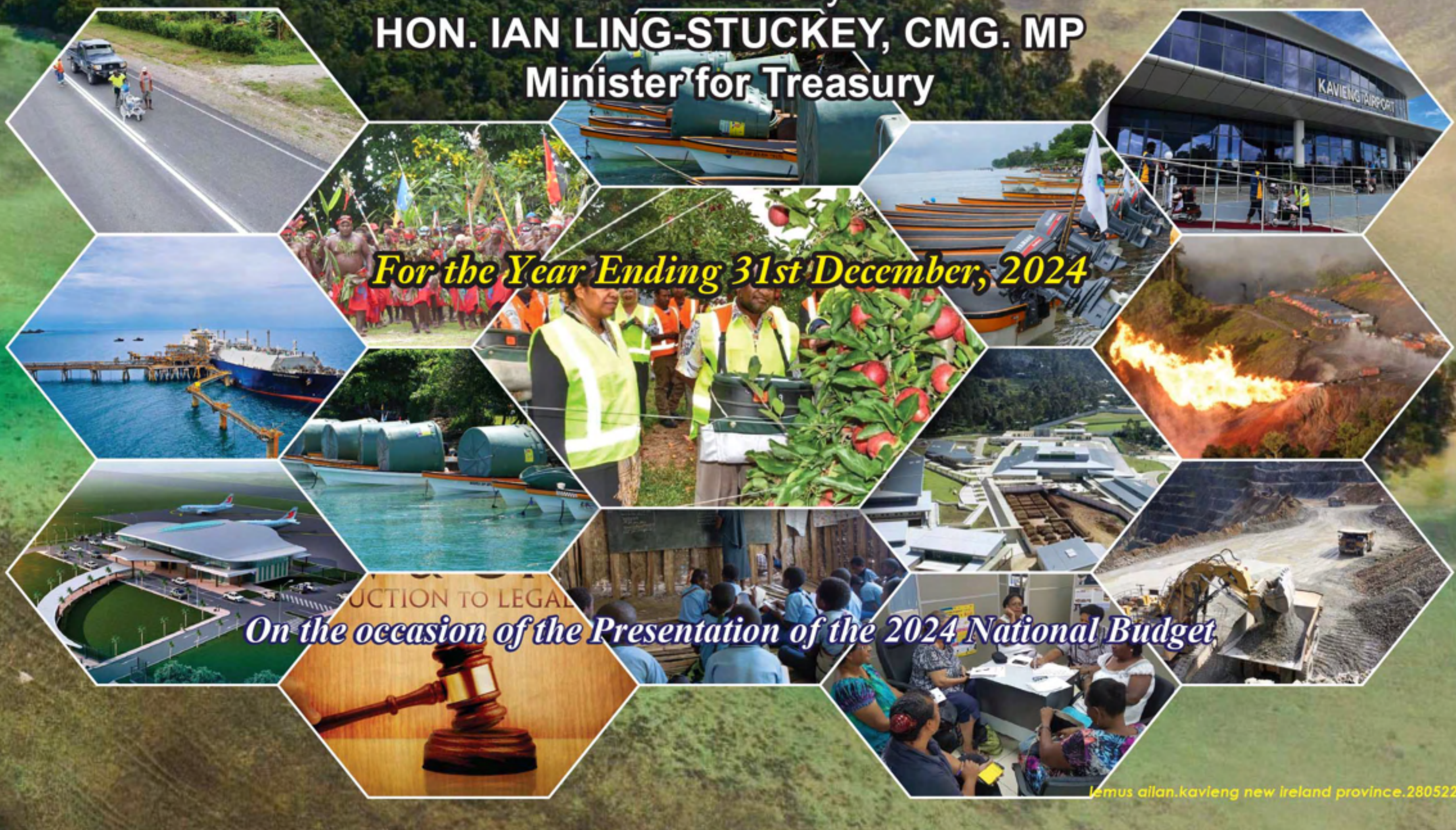
INDEPENDENT STATE OF PAPUA NEW GUINEA

Volume 1

ECONOMIC AND DEVELOPMENT POLICIES

Theme: "Securing Our Future"

Presented by:
HON. IAN LING-STUCKEY, CMG. MP
Minister for Treasury



For the Year Ending 31st December, 2024

On the occasion of the Presentation of the 2024 National Budget

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2024 NATIONAL BUDGET

VOLUME 1
ECONOMIC AND DEVELOPMENT POLICIES

For the year ending 31st December 2024

PRESENTED BY

HON. IAN LING-STUCKEY, CMG, MP

MINISTER FOR TREASURY

ON THE OCCASION OF THE PRESENTATION OF THE 2024 NATIONAL BUDGET

FOREWORD

On behalf of the Marape-Rosso Government, I am honoured to present the 2024 National Budget under the theme: "**Securing Our Future**". This is the tenth Budget or Supplementary Budget I have had the honour to present. It will continue with the commitment of the Marape-Rosso Government's Budget Repair theme with the aim of achieving a surplus by 2027 and the option to repay all debt by 2034.

The 2024 Budget is historic for several reasons. It is the second budget for the 11th Term of Parliament which has seen the Pangu Party and its coalition members returned to power. This provides major policy continuity as well as credibility on responsible economic management.

The 2024 Budget is directed at "Securing our Future" through:

- Securing our future by the largest K27 billion budget in PNG's history, with record revenues, while continuing with responsible budget repair of another K1 billion cut in the deficit with a plan to return to a budget surplus by 2027
  - And the option of no debt by 2034;
- Securing our future with a focus on growth and jobs;
- Securing our future with massive investments into infrastructure;
- Securing our future with massive investments in health and education;
- Securing our future by massive investments in our police and our judiciary to build a safer, more secure civil society;
- Securing our future by helping families with cost-of-living pressures; and
- Securing our future through the priorities of the Marape-Rosso Government set out by Prime Minister Marape's speech at the start of this 11th Parliament

The 2024 PNG Budget is delivered once again in the context of "gloomy and uncertain" global outlook, but a much more positive domestic outlook. The economy is expected to exceed K122.5 billion in 2024. Real non-resource sector growth is forecast at 4.7 per cent, continuing the recent strong growth record of 5.2 per cent in 2022 and 4.7 per cent in 2023. This is only the second time in PNG's post-Independence history where there have been three years in a row of real non-resource growth of over 4.5 per cent – the other period being 2010 to 2012. Overall inflation is forecast to be 5 per cent, a small increase from the expected 3.5 per cent in 2023. PNG is experiencing low inflation rates for the economy as a whole, but within this are continuing cost-of-living pressures on families closer to 8 to 10 per cent. This is why the government will continue with a Household Assistance Package. The external accounts are strong with major trade surpluses and foreign exchange reserves continuing at record levels at over K13 billion. This high level is expected to be supported with IMF and Australian budget support inflows. A key development is that under the next stage of the IMF program, the level of releases of foreign exchange reserves is expected to increase significantly higher than current releases of US$100 million per month on average. The focus has moved to reducing the size of the outstanding FX order book for imports, although there will be continuing restrictions on external capital flows. The Kina has begun a gradual depreciation against the US dollar, which helps lift farmer's incomes and the incomes of all those domestic businesses involved in the traded goods sector. At this stage, due to favourable movements in foreign exchange cross-rates, the Kina has appreciated against most world currencies apart from USD, helping keep imported inflation low.

The 2024 Budget is historic on several other benchmarks. It is the largest budget in PNG's history at K27,377 million. It collects the most revenue in PNG's history at K23,393 million. The budget deficit is still much larger than I ever would have wanted as a businessman at K3,984 million, but I am pleased that it is estimated to fall by another billion Kina in 2024. The budget deficit has fallen from K7,304 million during the heights of the COVID-19 crisis where the government decided on protecting the budget from the massive falls in revenue, and thereby protecting the economy. The strong growth rates in the non-resource economy since COVID19 in 2020 attest to the success of this policy. At the time of "Supporting the Budget, Supporting the Economy", it was always known that there was going to be a requirement of major deficit reductions. As a share of GDP, we have already reduced the budget deficit from 8.6 per cent in 2020 down to 3.3 per cent in 2024.

Expenditures are estimated to grow by 8.0 per cent in 2024, nearly half the estimated growth in revenues of 14.7 per cent.

Revenues growing at nearly double the pace of expenditures is a good news story for budget repair.

The 2024 Budget is yet another demonstration of this government's economic credibility.

In 2019, the Marape Government quickly secured additional financing to cover the K2.3 billion budget deficit blow out that was exposed through the Due Diligence process. It then delivered nearly a billion Kina in cuts to the GoPNG budget while allowing concessional loan projects to proceed.

In 2020, after the global COVID-19 pandemic reduced government revenues by K2.5 billion, GoPNG expenditure was held to the initial budget forecast. This was despite absorbing K508 million in COVID-19 direct expenses, possibly the only country in the world to exercise such fiscal discipline.

In 2021, the fiscal deficit outcome of K6.496 billion was below the K6.613 billion forecast at Budget time, further demonstrating a record of fiscal repair.

In 2022, the budget deficit outcome of K5.854 billion was once again below the budget forecast of K5.985 billion. Extra temporary revenues from the Ukraine-Russian war were directed at protecting households.

In 2023, the deficit forecast was dropped by a billion Kina to K4.985 billion, this was reduced to K4.935 billion in the Supplementary Budget, and we are on track to meeting this target once again.

In 2024, the deficit forecast has once again been dropped by a billion Kina to K3.984 billion.

Year after year of credible budget repair. There were those in 2019 that doubted the Marape Government was up to the task. Year after year the actions on budget repair speak for themselves. Performance to date provides credibility for the continuing actions under the 13 year fiscal plan, reaching the target of a budget surplus by 2027, and the option for the 12th Parliament to repay all government debt. Reinforcing this fiscal consolidation, this budget will introduce changes to the Fiscal Responsibility Act to lower the maximum debt to GDP ceiling from 60.0 per cent to 57.5 per cent.

Within this fiscal consolidation, the 2024 Budget also continues with major structural reforms. The most prominent of these is the continuing shift of the share of budget resources going to capital expenditure, especially within the GoPNG Public Investment Program. The capital budget rises to K10,700 million. Of which K7,281 million is our GoPNG Public Investment Program (PIP). The PIP has grown by 257 per cent under the Marape Government, climbing from just K2,041 million in 2018. The Marape Government is the infrastructure government!

Consistent with the growth and jobs agenda, there has been a major increase in funding for the Economic Sector. Overall, this sector is budgeted to receive an extra K506 million more than in the 2023 budget, an extraordinary 45.9 per cent increase to K1,608 million. Within this, there are very major increases for key agriculture sector agencies, for the forest and tourism sectors, and to support SEZs. In terms of budget allocations, this is a very substantial shift. The high level work of budget allocations has been done – it is now up to agencies to spend these funds effectively in ways that increase incomes and create jobs. Much of this will, of course, require providing the public goods to support the business skills of our farmers, our SMEs and the private sector more broadly.

In response to the power and water shortages, the 2024 Budget increases funding for utilities from K756 million to K1,201 million, another extraordinary increase of 55.6 per cent. Once again, the start of major investments directed at removing some of the constraints to growth in our country, and having better power and water services for our people.

Support for our human capital resources also continues to grow strongly. There is a 9.5 per cent increase for the law and justice sector. This includes on-going support for an additional 500 police a year. There is a four-fold increase in funding for the Independent Commission Against Corruption. Judiciary funding receives another major increase to support more judges.

The health and education sectors also receive strong funding increases, with the combined budget increasing from K6,158 million to K6,670 million, an increase of K512 million or 8.3 per cent. This funding will support another 3,400 teachers, a 5 per cent increase. The funding will also support another 840 health workers, a 5 per cent increase.

The Government recognises cost-of-living pressures facing families, despite the low levels of recorded overall inflation. The Government will provide a further K440 million in its package of assistance to households to assist with dealing with cost-of-living pressures. This is on top of the K1,157 million provided over the last two years. This year's household assistance package consists of continuing to provide K160 million for school project fee subsidies which provide savings between K60 and K220 per student depending on the level of schooling they are attending. In addition, the government has decided to make permanent the increase in the tax-free threshold to K20,000. This will provide fortnightly savings of up to K63 per fortnight for most income earners on K20,000 and above. The cost for this change was estimated at K280 million last year, with an updated costing of K300 million offset in part by savings of K20 million from removing dependent rebates. The government will continue monitoring cost-of-living pressures on families, and, subject to budget constraints, will consider doing more if higher inflationary pressures emerge. The total Household Assistance Package to assist with cost-of-living pressures will now total K1,597 million.

Apart from the tax cuts in the household assistance package, the government has reduced tariffs on manufacturing inputs requested by the manufacturing sector. There has been a reduction in the average tax on the gross value of log exports of round logs back to 50 per cent. Consultations will continue on possible changes to the banking tax. There have also been major changes in non-tax revenues. The strong view of Government, as supported by the Non-Tax Revenue Act (NTRA), and the Constitution, is that public agencies that collect funds should remit those funds into the budget process so that the government as a whole can determine priorities. The NTRA changes introduced last year are expected to collect an extraordinary K1,248 million in 2024.

This budget provides the high level funding allocations in line with the Marape-Rosso Government priorities. Given international uncertainties, the Government will monitor the budget closely, and adjust if particular pressures occur. This happened when COVID-19 struck. It happened again with the outbreak of the Ukraine-Russian war. This responsiveness will remain. However, as once again demonstrated by this budget, the Marape-Rosso Government remains committed to the 13 year Budget Repair Plan. There is another billion Kina reduction in the budget deficit, with the aim of achieving a surplus by 2027, and then starting to repay our debt.

I thank all those who have worked so tirelessly to prepare yet another National Budget. There are many hardworking public servants that have provided the budget submissions, the budget bid analysis through the Strategic Budget Committee and the Central Agency Coordinating Committee, and then the hard decision-making processes in the Ministerial Economic Committee, the National Executive Council, and then Parliamentary processes. In particular, I would like to thank my colleagues in the Ministerial Economic Committee that have been required to meet much more frequently to consider all major 2024 budget changes before going to NEC.

I commend the 2024 National Budget to the Honourable Members and to the people of Papua New Guinea.

HON. IAN LING-STUCKEY, CMG. MP
Minister for Treasury

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CHAPTER 1: BUDGET OVERVIEW

1.1 SECURING OUR FUTURE

1.1.1 The 13-Year Budget Repai Plan and Securing our Future

The Marape-Rosso led Coalition Government emerged from the 2022 elections with a mandate to continue the PNG Restoration and Growth Commitment that was signed at Loloata in December 2020. The commitment is driven by a vision to repair the budget based on the principle of – *"spending money more wisely, raising revenues more fairly*, and *financing debt more cheaply*". The overarching objective is to return to a budget surplus by 2027. To do this, the Government will raise sufficient revenues and align realistic expenditure requirements with debt obligations that will be repaid by 2034. Moreover, the framework designed to implement the 13-year Budget Repair Plan was introduced in the 2022 Budget, and it will be implemented with a medium-term vision that is driven by the Medium-Term Revenue Strategy (MTRS) (2023 – 2027) and the Medium-Term Development Plan (MTDP) IV (2023 – 2027). The MTRS offers a comprehensive opportunity to evaluate and further develop a tax system that is fair, equitable, and efficient. The MTDP IV has been designed to action an agenda that grows the economy by K200.0 billion and creates an additional one million jobs by 2030.

1.2 OVER-ARCHING GUIDING PRINCIPLES FOR THE 13-YEAR BUDGET REPAIR PLAN

The 13-year Budget Repair Plan's roadmap includes a framework that will help the Government achieve the Five (5) National Goals and Directive Principles that are enshrined in the Constitution. These include:

1. **Integral Human Development** for every person to be dynamically involved in the process of freeing himself or herself from every form of domination or oppression so that each man or woman will have the opportunity to develop as a whole person in relationship to others.
2. **Equality and Participation** for all citizens to have an equal opportunity to participate in, and benefit from, the development of our country.
3. **National Sovereignty and Self-reliance** so Papua New Guinea can be politically and economically independent.
4. **Natural Resources and Environment** that is conserved and used for the collective benefit of us all and replenished for the benefit of future generations.
5. **Papua New Guinean Ways** that achieve development primarily through the use of Papua New Guinean forms of social, political and economic organisation.

Guided by the tenets of this doctrine of development and the Marape vision, the Government adopted the mission; ***to take back PNG and leave no child behind***. To work towards this vision over the medium-term, the Government adopted four (4) core objectives. These objectives outline the Government's policy response to enhance good governance through development of social and economic enablers to realise the national vision and global human development targets.

1. **Strong Economy** that helps the Government to build a strong and resilient economy on the back of sound fiscal and monetary policy management. Budget repair guided by the 13-year Budget Repair Plan will reduce pressures on other parts of the economy, lower inflationary pressures, and strengthen investor confidence and private sector development.

2. **Connect PNG** that elevates Connect PNG 2020-2040 and builds infrastructure on the AFF, SME, manufacturing and other sectors going forward into 2050 and beyond. The Marape Government has deliberately chosen national infrastructure development as the critical economic enabler (SDG 7) for connecting economic corridors and industrial clusters, stimulating economic growth (SDG 9), and leaving no child behind (SDG 1,2 and 3). There will be a 257.0 per cent increase in Public Investment Program (PIP) funding, from K2,041.0 million in 2018 to K7,281.0 million in 2024. Overall, the capital program, including international support, will total an estimated K10,700.0 million in 2024.

3. **Going Rural** that rests predominantly within the agriculture sector. Almost 85.0 per cent of the population are domiciled in rural and remote communities and derive a living from farming. Agriculture plays a vital role in transforming and diversifying the economy to reach self-reliance, whilst achieving other essential outcomes like food security and improving nutrition. The Prime Minister’s 2021 UNGA Statement asserted that PNG can be the Food Hub for the Asia Pacific Region, contributing to the global food security agenda under SDG 2 and alleviating poverty in all its forms.

4. **Good Governance** is essential to the development of the country. The Public administration system arranges, manages and supervises agencies of government that regulates and controls community laws and statutes. These agencies need to be continually reformed to respond to the changing needs of society and to satisfy the public's interests and needs. The Marape Government recognises this and intends to increase the capacity of the State to address the governance challenges facing the country.

These development goals require a sound and responsible fiscal strategy to realise their full intent. The 2024 Budget provides the path for the growth of the country that are built around the following ten (10) principles:

1. spend the money we have more wisely;
2. raise the revenue more fairly;
3. finance the debts more cheaply;
4. leverage friendly international support more intelligently;
5. focus on growth in the agriculture, forestry and fishery sectors, MSMEs and informal economy;
6. distribute resources benefits more equitably;
7. stimulate non-resource growth back to at least 5.0 per cent annually;
8. comprehensive government SOE reform program for cheaper energy, internet and water;
9. getting foreign exchange inflows more freely; and,
10. create at least ten thousand (10,000) jobs annually.

Guided by the 13-year Budget Repair Plan, the country will achieve a budget surplus by 2027 and a debt to GDP ratio below 40.0 per cent by 2029 that is required by the *FRA (amended 2020).*

The 13-year Budget Repair Plan is guided by realistic revenue estimates, and a long-term fiscal consolidation strategy will lead to broader economic growth that is supported by strengthened Government capacity to better collect revenue and deliver critical services. Through the MTRS, the Government will achieve the following:

- halting the declining revenue to GDP trend and increase revenues (excluding donor grants) as a share of GDP to reach 17.9 per cent or above by 2027;

- aggressively improving regulatory compliance and enforcement to increase revenue collection;
- broad-based revenues (tax and non-tax) that ensure everyone makes a fair contribution to nation-building while examining a shift of income taxes to consumption taxes;
- clear policies that support national development goals and encourage investment without eroding the tax base through tax exemptions;
- lifting non-tax revenue collections substantially through the implementation of the *Non-Tax Revenue Administration (NTRA) Act 2022* and increasing dividend and outstanding land rental collections;
- continuing to strengthen revenue policy, the legislative framework, and administrative components of the revenue system for a more effective, simpler, and efficient tax system; and,
- implementing fair and efficient revenue administration that provides high quality services to all taxpayers.

The MTDP IV incorporates the National Government's development agenda which aims to achieve the Marape Rosso Government's vision for PNG to be the *"Richest Black Christian Nation"* and a "middle income" country by 2030, through the following;

- grow the economy to K200.0 billion;
- double both internal and external revenue;
- create an additional one million jobs;
- connect key economic corridors through the Connect PNG initiative;
- encourage downstream processing of our natural resources;
- promote Micro, Small and Medium Enterprises (MSME);
- create conducive environment to attract Foreign Direct Investment; and,
- invest in social infrastructure including human capital through quality education at all levels.

Table 1: The 13-Year Fiscal Plan for Budget Repair and Reconstruction

(in K'million)	2018 FBO	2019 FBO	2020 FBO	2021 FBO	2022 FBO	2023 Supp Budget	2024 Budget	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
GDP	**79,404.7**	**83,845.2**	**85,348.4**	**92,321.6**	**111,241.2**	**111,350.8**	**122,519.1**	**132,634.1**	**141,939.7**	**152,339.4**	**167,573.4**	**184,462.6**	**203,199.1**	**223,998.9**	**247,104.5**	**272,788.9**	**301,359.2**
Non-Resource GDP	62,896.3	60,086.8	62,896.4	69,813.6	75,708.1	82,124.6	90,018.5	99,050.6	108,955.7	119,851.3	131,836.4	145,151.9	159,957.4	176,433.0	194,782.0	215,234.1	238,049.0
Resource GDP	16,508.4	23,758.4	22,452.0	22,508.0	29,226.2	32,500.7	32,500.7	33,583.5	32,983.9	32,488.1	35,737.0	39,310.7	43,241.7	47,565.9	52,322.5	57,554.7	63,310.2
GDP Nominal Growth (%)		5.6%	1.8%	8.2%	20.5%	0.1%	10.0%	8.3%	7.0%	7.3%	10.0%	10.1%	10.2%	10.2%	10.3%	10.4%	10.5%
GDP Non-resource Nominal Growth (%)		-4.5%	4.7%	11.0%	8.4%	8.5%	9.6%	10.0%	10.0%	10.0%	10.0%	10.1%	10.2%	10.3%	10.4%	10.5%	10.6%
GDP Non-resource Real		**44,825.3**	**44,656.2**	**46,362.1**	**48,761.3**	**50,932.3**	**53,322.3**	**56,012.0**	**58,812.6**	**61,753.2**	**64,840.9**	**68,147.8**	**71,691.4**	**75,491.1**	**79,567.6**	**83,943.8**	**88,644.7**
GDP Real Growth		4.5%	-3.2%	-0.8%	5.2%	2.7%	5.3%	4.7%	3.6%	3.6%	5.0%	5.1%	5.2%	5.2%	5.3%	5.4%	5.5%
GDP Non-mining Real Growth (%)			-0.4%	3.8%	5.2%	4.5%	4.7%	5.0%	5.0%	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%
Total Revenue	**14,085.2**	**13,680.3**	**12,093.2**	**13,634.8**	**18,536.2**	**20,402.9**	**23,393.8**	**25,826.4**	**28,491.7**	**31,360.2**	**34,745.8**	**38,515.0**	**42,711.9**	**47,385.6**	**52,591.2**	**58,389.6**	**64,849.0**
% of GDP	17.7%	16.3%	14.2%	14.8%	16.7%	18.3%	19.1%	19.5%	20.1%	20.6%	20.7%	20.9%	21.0%	21.2%	21.3%	21.4%	21.5%
Total revenue growth rate		-2.9%	-11.6%	12.7%	35.9%	10.1%	14.7%	10.4%	10.3%	10.1%	10.8%	10.8%	10.9%	10.9%	11.0%	11.0%	11.1%
GoPNG Revenue (Total Revenue *less Grants*)	**12,249**	**11,905**	**10,668**	**11,772**	**17,064**	18,378.0	21,188.8	23,571.4	26,186.7	29,005.2	32,340.8	36,060.0	40,206.9	44,830.6	49,986.2	55,734.6	62,144.0
% of GDP	15.4%	14.2%	12.5%	12.8%	15.3%	17%	17%	18%	18%	19%	19%	20%	20%	20%	20%	20%	21%
Tax Revenue (Non-Resource)	9,701	10,157.3	9,618.7	10,494.0	12,417.4	13,295.1	15,144.7	17,834.5	20,466.0	23,021.6	25,669.1	28,621.0	31,912.4	35,582.4	39,674.3	44,236.9	49,324.1
Tax Revenue (Resource MPT)	775	760.7	183.4	635.4	4,036.1	3,025.6	3,550.0	3,000.0	2,600.0	2,300.0	2,564.5	2,859.4	3,188.3	3,554.9	3,963.7	4,419.5	4,927.8
Other Revenue (Non-Resource)	1,120	605.5	297.7	262.5	310.5	1,074.9	1,594.0	1,683.0	1,780.6	1,854.6	2,067.9	2,305.7	2,570.8	2,866.5	3,196.1	3,563.7	3,973.5
Other Revenue (Resource)	653	381.2	568.5	380.5	300.0	982.5	900.0	1,053.9	1,340.1	1,829.0	2,039.3	2,273.8	2,535.3	2,826.9	3,152.0	3,514.5	3,918.6
KPL dividends						700.0	641.2	750.9	954.8	1,303.1	1,452.9	1,620.0	1,806.3	2,014.1	2,245.7	2,503.9	2,791.9
Other						282.5	258.8	303.0	385.3	525.9	586.4	653.8	729.0	812.8	906.3	1,010.5	1,126.7
Grants	1,836	1,776	1,425	1,862	1,472.1	2,024.9	2,205.0	2,255.0	2,305.0	2,355.0	2,405.0	2,455.0	2,505.0	2,555.0	2,605.0	2,655.0	2,705.0
Tax-to-GDP	13.2%	13.0%	11.5%	12.1%	14.8%	14.7%	15.3%	15.7%	16.3%	16.6%	16.8%	17.1%	17.3%	17.5%	17.7%	17.8%	18.0%
Total Expenditure	**16,134.1**	**17,852.3**	**19,397.8**	**20,130.8**	**24,390.0**	**25,337.9**	**27,377.5**	**28,480.6**	**29,805.9**	**31,131.1**	**32,268.1**	**34,106.1**	**36,032.0**	**38,267.7**	**40,788.6**	**42,306.9**	**44,568.2**
% of GDP	20.3%	21.3%	22.7%	21.8%	21.9%	22.8%	22.3%	21.5%	21.0%	20.4%	19.3%	18.5%	17.7%	17.1%	16.5%	15.5%	14.8%
GoPNG Expenditure (Total Expenditure *less Gra*	**14,298.4**	**16,076.8**	**17,972.9**	**18,268.4**	**22,917.9**	**23,313.0**	**25,172.5**	**26,225.6**	**27,500.9**	**28,776.1**	**29,863.1**	**31,651.1**	**33,527.0**	**35,712.7**	**38,183.6**	**39,651.9**	**41,863.2**
% of GDP	18%	19%	21%	20%	21%	21%	21%	20%	19%	19%	18%	17%	16%	16%	15%	15%	14%
Operational Component (PE and G&S)	**8,515.7**	**8,503.6**	**9,156.0**	**9,295.7**	**10,816.8**	**11,299.9**	**12,091.3**	**12,458.2**	**13,099.8**	**13,968.1**	**14,042.2**	**14,912.7**	**15,946.2**	**17,313.6**	**18,990.9**	**19,694.2**	**21,237.9**
% of Total Expenditure		47.6%	47.2%	46.2%	44.3%	44.6%	44.2%	43.7%	44.0%	44.9%	43.5%	43.7%	44.3%	45.2%	46.6%	46.6%	47.7%
PE and G&S (excluding elections)	8,515.7	8,503.6	9,156.0	9,295.7	10,121.0	11,299.9	12,091.3	12,458.2	12,849.8	13,268.1	14,042.2	14,912.7	15,896.2	17,013.6	18,290.9	19,694.2	21,237.9
Growth rate		-0.1%	7.7%	1.5%	8.9%	11.6%	7.0%	3.0%	3.1%	3.3%	5.8%	6.2%	6.6%	7.0%	7.5%	7.7%	7.8%
Compensation of Employees	5,198.4	5,423.7	5,831.5	6,093.7	6,490.3	6,942.0	7,034.3	7,329.4	7,646.4	7,987.0	8,487.1	9,068.8	9,748.1	10,544.7	11,484.1	12,531.1	13,699.1
Teachers, police and health sector		2,440.0	2,712.3	2,849.6	3,068.5	2,927.2	3,161.4	3,414.3	3,687.5	3,982.5	4,340.9	4,775.0	5,300.2	5,936.3	6,708.0	7,580.0	8,565.4
Number of teachers						68,110	71,516	75,091	78,846	82,788	87,755	93,898	101,410	110,537	121,591	133,750	147,125
Number of health sector workers						16,843	17,685	18,569	19,498	20,473	21,701	23,220	25,078	27,335	30,068	33,075	36,383
Number of police						6,222	6,722	7,222	7,722	8,222	8,722	9,222	9,722	10,222	11,244	12,369	13,605
Other core CoE (includes key PFM and revenue collection agencies)						1,033.2	1,054.5	1,096.7	1,140.5	1,186.2	1,257.3	1,332.8	1,412.7	1,497.5	1,587.4	1,682.6	1,783.6
Non-core CoE		2,983.7	3,119.2	3,244.1	3,421.8	2,981.6	2,818.4	2,818.4	2,818.4	2,818.4	2,888.8	2,961.0	3,035.1	3,110.9	3,188.7	3,268.4	3,350.1
Goods and Services	3,317.3	3,079.9	3,324.5	3,202.0	4,326.5	4,357.9	5,057.1	5,128.8	5,453.5	5,981.1	5,555.1	5,843.9	6,198.2	6,768.9	7,506.9	7,163.2	7,538.8
GTFS (1)		391.5	338.5		890.3	763.6	850.9	884.9	920.3	957.1	1,014.6	1,075.5	1,140.0	1,208.4	1,280.9	1,357.7	1,439.2
HELP and TESAS (1)			60.5		94.5	87.1	135.0	140.4	146.0	151.9	161.0	170.6	180.9	191.7	203.2	215.4	228.3
Medical Supplies (1)		234.3	216.8		201.4	237.5	237.5	247.0	256.9	267.2	283.2	300.2	318.2	337.3	357.5	379.0	401.7
Rental (1)					281.1	353.0	341.9	355.6	369.8	384.6	407.7	432.1	458.1	485.5	514.7	545.5	578.3
Utilities (1)					264.5	223.0	228.8	237.9	247.4	257.3	272.8	289.1	306.5	324.9	344.4	365.0	386.9
Arrears (2)						411.0	450.0	450.0	450.0	450.0	477.0	505.6	536.0	568.1	602.2	638.3	676.6
NTRA agency support (2)						100.0	100.0	100.0	100.0	100.0	106.0	112.4	119.1	126.2	133.8	141.9	150.4
Defence, Police & CIS (2)						190.4	221.2	221.2	221.2	221.2	234.4	248.5	263.4	279.2	296.0	313.7	332.6
Contingency Fund and PM/NEC decisions (2)						541.0	350.0	350.0	350.0	350.0	371.0	393.3	416.9	441.9	468.4	496.5	526.3
Elections					695.8	-	-	-	250.0	700.0	-	-	50.0	300.0	700.0	-	-
Other G&S	3,317.3	2,454.1	2,708.7	3,202.0	1,898.9	1,451.3	2,141.8	2,141.8	2,141.8	2,141.8	2,227.5	2,316.6	2,409.3	2,505.6	2,605.8	2,710.1	2,818.5
CoE and G&S % of Total Expenditure	53%	48%	47%	46%	44%	45%	44%	44%	44%	45%	44%	44%	44%	45%	47%	47%	48%
Provincial Transfers	**1,015.7**	**1,113.7**	**1,175.2**	**1,279.0**	**1,122.6**	**1,458.1**	**1,535.6**	**1,712.2**	**1,909.1**	**2,128.6**	**2,373.4**	**2,646.4**	**2,950.7**	**3,290.0**	**3,668.4**	**4,090.3**	**4,560.7**
Provincial Functional Grants	504	501.3	588.1	557.8	445.2	642.1	638.0	711.4	793.2	884.4	986.1	1,099.5	1,225.9	1,366.9	1,524.1	1,699.4	1,894.8
GST & BMT Transfers	511.9	612.4	587.1	721.2	677.4	816.0	897.6	1,000.8	1,115.9	1,244.2	1,387.3	1,546.9	1,724.8	1,923.1	2,144.3	2,390.9	2,665.8
% of Total Expenditure	6.3%	6.2%	6.1%	6.4%	4.6%	5.8%	5.6%	6.0%	6.4%	6.8%	7.4%	7.8%	8.2%	8.6%	9.0%	9.7%	10.2%
Interest Payment (Debt Service)	**1,934.7**	**2,147.0**	**2,165.1**	**2,254.7**	**2,578.7**	**2,784.0**	**3,050.8**	**3,293.4**	**3,454.2**	**3,356.2**	**3,184.2**	**3,123.6**	**2,907.9**	**2,581.2**	**2,135.2**	**1,557.9**	**771.2**
% of Total Expenditure	12%	12%	11%	11%	11%	11%	11%	12%	12%	11%	10%	9%	8%	7%	5%	4%	2%
Capital Investment Component	**4,668.0**	**6,088.0**	**6,901.5**	**7,301.4**	**9,871.9**	**9,795.9**	**10,699.8**	**11,016.8**	**11,342.8**	**11,678.2**	**12,668.3**	**13,423.4**	**14,227.2**	**15,082.8**	**15,994.0**	**16,964.5**	**17,998.4**
% of Total Expenditure	29%	34%	36%	36%	40%	39%	39%	39%	38%	38%	39%	39%	39%	39%	39%	40%	40%
GoPNG PIP	2,040.7	3,000.5	3,908.9	3,945.5	6,952.3	6,615.0	7,281.0	7,535.8	7,799.6	8,072.6	8,937.7	9,563.3	10,232.7	10,949.0	11,715.4	12,535.5	13,413.0
PIP as share of Budget	13%	17%	20%	20%	29%	26%	27%	26%	26%	26%	28%	28%	28%	29%	29%	30%	30%
Concessional Loans	791.6	1,312.0	1,567.8	1,493.5	1,447.5	1,156.0	1,213.8	1,225.9	1,238.2	1,250.6	1,325.6	1,405.2	1,489.5	1,578.8	1,673.6	1,774.0	1,880.4
Donor Support Grants	1,835.7	1,775.5	1,424.9	1,862.4	1,472.1	2,024.9	2,205.0	2,255.0	2,305.0	2,355.0	2,405.0	2,455.0	2,505.0	2,555.0	2,605.0	2,655.0	2,705.0
BUDGET BALANCE	**-2,048.9**	**-4,172.0**	**-7,304.6**	**-6,496.0**	**-5,853.8**	**-4,935.0**	**-3,983.8**	**-2,654.2**	**-1,314.2**	**229.1**	**2,477.7**	**4,408.9**	**6,679.8**	**9,118.0**	**11,802.6**	**16,082.7**	**20,280.8**
% of GDP	-2.6%	-5.0%	-8.6%	-7.0%	-5.3%	-4.4%	-3.3%	-2.0%	-0.9%	0.2%	1.5%	2.4%	3.3%	4.1%	4.8%	5.9%	6.7%
Fiscal Parameters																	
Consolidation				1.5%	1.8%	0.8%	1.2%	1.3%	1.1%	1.1%	1.3%	0.9%	0.9%	0.8%	0.7%	1.1%	0.8%
Average Interest Cost	7%	7%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	6%	7%	14%
Debt	**29,121.1**	**33,666.9**	**40,168.4**	**48,173.1**	**53,679.8**	**58,613.9**	**62,597.7**	**65,251.8**	**66,566.0**	**66,336.9**	**63,859.2**	**59,450.4**	**52,770.6**	**43,652.6**	**31,850.0**	**15,767.3**	**-4,513.5**
% of GDP	36.7%	40.2%	47.1%	52.2%	48.3%	52.6%	51.1%	49.2%	46.9%	43.5%	38.1%	32.2%	26.0%	19.5%	12.9%	5.8%	-1.5%

From 2025, real non-resource GDP grows by 5%, this starts to increase by 0.1 percentage points each year in 2028. Nominal non-resource growth is 5%. Resource GDP falls slightly to 2027 before growing at 10%. In line with MTPD IV, GDP is K200 billion by 2030.
To achieve the 13-year fiscal strategy goals, the Government will introduce K800 million in non-resource tax policy measures to increase the tax base in 2025, with K500 million more in 2026 and K100 million more in 2028.
After 2027, all revenue heads grow by 11.5% annually based on nominal growth plus gains from compliance (starting at 1.5% per year but gradually decreasing in line with the faster GDP growth as returns from compliance activities fall).
The number of teachers and health sector workers grows by 5% annually to 2027, before gradually scaling up to 10% annual growth from 2032. Police will grow by 500 annually until it reaches 10,000. From 2032, it will grow 10% annually. An annual 3% salary increase is also catered for.
Manpower estimates are based on the number of employees currently on the Alesco payroll.
Other core agencies' CoE (which includes key PFM and revenue collection agencies) grows at 4% annually to 2027 and after 2027 it grows at 6%. These agencies will be necessary to control expenditure, raise revenue and conduct reforms. Non-core CoE is held constant until 2027. After 2027 it grows at 2.5% annually.
Class 1 specified G&S items grow at 4% annually to 2027 and 6% after. Class 2 Specified G&S items are held constant until 2027; after 2027, they grow at 6%. Other G&S is held constant until 2027. After 2027 it grows at 4% annually.
Functional grants and GST and BMT transfers grow at 11.5% annually (roughly growth in taxes) since the value of these payments is based on tax collections.
In line with MTDP IV, the capital budget is above K10 billion per annum from 2024. GoPNG capital grows at 3.5% annually until 2027 and 7% after. With a topup of K300 million in 2028 to accommodate for the expected six new districts. These underlying rates match the average growth rate of CoE plus G&S (excluding elections).
There is slower planned growth in the concessional project loans after very strong growth in 2019 and 2020. They grow at 1% annually until 2027 and 6% after. Donor grants also expected to grow by K50 million annually. It is expected that a planned "Targeted Grant Strategy" program will lift this growth rate substantially. Being a grant, this will equally add to revenues and expenditures, with no net impact on the deficit or debt.
In order to achieve the outlined expenditure restraint, the Government will begin consolidating government agencies and introduce additional controls on expenditure. Faster growth in various expenditure items is possible from 2028 as debt begins to fall (due to being in surplus) resulting in falling interest payments.

1.3 PNG'S CONTINUED COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS

The 2024 Budget focuses on actions aimed at implementing the Pangu-led Coalition Vision. These can be clearly linked to the internationally agreed Sustainable Development Goals.

The Prime Minister has called for APEC countries to continue to usher a pathway for economic growth that is consistent with principles that reconcile economic, environmental and social imperatives. At the 2023 APEC summit, the Prime Minister welcomes the commitment by USA to achieving net-zero emissions by 2050. These includes the goal of developing countries providing USD100.0 billion to developing countries, like Papua New Guinea to help them cut emissions and adapt to climate change to promote green growth and sustainable development. This call reinforces the continuation of the prescriptions of the 2022 Budget strategy and the alignment of Government's fiscal policy with the Sustainable Development Goals (SDGs).

Goal 8 is aimed at promoting inclusive and sustainable economic growth, full and productive employment and employment for all. The focus on SDG 8 is part of the Pangu-led Government's intention to shift development strategies toward greener, cleaner and carbon reducing modalities of growth.

The Government's commitment toward the long-term budget repair and reconstruction strategy follows ten (10) principles of prudent fiscal management. The nine (9) strategic actions that will continue the Marape Government's commitments to the implementation of Sustainable Development Goal (SDG) eight (8) are presented in Table 2 below.

Table 2: Strategic Actions

Strategic Action	Policy initiatives	Sector Strategies & Related SDGs
Prudent, Responsible, and Sustainable Fiscal and Monetary Regimes	- Internal Revenue Reforms (MTRS); Fair and equitable taxes to reduce concessions and eliminate tax holidays - Monetary Policy Reforms (MTDS); - On-going Independent Review of BPNG - Affordable debt strategy & repayments - Anti-Corruption legislation	Good Governance & Prudent Management, Law and Justice SDG 8 – Decent work and economic growth, SDG 16 – Peace, justice and strong institutions
Economic Enablers – Transport Infrastructure	Connect PNG Transport Infrastructure Network Economic Corridors Provincial and District Infrastructure	Enabling Infrastructure SDG 8, SDG 9 – Industry innovation and infrastructure, SDG 10 – Reduce inequalities, SDG 11 – Sustainable cities and communities, SDG 12 – Responsible consumption and production, SDG 13 – Climate action
Economic Enablers – Reliable and Efficient ICT & Communications Network	ICT Policy Communications Network e-Commerce Platforms	Enabling Infrastructure SDG 4 – Quality education, SDG 6 – Clean water and sanitation, SDG 7 – Affordable and clean energy, SDG 8, SDG 9
Economic Enablers – Clean Renewable Energy and Safe Water and Sanitation	Clean, Green Renewable Energy	Enabling Infrastructure Climate Change Urbanization and Industrialization

	Clean, Safe Water and Sanitation	SDG 1- No poverty, SGG 2 – Zero hunger, SDG 3- Good health and well – being, 5 – Gender equality, SDG 6, SDG 7, SDG 8, SDG 9, SDG 13
Renewable Resources - Enhance Revenue in Increased Production, Diversification and Value-Addition	Increase production and export revenue Downstream Processing, Value-addition, new markets Economic and Livelihood Diversification Environment & Cultural Asset Protection, Management and Services Local Labour Mobilisation, skilled jobs and employment	Agriculture, Fisheries, Forestry, Tourism, Manufacturing, Labour & Employment SDG 1, SGG 2, SDG 3, SDG 4, SDG 5, SDG 7, SDG 8, SDG 9, SDG 10, SDG 11, SDG 12, SDG 13, SDG 14 – Life below water, SDG 15 – Life on land
Extractive Resources - Enhance Benefits in local business participation, employment and community and environment services.	FID National & Local Content PPP, CSO,	Mining, Oil & Gas Environment, Law and Social Justice SDG 5, SDG 7, SDG 8, SDG 9, SDG 10, SDG 11, SDG 12, SDG 16 – Peace, justice and strong institutions
Local Entrepreneurship – MSME's, SME's and Commerce	MSME's & SME's, Local Financial Institutions & Banks	Mining, Oil & Gas Environment, Law and Social Justice SDG 5, SDG 8, SDG 9, SDG 10, SDG 12, SDG 14, SDG 15, SDG 16
Education for Innovation, Human Talent Development, Labour Mobilisation and Employment	National Education Plan STEM Curriculum and School of Excellence Human Talent Development Labour mobilisation and decent work for all	Education, Science, Technology, Innovation and Human Resource SDG 3, SDG 4, SDG 5, SDG 8, SDG 10
Women Empowerment & Equality for All – Fight against Anti-discrimination, gender and ethnic violence, domestic violence, family and sexual violence, youth empowerment.	Women Empowerment Gender Equality Anti-Discrimination Youth empowerment	Community and Social Empowerment and Justice SDG 5, SDG 8, SDG 9, SDG 10, SDG 16

1.4 SUMMARY

The Marape-Rosso Government has embarked on a reform agenda, while being ambitious yet a responsible strategic response to the changing development circumstances of the country. It is predicated on a vision statement that is deliberately audacious to awaken national consciousness, hope and action to mobilise social and political capital for the future.

The reform program is guided by four interrelated core objectives that are interdependent in relationship; *Strong Economy, Connect PNG, Going Rural and Governance.* The strong economy built on the back of a 13-year Budget Repair Plan seeks to prudently manage the debt burden that the country is currently facing, and to bring it to surplus by 2027, and a capital expenditure and formation strategy consistent with building PNG's human and physical capital. Guided by the fiscal consolidation plan and a prudent monetary policy, the Government will seek to invest in strategic enablers that can drive the growth of the economy into one that is broad based, inclusive and robust with a strong rural centric growth strategy.

CHAPTER 2: ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 WORLD ECONOMIC GROWTH OUTLOOK

2.1.1 Overview

The global economic recovery has been slow and uneven, despite moderate signs of improvements earlier in 2023. Several factors, including, the lingering effects of the pandemic, the war in Ukraine and increasing geo-economic fragmentation are holding back the recovery. At the same time, the impact of global monetary policy tightening has slowed investments and growth prospects. Global inflation, both headline and core continued to ease, with core inflation declining at a much slower pace, indicating that monetary policy tightening could continue.

The recovery towards pre-pandemic growth levels remains doubtful particularly for the emerging and developing economies as blows from both persisting and fresh geo-political tensions are expected to intensify and crowd-out global growth and recovery prospects. Therefore, the outlook for the global economy in 2024 and the medium term remains highly volatile as trade relations, debt financing plans and revenue and economic growth prospects across economies remain somewhat shadowed with uncertainty.

PNG's economic growth and outlook is greatly affected by global market developments, given its exposure through primary commodities exports and high levels of imports, especially of manufactured goods (household and capital).

PNG has seen a moderation in prices for most of its export commodities during the first half of 2023 due to improved global supply and weak demand. As a result, inflation has slowed and domestic revenue collections from commodity exports have moderated compared to the 2022 levels.

2.1.2 Economic Activity

According to the 2023 October World Economic Outlook (WEO) report, global growth is projected to slow from 3.5 per cent in 2022 to 3.0 per cent in 2023 and 2.9 per cent in 2024. The 2024 growth forecast is slightly lower by 0.1 percentage points compared to the July WEO projection and remains below the historical average of 3.8 per cent of the pre-COVID era (2000 – 2019).

The global economy showed resilience at the beginning of 2023 despite persistent challenges as several headwinds subsided during the first quarter of the year. The World Health Organisation (WHO) announced in May 2023 that COVID-19 was no longer considered as a public health emergency of international concern. Also, supply chain disruptions caused by the pandemic have largely improved coupled with shipping costs reverting to pre-pandemic levels. The global financial conditions have eased after strong intervention by the Swiss and the United States Central Banks in March to contain a banking sector turbulence from further escalating in their banking sectors.

However, there are still sizeable differences in the underlying growth projections of major economies, with stronger projections in the United States and downward revisions for China and the Euro areas as advanced economies continue to drive the decline in global growth from 2022 to 2023. The United States has indicated stronger than expected growth momentum, but weaker than expected growth in the Euro area and the persistent property crisis in China have weakened the growth to date, thus keeping global growth below pre-pandemic levels.

The global economic activity has showed signs of a moderate rebound during the second quarter of 2023, due to strong consumption in the United States and increased tourism activity in Italy, Mexico and Spain, as these developments offset a slowdown in the manufacturing sectors that were struggling amid their sensitivity to interest rate hikes. However, these positive indications were short-lived as fresh headwinds coupled with the lingering effects from the pandemic and the Ukrainian war hampered these developments thus discouraging growth from a possible rebound.

2.1.3 Advanced Economies

Growth in advanced economies is expected to slow from 2.6 per cent in 2022 to 1.5 per cent in 2023 and 1.4 per cent in 2024 due to weaker-than-expected growth in the Euro area despite stronger than expected improvement in the United States.

The United States has seen the strongest recovery among the advanced group with its GDP in 2023 estimated to exceed its pre-pandemic levels amid strong private consumption and real disposable incomes. However, the Euro area has recovered slowly, with its output still remains below pre-pandemic levels reflecting its greater exposure to the war in Ukraine and the associated adverse terms-of-trade shocks coupled with a spike in imported energy prices.

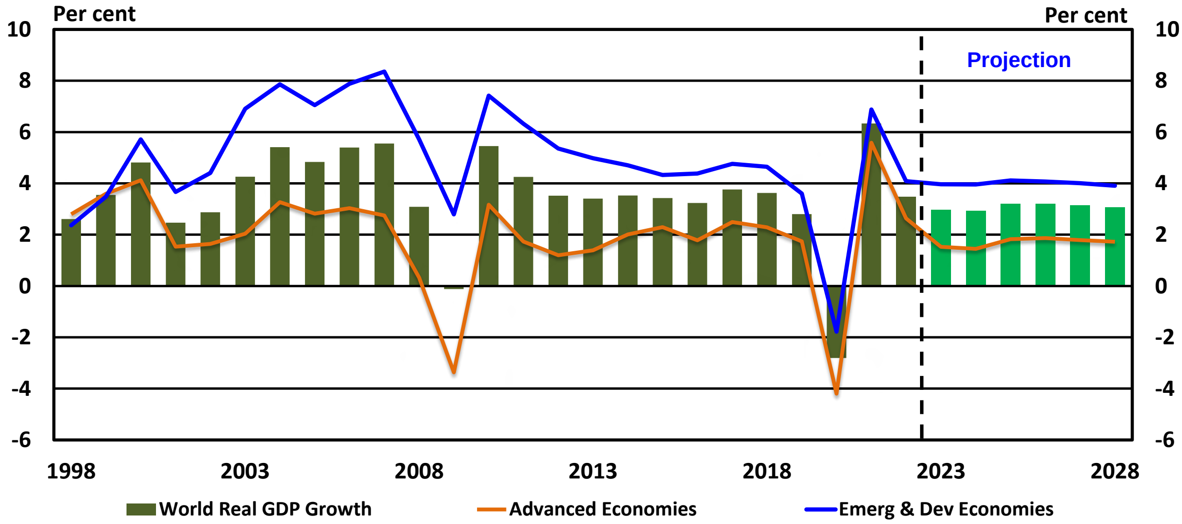
In general, about 90.0 per cent of advanced economies are expected to see slower growth in 2023, which is projected to give rise to more pronounced annual unemployment in a few advanced economies, especially Canada, the United Kingdom, and the United States.

2.1.4 Emerging Markets and Developing Economies

Growth outlook in emerging markets and developing economies is expected to modestly decline from 4.1 per cent in 2022 to 4.0 per cent in 2023 and 2024. This is a downward revision of 0.1 percentage point for growth in 2024, which mainly reflects the persisting property crisis in China.

There are also signs of regional growth divergences for economies under this group, as some countries have shown improvements in their growth compared to others. Under *the emerging and developing Asia region*, China is expecting a downgrade revision to its growth forecast for 2023 and 2024, while India is expected to remain strong at 6.3 per cent in 2023 and 2024, reflecting stronger-than-expected consumption. In *emerging and developing Europe,* Russia's growth is expected to improve from -2.1 per cent in 2022 to 2.2 per cent in 2023, reflecting a substantial fiscal stimulus, strong investment, and resilient consumption.

Chart 1: World Economic Growth (1998-2028)



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) October 2023

Global growth over the medium-term is projected to average around 3.0 per cent, which is still at its lowest in decades.

2.1.5 Risks

Risks to the outlook remain more balanced, as some adverse risks have receded during the first quarter of 2023 while others, both existing and fresh have emerged. Towards year-end and over the medium-term, the global economy is expected to encounter both upside and downside risks as it struggles to recover and return to pre - pandemic levels.

Upside Risks

A fall in commodity prices coupled with a slight drop in food and energy prices could help drive the decline in headline inflation further down. However, food prices have declined modestly in 2023 amid lower demand being offset by supply reductions. The normalisation of supply chain has contributed to the decline in headline inflation in most countries in 2023 and, thus is expected to lower inflation further if this trend continues in 2024 and over the medium term.

Domestic demand across most economies has been recovering faster than expected due to the excessive stock of savings accumulated during the pandemic. In several economies, the stock of excess savings during the pandemic has not yet been fully utilised, which signals the possibility of a faster-than-expected demand recovery as consumption increases. In addition, a much tighter labor market in the United States coupled with a stronger policy support in China could further intensify domestic demand in respective economies, thus supporting global economic activity and growth.

Furthermore, recent breakthroughs in artificial intelligence and progress in green technologies could give rise to a new era of strong productivity and growth thus boosting investment and growth in the global economy in the near future.

Downside Risks

The downside risks to global economic growth also remain imminent regardless of the favorable growth prospects.

A further slowdown in China's economic growth amid the persisting property crisis could have negative implications on global demand and trade and further weaken global growth if the Chinese Government's policy response to the crisis turns out ineffective.

Commodity prices have become more volatile amid the ongoing climate and geo-political shocks across regions. Also, intense heat waves and droughts amid record global temperatures this year have resulted in frequent crop failures across countries. This could more likely result in supply shortages, food price hikes and food insecurity. In addition, the ongoing El Nino weather phenomenon, which has a history with higher global food prices poses further risks.

The war in Ukraine, coupled with the recent conflict in the Middle East and other geo-political tensions elsewhere could intensify, triggering supply chain disruptions and renewed fluctuations in food, fuel, fertilizer, and other commodity prices.

Furthermore, the escalation of geo-economic fragmentation through the separation of the world economy into blocs amid the war in Ukraine has showed signs of hampering multilateral cooperation, especially trade of strategic goods like minerals, cross-border investment of capital, technology, and workers and international payments. This could reduce global GDP and hamper multilateral cooperation in the fight against climate change, further geopolitical tensions, future pandemics and ensuring energy and food security.

Financial markets have adjusted their expectations regarding monetary policy tightening in recent months. However, new upside inflation shocks could force a fresh wave of interest rate hikes if monetary policy makers decide to reassess their respective policy stance. This could further trigger negative ripple effects for global trade and growth, and further raise inflation in emerging markets and developing economies, especially those highly dependent on imports of food and fuel.

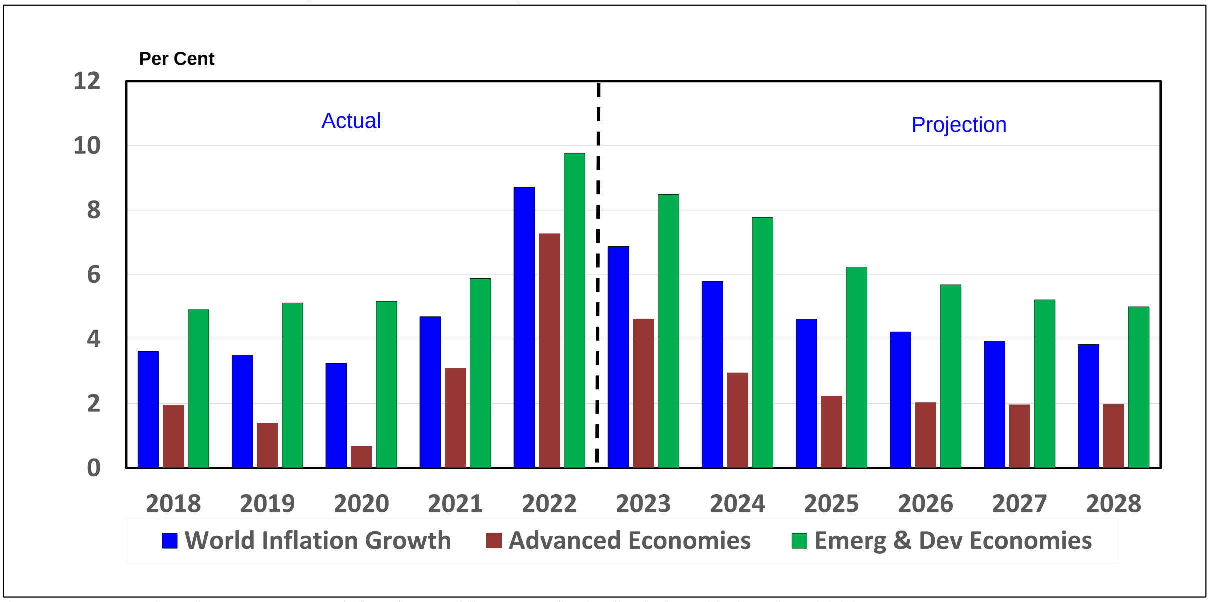
2.1.6 World Inflation

Global headline inflation is expected to steadily decline from its peak of 8.7 per cent in 2022 (annual average) to 6.9 per cent in 2023 and 5.8 per cent in 2024, reflecting the effect of monetary policy tightening coupled with lower commodity prices. Core inflation is expected to decline more gradually, an indication that the underlying inflationary pressures still persist. Therefore, inflation is not expected to return to the target until 2025. Nearly three-quarters of economies worldwide are expected to see lower inflation in 2023.

In advanced economies, inflation is projected to cool down from 7.2 per cent in 2022, to 4.6 per cent in 2023 and 2.9 per cent in 2024. This mainly reflects advanced economies benefiting from stronger monetary policy frameworks and communications, which benefits disinflation more than the latter. The benefit difference also reflects the less exposure of advanced economies to shocks of commodity prices and exchange rate movements.

In emerging markets and developing economies, global headline inflation is expected to fall slowly from 9.7 per cent in 2022 to 8.4 per cent in 2023 and 7.7 per cent in 2024.

Chart 2: World Inflation (per cent Growth)



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) October 2023.

2.1.7 Agriculture Commodities

Prices for PNG's key agricultural export commodities have reached their historical highs in 2022 due to a tight market supply amid the hostile weather conditions, and the disruptions of global supply chains and trade links due to the COVID-19 pandemic and the war in Ukraine.

Prices have moderated over the last nine (9) months of 2023 due to improved global supply and weak demand. The supply disruptions and trade distortions in 2022 have normalised as favourable weather conditions in major producing countries have supported production and supply. The pandemic related restrictions were removed completely, paving the way for increased mobility, while the supply chain disruptions associated with the war in Ukraine have been restored.

However, global demand has remained sluggish since its strongest period during the post - COVID demand recovery in mid-2021. This is mainly due to the surge in global inflation following a series of interest rate hikes across economies coupled with a fresh COVID-19 situation in China (world's largest consumer). These factors have depressed household consumption and consumer spending across regions, thus reversing global demand below pre - COVID levels.

Coffee

Coffee prices have dropped after reaching historic highs in 2022. The average coffee price to - date as of 30th September 2023 was 10.5 per cent below the 2023 Budget estimate and 25.0 per cent below 2022 prices for the corresponding period. This is due to improved global supply amid favourable weather conditions in Brazil (world's top producer) and other major coffee producing countries. In addition, the appreciation of the US Dollar – the main exchange currency for international trade, has made the US Dollar stronger against other currencies, especially the Brazilian Real. This has encouraged coffee production and exports thus further boosting supply.

On the demand side, coffee consumption across regions have slowed compared to its post - COVID recovery demand in 2021 as the global inflation surge in 2022 diminished consumer purchasing power, thus reducing coffee consumption and demand. However, much of the moderation in prices have been primarily driven by supply side factors to-date.

The global coffee market also expects some upside risks to manifest in coming months, which could support prices in 2023 and 2024. These include the possibility of an El Nino weather phenomenon, which is normally a bullish factor for prices.

The International Coffee Organisation (ICO) has reported deficits in supply stocks (inventories) across major producing countries such as Brazil, Colombia, Vietnam and Honduras for the current coffee season (2022/23). The reduction in inventory could also mean a bullish factor for prices going forward.

Considering all these developments, the coffee price assumption for 2023 has been revised down and is projected to average around **US$4,453.0 per tonne**, which is 18.0 per cent and 31.0 per cent below the 2023 Budget estimate and 2022 Budget outcome, respectively.

Looking ahead, coffee prices are expected to remain mixed as both upside and downside risks have a high possibility of manifesting in the coming months. However, prices remain more tilted to the downside considering a much stronger supply coupled with the continuous appreciation of the US Dollar against the exporting country currencies, which could slightly offset the upside effects of the El Nino weather and the overall stock deficits. Therefore, the coffee price assumption underpinning the 2024 Budget is projected to average around **US$4,090.0 per tonne** to accommodate these developments.

Cocoa

The average cocoa price as at end September 2023 was US$3,007.0 per tonne, which is 31.0 per cent above the 2023 Budget estimate and 26.7 per cent above the 2022 price level for the corresponding period.

Cocoa prices have soared to historical highs during the past months of 2023 due to supply shortages in the market as unfavourable weather coupled with crop diseases have hurt production in major cocoa producing countries. In addition, cocoa harvests have also been suppressed by higher production costs and shortage of inputs like fertilizers and pesticides.

Cocoa demand has remained weak amid the effect of the persisting inflation situation. However, market sentiments have signalled a demand recovery towards year-end (2023) as cocoa grinding reports from major markets (North America and Asia) have projected an improvement in cocoa demand, which is a bullish factor for prices going forward.

Therefore, prices for 2023 have been revised upwards considering a tight market supply and improved demand to average around **US$3,099.0 per tonne**, which is 36.0 per cent and 30.0 per cent above the 2023 Budget and 2022 actuals, respectively.

In 2024, prices are expected to increase further as demand recovers while supply remains tight given the above developments. Therefore, the assumptions underpinning the 2024 Budget projects cocoa prices to average around **US$3,354.0 per tonne**.

Palm Oil

Palm oil prices have shown slight improvements in 2023 but remained lower on average compared to the 2022 highs. The average price to date as of 30th September was US$840.0 per tonne, which is 1.5 per cent above the 2023 Budget price and 31.0 per cent below 2022 price levels for the same period.

This is mainly due to improved production in major producing countries (Malaysia and Indonesia) coupled with weaker trading currencies – especially the Malaysian Ringgit (palm oil's trading currency) against a stronger US dollar, which has encouraged exports and supply in the market.

Demand has remained weak amid increased stock inventories in India and China (top consumers), which have discouraged imports, thus giving a bearish signal for prices. In addition, climate change policy in the European Union has discouraged imports from Malaysia to uphold its policy against products that cause deforestation. This is blow to prices as it increased stock inventories in the Malaysian warehouses.

Therefore, the assumption underpinning the palm oil price for 2023 is projected to average around **US$853.0 per tonne**, which is 3.0 per cent above the 2023 Budget and 24.0 per cent lower than the 2022 levels.

In 2024, the palm oil price is expected to remain low at the back of excess supply both from the increased production and inventories coupled with a weak demand. The El Nino weather phenomenon is expected to provide a moderate boost to prices, but not as much as the impact of the expected surplus supply in the market.

Therefore, the palm oil price assumption for the 2024 Budget is projected to average around **US$825.0 per tonne.**

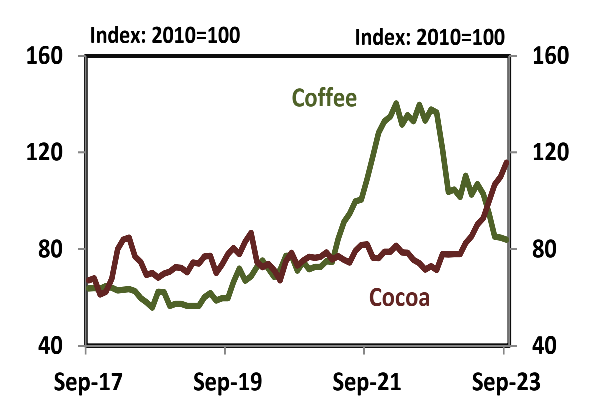
Copra Oil

Copra oil prices have varied in 2023 across different major markets around the globe, due to respective fluctuating market dynamics. However, prices have settled mostly to the downside due to continuous oversupply in the market coupled with a lacklustre demand growth amid the ongoing inflation surge.

Reports have confirmed that there is still a sizeable amount of supply stockpiles in the market, which will more than offset the weak global demand. Household demand remains sluggish especially from the pharmaceutical and cosmetics industries as supply is expected to improve in coming months.

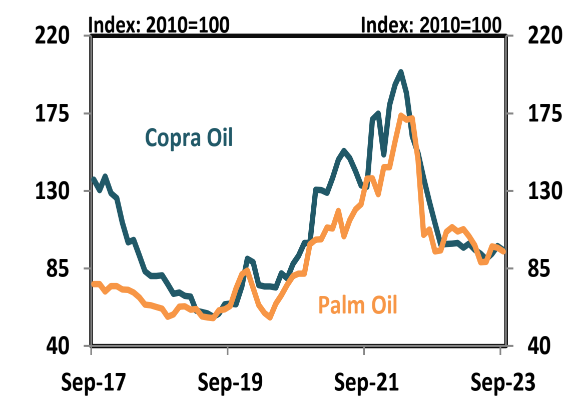
Therefore, coconut oil price is expected to average around US$1,080.0 per tonne in 2023 and the 2024 Budget estimate.

Chart 3: Price Index of Coffee & Cocoa



Source: International Monetary Fund (IMF) and Reuters

Chart 4: Price Index of Copra Oil & Palm Oil



Source: International Monetary Fund (IMF) and Reuters

Dwindling demand, coupled with boosted supply are anticipated to keep prices for most agricultural commodities down over the remainder of 2023 and the near future.

2.1.8 Mineral and Petroleum Commodities

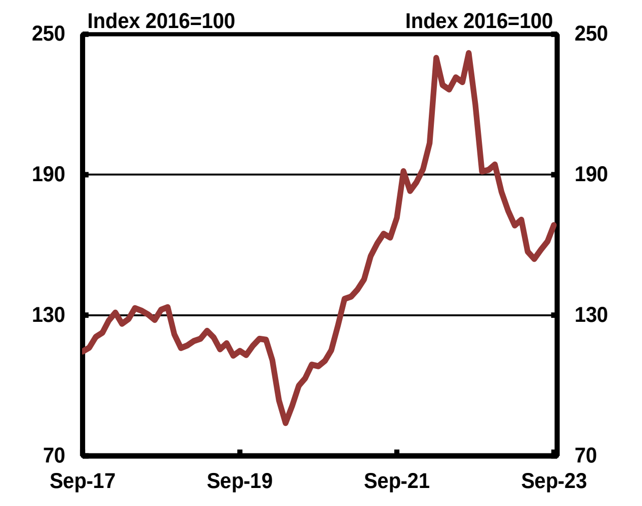
All mineral and petroleum export commodity prices have moderated, except gold, after reaching their historical highs in 2022 as the supply disruptions caused by the Russian - Ukraine war and the pandemic have normalised. Global demand has remained weak amid the stubborn interest rate hikes, which has reduced consumption and investments globally. On a positive note, prices for most commodities are trending above their 2023 Budget estimate, though they remain below their 2022 levels.

There were numerous turbulences in the market during the first and second quarters of 2023, which have resulted in supply and demand imbalances, but their impact through price shocks was short-lived amid the improved supply and weak market demand to date.

According to the IMF October 2023 WEO, prices are expected to moderate on the back of improved supply prospects and weak demand. However, a few upside risks such as, the re-emergence of a fresh supply disruption due to geo-political tensions, the El Nino weather phenomenon and a surprise uptick in global demand remain bullish for prices in months ahead.

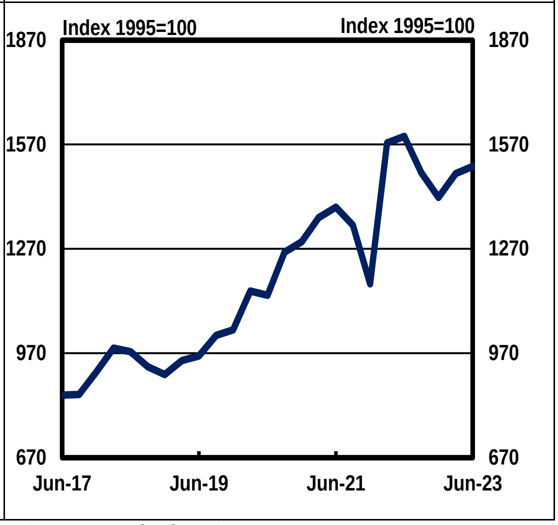
The Bank of Papua New Guinea's (BPNG) Export Price Index fell by 5.5 per cent in the first half of 2023 compared to the same period in 2022, reflecting a general decline in prices across most commodities. Recent data indicate that the price of oil fell sharply, with WTI averaging US$77.0 per barrel, 30.0 per cent below their 2022 highs. Copper also fell sharply by 13.4 per cent while gold improved above US$1,900.0 an ounce. On agriculture commodities, almost all prices have decreased driven by lower demand and improved supply, except for cocoa.

Chart 5: IMF All Commodity Price Index



Source: International Monetary Fund (IMF) October WEO

Chart 6: PNG Export Commodity Price Index



Source: Bank of PNG

Liquefied Natural Gas (LNG)

The LNG price assumption is linked to the Asian LNG market price benchmark, given PNG's LNG main export markets are in Asia. Almost 75.0 per cent of the LNG traded in the Asian market is sold on long-term contracts, which links the price of LNG to the price of crude oil (commonly the Japanese Customs-cleared Crude (JCC) price) with a lag of several months.

Therefore, the oil price is used as an indicator in tracking trends in the LNG price and making informed projections complemented by the publicly released LNG price estimates by the World Bank, Petroleum Association of Japan, and Japanese Customs.

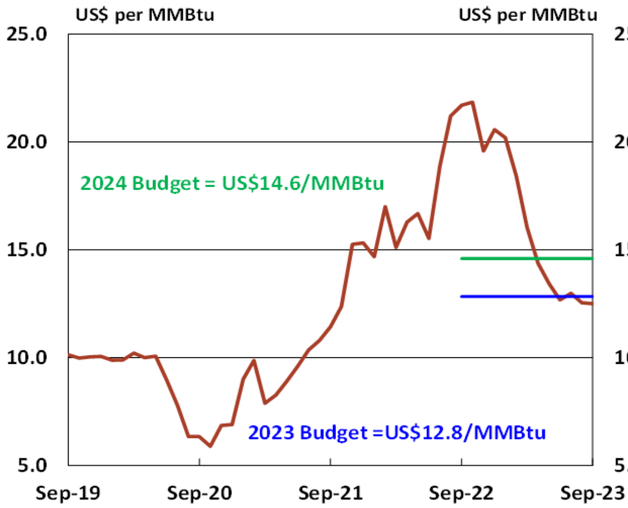
The LNG price averaged US$14.9 per million British thermal units (MMBtu), as at end September 2023, which is 17.7 per cent above the 2023 Budget estimate and 15.0 per cent below 2022 levels.

LNG prices in the Asian market have been trading above the Budget price estimate regardless of its moderation from the 2022 highs. This is mainly due to increased demand from China and India, low inventory levels in Japan and higher crude oil prices. In addition, production disruptions in Australia's major LNG project – responsible for about 7.0 per cent of global supply has spurred concerns of production disruption, thus supporting prices during the period. The rise in oil prices has also supported LNG price.

With these developments, the LNG price is expected to average around **US$14.9 per MMBtu** in 2023, which is 18.0 per cent down from US$18.3 per MMBtu recorded in 2022 and above 16.0 per cent above the 2023 Budget estimate of US$12.8 MMBtu. However, prices are expected to moderate in the coming months amid improved supply and weak demand, but an expected increase in oil prices could support price from falling further.

In 2024, the LNG price is projected to moderate to **US$14.6 per MMBtu** at the back of improved supply as the production dispute in Australia improves, coupled with a weak demand. The geo-political tensions in the Middle East and the reduced supply in the European market are expected to act as a price floor for the LNG price in months ahead.

Chart 7: Liquefied Natural Gas Price



Source: World Bank Pink Sheet (LNG, Japan, US$/MMBtu)

Crude Oil

The oil market has experienced increased volatility during the first half of 2023 after recording historical highs in 2022. The year-to-date price as at end-September has averaged US$77.0 per barrel, which is 6.0 per cent below the 2023 Budget price estimates and 21.0 per cent below 2022 levels for the corresponding period.

Prices have generally trended on the downside in the first half of 2023 amid concerns about a decline in global economic growth due to interest rate hikes and diminishing global demand.

However, from June 2023, few short-lived shocks, such as the OPEC+ production cuts and the continued war-related export restrictions of Russian oil by Western markets has kept prices afloat. In addition, prices have picked up during September amid market sentiments of a possible supply cut from Russia and Saudi Arabia, coupled with a drop in the US crude stock.

The price outlook remains mixed amid these developments as both upside and downside risks seem highly plausible in the months ahead. The anticipation of a slowdown in the pace of interest rate hikes in coming months could encourage consumption and investment thus, supporting demand and price. Also, the plan of a supply cut from OPEC+ will be a bullish factor for price if it materialises. However, the possibility of fresh interest rate hikes in the near future also remains bearish for prices, coupled with diminished demand amid the declined outlook for global growth.

Considering these developments, the price assumption towards the end of the year anticipates both the supply and demand mismatches to balance out towards the downside, and prices are expected to average **US$79.1 per barrel** in 2023, which is 4.2 per cent and 16.1 per cent below the 2023 Budget estimate and 2022 prices, respectively.

Chart 8: Crude Oil Price (US$ per barrel)

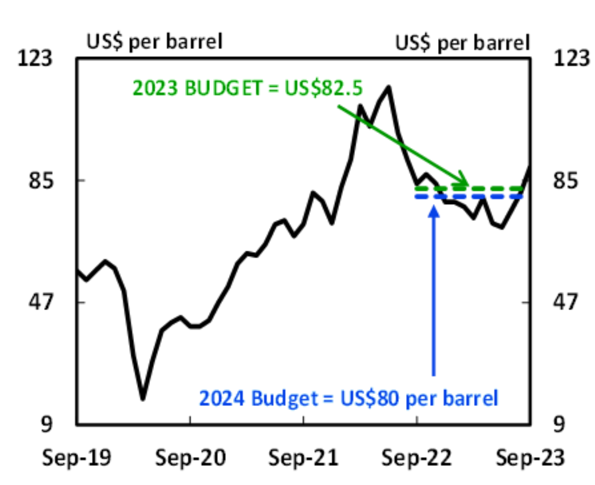
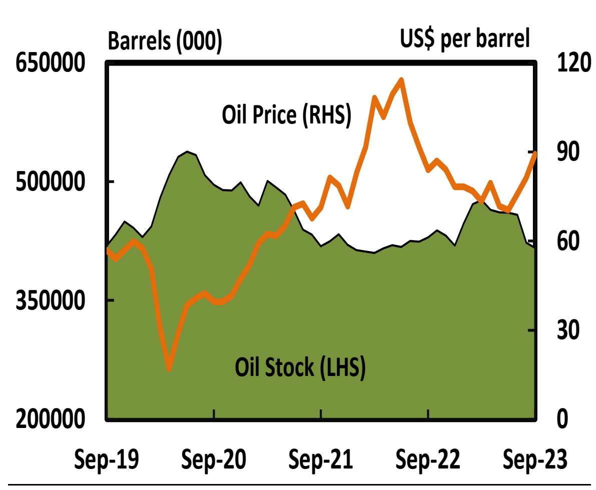


Chart 9: Crude Oil Price against Stock



Source**:** International Monetary Fund (IMF) & US Energy Information Administration (EIA)

In 2024, the volatility in the oil market and supply concerns amid the ongoing war in the Middle East and the OPEC+ decisions regarding their supply plans are expected to drive prices. Therefore, the oil price assumption underpinning the 2024 Budget is projected to average around **US$80.0 per barrel**.

Copper

The current copper price has trended above its 2023 Budget estimate but remained low in annual terms compared to its highs in 2022. This is largely due to the ongoing pressure from the continuous US Dollar appreciation, demand concerns in China, (largest consumer), weak supply and global industrial sentiments.

The average year-to-date copper price as of September was US$8,591.0 per tonne, which is 8.6 per cent above the 2023 Budget estimate and 5.4 per cent below 2022 prices for the corresponding period.

The ongoing rise of interest rates by the US Federal Reserve to combat inflation has kept the dollar elevated, thus discouraging copper purchases for other currency holders. This has subdued copper demand. In addition, copper demand remains subdued in China as the world's largest copper consumer struggles to recover from a prolonged property sector crisis, which has kept demand weak.

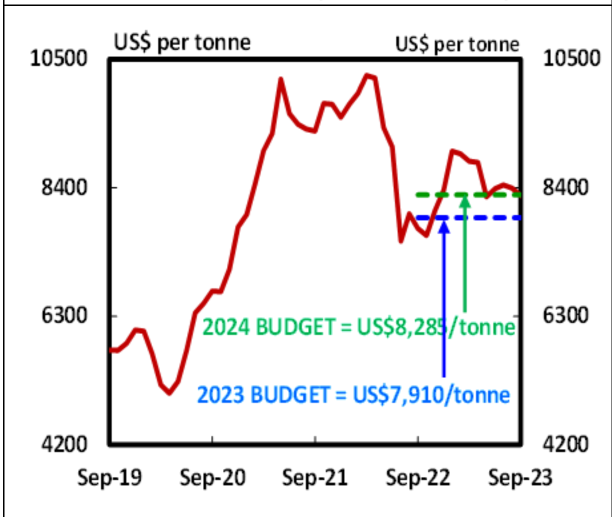
Global Industrial activities have also declined amid mounting growth worries, especially in Europe. These factors have weakened demand, which more than offset the moderate support from the weak supply growth.

The copper price outlook remains more tilted to the downside considering the above factors, however, a slight improvement in China's economy could support demand and price coupled with production disruptions in major producing nations amid geo-political and economic tensions, which could further constrain global supply.

Considering these developments, the copper price forecast for 2023 has been revised to **US$8,501.0 per tonne**, which is 7.4 per cent above 2023 Budget estimate and 3.6 per cent below the 2022 price level.

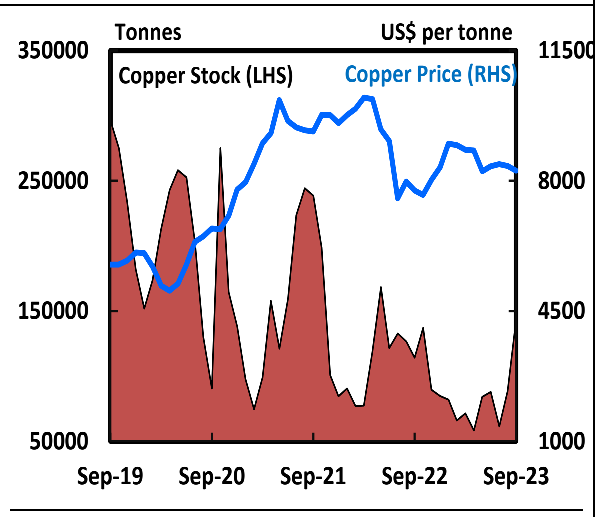
Looking ahead, prices are expected to fall with the decline in global growth as demand is expected to remain weak due to the effects of the interest rate hikes, coupled with a slower demand recovery from China (major consumer). On the supply side, production from Chile, Peru and Indonesia are expected to increase, which could result in a 'market glut'. The conflict in the Middle East remains an upside risk for all mineral and petroleum commodities including copper, although the impact on prices are yet to be realised.

Chart 10: Copper Price (US$ per tonne)



Source: London Metal Exchange

Chart 11: Copper Price against Stock



Source: London Metal Exchange

Balancing these factors, the copper price assumption underpinning the 2024 Budget is projected to average around **US$8,285.0 per tonne**, which is still lower than previous levels.

Gold

Gold price as of September averaged at US$1,931.0 per ounce which is 7.0 per cent above the 2023 Budget estimate and 6.0 per cent above the 2022 levels for the same period.

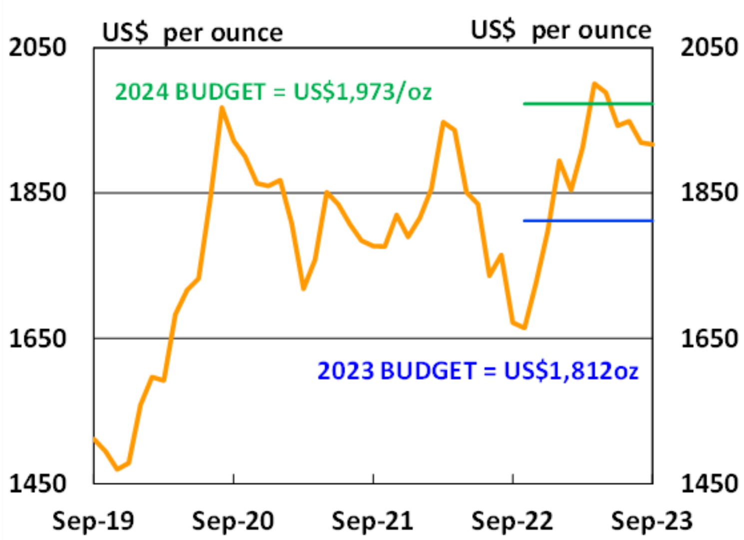
This was primarily driven by higher price levels during the first quarter of 2023 as the safe haven property of gold gained momentum amid the uncertainty surrounding the global economic prospects, the slower-than-expected recovery of China and the war uncertainty in Ukraine.

However, an elevated US Dollar and Treasury yields amid continuous interest rate hikes in the US, coupled with market sentiments of further interest rate hikes from the US Federal Reserve has kept a lid on prices.

The outlook for gold price remains partial but is tilted more to the upside as the expectations surrounding further interest rate hikes by the Federal Reserve is expected to lose its steam thus making gold an attractive safe haven avenue for investors as fresh geo-political tensions and crisis in the heats up coming months. Also, a slight retreat in the US Dollar amid positive US inflation data and the ongoing property crisis in China could support gold as investors are expected to shift their investments from other assets such as real estate to gold in the coming months.

Against this backdrop, the gold price is estimated to average around **US$1,918.0 per ounce** in 2023, which is 7.0 per cent and 6.0 per cent above the 2023 Budget estimate and 2022 prices, respectively.

Chart 12: Gold Price



Source: IMF and Bank of England

In 2024, gold price is expected to continue its upward trend reflecting the prospects surrounding the retreat of the US Dollar from its stubborn appreciation amid an expected ease of interest rate hikes, coupled with fresh economic and geo-political tensions. The fresh conflict in the Middle East has seen a rally in gold prices as investors remain sceptical. This could see prices going up as investor demand shifts from the dollar towards the yellow metal through its safe haven demand.

Against this backdrop, the gold price assumption for the 2024 Budget has been projected to average at **US$1,973.0 per ounce**.

2.2 EXCHANGE RATE DEVELOPMENTS

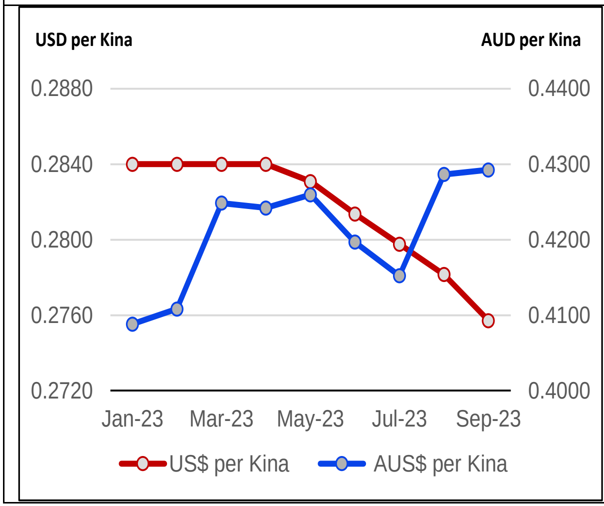
The global inflation surge in 2022 has moderated in 2023 through numerous rounds of interest rate hikes primarily in the US through the Federal Reserve Bank. The US Dollar appreciated to a 10-month high against its trading partner's currencies during the second quarter of 2023, thus, appreciating the dollar and making it more attractive for investments. As a result, commodity prices have moderated from their 2022 highs due to higher depreciation rates of other currencies against the US Dollar, especially those that use US Dollar as their main trading currency, including the PNG Kina.

Between 03rd January and 20th October 2023, the Kina (PGK/USD) depreciated against the US Dollar (USD) by 5.1 per cent from US$0.2840 to US$0.2695, while it appreciated against the Australian Dollar (PGK/AUD) by 2.2 per cent from AU$0.4088 to AU$0.4270 on a monthly average basis. (Chart 13)

The appreciation of the Kina against the US Dollar reflects the domestic FX market imbalance due to excess demand over supply of foreign currency, coupled with the ongoing interest rates hike in the US which has appreciated the US Dollar against other global currencies, including the Kina.

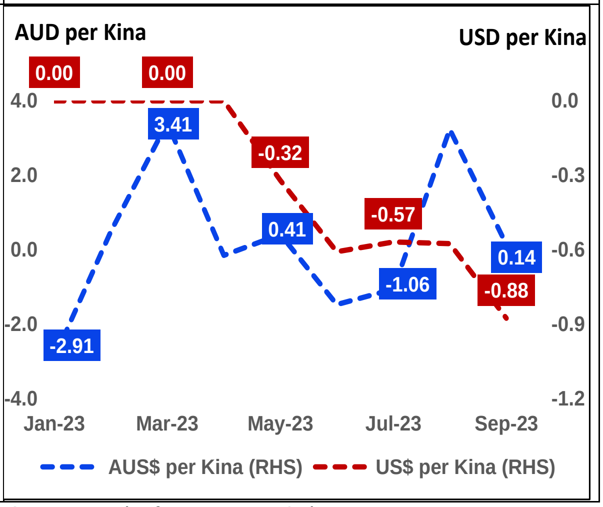
The appreciation of the Kina against the AUD was largely driven by cross-currency movements as the AUD, along with other currencies, weakened against the USD. Furthermore, the AUD has depreciated against the USD amid the interest rate differentials between Australia and the United States coupled with lower commodity prices.

Chart 13: Exchange Rate Developments



Source: Bank of Papua New Guinea

Chart 14: Growth in (%) Change



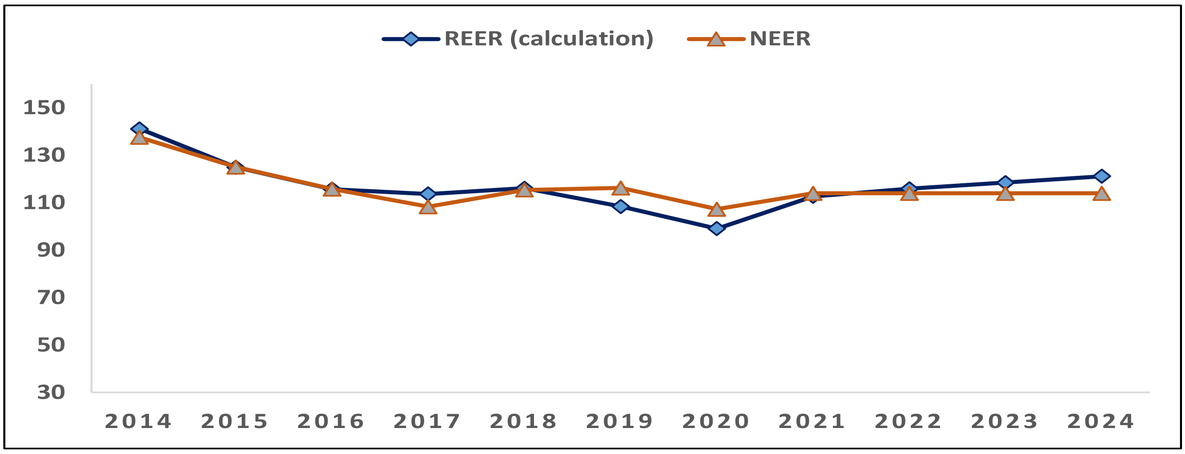
Source: Bank of Papua New Guinea

According to BPNG's 2023 September Monetary Policy Statement (MPS), PNG's annual Trade Weighted Index (TWI) increased moderately by 3.8 per cent in the June quarter of 2023 compared to the 7.8 per cent in 2022 same period, reflecting the appreciation of the Kina against currencies of its key trading partners such as the AUD, the Chinese Yuan and the Malaysian Ringgit, amongst others. Adjusting for inflation differentials across key trading partners' currencies, PNG's real effective exchange rate (REER) increased by 1.0 per cent during the period. This reflects the movement of Kina against its trading partners' currencies, thus indicating PNG's trade competitiveness amid higher inflation in trading partner countries. (Chart 15).

The Foreign Exchange (FX) inflows up to August 2023 totalled US$3,494.0 million

(K12,372.0 million), of which bulk of the FX inflows continue to reflect increased flows from the Mining and Agriculture sectors. An outflow of US$16,135.0 million (K4,556.8 million) was recorded over the same period, which reflects purchases from the retail, wholesale, manufacturing, finance and business, petroleum (oil) and transportation sectors.

Chart 15: Real and Nominal Effective Exchange Rates (REER and NEER), 2010 = 100



Source: Department of Treasury

2.3 DOMESTIC ECONOMIC DEVELOPMENTS AND OUTLOOK

The Real and Nominal Gross Domestic Product (GDP) projections in the 2024 Budget is based on the recently released 2021 and 2022 actual GDP statistics by the National Statistical Office (NSO), which was officially published on 2 November 2023.

2.3.1 Summary of Developments in 2023 and Outlook

The PNG non-resource sector is expected to grow strongly by 4.5 per cent 2023, 0.3 percentage points lower than the 2023 MYEFO estimate. This reflects slightly weaker performance in the business liaison sectors (BLS) of the economy, lower commodity prices after the historic highs in 2022, and ongoing business impediments such as shortage of foreign exchange. Despite these setbacks, businesses in the non-resource sectors continue to be supported by increased Government spending and investments on critical infrastructures and economic enablers.

Resource sector growth is expected to contract by 2.2 per cent, down from a negative 1.8 per cent estimated during the 2023 MYEFO due to a lacklustre performance in the mining and quarrying sector. The mining and quarrying sector is estimated to grow by 2.2 per cent, down from the 2023 MYEFO estimate of 6.9 per cent, mainly due to the removal of Porgera mine production estimates in 2023 given the ongoing delay and uncertainties surrounding the mine reopening. In addition, weather related disruptions in the major mines and mine specific issues has slowed growth. The Oil & Gas sector is expected to contract by 4.2 per cent as the PNG LNG project produces below capacity, coupled with the decline in oil production associated with maturing oil fields.

Combining the non-resource and resource parts of the economy (the non-resource sector is worth well over double the value of the resource sector), the overall PNG GDP is expected to grow at a moderate rate of 2.7 per cent in 2023, a downward revision from the 2023 MYEFO estimate of 3.0 per cent. The downgrade primarily reflects the contraction in the resource sector as mentioned above.

In 2024, the non-resource sector is projected to grow strongly by 4.7 per cent driven by increased Government spending which will have a cascading effect on the BLS sector. The Mining and Quarrying sector (+20.3 per cent) as Porgera mine comes online, and increased production from Ok Tedi and Lihir mines as a result of better access to high grade ores. In addition, LNG and Condensate production is expected to increase, with the onset of production from two (2) new wells being drilled at Angore.

Overall, the PNG economy is expected to grow strongly by 5.3 per cent.

Over the medium-term (2025-2028), the non-resource is expected to at an annual rate of just over 5.0 per cent. This will be driven by the Government's broad-based inclusive and sustainable growth agenda, which includes empowering Small Medium Enterprises (SME), improving connectivity/access to markets through the Connect PNG initiative, as well as strengthening the ease of doing business through series of structural reforms in the economy. The resource sector is projected to remain steady in the outer years as most resource projects are expected to produce at a respective nameplate capacities. Consistent with the practice of recent years, and in line with best international practice, these growth forecasts do not include an assumption of new resource projects until there is a formal announcement of Final Investments Decision (FID). With the very likely FID announcement on the Papua LNG project early next year, these growth forecasts are likely to be upgraded in the MYEFO. Subject to this conservative assumption, overall GDP is expected to grow at an annual average rate of 3.9 per cent.

2.3.2 2023 Domestic Economic Update

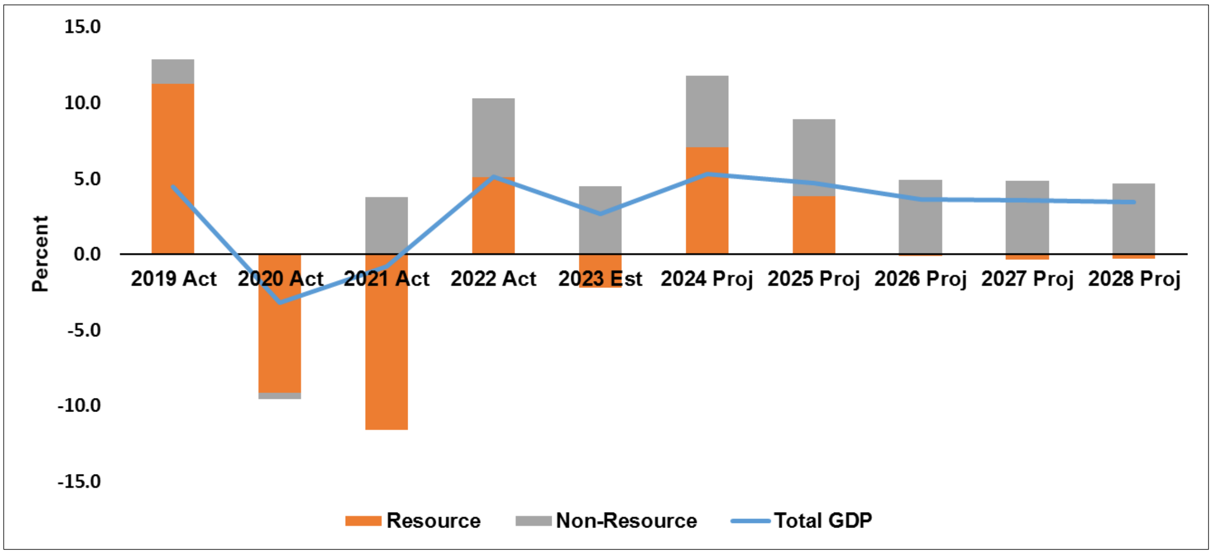
The domestic economy is estimated to grow by 4.5 per cent in the non-resource sector, and 2.7 per cent overall, in 2023. The latter is down by 0.3 percentage points from the 2023 MYEFO estimate of 3.0 per cent. This is mainly driven by weaker than expected performance in the Mining and Quarrying sector.

The Mining and Quarrying sector is estimated to grow by 2.2 per cent in 2023, a downward revision from the 2023 MYEFO estimate of 6.9 per cent. The downgrade is attributed to a decline of 6.2 per cent and 5.0 per cent for gold and copper production respectively from the MYEFO estimate, although the shortfalls were partially cushioned by higher cobalt and silver production. Lihir production for the second and third quarters was below expectations, with mining and milling operations impacted by heavy rainfall and bi-annual plant maintenance shutdown respectively. Production from the Ok Tedi mine was also revised down as the mine transitioned to higher grade ores in 2024 and 2025. Meanwhile, the Porgera mine which was expected to commence production in the fourth quarter of 2023 is now delayed to 2024, given the ongoing delay and uncertainties surrounding the mine reopening. These developments have downgraded the growth estimate for the mining and quarrying sector in 2023.

Oil & Gas sector is estimated to decline by 4.2 per cent in 2023, up from a decline of 5.5 per cent estimated at MYEFO. The overall decline reflects below-capacity production from the PNG LNG project due to scheduled maintenance at the plant sites. In addition, oil production is on a declining trend, reflecting the maturing oil fields and reserves level nearing depletion.

Overall, the resource sector is estimated to contract by 2.2 per cent, from a contraction of 1.8 per cent estimated at MYEFO, due largely to weaker performance in the mining and quarrying sector.

Chart 16: Real Economic Growth (2019-2028)



Source: Actuals from NSO. Estimates and projections from Department of Treasury.

Growth in the non-resource sector in 2023 is estimated at 4.5 per cent, 0.3 percentage points lower than the 2023 MYEFO estimate. The downgrade reflects a moderate slowdown of economic activities in the BLS of the economy, particularly the Transport and Storage, Wholesale and Retail Trade, and the Real Estate sector, coupled with a knock-off effect of further delay in Porgera mine re-opening. In addition, weaker growth in the Electricity, Gas and Air-conditioning sector driven by lower electricity production due to higher fuel costs and other operation costs also contributed to the lower growth expected in the non-resource sector.

The Agriculture, Forestry and Fishery (AFF) sector is estimated to grow by 2.2 per cent, slightly higher than the 2.0 per cent growth estimated during the 2023 MYEFO. The increase from the previous estimate reflects the base effect of a lower 2022 NSO outcome for the AFF sector. The fundamentals underpinning growth in the AFF sector remain unchanged from the 2023 MYEFO which include;

- scale down in log export volumes reflecting primarily slower global demand from China and some impact from the increased round log export duty;
- decrease in palm oil production by 0.9 per cent, coming off from higher production recorded in 2022 and lower prices; and,
- higher production from cocoa and coffee as a result of the replanting programs and high prices in the cocoa industry and coffee picking up after election related disturbances to coffee production in 2022.

Apart from AFF, other BLS sectors grew higher to support non-resource sector growth, which includes Public Administration and Defence, Construction, Education and Health benefitting from increased Government spending.

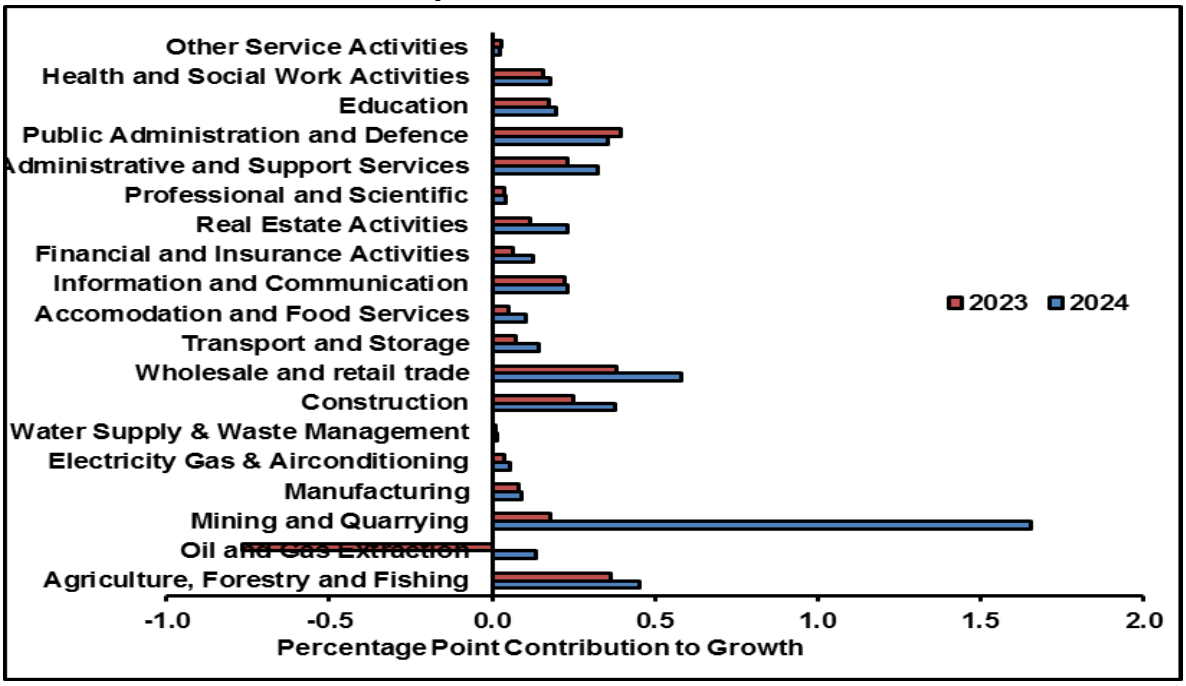
2.4 2024 ECONOMIC OUTLOOK

In 2024, the PNG economy is expected to grow by 5.3 per cent, of which, the non-resource and resource sectors are set to increase by 4.7 per cent and 7.1 per cent, respectively.

The non-resource sector's performance will be underpinned by the following:

- Growth in Wholesale and Retail (6.0 per cent), Real Estate (4.0 per cent), Transport and Storage (7.0 per cent), Accommodation and Food Services (6.0 per cent), supported by the re-opening of Porgera mine;
- Construction sector, is projected to grow by 6.0 per cent, benefiting from the Government's capital spending through the Connect PNG infrastructure initiative;
- Financial and Insurance sector to grow by 6.0 per cent, associated with TISA anticipated to operate as a commercial bank; and,
- AFF sector is projected to grow by 2.7 per cent in 2024. This growth is driven by a rebound in AFF sector production, including increased output of cocoa (up 9.9 per cent), copra oil (up 7.2 per cent) and palm oil (up 0.8 per cent).

Chart 17: Contribution to Growth by Sectors, 2023 and 2024



Source: Department of Treasury

Details of the growth in the AFF sector in 2024 are as follows:

- Cocoa production is projected to increase by 9.9 per cent driven by maturing of over 3 million trees planted 5 years ago, continued rollout of the freight subsidy program, and the prevailing high cocoa prices;
- Copra oil production is projected to increase by 7.2 per cent mainly driven by higher prices as copra oil production in recent years have been more price sensitive;
- Palm oil production is projected to increase slightly by 0.8 per cent mainly driven by increased production from NBPOL group particularly from Ramu Agri (21.7 per cent) reflecting increased yields from new and existing trees; and,
- Coffee and copra production are projected to decrease by 0.3 per cent and 2.7 per cent respectively, while log production to remain unchanged as the 2023 revised estimate.

Growth in the Mining and Quarrying sector is projected to grow strongly by 20.3 per cent in 2024, reflecting the resumption of the Porgera mine in the second quarter of 2024. In addition, production from the Ok Tedi mine is expected to increase as a result of better access to high grade ores (impact of the new Crusher), and Lihir production to increase driven by mine improvement programs and favourable weather.

The Oil & Gas sector, is projected to grow by 0.8 per cent in 2024. This is due to an upgrade in condensate and LNG production, as PNG-LNG envisages higher production from the two (2) wells currently being drilled at Angore with first gas anticipated in 2024. Overall, the stronger growth in the Mining and Quarrying sector, supported by the growth in the Oil & Gas sector contributed to a 7.1 per cent growth in the resource sector.

2.4.1 Medium -Term Outlook (2025-2028)

Over the medium-term, the non-resource sector of the PNG economy (where most people in PNG earn their livelihoods) is expected to grow at an annual average rate of 5.0 per cent in line with the Government's 13-year Budget Repair Plan. The positive outlook will be driven by the Government's plan to drive a broad-based, inclusive and sustainable growth agenda with strong emphasis on MSMEs, infrastructure connectivity, and structural reforms to ease business constraints.

Growth in the non-resource sector is supported by the AFF sector. This growth reflects the full recovery of the economy as restrictions on the movement of labor across domestic and international borders are removed over the medium term. However, its performance also hinges on the developments in the global commodity markets. Changes in prices could pose a risk to PNG's production as PNG is a small open economy and price taker.

The Government's 'Connect PNG' infrastructure initiative is expected to facilitate greater development on the AFF sector with road linkages to cocoa, coffee, and copra plantations that will prove cost efficient for farmers, thus allowing them to earn more. Continued rollout of major projects such as the nursery project by the PNG Cocoa Board will continue to support growth and development in the cocoa industry. Likewise, palm oil production is anticipated to increase over the medium-term, aided by the replanting programs and expansion into new growth areas, coupled with the anticipated ramping-up of production from the Markham Farming Company Limited.

The Transport and Storage, Accommodation and Food Services, Manufacturing and Wholesale and Retail sectors are expected to recover and grow strongly over the medium term as the recovery of the global economy is expected to improve global supply lines and see much freer flow of trade and labour mobility.

Growth in the Electricity, Gas and Air-conditioning sector over the medium term is driven by the operations of Dirio Gas-based 45.0 Megawatts (MW) power plant and NiuPower Gas-based 10 MW power plant, and the PNG Energy Utility Performance and Reliability Improvement, and the upcoming Edevu Hydro Power Plant that aims to improve, rehabilitate, and upgrade infrastructure on the Port Moresby, Gazelle, and Ramu Grids owned by PNG Power Limited (PPL).

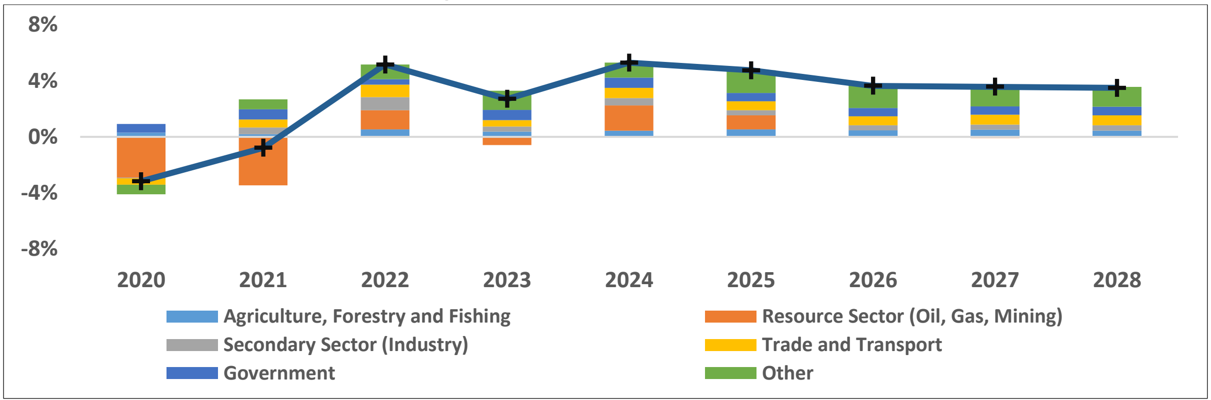
Over the medium- term, the Government, will continue its efforts to encourage downstream processing of resources and strengthen its compliance reforms aimed at increasing revenue, supported by financial sector reforms focused on encouraging international trade and reducing foreign exchange imbalances.

On the resource sector, Mining & Quarrying sector is projected to grow by 9.7 per cent in 2025 driven by the full-year of production from the Porgera mine, and supported by the expectation of higher production from Ok Tedi and Lihir due to access to high-grade ore. However, the sector is projected to plateau in 2026-28, underpinned by an expected flattening in output on the assumption that mines are maturing and producing at full capacity.

Similarly, the Oil & Gas sector is projected to grow by 0.6 per cent in 2025, before remaining stagnant for the outer years as PNG LNG moves towards producing at its nameplate capacity, and oil production reserve is depleted.

The outlook in the resource sector does not capture the pipeline projects such as the Papua LNG and Wafi-Golpu project. The pipeline projects will be captured once they reach the final investment stages and the Final Investment Decisions (FID) are reached.

Chart 18: Drivers of total real GDP growth 2020-2028



Source: NSO and Department of Treasury.

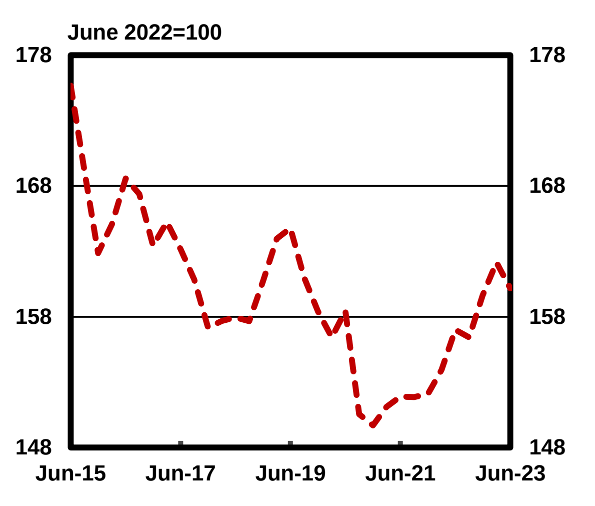
2.5 LABOUR MARKET

According to BPNG's employment index for June Quarter 2023, total employment in the formal private sector grew by 2.0 per cent (See Chart 19) through the year from June 2022 to June 2023, driven largely by growth in the mineral sector employment. This is a modest growth compared to a strong growth of 3.3 per cent in the corresponding period in 2022.

Employment in the non-mineral sector grew by 2.0 per cent compared to a growth of 2.8 per cent in the corresponding period in 2022, reflecting increased employment in the Transportation, Storage and Accommodation (up 14.2 per cent) and the Agriculture, Forestry, and Fisheries sectors (up 11.9 per cent), which more than offset the decline in employment in other non-mineral sectors. (See Chart 20).

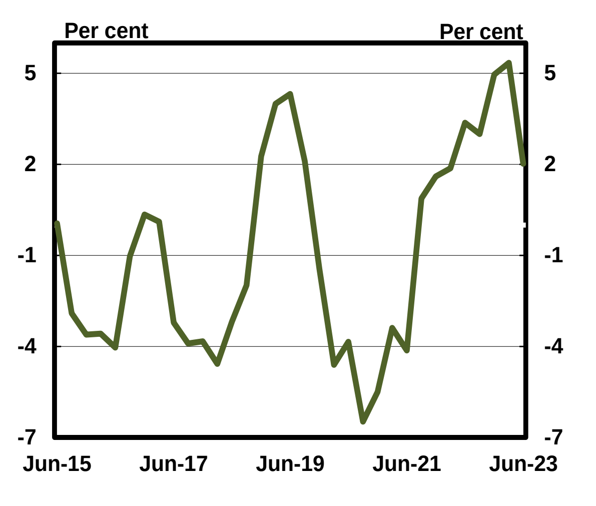
Employment in the mineral sector increased by 14.2 per cent compared to a growth of 7.4 per cent in the corresponding period in 2022, reflecting the rise in new recruitment by mineral companies to cater for increased production and also to meet manpower requirements. The Porgera mine, which remained closed since April 2020, has already commenced recruitment in preparation for the mine re-opening, thus contributing to this strong employment growth in the mineral sector.

Chart 19: Employment Index



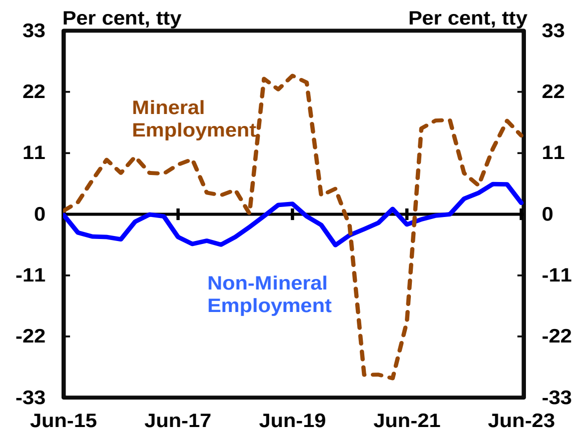
Source: Bank of PNG

Chart 20: Total Employment Growth



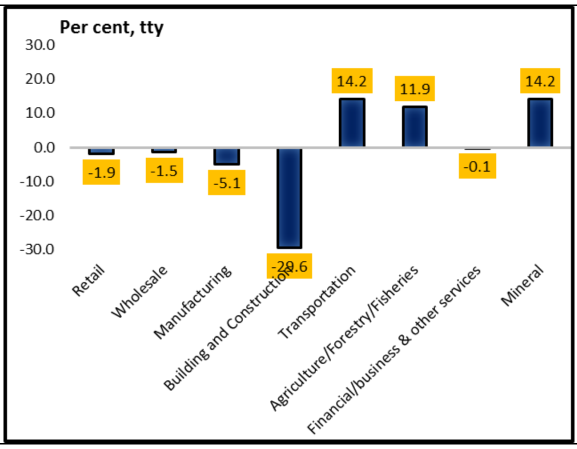
Source: Bank of PNG

Chart 21: Mining & Non-Mining Employment Growth



Source: Bank of PNG

Chart 22: Industrial Employment Growth



Source: Bank of PNG

The non-mineral sectors that have reported a decline in employment during the same period included Retail (down 1.9 per cent), Wholesale (down 1.5 per cent), Manufacturing (down 5.1 per cent), Building and Construction (down 29.6 per cent), Finance, Business and other Services (down 0.1 per cent) (see Chart 22). The decline in employment reflects slow- down in business activities and cost-cutting measures from businesses in response to increased operational costs.

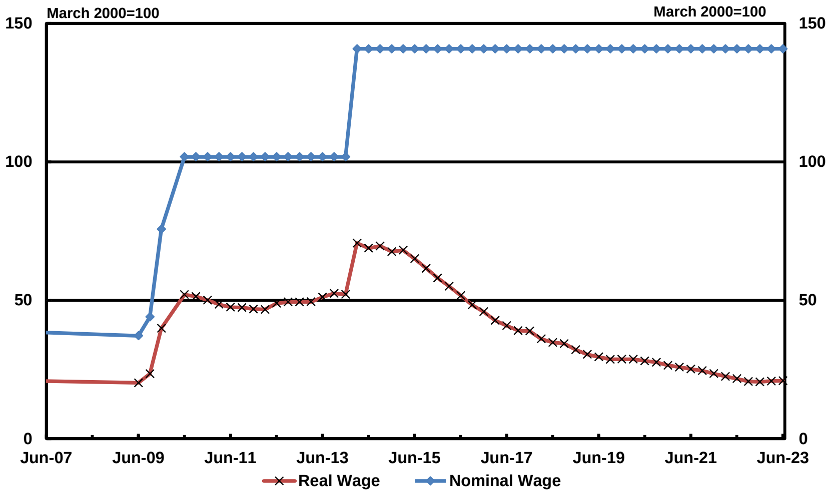
2.5.1 Nominal Salary and Wages

The last Minimum Wage Board (MWB) Determination was in July 2016, which remains in effect with the nominal salary and wages index in PNG set at K140.80 per week.

The MWB Determination in July 2016 was the third and final phase of an increase to the minimum wage hourly rate with the rate increasing to K3.50 per hour from K3.36 per hour in July 2015 and K3.20 per hour in July 2014. This increase was to accommodate inflationary pressures on minimum wage earners’ income since the last determination.

According to the Department of Labor and Industrial Relations (DLIR), the new rate of K3.50 per hour (or K140.80 per week) will remain in operation until superseded by a new Determination. There are reports that some employers are not using the approved minimum wage rate, which is a concern to the Government. DLIR will be reviewing the current Minimum Wage Determination with the aim of increasing penalties for non-compliance by employers.

Chart 23: Wages Index



Source: Bank of PNG and National Statistical Office

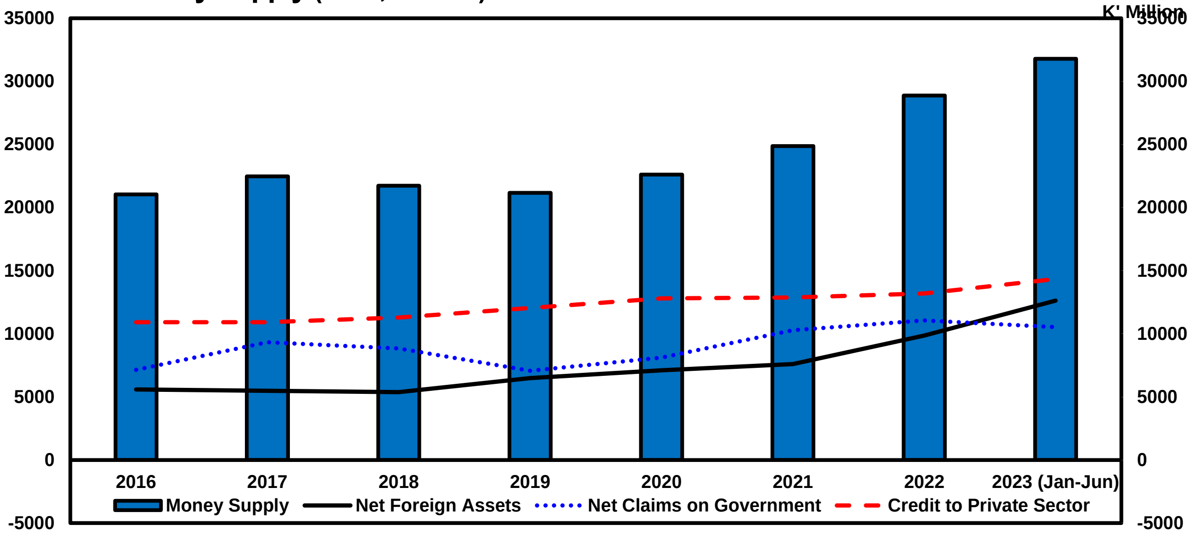
2.6 MONETARY DEVELOPMENTS

The Bank of PNG (BPNG) has shifted towards a neutral monetary policy stance since March 2023 after maintaining an accommodative monetary policy stance since 2022. BPNG reduced its policy rate, the Kina Facility Rate (KFR) by 25.0 basis points to 3.0 per cent, in September 2023 due to relatively low inflation through the first half of the year further in November 2023 to 2.5 per cent.

The change in monetary policy stance has historically had limited influence over the market interest rates due to excess liquidity in the financial and banking system. The new policy instrument, the 7- day Central Bank Bill (CBB), will help ensure the policy rate has some influence over the market rates.

In the first half of 2023, money supply grew by 12.8 per cent to an average of K31,802.9 million, compared to an average of K28,183.7 million over the same period last year, driven by an increase in Net Foreign Assets (NFA) earnings and Private Sector Credit by 47.0 per cent and 10.6 per cent, respectively. In contrast, Net Claims on Government decreased by 8.2 per cent.

Chart 24: Money Supply (Kina, million)



Source: Bank of PNG

According to BPNG's 2023 September Monetary Policy Statement (MPS), the broad money supply is projected to grow by 19.5 per cent in 2023, an increase from the March 2023 MPS of 10.1 per cent. Growth in the money supply is driven by projected increases in the Net Claims on Government (up by 25.7 per cent), despite the significant fall in the first half of the year, and Credit to Private Sector (up by 5.2 per cent) which more than offset the projected decline of 2.2 per cent on the Net Foreign Assets.

The increase in Net Claims on Government reflects the continued issuance of Government debt securities, while growth in the Private Sector Credit is associated with a rise in economic activities. Consistent with these developments and projections, the growth in the monetary base was revised upwards to 5.2 per cent, from the 3.3 per cent growth rate forecasted in the March 2023 MPS. The forecasted decline in NFA is due to BPNG's Foreign Exchange (FX) interventions to address FX shortages in the country and the Government's foreign debt payments which more than offset the inflows.

In March 2023, the Government entered into a three-year IMF Program to undertake fiscal & monetary and exchange rate policy reforms to improve PNG's economic performance and support growth. The weekly fixed rate, full allotment instrument that the Bank of PNG has introduced as a new policy instrument to work with the monetary policy rate (KFR), has been part of this program to manage liquidity and create influence of the KFR over the market rates. The Bank of PNG will continue to closely monitor macroeconomic developments and make necessary adjustments to its policy stance within the next six months.

2.7 CONSUMER PRICE INDEX

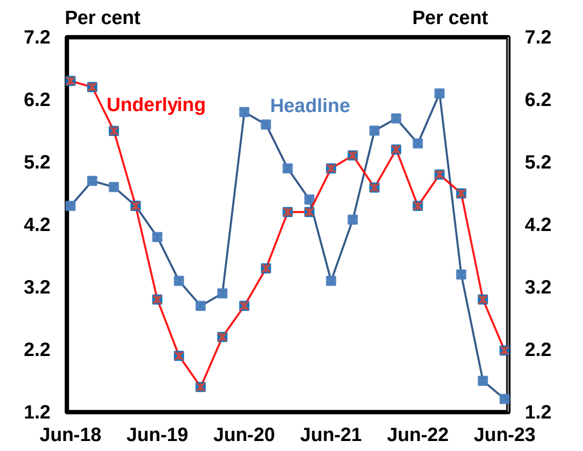
2.7.1 2023 Inflation Update

Headline inflation retreated to 3.4 per cent in the December Quarter of 2022 after reaching 6.3 per cent in the previous quarter. In 2023, headline inflation slowed further to 1.7 per cent in the March Quarter and 1.4 per cent in the June Quarter 2023. The underlying or core inflation, which excludes seasonal and price-controlled items, also declined to 2.2 per cent in the second quarter of 2023 following a lower outcome of 3.0 per cent in the previous quarter.

The decline in headline inflation in the year to June quarter of 2023 is mainly attributed to the fall in prices of tobacco and education. Tobacco prices declined by 15.5 per cent driven by a fall in the prices of cigarettes, due to lower demand and increased competition. Education costs declined by 22.9 per cent reflecting the Government's Tuition Fee Free (TFF) Education Policy. The Government has also extended its commitment to pay the full component of school fees for students from elementary to Grade Twelve (Gr 12). This policy has evidently weighed on the domestic inflationary pressure in the first half of the year, reducing overall inflation by 2.1 percentage points.

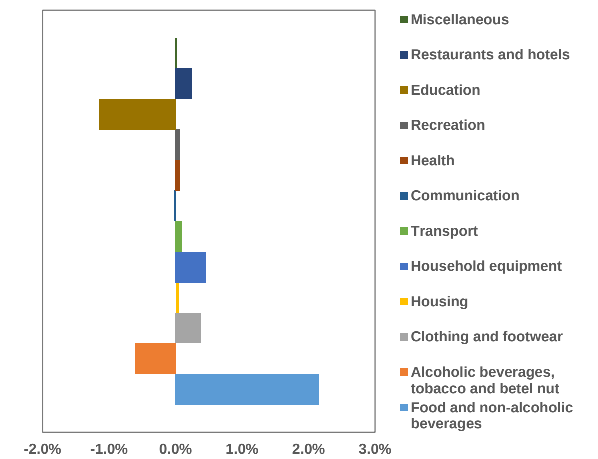
Meanwhile, prices of food, non-alcoholic beverages and household equipment remain elevated, while transport increased modestly. Food and non-alcoholic beverages rose by 7.4 per cent, with all items recording an increase in prices led by sugar and confectionery, cereals, meat and dairy products, showing the pass-through impact of higher imported inflation. Transport costs slowed to under 1.0 per cent in line with moderating global energy prices and partly by the Government's reduction of excise duty on fuel products in the first half of 2023.

Chart 25: Headline & Underlying CPI (Through-the-Year)



Source: National Statistical Office

Chart 26: Percentage Contribution to CPI (Through the Year)

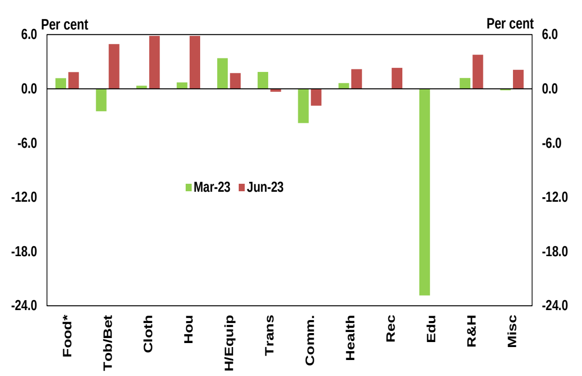


Source: National Statistical Office

2.7.2 Tradable and Non-Tradable Goods

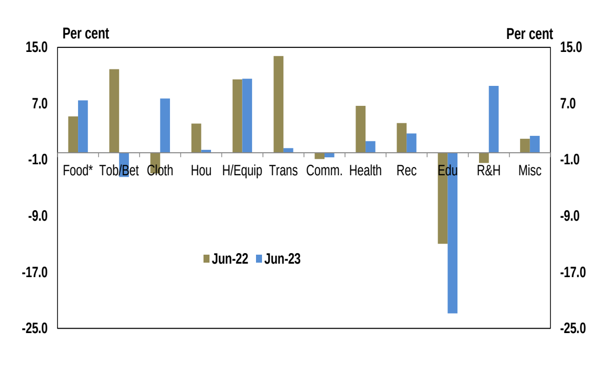
Prices of tradeable goods increased by 4.8 per cent through the year to the June quarter of 2023 compared to 5.0 per cent increase in the corresponding quarter last year. This slight decline reflects easing inflation in the major trading partners especially Australia and China. Inflation in developed economies is slowing, benefiting from the impact of monetary policy tightening by the Central Banks. The easing inflation in the developed economies flows through the prices of the tradeable goods and is evident on the outcome reported by the NSO. Furthermore, the decline in prices of tradeable goods is attributed to the strengthening of Kina against the Australian Dollar.

Chart 27: Expenditure Basket – June Quarter 2023 Growth (%)



Source: National Statistical Office

Chart 28: Expenditure Basket – Through the Year Growth (%)



Source: National Statistical Office

Chart 29: Tradable and Non-Tradable Inflation-(Quarterly)

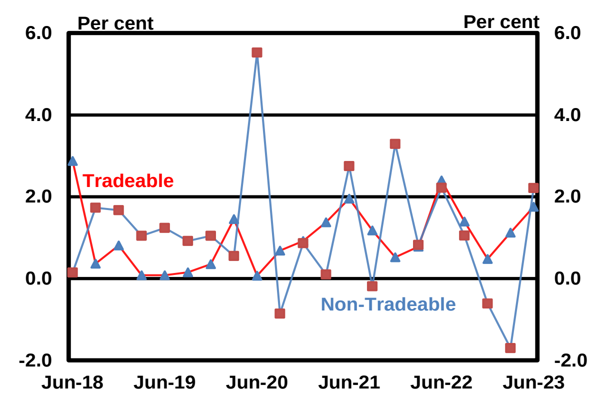
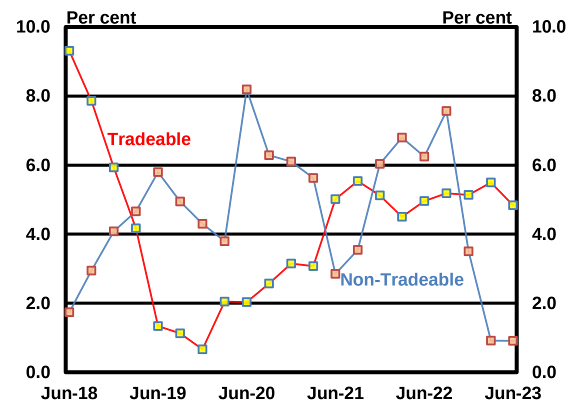


Chart 30: Tradable and Non-Tradable Inflation-(Through-the-Year)



Source: NSO and Department of Treasury

2.7.3 Inflation Outlook

Headline inflation in 2023 is estimated to average at 3.5 per cent, 2.0 percentage points lower than the 2023 MYEFO estimate and 2.2 percentage points lower than the 2023 Budget. The downward revision from the 2023 Budget is largely attributed to much lower than anticipated quarterly outcomes of the consumer price index (CPI) as reported by the NSO, declining inflation in Australia and China as the major import partners and lower commodity prices.

Annual headline inflation has declined notably between the September Quarter 2022 and the June Quarter 2023, from 6.3 per cent to 1.4 per cent. The decline was primarily due to the easing of inflationary pressures from abroad (declining oil prices and international shipping freight costs, improvement in supply chains of energy and food products, etc.), together with appreciation of the Kina against PNG's major trading partner currencies including the Australian Dollar and the Chinese Yuan. The Government's extension of excise exemption on fuel products for the first six (6) months of 2023 and the continuation of the Government's TFF education policy to address the rising cost of living also contributed towards the slowdown in inflation.

In September, oil prices averaged US$89.1 per barrel, 13.9 per cent higher than the average price of US$78.0 per barrel recorded in the month of January 2023. Oil price is expected to pick up further in the last quarter of 2023 and into 2024 driven by tight market supply as OPEC continues to cut production. With these recent developments, the Department of Treasury revised its forecast for oil price upwards to US$79.0 per barrel from US$75.0 per barrel as estimated in the 2023 Budget.

Furthermore, the removal of excise exemption on fuel products, coupled with the recent increase in oil prices is expected to drive up inflation, especially for fuel price, transportation and power generation costs, with the ripple effects on other goods and services. Diesel and Petrol price in the month of October 2023 in Port Moresby have increased by 14.5 per cent and 37.4 per cent, respectively, compared to the same month in 2022.

Overall, inflation in 2023 is expected to decline to 3.5 per cent, 1.8 percentage points lower than the 2022 outcome driven by moderation in imported inflation and strengthening of Kina against its major trading partner countries' currencies.

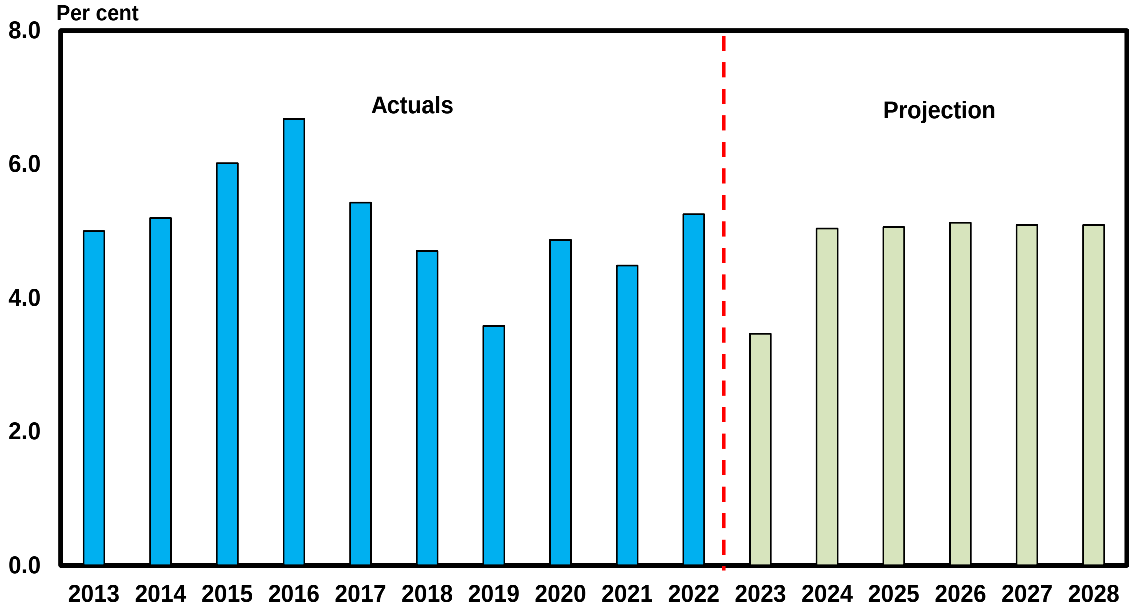
2.7.4 2023 and Medium -Term

In 2024, inflation is projected to average around 5.0 per cent, reflecting higher oil price, exchange rate depreciation, increased Government spending and higher economic growth. The highly anticipated reopening of the Porgera mine and early construction of the Papua LNG project are expected to put upward pressure on domestic inflation.

Over the medium-term, inflation is projected to average at 5.1 per cent in line with the Government's macroeconomic stability objective.

Upside risk to inflation include a sharp rise in commodity prices and commencement of the new resource projects, particularly Papua LNG.

Chart 31: Inflation outcome and projection (2012-2028)



Source: Actuals from National Statistical Office (NSO). Projections from Department of Treasury.

2.8 BALANCE OF PAYMENTS AND INTERNATIONAL RESERVES

2.8.1 Balance of Payments 2023 Update

Developments in both the global and domestic economic settings have underpinned movements in PNG's Balance of Payments during the first six (6) months of 2023.

According to BPNG's September 2023 MPS, the overall Balance of Payments recorded a deficit of K1,154.5 million (US$322.0 million) in the first half of 2023. This was due to a deficit in the financial account, which more-than-offset a surplus in the current and capital accounts.

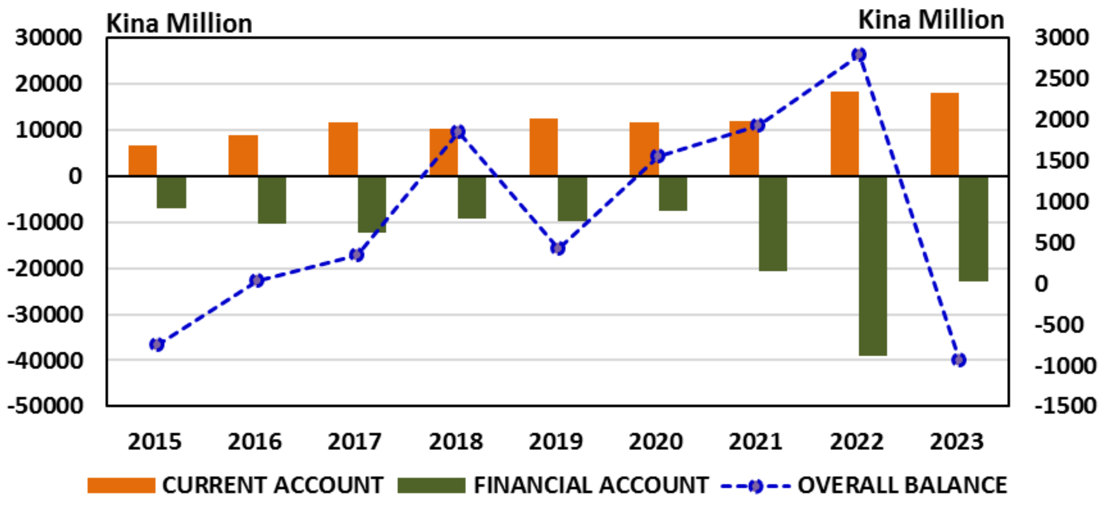
The Current and Capital accounts recorded a surplus of K10,813.5 million (US$3,015.9 million)in the first half of 2023, driven by a trade surplus which reflects higher export volumes relative to imports, across PNG's main export commodities due to increased resource production. On the import side, the value of merchandise imports declined significantly by 58.1 per cent, which played the role to support the trade surplus. The decline in imports implies the struggles businesses face in sourcing foreign exchange.

The Financial Account recorded a deficit of K14,407.5 million (US$4,018.3 million), which reflects the net outflow of funds from offshore foreign currency accounts for investments and external loan repayments mainly by mineral companies, including the PNG-LNG project partners.

The trade surplus is expected to continue throughout 2023 but at a lower level compared to 2022 due to low commodity prices and low export volumes anticipated from the resource sector. Therefore, the Current Account surplus is expected to reach K17,958.5 million (US$5,008.6 million) (16.1 per cent of GDP) by the end of 2023, lower than K18,444.2 million (US$5,144.1 million) (16.6 per cent of GDP) recorded in 2022.

However, similar to past trends, strong growth in the current account surplus is expected to be offset by the deficit in the financial account, resulting in a net outflow of reserves. The financial outflow is mainly owing to debt service payments related to the PNG LNG project construction and foreign currency held in mineral companies' offshore bank accounts, which offsets the increase in project financing inflows by donor agencies during the same period.

Chart 32: Balance of Payment (BOP) – Overall Balance of RHS



Source: Bank of BPNG

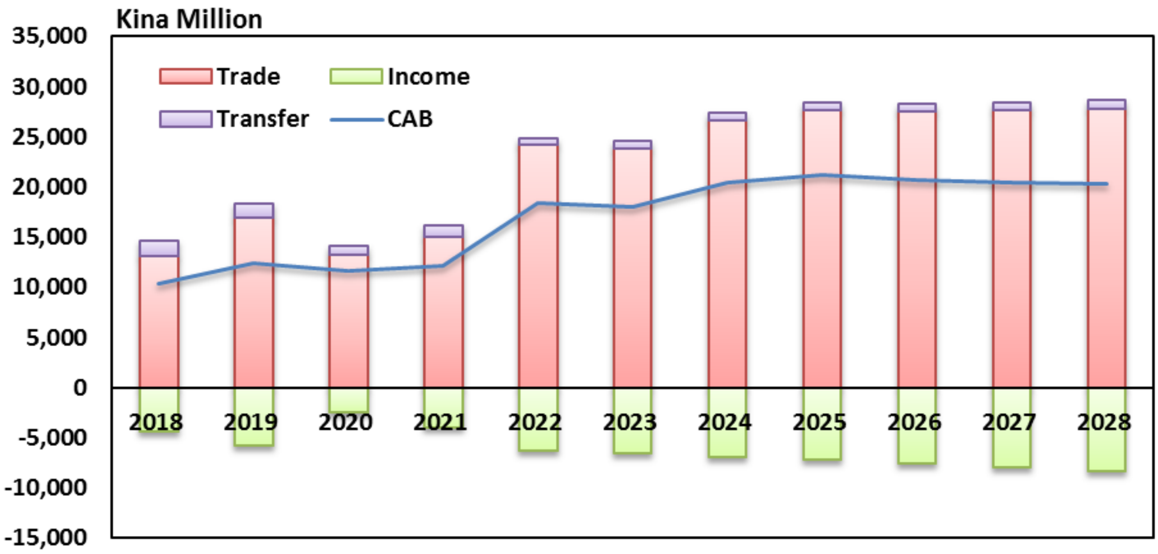
2.8.2 2024 Balance of Payment Outlook

In 2024, the Current Account surplus is expected to be K20,441.4 million (US$5,472.2 million) (16.7 per cent of GDP), which is 13.8 per cent higher than the 2023 estimate. This reflects the higher than expected receipts from PNG's export commodities driven by expected improvements in prices, coupled with increased production expected with the resumption of the Porgera mine.

2.8.3 Medium -Term Outlook (2025-2028)

The current account surplus is expected to be higher in 2025 and moderate over the medium-term, reflecting a general decline in most commodity prices.

Chart 33: Current Account Balance and Composition (2018-2028)



Source: Bank of BPNG and Department of Treasury
NB: 2018-2022 are actuals from BPNG. 2023-2028 are estimates and projections from Department of Treasury

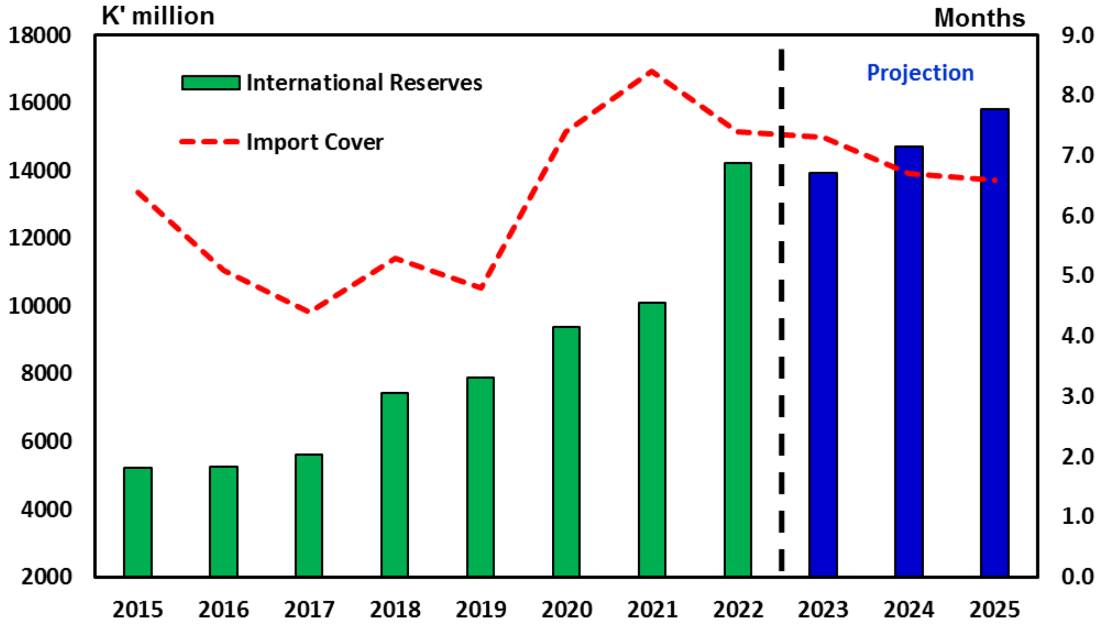
2.8.4 International Reserves

International reserves totalled US$3,717.7 million (K13,083.8 million) at the end of June, which is equivalent to 10.4 months of total import cover and 19.6 months of non-mineral import cover. This is expected to increase to US$3,648.8 million (K13,330.8 million) by the end of 2023, which is 6.3 per cent below the 2022 outcome and is equivalent to 7.3 months of total import cover and 13.3 months of non-mineral import cover.

According to the BPNG's September MPS, the total reserve stock decreased by US$299.1 million (K1,068.2 million) amid the Bank's FX intervention, which saw the Bank release USD100.0 million per month for the year and the Government's external debt payments, which more than offset inflows from export taxes, especially from the PNG LNG project.

Despite the buoyant international reserves, businesses are still experiencing delays in receiving their import orders on a timely basis. The Department of Treasury will continue to work closely with the BPNG to address this ongoing issue.

Chart 34: International Reserves



Source: Bank of PNG

2.9 RISKS TO ECONOMIC AND FISCAL OUTLOOK

Some of the key risks to the 2024 and the medium-term economic and fiscal outlook include:

2.9.1 Macroeconomic Risks:

- **Higher Global Inflation** – Global inflation has eased amid the persistent monetary policy tightening by central banks across regions. However, the re-emergence of fresh climate and geopolitical shocks could intensify a new wave of supply disruptions, thus triggering fluctuations in commodity prices and increasing the price level of goods and services both globally and domestically.

- **Foreign Exchange Imbalance and Economic Instability** – The FX market imbalance has been mildly resolved amid the BPNG's administrative intervention in 2023, however, the increased import demand remains high which poses a risk for FX imbalance to persist. On the other hand, the BPNG and the IMF's aim to establish a market-based exchange rate could put pressure on inflation and increase prices for goods and services. This could result in further domestic monetary policy tightening thus discouraging consumption, investment and economic growth.

- **Commodity Prices Volatility** – Commodity prices have generally moderated from their historical highs in 2022 but are still above pre-COVID level. An abrupt fall in commodity prices and demand for PNG's exports will have a negative impact on the terms of trade and Government revenue. On the upside, any sharp increase in commodity prices could increase export receipts and the Government revenue.

- **Further delay in Porgera Mine Resumption and New Resource Projects** – The 2024 Budget growth forecast assumes that the resumption of the Porgera mine will occur in the first quarter of 2024, with production commencing in the second quarter. Any further delay will have a downward effect on the growth forecast. The resumption of production in 2024 is projected to contribute 1.3 percentage points to the overall real

GDP growth. While new resource projects are not factored into the baseline projection, earlier than expected, the commencement of these projects could provide a boost to the economy.

- **Poor Execution of Government Large-Scale Infrastructure Projects.** If the Connect PNG infrastructure programme is not implemented (building and rehabilitating roads, developing airports and sea ports) this could have a negative impact on the PNG economy growth.

2.9.2 Fiscal Risks:

- **Unbudgeted Expenditures** – Unbudgeted expenditures in 2024 will have fiscal implications. In particular, overruns in health professionals' and teachers' salaries remain a major issue with significant fiscal implications. The Government has put in place further controls over the Compensation of Employees (CoE) in the 2024 Budget, but failure to adhere to these controls will undermine expenditure estimates leading to likely reductions in other areas of the budget;

- **Shortfall in Dividend Collections –** Dividend payments from KPHL, KMHL (Ok Tedi) and KCHL (State owned enterprises) account for almost 5.1 per cent of projected total revenue in 2024. Any shortfall in collections, due to agencies failing to pay dividends will impact total income and have an adverse effect on the fiscal position and financing plans; and

- ***Non-Tax Revenue Administration (NTRA) Act 2022*** –Unexpected shortfall in revenue collections from respective agencies will have a significant effect on revenue collections in 2024.

2.9.3 Financing Risks:

- **Short Term Domestic Debt creates a rollover risk** – Whilst the Government has had some success in rebalancing its debt portfolio more toward longer term external debt, there remains a sizeable stock of short term domestic debt. This brings some risk of swings in interest rates and debt servicing costs; and

- **Exchange Rate Risks on External Loans –** While more external debt reduces interest costs, it also increases exchange rate risks, which must be managed carefully. In addition, with monetary policy tightening globally persisting (high global interest rate environment) and the increasing flexibility of exchange rate could increase the cost of external borrowings (external debts become expensive) particularly the US Dollar denominated debts.

CHAPTER 3: FISCAL STRATEGY AND OUTLOOK

3.1 FISCAL BACKGROUND – 2023 BUDGET UPDATE

The 2023 National Budget was the fourth annual budget formulated under the Marape/Rosso-led Government since the onset of the COVID-19 pandemic and the second since the Russian invasion of Ukraine.

Following the COVID-19 pandemic, PNG and the global community faced significant challenges, which were exacerbated by the outbreak of the Russia-Ukraine war and its impact on global supply chain, rising commodity prices, and inflation. Domestically, the ripple effects of the war have affected individuals, families and businesses. The Government, in response to the cost of living pressures, undertook corrective policy measures with a Household Assistance Package. This was worth K587.0 million in 2022 with a further K590.0 million added to this Household Assistance Package as part of the 2023 Budget. The 2023 part of the package included K280.0 million in income tax cuts, K150.0 million in cuts to excise taxes on fuel for the first six (6) months of the year, and K160.0 million in school project fee assistance.

Despite the challenges, the implementation of the 2023 Budget has progressed well. The Government has implemented many of its key priority expenditures during the first half of the 2023 fiscal year, by frontloading funding for urgent priority expenditures appropriated in the 2023 Budget such as the Government Tuition Fee Free Subsidy (GTFS) program. The Government has also prioritised funding for critical capital investment programs such as the Connect PNG Infrastructure and District Roads Program, District and Provincial Support Improvement Programs (DSIP/PSIP) and other priority Public Investment Programs (PIPs). These were funded mainly through GoPNG revenues as well as financing raised through the issuance of Government securities and concessional loan drawdowns.

The 2023 MYEFO report estimated total revenue and grants of K21,196.1 million, an upward revision of K1,614.1 million compared to the 2023 Budget estimate of K19,582.0 million. This mainly reflects strong domestic economic growth and the strengthening of compliance activities. Revenues in 2023 are expected to be supported by economic and employment growth (in both the resource and non-resource sectors). The drivers of growth include higher Government spending, injections to private sector credit growth, and the tax and non-tax measures stipulated in the 2023 Budget.

On the expenditure side, the 2023 MYEFO report estimated a total expenditure envelope of K26, 181.1 million, an increase of K1, 1614.1 million compared to the 2023 Budget. The main increase is due to the projected overrun in Interest Costs (by K272.8 million), plus increases in Goods and Services, and GoPNG PIP. The increase also accounts for a Trust Fund allocation of K341.7 million and a Contingency Fund allocation of K463.7 million. However, the projected increase in expenditure will be fully offset by the expected increase in revenue collections of the same magnitude, resulting in an unchanged fiscal deficit of K4, 984.9 million or 4.4 per cent of GDP as projected in the 2023 Budget.

The PNG economy is expected to maintain strong growth in 2023 following a strong recovery in 2022 from the COVID-19 impact. The 2023 MYEFO report estimated total nominal GDP to grow by 4.8 per cent from K107,807.3 million in 2022 to K112,283.5 million in 2023. The increase in GDP resulted in a reduction in the estimated budget deficit as a share of GDP from 5.4 per cent to 4.4 per cent by 1.0 per cent. However, the debt to GDP ratio is estimated to increase from 51.9 per cent of GDP estimated in the 2023 Budget to 52.2 per cent in the 2023 MYEFO report, which is within the prescribed debt-to-GDP ratio of 60.0 per cent as prescribed in the *FRA (amended 2020)*.

3.2 2023 SUPPLEMENTARY BUDGET

The Marape-Rosso Government introduced the 2023 Supplementary Budget on 12th October 2023 which approved a Total Revenue and Grants envelope of K20,403.0 million against a Total Expenditure and Net Lending of K25,338.0 million. With these adjustments, the fiscal deficit has improved to K4,934.9 million, lower by K50.0 million from the 2023 Budget estimate of K4,984.9 million or 4.4 per cent of GDP (see Table 3). Higher expected revenues have allowed the Government to allocate additional expenditure in the 2023 Supplementary Budget to reinforce the priorities of the 2023 Budget.

Table 3: 2023 Supplementary Budget (Kina, million)

Details	2023 Budget	2023 MYEFO	2023 Suppl. Budget	Budget Variance
Total Revenue and Grants	19,582.0	21,196.0	20,403.0	821.0
Total Expenditure and Net Lending	24,566.9	26,180.9	25,337.9	771.0
Net Lending (+)/Net Borrowing (-)	**-4,984.9**	**4,984.9**	**-4,934.9**	**50.0**
% of GDP	*-4.4%*	*-4.4%*	*-4.4%*	*0.0%*

Source: Department of Treasury

The 2023 Supplementary Budget approved an increased appropriation of K771.0 million for this fiscal year, mainly from operational expenditure with no adjustments on the capital expenditure. On the other hand, given the prevailing high global oil prices, coupled with improved compliance activities domestically, the 2023 revenue envelope has been revised upwards by K821.0 million.

Further, the 2023 Supplementary Budget increased the appropriation for key Government priorities:

- K498.0 million was allocated by the Government to cater for projected increases in Goods & Services appropriations particularly funding for rentals and utilities, Government arrears as well as support for other key priority programs; and,
- K273.0 million to accommodate for the projected increase in Interest Cost.

Table 4: 2023 Expenditure Summary (Kina, million)

Details	2023 Budget	2023 MYEFO	2023 Suppl. Budget
TOTAL EXPENDITURE	**24,566.9**	**26,180.9**	**25,338.0**
Operating/Recurrent Budget	**14,771.0**	**15,564.6**	**15,542.0**
Compensation of Employees	6,942.0	6,942.0	6,942.0
Debt Service (Interest payment & fees and charges)	2,511.0	2,783.8	2,784.0
Other Operating (Goods & Services)	5,318.0	5,838.8	5,816.0
Capital Budget/PIP	**9,795.9**	**9,810.9**	**9,810.9**
GoPNG Funded	6,615.0	6,630.0	6,630.0
Donor Funded	2,024.9	2,024.9	2,024.9
Loan Funded	1,156.0	1,156.0	1,156.0
Trust Account Allowance	**0.0**	**341.7**	**0.0**
Contingency Fund	**0.0**	**463.7**	**0.0**

Source: Department of Treasury

Financing and Debt

The financing plan for the 2023 Supplementary Budget has been reduced to K4,934.9 million given the slight improvement in the budget deficit by K50.0 million. The 2023 Supplementary Budget will be financed through net external borrowing of K2,519.2 million and net domestic borrowing of K2,415.7 million, although there may be a switch to domestic financing of up to K900.0 million, with an offsetting decrease in the net external borrowing, depending on domestic interest costs.

External financing includes budget support loans from multilateral and bilateral development partners. The Government will continue to pursue negotiations with other bilateral and multilateral partners for additional budget support. Other external funding includes concessional loan facilities already available on planned projects.

Domestic financing includes K1,885.0 million in net issuance of Treasury Bonds, K525.7 million in net issuance of Treasury Bills, and K5.0 million in net repayment in domestic loans for infrastructure projects.

3.3 THE 2024 BUDGET STRATEGY

The 2024 National Government Budget is being formulated in alignment with the Marape- Rosso Coalition Government's 13-year Budget Repair Plan. The 2024 Budget is the fifth consecutive annual budget under the Coalition Government with the budget repair plan that will help move PNG forward on the path to economic recovery and growth. The key components of the Government's economic plan include fiscal stabilisation, repair, consolidation, and sustainability from 2024 to 2028.

The 2024 Budget will continue to be guided by the five (5) National Goals and Directive Principles in the preamble of the National Constitution, the National Strategy of Responsible Sustainable Development (StaRS), and PNG's commitment to the 17 (seventeen) United Nations Sustainable Development Goals (SDGs). These initiatives are captured in the development principles defined by Vision 2050 and the PNG Development Strategic Plan 2010- 2030 and woven into the objectives of the Medium-Term Development Plans (MTDPs) II, III and IV. It will also be guided by the *'Loloata Commitment'* which was put forward in 2020 as a recovery and reconstruction strategy that began with a fiscal re-adjustment and a revised medium-term fiscal strategy.

The broad objectives of the budget repair plan under the 2024 Budget strategy are consistent with the 2022 and 2023 Budgets. In line with the 13-year Budget Repair Plan, the budget strategy provides a platform for fiscal consolidation whilst continuing to support economic growth and community service delivery through; (i) strategic human and capital development; (ii) expanding the revenue base and, (iii) improving the delivery of essential services.

The 2024 Budget plan will continue to be built around the following ten (10) principles:

- spend the money we have more wisely;
- raise the revenues more fairly;
- finance the debt more cheaply;
- leverage friendly international support more intelligently;
- focus on growth in the agriculture, forestry and fishing sectors, MSMEs and the informal economy;
- distribute resource benefits more equitably;
- stimulate non-resource growth to at least 5.0 per cent annually;

- comprehensively reform Government SOEs for cheaper energy, internet and water;
- getting foreign exchange flowing more freely; and,
- creating at least 10,000 formal sector jobs annually.

The 2024 Budget is framed based on the elements of the 2023 Supplementary Budget released in October. The budget framework takes into account the economic impact of the COVID-19 pandemic, the Russia-Ukraine War, the conflict in the Middle East and PNG's fiscal performance in 2023 (fiscal consolidation and sustainability).

This budget is aimed at supporting economic recovery, through strengthening the revenue base, improving the quality of expenditure, obtaining inexpensive and responsible financing within prudent risk levels, lower interest costs, and reducing the debt to GDP ratio, while ensuring macroeconomic stability in the medium term.

The main fiscal parameters of the 2024 Budget are:

i. Budget deficit at 3.3 per cent of GDP;
ii. FRA deficit (excluding concessional loans) at 4.7 per cent of non-resource GDP;
iii. Non-resource primary balance at 6.1 per cent of non-resource GDP; and,
iv. Debt estimate of 51.1 per cent of GDP.

Major risks for the fiscal strategy stem from potential financing and revenue shortfalls (mainly from less mining and petroleum taxes or in corporate income taxes, as well as dividends from the SOEs). Any further delays in the re-opening of the Porgera Mine, including discussions on other large resource investment projects will also affect growth projections and anticipated revenue in 2024. Non-payment of dividends by SOEs also poses a significant risk to the revenue projections for the 2024 Budget. On the expenditure side, the foremost risk is rising global interest rates, in turn pushing up debt interest repayments. A significant challenge to timely implementation is the realisation of financing options early in the budget execution cycle, although this can be mitigated through the prudent use of the Temporary Advance Facility (TAF).

Total Revenue and Grants for 2024 is projected at K23,393.8 million (18.6 per cent of GDP). This is K2,990.8 million or 14.7 per cent higher than the 2023 Supplementary Budget estimate of K20,403.0 million (see Table 5).

Table 5: Medium -Term Revenue Projections (Kina, million)

	2023 Supp. Budget	2024 Budget	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Total Revenues and Grants	**20,403.0**	**23,393.8**	**25,826.4**	**28,491.7**	**31,360.2**	**34,745.8**
Total Revenue (as % of GDP)	18.3%	19.1%	19.5%	20.1%	20.6%	21.3%
Taxes	**16,320.7**	**18,694.8**	**20,834.5**	**23,066.0**	**25,321.6**	**28,233.6**
Taxes on income, profits, and capital gains	10,683.3	12,455.6	12,687.9	13,272.4	14,152.5	15,534.7
Taxes on payroll and workforce	1.2	1.2	1.2	1.3	-	-
Taxes on goods and services	4,882.1	5,349.1	6,968.8	7,955.9	8,897.3	9,970.5
Taxes on international trade and transactions	754.0	888.8	1,176.5	1,836.4	2,271.8	2,728.4
Grants	**2,024.9**	**2,205.0**	**2,255.0**	**2,305.0**	**2,355.0**	**2,405.0**
Other Revenue (Non-Tax)	**2,057.4**	**2,494.0**	**2,736.9**	**3,120.7**	**3,683.6**	**4,107.2**
Total Revenue (excluding grants)	**18,378.0**	**21,188.8**	**23,571.4**	**26,186.7**	**29,005.2**	**32,340.8**

Source: Department of Treasury

While the focus in 2024 and over the medium-term is on revenue growth to improve PNG's fiscal position, it is critical to improve the efficiency and quality of expenditure. The Government will increase its efforts to reduce expenditure wastages, inefficiencies, and leakages in the system that often results in expenditure overruns. The focus areas for efficiency gains will result in reduced deficit and will create the fiscal space to accommodate for other Government priority expenditure programs. This can be achieved in phases by continuing to pay off (and prevent) arrears, paying out retiring public servants who have met the mandatory retirement age, conducting audits and data cleansing of the payroll and eliminating “ghost” employees, reducing duplicate payments and closely monitoring rentals, utilities and car rental bills across Government agencies.

The Government will continue to implement some key capital investment projects that commenced in 2022 and 2023 as part of the 2024 Budget to ensure continued program delivery, especially those that are considered essential and are able to stimulate economic activities. Other programs that add value to rural communities and spur employment and growth in the non-resource sector are also supported. In time, these programs will reduce the cost of doing business, and connect and expand economic corridors to stimulate economic growth and employment opportunities in rural communities. The increased economic activity generated by these investments will eventually have an economic ripple effect and generate higher tax revenues.

The Government has ensured that the 2024 Budget will continue to fund Government priority expenses in the health, education, law & order, and infrastructure sectors. The 2024 Budget also focuses on investing in MSMEs e-Commerce training and support platforms to expand and formalise the current 50,000 or so companies across the sector. This will be achieved by providing business start-up programs nationwide, a commitment that aligns well with the World Economic Forum (WEF), in terms of investing in local businesses and the private sector to stimulate economic activity and growth in the local economy. The 2024 Budget will also support the non-resource sector through downstream processing and value-addition in agriculture, fisheries, forestry, and tourism.

Total Expenditure & Net Lending for the 2024 Budget is projected at K27,377.5 million, which is K2,039.6 million or 8.0 per cent higher than the 2023 Supplementary Budget estimate. With the slight increase to the expenditure ceiling for 2024, the Government will continue to prioritise and protect funding for essential social sectors such as education, health, and law and order. Consistent with the 2023 Supplementary Budget and the Government’s 13-year Budget Repair Plan, the 2024 Budget will continue to strike an appropriate balance between the challenge of stimulating the economy and meeting the requirement of fiscal sustainability and discipline in the 2024 fiscal year and over the medium-term (see Table 6).

Table 6: 2023 and Medium -Term Expenditure Estimates (Kina, million)

	2023 Supp. Budget	2024 Budget	2025 Proj.	2026 Proj.	2027 Proj	2028 Proj.
OPERATIONAL COMPONENT	**12,742.2**	**13,626.9**	**14,170.5**	**15,009.0**	**16,096.7**	**16,415.5**
Compensation of Employees	6,942.0	7,034.2	7,329.5	7,646.4	7,987.0	8,487.2
Goods and Services	4,342.2	5,057.1	5,128.8	5,453.5	5,981.1	5,554.9
CoE and G&S as share of Total Expenditure	*44.5%*	*44.2%*	*43.7%*	*44.0%*	*44.9%*	*43.5%*
Provinces	**1,458.0**	**1,535.6**	**1,712.2**	**1,909.1**	**2,128.6**	**2,373.4**
Functional grants	642.0	638.0	711.4	793.2	884.4	986.1
GST & Book Makers Transfers	816.0	897.6	1,000.8	1,115.9	1,244.2	1,387.3
INTEREST PAYMENT	**2,783.8**	**3,050.8**	**3,293.4**	**3,454.2**	**3,356.2**	**3,184.2**
CAPITAL INVESTMENT COMPONENT	**9,810.9**	**10,699.8**	**11,016.7**	**11,342.8**	**11,678.2**	**12,668.3**
GoPNG PIP	6,630.0	7,281.0	7,535.8	7,799.6	8,072.6	8,937.7
as % of Total Expenditure	*26.2%*	*26.6%*	*26.5%*	*26.2%*	*25.9%*	*27.7%*
Donor Support Grants	2,024.9	2,205.0	2,255.0	2,305.0	2,355.0	2,405.0
Loans	1,156.0	1,213.8	1,225.9	1,238.2	1,250.6	1,325.6
TOTAL EXPENDITURE	**25,336.9**	**27,377.5**	**28,480.6**	**29,806.0**	**31,131.1**	**32,268.0**
% of GDP	**22.8%**	**22.3%**	**21.5%**	**21.0%**	**20.4%**	**19.8%**

Source: Department of Treasury

The Government will continue to focus on achieving efficiency in spending and value for money by addressing legacy and structural issues that result in excess expenditures. The

Government will respond accordingly to geo-political developments in the Middle East and Ukraine and tailor policies that are financially and economically prudent to maintain PNG's economic independence.

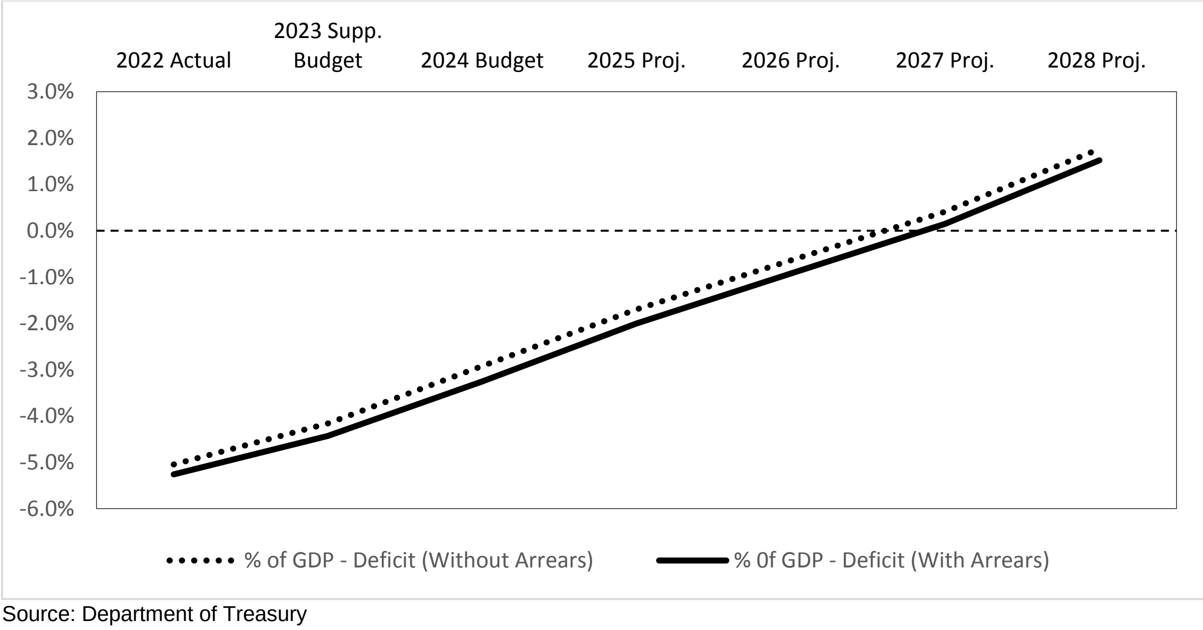
The Compensation of Employees (CoE) allocation has been increased by K92.2 million compared to the 2023 Supplementary Budget appropriation. The increase is attributed to the teachers and health workers who came on the payroll in the third quarter of 2023, as well as the new education and health personnel who are expected to come on the payroll in 2024. The increase will be partly offset by the likely savings to be realised from the Government retirement program. The Government is taking the necessary steps to introduce prudent control measures for budgeting, which will bring the CoE expenditure growth under control in the medium-term.

Interest costs have been adjusted from the 2023 Supplementary Budget estimate to K3,050.8 million in 2024. Over the medium-term, interest costs will increase and peak in 2025 and be on a declining trend, thereafter, reflecting interventions by the Government in reducing interest rates on domestic debt and moving to a more concessional financing base. Hence, the increase in interest payments is not as high as in recent years. Debt management reforms under the new MTdS 2023-2027 will continue to significantly lower interest costs on external debt and lower domestic interest rates through capital market reforms.

The medium-term projections incorporate a significant amount of arrears repayment, with K400.0 million projected in 2024. This will include K300.0 million in operational arrears (G&S) and K100.0 million in capital arrears (Connect PNG). This allocation will ensure outstanding Government arrears are cleared in a sensible and cautious manner over time.

In 2020, the Government introduced a verification process to validate and clear outstanding arrears and the program is now in its fourth year. The program is implemented through an inter-departmental committee called the Arrears Verification Committee (AVC) and is supported by an inter-departmental Secretariat housed in the Department of Treasury. The AVC recorded a total stock of K5.2 billion in arrears when it started. Of this stock, the AVC has verified, cleared, and paid arrears totalling K1,117.5 million as of 30th June 2023. The stock of arrears has now been reduced to K4,082.5 million. The Government is committed to continue drawing down arrears in 2024, which will reduce the Government stock of debt.

Chart 35: Deficit With and Without Arrears



Source: Department of Treasury

As highlighted, a total of K400.0 million (G&S of K300.0 million and PIP of K100.0 million) has been set aside in the 2024 Budget under the Arrears Verification program. However, the estimated figure is likely to change depending on the results of the verification process.

With a total revenue of K23,393.8 million and a total expenditure of K27,377.5 million, the resulting fiscal deficit is K3,983.8 million or 3.3 per cent of GDP. This will increase the level of public debt, excluding valuation changes, to K62,597.7 million or 51.1 per cent of GDP (see Table 7).

Table 7: Budget Balance 2022-2024 (Kina, million)

Fiscal Indicator	2022 Actual	2023 Budget	2023 Suppl. Budget	2024 Budget
Total Revenue and Grants	18,538.2	19,582.0	20,403.0	23,393.8
Total Expenditure and Net Lending	24,390.0	24,566.9	25,337.0	27,377.5
Net Lending (+)/Net Borrowing (-)	**-5,851.8**	**-4,984.9**	**-4,934.0**	**-3,983.8**
as % of GDP	-5.3%	-4.4%	-4.4%	-3.3%
Debt as % of GDP	*48.4%*	*51.9%*	*52.8%*	*51.1%*
Non-resource Primary Balance	-7,615.4	-6,513.1	-6,203.4	-5,465.0
as % of non-resource GDP	*-9.9%*	*-7.6%*	*-7.6%*	*-6.1%*

Source: Department of Treasury

3.4 THE MEDIUM-TERM FISCAL OUTLOOK

The medium-term fiscal outlook has been revised in line with the Government's 13-year Budget Repair Plan and the updated medium-term fiscal strategy. It sets out the key elements of the Government's ongoing plan of budget repair and reconstruction against the backdrop of economic shocks caused by the COVID-19 pandemic, the Russia-Ukraine war and the conflict in the Middle East. The Government's focus over the medium-term will be to maintain fiscal support for economic recovery efforts, strengthen the revenue base, improve the quality of spending, and obtain cheap responsible financing within prudent risk levels thereby ensuring macroeconomic stability over the medium-term. The process of fiscal consolidation is expected to form the basis for a renewal of the growth performance in the economy (see Table 8).

Table 8: Budget Balance Medium Term 2025–2028 (% of GDP)

	2023 Supp. Budget	2024 Budget	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Revenue and Grants	20,403.0	23,393.8	25,826.4	28,491.7	31,360.2	34,745.8
Expenditure	25,337.0	27,377.5	28,480.7	29,805.9	31,131.1	32,268.0
Deficit	**-4,934.0**	**-3,983.8**	**-2,654.2**	**-1,314.2**	**229.1**	**2,477.7**
% of GDP	-4.4%	-3.3%	-2.0%	-0.9%	0.2%	1.5%
Debt to GDP ratio	52.6%	51.1%	49.2%	46.9%	43.5%	39.2%

Source: Department of Treasury.
*Arrears: K400.0m (2024); K400.0m (2025); K400.0m (2026); K400.0m (2027); K400.0m (2028).

Over the medium-term (2025 to 2028), Total Revenue and Grants is expected to increase by 43.7 per cent while Total Expenditure and Net Lending will increase by a much lower rate of 22.9 per cent. As a result, the fiscal balance is expected to improve to a surplus of around K229.1 million (or 0.2 per cent of GDP) with a debt to GDP ratio target of 43.5 per cent by 2027. This is consistent with the Government's 13-year Budget Repair Plan.

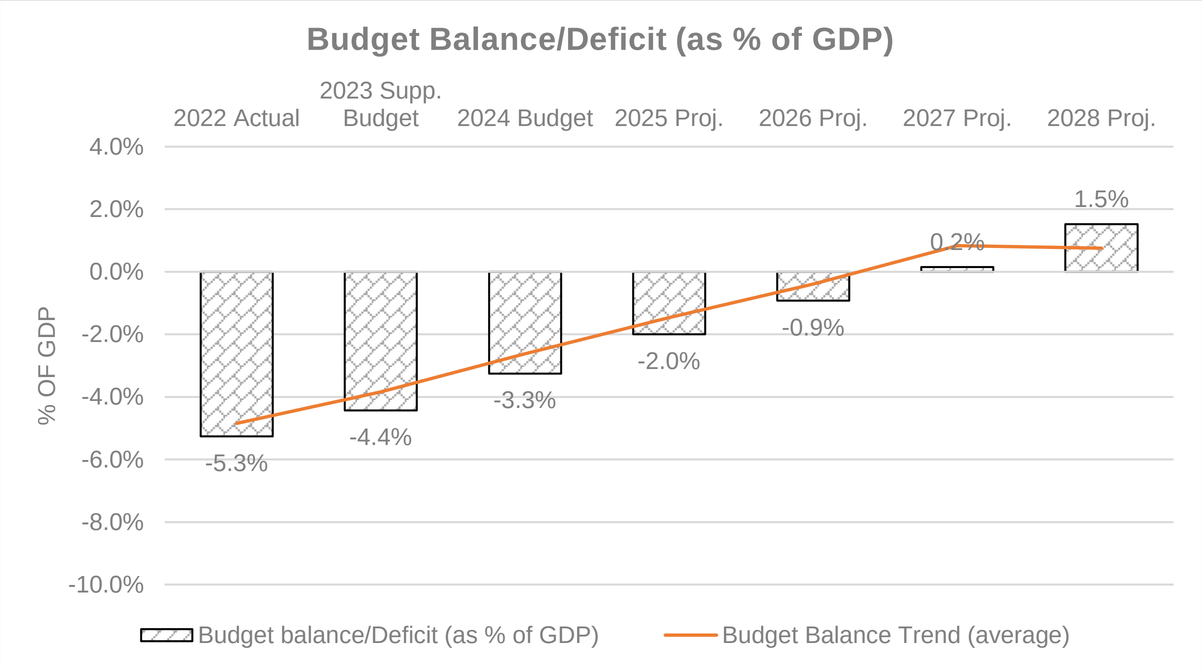
Table 9: Key Anchors of the MTFS 2023-2028 (% of GDP)

	2023 Supp. Budget	2024 Budget	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Budget balance/Deficit (as % of GDP)	-4.4%	-3.3%	-2.0%	-0.9%	0.2%	1.5%
FRA deficit (deficit excl. loan funded as % of Non-resource GDP)	-6.1%	-4.7%	-2.3%	-0.7%	0.5%	1.7%
Non-resource primary balance (% of non-resource GDP)	-7.6%	-6.1%	-3.5%	-1.8%	-0.5%	0.7%
Debt (% of GDP)	52.6%	51.1%	49.2%	46.9%	43.5%	39.2%

Source: Department of Treasury

Over the 2023-2027 projection horizon, with revenue to GDP increasing at a faster pace than expenditure to GDP, the debt stock will decline steadily over the medium-term to 43.9 per cent of GDP by 2027. The Government remains optimistic that policy actions undertaken in this budget and in subsequent budgets will set the debt stock on track to reach 40.0 per cent of GDP by 2030 as prescribed in the *FRA (amended 2020)*.

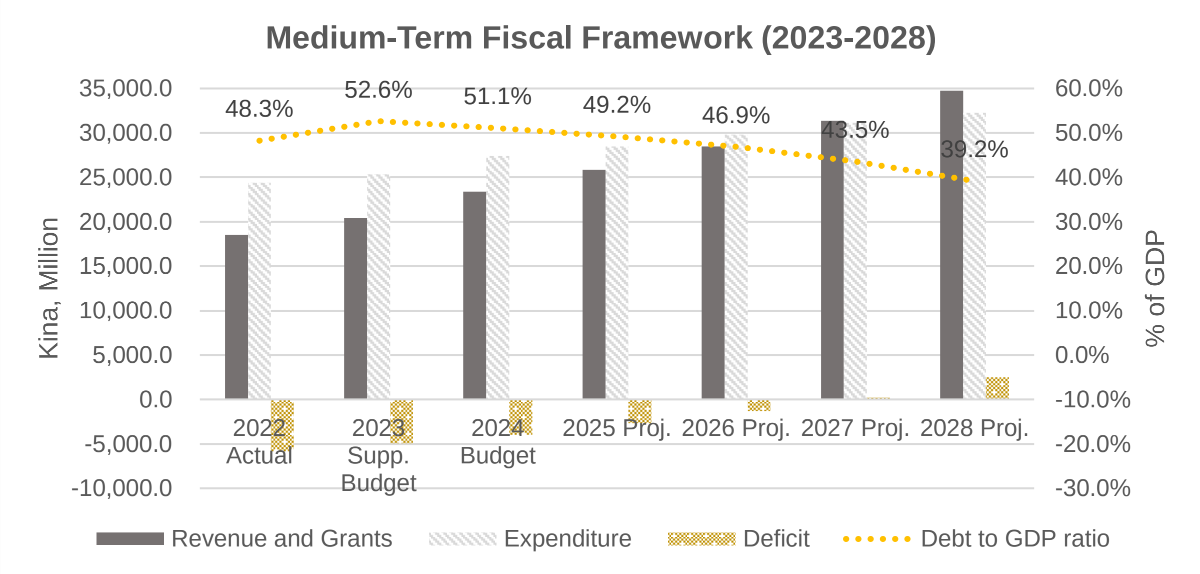
Chart 36: Net Borrowing as a percentage of GDP over the Medium-Term



Source: Department of Treasury

The non-resource primary balance as a percentage of non-resource GDP is projected to be - 0.5 per cent by 2027 and will subsequently move into surplus, in-line with the target of a zero (0) average balance over the medium-term.

Chart 37: Medium-Term Fiscal Outlook 2023-2028



Source: Department of Treasury

3.5 THE MEDIUM-TERM FISCAL STRATEGY 2023-2027

The 2023 Budget, the 2024 Budget and the medium-term fiscal outlook are developed within the context of the 13-year Budget Repair Plan. This builds on from the experiences and progress of the MTFS 2018-2022 and reflects new realities, changing economic conditions and new Government's development priorities.

The 13-year Budget Repair Plan targets a surplus budget by 2027 and an option of nil net debt by 2034. Despite global and domestic challenges, the Government is keen on achieving spending efficiency, growing revenue and GDP base and achieving a sustainable debt level. These economic aspirations will be guiding the implementation of this new MTFS.

The fiscal strategy over the medium-term is to grow revenue faster than expenditure so as to reduce the need to run huge deficits. While in the short-term, the Government will introduce counter-cyclical measures to counter the effects of COVID-19, Russia-Ukraine War and commodity price volatility to stimulate demand and business activities, the medium to long term strategy is to target fiscal discipline. Chief among sustainability targets is debt sustainability. This is crucial because maintaining debts at sustainable levels will allow the Government to prioritise spending on other critical programs and allow it to borrow in the future when there is an unexpected need.

The fiscal strategy will aim at halting the decline in revenue, lifting revenue levels, and maintaining higher revenue trends (excluding one-off inflows). Moreover, the Government will promote the efficiency of spending by ensuring expenditure trends are contained and reduced over time, with the expenditure mix directed towards more productive expenditures.

In line with its 13-year Budget Repair Plan and policy actions undertaken during the 2022 Budget, the Government has charted a fiscal consolidation path and is confident the goal of achieving fiscal discipline and macroeconomic stability will be achieved. The 13-year Budget Repair Plan is completed by two (2) other specific plans:

- **Medium-Term Revenue Strategy (2023-2027)** aimed at building a revenue base that can finance the Government's medium and longer-term expenditure plans. Building on from the work undertaken during the implementation of the MTFS (2018-2022), the MTRS (2023-2027) will incorporate additional reforms. The key focus will be tax administration reforms and improved compliance which will improve and modernise the tax system while at the same time improving revenue collection.

By the end of 2022, tax revenue collections were 14.8 per cent of GDP, 0.8 percentage point above the 2018-2022 MTRS target of 14.0 per cent.

- **Medium-Term Debt Strategy (2023 -2027)** that delivers low-cost financing, within prudent risk levels, that ensures macroeconomic stability and flexible and more concessional borrowing. The Government will aim to have a balanced portfolio that minimises the risks involved. With external debt exposing the country to both exchange rate and interest rate risks, and given the current depreciation of Kina against USD, the Government will ensure that the country is less exposed to this.

Deficits over the medium-term will be gradually reduced with 2023 and 2024 expected to be 4.4 per cent and 3.3 per cent of GDP, respectively. This continues the gradually declining trend since the highest deficit of 8.9 per cent in 2020 owing much to the pandemic impact. The plan over the medium-term is to gradually reduce the deficit in order to achieve a surplus budget by 2027 and lower public debt to below 40.0 per cent by 2030 consistent with the amended *FRA (2020)* and targets of the 13-year Budget Repair Plan.

As part of this budget, the Government will introduce amendments to the *Fiscal Responsibility Act (FRA)* to lower the debt to GDP ceiling from 60.0 per cent down to 57.5 per cent.

Table 10: Key Reforms included in the Medium-Term Revenue Strategy 2023-2027

<table>
<tr><th colspan="3">PNG's Medium-Term Revenue Strategy 2023-2027</th></tr>
<tr><td>Strategic Objectives</td><td colspan="2">• Continue the increasing revenue trend (excluding grants) from the last MTFS aiming to reach 19.0 per cent by 2027.
• Clear policies that support national development goals and encourage investment.
• Broad based revenues (tax and non-tax) that ensure everyone makes a fair contribution to nation building.
• Clear laws that define the rights and obligations of taxpayers and the administrators.
• Fair and efficient administration that provides high quality services to all taxpayers.</td></tr>
<tr><th>Policy Reform</th><th>Legal Reform</th><th>Administration Reform</th></tr>
<tr><td>1. Personal Income Tax
• Rebalance the tax composition from income to consumption by relieving the tax burden on labor income.

2. Goods and Services Tax
• Broaden the GST tax base by making GST the largest source of non-resource revenue.

3. Excise Duty Regime
• Conduct a review into the current regime and introduce a revised and fair regime.

4. Export Duty Regime
• Explore revenue potential areas by looking at the sector base export tax regime like, fish, alluvial gold, timbers, etc.

5. Import Tariff Regime
• Encourage an Import duty regime that is fair and has the ability to attract downstream processing.

6. Tax Exemptions and Incentives
• Rationalise the current tax exemption regime across tax laws to minimise revenue leakages and ensure</td>
<td>1. Update and consolidate existing relevant Acts
• Final and introduce the new PNG Income Tax Act.
• Implement the Tax Administration Act 2017.
• Review and modernise PNGCS legislations.
• Consolidate provisions in various tax laws in regards to the tax exemptions into one tax law.

2. International agreements/treaties
• Review agreements/treaties to ensure economic value.
• Ensure technological capability to comply exists before committing to new arrangements.

3. Asset Registers
• Establish definitive registers with respect to real property, shares, and government entitlements such as licenses.</td>
<td>1. IRC achieve high levels of voluntary compliance
• IRC's core delivery functions are effective and efficient to administer taxes and collect revenue.
• Modernise IRC's policy and legislation to reflect IRC's risk-based strategy and business processes.
• Improve compliance and broaden the tax base.

2. IRC's organisation structure is aligned to its strategy
• Ensure alignment to people, processes and system flows to redesign IRC's organisational structure into a robust and efficient workforce.
• Develop a diagnostic tool to improve the quality of internal audits.

3. IRC's to promote integrity and preventing Corruption
• Procure an Accounting system that will improve timely reconciliation of tax collections and government reporting.
4. IRC to promote Digital transformation
• Implement the Digital Transformation Strategy to digitalise all aspects of administration.
• Digitize the IRC's Human Resource Information system.
• Introduce the online payment portal to improve</td></tr>
</table>

they are policy targeted. **7. Corporate Income Tax** • Ensure a sustainable and fair corporate income tax regime. **8. Mining & Petroleum Tax** • Improve the MPT administration and compliance to ensure minimal revenue leakage. **9. Superannuation and Life Insurance** • Consider implementing the recommendations of the Superannuation and Life Insurance Review Report. **10. Non-Tax Revenue** • Broaden non-tax revenue base through the implementation of the *Non Tax Revenue Administration Act 2022*. • Implement the revised Dividend Policy.		lodgement and payment processes. **5. IRC's DATA DRIVEN.** • Improve business data processing with best practice good governance and quality data management. • Conduct industry benchmarking and profiling. **PNG Customs Services priorities are:** **6.** Review Customs laws to align and harmonize with international best practices. **7.** Strengthening Customs Business Procedures and Processes. **8.** Improve Risk Management Strategy - Data Systems. **9.** Establish a framework to guide Customs compliance efforts. **10.** Emphasise on efficient Customs Enforcement (Investigation & Prosecution). **11.** Strengthening Excise Administration and implementation. **12.** Strengthening internal ICT platforms and knowledge **13.** Capacity Development Programs for Customs Staff

Political Support	**External Resources**
• Provide strong governance reform and management. • Ensure Government-led efforts include all agencies. • Consult widely to generate community support and fairness.	• Identify capacity needs for reform development and implementation. • Identify available support from external partners to provide extra capacity building. • Formalise agreements with donors on MTRS support.

Table 11: Key Measures included in the Medium-Term Debt Strategy

<table>
<tr><th colspan="2">Medium-Term Debt Strategy 2018-2022</th></tr>
<tr><td>Strategic Objectives</td><td>finance annual deficits at the lowest possible costs while keeping financial risks at prudent levels;
develop an efficient and reliable domestic market for Government securities;
Maintaining debt at sustainable levels by targeting the debt to GDP ratio of below 45.0 per cent by 2027 and below 40.0 per cent by 2030. The FRA targets a band of debt to GDP of 45-60.0 per cent and the 40.0 per cent target by 2030 will constrain debt to sustainable levels;
engineer a portfolio shift from short term domestic debt securities to more concessional foreign debt; and
Align Treasury Bills and Treasury Bonds split as a share of total domestic debt with current investor preferences and market demand.</td></tr>
<tr><th>Maintaining debt at sustainable levels and managing risk</th><th>Developing the Domestic Debt Market</th></tr>
<tr><td>Sound fiscal policy:
implementation of the MTFS and ensuring fiscal consolidation over the medium-term.
close coordination between monetary and fiscal institutions to manage debt.
Managing debt
pursue highly concessional external Budget support and financing for development programs.
smoothing out the maturity and repayment profile of the domestic debt service schedule, within the projected financing envelopes, through debt switches and buybacks and establishing a reduced number of more liquid benchmark issues.
centralise borrowing to allow Treasury to actively manage Government debt.
Managing risks:
lengthening the duration of the domestic portfolio to reduce refinancing risk through the development of the domestic securities market and target compositional changes between shorter term treasury bills and long term treasury bonds.
documenting and monitoring debts of state-owned enterprises and contingent liabilities and providing advice on management and exposure levels.</td><td>Development of the domestic Securities market including:
improving the efficiency of the primary market (the current manual and cumbersome processes will need to be changed to attract non-resident investors and encourage secondary trading).
promoting money market and inter- bank transactions through repurchase agreements; developing automated clearing, settlement and custody facilities; establishing a bond market code of conduct with effective oversight by BPNG; promoting the establishment of pools of liquidity to allow small investors access to the market.
improved coordination between monetary, fiscal and regulatory authorities and market participants;
developing and maintaining a centralised source for bond market information and data.
Broaden investment base:
rectifying the current foreign exchange imbalance and restrictions on access to foreign currency at redemption or repurchase,
implementing access and disposal arrangements through improved market infrastructure for automated clearing, settlement and depository functions, and facilitating secondary market liquidity.</td></tr>
<tr><th>Political Support</th><th>Cross cutting reforms</th></tr>
<tr><td>require strong reform governance and management as well as fiscal discipline and fiscal and monitoring coordination.
ensure Government-led effort including all agencies.
implementation of different existing acts.</td><td>identify available external support from donor partners to provide extra capacity – developing the domestic market.</td></tr>
</table>

CHAPTER 4: REVENUE

4.1 REVENUE DEVELOPMENTS AND OUTLOOK 2023 AND 2024

The global supply chain disruptions and inflationary pressures that have adversely impacted economies around the world in 2022 have eased in 2023 with international commodity prices declining. However, prices are still at elevated levels compared to pre-COVID-19 period. As a commodity-exporting country, the high prices have benefitted PNG through higher export receipts. Notwithstanding, PNG still needs to develop a more balanced revenue structure by reducing the reliance on non-tax and commodity-based revenues. Already there has been a decline in non-resource revenue as a share of GDP from 15.9 per cent in 2018 to 14.7 per cent in 2023, which implies the need to develop a more balanced revenue structure and broaden revenue base. To address these challenges, a sustainable revenue collection framework anchored with more predictable, equitable and efficient revenue policies are needed to finance the ongoing demand for funding social and economic programs.

PNG has put in place a new Medium-Term Revenue Strategy (MTRS) 2023-2027. The new MTRS aims to improve PNG's revenue framework through strengthening the existing tax policies, updating tax legislations, and improving tax administrative capacity. This will contribute towards improving the country's investment climate and enhance private sector development through a more equitable, fairer and efficient tax system.

Revenue in 2023

Total Revenue and Grants for 2023 is estimated to grow by 10.1 per cent to K20,403.3 million (18.3 per cent of GDP) from the 2022 outcome. Tax revenue remains the major contributor at 80.0 per cent of total revenue or 14.7 per cent of GDP. This is driven by favorable commodity prices, improved business profitability and high employment and wage growth. Non-tax revenue collection is expected to increase its share of total revenue from 3.3 per cent in 2022 to 10.1 per cent in 2023 due to higher mining and petroleum dividends.

Tax revenue is estimated to slightly decline by 0.8 per cent to K16, 320.7 million taking into account the actual collections up to end-September for both direct and indirect taxes. Taxes on Income and Profits are estimated to decline by 5.1 per cent to K10,683.3 million. This is driven by the reduction in Mining and Petroleum Taxes (MPT) and the Dividend Withholding Tax (DWT). The MPT is expected to increase but not at the same level as in 2022 due to the moderation in global crude oil prices averaging at USD80.0 per barrel in 2023 compared to USD100.0 per barrel in 2022. In addition, DWT is estimated to fall by 33.5 per cent to K452.8 million. This is a result of lower earnings compared to a one-off gain in 2022 which has increased DWT collections. The reduction in MPT and DWT will be offset by an expected increase in Personal Income Tax (PIT), Company Income Tax (CIT) and Interest Withholding Tax (IWT).

Tax on Goods and Services is estimated to grow by 13.7 per cent to K4,882.1 million in 2023. The higher growth in this category is due to the abolition of the fiscal relief package introduced by the Government in 2022 to address the rising cost of living. Growth in this indirect tax is supported by the total Goods and Services Tax (GST) which is estimated to increase by 22.7 per cent to K3,036.1 million from the 2022 outcome. This reflects the increase in private consumption and consumer prices. Both the domestic excise and import excise recorded a growth of 15.8 per cent and 7.2 per cent, respectively. The increase in domestic excise is attributed to the restoration of excise on fuel products and the reduction of the excise indexation rate on tobacco and alcohol as introduced in the 2022 Budget. Both export and import duties are expected to decline by 22.1 per cent and 11.8 per cent, respectively. This indicates a decline in the demand for PNG's round logs and the broad trade activities.

Non-tax revenue is expected to surge by 237.0 per cent to K2,057.4 million largely attributed to higher dividend payments from Kumul Minerals (Ok Tedi) and Kumul Petroleum (PNG LNG) totaling K382.5 million and K600.0 million, respectively. This is a result of favorable commodity prices. Meanwhile, revenue from Statutory Authorities and Agencies is estimated to increase reflecting the implementation of the *Non-Tax Revenue Administration (NTRA) Act 2022* since the third quarter of 2023.

Table 12: Total Revenue and Grants 2023-2024 (Kina, million)

	2022 Outcome	2023 Supp Budget	2024 Budget	Variation
Tax Revenue	16,453.6	16,320.7	18,694.8	2,374.1
Per cent of GDP	*14.8%*	*14.7%*	*15.3%*	0.0
Grants	1,472.1	2,024.9	2,205.0	180.1
Per cent of GDP	*1.3%*	*1.8%*	*1.8%*	0.0
Other Revenue	610.5	2,057.4	2,494.0	436.6
Per cent of GDP	*0.5%*	*1.8%*	*2.0%*	0.0
Total Revenue & Grants	**18,536.2**	**20,403.0**	**23,393.8**	**2,990.8**

Source: Department of Treasury

Revenue in 2024

PNG's tax revenue is expected to increase by 14.5 per cent amounting to K18,694.8 million or 15.3 per cent of GDP in 2024. This level of revenue is expected amid the anticipation of global commodity price moderation and the dissipation of pent-up global demand. The non-tax revenue is expected to increase by 21.2 per cent to K2,494.0 million or 2.0 per cent of GDP. Thus, the Total Revenue and Grants is projected to increase by K2,990.8 million amounting to K23,393.8 million or 19.1 per cent of GDP.

4.2 TAX REVENUE

4.2.1 Taxes on Income and Profits

Taxes on Income and Profits is projected to increase by 16.6 per cent to K12,455.6 million in 2024. This represents 66.6 per cent of total tax revenue. The increase is attributed to improvements in the PIT, MPT, DWT, CIT and IWT, supported by strong economic growth.

Personal Income Tax (PIT) is expected to increase by 12.2 per cent to K4,341.0 million in 2024 driven by a favourable economic growth outlook, strong employment growth and improved tax compliance efforts by IRC. Furthermore, the resumption of Porgera mine is also expected to improve collections.

Company Income Tax (CIT) is expected to grow by 23.7 per cent to K3,761.2 million in 2024 representing 23.2 per cent of tax revenue. This is underpinned by continuous strong corporate earnings on the back of robust non-resource sector growth and the corporate tax rate of 45.0 per cent levied on the commercial banking sector in 2023.

Mining and Petroleum Tax (MPT) is expected to increase by 17.3 per cent from K3,025.6 million in 2023 to K3,550.0 million in 2024. This represents 19.0 per cent of total tax revenue. The increase is driven by the anticipated increase in oil price to USD80.0 per barrel in 2024 and higher production volumes anticipated from the PNG LNG project and some of the mines. The total MPT revenue is expected to be offset against the tax credit arising from the over assessment of MPT in 2023. While this is an upward revision from the 2023 levels, it is low compared to the 2022 levels and is mainly reflective of moderation of oil prices in 2024.

Table 13: Taxes on Income and Profits 2023-2024 (Kina, million)

	2022 Outcome	2023 Supp Budget	2024 Budget	Variation
Taxes on Income, Profits & Capital Gains	**11,252.6**	**10,683.3**	**12,455.6**	**1,772.3**
Personal Income Tax	3,652.1	3,868.2	4,341.0	472.8
Company Tax	2,756.9	3,040.5	3,761.2	720.7
Mining and Petroleum Taxes	4,036.1	3,025.6	3,550.0	524.4
Royalties & Management Tax	51.0	70.0	80.3	10.2
Dividend Withholding Tax	680.6	452.8	496.0	43.2
Interest Withholding Tax	55.3	218.8	219.6	0.8
Non-Resident Insurers Withholding Tax	20.3	7.2	7.3	0.1
Tax Related Court Fines	0.0	0.0	0.0	0.0
Sundry IRC Taxes & Income	0.3	0.2	0.2	0.0

Source: Department of Treasury

In 2024, DWT is expected to increase by 9.5 per cent to K496.0 million. The increase is attributed to strong economic growth and the ongoing DWT payments from non-resident companies and individuals. DWT, along with other minor direct taxes such as the Interest Withholding Tax (IWT) and Non-Resident Insurer Withholding Tax (NRIWT) is expected to return to its positive trend level.

4.2.2 Taxes on Payroll and Workforce

Training Levy collection amounted to K1.9 million by the end of September 2023. These collections levied on payroll and work force are continuing to be an income stream from the delayed filings from 2019. However, the tax was repealed in the 2018 Budget.

Table 14: Taxes on Payroll and Workforce 2023-2024 (Kina, million)

	2022 Outcome	2023 Supp Budget	2024 Budget	Variation
Training Levy	1.4	1.2	1.2	0.0
Total	**1.4**	**1.2**	**1.2**	**0.0**

Source: Department of Treasury

4.2.3 Taxes on Goods and Services

Tax on Goods and Services is estimated to increase by 9.6 per cent to K5,349.1 million in 2024. This increase in revenue is supported by steady consumption and trade growth.

Total GST collection is projected to increase by 6.6 per cent to K3,236.4 million representing 17.3 per cent of total tax revenue. The increase is attributed to the IRC's ongoing tax compliance and enforcement efforts in implementing Section 65A to suppliers or service providers to Government Departments and State-Owned Enterprises. The strong consumption resulting from economic growth is expected to support the gain in overall GST collection.

Inland Excise is projected to increase by 13.1 per cent to K1,326.4 million in 2024 representing 7.1 per cent of total tax revenue. Domestic excise will be driven by an increase in consumption on excisable items. In the 2024 Budget, the Government is making the Tier-2 tobacco excise regime permanent to continue the fight against illicit tobacco products and also raise revenue.

This will be done by applying 20.0 per cent excise duty rate on the Tier-2 excise tax base and applying the indexation rate of 2.5 per cent bi-annually.

Table 15: Taxes on Goods and Services 2023-2024 (Kina, million)

	2022 Outcome	2023 Supp Budget	2024 Budget	Variation
Taxes on Goods and Services	**4,293.5**	**4,882.1**	**5,349.1**	**467.0**
GST[1]	2,475.1	3,036.1	3,236.4	200.2
Sales taxes	0.0	0.0	0.0	0.0
Bank Account Debit Fees	0.0	0.0	0.0	0.0
Stamp Duties	30.3	35.8	46.3	10.5
Excise Duty	1,157.2	1,172.9	1,326.4	153.5
Import Excise	247.2	254.5	300.0	45.6
Bookmakers' Turnover Tax	35.4	17.8	47.1	29.3
Gaming Machine Turnover Tax	328.1	337.8	358.1	20.3
Departure Tax	8.0	9.6	13.0	3.4
Motor Vehicle Tax	1.7	0.0	0.0	0.0
Other taxes on use of goods and on permission to use goods or perform activities	0.2	0.0	0.0	0.0
Other taxes on goods and services	10.4	17.6	21.8	4.2

Source: Department of Treasury

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

Import excise is projected to increase by 17.9 per cent to K300.0 million representing 1.6 per cent of total tax revenue. It is anticipated to return to its long-run trend level attributed to the restoration of excise on fuel products following the exemption in 2022 and the first half of 2023 as part of the fiscal relief assistance to the citizens.

Gaming Machine Tax (GMT) collection is projected to increase by 6.0 per cent to K358.1 million reflecting an increase in gambling activities. The improvement in GMT collection is expected to be driven by normal operations for gaming venues with new gaming and betting methods that would attract more participants to gamble.

Other minor indirect taxes such as Departure Tax and Bookmaker's Turnover Tax are expected to improve on the back of stronger economic growth.

4.2.4 Taxes on International Trade and Transactions

Taxes on International Trade and Transactions are projected to increase by 19.9 per cent to K888.8 million. This increase is supported by stronger compliance efforts and improvement in trade activities and consumption.

In 2024, Import Duty is projected to increase by 9.8 per cent to K455.0 million representing 2.5 per cent of total tax revenue. Growth in import duty will be driven by stronger PNG Customs compliance efforts in accordance with the 20:80 inspection ratio and further improvement in trade activities.

Export Duty is expected to increase by 27.7 per cent to K433.8 million, representing 2.3 per cent of total tax revenue driven by introduction of an export duty on unprocessed fish in the second half of 2024 expected to offset lower log export revenue from reduced log export duty.

Table 16: Taxes on International Trade and Transactions 2023-2024 (Kina, million)

	2022 Outcome	2023 Supp Budget	2024 Budget	Variation
Taxes on International Trade & Transactions	**906.0**	**754.0**	**888.8**	**134.8**
Import Duty	469.9	414.3	455.0	40.8
Other Import Taxes	0.0	0.0	0.0	0.0
Export Tax	436.2	339.7	433.8	94.1

Source: Department of Treasury

4.3 NON-TAX REVENUE

Non-tax revenue is projected to increase by 21.2 per cent to K2,494.0 million or 1.8 per cent of GDP in 2024. This is due to expected higher dividend payments from state-owned resource companies and the full-year implementation of the *NTRA Act 2022*.

The Government is expecting Kumul Petroleum Holdings (KPH), Kumul Consolidated Holdings (KCH) and Kumul Mineral Holdings (KMH) to pay K700.0 million, K250.0 million and K200.0 million in dividends, respectively. The expected dividends are necessary to assist the Government in funding its key development priorities.

In 2024, the *NTRA Act 2022* will be fully operational after a slow start in the first half of 2023. A total of K1,248.0 million is projected from the implementation of the *NTRA Act 2022* representing 50.0 per cent of the total non-tax revenue. This revenue will come from the State Agencies whose revenue collection is subject to the *NTRA Act 2022*.

Table 17: Other Revenue 2023-2024 (Kina, million)

	2022 Outcome	2023 Supp Budget	2024 Budget	Variation
OTHER REVENUE	**610.5**	**2,057.4**	**2,494.0**	**436.6**
Property Income	**514.3**	**1,224.1**	**1,246.0**	**21.9**
Interest	-	0.7	0.0	-0.7
Dividends	480.0	1,132.5	1,150.0	17.5
Mining Petroleum and Gas Dividends	300.0	*982.5*	*900.0*	-82.5
Dividends from Statutory Authorities	180.0	*0.0*	*0.0*	0.0
Dividends from State Owned Enterprises	-	*150.0*	*250.0*	100.0
Withdrawals from income of quasi-corporations	-	0.0	0.0	0.0
Property income from investment income disbursements	-	0.0	0.0	0.0
Rent	34.3	90.9	96.0	5.1
Sales of goods and services	**6.4**	**156.7**	**0.0**	**-156.7**
Sales by market establishments	-	0.0	0.0	0.0
Administrative fees	3.7	*122.0*	*0.0*	-122.0
Incidental sales by nonmarket establishments	2.8	*34.7*	*0.0*	-34.7
Imputed sales of goods and services	-	0.0	0.0	0.0
Fines, penalties, and forfeits	**0.1**	**1.9**	**0.0**	-1.9
Transfers not elsewhere classified	**89.7**	**674.7**	**1,248.0**	**573.3**
Current transfers not elsewhere classified	89.7	674.7	1,248.0	573.3

Source: Department of Treasury

4.4 GRANTS

Total Donor Grants are estimated to increase by 8.9 per cent to K2,205.0 million in 2024. Donor support grants are expected to be higher, driven by further support from PNG's major donor partners towards the Government's investment expenditure priority areas over the medium-term. These support grants are mainly from major development support partners including Asian Development Bank (ADB), European Union (EU), Australian Aid (AusAid) and United Nations (UN) with additional support coming from others. The Government will continue to work closely with donor partners to ensure funds are utilised for their intended purposes.

Table 18: Donor Grants 2023- 2024 (Kina, million)

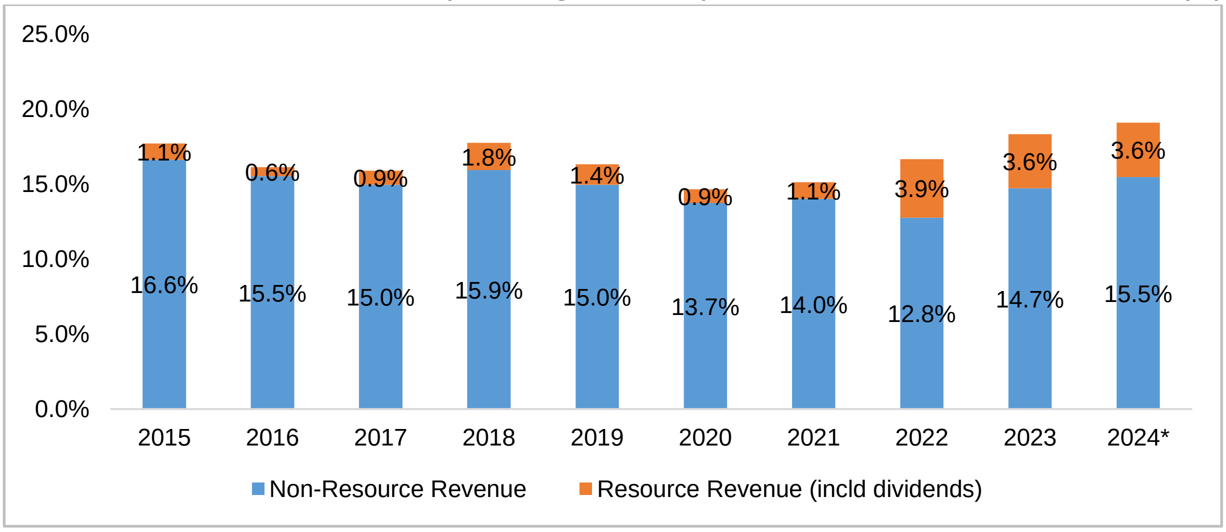
	2022 Outcome	2023 Supp Budget	2024 Budget	Variation
GRANTS	**1,472.1**	**2,024.9**	**2,205.0**	**180.1**
From Foreign Governments	1,060.4	1,714.6	1,775.4	60.8
Current	848.3	1,561.3	1,622.2	60.8
Cash	0.0	0.0	130.0	130.0
In-Kind	848.3	1561.3	1492.2	-69.2
Capital	212.1	153.2	153.2	0.0
Cash	0.0	0.0	0.0	0.0
In-Kind	212.1	153.2	153.2	0.0
From International Organizations	411.8	310.4	429.6	119.2
Current	329.4	277.2	396.4	119.2
Cash	0.0	0.0	0.0	0.0
In-Kind	329.4	277.2	396.4	119.2
Capital	82.4	33.2	33.2	0.0
Cash	0.0	0.0	0.0	0.0
In-Kind	82.4	33.2	33.2	0.0

Source: Department of Treasury

4.5 MEDIUM-TERM REVENUE OUTLOOK

In 2024, resource-related revenue (including dividends) is expected to increase by almost 11.0 per cent to K4,450.0 million or 19.0 per cent of total revenue in line with the assumption of lower global crude oil prices averaging at US$80.0 per barrel. As a percentage of GDP, resource revenue is expected to increase by 3.6 per cent. However, non-petroleum revenue is projected to increase by 15.5 per cent to K18,943.7 million, supported largely by MPT, CIT, PIT and GST, in tandem with sustained trade and economic activities. As a percentage of GDP, non-resource revenue is expected to increase by 15.5 per cent in 2024.

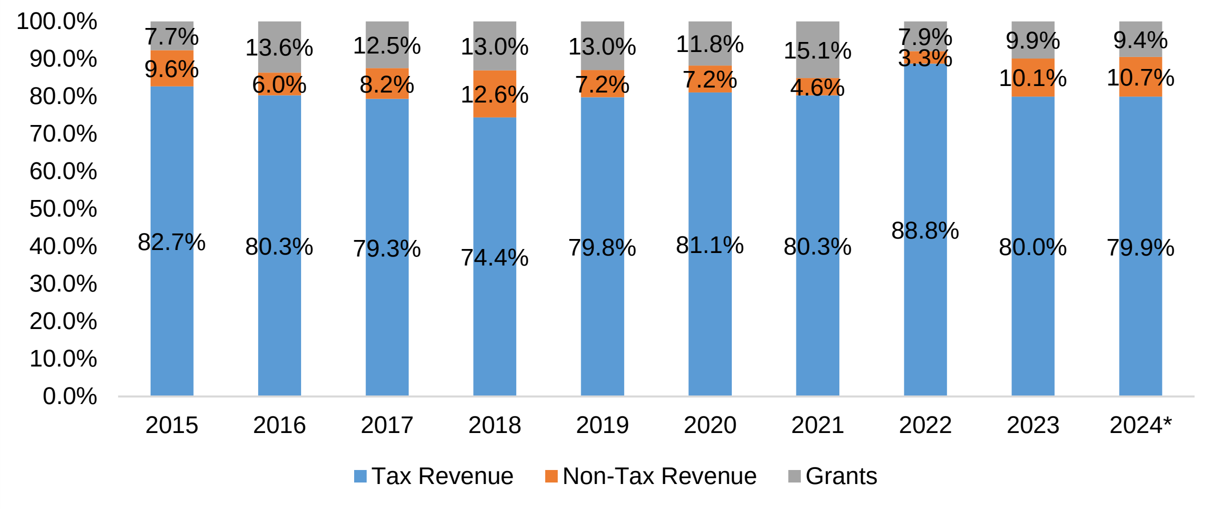
Chart 38: PNG Resource Revenue (including dividends) and Non-Resource Revenue to GDP (%)



Source: Department of Treasury.

The share of non-tax revenue to total revenue has decreased from 12.6 per cent in 2018 to 3.3 per cent in 2022, before rising to 10.1 per cent in 2023. Based on 2024 Budget projection, the share of non-tax to total revenue is expected to increase to 10.7 per cent. Non-tax revenue is mostly made up of dividends from State-Owned Enterprises (SOEs) and statutory bodies and administrative fees and charges. It is volatile in nature due to sporadic payments from SOEs and statutory bodies unrelated to tax collections or performance. Many agencies in PNG retain revenue, operate large trust account balances and invest in projects that, at times, are unrelated to their primary mandate. As a percentage of GDP, NTR has fluctuated between 2.2 per cent in 2018 and 1.8 per cent in 2023.

Chart 39: Revenue Composition



Source: Department of Treasury

CHAPTER 5: TAX AND NON-TAX MEASURES AND DEVELOPMENTS

5.1 OVERVIEW

The 2024 National Budget is being framed within the Government's 13-year Budget Repair Plan that sets out the key fiscal parameters of the Government's ongoing strategy for fiscal consolidation and sustainability from 2022 to 2034.

The following revenue measures aim to enhance administrative efficiency, reduce the compliance burden for taxpayers and revenue administrators, and improve revenue collection for the Government in 2024 and onwards. These measures are categorised as policy, non- tax, technical amendments and policy development area.

These measures are expected to generate K400.0 million to support this budget.

5.2 MAJOR REVENUE POLICY MEASURES

5.2.1 Personal Income Tax Reforms

In the 2023 Budget, the tax-free threshold was increased from K12,500.0 to K20,000.0 effectively removing the previous second tier tax rate (22.0 per cent). This was mainly intended to provide relief to low- and middle-income wage earners during times of inflation. This was a temporary measure just for one year and it will expire on 31st December 2023.

In this budget, the Government is making permanent the K20,000.0 tax-free threshold and is repealing the dependent rebates. The policy rationale is to maintain the purchasing power of money, reduce compliance costs and simplify administration.

The removal of the dependent rebate is expected to save K20.0 million for the Government in 2024.

5.2.2 Make Permanent the Second Tier Tobacco Excise Regime

The tier-2 tobacco excise regime was introduced in 2019 as a pilot project to combat the sale of illicit tobacco products in the open market. However, the tier-2 system will expire on 30th November 2023.

Based on PNG Customs Services (PNGCS) data, the tier-2 has performed well in terms of excise revenue collections. Due to the concessional nature of tier-2, smokers that previously purchased illicit tobacco are now moving over to the legitimate product. This was confirmed in the recent launching of the illicit tobacco report by the Chief Commissioner for PNGCS that illicit tobacco market size has been reduced from 40.0 per cent to below 5.0 per cent.

In the 2024 Budget, the tier-2 tobacco excise regime will be made permanent to continue to address illicit tobacco trade and raise Government revenue.

The proposed regime is redesigned as follows; the current Tier-2 excise tax base will be increased by 20.0 per cent, from K209.67 per 1000 sticks to K251.60 per 1000 sticks. Thereafter, the indexation rate of 2.5 per cent will apply.

The current conditions for tier-2 excise regime are maintained and tobacco manufacturers are required to meet those conditions to participate. The only change is to allow an increase in the wholesale selling price to allow the industry to pass the changes to consumers. These items must carry a Manufacturer Selling Price (MSP) below K18.50 per 25's pack or K740.00 per thousand sticks.

This measure is expected to raise additional revenue of K200.0 million in 2024 by complimenting PNG Customs Services compliance and enforcement initiatives to address any under declaration of excise duties.

5.2.3 Reduce the Progressive Log Export Tax to 50.0 per cent on Average

In the 2023 National Budget, the Government increased the progressive log export tax regime from 50.0 per cent on average to 70.0 per cent. This tax measure was introduced for the purposes of raising additional revenue to support the establishment of the Biodiversity and Climate Change Fund and to strengthen the downstream processing policy of unprocessed logs. After, close consultation with the Forestry Sector on the impact of the current log export tax, it was agreed to introduce a regime which is lower than the current log export tax regime. It was suggested that the current regime provides an unfriendly business environment to support the logging industry to go down the path of downstream processing.

In this Budget, the Government is changing the progressive log export tax regime from 70.0 per cent to 50.0 per cent on average. This is to address the concerns raised by the forestry sector due to the low demand in the export market for logs, bad weather affecting production and the current unfavourable taxation regime. Table 21 below shows the 2024 progressive log export tax regime.

Table 19: Progressive Log Export Tax regime for 2024 and onwards

Thresholds (FOB Price, US$/m3)	**Duty Rates (US$/m3)**
From and Above $0.0	P*0.2500 -0.00
From and Above $60.0	P*0.4893 - 3.56
From and above $100.0	P*0.5585 - 4.76
From and Above $150.0	P*0.5791 - 12.36
From and Above $200.0	P*0.5884 - 16.36

Source: Department of Treasury

Implementing the regime will allow the forestry sector to plan and develop capacity for downstream processing consistent with the Government's objective to ban the export of unprocessed logs by 2025. The Government is committed to downstream processing and value adding that will boost business opportunities, generate more jobs in the sector and achieve sustainable revenue as outlined in the recently launched MTDP IV (2023 – 2027).

This measure is expected to come into effect on 01st January 2024.

5.3 MINOR POLICY MEASURES

5.3.1 Reduce the Import Duty on Soap Noodles from 20.0 per cent to Zero Duty

Soap Noodles are fatty acids derived either from vegetable oils or animal fats and are an intermediate goods used to manufacture soap and toothpaste products. Import of the Soap Noodles currently attracts 20.0 per cent import duty.

In this budget, the Government is reducing the 20.0 per cent rate to zero duty. The rationale is to reduce local production costs and encourage local production. Also, to ensure the product is affordable.

This measure will come into effect on 01st January 2024 and will have minimal revenue impact.

5.3.2 Reduce Import Duty on Flexible Intermediate Bulk Containers from 10.0 per cent to Zero Duty

Flexible Intermediate Bulk Containers resemble a balloon and are used for packing crude coconut oil. They are fixed inside a shipping container where oil is filled and exported. The flexi-bag is a specialised bag that is imported from Malaysia. Each flexi bag attracts a duty rate of 10.0 per cent.

In this budget, the Government is reducing the import duty from 10.0 per cent to zero duty. This is to encourage the domestic production of cooking oil.

This measure will come into effect on 01st January 2024 and will have minimal revenue impact.

5.3.3 Reduce Import Duty on Other Packaging Containers from 10.0 per cent to Zero Duty

The edible grade box or inner packs are used for packaging National No.1 teabags and are currently attracting 10.0 per cent import duty. The Government is reducing the 10.0 per cent import duty to zero duty in this Budget. This is to reduce production costs and encourage domestic production. This measure aligns with the Government's desire to support domestic manufacturing and downstream processing.

This measure will come into effect on 01st January 2024 and will have minimal revenue impact.

5.3.4 Reduce Import Duty on Boneless Meat for Manufacturing Pork Luncheon from 20.0 per cent to Zero Duty

The frozen boneless pork meat is a key ingredient used by the domestic manufacturers to produce canned pork meat. It is currently attracting an import duty rate of 20.0 per cent.

The frozen boneless meat cannot be sourced locally so it is imported from overseas. In this budget, the Government is reducing the import duty from 20.0 per cent import duty to zero duty. This measure aims to assist local production, protect local jobs, reduce the cost of production for local manufacturers and reduced costs are expected to be passed onto consumers.

This measure will come into effect on 01st January 2024 and will have minimal revenue impact.

5.3.5 Reduce Import Duty on Margarine (Shortening) used in Manufacturing from 25.0 per cent to Zero Duty

Margarine (shortening) is 100.0 per cent fat and is used in the production of bread, biscuits, and other baked goods. It is currently attracting an import duty rate of 25.0 per cent. Margarine cannot be sourced locally so it is imported from overseas. In this budget, the Government is reducing the 25.0 per cent import duty to zero duty. This is to reduce production costs and protect local jobs over-time.

This measure will come into effect on 01st January 2024 and will have minimal revenue impact.

5.3.6 Reduce Import Duty on Caps used for Beverages and the Like from 20.0 per cent to Zero Duty

These caps for beverages and the like are not available locally. Hence, it is imported at the import duty rate of 20.0 per cent and are used by local companies producing beverages. In this budget, the Government is reducing the 20.0 per cent import duty to zero duty. This is to reduce the cost of local production and protect local jobs.

This measure will come into effect on 01st January 2024 and will have minimal revenue impact.

5.3.7 Reduce the Import Duty on Mattress Inner Springs from 10.0 per cent to Zero Duty

This mattress inner springs are used for manufacturing mattresses. Currently it attracts 10.0 per cent import duty. The Government in this Budget is reducing the 10.0 per cent import duty to zero duty. This measure aims to reduce business cost and encourage local production of mattress. This measure will come into effect on 01st January 2024 and will have minimal revenue impact.

5.4 NON-TAX REVENUE MEASURES

5.4.1 K200.0 million Statutory Transfer from National Gaming Control Board to Support the Budget

National Gaming Control Board (NGCB) being an active regulator and operator generates revenue from licenses, fees, and charges apart from the gaming tax that is collected and remitted to the Internal Revenue Commission.

In the 2024 Budget, the Government has tasked the NGCB as the regulator and operator of the gaming industry to remit a minimum of K200.0 million to the Consolidated Revenue Fund as a statutory transfer to support the annual budget.

The Government intends to consolidate revenue generation by the various State Agencies and SOEs to effectively and prudently manage this through the budget process to deliver maximum benefits to the people of Papua New Guinea.

This measure will come into effect in 2024.

5.5 TECHNICAL AMENDMENTS

5.5.1 PNG Customs Technical Amendments

In this Budget, the Government is introducing several technical amendments to the *Customs Tariff Act 1990*. The rationale is to improve PNG Customs administration and enhance compliance.

The technical changes are; renumbering HS Codes (2202.99.11) for Chocolate and Yoghurt Drinks; renumbering HS Codes (2202.99.12) for Milk Drinks; renumbering HS Code for (2710.19.90) for Zoom; new Subheading for Bath Soap (HS Code 3401.11.10); new Subheading for Wipes and Other (HS Code 3401.11.90); new Subheading for Other (new category for wipes) (HS Code 3401.19.90); deleted HS Code (3401.10.10) for Organic surface-active products and preparations; deleted HS Code (3401.10.20) for Laundry Soap; deleted HS Code (3401.10.30) for Shaving soap; renumbering HS Code (3401.19.10) for Laundry Soap; renumbering HS Code (3401.19.20) for Shaving Soap; new Description (3923.50.10) for Caps used for beverages and the likes; new Subheading (7326.20.10) for Mattress Inner Springs; and new Description (7326.20.90) for a new category as other.

5.6 POLICY DEVELOPMENT AREA

5.6.1 Impose Export Duty on Unprocessed Fish

Papua New Guinea's Exclusive Economic Zone (EEZ) hosts some of the richest fishing grounds in the Pacific Region. Tuna is the most significant species of fish harvested in PNG waters accounts for 17.0 per cent of the world's tuna catch at a value of USD 1.3 billion (K4.0 billion).

Currently, the fishing sector is not generating as much revenue as it should. Resource rents through the collection of fees are too broad. The National Fisheries Authority (NFA) collects fees from licenses and access fees under the Vessel Day Scheme (VDS). The VDS allows licensed fishing vessels a certain number of days for vessels based in PNG. The original daily rate was USD10,500.0 (K36,960.0) and was set in 2018. A recent policy shift reduced the fee to USD6,500.0 (K22,880.0) per day for vessels based in PNG and USD7,500.0 (K26,400.0) for international vessels. These fees are managed by NFA.

The current resource rent through the issuing of access fee charges is too broad and more often access charges are reduced through the rebate scheme that was introduced in 2017 by the Government to encourage secondary onshore processing. Despite obligations to land fish onshore for processing, many foreign fishing vessels tranship fish outside to processing plants in their home country. This is an ongoing concern therefore several suggestions were raised for the introduction of an export tax on all unprocessed fish being exported.

To address the above concerns, unprocessed fish exported from PNG will be subject to an export tax rate between 10.0 per cent and 20.0 per cent based on the FOB value. The rationale being:

- the export duty would act as a resource rent for the exported unprocessed fish. Hence, it will have a positive impact on Government revenue;
- create an incentive to encourage more downstream processing in PNG; and
- give rise to spin-off benefits such as employment opportunities and food security for PNG.

This measure is expected to have a positive revenue impact for the Government and is expected to come into effect on 01st July 2024. The first three (3) months will be used for consultation with relevant stakeholders including the NFA and the fishing industry.

CHAPTER 6: EXPENDITURE

6.1 OVERVIEW

The 2024 Budget will be the first year of implementing the Medium-Term Development Plan IV (MTDP IV) 2023 to 2027. The 2024 Budget is guided by the Government's updated 13-year Budget Repair Plan and aims to fund the investment priorities outlined in the MTDP IV. These are crucial in realising the Government's key objectives particularly to grow PNG's GDP to K200.0 billion by 2030, creating one million additional jobs and improving the quality of life for all PNG citizens.

The 2024 Budget is formulated in a fiscal environment where total expenditure is projected to be K27,377.5 million. This expenditure amount is funded by K23,958.7 million from the Government of Papua New Guinea (GoPNG) and K3,418.8 million from development partners, including K2,205.0 million in grants and K1,213.8 million in concessional loans. In comparison to the 2023 Supplementary Budget, the total expenditure for 2024 fiscal year increases by K2,035.4 million or 8.0 per cent. The 2024 Budget is formulated in a fiscal environment where the total estimated revenue of K23,393.8 million falls short of the total expenditure of K27,377.5 million resulting in a fiscal gap of K3,983.8 million. To bridge this fiscal gap, borrowing worth K3,983.8 million is required. This emphasises the need for prudent and strategic allocation of resources and key Government priorities are funded efficiently.

The key expenditure priorities for 2024 include:

- supporting incomes and jobs growth through major increases in the economic sector, including agriculture, forestry and tourism, with a total increase of K487.4 million, or 43.5 per cent;
- supporting the improvement and increased funding of law enforcement agencies and judiciary systems to maintain peace, stability, and create an environment conducive to economic growth and investment opportunities;
- supporting the delivery of essential power, water and IT services, with an increase of 55.6 per cent to K1,201.0 million;
- major wage increases to cover the costs of more teachers, health workers and police;
- continuation of the Household Assistance Package, including K160.0 million for on-going school project subsidies;
- enhancing capacity at sub-national levels to drive development by fully funding the Service Improvement Program Support (SIPS);
- implementing the Connect PNG Infrastructure Policy to foster broad-based, inclusive, and sustainable growth through development of economic corridors, including an increased allocation funded directly by PNG of from K729.0 million to K905.0 million;
- supporting student accessibility to education and retention programs through initiatives such as the Government Tuition Fee Subsidy (GFTS), Higher Education Loan Program (HELP), and Tertiary Education Student Assistance Scheme (TESAS) to uphold the policy of "No Child is Left Behind";
- increasing funding for health services and infrastructure to enhance delivery and accessibility of healthcare; and,
- strengthening revenue collections by providing additional funding for the Internal Revenue Commission (IRC), Papua New Guinea Customs Services (PNGCS), and other revenue-generating agencies.

In section 6.4 of this chapter, details on Government priorities in each sector are provided.

To meet Government priorities and align expenditure with the 13-year Budget Repair Plan of achieving a budget surplus by 2027. The Government agencies are required to effectively implement and apply expenditure restraint. Furthermore, the Government will continue to promote expenditure efficiency through various measures. More details on the expenditure restraints and efficiency measures are provided in Section 6.4 of this chapter.

6.2 2024 AGGREGATE EXPENDITURE

The 2024 Expenditure Budget is set at K27,377.5 million, which represents an increase of K2,039.5 million or 8.0 per cent compared to the 2023 Supplementary Budget. This total estimated expenditure consists of three components: K23,958.7 million from the Government of Papua New Guinea (GoPNG) funds, K2,205.0 million from donor grants, and K1,213.8 million from concessional loans.

The increase in the expenditure budget reflects the Government's commitment in ensuring that its priorities in all the sectors are adequately funded in 2024. Furthermore, the increase also caters for inflationary costs associated with cost for goods and services. Table 20 below shows the detailed breakdown of the 2024 aggregate expenditure.

Table 20: 2024 Aggregate Expenditure (Kina, million)

Budget Components	**2023 Budget**	**2023 Supp. Budget**	**2024 Budget**	**As % of Total Budget**
Operational Component	**14,771.0**	**15,542.0**	**16,677.7**	**60.9**
Compensation of Employees	6,942.0	6,942.0	7,034.3	**25.7**
Goods and Services	3,859.9	4,357.9	5,057.1	**18.5**
Interest Payments	2,511.0	2,784.0	3,050.8	**11.1**
Provincial Functional Grants	642.1	642.1	638.0	**2.3**
GST & BMT Transfers	816.0	816.0	897.6	**3.3**
Capital Investment Component	**9,795.9**	**9,795.9**	**10,699.8**	**39.1**
GoPNG	6,615.0	6,615.0	7,281.0	**26.6**
Concessional Loans	1,156.0	1,156.0	1,213.8	**4.4**
Donor Grants	2,024.9	2,024.9	2,205.0	**8.1**
Grand Total	**24,566.9**	**25,337.9**	**27,377.5**	**100.0**

Source: Department of Treasury

Operational Budget

The Operational Budget for 2024 has seen an increase of K1,135.7 million or 8.3 per cent compared to the 2023 Supplementary Budget. This increase consists of a K92.3 million or 1.3 per cent increase in Compensation of Employees (CoE), while Goods and Services (G&S) has increased by K699.1 million or 16.0 per cent in comparison to the 2023 Supplementary Budget. This increase primarily reflects the impact of a reclassification of expenditure. 2024 Budget corrects the classification of health grants, which have been reclassified as G&S. This causes a large movement between functional grants and G&S. The reclassification is necessary for accounting purposes in the Integrated Financial Management System to correctly recognise PHAs as separate entities. With the correct classification in 2023, G&S increases by 9.6 per cent.

The 2024 CoE budget of K7,034.3 million accounts for 42.2 per cent of the Operational Budget and 25.7 per cent of the total expenditure for 2024. The CoE budget covers Government salaries, allowances, and social benefits such as retirement, gratuities, and superannuation. Some CoE expenditure items are captured under the Treasury and Finance Miscellaneous Vote (207) to ensure better coordination and execution.

The 1.3 per cent increase in the CoE budget caters for increase in the allowances for State Lawyers, expansion of Independent Commission Against Corruption (ICAC), recruitment of additional specialised doctors to operationalise new cancer facility in Port Moresby General Hospital, recruitment of teachers and increasing their salaries, recruitment of new police officers, and general salary increases as per public service salaries fixation and industrial agreements.

The Goods and Services (G&S) Budget accounts for 18.5 per cent of the total budget and 30.3 per cent of the operational budget. It covers fixed costs such as utility bills, rentals, and government arrears. There have been significant increases for PNG Connect arrears (K100.0 million), the GTFS (K87.3 million) and LLG elections (K85.0 million), amongst others.

The Government remains committed to fulfilling its debt obligations and has allocated K3,050.8 million, 11.1 per cent of the total expenditure budget, towards Debt Interest Payments. This represents an increase of K266.8 million or 9.6 per cent compared to the 2023 Supplementary Budget.

The 2024 Functional Grants budget of K638.0 million has decreased by K4.1 million or 0.6 per cent from the 2023 Supplementary Budget. As mentioned earlier this is due to the declassification of health functional grants. With the correct classification in 2023, functional grants increase by 22.2 per cent. GST and BMT transfers increase by 10.0 per cent. These changes reflects the Government's intention of ensuring effective services delivery in the provinces.

Capital Expenditure Budget

The 2024 Capital Expenditure Budget increases by 9.2 per cent from K9,795.9 million in the 2023 Supplementary Budget to K10,699.8 million in 2024. This comprises of K7,281.0 million in Public Investment Program (GoPNG PIP), K2,205.0 million in Donor Grants and K1,213.8 million in Concessional loans. The increase reflects a strategic realignment of project priorities and takes into consideration the successful completion of numerous programs and projects within the MTDP III period and implementing the MTDP IV.

The 2024 Capital Expenditure Budget will also prioritise the allocation of resources towards new programs and projects under the MTDP IV. These programs and projects aim to invigorate economic growth, fortify the country's revenue base, and enhance public finance management. Key areas of emphasis include strategic economic investments (especially in agriculture) with K206.0 million appropriated for Agricultural Investments, the advancement of Connect PNG Infrastructure (particularly in terms of road connectivity and energy) with K905.0 million and the implementation of measures to enhance overall economic resilience with K97.0 million for Revenue Generation and K200.0 million for MSME.

The Public Investment Program (GoPNG PIP) comprises of Fixed Commitments and Policy Priorities. Fixed commitments include the K1,180.0 million for Provincial and District Support Improvement Programs (PSIP and DSIP). This is K10.0 million each for 96 Districts and K10.0 million each for 22 provinces. The 2024 SIPs budget captures the seven new Districts established in 2022.

Medium Term Development Plan (MTDP) IV (2023 – 2027)

The objective of MTDP IV is to achieve increased job creation; broadening the revenue base, increase downstream processing, and improving the quality of life for all Papua New Guineans. These objectives will be pursued through investments targeted towards the twelve (12) Strategic Priority Areas (SPAs) and Deliberate Investment Programs (DIPs). The twelve (12) MTDP IV SPAs are:

- Strategic Economic Investments;
- Connect PNG Infrastructure;
- Quality and Affordable Health Care;
- Quality Education and Skilled Human Capital;
- Rule of Law and restorative Justice;
- National Security;
- National Revenue and Public Finance Management Act;
- Digital Government, National Statistics and Public Service Governance;
- Research, Science and Technology;
- Climate Change and Natural Environment Protection;
- Youth and Gender Development; and,
- Strategic Partnership.

The 2024 Capital Expenditure Budget will fund the 12 SPAs, the 71 DIPs while continuing to fund the programmes and projects that have performed well in 2023.

The Government's flagship programs such as Connect PNG Infrastructure, District Infrastructure, State Equity Fund, National Land Development and Provincial and District Support Interventions and Agricultural interventions are given significant consideration in the 2024 Budget as guided by the 2024 Budget Framework Paper (BFP) which translates the MTDP IV (2023-2027) sector priorities in the 2024 Budget. Apart from focusing on the key flagship programs, Government is also committed to invest in the DIPs, in partnership with the sub-national tier of Government through the Kina-Kina Program. The program will fund the key infrastructures that are indicated in the MTDP IV and will be implemented at the Sub-national to enhance development and growth. The Districts and Provinces will be encouraged to meet 50.0 per cent of the project cost upfront while the National Government will provide the remaining 50.0 per cent.

6.3 DONOR FUNDING FROM DEVELOPMENT PARTNERS

Grants and loans play a significant role in supporting infrastructure developments in the Transport, Health, Education, Law and Justice Sectors, provided technical assistance and capacity building in climate and environmental initiatives and addressing crops cutting issues. The recently launched MTDP IV requires development partners to align their assistance programs and projects with the 12 SPAs and 71 DIPs outlined in the plan. Development partners include PNGs bilateral and multilateral partners, international NGOs, regional Organisations, private sector foundations and climate finances.

The MTDP IV presents financing options for development cooperation support over the next four years. The Marape-Rosso Government is committed to support ongoing policy priorities to achieve national prosperity and promote economic growth. Assistance from development cooperation is sought to support the economy, improve economic and social indicators, and invest in strategic areas such as economic development, infrastructure, human capital, governance, service delivery, foreign direct investment, and partnerships.

Total grants and loans in 2024 amounts to K3,418.8 million, comprising of K1,213.8 million in loans and K2,205.0 million in grants. The total accounts for 32.0 per cent of the Capital Expenditure Budget of K10,699.8 million and represents an increase of K237.9 million or 7.5 per cent compared to the 2023 Supplementary Budget.

The Government of Australia, through the Department of Foreign Affairs and Trade (DFAT), is the largest contributor, providing grants totalling K1,196.2 million. Other Development Partners providing grants in 2024 include the European Union (EU), United Nations System (UNS), Japan International Cooperation Agency (JICA), People's Republic of China (PRC), and New Zealand Aid (NZAID).

In terms of loans, the People's Republic of China (PRC) is the largest bilateral loan financier for PNG in 2024, followed by the World Bank (WB), Asian Development Bank (ADB), and Japan. Other financiers include DFAT-Australia, the International Fund for Agricultural Development (IFAD), and the Korean Export-Import Bank (Korean EXIMB). PNG will also be looking to source funding from Asian Infrastructure Investment Bank during 2024.

An overview of funding from PNG's Development Partners is presented below in tables 21 and 22.

Table 21: Grants and Loans in 2023 and 2024 (Kina, million)

Development Cooperation	2023	2024	% Compared to 2023
Grants	2,025.0	2,204.9	8.0 increase
Loans	1,156.0	1,213.8	4.0 increase

Source: Department of National Planning & Monitoring

Table 22: 2024 Loans, Grants and Government Counterpart funding (Kina, million)

Development Partners	Grants	Loans	Counterpart	2024 Total (G+L+CP)
Australia	1,231.5	-	13.0	1,192.4
AIFFP	93.0	161.9	-	
UN	204.0	-	2.0	199.9
NZ	315.5	-	-	315.5
China	15.0	-	-	15.0
ADB	231.0	273.9	60.0	331.9
World Bank	5.0	294.4	53.0	391.1
Japan	-	386.3	16.0	286.6
Ceska/Erste	99.9	40.6	20.0	155.5
Indian EXMIN	10.0	30.0	-	40.0
USA	-	16.8	2.0	18.8
Total	**2,205.0**	**1,203.8**	**166.0**	**3,574.8**

Source: Department of National Planning & Monitoring

6.4 SECTOR EXPENDITURE

Government agencies are categorised into nine (9) sectors, however, for budgeting and accounting purposes, interest payment and miscellaneous items are included to show total expenditure as depicted in Table 23 below. Some reclassifications have been made compared to the sectoral allocations in previous Budgets. Teachers' salaries have been allocated to the Education Sector rather than Provinces, Goods and Services and Book Makers Tax Transfers have been allocated to Provinces Sector, rather than being separated and some Miscellaneous items have been allocated to their relevant Sector (more detail is provided throughout this section).

Table 23: 2024 Expenditure by Sector (Kina, million)

Sector	Operational			Capital				Total	
	CoE	G&S	Total Op. Bud.	GoPNG	Grants	Loans	Total Cap. Bud.	Total Expend.	As a % of Total Bud.
Administration	773.0	859.7	1,632.6	2,204.0	1,121.5	54.4	3,379.8	5,012.4	18.3
Community & Culture	63.7	48.3	112.0	76.0	26.0	-	102.0	214.0	0.8
Economic	266.3	251.2	517.4	893.0	100.0	98.0	1,090.9	1,608.3	5.9
Education	2,564.5	1,185.7	3,750.2	180.0	142.0	9.4	331.4	4,081.6	14.9
Health	1,163.0	712.6	1,875.6	384.9	204.8	123.2	712.9	2,588.5	9.5
Law & Justice	1,168.6	532.9	1,701.5	385.0	57.8	20.0	462.8	2,164.3	7.9
Miscellaneous	316.1	1,045.3	1,361.4	-	-	-	-	1,361.4	5.0
Provinces	520.4	1,792.7	2,313.1	1,585.1	131.0	52.6	1,768.7	4,081.8	14.9
Transport	135.3	143.6	278.8	1,192.0	317.0	225.6	1,734.6	2,013.5	7.4
Utilities	63.5	20.8	84.2	381.0	105.0	630.7	1,116.7	1,201.0	4.4
Total (excl. Int. payments)	**7,034.3**	**6,592.7**	**13,626.9**	**7,281.0**	**2,205.0**	**1,213.8**	**10,699.8**	**24,326.7**	**88.9**
Int. Payments		**3,050.8**	**3,050.8**					**3,050.8**	**11.1**
Grand Total	**7,034.3**	**9,643.5**	**16,677.7**	**7,281.0**	**2,205.0**	**1,213.8**	**10,699.8**	**27,377.5**	**100.0**

Source: Departments of Treasury and National Planning and Monitoring

Table 24: 2023 and 2024 Budget Comparison Using the new Categorisation (Kina, million)

Sector	2023 Budget	2023 Supp. Budget	2024 Budget	Change from 2023 Supp.	% change
Administration	3,976.0	4,363.0	5,012.4	649.4	14.9
Community & Culture	203.4	203.4	214.0	10.6	5.2
Economic	1,102.5	1,102.5	1,608.3	505.8	45.9
Education	3,670.1	3,670.1	4,081.6	411.4	11.2
Health	2,488.1	2,488.1	2,588.5	100.4	4.0
Law & Justice	1,919.4	1,919.4	2,164.3	244.9	12.8
Miscellaneous	1,441.6	1,552.6	1,361.4	-191.2	-12.3
Provinces	4,265.8	4,265.8	4,081.8	-184.0	-4.3
Transport	2,233.3	2,233.3	2,013.5	-219.9	-9.8
Utilities	755.7	755.7	1,201.0	445.3	58.9
Interest Payments	2,511.0	2,784.0	3,050.8	266.8	9.6
Grand Total	**24,567.0**	**25,338.0**	**27,377.5**	**2,039.5**	**8.0**

Source: Department of Treasury

Note: that 2023 estimates have also been reallocated between sectors to be consistent with 2024 Budget presentation.

6.4.1 Administration Sector

In this budget, the Administrative Sector excludes the Miscellaneous as it is allocated a separate section. The Administration sector plays a crucial role in facilitating and coordinating policy development within the public sector. Its responsibilities encompass various areas such as governance, administrative system reforms, public sector management, national statistical and population data systems, foreign policy, immigration, development cooperation and consists key government revenue generating agencies. The sector also places a strong emphasis on promoting public service ethics through legislative enforcement and implementing transparent financial management and accountability practices. The sector is responsible for delivering SPAs 7, 8, 9, and 12 of the MTDP IV.

Comprising thirty-one (31) Governmental agencies, the Administration sector is classified into eight (8) Central Agencies, seven (7) Statutory Authorities, and fourteen (14) Line Agencies. Notably, the IRC and PNGCS are the two main revenue-generating agencies.

For 2024, the Administration Sector has been allocated a total of K5,012.4 million, accounting for 18.3 per cent of the overall budget. This allocation represents an increase of K649.4 million or 14.9 per cent compared to the 2023 Supplementary Budget. Out of the Administration Sector's allocation for 2024, K1,632.6 million is designated for operational expenditure, with K773.0 million for compensation of employees (CoE) and K859.7 million for goods and services (G&S). Additionally, K3,379.8 million is allocated for capital investment expenditure, which includes K2,204.0 million in direct financing from the Government of Papua New Guinea (GoPNG), K1,121.5 million in grants, and K54.4 million in loans.

A total of K700.0 million of the increase in Administration Sector is due to Provincial Infrastructure Program (K220.0 million) and half of the District Infrastructure Program (K480.0m) now being appropriated to Department of Finance. In 2023, these were appropriated to the relevant Provincial Administrations, so were in the Provincial Sector. The shift in allocation is for smooth administrative and implementation purposes.

The 2024 Administration Sector allocations continue to support ongoing priority activities and fixed costs in the operational budget and Public Investment Programs. This includes the 2024 Local Level Government (LLG) elections (K85.0 million) to ensure the LLG elections are conducted smoothly next year and the National Population Census (K100.0 million) for an updated census statistics for better decision making. The sector will drive major structural reforms and innovations such as Digital Transformation Program. The Prime Minister and NEC have been allocated K200.0 million in 2024 to implement the NEC Decisions. The non-tax revenue collection agencies have been allocated K100.0 million (under the Miscellaneous Vote 207).

6.4.1.1 National Parliament

The National Parliament is a separate arm of the Government. In 2024, funding of K258.2 million was allocated for the Operations (K184.8 million in CoE and K73.5 million in G&S) and K5.4 million in capital. This is an increase of 19.5 per cent from the Supplementary 2023 Budget. The increase ensures that the National Parliament is provisioned sufficient funding to carry out its role effectively.

6.4.2 Miscellaneous

Miscellaneous encompasses some of the expenses categorised under the Finance and Treasury Miscellaneous vote (207). Miscellaneous primarily includes significant expenditure items and flexible funds that cater to additional financial needs throughout the year, such as contingency funds, and allocations that cut across all sectors, such as Nambawan Supa Exit payments. Some of the items previously classified as Miscellaneous have been reclassified under the relevant sectors.

For 2024, the Miscellaneous Sector has been allocated a total of K1,361.4 million, accounting for 5.0 per cent of the overall budget. This allocation represents a decrease of K191.2 million or 12.3 per cent compared to the 2023 Supplementary Budget. Out of the Miscellaneous Sector's allocation for 2024, K1,361.4 million is designated for operational expenditure, with K316.1 million for CoE and K1045.3 million for G&S.

The CoE expenses mainly consist of two (2) main items: the Recruitment and Retirement program (K116.1 million), and Nambawan Super Exit payments (K200.0 million), Rent (K341.9 million) and Utilities (K225.4 million) for office spaces continue to be prioritised as emphasise is placed on no disruption to Government administrative operations. Furthermore, funds are allocated to address payment of arrears (K300.0 million for general arrears) to control and reduce arrears going forward.

6.4.3 Community and Culture Sector

The Community and Culture sector aims to safeguard cultural heritage; support, protect and empower children, youth, women, the elderly, persons living with disabilities and other vulnerable groups; and promote sports. The sector comprises nine (9) agencies and is led by the Department for Community Development and Religion. Key guiding policies include: the National Public Service Gender Equity and Social Inclusion (GESI) Policy; the *Lukautim Pikinini Act 2015*; the *Civil Registration Act 2014* (amended in 2014) and the National Policy on Professional Volunteerism 2020 – 2025. This sector is primarily reflected in SPA 11 – Population, Youth and Women Empowerment in MTDP IV. It is also reflected in SPA 1 & 8 of MTDP IV.

For 2024, the Community & Culture Sector has been allocated a total of K214.0 million, accounting for 0.8 per cent of the overall budget. This allocation represents an increase of K10.6 million or 5.2 per cent compared to the 2023 Supplementary Budget. Out of the Community & Culture Sector's allocation for 2024, K112.0 million is designated for operational expenditure, with K63.7 million for CoE and K48.3 million for G&S. Additionally, K102.0 million is allocated for capital investment expenditure, which includes K76.0 million in direct financing from GoPNG, K26.0 million in grants.

Compared to 2023 Supplementary Budget, a small increase has been provided to the Department for Community Development and Religion (NVS) to further support GBV work and implementation of the GESI Policy.

6.4.4 Economic Sector

The Economic Sector has the objective of promoting broad-based, inclusive and sustainable economic growth. The investment in the Economic Sector aims to address the impediments in accessing markets and land development, tourism, empowering Micro, Small and Medium Enterprise (MSMEs), supporting innovative activities in the agriculture sector and increasing downstream processing, supporting development of new mining and petroleum projects, and promote climate resilience through natural environment conservation. The sector encompasses a total of thirty (30) agencies, such as Mining and Petroleum, Forestry, Fishery, Tourism, and Agriculture. The department of Treasury has issued agency codes and established the Department of International Trade & Investments (DITI) and the Special Economic Zone Authority (SEZA), which are set to become fully operational starting in 2024. The recently launched MTDP IV (2023-2027) aims to invest in SPA 1 (Strategic Economic Investment) to achieve national prosperity through economic growth over the medium term.

For 2024, the Economic Sector has been allocated a total of K1,608.3 million, accounting for 5.9 per cent of the overall budget. This allocation represents an increase of K505.8 million or 45.9 per cent compared to the 2023 Supplementary Budget. Out of the Economic Sector's allocation for 2024, K517.4 million is designated for operational expenditure, with K266.3 million for CoE and K251.2 million for G&S. Additionally, K1,090.9 million is allocated for capital investment expenditure, which includes K893.0 million in direct financing from GoPNG, K100.0 million in grants, and K98.0 million in loans.

This increase is partially due to the creation of a State Equity Fund (K150.0 million) under the newly created Department of International Trade and Investment. This fund will support agriculture and other investments. Furthermore, the creation of SEZA is critical in order to promote investment through business-friendly environment (streamline regulatory process) and tap into the country's vast reserves of natural resources. The cost associated with the establishment of these agencies contributed to the increase in the Sector Budget. The Government is also creating the Cocoa and Coffee Research Institutions (K5.0 million each) to support local research into these agricultural sectors.

6.4.5 Renewable sector

The Renewable Resource Sector aims to support increase in export volume of major commodities, promote import substitute and promote downstream processing in the agriculture, fishery and forestry sectors. The focus of the sector in the MTDP IV period is to increase the export revenue of K50.0 billion and reduce import of K5.0 billion by 2027. The sector also plays very critical role in land development, environmental protection and conservation and disaster risk management where Papua New Guinea is prone to natural disasters.

To create an enabling environment for sustainable economic growth, the Government will commit its investments on the SPA 1 and 10 DIPs. The Government will also continue to implement appropriate policies and fiscal measures, including the Commodity Access Roads program, Commodity Freight and Price Support program, National Land Development Program, Agriculture SME Program, State Equity Funding and Special Economic Zones (SEZ) program.

Major emphasis has been placed on the agriculture sector in the medium-term to support agricultural commodities exports, promote import substitution and enhance value-added products through downstream processing. This ambition will be realised through initiatives such as the National Agriculture Development Programming (allocated K20.0 million) and the Agriculture Commercialisation and Diversification Project (allocated K51.6 million). The establishment of new ministries, specifically the Ministries of Coffee, Oil Palm, and Livestock within the sector, clearly demonstrates the Government's strong commitment to fostering growth and providing support to the sector. K75.0 million has been allocated for measures to support Sustainable Development Goal 8 (SDG 8) - Decent Work and Economic Growth.

6.4.6 Non-Renewable Sector

The objective of the non-renewable sector is to maximize socio-economic and environmental benefits derived from the mining and petroleum industry, as well as to promote downstream processing activities. This sector encompasses the Department of Mineral Policy and Geo-Hazard Management (DMPG), the Department of Petroleum and Energy (DPE), and the Mineral Resource Authority (MRA).

The mining, petroleum, and energy sectors have made significant contributions to government revenue, employment, GDP, exports, and foreign exchange. However, due to the global energy demand challenges, the energy industry requires substantial lead times for the development of new projects. The Government is fully committed to revitalise this sector in 2024 through the development of New Petroleum Projects including Papua LNG, P'nyang LNG Gas, Stanley project, and PASCA.

The investment within the sector is designed to fulfill outstanding State Commitments in various Oil and Gas Project Agreements, mitigate natural disasters, and formulate mining-related policies.

6.4.7 Education Sector

The Education Sector's objective is to achieve an educated, skilled, and productive population which is essential for social development and economic growth. The sector is comprised of ten (10) agencies which include: four (4) universities, Maritime college, Science and Technology Secretariat, Office of Libraries and Archives, one (1) research institution (NRI) and two leading agencies which are the Department of Education (DoE) and Department of Higher Education Research Science and Technology (DHERST). The Education Sector focuses on achieving SPA 4 in MTDP IV (Quality Education and Skilled Human Capital).

Consistent with the MTDP IV, the Government will focus on improving and providing quality of education and improve access and affordability at all levels from basic elementary, primary and secondary education leading to TVET institutions, colleges and the universities. The agenda for alternate pathways such as FODE and TVET will be supported to provide better opportunities for students leaving school.

Consistent with the Policy of "Leaving No Child Behind", considerable progress has been made in the last decade on improving student enrolment. It is estimated that over two million students will benefit from GTFS in 2024. Challenges faced in the delivery of education are; inadequate existing learning facilities to cater for the increase in the number of students, shortage of learning resources, ineffective quality assurance policies and practices to maintain appropriate standards of education coupled with limited research capacity and inadequate ICT infrastructures and systems.

For 2024, the Education Sector has been allocated a total of K4,081.6 million, accounting for 14.9 per cent of the overall budget. This allocation represents an increase of K411.4 million or 11.2 per cent compared to the 2023 Supplementary Budget. Out of the Education Sector's allocation for 2024, K3,750.2 million is designated for operational expenditure, with K2,564.5 million for CoE and K1,185.7 million for G&S. Additionally, K331.4 million is allocated for capital investment expenditure, which includes K180.0 million in direct financing from GoPNG, K142.0 million in grants, and K9.4 million in loans. It should be noted that Teachers Salary Grants and Leave Fares previously classified under Provinces Sector are now directly captured under the Education Sector.

The Government's ambition to achieve universal education and increase accessibility and retention rates to more than 80.0 per cent by year 2030 will be realised through the Government Tuition Fee Subsidy policy (K854.9 million) for Primary and Secondary education and, the Higher Education Loan (HELP) program (K52.0 million) and TESAS Program (K83.0 million) for the tertiary institutions. Furthermore, the Government aims to increase quality of skilled manpower graduating from higher education institutions with necessary skills and knowledge that the employees require. This can be obtained through improved infrastructure facilities; building the absorptive capacity of TVET institutions, Teachers and Nursing colleges to address the bottleneck in the education system and the high drop-out rate. The universities, college and research institution have all received significant operational budgets to ensure delivery of high-quality teaching and research. More emphasis is placed on the Flexible Open & Distance Education Program (FODE) to increase opportunity for youths to further their education. The improvement in the quality of student's learning and evaluation materials is supported through the Measurement Services and Curriculum Development programs K42.6 million in 2024.

6.4.8 Health Sector

The health sector is responsible for building an effective and efficient health system that delivers quality health service standards that are recognized internationally and acceptable to all citizens of this nation. The Sector comprises of Provincial Health Authorities (PHA); Port Moresby General Hospital; Hospital Management Services (HMS); National AIDs Council Secretariat; the

PNG Institute of Medical Research (PNG IMR) and the Directorate for Social Change and Mental Health, with the National Department of Health (NdoH) as the lead policy agency. The Sector focuses on SPA 3 in MTDP IV (Quality and Affordable Health Care) and the National Health Plan 2021-2030 and other relevant sector policies, strategies and plans.

The 2024 Budget will maintain the ongoing significant initiatives carried out in 2023. The Government aims to improve maternal and child survival rates, better preparedness for disease outbreaks and emerging population issues, help decrease in the burden of communicable diseases, promote a healthy lifestyle, strengthened partnerships and coordination with stakeholders, decrease the incidence rate of malaria, tuberculosis, cancer, and increase immunisation rates necessary to the population.

For 2024, the Health Sector has been allocated a total of K2,588.5 million, accounting for 9.5 per cent of the overall budget. This allocation represents an increase of K100.4 million or 4 per cent compared to the 2023 Supplementary Budget. Out of the Health Sector's allocation for 2024, K1,875.6 million is designated for operational expenditure, with K1,163 million for CoE and K712.6 million for G&S. Additionally, K712.9 million is allocated for capital investment expenditure, which includes K384.9 million in direct financing from GoPNG, K204.8 million in grants, and K123.2 million in loans.

The Operational Budget for the health sector in 2024 aims to address the funding gaps required by critical positions across health facilities. The facilities include Port Moresby General Hospital which has the highest number of 1,185 critical positions inclusive of the Cancer and Cardiac units. In addition, to support development and construction of Specialist Health Care Facilities, ensure Procurement & Distribution of Medical Supplies (K237.5 million) is conducted efficiently and effectively, and fund HIV/AIDS drugs (K9.0 million), Malaria Drugs and Test Kits (K10.0 million) and TB Drugs (K10.0 million). Furthermore, funding for St John’s Ambulance has increased to K10.0 million. PHAs and Port Moresby General Hospital will also be able to access the Retirement and Recruitment Fund to fund recruitment of more nurses and doctors.

6.4.9 Law, Justice and National Security

6.4.9.1 Law and Justice Sector

The Law & Justice sector’s core objectives are to strengthen the systems and processes of Government and promote good corporate governance; enforce the rule of law by reducing crime and corrupt practises; contain and rehabilitate non-law abiding citizens; and achieve a safe, just and secure environment for all by working in cohesion. The sector is made up of thirteen (13) Government funded agencies. The various Medium Term Development Plans (MTDP) including the current one (MTDP IV 2023 – 2027) chart the way forward for the sector in realising its objectives (SPA 5 – Rule of Law and Justice).

For 2024, the Law & Justice Sector has been allocated a total of K2,164.3 million, accounting for 7.9 per cent of the overall budget. This allocation represents an increase of K244.9 million or 12.8 per cent compared to the 2023 Supplementary Budget. Out of the Law & Justice Sector's allocation for 2024, K1,701.5 million is designated for operational expenditure, with K1168.6 million for CoE and K532.9 million for G&S. Additionally, K462.8 million is allocated for capital investment expenditure, which includes K385.0 million in direct financing from GoPNG, K57.8 million in grants, and K20.0 million in loans.

Major operational programs for the sector include; annual recruitment of 500 Police Personnel to increase the force strength to reach a manpower figure of 10,000, annual recruitment of 200 Warders to increase the warder-to-inmate ratio and curtail eminent jail break-outs and increase number of trainee lawyers passing out from the Legal Training Institute to service the justice system and consequently reduce the backlog of cases. Additionally, the recent improved employment terms and conditions for the State Lawyers will address concerns of retainment of lawyers in the public service. Village Court Officials and Land Mediators will continue to receive allowances through the Government's Ascender payroll system including the constitutional office pensioners. Other significant goods and services expenditures for the sector in 2024 include: K11.7 million for Police and Correctional Service recruitment training, K30.0 million for court circuits, K26.0 million for Police fuel & transport for mobility, K22.6 million for prisoners' rations & issues for 21 provincial jails and K14.0 million for the Constitutional Law Review. Independent Commission Against Corruption (ICAC) has been allocated K47.1 million in operational funding, more than four times as much as they were allocated in the 2023 Supplementary Budget.

Further priorities for 2024 include, the continued support for the Court House Infrastructure for the National and District courts, the Prison Industries and Community Correctional Centers and rehabilitation programs, Police Infrastructure Program for new constructions and renovations or maintenance and further upgrading the Information Communication and Technology (ICT) advancement in modernising its internal Case Management System (CMS) with the introduction of the e-judiciary system which will integrate the Electronic Case Management System and criminal Case System Database.

6.4.9.2 Judiciary

The Judiciary Services is a separate arm of the Government. For budget purposes, it is reported under the Law & Order Justice Sector. In 2024, the Judiciary Services is allocated K359.4 million. This comprises of K136.8 million in CoE, K159.6 million in G&S and K63.0 million in Capital Investment. This is a 31.9 per cent increase compared to the 2023 Supplementary Budget indicating the Government's commitment to strengthening the service provided by Judiciary Services.

6.4.9.3 National Security and Defence

There are various Government agencies across different sectors that seek to implement security policies and enforce laws relating to protecting and promoting the sovereignty of PNG. These agencies are: the Defence Organisation and the National Intelligence Organisation (Law & Justice); PNG Customs, Immigration & Citizenship Authority and Investment Promotion Authority (Administration); the PNG Civil & Identify Registry (Community and Culture); NAQIA (Economic); and the Department of Communication and Information Technology (Infrastructure). This cross-sector grouping has newly emerged and seeks prominence to the rise in collective security issues and threats that are both eminent and persistent in the country. The various security agencies involved have been performing their responsibilities in seclusion through different sectors. However, MTDP IV echoes the need for all security agencies to work in collaboration and in cohesion to address security issues (SPA 6 – National Security).

For 2024 and over the medium term, the Government will invest in strategic areas to build a vibrant national security sector. The focus will be to build the land, air and sea capabilities and appropriate border security infrastructure for the Defense Force as well as to build the capacity for the National Intelligence Office (NIO). The government will rehabilitate the rundown infrastructure in all PNGDF establishments and build new infrastructure to improve the Force's preparedness to respond to external threats and emergencies. As a key Government initiative under the MTDP IV, the government will prioritize investments to improve PNGDF's capacity to address national security issues across PNG's sovereign borders. Government will also support the NIO in its efforts to provide intelligence to ensure the government is well informed of the possible and existing threats.

The Government will also continue to strengthen the existing bilateral and security arrangements with the aim of promoting PNG sovereignty. Partnership and cooperation between agencies performing national security roles will be enhanced. Further improvements will be made to policies and legislation pertaining to national security.

The major operational program for the PNG Defence is on recruitment to increase the force strength to 5,000 Soldiers. Complementing the recruitment is the retirement of the aging workforce. Sustenance is also critical to the force, hence in 2024, the Defence Organisation will undertake procurement and retender for a new catering supplier at a total cost of K46.9 million. To support intelligence work, NIO will also receive an operational budget of K7.7 million representing an increase of 22.7 per cent above the 2023 Supplementary Budget appropriation.

6.4.10 Provincial Sector

The Provincial sector deals with budgetary and financial management matters of the subnational levels of Governments in the country. The National Government continues to resource the sector through the annual budgetary allocation to both DDAs and provincial administrations. Development intervention policies such as DSIP, PSIP, Provincial and District Infrastructure and Roads programs are implemented by the Provincial Governments and District Development Authorities (DDA's) as the frontline service delivery mechanism to provide strategic investments, such as: district hospitals; court houses; police stations; market district communities; and other social and economic activities. While Provincial Administrations have reclassified teachers' salaries and leave fares to the Education Sector.

The Provincial Sector consists of 20 Provincial Government Administrations, (1) Autonomous Government (Autonomous Bougainville Government) and 1 City Commission (National Capital District Commission), 2 City Authorities (Mt. Hagen and Lae City Authority) and Manam Restoration Authority. Underneath these, sits the 96 Districts (DDAs) and 354 Local Level Governments (LLGs). The number of LLGs increased by 23 from 331 to 354, while the number of Districts increased by 7 from 89 to 96 recently in 2023. The increase in LLGs and Districts requires additional funds for their respective establishment and operations.

The MTDP IV highlights the Minimum Service Standards for the Provinces and Districts to deliver during the MTDP IV period. The Minimum Service Standards include basic primary health care, clean and safe drinking water, and sanitation, decent housing, access to better connectivity in transport, communication, and electricity, and provisions of banking services and commerce. These are clearly articulated in the 12 Strategic Priority Areas and their respective Deliberate Intervention Programs. The Government is still focused on optimizing the use of (DDAs) as the frontline service delivery vehicle. Provinces and Districts will maintain their respective Services Improvement Programs and will be provided with additional Provincial and District Infrastructure Programs to cover for specific infrastructure requirements being prioritized at these levels.

For 2024, the Provinces Sector has been allocated a total of K4,081.8 million, accounting for 14.9 per cent of the overall budget. This allocation represents a decrease of K184.0 million or 4.3 per cent compared to the 2023 Supplementary Budget. Out of the Provinces Sector's allocation for 2024, K2,313.1 million is designated for operational expenditure, with K520.4 million for CoE and K1,792.7 million for G&S. Additionally, K1,768.7 million is allocated for capital investment expenditure, which includes K1,585.1 million in direct financing from GoPNG, K131.0 million in grants, and K52.6 million in loans.

GoPNG direct financing to each provincial administration includes K10.0 million for PSIP from the total allocation of K222.0 million whilst each district administration receives K10.0 million for DSIP. These capital funding assists Provinces with project developments, implementations of infrastructures throughout the year operations. As mentioned in the Administration Sector, K700.0 million of capital funding that was appropriated to Provincial Administrations in 2023 for

Provincial and District Infrastructure Programs has now been allocated to Department of Finance. This is the key cause of reduction in the 2024 Provincial Sector Budget.

In 2024, allocation of funds is directed towards maintaining developments at the provincial, district and LLG level through the SIPs, Salaries and Allowances for Public Servants, the ABG, and the new districts. The Special Support Grants (SSG), Infrastructure Development Grant (IDG) and Infrastructure Tax Credit Scheme (ITCS) will continue in 2024 as alternate funding sources for the provinces to complement the SIPs. Various items have been appropriated under the Miscellaneous Vote 207 that are included in the Provincial Sector. This includes LLG elections (K85.0 million), district maintenance (K75.0 million), and LLG Officials' allowances (K49.0 million).

6.4.10.1 Autonomous Region of Bougainville Government (ABG)

In 2024, the ABG is allocated K415.0 million (K140.7 million in CoE, K34.4 million in G&S and K240.0 million in capital).[1] The operational budget is maintained at 2023 Budget while 9.0 per cent or K25.0 million in Capital (the District Infrastructure Development Program) is reallocated to Finance for smooth implementation purposes.

6.4.11 Transport Sector

The Transport Sector is responsible for providing the enabling environment for development across all sectors. An effective transport system fosters the efficient flow of goods and services and enhances inclusive and sustainable economic growth. The Sector consists of nine (9) agencies with Department of Transport (DoT) as the lead agency. The major policies that guide the transport sector in achieving its goals are: National Road Network Strategy 2018-2037, Air Service Policy, Air Transport Policy, International Air Safety and Security Compliance (ICAO), *Road Traffic Act*, *Road Fund Act*, *National Ports Act*, *Civil Aviation Safety Act (CASA)* and *National Maritime Act*.

The Government is committed to connect and open up PNG through building strong transport infrastructure in three (3) sub-sectors; (i) roads (ii) air and (iii) maritime that is resilient to climate change issues and natural disasters. This can be achieved if priority is given to improving the assessment process of major projects to enhance socioeconomic returns, encouraging a quality-based focus on new construction, encouraging industry standards to ensure durability, and developing relevant policies. Apart from investing in major key national infrastructure, the Government plans to invest in sub-national infrastructure, especially in areas where there is economic potential. Connect PNG is one of the core pillars in MTDP IV (SPA 2). Development partners have played a critical role in this sector through loan and grant funded projects that are of national significance. So far, a significant amount of funding has been expended on the transport sector to unlock potential economic corridors.

For 2024, the Transport Sector has been allocated a total of K2,013.5 million, accounting for 7.4 per cent of the overall budget. This allocation represents a decrease of K219.9 million or 9.8 per cent compared to the 2023 Supplementary Budget. Out of the Transport Sector's allocation for 2024, K278.8 million is designated for operational expenditure, with K135.3 million for CoE and K143.6 million for G&S. Additionally, K1,734.6 million is allocated for capital investment expenditure, which includes K1,192.0 million in direct financing from GoPNG, K317.0 million in grants, and K225.6 million in loans.

The Connect PNG Agenda packages construction and maintenance of roads/missing links, wharfs with electricity and telecommunications lines supported by policy reforms of the state-owned enterprises. The Government will proceed to lock in certain strategic high impact

[1] If teachers' salaries and leave fares are excluded (these are classified under the Education sector), ABG's CoE allocation is K54.4 million; total of K328.8

programmes and projects in partnership with development partners. The key priority programs/projects for 2024 include the major Connect PNG – roads (K305.0 million) Connect PNG Roads Missing Links (K600.0 million) and Connect PNG arrears (K200.0 million, K100.0 million in operational and K100.0 million in capital budget).

6.4.12 Utilities Sector

The Utilities sector is responsible for providing households and businesses with essential services such as reliable electricity, safe and clean water, sanitation, and modernised information and communications infrastructure. The sector is comprised of nine (9) agencies that implement their plans in collaboration with State Owned Enterprises (SOEs) and the Private Sector. The sector strategically aligns their plans through the implementation of the National Energy Policy 2017-2027, Information and Communication Policy 2008, WaSH Policy 2015- 2030, and other key infrastructure policies to achieve the PNGDSP 2030 and MTDP targets.

The Government is still facing the huge challenge of meeting the demands of a growing population, causing it to shift focus to provide accessible, reliable, and affordable municipal services like water, electricity, and telecommunication services at the provincial and district levels. PNG has significant untapped energy sources and other resources; however, the development of these resources is lagging, and the country remains extremely low in quality utility services that are a prerequisite for effective poverty reduction.

In 2024, the Government, in collaboration with development partners and the private sector will continue to invest in renewable energy generation, rehabilitating main power grids and extending household connectivity. Other areas of investment include telecommunications, affordable land and housing programs, and safe drinking water & sanitation. Through the implementation of the National Energy Policy 2017-2027, the Government will establish an effective administrative mechanism to coordinate and promote investments in the subsector.

For 2024, the Utilities Sector has been allocated a total of K1,201.0 million, accounting for 4.4 per cent of the overall budget. This allocation represents an increase of K445.3 million or 58.9 per cent compared to the 2023 Supplementary Budget. Out of the Utilities Sector's allocation for 2024, K84.2 million is designated for operational expenditure, with K63.5 million for CoE and K20.8 million for G&S. Additionally, K1,116.7 million is allocated for capital investment expenditure, which includes K381.0 million in direct financing from GoPNG, K105.0 million in grants, and K630.7 million in loans.

There is significant funding for the State-Owned Enterprises (SOEs). A total of K80.0 million is allocated for SOE reform program and another K100.0 million allocated for Air Niugini re- fleeting. This is essential for the safety of the consumers. Apart for the SOEs, the National Housing Corporations has received an increase in funding to cater for CoE and review of the National Housing Policy and National Broadcasting Commission received K20.0 million for its rehabilitation and modernisation program.

6.5 EXPENDITURE EFFICIENCY MEASURES

6.5.1 Non-Compliance

The general non-compliance from agencies in adhering to the *Public Finance Management Act 1995*, rules and regulations is a major contributing factor to the overall inefficiencies in the budget formulation and execution process. This includes inadequate provision of reliable, and timely financial and non-financial information by government agencies to Department of Treasury and Department of National Planning & Monitoring (DNPM) during the budget process, failing to submit quarterly expenditure reports, inadequately monitoring and evaluating government-funded projects, delays in submitting work plans and procurement plans.

During the 2024 budget process, it was alarming to see that 29.0 per cent of Government institutions did not submit their budget bids.

6.5.2 Greater Governance in Expenditure

To address these expenditure inefficiencies, the 2024 Budget has proposed the following expenditure efficiency measures and penalty mechanisms to promote compliance and greater governance in expenditure:

1. Penalty Mechanism for Non-Compliant Agencies

Establishing a penalty mechanism that holds agency heads accountable for non-compliance, including failure to pay income tax or superannuation and delays in submitting budget bids or reports. Imposing penalties create a deterrent and emphasise the importance of adhering to financial requirements and reporting deadlines.

2. Public Disclosure of Non-Compliant Agencies

Adopting a transparent approach by publicly disclosing the names of non-compliant agencies and those with outstanding liabilities, such as income tax or superannuation payments. This measure promotes public accountability and exerts reputational pressure on agencies to meet their financial obligations and reporting requirements. Public disclosure also fosters a culture of compliance and discourages non-compliance.

3. Budget Training for Agencies

Providing comprehensive budget training to all agencies in early 2024 to enhance their understanding of budgeting processes, financial management, reporting standards, and compliance obligations. By improving agencies' knowledge and skills in budgetary matters, they can better prepare and submit accurate budget bids and reports in a timely manner.

4. Circular on Project Funding Requirements

Issuing a circular to all agencies, outlining specific requirements for project funding. Projects will only receive funding if they demonstrate proper procurement, cash flow, and work plans. This measure ensures that agencies develop comprehensive project proposals that exhibit effective planning, financial management, and accountability. Funding projects based on well-defined plans and procurement processes minimises the risk of financial mismanagement and contributes to the achievement of desired project outcomes.

5. Restricting Goods and Services Expenditure on Credit

Implementing a policy that prohibits goods and service (G&S) expenditure on credit. This policy promotes financial discipline by requiring agencies to pay for goods and services upfront or within approved timelines. It encourages responsible financial management, prevents the accumulation of unsustainable debt, and minimises unnecessary interest costs. Adhering to budgetary constraints and prioritising expenditures within available resources becomes a priority under this policy.

6. Monitoring and Evaluation (M&E) Mechanisms

Department of Treasury and Department of National Planning Monitoring will work together to improve Monitoring and Evaluation (M&E) of various programs and projects. Monitoring and Evaluation (M&E) is an essential tool for effective Government decision-making, meeting public needs, and achieving desired outcomes while minimising resource wastage. It plays a critical role in the budget allocation process for GoPNG funded programs and projects. By conducting rigorous M&E, we can assess the alignment of funds with objectives and identified needs, as well as evaluate efficiency to ensure optimal resource utilisation. M&E also promotes compliance, transparency, and accountability, thereby enhancing the overall effectiveness of resource allocation. Through continuous feedback and data-driven adjustments, M&E facilitates ongoing improvement efforts. Collaborative efforts between the Department of Finance, agency heads, and relevant stakeholders in enhancing M&E can address expenditure inefficiencies.

By implementing proper M&E practices, we can optimise financial resources, improve service delivery, and promote sustainable economic development, ultimately contributing to the overall welfare and prosperity of the nation and its citizens.

6.5.3 Expenditure Restraint Measures

To meet Government's sector priorities and align expenditure with the 13-year Budget Repair Plan for achieving fiscal consolidation by 2027, will require expenditure restraints across all sectors. These restraints include;

1. limiting the creation of new agencies, enhance capacity of existing agencies and merging those with similar functions to avoid duplication and resource wastage;
2. setting timeframes or lapse periods for National Executive Council (NEC) decisions with financial implications to alleviate pressure on budget implementation;
3. implementing stringent measures to limit spending on general goods and services such as travel, car hire, venue rentals, conferences, and symposiums; and,
4. phasing out projects with substantial funding requirements through multi-year budgeting, ensuring clear project scoping, strengthening project management capabilities, and enhancing monitoring, auditing, and reporting capacities.

6.5.4 Organisational Staffing Personnel Emoluments Audit Committee (OSPEAC)

The OSPEAC will continue its efforts to address overruns in the CoE budget of the Government of Papua New Guinea (GoPNG). The OSPEAC activities will focus on enhancing payroll efficiencies by scrutinising the public service pay bill, identifying causes of overspending, and recommending and implementing corrective measures. These activities will also ensure that GoPNG meets IMF's requirements on payroll efficiency. The ongoing activities of OSPEAC include:

6.5.4.1 Whole-of-Government Retirement Exercise

In 2023, the retirement exercise for the entire Government workforce (excluding teachers) was slow to commence due to delays in agencies confirming retirements. However, in the third quarter, 72 public servants exited the public service, costing K4.8 million which were paid on pay period 22 of 2023. In the past two (2) years, a total of 2,609 officers were successfully retired at a cost of K372.2 million (including K191.3 million for superannuation). As significant number of retirees are considered unattached in the agency structure, the retirement exercise aims to reduce these unattached officers on the payroll and create opportunities for new graduates to join the public service.

6.5.4.2 Upgrading of Ascender Payroll System

The GoPNG currently operates on an outdated version of the Ascender payroll system, which incurs high maintenance costs. In 2023, K3.3 million was allocated for support and annual subscription fees. Upgrading the payroll system to version 22 will allow GoPNG to focus only on the annual subscription fee, which is lower than the current costs. This upgrade is expected to enhance efficiency by automating entitlement calculations for retirement benefits, gratuity, and other salary components, reducing human errors that contribute to overspending in the CoE budget. Consultations have been conducted with the Department of Personnel Management, Department of Finance and the State Solicitors Office to develop strategies for payroll cleansing and obtain legal clarifications in preparation for the upgrade.

6.5.4.3 Review of the Ascender Payroll System

In 2020, GoPNG engaged Deloitte, an independent organisation to audit the current payroll system; this was to identify factors in the payroll system that contributes to the annual CoE overruns. The review focused on payroll data, system and HR policies and General Orders including the Devolution of HR powers. A formal report was released in 2023. The review concluded that the lack of an upgrade since 2003 has resulted in some internal control weaknesses. Recommendations from the review will be observed to develop a work plan for implementation in 2024. This will coincide with the GoPNG's agenda of updating the payroll system.

6.5.4.4 Awareness on Efficiency Measures

a) Staffing and Establishment review for Teachers and Non-Teachers

Annual reviews of staffing and establishment (S&E) for teachers and non-teachers were conducted to reconcile staffing numbers with the Ascender payroll system. The review provided accurate staffing numbers, appropriate budgeting costs, and recommendations for corrective actions. Some of these recommendations will be incorporated in the 2024 OSPEAC work-plan, including work on the digitalisation of human resource processes.

b) Human Resource Forums

Annual Human Resource (HR) forums will be conducted to update HR practitioners on current HR practices and legislation. The forums will also highlight the impact of poor HR practices on the budget.

6.5.4.5 Proposed New Reforms

a) Digitalisation of Human Resource Platforms

OSPEAC will focus on policies and strategies to transition from current business practices to digitalised processes. The DPM is currently reviewing legislation related to remuneration and developing strategies for implementation in 2024. This aligns with the payroll upgrade agenda and the long-term plan of linking payroll to the release of warrants.

b) Manpower Planning

OSPEAC aims to forecast manpower needs in each sector. While conducting payroll cleansing and updating staffing data, the cleansed data will be used to forecast future manpower count and costs. This will assist GoPNG in allocating funds to prioritise positions in each sector to enhance service delivery. Through these initiatives, OSPEAC endeavours to improve payroll efficiency, reduce overspending, and enhance overall human resource management within the GoPNG.

6.5.5 Arrears Verification Program

6.5.5.1 Arrears

The Arrears Verification Program, established through NEC Decision 397/2020 by the Marape-Rosso Government, is an initiative aimed at addressing arrears. Its purpose is to identify and verify existing arrears, pay compliant claims to reduce the arrears, and develop strategies to prevent future arrears.

The Arrears Verification Program commenced in January 2020 and operates through an inter-agency committee called the Arrears Verification Committee (AVC) and a coordinating Secretariat. The initial phase of the program is designed to run for three years, but the Government intends to renew the program for its fourth term in 2024.

Controlling arrears is crucial for effective financial management. Unpaid arrears can negatively impact government performance, hinder service delivery, disrupt budget management, and give rise to long-term structural and governance issues. Failing to pay valid contracts on time with private sector firms and international organisations damages the reputation of Government agencies, undermines business confidence, and impedes economic growth.

6.5.5.2 Arrears Budget 2020 - 2023

The Arrears Program was initially allocated K647.1 million in the 2020 Budget to start the program, but this was later revised to K329.9 million with an actual expenditure of K255.2 million. From 2020 to 2023, a total of K1.4 billion was allocated for the program, which was further revised to K1.0 billion for that period. Out of this amount, K879.3 million was issued in warrants for the payment of arrears.

The Government's commitment to reducing outstanding payments for Micro to Small and Medium Enterprises (MSMEs) and Small to Medium Enterprises (SMEs) is demonstrated by the program's continuation into its fourth term in 2024. The table below illustrates the Arrears budget, warrants, and expenditure over the three (3)-year period (2020-2023).

Table 25: Arrears Budget, Warrant & Expenditure 2020- 2023 (Kina, million)

Years	Original Approp	Revised Approp	Warrant	Expenditure
2020	647,116,000.0	329,958,692.0	290,098,760.0	255,200,000.0
2021	770,000,000.0	368,507,420.0	368,507,420.0	339,748,650.0
2022	300,000,000.0	434,194,736.0	432,602,580.0	432,602,317.0
2023	300,000,000.0	198,957,052.0	78,172,543.0	66,803,359.0
TOTAL	**1,370,000,000.0**	**1,001,659,208.0**	**879,282,543.0**	**839,154,326.0**

Source: Department of Treasury

6.5.5.4 Arrears Clearance Framework

The budget appropriation for the AVC has been reduced over the years, from K329.9 million in 2020 to K198.9 million in 2023. This reduction is due to the minimal expenditure experienced annually. The low expenditure is a result of many claims that are non-compliant with the Public Finance Management Act and the National Procurement Act, making them unable to be settled.

Currently, approximately 80.0 per cent of the arrear claims are either partially compliant or non-compliant with the procurement processes.

During the implementation of the arrears program from 2020 to 2023, the AVC has identified multiple flaws in the procurement of goods, works, and services by Government agencies. To address these compliance issues, the AVC is organising awareness-raising activities such as meeting forums, quarterly budget reviews, information sessions, and financial circulars. The goal is to increase awareness and adherence to procurement processes.

In 2024, the AVC will continue its focus on compliance to minimise and prevent the accumulation of arrears.

6.5.6 Non-Financial Instructions

Non-Financial Instructions (NFIs) are issued to agencies to implement in order to address inefficiencies identified during the annual budget process. NFIs serve the purpose of promoting compliance, accountability, and transparency in agency operations. Agencies that have been issued with NFIs in 2024 are expected to implement them and report to DoT in the Quarterly Budget reviews.

NFIs are categorised as generic and specific. Generic NFIs are issued to all the agencies to which the NFI is applicable while specific NFIs are issued to individual agencies. Below are the generic and specific NFIs issued in 2024.

6.5.6.1 Generic NFIs

1. All Government funded agencies must adhere to:
    a. Taxation and Superannuation Acts
    b. Budget Circulars
    c. Procurement Process
2. All Goods and Services expenditure must be within the current appropriation.
3. All budget bids must come through the annual budget process.
4. NEC submissions and decisions that have financial implications must specify funding source, including offsets within the agencies' respective budgets.
5. Agencies on standalone payroll system must migrate onto the Government payroll system (Ascender).
6. All agencies have an asset registry and keep track of all agencies assets.

6.5.6.2 Specific NFIs

1. **National AIDS Council** to review and update the HIV/AIDS prevention strategic plan and provide acquittal on the K5.0million given for Covid-19.
2. **Department of Higher Education, Research, Science and Technology** to develop a mechanism to recoup HELP loan repayments.
3. **Department of Agriculture and Livestock** to update its Corporate Plan and finalise the National Agriculture Sector Plan.
4. **National Housing Corporation and DPM** to coordinate and deliver a National Housing Policy.
5. **Department of Finance to institute the IFMS** board in 2024 to ensure there is a completion date for the project; IFMS is to be rolled out to all the Districts and Provinces; and this project is completed.
6. **PNG Fire Services** to ensure all the buildings in Port Moresby are certified according to the required standard and safety measures in 2024.

7. **Department of Provincial and Local Level Government Affairs and DPM** to finalize and operationalize the structure for the seven new districts in 2024.
8. **National Procurement Commission** to implement the E-procurement system in 2024.
9. **Department of Personnel Management** to conduct functional review on all agencies to minimize duplication of roles and increase capacity.

6.6 STATUS OF TRUST ACCOUNTS

Pursuant to *Section 15* of the *Public Finance Management Act (PFMA), (Amended 2016)*, the Department of Finance (DoF) gives authorization to any government institution, whether it be National Department, Statutory Authority or Provincial Government, to establish and operate trust accounts. The trust accounts can be funded through the National Budget, Donors or counter funded by GoPNG*. Section 16 (6) of the PFMA*, requires that all trust accounts must be operated in accordance with the requirements of the relevant trust instruments.

A total of **K20,271.4 million** (K18,600.6 million from 2022 FBO + K1,670.8 million), up to and including the 2023 Budget appropriations, has been expended through the budget-funded trust accounts since 2005 for the implementation of Government's various priority programs. The main purpose of holding funds in Trust Accounts is to spread spending overtime to help manage inflationary pressures on the economy and to give Government agencies sufficient time to properly plan and implement their priority programs/projects.

The following is the expenditure report for all the budget funded trust accounts from 1st January to 30th September 2023. A total of **K1,670.8 million** has been expended from various trust accounts between January and September 2023.

Table 26: Movement of Funds in Budget Funded Trust Accounts from 01st January – 30th September 2023 (Kina, million)

Trust Account Name	Balance as at 1-Jan-023	Debit (Receipts)	Credit (Payments)	Balance as at 30-Sept-2023
Flexible, Open and Distance Education (FODE) Rehabilitation - GoPNG	0.6	0.5	0.0	1.1
Government Tuition Fee Subsidy Education Trust Account	224.8	580.7	703.2	102.3
Tuition Fee Subsidy Education - Commodity Component Trust	186.3	45.4	71.0	160.8
Govt's Funding of Rehab. Of Higher Education Sector TA	26.9	0.8	1.2	26.4
PNG Rural Communications Project GOPNG	0.1	0.0	0.0	0.1
PNG Fire Service Infrastructure Rehabilitation Program - (PIP) T/A	0.0	0.5	0.0	0.5
National Road Maintenance Policy TA	0.0	0.0	0.0	0.0
Highlands Highway Rehabilitation T/A Subsidiary	0.0	0.0	0.0	0.0
Port Moresby Roads Trust Account	0.4	0.0	0.0	0.4
Small Medium Enterprise (SME) Risk Sharing Facility (GoPNG)	1.5	5.0	5.6	0.9
Central City Trust Account	26.9	0.0	0.0	26.9
Restoration and Development Grant Trust	0.0	8.3	0.0	8.3
Special Intervention Funds (Established on 28 Feb 2014)	0.0	0.0	0.0	0.0
LNG Pipeline Infrastructure Dev Grant (IDG) (Kikori Area)	0.0	0.0	0.0	0.0
LNG Plant Infrastructure Development Grant (IDG) (Papa/Lealea) TA	0.5	0.0	0.0	0.5
Financial Management Improvement Programme (FMIP) - GoPNG	7.2	1.0	6.1	2.1
FMIP Provincial Capacity Building Imprest Trust Account	2.2	1.0	2.0	1.2
Infrastructure Development (UBSA) Grant (IDG) Account - Main	7.9	0.0	0.0	7.9

Trust Account Name	Balance as at 1-Jan-023	Debit (Receipts)	Credit (Payment s)	Balance as at 30-Sept-2023
Infrastructure Development (UBSA) Grant Account (IDG) Sub	1.4	0.0	0.0	1.4
PNG High Impact Infrastructure Projects	0.0	0.0	0.0	0.0
PNG High Impact Infrastructure Projects Sub	0.0	0.0	0.0	0.0
Public Service Audit Program	0.6	0.0	0.0	0.6
2017 PNG National General Election - Finance, Procurement, Personnel and Logistic Trust	0.0	0.0	0.0	0.0
NAOSPIII GoPNG Counterpart Funds (European Union)	0.5	1.6	0.9	1.1
Department of Prime Minister & NEC APEC Operations (OP) Plan 2018 TA	0.0	0.0	0.0	0.0
Highlands Region Roads Improve Invest Prog ADB - GoPNG Counterpart	0.1	-	-	0.1
HRRIP GoPNG Counterpart	1.0	-	1.0	0.1
Comm.Water Transport Proj. GoPNG C/Fund	2.5	32.3	16.2	18.7
Comm.Water Transportation Fund - GoPNG (ADB 2079)	0.0	0.0	0.0	0.0
PNG LNG Additional State Equity Financing	0.7	0.0	0.0	0.7
Highlands Region Road Improvement Investment Program (HRRIP) Project 2 - GoPNG Counterpart Funding TA (Inc	0.0	0.0	0.0	0.0
SHHIP- Tranche 1 - GoPNG Counterpart Fund	6.2	0.0	2.2	4.1
Multiple LNG Development Trust Account	0.7	5.6	1.3	5.0
Coastal Vessels Account	0.1	0.0	0.0	0.1
Water Supply & Sanitation Development Project – GoPNG	1.6	0.5	0.1	2.1
Bougainville Referendum Non-electoral Support Funds	0.5	24.1	8.7	15.9
Land Reform Trust Account	0.0	0.0	0.0	0.0
Mukurumanda Jail Project Trust Account	2.6	0.0	1.8	0.9
Jiwaka Provincial Headquarter Project Trust Account	0.0	0.0	0.0	0.0
Tsak Valley Electrification Project - GoPNG Counterpart Fund	0.0	0.0	0.0	0.0
2020 National Population and Housing Census Trust Account	1.3	0.6	1.8	0.0
Kokopau to Arawa Road	0.0	0.0	0.0	0.0
COVID-19 Emergency Trust Account	410.3	180.4	484.3	106.4
Health Service Sector Development Budget Support Trust Account	0.7	0.0	0.0	0.7
PNG's First Economic and Fiscal Resilience Development Policy TA	0.3	0.0	0.0	0.3
Connect PNG Economic Road Transport Infrastructure Dev. Prog. TA	1.2	0.00	0.00	1.2
Higher Education Loan Program Trust Account	9.8	89.8	56.1	43.5
Ihu Special Economic Zone	3.8	0.0	3.5	0.3
Government Commitment Trust Accounts	22.9	546.8	284.4	285.3
2022 National General Election - Finance Procurement, Personnel and Logistics Trust Account	9.5	0.2	8.8	0.9
Office of State Negotiations Trust Account	6.6	5.1	10.6	1.0
Project Readiness Finance - GoPNG C/part funding	0.0	4.8	0.0	4.8
SHHIP - Tranche 2 - GoPNG	0.0	0.0	0.0	0.0
Total	**970.2**	**1,535.0**	**1,670.8**	**834.6**

Source: Department of Finance.

It should be noted that the Government Tuition Fee Subsidy (GTFS) Education is the main account only and COVID-19 trust accounts receipts, and expenses are inclusive of all its subsidiary accounts.

The opening balance of the budget funded trust accounts as of 01st January 2023 was K970.2 million. Expenditure incurred in this period totalled K1,670.8 million with K1,535.0 million as receipts within the same period and; the closing balance as at 30th September 2023 was K834.6 million.

Following is a summary of expenditures above **K5.0 million** from budget funded trust accounts for the period 01st January to 30th September 2023

- **K703.2 million** was expended on the Government's Tuition Fee Subsidy (GTFS) program;
- **K484.3 million** was expended from the COVID-19 Emergency Trust Account to facilitate payments of operational funds allowed under Finance Instruction 11/2021 dated 04th November, 2021 IFSM System Outage.
- **K284.4 million** was expended on the Government Commitment Trust Accounts to cater to the outstanding commitments of the Government.
- **K71.0 million** was expended on the Tuition Fee Subsidy Education - Commodity Component Trust.
- **K56.1 million** was expended on the Higher Education Loan Program Trust Account.
- **K16.2 million** was expanded on the Community Water Transport Project -. GoPNG Counterpart Funding.
- **K10.6 million** was expended on the Office of State Negotiations Trust Account.
- **K8.8 million** was expended on the 2022 National General Election - Finance Procurement, Personnel and Logistics Trust Account to fund the current 2022 National General Election.
- **K8.7 million** was expended on the Bougainville Referendum Non-Electoral Support Funds.
- **K6.1 million** was on the Financial Management Improvement Program (FMIP) project.
- **K5.6** was expended on the Small Medium Enterprise (SME) Risk Sharing Facility (GoPNG).

Many trust accounts did not incur expenses as most of them were restricted by the banks as per instructed by the Reform Team due to expired trust instruments or the bank accounts are dormant.

Table 27 and 28 below shows movement of funds in the COVID-19 Emergency Trust Accounts for the 89 District and 22 Provincial Trust accounts respectively for the period of 01st January to 30th September, 2023. From these accounts, a total of K484.3 million was expended as at end of September 2023. This Ending COVID-19 balances consist of operational funds allowed under Finance Instruction 11/2021 dated 04th November, 2021.

Table 27: Movement of Funds in the COVID Emergency Trust Accounts for Provinces from 01st January – 30th Sept 2023 (Kina, million)

Provincial Subsidiary Account	Bal as at 01 Jan 2023	Receipts	Payments	Bal as at 30 Sept 2023
COVID -19 Emergency Trust Account – Enga	0.2	0.0	-	0.2
COVID -19 Emergency Trust Account – Hela	0.3	-	-	0.3
COVID -19 Emergency Trust Account – SHP	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Western	1.5	-	-	1.5
COVID -19 Emergency Trust Account – WHP	0.5	-	0.5	0.1
COVID -19 Emergency Trust Account – EHP	11.0	35.9	30.3	16.7
COVID -19 Emergency Trust Account – Morobe	16.2	31.1	47.3	0.0
COVID -19 Emergency Trust Account – Madang	17.1	20.8	38.0	- 0.0
COVID -19 Emergency Trust Account – ESP	1.7	-	0.0	1.7

Provincial Subsidiary Account	Bal as at 01 Jan 2023	Receipts	Payments	Bal as at 30 Sept 2023
COVID -19 Emergency Trust Account – WSP	0.1	-	-	0.1
COVID -19 Emergency Trust Account – Milne Bay	1.9	8.0	9.9	- 0.0
COVID -19 Emergency Trust Account – Oro	40.9	0.0	37.3	3.7
COVID -19 Emergency Trust Account – NCD	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Central	8.8	-	0.0	8.8
COVID -19 Emergency Trust Account – ENB	54.6	0.0	53.1	1.5
COVID -19 Emergency Trust Account – WNB	5.1	-	5.1	-
COVID -19 Emergency Trust Account – New Ireland	0.2	-	0.0	0.2
COVID -19 Emergency Trust Account – Jiwaka	0.3	1.6	1.8	0.1
COVID -19 Emergency Trust Account – Simbu	0.0	20.0	8.7	11.3
COVID -19 Emergency Trust Account – Manus	2.0	-	-	2.0
COVID -19 Emergency Trust Account – Gulf	26.1	0.8	23.9	3.0
COVID -19 Emergency Trust Account – ABG	0.0	-	-	0.0
TOTAL OF COVID-19 PROVINCIAL TRUSTS	**188.9**	**118.2**	**255.9**	**51.3**

Source: Department of Finance.

Table 28: Movement of Funds in the COVID Emergency Trust Accounts for Districts from 01st January – 30th Sept 2023 (kina, million)

District Subsidiary Accounts	Bal as at 01 Jan 2023	Receipts	Payments	Bal as at 30 Sept 2023
COVID -19 Emergency Trust Account – Middle Fly District	1.2	-	0.0	1.2
COVID -19 Emergency Trust Account – North Fly District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – South Fly District	0.0	-	0.0	0.0
COVID -19 Emergency Trust Account – Kerema District	8.8	0.1	8.4	0.4
COVID -19 Emergency Trust Account – Kikori District	0.3	0.4	0.8	0.0
COVID -19 Emergency Trust Account – Goilala District	2.9	-	-	2.9
COVID -19 Emergency Trust Account – Rigo District	0.9	-	-	0.9
COVID -19 Emergency Trust Account – Abau District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Kairuku Hiri District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Moresby South District	0.0	-	-	0.0
COVID - 19 Emergency Trust Account – Moresby North East	0.4	-	-	0.4
COVID -19 Emergency Trust Account – Moresby North West	1.6	0.0	1.1	0.5
COVID -19 Emergency Trust Account – Kiriwina Goodenough District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Central Bougainville District	0.1	-	0.0	0.1
COVID -19 Emergency Trust Account – Esa'ala District	0.3	-	-	0.3
COVID -19 Emergency Trust Account – Samarai Murua District	0.0	-	-	0.0

District Subsidiary Accounts	Bal as at 01 Jan 2023	Receipts	Payments	Bal as at 30 Sept 2023
COVID -19 Emergency Trust Account – Ijivitari District	0.2	6.0	6.2	0.0
COVID -19 Emergency Trust Account – Kagua Erave District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Imbongu District	0.4	-	-	0.4
COVID -19 Emergency Trust Account – Mendi District	0.0	-	0.0	0.0
COVID -19 Emergency Trust Account – Ialibu Pangia District	1.0	-	-	1.0
COVID -19 Emergency Trust Account – Nipa Kutubu District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Tari Pori District	2.5	-	2.0	0.5
COVID -19 Emergency Trust Account – Komo Magarima District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Koroba Kopiago District	0.5	-	-	0.5
COVID -19 Emergency Trust Account – South Bougainville District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Wabag District	0.5	0.1	0.4	0.1
COVID -19 Emergency Trust Account – Kandep District	0.1	-	0.1	0.0
COVID -19 Emergency Trust Account – Laiagap Pogera District	0.0	0.7	0.3	0.4
COVID -19 Emergency Trust Account – Wapenamanda District	0.2	0.0	0.2	0.0
COVID -19 Emergency Trust Account – Kompiam Ambum District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Tambul Nebilyer District	0.7	-	0.3	0.4
COVID -19 Emergency Trust Account – Mul Baiyer District	1.4	-	0.2	1.2
COVID -19 Emergency Trust Account – Dei District	1.6	-	1.5	0.0
COVID -19 Emergency Trust Account - Hagen District	0.8	-	0.6	0.2
COVID -19 Emergency Trust Account - North Waghi District	0.6	5.7	6.0	0.3
COVID -19 Emergency Trust Account – Anglip South Waghi District	0.0	5.5	5.5	0.0
COVID -19 Emergency Trust Account – Jimi District	1.9	4.0	5.9	0.0
COVID -19 Emergency Trust Account – Kerawagi District	6.4	-	4.1	2.3
COVID -19 Emergency Trust Account – Kundiawa/ Gembogle District	0.7	2.0	2.7	0.0
COVID -19 Emergency Trust Account – Sinesine Yongomul District	6.4	-	6.4	0.0
COVID -19 Emergency Trust Account – Karamui Nomane District	3.8	0.5	4.0	0.2
COVID -19 Emergency Trust Account – Gumini District	2.7	-	2.7	0.0
COVID -19 Emergency Trust Account – Chuave District	2.7	-	2.7	-

District Subsidiary Accounts	Bal as at 01 Jan 2023	Receipts	Payments	Bal as at 30 Sept 2023
COVID -19 Emergency Trust Account – Daulo District	1.0	0.0	1.0	0.0
COVID -19 Emergency Trust Account – Goroka District	4.1	2.0	6.2	- 0.1
COVID -19 Emergency Trust Account – Ungai Bena District	6.5	0.0	6.2	0.3
COVID -19 Emergency Trust Account – Henganofi District	0.5	12.1	12.6	- 0.0
COVID -19 Emergency Trust Account – Lufa District	1.6	-	1.6	0.0
COVID -19 Emergency Trust Account – Okapa District	8.3	0.1	8.4	0.0
COVID -19 Emergency Trust Account – Kainantu District	6.9	5.0	10.3	1.6
COVID -19 Emergency Trust Account – Obura Wonenara District	7.0	0.2	7.1	0.0
COVID -19 Emergency Trust Account – Tewai Siasi District	14.3	-	13.7	0.6
COVID -19 Emergency Trust Account – Markham District	1.3	2.0	2.4	0.9
COVID -19 Emergency Trust Account – Huon Gulf District	3.3	1.2	4.3	0.2
COVID -19 Emergency Trust Account – Lae District	10.2	-	10.2	0.0
COVID -19 Emergency Trust Account – Kabwum District	3.0	-	2.9	0.0
COVID -19 Emergency Trust Account – Bulolo District	0.2	5.0	5.2	0.0
COVID -19 Emergency Trust Account - Minyamya District	0.2	1.4	1.6	0.0
COVID -19 Emergency Trust Account – Finchafen District	6.5	1.7	8.1	0.0
COVID -19 Emergency Trust Account – Nawaeb District	11.4	2.0	13.2	0.2
COVID -19 Emergency Trust Account – Middle Ramu District	12.2	0.0	7.2	5.1
COVID -19 Emergency Trust Account – Rai Coast District	7.4	-	4.2	3.2
COVID -19 Emergency Trust Account – Madang District	12.7	-	1.8	10.9
COVID -19 Emergency Trust Account – Bogia District	0.4	4.1	4.5	0.0
COVID -19 Emergency Trust Account – Usino Bundi District	0.3	-	0.3	0.0
COVID -19 Emergency Trust Account – Sumkar District	2.7	-	2.7	0.0
COVID -19 Emergency Trust Account – Yangoru Saussia District	0.5	-	-	0.5
COVID -19 Emergency Trust Account – Wewak District	3.4	-	2.0	1.4
COVID -19 Emergency Trust Account – Wosera Gawi District	2.3	-	2.3	0.0
COVID -19 Emergency Trust Account - Ambunti Drekikir District	8.4	-	8.1	0.4
COVID -19 Emergency Trust Account – Maprik District	0.3	-	0.3	0.0

District Subsidiary Accounts	Bal as at 01 Jan 2023	Receipts	Payments	Bal as at 30 Sept 2023
COVID -19 Emergency Trust Account – Angoram District	1.3	-	-	1.3
COVID -19 Emergency Trust Account – Telefomin District	0.2	0.1	0.2	0.0
COVID -19 Emergency Trust Account – Vanimo Green District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Nuku District	0.2	-	-	0.2
COVID -19 Emergency Trust Account – Aitape Lumi District	0.0	-	0.0	0.0
COVID -19 Emergency Trust Account – Manus District	0.5	-	-	0.5
COVID -19 Emergency Trust Account – Kavieng District	6.4	0.0	-	6.4
COVID -19 Emergency Trust Account – Namatanai District	0.0	-	-	0.0
COVID -19 Emergency Trust Account – Pomio District	2.5	-	2.5	0.1
COVID -19 Emergency Trust Account – Rabaul District	5.7	0.0	1.3	4.4
COVID -19 Emergency Trust Account – Gazelle District	10.5	-	10.4	0.1
COVID -19 Emergency Trust Account – Kokopo District	1.0	-	0.7	0.3
COVID -19 Emergency Trust Account – Talasea District	0.0	-	0.0	-
COVID -19 Emergency Trust Account – Kandrian Gloucester District	2.0	-	-	2.0
COVID -19 Emergency Trust Account – North Bougainville District	0.0	-	-	0.0
COVID-19 Emergency Trust Account – Sohe District	2.4	0.4	2.7	0.2
COVID-19 Emergency Trust Account – Alotau District	0.1	-	0.1	0.0
TOTAL OF COVID-19 DISTRICT TRUSTS	**221.4**	**62.1**	**228.4**	**55.1**

TOTAL OF ALL COVID-19 TRUSTS	**410.3**	**180.4**	**484.3**	**106.4**

Source: Department of Finance.

CHAPTER 7: TAX EXPENDITURE

7.1 INTRODUCTION

The taxation system primarily meets dual objectives of raising revenue to fund public expenditures and promote certain policy objectives. A Government can achieve this by making changes to the tax system in order to promote economic activities or discourage certain activities that are harmful to the public. The objectives of these changes to the tax system can be targeted to particular sectors, groups, individuals, businesses or activities. The tax revenues that are forgone to achieve certain policy outcome is defined as Tax Expenditure.

The tax expenditures arise where the actual tax treatment of an activity or class of taxpayer differs from the legitimate taxation system benchmark. The benchmarks represent a standard taxation treatment that applies to similar taxpayers or types of activity. The benchmark of a tax system has the following characteristics: tax base, tax rate, unit of taxation and the taxation period.

The tax expenditures typically involve tax exemptions, deductions or offsets, concessional tax rates and deferrals of tax liability. A positive tax expenditure reduces tax payable relative to the benchmark. A negative tax expenditure increases tax payable relative to the benchmark.

The Government provides a number of tax incentives to taxpayers in order to achieve certain policy objectives that result in ‘revenue foregone for the Government. This is an indirect form of expenditure operating outside of the annual normal budget and is not subject to budget scrutiny.

The reporting of the tax expenditure provides visibility to the policy makers to make better decisions on the granting of legitimate tax incentives. The report on each of the tax incentives below is based on the data provided by the taxpayers through their tax returns.

Time lag in accessing timely data and data discrepancies continue to affect the quality of the report.

7.2 TAX INCENTIVES IN THE INCOME TAX ACT 1959

The Incentives under the Company Income Tax (CIT) regime are mostly accessed by the big companies operating under the various sectors of PNG. Some Incentives are sector specific, while others are common across sectors. There are over thirty (30) CIT incentives that are regulated under the *Income Tax Act 1959*. However, some of them were already repealed due to it being no longer useful for achieving the intended objective. This update provides revenue forgone through the use of each CIT incentive that are currently being provided.

Incentives that are not used that data is not available for have been excluded.

7.2.1 Interest

This incentive allows certain interest earning entities and assets to be exempted from the Interest Withholding Tax of 15.0 per cent. This includes interest earned on long term bonds, central bank authorised foreign currency deposits and the participants and lender of the PNG LNG project.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non – Resource Sector	1.4.	0.1	0.1
Resource Sector	9.7	1.0	4.2
Legislative Reference	*Section 35 of ITA 1959*		

7.2.2 Dividends

Income from petroleum or gas operations earned by shareholders paid as dividends is exempt from income tax. In other words, such income does not form part of the assessable income of the taxpayer if the income was paid as dividends and it derived from a petroleum or gas operation.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non-Resource Sector	3.5	0.3	0.0
Resource Sector	0.0	45.0	0.0
Legislative Reference	*Section 42(3) of Income Tax Act (ITA) 1959*		

*Years with revenue forgone below K100, 000.0 are stated as K0.0.

7.2.3 Rural Development Incentive

This incentive was introduced in 1988 to encourage investment in selected areas prescribed as least developed areas under the Income Tax Regulation. Businesses that are established and operate under those prescribed areas are qualified to access the 10 year tax holiday. The exemption start at the time of the commencement of the business operation to the end of the tenth year. Losses arising from the exempted activities may be deducted against taxable income from other business activities.

The incentive has been reviewed in 2023 to see whether the policy intention has been achieved. A report on this will be provided to determine the next course of action.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non- Resource Sector	0.1	13.5	0.4
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 45I of ITA 1959*		

7.2.4 Gifts

The expenditures to charitable organizations and other humanitarian foundations, including political parties, by taxpayers are allowed either as a direct deduction or in some cases a double deduction from their assessable income. Some of these organizations, include political parties, sporting bodies, foundations for law, order and justice, charitable bodies, national day celebrations, law and order, Pacific Games 2015, relief aid for natural disasters and national day celebrations.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non- Resource Sector	0.2	0.2	0.1
Resource Sector	N/A	N/A	0.0
Legislative Reference	*Section 69 of ITA 1959*		

The deductions allowed to Charitable Bodies or Organisation will be reviewed in 2024 to ensure it is not abused and the policy intent is maintained.

7.2.5 Double Deduction – Export Market Development

The objective of this incentive is to encourage and promote the export of goods manufactured in PNG. Market development expenditure refers to costs incurred for the purpose of creating opportunities and promoting PNG manufactured goods abroad.

Subject to the IRC Commissioner General's determination, an expenditure incurred by a taxpayer on export market development (in general expenditure incurred in the production or manufacture of goods and services for export) is 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 incentivise the manufacturing of products for the export market.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non- Resource Sector	0.0	0.5	0.4
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 72(C) of ITA 1959*		

7.2.6 Double Deduction - Tourism

The objective of this incentive is to encourage and promote the development of tourism in PNG.

Subject to the Commissioner General's determination, an expenditure incurred by a taxpayer for the development of tourism (in general expenditure incurred for promoting tourism) is allowed twice the amount of expenditure as a deduction but only to the extent that the tax savings for such additional deduction are up to 75.0 per cent of the expenditure and not more.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non- Resource Sector	0.1	0.0	0.1
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 72© of ITA 1959*		

7.2.7 Additional Depreciation – Industrial Development

This incentive allows for depreciation deduction. When a taxpayer adds an industrial plant in PNG that has not been previously used in the country, the 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.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non- Resource Sector	25.6	21.4	67.4
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 73(7) of ITA 1959*		

7.2.8 Additional Depreciation –Primary Production

Capital expenditure incurred by a taxpayer on acquiring the following types of new plant or article is provided with a 100.0 per cent deduction:

(a) property used directly for agriculture production;
(b) property used for fishing by residents engaged in commercial fishing; and
(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.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non-Resource Sector	31.7	6.5	17.2
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 73(9) of ITA 1959*		

7.2.9 Primary Production 150.0 per cent 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). The objective of this incentive is to promote agriculture extension services.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non- Resource Sector	0.1	0.2	0.1
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 97B(1) of ITA 1959*		

7.2.10 Amortization – Exploration Expenditure

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. The 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.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Non- Resource Sector	0.0	2.4	0.0
Resource Sector	29.6	98.9	337.4
Legislative Reference	*Section 155N of ITA 1959*		

7.3 TAX INCENTIVES IN GOODS AND SERVICES TAX ACT 2003

7.3.1 Zero Rating of GST

Suppliers can be exempted from the GST or may be eligible to get refunds on certain amounts of the GST payment depending on the type of sales and purchases being made. There are two kinds of GST incentives in the GST law: Zero rated sales (sales of goods that are charged GST at 0.0 per cent of the sale price but claim credits for GST paid on the inputs) and GST exempt sales. The following categories of sales fall under the zero-rating regime in PNG:

- exported goods and services;
- perishable goods bought for consumption outside of PNG;
- supply of prescription medical equipment, prescription drugs and lenses;
- supply of goods and services to a mining, petroleum or gas company (exception: cars); and
- supply of unprocessed crude oil.

In addition, a small category of sales is exempt from applying GST. As opposed to a zero rating, the exempt sales are not eligible to reclaim input tax paid at the time of purchase. These includes:

- 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.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
GST exempt sales (output debit)	3.4	3.6	6.5
GST zero rated sales	21.3	19.1	15.6
Deferred import liabilities	127.0	221.0	307.9
GST exempt sales (input Credit)	48.1	51.4	58.4
Legislative Reference	*Division 6, Section 19 of the GST Act 2003*		

7.4 TAX INCENTIVES IN THE CUSTOMS TARIFF ACT 1990

7.4.1 Import Duty

Upon advice or by notice in the National Gazette, the Head of State grants exemption to taxpayers from duty on goods or a reduced rate of duty in respect of any imported goods.

Revenue Forgone (Kina, million)

Year	2020	2021	2022
Estimate	22.5	27.4	25.1
Legislative Reference	*Part IV, section 9 of the Import Tariff Act 1990*		

7.5 TAX INCENTIVES IN THE EXCISE TARIFF ACT 1956

7.5.1 Import Excise

Upon advice or by notice in the National Gazette, the Head of State grants exemption to taxpayers from duty on goods or a reduced rate of duty in respect of any import of excisable goods.

Revenue Forgone (Kina, million)

Year	**2020**	**2021**	**2022**
Estimate	5.5	7.1	10.4
Legislative Reference	*Section 3 of the Excise Tariff Act 1956*		

CHAPTER 8: FINANCING AND DEBT MANAGEMENT STRATEGY

8.1 FINANCING BACKGROUND TO THE 2023 BUDGET

The 2023 financing plan has been executed with a focus on debt sustainability amongst many challenges brought about by the recent COVID-19 pandemic coupled with Russia's invasion of Ukraine impacting the oil price, and higher global interest rates, especially in low income economies.

In keeping with the above challenges, the Government's 2023 Supplementary Budget deficit was set at K4,934.9 million and will be financed through a similar strategy employed in the last three (3) years with the intent to ensure PNG remains within a sustainable debt path during the course of the year and into the future.

The 2023 Budget was formulated in line with its overall debt strategy objectives of meeting the Government's financing needs at the lowest possible cost while maintaining financial risks at prudent levels and developing the domestic debt market. The financing budget was also guided by one of the Government's 13-year Budget Repair Plan's key principle of *"financing our debt more cheaply"*. The strategy has a strong focus on managing the risk exposure from our 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. With that in mind, the Government will continue to explore cheaper concessional funding options from our bilateral and multilateral development partners, as well as the opportunities for lower interest cost in our domestic market. Since 2020, the average interest costs on our 10-year domestic bonds have halved, from 12.0 percent to under 6.0 per cent.

External principal repayments so far in 2023 have totaled K793.0 million or 81.6 per cent of the budgeted amount of K971.5 million. This included principal repayments for concessional and commercial loans for infrastructure projects as well as budget support loans. Total gross external borrowing by the end of the third quarter of 2023 was K898.8 million. This was sourced mainly from concessional project loan drawdowns of K589.8 million (or 51.0 per cent of the budgeted amount of K1,156.0 million) for the implementation of existing projects, including funding from the IMF of K308.9 million under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF). There were no drawdowns from the existing commercial loans. The major creditors that disbursed the largest loans especially for projects in 2023 were the Asian Development Bank (ADB), Exim Bank of China and Export Finance Australia (EFA).

The Government anticipates that the remaining outstanding disbursements will continue to drawdown for concessional and extraordinary loans in the last quarter of the year to meet the appropriation.

The net external financing by the end of the third quarter was K105.2 million or 2.9 per cent of the total budgeted external financing, with a net amortization of K793.1 million. In the remaining quarter of 2023, expected external budget support loans includes, Australian Government budget support of up to AUD600.0 million (K1,476.4 million) and K330.0 million from IMF. These budget support loans are expected to assist in financing the Government's priority expenditures. In addition, as they are in foreign currencies, they directly add to increases in our international foreign exchange reserves. This assists BPNG's ability to provide more foreign exchange to businesses to help with foreign exchange shortages.

The Government's net domestic financing from securities market for 2023 fiscal year is estimated to be K1,465.7 million. These include net issuance of K945.0 million in Treasury Bonds, K525.7 million in Treasury Bills and a net repayment of K5.0 million in domestic loans. There remains the option of additional net financing in the domestic market of up to K900.0 million.

8.2 FINANCING REQUIREMENTS FOR 2024 BUDGET

The financing of 2024 Budget deficit will be implemented in line with the Government's medium term debt management strategy and its 13-year Budget Repair Plan with the aim of improving the Government's debt portfolio. The strategy is anchored to the debt management objectives of borrowing at the lowest possible cost, while maintaining prudent levels of risk and contributing to a well-functioning government domestic market.

As the global economy tends to recover slowly from post pandemic, continued challenges in inflation, increasing global interest rates, depreciation of the Kina against the US Dollar, appreciation against the Australian Dollar and recent geo-political tensions have re-enforced the need for the Government to undertake a strategy geared towards improving debt and fiscal sustainability avoiding debt distress.

Within the economic context above, the net borrowing requirement under the 2024 Budget is projected to be K3,983.6 million. It will be financed with a borrowing mix formulated in line with the debt management strategy aimed at borrowing at the lowest possible cost and prudent levels of market risks. This entails more concessional financing by engaging actively with our multilateral and bilateral creditors.

EXTERNAL FINANCING

External loan financing includes budget support loans from our bilateral and multilateral creditors, and drawdowns from concessional and commercial project loans. Several new loans have already been identified in the pipeline and are anticipated to be signed and drawn down in 2024.

The Government is in dialogue with ADB for a budget support of USD100.0 million (K374.0 million) for Strengthening Public Sector Management, a World Bank Development Policy Operation (DPO) of USD100.0 million (K374.0 million) as budget support, as well as USD252.2 million (K939.3 million) budget support from IMF. The IMF support is part of the IMF's assistance to PNG in fostering reforms that boost economic growth and enhance debt sustainability among several other significant reform objectives.

The Government plans to drawdown K1,025.8 million from concessional loans which represent 25.8 per cent of the total net financing earmarked for planned projects, K188.0 million or 4.7 per cent for commercial financing for other infrastructure projects and K1,686.4 million from budget support loans making up 42.3 per cent of the total net financing for 2024.

DOMESTIC FINANCING

The Government's total domestic financing requirement for 2024 is projected to be K42,545.7 million, comprising a net issuance of K2,047.7 million in Treasury Bills, K560.0 million in Treasury Bonds and a net repayment of K62.2 million in domestic loans.

Total domestic borrowing is planned to be K22,120.6 million. This includes K17,716.0 million in Treasury Bills, K4,300.9 million in Treasury Bonds and K103.8 million in domestic loans.

For the repayment, it is projected that the Government will amortise K19,634.3 million.

Table 29: Composition of Financing by Instrument for 2024 (Kina, million)

Financing Instrument	**FX = USD 'million**	**PGK 'million**
External Borrowings		**3,125.5**
Extraordinary	*512.4*	1,911.7
WB, ADB, Bilateral	*260.0*	*972.4*
IMF Budget Support (ECF &EFF)	*252.4*	*939.3*
Concessional Project Loans		1,025.8
Commercial Loans		188.0
Domestic Borrowings		**21,954.7**
Treasury Bills		17,550.0
Treasury Bonds		4,300.9
Domestic Commercial Loans		103.8
External Repayments		**1,462.1**
Domestic Repayments		**19,634.3**
External Net		**1,663.4**
Domestic Net		**2,320.4**
Total Net Financing of Deficit		**3,983.8**

Source: Department of Treasury

The financing requirement for the 2024 Budget will result in total Government debt stock reaching K62,598.7 million or 51.1 per cent of GDP, a slight decrease of 1.5 per cent from 2023 Supplementary Budget. This is still within the current *Papua New Guinea Fiscal Responsibility Act (Amended 2020)* limit of 45-60 per cent of GDP.

Table 30: Debt Outstanding (By Instruments) 2022-2028 (Kina, million)

Debt Instruments	**2022 Actual**	**2023 Sup Budget**	**2024 Budget**	**2025**	**2026**	**2027**	**2028**
Domestic Debt	**27,534.2**	**29,858.2**	**32,178.5**	**33,851.4**	**34,489.3**	**34,838.7**	**34,068.0**
Treasury Bills	13,789.2	14,163.1	13,985.5	16,372.9	16,807.3	17,244.7	16,663.0
Treasury Bond	12,583.4	14,528.4	17,088.6	16,529.6	16,829.6	16,779.6	16,630.7
Loans	1,161.6	1,166.7	1,104.4	948.9	852.4	814.4	774.3
External Debt	**26,145.7**	**28,756.7**	**30,420.1**	**31,401.4**	**32,077.7**	**31,499.2**	**29,792.1**
Monetary Gold & SDRs	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1
Debt securities	1,760.6	1,760.6	1,760.6	1,760.6	1,760.6	1,760.6	0.0
Concessional	11,774.4	12,176.3	12,429.6	13,767.1	14,701.1	15,038.6	16,052.6
Commercial	202.5	173.3	319.2	529.9	740.6	773.3	761.4
Extraordinary	11,164.1	13,402.4	14,666.7	14,099.7	13,631.3	12,682.6	11,734.0
Gross Debt* (ex. Arrears)	**53,679.9**	**58,614.9**	**62,598.6**	**65,252.8**	**66,567.0**	**66,337.9**	**63,860.1**
% of GDP (without Arrears)	49.8%	52.6%	51.1%	49.2%	46.9%	43.5%	39.2%
GDP	107,807.3	111,350.8	122,519.1	132,634.1	141,939.7	152,339.4	163,044.2

Source: Department of Treasury.

Table 31: Deficit Financing Projections (By Instrument) 2022-2028 (Kina, million)

Debt Instruments	2022 Actuals	2023 Sup Budget	2024 Est	2025 Est	2026 Est	2027 Est	2028 Est
Net Acquisition of Financial Assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net Incurrence of Liabilities	**5,496.3**	**4,935.0**	**3,983.8**	**2,654.3**	**1,314.2**	**-229.1**	**-2,477.7**
Domestic Net Financing	**2,276.6**	**2,323.9**	**2,320.3**	**1,447.5**	**638.0**	**349.4**	**-770.7**
Treasury Bills	**492.6**	**373.9**	**-177.6**	**162.1**	**434.4**	**437.4**	**-581.6**
Borrowing	*14,888.7*	*13,659.7*	*17,716.0*	*16,372.8*	*16,807.2*	*17,244.6*	*16,663.0*
Amortization	*-14,396.1*	*-13,285.8*	*-17,893.6*	*-16,210.7*	*-16,372.8*	*-16,807.2*	*-17,244.6*
Treasury Bond	**1,750.0**	**1,945.0**	**2,560.2**	**1,441.0**	**300.0**	**-50.0**	**-148.9**
Borrowing	*2,709.3*	*3,078.1*	*4,300.9*	*2,735.9*	*2,492.6*	*1,977.0*	*905.8*
Amortization	*-959.3*	*-1,133.1*	*-1,740.7*	*-1,294.9*	*-2,192.6*	*-2,027.0*	*-1,054.7*
Loans	**34.0**	**5.0**	**-62.2**	**-155.6**	**-96.4**	**-38.0**	**-40.2**
Borrowing	*75.1*	*83.2*	*103.8*	*0.0*	*0.0*	*0.0*	*0.0*
Amortization	*-41.1*	*-78.2*	*-166.0*	*-155.6*	*-96.4*	*-38.0*	*-40.2*
External Net Financing	**3,219.7**	**2,611.1**	**1,663.4**	**1,206.8**	**676.2**	**-578.5**	**-1,707.0**
Debt securities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-1,760.6**
Sovereign Bond	0.0	0.0	0.0	0.0	0.0	0.0	-1,760.6
Concessional	**834.6**	**401.9**	**253.3**	**1,337.6**	**933.9**	**337.4**	**1,014.0**
Borrowing	*1,447.5*	*1,156.0*	*1,025.8*	*2,120.6*	*1,788.6*	*1,337.9*	*1,982.8*
Amortization	*-612.9*	*-754.1*	*-772.5*	*-783.0*	*-854.7*	*-1,000.5*	*-968.8*
Commercial	**-28.9**	**-29.2**	**145.9**	**210.8**	**210.7**	**32.7**	**-11.8**
Borrowing	*8.6*	*0.0*	*188.0*	*250.7*	*250.7*	*117.1*	*72.6*
Amortization	*-37.5*	*-29.2*	*-42.1*	*-39.9*	*-40.0*	*-84.4*	*-84.4*
Extraordinary	**2,414.0**	**2,238.4**	**1,264.2**	**-341.6**	**-468.4**	**-948.6**	**-948.6**
Borrowing	*2,620.3*	*2,426.6*	*1,911.7*	*474.7*	*474.7*	*0.0*	*0.0*
Amortization	*-206.3*	*-188.2*	*-647.5*	*-816.3*	*-943.1*	*-948.6*	*-948.6*

Source: Department of Treasury

[1]. The 2022-2028 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 34 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 annually. The nominal debt stock as a share of GDP is expected to gradually decline over the medium term to well under 50.0 per cent as the budget moves towards surplus, while maintaining the *FRA* debt ratio over the medium term.

Table 32: Debt stock as a share of GDP 2022-2028 (Kina, million)

Debt Instruments	2022 Actuals	2023 Sup Budget	2024 Est	2025 Est	2026 Est	2027 Est	2028 Est
Gross Government Debt	**53,679.9**	**58,614.9**	**62,598.7**	**65,252.8**	**66,567.0**	**66,337.9**	**63,860.1**
Debt to GDP %	***49.8%***	***52.6%***	***51.1%***	***49.2%***	***46.9%***	***43.5%***	***39.2%***
Domestic	27,534.2	29,858.2	32,178.5	33,851.4	34,489.3	34,838.7	34,068.0
% of gross debt	*51.3%*	*50.9%*	*51.4%*	*51.9%*	*51.8%*	*52.5%*	*53.3%*
External	26,145.7	28,756.7	30,194.9	31,401.4	32,077.7	31,499.2	29,792.1
% of gross debt	*48.7%*	*49.1%*	*48.6%*	*48.1%*	*48.2%*	*47.5%*	*46.7%*

Source: Department of Treasury

8.3 UPDATE ON DOMESTIC MARKET CONDITIONS FOR FINANCING DEFICIT

There was an increase in net borrowing from both Treasury Bills and Treasury Bonds in 2023 attributed to the increased need for financing to meet weekly cash flow entailing settlement of large periodic coupon and maturity payments during the year. Uncertain timing in accessing proposed budgetary support loans was another reason for the increased issuance of government securities.

In 2024, the Government plans to borrow domestically through its Government securities, the Treasury Bills and Treasury Bonds. More consideration will be given to the medium-term tenors (2-5 year bonds) and the longer term tenor (10 year bonds). Issuance of the Treasury Bills will continue on weekly basis while the Treasury Bonds to be issued monthly. A detailed indicative Issuance program for 2024 fiscal year will be published in the beginning of the year.

The main players in the Government securities market are the four (4) major commercial banks and two (2) superannuation funds including a few corporate and individual investors in the weekly auctions.

There was an increased appetite for short-term Treasury Bills in the first quarter of the year whilst the subsequent quarters experienced a decline due to the issuance of a large volume of longer-term Treasury Bills over six (6) months period, which commenced in April 2023. Most retail investors, however, redeemed their maturities, particularly in the first half of the year. During the second quarter, K500.0 million from windfall revenue was allocated to retire spikes in the Treasury Bills to smoothen out the maturity profile, ensuring the weekly maturities are within the projected financing envelope.

Long-term Treasury Bonds continue to be active and is attracting most of the major market players to the monthly auctions. Treasury Bond issuance commenced in the second quarter and was spread over a five (5) month period (April-September). Like Treasury Bills, the Treasury Bonds coupon rates steadily declined over the same period. To cover the anticipated shortfall of the external financing in the first half of the year, due to the delayed receipt of expected external budget support funds, an additional K1,000.0 million Treasury Bonds was issued. Consideration is still being given to a further issuance of K900.0 million in 2023, either through taking up less of the offered AUD600.0 million loan, or fewer Treasury Bills.

Currently, there is high liquidity in the market generating increased appetite for Government securities as evidenced by 89.0 per cent of the auctions experiencing oversubscriptions. The interest rates for Treasury Bills dropped steadily within the year, with the yield for the 182-days tenor dropping from 2.7 per cent to 1.3 per cent, 273-days tenor from 2.9 per cent to 2.7 per cent and the 364-days tenor from 4.3 per cent to 3.1 per cent. In sustaining the short-term domestic borrowing, the Government opted to refinance its maturities with short-term Treasury Bills. In the last auction of the year, interest costs dropped below 6.0 per cent, for all the tenors.

As of the end of September 2023 fiscal year, the longer tenor of the Treasury Bills (364-days) accounted for 93.0 per cent of the total issuance. Under the Treasury Bonds portfolio, the short-term tenors (3 & 4 year-bonds) accounted for approximately 35.0 per cent of the total Treasury Bond issuance. Refer to Table 33 for more details.

Large net issuance (higher borrowing than repayments), periodic refinancing and partial retiring of government securities are an ongoing feature of the Government securities auctions in the 2023 fiscal year.

Table 33: Government Securities Issuance - End of September 2023

Treasury Bills		
Tenor	Volume (K, million)	**Composition (%)**
182-days	128.4	1.0%
273-days	851.7	6.0%
364-days	12,872.1	93.0%
	13,852.2	100.0%
Treasury Bonds		
Tenor	**Volume**	**Composition (%)**

2 years	228.9	7.0%
3 years	571.6	19.0%
4 years	490.0	16.0%
6 years	382.9	12.0%
7 years	316.4	10.0%
8 years	352.5	12.0%
9 years	365.7	12.0%
10 years	370.0	12.0%
	3,078.1	100.0%

Source: Department of Treasury

8.4 MEDIUM TERM DEBT STRATEGY AND OPERATIONAL PLAN 2023-2027

The year 2023 is the first year of the Medium Term Debt Strategy (MTdS 2023- 2027). This strategy was formulated against the revenue and expenditure assumptions presented in the 13- year Budget Repair Plan and Medium Term Fiscal Strategy (MTFS), which focuses on maintaining fiscal support for economic recovery from the COVID-19 pandemic, fostering fiscal consolidation over the medium-term and complying with the *FRA* requirement of maintaining debt at sustainable levels.

The main objective of MTdS 2023-2027 is to ensure financing the annual budget is at the lowest possible cost while keeping financial risks at prudent levels and to develop 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.

Debt Strategy Operations and Targets 2023-2027

In line with the Government's overall objectives of cost minimization with prudent levels of risk and the development of the domestic debt market, the following strategies will continue to be implemented to operationalise the MTdS 2023-2027:

- lessen reliance on Treasury Bills to mitigate risk of refinancing or rollover risk;
- reduce variable interest rate borrowing to increase ATR;
- reduce commercial borrowing to help annual interest cost bills; and,
- prioritise concessional financing from external sources in order to secure the necessary financing for its development objectives.

The Government will continue to develop the domestic debt market to improve its depth, liquidity and efficiency. As part of this effort, the Government will engage more with the existing investor base and to expand it in order to reduce excessive dependency on few investors.

Debt Strategy Targets

The performance of the debt strategy against its objectives will be monitored by indicative targets that will serve as guidelines to provide measurable and quantifiable targets.

Table 34: Debt Strategy Targets

Key Target	Target
Domestic Debt Average Time To Maturity (years)	Above 2 years
External Debt re-fixing in year %	Below 40.0 per cent
FX debt as percentage of total debt	Below 60.0 per cent
Debt /GDP	Below 60.0 per cent

Source: Department of Treasury

Development of Domestic Debt Market

To increase the capacity and reduce the cost of borrowing domestically, the debt strategy aims to facilitate the development of the domestic market. The Government will work with relevant stakeholders to progress the key recommendations over the medium term.

Key initiatives to undertaken over the medium term includes:

i. working closely with Government Securities investors (Domestic Debt Treasury Bills and Inscribed Stock) to ensure they roll over their maturing debt and participate in the weekly auctions and monthly tenders;
ii. smoothing out the maturity profile of the domestic debt (Treasury bills and inscribed stock) so that maturity in a week should meet the size of the market;
iii. working closely with Bank of PNG in financing such as Temporary Advance Facility (TAF) as well as coordination for the Bank's new Fixed Rate Full Allotment mechanism;
iv. review of the Debt Strategy in line with the Medium Term Fiscal Strategy (MTFS) 2023 - 2027. More analytical work will be done in this review using the MTDS toolkit provided by World Bank and IMF as a guide; and,
v. quarterly investor meeting to improve investor relations and ensure that the Department of Treasury is well informed about market participation and in tune with investors appetite for domestic debt instruments.

CHAPTER 9: NATIONAL REFORM AGENDA

9.1 OVERVIEW

The development and implementation of key economic reforms is a critical element in the development of a nation. Given this importance, the Marape-Rosso Government has introduced reforms guided by the objectives of the Vision 2050 and the Papua New Guinea Development Strategic Plan 2010-2030. These reforms will drive and improve Government performances in terms of productivity, service delivery, quality and affordable services to rural households, generate higher incomes, ensure macroeconomic stability, and promote economic growth.

Despite the abundant natural resources, the benefits are not widely and evenly distributed. This is due to poor infrastructure, lack of competition and misdirected government regulation. Therefore, Government needs further reforms to promote the development of its private sector which is crucial for economic growth.

In addition, the Marape–Rosso Government has continued to introduce reforms to assist in the Budget Repair and Reconstruction by introducing the 13-year Budget Repair Plan. It reflects the Government's strategy of repair and reconstruction to get the economy back on a growth track.

In order for essential services to reach the rural population, 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 to ensure that the key development aspirations of PNG are achieved. The Government will also continue to support the Labor Mobility Program for unemployed Papua New Guineans to explore employment opportunities in Australia and New Zealand. This program provides opportunities for our people to build capacity and skills, send remittances back home and to sustain their livelihood or invest in small businesses in the future.

In recognition of the increasing global Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) activities, the Government established a National Coordinating Committee (NCC) on AML/CTF to address the range of deficiencies and develop a strong AML/CTF system in PNG. Effective enforcement of AML/CTF regulations and policies is critical to mitigate the adverse effects of criminal economic activity and promote integrity and stability in the financial markets.

The review of the *Central Banking Act 2000* is another key reform undertaken by the Government. Phase I of the review was completed in 2021 and the Phase II review, which covers broader issues but focuses mainly on the financial sector regulation and competition, was completed in September this year.

The Government has demonstrated its commitment to establish the SWF of PNG. The Department of Treasury, in collaboration with the Office of the Chief Secretary to the Government, and the State Solicitors Office, will continue with the outstanding work requirements under the Organic Law on the Sovereign Wealth Fund.

9.2 KEY REFORMS

9.2.1 Increasing Employment Opportunity from Labour Mobility

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 labor mobility initiatives across the labor mobility cycle, including worker selection, recruitment, and mobilization; support whilst undertaking overseas employment; and return/reintegration. The Government, through the Labor 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.

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

9.2.2 Papua New Guinea’s Anti-Money Laundering & Counter Terrorist Financing (AML/CTF) System

The global Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) presents not only a problem for criminal justice systems but also a macro-economic problem. This is because it has the capacity to destabilise financial institutions and systems. Therefore, effective enforcement of AML/CTF regulations and policies is critical to mitigate the adverse effects of criminal economic activity and promote integrity and stability in the financial markets.

Papua New Guinea is a member of the Asia-Pacific Group (APG) on Money Laundering. The APG is a regional body mandated to assist countries in the Asia Pacific region to strengthen their AML/CTF regimes and it consists of 41 member countries including US, Canada, Australia, NZ, Japan, and all Asian and Pacific Island countries. The APG reports to the Financial Action Task Force (FATF) which is a global inter-governmental body that promotes policies and sets international standards, relating to the combating of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction.

9.2.3 Establishment of the National Coordinating Committee (NCC)

In 2012, the Government established a National Coordinating Committee (NCC) on AML/CTF to address the range of deficiencies and develop a strong AML/CTF system in PNG. The role of NCC is to oversee the implementation of this work, supported by a Technical Working Group.

PNG is adopting the FATF Standards which provides measures that may assist in the investigation and prosecution of corrupt public figures, and facilitate the freezing, confiscation, and repatriation of illicit proceeds. Since then, some progress has been made to meet the FATF standards. This includes the creation of new laws - *AML/CTF Act 2015*, *Criminal Code (AML/CTF) (Amendment) Act 2015*, *Mutual Assistance in Criminal Matters Act 2005* (as amended), and the *Proceeds of Crimes Act 2005* (as amended). Implementing these Acts has helped PNG to no longer be grey listed. The *AML/CTF Act* established the Bank of PNG's Financial Analysis and Supervision Unit (FASU) in 2016 to facilitate and lead the work on AML/CTF. Its establishment gives rise to its national and international obligations to ensure a safer and stable financial system.

In 2023, the NCC developed a revised "National Anti-Money Laundering and Counter Terrorist Financing Strategic Plan (NSP) 2023-2027" after the expiry of the previous "National Anti-Money Laundering and Counter Terrorist Financing Strategic Plan (NSP) 2017-2022. The revised NSP outlines seven (7) key objectives:

i) a continuous money laundering, terrorist financing and proliferation financing risk assessment;
ii) a nationally coordinated approach to detection and disruption;
iii) satisfy FATF requirements;
iv) monitoring and evaluation;
v) identify, restrain, confiscate and repatriate offshore assets through international cooperation;
vi) proactive identification of new methods of money laundering, terrorist financing and proliferation financing; and,
vii) expand the operations of the financial analysis and supervision unit.

Given the high level commitment the PNG government has shown since the last assessment and with greater collaboration of all NCC agencies involved, PNG should at least improve on its ranking through the outcome of this current assessment.

9.2.4 PNG's 2023/2024 Mutual Evaluation

As a requirement, all member countries are subject to be assessed against the FATF standards through a Mutual Evaluation (ME) exercise. The main goal of a ME is to improve a country's AML/CTF regimes.

PNG is currently undergoing a ME review which commenced in March 2023 and will continue through to July 2024 and the report will be adopted during the APG Plenary Meeting. The Final Report of this whole ME exercise will be tabled at the APG Board meeting in July 2024 that will go through the International Co-operation Review Group (ICRG) listing process, which will then determine whether PNG enters the black/grey list or fully compliant.

9.3 PUBLIC SECTOR REFORM

9.3.1 Equitable Resource Allocations to Provincial Governments

The funding allocation for provinces is mandated by the *Intergovernmental Relations (Functions and Funding) Act 2009*, with a focus on achieving equitable distribution through the Equalisation Amount. This amount, which constitutes the pool for Function & Administration Grants, plays a pivotal role in determining the financial support that provinces and Local Level Governments (LLGs) receive.

The formula for calculating the Equalisation Amount is outlined in Section 19 of the aforementioned Act. This formula establishes the basis for the distribution of funds among

Provincial & Local Level Governments, ensuring a fair and balanced approach. The Net National Revenues (NNR) serves as a key metric in this calculation, derived from actual data of the second preceding fiscal year. The 2024 NNR, for instance, was calculated using data from the 2022 Final Budget Outcome published by the Department of Treasury.

Since the transitional period, a fixed percentage of 6.57 per cent of the NNR has been designated for this purpose. This prescribed percentage determines the variation in funding available to provincial and LLGs in correlation with the NNR. The NNR itself represents the total tax revenue received by the National Government, excluding mining and petroleum tax revenue. The inter-governmental financing arrangements underscore the importance of revenue-sharing among the National, Provincial, and Local Level Governments.

The outcome of this system is that the funding available to provincial governments and LLGs is contingent upon the NNR for a given fiscal year. A higher NNR results in increased funding, while a lower NNR corresponds to reduced financial support.

For the 2024 Fiscal Budget, the Equalisation Amount is calculated to be K771.3 million, marking an increase of K129.3 million from the previous year. This increment is attributed to higher total tax revenue collections in 2022 compared to 2021. The Equalisation Amount for a fiscal year is determined based on the Government's prior year's revenue outcome, exemplified by the 2024 Equalization Amount being derived from the 2022 Final Budget Outcome.

Table 35: Calculation of the NNR Amount for the 2024 Budget (Kina, million)

Act Definition	**2021 FBO**	**2022 FBO**	**Variance**
General tax revenue*	10, 408.2	15, 776.2	*5, 368.0*
Less: Mining and petroleum tax revenue	635.4	4, 036.1	*3, 400.7*
Net National Revenue	**9, 772.8**	**11, 740.1**	**1, 967.3**
	2023 Budget	**2024 Budget**	**Variance**
Net National Revenue (NNR)	**9, 772.8**	**11, 740.1**	**1, 967.3**
Multiplied by (*) 6.57%			
Equalisation Amount (NNR X 6.5%)	**642.1**	**771.3**	***129.3***

Source**:** NEFC 2024 Annual Budget Fiscal Report.

9.4 A COMPETITIVE AND DYNAMIC PRIVATE SECTOR

9.4.1 Overview

The Government's reform initiatives can be critical enablers at the micro level to improve good governance framework by cultivating institutions and administrative systems that will nurture and encourage proper management of public resources, and a stable and transparent economic and regulatory climate. The initiatives include reforms within the political sphere, strengthening of decision-making processes, and strengthening the capacity of oversight agencies.

The outcome is to create a fair and effective market conditions that would enhance economic growth and development; 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 both the public and private sectors to thrive, especially the Micro-Small-Medium Enterprises (MSMEs).

The Government's policy agenda will include the following:

i. reducing the cost of doing business by removing regulatory impediments to private sector growth and facilitating the development of MSMEs;
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

The Government, through the Department of Treasury, has undertaken major structural reforms to improve the policy, legislation and administrative systems governing the entire frameworks of consumer protection and competition landscapes in the country. The objectives were focused on removing inefficient and anti-competitive trade and investment restrictions and improving regulations, as well as making fundamental changes to improve governance and to strengthen basic institutional arrangements needed for the markets to operate fairly and effectively.

The reforms began in 2014 when a Consumer and Competition Framework Review (CCFR) was sanctioned 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.

Competition Policy Development and Implementation

As part of policy reforms under the implementation of CCFR Report, a new *'National Competition Policy'* was developed and approved by the Government 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 has been implemented partially because other reforms (legislative and administrative) need to be completed before it can be fully effective and enforced through a new Competition Law.

In 2024, the focus would be to establish different set of frameworks and guidelines on how the policy reforms will be executed, awareness on the policy and its application and implementation.

Restructuring of Consumer Protection and Competition Legislations

The recommendations of the CCFR Report require legislative reforms. This will allow modernisation and simplification of the current fragmented laws of consumer protection and competition. The Department of Treasury is currently rewriting the current *Independent Consumer and Competition Commission (ICCC) Act 2022* and it is expected to be completed in 2025.

Restructuring of Economic Regulations and Regulatory Functions

The restructuring of the Economic Regulations and Regulatory Functions is a major institutional reform component of the CCFR Reform Implementation. Under this reform, the improvement of 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. Whilst this is planned to be undertaken after the legislative reforms are completed, some areas of reforms relating to capacity training for the regulators have been partly implemented and done with the technical assistance from ADB's Pacific Sector Development Initiatives.

9.4.3 Implementation of Competitive Neutrality Principles

Competitive Neutrality of SOEs has been a recent focus, particularly with regards to the following Competitive Neutrality Principles:

a) achieve a commercial rate of return on assets;
b) be tax neutral – pay all relevant taxes and duties;
c) be regulation neutral – comply with all relevant laws and regulations; and
d) be debt neutral – 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 ICCC 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 MSMEs in public procurement processes.

In 2024, the Department of Treasury will work in collaboration with relevant government agencies and stakeholders to establish implementation framework for the Neutrality Principles to improve the market systems of the State-Owned Enterprises.

9.4.4 Policy Development for Consumer Protection

Papua New Guinea has an *Independent Consumer and Competition Commission (ICCC) Act* 2002 and a National Competition Policy. However, PNG does not have a specific policy framework for consumer protection. Absence of this policy framework is reflected in all sectors where abuses by businesses are not well addressed across the economy.

The current development of the Financial Consumer Protection legislation spearheaded by the Bank of Papua New Guinea, will never become effective in the absence of its policy framework. During the CCFR, it was also discovered that the consumer protection issues were widespread due to lack of specific policy on consumer protection. These require the government to sanction a development of an appropriate policy framework to serve interests of the consumers. Having better consumer policy, laws and regulations will help increase consumer welfare by ensuring that businesses can be held accountable.

Starting in 2024, the Department of Treasury will initiate the development of an appropriate policy framework for the consumers in the country.

9.4.5 Better Regulations and Enforcements for Independent Consumer and Competition Operations

The ICCC is responsible for the enforcement of 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 oversight includes continuation of current regulatory oversight concerning the supply of water and sewerage, compulsory third-party motor vehicle insurance, 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. This will enable ICCC the opportunity to assess and introduce new regulations, if required. The ICCC will continue to implement these reforms in 2024.

9.4.6 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 2024 and into the future.

9.4.7 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 2015, Capital Markets Act 2015, and Central Depository Act 2015*. An MoU was signed in the second quarter of 2022 between the PNGSC and the ADB Pacific Private Sector Development Initiative outlining legislative, policy, technical and operational cooperation with key work-streams. These 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. As part of the work-streams, the ADB PSDI had concurrently completed the draft Needs Assessment Report on capital markets development in PNG and the PNG Capital Markets Development Strategy 2023-2033. The Government will review and assess the findings of the report and its strategy in 2023 and 2024. It will then conduct wide stakeholder consultations before taking the strategy forward for cabinet endorsement in 2024.

9.4.8 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 2023 and are to continue in 2024 as per the second National Financial Inclusion Strategy (NFIS). The third National Financial Inclusion Strategy in 2023-2027 was launched on the 25th April 2023. The main focus areas going forward include engagement with provincial and LLGs; development of the financial education curriculum; and implementation of the NFIP and NFIS.

9.4.9 Financial Consumer Protection Framework

The Financial Consumer Protection Framework Review identified several issues with financial products. These issues include a lack of openness in the disclosure of rates, fees, terms and conditions, and substantial gaps in financial consumer protection when compared to global best practices. It also suggested for PNG to 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. Stakeholder consultations on the draft Bill has been completed. The finalised Bill will be presented to the NEC for approval in 2024.

9.4.10 Land Reforms

Access to secured land drives economic growth, hence reforming land remains one of the top priorities of the Government. The National Land Development Program (NLDP) Phase I sets the basis for land reform in PNG.

Considerable strides were made under NLDP Phase I. It has focused mainly on three (3) key areas: (i) land administration; (ii) land dispute settlement and (iii) unlock customary land to address chronic shortages in state land. Notable achievement being legislative amendments made to the Customary Land Registration and Land Groups Incorporation Acts which sets the basis for unlocking customary land through the voluntary customary land registration process. This enables the migration of customary land into the formal land market system for commercial use.

The second land summit was conducted in 2019 and was mainly focused on customary land to further reinforce strides already made under NLDP Phase I. The Summit arrived with 17 recommendations and was endorsed by Cabinet for implementation commencing in 2020 as NLDP Phase II 2020-2024. The notable recommendation was for the establishment of the customary land authority in PNG to administer all customary land. The program has an operational Technical Working Group and a management committee administering it. The committee has drafted a customary policy which is scheduled for cabinet endorsement in 2024. The policy articulates the approaches and strategies on how the 17 recommendations of the national land summit will be implemented. For instance, identifying several legislations for amendment, organisational restructure and proposal for a range of government policies to make customary land bankable.

9.4.11 Housing

A number of publications by the National Research Institute over the years and a review into the Real Estate Industries by ICCC in 2009 identified structural issues as major causes of high housing prices in the housing market. Consequently, chronic shortage of secured land for housing developments and the lengthy processes required to obtain statutory approvals are some of the structural issues impeding the growth of the real estate industry. The publications have also supported the views of private sector taking a lead role in providing housing whilst the State focuses on addressing the above structural issues to enable the growth of the real estate industry.

The Government, through the National Housing Commission (NHC), commenced the development of the National Housing Policy in 2018. The overarching policy expected to address all aspects of the housing sector including issues raised in the ICCC's real estate review. The NHC, in partnership with the Department of National Planning and Monitoring (DNPM), has commenced stakeholder consultations with a view to completing the policy with implementation to commence in 2024 pending NEC endorsement which will occur once the policy is finalised.

The Government had also undertaken several initiatives and projects under the National Land and Affordable Housing Program as an immediate measure to intervene in the market to provide affordable housing for public servants. Such initiatives include the Gerehu Stage 3B and Duran Farm Housing Projects which will continue in 2024.

9.4.12 Commodity Price Support

The Government is pursuing new reforms in line with its medium-term development priorities and national goals in the agriculture sector to broaden the country's revenue base, localise wealth creation, grow the MSME space, and most importantly grow the economy through an integrated multi-stakeholder approach. For example, the Government is proposing a National Downstream Processing Policy that would add value to agriculture commodities, palm oil, forestry, fisheries, and also the mineral and petroleum sectors. This is an important undertaking as it would help the government to strategically allocate resources to areas that could have significant cascading effects within the agriculture sector, promote the long-term growth of the sector and importantly, help policy makers decide on the appropriate combination of external financing and policy adjustment that are needed to support the reform programs efficiently and give more space to the price mechanism.

Furthermore, most commodities are price dependent and driven by external market forces. Subsequently, the government is trying to support local farmers through price support programs, like agricultural subsidies. This is to keep the price of crops high enough for farmers to earn an adequate income, but at the same time it has to be done properly so that consumers also do not pay higher costs.

The Government is pushing forward with its intention to subsidise the sector. Thus, the Government has allocated K30.0 million through the 2023 National Budget for its Agriculture Price Support Program and K20.0 million for freight subsidy. Of the K30.0 million, K1.5 million each was allocated to the Coffee Industry Corporation and the Kokonas Industry Corporation respectively, and K1.0 million to the PNG Cocoa Board as part of this effort. The Government has challenged the various commodity boards to undertake research and find solutions to sustaining their price programs so that farmers can continue to maintain a higher return even when price support is no longer provided.

A cohesive effort from the key sector agencies is important for such efforts to be successful. Hence, the relevant sector agencies will continue to assess and provide oversight through a strong research base by building on the concept note and working with the key partners, including the various commodity boards.

9.4.13 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 mobilisation of labor inputs which constitute substantial costs for businesses. Minimum wages target employment and are set through the Minimum Wages Board (MWB). It is set after consulting all players such as the workers unions, Government and the employers' associations.

The last minimum wage was set in 2016 and is due for review. Over the last two years, the Department of Treasury has 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 with important recommendations for the sector including improving the minimum wages setting in PNG and developing an online Labor Market Information System (LMIS). The proposed policies provide the mandate to commence work on reforming the minimum wages setting in PNG. Currently, minimum wages are set on ad-hoc basis and without a permanent MWB or National Wage Policy.

There has been ongoing concern that many employers have not been paying the existing minimum wage. This will become an important prerequisite of the reform and it would need to be settled first before negotiating a further increase to the current rate. The process would also help in penalising employers who have been undermining the law at the cost of those paying the current rate. These are important considerations when designing incentive structures. A working committee has been established and will work on these issues in 2024.

9.5 ASIA-PACIFIC ECONOMIC COOPERATION (APEC)

The APEC Putrajaya Vision 2040 calls for an open, dynamic, resilient and a peaceful Asia-Pacific community by 2040, for the prosperity of all people and future generations. The APEC forum pursues this vision through the three (3) economic drivers: Trade and Investment; Innovation and Digitalisation and Strong, Balance, Secure and Inclusive Growth.

The Aotearoa Plan of Action provides the strategy to active the Putrajaya Vision. PNG as an APEC member economy aligns its work plan to the broader vision and strategy of APEC. In pursuing PNG's interest in APEC, PNG actively participates in the various APEC fora including the Committee on Trade and Investment (CTI), Steering Committee on Economic and Technical Cooperation (SCE), Economic Committee (EC) and the Finance Ministers' Process (FMP).

Due to the COVID-19, the activities of the forum were virtually discussed until 2023. The U.S who is the 2023 APEC host, decided to host person-to-person meetings physically. Regardless of the COVID-19 challenges, PNG continues to actively engage in the APEC forum.

In its effort to achieve a more tangible outcome from PNG's participation in 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.

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 IV (2023-2027), and the Strategic Development 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.

As an APEC member economy, PNG will continue to participate in relevant APEC meetings and events that are scheduled to be hosted by Peru in 2024.

9.6 IMPLEMENTATION OF THE SOVEREIGN WEALTH FUND OF PAPUA NEW GUINEA

The Government's main intention to establish the Sovereign Wealth Fund (SWF) of Papua New Guinea was to provide a means to prudently manage and invest the large revenue flows expected to be received from the PNG Liquefied Natural Gas (LNG) Project upon its commencement in 2014. The Organic Law on the Sovereign Wealth Fund (OLSWF) was enacted and certified as a result, to pave way for the establishment of the SWF of Papua New Guinea.

The implementation of the OLSWF to date, involves the undertaking and successful completion of a number of activities including 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 maximisation models; and development of SWF corporate governance principles and SWF organisational structure.

The appointment of the inaugural SWF Board has been affected by the outcome that the State has not received the full benefits of the anticipated revenues from the PNG LNG Project. The anticipated revenues have been used for the repayment of project borrowings and the fiscal concessions for the project under the project agreements.

The Government has reiterated its commitment to the establishment of the SWF through the Prime Ministerial pronouncements in the Parliament and to the business community. The Government also acknowledges the obligation to its fiscal consolidation plan, to bring back fiscal and budgetary alignment for the country and that the implementation of the SWF should be undertaken within this framework. This is because under the OLSWF, the establishment of the SWF will require its funding to come from the existing resource revenues allocated to support the budget under the 13-year Budget Repair Plan which the Government commenced implementing in 2022.

The key funding sources include 50.0 per cent of mining and petroleum taxes and mining, petroleum and gas dividends. If these revenue components are to be paid into the SWF as prescribed in the SWF Act, the Budget Revenues will be reduced by the proportionate amounts of the resource revenues paid into the SWF. Furthermore, it would not be prudent for the Government to borrow to fund the shortfall in budget revenue caused by the payment of the prescribed resource revenues into the SWF, as this not only would further increase the budget deficit, but also result in the SWF being indirectly funded through borrowing.

In view of the implication, it will have on the Budget, the Government announced the commencement of a funds accumulation policy for the SWF through the payment of seven of 7.0 per cent of State-Owned Enterprises (SOEs) dividends into the SWF Trust Account under the dividend policy for SOEs. The announcement of the funds accumulation policy by the

Government is responsible and prudent because it will not affect the resource revenues allocated to support the budget under the 13-year Budget Repair Plan.

The Government is now considering establishing the SWF through a two-phased implementation strategy:

1. the first phase involves the accumulation of savings for the SWF through the payment of 7.0 per cent of dividends from State Owned Enterprises through the dividend policy for SOEs; and
2. the second phase involves full operationalisation of the OLSWF. This would see the actual establishment of the SWF, comprising of the appointment of the inaugural Board and the establishment of the SWF Secretariat.

The above implementation strategy for the establishment of the SWF will ensure, there is continued stability in budget revenues particularly in view of achieving the target set by the Government.

The Department of Treasury in collaboration with the Office of the Chief Secretary to the Government and the State Solicitors Office, will continue with the outstanding work requirements under the Organic Law on the Sovereign Wealth Fund.

9.7 CENTRAL BANKING ACT 2000 REVIEW

The Phase II Review of the Central Banking Act and Financial Sector Issues

The Government has undertaken a number of reforms in the financial sector in Papua New Guinea in light of the evolving global financial landscape at the turn of this century and after the shocks of the COVID-19 pandemic. One of the important reform initiatives undertaken by the Marape-Rosso Government is the review of the *Central Banking Act 2000*. This reform is important to modernise and strengthen the combined independence, governance, accountability, and transparency of the Central Bank of Papua New Guinea.

In 2021, the Government established an Independent Advisory Group (IAG) to undertake the review of the *Central Banking Act 2000* (CBA 2000). The IAG is supported by a Technical/Secretariat Team comprising of officials from the Department of Treasury and Bank of Papua New Guinea.

The review has been conducted in two parts – Phase I and Phase II. Phase I dealt primarily with the governance of the Bank and the monetary policy and was completed in 2021 with the Final Report presented to the Treasurer. Subsequently, some amendments to the Act were passed by Parliament in December 2021. Following on from the completion of the Phase I review, Phase II commenced in the first half of 2022.

The Phase II review covers broader issues but focuses mainly on the financial sector regulation and competition, particularly identifying key areas of improvement and revisiting selected outstanding issues arising from Phase I that required further analysis. Some of the issues covered in Phase II includes competition and regulation on the banking and financial sector; impact of new technologies on the financial sector; reduction of interest rates on government debt; crisis and lender-of-last resort provisions; financial sector regulatory arrangements; and review of the anti-money laundering and counter terrorism financing legislation and governance and its impact on the informal economy.

After the dissemination and publication of the Phase II Issues Paper to the public in the third quarter of 2022, the IAG conducted comprehensive consultations with relevant stakeholders, including financial institutions, market participants, consumer groups and the wider public. Written and verbal submissions were received from the stakeholders which included PNG's commercial banks, super funds, and other financial institutions, Government agencies and PNG's development partners. Their perspectives are critical to ensure that the financial regulatory framework reflects the diverse needs and interests of all stakeholders.

The IAG has completed the Phase II Final Report and the report is written in three parts. Part I deals with the regulation of the financial sector; Part II revisits certain issues discussed in the Phase I report, and Part III deals with the National Gold Corporation Bill. The IAG is expected to present its Report to the Treasurer at the end of December 2023.

CHAPTER 10: ENHANCING STATE'S INVESTMENTS

10.1 OVERVIEW

State investments, directly and indirectly, are mainly done through the Government's Kumul Holdings framework, Statutory Authorities (SA) and Other Public Bodies (OPB). The Kumul Holdings framework is comprised of the Government's three (3) Kumul Holding Entities (hereinafter "Holding Entities") namely the Kumul Consolidated Holdings (KCH), Kumul Mineral Holdings Limited (KMHL), and Kumul Petroleum Holdings Limited (KPHL).

The KCH holds and manages the General Business Trust (GBT) investments including projects and non-controlling assets in the utility, infrastructure, banking, and agriculture sectors. As Trustee of the GBT, KCH holds in trust 100.0 per cent shares in ten (10) majority State-Owned Enterprises (SOEs) which include; Air Niugini Limited (ANL), PNG Ports Corporation, Motor Vehicle Insurance Limited (MVIL), Post PNG Limited, PNG Power Limited, Telikom PNG Limited, PNG DataCo, National Development Bank (NDB), Water PNG, and Kumul Agriculture Limited.

The KMHL and the KPHL hold and manage government investments in the extractive (oil, gas, and mineral) sector. KPHL and KMHL hold State Equity in mining and petroleum projects under a Trusteeship arrangement whereby the Prime Minister, acting on behalf of the State, is the sole Trustee.

The Holding Entities and the SOEs are expected to operate commercially as independent businesses under the *Companies Act 1997* and their enabling acts.

The Government as a shareholder expects the Holding Entities and SOEs to yield positive returns on its investments and pay dividends to support the National Budget. The Government also emphasizes improving and delivering basic goods and services to the people at the least possible cost.

The Government either directly or indirectly also invests in initiatives in renewable resource sectors (fisheries, forestry, energy etc.) as well as in agriculture and livestock. These initiatives involve allocating resources to projects and programs that are expected to yield long-term economic, social, and environmental benefits. Such initiatives are implemented using the State's 100.0 per cent owned SAs and OPBs. Resources invested include cocoa, coffee, coconut, oil palm, rubber, fresh produce, marine (fish, crab, seaweed etc.), timber (round log and processed), properties (land and buildings), etc.

SA and OPB are independent agencies, boards, commissions, or organizations, often established by law or administratively to provide specific services or regulate certain sectors. They generate non-tax revenue through various means other than taxation.

The Government continues to encourage the development and implementation of reforms that will support and guide the Holding Entities, SOEs, SA, and OPB to make sound investment decisions. Decisions that ensure the Government realises returns on its investments will contribute to sustainable economic growth and development in the longer term.

10.2 STATE'S INVESTMENT PERFORMANCE

The overall financial performance of the majority SOEs specifically those under KCH management has faced many challenges. There is ongoing initiatives being undertaken at KMHL and KPHL to improve outcomes in meeting their key performance indicators (KPIs) and declaring dividends to the State. The SOEs are expected to strategically determine ways to improve performance to raise more revenue and remit the funds to the National Government.

SAs and OPBs have performed satisfactorily however some displayed dismal performances and the government expects them to improve and raise non-tax revenue to support the National Budget annually.

10.2.1 KUMUL CONSOLIDATED HOLDINGS (KCH)

Of the ten majority SOEs vested under KCH, PNG Power Limited (PPL) and Air Niugini Limited (ANL) have continued to operate on significant net losses and have not been able to generate returns to the Government as shareholder. High operational costs, aging infrastructure, an aging aircraft fleet, increasing debt, and other related challenges have negatively affected their operations and management.

In the last three years (2020-2022), only a few SOEs have paid dividends to the State. The dividend payments have been inconsistent. Key operational and strategic evaluations and measures to drive SOE reforms are in progress to enhance the productivity, efficiency, governance, transparency, and performance of the services they provide.

General Business Trust (GBT) Assets

The valuation of the GBT assets as of 31st December 2020 and 31st December 2021 were K4.04 billion and K3.67 billion, respectively. The total GBT value as of 31st December 2022 was K3.88 billion indicating an increase by K0.21 billion (K210.0 million). This increase was mainly attributed to increase investment activities and slight improvements in the financial performance of a few SOEs.

Apart from the declining performances and returns from several of the majority SOEs investments, few non-controlling assets and listed investments have performed well. Those that performed well have declared dividends to KCH. The GBT listed investment in the Bank of South Pacific (BSP) with the State's shareholding of 18.2 per cent has been paid consistent with dividends to KCH since 2017. BSP has paid a total of K102.6 million in 2020, K122.1 million in 2021, and K142.4 million in 2022.

The Government expects all GBT investments including SOEs to yield the expected returns to the State whilst delivering public goods and services at the lowest cost possible. Table 37 below shows the GBT performance for fiscal years 2021 and 2022.

Table 36: General Business Trust (GBT Assets) as at 31st December 2022.

Particulars of GBT(Million)Assets 100% owned unless indicated	2021 (*K, million*)				2022 (*K, million*)			
Entity	**Valuations**	**Gross Revenue**	**Net Profit Before Tax**	**Dividends paid to KCH**	**Valuations**	**Gross Revenue**	**Net Profit Before Tax**	**Dividends paid to KCH**
Telikom PNG Ltd	246.0	420.1	28.2	-	122.0	550.3	-50.8	3.0
Air Niugini Ltd	-	798.8	-4.0	-	303.0	1,238.9	-4.0	-
PNG DataCo Ltd	37.0	142.8	-33.6	-	46.0	170.2	2.3	3.0
Water PNG Ltd	393.0	200.1	-11.0	20	365.5	236.0	-121.6	
Moto Vehicle Insurance Ltd	621.0	90.7	73.7	42.13	657.0	96.4	91.3	36.8
NDB Ltd	482.0	42.2	-36.2	-	466.0	41.8	-22.2	-
PNG Ports Corporation Ltd	632.0	349.5	102.7	32.33	527.5	451.4	154.7	51.3
PNG Power Ltd	4.0	933.1	-79.8	-	0.0	983.0	-361.7	-
Post PNG Ltd	111.0	42.3	-11.0	-1.3	107.0	49.5	0.8	
PNG Dams Ltd	283.9	0.0	-4.5	-	282.7	0.0	-1.2	-
Kumul Tech Dev Corp (Formerly POM Priv Hospital	24.0	1.6	0.0	1.6	28.0	1.7	0.9	-
Other's including working Progress	50.0	-	0.0	-				
Allowance for impairments	-9.5							
Total Unquoted Equities	***2,628.4***		***0.0***	***94.5***	***2,825.0***			***94.1***
Bank of South Pacific (18.15%)	1,039.9			122.10	1,052.5			142.4
Highlands Pacific Ltd	-	-	-	-	-	-	-	-
Total Quoted Equities	1,038.9			122.1	1,052.5			142.4
TOTAL(K)Million	**3,667.3**	**3,019.1**	**-16.7**	**216.6**	**3,877.5**	**3,774.3**	**8.8**	**236.6**

Source: KCH Audited 2021 Financial Statements as at December 2022
Note: SOEs valuation sections that are left blank are either operating on deficit or non-operational during the reporting period.

10.2.2 HOLDING ENTITIES AND SOE DIVIDEND PAYMENTS

Table 41 below shows the dividend payments by the Holding Entities in 2020, 2021, 2022 and 2023 with the projections for the 2024. The 2024 projection is based on historical data and dividend payment trends.

Table 37: Dividends Paid to State (Kina, million)

Entity	2020 Budget	2021 Budget	2022 Budget	2023 Budget	2024 Projection
KPHL	500.0	300.0	400.0	1300.0	400.0
KMHL (OTML)	300.0	200.0	200.0	383.0	450.0
KCH	80.0	-	20.0	150.0	150.0
TOTAL	***880.0***	***500.0***	***620.0***	***1833.0***	***1000.0***
Entity	**Sup Budget**	**Sup Budget**	**Sup Budget**	**Sup Budget**	
KPHL	250.0	400.0	700.0	600.0	
KMHL (OTML)	100.0	200.0	450.0	382.5	
KCH	-	-	20.0	150.0	
TOTAL	***350.0***	***600.0***	***1170.0***	***1132.5***	
Entity	**Actual**	**Actual**	**Actual**	**YTD**	
KPHL	200.0	300.0	300.0	250.0	
KMHL (OTML)	369.0	80.5	0.0	80.5	
KCH	-	-	80.0	0.0	
TOTAL	***569.0***	***380.5***	***380.0***	***330.5***	

Note: Dividend payment from KMHL was received in September 2023 for the 2022 fiscal year.

In the 2023 Supplementary Budget, the Government estimated for KPHL and KMHL to pay K700.0 million and K450.0 million respectively. However, the final dividends received were K300.0 million from KPHL, a shortfall of K400.0 million while no dividend payment was received from KMHL from the OTML dividends in 2022. KCH declared and paid the State K80.0 million in dividends in 2022. This payment relates to the 2021 accumulated dividend income (K216.6 million) received from GBT investments. It was projected to be K20.0 million but an additional K60.0 million was paid to the State.

In 2023, KPHL, KMHL and KCH were expected to pay K1.3 billion, K383.0 million and K150.0 million, respectively. However, actual payments as of 31st September 2023 is K250.0 million from KPH, and K80.5 million from KMHL, with nil payments form KCH. The Government expects further dividends before the end of 2023.

Current Update on SOE Reforms

The SOE reforms undertaken in 2020-2022 were mainly targeted at strengthening the overarching corporate governance and policies to address issues and challenges faced by the Holding Entities and the SOEs. The reform involved three sub-programs driven by KCH and supported by the ADB through a policy-based loan of US$500.0 million. These sub-programs commenced in 2020 and continue to be implemented.

Other significant reforms to strengthen and improve SOE governance and performance include the amendments of the *Public Private Partnership Act 2014* and the endorsement of the National Competition Policy. In addition, the work on the CSO Policy implementation, specifically on identifying and costings on CSO activities has been captured in the *Kumul Consolidated Holdings Authorisation Act 2021* but is currently pending progress. Delays in implementation have also been exacerbated due to staff turnover from the responsible implementing agency.

The Government through the Department of Treasury (DoT) continues to progress appropriate actions to fully meet the preconditions on CSO financing and being current on SOE invoices including settling of undisputed outstanding invoices. In late 2022, the Government paid Post PNG Limited K1.0 million (US$284 thousand approx.) for the CSO as costed and agreed while

Air Niugini, PNG Power and PNG Water Limited have also been paid for undisputed bills and invoices at a value of K89.0 million (US$25.28 million approx.).

To further support the SOE reforms, the Government through its policy directives in previous National Budgets and various NEC Decisions, has directed that the 2015 Dividend Policy be revised to reflect new dividend payment structures.

The DoT and relevant State agencies will continue to have dialogues with the Holding Entities and SOEs to improve their KPIs and ensure they support the Government in achieving its overall policy objectives.

10.2.3 EXTRACTIVE SECTOR

MINING PROJECTS

KMHL holds and manages investment in the mineral sector on behalf of the Government. The core business of KMHL covers the entire value chain of the mineral sector. KMHL is a key player in the upstream, midstream, and downstream businesses of the mining industry. The current mines (operating and under care/maintenance) that the Government has direct equity interest held by KMHL are:

i. OK Tedi Mining Limited
ii. New Porgera Gold Mine

Ok Tedi Mining Limited (OTML)

The OK Tedi Mining Project is a world class mining project. Its Special Mining Lease (SML) expired in May 2022 and the operator has applied for another 20-year mine life extension and has been approved by the State. The mine is 100.0 per cent PNG owned with 67.0 per cent direct shareholding by the State through KMHL and 33.0 per cent owned by the people of Western Province.

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 and the Government. The mine's ore reserves as at 31st December 2018 are 244 million tonnes at 0.6 per cent copper and 0.68 grams per ton gold. This will require another decade of mining until 2032.

Ok Tedi Mining Limited dividend revenue has been a key component for the Government's annual budget over the last 31 years and is expected to be going forward.

New Porgera Mine

The mine was under care and maintenance since 2019 when the Government decided against extending the term of the old mine's SML. The Governments take of 36.0 per cent shareholding is in the New Porgera Mine.

The Government has signed the Framework Agreement, the Porgera Project Commencement Agreement (PPCA) and the Porgera Progress Agreement (PPA) to progress the reopening of the mine. The PPCA sets out the commercial terms of the project including the creation of the New Porgera Limited (NPL), its shareholding distribution and fiscal terms of the project. The PPA sets out the terms agreed by the parties to address the tax liabilities of the old Porgera mine.

The KMHL and Barrick Niugini Limited (BNL) transferred the SML and Exploration Licence (EL) respectively to NPL. Subsequently, NPL submitted application for the SML in June 2023. The Mining Advisory Council (MAC) deliberated on the SML application in September 2023 with NPL being granted the SML in October 2023. The Mine Development Contract (MDC) has also been approved and executed in October 2023. This now enables Barrick Gold Corporation to restart operations at the mine. The mine is therefore expected to reopen by the first quarter of 2024.

10.3 PETROLUEM PROJECTS

Existing Petroleum Project

The current existing petroleum project that the State has direct equity interest held under KPHL is PNG Liquefied Natural Gas (LNG). KPHL through its other subsidiaries also hold interests in the petroleum sector.

PNG LNG is currently the only operating petroleum project operated by ExxonMobil PNG limited. The State has 16.8 per cent equity interest in this project.

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. The PNG LNG Project has been producing at 20.0 per cent above its nameplate capacity of 6.9 million tonnes per annum (MTA). The project anticipates that it will produce 11.0 trillion cubic feet of LNG over the 20-year life of project.

Since its inception, the project has contributed to the State in revenues to various Government instrumentalities totally K22.3 billion. This revenue includes Dividend payments (K8.9 billion to KPHL, K1.7 billion to MRDC), Taxes (K9.5 billion to IRC), Development Levy (K1.0 billion to DPE) and Royalty (K1.8 billion to DPE).

10.4 PNG EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (PNGEITI)

PNGEITI On-going Reforms to Improve Sector Governance

Implementation of EITI in PNG is gradually contributing towards adopting strategic reforms that are aimed at enhancing governance in the PNG Mining and Petroleum Sector.

Recommendations from two rounds of Validation (independent assessments) on EITI implementation in country conducted in 2016 and 2022 against the EITI Standard indicated significant implementation gaps. This compelled policy intervention and legislative reforms that have been undertaken and these ongoing reforms are outlined below:

Transparency in the Operations of Extractives SOEs and Trustees

SOEs and Trustees play a key role in managing and distributing PNG’s wealth from extractive activities. The 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 critical for a comprehensive EITI report.

Increased participation by SoEs and Trusties in the EITI reporting process is providing added value to the quality of EITI reports.The 2021 PNGEITI report indicated that the SoEs received nearly half of the total reveneue from the sector in 2021 (48.4 per cent). This accounted for over PGK2.8 billion in revenue from SOEs. SOE entities reporting through EITI process include Kumul Petroleum Holdings Limited (KPHL), Ok Tedi Mining Limited (OTML) and Kumul Mineral Holdings Limited (KMHL).Other reporting trustees include Mineral Resources Development Company (MRDC) and Ok Tedi Development Foundation (OTDF).

Findings from the recent Validation report on State participation has indicated that there were significant omissions related to disclosures of the practices regarding the financial relationship between KPHL and the State. This impeded on accountability and resulted in PNG not making adequate effort to comply with the EITI Standard.

Additionally, quasi-fiscal expenditures (QFEs) were being undertaken by SOEs and Trustees and these expenditures needed to be disclosed through the EITI reporting process as required by the EITI Standard. The Validation process also discovered that there was inadequate information or ad-hoc information available on the rules governing the relationship between OTML and the State.

Each SOE, and associated subsidiary companies are required to publicly disclose through the EITI reporting process their management of the funds, their structures, their subsidiaries and their contributions to extractive industry revenues for transparency purposes. 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, their challenges and other structural issues that needed to be addressed for greater transparency and accountability. The EITI work on SOE reforms aligns with recent undertakings by the Department of Treasury and the MTDP4 Pillar on SOE reform.

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 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. Continuous collaboration and consultations with the PNG Investment Promotion Authority, Bank of PNG and other relevant entities enabled the passing of the *Companies Act (amended 2022)*. Ammendments to the PNG Companies Act now include Section 72 - Beneficial Ownership of Shares. This provision compels corporate entities to disclose beneficial owners of their shares as requested by the register of companies.

Ongoing work between all stakeholders will ensure mandatory BO disclosure regime and the creation of a BO data registry within the IPA office for EITI reporting purposes in the future.

Contracts Transparency (Disclosure of resource project agreements)

Emphasis on disclosing various contractual regimes in the PNG extractive sector is ongoing, despite the details of contracts (resources project agreements) and licenses being 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.

The 2022 Validation report found that the Mineral resources Authority had made significant efforts to disclose a list of mining Memorandum of Agreement (MOAs) in recent EITI Reports. The PNGEITI National Secretariat has been involved in the State Negotiation Team in attending the Mining Development Forums for new projects and in the MOA reviews of existing mining projects. This resulted in including the EITI transparency clauses in the mining agreements (Woodlark Mine and K92 Mining would be the first to disclose parts of the Agreements).

Work is still required to embed similar clauses in project agreements in the oil and gas sector. Such disclosure provisions would enable subnational reporting of payments and transfers and partial CDA contract disclosure for all mining and petroleum CDAs.

To date no benefit sharing agreements related to mining and oil and gas projects are disclosed, not even a list of current projects or project agreements. Despite these challenges, the PNGEITI National Secretariat has been engaging with the State Solicitor and other government entities to address non-disclosure of contracts.

Contracts or project agreements (MoA's) once signed by the State and Project Developer are maintained by the Office of the Solicitor General. Without legislative amendments, agreements could only be made public with the approval of both the company/developer and the Department of Petroleum and Energy (DPE) or MRA (as appropriate) on behalf of the State.

Sub-National Payments and Transfers in Extractives Sector

Significant 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 a 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.

Piloting sub-national reporting in the extractive provinces was shelved in 2020 due to the onset of the COVID-19 Pandemic and work recommenced in 2022.

Preliminary consultations with the four pilot provinces; Morobe, Western, Gulf and New Ireland Provinces were initiated this year. The outcome of this consultation will enable the formulation of a 3 year project plan for sub-national reporting.

Improvement in Resource Related Revenue Management Phase 2

This project is funded under the JICA Technical Cooperation Program through a technical assistance arrangement. This is a continuation of the Phase 1 Project that was concluded in 2022. The purpose 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
- etrengthen auditing capacity at the Auditor General's Office to improve the quality of extractive sector revenues received by State departments and entities for EITI reporting purpose.

The Phase 2 Project is scheduled to commence in March 2024. The project also aims to deliver a number of outputs including developing mechanisms to share and disclose resource-related information in a timely manner and with reliability.

World Bank Scoping Studies and DPE Cadastre System

Consultative work with the World Bank on the design of the Department of Petroleum and Energy (DPE) Cadastre System is ongoing and the project is set to commence in 2024. A petroleum cadastre is the principal public institution that manages petroleum titles in a country. Such a cadastre, when well developed and backed by capable public petroleum sector institutions, will integrate the regulatory, institutional, and technological aspects of petroleum rights administration and form the cornerstone of good petroleum resource management in the country.

Further, the PNGEITI in partnership with the World Bank jointly commissioned the publication of three scoping studies reports in 2020. These reports were conducted on:

- mainstreaming the EITI reports in the formal education sector;
- digitising the EITI reporting process through an Electronic Reporting Platform; and
- conducting capacity assessment of civil society organisation's (CSOs) participation in the EITI implementation process.

The three reports were reviewed and assessed on both their relevance to PNG policy priority areas and also to comply with the EITI Standard. Consultation with the World Bank regarding the piloting of these scoping studies is on-going.

Proposed PNG Extractives Industry Transparency Commission (PNGEITC) Bill

With increased participation by sectoral regulatory departments and state-owned entities, provincial authorities, industry companies and civil societies, the sustainability of EITI implementation in the country is now dependent on having it legally established. EITI implementation in PNG to date is based on the NEC Decision 90/2013. This Decision presents no legal obligation for reporting entities to ensure compliance, especially providing extractive sector financial data and information required for EITI reporting purpose. The current reporting by all stakeholders are done on a voluntary basis based on a MoU that was signed in 2013.

However, voluntary participation and reporting presents continuous hurdles in implementing the EITI Standard due to the absence of a legal framework for reporting purpose.

The adoption of the PNGEITI National Policy on Transparency and Accountability in the Extractive Sector in 2018 set the framework for improved governance.

10.5 RENEWABLE RESOURCE SECTOR

AGRICULTURE SECTOR

This sector provides food security, creates employment, brings family income and contributes 26.0 per cent of the total GDP. The sector plays a key role in the socio-economic development of the country and is the second largest contributor in terms of total exports after mining and petroleum. This sector is dominated by smallholder farming practices.

The Government's MTDP IV goal is for the agriculture sector to increase agricultural export volumes to more than 50.0 per cent by 2027. The volume of agricultural exports as a percentage of total export volume since 2018 ranged from 9.0 per cent to 14.0 per cent.

The Government through the Department of Agriculture and Livestock (DAL) is in the process of developing a new National Agriculture Sector Plan 2024-2033 and an overarching legislation to ensure strong governance, administration and coordination of the sector.

The Government also intends to assist rehabilitate run-down plantations, supply planting materials and provide extension services to smallholder farmers to improve productivity and production, encouraging agro-downstream processing industries, facilitate transportation of agricultural produce to markets and improve bio-security safeguards.

In addition, the Government through DAL also aims to develop systems to generate, administer and analyse industry data, including promoting research and development aimed at improving productivity, addressing food security issues, and improving the quality and yield of food crops. The Government will continue to support DAL to ensure its enabling legislation and policies that promote sustainable growth in the agriculture sector are formulated.

Commodities and Livestock

Agricultural commodities play a critical role in sustaining PNG's economy. These include coffee, cocoa, copra, oil palm, rubber and fresh vegetables (including betel nut – mostly informal) are grown by smallholder farmers and provide income for 80.0 per cent of PNG's population.

Coffee, cocoa and palm oil are the main cash crops which employ the majority of the total labor force in the rural communities.

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, while local production has seen slow growth.

The current target under the PNG Development Strategic Plan (PNGDSP) 2010-2030, is to increase domestic production to 4.0 million metric tons by 2030 although the current production is at about 400,000 tonnes, only 10.0 per cent of the set target.

The Government will continue to support programs to revive cattle farming in the short to medium term. Poultry and piggery farming have already been established by various private sector investments, including large-scale cattle breeding and farming.

Palm Oil

The Palm Oil industry remains an important agriculture sub-sector to PNG's economy and significantly contributes to PNGs exports. The Oil Palm Industry Corporation (OPIC) as mandated by the *Oil Palm Industry Corporation Act 1992*, provides extension services to smallholder farmers, out-growers and settlers within the precincts of nuclear estates of oil palm growing provinces.

The Government through OPIC is currently developing a National Oil Palm Policy, which is intended to provide overarching Government's policy aspirations for the development of the industry.

The Government will continue to support OPIC through the Smallholder Agriculture Development Projects (SADP) focusing on facilitating rehabilitation and maintenance of oil palm smallholder road networks in oil palm growing provinces. The Research and Development Program (R&DP) is also expected to promote the growth and development of oil palm industry.

Coffee

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

PNG currently exports around 787,000 bags of coffee, bringing in more than K500.0 million in export revenue annually. The coffee production mainly comes from rural population where 90.0 per cent of it is produced by the smallholder coffee farmers.

The Government will continue to support the Coffee Industry Corporation Ltd (CIC) to address on-going issues such as decline in production and quality, and climate change. The attacks by pests and diseases, poor and inadequate road networks to bring coffee to market, among others, have become major obstacles to the on-going growth and/or new investments in the industry.

The Government, through CIC, will also continue to support the Freight Subsidy program and the Coffee Rehabilitation and Expansion program aimed at increasing production and the establishment of new smallholder plantations. This program coincides with the current Government Land Reform initiative (focused on the Incorporated Land Group and Customary Land Registration Acts).

Cocoa

Cocoa remains one of PNG's main export commodities, contributing over K1.8 billion during the MTDP III period and over K300.0 million to PNG's GDP annually. Cocoa exports benefit about 151,000 households representing over 2 million people across PNG. About 80% of cocoa production is carried out by smallholder farmers on customary land.

The PNG Cocoa Board (PNGCB) is the mandated regulator of the cocoa industry. PNGCB currently focuses on key strategic programs: Nursery Freight Subsidy and Cocoa Quality, and Market Promotion.

Despite growing global demand for cocoa and the economic importance of the crop, the cocoa industry in PNG is small and in crisis, mainly due to cocoa pod borer disease. The Government, through PNGCB has facilitated the propagation of Cocoa Pod Borer tolerant cocoa clone planting materials to rehabilitate village cocoa farms in provinces and introduce Cocoa Pod Borer tolerant seedlings. The PNGCB has established agreements with provinces to initiate this program and will continue into 2024 and beyond.

Coconut

In line with MTDP IV, PNG's export of coconut products makes up 1.1 per cent of the global market, involving more than 464,000.0 households in the coconut sub-sector. PNG's current coconut production is 73,000.0 tonnes annually, mostly produced by smallholder farmers.

The Government intends to increase production by 82.0 per cent to 133,000.0 tonnes by 2027. This target is expected to be achieved by improving the productivity of smallholders, adoption and utilisation of new high-yielding coconut varieties or management technologies, large-scale investments that expand planted areas, and revival of rundown coconut plantations.

The Government will continue to fund programs that promote sustainable development of coconut plantations. Such programs include the Coconut Research Program, Market Development and Trade Program, Coconut Disease Containment and International Coconut Genebank Relocation, Coconut Nurseries Establishment, and Seed Distribution Program. These are more research-based programs aimed to improve soil systems, address coconut disease syndromes and enhance coconut quality and quantity.

Fresh Produce

PNG's fresh produce industry is estimated to be at K2.5 billion, sustaining approximately 85.0 per cent of the population, also with significant potential to develop value-added organic food products for domestic use and for exports. The total value of fresh production in 2023 is K71.0 million and is expected to increase to K100.0 million by 2027.

The challenges in the fresh produce supply value chain system are that local produce do not meet standard market protocols, especially in terms of food quality and safety standards. Consequently, most formal market outlets continue to import fresh fruits and vegetables, despite having an abundant supply of local produce.

To address these issues, the Government has supported several fresh produce projects including the National Seed Potato Multiplication Project, the Citrus Project, the Bulb Onion Project, and the Market for Village Farmers Project.

The Market for Village farmers Project has been supported through counterpart funding from the Government since 2018 and will end in 2024. It targets fresh food produce sectors (94.0 per cent of village farmers) to transition from semi-subsistence agriculture to market- oriented farming.

The Government also initiated the Freight Subsidy Scheme and has resulted in more produce being shipped from Lae to Port Moresby however, with mixed results. The Government aims to continue funding this scheme going forward.

The Government, through the Fresh Produce Development Agency, will continue the partnership arrangements with Provincial and District authorities, institutions, donor partners, and other stakeholders to deliver on the various projects and endeavors on generating revenues from these existing projects in 2024 and beyond.

Rubber

The Rubber industry has the potential to contribute significantly to the economy. More than 30,000 households are engaged in the industry and produce some 6,000.0 tonnes cup lump annually. Between 2018 and 2022 total rubber export volume was 16,800.0 tonnes, at an average of 3,300.0 tonnes per year, and generated K58.5 million in export revenue.

The Government through DAL, will continue to support the PNG Rubber Board's efforts to increase volumes of production annual to over 12,000.0 tonnes by 2027. The specific investment Programs under this sub-sector include Rubber Plantation Rehabilitation and Nursery Program, and Rubber Downstream Processing.

The new *Rubber Industry Development Act 2022* established the regulatory framework for the rubber industry in PNG. This Act promotes sustainable development of the rubber industry as well as strengthens regulation, investment, and landowner participation in the industry.

10.6 STATE PARTICIPATION AND INVESTMENTS IN AGRICULTURE SECTOR

The Government aims to transform the agriculture sector into a reliable commercial and sustainable food supply 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 sustainable economic growth and prosperity. The modes of interventions envisaged to be undertaken are a combination of the Credit Scheme, and Freight and Price Subsidy. This will enable various lead commodity agencies to implement their work programs to ensure the rural farmer's incomes are increased. This further contributes to an increase in production, exports and improved living standards.

Amongst other priorities, the current Government also aims to encourage downstream processing of renewable resources, meeting domestic demand as well as exporting surplus to generate foreign reserves inflow. These interventions will not only help broaden the tax base and generate additional revenue but also lead to improve livelihoods of rural communities and enable them to be proactive nation builders.

The Government has also set targets to increase cash crop production and livestock production by 30.0 per cent in 2025 with efforts to also increase downstream processing by 30.0 per cent. Additionally, this will include a formulation of an agriculture and livestock diversification plan in 2025 and ensure local content is promoted. This is expected to encourage many locals to participate in equity sharing and downstream business opportunities and associated spin offs.

FORESTRY SECTOR

State Marketing Agencies (SMA)

The Government, through PNG Forest Authority (PNGFA) has established a State Marketing Agency (SMA) in accordance with the *Forestry Act 1991*. The SMA is known as the PNG Diwai Holdings Limited (PNGDHL) and will undertake commercial activities to generate revenue in the forestry sector. The PNGDHL performs commercial functions while the PNGFA undertakes only regulatory functions. PNGDHL is expected to deliver the Government's policies on revenue generation, downstream processing, and national equity participation in the forest sector. These government initiatives will contribute to economic growth whilst promoting sustainable forest management.

Downstream Processing

The Government recognises the need to promote development of a sizeable and sustainable forest industry based on both primary and secondary processing, including large integrated processors producing plywood, veneer, sawn timber, furniture or joinery and other value-added products.

The down-stream processing in the forestry sector is a key project of the Government that will broaden the revenue base and contribute to a revenue target of K25.0 billion by 2027.

Thus, the Government will provide annual funding support and large-scale investments in downstream processing and industrial programs to facilitate growth and operationalise full scale onshore processing of timber products. The SMA establishment provides downstream framework for growth in timber processing in the forestry sector in 2024 and beyond.

FISHERIES SECTOR

PNG has an extensive and valuable fisheries resource 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 covers artisanal community to medium-sized domestic prawn and tuna longline operators to large international purse seine fleets in the deep-water tuna fishery. The Government, through the National Fisheries Authority (NFA) as the mandated agency responsible for the management and regulation of the fisheries sector as per *the Fisheries Management Act 1998,* will continue to manage and regulate the sector.

Conservation

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 PNG is strategically located in an epi-center for global marine resources and biodiversity.

Implementation of these policies is expected to enable PNG to reach the biodiversity target of 17.0 per cent of its terrestrial and inland water areas and 10.0 per cent of coastal and marine areas protected.

TOURISM SECTOR

The Tourism sector was hard hit by the COVID-19 pandemic causing tourism numbers to slump by almost 90.0 per cent, from 211,000 in 2019 to 39,000 in 2020. The industry is expected to remain affected throughout 2023 and 2024. This has caused massive revenue losses and closure of many small tourism businesses in the country and has been further compounded by law-and-order issues that deter potential entry of international tourists.

To grow the tourism industry, the Government aims to develop a "domestic tourism model" and build up the cultural visibility to complement the entire industry. The approach to domestic tourism includes the promotion of inter- District and inter-Province travels, developing tourism niche products that target domestic travelers, develop domestic tourism hubs with improved infrastructure, law and order, and transport connectivity**.**

The PNG Tourism Promotion Authority (TPA), as the regulator, has been working closely with participants in the Travel and Leisure industry under the PPP arrangement to ensure the Tourism industry continues to operate**.** The TPA is also expected to develop the Tourism Policy and amend its enabling law to make it current and effective to regulate, encourage, and expand tourism activities throughout PNG.

ENERGY SECTOR

The Government through the National Energy Authority (NEA) continues to implement the National Electrification Roll out Program (NEROP) to ensure 70.0 per cent of PNG's population has access to electricity by 2027.

The NEA, established in 2021, also takes over the economic and technical regulatory functions of energy sector from ICCC and PNG Power Limited respectively.

The NEA has been working in collaboration with relevant State agencies to establish various energy sector policies that include renewable energy policy, decentralised Electricity Supply Policy, Geothermal Policy, etc. These policies are expected to promote cheaper, cleaner energy and result in improved livelihoods.

The electricity sector is grouped into three sub sectors: generation, transmission and distribution. The Government through NEA will continue to work with relevant Government stakeholders to ensure it pursues its core mandates and delivers on the current government's expectations.

ENVIRONMENT AND CLIMATE CHANGE

PNG is vulnerable to floods, droughts, earthquakes, volcanic activity, tsunamis, and sea-level rise.

The Government intends to safeguard its socio-economic loss from adverse impacts of climate change and natural disaster through the National Reduction on Emission on Reforestation and Degradation (REDD+) Strategy 2017-2027. This is part of the country's ongoing commitment as member of the United Nations Framework Convention on Climate Change (UNFCCC), Paris Agreement (COP21) and other global obligations.

The Government, through the Climate Change and Development Authority (CCDA), aims to support climate change mitigation and adaptation programs. It thus initiated a draft Climate Change (Management) (Carbon Markets) Regulation 2023 to set a coordinating framework envisioned to administer and manage an authorization process for all carbon market activities in PNG.

This is to ensure that submissions across various sectors (forestry, environment, energy, agriculture, infrastructure, etc.) for carbon trade are well coordinated with equal participation and equal benefits sharing. The draft regulation after a series of stakeholder consultation is now in its final stage for validation prior to submission to the National Executive Council.

A Green Finance Policy has also been prepared and launched by BPNG and CEFI with the support of the NZ government. Furthermore, the Global Green Growth Institute (GGGI) through PNG CCDA has facilitated capacity building trainings on the requirements of Green Climate Fund for CCDA officers and other key stakeholders to understand the requirements to access global climate funds.

Accessing the global climate funds is a challenge for PNG but support and guidance from relevant agencies such as GGGI and others will enable PNG to access these funds to support its mitigation and adaptation programs.

10.7 SECTOR REFORMS

The need for Government policy intervention to review the performance of its current investment portfolio and to take stock and assess the value of these investments to fully understand their potential for growing the economy is still paramount. Thus, in 2024, the Government will continue its sectoral reform programs aiming to enhance and add value to the

Government's investments in all sectors of the economy. This will also ensure proper and timely reporting to assist the Government make informed decisions.

In addition, the Government through the DoT, will aim to progress the following:

- State Investment Review;
- Development of an Investment Registry;
- Development of a Medium-Term Sectoral Investment Strategy; and
- Development of a Resource Project Benefits Management Policy.

The DoT, in collaboration with other Government agencies, will lead these reform initiatives to promote transparency, accountability, and good governance practices for all Government investments and Government-funded initiatives.

Implementation of the Non-Tax Revenue Administration Act 2022

The *Non-Tax Revenue Administration (NTRA) Act 2022* is part of the broader Public Finance Management reform activities intended to address the declining non-tax revenue base of the Government and to ensure timely remittance of this revenues into the Consolidated Revenue Fund (CRF) to support the Governments' National Budget.

Parliament passed the *NTRA Act* as part of the 2023 National Budget and it has since been certified for implementation.

Statutory Authorities and Public Bodies charge fees, levies, or charges for the services they offer, such as licensing, permits, or regulatory services. The revenue collected from these charges contributes to the Government's coffers, reducing the burden on taxpayers and diversifying the sources of funding for public services.

The Government further expects greater Non-Tax Revenues collections through the successful implementation of the *NTRA Act 2022* to fund the 2024 National Budget.

Review of the Boards (Fees & Allowances) Act 1955

The Minister for Treasury approved the revised 2021 Determination of Board Fees and Allowances after considering recommendations of the review of the 2006 Determination of Board Fees and Allowance from the Department of Treasury.

The NEC also directed the Department of Treasury to establish a Technical Working Group (TWG) to review the *Boards (Fees and Allowances) Act 1955*. The TWG has since done the review and drafted the draft Boards (Fees and Allowances) Bill 2023. Consultations on this draft bill with relevant stakeholders. The final draft bill will then be presented to Parliament for deliberation and implementation in 2024.

The draft Bill aims to ensure fair remuneration of members of the Board of Statutory Authorities and Public Bodies which should lead to increase productivity and performance of Boards. The Bill further seeks to improve overall governance and administration of the Boards, by setting out minimum requirements for the creation of Boards, Committees and ad-hoc bodies, and a framework for the determination of the respective fees and allowances. It establishes a mechanism to monitor and evaluate the performance of a Board for the purpose of reviewing the determination of its fees and allowances.

10.8 PUBLIC PRIVATE PARTNERSHIPS (PPP)

The PPP program is part of the Governments policy-based loan and SOE reforms being progressed with the ADB. The implementation of the *Public Private Partnership Act 2014* took off to a slow start. However, implementation has since been picked up with appointment of the Acting CEO in October 2022 and the expected establishment of PPP Centre.

The PPP guideline is also being finalised for endorsement by the National Executive Council. The guideline aligns with the PPP Act to facilitate the conception, development, competitive tendering, and implementation of PPP projects. The guideline is envisioned to assist public sector practitioners and their PPP advisers to develop, procure, and manage PPP projects under the framework. It also serves to inform interested private sector parties of these processes and of the government's proposed approach to major issues.

The Government continues to be committed to fully implement the PPP Act and policy for improving the preparation and delivery of PPP projects in PNG.

10.9 STATE INVESTMENT TSRATEGY 2024

10.9.1 KCH AND MAJORITY SOE REFORMS

Dividend Policy and Payment Strategy

The DoT reviewed the existing 2015 Dividend policy and developed a draft revised 2024 Dividend Policy intended for the Holding Entities and SOEs with clear guidelines for implementation. The objective is to ensure the revised policy captures the Government's main policy intent and objectives, including a clear framework for effective implementation by the Holding Entities and SOEs.

The Dividend Payment Strategy 2024-2026 is an overarching budget support plan that will ensure a clear non-tax revenue collection plan for the Government. It sets out the revenue targets for individual SOE's and the Holding Entities.

Clear targets on intended dividend payments are essential for the Government. It ensures the Government's confidence in generating predictable non-tax revenue to support the National Budget in 2024 and the years thereafter.

The revised 2023 Dividend Policy with the Dividend Payment Strategy aims to capture the Government's priority on revenue generation and consolidation. Both the policy and strategy are being finalised by the DoT and will be sent to the NEC for endorsement in the fourth quarter of 2023.

Implementation of both reforms are expected to begin in 2024.

10.9.2 KMHL AND NEW MINING PROJECTS

Woodlark Gold Mining Project

This mining project is a small to medium-scale project and was granted approval (Mining License) by the State in 2014. It will be an open-cut mine utilising bulk mining method with a mine life of 13 years. Mineral resource estimates as at end of March 2018 is 47.0 million tonnes at 1.04 grams per ton with roughly 1.57 million ounces of gold.

Its primary product is gold dori through processing of 2.4 million tonnes of ore via the carbon in leach (CIL) treatment facility. The project's capex estimates as of 2020 was AUD$243.0 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 the funds needed to operate the project. The construction phase for the project commenced in quarter one of 2021. However, it's currently suspended due to inflated capital cost induced by the COVID-19 pandemic.

The State has reserved its right to acquire 30.0 per cent of the project through the Memorandum of Agreement (MOA). Of this 30.0 per cent, 5.0 per cent is free carried by the developer for impacted landowners and the Milne Bay Provincial Government and 25.0 per cent is reserved for the State to take-up on commercial terms when ready.

Wafi-Golpu Gold-Copper Project

The Wafi-Golpu Joint Venture (WGJV) submitted the application for SML in 2018. The grant of the SML has been delayed for several reasons including a court case and negotiation of the terms of Mining Development Contract (MDC). However, progress has been made to grant the SML since the new Morobe Provincial Government took office.

The State is in the final stage of negotiating the terms of MDC with WGJV partners. The grant of the SML is expected to follow on from granting of SML for Porgera Mine. The Environmental Permit for the project was granted in January 2021 for Deep-Sea Tailings Placement (DSTP) as the waste management system for the project.

The project's construction is expected to cost US$4-5 billion dollars and will take up to five years to complete.

The State has the right but not the obligation to take up 30.0 per cent equity in the project through its nominee, preferably KMHL. Off this 30.0 per cent, 5.0 per cent will be free carried for the impacted landowners and the Morobe Provincial Government. The remaining 25.0 per cent will be acquired by the State. The terms of acquisition are currently being negotiated by the State Negotiating Team (SNT), on behalf of the State, and the Developers. This is expected to be completed in the first quarter of 2024.

Frieda River Copper Project

This is a proposed copper-gold mining project located in the East Sepik Province. It is expected to be mined using an open cut bulk mining method utilizing floatation to produce gold-copper concentrate products. Its mineral resource estimates as of September 2018 were 1,490 million tonnes at 0.5 per cent Copper (5.7 million tonnes of copper) and 0.24 grams per tonne of Gold (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 12th 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.

The State has the right but not the obligation to take up 30.0 per cent equity in the project through its nominee, preferably KMHL. Of this 30.0 per cent, 5.0 per cent will be free carried for the impacted landowners and East Sepik Provincial Government. The remaining 25.0 per cent will be acquired by the State. The terms of acquisition will be negotiated by the State and the Developers after the Wafi-Golpu project is permitted for development in 2024.

10.9.3 KPHL AND THE PROPOSED PETROLEUM PROJECTS

Apart from the PNG LNG Project commencement in 2014, the Government has embarked on the development of other new LNG projects. These include the Papua LNG Project under Petroleum Retention Licence (PRL) 15, P'nyang LNG Project under PRL 13 and the Pasca a Gas Project under Petroleum Prospecting License (PPL) 328. The developers of these new projects have submitted their applications for Petroleum Development Licence (PDL) to the State for review and licensing.

The project/Gas agreements for Papua and P'nyang LNG Projects have already been signed.

Papua LNG

The expected Government's take on Papua LNG is 22.5 per cent equity and is pending Front End Engineering Design (FEED) receipt from Total Energies. Total Energies submitted its application for Petroleum Development License (PDL) in May 2023. This triggered the review of the application in accordance with the *Oil and Gas Act 1998* and the Project's Gas Agreement signed in 2019. According to Total Energies tentative planning schedule, the Project is expected to reach Final Investment Decision by late 2023 or early 2024.

KPHL as the State nominee is expected to take-up the 22.5 per cent equity in the project. Of this 22.5 per cent, 2.5 per cent will be free carried for project impacted landowners and provincial governments and 20.0 per cent will be carried by the State through KPHL.

The Department of Petroleum and Energy with relevant State agencies continue to progress work to ensure all the regulatory requirements are satisfied before the grant of the PDL by end of 2023. Construction is expected to begin in 2024 and is estimated to cost between US$10.0 – 13.0 billion. While first production is expected to commence in 2028, according to schedule. The project is in the Gulf Province with a proposed operation life of 25 years.

P'nyang Gas Project

Heads of Agreement (HOA) with the Developer and the State was signed in October 2021 and a Project Gas Agreement signed in 2022. Development of P'nyang has been put further back with Papua LNG and Pasca. A Gas Project being the priority of the Government to grant PDLs. Tentatively, construction is expected to begin in 2028, immediately after Papua LNG construction period ends.

KPHL, as the State nominee is expected to take-up the 22.5 per cent equity in the project. Of this 22.5 per cent, 2.5 per cent will be free carried for project impacted landowners and provincial governments and 20.0 per cent will be carried by the State through KPHL.

Pasca Gas Project

Negotiations of the Project's Gas Agreement broke down in 2021. With Government priority now being focussed on sanctioning the Papua LNG Project to construction phase. It is

expected that the negotiations of the Gas Agreement would commence after the completion of Papua LNG regulatory approval process and subsequent grant of its PDL. This is anticipated to be achieved in 2024.
KPHL as the State nominee is expected to take-up the 22.5 per cent equity in the project. Of this 22.5 per cent, 2.5 per cent will be free carried for project impacted landowners and provincial governments and 20.0 per cent will be carried by the State through KPHL.

Stanley Gas Project

A gas project, located in Western Province of PNG. It has total recoverable gas of 355.0 billion cubic feet and condensate volume of 11.3 million barrels (P50 – 50.0 per cent probability). 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 factors such as unfavourable oil prices which rendered the economics of the project commercially unviable.

KPHL as the State nominee is expected to take-up the 22.5 per cent equity in the project. Of this 22.5 per cent, 2.5 per cent will be free carried for project impacted landowners and provincial governments and 20.0 per cent will be carried by the State through KPHL.

State Equity Participation Policy

Work on a State Equity Participation Policy was initiated and progressed by the DoT 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 is progressing the draft policy and is expected to conduct stakeholder consultations and seek NEC's endorsement in 2024.

Benefits Distribution and Management Policy

The revenues and benefits derived from natural resources have been supporting the development of PNG which is heavily reliant on oil & gas, mining, forestry and fisheries sectors (Natural Resources). The benefits provided to the landowners by the Government from Resource Projects including the derivation of the Business Development Grant, Infrastructure Development Grant or High Impact Infrastructure Project Grant have been derived on an ad hoc basis by project-by-project basis. Thus, the Treasury Department is drafting the Benefits Distribution and Management Policy to streamline the derivation of these Grants.

The drafting of the policy is expected to be completed in mid-2024 and consultations to commence in the third quarter 2024. The policy is expected to be endorsed by the NEC in the last quarter of 2024.

10.10 RENEWABLE RESOURCE SECTOR REFORMS

AGRICULTURE

Review of PNG Oil Palm Industry Corporation Act 1992 (OPIC Act)

The *OPIC Act 1992* has not been reviewed in order to accommodate current market dynamics of the oil palm industry. Further, the current OPIC Act only allows for extension services only. Hence, it is difficult for the Government through OPIC to manage and provide regulatory oversight over the industry.

In 2022, the Government commenced review of *OPIC Act 1992*. The review aims to promote expansion and sustainable management of Oil Palm Industry in PNG. A National Oil Palm Policy is currently being developed by the DAL and OPIC. The Policy is aimed to establish a regulatory framework for expansion and sustainable management of Oil Palm Industry. This Policy is expected to give effect to the subsequent amendments to the *OPIC Act 1992*. The review is continuing in 2023 and is expected to be completed in 2024.

Review of *Kokonas Indastri Koporesen Act 2002* (KIK Act)

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. The amended Bill is pending the finalisation of the Agriculture Administration Adjustment Bill.

FISHERIES

National Fisheries Authorities (NFA)

The government, through the NFA continues to prioritize the strengthening of management, governance and security of PNG’s maritime zones by implementing the 10-year National Ocean Policy 2020-2030.

The Government anticipates revamping the fisheries sector to increase the exports and maximize economic returns through combating illegal, unreported and unregulated fishing within the Exclusive Economic Zones (EEZ), diversifying international market access, creating domestic markets for marine products, and promoting MSMEs. Major investments in downstream processing through the Pacific Marine Industrial Zone (PMIZ) projects, fisheries surveillance programs and other marine infrastructure are key focus in the medium term.

In addition, Government will establish an entity to pursue commercial tuna and other fisheries products for exports. To achieve this, the Government through NFA established Fisheries Capital Limited to pursue commercial functions while the NFA performs regulatory functions. The Government will continue to support programs under the fisheries sector in 2024 onwards.

FORESTRY

Review of the Forestry Act 1991 (as amended)

The Government, through the PNG Forest Authority (PNGFA) is embarking on several initiatives under the capital expenditure program as well as generating income to supplement the National Government’s revenue streams.

The initiatives include implementation of the Forestry Revenue Generation Strategy, reviewing expired project agreements of current logging operations, and implementing the afforestation pilot project. These initiatives are carried out under the current increase round log export tax environment. These initiatives will continue into 2024.

The Government will continue to support the reforestation and resource owner's capacity development project programs. This is the current Government's focus as far as the sustainable investment and landowner benefits in the forest resources are concerned.

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 practices of forest management and development.

PNGFA aims to complete the revised Act in 2024 and commence implementation thereafter. This revised Act is expected to ensure PNGFA has effective and improved governance practices and operations which promote investments and boost revenues collection, etc.

APPENDIX 1: GRANTS AND TRANSFERS TO PROVINCES

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

Province	Goods and Services													Total Recurrent Grants (a) + (b)	Function Grants	Function Grants (Inclusive of Health Functon Grant)
	Health Function Grant	Education Function Grant	Transport Infrastructure 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	*8,009,245*	6,754,960	9,725,752	2,638,630	408,097	352,660	1,011,797	614,821	21,506,717	1,477,271	6,406,918	**7,884,190**	**29,390,907**	109,668,062	29,390,907	37,400,152
Gulf	*6,390,142*	5,304,238	7,609,077	2,819,440	619,663	132,929	1,886,855	2,810,662	21,182,864	575,718	2,147,857	**2,723,575**	**23,906,439**	67,174,189	23,906,439	30,296,581
Central	*7,563,282*	8,463,785	13,861,778	3,832,386	764,571	359,365	3,115,815	2,551,589	32,949,289	-	5,013,406	**5,013,406**	**37,962,695**	145,425,820	37,962,695	45,525,977
NCD*						24,000			24,000	-		**-**		1,139,180	24,000	24,000
Milne Bay	*7,558,555*	8,647,264	8,804,684	4,379,524	738,790	517,530	3,389,372	2,544,061	29,021,225	573,975	3,772,470	**4,346,446**	**33,367,671**	134,816,711	33,367,671	40,926,226
Oro	*5,960,350*	4,835,747	4,838,421	2,627,593	433,105	135,228	2,085,688	1,919,206	16,874,988	1,425,813	4,709,991	**6,135,804**	**23,010,792**	74,182,732	23,010,792	28,971,142
Southern Highlands	*6,314,789*	8,432,222	7,459,828	2,443,480	682,487	374,252	3,013,582	1,810,420	24,216,271	1,357,800	4,238,025	**5,595,825**	**29,812,096**	182,775,412	29,812,096	36,126,885
Hela	*7,153,422*	5,763,963	5,682,370	2,214,139	605,158	120,435	2,125,118	2,954,074	19,465,257	2,059,670	3,578,826	**5,638,495**	**25,103,752**	83,119,022	25,103,752	32,257,174
Enga	*6,520,308*	10,838,050	12,743,419	5,452,969	1,291,349	287,983	2,084,420	2,914,097	35,612,287	473,335	5,952,140	**6,425,475**	**42,037,762**	154,669,262	42,037,762	48,558,070
Western Highlands	*4,575,225*	2,019,637	2,801,483	915,050	357,764	110,479	542,060	689,322	7,435,795	1,589,239	2,998,656	**4,587,895**	**12,023,690**	162,277,393	12,023,690	16,598,915
Jiwaka	*6,311,251*	9,142,000	13,631,835	1,485,228	446,460	128,152	2,436,481	2,492,525	29,762,681	-	2,653,262	**2,653,262**	**32,415,943**	125,133,476	32,415,943	38,727,194
Simbu	*7,141,687*	11,093,114	11,657,152	2,320,997	785,314	121,070	3,206,499	4,130,246	33,314,392	752,601	3,009,578	**3,762,179**	**37,076,571**	156,217,611	37,076,571	44,218,258
Eastern Highlands	*7,043,478*	11,949,854	18,502,686	2,727,530	665,107	108,233	3,698,214	3,087,066	40,738,690	1,479,546	4,434,072	**5,913,619**	**46,652,309**	210,284,939	46,652,309	53,695,787
Morobe	*3,989,138*	1,452,977	1,798,924	761,083	518,920	172,974	207,568	207,568	5,120,014	4,429,974	9,841,378	**14,271,353**	**19,391,367**	255,284,387	19,391,367	23,380,505
Madang	*8,314,244*	9,816,352	13,351,102	3,845,381	564,482	56,304	3,715,807	3,696,550	35,045,978	1,692,881	6,472,444	**8,165,325**	**43,211,303**	199,068,283	43,211,303	51,525,547
East Sepik	*8,592,061*	14,884,660	24,618,330	4,434,731	790,456	185,327	3,249,873	4,754,406	52,917,783	1,302,857	7,482,767	**8,785,624**	**61,703,407**	207,814,947	61,703,407	70,295,468
Sandaun	*9,484,327*	11,196,987	9,615,938	4,279,552	549,960	104,962	2,657,263	4,050,910	32,455,572	4,439,463	3,194,248	**7,633,711**	**40,089,283**	122,434,653	40,089,283	49,573,610
Manus	*4,311,544*	3,721,871	6,155,233	1,929,210	542,423	96,017	1,938,298	2,496,713	16,879,765	429,961	1,008,629	**1,438,590**	**18,318,355**	59,564,805	18,318,355	22,629,899
New Ireland	*4,315,189*	2,333,565	2,683,600	991,765	816,748	583,391	700,070	1,166,783	9,275,922	809,626	1,863,600	**2,673,226**	**11,949,148**	91,707,058	11,949,148	16,264,337
East New Britain	*6,724,528*	5,996,337	5,628,349	6,256,807	661,427	123,473	1,469,551	827,432	20,963,376	1,778,999	4,148,029	**5,927,028**	**26,890,404**	154,587,854	26,890,404	33,614,932
West New Britain	*7,016,132*	12,439,949	13,426,696	3,986,845	840,051	243,953	3,560,694	3,099,929	37,598,117	1,109,660	5,013,999	**6,123,659**	**43,721,776**	142,446,356	43,721,776	50,737,908
Bougainville*															-	-
TOTAL	**133,288,897**	**155,087,532**	**194,596,657**	**60,342,340**	**13,082,332**	**4,338,717**	**46,095,025**	**48,818,380**	**522,360,983**	**27,758,391**	**87,940,295**	**115,698,686**	**638,035,669**	**2,839,792,151**	**638,059,669**	**771,348,566**

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)

Table 2.2: Grants, transfers and other resources of Provincial Governments

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	118,942,175	20,929,860	11,702	25,752,852	1,922,706	**167,559,296**
Gulf	73,564,331	1,571,604	0	0	387,392	**75,523,327**
Central	152,921,616	4,025,879	0	0	9,193,341	**166,140,836**
NCD*	1,139,180	470,050,528	5,193,150	0	0	**476,382,858**
Milne Bay	142,375,268	7,325,839	0	0	1,952,634	**151,653,740**
Oro	80,143,082	5,880,246	22,660	0	1,903,788	**87,949,776**
Southern Highlands	188,800,203	20,787,867	0	0	8,620,441	**218,208,511**
Hela	90,272,444	7,419,875	0	0	0	**97,692,319**
Enga	160,998,570	5,949,813	0	0	18,637,125	**185,585,508**
Western Highlands	166,842,619	64,979,809	240,785	0	5,125,711	**237,188,924**
Jiwaka	131,444,728	5,026,523	0	0	0	**136,471,251**
Simbu	163,359,298	8,078,608	89,598	0	1,926,874	**173,454,378**
Eastern Highlands	217,328,418	30,804,639	353,748	2,064	3,326,587	**251,815,456**
Morobe	259,273,525	188,515,201	1,214,735	3,265,247	12,004,207	**464,272,916**
Madang	206,686,144	23,887,302	1,909,588	2,793	2,437,364	**234,923,190**
East Sepik	216,407,008	20,400,182	179,059	0	3,598,202	**240,584,451**
Sandaun	131,918,980	5,731,374	0	0	3,635,183	**141,285,537**
Manus	63,876,349	2,778,903	0	0	789,929	**67,445,181**
New Ireland	96,022,247	22,817,603	0	8,908,062	5,270,276	**133,018,188**
East New Britain	161,302,381	34,036,926	139,944	0	6,603,508	**202,082,759**
West New Britain	149,462,488	19,055,617	321,284	0	5,131,957	**173,971,346**
Bougainville*	0		0	0	0	**0**
TOTAL	**2,973,081,052**	**970,054,198**	**9,676,253**	**37,931,018**	**92,467,226**	**4,083,209,747**

Notes

1) GST is based on 60% of the 2022 net inland GST collections, to be distributed to each province in 2024

2) Bookmakers is 40% of 2022 net collections

3) NEFC estimate based on 2022 actual collections which includes dividends from equity shares of mining and petroleum resource projects

4) NEFC estimate based on 2022 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 (Kina Million)

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Est	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj
Agriculture, Forestry and Fishing										
nominal	14234.5	15476.0	17399.7	18835.3	19960.0	21375.9	22942.9	24587.6	26404.4	28303.6
deflator	136.9	146.2	162.6	170.7	177.0	184.5	191.7	199.6	207.7	188.5
real	10394.4	10588.1	10702.6	11035.3	11276.6	11585.0	11971.0	12316.8	12709.9	13070.3
rate of real growth	2.3	1.9	1.1	3.1	2.2	2.7	3.3	2.9	3.2	2.8
Oil and Gas Extraction										
nominal	14719.8	11663.3	15675.2	26397.7	19763.1	20502.4	19943.0	18953.9	18339.6	17491.5
deflator	112.7	90.0	130.3	216.4	169.1	174.0	168.3	160.2	156.0	149.5
real	13056.7	12960.5	12034.6	12198.5	11689.5	11782.3	11850.2	11828.7	11757.7	11700.7
rate of real growth	15.1	-0.7	-7.1	1.4	-4.2	0.8	0.6	-0.2	-0.6	-0.5
Mining and Quarrying										
nominal	9038.7	8377.9	7530.8	9135.4	9463.1	11998.3	13640.5	13989.7	14197.5	14357.4
deflator	115.4	139.3	158.9	168.0	170.3	179.5	186.0	190.7	195.6	137.0
real	7832.4	6016.2	4739.7	5437.6	5555.7	6685.1	7333.6	7335.9	7338.2	7340.6
rate of real growth	5.3	-23.2	-21.2	14.7	2.2	20.3	9.7	0.0	0.0	0.0
Manufacturing										
nominal	1418.2	1390.6	1559.0	1812.5	1979.3	2187.2	2389.8	2663.0	2966.6	3304.7
deflator	141.4	148.1	154.8	163.0	169.5	178.0	187.1	196.6	206.7	217.2
rate of deflator growth	4.2	4.8	4.5	5.3	4.0	5.0	5.1	5.1	5.1	5.1
real	1003.1	938.7	1007.1	1112.1	1167.7	1228.5	1277.6	1354.3	1435.5	1521.6
rate of real growth	-0.6	-6.4	7.3	10.4	5.0	5.2	4.0	6.0	6.0	6.0
Electricity Gas & Airconditioning										
nominal	685.8	722.3	709.0	721.1	780.0	868.4	958.0	1057.5	1166.9	1287.6
deflator	117.9	118.7	119.5	120.9	125.7	132.1	138.7	145.8	153.3	161.1
rate of deflator growth	3.4	0.7	0.6	1.2	4.0	5.0	5.1	5.1	5.1	5.1
real	581.5	608.3	593.4	596.6	620.4	657.6	690.5	725.1	761.3	799.4
rate of real growth	4.0	4.6	-2.5	0.5	4.0	6.0	5.0	5.0	5.0	5.0
Water Supply & Waste Management										
nominal	158.2	176.5	191.2	209.5	230.9	259.5	286.0	315.4	347.7	385.6
deflator	144.8	151.9	154.3	157.5	163.8	172.1	180.8	190.1	199.7	209.9
rate of deflator growth	0.0	4.9	1.5	2.1	4.0	5.0	5.1	5.1	5.1	5.1
real	109.3	116.2	123.9	133.0	141.0	150.8	158.2	166.0	174.1	183.7
rate of real growth	4.1	6.3	6.7	7.3	6.0	7.0	4.9	4.9	4.9	5.5
Construction										
nominal	4759.5	4938.2	5532.9	6602.1	7140.8	7950.8	8687.3	9498.0	10480.7	11620.3
deflator	140.5	146.1	152.6	160.6	167.1	175.5	184.4	193.8	203.7	214.1
rate of deflator growth	3.4	3.9	4.5	5.3	4.0	5.0	5.1	5.1	5.1	5.1
real	3387.0	3381.0	3625.5	4109.8	4274.2	4530.6	4711.8	4900.3	5145.3	5428.3
rate of real growth	-8.6	-0.2	7.2	13.4	4.0	6.0	4.0	4.0	5.0	5.5
Wholesale and retail trade										
nominal	7750.1	8106.7	8973.0	10106.7	10931.4	12171.4	13490.6	14962.2	16667.6	18567.4
deflator	138.0	144.5	151.0	159.2	165.5	173.9	182.7	192.1	201.8	212.1
rate of deflator growth	3.6	4.7	4.5	5.4	4.0	5.0	5.1	5.1	5.1	5.1
real	5616.3	5610.2	5942.9	6349.2	6603.2	6999.4	7384.3	7790.5	8257.9	8753.4
rate of real growth	1.5	-0.1	5.9	6.8	4.0	6.0	5.5	5.5	6.0	6.0
Transport and Storage										
nominal	2013.4	1667.5	1793.2	2124.9	2287.2	2570.7	2835.8	3130.2	3454.1	3588.2
deflator	138.1	143.4	149.7	158.2	164.5	172.8	181.5	190.8	200.5	196.5
rate of deflator growth	9.6	3.8	4.4	5.6	4.0	5.0	5.1	5.1	5.1	5.1
real	1458.2	1163.2	1197.8	1343.5	1390.5	1487.9	1562.2	1640.4	1722.4	1825.7
rate of real growth	3.6	-20.2	3.0	12.2	3.5	7.0	5.0	5.0	5.0	6.0
Accomodation and Food Services										
nominal	1416.2	1352.0	1445.6	1620.5	1735.9	1932.8	2091.6	2264.8	2451.5	2653.6
deflator	128.2	133.6	136.5	144.0	149.8	157.3	165.3	173.8	182.6	191.9
rate of deflator growth	-0.3	4.2	2.1	5.5	4.0	5.0	5.1	5.1	5.1	5.1
real	1104.4	1011.9	1059.3	1125.3	1159.1	1228.6	1265.5	1303.4	1342.5	1382.8
rate of real growth	-1.3	-8.4	4.7	6.2	3.0	6.0	3.0	3.0	3.0	3.0
Information and Communication										
nominal	1334.6	1406.0	1665.7	1906.4	2129.3	2402.2	2710.5	3060.3	3454.2	3920.5
deflator	95.2	94.1	93.9	95.4	99.2	104.2	109.5	115.1	121.0	127.1
rate of deflator growth	-1.4	-1.1	-0.3	1.6	4.0	5.0	5.1	5.1	5.1	5.1
real	1402.1	1493.5	1774.8	1998.4	2146.2	2305.1	2475.6	2658.8	2855.6	3084.0
rate of real growth	15.9	6.5	18.8	12.6	7.4	7.4	7.4	7.4	7.4	8.0
Financial and Insurance Activities										
nominal	2055.4	1919.5	1997.6	2176.4	2331.3	2595.8	2945.3	3235.6	3553.4	3921.1
deflator	136.1	142.7	149.1	156.9	163.2	171.4	180.1	189.3	199.0	209.1
rate of deflator growth	3.8	4.8	4.5	5.3	4.0	5.0	5.1	5.1	5.1	5.1
real	1510.0	1345.1	1339.7	1386.8	1428.4	1514.1	1635.2	1708.8	1785.7	1875.0
rate of real growth	-4.6	-10.9	-0.4	3.5	3.0	6.0	8.0	4.5	4.5	5.0
Real Estate Activities										
nominal	5054.9	5435.9	5689.0	6157.7	6532.0	7135.8	7781.7	8483.4	9245.3	10104.7
deflator	137.4	144.0	150.2	158.1	164.5	172.8	181.5	190.8	200.5	210.7
rate of deflator growth	3.8	4.8	4.3	5.3	4.0	5.0	5.1	5.1	5.1	5.1
real	3679.6	3774.9	3787.1	3893.9	3971.8	4130.7	4287.6	4446.3	4610.8	4795.2
rate of real growth	2.7	2.6	0.3	2.8	2.0	4.0	3.8	3.7	3.7	4.0
Professional and Scientific										
nominal	793.1	833.4	855.0	942.0	1018.8	1118.4	1238.4	1372.2	1519.9	1683.6
deflator	128.9	135.2	141.2	148.6	154.5	162.3	170.6	179.3	188.4	198.0
rate of deflator growth	9.8	4.8	4.4	5.3	4.0	5.0	5.1	5.1	5.1	5.1
real	615.2	616.6	605.7	633.9	659.2	688.9	726.1	765.3	806.6	850.2
rate of real growth	11.6	0.2	-1.8	4.6	4.0	4.5	5.4	5.4	5.4	5.4
Administrative and Support Services										
nominal	6430.8	6686.7	7030.1	8075.6	8650.5	9468.2	10494.5	11639.3	12904.8	14375.7
deflator	137.7	144.3	150.7	158.7	165.1	173.4	182.1	191.5	201.2	211.5
rate of deflator growth	4.2	4.8	4.4	5.3	4.0	5.0	5.1	5.1	5.1	5.1
real	4670.8	4632.7	4663.8	5088.4	5241.1	5461.2	5761.5	6078.4	6412.7	6797.5
rate of real growth	4.1	-0.8	0.7	9.1	3.0	4.2	5.5	5.5	5.5	6.0
Public Administration and Defence										
nominal	3928.9	4390.27	4732.2	5056.2	5626.5	6264.8	6917.5	7643.0	8441.8	9324.2
deflator	126.9	130.3	130.6	134.4	139.8	146.8	154.3	162.2	170.4	179.1
rate of deflator growth	2.8	2.6	0.2	2.9	4.0	5.0	5.1	5.1	5.1	5.1
real	3095.1	3370.1	3623.8	3761.4	4024.7	4266.2	4483.8	4712.4	4952.8	5205.4
rate of real growth	0.5	8.9	7.5	3.8	7.0	6.0	5.1	5.1	5.1	5.1
Education										
nominal	2187.4	2275.6	2415.9	2570.0	2833.1	3169.4	3496.2	3859.3	4258.6	4699.2
deflator	125.8	129.2	129.4	133.1	138.5	145.4	152.8	160.6	168.8	177.4
rate of deflator growth	2.8	2.6	0.2	2.9	4.0	5.0	5.1	5.1	5.1	5.1
real	1738.3	1761.9	1867.1	1930.3	2046.1	2179.1	2288.1	2402.5	2522.6	2648.8
rate of real growth	0.7	1.4	6.0	3.4	6.0	6.5	5.0	5.0	5.0	5.0
Health and Social Work Activities										
nominal	1573.5	1771.3	1933.7	2063.6	2296.4	2593.1	2868.7	3175.6	3514.2	3888.9
deflator	128.6	131.9	132.9	137.2	142.7	149.9	157.5	165.6	174.0	182.9
rate of deflator growth	3.1	2.5	0.8	3.3	4.0	5.0	5.1	5.1	5.1	5.1
real	1223.3	1343.3	1455.3	1503.9	1609.2	1729.8	1821.5	1918.1	2019.7	2126.8
rate of real growth	0.7	9.8	8.3	3.3	7.0	7.5	5.3	5.3	5.3	5.3
Other Service Activities										
nominal	540.0	487.5	503.7	597.3	652.3	712.6	778.6	857.0	942.9	1037.5
deflator	133.4	140.0	146.8	154.5	160.6	168.7	177.3	186.4	195.9	205.8
rate of deflator growth	3.8	5.0	4.8	5.2	4.0	5.0	5.1	5.1	5.1	5.1
real	404.7	348.1	343.1	386.7	406.0	422.3	439.2	459.8	481.4	504.0
rate of real growth	3.4	-14.0	-1.4	12.7	5.0	4.0	4.0	4.7	4.7	4.7
Total GDP										
nominal	83846.0	82515.0	91625.7	111241.2	111350.8	122519.1	132634.1	141989.9	152550.1	163675.5
rate of nominal growth	5.6	-1.6	11.0	21.4	0.1	10.0	8.3	7.1	7.4	7.3
deflator	127.6	129.7	145.1	167.5	163.3	170.7	176.4	182.1	188.7	195.2
real	65714.3	63632.9	63136.4	66397.4	68177.5	71789.7	75195.8	77960.1	80825.6	83842.6
rate of real growth	4.5	-3.2	-0.8	5.2	2.7	5.3	4.7	3.7	3.7	3.7
Total non-mining GDP										
nominal	60087.6	62473.7	68419.8	75708.1	82124.6	90018.5	99050.6	109046.3	120013.0	131826.6
rate of nominal growth	4.9	4.0	9.5	10.7	8.5	9.6	10.0	10.1	10.1	9.8
deflator	134.0	139.9	147.6	155.3	161.2	168.8	176.8	185.5	194.4	203.4
real	44825.3	44656.2	46362.1	48761.3	50932.3	53322.3	56012.0	58795.5	61729.6	64801.3
rate of real growth	1.6	-0.4	3.8	5.2	4.5	4.7	5.0	5.0	5.0	5.0

Source: Actual data for 2008-2022: National Statistical Office. Estimates and projections: Department of Treasury
*Sum of industries less bank imputed charge, plus import duties, less subsidies.

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

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Est	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj
Agriculture, Forestry and Fishing	0.4	0.7	0.4	0.3	0.2	0.5	0.4	0.5	0.5	0.5	0.5	0.4
Oil and Gas Extraction	-0.5	-3.3	2.7	-0.1	-1.5	0.3	-0.8	0.1	0.1	0.0	-0.1	-0.1
Mining and Quarrying	1.6	0.3	0.6	-2.8	-2.0	1.1	0.2	1.7	0.9	0.0	0.0	0.0
Manufacturing	0.1	-0.1	0.0	-0.1	0.1	0.2	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	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Water Supply & Waste Managemer	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	-0.7	-0.1	-0.5	0.0	0.4	0.8	0.2	0.4	0.3	0.3	0.3	0.4
Wholesale and retail trade	0.1	0.2	0.1	0.0	0.5	0.6	0.4	0.6	0.5	0.5	0.6	0.6
Transport and Storage	0.0	0.1	0.1	-0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Accomodation and Food Services	0.1	0.2	0.0	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Information and Communication	0.0	0.0	0.3	0.1	0.4	0.4	0.2	0.2	0.2	0.2	0.3	0.3
Financial and Insurance Activities	0.0	0.0	-0.1	-0.3	0.0	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Real Estate Activities	0.2	0.1	0.2	0.1	0.0	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Professional and Scientific	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Administrative and Support Services	0.0	0.8	0.3	-0.1	0.0	0.7	0.2	0.3	0.4	0.4	0.4	0.5
Public Administration and Defence	0.1	0.4	0.0	0.4	0.4	0.2	0.4	0.4	0.3	0.3	0.3	0.3
Education	0.1	0.1	0.0	0.0	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Health and Social Work Activities	0.1	0.1	0.0	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Other Service Activities	0.0	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL GDP*	2.2	-0.3	4.5	-3.2	-0.8	5.2	2.7	5.3	4.7	3.7	3.7	3.7
Total Non-mining GDP	1.5	4.0	1.6	-0.4	3.8	5.2	4.5	4.7	5.0	5.0	5.0	5.0

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

Table 3: Prices of Main Export Commodities

	2017 Actual	2018 Act	2019 Act	2020 Act	2021 Act	2022 Act	2023 Est	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj
AGRICULTURE												
Copra	2374	1821	1803	1930	1849	2497	2544	2650	2650	2650	2650	2650
Cocoa	6329	7552	7934	8210	8518	8348	11113	12528	12039	12039	12039	12039
Coffee	10714	10128	10228	12552	17289	22860	15967	15277	15676	15810	15810	15810
Palm Oil	2155	1867	1717	2215	3505	3981	3060	3083	3021	3021	3021	3021
Rubber	4655	3997	4029	3714	4714	4063	4252	4517	4517	4517	4517	4517
Tea	4727	4070	4750	3999	3030	3587	3650	3855	3855	3855	3855	3855
Copra Oil	4519	3026	2314	2643	4983	5753	5862	6106	6106	6106	6106	6106
Logs (K/m³)	302	304	327	310	338	352	322	336	336	336	336	336
MINERALS												
Gold (US$/oz)	1258	1270	1392	1770	1800	1801	1918.3	1973.1	2067.0	2131.5	2169.6	2202.2
Silver (US$/oz)												
Copper (US$/ton)	6166	6517	6006	6170	9308	8819	8500.6	8284.8	8353.4	8416.2	8451.8	8467.2
Oil (Kutubu Crude: US$/barrel)	51	65	57	39	68	94	79.1	80.0	76.1	72.4	70.4	67.9
LNG (US$ per thousand cubic feet)	8.1	10.2	10.6	8.3	10.8	18.3	14.9	14.6	14.1	13.5	13.1	12.5
Condensate (US$/barrel)	51	65	57	39	68	94	79.1	80.0	76.1	72.4	70.4	67.9
Nickel (US$/tonne)	10415	13109	10960	10639	17147	20532	19028.4	17744.7	18201.4	18607.4	18883.5	19021.4
Cobalt (US$/tonne)	55988	72820	22836	21483	44430	51427	25952.6	24631.9	24293.0	24501.2	24019.0	23796.5

Source: Department of Treasury.

Table 4: Volume of Main Export Commodities

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Est.	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj
AGRICULTURE												
Copra	50.6	63.6	36.6	36.7	35.1	38.7	38.7	38.7	38.7	38.7	38.7	38.7
Cocoa	31.9	33.3	26.4	33.0	36.6	33.9	39.0	42.9	47.2	50.0	53.0	56.2
Coffee	47.8	52.1	47.2	40.7	25.0	20.4	20.4	21.6	21.6	21.6	21.6	21.6
Palm Oil	621.8	614.3	571.3	557.9	657.5	676.0	671.3	626.6	654.1	660.5	660.5	658.7
Rubber	2.9	4.9	3.4	3.1	2.8	11.8	12.9	13.4	14.1	14.8	15.5	16.3
Tea	1.1	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Copra Oil	16.2	13.7	15.6	10.4	11.6	11.2	11.4	12.2	12.4	12.6	12.9	13.5
Logs	3260.5	4040.0	3684.0	2891.0	2787.1	3059.7	2300.0	2300.0	2790.0	2790.0	3240.0	3240.0
Marine products	165.5	202.2	202.3	203.4	209.5	215.8	222.3	228.9	235.8	242.9	250.2	257.7
MINERAL												
Gold (tonnes)	63.0	63.2	74.2	54.1	44.0	39.3	41.9	54.1	59.3	60.2	61.2	62.1
Silver (tonnes)	36.1	33.7	53.6	41.7	16.7	17.0	17.3	18.1	18.1	18.1	26.4	26.4
Copper (tonnes)	100.4	87.4	111.0	82.3	66.0	73.9	81.5	102.7	125.2	125.2	125.2	125.2
Oil (million barrels)	7.3	4.1	3.6	4.9	6.2	7.1	5.4	5.0	5.0	5.0	5.0	5.0
Nickel												
Cobalt												
LNG (TBtu)	447.0	382.0	433.0	430.6	413.5	442.0	411.0	415.0	420.0	420.0	420.0	420.0
Condensate (MB)	10.9	8.9	11.0	10.6	8.4	7.3	7.3	7.0	7.0	7.0	7.0	7.0
Nickle (tonnes)	35,800.0	25,500.0	40,300.0	28,714.0	39,050.0	37,200.0	32,600.0	32,600.0	32,601.9	32,601.9	32,601.9	32,601.9
Cobalt (tonnes)	3400.0	2900.0	3600.0	2600.0	3600.0	3300.0	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)

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Est	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj
AGRICULTURE, FORESTRY, FISHERIES												
Copra	120.1	115.8	66.0	70.8	64.9	74.0	98.4	102.6	102.6	102.6	102.6	102.6
Copra Oil	73.2	41.3	36.1	27.5	57.8	55.4	67.0	74.8	75.6	76.8	78.8	82.7
Cocoa	202.0	246.5	215.5	270.9	308.1	274.7	433.2	537.2	567.9	601.9	638.1	676.3
Coffee	450.1	487.9	415.1	502.1	275.1	231.1	325.5	330.6	339.3	342.2	342.2	342.2
Palm Oil	1339.7	1146.8	980.8	1322.0	2594.9	2851.2	2054.5	1931.7	1975.9	1995.4	1995.3	1989.9
Rubber	13.5	19.6	13.7	10.4	12.0	11.8	12.9	13.4	14.1	14.8	15.5	16.3
Tea	5.2	2.0	1.9	1.2	1.5	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Other Agriculture (a)	609.8	251.0	237.2	316.9	451.6	606.1	488.6	516.1	530.4	556.2	583.3	611.7
Forest Products	999.8	1002.0	1238.9	896.0	943.0	1077.0	741.6	773.3	938.0	938.0	1089.3	1089.3
Marine Products	1316.6	1120.7	1162.0	1225.6	1318.6	1429.5	1523.4	1648.2	1783.6	1931.3	2090.5	2262.9
Total Agricultural, Forestry, Fishing Exports	**5130.0**	**4433.5**	**4367.2**	**4643.5**	**6027.6**	**6611.5**	**5745.7**	**5928.6**	**6327.9**	**6559.7**	**6936.1**	**7174.4**
MINERAL												
Gold	7612.2	8207.2	10520.1	10551.0	9169.3	7279.7	9260.6	12828.8	14721.3	15421.1	15941.8	16430.2
Copper	1962.2	1889.7	2242.0	1706.0	1796.7	2272.2	2414.0	3087.1	3793.8	3822.3	3838.5	3845.5
Silver	63.1	62.5	93.3	74.8	31.1	31.7	32.9	35.7	35.7	35.7	52.2	52.2
Oil	1255.9	910.2	741.4	1016.8	1359.0	2489.7	1629.9	1582.6	1504.3	1432.6	1391.6	1391.6
LNG	10467.5	13835.1	15600.2	15846.0	15010.9	25213.4	21940.6	22675.0	22192.1	21113.2	20507.9	19595.8
Condensate	1935.1	1891.8	2125.2	1442.0	1992.9	2437.3	2069.8	2092.3	1988.9	1894.1	1839.8	1775.6
Nickel	1179.0	1087.0	1953.8	1056.9	2050.1	2874.8	2252.0	2187.4	2243.7	2293.8	2327.8	2344.8
Cobalt	614.1	575.5	392.5	186.1	531.7	571.2	272.8	264.4	260.7	263.0	257.8	255.4
Refined Petroleum Products	1196.5	1394.5	1293.7	933.1	1660.1	2357.4	2055.1	2209.8	2142.6	2081.3	2062.1	2029.9
Total Mineral Exports	**26285.6**	**29853.6**	**34962.4**	**32812.8**	**33601.7**	**45527.3**	**41927.5**	**46963.2**	**48883.3**	**48357.2**	**48219.4**	**47720.9**
TOTAL EXPORT VALUE	**31415.6**	**34287.0**	**39329.6**	**37456.3**	**39629.3**	**52138.8**	**47673.2**	**52891.8**	**55211.2**	**54916.9**	**55155.5**	**54895.4**

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)

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Est	2024 Proj	2025 Proj
CURRENT ACCOUNT BALANCE	**6634.3**	**8958.7**	**11625.4**	**10334.2**	**12442.7**	**11662.1**	**12085.9**	**18444.2**	**17958.5**	**20441.4**	**21221.1**
Trade Balance	**10396.9**	**11172.2**	**14415.4**	**13035.1**	**16955.6**	**13238.2**	**15047.2**	**24147.3**	**23851.9**	**26611.0**	**27701.6**
Goods Balance	15448.4	15455.9	19831.9	19255.4	23104.8	18746.5	21515.7	31788.8	30728.5	34233.7	35690.8
Credit (Exports)	23303	22710	30320	32364	37083	31391	39539	50425	47673	52892	55211
Debit (Imports)	-7855	-7254	-10488	-13109	-13978	-12645	-18023	-18636	-16945	-18658	-19520
Services Balance	-5051.5	-4283.8	-5416.5	-6220.3	-6149.3	-5508.3	-6468.4	-7641.5	-6876.6	-7622.8	-7989.2
Services Credit	402	384	940	981	985	338	626	805	840	880	924
Services Debit	-5453	-4668	-6356	-7201	-7134	-5846	-7095	-8446	-7717	-8503	-8913
Income Balance	**-4008.2**	**-2899.7**	**-3383.5**	**-4320.6**	**-5823.5**	**-2515.1**	**-4021.9**	**-6355.5**	**-6574.8**	**-6883.3**	**-7230.5**
Income Credit	101	114	152	190	403	315	322	311	326	341	358
Income Debit	-4109	-3014	-3536	-4511	-6227	-2830	-4344	-6666	-6901	-7224	-7589
Transfers Balance	**245.6**	**686.2**	**593.5**	**1619.8**	**1310.7**	**939.0**	**1060.5**	**652.5**	**681.4**	**713.7**	**750.0**
Transfers Credit	1048	1238	1400	2021	1828	1227	1761	1538	1606	1682	1767
Transfers Debit	-802	-552	-806	-401	-517	-289	-700	-886	-925	-968	-1017
CAPITAL ACCOUNT	**2**	**6**	**28**	**28**	**22**	**19**	**20**	**25**	**25**	**25**	**25**
FINANCIAL ACCOUNT	**-6869**	**-10318**	**-12175**	**-9307**	**-9785**	**-7549**	**-20745**	**-39051**	**-20901**	**-23214**	**-24272**
NET ERRORS AND OMISSIONS	-6635.8	-8964.9	-11653.5	-10362.1	-12464.3	-11681.2	-12106.3	-18469.1	-17983.5	-20466.4	-21246.1
Current account balance as percentage of Gross Domestic Product (GDP)	11.0	13.8	16.0	13.0	14.8	14.1	13.2	16.6	16.1	16.7	16.0

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

	2017 Annual	2018 Annual	2019 Annual	2020 Annual	2021 Annual	2022 Annual	2023 Jun Qtr*
Retail	141.7	132.9	136.3	136.1	136.6	133.1	129.6
Wholesale	193.0	197.3	194.4	163.5	156.8	146.4	147.5
Manufacturing	169.4	168.0	181.7	185.9	198.3	201.9	195.2
Building and Construction	184.1	162.8	147.2	123.0	101.5	114.8	97.1
Transportation	163.3	150.2	132.1	127.3	127.4	130.9	145.5
Agriculture, Forestry, Fisheries	166.5	158.8	159.0	160.9	157.5	163.4	179.4
Financial and Business	121.4	126.2	130.2	112.7	110.6	115.2	115.0
TOTAL NON-MINERAL	156.5	151.7	152.2	147.0	146.2	150.6	154.1
MINERAL	281.8	304.4	358.8	308.8	285.3	314.2	352.2

Source: BPNG.
* June Quarter Preliminaries

Table 8: Monetary Aggregates

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Annual	2022 Annual	2023 Jun Qtr
Domestic Credit	22,949.2	21,379.7	22,474.2	22,994.2	25,138.9	25,201.9	27,110.5
% Change	0.1	-6.8	5.1	7.6	11.9	9.6	7.8
Net Credit to Central Government	9,154.9	6,810.6	7,150.4	7,451.1	10,005.0	9,446.9	10,334.9
% Change	1.6	-25.6	5.0	9.4	39.9	26.8	3.3
Credit to Private Sector	10,972.9	11,757.0	12,231.9	12,754.4	12,809.3	13,690.0	14,824.4
% Change	-3.6	7.1	4.0	8.5	4.7	7.3	15.7
Money Supply	22,251.2	21,377.6	22,312.0	23,879.7	26,684.5	30,623.4	31,989.5
% Change	-0.7	-3.9	4.4	11.7	19.6	28.2	19.9
Money Velocity (M3*) (average)	3.3	3.7	3.8	3.5	3.4	3.6	3.5

Source: BPNG
*June Quarter Preliminaries

Table 9: Major Assumptions Underlying the Budget

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Est	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj
Economic Growth												
Total Real GDP (%)	2.2	-0.3	4.5	-3.2	-0.8	5.2	2.7	5.3	4.7	3.7	3.7	3.7
Non-mining Real GDP (%)	1.5	4.0	1.6	-0.4	3.8	5.2	4.5	4.7	5.0	5.0	5.0	5.0
Inflation												
Average on Average (%)	5.4	4.7	3.6	4.9	4.5	5.3	3.5	5.0	5.1	5.1	5.1	5.1
Dec on Dec (%)	4.7	4.9	2.7	5.1	5.7	3.4	7.2	3.2	4.0	5.3	5.3	5.3
Exchange rate												
Real Exchange Rate Index (2007 = 100	141.7	140.2	138.7	140.6	138.4	134.5	134.8	134.8	134.8	134.8	134.8	134.8
Interest rate												
Kina Rate Facility (KFR)	6.25	6.25	5.88	3.50	3.00	3.13	3.33	3.33	3.33	3.33	3.33	3.33
Inscribed Stock (3 year yield)*	9.7	9.0	10.5	9.0	9.0	0.0	4.7	4.7	4.7	4.7	4.7	4.7
Mineral Prices												
Gold (US$/oz)	1258	1270	1392	1770	1800	1801	1918	1973	2067	2131	2170	2202
Copper (US$/ton)	6166	6517	6006	6170	9308	8819	8501	8285	8353	8416	8452	8467
Oil (Kutubu Crude: US$/barrel)	51.0	64.5	57.0	39.5	67.9	94.3	79.1	80.0	76.1	72.4	70.4	67.9
LNG (US$ per thousand cubic feet)	8.1	10.2	10.6	8.3	10.8	18.3	14.9	14.6	14.1	13.5	13.1	12.5
Condensate (US$/barrel)	51.0	64.5	57.0	39.5	67.9	94.3	79.1	80.0	76.1	72.4	70.4	67.9
Nickel (US$/tonne)	10415	13109	10960	10639	17147	20532	19028	17745	18201	18607	18884	19021
Cobalt (US$/tonne)	55988	72820	22836	21483	44430	51427	25953	24632	24293	24501	24019	23797

Source: Department of Treasury.

Table 10: Statement of Operations for General Government

	Actual		Estimates		Projections			
Kina Million	**2021**	**2022**	**2023 Suppl. Budget**	**2024 Budget**	**2025**	**2026**	**2027**	**2028**
TRANSACTIONS AFFECTING NET WORTH:								
Revenue	**13,860.4**	**18,538.2**	**20,403.0**	**23,393.8**	**25,826.4**	**28,491.7**	**31,360.2**	**34,745.8**
Taxes	11,129.4	16,453.6	16,320.7	18,694.8	20,834.5	23,066.0	25,321.6	28,233.6
Taxes on Income,profits, and capital gains	6,356.1	11,252.6	10,683.3	12,455.6	12,687.9	13,272.4	14,152.5	15,534.7
Taxes on payroll and workforce	0.8	1.4	1.2	1.2	1.2	1.3	0.0	0.0
Taxes on goods and services	3,993.7	4,293.6	4,882.1	5,349.1	6,968.8	7,955.9	8,897.3	9,970.5
Taxes on international trade and transactions	778.8	906.0	754.0	888.8	1,176.5	1,836.4	2,271.8	2,728.4
Grants	2,088.0	1,472.1	2,024.9	2,205.0	2,255.0	2,305.0	2,355.0	2,405.0
Other Revenue	643.0	612.5	2,057.4	2,494.0	2,736.9	3,120.7	3,683.6	4,107.2
Dividends	530.5	480.0	1,132.5	1,150.0	1,561.3	2,174.3	2,643.2	2,993.1
PMMR Revenue	50.0	54.3	659.3	1,248.0	1,085.6	861.9	950.5	1,019.4
Fees and Charges	62.1	74.0	264.5	96.0	89.3	83.7	89.2	94.0
SWF Inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest & Fees from Lending	0.0	0.0	0.7	0.0	0.7	0.7	0.7	0.7
Resource Revenue	1,015.9	4,336.1	4,008.1	4,450.0	4,053.9	4,063.8	4,164.1	4,678.5
Mining and Petroleum Taxes	635.4	4,036.1	3,025.6	3,550.0	3,000.0	2,600.0	2,300.0	2,564.5
Mining, Petroleum and Gas Dividends	380.5	300.0	982.5	900.0	1,053.9	1,463.8	1,864.1	2,114.0
Transfer from the Stabilization Fund (SWF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue as percentage of GDP	*14.9%*	*17.2%*	*18.3%*	*19.1%*	*19.5%*	*20.1%*	*20.6%*	*21.2%*
Total Expenditure and lending	**20,130.7**	**24,389.8**	**25,337.9**	**27,377.5**	**28,480.7**	**29,805.9**	**31,131.0**	**32,268.0**
Expense as percentage of GDP	*21.6%*	*22.6%*	*22.8%*	*22.3%*	*21.5%*	*21.0%*	*20.4%*	*19.7%*
Expense[2]	**16,480.4**	**19,940.2**	**20,727.8**	**22,116.9**	**22,958.8**	**23,926.8**	**24,861.6**	**25,567.5**
Compensation of employees	6,093.7	6,490.3	6,833.7	6,933.7	7,233.1	7,553.9	7,917.9	8,418.6
Use of goods and services	6,161.2	7,466.5	7,428.2	7,072.7	6,926.4	7,299.3	7,946.4	8,169.0
Interest	2,249.1	2,572.5	2,769.1	2,968.8	3,219.2	3,383.3	3,287.1	3,118.2
Grants	1,915.0	3,017.6	3,513.8	5,033.3	5,475.7	5,589.3	5,632.1	5,784.0
Social benefits	0.0	0.0	114.2	100.4	96.3	92.5	69.1	68.5
Other expense	61.3	393.3	68.9	8.0	8.1	8.5	8.9	9.3
Net Acquition of Non-Financial Assets*	**3,650.4**	**4,449.6**	**4,610.1**	**5,260.6**	**5,521.9**	**5,879.1**	**6,269.5**	**6,700.4**
Fixed Assets	3,650.4	4,449.6	4,610.1	5,260.6	5,521.9	5,879.1	6,269.5	6,700.4
Gross Operating Balance[3]	**-2,619.9**	**-1,402.0**	**-324.9**	**1,276.8**	**2,867.7**	**4,564.9**	**6,498.6**	**9,178.2**
Net Lending (+) / Net Borrowing (–)	**-6,270.3**	**-5,851.8**	**-4,934.9**	**-3,983.7**	**-2,654.3**	**-1,314.1**	**229.2**	**2,477.8**
Net lending/borrowing as percentage of GDP	*-6.7%*	*-5.4%*	*-4.4%*	*-3.3%*	*-2.0%*	*-0.9%*	*0.2%*	*1.5%*
Primary Balance[4]	-4,021.2	-3,279.1	-2,165.9	-1,015.0	564.9	2,069.1	3,516.2	5,595.9
Non-resource net lending (+)/borrowing (-)	-7,286.1	-10,187.7	-8,943.0	-8,433.8	-6,708.2	-5,378.0	-3,934.9	-2,200.7
Non-resource primary balance	-5,037.0	-7,615.2	-6,174.0	-5,465.0	-3,489.0	-1,994.7	-647.9	917.5
Transactions in financial assets and liabilities	**6,270.3**	**5,851.8**	**4,935.0**	**3,983.7**	**2,654.2**	**1,314.2**	**-229.2**	**-2,477.8**
Net Acquisition of Financial Assets	**-1,685.2**	**-355.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Domestic	-910.4	-355.7	0.0	0.0	0.0	0.0	0.0	0.0
External	-774.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Incurrence of Liabilities	**7,955.5**	**5,496.1**	**4,935.0**	**3,983.7**	**2,654.2**	**1,314.2**	**-229.2**	**-2,477.8**
Domestic	**3,042.1**	**2,276.6**	**2,324.0**	**2,320.3**	**1,447.5**	**638.0**	**349.3**	**-770.7**
Debt securities: Treasury bills	*1,394.8*	*492.6*	*373.9*	*-177.6*	*162.1*	*434.4*	*437.3*	*-581.6*
Debt securities: Treasury bonds	*1,600.6*	*1,750.0*	*1,945.0*	*2,560.2*	*1,441.0*	*300.0*	*-50.0*	*-148.9*
Loans	*46.7*	*34.0*	*5.0*	*-62.2*	*-155.6*	*-96.4*	*-38.0*	*-40.2*
External	**4,913.4**	**3,219.5**	**2,611.1**	**1,663.4**	**1,206.7**	**676.2**	**-578.5**	**-1,707.1**
Monetary gold and special drawing rights (SDR's)	*1,244.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Debt securities: Sovereign bonds	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*-1,760.6*
Loans	*3,669.3*	*3,219.5*	*2,611.1*	*1,663.4*	*1,206.7*	*676.2*	*-578.5*	*53.5*
Gross Domestic Product[5]	**93,314.1**	**107,807.3**	**111,350.8**	**122,519.1**	**132,634.1**	**141,989.9**	**152,550.1**	**163,675.5**

Source: Department of Treasury.

Table 11: Statement of Sources and Uses of Cash

	Actuals		Estimate		Projections			
Kina Million	**2021**	**2022**	**2023 Suppl. Budget**	**2024 Budget**	**2025**	**2026**	**2027**	**2028**
CASH FLOWS FROM OPERATING ACTIVITIES								
Revenue Cash Flows	**11,998.0**	**17,066.1**	**21,318.8**	**21,318.8**	**23,701.5**	**26,516.6**	**29,235.3**	**32,620.9**
Taxes	11,129.4	16,453.6	18,694.8	18,694.8	20,834.5	23,066.0	25,321.6	28,233.6
Grants	225.6	0.0	130.0	130.0	130.1	329.9	230.2	280.2
Other Revenue	643.0	612.5	2,494.0	2,494.0	2,736.9	3,120.7	3,683.6	4,107.2
Revenue as percentage of GDP	*0.1*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*
Expense cash flows[2]	**14,438.8**	**18,283.0**	**19,756.0**	**19,881.1**	**20,663.7**	**21,771.6**	**22,546.1**	**10.0**
Compensation of employees	5,914.5	6,305.2	6,772.8	6,772.8	7,063.0	7,373.8	7,727.3	-1,061.0
Uses of goods and services	6,161.2	7,466.5	7,072.7	7,072.7	6,926.4	7,299.3	7,946.4	0.0
Interest	2,249.1	2,572.5	2,769.1	2,968.8	3,219.2	3,383.3	3,287.1	3,118.2
Grants	52.6	1,545.5	2,958.3	2,958.3	3,350.8	3,614.2	3,507.3	-2,124.8
Other payments	61.3	393.3	183.1	108.5	104.4	101.0	78.0	77.8
Expense as percentage of GDP	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.1*	*0.0*
Net cash inflow from operating activities	**-2,440.7**	**-1,216.9**	**1,562.8**	**1,437.6**	**3,037.8**	**4,745.0**	**6,689.3**	**32,610.9**
CASH FLOWS FROM TRANSACTIONS IN NONFINANCIAL ASSET								
Net cash outflow from investment in nonfinancial assets	**0.0**	**4,449.6**	**4,610.1**	**5,260.6**	**5,521.9**	**0.0**	**0.0**	**0.0**
Expenditure cash flows	**14,438.8**	**22,732.7**	**24,366.0**	**25,141.7**	**26,185.6**	**21,771.6**	**22,546.1**	**10.0**
Cash surplus (+) / Cash deficit (–)	**-2,440.7**	**-5,666.6**	**-3,047.3**	**-3,822.9**	**-2,484.1**	**4,745.0**	**6,689.3**	**32,610.9**
Surplus/Deficit as percentage of GDP	*-2.6%*	*-5.3%*	*-2.7%*	*-3.1%*	*-1.9%*	*3.3%*	*4.4%*	*19.9%*
CASH FLOWS FROM TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
Transactions in financial assets and liabilities	7,955.5	5,140.5	4,935.0	3,983.7	2,654.2	1,314.2	-229.2	-2,477.8
Net acquisition of financial assets other than cash		**-355.7**	**0.0**	**0.0**	**0.0**			
Domestic	-910.4	-355.7	0.0	0.0	0.0	0.0	0.0	0.0
External		0.0	0.0	0.0	0.0			
Net incurrence of liabilities	**7,955.5**	**5,496.1**	**4,935.0**	**3,983.7**	**2,654.2**	**1,314.2**	**-229.2**	**-2,477.8**
Domestic	3,042.1	2,276.6	2,324.0	2,320.3	1,447.5	638.0	349.3	-770.7
External	4,913.4	3,219.5	2,611.1	1,663.4	1,206.7	676.2	-578.5	-1,707.1
Net cash inflow from financing activities	**7,955.5**	**5,851.8**	**4,935.0**	**3,983.7**	**2,654.2**	**1,314.2**	**-229.2**	**-2,477.8**
Net cash inflow as percentage of GDP	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Net change in the stock of cash	**5,514.8**	**185.2**	**1,887.8**	**160.8**	**170.1**	**6,059.2**	**6,460.1**	**30,133.1**
Gross Domestic Product[3]	**93,314.1**	**107,807.3**	**111,350.8**	**122,519.1**	**132,634.1**	**141,989.9**	**152,550.1**	**163,675.5**

Source: Department of Treasury.

Table 12: General Government Revenue 2014 GFS Economic Classification

	Actuals		Estimate		Projections			
Kina Million	2021	2022	2023 Suppl. Budget	2024 Budget	2025	2026	2027	2028
REVENUE[1]	**13,860.4**	**18,538.2**	**20,403.0**	**23,393.8**	**25,826.4**	**28,491.7**	**31,360.2**	**34,745.8**
TAXES	**11,129.4**	**16,453.6**	**16,320.7**	**18,694.8**	**20,834.5**	**23,066.0**	**25,321.6**	**28,233.6**
Taxes on Income, Profits and Capital Gains	**6,356.1**	**11,252.6**	**10,683.3**	**12,455.6**	**12,687.9**	**13,272.4**	**14,152.5**	**15,534.7**
Payable by individuals	**3,467.9**	**3,652.1**	**3,868.2**	**4,341.0**	**4,747.4**	**5,190.9**	**5,695.4**	**6,083.1**
Personal Income Tax	3,467.9	3,652.1	3,868.2	4,341.0	4,747.4	5,190.9	5,695.4	6,083.1
Salaries/Wages (Group Tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Individual Income Tax (Assessed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payable by corporations and other enterprises	**2,374.9**	**6,844.0**	**6,136.1**	**7,391.5**	**7,144.9**	**7,198.3**	**7,479.2**	**8,348.1**
Company Tax	1,690.3	2,756.9	3,040.5	3,761.2	4,053.9	4,504.7	5,083.0	5,684.1
Mining and Petroleum Taxes	635.4	4,036.1	3,025.6	3,550.0	3,000.0	2,600.0	2,300.0	2,564.5
Royalties Tax	29.6	30.6	44.4	52.7	54.4	55.8	57.2	58.8
Management Tax	19.7	20.4	25.6	27.5	36.6	37.8	38.9	40.7
Other taxes on income, profits and capital gains	**513.3**	**756.5**	**679.0**	**723.1**	**795.6**	**883.2**	**977.9**	**1,103.5**
Dividend Withholding Tax Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Withholding Tax Non Mining	366.0	680.6	452.8	496.0	545.8	600.6	660.1	760.1
Interest Withholding Tax	127.0	55.3	218.8	219.6	241.7	273.7	306.6	331.2
Non-Resident Insurers Withholding Tax	20.2	20.3	7.2	7.3	7.5	7.7	9.5	9.9
Tax Related Court Fines	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sundry IRC Taxes & Income	0.0	0.3	0.2	0.2	0.7	1.2	1.7	2.2
Taxes on Payroll and Workforce	**0.8**	**1.4**	**1.2**	**1.2**	**1.2**	**1.3**	**0.0**	**0.0**
Training Levy	*0.8*	*1.4*	*1.2*	*1.2*	*1.2*	*1.3*	*0.0*	*0.0*
Taxes on Goods and Services	**3,993.7**	**4,293.6**	**4,882.1**	**5,349.1**	**6,968.8**	**7,955.9**	**8,897.3**	**9,970.5**
General taxes on goods and services	**2,458.6**	**2,505.4**	**3,071.9**	**3,282.7**	**4,440.7**	**5,167.0**	**5,897.8**	**6,727.3**
Value Added Tax	**2,457.2**	**2,475.1**	**3,036.1**	**3,236.4**	**4,393.7**	**5,119.6**	**5,849.8**	**6,678.8**
GST[2]	2,457.2	2,475.1	3,036.1	3,236.4	4,393.7	5,119.6	5,849.8	6,678.8
GST Collection at Provinces	*1,450.6*	*1,693.6*	*2,227.4*	*2,426.8*	*2,718.3*	*3,225.2*	*3,334.2*	*3,559.7*
GST Collection at Ports	*1,104.3*	*1,112.4*	*1,561.6*	*1,713.1*	*2,078.0*	*2,417.4*	*3,111.6*	*3,642.0*
GST Refunds	*97.6*	*330.9*	*752.9*	*903.5*	*402.5*	*522.9*	*595.9*	*522.9*
GST from IRC Trust	*0.0*	*0.0*	*0.0*		*0.0*	*0.0*	*0.0*	*0.0*
Taxes on financial and capital transactions	**1.4**	**30.3**	**35.8**	**46.3**	**46.9**	**47.5**	**48.0**	**48.5**
Bank Account Debit Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stamp Duties	1.4	30.3	35.8	46.3	46.9	47.5	48.0	48.5
Excise	**1,281.2**	**1,404.4**	**1,427.4**	**1,626.4**	**2,019.6**	**2,232.3**	**2,408.7**	**2,616.7**
Excise Duty	998.3	1,157.2	1,172.9	1,326.4	1,639.4	1,804.0	1,969.4	2,179.5
Import Excise	282.8	247.2	254.5	300.0	380.1	428.3	439.3	437.3
Profits of fiscal monopolies	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Taxes on specific services	**235.9**	**371.5**	**365.2**	**418.2**	**473.7**	**519.8**	**553.0**	**588.7**
Bookmakers' Turnover Tax	6.6	35.4	17.8	47.1	51.9	55.9	61.6	68.1
Gaming Machine Turnover Tax	228.1	328.1	337.8	358.1	408.4	449.8	476.8	505.4
Departure Tax	1.3	8.0	9.6	13.0	13.4	14.0	14.6	15.2
Taxes on use of goods and on permission to use goods or perfo	**11.6**	**1.9**	**0.0**	**0.0**	**1.2**	**2.2**	**2.2**	**1.2**
Other taxes on goods and services	**6.5**	**10.4**	**17.6**	**21.8**	**33.7**	**34.6**	**35.6**	**36.5**
Sundry Taxes (Customs)	6.5	10.4	17.6	21.8	33.7	34.6	35.6	36.5
Taxes on International Trade and Transactions	**778.8**	**906.0**	**754.0**	**888.8**	**1,176.5**	**1,836.4**	**2,271.8**	**2,728.4**
Customs and other import duties	**379.7**	**469.9**	**414.3**	**455.0**	**660.5**	**980.1**	**1,144.0**	**1,347.5**
Import Duty	379.7	469.9	414.3	455.0	660.5	980.1	1,144.0	1,347.5
Taxes on exports	**399.1**	**436.2**	**339.7**	**433.8**	**516.1**	**856.3**	**1,127.8**	**1,380.9**
Export Tax	399.1	436.2	339.7	433.8	516.1	856.3	1,127.8	1,380.9
GRANTS	**2,088.0**	**1,472.1**	**2,024.9**	**2,205.0**	**2,255.0**	**2,305.0**	**2,355.0**	**2,405.0**
From Foreign Governments	**1,630.6**	**1,060.3**	**1,714.6**	**1,775.4**	**1,724.4**	**1,824.2**	**1,874.2**	**1,924.2**
Current	**1,349.6**	**848.3**	**1,561.3**	**1,622.2**	**1,571.1**	**1,670.9**	**1,720.9**	**1,770.9**
Cash	225.6	0.0	0.0	130.0	130.1	329.9	230.2	280.2
In-Kind	1,124.0	848.3	1,561.3	1,492.2	1,441.0	1,341.0	1,490.8	1,490.8
Capital	**281.0**	**212.1**	**153.2**	**153.2**	**153.2**	**153.2**	**153.2**	**153.2**
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	281.0	212.1	153.2	153.2	153.2	153.2	153.2	153.2
From International Organizations	**457.4**	**411.8**	**310.4**	**429.6**	**530.7**	**480.8**	**480.8**	**480.8**
Current	**365.9**	**329.4**	**277.2**	**396.4**	**497.5**	**447.6**	**447.6**	**447.6**
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	365.9	329.4	277.2	396.4	497.5	447.6	447.6	447.6
Capital	**91.5**	**82.4**	**33.2**	**33.2**	**33.2**	**33.2**	**33.2**	**33.2**
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	91.5	82.4	33.2	33.2	33.2	33.2	33.2	33.2
OTHER REVENUE	**643.0**	**612.5**	**2,057.4**	**2,494.0**	**2,736.9**	**3,120.7**	**3,683.6**	**4,107.2**
Property Income	**551.8**	**514.3**	**1,224.1**	**1,246.0**	**1,651.2**	**2,258.6**	**2,732.8**	**3,087.4**
Interest	**0.0**	**0.0**	**0.7**	**0.0**	**0.7**	**0.7**	**0.7**	**0.7**
Interest from non-residents	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Interest from Loans Abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from residents other than general government	**0.0**	**0.0**	**0.7**	**0.0**	**0.7**	**0.7**	**0.7**	**0.7**
Dividends	**530.5**	**480.0**	**1,132.5**	**1,150.0**	**1,561.3**	**2,174.3**	**2,643.2**	**2,993.1**
Mining Petroleum and Gas Dividends	380.5	300.0	982.5	900.0	1,053.9	1,463.8	1,864.1	2,114.0
Dividends from Statutory Authorites	150.0	100.0	0.0	0.0	232.4	360.9	406.1	406.1
Shares in Private Enterprise	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends from State Owned Enterprises	0.0	80.0	150.0	250.0	275.0	349.6	373.0	473.0
Other Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Withdrawals from income of quasi-corporations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Property income from investment income disbursements	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Rent	**21.3**	**34.3**	**90.9**	**96.0**	**89.2**	**83.5**	**88.9**	**93.6**
Land Lease Rental	17.9	33.7	87.3	91.0	83.7	77.4	82.2	86.9
License Fees and Royalty Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum Prospecting Licenses	3.4	0.6	3.5	5.0	5.5	6.1	6.7	6.7
Mineral Prospecting Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Small-Scale Mining Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reinvested earnings on foreign direct investment	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Sales of goods and services	**11.5**	**8.4**	**156.7**	**0.0**	**0.1**	**0.2**	**0.3**	**0.4**
Sales by market establishments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Administrative fees	**4.9**	**3.7**	**122.0**	**0.0**	**0.1**	**0.2**	**0.3**	**0.4**
Incidental sales by nonmarket establishments	**6.6**	**4.8**	**34.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Navigational Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Imputed sales of goods and services	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fines, penalties, and forfeits	**1.2**	**0.1**	**1.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Sheriff's Fees and Poundage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Judicial Fines	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Fines - Criminal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
District Courts Fines	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Forfeitures & Court Bails	0.9	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Transfers not elsewhere classified	**78.6**	**89.7**	**674.7**	**1,248.0**	**1,085.6**	**861.9**	**950.5**	**1,019.4**
Current transfers not elsewhere classified	**78.6**	**89.7**	**674.7**	**1,248.0**	**1,085.6**	**861.9**	**950.5**	**1,019.4**
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current transfers	**78.6**	**89.7**	**674.7**	**1,248.0**	**1,085.6**	**861.9**	**950.5**	**1,019.4**
Recovery of Roads and Bridges Design	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recovery of Land Acquisition Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recovery of Utility Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payroll Commission	28.2	31.1	15.0	0.0	0.0	0.0	0.0	0.0
Recovery of Design Service Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State Services and Statutory Authority	50.0	54.3	659.3	1,248.0	1,085.6	861.9	950.5	1,019.4
Recoveries from Former Years" Appropriation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unclaimed Monies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit Guarantee Scheme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sundry/(Other) Income	0.4	4.3	0.4	0.0	0.0	0.0	0.0	0.0
Unacquited Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SWF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transfers not elsewhere classified	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Premiums, fees and claims related to nonlife insurance and stand	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source: Department of Treasury.

Table 13A: General Government Expense by Economic Classification

Kina Million	2021	2022	2023 Suppl. Budget	2024 Budget	2025	2026	2027	2028
	Actuals		Estimates		Projections			
Compensation of Employees	**6,093.7**	**6,490.3**	**6,833.7**	**6,933.7**	**7,233.1**	**7,553.9**	**7,917.9**	**8,418.6**
Wages and salaries	**5,374.4**	**5,827.0**	**5,880.6**	**6,155.1**	**6,398.9**	**6,691.0**	**7,023.1**	**7,459.9**
Wages and salaries in cash	5,195.2	5,641.9	5,661.3	5,994.3	6,228.7	6,510.9	6,832.5	7,254.1
Wages and salaries in kind	179.2	185.0	219.3	160.8	170.1	180.1	190.6	205.7
Employers' social contributions	**719.3**	**663.3**	**953.1**	**778.5**	**834.3**	**862.9**	**894.8**	**958.7**
Actual social contributions	719.3	663.3	953.1	778.5	834.3	862.9	894.8	958.7
Use of goods and services*	**6,161.2**	**7,466.5**	**7,428.2**	**7,072.7**	**6,926.4**	**7,299.3**	**7,946.4**	**8,169.0**
Use of goods and services	**6,161.2**	**7,466.5**	**7,428.2**	**7,072.7**	**6,926.4**	**7,299.3**	**7,946.4**	**8,169.0**
Use of goods and services	6,161.2	7,466.5	7,428.2	7,072.7	6,926.4	7,299.3	7,946.4	8,169.0
Interest**	**2,249.1**	**2,572.5**	**2,769.1**	**2,968.8**	**3,219.2**	**3,383.3**	**3,287.1**	**3,118.2**
To nonresidents	**328.2**	**427.6**	**841.1**	**998.4**	**1,120.4**	**1,200.5**	**1,261.7**	**1,139.9**
Interest to Non residents	328.2	427.6	841.1	998.4	1,120.4	1,200.5	1,261.7	1,139.9
To residents other than general government	**1,920.9**	**2,144.9**	**1,928.0**	**1,970.4**	**2,098.8**	**2,182.8**	**2,025.4**	**1,978.3**
Interest to residents other than general governments	1,920.9	2,144.9	1,928.0	1,970.4	2,098.8	2,182.8	2,025.4	1,978.3
Grants***	**1,915.0**	**3,017.6**	**3,513.8**	**5,033.3**	**5,475.7**	**5,589.3**	**5,632.1**	**5,784.0**
Grants to other general government units	**1,915.0**	**3,017.6**	**3,513.8**	**5,033.3**	**5,475.7**	**5,589.3**	**5,632.1**	**5,784.0**
Grants to other general governments current	1,483.2	2,365.6	3,041.8	4,561.3	4,987.9	5,079.9	5,101.7	5,240.5
Grants to other general governments capital	431.8	652.0	472.0	472.0	487.8	509.4	530.5	543.5
Social Benefits	**0.0**	**0.0**	**114.2**	**100.4**	**96.3**	**92.5**	**69.1**	**68.5**
Social assistance benefits	0.0	0.0	114.2	100.4	96.3	92.5	69.1	68.5
Social assistance benefits in cash	0.0	0.0	114.2	100.4	96.3	92.5	69.1	68.5
Other expenses	**61.3**	**393.3**	**68.9**	**8.0**	**8.1**	**8.5**	**8.9**	**9.3**
Transfers not elsewhere classified	61.3	393.3	68.9	8.0	8.1	8.5	8.9	9.3
Other expense - Current transfers not elsewhere classified	61.3	393.3	68.9	8.0	8.1	8.5	8.9	9.3
Net Aquisition Nonfinancial assets****	**3,650.4**	**4,449.6**	**4,610.1**	**5,260.6**	**5,521.9**	**5,879.1**	**6,269.5**	**6,700.4**
Nonproduced assets	0.0	0.0	7.8	7.9	8.2	8.5	8.9	9.1
NFA:Intangible nonproduced assets	0.0	0.0	7.8	7.9	8.2	8.5	8.9	9.1
NFA:Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Aquisition of Fixed assets	3,650.4	4,449.6	4,602.3	5,252.7	5,513.8	5,870.6	6,260.6	6,691.4
NFA:Buildings and structures	989.1	958.6	771.0	809.4	849.7	958.4	1,006.3	1,056.5
NFA: Dwellings	0.0	0.0	46.6	69.4	69.9	73.3	76.9	80.0
NFA:Fixed assets	1,726.8	2,722.5	2,773.9	3,185.2	3,376.4	3,581.8	3,886.4	4,232.2
NFA:Information, computer, & telecommunications equipment	59.3	52.9	56.2	93.1	96.8	104.7	109.4	113.4
NFA:Machinery & equipment other than transport equipment	25.5	26.8	26.0	50.6	51.3	53.7	56.3	58.3
NFA:Other structures	0.0	0.0	11.8	21.6	21.8	22.8	24.0	24.8
NFA:Transport equipment	1.3	10.6	7.7	39.8	41.0	42.8	44.7	45.8
Other expense - Current transfers not elsewhere classified	848.4	678.2	909.1	983.6	1,006.9	1,033.1	1,056.6	1,080.3
Total expenditure	**20,130.7**	**24,389.8**	**25,337.9**	**27,377.5**	**28,480.7**	**29,805.9**	**31,131.0**	**32,268.0**
as % of GDP	*21.6%*	*22.6%*	*22.8%*	*22.3%*	*21.5%*	*21.0%*	*20.4%*	*19.7%*

Source: Department of Treasury.

Table 13B: General Government Expense by Agency Type

	Actuals		Estimates		Projections			
Kina Million	**2021**	**2022**	**2023 Suppl. Budget**	**2024 Budget**	**2025**	**2026**	**2027**	**2028**
National Departments	**7,860.3**	**11,462.7**	**10,313.4**	**11,326.8**	**11,568.5**	**11,988.4**	**12,575.3**	**13,261.8**
Compensation of Employees	**2,987.0**	**3,133.9**	**2,838.1**	**2,749.2**	**2,872.9**	**2,983.5**	**3,115.1**	**3,334.2**
Wages and salaries	**2,337.4**	**2,555.3**	**1,913.4**	**2,027.3**	**2,098.5**	**2,183.8**	**2,287.4**	**2,447.8**
Wages and salaries in cash	2,242.2	2,453.6	1,815.8	1,930.5	1,996.1	2,075.5	2,172.7	2,324.1
Wages and salaries in kind	95.2	101.7	97.6	96.7	102.3	108.3	114.7	123.8
Employers' social contributions	**649.6**	**578.6**	**924.7**	**722.0**	**774.4**	**799.6**	**827.7**	**886.4**
Actual social contributions	649.6	578.6	924.7	722.0	774.4	799.6	827.7	886.4
Use of goods and services	**3,802.2**	**5,248.1**	**4,906.0**	**4,300.6**	**3,818.8**	**4,086.6**	**4,492.7**	**4,689.8**
Use of goods and services	**3,802.2**	**5,248.1**	**4,906.0**	**4,300.6**	**3,818.8**	**4,086.6**	**4,492.7**	**4,689.8**
Use of goods and services	3,802.2	5,248.1	4,906.0	4,300.6	3,818.8	4,086.6	4,492.7	4,689.8
Grants	**523.0**	**1,292.9**	**1,035.6**	**2,425.4**	**2,866.1**	**2,775.2**	**2,701.6**	**2,780.9**
Grants to other general government units	**523.0**	**1,292.9**	**1,035.6**	**2,425.4**	**2,866.1**	**2,775.2**	**2,701.6**	**2,780.9**
Grants to other general governments current	523.0	1,292.9	1,035.6	2,425.4	2,866.1	2,775.2	2,701.6	2,780.9
Grants to other general governments capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses	**59.2**	**357.9**	**64.4**	**0.6**	**0.6**	**0.6**	**0.6**	**0.7**
Transfers not elsewhere classified	**59.2**	**357.9**	**64.4**	**0.6**	**0.6**	**0.6**	**0.6**	**0.7**
Other expense - Current transfers not elsewhere classified	59.2	357.9	64.4	0.6	0.6	0.6	0.6	0.7
Net Aquisition Nonfinancial assets	**488.9**	**1,429.9**	**1,423.8**	**1,810.8**	**1,977.5**	**2,107.6**	**2,237.7**	**2,434.9**
Nonproduced assets	**0.0**	**0.0**	**7.8**	**7.9**	**8.2**	**8.5**	**8.9**	**9.1**
NFA:Intangible nonproduced assets	0.0	0.0	7.8	7.9	8.2	8.5	8.9	9.1
NFA:Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Aquisition of Fixed assets	**488.9**	**1,429.9**	**1,416.0**	**1,802.9**	**1,969.4**	**2,099.0**	**2,228.8**	**2,425.9**
NFA:Buildings and structures	0.0	0.0	2.6	2.5	2.6	2.7	2.8	2.9
NFA:Dwellings	0.0	0.0	1.1	1.7	1.7	1.8	1.9	1.9
NFA:Fixed assets	467.5	1,405.0	1,376.7	1,705.9	1,868.9	1,994.1	2,119.7	2,314.2
NFA:Information, computer, & telecommunications equipment	9.5	4.9	14.1	45.7	47.3	49.4	51.4	52.6
NFA:Machinery & equipment other than transport equipment	11.0	12.8	10.8	11.5	12.0	12.5	13.0	13.3
NFA:Other structures	0.0	0.0	5.6	3.6	3.7	3.9	4.1	4.1
NFA:Transport equipment	1.0	7.2	5.0	32.0	33.1	34.6	36.0	36.8
Social Benefits	**0.0**	**0.0**	**45.6**	**40.1**	**32.5**	**34.9**	**27.6**	**21.4**
Social assistance benefits	0.0	0.0	45.6	40.1	32.5	34.9	27.6	21.4
Provincial Governments	**4,880.6**	**5,178.1**	**5,386.0**	**5,039.6**	**5,427.0**	**5,716.5**	**6,118.2**	**6,322.2**
Compensation of Employees	**2,043.7**	**2,120.8**	**2,144.2**	**2,145.0**	**2,219.4**	**2,301.8**	**2,435.2**	**2,594.0**
Wages and salaries	**2,042.8**	**2,118.2**	**2,144.2**	**2,145.0**	**2,219.4**	**2,301.8**	**2,435.2**	**2,594.0**
Wages and salaries in cash	1,993.7	2,070.7	2,089.6	2,144.2	2,218.5	2,300.9	2,434.2	2,593.0
Wages and salaries in kind	49.1	47.6	54.6	0.8	0.8	0.9	0.9	1.0
Employers' social contributions	**0.8**	**2.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Actual social contributions	0.8	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Use of goods and services	**1,132.4**	**995.5**	**914.4**	**486.4**	**799.1**	**811.4**	**959.5**	**905.4**
Use of goods and services	**1,132.4**	**995.5**	**914.4**	**486.4**	**799.1**	**811.4**	**959.5**	**905.4**
Use of goods and services	1,132.4	995.5	914.4	486.4	799.1	811.4	959.5	905.4
Grants	**1,378.6**	**1,642.4**	**2,300.5**	**2,358.7**	**2,358.7**	**2,551.0**	**2,654.2**	**2,715.7**
Grants to other general government units	**1,378.6**	**1,642.4**	**2,300.5**	**2,358.7**	**2,358.7**	**2,551.0**	**2,654.2**	**2,715.7**
Grants to other general governments current*	956.8	1,027.4	1,868.5	1,926.7	1,911.1	2,083.8	2,168.1	2,218.3
Grants to other general governments capital	421.8	615.0	432.0	432.0	447.6	467.2	486.1	497.4
Net Aquisition Nonfinancial assets	**325.9**	**419.3**	**26.8**	**49.5**	**49.8**	**52.2**	**69.3**	**107.1**
Aquisition of Fixed assets	**325.9**	**419.3**	**26.8**	**49.5**	**49.8**	**52.2**	**69.3**	**107.1**
NFA:Fixed assets	325.9	419.3	26.8	49.5	49.8	52.2	69.3	107.1
NFA:Buildings and structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Autonomous Bougainville Government	**328.9**	**420.3**	**440.1**	**415.1**	**425.0**	**447.2**	**471.0**	**496.3**
Compensation of Employees	**141.5**	**134.4**	**140.7**	**140.7**	**148.9**	**157.6**	**166.8**	**180.0**
Wages and salaries	**141.5**	**134.4**	**140.7**	**140.7**	**148.9**	**157.6**	**166.8**	**180.0**
Wages and salaries in cash	132.5	126.6	131.0	140.7	148.9	157.6	166.8	180.0
Wages and salaries in kind	9.0	7.8	9.8	0.0	0.0	0.0	0.0	0.0
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	**163.8**	**137.2**	**134.4**	**100.0**	**100.6**	**105.5**	**110.9**	**115.3**
Use of goods and services	**163.8**	**137.2**	**134.4**	**100.0**	**100.6**	**105.5**	**110.9**	**115.3**
Use of goods and services	163.8	137.2	134.4	100.0	100.6	105.5	110.9	115.3
Grants	**10.0**	**37.0**	**65.0**	**74.4**	**74.9**	**78.5**	**82.5**	**85.8**
Grants to other general government units	**10.0**	**37.0**	**65.0**	**74.4**	**74.9**	**78.5**	**82.5**	**85.8**
Grants to other general governments current	0.0	0.0	25.0	34.4	34.6	36.3	38.2	39.7
Grants to other general governments capital	10.0	37.0	40.0	40.0	40.3	42.2	44.3	46.1
Net Aquisition Nonfinancial assets	**13.5**	**111.7**	**100.0**	**100.0**	**100.6**	**105.5**	**110.9**	**115.3**
Fixed Assets	13.5	111.7	100.0	100.0	100.6	105.5	110.9	115.3
Commercial & Statutory Authorities	**1,450.4**	**1,830.5**	**3,233.4**	**4,126.4**	**4,237.1**	**4,456.2**	**4,744.9**	**5,012.6**
Compensation of Employees	**921.5**	**1,101.1**	**1,710.6**	**1,898.7**	**1,992.0**	**2,111.1**	**2,200.8**	**2,310.4**
Wages and salaries	**852.7**	**1,019.0**	**1,682.2**	**1,842.1**	**1,932.1**	**2,047.8**	**2,133.8**	**2,238.0**
Wages and salaries in cash	826.8	991.1	1,624.9	1,778.8	1,865.2	1,976.9	2,058.8	2,157.1
Wages and salaries in kind	25.9	27.9	57.4	63.3	67.0	70.9	75.0	81.0
Employers' social contributions	**68.9**	**82.1**	**28.4**	**56.6**	**59.8**	**63.3**	**67.1**	**72.4**
Actual social contributions	68.9	82.1	28.4	56.6	59.8	63.3	67.1	72.4
Use of goods and services	**312.6**	**470.5**	**684.5**	**1,256.5**	**1,264.6**	**1,326.1**	**1,392.9**	**1,448.4**
Use of goods and services	**312.6**	**470.5**	**684.5**	**1,256.5**	**1,264.6**	**1,326.1**	**1,392.9**	**1,448.4**
Use of goods and services	312.6	470.5	684.5	1,256.5	1,264.6	1,326.1	1,392.9	1,448.4
Grants	**3.4**	**45.3**	**112.7**	**174.9**	**176.0**	**184.6**	**193.9**	**201.6**
Grants to other general government units	**3.4**	**45.3**	**112.7**	**174.9**	**176.0**	**184.6**	**193.9**	**201.6**
Grants to other general governments current	3.4	45.3	112.7	174.9	176.0	184.6	193.9	201.6
Other expenses	**2.1**	**35.4**	**4.5**	**7.5**	**7.5**	**7.9**	**8.3**	**8.6**
Transfers not elsewhere classified	**2.1**	**35.4**	**4.5**	**7.5**	**7.5**	**7.9**	**8.3**	**8.6**
Other expense - Current transfers not elsewhere classified	2.1	35.4	4.5	7.5	7.5	7.9	8.3	8.6
Other expense - Premiums	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Aquisition Nonfinancial assets	**210.8**	**178.2**	**652.5**	**728.6**	**733.3**	**769.0**	**907.5**	**996.5**
Aquisition of Fixed assets	**210.8**	**178.2**	**652.5**	**728.6**	**733.3**	**769.0**	**907.5**	**996.5**
NFA:Buildings and structures	0.0	0.0	2.8	3.0	3.0	3.2	3.3	3.5
NFA:Dwellings	0.0	0.0	45.1	0.3	0.3	0.3	0.3	0.4
NFA:Buildings other than dwellings	0.0	0.0	0.3	67.4	67.8	71.1	74.7	77.7
NFA:Fixed assets	195.7	160.8	576.4	585.9	589.7	618.4	749.3	832.0
NFA:Machinery & equipment other than transport equipment	14.6	14.0	15.2	39.1	39.3	41.3	43.3	45.1
NFA:Other structures	0.0	0.0	6.2	18.0	18.1	19.0	19.9	20.7
NFA:Transport equipment	0.3	3.4	2.7	7.8	7.9	8.2	8.7	9.0
NFA: Information, computer, and telecommunications (ICT) equipment	0.2	0.0	3.7	7.1	7.2	7.5	7.9	8.2
Social Benefits	**0.0**	**0.0**	**68.6**	**60.3**	**63.8**	**57.5**	**41.5**	**47.1**
Social assistance benefits	0.0	0.0	68.6	60.3	63.8	57.5	41.5	47.1
Debt Service (Interest Payment)	**2,254.7**	**2,578.7**	**2,784.0**	**3,050.8**	**3,293.4**	**3,454.2**	**3,356.2**	**3,184.2**
Use of goods and services	**5.6**	**6.2**	**14.9**	**82.0**	**74.2**	**70.9**	**69.1**	**66.1**
Use of goods and services	**5.6**	**6.2**	**14.9**	**82.0**	**74.2**	**70.9**	**69.1**	**66.1**
Use of goods and services	5.6	6.2	14.9	82.0	74.2	70.9	69.1	66.1
Interest	**2,249.1**	**2,572.5**	**2,769.1**	**2,968.8**	**3,219.2**	**3,383.3**	**3,287.1**	**3,118.2**
To nonresidents	**328.2**	**427.6**	**841.1**	**998.4**	**1,120.4**	**1,200.5**	**1,261.7**	**1,139.9**
Interest to Non residents	328.2	427.6	841.1	998.4	1,120.4	1,200.5	1,261.7	1,139.9
To residents other than general government	**1,920.9**	**2,144.9**	**1,928.0**	**1,970.4**	**2,098.8**	**2,182.8**	**2,025.4**	**1,978.3**
Interest to residents other than general governments	1,920.9	2,144.9	1,928.0	1,970.4	2,098.8	2,182.8	2,025.4	1,978.3
Expenditure supported by donor grants	**1,862.4**	**1,472.1**	**2,024.9**	**2,204.9**	**2,255.2**	**2,305.2**	**2,355.2**	**2,405.2**
Use of goods and services	**630.6**	**498.4**	**685.6**	**754.4**	**771.7**	**788.8**	**805.9**	**823.0**
Use of goods and services	**630.6**	**498.4**	**685.6**	**754.4**	**771.7**	**788.8**	**805.9**	**823.0**
Use of goods and services	630.6	498.4	685.6	754.4	771.7	788.8	805.9	823.0
Net Aquisition Nonfinancial assets	**1,231.8**	**973.7**	**1,339.3**	**1,450.6**	**1,483.5**	**1,516.4**	**1,549.3**	**1,582.2**
Aquisition of Fixed assets (Buildings and Structures)	**1,231.8**	**973.7**	**1,339.3**	**1,450.6**	**1,483.5**	**1,516.4**	**1,549.3**	**1,582.2**
NFA:Fixed assets	426.0	336.7	463.2	501.6	513.0	524.4	535.7	547.1
Other expense - Current transfers not elsewhere classified	805.8	636.9	876.1	949.0	970.5	992.0	1,013.6	1,035.1
Expenditure financed by concessional loans	**1,493.5**	**1,447.5**	**1,156.0**	**1,213.8**	**1,274.5**	**1,438.2**	**1,510.1**	**1,585.6**
Use of goods and services	**114.1**	**110.6**	**88.3**	**92.7**	**97.4**	**109.9**	**115.4**	**121.1**
Use of goods and services	**114.1**	**110.6**	**88.3**	**92.7**	**97.4**	**109.9**	**115.4**	**121.1**
Use of goods and services	114.1	110.6	88.3	92.7	97.4	109.9	115.4	121.1
Net Aquisition Nonfinancial assets	**1,379.4**	**1,336.9**	**1,067.7**	**1,121.1**	**1,177.1**	**1,328.3**	**1,394.8**	**1,464.5**
Aquisition of Fixed assets (Buildings and Structures)	**1,379.4**	**1,336.9**	**1,067.7**	**1,121.1**	**1,177.1**	**1,328.3**	**1,394.8**	**1,464.5**
NFA:Buildings and structures	989.1	958.6	765.6	803.9	844.1	952.5	1,000.1	1,050.1
NFA:Fixed assets	298.2	289.0	230.8	242.3	254.4	287.1	301.5	316.6
NFA:Information, computer, & telecommunications equipment	49.5	48.0	38.3	40.3	42.3	47.7	50.1	52.6
NFA:Machinery & equipment other than transport equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expense - Current transfers not elsewhere classified	42.6	41.3	33.0	34.6	36.4	41.0	43.1	45.2
Total expenditure	**20,130.7**	**24,390.0**	**25,337.9**	**27,377.5**	**28,480.7**	**29,805.9**	**31,131.0**	**32,268.0**
as % of GDP	*21.6%*	*22.6%*	*20.7%*	*22.3%*	*21.5%*	*21.0%*	*20.4%*	*19.8%*

* 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 14: Transactions in Assets and Liabilities for General Government

Kina Million	Actuals		Estimate		Projections			
	2021	2022	2023 Suppl. Budget	2024 Budget	2025	2026	2027	2028
Net Acquisition of Financial Assets	**-1,685.2**	**-355.7**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Domestic	**-1,685.2**	**-355.7**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-910.4	-355.7	0.1	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	-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**
Net Incurrence of Liabilities	**7,955.5**	**5,496.1**	**4,935.0**	**3,983.7**	**2,654.2**	**1,314.2**	**-229.2**	**-2,477.8**
Net Incurrence of Liabilities as a % of GDP	*8.5%*	*5.1%*	*4.4%*	*3.3%*	*2.0%*	*0.9%*	*-0.2%*	*-1.5%*
Domestic	**3,042.1**	**2,276.6**	**2,324.0**	**2,320.3**	**1,447.5**	**638.0**	**349.3**	**-770.7**
Debt securities	**2,995.4**	**2,242.6**	**2,319.0**	**2,382.6**	**1,603.1**	**734.4**	**387.3**	**-730.5**
New instruments	16,794.6	17,598.0	16,737.8	22,016.9	19,108.7	19,299.8	19,221.5	17,568.8
Amortisation	-13,799.2	-15,355.3	-14,418.8	-19,634.3	-17,505.6	-18,565.4	-18,834.2	-18,299.3
Treasury Bills	***1,394.8***	***492.6***	***373.9***	***-177.6***	***162.1***	***434.4***	***437.3***	***-581.6***
New instruments	*14,147.9*	*14,888.7*	*13,659.7*	*17,716.0*	*16,372.8*	*16,807.2*	*17,244.6*	*16,663.0*
Amortisation	*-12,753.1*	*-14,396.1*	*-13,285.8*	*-17,893.6*	*-16,210.7*	*-16,372.8*	*-16,807.2*	*-17,244.6*
Treasury Bonds	***1,600.6***	***1,750.0***	***1,945.0***	***2,560.2***	***1,441.0***	***300.0***	***-50.0***	***-148.9***
New instruments	*2,646.7*	*2,709.3*	*3,078.1*	*4,300.9*	*2,735.9*	*2,492.6*	*1,977.0*	*905.8*
Amortisation	*-1,046.1*	*-959.3*	*-1,133.1*	*-1,740.7*	*-1,294.9*	*-2,192.6*	*-2,027.0*	*-1,054.7*
Loans	**46.7**	**34.0**	**5.0**	**-62.2**	**-155.6**	**-96.4**	**-38.0**	**-40.2**
New borrowing	107.9	75.1	83.2	103.8	0.0	0.0	0.0	0.0
Amortisation	-61.2	-41.1	-78.2	-166.0	-155.6	-96.4	-38.0	-40.2
Insurance, pension, and standardized guarantee scheme	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
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	**4,913.4**	**3,219.5**	**2,611.1**	**1,663.4**	**1,206.7**	**676.2**	**-578.5**	**-1,707.1**
Monetary gold and special drawing rights (SDR's)	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
Debt securities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-1,760.6**
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,760.6
Concessional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,760.6
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,760.6
Loans	***3,669.3***	***3,219.5***	***2,611.1***	***1,663.4***	***1,206.7***	***676.2***	***-578.5***	***53.5***
New borrowing	4,991.8	4,076.3	3,582.6	3,125.5	2,845.9	2,513.9	1,455.1	2,055.4
Amortisation	-1,322.4	-856.8	-971.5	-1,462.1	-1,639.2	-1,837.7	-2,033.6	-2,001.9
Concessional financing	***1,108.3***	***834.5***	***401.9***	***253.3***	***1,337.6***	***934.0***	***337.5***	***1,014.0***
New borrowing	*1,493.5*	*1,447.5*	*1,156.0*	*1,025.8*	*2,120.6*	*1,788.6*	*1,337.9*	*1,982.8*
Amortisation	*-385.2*	*-612.9*	*-754.1*	*-772.5*	*-783.0*	*-854.7*	*-1,000.5*	*-968.8*
Commercial financing	***-862.7***	***-29.0***	***-29.2***	***145.9***	***210.7***	***210.7***	***32.7***	***-11.8***
New borrowing	*59.7*	*8.6*	*0.0*	*188.0*	*250.7*	*250.7*	*117.1*	*72.6*
Amortisation	*-922.4*	*-37.5*	*-29.2*	*-42.1*	*-39.9*	*-40.0*	*-84.4*	*-84.4*
Extraordinary financing	***3,423.7***	***2,414.0***	***2,238.4***	***1,264.2***	***-341.6***	***-468.5***	***-948.6***	***-948.6***
New borrowing	*3,438.6*	*2,620.3*	*2,426.6*	*1,911.7*	*474.7*	*474.7*	*0.0*	*0.0*
Amortisation	*-14.9*	*-206.3*	*-188.2*	*-647.5*	*-816.3*	*-943.1*	*-948.6*	*-948.6*
Insurance, pension, and standardized guarantee scheme	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
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 15: Stocks of General Government Debt

Kina Million	Actuals 2021	2022	Estimates 2023 Suppl. Budget	2024 Budget	Projections 2025	2026	2027	2028
Domestic	**25,257.6**	**27,534.2**	**29,858.2**	**32,178.5**	**33,626.1**	**34,264.1**	**34,613.4**	**33,842.7**
Debt securities	**24,129.9**	**26,372.6**	**28,691.6**	**31,074.1**	**32,677.2**	**33,411.6**	**33,799.0**	**33,068.4**
Treasury Bills	*13,296.6*	*13,789.2*	*14,163.1*	*13,985.5*	*14,147.6*	*14,582.0*	*15,019.3*	*14,437.7*
Treasury Bonds	*10,833.4*	*12,583.4*	*14,528.4*	*17,088.6*	*18,529.6*	*18,829.6*	*18,779.6*	*18,630.7*
Loans	**1,127.6**	**1,161.6**	**1,166.7**	**1,104.4**	**948.9**	**852.4**	**814.4**	**774.3**
Guarantees	*1,127.6*	*1,161.6*	*1,166.7*	*1,104.4*	*948.9*	*852.4*	*814.4*	*774.3*
External	**22,915.6**	**26,145.7**	**28,756.7**	**30,420.1**	**31,626.7**	**32,302.9**	**31,724.4**	**30,017.4**
Monetary Gold & SDRs	**1,244.1**	**1,244.1**	**1,244.1**	**1,244.1**	**1,244.1**	**1,244.1**	**1,244.1**	**1,244.1**
Debt securities	**1,750.0**	**1,760.6**	**1,760.6**	**1,760.6**	**1,760.6**	**1,760.6**	**1,760.6**	**(0.0)**
Concessional financing	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Commercial financing	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Extraordinary financing	*1,750.0*	*1,760.6*	*1,760.6*	*1,760.6*	*1,760.6*	*1,760.6*	*1,760.6*	*(0.0)*
Loans	**19,921.5**	**23,141.0**	**25,752.0**	**27,415.4**	**28,622.0**	**29,298.2**	**28,719.7**	**28,773.3**
Concessional financing	*10,939.9*	*11,774.4*	*12,176.3*	*12,429.6*	*13,767.1*	*14,701.1*	*15,038.6*	*16,052.6*
Commercial financing	*231.4*	*202.5*	*173.3*	*319.2*	*529.9*	*740.6*	*773.3*	*761.4*
Extraordinary financing	*8,750.1*	*11,164.1*	*13,402.4*	*14,666.7*	*14,325.0*	*13,856.5*	*12,907.9*	*11,959.3*
Total Central Government Debt	**48,173.1**	**53,679.9**	**58,614.9**	**62,598.6**	**65,252.8**	**66,567.0**	**66,337.8**	**63,860.0**
Total debt as percentage of GDP	*51.6%*	*49.8%*	*52.6%*	*51.1%*	*49.2%*	*46.9%*	*43.5%*	*39.0%*
Gross Domestic Product[2]	**93,314.1**	**107,807.3**	**111,350.8**	**122,519.1**	**132,634.1**	**141,989.9**	**152,550.1**	**163,675.5**

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