Provinces. However, the warrants released to provinces were lower than in 2013.

- 1) Total expenditure in the first half of the fiscal year is K1.826 billion, or 66.0 per cent of warrants released and 37.0 per cent of the overall capital investment appropriation. This is in line with the trend of previous years, with actual expenditures accelerating and improving towards the end of the year.
- 2) Total Warrant un-spent is K940.7 million. The disbursement of these funds has been impacted by the low position of the Waigani Public Account in the first half of 2014.
- 3) Whilst departments and agencies are spending, reports of around 2.0 per cent of expenditure are yet to reach the Department of Finance. Once this is updated, the unspent total will decrease.

Medium Term Development Plan 2011-2015 Expenditures

In line with previous years, resources have been targeted towards the Medium Term Development Plan (MTDP) key enablers: higher and tertiary education, primary and secondary education, law and order, land administration, key infrastructure, utilities, health and sustainable development. Funding allocation towards key enablers facilitates a conducive environment for the growth potential in other sectors and ensures that government funds are targeted towards the areas with the highest returns.

Table 23 shows Government of PNG capital investment figures for the year 2014 broken down by MTDP categories.

Table 23: GoPNG Capital Investment Funds released to MTDP Enablers (Kina, million)

MTDP Category	2014 Budget	2014 Revised	Warrants released to June	June Outturn	Outturn as % of Revised
Key MTDP-Enablers	2,618.0	2,638.6	1,508.0	840.0	32.0%
Energy	33.0	33.0	11.9	6.9	21.0%
Higher and Technical Education	100.0	100.0	40.2	20.2	20.0%
Information and Communication Technology	11.5	11.5	4.5	4.5	39.0%
Land Development	86.0	86.0	69.0	11.7	14.0%
Law, Order and Justice	23.0	53.0	50.5	10.0	19.0%
Primary and Preventative Health	225.0	225.0	63.3	28.8	13.0%
Primary and Secondary Education	27.1	27.1	13.1	5.4	20.0%
Research and Development	2.0	2.0	1.6	1.6	78.0%
Sustainable Development	348.2	348.2	227.3	104.8	30.0%
Transport Rehabilitation and Construction	1,762.2	1,752.8	1,026.6	646.2	37.0%
MTDP	97.1	92.1	46.4	28.3	31.0%
Non-MTDP	2,199.6	2,256.5	1,212.0	957.4	42.0%
Grand Total	4,914.6	4,987.2	2,766.4	1,825.6	37.0%

Source: Department of National Planning and Monitoring

The total revised appropriation towards the MTDP enablers has been K2,638.6 million this year or 53.2 per cent of the total GoPNG Capital Component. Until the 30th of June, K1,508.0 million has been released in warrants towards the MTDP Enablers and out of these, K840.0 million have been expended.

As was the case in the 2013 Budget, spending towards Transport Rehabilitation and Construction represents the largest share of MTDP funding as this is a critical sector for all economic activities in the country. Overall, K1,026.6 million has been warranted and K646.2 million has been expended in this sector. Expenditure as a percentage of the revised appropriation has increased from the 2013 MYEFO, at 37 per cent this year, relative to 33 per cent in 2013. This is in line with average spending over the entire GoPNG Capital Investment Budget.

Other sectors that display above average June Outturns as a percentage of revised appropriations are Information and Communication Technology and Research and Development with 39 per cent and 78 per cent respectively.

A key sector showing low levels of expenditure to date is primary and preventative health. This is due to several major hospitals being not yet in their construction phase. These issues are discussed in further detail in **Attachment J**.

2014 HIGH IMPACT PROJECTS AND PROGRAMMES

These high impact projects have been identified as providing exceptionally high returns. For the majority of these major, nation building infrastructure projects, close to 100 per cent of their revised appropriations have already been warranted and released. Expenditures as a percentage of the revised budget for these projects (46 per cent) lie above the average for the Capital Investment component as a whole (37 per cent). This reflects the priority that has been given to funding these important projects. Some projects however have received warrants or spent funds significantly below their appropriations. Implementation issues of these will be discussed in **Attachment J**.

Table 24 provides an update of the level of funding released to major programs funded through 2014 capital investment expenditures.

Table 24: GoPNG Funds Released to Major Programs – (Kina, million)

Department	Project Name	2014 Budget	2014 Revised	Warrants released to June	June Outturn	Outturn as % of Revised
PM & NEC	2015 SP Games	59.2	59.2	30.0	30.0	0.5
Finance	FMIP	10.0	10.0	10.0	9.1	0.9
Treasury	IDG	120.0	120.0	0.0	0.0	0.0
Foreign Affairs	Regional Development Grant to SI	20.0	20.0	20.0	20.0	1.0
Foreign Affairs	Support to Fiji General Elections	25.0	25.0	15.0	10.0	0.4
Judiciary	Court House Design & Maintenance	40.0	40.0	40.0	10.0	0.3
DNPM	PNG Church State Partnership	25.0	25.0	25.0	22.5	0.9
DNPM	Identity Card (with Biometrics)	10.0	10.0	10.0	6.8	0.7
DNPM	Sustainable Development Program	25.0	25.0	25.0	6.9	0.3
DNPM	Housing & Land Development	61.0	61.0	61.0	8.4	0.1
DNPM	Kokopo City Infrastructure Dev	20.0	20.0	20.0	20.0	1.0
Hosp Mnt Serv	Major Hospitals	130.0	130.0	47.5	27.0	0.2
Lands	Customary Land Acquisition	25.0	25.0	8.0	3.3	0.1
Commerce	Special Economic Corridor	50.0	50.0	50.0	15.2	0.3
State Enterprise	Government Information Systems	4.0	4.0	4.0	4.0	1.0
DoW	H/ Region Roads Improv Invst Prog	50.0	50.0	50.0	0.0	0.0
DoW	ADB 5 Highlands Provinces	25.0	25.0	23.0	15.0	0.6
DoW	ADB Bridge Replacement	20.0	20.0	12.0	0.0	0.0
DoW	Highlands Highway	150.0	150.0	129.0	22.5	0.2
DoW	POM City Roads	170.0	170.0	145.0	145.0	0.9
DoW	Lae City Roads	100.0	100.0	60.0	57.6	0.6
DoW	East New Britain Highway	15.0	15.0	13.0	5.0	0.3
DoW	H/Region Roads Improv Invst Progl	22.0	22.0	15.9	15.9	0.7
DoW	Nat Roads Rehab & Maintenance	100.0	100.0	45.0	19.0	0.2
DoW	Aitape District Wharf Construction	14.0	14.0	14.0	14.0	1.0
DoW	Mt Hagen City Roads	40.0	40.0	40.0	40.0	1.0
DoW	Kisenapoi – Kagua	15.0	15.0	10.5	5.9	0.4
DoW	ADB Roads Shortfall (6 Roads)	26.0	26.0	26.0	0.0	0.0
IPBC	Lae Port Development	270.0	270.0	163.1	145.0	0.5
IPBC	POM Sewerage	20.0	20.0	9.6	8.8	0.4
NAC	Jackson's Airport Upgrade	30.0	30.0	30.0	30.0	1.0
NAC	CADIP	26.0	26.0	17.3	17.3	0.7
Cocoa Board	All projects	16.8	16.8	16.8	16.8	1.0
Provinces	DSIP	890.0	890.0	534.0	501.0	0.6
Provinces	PSIP	445.0	445.0	246.5	210.5	0.5
Provinces	LLGSIP	157.0	157.0	46.9	22.7	0.1
TOTAL		3226.0	3226.0	2013.1	1485.1	0.5

Source: Department of National Planning and Monitoring

2014 ALOTAU ACCORD KEY PRIORITIES FUNDING STATUS

The 2014 Public Investment Program is also guided by the Alotau Accord, as per the direction of the O'Neill-Dion Coalition Government. This includes vital infrastructure links and social goods and services, major National events and funding towards our Pacific neighbors.

The Budget has allocated K419.0 million towards Alotau Accord Key Priority Areas, where K157.6 million is the donor component whilst K262.2 million is the GoPNG component. Total funding released from the GoPNG component to individual projects are outlined in Table 25.

Table 25: GoPNG Funds released by Alotau Accord - (Kina, million)

Department	Project Name	2014 Budget	2014 Revised	Warrants Released to	June Outturn Outturn	Outturn as % of Revised
PM & NEC	Pacific Games 2015	59.2	59.2	30.0	30.0	51.0%
Foreign Affairs	Reconstruction of PNG High Commission in Fiji & Solomon Is	5.0	5.0	3.1	0.1	2.0%
NJSS	Court House Maintenance	40.0	40.0	40.0	40.0	100.0%
DNPM	PNG State Church Partnership Program	25.0	25.0	25.0	22.5	90.0%
DNPM	Identity Card (with Biometrics)	10.0	10.0	10.0	6.8	68.0%
DoW	Missing Links - Baiyer to Madang	10.0	10.0	-	-	0.0%
HMS	POM General Hospital	30.0	30.0	5.0	-	0.0%
DoW	East-West New Britain Highway	15.0	15.0	13.0	5.0	33.0%
Dow	East Cape Road	5.0	5.0	-	-	0.0%
Law Reform C	Review of 150 Existing Legislations	1.0	1.0	-	-	0.0%
IPBC	PNG LNG Fibre Cable	55.0	55.0	4.0	-	0.0%
NAC	Airport Upgrade & Rehab - Jacksons	30.0	0.0	30.0	30.0	-
PNG Power	POM Grid Development	4.0	4.0	3.0	1.0	25.0%
TPA	Tourism Master Plan	3.0	3.0	1.3	1.3	43.0%
TOTAL		262.2	262.2	164.4	136.6	52.0%

Source: Department of National Planning and Monitoring

The table indicates that 52 per cent of the funds appropriated for key priority funding as per the Alotau Accord were expended until the end of June, significantly higher than the 37 per cent for Capital Investment expenditures as a whole.

Some projects have received low levels of funding. A thorough review of their progress is conducted within DNPM to ensure their successful completion. Results from these reviews are discussed in detail in **Attachment J**.

MAJOR ISSUES/CHALLENGES IN THE FIRST PART OF 2014

There have been challenges during the year that prevented a timely release of funds and expenditure of funds by agencies. These issues included:

- National and Provincial Departments are asked to provide cash flows and work plans early in the year, which guide the release of funds. Some agencies released these only several months into the budget year. This led to a low level of funds released in the first half of the budget year. Next year, agencies will be informed of the requirement to provide these documents early after the release of the budget book, so that they have the chance to provide them early in the year.
- For funds to be used by agencies, they need to have finished all necessary procurement. In turn, this requires that all design work has been completed. Many agencies face capacity constraints in this regards, which delays the procurement process. DNPM will continue to work with agencies to improve this capacity, so they are able to start works and expend funds on time.
- The Waigani Public Accounts (WPA) from which all funds are released to agencies, recorded low inflows of revenues in the last three months. This affected the ability to disburse funds to agencies. These issues have been resolved successfully and funds are currently released without further delays.

PART 3 ATTACHMENTS

ATTACHMENT A	SUMMARY OF NATIONAL BUDGET EXPENDITURE
ATTACHMENT B	NATIONAL DEPARTMENTS OPERATIONAL EXPENDITURE
ATTACHMENT C	STATUTORY AUTHORITIES OPERATIONAL EXPENDITURE
ATTACHMENT D	PROVINCIAL GOVERNMENTS OPERATIONAL EXPENDITURE
ATTACHMENT E	NATIONAL DEPARTMENTS CAPITAL EXPENDITURE
ATTACHMENT F	STATUTORY AUTHORITIES CAPITAL EXPENDITURE
ATTACHMENT G	PROVINCIAL GOVERNMENTS CAPITAL EXPENDITURE
ATTACHMENT H	NATIONAL BUDGET PERSONNEL EMOLUMENTS
ATTACHMENT I	NATIONAL BUDGET GOODS & SERVICES
ATTACHMENT J	IMPLEMENTATION OF HIGH IMPACT AND ALOTAU ACCORD PROJECTS:

Attachment A:

SUMMARY OF NATIONAL BUDGET EXPENDITURE MYEFO 2014 (KINA, MILLIONS)

Agency Type	2014 Budget	2014 Revised	Expenditure YTD
Operational Expenditure	7,823.9	7,751.3	3,217.2
National Departments	3,553.1	3,832.7	1,648.1
Personnel Emoluments	1,466.8	1,589.3	773.9
Goods & Services	2,086.4	2,243.4	874.2
Multi-Agency & Misc.	1,565.7	1,162.4	166.7
Personnel Emoluments	625.3	43.0	124.4
Goods & Services	940.4	724.5	42.3
Statutory Authorities	377.1	411.2	223.1
Personnel Emoluments	261.4	263.9	139.3
Goods & Services	115.7	147.3	83.8
Provincial Governments	1,576.6	1,581.6	743.8
Personnel Emoluments	1,081.2	1,081.2	603.9
Goods & Services	495.4	500.4	139.8
Debt (Interest Repayment)	751.3	763.3	435.5
Capital Expenditure	7,470.6	7,543.2	1,879.9
National Departments	4,233.6	4,281.2	752.8
Personnel Emoluments (Non-Cash)	7.7	2.0	1.0
Goods & Services (Non-Cash)	2,176.1	2,229.3	713.5
Goods & Services (Cash)	2,049.8	2,049.8	38.3
Statutory Authorities	1,245.7	1,260.7	345.4
Personnel Emoluments (Non-Cash)	1.5	1.5	1.2
Goods & Services (Non-Cash)	779.3	794.3	335.4
Goods & Services (Cash)	464.9	464.9	8.7
Provincial Governments	1,991.3	2,001.3	781.8
Personnel Emoluments (Non-Cash)	-	-	1.3
Goods & Services (Non-Cash)	1,950.1	1,960.1	773.2
Goods & Services (Cash)	41.2	41.2	7.3
Total	15,294.5	15,294.5	5,097.1

Source: Department of Treasury

Attachment B:

NATIONAL DEPARTMENTS OPERATIONAL EXPENDITURE MYEFO 2014 (KINA, MILLION)

Agency Name	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
201 - National Parliament	130.7	177.2	118.5	116.8
202 - Governor-General	4.7	4.7	2.9	3.0
203 - Prime Minister and NEC	80.7	106.7	64.7	47.1
204 - National Statistics Office	6.0	7.8	5.2	3.8
205 - Bougainville Affairs	3.3	4.9	2.2	1.7
206 - Finance	27.9	27.9	14.5	9.5
207 - Finance and Treasury Misc	1565.7	1162.4	302.9	166.7
208 - Treasury	25.0	28.6	17.6	11.5
209 - ORPP	7.5	7.5	4.4	3.5
211 - PNG Customs Service	45.5	45.5	20.5	11.5
212 - ITD	19.8	19.8	9.9	4.7
213 - Fire Services	17.6	17.6	8.8	9.2
215 - PNG Immigration and Citizenship Services	8.7	8.7	4.3	6.4
216 - Internal Revenue Commission	57.7	57.7	29.5	17.6
217 - Foreign Affairs	66.6	66.6	43.3	40.2
218 - Office of the Public Prosecutor	6.9	6.9	4.1	3.5
219 - PNG Institute of Public Administration	6.8	6.8	3.4	2.3
220 - Personnel Management	19.2	70.7	28.0	17.3
221 - Public Service Commission	6.2	6.2	3.2	2.6
222 - Office of Public Solicitor	11.8	11.8	6.4	5.2
223 - Judiciary Services	77.0	129.0	59.3	80.5
224 - Magisterial Services	36.7	36.7	18.4	28.5
225 - Attorney General	44.2	90.0	67.7	23.4
226 - Correctional Institutions	116.1	116.1	58.9	35.2
227 - Provincial Treasuries	40.1	40.1	20.0	17.1
228 - Police	347.0	362.0	180.9	130.4
229 - Planning and Monitoring	17.5	17.7	9.0	7.9
230 - Electoral Commission	26.1	26.1	13.4	9.4
231 - National Intelligence Organisation	4.4	4.4	2.6	3.8
232 - Provincial and Local Govt Affairs	15.7	24.9	18.0	12.2
234 - Defence	238.0	238.0	146.3	88.0
235 - Education	830.8	830.8	638.9	359.0
236 - Higher Education Commission	52.7	52.7	39.8	26.4
237 - Office of UNESCO	2.1	2.1	0.2	1.1
238 - Milne Bay Provincial Health Authority	24.6	24.6	11.2	3.1
239 - Western Highlands Provincial Health Authority	29.1	29.1	13.2	7.4
240 - Health	316.6	324.3	246.2	148.9
241 - Hospital Management Services	386.1	398.4	193.5	212.9
242 - Community Development	13.7	15.8	9.5	8.4
243 - National Volunteer Service	1.2	1.2	0.6	0.6
244 - Eastern Highlands Provincial Health Authority	28.7	28.7	9.2	2.0
245 - Environment and Conservation	21.8	21.8	10.9	9.5
246 - Office of Urbanization	1.6	1.6	0.3	-
247 - Agriculture and Livestock	15.0	15.0	7.9	7.3
252 - Lands and Physical Planning	37.0	29.1	20.2	13.2
254 - Mining	8.3	9.6	5.5	5.1
255 - Petroleum and Energy	19.6	24.6	12.4	8.4
257 - Department of Public Enterprises	3.8	5.6	3.7	3.2
258 - Department of Information and Communication	4.2	4.2	2.1	1.9
259 - Transport	23.3	23.3	11.5	8.7
261 - Trade and Industry	13.2	13.2	6.5	5.8
262 - Industrial Relations	17.1	17.1	8.6	8.2
263 - National Tripartite Consultative Council	0.9	0.9	0.6	0.5
264 - Works and Implementation	174.2	179.2	92.9	47.9
267 - Office of Rural Development	6.8	6.8	3.4	2.6
268 - Central Supply and Tenders Board	2.6	2.6	1.3	0.8
269 - Office of Tourism Arts and Culture	2.0	2.0	1.0	1.4
Grand Total	5118.3	4995.0	2640.0	1814.8

Source: Department of Treasury

Attachment C:

STATUTORY AUTHORITIES OPERATIONAL EXPENDITURE MYEFO 2014 (KINA, MILLION)

Agency Name	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
502 - Auditor General	18.0	18.0	9.0	9.0
503 - Ombudsman	18.1	18.1	9.0	9.0
505 - National Research Institute	4.8	4.8	2.1	2.1
506 - National Training Council	2.7	2.7	1.4	1.7
507 - National Economic and Fiscal Commission	2.9	2.9	1.9	1.7
509 - Border Development Authority	4.4	6.4	4.1	4.1
510 - Legal Training Institute	2.5	2.5	1.2	1.2
511 - Office of Climate Change	7.8	7.8	4.7	4.6
512 - UPNG	43.5	46.5	24.7	24.7
513 - UNITECH	44.4	44.4	22.2	22.2
514 - University of Goroka	17.6	17.6	8.8	8.8
515 - University of Natural Resources	15.3	15.3	7.6	7.6
516 - PNG Sports Commission	10.2	10.2	5.1	7.0
517 - Narcotics Bureau	4.4	4.4	2.2	2.8
518 - PNG Maritime	3.3	3.3	1.6	1.6
519 - AIDS Council	8.3	8.3	4.1	4.1
520 - Institute of Medical Research	7.7	7.7	3.9	3.9
521 - National Youth Commission	4.3	4.3	2.2	2.2
522 - Constitutional and Law Reform Commission	3.0	3.0	1.5	1.5
523 - Accidents & Investigation Commission	5.0	5.0	2.5	2.5
525 - National Broadcasting Commission	28.1	28.1	14.1	14.1
526 - National Maritime Safety Authority	1.7	1.7	0.9	0.9
530 - Investment Promotion Authority	2.9	2.9	1.4	1.4
531 - Small Business Goods and Services Corporation	2.8	2.8	1.4	1.4
532 - National Institute of Standards and Industrial Technology	3.3	3.3	1.7	2.2
533 - Industrial Centres Development Corporation	2.3	2.3	1.2	1.2
536 - Kokonas Industry Koproration	1.1	1.1	0.5	0.5
539 - National Museum	9.0	9.0	4.5	5.4
541 - National Housing Corporation	0.2	0.2	0.1	(0.6)
542 - National Cultural Commission	4.5	24.5	22.0	17.1
549 - Coastal Fisheries	2.4	2.4	1.2	1.2
550 - Cocoa Coconut Institute	6.6	6.6	3.3	3.3
553 - Fresh Produce Development Company	5.5	5.5	2.8	2.8
554 - Coconut Industry Corporation	3.2	3.2	2.1	2.1
557 - PNG National Forest Authority	29.9	36.6	21.6	21.6
558 - Tourism Promotion Authority	10.7	10.7	5.4	5.4
562 - National Agriculture Research Institute	9.1	9.1	4.5	4.5
563 - National Agriculture Quarantine & Inspection Authority	4.7	4.7	2.0	4.9
565 - Civil Aviation Authority	11.1	13.6	6.4	6.5
569 - Independent Consumer and Competition Commission	9.6	9.6	4.8	4.8
Grand Total	377.1	411.2	221.7	223.1

Source: Department of Treasury

Attachment D:

PROVINCIAL GOVERNMENTS OPERATIONAL EXPENDITURE MYEFO 2014 (KINA, MILLION)

Agency Name	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
571 - Western Provincial Government	47.9	47.9	15.9	25.9
572 - Gulf Provincial Government	46.7	46.7	16.2	17.5
573 - Central Provincial Government	79.8	79.8	27.1	34.5
574 - National Capital District Commission	3.9	3.9	1.4	1.1
575 - Milne Bay Provincial Government	72.1	72.1	24.2	34.7
576 - Oro Provincial Government	47.6	47.6	16.2	19.5
577 - Southern Highland Province	93.5	93.5	24.3	57.7
578 - Enga Provincial Government	73.9	73.9	22.7	42.2
579 - West Highland Provincial Government	85.9	85.9	23.7	47.3
580 - Simbu Provincial Government	93.4	93.4	29.3	45.8
581 - Eastern Highland Provincial Government	90.3	90.3	28.1	43.7
582 - Morobe Provincial Government	108.2	108.2	26.5	65.8
583 - Madang Provincial Government	108.8	108.8	34.2	61.8
584 - East Sepik Provincial Government	119.2	119.2	40.0	53.5
585 - Sandaun Provincial Government	92.8	92.8	25.4	33.6
586 - Manus Provincial Government	44.2	44.2	12.5	15.3
587 - New Ireland Provincial Government	42.5	42.5	10.0	22.9
588 - East New Britain Provincial Government	92.0	92.0	23.6	43.0
589 - West New Britain Provincial Government	65.5	65.5	16.9	30.9
590 - Autonomous Bougainville Government	87.0	87.0	27.8	38.1
591 - Hela Provincial Government	38.9	43.9	14.5	6.4
592 - Jiw aka Provincial Government	42.6	42.6	12.7	2.6
Grand Total	1576.6	1581.6	473.3	743.8

Source: Department of Treasury

Attachment E:

NATIONAL DEPARTMENT'S CAPITAL EXPENDITURE MYEFO 2014 (KINA, MILLION)

Agency Name	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
203 - Prime Minister and NEC	108.6	108.6	30.0	30.0
206 – Finance	24.4	24.4	10.0	9.1
208 – Treasury	195.5	239.5	95.1	64.7
211 - PNG Customs Service	18.0	18.0	18.0	1.8
213 - Fire Services	5.0	5.0	3.0	0.1
216 - Internal Revenue Commission	18.5	18.5	18.5	5.9
217 - Foreign Affairs	60.5	60.5	41.7	32.4
220 - Personnel Management	149.9	149.9	-	-
223 - Judiciary Services	10.0	40.0	40.0	10.0
224 - Magisterial Services	12.5	12.5	-	-
225 - Attorney General	70.7	70.7	1.5	0.6
228 – Police	87.3	87.3	-	-
229 - Planning and Monitoring	499.2	499.2	143.6	66.6
230 - Electoral Commission	10.9	10.9	-	-
232 - Provincial and Local Govt Affairs	59.0	59.0	-	-
234 – Defence	8.0	8.0	-	-
235 – Education	251.4	251.4	15.1	3.7
236 - Higher Education Commission	157.5	157.5	26.2	8.5
240 – Health	349.7	349.7	9.0	-
241 - Hospital Management Services	130.0	130.0	47.5	27.0
242 - Community Development	112.8	112.8	1.0	0.5
245 - Environment and Conservation	30.0	30.0	5.2	1.3
247 - Agriculture and Livestock	31.6	31.6	10.6	10.6
252 - Lands and Physical Planning	25.0	33.0	16.0	5.5
254 – Mining	4.9	4.9	3.7	0.4
255 - Petroleum and Energy	7.2	7.2	-	-
258 - Department of Information and Communication	57.6	57.6	4.0	4.7
259 – Transport	6.7	6.7	-	-
261 - Trade and Industry	126.8	111.8	100.0	16.3
262 - Industrial Relations	10.0	10.0	6.1	1.3
264 - Works and Implementation	1,538.9	1,519.5	731.2	444.2
267 - Office of Rural Development	55.5	55.5	55.5	7.5
Grand Total	4,233.6	4,281.2	1,432.6	752.8

Source: Department of Treasury

Attachment F:

STATUTORY AUTHORITIES CAPITAL EXPENDITURE MYEFO 2014 (KINA, MILLION)

Agency Name	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
506 - National Training Council	0.4	0.4	-	-
509 - Border Development Authority	15.9	15.9	5.0	-
511 - Office of Climate Change	7.6	7.6	-	-
512 - UPNG	28.1	28.1	5.0	5.0
513 - UNITECH	20.0	20.0	-	-
514 - University of Goroka	25.4	25.4	-	-
515 - University of Natural Resources	10.0	10.0	9.0	9.0
516 - PNG Sports Commission	10.0	10.0	4.2	4.2
519 - AIDS Council	19.0	19.0	3.0	3.0
520 - Institute of Medical Research	4.0	4.0	1.8	1.8
521 - National Youth Commission	5.0	5.0	1.0	1.0
522 - Constitutional and Law Reform Commission	1.0	1.0	-	-
523 - Accidents & Investigation Commission	0.6	0.6	0.6	0.6
524 - Independent Public Business Corporation	514.5	514.5	176.7	153.8
525 - National Broadcasting Commission	8.7	8.7	-	-
526 - National Maritime Safety Authority	11.9	11.9	-	-
531 - Small Business Goods and Services Corporation	3.6	3.6	3.6	3.6
535 - Mineral Resources Authority	5.9	5.9	-	5.4
536 - Kokonas Industry Corporation	12.0	12.0	7.2	7.2
537 - National Airports Corporation	149.7	149.7	52.4	52.4
538 - Papua New Guinea Air Services Limited	16.3	16.3	2.0	2.0
539 - National Museum	26.0	26.0	0.5	0.5
542 - National Cultural Commission	0.7	0.7	-	-
543 - National Development Bank	85.0	100.0	30.0	30.0
546 - PNG Power Limited	125.3	125.3	10.5	5.5
549 - Coastal Fisheries	40.0	40.0	26.0	21.0
550 - Cocoa Coconut Institute	10.0	10.0	6.5	6.5
551 - Fisheries (Project)	4.0	4.0	-	-
553 - Fresh Produce Development Company	6.0	6.0	3.2	3.2
554 - Coconut Industry Corporation	29.2	29.2	6.5	6.5
557 - PNG National Forest Authority	1.9	1.9	-	-
558 - Tourism Promotion Authority	3.0	3.0	1.3	1.3
559 - PNG Oil Palm Industry Corporation	10.2	10.2	-	3.4
562 - National Agriculture Research Institute	7.6	7.6	-	-
563 - National Agriculture Quarantine & Inspection Authority	2.5	2.5	1.4	1.4
566 - Cocoa Board	16.8	16.8	16.8	16.8
568 - Livestock Development Corporation	8.0	8.0	0.4	0.4
Grand Total	1,245.7	1,260.7	374.5	345.4

Source: Department of Treasury

Attachment G:

PROVINCIAL GOVERNMENTS CAPITAL EXPENDITURE MYEFO 2014 (KINA, MILLION)

Agency Name	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
571 - Western Provincial Government	75.0	75.0	38.1	26.9
572 - Gulf Provincial Government	42.8	42.8	24.5	19.0
573 - Central Provincial Government	67.2	67.2	37.5	33.7
574 - National Capital District Commission	58.2	58.2	34.2	36.8
575 - Milne Bay Provincial Government	68.0	68.0	37.9	32.8
576 - Oro Provincial Government	34.5	34.5	23.4	16.5
577 - Southern Highland Province	142.2	142.2	70.2	48.0
578 - Enga Provincial Government	148.1	148.1	53.7	43.4
579 - West Highland Provincial Government	104.5	104.5	56.9	35.0
580 - Simbu Provincial Government	105.0	115.0	66.5	63.5
581 - Eastern Highland Provincial Government	156.0	156.0	65.1	60.7
582 - Morobe Provincial Government	160.3	160.3	73.0	64.7
583 - Madang Provincial Government	114.3	114.3	51.4	46.5
584 - East Sepik Provincial Government	103.0	103.0	52.2	47.8
585 - Sandaun Provincial Government	68.5	68.5	38.1	32.9
586 - Manus Provincial Government	21.0	21.0	12.8	11.3
587 - New Ireland Provincial Government	53.7	53.7	23.4	17.4
588 - East New Britain Provincial Government	69.0	69.0	38.2	33.7
589 - West New Britain Provincial Government	43.5	43.5	23.7	19.7
590 - Autonomous Bougainville Government	175.5	175.5	44.0	24.5
591 - Hela Provincial Government	100.0	100.0	64.2	38.8
592 - Jiwaka Provincial Government	81.0	81.0	30.8	28.6
Grand Total	1,991.3	2,001.3	959.2	781.8

Source: Department of Treasury

Attachment H:

Agency Name	Budget Type	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
201 - National Parliament	Operational Expenditure	86.2	121.2	78.7	78.7
202 - Governor-General	Operational Expenditure	2.3	2.3	1.4	1.4
203 - Prime Minister and NEC	Operational Expenditure	47.9	47.9	21.4	23.1
204 - National Statistics Office	Operational Expenditure	4.4	4.4	2.3	3.2
205 - Bougainville Affairs	Operational Expenditure	1.7	1.7	0.9	0.8
206 – Finance	Operational Expenditure	14.9	14.9	7.6	4.3
	Capital Expenditure	7.0	1.6	1.6	0.8
207 - Finance and Treasury Misc	Operational Expenditure	625.3	438.0	49.5	124.4
208 – Treasury	Operational Expenditure	18.5	17.9	9.1	5.5
209 – ORPP	Operational Expenditure	4.6	4.6	2.2	1.4
211 - PNG Customs Service	Operational Expenditure	23.6	23.6	9.5	6.3
212 – ITD	Operational Expenditure	5.4	5.4	2.7	1.0
213 - Fire Services	Operational Expenditure	10.3	10.3	5.1	6.1
215 - PNG Immigration and Citizenship Services	Operational Expenditure	8.7	8.7	4.3	6.4
216 - Internal Revenue Commission	Operational Expenditure	26.0	26.0	14.1	9.5
217 - Foreign Affairs	Operational Expenditure	34.3	32.3	19.5	18.3
218 - Office of the Public Prosecutor	Operational Expenditure	4.8	4.7	2.5	2.2
219 - PNG Institute of Public Administration	Operational Expenditure	4.8	4.8	2.4	1.7
220 - Personnel Management	Operational Expenditure	14.1	63.4	23.3	14.0
221 - Public Service Commission	Operational Expenditure	4.7	4.7	2.4	1.8
222 - Office of Public Solicitor	Operational Expenditure	7.9	7.9	4.0	3.7
223 - Judiciary Services	Operational Expenditure	-	-	-	21.2
224 - Magisterial Services	Operational Expenditure	28.2	28.2	14.1	24.3
225 - Attorney General	Operational Expenditure	22.4	60.7	48.1	11.9
226 - Correctional Institutions	Operational Expenditure	71.2	70.1	34.0	23.0
227 - Provincial Treasuries	Operational Expenditure	30.2	30.2	15.1	13.3
228 – Police	Operational Expenditure	177.1	177.1	85.6	86.7
229 - Planning and Monitoring	Operational Expenditure	10.9	10.9	5.7	5.3
230 - Electoral Commission	Operational Expenditure	7.3	7.3	3.6	2.9
231 - National Intelligence Organisation	Operational Expenditure	2.2	2.2	1.1	1.8
232 - Provincial and Local Govt Affairs	Operational Expenditure	8.7	8.7	4.3	3.3
234 – Defence	Operational Expenditure	103.7	103.6	52.2	53.2

235 – Education	Operational Expenditure	117.9	118.0	58.9	57.1
236 - Higher Education Commission	Operational Expenditure	3.5	3.5	1.5	1.4
237 - Office of UNESCO	Operational Expenditure	1.5	1.5	0.1	1.0
238 - Milne Bay Provincial Health Authority	Operational Expenditure	19.3	19.3	8.8	0.6
239 - Western Highlands Provincial Health Authority	Operational Expenditure	23.0	23.0	10.2	4.3
240 – Health	Operational Expenditure	70.5	70.5	34.1	31.1
241 - Hospital Management Services	Operational Expenditure	266.3	269.7	128.9	172.7
242 - Community Development	Operational Expenditure	9.8	9.7	4.9	5.0
243 - National Volunteer Service	Operational Expenditure	0.9	0.9	0.5	0.5
244 - Eastern Highlands Provincial Health Authority	Operational Expenditure	23.2	23.2	7.1	0.5
245 - Environment and Conservation	Operational Expenditure	6.5	6.5	3.3	3.0
246 - Office of Urbanization	Operational Expenditure	1.3	1.3	0.2	-
247 - Agriculture and Livestock	Operational Expenditure	11.0	11.0	5.5	5.0
	Capital Expenditure	0.5	0.3	0.3	0.3
252 - Lands and Physical Planning	Operational Expenditure	14.9	14.9	7.4	5.9
254 – Mining	Operational Expenditure	5.0	5.0	2.5	2.4
255 - Petroleum and Energy	Operational Expenditure	10.6	10.6	5.2	4.0
257 - Department of Public Enterprises	Operational Expenditure	2.1	1.8	1.1	1.6
258 - Department of Information and Communication	Operational Expenditure	1.6	1.6	0.8	0.7
259 – Transport	Operational Expenditure	11.8	11.8	6.0	4.9
261 - Trade and Industry	Operational Expenditure	6.5	6.5	3.2	3.1
	Capital Expenditure	0.2	0.2	-	-
262 - Industrial Relations	Operational Expenditure	12.6	12.7	6.4	6.1
263 - National Tripartite Consultative Council	Operational Expenditure	0.4	0.4	0.2	0.1
264 - Works and Implementation	Operational Expenditure	52.8	53.7	26.4	23.2
267 - Office of Rural Development	Operational Expenditure	4.2	4.2	2.1	1.6
268 - Central Supply and Tenders Board	Operational Expenditure	1.4	1.4	0.7	0.5
269 - Office of Tourism Arts and Culture	Operational Expenditure	1.0	1.0	0.5	0.8
502 - Auditor General	Operational Expenditure	7.4	7.4	3.7	3.7
503 – Ombudsman	Operational Expenditure	9.3	9.3	4.7	4.7
505 - National Research Institute	Operational Expenditure	3.2	3.2	1.4	1.4
506 - National Training Council	Operational Expenditure	0.9	0.9	0.5	0.8
507 - National Economic and Fiscal Commission	Operational Expenditure	1.1	1.1	0.5	0.4
509 - Border Development Authority	Operational Expenditure	2.0	2.0	0.9	0.9
510 - Legal Training Institute	Operational Expenditure	1.2	1.2	0.6	0.6
511 - Office of Climate Change	Operational Expenditure	2.0	2.0	1.0	1.8

	Expenditure				
512 – UPNG	Operational Expenditure	40.8	40.8	20.4	20.4
513 – UNITECH	Operational Expenditure	35.7	35.7	17.8	17.8
514 - University of Goroka	Operational Expenditure	15.8	15.8	7.9	7.9
515 - University of Natural Resources	Operational Expenditure	13.6	13.6	6.8	6.8
516 - PNG Sports Commission	Operational Expenditure	6.3	6.3	3.1	5.0
517 - Narcotics Bureau	Operational Expenditure	2.3	2.3	1.1	1.9
518 - PNG Maritime	Operational Expenditure	3.3	3.3	1.6	1.6
519 - AIDS Council	Operational Expenditure	6.6	6.6	3.3	3.3
520 - Institute of Medical Research	Operational Expenditure	6.0	6.0	3.0	3.0
521 - National Youth Commission	Operational Expenditure	1.7	1.7	0.9	1.3
522 - Constitutional and Law Reform Commission	Operational Expenditure	2.0	2.0	1.0	1.0
523 - Accidents & Investigation Commission	Operational Expenditure	4.4	4.4	2.2	2.2
525 - National Broadcasting Commission	Operational Expenditure	15.2	15.2	7.6	7.6
530 - Investment Promotion Authority	Operational Expenditure	1.4	1.4	0.7	0.7
531 - Small Business Goods and Services Corporation	Operational Expenditure	2.7	2.7	1.3	1.3
532 - National Institute of Standards and Industrial Technology	Operational Expenditure	1.8	1.8	0.9	1.5
533 - Industrial Centres Development Corporation	Operational Expenditure	2.1	2.1	1.1	1.1
536 - Kokonas Industry Corporation	Operational Expenditure	0.1	0.1	0.1	0.1
	Capital Expenditure	0.3	0.3	0.3	0.3
539 - National Museum	Operational Expenditure	4.5	4.5	2.2	3.1
541 - National Housing Corporation	Operational Expenditure	-	-	-	-0.7
542 - National Cultural Commission	Operational Expenditure	2.9	2.9	1.3	1.7
549 - Coastal Fisheries	Operational Expenditure	1.7	1.7	0.9	0.9
550 - Cocoa Coconut Institute	Operational Expenditure	5.3	5.3	2.7	2.7
	Capital Expenditure	0.5	0.5	0.4	0.4
551 - Fisheries (Project)	Operational Expenditure	-	-	-	0.0
553 - Fresh Produce Development Company	Operational Expenditure	2.9	2.9	1.5	1.5
	Capital Expenditure	0.5	0.5	0.3	0.3
554 - Coconut Industry Corporation	Operational Expenditure	1.8	1.8	1.2	1.2
	Capital Expenditure	0.0	0.0	0.0	0.0
557 - PNG National Forest Authority	Operational Expenditure	22.0	22.0	11.0	11.0
558 - Tourism Promotion Authority	Operational Expenditure	1.9	1.9	1.0	1.0
562 - National Agriculture Research Institute	Operational Expenditure	8.7	8.7	4.3	4.3
563 - National Agriculture Quarantine & Inspection Authority	Operational Expenditure	4.7	4.7	2.0	4.9
565 - Civil Aviation Authority	Operational Expenditure	10.1	12.6	5.9	6.0

566 - Cocoa Board	Capital Expenditure	0.2	0.2	0.2	0.2
569 - Independent Consumer and Competition Commission	Operational Expenditure	6.1	6.1	3.1	3.1
571 - Western Provincial Government	Operational Expenditure	41.1	41.1	14.0	24.7
572 - Gulf Provincial Government	Operational Expenditure	23.8	23.8	7.8	11.7
573 - Central Provincial Government	Operational Expenditure	51.3	51.3	16.7	27.0
574 - National Capital District Commission	Operational Expenditure	0.2	0.2	0.1	0.0
575 - Milne Bay Provincial Government	Operational Expenditure	39.5	39.5	13.2	24.2
576 - Oro Provincial Government	Operational Expenditure	29.4	29.4	9.6	14.8
577 - Southern Highland Province	Operational Expenditure	75.8	75.8	16.9	53.5
578 - Enga Provincial Government	Operational Expenditure	48.3	48.3	11.3	35.6
579 - West Highland Provincial Government	Operational Expenditure	68.3	68.3	16.2	44.3
580 - Simbu Provincial Government	Operational Expenditure	60.5	60.5	14.3	34.0
581 - Eastern Highland Provincial Government	Operational Expenditure	58.3	58.3	13.9	35.7
582 - Morobe Provincial Government	Operational Expenditure	93.3	93.3	21.6	62.3
583 - Madang Provincial Government	Operational Expenditure	65.7	65.7	15.4	44.6
584 - East Sepik Provincial Government	Operational Expenditure	63.4	63.4	14.9	36.8
585 - Sandaun Provincial Government	Operational Expenditure	52.7	52.7	11.6	23.4
586 - Manus Provincial Government	Operational Expenditure	27.8	27.8	6.3	11.9
587 - New Ireland Provincial Government	Operational Expenditure	39.1	39.1	8.9	22.1
588 - East New Britain Provincial Government	Operational Expenditure	69.4	69.4	15.7	37.4
589 - West New Britain Provincial Government	Operational Expenditure	52.2	52.2	12.2	27.6
590 - Autonomous Bougainville Government	Operational Expenditure	64.7	64.7	19.5	32.0
591 - Hela Provincial Government	Operational Expenditure	27.5	27.5	6.1	0.1
592 - Jiwaka Provincial Government	Operational Expenditure	28.8	28.8	6.4	0.1
	Capital Expenditure	-	-	-	1.3
Grand Total		3443.9	3375.9	1259.8	1645.0

Source: Department of Treasury

Attachment I:

GOODS & SERVICES NATIONAL BUDGET MYEFO 2014 (KINA, MILLION)

Agency Name	Budget Type	2014 Original	2014 Revised	Warrants YTD	Expenditure YTD
201 - National Parliament	Operational Expenditure	44.6	56.1	39.8	38.1
202 - Governor-General	Operational Expenditure	2.4	2.4	1.5	1.5
203 - Prime Minister and NEC	Operational Expenditure	32.8	58.8	43.3	24.0
	Capital Expenditure	108.6	108.6	30.0	30.0
204 - National Statistics Office	Operational Expenditure	1.6	3.4	2.9	0.6
205 - Bougainville Affairs	Operational Expenditure	1.5	3.1	1.3	0.9
206 – Finance	Operational Expenditure	13.0	12.9	6.9	5.2
	Capital Expenditure	17.4	22.8	8.4	8.4
207 - Finance and Treasury Misc	Operational Expenditure	940.4	724.5	253.5	42.3
208 – Treasury	Operational Expenditure	6.5	10.7	8.5	6.0
	Capital Expenditure	195.5	239.5	95.1	64.7
209 – ORPP	Operational Expenditure	2.9	2.9	2.2	2.0
211 - PNG Customs Service	Operational Expenditure	21.9	21.9	11.0	5.2
	Capital Expenditure	18.0	18.0	18.0	1.8
212 – ITD	Operational Expenditure	14.3	14.3	7.2	3.7
213 - Fire Services	Operational Expenditure	7.3	7.3	3.7	3.1
	Capital Expenditure	5.0	5.0	3.0	0.1
216 - Internal Revenue Commission	Operational Expenditure	31.7	31.7	15.4	8.1
	Capital Expenditure	18.5	18.5	18.5	5.9
217 - Foreign Affairs	Operational Expenditure	32.3	34.3	23.8	21.8
	Capital Expenditure	60.5	60.5	41.7	32.4
218 - Office of the Public Prosecutor	Operational Expenditure	2.1	2.2	1.6	1.4
219 - PNG Institute of Public Administration	Operational Expenditure	2.0	2.0	1.0	0.6
220 - Personnel Management	Operational Expenditure	5.7	7.3	4.8	3.3
	Capital Expenditure	149.9	149.9	-	-
221 - Public Service Commission	Operational Expenditure	1.4	1.4	0.8	0.7
222 - Office of Public Solicitor	Operational Expenditure	4.0	4.0	2.4	1.4
223 - Judiciary Services	Operational Expenditure	77.0	129.0	59.3	59.3
	Capital Expenditure	10.0	40.0	40.0	10.0
224 - Magisterial Services	Operational Expenditure	8.5	8.5	4.3	4.3
	Capital Expenditure	12.5	12.5	-	-
225 - Attorney General	Operational Expenditure	21.8	29.3	19.6	11.5
	Capital Expenditure	70.7	70.7	1.5	0.6
226 - Correctional Institutions	Operational Expenditure	44.9	46.0	24.9	12.2
227 - Provincial Treasuries	Operational Expenditure	9.9	9.9	4.9	3.8
228 – Police	Operational Expenditure	169.9	184.9	95.3	43.7
	Capital Expenditure	87.3	87.3	-	-
229 - Planning and Monitoring	Operational Expenditure	6.6	6.7	3.3	2.6
	Capital Expenditure	499.2	499.2	143.6	66.6
230 - Electoral Commission	Operational Expenditure	18.8	18.8	9.8	6.5
	Capital Expenditure	10.9	10.9	-	-
231 - National Intelligence Organisation	Operational Expenditure	2.2	2.2	1.5	1.9
232 - Provincial and Local Govt Affairs	Operational Expenditure	7.0	16.3	13.6	8.9
	Capital Expenditure	59.0	59.0	-	-
234 – Defence	Operational Expenditure	134.2	134.4	94.1	34.8

	Capital Expenditure	8.0	8.0	-	-
235 – Education	Operational Expenditure	712.9	712.8	580.0	301.8
	Capital Expenditure	251.4	251.4	15.1	3.7
236 - Higher Education Commission	Operational Expenditure	49.2	49.2	38.3	25.0
	Capital Expenditure	157.5	157.5	26.2	8.5
237 - Office of UNESCO	Operational Expenditure	0.6	0.6	0.0	0.1
238 - Milne Bay Provincial Health Authority	Operational Expenditure	5.4	5.4	2.4	2.4
239 - Western Highlands Provincial Health Authority	Operational Expenditure	6.1	6.1	3.1	3.1
240 – Health	Operational Expenditure	246.1	253.8	212.2	117.8
	Capital Expenditure	349.7	349.7	9.0	-
241 - Hospital Management Services	Operational Expenditure	119.8	128.7	64.6	40.1
	Capital Expenditure	130.0	130.0	47.5	27.0
242 - Community Development	Operational Expenditure	3.9	6.0	4.6	3.4
	Capital Expenditure	112.8	112.8	1.0	0.5
243 - National Volunteer Service	Operational Expenditure	0.3	0.3	0.2	0.2
244 - Eastern Highlands Provincial Health Authority	Operational Expenditure	5.5	5.5	2.1	1.5
245 - Environment and Conservation	Operational Expenditure	15.3	15.3	7.6	6.5
	Capital Expenditure	30.0	30.0	5.2	1.3
246 - Office of Urbanization	Operational Expenditure	0.3	0.3	0.1	-
247 - Agriculture and Livestock	Operational Expenditure	4.0	4.0	2.4	2.3
	Capital Expenditure	31.1	31.4	10.3	10.4
252 - Lands and Physical Planning	Operational Expenditure	22.2	14.2	12.8	7.3
	Capital Expenditure	25.0	33.0	16.0	5.5
254 – Mining	Operational Expenditure	3.4	4.6	3.0	2.7
	Capital Expenditure	4.9	4.9	3.7	0.4
255 - Petroleum and Energy	Operational Expenditure	8.9	13.9	7.2	4.4
	Capital Expenditure	7.2	7.2	-	-
257 - Department of Public Enterprises	Operational Expenditure	1.7	3.8	2.6	1.5
258 - Department of Information and Communication	Operational Expenditure	2.6	2.6	1.3	1.1
	Capital Expenditure	57.6	57.6	4.0	4.7
259 – Transport	Operational Expenditure	11.5	11.5	5.5	3.8
	Capital Expenditure	6.7	6.7	-	-
261 - Trade and Industry	Operational Expenditure	6.7	6.7	3.3	2.7
	Capital Expenditure	126.7	111.7	100.0	16.3
262 - Industrial Relations	Operational Expenditure	4.5	4.4	2.2	2.2
	Capital Expenditure	10.0	10.0	6.1	1.3
263 - National Tripartite Consultative Council	Operational Expenditure	0.5	0.5	0.4	0.4
264 - Works and Implementation	Operational Expenditure	121.4	125.5	66.5	24.7
	Capital Expenditure	1,538.9	1,519.5	731.2	444.2
267 - Office of Rural Development	Operational Expenditure	2.6	2.6	1.3	1.0
	Capital Expenditure	55.5	55.5	55.5	7.5
268 - Central Supply and Tenders Board	Operational Expenditure	1.3	1.3	0.6	0.3
269 - Office of Tourism Arts and Culture	Operational Expenditure	1.0	1.0	0.5	0.5
299 - Debt Services	Operational Expenditure	751.3	763.3	763.3	435.5
502 - Auditor General	Operational Expenditure	10.6	10.6	5.3	5.3
503 - Ombudsman	Operational Expenditure	8.8	8.8	4.4	4.4
505 - National Research Institute	Operational Expenditure	1.7	1.7	0.7	0.7
506 - National Training Council	Operational Expenditure	1.8	1.8	0.9	0.9

	Capital Expenditure	0.4	0.4	-	-
507 - National Economic and Fiscal Commission	Operational Expenditure	1.9	1.9	1.4	1.3
509 - Border Development Authority	Operational Expenditure	2.3	4.3	3.2	3.2
	Capital Expenditure	15.9	15.9	5.0	-
510 - Legal Training Institute	Operational Expenditure	1.3	1.3	0.6	0.6
511 - Office of Climate Change	Operational Expenditure	5.8	5.8	3.7	2.8
	Capital Expenditure	7.6	7.6	-	-
512 – UPNG	Operational Expenditure	2.7	5.7	4.3	4.3
	Capital Expenditure	28.1	28.1	5.0	5.0
513 – UNITECH	Operational Expenditure	8.8	8.8	4.4	4.4
	Capital Expenditure	20.0	20.0	-	-
514 - University of Goroka	Operational Expenditure	1.8	1.8	0.9	0.9
	Capital Expenditure	25.4	25.4	-	-
515 - University of Natural Resources	Operational Expenditure	1.7	1.7	0.8	0.8
	Capital Expenditure	10.0	10.0	9.0	9.0
516 - PNG Sports Commission	Operational Expenditure	3.9	3.9	1.9	1.9
	Capital Expenditure	10.0	10.0	4.2	4.2
517 - Narcotics Bureau	Operational Expenditure	2.2	2.2	1.1	0.9
519 - AIDS Council	Operational Expenditure	1.7	1.7	0.8	0.8
	Capital Expenditure	19.0	19.0	3.0	3.0
520 - Institute of Medical Research	Operational Expenditure	1.8	1.8	0.9	0.9
	Capital Expenditure	4.0	4.0	1.8	1.8
521 - National Youth Commission	Operational Expenditure	2.6	2.6	1.3	0.9
	Capital Expenditure	5.0	5.0	1.0	1.0
522 - Constitutional and Law Reform Commission	Operational Expenditure	1.1	1.1	0.5	0.5
	Capital Expenditure	1.0	1.0	-	-
523 - Accidents & Investigation Commission	Operational Expenditure	0.6	0.6	0.3	0.3
	Capital Expenditure	0.6	0.6	0.6	0.6
524 - Independent Public Business Corporation	Capital Expenditure	514.5	514.5	176.7	153.8
525 - National Broadcasting Commission	Operational Expenditure	12.9	12.9	6.5	6.5
	Capital Expenditure	8.7	8.7	-	-
526 - National Maritime Safety Authority	Operational Expenditure	1.7	1.7	0.9	0.9
	Capital Expenditure	11.9	11.9	-	-
530 - Investment Promotion Authority	Operational Expenditure	1.4	1.4	0.7	0.7
531 - Small Business Goods and Services Corporation	Operational Expenditure	0.1	0.1	0.1	0.1
	Capital Expenditure	3.6	3.6	3.6	3.6
532 - National Institute of Standards and Industrial Technology	Operational Expenditure	1.5	1.5	0.7	0.7
533 - Industrial Centres Development Corporation	Operational Expenditure	0.2	0.2	0.1	0.1
535 - Mineral Resources Authority	Capital Expenditure	5.9	5.9	-	5.4
536 - Kokonas Industry Korporation	Operational Expenditure	0.9	0.9	0.5	0.5
	Capital Expenditure	11.7	11.7	6.9	6.9
537 - National Airports Corporation	Capital Expenditure	149.7	149.7	52.4	52.4
538 - Papua New Guinea Air Services Limited	Capital Expenditure	16.3	16.3	2.0	2.0
539 - National Museum	Operational Expenditure	4.5	4.5	2.3	2.3
	Capital Expenditure	26.0	26.0	0.5	0.5
541 - National Housing Corporation	Operational Expenditure	0.2	0.2	0.1	0.1

542 - National Cultural Commission	Operational Expenditure	1.6	21.6	20.7	15.4
	Capital Expenditure	0.7	0.7	-	-
543 - National Development Bank	Capital Expenditure	85.0	100.0	30.0	30.0
546 - PNG Power Limited	Capital Expenditure	125.3	125.3	10.5	5.5
549 - Coastal Fisheries	Operational Expenditure	0.7	0.7	0.4	0.4
	Capital Expenditure	40.0	40.0	26.0	21.0
550 - Cocoa Coconut Institute	Operational Expenditure	1.3	1.3	0.6	0.6
	Capital Expenditure	9.5	9.5	6.1	6.1
551 - Fisheries (Project)	Capital Expenditure	4.0	4.0	-	-
553 - Fresh Produce Development Company	Operational Expenditure	2.6	2.6	1.3	1.3
	Capital Expenditure	5.5	5.5	2.9	2.9
554 - Coconut Industry Corporation	Operational Expenditure	1.4	1.4	0.9	0.9
	Capital Expenditure	29.2	29.2	6.5	6.5
557 - PNG National Forest Authority	Operational Expenditure	8.0	14.6	10.7	10.7
	Capital Expenditure	1.9	1.9	-	-
558 - Tourism Promotion Authority	Operational Expenditure	8.8	8.8	4.4	4.4
	Capital Expenditure	3.0	3.0	1.3	1.3
559 - PNG Oil Palm Industry Corporation	Capital Expenditure	10.2	10.2	-	3.4
562 - National Agriculture Research Institute	Operational Expenditure	0.4	0.4	0.2	0.2
	Capital Expenditure	7.6	7.6	-	-
563 - National Agriculture Quarantine & Inspection Authority	Capital Expenditure	2.5	2.5	1.4	1.4
565 - Civil Aviation Authority	Operational Expenditure	1.0	1.0	0.5	0.5
566 - Cocoa Board	Capital Expenditure	16.6	16.6	16.6	16.6
568 - Livestock Development Corporation	Capital Expenditure	8.0	8.0	0.4	0.4
569 - Independent Consumer and Competition Commission	Operational Expenditure	3.5	3.5	1.7	1.7
571 - Western Provincial Government	Operational Expenditure	6.7	6.7	1.9	1.2
	Capital Expenditure	75.0	75.0	38.1	26.9
572 - Gulf Provincial Government	Operational Expenditure	22.8	22.8	8.4	5.8
	Capital Expenditure	42.8	42.8	24.5	19.0
573 - Central Provincial Government	Operational Expenditure	28.5	28.5	10.4	7.4
	Capital Expenditure	67.2	67.2	37.5	33.7
574 - National Capital District Commission	Operational Expenditure	3.7	3.7	1.3	1.0
	Capital Expenditure	58.2	58.2	34.2	36.8
575 - Milne Bay Provincial Government	Operational Expenditure	32.5	32.5	11.0	10.5
	Capital Expenditure	68.0	68.0	37.9	32.8
576 - Oro Provincial Government	Operational Expenditure	18.2	18.2	6.6	4.7
	Capital Expenditure	34.5	34.5	23.4	16.5
577 - Southern Highland Province	Operational Expenditure	17.7	17.7	7.4	4.3
	Capital Expenditure	142.2	142.2	70.2	48.0
578 - Enga Provincial Government	Operational Expenditure	25.6	25.6	11.3	6.6
	Capital Expenditure	148.1	148.1	53.7	43.4
579 - West Highland Provincial Government	Operational Expenditure	17.6	17.6	7.5	3.1
	Capital Expenditure	104.5	104.5	56.9	35.0
580 - Simbu Provincial Government	Operational Expenditure	32.9	32.9	15.0	11.8
	Capital Expenditure	105.0	115.0	66.5	63.5
581 - Eastern Highland Provincial Government	Operational Expenditure	32.0	32.0	14.2	8.0

	Capital Expenditure	156.0	156.0	65.1	60.7
582 - Morobe Provincial Government	Operational Expenditure	14.9	14.9	4.9	3.4
	Capital Expenditure	160.3	160.3	73.0	64.7
583 - Madang Provincial Government	Operational Expenditure	43.1	43.1	18.8	17.1
	Capital Expenditure	114.3	114.3	51.4	46.5
584 - East Sepik Provincial Government	Operational Expenditure	55.9	55.9	25.0	16.7
	Capital Expenditure	103.0	103.0	52.2	47.8
585 - Sandaun Provincial Government	Operational Expenditure	40.1	40.1	13.8	10.2
	Capital Expenditure	68.5	68.5	38.1	32.9
586 - Manus Provincial Government	Operational Expenditure	16.4	16.4	6.2	3.4
	Capital Expenditure	21.0	21.0	12.8	11.3
587 - New Ireland Provincial Government	Operational Expenditure	3.4	3.4	1.1	0.8
	Capital Expenditure	53.7	53.7	23.4	17.4
588 - East New Britain Provincial Government	Operational Expenditure	22.6	22.6	7.9	5.6
	Capital Expenditure	69.0	69.0	38.2	33.7
589 - West New Britain Provincial Government	Operational Expenditure	13.3	13.3	4.7	3.3
	Capital Expenditure	43.5	43.5	23.7	19.7
590 - Autonomous Bougainville Government	Operational Expenditure	22.3	22.3	8.4	6.1
	Capital Expenditure	175.5	175.5	44.0	24.5
591 - Hela Provincial Government	Operational Expenditure	11.4	16.4	8.5	6.3
	Capital Expenditure	100.0	100.0	64.2	38.8
592 - Jiw aka Provincial Government	Operational Expenditure	13.8	13.8	6.3	2.5
	Capital Expenditure	81.0	81.0	30.8	27.3
Grand Total		11,850.6	11,918.6	5,605.0	3,452.0

Source: Department of Treasury

Attachment J:

THE FOLLOWING TABLE PROVIDES AN UPDATE ON THE PHYSICAL IMPLEMENTATION OF HIGH IMPACT AND ALOTAU ACCORD PROJECTS

Department	Project Name	2014 Budget	2014 Revised	Warrants Released to June	June Outturn	Outturn as % of Revised	Status of Project
PM & NEC	2015 SP Games	59.2	59.2	30	30	51%	The implementation experienced an initial 6 month delay. Since work commenced, the implementation progress is satisfactory. Work is continuing on various sporting facilities (John Guise Stadium, Taurama Leisure Centre, Rupert Murray Stadium (Konedobu), Netball Courts and the athlete's homes). The overall implementation progress is around 65-70%. SP Games has received K270 million in extra funds identified in the 2013 supplementary budget.
Foreign Affairs	Regional Development Grant to SI	20	20	20	20	100%	The work on the Solomon Islands Embassy building is completed apart from the roof construction. The expected completion date is March 2015.
Foreign Affairs	Support to Fiji General Elections	25	25	15	10	40%	The groundwork is done on swampy ground, which caused delays in implementation. Up to this point, drainage and gravelling are completed. Additional funds above the original appropriation are required for completion.
Hospital Maintenance Services	Major Hospitals	130	130	47.5	27	21%	Implementation in all hospitals is according to expectations apart from:
							Enga Hospital, which has completed the design stage and is in the process of contracting a construction company. Warrants released to the hospital currently are K50 million, which only suffices for initial infrastructure development. The Project requires total funding of US\$162.7m / Kina396.9m to complete full construction. A soft/concessional loan is requested to obtain this funding and not delay construction.
							Mendi Hospital is currently in the design stage and not all contracts have been awarded. Physical implementation has not yet commenced.

							<p>The New Nonga and Boram General Hospitals require relocation to a new site after unresolved land disputes. No physical implementation has commenced to date.</p> <p>Some hospitals are going through SDP, which is not yet completed.</p>
DoW	Highlands Region Roads Improvement Investment Program	50	50	50	0	0%	<p>There are two projects under this programme: the Mendi-Kandep and the Laigam-Pogera roads. The physical implementation is behind schedule due to slippage. The main reasons for this are that the contractor is not conforming to work plans and poor weather conditions. Progress on Laigam-Pogera is currently 68%, progress on Mendi-Kandep is 52%.</p>
DoW	Highlands Region Roads Improvement Investment Program-II	22	22	15.9	15.9	72%	
DoW	East-West New Britain Highway	15	15	13	5	33%	<p>The programme involves the new construction of 4 sections of the road (54.8km) and the reconstruction of 10 km section through the Provincial Transport Program. Minor works totalling 36.8 km in WNB (14km) and ENB (22.8km) respectively were completed using the 2013 appropriation. Overall, the project is progressing as per work plans from both WNB and ENB sides. The current implementation stage are major head works (clearing of worksite, grubbing, widening the road). After this, upgrading and sealing will commence. Overall progress is around 30%.</p>
DoW	Missing Links-Baiyer Madang	10	10	-	-		<p>Implementation is through PNGDF, so DoW could not provide status report during mid-year review.</p>
Dow	East Cape Road	5	5	-	-		<p>DoW has no supervision over projects as funds have been transferred to Alotau regional government. DoW could thus not provide status update during mid-year review.</p>

DoW	Highlands Highway	150	150	129	22.5	15%	Currently, the contractor has been mobilised and work is done on the critical Simbu section of the Highlands Highway, to which majority of 2015 appropriation is allocated. The Simbu section has adverse geography, which eventually will require appropriate redesign. Other sections are in good condition and are only subject to work during emergencies (road slips, etc.). The major cause for delays is the capacity of the contractor.
DoW	POM City Roads	170	170	145	145	85%	There currently is work done on 6 sections. All contracts have been awarded, contractors have been mobilised and construction has commenced. Physical progress is at 50%. The implementation is progressing according to expectations. All projects are expected to be completed before mid-2015, to facilitate the transport for 2015 SP Games.
DoW	Lae City Roads	100	100	60	57.6	58%	The redesign of concrete roads is completed. Physical implementation has commenced and is progressing according to expectations. The overall program implementation is 55%. The main cause of delays are unfavourable weather conditions.
DoW	Mt Hagen City Roads	40	40	40	40	100%	All funds have been expended, however, physical implementation has not yet commenced.
IPBC	Lae Port Development	270	270	163.1	145	54%	The overall capital works will take 30 months, and the current implementation is 2 months ahead of schedule. The completion of Phase I is nearing, with overall progress of 90%.
IPBC	POM Sewerage	20	20	9.6	8.8	44%	General progress is as per expectations, except for the consultant's lack of performance. The project is entering tender process with three applications received.
NAC	Jackson's Airport Upgrade	30	30	30	30	100%	The construction progress is 28% up to date with the expectation for the next year's quarter around 50%. The physical implementation is progressing according to expectations.

NAC	CADIP	26	26	17.3	17.3	67%	The project is progressing as per work plans. Five (5) projects have been completed (ILS, Kavieng Fencing, Goroka, Gurney, Hoskins & Wewak Security Fences, POM Apron Extension and procurement of 3x fire tenders for POM Airport). The new Mt. Hagen Terminal Building and Hoskins Airport Improvements are under construction with 59% and 35% physical progress respectively. Completion requires urgent release of the full revised appropriation.
Cocoa Board	All projects	16.8	16.8	16.8	16.8	100%	Implementation is in progress according to expectations.

Source: Information for green sections is from review reports provided by agencies. Information for sections in orange is from Department of National Planning and Monitoring