



2007 Final Budget Outcome Press Release

The Final Budget Outcome (FBO) sets out the annual fiscal outcome and provides details of revenue and grants, expenditure and net lending and the financing requirement of the Government Budget.

The FBO is required to be released in accordance with the *Papua New Guinea Fiscal Responsibility Act (2006)*. This represents the Government's commitment to increase the transparency of the Budget processes and provide information on how different agencies – be it national departments, statutory authorities or provincial governments – are performing.

The FBO for 2007 shows a Budget surplus of K454.4 million or 2.4 per cent of GDP, compared with the original Budget estimate of a K35.0 million or 0.2 per cent of GDP deficit, and the revised estimate of K321.0 million or 1.7 per cent of GDP surplus.

In line with the appropriation in the 2007 Supplementary Budget, and consistent with sound fiscal management, the surplus has been used for debt reduction.

The larger than expected surplus in 2007 was due to higher than expected revenue collections, combined with slightly lower than anticipated expenditure. The higher than expected revenues were mainly from company taxes, import excise and departmental revenue due mainly to favorable economic conditions.

The lower than anticipated expenditures were mainly in the development Budget, where there were underspends of domestic funded development expenditure and concessional loan drawdowns. Recorded project support grants and infrastructure tax credits, which do not have any net impact on the Budget balance, were also lower than anticipated, however this is due to incomplete reporting by donors, and will likely be revised in the future.

In line with the Government's commitment to increased levels of transparency, and a recognition that the large quantum of funds in trust require increased accountability, a considerable amount of information has been provided on the status of the recent Supplementary Budgets. This includes detailed reports on spending from the Supplementary Budget trust accounts.

The Budget surplus in 2007 has resulted in total public debt falling to 34.1 per cent of GDP. This is a significant result, and is a continuation of the responsible fiscal policies implemented over the past 5 years, which have more than halved the debt to GDP ratio since 2002. These achievements have resulted in PNG's credit ratings being upgraded by both Standard and Poor's and Fitch, have seen public interest expenditure fall from K740m in 2003 to K370m in 2007, and have improved investor confidence in the PNG economy.

The FBO is available on the Treasury website: www.treasury.gov.pg