



# **MID-YEAR ECONOMIC AND FISCAL OUTLOOK REPORT**

**2019**

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## FOREWORD

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In line with the *Fiscal Responsibility Act* which has guided our Economic Management and to promote transparency in our budgeting process, I am pleased to present the Mid-Year Economic and Fiscal Outlook (MYEFO) Report. This shows where we are at the mid-point of the year against the targets that we set out in the 2019 National Budget. This is the first MYEFO Report under the new Marape-Davis Government.

The 2019 National Budget was framed by the previous Government but was in accordance with the Alotau 2 Accord which built on our previous administration's aims which were to broaden our revenue base, to live within our means, to improve our resilience against economic shocks, to protect the vulnerable in our community, and to continue to create opportunities for our people. These objectives remain praiseworthy.

As the new Government formulates its strategy that will be contained in the 2020 Budget Strategy Paper, work still needs to continue to ensure that the economy is run well and that the fiscal accounts remain accountable and transparent. To give confidence to our people, our businesses and the international community, it is critical that the budget be kept on track, that everyone pays their fair share of taxes and that Government monies are well spent. This MYEFO is very important in this respect.

Budget execution has been confronted by many challenges over 2019 to date. The international economy has not helped much with trade war tensions continuing and major economies are slowing somewhat. The result for PNG is mixed. Gold prices are up strongly, oil and LNG prices have come off, and agricultural prices are trending lower. On a positive note, our sovereign bond price is up strongly in secondary trading meaning the cost to raise funds internationally for us has fallen significantly.

However, the domestic economy remains subdued and, as indicated in my end May 2019 Economic Statement, real GDP has been revised lower for 2018 to -0.6 per cent. But with the recovery of the LNG sector to full production in 2019, the oil and gas sector will add strongly to growth and Treasury is now projecting a lift in real growth to 4.4 per cent in 2019. The BPNG employment report also shows some positive signs for a lift in mining sector employment, but non-mining employment remains challenged.

In the 2019 Budget, total expenditure was set at K16,133.5 million to be financed by K14,266.8 million in revenue and K1,866.8 million in net borrowing, all from external loans and debt securities. These fiscal transactions were framed within the Government's *Medium-Term Fiscal Strategy (MTFS 2018-2022)* to raise revenue, reduce expenditure and achieve a debt to GDP ratio of 30.0 per cent by 2022 in compliance with the Fiscal Responsibility Act.

The performance of the budget over the first half of the year has been difficult. Whilst the 2019 Budget remains a credible document, there was some expenditure towards the end of 2018 that was paid for in 2019 and had to be reversed. This K500.0 million in expenditure which covered SIP payments, and rental, utility and APEC arrears was then put into 2019, making execution of the 2019 budget quite problematic.

In the first half of the year, the Government expended just under half its budget allocation, including this K500.0 million, meaning that other expenditures had to be severely limited. In addition, revenues in a number of categories were down on expectations or delayed somewhat. The expected China Development Bank loan negotiations needed to be thorough resulting in delays in disbursement of this programmed loan. Cash became tight and there

was a need for recourse to the domestic securities' market, contrary to our debt strategy. This also had the effect of halting the improvements to the foreign exchange imbalance and the arrears' repayment program. As a consequence, the external financing trust account balances were run down.

For 2019 as a whole, Total Revenue and Grants is projected to decrease by K257.1 million, Total Expenditure and Net Lending is projected to increase by K249.3 million which will result in an increase in the fiscal deficit of K506.4 million to K2,373.2 million. As a result, the total public debt stock is expected to increase to K28,125.9 million, or 31.8 per cent of GDP, marginally lower than the budget target (based on 2018 Outcomes) for 2019 and significantly lower than the 32.8 per cent outcome for 2018. But the non-resource primary balance has deteriorated to -3.4 per cent, against the 2019 Budget target of -2.8 per cent. A correction of this trend will be required if a zero average annual non-resource primary balance over the medium term is to be achieved.

The projected increase in expenditure against the 2019 Budget projections is due to an expected increase in personnel emoluments expenditure of K484.3 million due to mainly the public sector pay rise and increases in staffing levels particularly in the teachers, health and law and order components. Rental and utilities and interest payments are also projected to increase.

On the financing front, the projected increase in the fiscal deficit of K506.4 million can be accommodated, with external financing sources available and close to confirmation.

Importantly, the increase in the deficit can be equated to the fiscal overhang brought forward into the 2019 Budget. If these commitments were not made at end 2018, avoiding payments against the 2019 Budget, then the projected 2019 Budget outcome could be considered on track with lower revenue and higher PE and interest expenditure being offset by cuts to goods and services and domestically funded capital expenditures.

Debt levels remain manageable, within prudent levels and in compliance with the FRA. The debt management strategy, although delayed somewhat by the CDB negotiations and failure to access external financing over the first half of 2019, will be brought back on track over the second half following receipt of external financing. This will also facilitate the resumption of the domestic debt redemption program that will underpin the reduction in foreign exchange restrictions. In addition the Government is dealing with its loan guarantees that have been called and formulating options for the restructuring of these loans. In the interim, payments under these guarantees will be expensed and not taken into debt levels until the issues are resolved.

The Government will continue to deliver on its key Government priorities and essential services such as education subsidies (TFF), medical supplies, emergency roads and bridges, disaster relief funding, provincial health authority operations, provincial functional grants and commitment towards direct investments in provinces through the Services Improvement Programs (SIPs).

Overall this MYEFO is telling us is that there are fiscal challenges but that with hard work we can overcome our problems whilst maintaining accountability and transparency. I look forward over coming weeks in presenting the new Government's Budget Strategy Paper for 2020.

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**Hon. Sam Basil, MP**  
Treasurer

## INTRODUCTION

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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 (FRA) 2006 (as amended)*.

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 2019 Budget.

The MYEFO essentially covers the General Government fiscal and financial operations in the government sector and is based on the same reporting standards as the 2019 Budget. Generally, this follows the cash reporting standards laid down in the Government Finance Statistics (GFS) Manual 2014 published by the International Monetary Fund (IMF). This is a gradual shift from the 1986 GFS to the 2014 GFS and is part of the ongoing reform of the budget process and budget reporting.

# PART 1:THE MID-YEAR ECONOMIC AND FISCAL OUTLOOK

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## 1.1 OVERVIEW

The international economy has been challenging with US-China trade issues and Middle East tensions continuing and major economies are slowing somewhat. Monetary policies are being eased and discussions of fiscal stimulus are ramping up.

Against this backdrop, global growth is forecast at 3.2 per cent in 2019, picking up to 3.5 per cent in 2020 (0.1 percentage point lower than in the April WEO projections for both years). GDP releases so far this year, coupled with generally softening inflation, point to weaker-than-anticipated global activity. Investment and consumer demand for durable items have been subdued across advanced and emerging market economies as firms and households continue to hold back on longer term spending. Accordingly, global trade, which is intensive in machinery and consumer durables, remain sluggish. As a result, central banks in major countries are all generally easing policy, whilst China is undertaking a fiscal stimulus program. The lower interest rates internationally have underpinned emerging market sovereign bond issues, with PNG's sovereign US bond rates declining over 100 basis points since its issuance late last year. This is good news for future issuances.

The international growth rate is projected to pick up modestly in 2020, but remains precarious, presuming stabilisation in currently stressed emerging markets and developing economies (EMDEs), progress toward resolving trade policy differences and further monetary and fiscal stimulus in major economies.

In the context of the domestic economy, PNG's total real GDP growth for 2018 is forecast at negative 0.6 per cent, down from the budget estimate of positive 0.3 per cent with this contraction being attributed to the lower-than-expected gas and condensate production in 2018 as a result of the February 26 earthquake that impacted the LNG plant site, which more than offset modestly higher growth from the agriculture, fishery and forestry (AFF) and mining and quarrying sectors. However, LNG production was able to resume more quickly than first assumed at the time of the earthquake although production volumes for 2018 were subsequently over-estimated. Nevertheless, the downgrade to 2018 production meant that 2019 production levels needed to be revised up as full production resumed. Nominal GDP growth in 2018 was estimated at 8.8 per cent.

Real GDP growth in 2019 is expected to rebound to 4.4 per cent compared to the 2019 Budget estimate of 4.0 per cent with this upward revision reflecting the ramp up to full production in gas and condensate, with the Oil and Gas sector now expected to grow by 13.0 per cent in 2019. Mining activities are also anticipated to ramp up significantly with higher production of copper and gold from OK Tedi, gold from Porgera, and continued strong growth from Lihir which more than offsets a slower projected growth rate in the Agriculture, Forestry and Fishing sector driven by lower palm oil and coffee production.

Overall non-mining real growth is projected to moderate to 2.9 per cent, a revision downwards from the 2019 Budget projection of 3.3 per cent and this also reflects more subdued domestic business conditions than in the first half of the year that have been impacted by the continuing foreign exchange imbalance and tighter government spending levels. The average annual non-mining real GDP growth over the medium term 2019-2023 is projected at 6.0 per cent,

reflecting the high correlation with the mineral investment cycle, a favourable macroeconomic environment and pro-growth government policies.

Over the medium-term, total real GDP on average is projected to grow by 5.0 per cent driven by a ramp up in activities associated with the new mining and petroleum projects that will lend support to non-mining sector growth. The non-mining sector is expected to benefit from the construction phase of the new mining and petroleum projects, particularly with, Wafi-Golpu and Papua LNG early works expected to commence in the second half of 2020 then both projects ramping up over the medium term.

On the fiscal front, the mid-year fiscal performance reported a mild deterioration in fiscal conditions, which reflects the weak revenue collections of some of the major tax heads and the continued surge in expenditure from compensation of employees, rentals and utilities and interest costs.

At end June 2019, the fiscal deficit was K1,667.3 million or 1.9 per cent of GDP with a revenue outturn of K5,810.6 million and an expenditure outturn of K7,478.0 million. Whilst revenue collections for June outturn indicated a shortfall, collections normally pick-up in the second half of the year which should see a reversal in the declining trend which will be supported by the expected lift in GDP growth rates. Furthermore, the extensive revenue measures approved in the 2019 Budget have been implemented and there has been some progress on implementing the Medium Term Revenue Strategy (MTRS) that will underpin the Government's efforts towards fiscal consolidation as programmed in the Medium-Term Fiscal Strategy (MTFS). Revenue efforts will be accelerated over the second half of 2019 and into 2020.

Total net financing in the first half of 2019 amounted to K1,667.3 million, with net external financing accounting for K185.3 million (concessional loans for project financing), net domestic financing accounting for K205.9 million and drawdowns from the external financing trust account balances at end 2018 accounting for K1,276.2 million.

Despite the stringent budget management over the first half of 2019, a number of trends were apparent with trade taxes, personal income tax (PIT), gaming machine tax, and other withholding tax collections continue to be above budget. However, company taxes, mining and petroleum taxes, PMMR, dividends and departmental fees and charges are all below target.

Company taxes are down in part due to companies offsetting available credits through company taxes, and less buoyant domestic business conditions than were anticipated at the time of the 2019 Budget. Additionally, the 2018 base of company taxes used for estimating 2019 may contain large one-off payments resulting from audits and dispute settlements.

GST collections are also trending in line with budget projections reflecting strong collections from provinces offsetting modestly lower collections from the ports. MPT is trending slightly below budget projections. This shortfall is driven by the downward revision of mineral and petroleum price forecasts, especially the oil price, against a flat production target for gas in 2019. Additionally, receipts were further reduced to do the use of Infrastructure Tax Credits built up in 2018 and used to offset MPT in 2019.

PMMR inflows<sup>1</sup>, dividends and fees and charges collections are also trending below budget projections with the National Fisheries Authority, who is the main contributor to PMMR, going through an adjustment period after the once-off PMMR sweep exercise in 2018. This is

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<sup>1</sup> Public Money Management and Regularisation (PMMR) refers to statutory transfer from State's Statutory Authorities.

coupled with an un-anticipated revised collection/distribution ratio for some agencies which have partly contributed to lower collections.

Dividends from KPHL are also lower due to the expected lower gas prices in 2019 and uncertainty on the funding arrangements of the Papua LNG Project. Fees and charges collections are also low due to weak collections from land lease rentals which make up a large share of this category.

Taxes on International Trade and Transactions are projected to decrease slightly from the 2019 Budget estimate by K44.5 million. This mainly reflects a shortfall in Export Tax from lower log exports, which more than offsets a significant increase in Import Duties.

In the 2019 Budget, the Government announced some measures to improve compliance to address revenue shortfalls and even though revenues are at this stage tracking below budget projections in the first half of this year, implementation of compliance and enforcement measures by the revenue collecting agencies in the second half of 2019 will be accelerated and IRC has provided an improved outlook for collections by the end of 2019. IRC has already commenced its work programs aimed at undertaking targeted tax audits of large taxpayers and debt collection commencing August and these activities should assist in bringing back collections on track.

On expenditure, the mid-year expenses for the Government totalled K7,478.0 million or 46.3 per cent of the full year budget appropriation comprises 70.3 per cent operational expenditure and 29.7 per cent capital expenditure. However, the revised total expenditure at the mid-year review is projected to be K16,382.8 million compared to the Budget estimate of K16,133.5 million, an increase of K249.3 million.

This comprises an above budget increase of K484.3 million for PE (K315.9 million from the National Departments and K180.2 million from Teachers' salaries and offset by less projected spending from other PE items) and higher interest costs by K72.4 million. Concessional loans and project grant expenditures are tracking according to schedule, although project grants in recent years have turned out to be higher than the Budget estimates.

Due to low cash availability in the first six months, total Capital Budget expenditure is tracking lower, having expensed only 40.2 per cent of the budget appropriation for 2019 at the mid-way point. Only K2,211.9 million has been expended against the appropriation of K5,497.1 million.

Meanwhile, Operational Budget expenditure amounted to K5,260.1 million which is 49.5 per cent of the Budget appropriation with key expenditure items such as rentals and utilities tracking high at 80.0 per cent and 76.0 per cent, respectively, against their budget appropriations. Arrears in utilities and rentals for a number of government service providers were addressed in 2019 but strong pressures remain on meeting utility and rental commitments for the remainder of the year.

Compensation of Employees expenditures are expected to be higher by the end of 2019 reflecting back-dated payment of the 3.0 per cent pay increment for 2018 and further large additions to the payroll for teachers, health workers, transport sector workers and police. Over 3,000 new employees were recruited predominately in these areas over the first half of the year and both National Departments and Teachers' allocations are trending 13.7 per cent and 13.2 per cent, respectively, compared to last year's June report. Teachers' Salary constitutes the largest share of total Salary averaging 37.6 per cent.



Finally, interest payments are tracking at 52.3 per cent of the Budget appropriation up to end June 2019 which is modestly above budget and reflects the debt servicing of 3 guaranteed loans under stress.

Overall, with revenues projected to be K257.1 million lower than budget and expenditures K249.3 million higher than budget, the deficit is estimated to be K506.4 million higher by the end of 2019. An adjustment therefore is recommended to cover this increase, as well as the altered composition of expenditure, revenue and financing.

On the financing front, the risk of the debt stock exceeding the upper limit of 35.0 per cent remains minimal, but the risks are that more related to the delays in securing the planned budget support from the ADB, World Bank and the options around the USD300.0 million external financing in the Budget.

The projected increase in the fiscal deficit of K506.4 million can be accommodated, with external financing sources available and close to confirmation. Importantly, the increase in the deficit can be equated to the fiscal overhang brought forward into the 2019 Budget. If these commitments were not made at end 2018, avoiding payments against the 2019 Budget, then the projected 2019 Budget outcome could be considered on track with lower revenue and higher PE and interest expenditure being offset by cuts to goods and services and domestically funded capital expenditures.

Debt levels remain manageable, within prudent levels and in compliance with the FRA.

The debt management strategy, although delayed somewhat by the CDB negotiations, will be brought back on track over the second half following execution of external financing and this will also facilitate the resumption of the domestic debt redemption program which will underpin the reduction in foreign exchange restrictions. In addition, the Government is dealing with its loan guarantees that have been called and formulating options for the restructuring of these loans and in the interim, payments under these guarantees will be expensed and not taken into debt levels until the issues are resolved.

The Government will continue to deliver on its key Government priorities and essential services such as education subsidies (TFF), medical supplies, emergency roads and bridges, disaster relief funding, provincial health authority operations, provincial functional grants and commitment towards direct investments in provinces through the Services Improvement Programs (SIPs).

To ensure the budget deficit remains on track in 2019 and over the medium-term, the Government must continue to implement the directives to departments and agencies introduced last year. These include:

- The Government has instructed Organisational Staffing Personnel Emoluments Audit Committee (OSPEAC) and the Department of Finance to introduce some hard budget ceilings for employment levels absolute new entrants into the public service and to individual components of the payroll such as off-line payments to ameliorate these adverse underlying trends and to bring this expenditure category (excluding the unbudgeted pay increase) back on track;
- Following a number of audits on utility and rental charges, the Government has introduced measures to control this expenditure and to bring it back on track by end 2019;

The Government has established a high-level Task Force (Treasury, IRC, Customs and Finance) focused on improving compliance and the pass through of departure tax and import excise collections. Departure tax collections are currently tracking higher due to this particular directive;

- The establishment of the Large Taxpayer Office in IRC to manage large tax payers to collect additional revenues;
- The Government has instructed PNG Customs to implement fully the 2018 Budget changes to the policy on export duty on old-growth logs. This has yet to be fully implemented;
- The Government has instructed the Treasury and Finance Departments to conduct, as a priority, discussions with state entities to re-examine dividend inflows, particularly relating to LNG dividends to Government; and
- The Government has instructed the Treasury Department to find additional savings in the goods and services expenditure areas across all non-essential priority areas and in non-essential capital works programs that are funded by the Government.

Table 1 presents the aggregate estimates:

**Table 1: Estimated and Projected Outcomes**

Details	2018 Actual	2019 Budget	June Outturn	2019 MYEFO
Total Revenue & Grants	14,085.8	14,266.8	5,810.6	14,009.7
Total Expenditure & Net Lending	16,134.2	16,133.5	7,478.0	16,382.8
<b>Net Lending (+)/Net Borrowing (-)</b>	<b>-2,048.4</b>	<b>-1,866.7</b>	<b>-1,667.3</b>	<b>-2,373.1</b>
<b>% of GDP</b>	<b>-2.8%</b>	<b>-2.1%</b>	<b>-1.9%</b>	<b>-2.7%</b>
Cash Balance		1,228.6	-1,276.2*	1,228.6
Adjusted Net Lending (+) / Net Borrowing (-)			-391.2	1,144.6
Total Public Debt Stock (Based on 2018 Actuals)	26,981.3	27,322.2	27,372.5	28,125.9**
<b>Debt as a % of GDP</b>	<b>32.8%</b>	<b>30.8%</b>	<b>30.9%</b>	<b>31.8%</b>
<b>GDP (K'm)</b>	<b>82,174.4</b>	<b>88,672.2</b>	<b>88,458.4</b>	<b>88,458.4</b>

Source: Department of Treasury

\* includes K1,276.2m cash balance drawdown from trusts (Jan-June) and other accounts receivable.

\*\* Debt Stock excludes Cash Balance draw down of K1,228.6m from 2018 which is already captured in the debt books in 2018.

## 1.2 ECONOMIC OUTLOOK

### International Economic Outlook – A Subdued Momentum

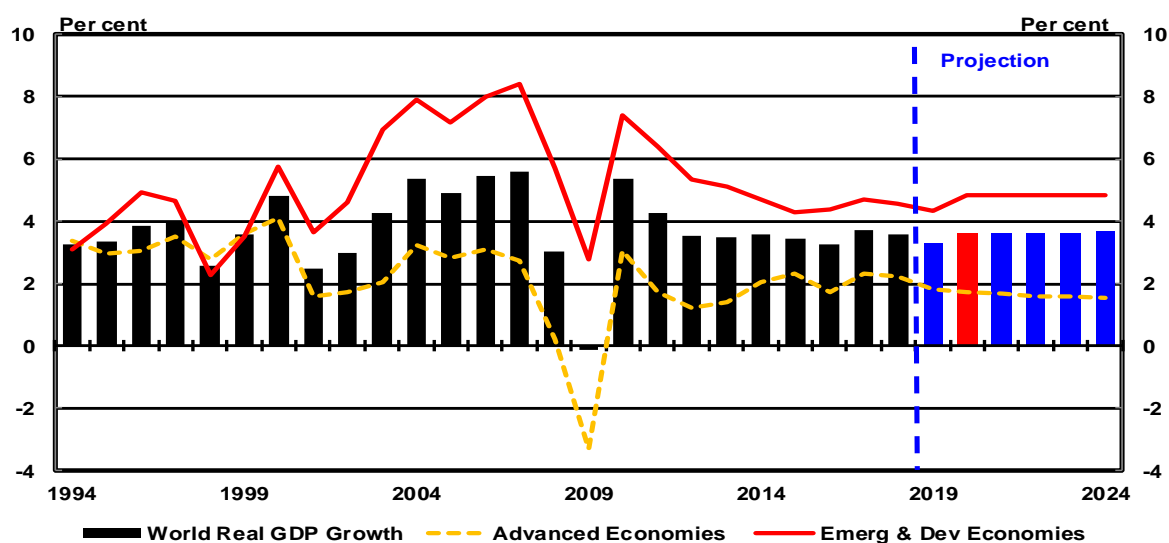
Developments in the global economy and the outlook of key macroeconomic indicators are important to the PNG economy that is dependent on mineral and agricultural commodity investment and exports and, more recently, external commercial finance.

The International Monetary Fund (IMF) April 2019 World Economic and Outlook Report (WEO) reported global economic activity to have slowed notably in the second half of 2018 after strong growth in 2017 and early 2018. The escalation of the US–China trade tensions, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, slowing Chinese economic growth, and tensions in the Middle East have all contributed to a weakening in the global expansion. In response, monetary easing in major economies has commenced and fiscal stimulus is once again being contemplated. Global economic growth in 2018 has been reduced to 3.6 per cent, a 0.1 percentage point downgrade relative to the October 2018 IMF World Economic Outlook (WEO) report.

In 2019, economic growth is projected to moderate to 3.3 per cent, which is weaker than the October 2018 WEO forecast by 0.4 percentage points. Growth momentum is projected to pick up towards the end of 2019 and will be driven by the build-up of policy stimulus in China, recent improved developments in global financial market sentiment, the waning of some temporary drags on growth in the euro area and a gradual stabilisation of conditions in stressed emerging market economies. On a positive note, the declines in interest rates in major economies and positive international sentiment towards PNG's fiscal, financial and economic program has meant that PNG's sovereign bond prices have improved resulting in interest rates on PNG's sovereign bond falling by more than 100 basis points over 2019 to date, making borrowing costs for PNG much improved.

Improved momentum for emerging market and developing economies is expected to continue into 2020 supporting growth that is expected to reach 3.6 per cent in 2020, primarily reflecting developments in economies currently experiencing macroeconomic distress.

**Chart 1: Global Economic Growth (1994-2024)**



Source: IMF 2019 April World Economic Outlook (WEO)

## *Advanced Economies*

Activity in the advanced economies is projected to continue to slow gradually, growing at 1.8 per cent in 2019 and 1.7 per cent in 2020. The 2019 growth rate is 0.4 percentage points lower than in 2018. Relative to the October 2018 WEO forecast, growth rate projections are lower by 0.3 percentage points for 2019 and unchanged for 2020.

In the United States, growth is expected to be 2.3 per cent in 2019 and 1.9 per cent in 2020, which is 0.2 percentage points below and 0.1 percentage point above the 2018 October WEO forecasts, respectively. The downward revision to growth in 2019 reflects the impact of the trade tensions and somewhat lower fiscal spending than previously anticipated, while the modest upward revision for 2020 reflects a more accommodative stance of monetary policy than in the 2018 WEO October forecast. Despite the downward revision, the projected pace of expansion for 2019 is above the US economy's estimated potential growth rate. Strong domestic demand growth will support higher imports and contribute to some widening of the current account deficit.

Growth in the euro area is expected to soften to 1.3 per cent in 2019 and 1.5 per cent in 2020, which is 0.6 and 0.2 percentage points weaker than the 2018 October WEO forecast. This reflects a combination of factors weighing on activity across countries including soft private consumption, weak industrial production following the introduction of revised auto emission standards, and subdued foreign demand in Germany; weak domestic demand as sovereign yields remain elevated in Italy; and the negative impact of street protests in France.

Japan's economy is expected to grow by 1.0 per cent in 2019 (0.1 percentage point higher than in the October WEO). This revision mainly reflects additional fiscal support this year, including measures to mitigate the effects of the planned consumption tax rate increase in October 2019. In 2020, growth is projected to moderate to 0.5 per cent (0.2 percentage point higher than in the October 2018 WEO, reflecting the effects of the aforementioned mitigating measures).

## *Emerging Market and Developing Economies (EMDEs)*

Growth in EMDEs is expected to decelerate to 4.4 per cent in 2019 (from 4.5 per cent in October 2018 WEO). The decline in growth relative to 2018 reflects lower growth in China and the recession in Turkey, with an important carryover from weaker economic activity in late 2018, as well as a deepening contraction in Iran. In 2020, growth is projected to rise to 4.8 per cent.

Emerging Asia is expected to dip to 6.3 per cent during 2019 (from 6.4 per cent in 2018), with a marginal downward revision for 2020 relative to the October WEO. In China, growth is projected to slow on an annualised basis from 6.6 per cent in 2018 to 6.3 per cent in 2019 and 6.1 per cent in 2020. The forecast is higher by 0.1 percentage point in 2019 and lower by 0.1 percentage point in 2020 relative to the October WEO, reflecting the revised assumption on United State Tariffs on Chinese Exports and for 2020 is slightly weaker as the underlying momentum in activity is more subdued. Growth in India is projected to increase from 7.1 per cent in 2018 to 7.3 per cent in 2019 and 7.5 per cent in 2020 supported by the continued recovery of investment and robust consumption amid a more expansionary stance of monetary policy and some expected impetus from fiscal policy.

In general, world economic growth weakened in 2018 and the prospects for growth over 2019-2020 have also moderated compared to the 2019 Budget projections which were based on the 2018 October WEO projections. Based on this weaker world growth outlook, commodity

demand and price trends are likely to be softer than expected thereby impacting foreign exchange earnings and investment flows. This increases the risk to the outlook for the PNG economy. In contrast, however, the price of gold reached medium term highs in July 2019 and this will have an offsetting impact on mining company returns in PNG.

### *Medium Term Growth Outlook*

Beyond 2020, global growth is projected to plateau at 3.6 per cent over the medium term. For the advanced economy group, growth is projected to moderate further to 1.6 per cent by 2022 and remain at that level over the medium term. This forecast reflects underlying structural headwinds to potential output, namely, continued weak productivity growth and slowing labour force growth.

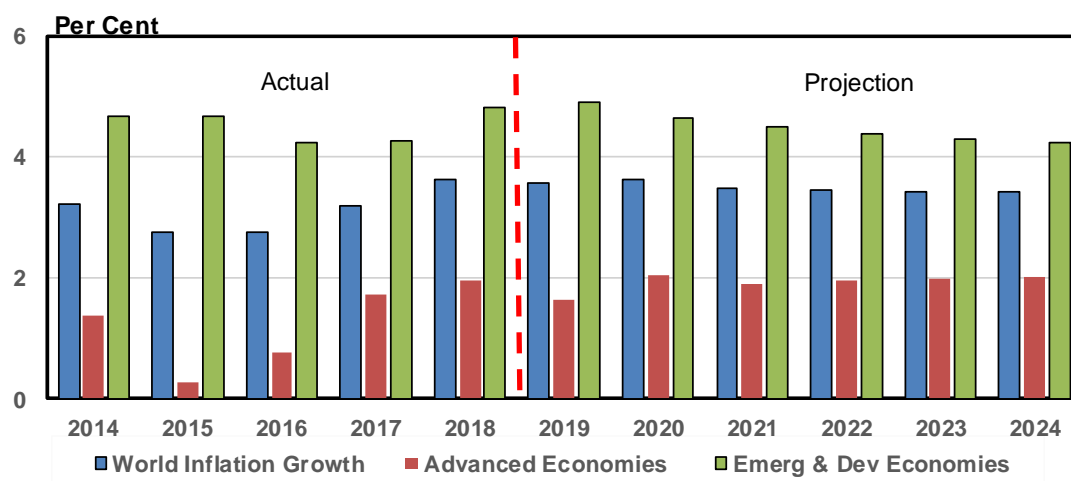
In EMDEs, in contrast, growth is projected to stabilise at around 4.8 per cent over the medium term reflecting important differences across regions. Central to this projection is a gradual slowdown in China offset by a higher growth in India.

### *Global Inflation Outlook*

The global inflation outlook mirrors global economic growth prospects and commodity price trends that are affected by commodity-specific supply conditions and global demand.

Consistent with the softer outlook for commodity and the expected moderation in growth, inflation is expected to decline to 1.6 per cent in 2019 in advanced economies, from 2.0 per cent in 2018.

**Chart 2: Global Inflation in Advanced and Emerging Market & Developing Economies**



Source: IMF 2019 April World Economic Outlook (WEO)

The headline inflation rate in EMDEs<sup>2</sup> is expected to increase to 4.9 per cent this year, from 4.8 per cent in 2018.

<sup>2</sup> Excluding Venezuela (where inflation this year and next is expected to exceed 10,000 per cent).

## Commodity Prices

### Mineral Commodities

Commodity price trends for PNG's key mineral and petroleum exports have softened in line with developments in the global economy over the first half of 2019, except for the gold price wherein gold continues to be an alternative investment option in the face of lower US interest rates and international uncertainty.

The IMF commodity price index (Chart 3) which tracks closely the developments in world commodity markets, declined by 4.9 per cent between August 2018 and May 2019. The downturn in commodity prices so far has been driven by commodity specific factors including weakening global demand particularly in relation to the US-China trade tensions, US shale production growth, further decisions by the Organisation for Petroleum Exporting Countries (OPEC) on oil production levels and geopolitical tensions. Looking ahead, decisions to trim oil production by the OPEC group and its allies and ongoing tensions related to Iranian sanctions remain as notable upside risks to prices.

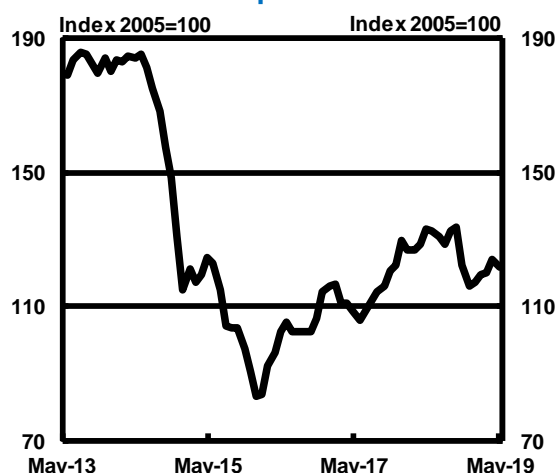
Oil prices increased to more than US\$80.0 per barrel<sup>3</sup> (WTI to more than US\$70.0 bbl) in October 2018 attaining their highest level since November 2014 as the US sanctions against oil imports from Iran loomed. Towards the end of 2018, however, oil prices plummeted (WTI falling to below \$50.0 bbl) due to record shale production growth in the U.S and issuance of exemptions to several major oil importers to continue importing oil from Iran. This fall reflected higher oil output from Canada, Iraq, Russia and Saudi Arabia, and weak oil demand. In response, OPEC and non-OPEC oil producers agreed to cut their crude oil production by 0.8 million barrels of oil per day (mbd) and 0.4 mbd, respectively from their October 2018 levels, starting in January 2019 for an initial six-month period. That response coupled with a mandatory cut by Canada and unplanned outages in Venezuela gradually slowed oil output growth and therefore supported prices that trended above US\$60.0 bbl in June 2019 (WTI above \$50.0 bbl).

Looking ahead, moves by OPEC and non-OPEC producers to cut supply by 1.2 mbd, the US-China trade disputes and recent developments including the escalation of US-Iran tensions are likely to play out over the second half of this year. On this basis and in line with global growth projections, the assumption underpinning the MYEFO assumes the oil price to average around US\$63.0 per barrel by end 2019. Importantly, gas prices track oil prices and, as such, the trends in oil prices have underpinned gas prices in 2019.

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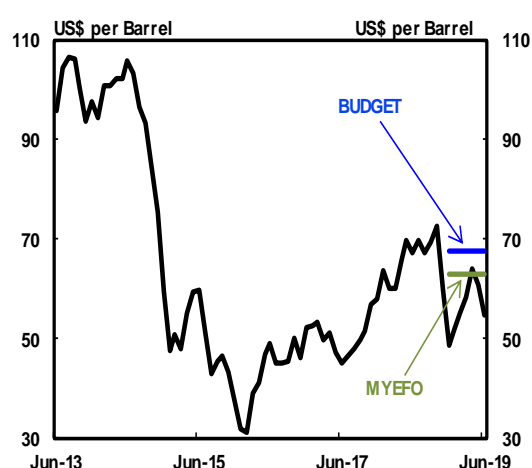
<sup>3</sup> Oil price refers to the IMF average petroleum spot price, which is based on UK Brent, Dubai, and West Texas Intermediate, equally weighted.

**Chart 3: IMF Export Price Index**



Source: International Monetary Fund (IMF)

**Chart 4: Oil Price**

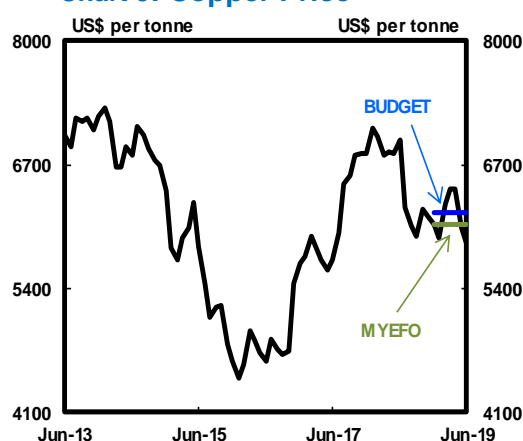


Source: IMF and Energy Information Administration

Copper prices at the start of the year looked bearish reflecting weakening demand in the global economy. Copper prices recorded their worst quarterly performance in the first quarter of this year since 2015, due to the US-China trade dispute that had undermined growth and demand. That sparked fears of oversupply in the market and caused prices to decline, reaching a low of US\$6,220.9 per tonne. Furthermore, new developments including an expected slowdown in Chinese demand (the top copper consumer globally) following release of weak economic data in June and the strengthening the US dollar pulled prices further down to around US\$6,116.5 per tonne by end-June 2019. Copper prices have increased somewhat in July in response to Chinese stimulus.

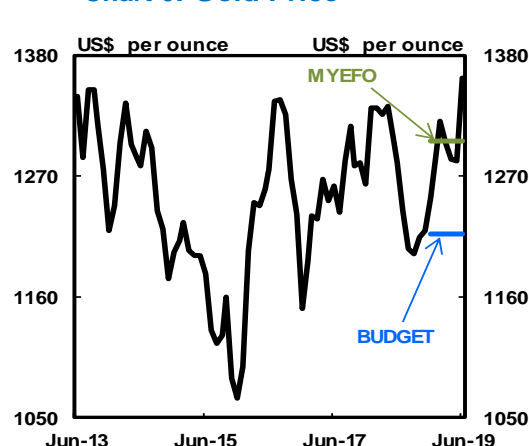
Looking ahead, the copper price will continue to be affected by fundamentals, including supply disruptions, the impact of the US-China trade negotiations, developments in the Chinese economy and the strength of the US dollar. Balancing these factors and the uncertainties surrounding global growth, the assumption underpinning the MYEFO assumes the copper price to average around US\$6,070.4 per tonne in 2019.

**Chart 5: Copper Price**



Source: IMF and London Metal Exchange

**Chart 6: Gold Price**



Source: IMF and Bank of England

Gold prices continue to benefit from negative developments in the global economy due to its safe haven appeal. Gold prices continued the upward trend over the first half of 2019 breaching the US\$1,400.0 per ounce mark in mid-June, a 6-year high. The rise reflected the

continued trade tensions between the US and China, episodes of volatility in the financial markets, escalating US-Iran tensions and the monetary easing in the US.

Looking ahead, with the expected further interest rate cuts by the US Fed and expectations of possible weakness in the US dollar, gold's safe haven status is likely to continue. Balancing all these factors, the assumptions in the MYEFO is for the gold price to average around US\$1,302.0 per ounce in 2019.

Reflecting developments in global mineral and petroleum commodity prices, the 2019 Budget assumptions for PNG's key mineral and petroleum exports have been revised<sup>4</sup>. The Budget copper price assumption of US\$6,200.3 per tonne (Chart 5) has been revised down to US\$6,070.4 per tonne. The gold price has been revised up to US\$1,302.0 per ounce from US\$1,217.6 per ounce at Budget (Chart 6). The Budget oil price assumption of US\$68.0 per barrel has been revised down to US\$63.0 per barrel (Chart 4).

### *Agriculture Commodities*

#### *Coffee*

Coffee prices receded in the first half of 2019 reflecting weaker-than-expected global demand for exports at the beginning of the 2018-19 season. This trend is expected to continue for the second consecutive season (2019-20) driven by ample supply in world coffee markets, amid weaker demand conditions in the global economy. On balance, coffee prices are expected to remain below the levels observed over the past two years.

#### *Cocoa*

Cocoa prices drifted upwards during the first half of the year as cocoa arrivals in the Ivory Coast and Ghana tightened, putting pressure on prices. This early upward trend was against the backdrop of tight supply conditions in the 2017-18 season.

Notwithstanding this, favourable weather conditions could quickly boost supply moving the market back into a balanced position in the 2018-19 cocoa season. On the demand side, the strengthening of the US dollar at intervals during the second quarter exerted downward pressure on cocoa prices in both the London and New York markets at the beginning of the year.

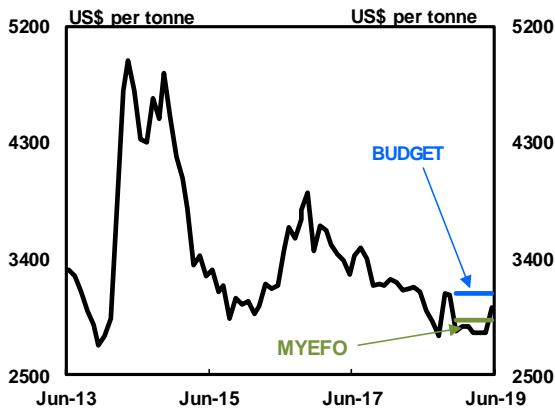
Generally, with a rising consensus that supply conditions will improve this season and with demand still robust, cocoa prices are expected to maintain their 2018 levels this year.

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<sup>4</sup>The price forecast methodology applied is the weighted average of the actual year-to-date average price from Jan 04 to Jun 30, and an assumption for the remainder of the year.

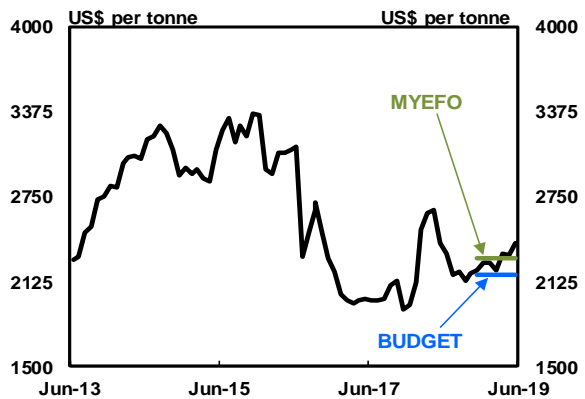


**Chart 7: Coffee Price**



Source: International Coffee Organisation

**Chart 8: Cocoa Price**



Source: International Cocoa Organisation

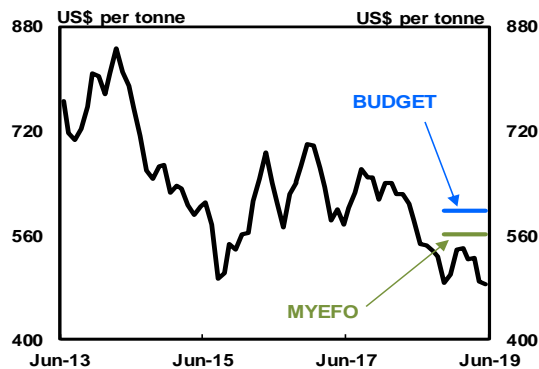
### *Palm Oil*

Palm oil prices declined in early 2019 as lower crude oil prices reduced demand for alternative fuels including biodiesel in Indonesia. Another major downside factor for palm oil prices is the increasing supplies of rival seeds, such as soybeans, driven by favourable weather conditions. Global palm oil production is expected to increase, boosted by strong production in Indonesia and Malaysia reflecting favourable weather. This is expected to keep the market well supplied, thereby putting downward pressure on prices.

### *Copra Oil*

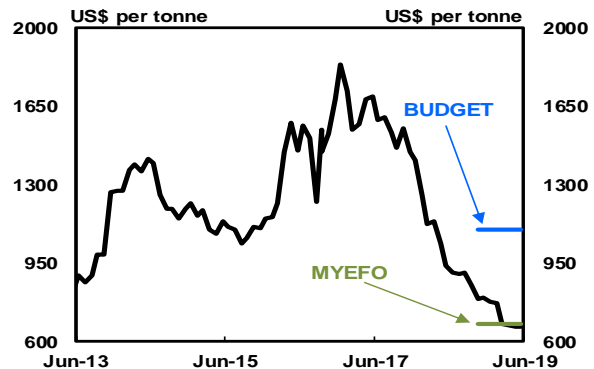
Increasing coconut oil production against lower demand has resulted in a decline in copra oil prices. Looking ahead, the current glut of coconut oil supplies in the market and soft global demand for coconut products will continue to weigh down on prices for coconut oil. Based on this outlook, copra oil prices are expected to trade below the 2019 Budget assumption in 2019.

**Chart 9: Palm Oil Price**



Source: Malaysia Palm Oil Council

**Chart 10: Copra Oil Price**



Source: Index Mundi

Reflective of the developments in the global agriculture commodity market, the 2019 Budget price assumptions for PNG's key agriculture exports have been revised. Coffee price have been revised down to US\$2,930.3 per tonne, palm oil down to US\$562.0 per tonne, copra oil down to US\$676.7 and cocoa up to US\$2,297.9 per tonne.

## Exchange Rate Developments

Since the release of the Monetary Policy Statement (MPS) in March by the BPNG, the Kina has further depreciated (down 0.7 per cent) against the US dollar, decreasing from US\$0.2965 at end March to US\$0.2945 in early July 2019. Conversely, the Kina has appreciated against the Australian dollar (up 0.8 per cent), rising from A\$0.4180 at the end of March to be at A\$0.4212 in early July 2019.

The ongoing weakness against the US dollar reflects the general trends in other major currencies and also reflects a lack of supply of US dollars in the PNG market. With the unanticipated decline in external borrowing by the Government over the first half of 2019, US dollar inflows into PNG have been lower than expected which has resulted in the reduction of the FX backlog program being halted and, in fact, the FX backlog has widened further in recent months. In contrast, against the Australian dollar, the Kina has strengthened due to cross currency movements as the AUD weakened against a stronger USD.

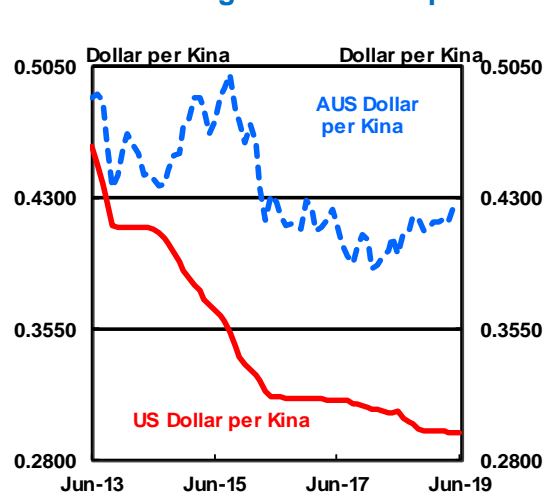
The BPNG's Trade Weighted Index (TWI) is expected to maintain a modestly depreciating trend over the remainder of 2019. The resumption of external borrowing by the Government over the second half of 2019 should assist in stabilising currency movements by year's end.

**Chart 11: Trade Weighted Index**



Source: Bank of PNG

**Chart 12: Exchange Rate Developments**



Source: Bank of PNG

## Domestic Economic Outlook

### 2018 Economic Update

The PNG economy contracted by 0.6 per cent in 2018, down from the 2019 Budget estimate of positive 0.3 per cent. This is largely due to significantly lower-than-expected gas and condensate production, which more than offset stronger Agriculture, Forestry & Fisheries (AFF) and Mining & Quarrying sector growth during the year.

The Oil and Gas sector contracted by 16.4 per cent in 2018 driven by the negative impacts of the earthquake on the PNG LNG project facilities and output which is significantly deeper than the contraction of 9.8 per cent estimated at the time of the 2019 Budget. Data supplied by the operator at the time of the 2019 Budget suggested that LNG volumes would reach 400.0 Trillion British Thermal Unit (Tbtu) while condensate would reach 10.9 MB, but more

recent data received showed that actual LNG produced in 2018 amounted to 382.0 Tbtu and condensate amounted to only 9.0 MB.

This meant that LNG production was revised down by 4.5 per cent while condensate was revised down by 18.2 per cent driving a significant part of the decline in sectoral as well overall real growth in 2018. The impact of the decline on gas and condensate production on real GDP is significant because the sector has more than doubled since 2014, surpassing the mining and agriculture, forestry and fishery sectors as the top ranked in terms of its weight (around 18.0 per cent of the size of the economy according to latest data).

Changes in LNG and condensate production will have a considerable impact on sectoral as well as overall real growth in the economy.

The contraction in 2018 was partly offset by better-than-expected output in the AFF and Mining & Quarrying sectors. Growth in the AFF sector was revised up to 3.7 per cent, 0.4 percentage points higher than the budget estimate of 3.3 per cent largely due to better-than-expected palm oil output towards the backend of the year, supported by increased log output. In the Mining & Quarrying sector, growth was revised up to 3.8 per cent from 0.2 per cent at budget time driven by an increase in gold output at one of the key mines, supported by higher-than-expected gold output from Porgera and OK Tedi and nickel and cobalt production from Ramu NiCo.

Activity in the other non-mining sectors was generally stagnant in 2018, except for those sectors impacted by the APEC event such as the Accommodation & Food Services, Transport & Storage and Information & Communication sectors.

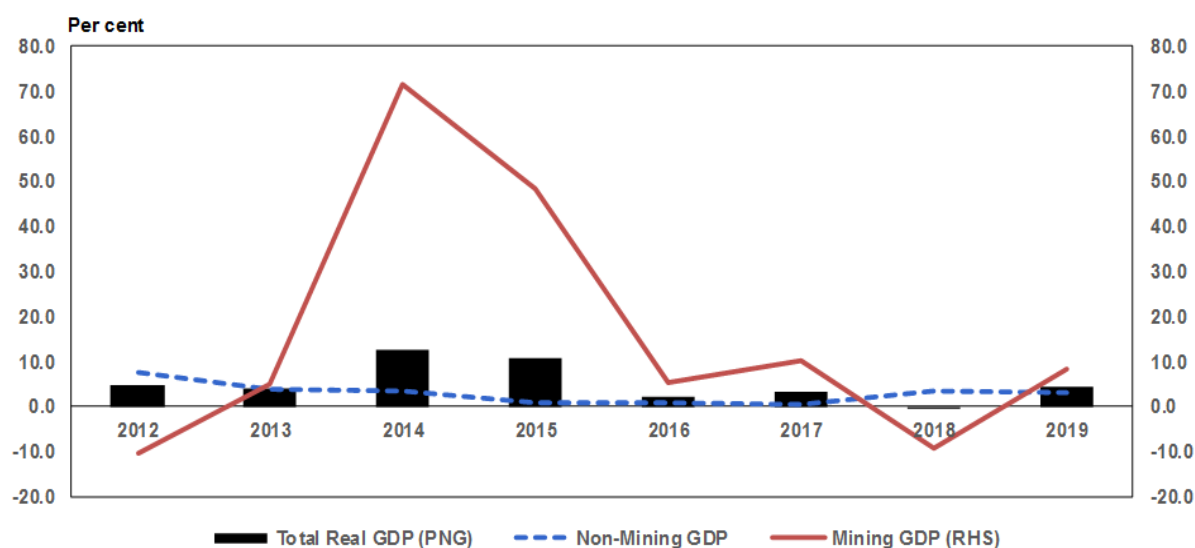
### **2019 Economic Outlook**

In 2019, the domestic economy is projected to grow, in real terms, by 4.4 per cent, 0.4 percentage points higher than the 2019 Budget estimate of 4.0 per cent. This upward revision is driven largely by the rebound in output in the oil and gas sector following the abnormal developments observed in 2018 with an estimated 13.0 per cent surge driven by a 14.9 per cent increase in LNG volumes and a 11.1 per cent increase in condensate production.

In volume terms, LNG production is expected to reach 439.0 Tbtu while condensate should reach 10 MB in 2019.

Offsetting some of the rebound in overall GDP growth is an expected deceleration in growth in the agriculture, forestry and fisheries sector and the mining sector in 2019 due to lower palm oil production from depressed global demand and an off-season for coffee, while in the mining sector, the weakness is due to the plateauing of production at mature mines including Ramu NiCo. The AFF sector is projected to expand at 2.7 per cent, 1.0 percentage points lower than the previous year, while mining is expected to expand at 1.0 per cent, 2.8 percentage points lower than the previous year.

**Chart 13: Economic Growth (2012-2019)**



Source: Department of Treasury

Growth in the Non-Mining sector has been revised down to 2.9 per cent in 2019, 0.2 percentage points lower than the Budget estimate of 3.1 per cent with downward revision due to some delay in the spending impact on the economy from the new extractive projects that were initially incorporated into the baseline in the 2019 Budget to commence in the second half of this year. Those impacts have now been delayed to same time next year (2020) and subjected to the timing of the Final Investment Decisions of the respective projects and the status of these projects will be monitored closely and impacts updated as we move towards the preparation of the 2020 Budget.

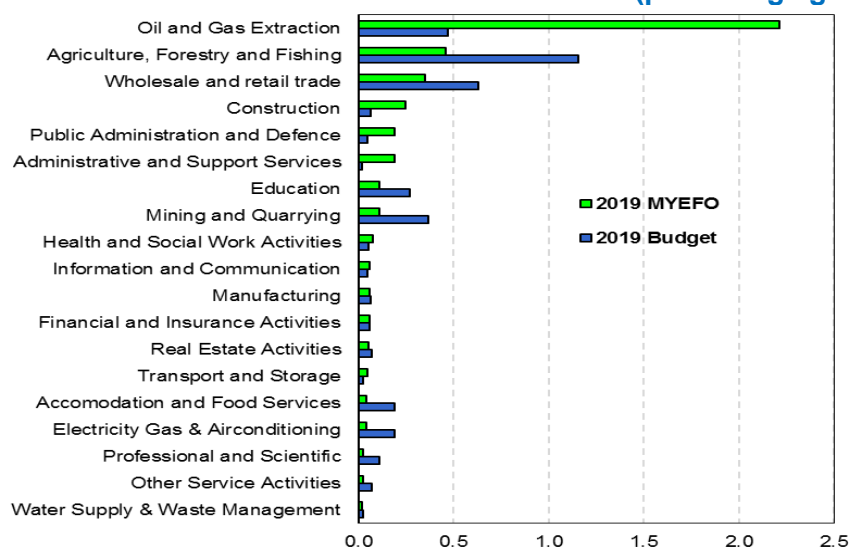
The widening of the foreign exchange imbalance in recent months and the tightness in fiscal spending will also impact adversely on non-mining GDP growth in 2019.

**Table 2: Key Economic Parameters**

	2018 Actual	2019 Budget	2019 MYEFO
<b>Total Nominal GDP (Kina Million)</b>	82,174.4	88,672.2	88,458.4
<b>Economic Growth (%)</b>			
Total Real GDP	-0.6	4.0	4.4
Non-mining Real GDP	3.3	3.1	2.9
<b>Inflation (%)</b>			
Year Average	4.7	5.4	4.8
<b>Interest rate</b>			
Kina Rate Facility (KFR)	6.3	6.3	6.3
Inscribed Stock (3 year yield)	9.7	9.7	9.7
<b>Mineral Prices</b>			
Gold (US\$/oz)	1,269.5	1,217.6	1,302.0
Copper (US\$/ton)	6,516.8	6,200.3	6,070.4
Oil (Kutubu Crude: US\$/barrel)	64.5	67.7	63.0
LNG (US\$ per thousand cubic feet)	11.0	10.2	10.9
Nickel (US\$/tonne)	13,109.0	9,555.8	9,072.5
Cobalt (US\$/tonne)	72,819.8	45,682.2	22,606.9
<b>Agricultural Prices</b>			
Coffee (US\$/tonne)	3,076.2	3,132.0	2,930.3
Palm Oil (US\$/tonne)	572.1	597.9	562.0
Cocoa (US\$/tonne)	2,293.8	2,177.1	2,297.9
Copra Oil (US\$/tonne)	1,041.7	1,096.1	676.7

Source: Department of Treasury

Note: Total Nominal GDP (2018-19) is based on Treasury's Estimate

**Chart 14: Sectors Contribution to Total Real GDP (percentage growth)**

Source: Department of Treasury

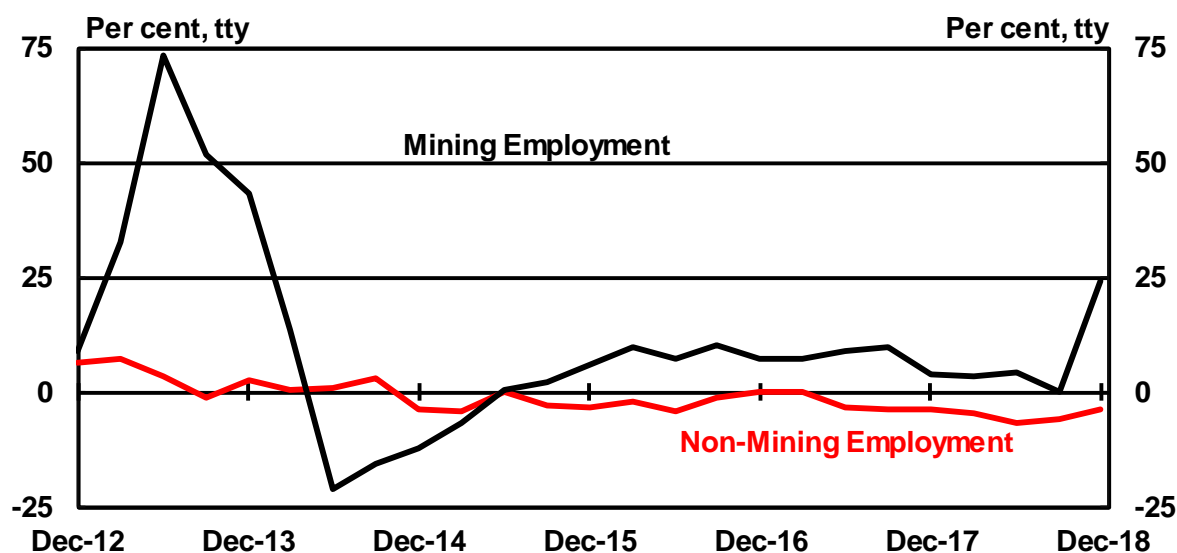
## Employment Update

Total employment in the formal private sector in 2018 expanded by 2.3 per cent driven by employment growth in the mining sector, which more than offset the contraction in the non-mining sector. According to BPNG's 2018 December Quarterly Economic Bulletin (QEB),

mining sector employment grew by 24.4 per cent through-the-year to the December quarter 2018 driven by recruitment of more workers for drilling activities in the gas fields and further work on the restoration of LNG facilities.

This more than offset the 0.3 per cent decline in the non-mining sector over the same period, which is driven by the subdued state of the domestic economy.

**Chart 15: Employment Growth (through-the-year percentage growth)**



Source: Bank of PNG

The 0.3 per cent decline in non-mining sector employment in 2018 and the 3.8 per cent decline in 2017 reflect the subdued domestic conditions over the last two years. The employment contraction is across a number of sectors including transportation (down 13.5 per cent), retail (down 5.5 per cent), AFF (down 1.0 per cent) and building & construction (down 0.2 per cent).

In contrast, the finance/business & other services sectors and manufacturing recorded employment growth of 8.8 per cent and 1.3 per cent, respectively. The increase in employment in the manufacturing sector is likely to be due to Government tariff and industry support in recent budgets.

In the first quarter of 2019, employment in the non-mining sector rebounded to a positive growth on a quarterly basis. Growth has picked up in the manufacturing sector and agriculture sector while growth momentum continued in financial and business sector. This trend is expected to continue driven by the positive GDP growth outlook for the sectors in 2019.

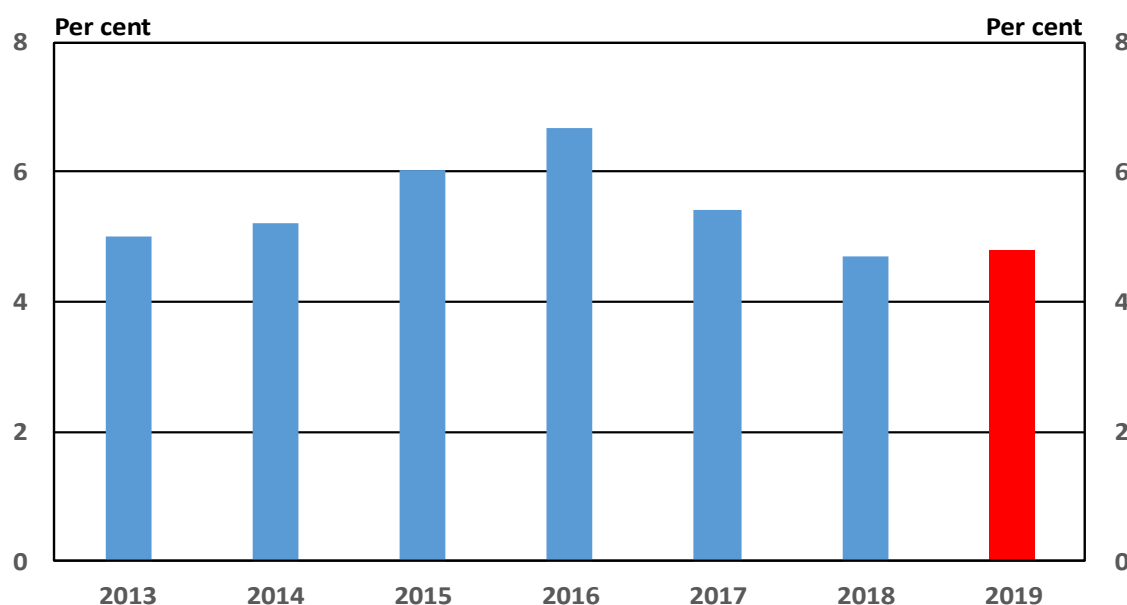
## Inflation Outlook

Headline inflation is projected to be 4.8 per cent in 2019, slightly higher than the 2018 outcome of 4.7 per cent, but lower than the 2019 Budget projection of 5.4 per cent. The marginal increase in 2019 compared to 2018 is driven by the depreciation of the Kina against major trading currencies, particularly the US dollar, higher petroleum prices and higher business costs associated with the foreign exchange imbalance, as well as the anticipated rebound in GDP growth in 2019.

However, the downward revision from the 2019 Budget is due to the lower NSO inflation outcomes for the September and December quarters 2018 and the March quarter 2019 which

have been consistently below Treasury's forecasts.

**Chart 16: Inflation Outcome and Projection (2013-2019)**



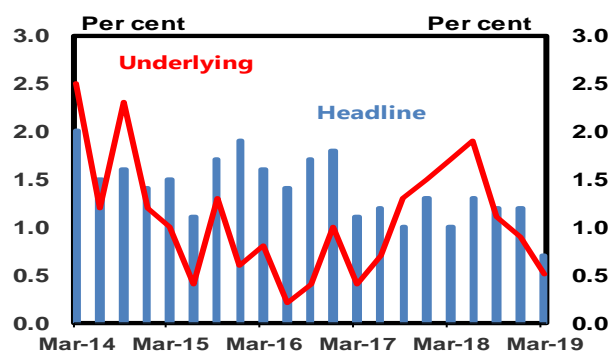
Source: National Statistical Office (NSO) and Department of Treasury

In the March quarter of 2019, headline inflation grew by 0.7 per cent compared to 1.2 per cent recorded in the previous quarter (Chart 17) and this is due to the softer business conditions.

According to the recent Treasury Business Survey, most companies mentioned a lack of demand in the economy and increased competition, keeping prices low. Prices rose across all the major urban centres with Lae increasing by 0.9 per cent, followed by Alotau-Kimbe-Rabaul (0.7 per cent), Port Moresby (0.6 per cent) and Goroka-Mt Hagen-Madang (0.5 per cent).

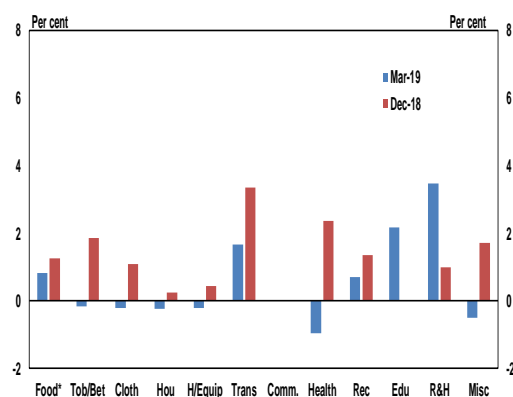
By Expenditure groups, price increases in the March quarter were driven by Restaurant and Hotels (up 3.5 per cent), Education (up 2.2 per cent), and Transport (up 1.6 per cent) (Chart 18).

**Chart 17: Headline and Underlying Inflation- March Quarter 2019**



Source: National Statistical Office

**Chart 18: Expenditure Basket – March Quarter 2019 growth**



Source: National Statistical Office

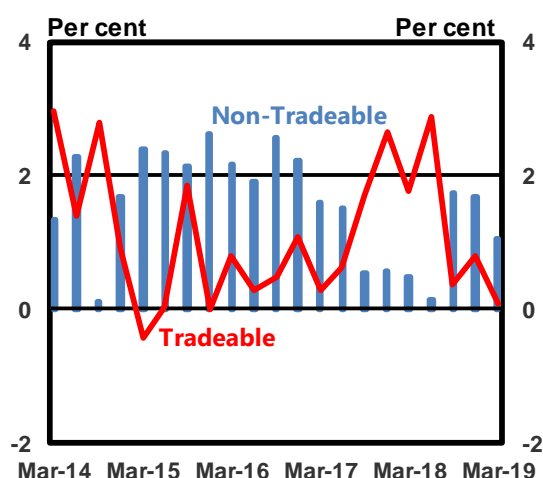
The underlying measure of inflation, excluding seasonal and price control items grew by 0.5 per cent in the March quarter, compared to 0.9 per cent recorded in the previous quarter

(Chart 17). Between March 2018 and March 2019, underlying inflation declined sharply by 0.8 per cent, reversing the upward trajectory observed in the preceding twelve months (Chart 20).

Imported inflation increased by 0.1 per cent in the March quarter 2019 compared to 0.8 per cent in the previous quarter. This slowdown in imported inflation is due to relative stability of kina exchange rate and lower Australian CPI.

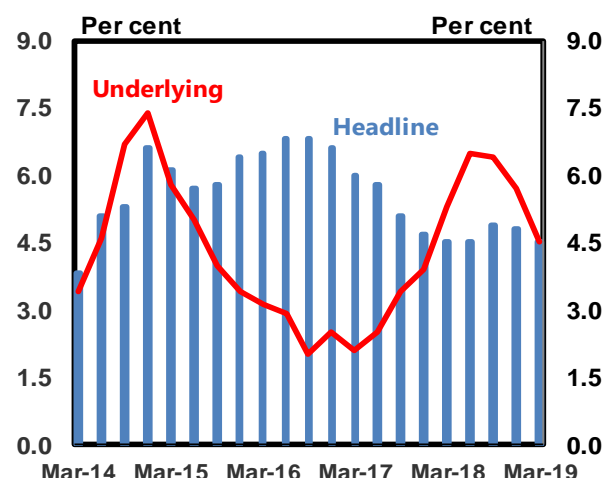
Over the past twelve months (March 2018 to March 2019), imported inflation was 4.2 per cent compared to 6.9 per cent in the corresponding quarter of last year.

**Chart 19: Tradable and non-Tradable Inflation March Quarter 2019**



Source: National Statistical Office

**Chart 20: Headline and Underlying Inflation through the year (March 2018 to March 2019)**



Source: National Statistical Office

Despite the fall in the prices of imports over the twelve months, prices of domestic (non-tradeable) goods rose by 4.7 per cent from 3.1 per cent recorded a year ago. The strength in price growth over the past twelve months reflects economic activities associated with the hosting of APEC observed over that period.

In the first quarter of 2019, inflation has eased somewhat reflecting the lack of stimulus in the economy to date.

### Monetary Developments

The BPNG maintained a neutral monetary policy stance by maintaining its Kina Facility Rate (KFR) at 6.25 per cent throughout 2018 and over the first half of 2019. BPNG reduced the rate by 25 basis points to 6.0 per cent in July 2019 reflecting the decline in the inflation rate.

The transmission from the KFR to domestic interest rates is tenuous and the BPNG is working to improve the transmission mechanism to the real economy through as a part of the PNG/World Bank Development Policy Operation reform program.

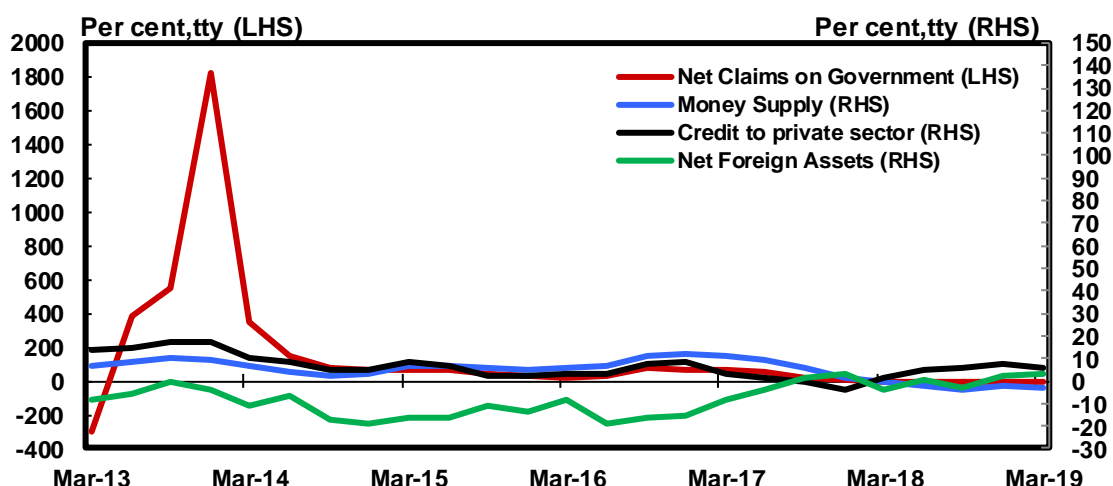
The broad money supply over the twelve months to March quarter 2019 declined by 3.4 per cent to K21,558.4 million (Chart 21) and was primarily attributed to net claims on Central Government decreasing by 6.4 per cent whilst credit to the Private Sector rose by 5.8 per cent. The decrease in the net claims on the Central Government reflects the moderate



issuance of domestic securities to finance the 2018 and 2019 Budgets and is driven by the Government's shift in debt sourcing towards external debt.

Net Foreign Assets (NFA) rose on average by 3.2 per cent to K5,568.6 million from K5,395.5 million in the corresponding period of 2018.

**Chart 21: Monetary and Credit Growth (through the year % growth)**



Source: Bank of PNG

According to the BPNG 2019 March Monetary Policy Statement, the broad money supply is projected to increase by 4.2 per cent in 2019. Net Claims on Government are expected to rise by 0.6 per cent and Credit to the Private Sector to increase by 7.2 per cent, while NFAs are projected to increase by 4.8 per cent.

The increase in NFAs is expected from higher export receipts and inflows from external financing. The Monetary base is projected to increase by 4.1 per cent following a decline of 1.6 per cent in 2018.

### Balance of Payments

In 2018, the current account recorded a surplus of K17,908 million (22.0 per cent of GDP) which was 5.0 per cent higher than the surplus recorded in 2017 and this modest expansion mirrored developments in the trade account, which also grew at a modest 6.0 per cent in 2018.

The February 2018 Earthquake imposed considerable losses in the volumes of key mineral exports including LNG, condensate and gold. However, high mineral commodity prices combined with increases in service receipts cushioned the negative impacts of this event, helping keep export values elevated and a surplus in the trade account.

The Transfers account also recorded a surplus more than offsetting a narrowing of the income account which ensured that the current account continued to maintain a surplus in 2018. Overall, the balance of payments recorded a surplus of K1,849.0 million in 2018, with the higher surplus in the current account more than offsetting deficits in the capital and financial account.

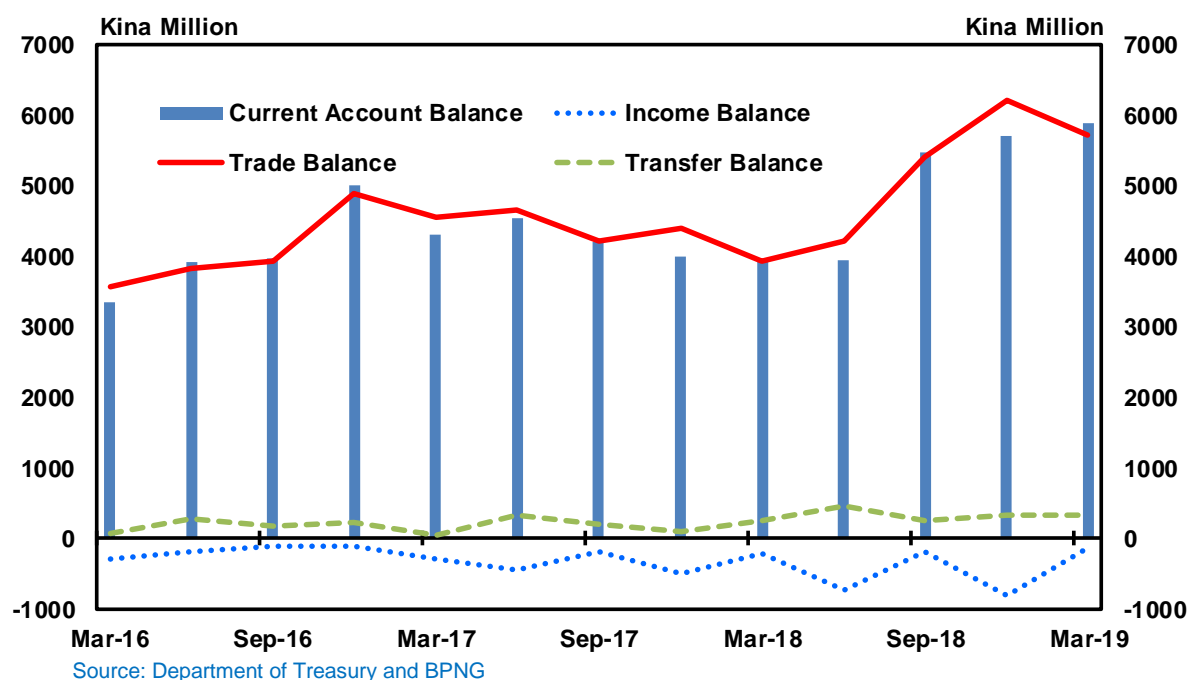
In the March quarter 2019, the current account recorded a surplus of K5,892.0 million, which is 3.1 per cent higher than the previous quarter and is driven by improvements in the income account offsetting some of the weakness in the trade account. The transfers account declined marginally during the quarter.

In particular:

- The trade account recorded a surplus of K5,721.0 million in the March quarter 2019, 7.8 per cent lower than the previous quarter;
- The income account recorded a deficit of K148.0 million in the March quarter 2019. This is an improvement on the deficit of K808.0 million recorded in the previous quarter and is due to lower dividend and compensation of employee payments to shareholders and residents overseas;
- The transfer account recorded a surplus of K318.4 million in the March quarter, slightly lower than the surplus of K318.7 million recorded in the previous quarter. This was mainly due to lower receipts of gifts and grants during the quarter;
- The capital and financial account recorded a deficit of K6,398.7 million in the March quarter reflecting the continued financing commitment of key projects in the mineral sector and outflows to finance investments abroad by resident companies; and
- In light of the developments discussed above in each account, the overall balance of payments position in the first quarter was a deficit of K508.0 million. This meant that the inflows from the current account were outweighed by outflows in the capital and financial account.

With mineral commodity prices expected to continue trade at moderately elevated levels for the remainder of the year, supply is expected to respond providing a boost to commodity exports. This should reverse the adverse trends in the current account in coming quarters. Based on this, the current account is projected to continue to be in a healthy position at end 2019.

**Chart 22: Balance of Payment Quarterly (Kina, million: 2016-2019)**

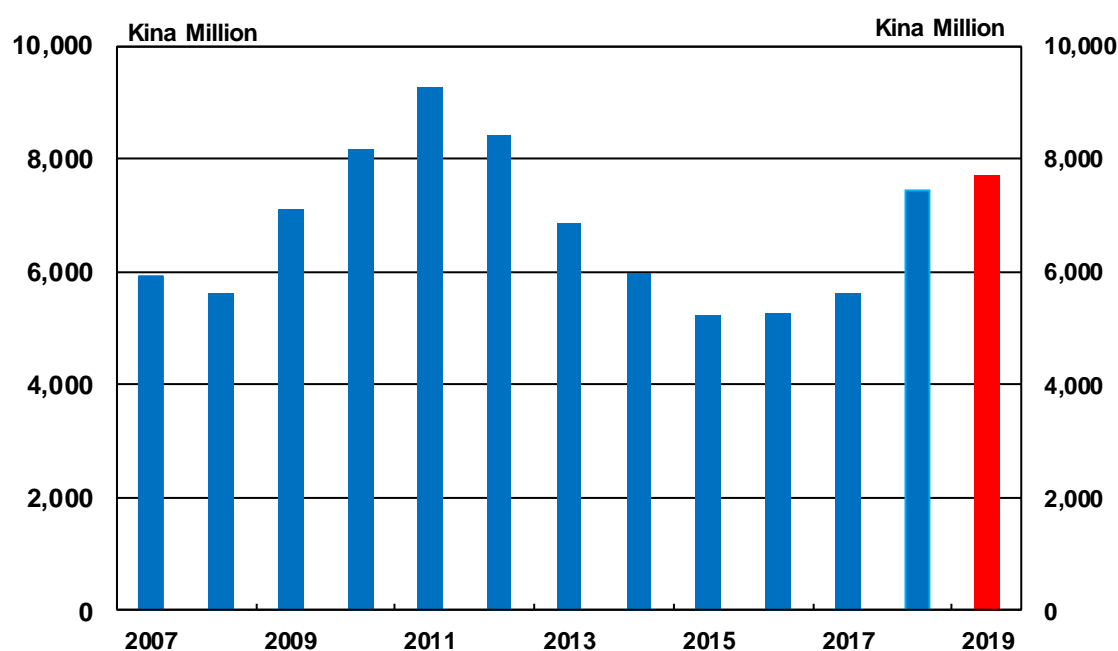


## International Reserves

The level of gross foreign exchange reserves was US\$2,214.8 million (K7,457.1 million) at the end of December 2018, sufficient for 6.7 months of total import cover and 14.9 months of non-mineral import cover.

Foreign reserves are projected to increase to US\$2,287.8 million (K7,703.0 million) by end 2019 reflecting higher inflows from mining and petroleum tax, dividends from the State's share in the mining and petroleum projects, royalty and development levies from the PNG LNG project. External financing of the budget deficit from concessional, commercial and other sources is also expected to contribute to the increase in reserve levels in 2019.

**Chart 23: International Reserves Annual (Kina, million: 2007-2019)**



Source: Bank of PNG

## 1.3 THE FISCAL POSITION AND OUTLOOK

### Overview Mid-Year Fiscal Position

In the 2019 Budget, total expenditure was set at K16,133.5 million to be financed by K14,266.8 million in revenue and K1,866.8 million in net borrowing, all from external loans and debt securities.

These fiscal transactions were framed within the Government's *Medium-Term Fiscal Strategy (MTFS 2018-2022)* to achieve the following:

- raise revenue to 14.0 per cent of GDP by 2022;
- reduce expenditure to below 16.1 per cent of GDP by 2022;
- achieve a net borrowing of 2.1 per cent of GDP in 2019 and then a gradual reduction over the medium-term to 0.8 per cent of GDP; and

- drive a reduction in the debt to GDP ratio to 30.0 per cent by 2022 in compliance with the Fiscal Responsibility Act (FRA) target and to clear a path towards achieving a zero average annual non-resource primary balance over the medium term.

In the first half of the year, the Government expended a total of K7,478.0 million or 46.4 per cent of the total budget expenditure. This included the K500.0 million that was transferred into 2019 from commitments provided in late 2018 and which covered SIP payments, and rental, utility and APEC arrears.

This fiscal adjustment was presented in the 2018 FBO report.

The expenditure was financed by a total revenue envelope of K5,810.6 million and net borrowing of K1,667.3 million, comprising mainly of K1,276.2 million in drawdown from the 2018 external borrowing retained in trust accounts, and net borrowing of K391.2 million.

**Table 3: Key Fiscal Anchors 2018-2019 (Kina, million)**

Kina Million	2018 Actuals	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>TRANSACTIONS AFFECTING NET WORTH:</b>					
<b>Revenue</b>	<b>14,085.8</b>	<b>14,266.8</b>	<b>5,810.6</b>	<b>14,009.7</b>	<b>-257.1</b>
Taxes	10,475.9	11,212.6	4,560.2	11,090.4	-122.2
<i>Taxes on Income, profits, and capital gains</i>	6,119.2	6,675.2	2,429.2	6,641.2	-34.0
<i>Taxes on payroll and workforce</i>	8.6	0.0	0.9	1.7	1.7
<i>Taxes on goods and services</i>	3,537.3	3,773.9	1,770.7	3,728.5	-45.4
<i>Taxes on international trade and transactions</i>	810.7	763.4	359.4	718.9	-44.5
Grants	1,835.7	943.1	831.4	943.1	0.0
Other Revenue	1,774.3	2,111.1	419.0	1,976.2	-134.9
Resource Revenue	1,428.5	1,856.2	376.3	1,775.1	-81.1
<i>Mining and Petroleum Taxes</i>	775.0	856.2	226.3	805.1	-51.1
<i>Mining, Petroleum and Gas Dividends</i>	653.5	1,000.0	150.0	970.0	-30.0
<i>Transfer from the Stabilization Fund (SWF)</i>	0.0	0.0	0.0	0.0	0.0
<i>Revenue as percentage of GDP</i>	17.1%	16.1%	6.6%	15.8%	-0.3%
<b>Total Expenditure and lending</b>	<b>16,134.2</b>	<b>16,133.6</b>	<b>7,478.0</b>	<b>16,382.8</b>	<b>249.3</b>
<i>Expense as percentage of GDP</i>	19.6%	18.2%	8.5%	18.5%	0.3%
<b>Expense<sup>2</sup></b>	<b>14,542.7</b>	<b>13,622.3</b>	<b>6,607.2</b>	<b>14,221.6</b>	<b>599.4</b>
Compensation of employees	5,198.4	4,448.5	2,451.2	4,932.7	484.3
Use of goods and services	4,879.2	4,597.6	2,246.2	4,672.4	74.8
Interest	1,853.3	1,950.1	1,025.8	2,022.5	72.4
Grants	1,999.8	2,150.8	608.6	2,118.8	-32.0
Social benefits	0.9	74.3	0.0	74.3	0.0
Other expense	611.2	401.0	275.4	401.0	0.0
<b>Net Acquisition of Non-Financial Assets*</b>	<b>1,591.5</b>	<b>2,511.3</b>	<b>870.8</b>	<b>2,161.2</b>	<b>-350.1</b>
Fixed Assets	1,591.5	2,511.3	870.8	2,161.2	-350.1
<b>Gross Operating Balance<sup>3</sup></b>	<b>-456.9</b>	<b>644.5</b>	<b>-796.6</b>	<b>-211.9</b>	<b>-856.5</b>
<b>Net Lending (+) / Net Borrowing (-)</b>	<b>-2,048.4</b>	<b>-1,866.8</b>	<b>-1,667.3</b>	<b>-2,373.1</b>	<b>-506.4</b>
<i>Net lending/borrowing as percentage of GDP</i>	-2.5%	-2.1%	-1.9%	-2.7%	236.8%
<i>Non-resource primary balance as percentage of Non-resource GDP</i>	-2.8%	-2.8%	-1.6%	-3.4%	
<b>Transactions in financial assets and liabilities</b>	<b>2,048.4</b>	<b>1,866.7</b>	<b>1,667.3</b>	<b>2,373.2</b>	<b>0.0</b>
<b>Net Acquisition of Financial Assets</b>	<b>1,228.6</b>	<b>-</b>	<b>1,276.2</b>	<b>1,228.6</b>	<b>-</b>
Domestic**	1,228.6	-	1,276.2	-1,228.6	-
External	-	-	-	-	-
<b>Net Incurrence of Liabilities</b>	<b>3,277.0</b>	<b>1,866.7</b>	<b>391.2</b>	<b>1,144.6</b>	<b>0.0</b>
Domestic	-319.3	-629.4	205.9	-629.4	0.0
<i>Debt securities: Treasury bills</i>	-516.9	-329.4	374.9	-329.4	0.0
<i>Debt securities: Treasury bonds</i>	343.5	-300.0	-169.0	-300.0	0.0
Loans	-146.0	-	0.0	0.0	-
External	3,596.3	2,496.1	185.3	1,774.0	-640.0
<i>Debt securities: Sovereign bonds</i>	1,672.2	640.0	0.0	0.0	-640.0
Loans	1,924.1	1,856.1	185.3	1,774.0	-82.1
<b>Gross Debt Stock</b>	<b>26,981.3</b>	<b>27,322.2</b>	<b>27,372.5</b>	<b>28,125.9</b>	<b>803.7</b>
<b>Debt as % of GDP</b>	<b>32.8%</b>	<b>30.8%</b>	<b>30.9%</b>	<b>31.8%</b>	
<b>Gross Domestic Product</b>	<b>82,174.4</b>	<b>88,672.2</b>	<b>88,458.4</b>	<b>88,458.4</b>	<b>-213.8</b>
<b>Non-resource GDP</b>	<b>58,277.8</b>	<b>63,704.8</b>	<b>62,822.2</b>	<b>62,822.2</b>	

Source: Department of Treasury

\*Net Acquisition of Non-Financial Assets, excludes operational costs like maintenance and repair of fixed assets, which are included in the use of goods and services

Revenues in the first six months have not performed strongly for key revenue sources such as Company Income Tax, Mining and Petroleum tax, PMMR and fees and charges (refer to revenue details in section 1.4). Weaker performance in these revenue categories have been partially offset by stronger collections from PIT, gaming machine and withholding taxes.

Due to the delay in securing the budgeted external budget support financing in the first half of 2019 and some treasury bond redemptions (net K169.0 million), the Government was forced to go back to the domestic treasury bill market where, up to end June, an additional K374.9 million in Treasury Bills were raised to assist financing over the first half. It also drew down K1,276.2 million from the balance in the external debt trust accounts and this contributed

to the total net borrowing of K391.2 million up to end June which consequently increased the total debt stock to K27,372.5 million, equivalent to 30.9 per cent of GDP.

The debt stock outcome is within the required legal band of 30.0 per cent to 35.0 per cent of GDP as per the *Fiscal Responsibility Act (2017 amended)*.

Due to low cash availability in the first six months, total Capital Budget expenditure is tracking low against the budgeted appropriation at 40.2 per cent where only K2,211.9 million has been expended against the appropriation of K5,497.1 million. Meanwhile, Operational Budget Expenditure amounted to K5,260.1 million which is 49.5 per cent of the Budget appropriation with expenditure pressures continuing to originate from personnel emoluments, rentals, utilities and interest payments.

### Fiscal Outlook for 2019

Based on the first six months fiscal trends, Total Revenue and Grants is projected to decrease by K257.1 million from the 2019 Budget projection to K14,009.7 million.

Total Expenditure and Net Lending is projected to increase by K249.3 million to K16,382.8 million against the 2019 Budget projection. This is projected to result in an increase in the fiscal deficit in 2019 of K506.4 million to K2,373.1 million<sup>5</sup>.

As a result, the total public debt stock is expected to increase to K28,125.9 million, or 31.8 per cent of GDP, marginally lower than the budget target for 2019 and significantly lower than the 32.8 per cent outcome for 2018.

Importantly, the non-resource primary balance has deteriorated to -3.4 per cent, against the 2019 Budget target of -2.8 per cent. A correction of this trend will be required if a zero average annual non-resource primary balance over the medium term is to be achieved.

Most of the projected revenue shortfall is from both Tax and Non-Tax Revenue sources where:

- Company Income Profit Tax has been revised down by K160.4 million due to subdued domestic activity, revision in the impact of removal of double deduction for staff training and the low provisional tax outcome in the first instalment;
- PMMR revenues are projected to decrease by K68.2 million due to weaker than expected collections from NFA; and
- fees and charges are projected to decrease by K86.7 million due to weak implementation of the land rental collection system and weak collections from other agencies.

The projected increase in expenditure against the 2019 Budget projections is due to:

- an expected increase in personnel emoluments expenditure of K484.3 million due to high salary expenses in the second quarter to cater for the 3.0 per cent increment for 2018 and outstanding allowances related to hosting of 2018 APEC, as well as increases in staffing levels particularly in the teachers, health and law and order components;

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<sup>5</sup>Part of the total deficit is funded by the drawdown of K1,276.2 million from external borrowing trust accounts.

- rental and utilities are projected to increase by K204.0 million to account for 2018 arrears; and
- interest payments are projected to increase by K61.1 million due to the shorter structure of treasury bills and some additional interest payments on some called guarantees.

On the financing front, the risk of the debt stock exceeding the upper limit of 35.0 per cent remains minimal, with risks more related to potential delays in securing the planned budget support from the ADB, the World Bank and the USD 300.0 million budgeted external financing. Adding additional pressure on domestic financing are the continuing shortfalls in non-tax revenues.

The projected increase in the fiscal deficit of K506.4 million can be accommodated, with external financing sources available and close to confirmation.

The increase in the deficit can be equated to the fiscal overhang brought forward into the 2019 Budget. If these commitments were not made at end 2018, avoiding payments against the 2019 Budget, then the projected 2019 Budget outcome could be considered on track with lower revenue and higher PE and interest expenditure being offset by cuts to goods and services and domestically funded capital expenditures.

Debt levels remain manageable, within prudent levels and in compliance with the FRA. The debt management strategy, although delayed somewhat by the CDB negotiations and failure to access external financing over the first half of 2019, will be brought back on track over the second half following receipt of external financing. This will also facilitate the resumption of the domestic debt redemption program which will underpin the reduction in foreign exchange restrictions.

In addition, the Government is dealing with its loan guarantees that have been called and formulating options for the restructuring of these loans. In the interim, payments under these guarantees will be expensed and not taken into debt levels until the issues are resolved.

The Government will continue to deliver on its key Government priorities and essential services such as education subsidies (TFF), medical supplies, emergency roads and bridges, disaster relief funding, provincial health authority operations, provincial functional grants and commitment towards direct investments in provinces through the Services Improvement Programs (SIPs).

## **1.4 TOTAL REVENUE AND GRANTS**

Total Revenue and Grants projections for 2019 have been revised down by K257.1 million in the 2019 MYEFO to K14,009.7 million, compared to the 2019 Budget projection of K14,266.8 million.

The revised projections highlight expected shortfalls in Company Income Tax (CIT) due to a horizontal domestic business trend and the re-emergence of foreign exchange imbalance issue after a partial relief observed in quarter four of 2018. It also reflects a moderation in Mining and Petroleum Tax (MPT) reflecting flattening mineral and petroleum commodity prices and shortfalls in revenue expectations from PMMR act transfer targets and Fees & Charges.

Excluding donor grants, which are unchanged from the budget estimate, Tax Revenue estimates is projected to increase by K305.9 million and Other Revenues substantially by K563.0 million (refer Table 4).

**Table 4: Total Revenue and Grants 2018-2019 (Kina, million)**

	<b>2018 Actual</b>	<b>2019 Budget</b>	<b>June Outturn</b>	<b>2019 MYEFO</b>	<b>Budget Variation</b>
<b>Tax Revenue</b>	<b>10,475.9</b>	<b>10,784.5</b>	<b>4,560.2</b>	<b>11,090.5</b>	<b>305.9</b>
<i>Per cent of GDP</i>	<i>11.8%</i>	<i>12.2%</i>	<i>5.2%</i>	<i>12.5%</i>	<i>0.3%</i>
<b>Social Contributions</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<i>Per cent of GDP</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Grants</b>	<b>1,835.7</b>	<b>943.1</b>	<b>831.4</b>	<b>943.1</b>	<b>0.0</b>
<i>Per cent of GDP</i>	<i>2.1%</i>	<i>1.1%</i>	<i>0.9%</i>	<i>1.1%</i>	
<b>Other Revenue</b>	<b>1,774.3</b>	<b>2,539.2</b>	<b>230.1</b>	<b>1,976.2</b>	<b>-563.0</b>
<i>Per cent of GDP</i>	<i>2.0%</i>	<i>2.9%</i>	<i>0.5%</i>	<i>2.2%</i>	<i>-0.6%</i>
<b>Total Revenue</b>	<b>14,085.8</b>	<b>14,266.8</b>	<b>5,810.6</b>	<b>14,009.7</b>	<b>-257.1</b>
<i>Per cent of GDP</i>	<i>15.9%</i>	<i>16.1%</i>	<i>6.6%</i>	<i>15.8%</i>	<i>-0.3</i>

Source: Department of Treasury



## TAX REVENUE

Tax revenue collection for the first part of the year is below the projection in the 2019 Budget, given through the year collection trends, but is anticipated to increase in the second half in line with historical trends.

Major tax heads including Personal Income Tax (PIT), Dividend Withholding Tax (DWT) and Gaming Machine Tax are projected to increase above budget projections. The increase is expected to be more than offset by projected decreases in Company Income Tax, Mining and Petroleum Tax, Import Excise, Export Tax and Stamp Duty.

As a result and, given some acceleration in MTRS reforms, total tax revenue is now estimated to be K122.2 million lower than the 2019 Budget estimate of K11,212.6 million, but is 7.0 per cent higher than 2018 outturns.

### Taxes on Income, Profits and Capital Gains

Taxes on Income, Profits and Capital Gains are projected to decline by K34.0 million over 2019 compared to the 2019 Budget estimate of K6,675.2 million. This reflects a projected above budget increase in PIT and Dividend Withholding Tax which was more than offset by a decrease in CIT and MPT.

In the first half of the year, Personal Income Tax (PIT) collections amounted to K1,452.4 million, which was above the budget target for this time of the year. For 2019 PIT is expected to be 5.1 per cent above the budget target, but marginally lower than the 2018 outturn (0.1 per cent). The increased collection is despite a flat domestic business environment and the policy relief provided to salary and wage tax payers through the increase in the threshold limits. The increase reflects an expected turnaround in the employment growth trends in both the mining and non-mining sectors as indicated in the BPNG March preliminary employment statistics, the expected higher salaries for public sector employees reflecting the 3.0 per cent pay rise and back paid amounts, higher public sector employment and observed annual salary increases to private sector employees. The impact of those positive factors are expected to more than offset the expected cost of the Government policy relief to low-income earners and yield an additional K150.0 million by year-end.

**Table 5: Taxes on Income, Profits and Capital Gains 2018-2019 (Kina, million)**

	2018 Actual	2019 Budget	June Outturn	2019 MYEFO	Budget Variation
<b>Taxes on Income, Profits and Capital Gains</b>	<b>6,119.2</b>	<b>6,675.2</b>	<b>2429.2</b>	<b>6,641.2</b>	<b>-34.0</b>
Personal Income Tax	3,101.9	2,949.5	1,452.4	3,099.5	150.1
Company Tax	1,933.0	2,556.3	598.3	2,395.9	-160.4
Mining and Petroleum Taxes	775.0	856.2	226.3	805.1	-51.1
Royalties Tax	26.3	27.9	12.4	25.8	-2.1
Management Tax	17.6	19.9	8.3	18.8	-1.1
Dividend Withholding Tax Non-Mining	154.6	149.2	90.8	180.0	30.8
Interest Withholding Tax	110.8	116.0	38.8	116.0	0.0
Tax Related Court Fines	0.0	0.0	0.0	0.0	0.0
Sundry IRC Taxes & Income	0.0	0.2	2.0	0.0	-0.2

Source: Department of Treasury

The 2019 Budget MPT estimate of K856.2 million is projected to fall short by K51.1 million to K805.1 million. This shortfall is driven by the downward revision of mineral and petroleum price forecasts, especially the oil price, against a flat production target for gas since 2019 Budget.

This revised MPT projection is also supported by advice from Mining and Petroleum companies met during the Treasury's Business Liaison visits and the IRC that the original budget projection was likely to be modestly overly optimistic. In addition, one receipt due from Mining and Petroleum Tax was paid through the use of Infrastructure Tax Credits and thus, bypassed the budget appropriations process. The higher gold price is also likely to result in improved MPT collections, although the amount is difficult to estimate given the variable specific arrangements with mining companies.

The Corporate Income Tax 2019 Budget estimate of K2,556.3 million has been revised down by K160.4 million to account for the below-target collection of the first CIT installment with further anticipation that the base trend will continue in the second and third installments. The shortfall also reflects an environment of flat profit margins necessitated by lingering economic challenges faced by non-resource businesses including the foreign exchange imbalance and lack of government and private sector stimulus.

The CIT projections have lifted the base trend somewhat and reflect a K200.0 million compliance target set by the Government to be achieved through significant tax enforcement. The groundwork for this enforcement has been slow to get off the mark in the first half of 2019. However, IRC has indicated that initial work programs such as audits of large tax payers and elevated debt collections are being finalised. Over the second half of 2019, IRC will carry out audit programs on specific large taxpayers and selected SMEs, as well as targeting debt collections to ensure outstanding revenues are collected. Recent policy changes to reduce allowable deductions and limit the carry forward of losses has had some marginal positive effect. This should see company tax collections increase and move back toward the budget estimate.

The second installment of CIT under the provisional tax payment program is due on the 31<sup>st</sup> July along with the wash-up payment for the 2018 income year. The wash-up payments are expected to carry the impact of the removal of the double deduction for staff training that was repealed in the 2018 Budget. The collections from July will be used to revise CIT estimates in early August to allow the Government to make swift adjustments if necessary.

Over the medium term, there will need to be sustained efforts to increase base filings and collections and elevate compliance efforts. The new SME regime, when operational, will assist in higher collections of CIT.

### **Taxes on Payroll and Workforce**

Tax collections on the Payroll and Workforce amounted to K0.9 million in the first half. This revenue mainly reflects delayed collections after this tax was repealed in the 2018 Budget. The 2019 Budget projection estimated a zero outturn. However, with actual collections over the first six months, the Government is expected now to collect K1.7 million in 2019.

**Table 6: Taxes on Payroll and Workforce 2018-2019 (Kina, million)**

<b>Tax on Payroll &amp; Workforce</b>	<b>2018 Actual</b>	<b>2019 Budget</b>	<b>June Outturn</b>	<b>2019 MYEFO</b>	<b>Budget Variation</b>
Training Levy	8.6	0.0	0.9	1.7	1.7
<b>Total</b>	<b>8.6</b>	<b>0.0</b>	<b>0.9</b>	<b>1.7</b>	<b>1.7</b>

Source: Department of Treasury

### **Taxes on Goods and Services**

Taxes on Goods and Services is projected to decrease by K45.4 million from the 2019 Budget estimate of K3,773.9 million. The projected decrease reflects downward revisions to stamp

duty and import excise taxes, offset in part by higher than expected Gaming Machine Turnover and Departure taxes. GST collections are expected to be on budget.

**Table 7: Taxes on Goods and Services 2018-2019 (Kina, million)**

	2018 Actual	2019 Budget	June Outturn	2019 MYEFO	Budget Variation
<b>Taxes on Goods and Services</b>	<b>3,537.3</b>	<b>3,773.9</b>	<b>1,770.7</b>	<b>3,728.5</b>	<b>-45.4</b>
GST <sup>1</sup>	2,067.1	2,188.8	949.6	2,188.8	0.0
Stamp Duties	100.3	97.3	24.3	48.6	-48.7
Excise Duty	774.0	922.7	510.9	922.7	0.0
Import Excise	300.8	321.7	143.5	286.7	-35.0
Bookmakers' Turnover Tax	20.4	31.2	13.0	22.8	-8.4
Gaming Machine Turnover Tax	205.1	197.3	114.1	227.3	29.9
Departure Tax	22.6	9.0	13.2	26.6	17.6
Motor Vehicle Registration	1.8	0.3	0.0	0.3	0.0
Other taxes on use of goods and on permission to use goods or perform activities	0.6	0.9	0.2	0.9	0.0
Other taxes on goods and services	44.3	4.6	1.9	3.8	-0.9

Source: Department of Treasury

\*GST represents the total of collections by Provinces, Ports and less Refunds.

GST transfers to CRF are expected to be in line with the budget estimate. This is despite of an increase in GST collections in the provinces which is likely to be offset by an expected moderation in GST collections at the Ports from the budget estimate, and an upward revision to projected GST Refunds driven by the removal of zero rating for suppliers to resource companies.

GST collection through ports in the first half of the year amounted to 40.0 per cent of the annual projection, while GST from the provinces amounted to 60.0 per cent. It is estimated that removal of the zero-rating status to suppliers of resource companies along with compliance gains have caused a spike in inland GST collections.

Import excise is projected to fall short of the budget estimate of K321.7 million by K35.0 million, and be K14.0 million lower than 2018 actuals. Only 45.0 per cent of the budget estimate was collected in the first half of 2019. According to PNG Customs, the lower collection reflects reduced import volumes of used vehicles due to the Road Transport Authority (RTA) cessation of imported used vehicles that were manufactured before 2014; the ongoing fight against illicit tobacco trade that has resulted in a reduction in illicit tobacco on street sales and therefore reduced excise duty, and the subdued domestic non-mining economic environment.

Excise duty collections are expected to remain unchanged on the budget projection of K922.7 million. This is due to higher collections over the first half of K510.9 million that is 55.4 per cent of the budget estimate. The above target collections reflect Government excise reforms introduced in the 2019 Budget involving a freeze to indexation (bi-annual increase adjustment for inflation) on excise base rates for tobacco and alcohol over a six (6) months and eighteen (18) months period, respectively. These reforms, together with the introduction of a second tier for tobacco and the perceived increased consumption of locally produced tobacco products are expected to support excise duty collections over the remaining months to reach the budget estimate of K922.7 million by year-end.

Bookmakers Turnover Tax is projected to decrease by K8.4 million in 2019.

In contrast, Departure Tax collections over the first half were above target due to, in part, a one-off payment from Air Niugini to cover a tax liability from the previous years. It is anticipated that more departure tax payments are expected to be paid towards the year end. Gaming Machine Turnover Tax was up significantly over the first half of 2019 and the trend is expected to continue over the second half to be K29.9 million above budget by year's end.

## Taxes on International Trade and Transactions

Taxes on International Trade and Transactions is projected to decrease by K44.5 million from the 2019 Budget estimate of K763.4 million. This reflects totally a shortfall in Export Tax, which more than offset an above-budget increase in Import Duty. Following higher collections in the last two years, Export Tax collections in the first half have been disappointing due to an observed fall in export volumes of dutiable log products by about 11 per cent that partly relates to reduced demand from China. As a result, export tax is projected to decrease by K59.7 million from the budget estimate of K405.4 million. Tax collections and compliance arrangements need to be reviewed and Treasury recommends external expertise be employed to undertake this task.

**Table 8: Taxes on International Trade and Transactions 2018-2019 (Kina, million)**

	<b>2018 Actual</b>	<b>2019 Budget</b>	<b>June Outturn</b>	<b>2019 MYEFO</b>	<b>Budget Variation</b>
<b>Taxes on International Trade &amp; Transactions</b>	<b>810.7</b>	<b>763.4</b>	<b>359.4</b>	<b>718.9</b>	<b>-44.5</b>
Import Duty	325.3	358.1	186.5	373.2	15.2
Other Import Taxes	93.0	0.0	0.0	0.0	0.0
Export Tax	392.4	405.4	172.9	345.7	-59.7

Source: Department of Treasury

In contrast, Import Duty collections are projected to be higher than the budget projection by K15.0 million due to expected improved collections associated with the new modernised payment system at Customs, which was rolled out in September 2018. This new system will enable Customs to effectively and more efficiently monitor payments at the ports with lesser time lags compared to the old system.

## GRANTS

Donor Grants for 2019 are maintained at the budget projection of K943.1 million. In the first half of the year, a total of K831.4 million was provided by specific development partners, which represents 88.2 per cent of the 2019 Budget projection. The remaining 11.8 per cent will be paid towards the year-end. Moreover, the trend of donor grants is likely to exceed the 2019 Budget estimate given improved relations with new development partners. Donor Grant amounts are also subject to exchange rate fluctuations. The variation in donor grants has no cash impact on the budget deficit with any variations affecting both revenue and expenditure lines.

**Table 9: Grants – 2018-2019 (Kina, million)**

	2018 Actual	2019 Budget	June Outturn	2019 MYEFO	Budget Variation
<b>GRANTS</b>	<b>1835.7</b>	<b>943.1</b>	<b>831.4</b>	<b>943.1</b>	<b>0.0</b>
From Foreign Governments	1348.7	775.5	0.0	775.5	0.0
Current	1079.0	620.4	0.0	620.4	0.0
Cash	0.0	0.0	0.0	0.0	0.0
In-Kind	1079.0	620.4	0.0	620.4	0.0
Capital	269.7	155.1	0.0	155.1	0.0
Cash	0.0	0.0	0.0	0.0	0.0
In-Kind	269.7	155.1	0.0	155.1	0.0
From International Organizations	487.0	167.6	0.0	167.6	0.0
Current	389.6	134.1	0.0	134.1	0.0
Cash	0.0	0.0	0.0	0.0	0.0
In-Kind	389.6	134.1	0.0	134.1	0.0
Capital	97.4	33.5	0.0	33.5	0.0
Cash	0.0	0.0	0.0	0.0	0.0
In-Kind	97.4ss	33.5	0.0	33.5	0.0

Source: Department of Treasury

## OTHER REVENUE

A total of K2,111.1 million (excluding the SWF pass through) was estimated from other revenues in the 2019 Budget. This comprises of K1,205.0 million from dividends, K750.6 million as Statutory Transfers most of it relates to *Public Money Management Regulation (PMMR) Act 2017*, and K156.0 million comprising mainly of fees and charges.

Against the 2019 Budget estimate, Other Revenue is now projected to decrease by K134.9 million to K1,976.2 million, although this is still 11.4 per cent higher than received in 2018. The decrease is driven by an expected shortfall of K68.2 million from Statutory Transfers into CRF (mainly PMMR transfers) and Fees & Charges by K86.8 million. The shortfall in PMMR moneys is largely due to lower collections from the National Fisheries Authority (NFA).

**Table 10: Other Revenue – 2018-2019 (Kina, million)**

	2018 Actual	2019 Budget	June Outturn	2019 MYEFO	Budget Variation
<b>OTHER REVENUE</b>	<b>1,774.3</b>	<b>2,111.1</b>	<b>419.0</b>	<b>1,976.2</b>	<b>-134.9</b>
<b>Property Income</b>	<b>1,063.6</b>	<b>1,260.8</b>	<b>161.8</b>	<b>1,254.9</b>	<b>-6.0</b>
Interest	0.0	0.7	0.0	0.7	0.0
Dividends	1,033.5	1,205.0	150.0	1,225.0	20.0
<i>Mining Petroleum and Gas Dividends</i>	<i>653.5</i>	<i>1,000.0</i>	<i>150.0</i>	<i>970.0</i>	<i>-30.0</i>
<i>Dividends from Statutory Authorities</i>	<i>380.0</i>	<i>100.0</i>	<i>0.0</i>	<i>150.0</i>	<i>50.0</i>
<i>Dividends from State Owned Enterprises</i>	<i>0.0</i>	<i>105.0</i>	<i>0.0</i>	<i>105.0</i>	<i>0.0</i>
Rent	30.1	55.2	11.8	29.2	-26.0
<b>Sales of goods and services</b>	<b>32.2</b>	<b>124.2</b>	<b>24.5</b>	<b>63.5</b>	<b>-60.7</b>
<i>Administrative fees</i>	<i>8.2</i>	<i>63.0</i>	<i>2.6</i>	<i>30.3</i>	<i>-42.7</i>
<i>Incidental sales by nonmarket establishments</i>	<i>24.0</i>	<i>61.2</i>	<i>21.9</i>	<i>33.2</i>	<i>-38.0</i>
<b>Fines, penalties, and forfeits</b>	<b>2.5</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>0.0</b>
<b>Transfers not elsewhere classified</b>	<b>675.9</b>	<b>725.2</b>	<b>231.8</b>	<b>657.0</b>	<b>-68.2</b>
<i>Current transfers not elsewhere classified</i>	<i>675.9</i>	<i>725.2</i>	<i>231.8</i>	<i>657.0</i>	<i>-68.2</i>

Source: Department of Treasury

## 1.5 REVENUE MEASURES UPDATE

A significant progress was made on implementing the first phase of the Medium Term Revenue Strategy (MTRS) 2018 – 2022 through the 2018 Budget with the commencement of most of the programmed measures including the establishment of the MTRS Steering Committee, the launching of the Large Taxpayers Office (LTO), introduction of the Tax Administration Act and a number of reforms by PNG Customs Service. Most of the tax revenue

targets were met supported by a substantial increase in mining and petroleum tax. This progress provided a platform for the continuation of implementing the MTRS programs in 2019.

The 2019 Budget taxation measures aimed to raise additional revenue in an equitable way and thereby support continued investment in key Medium Term Development Plan (MTDP) enablers such as in education, health, infrastructure and law & order to ensure sustained delivery of basic goods and services in 2019 and over the medium term.

In the first half of 2019, there has been good progress in implementing MTRS programs including tax policy, tax administration and tax legislative reforms. All tax measures introduced in the 2019 Budget came into effect on 1<sup>st</sup> January 2019.

Below is a progressive update of all the tax measures in the first half of this year as per the 2019 National Budget.

### **1.5.1 Strengthening Revenue Administration**

Improving revenue policy and instituting effectiveness of revenue administrations in a coordinated manner will trigger significantly higher revenue collection on a sustainable basis.

The Government appreciates and recognises the important role revenue administrations play in the collection of revenue and therefore will continue to provide funding to support administrative reform activities in both Internal Revenue Commission (IRC) and PNG Customs Service (PNGCS).

#### **a) Internal Revenue Commission**

Overall, the implementation of administrative reforms in the Internal Revenue Commission (IRC) have progressed through the MTRS working groups. Reports on the progress of specific activities and projects are provided to the Department of Treasury and the MTRS Steering Committee on a monthly basis. The time line to complete each activity and project varies from 6 months to 3 years as per the MTRS schedule.

After the establishment of the Large Taxpayers Office (LTO), there was a 5.0 per cent increase in uptake for LTO taxpayers with on time filing and paying.

In addition, there will be a change of the revenue administration system from the Standard Integrated Government Tax Administration System (SIGTAS) to the Integrated Tax Administration System (ITAS). The new system will support e-filing in addition to modernizing tax operations and reducing the time it takes to service taxpayers. This reform requires significant funding and will be implemented over the duration of the MTRS.

IRC has also developed a broader Compliance Improvement Plan to address specific risks to revenue collections and improve compliance generally.

Furthermore, Key Performance Indicators (KPIs) are being developed with continuous monitoring and evaluation to help IRC manage and improve the way in which IRC operates its business.

IRC is reviewing Human Resource (HR) policies and procedures around recruitment, retention, performance management, and training among others to maximise the potential of all staff and to align HR management with modern tax administration.

## **b) PNG Customs Services**

In the first half of the year, PNG Customs Service (PNGCS) has made good progress in rolling out some administrative reforms.

PNGCS has established an Anti-illicit Taskforce in accordance with an annual operational plan to curb all forms of smuggling. This also includes the signing of a Memorandum of Understanding with the Royal PNG Constabulary to empower PNGCS to lodge criminal cases against smugglers.

Progress has been made to improve effectiveness of Post Clearance Audit (PCA). This includes providing a PCA training refresher and restructuring PNGCS to give more prominence to the PCA function.

PNGCS continues to roll out ASYCUDA World to ports. So far, ASYCUDA World has been rolled out to 17 ports. However, the smooth roll out of this project has been slowed by the communication network and fixed location addresses.

Furthermore, a review has been completed with a view to consolidate and modernize the PNG Customs legislation. However, PNGCS is yet to outsource this work pending approval from Department of Justices and Attorney General (DJAG) and Constitution and Law Reform Committee (CLRC).

### **1.5.2 Removal of Goods and Services Tax zero rating for supplies to resource companies**

This legislation amends the previous provisions in the Goods and Services Tax (GST) Act that allowed the suppliers to resource companies who are operating in designated oil, gas and mining projects to be zero-rated for GST. The suppliers are now required to collect GST from the resource companies and remit to IRC. The resource companies may request for a corresponding input GST refund from the IRC. The objective of this measure is to improve administrative efficiency and enable improved monitoring and compliance. This measure became effective on 1<sup>st</sup> January 2019.

Recent assessment on the performance for first half of 2019 has shown that the revenue savings from the removal of GST zero rating for supplies to resource companies is yet to materialize. Improvements to compliance will take time.

### **1.5.3 Reform excise regime: suspend and reduce excise indexation for alcohol and tobacco; introduce a second tier for tobacco and remove excise rates of certain luxury goods**

The excise reforms introduced in the 2019 Budget became effective on 1<sup>st</sup> December 2018.

The indexation on the excise base rate for tobacco and alcohol were frozen starting 1<sup>st</sup> December 2018 to 31<sup>st</sup> May 2019. This means there was no adjustment for inflation on the excise base rate for the first six months. Starting 1<sup>st</sup> June 2019, the freeze is uplifted and the excise base rate for alcohol and tobacco is indexed at a fixed rate of 2.5 per cent bi-annually. The lower excise rate led to increased consumption and excise revenue for alcohol and tobacco by K18.0 million in the first six months compared to the corresponding period in 2018. The excise revenue for tobacco includes revenue realized from the introduction of the second tier.

#### **1.5.4 Introduce export tax on Sea Cucumber (Beche-de-mer)**

In the 2019 Budget, an export tax of K15.0 per kg on sea cucumbers was introduced to capture the resource rent on this endangered fish resource. This also assists the National Fisheries Authority (NFA) curb overharvesting and ensure sustainable sea cucumber fishing. This was effected on 1<sup>st</sup> January, 2019.

The Beche-de-mer harvest season falls in the second half of the year and therefore no revenue was collected in the first six months. Revenue is expected to flow in once the harvest season commences in the second half of the year.

#### **1.5.5 Continued relief to domestic manufacturers from unfair import competition**

In the 2019 Budget, the Government continued to increase tariff rates for certain imported items to support the development of domestic manufacturing industries. This was aimed at generating employment and economic growth and thereby broadening the revenue base for the Government. The new tariff rates for these goods were effective as of 1<sup>st</sup> January 2019.

#### **1.5.6 Moderate tax relief for low to lower-middle income earners**

The 2019 Budget raised the minimum free threshold for tax payment from K10,000.0 to K12,500.0 and the corresponding second tier from K18,000.0 to K20,000.0. This is estimated to amount to K162.0 million provided as tax relief to employees in 2019. The tax relief has already been absorbed by the private sector as well as the public sector. This reform has been effected.

#### **1.5.7 Removal of Education Rebate**

The removal of education rebate applies prospectively as of 1<sup>st</sup> January 2019. This has assisted in simplifying tax administration.

However, claims for school fees paid in 2018 and prior years are still being accepted per the law but this should eventually reduce to nil. Therefore, revenue saving is yet to be realised.

#### **1.5.8 Update on other minor revenue measures**

All minor measures introduced in the 2019 Budget were effective as of 1<sup>st</sup> January 2019. These measures included:

- i. Reducing the generous carry forward loss period in line with the record keeping period;
- ii. Empowering the Commissioner General to hold quorum to deliberate on simple Research and Development expenses;
- iii. Introducing a soliciting offence against IRC officers;
- iv. Bringing forward non-resident insurers tax;
- v. Facilitating PNG's membership to global forum and multilateral instruments on Base Erosion and Profit Shifting;
- vi. Consolidating tax payment dates; and
- vii. Removing the provision on dividend withholding tax credit for individuals.

However, whilst progress has been made on implementation of the MTRS reforms, the speed of implementation will need to be accelerated. In a recent report (March 2019) by the IMF on MTRS implementation, there was criticism of a number of aspects. These are presented in Box 1.



**Box 1 Medium Term Revenue Strategy Progress Review: Report by the IMF, March 2019****1 Issues and Conclusions**

The IMF report makes the following conclusions relating to IRC:

- Progress in implementing the MTRS has been less than adequate and, in many cases, tangible progress against the 2018 milestones established in the plan has been insufficient. Governance arrangements through the Implementation Steering Committee (chaired by the Treasury Secretary) to oversee effective delivery have only recently been put in place and, consequently, accountabilities have not been fully established;
- Reporting to Treasury can be improved. The governance structure of the IRC is unclear, although the IRC Act sets out a clear reporting responsibility to the Treasurer. The absence of a substantive Commissioner General since August 2018 has left a leadership vacuum;
- The organisational structure of IRC has serious weaknesses that constrain its ability to improve core business performance. There is no systematic performance reporting on its core business activities;
- The accuracy of the current tax payer registrations database is poor, and large numbers of nil and non-filing registrants are inappropriately enrolled. Compliance risk management is under developed. Progress has been slow in delivering the debt reduction and collection strategy;
- Some progress has been made on the LTO – approval of an organisation structure and appointment of an Assistant Commissioner with a first allocation of 33 staff (focused on audit and account management) and 97 large taxpayers have been transferred. However, no expatriate specialists have been appointed and the LTO auditors do not possess the necessary level of industry knowledge, technical and audit expertise;
- The IRC will need to improve its capability to implement the changes proposed in the new TAA and ITA; and
- Progress has also been achieved with the development of the requirements specification for the new Integrated Tax Information System.

**2 Recommendations**

The report recommends:

- An urgent need to establish clear oversight and reporting between the IRC, PNGCS and the Treasury, through the establishment of a PMU in Treasury to support the Implementation Steering Committee, preparation of a consolidated 2019-20 work plan and establishment of performance reporting against KPIs for all core business areas of IRC;
- The scheduled introduction of the Tax Administration Act and the revised Income Tax Act (incorporating capital gains tax and small business provisions) should be delayed from the start of 2020 until the start of 2021;
- An LTO development strategy needs to be prepared to take account of future objectives, expansion priorities and capabilities. The LTO needs to monitor and report on large taxpayer compliance across the full range of obligations to establish a baseline for future LTO performance; and
- There needs to be an acceptance and implementation of all recommendations and actions contained in the short-term expert reports for registration, compliance risk, debt management and dispute resolution.

In response to the IMF report, a number of reforms will be accelerated over the second half of 2019 and into 2020. The IRC will need to refocus more on maximising revenue and ensuring that the areas of risk within the tax system are adequately addressed. This will mean a greater focus on debt recovery where the gains can be maximised. It will mean the undertaking of spot checks on employers with large numbers of employees and targeted audits of large taxpayers and particular SMEs in certain sectors to ensure compliance. A Commissioner General is expected to be appointed over the next few months which will give a clearer direction to the program. Treasury will establish a dedicated Secretariat to the Implementation Steering Committee to develop and monitor the established KPIs by the Steering Committee. In 2020, it will be important to broaden the tax base with the implementation of the SME regime and the proposed capital gains tax.

## 1.6 EXPENDITURE AND NET LENDING

Total 2019 Budget expenditure comprises K10,636.4 million in operational expense and K5,497.1 million in capital investment expense.

The Government expended a total of K7,478.0 million or 46.4 per cent of the full year budget appropriation in the first half of the year and by end 2019, total expenditure is projected to increase by K249.3 million against the 2019 Budget, reflecting the projected increase in operational expense.

The operational budget has expended almost 50 per cent of its appropriation by mid year due to significant expenditures for personnel emoluments, rentals and utilities and interest payments, while most of the other operational expenses have been restrained due to cash constraints.

**Table 11: Total Expenditure and Net Lending 2018-2019 (Kina, million)**

Funding Source	2018 Actual	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>Operational Component</b>	<b>11,466.1</b>	<b>10,636.4</b>	<b>5,262.3</b>	<b>11,267.8</b>	<b>631.4</b>
<b>Capital Investment Component</b>	<b>4,668.0</b>	<b>5,497.1</b>	<b>2,215.7</b>	<b>5,115.0</b>	<b>-382.1</b>
GoPNG	2,040.7	3,737.1	1,015.8	3,355.0	-382.1
Donor Support Grants	1,835.7	943.1	831.4	943.1	0.0
Loans	791.6	816.9	368.6	816.9	0.0
<b>Total Expenditure &amp; Net Lending</b>	<b>16,134.1</b>	<b>16,133.5</b>	<b>7,478.0</b>	<b>16,382.9</b>	<b>249.3</b>
<b>% of GDP</b>	<b>19.6%</b>	<b>19.6%</b>	<b>8.4%</b>	<b>18.5%</b>	<b>0.3%</b>

Source: Department of Treasury and Department of National Planning & Monitoring

### Operational Budget Expenditure

Operational expense in the first half of the year amounted to K5,262.2 million which is 49.5 per cent of the 2019 Budget appropriation and is projected to increase to K11,267.8 million by the end of 2019. The projected increase in operational expense is driven mainly by the projected overrun in compensation of employees (expected to be over budget by K484.3 million), rental plus utility (over by K204.0 million) and interest payments (over by K61.1 million).

**Table 12: Expenditure by Agency Type and Funding Source 2018-2019 (Kina, million)**

Agency Type	2018 Actual	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
National Departments	6,746.2	7,750.8	3,318.1	7,831.6	80.8
Provincial Governments	3,560.9	2,870.7	1,330.9	3,018.8	148.2
Autonomous Bougainville Government	225.9	193.8	66.8	193.8	0.0
Commercial & Statutory Authorities	1,039.1	1,579.1	524.6	1,538.4	-40.7
Interest Payments*	1,934.7	1,979.1	1,037.6	2,040.2	61.1
Loans	1,835.7	816.9	368.6	816.9	0.0
Donor Support Grants	791.6	943.1	831.4	943.1	0.0
<b>Total Expenditure &amp; Net Lending</b>	<b>16,134.1</b>	<b>16,133.5</b>	<b>7,478.0</b>	<b>16,382.9</b>	<b>249.3</b>

The projected overrun in expenditure in the 2019 MYEFO of K249.3 million is attributed to both National Departments, Provincial Governments and Interest payments, which are projected to incur increased spending of K80.8 million, K148.2 million and K61.1 million, respectively, against their budget appropriations. This projected over-spending is focused around the expansion in goods and services especially Utilities and Rentals and salaries in relation to off-line personnel expenditures including the back dated 3.0 per cent pay increment for 2018 which was effected in April this year. The growth in public sector employees of over 3000 by mid-year is also a contributing factor.

**Table 13: Compensation of Employees by Item Types (Kina, million)**

Compensation of Employees	2018 Actual	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
National Depts. Salaries & Allowances	2,372.9	1,989.6	1,152.8	2,305.5	315.9
Teachers Salary Grants to Prov.	1,535.6	1332.0	757.2	1,514.3	182.3
Retirement	711.9	355.8	192.9	385.8	30.0
Staffing Grants	352.3	344.7	171.3	342.6	-2.1
Overtime	29.8	17.5	12.9	17.5	0.0
Other PE items	195.8	482.8	164.8	441.0	-41.8
Grand Total	5,198.3	4,522.6	2,451.8	5,006.8	484.3

Source: Department of Treasury (IFMS 2161 Report)

The projected increase in PE <sup>6</sup>expense accounts for the expansion in salaries and off-line personnel expenditures including 2018 outstanding payments brought forward (final entitlements, SPA's, gratuities, HDA's etc.) for general public service and payments of outstanding security allowances relating to the hosting of 2018 APEC. However, this is expected to be offset, in part, by underspending in the other PE items appropriation. In order to curb the PE over runs intermediary measures are being applied in the second half of the fiscal year. These measures include:

- deferral of the 2019 3.0 per cent pay increment for Public Servants;
- freezing recruitment of non-essential vacant positions and all non-essential overtime payments (other than those required for provision of essential services);
- ceasing all unbudgeted back payments and unlawful payments of excessive salaries and allowances including domestic market allowances and special domestic market allowances;
- Department of Personnel Management to implement system controls to have better control on the following; unattached positions, higher duty allowances to have an end date and control entry points on Ascender Integrated Human Resource Payroll System (IHRPS) on new hires by reviewing the Security Groups;
- The long-term option of curbing the over expenditure in Compensation of Employees is to link the public service payroll system to the issuance of Compensation of Employees warrants. This essentially ensures there is a quality assurance process

<sup>6</sup> Refers to Compensation of Employees

that continually monitors public service payroll expenditure in-line with its appropriated budget. This quality assurance process will allow vetting of the payroll not only against the approved manpower structures but more importantly against approved budgeted positions for each fortnight. In this way the detail of fortnightly payments are vetted against monthly expenditure targets within the budget; and

- The Government has directed OSPEAC and the Department of Finance to engineer some hard budget ceilings on these over-runs which are expected to yield results over the second half of 2019.

Other measures include:

- Control measures for non-essential expenditures under Goods and Services specifically items under other operational expenditure, motor vehicle hires, and construction, renovation and improvement among others; and
- On capital expenditures, measures have been identified to control expenditure by deferring non-performing PIP projects;

The projected increase in rentals and utilities accounts for outstanding arrears of K74.0 million for rentals and K27.0 million<sup>7</sup> for utilities. Arrears in utilities and rentals for a number of government service providers were cleared in 2019. However, pressure remains on meeting 2019 utility and rental commitments.

The projected increase in Interest Payments is due to short term domestic financing in the first six months of 2019 and the payment of interest on government guarantees that have been called. However, on the positive side, there is also likely to be some downside risk to interest payments given the likelihood of treasury bill redemptions by end year due to the substantial (above budgeted) inflow of external loan funds. In contrast any further depreciation of Kina is likely to impact the cost of servicing external debts.

Other operational expenses have been restrained and managed through warrant controls to match revenues.

### Capital Budget Expenditure

Total expenditure on Development and Capital Investment amounted to K2,211.9 million in the first six months of 2019 and includes domestically funded expenditures, Project Support Grants and expenditures under loans by Development Partners. Due to lower revenues and financing constraints in the first six months, total development and capital investments expenditure is tracking at 40.2 per cent against the appropriation of K5,497.1 million.

Key Government commitments such as PIPs and counterpart funding have been funded in the first six months, however other development and capital investment expenses have been restrained due to financing limitations.

The 2019 MYEFO projection has revised down the 2019 Budget estimates for expenditure for capital and investment expense assuming control measures are implemented for the remainder of the year.

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<sup>7</sup> 2018 Cheque floats up to end May

## 1.7 STATUS OF TRUST ACCOUNTS

Pursuant to Section 15 of the *Public Finance Management Act (PFMA), (Amended 2016)*, the Department of Finance (DoF) gives authorization to any government institution, whether it be Statutory Authority or National Department, to establish and operate trust accounts, either, National Budget, Donor Funded or Counter Funded. The purpose of holding funds in Trust Accounts is to spread spending over time to help manage inflationary pressures in the economy and to give time to government agencies to properly plan and implement their priority projects.

A total of **K12,602.1 million** (K12,313.1 million from the 2018 MYEFO + K289.0 million), up to and including the 2019 Budget appropriations, has been expended through the Budget Funded Trust Accounts since 2005 for the implementation of government's priority programs. These trust accounts have largely been funded from additional mineral revenue in Supplementary Budgets and Annual Budgets.

The following is the expenditure report for all the budget funded trust accounts from 1<sup>st</sup> January to 30<sup>th</sup> June 2019. As at the reporting date, the trust account appropriations for the 2019 Budget cannot be highlighted as all these funds were and could still be issued directly to the department and agencies concerned.

Including the 2019 appropriations for trust accounts in the 2019 Budget, a total of **K289.0 million** has being expended between January and June 2019.

**Table 14 below shows Movement of Funds in Budget Funded Trust Accounts from 1<sup>st</sup> January – 30<sup>th</sup> June 2019 (Kina, million)**

Description in MYEFO	Balance as at 1-Jan-19	Debit (Receipts)	Credit (Payments)	Balance as at 30-Jun-19
Flexible, Open and Distance Education (FODE) Rehabilitation - GoPNG	0.38	0.03	0.07	0.34
Tuition Fee Free Education Trust Account	123.82	130.00	198.42	55.40
Tuition Fee Free Education - Commodity Component Trust	0.00	0.00	0.00	0.00
PNG Rural Communications Project GOPNG	3.26	0.07	1.57	1.76
PNG Fire Service Infrastructure Rehabilitation Program - (PIP) T/A	0.04	0.14	0.13	0.05
National Road Maintenance Policy TA	0.04	0.00	0.00	0.04
Highlands Highway Rehabilitation T/A Subsidiary	0.04	0.00	0.00	0.04
Port Moresby Roads Trust Account	0.32	0.00	0.00	0.32
Lae City Roads Rehabilitation Trust Subsidiary 2	2.14	0.00	2.14	0.00
Small Medium Enterprise (SME) Risk Sharing Facility (GoPNG)	0.04	2.00	1.92	0.12
Central City Trust Account	26.82	0.02	0.00	26.84
Restoration and Development Grant Trust	10.91	0.00	10.79	0.12

Restoration and Development Grant Subsidiary Account	0.01	0.00	0.00	0.01
Special Intervention Funds (Established on 28 Feb 2014)	0.07	0.00	0.05	0.02
LNG Pipeline Infrastructure Dev Grant (IDG) (Kikori Area)	0.01	0.00	0.00	0.01
Financial Management Improvement Programme (FMIP) - GoPNG	7.49	1.00	6.22	2.27
FMIP Provincial Capacity Building Imprest Trust Account	0.76	1.50	0.78	1.48
Infrastructure Development (UBSA) Grant (IDG) Account - Main	7.91	0.00	0.00	7.91
Infrastructure Development (UBSA) Grant Account (IDG) Sub	1.39	0.00	0.00	1.39
PNG High Impact Infrastructure Projects	0.01	0.00	0.00	0.01
PNG High Impact Infrastructure Projects Sub	0.68	0.00	0.00	0.68
Public Service Audit Program	0.49	0.00	0.00	0.49
2017 PNG National General Election - Finance, Procurement, Personnel and Logistic Trust	15.37	13.29	24.81	3.85
NAOSP/III GoPNG Counterpart Funds (European Union)	1.43	0.50	1.14	0.79
Department of Prime Minister & NEC APEC Operations (OP) Plan 2018 TA	0.33	2.42	0.00	2.75
APEC - Authority	1.41	15.50	16.42	0.49
APEC - Joint Securities Task Force (JSTF)	0.00	0.00	0.00	0.00
Highlands Region Road Improvement Investment Program (HRRIP) Project 2 - GoPNG Counterpart Funding TA	7.00	1.00	2.00	6.00
Productive Partnership in Agriculture Project (PPAP) GoPNG TA	0.07	1.00	0.62	0.45
Multiple LNG Development Trust Account	4.32	0.50	0.92	3.90
Resettlement of Volcano Victims TA	0.15	0.00	0.00	0.15
Regional, Provincial Treasury and District Admin. Offices	0.00	0.00	0.00	0.00
Coastal Vessels Account	0.14	0.00	0.00	0.14
Water Supply Sanitation Development Project - GoPNG	1.91	1.00	0.00	2.91
Rural Service Delivery and Local Governance Project	0.06	0.00	0.00	0.06
Bougainville Referendum Commission	1.00	20.00	21.00	0.00
<b>Total</b>	<b>219.82</b>	<b>189.97</b>	<b>289.00</b>	<b>120.79</b>

Source: Department of Finance.

Note:

1. The Tuition Fee Free (TFF) Education trust accounts receipts and expenses are inclusive of both the TFF Fee component and the Commodity component of Free Education Policy initiated by the previous O'Neil-Abel Government. The receipt and expenditure also reflects all its subsidiary accounts.

2. Payments and receipts from April-June 2019, except for January-March, of the trust accounts highlighted were available when compiling the report. For Productive Partnership in Agriculture Project (PPAP), only June information was available. This implies that some deposits into and expenses out of those accounts may have occurred but necessary details were not available when compiling the report. This can later be reported in the FBO report at year-end.
3. Trust Accounts that has balances below K20,000 are represented by K0.01 million and below K10,000 are reflected as zero balance.

The opening balance of the Budget Funded Trust Accounts as at 1<sup>st</sup> January 2019 was K219.8 million. Expenditure incurred in this period totalled K289.00 million with K189.9 million as receipts within the same period and the closing balance as at 30<sup>th</sup> June 2019 was K120.8 million.

The following is a summary of expenditures above **K5.0 million** from Budget Funded Trust Accounts for the period 1<sup>st</sup> January to 30<sup>th</sup> June 2019:

- **K198.4 million** was expended on the previous Government's Tuition Free Fee (TFF) Education Policy rollout;
- **K10.8 million** was expended by the restoration and development account;
- **K6.2 million** was expended on the Financial Management Improvement Program (FMIP) project;
- **K24.8 million** was expended for the current 2019 LLG Election;
- **K16.4 million** was expended for the Post-APEC costs. This is to honor various service providers of the 2018 APEC Summit hosted in PNG;
- **K21.0 million** from the Bougainville Referendum Commission (BRC) trust account was expended to assist the people of Bougainville in conducting their General Election.

A total of K0.9 million was expended in the Multiple LNG Development trust account between April and June 2019 and the receipt into the account was K0.5 million. The information for January to March 2019 was not available when the MYEFO report was produced.

## 1.8 FINANCING

The 2019 Total Net Borrowing requirement was budgeted at K1,866.7 million. The Government planned to finance the deficit through a net external borrowing of K2,496.5 million and a net domestic repayment of K629.4 million.

Over the first half of 2019, the total net financing requirement was K1,667.3 million, about 89.0 per cent of the 2019-budgeted requirement. Of the K1,667.3 million, external financing accounted for K185.3 million, drawdowns from the trust account totalled K1,276.2 million and domestic net financing covered K205.9 million.

### *External Financing*

Over the first half of 2019, external principal repayments totalled K183.2 million or 42.0 per cent of the budgeted programmed amount of K435.8 million. Given the amortisation schedule for the remainder of 2019, external loan repayments are on target as appropriated in 2019 Budget.

Total external borrowing in the first half of 2019 totalled K368.6 million. All of this was from concessional loan drawdowns for projects. There were no borrowings from Commercial or Extraordinary loans. Borrowings from external multilateral partners are projected to come in the second half of the year.



The Government's borrowing under concessional loans was K368.6 million or 45.1 per cent of the budgeted amount of K816.9 million. These drawdowns are progressing well, being close to 50.0 per cent of the total appropriation. This shows that projects are being implemented on time and disbursements are on target. Given expectations that loan drawdowns in the second half of the year will continue at the same pace, the Government will maintain the concessional loan borrowing amount at the budgeted level.

The net external borrowing over the first half of 2019 totalled K185.3 million or 10.0 per cent of total budgeted external net financing. In the December quarter both the Asian Development Bank (ADB) and the World Bank development policy loans are expected to be disbursed which amount to US\$170.0 (K544.0) million. The ADB will provide US\$100.0 (K320.0) million and World Bank US\$70.0 (K224.0) million. To obtain the required financing for the expected fiscal deficit in 2019 and to meet the domestic debt redemption targets and, given utilisation of K1,276.2 million in bond trust account balances, net external financing of K1,726.4 million will be required. Any additional external financing raised above this amount will be used to replenish the bond trust account allowing funds to be available for the execution of the 2020 Budget.

Negotiations over the programmed US\$300.0 (K960.0) million Budget Support loan from the China Development Bank have continued throughout 2019 and this loan now will be tied to an approved list of projects rather than be for budget support. The loan is expected to be received in the December quarter although it is unclear whether there will be sufficient time to disburse the proceeds against projects before year end.

Given the uncertainty over the CDB loan, a 3 year loan facility from Credit Suisse for an amount of US\$500.0 million (US\$100.0 million up front and the US\$400.0 million Greenshoe option) is also available should the Government require the funds to close the external financing requirement. There is also the option of issuing an additional sovereign bond either through tapping the existing facility or a new bond. Advice from investment banks is that the international market would look favourably on a new issuance with the rate on PNG sovereign bonds having declined significantly since the previous issuance in 2018. Any additional above-budget external financing raised should be used to replenish the bond trust account. Any larger than anticipated external inflows should also be able to cover much of the foreign exchange imbalance which, in the absence of external inflows in the first half, has deteriorated once again. Discussions with the BPNG over the second half of 2019 will occur to facilitate a coordinated approach to monetary, debt and exchange rate management through utilisation of these external funds.

**Table 15: External Borrowing 2018 – 2019 (Kina, million)**

	2018 Actual	2019 Budget	June Outturn	2019 MYEFO
<b>New External Borrowing</b>	<b>3,906.1</b>	<b>2,931.9</b>	<b>368.6</b>	<b>2,209.8</b>
Securities	1,672.2	640.0	0.0	0.0
Concessional Financing	791.7	816.9	368.6	816.9
Commercial Financing	619.9	0.0	0.0	848.9
Exceptional Financing	822.3	1,475.0	0.0	544.0
<b>Repayment of Principal</b>	<b>-309.8</b>	<b>-435.8</b>	<b>-183.2</b>	<b>-435.8</b>
<b>Net External Borrowing</b>	<b>3,596.3</b>	<b>2,496.1</b>	<b>185.3</b>	<b>1,773.9</b>

Source: Department of Treasury



## Domestic Funding

Over the first half of 2019, new domestic borrowing totalled K5,557.4 million or 61 per cent of the 2019 budgeted amount of K9,286.2 million. Principal repayments totalled K5,351.5 million or 53.9 per cent of the 2019 budgeted amount. This resulted in a domestic net borrowing of K205.9 million. The higher than budgeted level of new borrowings reflected the need for funds from the domestic market in lieu of the failure to secure the CDB loan over the first half. The higher level of repayments also reflects the short duration of the Treasury Bill portfolio that now needs to be rolled over sooner and more often than in previous years. This higher refinancing risk is being addressed in the MTdS 2018-22.

Treasury Bills recorded a net borrowing of K374.9 million, while Treasury Bonds had a net redemption of K169.0 million. This is attributed mainly to redemption of Treasury Bonds maturing in May with new issuance commencing in June of 2019. Treasury Bills higher net borrowing is also attributed to the need finance the Treasury bond redemptions in May 2019.

With the expected 2019 total net financing requirement of K2,373.2 million and, given the anticipated net external financing inflows of K1,774.0 million and utilisation of the bond trust account of K1,276.2 million, this will allow the net domestic security redemption program of K629.4 million to be brought back on track. Any larger external inflows than required for the revised 2019 Budget will be used to replenish the bond trust account. Any larger than anticipated external inflows should also be able to ameliorate much of the foreign exchange imbalance. Discussions with BPNG over the second half of 2019 will occur to facilitate a coordinated approach to monetary, debt and exchange rate management.

**Table 17: Domestic Borrowing 2018 – 2019 (Kina, million)**

	<b>2018 Actual</b>	<b>2019 Budget</b>	<b>June Outturn</b>	<b>2019 MYEFO</b>
<b>New Domestic Borrowing</b>	<b>12,178.8</b>	<b>9,286.2</b>	<b>5,557.4</b>	<b>9,286.2</b>
Treasury Bills Financing	11,178.8	8,725.5	5,469.9	8,725.5
Treasury Bonds Financing	1,000.0	560.7	87.5	560.7
<b>Repayment of Principal</b>	<b>-12,498.1</b>	<b>-9,915.6</b>	<b>-5,351.5</b>	<b>-9,915.6</b>
Treasury Bills Maturities	-11,695.7	-9,054.9	-5,095.0	-9,054.9
Treasury Bonds Maturities	-656.4	-860.7	-256.5	-860.7
Loan	-146.0	0.0		
<b>Net Domestic Borrowing</b>	<b>-319.3</b>	<b>-629.4</b>	<b>205.9</b>	<b>-629.4</b>

Source: Department of Treasury

\*Net domestic borrowing includes the proposed foreign currency account balance with BPNG from the additional external bond proceeds.

## 2019 Net Financing

Over the first half of 2019, the Total Net Financing was K1,667.3 million, comprising K185.3 million in external net borrowing, drawdowns from the trust funds of K1,276.2 million and K205.9 million in domestic net borrowing.

The external net borrowing is projected to be K1,774.0 million at the end of 2019. Net domestic repayment by the end of 2019 is projected to be -K629.4 million. In the first half of the year, net domestic borrowing totalled K205.9 million. It is anticipated that in the second half of the year, proceeds from external sources will be used to meet the domestic securities' redemption target in the Budget.

The projected domestic net debt reduction reflects the Government's continued and firm commitment to restructure its domestic debt portfolio to prudently manage refinancing risk and to ease pressure on the saturated domestic debt market. Due to firm fiscal controls over the second half of 2019, total net borrowing is projected to be K2,373.1 million, of which K1,276.2 million will come from balances in the trust accounts at end 2018.

**Table 18: Summary of Net Borrowing 2018 – 2019 (Kina, million)**

	<b>2018 Actual</b>	<b>2019 Budget</b>	<b>June Outturn</b>	<b>2019 MYEFO</b>
Net Domestic Borrowing	-319.3	-629.4	205.9	-629.4
Net External Borrowing	3,596.2	1,856.1	185.3	1,774.0
Decline in Trust and WPA balances	-1,228.6	640.0	1,276.2	1,228.6
<b>Total Net Financing</b>	<b>2,048.3</b>	<b>1,866.7</b>	<b>1,667.3</b>	<b>2,373.1</b>
<b>Deficit</b>	<b>2,048.3</b>	<b>1,866.7</b>	<b>1,667.3</b>	<b>2,373.1</b>

Source: Department of Treasury

## 1.9 PUBLIC DEBT AND CONTINGENT LIABILITIES

### Public Debt

**Table 19: Central Government Debt 2018 – 2019 (Kina, million)**

	<b>2018 Actual</b>	<b>2019 Budget</b>	<b>June Outturn</b>	<b>2019 MYEFO</b>
<b>Domestic</b>	<b>16,999.9</b>	<b>15,940.3</b>	<b>17,205.8</b>	<b>15,648.0</b>
Treasury Bills	8,677.6	7,075.3	9,052.5	7,522.2
Treasury Bonds	8,322.3	8,761.5	8,153.3	8,022.3
Loans	0.0	103.5	0.0	103.5
<i>Domestic Debt as % GDP</i>	<i>20.6%</i>	<i>18.5%</i>	<i>19.5%</i>	<i>18.5%</i>
<i>As a per cent of Total Debt</i>	<i>63.0%</i>	<i>58.3%</i>	<i>62.9%</i>	<i>55.6%</i>
<b>External</b>	<b>9,981.4</b>	<b>11,381.9</b>	<b>10,166.7</b>	<b>12,477.8</b>
International Agencies (Concessional)	5,924.1	5,958.7	6,133.5	6,161.5
Commercial Loans	1,635.6	1,617.3	1,626.6	1,599.3
Extraordinary	749.5	2,377.2	734.4	2,404.4
Securities	1,672.2	1,630.8	1,672.2	2,312.6
<i>External Debt as % GDP</i>	<i>12.1%</i>	<i>13.3%</i>	<i>11.5%</i>	<i>13.2%</i>
<i>As a per cent of Total Debt</i>	<i>37.0%</i>			<i>41.7%</i>
<b>Total Public Debt Outstanding</b>	<b>26,981.3</b>	<b>27,322.2</b>	<b>27,372.5</b>	<b>28,125.8</b>
<i>As % GDP</i>	<i>32.8%</i>	<i>31.8%</i>		<i>31.7%</i>
<b>GDP</b>	<b>82,174.4</b>	<b>88,672.2</b>	<b>88,458.4</b>	<b>88,458.4</b>

Source: Department of Treasury

One measure of debt sustainability is the Debt to GDP ratio. According to the recently amended *Fiscal Responsibility Act (2017)*, the limits of the Debt to GDP ratio is a band, where 35.0 per cent is set as the upper limit while 30.0 per cent is the lower band which has to be reached by 2022. The projection for 2019 shows a debt to GDP ratio of 31.7 per cent, a

decrease on the 2018 actual ratio of 32.8 per cent and, therefore, remains in compliance with the FRA and continues to track toward the 30.0 per cent lower band by 2022.

Consistent with the MTdS 2018-22, the Government plans to continue its efforts to lower domestic interest costs and restructure its domestic debt portfolio in consultation with domestic investors by retiring a portion of its short-term debt (Treasury Bills) and some of its longer term domestic debt (Treasury Bonds). This will assist the Government in reducing its refinancing risk and its interest costs. The financing of this domestic debt restructure will be facilitated through the shift in budget financing toward external sources. For 2019 and, depending on market conditions and negotiations, this could include the proposed US\$300.0 million China Development Bank loan, the Multilateral Budget Support facilities from the World Bank and ADB, an increase in concessionary finance from our international partners, and access to additional sovereign bond and/or commercial finance.

In this respect, the rebalancing of the Government's debt portfolio towards a greater share of foreign debt, as set out in the MTDS, is likely to be achieved by 2019-20, well before the 2022 deadline. Moreover, the restructuring of the domestic debt portfolio has commenced and most of the activities will be restarted in the second half of 2019 and progress into 2020.

### Contingent Liabilities

Total explicit domestic guarantees recorded by the Department of Treasury through the Public Accounts Statement I were K1,225.8 million. The external loan guarantees shown in table 20 are in various stages of reconciliation and are likely to either be extinguished or minimal as explained in the notes to the table.

**Table 20: Contingent Liabilities (Domestic & External Loan Guarantees) (Kina, million)**

Borrower	Lender	Loan Details & Purpose	Original Amount	Loan Balance, 31 Dec 2018
Domestic Loan Guarantees			Curriencies '000	in PGK'000
Kumul Mineral Holdings	Bank South Pacific	BSP Loan (Solwara Loan Guarantee)	PGK 375,000	374,801.00
Kumul Consolidated Holdings	Bank South Pacific	KCH Motu-Kea Port Relocation	PGK 600,000	600,000.00
National Capital District Commission	Bank South Pacific	NCDC Roads (Original Facility)	PGK 375,000	105,501.10
National Capital District Commission	Bank South Pacific	NCDC Roads (Extension 2017)	PGK 125,000	88,819.70
National Capital District Commission	Bank South Pacific	NCDC Roads (2nd Extension-2017)	PGK 60,000	56,668.67
<b>Total Domestic Loan Guarantees</b>			<b>PGK 1,535,000</b>	<b>1,225,790.47</b>
External Loan Guarantees				
Pacific Aviation Safety Office	Asian Development bank	PASO Loan Guarantee	USD 375.00	1,263.00
MRDC Pty Ltd & MRL Pty. Ltd	n/a	Finance Contract Agreement - 26.04.95	USD 21,000.00	80,800.00
MRDC Pty Ltd	n/a	Finance Contract Agreement - 28.06.96	EUR 25,000.00	96,191.00
Telikom PNG Ltd	n/a	Agreement 27.07.95	USD 26,282.00	88,492.00
Independent Public Business Corp	EFIC-Australia Credit Agency	Completion Guarantee for PNG LNG	USD 1624,310.00	5,469,057.00
Independent Public Business Corp	EFIC-Australia Credit Agency	State Equity Financing for PNG LNG	USD 1,825,485.00	6,146,413.00
Independent Public Business Corp	EFIC-Australia Credit Agency	Counter Guarantee for PNG LNG	USD 268,037.00	902,481.00
Innovative Agro-Industry Ltd	Bank Leumi Le-Israel B.M.	Central Dairy Limited (2016)	USD 36,740.00	123,702.00
<b>Total External Loan Guarantees</b>				<b>12,908,399.00</b>
<b>Total Central Government Loan Guarantees</b>				<b>14,134,189.47</b>

#### Notes:

- Note: Guarantee provided to ADB for the PASO Project by the Pacific Aviation Safety Office should be fully repaid by now. However, there is no confirmation and therefore it is still reflected under the Guarantee table. The same story applies to the Guarantees provided to the unknown lender/s of the two projects by MRDC and one project by Telikom respectively. Treasury (FMD) also has to ascertain the details/purposes of the guarantees provided. The records also have yet to be located.
- Guarantees provided to BSP for the Solwara, NCDC and KCH Projects are currently active. The State has also been called upon by the Bank to pay up as those entities currently do not have the financial capability to pay.
- Guarantee provided to Bank Leumi Le-Israel B.M is currently active but the Bank has not called upon the State yet. This may indicate the Borrower has the financial capacity to repay its own financial obligations

- Treasury (FMD) still has to confirm status of the three (3) loans for IPBC with KCH but it is likely that these guarantees have been extinguished.
- The exchange rates used to convert the foreign amounts to Kina in the Guarantee table above are as at 31 December 2018 (BPNG midrate for respective currencies)

The exposure from the domestic explicit guarantees of K1.2 billion as at 31<sup>st</sup> December 2018 are through BSP guaranteed loans for (i) Kumul Consolidated Holdings (KCH) for the acquisition of Motukea Port (K600.0 million); (ii) Kumul Minerals Holdings (KMHL) equity financing for Solwara 1 Project (K375.0 million); and (iii) the National Capital District Commission's (NCDC) major road works in NCD (K560.0 million).

The KCH Loan (K600.0 million) and KMHL's loan (K375 million) have resulted in the Government paying a total of K25.7 million in commitments as at June 2019. Interest payment demands for the KCH loan pays are equivalent to an annual interest of K37.7 million. Similarly, the Government will pay a total of K31.3 million for interest payments for the KMHL's K375.0 million debt for the equity financing for the Solwara 1 Project.

The NCDC Loan of K560.0 million requires the Government, at the moment, to service both principal and interest costs which are reducing the guarantee exposure. To date, the Government has paid a total of K51.1 million in principal repayments and K7.2 million in interest costs.

## Policy Actions

Cognizant of the significant contingent liabilities, the Government approved a State Guarantee Policy in 2016 that outlines the process and conditions upon which State Guarantees can be issued consistent with the Government's Public Finances (Management) Act. The State Guarantee Policy sets out the broad parameters for issuing guarantees.

In addition, the following measures are being proposed to manage the exposure of these State Guarantees:

### *(i) Motukea Port Acquisition loan (K600.0 million)*

The loan was due for settlement on 30<sup>th</sup> June 2018, however was extended for a year to 30<sup>th</sup> June 2019. Recently Kumul Consolidated Holdings was not able to retire the debt due on the 30<sup>th</sup> June 2019. Consequently, the debt was further extended for another year to 30<sup>th</sup> June 2020. The debt is implicitly backed by the large parcel of potential redevelopment land at the old Port Moresby harbour.

The Department of Treasury is in discussions with BSP and KCHL on a number of options on restructuring the debt and the underlying land asset. In 2019, the Government is expensing its payments on this loan, but will not assume the debt onto its books, if at all, until these discussions are concluded.

### *(ii) KMHL Equity Financing for Solwara 1 Project (K375.0 million)*

The Government cannot continue to pay interest cost for the Solwara 1 equity financing in light of the uncertainties over the future of the Solwara 1 Project. The Department of Treasury has initiated discussions on providing options for the Government to consider the future of the State's investment in the Solwara 1 Project and the retirement of the debt. Until this time, the Government will expense the debt service payments, but not assume the debt onto its books.

### *(iii) NCDC's Roads Project Loan (K560.0 million)*

The Government is currently servicing both principal and interest payments. The Department of Treasury is considering options to restructure the debt and debt service arrangements that

will allow NCDC to service its commitments under the loan agreement. Until this time, the debt service payments will be expensed but not assumed in the Treasury's debt statement.

## **1.10 RISKS TO THE MID-YEAR ECONOMIC AND FISCAL OUTLOOK**

The global economy has slowed down over the first half of 2019 due to the continuous trade tensions between the US and China, coupled with ongoing Middle East tensions and lower US interest rates. These international developments present on-going risks for global markets, which will impact the PNG economy going forward. The PNG economy will be mainly affected by commodity price instability and that was encountered during the first half of 2019 with most commodity prices trending below budget projections. Instability in commodity and financial markets will affect Government revenues as well as trade, investment and financing flows.

The MTRS 2018 – 2022 is in its second year of implementation where coordination and implementation work are progressing from the initiatives undertaken in 2018. This work is being headed by the Department of Treasury in conjunction with the other revenue collecting agencies including the Internal Revenue Commission and PNG Customs. Progress in this area needs to be accelerated and implementation of these policy reforms is critical to ensuring that the fiscal program remains on track. Revenue reforms focused on widening the tax collection base and enforcing compliance are always going to be challenging and there is a risk that reforms will be thwarted and implementation slowed. This will adversely affect revenue inflows and budget execution, placing downward pressure on economic growth and development.

In terms of fiscal expenditure, the first six months of 2019 has seen increased spending compared to the 2019 budget estimates for this time of the year. Most expenses were focused on personal emoluments and office rental expenditures, which have increased and continue to expand. The continued higher spending on these areas will crowd out spending on more productive capital programs and lead to higher than programmed debt levels. To maintain the programmed debt to GDP trends, as required in the Government's MTFS and MTDS and as required by the FRA, it will be important to contain fiscal spending over the remainder of 2019. The risk in not containing these expenditure increases is that the fiscal program will be forced off track.

The deficit budget will require extensive external financing and if the budget program under the MTFS is forced off track, there is a risk that the rating agencies will downgrade PNG's ratings. This will restrict financing and increase financing costs not only on the State but also on the private sector with its external financing likely to be related to sovereign benchmark yields.

In relation to monetary and exchange rate policy, the foreign exchange imbalance continues to impede economic activity and business in the country. The expansion in the imbalance over the first half of 2019 is of concern. If the imbalance cannot be reduced, then there is a risk that investment inflows will be slowed and that there will be uneconomic downward pressure on the kina exchange rate based on adverse sentiment. The continuation of this imbalance will adversely affect domestic economic growth and revenue projections in the MTFS.

## 1.11 FISCAL OUTTURN TABLES

**TABLE 1: STATEMENT OF OPERATIONS FOR THE GENERAL GOVERNMENT (Kina, million)**

Kina Million	2018 Actuals	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>TRANSACTIONS AFFECTING NET WORTH:</b>					
<b>Revenue</b>	<b>14,085.8</b>	<b>14,266.8</b>	<b>5,810.6</b>	<b>14,009.7</b>	<b>-257.1</b>
Taxes	10,475.9	11,212.6	4,560.2	11,090.4	-122.2
<i>Taxes on Income, profits, and capital gains</i>	6,119.2	6,675.2	2,429.2	6,641.2	-34.0
<i>Taxes on payroll and workforce</i>	8.6	0.0	0.9	1.7	1.7
<i>Taxes on goods and services</i>	3,537.3	3,773.9	1,770.7	3,728.5	-45.4
<i>Taxes on international trade and transactions</i>	810.7	763.4	359.4	718.9	-44.5
Grants	1,835.7	943.1	831.4	943.1	0.0
Other Revenue	1,774.3	2,111.1	419.0	1,976.2	-134.9
<i>Dividends</i>	1,033.5	1,205.0	150.0	1,225.0	20.0
KPHL	452.0	800.0	150.0	720.0	-80.0
OkTedi	201.5	200.0	0.0	250.0	50.0
NFA	280.0	-	-	-	-
BPNG	100.0	100.0	-	150.0	50.0
KCHL	0.0	80.0	0.0	80.0	0.0
MVIL	0.0	25.0	0.0	25.0	0.0
PMMR Revenue	655.0	712.1	221.9	643.90	-68.2
Fees and Charges	88.5	193.3	47.3	106.64	-86.7
SWF Inflows	-	0.0	-	-	0.0
Resource Revenue	1,428.5	1,856.2	376.3	1,775.1	-81.1
<i>Mining and Petroleum Taxes</i>	775.0	856.2	226.3	805.1	-51.1
<i>Mining, Petroleum and Gas Dividends</i>	653.5	1,000.0	150.0	970.0	-30.0
<i>Transfer from the Stabilization Fund (SWF)</i>	0.0	0.0	0.0	0.0	0.0
Revenue as percentage of GDP	17.1%	16.1%	6.6%	15.8%	-0.3%
<b>Total Expenditure and lending</b>	<b>16,134.2</b>	<b>16,133.6</b>	<b>7,478.0</b>	<b>16,382.8</b>	<b>249.3</b>
Expense as percentage of GDP	19.6%	18.2%	8.5%	18.5%	0.3%
<b>Expense<sup>2</sup></b>	<b>14,542.7</b>	<b>13,622.3</b>	<b>6,607.2</b>	<b>14,221.6</b>	<b>599.4</b>
Compensation of employees	5,198.4	4,448.5	2,451.2	4,932.7	484.3
Use of goods and services	4,879.2	4,597.6	2,246.2	4,672.4	74.8
Interest	1,853.3	1,950.1	1,025.8	2,022.5	72.4
Grants	1,999.8	2,150.8	608.6	2,118.8	-32.0
Social benefits	0.9	74.3	0.0	74.3	0.0
Other expense	611.2	401.0	275.4	401.0	0.0
<b>Net Acquisition of Non-Financial Assets*</b>	<b>1,591.5</b>	<b>2,511.3</b>	<b>870.8</b>	<b>2,161.2</b>	<b>-350.1</b>
Fixed Assets	1,591.5	2,511.3	870.8	2,161.2	-350.1
<b>Gross Operating Balance<sup>3</sup></b>	<b>-456.9</b>	<b>644.5</b>	<b>-796.6</b>	<b>-211.9</b>	<b>-856.5</b>
<b>Net Lending (+) / Net Borrowing (-)</b>	<b>-2,048.4</b>	<b>-1,866.8</b>	<b>-1,667.3</b>	<b>-2,373.1</b>	<b>-506.4</b>
Net lending/borrowing as percentage of GDP	-2.5%	-2.1%	-1.9%	-2.7%	236.8%
Non-resource primary balance as percentage of Non-resource GDP	-2.8%	-2.8%	-1.6%	-3.4%	
<b>Transactions in financial assets and liabilities</b>	<b>2,048.4</b>	<b>1,866.7</b>	<b>1,667.3</b>	<b>2,373.2</b>	<b>0.0</b>
<b>Net Acquisition of Financial Assets</b>	<b>1,228.6</b>	<b>-</b>	<b>1,276.2</b>	<b>1,228.6</b>	<b>-</b>
Domestic**	1,228.6	-	1,276.2	-1228.6	-
External	-	-	-	-	-
<b>Net Incurrence of Liabilities</b>	<b>3,277.0</b>	<b>1,866.7</b>	<b>391.2</b>	<b>1,144.6</b>	<b>0.0</b>
Domestic	-319.3	-629.4	205.9	-629.4	0.0
<i>Debt securities: Treasury bills</i>	-516.9	-329.4	374.9	-329.4	0.0
<i>Debt securities: Treasury bonds</i>	343.5	-300.0	-169.0	-300.0	0.0
Loans	-146.0	-	0.0	0.0	-
External	3,596.3	2,496.1	185.3	1,774.0	-
<i>Debt securities: Sovereign bonds</i>	1,672.2	640.0	0.0	0.0	-640.0
Loans	1,924.1	1,856.1	185.3	1,774.0	-82.1
<b>Gross Debt Stock</b>	<b>26,981.3</b>	<b>27,322.2</b>	<b>27,372.5</b>	<b>28,125.9</b>	<b>803.7</b>
<b>Debt as % of GDP</b>	<b>32.8%</b>	<b>30.8%</b>	<b>30.9%</b>	<b>31.8%</b>	
<b>Gross Domestic Product<sup>5</sup></b>	<b>82,174.4</b>	<b>88,672.2</b>	<b>88,458.4</b>	<b>88,458.4</b>	<b>-213.8</b>
<b>Non-resource GDP</b>	<b>58,277.8</b>	<b>63,704.8</b>	<b>62,822.2</b>	<b>62,822.2</b>	

Source: Department of Treasury

1. General government represents national and provincial governments, the Autonomous Bougainville government and commercial and statutory authorities. District and local level governments are reflected as grants from provincial governments. The statement is produced to reflect transactions on a modified cash basis of accounting and includes in-kind related transactions.

2. Include items that may require reclassification due to interfaces from the legacy systems, (The Provincial Government Accounting System, ALESCO payroll and the Department of Public Works and Implementation, Oracle system).



3. Represents, revenue minus expense, excluding consumption of fixed capital (CFC). CFC are not yet calculated and reported for the government accounts in PNG.

4. Represent net lending/net borrowing excluding interest expense or net interest expense.

5. Total nominal GDP estimates by Treasury Department.

\*Net Acquisition of Non-Financial Assets, excludes operational costs like maintenance and repair of fixed assets which are included in the use of goods and services.

\*\*Trust drawdown in 2019 Jan-June from retained external borrowing (Sovereign Bond) in 2018 to finance 2019 expenditure and accounts receivable.

**TABLE 2: STATEMENT SOURCES AND USES OF CASH FOR THE GENERAL GOVERNMENT (Kina, million)**

Kina Million	2018 Actuals	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Revenue Cash Flows</b>	<b>12,249.5</b>	<b>13,323.7</b>	<b>4,979.2</b>	<b>13,066.6</b>	<b>-257.1</b>
Taxes	10,475.9	11,212.6	4,560.2	11,090.4	-122.2
Grants	0.0	0.0	0.0	0.0	0.0
Other Revenue	1,774.3	2,111.1	419.0	1,976.2	-134.9
<i>Revenue as percentage of GDP</i>	14.9%	15.0%	5.6%	14.8%	0%
<b>Expense cash flows<sup>2</sup></b>	<b>12,949.6</b>	<b>12,652.8</b>	<b>5,892.6</b>	<b>12,350.8</b>	<b>641.1</b>
Compensation of employees	3,899.8	3,704.2	1,869.0	4,230.3	526.1
Uses of goods and services	4,585.4	4,446.7	2,113.8	4,521.5	74.8
Interest	1,853.3	1,950.1	1,025.8	2,022.5	72.4
Grants	1,999.8	2,150.8	608.6	1,175.7	-32.1
Other payments	611.2	401.0	275.4	401.0	0.0
<i>Expense as percentage of GDP</i>	15.8%	14.3%	6.7%	14.0%	-0.3%
<b>Net cash inflow from operating activities</b>	<b>-700.0</b>	<b>670.9</b>	<b>-913.4</b>	<b>715.8</b>	<b>-898.3</b>
<b>CASH FLOWS FROM TRANSACTIONS IN NONFINANCIAL ASSETS:</b>					
<b>Net cash outflow from investment in nonfinancial assets</b>	<b>1,591.5</b>	<b>2,511.3</b>	<b>870.8</b>	<b>2,161.2</b>	<b>-350.1</b>
<b>Expenditure cash flows</b>	<b>14,541.0</b>	<b>15,164.1</b>	<b>6,763.4</b>	<b>14,512.0</b>	<b>291.0</b>
<b>Cash surplus (+) / Cash deficit (-)</b>	<b>-2,291.5</b>	<b>-1,840.4</b>	<b>-1,784.2</b>	<b>-1,445.5</b>	<b>-548.2</b>
<i>Surplus/Deficit as percentage of GDP</i>	-2.8%	-2.1%	-2.0%	-1.6%	0.4%
<b>CASH FLOWS FROM TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>		1,866.7	391.2	2,455.9	
<b>Net acquisition of financial assets other than cash</b>	-	-	-	-	-
Domestic	-	-	-	-	-
External	-	-	-	-	-
<b>Net incurrence of liabilities</b>	<b>3,277.0</b>	<b>1,866.7</b>	<b>391.2</b>	<b>2,455.9</b>	<b>0.0</b>
Domestic	-319.3	-629.4	205.9	-629.4	0.0
External	3,596.3	2,496.1	185.3	1,774.0	0.0
<b>Net cash inflow from financing activities</b>	<b>3,277.0</b>	<b>1,866.7</b>	<b>391.2</b>	<b>2,455.9</b>	<b>0.0</b>
<i>Net cash inflows percentage of GDP</i>	4.0%	2.1%	0.4%	2.8%	0.7%
<b>Net change in the stock of cash</b>	<b>985.5</b>	<b>26.3</b>	<b>-1,393.0</b>	<b>1,010.5</b>	<b>-548.2</b>
<b>Gross Domestic Product<sup>3</sup></b>	<b>82,174.4</b>	<b>88,672.2</b>	<b>88,458.4</b>	<b>88,458.4</b>	<b>-213.8</b>

Source: Department of Treasury

1. Central government representing National, Provincial and Local Level Governments, Autonomous Bougainville Government and Commercial and Statutory Authorities. The statement is produced to reflect transactions on a modified cash basis of accounting where information is available.

2. Include items that may require reclassification due to interfaces from the legacy systems, (The Provincial Government Accounting System, ALESCO payroll and the Department of Public Works and Implementation, Oracle system)

3. Total nominal GDP by economic activity, Actual: National Statistical Office and Projections: Treasury Department.

**TABLE 3: GENERAL GOVERNMENT REVENUE ECONOMIC CLASSIFICATION (Kina, million)**

Kina Million	2018 Actuals	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>REVENUE<sup>1</sup></b>	<b>14,085.8</b>	<b>14,266.8</b>	<b>5,810.6</b>	<b>14,009.7</b>	<b>- 257.1</b>
<b>TAXES</b>	<b>10,475.9</b>	<b>11,212.6</b>	<b>4,560.2</b>	<b>11,090.4</b>	<b>- 122.2</b>
<b>Taxes on Income, Profits and Capital Gains</b>	<b>6,119.2</b>	<b>6,675.2</b>	<b>2,429.2</b>	<b>6,641.2</b>	<b>- 34.0</b>
<b>Payable by individuals</b>	<b>3,101.9</b>	<b>2,949.5</b>	<b>1,452.4</b>	<b>3,099.5</b>	<b>150.1</b>
Personal Income Tax	3,101.9	2,949.5	1,452.4	3,099.5	150.1
<b>Payable by corporations and other enterprises</b>	<b>2,751.9</b>	<b>3,460.3</b>	<b>845.3</b>	<b>3,245.7</b>	<b>- 214.6</b>
Company Tax	1,933.0	2,556.3	598.3	2,395.9	- 160.4
Mining and Petroleum Taxes	775.0	856.2	226.3	805.1	- 51.1
Royalties Tax	26.3	27.9	12.4	25.8	- 2.1
Management Tax	17.6	19.9	8.3	18.8	- 1.1
<b>Other taxes on income, profits and capital gains</b>	<b>265.4</b>	<b>265.4</b>	<b>131.6</b>	<b>296.0</b>	<b>30.6</b>
Dividend Withholding Tax Non Mining	154.6	149.2	90.8	180.0	30.8
Interest Withholding Tax	110.8	116.0	38.8	116.0	- 0.0
Sundry IRC Taxes & Income	0.0	0.2	2.0	-	- 0.2
<b>Taxes on Payroll and Workforce</b>	<b>8.6</b>	<b>-</b>	<b>0.9</b>	<b>1.7</b>	<b>1.7</b>
Training Levy	8.6	-	0.9	1.7	1.7
<b>Taxes on Goods and Services</b>	<b>3,537.3</b>	<b>3,773.9</b>	<b>1,770.7</b>	<b>3,728.5</b>	<b>- 45.4</b>
<b>General taxes on goods and services</b>	<b>2,167.4</b>	<b>2,286.1</b>	<b>973.9</b>	<b>2,237.4</b>	<b>- 48.7</b>
<b>Value Added Tax</b>	<b>2,067.1</b>	<b>2,188.8</b>	<b>949.6</b>	<b>2,188.8</b>	<b>- 0.0</b>
GST <sup>2</sup>	2,067.1	2,188.8	949.6	2,188.8	- 0.0
<b>Taxes on financial and capital transactions</b>	<b>100.3</b>	<b>97.3</b>	<b>24.3</b>	<b>48.6</b>	<b>- 48.7</b>
Stamp Duties	100.3	97.3	24.3	48.6	- 48.7
<b>Excise</b>	<b>1,074.8</b>	<b>1,244.4</b>	<b>654.4</b>	<b>1,209.5</b>	<b>- 35.0</b>
Excise Duty	774.0	922.7	510.9	922.7	0.0
Import Excise	300.8	321.7	143.5	286.7	- 35.0
<b>Taxes on specific services</b>	<b>248.1</b>	<b>237.6</b>	<b>140.3</b>	<b>276.7</b>	<b>39.2</b>
Bookmakers' Turnover Tax	20.4	31.2	13.0	22.8	- 8.4
Gaming Machine Turnover Tax	205.1	197.3	114.1	227.3	29.9
Departure Tax	22.6	9.0	13.2	26.6	17.6
<b>Taxes on use of goods and on permission to use goods or perform activities</b>	<b>2.8</b>	<b>1.2</b>	<b>0.2</b>	<b>1.2</b>	<b>- 0.0</b>
<b>Other taxes on goods and services</b>	<b>44.3</b>	<b>4.6</b>	<b>1.9</b>	<b>3.8</b>	<b>- 0.9</b>
Sundry Taxes (Customs)	44.3	4.6	1.9	3.8	- 0.9
<b>Taxes on International Trade and Transactions</b>	<b>810.7</b>	<b>763.4</b>	<b>359.4</b>	<b>718.9</b>	<b>- 44.5</b>
<b>Customs and other import duties</b>	<b>418.3</b>	<b>358.1</b>	<b>186.5</b>	<b>373.2</b>	<b>15.2</b>
Import Duty	325.3	358.1	186.5	373.2	15.2
<b>Taxes on exports</b>	<b>392.4</b>	<b>405.4</b>	<b>172.9</b>	<b>345.7</b>	<b>- 59.7</b>
Export Tax	392.4	405.4	172.9	345.7	- 59.7
<b>GRANTS</b>	<b>1,835.7</b>	<b>943.1</b>	<b>831.4</b>	<b>943.1</b>	<b>0.0</b>
From Foreign Governments	1,348.7	775.5	684.3	775.5	-
Current	1,079.0	620.4	544.4	620.4	-
Cash	-	-	-	-	-
In-Kind	1,079.0	620.4	544.4	620.4	-
Capital	269.7	155.1	139.9	155.1	-
Cash	-	-	-	-	-
In-Kind	269.7	155.1	139.9	155.1	-
From International Organizations	487.0	167.6	147.1	167.6	0.0
Current	389.6	134.1	117.7	134.1	-
Cash	-	-	-	-	-
In-Kind	389.6	134.1	117.7	134.1	-
Capital	97.4	33.5	29.4	33.5	0.0
Cash	-	-	-	-	-
In-Kind	97.4	33.5	29.4	33.5	0.0
<b>OTHER REVENUE</b>	<b>1,774.3</b>	<b>2,111.1</b>	<b>419.0</b>	<b>1,976.2</b>	<b>- 134.9</b>
<b>Property Income</b>	<b>1,063.6</b>	<b>1,260.8</b>	<b>161.8</b>	<b>1,254.9</b>	<b>- 6.0</b>
Interest	-	0.7	-	0.7	-
Dividends	1,033.5	1,205.0	150.0	1,225.0	20.0
Mining Petroleum and Gas Dividends	653.5	1,000.0	150.0	970.0	- 30.0
Dividends from Statutory Authorities	380.0	100.0	-	150.0	50.0
Dividends from State Owned Enterprises	-	105.0	-	105.0	-
Rent	30.1	55.2	11.8	29.2	- 26.0
<b>Sales of goods and services</b>	<b>32.2</b>	<b>124.2</b>	<b>24.5</b>	<b>63.5</b>	<b>- 60.7</b>
Administrative fees	8.2	63.0	2.6	30.3	- 32.7
Incidental sales by nonmarket establishments	24.0	61.2	21.9	33.2	- 28.0
<b>Fines, penalties, and forfeits</b>	<b>2.5</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>-</b>
<b>Transfers not elsewhere classified</b>	<b>675.9</b>	<b>725.2</b>	<b>231.8</b>	<b>657.0</b>	<b>- 68.2</b>
<b>Current transfers not elsewhere classified</b>	<b>675.9</b>	<b>725.2</b>	<b>231.8</b>	<b>657.0</b>	<b>- 68.2</b>
Payroll Commission	21.3	12.1	10.7	12.1	-
State Services and Statutory Authority	655.0	690.0	221.9	621.8	- 68.2
Other	-	22.1	-	22.1	-
SWF	-	-	-	-	-
<b>Premiums, fees and claims related to nonlife insurance and standardised guarantee schemes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Department of Treasury

1. Under the GFS 2014 methodology, non-payable infrastructure tax credits, revenue on asset sales, recoveries and Trust

Accounts are not classified as revenue

2. GST represents the total of collections by Provinces, PNG Ports and less Refunds.



**TABLE 4: GENERAL BUDGETARY EXPENDITURE BY ECONOMIC CLASSIFICATION (Kina, million)**

Kina Million	2018 Actuals	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>Compensation of Employees</b>	<b>5,198.4</b>	<b>4,448.5</b>	<b>2,451.2</b>	<b>4,932.7</b>	<b>484.3</b>
Wages and salaries	4,486.4	4,015.5	<b>2,238.3</b>	4,469.7	454.3
Wages and salaries in cash	4,362.7	3,874.8	<b>2,185.8</b>	4,370.9	496.1
Wages and salaries in kind	123.7	140.7	<b>52.5</b>	98.9	-41.8
Employers' social contributions	711.9	433.0	212.9	463.0	30.0
Actual social contributions	711.9	433.0	212.9	463.0	30.0
<b>Use of goods and services*</b>	<b>4,879.2</b>	<b>4,597.6</b>	<b>2,246.2</b>	<b>4,672.4</b>	<b>74.8</b>
Use of goods and services	4,879.2	4,597.6	2,246.2	4,672.35	74.8
Use of goods and services	4,879.2	4,597.6	2,246.2	4,672.4	74.8
<b>Interest**</b>	<b>1,853.3</b>	<b>1,950.1</b>	<b>1,025.8</b>	<b>2,022.5</b>	<b>72.4</b>
To nonresidents	210.5	469.5	225.8	435.8	-33.7
Interest to Non residents	210.5	469.5	225.8	435.8	-33.7
To residents other than general government	1,642.8	1,480.6	800.0	1,586.7	106.1
Interest to residents other than general governments	1,642.8	1,480.6	800.0	1,586.7	106.1
<b>Grants***</b>	<b>1,999.8</b>	<b>2,150.8</b>	<b>608.6</b>	<b>2,118.8</b>	<b>-32.0</b>
Grants to other general government units	1,999.8	2,150.8	608.6	2,118.8	-32.0
Grants to other general governments current	1,550.4	1,067.4	608.1	1,067.4	0.0
Grants to other general governments capital	449.4	1,083.4	0.5	1,051.4	-32.0
<b>Social Benefits</b>	<b>0.9</b>	<b>74.3</b>	<b>0.0</b>	<b>74.3</b>	<b>0.0</b>
Social assistance benefits	0.9	74.3	0.0	74.3	0.0
Social assistance benefits in cash	0.9	74.3	0.0	74.3	0.0
<b>Other expenses</b>	<b>611.2</b>	<b>401.0</b>	<b>275.4</b>	<b>401.0</b>	<b>0.0</b>
Transfers not elsewhere classified	611.2	401.0	275.4	401.0	0.0
Other expense - Current transfers not elsewhere classified	611.2	401.0	275.4	401.0	0.0
<b>Net Aquisition Nonfinancial assets****</b>	<b>1,591.5</b>	<b>2,511.3</b>	<b>870.8</b>	<b>2,161.2</b>	<b>-350.1</b>
Nonproduced assets	0.0	9.3	0.0	9.3	0.0
NFA: Intangible nonproduced assets	0.0	1.6	0.0	1.6	0.0
NFA: Land	0.0	7.7	0.0	7.7	0.0
Aquisition of Fixed assets	1,591.5	2,502.0	870.8	2,151.9	-350.1
NFA: Buildings and structures	48.8	3.2	0.0	3.2	0.0
NFA: Dwellings	0.0	54.5	0.0	54.5	0.0
NFA: Fixed assets	1,405.8	2,364.6	846.3	2,014.5	-350.1
NFA: Information, computer, & telecommunications equipment	19.7	24.1	3.9	24.1	0.0
NFA: Machinery & equipment other than transport equipment	15.2	13.8	9.0	13.8	0.0
NFA: Other structures	1.7	40.2	9.0	40.2	0.0
NFA: Transport equipment	4.8	1.6	2.6	1.6	0.0
<b>Other expense - Current transfers not elsewhere classified</b>	<b>95.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total expenditure</b>	<b>16,134.2</b>	<b>16,133.6</b>	<b>7,478.0</b>	<b>16,382.8</b>	<b>249.3</b>
<i>as % of GDP</i>	<i>19.6%</i>	<i>18.2%</i>	<i>8.6%</i>	<i>18.8%</i>	<i>0.3%</i>

Source: Department of Treasury

**TABLE 5: GENERAL BUDGETARY GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION (Kina, million)**

Kina Million	2018 Actuals	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>National Departments</b>	<b>6,746.2</b>	<b>7,750.9</b>	<b>3,318.1</b>	<b>7,831.6</b>	<b>80.7</b>
<b>Compensation of Employees</b>	<b>2,817.0</b>	<b>2,089.9</b>	<b>1,216.3</b>	<b>2,394.0</b>	<b>304.1</b>
<b>Wages and salaries</b>	<b>2,129.5</b>	<b>1,685.4</b>	<b>1,025.3</b>	<b>1,959.4</b>	<b>274.1</b>
Wages and salaries in cash	2,057.9	1,603.9	989.6	1,919.7	315.9
Wages and salaries in kind	71.6	81.5	35.8	39.7	-41.8
<b>Employers' social contributions</b>	<b>687.5</b>	<b>404.6</b>	<b>191.0</b>	<b>434.6</b>	<b>30.0</b>
Actual social contributions	687.5	404.6	191.0	434.6	30.0
<b>Use of goods and services</b>	<b>2,594.3</b>	<b>3,554.2</b>	<b>1,593.2</b>	<b>3,647.5</b>	<b>93.3</b>
<b>Use of goods and services</b>	<b>2,594.3</b>	<b>3,554.2</b>	<b>1,593.2</b>	<b>3,647.5</b>	<b>93.3</b>
Use of goods and services	2,594.3	3,554.2	1,593.2	3,647.5	93.3
<b>Grants</b>	<b>779.2</b>	<b>932.0</b>	<b>279.2</b>	<b>932.0</b>	<b>0.0</b>
<b>Grants to other general government units</b>	<b>779.2</b>	<b>932.0</b>	<b>279.2</b>	<b>932.0</b>	<b>0.0</b>
Grants to other general governments current	779.2	630.5	279.2	630.5	0.0
Grants to other general governments capital	0.0	301.5	0.0	301.5	0.0
<b>Other expenses</b>	<b>72.7</b>	<b>88.5</b>	<b>36.6</b>	<b>88.5</b>	<b>0.0</b>
<b>Transfers not elsewhere classified</b>	<b>72.7</b>	<b>88.5</b>	<b>36.6</b>	<b>88.5</b>	<b>0.0</b>
Other expense - Current transfers not elsewhere classified	72.7	88.5	36.6	88.5	0.0
<b>Net Acquisition Nonfinancial assets</b>	<b>482.1</b>	<b>1,035.7</b>	<b>192.8</b>	<b>719.0</b>	<b>-316.6</b>
<b>Nonproduced assets</b>	<b>0.0</b>	<b>9.3</b>	<b>0.0</b>	<b>9.3</b>	<b>0.0</b>
NFA: Intangible nonproduced assets	0.0	1.6	0.0	1.6	0.0
NFA: Land	0.0	7.7	0.0	7.7	0.0
<b>Acquisition of Fixed assets</b>	<b>482.1</b>	<b>1,026.4</b>	<b>192.8</b>	<b>709.8</b>	<b>-316.6</b>
NFA: Buildings and structures	0.0	0.5	0.0	0.5	0.0
NFA: Dwellings	0.0	18.0	0.0	18.0	0.0
NFA: Fixed assets	446.7	947.0	176.0	630.4	-316.6
<b>Social Benefits</b>	<b>0.9</b>	<b>50.6</b>	<b>0.0</b>	<b>50.6</b>	<b>0.0</b>
<b>Social assistance benefits</b>	<b>0.9</b>	<b>50.6</b>	<b>0.0</b>	<b>50.6</b>	<b>0.0</b>
<b>Provincial Governments</b>	<b>3,560.9</b>	<b>2,870.7</b>	<b>1,330.9</b>	<b>3,018.8</b>	<b>148.2</b>
<b>Compensation of Employees</b>	<b>1,823.0</b>	<b>1,671.4</b>	<b>886.8</b>	<b>1,851.6</b>	<b>180.2</b>
<b>Wages and salaries</b>	<b>1,823.0</b>	<b>1,671.4</b>	<b>886.8</b>	<b>1,851.6</b>	<b>180.2</b>
Wages and salaries in cash	1,782.7	1,632.3	876.0	1,812.5	180.2
Wages and salaries in kind	40.3	39.1	10.8	39.1	0.0
<b>Employers' social contributions</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Actual social contributions	0.0	0.0	0.0	0.0	0.0
<b>Use of goods and services</b>	<b>713.6</b>	<b>1,026.4</b>	<b>412.5</b>	<b>1,128.5</b>	<b>10.0</b>
<b>Use of goods and services</b>	<b>713.6</b>	<b>1,026.4</b>	<b>412.5</b>	<b>1,128.5</b>	<b>10.0</b>
Use of goods and services	713.6	1,026.4	412.5	1,128.5	10.0
<b>Grants</b>	<b>1,002.8</b>	<b>1,164.2</b>	<b>314.6</b>	<b>1,132.2</b>	<b>-32.0</b>
<b>Grants to other general government units</b>	<b>1,002.8</b>	<b>1,164.2</b>	<b>314.6</b>	<b>1,132.2</b>	<b>-32.0</b>
Grants to other general governments current*	626.9	384.1	314.1	384.1	0.0
Grants to other general governments capital	375.9	780.2	0.5	748.1	-32.0
<b>Net Acquisition Nonfinancial assets</b>	<b>21.5</b>	<b>18.0</b>	<b>1.0</b>	<b>18.0</b>	<b>0.0</b>
<b>Acquisition of Fixed assets</b>	<b>21.5</b>	<b>18.0</b>	<b>1.0</b>	<b>18.0</b>	<b>0.0</b>
NFA: Fixed assets*	21.5	18.0	1.0	18.0	0.0
<b>Autonomous Bougainville Government</b>	<b>225.9</b>	<b>193.8</b>	<b>66.8</b>	<b>193.8</b>	<b>0.0</b>
<b>Compensation of Employees</b>	<b>119.8</b>	<b>64.6</b>	<b>54.7</b>	<b>64.6</b>	<b>0.0</b>
<b>Wages and salaries</b>	<b>119.8</b>	<b>64.6</b>	<b>54.7</b>	<b>64.6</b>	<b>0.0</b>
Wages and salaries in cash	116.9	61.8	54.4	61.8	0.0
Wages and salaries in kind	2.9	2.8	0.3	2.8	0.0
<b>Employers' social contributions</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Actual social contributions	0.0	0.0	0.0	0.0	0.0
<b>Use of goods and services</b>	<b>28.1</b>	<b>34.6</b>	<b>12.1</b>	<b>34.6</b>	<b>0.0</b>
<b>Use of goods and services</b>	<b>28.1</b>	<b>34.6</b>	<b>12.1</b>	<b>34.6</b>	<b>0.0</b>
Use of goods and services	28.1	34.6	12.1	34.6	0.0
<b>Grants</b>	<b>78.0</b>	<b>35.9</b>	<b>0.0</b>	<b>35.9</b>	<b>0.0</b>
<b>Grants to other general government units</b>	<b>78.0</b>	<b>35.9</b>	<b>0.0</b>	<b>35.9</b>	<b>0.0</b>
<b>Net Acquisition Nonfinancial assets</b>	<b>0.0</b>	<b>58.7</b>	<b>0.0</b>	<b>58.7</b>	<b>0.0</b>
<b>Fixed Assets</b>	<b>0.0</b>	<b>58.7</b>	<b>0.0</b>	<b>58.7</b>	<b>0.0</b>
<b>Commercial &amp; Statutory Authorities</b>	<b>1,039.2</b>	<b>1,579.1</b>	<b>524.6</b>	<b>1,538.4</b>	<b>-40.7</b>
<b>Compensation of Employees</b>	<b>438.6</b>	<b>622.5</b>	<b>293.4</b>	<b>622.5</b>	<b>0.0</b>
<b>Wages and salaries</b>	<b>414.1</b>	<b>594.1</b>	<b>271.4</b>	<b>594.1</b>	<b>0.0</b>
Wages and salaries in cash	405.2	576.8	265.8	576.8	0.0
Wages and salaries in kind	8.9	17.3	5.6	17.3	0.0
<b>Employers' social contributions</b>	<b>24.4</b>	<b>28.4</b>	<b>22.0</b>	<b>28.4</b>	<b>0.0</b>
Actual social contributions	24.4	28.4	22.0	28.4	0.0
<b>Use of goods and services</b>	<b>324.1</b>	<b>515.9</b>	<b>139.7</b>	<b>508.7</b>	<b>-7.2</b>
<b>Use of goods and services</b>	<b>324.1</b>	<b>515.9</b>	<b>139.7</b>	<b>508.7</b>	<b>-7.2</b>
Use of goods and services	324.1	515.9	139.7	508.7	-7.2
<b>Grants</b>	<b>46.6</b>	<b>3.1</b>	<b>1.0</b>	<b>3.1</b>	<b>0.0</b>
<b>Grants to other general government units</b>	<b>46.6</b>	<b>3.1</b>	<b>1.0</b>	<b>3.1</b>	<b>0.0</b>
Grants to other general governments current	46.6	3.1	1.0	3.1	0.0
<b>Other expenses</b>	<b>17.2</b>	<b>2.0</b>	<b>1.0</b>	<b>2.0</b>	<b>0.0</b>
<b>Transfers not elsewhere classified</b>	<b>17.2</b>	<b>2.0</b>	<b>1.0</b>	<b>2.0</b>	<b>0.0</b>
Other expense - Current transfers not elsewhere classified	17.2	2.0	1.0	2.0	0.0
<b>Net Acquisition Nonfinancial assets</b>	<b>212.7</b>	<b>411.8</b>	<b>89.5</b>	<b>378.3</b>	<b>-33.5</b>
<b>Acquisition of Fixed assets</b>	<b>212.7</b>	<b>411.8</b>	<b>89.5</b>	<b>378.3</b>	<b>-33.5</b>
NFA: Buildings and structures	0.0	2.7	0.0	2.7	0.0
NFA: Dwellings	0.0	36.5	0.0	36.5	0.0
NFA: Fixed assets	206.8	353.7	81.9	320.2	-33.5
<b>Social Benefits</b>	<b>0.0</b>	<b>23.7</b>	<b>0.0</b>	<b>23.7</b>	<b>0.0</b>
<b>Social assistance benefits</b>	<b>0.0</b>	<b>23.7</b>	<b>0.0</b>	<b>23.7</b>	<b>0.0</b>
<b>Debt Service (Interest Payment)</b>	<b>1,934.7</b>	<b>1,979.1</b>	<b>1,037.6</b>	<b>2,040.2</b>	<b>61.1</b>
<b>Use of goods and services</b>	<b>81.4</b>	<b>29.0</b>	<b>11.8</b>	<b>17.7</b>	<b>-11.3</b>
<b>Use of goods and services</b>	<b>81.4</b>	<b>29.0</b>	<b>11.8</b>	<b>17.7</b>	<b>-11.3</b>
Use of goods and services	81.4	29.0	11.8	17.7	-11.3
<b>Interest</b>	<b>1,853.3</b>	<b>1,950.1</b>	<b>1,025.8</b>	<b>2,022.5</b>	<b>72.4</b>
<b>To nonresidents</b>	<b>210.5</b>	<b>469.5</b>	<b>225.8</b>	<b>435.8</b>	<b>-33.7</b>
Interest to Non residents	210.5	469.5	225.8	435.8	-33.7
<b>To residents other than general government</b>	<b>1,642.8</b>	<b>1,480.6</b>	<b>800.0</b>	<b>1,586.7</b>	<b>106.1</b>
Interest to residents other than general governments	1,642.8	1,480.6	800.0	1,586.7	106.1
<b>Expenditure supported by donor grants</b>	<b>1,835.7</b>	<b>943.1</b>	<b>831.4</b>	<b>943.1</b>	<b>0.0</b>
<b>Use of goods and services</b>	<b>1,030.0</b>	<b>370.2</b>	<b>326.3</b>	<b>370.2</b>	<b>0.0</b>
<b>Use of goods and services</b>	<b>1,030.0</b>	<b>370.2</b>	<b>326.3</b>	<b>370.2</b>	<b>0.0</b>
Use of goods and services	1,030.0	370.2	326.3	370.2	0.0
<b>Grants</b>	<b>93.2</b>	<b>15.6</b>	<b>13.7</b>	<b>15.6</b>	<b>0.0</b>
<b>Grants to other general government units</b>	<b>93.2</b>	<b>15.6</b>	<b>13.7</b>	<b>15.6</b>	<b>0.0</b>
Grants to other general governments current	93.2	15.6	13.7	15.6	0.0
<b>Net Acquisition Nonfinancial assets</b>	<b>340.2</b>	<b>330.2</b>	<b>291.1</b>	<b>330.2</b>	<b>0.0</b>
<b>Acquisition of Fixed assets (Buildings and Structures)</b>	<b>340.2</b>	<b>330.2</b>	<b>291.1</b>	<b>330.2</b>	<b>0.0</b>
NFA: Fixed assets	275.2	330.2	291.1	330.2	0.0
Other expense - Current transfers not elsewhere classified	65.1	0.0	0.0	0.0	0.0
<b>Other expenses</b>	<b>372.2</b>	<b>227.2</b>	<b>200.3</b>	<b>227.2</b>	<b>0.0</b>
<b>Transfers not elsewhere classified</b>	<b>372.2</b>	<b>227.2</b>	<b>200.3</b>	<b>227.2</b>	<b>0.0</b>
Other expense - Current transfers not elsewhere classified	372.2	227.2	200.3	227.2	0.0
<b>Expenditure financed by concessional loans</b>	<b>791.6</b>	<b>816.9</b>	<b>368.6</b>	<b>816.9</b>	<b>0.0</b>
<b>Use of goods and services</b>	<b>107.6</b>	<b>76.7</b>	<b>34.6</b>	<b>76.7</b>	<b>0.0</b>
<b>Use of goods and services</b>	<b>107.6</b>	<b>76.7</b>	<b>34.6</b>	<b>76.7</b>	<b>0.0</b>
Use of goods and services	107.6	76.7	34.6	76.7	0.0
<b>Net Acquisition Nonfinancial assets</b>	<b>534.9</b>	<b>657.0</b>	<b>296.4</b>	<b>657.0</b>	<b>0.0</b>
<b>Acquisition of Fixed assets (Buildings and Structures)</b>	<b>534.9</b>	<b>657.0</b>	<b>296.4</b>	<b>657.0</b>	<b>0.0</b>
NFA: Buildings and structures	48.8	0.0	0.0	0.0	0.0
NFA: Fixed assets	455.6	657.0	296.4	657.0	0.0
<b>Other expenses</b>	<b>149.1</b>	<b>83.2</b>	<b>37.5</b>	<b>83.2</b>	<b>0.0</b>
<b>Transfers not elsewhere classified</b>	<b>149.1</b>	<b>83.2</b>	<b>37.5</b>	<b>83.2</b>	<b>0.0</b>
Other expense - Current transfers not elsewhere classified	149.1	83.2	37.5	83.2	0.0
<b>Total expenditure</b>	<b>16,134.2</b>	<b>16,133.6</b>	<b>7,478.0</b>	<b>16,382.9</b>	<b>249.3</b>
<b>as % of GDP</b>	<b>19.6%</b>	<b>18.2%</b>	<b>8.6%</b>	<b>18.8%</b>	<b>0.2%</b>

Source: Department of Treasury.

\* Includes GST and Bookmakers Tax transfers to Provinces.

**TABLE 6: TRANSACTIONS IN ASSETS AND LIABILITIES FOR GENERAL GOVERNMENT (Kina, million).**

Kina Million	2018 Actuals	2019 Budget	June Outturn	2019 MYEFO	Budget Variance
<b>Net Acquisition of Financial Assets</b>	1,228.6	0.0	-1,276.2	-1,228.6	-1,228.6
<b>Domestic</b>	<b>1,228.6</b>	<b>0.0</b>	<b>-1,276.2</b>	<b>-1,228.6</b>	<b>-1,228.6</b>
Currency and deposits	1,228.6	0.0	-1,028.5	-1,228.6	-1,228.6
Other accounts receivable		0.0	-247.7	0.0	0.0
<b>External</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Monetary gold and special drawing rights (SDR's)					0.0
Currency and deposits					0.0
Debt securities					0.0
Loans					0.0
Equity and investment fund shares					0.0
Insurance, pension, and standardized guarantee schemes					0.0
Financial derivatives and employee stock options					0.0
Other accounts receivable					0.0
<b>Net Incurrence of Liabilities</b>	<b>3,277.0</b>	<b>1,866.7</b>	<b>391.2</b>	<b>1,144.6</b>	<b>-722.1</b>
<b>Domestic</b>	<b>-319.3</b>	<b>-629.4</b>	<b>205.9</b>	<b>-629.4</b>	<b>0.0</b>
Debt securities	-173.3	-629.4	205.9	-629.4	0.0
<i>New instruments</i>	12,178.8	9,286.2	5,557.4	9,286.2	0.0
<i>Amortisation</i>	-12,352.2	-9,915.6	-5,351.5	-9,915.6	0.0
<i>Treasury Bills</i>	-516.9	-329.4	374.9	-329.4	0.0
<i>New instruments</i>	11,178.8	8,725.5	5,469.9	8,725.5	0.0
<i>Amortisation</i>	-11,695.7	-9,054.9	-5,095.0	-9,054.9	0.0
<i>Treasury Bonds</i>	343.5	-300.0	-169.0	-300.0	0.0
<i>New instruments</i>	1,000.0	560.7	87.5	560.7	0.0
<i>Amortisation</i>	-656.4	-860.7	-256.5	-860.7	0.0
Loans	-146.0		0.0		0.0
New borrowing	0.0		0.0		0.0
Amortisation	-146.0		0.0		0.0
Insurance, pension, and standardized guarantee schemes					0.0
Financial derivatives and employee stock options					0.0
Other accounts payable		103.4		103.4	0.0
<b>External</b>	<b>3,596.3</b>	<b>2,496.1</b>	<b>185.3</b>	<b>1,774.0</b>	<b>-722.1</b>
Debt securities	1,672.2	640.0	0.0	0.0	-640.0
<i>New instruments</i>	1,672.2	640.0	0.0	0.0	-640.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0
<i>Concessional financing</i>	0.0	0.0	0.0	0.0	0.0
<i>New instruments</i>	0.0	0.0	0.0	0.0	0.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0
<i>Commercial financing</i>	0.0	0.0	0.0	0.0	0.0
<i>New instruments</i>	0.0	0.0	0.0	0.0	0.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0
<i>Extraordinary financing</i>		640.0	0.0	0.0	-640.0
<i>New instruments</i>	1,672.2	640.0	0.0	0.0	-640.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0
<b>Loans</b>	<b>1,924.1</b>	<b>1,856.1</b>	<b>185.3</b>	<b>1,774.0</b>	<b>-82.1</b>
New borrowing	2,233.9	2,291.9	368.6	2,209.8	-82.1
Amortisation	309.8	-435.8	-183.2	-435.8	0.0
<i>Concessional financing</i>	527.7	464.8	209.4	464.8	0.0
<i>New borrowing</i>	791.7	816.9	368.6	816.9	0.0
<i>Amortisation</i>	264.1	-352.1	-159.1	-352.1	0.0
<i>Commercial financing</i>	637.9	-36.3	-9.0	812.6	848.9
<i>New borrowing</i>	619.9	0.0	0.0	848.9	848.9
<i>Amortisation</i>	18.0	-36.3	-9.0	-36.3	0.0
<i>Extraordinary financing</i>	794.5	1,427.6	-15.1	496.6	-931.0
<i>New borrowing</i>	822.3	1,475.0	0.0	544.0	-931.0
<i>Amortisation</i>	27.8	-47.4	-15.1	-47.4	0.0
Insurance, pension, and standardized guarantee schemes		0.0	0.0	0.0	0.0
Financial derivatives and employee stock options		0.0	0.0	0.0	0.0
Other accounts payable		0.0	0.0	0.0	0.0

Source: Department of Treasury

1. General government representing National, Provincial and Local Level Governments, Autonomous Bougainville Government and Commercial and Statutory Authorities

\* Holding gains and losses (or revaluation) is a change in the monetary value of an asset or liability resulting from changes in the level and structure of prices (for example, from changes in interest rates) and/or exchange rates, assuming that the assets or liabilities has not changed qualitatively or quantitatively.

**TABLE 7: CENTRAL GOVERNMENT DEBT (Kina, million)**

Kina Million	2018 Actuals	2019 Budget	2019 Budget <sup>3</sup>	June Outturn	2019 MYEFO	Budget Variance
<b>Domestic</b>	<b>16,999.9</b>	<b>15,940.3</b>	<b>16,370.5</b>	<b>17,205.8</b>	<b>15,648.0</b>	<b>-292.3</b>
Debt securities	16,999.9	15,836.8	16,370.5	17,205.8	15,544.5	-292.3
<i>Treasury Bills</i>	8,677.6	7,075.3	8,348.2	9,052.5	7,522.2	446.9
<i>Treasury Bonds</i>	8,322.3	8,761.5	8,022.3	8,153.3	8,022.3	-739.2
Loans	0.0	103.5		0.0	103.5	0.0
<b>External</b>	<b>9,981.4</b>	<b>11,381.9</b>	<b>11,837.5</b>	<b>10,166.7</b>	<b>12,477.8</b>	<b>893.8</b>
Debt securities	1,672.2	1,630.8	1,672.2	1,672.2	2,312.6	681.8
<i>Concessional financing</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Commercial financing</i>	1,672.2	1,630.8	1,672.2	1,672.2	2,312.6	681.8
<i>Extraordinary financing</i>	0.0	0.0	0.0	0.0	0.0	0.0
Loans	8,309.2	9,953.2	10,165.3	8,494.5	10,165.2	212.0
<i>Concessional financing</i>	5,924.1	5,958.7	6,388.5	6,133.5	6,161.5	202.8
<i>Commercial financing</i>	1,635.6	1,617.3	1,599.3	1,626.6	1,599.3	-18.0
<i>Extraordinary financing</i>	749.5	2,377.2	2,177.5	734.4	2,404.4	27.2
<b>Total Central Government Debt</b>	<b>26,981.3</b>	<b>27,322.2</b>	<b>28,208.4</b>	<b>27,372.5</b>	<b>28,125.8</b>	<b>601.5</b>
<i>Total debt as percentage of GDP</i>	32.8%	30.8%	31.8%	30.9%	31.8%	-2.8
<b>Gross Domestic Product<sup>2</sup></b>	<b>82,174.4</b>	<b>88,672.2</b>	<b>88,672.2</b>	<b>88,458.4</b>	<b>88,458.4</b>	<b>-213.8</b>

Source: Department of Treasury

1. General Government Representing National, Provincial and Local Level Gov't and CSA

2. Total nominal GDP by economic activity, Actual: NSO and Projection: Dep't of Treasury

Note: Treasury Bills outstanding for 2018 nets the proposed foreign currency balance from the additional external bond proceeds.

3. Stock based on 2018 FBO

# PART 2 MID – YEAR EXPENDITURE

## 2.1 FUNDED EXPENDITURE SINCE THE 2019 BUDGET

Total appropriated Government of Papua New Guinea (GoPNG) Budget in 2019 amounts to K15,519.6 <sup>8</sup>million (excluding debt amortization). This total comprises of Operational budget appropriation of K10,042.7 million, Capital Investment budget appropriation of K3,716.9 million and Donor Grants and Concessional Loans of K943.1 million and K816.9 million respectively.

Section 2.1 of the 2019 MYEFO reports on the GoPNG funding component only, while details of expenditure for GoPNG Capital funding, Donor grants and Concessional loans are reported separately in expenditure section 2.2 under Capital expenditure.

The Operational Budget comprises of K4,484.6<sup>9</sup> million for Compensation of Employees, K3,579.1 million for Goods & Services and K 1,979.0 million for Debt interest payments. The Capital Investment (GoPNG) Budget comprises of K1,174.4 million in Structural Improvement Program (SIP) expenditure and K2,542.5 million in Public Investment Program (PIP) expenditure.

As at 30<sup>th</sup> June 2019, GoPNG total expenditure amounted to K5,971.1 million or 83.9 per cent against total warrant issuance of K7,107.9 million. This expenditure also amounts to 43.4 per cent of the 2019 GoPNG Budget (K13,759.6 million). The total expenditure consisted of K4,955.3 million in Operational expenditure and K1,015.8 million in Capital Investment expenditure.

The Operational expenditure of K4,955.0 million comprises of K2,451.0 million for Compensation of Employees, K1,466.5 million for Good and Services and K1,037.6 million for Debt Interest. Details of capital expenditure (including donor grants and Concessional Loans) are reported separately in the expenditure Section 2.2 under Capital Expenditure.

Table 21 shows a summary of the 2019 Budget and corresponding expenditure up to the end of June.

**Table 21: Summary of 2019 GoPNG Budget by Budget Components (Kina, million)**

Details	2019 Original	2019 Revised	Warrant s	June	Expendi ture	Expendit ure
	Budget	Budget	Authori sed	Outt urn	vs WA (%)	VS RBUD (%)
<b>Operational</b>	<b>10,022.6</b>	<b>10,042.7</b>	<b>5,674.9</b>	<b>4,955 .3</b>	<b>492.2</b>	<b>0.5</b>
<b>Goods &amp; Services</b>	<b>3,520.9</b>	<b>3,579.1</b>	<b>1,857.7</b>	<b>1,466 .5</b>	<b>290.7</b>	<b>41%</b>
Grants	1,254.4	1,272.3	567.6	424.4	74.8	33%
Non-financial assets	145.4	136.9	69.3	42.2	60.8	31%
Subsidies	88.8	87.6	51.6	37.5	72.8	43%

<sup>8</sup> Excludes GST transfers to Provinces and Book makers turn over tax

<sup>9</sup> The figure used here is slightly differ from part one to show revised appropriation in relation to section 3 and 4 fund transfers to different Agencies and economic items.

Use of goods and services [GFS]	2,032.3	2,082.3	1,169.2	962.4	82.3	46%
Write Offs and Depreciation	0.0	0.0	0.0	0.0	0.0	0%
<b>Personnel Emoluments</b>	<b>4,522.6</b>	<b>4,484.5</b>	<b>1,838.1</b>	<b>2,451.2</b>	<b>133.3</b>	<b>55%</b>
Compensation Of Employees [GFS]	4,522.6	4,484.5	1,838.1	2,451.2	133.3	55%
<b>Debt (Interest Repayment)</b>	<b>1,979.1</b>	<b>1,979.1</b>	<b>1,979.1</b>	<b>1,037.6</b>	<b>68.2</b>	<b>52%</b>
Interest [GFS]	1,948.7	1,948.7	1,948.7	1,025.8	52.9	53%
Net acquisition of financial assets	30.4	30.4	30.4	11.8	15.3	39%
						0%
<b>Capital Investment</b>	<b>3,737.1</b>	<b>3,717.1</b>	<b>1,433.0</b>	<b>1,015.8</b>	<b>378.2</b>	<b>27%</b>
<b>Goods &amp; Services</b>	<b>3,737.1</b>	<b>3,717.1</b>	<b>1,433.0</b>	<b>1,015.8</b>	<b>378.2</b>	<b>27%</b>
Grants	310.4	305.4	16.0	7.4	46.9	2%
Non-financial assets	1,364.1	1,318.6	490.7	241.1	49.1	18%
Other Expense	0.0	0.0	0.0	0.0	0.0	0%
Use of goods and services [GFS]	2,062.6	2,092.7	926.1	767.1	82.8	37%
Personnel Emoluments	0.0	0.2	0.1	0.1	99.7	50%
Compensation of Employees [GFS]	0.0	0.2	0.1	0.1	99.7	50%
<b>Grand Total</b>	<b>13,759.7</b>	<b>13,759.8</b>	<b>7,107.9</b>	<b>5,971.1</b>	<b>870.4</b>	<b>43%</b>

Source: Department of Treasury (GFS 2014)

This table excludes reporting of GST Transfers and Bookmakers Turnover Tax to Provinces, Provinces, Donor Support and grants and Counterpart Funding.

## Operational Budget Expenditure

As at 30<sup>th</sup> June 2019, a total of K4,955.3 million was expended against total warrants of K5,674.9 million. Total operational expenditure equates to 49.3 per cent against the total budget of K10,042.7<sup>10</sup> million. From the total Operational expenditure, Personal Emoluments is by far the highest expenditure item expending 55.0 per cent of total operational expenditure, followed by Goods and Services (41.0 per cent) and Debt Interest (52.0 per cent).

At the end of June, total expenditure for Goods and Services amounted to K1,446.5 million or 79.0 per cent against total warrants of K1,857.7 million.

Table 22 shows a summary of the Major Priorities by Sector in the 2019 Budget and corresponding expenditure up to the end of June.

**Table.22: Major priority expenditure as at 30th June 2019 (Kina, million)**

Detail	Budget	Rev. Bud	Warrant	Expenditure	E vs RB	E vs W
<b>Administration</b>	1,165.5	1,165.5	618.0	575.0	<b>49.0%</b>	<b>93.0%</b>
PSIP	220.	220.	44.	37.	17.0%	84.0%
DSIP	890.	890.	574.	538.	60.0%	94.0%

<sup>10</sup> Figure differ from Budget appropriation so please refer to foot note 2 for clarification

DSG	55.5	55.5	0.0	0.0	0.0%	0.0%
<b>Education</b>	687.7	71.5	41.9	30.5	<b>43.0%</b>	<b>73.0%</b>
Education Subsidies	617.	0.8	0.4	0.2	19.0%	38.0%
Tertiary Education Study Assistance Scheme	70.7	70.7	41.5	30.3	43.0%	73.0%
<b>Health</b>	250.5	246.0	78.5	68.2	28.0%	87.0%
Medical Supplies Procurement & Distribution	250.5	246.0	78.5	68.2	28.0%	87.0%
<b>Miscellaneous</b>	618.3	1,134.1	615.7	546.1	<b>48.0%</b>	<b>89.0%</b>
Education Fee Free Subsidy	0.0	616.2	295.0	235.0	38.0%	80.0%
Free Primary Health Care	20.0	0.0	0.0	0.0	0.0%	0.0%
Multi-Departmental Utilities	120.0	135.0	104.1	102.5	76.0%	98.0%
2018 LLG Elections - Security and Logistics	100.0	82.5	13.0	13.0	16.0%	100.0%
Arrears	106.4	63.8	43.8	43.7	69.0%	100.0%
Election Arrears	10.0	10.0	0.0	0.0	0.0%	0.0%
Multi-Departmental Office Accommodation	200.0	190.0	159.8	151.8	80.0%	95.0%
District Support Grants	53.3	28.0	0.0	0.0	0.0%	0.0%
S45a Superannuation Non-Contributory Vested Benefits	8.6	8.6	0.0	0.0	0.0%	0.0%
<b>Provinces</b>	158.9	155.9	22.0	9.5	<b>6.0%</b>	<b>43.0%</b>
Ward SIP	64.4	64.4	0.0	0.0	0.0%	0.0%
SSG	25.5	22.5	5.5	0.5	2.0%	9.0%
SPA	12.0	12.0	11.5	9.0	75.0%	78.0%
Roads	52.0	52.0	0.0	0.0	0.0%	0.0%
Missing Link	5.0	5.0	5.0	0.0	0.0%	0.0%
<b>Transport</b>	485.7	474.9	313.6	211.6	<b>45.0%</b>	<b>67.0%</b>
Highlands H/Way Roads Maintenance	81.5	79.5	70.6	63.3	80.0%	90.0%
Maintenance of National Priority Roads	90.0	88.0	82.4	67.4	77.0%	82.0%
Emergency Roads & Bridges Funding	9.6	8.5	4.0	0.7	8.0%	17.0%
National Highways	25.0	25.0	16.0	10.0	40.0%	63.0%
Roads	129.0	124.0	75.0	40.3	32.0%	54.0%
Missing Link	22.0	22.0	7.0	1.0	5.0%	14.0%
Bridges	44.0	44.0	29.0	2.3	5.0%	8.0%
National Bridge Maintenance	9.6	8.9	3.6	1.7	19.0%	46.0%
Road Improvement	15.0	15.0	4.0	4.0	27.0%	100.0%
Road Maintenance & Rehabilitation	60.0	60.0	22.0	21.0	35.0%	95.0%
<b>Utilities</b>	66.0	66.0	12.8	12.3	<b>19.0%</b>	<b>96.0%</b>
Rural Electrification Program	30.0	30.0	5.0	5.0	17.0%	100.0%
Kumul Submarine Cable	6.0	6.0	1.0	1.0	17.0%	100.0%
Rural Telecommunication Project	5.0	5.0	0.5	0.0	0.0%	0.0%
Electricity Investment	5.0	5.0	0.8	0.8	16.0%	100.0%
Provincial and District Water Project	20.0	20.0	5.5	5.5	28.0%	100.0%
<b>Grand Total</b>	3,432.6	3,313.9	1,702.5	1,453.1	<b>44.0%</b>	<b>85.0%</b>

Source: Department of Treasury

Priority items in the budget expense were K1,453.1 million or 44.0 per cent against the budget with warrant issuance of K1,702.5 million or 54.0 per cent in the first half of the year. Therefore, warrants released for priority expenditure have held firm with the intermediate implementation of priority expenditures against the budget.

Although warrants and their corresponding expenditure for aggregate priority activities have been managed well in the first half of the year, specific whole of Government expenditure has exceeded mid-way levels. Multi-Departmental Accommodation Rentals warranted K159.8 million or 84.0 per cent with commensurate expenditure of K151.8 million or 80.0 per cent against the Budget to cater for all Government office rentals. Multi-Departmental utilities warranted K104.1 million or 77.0 per cent with corresponding expenditure of K102.5 million or 76.0 per cent against the Budget to cater for all Government office utility bills. In addition to this, the allocation for Arrears warranted K43.8 million (69.0 per cent) and expended K43.7 million (69.0 per cent) against the Budget.

Furthermore, the Government has prioritised Transport sector expenditure with the Highlands Highway road maintenance program expending K63.3 million or 80.0 per cent against warrant issuance of K70.6 million or 89.0 per cent and the Maintenance of National Priority roads has expended K67.4 million or 77.0 per cent against warrants of K82.4 million or 94.0 per cent in the budget.

In the utilities sector, although Capital Investment allocations for Rural Electrification, the Kumul submarine cable and electricity investment warranted between 16.0 per cent and 17.0 per cent of the budget, all have been expended.

Comparably, in the service sector, warrants for the Tertiary Education Study Assistance Scheme (TESAS) are tracking slightly below the budget at K41.5 million or 43.0 per cent with expenditure at K30.3 million or 43.0 per cent and the Education Fee Free Subsidy totalled K295.0 million or 48.0 per cent in warrants and expenditure of K235.0 million or 38.0 per cent against the budget. Medical supplies procurement and distribution's total warrant issuance of K78.5 million or 32.0 per cent and expended K68.2 million or 28.0 per cent against the budget. However, funding for Free primary health care has not yet been warranted and has no corresponding expenditure.

The Government in managing its fiscal constraints has taken prudent measures to ensure there is correlation between issuing warrants for priority activities and available funding to service corresponding expenditure. Furthermore, the Government has also endeavoured to cater to its service delivery obligations parallel to priority investments within its fiscal capacity in the first half of the year.

The Debt interest budget of K1,950.1 million has been fully warranted providing for the Government's commitment to debt repayments. By the end of the second quarter, a total of K1,035.6 million was expended to pay for debt interest costs, equating to 52.3 per cent of warrants issued.

PE Expenditure at the end of June totalled K2,451.1 million, which was above the total warrants of K1,838.1 million by K612.9 million or 33.3 per cent. Although total PE expenditure was significantly above the total warrants issued by the end of June, it is slightly above the budget in the first half of the year totalling K2,242.3 million or 9.3 per cent.

The over expenditure of K612.9 million against total warrants issued was from Salaries and Allowances of National Department Workers, Staffing Grants for Employees in Provincial Administrations and Teachers in the Provinces. Retirement, leave fares and overtime also contributed to over expenditure in PE. Overall, PE expenditure was tracking slightly above



budget in the first half of the year at 50.0 per cent, over expending on average by K408.5 million.

The over expenditure in PE resulted from:

- The payroll catered to outstanding general public service payments brought forward from 2018 such as final entitlements, Special Purpose Authorities, gratuities and Higher Duty Allowances and the Village Court allowances (K4.3 million monthly) for pay twelve of 2018 in January;
- The Department of Education's teachers auto resumption coming into effect and teachers were gradually brought back onto the payroll as they resumed;
- The payment of 3.0 per cent CPI for 2018 (rates) to all pay groups (except Christian health Services) commencing in April; and
- Back payment of Police Services allowance for Police personnel from grades PC01 to PC07 only.

The other contributing factors to over expenditure include the Retirement and Retrenchment exercise, Nambawan Supa Exit Payments, Defence Retirement Benefit Fund, State Share Contribution to Nambawan Supa – Automation, Constitutional Office Holders Pensions, Former Governor Generals' Entitlements and Overtime expenditure mainly from the Health and Law and Order Sectors.

**Table.23: Composition of the Compensation of Employees (Kina, million)**

Details	2019 Original Budget	2019 Revised Budget	Warrants Authorise d	June Outturn	Exp vs Rbud (%)	Exp vs WA (%)
<b>Compensation of Employees</b>	<b>4,522.6</b>	<b>4,484.7</b>	<b>1,838.2</b>	<b>2,451.2</b>	<b>54.66</b>	<b>133.34</b>
Salary & Allowance	1,989.6	1,951.8	896.7	1,152.7	59.1	128.6
Teacher Salary Grade	1,332.0	1,332.0	488.6	757.1	56.8	154.9
Retirement	507.3	507.7	112.8	212.9	41.9	188.8
Staffing Grants	344.7	344.7	139.2	171.3	49.7	123.0
Overtime	17.5	17.7	10.4	12.9	73.2	124.1
Teach Leave	33.7	33.7	12.5	7.9	23.4	63.1
ABG Community A	1.6	1.6	0.1	0.1	8.3	100.0
ABG Electoral C	1.9	1.9	0.2	0.2	11.1	100.0
Ed Benefit	5.5	4.8	3.0	1.2	25.3	40.8
L/Fare-Citizen	0.0	0.0	0.0	0.0	0.0	0.0
L/Fare-Cont	0.0	0.0	0.0	0.3	0.0	0.0
Leave fares	98.8	98.0	66.2	41.1	41.9	62.0
MPs	51.5	51.5	27.8	27.8	54.1	100.0
Other Allowances	0.0	0.0	0.0	0.0	0.0	0.0
Parliamentary Sector	8.2	8.2	1.6	1.6	19.8	100.0
Payroll Cost	0.0	0.0	0.0	-0.5	0.0	0.0
PS Leave Fare	13.9	13.9	5.0	3.2	23.4	64.6
Wages	0.0	0.0	0.0	0.0	0.0	0.0
Wages Allowances	116.4	117.2	74.0	61.2	52.3	82.7
<b>Grand Total</b>	<b>4,522.6</b>	<b>4,484.7</b>	<b>1,838.2</b>	<b>2,451.2</b>	<b>54.66</b>	<b>133.34</b>

Source: Department of Treasury (IFMS)

In order to curb PE over runs intermediary measures are to be applied in the second half of the fiscal year. These measures include deferral of 3.0 per cent pay increment for Public Servants; freezing recruitment of non-essential vacant positions and all non-essential overtime payments (other than those required for provision of essential services) and ceasing all

unbudgeted back payments and unlawful payments of excessive salaries and allowances including domestic market allowances' and special domestic market allowances.

Furthermore, the Department of Personnel Management is to implement system controls in order to control the full-time equivalent of unattached positions, have an end date of higher duty allowances not less than two weeks and not more than six months and control entry points on Ascender Integrated Human Resource Payroll System (IHRPS) on new hires by reviewing the Security Groups.

The long-term option of curbing the over expenditure in PE is to link the public service payroll system to the issuance of PE warrants. This essentially is ensuring there is a quality assurance process that continually monitors public service payroll expenditure in line with its appropriated budget. This quality assurance process will allow vetting of the payroll not only against the approved manpower structures but more importantly, against approved budgeted positions for each fortnight. In this way the detail of fortnightly payments are vetted against monthly expenditure targets within the budget.

## **APPROPRIATION TRANSFERS**

### **Section 3 Transfers (Secretary's Advance)**

Section 3 Transfers apply to the movement of funds to and from the Secretary's Advance appropriated under the Miscellaneous Expenditure vote. The Secretary's Advance accommodates specific unforeseen and unbudgeted expenditure items in a particular fiscal year. The Appropriation Act makes provision for these budget movements subjective to the Treasury Secretary's approval.

In 2019, a total of K34.8 million is appropriated under the Secretary's Advance representing a reduction of K15.2 million or 31.0 per cent compared to the 2018 Appropriation. As at 30<sup>th</sup> June 2019, a total of K20.4 million or 59.0 per cent of the Appropriation has been re-allocated and expended, reducing the balance to K14.4 million. However, further revisions were also made to the Secretary's Advance revising the Appropriation upwards to K89.9 million to cater for the replenishment of Arrears under Finance and Treasury Miscellaneous (K65.3 million), District Hospitals Medical Supplies under Health (K15.0 million), Sports under Community and Culture (K6.4 million) and the balance catered for other vital needs under various sectors.

Table 24, shows the Section 3 movement summary by sector. (Refer attachment for details

**Table 24: Secretary's Advance expenditure as at 30<sup>th</sup> June 2019 (Kina, million)**

Particulars /Description	Sum of Plus (+)	Sum of Minus (-)
District Hospitals	5,000,000	35,000,000
Arrear's	15,000,000	30,000,000
South Pacific Games	3,500,000	6,000,000
Outstanding Payments - APEC	0.0	5,000,000
Security Allowances - APEC	-	5,000,000
Internet Security Management	-	3,000,000
Electoral Law Review Exercise	-	1,500,000
Transport Sector Support Program - APEC	-	1,300,000
Mining forum	-	1,100,000
Arrears	1,000,000	1,000,000
National Content Plan	-	450,000
National Office for Child & Family Services	-	370,800
Sports	-	110,000
Departmental Heads Position Advertisement	-	100,000
Replenishment of Secretary's Advance	45,000,000	-
<b>Grand Total</b>	<b>69,500,000</b>	<b>89,930,800</b>

Source: Department of Treasury IFMS BR45 Report

## Section 4 Transfers

The Appropriation Act also allows for the provision for Section 4 budget movements. The movement allows agencies to re-allocate funds internally and re-prioritise activities during the course of the year as required in the implementation of activities and programs.

As of 30<sup>th</sup> June 2019, Section 4 transfers amounted to K1,068.9 million of which K107.7 million were internal transfers within agencies and K961.2 million were for transfers made between agencies.

Table 25 shows the section 4-movement summary by sector. (Refer attachments for details)

**Table 25: Section 4 expenditures as at 30 June 2019 (Kina, million)**

Date	Particulars /Description	Section 4 movements				
		Transfer Within		Transfer Out/In		
		Dept	Amount	Dept	Dept	Amount
1/21/2019	Arrears - CGO	207	10,000,000			
1/22/2019	Tuition Fee Free			207	235	616,187,000
1/23/2019	Arrears - APEC	207	10,000,000			
1/25/2019	Medical drugs			207	241	3,000,000
2/4/2019	Port Moresby General Hospital			207	241	21,253,400
2/13/2019	Central Disaster			207	208	420,000
2/15/2019	Fire Services Admin	213	278,000			
2/15/2019	PE related	204	85,000			
2/18/2019	Overseas students' scholarships	236	1,000,000			
2/19/2019	Electoral Commission - Chimbu Recount			207	230	1,500,000
2/21/2019	Department of Transport - Admin	259	169,000			
2/21/2019	Correction to SA # 3483	259	169,000			
2/22/2019	DNPM - Health commitments			229	240	15,000,000

2/25/2019	National Lands Summit			252	505	1,000,000
2/26/2019	Correction to vote code	232	4,771,900			
2/26/2019	National Volunteer Services	243	444,000			
2/27/2019	Department of Finance - Admin	206	2,060,000			
2/27/2019	DNPM Health commitments			229	240	5,000,000
3/4/2019	Security Allowances – APEC			207	228	7,000,000
3/5/2019	Jiwaka Provincial Hospital			240	241	5,500,000
2/26/2019	Department of Treasury - Admin	208	325,000			
3/5/2019	RPNGC - Budget Re-alignment exercise	228	4,329,783			
3/5/2019	Replenish District Services Approp.			207	228	7,000,000
3/6/2019	Mining Forum			207	254	900,000
3/6/2019	NSO	204	780,000			
3/7/2019	Registry of Political Parties - LLG election observation			207	209	300,000
3/8/2019	RPNGC/PNGDF – Arrears			206	207	6,000,000
3/11/2019	Jiwaka Provincial Government			207	592	5,000,000
3/12/2019	Contra-entry to SA#3504			207	592	5,000,000
3/14/2019	APEC - Security Allowances			207	228	11,971,000
3/14/2019	East Sepik Provincial Health Authority			207	619	20,000,000
3/15/2019	RPNGC - APEC Security Allowances			207	228	2,234,000
3/15/2019		207	15,000,000			
3/20/2019	Contra Entry			234	522	1,500,000
3/22/2019	Health Management Services			240	241	1,000,000
3/22/2019	National Youth Development Authority			207	521	64,700
3/12/2019	DHERST			207	236	245,000
3/26/2019	Legal Brief Outs	207	1,500,000			
3/29/2019	DPLLGA			207	232	20,400,000
3/31/2019	Correction to SA#3524			228	232	10,400,000
4/2/2019	DPLGA			207	232	35,000,000
4/2/2019	ICAC			203	207	1,000,000
4/2/2019	Reversal of SA#3525			207	228	10,400,000
4/5/2019	SIPs Audit			207	267	500,000
4/5/2019	District Infrastructure			207	229	2,500,000
4/5/2019	Department of Transport	259	288,200			
4/5/2019	PNGDF			207	234	112,343
4/8/2019	RPNGC			206	207	7,000,000
4/9/2019	Department of Defence			206	207	7,000,000
4/10/2019	APEC Services	207	5,000,000			
4/10/2019	Department of Works - Kavieng			229	264	6,000,000
4/11/2019	New Ireland Provincial Health Authority	249	1,200,000			
4/12/2019	PE Related	220	135,000			
4/12/2019	Re-allocate to Defence Exit Payments	207	1,600,000			
4/15/2019	PNGDF Operations	234	3,530,276			
4/16/2019	NSO - PE Related	204	53,000			
4/17/2019	National Land Summit			207	505	1,000,000
4/17/2019	PE Related			207	542	77,900
4/24/2019	NCOBA			205	207	100,000
4/24/2019	PM&NEC - Manumanu Inquiry			203	207	1,978,000
4/25/2019	Department of Lands - Admin			207	252	2,000,000
4/29/2019	DPM - PSORT			207	220	745,000
4/30/2019	Department of Works - PTD Functions			259	264	20,000,000
5/6/2019	PE Related	255	1,025,000			
5/7/2019	Legal Bills	207	442,621			

5/7/2019	MBPG Law & Order Sector			207	228	2,000,000
5/7/2019	RPNGC Admin	207	4,500,000			
5/7/2019	Madang Provincial Administration			229	583	5,000,000
5/7/2019	Department of Treasury Admin	208	1,200,000			
5/8/2019	Department of Works			259	264	20,000,000
5/9/2019	Office of the Governor General			202	207	1,870,000
5/10/2019	APEC Security Allowances			207	234	5,471,000
5/10/2019	RPNGC Admin	207	2,000,000			
5/10/2019	Reversal transfer	207	2,000,000			
5/14/2019	MBPG Law & Order Sector			207	575	2,000,000
5/17/2019	PNGDF Arrears	207	2,500,000			
5/22/2019	RPNGC - Operations	207	2,000,000			
5/23/2019	ENBP Disaster relief.	207	5,000,000			
5/24/2019	PILAG New Structure			207	219	2,600,000
5/24/2019	PNGDF SOE outstanding commitments			207	234	4,500,000
5/24/2019	RPNGC Operations			207	228	5,000,000
5/24/2019	National Narcotics Bureau			225	517	1,409,811
5/27/2019	IMR - PE Related			207	520	666,000
5/27/2019	Registry of Political Parties			207	209	500,000
5/30/2019	Electoral Commission Arrears	207	1,500,000			
5/31/2019	DPLLGA – Disaster Funds			207	232	3,000,000
5/31/2019	PNGFA for SGS log monitoring			207	557	5,000,000
6/1/2019	RPNGC/PNGDF Admin	207	7,200,000			
6/3/2019	Contra-entry DPLLGA			207	232	3,000,000
6/6/2019	Department of Petroleum Admin			207	255	205,000
6/11/2019	DPLLGA – Disaster Funds			207	232	3,000,000
6/19/2019	Reimbursement of 23063 vote			207	220	298,900
6/20/2019	Dept. of Finance			207	217	510,542
6/20/2019	Dept. of Finance			207	217	1,603,686
6/20/2019	Dept. of Finance			207	217	952,039
6/20/2019	Dept. of Finance			207	217	777,709
6/20/2019	Dept. of Finance			207	217	755,386
6/20/2019	PM&NEC			203	207	2,000,000
6/20/2019	Dept. of Finance			207	217	2,003,640
6/20/2019	Dept. of Finance			207	217	1,081,453
6/20/2019	National Parliament - PE Related	201	4,260,000			
6/20/2019	Dept. of Finance			207	217	1,529,154
6/20/2019	Dept. of Finance			207	217	332,188
6/20/2019	DJAG	225	24,599			
6/21/2019	Department of Works	264	5,820,000			
6/25/2019	Electoral Commission - LLG Elections			207	230	17,000,000
6/25/2019	Madang Restoration Authority			232	583	1,976,500
6/25/2019	District Infrastructure	207	3,100,000			
6/25/2019	Department of Lands and Physical Planning	252	2,500,000			
6/27/2019	DLIR - ILO Conference			207	262	1,870,000
6/28/2019	WNBP - Disaster Funds			207	589	6,000,000
			<b>107,790,379</b>			<b>967,201,351</b>

Source: Department of Treasury IFMS BR45 Report

## 2.2 CAPITAL EXPENDITURE

Total Capital Investment of K5,497.1 million in the 2019 Budget is comprised of GoPNG funded expenditure of K3,737.1 million, K943.1 million is Project Support Grants and K816.9 million is Concessional Loans. Expenditures from Donor Grants and Concessional Loans are reflected separately because of delay in IFMS postings.

**Table 26: Capital Investment Components (Kina, million)**

Details	2019 Original Budget	2019 Revised Budget	Warrants Authorised	June Outturn	Expenditure vs WA (%)	Expenditure VS RBUD (%)
GoPNG Capital	3,737.1	3,716.9	1,432.9	1,015.8	70.9	27.3
Donor Grants	943.1	943.1	0.0	831.4	0.0	88.2
Concessional Loans	816.9	816.9	0.0	368.6	0.0	45.1
<b>Grand total</b>	<b>5,497.1</b>	<b>5,476.9</b>	<b>1,432.9</b>	<b>2,215.8</b>	<b>154.6</b>	<b>40.5</b>

Source: Department of Treasury and Department of National Planning & Monitoring

The decrease of K20.2 million in the proposed revised appropriation from the Capital Budget and the reallocation of capital funds in accordance with Appropriation Bill transfers will be funded through savings in the second half from GoPNG capital spending on non-priority projects.

The composition of the K20.7 million reduction is as follows: Administration Sector – National Ambulance Services K4.7 million; Provinces Madang – Special Support Grant K3.0 million; Infrastructure Sector – West Coast Namatanai Road K5.0 million; Social Sector – Sports Infrastructure Program K5.0 million; Economic Sector – Lands Development Programs and New State Land Acquisition Program K4.0 million, Tourism Sector Development Program K0.5 million totalling K4.5 million.

Total Expenditure in the first half of 2019 under the Capital Investment Budget is K2,215.8 million (see Table 24), which includes domestically funded expenditures, Project Support Grants and expenditures under Loans by Development Partners.

Disbursement of domestic funding in the Capital Investment component has been low in the first half 2019. At the end of June 2019, total warrants released were 39.0 per cent of the revised appropriation amount and 27.0 per cent same time last year. This reflects prudent release of warrants to match anticipated revenues and financing capacity in the first half of 2019.

### External Concessional Loan Funded Expenditure

In terms of the Loan disbursement/drawdowns appropriation of K816.9 million for 2019, Concession Loan disbursements are running at K368.6 million or 45.1 per cent as at 30<sup>th</sup> June 2019.

### Project Support Grants

To date, K831.4 million or 88.2 per cent has been expended out of the K943.1 million appropriated in the 2019 Budget for project support grants. This reflects that the Project Support Grants were underestimated in the 2019 Budget appropriation. A number of development partners, such as, ADB and the World Bank had not provided the required information in time for the compilation of the 2019 MYEFO Report. All grants are provided in-

kind and are subject to exchange rate fluctuation. Nevertheless, any underestimation will impact both expenditure and revenue by the same amount (refer section on Grant Financing in Part 2).

A more up-to-date Special Support grant financing report will be available later in the year as some donors have different financial period.

### Spending on the Medium-Term Development Plan (MTDP) Enablers

The 2019 Budget is the second fiscal year to fund the MTDP III investments driven by the priorities stipulated in the Alotau Accord II. The focus to promote inclusive and sustainable Economic Growth remains a key driver for development investment while continuing efforts on improving service delivery outcomes in health and education. The Government's effort to develop infrastructure, unlock land for business, secure state equities' financing, and resolve law and order issues are paramount in encouraging SME growth, provide a safe and attractive environment for foreign direct investment and tourism. These priorities are integrated into the programs and projects funded under the Capital Investment Budget.

As at 30<sup>th</sup> June 2019, K1,015.8 million was expended on Capital Investment programs of which Administration had the largest proportion with 66.2 per cent that comprised fixed commitments including PSIP, DSIP, Ward SIP and other key programs. The rest of the expenditure break up was: 14.7 per cent for infrastructure projects as key enablers for socio-economic activities, 6.9 per cent on the Economic sector particularly in Agriculture and SMEs, 6.6 per cent in education, 0.5 per cent on key programs in the provinces, 2.7 per cent on the law and justice sector, 1.8 per cent in the health sector and the remaining 0.6 per cent for programs related to community and culture. Table 22 below highlights the major areas of capital investment expenditure on Government priorities as at end June.

Total warrant released is K1,432.9 million or 38.6 per cent of the revised appropriation. Total spending is K1,015.8 million or 70.9 per cent of the warrants authorised.

**Table 27: Spending on Government Priority Projects 2019 (Kina, million)**

Description	2019 Revised	Warrants YTD	June Outturn	Warrant % of Revised	Outturn % of Revised
District and Provincial Treasury Roll-out Program	10.0	3.0	0.0	0.3	0.0
Automated Systems for Customs Data (ASYCUDA)	40.0	1.0	1.0	0.3	0.3
Construction, Rehabilitation & Upgrading of 14 Fire Stations	10.0	3.0	1.3	0.3	0.1
RASII Project: Replacement of Ageing Tax Collection System	4.0	0.0	0.0	0.0	0.0
Court House Design and Maintenance	100.0	38.0	18.0	0.4	0.2
Infrastructure and Capital Works Program	5.0	2.5	1.5	0.5	0.3
CS Infrastructure	20.0	7.0	1.0	0.4	0.1
National Land and Housing Program	20.0	4.0	4.0	0.2	0.2
Nursing College Infra. Rehabilitation	10.3	6.0	0.4	0.6	0.0
Teacher's College Infra Rehabilitation	10.0	8.0	1.6	0.8	0.2
Technical and Business College Infra. Rehabilitation	10.0	4.0	2.6	0.4	0.3
TVET Smart Specialisation Program	10.0	0.4	0.2	0.0	0.0

Angau Memorial Hospital Redevelopment	3.0	3.0	0.0	1.0	0.0
Mt. Hagen Hospital Rehabilitation	3.0	0.5	0.0	0.2	0.0
Port Moresby General Hospital Rehabilitation	2.0	2.0	0.0	1.0	0.0
PNG Church Partnership Programme	14.0	1.0	0.1	0.1	0.0
Kokoda Track Initiative	5.0	2.0	0.0	0.4	0.0
Productive Partnership for Agriculture Development	2.0	1.0	0.5	0.5	0.3
Pacific Marine Industrial Zone	5.0	0.0	0.0	0.0	0.0
Highlands Region Roads Improvement Program (HRRIP II)	5.0	2.0	2.0	0.4	0.4
Lae City Roads-(GoPNG)	5.0	0.0	0.0	0.0	0.0
Lae-Nadzab Road (4Lane)	15.0	11.0	10.0	0.7	0.7
Reconstruction of New Britain Highway Bridges	4.0	2.0	0.3	0.5	0.1
UPNG Law School Building	4.0	2.5	1.0	0.6	0.3
UPNG Science IV Building	15.0	10.0	4.0	0.7	0.3
Library Extension	5.0	2.0	2.0	0.4	0.4
Mess Extension	3.0	2.0	2.0	0.7	0.7
Nadzab Airport Terminal Redevelopment Project	5.0	5.0	5.0	1.0	1.0
PNG Towns' Electricity Investment Project Tranche 1	2.0	0.5	0.5	0.3	0.3
Port Moresby Grid Development	3.0	0.5	0.5	0.2	0.2
Upgrading the Power Distribution System of Ramu Grid	5.0	0.5	0.5	0.1	0.1
Reforestation Programme	2.0	0.0	0.0	0.0	0.0
El Nino Drought Events Preparation	1.0	0.2	0.2	0.2	0.2
<b>GRAND TOTAL</b>	<b>357.3</b>	<b>124.6</b>	<b>60.3</b>	<b>0.4</b>	<b>0.2</b>

Source: Department of National Planning and Monitoring

The major expenditure items in the first two quarters of 2019 were on the Court House Design and Maintenance, Lae - Nazab Road, Nazab Airport Terminal Development Program, UPNG Science Building, and Port Moresby Grid Development Program.

Spending on these key Investment Priorities are immensely affected by the cash flow challenges. DNPM will maintain close consultation with the implementing agencies to ensure that the Government's development priorities are delivered within the fiscal parameters of the 2019 Budget.

## INFRASTRUCTURE TAX CREDIT (ITC) SCHEME

The Government continues to utilise the arrangements under the Tax Credit Scheme program to deliver projects within the mining, oil and gas, primary industry impacted areas and throughout the rest of PNG.

The ITC was generally used by developers to implement projects at a rate of 0.8 per cent for Mining and Petroleum companies and 1.5 per cent for Primary Industry companies and the Highlands Highway projects implemented at a special rate of 1.3 per cent.



In 2018, ITC performance was reviewed due to the changing economic landscape and the shift in the development agenda of Government. DNPM undertook the review in consultation with all key stakeholders.

The outcome of the review workshop was the production of revised ITC Guidelines. On 16<sup>th</sup> August 2018, during the NEC Meeting No.20/2018, NEC Decision No. 238/2018 endorsed the new rates for the ITC as well as recommendations made for all procurements to be undertaken through the public procurement process and to be administered by the National Procurement Commission (NPC).

DNPM had established the ITC Project Management Unit (PMU) within its Programming & Monitoring Wing to coordinate and manage all ITC project submissions. The bids for new project submissions are open to all the provinces and districts until it closes on the 26<sup>th</sup> July 2019.

## GRANT FINANCING

Grant financing is mostly allocated to finance Capital Expenditure, as it is part of the Capital Investment Budget. In the 2019 Capital Budget, grant financing decreased from K984.8 million in 2018 to K943.1 million. Of the K912.4 million grant financing in 2019, K831.4 million or 91.1 per cent of total grants had been expended by the foreign government. The Government of Australia, through the Department of Foreign Affairs and Trade (DFAT) continues to remain the largest donor, allocating K554.3 million. The other grant financiers include the Japanese Government through the Japan International Co-operation Agency (JICA); the New Zealand Government through NZAID; the United States of America through the USAID and the People's Republic of China drawn down the balance project support grant of K129.7 million.

The Inter-governmental organisations, including the multilateral banks, provided K147.4 million or 17.8 per cent of total grants as grant financing in 2019. The UN contributed K121.2 million; followed by the European Union with K28.3 million; while the Asian Development Bank and the World Bank Group administers grants from bilateral sources which have been captured under respective bilateral partners.

The analysis may not reflect the actual implementation and expenditure status in terms of Jan-June outturns.

The grants, whether they are current or capital, are all provided In-Kind. There is no cash transfer through the GoPNG public accounts, apart from trust accounts operated by a few grant projects, which may not necessarily qualify as cash in the Government system.

**Table 28: Grants – 2017-2018 (Kina, million)**

	<b>2018 Actual</b>	<b>2019 Budget</b>	<b>June Outturn</b>	<b>2019 MYEFO</b>
<b>GRANTS</b>	<b>1,835.7</b>	<b>943.1</b>	<b>831.4</b>	<b>943.1</b>
<b>From Foreign Governments</b>	<b>1,562.4</b>	<b>775.5</b>	<b>684.0</b>	<b>775.5</b>
Current	1,249.9	620.4	0.0	620.4
Cash	0.0	0.0	0.0	0.0
In-Kind	1249.9	620.4	0.0	620.4
Capital	312.5	155.1	684.0	155.1
Cash	0.0	0.0	0.0	0.0

1In-Kind	312.5	155.1	684.0	155.1
<b>From International Organizations</b>	<b>273.3</b>	<b>167.6</b>	<b>147.4</b>	<b>167.6</b>
Current	218.6	134.1	0.0	134.1
Cash	0.0	0.0	0.0	0.0
In-Kind	218.6	134.1	0.0	134.1
Capital	54.7	33.5	147.4	33.5
Cash	0.0	0.0	0.0	0.0
In-Kind	54.7	33.5	147.4	33.5

Source: Department of National Planning and Monitoring

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# **PART 3 ATTACHMENTS**

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**ATTACHMENT A: SUMMARY OF NATIONAL BUDGET EXPENDITURE**

**ATTACHMENT B: NATIONAL DEPARTMENT BUDGET EXPENDITURE**

**ATTACHMENT C: COMMERCIAL STATUTORY AGENCY BUDGET EXPENDITURE**

**ATTACHMENT D: PROVINCIAL ADMINISTRATION BUDGET EXPENDITURE**

**ATTACHMENT E: MOVEMENTS IN SECTION 4 TRANSFERS**

**ATTACHMENT F: GOODS & SERVICES AND PERSONNEL EMOLUMENTS  
EXPENDITURE**

Attachment A:

**Expenditure Category by Sectors (Kina, Million)**

Details	2019 Budget	Revised Budget	Warrant Authorised	June Outturn	Outturn as % of Budget
<b>National Departments</b>	<b>7381.1</b>	<b>6819.7</b>	<b>2570.1</b>	<b>3194.4</b>	<b>43%</b>
Compensation Of Employees[GFS]	1420.0	1418.1	685.3	925.3	65%
Use of goods and services [GFS]	3064.3	3167.7	1402.4	1398.5	46%
Subsidies	83.9	82.9	49.2	35.9	43%
Grants	869.1	255.9	17.3	24.8	3%
Other Expense	274.2	274.2	0.0	186.9	68%
Non financial assets	1669.6	1620.9	415.9	622.9	37%
<b>Statutory Authorities</b>	<b>1977.2</b>	<b>1987.7</b>	<b>648.1</b>	<b>822.7</b>	<b>42%</b>
Compensation Of Employees[GFS]	646.5	646.3	321.0	294.4	46%
Use of goods and services [GFS]	534.9	545.2	185.9	170.7	32%
Subsidies	1.7	1.5	1.0	1.0	57%
Grants	3.1	8.1	3.8	1.0	34%
Other Expense	36.3	36.3	0.0	24.7	68%
Non financial assets	754.8	750.3	136.3	330.8	44%
Write Offs And Depreciation	0.0	0.0	0.0	0.0	0%
<b>Provincial Administrations</b>	<b>2459.5</b>	<b>2466.5</b>	<b>892.9</b>	<b>1096.8</b>	<b>45%</b>
Compensation Of Employees[GFS]	1736.0	1736.0	647.4	941.5	54%
Use of goods and services [GFS]	25.8	27.8	6.5	2.6	10%
Grants	629.7	634.7	233.0	151.7	24%
Non financial assets	68.0	68.0	6.0	1.0	1%
<b>PHA</b>	<b>401.7</b>	<b>410.5</b>	<b>206.4</b>	<b>190.4</b>	<b>47%</b>
Compensation Of Employees[GFS]	288.5	288.5	146.2	138.9	48%
Use of goods and services [GFS]	44.5	53.4	24.5	20.4	46%
Grants	66.5	66.5	34.5	30.0	45%
Non financial assets	2.2	2.2	1.2	1.1	48%
<b>Debt Services</b>	<b>1979.1</b>	<b>1979.1</b>	<b>1979.1</b>	<b>1037.6</b>	<b>52%</b>
Use of Goods and Services	29.0	29.0	29.0	11.8	41%
Interest	1950.1	1950.1	1950.1	1025.8	53%
<b>Miscellaneous</b>	<b>1321.0</b>	<b>1856.1</b>	<b>811.2</b>	<b>829.1</b>	<b>63%</b>
Compensation Of Employees[GFS]	431.6	395.7	38.3	151.0	35%
Use of goods and services [GFS]	872.2	827.8	476.0	442.0	51%
Subsidies	3.2	3.2	1.4	0.6	20%
Grants	12.0	628.2	295.0	235.0	1958%
Non financial assets	2.0	1.2	0.6	0.5	24%
<b>Grand Total</b>	<b>15,519.6</b>	<b>15,519.6</b>	<b>7,107.9</b>	<b>7,171.0</b>	<b>46%</b>

## Attachment B:

### Expenditure Category by Individual Agency (Kina, Million)

Details	2019 Budget	Revised Budget	Warrant Authorised	June Outturn	Outturn as % of Budget
<b>202 Office of Governor-General</b>	6.5	8.4	5.1	4.7	72%
<b>Compensation Of Employees[GFS]</b>	2.7	2.7	1.5	1.6	59%
Wages and Salaries	2.0	2.0	0.9	1.0	52%
Wages and Salaries in Cash	0.5	0.5	0.5	0.5	99%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	59%
Actual Employers' Social Contributions	0.1	0.1	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	3.5	5.4	3.6	3.1	87%
Use of Goods and Services	3.5	5.4	3.6	3.1	87%
<b>Non financial assets</b>	0.3	0.3	0.0	0.0	4%
NFA:Machinery & equipment other than transport equipment	0.3	0.3	0.0	0.0	4%
<b>203 Department of Prime Minister &amp; NEC</b>	100.4	105.4	47.3	36.8	37%
<b>Compensation Of Employees[GFS]</b>	49.1	49.1	24.8	25.8	52%
Wages and Salaries	43.1	43.1	19.8	23.8	55%
Wages and Salaries in Cash	1.3	1.3	1.2	0.5	36%
Wages and Salaries in Kind	2.2	2.2	1.5	0.3	13%
Actual Employers' Social Contributions	2.4	2.4	2.2	1.3	51%
<b>Use of goods and services [GFS]</b>	40.4	45.4	22.1	11.0	27%
To Private Enterprises	0.1	0.1	0.0	0.0	27%
Use of Goods and Services	40.2	45.2	22.0	11.0	27%
<b>Non financial assets</b>	10.9	10.9	0.5	0.0	0%
NFA:Fixed assets	7.1	7.1	0.0	0.0	0%
NFA:Information, computer, & telecommunications equipment	3.0	3.0	0.3	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.8	0.8	0.2	0.0	4%
<b>204 National Statistical Office</b>	29.3	29.3	20.1	15.4	53%
<b>Compensation Of Employees[GFS]</b>	5.7	5.8	2.7	4.0	71%
Wages and Salaries	5.1	5.1	2.1	3.2	64%
Wages and Salaries in Cash	0.1	0.4	0.3	0.4	238%
Wages and Salaries in Kind	0.0	0.1	0.1	0.1	0%
Actual Employers' Social Contributions	0.4	0.3	0.3	0.4	86%
<b>Use of goods and services [GFS]</b>	23.7	23.5	17.4	11.4	48%
Use of Goods and Services	23.7	23.5	17.4	11.4	48%
<b>Other Expense</b>	0.0	0.0	0.0	0.0	0%
Premiums	0.0	0.0	0.0	0.0	0%
<b>205 Office of Bougainville Affairs</b>	3.0	3.1	1.8	2.1	70%
<b>Compensation Of Employees[GFS]</b>	2.1	2.1	1.1	1.4	66%
Wages and Salaries	1.9	1.9	0.9	1.2	64%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	99%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	99%
Actual Employers' Social Contributions	0.1	0.1	0.1	0.1	56%
<b>Use of goods and services [GFS]</b>	0.8	0.9	0.7	0.7	83%
Use of Goods and Services	0.8	0.9	0.7	0.7	83%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	0%
<b>206 Department of Finance</b>	60.7	66.7	27.1	23.6	39%
<b>Compensation Of Employees[GFS]</b>	17.5	17.5	8.9	11.7	67%
Wages and Salaries	16.1	16.1	8.0	11.1	69%
Wages and Salaries in Cash	0.1	0.1	0.1	-0.2	-319%
Wages and Salaries in Kind	0.6	0.6	0.4	0.3	45%
Actual Employers' Social Contributions	0.8	0.8	0.4	0.5	61%
<b>Use of goods and services [GFS]</b>	21.0	27.0	13.5	11.6	55%
To Private Enterprises	1.1	1.1	0.5	0.3	22%
Use of Goods and Services	19.9	25.9	13.0	11.4	57%
<b>Non financial assets</b>	22.1	22.1	4.7	0.3	1%
NFA:Fixed assets	10.4	10.4	3.2	0.0	0%
NFA:Information, computer, & telecommunications equipment	11.4	11.4	1.3	0.3	3%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	8%
NFA:Transport equipment	0.2	0.2	0.2	0.0	0%

<b>208 Department of Treasury</b>	40.1	40.5	20.1	16.1	40%
<b>Compensation Of Employees[GFS]</b>	17.3	16.8	8.6	7.0	41%
Wages and Salaries	15.4	14.9	8.1	6.7	44%
Wages and Salaries in Cash	0.3	0.3	0.2	0.2	76%
Wages and Salaries in Kind	0.4	0.4	0.2	0.1	23%
Actual EmployersꞤ Social Contributions	1.2	1.2	0.1	0.0	2%
<b>Use of goods and services [GFS]</b>	17.6	18.0	8.3	6.6	38%
To Private Enterprises	0.0	0.0	0.0	0.0	0%
Use of Goods and Services	17.5	18.0	8.3	6.6	38%
<b>Non financial assets</b>	5.3	5.8	3.1	2.5	47%
NFA:Information, computer, & telecommunications equipment	5.3	5.0	2.9	2.3	43%
NFA:Transport equipment	0.0	0.7	0.2	0.2	0%
<b>209 Registrar For Political Parties</b>	5.9	6.7	3.8	4.0	68%
<b>Compensation Of Employees[GFS]</b>	4.0	4.0	2.0	2.7	68%
Wages and Salaries	3.7	3.7	1.8	2.6	70%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	16%
Actual EmployersꞤ Social Contributions	0.3	0.3	0.1	0.2	53%
<b>Use of goods and services [GFS]</b>	0.8	1.6	1.6	1.3	153%
Use of Goods and Services	0.8	1.6	1.6	1.3	153%
<b>Subsidies</b>	1.1	1.1	0.1	0.0	0%
To other Sectors	1.1	1.1	0.1	0.0	0%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	91%
NFA: Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	91%
<b>211 PNG Customs Service</b>	91.2	91.2	36.2	31.0	34%
<b>Compensation Of Employees[GFS]</b>	46.0	46.0	23.3	21.5	47%
Wages and Salaries	40.6	40.6	20.9	20.5	50%
Wages and Salaries in Kind	1.7	1.7	0.6	0.3	19%
Actual EmployersꞤ Social Contributions	3.7	3.7	1.8	0.7	20%
<b>Use of goods and services [GFS]</b>	24.3	24.3	10.4	7.2	29%
To Private Enterprises	0.1	0.1	0.1	0.0	18%
Use of Goods and Services	24.2	24.2	10.3	7.1	30%
<b>Non financial assets</b>	20.9	20.9	2.6	2.3	11%
NFA:Fixed assets	20.5	20.5	2.4	2.3	11%
NFA:Machinery & equipment other than transport equipment	0.4	0.4	0.2	0.1	17%
<b>212 Information Technology Division</b>	10.1	10.1	4.8	2.6	26%
<b>Compensation Of Employees[GFS]</b>	3.4	3.4	1.7	0.9	25%
Wages and Salaries	2.9	2.9	1.4	0.7	26%
Wages and Salaries in Cash	0.3	0.3	0.1	0.0	9%
Wages and Salaries in Kind	0.1	0.1	0.1	0.0	23%
Actual EmployersꞤ Social Contributions	0.1	0.1	0.0	0.1	84%
<b>Use of goods and services [GFS]</b>	6.7	6.7	3.1	1.8	26%
Use of Goods and Services	6.7	6.7	3.1	1.8	26%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	0%
<b>213 Fire Services</b>	28.6	28.6	12.4	13.3	47%
<b>Compensation Of Employees[GFS]</b>	14.7	14.7	7.4	10.4	70%
Wages and Salaries	13.6	13.6	6.8	10.0	73%
Wages and Salaries in Cash	0.1	0.1	0.1	0.0	32%
Wages and Salaries in Kind	0.8	0.8	0.5	0.3	39%
Actual EmployersꞤ Social Contributions	0.2	0.2	0.1	0.0	20%
<b>Use of goods and services [GFS]</b>	3.8	3.5	1.7	1.4	36%
To Private Enterprises	0.0	0.0	0.0	0.0	4%
Use of Goods and Services	3.8	3.5	1.7	1.4	36%
<b>Non financial assets</b>	10.0	10.3	3.3	1.6	16%
NFA:Fixed assets	10.0	10.0	3.0	1.3	13%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	23%
NFA:Transport equipment	0.0	0.3	0.3	0.3	0%
<b>217 Department of Foreign Affairs and Trade</b>	55.9	46.7	13.3	10.0	18%
<b>Compensation Of Employees[GFS]</b>	34.6	31.0	9.3	7.1	20%
Wages and Salaries	27.4	25.9	7.2	5.8	21%
Wages and Salaries in Cash	3.4	2.8	1.2	0.7	19%
Wages and Salaries in Kind	1.8	0.4	0.4	0.3	15%
Actual EmployersꞤ Social Contributions	2.0	1.9	0.5	0.3	15%
<b>Use of goods and services [GFS]</b>	11.3	5.7	4.0	2.9	26%
Use of Goods and Services	11.3	5.7	4.0	2.9	26%

<b>Non financial assets</b>	10.0	10.0	0.0	0.0	0%
NFA:Fixed assets	10.0	10.0	0.0	0.0	0%
<b>218 Office of the Public Prosecutor</b>	8.5	8.5	4.1	4.7	55%
<b>Compensation Of Employees[GFS]</b>	5.9	5.9	2.7	3.4	57%
Wages and Salaries	5.8	5.8	2.7	3.3	58%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	15%
Actual Employers¿ Social Contributions	0.0	0.0	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	2.6	2.6	1.3	1.3	50%
To Private Enterprises	0.2	0.2	0.1	0.1	51%
Use of Goods and Services	2.5	2.5	1.3	1.2	50%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	41%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	41%
<b>219 PNG Institute of Public Administration</b>	8.0	10.6	2.4	3.2	40%
<b>Compensation Of Employees[GFS]</b>	5.2	7.8	2.1	3.2	61%
Wages and Salaries	4.4	7.0	1.8	3.0	68%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.3	0.3	0.1	0.0	0%
Actual Employers¿ Social Contributions	0.5	0.5	0.2	0.1	31%
<b>Use of goods and services [GFS]</b>	2.8	2.8	0.3	0.0	0%
Use of Goods and Services	2.8	2.8	0.3	0.0	0%
<b>220 Department of Personnel Management</b>	23.0	24.2	12.2	9.2	40%
<b>Compensation Of Employees[GFS]</b>	13.6	13.6	6.9	6.3	46%
Wages and Salaries	12.5	12.5	6.3	5.6	45%
Wages and Salaries in Cash	0.0	0.1	0.0	0.0	251%
Wages and Salaries in Kind	0.4	0.4	0.2	0.2	41%
Actual Employers¿ Social Contributions	0.7	0.7	0.3	0.5	65%
<b>Use of goods and services [GFS]</b>	7.1	8.2	4.2	2.6	37%
To Private Enterprises	0.0	0.0	0.0	0.0	39%
Use of Goods and Services	7.1	8.2	4.1	2.6	37%
<b>Non financial assets</b>	2.3	2.3	1.1	0.3	14%
NFA:Information, computer, & telecommunications equipment	2.0	2.0	1.0	0.3	13%
NFA:Machinery & equipment other than transport equipment	0.3	0.3	0.1	0.0	17%
<b>221 Public Service Commission</b>	6.1	6.1	3.0	3.3	54%
<b>Compensation Of Employees[GFS]</b>	4.9	4.9	2.5	2.9	60%
Wages and Salaries	4.3	4.3	2.1	2.7	62%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	80%
Wages and Salaries in Kind	0.2	0.2	0.1	0.0	19%
Actual Employers¿ Social Contributions	0.4	0.4	0.2	0.2	55%
<b>Use of goods and services [GFS]</b>	1.0	1.0	0.5	0.3	29%
To Private Enterprises	0.0	0.0	0.0	0.0	70%
Use of Goods and Services	1.0	1.0	0.5	0.3	28%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	24%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	24%
<b>222 Office of the Public Solicitor</b>	13.2	13.2	6.3	5.9	45%
<b>Compensation Of Employees[GFS]</b>	8.9	8.9	4.1	4.8	54%
Wages and Salaries	7.9	7.9	3.1	4.5	57%
Wages and Salaries in Cash	0.1	0.1	0.1	0.0	32%
Wages and Salaries in Kind	0.3	0.3	0.3	0.0	17%
Actual Employers¿ Social Contributions	0.6	0.6	0.6	0.2	38%
<b>Use of goods and services [GFS]</b>	2.3	2.3	1.1	1.1	47%
To Private Enterprises	0.2	0.2	0.1	0.1	41%
Use of Goods and Services	2.1	2.1	1.1	1.0	48%
<b>Non financial assets</b>	2.1	2.1	1.0	0.0	2%
NFA:Fixed assets	2.0	2.0	1.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	83%
<b>225 Department of Attorney-General</b>	104.9	106.3	52.6	55.6	53%
<b>Compensation Of Employees[GFS]</b>	80.9	82.3	41.2	49.6	61%
Wages and Salaries	77.5	78.6	39.5	47.7	61%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.7	0.9	0.8	0.6	86%
Actual Employers¿ Social Contributions	2.6	2.8	0.9	1.3	51%
<b>Use of goods and services [GFS]</b>	19.0	19.0	8.8	4.4	23%
To Private Enterprises	0.2	0.2	0.2	0.1	35%
Use of Goods and Services	18.8	18.8	8.6	4.3	23%
<b>Subsidies</b>	0.0	0.0	0.0	0.0	5%

To other Sectors	0.0	0.0	0.0	0.0	5%
<b>Grants</b>	0.0	0.0	0.0	0.0	0%
Current	0.0	0.0	0.0	0.0	0%
<b>Non financial assets</b>	5.0	5.0	2.5	1.6	32%
NFA:Fixed assets	4.6	4.6	2.1	1.4	30%
NFA:Machinery & equipment other than transport equipment	0.4	0.4	0.4	0.2	59%
<b>226 Department of Corrective Institutional Services</b>	166.6	166.6	71.9	58.7	35%
<b>Compensation Of Employees[GFS]</b>	94.6	94.6	43.8	43.7	46%
Wages and Salaries	77.1	77.1	35.4	35.9	47%
Wages and Salaries in Cash	5.2	5.2	2.2	5.3	102%
Wages and Salaries in Kind	4.5	4.5	3.4	1.1	24%
Actual Employers' Social Contributions	7.8	7.8	2.9	1.4	18%
<b>Use of goods and services [GFS]</b>	41.9	41.9	20.0	14.0	33%
Use of Goods and Services	41.9	41.9	20.0	14.0	33%
<b>Non financial assets</b>	30.1	30.1	8.1	1.1	4%
NFA:Fixed assets	30.1	30.1	8.1	1.1	4%
<b>227 Provincial Treasuries</b>	37.0	37.0	18.4	21.0	57%
<b>Compensation Of Employees[GFS]</b>	30.4	30.4	15.3	19.0	63%
Wages and Salaries	27.3	27.3	13.7	18.3	67%
Wages and Salaries in Cash	1.1	1.1	0.6	0.3	25%
Wages and Salaries in Kind	1.7	1.7	0.9	0.3	19%
Actual Employers' Social Contributions	0.2	0.2	0.1	0.1	37%
<b>Use of goods and services [GFS]</b>	6.5	6.5	3.0	1.9	29%
Use of Goods and Services	6.5	6.5	3.0	1.9	29%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	12%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	12%
<b>228 Department of Police</b>	308.6	304.4	152.3	189.5	61%
<b>Compensation Of Employees[GFS]</b>	218.1	218.1	112.0	157.9	72%
Wages and Salaries	189.9	189.9	93.8	141.9	75%
Wages and Salaries in Cash	0.6	0.6	0.4	0.4	73%
Wages and Salaries in Kind	9.5	9.5	6.4	5.2	55%
Actual Employers' Social Contributions	18.2	18.2	11.5	10.4	57%
<b>Use of goods and services [GFS]</b>	54.3	50.0	34.4	30.3	56%
Use of Goods and Services	54.3	50.0	34.4	30.3	56%
<b>Non financial assets</b>	36.3	36.3	5.9	1.3	4%
NFA:Fixed assets	35.1	35.1	5.4	1.0	3%
NFA:Machinery & equipment other than transport equipment	1.2	1.2	0.5	0.3	28%
<b>229 Department of National Planning and Monitoring</b>	350.0	382.5	89.5	68.8	20%
<b>Compensation Of Employees[GFS]</b>	12.4	12.4	6.3	6.5	52%
Wages and Salaries	11.1	11.1	5.6	6.0	54%
Wages and Salaries in Cash	0.1	0.1	0.1	0.0	32%
Wages and Salaries in Kind	0.6	0.6	0.4	0.3	50%
Actual Employers' Social Contributions	0.5	0.5	0.2	0.1	22%
<b>Use of goods and services [GFS]</b>	209.3	235.8	74.1	53.3	25%
To Private Enterprises	0.1	0.1	0.1	0.0	0%
Use of Goods and Services	209.2	235.7	74.1	53.3	25%
<b>Grants</b>	100.0	100.0	0.0	0.0	0%
Current	100.0	100.0	0.0	0.0	0%
<b>Non financial assets</b>	28.3	34.3	9.1	9.1	32%
NFA:Fixed assets	28.0	34.0	9.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.3	0.3	0.1	0.1	33%
NFA:Other structures	0.0	0.0	0.0	9.0	0%
<b>230 Electoral Commission</b>	27.0	45.5	39.4	6.9	25%
<b>Compensation Of Employees[GFS]</b>	5.9	5.9	3.0	2.4	41%
Wages and Salaries	4.7	4.7	2.0	2.0	42%
Wages and Salaries in Cash	0.4	0.4	0.4	0.3	67%
Wages and Salaries in Kind	0.3	0.3	0.2	0.1	25%
Actual Employers' Social Contributions	0.5	0.5	0.4	0.1	23%
<b>Use of goods and services [GFS]</b>	20.9	39.4	36.3	4.4	21%
To Private Enterprises	0.2	0.2	0.0	0.0	2%
Use of Goods and Services	20.7	39.2	36.3	4.4	21%
<b>Non financial assets</b>	0.2	0.2	0.1	0.1	30%
NFA:Fixed assets	0.0	0.0	0.0	0.0	0%
NFA:Information, computer, & telecommunications equipment	0.1	0.1	0.1	0.1	83%



NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	3%
<b>231 National Intelligence Organisation</b>	3.9	3.9	1.9	1.7	43%
<b>Compensation Of Employees[GFS]</b>	2.9	2.9	1.4	1.5	50%
Wages and Salaries	2.6	2.6	1.1	1.3	50%
Wages and Salaries in Cash	0.1	0.1	0.1	0.0	16%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	68%
Actual Employers; Social Contributions	0.1	0.1	0.1	0.1	61%
<b>Use of goods and services [GFS]</b>	0.9	0.9	0.6	0.2	20%
To Private Enterprises	0.0	0.0	0.0	0.0	0%
Use of Goods and Services	0.9	0.9	0.6	0.2	20%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	0%
<b>232 Provincial and Local Government Affairs</b>	112.6	153.6	58.5	30.5	27%
<b>Compensation Of Employees[GFS]</b>	9.7	10.0	5.0	4.4	45%
Wages and Salaries	9.2	9.2	4.7	4.2	45%
Wages and Salaries in Kind	0.2	0.5	0.2	0.1	39%
Actual Employers; Social Contributions	0.3	0.3	0.0	0.1	39%
<b>Use of goods and services [GFS]</b>	12.8	60.5	28.4	21.2	165%
To Private Enterprises	0.0	0.0	0.0	0.0	0%
Use of Goods and Services	12.8	60.5	28.4	21.2	165%
<b>Grants</b>	40.0	38.0	0.0	0.0	0%
Current	40.0	38.0	0.0	0.0	0%
<b>Non financial assets</b>	50.0	45.0	25.0	5.0	10%
NFA:Fixed assets	50.0	45.0	25.0	5.0	10%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	15%
<b>233 Office of Censorship</b>	7.0	7.0	3.4	3.7	52%
<b>Compensation Of Employees[GFS]</b>	2.4	2.4	1.1	1.6	67%
Wages and Salaries	2.0	2.0	0.9	1.5	77%
Wages and Salaries in Kind	0.4	0.4	0.1	0.1	13%
Actual Employers; Social Contributions	0.1	0.1	0.1	0.1	97%
<b>Use of goods and services [GFS]</b>	2.5	2.5	1.1	1.0	40%
To Private Enterprises	0.0	0.0	0.0	0.0	55%
Use of Goods and Services	2.5	2.5	1.1	1.0	40%
<b>Non financial assets</b>	2.1	2.1	1.2	1.0	49%
NFA:Information, computer, & telecommunications equipment	1.9	1.9	1.0	0.9	48%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.1	0.0	19%
NFA:Transport equipment	0.1	0.1	0.1	0.1	100%
<b>234 Department of Defence</b>	259.0	267.1	127.7	151.2	58%
<b>Compensation Of Employees[GFS]</b>	138.4	138.4	66.0	106.3	77%
Wages and Salaries	106.3	106.3	38.2	84.4	79%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	15.1	15.3	14.8	11.6	77%
Actual Employers; Social Contributions	17.0	16.8	13.0	10.3	61%
<b>Use of goods and services [GFS]</b>	76.1	84.3	42.8	35.8	47%
Use of Goods and Services	76.1	84.3	42.8	35.8	47%
<b>Subsidies</b>	5.9	5.9	2.8	2.8	47%
To other Sectors	5.9	5.9	2.8	2.8	47%
<b>Non financial assets</b>	38.6	38.5	16.0	6.3	16%
NFA:Fixed assets	38.6	38.5	16.0	6.3	16%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	0%
<b>235 Department of Education</b>	912.8	296.6	126.3	103.8	11%
<b>Compensation Of Employees[GFS]</b>	118.4	118.4	59.5	79.6	67%
Wages and Salaries	103.3	103.3	49.8	76.7	74%
Wages and Salaries in Cash	1.4	1.4	1.3	0.4	29%
Wages and Salaries in Kind	12.7	12.7	8.4	2.1	17%
Actual Employers; Social Contributions	1.0	1.0	0.0	0.4	39%
<b>Use of goods and services [GFS]</b>	96.3	96.3	45.1	21.2	22%
To Private Enterprises	0.3	0.3	0.1	0.1	20%
Use of Goods and Services	96.0	96.0	44.9	21.1	22%
<b>Subsidies</b>	2.2	2.2	2.2	1.4	66%
To other Sectors	2.2	2.2	2.2	1.4	66%
<b>Grants</b>	616.2	0.0	0.0	0.0	0%
Current	616.2	0.0	0.0	0.0	0%
<b>Non financial assets</b>	79.8	79.8	19.6	1.6	2%

NFA:Fixed assets	73.2	73.2	18.6	1.1	1%
NFA:Machinery & equipment other than transport equipment	6.3	6.3	0.8	0.3	5%
NFA:Transport equipment	0.3	0.3	0.3	0.2	81%
<b>236 Department of Higher Education Research Science &amp; Technology</b>	191.1	191.4	118.4	91.8	48%
<b>Compensation Of Employees[GFS]</b>	6.4	6.4	2.8	3.0	47%
Wages and Salaries	5.7	5.7	2.5	2.9	50%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.4	0.4	0.2	0.1	24%
Actual Employers; Social Contributions	0.3	0.3	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	19.9	21.2	12.7	10.7	54%
To Private Enterprises	0.0	0.0	0.0	0.0	0%
Use of Goods and Services	19.9	21.2	12.7	10.7	54%
<b>Subsidies</b>	72.7	71.7	42.0	30.6	42%
To other Sectors	72.7	71.7	42.0	30.6	42%
<b>Non financial assets</b>	92.1	92.1	60.9	47.5	52%
NFA:Fixed assets	92.1	92.1	60.9	47.5	52%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	13%
<b>237 PNG National Commission for UNESCO</b>	0.0	0.0	0.0	0.7	0%
<b>Compensation Of Employees[GFS]</b>	0.0	0.0	0.0	0.7	0%
Wages and Salaries	0.0	0.0	0.0	0.6	0%
Actual Employers; Social Contributions	0.0	0.0	0.0	0.0	0%
<b>240 Department of Health</b>	540.2	502.6	199.8	139.0	26%
<b>Compensation Of Employees[GFS]</b>	64.4	64.4	31.6	43.8	68%
Wages and Salaries	53.6	53.6	24.5	38.4	72%
Wages and Salaries in Cash	2.5	2.5	1.8	1.7	71%
Wages and Salaries in Kind	2.8	2.8	1.2	0.8	30%
Actual Employers; Social Contributions	5.5	5.5	4.1	2.8	52%
<b>Use of goods and services [GFS]</b>	331.6	329.0	111.0	84.7	26%
Use of Goods and Services	331.6	329.0	111.0	84.7	26%
<b>Subsidies</b>	2.0	2.0	2.0	1.2	58%
To other Sectors	2.0	2.0	2.0	1.2	58%
<b>Grants</b>	1.2	1.2	0.6	0.3	24%
Current	1.2	1.2	0.6	0.3	24%
<b>Non financial assets</b>	141.0	106.0	54.6	9.0	6%
NFA:Fixed assets	140.9	105.9	54.6	9.0	6%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	26%
<b>241 Hospital Management Services</b>	366.5	353.5	141.7	207.0	56%
<b>Compensation Of Employees[GFS]</b>	214.7	211.4	97.3	180.8	84%
Wages and Salaries	106.1	106.1	30.1	122.0	115%
Wages and Salaries in Cash	100.8	99.0	63.6	53.0	53%
Wages and Salaries in Kind	3.0	2.5	1.5	1.2	39%
Actual Employers; Social Contributions	4.9	3.8	2.1	4.6	95%
<b>Use of goods and services [GFS]</b>	61.6	48.2	13.2	9.3	15%
Use of Goods and Services	61.6	48.2	13.2	9.3	15%
<b>Grants</b>	20.2	25.1	12.7	10.6	52%
Current	20.2	25.1	12.7	10.6	52%
<b>Non financial assets</b>	70.0	68.8	18.6	6.3	9%
NFA:Fixed assets	69.6	68.6	18.5	6.2	9%
NFA:Machinery & equipment other than transport equipment	0.4	0.2	0.1	0.1	24%
<b>242 Department of Community Development</b>	36.3	36.3	9.5	9.6	26%
<b>Compensation Of Employees[GFS]</b>	6.6	6.6	2.8	5.1	77%
Wages and Salaries	5.4	5.4	1.8	4.1	75%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.9	0.9	0.7	0.7	79%
Actual Employers; Social Contributions	0.4	0.4	0.3	0.4	97%
<b>Use of goods and services [GFS]</b>	7.6	7.6	4.8	2.7	36%
Use of Goods and Services	7.6	7.6	4.8	2.7	36%
<b>Subsidies</b>	0.0	0.0	0.0	0.0	0%
To other Sectors	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	13.0	13.0	0.0	0.0	0%
Current	13.0	13.0	0.0	0.0	0%
<b>Non financial assets</b>	9.0	9.0	2.0	1.7	19%
NFA:Fixed assets	9.0	9.0	2.0	1.7	19%
<b>244 Eastern Highlands Provincial Health Authority</b>	46.3	47.1	23.8	24.4	53%
<b>Compensation Of Employees[GFS]</b>	34.8	34.8	17.7	19.4	56%

Wages and Salaries	32.2	32.2	16.3	18.3	57%
Wages and Salaries in Cash	1.6	1.6	0.8	0.6	39%
Wages and Salaries in Kind	0.6	0.6	0.3	0.3	43%
Actual Employers¿ Social Contributions	0.4	0.4	0.2	0.1	31%
<b>Use of goods and services [GFS]</b>	4.2	4.9	2.1	1.7	42%
Use of Goods and Services	4.2	4.9	2.1	1.7	42%
<b>Grants</b>	7.4	7.4	4.0	3.4	45%
Current	7.4	7.4	4.0	3.4	45%
<b>245 Conservation and Environment Protection Authority</b>	14.7	14.7	3.6	3.3	22%
<b>Compensation Of Employees[GFS]</b>	8.2	8.2	1.6	3.3	40%
Wages and Salaries	7.6	7.6	1.1	3.3	43%
Wages and Salaries in Kind	0.2	0.2	0.2	0.0	0%
Actual Employers¿ Social Contributions	0.4	0.4	0.3	0.0	0%
<b>Use of goods and services [GFS]</b>	6.5	6.5	2.0	0.0	0%
Use of Goods and Services	6.5	6.5	2.0	0.0	0%
<b>246 Office of Urbanization</b>	1.3	1.3	0.8	0.9	67%
<b>Compensation Of Employees[GFS]</b>	1.2	1.2	0.7	0.8	69%
Wages and Salaries	1.1	1.1	0.6	0.8	69%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	77%
<b>Use of goods and services [GFS]</b>	0.1	0.1	0.1	0.0	37%
Use of Goods and Services	0.1	0.1	0.1	0.0	37%
<b>247 Department of Agriculture and Livestock</b>	17.0	17.0	6.1	8.1	47%
<b>Compensation Of Employees[GFS]</b>	8.0	8.0	4.1	6.6	82%
Wages and Salaries	7.2	7.2	3.3	5.6	78%
Wages and Salaries in Kind	0.7	0.7	0.7	0.6	92%
Actual Employers¿ Social Contributions	0.2	0.2	0.2	0.4	222%
<b>Use of goods and services [GFS]</b>	6.4	6.4	2.0	1.4	22%
Use of Goods and Services	6.4	6.4	2.0	1.4	22%
<b>Non financial assets</b>	2.6	2.6	0.0	0.0	1%
NFA:Fixed assets	2.5	2.5	0.0	0.0	0%
NFA:Information, computer, & telecommunications equipment	0.0	0.0	0.0	0.0	41%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	18%
<b>252 Department of Lands and Physical Planning</b>	49.5	47.5	19.1	16.1	32%
<b>Compensation Of Employees[GFS]</b>	13.1	13.1	5.9	8.3	63%
Wages and Salaries	12.4	12.4	5.4	7.6	62%
Wages and Salaries in Kind	0.4	0.4	0.3	0.3	88%
Actual Employers¿ Social Contributions	0.3	0.3	0.2	0.3	104%
<b>Use of goods and services [GFS]</b>	8.9	12.2	8.8	5.3	60%
To Private Enterprises	1.0	1.0	0.1	0.0	2%
Use of Goods and Services	7.9	11.2	8.7	5.3	67%
<b>Non financial assets</b>	27.5	22.2	4.4	2.4	9%
NFA:Fixed assets	27.3	21.8	4.2	2.3	8%
NFA:Machinery & equipment other than transport equipment	0.2	0.4	0.2	0.1	80%
<b>254 Department of Mineral Policy and Geohazards Management</b>	18.0	20.0	8.1	5.8	32%
<b>Compensation Of Employees[GFS]</b>	4.3	4.3	2.1	2.5	59%
Wages and Salaries	3.7	3.7	1.7	2.2	59%
Wages and Salaries in Cash	0.1	0.1	0.1	0.2	138%
Wages and Salaries in Kind	0.2	0.2	0.2	0.1	52%
Actual Employers¿ Social Contributions	0.2	0.2	0.1	0.0	18%
<b>Use of goods and services [GFS]</b>	10.2	12.2	5.3	3.3	32%
To Private Enterprises	0.1	0.1	0.0	0.0	6%
Use of Goods and Services	10.1	12.1	5.3	3.3	32%
<b>Non financial assets</b>	3.5	3.5	0.7	0.0	0%
NFA:Fixed assets	3.0	3.0	0.3	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	0%
NFA:Transport equipment	0.5	0.5	0.4	0.0	0%
<b>255 Department of Petroleum and Energy</b>	36.3	36.6	11.6	9.7	27%
<b>Compensation Of Employees[GFS]</b>	7.9	9.0	4.8	5.4	67%
Wages and Salaries	5.8	5.8	2.2	3.1	52%
Wages and Salaries in Cash	0.5	1.5	1.5	1.4	286%
Wages and Salaries in Kind	0.8	0.8	0.7	0.5	66%
Actual Employers¿ Social Contributions	0.8	0.8	0.4	0.3	42%
<b>Use of goods and services [GFS]</b>	28.2	27.1	6.3	4.0	14%
To Private Enterprises	0.1	0.1	0.0	0.0	33%
Use of Goods and Services	28.1	27.1	6.3	4.0	14%

<b>Non financial assets</b>	0.3	0.5	0.4	0.4	142%
NFA:Machinery & equipment other than transport equipment	0.3	0.3	0.2	0.2	60%
NFA:Transport equipment	0.0	0.2	0.2	0.2	0%
<b>257 Department of Public Enterprises</b>	2.0	2.0	0.0	0.6	29%
<b>Compensation Of Employees[GFS]</b>	2.0	2.0	0.0	0.6	29%
Wages and Salaries	1.8	1.8	0.0	0.6	32%
Wages and Salaries in Cash	0.1	0.1	0.0	0.0	0%
Wages and Salaries in Kind	0.0	0.0	0.0	0.0	0%
Actual Employers¿ Social Contributions	0.1	0.1	0.0	0.0	0%
<b>258 Department of Information and Communication</b>	7.9	7.9	1.4	1.4	18%
<b>Compensation Of Employees[GFS]</b>	1.4	1.4	0.7	0.9	62%
Wages and Salaries	1.3	1.3	0.7	0.9	66%
Actual Employers¿ Social Contributions	0.1	0.1	0.0	0.0	22%
<b>Use of goods and services [GFS]</b>	1.4	1.4	0.7	0.5	36%
Use of Goods and Services	1.4	1.4	0.7	0.5	36%
<b>Non financial assets</b>	5.0	5.0	0.0	0.0	0%
NFA:Fixed assets	5.0	5.0	0.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	5%
<b>259 Department of Transport</b>	141.7	101.7	11.8	10.7	8%
<b>Compensation Of Employees[GFS]</b>	11.9	11.9	5.5	6.9	58%
Wages and Salaries	9.5	9.5	4.1	5.4	57%
Wages and Salaries in Cash	1.1	1.1	0.4	0.9	84%
Wages and Salaries in Kind	0.5	0.5	0.5	0.4	92%
Actual Employers¿ Social Contributions	0.8	0.8	0.6	0.2	22%
<b>Use of goods and services [GFS]</b>	104.4	64.3	2.0	1.4	1%
To Private Enterprises	0.0	0.0	0.0	0.0	0%
Use of Goods and Services	104.4	64.3	2.0	1.4	1%
<b>Non financial assets</b>	25.3	25.5	4.4	2.4	9%
NFA:Fixed assets	25.0	25.0	4.0	2.0	8%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	23%
NFA:Transport equipment	0.3	0.4	0.4	0.4	141%
<b>261 Department of Commerce and Industry</b>	22.5	22.9	6.6	6.6	29%
<b>Compensation Of Employees[GFS]</b>	7.5	7.5	3.8	3.9	52%
Wages and Salaries	6.0	6.0	3.0	3.2	53%
Wages and Salaries in Kind	0.4	0.4	0.3	0.3	65%
Actual Employers¿ Social Contributions	1.1	1.1	0.5	0.5	43%
<b>Use of goods and services [GFS]</b>	14.9	15.4	2.8	2.6	18%
To Private Enterprises	0.0	0.0	0.0	0.0	27%
Use of Goods and Services	14.9	15.4	2.8	2.6	18%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	33%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	33%
<b>262 Department of Industrial Relations</b>	24.2	26.1	15.0	11.9	49%
<b>Compensation Of Employees[GFS]</b>	13.5	13.5	7.0	7.2	54%
Wages and Salaries	12.0	12.0	6.0	6.9	57%
Wages and Salaries in Kind	0.7	0.7	0.6	0.2	34%
Actual Employers¿ Social Contributions	0.8	0.8	0.4	0.1	16%
<b>Use of goods and services [GFS]</b>	10.5	12.3	7.9	4.6	44%
To Private Enterprises	0.0	0.0	0.0	0.0	47%
Use of Goods and Services	10.5	12.3	7.8	4.6	44%
<b>Non financial assets</b>	0.2	0.2	0.1	0.1	37%
NFA:Machinery & equipment other than transport equipment	0.2	0.2	0.1	0.1	37%
<b>263 National Tripartite Consultative Council</b>	0.5	0.5	0.3	0.3	61%
<b>Compensation Of Employees[GFS]</b>	0.4	0.4	0.2	0.3	69%
Wages and Salaries	0.4	0.4	0.2	0.3	69%
<b>Use of goods and services [GFS]</b>	0.1	0.1	0.1	0.0	36%
Use of Goods and Services	0.1	0.1	0.1	0.0	36%
<b>264 Department of Works and Implementation</b>	552.6	587.6	389.6	281.2	51%
<b>Compensation Of Employees[GFS]</b>	54.9	54.9	28.1	34.6	63%
Wages and Salaries	47.2	47.2	20.3	32.7	69%
Wages and Salaries in Cash	1.7	1.7	1.7	0.4	26%
Wages and Salaries in Kind	5.1	5.1	5.1	1.4	28%
Actual Employers¿ Social Contributions	1.0	1.0	0.9	0.1	7%
<b>Use of goods and services [GFS]</b>	197.4	241.7	196.4	159.4	81%
To Private Enterprises	0.0	0.1	0.0	0.0	25%
Use of Goods and Services	197.4	241.7	196.4	159.4	81%

<b>Non financial assets</b>	300.3	290.9	165.1	87.1	29%
NFA:Fixed assets	299.8	290.0	164.6	87.0	29%
NFA:Machinery & equipment other than transport equipment	0.5	0.9	0.5	0.1	32%
<b>267 Department of Implementation and Rural Development</b>	1174.5	1175.0	621.7	577.6	49%
<b>Compensation Of Employees[GFS]</b>	5.6	5.6	2.9	2.4	42%
Wages and Salaries	4.5	4.5	2.3	2.2	48%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	31%
Wages and Salaries in Kind	0.2	0.2	0.1	0.0	13%
Actual Employers; Social Contributions	0.9	0.9	0.5	0.2	24%
<b>Use of goods and services [GFS]</b>	1113.2	1113.7	618.8	575.2	52%
To Private Enterprises	0.0	0.0	0.0	0.0	13%
Use of Goods and Services	1113.2	1113.7	618.8	575.2	52%
<b>Grants</b>	55.5	55.5	0.0	0.0	0%
Current	55.5	55.5	0.0	0.0	0%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	20%
NFA:Information, computer, & telecommunications equipment	0.1	0.1	0.0	0.0	29%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	6%
<b>268 Central Supply &amp; Tenders Board</b>	2.2	2.2	1.1	1.0	44%
<b>Compensation Of Employees[GFS]</b>	1.5	1.5	0.8	0.9	57%
Wages and Salaries	1.4	1.4	0.7	0.9	61%
Actual Employers; Social Contributions	0.1	0.1	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	0.7	0.7	0.3	0.1	14%
To Private Enterprises	0.0	0.0	0.0	0.0	0%
Use of Goods and Services	0.7	0.7	0.3	0.1	14%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	0%
<b>351 National Office for Child &amp; Family Services</b>	3.1	3.5	0.9	0.9	29%
<b>Compensation Of Employees[GFS]</b>	1.0	1.0	0.7	0.7	64%
Wages and Salaries	1.0	1.0	0.7	0.7	68%
Wages and Salaries in Kind	0.0	0.0	0.0	0.0	0%
Actual Employers; Social Contributions	0.0	0.0	0.0	0.0	26%
<b>Use of goods and services [GFS]</b>	2.1	2.5	0.2	0.2	12%
Use of Goods and Services	2.1	2.5	0.2	0.2	12%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	83%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	83%
<b>352 PNG Office of Civil Registration &amp; National Identity</b>	20.8	20.8	15.1	10.1	49%
<b>Compensation Of Employees[GFS]</b>	0.6	0.6	0.1	0.1	12%
Wages and Salaries	0.5	0.5	0.1	0.1	15%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	0%
Actual Employers; Social Contributions	0.0	0.0	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	20.2	20.2	15.0	10.0	50%
Use of Goods and Services	20.2	20.2	15.0	10.0	50%
<b>353 National Information &amp; Communication Technology Agency</b>	5.0	5.0	0.5	0.0	0%
<b>Non financial assets</b>	5.0	5.0	0.5	0.0	0%
NFA:Fixed assets	5.0	5.0	0.5	0.0	0%
<b>544 PNG DataCo</b>	11.0	11.0	1.5	1.5	14%
<b>Use of goods and services [GFS]</b>	11.0	11.0	1.5	1.5	14%
Use of Goods and Services	11.0	11.0	1.5	1.5	14%
<b>Grand Total</b>	<b>6,065.3</b>	<b>5,503.9</b>	<b>2,570.1</b>	<b>2,297.3</b>	<b>38%</b>

Source: Department of Treasury.

## Attachment C:

## COMMERCIAL STATUTORY AGENCY BUDGET EXPENDITURE MYEFO 2018 (KINA, MILLION)

Details	2019 Budget	Revised Budget	Warrant Authorised	June Outturn	Outturn as % of Budget
<b>201 National Parliament</b>	116.0	116.0	72.8	72.8	63%
<b>Compensation Of Employees[GFS]</b>	91.2	92.2	57.1	57.1	63%
Wages and Salaries	21.6	21.6	21.6	21.6	100%
Wages and Salaries in Cash	51.7	51.7	27.9	27.9	54%
Wages and Salaries in Kind	1.3	1.3	0.3	0.3	23%
Actual Employers' Social Contributions	16.7	17.7	7.3	7.3	44%
<b>Use of goods and services [GFS]</b>	17.9	18.1	11.2	11.2	63%
To Private Enterprises	0.8	0.8	0.4	0.4	47%
Use of Goods and Services	17.2	17.3	10.9	10.9	63%
<b>Subsidies</b>	0.8	0.6	0.4	0.4	49%
To other Sectors	0.8	0.6	0.4	0.4	49%
<b>Non financial assets</b>	6.1	5.1	4.1	4.1	67%
NFA:Fixed assets	2.0	2.0	1.4	1.4	72%
NFA:Machinery & equipment other than transport equipment	2.2	1.7	1.5	1.5	70%
NFA:Transport equipment	1.9	1.4	1.1	1.1	59%
<b>215 PNG Immigration and Citizenship Services</b>	13.2	13.2	6.0	5.9	44%
<b>Compensation Of Employees[GFS]</b>	9.2	9.2	4.0	5.9	64%
Wages and Salaries	9.1	9.1	4.0	5.9	64%
Actual Employers' Social Contributions	0.1	0.1	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	4.0	4.0	2.0	0.0	0%
Use of Goods and Services	4.0	4.0	2.0	0.0	0%
<b>216 Internal Revenue Commission</b>	102.5	102.5	48.0	33.9	33%
<b>Compensation Of Employees[GFS]</b>	59.3	59.3	30.0	24.1	41%
Wages and Salaries	55.3	55.3	28.3	22.8	41%
Wages and Salaries in Cash	0.0	0.0	0.0	0.4	0%
Wages and Salaries in Kind	1.0	1.0	0.4	0.2	21%
Actual Employers' Social Contributions	2.9	2.9	1.4	0.7	25%
<b>Use of goods and services [GFS]</b>	40.7	40.7	16.6	8.8	22%
To Private Enterprises	0.5	0.5	0.2	0.1	31%
Use of Goods and Services	40.2	40.2	16.4	8.7	22%
<b>Non financial assets</b>	2.6	2.6	1.3	0.9	34%
NFA:Fixed assets	1.0	1.0	0.4	0.4	38%
NFA:Machinery & equipment other than transport equipment	1.7	1.7	0.9	0.5	32%
<b>223 Judiciary Services</b>	286.8	286.8	124.3	79.9	28%
<b>Compensation Of Employees[GFS]</b>	79.9	79.9	32.0	35.6	45%
Wages and Salaries	75.2	75.2	29.6	32.3	43%
Wages and Salaries in Cash	0.7	0.7	0.4	1.1	165%
Wages and Salaries in Kind	1.5	1.5	0.7	0.1	8%
Actual Employers' Social Contributions	2.6	2.6	1.3	2.1	79%
<b>Use of goods and services [GFS]</b>	51.1	51.1	26.8	13.2	26%
Use of Goods and Services	51.1	51.1	26.8	13.2	26%
<b>Non financial assets</b>	155.7	155.7	65.5	31.1	20%
NFA:Fixed assets	145.7	145.7	60.5	27.8	19%
NFA:Machinery & equipment other than transport equipment	10.0	10.0	5.0	3.3	33%
<b>224 Magisterial Services</b>	40.2	40.2	17.8	15.7	39%
<b>Compensation Of Employees[GFS]</b>	35.1	35.1	15.6	13.7	39%
Wages and Salaries	32.0	32.0	14.3	13.1	41%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	44%
Wages and Salaries in Kind	1.4	1.4	0.6	0.5	33%
Actual Employers' Social Contributions	1.7	1.7	0.7	0.1	7%
<b>Use of goods and services [GFS]</b>	3.3	3.3	1.7	1.5	45%
Use of Goods and Services	3.3	3.3	1.7	1.5	45%
<b>Non financial assets</b>	1.8	1.8	0.5	0.5	29%
NFA:Fixed assets	1.5	1.5	0.4	0.4	27%
NFA:Machinery & equipment other than transport equipment	0.3	0.3	0.1	0.1	42%
<b>243 National Volunteer Services</b>	4.5	4.5	2.0	1.6	36%
<b>Compensation Of Employees[GFS]</b>	2.4	2.0	1.0	0.6	25%
Wages and Salaries	1.8	1.8	0.9	0.6	31%
Wages and Salaries in Cash	0.4	0.0	0.0	0.0	0%

Wages and Salaries in Kind	0.1	0.1	0.0	0.0	23%
Actual Employersꞑ Social Contributions	0.1	0.1	0.0	0.0	24%
<b>Use of goods and services [GFS]</b>	1.1	1.6	1.0	1.0	89%
To Private Enterprises	0.0	0.0	0.0	0.0	100%
Use of Goods and Services	1.1	1.5	1.0	1.0	89%
<b>Non financial assets</b>	0.9	0.9	0.0	0.0	2%
NFA:Fixed assets	0.6	0.6	0.0	0.0	0%
NFA:Information, computer, & telecommunications equipment	0.3	0.3	0.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	100%
<b>251 PNG Science &amp; Technology Secretariat</b>	2.6	2.6	1.3	1.3	49%
<b>Compensation Of Employees[GFS]</b>	2.0	2.0	0.9	1.0	52%
Wages and Salaries	1.8	1.8	0.8	1.0	55%
Wages and Salaries in Kind	0.1	0.1	0.1	0.0	51%
Actual Employersꞑ Social Contributions	0.1	0.1	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	0.7	0.7	0.3	0.3	43%
To Private Enterprises	0.0	0.0	0.0	0.0	45%
Use of Goods and Services	0.7	0.7	0.3	0.3	43%
<b>269 Office of Tourism Arts and Culture</b>	0.0	0.0	0.0	0.2	0%
<b>Compensation Of Employees[GFS]</b>	0.0	0.0	0.0	0.2	0%
Wages and Salaries	0.0	0.0	0.0	0.2	0%
Actual Employersꞑ Social Contributions	0.0	0.0	0.0	0.0	0%
<b>354 Bank of Papua New Guinea</b>	20.0	20.0	8.0	0.0	0%
<b>Use of goods and services [GFS]</b>	20.0	20.0	8.0	0.0	0%
Use of Goods and Services	20.0	20.0	8.0	0.0	0%
<b>502 Office of the Auditor-General</b>	19.8	19.8	9.8	9.1	46%
<b>Compensation Of Employees[GFS]</b>	13.5	13.5	6.9	6.7	50%
Wages and Salaries	13.4	13.4	6.8	6.7	50%
Actual Employersꞑ Social Contributions	0.1	0.1	0.0	0.0	41%
<b>Use of goods and services [GFS]</b>	5.4	5.4	2.5	2.0	38%
To Private Enterprises	0.2	0.2	0.1	0.1	33%
Use of Goods and Services	5.2	5.2	2.4	2.0	38%
<b>Non financial assets</b>	1.0	1.0	0.4	0.3	33%
NFA:Machinery & equipment other than transport equipment	1.0	1.0	0.4	0.3	33%
<b>503 Ombudsman Commission</b>	26.1	26.1	13.4	12.2	47%
<b>Compensation Of Employees[GFS]</b>	18.1	18.1	9.4	8.7	48%
Wages and Salaries	12.3	12.3	6.3	6.3	51%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	42%
Wages and Salaries in Kind	0.3	0.3	0.2	0.1	42%
Actual Employersꞑ Social Contributions	5.5	5.5	2.9	2.3	42%
<b>Use of goods and services [GFS]</b>	5.8	5.8	2.9	2.5	43%
To Private Enterprises	0.1	0.1	0.0	0.0	42%
Use of Goods and Services	5.7	5.7	2.9	2.4	43%
<b>Non financial assets</b>	2.2	2.2	1.1	1.1	49%
NFA:Fixed assets	2.0	2.0	1.0	1.0	50%
NFA:Machinery & equipment other than transport equipment	0.2	0.2	0.1	0.1	42%
<b>505 National Research Institute</b>	4.4	6.4	4.2	3.9	88%
<b>Compensation Of Employees[GFS]</b>	3.4	3.4	1.7	1.4	42%
Wages and Salaries	2.5	2.5	1.3	1.1	43%
Wages and Salaries in Cash	0.1	0.1	0.0	0.0	41%
Wages and Salaries in Kind	0.3	0.3	0.1	0.1	41%
Actual Employersꞑ Social Contributions	0.6	0.6	0.3	0.2	42%
<b>Use of goods and services [GFS]</b>	0.9	2.9	2.5	2.4	254%
Use of Goods and Services	0.9	2.9	2.5	2.4	254%
<b>506 National Training Council</b>	2.5	2.5	1.2	0.9	36%
<b>Compensation Of Employees[GFS]</b>	1.3	1.3	0.7	0.4	34%
Wages and Salaries	1.1	1.1	0.6	0.4	36%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	26%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	33%
Actual Employersꞑ Social Contributions	0.1	0.1	0.1	0.0	19%
<b>Use of goods and services [GFS]</b>	1.2	1.2	0.6	0.5	37%
To Private Enterprises	0.0	0.0	0.0	0.0	33%
Use of Goods and Services	1.2	1.2	0.6	0.5	37%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	38%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	38%
<b>507 National Economic &amp; Fiscal Commission</b>	3.5	3.5	2.2	0.9	26%

<b>Compensation Of Employees[GFS]</b>	1.9	1.9	1.0	0.0	1%
Wages and Salaries	1.6	1.6	0.8	0.0	0%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	15%
Actual Employers¿ Social Contributions	0.2	0.2	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	1.5	1.5	1.2	0.9	60%
Use of Goods and Services	1.5	1.5	1.2	0.9	60%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	17%
NFA:Fixed assets	0.0	0.0	0.0	0.0	17%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	17%
<b>509 Border Development Authority (BDA)</b>	3.6	3.6	1.6	1.1	31%
<b>Compensation Of Employees[GFS]</b>	2.2	2.2	1.1	1.1	50%
Wages and Salaries	1.5	1.5	0.8	0.8	50%
Wages and Salaries in Cash	0.2	0.2	0.1	0.1	50%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	50%
Actual Employers¿ Social Contributions	0.3	0.3	0.1	0.1	50%
<b>Use of goods and services [GFS]</b>	1.4	1.4	0.5	0.0	0%
Use of Goods and Services	1.4	1.4	0.5	0.0	0%
<b>510 Legal Training Institute</b>	5.4	5.4	1.8	1.4	26%
<b>Compensation Of Employees[GFS]</b>	2.9	2.9	1.5	1.1	38%
Wages and Salaries	2.7	2.7	1.4	1.1	39%
Wages and Salaries in Kind	0.0	0.0	0.0	0.0	40%
Actual Employers¿ Social Contributions	0.1	0.1	0.1	0.0	8%
<b>Use of goods and services [GFS]</b>	0.9	0.9	0.2	0.2	24%
To Private Enterprises	0.0	0.0	0.0	0.0	95%
Use of Goods and Services	0.9	0.9	0.2	0.2	22%
<b>Subsidies</b>	0.1	0.1	0.1	0.1	58%
To other Sectors	0.1	0.1	0.1	0.1	58%
<b>Non financial assets</b>	1.6	1.6	0.0	0.0	2%
NFA:Fixed assets	1.5	1.5	0.0	0.0	0%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	58%
<b>511 Papua New Guinea Climate Change Authority</b>	6.8	6.8	3.2	3.1	45%
<b>Compensation Of Employees[GFS]</b>	3.9	3.9	2.0	2.1	52%
Wages and Salaries	3.8	3.8	2.0	1.7	45%
Actual Employers¿ Social Contributions	0.1	0.1	0.0	0.3	299%
<b>Use of goods and services [GFS]</b>	2.8	2.8	1.2	1.0	35%
To Private Enterprises	0.1	0.1	0.1	0.0	42%
Use of Goods and Services	2.7	2.7	1.1	0.9	35%
<b>Subsidies</b>	0.0	0.0	0.0	0.0	57%
To other Sectors	0.0	0.0	0.0	0.0	57%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	42%
<b>512 University of Papua New Guinea</b>	71.8	71.8	35.6	22.6	32%
<b>Compensation Of Employees[GFS]</b>	52.8	52.8	23.1	17.6	33%
Wages and Salaries	48.4	48.4	21.2	16.2	33%
Wages and Salaries in Kind	0.9	0.9	0.4	0.3	36%
Actual Employers¿ Social Contributions	3.5	3.5	1.5	1.2	34%
<b>Non financial assets</b>	19.0	19.0	12.5	5.0	26%
NFA:Fixed assets	19.0	19.0	12.5	5.0	26%
<b>513 University of Technology</b>	66.3	66.3	38.5	27.1	41%
<b>Compensation Of Employees[GFS]</b>	48.8	48.8	26.8	20.1	41%
Wages and Salaries	39.2	39.2	22.9	16.9	43%
Wages and Salaries in Cash	1.9	1.9	0.8	0.6	33%
Wages and Salaries in Kind	2.7	2.7	1.2	0.9	33%
Actual Employers¿ Social Contributions	5.0	5.0	1.8	1.7	33%
<b>Use of goods and services [GFS]</b>	7.0	7.0	5.3	3.5	50%
Use of Goods and Services	7.0	7.0	5.3	3.5	50%
<b>Non financial assets</b>	10.5	10.5	6.5	3.5	33%
NFA:Fixed assets	10.5	10.5	6.5	3.5	33%
<b>514 University of Goroka</b>	33.0	33.0	15.2	13.6	41%
<b>Compensation Of Employees[GFS]</b>	24.6	24.6	12.5	11.0	45%
Wages and Salaries	21.8	21.8	10.9	9.7	44%
Wages and Salaries in Kind	1.1	1.1	0.6	0.5	45%
Actual Employers¿ Social Contributions	1.7	1.7	0.9	0.8	46%
<b>Use of goods and services [GFS]</b>	1.9	1.9	1.3	1.2	64%
Use of Goods and Services	1.9	1.9	1.3	1.2	64%
<b>Non financial assets</b>	6.5	6.5	1.4	1.4	21%



NFA:Fixed assets	6.3	6.3	1.3	1.3	21%
NFA:Machinery & equipment other than transport equipment	0.2	0.2	0.1	0.1	42%
<b>515 University of Environment &amp; Natural Resources</b>	31.5	31.5	12.4	10.9	35%
<b>Compensation Of Employees[GFS]</b>	23.8	23.8	12.1	10.6	45%
Wages and Salaries	23.8	23.8	12.1	10.6	45%
<b>Use of goods and services [GFS]</b>	1.4	1.4	0.4	0.3	20%
Use of Goods and Services	1.4	1.4	0.4	0.3	20%
<b>Non financial assets</b>	6.3	6.3	0.0	0.0	0%
NFA:Fixed assets	6.3	6.3	0.0	0.0	0%
<b>516 Papua New Guinea Sports Foundation</b>	28.0	30.6	13.4	14.1	50%
<b>Compensation Of Employees[GFS]</b>	6.3	6.3	2.9	3.6	58%
Wages and Salaries	5.8	5.8	2.8	3.3	57%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	8%
Actual Employers; Social Contributions	0.5	0.5	0.1	0.4	71%
<b>Use of goods and services [GFS]</b>	7.0	13.1	8.9	8.9	128%
To Private Enterprises	0.0	0.0	0.0	0.0	61%
Use of Goods and Services	6.9	13.0	8.9	8.9	128%
<b>Non financial assets</b>	14.7	11.2	1.6	1.6	11%
NFA:Fixed assets	14.6	11.1	1.6	1.6	11%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	27%
<b>517 National Narcotics Bureau</b>	2.4	1.0	1.0	1.1	48%
<b>Compensation Of Employees[GFS]</b>	2.4	1.0	1.0	1.1	48%
Wages and Salaries	2.0	1.0	1.0	1.1	56%
Wages and Salaries in Kind	0.2	0.0	0.0	0.0	0%
Actual Employers; Social Contributions	0.2	0.0	0.0	0.0	6%
<b>518 PNG Maritime College</b>	4.5	4.5	2.3	1.9	42%
<b>Compensation Of Employees[GFS]</b>	4.3	4.3	2.2	1.8	42%
Wages and Salaries	3.8	3.8	1.9	1.6	42%
Wages and Salaries in Cash	0.1	0.1	0.0	0.0	42%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	43%
Actual Employers; Social Contributions	0.4	0.4	0.2	0.2	42%
<b>Use of goods and services [GFS]</b>	0.2	0.2	0.1	0.1	43%
Use of Goods and Services	0.2	0.2	0.1	0.1	43%
<b>519 National Aids Council Secretariat</b>	4.9	4.9	2.1	1.7	34%
<b>Compensation Of Employees[GFS]</b>	3.5	3.5	1.5	1.2	34%
Wages and Salaries	3.3	3.3	1.4	1.1	34%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	35%
Actual Employers; Social Contributions	0.1	0.1	0.1	0.1	36%
<b>Use of goods and services [GFS]</b>	0.8	0.8	0.4	0.3	35%
To Private Enterprises	0.0	0.0	0.0	0.0	33%
Use of Goods and Services	0.8	0.8	0.4	0.3	35%
<b>Grants</b>	0.6	0.6	0.2	0.2	34%
Current	0.6	0.6	0.2	0.2	34%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	35%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	35%
<b>520 Institute ofMedical Research</b>	17.4	18.0	7.0	7.0	41%
<b>Compensation Of Employees[GFS]</b>	9.6	10.3	5.7	5.7	59%
Wages and Salaries	8.8	8.8	4.5	4.5	51%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	50%
Actual Employers; Social Contributions	0.7	1.4	1.1	1.1	155%
<b>Use of goods and services [GFS]</b>	3.5	3.5	1.4	1.4	40%
Use of Goods and Services	3.5	3.5	1.4	1.4	40%
<b>Non financial assets</b>	4.3	4.3	0.0	0.0	0%
NFA:Fixed assets	4.3	4.3	0.0	0.0	0%
<b>521 National Youth Commission</b>	13.5	13.6	4.0	2.3	17%
<b>Compensation Of Employees[GFS]</b>	1.9	1.9	0.9	1.2	64%
Wages and Salaries	1.7	1.7	0.8	1.2	69%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	45%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	33%
Actual Employers; Social Contributions	0.1	0.1	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	3.3	3.3	2.8	0.8	25%
Use of Goods and Services	3.3	3.3	2.8	0.8	25%
<b>Subsidies</b>	0.3	0.3	0.3	0.3	100%
To other Sectors	0.3	0.3	0.3	0.3	100%
<b>Non financial assets</b>	8.1	8.1	0.1	0.1	1%
NFA:Fixed assets	8.0	8.0	0.0	0.0	0%

NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.1	0.1	59%
<b>522 Constitutional and Law Reform Commission</b>	5.2	6.7	3.9	2.5	48%
<b>Compensation Of Employees[GFS]</b>	2.7	2.7	1.4	0.0	0%
Wages and Salaries	2.5	2.5	1.3	0.0	0%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.0	0.0	0.0	0.0	33%
Actual Employers' Social Contributions	0.2	0.2	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	2.5	4.0	2.5	2.5	100%
To Private Enterprises	0.0	0.0	0.0	0.0	50%
Use of Goods and Services	2.4	3.9	2.5	2.4	101%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	50%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	50%
<b>523 Papua New Guinea Accidents Investigation Commission</b>	7.4	7.4	3.8	3.4	45%
<b>Compensation Of Employees[GFS]</b>	5.1	5.1	2.6	2.2	44%
Wages and Salaries	4.5	4.5	2.3	1.9	43%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	100%
Actual Employers' Social Contributions	0.5	0.5	0.3	0.2	45%
<b>Use of goods and services [GFS]</b>	2.3	2.3	1.2	1.2	49%
To Private Enterprises	0.0	0.0	0.0	0.0	42%
Use of Goods and Services	2.3	2.3	1.2	1.1	49%
<b>525 National Broadcasting Commission</b>	33.7	33.7	14.6	14.6	43%
<b>Compensation Of Employees[GFS]</b>	22.5	22.5	11.4	11.4	51%
Wages and Salaries	20.3	20.3	10.3	10.3	51%
Wages and Salaries in Kind	1.2	1.2	0.7	0.7	53%
Actual Employers' Social Contributions	1.0	1.0	0.5	0.5	50%
<b>Use of goods and services [GFS]</b>	11.2	11.2	3.1	3.1	28%
Use of Goods and Services	11.2	11.2	3.1	3.1	28%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	54%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	54%
<b>526 National Maritime Safety Authority</b>	2.3	2.3	1.7	1.6	67%
<b>Compensation Of Employees[GFS]</b>	1.2	1.2	0.6	0.5	43%
Wages and Salaries	0.2	0.2	0.1	0.1	48%
Wages and Salaries in Kind	0.1	0.1	0.0	0.0	42%
Actual Employers' Social Contributions	0.9	0.9	0.5	0.4	42%
<b>Use of goods and services [GFS]</b>	1.1	1.1	1.1	1.1	93%
Use of Goods and Services	1.1	1.1	1.1	1.1	93%
<b>530 Investment Promotion Authority</b>	2.8	2.8	0.8	0.6	22%
<b>Use of goods and services [GFS]</b>	1.0	1.0	0.0	0.0	0%
Use of Goods and Services	1.0	1.0	0.0	0.0	0%
<b>Grants</b>	1.8	1.8	0.8	0.6	34%
Current	1.8	1.8	0.8	0.6	34%
<b>531 Small Business Development Corporation</b>	14.6	14.6	10.3	10.3	71%
<b>Compensation Of Employees[GFS]</b>	3.9	3.9	2.0	2.0	51%
Wages and Salaries	3.4	3.4	1.8	1.8	51%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	49%
Actual Employers' Social Contributions	0.4	0.4	0.2	0.2	48%
<b>Use of goods and services [GFS]</b>	1.6	1.6	1.3	1.3	78%
Use of Goods and Services	1.6	1.6	1.3	1.3	78%
<b>Non financial assets</b>	9.0	9.0	7.0	7.0	78%
NFA:Fixed assets	9.0	9.0	7.0	7.0	78%
<b>532 National Institute of Standards &amp; Industrial Technology</b>	6.1	6.1	2.2	2.1	34%
<b>Compensation Of Employees[GFS]</b>	3.4	3.4	1.4	1.5	44%
Wages and Salaries	3.0	3.0	1.3	1.4	48%
Wages and Salaries in Kind	0.2	0.2	0.1	0.0	27%
Actual Employers' Social Contributions	0.2	0.2	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	2.7	2.7	0.7	0.6	22%
To Private Enterprises	0.1	0.1	0.0	0.0	33%
Use of Goods and Services	2.6	2.6	0.7	0.6	21%
<b>533 Industrial Centers Development Corporation</b>	12.5	12.5	2.2	2.0	16%
<b>Compensation Of Employees[GFS]</b>	2.4	2.4	1.2	1.0	43%
Wages and Salaries	2.3	2.3	1.2	1.0	43%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	63%
Wages and Salaries in Kind	0.0	0.0	0.0	0.0	44%
Actual Employers' Social Contributions	0.1	0.1	0.1	0.1	42%
<b>Use of goods and services [GFS]</b>	3.0	3.0	1.0	1.0	33%

Use of Goods and Services	3.0	3.0	1.0	1.0	33%
<b>Non financial assets</b>	7.0	7.0	0.0	0.0	0%
NFA:Fixed assets	7.0	7.0	0.0	0.0	0%
<b>535 Mineral Resources Authority</b>	13.2	13.2	2.5	0.0	0%
<b>Use of goods and services [GFS]</b>	9.2	9.2	2.5	0.0	0%
Use of Goods and Services	9.2	9.2	2.5	0.0	0%
<b>Non financial assets</b>	4.0	4.0	0.0	0.0	0%
NFA:Fixed assets	4.0	4.0	0.0	0.0	0%
<b>536 Kokonas Industry Koproration</b>	21.7	21.7	10.4	8.9	41%
<b>Compensation Of Employees[GFS]</b>	4.9	4.9	2.5	2.1	43%
Wages and Salaries	4.9	4.9	2.5	2.1	43%
<b>Use of goods and services [GFS]</b>	12.1	12.1	6.4	5.6	47%
Use of Goods and Services	12.1	12.1	6.4	5.6	47%
<b>Grants</b>	0.2	0.2	0.1	0.1	40%
Current	0.2	0.2	0.1	0.1	40%
<b>Non financial assets</b>	4.5	4.5	1.5	1.1	23%
NFA:Fixed assets	4.5	4.5	1.5	1.1	23%
<b>537 National Airports Corporation</b>	29.5	29.5	17.0	17.0	58%
<b>Use of goods and services [GFS]</b>	5.0	5.0	5.0	5.0	100%
Use of Goods and Services	5.0	5.0	5.0	5.0	100%
<b>Non financial assets</b>	24.5	24.5	12.0	12.0	49%
NFA:Fixed assets	24.5	24.5	12.0	12.0	49%
<b>538 Papua New Guinea Air Services Limited</b>	5.0	5.0	0.5	0.5	10%
<b>Non financial assets</b>	5.0	5.0	0.5	0.5	10%
NFA:Fixed assets	5.0	5.0	0.5	0.5	10%
<b>539 National Museum and Art Gallery</b>	8.6	8.6	3.2	2.8	33%
<b>Compensation Of Employees[GFS]</b>	4.2	4.2	2.0	1.7	41%
Wages and Salaries	4.1	4.1	1.9	1.7	41%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	41%
Actual Employers¿ Social Contributions	0.1	0.1	0.0	0.0	22%
<b>Use of goods and services [GFS]</b>	1.3	1.3	0.8	0.8	61%
To Private Enterprises	0.0	0.0	0.0	0.0	61%
Use of Goods and Services	1.3	1.3	0.8	0.8	61%
<b>Subsidies</b>	0.1	0.1	0.0	0.0	32%
To other Sectors	0.1	0.1	0.0	0.0	32%
<b>Grants</b>	0.5	0.5	0.2	0.1	28%
Current	0.5	0.5	0.2	0.1	28%
<b>Non financial assets</b>	2.5	2.5	0.1	0.1	5%
NFA:Fixed assets	2.3	2.3	0.0	0.0	1%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.1	0.1	84%
<b>Write Offs And Depreciation</b>	0.0	0.0	0.0	0.0	0%
Out of scope for GFS coding purposes	0.0	0.0	0.0	0.0	0%
<b>540 Water PNG</b>	20.0	20.0	5.5	5.5	28%
<b>Use of goods and services [GFS]</b>	4.0	4.0	1.0	1.0	25%
Use of Goods and Services	4.0	4.0	1.0	1.0	25%
<b>Non financial assets</b>	16.0	16.0	4.5	4.5	28%
NFA:Fixed assets	16.0	16.0	4.5	4.5	28%
<b>541 National Housing Corporation</b>	14.7	14.7	4.4	4.3	29%
<b>Compensation Of Employees[GFS]</b>	8.4	8.4	4.3	4.2	49%
Wages and Salaries	8.4	8.4	4.3	4.3	51%
Wages and Salaries in Cash	0.0	0.0	0.0	-0.1	0%
<b>Use of goods and services [GFS]</b>	6.3	6.3	0.2	0.2	3%
Use of Goods and Services	6.3	6.3	0.2	0.2	3%
<b>542 National Cultural Commission</b>	4.8	4.9	2.4	2.1	43%
<b>Compensation Of Employees[GFS]</b>	3.3	3.3	1.6	1.3	38%
Wages and Salaries	2.7	2.7	1.4	1.1	41%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.5	0.5	0.2	0.1	24%
Actual Employers¿ Social Contributions	0.1	0.1	0.0	0.0	39%
<b>Use of goods and services [GFS]</b>	0.6	0.7	0.3	0.3	52%
Use of Goods and Services	0.6	0.7	0.3	0.3	52%
<b>Non financial assets</b>	0.9	0.9	0.5	0.5	56%
NFA:Fixed assets	0.9	0.9	0.5	0.5	56%
<b>543 National Development Bank</b>	100.0	100.0	14.0	14.0	14%
<b>Use of goods and services [GFS]</b>	100.0	100.0	14.0	14.0	14%
Use of Goods and Services	100.0	100.0	14.0	14.0	14%
<b>545 Rural Airstrip Authority</b>	12.9	12.9	1.5	1.2	10%
<b>Use of goods and services [GFS]</b>	2.9	2.9	1.5	1.2	43%
Use of Goods and Services	2.9	2.9	1.5	1.2	43%

<b>Non financial assets</b>	10.0	10.0	0.0	0.0	0%
NFA:Fixed assets	10.0	10.0	0.0	0.0	0%
<b>546 PNG Power Limited</b>	48.0	48.0	7.3	7.3	15%
<b>Use of goods and services [GFS]</b>	15.0	15.0	2.0	2.0	13%
Use of Goods and Services	15.0	15.0	2.0	2.0	13%
<b>Non financial assets</b>	33.0	33.0	5.3	5.3	16%
NFA:Fixed assets	33.0	33.0	5.3	5.3	16%
<b>547 Telikom (PNG) Limited</b>	5.0	5.0	2.5	1.5	30%
<b>Non financial assets</b>	5.0	5.0	2.5	1.5	30%
NFA:Fixed assets	5.0	5.0	2.5	1.5	30%
<b>549 Office of Coastal Fisheries Development Agency</b>	2.3	2.3	1.0	0.0	0%
<b>Compensation Of Employees[GFS]</b>	2.1	2.1	0.9	0.0	0%
Wages and Salaries	1.9	1.9	0.8	0.0	0%
Actual Employers' Social Contributions	0.2	0.2	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	0.1	0.1	0.1	0.0	0%
Use of Goods and Services	0.1	0.1	0.1	0.0	0%
<b>551 National Fisheries Authority</b>	5.0	5.0	0.0	0.0	0%
<b>Compensation Of Employees[GFS]</b>	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	0.5	0.5	0.0	0.0	0%
Use of Goods and Services	0.5	0.5	0.0	0.0	0%
<b>Non financial assets</b>	4.5	4.5	0.0	0.0	0%
NFA:Fixed assets	4.5	4.5	0.0	0.0	0%
<b>553 Fresh Produce Development Company</b>	16.3	16.3	13.7	13.7	84%
<b>Compensation Of Employees[GFS]</b>	4.2	4.2	2.1	2.1	51%
Wages and Salaries	4.0	4.0	2.0	2.0	51%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	50%
Wages and Salaries in Kind	0.1	0.1	0.1	0.1	52%
<b>Use of goods and services [GFS]</b>	11.1	11.1	10.5	10.5	95%
To Private Enterprises	0.0	0.0	0.0	0.0	51%
Use of Goods and Services	11.1	11.1	10.5	10.5	95%
<b>Non financial assets</b>	1.0	1.0	1.0	1.0	99%
NFA:Fixed assets	1.0	1.0	1.0	1.0	100%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	48%
<b>554 PNG Coffee Industry Corporation</b>	37.0	37.0	9.5	9.5	26%
<b>Compensation Of Employees[GFS]</b>	2.5	2.5	1.3	1.3	51%
Wages and Salaries	2.1	2.1	1.1	1.1	51%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	50%
Actual Employers' Social Contributions	0.2	0.2	0.1	0.1	50%
<b>Use of goods and services [GFS]</b>	20.5	20.5	4.7	4.7	23%
To Private Enterprises	0.0	0.0	0.0	0.0	51%
Use of Goods and Services	20.5	20.5	4.7	4.7	23%
<b>Non financial assets</b>	14.0	14.0	3.6	3.6	26%
NFA:Fixed assets	14.0	14.0	3.6	3.6	26%
<b>557 PNG National Forest Authority</b>	36.1	41.1	16.3	11.2	31%
<b>Compensation Of Employees[GFS]</b>	25.2	25.2	10.7	8.7	34%
Wages and Salaries	23.4	23.4	9.9	8.0	34%
Wages and Salaries in Cash	0.9	0.9	0.4	0.3	38%
Wages and Salaries in Kind	0.6	0.6	0.3	0.2	35%
Actual Employers' Social Contributions	0.4	0.4	0.2	0.1	37%
<b>Use of goods and services [GFS]</b>	10.5	10.5	2.9	2.4	23%
To Private Enterprises	0.6	0.6	0.3	0.2	33%
Use of Goods and Services	9.9	9.9	2.6	2.2	22%
<b>Grants</b>	0.0	5.0	2.5	0.0	0%
Current	0.0	5.0	2.5	0.0	0%
<b>Non financial assets</b>	0.4	0.4	0.1	0.1	33%
NFA:Machinery & equipment other than transport equipment	0.4	0.4	0.1	0.1	33%
<b>558 Tourism Promotion Authority</b>	62.2	62.2	16.2	12.7	20%
<b>Compensation Of Employees[GFS]</b>	4.0	4.0	2.0	2.0	50%
Wages and Salaries	3.7	3.7	1.8	1.8	50%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	50%
Actual Employers' Social Contributions	0.1	0.1	0.1	0.1	50%
<b>Use of goods and services [GFS]</b>	57.5	57.5	13.8	10.3	18%
To Private Enterprises	0.7	0.7	0.3	0.3	49%
Use of Goods and Services	56.9	56.9	13.5	10.0	18%
<b>Subsidies</b>	0.5	0.5	0.2	0.2	50%
To other Sectors	0.5	0.5	0.2	0.2	50%
<b>Non financial assets</b>	0.2	0.2	0.1	0.1	51%

NFA:Machinery & equipment other than transport equipment	0.2	0.2	0.1	0.1	51%
<b>559 PNG Oil Palm Industry Corporation</b>	10.0	10.0	1.0	1.0	10%
<b>Use of goods and services [GFS]</b>	1.0	1.0	1.0	1.0	100%
Use of Goods and Services	1.0	1.0	1.0	1.0	100%
<b>Non financial assets</b>	9.0	9.0	0.0	0.0	0%
NFA:Fixed assets	9.0	9.0	0.0	0.0	0%
<b>562 National Agriculture Research Institute</b>	13.7	13.7	5.6	5.6	41%
<b>Compensation Of Employees[GFS]</b>	9.0	9.0	4.5	4.5	51%
Wages and Salaries	7.1	7.1	3.6	3.6	51%
Wages and Salaries in Cash	0.1	0.1	0.0	0.0	65%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	51%
Actual Employers; Social Contributions	1.5	1.5	0.8	0.8	50%
<b>Use of goods and services [GFS]</b>	4.7	4.7	1.1	1.1	22%
Use of Goods and Services	4.7	4.7	1.1	1.1	22%
<b>Non financial assets</b>	0.0	0.0	0.0	0.0	52%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	52%
<b>563 National Agriculture Quarantine &amp; Inspection Authority</b>	10.5	10.5	3.5	5.3	50%
<b>Compensation Of Employees[GFS]</b>	8.5	8.5	3.5	5.3	62%
Wages and Salaries	7.0	7.0	3.2	5.0	72%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.6	0.6	0.1	0.0	0%
Actual Employers; Social Contributions	1.0	1.0	0.2	0.3	33%
<b>Use of goods and services [GFS]</b>	2.0	2.0	0.0	0.0	0%
Use of Goods and Services	2.0	2.0	0.0	0.0	0%
<b>565 Civil Aviation Safety Authority</b>	12.7	12.7	5.4	3.2	25%
<b>Compensation Of Employees[GFS]</b>	12.0	12.0	5.1	3.0	25%
Wages and Salaries	10.6	10.6	4.5	2.6	25%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	25%
Actual Employers; Social Contributions	1.2	1.2	0.5	0.3	25%
<b>Use of goods and services [GFS]</b>	0.7	0.7	0.3	0.2	25%
Use of Goods and Services	0.7	0.7	0.3	0.2	25%
<b>566 Cocoa Board</b>	27.7	27.7	11.4	11.4	41%
<b>Compensation Of Employees[GFS]</b>	6.0	6.0	3.0	3.0	51%
Wages and Salaries	4.8	4.8	2.4	2.4	51%
Wages and Salaries in Cash	0.1	0.1	0.0	0.0	50%
Wages and Salaries in Kind	0.9	0.9	0.4	0.4	50%
Actual Employers; Social Contributions	0.2	0.2	0.1	0.1	51%
<b>Use of goods and services [GFS]</b>	12.7	12.7	5.9	5.9	46%
Use of Goods and Services	12.7	12.7	5.9	5.9	46%
<b>Non financial assets</b>	9.0	9.0	2.5	2.5	28%
NFA:Fixed assets	9.0	9.0	2.5	2.5	28%
<b>569 Independent Consumer and Competition Commission</b>	9.3	9.3	4.7	4.0	42%
<b>Compensation Of Employees[GFS]</b>	6.5	6.5	3.3	2.8	42%
Wages and Salaries	5.8	5.8	2.9	2.5	43%
Wages and Salaries in Kind	0.3	0.3	0.1	0.1	42%
Actual Employers; Social Contributions	0.5	0.5	0.2	0.2	42%
<b>Use of goods and services [GFS]</b>	2.7	2.7	1.4	1.2	43%
Use of Goods and Services	2.7	2.7	1.4	1.2	43%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	42%
<b>Grand Total</b>	1541.8	1552.3	648.1	525.8	34%

Source: Department of Treasury.

## Attachment D:

## PROVINCIAL ADMINISTRATION BUDGET EXPENDITURE MYEFO 2018 (KINA, MILLION)

Details	2019 Budget	Revised Budget	Warrant Authorised	June Outturn	Outturn as % of Budget
<b>571 Fly River Provincial Administration</b>	106.0	106.0	36.9	41.5	39%
<b>Compensation Of Employees[GFS]</b>	63.0	63.0	22.4	33.5	53%
Current	63.0	63.0	22.4	33.5	53%
Wages and Salaries	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	43.0	43.0	14.5	8.0	19%
Current	43.0	43.0	14.5	8.0	19%
<b>572 Gulf Provincial Administration</b>	56.9	56.9	20.5	22.8	40%
<b>Compensation Of Employees[GFS]</b>	32.2	32.2	12.0	16.5	51%
Current	32.2	32.2	12.0	16.5	51%
<b>Grants</b>	24.8	24.8	8.5	6.2	25%
Current	24.8	24.8	8.5	6.2	25%
<b>573 Central Provincial Administration</b>	118.2	118.7	41.8	51.5	44%
<b>Compensation Of Employees[GFS]</b>	79.9	79.9	28.9	44.2	55%
Current	79.9	79.9	28.9	44.2	55%
<b>Grants</b>	38.2	38.7	12.9	7.2	19%
Current	38.2	38.7	12.9	7.2	19%
<b>574 National Capital District</b>	4.4	4.4	2.4	2.0	46%
<b>Compensation Of Employees[GFS]</b>	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	1.0	1.0	1.0	1.0	100%
Use of Goods and Services	1.0	1.0	1.0	1.0	100%
<b>Grants</b>	3.4	3.4	1.4	1.0	30%
Current	3.4	3.4	1.4	1.0	30%
<b>575 Milne Bay Provincial Administration</b>	102.8	105.3	39.4	47.5	46%
<b>Compensation Of Employees[GFS]</b>	74.1	74.1	27.3	39.0	53%
Current	74.1	74.1	27.3	39.0	53%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	28.7	31.2	12.1	8.5	30%
Current	28.7	31.2	12.1	8.5	30%
<b>576 Oro Provincial Administration</b>	58.2	58.2	15.9	24.0	41%
<b>Compensation Of Employees[GFS]</b>	40.8	40.8	11.8	20.4	50%
Current	40.8	40.8	11.8	20.4	50%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	17.4	17.4	4.1	3.6	21%
Current	17.4	17.4	4.1	3.6	21%
<b>577 Southern Highlands Provincial Administration</b>	131.4	131.4	66.0	74.3	57%
<b>Compensation Of Employees[GFS]</b>	94.6	94.6	49.2	62.9	67%
Current	94.6	94.6	49.2	62.9	67%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	36.8	36.8	16.8	11.3	31%
Current	36.8	36.8	16.8	11.3	31%
<b>578 Enga Provincial Administration</b>	102.6	102.6	38.4	52.9	52%
<b>Compensation Of Employees[GFS]</b>	77.8	77.8	28.7	46.8	60%
Current	77.8	77.8	28.7	46.8	60%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	24.8	24.8	9.6	6.1	25%
Current	24.8	24.8	9.6	6.1	25%
<b>579 Western Highlands Provincial Administration</b>	133.4	133.4	49.8	69.0	52%
<b>Compensation Of Employees[GFS]</b>	115.0	115.0	41.4	61.3	53%
Current	115.0	115.0	41.4	61.3	53%
Wages and Salaries	0.0	0.0	0.0	0.0	0%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Actual Employers' Social Contributions	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	18.4	18.4	8.4	7.7	42%
Current	18.4	18.4	8.4	7.7	42%
<b>580 Simbu Provincial Administration</b>	136.8	136.8	50.1	58.3	43%
<b>Compensation Of Employees[GFS]</b>	91.8	91.8	34.1	48.4	53%
Current	91.8	91.8	34.1	48.4	53%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	45.0	45.0	15.9	10.0	22%
Current	45.0	45.0	15.9	10.0	22%

<b>581 Eastern Highlands Provincial Administration</b>	165.6	165.6	59.2	71.9	43%
<b>Compensation Of Employees[GFS]</b>	120.9	120.9	46.4	64.1	53%
Current	120.9	120.9	46.4	64.1	53%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	44.7	44.7	12.8	7.8	17%
Current	44.7	44.7	12.8	7.8	17%
<b>582 Morobe Provincial Administration</b>	191.3	191.3	69.0	99.9	52%
<b>Compensation Of Employees[GFS]</b>	177.7	177.7	66.3	97.9	55%
Current	177.7	177.7	66.3	97.9	55%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	13.6	13.6	2.7	2.0	15%
Current	13.6	13.6	2.7	2.0	15%
<b>583 Madang Provincial Administration</b>	175.2	174.2	64.0	69.5	40%
<b>Compensation Of Employees[GFS]</b>	123.1	123.1	46.2	67.2	55%
Current	123.1	123.1	46.2	67.2	55%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	0.0	2.0	2.0	-7.9	0%
Use of Goods and Services	0.0	2.0	2.0	-7.9	0%
<b>Grants</b>	52.2	49.2	15.8	10.2	20%
Current	52.2	49.2	15.8	10.2	20%
<b>584 East Sepik Provincial Administration</b>	147.9	147.9	53.0	66.0	45%
<b>Compensation Of Employees[GFS]</b>	97.2	97.2	36.1	55.0	57%
Current	97.2	97.2	36.1	55.0	57%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Actual Employers' Social Contributions	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	50.6	50.6	16.8	11.0	22%
Current	50.6	50.6	16.8	11.0	22%
<b>585 Sandaun Provincial Administration</b>	96.4	96.4	35.0	39.1	41%
<b>Compensation Of Employees[GFS]</b>	59.7	59.7	21.9	31.3	52%
Current	59.7	59.7	21.9	31.3	52%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	36.7	36.7	13.1	7.8	21%
Current	36.7	36.7	13.1	7.8	21%
<b>586 Manus Provincial Administration</b>	40.9	40.9	15.0	18.3	45%
<b>Compensation Of Employees[GFS]</b>	34.8	34.8	12.8	16.4	47%
Current	34.8	34.8	12.8	16.4	47%
<b>Grants</b>	4.1	4.1	1.2	0.9	23%
Current	4.1	4.1	1.2	0.9	23%
<b>Non financial assets</b>	2.0	2.0	1.0	1.0	50%
NFA:Fixed assets	2.0	2.0	1.0	1.0	50%
<b>587 New Ireland Provincial Administration</b>	61.1	61.1	23.2	32.2	53%
<b>Compensation Of Employees[GFS]</b>	54.8	54.8	20.1	31.0	57%
Current	54.8	54.8	20.1	31.0	57%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	6.3	6.3	3.2	1.2	18%
Capital	1.5	1.5	1.5	0.5	33%
Current	4.8	4.8	1.7	0.7	14%
<b>588 East New Britain Provincial Administration</b>	123.8	123.8	43.5	63.3	51%
<b>Compensation Of Employees[GFS]</b>	102.9	102.9	36.7	57.8	56%
Current	102.9	102.9	36.7	57.8	0%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
<b>Use of goods and services [GFS]</b>	3.0	3.0	0.5	0.5	17%
Use of Goods and Services	3.0	3.0	0.5	0.5	17%
<b>Grants</b>	18.0	18.0	6.3	5.0	28%
Current	18.0	18.0	6.3	5.0	28%
<b>589 West New Britain Provincial Administration</b>	102.7	107.7	41.3	41.6	40%
<b>Compensation Of Employees[GFS]</b>	76.6	76.6	27.0	35.4	46%
Current	76.6	76.6	27.0	35.4	46%
Wages and Salaries in Cash	0.0	0.0	0.0	0.0	0%
Actual Employers' Social Contributions	0.0	0.0	0.0	0.0	0%
<b>Grants</b>	26.1	31.1	14.3	6.2	24%
Current	26.1	31.1	14.3	6.2	24%
<b>590 Autonomous Bougainville Administration</b>	192.7	192.7	53.4	66.8	35%
<b>Compensation Of Employees[GFS]</b>	109.5	109.5	38.4	54.7	50%
Current	109.5	109.5	38.4	54.7	50%
<b>Grants</b>	33.2	33.2	15.0	12.1	37%

Current	33.2	33.2	15.0	12.1	37%
<b>Non financial assets</b>	50.0	50.0	0.0	0.0	0%
NFA:Fixed assets	50.0	50.0	0.0	0.0	0%
<b>591 Hela Provincial Administration</b>	103.2	103.2	36.6	35.7	35%
<b>Compensation Of Employees[GFS]</b>	45.1	45.1	15.8	24.1	53%
Current	45.1	45.1	15.8	24.1	53%
<b>Use of goods and services [GFS]</b>	13.0	13.0	3.0	3.0	23%
Use of Goods and Services	13.0	13.0	3.0	3.0	23%
<b>Grants</b>	29.1	29.1	12.8	8.7	30%
Current	29.1	29.1	12.8	8.7	30%
<b>Non financial assets</b>	16.0	16.0	5.0	0.0	0%
NFA:Fixed assets	16.0	16.0	5.0	0.0	0%
<b>592 Jiwaka Provincial Administration</b>	99.0	99.0	38.5	42.6	43%
<b>Compensation Of Employees[GFS]</b>	64.6	64.6	23.8	33.5	52%
Current	64.6	64.6	23.8	33.5	52%
<b>Grants</b>	34.4	34.4	14.7	9.1	26%
Current	34.4	34.4	14.7	9.1	26%
<b>Grand Total</b>	<b>2450.7</b>	<b>2457.6</b>	<b>892.9</b>	<b>1090.8</b>	<b>45%</b>

Source: Department of Treasury.

#### Attachment E:

#### MOVEMENTS IN SECTION 4 TRANSFERS

Details	2019 Budget	Revised Budget	Warrant Authorised	June Outturn	Outturn as % of Budget
<b>238 Milne Bay Provincial Health Authority</b>	32.7	33.6	16.9	21.8	67%
<b>Compensation Of Employees[GFS]</b>	22.0	22.0	11.2	17.0	77%
Wages and Salaries	20.1	20.1	10.2	16.4	81%
Wages and Salaries in Cash	0.3	0.3	0.2	0.2	46%
Wages and Salaries in Kind	0.5	0.5	0.3	0.2	45%
Actual Employers' Social Contributions	1.1	1.1	0.6	0.3	28%
<b>Use of goods and services [GFS]</b>	3.7	4.6	1.9	1.6	42%
Use of Goods and Services	3.7	4.6	1.9	1.6	42%
<b>Grants</b>	6.7	6.7	3.7	3.1	46%
Current	6.7	6.7	3.7	3.1	46%
<b>Non financial assets</b>	0.3	0.3	0.1	0.1	42%
NFA:Information, computer, & telecommunications equipment	0.0	0.0	0.0	0.0	40%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	42%
NFA:Transport equipment	0.2	0.2	0.1	0.1	42%
<b>239 Western Highlands Provincial Health Authority</b>	37.1	37.7	19.0	20.0	54%
<b>Compensation Of Employees[GFS]</b>	29.5	29.5	15.0	16.7	57%
Wages and Salaries	26.6	26.6	13.5	15.6	59%
Wages and Salaries in Cash	1.4	1.4	0.7	0.6	46%
Wages and Salaries in Kind	0.4	0.4	0.2	0.2	41%
Actual Employers' Social Contributions	1.2	1.2	0.6	0.3	30%
<b>Use of goods and services [GFS]</b>	3.9	4.5	1.9	1.6	42%
To Private Enterprises	0.0	0.0	0.0	0.0	44%
Use of Goods and Services	3.9	4.5	1.9	1.6	42%
<b>Grants</b>	3.4	3.4	1.9	1.6	47%
Current	3.4	3.4	1.9	1.6	47%
<b>Non financial assets</b>	0.3	0.3	0.1	0.1	42%
NFA:Fixed assets	0.2	0.2	0.1	0.1	42%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	42%
<b>248 Southern Highlands Provincial Health Authority</b>	38.3	38.7	19.6	21.2	55%
<b>Compensation Of Employees[GFS]</b>	31.1	31.1	15.8	18.0	58%
Wages and Salaries	28.3	28.3	14.4	17.8	63%
Wages and Salaries in Cash	0.8	0.8	0.4	0.0	2%
Wages and Salaries in Kind	0.4	0.4	0.2	0.2	44%
Actual Employers' Social Contributions	1.6	1.6	0.8	0.0	1%
<b>Use of goods and services [GFS]</b>	2.3	2.7	1.1	1.0	44%
Use of Goods and Services	2.3	2.7	1.1	1.0	44%
<b>Grants</b>	4.7	4.7	2.5	2.1	45%



Current	4.7	4.7	2.5	2.1	45%
<b>Non financial assets</b>	0.2	0.2	0.1	0.1	42%
NFA:Fixed assets	0.1	0.1	0.1	0.1	42%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	42%
<b>249 New Ireland Provincial Health Authority</b>	31.0	31.5	16.4	13.1	42%
<b>Compensation Of Employees[GFS]</b>	26.7	26.7	13.6	11.2	42%
Wages and Salaries	24.6	24.6	12.5	10.5	43%
Wages and Salaries in Cash	0.5	0.5	0.2	0.3	65%
Wages and Salaries in Kind	0.5	0.5	0.2	0.2	42%
Actual Employers' Social Contributions	1.2	1.2	0.6	0.3	23%
<b>Use of goods and services [GFS]</b>	4.2	4.7	2.8	1.8	43%
Use of Goods and Services	4.2	4.7	2.8	1.8	43%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	42%
NFA:Fixed assets	0.0	0.0	0.0	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	42%
<b>253 West New Britain Provincial Health Authority</b>	38.7	39.4	19.9	24.7	64%
<b>Compensation Of Employees[GFS]</b>	28.8	28.8	14.6	19.5	68%
Wages and Salaries	22.5	22.5	11.4	17.0	76%
Wages and Salaries in Cash	3.3	3.3	1.7	1.2	35%
Wages and Salaries in Kind	2.2	2.2	1.1	1.1	51%
Actual Employers' Social Contributions	0.7	0.7	0.4	0.1	17%
<b>Use of goods and services [GFS]</b>	4.6	5.2	2.3	2.3	50%
Use of Goods and Services	4.6	5.2	2.3	2.3	50%
<b>Grants</b>	5.3	5.3	3.0	3.0	56%
Current	5.3	5.3	3.0	3.0	56%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	44%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	44%
<b>256 Manus Provincial Health Authority</b>	16.6	16.9	8.5	7.8	47%
<b>Compensation Of Employees[GFS]</b>	12.2	12.2	6.2	5.9	49%
Wages and Salaries	11.2	11.2	5.7	5.7	51%
Wages and Salaries in Cash	0.2	0.2	0.1	0.1	44%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	38%
Actual Employers' Social Contributions	0.6	0.6	0.3	0.0	7%
<b>Use of goods and services [GFS]</b>	2.9	3.2	1.4	1.2	42%
Use of Goods and Services	2.9	3.2	1.4	1.2	42%
<b>Grants</b>	1.3	1.3	0.8	0.6	48%
Current	1.3	1.3	0.8	0.6	48%
<b>Non financial assets</b>	0.2	0.2	0.1	0.1	42%
NFA:Fixed assets	0.1	0.1	0.0	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.1	0.0	42%
<b>260 Enga Provincial Health Authority</b>	39.8	40.5	20.4	16.3	41%
<b>Compensation Of Employees[GFS]</b>	33.1	33.1	16.8	13.3	40%
Wages and Salaries	32.2	32.2	16.4	12.7	39%
Wages and Salaries in Cash	0.6	0.6	0.3	0.3	45%
Wages and Salaries in Kind	0.2	0.2	0.1	0.1	42%
Actual Employers' Social Contributions	0.1	0.1	0.0	0.3	334%
<b>Use of goods and services [GFS]</b>	3.0	3.6	1.5	1.2	42%
To Private Enterprises	0.0	0.0	0.0	0.0	42%
Use of Goods and Services	2.9	3.6	1.5	1.2	42%
<b>Grants</b>	3.6	3.6	2.0	1.7	47%
Current	3.6	3.6	2.0	1.7	47%
<b>Non financial assets</b>	0.2	0.2	0.1	0.1	42%
NFA:Fixed assets	0.1	0.1	0.1	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.1	0.1	41%
<b>265 Hela provincial Health Authority</b>	30.3	30.6	15.3	12.4	41%
<b>Compensation Of Employees[GFS]</b>	21.1	21.1	10.7	8.5	40%
Wages and Salaries	19.3	19.3	9.8	7.9	41%
Wages and Salaries in Cash	0.8	0.8	0.4	0.3	36%
Wages and Salaries in Kind	0.5	0.5	0.2	0.2	42%
Actual Employers' Social Contributions	0.6	0.6	0.3	0.1	19%
<b>Use of goods and services [GFS]</b>	1.6	1.9	0.8	0.7	42%
Use of Goods and Services	1.6	1.9	0.8	0.7	42%
<b>Grants</b>	7.5	7.5	3.7	3.3	44%
Current	7.5	7.5	3.7	3.3	44%
<b>Non financial assets</b>	0.1	0.1	0.0	0.0	42%

NFA:Fixed assets	0.0	0.0	0.0	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	42%
<b>266 Sandaun Provincial Health Authority</b>	<b>34.7</b>	<b>35.1</b>	<b>18.5</b>	<b>20.0</b>	<b>58%</b>
<b>Compensation Of Employees[GFS]</b>	<b>20.4</b>	<b>20.4</b>	<b>10.4</b>	<b>12.6</b>	<b>62%</b>
Wages and Salaries	18.6	18.6	8.8	11.3	61%
Wages and Salaries in Cash	0.3	0.3	0.2	0.1	46%
Wages and Salaries in Kind	1.1	1.1	1.1	1.0	95%
Actual Employers' Social Contributions	0.5	0.5	0.3	0.2	37%
<b>Use of goods and services [GFS]</b>	<b>3.9</b>	<b>4.3</b>	<b>2.9</b>	<b>2.7</b>	<b>68%</b>
Use of Goods and Services	3.9	4.3	2.9	2.7	68%
<b>Grants</b>	<b>10.1</b>	<b>10.1</b>	<b>4.9</b>	<b>4.5</b>	<b>44%</b>
Current	10.1	10.1	4.9	4.5	44%
<b>Non financial assets</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>93%</b>
NFA:Fixed assets	0.2	0.2	0.2	0.2	100%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.1	0.1	84%
<b>607 Madang Provincial Health Authority</b>	<b>25.7</b>	<b>26.4</b>	<b>12.8</b>	<b>19.7</b>	<b>77%</b>
<b>Compensation Of Employees[GFS]</b>	<b>12.9</b>	<b>12.9</b>	<b>6.5</b>	<b>14.3</b>	<b>111%</b>
Wages and Salaries	11.6	11.6	5.8	13.8	119%
Wages and Salaries in Cash	0.3	0.3	0.2	0.2	54%
Wages and Salaries in Kind	0.8	0.8	0.4	0.3	44%
Actual Employers' Social Contributions	0.2	0.2	0.1	0.0	25%
<b>Use of goods and services [GFS]</b>	<b>2.8</b>	<b>3.5</b>	<b>1.4</b>	<b>1.2</b>	<b>42%</b>
Use of Goods and Services	2.8	3.5	1.4	1.2	42%
<b>Grants</b>	<b>9.9</b>	<b>9.9</b>	<b>4.9</b>	<b>4.2</b>	<b>42%</b>
Current	9.9	9.9	4.9	4.2	42%
<b>Non financial assets</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>42%</b>
NFA:Fixed assets	0.1	0.1	0.1	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.1	0.1	0.0	0.0	42%
<b>608 Oro Provincial Health Authority</b>	<b>29.6</b>	<b>30.5</b>	<b>14.6</b>	<b>5.6</b>	<b>19%</b>
<b>Compensation Of Employees[GFS]</b>	<b>16.9</b>	<b>16.9</b>	<b>8.6</b>	<b>0.3</b>	<b>2%</b>
Wages and Salaries	15.7	15.7	8.0	0.0	0%
Wages and Salaries in Cash	0.4	0.4	0.2	0.1	27%
Wages and Salaries in Kind	0.5	0.5	0.3	0.2	42%
Actual Employers' Social Contributions	0.3	0.3	0.2	0.0	0%
<b>Use of goods and services [GFS]</b>	<b>2.9</b>	<b>3.9</b>	<b>1.5</b>	<b>1.2</b>	<b>42%</b>
Use of Goods and Services	2.9	3.9	1.5	1.2	42%
<b>Grants</b>	<b>9.5</b>	<b>9.5</b>	<b>4.5</b>	<b>4.0</b>	<b>42%</b>
Current	9.5	9.5	4.5	4.0	42%
<b>Non financial assets</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>42%</b>
NFA:Fixed assets	0.1	0.1	0.0	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	42%
NFA:Transport equipment	0.1	0.1	0.0	0.0	42%
<b>609 Alotau Provincial Health Authority</b>	<b>26.3</b>	<b>28.2</b>	<b>13.7</b>	<b>3.8</b>	<b>14%</b>
<b>Compensation Of Employees[GFS]</b>	<b>20.7</b>	<b>20.7</b>	<b>10.4</b>	<b>1.2</b>	<b>6%</b>
Wages and Salaries	17.2	17.2	8.6	0.0	0%
Wages and Salaries in Cash	1.3	1.3	0.7	0.4	33%
Wages and Salaries in Kind	1.7	1.7	0.9	0.7	42%
Actual Employers' Social Contributions	0.5	0.5	0.3	0.0	0%
<b>Use of goods and services [GFS]</b>	<b>5.5</b>	<b>7.4</b>	<b>3.3</b>	<b>2.6</b>	<b>47%</b>
To Private Enterprises	0.1	0.1	0.0	0.0	42%
Use of Goods and Services	5.4	7.3	3.3	2.6	47%
<b>Non financial assets</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>42%</b>
NFA:Fixed assets	0.1	0.1	0.0	0.0	42%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	42%
<b>619 East Sepik Provincial Health Authority</b>	<b>20.9</b>	<b>21.5</b>	<b>10.8</b>	<b>3.9</b>	<b>19%</b>
<b>Compensation Of Employees[GFS]</b>	<b>12.9</b>	<b>12.9</b>	<b>6.5</b>	<b>0.4</b>	<b>3%</b>
Wages and Salaries	11.6	11.6	5.9	0.0	0%
Wages and Salaries in Cash	0.8	0.8	0.4	0.3	37%
Wages and Salaries in Kind	0.3	0.3	0.1	0.1	42%
Actual Employers' Social Contributions	0.3	0.3	0.1	0.0	0%
<b>Use of goods and services [GFS]</b>	<b>3.3</b>	<b>3.9</b>	<b>1.7</b>	<b>1.4</b>	<b>42%</b>
Use of Goods and Services	3.3	3.9	1.7	1.4	42%
<b>Grants</b>	<b>4.5</b>	<b>4.5</b>	<b>2.5</b>	<b>2.1</b>	<b>45%</b>
Current	4.5	4.5	2.5	2.1	45%
<b>Non financial assets</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>42%</b>

NFA:Fixed assets	0.1	0.1	0.0	0.0	41%
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	42%
<b>Grand Total</b>	<b>401.7</b>	<b>410.5</b>	<b>206.4</b>	<b>190.4</b>	<b>47%</b>

Source: Department of Treasury.

## Attachment F:

### GOODS & SERVICES AND PERSONNEL EMOLUMENTS EXPENDITURE

Details	2019 Budget	Revised Budget	Warrant Authorised	June Outturn	Outturn as % of Budget
<b>GoPNG Funding Operational</b>	10,022.5	10,042.7	5,674.9	4,955.3	49%
<b>Compensation Of Employees[GFS]</b>	4,522.6	4,484.5	1,838.1	2,451.0	54%
Current	1,736.0	1,736.0	647.4	941.5	54%
Wages and Salaries	1,989.6	1,951.8	896.7	1,152.7	58%
Wages and Salaries in Cash	190.9	190.9	115.1	102.6	54%
Wages and Salaries in Kind	98.8	98.0	66.2	41.4	42%
Actual Employers' Social Contributions	507.3	507.7	112.8	212.9	42%
<b>Use of goods and services [GFS]</b>	2,032.3	2,082.3	1,169.2	969.6	48%
To Private Enterprises	17.1	17.1	8.0	6.0	35%
Use of Goods and Services	2,015.2	2,065.2	1,161.2	963.5	48%
<b>Subsidies</b>	88.8	87.6	51.6	37.5	42%
To other Sectors	88.8	87.6	51.6	37.5	42%
<b>Grants</b>	1,254.4	1,272.3	567.6	424.4	34%
Current	1,254.4	1,272.3	567.6	424.4	34%
<b>Interest [GFS]</b>	1,948.7	1,948.7	1,948.7	1,025.8	53%
To Nonresidents	469.5	469.5	469.5	225.8	48%
To Residents other than General Government (blank)	1,479.1	1,479.1	1,479.1	800.0	54%
<b>Net acquisition of financial assets</b>	30.4	30.4	30.4	4.6	15%
Use of Goods and Services	30.4	30.4	30.4	4.6	15%
<b>Non financial assets</b>	145.4	136.9	69.3	42.2	29%
NFA:Fixed assets	111.8	102.5	50.0	28.3	25%
NFA:Information, computer, & telecommunications equipment	5.4	5.2	3.0	2.4	43%
NFA:Machinery & equipment other than transport equipment	24.6	24.8	13.0	8.9	36%
NFA:Transport equipment	3.5	4.4	3.3	2.6	75%
<b>Write Offs And Depreciation</b>	0.0	0.0	0.0	0.0	0%
Out of scope for GFS coding purposes	0.0	0.0	0.0	0.0	0%
<b>GoPNG Capital Investment Funding</b>	3,737.1	3,716.9	1,432.9	1,015.8	27%
<b>Compensation Of Employees[GFS]</b>	0.0	0.2	0.1	0.1	0%
Wages and Salaries in Cash	0.0	0.2	0.1	0.1	0%
<b>Use of goods and services [GFS]</b>	2,062.6	2,092.7	926.1	767.1	37%
Use of Goods and Services	2,062.6	2,092.7	1	767.1	37%
<b>Grants</b>	310.4	305.4	16.0		2%
Capital	1.5	1.5	1.5	0.5	33%
Current	308.9	303.9	14.5	7.0	2%
<b>Other Expense</b>	0.0	0.0	0.0	0.0	0%
Premiums	0.0	0.0	0.0	0.0	0%
<b>Non financial assets</b>	1,364.1	1,318.6	490.7	241.1	18%
NFA:Fixed assets	1,340.0	1,294.5	486.9	230.5	17%
NFA:Information, computer, & telecommunications equipment	18.6	18.6	3.6	1.5	8%
NFA:Machinery & equipment other than transport equipment		5.5	0.2	0.1	2%
NFA:Other structures	0.0	0.0	0.0	9.0	0%
<b>Donor Grants</b>	943.1	943.1	0.0	831.4	88%
<b>Use of goods and services [GFS]</b>	370.2	370.2	0.0	326.3	88%
Use of Goods and Services	370.2	370.2	0.0	326.3	88%
<b>Grants</b>	15.6	15.6	0.0	13.7	88%
Current	15.6	15.6	0.0	13.7	88%
<b>Other Expense</b>	227.2	227.2	0.0	200.3	88%
Current Transfers not elsewhere Classified	227.2	227.2	0.0	200.3	88%
<b>Non financial assets</b>	330.2	330.2	0.0	291.1	88%
NFA:Fixed assets	330.2	330.2	0.0	291.1	88%
<b>Concessional Loans</b>	816.9	816.9	0.0	368.6	45%
<b>Use of goods and services [GFS]</b>	76.7	76.7	0.0	34.6	45%
Use of Goods and Services	76.7	76.7	0.0	34.6	45%
<b>Other Expense</b>	83.2	83.2	0.0	37.5	45%
Current Transfers not elsewhere Classified	83.2	83.2	0.0	37.5	45%
<b>Non financial assets</b>	657.0	657.0	0.0	296.4	45%
NFA:Fixed assets	657.0	657.0	0.0	296.4	45%
<b>Grand Total</b>	<b>15,519.6</b>	<b>15,519.6</b>	<b>7,107.8</b>	<b>7,171.0</b>	<b>46%</b>

Source: Department of Treasury

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