

Income from petroleum or gas operations earned by shareholders paid as dividends are exempt from income tax. In other words, such income does not form part of the assessable income of the taxpayers if the income was paid as dividends which originated from a petroleum or gas operation.

7.2.3 Rural Development Incentive

Revenue Forgone (Kina, million)

	2019	2020	2021
Non- Resource	0.1	0.0	0.0
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 45I of ITA 1959</i>		

This incentive provides a 10-year tax holiday to new businesses set up in designated under-developed districts prescribed in the ITA, that are not dependent on the exploitation of natural resources. Income earned by those businesses are exempted from income tax for ten (10) years upon the date of commencement to the last day of the tenth year. Losses arising from the exempted activities may be deducted against taxable income from other activities.

This incentive is meant to encourage investment in those least developed prescribed Districts. Rural Development Incentives will be reviewed to determine its relevance in some of the prescribed districts.

7.2.4 Gifts

Revenue Forgone (Kina, million)

	2019	2020	2021
Non- Resource	1.7	0.2	0.3
Resource	10.2	N/A	N/A
<i>Legislative Reference</i>	<i>Section 69 of ITA 1959</i>		

Note: Data for resource sector is not available at the time of reporting. This will be reported in the proceeding Budget.

Expenditures to charitable organizations and other humanitarian foundations, including political parties are allowed as a direct deduction or in some cases a double deduction. Some of these organizations include political parties; sporting bodies; South Pacific Games 1991 (repealed); foundations for law, order and justice; charitable bodies; national day celebrations; Pacific Games 2015; relief aid for natural disasters; and national day celebrations.

7.2.5 Double Deduction – Export Market Development

Revenue Forgone (Kina, million)

	2019	2020	2021
Non- Resource	0.0	0.0	0.5
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 72(C) of ITA 1959</i>		

This incentive is to encourage and promote export of goods manufactured in PNG and is subject to Commissioner General's (CG) determination. This is an expenditure incurred by a taxpayer on export market development (i.e. expenditure incurred in the production or manufacture of goods and services for export) and allowed twice the amount of expenditure as deduction but

only to the extent that the tax savings from such additional deduction is up to 75.0 per cent of the expenditure and not more. This is done to encourage PNG's products to be exported.

7.2.6 Double Deduction – Tourism

Revenue Forgone (Kina, million)

	2019	2020	2021
Non- Resource	0.1	0.0	0.0
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 72(C) of ITA 1959</i>		

This incentive is to encourage and promote development of tourism in PNG.

Subject to the CG's determination, an expenditure incurred by a tax payer for the development of tourism (i.e. expenditure incurred towards promoting tourism) is allowed twice the amount of expenditure as deduction but only to the extent that the tax savings for such additional deduction is up to 75.0 per cent of the expenditure.

7.2.7 Additional Depreciation – Non-oil fired plant (acquired)

Revenue Forgone (Kina, million)

	2019	2020	2021
Non- Resource	0.2	0.0	0.0
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 73(6) of ITA 1959</i>		

This deduction allows for an additional 30.0 per cent depreciation in the initial year when the cost of capital was incurred, when a non-oil-fired plant or equipment is acquired (purchased) for production.

7.2.8 Additional Depreciation –Industrial Development

Revenue Forgone (Kina, million)

	2019	2020	2021
Non- Resource	23.8	21.2	20.5
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 73(7) of ITA 1959</i>		

This incentive allows for a depreciation deduction. When a taxpayer adds industrial plant in PNG that has not been previously used in the country, taxpayer may elect in any year to increase the amount of depreciation deductions by the lesser of the amount of the taxpayer's income remaining after all other deductions, or the remaining depreciable value of the plant.

The depreciation deductions arose from business activities relating to forestry, fishery, agriculture especially oil palm, manufacturing (bakery products, food products and wood and products of wood), real estate, non-specialized stores (e.g., supermarkets and department stores) and printing, publishing, and reproduction of recorded media.

7.2.9 Additional Depreciation –Primary Production**Revenue Forgone (Kina, million)**

	2019	2020	2021
Non- Resource	5.5	6.0	3.4
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 73(9) of ITA 1959</i>		

A 100.0 per cent deduction is provided to capital expenditure incurred by a taxpayer on acquiring the following types of new plant or article: (a) property used directly for agricultural production;(b) property used for fishing by residents engaged in commercial fishing; (c) boats or ships; and ancillary equipment used as dive boats by an accredited scuba diving/snorkelling operator. Note that the additional depreciation does not extend to all primary production activities, namely logging and forestry for commercial purposes.

7.2.10 Primary Production Development Expenditure**Revenue Forgone (Kina, million)**

	2019	2020	2021
Non- Resource	0.6	3.9	0.0
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 97A of ITA 1959</i>		

This incentive is to encourage primary production such as agricultural development in PNG. Any expenditure incurred in primary production is an allowable deduction for tax purposes. For instance, if a taxpayer spends K100.0 on agriculture development, K100.0 is allowed to be deducted for tax purposes.

A 100.0 per cent deduction under *Section 97A of ITA* for expenditure of a taxpayer engaged in primary production (definition of primary production provided in the ITA regulation).

7.2.11 Primary Production 150.0 per cent extension services**Revenue Forgone (Kina, million)**

	2019	2020	2021
Non- Resource	0.1	0.2	0.3
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 97B (1) of ITA 1959</i>		

This incentive is to promote agriculture extension services.

A 150.0 per cent deduction is provided for expenditure on agricultural extension services undertaken under an approved plan. Extension services must be undertaken under a plan approved by a committee chaired by the Department of Agriculture and Livestock (DAL).

7.2.12 Double Deduction – Unit of Property**Revenue Forgone (Kina, million)**

	2019	2020	2021
Non- Resource	0.1	0.0	0.0
Resource	0.0	N/A	N/A
<i>Legislative Reference</i>	<i>Section 155J of ITA 1959</i>		

Property unit trusts are taxed at the rate of 30.0 per cent on the income of the trust. The tax is payable by the trustee.

7.2.13 Amortization – Exploration Expenditure**Revenue Forgone (Kina, million)**

	2019	2020	2021
Non- Resource	0.0	0.0	N/A
Resource	62.1	N/A	47.6
<i>Legislative Reference</i>	<i>Section 155N of ITA 1959</i>		

Note: Data for resource sector is not available at the time of reporting. This will be reported in the proceeding Budget.

Mining, petroleum and gas companies can elect at the end of each year of income to bring in exploration expenditure incurred outside of the project operation during that same year of income and claim this expenditure as a deduction against the project income. Amount allowed as a tax deduction should not exceed the lesser of 25.0 per cent of the un-deducted pool balance or such amount that would reduce income tax payable by 10.0 per cent.

7.2.14 Additional Deduction for PNG LNG project participants**Revenue Forgone (Kina, million)**

	2019	2020	2021
Non- Resource	0.0	0.0	0.0
Resource	0.0	N/A	0.0
<i>Legislative Reference</i>	<i>Section 158J of ITA 1959</i>		

Note: Data for resource sector is not available at the time of reporting. This will be reported in the proceeding Budget.

This is an additional deduction provided to PNG LNG Project participants. If the project has not reached an R-factor of between 1.91 and 2.36 at the end of year 10 of production, additional deductions of between 10.0 per cent and 50.0 per cent of original capital expenditures can be allowed.

In addition, a small category of sales is exempt from applying GST. As opposed to zero rating, the exempted sales are not eligible to reclaim input tax paid at the time of purchase. These include the supply of financial services; supply of educational services; supply of medical services; and supply of housing or a motor vehicle to an employee as part of an employment contract.

7.3 TAX INCENTIVES IN THE CUSTOMS TARIFF ACT 1990**7.3.1 Import Duty****Revenue Forgone (Kina, million)**

	2019	2020	2021
Estimate	50.6	22.5	27.4
<i>Legislative Reference</i>	<i>Part IV, section 9 of the Import Tariff Act 1990</i>		

The Head of State, acting on advice, may, by notice in the National Gazette – exempt taxpayers from import duty on goods or substitute at a reduced rate of duty in respect of any imported goods.

7.4 TAX INCENTIVES IN THE EXCISE TARIFF ACT 1956**7.4.1 Import Excise****Revenue Forgone (Kina, million)**

	2019	2020	2021
Estimate	7.1	5.5	7.1
<i>Legislative Reference</i>	<i>Section 3 of the Excise Tariff Act 1956</i>		

The Head of State, acting on advice, may, by notice in the National Gazette – exempt taxpayers from excise duty on goods or substitute at a reduced rate of duty in respect of any import of excisable goods.

CHAPTER 8: FINANCING AND DEBT MANAGEMENT STRATEGY

8.1 FINANCING BACKGROUND TO THE 2022 BUDGET

The Government's financing and debt management strategy in 2022 and over the medium term will be focused on debt sustainability amid challenging circumstances brought about by the COVID-19 pandemic coupled with other economic turmoils. The Government will continue to explore cheaper concessional sources of external financing and using domestic debt instruments to maintain the domestic market.

The 2022 Budget deficit was K5,984.7 million and proposed to be financed through a net external borrowing of K3,744.7 million and net domestic borrowing of K2,240.0 million. The external financing was mainly through budget support loans and project loan disbursements from PNG's multilateral and bilateral partners.

For the first three (3) quarters of 2022 there was no external financing support, and all financing was from the issuance of domestic securities and through normal revenue collections. External financing budget support from the final tranche of the ADB SOE Reform Program loan of USD250.0 million (K880.3 million) and the Australian Government's AUD750.0 million (K1,773.5 million) is anticipated to come in towards the end of the year.

The issuance of K2,709.3 million in Treasury Bonds was spread over eight (8) months to ensure even market participation over the course of the year. This assisted in funding most of the priority expenditures over the first three (3) quarters of 2022.

The 2022 Budget financing sources comprised:

- (a) the final tranche of ADB SOE Reform Program loan of USD250.0 million (K880.3 million);
- (b) the International Financing support from the Australian Government of AUD750.0 million (K1,773.5 million); and
- (c) net issuance of K2,240.0 million in domestic debt securities comprising K260.1 million in new net Treasury Bill issuances, a new net Treasury Bonds issuance of K1,750.0 million, and a net issuance of K229.9 million in domestic loans.

Of the total net financing requirement (K5,984.7 million) for the 2022 Budget, the Government is expected to receive K880.3 million from ADB SOE Link Reform Budget Support loan and K1,773.5 million from the International Financing support from Australia. Treasury Bonds raised K2,709.3 million over this year from the domestic market. It is anticipated that the financing requirement for 2022 will be fully covered when the budget support loans are received at the end of the year.

The 2022 net financing profile also includes the amortisation of K70.1 million in domestic loans, K41.9 million in commercial loans, K610.3 million in external concessional loans and K232.6 million external extraordinary loans⁵.

⁵ Extraordinary loans include budget support facilities and program (on-project) facilities from bilateral and multilateral development partners.

8.2 FINANCING REQUIREMENTS FOR 2023 BUDGET

The total net financing requirement for 2023 is set at K4,984.9 million and will be financed through a similar strategy employed in the last two (2) years. External financing will comprise budget support loans from our multilateral and bilateral creditors, drawdowns from concessional loans, and a new commercial loan for project implementation. The domestic financing will include Treasury Bonds and Treasury Bills issuances, including a recently approved new commercial borrowing from local commercial bank earmarked for infrastructure development such as the Regional Road program.

The Government will continue to utilise cheap and concessional sources of financing by engaging actively with our multilateral and bilateral partners. A number of new concessional project loans have already been signed and drawdowns will commence in 2023. The Australian Infrastructure Financing Facility for Pacific (AIFFP) will continue to roll out its infrastructure development loan projects over the medium term.

The Government is in discussion with World Bank with a new Development Policy Operation (DPO) for an expected USD100.0 million (K352.1 million) Bilateral Budget Support Finance is planned to be K1,418.8 million a finance through an IMF program is expected to be SDR263.2 million (K1,213.5 million). The Government will continue to discuss with other bilateral and multilateral partners for additional budget support to cover the balance.

The Government plans to drawdown K1,156.0 million from concessional loans earmarked for planned projects and K20.0 million from commercial financing for other infrastructure projects. The concessional financing makes up 26.0 per cent of the total Government's external financing requirement for 2023.

Amortisation commitments for 2023 include: K125.0 million for domestic commercial loans and K295.9 million for extraordinary loans. The Government also plans to amortise K640.3 million in external concessional liabilities to reduce interest obligations and exposure to expensive debt. With the amortisation and concessional financing planned for 2023, the Government is anticipating to reduce some interest costs over the medium term on these loans.

Together with the amortisation, the Government's exposure to the domestic securities market for 2023 is estimated to be a net addition of K1,465.7 million which includes net issuance of K945.0 million in Treasury Bonds and K525.7 million in Treasury Bills, with a net repayment of K5.0 million on domestic loans.

Table 27: Composition of Financing by Instrument for 2023 (Kina, million)

Financing Instrument	2023	
	FX = USD 'million	PGK 'million
External Loans		
Disbursements		4,490.7
World Bank (Fiscal) DPO	100.0	352.1
IMF	345.0	1,213.5
Bilateral Support		1,418.8
Concessional Project Loans		1,156.0
Commercial Loans		20.0
Other Possible External		330.3
Domestic Disbursements		15,911.4
Repayments		-971.5
Concessional Project Loans		-640.3
Other External Repayments		-331.2
Domestic Repayments		-14,445.7
External Net		3,519.2

Domestic Net		1,465.7
Total Financing Gap		4,984.9

Source: Department of Treasury

The financing requirement for the 2023 Budget will result in total Government debt reaching K59,142.6 million by end of the year, equivalent to 52.3 per cent of GDP. This is within the current band of 45-60.0 per cent of GDP as per the *FRA (amended 2020)*. Moreover, the planned debt portfolio maintains the domestic share of financing at 49.8 per cent of the total debt stock. The external financing mix is planned to increase in 2023, and concessional sources of financing will account for at least 23.2 per cent of the total debt stock.

Table 28: Debt Outstanding Debt Instruments 2021-2027 (Kina, million)

Debt Instruments	2021 Actual	2022 Supp. Budget	2023 Budget	2024	2025	2026	2027
Domestic Debt	25,257.6	27,497.6	28,963.3	29,490.2	29,038.3	28,747.6	27,567.1
Treasury Bills	13,296.6	13,556.7	14,082.4	13,575.1	12,748.2	12,059.0	10,865.3
Treasury Bond	10,833.3	12,583.4	13,528.4	14,587.5	15,087.5	15,611.1	15,749.3
Loans	1,127.6	1,357.5	1,352.5	1,327.5	1,202.5	1,077.5	952.5
External Debt	21,671.4	26,660.1	30,179.4	33,621.2	37,535.5	39,600.2	40,673.8
Monetary Gold & SDRs	0.0	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1
Debt securities	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.2	1,750.2
Concessional	10,939.9	11,648.0	12,163.7	12,703.1	13,291.4	13,870.9	14,440.7
Commercial	231.4	211.7	196.4	181.0	165.7	150.4	135.1
Extraordinary	8,750.1	11,806.3	14,825.1	17,742.8	21,084.1	22,584.7	23,103.8
Gross Debt* (ex. Arrears)	46,929.0	54,157.7	59,142.6	63,111.4	66,573.8	68,347.9	68,240.9
% of GDP (without Arrears)	51.5%	51.5%	52.3%	52.2%	51.3%	49.2%	46.8%

Source: Department of Treasury.

Table 29: Deficit Financing Projections by Instrument 2021-2027 (Kina, million)

Debt Instruments	2021 Actuals	2022 Supp. Budget	2023 Budget	2024 Est	2025 Est	2026 Est	2027 Est
Net Acquisition of Financial Assets	-						
Net Incurrence of Liabilities	6,712.5	5,984.7	4,984.9	3,968.7	3,462.4	1,774.1	-107.0
Domestic Net Financing	3,042.1	2,240.0	1,465.7	526.9	-451.9	-290.6	-1,180.5
Treasury Bills	1,394.8	260.1	525.7	-507.2	-826.9	-689.2	-1,193.7
Treasury Bond	1600.6	1750.0	645.0	1,059.1	500.0	523.6	138.2
Loans	46.7	229.9	-5.0	-25.0	-125.0	-125.0	-125.0
Borrowing	107.9	300.0	120.0	100	-	-	-
Amortization	-61.2	-70.1	-125.0	-125.0	-125	-125.0	-125.0
External Net Financing	3,670.4	3,744.7	3,519.2	3,441.8	3,914.3	2,064.7	1,073.5
Debt securities	-	-					
Sovereign Bond	-	-					
Concessional	1,108.3	708.1	515.8	539.4	588.3	579.5	569.8
Borrowing	1,493.5	1,318.4	1,156.0	1,213.9	1,274.5	1,338.3	1,405.1
Amortization	-385.2	-610.3	-640.3	-674.4	-686.2	-758.7	-835.3
Commercial	-862.7	-19.7	15.3	-15.3	-15.3	-15.3	-15.3
Borrowing	59.7	22.2	20	20.0	20.0	20.0	20.0
Amortization	-922.4	-41.9	-35.3	-35.3	-35.3	-35.3	-35.3
Extraordinary	3,423.7	3,056.2	3,018.7	2,917.7	3,341.4	1,500.5	519.1
Borrowing	3,438.6	3,288.8	3,314.6	3,370.7	3,934.1	2,171.2	1,194.9
Amortization	-14.9	-232.6	-295.9	-453.0	-592.7	-670.7	-675.8

Source: Department of Treasury

1. The 2021-2027 debt flow provided above is the best approximation of the financing profile as expected at the time of drafting the volume 1.

The projected deficit profile as illustrated in Table 29 above, depicts the Government's efforts to curb debt at sustainable levels. Over the medium term, the deficit levels are expected to decline by about 16.0 per cent on average yearly. The nominal debt stock as a share of GDP is expected to peak in 2023, then gradually decline to well under 50.0 per cent as the budget

moves towards surplus, while remaining within the FRA band over the medium term. Refer to Table 30.

Table 30: Debt stock as a share of GDP 2021-2027 (Kina, million)

Debt Instruments	2021 Actuals	2022 Supp. Budget	2023 Budget	2024 Est	2025 Est	2026 Est	2027 Est
Gross Government Debt	48,173.1	54,157.7	59,142.9	63,111.5	66,573.9	68,348.0	68,241.0
<i>Debt to GDP %</i>	51.6%	50.2%	52.3%	52.2%	51.3%	49.2%	46.8%
Domestic	25,257.6	27,497.6	28,963.3	29,490.2	29,038.3	28,747.6	27,567.1
<i>% of gross</i>	52.4%	50.8%	49.0%	46.7%	43.6%	42.1%	40.4%
External	22,915.5	26,660.1	30,179.4	33,621.2	37,535.5	39,600.2	40,673.8
<i>% of gross</i>	47.6%	49.2%	51.0%	53.3%	56.4%	57.9%	59.6%

Source: Department of Treasury

8.3 UPDATE ON DOMESTIC MARKET CONDITIONS FOR FINANCING DEFICIT

Overall, there was an increase in net borrowing from both Treasury Bills and Treasury Bonds in 2022. The increase in the domestic net financing is attributed to the need to raise funds weekly to finance cash flow, and the need to raise funds to settle large coupons and maturity payments during the year. Uncertain timing in accessing proposed budgetary support loans is another reason for the increased issuance of Government Securities.

Domestic market participants, continue to have limits on lending to the Government. The main players in the Government's securities market are the four major commercial banks and the two superfunds including few corporate and individual investors in the weekly auctions.

Appetite for shorter-term Treasury Bills increased in the first quarter of the year whilst the subsequent quarters experienced a decline attributed to the issuance of a large volume of longer-term Treasury Bonds over a three-month period, which commenced in April. Most retail investors, however, redeemed their debt, particularly in the first half of the year.

Longer-term Treasury Bonds continue to be active and have attracted most of the major market players to the monthly auctions. Treasury Bond issuance commenced in the second quarter and was spread over an eight-month period (April - November). Like Treasury Bills, the Treasury Bond coupon rates steadily declined over the same period.

Overall, the increased appetite in the total net issuance of Government securities is mainly attributed to the high liquidity level in the market. Investors tend to increase their investments in Government securities thereby causing the interest rates to fall. The interest rates for Treasury Bills dropped steadily over the year, with the yield on the 182-days tenor decreasing from around 4.25 per cent at the beginning of the year to 1.21 per cent towards year-end. Similarly, the 273-days tenor decreased from 5.90 per cent to 2.70 per cent and the 364-days tenor decreased from 7.20 per cent to 4.30 per cent over the same period. In sustaining the short-term domestic borrowing, the Government opted to refinance its maturities with shorter-term Treasury Bills. There were also major reductions in interest rates paid on Treasury Bonds. In the last auction of the year, interest costs dropped below 6.0 per cent even for 10 year Bonds.

As at the end of September 2022, the longer tenor of the Treasury Bills (364-days) accounted for 93.0 per cent of the total issuance. Under the Treasury Bond portfolio, the short-term tenors (2 & 4 year-bonds) accounted for approximately 40.0 per cent of the total Treasury Bond issuance. Refer to Table 31.

Large net issuance (higher borrowing than repayments), periodic rolling, over and partial retiring of Government Securities are an ongoing feature of the Government Securities auctions in the 2022 fiscal year.

Table 31: Government Securities Issuance - End of September 2022

Treasury Bills		
Tenor	Volume (K, Millions)	%
182-days	185.4	1.3%
273-days	798.7	5.8%
364-days	12,847.8	92.9%
	13,831.9	100.0%
Treasury Bonds		
Tenor	Volume	%
2 years	602.9	22.3%
4 years	470.0	17.4%
5 years	283.0	10.5%
7 years	226.5	8.4%
8 years	202.5	7.5%
9 years	146.5	5.4%
10 years	162.0	6.0%
	2,093.4	77.3%

Source: Department of Treasury

8.4 MEDIUM TERM DEBT STRATEGY AND OPERATIONAL PLAN 2023-2027

Overall Objective of 2023-2027 Medium Term Debt Strategy

The next Medium Term Debt Strategy (MTdS) 2023-2027, has been formulated against the revenue and expenditure assumptions presented in the 2023-2027 Medium Term Fiscal Strategy (MTFS), which focuses on maintaining fiscal support for economic recovery from the COVID-19 pandemic as well as fostering fiscal consolidation over the medium term. The MTdS is aligned with the *FRA*, with the goals of maintaining debt at sustainable levels, maintaining financial risks at prudent levels and developing the domestic debt market. The strategy has a strong focus on managing the risk exposure embedded in the debt portfolio, that is, the potential variations in the cost of debt servicing and its impact on the budget over the medium term by identifying how cost and risk vary with the composition of the debt.

Cost and Risk of Current Debt Portfolio

PNG remains at high risk of debt distress according to the recent IMF and World Bank's Debt Sustainability Analysis, although this analysis indicates that the overall and external debt position is sustainable, conditional on the implementation of the Government's plan for further fiscal consolidation and conservative financing strategies.

The level of Central Government Debt has been increasing in recent years to around 52.2 per cent of GDP at the end of 2021, from 47.0 per cent in 2020, reflecting the need for Government to cover additional health-related expenditures and the slowdown in economic activity during that period. The debt-to-GDP ratio is expected to be 50.2 per cent by the end of 2022, a slight increase of 1.9 per cent from 52.2 per cent in 2021.

The current debt portfolio reflects risks resulting from the large share of domestic debt and concessional external loans. Based on the recent history of stable exchange rate movements and overall exposure to foreign currency debt, foreign exchange risk in the Government debt

portfolio remains relatively high. Foreign currency debt amounted to 24.7 per cent of GDP and its short-term debt component represented 7.0 per cent of international reserves. Refinancing risk is high, with the share of debt maturing in one year amounting to 14.6 per cent of GDP or 29.1 per cent of total debt. When measured by debt refixing in 1 year, 50.0 per cent of the portfolio is exposed to interest rate changes owing to the share of the external debt portfolio exposed to variable interest rates.

In terms of borrowing costs, a predominance of domestic debt instruments with an average cost of 6.9 per cent makes the portfolio's borrowing cost relatively high at 4.9 per cent. The domestic market is currently a major source of financing for the Government. Marketable securities are issued in the form of Treasury Bills and Treasury Bonds. An additional source of domestic financing is loans from domestic banks. In recent years, the Government has also increased its reliance on domestic loans as domestic bank financing terms match the timeline of projects. However, to mitigate the risk of variable rate exposure and hefty costs associated with domestic borrowing, the Government has to be cautious. Refer to Table 32 below.

Table 32: Cost and Risk Indicators for existing debt as at end of 2022

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of PGK)		26,660.1	27,497.6	54,157.7
Amount (in millions of USD)		7,571.5	7,809.3	15,380.8
Nominal debt as percent of GDP		24.7	25.5	50.3
PV as percent of GDP ¹		22.4	25.6	48.0
Cost of debt ²	Interest payment as percent of GDP ³	0.7	1.8	2.4
	Weighted Av. IR (percent)	2.7	6.9	4.9
Refinancing risk ²	ATM (years)	9.6	2.4	5.9
	Debt maturing in 1yr (percent of total)	3.7	53.8	29.1
	Debt maturing in 1yr (percent of GDP)	0.9	13.7	14.6
Interest rate risk ²	ATR (years)	5.7	2.4	4.1
	Debt refixing in 1yr (percent of total)	46.2	53.8	50.0
	Fixed rate debt incl T-bills (percent of tot)	55.5	100.0	78.1
	T-bills (percent of total)	0.0	49.3	25.0
FX risk	FX debt (percent of total debt)			49.2
	ST FX debt (percent of reserves)			7.0

Source: Department of Treasury

Debt Strategy Operations

In line with the Government's overall objectives of cost minimisation with prudent levels of risk and the development of the domestic debt market, the following strategies are set out to operationalise the new debt policy:

- lessen reliance on Treasury Bills to mitigate risk of refinancing or rollover risk;
- reduce variable interest rate borrowing to increase the Average Time to Refixing;
- reduce commercial borrowing to help reduce annual interest cost bills;
- prioritise concessional financing from external sources in order to secure the necessary financing for development objectives; and
- develop the domestic debt market to improve its depth, liquidity and efficiency. As part of this effort, the Government will develop closer engagement with the existing domestic investor base and aim to expand it in order to reduce dependency on a few investors.

Debt Strategy Targets

To minimize the impact of costs and risks to the Government, the following indicators shall be used as a guideline to provide measurable and quantifiable targets for monitoring purposes:

Table 33: Key targets 2022-2027

	Current	Target
Domestic debt Average Time To Maturity (years)	2.3	Above 2 years
Domestic Debt refixing in one year (%)	46.2	Below 40.0 per cent
FX debt as percentage of total debt	49.2	below 60.0 per cent
Debt to GDP (%)	50.3	Below 60.0 per cent

Source: Department of Treasury

A detailed version of the 2023-27 MTdS should be produced and approved before the end of 2022.

The development of the 2023-2027 MTdS is a culmination of the efforts of the Treasury's Debt Management staff; the invaluable guidance and contributions of the ADB's Debt Management Advisor to the Treasury; the update and refinement of the preliminary Debt Strategy conducted for PNG by the Pacific Islands Financial and Technical Assistance Centre (PFTAC) in July 2022; and the adoption of the debt strategy spreadsheet-based framework developed by the IMF and World Bank.

CHAPTER 9: NATIONAL REFORM AGENDA

9.1 OVERVIEW

The continuation of crucial structural reform options to support a strong, sustainable, balanced and inclusive economic recovery from the COVID-19 pandemic are crucial. While the virus continues to spread in many regions of the world, and many countries are experiencing a resurgence of cases, countries need to plan for the recovery while coexisting with the pandemic.

This involves maintaining fiscal and monetary support while adapting short-term crisis-related measures, introducing some new policies and targeting policies where they would be most effective. The Marape-Rosso Government's structural policies focus broadly on three main fronts for an inclusive, and sustainable economic recovery:

- Allowing the reallocation of resources and boosting productivity and growth by removing barriers to worker mobility and firm entry and increasing competition (e.g. adapting competition law to the digital age);
- Supporting people to find new jobs via re-skilling and job placement policies. There should be a strong emphasis on building digital skills – especially for the low skilled and other vulnerable groups
- Reinforcing sustainability and resilience through increasing public and private investments, especially in health systems, digitalisation, education and training, and lowering emissions; while improving the robustness of fiscal positions by reviewing public spending and shifting towards broader, more diverse revenue sources.

The Government will reflect on the lessons of the past and to improve the future through ongoing reforms of policy and governance to meet the expectations of the people. Under the slogan of *'taking back PNG,'* the Government will continue with its plan to connect PNG through better transport infrastructure such as roads, wharves-jetties, and airstrips, to boost economic activity, and ensure that the key development aspirations of PNG are achieved. These reforms are guided by the objectives of the Government strategies such as Vision 2050 and PNG's *Development Strategic Plan 2010 – 2030 (DSP)*.

The Government will continue to focus on accomplishing new service delivery standards by trimming excessive spending, minimising resource wastage, and redirecting funds to key priority impact projects at all levels of Government in the areas of Health, Education, Infrastructure and Law and Order.

In support and recognition of its public servants, the Government has signed a New Wage Fixation Agreement with the Public Employees' Association (PEA) which involves an annual three percent (3%) general salary increase over three (3) years which will commence in 2022 and end in 2024.

Under the Labour Mobility Program, employment opportunities in Australia and New Zealand are growing rapidly and the Government will continue to support this program. This program provides opportunities for our people to build capacity and skills, send remittances back home and at the same time save to sustain their livelihood or invest in small businesses in the future.

In addition to the recently completed review of the Superannuation and Life Insurance industries, the review of the *Central Banking Act 2000* is another key reform undertaken by the Government. This reform is important to modernise and strengthen the combined

independence, governance, accountability, and transparency of the Central Bank of PNG. Phase I of this review dealing primarily with the governance of the Central Bank was completed in 2021 and Phase II focusing on the financial sector regulation and competition commenced this year.

With the prospects of new resource projects coming on stream, the Government is committed to establishing the Sovereign Wealth Fund (SWF). An inter-agency team will be established to advise and guide the Government on the processes and steps involved in the establishment of the SWF, consistent with the Organic Law on the SWF.

9.2 KEY REFORMS

9.2.1 Increasing employment opportunity from labour mobility

The objective of Enhancing Labour Mobility Project is to strengthen government systems that support workers and their households to benefit from overseas employment opportunities. The labour mobility program is a key initiative of the Marape-Rosso Government that aims to strengthen government systems to enable Papua New Guineans, especially women and disadvantaged groups take advantage of employment opportunities overseas, especially Australia and New Zealand.

The primary beneficiaries of this project are current and prospective workers and their families. The scope and responsibility of the project is not limited to placement of PNG workers overseas. It also supports the design and operation of labour mobility initiatives across the labour mobility cycle, including: worker selection, recruitment, and mobilisation; support whilst undertaking overseas employment; and return/reintegration.

The Government, through the Labour Mobility Unit (LMU), will continue to raise awareness of Australian and New Zealand employers of the depth of skills and availability of employment-ready workers in PNG and promote PNG workers through Business-to-Business connections between Australian and PNG companies.

Mobilisation recommenced in March 2022 after COVID-19 travel restrictions were lifted. The LMU has mobilised 903 workers to Australia and 11 to New Zealand as of October 2022. A total of around 1400-1600 workers are expected to be deployed to Australia and New Zealand by the end of 2022. This is a 1000% increase compared to previous annual figures of 126 workers. In line with its stated goals, the Government has requested the World Bank for financing to assist with the current efforts to expand PNG's participation in international labour mobility schemes.

The LMU is currently working with the Department of Treasury and the World Bank to implement this project over a 5-year period.

Meetings are being held between senior Ministers in PNG and Australia to advance this program. Subject to adequate safeguards being in place to protect workers, while also recognizing access to these schemes is a privileged and not a right, it is expected that this program will rapidly expand to at least 10,000 workers in the medium term.

9.3 PUBLIC SECTOR REFORM

9.3.1 Equitable Resource Allocations to Provincial Governments

Provinces are expected to receive a minimum level of funding annually. The amount that is allocated to provinces is known as the “Equalization” amount. This forms the pool of funding for Function & Administration Grants. The revenue-sharing formula is embedded in Section 19 of the *Intergovernmental Relations (Functions and Funding) Act 2009*. Further, the equalization amount is then divided between individual provinces and Local Level Governments (LLGs). For the 2023 Fiscal Budget, the Equalization amount is calculated to be K642.1 million.

The *Intergovernmental Relations (Functions and Funding) Act 2009* sets out the formula for calculating the Equalization Amount. This forms the funding pool to be distributed on an equitable basis between provincial and local level governments. The Net National Revenues (NNR) is calculated using actual data from the second preceding fiscal year. Accordingly, the 2023 NNR was calculated using data published by the Department of Treasury in the 2021 Final Budget Outcome.

Since the transitional period, the prescribed percentage has been fixed at 6.57 per cent of the NNR. Accordingly, the funding available for provincial and LLGs increases or decreases as a proportion of the NNR by the prescribed percentage. The NNR amount is the total tax revenue received by the national government excluding mining and petroleum tax revenue. The intergovernmental financing arrangements emphasize the revenue-sharing arrangements between the National and Provincial and Local Level Governments. If NNR is high in one particular year, Provincial governments and LLGs will receive more funding. If NNR in a particular year is low, they will receive less funding.

The Equalization Amount for the 2023 Fiscal year is K642.1 million, an increase of K48.2 million from K593.9 million in 2022 reflecting higher total tax revenue collections in 2021 compared with 2020. The equalization amount is determined based on the prior year’s GoPNG revenue outcome. Hence, the 2023 Equalization amount is based on the 2021 FBO as shown in the table below.

Table 34: Calculation of the NNR Amount for the 2023 Budget (Kina, million)

Act Definition	2020 FBO	2021 FBO	Variance
General tax revenue*	9,223.7	10,408.2	1,184.5
Less: Mining and petroleum tax revenue	183.4	635.4	452.03
Net National Revenue	9,040.3	9,772.8	732.5
	2022 Budget	2023 Budget	Variance
Net National Revenue (NNR)	9,040.3	9,772.8	732.5
Multiplied by (*) 6.57%	6.57%	6.57%	
Equalization Amount (NNR X 6.5%)	593.9	642.1	48.2

Source: NEFC 2023 Annual Budget Fiscal Report.

9.3.2 Superannuation Reforms

Review of the Superannuation and Life Insurance Industries

The superannuation industry has grown significantly over the last decade and is now the second largest segment of the overall financial sector, after the banking industry. While this

growth is reflective of the well-established policy framework for the superannuation industry, there is still room for improvement. Some emerging issues to be addressed include: employers not contributing on behalf of their employees; fund members withdrawing lump sums on their savings; taxation issues; protection of contributors through the compulsory life insurance component of the funds; and other challenges posed by COVID-19.

Meanwhile, PNG's insurance industry is underdeveloped. Having multiple regulators⁶ in the industry, makes it more challenging to provide effective and efficient coordination and information sharing between the two regulators.

In the 2020 National Budget, the Minister for Treasury approved and commissioned an independent review into the Superannuation and Life Insurance sectors to be undertaken by an independent Committee referred to as Superannuation and Life Insurance Review Committee (SLIRC). This committee was tasked to take a holistic approach when reviewing the Superannuation and Life Insurance industries' legislative and regulatory frameworks, the business environment in which they operate, and the tax implications of changes recommended for Review.

The review commenced in February 2021 with the SLIRC releasing a Discussion Paper inviting stakeholders to provide feedback. The Regional stakeholder consultations were also held in Southern and Islands regions in September to October 2021. The SLIRC completed the remaining regional consultations for the Momase and the Highlands regions in mid-2022.

The final report is expected to be presented to the Government in the first of 2023.

9.3.3 Public Service Wage Fixation Agreement

The previous 2017-2019 Industrial Awards of three per cent (3%) for the general public service (teachers, disciplinary forces and the different cadres of health workers) expired in 2019. The Government signed a new three-year (2022-2024) Wage Fixation Agreement with the Public Employees' Association in September 2022 awarding a general three per cent pay rise for the estimated 129,000 public servants.

The Government allocated K42 million in the 2022 Supplementary Budget for this purpose and up to similar amount is being provisioned for 2023 Budget.

9.4 A COMPETITIVE AND DYNAMIC PRIVATE SECTOR

9.4.1 OVERVIEW

Government's reforms initiatives can be critical enablers at micro level to enhance private sector growth and development which focus on improving access to markets; improving access to credit; expanding and improving financial services; removing regulatory barriers to competition; and more importantly, improving the policy, legislative, and regulatory environment to enable the private sector to thrive, especially Micro-Small-Medium Enterprises.

The Government's policy agenda will include the following:

⁶ That is PNG Insurance Commission (PNGIC) regulating general insurance while BPNG regulates life insurance.

- i. reducing the cost of doing business by removing regulatory impediments to private sector growth and facilitating the development of small and medium-sized enterprises (SMEs);
- ii. increasing efficiency and competition for State Owned Enterprises (SOEs) to deliver high standard telecommunication, electricity and transport sectors services;
- iii. ensuring strong regulatory enforcement of the competition and consumer protection law so that markets operate competitively and ethically to safeguard small businesses and consumers against unfair treatment;
- iv. improving the productivity of tourism and agriculture sectors in the remote areas; and
- v. encouraging the transition of informal economy participants to the formal economy.

9.4.2 Consumer and Competition Framework Reform

A Consumer and Competition Framework Review (CCFR) was sanctioned in 2014 to assess and examine whether existing consumer and competition frameworks were reliable and met the market's needs and trends going into the future. The review was undertaken from 2015-2017 and a final report containing 192 reform recommendations was proposed and approved by the Government for full implementation. These reform recommendations were grouped into policy, legislative, and administrative reforms to update and improve existing consumer and competition frameworks.

Under the policy reforms workstream, a new '*National Competition Policy*' was approved in 2020. The policy features pro-competitive policy objectives, principles, and elements that seek to facilitate effective competition to promote efficient economic growth with social objective considerations. It is being implemented partially because other reforms will need to be completed before it can be fully effective and enforced through a new Competition Law.

Under the legislative reforms workstream the modernization and simplification of the current fragmented laws of consumer protection and competition will be key deliverable. The Department of Treasury is currently reviewing this reform and it is expected to be completed by 2023.

Under the administrative reforms workstream the institutional framework and the capacity of the regulator will be the main focus. This includes regulator operational changes or improvements, regulator capacity development and coordination, and government policy coordination. This is planned to be undertaken after the legislative reforms are completed.

Competitive Neutrality of SOEs has been a recent focus, supported by the Asian Development Bank. The four Competitive Neutrality Principles are to:

- a) Achieve a commercial rate of return on assets;
- b) Be tax neutral – i.e. pay all relevant taxes and duties;
- c) Be regulation neutral – i.e. comply with all relevant laws and regulations; and
- d) Be debt neutral – i.e. borrow at commercial rates or include charges to account for implicit and explicit government guarantees. (Due to Government's role in ensuring it plays a key part in providing essential goods and services to the public, this will be applied as appropriate in future).

In 2022, the NEC endorsed amendments to the ICCA Act to implement the following elements of the National Competition Policy:

- a) receipt and reporting on the Competitive Neutrality Principles by SOEs;

- b) receipt and investigation of matters raised by the National Working Group;
- c) the provision of advice by ICCC to the Treasurer on competition matters; and
- d) the monitoring of the participation and success of women's businesses and SMEs in public procurement processes.

In 2023, the Department of Treasury will work in collaboration with relevant government agencies and stakeholders to create awareness of the policy and apply and implement appropriately.

9.4.3 Competition Regulation and Consumer Protection Operations

The ICCC is responsible for the enforcement of the competition and consumer law to ensure markets are competitive and consumers' interests are protected. The ICCC will continue to provide regulatory oversight to markets where there is limited competition in the market of basic goods and services critical for individuals and businesses. This will enable ICCC the opportunity to assess and introduce new regulations, if required.

This oversight includes continuation of current regulatory oversight concerning the supply of water and sewerage, compulsory third-party motor vehicle insurance, and essential port services, and for specific regulated products like rice, sugar, flour, and refined petroleum products. Any form of additional regulation will be assessed carefully to weigh the benefits and effects of such regulation on businesses and consumers.

ICCC will continue to implement these reforms in 2023.

9.4.4 Information and Communications Technology (ICT) Industry

The National Information and Communications Technology Authority (NICTA) is the agency responsible for the technical regulation of the Information and Communication Technology (ICT) industry. This requirement is specified under the *National Information and Communications Technology Act 2009*.

Its primary objective is to ensure that the ICT industry contributes to the greatest extent possible to the long-term economic and social development of PNG. NICTA will continue to ensure ICT industry remains competitive in 2023 and into future.

9.4.5 PNG Securities Commission (PNGSC)

Development of PNG's capital market and the strengthening of the PNG Securities Commission (PNGSC) are key deliverables under the Financial Sector Development Strategy (FSDS) 2018-2030. The PNGSC aims to become a fully established standalone regulatory body that is mandated to administer three Acts (Securities Commission Act, Capital Markets Act, and Central Depository Act). A recently signed MoU between the PNGSC and the ADB Pacific Private Sector Development Initiative outlines technical, operational, and policy cooperation with key workstreams that include strengthening PNGSC's role as PNG's capital market regulator through capacity-building measures, and developing a robust capital market strategy (including policy, legal, regulatory, and technology reforms) to support a vibrant PNG capital market. This work is expected to continue on in 2023.

9.4.6 National Financial Inclusion Policy and Strategy

Financial inclusion remains a priority for the government in its development agenda. Much of the financial inclusion initiatives are being driven by the Centre for Excellence in Financial Inclusion (CEFI). Financial inclusion programs have continued in 2022 and are to continue in 2023 as per the second National Financial Inclusion Strategy (NFIS) (while awaiting finalization and launching of the third Financial Inclusion Strategy in 2022) and the National Financial Inclusion Policy (NFIP). The main focus area going forward includes: engagement with provincial and LLGs; development of the financial education curriculum; and implementation of the NFIP and NFIS.

9.4.7 Financial Consumer Protection framework

The Financial Consumer Protection Framework Review identified several issues with financial products, such as a lack of openness in the disclosure of rates, fees, and terms and conditions, as well as substantial gaps in financial consumer protection when compared to global best practices. It also suggested that PNG create a regulatory framework for financial consumer protection.

After the evaluation, BPNG, with assistance from the International Finance Corporation (IFC), drafted the Financial Consumer Protection (FCP) Bill. The bill incorporates financial consumer protection framework ensuring principles of fairness and equitability for customers who use financial services. The Bill is currently undergoing consultation process to incorporate feedback from relevant stakeholders.

9.4.8 Commodity Price Support

The Government is now re-focussing on the renewable resources sector, such as the agriculture sector, to sustain the economy into the future and requires a whole of a government approach to grow the sector. The demonstration of this commitment was backed up the establishment of three new Ministries by the Marape-Rosso Government under agriculture sector, (i) Ministry for Coffee, (ii) Ministry for Oil Palm and Ministry for Livestock.

Most commodities exported by PNG are price dependent and driven by external market forces. In addition, a majority of our population depends on these commodities for their income and low commodity prices have a discouraging effect on production. A team of specialists will be mobilised to work on an initial concept note with a view to generate discussions with relevant partners to develop a comprehensive commodity price support policy for the Government to consider.

The Government through newly established ministries of the agricultural sector will continue to explore a commodity price support program for the agriculture sector. In 2023, the program will assess this in conjunction with the concept note to advise the Government on its sustainability and implementation.

9.4.9 Minimum Wages

The minimum wage plays a vital role in the economy by protecting low-skilled workers from exploitation and providing certainty to firms' business decisions, particularly regarding the mobilization of labor inputs which constitute substantial costs to a firm. Minimum wages target employment and is set through the Minimum Wages Board. It is set after consulting all players such as the workers unions, the Government, and employers' associations.

The last minimum wage was set in 2016 and is due for review. Over the last two years, the Department of Treasury had been supporting the Department of Labor and Industrial Relations (DLIR) in developing the National Employment Policy (NEP) and a sub-set policy the Labor Market Information Policy. The NEP is an overarching labor policy and its key recommendations are improving minimum wages setting and developing a labor data information system. The proposed policy provides the mandate to commence work on improving minimum wages setting. Currently minimum wages are set on an ad-hoc basis.

A working committee is now established and will work towards reforming how minimum wages are set and also assess the current minimum wages for determinations going forward. A key issue going forward is that there is considerable feedback that many employers are not even paying the existing minimum wage. This may become the priority reform action before further increases are granted as one does not want to penalise law-abiding employers if they are being undermined by employers not following the law.

9.5 ASIA-PACIFIC ECONOMIC COOPERATION (APEC)

The Government developed a PNG Foreign Policy on APEC (PNGFPA) which was endorsed by NEC in February 2020. This is a roadmap to pursue the implementation and domestication of the 2018 APEC Chair's Statement and realign PNG's participation in the APEC process to achieve more tangible outcomes for PNG.

The PNGFPA has positioned PNG to leverage from APEC by aligning key domestic deliverables identified in our development goals under the PNG Vision 2050, Medium Term Development Plan III 2018-2022, and the Domestic Strategic Plan 2010-2030 with the broader APEC pillars. This will assist PNG to tap into the wealth of expertise, experiences, and capacity building initiatives within the APEC forum.

Domestically, a Committee on APEC Policy Issues (CAPI) comprising all the relevant government agencies and institutions that had worked together to deliver the 2018 PNG APEC continues to advance the policy initiatives under the domestication 'Roadmap' and APEC 2018 Leaders' Chair's Era Kone Statement to drive the PNGFPA.

In 2023, PNG as an APEC member will continue to participate in relevant APEC meetings that are scheduled to be hosted by the United States of America. The Government remains committed to achieving and aligning its development goals through APEC.

9.6 IMPLEMENTATION OF THE SOVEREIGN WEALTH FUND OF PAPUA NEW GUINEA

The main objectives of the SWF are to support macroeconomic stabilisation, intergenerational equity through the saving of extractive resources revenues for the current and future generations, and asset management in relation to assets accrued from mineral and petroleum receipts.

The enactment of the Organic Law on the Sovereign Wealth Fund (OLSWF) by the National Parliament in July 2015 and its subsequent certification by the Speaker of Parliament in January 2016 provide the legal basis for the establishment of the PNG SWF. The OLSWF provides for its provisions to come into operation in two phases. Under the first phase, the parts of the OLSWF which came into effect upon its certification include those dealing with the establishment of the SWF Board. In the second stage, the remainder of the provisions of the

legislation will come into operation after the publication of a notice in the National Gazette by the Head of State in accordance with advice from NEC.

Following the certification of the OLSWF, a number of tasks undertaken have been completed or ongoing in preparation for the establishment of the SWF. Key outcomes include: the conduct of an executive search domestically and internationally for candidates to fill the positions of members and chairman of the SWF Board; development of the remuneration framework for the SWF Board chairman and members; development of an investment mandate and investment strategies; development of SWF fiscal and profit maximization models; and development of SWF corporate governance principles and SWF organisational structure.

The appointment of the SWF Board has been slower than expected as it became clear that the expected large revenues from the PNG LNG Project had not started flowing to the State. This was due to the fall in commodity prices commencing in late 2014, the provisions in the PNG LNG Project Agreements giving priority to the project loan repayments, and tax concessions including accelerated depreciation arrangements.

The Government was concerned that, if the Board was established, there would not be any significant buildup of funds in the short to medium term for the Board to manage and invest. The Government recognizes the importance of proper funding of the SWF in order for it to effectively carry out its core business as well as sustaining its operations.

The OLSWF provides for SWF funding through its two sub-funds, the Stabilisation Fund and the Savings Fund, from a number of sources including: proceeds of sale of the State's assets or interest in mining and petroleum projects; dividends from the State's holding companies and non-holding companies holding interest in mining or petroleum projects; withdrawals from the Savings Fund into the Stabilisation Fund; receipt by the Savings Fund of the surplus of the Stabilisation Fund after its balance reaches US\$1 billion; proceeds of sale of non-mineral or non-petroleum assets; and any other amount allocated under the National Budget.

As the Government has identified the immediate source of funding for the SWF, a decision has been made to expedite the establishment of the SWF. During the the inaugural sitting of the Eleventh National Parliament in 2022, and in his subsequent meeting with the business community, the Prime Minister, Hon. James Marape, announced that the SWF will be established with initial dedicated funding of seven per cent (7%) of dividends from the State-Owned Enterprises in the resource sector, particularly Kumul Petroleum Holdings Limited. An initial payment of K5.6 million has been made under this arrangement from Kumul Consolidated Holdings Limited.

The Government will establish an inter-agency team to collaborate on a road map for the establishment of the SWF. This team of officials will advise the Government on the next steps towards the establishment of the SWF in line with the requirements of the Organic Law on the Sovereign Wealth Fund.

9.7 CENTRAL BANKING ACT 2000 REVIEW

In 2021, the Government established the Independent Advisory Group (IAG) to review the Central Banking Act 2000 (CBA 2000). The IAG completed its review and subsequently presented its Phase I Final Report to Treasurer in November 2021.

The IAG's review found that while BPNG has done well in some regards, there exists significant problems that must be addressed to prevent re-occurrence in the future. The Phase I review Final Report has thirty-one (31) recommendations. However, after evaluating the recommendations, the Government accepted twenty-one (21) recommendations in whole or in part with a further eight (8) recommendations deferred for further work in Phase II of the review. The report and the amendments to the Central Banking Act 2000 were tabled and passed in the December 2021 sitting of Parliament.

The Central Banking (Amendment) Act 2021 was certified on 22 December 2021.

The IAG's review has continued into a more detailed second phase (Phase II) in 2022. Critical strategic issues requiring in-depth analysis and development has formed the basis of the Terms of Reference (TOR) for the second stage of the review and covers broader issues such as regulation of the financial system, actions to encourage competition, and follow-on work in light of the recent Financial Sector Reform review.

The Phase II TOR was approved by the Treasurer on 7 April 2022. The TOR also agreed to the engagement of a Technical Group/Secretariat from the Department of Treasury and BPNG to support the work of the IAG. Following the approval of the TOR, the work on the Issues Paper commenced with various consultations held before the finalization of the Paper, especially within Treasury and BPNG.

The Phase II Issues Paper was finalized on 10 August, 2022 and published in the IAG website, as well as being disseminated to the major stakeholders, including Treasury, BPNG, the commercial banks, super funds, NDB and SMEs. The purpose of the Issues Paper was to stimulate discussions around the topics covered in the Phase II TOR on financial sector and related issues as well as the outstanding issues from the Phase I review, including:

- Competition and regulation in the banking and financial sector
- Impact of new technologies on the financial sector
- The reduction of interest rates on government debt
- Crisis and lender-of-last resort provisions
- Financial sector regulatory arrangements
- Review of the Anti-Money Laundering & Counter Terrorism Financing Act governance and impact on the informal economy
- Cash shortages
- Other issues

The review will continue into 2023

9.8 DIGITAL SECTOR TRANSFORMATION

Digital transformation is an emerging trend in the digital era and it plays a critical role in accelerating growth in other sectors. Government Policy, through the Digital Government Act 2022, now establishes a 'digital sector' to coordinate and enable PNG to harness and benefit from digital transformation.

Digitalization of governments through use of ICT contributes directly to positive revenue growth for the government and improved public service delivery to citizens and businesses and among government departments and agencies and employees. The 'Digital Sector' and the various programs within each sub-sector will be aligned towards realizing the outcomes of

the Development Strategic Plan 2010-2030 (DSP 2030) and enable the government to not only achieve the Vision 2050, but also meet and exceed its commitments under UN Sustainable Development Goals, specifically its work on health, education, gender, connectivity, and smart cities.

Spearheaded by the Department of Information and Communication Technology (DICT), the government recently published the Digital Government Plan 2023-2027 (the “Plan”). The Plan;

- captures and promotes effective use of modern and resilient infrastructure with sufficient capacity as an enabler in the adoption and delivery of online services in three main components; government to citizen service, government to business services and government to government services; and
- Provides a strategic direction for a safe and secure digital environment for effective delivery of digital services that aims to build trust, prevent fraud and data protection.

The Sector comprises: Department of Information and Communication Technology as the lead agency to coordinate the delivery of digital transformation with government departments and agencies including National Broadcasting Corporation (NBC); National Information Communication Technology Authority (NICTA); the ICT service providers and the industry including State-Owned Enterprises such as Telikom Limited; PNG DataCo Limited; Kumul Consolidated Holdings Limited; and Kumul Telikom Holdings Limited.

The major ongoing impact programs and projects for the sector are: Digitization of key government services as captured in the Digital Government Plan 2023-2027 with immediate priority on e-passport and e-Police Clearance Report; maintaining of Cyber Security Operational Centre (CSOC) and provisioning of cyber security services for critical government infrastructures and services; provisioning of private Government Cloud to enable service delivery between Government to Government, Government to Citizens and Government to Business and establishment of a e-Government Portal government systems integration, interoperability and sharing of information.

CHAPTER 10: ENHANCING STATE'S INVESTMENTS

10.1 OVERVIEW

All Government investments are managed by the three (3) Kumul Holding Entities (KHE). These entities have specific enabling legislations and are expected to operate as commercial entities under the *Companies Act* 1997. The Kumul Consolidated Holdings Limited (KCHL) manages Governments' non-mining and oil and gas investments through the General Business Trust (GBT). The GBT owns Government shares in nine (9) majority owned State-Owned Enterprises (SOEs) as well as shares in other investments.

The SOEs investments are mainly in the infrastructures and utilities sectors which include ports, airports, electricity, telecommunications, water and sanitation while other Government investments are in the banking and agriculture sectors. Government's mining and oil and gas investments are managed by the Kumul Mineral Holdings Limited (KMHL) and Kumul Petroleum Holdings Limited (KPHL).

The Government expects Holding Entities and SOEs to generate positive investment returns and pay dividends to support the national budget. As such, the Government continues to develop policies to set parameters for the Kumul Entities and SOEs boards to make sound commercial decisions for prudent management of investments and declare dividends, promote transparency and good governance and add value and enhance competition in their roles to deliver public goods and services.

10.2 STATE'S INVESTMENT PERFORMANCE

The three (3) KHEs focus on industry expertise to reinforce viable commercial investment decision for higher returns. While KMHL and KPHL are performing to commercial expectations, the SOEs under KCHL are struggling to perform to same expectations. The annual performance reports of the SOEs over the recent years indicated that some SOEs performed financially well while others continued to perform below expectations. This has called for reform of KCHL and SOEs to be accountable, financially sustainable and make dividend payments.

Government set out a blueprint for the reforms in 2019 to be undertaken from 2020 – 2022 to strengthen overarching corporate governance and policies and tackle SOE specific challenges. The Government has undertaken the reforms with the support from the Asian Development Bank through the Programmatic Policy-Based Loan of US\$500 million with three subprograms implemented in 2020, 2021 and 2022.

The reforms mainly focused on strengthening legislative and policy framework through the amendment of the *KCHL Authorisation Act*. The amendments passed in 2021 included:

- to reduce political influence on commercial decision making and focusing KCHL role on monitoring SOE's performance;
- reinforce timely preparation and public release of corporate plans and audited annual financial statements;
- transparent and skills-based appointment of SOEs directors;

- introduction of provision to include one woman on shortlisting for appointment of board directorship; and
- require community services obligations (CSOs) to be identified and costed.

Other reforms considered important to improve the performance of the SOEs included the amendment of the *Public Private Partnership Act 2014* which was passed by Parliament in 2022 and the National Competition Policy, especially removal of barriers to encourage women and small to medium sized businesses to participate in public procurement process.

Government expects these legislative and policy reforms to improve and transform the commercial performance of the KCHL and SOEs and support them to make reasonable, consistent and timely dividend payments.

10.2.1 General Business Trust (GBT) Assets

KCHL is the trustee of the General Business Trust (GBT) assets and holds this in trust on behalf of the Government. KCHL maintains oversight of the management and financial performance of the nine (9) majority owned SOEs including other listed and unlisted shareholdings vested through the *Kumul Consolidated Authorisation Act 2015 (as amended)*.

The valuation of GBT Assets as at 31st December 2019 and 31st December 2020 were K4.4 billion and K4.0 billion respectively. The total GBT value as at 31st December 2021 was K3.8 billion indicating consistent decreases in GBT assets value from fiscal years 2020 to 2021. The decrease in total asset value is attributed to various factors including declining investment activities, Kumul Telekom Holding (KTHL) restructure, and consistently deteriorating financial performances from Air Niugini, PNG Power Limited and Kumul Agriculture Limited. Table 35 shows the GBT performance for fiscal years 2020 and 2021.

Table 35: General Business Trust (GBT Assets) as at 31st December 2021

Particulars of GBT(Million)Assets 100% owned unless indicated	2020 (K,m)				2021 (K,m)			
	Valuations	Gross Revenue	Net Profit Before Tax	Dividends Paid to KCH	Valuations	Gross Revenue	Net Profit Before Tax	Dividends Paid to KCH
Telikom Ltd(merger of Telikom PNG Ltd&Bemoblie Ltd)	485.0	389.9	-2.2		246.00	420.1	28.2	-
PNG DataCo Ltd	0.0	133.5	9.0		37.00	142.8	-33.6	-
Air Niugini Ltd	0.0	620.7	-285.6		-	798.8	- 4.0	-
Eda Ranu(Merger with Water PNG as @12 th April 2021)	270.00	150.4.	17.5	5.6	-	0.0	0.0	-
Moto Vehicle Insurance Ltd	623.00	123.3	84.3	84.3	621.00	90.7	73.7	42.13
National Development Bank Ltd	442.00	44.7	-16.6	-	482.00	42.2	-36.2	-
PNG Ports Corporation Ltd	530.00	304.1	83.7	15.27	632.00	349.5	102.7	32.33
PNG Power Ltd	32.00	952.2	-8.0	-	4.00	933.1	-	-
Water PNG Ltd	136.00	118	13.6	2.7	393.00	200.1	-79.8	20.00
Post PNG Ltd	154.00	38.3	-1.3	1.5	111.00	42.3	-11.0	-
PNG Dams Ltd	288.50	-	0.0	-	283.9	0.0	-1.3	-
Kumul Technology Development Corp(Formerly POM Private Hospital	21.00	0.0	0.0	0.0	24.00	0.0	0.0	-
Other including working Progress	52.40				50.0		0.0	-
Allowance for impairments	- 9.50				-9.50			
Total Unquoted Equities	3,024.4	2,875.2	2.2	95.1	2,829.40	3,019.6		94.46
Bank of South Pacific	1,017.7			102.6	1,038.90			122.1
Highlands Pacific Ltd	-	-			-	-	-	-
Total Quoted Equities	1,017.7	-	-	102.6	1,038.90	-	-	122.1
TOTAL(K)Million	4,042.10	2,875.2	- 89.7	197.7	3,868.3	3,019.6	38.7	216.6

Source: KCH Audited Financial Statements as at 31st December 2021

10.2.2 Kumul Agriculture Holdings Limited (KAHL)

KAHL was established by the National Executive Council to oversee all Government investments in the agriculture sector. KAHL oversees Government investments and holds shares in the Sepik Agro Industries Investment, Central Dairy (Ilimo Dairy Farm), National Plantation Management Agency Limited as well as others. KAHL will be responsible for future Government investment in the agriculture sector.

10.2.3 SOE Dividend Payment Projections

Table 36 below shows dividends paid by KCHL, KMHL (OTML) and KPHL in 2019, 2020, 2021 and 2022 with projections for the 2023 Budget.

Table 36: Dividends Paid to State (Kina, million)

Entity	2019 Budget	2020 Budget	2021 Budget	2022 Budget	2023 Budget
KPHL	800	500	300	400	1300
Ok Tedi	200	300	200	200	383
KCHL	80	80	-	20	150
TOTAL	1080	880	500	620	1833
Entity	2019 Sup Budget	2020 Sup Budget	2021 Sup Budget	2022 Sup Budget	
KPHL	720	250	400	700	
Ok Tedi	200	100	200	450	
KCHL	-	-	-	20	
TOTAL	920	350	600	1170	
Entity	2019 Actual	2020 Actual	2021 Actual	2022 YTD	
KPHL	250	200	300	200	
Ok Tedi	131	369	81	-	
KCHL	-	-	-	80	
TOTAL	381	569	381	280	

Source: Department of Treasury (31st October 2021)

Government expected KPHL and Ok Tedi Mining Limited (OTML) to pay K400.0 million and K200.0 million respectively in the 2021 Supplementary Budget. However, the final dividends received were K300.0 million from KPHL, a shortfall of K100.0 million from Budget estimate and K81.0 million from OTML below the Supplementary Budget estimation by K119.0 million. OTML also exceeded Budget estimations in 2020 by K269.0 million with the dividend payment of K369.0 million.

KCHL on the other hand has not declared nor paid any Dividends to the State from 2019- 2021. Even though, KCHL has received a total income dividend of K216.6 million in 2021, it did not pay any dividends to the state. The two (2) main factors impacting KCHL's financial capacity to pay dividends are: consistently declining financial performance by some major SOEs and expenditure pressures such that KCHL has used dividend payments from SOEs to implement projects. There was a larger than budgeted dividend of K80.0 million declared by KCHL in November 2022.

The recent reforms undertaken are intended to improve KCHL's ability to pay dividends and improve performance of SOEs from 2023 going forward. The Government also intends to make smarter use of PPP arrangements.

10.2.4 SOE Dividend Policy and Payment Strategy

Government is also reviewing its 2015 Dividend Policy for the KHE. The revised Dividend Policy will outline the Government's expectation of dividend payments and sets out guidance for revenue estimations of the National Budget.

The revised Dividend Policy will reflect the Government's priority on revenue consolidation. The revised Dividend Policy will be submitted for NEC deliberation once finalised by Department of Treasury in consultation with the SOEs.

10.3 BROADER REFORMS

10.3.1 Sectoral Policy Reforms

The Government's sectoral reform programs aim to enhance and add value to its investments in all sectors of the economy. There is a need for the Government policy intervention to review the performance of its current investment portfolio, take stock and assess the value of these investments to fully understand their potential for growing the economy and to ensure proper and timely reporting to assist the Government make informed decisions.

In 2021, the Government through the Department of Treasury, initiated the following policy reform initiatives:

- State Investment Review;
- Development of an Investment Registry Reporting Framework;
- Development of a medium-term Sectoral Investment Plan; and
- Development of a Resource Project Benefits Management Policy.

The policy directive to review all State's investments aims to capture and maintain a robust and consolidated reporting framework at the National Government level for all State investments.

This initiative will provide the State oversight on all fiscal operations of its investment. The Department of Treasury, in collaboration with other Government agencies, will lead these reform initiatives to promote transparency, accountability, and good governance practices for all Government investments.

10.3.2 Non-Tax Revenue Administration (NTRA) Bill 2022

The *NTRA Bill 2022* is part of the broader Public Finance Management (PFM) reform activities intended to address the declining non-tax revenue base of the State by bringing all State agencies' financial dealings and getting them tied into the National Budget process. The Bill also intends to bring greater level of transparency and accountability in the management of public funds collected by Statutory Authorities.

10.3.3. Review of the Board (Fees & Allowances) Act 1955

The Minister for Treasury approved the revised 2021 Determination of Board Fees and Allowance and was subsequently Gazetted after considering recommendations of the review of the 2006 Determination of Board Fees and Allowance.

The review also recommended for the amendments of the principal Act (*Board (Fees and Allowance) Act 1955*). As a result, a State Working Group (SWG) was established to progress the review and amendments starting in 2022.

Furthermore, given the absence of a policy or regulatory framework for the Board Act 1955, the review proposed for the Government to formulate a Directors Remuneration Policy to guide all Government agencies. These reform activities were initiated in 2021 and will continue going forward.

10.4 PUBLIC PRIVATE PARTNERSHIPS (PPP)

There are number of models to procure public infrastructures and basic services. One of these models is the Public Private Partnership (PPP). PPP arrangements aim to increase value and maximise the quality and competitiveness of the provision of public services/infrastructure. It involves the participation of both non-government organisations, individuals and private firms who assist the government through partnerships to share cost and risk to deliver basic infrastructure and service. This mode of delivery supplements limited public sector capacities.

PNG's *Public Private Partnership Act 2014* was passed by Parliament in 2014 and Gazetted in 2018. The PPP implementation started off slowly since its gazettal due to changes in administration responsibilities between Treasury, Finance and National Planning & Monitoring departments. In 2019, Government's effort to operationalize PPP picked-up pace with the support from the Asian Development Bank (ADB) through the Programmatic Policy-Based Approach Loan. A Taskforce (TF) was therefore established to undertake the review, amendment and drafting of the regulations of the *PPP Act*, drafting of the PPP Centre guidelines, business plan and budget assumptions, and convene the first PPP Steering Group (PSG) meeting to endorse the PPP Centre documents.

In January 2022, the *Public Private Partnership (Amendment) Act 2022* was passed by Parliament and subsequently Gazetted in March 2022. PSG has been formalized and have convened two (2) meetings in 2022. In its meetings, PSG has endorsed the PPP Centre's documents prepared by TF. The PPP Regulations were endorsed by NEC and are awaiting drafting by the First Legislative Council (FLC) before being Gazetted.

The next steps towards fully formalizing the implementation of PPP is the appointment of the PPP Centre Acting Chief Executive Officer (CEO). The Acting CEO will be appointed for a term of twelve (12) months and will be responsible for initial set-up of the PPP Centre and the recruitment of the inaugural CEO.

10.5 MANAGING THE NON-RENEWABLE RESOURCE SECTOR

10.5.1 Sustainable Benefits Management Policy

Effectively managing the Mining and Petroleum Sector is crucial to the economy and this has been a major challenge faced over the years. Government has undertaken major reforms to

effectively manage the mining and petroleum sector. These include the reforms for KPHL and KMHL, review of the mining legislation and the intention of reviewing the *Oil and Gas Act 1998*.

Under recent project negotiations, the State has focused on negotiating for additional revenue including new production levy for Papua LNG, equity participation in Porgera and position on State's take in any resource project to be no less than 50 percent.

Government has also focused on the benefits of the resource project to flow directly to the impacted landowners and provincial governments by reviewing a number of Memorandum of Agreements (MOA) with the intention to improve equitable benefit sharing between the impacted stakeholders. The Treasury is currently focusing on delivering the following major policies to become part of the efficient management of the non-renewal resources in the country.

10.5.2 State Equity Participation

Work on a State Equity Participation Policy was initiated and progressed by Treasury since 2018. The Policy aims to provide a framework to guide State Investment Decision in relation to equity acquisition in extractive resource projects. The policy further aims to make the equity participation decision more transparent and ensure good governance. Treasury expects to have the draft policy finalized and commence stakeholder consultations in 2023 and implemented in 2024.

10.5.2 Napa Napa Project Agreement

In 1997, State entered into a Project Agreement (PA) with the developer of the Napa Napa oil refinery to encourage downstream processing of petroleum products, making available cheaper petroleum products for local consumption.

The agreement provided fiscal incentives including the consideration for the refinery to have monopoly market on the importation and supply of petroleum productions in the local economy. The State and the developer agreed on an 'Import Parity Pricing' (IPP) formula that sets the benchmark price for which the wholesale price of the landed cost and the locally produced petroleum products pricing mechanism were set.

In 2007 the IPP was changed without the consensus of the State which lead to NEC agreeing to a three months temporary reprieve so the State and the developer could review and agree on a permanent IPP formula. However, since then, the State and the developer have not agreed to a permanent IPP formula.

It has become evident to the State, that there is an apparent need to review the temporary pricing formula currently in use, and thus, the review of the PA in its entirety. Preliminary work for the review process was started in 2021. Review of the Napa Napa Project Agreement will commence in 2023.

10.6 EXTRACTIVE SECTOR PROJECT UPDATES

10.6.1 MINING PROJECTS

Papua New Guinea currently has six (6) operating mines of which three are large-scale or world-class, two medium scale and one small scale mining projects. The Government also encourages alluvial mining operations whose gold production (in most years) exceed those

produced by medium scale mining projects. Two advanced exploration license projects are in advance exploration stage which have applied for Special Mining Lease (SML) and are awaiting deliberations by the State. Three (3) mines are currently under care and maintenance. The details are discussed hereunder.

10.6.2 Operating Mines

Ok Tedi (Gold, Copper and Silver) mining project

The OK Tedi Mining Project is one of the world class mining projects. Its Special Mining Lease (SML) expired in May 2022. The operator applied for another 20-year mine life extension and is pending review and approval by the State. The mine is 100% owned by the State.

Over the last 31 years, it has produced over 1.7 million ounces of gold bullion and 187,000 ounces of silver. It is a major revenue earner for PNG. The declared remaining mineral reserves as at 31st December 2018 are 244mt @ 0.59% copper and 0.68g/tons gold. This will require another decade of mining until 2032.

Lihir Gold and Silver mining project

Lihir gold mine is also a world-class mining project in PNG producing over one million ounces of gold per annum. It is also a major export revenue earner from the sale of gold and silver. Since commencement of its operations in 1997, it has produced over 14.4 million ounces of gold. The estimated remaining mineral reserves is 50 million ounces (690mt@2.3g/t) and is expected to operate until 2051. It is ranked one of the top five gold mining projects by world standards.

Lihir mining project is operating under an SML license. The project also signed a *Mining Development Contract* (MDC) with the State. This agreement was never reviewed since it was first signed. It is therefore due for review to accommodate changed circumstances.

Ramu Nickel Project

This project is another world-class mining project that produces nickel, cobalt and chromite. It generates significant export revenues each year. It integrates mining, beneficiation and refining and operates an open pit mine at Kurumbukari, Madang Province. It has an existing MDC which grants the operator 10 years tax holiday, commencing in 2016 and expires in 2026 after which date the Government anticipates the operator to start paying taxes.

The project was closed for some time due to unresolved environmental issues. This issue was resolved and the project resumed full operation.

Hidden Valley Project

This project is a medium scale mining project and operates an open-pit, gold-silver with oxide ore processing facility that produces gold dori product in Morobe Province. It is designed to treat 4.1mtpa of gold/silver bearing ore. Its mining license was due for review and extension by the State. This was granted in 2020 for another five years to 2026.

Construction of the mine started in 2007 and commercial production began in September 2010. The landowner benefit sharing agreement was signed in 2021.

Kainantu Mining project

The Kainantu mining project is a medium scale project and has a life span of about 10 years. It is into its fourth year of production. It is an underground gold-silver-copper mining project and utilises floatation processing plant to produce saleable concentrates and gold dori. The operator declared the mine profitable and recently paid corporate tax to the State. Its anticipated mine life is over 15 years. In 2020, the operator commissioned stage 2 of its plant expansion project which doubled its throughput to 400,000 tons per annum (tpa). Stage 3 plant expansion is expected to commence in quarter 4 of 2023 targeting 1 million throughput per annum.

Simberi Mining Project

Simberi mining project is a medium scale open-cut mining project located on Simberi Island, New Ireland Province. The project operates oxide ore processing facilities which produce gold dori. It is anticipated to convert its oxide plant to sulphide ore processing facilities in 2022 after obtaining extension of mining lease term from the State for another ten years commencing from 2018.

10.6.3 MINING PROJECTS IN THE PIPELINE***Woodlark Gold Mining Project***

Woodlark Gold mining project is a small to medium-scale project which was granted approval (Mining License) by the State in 2014. It will be an open-cut project utilizing bulk mining method with a mine life of 13 years. Mineral resource estimates as at end of March 2018 is 47mt @1.04g/t gold for 1.57 million ounces of gold.

Its primary product is gold dori through processing of ore via a 2.4mtpa carbon in leach (CIL) treatment facility. The project's capex estimates as of 2020 was A\$243 million. Apart from carrying out housing developments for impacted communities, there are no actual construction of the project thus far. The long delay in project construction was attributed to low commodity prices and the operator's inability to raise funds needed to operate the project.

The construction phase for the project commenced in quarter one (1) of 2021. However, it is currently suspended due to inflated capital cost induced by the COVID-19 pandemic.

Central Cement and Lime (CCL) Project

This project is an integrated project that falls within the mining industry regime. The project resources comprise of high-grade limestone deposits situated in Kido and Rea Rea in the Central Province. The operator is Mayur Industrial PNG Limited, which was granted 20 years mining license (ML 526) in 2020 to mine, process, manufacture and supply clinker, cement and limestone. Construction for the project was expected to commence in 2021. However, due to the COVID-19 pandemic, the project operator has applied for variation in its mining development plan, consequently delaying the construction by one year. The State has no participating interest in this project.

The project operator also applied and obtained Special Economic Zone (SEZ) licence from Special Economic Zone Authority to relieve itself of taxation obligations. As there are different terms and conditions between the two licenses (ML and SEZ), discussions are ongoing to resolve this amicably to ensure its smooth implementation and to avoid any adverse impacts on its implementation in future.

Construction phase will take two (2) years and expected to commence in 2023. Final Investment Decision (FID) is expected to be reached in 2023.

10.6.4 MINES UNDER CARE AND MAINTENANCE

New Porgera Gold Mine Project

The Porgera mining project is a world scale mining project producing gold and silver since 1990. It is an open pit project and also utilises underground mining method to extract ore to its processing plant that includes crushing, grinding, gravity recovery, floatation, oxidation, carbon In Pulp circuits to produce gold dori products. These are shipped offshore for further refining and smelting.

Its SML term expired in 2019. The operator submitted application for its renewal however, this was refused and its currently under care and maintenance status. As a result of State's refusal to grant extension, several court injunctions were obtained which are pending resolution between the State and the operator (Barrick Niugini Ltd or BNL).

These litigations have been ceased after the State and BNL signed the *Framework Agreement* in June 2021. The Framework Agreement covers nine (9) conditions to be achieved before the mine is reopened. As part of the nine (9) conditions, the *Commencement Agreement* including the *Project Commencement Agreement* were signed between BNL and the State.

Further, the Shareholders Agreement was also signed in early 2022. This resulted in the State together with the SML Landowners and Enga Provincial Government owning 51% of the project's shareholdings while BNL owns 49% shares.

It is in the interest of all parties for the project to be re-opened soon. All relevant stakeholders are working to ensure this project is up and operating as soon as possible.

Tolukuma Gold Mine Project

The Tolukuma gold mine was auctioned by the State (via Mineral Resources Authority) in 2020. A PNG owned company called Lole Mining Limited acquired the project. In October 2022, Lole Mining Limited paid K20 million to a liquidator for settlement of all outstanding liabilities. Reopening of the mine is expected in 2023. It is currently under care and maintenance status.

Sinivit Gold Mine Project

The developer for Sinivit gold mining project left the project site after landowners expressed dissatisfaction over benefits distribution from the mine in 2014. The mine is now under care and maintenances status. The revival of the mining project is awaiting a new developer to express interest to develop it.

10.6.5 New Mining Projects Update

Wafi Golpu Gold-Copper Project

This Wafi-Golpu gold-copper Project is ranked as one of the world class gold-copper projects. Its gold-copper ore bodies will be mined using block cave mining method from three block

caves, using conventional floatation to produce concentrate products. It has 32 years of mine life.

Total mineral resource estimates as at June 2017 are 688mt @ 1.09% Cu (7.5mt copper) and 0.71g/t Au (15.8mt ounces of gold). Assessment of its Special Mining Lease (SML) application is ongoing. Also, negotiation on the terms of *Mining Development Contract* (MDC) is at an advance stage.

The negotiation of the project MDC and assessment of SML application are expected to be completed with results released soon. These outcomes will decide the next phase of the project which include Development Forum and MOA negotiations.

Environmental permit for the project was granted in January 2021, permitting Deep-Sea Tailings Placement (DSTP) as the waste management system for the project. The Project's Construction is for a period of five (5) years and will commence soon following the grant of the SML.

Frieda River Project

This is a proposed copper-gold mining project located in the East Sepik Province. It is expected to be mined using open cut bulk mining method utilizing floatation to produce gold-copper concentrate products. Its mineral resource estimates as at September 2018 are 1,490mt @ 0.45% Cu (5.7mt copper) and 0.24g/t Au (7.65 million ounces gold). These resources are expected to be mined in the 33 years of its mine life commencing right after project construction.

The project developer, PanAust, submitted its amended SML application to the State on 12 December 2018. Amendments to the application include changes to its mine development plan which deviates from using the Sepik River to an access road through Vanimo in the West Sepik Province. The SML application is pending review and approval by the State.

10.7 PETROLEUM PROJECTS

10.7.1 Existing Petroleum Projects

The only operating petroleum project is the PNG LNG Project operated by ExxonMobil PNG Ltd. It has gas fields in Hides and Angore in the Hela Province. Its other gas fields are yet to be developed after being issued petroleum licenses by the State.

Other petroleum projects are not up and running despite having signed Project Gas Agreements with the State. These projects include Papua LNG, Stanley Gas Project and Pasca A Gas project. These are discussed below.

10.7.2 Proposed Petroleum Projects

Papua LNG

For the Papua LNG Project, the Project's *Gas Agreement* was signed in 2019 and the *Fiscal Stability Agreement* (FSA) signed in February 2021. The Gas Agreement allows the project partners to carry out Front-End Engineering Design (FEED) studies that will lead to making the *Final Investment Decision* (FID). The FEED studies are expected to be completed in early 2023 and Application for Petroleum Development Licence (APDL) and Final Investment

Decision (FID) are expected to fall into place thereafter. Construction phase will take four (4) years and is expected to commence in 2024 with first production expected to commence in 2028 if all goes well as scheduled. Project proponents are Total and ExxonMobil. The project is located in the Gulf Province with a proposed operation life of 25 years.

P'nyang Gas Project

The P'nyang Gas Project is licensed under PRL 3 and is located in the Western Province of PNG. The gas field was discovered in 1990s. Net reservoir thickness ranges from 182-2020 meters with an estimated 2C recoverable hydrocarbon resource of 4.3 tcf. The current operator is ExxonMobil Ltd, with JV partners namely Ampolex (PNG) Pty Ltd, Oil Search (PNG) Ltd, Merlin Petroleum Company and Oil Search Ltd.

A Heads of Agreement (HOA) between the Developer and the State was signed in October 2021. The *Project Gas Agreement* was signed recently in February 2022. The gas agreement captures 34.5% shareholdings as belonging to the State, which is significantly more than the 22.5% equity take up for the State as stipulated in the *Oil and Gas Act 1998*. The State expects maximum total benefits from the project to accrue to PNG consistent with its Petroleum National Content Policy.

Construction phase for the project is anticipated to follow after the delivery of the Papua LNG Project and will also take four years.

Pasca A Gas Project

This project is a liquid rich gas condensate field located 95km from shore in Gulf Province of PNG. Its certified resource is 69.1MMstb of liquids (condensate and LPG) and 326.7 Bscf of lean gas for development. The project is expected to be developed in two phases: first phase includes production of LPG and condensate and, the second phase includes production of gas from gas reinjection in phase 1. The second phase production also envisages aggregation of other gas fields especially from Pandora and other small stranded fields from the project's vicinity.

Pasca A gas field is 100 per cent owned and will be operated by Twinza Oil (PNG) Ltd. The State is reviewing APDL and anticipates making a decision soon with Gas Agreement negotiation to be initiated shortly.

When developed, the Pasca A project will be the first off-shore gas project for PNG. Application for a Petroleum Development License has been lodged with the State. The project negotiations have stalled due to the State reviewing the initial fiscal term sheet agreed to in 2020 by the project developer and the State. Negotiations are anticipated to recommence soon.

Stanley Gas Project

This is a gas project and is located in Western Province of PNG. It has total recoverable gas of 355 Bcf and condensate volume of 11.3 MMbbl (P50). The State and Horizon Oil signed the *Gas Agreement* in 2014. In the same year, the *Stanley Development Agreement* was signed between the State and project impacted stakeholders. This agreement details benefit distribution between different project impacted beneficiaries. The project was granted Petroleum Development License (PDL10) by the State in 2014. However, the project did not start construction and production yet due to many circumstances –some beyond everyone's

control such as unfavourable oil price which rendered the economics of the project commercially unviable.

This was further complicated by changes in project operatorship after signing the Gas Agreement. That is, the project operatorship changed from Horizon Oil to Talisman, then to RepSol and finally to Arran Energy. The long delay to start project construction prompted the State to issue a “Show Case letter” to the developer. The Developer is yet to provide a response to the State’s queries. Currently, the project operator has submitted a variation to its Field Development Plan. In order to progress this project to actual construction and operation, it is important that all relevant parties work together.

10.8 PNG EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (PNGEITI)

10.8.1 PNGEITI on-going Reforms to Improve Sector Governance

The progressive implementation of EITI in PNG has so far highlighted the need to adopt critical reforms in the sector so as to improve prevalent governance issues. These reforms were identified in recommendations from previously published PNGEITI Reports and the 2018 PNG Validation Assessment Report. The current 2019 EITI Standard introduced additional provisions building from the 2016 Standard. These ongoing reform-oriented programs and activities are outlined below and include;

10.8.2. Disclosure of Beneficial Ownership (BO) Information

Disclosure of Beneficial Ownership (BO) Information

A beneficial owner in respect of a company means the natural person or persons who directly or indirectly ultimately own or control the corporate entity. The EITI Standard 2019 (#2.5) required all subsequent EITI reports from 2020 to include BO information on ownership of corporate entities that bid for, operate or invest in extractive assets in the country.

The PNGEITI National Secretariat commissioned a scoping study on Beneficial Ownership in November 2016 and a Beneficial Ownership Roadmap report in 2017. The Roadmap was implemented from 2017 to 2019 and resulted in the first BO report in 2020. The PNGEITI Multi-Stakeholder Group contextualized the following BO criteria for implementation in PNG:

- Beneficial Ownership definition criteria;
- Politically exposed person(s) in line with the *PNG Anti-Money Laundering and Counter Terrorist Financing Act 2015*;
- The materiality threshold for beneficial ownership (set at 5%), but which also considered the corporate structure of the companies operating in the country, an individual’s full aggregated interest as well as different means of exercising ownership and control.

A reporting template was developed to capture beneficial ownership information at the point at which companies are registered with the Investment Promotion Authority (IPA), and this will be piloted with future company registrations. Additionally, a pilot project was undertaken to make beneficial ownership maps searchable on an online portal open to the public.

The first PNGEITI beneficial ownership report was published in 2020, which included a description of the approach, definitions and scope of the BO data collection and provided recommendations on issues that needed to be addressed. The PNGEITI will continue to work

with the IPA, BPNG and other relevant entities in 2022 to consider proposing amendments to the Companies Act and other associated legislations for a mandatory BO disclosure regime and the creation of a BO data registry at the IPA office.

10.8.3 Transparency in the operations of Extractives State-Owned Enterprises

State-Owned Enterprises (SOEs) and Trustees play a key role in managing and distributing PNG's wealth from extractive activities. Transparent disclosure of their processes for managing and transferring funds to beneficiaries (landowners, sub-national governments, national governments, etc) is therefore critical for a comprehensive EITI report. Material SOEs and trustees are those with interests in (or responsibility for managing State interests) extractive projects that are producing saleable commodities during the production period.

State participation in the extractive industries contributes to government revenues through equity distribution receipts, dividends and tax payments to the Department of Treasury and the Internal Revenue Commission (IRC) respectively. Where the SOE is also the operator of the project (as in the case with Ok Tedi), the SOE pays a production levy to the Mineral Resources Authority (MRA). Royalty payments are also distributed to local governments and landowners through the Mineral Resources Development Company (MRDC).

Each SOE and associated subsidiary companies is considered material for reporting purposes regardless of whether the qualitative thresholds are met. This is due to the requirement of the EITI Standard to transparently report the management of funds through these entities. Each SOE, its structure, subsidiaries and its contribution to extractive industry revenues are discussed in more detail in the 2019 PNGEITI Report and the SOE Scoping Study Report that were published in 2021.

The SOE Scoping Study Report proposes definitions for 'state owned enterprises' and 'quasi-fiscal expenditures' which are consistent with the definitions in the EITI 2019 Standard. Extractive sector SOEs are governed by laws that are specific to the sector, to each of the government's holding companies and to general legislation covering commercial activities. This legal framework makes it clear that SOEs are subject to an independent board and management and their operations must be conducted on a commercial basis and they are subject to external audit under international accounting standards.

The SOEs Scoping Study Report contains information describing the relationship between each SOE holding company and its subsidiaries. These include legal structures showing SOEs and their subsidiaries as well as functional diagrams showing flow of taxes and dividends. The key findings highlighted the lack of readily available information in the public domain despite SOEs producing annual reports and financial statements. In most cases, it was found that this information is available internally in each of these entities but there is general reluctance to disclose the information. The study recommends increasing the availability of information, including a recommendation that the PNGEITI advocates for a legislative amendment to facilitate public disclosure of annual reports and audited financial statements.

The key recommendations focus on the need for extractive sector SOEs to adopt a more proactive approach to information disclosure and transparency. There is also a recommendation for specific matters affecting the operations of the extractive sector and also for PNGEITI to undertake a pilot project on commodity trading transparency for SOEs.

The Scoping Study documents the operations of the SOEs in the extractive sector, their challenges and other structural issues that needed to be addressed for greater transparency and accountability. These entities have been operating under opaque environments and

therefore critical recommendations were made in this study to undertake policy and legislative reforms to improve corporate governance and increase transparency within these entities.

10.8.4 Disclosure of Contracts (Contracts Transparency)

The details of contracts (resources project agreements) and licences are protected by confidentiality provisions in Section 163 of the Mining Act, Section 52 of the MRA Act, and Section 149 of the Oil and Gas Act. Contracts or agreements (MoAs, MoUs, UBSAs, LBSAs, etc) are held and maintained by the Office of the Solicitor General. Without legislative amendments, agreements could only be made public with the approval of both the company and the Department of Petroleum and Energy (DPE) or MRA (as appropriate). To date no contracts have been made publicly available, not even a list of all current contracts or project agreements. Broader benefit sharing agreements related to mining and oil and gas projects are also currently not publicly disclosed.

Despite these challenges, the PNGEITI had continued to make progress with responsible stakeholder entities. The MRA is seeking legal advice on making all mining project Memorandum of Agreements (MoAs) publicly available. The PNGEITI has been engaging with the State Solicitor and other government entities to explore solutions to non-disclosure of contracts.

It is now a requirement since 2021 for EITI member countries to disclose details of contracts or project agreements, consistent with the 2019 EITI Standard. To support the PNGEITI in pursuing this matter, a scoping study was undertaken to describe the legal framework for contracts disclosure in PNG, and evaluating the risks and challenges as well as the opportunities and benefits associated with disclosing extractive sector contracts. The outcome of this study is expected to enhance stakeholders' understanding on potential risks and offer practical solutions on how to address such risks and reap the benefits of public disclosure.

10.8.5 Sub-National Payments and Transfers in Extractives Sector

Through the EITI reporting process, much progress has been made on the reporting of extractive revenues to the national government. Yet payment data at the sub-national level is almost non-existent, too aggregated to be meaningful, inconsistent across projects, or difficult to obtain. The lack of clear, reliable, timely and useful reporting on sub-national payments and transfers is particularly problematic in PNG where landowners, affected communities and subnational government entities receive a broad range of payments and transfers. There is a 'closeness' about sub-national extractive payments in PNG's extractive provinces – they connect to peoples' land, their families and their communities in a way that is meaningfully different to payments at the national level.

More effective reporting of sub-national payments and transfers through the EITI reporting process can provide local stakeholders access to relevant and timely information on the extractive revenue flows that affect them most. Strengthening PNGEITI sub-national reporting can also drive transparency and accountability in PNG's extractive provinces, contribute to decentralisation efforts, and potentially improve social licence to operate for extractive companies.

A scoping study on sub-national payments and transfers in PNG's mining, oil and gas sector was undertaken in 2018 by the PNGEITI. The purpose of the study was to:

- identify and map the sub-national payments and transfers in PNG's extractive sector;

- document stakeholder views on enhanced sub-national reporting through PNGEITI; and
- develop a reporting framework and roadmap for PNGEITI sub-national reporting.

Piloting sub-national reporting in extractive provinces was shelved in 2020 due to the onset of the COVID-19 Pandemic and the project has been pending since. The PNGEITI had prioritized this project in its Annual Work Plan to be continued in 2022 and 2023 in partnership with the Australian - PNG Economic Partnership (APEP) Program.

10.8.6 Improvement in Resource Related Revenue Management

This project commenced in January 2018. The primary goal of the project is to promote resource related revenue management and reporting in accordance with the EITI Standard. The project aims to achieve a number of outputs including:

- improving management of relevant data and information at the Department of Petroleum and Energy;
- enhancing reporting mechanisms among extractive sector companies and government agencies; and
- enhancing awareness and implementation structure for PNGEITI in the country.

The project was to have been concluded in December 2020, however due to COVID-19 pandemic disruptions it was extended to end in December 2021. The project was funded under the JICA Technical Cooperation Programme and the PNGEITI is currently liaising with JICA to secure Phase II of the project going forward with a submission for implementation in 2023.

10.8.7 Scoping Studies on Education Mainstreaming, Electronic Data Reporting Platform and CSO Capacity Assessment Projects

The PNGEITI in partnership with the World Bank jointly commissioned the publication of three scoping studies in 2020. These studies are aimed at enhancing implementation of the 2019 EITI Standard and subsequent revisions of this standard in PNG.

These reports were conducted on:

- mainstreaming the PNGEITI reports and standards in the formal education sector;
- digitizing the PNGEITI reporting process through an Electronic Reporting Platform; and
- conducting Capacity Assessment of Civil Society Organisations (CSOs) participation in the EITI implementation process.

The three reports were reviewed and assessed on both their relevance to PNGEITI policy priority areas and also the EITI Standard. The PNGEITI acknowledges the first drafts of the reports and appreciated the need for continual improvement of the reports to make informed decisions for the benefit of implementing the EITI Standard. The PNGEITI had provided inputs to the World Bank to consider prior to progressing to the piloting phase of the projects.

10.8.8 Proposed PNG Extractives Industry Transparency Commission (PNGEITC) Bill

With the introduction of new EITI Requirements in the 2019 Standard and increased participation of stakeholders since the programs in 2013, the PNGEITI Multi-Stakeholder Group (MSG) have encountered various challenges in sustaining implementation of the EITI

Standards. The need to align the evolving scope of EITI Standards with that of PNG's National Sovereign and Development aspirations remain the cornerstone of the establishment of this project.

With increased participation by sectoral regulatory departments and state-owned entities, provincial authorities, industry companies and civil society organisations, the sustainability and compatibility of implementing EITI is now dependent on having it legally established so as to guide its evolution in alignment with relevant PNG Laws regulating the non-renewable extractives sector. EITI implementation in PNG is currently directed through NEC Decision 90/2013, essentially presenting no legal obligation for reporting entities to ensure compliance, especially providing financial data and information for the industry required for EITI reporting purpose. Current reporting by all stakeholders are done on a voluntary basis.

The stakeholders have been making efforts in moving towards sustaining EITI implementation with a mandatory disclosure regime. These efforts are consistent with the NEC Decision No. 90/2013 for the National Secretariat to be established as an independent statutory body.

The regional consultations on a proposed PNGEITI Commission Bill were completed in 2021. The Bill is anticipated for presentation to Parliament in 2023 for enactment.

10.9 REFORMING THE RENEWABLE RESOURCE SECTOR

10.9.1 AGRICULTURE SECTOR

Papua New Guinea is an agriculture-based country with an estimated 85 per cent of its people depending on the sector for their livelihoods. This is the sector that provides food security, creates employment, brings family income and contributes to the national coffers (approx. 16 per cent of GDP). The sector plays a key role in the socio- economic development of the country and is the second largest foreign exchange revenue earner after mining and petroleum.

The Department of Agriculture & Livestock (DAL) is the lead government agency responsible for policy and management of the agriculture sector in PNG. Its mandate is to promote improvement and expansion of food crops and livestock programmes and projects in a bid to assist the people of PNG meet their local nutritional requirements and household food security.

The Government's focus is investing more into promoting sustainable economic growth in agriculture, fisheries, and forestry sectors through creation of income generating opportunities, encouraging effective landowner participation, and promoting climate change resilience.

10.9.2 Commodities and Livestock

The agriculture commodities of significant economic value, in terms of gross income in Papua New Guinea are coffee, cocoa and palm oil. The responsible agencies for facilitating development of these commodities are Oil Palm Industry Corporation (OPIC), Coffee Industry Corporation (CIC), PNG Cocoa Board (PNGCB). In addition there are also the, Kokonas Industri Koporesen (KIK), Rubber Board, Spice Board, and Livestock Development Corporation (LDC). These agencies and commodity boards are mandated to provide extension services, facilitate, manage and/or regulate each commercial crop and livestock in PNG.

The other agencies in the agriculture sector are Fresh Produce Development Agency (FPDA), National Agriculture Quarantine & Inspection Authority (NAQIA), and National Agricultural Research Institute (NARI).

There are policy and development plans to improve performance of DAL to effectively coordinate operations of these agencies and commodity boards, at the national, provincial and district levels. Effective sector coordination is important to drive policy initiatives and sector programs to see tangible results within the sector.

In addition, in order to improve people's livelihoods and encourage more production, the Government is planning to undertake reforms in the agricultural commodities, with more emphasis on supporting commodity prices such as price support policy, agricultural framework for investment and expansion, amongst others.

Oil Palm

The Oil Palm Industry Corporation (OPIC) currently is responsible for providing extension services to the smallholders, out-growers and settlers within the precincts of nuclear estates of oil palm growing provinces. OPIC's key role is to provide efficient delivery programs and develop market infrastructure for its smallholders and out-growers. Oil Palm generates on average about K1.2 billion in export revenues per year which is equivalent to approximately 47 per cent of PNG's total agriculture exports.

The Government will continue to support OPIC through the Smallholder Agriculture Development Projects (SADP), and Research and Development Program (R&DP).

The SADP project facilitates rehabilitation and maintenance of oil palm smallholder roads and road networks in oil palm growing provinces. On the other hand, the R&DP promotes the growth and development of oil palm industry through appropriate research and development techniques.

Review of PNG OPIC Act 1992

PNG's *OPIC Act 1992* which established PNG OPIC is outdated and does not conform to current market dynamics of the oil palm industry, hence yielding negative implications to OPIC operations and small holder farmers. Furthermore, the current legislation only allows for extension services and not regulations. Hence, the oil palm industry is unregulated. Due to this loophole, the industry players are taking advantage of the oil palm market industry.

The current OPIC Act review aims to promote expansion and sustainable management of Oil Palm industry in PNG through the establishment of a new oil palm authority to manage and regulate the industry. The new legislation will be completed and implemented in 2023.

Coffee

Coffee is the second most important agriculture cash crop to PNG after palm oil and it is cultivated by over half a million households around the country. Almost three million Papua New Guineans rely on coffee for their livelihoods.

The Government will continue to support Coffee Industry Corporation (CIC) to address on-going issues such as decline in production and coffee quality, and climate change intensifying

the incidence of pests and diseases such as coffee berry borer are major obstacles to on-going or new investments in the industry.

Cocoa

The PNG Cocoa Board (PNGCB) is the Government's arm focused on facilitating a sustainable cocoa industry to advance the livelihood of the rural population, with the aim to bring about innovative farming practices that generate income through cocoa production. About 80 per cent of cocoa production is carried out by smallholders on customary land. The PNGCB is focusing on three (3) key strategic programs and these are: Nursery Program; Freight Subsidy Program; and Cocoa Quality and Market Promotion Program.

Under the Nursery program, the Cocoa Board is facilitating the propagation of the recently released 10 Cocoa Pod Borer tolerant cocoa clone planting materials to rehabilitate village cocoa farms in provinces and introducing Cocoa Pod Borer tolerant seedlings due to declining production volume. The Cocoa Board has established agreements with provinces to initiate this program, which will continue into 2023 and beyond.

Coconut

The Government through Kokonas Industri Koporesen (KIK) has ventured into downstream processing of High Value Coconut products through the development of Micro Small and Medium Enterprises (MSME) and creating market access. KIK is also developing bio-security measures against pest and disease and coconut replanting program.

The Government will continue to fund programs that KIK has been progressing over the recent years. These programs are Coconut Research Program, Market Development and Trade Program, Coconut Disease Containment and International Coconut Genebank Relocation, and Coconut Nurseries Establishment and Seed Distribution Program. These programs are more research-based programs and aim to improve soil systems, address coconut disease syndromes, and improve copra quality and quantity.

Review of KIK Act 2002

The review of *KIK Act 2002* is currently in progress. The aim of the review is to address loopholes in the governance and operations of the KIK and to encourage effective participation of landowners and farmers in the industry. This legislative review will be completed in 2023.

Fresh Produce

The Fresh Produce Development Agency is responsible for facilitating the development of fresh produce industry in PNG to build capacity, enhance food security and promote healthy living and to enable smallholders to venture from subsistence farming into commercial operations.

The Government has supported FPDA in implementing several projects that aim to increase revenue and wealth creation and provide quality infrastructure and utilities. These projects include: The National Seed Potato Multiplication project; the Market Supply Value Chain; the Citrus project, and the Bulb Onion project.

The Market for Village farmers Project is supported through counterpart funding from the National Government since 2018 and will end in 2024. It targets fresh food produce sectors

(94% of village farmers) to transition from semi-subsistence agriculture to market oriented farming as a business.

The Government initiated Freight Subsidy Scheme has resulted in more produce being freighted from Lae to Port Moresby however, with mixed results. The Government will continue to fund this scheme.

Government through FPDA will continue the partnership arrangements with GoPNG (Provincial and District levels); institutions; donor partners and other stakeholders to deliver on the various projects and endeavors on generating revenues from these existing projects in 2023.

Rubber

The Rubber Board of PNG established under *Rubber Industry Act 1975* is responsible for rubber industry development and is currently operating under the DAL. The Rubber Board manages different types of rubber licenses such as special license, and planting and replanting license. Special license specifies certain areas where rubber should be planted and the period of license. This also covers planting of rubber and the possession of rubber plantations by persons (natural persons/company/corporation) that the Board recognizes under the Act.

The Government, through the DAL, will continue to support the PNG Rubber Board's efforts to increase the factories' volumes of production from 600 - 800 thousand tons every month by 2030.

The Government will review the *Rubber Industry Act 1975*. This legislation has not been reviewed since its inception in 1975. The industry has expanded and licencing systems and processes in ensuring sustainable management and oversight in the industry have changed worldwide as far as the rubber industry is concerned. In addition, there has been very little enforcement of the Act over the last 40 years.

The review of this Act will focus on promotion of sustainable development of the rubber industry whilst at the same time strengthen regulation, investment, and landowner participation in the industry.

Livestock Development Corporation

Meat consumption in PNG has increased steadily over the last two decades, and is predicted to increase at a rate of 5.0 per cent per annum. Increased demand for meat is currently met by meat imports costing around K140.0 million per year. The current target, as established under the PNG Development Strategic Plan (PNGDSP) 2010-2030, is to increase domestic production to four million metric tonnes by 2030. However, current production is about 400,000 tonnes which is only 10 percent of the meat target set by the PNGDSP.

The Government will continue to support the Livestock Development Corporation's plans on reviving the cattle industry in the short to medium term as poultry and piggery already have established private sector investments.

There is great potential for livestock farmers and farming groups to raise their productivity and output to match future demand for meat.

10.9.3 FORESTRY SECTOR

Review of the Forestry Act 1991 (as amended)

The Government, through the PNG Forest Authority (PNGFA) is embarking on several initiatives in 2023 under the capital expenditure program as well as generating income from its internal sources to supplement the National Government's grant.

The initiatives include implementation of the Forestry Revenue Generation Strategy, reviewing expired project agreements of current logging operations, and implementing the afforestation pilot project.

The Government will continue to support the following programmes that PNGFA is currently implementing. The programmes are reforestation project and resource owner's capacity development project. These are important programs as far as climate change and landowners' benefits are concerned in the forestry sector. This is the current Government's focus in as far as the sustainable investment in the long term development of forest resources in the country.

In 2020, the PNGFA undertook the review of the *Forestry Act 1991*. The purpose of the review is to ensure that the Act harmonises with the Government's forest policies, programs, and international best practises of forest management and development. PNGFA aims to complete the new revised Act in 2022 and commence implementation in 2023. This revised Act will ensure PNGFA has effective and well-structured governance and operations which promotes landowner participation and strengthens forest revenues and charges collection processes.

The Government supports this review as its outcome will see increases in revenue generation from the forestry sector.

Timber Rights Purchase (TRP)

The Government through the Department of Treasury and the National Forest Authority has initiated processes to establish policy guideline and processes that will assist in addressing outstanding claims under the Timber Rights Purchases matters. There will be a team set up similar to the Arrears Verification Committee to specifically deal with TRP and Land Acquisition issues.

The purpose of this Guideline is to ensure there is an established process to be used in address the long outstanding TRP issues. This Guideline is necessary to determine appropriate process and procedures to settle these accruing investment claims. The Guideline will be completed in 2022.

Review of Project Agreements

Currently there are about 209 logging operations in PNG. The operations commenced following signing of the project agreements through the then Timber Rights Purchases (TRP) agreements and current Forest Management Agreements (FMA) between the PNGFA (on-behalf of the Government) and operators. About 22 of these project agreements have expired already but logging operations under these agreements are still continuing.

The Government, through Treasury Department, PNG Forest Authority, and Department of Agriculture & Livestock (DAL) shall review these expired agreements to ensure compliance and maximum benefits are given back to the State and landowners.

10.9.4 FISHERIES SECTOR

PNG has an extensive and valuable fisheries sector ranging from inland river fisheries, aquaculture, coastal beche-de-mer and reef fisheries to the prawn trawl and large-scale deep-water tuna fisheries. The range of participants cover artisanal community to medium-sized domestic prawn and tuna longline operators to large international purse seine fleets in the deep-water tuna fishery.

Under the *Fisheries Management Act 1998*, the National Fisheries Authority (NFA) is responsible for the management and development of the fisheries sector. In 2020 the NFA officially launched its 10-year national fisheries strategic plan 2021 – 2030 which provides the road map and vision for a broad-based fisheries sector and industry that is inclusive, environmentally sustainable, globally competitive and promotes food security.

As a maritime nation with the maritime zone spanning over 2.4 million square kilometers, the ocean agenda is of immense importance to PNG, not only for the living and non-living resources but for the value-added they bring to our national assets and more importantly for the country's own identity and own way of life as a people of this nation. The government therefore, is also prioritizing the strengthening of management, governance and security of PNG's maritime zones by adapting 10-year National Ocean Policy 2020 - 2030 in July 2020.

Through conservation and protection measures, the government has adopted and launched the country's maritime protected areas policy and the national action plan for stingrays, skates and sharks in June 2021. This policy will strengthen the country's efforts to better protect its marine resources because we are an epi-center for global marine resource and biodiversity. Implementing this policy will enable PNG to reach the biodiversity target level of 17 per cent of its terrestrial and inland water areas and 10 per cent of coastal and marine areas protected.

Focus is also on domestic downstream processing that will enable Papua New Guineans as resource owners to be meaningfully involved in the economic opportunities from sea resources. The Government will continue to support programs under the fisheries sector in 2022.

10.9.5 TOURISM PROMOTION AUTHORITY

The Tourism sector has been hit hard by the Covid-19 pandemic crisis since 2020. This has resulted in huge losses of revenue for the Government as well as job losses and reduced earnings for those businesses who rely on tourism for their income and survival.

The PNG Tourism Promotion Authority has been working closely with participants in the travel and leisure industry under the public-private-partnership arrangement to ensure Covid -19 quarantine programs are in place to support the tourism industry to continue operating under this alternate arrangement in 2023.

10.9.6 NATIONAL ENERGY AUTHORITY

The Government established the National Energy Authority (NEA) in 2021 to oversee the expansion and management of the energy sector in PNG. The NEA takes over the economic and technical regulatory functions of energy from ICCG and PNG Power Limited respectively.

In 2023 the Government will support the NEA to establish renewable energy policies that promote cheaper, cleaner energy for more people improves livelihoods and protect vulnerable communities and fragile ecosystems from the impacts of global warming and climate change.

Increasing access to reliable electricity or energy services in villages can improve livelihoods by creating economic opportunities.

PNG Biomass Project

The PNG Biomass Project is a renewable energy project owned by Oil Search Limited and established in the Markham Valley in the Morobe Province. The project consists of a tree farming plantation which will be harvested and turned into wood chips for burning to produce steam to generate electricity, and construction of the biomass plant to generate electricity to be fed into the Ramu Grid.

The commencement of this project is subject to final investment decision from the Government to support PNG Power Limited in the event of default. The due diligence process will require the Government through Treasury Department to commit to the Put Call Option Arrangement (PCOA). Currently, Treasury with technical assistance from the International Finance Corporation is progressing the PCOA.

10.9.7 ENVIRONMENT AND CLIMATE CHANGE

The Government through CCDA has launched the Green Climate Fund Country Program and No Objection Procedure Guidelines in 2020 with support from the US Government. This allows PNG to access climate change financing through readiness support to manage and build reliance to climate change threats in PNG.

The Building Resilience to Climate Change in PNG Project is aimed at increasing resilience to the impacts of climate vulnerability and climate change with an outcome to improve capacities of communities in vulnerable atolls and islands. This project aims to implement three outputs: (1) Carry out Climate change and vulnerability assessments and adaptation plans developed for target communities (CCVAP); (2) Implement Sustainable fishery Eco-systems and food security investments piloted in nine identified vulnerable islands and atoll communities, and (3) Enabling framework for climate-resilient infrastructure and early warning and communication network including additional financing for climate proof provincial wharf in Alotau. The project is supported by the National Government and donor partners and administered by Asian Development Bank.

10.10 STATE PARTICIPATION AND INVESTMENTS IN AGRICULTURE SECTOR

The Government aims to transform the agriculture sector into a reliable commercial and sustainable food system that addresses food security and climate resilience as well as conservation and management of our vast biodiversity.

The Government has prioritised investing in the agriculture sector as an engine of economic growth and prosperity for the country. The strategic interventions undertaken are a combination of credit scheme, freight and price subsidy for our rural farmers which has helped broaden the scope of agriculture production sites in the country. These interventions will not only help broaden the tax base and generate additional revenue the country needs for development but also more importantly improve rural communities and their livelihoods enabling them to be proactive nation builders.

To support in transforming the agriculture sector, the government has set targets to increase cash crop production and livestock production by 30 per cent in 2025 with efforts to also increase downstream processing by 30 per cent and develop taxation incentives to local

farmers. Additionally, this will include a formulation of an agriculture and livestock diversification plan in 2025 and ensure local landowners and provincial governments participate in the equity sharing and downstream business and associated spin offs.

10.10.1 Price Support Programme

The Price Support Program (PSP) is an initiative of the Marape Government which aimed to give good price to the growers or farmers. This means growers or farmers get a better price on their produce to increase in both production and exports.

The PSP started in 2020 with K50.0 million from the National Budget appropriation followed by K24.0 million in 2021 parked under DAL for administration of funds. The DAL under a tripartite Memorandum of Understanding (MOU) arrangement between the DAL, farmers and commodity boards have released the PSP funds to farmers under the terms and conditions stipulated in the MoU.

The Government, through Treasury Department and DAL, shall develop price stabilisation and intervention policy to drive this initiative. The policy aims to ensure sustainable inventions to local farmers that yield high returns through increased production.

10.10.2 Mobilising Land for Renewable Resource Projects

The Government is focused on increasing investments in the renewable resource sector. The development of agriculture and forestry projects encompass huge hectares of land that are customarily owned. This requires proper approaches to identify and mobilize genuine landowners and to recognise their rights over customary landownership before committing State to participate in customary land lease arrangements.

The Government through the Department of Lands and Physical Planning will utilise the Incorporated Land Group (ILG) and the Voluntary Customary Land Registration (VCLR) processes to mobilize customary land to allow potential developments to take place.

The program “Accessing Secured Land for Coffee Development” is piloted in EHP with the establishment of MOUs signed between landowners and CIC representing the Government. This pilot was initiated in 2018 by Department of Treasury and is led and funded under the Treasury and Finance Miscellaneous vote from 2018 – 2021. It will continue into 2023.

10.10.3 Facilitating Investments in Agriculture

The agriculture system in PNG range from small-scale subsistence, intensive farming and commercial/agri-business. It covers the activities of both the private and public sectors in cropping (food, fruits, vegetables, and tree crops), livestock farming (meat, dairy and animal husbandry), management of land, water resources and post-harvest areas.

Investments in this sector can also strengthen incomes and consumption in rural areas, thereby improving food security through enhancing not only food availability but also access to food and food utilisation.

As such, the Government through the Department of Treasury and the Department of Agriculture and Livestock will establish a strategic framework to facilitate long-term reforms and investments in the agriculture sector. The strategic framework will consider a holistic approach that can drive growth in the agriculture sector over the medium to long term by driving investments, infrastructure development, and creating access to markets and finance.

This aims to generate more economic activity and expand the PNG's economic base. This program is at the concept stage.

APPENDIX 1: GRANTS AND TRANSFERS TO PROVINCES

Table 1.1: National Governments Grants to Provincial and Local Level Governments (Kina Thousand)

Table 1.2: Grants, Transfers and other resources of the Provinces (Kina Thousand)

Table 1.1: National Governments Grants to Provincial and Local Level Governments (Kina Thousand)

Province	Salaries		Personal Emoluments		Allowances		Goods and Services										Total Recurrent Grants (a) (b)					
	PS Salaries	Teachers Salaries	PS (leave fees)	Teachers (leave fees)	Village Court Allowances	Land Mediation Allowances	Sub-Cost Pd (a)	Health Function Grant	Education Function Grant	Transport Maintenance Function Grant	Primary Production Function Grant	Village Courts Function Grant	Land Mediation Grant	Other Service Delivery Function Grant	Administration Grant	Total Provincial Government Grants		Urban LLG Grants	Rural LLG Grants	Total LLG Grants	Sub-total G&S (b)	
Western	15,970,150	57,248,000	3,148,000	2,324,000	1,961,460	253,336	63,277,155	6,493,427	4,135,277	6,433,725	1,765,045	187,238	131,862	786,098	394,033	14,578,996	931,297	1,400,373	5,480,371	26,027,145	105,234,200	
Gulf	14,887,980	25,752,000	309,000	701,000	1,892,110	126,640	41,267,750	6,127,925	5,264,577	7,503,266	2,790,275	611,320	112,028	1,852,676	2,802,211	2,802,211	31,584,934	351,446	1,400,373	1,750,807	28,839,131	72,150,151
Central	23,873,340	77,026,000	691,000	3,011,000	2,623,410	248,375	107,463,125	7,801,276	7,950,834	13,114,881	3,483,881	689,391	110,433	3,066,029	2,501,893	38,793,409	-	2,888,007	2,838,607	41,597,116	149,000,241	
NCD*	1,022,100	3,085,280	37,780	1,102,100	1,022,100	37,780	1,139,380	715,340	7,695,931	3,106,086	3,106,086	485,530	91,034	3,329,730	2,240,869	31,297,542	-	2,465,300	2,265,682	34,059,224	1,139,180	
Milne Bay	10,379,880	86,492,000	300,000	20,380	3,052,280	20,380	10,449,060	2,158,340	7,295,376	5,529,664	1,203,831	441,918	53,042	1,650,356	1,409,474	22,218,830	-	2,570,357	3,899,224	26,625,054	135,502,284	
Southern Highlands	27,902,700	130,525,000	382,000	1,066,000	3,877,110	286,904	163,588,614	4,665,308	7,229,376	5,529,664	1,203,831	441,918	53,042	1,650,356	1,409,474	22,218,830	-	2,570,357	3,899,224	26,625,054	189,214,668	
Hela	11,381,500	44,130,000	154,000	495,000	1,738,640	176,130	58,015,270	7,400,707	5,529,664	12,940,395	5,288,754	576,010	91,287	2,081,396	2,895,777	26,290,283	-	2,183,417	3,440,738	29,731,021	87,746,291	
Enga	12,017,010	93,102,000	286,000	1,287,000	6,004,900	14,590	112,651,500	6,288,675	10,627,039	12,940,395	5,288,754	1,238,882	283,633	2,081,396	2,857,281	41,290,298	-	3,755,594	4,094,940	46,247,878	157,879,378	
Western Highlands	15,753,860	129,576,000	392,000	1,294,000	2,698,160	158,699	150,253,703	2,831,970	8,997,659	1,176,597	788,984	319,975	31,101	155,170	689,322	6,481,727	-	2,113,376	3,083,534	9,515,250	159,708,993	
Chimbu	15,753,860	129,576,000	392,000	1,294,000	2,698,160	158,699	150,253,703	2,831,970	8,997,659	1,176,597	788,984	319,975	31,101	155,170	689,322	6,481,727	-	2,113,376	3,083,534	9,515,250	159,708,993	
Sanda	20,623,450	93,193,000	286,000	1,588,000	3,485,520	252,350	103,116,320	5,022,994	10,259,279	11,822,077	1,407,244	738,326	97,815	3,113,486	3,588,225	36,346,004	-	1,570,995	2,030,119	38,226,123	157,342,473	
Eastern Highlands	16,124,630	139,932,000	723,000	2,701,000	3,938,850	277,070	163,697,350	7,301,163	10,650,243	17,403,260	2,700,719	638,236	94,238	3,671,425	2,912,798	46,411,412	-	2,852,889	3,796,075	49,207,487	212,824,837	
Morobe	35,683,320	187,646,000	1,239,000	7,728,000	3,178,190	483,120	253,883,020	9,309,442	8,779,693	12,343,276	3,608,410	549,661	26,688	3,684,188	3,409,379	41,948,739	-	5,810,503	8,534,771	8,534,771	244,407,731	
Manus	27,767,770	121,340,000	723,000	2,617,000	3,178,190	226,600	153,856,980	3,300,000	10,152,127	8,893,833	2,887,000	531,635	88,637	2,526,662	3,852,909	27,004,466	-	3,936,910	4,970,236	46,719,605	202,576,045	
Southern Highlands	12,796,290	69,691,000	723,000	1,102,000	1,778,810	203,890	82,343,770	10,650,142	10,152,127	9,893,833	3,485,700	531,635	88,637	2,526,662	3,852,909	40,983,446	-	3,870,032	4,706,531	46,109,977	127,895,347	
Minus	9,032,230	29,912,000	516,000	785,000	1,778,810	151,410	41,246,950	2,339,360	3,627,108	5,976,215	1,876,564	526,629	90,753	1,886,651	2,432,009	18,793,579	-	523,515	795,984	39,524,962	60,771,012	
New Ireland	16,563,430	58,093,000	2,472,000	1,010,000	1,538,820	126,640	79,797,910	1,389,980	1,270,029	1,469,734	543,162	447,310	319,507	388,409	639,015	6,903,146	-	1,202,835	1,697,009	8,897,215	87,865,123	
East New Britain	23,422,200	100,470,000	309,000	1,665,000	1,614,010	216,240	127,697,450	5,984,751	5,349,166	5,094,432	5,300,765	564,351	107,294	1,307,758	782,714	24,903,230	-	1,085,986	3,493,009	28,394,239	156,014,889	
West New Britain	15,485,800	86,322,000	1,982,000	8,392,000	2,838,100	443,280	100,782,250	6,384,397	10,762,250	10,991,266	3,671,690	662,974	204,559	2,393,385	2,919,014	37,083,305	-	477,360	3,454,996	46,549,270	139,202,480	
Southern Highlands	50,028,000	80,220,000	1,886,000	442,980	2,281,880	442,980	145,419,860	11,616,332	134,870,694	170,295,921	51,176,725	10,662,135	2,202,794	41,866,990	43,716,344	571,444,934	-	14,181,885	55,796,140	642,072,960	2,894,456,740	
TOTAL	407,256,210	1,829,962,000	15,766,000	49,134,000	55,728,150	4,597,230	2,355,793,600	116,693,332	134,870,694	170,295,921	51,176,725	10,662,135	2,202,794	41,866,990	43,716,344	571,444,934	14,181,885	55,796,140	70,628,026	642,072,960	2,894,456,740	

Note:

NCD and Bougainville are not part of the Intergovernmental Financing Arrangement therefore do not receive any function grants

NCD receives Goods and Services Grant through a single Town and Services Grant indicated under urban LLG Grants category

ABG receive Goods and Services Grants through a single category of Recurrent Goods and Services Grants

Village Court and Land Mediation Allowances are now paid through the Alesco payroll system and are budgeted under the Village Court & Land Mediation Secretariat

Table 1.2: Grants, Transfers and other resources of the Provinces (Kina Thousand)

Province	Total Grants and Transfers	Non-Grant tax transfers				Total
	Recurrent Budget	GST (1)	Bookmakers Tax (2)	Mining & Petroleum Royalties/Dividends (3)	Own Source Revenues (4)	
Western	105,334,320	18,317,503	11,483	38,462,667	1,437,539	163,563,512
Gulf	72,159,151	503,261	0	0	400,255	73,062,667
Central	149,060,241	3,141,058	0	0	14,703,591	166,904,890
NCD*	1,139,180	373,221,606	1,688,728	0	0	376,049,514
Milne Bay	135,502,264	8,830,928	0	0	1,907,567	146,240,759
Oro	74,198,684	5,698,490	0	0	1,319,606	81,216,781
Southern Highlands	189,214,668	9,251,407	0	19,352,526	8,465,596	226,284,198
Hela	87,746,291	2,308,946	0	0	0	90,055,237
Enga	157,879,378	3,963,260	0	0	18,677,948	180,520,586
Western Highlands	159,768,953	52,482,231	93,478	0	10,590,037	222,934,699
Jiwaka	127,111,831	1,683,660	0	0	0	128,795,491
Simbu	157,342,473	8,618,133	29,259	0	999,040	166,988,904
Eastern Highlands	212,824,837	25,067,294	152,032	1,677	2,249,093	240,294,933
Morobe	244,407,791	191,204,360	525,388	3,769,927	9,019,727	448,927,194
Madang	202,576,045	23,933,388	663,629	2,804	2,210,134	229,385,999
East Sepik	206,523,610	15,649,692	0	0	3,013,237	225,186,540
Sandaun	127,805,347	3,958,553	0	0	3,030,511	134,794,411
Manus	60,771,012	2,842,554	0	0	533,036	64,146,602
New Ireland	87,845,125	25,924,306	0	11,644,566	1,021,968	126,435,965
East New Britain	156,041,689	32,444,756	10,653	0	5,006,871	193,503,969
West New Britain	139,202,850	14,555,693	84,528	0	4,306,377	158,149,448
Bougainville*	0	0	0	0	0	0
TOTAL	2,854,455,740	823,601,078	3,259,178	73,234,167	88,892,134	3,843,442,297

Notes

1) GST is based on 60% of the 2021 net inland GST collections, to be distributed to each province in 2023

2) Bookmakers is 40% of 2021 net collections

3) NEFC estimate based on 2021 actual collections which includes dividends from equity shares of mining and petroleum resource projects

4) NEFC estimate based on 2021 Actuals

5) NEFC does not provide *Own Source Revenue (4)* estimates for NCD and Bougainville as these provinces are not part of Intergovernmental Financing Arrangement

APPENDIX 2: TABLES ON ECONOMIC AND FISCAL DATA

Table 1:	Gross Domestic Product by Economic Activity at Current and Constant Prices
Table 2:	Contributions to Growth in Real Gross Domestic Product
Table 3:	Prices of Main Export Commodities
Table 4:	Volume of Main Export Commodities
Table 5:	Value of Main Export Commodities
Table 6:	Summary of Balance of Payments
Table 7:	Employment Classified by Industry
Table 8:	Monetary Aggregates
Table 9:	Major Assumptions Underlying the Budget
Table 10:	Statement of Operations for the General Government
Table 11:	Statement of Sources and Uses of Cash for the General Government
Table 12:	General Government Revenue by Economic Classification
Table 13A:	General Government Expense by Economic Classification
Table 13B:	General Government Expense by Agency Type and Economic Classification
Table 14:	Transactions in Assets and Liabilities for the General Government
Table 15:	Stocks of General Government Debt

Table 1: Gross Domestic Product by Economic Activity at Current and Constant Prices (Kina Million)

	2019 Actual	2020 Actual	2021 Est	2022 Est	2023 Proj	2024 Proj	2025 Proj	2026 Proj	2027 Proj
Agriculture, Forestry and Fishing									
nominal	14234.5	15476.0	17963.8	19683.0	20782.5	22248.2	23784.8	25519.5	27261.0
deflator	136.9	146.2	166.6	178.9	182.8	189.8	197.3	205.4	214.2
real	10394.4	10588.1	10781.2	11009.1	11352.5	11720.8	12056.3	12425.8	12727.3
rate of real growth	2.3	1.9	1.8	2.1	3.1	3.2	2.9	3.1	2.4
Oil and Gas Extraction									
nominal	14719.8	11663.3	14838.3	20671.4	16889.2	15859.8	14981.6	14429.1	14000.3
deflator	112.7	90.0	121.4	169.2	149.9	140.0	132.8	127.9	124.1
real	13056.7	12960.5	12055.1	12217.9	11339.7	11325.2	11282.7	11282.7	11282.7
rate of real growth	15.1	-0.7	-7.0	1.4	-7.2	-0.1	-0.4	0.0	0.0
Mining and Quarrying									
nominal	9038.7	8377.9	7871.7	9318.3	10938.3	11537.9	11929.9	11453.5	7630.0
deflator	115.4	139.3	162.8	169.7	161.5	164.9	168.2	161.4	137.5
real	7932.4	6016.2	4936.3	5491.3	6773.7	6998.2	7093.5	7099.2	7099.2
rate of real growth	5.3	-23.2	-19.6	13.5	23.4	3.3	1.4	0.0	0.0
Manufacturing									
nominal	1418.2	1390.6	1540.1	1724.0	1895.4	2104.5	2332.9	2579.2	2856.3
deflator	141.4	148.1	154.8	165.0	174.4	183.6	193.6	203.3	213.4
rate of deflator growth	4.2	4.8	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	1003.1	939.7	995.1	1048.8	1086.6	1143.1	1204.8	1268.7	1338.5
rate of real growth	-0.6	-6.4	6.0	5.0	4.0	5.2	5.4	5.3	5.5
Electricity Gas & Airconditioning									
nominal	685.8	722.3	807.5	912.5	1012.9	1133.2	1263.3	1405.9	1564.4
deflator	117.9	118.7	124.1	132.3	139.8	147.6	155.2	162.9	171.0
rate of deflator growth	3.4	0.7	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	581.5	608.3	650.9	690.0	724.5	767.9	814.0	852.9	914.6
rate of real growth	4.0	4.6	7.0	6.0	5.0	6.0	6.0	6.0	6.0
Water Supply & Waste Management									
nominal	158.2	176.5	193.6	214.7	238.3	265.4	295.3	328.6	365.6
deflator	144.8	151.9	158.8	169.2	178.9	188.8	198.6	208.5	218.9
rate of deflator growth	0.0	4.9	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	109.3	116.2	122.0	126.8	133.2	140.5	148.7	157.6	167.0
rate of real growth	4.1	6.3	5.0	4.0	5.0	5.5	5.8	6.0	6.0
Construction									
nominal	4759.5	4938.2	5211.3	5611.1	6109.9	6706.6	7406.2	8164.6	9084.9
deflator	140.5	146.1	152.6	162.7	172.0	181.5	190.9	200.4	210.4
rate of deflator growth	3.4	3.9	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	3387.0	3381.0	3414.8	3449.0	3552.4	3694.5	3879.3	4073.2	4317.6
rate of real growth	-8.6	-0.2	1.0	1.0	3.0	4.0	5.0	5.0	6.0
Wholesale and retail trade									
nominal	7750.1	8106.7	9232.7	10531.6	11690.4	12955.5	14375.0	15922.6	17717.3
deflator	138.0	144.5	151.0	161.0	170.2	179.6	188.9	198.3	208.2
rate of deflator growth	3.8	4.7	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	5616.3	5610.2	6115.1	6543.2	6870.4	7213.9	7610.6	8029.2	8511.0
rate of real growth	1.5	-0.1	9.0	7.0	5.0	5.0	5.5	5.5	6.0
Transport and Storage									
nominal	2013.4	1667.5	1759.7	2026.0	2291.8	2539.8	2807.3	3094.8	3427.4
deflator	138.1	143.4	149.8	159.7	168.8	178.2	187.4	196.7	206.6
rate of deflator growth	9.9	3.8	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	1458.2	1163.2	1174.8	1268.8	1357.6	1425.5	1498.2	1573.1	1659.6
rate of real growth	3.6	-20.2	1.0	8.0	7.0	5.0	5.1	5.0	5.5
Accommodation and Food Services									
nominal	1416.2	1352.0	1483.3	1660.3	1807.9	1965.4	2129.1	2313.6	2525.8
deflator	125.2	135.6	141.2	150.9	157.3	165.3	174.3	183.4	192.7
rate of deflator growth	-0.3	4.2	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	1104.4	1011.9	1062.5	1115.7	1149.1	1183.6	1219.1	1261.8	1312.3
rate of real growth	-1.3	-8.4	5.0	5.0	3.0	3.0	3.0	3.5	4.0
Information and Communication									
nominal	1334.6	1406.0	1601.3	1843.6	2085.5	2364.0	2670.2	3010.9	3394.6
deflator	95.2	94.1	90.8	104.9	110.4	115.9	121.3	127.1	132.2
rate of deflator growth	-1.4	-1.1	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	1402.1	1493.5	1627.9	1758.1	1881.2	2020.4	2169.9	2330.5	2502.9
rate of real growth	15.9	6.5	9.0	8.0	7.0	7.4	7.4	7.4	7.4
Financial and Insurance Activities									
nominal	2055.4	1919.5	1965.4	2141.4	2320.4	2599.3	2812.8	3086.0	3385.3
deflator	136.1	142.7	149.1	159.0	168.0	177.4	186.5	195.8	205.6
rate of deflator growth	3.8	4.8	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	1510.0	1345.1	1318.2	1347.2	1380.8	1443.0	1507.9	1576.8	1646.7
rate of real growth	-4.6	-10.9	-2.0	2.2	2.5	4.5	4.5	4.5	4.5
Real Estate Activities									
nominal	5054.9	5435.9	5793.3	6330.4	6946.7	7610.4	8308.2	9054.3	9865.8
deflator	137.4	144.0	150.5	160.4	169.6	179.0	188.2	197.6	207.4
rate of deflator growth	3.8	4.8	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	3679.6	3774.9	3850.4	3946.7	4096.7	4252.4	4413.9	4581.7	4755.8
rate of real growth	2.7	2.6	2.0	2.5	3.8	3.8	3.8	3.8	3.8
Professional and Scientific									
nominal	793.1	833.4	896.9	984.9	1082.8	1194.3	1312.6	1440.1	1679.8
deflator	125.9	135.2	141.2	150.9	157.3	165.3	174.3	183.4	192.7
rate of deflator growth	9.8	4.8	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	615.2	616.6	635.1	654.2	680.4	711.0	743.0	776.4	811.4
rate of real growth	11.6	0.2	3.0	3.0	4.0	4.5	4.5	4.5	4.5
Administrative and Support Services									
nominal	6430.8	6686.7	7405.8	8092.4	8811.8	9690.9	10620.2	11640.9	12892.0
deflator	127.7	144.3	150.8	160.8	170.4	179.4	188.7	198.1	207.9
rate of deflator growth	4.2	4.8	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	4670.8	4632.4	4910.6	5033.4	5184.4	5402.1	5629.0	5876.7	6199.9
rate of real growth	4.1	-0.8	6.0	2.5	3.0	4.2	4.2	4.4	5.5
Public Administration and Defence									
nominal	3928.9	4390.3	4862.4	5494.7	6099.3	6823.7	7535.4	8307.1	9243.5
deflator	125.9	130.3	136.1	145.1	153.4	161.9	170.3	178.8	187.7
rate of deflator growth	2.8	2.6	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	3095.1	3370.1	3572.3	3786.7	3976.0	4214.5	4425.3	4646.5	4923.5
rate of real growth	0.5	8.9	6.0	6.0	5.0	6.0	5.0	5.0	6.0
Education									
nominal	2187.4	2275.6	2472.8	2767.9	3057.9	3388.8	3735.1	4109.8	4573.0
deflator	125.8	129.2	135.0	143.9	152.1	160.5	168.8	177.3	186.1
rate of deflator growth	2.8	2.6	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	1738.3	1761.9	1832.4	1924.0	2010.6	2111.1	2214.4	2318.6	2457.7
rate of real growth	0.7	1.4	4.0	5.0	4.5	5.0	4.8	4.8	6.0
Health and Social Work Activities									
nominal	1573.5	1771.3	1998.8	2258.7	2507.2	2778.5	3068.3	3382.6	3763.8
deflator	126.6	131.9	137.8	146.9	155.4	163.9	172.4	181.0	190.0
rate of deflator growth	3.1	2.5	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	1223.3	1343.3	1450.8	1537.8	1614.7	1695.5	1780.2	1869.2	1981.4
rate of real growth	0.7	9.8	6.0	6.0	5.0	5.0	5.0	5.0	6.0
Other Service Activities									
nominal	540.0	487.5	534.8	595.8	661.4	726.0	794.1	872.9	959.4
deflator	133.4	140.0	146.3	156.0	164.9	174.1	183.1	192.2	201.8
rate of deflator growth	3.8	5.0	4.5	6.6	5.7	5.5	5.2	5.0	5.0
real	404.7	348.1	365.5	381.9	401.0	417.1	433.8	454.1	475.5
rate of real growth	3.4	-14.0	5.0	4.5	5.0	4.0	4.0	4.7	4.7
Total GDP									
nominal	83846.0	82515.0	92321.6	107807.3	113108.2	120993.7	129799.5	138858.3	145828.8
rate of nominal growth	5.6	-1.6	11.9	16.8	4.9	7.0	7.0	7.0	5.0
deflator	127.6	129.7	145.0	161.8	163.2	168.5	174.3	179.9	182.0
real	65714.3	63632.9	63877.2	66622.0	69290.7	71767.3	74460.4	77190.1	80123.0
rate of real growth	4.5	-3.2	0.1	4.6	4.0	3.6	3.7	3.7	3.8
Total non-mining GDP									
nominal	60087.6	62473.7	69813.6	77817.5	85280.8	93596.0	102888.0	112975.6	124198.4
rate of nominal growth	4.9	4.0	11.7	11.5	9.6	9.8	9.9	9.8	9.9
deflator	134.0	139.9	149.2	159.1	166.6	175.1	183.5	192.1	201.2
real	44325.3	44655.2	46795.8	48912.9	51177.3	53454.5	56084.1	58811.0	61723.0
rate of real growth	1.6	-0.4	4.8	4.5	4.6	4.5	4.9	4.9	5.0

*Sum of industries less bank imputed charge, plus import duties, less subsidies

Source: Actual data for 2008-2020: National Statistical Office. Estimates and projections: Department of Treasury

Table 2: Contributions to Growth in Real Gross Domestic Product (Percentage points)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Est	Est	Proj	Proj	Proj	Proj	Proj
Agriculture, Forestry and Fishing	0.4	0.4	0.7	0.4	0.3	0.3	0.4	0.5	0.5	0.5	0.5	0.4
Oil and Gas Extraction	1.4	-0.5	-3.3	2.7	-0.1	-1.4	0.3	-1.3	0.0	-0.1	0.0	0.0
Mining and Quarrying	1.6	1.6	0.3	0.6	-2.8	-1.9	1.0	1.9	0.3	0.1	0.0	0.0
Manufacturing	0.1	0.1	-0.1	0.0	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Electricity Gas & Airconditioning	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Water Supply & Waste Managen	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	0.1	-0.7	-0.1	-0.5	0.0	0.1	0.1	0.2	0.2	0.3	0.3	0.3
Wholesale and retail trade	0.2	0.1	0.2	0.1	0.0	0.8	0.7	0.5	0.5	0.6	0.6	0.6
Transport and Storage	0.1	0.0	0.1	0.1	-0.4	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Accomodation and Food Service	0.0	0.1	0.2	0.0	-0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1
Information and Communication	0.1	0.0	0.0	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Financial and Insurance Activities	-0.1	0.0	0.0	-0.1	-0.3	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Real Estate Activities	0.3	0.2	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Professional and Scientific	0.0	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative and Support Servi	0.0	0.0	0.8	0.3	-0.1	0.4	0.2	0.2	0.3	0.3	0.3	0.4
Public Administration and Defenc	0.1	0.1	0.4	0.0	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4
Education	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Health and Social Work Activities	0.3	0.1	0.1	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other Service Activities	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL GDP*	4.1	2.2	-0.3	4.5	-3.2	0.1	4.6	4.0	3.6	3.7	3.7	3.8
Total Non-mining GDP	1.5	1.5	4.0	1.6	-0.4	4.8	4.5	4.6	4.5	4.9	4.9	5.0

Source: Actuals from National Statistical Office (NSO). Estimates and projections from Department of Treasury.

Table 3: Prices of Main Export Commodities

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Actual	Est	Proj	Proj	Proj	Proj	Proj
AGRICULTURE												
Copra	1848	2374	1821	1803	1930	2080	2497	2498	2498	2498	2498	2498
Cocoa	9358	6329	7552	7934	8210	8518	8194	8045	7730	7730	7730	7730
Coffee	9358	10714	10128	10228	12552	17289	20427	19174	18561	18346	18346	18346
Palm Oil	1877	2155	1867	1717	2215	3505	3981	3156	3015	2992	2992	2992
Rubber	3333	4655	3997	4029	3714	4321	4063	4175	4257	4257	4257	4257
Tea	4222	4727	4070	4750	3999	3625	3587	3585	3633	3633	3633	3633
Copra Oil	3358	4519	3026	2314	2643	4850	5589	5592	5592	5592	5592	5592
Logs (K/m ³)	294	302	304	327	310	338	358	358	358	358	358	358
MINERALS												
Gold (US\$/oz)	1248	1258	1270	1392	1770	1800	1816	1812	1871	1926	1956	1985
Copper (US\$/ton)	4865	6166	6517	6006	6170	9308	8811	7910	7894	7877	7875	7915
Oil (Kutubu Crude: US\$/barrel)	44	51	65	57	39	68	95	83	77	73	71	69
LNG (US\$ per thousand cubic feet)	7.1	8.1	10.2	10.6	8.3	10.8	14.6	12.8	12.1	11.4	11.1	10.8
Condensate (US\$/barrel)	44	51	65	57	39	68	95	83	77	73	71	69
Nickel (US\$/tonne)	9595	10415	13109	10960	10639	17147	20929	17602	17964	18100	18491	18629
Cobalt (US\$/tonne)	25639	55988	72820	22836	21483	44430	52532	43355	41968	40236	40164	40047

Source: Department of Treasury.

Table 4: Volume of Main Export Commodities

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Actual	Est	Proj	Proj	Proj	Proj	Proj
AGRICULTURE												
Copra	43.5	50.6	63.6	36.6	36.7	38.9	40.3	40.3	40.3	40.3	40.3	40.3
Cocoa	40.1	31.9	33.3	26.4	33.0	33.4	36.7	42.4	48.8	54.2	60.2	66.2
Coffee	68.0	47.8	52.1	47.2	40.7	25.0	25.0	33.1	34.3	31.9	33.2	34.1
Palm Oil	540.7	621.8	614.3	571.3	557.9	649.3	632.3	595.2	596.5	607.9	620.0	620.0
Rubber	2.4	2.9	4.9	3.4	3.1	2.8	3.1	3.0	3.0	3.1	3.3	3.4
Tea	0.9	1.1	0.5	0.4	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Copra Oil	17.9	16.2	13.7	15.6	10.4	10.7	12.7	12.9	13.8	14.0	15.1	15.8
Logs	3655.0	3260.5	4040.0	3684.0	2891.0	2724.2	2901.0	3597.2	3597.2	3597.2	3597.2	3597.2
Marine products	174.5	165.5	202.2	202.3	203.4	209.5	215.8	222.3	228.9	235.8	242.9	250.2
MINERAL												
Gold (tonnes)	59.4	63.0	63.2	74.2	54.1	44.2	44.7	60.6	62.5	64.9	65.9	66.9
Silver (tonnes)	19.08	36.14	33.68	53.57	41.65	16.72	16.74	16.8	16.8	16.8	16.8	42.0
Copper (tonnes)	71.0	100.4	87.4	111.0	82.3	36.0	40.3	58.6	65.6	65.6	65.6	65.6
Oil (million barrels)	9.5	7.3	4.1	3.6	4.9	4.4	4.8	5.4	5.0	5.0	5.0	5.0
LNG (Tbtu)	389.1	447.0	382.0	433.0	430.6	413.5	437.0	409.0	409.0	409.0	409.0	409.0
Condensate (MB)	11.3	10.9	8.9	11.0	10.6	8.4	7.0	6.0	6.0	6.0	6.0	6.0
Nickle (tonnes)	22,400.0	35,800.0	25,500.0	40,300.0	28,714.0	33,500.0	32,600.0	32600.0	32600.0	32601.9	32601.9	32601.9
Cobalt (tonnes)	2300.0	3400.0	2900.0	3600.0	2600.0	2700.0	3010.0	3010.0	3010.0	3010.0	3010.0	3010.0

Source: BPNG and Department of Treasury

Table 5: Value of Main Export Commodities (Kina, million)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Actual	Est	Proj	Proj	Proj	Proj	Proj
AGRICULTURE, FORESTRY, FISHERIES												
Copra	80.4	120.1	115.8	66.0	70.8	80.9	100.6	100.6	100.6	100.6	100.6	100.6
Copra Oil	60.1	73.2	41.3	36.1	27.5	51.7	71.1	72.3	77.3	78.5	84.3	88.5
Cocoa	359.9	202.0	246.5	215.5	270.9	284.6	300.6	340.9	377.5	419.0	465.0	511.5
Coffee	646.9	450.1	487.9	415.1	502.1	274.8	510.1	633.9	635.9	586.1	608.9	625.3
Palm Oil	1014.7	1339.7	1146.8	980.8	1322.0	2687.2	2517.3	1878.3	1798.2	1818.9	1854.9	1854.9
Rubber	8.0	13.5	19.6	13.7	10.4	12.1	12.5	12.6	12.6	13.2	13.9	14.6
Tea	3.8	5.2	2.0	1.9	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Other Agriculture (a)	303.7	609.8	251.0	237.2	316.9	516.5	606.1	503.8	504.7	525.3	550.9	577.7
Forest Products	1083.7	999.8	1002.0	1238.9	896.0	943.0	1002.3	1002.8	1002.8	1002.8	1002.8	1002.8
Marine Products	1046.6	1316.6	1120.7	1162.0	1225.6	1318.6	1447.9	1576.6	1714.0	1856.7	2007.8	2170.9
Total Agricultural, Forestry, Fishing	4607.8	5130.0	4433.5	4367.2	4643.5	6170.7	6570.0	6123.4	6225.1	6402.6	6690.7	6948.4
MINERAL												
Gold	6976.4	7612.2	8207.2	10520.1	10551.0	8967.9	9172.8	12425.4	13246.2	14140.2	14585.8	15024.4
Copper	1114.9	1962.2	1889.7	2242.0	1706.0	1141.8	1212.8	1584.1	1771.7	1768.0	1767.7	1776.5
Silver	32.8	63.1	62.5	93.3	74.8	31.1	31.2	31.2	31.2	31.2	31.2	78.2
Oil	1253.8	1255.9	910.2	741.4	1016.8	648.6	1211.8	1918.1	1538.7	1443.0	1364.7	1325.2
LNG	8188.9	10467.5	13835.1	15600.2	12315.0	15616.7	22530.1	18482.4	17384.3	16486.4	16032.4	15559.4
Condensate	1592.3	1935.1	574.6	627.4	416.8	568.0	663.4	495.2	464.4	439.2	426.5	413.2
Nickel	668.2	1179.0	1087.0	1953.8	1056.9	1973.0	2401.1	2020.5	2062.0	2077.6	2122.6	2138.4
Cobalt	195.2	614.1	575.5	392.5	186.1	473.1	534.4	441.3	427.2	409.6	408.8	407.6
Refined Petroleum Products	862.5	1196.5	1394.5	1293.7	933.1	1660.1	2369.9	2106.5	2015.0	1943.8	1925.2	1902.6
Total Mineral Exports	20885.0	26285.6	28536.3	33464.5	28256.5	31080.4	40127.6	39504.9	38940.8	38738.9	38664.9	38625.6
TOTAL EXPORT VALUE	25492.8	31415.6	32969.8	37831.7	32900.0	37251.1	46697.5	45628.2	45165.8	45141.5	45355.6	45574.1

Source: BPNG and Department. of Treasury.

(a) Includes Oil Palm by-products, canned tuna and vanilla.

Table 6: Summary of Balance of Payments (Kina, million)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Actual	Est	Proj	Proj	Proj	Proj	Proj
CURRENT ACCOUNT BALANCE	16064.7	16732.7	17342.4	17638.3	17006.7	18485.9	23801.5	23020.4	22373.2	21741.4	21299.8	20916.3
Trade Balance	16052.3	17513.4	18118.4	20055.2	17153.1	20969.0	26663.6	26229.1	25959.8	25935.7	26052.2	26297.8
<i>Goods Balance</i>	19006.2	21658.1	22134.0	24168.6	21538.1	25382.2	32137.4	31482.5	31118.7	31052.5	31129.3	31321.0
Credit (Exports)	25493	31416	33702	37832	32900	37251	46698	45628	45166	45142	45356	45574
Debit (Imports)	-6487	-9757	-11568	-13663	-11362	-11869	-14560	-14146	-14047	-14089	-14226	-14253
<i>Services Balance</i>	-2953.9	-4144.7	-4015.6	-4113.4	-4385.1	-4413.2	-5473.8	-5253.4	-5158.9	-5116.8	-5077.1	-5023.2
Services Credit	403	950	1426	1510	453	688	766	840	922	1013	1113	1223
Services Debit	-3357	-5095	-5442	-5624	-4838	-5101	-6240	-6093	-6081	-6130	-6190	-6246
Income Balance (RHS)	-720.2	-1429.8	-2032.7	-3536.8	-935.2	-3840.7	-4281.0	-4691.6	-5149.0	-5660.2	-6215.2	-6841.2
Income Credit	16	74	103	230	117	153	170	187	205	225	247	263
Income Debit	-736	-1504	-2136	-3767	-1053	-3994	-4451	-4878	-5354	-5886	-6463	-7105
Transfers Balance (RHS)	732.6	649.1	1256.7	1119.9	788.8	1357.5	1418.9	1482.9	1562.5	1465.8	1462.8	1459.8
Transfers Credit	1240	1394	1577	1539	952	1640	1709	1781	1868	1781	1781	1781
Transfers Debit	-508	-745	-320	-419	-163	-282	-290	-298	-306	-315	-318	-321
CAPITAL AND FINANCIAL ACCOUNT^(a)	-16203	-16697	-17342	-17638	-16216	-20250	-22679	-23046	-23174	-23125	-22111	-5410
NET ERRORS AND OMISSIONS	138.0	-35.8	0.0	0.0	-791.0	1763.7	-1122.3	25.7	800.5	1383.5	811.5	-15506.7
Current account balance as percentage of Gross Domestic Product (GDP)	24.7	23.1	21.8	21.0	20.6	20.0	22.1	20.4	18.5	16.7	15.3	14.3

Source: Actuals from BPNG. Projections from Dept. of Treasury.

(a) Capital and Financial Account includes changes in reserves.

Source: BPNG and Dept. of Treasury.

(a) Capital and Financial Account includes changes in reserves.

Table 7: Employment Classified by Industry

Index March 2002=100

	2014 Annual	2015 Annual	2016 Annual	2017 Annual	2018 Annual	2019 Annual	2020 Annual	2021 Annual	2022 Jun Qtr*
Retail	162.4	159.6	148.6	141.7	132.7	136.3	135.5	148.8	130.4
Wholesale	215.4	207.5	204.0	193.0	198.4	194.0	163.5	156.3	151.6
Manufacturing	188.3	180.2	178.4	169.4	167.7	180.4	185.9	184.5	206.3
Building and Construction	266.6	262.5	242.3	184.7	164.4	147.5	123.0	95.6	142.5
Transportation	174.4	172.7	172.4	163.3	150.2	132.3	127.3	125.1	128.9
Agriculture, Forestry, Fisheri	170.4	168.1	165.2	165.9	157.7	158.7	160.9	155.9	158.5
Financial and Business	124.4	123.7	119.6	121.7	126.2	130.3	112.7	98.7	113.8
TOTAL NON-MINERAL	173.6	169.7	166.1	156.5	151.5	151.9	147.0	140.8	150.9
MINERAL	240.1	241.2	262.2	281.8	304.4	359.3	308.8	333.3	307.8

Source: BPNG.

* June Quarter Preliminaries

Table 8: Monetary Aggregates

(Kina Million, unless otherwise stated)

	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Jun Qtr*
Domestic Credit	11724.1	13054.7	13920.3	13794.3	14569.1	15323.8	15543.1	15133.9	15457.2
% Change	16.0	11.3	6.6	-0.9	5.6	5.2	6.7	-1.2	-0.6
Net Credit to Central Government	4163.8	5345.3	9008.7	9154.898	6810.6	7150.4	7451.1	10005.0	12072.6
% Change	51.1	28.4	68.5	1.6	-25.6	5.0	9.4	39.9	62.0
Credit to Private Sector	10263.9	10611.9	11379.1	10972.9	11757.0	12231.9	12754.4	12809.3	13152.7
% Change	3.6	3.4	7.2	-3.6	7.1	4.0	8.5	4.7	3.1
Money Supply	18716.3	20218.6	22417.1	22275.0	21377.6	22312.0	23879.7	26684.5	28722.6
% Change	3.4	8.0	10.9	-0.6	-4.0	4.4	11.7	19.6	20.3
Money Velocity (M3*) (average)	3.1	3.0	2.9	3.3	3.7	3.8	3.5	3.5	3.8

Source: BPNG

*June Quarter Preliminaries

Table 9: Major Assumptions Underlying the Budget

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est	Est	Proj	Proj	Proj	Proj	Proj
Economic Growth														
Total Real GDP (%)	13.5	9.5	4.1	2.2	-0.3	4.5	-3.2	0.1	4.6	4.0	3.6	3.7	3.7	3.8
Non-mining Real GDP (%)	4.1	-4.1	1.5	1.5	4.0	1.6	-0.4	4.8	4.5	4.6	4.5	4.9	4.9	5.0
Inflation														
Average on Average (%)	5.2	6.0	6.7	5.4	4.7	3.6	4.9	4.5	6.6	5.7	5.5	5.2	5.0	5.0
Dec on Dec (%)	6.6	6.4	6.6	4.7	4.9	2.7	5.1	5.7	6.7	5.2	5.1	5.3	5.8	4.8
Exchange rate														
Real Exchange Rate Index (2010 = 100)	124.9	131.4	122.1	124.3	123.0	125.8	128.1	123.3	128.8	133.8	133.8	133.8	133.8	133.8
Interest rate														
Kina Rate Facility (KFR)	6.25	6.25	6.25	6.25	6.25	5.50	3.00	3.00	3.25	3.25	3.25	3.25	3.25	3.25
Inscribed Stock (3 year yield)	8.0	9.7	9.7	9.7	9.0	10.5	9.0	9.0	6.0	6.0	6.0	6.0	6.0	6.0
Mineral Prices														
Gold (US\$/oz)	1266	1160	1248	1258	1270	1392	1770	1800	1816	1812	1871	1926	1956	1985
Copper (US\$/ton)	6864	5502	4865	6166	6517	6006	6170	9308	8811	7910	7894	7877	7875	7915
Oil (Kutubu Crude: US\$/barrel)	93	49	44	51	65	57	39	68	95	83	77	73	71	69
LNG (US\$ per thousand cubic feet)	14	7.9	7.1	8.1	10.2	10.6	8.3	10.8	14.6	12.8	12.1	11.4	11.1	10.8
Condensate (US\$/barrel)	93	49	44	51.0	64.5	57.0	39.5	67.9	94.8	82.5	77.4	73.2	71.1	69
Nickel (US\$/tonne)	16847	11831	9595	10415	13109	10960	10639	17147	20929	17602	17964	18100	18491	18629
Cobalt (US\$/tonne)	30724	29255	25639	55988	72820	22836	21483	44430	52532	43355	41968	40236	40164	40047

Source: Department of Treasury.

Table 10: Statement of Operations for General Government

Kina Million	Actual		Estimates		Projections			
	2020	2021	2022 Suppl. Budget	2023 Budget	2024	2025	2026	2027
TRANSACTIONS AFFECTING NET WORTH:								
Revenue	12,093.3	13,860.4	17,389.1	19,582.0	20,498.8	22,226.8	25,123.7	28,368.7
Taxes	9,802.1	11,129.4	13,831.5	14,899.6	15,813.6	17,196.7	19,414.9	21,940.0
<i>Taxes on Income, profits, and capital gains</i>	5,668.6	6,356.1	8,841.9	8,935.0	8,899.9	9,008.8	9,677.4	10,816.3
<i>Taxes on payroll and workforce</i>	0.4	0.8	0.0	0.0	0.0	0.0	0.0	0.0
<i>Taxes on goods and services</i>	3,372.7	3,993.7	4,130.2	5,015.3	5,888.1	6,796.0	7,622.3	8,613.9
<i>Taxes on international trade and transactions</i>	760.4	778.8	859.4	949.4	1,025.6	1,391.9	2,115.2	2,509.9
Grants	1,425.0	2,088.0	1,824.9	2,024.9	2,074.9	2,124.9	2,175.2	2,224.9
Other Revenue	866.2	643.0	1,732.7	2,657.4	2,610.2	2,905.2	3,533.6	4,203.8
<i>Dividends</i>	718.5	530.5	1,470.0	1,932.5	1,866.9	2,078.3	2,750.6	3,308.1
<i>Statutory Transfers (NTRA Revenue)</i>	85.0	50.0	209.6	459.3	587.9	678.3	640.9	748.2
<i>Fees and Charges</i>	62.7	62.5	52.4	264.9	154.7	147.9	141.4	146.8
<i>SWF Inflows</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Interest & Fees from Lending</i>	0.0	0.0	0.7	0.7	0.7	0.7	0.7	0.7
Resource Revenue	751.9	1,015.9	4,150.0	4,024.3	2,843.0	2,511.3	3,089.0	3,701.3
<i>Mining and Petroleum Taxes</i>	183.4	635.4	3,000.0	2,341.8	1,326.0	840.5	948.9	1,072.3
<i>Mining, Petroleum and Gas Dividends</i>	568.5	380.5	1,150.0	1,682.5	1,516.9	1,670.8	2,140.1	2,629.0
<i>Transfer from the Stabilization Fund (SWF)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Revenue as percentage of GDP</i>	<i>14.8%</i>	<i>14.9%</i>	<i>16.1%</i>	<i>17.3%</i>	<i>16.9%</i>	<i>17.1%</i>	<i>18.1%</i>	<i>19.5%</i>
Total Expenditure and lending	19,397.8	20,130.7	23,373.6	24,566.9	24,467.5	25,689.2	26,897.8	28,261.7
<i>Expense as percentage of GDP</i>	<i>23.8%</i>	<i>21.6%</i>	<i>21.7%</i>	<i>21.7%</i>	<i>20.2%</i>	<i>19.8%</i>	<i>19.4%</i>	<i>19.4%</i>
Expense²	15,887.1	16,480.4	18,488.8	19,956.8	17,757.8	19,055.3	19,845.4	20,968.3
Compensation of employees	5,831.5	6,093.7	6,353.2	6,833.7	7,160.6	7,598.0	7,900.4	8,205.9
Use of goods and services	5,388.4	6,161.2	6,756.8	6,929.7	5,241.5	5,588.0	5,972.1	6,609.7
Interest	2,160.0	2,249.1	2,313.5	2,496.1	2,607.2	2,686.5	2,707.7	2,689.3
Grants	2,190.0	1,915.0	2,958.3	3,513.8	2,611.9	3,028.2	3,090.2	3,265.3
Social benefits	217.7	0.0	42.5	114.2	51.5	56.6	62.3	68.5
Other expense	99.4	61.3	64.4	69.4	85.2	98.0	112.7	129.6
Net Acquisition of Non-Financial Assets*	3,510.7	3,650.4	4,884.8	4,610.1	6,709.7	6,634.0	7,052.4	7,293.4
Fixed Assets	3,510.7	3,650.4	4,884.8	4,610.1	6,709.7	6,634.0	7,052.4	7,293.4
Gross Operating Balance³	-3,793.7	-2,619.9	-1,099.7	-374.8	2,741.0	3,171.6	5,278.4	7,400.4
Net Lending (+) / Net Borrowing (-)	-7,304.4	-6,270.3	-5,984.7	-4,984.9	-3,968.7	-3,462.4	-1,774.0	107.0
<i>Net lending/borrowing as percentage of GDP</i>	<i>-8.9%</i>	<i>-6.7%</i>	<i>-5.6%</i>	<i>-4.4%</i>	<i>-3.3%</i>	<i>-2.7%</i>	<i>-1.3%</i>	<i>0.1%</i>
Primary Balance ⁴	-5,144.4	-4,021.2	-3,671.0	-2,488.9	-1,361.5	-775.9	933.6	2,796.3
Non-resource net lending (+)/borrowing (-)	-8,056.3	-7,286.1	-10,134.5	-9,009.2	-6,811.7	-5,973.7	-4,863.1	-3,594.3
Non-resource primary balance	-5,896.3	-5,037.0	-7,821.0	-6,513.2	-4,204.5	-3,287.2	-2,155.4	-905.0
Transactions in financial assets and liabilities	7,304.4	6,270.3	5,984.7	4,984.9	3,968.7	3,462.4	1,774.1	-107.0
Net Acquisition of Financial Assets	-802.9	-1,685.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-802.9	-910.4	0.0	0.0	0.0	0.0	0.0	0.0
External		-774.8						
Net Incurrence of Liabilities	6,501.5	7,955.5	5,984.7	4,984.9	3,968.7	3,462.4	1,774.1	-107.0
Domestic	2,882.0	3,042.1	2,240.0	1,465.7	526.9	-451.9	-290.6	-1,180.5
<i>Debt securities: Treasury bills</i>	1,710.5	1,394.8	260.1	525.7	-507.2	-826.9	-689.2	-1,193.7
<i>Debt securities: Treasury bonds</i>	1,266.2	1,600.6	1,750.0	945.0	1,059.1	500.0	523.6	138.2
Loans	-94.7	46.7	229.9	-5.0	-25.0	-125.0	-125.0	-125.0
External	3,619.5	4,913.4	3,744.7	3,519.2	3,441.8	3,914.3	2,064.7	1,073.5
<i>Monetary gold and special drawing rights (SDR's)</i>	0.0	1,244.1	0.0	0.0	0.0	0.0	0.0	0.0
<i>Debt securities: Sovereign bonds</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3,619.5	3,669.3	3,744.7	3,519.2	3,441.8	3,914.3	2,064.7	1,073.5
Gross Domestic Product⁵	81,627.0	93,314.1	107,807.3	113,108.2	120,993.7	129,799.5	138,858.3	145,828.8

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 by economic activity, Actual: *National Statistics Office* and Projections: *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

Table 11: Statement of Sources and Uses of Cash

Kina Million	Actuals		Budget Estimates		Projections			
	2020	2021	2022 Suppl.	2023 Budget	2024	2025	2026	2027
CASH FLOWS FROM OPERATING ACTIVITIES								
Revenue Cash Flows	10,668.3	11,998.0	15,814.2	17,557.0	18,423.8	20,101.9	23,148.6	26,243.9
Taxes	9,802.1	11,129.4	13,831.5	14,899.6	15,813.6	17,196.7	19,414.9	21,940.0
Grants	0.0	225.6	250.0	0.0	0.0	0.0	200.1	100.1
Other Revenue	866.2	643.0	1,732.7	2,657.4	2,610.2	2,905.2	3,533.6	4,203.8
<i>Revenue as percentage of GDP</i>	<i>13.1%</i>	<i>12.9%</i>	<i>14.7%</i>	<i>15.5%</i>	<i>15.2%</i>	<i>15.5%</i>	<i>16.7%</i>	<i>18.0%</i>
Expense cash flows²	14,299.9	14,438.8	16,713.4	17,712.5	15,456.8	16,690.5	17,620.9	18,584.5
Compensation of employees	5,669.3	5,914.5	6,152.7	6,614.4	6,934.6	7,358.2	7,651.0	7,946.9
Uses of goods and services	5,388.4	6,161.2	6,756.8	6,929.7	5,241.5	5,588.0	5,972.1	6,609.7
Interest	2,160.0	2,249.1	2,313.5	2,496.1	2,607.2	2,686.5	2,707.7	2,689.3
Grants	765.0	52.6	1,383.4	1,488.9	536.9	903.2	1,115.1	1,140.4
Other payments	317.2	61.3	107.0	183.6	136.6	154.6	175.0	198.1
<i>Expense as percentage of GDP</i>	<i>17.5%</i>	<i>15.5%</i>	<i>15.5%</i>	<i>15.7%</i>	<i>12.8%</i>	<i>12.9%</i>	<i>12.7%</i>	<i>12.7%</i>
Net cash inflow from operating activities	-3,631.5	-2,440.7	-899.2	-155.5	2,967.0	3,411.4	5,527.7	7,659.4
CASH FLOWS FROM TRANSACTIONS IN NONFINANCIAL ASSETS								
Net cash outflow from investment in nonfinancial assets	0.0	0.0	4,884.8	4,610.1	6,709.7	6,634.0	0.0	0.0
Expenditure cash flows	14,299.9	14,438.8	21,598.2	22,322.6	22,166.5	23,324.5	17,620.9	18,584.5
Cash surplus (+) / Cash deficit (-)	-3,631.5	-2,440.7	-5,784.0	-4,765.6	-3,742.7	-3,222.6	5,527.7	7,659.4
<i>Surplus/Deficit as percentage of GDP</i>	<i>-4.4%</i>	<i>-2.6%</i>	<i>-5.4%</i>	<i>-4.2%</i>	<i>-3.1%</i>	<i>-2.5%</i>	<i>4.0%</i>	<i>5.3%</i>
CASH FLOWS FROM TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
Transactions in financial assets and liabilities	6,501.5	7,955.5	5,984.7	4,984.9	3,968.7	3,462.4	1,774.1	-107.0
Net acquisition of financial assets other than cash								
Domestic	- 802.90	- 910.40	-	-	-	-	-	-
External								
Net incurrence of liabilities	6,501.5	7,955.5	5,984.7	4,984.9	3,968.7	3,462.4	1,774.1	-107.0
Domestic	2,882.0	3,042.1	2,240.0	1,465.7	526.9	-451.9	-290.6	-1,180.5
External	3,619.5	4,913.4	3,744.7	3,519.2	3,441.8	3,914.3	2,064.7	1,073.5
Net cash inflow from financing activities	6,501.5	7,955.5	5,984.7	4,984.9	3,968.7	3,462.4	1,774.1	-107.0
<i>Net cash inflow as percentage of GDP</i>	<i>8.0%</i>	<i>8.5%</i>	<i>5.6%</i>	<i>4.4%</i>	<i>3.3%</i>	<i>2.7%</i>	<i>1.3%</i>	<i>-0.1%</i>
Net change in the stock of cash	2,870.0	5,514.8	200.7	219.3	226.0	239.8	7,301.8	7,552.5
Gross Domestic Product³	81,627.0	93,314.1	107,807.3	113,108.2	120,993.7	129,799.5	138,858.3	145,828.8

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

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*

Table 13A: General Government Expense by Economic Classification

Kina Million	Actuals		Budget Estimates		Projections			
	2020	2021	2022 Suppl. Budget	2023 Budget	2024	2025	2026	2027
Compensation of Employees	5,831.5	6,093.7	6,353.2	6,833.7	7,160.6	7,598.0	7,900.4	8,205.9
Wages and salaries	5,221.0	5,374.4	5,512.9	5,880.6	6,213.6	6,593.1	6,855.5	7,120.6
Wages and salaries in cash	5,058.8	5,195.2	5,312.4	5,661.3	5,987.5	6,353.3	6,606.1	6,861.6
Wages and salaries in kind	162.2	179.2	200.5	219.3	226.0	239.8	249.4	259.0
Employers' social contributions	610.4	719.3	840.3	953.1	947.1	1,004.9	1,044.9	1,085.3
Actual social contributions	610.4	719.3	840.3	953.1	947.1	1,004.9	1,044.9	1,085.3
Use of goods and services*	5,388.4	6,161.2	6,756.8	6,929.7	5,241.5	5,588.0	5,972.1	6,609.7
Use of goods and services	5,388.4	6,161.2	6,756.8	6,929.7	5,241.5	5,588.0	5,972.1	6,609.7
Interest**	2,160.0	2,249.1	2,313.5	2,496.1	2,607.2	2,686.5	2,707.7	2,689.3
To nonresidents	468.1	328.2	476.9	707.6	627.9	604.0	665.2	654.6
Interest to Non residents	468.1	328.2	476.9	707.6	627.9	604.0	665.2	654.6
To residents other than general government	1,691.9	1,920.9	1,836.6	1,788.5	1,979.4	2,082.5	2,042.5	2,034.7
Interest to residents other than general governments	1,691.9	1,920.9	1,836.6	1,788.5	1,979.4	2,082.5	2,042.5	2,034.7
Grants***	2,190.0	1,915.0	2,958.3	3,513.8	2,611.9	3,028.2	3,090.2	3,265.3
Grants to other general government units	2,190.0	1,915.0	2,958.3	3,513.8	2,611.9	3,028.2	3,090.2	3,265.3
Grants to other general governments current	1,732.1	1,483.2	1,896.3	3,041.8	1,674.2	1,941.1	1,980.9	2,093.1
Grants to other general governments capital	457.9	431.8	1,062.0	472.0	937.6	1,087.1	1,109.4	1,172.2
Social Benefits	217.7	0.0	42.5	114.2	51.5	56.6	62.3	68.5
Social assistance benefits	217.7	0.0	42.5	114.2	51.5	56.6	62.3	68.5
Other expenses	99.4	61.3	64.4	69.4	85.2	98.0	112.7	129.6
Transfers not elsewhere classified	99.4	61.3	64.4	69.4	85.2	98.0	112.7	129.6
Other expense - Current transfers not elsewhere classified	99.4	61.3	64.4	69.4	85.2	98.0	112.7	129.6
Net Acquisition Nonfinancial assets****	3,510.7	3,650.4	4,884.8	4,610.1	6,709.7	6,634.0	7,052.4	7,293.4
Nonproduced assets	0.0	0.0	7.8	7.8	12.0	11.7	12.8	13.5
NFA: Intangible nonproduced assets	0.0	0.0	7.8	7.8	12.0	11.7	12.8	13.5
NFA: Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of Fixed assets	3,510.7	3,650.4	4,877.0	4,602.3	6,697.7	6,622.3	7,039.6	7,279.9
NFA: Buildings and structures	1,050.5	989.1	914.1	771.0	993.5	991.8	997.8	1,001.1
NFA: Dwellings	0.0	0.0	25.1	46.6	38.7	37.6	41.3	43.3
NFA: Fixed assets	1,711.8	1,726.8	3,108.5	2,773.9	4,578.6	4,487.0	4,863.3	5,071.5
NFA: Information, computer, & telecommunications equipment	60.6	59.3	61.0	56.2	73.2	72.5	75.0	76.4
NFA: Machinery & equipment other than transport equipment	19.2	25.5	29.0	26.0	44.7	43.5	47.7	50.0
NFA: Other structures	0.2	0.0	14.3	11.8	22.0	21.4	23.5	24.7
NFA: Transport equipment	6.7	1.3	5.9	7.7	9.1	8.9	9.7	10.2
Other expense - Current transfers not elsewhere classified	661.8	848.4	719.0	909.1	937.9	959.5	981.1	1,002.8
Total expenditure	19,397.8	20,130.7	23,373.6	24,566.9	24,467.5	25,689.2	26,897.8	28,261.7
<i>as % of GDP</i>	<i>23.8%</i>	<i>21.6%</i>	<i>21.7%</i>	<i>21.7%</i>	<i>20.2%</i>	<i>19.8%</i>	<i>19.4%</i>	<i>19.4%</i>

Source: Department of Treasury

* Use of goods and services includes operational cost like maintenance and repair of fixed assets.

** Excluding fees, other than interest, captured under use of goods and services.

*** Grants are inclusive of payments made to other general government units for the purposes of capital projects.

**** 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.

Table 13B: General Government Expense by Agency Type

Kina Million	Actuals		Budget Estimates		Projections			
	2020	2021	2022 Suppl. Budget	2023 Budget	2024	2025	2026	2027
National Departments	7,855.1	7,860.3	10,946.4	9,815.4	11,066.3	11,604.3	12,376.1	13,244.3
Compensation of Employees	2,671.5	2,987.0	3,145.0	2,838.1	3,444.7	3,761.2	3,910.9	4,062.1
Wages and salaries	2,131.7	2,337.4	2,369.4	1,913.4	2,669.2	2,820.5	2,932.8	3,046.2
Wages and salaries in cash	2,044.9	2,242.2	2,252.0	1,815.8	2,538.2	2,693.2	2,800.4	2,908.7
Wages and salaries in kind	86.8	95.2	106.4	97.6	120.0	127.3	132.4	137.5
Employers' social contributions	539.8	649.6	786.6	924.7	886.5	940.7	978.1	1,015.9
Actual social contributions	539.8	649.6	786.6	924.7	886.5	940.7	978.1	1,015.9
Use of goods and services	3,489.4	3,802.2	4,691.7	4,407.5	3,395.8	3,650.6	3,934.1	4,411.8
Use of goods and services	3,489.4	3,802.2	4,691.7	4,407.5	3,395.8	3,650.6	3,934.1	4,411.8
Grants	607.2	523.0	972.9	1,035.6	859.0	995.9	1,016.3	1,073.9
Grants to other general government units	607.2	523.0	972.9	1,035.6	859.0	995.9	1,016.3	1,073.9
Grants to other general governments current	607.2	523.0	972.9	1,035.6	859.0	995.9	1,016.3	1,073.9
Grants to other general governments capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses	97.7	59.2	59.7	64.4	78.3	90.8	104.4	120.1
Transfers not elsewhere classified	97.7	59.2	59.7	64.4	78.3	90.8	104.4	120.1
Other expense - Current transfers not elsewhere classified	97.7	59.2	59.7	64.4	78.3	90.8	104.4	120.1
Net Acquisition Nonfinancial assets	819.5	488.9	2,053.2	1,423.8	3,159.1	3,074.0	3,375.4	3,537.9
Nonproduced assets	0.0	0.0	7.8	7.8	12.0	11.7	12.8	13.5
NFA: Intangible nonproduced assets	0.0	0.0	7.8	7.8	12.0	11.7	12.8	13.5
NFA: Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of Fixed assets	819.5	488.9	2,045.4	1,416.0	3,147.0	3,062.3	3,362.5	3,524.5
NFA: Buildings and structures	0.0	0.0	13.0	2.6	20.0	19.5	21.4	22.5
NFA: Dwellings	0.0	0.0	1.7	1.1	2.6	2.5	2.7	2.9
NFA: Fixed assets	800.5	467.5	1,983.1	1,376.7	3,051.1	2,968.9	3,260.1	3,417.1
NFA: Information, computer, & telecommunications equipment	7.7	9.5	17.3	14.1	26.6	25.9	28.4	29.8
NFA: Machinery & equipment other than transport equipment	6.4	11.0	14.5	10.8	22.3	21.7	23.9	25.0
NFA: Other structures	0.2	0.0	12.3	5.6	18.9	18.4	20.2	21.1
NFA: Transport equipment	4.8	1.0	3.6	5.0	5.5	5.3	5.9	6.1
Social Benefits	169.8	0.0	23.9	45.6	28.9	31.8	35.0	38.5
Social assistance benefits	169.8	0.0	23.9	45.6	28.9	31.8	35.0	38.5
Provincial Governments	4,579.8	4,880.6	5,117.5	5,386.0	5,058.1	5,513.4	5,738.2	6,056.7
Compensation of Employees	2,135.1	2,043.7	2,128.3	2,144.2	2,398.8	2,545.3	2,646.6	2,749.0
Wages and salaries	2,135.1	2,042.8	2,128.3	2,144.2	2,398.8	2,545.3	2,646.6	2,749.0
Wages and salaries in cash	2,089.6	1,993.7	2,073.7	2,089.6	2,337.3	2,480.0	2,578.4	2,678.4
Wages and salaries in kind	45.5	49.1	54.6	54.6	61.5	65.29	67.88	70.51
Employers' social contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actual social contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of goods and services	840.6	1,132.4	813.9	914.4	589.1	633.3	682.5	765.3
Use of goods and services	840.6	1,132.4	813.9	914.4	589.1	633.3	682.5	765.3
Grants	1,546.7	1,378.6	1,947.0	2,300.5	1,719.0	1,993.0	2,033.8	2,149.0
Grants to other general government units	1,546.7	1,378.6	1,947.0	2,300.5	1,719.0	1,993.0	2,033.8	2,149.0
Grants to other general governments current*	1,110.8	956.8	917.0	1,865.5	1,098.7	938.7	957.9	1,012.2
Grants to other general governments capital	435.9	421.8	1,030.0	432.0	609.4	1,054.3	1,075.9	1,136.9
Net Acquisition Nonfinancial assets	57.4	325.9	228.3	26.8	351.3	341.8	375.3	393.4
Acquisition of Fixed assets	57.4	325.9	228.3	26.8	351.3	341.8	375.3	393.4
NFA: Fixed assets	57.4	325.9	217.3	26.8	334.3	325.3	357.2	374.4
NFA: Buildings and structures	0.0	0.0	11.0	0.0	16.9	16.5	18.1	19.0
Autonomous Bougainville Government	240.4	328.9	426.8	440.1	460.7	477.6	510.3	542.7
Compensation of Employees	142.4	141.5	132.0	140.7	148.8	157.8	164.1	170.5
Wages and salaries	142.4	141.5	132.0	140.7	148.8	157.8	164.1	170.5
Wages and salaries in cash	133.4	132.5	122.2	131.0	137.8	146.2	152.0	157.9
Wages and salaries in kind	9.0	9.0	9.8	9.7	11.0	11.6	12.1	12.6
Employers' social contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actual social contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of goods and services	69.9	163.8	148.1	134.4	107.2	115.3	124.2	139.3
Use of goods and services	69.9	163.8	148.1	134.4	107.2	115.3	124.2	139.3
Grants	28.1	10.0	32.0	65.0	28.3	32.8	33.4	35.3
Grants to other general government units	28.1	10.0	32.0	65.0	28.3	32.8	33.4	35.3
Grants to other general governments current	6.1	0.0	0.0	25.0	0.0	0.0	0.0	0.0
Grants to other general governments capital	22.0	10.0	32.0	40.0	28.3	32.8	33.4	35.3
Net Acquisition Nonfinancial assets	0.0	13.5	114.7	100.0	176.5	171.7	188.6	197.6
Fixed Assets	0.0	13.5	114.7	100.0	176.5	171.7	188.6	197.6
Commercial & Statutory Authorities	1,564.7	1,450.4	1,665.2	3,233.4	1,787.3	1,872.0	1,982.1	2,096.8
Compensation of Employees	882.4	921.5	948.0	1,710.6	1,068.4	1,133.7	1,178.8	1,224.4
Wages and salaries	811.8	852.7	894.2	1,682.2	1,007.9	1,069.4	1,112.0	1,155.0
Wages and salaries in cash	790.9	826.8	864.5	1,624.9	974.3	1,033.8	1,075.0	1,116.6
Wages and salaries in kind	20.9	25.9	29.8	57.4	33.5	35.6	37.0	38.4
Employers' social contributions	70.6	68.9	53.7	28.4	60.6	64.3	66.8	69.4
Actual social contributions	70.6	68.9	53.7	28.4	60.6	64.3	66.8	69.4
Use of goods and services	398.2	312.6	458.2	684.5	331.6	356.5	384.2	430.8
Use of goods and services	398.2	312.6	458.2	684.5	331.6	356.5	384.2	430.8
Grants	8.0	3.4	6.4	112.7	5.7	6.6	6.7	7.1
Grants to other general government units	8.0	3.4	6.4	112.7	5.7	6.6	6.7	7.1
Grants to other general governments current	8.0	3.4	6.4	112.7	5.7	6.6	6.7	7.1
Other expenses	1.8	2.1	4.8	4.5	6.3	7.2	8.3	9.6
Transfers not elsewhere classified	1.8	2.1	4.8	4.5	6.3	7.2	8.3	9.6
Other expense - Current transfers not elsewhere classified	1.8	2.1	4.8	4.5	6.3	7.2	8.3	9.6
Net Acquisition Nonfinancial assets	226.3	210.8	229.3	652.5	352.7	343.2	376.9	395.0
Acquisition of Fixed assets	226.3	210.8	229.3	652.5	352.7	343.2	376.9	395.0
NFA: Buildings and structures	0.0	0.0	19.9	65.8	11.0	25.3	27.1	29.1
NFA: Dwellings	0.0	0.0	23.5	45.1	36.1	35.1	38.6	40.5
NFA: Buildings other than dwellings	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
NFA: Fixed assets	211.3	195.7	170.0	576.4	261.5	254.5	279.4	292.9
NFA: Machinery & equipment other than transport equipment	12.9	14.6	14.5	15.2	22.3	21.7	23.9	25.0
NFA: Other structures	0.0	0.0	2.1	6.2	3.2	3.1	3.4	3.5
NFA: Transport equipment	1.8	0.3	2.4	2.7	3.6	3.5	3.9	4.0
NFA: Information, computer, and telecommunications (ICT) equipment	0.3	0.2	0.0	3.7	0.0	0.0	0.0	0.0
Social Benefits	48.0	0.0	18.6	68.6	22.5	24.8	27.2	30.0
Social assistance benefits	48.0	0.0	18.6	68.6	22.5	24.8	27.2	30.0
Debt Service (Interest Payment)	2,165.1	2,254.7	2,324.4	2,511.0	2,615.0	2,692.0	2,711.0	2,691.0
Use of goods and services	5.1	5.6	10.9	14.9	7.8	5.5	3.3	1.7
Use of goods and services	5.1	5.6	10.9	14.9	7.8	5.5	3.3	1.7
Interest	2,160.0	2,249.1	2,313.5	2,496.1	2,607.2	2,686.5	2,707.7	2,689.3
To non-residents	468.1	328.2	476.9	707.6	627.9	604.0	665.2	654.6
Interest to Non-residents	468.1	328.2	476.9	707.6	627.9	604.0	665.2	654.6
To residents other than general government	1,691.9	1,920.9	1,836.6	1,788.5	1,979.4	2,082.5	2,042.5	2,034.7
Interest to residents other than general governments	1,691.9	1,920.9	1,836.6	1,788.5	1,979.4	2,082.5	2,042.5	2,034.7
Expenditure supported by donor grants	1,424.9	1,862.4	1,574.9	2,024.9	2,074.9	2,124.9	2,174.9	2,224.9
Use of goods and services	482.5	630.6						

Table 14: Transactions in Assets and Liabilities for General Government

Kina Million	Actuals		Estimates			Projections			
	2020	2021	2022 Budget	2022 Suppl. Budget	2023 Budget	2024	2025	2026	2027
Net Acquisition of Financial Assets	-802.9	-1,685.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-802.9	-1,685.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-802.9	-910.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	-774.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Incurrence of Liabilities	6,501.5	7,955.5	5,984.7	5,984.7	4,984.9	3,968.7	3,462.4	1,774.1	-107.0
<i>Net Incurrence of Liabilities as a % of GDP</i>	<i>8.0%</i>	<i>8.5%</i>	<i>5.9%</i>	<i>5.6%</i>	<i>4.4%</i>	<i>3.3%</i>	<i>2.7%</i>	<i>1.3%</i>	<i>-0.1%</i>
Domestic	2,882.0	3,042.1	2,240.0	2,240.0	1,465.7	526.9	-451.9	-290.6	-1,180.5
Debt securities	2,976.7	2,995.4	2,010.1	2,010.1	1,470.7	551.9	-326.9	-165.6	-1,055.5
<i>New instruments</i>	15,715.2	16,794.6	15,371.2	15,371.2	15,791.4	17,129.1	15,794.8	14,910.3	13,425.9
<i>Amortisation</i>	-12,738.5	-13,799.2	-13,361.1	-13,361.1	-14,320.7	-16,577.2	-16,121.7	-15,075.9	-14,481.4
Treasury Bills	1,710.5	1,394.8	260.1	260.1	525.7	-507.2	-826.9	-689.2	-1,193.7
<i>New instruments</i>	13,147.7	14,147.9	12,661.9	12,661.9	13,713.3	14,384.3	13,557.4	12,868.2	11,674.5
<i>Amortisation</i>	-11,437.2	-12,753.1	-12,401.8	-12,401.8	-13,187.6	-14,891.5	-14,384.3	-13,557.4	-12,868.2
Treasury Bonds	1,266.2	1,600.6	1,750.0	1,750.0	945.0	1,059.1	500.0	523.6	138.2
<i>New instruments</i>	2,567.5	2,646.7	2,709.3	2,709.3	2,078.1	2,744.8	2,237.4	2,042.1	1,751.4
<i>Amortisation</i>	-1,301.3	-1,046.1	-959.3	-959.3	-1,133.1	-1,685.7	-1,737.5	-1,518.5	-1,613.2
Loans	-94.7	46.7	229.9	229.9	-5.0	-25.0	-125.0	-125.0	-125.0
New borrowing	0.0	107.9	300.0	300.0	120.0	100.0	0.0	0.0	0.0
<i>Amortisation</i>	-94.7	-61.2	-70.1	-70.1	-125.0	-125.0	-125.0	-125.0	-125.0
Insurance, pension, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	3,619.5	4,913.4	3,744.7	3,744.7	3,519.2	3,441.8	3,914.3	2,064.7	1,073.5
Monetary gold and special drawing rights (SDR's)	0.0	1,244.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>New instruments</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Concessional financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>New instruments</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Commercial financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>New instruments</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Extraordinary financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>New instruments</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Amortisation</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	3,619.5	3,669.3	3,744.7	3,744.7	3,519.2	3,441.8	3,914.3	2,064.7	1,073.5
New borrowing	5,982.0	4,991.8	4,629.4	4,629.4	4,490.7	4,604.6	5,228.6	3,529.5	2,620.0
<i>Amortisation</i>	-2,362.6	-1,322.4	-884.8	-884.8	-971.5	-1,162.7	-1,314.2	-1,464.7	-1,546.5
<i>Concessional financing</i>	1,154.9	1,108.3	708.1	708.1	515.8	539.4	588.3	579.5	569.8
<i>New borrowing</i>	1,567.8	1,493.5	1,318.4	1,318.4	1,156.0	1,213.9	1,274.5	1,338.3	1,405.1
<i>Amortisation</i>	-412.9	-385.2	-610.3	-610.3	-640.3	-674.4	-686.2	-758.7	-835.3
<i>Commercial financing</i>	-876.3	-862.7	-19.7	-19.7	-15.3	-15.3	-15.3	-15.3	-15.3
<i>New borrowing</i>	18.1	59.7	22.2	22.2	20.0	20.0	20.0	20.0	20.0
<i>Amortisation</i>	-894.4	-922.4	-41.9	-41.9	-35.3	-35.3	-35.3	-35.3	-35.3
<i>Extraordinary financing</i>	3,340.8	3,423.7	3,056.2	3,056.2	3,018.7	2,917.7	3,341.4	1,500.5	519.1
<i>New borrowing</i>	4,396.1	3,438.6	3,288.8	3,288.8	3,314.6	3,370.7	3,934.1	2,171.2	1,194.9
<i>Amortisation</i>	-1,055.3	-14.9	-232.6	-232.6	-295.9	-453.0	-592.7	-670.7	-675.8
Insurance, pension, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1. General government represents national and provincial governments, the Autonomous Bougainville government and commercial and statutory authorities.

Table 15: Stocks of General Government Debt

Kina Million	Actuals		Estimates		Projections			
	2020	2021	2022 Suppl. Budget	2023 Budget	2024	2025	2026	2027
Domestic	22,215.4	25,257.6	27,497.6	28,963.3	29,490.2	29,038.3	28,747.6	27,567.1
Debt securities	21,134.5	24,129.9	26,140.0	27,610.7	28,162.6	27,835.7	27,670.1	26,614.6
<i>Treasury Bills</i>	11,901.8	13,296.6	13,556.7	14,082.4	13,575.1	12,748.2	12,059.0	10,865.3
<i>Treasury Bonds</i>	9,232.8	10,833.4	12,583.4	13,528.4	14,587.5	15,087.5	15,611.1	15,749.3
Loans	1,080.9	1,127.6	1,357.6	1,352.5	1,327.5	1,202.5	1,077.5	952.5
<i>Guarantees</i>	1,080.9	1,127.6	1,357.6	1,352.5	1,327.5	1,202.5	1,077.5	952.5
External	17,952.9	22,915.6	26,660.2	30,179.4	33,621.2	37,535.5	39,600.2	40,673.8
Monetary Gold & SDRs	0.0	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1
Debt securities	1,700.7	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0
<i>Concessional financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Commercial financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Extraordinary financing</i>	1,700.7	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0
Loans	16,252.2	19,921.5	23,666.1	27,185.3	30,627.1	34,541.4	36,606.1	37,679.7
<i>Concessional financing</i>	9,831.6	10,939.9	11,648.0	12,163.8	12,703.2	13,291.5	13,871.0	14,440.8
<i>Commercial financing</i>	1,094.1	231.4	211.8	196.4	181.1	165.8	150.4	135.1
<i>Extraordinary financing</i>	5,326.4	8,750.1	11,806.3	14,825.1	17,742.8	21,084.1	22,584.7	23,103.8
Total Central Government Debt	40,168.4	48,173.1	54,157.7	59,142.6	63,111.4	66,573.8	68,347.9	68,240.9
<i>Total debt as percentage of GDP</i>	49.2%	51.6%	50.2%	52.3%	52.2%	51.3%	49.2%	46.8%
Gross Domestic Product²	81,627.0	93,314.1	107,807.3	113,108.2	120,993.7	129,799.5	138,858.3	145,828.8

1. General government represents national and provincial governments, the Autonomous Bougainville government and commercial and
2. Total nominal GDP by economic activity, Actual: *National Statistics Office* and Projections: *Treasury Department*.