Independent State Of Papua New Guinea

VOLUME 1

ECONOMIC AND DEVELOPMENT POLICIES

"Securing Papua New Guinea in 2025 and Beyond"

For the year Ending 31st December, 2025

Presented by:

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

Happy 50th Independence Papua New Guinea

On the occasion of the Presentation of the 2025 National Budget

Papua New Guinea Prime Ministers from 1975 to 2024

HON. IAN LING-STUCKEY, CMG. MP

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2025 NATIONAL BUDGET

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ECONOMIC AND DEVELOPMENT POLICIES

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MINISTER FOR TREASURY

ON THE OCCASION OF THE PRESENTATION OF THE 2025 NATIONAL BUDGET

FOREWORD

On behalf of the Marape-Rosso Government, I am honoured to present the 2025 National Budget under the theme: "**Securing PNG in 2025 and Beyond**". This is the eleventh Budget or Supplementary Budget I have had the honour to present. It will continue with the commitment of the Marape-Rosso Government to Budget Repair with the aim of achieving a surplus by 2027 and the option to repay all debt by 2034.

The 2025 Budget is historic for several reasons. It is the third annual 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. It is also the budget for the 50th Anniversary of the Independence of Papua New Guinea.

The 2025 Budget is directed at "**Securing PNG in 2025 and Beyond**" through:

- Securing PNG by massive investments in our police (providing more than the K700 million requested, including a 67% increase in goods and services and a 19% increase in their wages budget), our defence forces (a 15% increase in their wages budget, a 32% increase in goods and services and a 116% increase in capital) and our judiciary (a 25 % increase in operating costs) to build a safer, more secure society;
- Securing PNG by helping families with cost-of-living pressures with the fourth and largest Household Assistance Package of K685 million, bringing the total value over 4 years to K2,322 million, and including zero-rating GST for 13 essential goods;
- Securing PNG through investments in human and capital resources with the largest K28,357 million budget in PNG's history, with record revenues of K25,408 million, while continuing with responsible budget repair of another K1,035 million cut in the deficit down, to K2,949 million
  - Dropping the deficit to GDP ratio down from 8.9% in 2020 to one quarter that level at 2.2% in 2025
  - With a plan to return to a budget surplus by 2027
  - And the option of no debt by 2034;
- Securing PNG with massive investments into infrastructure with a record Public Investment Program of K7,616 million, 273% higher than the miserable K2,041 million PIP in 2018;
- Securing PNG with a focus on growth and jobs, with real non-resource growth expected to be 5.2% in 2025, creating the longest consecutive run of growth over 4% in PNG's history, and formal sector jobs growth recovering, but still too low, of 2.9% in 2024;
- Securing PNG with massive investments in education of K4,435 million (a 12.0% increase) and in health of K2,768 million (a 9.4% increase); and
- Securing PNG through the priorities of the Marape-Rosso Government set out by Prime Minister Marape's speech at the start of this 11th Parliament

The 2025 PNG Budget is delivered once again in the context of an uncertain global outlook, but a much more positive domestic outlook. The economy is expected to exceed K136 billion in 2025. This is K12 billion higher for 2025 than was expected when the 2022 Budget forecasts were made. We are well on target for a K200 billion economy by 2030, a K300 billion by 2035, and a Kina one trillion economy by 2048. As significant as these very large increases in nominal GDP are, the real growth figures in our non-resource economy are also a critical measure of progress. Real non-resource growth per capita is the best measure in PNG for tracking movements in living standards. The non-resource sector accounts for 72% of the economy, and is the part of the economy which provides livelihoods to most of our people, such as agriculture, manufacturing, finance, transport, retail and wholesale businesses, hospitality, utilities and government. From 2021 to 2025, PNG is forecast to benefit from its longest run of sustained real growth in the non-resource economy of over 4% in its history. Specifically, PNG has had real non-resource growth of 4.2% in 2021, 5.9% in 2022, 4.7% in 2023 and a forecast 4.5% in 2024 and 5.2% in 2025. All these rates are higher than PNG's population growth rate of 3.1%, meaning we are finally seeing sustained improvements in living standards. These sustained high growth rates are being achieved even prior to the announcement of new resource projects in the country. PNG now adopts the international standard in budgeting of not including any new projects in our growth or revenue forecasts until the Final Investment Decision is made, so there is a real upside looking forward.

Despite this very strong growth, the IMF's estimate of PNG inflation in 2024 of just 1.3%, will be the second lowest rate in PNG's history (the only lower rate was in 2007 at 0.9%). PNG is experiencing low inflation rates for the economy as a whole, but within this are continuing cost-of-living pressures on families especially on household purchases. Over the last 10 years, food and non-alcoholic drinks have increased by 53%. From 2012 to 2018, real non-resource GDP per capita fell by 11%. Even with our record economic growth rates, it will take until 2029 before we are back to 2012 levels. We are only halfway out of the deep economic hole left for us, made worse by the global COVID-19 pandemic. Our people's living standards, on average, are still worse off than they were in 2012. Inclusive development requires hard work year after year, decade after decade. We have put in place macro-economic policies to start rebuilding living standards, and these are delivering with our record growth levels. However, as we are still below living standards of 2012, the government will introduce zero-rating for 13 essential products as part of a K685 million Household Assistance Package. The 13 products are rice, flour, tinned fish, tinned meat, chicken, biscuits, noodles, tea, coffee, cooking oils, and health related products of soap, women's hygiene products and baby diapers. This year's household assistance package also continues 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 made 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 is K300 million per annum, especially with the government formally re-instating dependent rebates. For first home buyers, the stamp duty exemption has been lifted to K700,000 at a cost of K15 million. There has been a temporary freeze on the indexation of alcohol and most tobacco products.

Jobs growth in the formal sector continues its steady path upwards, with a 2.9% increase between June 2024 and June 2023. This is higher than the 2.6% growth rate the previous year. This rate of employment growth is not as strong as we want, but it is a welcome change from the loss of formal private sector jobs from 300,000 in 2014 down to 270,000 in 2018. One real challenge facing PNG is the lack of good data on PNG's labour market. We know that some 85% of our workforce are in rural areas, usually in the cash and informal economies. We do not collect data on what is happening with job creation in the labour markets where most of our people work. We also do not collect good information on actual wages growth. The minimum wage only applies to a very small proportion of our population. Based on superannuation data, we know that wages have been increasing. Indeed, statistically, the high real growth rates in non-resource GDP measured on a production basis, must translate into high real growth rates of incomes measured by wages, profits and rents. Real income growth is occurring, but we are not measuring how it is being distributed. Surveys are underway to try and close these information gaps.

Foreign exchange reserves remain at high levels, and the on-going release of foreign exchange by BPNG is reducing the waiting times for receiving foreign exchange. A recent BPNG Directive clarifying the priority to be given to essential goods will hopefully ensure the waiting times for FX for essential items falls faster. Under the revised Central Banking Act, introduced as a further economic reform, there will be a new Monetary Policy Committee. There is a possibility that this new MPC will take a different approach to monetary policy, one that could see a lessening of rates, considering the evolving economic conditions and recent price trends in PNG.

The 2025 Budget is historic on several other benchmarks. It is the largest budget in PNG's history at K28,357 million. It collects the most revenue in PNG's history at K25,408 million. The budget deficit is still much larger than I ever would have wanted as a businessman at K2,949.3 million, but I am pleased that it is estimated to fall by K1,035 million from 2024 levels. 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 then be a requirement of major deficit reductions. As a share of GDP, we have already reduced the budget deficit from 8.9% in 2020 down to 2.2% in 2024, so down to less than a quarter of the COVID-19 levels.

Expenditures are estimated to grow by 3.6% in 2025, less than half the estimated growth in revenues of 8.6%.

Revenues growing at more than double the pace of expenditures is a good news story for budget repair. This is how you sensibly get deficits down.

The 2025 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 and lifting capital expenditure.

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 was once again dropped by a billion Kina to K3.984 billion. Despite a fall in forecast non-tax revenues, and a cost over-run of K600 million on teachers and nurses salaries, the Government remains committed to the budget deficit target, even though this is likely to lead to expenditure reductions toward the end of the year.

In 2025, the budget deficit is planned to fall by another billion Kina down to just 2.2% of GDP.

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 Budget Repair plan, reaching the target of a budget surplus by 2027, and the option for the 12th Parliament to repay all government debt.

This record on budget repair is being backed by further changes to the Fiscal Responsibility Act, which will drop the maximum allowable deficit level to 55% of GDP.

Further economic reforms are incorporated into this budget. There was concern that the flat rate banking tax at 45% was discouraging competitiveness in the banking sector. We want better, cheaper and more inclusive banking services. This is now being adjusted, in a phased approach, so that smaller banks have more opportunities to grow, and as they do so, the higher rate on the most profitable banks can be reduced through time. A review will also be held into how to encourage a stronger financial inclusion focus for our banks, and whether the new taxing arrangements should be extended to some large non-bank financial institutions. There is also a general concern from businesses about levels of red-tape, and delays in GST returns. Measures have been introduced to reduce the frequency of GST returns for small businesses with a turnover of less than K1.5 million per annum. This will not only assist small businesses, it will also mean the IRC can focus on the bigger taxpayers, getting their GST refunds out faster. The need for Tax Clearance Certificates has also generally been removed where overseas transactions from a small business or individual are under K1.5 million per annum. The IRC is also receiving K37.5 million, or nearly 60%, increase in its wages budget to address some of the backlogs, as well as strengthen its work in Provinces to close in on the black market, and assist with the roll-out of the new GST Monitoring System. The recent BPNG Directive on foreign exchange has also substantially reduced the paperwork requirements when making foreign exchange orders. Further options for reducing red tape will be explored through 2025.

This budget provides the high level funding allocations in line with the Marape-Rosso Government priorities, especially for our police and defence forces. 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.

Once again, I thank all those who have worked so tirelessly to prepare yet another National Budget. There are many hard working public servants that have provided the budget submissions, the budget bid analysis through the Strategic Budget Committee and the Central Agencies Coordinating Committee, and then the hard decision-making processes in the Ministerial Economic Committee (MEC), 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 2025 budget changes before going to NEC.

I commend the 2025 National Budget, in our 50th Anniversary of Independence, to the Honourable Members and to the people of Papua New Guinea.

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

THE TREASURER & MINISTER FOR TREASURY
The Common Seal of
P.O. BOX 542, WAIGANI, PAPUA NEW GUINEA

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CHAPTER 1: BUDGET OVERVIEW

1.1 2025 NATIONAL BUDGET IN BRIEF

The 2025 National Budget projects a deficit of K2,949.3 million. This results from a Total Revenue and Grant projection of K25,408.0 million and a Total Expenditure & Net Lending of K28,357.2 million. This deficit projection represents a fiscal consolidation of 1.1 percentage points consistent with the fiscal consolidation trajectory initiated since 2022.

If all goes according to this plan, public debt should be at K64,876.8 million or 47.4 per cent of GDP.

1.2 SECURING PNG 2025 AND BEYOND

1.2.1 The 13-year Budget Repair Plan

The 13-year Budget Repair Plan (2022-2034) was founded in 2022 based on the Loloata Commitment for Restoration and Growth. This Plan is guided by the *Medium-Term Revenue Strategy (MTRS) (2023 – 2027), Medium Term Debt Strategy (MTDS) 2024-2028* and the *Medium-Term Development Plan (MTDP) IV (2023 – 2027).* The MTRS outlines specific strategies aimed at growing revenues over the 5-year period. The MTdS guides Government's borrowing and debt financing requirements over the period. Both strategies are guided by the broad targets of the MTDP IV of creating one million jobs and growing GDP to K200.0 billion by 2030. These goals will be supported by the fiscal consolidation strategy of the 13-Year Budget Repair Plan.

Specifically, the 13-Year Plan aims to achieve budget surplus by 2027. This is to support PNG's future growth and investment aspirations whilst improving its debt profile and borrowing needs during future crises. The plan is built on the principle of "*spending money more wisely, raising revenues more fairly*, and *financing debt more cheaply*".

In 2025, the Government will continue the fiscal consolidation path initiated in 2022 by reducing the deficit from the 2024 Budget levels of K3,983.6 million (3.3 per cent of GDP) to K2,949.3 million (2.2 per cent of GDP).

1.3 THE 13-YEAR BUDGET REPAIR PLAN GUIDING PRINCIPLES

The 13-Year Fiscal Plan's ambitions are guided by the Five (5) National Goals and Directive Principles that are enshrined in our National 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; and

5. **Papua New Guinean Ways** that achieve development primarily through the use of Papua New Guinean forms of social, political and economic organisation.

With the mission ***to take back PNG and leave no child behind***, the Marape-Rosso Government outlined its key social and economic development indicators through the following.

1. *Strong Economy*

   Building a strong and resilient economy through sound fiscal and monetary policy management. Besides 13-Year Plan's targets, reducing inflationary pressures, improving living conditions, and strengthening investor confidence and private sector growth will be its main economic agendas.

2. *Connect PNG*

   Supporting the Connect PNG 2020-2040 targets of connecting economic corridors in PNG. Public investment will be raised on infrastructures related to the Agriculture, Fisheries and Forestry (AFF), Small-Medium Enterprises (SME), manufacturing and the non-resource sectors of the economy. This is to support sustainable long-term growth beyond the resource sector. These investments are steps in the right direction of achieving most of the goals of Vision 2050 and SDGs.

3. *Going Rural*

   The Marape-Rosso Government recognizes the agriculture sector as a catalyst driver of rural development. 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 employment creation, food security and improving nutrition. The Government will continue to improve related infrastructures and export opportunities for farmers and businesses in the agriculture sector.

4. *Good Governance*

   While a lot of resources are channeled through the Government systems, capacity of PNG's public administration and institutions to plan, execute, monitor, manage, distribute and supervise is critical to achieve the intended outcome. Governance is one of the key pillars of the ESG principles that are commonly embedded in private sector investment and growth models. The Marape-Rosso Government recognizes the need for good governance, transparency and accountability across different tiers of the Government. Given the size of constituency development funds going directly to the sub-national governments, good governance and accountability mechanisms are critical.

The 2025 Budget will continue to be guided by the 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.

The Medium-Term Revenue Strategy 2023-2027

Guided by the 13-Year Fiscal Plan, the MTRS outlines the following strategies;

- 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 Medium-Term Debt Strategy (MTdS) 2024-2028

In line with the objectives of raising financing more cheaply and cost minimization, the Government over the medium-term will:

- reduce shorter-term borrowing and reliance on Treasury Bills to mitigate risk of refinancing or rollover risk;
- reduce variable interest rate borrowing (especially externally) to increase ATR and holding losses resulting from currency depreciation;
- reduce commercial borrowing to help annual interest cost bills;
- prioritize concessional financing in order to secure the necessary financing; and
- develop the domestic debt market to improve its investor base, liquidity and efficiency.

The Medium-Term Development Plan (MTDP) IV

The MTDP IV incorporates the National Government's development agenda 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

						11th Parliament Budgets					12th Parliament Budgets					13th Parliament Budgets	
	2018 FBO	2019 FBO	2020 FBO	2021 FBO	2022 FBO	2023 FBO	2024 Budget	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
GDP (K'million)	**79,405**	**83,846**	**82,515**	**91,626**	**111,241**	**111,351**	**122,519**	**136,896**	**148,446**	**160,198**	**172,490**	**186,339**	**202,801**	**220,959**	**241,007**	**263,166**	**287,684**
Non-Resource GDP	62,896	60,088	62,474	68,420	75,871	80,313	89,016	98,027	107,635	118,434	130,085	142,909	157,200	173,078	190,732	210,377	232,256
Resource GDP	16,508	23,758	20,041	23,206	35,524	30,306	35,282	38,869	40,811	41,764	42,405	43,429	45,601	47,881	50,275	52,789	55,428
GDP Nominal Growth (%)		5.6%	-1.6%	11.0%	21.4%	0.1%	10.0%	10.9%	8.4%	7.9%	7.7%	8.0%	8.8%	9.0%	9.1%	9.2%	9.3%
GDP Non-resource Nominal Growth (%)		-4.5%	4.0%	9.5%	10.9%	5.9%	10.8%	10.1%	9.8%	10.0%	9.8%	9.9%	10.0%	10.1%	10.2%	10.3%	10.4%
GDP Non-resource Real		**44,825**	**44,656**	**46,533**	**49,285**	**51,605**	**53,939**	**56,741**	**59,466**	**62,459**	**65,580**	**68,836**	**72,278**	**75,904**	**79,741**	**83,867**	**88,196**
GDP Real Growth		4.5%	-3.2%	-0.5%	5.7%	3.0%	4.9%	4.7%	4.2%	3.8%	2.7%	3.0%	3.8%	4.0%	4.1%	4.2%	4.3%
GDP Non-resource Real Growth (%)			-0.4%	4.2%	5.9%	4.7%	4.5%	5.2%	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.1%	5.2%	5.2%
Total Revenue	**14,085**	**13,680**	**12,093**	**13,635**	**18,536**	**19,810**	**23,394**	**25,408**	**27,897**	**31,216**	**34,406**	**37,871**	**41,758**	**46,113**	**50,998**	**56,486**	**62,658**
% of GDP (MTRS measure)	17.7%	16.3%	14.7%	14.9%	16.7%	17.8%	19.1%	18.6%	18.8%	19.5%	19.9%	20.3%	20.6%	20.9%	21.2%	21.5%	21.8%
Total revenue growth rate		-2.9%	-11.6%	12.7%	35.9%	6.9%	18.1%	10.8%	9.8%	11.9%	10.2%	10.1%	10.3%	10.4%	10.6%	10.8%	10.9%
GoPNG Revenue (Total Revenue *less* Grants)	**12,249**	**11,905**	**10,668**	**11,772**	**17,064**	18,651	21,189	23,908	26,347	29,616	32,756	36,171	40,008	44,313	49,148	54,586	60,708
% of GDP	15.4%	14.2%	12.9%	12.8%	15.3%	16.8%	17.3%	17.5%	17.7%	18.5%	19.0%	19.4%	19.7%	20.1%	20.4%	20.7%	21.1%
Tax - Excluding MPT	9,701	10,157	9,619	10,494	12,417	13,720	15,145	17,064	19,112	21,616	24,174	27,041	30,286	33,951	38,093	42,778	48,082
Mining and Petroleum Tax (MPT)	775	761	183	635	4,036	3,907	3,550	4,137	4,550	4,950	5,198	5,458	5,731	6,017	6,318	6,634	6,966
Non-tax – NTRA plus all other forms except resource dividends	1,120	606	298	263	311	622	1,594	1,236	1,384	1,550	1,734	1,940	2,172	2,435	2,732	3,068	3,449
Non-tax – Resource Dividends	653	381	569	381	300	403	900	1,471	1,300	1,500	1,650	1,733	1,819	1,910	2,006	2,106	2,211
KPH dividends						250	700	550	700	1,000	1,050	1,103	1,158	1,216	1,276	1,340	1,407
Other (including Ok Tedi)						153	200	921	600	500	600	630	662	695	729	766	804
Grants	1,836	1,776	1,425	1,862	1,472	1,159	2,205	1,500	1,550	1,600	1,650	1,700	1,750	1,800	1,850	1,900	1,950
Tax-to-GDP	13.2%	13.0%	11.9%	12.1%	14.8%	15.8%	15.3%	15.5%	15.9%	16.6%	17.0%	17.4%	17.8%	18.1%	18.4%	18.8%	19.1%
Total Expenditure	**16,134**	**17,852**	**19,398**	**20,131**	**24,390**	**24,615**	**27,378**	**28,357**	**29,505**	**31,135**	**32,138**	**33,631**	**35,556**	**37,603**	**40,104**	**41,245**	**43,367**
% of GDP	20.3%	21.3%	23.5%	22.0%	21.9%	22.1%	22.3%	20.7%	19.9%	19.4%	18.6%	18.0%	17.5%	17.0%	16.6%	15.7%	15.1%
GoPNG Expenditure (Total Expenditure *less* Grants)	**14,298**	**16,077**	**17,973**	**18,268**	**22,918**	**23,456**	**25,173**	**26,857**	**27,955**	**29,535**	**30,488**	**31,931**	**33,806**	**35,803**	**38,254**	**39,345**	**41,417**
% of GDP	18.0%	19.2%	21.8%	19.9%	20.6%	21.1%	20.5%	19.6%	18.8%	18.4%	17.7%	17.1%	16.7%	16.2%	15.9%	15.0%	14.4%
Operational Component (PE and G&S)	**8,516**	**8,504**	**9,156**	**9,296**	**10,817**	**11,237**	**12,091**	**12,643**	**13,384**	**14,448**	**14,536**	**15,419**	**16,464**	**17,833**	**19,702**	**20,248**	**21,904**
% of Total Expenditure		47.6%	47.2%	46.2%	44.3%	45.7%	44.2%	44.6%	45.4%	46.4%	45.2%	45.8%	46.3%	47.4%	49.1%	49.1%	50.5%
PE and G&S (excluding elections)	8,516	8,504	9,156	9,296	10,121	11,237	12,091	12,588	13,134	13,748	14,536	15,419	16,414	17,533	18,802	20,248	21,904
PE and GS Growth rate		-0.1%	7.7%	1.5%	8.9%	11.0%	7.6%	4.1%	4.3%	4.7%	5.7%	6.1%	6.5%	6.8%	7.2%	7.7%	8.2%
Compensation of Employees	**5,198**	**5,424**	**5,831**	**6,094**	**6,490**	**6,934**	**7,034**	**7,801**	**8,185**	**8,629**	**9,131**	**9,712**	**10,385**	**11,166**	**12,075**	**13,138**	**14,388**
Teachers, police and health sector						3,616	3,392	3,968	4,167	4,423	4,733	5,111	5,571	6,128	6,802	7,619	8,609
Number of teachers		65,793	67,701	68,078	69,320	70,377	71,702	73,220	75,417	77,679	80,787	84,826	89,915	96,209	103,906	113,258	124,584
Number of health sector workers		11,844	12,972	14,252	16,453	17,164	17,652	17,857	18,393	18,945	19,703	20,688	21,929	23,464	25,341	27,622	30,384
Number of police		7,084	6,828	6,767	6,288	6,431	6,349	6,649	6,999	7,799	8,599	9,399	10,199	10,999	11,799	12,599	13,399
Other core CoE (includes key PFM, NTRA and revenue collection agencies)								1,640	1,705	1,774	1,880	1,993	2,113	2,239	2,374	2,516	2,667
Retirement							240	240	340	440	466	494	524	555	588	624	661
Non-core CoE		5,424	5,831	6,094	6,490	3,319	3,403	1,954	1,973	1,993	2,053	2,114	2,178	2,243	2,310	2,380	2,451
Goods and Services	**3,317**	**3,080**	**3,325**	**3,202**	**4,327**	**4,303**	**5,057**	**4,842**	**5,199**	**5,819**	**5,405**	**5,706**	**6,079**	**6,668**	**7,627**	**7,110**	**7,516**
GTFS (1)		392	339		890	764	851	860	894	930	985	1,045	1,107	1,174	1,244	1,319	1,398
HELP and TESAS (1)			61		95	136	135	152	158	164	174	185	196	208	220	233	247
Medical Supplies (1)		234	217		201	237	237	240	250	260	275	292	309	328	347	368	390
Health functional grants							125	141	156	176	198	222	251	281	314	352	394
Public Health Commodities - includes vaccines (1)							33	56	58	60	64	67	71	76	80	85	90
Rental (1)					281	455	342	342	356	370	392	416	440	467	495	525	556
Utilities (1)					265	223	225	225	234	244	258	274	290	308	326	346	367
Defence, Police & CIS (1)						253	221	315	328	341	361	383	406	431	456	484	513
Economic and Infrastructure Sector (1)							466	229	238	248	263	279	295	313	332	352	373
Arrears (2)						209	300	300	300	300	318	337	357	379	401	426	451
Contingency Fund and PM/NEC decisions (2)						N/A	350	368	368	368	390	413	438	464	492	522	553
National Elections/50th Anniversary (2025)					696	-	-	55	250	700	-	-	50	300	900	-	-
Other G&S	3,317	2,454	2,709	3,202	1,899	2,026	1,773	1,559	1,609	1,659	1,725	1,794	1,866	1,941	2,019	2,099	2,183
CoE and G&S % of Total Expenditure	52.8%	47.6%	47.2%	46.2%	44.3%	45.7%	44.2%	44.6%	45.4%	46.4%	45.2%	45.8%	46.3%	47.4%	49.1%	49.1%	50.5%
Listed CoE and GS items % of Total Expenditure						23.9%	25.3%	32.2%	33.2%	34.7%	33.5%	34.2%	34.9%	36.3%	38.3%	38.2%	39.8%
Non-core CoE and Other G&S % of Total Expenditure						21.7%	18.9%	12.4%	12.1%	11.7%	11.8%	11.6%	11.4%	11.1%	10.8%	10.9%	10.7%
Provincial Transfers	**1,016**	**1,114**	**1,175**	**1,279**	**1,123**	**1,350**	**1,536**	**1,849**	**2,040**	**2,299**	**2,590**	**2,901**	**3,281**	**3,670**	**4,105**	**4,598**	**5,154**
Provincial Functional Grants	504	501	588	558	445	523	638	706	779	878	990	1,108	1,253	1,402	1,568	1,756	1,969
GST & BMT Transfers	512	612	587	721	677	827	898	1,142	1,261	1,421	1,601	1,793	2,028	2,268	2,537	2,841	3,185
% of Total Expenditure	6.3%	6.2%	6.1%	6.4%	4.6%	5.5%	5.6%	6.5%	6.9%	7.4%	8.1%	8.6%	9.2%	9.8%	10.2%	11.1%	11.9%
Interest Payment (Debt Service)	**1,935**	**2,147**	**2,165**	**2,255**	**2,579**	**2,770**	**3,051**	**3,523**	**3,524**	**3,612**	**3,466**	**3,206**	**3,122**	**2,799**	**2,355**	**1,788**	**993**
% of Total Expenditure	12.0%	12.0%	11.2%	11.2%	10.6%	11.3%	11.1%	12.4%	11.9%	11.6%	10.8%	9.5%	8.8%	7.4%	5.9%	4.3%	2.3%
Capital Investment Component	**4,668**	**6,088**	**6,901**	**7,301**	**9,872**	**9,258**	**10,700**	**10,343**	**10,557**	**10,775**	**11,546**	**12,104**	**12,689**	**13,300**	**13,941**	**14,613**	**15,316**
% of Total Expenditure	28.9%	34.1%	35.6%	36.3%	40.5%	37.6%	39.1%	36.5%	35.8%	34.6%	35.9%	36.0%	35.7%	35.4%	34.8%	35.4%	35.3%
GoPNG PIP	2,040.7	3,000.5	3,908.9	3,945.5	6,952.3	7,066.1	7,281.0	7,616.8	7,769.1	7,924.5	8,570.7	8,999.3	9,449.2	9,921.7	10,417.8	10,938.7	11,485.6
Concessional Loans	791.6	1,312.0	1,567.8	1,493.5	1,447.5	1,033.0	1,213.8	1,225.9	1,238.2	1,250.5	1,325.6	1,405.1	1,489.4	1,578.8	1,673.5	1,773.9	1,880.4
Donor Support Grants	1,835.7	1,775.5	1,424.9	1,862.4	1,472.1	1,158.6	2,205.0	1,500.0	1,550.0	1,600.0	1,650.0	1,700.0	1,750.0	1,800.0	1,850.0	1,900.0	1,950.0
BUDGET BALANCE (Deficit to Surplus)	**-2,048.4**	**-4,172.0**	**-7,304.5**	**-6,270.3**	**-5,851.8**	**-4,804.6**	**-3,983.8**	**-2,949.2**	**-1,608.7**	**81.6**	**2,267.5**	**4,239.9**	**6,201.9**	**8,510.2**	**10,894.5**	**15,240.8**	**19,291.3**
% of GDP	-2.6%	-5.0%	-8.9%	-6.8%	-5.3%	-4.3%	-3.3%	-2.2%	-1.1%	0.1%	1.3%	2.3%	3.1%	3.9%	4.5%	5.8%	6.7%
Fiscal Parameters																	
Consolidation				2.0%	1.6%	0.9%	1.1%	0.7%	1.1%	1.1%	1.3%	1.0%	0.8%	0.8%	0.7%	1.3%	0.9%
Average Interest Cost	6.6%	6.8%	5.9%	5.1%	5.1%	5.0%	5.1%	5.7%	5.4%	5.4%	5.2%	5.0%	5.2%	5.2%	5.2%	5.2%	5.2%
Debt (peak in 2026)	**29,121.1**	**33,666.9**	**40,168.4**	**48,173.1**	**53,679.8**	**57,943.7**	**61,927.5**	**64,876.7**	**66,485.3**	**66,403.8**	**64,136.2**	**59,896.3**	**53,694.4**	**45,184.2**	**34,289.6**	**19,048.8**	**-242.5**
% of GDP (passed peak in 2023)	36.7%	40.2%	48.7%	52.6%	48.3%	52.0%	50.5%	47.4%	44.8%	41.5%	37.2%	32.1%	26.5%	20.4%	14.2%	7.2%	-0.1%

GDP

From 2025, real non-resource GDP grows by around 5%, this starts to increase by 0.1 percentage points each year from 2029. Nominal then adds inflation of 5% pa. This nominal growth in non-resource GDP must, by definition, be distributed between more jobs, higher incomes, higher profits and higher rentals. Resource GDP grows slowly to 2029 before growing at 5%. In line with MTPD IV, GDP is K200 billion by 2030.

Revenue

Non-resource sector tax revenues: 12% growth in 2026 and 2027, including restoration of the household assistance package income tax cuts in 2027. Underlying growth is 5% real growth growing by 0.1% from 2029, 5% inflation, and 2% compliance gains.

MPT: Large increases from 2025 to 2027 as depreciation costs ends for the PNG LNG project. Then assumes no real growth, just 5% nominal growth assuming commodity prices increasing by 5%. No new resource projects assumed in these best practice budget forecasts.

Non-Resource non-tax: 12% growth in 2026 and 2027 due to the rollout of the NTRA to new agencies from 2025. Then growth in line with non-resource GDP with a 2% compliance dividend.

Resource non-tax is mainly KPH and Ok Tedi dividends. The dividend policy to be implemented in 2025 should drive growth in KPH dividends. After 2027, return to assumed increase in commodity prices. No new resource projects assumed in these best practice budget forecasts.

Expenditure

The number of teachers and health sector workers is project to grow by 3% annually in 2026 and 2027, before gradually scaling up to 10% annual growth in 2034. From 2027, Police is projected to grow by 800 annually to achieve the goal of at least 10,000 police by 2030. An annual 3% salary increase is also catered for. Note: that these manpower projections are not binding on agencies or DPM so they may not be realised, as can been seen by slow growth (or regression) in previous years. Recruitment of frontline workers has been constrained by an aging workforce and infrastructure shortages (training facilities and housing). Manpower estimates are based on the number of employees on the Alesco payroll.

Other core agencies' CoE (which now includes key PFM, NTRA 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. Funding for payments to retire public servants grow quickly over the next couple years to facilitate retirement of aged personnel before growing at the same rate as core CoE after 2027 (6%). Non-core CoE grows at 1% until 2027. After 2027 it grows at 3% 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 grows at 1% until 2027. These need to be closely monitoring during implementation to avoid arrears accumulation. After 2027 it grows at 4% annually.

Functional grants (including health) and GST and BMT transfers are project to grow at the same rate as tax revenue excluding MPT, two years lagged since the value of these payments is based on a similar measure of tax collections.

GoPNG capital grows at 2% annually until 2027 and 5% after. With a topup of K250 million in 2028 to accommodate for the expected new districts. 2023 FBO backs out the Div 207 capital expenditure. Capital expenditure must focus on facilitating economic growth and the recruitment of frontline workers, for example building a new police training facility.

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. 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. This requires lower than average growth in spending. If this restraint is not achieved, for example due to additional election-related spending, the fiscal goals would not be met. 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.

1.4 2025 HOUSEHOLD ASSISTANCE PACKAGE

As a responsible Government, the Government has implemented a number of household relief measures to assist PNG citizens since 2022. This is to ensure that PNG citizens are not severely affected by rising costs of living emanating from Ukrainian-Russian war and adverse economic conditions. In 2025, the Government will forgo potential revenues of K685.0 million to support this course.

Table 2: 2025 Household Assistance Package

In the 2025 National Budget, the Government will implement the following measures to relieve citizens from the high costs of living. This measure will cost K685.0 million in 2025. This Household Assistance Package builds on the previous assistance K587.0 million since 2022, K590.0 million in 2023, and K460.0 million in 2024. In total, these household assistance packages amount to K2,322.0 million.

Measure	Relief Purpose	Estimated Cost (K' million)
1. GST Relief - 12 months starting 1 July 2025: i. Cooking oils; ii. Rice; iii. Tinned fish; iv. Tinned meat; v. Noodles; vi. Chicken; vii. Flour; viii. Soap; ix. Sanitary pads and tampons; x. Baby Diapers; xi. Tea; and xii. Coffee.	To reduce shelve prices of basic household items for ordinary citizens and put more items into their shopping baskets.	K210.0 m
2. Personnel Income Tax Cuts - K20,000 (Permanent)	To remove Tax burden on the lower income category	K300.0m
3. Stamp Duty Threshold increased to K700,000	To encourage first home ownership. Stamp Duty will only apply to houses worth K700,000 or more from 2025.	K15.0m
4. Assistance on School Project Fees	To relieve rural parents on project fees burden	K160.0m
	TOTAL	**K685.0 m**

CHAPTER 2: ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 WORLD ECONOMIC GROWTH OUTLOOK

2.1.1 Overview

The outlook for the global economy is expected to remain stable, however, subdued, when compared to pre-pandemic levels (2010-2019). The efforts against global inflation have been largely successful, but price pressures persist in other countries. According to the 2024 October World Economic Outlook (WEO) report, global headline inflation is projected to reach 3.5 per cent by the end of 2025, which is below the average level of 3.6 per cent between 2000 and 2019. This is a significant slowdown from the peak of 9.4 per cent year - on - year inflation in the third quarter of 2022.

Advanced economies have begun reducing their monetary policy rates to achieve a neutral policy stance to encourage economic activity and growth. Other countries, especially low - income developing countries, have seen downward revisions in growth due to ongoing challenges such as the conflicts in Ukraine and the Middle East and extreme weather events.

2.1.2 Economic Activity

According to the 2024 October WEO report, global growth is projected to remain stable at 3.2 per cent in 2024 and 2025 as major economies around the world have managed to align their activity with potential output. The growth forecast for 2024 is unchanged from the projections for July 2024 and April 2024 WEO reports.

Economic imbalances have improved across regions since the beginning of 2024 as advanced economies showed signs of returning to their potential growth targets. The prices for goods have stabilized, while service prices remain high in many countries. This is due to rapid wage increases as countries are still trying to catch up with the impacts of the 2022 - 2023 inflation surge. As a result, some central banks have delayed their policy-easing plans, placing public finances under pressure in countries where debt servicing costs are already high and refinancing needs are significant.

2.1.3 Advanced Economies

Growth in advanced economies is projected to remain steady at 1.8 per cent in 2024 and 2025 as various economic imbalances in terms of employment, consumption, and investments improves.

The 2024 October WEO report states that growth in the US has been revised upwards by 0.2 percentage points from the July WEO forecast and is projected to grow at 2.8 per cent in 2024. This is driven by stronger consumption and non-residential investment in the property sector. However, growth is expected to ease back to 2.2 per cent in 2025 reflecting tight fiscal policy and projected weak consumption conditions.

For the Euro area, growth is forecast to pick-up modestly from a much weaker rate of 0.4 per cent in 2023 to 0.8 per cent in 2024, reflecting improved export activity. In 2025, growth is estimated to strengthen to 1.2 per cent amid more robust domestic demand. This growth will be primarily driven by solid consumption, underpinned by an expected rise in real wages and increased investment due to easing monetary policy. Countries like Germany and Italy will likely experience slower growth. This is owing to persistent weakness in the manufacturing sectors for these economies. Growth in the United Kingdom is expected to increase to 1.1 per cent in 2024 and continue growing at 1.5 per cent in 2025 as falling inflation and interest rates support domestic demand.

Growth in Japan is anticipated to slowdown in 2024 due to the ongoing trend of subdued external demand worsened by a temporary supply disruption in the car industry. Japan is expected to grow at 0.3 per cent in 2024, a downward revision of 0.4 percentage points from the July WEO report. Nonetheless, growth is projected to increase to 1.1 per cent in 2025 reflecting strong private sector consumption as real wage growth improves.

2.1.4 Emerging Markets and Developing Economies

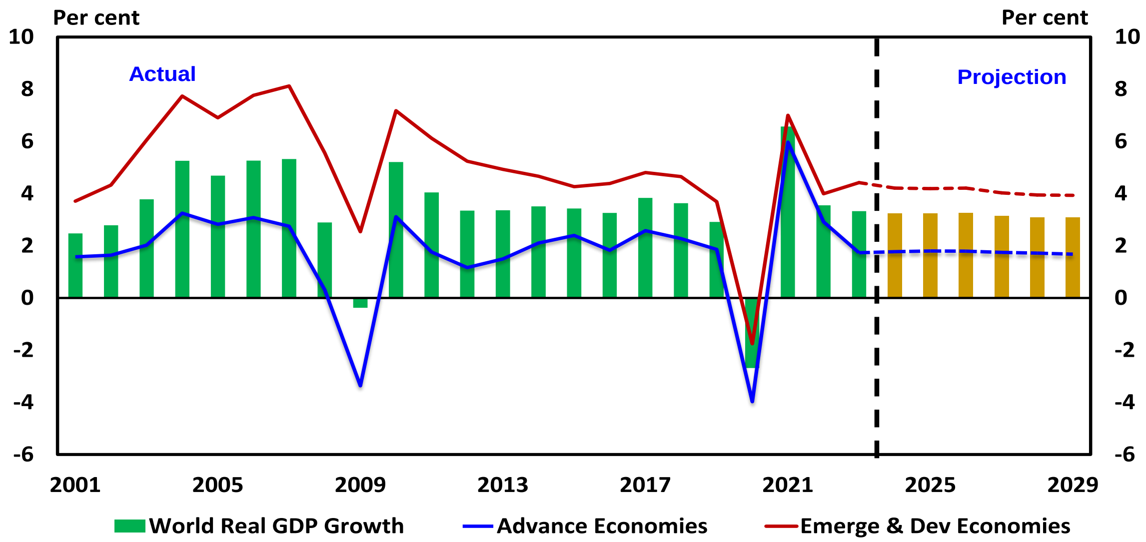
Growth outlook in emerging markets and developing economies is expected to remain steady at 4.2 per cent in 2024 and 2025. This is an upward revision from the April WEO forecast by 0.1 percentage points for 2024, reflecting upgrades for Asia (China and India). This more than offsets downward growth revisions in other regions like Sub - Saharan Africa, Middle-East and Central Asia.

In emerging Asia, growth is expected to slow down from 5.7 per cent in 2023 to 5.0 per cent in 2024. The slowdown is largely due to easing of activities in the regions two largest economies – India and China.

In India, growth remains strong but is projected to ease from 8.2 per cent in 2023 to 7.0 per cent in 2024 and 6.5 per cent in 2025. This is due to the easing of post - COVID demand.

China's growth has been revised down from 5.2 per cent in 2023 to 4.8 per cent in 2024. However, this projection has been revised upward by 0.2 percentage points compared to the April WEO update due to better-than-expected net exports. Despite the real estate sector being in crisis and needing government intervention, China's growth has gained support from an increase in net exports in 2024. The recent stimulus measures remain a major upside risk for growth in 2024 and 2025.

Chart 1: World Economic Growth (2021-2029)



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) October 2024

Risks

The October 2024 WEO highlighted several risks to global growth that have gained prominence since the July 2024 WEO. Overall, risks to the outlook remain tilted to the downside. Below are some risks that could affect PNG's economy in terms of its monetary policies, fiscal policies and balance of payments over the short and medium-term.

- **Monetary policy tightening could impact economic growth more than previously intended.** While policy rates are expected to normalise across countries after the sharp increases to combat global inflation, the delayed effect of previous rate hikes could lead to a faster-than-anticipated decrease in economic growth and rising unemployment in the near-term. This could further affect consumer and business sentiment by discouraging household spending and investments across economies.

- **China's property sector could contract deeper than expected.** Real estate market conditions could worsen if further price corrections take place due to the ongoing contraction in sales and investments. Such price corrections could reduce consumer confidence even more and further weaken household consumption. This could discourage China's domestic demand and have negative effects on global trade given China's rising involvement.

- **Renewed spikes in commodity prices could arise amid the impacts of climate shocks, regional conflicts, or broader geopolitical tensions.** A further escalation of ongoing regional conflicts in the Middle - East and Ukraine could disrupt trade and cause another sustained increase in food, energy, and other commodity prices. Such commodity price increases could result in higher inflation, especially for commodity importing countries.

  Severe weather phenomenon such as extreme heat and persistent drought due to climate change effects could disrupt key global commodity supply chains through poor harvests and add upward pressure to food price and security.

- **Social unrest could re-emerge.** Recent reports of social unrest including protests, riots, and major demonstrations have occurred in some regions across the world since 2019. A resurgence of such social turmoil driven by higher inflation, higher taxes, rising inequality, and spill overs from ongoing conflicts could slow economic growth, especially for countries with limited fiscal space to ease the impacts through government interventions.

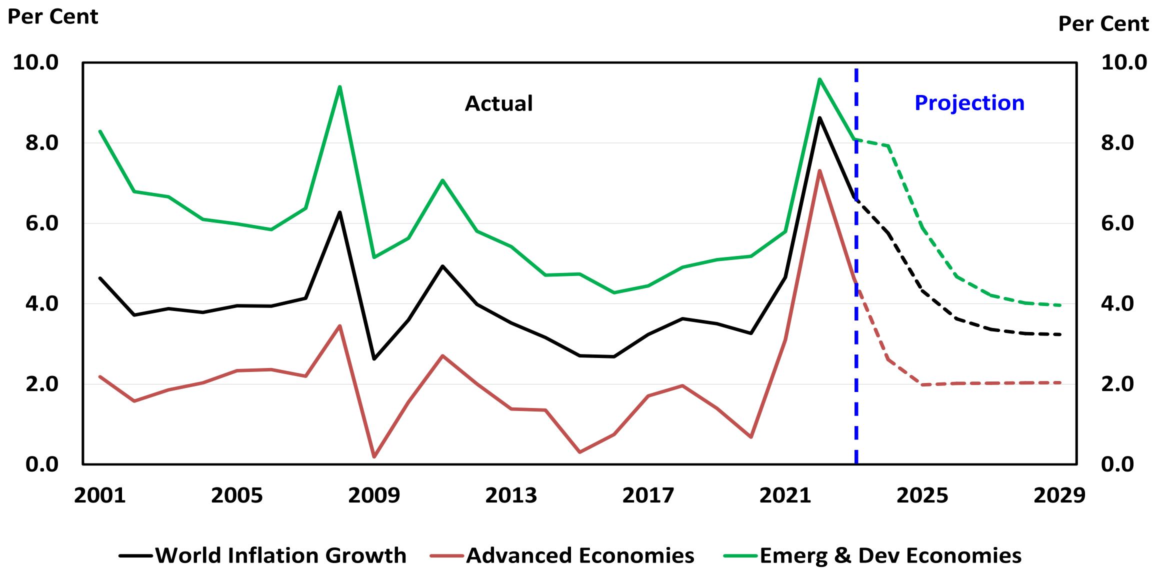
2.1.5 World Inflation

According to the 2024 October WEO report, the tightening of monetary policy globally has been a success in easing inflation (see Chart 2). Nevertheless, price pressures still persist in some countries. On average, headline inflation rates have been projected to reach 3.6 per cent by the end of 2025, which is a major decline from the peak of 9.4 per cent in the third quarter of 2022. Since the beginning of 2024, major economies have aligned their economic activities with their respective potential output targets which has brought inflation rates across countries lower.

Global headline inflation is projected to decrease further from 6.7 per cent in 2023 to 5.8 per cent in 2024 and 4.3 per cent in 2025. Inflation in advanced economies is projected to decline by 2.0 percentage points from 4.6 per cent in 2023 to 2.6 per cent in 2024 before maintaining a steady growth of 2.0 per cent in 2025 to 2029.

In emerging market and developing economies, inflation is projected to decline from 8.1 per cent in 2023 to 7.9 per cent in 2024 before falling to 5.9 per cent in 2025. This is expected to translate to lower food prices especially in PNG where most of the food products are imported. According to the World Bank Commodity Price Outlook published in October 2024, food prices – which drove headline inflation in PNG and abroad – will soften due to favourable conditions for the largest global exporters.

Chart 2: World Inflation (per cent Growth)



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) October 2024.

The slowdown in global headline inflation in 2024 and 2025 reflects a broad-based decline in core inflation. Core inflation is expected to drop by 1.3 percentage points in 2024 with advanced economies leading the decline. This decline is expected to be driven by the delayed effects of tight monetary policies together with earlier declines in energy prices.

2.1.6 Agriculture Commodities

Prices for PNG's key agricultural export commodities have experienced mixed market sentiments in 2024 as both upside and downside risks continue to shape the global market through supply and demand factors.

Generally, prices have improved over the first nine months of 2024 compared to the same period in 2023 due to global supply shortages and improved demand conditions.

Supply shortages in the global market have been a major upside risk for prices amid unfavourable weather conditions and severe crop diseases. These challenges have disrupted crop harvests and production in major producing regions and have increased prices of key commodities that PNG exports.

The ongoing tension in the Middle East has also impacted production costs of commodities through increased crude oil prices as global crude oil supply remains vulnerable. A further escalation of the tensions could distort global oil supply chains and force crude oil prices to increase. An increase in crude oil prices will eventually increase production costs and prices including for agricultural commodities.

The implementation of the *European Union (EU) Deforestation Regulation* in 2025 remains a downside risk for most agricultural commodity prices as Europe is a major consumer of coffee, cocoa and palm oil. The regulation will promote increased monitoring to ensure goods imported into the EU markets including from third party countries will not have contributed to deforestation.

Coffee

Coffee prices have been on an upward trend in 2024 amid a global supply shortage as unfavourable weather conditions in major coffee producing countries continue to disrupt coffee production. The year-to-date price at the end of September 2024 averaged at US$5,061 per tonne. This is 24.0 per cent above the Budget estimate of US$4,090 per tonne (see Chart 3).

Continuous droughts in Brazil, the world's largest coffee producer, and severe typhoons in Vietnam, the second-largest producer, have significantly disrupted global coffee supply chains triggering a sharp increase in global coffee prices. The International Coffee Organization (ICO) reported that prices surged by nearly 20.0 per cent in the third quarter of 2024, reaching their highest levels in almost a decade.

Reports on the assessments of the impacts in Brazil and Vietnam suggests that thousands of hectares of coffee plantations were affected, with significant losses to both the current harvest and future production potential. This indicates that coffee prices will remain high for some time as damaged trees will take years to recover.

Global coffee demand has been steadily growing in 2024 with increased demand from Europe and Asia. This could further support prices in 2024 and the coming months as global coffee supply is expected to remain in deficit.

Considering these developments, the coffee price assumption for 2024 has been revised up and is projected to average at **US$5,240.0 per tonne**. This is 28.0 per cent above the 2024 Budget price assumption.

In 2025, coffee prices are expected to maintain the upward trend as prospects for a global supply recovery remains uncertain. Additionally, the ongoing effects of climate change makes the global coffee market vulnerable to extreme weather patterns. Therefore, the coffee price assumption underpinning the 2025 Budget is projected to average at **US$5,467.0 per tonne**.

Cocoa

Cocoa prices have soared to historical highs since the third quarter of 2023 and have remained high in 2024. This is largely due to unfavourable weather conditions and crop diseases that continue to affect production in major cocoa producing countries, consequently creating severe global supply shortages.

The average cocoa price as at end September 2024 was US$7,136.0 per tonne. This is 113.0 per cent above the 2024 Budget estimate of US$3,354.0 per tonne and 137.4 per cent above the 2023 price level of US$3,006.1 per tonne.

Cocoa prices recorded a 46-year high in the first half of 2024 due to extreme weather conditions and crop related diseases in Ivory Coast and Ghana. These two West African nations supply over 70.0 per cent of global cocoa output.

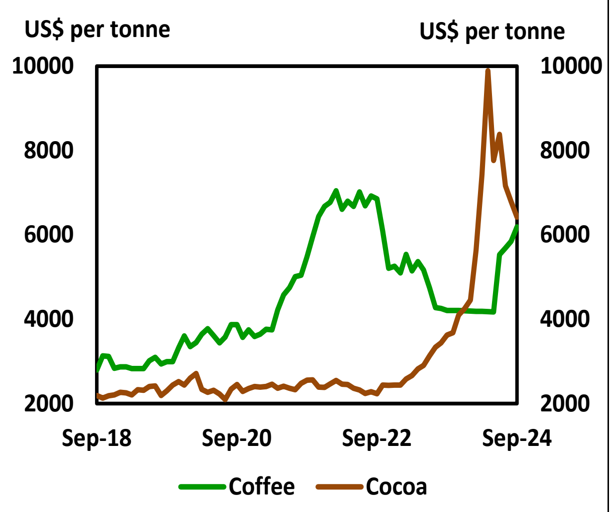
In addition, the International Cocoa Organisation (ICCO) on August 30, 2024, raised its annual global cocoa deficit estimate to -462,000 metric tonnes (MT) from May's -439,000 MT. This is by far, the largest deficit in over 60 years. ICCO also cut its 2023/24 cocoa production estimate to 4.330 million metric tonnes (MMT) from May's 4.461 MMT. ICCO projected a 2023/24 global cocoa stocks/grindings ratio of a 46-year low of 27.4 per cent. These implies that the global supply shortage will continue for an indefinite period.

Cocoa demand is projected to pick up in the third quarter of 2024 amid higher prices. Increased outputs in cocoa grinding have been observed in the major consumer markets like the United States, Europe and Asia.

Given these developments, prices for 2024 have been revised upwards considering a tight market supply and strong demand to average around **US$7,028.0 per tonne**. This is 109.5 per cent and 116.0 per cent above the 2024 Budget and 2023 actuals, respectively.

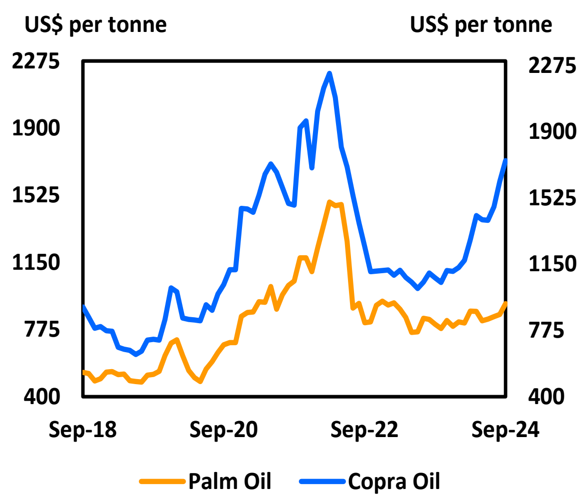
In 2025, average cocoa price is projected to stabilise, however, global supply shortage is still expected to continue given the developments discussed above. Hence, cocoa prices in Fiscal Year 2025 is assumed to be **US$6,040.0 per tonne** which builds on price records in 2024 which reached all-time highs (see Chart 3).

Chart 3: Coffee & Cocoa Prices



Source: IMF, ICCO, ICO and Reuters

Chart 4: Copra & Palm Oil Prices



Source: Malaysian Palm Oil Council (MPOC)

Palm Oil

Palm oil prices, on average, have shown slight improvements in 2024 as the edible oil market continues to experience mixed sentiments. The overall price trend has remained above previous levels as upside risks shape the market. Average price to date as of 30th September was US$851.0 per tonne. This is 3.2 per cent above the 2024 Budget estimate of US$825.0 per tonne and 1.4 per cent above the 2023 average price for the same period (see Chart 4).

Global palm oil supply has remained somewhat weak in 2024 amid the prolonged effects of the El Nino season that commenced in late 2023. This is because severely hot and dry seasons affected harvests in both Indonesia and Malaysia - the world's largest producers of palm oil.

Palm oil demand has remained stable for most of 2024 due to adequate inventories in India (world's largest importer) and the overall appreciation of the Malaysian Ringgit (Malaysia's trading currency) against the U.S dollar which has kept demand constrained.

In 2024, palm oil price is projected to average around **US$866.0 per tonne**, which is 5.0 per cent above the 2024 Budget and 4.0 per cent above the 2023 actual. The assumption is built on upside risks like prolonged El Nino effects limiting global supply, ongoing Middle - East tensions, increased biodiesel demand, and movements of the Malaysian Ringgit against the U.S dollar.

For 2025, the palm oil price is expected to decline at the back of excess market supply due to the effects of La Nina events and lower import demand from India amid its government policy to increase import duty. In addition, the implementation of the EU Deforestation Regulation at the start of 2025 could also reduce the EU's share of global import demand for palm oil leading to excess supply in 2025. Domestically, tax revenues from the Agriculture Forestry and Fisheries (AFF) sector are more sensitive to palm oil prices. A downside risk for 2025 onwards such as the EU Deforestation regulation may impact PNG's tax revenue through increased market supply and lower than expected prices.

Given these developments, the palm oil price assumption for the 2025 Budget is projected to average around **US$851.0 per tonne.**

Copra Oil

Copra oil prices have increased in 2024, especially during the second and third quarters across different major markets globally. This was due to strong demand across various sectors amid its wide-ranging applications in food and beverages, cosmetics, pharmaceuticals and industrial uses. Copra oil prices averaged US$1,405 per tonne as at end September. This is 30.0 per cent above its 2024 Budget estimate and 31.0 per cent above the corresponding period's average (see Chart 4)

The major driver of the price uptrend is the increased demand in the United States as a growing number of consumers have shifted their focus towards health and wellness products. The health benefits of copra oil have made it the most preferred choice of edible oil among health-conscious consumers.

The outlook for copra oil prices in 2025 and the medium-term also remains positive due to its industrial applications. Copra oil has also gained attention in the industrial space due to its eco - friendly usage, especially for biodiesel production as environmental concerns continue to drive the demand for sustainable energy sources.

Given these developments, copra oil price is expected to trend upward in parallel with the growing demand from different sectors in 2024 and 2025. Therefore, the price of copra oil in 2024 is estimated to average around **US$1, 487.0 per tonne** in 2024 and 2025.

2.1.7 Mineral and Petroleum Commodities

The prices of PNG's mineral and petroleum export commodities continues to experience challenges in the international market. Both ongoing and new market developments have dictated global supply, demand, and prices of commodities in the market between January and September 2024.

Prolonged conflicts in the Middle - East and Ukraine continue to place upward pressure on prices for PNG's key commodities, especially gold, and oil. The continuation or escalation of the conflicts will impact prices as supplies are disrupted and markets and investors seek safe havens. Additionally, increased safe haven demand from central banks will also place upward pressure on the price of gold.

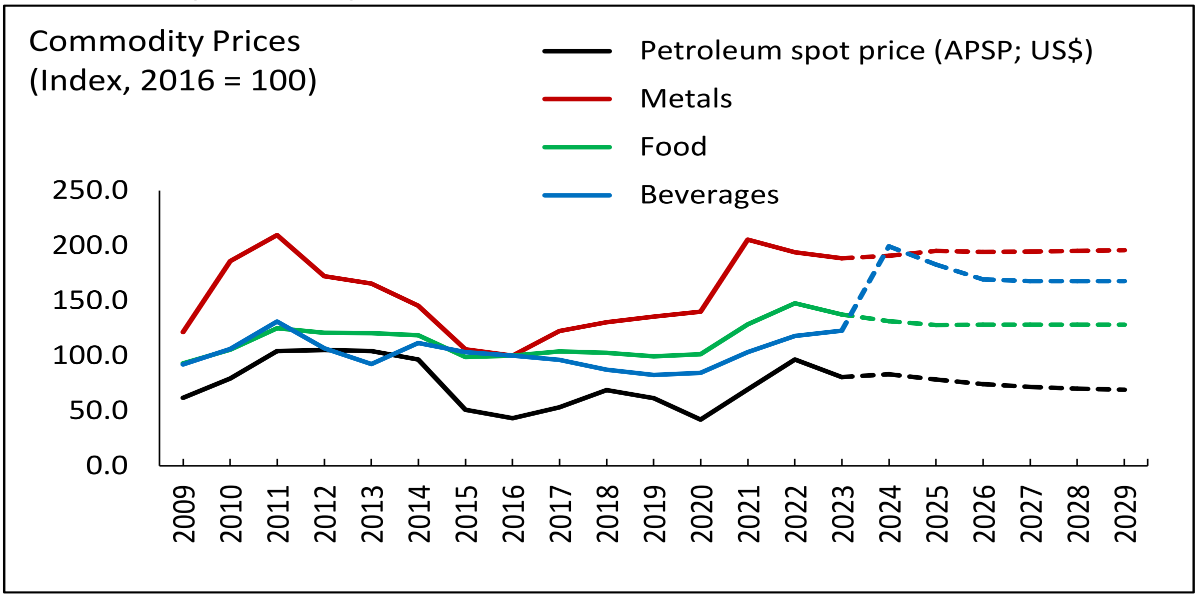
The impact of the US Federal Reserve's consecutive interest rate cuts in September and November 2024, and China's stimulus package, have shifted price forecasts to the upside although early impacts of the Chinese stimulus have been muted. This could exert upward pressure on commodity prices.

Tight supply conditions due to the disruption of mine operations, and OPEC+ (Organisation of Petroleum Exporting Countries) voluntary supply cuts, have supported prices.

According to the IMF October 2024 WEO, primary commodity prices have increased between February and August 2024. This was largely driven by natural gas, precious metals, and beverages prices. Oil prices have remained steady with slight improvement in September as supply cuts from the OPEC+ with other non-OPEC+ countries, including Russia, and the geopolitical conflict in the Middle East offset strong non-OPEC+ supply growth. Gold prices increased amid the geopolitical uncertainty and rising fears of the US Federal Reserve interest rate cuts.

Overall prices for fuel – related commodities are projected to fall on average by 3.8 per cent. This is largely due to expected declines in natural gas prices (by 16.4 per cent) and coal (18.0 per cent) compared to their 2022 highs. Food prices are expected to decline by 5.4 per cent in 2024 and by another 4.5 per cent in 2025 as global grain production is expected to reach record highs in 2025 (see Chart 5).

Chart 5: IMF Key Commodity Price Index



Source: International Monetary Fund (IMF) October 2024 WEO

Liquefied Natural Gas (LNG)

The LNG price assumption is linked to the Asian LNG market price benchmark, given that 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 price) with a lag of several months.

Therefore, the oil price is used as an indicator in tracking movements in the LNG price and in making informed projections that are complemented by the publicly released LNG price estimates by the World Bank, Petroleum Association of Japan, and Japanese Customs (see Chart 6).

Liquefied Natural Gas (LNG) prices have trended below the 2024 Budget estimate of US$14.6 per MMBtu in 2024. This is due to subdued global gas consumption particularly from Europe together with high storage levels. This more than offsets the import demand in Asia – especially Japan, China and India.

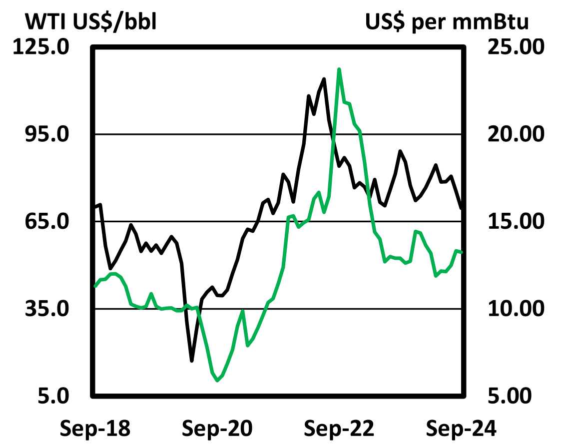
At end September, LNG prices have averaged US$12.9 per MMBtu. This is 13.0 per cent below the 2024 Budget estimate of US$14.6 per MMBtu. However, prices have recently shown some improvement towards the third quarter of 2024 but are still below record levels seen in 2022.

Global LNG demand is expected to increase slightly towards the end of 2024 as cooling demand for air-conditioning from Asia increases due to higher summer temperatures. Global LNG supply is forecast to remain relatively tight as supply delays in Australia and the United States are predicted to balance out with Europe.

Given these developments, LNG prices are expected to average at **US$14.8 per MMBtu** in 2024.

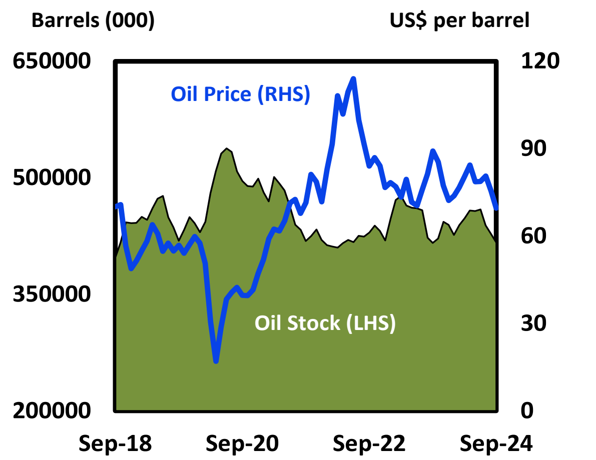
In 2025, the price of LNG is expected to average around **US$14.2 per MMBtu** due to expectations of limited global supply and improved demand. Europe is expecting a much colder winter season this year, which could deplete the stockpile in Europe creating global supply tightness. In addition, the ongoing tension in the Middle East poses an upside risk for prices as further escalation in the region could disrupt key LNG supply routes.

Chart 6: Liquefied Natural Gas Price



Source: World Bank and U.S. Energy Administration Association (EIA)

Chart 7: Crude Oil Price (US$ per barrel)



Source: IMF and MarketWatch

Crude Oil

Crude oil prices have held steady during most of 2024, driven by mixed sentiments from the ongoing tensions in the Middle East. In addition, the opposing sentiments of production cuts from the OPEC+, and strong output from the Non-OPEC+ countries, have led to mixed market sentiments for the oil market in 2024 (see Chart 7).

Oil prices have remained steady between the trading price ranges of US$75.0 to US$90.0 barrel for most of 2024 before weakening in September 2024. Prices at end

September averaged US$78.0 per barrel. This is 2.5 per cent below the 2024 budget estimate of US$80.0 per barrel.

The ongoing tensions in the Middle East have provided some upside momentum to prices amid fears of disruption to oil fields and key trade routes respectively. In addition, the fears of a market supply shortage amid deep production cuts by the OPEC+ was short lived due to strong output from the non-OPEC+ countries – especially Canada and the United States.

Oil demand has remained relatively weaker than anticipated in 2024. This is due to the prolonged uncertainty surrounding global economic activity and growth. This also reflects the slower than expected economic activity in the major oil consuming countries like the United States, Europe and China. These countries account for 40.0 per cent of global oil demand.

Risks to the price outlook are tilted to the downside as upside risks from an escalation of the Middle East conflict and prolonged extension of production cuts from the OPEC+ are offset by risks of weaker demand from the major consumers. These include the United States, China and Japan and a rise in non-OPEC+ production.

Given these events, oil prices in 2024 are expected to average **US$80.0 per barrel** as fears of a possible production hike by the OPEC+ are expected to offset other upside risks.

The OPEC+ plan for production increase is expected to continue to impact the market in 2025. Therefore, oil prices in 2025 are expected to average at **US$76.4 per barrel.**

Copper

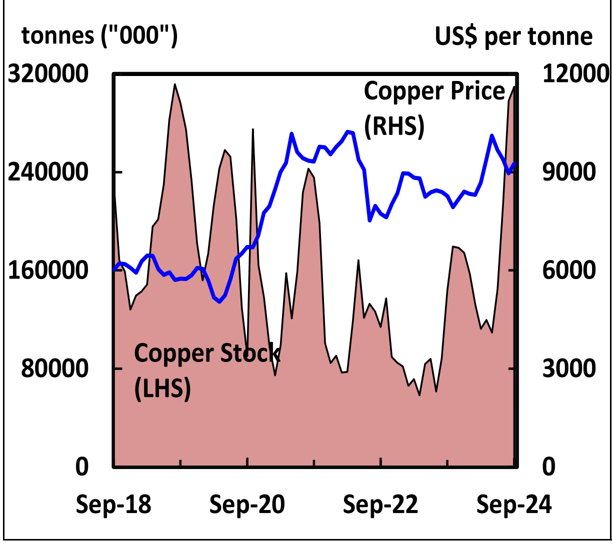
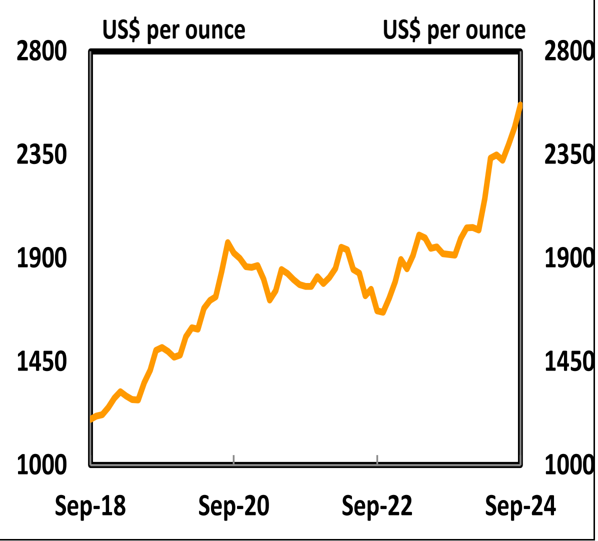
Copper prices have been trending upwards since December 2023. In this fiscal year, copper prices as at end September averaged US$9,124 per tonne. This is 10.0 per cent above the 2024 budget estimate of US$8,285.0 per tonne and 6.2 per cent above the average level of the corresponding period in 2023.

Key drivers of higher copper prices in 2024 are the fears of a global supply shortage due to operational disruptions of major mines in key producing countries including Chile and Peru. Furthermore, the anticipation of further interest rate cuts by the U.S. Federal Reserve drove expectations for cheaper copper prices in United States dollar (USD), meaning increased demand for copper.

The recently announced economic stimulus from China, has provided some support for copper prices in late September, but the price rally was short lived due to uncertainty surrounding the future of the stimulus program. China has been the largest consumer of copper on average with close to 50 per cent of global copper consumption since 2018. Therefore, any changes in its industrial activity or such policy will impact both global copper demand and price.

Copper prices are expected to remain high in 2024 and continue to trend upwards in 2025 as upside risks are expected to drive prices. However, downside risks could materialise if supply conditions in major producing countries improve together with weaker than expected economic growth from China.

Given these developments, copper price is expected to average at **US$9,441.0 per tonne** in 2024 and continue its upward trend in 2025 at **US$10,028.0 per tonne** at the back of limited global supply and increase purchases from investors (see Chart 8).

Chart 8: Copper Price (US$ per tonne)	Chart 9: Gold Price (US$ per ounce)
	

Source: London Metal Exchange (LME)

Source: London Bullion Market Association (LBMA)

Gold

Gold prices maintained an upward trend since the first quarter of 2024 as fears of a global economic recession and ongoing tensions in the Middle East increased demand for safe haven assets. The expectation of further monetary policy easing with interest rate cuts by the U.S Federal Reserve kept prices high during the first nine months of 2024.

The year-to-date (YTD) price of gold as at end September was at US$2,295 per ounce. This is 16.0 per cent above the 2024 Budget estimate of US$1,973.0 per ounce and 19.0 per cent above the 2023 average price for the corresponding period (see Chart 9).

The prolonged conflict in the Middle East is anticipated to be the major driver for higher gold prices in 2024 and 2025. According to the World Gold Council (WGC), the Geopolitical Risks Index (GPR) – an indicator of gold prices during geopolitical risks – has confirmed that gold prices have been on an upward trend since 2022, driven by both the conflicts between Russia and Ukraine and the Middle East.

Given these factors, gold price is expected to maintain its upward trend at **US$2,325.0 per tonne** in 2024 and **US$2,540.0 per tonne** in 2025.

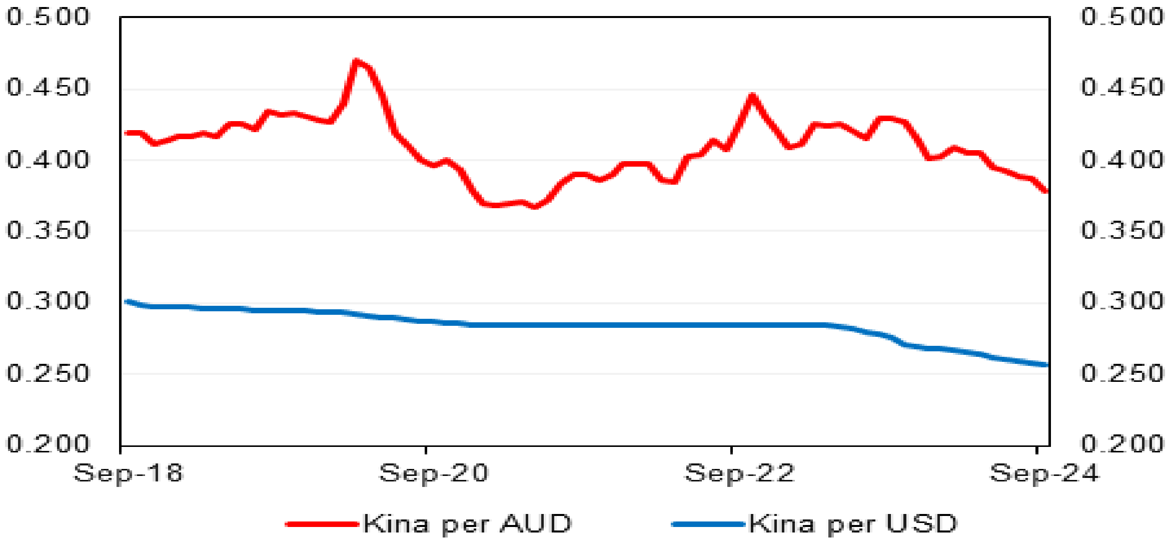
2.2 EXCHANGE RATE DEVELOPMENTS

The Kina (PGK) continues to depreciate against major trading partner currencies especially the United States Dollar (USD) and the Australian Dollar (AUD). This is due to both international market developments and the exchange rate policy reform by the Bank of Papua New Guinea (BPNG), which will ensure exchange rate flexibility and restore kina convertibility.

The exchange rate policy reform was part of the IMF program that saw BPNG introduce a de facto crawl-like exchange rate regime since January 2024 with the aim of addressing the overvaluation of the Kina exchange rate against the USD. The Kina in December 2023 was overvalued by around 13.0 per cent. Following the policy adjustments, the Kina exchange rate has depreciated by 5.0 per cent against the USD from 0.2683 to 0.2552 between January 2 and September 30, 2024 (see Chart 10). By September 2024, the overvaluation was estimated to be around 5.0 per cent. This is a significant improvement from a double-digit overvaluation. Consequently, this has reduced the backlog of forex orders to well below the K2.0 billion mark, which demonstrate positive signs of Kina convertibility.

The crawl-like exchange rate arrangement is expected to continue until the overvaluation of the Kina exchange rate is addressed and the Kina returns to convertibility. This is expected to ease the current forex shortage and improve PNG's export competitiveness and foreign direct investments among other benefits in the medium term.

Chart 10: Exchange Rate Developments



Source: Bank of Papua New Guinea (BPNG) Source: Bank of Papua New Guinea (BPNG)

The PGK/AUD exchange rate also depreciated by 6.3 per cent (Chart 10) during the same period due to cross-currency movements as the AUD appreciated against the USD as well as increased exchange-rate pass-through from imported inflation in goods. The AUD is expected to appreciate against the USD and contribute to closing the gap in the overvaluation of the Kina.

2.3 DOMESTIC ECONOMIC DEVELOPMENTS AND OUTLOOK

The Real and Nominal Gross Domestic Product (GDP) projections for the 2025 Budget is based on 2023 GDP figures that were officially released by the National Statistical Office (NSO) on 7 November 2024. In the process of compiling the 2023 actual GDP statistics, NSO also revised the 2021 and 2022 GDP figures.[1]

2.3.1 Summary of Developments in 2024 and Outlook

PNG's real GDP is expected to pick up from 3.0 per cent in 2023 to 4.9 per cent in 2024, and 4.7 per cent in 2025[2]. Growth drivers include the resumption of the Porgera mine, improved access to foreign exchange, higher commodity prices, and higher government spending.

The growth projections take into account the January 10th civil unrest in Port Moresby which was estimated to have reduced the non-resource GDP growth by around 0.2 percentage

[1] Refer to PNG National Account GDP 2017-2023 Publication, page 5 for more detail explanation

[2] The increase in growth on previous forecasts reflects the new base GDP for 2023 released by the NSO. The sectors which have higher real growth rates in 2024 and 2025 in our forecasts, now represent a larger share of the economy in 2023. So we are growing a larger part of the economy at a faster rate than previously in our estimates.

points from the 2024 Budget estimate. Despite this unprecedented setback, the resumption of the Porgera mine in December 2023, the prevailing high commodity prices, and the government's fiscal assistance to affected businesses are estimated to have offset the economic impact of the January civil unrest.

The non-resource sector is projected to grow by 4.5 per cent in 2024 and 5.2 per cent in 2025. This growth is supported by an increase in agriculture production, public infrastructure investment, higher commodity prices, a depreciating exchange rate, the spillover effects of Porgera mine activities and higher government spending in both economic and social infrastructure.

The resource sector is expected to grow by 5.9 per cent in 2024 and 3.4 per cent in 2025 with the resumption of Porgera mine production. Additionally, higher production from other major mines will also contribute to resource-sector growth. The oil and gas sector is expected to grow by 2.7 per cent in 2024 and contract by 0.3 per cent in 2025.

The risks to this near-term growth outlook include subdued global economic growth, worsening law and order issues around the Porgera mine site, the risk of higher inflation being passed through from the crawl-like exchange rate arrangement, and inefficient spending in public investment programs.

2.3.2 2024 Domestic Economic Update

The domestic economy is estimated to grow by 4.9 per cent in 2024, driven by a resilient non - resource sector performance and a rebound in resource sector production, particularly mining and quarrying sector due to the resumption of the Porgera mine.

Growth in the non-resource sector in 2024 is estimated at 4.5 per cent driven largely by Agriculture, Forestry & Fishery (AFF). Other sectors also supporting growth include Wholesale & Retail Trade, Public Administration & Defense, Administrative & Support Services, and Construction.

The AFF sector is estimated to grow by 3.6 per cent, higher than the 2.9 per cent growth estimated during the 2024 MYEFO. The increase from the previous estimate reflects the base effect of a lower 2023 NSO outcome from the AFF sector.

The fundamental assumptions underpinning growth changed slightly from the 2024 MYEFO. Current assumptions on growth for 2024 include:

- A decrease in palm oil production by 2.5 per cent due to unpredictable weather conditions (prolonged wet season) in the main palm oil growing regions of West New Britain affects the crop harvesting and transportation to the mills for processing;

- A decrease in cocoa production by 13.3 per cent, attributed to (i) unfavorable weather conditions experienced during the months of June to August in the main cocoa growing regions thereby reducing cocoa yields; and (ii) lower yields expected in September to December as these months are usually minor harvest periods. Relative to 2023, cocoa production is expected to increase slightly by 2.9 per cent which indicates weaker responsiveness of supply to the sharp increase in cocoa price seen in 2024; and

- Higher production from copra (up by 6.2 per cent) and copra oil (up by 2.7 per cent) driven by higher prices.

Wholesale and Retail Trade sector is projected to grow by 5.7 per cent supported by higher consumer spending boosted by higher agriculture commodity prices (cocoa and coffee) and higher government spending. GST collections in this sector increased by 20.5 per cent over the year to September compared to corresponding period of 2023, which indicates increased activity in the sector.

Growth in the Public Administrative and Defence (7.0 per cent), Administrative and Support Services (5.0 per cent) and Construction (6.0 per cent) sectors will be supported by additional government spending.

The resource sector is estimated to grow by 5.9 per cent, from a growth of 4.9 per cent estimated at MYEFO, driven by the base effect of a lower 2023 NSO outcome.

Mining and Quarrying sector is estimated to grow by 12.8 per cent in 2024, a downward revision from the 2024 MYEFO estimate of 13.8 per cent. The downward revision reflects a further reduction in Porgera mine gold production forecasts following the law-and-order situation in Porgera, which forced the mine to suspend operations for some days.

The assumption at MYEFO was that Porgera would reach 53.0 per cent of its pre- shutdown annual production capacity in 2024. However, in its October 2024 update, the Porgera mine indicated that production will be lower than expected at around 42.0 per cent of normal capacity in 2024 and ramping up thereafter to full capacity in 2026.

Oil & Gas sector is estimated to grow by 2.7 per cent in 2024, up from a growth of 0.9 per cent estimated at MYEFO. The improvement is due to the base effect of lower NSO 2023 outcome.

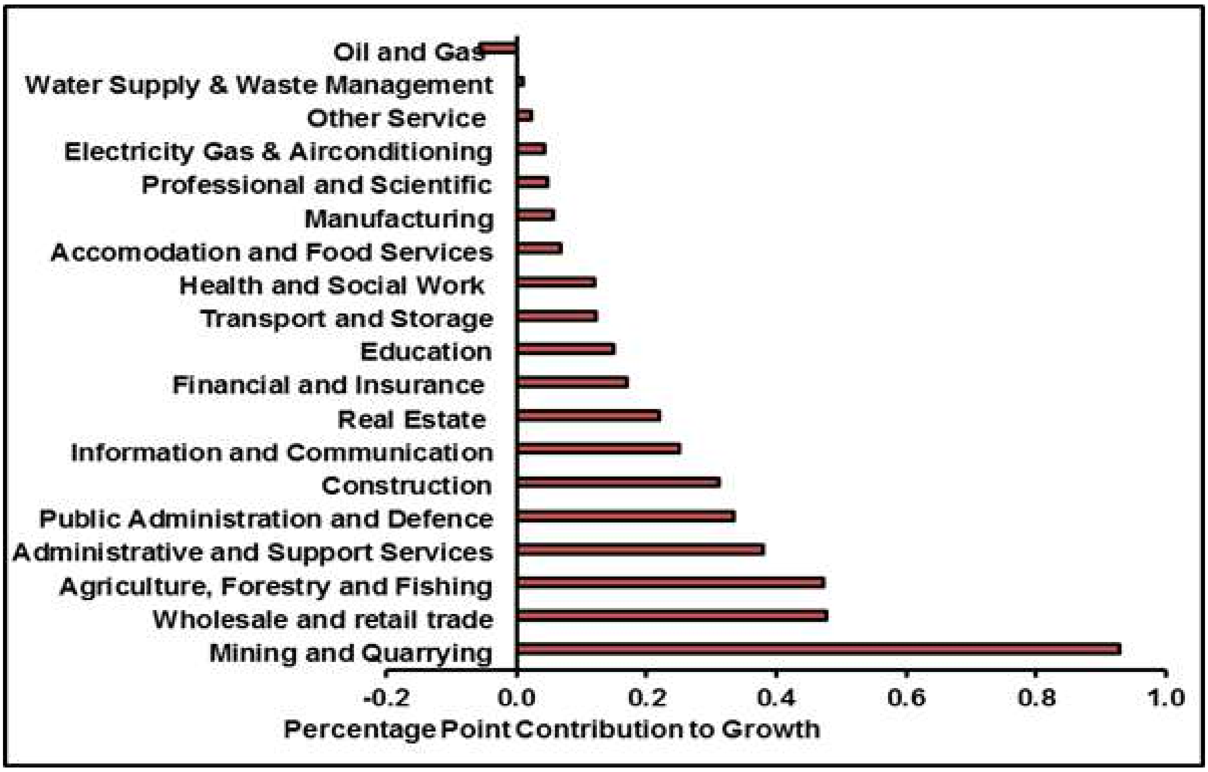
2.4 2025 ECONOMIC OUTLOOK

In 2025, the PNG economy is projected to grow by 4.7 per cent of which the non-resource and resource sectors are set to increase by 5.2 per cent and 3.4 per cent, respectively.

The strong non-resource sector’s performance will be underpinned by growth in the following sectors:

- Wholesale and Retail sector (5.0 per cent) supported by higher consumer spending reflecting higher household incomes underpinned by high commodity prices and increased government spending;
- AFF is projected to grow by 3.0 per cent driven by higher cocoa and palm oil production;
- Administrative and Support Services (5.0 per cent), Public Administration and Defence (5.5 per cent) and Construction (5.0 per cent) supported by continued government spending in these sectors;
- Information and Communication is projected to grow by 7.4 per cent supported by completion of the fibre optic cable and increased competition from Vodafone in the market with the installation of additional towers;
- Financial and Insurance sector is projected to grow by 8.0 per cent driven by increased activities from the entry of two new commercial banks into the banking sector in 2024; and
- Transport sector to grow by 6.0 per cent boosted by easing of fuel shortage issues and the commencement of Air Niugini’s fleet replacement program in the last quarter of 2025.

Chart 11: Contribution to Growth by Sectors, 2025



Source: Department of Treasury

Details of the growth in the AFF sector in 2025 relative to 2024 are as follows:

- Palm oil production is projected to increase by 9.3 per cent. This is mainly driven by strong recovery in palm oil yields and processing in the main palm oil growing regions particularly the West New Britain Province;
- Cocoa production is projected to increase by 7.9 per cent. This is underpinned by the maturing of over 3 million trees planted 5 years ago, a continued rollout of the freight subsidy and the prevailing high cocoa prices;[3]
- Copra oil production is projected to increase by 7.2 per cent driven by higher prices. Copra oil production in recent years have been more price sensitive;
- Coffee production is projected to decrease by 10 per cent. This reflects the off-season nature of the biennial crop cycle where production slows the following year (2025) after a bumper season in the current year (2024) or vice versa;
- Log production is projected to be steady; and,
- Fishing production increasing slightly.

The resources sector is projected to grow by 3.4 per cent driven largely by higher production from the mining and quarrying sector. Mining and quarrying sector is projected to grow by 10.8 per cent driven by higher gold and copper production.

Gold production will be boosted by Porgera mine operating at near full capacity and copper production by Ok Tedi mine accessing higher grade ores. In contrast, the Oil and Gas sector is projected to contract by -0.3 per cent reflecting lower oil production in line with natural

[3] In the 2024 National Budget, funds allocation for Freight Subsidy and Price Control programs were parked at Department of Agriculture and Livestock (DAL) where in recent pasts were directly allocate to PNG Cocoa Board. Commodity boards including PNG Cocoa Board applied and did submissions to DAL to access funds for this programs.

decline in oil reserves while LNG and condensate production remains flat showing normal production capacity.

2.4.1 Medium -Term Outlook (2026-2029)

Over the medium-term, PNG's economy is projected to grow on average by 3.9 per cent annually driven largely by the non-resource sector expansion.

The non-resource sector is projected to grow at an annual average rate of 5.0 per cent which is consistent with the Government's 13-year Budget Repair Plan. The positive outlook will be driven by the Government's plan to drive an inclusive, broad-based 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 reinforced by the expected expansion of the AFF sector. The Government's Connect PNG Infrastructure Initiative is expected to facilitate greater development of the AFF sector through market access with greater connectivity. Under this initiative, critical infrastructures such as roads, bridges, airports and port facilities, are being rehabilitated, upgraded and constructed. These investments in critical infrastructures will promote and enable more investment in the sector, thereby resulting in increased production of key agriculture export commodities such as coffee, cocoa, and palm oil. Notably, more people will be engaged in the sector, leading to increased employment and income-earning opportunities.

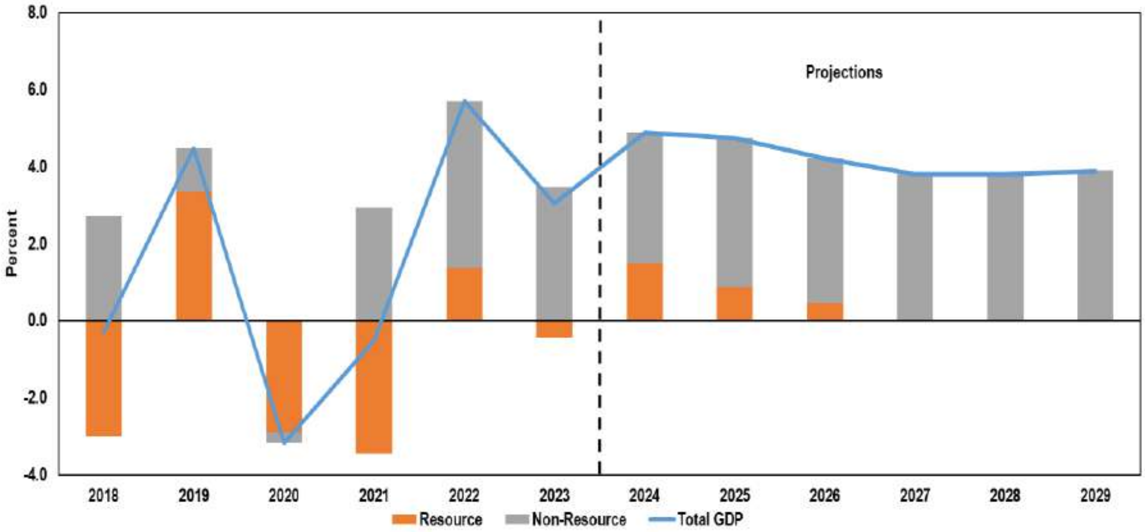
In addition, the continued roll-out of Government-funded intervention programs in the AFF sector will enhance the production of export commodities going forward. Some of these programs include freight subsidies, rehabilitation of run-down plantations, maintenance of commodities road networks, and nursery projects implemented by the PNG Cocoa Board and Coffee Industry Corporation. Likewise, palm oil production is anticipated to increase over the medium-term, aided by replanting programs and expansion into new growth areas.

Log production and export over the medium-term is expected to gradually decline in-line with the Government's policy to ban round log exports as part of its medium-term development plan. The fisheries sector is expected to expand as it embarks on transformative policies aimed to enhance tuna fisheries by increasing tuna landings, expanding downstream processing, establishing new processing plants, and investing in commercial-scale cold storage facilities to support exports.

In the resource sector, the Mining & Quarrying sector is projected to grow by 5.3 per cent in 2026. This is driven by the expectation that the Porgera mine will be producing at full capacity, supported by the expectation of higher production volumes from the Ok Tedi mine. However, the sector is projected to plateau in 2027-2029 once production volumes reach maximum scale. The Oil & Gas sector is projected to decline gradually over the medium-term, reflecting the natural decline of oil reserves while LNG and condensate production remain flat at their respective full capacities.

The outlook in the resource sector does not capture economic assumptions of pipeline projects such as the Papua LNG and Wafi-Golpu project. The pipeline projects will be captured once they reach the Final Investment Decision (FID) stages.

Chart 12: Drivers of total Real GDP growth, 2019-2029



Source: NSO and Department of Treasury.

2.5 LABOUR MARKET

According to BPNG's quarterly (June) 2024 employment statistics, total employment in the formal private sector grew by 2.9 per cent (See Chart 14) through-the-year from June 2023 to June 2024.This was driven by employment growth in the resource sector. This is a slight increase from the modest growth of 2.6 per cent in the corresponding period of 2023.

Employment in the resource sector grew by 10.9 per cent in the second quarter of 2024 compared to 18.0 per cent in the corresponding period in 2023. This reflects basically two factors: first, the resumption of Porgera mine, which led to the recruitment of workers, and second, a rise in additional recruitment by mineral companies to cater for increased production to meet manpower requirements amid the higher mineral prices.

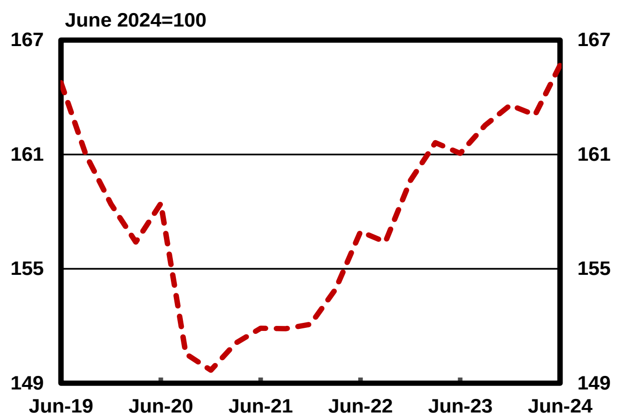
In the non-resource sector, employment grew modestly by 2.1 per cent reflecting a strong 10.8 per cent growth in the transportation sector. The transportation sector growth is driven largely by increased recruitment by a major airline company as part of its capability rebuilding exercise in preparation for the arrival of its new fleets of airlines.

Employment in the financial, business and other services sector grew by 4.7 per cent compared to a 1.5 per cent growth in the corresponding period of 2023. Growth was attributed to higher demand for banking, security, hotels and accommodation services. Manufacturing sector employment expanded by 4.6 per cent. This reflects additional recruitment by a major tuna processing company to increase production. There were extra recruitments by both chemical and cement manufacturers to meet their growing manpower requirements as well.

In the AFF sector, employment increased by 0.3 per cent largely due to the recruitment of additional workers by major palm oil companies to meet their production needs. In addition, a major sugar producer recruited more seasonal workers to cater for its harvesting needs. Further, a deep-sea fishing company reported an increase in employment to resume operations after it suspended operations at the end of 2023.

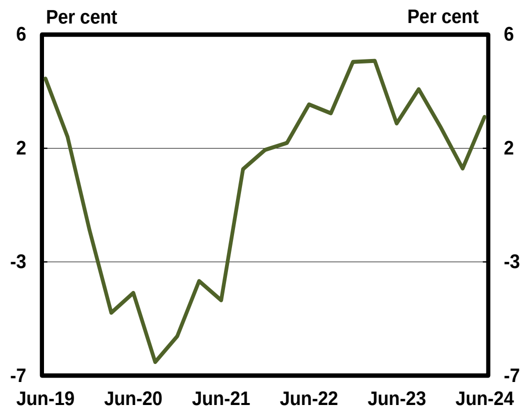
Overall, the increase in employment in the transport and financial sectors more than offset the decline in employment in other non-mineral sectors of the economy. (See Chart 15).

Chart 13:Employment Index



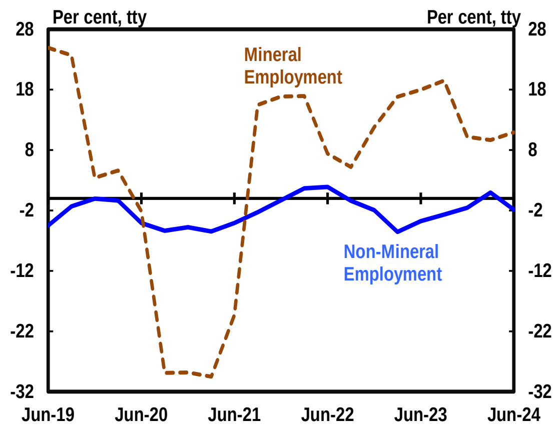
Source: Bank of PNG

Chart 14:Total Employment Growth



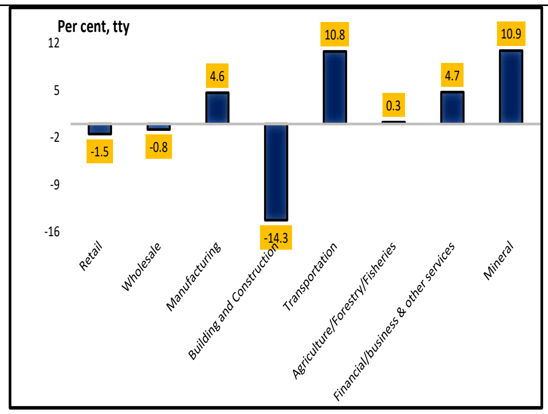
Source: Bank of PNG

Chart 15: Resource & Non-Resource Employment Growth



Source: Bank of PNG

Chart 16:Industrial Employment Growth



Source: Bank of PNG

As of the end of the second quarter of 2024, the non-mining sectors recorded a contraction in employment. Building & construction declined by 14.3 per cent, retail declined by 1.5 per cent and wholesale declined by 0.8 per cent. The decline in employment in these sectors reflects a slow-down in business activities and cost-cutting measures from businesses in response to increased operational costs.

Employment is expected to further improve in the second half of 2024 and throughout 2025 and will be mainly driven by improvements in business activities and increased Government expenditure. Foreign exchange issues are expected to improve gradually as BPNG is currently implements the crawl-like exchange rate regime.

Kina convertibility will likely increase exports, as exports from PNG become cheaper and more attractive to international consumers. As a result, businesses should have easier access to foreign exchange that will eventually improve business activities. Furthermore, the pickup of commodity prices will continue to put more money into farmers' pockets. The farmers will eventually spend a bigger slice of their earnings on consumption, which will further boost labour resourcing in the business liaison sectors.

The establishment of two new commercial banks in 2024 is anticipated to increase employment.

The ramp up of production at the Porgera mine to 75.0 per cent of its capacity in 2025 will also include additional hiring of labour.

2.6 MONETARY DEVELOPMENTS

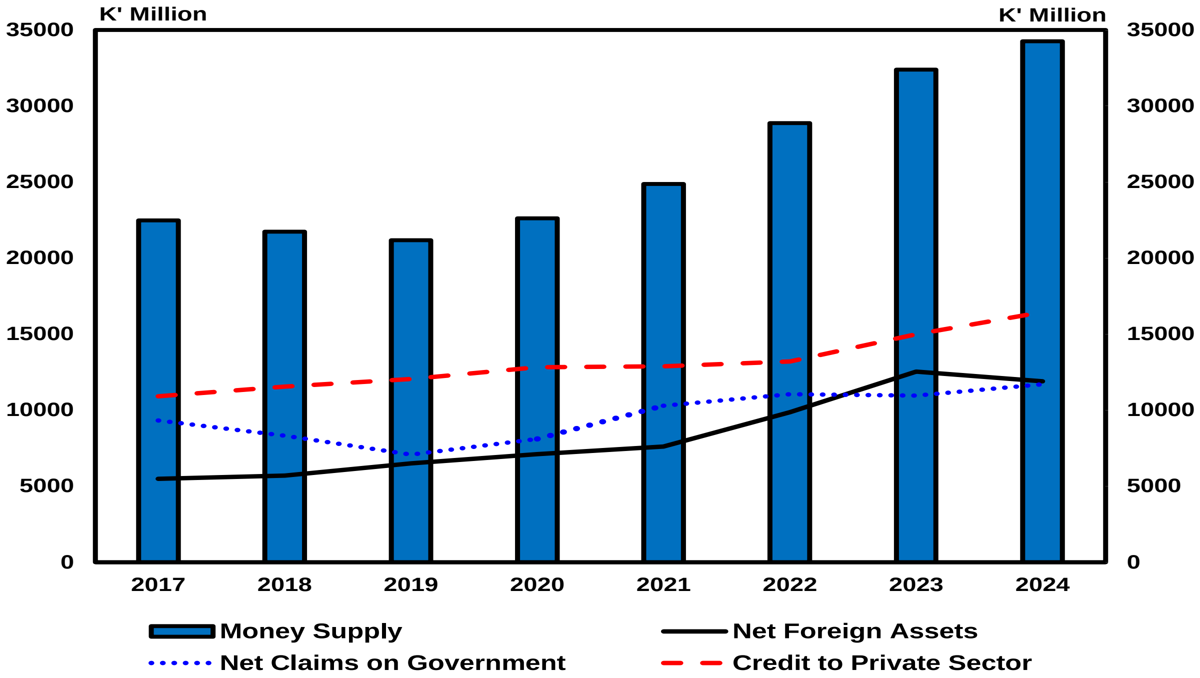
The BPNG shifted towards a tighter monetary policy stance commencing May 2024 after maintaining an accommodative monetary policy stance since November 2023. This shift was intended to counter inflationary risks associated with the crawl-like exchange rate adjustment.

The BPNG increased the Kina Facility Rate (KFR) – the bank's primary monetary policy signaling rate to 2.5 per cent in May, 3.0 per cent in August, and further up to 4.0 per cent in September 2024.

The minimum Cash Reserve Requirement (CRR) on commercial banks was also raised to 11.0 per cent in May from 10.0 per cent, and to 12.0 per cent in June 2024 to reduce excess liquidity in the economy. The BPNG also mops up liquidity in financial markets through the FX interventions. For the remainder of the 2024 fiscal year, BPNG plans to maintain a tighter monetary policy stance. This is due to expectations of higher risk of inflationary pressure from depreciating kina and domestic price pressures.

The accommodative monetary policy stance by the Central Bank during the first four months of the year (before the shift towards a tighter monetary policy stance in May) supported government borrowing. As a result, in the first six months of 2024, money supply grew by 5.8 per cent to an average of K34,257.4 million compared to an average of K32,387.4 million over the same period last year. This is driven by increases in both Credit to Private Sector by 9.7 per cent and Net Claims on Government by 6.9 per cent.

Chart 17: Money Supply (Kina, million)



Source: Bank of PNG

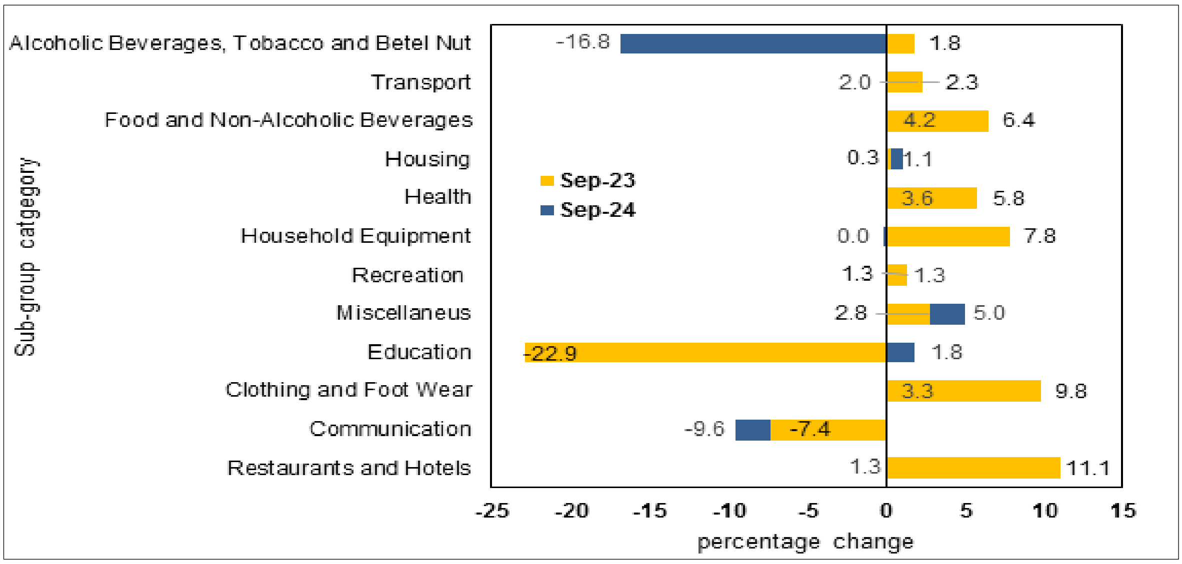
2.7 CONSUMER PRICE INDEX

2.7.1 2024 Inflation Update

Headline inflation has been trending at historically low levels since the first quarter of 2023 (Chart 19). Headline inflation on a quarterly basis was - 2.1 per cent in March quarter, - 0.7 per cent in June quarter, and 0.9 per cent in September quarter 2024. Year-on-year, headline inflation fell from 3.9 per cent in December quarter 2023 to 2.5 per cent in March quarter 2024, to 0.1 per cent in June quarter 2024, and to 0.9 per cent in the September quarter of 2024. The average headline inflation (year-on-year) over the last three quarters of 2024 is 0.6 per cent compared to 1.8 per cent in the corresponding period in 2023.

Betel nut continues to be a key dragging factor in headline inflation. The price of betel nut declined by 32.8 per cent between September 2023 and September 2024. A slight decrease in food and transport prices coupled with a decline in telecommunication costs also contributed to the decline (chart 18).

Chart 18: Expenditure Basket-Percentage change (Year to Year)

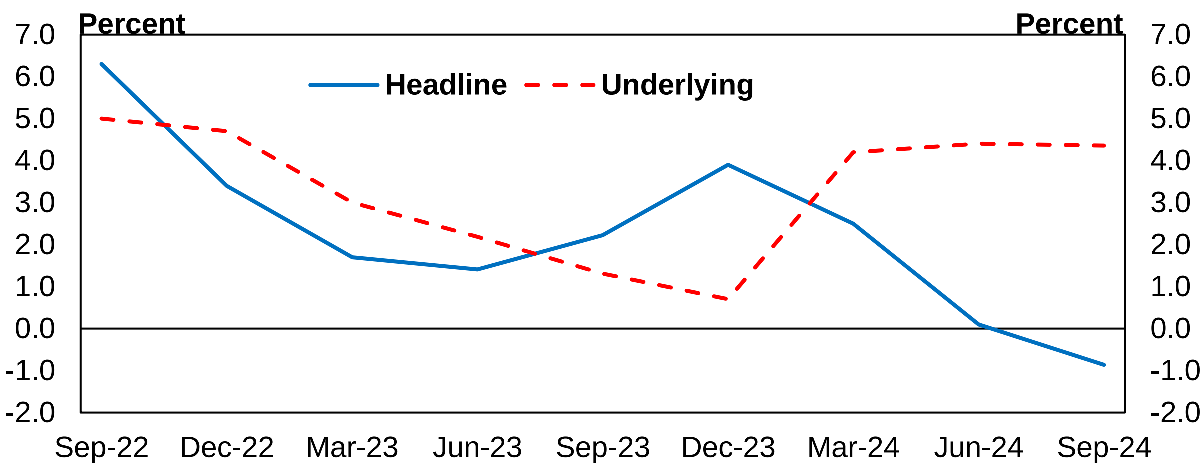


Source: National Statistical Office (NSO)

Underlying or core inflation (excluding seasonal, excise and price control items such as food, betelnut, fruits & vegetables and energy price changes) is a more stable and true reflection of price momentum at a given time. Core inflation during this period stood at 4.4 per cent in September quarter 2024, 3.1 percentage points higher than in the same quarter of 2023 reflecting the pass-through effects of the exchange rate depreciation (see Chart 19).

In 2024, the average price of goods and services was relatively more expensive than in the previous two consecutive years. The prices of imported food, in particular, rose gradually between 2020 and 2024. The spikes in imported prices including dairy items was most noticeable in 2024. There is also an indication that the upward trajectory in food prices is starting to ease in line with global inflation expectations but at a slower pace in PNG. Chart 18 also includes changes in seasonal inflation which is primarily driven by the betel nut price index.[4]

Chart 19: Headline and Underlying Inflation (year on year %)



Source: NSO

[4] Betel nut has its own price index which feeds into the calculation for headline inflation.

Over the year to September quarter 2024, the PNG economy experienced disinflationary trends impacting the headline inflation. The disinflation in headline inflation has been driven by seasonal items which poses a downward drag on the CPI. This includes the price of betel nut while underlying or core inflation has reversed direction to trend upwards mainly driven by increases in the prices of health, accommodation, housing (gas) and transportation (chart 19).

2.7.2 Inflation Outlook

Average headline inflation is projected to fall from 2.3 per cent in 2023 to 1.2 per cent in 2024. The very low headline inflation rate for 2024 takes into account the negative inflation rate for the first two quarters of 2024 driven by a sharp decline in betel nut prices.

In 2025, the average headline inflation rate is projected to rebound to 4.5 per cent driven by expectations of the pass-through effect from exchange rate depreciation and the base effect of a lower 2024 headline inflation outcome. The distortion in the prices of betel nut is expected to be resolved and revert to past trend. Over the course of the budget repair plan (until 2027), headline inflation is expected to trend around 5.0 per cent.

2.8 BALANCE OF PAYMENTS AND INTERNATIONAL RESERVES

2.8.1 Balance of Payments 2024 Update

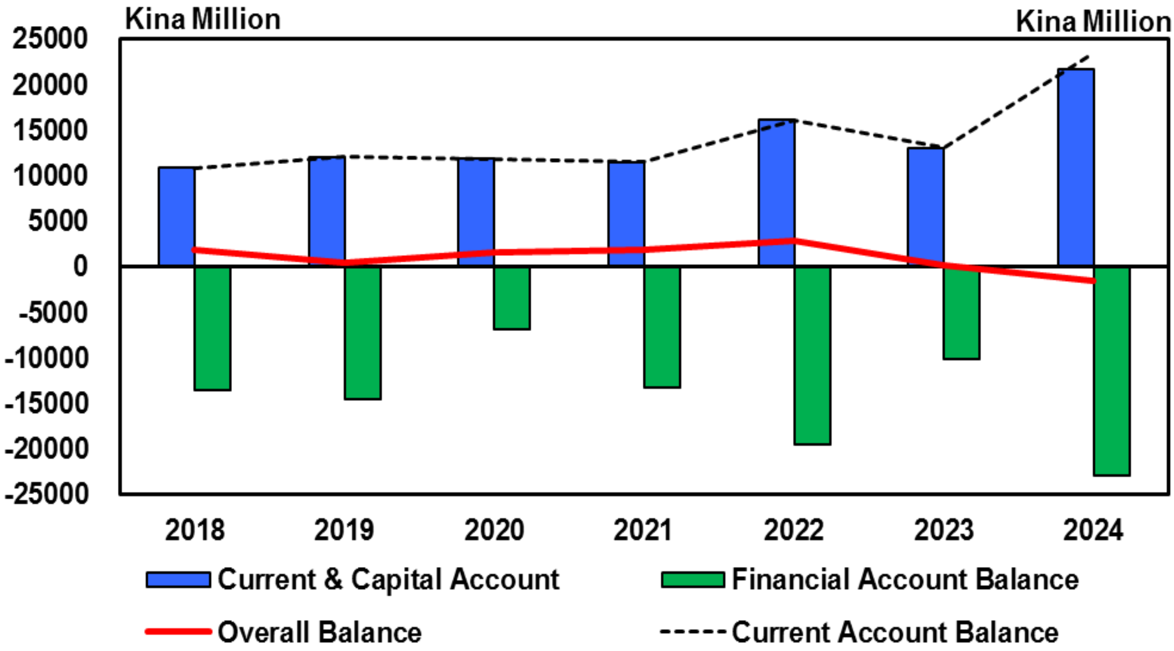
The overall Balance of Payments recorded a deficit of K2,233.9 million in the first half of 2024. This was due to a deficit in the financial account, which more than offset a surplus in the Current and Capital accounts.

The Current and Capital accounts recorded a surplus of K10,734.4 million in the first half of 2024 driven by a trade surplus which reflects higher export receipts relative to imports payments across PNG’s main export commodities. The higher export receipts are mainly attributed to higher commodity prices and the weaker kina exchange rate. On the import side, the value of merchandise imports declined by 20.4 per cent compared to the corresponding period in 2023, which played the role to support the trade surplus. Some of the factors behind the fall in imports include the foreign exchange shortages, and to some extent the tightening of monetary policy which has suppressed demand.

The Financial Account recorded a deficit of K11,808.5 million in the first half of 2024 which reflects the net outflow of funds from offshore foreign currency accounts for investments and external loan repayments by mineral companies including PNG-LNG project partners.

The trade surplus is expected to continue throughout 2024 trending above the 2023 level due to estimated increases in commodity prices and higher export volumes anticipated from the resource sector. Therefore, the current and capital account surplus is likely to reach K21,663.9 million (17.4 per cent of GDP) by the end of 2024, higher than K18,120.6 million (16.4 per cent of GDP) recorded in 2023.

Chart 20: Balance of Payment (BOP) – Overall Balance of RHS



Source: Bank of BPNG

2.8.2 Balance of Payment Accounts for 2025 and Beyond

The current and capital account surplus is expected to reach K26,063.6 million (17.6 per cent of GDP) in 2025, which is 21.2 per cent higher than the 2024 estimate. This reflects higher than expected receipts from PNG's export commodities driven by higher commodity prices and higher export volumes supported by increased production from the Porgera and Ok Tedi mines. The Porgera mine is expected to ramp up production to near full capacity in 2025.

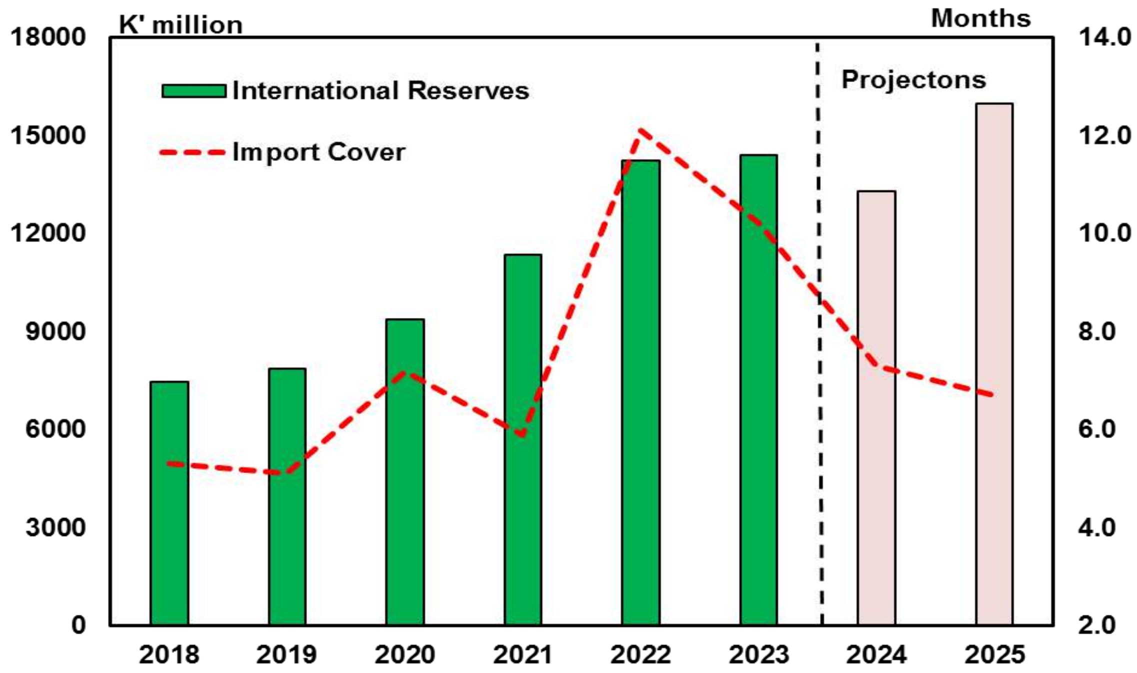
The surplus in the current and capital account is expected to remain higher in 2026 and over the medium-term due to strong growth in exports. The crawl-like exchange rate policy by BPNG is expected to ease the current forex shortage and improve PNG's export competitiveness, thereby improving the current account balance.

2.8.3 International Reserves

International reserves totaled K14,424.8 million at the end of December 2023 and have fallen by 15.5 per cent to K12,190.1 million as at June 2024. By the end of 2024, the level of gross foreign exchange reserves is projected to be K13,285.3 million sufficient for 7.3 months of total and 13.3 months of non-mineral import cover.

The relative decrease in foreign reserves reflects the intervention by the Central Bank in the foreign exchange market to ensure that foreign exchange continues to be available. According to BPNG's September MPS, access to foreign exchange has improved. The Bank continues to sell to the domestic foreign exchange market, supplying US$125.0 million each month. Commercial banks have reported that waiting times on foreign exchange orders have reduced from 6-8 weeks to 4-5 weeks.

Chart 21: International Reserves



Source: Bank of PNG

2.9 RISKS TO ECONOMIC AND FISCAL OUTLOOK

Potential risks that might affect 2025 and the medium-term economic and fiscal outlook include:

2.9.1 Macroeconomic Risks:

- **Less synchronized monetary policy abroad** – As central banks become less synchronized in their monetary policy stances, prices of key imports can become volatile. For example, Australia, a key trading partner of PNG, continues to grapple with high inflation and maintains a restrictive monetary policy stance, which will mean goods and services from Australia will continue to be relatively more expensive in the near future.

- **Foreign exchange shortage** – the shortage still flags to new investors the ongoing issue of foreign exchange availability.

- **Commodity price volatility** – Given the recent announcement of China's stimulus package, commodity prices for both 2024 and 2025 are anticipated to remain well above 2023 levels. However, a sudden fall in commodity prices may weaken demand and affect domestic production capacity. This will eventually have negative impacts on government revenue.

- **Law and order issues**– law and order issues continue to hold back businesses in achieving their full potential to contribute to economic growth in the country. Operations of key projects such as Porgera mine have been severely affected by the ongoing tribal fights in Porgera Paiela District and parts of Enga. Further escalation of tribal fights in

Enga could affect the mine's operation and this will have a detrimental effect on growth and revenue.

- **Natural Disasters** – the occurrence of natural disaster in the last quarter of 2024 or in 2025 is likely to affect normal business operations and potentially lead to a sudden contraction affecting the AFF sector, in particular.

2.9.2 Fiscal Risks:

- **Unbudgeted Expenditures or Commitments** – The Government continues to experience unbudgeted expenditures and cost overruns. Cost overruns caused by health professionals' and teachers' salaries remain a major challenge with significant fiscal implications. The Government has put in place further controls on Compensation of Employees (COE) in the 2025 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 –** For the 2025 Budget, dividend payment collections from the respective SOEs and Holding Entities of Government account for about 4.1 per cent of projected total revenues. However, failure by these entities to remit the expected dividend payments will result in revenue shortfalls

- ***Non-Tax Revenue Administration (NTRA) Act 2022*** – NTRA Act has been in full operation since the second half of Fiscal Year 2023. Currently, thirteen State agencies are implementing the NTRA Act and remitting collections to the WPA. This is under phase 1 of the NTRA Act implementation. In Fiscal Year 2025, phase 2 of the NTRA Act implementation commences where ten new agencies are expected to come on board. Any shortfall in revenue collections from the agencies will adversely affect revenue collections.

2.9.3 Financing Risks:

- **Heavy reliance on domestic borrowing results in high interest costs** – While the Government has had some success in rebalancing its debt portfolio towards longer - term external debt, there has been an over-reliance on short-term domestic debt. Short-term domestic debt can often be more expensive. This can pose a risk to the size of the fiscal deficit.

- **Exchange rate risks on external loans –** Close to 51.0 per cent of outstanding public debt is denominated in foreign currency. The crawl-like exchange rate arrangement to reduce the overvaluation of the kina will make debt servicing costs more expensive in kina terms. This poses a risk to the size of the fiscal deficit in the near future.

CHAPTER 3: FISCAL STRATEGY AND OUTLOOK

3.1 FISCAL BACKGROUND – 2024 BUDGET UPDATE

The 2024 fiscal year was impacted by both domestic and global factors. Domestically, the country experienced an unprecedented civil unrest across different parts of the country in January 2024. Climate change-induced natural disasters like flashfloods and landslides affected many communities. The foreign exchange (FX) supply and demand mismatch remained an issue despite improvements. While global inflation eases for advanced economies, inflationary pressures persist in emerging and developing economies. The depreciation of Kina is also adding inflationary pressure to the economy and BPNG is pursuing an aggressive tightening monetary policy stance as redress. Despite these challenges, businesses remained resilient supporting PNG economic growth and development aspirations.

The Marape-Rosso Government continued to service its debt obligations on time and deliver on its key social and development priorities. Health and education services workers needed to be lifted to match the growing population and demand for these services. As a responsible Government, the Marape-Rosso Government has increased the numbers of teachers and health workers proportionately and has honored its commitments such as the 3.0 per cent backdated salary increment paid to the teachers in July costing the Government around K120.0 million.

The Government has also prioritized funding for key capital investment programs such as the Connect PNG Infrastructure Program, the Provincial & District Roads Program, the District & Provincial Support Improvement Programs (DSIP/PSIP) and other Public Investment Programs (PIPs). In addition, the Government is prioritizing the following programs: Government Tuition Fee Subsidy (GTFS) program; Tertiary Education Study Assistance Scheme (TESAS); Higher Education Loan Program (HELP); maintaining a healthy population; strengthening Law and Order; Rentals & Utilities; and investments in infrastructure projects including for schools and hospitals.

The mid-year performance as per the 2024 MYEFO estimated Total Revenue & Grants to decrease by K463.0 million (2.0 per cent) to K22,930.8 million from the 2024 Budget estimate of K23,393.8 million. This is mainly due to expected decline in Other Revenues, especially non-tax revenues (statutory transfers from *NTRA Act* implementation), which more than offsets the expected increases in tax revenues. Dividend payment estimates have been maintained as budgeted, with the Government in close consultations with the respective state agencies, especially the SOEs, to ensure these budget commitments are honoured.

On the expenditure side, Total Expenditure & Net Lending was estimated in the MYEFO to increase by K700.7 million (2.6 per cent) to K28,078.2 million from the 2024 Budget expenditure estimate of K27,377.5 million. The increase is mainly driven by the GoPNG PIP (K157.4 million) and Compensation of Employees (CoE) (K462.9 million) for Teachers' Salary and Remuneration Committee (SRC) Determination payout, 3.0 per cent CPI adjustments and the subsequent State-Share contribution to NSL.

This would have resulted in an increase in the 2024 Budget planned deficit by K1,163.8 million. As a responsible government, the Marape-Rosso government is undertaking measures to ensure that the 2024 Budget planned deficit is maintained.

The Government is mindful of the risks of running higher deficits as it will distort the 13-year Budget Repair Plan's target to achieving a surplus budget by 2027 and strengthen debt sustainability. Steps in controlling warrants of non-critical expenditures, including of projects that have not started implementation, as well as renewed revenue work, will ensure the 2024 Budget deficit target is maintained.

The total public debt stock is projected to be K61,927.5 million, or 49.8 per cent of GDP at the end of the year. This is well within the prescribed limit of 57.5 per cent of GDP required by the *Fiscal Responsibility Act (amended 2023)* and the medium-term budget targets. The projected debt-to-GDP ratio is slightly lower than the 50.5 per cent at the time of the 2024 Budget, reflecting an upward revision to nominal GDP.

The non-resource primary balance (as a percentage of non-resource GDP) is expected to decrease slightly to -6.3 per cent compared to the 2024 Budget target of -6.1 per cent, a decrease of 0.2 percentage points, an improvement from the 2023 figure of -7.9 per cent (refer Table 3).

Table 3: Key Fiscal Parameters 2023-2024

	2023 Actuals	2024 Budget	June Outturn	2024 MYEFO
Net Lending (+)/Borrowing (-) as % of GDP	-4.3%	-3.3%	-1.6%	-3.2%
Non-resource Primary Balance as % of non-resource GDP	-7.9%	-6.1%	-2.3%	-6.3%
Debt as % of GDP	52.0%	50.5%	47.6%	49.8%

Source: Department of Treasury

3.2 THE 2025 BUDGET STRATEGY

The 2025 National Budget is aligned with the Marape-Rosso Government’s 13-year Budget Repair Plan, which lays out an ambitious but achievable fiscal consolidation path, to guide subsequent budgets during the 2026-2034 period. It will also help achieve a surplus budget by 2027 and lower debt to sustainable levels (with option for nil debt) by 2034. The Government in the short-term will apply measures to help the economy mitigate cyclical risks while achieving fiscal discipline over the medium-term.

The 2025 Budget will be guided by the Five (5) National Goals & Directive Principles: (i) Integral Human Development; (ii) Equality & Participation; (iii) National Sovereignty & Self-Reliance; (iv) National Resources & Environment; and (v) the Papua New Guinea Ways.

The 2025 Budget is also aligned with key development policies and plans including: Vision 2050; the PNG Development Strategic Plan (PNGDSP) 2010-2030; (3) the National Strategy for Responsible Sustainable Development (StaRS); (4) the Medium-Term Development Plan (MTDP) IV (2023-2027); and (5) the UN’s Sustainable Development Goals (SDGs). The 2025 Budget is in alignment to the *Loloata Commitment* of *‘spending money more wisely, raising revenue more fairly, and financing debt more cheaply’*.

The Government’s plan over the medium-term is to grow the economy to K200.0 billion by 2030, grow revenue, reduce borrowing and debt levels and create a conducive business environment to increase employment opportunities for its people.

The 2025 Budget will continue the fiscal consolidation path initiated in 2022, expand the revenue base while achieving a net decline in fiscal deficits and debt levels. Paramount among fiscal discipline targets is debt discipline. Lowering debt to sustainable levels can allow for future borrowing in times of crisis and continue to support development needs.

The main fiscal parameters of the 2025 Budget are:

i. budget balance (deficit) at 2.2 per cent of GDP; and
ii. debt to GDP of 47.4 per cent of GDP.

Major fiscal risks stem from potential delays in securing planned external financing, lower dividends collections from SOEs and NTRA inflows from State authorities, and increase in unplanned expenditures emanating from natural disasters.

Total Revenue & Grants for 2025 is projected at K25,408.0 million (18.6 per cent of GDP). This is K2,477.2 million or 10.8 per cent higher than the 2024 Mid-Year Economic Fiscal Outlook (MYEFO) estimate of K22,930.6 million (see Table 4 below).

The projected increase in revenue in 2025 corresponds to the strong economic growth forecast of 4.7 per cent in 2025. Key tax heads such as Corporate Income Taxes (CIT), Goods & Services Taxes (GST), and Salary & Wages Taxes (SWT) are expected to increase substantially in 2025. The biggest increase is expected from GST collections from the provinces as economic activities in the provinces pick up, supported by increased infrastructure spending at the district and provincial levels. The other big increase is expected from the Mining & Petroleum Tax (MPT) due to the reduced depreciation (allowable capital expenditure).

Total Revenue & Grants estimate for 2025 also includes implementation of the *NTRA Act (2022)* on fees and charges and the dividend policy, which will be implemented in 2025.

Table 4: Medium -Term Revenue Projections (Kina, million)

	2024 MYEFO	2025 Budget	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Total Revenues and Grants	**22,930.8**	**25,408.0**	**27,896.6**	**31,216.3**	**34,406.0**	**37,870.9**
Total Revenue (as % of GDP)	18.4%	18.6%	18.8%	19.5%	19.9%	20.3%
Taxes	**18,707.6**	**21,200.9**	**23,662.4**	**26,565.8**	**29,372.0**	**32,498.7**
Taxes on income, profits, and capital gains	12,515.7	13,707.6	14,494.1	15,987.4	16,831.6	18,220.5
Taxes on payroll and workforce	1.2	1.0	1.0	-	-	-
Taxes on goods and services	5,452.0	6,553.4	7,183.7	8,144.6	9,565.6	11,114.6
Taxes on international trade and transactions	738.8	938.9	1,983.5	2,433.8	2,974.8	3,163.6
Grants	**2,205.0**	**1,500.0**	**1,550.0**	**1,600.0**	**1,650.0**	**1,700.0**
Other Revenue (Non-Tax)	**2,018.2**	**2,707.0**	**2,684.2**	**3,050.4**	**3,384.0**	**3,672.1**
Total Revenue (excluding grants)	**20,725.8**	**23,908.0**	**26,346.6**	**29,616.3**	**32,756.0**	**36,170.9**

Source: Department of Treasury

Improving the efficiency and quality of expenditure is critical besides efforts on improving revenue. Reducing arrears, retiring public servants who have met the mandatory retirement age, auditing the payroll to eliminate “ghost” employees, reducing other inefficiencies, and closely monitoring rentals, utilities and car rental bills across government agencies will help create fiscal space for other key development priorities.

Addressing Law and Order and disaster related issues will be the Government’s main priorities for 2025 since these issues have become common across the country and have resulted in unbudgeted expenditures in the recent years. Examples include the January 10th event (Black Wednesday) in Port Moresby and the Mulitaka Disaster in the Enga Province.

The Government recognizes the threat posed by law and order issues to the society and its effects on service delivery and public infrastructure. Therefore, in the 2025 National Budget, it will allocate sufficient funding to law and order. Further, the Government will embark on building climate and disaster resilient infrastructures that can withstand the effects of climate change. It will also increase its funding towards addressing communities affected by disasters and disaster preparedness.

Total Expenditure & Net lending for 2025 is projected at K28,357.2 million (20.7 per cent of GDP). This is K1,442.7 million or 5.4 per cent higher than the 2024 Mid-Year Economic Fiscal Outlook (MYEFO) estimate of K26,914.6 million (see Table 5 below).

Table 5: 2025 and Medium -Term Expenditure Estimates (Kina, million)

	2024 MYEFO	2025 Budget	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
OPERATIONAL COMPONENT	**13,588.2**	**14,492.0**	**15,424.6**	**16,747.4**	**17,126.7**	**18,320.1**
Compensation of Employees	7,496.9	7,801.2	8,185.5	8,629.2	9,131.4	9,712.3
Goods and Services	4,555.6	4,842.3	5,198.7	5,819.1	5,404.8	5,706.5
CoE & G&S as a % of Total Expenditure	*44.8%*	*44.6%*	*45.4%*	*46.4%*	*45.2%*	*45.8%*
Provincial Functional Grants	638.0	706.1	779.4	878.2	989.5	1,108.2
GST & Book Makers Transfers	897.6	1,142.4	1,261.0	1,420.8	1,600.9	1,793.0
Interest Payment (Debt Service)	**3,050.8**	**3,522.5**	**3,523.6**	**3,612.3**	**3,465.5**	**3,206.4**
CAPITAL INVESTMENT COMPONENT	**10,275.5**	**10,342.7**	**10,557.3**	**10,775.0**	**11,546.3**	**12,104.4**
GoPNG PIP	6,856.7	7,616.8	7,769.1	7,924.5	8,570.7	8,999.3
PIP as a share of Total Expenditure	*25.5%*	*26.9%*	*26.3%*	*25.5%*	*26.7%*	*26.8%*
Donor Support Grants	2,205.0	1,500.0	1,550.0	1,600.0	1,650.0	1,700.0
Concessional Loans	1,213.8	1,225.9	1,238.2	1,250.5	1,325.6	1,405.1
TOTAL EXPENDITURE & NET LENDING	**26,914.6**	**28,357.2**	**29,505.4**	**31,134.7**	**32,138.5**	**33,630.9**
as a % of GDP	*21.7%*	*20.7%*	*19.9%*	*19.4%*	*18.6%*	*18.0%*

Source: Department of Treasury

The 2025 Budget Framework will promote key development infrastructure, especially those that affect rural communities where the majority of Papua New Guineans live and where there is more economic activities.

Guided by the parameters of the 13-year plan, the 2025 Budget is expected to be K28.4 billion. This expenditure envelope will continue to support the policies and reforms introduced by the Marape-Rosso Government in 2021, which are aligned with the principles of the '*Loloata Commitment,* in growing the economy and supporting rural communities, SMEs, responsible Government Tuition Fee Subsidy (GTFS) Program, and strengthening SOEs through smarter and targeted reforms.

The Capital Budget for 2025 is estimated at K10.3 billion, which is lower than the 2024 MYEFO estimate by K67.2 million (0.7 per cent), but is K814.6 million (8.5 per cent) higher than the 2023 FBO. This is consistent with the MTDP IV target to maintain the Capital Investment Budget above K10.0 billion each year. This estimate is comprised of GoPNG PIP funding, donor grants and project loan drawdowns. The Government will continue to prioritise counterpart funding for loan-funded projects, which historically have had successful implementation rates and greater impact on the economy.

On the operational expenditure, the figures in Table 6 above show that key aggregates such as CoE, Interest Costs, Provincial Functional Grants and G&S are all higher than 2024 MYEFO estimates. This represents growth in expenditure that is in line with population growth and the increased demand and access for basic goods and services.

3.2.1 Financing & Debt

The Government will finance the 2025 Budget through a combination of domestic and external borrowing. The Government's strategy is to achieve a balanced portfolio of domestic and external debt that is based on a weighed risks and costs. External debt will expose PNG to exchange rate risk, while domestic debt will expose the country to interest rate risks resulting from a limited number of players in the domestic capital market including liquidity constraint caused by tighter monetary policy stance and FX interventions by Bank of PNG. The

2025 Budget will target moving to a domestic-to-external debt ratio of 40:60 which will balance risks over the medium-term and help achieve fiscal consolidation as envisioned.

Under the 2025 Budget, the Government will make available more funds for counter-part funding of projects and drawdown loans that have been signed but not yet disbursed. These counter-part funded projects are of high impact and strategic public investments that have the potential to drive economic growth. These loans are offered at concessional rates where the Government and multilateral partners co-fund the programs. These projects also have very high successful rates of implementation as demonstrated by past counter- part funded projects.

The Government plans to finance the deficit of K2,949.3 million by a combination of domestic and external borrowing. Net domestic borrowing is expected to be K861.2 million while net external borrowing is expected to be K2,088.3 million (see Table 6 below). With this financing plan, the debt level is projected at K64,876.7 million or 47.4 per cent of GDP.

Table 6: Planned 2025 Net Incurrence of Liabilities and Debt Stock

	2023 Actual	2024 Budget	2024 MYEFO	2025 Budget
TOTAL FINANCING (Net Incurrence of Liabilities)	**4,263.6**	**3,983.8**	**3,983.8**	**2,949.3**
Net External Borrowing	**2,087.7**	**1,438.1**	**1,438.2**	**2,088.3**
Monetary gold and special drawing rights (SDR's)	**0.0**	**0.0**	**0.0**	**0.0**
Debt Securities	**0.0**	**0.0**	**0.0**	**0.0**
Loans	**2,087.7**	**1,438.1**	**1,438.2**	**2,088.3**
Concessional (Project) Financing	212.3	253.2	253.3	293.0
Commercial Financing	-40.3	145.9	145.9	54.6
Extra-ordinary Financing	1,915.7	1,039.0	1,039.0	1,740.7
Net Domestic Borrowing	**2,716.7**	**2,545.7**	**2,545.7**	**861.2**
Debt Securities	**2,295.2**	**2,607.9**	**2,607.9**	**1,096.6**
Treasury Bills	350.2	2,047.7	2,047.7	0.0
Treasury Bonds	1,945.0	560.2	560.2	1,096.7
Loan	**-119.1**	**-62.2**	**-62.2**	**-235.6**
TOTAL GOVERNMENT DEBT	**57,943.7**	**61,927.5**	**61,927.4**	**64,876.7**
% of GDP	*52.0%*	*51.1%*	*49.8%*	*47.4%*

Source: Department of Treasury

3.3 THE MEDIUM-TERM FISCAL OUTLOOK

Given evolving global and domestic economic conditions, budget assumptions have changed, therefore, strategies needed to be refined. The medium-term fiscal outlook has been revised to reflect changing economic and fiscal conditions while maintaining its focus on the key targets of the Government's 13-year Fiscal Plan.

The medium-term projections presented in the 2025 National Budget excludes the impact of development projects especially in the mining and petroleum sector. This conservative approach reduces the risk of delay in the implementation of these projects.

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 fiscal consolidation process is expected to form the basis for more strong and robust growth performance of the economy (see Table 7).

Table 7: Budget Balance Medium Term 2025–2029 (% of GDP)

	2024 MYEFO	2025 Budget	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Total Revenue and Grants	22,930.8	25,408.0	27,896.6	31,216.3	34,406.0	37,870.9
Total Expenditure & Net Lending	26,914.6	28,357.2	29,505.4	31,134.7	32,138.5	33,630.9
Deficit	**-3,983.8**	**-2,949.3**	-1,608.8	81.6	2,267.5	4,240.0
% of GDP	-3.2%	-2.2%	-1.1%	0.1%	1.3%	2.3%
Debt to GDP ratio	49.8%	47.4%	44.8%	41.5%	37.2%	32.1%

Source: Department of Treasury.

Over the medium-term, Total Revenue & Grants is expected to increase from K25.4 billion in 2025 to K37.9 billion in 2029. Total Expenditure & Net Lending is estimated to increase from K28.4 billion to K33.6 billion.

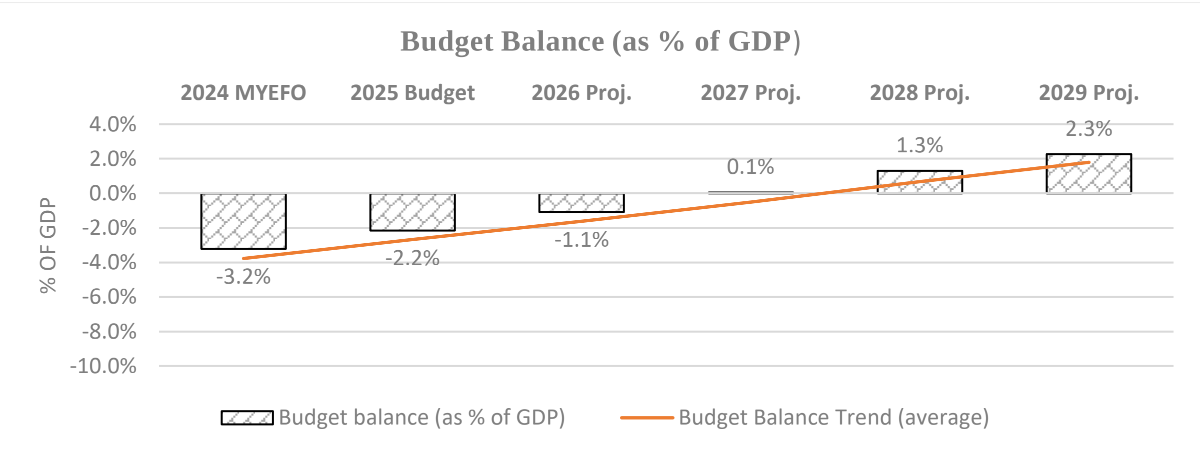
Public debt is expected to be reduced to below 40.0 per cent of GDP by 2028 in line with the *FRA* requirement of reducing debt to below 40.0 per cent by 2030. This is expected to be driven by a combination of reduced debt resulting from surplus Budget target and increased GDP. Surplus budgets from 2027 onwards is expected to pay off public debt and or re-invest in income generating resource projects.

Table 8: Key Anchors of the MTFS 2024-2029 (% of GDP)

	2024 MYEFO	2025 Budget	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Budget Balance (as % of GDP)	-3.2%	-2.2%	-1.1%	0.1%	1.3%	2.3%
Non-resource primary balance (% of non-resource GDP)	-6.3%	-5.2%	-3.7%	-2.4%	-0.9%	0.1%
Debt (% of GDP)	49.8%	47.4%	44.8%	41.5%	37.2%	32.1%

Source: Department of Treasury

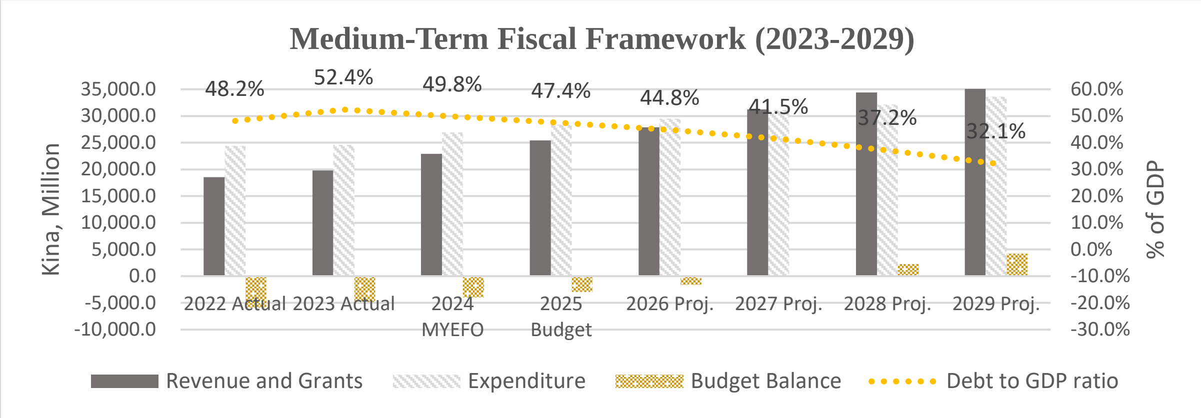
Chart 22: Net Borrowing as a percentage of GDP over the Medium-Term



Source: Department of Treasury

The non-resource primary balance as a percentage of non-resource GDP is projected to be in surplus by 2029, consistent with the updated 13-year plan target.

Chart 23: Medium-Term Fiscal Outlook 2023-2029



Source: Department of Treasury

3.4 THE MEDIUM-TERM FISCAL STRATEGY 2023-2027

The 13-year Budget Repair Plan targets a surplus budget and reduction of public debt to sustainable level by 2027. These goals will be achieved by growing revenues faster than expenditure and reducing budget deficits.

The Government's approach will support both objectives through categorising fiscal policy into short-term goals and medium-term goals. The short-term goal is to counter adverse effects on the economy to stimulate demand, create employment and growth. The Government's medium-term objective will seek to achieve fiscal discipline.

The Government will continue its efforts to trim expenditure inefficiencies and leakages in the system. The focus areas for efficiencies will be payroll, arrears, rentals and utilities. The Government will target and strengthen spending areas that have resulted in big amount of arrears over the years in order to avoid building future arrears. Given huge amount of resources directed to the sub-nationals, there is a big challenge for ensuring transparency and accountability of these funds. The focus over the medium term will be to strengthen existing and adopt new monitoring mechanisms to ensure huge constituency development funds are used for their intended purpose of strengthening provincial economies.

Careful fiscal management is required in light of fiscal consolidation efforts. This is to ensure priority sectors such as health and education and critical human capital development spending areas are protected to enhance long-term growth potential.

Over the medium-term, Government will allocate sufficient funds for infrastructure maintenance for key infrastructures built over the years and making sure operational funds are efficiently and timely released to support service delivery. With more funds going directly to the districts and provinces, the Government acknowledges the need for stringent transparency and accountability mechanisms to be established.

- **Medium-Term Revenue Strategy (2023-2027)**[5] 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 enhance and modernise the existing tax system while at the same time improving revenue collection.

[5] https://www.treasury.gov.pg/wp-content/uploads/2024/09/MEDIUM-TERM-REVENUE-STRATEGY-2023-2027-1.pdf

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. With the MTRS 2023-2027, the Government is targeting revenue (excluding Grants) of 17.9 per cent of GDP by 2027.

- **Medium-Term Debt Strategy (2024-2028)**[6] aims to deliver low-cost financing, within prudent risk levels, that ensures macroeconomic stability. 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 debt exposure is minimised. The Government aims to have a balanced portfolio that minimises the risks involved, taking into account the risks (interest rate and rollover risks) on its domestic portfolio as well.

Deficits over the medium-term will be gradually reduced to 2.2 per cent in 2025 and to a surplus of 2.3 per cent of GDP by 2029. This is consistent with the steady 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 steadily 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 (2023)* and targets of the 13-year fiscal 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 57.5 per cent down to 55.0 per cent, a reduction of 2.5 per cent of GDP. This follows last year's reduction from 60.0 per cent to 57.5 per cent and is part of the normalising the debt ceiling following its increase during COVID.

[6] https://www.treasury.gov.pg/wp-content/uploads/2024/11/PNG-2024-2028-MTDS.pdf

CHAPTER 4: REVENUE

4.1 REVENUE DEVELOPMENTS AND OUTLOOK 2024 AND 2025

The Government is currently implementing the Medium-Term Revenue Strategy (MTRS) 2023-2027 that sets out the roadmap of reforms to guide an increase in revenue collections (excluding grants) to 17.9 per cent of GDP by 2027. The MTRS is focused on broad-based revenues (tax and non-tax) that ensure everyone makes a fair contribution to nation building. This will be achieved by strengthening the existing tax policies, updating tax legislations, and improving tax administrative capacity.

4.1.1 Revenue in 2024

Total Revenue & Grants for 2024 is estimated to decline by 2.0 per cent to K22,930.8 million (18.4 per cent of GDP) compared to the 2024 Budget estimate, as projected in the 2024 MYEFO Report. Tax revenue remains the major contributor at 81.6 per cent of Total Revenue & Grants or 15.1 per cent of GDP. This is expected to increase by K13.0 million in MYEFO relative to the 2024 Budget, driven by the increases in commodity prices, private sector employment, higher government spending, and better compliance efforts by the PNG Internal Revenue Commission (IRC) and the PNG Customs Services (Customs). Non-Tax (Other Revenue) revenue is expected to increase its share of Total Revenue & Grants from 5.2 per cent in 2023 to 8.8 per cent in 2024. This is due to higher Mining & Petroleum dividends and collections from the implementation of the *Non-Tax Revenue Administration (NTRA) Act 2022* compared to the 2023 actuals. However, in comparison to the 2024 Budget, the MYEFO forecasts that non-tax revenue will be lower by K476.0 million, primarily due to lower revenues from the NTRA sharing arrangements with agencies.

Tax revenue is estimated to increase by 0.1 per cent to K18,707.8 million from the 2024 Budget estimate. As of end- September, 2024, 70.0 per cent of the 2024 Budget estimate for direct and indirect taxes have been collected. Taxes on Income and Profits are estimated to increase by 0.5 per cent to K12,515.7 million. This is mostly driven by expected increases in Personal Income Tax (PIT) and Mining & Petroleum Tax (MPT). These increases are likely to offset an expected decline of 2.7 per cent in Company Income Tax (CIT) which reflects low collections in the mid-year.

Taxes on Goods and Services is estimated to grow by 1.9 per cent to K5,452.1 million in 2024. This is driven by increases in Goods & Services Tax (GST), Import Excise Duty and other minor indirect taxes such as Stamp Duties and Bookmakers Turnover Tax. These increases will more than offset the anticipated declines in Domestic Excise, Departure Tax, and Customs Sundry Taxes. The decline in Domestic Excise reflects the aftermath of Black Wednesday events and alcohol ban in certain parts of the country.

Taxes on International Trade and Transactions are estimated to decline by 16.9 per cent to K738.8 million in 2024. Export Tax is expected to decline by 34.6 per cent which reflects the removal of the anticipated export duty on unprocessed fish which has not been implemented in the second half of 2024 as intended in the 2024 Budget. In addition, the slowdown in global demand for round logs, especially from China due to the property market crisis is expected to affect export tax. Import Duty is expected to meet its 2024 Budget estimate of K455.0 million by year-end.

Non-Tax Revenue is expected to decrease by 19.1 per cent to K2,018.0 million in 2024 (1.6 per cent of GDP). This is mostly attributed to an expected decline in NTRA collections by

38.3 per cent to K772.0 million from the 2024 Budget estimate of K1,248.0 million. Projections for dividends and departmental fees & charges remain at their 2024 Budget estimates.

Grants is also maintained at its 2024 Budget estimate of K2, 205.0 million.

Table 9: Total Revenue and Grants 2024-2025 (Kina, million)

	2023 Outcome	2024 Budget	2024 MYEFO	2025 Budget	Budget Variation
Tax Revenue	**17,626.9**	**18,694.8**	**18,707.8**	**21,201.0**	**2,506.2**
Per cent of GDP	*15.9%*	*15.0%*	*15.1%*	*15.5%*	
Other Revenue	**1,024.4**	**2,494.0**	**2,018.0**	**2,707.0**	**213.0**
Per cent of GDP	*0.9%*	*2.0%*	*1.6%*	*2.0%*	
Total Revenue	**18,651.3**	**21,188.8**	**20,725.8**	**23,908.0**	**2,719.3**
Per cent of GDP	*16.9%*	*17.0%*	*16.7%*	*17.5%*	
Grants	**1,158.6**	**2,205.0**	**2,205.0**	**1,500.0**	**-705.0**
Per cent of GDP	*1.0%*	*1.8%*	*1.8%*	*1.1%*	
Total Revenue & Grants	**19,810.0**	**23,393.8**	**22,930.8**	**25,408.0**	**2,014.3**
Per cent of GDP	*17.9%*	*18.8%*	*18.4%*	*18.6%*	

Source: Department of Treasury

4.1.2 Revenue in 2025

In 2025, PNG's internal-generated revenues are expected to increase by 12.8 per cent amounting to K23,908.0 million (17.5 per cent of GDP) from the 2024 Budget estimate (see Table 9). Of this, Tax revenue is expected to increase by 13.4 per cent amounting to K21,201.0 million (15.5 per cent of GDP) from the 2024 Budget estimate. The key assumptions underpinning the increases in tax revenue for 2025 include higher economic growth and improved compliance.

Non-Tax revenue is projected to increase by 8.5 per cent to K2,707.0 million (2.0 per cent of GDP) from the 2024 Budget estimate. Grants from donors are expected to fall by K705.0 million from the 2024 Budget estimate. This brings the 2025 estimate more in line with the 2023 Budget Outcome and reflects the ending of the special additional support provided to assist with the global COVID-19 pandemic. Overall Total Revenue & Grants is projected to increase by K2,014.3 million amounting to K25,408.0 million or 18.6 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 10.1 per cent to K13,707.7 million in 2025 from the 2024 Budget estimate (see Table 10). This represents 64.7 per cent of total tax revenue projection. The increase is attributed to improvements in the collection of Personal Income Tax (PIT), Mining & Petroleum Tax (MPT), Corporate Income Tax (CIT), Dividend Withholding Tax (DWT), and Interest Withholding Tax (IWT).

Personal Income Tax (PIT) is expected to increase by 8.9 per cent to K4,729.0 million in 2025 which represents 22.3 per cent of total tax revenue projection. This is driven by a favourable economic growth outlook, strong employment growth, and improved tax compliance efforts by the IRC. Furthermore, the ramp-up of operations at the Porgera mine to near full capacity is expected to yield higher PIT collections.

Company Income Tax (CIT) is forecast to grow by 5.3 per cent to K3,959.0 million in 2025, representing 18.7 per cent of total tax revenue projection. This is underpinned by strong corporate earnings on the back of robust non-resource sector growth and the special banking tax on the commercial banking sector. Contributions are also expected from the two new commercial banks that came into operation in Fiscal Year 2024.

Mining & Petroleum Tax (MPT) is expected to increase by 16.5 per cent from K3,550.0 million in 2024 to K4,136.6 million in 2025. This represents 19.5 per cent of total tax revenue projection. The increase is mainly attributed to a sizeable reduction in depreciation allowances from the Allowable Capital Expenditure (ACE) for the PNG LNG project despite the moderation in oil and gas prices. According to IRC, the higher depreciation costs from ACE is anticipated to end in 2025 [7]. Essentially, depreciation for many PNG LNG assets was allowed over 10 years and as the project is now 10 years old, the depreciation allowances are generally ending.

Table 10: Taxes on Income and Profits 2024-2025 (Kina, million)

	2023 Outcome	2024 Budget	2025 Budget	Budget Variation
Taxes on Income, Profits and Capital Gains	**11,730.4**	**12,455.6**	**13,707.7**	1,252.0
Personal Income Tax	4,149.8	4,341.0	4,729.0	388.0
Company Tax	3,031.6	3,761.2	3,959.0	197.8
Mining & Petroleum Taxes	3,906.5	3,550.0	4,136.6	586.6
Royalties & Management Tax	64.0	80.3	83.8	3.5
Dividend Withholding Tax	375.2	496.0	549.1	53.1
Interest Withholding Tax	189.3	219.6	240.4	20.8
Non-Resident Insurers Withholding Tax	11.6	7.3	7.4	0.1
Tax Related Court Fines	0.0	0.0	0.0	0.0
Sundry IRC Taxes & Income	2.2	0.2	2.4	2.2

Source: Department of Treasury

In 2025, Dividend Withholding Tax (DWT) is expected to increase by 10.7 per cent to K549.1 million. The increase is attributed to the ongoing DWT payments from non-resident companies and individuals which is supported by collection trends in 2024. This is further assisted by the higher level of dividends being repatriated given improvements in foreign exchange availability.

Interest Withholding Tax is also expected to increase by 9.5 per cent to K240.4 million. This is due to ongoing interest payments on Treasury Bills (T-Bills) and Treasury Bonds (T-Bonds), amongst other interest payments. Other minor direct taxes such as the Royalties & Management Taxes and Non-Resident Insurers Withholding Tax (NRIWT) are expected to also increase.

4.2.2 Taxes on Payroll and Workforce

Training Levy collection amounted to K0.2 million as at end-September 2024, although this tax head was repealed in 2018. The levies on payroll and work force reflect delayed collections from years prior to 2018.

[7] According to the IRC, the Allowable Capital Expenditure (ACE) for PNG LNG Project has declined by 15.0 per cent on average, consequently lowering the depreciation cost from ACE over the last 3 years, resulting in higher taxable income.

Table 11: Taxes on Payroll and Workforce 2024-2025 (Kina, million)

	2023 Outcome	2024 Budget	2025 Budget	Budget Variation
Training Levy	2.0	1.2	1.0	- 0.2
Total	**2.0**	**1.2**	**1.0**	**- 0.2**

Source: Department of Treasury

4.2.3 Taxes on Goods and Services

Taxes on Goods and Services is estimated to increase by 22.5 per cent to K6,553.4 million in 2025 from the 2024 Budget estimate (see Table 13). This represents 30.9 per cent of total tax revenue projection. The increase is supported by trends in consumption, trade growth, and improved compliance efforts by the IRC and PNG Customs.

Total GST collections is projected to increase by 29.4 per cent to K4,186.4 million in 2025 which represents 19.7 per cent of total tax revenue projection. The surge is attributed to IRC's ongoing tax compliance and enforcement efforts especially the implementation, since 2020, of the *GST Section 65A* notices to suppliers or service providers of the Government. In 2024, around twenty (20) new State agencies began implementing Section 65A. More agencies are expected to join in 2025 as part of the rollout to SOEs and sub-national governments. As a large part of the initial collections are designed to be quickly returned as GST refunds back to suppliers, the estimate for GST refunds has also increased by 12.9 per cent from the 2024 Budget estimate.

In addition, the introduction of the new GST Monitoring System (GMS) by IRC in the retail and wholesale sector is expected to increase GST collections by K100.0 million. These initiatives will offset the expected revenue loss of K210.0 million from the Government's Household Assistance Package, whereby GST on essential household expenditure items will be zero-rated. The 2025 Household Assistance Package will build on the K1,617.0 million in packages of the previous 3 years to alleviate the cost of living pressures. Including the 2025 measures, the total level of additional support to families through these Household Assistance Packages will total K2,332.0 million, since 2022 (see Table 12).

Table 12: Update of Household Assistance Packages 2022-2025 (Kina, million)

	2022	2023	2024	2025	Total
Personnel Income Tax Cuts - K17,500 for 7 months	122.0				122.0
Fuel - Excise and GST (8 months)	305.0				305.0
School Project Fees (annual)	160.0				160.0
2022 Sub-Total	**587.0**				
Personnel Income Tax Cuts - K20,000 for 12 months		280.0			280.0
Fuel - Excise and Fuel (6 months)		150.0			150.0
School Project Fees (annual)		160.0			160.0
2023 Sub-Total		**590.0**			
Personnel Income Tax Cuts - K20,000 Permanent			300.0		300.0
School Project Fees (annual)			160.0		160.0
2024 Sub-Total			**460.0**		
GST Relief - 12 months starting 1 July 2025)				210.0	210.0
Personnel Income Tax Cuts - K20,000 Permanent				300.0	300.0
School Project Fees (annual)				160.0	160.0
Stamp Duty Threshold increased to K700,000				15.0	15.0
2025 Sub-Total				**685.0**	
Total of 4 Years of Assistance					**2,322.0**

Source: Department of Treasury

Details of these items are covered in Chapter 5, including the zero-rating of GST on key essential items in 2025.

Inland Excise is projected to decrease by 4.2 per cent to K1,271.1 million in 2025 which represents 6.0 per cent of total tax revenue projection. This decrease is attributed to lower collection trends in 2024 which will more than offset the expected revenue gain of K60.0 million from the adjustment of the Tier-2 cap for tobacco products. While this is a downward revision from the 2024 Budget, it is higher compared to the 2023 levels.

Table 13: Taxes on Goods and Services 2024-2025 (Kina, million)

	2023 Outcome	2024 Budget	2025 Budget	Budget Variation
Taxes on Goods and Services	**5,227.0**	**5,349.1**	**6,553.4**	**1,204.3**
GST[1]	3,598.6	3,236.4	4,186.4	950.0
GST Collection at Provinces	*2,937.8*	*2,426.8*	*3,357.1*	930.4
GST Collection at Ports	*1,499.8*	*1,713.1*	*1,849.0*	135.9
GST Refunds	*839.0*	*903.5*	*1,019.7*	116.2
Sales taxes	0.0	0.0	0.0	0.0
Bank Account Debit Fees	0.0	0.0	0.0	0.0
Stamp Duties	18.9	46.3	79.1	32.8
Excise Duty	896.5	1,326.4	1,271.1	-55.3
Import Excise	327.6	300.0	503.0	202.9
Bookmakers' Turnover Tax	15.9	47.1	52.1	5.0
Gaming Machine Turnover Tax	341.5	358.1	427.8	69.7
Departure Tax	7.1	13.0	7.6	-5.4
Motor Vehicle Tax	3.8	0.0	5.0	5.0
Other taxes on use of goods and on permission to use goods or perform activities	0.1	0.0	2.4	2.4
Other taxes on goods and services	16.9	21.8	19.0	-2.8

Source: Department of Treasury
[1]GST represents the total of collections by Provinces, and Ports less Refunds.

Import Excise is projected to increase by 67.6 per cent to K503.0 million, representing 2.4 per cent of total tax revenue projection. The increase reflects the return of this tax head to its long - run trend level after the restoration of excise on fuel products since the second half of 2023. Fuel products were exempted in the last 8 months of 2022 and the first half of 2023 as part of the Government's Household Assistance Package to citizens. However, with the assistance being withdrawn as international oil prices returned to more normal after the sudden price jump due to the Russian-Ukraine war, import excise collections has been improving.

Gaming Machine Tax (GMT) collection is projected to increase by 19.5 per cent to K427.8 million which reflects an increase in gambling activities. The improvement in GMT collection is expected as new gaming and betting methods become available and attractive for gamblers.

Stamp Duty collection is projected to increase by 70.0 per cent to K79.1 million which reflects the ongoing sale of properties and high actual collections up to 107.0 per cent against the Budget estimate of K46.3 million as at end-September 2024. This increase will more than offset the revenue loss of K15.0 million that is expected from increasing the stamp duty exemption for the First-Time Homebuyer threshold from K500,000.00 to K700,000.00 to reflect current market conditions of higher house prices.

Other minor indirect taxes namely Bookmaker's Turnover Tax and Motor Vehicle Tax are expected to improve on the back of stronger economic growth while Departure Tax and Sundry Custom Taxes are expected to decline due to lower year-to-date collection trends.

4.2.4 Taxes on International Trade and Transactions

Taxes on International Trade and Transactions are projected to increase by 5.6 per cent to K939.0 million from the 2024 Budget estimate (see Table 14). This represents 4.4 per cent of total tax revenue projection. The increase is supported by improvements in trade activities and foreign exchange shortage as the kina gradually returns to market convertibility.

Import Duty is projected to increase by 18.5 per cent to K539.0 million which represents 2.5 per cent of total tax revenue projection. This growth will be driven by increased consumption and improvement in trade activities. The continued depreciation of the Kina is also expected to support improvements in collections in nominal terms.

Export Duty is expected to decrease by 7.8 per cent to K400.0 million which represents 1.9 per cent of total tax revenue projection. This decrease reflects the non-implementation of the earlier proposed export duty on unprocessed fish at a revenue cost of K70.0 million. After allowing for this, there is a small increase in export log tax collections as the global demand for round logs is expected to partially recover after the property market crisis in China.

Table 14: Taxes on International Trade and Transactions 2024-2025 (Kina, million)

	2023 Outcome	2024 Budget	2025 Budget	Budget Variation
Taxes on International Trade & Transactions	**667.6**	**888.8**	**939.0**	50.1
Import Duty	386.2	455.0	539.0	83.9
Other Import Taxes	0.0	0.0	0.0	0.0
Export Tax	281.4	433.8	400.0	-33.8

Source: Department of Treasury

4.3 NON-TAX REVENUE

Other revenue is projected to increase by 8.5 per cent to K2,707.0 million or 2.0 per cent of GDP in 2025 from the 2024 Budget estimate (see Table 15). This is due to expected increases of dividend payments from State-owned resource companies and collections from the departmental fees & charges.

The Government is expecting Kumul Petroleum Holdings Limited (KPHL), Kumul Mineral Holdings Limited (KMHL) and Kumul Consolidated Holdings Limited (KCHL) to pay K550.0 million, K921.0 million and K60.0 million in dividends, respectively. Future year projections will be consistent with the Government's new Dividend Policy that is expected to be implemented in Fiscal Year 2025.

In 2025, a total of K900.0 million is projected from the implementation of the *NTRA Act 2022* which represents 33.2 per cent of total non-tax revenue projection. The *NTRA Act 2022* has been in effect since the second half of 2023. In the current phase 1 of implementation, thirteen (13) State agencies were subject to the *NTRA Act*. In phase 2, ten (10) new agencies are expected to start implementing the Act in 2025.

Table 15: Other Revenue 2024-2025 (Kina, million)

	2023 Outcome	2024 Budget	2025 Budget	Budget Variation
OTHER REVENUE	**1,024.4**	**2,494.0**	**2,707.0**	**213.0**
Property Income	**517.8**	**1,246.0**	**1,638.0**	**392.0**
Interest	0.0	0.0	0.0	0.0
Dividends	479.7	1,150.0	1,531.0	381.0
Mining Petroleum and Gas Dividends	*402.6*	*900.0*	*1,471.0*	*571.0*
Dividends from Statutory Authorities	*77.1*	*0.0*	*0.0*	*0.0*
Dividends from State Owned Enterprises	*0.0*	*250.0*	*60.0*	*-190.0*
Withdrawals from income of quasi-corporations	0.0	0.0	0.0	0.0
Property income from investment income disbursements	0.0	0.0	0.0	0.0
Rent	38.1	96.0	107.0	11.0
Sales of goods and services	**21.4**	**0.0**	**16.7**	**16.7**
Sales by market establishments	*0.0*	*0.0*	*0.0*	*0.0*
Administrative fees	*7.0*	*0.0*	*10.2*	*10.2*
Incidental sales by nonmarket establishments	*14.4*	*0.0*	*6.5*	*6.5*
Imputed sales of goods and services	*0.0*	*0.0*	*0.0*	*0.0*
Fines, penalties, and forfeits	**2.1**	**0.0**	**2.7**	**2.7**
Transfers not elsewhere classified	**483.0**	**1,248.0**	**1,049.6**	**-198.4**
Current transfers not elsewhere classified	*483.0*	*1,248.0*	*1,049.6*	*-198.4*

Source: Department of Treasury

4.4 GRANTS

Total Donor Grants is estimated to decrease by 32.0 per cent to K1,500.0 million in 2025 from the 2024 Budget estimate (see Table 16). This brings the 2025 estimate more in line with the 2023 Budget Outcome, and reflects the ending of the special additional support provided to assist with the global COVID-19 pandemic. This estimate is driven by the support from PNG's major donor partners towards the Government's medium-term investment expenditure priority areas. Support grants are mainly from major development partners which include the Australian Government (AusAid), United Nations (UN), China Aid, European Union (EU), New Zealand Aid (NZ Aid) and the Asian Development Bank (ADB). The Government will continue to work closely with these development partners to effectively and transparently use grant funds.

Table 16: Donor Grants 2024- 2025 (Kina, million)

	2023 Outcome	2024 Budget	2025 Budget	Budget Variation
GRANTS	**1,158.6**	**2,205.0**	**1,500.0**	**-705.0**
From Foreign Governments	**892.1**	**1,775.4**	**1,150.0**	**-625.4**
Current	**713.7**	**1,622.2**	**920.0**	**-702.2**
Cash	0.0	130.0	18.4	-111.6
In-Kind	713.7	1,492.2	901.6	-590.6
Capital	**178.4**	**153.2**	**230.0**	**76.8**
Cash	0.0	0.0	0.0	0.0
In-Kind	178.4	153.2	230.0	76.8
From International Organizations	**266.6**	**429.6**	**350.0**	**-79.6**
Current	**213.3**	**396.4**	**280.0**	**-116.4**
Cash	0.0	0.0	0.0	0.0
In-Kind	213.3	396.4	280.0	-116.4
Capital	**53.3**	**33.2**	**70.0**	**36.8**
Cash	0.0	0.0	0.0	0.0
In-Kind	53.3	33.2	70.0	36.8

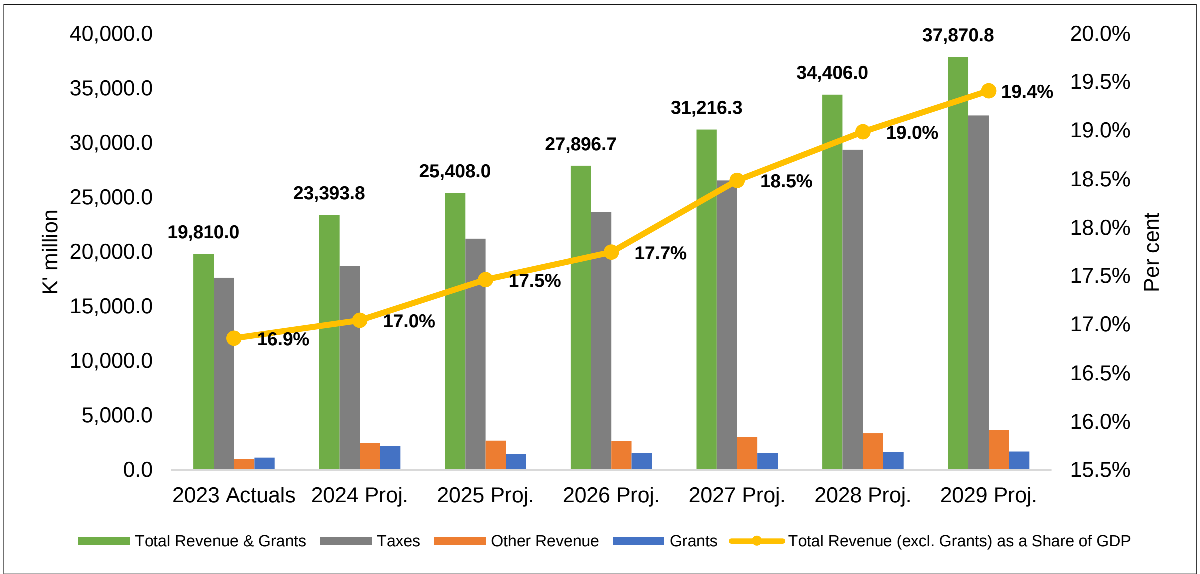
Source: Department of Treasury

4.5 MEDIUM-TERM REVENUE OUTLOOK

The Medium-Term Revenue Outlook is based on the implementation of the revised Medium-Term Revenue Strategy (2023-2027), which is guided by the Government's 13-year Budget Repair Plan. A key objective of the MTRS is improving PNG's revenue profile by strengthening existing tax policies, updating tax legislation, and improving tax administrative capacity in a concerted effort to broaden PNG's tax base. This will further improve the country's investment climate and boost private sector development through a more equitable, fairer and efficient tax system.

The administrative, legislative, and policy reforms under the MTRS are expected to help the Government boost revenues from K19,810.0 million in 2023 to a level of K31,216.3 million by 2027. The Government has also set a target in the MTRS for Total Revenue (excluding Grants) as a share of GDP to be 17.9 per cent or above by 2027, through improved tax compliance and enforcement initiatives. However, the revised outlook indicates that this target will be exceeded to 18.5 per cent (see Chart 24).

Chart 24: Medium-Term Revenue Projections (2025-2029)

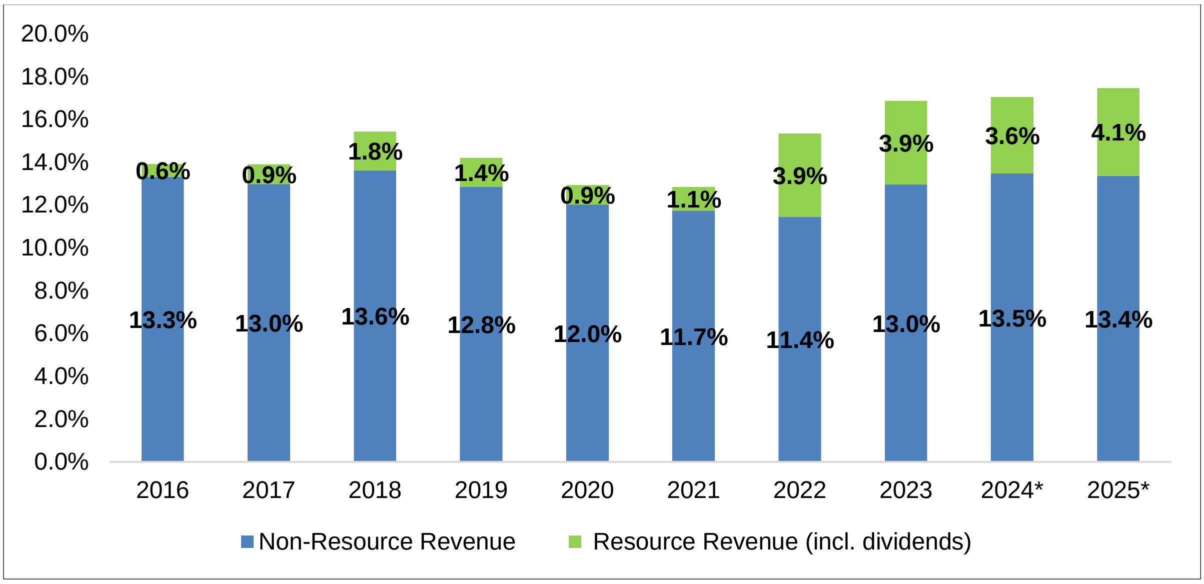


Source: Department of Treasury.

4.5.1 Revenue to GDP and Revenue Composition for 2025

In Fiscal Year 2025, resource-related revenue (including dividends) is expected to increase by 26.0 per cent to K5, 607.6 million from the 2024 Budget estimate. This contributes 23.5 per cent to the projected total revenue (excluding grants). This is consistent with a lower average global crude oil price assumption of US$76.4 per barrel. As a percentage of GDP, resource revenue is expected to be 4.1 per cent (see Chart 25). On the other hand, non-resource revenue is projected to increase by 9.3 per cent to K18,300.4 million which will be supported largely by CIT, PIT and GST. As a percentage of GDP, non-resource revenue is expected to be 13.4 per cent in 2025, a decline from 2024 but higher than 2019 to 2023.

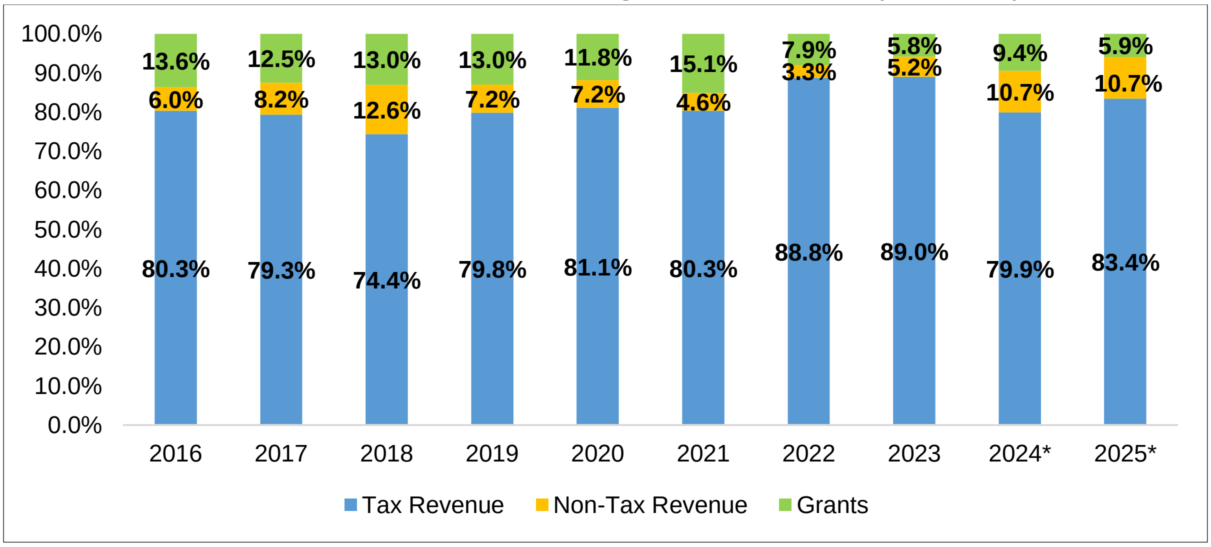
Chart 25: PNG Resource Revenue (including dividends) and Non-Resource Revenue as a Percentage of GDP (2016-2025)



Source: Department of Treasury.
*Projections

Non-Tax revenue as a share of Total Revenue & Grants has decreased from 12.6 per cent in 2018 to 3.3 per cent in 2022, before rising to 10.7 per cent as projected in the 2024 Budget. For Fiscal Year 2025, the Non-Tax revenue share to Total Revenue & Grants is expected to be 10.7 per cent (see Chart 26). Non-Tax revenue is mostly comprised of dividends from SOEs, sweeping a share of revenues collected by agencies outside of the IRC and Customs, and administrative fees charged by statutory bodies. These revenues are usually volatile due to irregular payments from SOEs and statutory bodies that are unrelated to tax collection. A common challenge is that many agencies retain revenue, operate large trust account balances and invest in projects that are often unrelated to their primary mandate. The NTRA Act is aiming to reduce such practices. As a percentage of GDP, Non-Tax revenue has fluctuated between 1.2 per cent in 2019 and 2.0 per cent as projected for Fiscal Year 2024.

Chart 26: Tax, Non-Tax and Grants as a Percentage of Total Revenue (2016-2025)



Source: Department of Treasury
*Projections

CHAPTER 5: TAX AND NON-TAX MEASURES AND DEVELOPMENTS

5.1 OVERVIEW

The Government is aware of the cost-of-living pressures facing families that is associated with the recent global price shocks and the continued depreciation of the Kina against the US dollar under the crawl-like exchange rate regime.

In the 2025 National Budget, the Government is introducing certain tax measures to reduce cost of living pressures, reduce red tape, enhance tax administration efficiency, improve taxpayers' compliance and strengthen revenue collections in 2025 and beyond.

The measures are categorised into major policies and minor policies or technical amendments. The major policies introduced in this budget include GST reductions on key essential items as part of the household assistance package, GST Monitoring System (GMS), increased tax-free threshold for first time home buyers, temporary freezing of bi-annual excise rate indexation on alcohol and tier 1 tobacco products for one year. An introduction of rewritten *Income Tax Act is* deferred to early 2025 and it will be effective from 01st January 2026.

The revenue measures for the 2025 Budget are expected to reduce revenue by K115.0 million.

5.2 MAJOR REVENUE POLICY MEASURES

5.2.1 Household Assistance Package to Alleviate Cost-of-Living Pressures

The Government is introducing a household assistance package to mitigate the rising prices of basic goods and food. As part of this package, GST on essential household goods will be zero-rated for 12-months which will reduce retail prices.

Businesses will not charge consumers GST on the selected household good, but they will continue to claim GST input credits. The basic household items identified for GST zero rating are: rice, tinned fish, tinned meat, noodles, chicken, flour, biscuits, cooking oils, tea, coffee, sanitary pads and tampons, baby diapers and soap.

This measure will come into effect on 01st July 2025. The measure is dependent on the introduction of the new GST Monitoring System (see below) that will allow different supermarket goods to have different rates of GST applied. The measure is based on a 12-month implementation period that will conclude on 30 June 2026 but this timing can be reviewed again as part of the 2026 Budget. This measure is expected to cost K210.0 million in the second half of 2025. These funds will be effectively transferred to households to assist with cost-of-living pressures.

5.2.2 Goods and Service Tax (GST) Monitoring System

A GST cash register monitoring system (GMS) is introduced in this budget to enhance GST administration and collection. This system is a technological solution that automates the monitoring of sales transactions at the point of sale (POS). This system integrates cash registers or POS that record and transmit sales data in real time to the Internal Revenue Commission (IRC).

The new system will ensure businesses are accurately reporting their sales transactions and remit the correct amount of GST revenue. It will minimise errors and deliberate underreporting by businesses. Furthermore, businesses will be required to maintain consistent and accurate documentation for audit and compliance purposes. This will allow the IRC to detect discrepancies or suspicious transactions and conduct targeted audits.

This measure will require an amendment to the *Goods and Services Act 2003* to ensure the implementation of the GMS.

In addition, the sales data collected through this monitoring system will support improved corporate tax revenue forecasting and enhanced levels of corporate tax compliance.

This measure is expected to come into effect in June 2025 and is expected to generate K100.0 million in 2025. This measure is an essential pre-requisite for the implementation of the GST reductions on key essential household items noted above.

5.2.3 Reduction of The Company Tax Rates Applied to the Commercial Banking Sector

The 2023 Budget imposed a corporate income tax rate of 45.0 per cent specifically for commercial banks. The Papua New Guinea Banking Association has been in dialogue with the Government on the possibility of changing this rate. Other topics or issues that have been discussed include increasing competition in the banking sector to improve services to customers, reducing the number of unbanked people in PNG, the need for revenues to fund health, education and law and order, and issues about horizontal and vertical equity.

As a result of the discussions, the following measures have been agreed:

- Reducing the base rate of company tax on all commercial banks for profits below K300.0 million from 45.0 per cent to 40.0 per cent from 1 January 2025 with a further reduction to 35 .0 per cent beginning on 1 January 2026.
- Reducing the rate of company tax for all commercial bank profits above K300.0 million from 45.0 per cent to 44.0 per cent from 1 January 2025. This rate will then decrease by one percentage point at the start of each successive fiscal year until the rate is 35.0 per cent.

These changes are expected to cost around K50.0 million in 2025 and K50.0 million in 2026, with on-going costs as the rate of tax on profits higher than K300.0 million falls. BSP will benefit from the largest tax reductions as a result of this measure, but smaller banks will have improved opportunities for competition and gaining market share.

There will also be measures to encourage more financial inclusion and apply new tax rates on large financial institutions that are not commercial banks, as set out at the end of this chapter.

5.2.4 First-Time Homebuyer Scheme Thresholds to Reflect Current Market Conditions

The First-time Homebuyer Scheme was introduced in 2011 to make housing affordable and to encourage citizens to purchase their first home. The amendment to the *Income Tax Act* provides for employees to use recreational, furlough, superannuation and gratuity benefits to buy a residential home at a value of K400,000.0 or below without incurring taxes. Employers can also provide tax-exempt subsidies. In addition, the Stamp *Duties Act* provides a stamp duty exemption for homes valued up to K500, 000.0.

A review on the scheme was conducted a decade ago. However, since then, construction costs, land prices and inflation have increased the prices of homes which has caused home ownership for ordinary Papua New Guineans to remain a challenge. A survey report prepared in 2023 by Hausples indicates the market price for a standalone house range from K700,000.0 to K1,000,000.0.

For the 2025 Budget, the Government is increasing the thresholds stipulated in both the *Income Tax* and *Stamp Duty Act* from K400, 000.0 and K500, 000.0 to K700,000.0. This policy change will make some housing more affordable for Papua New Guineans.

The measure will come into effect on 01st January 2025 and it will cost the Government K15.0 million.

5.3 EXCISE TAX OF ALCOHOL AND TOBACCO

5.3.1 Freeze Excise Rate Indexation on Alcohol and Tobacco Products

In light of the challenging economic situation caused by inflation, the Government is temporarily freezing the bi-annual excise indexation to stabilise prices for alcohol and tobacco and ensure the industry maintains 2024 price levels in 2025.

The freeze aims to stabilize costs of business operations and support legitimate products. The freeze will apply to both alcohol and Tier-1 tobacco products. However, the freeze will not be extended to the tobacco tier-2 products. The freeze will apply for 12 months.

This measure is expected to be revenue positive and come into effect on 01st December 2024 and end on the 30th November 2025.

5.3.2 Adjustment of Tier-2 Tobacco Quota Determination

Currently, Tier-2 quota is determined by applying 50.0 per cent on the total sales of main Tier 1 of the previous year. In this Budget, the Government increases the Tier-2 quota by applying 50.0 per cent on the combine sales of main Tier 1 and Tier 2 tobacco products in the previous year. This will increase the Tier-2 quota.

The measure aims to address the Tier-2 tobacco market dynamics and generate additional revenue. The increase is also expected to sustain the presence of Tier 2 products in the market for the entire fiscal year which is expected to combat the sale of illicit tobacco products.

The measure expected to raise an additional K60.0 million in 2025 and will come into effect on 01st December 2024 and end on 30th November 2025.

5.3.3 New Excise Regime of Electronic Cigarette Products

E-cigarettes are battery-operated devices designed to mimic the experience and effects of smoking by heating a liquid solution containing nicotine and various flavourings for inhaling. E-cigarettes come in various shapes and sizes, ranging from those resembling traditional cigarettes to more customised devices. The product has become globally popular with sales growing every year, and many governments around the world have introduced laws to regulate the sale of the devices.

Currently, PNG does not have any regulation on the importation of e-cigarettes. For the 2025 Budget, the Government is creating a new tariff item in the *excise tariff Act 1956* to regulate the importation of e-cigarettes. The excise rates being introduced are K400.0 per kilogram for excise tariff item 2404.11.10 - *Tobacco sticks specifically designed for use in e-cigarettes*, and K20 per millilitre for excise tariff items under sub heading 2404.12-*Other, containing nicotine*, and subheading 2404.91- *For oral application*.

This measure aims to tax the consumption of e-cigarettes and address the externalities associated with the products.

The measure will come into effect on the 01st of January 2025.

5.4 EXCISE REFORMS FOR VEHICLES

5.4.1 Amendments to Import Excise Tariff Relating to Vehicles

Several technical amendments have been made to the import excise tariff for vehicles to align with the Harmonized System (HS) 2022 and enhance clarity in the classification of vehicles. One of the key changes is the creation of new subheadings, 8701.21.00 to 8701.29.00, under heading 8701.2, titled “Tractors for Semi-Trailers”. These amendments ensure the precise classification without altering the existing tariff rates.

In addition, specific revisions have been introduced for clarity. The word “reciprocating” has been removed from tariff items 8702.30.00 to 8703.60.00, and the word “only” has been added to tariff item 8704.2 to eliminate any ambiguity in the classification of vehicles. These adjustments aim to facilitate better understanding and application of the tariff schedule.

To support environmentally friendly policies, new subheadings 8704.21 to 8704.4 have been created to classify hybrid vehicles based on their Gross Vehicle Weight (GVW). Although these subheadings typically default to the current excise rates, a concessional duty rate of 10.0 per cent is applied for hybrid vehicles to encourage their importation. Furthermore, new tariff items 8704.41.00 to 8704.52.00 have been introduced for hybrid vehicles under this national classification, reinforcing the concessional duty policy.

For fully electric vehicles, tariff item 8704.60.00 has been introduced, covering vehicles powered solely by electric motors. As these are not hybrid vehicles but fully electric, these vehicles are exempted from import excise duty. This is consistent with the Government’s policy to promote sustainable and environmentally friendly transportation.

These measures are expected to be revenue neutral and will be effective on 01st January 2025.

5.5 NATIONAL RUGBY LEAGUE (NRL) SALARY AND WAGES TAX EXEMPTIONS

In an effort to strengthen ties between Australia and PNG, the PNG Government and the Australian Rugby League Commission (ARLC) are working on a partnership to establish a Papua New Guinea National Rugby League Franchise (PNGNRLF) in Port Moresby. The franchise will include both men's (NRL) and women's (NRLW) teams, and it will source talent domestically and internationally.

A comprehensive Rugby League Strategy will be developed and focus on the following:

- Expanding elite pathways for talented domestic players to join the NRL and increasing international rugby league activities in PNG;
- Developing strong talent pipelines for emerging rugby league players; and
- Using rugby league as a platform to drive positive social change, including improving school attendance, promoting gender equity, and advancing health initiatives.

In order to incentivise, attract and maintain quality players and teams' administration staff, the Government will exempt personal Income tax. A salary and wage tax exemption will apply to all players (domestic and international) and international staff. The exemption conditions will apply to tax residents in PNG and will not apply to tax residency in another jurisdiction.

The establishment of the NRL franchise is expected to generate between K1.4 billion and K1.7 billion in economic activity over the next 25 years.

This tax measure is revenue negative but is expected to create spin-off economic impacts and benefits.

This measure will come into effect on 01st January 2025.

5.6 TAX EXEMPTION ON SUPERANNUATION WITHDRAWALS FOR LONG SERVING RETIREES

Currently, long-serving retirees, those with 15 or more years of service are currently subject to a 2.0 percent tax on their superannuation savings upon withdrawal.

For the 2025 Budget, the Government will exempt the 2.0 per cent tax on superannuation withdrawals for long-serving retirees. This exemption recognizes their significant contributions during their years of service and provides an incentive for individuals to remain in the workforce longer.

The measure is expected to have minimal revenue impact and is scheduled to take effect on 01st January 2025.

5.7 MINOR POLICY MEASURES

The following minor policy measures are mainly technical amendments that are expected to make the taxation system more effective and robust and enhance tax compliance and improved revenue generation.

5.7.1 Tax Clearance Certificate for Smaller Businesses – Central Bank

A Tax Clearance Certificate is a document issued by the IRC certifying that a taxpayer has no outstanding tax liabilities and has fulfilled all tax obligations to date. This certificate is often required by the Central Bank for certain financial transactions like sending large sums of money overseas, paying dividends, or repaying loans.

The current annual limits or thresholds were set at K500,000.0 per annum for forex payments many years ago. Business costs have increased substantially since then. Businesses are concerned about the paperwork involved in these applications, and the delays in obtaining TCCs affect their cash flows and relations with overseas suppliers. The new limit seeks a balance between reducing red tape and the need to protect revenues. The *Central Banking (Foreign Exchange and Gold) Regulation 2000* has been amended to increase the limit to K1,500,000.0.

This measure will be effective on 01st January 2025.

5.7.2 Reduce the Filing Frequency of GST Tax Returns for Smaller Businesses

I Goods and Services Tax (GST) registered taxpayers are required to submit GST returns each month. This means taxpayers are required to file twelve (12) GST returns a year. This increases the compliance burden for small to medium taxpayers. Small businesses have limited resources and administrative capacity to prepare and file GST returns each month. Hence, reducing the frequency of filing GST returns will ease the administrative burden, reduce costs, and allow them to focus more on their core operations. It will also help them improve their cash flow management. Therefore, it is proposed that taxpayers with an annual turnover of less than K1.5 million file their GST returns quarterly. A reduced filing frequency is intended to reduce the compliance burden and improve cash flow management for small to medium taxpayers. This will also allow the IRC to focus on larger taxpayers on issues such as GST refunds. This tax measure is revenue-neutral.
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5.7.3 Increase Penalty on Section 65A GST Act 2003 Non-Compliance

In 2021, Section 65A was introduced under the *Goods and Service (GST) Act 2003.* The amendment was done to ensure the collection of GST revenue at source. While the rollout has generated significant additional revenue, many recipients of the S65A Notice have failed to comply with the intent of the amendment.

The high level of non-compliance for furnishing Section 65A returns is in part due to the low penalty imposed. The current penalty applied on non-compliance is K1,000.0 and this is considered to be lenient given the poor level of compliance. Therefore, the S65A of the *GST Act 2003* is amended to increase the penalty fee to K50,000.0.

This increased penalty fee is intended to deter taxpayers' low compliance behaviours and promote adherence to tax obligations. This measure is revenue-neutral but overtime compliance is expected to improve, hence, the overall GST revenue will increase.

Due to uncertainties about the legal applicability of Section 65A on District Development Authorities (DDAs), they will be exempted from s65A of the *Goods and Services Act 2003*.

This measure will come into effect on 01st January 2025.

5.7.4 Reduce Time-Frame for Taxpayers to Submit GST Refund Claim

Section 91 of the *Goods and Services Act 2003* allows a GST- registered person to claim a refund within eight years which is lengthy and it encourages taxpayers to delay submitting refund claims when due. The tax payers have been taking advantage of this lengthy period by engaging in fraudulent refund claims.

To address this issue, the Government is reducing the claim period from eight years to four years. This will align with the four-year timeframe required for any amended assessment. This will ensure the timely submission of refund claims by taxpayers.

The reduction will be implemented gradually over a four-year period, decreasing the claim period by one year each year starting in 2026. This phased approach will ensure a smooth transition and it will give taxpayers ample time to adjust to the new timeframe.

To avoid penalising companies in their initial setup phase provisions will be made. As long as these taxpayers notify the IRC of their claims within the specified period, they will still be eligible to claim a refund.

This measure is revenue-neutral but it is expected to enhance administrative efficiency and reduce GST refund fraud.

5.7.5 Correct Implementation of the Penalty Provision Under the Retirement Savings Account

A Retirement Savings Account (RSA) allows retirees to save part of their savings instead of withdrawing the entire amount at retirement. Retirees can deposit up to K250,000.0 into an RSA and use after-tax distributions from Authorized Superannuation Funds (ASF). There are rules under the *Income Tax Act 1959* that must be adhered if a retiree wants to withdraw any savings, and failing to comply with these rules will attract penalties including the tax implications.

Currently, penalties apply to both the capital and the accrued interest in the account. This has raised concerns among retirees who believe penalties should only apply to the interest earned as capital was already subjected to personal income tax.

Therefore, the Government is rectifying the issue by ensuring tax is applied only to the interest earned.

The revenue impact is neutral and it is expected to come into effect on 01st January 2025.

5.7.6 Update the Country-by-Country Reporting Standards

Under the Base Erosion and Profit Shifting (BEPS) Action 13 Plan, all large Multinational Enterprises (MNEs) operating in PNG are required to prepare a country-by-country (CbC) report. This report includes aggregated data on their global income, profits, taxes paid and economic activity across the different tax jurisdictions in which they operate.

The IRC requires these CbC reports for high-level transfer pricing assessments to evaluate BEPS risks. Moreover, the revenue thresholds for defining exempt MNEs required under the Income Tax Act set a fixed date of “01st January 2016”. This fixed date is inconsistent with the BEPS Action Plan 13 standard, which requires the revenue threshold to be applied annually. For the 2025 Budget, the current fixed date will be removed to align with the acceptable standards.

To enhance compliance by MNEs with the CbC reporting, a new penalty provision will impose a penalty of K2.0 million for non-compliance. This compliance measure was absent from the first CbC provisions introduced in 2016. This is intended to ensure effective implementation of CbC reporting.

This measure is revenue-neutral but it is intended to improve compliance and effective administration going forward. This measure will come into effect on 01st January 2025.

5.7.7 Alignment of the Non-Resident with Resident Tax Tables

In the 2023 Budget, a temporary amendment increased the personal income tax exempt threshold to K20,000.0. This change was made permanent in the 2024 Budget. As a result, the 22.0 per cent tax bracket was removed by default. However, this removal was not aligned with the non-resident tax table, which still reflects the 22.0 per cent tax bracket in the existing legislation.

To address this misalignment, the legislation has been updated to ensure the non-resident tax table accurately reflects the removal of the 22.0 per cent tax bracket. This adjustment will maintain consistency and fairness in the tax system for both residents and non-residents.

This measure is revenue neutral and will be effective 01st January 2025.

5.7.8 Updating Description of Tobacco Tariff Item 2402.20.20 to Reflect Current Market Products.

Currently, the description for tariff item 2402.20.20 is "*Cigarettes of dark fired tobacco or tobacco substitutes without filter containing dark fired tobacco, (spear equivalent*)". However, spear tobacco products are no longer produced and sold in the market. Therefore, the amendment will remove the term "spear equivalent" from the description.

This revision ensures the tariff description accurately reflects the products available in the market.

This measure will be effective on 01st January 2025.

5.7.9 Tax Tables to be Issued Administratively by Internal Revenue Commission

The dependent rebate is a key component of PNG's taxation system. It provides tax relief to salary and wage earners with dependents. Although the rebate has continued through administrative discretion by the IRC, it is important to reinstate the dependent rebate in the law.

To ensure effective administration of the dependent rebate, the relevant fortnightly tax tables that factor the dependent rebate calculations shall now be issued administratively by the IRC.

This measure is revenue neutral. The legal changes will reinforce administrative practice in 2024.

This measure will be effective 01st January 2025.

5.8 INTRODUCTION OF THE REWRITTEN INCOME TAX ACT 1959

The Government will introduce in the new year the rewritten Income Tax Act (ITA). The aim of this new act is to simplify the 1959 law that predates independence. The new act will make it easier for businesses to understand necessary features of the tax code. This initiative has been announced as part of the 2025 Budget with the passage of legislation intended for early 2025 to allow for final drafting to be completed on a landmark piece of legislation.

The current ITA is based on Australian tax legislation. Over the years, amendments have involved "transplanting" provisions from Australian income tax legislation. Consequently, the ITA has become a lengthy and complex document, presenting challenges for taxpayers and tax administrators.

The rewritten ITA is a key reform that was recommended in the 2015 Tax Review and *Medium-Term Revenue Strategy (MTRS) 2018–2022*. The primary goal of re-writing the ITA is to modernise and simplify the current ITA to enable the taxpayers to understand the tax provisions and apply the taxes accurately in fulfilling their tax obligations. The rewritten ITA aims to create a clear, concise and user-friendly tax law that suits PNG's business, investment, social and development needs.

Consultation on the act have been going on for several years, and the act has been significantly improved from the feedback and views of the business community, accounting firms and others.

5.9 NON-TAX REVENUE MEASURES

5.9.1 Non-Tax Administration Act Implementation

The *Non-Tax Revenue Administration (NTRA) Act 2022* was enacted as part of the 2023 National Budget. The purpose of this Act is to regulate all non-tax revenues collected by Public and Statutory Bodies. These revenues are intended to support the National Budget and to fund the reasonable operational budgets of the state agencies that collect non-tax revenue.

Under the Interim Arrangement, which will cease during 2025, as per Section 9 of the *NTRA Act*, the NTRA Committee oversees the implementation of the Act in close consultation with the relevant state agencies. Fiscal Year 2025 marks the third year of implementing the Act. So far, the NTRA Committee has consulted twenty-three statutory and public bodies and have determined their revenue sharing ratios to fund their operational expenses and to support the Budget.

In 2025, the NTRA Committee will continue to identify other state agencies that collect non-tax revenue and consult them to ensure there is transparency and accountability in the collection and usage of public funds, and help guide them to submit their 2026 Budget bids.

In accordance with Section 13 of the *NTRA Act*, the Government will withdraw the interim arrangements with agencies moving fully onto the budget by the 2026 budget year. This means 100 per cent of the non-tax revenue collected by the statutory and public bodies will be remitted to the Consolidated Revenue Fund and their operations and projects will be funded through the normal budget process.

5.10 DEVELOPMENT AREAS

5.10.1 Incentives for Financial Inclusion

Under the current banking license framework, commercial banks in Papua New Guinea are required to have clear programs to promote financial inclusion. As part of ongoing efforts, a review is planned for 2025 to assess whether higher tax rates or alternative measures should be introduced for banks that lack financial inclusion strategies targeting the unbanked population. This review will also consider the potential application of specific tax arrangements for large financial institutions such as Moni Plus.

5.10.2 School Fee Rebate for Private Schools

Private schools in Papua New Guinea continually play a crucial role in educating, training, and developing the nation's human resources. To support these institutions, and alleviate the financial burden of school fees on parents and guardians, the Government will be considering options to improve support for these fees.

Currently, private schools benefit from an exempt salary and wage tax through a salary packaging policy. This policy allows salary earners to allocate up to 40.0 per cent of their annual income directly to school fees, which is tax-exempt.

For Fiscal Year 2025, the Department of Treasury and IRC will work on developing an appropriate rebate regime for private schools. A detailed report on the proposed regime with key recommendations is expected to be ready for approval by the National Executive Council (NEC) by June 2025.

5.10.3 Classifying Printed and Non-Printed Polymers in Local Manufacturing

Printed polymers are created using 3D printing techniques, while non-polymers are shaped through traditional methods like molding or extrusion. Non-polymers, such as metals, ceramics and glass lack polymeric structures and are shaped through forging or casting for application in construction or machinery.

The Government, to promote domestic manufacturing activities, proposes a national split in the HS Systems to demarcate printed and non-printed polymers from non-polymers used in local manufacturing.

No duty tariff will apply on the intermediate goods including, polymers printed for manufacturer’s packaging. The current 10.0 per cent duty will continue to be applied to finished products as polymers printed for other use.

The Government will review this proposed policy in 2025 and provide further policy direction.

5.10.4 Classifying Printed and Non-Printed Polymers in Local Manufacturing

This measure aims to align the descriptions with the PNG Customs Harmonized System (HS) by amending current descriptions of packaging to clearly differentiate between packaging for sale and manufacturing.

Treasury and PNG Customs Service will review this proposed policy in 2025 and provide further policy direction.

CHAPTER 6: EXPENDITURE

6.1 OVERVIEW

The implementation of the 2025 Budget will occur during the second year of implementing the Medium-Term Development Plan IV (MTDP IV) 2023–2027. This is in alignment with the Government's updated 13-year Budget Repair Plan, which aims for a balanced budget by 2027. The 2025 Budget prioritizes fiscal discipline and strategic investments in law and order and social services. These efforts are integral to achieving the Government's MTDP IV objectives, which include growing the economy to K200 billion by 2030, creating one million jobs, and improving the overall living standards across the nation.

The estimated expenditure for 2025 Budget is K28,357.2 million. Of this total, K18,014.5 million is allocated for operational expenditures and K10,342.7 million is allocated for capital expenditure. These funds are distributed across all sectors and Government-funded agencies to support their respective activities and projects.

The 2025 Budget is framed around the theme **"Securing PNG in 2025 and Beyond"**. It takes into account the 2024 Budget execution challenges pertaining to cash flow as a key factor for consideration. Other factors that have been considered include growth for key expenditures in the Education and Health sectors, the need to strengthen and maintain Law & Order, and paying for fixed overhead costs.

In recognition of the above, the 2025 Budget proposes to:

- strengthen law and order for a safe and secure society;
- enhance revenue collection efforts to improve fiscal sustainability;
- invest in critical economic activities and enablers for long-term growth;
- grow the economy and create jobs;
- improve transport connectivity;
- provide quality health and education services;
- maintain fiscal support to provinces and districts by expeditiously allocating ABG funding;
- combat the impact of climate change;
- prevent the accrual of arrears in the Good and Services and Personnel Emoluments (PE) Budget; and
- promote greater governance and improve public service efficiency.

Section 6.5 of this chapter will provide details of the above strategies for respective implementing sectors. Section 6.6 will discuss the Government's commitment to promote expenditure efficiency through various measures.

6.2 2024 AGGREGATE EXPENDITURE

The 2025 Expenditure Budget is set at K28,357.2 million and it is comprised of K18,014.5 million in operational expenditure and K10,342.7 million in capital expenditure. The total estimated Expenditure Budget consists of three components: K25,631.3 million from the

Government of Papua New Guinea (GoPNG), K1,500.0 million from donor grants, and K1,225.9 million from concessional loans.

Overall, the total expenditure estimates for 2025 increased by K979.7 million, or 3.6 per cent from K27,377.5 million in 2024 to K28,357.2 million in 2025.Within this figure is a significant drop in estimated donor grants. This means there is a higher increase of 7.0 per cent when considering the GoPNG expenditure component. The government is also promoting efforts for fiscal consolidation to achieve a balanced budget by 2027. Table 17 below shows the detailed breakdown of the 2025 aggregate expenditure.

Table 17: 2025 Aggregate Expenditure (Kina, million)

Budget Components	2024 Budget	2025 Budget	As a % of Total Budget
Operational Component	**16,677.7**	**18,014.5**	**63.5**
Compensation of Employees	7,034.3	7,801.2	27.5
Goods and Services	5,057.1	4,842.3	17.1
Interest Payments	3,050.8	3,522.5	12.4
Provincial Functional Grants	638.0	706.1	2.5
GST and BMT transfers	897.6	1,142.4	4.0
Capital Investment Component	**10,699.8**	**10,342.7**	**36.5**
GoPNG	7,281.0	7,616.8	26.9
Concessional Loans	1,213.8	1,225.9	4.3
Donor Grants	2,205.0	1,500.0	5.3
Grand Total	**27,377.5**	**28,357.2**	**100.0**

Source: Department of Treasury

6.2.1 Operational Budget

The Operational Budget for 2025 is allocated a total of K18,014.5 million. This is an increase of K1,336.8 million or 8.0 per cent compared to the 2024 Budget. This increase consists of a K766.9 million or 10.9 per cent increase in Compensation of Employees (CoE), while Goods and Services (G&S) has decreased by K214.8 million or 4.2 per cent in comparison to the 2024 Budget.

The increase in the CoE budget estimate will cater for increases in the number of teachers, health workers and police personnel compensation. It will also help prevent the accrual of PE arrears. Increases in CoE will include an additional K98.3 million for defence, Parliamentary and judiciary services. The 2025 CoE Budget of K7,801.2 million accounts for 43.3 per cent of the Operational Budget and 27.5 per cent of the total expenditure for 2025. The CoE Budget covers salaries, allowances, and social benefits such as retirement, gratuities, and superannuation. Some CoE expenditure items are captured under the Cross-Cutting Activities (Division 207, formerly known as Treasury & Finance Miscellaneous vote) to ensure better coordination and execution.

The decrease in the G&S Budget estimate reflects a reduction in one-off budget items like, the local level government elections and reductions in specific economic items (travel, renovations and the purchase of motor vehicles). However, the G&S includes increases for new one-off items such as for the 50th Anniversary celebrations (K55.0 million). The G&S Budget accounts for 26.9 per cent of the Operational Budget and 17.1 per cent of the total budget. It covers fixed costs such as utility bills, rentals, and Government arrears.

While overall G&S allocation has reduced, functional grants to provincial administrations have increased by 10.7 per cent (K68.1 million). There was also an increase of K244.8 million (27.3 per cent) in the allocated GST and BMT transfers. These increases reflect the Government's commitment to ensuring effective service delivery in the provinces through equitable revenue sharing arrangements.

The Government remains committed to fulfilling its debt obligations and has allocated K3,522.5 million, 12.4 per cent of the total expenditure budget for debt interest payments. This represents an increase of K 471.7 million or 15.5 per cent compared to the 2024 Budget and is primarily due to the higher cost of domestic borrowing.

6.2.2 Capital Expenditure Budget

The 2025 Capital Investment Budget (CIB) outlay supports major policy imperatives for economic repair, national growth and improved citizenship wellbeing over the long-term. The 2025 CIB shows continued interest of Government in delivering critical and strategic investments that will support growth of the economy. Consolidation efforts for different economic and growth drivers will contribute to improving the economic and development conditions of the country and improve livelihoods for all Papua New Guineans as described in Vision 2050.

The 2025 CIB will fund programmes and projects under the 12 Special Priority Arears (SPA) broken down into 71 Deliberate Intervention Programs (DIPs). These will be distributed across various sectors that are highlighted in the MTDP IV.

The 2025 aggregate CIB is K10,342.7 million which is 36.5 per cent of the total Expenditure Budget. This will be financed through internal revenues and support from development partners' grant financing and concessional loans. The CIB is comprised of K7,616.8 million GoPNG component, K1,225.9 million in concessional loans and K1,500.0 million in donor grants. The 2025 CIB has been decreased by K357.1 million (3.3 %) from the 2024 Budget, entirely explained by the decrease in the estimated level of donor grants. The Table 18 below provides the Key Government Fixed Commitments and Investments with funding allocated in the 2025 CIB

Table 18: Key Government Fixed Commitments and Investments

PROGRAMS	K 'million
SME Funding	200.0
State Equity Program	150.0
National Land Partnership Program	152.0
Agriculture Investment	225.0
Connect PNG Roads	970.0
Connect PNG Aviation	83.0
Connect PNG Maritime Transport	110.0
Connect PNG Energy, Telecommunications, WaSH and ICT	735.6
Special Police Assistance Program	200.0
National Security	77.0
Health Services and Infrastructure Improvements	307.0
General Education including TVET, FODE, STEM	125.0
Higher Education	287.2
National Rugby Leadue Bid	100.0
PNG Grassroots Games	50.0
National Identification Registration	60.0
Golden Jubilee Commemorations	54.0
Church State Partnership Program	25.0

Source: Department of National Planning & Monitoring

6.3 DONOR FUNDING FROM DEVELOPMENT PARTNERS

Total donor financing for Fiscal Year 2025 is K2,725.9 million, compared to K3,418.8 million that was allocated in 2024.This is a reduction of K693.0 million which is predominantly grant financing. This reduction subsequently increases the GoPNG financing of the CIB to 73.6 per cent whilst donor grants and loans cumulatively account for 26.4 per cent of the total 2025 CIB.

There are fifteen development partners providing budget support for the 2025 CIB. Australia, China and the United Nations provide the largest amount of grant financing. In the concessional loan space, the Asian Development Bank, World Bank and the Australian Infrastructure Financing Facility (AIFFP) are the three largest contributors for loan financing.

Support from loan partners is mostly for infrastructure, health and administration sectors. This includes policy reform programs like the National Road Maintenance Program (NRMP), Health Sector Services Development Program (HSSDP) as well as supporting individual projects in the National Agriculture Sector Plan like Market for Village Farmers, PNG Agriculture Commercialisation and Diversification Programs.

Total counterpart contributions for all donor funding is K257.0 million in 2025.This is an increase of K121.0 million compared to the 2024 CIB level which was K136.0 million. An overview of the Development Partners contributions in PNG are shown in the tables below.

Table 19: Grants and Loans in 2024 and 2025 (Kina, million)

Development Cooperation	2024	2025	% Change
Grants	2,215.0	1, 500.0	-32.0%
Loans	1,213.8	1,225.9	1.0 %

Source: Department of National Planning & Monitoring

Table 20: 2025 Loans, Grants and Government Counterpart Funding (Kina, million)

Development Partners	Grants	Loans	Counterpart	Total
Australia	868.4	-	15.0	879.4
Australia AIFFP	32.0	168.3	9.0	209.3
EU	89.0	-	-	89.0
UN	189.0	-	-	189.0
NZ	44.2	-	-	44.2
China	157.0	165.6	107.0	414.6
ADB	19.3	429.4	56.0	504.7
World Bank	-	357.5	24.0	399.5
Japan	48.3	-	19.0	67.3
Ceska/Erste		20.0	10.0	30.0
EIB	40.0	-	5.0	50.0
Korean EXIM Bank	-	20.0	-	20.0
IFAD	-	18.1	2.0	20.1
India EXIM		47.0	10.0	57.0
France	12.7	-		12.7
Total	**1, 500.0**	**1, 225.9**	**257.0**	**2, 986.8**

Source: Department of National Planning & Monitoring

6.4 Infrastructure Tax Credit Scheme

The Infrastructure Tax Credit Scheme (ITCS) has been designed to allow developers of major resource projects in the oil and gas industry, the primary industry, and the tourism industry to retain a certain percentage of their assessable income. This is used to fund key infrastructure projects in the project impact localities, districts, provinces and extended to other provinces in the country. The ITCS is one of the Public Private Partnership (PPP) Program initiated by the National Government to develop and deliver key infrastructures in the extractive (mining, oil, gas) and primary industry impacted areas in Papua New Guinea. This program aligns with the Medium-Term Development Plan IV, SPA 12, DIP 12.3 in Private Sector Partnership. This DIP will see the, Government mobilize resources and utilize development partner capacity to deliver key infrastructure to rural communities.

The ITCS has been in implementation for over 30 years through Section 219(C) of *Income Tax Act*, which allows the Government to utilize up to 2.0 per cent of the total assessable income of the extractive and primary sectors that would otherwise be paid as tax to the Government.

A total of 12 developers have registered to participate in the scheme. However, the active participants of the ITCS include Ok Tedi Mining Limited (OTML), New Crest Mining Limited (NML), New Britain Palm Oil Limited (NBPOL), Hargy Oil Palm Limited, K92 Mining Limited, Oil Search Limited (OSL) and Exxon Mobil PNG Limited (EMPNGL). Below is the Table 21 showing actual and projected expenditure under the ITCS from 2022-2026.

Table 21: Actual and Projected Expenditure under ITCS

	Actual Expenditure		Forecast (K)		
Developer	**2022**	**2023**	**2024**	**2025**	**2026**
Exxon Mobil PNG Ltd[1]	0	0	190.2	50.5	48.7
Hargy Oil Palm Ltd	0	0	0	1.0	3.1
K92 Mining Limited	0	0	0	6.6	8.8
New Britain Palm Oil Limited	2.9	6.5	3.2	10.0	0
Lihir Gold Ltd	0	7.02	2.1	15.5	31.0
Ok Tedi Mining Limited	53.2	49.7	109.7	164.4	171.2
Porgera Joint Venture	0	0	0	0	0
Oil Search Ltd	0	0	0	0	0
Grand Total	**56.1**	**63.1**	**305.2**	**248.0**	**263.0**

Source: Department of National Planning & Monitoring

[1]For the years 2022 to 2023, ENPNG did not provide reports to DNPM. Hargy, K92, NBPOL, PJV and OSL did not undertake any projects in 2022 and 2023.

6.5 SECTOR EXPENDITURE

The sectoral allocation for the 2025 Budget is guided by the five MTDP IV Growth Triggers and all other MTDP IV Priorities aimed at creating one million jobs and growing the economy from K110.0 billion in 2022 to K200.0 billion by 2030

Government agencies are categorised into nine sectors, however, for budgeting and accounting purposes, interest payment is included as a total expenditure (see Table 22). Some reclassifications have been made compared to the sectoral allocations in previous budgets. For Fiscal Year 2025, all miscellaneous items have been allocated to their relevant sector (more detail is provided throughout this section). As per the 2024 Budget, teachers' salaries and leave fares have been allocated to the Education Sector rather than to the provinces.

Goods & Services and Book Makers Tax Transfers (BMT) have been allocated to Provincial Sector, rather than being separated.

Table 22: 2025 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	1,407.8	1,187.0	2,594.7	2,114.0	836.8	37.6	2,988.4	5,583.1	19.7
Community & Culture	54.5	22.7	77.2	207.0	22.0	-	229.0	306.2	1.1
Economic	255.6	173.1	428.6	1,064.0	48.4	80.3	1,192.7	1,621.3	5.7
Education	2,803.5	1,185.6	3,989.1	365.0	53.0	28.2	446.2	4,435.3	15.6
Health	1,398.9	755.4	2,154.3	342.5	153.3	118.3	614.1	2,768.4	9.8
Law & Justice	1,182.1	707.0	1,889.1	380.0	45.0	20.0	445.0	2,334.1	8.2
Provinces	508.3	2,036.5	2,544.8	1,651.3	87.9	80.6	1,819.9	4,364.6	15.4
Transport	128.4	38.4	166.8	1,133.0	192.5	488.4	1,813.9	1,980.7	7.0
Utilities	62.2	585.1	647.4	360.0	61.1	372.5	793.6	1,441.0	5.1
Total (excl. Int. payments)	**7,801.2**	**6,690.8**	**14,492.0**	**7,616.8**	**1,500.0**	**1,225.9**	**10,342.7**	**24,834.7**	**87.6**
Int. Payments		**3,522.5**	**3,522.5**					**3,522.5**	**12.4**
Grand Total	**7,801.2**	**10,213.3**	**18,014.5**	**7,616.8**	**1,500.0**	**1,225.9**	**10,342.7**	**28,357.2**	**100.0**

Source: Departments of Treasury and National Planning and Monitoring
Note: All Division 207 items have all been attributed to their relevant sectors. A different categorisation was used than in 2024 Budget. The new categorisation has been applied consistently to 2024 and 2025 Budget allocations.

Table 23: 2024 and 2025 Budget Comparison Using the new Categorisation (Kina, million)

Sector	2024 Budget	2025 Budget	Change	% change
Administration	5,920.4	5,583.1	-337.3	-5.7
Community & Culture	200.3	306.2	105.9	52.9
Economic	1,692.8	1,621.3	-71.5	-4.2
Education	3,961.8	4,435.3	473.5	12.0
Health	2,529.4	2,768.4	239.0	9.4
Law & Justice	2,111.9	2,334.1	222.2	10.5
Provinces	4,086.5	4,364.6	278.1	6.8
Transport	2,006.6	1,980.7	-25.9	-1.3
Utilities	1,817.0	1,441.0	-376.1	-20.7
Interest Payments	3,050.8	3,522.5	471.7	15.5
Grand Total	**27,377.5**	**28,357.2**	**979.6**	**3.6**

Source: Department of Treasury
Note: All Division 207 items have been distributed to their relevant sectors. This new categorisation has been applied consistently to 2024 and 2025 Budget allocations.

6.5.1 Administration Sector

The Administration Sector is responsible for delivering SPA 7 (National Revenue and Public Finance Management Act), SPA 8 (Digital Government, National Statistics and Public Service Governance) and SPA 12 (Strategic Partnership) of the MTDP IV.

These three SPAs are implemented by the various agencies in the administration sector. This sector comprises twenty- nine agencies. A new agency (Office of National Executive Council Secretariat) was created in 2024, which brings the total number of agencies in this sector to thirty. These agencies are categorised into eight Central Agencies or Central Agencies Coordinating Committee (CACC) agencies, seven statutory authorities, and fourteen line agencies. The IRC and PNGCS are the two key agencies responsible for generating revenue.

For Fiscal Year 2025, the Administration Sector has been allocated a total of K5,583.1 million, accounting for 19.7 per cent of the overall budget. This allocation represents a decrease of K337.3 million or 5.7 per cent compared to the 2024 Budget. Out of the Administration Sector's allocation for 2025, K2,594.7 million is allocated for operational expenditure, with K1,407.8 million for compensation of employees (CoE) and K118.7 million for goods and services (G&S). Additionally, K2,988.4 million is allocated for capital investment expenditure, which includes K2,114.0 million in direct financing from the Government of Papua New Guinea (GoPNG), K836.8 million in grants, and K37.6 million in concessional loan funded projects.

The sector aims to promote greater governance and improve public service efficiency by adopting digital technologies that are crucial for the effective and efficient delivery of Government services. Investment in the Operational Budget will be directed towards the upgrade of Integrated Financial Management System (IFMS) and Alesco Payroll which will improve the Government budgeting, reporting and payroll processing systems. There is also a provision for natural disasters (K5.0 million).

Within the MTDP IV period, the national flagship programs and projects will be consistently funded. These include, Seat of Government Program (K37.0 million), NID Project (K60.0 million), and Revenue Generation (K80.0 million) Programs among others to improve effective service delivery across the country.

6.5.2 National Parliament

The National Parliament is an independent arm of the Government. In 2025, the National Parliament will be allocated K386.7 million. Of this, operations allocation are K236.8 million in CoE and K119.9 million in G&S and K10.0 million allocated for Capital budget. The budget shows an increase of 46.7 per cent from the 2024 Budget. This increase ensures that the National Parliament is adequately funded to effectively carry out its constitutional responsibilities and legislative duties.

6.5.3 Community and Culture Sector

The Community and Culture Sector is primarily responsible for implementing the SPA 11-Youth and Gender Development under MTDP IV. The sector also contributes to the realisation of SPA 1-Strategic Economic Investment and SPA 8-Digital Government, National Statistics, and Public Service Governance. Led by the Department of Community Development and Religion, this sector, consist of nine agencies that collectively work toward advancing the policies in these areas.

The sector’s activities are guided by several key policies and acts, including 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. These frameworks ensure that the sector’s initiatives are aligned with national priorities, focusing on youth, gender equity, social inclusion, and community development.

The sector’s objectives are to reduce Family Sexual Violence (FSV) through comprehensive strategies, improve the effectiveness of Gender-Based Violence (GBV) programs with targeted interventions and implement robust internet content filtering measures to bolster national security. The sector also aims to fully implement and operationalize the *Lukautim Pikinini Act 2015*, which is essential to safeguard children’s rights and promote their well-being.

For Fiscal Year 2025, the Community & Culture Sector has been allocated a total of K306.2 million, accounting for 1.1 per cent of the overall budget. This allocation represents an increase of K105.9 million or 52.9 per cent compared to the 2024 Budget. Out of the Community & Culture Sector's allocation for 2025, K77.2 million is designated for operational expenditure, with K54.5 million for compensation of employees (CoE) and K22.7 million for goods and services (G&S). Additionally, K229.0 million is allocated for capital investment expenditure, which includes K207.0 million in direct financing from the Government of Papua New Guinea (GoPNG) and K22.0 million in grants.

The increased allocation in the 2025 Budget is primarily driven by the PNG NRL bid (K100.0 million). Additionally, the following major impact programs will be funded in the 2025 Capital Budget: PNG Church-State Partnership Program, District Community Development Centre Program and National Youth Development Program.

6.5.4 Economic Sector

The Economic Sector is primarily focused on implementing SPA 1 (Strategic Economic Investment) with the aim of fostering broad-based, inclusive, and sustainable economic growth. This sector comprises thirty agencies, including Mining and Petroleum, Forestry, Fishery, Tourism, and Agriculture. It is tasked to grow the economy to K200.0 billion by 2030 with investments that promote local fresh produce, import substitution, leveraging technology and innovation to enhance productivity, boosting downstream processing through Special Economic Zones (SEZ), adequately funding Non-Tax Revenue Agencies (NTRA), emphasizing renewable resources, creating employment, and increasing foreign exchange earnings.

For Fiscal Year 2025, the Economic Sector has been allocated a total of K1,621.3 million, accounting for 5.7 per cent of the overall budget. This allocation represents a decrease of K71.5 million or 4.2 per cent compared to the 2024 Budget. Out of the Economic Sector's allocation for 2025, K428.6 million is designated for operational expenditure, with K255.6 million for compensation of employees (CoE) and K173.1 million for goods and services (G&S). Additionally, K1,192.7 million is allocated for capital investment expenditure, which includes K1,064 million in direct financing from the Government of Papua New Guinea (GoPNG), K48.4 million in grants, and K80.3 million in concessional loan funded projects.

This decrease is driven by the removal of some temporary items under Division 207 (now called Crosscutting Activities). This includes removal of supplementary funding for NTRA agencies (K100.0 million) and Mining Review Forums (K20.0 million). NTRA agencies are retaining a portion of their funding until the end of the interim arrangements. Once this occurs they will be budgeted for under their own agency codes. This is partially offset by some increases under the CIB.

6.5.5 Renewable Sector

The Renewable Resource Sector aims to support increase in export volume of major commodities, promote import substitution and downstream processing in the agriculture, fishery and forestry sectors. The sector also plays a very critical role in land development, environmental protection and conservation and disaster risk management.

To create an enabling environment for sustainable economic growth, the Government will commit its investments on the SPA 1, Strategic Economic Investments and 10 DIPs. The Government will also continue to implement appropriate policies and fiscal measures, including the Commodity Access Roads program (K80.0 million), Commodity Price Support program (K20.0 million), National Land Development program (K152.0 million), Agriculture SME program, State Equity Fund program (K150.0 million) and Special Economic Zones (SEZ) program (K25.0 million).

A 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. The establishment of the three new ministries in the Agriculture Sector and International Trade and Investment Sector are critical reforms to grow the economy. A total of K225.0 million is allocated for Agriculture Investment programs in 2025.

6.5.6 Non-Renewable Sector

The aim of the non-renewable sector is to maximize socio-economic and environmental benefits from the extractive industries through mining and petroleum projects.

The focus of the MTDP IV is to build a robust and resilient economy capable of withstanding external economic shocks. Investments in this sector are aligned with the eleven intervention programs of Strategic Priority Area 1. 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. This is supported through investments in the Mining and Petroleum MOAs (K5.0 million) and a total of K260.0 million for the Infrastructure Development Grants for various provinces where mining and gas projects are in operation.

6.5.7 Education Sector

The Education Sector primarily focuses on achieving SPA 4 (Quality Education and Skilled Human Capital) in MTDP IV. SPA 4 is implemented by fourteen agencies in the sector, which includes six universities, as well as the newly added Western Pacific University (WPU) and Innovative University of Enga (IUE). Other institutions include; Maritime college, Science and Technology Secretariat, Office of Libraries and Archives, National Research Institute (NRI) and two leading agencies which are the Department of Education (DoE) and Department of Higher Education Research Science and Technology (DHERST). The DoE is responsible for primary and secondary education while DHERST is responsible for tertiary education.

The sector aims to provide quality, affordable and accessible education for all, while embracing Christian and traditional values that will empower individuals to become literate, educated and skilled. It enhances an educated, skilled and productive human capital that improves productivity.

The intervention programs in the MTDP IV focus on improving skilled labour to meet the growing demand in the human capital by providing quality teaching and learning environment and improving accessibility and affordability for all levels of education. This will start from the early childhood education program which aims to set the foundation for children’s learning; quality basic primary and secondary education to improve quality education leading to Technical and Vocational Education Training (TVET) institutions, colleges and the universities and increase coverage of the educated population in pursuit of Sustainable Development Goal (SDG) by leaving no one behind.Prominence was also given to alternate pathways such as FODE and TVET to provide better opportunities for students leaving school.

For Fiscal Year 2025, the Education Sector has been allocated a total of K4,435.3 million, accounting for 15.6 per cent of the overall budget. This allocation represents an increase of K473.5 million or 12.0 per cent compared to the 2024 Budget. Of the Education Sector's allocation for 2025, K3,989.1 million is designated for operational expenditure, with K2,803.5 million for compensation of employees (CoE) and K1,185.6 million for goods and services (G&S). Additionally, K446.2 million is allocated for capital investment expenditure, which includes K365.0 million in direct financing from the Government of Papua New Guinea (GoPNG), K53.0 million in grants, and K28.2 million in concessional loan funded projects.

The Government aims to achieve universal education and increase accessibility and retention rates to over 80 per cent by 2030.This goal will be supported by an allocations of K98.9 million for TESAS (an increase of K15.9 million), K53.1 million for HELP (an increase of K1.1 million), K859.5 million for GTFS (an increase of K8.6 million) and K30.0 million for STEM program (an increase of K23.7 million) in 2025 Budget.

For Fiscal Year 2025, an increase of K210.0 is allocated for teachers' salaries and allowances to cover expected arrears and K66.0 million to cater for the costs associated with the increase salary and allowances rates for teachers. This is based on the new Memorandum of Agreement (MOA) for the Determination of Salaries and Allowances (2023 -2025). 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 SPA 4 intervention programs that will be funded in the 2025 CIB include; General Education Programs (K75.0 million), the Sir Michael Somare University (K10.0 million), Higher Education (K194.0 million) programs and TVET (K50.0 million) programs.

6.5.8 Health Sector

The core objective of Health Sector focuses on delivering SPA 3 in MTDP IV (Quality and Affordable Health Care), the National Health Plan 2021-2030 and other relevant policies. Maintaining a healthy population is critical for socio-economic developments. This sector is responsible for building an effective and efficient health system that delivers quality health services according to standards that are recognized internationally and accessible to all citizens of this nation.

The sector is comprised 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 Government in collaboration with the development partners has invested in the sector to improve primary and specialised health care

In 2025, the Government aims to take more initiatives to address emerging issues such as pandemics, limited skilled workers and shortage of medical equipment and supplies. These initiatives include: promoting preventative preventive healthcare and awareness, improving maternal and child survival rates, better preparedness for disease outbreaks and emerging population issues, decrease the incidence of communicable diseases, promote healthy lifestyle, strengthen partnerships and coordination with stakeholders, decrease the incidence rate of malaria, tuberculosis, cancer, and increase immunisation rates

For Fiscal Year 2025, the Health Sector has been allocated a total of K2,768.4 million, accounting for 9.8 per cent of the overall budget. This allocation represents an increase of K239 million or 9.4 per cent compared to the 2024 Budget. Of the Health Sector's allocation for 2025, K2,154.3 million is designated for operational expenditure, with K1,398.9 million for compensation of employees (CoE) and K755.4 million for goods and services (G&S). Additionally, K614.1 million is allocated for capital investment expenditure, which includes

K342.5 million in direct financing from the Government of Papua New Guinea (GoPNG), K153.3 million in grants, and K1,18.3 million in concessional loan funded projects.

The Operational Budget for the Health Sector in 2025 aims to address the funding gaps required for critical positions across health facilities. It will also increase the number of trained health workers and ensure Procurement & Distribution of Medical Supplies (K240.0 million). It will allocate to the Lae Area Medical Store (K20.6 million) – to purchase supplies after the facility was burned down in September 2024. It will also allocate K55.0 million (an increase of K23.0 million compared to 2024) for Public Health Commodities including Vaccines.

The sector anticipates the National University of Medicine and Health Science is constructed and in operation; ensure the Provincial and District Hospitals are rehabilitated and in operation. Other anticipated programs including establishing the Area Medical Stores and Provincial Health Transit Medical Stores and an improved and integrated health services.

The high impact projects in this sector includes; Community Health Workers Training Institution Program; National University of Medicine and Health Science Program; Provincial Hospital Redevelopment Program (K90.0 million); District Hospital Development Program (K100.0 million); Health Service Sector Development Program; Area Medical Stores Program; and Provincial Transit Medical Stores Program.

6.5.9 Law, Justice and National Security

Law and Justice Sector

The Law & Justice sector focuses on implementing objectives outlined in SPA 5 (Rule of Law and restorative Justice) and SPA 6 (National Security) under MTDP IV. The sector's primary goal is to restore the respect for the "Rule of Law" and to create a just, safe, and secure society for all citizens. The current state of law and order as reflected in crime statistics represents the deteriorating state of law and order across the country. The Marape-Rosso Government will endeavour to restore confidence in the country's law and justice system. This is the key sector in achieving this budget's theme of **"Securing PNG in 2025 and Beyond".**

For Fiscal Year 2025, the Law and Justice Sector has been allocated a total of K2,334.1 million, accounting for 8.2 per cent of the overall budget. This allocation represents an increase of K222.2 million or 10.5 per cent compared to the 2024 Budget. Of the Law and Justice Sector's allocation for 2025, K1889.1 million is designated for operational expenditure, with K1,182.1 million for compensation of employees (CoE) and K707 million for goods and services (G&S). Additionally, K445 million is allocated for capital investment expenditure, which includes K380 million in direct financing from the Government of Papua New Guinea (GoPNG), K45 million in grants, and K20 million in concessional loan funded projects.

In Fiscal-Year 2025, 319 more police personnel will be recruited in an attempt to reach a total of work force figure of 10,000 by 2030.The Police G&S budget will be increased by 66.8 per cent to cover all operational requirement. To further contain and rehabilitate offenders requires a proportionate warder to inmate ratio to curtail eminent jail breakouts. Hence, 160 more warders will be recruited. In addition, the Government also recognizes and acknowledges the work of the Village Court Officials and Land Mediators across the country. They play a crucial role in justice administration at the village level by preventing disputes from escalating to the formal court system. These officials will continue to receive allowances through the Government's Ascender payroll system. Retired constitutional office holders who served in the law and justice sector will continue to receive pensions through the budget.

The major programs for the sector include, the Special Police Assistance Program (SPAP), Sector ICT Program, Agencies Case Management Systems, Infrastructure Development Programs across the sector, Prison Industries Program, Community Justice Centers in all Districts Program, Village Court Houses Program, Amendment of Legislations Program, Rehabilitation of Remandees and Community Justice Centers Program.

Judiciary

The Judiciary Services operates as a separate arm of the Government. For budget purposes, it is reported under the Law and Justice Sector. Judiciary Services is allocated K379.1 million in the 2025 Budget. This includes K162.4 million in CoE, K206.7 million in G&S and K10.0 million in Capital Investment. Operational expenses have been increased by 24.6 per cent compared to the 2024 Budget indicating the Government's commitment to building an effective judicial system in the country.

6.5.10 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, National Intelligence Organisation and National Narcotics Bureau (Law & Justice); PNG Customs and the Immigration & Citizenship Authority (Administration); the PNG Civil & Identity Registry (Community and Culture); NAQIA and Investment Promotion Authority (Economic); and the Department of Communication and Information Technology (Infrastructure). The various security agencies 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 Fiscal Year 2025 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 for improvements in border security infrastructure for the Defense Force and 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.

In Fiscal Year 2025, PNG Defence, PNG NIO and the National Narcotics Bureau will receive total operational funding of K373.5 million.

6.5.11 Provincial Sector

The Provincial Sector's objective is to effectively implement the delegated functions of the National Government in the delivery of public services to the bulk of the population living in the rural areas. The sector consists of the following 20 Provincial Government Administrations, (1) Autonomous Government (Autonomous Bougainville Government) and 1 City Commission (National Capital District Commission); and (2) City Authorities (Mt. Hagen and Lae City Authority) and Manam Restoration Authority. Ninety-six districts (DDAs) and 354 Local Level Governments (LLGs) report to the Provincial government Administration. The number of LLGs increased by 23 from 331 to 354, while the number of Districts increased by 7 from 89 to 96 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 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 the provision of banking services and commerce. These are clearly articulated in the 12 Strategic Priority Areas and their respective Deliberate Intervention Programs.

The National Government continues to resource the sector through annual budget allocations to the District Development Authorities (DDAs) and Provincial Administrations through Services Improvement Programs (SIPs) such as the DSIP, PSIP. Additional funding is provided through the Provincial and District Infrastructure and Roads programs. The SIPs and Provincial and District Infrastructure and Roads programs are implemented by the Provincial Administrations and DDAs. These frontline service delivery mechanisms are aimed at implementing strategic investments such as district hospitals, court houses, police stations, district markets and other social and economic activities in order to meet the Minimum Service Standards for the Provinces and Districts.

For Fiscal Year 2025, the Provinces Sector has been allocated a total of K4,364.6 million, accounting for 15.4 per cent of the overall budget. This allocation represents an increase of K278.1 million or 6.8 per cent compared to the 2024 Budget. Of the Provinces Sector's allocation for 2025, K2,544.8 million is designated for operational expenditure, with K508.3 million for compensation of employees (CoE) and K2,036.5 million for goods and services (G&S). Additionally, K1,819.9 million is allocated for capital investment expenditure, which includes K1,651.3 million in direct financing from the Government of Papua New Guinea (GoPNG), K87.9 million in grants, and K80.6 million in concessional loan funded projects.

GoPNG direct financing to each provincial administration includes K10.0 million for PSIP from the total allocation of K220.0 million whilst each district administration receives K10.0 million for DSIP. In Fiscal Year 2025, the allocation of funds is directed to maintaining developments at the provincial, district and LLG level through the SIPs, Salaries and Allowances for Public Servants, the ABG, and the new districts. Functional Grants have been increased by 10.4 per cent and GST and BMT transfers increased by 27.3 per cent in this budget to support Provincial Administrations to deliver services efficiently.

The Special Support Grants (SSG), Infrastructure Development Grant (IDG) and Infrastructure Tax Credit Scheme (ITCS) will continue in 2025 as alternate funding sources for the provinces to complement the SIPs.

The funding allocation for ABG continues to remain an important component of budget considerations in recognition of the PNG Government’s commitment to ABG and related agreements. A total of K290.0 million in capital funding is provisioned in addition to the recurrent funding for their teachers and public administration for 2025. The 2025 total funding allocated to the ABG is K486.5 million (K159.0 million in CoE, K37.0 million in G&S and K290.0 million in capital).

6.5.12 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 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 that is resilient to climate change and natural disasters in three sub-sectors; (i) roads (ii) air and (iii) maritime. The Connect PNG Program is one of the core pillars in MTDP IV (SPA 2) and it outlines the key investments in these three modes of transportation. Development partners have played a critical role in this sector through loan and grant funded projects. A significant amount of funding has been expended on the transport sector to unlock potential economic corridors.

Land Transport

The Land Transport Sub-Sector is one of the major recipients of funding for roads and bridges. The Connect PNG Program is the National Flagship Program and it aims to connect all of PNG to economic potential hubs and poverty hotspot areas. As directed by the Government, the *Connect PNG Funding and Implementation Arrangement Act 2021* will allocate 5.6 per cent of the Budget to the Program.

Air Transport

The Air Transport Sub-Sector provides an alternate, fast, and effective transport service for investors, businesses, communities and people that do not have access to road or sea lanes. The Government will invest on the key programs and projects to address transport infrastructure needs of both urban and rural areas. It is anticipated that all the national airports and rural airstrips will be improved, rehabilitated, and expanded to elevate safety, reduce travel time and make air travel more affordable. Rural airstrips will be upgraded and maintained to cater for Dash 8 services and other aircraft.

Water/Sea Transport

The Maritime Transport Sub-Sector plays an important role in providing access to PNG’s coastal rural population, and international and domestic maritime services. The investments in the sub-sector will improve maritime infrastructure to address coastal traffic needs. Ongoing key investments like the National Shipping Service and Ports Infrastructure Development Program will continue to be funded in the 2025 Budget.

For Fiscal Year 2025, the Transport Sector has been allocated a total of K1,980.7 million, accounting for 7 per cent of the overall budget. This allocation represents a decrease of K25.9 million or 1.3 per cent compared to the 2024 Budget. Of the Transport Sector's allocation for 2025, K166.8 million is designated for operational expenditure, with K128.4 million for compensation of employees (CoE) and K38.4 million for goods and services (G&S). Additionally, K1,813.9 million is allocated for capital investment expenditure, which includes K1,133 million in direct financing from the Government of Papua New Guinea (GoPNG), K192.5 million in grants, and K488.4 million in concessional loan funded projects.

The Government will proceed to lock in certain strategic high impact programmes and projects in partnership with development partners. The key priority programs/projects for 2025 include the major) Connect PNG Roads Missing Links (K590.0 million) and Connect PNG arrears (K100.0 million)

6.5.13 Utilities Sector

The objective of the sector is to enhance access to quality, reliable and affordable utilities. The utilities sectors is clustered into the following four sub-sectors: (i) Information Communication and Technology (ICT); (ii) Energy; (iii) Water Sanitation & Hygiene (WaSH); and (iv) Housing.This sector consists of nine agencies which include the State Owned Enterprises (SOEs) and State Agencies. The sector aims to provide reliable electricity, affordable housing, safe and clean water, sanitation, and effective information communication technology (ICT) network connectivity.

The MTDP IV revitalizes the efforts for developing the sector by clearly outlining the roadmap under the SPA 02 - Connect PNG Infrastructure investment program. This will transform PNG's socio-economic landscape through the development of critical utility infrastructure and basic amenities. Public utilities are governed by their respective legislation and regulations, and the Government will review the legal framework to improve the quality of utility services.

In 2025, 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 Fiscal Year 2025, the Utilities Sector has been allocated a total of K1,441 million, accounting for 5.1 per cent of the overall budget. This allocation represents a decrease of K376.1 million or 20.7 per cent compared to the 2024 Budget. Of the Utilities Sector's allocation for 2025, K647.4 million is designated for operational expenditure, with K62.2 million for compensation of employees (CoE) and K585.1 million for goods and services (G&S). Additionally, K793.6 million is allocated for capital investment expenditure, which includes K360 million in direct financing from the Government of Papua New Guinea (GoPNG), K61.1 million in grants, and K372.5 million in concessional loan funded projects.

A total of K150.0 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 consumers.

6.6 EXPENDITURE EFFICIENCY MEASURES

6.6.1 Organisational Staffing Personnel Emoluments Audit Committee (OSPEAC)

The Organisational Staffing Personnel Emoluments Audit Committee (OSPEAC) remains committed to addressing budget overruns in the Compensation of Employment (CoE) budget. OSPEAC's initiatives are centred on enhancing payroll efficiencies by examining the public service pay bill, identifying the root causes of overspending, and recommending and implementing corrective measures. These efforts are also aimed at ensuring compliance with the recent Parliamentary Committee Finding on Public Service efficiencies, as well as the International Monetary Fund's (IMF) requirements for payroll efficiency. In order to prevent overruns there were large increases in the allocations for teachers and health workers' CoE. The ongoing activities of OSPEAC include:

Whole of Government Retirement Exercise

In 2024, OSPEAC achieved a significant milestone by successfully incorporating teachers into the whole-of-government retirement exercise for the first time. Historically, the retirement of teachers was managed by respective provincial administrations and the Department of Education.

The inclusion of teachers in this comprehensive retirement exercise is anticipated to enhance efficiency and governance. In 2024, OSPEAC facilitated the retirement of a total of 589 retirees at a cost of K35.81 million. This includes 116 teachers at a cost of K4.3 million (excluding the 8.4% superannuation component) and 473 non-teachers at a cost of K31.58 million

Over the past three years, the cumulative number of public servants retired stands at 3,271, with a total expenditure of K412.86 million. This retirement exercise will reduce the number of unattached officers on the payroll, thereby creating opportunities for new graduates to join the public service. This strategic approach not only addresses current inefficiencies but also fosters a more dynamic and responsive public service workforce.

Staffing and Establishment Review for Teachers and Non-Teachers

Annual reviews of Staffing and Establishment (S&E) for teachers and non-teachers are conducted to reconcile staffing numbers with the Ascender payroll system. In 2024, the S&E reviews for non-Teachers were conducted through a desktop review, while the S&E review for teachers involved consultation with Provincial Education Advisors and other representatives engaged in the teachers' budgeting processes. Though the reviews followed different approaches, they yielded the same result: accurate staffing numbers, proper budgeting costs, and recommendations for corrective actions for issues that were identified. Some of these recommendations will be incorporated to develop the workplan on Digitalisation of Human Resource processes.

Upgrading of Ascender Payroll System

The GoPNG currently operates on an outdated version of the Ascender payroll system, the outdated version incurs high support and maintenance costs. Efforts to upgrade the payroll from Alesco version 12 to Ascender version 2023 have resulted in the following milestones:

- Complete review and updating of the Master Service Agreement (MSA) in consultation with State Solicitors Office,
- Completed the virtual meetings with Ceridian marked to progress work on MSA,
- Finalization of the MSA, pending signature with Ceridian.
- Settling the licensing and support service fee at K3.2 million and
- Engagement of Department of Personnel Management (DPM) to undertake Digital Human Resource (HR) Transformation Program to enhance the payroll cleansing activities.

Legal clearance has granted by State Solicitors Office for the Department of Finance to represent the State and enter into an agreement to engage Ceridian to upgrade the payroll system and the payroll software.

Proposed New Reforms

a) Digital HR Transformation Program

DPM, in collaboration with the departments of Finance and Treasury, will undertake a review and digitalise the current Human Resource Business processes and align them to the payroll upgrade agenda. The Digital HR Transformation Program by DPM is structured around the follwing six components;

1. Data Cleansing Strategy,
2. Automation of HR Business Process,
3. Automation of General Orders,
4. Digital Reporting,
5. Performance Management System and
6. Functional Expenditures Reviews,

The Digital HR Transformation Program is the mechanism that will drive the payroll reforms to support the Deloitte Payroll Diagnostic Audit Findings and recommendations. These efforts are also inline in line with the IMF Structural Adjustments Benchmarks.

b) Data Cleansing Forum

The 2024 Data Cleansing Forum held from 26th -28th March 2024 informed all HR practitioners about the Governments' roadmap for the data cleansing activities accompanying the payroll system upgrade. The forum also highlighted the impact of poor HR practices on the budget. This activity will support component 1 of the HR transformation program.

c) Digitalisation of Human Resource Platforms

OSPEAC will focus on transitioning the current business practices to digitalise processes. The DPM is reviewing legislation related to remuneration and developing implementing strategies for 2025. This aligns with six components of the Digital HR transformation program and the long-term plan of linking payroll to the release of warrants.

d) Manpower Planning

OSPEAC aims to forecast manpower needs within each sector. As part of payroll cleansing and staffing data updates, this data will be used to project future manpower requirements and associated costs. This will assist GoPNG in prioritising positions in each sector to enhance service delivery. Through these initiatives, OSPEAC strives to improve payroll efficiency, reduce overspending, and enhance overall human resource management within the GoPNG.

6.6.2 Arrears Verification Program

Arrears

The Arrears Verification Program, established through NEC Decision 397/2020 by the Marape-Rosso Government, is an initiative designed at address the issue of outstanding arrears. Its purpose is to identify and verify existing arrears, settle compliant claims to reduce the arrears, and develop strategies to prevent the accumulation of future arrears.

The Arrears Verification Program commenced in January 2020 and operates through an inter-agency committee called the Arrears Verification Committee (AVC) and supported by a coordinating Secretariat. The initial phase of the program is designed to run for three years; however, the Government intends to renew the program for its fifth term in 2025.

Controlling arrears is crucial for effective financial management. Unpaid arrears can have a detrimental effect on 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.

Arrears Budget 2020 to 2024

From 2020 to 2024, a total of K2.3 billion was allocated to the program, which was further revised to K1.58 billion for period. Out of this amount, K1.52 billion was issued in warrants for the payment of arrears.

The Government's ongoing 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 breakdown of the Arrears budget, warrants, and expenditure over the four year period (2020-2024).

Table 24: Arrears Budget, Warrant & Expenditure 2020- 2024 (Kina, million)

	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
2024	300,000,000.0	241,871,125.0	222,321,197.0	209,499,776.0
TOTAL	**2,317,116,000.0**	**1,589,669,025.0**	**1,528,666,215.0**	**1,444,789,549.0**

Source: Department of Treasury

Arrears Clearance Framework

The warrant issued and expenditure for the Arrears Program has been lower than the arrears budget appropriation in past years, with expenditure declining from K255.2 million in 2020 to K209.4 million in 2024. This reduction is due to the minimal expenditure experienced annually, driven by significant number of claims that are non-compliant with the Public Finance Management Act and the National Procurement Act. This has caused them to not be settled. Currently, approximately 80.0 per cent of the arrear claims are either partially compliant or non-compliant with procurement rules and processes.

During the implementation of the arrears program from 2020 to 2024, 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 through meeting forums, quarterly budget reviews, information sessions, and financial circulars. The goal is to increase awareness and adherence to procurement processes.

In Fiscal Year 2025, the AVC will continue its focus on enhancing compliance to minimise and prevent the future accumulation of arrears.

6.6.3 Non-Financial Institutions

Non-Financial Instructions (NFIs) are issued to agencies 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 2025 are expected to implement and report to Treasury in the Quarterly Budget reviews.

NFIs are categorised as generic and specific. Generic NFIs are issued to all the agencies while specific NFIs are issued to individual agencies. Below are the generic and specific NFIs issued in 2025.

Generic NFIs

a) Note that in cases where the 2025 National Budget does not fully fund an item outlined in past NEC decision, the earlier NEC decisions may be considered for amendments to reflect the level of appropriation set in the 2025 National Budget. This adjustment should be taken into account when evaluating all expenditure priorities to ensure consistency with the revised budget allocation.

Specific NFIs

a) Department of Higher Education Research Science & Technology (DHERST) to establish a mechanism for recouping all the HELP money commencing 2025.
b) Department of Personnel Management (DPM) to setup a Project Management Unit (PMU) for Public Servants Housing Program.
c) Department of Prime Minister and National Executive Council (PM&NEC) to complete the Mirigini Haus project by 2025.
d) All Provincial Administrations are required to hold Project Steering Committees (PSCs) and attend Budget Quarter Reviews (QBRs).

6.5 STATUS OF TRUST ACCOUNTS

Pursuant to Section 15 of the *Public Finances (Management) Act* (PFMA), (Amended 2016), the Department of Finance authorizes any government institution, national department, statutory authority or provincial government, to establish and operate trust accounts. The trust accounts can be funded by the National Budget, Donors or counter funded by GoPNG. Section 16 (6) of the PFMA requires all trust accounts to be operated in accordance with the requirements of the relevant trust instruments.

A total of **K21,647.9 million** (K20,271.4 million + K1,376.5 million) up to and including the 2024 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 receipts and payments report for all the budget funded trust accounts from 01st January to 30th September 2024. A total of **K1,376.5 million** has been expended from various trust accounts between January and September 2024.

Table 25: Movement of Funds in Budget Funded Trust Accounts from 01st January – 30th Sept 2024 (Kina, million)

All Government Trust Accounts	Opening Bal as at 01 Jan 2024	Receipts	Payments	Closing Bal as at 30 September
Restoration and Development Grant Subsidiary Account	0.0	0.0	0.0	0.0
Special Intervention Funds (Established on 28 Feb 2014)	0.0	0.0	0.0	0.0
Correctional Services Development Project GoPNG TA	49.2	12.3	14.5	47.1
Mukurumanda Jail Project Trust Account	0.6	0.0	0.1	0.6
Jiwaka Provincial Headquarter Project Trust Account	0.0	0.0	0.0	0.0
Small Medium Enterprise Risk Sharing Facility (GoPNG) T/A	3.2	4.0	7.1	0.0
Govt's funding of Rehab of Higher Ed Sector	34.8	8.1	5.7	37.2
Flexible, Open and Distance Education Rehabilitation T/A (GoPNG)	1.7	1.0	1.5	1.2
Tuition Fee Free Education Subsidiary Trust Accot	4.5	423.6	414.5	13.7
Tuition Fee Free Education - Commodity Component Trust	181.3	95.5	56.4	220.3
Financial Management Improv.Prog - GoPNG	1.2	3.2	4.4	0.0
Financial Mgnt Improvement Prog - PCAB	1.9	1.8	3.0	0.7
Infrastructure Development (UBSA) Account Subsidiary	1.4	0.0	0.0	1.4
Public Service Audit Program	0.6	0.3	0.4	0.4
COVID-19 Emergency Trust Account - 111 Subsidiary Trusts - Refer next sheet	35.1	0.1	14.4	20.8
PNG Rural Communications Project GOPNG T/A	0.1	0.0	0.0	0.1
Land Reform Program T/A	0.0	9.2	0.0	9.2
Central City Trust Account	26.9	0.2	0.0	27.1
Water Supply and Sanitation Development Project T/A - GoPNG	2.1	0.8	0.0	2.8
Multiple LNG Development Trust Account	3.1	3.6	2.2	4.4
PM & NEC APEC Operations (OP) Plan 2018 Trust Account	0.0	0.0	0.0	0.0
Bougainville Referendum Non-electoral Support Funds Operating Account	14.6	0.0	7.2	7.4
LNG Pipeline Infrastructure Development Grant (IDG) T/A (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
Comm.Water Transportation Fund - GoPNG (ADB 2079)	0.0	0.0	0.0	0.0
National Road Maintenance	0.0	0.0	0.0	0.0
Highlands Highway Rehabilitation T/A Subsidiary	0.0	0.0	0.0	0.0
Highlands Region Roads Improv Invest Prog GoPNG CPart	0.1	0.0	0.0	0.1
Port Moresby Roads - Subsidiary Trust Account	0.3	0.0	0.0	0.3
Highlands Region Road Improvement Investment Program (HRRIIP) Project (2) - GoPNG C/Part Fund Trust Account	0.0	0.0	0.0	0.0
Mendi Provincial HRRIIP Project 2 - GoPNG C/part Fund	0.0	0.0	0.0	0.0
Mt Hagen Provincial HRRIIP Project 2 - GoPNG C/part Fund	0.0	0.0	0.0	0.0
Sports Infrastructure Trust Account (2015 SP Games) - Sub	0.1	0.0	0.0	0.1
Department of Finance Infrastructure Project Trust A/C	0.2	0.0	0.1	0.1
Rural Service Delivery Project	2.4	23.6	23.1	2.8

All Government Trust Accounts	Opening Bal as at 01 Jan 2024	Receipts	Payments	Closing Bal as at 30 September
SHHIP- Tranche 1 - GoPNG Counterpart Fund	2.3	0.5	2.8	0.0
SHHIP- Tranche 1 - GoPNG Counterpart Fund - EHP	0.7	0.7	1.4	0.0
SHHIP- Tranche 1 - GoPNG Counterpart Fund - WHP	0.0	0.0	0.0	0.0
SHHIP- Tranche 1 - GoPNG Counterpart Fund - Simbu	0.0	0.0	0.0	0.0
SHHIP- Tranche 1 - GoPNG Counterpart Fund - Morobe	0.0	0.0	0.0	0.0
HRRIP GoPNG Counterpart Fund	0.1	0.0	0.0	0.1
2020 National Population & Housing Census Trust Account	1.6	5.8	5.2	2.2
Ihu Special Economic Zone	0.0	3.0	2.8	0.3
Government Commitment Trust Accounts	12.7	10.7	5.0	18.4
Office of State Negotiations Trust Account	4.6	9.5	10.7	3.4
Project Readiness Finance - GoPNG C/part Funds	0.0	6.0	1.9	4.1
SHHIP - Tranche 2 - GoPNG	0.0	1.5	0.0	1.5
Police Infrastructure Development Trust Account	0.0	0.4	0.0	0.4
Child Nutrition & Social Protection Program Trust Account - GoPNG	0.8	0.0	0.4	0.4
Magisterial Services Infrastructure Trust Account	0.0	15.8	0.0	15.8
Public Servants Housing Program	0.0	0.0	0.0	0.0
Digital HR Transformation Program	0.0	0.3	0.0	0.3
Universal Access and Service	46.7	2.8	0.0	49.5
Enhancing Labour Mobility from PNG Project - GoPNG C/part	0.0	0.0	0.0	0.0
Restoration and Development Grant Trust	8.3	63.5	71.8	0.0
PNG Fire Service Infrastructure Rehabilitation Program - (Public Investment Program) T/A	0.5	0.4	0.4	0.5
Tuition Fee Education Trust Account	88.9	639.7	644.8	83.8
Infrastructure Development (UBSA) Account	0.0	0.0	0.0	0.0
PNG High Impact Infrastructure Projects	0.0	0.0	0.0	0.0
2017 National General Election - Finance Procurement, Personnel and Logistics Trust Account	0.0	0.0	0.0	0.0
COVID-19 Emergency Trust Account	0.0	20.8	0.0	20.8
Coastal Vessels Account	0.1	0.0	0.0	0.1
Asia Pacific Economic Cooperation (APEC) Trust Account	0.0	0.0	0.0	0.0
Asia Pacific Economic Cooperation (APEC) Security Trust Account	0.0	0.0	0.0	0.0
Comm.Water Transport Proj. GoPNG C/Fund	3.1	0.6	0.5	3.2
Rural Airstrip Rehab. & Maintenance Program Special Acct	0.0	0.0	0.0	0.0
PNG LNG Additional State Equity Financing	0.7	0.0	0.0	0.7
Port Moresby Roads Trust Account	0.0	0.0	0.0	0.0
Kokopau to Arawa Road Upgrading and Bitumen Sealing T/A	0.0	0.0	0.0	0.0
Sports Infrastructure Trust Account (2015 SP Games) - Main	0.1	0.0	0.0	0.1
Health Service Sector Development Budget Support Trust Account	0.7	0.0	0.2	0.5
PNG's First Economic and Fiscal Resilience Development Policy TA	0.3	0.0	0.0	0.3
Trans East - West New Britain Highway T/A	0.1	0.0	0.0	0.1
Connect PNG Economic Road Transport Infrastructure Dev. Prog. TA	1.2	0.0	0.0	1.2
Higher Education Loan Program Trust Account	16.9	40.3	47.7	9.5

All Government Trust Accounts	Opening Bal as at 01 Jan 2024	Receipts	Payments	Closing Bal as at 30 September
2022 National General Election - Finance Procurement, Personnel and Logistics Trust Account	0.1	0.0	0.0	0.1
2024 National Population Census	0.0	59.9	24.9	34.9
European Union Support Prog. GoPNG C/P	3.3	0.1	1.4	2.0
TOTAL OF GOVT RUSTS - GOPNG BUDGET FUNDED	**559.7**	**1,469.6**	**1,376.5**	**652.5**

Source: Department of Finance.

The opening balance of the budget funded trust accounts as of 01st January 2024 was **K559.7 million**. Expenditure incurred in this period totalled **K1,376.5 million** with **K1,469.6 million** as receipts within the same period. The closing balance as at 30th September 2024 was **K652.5 million**. Following is a summary of expenditures above **K5.0 million** from budget funded trust accounts for the period 01st January to 30th September 2024;

- **K644.8 million** was expended on the Government's Tuition Fee Subsidy (GTFS)
- program;
- **K414.4 million** was expended on the Tuition Fee Subsidiary - Commodity
- Component Trust.
- **K71.7 million** was expended on the Restoration and Development Trust Account
- **K56.4 million** was expended on the Tuition Fee Subsidy Education - Commodity
- Component Trust
- **K47.7 million** was expended on the Higher Education Loan Program Trust Account.
- **K24.9 million** was expended on the National Population Census Trust Account
- **K23.1 million** was expended on the Rural Service Delivery Trust Account.
- **K14.5 million** was expended from the Correctional Services Dev Trust Account to facilitate
- **K14.3 million** was expended from the COVID-19 Emergency Trust Account to facilitate
- **K10.6 million** was expended on the Office of State Negotiations Trust Account.
- **K7.2 million** was on the Bougainville Referendum Non-Electoral Support Funds project.
- **K7.1 million** was expended on the Small Medium Enterprise (SME) Risk Sharing Facility
- (GoPNG).
- **K5.7 million** was expended on the Higher Education Rehab Sector Trust Account.
- **K5.2 million** was expended on the 2020 National Population & Housing Census Trust Account.
- **K5.0 million** was expended on the Government Commitment Trust Account.

COVID-19 Emergency Trust Accounts

Table 26 and 27 below shows movement of funds in the Subsidiary COVID-19 Emergency Trust Accounts for the 89 District and 22 Provincial Trust accounts respectively for the period of 01st January to 30th September 2024. From these accounts, a total of **K35.4 million** was expended as at end of September 2024. All remaining funds in COVID-19 subsidiary accounts are now transferred to the Main Account held at the Bank of PNG through Financial Instruction 04-2024, and with all the trust accounts now effectively closed (not in use).

Table 26: Movement of Funds in the COVID Emergency Trust Accounts for Provinces from 01st January – 30th September 2024 (Kina, million)

Provincial Subsidiary Account	Bal as at 01 Jan 24	Receipts	Payments	Bal as at 30 Sept 24
COVID -19 Emergency Trust Account – Enga	0.0		0.0	
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	0.1		0.1	
COVID -19 Emergency Trust Account – EHP	0.1	0.0	0.1	0.0
COVID -19 Emergency Trust Account – Morobe	0.0		0.0	
COVID -19 Emergency Trust Account – Madang	0.0	0.0	0.0	0.0
COVID -19 Emergency Trust Account – ESP	0.4		0.4	
COVID -19 Emergency Trust Account – WSP	0.1		0.1	
COVID -19 Emergency Trust Account – Milne Bay	0.0	0.0	0.0	0.0
COVID -19 Emergency Trust Account – Oro	3.7		3.7	
COVID -19 Emergency Trust Account – NCD	0.0		0.0	
COVID -19 Emergency Trust Account – Central	0.0		0.0	
COVID -19 Emergency Trust Account – ENB	1.5		1.5	
COVID -19 Emergency Trust Account – WNB	0.0		0.0	
COVID -19 Emergency Trust Account – New Ireland	0.2		0.2	
COVID -19 Emergency Trust Account – Jiwaka	0.1		0.1	
COVID -19 Emergency Trust Account – Simbu	0.0		0.0	
COVID -19 Emergency Trust Account – Manus	1.9		1.9	
COVID -19 Emergency Trust Account – Gulf	0.9		0.9	
COVID -19 Emergency Trust Account – ABG	0.0		0.0	
TOTAL OF COVID-19 PROVINCIAL TRUSTS	10.8	0.1	10.9	0.0

Source: Department of Finance.

Table 27: Movement of Funds in the COVID Emergency Trust Accounts for Districts from 01st January – 30th Sept 2024 (Kina, million)

District Subsidiary Accounts	Bal as at 01 Jan 24	Receipts	Payments	Bal as at 30 Sept 24
COVID -19 Emergency Trust Account – Middle Fly District	1.2		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	
COVID -19 Emergency Trust Account – Kerema District	0.4		0.4	
COVID -19 Emergency Trust Account – Kikori District	0.0		0.0	
COVID -19 Emergency Trust Account – Goilala District				
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	0.0		0.0	
COVID -19 Emergency Trust Account – Kiriwina Gooden District	0.0		0.0	
COVID -19 Emergency Trust Account – Central Bougainv District	0.1		0.1	
COVID -19 Emergency Trust Account – Esa'ala District	0.3		0.3	

District Subsidiary Accounts	Bal as at 01 Jan 24	Receipts	Payments	Bal as at 30 Sept 24
COVID -19 Emergency Trust Account – Samarai Murua District	0.0		0.0	
COVID -19 Emergency Trust Account – Ijivitari District	0.0		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	
COVID -19 Emergency Trust Account – Ialibu Pangia District	1.0	0.0	1.0	0.0
COVID -19 Emergency Trust Account – Nipa Kutubu District	0.0		0.0	
COVID -19 Emergency Trust Account – Tari Pori District	0.4		0.4	
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 Bougainvi District	0.0		0.0	
COVID -19 Emergency Trust Account – Wabag District	0.1		0.1	
COVID -19 Emergency Trust Account – Kandep District	0.0		0.0	
COVID -19 Emergency Trust Account – Laiagap Pogera District	0.0		0.0	
COVID -19 Emergency Trust Account – Wapenamanda District	0.0		0.0	
COVID -19 Emergency Trust Account – Kompiam Ambu District	0.0	0.0	0.0	0.0
COVID -19 Emergency Trust Account – Tambul Nebilyer District				
COVID -19 Emergency Trust Account – Mul Baiyer District	1.2		1.2	
COVID -19 Emergency Trust Account – Dei District	0.0		0.0	
COVID -19 Emergency Trust Account - Hagen District				
COVID -19 Emergency Trust Account - North Waghi District	0.0	0.2	0.2	0.0
COVID -19 Emergency Trust Account – Anglip South Wa District	0.0	0.1	0.1	0.0
COVID -19 Emergency Trust Account – Jimi District				
COVID -19 Emergency Trust Account – Kerawagi District	0.0			
COVID -19 Emergency Trust Account – Kundiawa/ Gemb District	0.0			
COVID -19 Emergency Trust Account – Sinesine Yongo District	0.0			
COVID -19 Emergency Trust Account – Karamui NomaDistrict	0.2		0.2	
COVID -19 Emergency Trust Account – Gumini District	0.0		0.0	
COVID -19 Emergency Trust Account – Chuave District				
COVID -19 Emergency Trust Account – Daulo District	0.0		0.0	
COVID -19 Emergency Trust Account – Goroka District	-0.1	0.1	0.0	0.0
COVID -19 Emergency Trust Account – Ungai Bena District	0.2	0.0	0.2	0.0
COVID -19 Emergency Trust Account – Henganofi District	0.0	0.0	0.0	0.0
COVID -19 Emergency Trust Account – Lufa District	0.0		0.0	
COVID -19 Emergency Trust Account – Okapa District	0.0		0.0	
COVID -19 Emergency Trust Account – Kainantu District				

District Subsidiary Accounts	Bal as at 01 Jan 24	Receipts	Payments	Bal as at 30 Sept 24
COVID -19 Emergency Trust Account – Obura Wonenara District	0.0		0.0	
COVID -19 Emergency Trust Account – Tewai Siasi District	0.6		0.6	
COVID -19 Emergency Trust Account – Markham District	0.9		0.9	
COVID -19 Emergency Trust Account – Huon Gulf District	0.1		0.1	
COVID -19 Emergency Trust Account – Lae District	0.0			
COVID -19 Emergency Trust Account – Kabwum District	0.0		0.0	
COVID -19 Emergency Trust Account – Bulolo District	0.0		0.0	
COVID -19 Emergency Trust Account - Minyamya District	0.0		0.0	
COVID -19 Emergency Trust Account – Finchafen District	0.0		0.0	
COVID -19 Emergency Trust Account – Nawaeb District	0.2		0.2	
COVID -19 Emergency Trust Account – Middle Ramu District	0.0	0.0	0.0	0.0
COVID -19 Emergency Trust Account – Rai Coast District	0.2		0.2	
COVID -19 Emergency Trust Account – Madang District	1.7		1.7	
COVID -19 Emergency Trust Account – Bogia District	0.0		0.0	
COVID -19 Emergency Trust Account – Usino Bundi District	0.0		0.0	
COVID -19 Emergency Trust Account – Sumkar District	0.0		0.0	
COVID -19 Emergency Trust Account – Yangoru Saussia District	0.0		0.0	
COVID -19 Emergency Trust Account – Wewak District	1.4		1.4	
COVID -19 Emergency Trust Account – Wosera Gawi District	0.0		0.0	
COVID -19 Emergency Trust Account - Ambunti Drekikir District	0.4		0.4	
COVID -19 Emergency Trust Account – Maprik District	0.0		0.0	
COVID -19 Emergency Trust Account – Angoram District	1.3		1.3	
COVID -19 Emergency Trust Account – Telefomin District	0.0		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	
COVID -19 Emergency Trust Account – Manus District	0.5		0.5	
COVID -19 Emergency Trust Account – Kavieng District	6.4		6.4	
COVID -19 Emergency Trust Account – Namatanai District	0.0		0.0	
COVID -19 Emergency Trust Account – Pomio District	0.1		0.1	
COVID -19 Emergency Trust Account – Rabaul District	1.3		1.3	
COVID -19 Emergency Trust Account – Gazelle District	0.1		0.1	
COVID -19 Emergency Trust Account – Kokopo District	0.3		0.3	
COVID -19 Emergency Trust Account – Talasea District				
COVID -19 Emergency Trust Account – Kandrian Glouc District	0.8		0.8	
COVID -19 Emergency Trust Account – North Bougainv District	0.0		0.0	
COVID-19 Emergency Trust Account – Sohe District	0.2		0.2	
COVID-19 Emergency Trust Account – Alotau District	0.0		0.0	

District Subsidiary Accounts	Bal as at 01 Jan 24	Receipts	Payments	Bal as at 30 Sept 24
TOTAL OF COVID-19 DISTRICT TRUSTS	24.3	0.4	24.7	0.0
TOTAL OF ALL COVID-19 TRUSTS	35.1	0.5	35.5	0.0

Source: Department of Finance.

CHAPTER 7: TAX EXPENDITURE

7.1 TAX EXPENDITURE STATEMENT (TES)

A Tax Expenditure refers to special provisions within the tax laws that allows tax preferences or breaks. These preferences aim to promote targeted economic activities, support social policies and address specific issues. The preferences are granted to a particular activity, sector, goods or services or a particular class of taxpayer. These provisions are incentives or relief measures to achieve specific policy objectives within a set timeframe.

Tax Expenditures are revenue losses because they deviate away from the standard benchmark tax system and in most cases, operates outside the regular Budget scrutiny. Therefore, timely reporting is critical to ensure transparency and allow for public scrutiny.

In PNG, tax revenue forgone from the tax expenditure affects two (2) main tax types: Corporate Income Tax (CIT) particularly Mining & Petroleum Tax (MPT) and the Goods & Services Tax (GST). From 2019 to 2023, the CIT revenue forgone totalled K4,244.0 million. This significant loss in revenue is from thirteen (13) incentives active during this period. Notably, substantial revenue loss occurred through the implementation of the infrastructure tax credits scheme and the exploration expenditure – amortization *(s155N of ITA)*.

The primary source of revenue forgone from GST is from the zero rating of final goods and services, especially exports of crude oil and the supply to oil and mining companies, as well as the GST exemption for education, medical and financial services. From 2019 to 2023, this resulted in over K10.0 billion in lost revenue. This substantial amount indicates that many taxpayers are utilising these incentives across various sectors.

The exemptions granted by the Government through the import duty and import excise are primarily utilised by projects, donors and certain qualified taxpayers. However, it is crucial to conduct a thorough review to ensure that these exemptions align with their original policy intent and continue to serve their intended purpose.

Tax expenditures are primarily captured through taxpayer filings. However, like many developing nations, PNG faces challenges in reporting tax expenditures due to data discrepancies and time lags. These challenges hinder the timely and accurate assessment of the actual revenue forgone.

This report (TES) focuses on the revenue forgone from the active tax incentives.

7.2 CORPORATE INCOME TAX (CIT) INCENTIVES

The Incentives under the CIT regime is mostly utilised by large companies across various sectors in PNG. While some incentives are sector specific, others are common across sectors. The TES provides update on the revenue forgone from the incentives currently in use.

7.2.1 Infrastructure Tax Credit

The Infrastructure Tax Credit (ITC) was established to enable qualified companies to bear the costs of social development obligations on behalf of the Government through tax credit arrangements. Participants in the scheme were allowed to spend up to 2.0 per cent of the assessable income in a year and claim a credit against their tax liability once the project is complete. Currently, the ITC is the largest tax expenditure and mostly used by eligible companies in the resource sector. The tax credits claimed by these taxpayers upon project completion are considered as revenue forgone. The table below shows the tax credits claimed annually. The low revenue forgone in 2023 is because of the outstanding lodgements by resource companies undertaking the ITC projects.

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Non – Resource Sector	2.0.	0.0	0.0
Resource Sector	356.0	307.0	60.0
Legislative Reference	*Section 219C of ITA 1959*		

Source: Internal Revenue Commission

7.2.2 Amortization – Exploration Expenditure

Mining, petroleum, and gas companies can elect to bring in exploration expenditure incurred outside of the project operation at the end of each income year. They can claim these expenditures as deductions against their project income for the same year. The allowable tax deduction is limited to the lesser of 25.0 per cent of the un-deducted pool balance or an amount that would reduce income tax payable by 10.0 per cent. The low revenue forgone in 2023 is because of the outstanding lodgements by resource companies undertaking the ITC projects. Most of the major resource companies are using substituted accounting period thus resulted in lag in lodgements.

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Non- Resource Sector	2.0	0.0	0.0
Resource Sector	109.0	444.0	23.0
Legislative Reference	*Section 155N of ITA 1959*		

Source: Internal Revenue Commission

7.2.3 Additional Depreciation – Industrial Development

This incentive allows taxpayers to claim an additional depreciation deduction for new industrial plants that have 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. Since 2021, this incentive has primarily benefited taxpayers in the non-resource sector as it is specifically tailored for non-resource companies.

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Non-Resource Sector	28.0	69.0	17.0
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 73(7) of ITA 1959*		

Source: Internal Revenue Commission

7.2.4 Additional Depreciation – Primary Production

Refers to the Capital expenditure incurred by a taxpayer on acquiring the following types of new plant or article and 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, particularly logging and forestry for commercial purposes. This incentive has seen an increase in the revenue forgone in the recent years. This shows that the incentive is utilised more regularly than previous years, as shown below:

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Non- Resource Sector	6.0	17.0	27.0
Resource Sector	0.0	42.0	0.0
Legislative Reference	*Section 73(9) of ITA 1959*		

Source: Internal Revenue Commission

7.2.5 Primary Production Development Expenditure

A 100.0 per cent deduction under *Section 97A of the ITA* for expenditure by a resident taxpayer engaged in primary production (definition of primary production provided in the regulations). Tax deductions available to agricultural companies for expenditure on agricultural plant and equipment can be passed through directly to shareholders for deduction at shareholders' marginal tax rates. It seems that not many taxpayers are utilising this incentive, as in 2023, only K8.0 million revenue was forgone.

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Non- Resource Sector	0.0	0.0	8.0
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 158J of ITA 1959*		

Source: Internal Revenue Commission

7.2.6 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	**2021**	**2022**	**2023**
Non – Resource Sector	1.0	0.0	0.0
Resource Sector	0.0	4.0	0.0
Legislative Reference	*Section 35 of ITA 1959*		

Source: Internal Revenue Commission

7.2.7 Dividends

Income from petroleum or gas operations earned by shareholders is exempt from the 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. Some major resource companies are under the Fiscal Stability Arrangement which don't pay income tax as shown below:

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Non-Resource Sector	0.0	0.0	1.0
Resource Sector	45.0	0.0	0.0
Legislative Reference	*Section 42(3) of Income Tax Act (ITA) 1959*		

Source: Internal Revenue Commission

7.2.8 Rural Development Incentive

This incentive was introduced in 1988 to encourage investment in selected areas prescribed as least developed areas. Businesses that are established and operate under those prescribed areas are qualified to access a 10-year tax holiday. The exemption starts 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. This incentive only applies to companies in the non-resource sector. The data show that not many companies are accessing this incentive.

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Non- Resource Sector	13.0	1.0	0.0
Resource Sector	0.0	0.0	0.0
Legislative Reference	*Section 45I of ITA 1959*		

Source: Internal Revenue Commission

7.3 TAX INCENTIVES IN GOODS AND SERVICES TAX ACT 2003

7.3.1 Zero Rating of GST

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:

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

In addition, a small category of sales is exempt from applying GST. The exempt sales cannot charge GST and also are not eligible to claim input tax. This includes:

i. supply of financial services;
ii. supply of educational services;
iii. supply of medical services; and
iv. supply of housing or a motor vehicle to an employee as part of an employment contract.

Since 2021, the level of revenue forgone mainly from the zero rating is above K1.0 billion annually compared to GST exempt sales as shown below:

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
GST zero rating	1,869.0	1,853.0	1,279.0
GST exempt sales	332.0	587.0	399.0
Legislative Reference	*Division 6 of the GST Act 2003*		

Source: Internal Revenue Commission

7.4 TAX INCENTIVES IN THE CUSTOMS TARIFF ACT 1990

7.4.1 Import Duty

The Head of State, through a gazette, can exempt a taxpayer from duty or apply a reduced rate of duty. Most import duty exemption is given to projects with specific deadlines such as construction phase. However, other taxpayers exemption are tied to the project life. The exemption provided is across all sectors of the economy. In 2023, revenue forgone was K34.5 million, an increase by K9.3 million and K7.1 million in 2022 and 2021 respectively as shown below:

Revenue Forgone (Kina, million)

Year	**2021**	**2022**	**2023**
Revenue Forgone	27.4	25.2	34.5
Legislative Reference	*Part IV, section 9 of the Import Tariff Act 1990*		

Source: Internal Revenue Commission

CHAPTER 8: FINANCING AND DEBT MANAGEMENT STRATEGY

8.1 FINANCING BACKGROUND TO THE 2024 BUDGET

The Government's 2024 Budget deficit was set at K3,983.8 million. It was expected to be financed through domestic (K2,320.3 million) and external (K1,663.4 million) borrowing.

While the Government continues to explore cheaper external concessional funding options from our bilateral and multilateral development partners, the cost of domestic borrowings increased in the second half of 2024. There were several factors behind this. A key one was due to Bank of Papua New Guinea's (BPNG) tightening monetary policy stance. The BPNG, in support of the crawling peg exchange rate mechanism, increased CRR (from 10.0 to 12.0 per cent) and the KFR (from 2.0 to 4.0 per cent). Further, the BPNG intervention in the FX market, and relaxed capital controls led to fewer market participants, pushing interest rates higher for government securities. A new Directive from BPNG on establishing foreign exchange priorities may help address these issues, along with the appointment of a Monetary Policy Committee under the recent changes to the Central Banking Act once the Act is certified. The Government is determined to ensure Monetary Policy and Fiscal Policy work in-tandem to support macroeconomic stability.

As of the third quarter of 2024, the Government had repaid K1,224.4 million (83.7 per cent) of the K1,462.1 million in external principal repayments budgeted for the year. These repayments covered both concessional and commercial loans.

During the same period, the Government drew down K1,208.7 million (39.2 per cent) of the budgeted K3,125.5 million in gross external borrowing. The majority of this funding came from concessional project loans (K724.2 million, or 71.0 per cent of the budgeted amount) for ongoing projects. The Asian Development Bank (ADB) was the primary lender, disbursing the largest portion of project loans estimated to reach around K300.0 million by the end of 2024. The IMF disbursed K484.4 million under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) for budget support. The remaining concessional and extraordinary loans including Budget support financing are expected in the final quarter of the year. No drawdowns were made from existing commercial loans.

The Government also plans to raise a net amount of K2,320.3 million through domestic borrowing in 2024. This involves issuing net K2,560.2 million in Treasury Bonds and a net repayment of K177.6 million in Treasury Bills and K62.2 million in domestic loans. As of October, total net issuance of Treasury Bills amounted to net retirement of K632.1 million and net borrowing of K1,304.4 million in Treasury bonds. (See Table 28).

Table 28: YTD Financing Outturn as at end of October, 2024 (Kina, million)

Financing Instrument	FX = USD 'million	2024 Budget (PGK)	October Outturn	% of Budget
External Borrowings		**3,125.50**	**1,208.68**	**39%**
Extraordinary Loans	512.2	1,911.70	484.44	25%
WB, ADB, Bilateral	260	972.4	0.00	0%
IMF Budget Support (ECF &EFF)	252.2	939.3	484.44	0%
Concessional Project Loans	274.3	1,025.80	724.24	71%
Commercial Loans	50.3	188	0.00	0%
Domestic Borrowings		**22,120.70**	**13,474.41**	**61%**
Treasury Bills		17,716.00	10,747.20	61%
Treasury Bonds		4,300.90	2,727.21	63%

Domestic Commercial Loans		103.8	0.00	0%
Repayments		**-21,262.40**	**-14,158.19**	**67%**
External Repayments		**-1,462.10**	**-1,224.42**	**84%**
Extraordinary		-647.50	-921.86	
Concessional		-772.50	-33.70	
Commercial		-42.10	-268.85	
Domestic Repayments		**-19,800.30**	**-12,933.78**	**65%**
Treasury Bills		-17,893.60	-11,379.25	
Treasury Bonds		-1740.70	-1,422.82	
Domestic Loans		-166.00	-131.70	
External Net		**1,663.40**	**-15.74**	**33%**
Domestic Net		**2,320.40**	**540.64**	**-1%**
Total Net Financing of Deficit		**3,983.80**	**524.90**	**13%**

Source: Department of Treasury

Government Securities Auctions for 2024 had two (2) distinct stages. By May 2024, more than 50.0 per cent of Treasury Bond issuances in the 2024 Budget had been achieved. For the reasons mentioned above, from June onwards, the pattern emerged of net repayments at many auctions. (See Table 29 for a comprehensive update on the performance of the 2024 Issuance and Redemption program by Tenors as of the end of October 2024).

Table 29: Government Securities Issuance & Redemption by October 2024 (Kina, million)

Treasury Bills	**Issuance**	**Amortisation**	**(%) of Issuance**
Budget 2024	**17,716.0**	**-17,893.6**	
Tenor			
91-days	84.0	29.8	0.5%
182-days	771.5	533.8	4.4%
273-days	475.9	651.1	2.7%
364-days	9,415.8	307.5	53.1%
Total	**10,747.2**	**1,522.1**	**60.7%**
Treasury Bonds	**Volume**	**Redemption**	**(%) of Issuance**
Budget 2024	**4,300.9**	**-1,740.7**	
Tenor			
2 years	236.7	841.3	5.5%
3 years	152.0		3.5%
4 years	0.0	191.6	0.0%
5 years	170.2		4.0%
6 years	234.1		5.4%
7 years	250.0		5.8%
8 years	399.0		9.3%
9 years	502.5		11.7%
10 years	782.8	389.9	18.2%
Total	**2,727.2**	**1,422.8**	**63.4%**

Source: Department of Treasury

8.2 FINANCING REQUIREMENTS FOR 2025 BUDGET

The Government's 2025 Budget deficit will be financed in line with its Medium-Term Debt Strategy (MTdS)[8]. The strategy aims to minimize borrowing costs, manage risk, and support a well-functioning domestic debt market. The Government remains committed to improving debt and fiscal sustainability consistent with its 13-year Budget Repair Plan, amidst the global economic uncertainties, and adjustments to full Kina convertibility.

[8] https://www.treasury.gov.pg/wp-content/uploads/2024/11/PNG-2024-2028-MTDS.pdf

The 2025 Budget requires net borrowing of K2,949.3 million. To minimize costs and manage risks, the Government will prioritize concessional financing from multilateral and bilateral lenders. Domestic borrowing, will be through the issuance of Government securities (Treasury Bills and Bonds). A detailed indicative issuance program for Fiscal Year 2025 will be published at the end of 2024.

EXTERNAL FINANCING

The Government plans to secure external financing through a combination of budget support loans from bilateral and multilateral creditors and drawdowns from existing concessional and commercial project loans. Several new loans are currently being negotiated and are expected to be approved and commence disbursements in 2025.

Key external gross financing sources include:

- Asian Development Bank (ADB): USD150.0 million (K610.0 million) budget support loan.
- World Bank: USD100.0 million (K406.7 million) Development Policy Operation (DPO) budget support loan.
- International Monetary Fund (IMF): USD418.0 million (K1,699.8 million) budget support loan under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) programs. The IMF support aims to foster economic growth and improve debt sustainability through various reforms.

The Government plans to drawdown K1,125.8 million from concessional loans which represents 28.6 per cent of the total gross external financing earmarked for planned projects, K100.2 million or 2.5 per cent from commercial financing for other infrastructure projects and K2,716.5 million will be budget support loans that will make up 68.9 per cent of the total external financing for 2025 (see Table 32).

DOMESTIC FINANCING

The Government intends to maintain its domestic borrowing program, which will focus on weekly Treasury Bill auctions, while continuing with weekly Treasury Bond auctions. There will be a greater emphasis on short to medium term tenors, as interest costs may return to the lower levels seen in 2022 and 2023. The Government will closely monitor market conditions and adjust its borrowing strategy as needed.

The Government plans to raise K760.8 million in net domestic financing for 2025. This is made up of a net issuance of K112.7 million in Treasury Bills, K883.8 million in Treasury Bonds and a net repayment of K235.7 million in domestic loans. Total domestic debt repayment is projected to be K17,350.9 million (see table 30)

Table 30: Composition of Financing by Instrument for 2025 (Kina, million)

Financing Instrument	FX USD	PGK ‘million
Total External Disbursements		**4,042.6**
Extraordinary Borrowing (Budget Support)		**2,716.5**
World Bank (Fiscal) DPO	100.0	406.7
IMF	418.0	1,699.8
ADB	150.0	610.0
Concessional Project Loans		1,225.8
Commercial Loans		100.2
Domestic Borrowings		**18,111.7**
Treasury Bills		15,261.5
Treasury Bonds		2,850.2

Domestic Commercial Loans		0.0
Repayments		**-19,205.1**
External Repayments		**-1,854.2**
Extraordinary		-975.8
Concessional		-832.7
Commercial		-45.6
Domestic Repayments		**-17,350.9**
Treasury Bills		-15,148.8
Treasury Bonds		-1,966.4
Domestic Loans		-235.7
Total Borrowing		**22,154.4**
Total Repayment		**-19,205.1**
External Net		**2,188.5**
Domestic Net		**760.8**
Deficit		**2,949.3**

Source: Department of Treasury

The 2025 Budget deficit financing will result in total Government debt stock of K64,876.7 million, or 47.4 per cent of GDP (see Table 31). This represents a 2.8 per cent reduction compared to the 2024 Budget estimate, and it aligns with the requirements in the *Fiscal Responsibility (Amendment) Act 2024* for debt to not exceed 55.0 per cent of GDP.

Table 31: Debt Outstanding (By Instruments) 2023-2029 (Kina, million)

Debt Instruments	2023 Actuals	2024 MYEFO	2025 Budget	2026 Est	2027 Est	2028 Est	2029 Est
Domestic Debt	**29,710.4**	**32,030.8**	**32,791.6**	**33,483.7**	**33,668.9**	**33,838.2**	**30,188.2**
Treasury Bills	14,139.4	13,961.8	14,074.5	14,724.2	15,233.3	15,164.7	11,763.8
Treasury Bond	14,528.4	17,088.6	17,972.4	18,272.4	18,222.4	18,673.5	18,424.4
Loans	1,042.6	980.4	744.7	487.1	213.2	0.0	0.0
External Debt	**28,233.3**	**29,896.7**	**32,085.2**	**33,001.8**	**32,735.0**	**30,298.2**	**29,708.3**
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	0.0	0.0
Concessional	11,986.7	12,428.0	12,821.2	13,204.7	13,454.7	13,711.5	14,154.6
Commercial	162.1	120.0	174.6	650.8	1,082.6	1,098.2	1,013.8
Extraordinary	13,079.8	14,344.0	16,084.7	16,141.6	15,193.0	14,244.4	13,295.8
Gross Debt* (ex. Arrears)	**57,943.7**	**61,927.5**	**64,876.8**	**66,485.5**	**66,403.9**	**64,136.4**	**59,896.4**
% of GDP (without Arrears)	52.0%	50.2%	47.4%	44.8%	41.5%	37.2%	32.1%
GDP	**111,350.8**	**123,419.1**	**136,895.8**	**148,446.5**	**160,197.9**	**172,489.5**	**186,338.9**

Source: Department of Treasury.

Table 32: Deficit Financing Projections (By Instrument) 2023-2029 (Kina, million)

Debt Instruments	2023 Actuals	2024 MYEFO	2025 Budget	2026 Est	2027 Est	2028 Est	2029 Est
Net Acquisition of Financial Assets	**540.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net Incurrence of Liabilities	**4,263.8**	**3,983.8**	**2,949.3**	**1,608.7**	**-81.6**	**-2,267.5**	**-4,239.9**
Domestic Net Financing	**2,176.1**	**2,320.4**	**760.8**	**692.1**	**185.2**	**169.3**	**-3,650.0**
Treasury Bills	**350.2**	**-177.6**	**112.7**	**649.7**	**509.1**	**-68.6**	**-3,400.9**
Borrowing	14,912.2	17,716.0	15,261.5	16,522.5	16,316.3	15,371.7	11,528.2
Amortisation	-14,562.0	-17,893.6	-15,148.8	-15,872.8	-15,807.2	-15,440.3	-14,929.1
Treasury Bond	**1,945.0**	**2,560.2**	**883.8**	**300.0**	**-50.0**	**451.1**	**-249.1**
Borrowing	3,078.1	4,300.9	2,850.2	2,492.6	1,977.0	1,505.8	805.6
Amortisation	-1,133.1	-1,740.7	-1,966.4	-2,192.6	-2,027.0	-1,054.7	-1,054.7
Loans	**-119.1**	**-62.2**	**-235.7**	**-257.6**	**-273.9**	**-213.2**	**0.0**
Borrowing	22.7	103.8	0.0	0.0	0.0	0.0	0.0
Amortisation	-141.8	-166.0	-235.7	-257.6	-273.9	-213.2	0.0
External Net Financing	**2,087.7**	**1,663.4**	**2,188.5**	**916.6**	**-266.8**	**-2,436.8**	**-589.9**
Sovereign Bond	0.0	0.0	0.0	0.0	0.0	-1,760.6	0.0
Concessional	**212.3**	**441.3**	**393.2**	**383.5**	**250.0**	**256.8**	**443.1**
Borrowing	1,033.0	1,213.8	1,225.9	1,238.2	1,250.5	1,325.6	1,405.1
Amortisation	-820.7	-772.5	-832.7	-854.7	-1,000.5	-1,068.8	-962.0

Commercial	**-40.3**	**-42.1**	**54.6**	**476.2**	**431.8**	**15.6**	**-84.4**
Borrowing	0.0	0.0	100.2	516.2	516.2	100.0	0.0
Amortisation	-40.3	-42.1	-45.6	-40.0	-84.4	-84.4	-84.4
Extraordinary	**1,915.7**	**1,264.2**	**1,740.7**	**56.9**	**-948.6**	**-948.6**	**-948.6**
Borrowing	2,139.4	1,911.7	2,716.5	1,000.0	0.0	0.0	0.0
Amortisation	-223.7	-647.5	-975.8	-943.1	-948.6	-948.6	-948.6

Source: Department of Treasury.

*The 2023-2029 debt flow provided above is the best approximation of the financing profile as expected at the time of drafting the volume 1.

According to table 32, the projected deficit profile demonstrates the Government's commitment to achieve sustainable debt levels. Over the medium-term, the annual deficit is expected to follow a declining trajectory, and when combined with measures to balance the budget, will gradually reduce the debt-to-GDP ratio to below 40.0 per cent which is in-line with the requirements of the *FRA (amended 2023)*.

Overall, total Central Government Debt Stock is expected to be maintained on average, below K65.0 billion over the medium term (see Table 35). With reduction in the deficit as per the Government's 13-year plan, total debt stock will gradually reflect the reducing deficit over the medium term as outlined in table 33 when the governments commence repaying its debts while reducing its borrowing over the medium term.

Table 33: Debt stock as a share of GDP 2023-2029 (Kina, million)

Debt Instruments	2023 Actuals	2024 MYEFO	2025 Budget	2026 Est	2027 Est	2028 Est	2029 Est
Gross Government Debt	**57,943.7**	**61,927.5**	**64,876.9**	**66,485.7**	**66,404.1**	**64,136.5**	**59,896.6**
% of GDP	***52.4%***	***49.8%***	***47.4%***	***44.8%***	***41.5%***	***37.2%***	***32.1%***
Domestic	29,710.4	32,256.1	33,117.1	33,921.7	34,231.6	33,743.6	30,093.5
% of gross	*51.3%*	*52.1%*	*51.0%*	*51.0%*	*51.6%*	*52.6%*	*50.2%*
External	28,233.3	29,671.4	31,759.8	32,564.0	32,172.5	30,392.9	29,803.1
% of gross	*48.7%*	*47.9%*	*49.0%*	*49.0%*	*48.4%*	*47.4%*	*49.8%*
Gross Government Debt - without arrears	**57,943.7**	**61,927.5**	**64,876.9**	**66,485.7**	**66,404.1**	**64,136.5**	**59,896.6**
% of GDP	***52.4%***	***49.8%***	***47.4%***	***44.8%***	***41.5%***	***37.2%***	***32.1%***
GDP	110,619.1	124,298.1	136,895.8	148,446.8	160,197.9	172,489.5	186,338.9

Source: Department of Treasury

CHAPTER 9: NATIONAL REFORM AGENDA

9.1 OVERVIEW

The Marape-Rosso Government's reforms will continue to be guided by the 13-year Budget Repair Plan 2022-2034, Vision 2050, PNGDSP 2010-2030 and the MTDP IV 2023-2027. These strategies outline key goals, plans and priorities for reforms. The reforms will drive and improve the Government's performance in terms of service delivery, quality and affordable services to rural households, generate higher incomes, ensure macroeconomic stability, and promote economic growth.

The private sector plays a vital role in supporting sustainable economic development in the country and in achieving shared prosperity. It needs the Government's continued support in creating an enabling environment that promotes investment, fosters competition, protects rights and promotes responsible business practices. This can be achieved through quality and affordable infrastructure, robust regulatory frameworks, equitable competition policy and enhanced market access.

One of the key reforms to address the employment gap is the Labor Mobility Program (LMP) supported by the World Bank and the governments of Australia and New Zealand. The program will continue to be expanded to assist Papua New Guineans with new or enhanced job skills. The Government has targeted 15,000 employment opportunities by 2029. This is a thousand percent increase over 2024 levels, which itself was a thousand per cent increase from 2019 levels of just 154 workers

The Government has also established a Technical Working Committee (TWC) to review the minimum wage policy, which has remained at K3.50 (approximately US$0.89) per hour since 2016. The key findings and recommendations are expected to be finalized in 2025.

Under the Financial Sector Development Strategy (FSDS) 2018-2030, several key initiatives in the financial sector have been implemented. These have focused on Capital Market and financial inclusion.

Financial crimes, including money laundering and the financing of terrorism, are a major challenge for PNG due to insufficient resources, inadequate supervision and poor coordination by relevant government agencies. In September 2024, a report was presented under PNG's mutual evaluation on PNG's Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) framework to the Asia Pacific Group (APG) on Money Laundering. The suggested actions required by PNG to avoid being grey-listed again will be an urgent government priority.

The Independent Advisory Group (IAG) presented their Phase II final report on the review of the *Central Banking Act (CBA) 2000,* in January 2024. This report helped shape key amendments to the CBA in September. This includes the establishment of a Monetary Policy Committee (MPC).

9.2 KEY REFORMS

9.2.1 Increasing Employment Opportunity Through Labour Mobility

Labour mobility plays a significant role in economic development, and it helps create employment and income earning opportunities abroad. It has the potential to transform the livelihoods of PNG citizens. To date, 4,065 job placements have occurred under the Pacific Australia Labour Mobility (PALM) and Recognised Seasonal Employer Schemes (RSES).

PNG has access to three main labour mobility schemes in Australia and New Zealand. These schemes include Australia's Seasonal Worker Programme (SWP), Pacific Labour Scheme (PLS) now known as the PALMS and New Zealand's RSES.

The Labour Mobility program is a 5-year project (2022 – 2027) supported by the World Bank under the Enhancing Labour Mobility PNG Project and the governments of Australia and New Zealand. Its main objective is to strengthen Government systems in PNG that support workers and their households to benefit from overseas employment opportunities.

The Australian government confirmed to increase its technical assistance and funding support for the Labour Mobility program in June 2024 during the PNG-Australia Ministerial Forum. Subsequently, a PNG-Australia Joint Action Plan has been approved for its implementation. In addition, the New Zealand Government has also started a policy review to increase recruitments in PNG and other Pacific Island countries.

The PNG Government will continue to collaborate with the Australia and New Zealand governments to provide more opportunities for Papua New Guineans to participate in seasonal employment under the labour mobility schemes and to achieve its targets by end of 2025.

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

The global Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) program presents not only a problem for criminal justice systems but it also poses macro-economic challenges. This is because it has the capacity to destabilise financial institutions and systems. Therefore, effective enforcement of AML/CTF regulations and policies are critical to mitigate the adverse effects of criminal activities on the economy, and promote integrity and stability in financial markets. The Government has been taking several key measures to strengthen legal frameworks and partnerships with international bodies by introducing reforms aimed at improving transparency.

Papua New Guinea's mutual evaluation by the APG on Money Laundering commenced in March 2023 and ended in September 2024. The final report was accepted at the APG Annual Plenary Meeting in Abu Dhabi, United Arab Emirates.

The evaluation team reviewed both the technical aspects of PNG's AML/CTF framework and the effectiveness of its implementation. The evaluation indicated poor performance by PNG on both the effectiveness and technical compliance ratings, revealing significant shortcomings in the implementation and enforcement of the AML/CTF measures.

The Mutual Evaluation Report (MER) highlighted gaps in PNG's legal framework. These gaps include insufficient resources, inadequate supervision and poor coordination by relevant Government agencies. These deficiencies have hindered PNG's ability to effectively combat financial crime when measured against international standards. The evaluation team recommended 75 action items to address the significant gaps in PNG's effectiveness ratings.

Currently, PNG is participating in the Enhanced Follow-Up Review (EFUR) under the APG MER Methodology. This will require PNG to provide quarterly updates of data and statistics over the next twelve months. If PNG fails to address the recommended actions within the 12-month period, PNG will automatically be placed on the Financial Action Task Force (FATF) grey-list. Grey list can cause reputational damage to the country, as its effectiveness in combatting financial crimes like corruption and money-laundering as well as terror financing are deemed to be below international standards.

The Government is committed to implement the following steps to address the recommendations highlighted by the MER. These include:

i. Developing a comprehensive Strategic Implementation Plan (SIP) that identifies the necessary actions and responsibilities assigned to relevant agencies with set deadlines;
ii. Presenting the SIP to the National Coordinating Committee (NCC) by the end of November 2024[9]; and
iii. Providing regular progress updates to the National Executive Council (NEC) and ensure non-compliant agencies are accountable to the NEC.

9.3 PUBLIC SECTOR REFORM

9.3.1 Equitable Resource Allocations to Provincial Governments

The *Intergovernmental Relations (Functions and Funding) Act 2009 (IRFFA)* mandates and establishes a framework for funding allocations to provincial governments, with strong emphasis on equitable distribution through the equalisation amount. This equalisation amount forms the pool for Function and Administration Grants, and it is crucial for determining the financial support provincial and local level governments (LLGs) will receive.

Section 19 of the IRFFA outlines the formula for calculating the equalisation amount. A critical component of this calculation is the Net National Revenue (NNR), which is derived from actual data from the second preceding fiscal year. For example, the 2025 NNR was calculated using data from the revenue figures from the published 2023 FBO report.

For the transitional period, a fixed percentage of 6.57 per cent of the NNR has been allocated for this purpose. The prescribed percentage determines how the funding available to provincial and LLGs varies according to the NNR. The NNR represents the total tax revenue collected by the National Government, excluding revenue from mining and petroleum taxes and the GST transfers to provinces. The intergovernmental financing arrangements highlight the significance of revenue-sharing among the national, provincial, and local level governments.

For the 2025 Budget, the calculated Equalization Amount is K847.5 million, reflecting an increase of K76.2 million compared to the previous year (see Table 34). This increase is due to higher total tax revenue collections in 2023 compared to 2022.

[9] NCC is meeting later in November this year to deliberate and endorse the SIP before it can be presented to the NEC for deliberation and endorsement.

Table 34: Calculation of the NNR Amount for the 2025 Budget (Kina, million)

Act Definition	2022 FBO	2023 FBO	Variance
General tax revenue*	15, 776.2	16,806.3	*1, 030.9*
Less: Mining and petroleum tax revenue	4,036.1	3, 906.5	*(129.6)*
Net National Revenue	**11,740.1**	**12,899.8**	**1,159.7**
	2024 Budget	**2025 Budget**	**Variance**
Net National Revenue (NNR)	11,740.1	12,899.8	*1, 159.7*
Multiplied by (*) 6.57%	6.57%	6.57%	
Equalization Amount (NNR X 6.57%)	**771.3**	**847.5**	***76.2***

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

From the allocation of K847.5 million for Fiscal Year 2025, the Provincial Health Authorities (PHA) will be allocated K141.4 million and the balance of K706.1 million will be allocated for Provincial Functional Grants. In line with the recommendation of the Governors, the Government is working with the NEFC to clarify what changes are required to eventually implement a block grants scheme.

9.4 A COMPETITIVE AND DYNAMIC PRIVATE SECTOR

9.4.1 Overview

The Government's reform initiatives at the micro-level will foster a competitive and dynamic private sector, strengthen governance and institutional frameworks, and nurture and encourage the proper management of public resources. It will also create a stable and transparent economic and regulatory climate. Fair and effective market conditions will support economic growth, improve access to finance, and enable the public and private sectors (especially MSMEs) to thrive. To achieve these outcomes, the Government will implement reforms that:

i. Reduces and/or removes regulatory impediments and encourages and facilitates private sector and MSME development and growth;
ii. Increases the efficiency of State-Owned Enterprises to deliver high standards and low cost utility services such as telecommunication, electricity, access to clean water and transport services sector;
iii. Strengthens the regulatory enforcement of markets and safeguards consumers from unfair treatment and deceptive conduct by providing a redress mechanism for consumers complaints;
iv. Ensures 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;
v. Improves the productivity of the tourism and agriculture sectors in remote areas and encourages the transition of informal economy participants to the formal economy; and
vi. Improves the process of negotiating minimum wages to better reflect the cost of living in PNG.

9.4.2 Consumer and Competition Framework Reform Implementation

The Government has been undertaking significant reforms to enhance its consumer and competition frameworks and make markets more competitive and efficient. These reforms are essential for eliminating anti-competitive practices and ensuring consumer rights are effectively protected.

The reform process began with the initiation of a Consumer and Competition Framework Review (CCFR) in 2014, which assessed the effectiveness of existing frameworks in meeting market needs. The review that was conducted between 2015 and 2017 resulted in a comprehensive report with 192 recommendations aimed at modernizing and improving consumer and competition regulations. The recommendations were grouped into policy, legislative and administrative reforms to update and improve existing consumer and competition frameworks.

9.4.3 National Competition Policy

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. It also promotes efficient economic growth with social objective considerations. It has been implemented partially because the legislative and administrative reforms need to be completed before it can be fully effective and enforced through a new Competition Law. In 2025, the focus will be to plan on how the policy reforms will be executed starting with the formulation of the strategy on the awareness program of the policy, its application and implementation.

9.4.4 Consumer Protection and Competition Legislative Reforms

The CCFR Report requires legislative reforms to enable the modernization and simplification of the current fragmented laws of consumer protection and competition. The Department of Treasury is reviewing the current *Independent Consumer and Competition Commission (ICCC) Act 2022* and an improved bill is expected to be completed in 2025.

In 2022, the drafting process to improve and restructure the *ICCC Act 2002* commenced, and it was supported by an ADB-PSDI TA. Since that time, a comprehensive draft bill has been prepared and will be ready for submission to the Legislative Work Stream Team to refine. The first quarter of 2025 will focus on refining the proposed bill, followed by its publication for public consultation to ensure broad community engagement and input.

Following the public consultation, the drafting process will involve iterative consultations with key stakeholders, leading to further refinement of the proposed bill. This approach is designed to enhance the legislation through collaborative feedback before certification by the Office of State Solicitor and the Office of First Legislative Counsel. The final bill is expected to be presented to Parliament by the Treasurer for discussion and enactment. This approach underscores the Government's commitment to transparency and stakeholder involvement that will help create a robust legal framework to effectively address the needs of consumers and businesses in PNG.

9.4.5 Consumer and Competition Administrative Reforms

As part of the administrative reforms under the CCFR, the ICCC will undergo an organizational restructure to improve manpower capacity, responsiveness and efficiency. The reforms will enable the Commission to proactively address consumer complaints and competition issues which will ensure a more agile regulatory environment.

This will be supported by targeted capacity building training programs, strengthening coordination mechanisms to facilitate information sharing, and joint enforcement actions. A public reporting system will be introduced via an improved data collection and analysis and improved evidence-based decision-making and enhanced regulatory oversight.

9.4.6 Competitive Neutrality Principles

The National Competitive Neutrality Principles are essential for ensuring an equal level playing field in the market, particularly for the operations of State-Owned Enterprises (SOEs).

Key principles of competitive neutrality include:

i. Achieving a commercial rate of return on assets;
ii. Tax neutral – pay all relevant taxes and duties;
iii. Regulation neutral – comply with all relevant laws and regulations; and
iv. Debt neutral – borrow at commercial rates or include charges to account for implicit and explicit government guarantees.

The Department of Treasury will work closely with relevant Government agencies and stakeholders to establish an implementation framework for the application of these principles.

9.4.7 Consumer Welfare Policy

The development of a comprehensive Consumer Welfare Policy (CWP) is essential for safeguarding the rights and interests of consumers in Papua New Guinea. Despite having the ICCC Act and the National Competition Policy (NPC), the absence of a dedicated consumer protection framework has left significant gaps in addressing consumer grievances and ensuring fair practices across various sectors. This policy aims to fill those gaps by establishing clear standards and regulations that promote consumer rights and welfare.

9.4.8 Regulations and Enforcements Role the ICCC

The ICCC plays a crucial role in maintaining fair competition and protecting consumer rights in Papua New Guinea. As the regulatory body responsible for fair competition and consumer laws, the ICCC is dedicated to ensuring that markets operate fairly and efficiently. This includes monitoring business practices, preventing anti-competitive behavior, and ensuring that consumers have access to essential goods and services at fair and/or affordable prices.

The ICCC will continue to provide regulatory oversight of markets where there is limited competition. This overseeing will include current regulatory oversight of water and sewerage services, compulsory third-party motor vehicle insurance, essential port services, and for specific regulated products like rice, sugar, flour, and refined petroleum products. The ICCC will carefully assess the need for new regulations to address emerging challenges within the market to ensure consumer interests remain a priority.

9.4.9 Information and Communications Technology (ICT) Industry

The National Information and Communications Technology Authority (NICTA) is the regulatory agency for the Information and Communications Technology (ICT) sector in Papua New Guinea. NICTA oversees both Government and privately owned licensed operators that invests in ICT and telecommunications infrastructure. NICTA also plays a role in fostering fair competition and protecting consumers in the ICT landscape. Since its establishment in 2010, NICTA has made critical regulatory interventions and has contributed to a reduction (60 to 70 per cent) in overall market prices. NICTA will review its corporate plan in 2025 to ensure ICT policies align with the MTDP IV to support long-term economic and social development.

9.4.10 Aviation and Airlines Operations

The aviation and airline sector is one of the many important sectors of PNG's economy, facilitating essential domestic and international connectivity. The Government is dedicated to enhancing the safety, efficiency, and competitiveness of this industry through various initiatives, including the modernization of airport infrastructure and air traffic management systems. These measures are designed to support economic growth, boost tourism, facilitate trade, and align with global standards.

9.4.11 Financial Sector Reforms

In 2025, the Government will continue to implement on-going reforms in the financial sector that are consistent with the Financial Sector Development Strategy (FSDS) 2018-2030.

9.4.12 PNG Securities Commission (PNGSC)

The development of the capital market in PNG and the strengthening of the role of the PNGSC's as the its regulator are key deliverables under the Financial Sector Development Strategy (FSDS) 2018-2030. The PNGSC currently is mandated to administer three Acts namely; (i) the *Securities Commission Act 2015*, (ii) the *Capital Markets Act 2015* and (iii) the *Central Depository Act 2015*.

The recent amendment to the *PNG Security Commission Act 2015* has created the position of the Chief Executive Officer (CEO) who will take charge of the administrative matters of the Commission whilst the Chairman of the Board of Commissioners will focus on the high level decision making.

The PNGSC will continue to develop its administrative and regulatory capacities in 2025 to build robust capital markets for PNG. PNGSC will continue to work closely with its partners to ensure the FSDS is fully implemented.

9.4.13 National Financial Inclusion Policy and Strategy

Financial inclusion remains a priority development agenda for the Government. The financial inclusion initiatives are being driven by the Centre for Excellence in Financial Inclusion (CEFI) that is administered through BPNG with support from the Government and development partners.

In 2025, financial inclusion programs will continue under the third National Financial Inclusion Strategy (NFIS) 2023-2027. The Government's priority is the Provincial Engagement Program that will be rolled-out to Provinces, Districts and Local Level Governments (LLGs) as well as the Curriculum development on financial inclusion for schools.

Through the Provincial Engagement Program, a number of Memorandums of Understanding (MoU) were signed with selected provincial governments. These provinces include Madang, Simbu, East New Britain, Milne Bay, Jiwaka and West New Britain. The implementation of the Program has its challenges and it will be monitored carefully to enable successful implementation at the subnational level.

Furthermore, the development of the curriculum for financial education is one major initiative under the National Financial Inclusion Policy. The CEFI and the Department of Education through a MoU arrangement developed a new financial inclusion curriculum, and CEFI initiated the review of the structure of the curriculum. It will do this through a series of stakeholder workshops that started in November 2024 and will continue in piloting it in schools in 2025.

9.4.14 Insurance Sector Reform

The recent amendments to the *Central Banking Act 2000* gave BPNG full oversight of the insurance sector. Department of Treasury, BPNG and the Office of the Insurance Commission will work together to effect this change in 2025.

9.4.15 National Finance Control Bill

The review of the financial sector identified the lack of openness in the disclosure of rates, fees, terms and conditions. It also revealed substantial gaps in financial consumer welfare needs. A draft National Financial Consumer Protection (FCP) Bill was formulated to address these concerns.

The draft bill is being reviewed and it will be submitted to relevant Government authorities for appropriate clearance before it can be tabled in Parliament in 2025 by the Minister responsible.

9.4.16 Land Reforms

Unlocking customary land, and making it bankable and accessible, is key to promoting private sector investment and driving economic growth. The Government's land reform initiatives aim to make secured land available for investments as well as empowering the landowners to participate as equity partners in the development of their land for investment purposes.

Under the Government's National Land Development Program (NLDP) Phase I, notable achievements were accomplished in reforming land in PNG. Key achievements include the legislative amendments made to the Land Act to create 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 process enables the migration of customary land to the formal land market system for commercial use.

The Department of Lands and Physical Planning is leading the implementation efforts and supported by key Government agencies together with the National Research Institute.

9.4.17 Housing

A number of reviews have identified structural issues as major causes of high housing prices in the housing market. Consequently, persistent shortages 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 reviews have also recommended for private sector taking a lead role in providing housing whilst the State focuses on addressing the above structural issues to foster the growth in the housing sector.

The Government, through the National Housing Commission (NHC), has commenced the development of the National Housing Policy. The overarching policy is 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 to complete the policy.

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 2025.

9.4.18 Commodity Price Support

The Government is pursuing new reforms in-line with its medium-term development priorities and national goals in the agriculture sector. These include broadening the country's revenue base, localizing wealth creation, growing the MSME space, and growing the economy through an integrated multi-stakeholder approach. For example, the National Downstream Processing Policy would add value to agriculture commodities, palm oil, forestry, fisheries, and mineral and petroleum. This is an important undertaking as it would help the government strategically allocate resources to areas that could have significant cascading effects in the agriculture sector.

Furthermore, most commodities are price dependent and driven by external market forces. Subsequently, the Government is aiming to support local farmers through price support programs like agricultural subsidies. This will keep the price of crops/commodities high enough for farmers to earn an adequate income without increasing prices. In 2024, the Government was able to subsidize the sector through the allocations made in the 2024 Budget. It has also 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 key sector agencies is important in 2025 for such efforts to be successful. Hence, the relevant sector agencies will continue to assess and provide oversight through a strong research approach by building on the concept note and working with key partners and the various commodity boards in 2025.

9.4.19 Minimum Wages Determination Reform

The PNG minimum wage rate has remained at K3.50 approximately, (USD0.89) per hour since 2014. A Technical Working Committee (TWC) comprising of Department of Treasury and Labor and Industrial Relations (DLIR) officials had been actively engaged to consider if there should be any changes. It is expected that the work will result in a NEC Decision endorsing the appointment of the Minimum Wage Board which will lead the minimum wage review in 2025.

9.5 ASIA-PACIFIC ECONOMIC COOPERATION (APEC)

PNG is a member of the Asia-Pacific Economic Cooperation (APEC), which is a regional economic forum established to leverage the growing interdependence of the Asia-Pacific. APEC's 21 member economies meet annually to discuss economic and financial issues concerning the region and share experiences and ideas with the aim to create greater prosperity for the people of the Asia-Pacific region through regional economic integration.

The APEC Putrajaya Vision 2040 provides APEC the higher strategic direction for an open, dynamic, resilient and a peaceful Asia-Pacific community by 2040. The APEC forum pursues this vision through Trade and Investment; Innovation and Digitalization and Strong, Balance, Secure and Inclusive Growth. The Aotearoa Plan of Action provides the implementation strategy to achieve the Putrajaya Vision.

PNG, as an APEC member country, aligns its work plan to the broader APEC vision and strategy. The PNG Foreign Policy on APEC (PNGFPA), provides the 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 APEC by aligning key domestic deliverables identified in its 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.

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 policy initiatives in their domestic sectors. This is done under the domestication 'Roadmap' and APEC 2018 Leaders' Chair's Era Kone Statement to drive the PNGFPA.

The Republic of Korea (South Korea) will be next host APEC meeting in 2025. As an APEC member economy, PNG will continue to participate in relevant APEC meetings and events in 2025.

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 (PNG) is to provide a means to prudently manage and invest the natural resources revenues, including the revenue flows from the PNG Liquefied Natural Gas (LNG) Project and other mining and petroleum projects.

The SWF is an important component of the national reform agenda and a key economic policy instrument of the Government. PNG's SWF is a natural resource commodity fund, designed primarily to be funded by the allocated resource revenues from the mining, oil and gas projects. It is responsible for managing and investing these revenues in line with its stated objectives.

The National Parliament enacted the *Organic Law on the Sovereign Wealth Fund (OLSWF)* in July 2015, which paved the way for the establishment of the SWF. The OLSWF clearly spells out its implementation which shall be undertaken in two distinct phases. The first phase includes certain provisions to be operationalized upon certification, and the second phase includes rest of the provisions to come into operation upon the publication of a notice in the National Gazette by the Head of State, acting upon the advice of the National Executive Council (NEC).

Although the legislation has not been certified, preparatory work undertaken includes development of an investment mandate and investment strategies for the SWF; development of SWF fiscal and profit maximization models; the development of SWF corporate governance principles and the SWF organizational structure.

Consistent with the funds accumulation policy, the Government has established a SWF Trust Account which currently holds a balance of K22.0 million. This amount consists of the payment of dividends received from the concerned State-Owned Enterprises.

The Government expects to put in place practically workable structures consistent with the existing funds accumulation policy. This policy is prudent and responsible as it provides for the accumulation of funds for the SWF, while preserving the resource revenues to support the annual budgets under the 13-Year Fiscal Plan for Budget Repair and Reconstruction (2022 - 2034) particularly under the budget deficit conditions.

CHAPTER 10: ENHANCING STATE'S INVESTMENTS

10.1 OVERVIEW

The Government continues to make strategic investments across various sectors to promote economic growth, improve infrastructure, and enhance public services. These investments are made directly and indirectly through the Kumul Holdings framework, Statutory Authorities (SAs) and other Public Bodies (PBs).

SAs and PBs plays a critical role in managing and overseeing the development of different sectors of the economy. They provide regulatory functions for certain sectors in the public services, and generate non-tax revenue for the Government by collecting fees, charges and levies.

The Kumul Holdings framework includes three (3) holding entities: Kumul Consolidated Holdings Limited (KCHL), Kumul Mineral Holdings Limited (KMHL), and Kumul Petroleum Holdings Limited (KPHL). These Holding Entities are responsible for managing the State's investments, assets, and State-Owned Enterprises (SOEs).

KCHL oversees General Business Trust (GBT) investments that include projects and non-controlling assets in the following sectors: agriculture, banking & financial services, insurance, maritime infrastructure, electricity, postal services & logistics, airline, telecommunication, and water & sanitation. KPHL and KMHL oversee the State's investments in the oil, gas and mineral sectors.

The Kumul Entities and SOEs operate as commercial entities under the *Companies Act 1997* and enabling legislations. These entities attempt to generate positive returns and remit dividends to the Government.

In addition to investments in Kumul Entities and SOEs, the Government also invests in renewable resource sectors like agriculture, fisheries, forestry, energy and land. These resource sectors are crucial for providing employment and income-earning opportunities that support the livelihoods of many Papua New Guineans.

To further enhance governance, transparency, and financial stability, the Government continues to develop various policies and legislation to guide SOEs, Holding Entities, SAs and PBs when making investment decisions, providing goods and services, and regulating their respective sectors/industries. Policy and legislative reforms, discussed below in Sections 10.2.2 and 10.5 encourages prudent management of investments that can contribute towards sustainable economic growth and development.

10.2 STATE'S INVESTMENT PERFORMANCE

The SOEs that are under KCHL have faced significant financial and operational challenges in recent years. They have struggled with good governance, profitability, and effective service delivery. These issues have hindered their ability to pay dividends to the State.

Strategic interventions are being implemented to enhance the performance and boost profitability of SOEs so they can ultimately remit dividends to support the Government's annual budget. Ongoing reform efforts have been initiated for KMHL and KPHL to improve reporting, transparency, meeting key performance indicator (KPIs) targets, and fulfilling dividend obligations to the State.

Kumul Consolidated Holdings Limited (KCHL)

The Government, as a shareholder, has introduced reform initiatives to strengthen and enhance the overall performance of SOEs. Even with these reform efforts, most SOEs are still struggling to achieve sound financial performance and operational efficiency. In addition, only a few SOEs, such as Motor Vehicle Insurance Limited (MVIL) and PNG Ports Corporation Limited (PNGPCL) have declared profits and paid dividends to the State. Others continue to operate on net losses due to high operational costs, aging infrastructure, increasing debt, and other related challenges. Despite recent improvements in the balance sheet of several SOEs, more needs to be done to enhance and realize financial and operational efficiencies (see section below on GBT).

General Business Trust (GBT) Assets

The total value of GBT assets as at 31st December 2022 and 31st December 2023 was K3,700.2 million (audited value) and K3,809.6 million (unaudited value), respectively (see Table 34 and 35). The increase by K109.4 million in 2023 is attributed to an increase in investment activities and slight improvements in the financial performance of some SOEs.

The Bank South Pacific (BSP), where the State holds 18.15 per cent share, has consistently been paying dividends to KCHL since 2017. BSP has paid a total of K142.5 million and K150.1 million in fiscal years 2022 and 2023, respectively. Despite KCHL receiving these dividend payments, only K77.1 million in dividends for Fiscal Year 2023 was remitted to the State in Fiscal Year 2024.Tables 35 and 36 below show GBT performance for fiscal years 2022 and 2023.

Table 35: General Business Trust (GBT Assets) as at 31 December 2022 (Kina, million)

Particulars of GBT Assets	2022 Fiscal Year (FY)			
Entity	**Valuations**	**Gross Revenue**	**Net Profit Before Tax**	**Dividends paid to KCH**
Telikom Limited	183.0	518.2	-45.1	3.0
Air Niugini Ltd	26.0	1,160.4	197.0	0.0
Water PNG Ltd	364.0	236.0	11.3	0.0
Moto Vehicle Insurance Ltd	656.0	86.2	63.9	36.8
NDB Ltd	466.0	26.1	21.5	0.0
PNG Ports Corporation Ltd	491.0	362.2	195.5	51.3
PNG Power Ltd	0.0	937.9	241.9	0.0
PNG DataCo Limited	46.0	170.1	5.1	3
Post PNG Ltd	107.0	48.8	5.2	0.0
PNG Dams Ltd	282.7	0.0	1.1	0.0
Kumul Agriculture Ltd	0.0	4.4	16.3	0.0
Kumul Tech Dev Corp*	26.0	8.3	7.4	0.0
Other's including working Progress	0.0	0.0	0.0	0.0
Allowance for impairments	0.0	0.0	0.0	0.0
Total Unquoted Equities	***2,647.7***	***3,558.6***	***126.6***	***94.1***
Bank of South Pacific (18.15%)	1,052.5	1,834.9	1,425.10	142.5
Highlands Pacific Ltd	0.0	0.0	0.0	0.0
Total Quoted Equities	1,052.5	1,834.9	1,425.1	142.5
TOTAL	**3,700.2**	**5, 393.5**	**1,551.7**	**236.6**

*Formerly POM Private Hospital
Note: SOE valuation sections that are left blank are either operating at a deficit or they were non-operational during the reporting period
Source**:** GBT unaudited Financial Statement 2023

Table 36: General Business Trust (GBT Assets) as at 31st December 2023 (Kina, million)

Particulars of GBT Assets	2023 Fiscal Year (FY)			
Entity	**Valuations**	**Gross Revenue**	**Net Profit Before Tax**	**Dividends paid to KCH**
Telikom Limited	183.0	471.7	77.0	0.0
Air Niugini Ltd	26.0	1,305.8	85.3	0.0
Water PNG Ltd	364.0	269.7	16.5	0.0
Moto Vehicle Insurance Ltd	656.0	88.8	128.6	42.9
NDB Ltd	466.0	43.8	3.5	0.0
PNG Ports Corporation Ltd	491.0	357.9	158.4	26.1
PNG Power Ltd	0.0	953.0	271.0	0.0
PNG DataCo Ltd	46.0	207.9	17.9	1.1
Post PNG Ltd	107.0	58.8	6.0	0.0
PNG Dams Ltd	282.7	0.0	0.0	0.0
Kumul Agriculture Ltd	0.0	0.0	9.7	0.0
Kumul Tech Dev Corp	26.0	2.0	1.9	0.0
Other's including working Progress	0.0	0.0	0.0	0.0
Allowance for impairments	0.0	0.0	0.0	0.0
Total Unquoted Equities	***2,647.7***	***3,759.4***	***117.2***	***70.1***
Bank of South Pacific (18.15%)	1,161.9	1,962.9	1553.3	150.1
Highlands Pacific Ltd	0.0	0.0	0.0	0.0
Total Quoted Equities	1,161.9	1,962.9	1553.3	150.1
TOTAL	**3,809.6**	**5,722.3**	**1,436.1**	**220.2**

*Formerly POM Private Hospital
Note: SOE valuation sections that are left blank are either operating at a deficit or they were non-operational during the reporting period.
Source: GBT unaudited Financial Statement 2023

10.2.1 Holding Entities and SOEs Dividend Payments

Table 37 below shows the dividend payments remitted by the Holding Entities in fiscal years 2022, 2023, and 2024. The projections for Fiscal Year 2025 are based on historical data (audited financial statements and net profit after tax) and the new dividend policy.

Table 37: Dividends Paid to State to support the National Budget (Kina, million)

Entity	2022 Actual	2023 Actual	2024 Budget	2024 YTD	2025 Projection
KPHL	300.0	250.0	200.0	251.4	550.0
KMHL (OTML)	0.0	152.6	700.0	158.6	921.0
KCH & Other SOEs	80.0	77.1	250.0	23.7	60.0
TOTAL	**380.0**	**479.7**	**1,150.0**	**433.7**	**1,531.0**

Note: Pending Dividend payments from KPHL, KCHL and KMHL are expected to be received by the end of 2024 fiscal year.
Source: Department of Treasury

10.2.2 Update on SOEs Reforms

The Government is committed to ensure the sustainability of ongoing SOEs reform initiatives. Current policy reforms under the Asian Development Bank's (ADB) Strengthening Governance and Accountability in the Public Sector Program will build on and expand the scope of reforms supported by previous ADB policy-based lending. The policy actions will further strengthen legislative and policy frameworks for SOEs. They will also enhance governance, accountability and improve financial sustainability of SOEs.

To further support the SOE reforms, in 2015 the Government conducted a review of the current Dividend Sharing Arrangement to develop a dividend policy. In recent years, only few SOEs and the Kumul Entities have remitted dividend payments to the State. To address inconsistency of dividend receipts, the Government has formulated a Dividend Policy in 2024 to guide the Holding Entities and SOEs in declaring and paying dividends more consistently. The new Dividend Policy 2024 approval will ensure additional dividend required are included in the 2025 Budget framework.

The Government will continue to collaborate with the respective Holding Entities and SOEs to achieve the Government's Dividend Policy objectives.

10.3 EXTRACTIVE SECTOR

10.3.1 Mining

KMHL holds and manages State investments in the mineral sector that covers upstream, midstream, and downstream businesses. The current mines where KMHL holds direct equity interest include Ok Tedi Mining Limited (OTML) (67.0 per cent) and Porgera (33.0 per cent).

OTML is expected to operate until 2033.The OTML board has approved in principle, to extend operations beyond 2033. The review of the 2014 stakeholder benefit sharing Memorandum of Agreement (MOA) was concluded in 2023. The revised MOA is being deliberated by the NEC for approval. The MOA is now called the Community Development Agreement. The review of the 2015-2025 Community Mine Continuation Agreement (CMCA) commenced in 2024 and is expected to be concluded in October 2025. The CMCA extension review aims to obtain consent from the 158 villages impacted by the mine in Western Province to extend mining operations from 2026 to 2033.

The New Porgera gold mine reopened in December 2023 following the signing of the Mining Development Contract (MDC) and issuance of Special Mining Lease (SML) 13. The first gold-pour after recommencement was in February 2024. The Special Mining Lease has been granted for twenty (20) years.

Other prospecting investments in the mining sector include the Wafi Golpu and Frieda River projects.

10.3.2 Petroleum Projects

The State has a direct equity interest of 16.8 per cent through KPHL in the PNG Liquefied Natural Gas (LNG) project. KPHL through its other subsidiaries also holds interests in the petroleum sector.

The PNG LNG Project continues to produce at full capacity of 432 Trillion British Thermal Unit (TBTU) for LNG except in 2023 when it produced about 2.3 per cent above its capacity.

Other prospective investments in the petroleum sector include the Papua LNG, P'nyang Gas, Pasca 'A' Gas and Stanley Gas. Refer to section 10.7.3 for progress update on these projects.

10.3.3 PNG Extractive Industries Transparency Initiative (PNGEITI)

Since its establishment in 2013, the PNGEITI has published ten reports (2013-2022) on the National Government revenues received from the extractive sector. This has provided greater transparency for Papua New Guineans about revenue streams from the country's mining and oil and gas industries. The 11th report for Fiscal Year 2023 is expected to be published in 2025.

While progress has been made on the reporting of extractive sector revenues received by the National Government, payment data at the sub-national level is almost non-existent, too aggregated, inconsistent across projects, and/or difficult to obtain. In 2025, PNGEITI aims to deliver its first Subnational Report for Fiscal Year 2024.

The drafting of the PNG EITI Commission bill was finalized in 2024, and it is expected to be submitted to NEC in the first quarter of 2025. The bill aims to establish the PNG EITI National Secretariat as a Government agency.

10.4 RENEWABLE RESOURCE SECTOR

10.4.1 Agriculture Sector

The Government, through Department of Agriculture and Livestock (DAL), has created four ministerial portfolios (Ministry of Agriculture, Ministry of Coffee, Ministry of Oil Palm and Ministry of Livestock) to support the development, commercialization and downstream processing of agricultural commodities. This is in-line with the Government's plan to create more employment, income-earning opportunities, and additional domestic revenue. The creation of these new ministries prompted DAL to develop a new *National Agriculture Sector Plan (NASP) 2024-2033*, which was approved and launched by Government in 2024.

To assist with the NASP's implementation, DAL has put in place an overarching legal framework to coordinate and govern the administration and operations of PNG's agriculture sector through the National Agriculture Administration Adjustment (NAAA) Bill and the Agriculture Investment Corporation (AIC) bill. These bills will encourage investments in the sector. Both the NAAA and AIC bills were initiated in 2017 and are expected to be reviewed in 2025.

Commodities and Livestock

The Commodity Boards (CBs) and agencies that were established to support DAL are operating under their own enabling legislations that guides their governing framework. Most of the enabling legislations is outdated and should be reviewed and revised to reflect changing circumstances. The relevant legislation includes: *Oil Palm Industry Corporation (OPIC) Act 1992*; *Kokonas Indastri Koporesen* (*KIK) Act 2002*; *Cocoa Act (amended) 1997*; *Rubber Act 1953; Coffee Industry Corporation (CIC) Act 1991 and Livestock Development Corporation (LDC) Act, 1982*.

CBs and agencies like CIC, OPIC, KIK and LDC have initiated policy and legal reforms from 2021 to 2023 that intend to establish frameworks that will facilitate investments. Consultations have been undertaken to gauge stakeholder views on reform initiatives in 2024. This will continue in 2025.

Palm Oil

The palm oil industry remains an important agriculture sub-sector for the economy, and it is the leading exporting agriculture commodity in PNG.

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 in the precincts of nuclear estates of oil palm growing provinces.

As part of ongoing reform efforts, the new Oil Palm Ministry and OPIC is developing a *National Palm Oil Policy (NPOP)* that will conduct institutional and governance reforms for the industry. The policy is currently under review and is expected to be finalized and completed in 2025 after the Government's vetting and approval processes.

Coffee

Coffee is the second most important agriculture cash crop in PNG after palm oil. It is cultivated by almost three million Papua New Guineans who rely on coffee for their livelihoods.

As part of the ongoing reform efforts to commercialize commodities, the new Coffee Ministry and CIC drafted the National Coffee Authority Bill. The bill will provide a clear legal framework to improve the coordination and administration of the coffee industry. It will encourage downstream processing and clearly separate regulatory functions from commercial functions. The bill is currently under review and is expected to be completed in 2025.

The Government's support for freight subsidies and coffee rehabilitation and expansion programs will be ongoing as it is geared towards increasing production capacity and the establishment of new smallholder plantations. These programs coincide with the Government's Land Reform initiative (focused on the Incorporated Land Group and Customary Land Registration Laws).

Cocoa

Cocoa, the third largest agricultural export commodity, is overseen by PNG Cocoa Board (PNGCB), which was established under the *Cocoa Act (Amended) 1997*. PNGCB is currently focusing on key strategic programs such as nurseries, freight subsidies, improving cocoa quality, and market promotion.

PNG's Cocoa industry is small compared to production in West Africa which is currently facing production issues due to extreme weather conditions and crop-related diseases. In order to expand the industry's production capacity, it is crucial to address the challenges facing the industry.

The Government through PNGCB has facilitated the distribution of cocoa pod borer tolerant seedlings and cocoa clone planting materials to rehabilitate existing cocoa. The PNGCB has established agreements with provinces to initiate this program, which will continue in 2025 and beyond.

Coconut

Consistent with the Government's broader policy objectives of commercializing agriculture and encouraging downstream processing, the Kokonas Indastri Koporesen has initiated reforms to restructure and enhance its operations. This includes drafting a *National Coconut Industry Policy*. This will be followed by amendments to its enabling law (*Kokonas Indastri Koporesen Act 2002*). These initiatives commenced in 2024 and are expected to continue in 2025.

Fresh Produce

A number of challenges exist in the fresh produce market supply value chain. They include meeting standard market requirements, especially in terms of food quality and safety standards. As a result, many formal market outlets continue to import fresh fruits and vegetables.

The Market for Village Farmers Project has been supported by counter-part funding from the Government since 2018. The project helps transition fresh food produce sectors from semi-subsistence agriculture to market- oriented farming. This project is likely to conclude in Fiscal Year 2025.

The Fresh Produce Development Agency (FPDA) will continue partnerships with sub-national governments, institutions, donor partners, and other stakeholders to deliver meaningful projects in Fiscal Year 2025 and beyond.

Rubber

The Government through the Rubber Industry Development Board, is striving to increase growth to annually boost rubber production to over 12,000.0 metric tonnes by 2027. Some specific investment programs under the rubber industry include Rubber Plantation Rehabilitation, the Nursery Program, and Rubber Downstream Processing.

The passage of the *Rubber Industry Development Act 2022* established the regulatory framework for the rubber industry in PNG. This Act promotes the sustainable development of the rubber industry by strengthening the regulation, investment, and landowner participation in the industry.

State Participation and Investments in Agriculture Sector

The Government has prioritized investments in the agriculture sector through budget support. These include:

a) The Credit Scheme, the Freight Subsidy, and the Price Subsidy programs. These programs help commodity boards and agencies implement work programs that increase rural farmers' incomes and employment which will result in increased production, exports and improved living standards; and

b) Encouraging downstream processing of renewable resource products to meet domestic demand and exporting surpluses to generate the needed foreign reserves inflow to PNG. Apart from helping to broaden the tax base and generate additional revenue, these interventions will lead to improved livelihoods of rural communities.

There are also expired State Project Agreements (PAs) in the Renewable Resources Sector that are due for the State to review and update. The Department of Commerce & Industry (DCI) has conducted discussions in 2023 and 2024 to progress the review exercise. The reviews are expected to be undertaken as early as 2025 once approved by the Government.

Table 38 below shows the status of different PAs the State has signed with different foreign direct investors to encourage investments in PNG.

Table 38: Status of Project Agreements (PA) in the Renewable Resources Sector

Projects	Location (Province)	PAs signed (Year)	Term of PAs	Expiry Date
RD Tuna Canners Limited	Madang	1995 – fiscal terms granted in 2007	Lifetime	Revisit fiscal terms
Frabelle (PNG) Tuna Limited	Morobe	March, 2006	5 years	2011
South Seas Tuna	East Sepik	July, 2000	5 years	2005
Bewani Oil Palm	West Sepik	December, 2011	8 years	2019
Kairak Nucleus Oil Palm	East New Britain	May, 2017	5 years	2022
Ili-wawas Integrated Rural Development	East New Britain	September, 2008	5 years	2013

Source: Department of Commerce and Industry

10.4.2 Forestry Sector

The PNG Forest Authority (PNGFA) is embarking on several initiatives under the capital expenditure program to generate income to broaden the Government's revenue base. These initiatives include the implementation of the *Forestry Revenue Generation Strategy*, undertaking Forestry Sector Economic Modelling, reviewing expired project agreements for current logging operations, and implementing afforestation pilot projects. These initiatives will continue in 2025.

The review of the *Forestry Act 1991* commenced in 2020 and is expected to be completed in 2025. This revised Act will require the PNGFA to concentrate on its regulatory functions while its commercial arm will focus on the Government's commercial interests in the forest industry.

State Marketing Agencies (SMA)

The PNGFA has established a SMA in accordance with the *Forestry Act 1991*. The SMA is registered as the *PNG Diwai Holdings Limited* (PNGDHL). It is responsible for undertaking commercial activities in the forestry sector while the PNGFA focuses on the regulatory functions through necessary amendments of its enabling law. Under this arrangement, the PNGDHL (not a subsidiary of State-Owned Enterprise) will be able to deliver the Government's policies on revenue generation through downstream processing.

Downstream Processing

Downstream processing in the forestry sector is a key project of the Government that is expected to broaden the revenue base to meet the forecasted revenue target of K25.0 billion by 2027. To support this growth, the Government will provide annual funding to drive downstream processing and industrial programs.

The Government is aware of the current challenges limiting its efforts to embark on full scale forest industry downstream processing. These challenges include road access, power supply disruptions, a lack of power supply accessibility throughout PNG, and lawlessness. These challenges will be addressed steadily in the short- to medium-term.

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 as of June 2021. This policy is expected to strengthen the country's efforts to better protect its marine resources because PNG is strategically located in an epicenter for global marine resources and biodiversity**.**

10.4.3 Fisheries Sector

PNG has extensive fisheries resources ranging from inland river fisheries, aquaculture, coastal beche-de-mer and reef fisheries to prawn trawls and large-scale deep-water tuna fisheries. The range of stakeholders participating in this industry include artisanal communities, medium-sized domestic prawn and tuna longline fishing operators, and large international purse seine fleets involved in deep-water tuna fishing.

The Government through the 10-year National Ocean Policy 2020-2030*,* will continue to prioritize strengthening the management, governance, and security of PNG's maritime zones.

The National Fisheries Authority (NFA) regulates the sector. The NFA proposed to establish a commercial entity called Fisheries Capital Limited (FCL) through the *FCL Authorization Bill*. The FCL (not a subsidiary of State-Owned Enterprise) is envisaged to pursue the State's commercial interests in the fisheries industry while NFA continues to perform its regulatory functions. The bill is currently under review, which will continue into 2025.

The Government anticipates revamping the fisheries sector to increase exports and maximize economic returns. It will achieve this by combating illegal, unreported and unregulated fishing in 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 a key focus in the medium-term.

10.4.4 Tourism Sector

To grow the tourism industry, the Government will develop a "domestic tourism model" that will highlight PNG's cultural diversity. The approach to domestic tourism will promote inter-district and inter-province travel, develop tourism niche products that target domestic travellers, domestic tourism hubs with improved infrastructure, law and order, and transport connectivity.

The PNG Tourism Promotion Authority (TPA), as the regulator of the sector, has been working closely with stakeholders in the travel and leisure industry under the Public Private Partnership (PPP) arrangement. This will ensure the tourism industry continues to operate. The TPA is also expected to develop a Tourism Policy and amend its enabling law to make it current so it can effectively regulate, encourage, and promote tourism activities in PNG.

10.4.5 Energy Sector

The Government through the National Energy Authority (NEA), continues to develop and implement various energy related policies. These includes the National Electrification Roll out Program (NEROP) that will help 70.0 per cent of PNG's population have access to electricity by 2027.

The NEA also took over the economic and technical regulatory functions of the energy sector from ICCC and PNG Power Limited. The NEA is continuing to collaborate with relevant State agencies to establish various energy sector policies such as Decentralised Electricity Supply Policy, Geothermal Policy, Hydro, Wind and Solar Energy policies. These policies are currently under review and are expected to be completed in 2025. They will generate cheaper, cleaner sustainable energy and improve the livelihoods of PNG citizens.

The electricity sector is grouped into three sub-sectors: generation, transmission and distribution. The Government and the NEA will continue to work with relevant stakeholders to ensure it pursues its core mandates and delivers services that are expected by the Government and the public.

10.4.6 Environment and Climate Change

The Government intends to safeguard its people and economy against socio-economic losses from adverse impacts of climate change and natural disasters with counter-measures. These counter-measures are highlighted in the National Reduction of Emission from Reforestation and Degradation (REDD+) Strategy 2017-2027. This is part of the country's ongoing commitment as a member of the United Nations Framework Convention on Climate Change (UNFCCC), Paris Agreement (COP21), and other global obligations.

The Climate Change Development Authority (CCDA), under climate change mitigation and adaptation programs initiated a Climate Change (Management) (Carbon Markets) Regulation in 2023. This will establish a coordinating framework that will administer and manage an authorization process for all carbon market activities in the country. The draft regulation is now in its final stage for validation prior to submission to the NEC for review and approval.

Another initiative that was supported by the Government of New Zealand is the Green Finance Policy which was prepared and launched by the Bank of PNG and the Centre for Excellence in Financial Inclusion (CEFI). The implementation of the policy will continue in 2025 once appropriate mechanisms are established.

Given PNG's vulnerability to climate-related natural disasters and significant adaption and loss and damage needs, the Government requested the IMF for Resilience Sustainability Facility (RSF) program under the Resilience Sustainability Trust. The Government with the help of the IMF's Climate Policy Diagnostic (CPD) and Climate Public Investment Management Assessment (C-PIMA) on PNG identified priority reform areas to help improve PNG's resilience to climate change effects. There are 10 reform measures categorized under four key thematic arears and they include; (i) enhancing disaster risk management efforts; (ii) integrating climate change considerations into public investment management processes and budget decision-making; (iii) supporting the development of green and inclusive finance; and (iv) supporting mitigation policies, particularly in the field of forestry and fuel efficiency.

10.5 SECTOR REFORMS

The Department of Treasury, in consultation with other relevant State agencies will evaluate and assess the performance of the Government's current investment portfolios and propose relevant changes where necessary to enhance portfolio performance.

In Fiscal Year 2025, Government will continue its sectoral reform programs to enhance and add value to its investments in all sectors of the economy. This will ensure proper and timely reporting to make informed decisions.

The Government, through the Department of the Treasury, will continue to support the following activities:

- Review of the States Investments;
- Development of a Foreign and National Investment Policy and Legislative Framework;
- Development of an Investment Registry;
- Development of a Medium-Term Investment Strategy (MTIS);
- Development of a Resource Project Benefits Management Policy; and
- State Equity Participation.

Review of the *Boards (Fees & Allowances) Act 1955*

The review of the current *Board Fees and Allowances Act 1995* is led by Department of Treasury with inputs from four other key State agencies (Technical Working Group Members). It concluded with four (4) regional stakeholders' consultations hosted in Lae, Goroka, Kokopo and Port Moresby in September 2024.

The draft bill aims for fair remuneration for members of the Board of Statutory and Public Bodies. This will encourage increased productivity and performance. It further seeks to improve overall governance and administration of the boards by setting minimum requirements for establishing boards, committees and special administrative bodies. It also requires establishing a framework for determining fees and allowances. The bill includes a mechanism to monitor and evaluate the performance of boards.

The draft bill is being finalized and it will be presented to Government for approval in early 2025.

10.6 PUBLIC PRIVATE PARTNERSHIPS (PPP)

The Government's *PPP Act 2014* and *PPP Act* (amended 2023) (together referred to as the 'PPP Act', or 'the Act') and its regulations ('PPP Regulations') provide a robust legislative framework for the undertaking of PPP projects in PNG.

The approved 2023 PPP regulations and guidelines are aligned with *PPP Act*. They facilitate the conception, development, competitive tendering, and implementation of PPP projects. Following the endorsement of the guidelines and regulations, an interim PPP center was established and an acting CEO was appointed under the *PPP Act* to facilitate the undertaking of PPP projects in the country.

Currently, the PPP center is housed under the Department of Finance. The PPP Centre is expected to be formally established in 2025 after necessary Government approvals are secured for its institutional and administrative arrangements.

10.7 STATE INVESTMENT STRATEGY 2024

10.7.1 KCH L and Major SOE Reforms

Dividend Policy

The Government has reviewed the current Dividend Sharing Arrangement and is working to finalise a dividend policy This is to balance support from State Owned Enterprises to the National Budget and Public Investments, while allowing funds for new initiatives. This is in line with the Government's efforts to promote business development and build domestic revenue. The implementation of the dividend policy is expected to begin in Fiscal Year 2025.

10.7.2 KMHL and New Mining Projects

Woodlark Gold Mining Project

The Woodlark mine is a small to medium-scale mine that was granted a mining license in 2014. Construction for the project commenced in the first quarter of 2021. However, there have been delays due to the operator's inability to secure financing for the project. For this reason, the project commissioning, although planned in 2024, has been delayed to Fiscal Year 2025. The estimated lifespan of the mine is 13 years with mineral resource estimate increasing from 1.57 million ounces of gold in 2018 to 1.67 million ounces of gold in 2024.

The State has reserved its right to acquire 30.0 per cent of the project through the project benefit Memorandum of Agreement (MOA). Of this 30.0 per cent, 5.0 per cent is 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 the mine is ready.

Wafi-Golpu Gold-Copper Project

The project is in the permitting phase before a Special Mining Lease (SML) is fully granted. This was supposed to take place following the signing of the Mining Development Contract. However, the MDC signing was further delayed as negotiations between the State and the developer are yet to be concluded. The construction period of five years is expected to follow thereafter.

The development forum for benefit sharing between the mine stakeholders will commence immediately following the signing of the MDC and the granting of SML. The Environment permit of the project was granted in January 2021.

The State has the right but not the obligation to take up 30.0 per cent equity in the project through its nominee, KMHL.

Frieda River Copper Project

This proposed copper-gold mining project located in the East Sepik Province is expected to be mined using an open-cut bulk mining method that utilizes floatation to produce gold-copper concentrate products. Its mineral resource estimates were 1,490 million tonnes at 0.5 percent Copper (5.7 million tonnes of copper) and 0.24 grams per tonne of Gold (7.65 million ounces gold) as of September 2018. These resources are expected to be mined over the 33 years of the mine's life which will commence after the construction phase is completed.

SML and MDC for the project are expected to be delivered after the permitting of the Wafi Golpu Project. The State has the right but not the obligation to take up 30.0 per cent equity in the project through its nominee, KMHL.

10.7.3 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 for 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 been signed.

Papua LNG

The Gas Agreement was signed in April 2019 followed by the Fiscal Stability Agreement in February 2021. The project is currently in the permitting phase for the Petroleum Development License (PDL) and the Environment Permit (EP). The PDL (25 years) is expected to be granted in the first quarter of 2025.

Front End Engineering Design (FEED) for the project upstream segment was completed in December 2023. It is pending review by the State. Phase 2 of the FEED for the downstream project segment is yet to be completed by the developer and submitted to the State for review.

Final Investment Decision (FID) for the project is expected at the end of 2025. Construction will commence thereafter and production is expected to commence in 2028. The project's life is 21 years (as projected in the model).

KPHL as the State nominee is expected to take-up the 22.5 per cent equity in the project.

P'nyang Gas Project

The environment permit was issued in February of 2017. The Gas Agreement was signed in 2022 followed by Fiscal Stability Agreement in March 2024. The development of the project is anticipated to commence after the development of Papua LNG and it is expected to support economic growth, and development in PNG. Construction for the P'nyang project is expected to be completed in 2028 with first gas possibly flowing in 2032.

KPHL, as the State nominee is expected to take-up the 22.5 per cent equity in the project.

Pasca A Gas Project

The Pasca A Gas Project, if developed, will be the first offshore gas project for PNG. The project, located in Gulf Province, is expected to be permitted after the permitting of the Papua LNG and P'nyang gas projects.

Pasca is valued at USD1.5 billion and is proposed to be developed in two (2) phases. Phase 1 will include Liquified Petroleum Gas (LPG) and gas liquids production at over 20,000 barrels per day. Phase 2 will include LNG production at 0.75 million tonnes per annum.

Negotiations for the Gas Agreement are ongoing. The application for a Petroleum Development License was submitted to the State in 2015 and is pending approval. FEED and project financing arrangements will follow the signing of the Gas Agreement.

The Mineral Resources Development Company Limited (MRDC), through its Special Purpose Vehicle (SPV) "Hevehe Petroleum Limited" has executed several documents with Twinza (project developer) in 2024 including a Sale and Purchase Agreement (SPA). The SPA contains several Conditions Precedent (CPs), one of which is the execution of a Gas Agreement with the State. MRDC may take up to 50.0 per cent participating interest in the project.

Stanley Gas Project

The Gas Agreement for the project between the State and the developer was signed in 2014. In the same year the project was granted a Petroleum Development License (PDL10) by the State. However, the project has not started construction and production because oil prices decreased from historic highs in 2014 which arguably rendered the project commercially unviable.

KPHL as the State nominee is expected to take-up the 22.5 per cent equity in the project.

State Equity Participation Policy

This policy aims to provide a framework to guide State equity acquisition for extractive resource projects and to ensure good governance and transparent decision-making. Treasury commenced work on this policy in 2018, and it planned to conduct stakeholder consultations and the NEC's endorsement in 2024. However, other Government priorities have delayed this policy but it is expected to be pushed forward in 2025.

Resource Sector Benefits Distribution and Management Policy

The revenue and benefits derived from natural resources have been supporting the growth and development of PNG, and they are heavily reliant on the oil & gas, mining, forestry and fisheries sectors (Natural Resource Sector). The Government provides benefits to the resource owners (landowners and provincial and local level governments). These include the derivation of the Business Development Grant (BDG), Infrastructure Development Grant (IDG) and Special Support Grant (SSG) which are done on a project-by-project basis.

To improve this process, the Government through the Department of Treasury has commenced drafting of the Resource Sector Benefits Distribution and Management Policy. This policy aims to streamline the derivation of these grants and other fiscal benefits.

The drafting of the policy is underway. Stakeholder consultations will be conducted in 2025 to finalize the policy. Following these consultations, the policy will be submitted to the Government for approval and implementation.

APPENDIX 1: GRANTS AND TRANSFERS TO PROVINCES

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

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

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

Province	Personnel Emoluments							Goods and Services													Total Recurrent Grants (a) + (b)
	Salaries		Leave fares		Allowances																
	PS Salaries	Teachers Salaries	PS leave fares	Teachers leave fares	Village Court Allowances	Land Mediation Allowances	Sub-total PE (a)	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	15,970,150	68,078,544	2,169,000	3,122,700	1,561,480	253,525	91,155,399	7,017,155	5,990,241	8,728,293	2,372,640	341,599	286,163	945,299	548,324	**26,229,715**	1,777,216	9,378,448	**11,155,663**	**37,385,378**	128,540,777
Gulf	14,487,980	29,458,392	309,000	736,050	1,892,110	125,660	47,009,192	7,043,191	5,973,065	8,594,716	3,312,259	760,468	484,943	1,957,258	2,986,669	**31,112,569**	692,612	2,688,506	**3,381,118**	**34,493,687**	81,502,879
Central	23,873,340	91,748,794	691,000	3,151,050	2,623,410	248,375	122,335,969	8,181,160	9,829,264	16,017,797	4,838,529	980,173	1,078,038	3,259,550	2,695,324	**46,879,834**	-	6,111,194	**6,111,194**	**52,991,028**	175,326,997
NCD*					1,102,100	37,080	1,139,180										-		**-**		1,139,180
Milne Bay	10,974,880	96,182,591	330,000	1,480,500	3,065,280	201,880	112,235,131	7,810,053	9,444,656	9,769,948	5,260,852	948,631	811,306	3,431,340	2,753,901	**40,230,688**	690,515	4,701,522	**5,392,037**	**45,622,725**	157,857,856
Oro	12,317,770	41,756,578	516,000	1,447,950	1,677,870	113,300	57,829,468	6,740,349	5,373,071	5,322,013	3,030,586	513,704	188,961	2,139,420	2,456,531	**25,764,634**	1,715,310	5,772,327	**7,487,637**	**33,252,271**	91,081,739
Southern Highlands	27,902,700	150,168,382	382,000	1,108,800	3,437,110	286,804	183,285,796	7,261,307	9,392,120	9,059,658	3,339,384	874,467	630,224	4,101,466	2,130,389	**36,789,015**	2,142,660	4,953,599	**7,096,260**	**43,885,275**	227,171,071
Hela	11,381,500	58,521,924	154,000	456,750	1,738,640	176,130	72,428,944	7,875,296	7,455,789	7,060,895	2,715,421	855,799	371,076	2,501,079	3,455,356	**32,290,711**	2,477,864	4,408,404	**6,886,267**	**39,176,978**	111,605,922
Enga	12,017,010	122,552,170	206,000	1,351,350	6,004,900	14,590	142,146,020	7,088,068	11,917,826	13,781,665	6,242,036	1,457,468	412,573	2,167,481	3,204,806	**46,271,923**	569,440	7,130,178	**7,699,618**	**53,971,541**	196,117,561
Western Highlands	15,753,850	160,120,049	392,000	1,810,200	2,649,160	117,182	180,842,441	4,140,183	537,057	1,022,386	396,148	135,376	36,350	245,544	244,548	**6,757,592**	1,911,918	3,774,187	**5,686,105**	**12,443,697**	193,286,138
Jiwaka	12,224,040	98,466,728	129,000	715,050	1,752,030	116,463	113,403,311	6,835,016	9,893,881	14,634,343	1,585,479	471,523	153,216	2,561,795	2,617,839	**38,753,091**	-	3,409,774	**3,409,774**	**42,162,864**	155,566,175
Simbu	20,821,450	121,752,960	206,000	1,215,900	3,485,520	252,350	147,734,180	7,974,502	11,768,086	12,032,137	3,033,467	822,812	139,818	3,281,495	4,486,481	**43,538,798**	905,409	3,801,244	**4,706,653**	**48,245,451**	195,979,631
Eastern Highlands	16,124,430	181,264,735	723,000	2,836,050	3,908,850	277,070	205,134,135	7,017,649	10,411,870	17,221,032	2,695,489	633,065	92,213	3,666,174	2,878,798	**44,616,290**	1,779,953	5,578,536	**7,358,488**	**51,974,779**	257,108,914
Morobe	35,683,320	234,321,210	1,239,000	8,114,400	3,178,580	418,120	282,954,630	5,024,201	1,071,158	1,326,195	561,083	382,556	127,519	153,023	153,023	**8,798,756**	5,329,434	12,150,761	**17,480,195**	**26,278,951**	309,233,581
Madang	27,767,770	156,295,690	723,000	2,747,850	3,179,610	226,600	190,940,520	7,698,151	9,370,999	12,918,475	3,743,586	551,758	43,580	3,703,082	3,594,755	**41,624,387**	2,036,603	7,259,700	**9,296,302**	**50,920,689**	241,861,209
East Sepik	19,884,150	163,165,436	1,032,000	3,256,050	3,822,330	311,060	191,471,026	8,200,408	17,757,687	29,590,875	5,429,240	900,957	295,828	3,581,376	5,969,917	**71,726,289**	1,567,388	9,336,466	**10,903,854**	**82,630,142**	274,101,168
Sandaun	12,764,790	83,638,793	723,000	1,377,600	1,740,700	203,880	100,448,763	10,500,238	14,438,099	11,236,494	5,191,115	600,603	155,604	3,062,402	4,354,764	**49,539,319**	1,693,587	8,367,242	**10,060,830**	**59,600,148**	160,048,911
Manus	9,003,230	33,696,215	516,000	824,250	1,778,810	151,410	45,969,915	5,530,302	3,873,171	6,441,021	2,013,265	567,640	104,423	2,022,353	2,614,391	**23,166,567**	517,260	1,265,449	**1,782,709**	**24,949,276**	70,919,191
New Ireland	16,563,430	71,029,405	2,427,000	1,060,500	1,538,820	125,660	92,744,815	5,542,810	2,433,214	2,798,196	1,034,116	851,625	608,304	729,964	1,216,607	**15,214,836**	974,012	2,369,418	**3,343,430**	**18,558,266**	111,303,081
East New Britain	23,422,200	125,954,070	309,000	1,748,250	1,614,010	214,240	153,261,770	6,651,957	5,692,011	5,377,280	5,830,750	615,778	115,865	1,393,469	796,999	**26,474,109**	2,140,206	5,186,255	**7,326,461**	**33,800,570**	187,062,340
West New Britain	17,689,220	96,709,374	1,032,000	3,839,850	1,714,950	151,410	121,136,804	7,258,818	13,395,495	14,573,352	4,114,251	903,754	259,879	3,815,507	3,338,815	**47,659,872**	1,334,965	6,178,306	**7,513,271**	**55,173,143**	176,309,947
Bougainville*	52,694,080	96,207,470	998,000	9,189,600	2,261,880	442,980	161,794,010														
TOTAL	**409,321,290**	**2,281,089,510**	**15,206,000**	**51,590,700**	**55,728,150**	**4,465,769**	**2,817,401,419**	**141,390,815**	**166,018,761**	**207,506,772**	**66,739,696**	**14,169,757**	**6,395,881**	**48,719,079**	**52,498,234**	**703,438,994**	**30,256,352**	**113,821,514**	**144,077,866**	**847,516,860**	**3,503,124,269**

Note:

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

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

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

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

Table 1.2: Grants, Transfers and Other Resources of the Provinces (Kina, Thousand)

Province	l Grants and Tran:	Non-Grant tax transfers				Total
	Recurrent Budget	GST (1)	Bookmakers Tax (2)	Mining & Petroleum Royalties/Dividends (3)	Own Source Revenues (4)	
Western	128,540,777	24,000,000	18,572	37,300,000	1,969,605	**191,828,954**
Gulf	81,502,879	3,000,000	0	0	452,079	**84,954,958**
Central	175,326,997	5,000,000	0	0	11,323,348	**191,650,345**
NCD*	1,139,180	511,000,000	8,242,110	0	0	**512,139,180**
Milne Bay	157,857,856	11,000,000	0	0	2,437,220	**171,331,040**
Oro	91,081,739	7,000,000	35,964	0	1,783,756	**99,865,494**
Southern Highlands	227,171,071	16,000,000	0	0	15,543,019	**258,714,090**
Hela	111,605,922	6,000,000	0	0	0	**117,605,922**
Enga	196,117,561	9,000,000	0	0	22,090,524	**227,590,238**
Western Highlands	193,286,138	83,000,000	382,153	0	7,996,044	**284,282,182**
Jiwaka	155,566,175	11,000,000	0	0	0	**166,708,377**
Simbu	195,979,631	14,000,000	142,202	0	1,171,932	**211,713,001**
Eastern Highlands	257,108,914	45,000,000	561,438	2,065	7,974,949	**312,013,848**
Morobe	309,233,581	217,000,000	1,927,920	5,301,233	11,349,660	**545,915,205**
Madang	241,861,209	39,000,000	3,030,730	2,312	2,044,173	**283,191,881**
East Sepik	274,101,168	23,000,000	284,187	0	3,344,399	**300,445,568**
Sandaun	160,048,911	7,000,000	0	0	1,377,250	**168,426,161**
Manus	70,919,191	4,000,000	0	0	615,239	**75,534,430**
New Ireland	111,303,081	26,000,000	0	9,447,652	2,403,841	**149,376,681**
East New Britain	187,062,340	44,000,000	222,107	0	7,531,459	**239,103,713**
West New Britain	176,309,947	22,000,000	509,914	0	12,944,779	**211,254,726**
Bougainville*	0		0	0	0	**0**
TOTAL	**3,503,124,269**	**1,127,000,000**	**15,357,297**	**52,053,262**	**114,353,275**	**4,803,645,994**

Notes
1) GST is based on 60% of the 2018 net inland GST collections, to be distributed to each province in 2020
2) Bookmakers is 40% of 2018 net collections
3) NEFC estimate based on 2018 actual collections which includes dividends from equity shares of mining and petroleum resource projects
4) NEFC estimate based on 2018 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)

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
Agriculture, Forestry and Fishing												
nominal	13478.0	14234.5	15476.0	17399.7	18835.3	18760.6	21319.9	22877.1	24469.1	26313.4	28266.3	30343.8
deflator	132.6	136.9	146.2	162.6	170.7	168.4	184.8	192.6	199.6	207.9	217.1	226.5
real	10164.7	10394.4	10588.1	10702.6	11035.3	11141.3	11537.6	11879.0	12258.1	12654.4	13022.4	13399.2
rate of real growth	4.6	2.3	1.9	1.1	3.1	1.0	3.6	3.0	3.2	3.2	2.9	2.9
Oil and Gas Extraction												
nominal	13888.2	14719.8	11663.3	15675.2	26397.7	20917.2	22314.8	22452.7	22234.8	22263.8	22247.0	22462.9
deflator	122.5	112.7	90.0	130.3	216.4	176.8	183.7	185.4	183.9	184.4	184.5	186.5
real	11339.6	13056.7	12960.5	12034.6	12198.5	11828.5	12150.2	12109.9	12088.4	12074.7	12057.8	12042.2
rate of real growth	-15.3	15.1	-0.7	-7.1	1.4	-3.0	2.7	-0.3	-0.2	-0.1	-0.1	-0.1
Mining and Quarrying												
nominal	8237.0	9038.7	8377.9	7530.8	9126.1	9389.2	12967.4	16416.5	18576.6	19500.0	20157.7	20966.4
deflator	110.8	115.4	139.3	158.9	167.8	170.1	208.3	238.0	255.8	277.4	288.5	288.5
real	7435.7	7832.4	6016.2	4739.7	5437.6	5519.3	6226.7	6898.5	7261.1	7263.4	7265.8	7268.2
rate of real growth	2.2	5.3	-23.2	-21.2	14.7	1.5	12.8	10.8	5.3	0.0	0.0	0.0
Manufacturing												
nominal	1369.1	1418.2	1390.6	1559.0	1812.5	1836.8	2025.0	2200.6	2448.5	2726.0	3035.0	3377.3
deflator	135.7	141.4	148.1	154.8	163.0	166.7	175.0	183.8	192.9	202.6	212.8	223.4
rate of deflator growth	4.1	4.2	4.8	4.5	5.3	2.3	5.0	5.0	5.0	5.0	5.0	5.0
real	1008.9	1003.1	938.7	1007.1	1112.1	1101.9	1157.0	1197.4	1269.3	1345.5	1426.2	1511.7
rate of real growth	-6.7	-0.6	-6.4	7.3	10.4	-0.9	5.0	3.5	6.0	6.0	6.0	6.0
Electricity Gas & Airconditioning												
nominal	638.0	685.8	722.3	709.0	721.1	743.9	820.2	904.2	996.5	1099.0	1212.1	1349.4
deflator	114.1	117.9	118.7	119.5	120.9	123.4	129.5	136.0	142.8	149.9	157.5	165.4
rate of deflator growth	3.9	3.4	0.7	0.6	1.2	2.1	5.0	5.0	5.0	5.0	5.0	5.0
real	559.1	581.5	608.3	593.4	596.6	603.0	633.2	664.8	698.1	733.0	769.6	815.8
rate of real growth	4.4	4.0	4.6	-2.5	0.5	1.1	5.0	5.0	5.0	5.0	5.0	6.0
Water Supply & Waste Management												
nominal	152.1	158.2	176.5	191.2	209.5	250.9	281.9	310.5	341.8	376.6	417.4	462.5
deflator	144.8	144.8	151.9	154.3	157.5	188.6	198.1	208.0	218.3	229.3	240.8	252.9
rate of deflator growth	0.3	0.0	4.9	1.5	2.1	19.7	5.0	5.0	5.0	5.0	5.0	5.0
real	105.0	109.3	116.2	123.9	133.0	133.0	142.3	149.3	156.6	164.3	173.3	182.8
rate of real growth	10.0	4.1	6.3	6.7	7.3	0.0	7.0	4.9	4.9	4.9	5.5	5.5
Construction												
nominal	5035.1	4759.5	4938.2	5532.9	6602.1	7003.3	7794.6	8593.1	9380.6	10345.4	11464.1	12703.0
deflator	135.9	140.5	146.1	152.6	160.6	164.3	172.6	181.2	190.2	199.7	209.8	220.4
rate of deflator growth	4.8	3.4	3.9	4.5	5.3	2.3	5.0	5.0	5.0	5.0	5.0	5.0
real	3704.1	3387.0	3381.0	3625.5	4109.8	4261.5	4517.2	4743.1	4932.8	5179.5	5464.3	5764.9
rate of real growth	-0.9	-8.6	-0.2	7.2	13.4	3.7	6.0	5.0	4.0	5.0	5.5	5.5
Wholesale and retail trade												
nominal	7368.9	7750.1	8106.7	8973.0	10106.7	10625.1	11792.2	13000.2	14396.3	16028.1	17845.5	19867.8
deflator	133.2	138.0	144.5	151.0	159.2	162.8	170.9	179.5	188.4	197.9	207.8	218.3
rate of deflator growth	5.6	3.6	4.7	4.5	5.4	2.3	5.0	5.0	5.0	5.0	5.0	5.0
real	5532.2	5616.3	5610.2	5942.9	6349.2	6526.1	6898.1	7243.0	7641.4	8099.9	8585.9	9101.0
rate of real growth	1.9	1.5	-0.1	5.9	6.8	2.8	5.7	5.0	5.5	6.0	6.0	6.0
Transport and Storage												
nominal	1773.0	2013.4	1667.5	1793.2	2124.9	2301.9	2525.7	2811.0	3098.1	3416.7	3549.3	3687.1
deflator	126.0	138.1	143.4	149.7	158.2	161.9	170.0	178.5	187.4	196.8	192.9	189.0
rate of deflator growth	6.1	9.6	3.8	4.4	5.6	2.4	5.0	5.0	5.0	5.0	5.0	5.0
real	1407.1	1458.2	1163.2	1197.8	1343.5	1421.4	1485.3	1574.5	1653.2	1735.8	1840.0	1950.4
rate of real growth	3.5	3.6	-20.2	3.0	12.2	5.8	4.5	6.0	5.0	5.0	6.0	6.0
Accomodation and Food Services												
nominal	1439.7	1416.2	1352.0	1445.6	1620.5	1768.3	1949.6	2128.8	2301.6	2489.9	2693.8	2914.2
deflator	128.6	128.2	133.6	136.5	144.0	152.3	159.9	167.9	176.2	185.1	194.4	204.2
rate of deflator growth	7.6	-0.3	4.2	2.1	5.5	5.7	5.0	5.0	5.0	5.0	5.0	5.0
real	1119.4	1104.4	1011.9	1059.3	1125.3	1161.4	1219.4	1268.2	1306.3	1345.4	1385.8	1427.4
rate of real growth	10.4	-1.3	-8.4	4.7	6.2	3.2	5.0	4.0	3.0	3.0	3.0	3.0
Information and Communication												
nominal	1166.9	1334.6	1406.0	1665.7	1906.4	2072.1	2317.2	2612.9	2945.6	3322.8	3769.4	4275.8
deflator	96.5	95.2	94.1	93.9	95.4	89.8	94.3	99.0	103.9	109.2	114.7	120.4
rate of deflator growth	6.0	-1.4	-1.1	-0.3	1.6	-5.9	5.0	5.0	5.0	5.0	5.0	5.0
real	1209.3	1402.1	1493.5	1774.8	1998.4	2307.3	2457.2	2639.1	2834.4	3044.1	3287.6	3550.6
rate of real growth	2.5	15.9	6.5	18.8	12.6	15.5	6.5	7.4	7.4	7.4	8.0	8.0
Financial and Insurance Activities												
nominal	2076.0	2055.4	1919.5	1997.6	2176.4	2390.0	2660.0	3016.3	3308.5	3631.4	4005.1	4416.9
deflator	131.1	136.1	142.7	149.1	156.9	164.6	172.8	181.4	190.5	200.0	210.1	220.7
rate of deflator growth	4.5	3.8	4.8	4.5	5.3	4.9	5.0	5.0	5.0	5.0	5.0	5.0
real	1583.2	1510.0	1345.1	1339.7	1386.8	1452.1	1539.3	1662.4	1737.2	1815.4	1906.2	2001.5
rate of real growth	1.8	-4.6	-10.9	-0.4	3.5	4.7	6.0	8.0	4.5	4.5	5.0	5.0
Real Estate Activities												
nominal	4741.4	5054.9	5435.9	5689.0	6157.7	6529.5	7130.1	7770.7	8458.4	9212.8	10063.9	10992.9
deflator	132.4	137.4	144.0	150.2	158.1	162.9	171.0	179.5	188.5	197.9	207.9	218.4
rate of deflator growth	4.4	3.8	4.8	4.3	5.3	3.0	5.0	5.0	5.0	5.0	5.0	5.0
real	3582.1	3679.6	3774.9	3787.1	3893.9	4009.4	4169.8	4328.2	4488.4	4654.4	4840.6	5034.2
rate of real growth	2.0	2.7	2.6	0.3	2.8	3.0	4.0	3.8	3.7	3.7	4.0	4.0
Professional and Scientific												
nominal	647.1	793.1	833.4	855.0	942.0	1000.4	1108.1	1221.7	1351.6	1496.3	1656.5	1833.8
deflator	117.4	128.9	135.2	141.2	148.6	152.0	159.6	167.6	175.9	184.8	194.1	203.8
rate of deflator growth	4.5	9.8	4.8	4.4	5.3	2.3	5.0	5.0	5.0	5.0	5.0	5.0
real	551.1	615.2	616.6	605.7	633.9	658.1	694.3	729.0	768.4	809.9	853.6	899.7
rate of real growth	-9.3	11.6	0.2	-1.8	4.6	3.8	5.5	5.0	5.4	5.4	5.4	5.4
Administrative and Support Services												
nominal	5924.2	6430.8	6686.7	7030.1	8075.6	8480.4	9349.6	10307.4	11414.3	12648.1	14082.3	15678.1
deflator	132.1	137.7	144.3	150.7	158.7	162.3	170.5	179.0	187.9	197.3	207.3	217.7
rate of deflator growth	4.2	4.2	4.8	4.4	5.3	2.3	5.0	5.0	5.0	5.0	5.0	5.0
real	4485.3	4670.8	4632.7	4663.8	5088.4	5223.8	5485.0	5759.2	6076.0	6410.2	6794.8	7202.5
rate of real growth	13.0	4.1	-0.8	0.7	9.1	2.7	5.0	5.0	5.5	5.5	6.0	6.0
Public Administration and Defence												
nominal	3801.0	3928.9	4390.3	4732.2	5056.2	5698.3	6402.1	7091.5	7823.3	8636.1	9533.7	10523.9
deflator	123.4	126.9	130.3	130.6	134.4	138.1	145.0	152.3	159.8	167.9	176.4	185.2
rate of deflator growth	2.9	2.8	2.6	0.2	2.9	2.8	5.0	5.0	5.0	5.0	5.0	5.0
real	3079.3	3095.1	3370.1	3623.8	3761.4	4125.1	4413.9	4656.7	4894.2	5143.8	5406.1	5681.8
rate of real growth	10.0	0.5	8.9	7.5	3.8	9.7	7.0	5.5	5.1	5.1	5.1	5.1
Education												
nominal	2112.9	2187.4	2275.6	2415.9	2570.0	2786.9	3131.1	3451.8	3804.4	4195.6	4627.3	5103.1
deflator	122.4	125.8	129.2	129.4	133.1	136.9	143.7	150.9	158.4	166.4	174.7	183.5
rate of deflator growth	4.1	2.8	2.6	0.2	2.9	2.8	5.0	5.0	5.0	5.0	5.0	5.0
real	1726.4	1738.3	1761.9	1867.1	1930.3	2036.1	2178.6	2287.6	2401.9	2522.0	2648.1	2780.5
rate of real growth	3.1	0.7	1.4	6.0	3.4	5.5	7.0	5.0	5.0	5.0	5.0	5.0
Health and Social Work Activities												
nominal	1515.7	1573.5	1771.3	1933.7	2063.6	2176.9	2445.7	2704.0	2988.7	3305.5	3656.0	4043.4
deflator	124.8	128.6	131.9	132.9	137.2	141.3	148.3	155.7	163.5	171.7	180.3	189.4
rate of deflator growth	-0.1	3.1	2.5	0.8	3.3	2.9	5.0	5.0	5.0	5.0	5.0	5.0
real	1215.0	1223.3	1343.3	1455.3	1503.9	1541.1	1648.9	1736.3	1828.4	1925.3	2027.3	2134.7
rate of real growth	5.6	0.7	9.8	8.3	3.3	2.5	7.0	5.3	5.3	5.3	5.3	5.3
Other Service Activities												
nominal	503.1	540.0	487.5	503.7	597.3	660.6	721.3	787.6	865.6	951.9	1046.9	1151.2
deflator	128.6	133.4	140.0	146.8	154.5	159.1	167.1	175.4	184.1	193.4	203.1	213.3
rate of deflator growth	5.5	3.8	5.0	4.8	5.2	3.0	5.0	5.0	5.0	5.0	5.0	5.0
real	391.3	404.7	348.1	343.1	386.7	415.2	431.8	449.1	470.2	492.3	515.4	539.6
rate of real growth	1.1	3.4	-14.0	-1.4	12.7	7.4	4.0	4.0	4.7	4.7	4.7	4.7
Total GDP												
nominal	79404.7	83846.0	82515.0	91625.7	111394.8	110619.1	124298.1	136895.8	148446.5	160197.9	172489.5	186338.9
rate of nominal growth	9.5	5.6	-1.6	11.0	21.6	-0.7	12.4	10.1	8.4	7.9	7.7	8.0
deflator	126.2	127.6	129.7	144.7	166.5	160.4	171.9	180.7	188.1	195.5	202.8	210.9
real	62896.3	65714.3	63632.9	63307.8	66920.9	68952.4	72316.0	75749.4	78938.9	81934.7	85057.3	88355.9
rate of real growth	-0.3	4.5	-3.2	-0.5	5.7	3.0	4.9	4.7	4.2	3.8	3.8	3.9
Total non-mining GDP												
nominal	57279.5	60087.6	62473.7	68419.8	75871.1	80312.8	89015.9	98026.7	107635.1	118434.0	130084.8	142909.5
rate of nominal growth	7.8	4.9	4.0	9.5	10.9	5.9	10.8	10.1	9.8	10.0	9.8	9.9
deflator	129.8	134.0	139.9	147.0	153.9	155.6	165.0	172.8	180.6	189.2	197.9	207.0
real	44121.0	44825.3	44656.2	46533.5	49284.8	51604.6	53939.1	56741.0	59589.4	62596.6	65733.7	69045.6
rate of real growth	4.0	1.6	-0.4	4.2	5.9	4.7	4.5	5.2	5.0	5.0	5.0	5.0

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

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
Agriculture, Forestry and Fishing	0.7	0.4	0.3	0.2	0.5	0.2	0.6	0.5	0.5	0.5	0.4	0.4
Oil and Gas Extraction	-3.3	2.7	-0.1	-1.5	0.3	-0.6	0.5	-0.1	0.0	0.0	0.0	0.0
Mining and Quarrying	0.3	0.6	-2.8	-2.0	1.1	0.1	1.0	0.9	0.5	0.0	0.0	0.0
Manufacturing	-0.1	0.0	-0.1	0.1	0.2	0.0	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	0.0	0.0	0.0	0.0	0.1
Water Supply & Waste Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	-0.1	-0.5	0.0	0.4	0.8	0.2	0.4	0.3	0.3	0.3	0.3	0.4
Wholesale and retail trade	0.2	0.1	0.0	0.5	0.6	0.3	0.5	0.5	0.5	0.6	0.6	0.6
Transport and Storage	0.1	0.1	-0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Accomodation and Food Services	0.2	0.0	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Information and Communication	0.0	0.3	0.1	0.4	0.4	0.5	0.2	0.3	0.3	0.3	0.3	0.3
Financial and Insurance Activities	0.0	-0.1	-0.3	0.0	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Real Estate Activities	0.1	0.2	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Professional and Scientific	-0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Administrative and Support Services	0.8	0.3	-0.1	0.0	0.7	0.2	0.4	0.4	0.4	0.4	0.5	0.5
Public Administration and Defence	0.4	0.0	0.4	0.4	0.2	0.5	0.4	0.3	0.3	0.3	0.3	0.3
Education	0.1	0.0	0.0	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Health and Social Work Activities	0.1	0.0	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Other Service Activities	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL GDP*	-0.3	4.5	-3.2	-0.5	5.7	3.0	4.9	4.7	4.2	3.8	3.8	3.9
Total Non-Resource GDP	4.0	1.6	-0.4	4.2	5.9	4.7	4.5	5.2	5.0	5.0	5.0	5.0

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

Table 3: Prices of Main Export Commodities

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
AGRICULTURE												
Copra	1821	1803	1930	1849	2497	2547	2732	2885	2974	3044	3115	3199
Cocoa	7552	7934	8210	8518	8348	11694	27063	24563	22623	23155	23700	24333
Coffee	10128	10228	12552	17289	22860	17098	20179	22234	21664	21389	21892	22477
Palm Oil	1867	1717	2215	3505	3981	2978	3335	3461	3540	3623	3709	3808
Rubber	3997	4029	3714	4714	4063	4258	4656	4917	5068	5188	5310	5452
Tea	4070	4750	3999	3030	3587	3195	3751	3658	3771	3859	3950	4056
Copra Oil	3026	2314	2643	4983	5753	5869	6295	6648	6852	7014	7179	7370
Logs (K/m^3)	304	327	310	338	352	311	347	366	377	386	395	406
MINERALS												
Gold (US$/oz)	1270	1392	1770	1800	1801	1943	2325	2540	2640	2719	2753	2784
Copper (US$/ton)	6517	6006	6170	9308	8819	8486	9441	10028	10163	10187	10131	10108
Oil (Kutubu Crude: US$/barrel)	65	57	39	68	94	78	80	76	73	72	70	69
LNG (US$ per thousand cubic feet)	10.2	10.6	8.3	10.8	18.3	14.4	14.8	14.2	13.6	13.3	13.0	12.8
Condensate (US$/barrel)	65	57	39	68	94	78	80	76	73	72	70	69
Nickel (US$/tonne)	13109	10960	10639	17147	20532	21527	15076	15231	15998	16570	16907	17807
Cobalt (US$/tonne)	72820	22836	21483	44430	51427	33871	20268	22448	23419	24197	24436	25398

Source: Department of Treasury.

Table 4: Volume of Main Export Commodities

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
AGRICULTURE												
Copra	63.6	36.6	36.7	35.1	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8
Cocoa	33.3	26.4	33.0	36.6	40.0	40.1	41.2	44.5	48.1	51.9	56.1	60.6
Coffee	52.1	47.2	40.7	25.0	20.4	23.2	24.0	21.6	21.6	21.6	21.6	21.6
Palm Oil	614.3	571.3	557.9	657.5	676.0	656.1	572.3	656.8	655.8	653.6	654.1	653.0
Rubber	4.9	3.4	3.1	2.8	11.8	12.9	13.8	15.3	16.6	17.8	19.1	20.6
Tea	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Copra Oil	13.7	15.6	10.4	11.6	11.2	11.4	15.4	15.4	15.6	16.2	16.4	16.3
Logs	4040.0	3684.0	2891.0	2787.1	3059.7	2300.0	2300.0	2790.0	2790.0	3240.0	3240.0	3240.0
Marine products	202.2	202.3	203.4	209.5	215.8	222.3	228.9	235.8	242.9	250.2	257.7	265.4
MINERAL												
Gold (tonnes)	63.2	74.2	54.1	44.0	39.6	42.4	49.7	56.3	61.7	62.6	63.5	64.4
Silver (tonnes)	33.68	53.57	41.65	16.72	17.01	17.4	18.6	19.7	20.3	22.6	22.6	22.6
Copper (tonnes)	87.4	111.0	82.3	66.0	73.9	81.4	97.8	113.3	115.0	115.0	115.0	115.0
Oil (million barrels)	4.1	3.6	4.9	6.2	7.1	7.2	5.5	5.2	5.1	5.1	5.0	4.9
LNG (Tbtu)	382.0	433.0	430.6	413.5	442.0	442.0	432.0	432.0	432.0	432.0	432.0	432.0
Condensate (MB)	8.9	11.0	10.6	8.4	7.3	6.0	7.0	7.0	7.0	7.0	7.0	7.0
Nickle (tonnes)	25,500.0	40,300.0	28,714.0	39,050.0	37,200.0	34121.9	30674.1	33000.0	33000.0	33000.0	33000.0	33000.0
Cobalt (tonnes)	2900.0	3600.0	2600.0	3600.0	3300.0	3072.5	2866.5	3083.8	3083.8	3083.8	3083.8	3083.8

Source: Bank of PNG and Department of Treasury

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
AGRICULTURE, FORESTRY, FISHERIES												
Copra	115.8	66.0	70.8	64.9	74.0	60.6	65.0	68.7	70.8	72.4	74.1	76.1
Copra Oil	41.3	36.1	27.5	57.8	55.4	67.1	96.7	102.7	107.2	113.9	117.7	119.8
Cocoa	246.5	215.5	270.9	308.1	274.7	468.5	1,115.9	1,093.8	1,088.0	1,202.7	1,329.5	1,474.3
Coffee	487.9	415.1	502.1	275.1	231.1	396.0	485.2	481.2	468.8	462.9	473.8	486.4
Palm Oil	1,146.8	980.8	1,322.0	2,594.9	2,851.2	1,954.1	1,908.7	2,273.2	2,321.6	2,368.0	2,425.8	2,486.2
Rubber	19.6	13.7	10.4	12.0	11.8	12.9	13.8	15.3	16.6	17.8	19.1	20.6
Tea	2.0	1.9	1.2	1.5	0.7	0.5	0.6	0.6	0.6	0.6	0.7	0.7
Other Agriculture (a)	251.0	237.2	316.9	451.6	606.1	475.5	558.3	607.6	651.8	699.6	750.9	552.7
Forest Products	1,002.0	1,238.9	896.0	943.0	1,077.0	702.2	831.8	878.4	1,052.6	1,251.1	1,280.6	1,314.8
Marine Products	1,120.7	1,162.0	1,225.6	1,318.6	1,429.5	1,506.2	1,569.8	1,689.3	1,827.0	1,975.7	2,137.5	2,350.9
Total Agricultural, Forestry, Fishing Exports	**4,433.5**	**4,367.2**	**4,643.5**	**6,027.6**	**6,611.5**	**5,643.6**	**6,645.9**	**7,210.8**	**7,604.9**	**8,164.9**	**8,609.8**	**8,882.5**
MINERAL												
Gold	8,207.2	10,520.1	10,551.0	9,169.3	7,279.7	9,510.6	14,298.1	18,712.6	21,953.4	23,495.9	24,678.0	26,005.9
Copper	1,889.7	2,242.0	1,706.0	1,796.7	2,272.2	2,408.8	3,452.6	4,487.6	4,755.9	4,879.4	4,966.8	5,087.9
Silver	62.5	93.3	74.8	31.1	31.7	33.0	37.9	42.3	45.0	51.2	52.4	53.8
Oil	910.2	741.4	1,016.8	1,359.0	2,489.7	2,126.9	1,776.2	1,722.0	1,670.8	1,650.9	1,660.3	1,638.3
LNG	13,835.1	15,600.2	15,846.0	15,010.9	25,213.4	22,833.0	24,663.8	24,873.0	24,661.6	24,713.0	24,718.1	24,980.2
Condensate	1,891.8	2,125.2	1,442.0	1,992.9	2,437.3	1,684.4	2,156.4	2,174.7	2,156.2	2,160.7	2,161.2	2,184.1
Nickel	1,087.0	1,953.8	1,056.9	2,050.1	2,874.8	2,637.4	1,780.3	2,044.1	2,213.0	2,346.2	2,450.1	2,649.5
Cobalt	575.5	392.5	186.1	531.7	571.2	373.7	217.5	273.8	294.4	311.4	321.8	343.5
Refined Petroleum Products	1,394.5	1,293.7	933.1	1,660.1	2,534.0	2,171.8	2,448.2	2,518.3	2,546.9	2,603.2	2,655.8	2,737.7
Total Mineral Exports	**29,853.6**	**34,962.4**	**32,812.8**	**33,601.7**	**45,703.9**	**43,779.5**	**50,831.1**	**56,848.5**	**60,297.1**	**62,211.9**	**63,664.6**	**65,680.9**
TOTAL EXPORT VALUE	**34,287.0**	**39,329.6**	**37,456.3**	**39,629.3**	**52,315.5**	**49,423.0**	**57,477.0**	**64,059.3**	**67,902.1**	**70,376.8**	**72,274.4**	**74,563.3**

Source: Bank of PNG and Department of Treasury.
(a) Includes Oil Palm by-products, canned tuna and vanilla.

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
CURRENT ACCOUNT BALANCE	**10334.2**	**12442.7**	**11662.1**	**12085.9**	**18279.4**	**19559.5**	**23416.5**	**26240.6**	**27627.1**	**28121.8**	**28311.1**	**28686.0**
Trade Balance	**13035.1**	**16955.6**	**13238.2**	**15047.2**	**23982.4**	**25111.2**	**29504.1**	**32945.3**	**34989.6**	**36228.5**	**37218.1**	**38526.9**
Goods Balance	19255.4	23104.8	18746.5	21515.7	31624.0	31803.3	36958.6	41248.3	43734.7	45237.3	46385.3	47863.0
Credit (Exports)	32364	37083	31391	39539	52315	49423	57477	64059	67902	70377	72274	74563
Debit (Imports)	-13109	-13978	-12645	-18023	-20691	-17620	-20518	-22811	-24167	-25140	-25889	-26700
Services Balance	-6220.3	-6149.3	-5508.3	-6468.4	-7641.5	-6692.0	-7454.5	-8303.0	-8745.1	-9008.7	-9167.2	-9336.1
Services Credit	981	985	338	626	805	1095	1214	1337	1468	1615	1773	1947
Services Debit	-7201	-7134	-5846	-7095	-8446	-7787	-8668	-9640	-10213	-10624	-10940	-11283
Income Balance (RHS)	**-4320.6**	**-5823.5**	**-2515.1**	**-4021.9**	**-6355.5**	**-6422.0**	**-7051.4**	**-7765.5**	**-8526.7**	**-9387.3**	**-10312.4**	**-11383.4**
Income Credit	190	403	315	322	311	392	435	479	526	573	625	626
Income Debit	-4511	-6227	-2830	-4344	-6666	-6814	-7486	-8244	-9052	-9961	-10937	-12009
Transfers Balance (RHS)	**1619.8**	**1310.7**	**939.0**	**1060.5**	**652.5**	**870.2**	**963.8**	**1060.9**	**1164.3**	**1280.5**	**1405.4**	**1542.5**
Transfers Credit	2021	1828	1227	1761	1538	1202	1332	1466	1609	1770	1943	2132
Transfers Debit	-401	-517	-289	-700	-886	-332	-368	-405	-445	-489	-537	-590
Current account balance as percentage of Gross Domestic Product (GDP)	13.0	14.8	14.1	13.2	16.4	17.7	18.8	19.2	18.6	17.6	16.4	15.4

Source: Bank of PNG and Department of Treasury.

Table 7: Employment Classified by Industry

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	2014 Annual	2015 Annual	2016 Annual	2017 Annual	2018 Annual	2019 Annual	2020 Annual	2021 Annual	2022 Annual	2023 Annual	2024 Jun Qtr
Retail	162.4	159.6	148.6	141.7	132.9	136.3	136.1	136.6	133.1	129.9	124.4
Wholesale	214.0	206.1	202.6	193.0	197.3	194.4	163.5	156.8	146.4	150.3	153.5
Manufacturing	188.3	180.2	178.4	169.4	168.0	181.7	185.9	198.3	201.9	195.5	206.2
Building and Construction	266.9	262.5	242.3	184.7	162.8	147.2	123.0	101.5	114.8	95.9	83.9
Transportation	174.5	172.7	172.4	163.3	150.2	132.1	127.3	127.4	130.9	143.3	155.1
Agriculture, Forestry, Fisheries	170.5	168.1	165.2	165.9	158.8	159.0	160.9	157.5	163.4	180.1	178.6
Financial and Business	124.4	125.7	121.4	121.7	126.2	130.2	112.7	110.6	115.2	117.2	121.3
TOTAL NON-MINERAL	170.9	166.7	162.5	156.5	151.7	152.2	147.0	146.2	150.6	154.9	157.1
MINERAL	240.2	241.2	262.2	281.8	304.4	358.8	308.8	285.3	314.2	364.4	402.8

Source: BPNG.

* June Quarter Preliminaries

Table 8: Monetary Aggregates

	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Jun Qtr
Domestic Credit	13,920.3	13,794.3	14,569.1	15,323.8	15,543.1	15,133.9	15,754.9	18,311.1	19,039.1
% Change		-0.9	5.6	5.2	1.4	-2.6	4.1	16.2	4.0
Net Credit to Central Government	9,008.7	9,154.9	6,810.6	7,150.4	7,451.1	10,005.0	9,446.9	11,432.6	11,800.1
% Change	68.5	1.6	-25.6	5.0	4.2	34.3	-5.6	21.0	
Credit to Private Sector	11,379.1	10,972.9	11,757.0	12,231.9	12,754.4	12,809.3	13,690.0	16,056.5	16,534.4
% Change	7.2	-3.6	7.1	4.0	8.5	4.7	7.3	25.3	20.8
Money Supply	22,417.1	22,251.2	21,377.6	22,312.0	23,879.7	26,684.5	30,623.4	34,150.0	33,809.6
% Change	10.9	-0.7	-3.9	4.4	7.0	11.7	14.8	11.5	-1.0
Money Velocity (M3*) (average)	2.9	3.3	3.7	3.8	3.5	3.4	3.6	3.2	3.7

Source: BPNG
*June Quarter Preliminaries

Table 9: Major Assumptions Underlying the Budget

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est.	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj
Economic Growth												
Total Real GDP (%)	-0.3	4.5	-3.2	-0.5	5.7	3.0	4.9	4.7	4.2	3.8	3.8	3.9
Non-resource Real GDP (%)	4.0	1.6	-0.4	4.2	5.9	4.7	4.5	5.2	5.0	5.0	5.0	5.0
Inflation												
Average on Average (%)	4.7	3.6	4.9	4.5	5.3	2.3	1.2	4.5	5.0	5.0	5.0	5.0
Dec on Dec (%)	4.9	2.7	5.1	5.7	3.4	3.9	3.0	3.1	4.7	5.1	4.8	5.5
Interest rate												
Kina Rate Facility (KFR)	6.3	5.9	3.5	3.0	3.1	3.3	2.9	2.9	2.9	2.9	2.9	2.9
Inscribed Stock (3 year yield)	9.0	10.5	9.0	9.0	0.0	4.7	7.0	7.0	7.0	7.0	7.0	7.0
Mineral Prices												
Gold (US$/oz)	1270	1392	1770	1800	1801	1943	2325	2540	2640	2719	2753	2784
Copper (US$/ton)	6517	6006	6170	9308	8819	8486	9441	10028	10163	10187	10131	10108
Oil (Kutubu Crude: US$/barrel)	64.5	57.0	39.5	67.9	94.3	77.6	80.0	76.4	73.5	72	70	69
LNG (US$ per thousand cubic feet)	10.2	10.6	8.3	10.8	18.3	14.4	14.8	14.2	13.6	13.3	13.0	12.8
Condensate (US$/barrel)	64.5	57.0	39.5	67.9	94.3	77.6	80.0	76.4	73.5	72	70	69
Nickel (US$/tonne)	13109	10960	10639	17147	20532	21527	15076	15231	15998	16570	16907	17807
Cobalt (US$/tonne)	72820	22836	21483	44430	51427	33871	20268	22448	23419	24197	24436	25398

Source: Department of Treasury.
NB: KFR is in annual average

Table 10: Statement of Operations for General Government

Kina Million	Actual 2021	2022	2023	Estimate 2024 MYEFO	2025 Budget	Projections 2026	2027	2028	2029
TRANSACTIONS AFFECTING NET WORTH:									
Revenue	**13,860.4**	**18,538.2**	**19,810.0**	**22,930.0**	**25,408.0**	**27,896.7**	**31,216.3**	**34,406.0**	**37,870.8**
Taxes	11,129.4	16,453.6	17,626.9	18,707.7	21,201.0	23,662.4	26,565.8	29,372.1	32,498.7
Taxes on Income,profits, and capital gains	6,356.1	11,252.6	11,730.4	12,515.6	13,707.6	14,494.1	15,987.4	16,831.7	18,220.5
Taxes on payroll and workforce	0.8	1.4	2.0	1.2	1.0	1.0	0.0	0.0	0.0
Taxes on goods and services	3,993.7	4,293.6	5,227.0	5,452.1	6,553.4	7,183.7	8,144.6	9,565.6	11,114.6
Taxes on international trade and transactions	778.8	906.0	667.6	738.8	938.9	1,983.5	2,433.8	2,974.8	3,163.6
Grants	2,088.0	1,472.1	1,158.6	2,205.0	1,500.0	1,550.0	1,600.0	1,650.0	1,700.0
Other Revenue	643.0	612.5	1,024.4	2,017.3	2,707.0	2,684.3	3,050.4	3,384.0	3,672.1
Dividends	530.5	480.0	479.7	1,150.0	1,531.0	1,481.8	1,722.4	1,918.9	2,039.0
PMMR Revenue	50.0	54.3	452.9	0.0	900.0	1,008.0	1,129.0	1,262.1	1,411.1
Fees and Charges	62.1	74.0	87.0	867.3	266.6	177.6	182.2	186.1	205.1
SWF Inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest & Fees from Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resource Revenue	1,015.9	4,336.1	4,309.2	4,550.0	5,607.6	5,850.3	6,450.3	6,847.8	7,190.2
Mining and Petroleum Taxes	635.4	4,036.1	3,906.5	3,650.0	4,136.6	4,550.3	4,950.3	5,197.8	5,457.7
Mining, Petroleum and Gas Dividends	380.5	300.0	402.6	900.0	1,471.0	1,300.0	1,500.0	1,650.0	1,732.5
Transfer from the Stabilization Fund (SWF)	0.0	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%*	*17.9%*	*18.6%*	*18.6%*	*18.8%*	*19.5%*	*19.9%*	*20.3%*
Total Expenditure and lending	**20,130.7**	**24,389.8**	**24,614.6**	**26,914.4**	**28,357.2**	**29,505.4**	**31,134.7**	**32,138.5**	**33,630.9**
Expense as percentage of GDP	*21.6%*	*22.6%*	*22.3%*	*21.8%*	*20.7%*	*19.9%*	*19.4%*	*18.6%*	*18.0%*
Expense[2]	**16,480.4**	**19,940.2**	**20,965.8**	**22,660.8**	**22,808.7**	**24,209.5**	**25,500.8**	**26,070.3**	**27,452.2**
Compensation of employees	6,093.7	6,490.3	6,934.2	7,396.5	7,717.9	8,185.5	8,629.2	9,131.4	9,712.3
Use of goods and services	6,161.2	7,466.5	6,911.4	7,153.0	6,845.2	6,872.0	7,612.6	7,672.5	8,291.8
Interest	2,249.1	2,572.5	2,761.3	2,968.8	3,460.6	3,461.7	3,548.9	3,404.7	3,150.1
Grants	1,915.0	3,017.6	4,289.4	5,033.5	4,534.9	5,589.3	5,632.1	5,784.0	6,220.2
Social benefits	0.0	0.0	0.0	100.4	104.8	92.5	69.1	68.5	68.5
Other expense	61.3	393.3	69.5	8.6	145.3	8.5	8.9	9.3	9.3
Net Acquition of Non-Financial Assets*	**3,650.4**	**4,449.6**	**3,648.8**	**5,417.5**	**5,548.4**	**5,295.9**	**5,633.8**	**6,068.3**	**6,178.7**
Fixed Assets	3,650.4	4,449.6	3,648.8	5,417.5	5,548.4	5,295.9	5,633.8	6,068.3	6,178.7
Policy Adjustments Required**	**0.0**	**0.0**	**0.0**	**-1,163.8**					
Gross Operating Balance[3]	**-2,619.9**	**-1,402.0**	**-1,155.8**	**269.3**	**2,599.3**	**3,687.2**	**5,715.4**	**8,335.8**	**10,418.7**
Net Lending (+) / Net Borrowing (–)	**-6,270.3**	**-5,851.8**	**-4,804.6**	**-3,983.6**	**-2,949.3**	**-1,608.8**	**81.6**	**2,267.5**	**4,239.9**
Net lending/borrowing as percentage of GDP	*-6.7%*	*-5.4%*	*-4.3%*	*-3.2%*	*-2.2%*	*-1.1%*	*0.1%*	*1.3%*	*2.3%*
Primary Balance[4]	-4,021.2	-3,279.1	-2,043.3	-1,015.6	511.4	1,853.0	3,630.4	5,672.2	7,390.0
Non-resource net lending (+)/borrowing (-)	-7,286.1	-10,187.7	-9,113.8	-8,534.4	-8,556.8	-7,459.0	-6,368.7	-4,580.3	-2,950.2
Non-resource primary balance	-5,037.0	-7,615.2	-6,352.5	-5,565.6	-5,096.2	-3,997.3	-2,819.8	-1,175.6	199.9
Transactions in financial assets and liabilities	**6,270.3**	**5,851.8**	**4,804.6**	**3,983.6**	**2,949.3**	**1,608.6**	**-81.6**	**-2,267.5**	**-4,239.9**
Net Acquisition of Financial Assets	**-1,685.2**	**-355.7**	**-547.3**	**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	0.0
External	-774.8	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**	**4,257.3**	**3,983.6**	**2,949.3**	**1,608.6**	**-81.6**	**-2,267.5**	**-4,239.9**
Domestic	**3,042.1**	**2,276.6**	**2,176.2**	**2,320.4**	**760.8**	**692.0**	**185.2**	**169.3**	**-3,650.0**
Debt securities: Treasury bills	*1,394.8*	*492.6*	*350.2*	*-177.6*	*112.7*	*649.6*	*509.1*	*-68.6*	*-3,400.9*
Debt securities: Treasury bonds	*1,600.6*	*1,750.0*	*1,945.0*	*2,560.2*	*883.8*	*300.0*	*-50.0*	*451.2*	*-249.1*
Loans	*46.7*	*34.0*	*-119.1*	*-62.2*	*-235.7*	*-257.6*	*-273.9*	*-213.2*	*0.0*
External	**4,913.4**	**3,219.5**	**2,081.1**	**1,663.4**	**2,188.5**	**916.6**	**-266.8**	**-2,436.8**	**-589.9**
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*	*0.0*
Debt securities: Sovereign bonds	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*-1,760.6*	*0.0*
Loans	*3,669.3*	*3,219.5*	*2,081.1*	*1,663.4*	*2,188.5*	*916.6*	*-266.8*	*-676.2*	*-589.9*
Gross Domestic Product[5]	**93,314.1**	**107,807.3**	**110,619.1**	**123,419.1**	**136,895.8**	**148,446.5**	**160,197.9**	**172,489.5**	**186,338.9**

Source: Department of Treasury

1. General government represents national and provincial governments, the
2. Include items that may require reclassification due to interfaces from the legacy systems, (The Provincial Government Accounting System, ALESCO payroll and the Department of Public Works and Implementation, Oracle system).
3. Represents, revenue minus expense, excluding consumption of fixed capital (CFC). CFC are not yet calculated and reported for the government
4. Represent net lending/net borrowing excluding interest expense or net interest
5. Total nominal GDP by economic activity, Actual: *National Statistics Office* and

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

Table 11: Statement of Sources and Uses of Cash

	Actuals		Estimate				Projections		
Kina Million	**2021**	**2022**	**2023 Suppl. Budget**	**2024 Budget**	**2024 MYEFO**	**2025 Budget**	**2026**	**2027**	**2028**
CASH FLOWS FROM OPERATING ACTIVITIES									
Revenue Cash Flows	**11,998.0**	**17,066.1**	**21,318.8**	**21,318.8**	**20,855.0**	**23,926.4**	**26,365.9**	**29,636.3**	**36,192.4**
Taxes	11,129.4	16,453.6	18,694.8	18,694.8	18,707.7	21,201.0	23,662.4	26,565.8	32,498.7
Grants	225.6	0.0	130.0	130.0	130.0	18.4	19.2	20.0	21.6
Other Revenue	643.0	612.5	2,494.0	2,494.0	2,017.3	2,707.0	2,684.3	3,050.4	3,672.1
Revenue as percentage of GDP	*0.1*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*
Expense cash flows[2]	**14,438.8**	**18,283.0**	**19,634.4**	**19,881.1**	**20,425.0**	**21,102.7**	**22,444.8**	**23,674.3**	**25,750.8**
Compensation of employees	5,914.5	6,305.2	6,772.8	6,772.8	7,235.7	7,493.4	7,951.6	8,382.7	9,434.8
Uses of goods and services	6,161.2	7,466.5	7,072.7	7,072.7	7,153.0	6,845.2	6,872.0	7,612.6	8,291.8
Interest	2,249.1	2,572.5	2,761.3	2,968.8	2,968.8	3,460.6	3,461.7	3,548.9	3,404.7
Grants	52.6	1,545.5	2,958.3	2,958.3	2,958.5	3,053.3	4,058.5	4,052.1	4,541.8
Other payments	61.3	393.3	69.3	108.5	109.0	250.2	101.0	78.0	77.8
Expense as percentage of GDP	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.1*	*0.1*
Net cash inflow from operating activities	**-2,440.7**	**-1,216.9**	**1,684.3**	**1,437.6**	**430.1**	**2,823.8**	**3,921.1**	**5,962.0**	**10,441.6**
CASH FLOWS FROM TRANSACTIONS IN NONFINANCIAL ASSET									
Net cash outflow from investment in nonfinancial assets	**0.0**	**4,449.6**	**3,648.8**	**5,260.6**	**5,417.5**	**5,548.4**	**0.0**	**0.0**	**0.0**
Expenditure cash flows	**14,438.8**	**22,732.7**	**23,283.2**	**25,141.7**	**25,842.5**	**26,651.0**	**22,444.8**	**23,674.3**	**25,750.8**
Cash surplus (+) / Cash deficit (–)	**-2,440.7**	**-5,666.6**	**-1,964.5**	**-3,822.9**	**-4,987.4**	**-2,724.6**	**3,921.1**	**5,962.0**	**10,441.6**
Surplus/Deficit as percentage of GDP	*-2.6%*	*-5.3%*	*-1.8%*	*-3.1%*	*-4.0%*	*-2.0%*	*2.6%*	*3.7%*	*5.6%*
CASH FLOWS FROM TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
Transactions in financial assets and liabilities	7,045.1	5,140.5	4,257.3	3,983.8	3,984.8	2,949.3	1,608.6	-81.6	-4,239.9
Net acquisition of financial assets other than cash	**-910.4**	**-355.7**	**0.0**	**0.0**	**1.0**	**0.0**			
Domestic	-910.4	-355.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External		0.0	0.0	0.0	1.0	0.0			
Net incurrence of liabilities	**7,955.5**	**5,496.1**	**4,257.3**	**3,983.8**	**3,983.8**	**2,949.3**	**1,608.6**	**-81.6**	**-4,239.9**
Domestic	3,042.1	2,276.6	2,176.2	2,320.4	2,320.4	760.8	692.0	185.2	-3,650.0
External	4,913.4	3,219.5	2,081.1	1,663.4	1,663.4	2,188.5	916.6	-266.8	-589.9
Net cash inflow from financing activities	**8,865.9**	**5,851.8**	**4,257.3**	**3,983.8**	**3,982.8**	**2,949.3**	**1,608.6**	**-81.6**	**-4,239.9**
Net cash inflow as percentage of GDP	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Net change in the stock of cash	**6,425.2**	**185.2**	**2,292.8**	**160.8**	**-1,004.6**	**224.7**	**5,529.7**	**5,880.4**	**6,201.7**
Gross Domestic Product[3]	**93,314.1**	**107,807.3**	**110,619.1**	**124,298.7**	**123,419.1**	**136,895.8**	**148,446.5**	**160,197.9**	**186,338.9**

Source: Department of Treasury

1. General government represents National and Provincial Governments, the Autonomous Bouganville government and commercial and statutory authorities. District and local level governments are reflected as grants from provincial governments. The statement is produced to reflect transactions on a modified cash basis of accounting but excludes
2. Include items that may require reclassification due to interfaces from the legacy systems, (The Provincial Government Accounting System, ALESCO payroll and the Department of Public Works and Implementation, Oracle system).
3. Total nominal GDP by economic activity, Actual: *National*

Table 12: General Government Revenue 2014 GFS Economic Classification

	Actuals				Estimate		Projections			
Kina Million	2021	2022	2023	2024 Budget	2024 MYEFO	2025 Budget	2026	2027	2028	2029
REVENUE[1]	13,860.4	18,538.2	19,810.0	23,393.8	22,930.0	25,408.0	27,896.7	31,216.3	34,406.0	37,870.8
TAXES	11,129.4	16,453.6	17,626.9	18,694.8	18,707.7	21,201.0	23,662.4	26,565.8	29,372.1	32,498.7
Taxes on Income, Profits and Capital Gains	6,356.1	11,252.6	11,730.4	12,455.6	12,515.6	13,707.6	14,494.1	15,987.4	16,831.7	18,220.5
Payable by individuals	3,467.9	3,652.1	4,149.8	4,341.0	4,399.0	4,729.0	4,812.6	5,194.5	5,407.6	5,732.1
Personal Income Tax	3,467.9	3,652.1	4,149.8	4,341.0	4,399.0	4,729.0	4,812.6	5,194.5	5,407.6	5,732.1
Salaries/Wages (Group Tax)	0.0	0.0	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	0.0	0.0
Payable by corporations and other enterprises	2,374.9	6,844.0	7,002.2	7,391.5	7,391.4	8,179.4	8,834.3	9,788.5	10,218.6	11,082.5
Company Tax	1,690.3	2,756.9	3,031.6	3,761.2	3,661.2	3,959.0	4,188.8	4,740.1	4,919.4	5,520.0
Mining and Petroleum Taxes	635.4	4,036.1	3,906.5	3,550.0	3,650.0	4,136.6	4,550.3	4,950.3	5,197.8	5,457.7
Royalties Tax	29.6	30.6	38.4	52.7	52.7	54.6	56.0	57.5	59.1	60.7
Management Tax	19.7	20.4	25.6	27.5	27.5	29.2	39.3	40.6	42.4	44.2
Other taxes on income, profits and capital gains	513.3	756.5	578.3	723.1	725.2	799.2	847.2	1,004.5	1,205.4	1,405.9
Dividend Withholding Tax Mining	0.0	0.0	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	375.2	496.0	496.0	549.1	566.7	623.5	723.5	873.5
Interest Withholding Tax	127.0	55.3	189.3	219.6	7.3	240.4	270.0	368.1	468.1	518.1
Non-Resident Insurers Withholding Tax	20.2	20.3	11.6	7.3	219.6	7.4	7.6	9.4	9.8	9.8
Tax Related Court Fines	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sundry IRC Taxes & Income	0.0	0.3	2.2	0.2	2.2	2.4	2.9	3.4	3.9	4.5
Taxes on Payroll and Workforce	0.8	1.4	2.0	1.2	1.2	1.0	1.0	0.0	0.0	0.0
Training Levy	*0.8*	*1.4*	*2.0*	*1.2*	*1.2*	*1.0*	*1.0*	*0.0*	*0.0*	*0.0*
Taxes on Goods and Services	3,993.7	4,293.6	5,227.0	5,349.1	5,452.1	6,553.4	7,183.7	8,144.6	9,565.6	11,114.6
General taxes on goods and services	2,458.6	2,505.4	3,617.5	3,282.7	3,529.4	4,265.4	4,634.6	5,261.4	6,266.4	7,252.1
Value Added Tax	2,457.2	2,475.1	3,598.6	3,236.4	3,436.4	4,186.4	4,569.7	5,210.7	6,230.1	7,230.4
GST[2]	2,457.2	2,475.1	3,598.6	3,236.4	3,436.4	4,186.4	4,569.7	5,210.7	6,230.1	7,230.4
GST Collection at Provinces	*1,450.6*	*1,693.6*	*2,937.8*	*2,426.8*	*2,887.9*	*3,357.1*	*3,669.1*	*3,978.3*	*4,318.9*	*5,217.4*
GST Collection at Ports	*1,104.3*	*1,112.4*	*1,499.8*	*1,713.1*	*1,665.6*	*1,849.0*	*2,053.0*	*2,563.2*	*3,813.9*	*4,221.0*
GST Refunds	*97.6*	*330.9*	*839.0*	*903.5*	*1,117.1*	*1,019.7*	*1,152.5*	*1,330.7*	*1,902.6*	*2,208.1*
GST from IRC Trust	*0.0*	*0.0*	*0.0*		*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Taxes on financial and capital transactions	1.4	30.3	18.9	46.3	93.0	79.1	65.0	50.7	36.3	21.7
Bank Account Debit Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stamp Duties	1.4	30.3	18.9	46.3	93.0	79.1	65.0	50.7	36.3	21.7
Excise	1,281.2	1,404.4	1,224.1	1,626.4	1,496.4	1,774.1	1,992.3	2,210.7	2,497.0	2,907.8
Excise Duty	998.3	1,157.2	896.5	1,326.4	1,096.4	1,271.1	1,330.6	1,464.1	1,670.9	1,994.1
Import Excise	282.8	247.2	327.6	300.0	400.0	503.0	661.7	746.6	826.1	913.7
Profits of fiscal monopolies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on specific services	235.9	371.5	364.6	418.2	412.1	487.5	534.9	649.2	779.5	932.2
Bookmakers' Turnover Tax	6.6	35.4	15.9	47.1	47.1	52.1	55.5	91.3	138.3	182.5
Gaming Machine Turnover Tax	228.1	328.1	341.5	358.1	358.1	427.8	471.3	549.6	632.6	740.7
Departure Tax	1.3	8.0	7.1	13.0	7.0	7.6	8.0	8.3	8.7	9.0
Taxes on use of goods and on permission to use goods or perfo	11.6	1.9	3.9	0.0	4.0	7.4	8.4	9.4	8.4	7.9
Motor vehicles taxes	11.4	1.7	3.8	0.0	3.8	5.0	5.0	6.0	6.0	6.0
Motor Vehicle Registration	11.4	1.7	3.8	0.0	3.8	5.0	5.0	5.0	5.0	5.0
Commercial Vehicle Licenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Other taxes on use of goods and on permission to use goods	0.2	0.2	0.1	0.0	0.1	2.4	3.4	3.4	2.4	1.9
Bookmakers' Licenses	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0
Coastal Trading Licenses	0.2	0.1	0.1	0.0	0.1	0.5	0.5	0.5	0.5	0.0
Registration of Vessels	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inflammable Liquid	0.0	0.0	0.0	0.0	0.0	1.5	1.5	1.5	1.5	1.5
Trade Licenses	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2
Mobile Phone Licenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Import and export trade licences	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurers' and Brokers' Licences	0.0	0.1	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.1
Banking & Financial Institutions License	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquor Licensing Fee	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Motor Vehicle Trade Licenses	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Other taxes on goods and services	6.5	10.4	16.9	21.8	10.2	19.0	13.6	13.9	14.3	14.7
Sundry Taxes (Customs)	6.5	10.4	16.9	21.8	10.2	19.0	13.6	13.9	14.3	14.7
Taxes on International Trade and Transactions	778.8	906.0	667.6	888.8	738.8	938.9	1,983.5	2,433.8	2,974.8	3,163.6
Customs and other import duties	379.7	469.9	386.2	455.0	455.0	539.0	1,079.8	1,253.3	1,511.1	1,549.9
Import Duty	379.7	469.9	386.2	455.0	455.0	539.0	1,079.8	1,253.3	1,511.1	1,549.9
Taxes on exports	399.1	436.2	281.4	433.8	283.8	400.0	903.7	1,180.6	1,463.7	1,613.7
Export Tax	399.1	436.2	281.4	433.8	283.8	400.0	903.7	1,180.6	1,463.7	1,613.7
GRANTS	2,088.0	1,472.1	1,158.6	2,205.0	2,205.0	1,500.0	1,550.0	1,600.0	1,650.0	1,700.0
From Foreign Governments	1,630.6	1,060.3	892.1	1,775.4	1,775.4	1,150.0	1,200.0	1,250.0	1,300.0	1,350.0
Current	1,349.6	848.3	713.7	1,622.2	1,622.2	920.0	960.0	1,000.0	1,040.0	1,080.0
Cash	225.6	0.0	0.0	130.0	130.0	18.4	19.2	20.0	20.8	21.6
In-Kind	1,124.0	848.3	713.7	1,492.2	1,492.2	901.6	940.8	980.0	1,019.2	1,058.4
Capital	281.0	212.1	178.4	153.2	153.2	230.0	240.0	250.0	260.0	270.0
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	281.0	212.1	178.4	153.2	153.2	230.0	240.0	250.0	260.0	270.0
From International Organizations	457.4	411.8	266.6	429.6	429.6	350.0	350.0	350.0	350.0	350.0
Current	365.9	329.4	213.3	396.4	396.4	280.0	280.0	280.0	280.0	280.0
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	365.9	329.4	213.3	396.4	396.4	280.0	280.0	280.0	280.0	280.0
Capital	91.5	82.4	53.3	33.2	33.2	70.0	70.0	70.0	70.0	70.0
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	91.5	82.4	53.3	33.2	33.2	70.0	70.0	70.0	70.0	70.0
OTHER REVENUE	643.0	612.5	1,024.4	2,494.0	2,017.3	2,707.0	2,684.3	3,050.4	3,384.0	3,672.1
Property Income	551.8	514.3	517.8	1,246.0	1,219.3	1,638.0	1,599.9	1,845.0	2,045.2	2,165.4
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from non-residents	0.0	0.0	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	0.0	0.0
Interest from residents other than general government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest on Loans to Ind & Non Profit Organisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Received on Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from On Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and Commitment Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from Trust Accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from WPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	530.5	480.0	479.7	1,150.0	1,150.0	1,531.0	1,481.8	1,722.4	1,918.9	2,039.0
Mining Petroleum and Gas Dividends	380.5	300.0	402.6	900.0	900.0	1,471.0	1,300.0	1,500.0	1,650.0	1,732.5
Dividends from Statutory Authorites	150.0	100.0	77.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares in Private Enterprise	0.0	0.0	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	0.0	250.0	250.0	60.0	181.8	222.4	268.9	306.5
Other Dividends	0.0	0.0	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	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	0.0	0.0
Rent	21.3	34.3	38.1	96.0	69.3	107.0	118.1	122.6	126.4	126.4
Land Lease Rental	17.9	33.7	37.9	91.0	68.0	100.0	110.4	114.1	117.8	117.8
License Fees and Royalty Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum Prospecting Licenses	3.4	0.6	0.2	5.0	1.3	7.0	7.7	8.5	8.5	8.5
Mineral Prospecting Leases	0.0	0.0	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	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	0.0	0.0
Sales of goods and services	11.5	8.4	21.4	0.0	0.0	16.7	16.6	16.7	16.8	14.5
Sales by market establishments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative fees	4.9	3.7	7.0	0.0	0.0	10.2	10.1	10.2	10.3	8.0
Incidental sales by nonmarket establishments	6.6	4.8	14.4	0.0	0.0	6.5	6.5	6.5	6.5	6.5
Imputed sales of goods and services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fines, penalties, and forfeits	1.2	0.1	2.1	0.0	0.0	2.7	2.7	2.7	2.7	2.7
Sheriff's Fees and Poundage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Judicial Fines	0.0	0.0	0.0	0.0	0.0	1.1	1.1	1.1	1.1	1.1
Fines - Criminal	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
District Courts Fines	0.3	0.1	2.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Forfeitures & Court Bails	0.9	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Transfers not elsewhere classified	78.6	89.7	483.0	1,248.0	798.0	1,049.6	1,065.1	1,186.1	1,319.3	1,489.6
Current transfers not elsewhere classified	78.6	89.7	483.0	1,248.0	798.0	1,049.6	1,065.1	1,186.1	1,319.3	1,489.6
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current transfers	78.6	89.7	483.0	1,248.0	798.0	1,049.6	1,065.1	1,186.1	1,319.3	1,489.6
Recovery of Roads and Bridges Design	0.0	0.0	0.0	0.0	26.0	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	0.0	0.0
Recovery of Utility Charges	0.0	0.0	0.0	0.0	772.0	0.3	0.3	0.3	0.3	0.3
Payroll Commission	28.2	31.1	25.4	0.0	0.0	40.0	40.0	40.0	40.0	61.3
Recovery of Design Service Charges	0.0	0.0	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	452.9	1,248.0	0.0	900.0	1,008.0	1,129.0	1,262.1	1,411.1
Recoveries from Former Years" Appropriation	0.0	0.0	0.0	0.0	0.0	100.0	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	0.0	0.0
Credit Guarantee Scheme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sundry/(Other) Income	0.4	4.3	4.7	0.0	0.0	9.4	16.9	16.9	16.9	16.9
Unacquited Travel	0.0	0.0	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	0.0	0.0
SWF	0.0	0.0	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	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	0.0	0.0

Source: Department of Treasury
1. Under the GFS 2014 methodology, non-paybale infrastructure tax credi
2. GST represents the total of collections by Provinces, PNG Ports and le

Table 13A: General Government Expense by Economic Classification

	Actual			Estimates			Projections			
Kina Million	**2021**	**2022**	**2023**	**2024 Budget**	**2024 MYEFO**	**2025 Budget**	**2026**	**2027**	**2028**	**2029**
Compensation of Employees	**6,093.7**	**6,490.3**	**6,934.2**	**6,933.7**	**7,396.5**	**7,717.9**	**8,185.5**	**8,629.2**	**9,131.4**	**9,712.3**
Wages and salaries	**5,374.4**	**5,827.0**	**6,117.7**	**6,155.1**	**6,617.9**	**6,978.4**	**7,390.1**	**7,790.7**	**8,244.1**	**8,768.6**
Wages and salaries in cash	5,195.2	5,641.9	5,902.2	5,994.3	6,457.1	6,753.9	7,156.2	7,544.1	7,983.2	8,491.0
Wages and salaries in kind	179.2	185.0	215.5	160.8	160.8	224.5	233.9	246.6	260.9	277.5
Employers' social contributions	**719.3**	**663.3**	**816.5**	**778.5**	**778.6**	**739.5**	**795.4**	**838.5**	**887.3**	**943.8**
Actual social contributions	719.3	663.3	816.5	778.5	778.6	739.5	795.4	838.5	887.3	943.8
Use of goods and services*	**6,161.2**	**7,466.5**	**6,911.4**	**7,072.7**	**7,153.0**	**6,845.2**	**6,872.0**	**7,612.6**	**7,672.5**	**8,291.8**
Use of goods and services	**6,161.2**	**7,466.5**	**6,911.4**	**7,072.7**	**7,153.0**	**6,845.2**	**6,872.0**	**7,612.6**	**7,672.5**	**8,291.8**
Use of goods and services	6,161.2	7,466.5	6,911.4	7,072.7	7,153.0	6,845.2	6,872.0	7,612.6	7,672.5	8,291.8
Interest**	**2,249.1**	**2,572.5**	**2,761.3**	**2,968.8**	**2,968.8**	**3,460.6**	**3,461.7**	**3,548.9**	**3,404.7**	**3,150.1**
To nonresidents	**328.2**	**427.6**	**792.7**	**998.4**	**998.4**	**1,228.5**	**1,228.8**	**1,259.8**	**1,208.6**	**1,118.2**
Interest to Non residents	328.2	427.6	792.7	998.4	998.4	1,228.5	1,228.8	1,259.8	1,208.6	1,118.2
To residents other than general government	**1,920.9**	**2,144.9**	**1,968.6**	**1,970.4**	**1,970.4**	**2,232.1**	**2,232.9**	**2,289.1**	**2,196.1**	**2,031.8**
Interest to residents other than general governments	1,920.9	2,144.9	1,968.6	1,970.4	1,970.4	2,232.1	2,232.9	2,289.1	2,196.1	2,031.8
Grants***	**1,915.0**	**3,017.6**	**4,289.4**	**5,033.3**	**5,033.5**	**4,534.9**	**5,589.3**	**5,632.1**	**5,784.0**	**6,220.2**
Grants to other general government units	**1,915.0**	**3,017.6**	**4,289.4**	**5,033.3**	**5,033.5**	**4,534.9**	**5,589.3**	**5,632.1**	**5,784.0**	**6,220.2**
Grants to other general governments current	1,483.2	2,365.6	3,749.9	4,561.3	4,561.5	4,062.9	5,079.9	5,101.7	5,240.5	5,676.7
Grants to other general governments capital	431.8	652.0	539.5	472.0	472.0	472.0	509.4	530.5	543.5	543.5
Social Benefits	**0.0**	**0.0**	**0.0**	**100.4**	**100.4**	**104.8**	**92.5**	**69.1**	**68.5**	**68.5**
Social assistance benefits	0.0	0.0	0.0	100.4	100.4	104.8	92.5	69.1	68.5	68.5
Social assistance benefits in cash	0.0	0.0	0.0	100.4	100.4	104.8	92.5	69.1	68.5	68.5
Other expenses	**61.3**	**393.3**	**69.5**	**8.0**	**8.6**	**145.3**	**8.5**	**8.9**	**9.3**	**9.3**
Transfers not elsewhere classified	61.3	393.3	69.5	8.0	8.6	145.3	8.5	8.9	9.3	9.3
Other expense - Current transfers not elsewhere classified	61.3	393.3	69.5	8.0	8.6	145.3	8.5	8.9	9.3	9.3
Net Aquisition Nonfinancial assets****	**3,650.4**	**4,449.6**	**3,648.8**	**5,260.6**	**5,417.5**	**5,548.4**	**5,295.9**	**5,633.8**	**6,068.3**	**6,178.7**
Nonproduced assets	0.0	0.0	0.0	7.9	7.9	8.0	8.5	8.9	9.1	9.1
NFA:Intangible nonproduced assets	0.0	0.0	0.0	7.9	7.9	7.9	8.5	8.9	9.1	9.1
NFA:Land	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Aquisition of Fixed assets	3,650.4	4,449.6	3,648.8	5,252.7	5,409.6	5,540.4	5,287.4	5,625.0	6,059.2	6,169.6
NFA:Buildings and structures	989.1	958.6	726.7	809.4	809.4	826.4	837.4	845.8	896.5	950.1
NFA: Dwellings	0.0	0.0	0.0	69.4	69.4	4.6	73.3	76.9	80.0	80.0
NFA:Fixed assets	1,726.8	2,722.5	2,310.7	3,185.2	3,342.6	3,760.2	3,407.4	3,701.2	4,048.2	4,076.8
NFA:Information, computer, & telecommunications equipment	59.3	52.9	44.2	93.1	93.1	144.7	98.8	101.6	105.6	108.3
NFA:Machinery & equipment other than transport equipment	25.5	26.8	24.0	50.6	50.6	27.6	53.7	56.3	58.3	58.3
NFA:Other structures	0.0	0.0	2.7	21.6	21.6	11.5	22.8	24.0	24.8	24.8
NFA:Transport equipment	1.3	10.6	19.0	39.8	39.8	37.6	42.8	44.7	45.8	45.8
Other expense - Current transfers not elsewhere classified	848.4	678.2	521.5	983.6	983.1	727.9	751.2	774.6	799.9	825.4
Policy Adjustments Required*****	**0.0**	**0.0**	**0.0**	**0.0**	**-1,163.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total expenditure	**20,130.7**	**24,389.8**	**24,614.6**	**27,377.5**	**26,914.4**	**28,357.1**	**29,505.4**	**31,134.7**	**32,138.5**	**33,630.9**
as % of GDP	*21.6%*	*22.6%*	*22.3%*	*22.0%*	*21.8%*	*20.7%*	*19.9%*	*19.4%*	*17.2%*	*18.0%*

Source: Department of Treasury

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

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

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

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

*****Reflects policy adjustments to be taken. This is inclusive of even split of K581.9m each for policy intervention/adjustments for both operational and capital expenditures

*****Reflects policy adjustments to be taken. This is inclusive of even split of K581.9m each for policy intervention/adjustments for both operational and capital expenditures

Table 13B: General Government Expense by Agency Type

Kina Million	Actual 2021	Actual 2022	Actual 2023	Estimates 2024 Budget	Estimates 2024 MYEFO	Estimates 2025 Budget	Projections 2026	Projections 2027	Projections 2028	Projections 2029
National Departments	**7,860.3**	**11,462.7**	**9,330.7**	**11,326.8**	**11,477.9**	**10,901.1**	**11,832.8**	**12,541.0**	**13,025.3**	**14,270.0**
Compensation of Employees	**2,987.0**	**3,133.9**	**2,519.8**	**2,749.2**	**2,662.1**	**2,685.1**	**2,870.8**	**3,026.4**	**3,202.5**	**3,406.3**
Wages and salaries	**2,337.4**	**2,555.3**	**1,806.6**	**2,027.3**	**1,940.1**	**2,025.0**	**2,160.0**	**2,277.1**	**2,409.6**	**2,562.9**
Wages and salaries in cash	2,242.2	2,453.6	1,712.8	1,930.5	1,843.4	1,944.9	2,068.6	2,180.7	2,307.6	2,454.4
Wages and salaries in kind	95.2	101.7	93.8	96.7	96.7	80.1	91.4	96.4	102.0	108.5
Employers' social contributions	**649.6**	**578.6**	**713.2**	**722.0**	**722.0**	**660.1**	**710.8**	**749.3**	**792.9**	**843.4**
Actual social contributions	649.6	578.6	713.2	722.0	722.0	660.1	710.8	749.3	792.9	843.4
Use of goods and services	**3,802.2**	**5,248.1**	**4,569.2**	**4,300.6**	**4,381.0**	**3,575.3**	**4,043.6**	**4,547.1**	**4,585.0**	**5,189.8**
Use of goods and services	**3,802.2**	**5,248.1**	**4,569.2**	**4,300.6**	**4,381.0**	**3,575.3**	**4,043.6**	**4,547.1**	**4,585.0**	**5,189.8**
Use of goods and services	3,802.2	5,248.1	4,569.2	4,300.6	4,381.0	3,575.3	4,043.6	4,547.1	4,585.0	5,189.8
Grants	**523.0**	**1,292.9**	**1,011.3**	**2,425.4**	**2,425.4**	**2,340.3**	**2,775.2**	**2,701.6**	**2,780.9**	**3,217.1**
Grants to other general government units	**523.0**	**1,292.9**	**1,011.3**	**2,425.4**	**2,425.4**	**2,340.3**	**2,775.2**	**2,701.6**	**2,780.9**	**3,217.1**
Grants to other general governments current	523.0	1,292.9	1,011.3	2,425.4	2,425.4	2,340.3	2,775.2	2,701.6	2,780.9	3,217.1
Grants to other general governments capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses	**59.2**	**357.9**	**64.2**	**0.6**	**1.1**	**132.3**	**0.6**	**0.6**	**0.7**	**0.7**
Transfers not elsewhere classified	**59.2**	**357.9**	**64.2**	**0.6**	**1.1**	**132.3**	**0.6**	**0.6**	**0.7**	**0.7**
Other expense - Current transfers not elsewhere classified	59.2	357.9	64.2	0.6	1.1	132.3	0.6	0.6	0.7	0.7
Net Aquisition Nonfinancial assets	**488.9**	**1,429.9**	**1,166.2**	**1,810.8**	**1,968.2**	**2,127.8**	**2,107.6**	**2,237.7**	**2,434.9**	**2,434.9**
Nonproduced assets	**0.0**	**0.0**	**0.0**	**7.9**	**7.9**	**8.0**	**8.5**	**8.9**	**9.1**	**9.1**
NFA:Intangible nonproduced assets	0.0	0.0	0.0	7.9	7.9	7.9	8.5	8.9	9.1	9.1
NFA:Land	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Aquisition of Fixed assets	**488.9**	**1,429.9**	**1,166.2**	**1,802.9**	**1,960.3**	**2,119.8**	**2,099.0**	**2,228.8**	**2,425.9**	**2,425.9**
NFA:Buildings and structures	0.0	0.0	0.0	2.5	2.5	0.0	2.7	2.8	2.9	2.9
NFA:Dwellings	0.0	0.0	0.0	1.7	1.7	2.4	1.8	1.9	1.9	1.9
NFA:Fixed assets	467.5	1,405.0	1,130.9	1,705.9	1,863.3	2,014.2	1,994.1	2,119.7	2,314.2	2,314.2
NFA:Information, computer, & telecommunications equipment	9.5	4.9	11.2	45.7	45.7	64.0	49.4	51.4	52.6	52.6
NFA:Machinery & equipment other than transport equipment	11.0	12.8	8.5	11.5	11.5	11.8	12.5	13.0	13.3	13.3
NFA:Other structures	0.0	0.0	0.0	3.6	3.6	3.6	3.9	4.1	4.1	4.1
NFA:Transport equipment	1.0	7.2	15.6	32.0	32.0	23.7	34.6	36.0	36.8	36.8
Social Benefits	**0.0**	**0.0**	**0.0**	**40.1**	**40.1**	**40.0**	**34.9**	**27.6**	**21.4**	**21.4**
Social assistance benefits	0.0	0.0	0.0	40.1	40.1	40.0	34.9	27.6	21.4	21.4
Social assistance benefits in cash	0.0	0.0	0.0	40.1	40.1	40.0	44.9	47.6	51.4	51.4
Out of scope for GFS coding purposes	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**
Out of scope for GFS coding purposes	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Provincial Governments	**4,880.6**	**5,178.1**	**6,152.0**	**5,039.6**	**5,514.6**	**5,816.6**	**6,184.0**	**6,602.5**	**6,817.5**	**7,014.1**
Compensation of Employees	**2,043.7**	**2,120.8**	**2,291.8**	**2,145.0**	**2,620.0**	**2,598.9**	**2,769.3**	**2,919.4**	**3,089.3**	**3,285.9**
Wages and salaries	**2,042.8**	**2,118.2**	**2,291.4**	**2,145.0**	**2,620.0**	**2,598.9**	**2,769.3**	**2,919.4**	**3,089.3**	**3,285.9**
Wages and salaries in cash	1,993.7	2,070.7	2,237.0	2,144.2	2,619.2	2,542.3	2,709.0	2,855.9	3,022.0	3,214.3
Wages and salaries in kind	49.1	47.6	54.4	0.8	0.8	56.6	60.3	63.6	67.3	71.6
Employers' social contributions	**0.8**	**2.6**	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Actual social contributions	0.8	2.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of goods and services	**1,132.4**	**995.5**	**754.4**	**486.4**	**486.4**	**1,101.1**	**811.4**	**959.5**	**905.4**	**905.4**
Use of goods and services	**1,132.4**	**995.5**	**754.4**	**486.4**	**486.4**	**1,101.1**	**811.4**	**959.5**	**905.4**	**905.4**
Use of goods and services	1,132.4	995.5	754.4	486.4	486.4	1,101.1	811.4	959.5	905.4	905.4
Grants	**1,378.6**	**1,642.4**	**3,039.0**	**2,358.7**	**2,358.7**	**1,978.1**	**2,551.0**	**2,654.2**	**2,715.7**	**2,715.7**
Grants to other general government units	**1,378.6**	**1,642.4**	**3,039.0**	**2,358.7**	**2,358.7**	**1,978.1**	**2,551.0**	**2,654.2**	**2,715.7**	**2,715.7**
Grants to other general governments current*	956.8	1,027.4	2,548.5	1,926.7	1,926.7	1,546.1	2,083.8	2,168.1	2,218.3	2,218.3
Grants to other general governments capital	421.8	615.0	490.5	432.0	432.0	432.0	467.2	486.1	497.4	497.4
Net Aquisition Nonfinancial assets	**325.9**	**419.3**	**66.8**	**49.5**	**49.5**	**138.5**	**52.2**	**69.3**	**107.1**	**107.1**
Aquisition of Fixed assets	**325.9**	**419.3**	**66.8**	**49.5**	**49.5**	**138.5**	**52.2**	**69.3**	**107.1**	**107.1**
NFA:Fixed assets	325.9	419.3	0.0	49.5	49.5	138.5	52.2	69.3	107.1	107.1
NFA:Buildings and structures	0.0	0.0	66.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Autonomous Bougainville Government	**328.9**	**420.3**	**454.6**	**415.1**	**415.1**	**486.5**	**448.3**	**471.5**	**493.3**	**504.6**
Compensation of Employees	**141.5**	**134.4**	**148.2**	**140.7**	**140.7**	**159.1**	**158.7**	**167.3**	**177.0**	**188.3**
Wages and salaries	**141.5**	**134.4**	**148.2**	**140.7**	**140.7**	**159.1**	**158.7**	**167.3**	**177.0**	**188.3**
Wages and salaries in cash	132.5	126.6	138.4	140.7	140.7	148.9	158.7	167.3	177.0	188.3
Wages and salaries in kind	9.0	7.8	9.8	0.0	0.0	10.2	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**	**0.0**	**0.0**
Actual social contributions	0.0	0.0	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**	**104.0**	**100.0**	**100.0**	**187.4**	**105.5**	**110.9**	**115.3**	**115.3**
Use of goods and services	**163.8**	**137.2**	**104.0**	**100.0**	**100.0**	**187.4**	**105.5**	**110.9**	**115.3**	**115.3**
Use of goods and services	163.8	137.2	104.0	100.0	100.0	187.4	105.5	110.9	115.3	115.3
Grants	**10.0**	**37.0**	**108.4**	**74.4**	**74.4**	**40.0**	**78.5**	**82.5**	**85.8**	**85.8**
Grants to other general government units	**10.0**	**37.0**	**108.4**	**74.4**	**74.4**	**40.0**	**78.5**	**82.5**	**85.8**	**85.8**
Grants to other general governments current	0.0	0.0	59.4	34.4	34.4	0.0	36.3	38.2	39.7	39.7
Grants to other general governments capital	10.0	37.0	49.0	40.0	40.0	40.0	42.2	44.3	46.1	46.1
Net Aquisition Nonfinancial assets	**13.5**	**111.7**	**94.0**	**100.0**	**100.0**	**100.0**	**105.5**	**110.9**	**115.3**	**115.3**
Fixed Assets	13.5	111.7	94.0	100.0	100.0	100.0	105.5	110.9	115.3	115.3
Commercial & Statutory Authorities	**1,450.4**	**1,830.5**	**3,716.0**	**4,126.4**	**4,201.5**	**4,904.5**	**4,728.6**	**5,056.9**	**5,361.3**	**5,530.6**
Compensation of Employees	**921.5**	**1,101.1**	**1,974.4**	**1,898.7**	**1,973.7**	**2,274.8**	**2,386.7**	**2,516.1**	**2,662.5**	**2,831.9**
Wages and salaries	**852.7**	**1,019.0**	**1,871.5**	**1,842.1**	**1,917.1**	**2,195.4**	**2,302.1**	**2,426.9**	**2,568.2**	**2,731.5**
Wages and salaries in cash	826.8	991.1	1,814.0	1,778.8	1,853.8	2,117.8	2,219.9	2,340.3	2,476.5	2,634.0
Wages and salaries in kind	25.9	27.9	57.5	63.3	63.3	77.5	82.2	86.6	91.7	97.5
Employers' social contributions	**68.9**	**82.1**	**102.9**	**56.6**	**56.6**	**79.5**	**84.6**	**89.2**	**94.4**	**100.4**
Actual social contributions	68.9	82.1	102.9	56.6	56.6	79.5	84.6	89.2	94.4	100.4
Use of goods and services	**312.6**	**470.5**	**1,004.2**	**1,256.5**	**1,256.5**	**1,411.5**	**1,326.1**	**1,392.9**	**1,448.4**	**1,448.4**
Use of goods and services	**312.6**	**470.5**	**1,004.2**	**1,256.5**	**1,256.5**	**1,411.5**	**1,326.1**	**1,392.9**	**1,448.4**	**1,448.4**
Use of goods and services	312.6	470.5	1,004.2	1,256.5	1,256.5	1,411.5	1,326.1	1,392.9	1,448.4	1,448.4
Grants	**3.4**	**45.3**	**130.7**	**174.9**	**174.9**	**176.5**	**184.6**	**193.9**	**201.6**	**201.6**
Grants to other general government units	**3.4**	**45.3**	**130.7**	**174.9**	**174.9**	**176.5**	**184.6**	**193.9**	**201.6**	**201.6**
Grants to other general governments current	3.4	45.3	130.7	174.9	174.9	176.5	184.6	193.9	201.6	201.6
Other expenses	**2.1**	**35.4**	**5.1**	**7.5**	**7.5**	**12.7**	**7.9**	**8.3**	**8.6**	**8.6**
Transfers not elsewhere classified	**2.1**	**35.4**	**5.1**	**7.5**	**7.5**	**12.7**	**7.9**	**8.3**	**8.6**	**8.6**
Other expense - Current transfers not elsewhere classified	2.1	35.4	5.1	7.5	7.5	12.1	7.9	8.3	8.6	8.6
Other expense - Premiums	0.0	0.0	0.0	0.0		0.6	0.0	0.0	0.0	0.0
Net Aquisition Nonfinancial assets	**210.8**	**178.2**	**601.6**	**728.6**	**728.6**	**964.2**	**765.8**	**904.2**	**993.0**	**993.0**
Aquisition of Fixed assets	**210.8**	**178.2**	**601.6**	**728.6**	**728.6**	**964.2**	**765.8**	**904.2**	**993.0**	**993.0**
NFA:Buildings and structures	0.0	0.0	0.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0
NFA:Dwellings	0.0	0.0	0.0	0.3	67.4	2.1	0.3	0.3	0.4	0.4
NFA:Buildings other than dwellings	0.0	0.0	0.0	67.4	0.3	0.0	71.1	74.7	77.7	77.7
NFA:Fixed assets	195.7	160.8	580.0	585.9	585.9	885.3	618.4	749.3	832.0	832.0
NFA:Machinery & equipment other than transport equipment	14.6	14.0	15.5	39.1	39.1	15.8	41.3	43.3	45.1	45.1
NFA:Other structures	0.0	0.0	2.7	18.0	18.0	7.9	19.0	19.9	20.7	20.7
NFA:Transport equipment	0.3	3.4	3.4	7.8	7.8	13.9	8.2	8.7	9.0	9.0
NFA: Information, computer, and telecommunications (ICT) equipmer	0.2	0.0	0.0	7.1	7.1	39.3	7.5	7.9	8.2	8.2
Social Benefits	**0.0**	**0.0**	**0.0**	**60.3**	**60.3**	**64.8**	**57.5**	**41.5**	**47.1**	**47.1**
Social assistance benefits	0.0	0.0	0.0	60.3	60.3	64.8	57.5	41.5	47.1	47.1
Policy Adjustments Required**	**0.0**	**0.0**	**0.0**	**0.0**	**-1,163.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt Service (Interest Payment)	**2,254.7**	**2,578.7**	**2,769.7**	**3,050.8**	**3,050.8**	**3,522.5**	**3,523.6**	**3,612.3**	**3,465.5**	**3,206.4**
Use of goods and services	**5.6**	**6.2**	**8.4**	**82.0**	**82.0**	**61.9**	**61.9**	**63.4**	**60.9**	**56.3**
Use of goods and services	**5.6**	**6.2**	**8.4**	**82.0**	**82.0**	**61.9**	**61.9**	**63.4**	**60.9**	**56.3**
Use of goods and services	5.6	6.2	8.4	82.0	82.0	61.9	61.9	63.4	60.9	56.3
Interest	**2,249.1**	**2,572.5**	**2,761.3**	**2,968.8**	**2,968.8**	**3,460.6**	**3,461.7**	**3,548.9**	**3,404.7**	**3,150.1**
To nonresidents	**328.2**	**427.6**	**792.7**	**998.4**	**998.4**	**1,228.5**	**1,228.8**	**1,259.8**	**1,208.6**	**1,118.2**
Interest to Non residents	328.2	427.6	792.7	998.4	998.4	1,228.5	1,228.8	1,259.8	1,208.6	1,118.2
To residents other than general government	**1,920.9**	**2,144.9**	**1,968.6**	**1,970.4**	**1,970.4**	**2,232.1**	**2,232.9**	**2,289.1**	**2,196.1**	**2,031.8**
Interest to residents other than general governments	1,920.9	2,144.9	1,968.6	1,970.4	1,970.4	2,232.1	2,232.9	2,289.1	2,196.1	2,031.8
Expenditure supported by donor grants	**1,862.4**	**1,472.1**	**1,158.6**	**2,204.9**	**2,205.0**	**1,500.0**	**1,550.0**	**1,600.0**	**1,650.0**	**1,700.0**
Use of goods and services	**630.6**	**498.4**	**392.3**	**754.4**	**754.4**	**438.0**	**452.6**	**467.2**	**481.8**	**496.4**
Use of goods and services	**630.6**	**498.4**	**392.3**	**754.4**	**754.4**	**438.0**	**452.6**	**467.2**	**481.8**	**496.4**
Use of goods and services	630.6	498.4	392.3	754.4	754.4	438.0	452.6	467.2	481.8	496.4
Net Aquisition Nonfinancial assets	**1,231.8**	**973.7**	**766.3**	**1,450.6**	**1,450.6**	**1,062.0**	**1,097.4**	**1,132.8**	**1,168.2**	**1,203.6**
Aquisition of Fixed assets (Buildings and Structures)	**1,231.8**	**973.7**	**766.3**	**1,450.6**	**1,450.6**	**1,062.0**	**1,097.4**	**1,132.8**	**1,168.2**	**1,203.6**
NFA:Fixed assets	426.0	336.7	265.0	501.6	501.6	373.1	385.5	398.0	410.4	422.8
Other expense - Current transfers not elsewhere classified	805.8	636.9	501.3	949.0	949.0	688.9	711.9	734.9	757.8	780.8
Expenditure financed by concessional loans	**1,493.5**	**1,447.5**	**1,032.8**	**1,213.8**	**1,213.3**	**1,225.9**	**1,238.2**	**1,250.5**	**1,325.6**	**1,405.1**
Use of goods and services	**114.1**	**110.6**	**78.9**	**92.7**	**92.7**	**70.1**	**70.8**	**71.5**	**75.8**	**80.3**
Use of goods and services	**114.1**	**110.6**	**78.9**	**92.7**	**92.7**	**70.1**	**70.8**	**71.5**	**75.8**	**80.3**
Use of goods and services	114.1	110.6	78.9	92.7	92.7	70.1	70.8	71.5	75.8	80.3
Net Aquisition Nonfinancial assets	**1,379.4**	**1,336.9**	**953.9**	**1,121.1**	**1,120.6**	**1,155.8**	**1,167.4**	**1,179.0**	**1,249.8**	**1,324.8**
Aquisition of Fixed assets (Buildings and Structures)	**1,379.4**	**1,336.9**	**953.9**	**1,121.1**	**1,120.6**	**1,155.8**	**1,167.4**	**1,179.0**	**1,249.8**	**1,324.8**
NFA:Buildings and structures	989.1	958.6	659.9	803.9	803.9	826.4	834.6	842.9	893.6	947.2
NFA:Fixed assets	298.2	289.0	240.8	242.3	242.3	249.1	251.6	254.1	269.4	285.5
NFA:Information, computer, & telecommunications equipment	49.5	48.0	33.0	40.3	40.3	41.4	41.8	42.2	44.7	47.4
NFA:Machinery & equipment other than transport equipment	0.0	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	20.2	34.6	34.1	38.9	39.3	39.7	42.1	44.6
Total expenditure	**20,130.7**	**24,390.0**	**24,614.6**	**27,377.5**	**26,914.4**	**28,357.1**	**29,505.4**	**31,134.7**	**32,138.5**	**33,630.9**
as % of GDP	*21.6%*	*22.6%*	*19.8%*	*22.0%*	*21.8%*	*20.7%*	*19.9%*	*19.4%*	*17.2%*	*18.0%*

Source: Department of Treasury

1 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.

**Reflects policy adjustments to be taken. This is inclusive of even split of K581.9m each for policy intervention/adjustments for both operational and capital expenditures

Table 14: Transactions in Assets and Liabilities for General Government

Kina Million	Actual			Estimate			Projections			
	2021	2022	2023	2024 Budget	2024 MYEFO	2025 Budget	2026	2027	2028	2029
Net Acquisition of Financial Assets	**-1,685.2**	**-355.7**	**-547.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Domestic	**-1,685.2**	**-355.7**	**-547.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-910.4	-355.7	-547.3	0.0	0.0	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	0.0	0.0
External	**0.0**	**0.0**	**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**	**4,257.3**	**3,983.8**	**3,983.8**	**2,949.3**	**1,608.7**	**-81.6**	**-2,267.5**	**-4,239.9**
Net Incurrence of Liabilities as a % of GDP	*8.5%*	*5.1%*	*3.8%*	*3.2%*	*3.2%*	*2.2%*	*1.1%*	*-0.1%*	*-1.3%*	*-2.5%*
Domestic	**3,042.1**	**2,276.6**	**2,176.2**	**2,320.4**	**2,320.4**	**760.8**	**692.1**	**185.2**	**169.3**	**-3,650.0**
Debt securities	**2,995.4**	**2,242.6**	**2,295.2**	**2,382.6**	**2,382.6**	**996.5**	**949.7**	**459.1**	**382.5**	**-3,650.0**
New instruments	16,794.6	17,598.0	17,990.3	22,016.9	22,016.9	18,111.7	19,015.1	18,293.3	16,877.5	12,333.8
Amortisation	-13,799.2	-15,355.3	-15,695.1	-19,634.3	-19,634.3	-17,115.2	-18,065.4	-17,834.2	-16,495.0	-15,983.8
Treasury Bills	***1,394.8***	***492.6***	***350.2***	***-177.6***	***-177.6***	***112.7***	***649.7***	***509.1***	***-68.6***	***-3,400.9***
New instruments	*14,147.9*	*14,888.7*	*14,912.2*	*17,716.0*	*17,716.0*	*15,261.5*	*16,522.5*	*16,316.3*	*15,371.7*	*11,528.2*
Amortisation	*-12,753.1*	*-14,396.1*	*-14,562.0*	*-17,893.6*	*-17,893.6*	*-15,148.8*	*-15,872.8*	*-15,807.2*	*-15,440.3*	*-14,929.1*
Treasury Bonds	***1,600.6***	***1,750.0***	***1,945.0***	***2,560.2***	***2,560.2***	***883.8***	***300.0***	***-50.0***	***451.1***	***-249.1***
New instruments	*2,646.7*	*2,709.3*	*3,078.1*	*4,300.9*	*4,300.9*	*2,850.2*	*2,492.6*	*1,977.0*	*1,505.8*	*805.6*
Amortisation	*-1,046.1*	*-959.3*	*-1,133.1*	*-1,740.7*	*-1,740.7*	*-1,966.4*	*-2,192.6*	*-2,027.0*	*-1,054.7*	*-1,054.7*
Loans	**46.7**	**34.0**	**-119.1**	**-62.2**	**-62.2**	**-235.7**	**-257.6**	**-273.9**	**-213.2**	**0.0**
New borrowing	107.9	75.1	22.7	103.8	103.8	0.0	0.0	0.0	0.0	0.0
Amortisation	-61.2	-41.1	-141.8	-166.0	-166.0	-235.7	-257.6	-273.9	-213.2	0.0
Insurance, pension, and standardized guarantee scheme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	**4,913.4**	**3,219.5**	**2,081.1**	**1,663.4**	**1,663.4**	**2,188.5**	**916.6**	**-266.8**	**-2,436.8**	**-589.9**
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	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-1,760.6**	**0.0**
New instruments	0.0	0.0	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	-1,760.6	0.0
Concessional financing	0.0	0.0	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	0.0	0.0
Amortisation	0.0	0.0	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	0.0	0.0
New instruments	0.0	0.0	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	0.0	0.0
Extraordinary financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,760.6	0.0
New instruments	0.0	0.0	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	-1,760.6	0.0
Loans	***3,669.3***	***3,219.5***	***2,081.1***	***1,663.4***	***1,663.4***	***2,188.5***	***916.6***	***-266.8***	***-676.2***	***-589.9***
New borrowing	4,991.8	4,076.3	3,165.7	3,125.5	3,125.5	4,042.6	2,754.4	1,766.7	1,425.6	1,405.1
Amortisation	-1,322.4	-856.8	-1,084.6	-1,462.1	-1,462.1	-1,854.1	-1,837.8	-2,033.5	-2,101.8	-1,995.0
Concessional financing	***1,108.3***	***834.5***	***207.7***	***253.3***	***253.3***	***393.2***	***383.5***	***250.0***	***256.8***	***443.1***
New borrowing	*1,493.5*	*1,447.5*	*1,028.3*	*1,025.8*	*1,025.8*	*1,225.9*	*1,238.2*	*1,250.5*	*1,325.6*	*1,405.1*
Amortisation	*-385.2*	*-612.9*	*-820.6*	*-772.5*	*-772.5*	*-832.7*	*-854.7*	*-1,000.5*	*-1,068.8*	*-962.0*
Commercial financing	***-862.7***	***-29.0***	***-40.3***	***145.9***	***145.9***	***54.6***	***476.2***	***431.8***	***15.6***	***-84.4***
New borrowing	*59.7*	*8.6*	*0.0*	*188.0*	*188.0*	*100.2*	*516.2*	*516.2*	*100.0*	*0.0*
Amortisation	*-922.4*	*-37.5*	*-40.3*	*-42.1*	*-42.1*	*-45.6*	*-40.0*	*-84.4*	*-84.4*	*-84.4*
Extraordinary financing	***3,423.7***	***2,414.0***	***1,913.7***	***1,264.2***	***1,913.7***	***1,740.7***	***56.9***	***-948.6***	***-948.6***	***-948.6***
New borrowing	*3,438.6*	*2,620.3*	*2,137.4*	*1,911.7*	*1,911.7*	*2,716.5*	*1,000.0*	*0.0*	*0.0*	*0.0*
Amortisation	*-14.9*	*-206.3*	*-223.7*	*-647.5*	*-647.5*	*-975.8*	*-943.1*	*-948.6*	*-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	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Department of Treasury

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

Table 15: Stocks of General Government Debt

	Actuals			Estimate			Projections			
Kina Million	**2021**	**2022**	**2023**	**2024 Budget**	**2024 MYEFO**	**2025 Budget**	**2026**	**2027**	**2028**	**2029**
Domestic	**25,257.6**	**27,534.2**	**29,716.9**	**32,037.3**	**32,037.3**	**32,791.5**	**33,483.6**	**33,668.8**	**33,838.1**	**30,188.1**
Debt securities	**24,129.9**	**26,372.6**	**28,674.3**	**31,056.9**	**31,056.9**	**32,046.9**	**32,996.6**	**33,455.7**	**33,838.2**	**30,188.1**
Treasury Bills	*13,296.6*	*13,789.2*	*14,145.9*	*13,968.3*	*13,968.3*	*14,074.4*	*14,724.2*	*15,233.3*	*15,164.6*	*11,763.7*
Treasury Bonds	*10,833.4*	*12,583.4*	*14,528.4*	*17,088.6*	*17,088.6*	*17,972.4*	*18,272.4*	*18,222.4*	*18,673.5*	*18,424.4*
Loans	**1,127.6**	**1,161.6**	**1,042.6**	**980.4**	**980.4**	**744.7**	**487.1**	**213.2**	**0.0**	**0.0**
Guarantees	*1,127.6*	*1,161.6*	*1,042.6*	*980.4*	*980.4*	*744.7*	**487.1**	**213.2**	**0.0**	**0.0**
External	**22,915.6**	**26,145.7**	**28,226.8**	**29,890.1**	**29,890.1**	**32,085.2**	**33,001.8**	**32,735.0**	**30,298.2**	**29,708.3**
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**	**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**	**1,760.6**	**0.0**	**0.0**
Concessional financing	*0.0*	*0.0*	*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*	*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*	*1,760.6*	*0.0*	*0.0*
Loans	**19,921.5**	**23,141.0**	**25,222.1**	**26,885.4**	**26,885.4**	**29,080.5**	**29,997.1**	**29,730.3**	**29,054.1**	**28,464.2**
Concessional financing	*10,939.9*	*11,774.4*	*11,982.1*	*12,235.4*	*12,235.4*	*12,628.6*	*13,012.1*	*13,262.1*	*13,518.9*	*13,962.0*
Commercial financing	*231.4*	*202.5*	*162.1*	*308.0*	*308.0*	*362.6*	*838.8*	*1,270.6*	*1,286.2*	*1,201.8*
Extraordinary financing	*8,750.1*	*11,164.1*	*13,077.8*	*14,342.0*	*14,342.0*	*16,089.3*	*16,146.2*	*15,197.6*	*14,249.0*	*13,300.4*
Total Central Government Debt	**48,173.1**	**53,679.9**	**57,943.7**	**61,927.4**	**61,927.4**	**64,876.7**	**66,485.4**	**66,403.8**	**64,136.3**	**59,896.4**
Total debt as percentage of GDP	*51.6%*	*49.8%*	*52.4%*	*49.8%*	*50.2%*	*47.4%*	*44.8%*	*41.5%*	*37.2%*	*32.1%*
Gross Domestic Product[2]	**93,314.1**	**107,807.3**	**110,619.1**	**124,298.7**	**123,419.1**	**136,895.8**	**148,446.5**	**160,197.9**	**172,489.5**	**186,338.9**

Source: Department of Treasury

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

2. Total nominal GDP by economic activity, Actual: *National Statistics Office* and Projections: *Treasury Department.*

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