



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

**2010**

## INTRODUCTION

The Mid Year Economic and Fiscal Outlook Report (MYEFO) is released in accordance with the requirements of Sections 9 and 15 of the *Papua New Guinea Fiscal Responsibility Act 2006*.

The purpose of the MYEFO Report is to provide updated fiscal information (especially for the current financial year) to allow the Parliament and the public to assess developments against that set out in the 2010 Budget.

The MYEFO contains the following:

- Part 1: The Mid Year Economic and Fiscal Outlook
  - 1.1 The Economic Outlook
  - 1.2 The Fiscal Outlook
  - 1.3 Revenue
  - 1.4 Expenditure and Net Lending
  - 1.5 Status of Trust Accounts
  - 1.6 Financing
  - 1.7 Public Debt
  - 1.8 Risks to the Mid Year Economic and Fiscal Outlook
  - 1.9 2010 and Beyond
  - 1.10 Fiscal Outturn Tables
  
- Part 2: Mid Year Expenditure Estimates by Agency
  - 2.1 Funded Expenditure Decisions since the 2010 Budget
  - 2.2 2010 Budget Execution
  - 2.3 Reallocation of Appropriated Funds
  
- Part 3: Appendices

The MYEFO essentially covers central government fiscal operations in what is known as the Government sector. Consistent with the 1986 Government Finance Statistics (GFS) cash reporting framework, the Government sector is defined as covering all units performing government functions, that is, the implementation of public policy through the provision of primarily non-commercial services and the transfer of income, supported mainly by compulsory levies on other institutional sectors.

Government owned or controlled units, which sell industrial or commercial goods and services to the public on a large scale, are excluded from the government sector and are classified separately as non-financial public enterprises. Government owned and or controlled financial institutions are also classified separately from the Government sector as public financial institutions.

The financial information presented in this report is based on the same reporting standards as the 2010 Budget. Generally, this follows the cash reporting standards originally laid down in the 1986 'Manual of Government Finance Statistics' published by the International Monetary Fund.

---

# **PART 1**

## **THE MID YEAR ECONOMIC AND FISCAL OUTLOOK**

### **1.1 THE ECONOMIC OUTLOOK**

#### **Overview**

Gross Domestic Product (GDP) is expected to grow very strongly in 2010, with the commencement of the Papua New Guinea (PNG) Liquefied Natural Gas (LNG) and other mining related projects and a rebound in a number of sectors following softer conditions in 2009. Economic output is estimated to have expanded for nine successive years, representing the longest period of uninterrupted economic growth in PNG. The solid performance of the economy reflects increased investor and consumer confidence following a period of political and macroeconomic stability and the success of microeconomic reforms undertaken by the Government.

Recent economic data suggest that the recovery in the global economy has evolved better than previously expected with economic growth rebounding from the 2009 global recession. As a result, general confidence has picked up among consumer and business and in international financial markets, with equity and commodity prices recovering from the lows of 2009. However, the pace of the global economic recovery has been uneven with sluggish economic growth experienced in advanced economies compared to vigorous growth expected in most emerging and developing countries. In addition, sovereign debt concerns in Greece and some other European countries combined with some mixed signals on the state of recovery in the US economy more recently has seen concerns about the strength of the global recovery increase. This led to further weakness in financial and commodity markets.

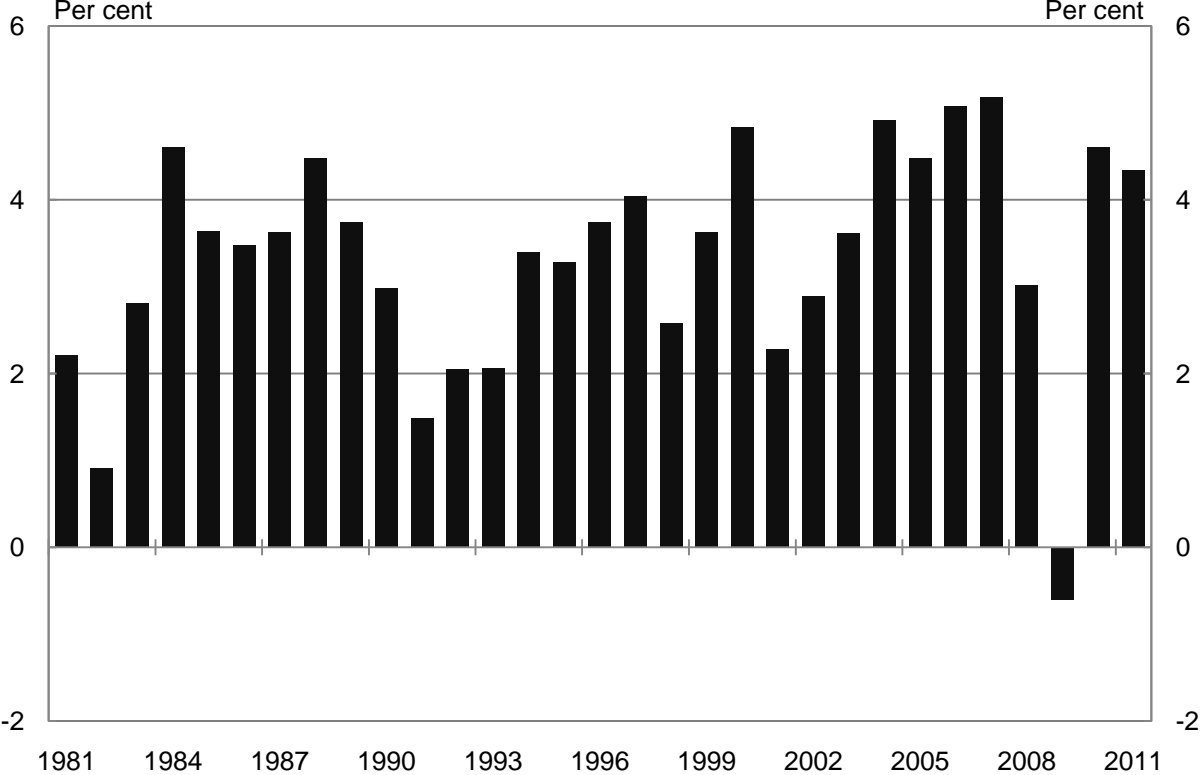
Since the time of the 2010 Budget, risks associated with the PNG LNG project have declined with the confirmation of the project proceeding to its first phase of construction. Nevertheless, there are number of other risks that may result in changes to the economic and fiscal outlook presented in this update. These include the rising uncertainty in the global economic recovery, which could lead to volatility in global trade (including PNG's exports) and commodity price movements, loss of fiscal discipline and disruptions to mining and petroleum projects. In addition, a recent court decision concerning the Organic Law on the integrity of political parties could see business confidence wane if the domestic political situation becomes more uncertain.

#### **The Outlook for the International Economy**

The International Monetary Fund (IMF) anticipates that the global recovery will be stronger than previously projected. The world economy is now expected to grow by 4½ per cent in 2010, revised up by ½ a percentage point from the IMF's April 2010 economic outlook. In the advanced economies, growth is expected to remain sluggish by past standards, whereas in many emerging and developing economies, economic activities are anticipated to be relatively vigorous, largely driven by buoyant internal demand.

In 2011, world growth is expected to be 4.3 per cent. In spite of the revision, the recovery in advanced economies is still expected to be weak by historical standards, with real output remaining below its pre-crisis level until late 2011.

**Chart 1: World Economic Growth**



Source: International Monetary Fund, World Economic Outlook (June 2010)

Growth in advanced economies is forecast to be 2.6 per cent in 2010, easing to 2.4 per cent in 2011. The upward revision to the economic growth of advanced economies is largely driven by stronger economic growth projections in the United States, Canada and other advanced economies. However, recent economic data suggest that the rapid pace of the economic recovery is slowing with a number of countries gradually withdrawing the large monetary and fiscal stimulus implemented after the global financial crisis. Economic growth in Europe remains broadly unchanged and sluggish. Downside risk to economic growth in Europe has heightened with the potential for sovereign debt problems in the financial markets spilling over into real economic activity.

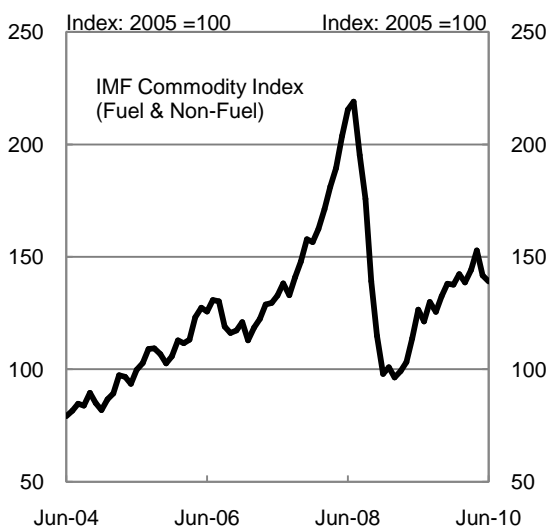
Growth in emerging and developing economies is expected to increase to around 6.8 per cent in 2010, following a modest 2.5 per cent increase in 2009. Driving this buoyant economic growth is stronger economic activity in China, India, Brazil and other Asian economies. Factors that have supported Asia’s rapid recovery and resilient economic growth include the rapid normalisation of trade following the financial dislocation in late 2008, which has greatly benefited the export-orientated economies in the region; the resumption of capital inflows into the region and finally resilient domestic demand in both private and public components. Weighing down this grouping is sluggish growth in Central and Eastern Europe. Output in emerging and developing economies is projected to moderate to 6.4 per cent in 2011.

Global inflationary pressures are expected to remain subdued in most advanced economies. This is mostly attributed to low levels of capital utilization following the global recession and well-anchored inflation expectations. In the advanced economies, headline inflation is expected to pick up from near zero in 2009 to 1.4 per cent in 2010, as energy prices have begun to rebound. In the emerging and developing economies, inflation is expected to increase to 6.3 per cent in 2010, as some of the economies are faced with growing pressures due to increased capital flows and strong economic growth with little excess productive capacity.

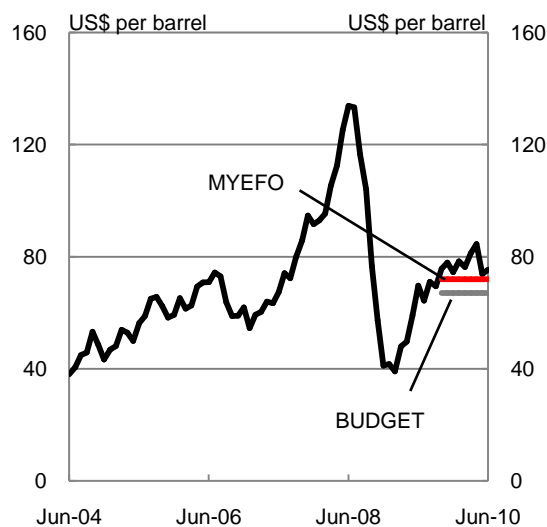
## Commodity Prices

Following large falls to commodity price in late 2008 and early 2009; commodity prices began to rebound in the second quarter of 2009 and into the early parts of 2010, supported by the strengthening global economy. In particular, China increased its demand for commodities and economic data from the United States in very early 2010 indicated that the recovery there was stronger than earlier anticipated. Significant production cuts also contributed to higher metal and oil prices. As a result, the higher kina price of most of the mineral and agricultural commodities resulted in the weighted average price of PNG's exports increasing by around 40 per cent in the March quarter of 2010, compared to the corresponding quarter of 2009.

**Chart 2: IMF Commodity Price Index**



**Chart 3: Oil Price**



Source: IMF and Eco Reuters

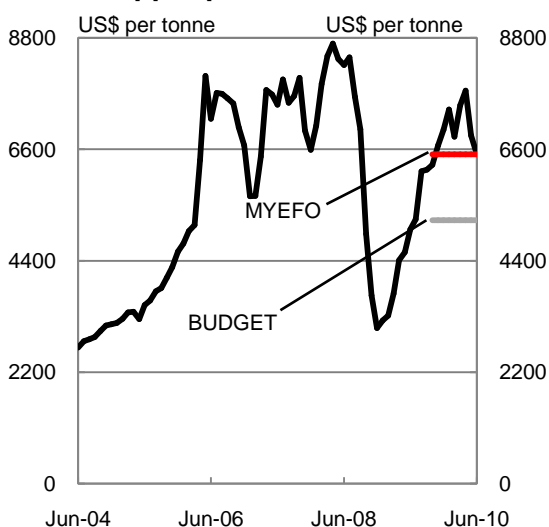
Following the onset of the Euro debt crisis over recent months, industrial commodity prices fell sharply in May 2010 due to concerns about economic growth and weakening commodity demand. Oil prices dropped from a high of US\$87 per barrel to US\$68 per barrel during May, and some metals prices fell more than 20 per cent from their highs in April. The declines occurred amid recovering global demand, particularly outside of China, which had provided much of the initial demand strength during the recovery. Agricultural prices have experienced less of an impact during the Europe debt crisis. However, commodity price have recently become more volatile as financial markets have become more concerned with a slowdown in economic activity in the United States and China.

Agricultural prices have also rebounded from lows in late 2008 and early 2009, but less strongly than energy and metal prices. The situation in Europe has also had less of an impact on agricultural prices relative to energy and metals prices. On average, over the first half of 2010,

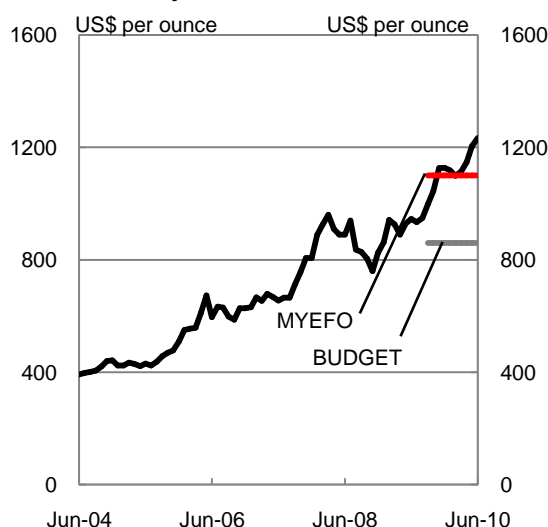
coffee prices averaged around US\$209 per tonne, cocoa prices have average around US\$3,252 per tonne, coconut oil prices have averaged US\$895 per tonne and palm oil prices have averaged US\$772 per tonne. With overall agriculture prices better than 2009 levels, higher agriculture activity is expected in 2010.

Compared to the 2010 Budget, PNG’s major mineral export prices of oil, copper and gold have all traded higher than expected in the first half 2010. Oil prices have averaged around \$US78 per barrel, above the Budget assumption of US\$67 per barrel. Copper prices have averaged around US\$7,143 per tonne, above the Budget assumption of US\$5,200 per tonne. Gold prices have averaged around US\$1,154 per ounce, above the Budget assumption of US\$860 per ounce. With overall commodity prices better than expected at Budget, mineral and petroleum price assumptions (see Table1) and taxes have been revised up in 2010.

**Chart 4: Copper price**



**Chart 5: Gold price**



Source: Eco Reuters, PNG Treasury

### The Outlook for the Domestic Economy

The PNG economy was able to navigate the negative impact of the global financial crisis in 2009 better than expected. Business activity, especially in the construction and communication sectors of the economy showed little signs of a slowdown. Businesses in these sectors pressed on with projects in order to take advantage of the increased economic opportunities offered in PNG following two very strong years of economic growth in 2007 and 2008 and with the expectation of the PNG LNG project commencing. The financial sector has also been resilient to the problems faced overseas, due to a strong domestic funding base, relatively low exposure to troubled international instruments and well managed balance sheets. This allowed the sector to continue its important role of supporting economic growth through financial intermediation to the private sector.

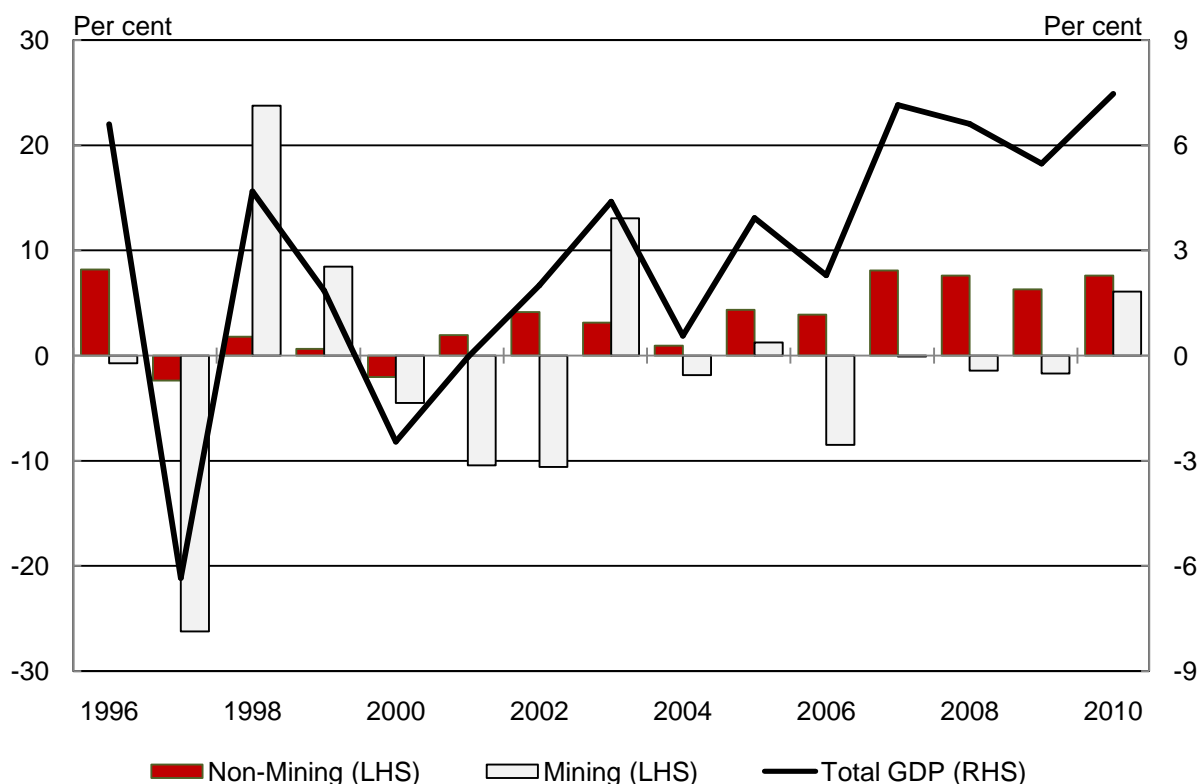
The PNG economy is expected to rebound and grow very strongly in 2010 after a slight moderation in growth in 2009. The economy is expected to grow at 7.5 per cent in 2010, one percentage point lower than the budget forecast of 8.5 per cent. This slight downward revision mainly reflects lower than expected production from the Ramu NiCo mine in 2010, with the first year of mine production anticipated to take place at a more moderate rate than initially

anticipated. In addition, the pace of economic activity has not been as strong as previously expected in the first half of the year as indicated by weaker employment growth.

The downgrade in production from Ramu NiCo in 2010 has greatly affected the growth projection for the mining and quarrying sector. The sector is now expected to grow by 11.0 per cent in 2010, down from a very strong 23.0 per cent projected in the 2010 Budget. This reduction in expected growth also includes minor downgrades in production from other major mines to reflect lower ore grades among other issues.

Non-mining GDP growth in 2010 is expected to be strong at 7.6 per cent, although lower than the budget estimate of 8.1 percent. The growth in non-mining output is expected to be largely driven by the direct and indirect benefits flowing on from the commencement of the PNG LNG project. This forecast also includes the expected rebound in the agriculture, forestry and fisheries sector and the manufacturing sector, as the global economy continues to recover in 2010.

**Chart 6: Economic Growth: 1996 – 2010**



Source: Department of Treasury

The agriculture, forestry and fisheries sector is expected to rebound in 2010 to grow by 3.6 per cent, with the return to more normal levels of production expected from coffee, cocoa and copra after a depressed 2009. It appears that the coffee bi-annual season returned in 2009, with 2010 expected to be a good year for growers. In addition, the containment exercises for the cocoa pod borer undertaken in 2009 is expected to assist to sustain cocoa production in 2010, while the return of better global demand and prices in 2010 is expected to provide more incentive for all cash crops, especially copra producers.

The transport, storage and communication sector is expected to continue its exceptional pace of growth in 2010. Competition and expansion in the mobile phone industry is expected to continue to deliver more benefits to businesses and consumers, with an improved range of products and wider network coverage. Expansion programs continue through the roll-out of more site towers across the country. As a result, the forecast for this sector has been increased to 16.5 per cent in 2010, up slightly from 14.8 per cent estimated at budget time. At the same time, the transport and storage industry is also expected to be a major beneficiary from the increased level of activity generated by the PNG LNG project, which is expected to ramp up over the remainder of 2010.

The strong activity witnessed in the construction sector over the past couple of years has been one of the major highlights of economic activity in PNG. In 2010, this trend is expected to continue with the direct benefits of the PNG LNG project expected to provide an additional boost to activity. Aside from the main PNG LNG project construction, a wave of construction activity has swept the economy, largely generated by the additional needs of the PNG LNG project and other businesses for office space and accommodation. A number of these projects undertaken over the past few years within Port Moresby are now entering final stages of work or have been completed - these include the Vision City in Waigani, ANZ Haus and the Solwara Apartments located at the harbour side. Despite this, the expected growth rate of 14.0 per cent in 2010 is only slightly lower than in 2009. This reflects capacity constraints in the industry as well as moderation in the number of developments following the strong expansion in recent years.

Growth in other non-mineral sectors such as wholesale and retail trade, electricity, gas and water and manufacturing are expected to see a boost in growth in 2010, with stronger aggregate demand flowing from a return of export demand after the global recession in 2009 and benefits arising from the PNG LNG project.

Finance, real estate and personal services is expected to grow strongly in 2010, although a little lower than 2009. Lending activity is expected to remain solid due to the commencement of the PNG LNG project. However, residential and commercial lending is expected to moderate, as financial institutions have significantly increased their exposure to the real estate market in the past few years. On the upside, the rapid progression and understanding of technology in the community could see a significant uptake in the mobile banking concept. This could provide a significant boost to finance activity in the future. Real estate activity is also expected to remain buoyant with the strong influx of people entering PNG.



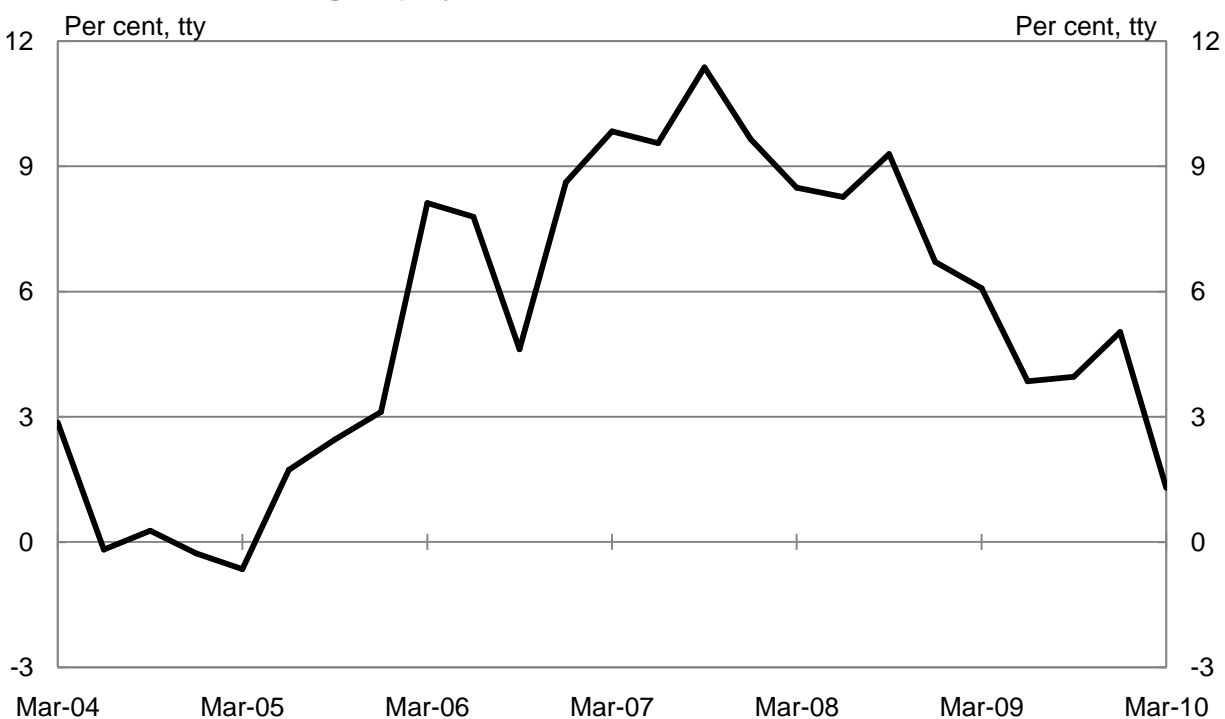
**Table 1: Economic Forecasts**

	2009 ACTUAL	2010 BUDGET	2010 MYEFO
<b>Economic Growth (%)</b>			
GDP (est)	5.5	8.5	7.5
Non-Mining GDP (est)	6.3	8.1	7.6
<b>Inflation (%)</b>			
Year average	7.0	9.5	7.0
<b>Interest Rate (%)</b>			
T/Bills	8.0	8.0	7.0
3 year I/S	8.2	8.2	7.2
<b>Mineral Prices</b>			
Gold (US\$/oz)	973	860	1100
Copper (US\$/lb)	5,100	5,200	6,500
Oil (Kutubu: US\$/bbl)	62	67	72

Source: Department of Treasury

The moderation in employment growth is another indicator that the pace of economic activity in the first half of the year has not been as strong as previously expected. In the March quarter 2010, total non-mining employment fell by 1.3 per cent to be 1.3 per cent higher compared to a year ago (see Chart 7). This represents a considerable moderation in employment growth compared to the previous quarter, where annual employment growth was around 5.0 per cent. The fall in quarterly employment was largely driven by lower employment in the manufacturing and retail sectors.

**Chart 7: Total Non-Mining Employment Growth**



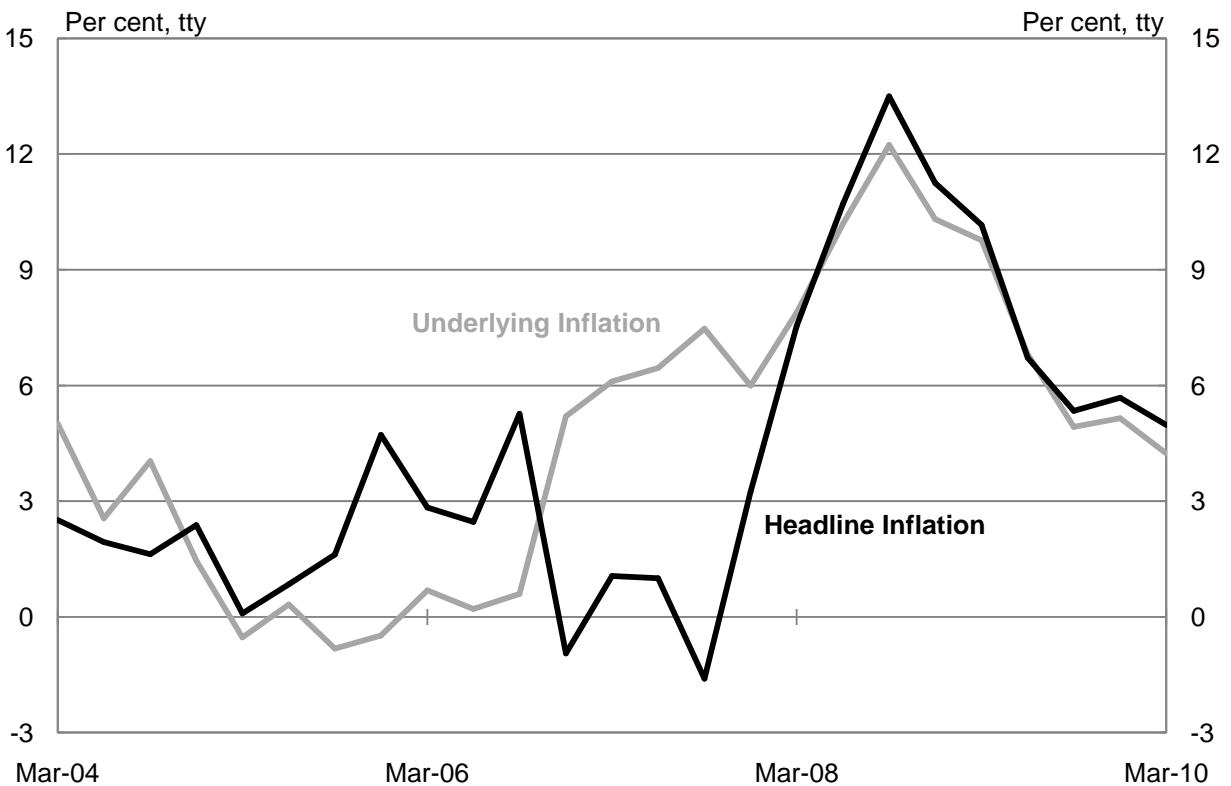
Source: Bank of PNG Employment Index, Quarterly Economic Bulletin, March 2010

## Inflation

In 2009, headline inflation eased to 7.0 per cent in year average terms (from 10.6 per cent in 2008) and had moderated to be 5.7 per cent higher in the year to the December quarter 2009. This was consistent with declining international price pressures and some moderation in economic growth.

Underlying inflation has exhibited a similar trend, easing from a peak of 12.2 per cent through the year to September quarter 2008 to be 5.2 per cent through the year to December quarter 2009.

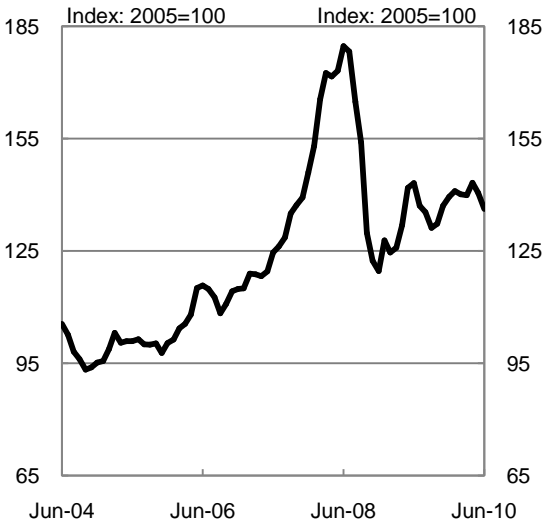
**Chart 8: Headline and Underlying Inflation**



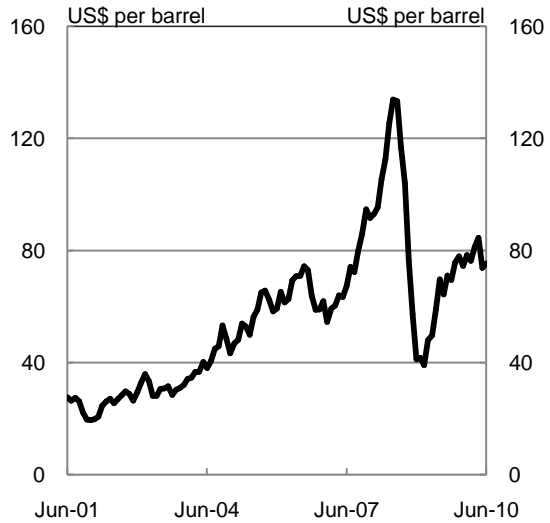
Source: National Statistical Office/Department of Treasury

The moderation in inflation continued into the early part of 2010 when inflation rose by 1.4 per cent in the March quarter to be 5.0 per cent higher than a year earlier. The moderation in inflation partly reflects the reduction and subsidization of school fees in the beginning of the year coupled with the falls in international food and energy prices following the global financial crisis.

**Chart 9: Food Price**



**Chart 10: Oil Price**

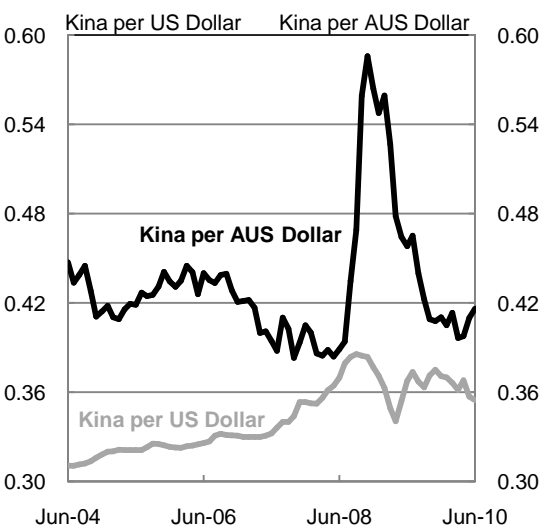


Source: International Monetary Fund

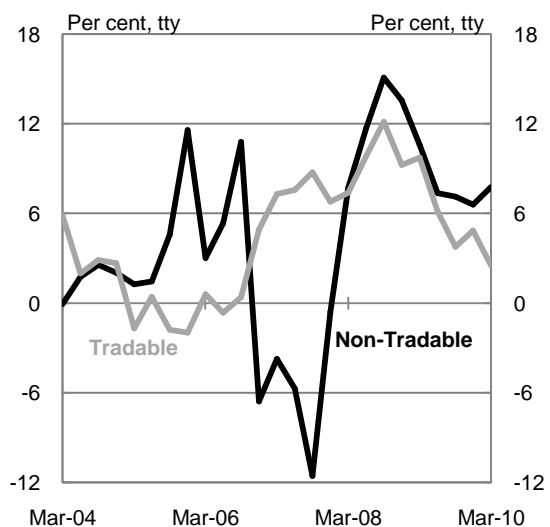
The moderation in international food and energy prices has resulted in tradable inflation falling from 9.7 per cent through the year to the March quarter 2009 to 2.5 per cent through the year to the March quarter 2010. However, Chart 9 and 10 shows that prices have recovered somewhat since the second half of 2009.

Although tradable inflation has eased considerably, non-tradable inflationary pressures persist (i.e. domestically generated inflation), declining slightly from a high of 10.6 per cent through the year to the March quarter 2009 to 7.8 per cent through the year to the March quarter 2010. Non-tradable inflation is anticipated to accelerate over the coming period with pressures on economic resources generated by the PNG LNG project.

**Chart 11: Exchange rate developments**



**Chart 12: Tradable and Non-tradable inflation**

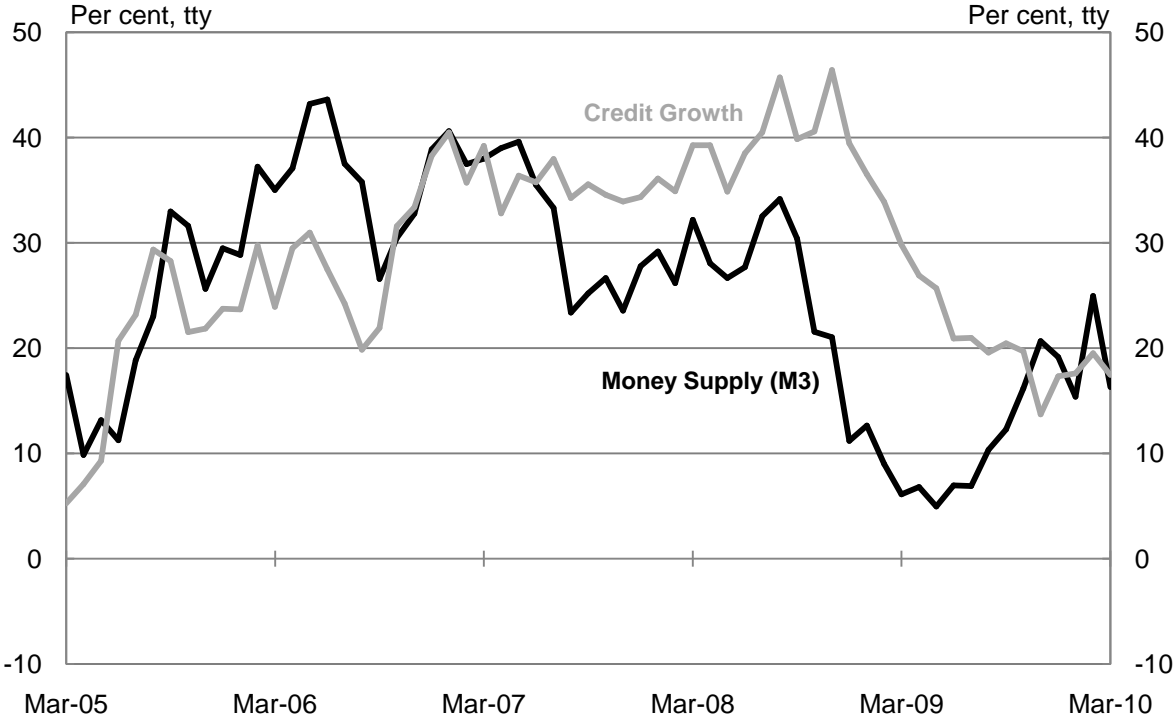


Source: Bank of PNG Quarterly Economic Bulletin, March 2010 and Department of Treasury

Another factor that has helped in the moderation to inflation has been the Bank of PNG's actions in reducing the growth rate of liquidity in the economy. As shown in the following charts, money supply growth eased considerably in late 2008, to help curb the strong ramp up in prices over that period.

At the same time, private sector credit growth has also eased with a significant slowdown in credit growth since the beginning of 2009, falling from very strong growth of 42.0 per cent through the year to December quarter 2008 to around 16.9 per cent in the corresponding quarter of 2009. In March 2010, private sector credit growth fell by 0.1 per cent, largely reflecting a write-off of a loan to the Cocoa Board, but remained 17.4 per cent higher than a year earlier.

**Chart 13: Money Supply and Credit Growth**



Source: Bank of PNG Quarterly Economic Bulletin, March 2010 and Department of Treasury

Although the recent trend in the inflation figures point to a moderation in inflationary pressures, annual inflation remains significantly above those levels recorded in the years prior to 2008. While the strong international cost pressures experienced in 2008 were picked up in the official statistics, primarily through higher food and fuel prices, there is a concern that current domestic inflationary pressures are being understated in the official statistics produced by the National Statistical Office. For example, there are a number of domestic expenditure items such as the price of dwelling rentals which are reported to have been unchanged for the past two decades. This is despite the enormous increase in dwelling rents that have been observed over the past few years, which highlights inadequacies in the official statistics. Based on business liaison visits, anecdotal evidence suggests that inflation has been running at closer to 8.0 to 10.0 per cent in the past year, with a number of businesses factoring these figures into their negotiations rather than using the official figures.

Inflation is estimated to average around 7.0 per cent in 2010. This represents a downward revision to the Budget forecast of 9.5 per cent, largely owing to the weaker than anticipated March quarter 2010 inflation outcome and the lower economic growth forecast in 2010. The forecast projects a pickup in inflation over the remaining quarters in 2010 due to the following factors:

- Strong domestic demand associated with a ramp up in LNG related construction activity.
- High government expenditure and the impact of the fast drawdown of trust account funds in 2009.
- Growth in the monetary aggregates is showing signs of trending up again, and this could continue with the ramp up in the LNG project.
- International factors could also lead to higher tradable inflation. The recovery in the global economy could see high international food and energy prices, which were a core driver of very high inflation in 2008.

Looking ahead to 2011, inflation is projected to be 8.0 per cent compared to the budget estimate of 7.5 per cent. This reflects the factors discussed above and the higher level of economic activity associated with the ramp up in PNG LNG project investment spending.

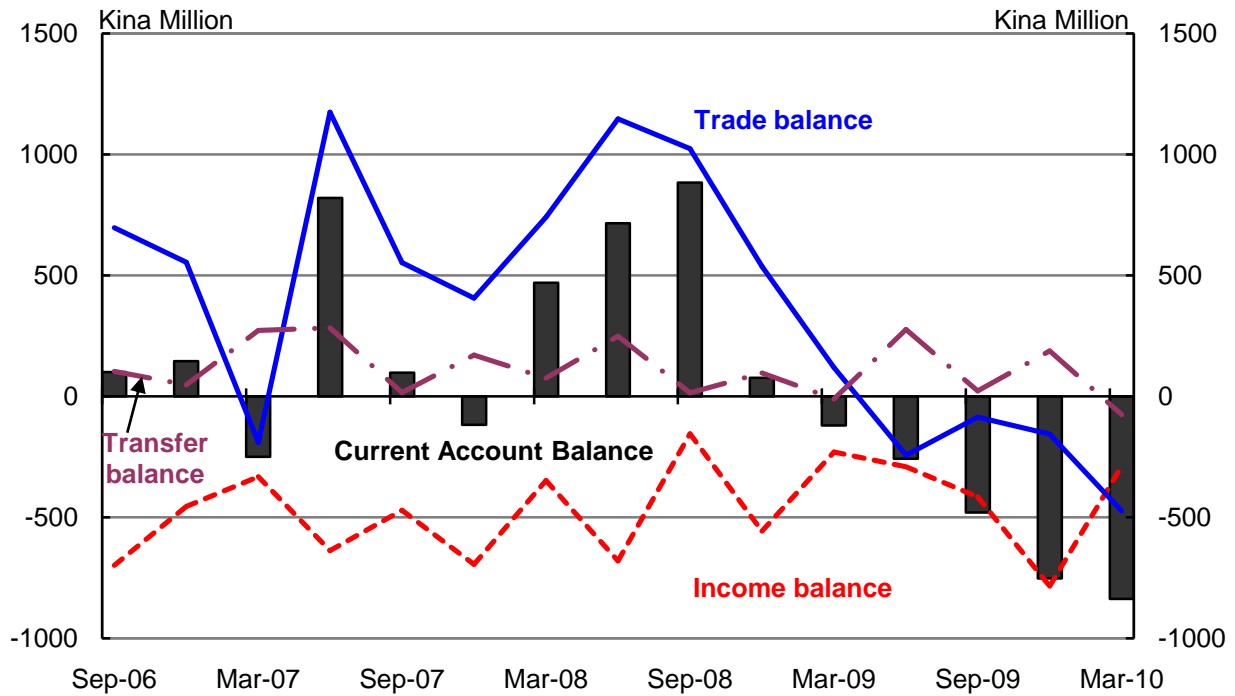
### **Balance of Payments**

A very large current account deficit was expected in 2010 at the time of the 2010 Budget, largely driven by the increase in imports associated with the construction phase of the PNG LNG project and other general imports in line with stronger economic activity. The income balance was also expected to be in deficit arising from the servicing of higher external liabilities.

In the March quarter of 2010 the current account showed a deficit of K837 million, with a deficit recorded in the trade, income and transfer balance. The trade balance contributed K473 million to the overall deficit, up from the trade deficit of K156 million recorded in the December quarter 2009. The rise in the trade deficit was largely due to a significant increase in service imports and lower exports, which have more than offset the decline in the import of goods. The income deficit was K288 million in the March quarter 2010. This is significantly lower than the deficit of K784 million recorded in the previous quarter, as a large dividend payment was made to overseas shareholders in that quarter. The transfer balance recorded a deficit of K76 million in the March quarter 2010, this compares to a surplus of K188 million in the previous quarter. In the coming quarters, the current account deficit is expected to increase substantially with higher goods and services imports due to the ramp up in PNG LNG project construction activity.

The medium term outlook is for the current account to remain in a high deficit position in line with higher imports associated with the construction phase of the PNG LNG project and capital expenditure by the mining sector. The current account deficit is expected to decline from 2011 onwards as LNG construction spending winds down. The current account is projected to move into surplus as full LNG production begins in 2015.

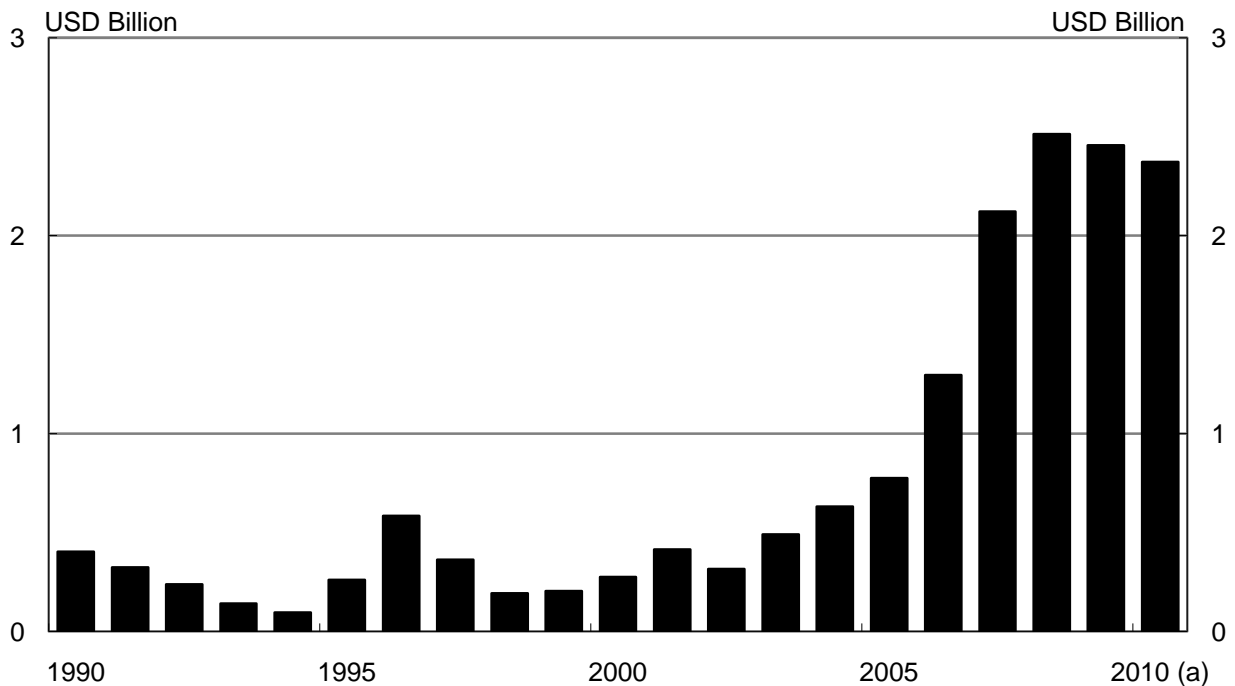
**Chart 14: Balance of Payment**



Source: Bank of PNG

International reserves were US\$2,457.4 million at end of December 2009 and decreased by 3.5 per cent to US\$2,372.0 million at the end of March quarter 2010.

**Chart 15: International Reserves**



Source: Bank of PNG (a) Includes reserve levels up to March 2010

## 1.2 THE FISCAL OUTLOOK

The fiscal position for 2010 is expected to be a surplus of K533.3 million compared to the projection of a balanced budget in the 2010 Budget. This is attributable to higher than expected revenue receipts, particularly mineral revenue, partially offset by higher than anticipated expenditure on personnel emoluments. The use of this surplus to fund a number of outstanding Government expenditure pressures will be outlined in the upcoming Supplementary Budget.

The updated fiscal estimates for 2010 are set out in the table below. These estimates are made on the basis of no policy changes. For example, these figures do not include any spending initiatives from the LNG Benefit Sharing Agreement apart from those outlined in the 2010 Budget.

**Table 2: Budget Balance 2009-2010 (Kina Millions)**

	2009 Actual	2010 Budget	2010 MYEFO
Total Revenue and Grants	6,651.3	7,489.7	8,159.5
Total Expenditure and Net Lending	6,687.5	7,489.7	7,626.3
Deficit(-)/Surplus (+)	-36.2	0.0	533.3
% of GDP	-0.2%	0.0%	2.1%

Source: Department of Treasury

Table 3 provides a reconciliation of the MYEFO budget balance estimates with those at the 2010 Budget, showing the effect of policy decisions and parameter and other variations.

**Table 3: Reconciliation of Budget Balance 2010 (Kina Millions)**

	2010
<b>2010 Budget Balance</b>	0.0
% of GDP	0.0
<b>Changes between 2010 Budget and MYEFO</b>	
<b>Effect of policy decisions (a)</b>	
Revenue	0.0
Expenditure	-36.5
Total policy decisions	0.0
<b>Effect of forecast and other variations</b>	
Revenue	669.8
Expenditure	-100.0
Total forecast and other variations	569.8
<b>2010 MYEFO Budget Balance</b>	533.3
% of GDP	2.1

(a) Excluding the public debt net interest effect of policy measures

Source: Department of Treasury

There was a policy decision since the 2010 Budget to use the K36.5 million dividend from the Independent Public Business Corporation (IPBC) for Business Development Grants. The main changes to the forecast and other variations since the Budget that have impacted on revenue are:

- Higher mineral and petroleum tax payments due to higher mineral prices;
- Higher company revenues due to higher profitability; and
- Higher international taxes due to higher collections to date.

The main variations since the 2010 Budget that have impacted on expenditure are:

- High personnel emoluments expenditure, partially offset by
- Lower interest payments due to lower interest rates.

## 1.3 REVENUE

Total Revenue and Grants for 2010 are estimated at K8,159.5 million, which is K669.8 million higher than the 2010 Budget estimate. This primarily reflects an upward revision to Tax Revenue of K644.2 million and upward revision to Non-Tax Revenue of K25.6 million. The variations to the Tax Revenue and the Non-Tax Revenue estimates are discussed below.

**Table 4: Tax Revenue 2009-2010 (Kina Millions)**

	2009 Actual	2010 Budget	2010 MYEFO
Tax on Income & Profits	3,519.7	4,029.7	4,657.3
Domestic Taxes on Goods & Services	1,063.2	1,258.9	1,226.7
Taxes on International Trade	391.6	446.7	495.4
<b>Tax Revenue</b>	<b>4,974.5</b>	<b>5,735.3</b>	<b>6,379.5</b>

Source: Department of Treasury

Tax revenues in 2010 have been revised up by K644.2 million since the 2010 Budget to K6,379.5 million. This reflects higher Tax on Income and Profits, partly offset by lower taxes on Domestic Taxes on Goods and Services. In the first five months of 2010, tax revenue collections were K2,326.7 million, or around 16 per cent above the year-to-date budget estimate for 2010.

The major factor behind the upward revision to the Tax on Income and Profits is the K503.3 million upward revisions in Company Tax<sup>1</sup> and Mining and Petroleum Tax, reflecting higher than expected collections and stronger commodity prices. In the first five months of 2010, K90.8 million of Dividend Withholding Tax has been collected, around 89 per cent above the year-to-date budget estimate for 2010.

Mining and Petroleum Tax is estimated to be K779.6 million higher compared to 2009. In the first five months of 2010, Mining and Petroleum Tax collections totaled K482.6 million, around 68 per cent above the year-to-date budget estimate for 2010 due to rebound in commodity prices in the first quarter of 2010.

Domestic taxes on goods and services in 2010 have been revised down slightly by K32.2 million to K1,226.7 million, due to lower estimated transfer of GST revenue to Waigani Public Accounts as a result of higher than expected level of GST refunds. In the first five months of 2010, collections were K462.6 million, 5 per cent below the year-to-date budget estimate.

<sup>1</sup> Refer to Fiscal Outlook Tables on page 25



Taxes on International Trade have been revised up by K48.7 million to K495.4 million in 2010. This reflects an upward revision to excise on imports, export duty and import duty with increased collections to date. In the first five months of 2010, collections of Taxes on International Trade were K228.3 million, around 71 per cent above the year-to-date budget estimate.

**Table 5: Non-tax Revenue 2009-2010 (Kina Millions)**

	<b>2009 Actual</b>	<b>2010 Budget</b>	<b>2010 MYEFO</b>
Property Income	138.0	285.2	313.8
<i>Non Mining Dividends</i>	0.0	55.0	38.5
<i>Mining &amp; Pet. Dividends</i>	138.0	230.2	275.3
Interest & Fees from Lending	6.9	9.0	4.0
Other Non Tax Revenue	99.9	106.3	108.3
Injections from Trust Accounts	521.0	0.0	0.0
<b>Total</b>	<b>765.8</b>	<b>400.5</b>	<b>426.2</b>

Source: Department of Treasury

Non-tax revenue collections are projected to be higher than the 2010 Budget estimate by K25.6 million.

This largely reflects higher Property Income, comprised of Non-Mining Dividends and Mining and Petroleum Dividends. Mining and Petroleum dividends are expected to be K45.1 million higher than Budget forecasts, due mainly to higher copper and gold prices. This offsets lower Non-Mining Dividend receipts, which have been revised down by K16.5 million since the 2010 Budget due to lower than anticipated dividend payments, especially from the Bank of PNG.

There were no injections from Trust Accounts recorded in the 2010 Budget.

The final components of Total Revenue and Grants (after Tax Revenue and Non-Tax Revenue) are Project Grants and Infrastructure Tax Credits (ITC). ITC's are expected to be K60.0 million in 2010, the same as appropriated at Budget and Project Grants are expected to be K1,293.9 million, the same as appropriated at Budget time.

## **1.4 EXPENDITURE AND NET LENDING**

Total expenditure and net lending in 2010 is estimated to be K7,626.3 million, which is K136.6 million higher than the 2010 Budget estimate. This comprises an upward revision to the Recurrent Budget of K100.0 million and an upward revision to the Development Budget of K36.5 million.

**Table 6: Total Expenditure and Net Lending 2009-2010 (Kina Millions)**

	<b>2009 Actual</b>	<b>2010 Budget</b>	<b>2010 MYEFO</b>
Recurrent Expenditure	4,166.3	4,095.9	4,196.0
Development Expenditure	2,348.7	3,393.8	3,430.3
Reappropriation into Trust	172.5	0.0	0.0
<b>Total Expenditure &amp; Net Lending</b>	<b>6,687.5</b>	<b>7,489.7</b>	<b>7,626.3</b>

Source: Department of Treasury

Total recurrent expenditure is estimated to be K4,196.0 million in 2010, K100.0 million higher than appropriated at Budget. This reflects an expected overspend on payments of personnel emoluments by National Departments and Provincial Governments of K145.0 million, partially offset by lower interest expenses.

Of the K145.0 million expected overspend in personnel emoluments, National Department recurrent expenditure is estimated to be K56.6 million higher than the 2010 Budget appropriation, and Provincial governments are estimated to be K88.5 million higher than the 2010 Budget appropriation.

The Department of Treasury has established a Payroll Project Team to investigate the causes of these overruns. It has also written to the heads of those agencies seeking their explanations of their overruns. A Payroll Monitoring Committee will be established within the Departments of Treasury, Finance and Personnel Management to monitor, control and manage all personnel emoluments related issues.

ABG and Transfers to statutory authorities are expected to be the same as appropriated at Budget.

Interest expense is estimated to be K422.1 million in 2010, K45.0 million lower than the 2010 Budget appropriation. The downward revision in interest payments is due to lower interest rates. The interest expense estimate has been prepared on the basis of a balanced budget in 2010.

Development expenditure in 2010 is estimated to be K3,430.3 million, K36.5 million higher than the 2010 Budget appropriation. This higher estimate is for payment of the remaining Business Development Grants related to the PNG LNG project.

**Table 7: Development Expenditure 2009-2010 (Kina Millions)**

	<b>2009 Actual</b>	<b>2010 Budget</b>	<b>2010 MYEFO</b>
Domestic Funding	1,348.6	1,771.0	1,807.5
Donor Project Grants	877.5	1,293.9	1,293.9
Infrastructure Tax Credit	33.5	60.0	60.0
Loans	89.1	268.9	268.9
<i>Concessional</i>	<i>89.1</i>	<i>268.9</i>	<i>268.9</i>
<i>Commercial</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>Total Development Expenditure</b>	<b>2,348.7</b>	<b>3,393.8</b>	<b>3,430.3</b>

Source: Department of Treasury

There is expected to be a Supplementary Budget to increase the 2010 appropriation to expend higher than expected revenue. This expenditure will be announced separately.

## 1.5 STATUS OF TRUST ACCOUNTS

A total of K5,183.1 million, up to and including the 2010 Budget, has been appropriated to trust accounts for implementation of priority expenditure programs.

The purpose of holding funds in trust is to spread spending over time to control inflationary pressures in the economy and to give time to agencies to properly plan project implementation.

The Table below (next page) shows the movements of funds for these trust accounts for the period 1 January – 31 May 2010.

Of the K5,183.1 million appropriated to Trust Accounts as at 31 May 2010, K4,319.3 million has been released by Department of Treasury into Trust Accounts, and K568.0 million relates to the 2010 Budget appropriations yet to be released into Trust Accounts. The remaining K295.8 million refers to appropriations (which relate to previous years) that have either been reallocated to other expenditures or lapsed.

The opening balance as at 1 January 2010 was K1,416.2 million. Deposits for the period 1 January – 31 May 2010 totaled K118.5 million. This comprised of K78.5 million of 2009 outstanding deposits plus K40 million inter-trust transfer from National Infrastructure Development Program to Transport Sector Infrastructure Rehabilitation. Expenditure incurred for the period 1 January – 31 May 2010 totaled K426.8 million, the closing balance of Supplementary Budget Trust Accounts at 31 May 2010 was K1,107.9 million.

### Expenditure from trust accounts in 2010

Following is a summary of expenditure from Supplementary Budget Trust Accounts for the period 1 January – 31 May 2010:

- **K2.2 million was spent from the Agriculture Sector Development Program Trust Account.** No financial or project reporting has been provided by the implementing Agency, the Department of Agriculture & Livestock to Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K11.1 million was spent from the Education Sector Infrastructure Rehabilitation Trust Account** for infrastructure rehabilitation of schools around the country. Expenditure details for K10.9 million are shown in Appendix 1.
- **K3.7 million was spent from the Higher Education Sector Infrastructure Rehabilitation Trust Account.** No financial or project reporting has been provided by the implementing agency, the Office of Higher Education to Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K3.5 million was spent from the Law and Justice Sector Infrastructure Rehabilitation Trust Account.** Expenditure details are shown in Appendix 1.
- **K0.6 million was spent from the Strategic District Markets Trust Account.** Expenditure details for 0.5 million are shown in Appendix 1.

**TABLE 8: Movement of Funds in Trust Accounts from 1 Jan - 31 May 2010 (K Million)**

Trust Name	Total Approp since 2005	Total Approp Paid Into Trust since 2005	Opening Balance as at 1 Jan 2010	Debits (Receipts)	Credits (Payments)	Closing Balance as at 31 May 2010
PNG Gas Commercialization Equity Financing	600.0	500.0	0	0	0	0.0
Agriculture Sector Development	188.0	108.0	2.2	0	-2.2	0.0
Airport Repairs and Upgrades	50.0	50.0	0.1	0.0	0.0	0.1
Kubalia High School Rehabilitation	2.0	2.0	0.0	0.0	0.0	0.0
Outstanding PBSS (Teachers)	45.1	45.1	24.6	0.0	0.0	24.6
Education Sector Infrastructure Rehabilitation	250.0	250.0	20.5	0.0	-11.1	9.4
Higher Education Sector Infrastructure Rehabilitation	80.0	80.0	32.7	0.0	-3.7	29.0
Law & Justice Sector Infrastructure Rehabilitation	130.0	130.0	3.5	0.0	-3.5	0.0
Strategic District Markets Infrastructure	20.0	20.0	0.7	0.0	-0.6	0.1
National Parliament Infrastructure Rehabilitation	10.0	10.0	5.1	0.0	0.0	5.1
Outstanding PBSS (Police)	20.0	20.0	0.0	0.0	0.0	0.0
Transport Sector Infrastructure Rehabilitation	697.5	607.5	285.6	40.0	-19.50	306.1
PNG Gas Development and Commitments	53.3	15.0	1.8	0.0	0.0	1.8
Resettlement of Rabaul Volcano Victims	20.0	20.0	9.9	0.0	-2.6	7.3
NBC Infrastructure Rehabilitation	27.0	21.0	0.0	0.0	0.0	0.0
Hospital and Healthcare Centre Rehabilitation	250.3	250.3	17.4	0.0	-0.7	16.7
Rehabilitation of Housing for Nurses	15.0	15.0	15.1	0.0	0.0	15.1
Rehabilitation of Housing for Police	50.0	50.0	23.8	0.0	-5.9	17.9
Highlands Highway Rehabilitation	35.0	35.0	16.1	0.0	-16.1	0.0
District Services Improvement	1424.0	1246.0	698.9	33.0	-195.2	536.7
Urbanization Pilots	15.0	15.0	0.0	0.0	0.0	0.0
Institutional Housing Pilot	47.0	47.0	19.1	0.0	-6.1	13.0
Housing Development Pilot	23.0	15.0	0.0	0.0	0.0	0.0
Cooperative Societies Establishment	10.0	10.0	0.1	0.0	-0.1	0.0
Madang Marine Park Development	25.0	25.0	8.5	0.0	-5.2	3.3
Rural Electrification	70.0	30.0	19.6	0.0	-19.0	0.6
Konebada Petroleum Park	50.0	50.0	50.0	0.0	0.0	50.0
National Infrastructure Development Prog <sup>1</sup>	195.9	195.9	125.1	0.0	-121.9	3.2
Land Reform Program	38.0	28.0	3.7	0.0	-3.5	0.2
National Border Authority	44.0	40.0	0.0	0.0	0.0	0.0
Regional, Provincial Treasury and District Admin. Offices	26.0	26.0	24.8	0.0	-2.1	22.7
Finance Commission of Enquiry	10.0	10.0	2.3	0.0	-1.0	1.3
Petroleum Outstanding MOA Commitments	180.0	180.0	0.0	0.0	0.0	0.0
LNG Project Development Cost	177.0	172.5	5.0	45.5	-6.8	43.7
National Stadium	20.0	0.0	0.0	0.0	0.0	0.0
Oro Restoration Authority	20.0	0.0	0.0	0.0	0.0	0.0
Waigani Office Development Project	15.0	0.0	0.0	0.0	0.0	0.0
Business Development Grants	60.0	0.0	0.0	0.0	0.0	0.0
Infrastructure Development Grants	120.0	0.0	0.0	0.0	0.0	0.0
Coastal Vessels Program	50.0	0.0	0.0	0.0	0.0	0.0
Fisheries Development Project	20.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>5,183.1</b>	<b>4,319.3</b>	<b>1,416.2</b>	<b>118.5</b>	<b>-426.8</b>	<b>1,107.9</b>

Source: Department of Finance

<sup>1</sup> The opening balance has been corrected from the figure reported in the 2009 Final Budget Outcome.

- **K19.5 million was spent from the Transport Sector Infrastructure Rehabilitation Trust Account.** The break-up of this expenditure is; District Roads K10.5 million, National Roads K8.1 million and Wewak Roads K0.9 million. Expenditure details are shown in Appendix 1.
- **K2.6 million was spent from the Resettlement of Volcano Victims Trust Account.** No financial or project report has been provided by the implementing agency, the East New Britain Provincial Administration to Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K0.7 million was spent from the Hospital & Health Care Rehabilitation Trust Account.** No financial or project reporting has been provided by the implementing agency, the Department of National Planning to the Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K5.9 million was spent from the Rehabilitation of Housing for Police Trust Account** for the rehabilitation of the Police Housing around the country. No financial or project reporting has been provided by the implementing agency, the Department of Police to the Department of Finance during the period, therefore no details of expenditure is provided in this report. Details shown in the Appendix 1 are from bank statements record received by the Department of Finance.
- **K16.1 million was spent from the Highlands Highway Rehabilitation Trust Account.** Expenditure details are shown in Appendix 1.
- **K195.2 million was spent from the District Service Improvement Program Trust Account.** No financial or project reporting has been provided by the 89 District Administrations or the ORD to the Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K6.1 million was spent from the Institutional Housing Pilot Trust Account.** Expenditure details for K6.0 million are shown in Appendix 1.
- **K0.1 million was spent from the Cooperative Societies Establishment Trust Account.** No financial or project reporting has been provided by the implementing agency, the Department of Commerce & Industry to the Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K5.2 million was spent from the Madang Marine Park Trust Account.** No financial or project reporting has been provided by the implementing agency, the Department of Commerce & Industry to the Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K19.0 million was spent from the Rural Electrification Trust Account.** No financial or project reporting has been provided by the implementing agency, the Department of Petroleum & Energy to the Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K121.9 million was spent from the National Infrastructure Development Program Trust Account.** Expenditures from this trust relates to the Government decision through the then Minister for Finance and Treasury to finance some important and critical commitments. Details of expenditure are shown in Appendix 1.

- **K3.5 million was spent from the Land Reform Trust Account.** No financial or project reporting has been provided by the implementing agency, Department of Lands to the Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K2.1 million was spent from the Regional Treasury and District Administration Offices Establishment Trust Account.** Expenditure details are shown in Appendix 1.
- **K1.0 million was spent from the Finance Commission of Inquiry Trust Account.** No financial or project reporting has been provided by the implementing agency, the Finance Commission of Inquiry Secretariat to Department of Finance during the period, therefore no details of expenditure is provided in this report.
- **K6.8 million was spent from the LNG Project Development Cost Trust Account.** No financial or project reporting has been provided by the implementing agency, the Department of Treasury to the Department of Finance during the period, therefore no details of expenditure can be provided in this report. *However outstanding details of expenditure not captured during 2009 Final Budget Outcome is shown in appendix 2.*
- During the period 1 January – 31 May 2010, the funds available in the following Trust Accounts have been exhausted and are now subject to revocation and subsequent closure of bank accounts;
  - PNG Gas Commercialization Equity Financing Trust Account
  - Agriculture Sector Development Program Trust Account
  - Kubalia High School Rehabilitation Trust Account
  - Law & Justice Sector Infrastructure Rehabilitation Trust Account
  - Outstanding PBSS (Police) Trust Account
  - NBC Infrastructure Rehabilitation Trust Account
  - Highlands Highway Rehabilitation Trust Account
  - Housing Development Pilot Trust Account
  - Urbanization Pilots Trust Account
  - Cooperative Societies Establishment Trust Account
  - National Border Authority Trust Account
  - Petroleum Outstanding MOA Commitments Trust Account
  - National Stadium Trust Account, and
  - Oro Restoration Authority Trust Account.
- During the period 1 January – 31 May 2010, the following Trust Accounts were established and are awaiting funds appropriated in the 2010 Budget to be paid into:
  - Waigani Office Development Project Trust Account
  - Business Development Grants Trust Account
  - Infrastructure Development Grants Trust Account
  - Coastal Vessels Program Trust Account
  - Fisheries Development Project Trust Account

Further details of expenditure from Supplementary Budget Trust Accounts are provided in Appendix 1. In terms of the 2009 detailed expenditure report, most implementing agencies have not provided their expenditure report except Department of Commerce and Industry, Department of Works, Civil Aviation, DPM, Department of Police and Department of Treasury.

## 1.6 FINANCING

The budget surplus is expected to be K533.3 million in 2010, compared with the original estimate of a balanced budget, which means that K533.3 million of public debt could be expected to be retired without a Supplementary Budget. Thus the debt outstanding is projected to be K6,410.8 million or 24.9 per cent of GDP at the end of 2010. In the likely case that a Supplementary Budget is passed, the Budget is expected to be balanced with total public debt outstanding estimated to be around K6,948.4 million or 27 per cent of GDP.

## 1.7 PUBLIC DEBT

Total public debt outstanding is expected to be K6,410.8 million or 24.9 per cent of GDP at the end of 2010 compared to the original budget estimate of K7,149.6 million or 28.7 per cent of GDP. This reduction in debt reflects:

- a lower level of debt at the end of 2009 compared to the 2010 budget projection due to smaller than anticipated exchange rate losses and a smaller budget deficit; and
- the expected surplus in 2010.

**Table 9: Public Debt (Kina Millions)**

	2009 Outcome	2010 Budget	2010 MYEFO
<b>Domestic</b>	<b>4,155.9</b>	<b>4,127.9</b>	<b>3540.2</b>
Treasury Bills	1,766.4	1,625.3	953.1
Inscribed Stock	2,384.8	2,502.6	2,587.0
Other Domestic debt	4.7	0.0	0.0
<i>Domestic debt as % GDP</i>	<i>18.7%</i>	<i>16.6%</i>	<i>13.7%</i>
<b>External</b>	<b>2,788.2</b>	<b>3,021.7</b>	<b>2,870.7</b>
International Agencies	2,698.7	2,945.1	2,799.9
Commercial Loans	89.5	76.6	70.7
Other Loans	0.0	0.0	0.0
<i>External debt as % GDP</i>	<i>12.6%</i>	<i>12.1%</i>	<i>11.1%</i>
<b>Total Public Debt Outstanding</b>	<b>6944.1</b>	<b>7,149.6</b>	<b>6,410.8</b>
<i>As % GDP</i>	<i>31.3%</i>	<i>28.7%</i>	<i>24.9%</i>

Source: Department of Treasury and BPNG

## **1.8 RISKS TO THE MID YEAR ECONOMIC AND FISCAL OUTLOOK**

The forward estimates of revenues and expenditure in this report incorporate assumptions and judgments based on information available at the time of publication.

Although the economic and fiscal outlook is generally positive, there are a number of risks that may alter the forecast presented in this update. With the global recession of 2009 still lingering on confidence and with significant uncertainty in the commodity markets, commodity prices and revenue projections could vary significantly from current projections. The volatility of the world economy from negative economic news and events were most clearly observed when concerns were raised as to the ability of certain European countries to meet their sovereign debt obligations. This subsequently resulted in a sharp retreat in equity and commodity prices. Although the market has recovered somewhat from this, any further negative economic news could trigger a more prolonged weakness of confidence and markets.

PNG's largest resource project - the PNG LNG project has now commenced construction work and economy activity is anticipated to pick up across all sectors. Any unexpected interruption in this project would have very significant economic implications. The possibility of the domestic political situation becoming more uncertain also represents a risk to business confidence.

Expenditure forecasts could vary if there are underspends, new appropriations, changes to appropriations and the realization of certain contingent liabilities. More generally, the economic outlook assumes that the MTFs and DSP targets are adhered to. Loss of control of aggregate expenditure, or lack of progress on key public expenditure reform programs, would place at risk the macroeconomic stability on which the improved economic outlook has been built.

For all of the above reasons, some degree of uncertainty is attached to the estimates of both revenue and expenses in 2010. While the MYEFO estimates are prepared with the benefit of knowing some revenue and expenditure outcomes for the early months of the budget year, which tend to reduce forecast errors, substantial uncertainties nevertheless remain.

## **1.9 2010 AND BEYOND**

The revised economic and fiscal forecasts for 2010 and the commodity price assumptions that underlie them will impact on 2010 and beyond. Economic and fiscal projections for the period 2010 to 2015 will be updated in 2011 Budget. These projections will incorporate updated forecasts and decisions taken by the Government concerning the 2011 Budget Strategy Paper.



## 1.10 FISCAL OUTTURN TABLES

**TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS**  
(Kina, million)

	2010 Budget	2010 MYEFO	Variance	May Outturn	May Trend	Variance
<b>A. TAX REVENUE</b>	<b>5735.3</b>	<b>6379.5</b>	<b>644.2</b>	<b>2326.7</b>	<b>2005.9</b>	<b>320.8</b>
<b>A1. TAX ON INCOME AND PROFITS</b>	<b>4029.7</b>	<b>4657.3</b>	<b>627.7</b>	<b>1635.7</b>	<b>1383.8</b>	<b>252.0</b>
Personal Income Tax	1420.2	1422.3	2.1	597.8	595.4	2.4
Company Tax	1107.7	1227.1	119.4	373.3	359.8	13.6
Dividend Withholding Tax	180.5	275.9	95.4	90.8	48.0	42.8
Interest Withholding Tax	25.0	32.0	7.0	6.3	8.5	-2.2
Mining and Petroleum Taxes	1088.8	1472.7	383.9	482.6	287.0	195.6
Gaming Tax	102.9	123.1	20.2	41.9	45.7	-3.9
Other: Direct	104.6	104.2	-0.3	43.0	39.3	3.7
<b>A2. DOM. TAXES ON GOODS AND SERVICES</b>	<b>1258.9</b>	<b>1226.7</b>	<b>-32.2</b>	<b>462.6</b>	<b>488.5</b>	<b>-26.0</b>
Excise	417.1	417.5	0.4	161.4	168.7	-7.3
GST	835.7	802.9	-32.8	299.9	316.7	-16.8
Other: Indirect	6.1	6.3	0.2	1.3	3.1	-1.9
<b>A3. TAXES ON INTERNATIONAL TRADE</b>	<b>446.7</b>	<b>495.4</b>	<b>48.7</b>	<b>228.3</b>	<b>133.6</b>	<b>94.8</b>
Import Duty	168.1	189.6	21.4	72.6	22.7	50.0
Export Duty	122.3	133.9	11.6	70.4	51.4	19.1
Excise duties on Imports	156.3	172.0	15.7	85.3	59.5	25.7
<b>B. NON-TAX REVENUE</b>	<b>400.5</b>	<b>426.2</b>	<b>25.6</b>	<b>34.7</b>	<b>52.0</b>	<b>-17.3</b>
<b>B1. PROPERTY INCOME</b>	<b>285.2</b>	<b>313.8</b>	<b>28.6</b>	<b>2.0</b>	<b>19.0</b>	<b>-17.0</b>
Dividends	55.0	38.5	-16.5	2.0	7.3	-5.3
Mining and Petroleum Dividends	230.2	275.3	45.1	0.0	11.8	-11.8
<b>B2. INTEREST AND FEES FROM LENDING</b>	<b>9.0</b>	<b>4.0</b>	<b>-5.0</b>	<b>1.3</b>	<b>0.7</b>	<b>0.6</b>
<b>B3. OTHER NON TAX REVENUE</b>	<b>106.3</b>	<b>108.3</b>	<b>2.0</b>	<b>31.4</b>	<b>32.2</b>	<b>-0.8</b>
<b>B4. ASSETS SALES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>C. TOTAL REVENUE</b>	<b>6135.8</b>	<b>6805.6</b>	<b>669.8</b>	<b>2361.4</b>	<b>2057.9</b>	<b>303.5</b>
% of GDP	24.7%	26.4%	1.8%	9.5%	8.3%	1.2%
<b>D. INFRASTRUCTURE TAX CREDIT</b>	<b>60.0</b>	<b>60.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>E. GRANTS</b>	<b>1293.9</b>	<b>1293.9</b>	<b>0.0</b>	<b>186.0</b>	<b>174.1</b>	<b>11.9</b>
Budgetary Support	0.0	0.0	0.0	0.0	0.0	0.0
Project Grants	1293.9	1293.9	0.0	186.0	174.1	11.9
<b>F. TOTAL REVENUE AND GRANTS</b>	<b>7489.7</b>	<b>8159.5</b>	<b>669.8</b>	<b>2547.4</b>	<b>2232.0</b>	<b>315.3</b>
As % of GDP	30.1%	31.7%	1.6%	10.2%	9.0%	1.3%
<b>G. PRINCIPAL RECEIPTS FROM LENDING</b>	<b>4.0</b>	<b>4.0</b>	<b>0.0</b>	<b>1.2</b>		
<b>H. GROSS BORROWING</b>	<b>2146.9</b>	<b>1577.0</b>	<b>-569.9</b>	<b>516.9</b>		
<b>I. ASSET SALES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<b>J. TOTAL RECEIPTS</b>	<b>9640.6</b>	<b>9740.6</b>	<b>99.9</b>	<b>3065.5</b>		
As % of GDP	38.7%	37.8%	-0.9%	12.3%		

Source: Department of Treasury

**TABLE 2: CENTRAL GOVERNMENT EXPENDITURE**  
(Kina, million)

	2010 Budget	2010 MYEFO	Variance	May Outturn	May Trend	Variance
<b>1 RECURRENT BUDGET</b>						
<b>A. NATIONAL DEPARTMENTS</b>	<b>2380.2</b>	<b>2436.8</b>	<b>56.5</b>	<b>978.6</b>	<b>849.0</b>	<b>129.6</b>
Personnel Emoluments	1093.1	1149.7	56.6	437.6	411.4	26.2
Total Goods & Services	1287.1	1287.1	0.0	541.0	437.5	103.4
General Goods & Services	1065.8	1065.8	0.0	449.3	369.5	79.8
Education Subsidies	143.0	143.0	0.0	62.0	38.8	23.2
Arrears Payments	0.0	0.0	0.0	0.0	0.0	0.0
SAP Payments	28.3	28.3	0.0	0.3	11.7	-11.4
Court Orders	50.0	50.0	0.0	29.4	17.5	11.9
<b>B. PROVINCIAL GOVERNMENTS</b>	<b>925.2</b>	<b>1013.7</b>	<b>88.5</b>	<b>358.8</b>	<b>353.8</b>	<b>5.0</b>
<b>Personnel Emoluments</b>	<b>714.7</b>	<b>803.2</b>	<b>88.5</b>	<b>260.9</b>	<b>241.1</b>	<b>19.8</b>
Staffing Grants	232.1	320.6	88.5	94.9	91.0	3.9
Teachers Salaries	482.6	482.6	0.0	166.0	150.2	15.8
<b>Goods &amp; Other Services</b>	<b>116.1</b>	<b>116.1</b>	<b>0.0</b>	<b>97.9</b>	<b>112.7</b>	<b>-14.8</b>
Administration Grants	8.6	8.6	0.0	11.4	10.2	1.2
Health Function Grant	39.2	39.2	0.0	18.5	21.3	-2.9
Education Subsidies	38.9	38.9	0.0	21.7	24.6	-2.9
Primary production Function grant	14.1	14.1	0.0	5.6	8.7	-3.2
Trans/Infra/Maint. Grants	45.9	45.9	0.0	20.2	24.5	-4.3
Local & Village Services Grants	34.2	34.2	0.0	18.0	14.2	3.9
Town & Urban Services Grants	12.1	12.1	0.0	1.5	7.8	-6.3
Village Courts	2.2	2.2	0.0	1.1	1.4	-0.4
<b>AUTONOMOUS BOUGAINVILLE GOVT</b>	<b>58.0</b>	<b>58.0</b>	<b>0.0</b>	<b>26.9</b>	<b>26.4</b>	<b>0.5</b>
Police Grant	2.4	2.4	0.0	1.0	1.4	-0.4
Recurrent	55.3	55.3	0.0	25.9	25.0	0.9
Conditional Grant	0.3	0.3	0.0	0.0	0.0	0.0
<b>C. TRANSFERS &amp; LOANS TO C.S.A</b>	<b>269.4</b>	<b>269.4</b>	<b>0.0</b>	<b>122.7</b>	<b>116.5</b>	<b>6.1</b>
<b>D. INTEREST PAYMENT &amp; FEES</b>	<b>467.1</b>	<b>422.1</b>	<b>-45.0</b>	<b>181.9</b>	<b>159.0</b>	<b>22.9</b>
Domestic	400.1	369.1	-31.0	158.4	128.0	30.4
External	67.0	53.0	-14.0	23.6	31.0	-7.4
<b>E NET LENDING TO C.S.A</b>	<b>-4.0</b>	<b>-4.0</b>	<b>0.0</b>	<b>-1.2</b>	<b>-2.5</b>	<b>1.3</b>
Gross Lending	0.0	0.0	0.0	0.0	0.0	0.0
Less : Loan Repayments	-4.0	-4.0	0.0	-1.2	-2.5	1.3
<b>F. RECURRENT EXPENDITURE &amp; NET LENDING</b>	<b>4095.9</b>	<b>4196.0</b>	<b>100.1</b>	<b>1667.6</b>	<b>1502.2</b>	<b>165.4</b>
As % of GDP	16.5%	16.3%	-0.2%	6.7%	6.0%	0.7%
<b>2 DEVELOPMENT BUDGET</b>						
Domestic Funds	1771.0	1807.5	36.5	379.6	658.9	-279.3
Project Grants	1293.9	1293.9	0.0	186.0	174.1	11.9
Infrastructure Tax Credits	60.0	60.0	0.0	0.0	14.0	-14.0
Concessional loans	268.9	268.9	0.0	4.8	66.3	-61.5
Commercial loans	0.0	0.0	0.0	0.0	0.0	0.0
<b>G. TOTAL DEVELOPMENT BUDGET (PIP)</b>	<b>3393.8</b>	<b>3430.3</b>	<b>36.5</b>	<b>570.4</b>	<b>913.3</b>	<b>-342.9</b>
As % of GDP	13.6%	13.3%	-0.3%	2.3%	3.7%	-1.4%
<b>H. TOTAL EXPENDITURE &amp; NET LENDING</b>	<b>7489.7</b>	<b>7626.3</b>	<b>136.6</b>	<b>2238.0</b>	<b>2415.5</b>	<b>-177.5</b>
As % of GDP	30.1%	29.6%	-0.5%	9.0%	9.7%	-0.7%
<b>I. AMORTISATION</b>	<b>2147.0</b>	<b>2110.3</b>	<b>-36.7</b>	<b>826.3</b>		
Domestic	1963.1	1923.9	-39.3	706.4		
External	183.8	186.5	2.6	119.9		
<b>J. LOAN REPAYMENTS</b>	<b>4.0</b>	<b>4.0</b>	<b>0.0</b>	<b>1.2</b>		
<b>K. TOTAL PAYMENTS</b>	<b>9640.6</b>	<b>9740.6</b>	<b>99.9</b>	<b>3065.5</b>		
As % of GDP	38.7%	37.8%	-0.9%	12.3%		

Source: Department of Treasury

**TABLE 3: CENTRAL GOVERNMENT FINANCING**  
(Kina, million)

	2010 Budget	2010 MYEFO	Variance	May Outturn	May Trend	Variance
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>7489.7</b>	<b>8159.5</b>	<b>669.8</b>	<b>2547.4</b>	<b>2232.0</b>	<b>315.3</b>
<b>B. TOTAL EXPENDITURE AND NET LENDING</b>	<b>7489.7</b>	<b>7626.3</b>	<b>136.5</b>	<b>2238.0</b>	<b>2415.5</b>	<b>-177.5</b>
<b>C. DEFICIT (-) / SURPLUS (+)</b>	<b>0.0</b>	<b>533.3</b>	<b>533.3</b>	<b>309.4</b>	<b>-183.5</b>	<b>492.8</b>
% of GDP	0.0%	2.1%	2.1%	1.2%	-0.7%	2.0%
<b>D. EXTERNAL FINANCING</b>	<b>85.1</b>	<b>82.4</b>	<b>-2.6</b>	<b>-115.1</b>	<b>14.9</b>	<b>-130.0</b>
<b>D1. CONCESSIONAL FINANCING</b>	<b>140.5</b>	<b>139.0</b>	<b>-1.5</b>	<b>-93.5</b>	<b>30.4</b>	<b>-123.9</b>
New Borrowing	268.9	268.9	0.0	4.8	53.6	-48.8
Less Amortisation	-128.4	-129.9	-1.5	-98.3	-23.2	-75.0
<b>D2. COMMERCIAL FINANCING</b>	<b>-17.8</b>	<b>-18.8</b>	<b>-0.9</b>	<b>0.0</b>	<b>-6.6</b>	<b>6.6</b>
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Less Amortisation	-17.8	-18.8	-0.9	0.0	-6.6	6.6
<b>D3. EXCEPTIONAL FINANCING</b>	<b>-37.6</b>	<b>-37.8</b>	<b>-0.2</b>	<b>-21.6</b>	<b>-8.8</b>	<b>-12.8</b>
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Less Amortisation	-37.6	-37.8	-0.2	-21.6	-8.8	-12.8
<b>E. DOMESTIC FINANCING</b>	<b>-85.1</b>	<b>-615.7</b>	<b>-530.6</b>	<b>-194.3</b>	<b>168.5</b>	<b>-362.8</b>
<b>E1. DOMESTIC MARKET BORROWING (NET)</b>	<b>-85.1</b>	<b>-615.7</b>	<b>-530.6</b>	<b>233.0</b>	<b>-113.9</b>	<b>347.0</b>
New Domestic Borrowing	1878.0	1308.1	-569.9	512.1	376.9	135.2
Less Amortisation	-1963.1	-1923.9	39.3	-279.1	-490.9	211.8
<b>E2. OTHER DOMESTIC FINANCING (b)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-427.3</b>	<b>282.5</b>	<b>-709.8</b>
<b>E3. ASSETS SALES FINANCING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>E4. NET FINANCING</b>	<b>0.0</b>	<b>-533.3</b>	<b>-533.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>F. TOTAL FINANCING</b>	<b>-85.1</b>	<b>-615.7</b>	<b>-530.6</b>	<b>-309.4</b>	<b>183.5</b>	<b>-492.8</b>
<b>G. GROSS BORROWING</b>	<b>2146.9</b>	<b>1577.0</b>	<b>-569.9</b>	<b>516.9</b>	<b>430.5</b>	<b>86.4</b>
Concessional	268.9	268.9	0.0	4.8	53.6	-48.8
Commercial	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	1878.0	1308.1	-569.9	512.1	376.9	135.2
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0

Source: Department of Treasury

# PART 2

## MID YEAR EXPENDITURE ESTIMATES BY AGENCY

### 2.1 FUNDED EXPENDITURE SINCE THE 2010 BUDGET

The following recurrent expenditure decisions have been taken by the Government since the 2010 Budget:

**Table 10: Funded Recurrent Expenditure Decisions since the 2010 Budget (Kina Millions)**

AGENCY	2010 MYEFO
<b>Funded New Recurrent Expenditure</b>	
Joint operation by Police and Correctional Services Institute (CIS)	3.0
PNG Govt. contributions for Disaster assistance to Niue, Tonga, A/Samoa and Wellington City Missions.	3.2
State Visit by Indonesia's President	1.5
Investigation into prison breakout	0.2
Emerging Pacific Leaders dialogue 2010	0.1
To cater for legal fee for Jerewai Lawyers as per NEC Decision	2.0
<b>TOTAL NEW RECURRENT EXPENDITURE</b>	<b>10.0</b>
Secretary's Advance	-10.0
<b>Total</b>	<b>0.0</b>

Source: Department of Treasury

### 2.2 2010 BUDGET EXECUTION

The issuance of warrants by the Department of Treasury impacts the rate and timing of expenditure by agencies. In managing the issuance of warrants, Treasury must balance the management of the Government's overall cash requirement with the requirement of agencies for cash to deliver their authorized programs.

As of 31 May 2010, a total of **K5,501.8** million of warrants have been issued from both the recurrent and the development budget. This represents 57 per cent of the recurrent and development appropriations of **K9,637.7** million for 2010.

## Recurrent Budget

Recurrent budget warrants released to end of May 31, 2010 totaled **K4,249.1** million. This is made up of **K461.0** million for national departments Personnel Emoluments (PE), **K756.1** million for national departments Goods and Services (G&S), **K122.1** million for grant transfers to statutory authorities, **K295.8** million for provincial grants including G&S and staffing grants and **K2,614.0** million for debt servicing. Excluding debt servicing, a total of **K1,635.0** million warrants have been issued up to 31 May 2010 from the full year recurrent appropriations. This represents 45 per cent of the total non-debt servicing appropriation for 2010.

To 31 May 2010, expenditure incurred for the recurrent budget, excluding debt servicing, was **K1,484.8** million, which was 91 per cent of the warrant released and 40.9 per cent of the appropriation of **K3,632.8** million.

Expenditure incurred for national departments' PE was **K437.6** million, which was 95 per cent of the warrant released and 41 per cent of the appropriation. Expenditure incurred for national departments' G&S was **K541.0** million, which was 72 per cent of the warrant released and 41 per cent of the appropriation

A further **K122.7** million was incurred as expenditure for the statutory authorities. This was 100 per cent of the warrants released and 45 per cent of the appropriation.

For the provincial grants, a total of **K383.6** million was spent. This was 130 per cent of the warrants released and 39 per cent of the appropriation. Expenditure exceed warrants released to date because expenditure in PE for the provinces continued to occur despite late submission and approval of budgets and release of warrants.

For debt servicing the full warrants of **K2,614.0** million were issued and expenditure to end of May was **K488.2** million. This was 19 per cent of the appropriation.

Broadly speaking, recurrent expenditure is in line with annual appropriation limits, however, Treasury will continue to manage warrant release and monitor PE expenditure especially to help agency heads ensure they do not overspend their appropriation, as many did in 2009.

## Development Budget

The development budget warrants total **K1,252.7** million. This is made up of **K1,030.0** million for national departments, **K180.6** million for statutory authorities, and **K42.1** million for provincial projects.

To 31 May 2010, expenditure incurred for the entire development budget, cash and non cash components, was **K607.5** million, which was just 18 per cent of the appropriation of **K3,390.8** million.

Expenditure for the national departments cash component was **K443.0** million, which was 43 per cent of the warrant released and 33 per cent of the appropriation.

A further **K86.2** million was incurred as expenditure for the statutory authorities. This was 48 per cent for the warrants released and 32 per cent of the cash appropriation.

For the provincial projects, a total of **K37.3** million was incurred. This was 89 per cent for the warrants released and 23 per cent of the cash appropriation. Tables below on pages 29 – 34 provide the amounts of warrants issued to agencies up to 31 May 2010.

## SUMMARY OF NATIONAL BUDGET EXPENDITURE MYEFO 2010

Appropriations	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
<b>National Budget Appropriation</b>	<b>7,560,266.2</b>	<b>9,637,680.2</b>	<b>5,501,782.3</b>	<b>2,580,565.6</b>	<b>9,637,680.2</b>	-
<b>Recurrent Budget Appropriation</b>	<b>3,844,065.2</b>	<b>3,632,809.5</b>	<b>1,635,019.6</b>	<b>1,484,816.1</b>	<b>3,632,809.5</b>	-
<b>National Departments</b>	<b>2,527,727.0</b>	<b>2,380,241.5</b>	<b>1,217,129.1</b>	<b>978,550.5</b>	<b>2,380,241.5</b>	-
Per. Emmoluments	965,747.9	1,070,168.1	461,017.1	437,599.5	1,070,168.1	-
Goods & Services	1,561,979.0	1,310,073.4	756,112.0	540,951.0	1,310,073.4	-
<b>Provincial Administrations</b>	<b>1,045,786.4</b>	<b>983,216.7</b>	<b>295,765.9</b>	<b>383,592.8</b>	<b>983,216.7</b>	-
Per. Emoluments	831,288.7	752,745.7	188,507.1	280,161.2	752,745.7	-
Goods & Services	214,497.6	230,471.0	107,258.8	103,431.6	230,471.0	-
<b>Statutory Authorities</b>	<b>270,551.8</b>	<b>269,351.3</b>	<b>122,124.7</b>	<b>122,672.8</b>	<b>269,351.3</b>	-
Grants	270,551.8	269,351.3	122,124.7	122,672.8	269,351.3	-
<b>Debt Servicing</b>	<b>1,621,237.6</b>	<b>2,614,037.7</b>	<b>2,614,037.7</b>	<b>488,230.6</b>	<b>2,614,037.7</b>	-
<b>Development Budget</b>	<b>2,094,963.5</b>	<b>3,390,833.0</b>	<b>1,252,725.0</b>	<b>607,518.9</b>	<b>3,390,833.0</b>	-
Cash	1,384,465.1	1,768,000.0	1,252,725.0	566,449.3	1,768,000.0	-
Non-cash	710,498.3	1,622,833.0	0.0	41,069.6	1,622,833.0	-
<b>National Departments</b>	<b>1,354,620.9</b>	<b>2,567,911.0</b>	<b>1,030,040.1</b>	<b>446,680.6</b>	<b>2,567,911.0</b>	-
Cash	798,237.3	1,342,646.0	1,030,040.1	442,950.6	1,342,646.0	-
Non-cash	556,383.6	1,225,265.0	0.0	3,729.9	1,225,265.0	-
<b>Provincial Administrations</b>	<b>484,750.0</b>	<b>206,953.0</b>	<b>42,067.0</b>	<b>74,678.2</b>	<b>206,953.0</b>	-
Cash	473,650.0	159,006.0	42,067.0	37,339.1	159,006.0	-
Non-cash	11,100.0	47,947.0	0.0	37,339.1	47,947.0	-
<b>Statutory Authorities</b>	<b>255,592.6</b>	<b>615,969.0</b>	<b>180,617.9</b>	<b>86,160.2</b>	<b>615,969.0</b>	-
Cash	112,577.8	266,348.0	180,617.9	86,159.6	266,348.0	-
Non-cash	143,014.8	349,621.0	0.0	0.6	349,621.0	-

## NATIONAL DEPARTMENTS RECURRENT EXPENDITURE MYEFO 2010

Div	National Departments	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
201	Parliament	95,200,200	86,018,200	44,107,800	44,107,800	86,018,200	-
202	Governor-General	6,046,501	2,606,400	1,627,900	1,581,176	2,606,400	-
203	Prime Minister & NEC	70,216,038	58,734,300	39,638,800	30,915,862	58,734,300	-
204	Statistics Office	5,379,438	4,793,300	2,218,500	1,859,237	4,793,300	-
205	Bougainville Affairs	1,689,569	1,598,400	1,687,400	1,679,670	1,598,400	-
206	Finance	23,617,655	19,093,100	8,070,300	7,179,885	19,093,100	-
207	Treasury & Finance Misc.	609,221,005	522,921,900	249,186,000	217,622,304	522,921,900	-
208	Treasury	13,410,199	12,609,900	6,128,100	3,769,889	12,609,900	-
209	ORPP	5,331,022	5,513,800	3,449,600	2,859,165	5,513,800	-
211	Customs Services	0	12,392,200	5,254,200	1,420,583	12,392,200	-
212	I.C.T.D	11,590,365	14,967,300	6,204,600	4,038,162	14,967,300	-
213	Fire Services	15,898,197	17,809,900	10,584,900	5,020,418	17,809,900	-
215	Immigration	2,671,392	5,825,500	2,516,182	1,623,746	5,825,500	-
216	Internal Revenue	53,056,451	37,428,300	13,205,100	11,258,389	37,428,300	-
217	Foreign Affairs & Trade	43,490,634	56,209,500	33,648,600	29,246,741	56,209,500	-
218	OPP	0	1,445,200	190,100	0	1,445,200	-
219	PNG Inst. of Public Admin.	1,712,648	5,710,900	2,092,100	1,501,955	5,710,900	-
220	Personel Management	9,508,599	11,365,500	5,248,400	3,913,041	11,365,500	-
221	Public Service Commission	2,932,751	3,482,000	1,677,000	1,460,573	3,482,000	-
222	Pub.Sol	6,615,875	7,770,200	3,696,100	2,329,594	7,770,200	-
223	Judiciary Services	46,640,000	50,224,300	20,916,200	20,916,200	50,224,300	-
224	Magisterial Services	25,299,300	28,169,500	10,969,400	10,969,400	28,169,500	-
225	Attorney-General	35,491,619	32,705,300	15,121,700	9,720,423	32,705,300	-
226	Correctional Instit	62,411,342	65,386,200	30,875,800	23,968,884	65,386,200	-
227	Provincial Treasuries	35,247,792	31,660,500	9,266,500	9,798,870	31,660,500	-
228	Police	210,798,729	210,042,500	89,965,029	81,766,414	210,042,500	-
229	National Planning & Monitoring	10,883,333	12,582,200	5,852,296	4,503,968	12,582,200	-
230	Electoral Commission	13,523,868	17,746,000	8,507,200	6,067,412	17,746,000	-
231	N.I.O	3,252,316	3,391,200	1,782,700	1,535,119	3,391,200	-
232	Prov. & Local Gov't Affairs	15,409,703	10,524,400	9,564,500	7,444,429	10,524,400	-
234	Defence	118,077,075	115,558,200	60,837,600	54,233,679	115,558,200	-
235	Education	244,840,788	160,355,000	195,913,110	94,773,330	160,355,000	-
236	OHE	36,570,400	36,304,100	28,968,000	17,919,280	36,304,100	-
237	UNESCO	1,183,419	1,526,500	754,800	324,856	1,526,500	-
240	Health	166,525,728	217,395,900	108,141,600	68,385,108	217,395,900	-
241	H.M.S	289,636,730	302,008,600	85,549,800	118,689,009	302,008,600	-
242	Community Development	10,877,888	8,936,000	3,226,200	3,200,139	8,936,000	-
243	NVS	775,800	1,201,000	53,300	53,300	1,201,000	-
245	Environment & Conservation	12,589,522	9,708,100	3,361,200	2,873,388	9,708,100	-
247	Agriculture & Livestock	15,168,821	13,668,600	3,557,200	7,891,759	13,668,600	-
252	Lands	14,527,171	27,814,200	19,469,700	18,601,688	27,814,200	-
254	(DMPGM)	6,179,563	6,746,300	3,139,300	2,497,767	6,746,300	-
255	Petroleum and Energy	12,201,962	11,637,900	3,918,000	5,072,744	11,637,900	-
257	Public Enterprises	0	3,000,000	1,143,800	142,512	3,000,000	-
258	Inform. & Comm.	5,105,482	3,156,900	1,465,500	1,178,275	3,156,900	-
259	Transport	17,464,597	23,072,300	9,503,300	4,434,093	23,072,300	-
261	Commerce & Industry	14,137,383	10,894,100	6,695,200	5,418,533	10,894,100	-
262	Industrial Relations	13,030,102	8,193,600	8,557,800	4,031,854	8,193,600	-
263	Tripartite	749,901	1,011,400	506,600	269,731	1,011,400	-
264	Works & Implementation	104,619,183	57,867,700	25,377,600	16,083,621	57,867,700	-
267	Rural Development	4,902,165	5,725,700	2,440,400	1,318,137	5,725,700	-
268	CS & TB	2,016,747	2,231,500	924,200	706,488	2,231,500	-
269	OTAC	0	1,500,000	371,900	371,900	1,500,000	-
	<b>Total National Departments</b>	<b>2,527,726,968</b>	<b>2,380,241,500</b>	<b>1,217,129,117</b>	<b>978,550,500</b>	<b>2,380,241,500</b>	<b>-</b>

## PROVINCIAL GOVERNMENT RECURRENT EXPENDITURE MYEFO 2010

Div	Provincial Administrations	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
571	Western P.G.	41,298,529	40,644,700	3,780,600	14,067,953	40,644,700	-
572	Gulf P.G.	22,630,824	27,934,200	5,612,200	12,432,983	27,934,200	-
573	Central P.G.	55,772,130	55,445,200	6,295,000	19,962,465	55,445,200	-
574	NCDC	3,209,400	3,392,700	1,590,000	1,590,000	3,392,700	-
575	Milne Bay P.G.	56,969,517	52,203,700	5,437,700	17,224,335	52,203,700	-
576	Oro P.G.	30,706,914	30,040,800	4,486,500	11,806,739	30,040,800	-
577	S.H.P.	85,022,050	73,180,200	4,727,100	27,324,116	73,180,200	-
578	Enga P.G.	55,356,472	49,770,000	4,849,000	21,875,523	49,770,000	-
579	W.H. P.G.	79,191,366	63,141,800	18,989,500	26,557,965	63,141,800	-
580	Simbu P.G.	55,598,934	51,325,700	15,922,500	20,830,372	51,325,700	-
581	E.H. P.G.	72,339,620	64,921,500	20,343,800	27,543,176	64,921,500	-
582	Morobe P.G.	87,128,828	87,243,800	25,012,200	28,679,777	87,243,800	-
583	Madang P.G.	65,578,629	60,808,500	50,475,100	27,207,611	60,808,500	-
584	East Sepik P.G.	69,926,494	63,172,300	21,248,400	28,533,077	63,172,300	-
585	Sandaun P.G.	41,499,545	44,403,000	31,762,800	11,949,094	44,403,000	-
586	Manus P.G.	21,688,537	22,098,700	3,076,450	8,690,966	22,098,700	-
587	New Ireland P.G.	34,559,025	32,738,000	9,635,800	11,764,295	32,738,000	-
588	E.N.B. P.G.	58,147,972	56,534,300	22,166,400	22,105,749	56,534,300	-
589	W.N.B. P.G.	48,489,670	46,235,100	18,613,300	16,403,045	46,235,100	-
590	A.B.G.	60,671,916	57,982,500	21,741,500	27,043,509	57,982,500	-
	<b>Total Prov Administrations</b>	<b>1,045,786,372</b>	<b>983,216,700</b>	<b>295,765,850</b>	<b>383,592,750<sup>3</sup></b>	<b>983,216,700</b>	<b>-</b>

<sup>3</sup> Total expenditure up to 31 May 2010 for provinces in the recurrent and development expenditure tables includes ABG, however this is separated in Table 2 of the Fiscal Outturn Tables (page 26). Variance between these two totals is due to the timing of when the expenditure reports were sourced from the Treasury Monitoring System (TMS) and the Programming Budgeting System (PBS).



## STATUTORY AUTHORITIES RECURRENT EXPENDITURE MYEFO 2010

Div	Statutory Authorities	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
502	Auditor-General	14,235,700	14,571,700	5,158,820	5,158,820	14,571,700	-
503	Ombudsman	14,040,000	14,040,000	5,928,060	5,928,060	14,040,000	-
505	N.R.I.	3,029,500	3,094,000	1,274,580	1,274,580	3,094,000	-
506	N.T.C.	2,452,800	2,452,800	1,010,320	1,010,320	2,452,800	-
507	Economic & Fiscal Commission	1,096,655	1,800,400	1,004,190	1,004,190	1,800,400	-
508	N.G.C.B	5,000,000	0	0	0	0	-
509	BDA	4,000,000	4,000,000	1,647,810	1,647,810	4,000,000	-
510	L.T.I.	1,536,500	1,792,800	738,500	738,500	1,792,800	-
512	U.P.N.G.	33,416,800	33,416,800	15,357,030	15,357,030	33,416,800	-
513	UNITECH	32,500,000	34,757,500	14,505,580	14,505,580	34,757,500	-
514	University of Goroka	12,364,000	12,154,000	4,574,030	4,574,030	12,154,000	-
515	Uni. of Enviro & Nat Resources	8,972,500	8,972,500	4,296,390	4,296,390	8,972,500	-
516	PNG Sports Commision	3,873,600	6,570,500	3,769,020	3,769,020	6,570,500	-
517	Narcotics Bureau	1,707,400	2,032,400	834,700	834,700	2,032,400	-
518	PNG Maritime	2,731,700	2,914,000	1,280,160	1,280,160	2,914,000	-
519	AIDS COUNCIL	5,747,000	6,379,200	2,452,940	2,452,940	6,379,200	-
520	I.M.R.	3,887,100	4,392,000	1,778,930	1,778,930	4,392,000	-
521	N.Y.C	1,559,918	1,949,600	803,280	803,280	1,949,600	-
522	C.L.R.C	1,485,274	2,303,100	948,700	1,085,669	2,303,100	-
525	N.B.C.	21,312,000	20,312,000	8,301,290	8,301,290	20,312,000	-
526	N.M.S.A	1,560,000	1,560,000	652,610	652,610	1,560,000	-
530	I.P.A.	2,068,000	2,068,000	825,170	825,170	2,068,000	-
531	S.B.D.C	2,288,000	2,450,500	1,229,730	1,229,730	2,450,500	-
532	N.I.S.I.T	2,443,400	2,658,900	1,016,520	1,016,520	2,658,900	-
533	I.C.D.C	1,482,500	2,050,700	836,650	836,650	2,050,700	-
539	National Museum	4,670,700	4,638,700	2,268,580	2,268,580	4,638,700	-
541	N.H.C.	218,600	218,600	93,990	93,990	218,600	-
542	N.C.C.	3,159,700	4,021,700	1,612,490	1,612,490	4,021,700	-
550	C.C.I Ltd	5,416,600	5,416,600	2,445,860	2,445,860	5,416,600	-
553	F.P.D.C	3,749,700	4,317,100	1,594,720	1,594,720	4,317,100	-
554	PNG C.I.C	2,000,000	2,000,000	842,660	842,660	2,000,000	-
557	Forest Authority	32,000,000	26,000,000	18,018,540	18,018,540	26,000,000	-
558	T.P.A	9,808,000	9,808,000	3,669,660	3,669,660	9,808,000	-
562	N.A.R.I.	8,326,300	8,326,300	4,137,070	4,137,070	8,326,300	-
563	Agr. Quarantine & Inspection	3,522,800	3,522,800	1,513,670	1,513,670	3,522,800	-
565	C.A.A	9,600,000	9,600,000	3,765,590	3,765,590	9,600,000	-
567	N.R.A	1,139,271	871,200	373,180	784,297	871,200	-
569	I.C.C.C	2,149,800	1,916,900	1,563,660	1,563,660	1,916,900	-
	<b>Total Statutory Authorities</b>	<b>270,551,818</b>	<b>269,351,300</b>	<b>122,124,680</b>	<b>122,672,766</b>	<b>269,351,300</b>	<b>-</b>

## NATIONAL DEPARTMENTS PERSONNEL EMOLUMENTS MYEFO 2010

Div	National Departments (PE)	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
202	Governor-General	1,489,574	1,214,000	716,200	853,764	1,214,000	-
203	Prime Minister & NEC	32,936,763	35,181,300	16,006,900	12,935,559	35,181,300	-
204	Statistics Office	4,033,316	3,384,700	1,546,500	1,339,867	3,384,700	-
205	Bougainville Affairs	911,081	766,600	310,000	380,316	766,600	-
206	Finance	9,168,913	9,046,000	3,616,200	3,610,055	9,046,000	-
207	Treasury & Finance Misc.	116076523	140,062,600	125,062,600	110,262,382	140,062,600	-
208	Treasury	8,063,743	7,934,400	3,982,900	2,369,176	7,934,400	-
209	ORPP	2921204	2,989,800	1,370,300	1,079,849	2,989,800	-
211	Customs Services	0	6,690,000	2,912,500	19,922	6,690,000	-
212	I.C.T.D	2,198,682	5,437,800	788,300	574,395	5,437,800	-
213	Fire Services	8,543,720	9,379,100	4,137,500	3,525,095	9,379,100	-
215	Immigration	66,152	1,880,100	713,382	452,658	1,880,100	-
216	Internal Revenue	21,796,742	15,161,700	5,700,700	7,690,251	15,161,700	-
217	Foreign Affairs & Trade	16,585,893	23,149,100	12,144,400	10,422,301	23,149,100	-
219	PNG Inst. of Public Admin.	852,748	3,858,000	1,405,100	1,045,724	3,858,000	-
220	Personel Management	7080301	7,449,700	3,396,800	2,424,069	7,449,700	-
221	Public Service Commission	2,292,065	2,352,000	1,010,400	896,576	2,352,000	-
222	Pub.Sol	3,612,017	4,208,600	2,421,800	1,335,365	4,208,600	-
225	Attorney-General	15,667,679	15,718,800	6,650,300	5,443,107	15,718,800	-
226	Correctional Instit	30,838,981	31,839,500	14,266,500	11,843,971	31,839,500	-
227	Provincial Treasuries	25,029,637	21,796,200	5,921,500	9,158,609	21,796,200	-
228	Police	135,033,501	134,202,500	54,784,594	51,651,908	134,202,500	-
229	National Planning & Monitoring	6,622,543	7,345,800	3,064,102	2,977,792	7,345,800	-
230	Electoral Commission	1,994,728	2,304,000	899,700	799,066	2,304,000	-
231	N.I.O	1,367,635	1,606,000	736,600	583,433	1,606,000	-
232	Prov. & Local Gov't Affairs	4,288,639	4,523,800	1,795,000	1,571,873	4,523,800	-
234	Defence	59,982,746	62,274,500	28,094,800	29,804,693	62,274,500	-
235	Education	74996051	83,127,800	37,935,110	24,033,928	83,127,800	-
236	OHE	1,461,000	1,731,700	760,800	515,252	1,731,700	-
237	UNESCO	628914	1,228,500	614,300	232,446	1,228,500	-
240	Health	47,820,235	88,171,500	24,295,700	18,439,316	88,171,500	-
241	H.M.S	216,542,730	221,243,700	48,673,200	82,448,256	221,243,700	-
242	Community Development	6,015,594	5,462,400	1,418,600	1,961,444	5,462,400	-
245	Environment & Conservation	5,782,822	4,990,900	1,828,500	1,779,783	4,990,900	-
247	Agriculture & Livestock	11,083,193	10,225,800	2,806,100	5,219,535	10,225,800	-
252	Lands	7478113	8,939,400	3,328,400	2,692,363	8,939,400	-
254	(DMPGM)	3,827,160	3,953,000	1,804,900	1,416,167	3,953,000	-
255	Petroleum and Energy	7,633,328	6,767,500	1,613,100	2,957,944	6,767,500	-
257	Public Enterprises	0	1,200,000	430,000	80,972	1,200,000	-
258	Inform. & Comm.	1,075,280	709,200	394,900	309,811	709,200	-
259	Transport	7,202,718	10,794,500	4,800,200	2,661,186	10,794,500	-
261	Commerce & Industry	5,576,501	5,232,300	2,280,200	1,975,250	5,232,300	-
262	Industrial Relations	5,075,386	5,245,100	2,405,700	1,939,388	5,245,100	-
263	Tripartite	301,901	475,400	213,400	85,711	475,400	-
264	Works & Implementation	41,015,041	44,635,300	20,348,600	12,875,419	44,635,300	-
267	Rural Development	2,167,326	2,726,700	1,256,700	603,111	2,726,700	-
268	CS & TB	609,109	774,600	353,100	320,452	774,600	-
269	OTAC	0	776,200	0	0	776,200	-
	<b>Total National Departments PE</b>	<b>965,747,928</b>	<b>1,070,168,100</b>	<b>461,017,088</b>	<b>437,599,510</b>	<b>1,070,168,100</b>	<b>-</b>

**PROVINCIAL ADMINISTRATIONS PERSONNEL EMOLUMENTS EXPENDITURE MYEFO  
2010**

Div	Provincial Administrations (PE)	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
571	Western P.G.	35,132,629	34,428,800	652,000	10,939,353	34,428,800	-
572	Gulf P.G.	16,950,324	19,871,100	816,900	7,687,683	19,871,100	-
573	Central P.G.	46,505,730	43,515,700	290,000	14,282,465	43,515,700	-
574	NCDC	100,000	190,000	90,000	90,000	190,000	-
575	Milne Bay P.G.	39,968,017	39,864,900	362,000	12,148,635	39,864,900	-
576	Oro P.G.	24,331,414	22,143,700	562,400	7,882,639	22,143,700	-
577	S.H.P.	73,177,649	60,694,300	769,900	23,366,916	60,694,300	-
578	Enga P.G.	45,930,772	40,654,700	380,000	17,406,523	40,654,700	-
579	W.H. P.G.	59,930,367	48,057,500	12,012,500	19,580,965	48,057,500	-
580	Simbu P.G.	46,100,674	38,928,000	9,755,500	14,663,372	38,928,000	-
581	E.H. P.G.	57,679,120	49,040,100	12,248,200	19,447,576	49,040,100	-
582	Morobe P.G.	73,778,628	73,805,800	18,727,600	24,779,777	73,805,800	-
583	Madang P.G.	52,850,329	41,952,400	41,046,800	17,779,311	41,952,400	-
584	East Sepik P.G.	54,311,595	42,519,300	11,108,700	18,393,377	42,519,300	-
585	Sandaun P.G.	31,752,545	31,386,200	29,766,400	9,952,694	31,386,200	-
586	Manus P.G.	17,008,137	15,945,800	0	5,614,516	15,945,800	-
587	New Ireland P.G.	29,774,725	27,729,500	7,492,400	9,620,895	27,729,500	-
588	E.N.B. P.G.	46,940,173	46,413,800	16,461,300	16,400,649	46,413,800	-
589	W.N.B. P.G.	38,605,270	37,587,100	14,362,800	13,647,845	37,587,100	-
590	A.B.G.	40,460,638	38,017,000	11,601,700	16,475,998	38,017,000	-
	<b>Total Prov Administrations (PE)</b>	<b>831,288,736</b>	<b>752,745,700</b>	<b>188,507,100</b>	<b>280,161,189</b>	<b>752,745,700</b>	<b>-</b>

## NATIONAL DEPARTMENTS GOODS AND SERVICES MYEFO 2010

Div	National Departments (GS)	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
201	Parliament	95,200,200	86,018,200	44,107,800	44,107,800	86,018,200	-
202	Governor-General	4,556,927	1,392,400	911,700	727,412	1,392,400	-
203	Prime Minister & NEC	37,279,275	23,553,000	2,363,190	17,980,303	23,553,000	-
204	Statistics Office	1,346,122	1,408,600	672,000	519,370	1,408,600	-
205	Bougainville Affairs	778,488	831,800	1,377,400	1,299,354	831,800	-
206	Finance	14,448,742	10,047,100	4,454,100	3,569,830	10,047,100	-
207	Treasury & Finance Misc.	493,144,482	382,859,300	1,241,234	1,073,592	382,859,300	-
208	Treasury	5,346,456	4,675,500	2,145,200	1,400,713	4,675,500	-
209	ORPP	2,409,818	2,524,000	2,079,300	1,779,316	2,524,000	-
211	Customs Services	0	5,702,200	234,170	1,400,661	5,702,200	-
212	I.C.T.D	9,391,683	9,529,500	5,416,300	3,463,767	9,529,500	-
213	Fire Services	7,354,477	8,430,800	6,447,400	1,495,323	8,430,800	-
215	Immigration	2,605,240	3,945,400	1,802,800	1,171,088	3,945,400	-
216	Internal Revenue	31,259,709	22,266,600	7,504,400	3,568,138	22,266,600	-
217	Foreign Affairs & Trade	26,904,741	33,060,400	21,504,200	18,824,440	33,060,400	-
218	OPP	0	1,445,200	190,100	0	1,445,200	-
219	PNG Inst. of Public Admin.	859,900	1,852,900	687,000	456,231	1,852,900	-
220	Personel Management	2,428,298	3,915,800	1,851,600	1,488,972	3,915,800	-
221	Public Service Commission	640,686	1,130,000	666,600	563,997	1,130,000	-
222	Pub.Sol	3,003,858	3,561,600	1,274,300	994,229	3,561,600	-
223	Judiciary Services	46,640,000	50,224,300	20,916,200	20,916,200	50,224,300	-
224	Magisterial Services	25,299,300	28,169,500	10,969,400	10,969,400	28,169,500	-
225	Attorney-General	19,823,940	16,986,500	8,471,400	4,277,316	16,986,500	-
226	Correctional Instit	31,572,361	33,546,700	16,609,300	12,124,913	33,546,700	-
227	Provincial Treasuries	1,021,815	9,864,300	3,345,000	640,261	9,864,300	-
228	Police	75,765,228	75,840,000	35,180,435	30,114,506	75,840,000	-
229	National Planning & Monitoring	4,260,790	5,236,400	2,788,194	1,526,176	5,236,400	-
230	Electoral Commission	11,529,140	15,442,000	7,607,500	5,268,346	15,442,000	-
231	N.I.O	1,884,681	1,785,200	1,046,100	951,686	1,785,200	-
232	Prov. & Local Gov't Affairs	11,121,064	6,000,600	7,769,500	5,872,556	6,000,600	-
234	Defence	58,094,329	53,283,700	32,742,800	24,428,986	53,283,700	-
235	Education	169,844,737	77,227,200	157,978,000	70,886,402	77,227,200	-
236	OHE	35,109,400	34,572,400	28,207,200	17,518,628	34,572,400	-
237	UNESCO	554,505	298,000	140,500	114,910	298,000	-
240	Health	118,705,493	129,224,400	83,845,900	42,131,084	129,224,400	-
241	H.M.S	73,094,000	80,764,900	36,876,600	36,876,600	80,764,900	-
242	Community Development	4,862,294	3,473,600	1,807,600	1,690,695	3,473,600	-
243	NVS	775,800	1,201,000	53,300	53,300	1,201,000	-
245	Environment & Conservation	6,806,700	4,717,200	1,532,700	1,187,605	4,717,200	-
247	Agriculture & Livestock	4,085,628	3,442,800	751,100	2,672,224	3,442,800	-
252	Lands	7,049,058	18,874,800	16,141,300	16,609,325	18,874,800	-
254	(DMPGM)	2,352,403	2,793,300	1,334,400	1,324,300	2,793,300	-
255	Petroleum and Energy	4,568,634	4,870,400	2,304,900	2,630,900	4,870,400	-
257	Public Enterprises		1,800,000	713,800	366,140	1,800,000	-
258	Inform. & Comm.	4,030,202	2,447,700	1,070,600	1,081,064	2,447,700	-
259	Transport	10,261,879	12,277,800	4,703,100	2,831,107	12,277,800	-
261	Commerce & Industry	8,560,882	5,661,800	441,500	4,945,183	5,661,800	-
262	Industrial Relations	7,954,716	2,948,500	6,152,100	2,345,166	2,948,500	-
263	Tripartite	448,000	536,000	293,200	230,620	536,000	-
264	Works & Implementation	63,604,142	13,232,400	5,029,000	4,335,702	13,232,400	-
267	Rural Development	2,734,839	2,999,000	1,183,700	974,326	2,999,000	-
268	CS & TB	1,407,638	1,456,900	571,100	512,636	1,456,900	-
269	OTAC	0	723,800	371,900	371,900	723,800	-
	<b>Total National Departments (GS)</b>	<b>1,561,979,040</b>	<b>1,310,073,400</b>	<b>756,112,029</b>	<b>540,951,029</b>	<b>1,310,073,400</b>	<b>-</b>

## PROVINCIAL ADMINISTRATIONS GOODS AND SERVICES MYEFO 2010

Div	Provincial Administrations (GS)	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
571	Western P.G.	6,165,900	6,215,900	3,128,600	3,128,600	6,215,900	-
572	Gulf P.G.	5,680,500	8,063,100	4,795,300	4,745,300	8,063,100	-
573	Central P.G.	9,266,400	11,929,500	6,005,000	5,680,000	11,929,500	-
574	NCDC	3,109,400	3,202,700	1,500,000	1,500,000	3,202,700	-
575	Milne Bay P.G.	17,001,500	12,338,800	5075700	5075700	12,338,800	-
576	Oro P.G.	6,375,500	7,897,100	3,924,100	3,924,100	7,897,100	-
577	S.H.P.	11,844,400	12,485,900	3957200	3957200	12,485,900	-
578	Enga P.G.	9,425,700	9,115,300	4,469,000	4,469,000	9,115,300	-
579	W.H. P.G.	19,261,000	15,084,300	6,977,000	6,977,000	15,084,300	-
580	Simbu P.G.	9,498,260	12,397,700	6,167,000	6,167,000	12,397,700	-
581	E.H. P.G.	14,660,500	15,881,400	8,095,600	8,095,600	15,881,400	-
582	Morobe P.G.	13,350,200	13,438,000	6,284,600	3900000	13,438,000	-
583	Madang P.G.	12,728,300	18,856,100	9,428,300	9,428,300	18,856,100	-
584	East Sepik P.G.	15,614,900	20,653,000	10,139,700	10,139,700	20,653,000	-
585	Sandaun P.G.	9,747,000	13,016,800	1996400	1996400	13,016,800	-
586	Manus P.G.	4,680,400	6,152,900	3,076,450	3,076,450	6,152,900	-
587	New Ireland P.G.	4,784,300	5,008,500	2,143,400	2,143,400	5,008,500	-
588	E.N.B. P.G.	11,207,800	10,120,500	5,705,100	5,705,100	10,120,500	-
589	W.N.B. P.G.	9,884,400	8,648,000	4,250,500	2,755,200	8,648,000	-
590	A.B.G.	20,211,278	19,965,500	10,139,800	10,567,511	19,965,500	-
	<b>Total Prov Administrations (GS)</b>	<b>214,497,638</b>	<b>230,471,000</b>	<b>107,258,750</b>	<b>103,431,561</b>	<b>230,471,000</b>	<b>-</b>

## NATIONAL DEPARTMENTS DEVELOPMENT EXPENDITURE MYEFO 2010

Div	National Departments	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
201	Parliament	-	-	-	-	-	-
202	Governor-General	800,000	-	-	-	-	-
203	Prime Minister & NEC	-	8,000,000	8,000,000	114,336	8,000,000	-
204	Statistics Office	-	66,000,000	39,704,100	6,990,073	66,000,000	-
206	Finance	28,114,296	84,321,000	79,300,100	9,280,573	84,321,000	-
207	Treasury & Finance Misc.	-	-	3,300,000	3,300,000	-	-
208	Treasury	400,000	450,000	450,000	-	450,000	-
217	Foreign Affairs & Trade	142,005	-	5,000,000	5,000,000	-	-
219	PNG Inst. of Public Admin.	-	500,000	500,000	-	500,000	-
220	Personel Management	13,283,192	32,800,000	10,785,000	164,323	32,800,000	-
226	Correctional Instit	-	22,300,000	15,900,000	6,500,000	22,300,000	-
228	Police	-	12,200,000	9,700,000	-	12,200,000	-
229	National Planning & Monitoring	398,145,207	916,000,000	672,511,000	328,409,387	916,000,000	-
230	Electoral Commission	-	-	-	-	-	-
232	Prov. & Local Gov't Affairs	3,397,740	5,000,000	3,700,000	492,721	5,000,000	-
234	Defence	25,151,256	-	-	-	-	-
235	Education	12,580,831	20,500,000	16,795,000	1,722,545	20,500,000	-
236	OHE	900,000	3,900,000	2,000,000	327,579	3,900,000	-
240	Health	9,500,000	12,000,000	6,000,000	-	12,000,000	-
242	Community Development	11,624,622	8,900,000	6,905,000	4,788,736	8,900,000	-
245	Environment & Conservation	9,567,716	8,500,000	5,275,000	489,798	8,500,000	-
247	Agriculture & Livestock	5,208,707	-	-	-	-	-
252	Lands	5,000,000	-	-	-	-	-
254	(DMPGM)	3,000,000	7,000,000	1,830,000	807,941	7,000,000	-
255	Petroleum and Energy	39,119,894	-	13,129,900	12,340,705	-	-
258	Inform. & Comm.	4,999,952	5,000,000	5,000,000	429,657	5,000,000	-
259	Transport	4,341,642	9,000,000	5,000,000	1,000,000	9,000,000	-
261	Commerce & Industry	9,867,730	7,200,000	6,030,000	2,359,406	7,200,000	-
264	Works & Implementation	184,255,123	85,825,000	85,825,000	52,432,836	85,825,000	-
267	Rural Development	28,837,415	27,250,000	27,250,000	6,000,000	27,250,000	-
268	CS & TB	-	-	150,000	-	-	-
	<b>Total National Departments</b>	<b>798,237,328</b>	<b>1,342,646,000</b>	<b>1,030,040,100</b>	<b>442,950,616</b>	<b>1,342,646,000</b>	<b>-</b>

## PROVINCIAL ADMINISTRATIONS DEVELOPMENT EXPENDITURE MYEFO 2010

Div	Prov Administrations	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
571	Western P.G.	20,750,000	18,127,000			18,127,000	-
572	Gulf P.G.	11,750,000	6,795,000	2,045,000	2,045,000	6,795,000	-
573	Central P.G.	19,350,000	4,657,000	1,000,000	-	4,657,000	-
574	NCDC	14,000,000	2,000,000			2,000,000	-
575	Milne Bay P.G.	17,250,000	2,250,000	250,000	-	2,250,000	-
576	Oro P.G.	8,000,000	1,750,000	-	-	1,750,000	-
577	S.H.P.	41,500,000	15,022,000	3,532,000	3,804,100	15,022,000	-
578	Enga P.G.	37,250,000	8,920,000	5,960,000	5,710,000	8,920,000	-
579	W.H. P.G.	34,250,000	3,150,000	1,500,000	1,000,000	3,150,000	-
580	Simbu P.G.	29,250,000	3,350,000	2,850,000	1,600,000	3,350,000	-
581	E.H. P.G.	37,300,000	3,250,000	1,000,000	-	3,250,000	-
582	Morobe P.G.	41,250,000	5,500,000	-	-	5,500,000	-
583	Madang P.G.	25,000,000	2,750,000	-	-	2,750,000	-
584	East Sepik P.G.	29,750,000	6,750,000	1,000,000	1,000,000	6,750,000	-
585	Sandaun P.G.	17,250,000	4,850,000	1,250,000	1,000,000	4,850,000	-
586	Manus P.G.	11,500,000	4,500,000	2,200,000	2,200,000	4,500,000	-
587	New Ireland P.G.	8,750,000	29,265,000	4,210,000	4,210,000	29,265,000	-
588	E.N.B. P.G.	31,250,000	8,250,000	3,000,000	2,500,000	8,250,000	-
589	W.N.B. P.G.	10,250,000	2,170,000	1,220,000	1,220,000	2,170,000	-
590	A.B.G.	28,000,000	25,700,000	11,050,000	11,050,000	25,700,000	-
	<b>Total Prov Administrations</b>	<b>473,650,000</b>	<b>159,006,000</b>	<b>42,067,000</b>	<b>37,339,100</b>	<b>159,006,000</b>	<b>-</b>

## STATUTORY AUTHORITIES DEVELOPMENT EXPENDITURE MYEFO 2010

Div	Statutory Authorities	2009 Outcome	2010 Budget	Warrants Issued to 31-May-10	Expenditure to 31-May-10	2010 MYEFO	Variance
505	N.R.I.	-	-	-	-	-	-
506	N.T.C.	300,000	-	-	-	-	-
509	BDA	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	-
512	U.P.N.G.	200,000	14,900,000	7,900,000	1,900,000	14,900,000	-
513	UNITECH	1,700,000	13,000,000	6,000,000	2,000,000	13,000,000	-
514	University of Goroka	-	14,000,000	8,000,000	4,000,000	14,000,000	-
515	Uni. of Enviro & Nat Resources	-	2,500,000	1,200,000	200,000	2,500,000	-
516	PNG Sports Commision	2,300,000	12,950,000	10,295,000	5,120,000	12,950,000	-
517	Narcotics Bureau	1,700,000	-	-	-	-	-
519	AIDS COUNCIL	2,900,000	11,626,000	4,826,000	2,026,000	11,626,000	-
520	I.M.R.	3,000,000	5,000,000	3,000,000	1,000,000	5,000,000	-
521	NYC	400,000	-	-	-	-	-
524	IPBC	-	20,000,000	14,000,000	-	20,000,000	-
525	N.B.C.	-	-	-	-	-	-
526	N.M.S.A	1,000,000	1,000,000	200,000	200,000	1,000,000	-
528	Roads Safety Council	1,000,000	500,000	500,000	500,000	500,000	-
530	I.P.A.	1,800,000	500,000	400,000	100,000	500,000	-
531	S.B.D.C	2,970,000	11,000,000	7,705,000	2,914,200	11,000,000	-
532	N.I.S.I.T	2,598,000	4,000,000	2,500,000	1,000,000	4,000,000	-
533	I.C.D.C	12,000,000	-	-	-	-	-
535	M.R.A	8,759,800	24,345,000	16,207,500	5,095,000	24,345,000	-
539	National Museum	800,000	300,000	50,000	-	300,000	-
540	Nat. Water Board	-	-	-	-	-	-
541	N.H.C.	8,000,000	18,000,000	18,000,000	18,000,000	18,000,000	-
542	N.C.C	1,200,000	-	-	-	-	-
543	R.D.B	20,000,000	27,000,000	25,300,000	6,700,000	27,000,000	-
548	PNG.HB	6,000,000	-	-	-	-	-
550	C.C.I Ltd	4,000,000	2,200,000	1,530,000	400,000	2,200,000	-
551	Fisheries	-	20,000,000	10,000,000	10,000,000	20,000,000	-
553	F.P.D.C	2,500,000	3,637,000	2,747,000	1,667,000	3,637,000	-
557	Forest Authority	4,950,000	18,000,000	11,000,000	2,000,000	18,000,000	-
558	T.P.A	3,000,000	6,000,000	4,000,000	1,000,000	6,000,000	-
559	PNG O.P.I.C	2,000,000	2,000,000	1,200,000	-	2,000,000	-
562	N.A.R.I.	2,000,000	4,890,000	3,910,000	890,000	4,890,000	-
563	Agr. Quarantine & Inspection	500,000	1,500,000	1,250,000	550,000	1,500,000	-
565	C.A.A	5,000,000	9,500,000	1,769,800	1,769,800	9,500,000	-
567	N.R.A	-	-	-	-	-	-
568	L.D.C	-	3,000,000	2,127,600	2,127,600	3,000,000	-
	<b>Total Statutory Authorities</b>	<b>112,577,800</b>	<b>266,348,000</b>	<b>180,617,900</b>	<b>86,159,600</b>	<b>266,348,000</b>	<b>-</b>



## **2.3 REALLOCATION OF APPROPRIATED FUNDS**

Sections 3 and 4 of the annual appropriation acts provide that, in certain circumstances, there may be a reallocation of funds appropriated to agencies at the discretion of the Secretary of the Treasury.

In practice, this discretion allows unexpended appropriation to be reallocated through the Secretary's Advance to meet the cost of unbudgeted expenditure that is urgent, unavoidable and unforeseen, up to the limit of the Secretary's Advance (Section 3 transfers), or reallocated between services subject to an overall limit of 10 per cent of the total appropriation for recurrent expenditure (Section 4 transfers).

To 31 May 2010, **K229.4** million has been reallocated through these mechanisms. These constitute approximately 3 per cent of the total appropriation. **K210.1** million relates to transfers between items within the total appropriation for an agency. A further **K 19.3 million** has been allocated through the Secretary's Advance (further details of these payments are in Table 21 below).

### **DETAILS OF EXPENDITURE FROM SECRETARY'S ADVANCE**

An amount of K20.0 million was appropriated to Secretary's Advance in the 2010 Budget. The following table sets out the allocations made from the Secretary's Advance from 1 January 2010 up to 31 May 2010.

**Table 11: Expenditure from Secretary's Advance**

<b>Division</b>		<b>2010 Budget K'000</b>	<b>2010 MYEFO K'000</b>
<b>207</b>	<b>Original Appropriation</b>	<b>20,000.0</b>	
	<b>Total Funds Available From Secretary's Advance</b>	<b>20,000.0</b>	
207	To cater for HIES expenditures as per Dep Sec (Policy) direction.		500.0
226/228	Joint operation by Police and Correctional Services Institute (CIS)		3,000.0
203	Investigation into prison breakout		200.0
207	Outstanding payment to Barobebao Construction Ltd		678.0
207	Outstanding payment to PM's Staff determination		1,640.5
207	Operational funds for Koiari Special Purpose Authority (KSPA)		50.2
207	To cater for HIES expenditures as per Dep Sec (Policy) direction.		1,000.0
512	To cater for UPNG's Salary adjustment as per agreement.		1,900.0
514	To cater for eight prioritised positions as per agreement.		391.1
207	Emerging Pacific Leaders dialogue 2010		100.0
202/203/217/226/ 228/234/258	State Visit by Indonesia's President		1,500.0
208	Repatriation Cost for Treasury Retrenched Officers		135.7
205	Additional Funding to Bougainville Affairs as per NEC Decision No: 43/09		1,000.0
232	For printing of Provincial Audit reports & Section 119 of the Organic Law Reports.		400.0
225	To cater for legal fees for Jerewai Lawyers as per NEC Decision		2,000.0
225	For the operations of the Special Land Titles Commission for Wafi Gold Mining Project		600.0
203	PNG Govt. contributions for Disaster assistance to Niue, Tonga, A/Samoa and Wellington City Missions.		3,191.8
226	CIS urgent retirement cost		1,000.0
	<b>Total Funds spent from Secretary's Advance as at 31 May 2010</b>		<b>19,287.3</b>

## PART 3

### APPENDICES

#### APPENDIX 1: EXPENDITURE REPORT ON TRUST ACCOUNTS TO 31 MAY 2010

Location	Supplier	Description	Expenditure
PNG Gas Commercialization Equity Financing	Not Applicable	No Transaction	0.00
Agriculture Sector Development	Information Not Available	Expenditure Discreption Not Available	2,200,000.00
<b>Total of Agriculture Sector Development Expenditure</b>			<b>2,200,000.00</b>
Airport Repairs and Upgrades	Not Applicable	No Transaction	0.00
Kubalia High School Rehabilitation	Not Applicable	No Transaction	0.00
Outstanding PBSS (Teachers)	Not Applicable	No Transaction	0.00
Education Sector Infrastructure Rehabilitation	Kagua Erave District Treasury	Rehabilitation of various schools' infrastructures in Kagua Erave District	500,000.00
	More Stationary Ltd	Rehabilitation of various schools' infrastructures in Sandaun Province	1,936,550.00
	Kandep District Treasury	Rehabilitation of various schools' infrastructures in Kandep District	4,900,000.00
	Simbu Provincial Treasury	Rehabilitation of various schools' infrastructure in Simbu Province	1,600,000.00
	Palmalmal Health Centre	Rehabilitation of Palmalmal Health Centre Teaching Facilities	2,000,000.00
<b>Total of Education Sector Infrastructure Rehabilitation Expenditure</b>			<b>10,936,550.00</b>
Higher Education Sector Infrastructure Rehabilitation	Suppliers Unknown	Expenditure Discreption Not Available	<b>3,700,000.00</b>
Law & Justice Sector Infrastructure Rehabilitation	Komo District Treasury	Rehabilitation of District Law & Order Facilities	2,500,000.00
	Information Not Available	Expenditure Discreption Not Available	1,000,000.00
<b>Total of Law &amp; Justice Sector Infrastructure Rehabilitation Expenditure</b>			<b>3,500,000.00</b>
Strategic District Markets Infrastructure	Mara Builders & Supplies Ltd	Wapenamanda District Market	420,000.00
	Supplier Unknown	Expenditure Details Not Available	118,773.60
<b>Total of District Markets Infrastructure Rehabilitation Expenditure</b>			<b>538,773.60</b>

Location	Supplier	Description	Expenditure
National Parliament Infrastructure Rehabilitation	Not Applicable	No Transaction	0.00
Outstanding PBSS (Police)	Not Applicable	No Transaction	0.00
Transport Sector Infrastructure Rehabilitation	Cani Limited	Claim # 3 Maint. Balam - Sowam Road	788,100.70
	Department of Works	CSTB-2002 Supervision of Bogia Josephstall road in Madang	200,000.00
	Cani Limited	Claim # 4 inv # 66, maintenace of Balam-Kauk-Sowan roads - Wewak District	858,544.00
	Binnen Constructions Ltd	Claim # 1, Maintenace of Josphatal road between Bogia and Guam Bridge	236,164.32
	Binnen Constructions Ltd	Claim # 2, Maintenance of Josphatal road between Bogia and Guam Bridge	105,167.29
	Angoram District Treasury	Release of funding for Angoram roads	4,000,000.00
	Vanimo Green District Treasury	Release of funding for Vanimo-Green roads	4,000,000.00
	Kurah Construction	20 Km Upgrading Simbu - Mai-Mata road	300,000.00
Total of District Roads Account Expenditure			<b>10,487,976.31</b>
	Lailai Construction	Claim #1 Regravelling of Hiritano Highway	79,200.00
	ASPAC Construction Ltd	Claim # 3 Regravelling / Sealing works Angoram road	854,900.65
	ASPAC Construction Ltd	Claim # 4 Regravelling / Sealing works Angoram road	519,234.28
	Internal Revenue Commission	Withholding tax deduction on claim # 01/09 for ASPAC Construction Ltd	90,834.19
	Internal Revenue Commission	Withholding tax deduction on claim # 02/09 for ASPAC Construction Ltd	96,883.89
	Green Hill Investment Ltd	Claim # 5 Regravelling / sealing works of Pagwi	1,712,259.81
	ASPAC Conctruction Ltd	Claim # 5 - Sealing of Angoram road	758,901.05
	Green Hill Investment	Claim # 5 - Sealing works at Pagwi road between Hayfield /Jama coastal Highway ESP	743,213.51
	Morea Customs Agencies	Descriptive charges of bridge parts for construction of Uamai Bridge-Hiritano Highway	299,907.03
	ASPAC Conctruction Ltd	Claim # 6 - Sealing of Angoram road	914,989.46
	ASPAC Conctruction Ltd	Claim#7 - Sealing of Angoram road	530,637.42
	Green Hill Investment	Claim #7 - Regravelling & sealing of works of Pagwi road	1,514,137.88
	Pacific Container Lines	Freight chargers for ridge parts for constructionof Umai bridge - Hiritano Highway - GP	19,857.45
Total National Roads Expenditure			<b>8,134,956.62</b>
	Shorncliffe (PNG) Ltd	D3163, inv#3,claim #8, Upgrading works on selected Wewak Town roads	452,490.18
	Internal Revenue Commission	10% withholding tax for shorncliffe claim # 8 - paid on Cheque # 529506	50,276.69
	Shorncliffe (PNG) Ltd	Inv# D3172, claim # 9 -maintenace of Wewak Town roads	379,439.98
Total Wewak Roads Expenditure			<b>882,206.85</b>
<b>Total Transport Sector Infrastructure Rehabilitation Expenditure</b>			<b>19,505,139.78</b>

Location	Supplier	Description	Expenditure
PNG Gas Development and Commitments	Not Applicable	No Transaction	0.00
Resettlement of Rabaul Volcano Victims	Information Not Available	Expenditure Details Not Available	<b>2,600,000.00</b>
NBC Infrastructure Rehabilitation	Not Applicable	No Transaction	0.00
Hospital and Healthcare Centre Rehabilitation	Information Not Available	Expenditure Details Not Available	<b>700,000.00</b>
Rehabilitation of Housing for Nurses	Not Applicable	No Transaction	0.00
Rehabilitation of Housing for Police	Supplier Unknown	Expenditure Details Not Available	89,591.36
	Supplier Unknown	Expenditure Details Not Available	102,485.09
	Moibamo	Bulolo Police Barracks	18,923.50
	Supplier Unknown	Expenditure Details Not Available	1,681,218.76
	Simply Blue Collar Ltd	Expenditure Details Not Available	678,262.54
	Supplier Unknown	Expenditure Details Not Available	200,000.00
	Supplier Unknown	Expenditure Details Not Available	110,723.07
	Supplier Unknown	Expenditure Details Not Available	75,000.00
	Supplier Unknown	Expenditure Details Not Available	428,519.50
	Supplier Unknown	Expenditure Details Not Available	117,226.76
	Supplier Unknown	Expenditure Details Not Available	71,172.49
			2,263,459.43
<b>Total of Police Housing Rehabilitation Expenditure</b>			<b>5,836,582.50</b>
Highlands Highway Rehabilitation	Mori Resources Limited	COI #082/09 - Verification of Structural Improvements along Highlands highway	3,500,000.00
	Shornclyffe (PNG) Ltd	Inv # D3156 HHRP 13 - Togoba to lalibu Junction	473,039.60
	Shornclyffe (PNG) Ltd	Inv # D3157 HHRP 13 - Togoba to lalibu Junction	473,039.60
	NME & Muturam Consulting	Claim # 49 - HHRP Management & Supervision Consultancy	370,532.70
	Shornclyffe (PNG) Ltd	Claim # 31 - HHRP 09 - Mangiro to Kundiawa	1,059,467.82
	Lorma Construction Limited	Claim # 30 - HHRP 14 - lalibu junction (Kisenpoi) to Ankuru bridge	2,018,669.65
	Lorma Construction Limited	Refund of 10% withholding tax for Lorma Construction claim # 30.	224,296.63
	Shornclyffe (PNG) Ltd	Claim # 16 Standby Claim - month of July 2009	473,039.60
	Shornclyffe (PNG) Ltd	Claim # 17 Standby Claim - month of August 2009	473,039.60
	Lorma Constructions Limited	Claim # 25 lalibu Junction (Kisenapoi) to Ankura Bridge - Oct'09	1,376,520.31
	Lorma Constructions Limited	Claim # 27 lalibu Junction (Kisenapoi) to Ankura Bridge - Nov'09	484,452.53
	Lorma Constructions Limited	Claim # 26 lalibu Junction (kisenapoi) to Ankura Bridge	273,662.98
	Lorma Constructions Limited	Claim # 29 lalibu Junction (Kisenapoi) to Ankura Bridge	684,129.27
	Lorma Constructions Limited	Claim # 28 lalibu Junction (Kisenapoi) to Ankura Bridge	416,708.92
	Lorma Constructions Limited	30% of Total stand down claim of K12,595,919.05 paid	3,778,778.71
<b>Total of Highlands Highway Rehabilitation Expenditure</b>			<b>16,079,377.92</b>

<b>Location</b>	<b>Supplier</b>	<b>Description</b>	<b>Expenditure</b>
District Services Improvement (DSIP)	Information Not Available	Expenditure Details Not Available	195,200,000.00
<b>Total of DSIP Expenditure</b>			<b>195,200,000.00</b>
Urbanization Pilots	Not Applicable	No Transaction	0.00
Institutional Housing Pilot	Strongbond International Ltd	Construction of Public Service Housing-2nd payment	6,080,000.00
<b>Total of Institutional Housing Rehabilitation Expenditure</b>			<b>6,080,000.00</b>
Housing Development Pilot	Not Applicable	No Transaction	0.00
Cooperative Societies Establishment	Information Not Available	Expenditure Details Not Available	100,000.00
<b>Total of Cooperative Societies Establishment</b>			<b>100,000.00</b>
Madang Marine Park Development	Information Not Available	Expenditure Details Not Available	5,200,000.00
<b>Total of Madang Marine Park Development Expenditure</b>			<b>5,200,000.00</b>
Rural Electrification	Petroleum & Energy Department	Funding of various rural electrification projects. Detail information not available	19,000,000.00
<b>Total of Rural Electrification Expenditure</b>			<b>19,000,000.00</b>
Konebada Petroleum Park	Not Applicable	No Transaction	0.00
National Infrastructure Development Program (NIDP)	Works Department	Funding for Sepik Highway	40,000,000.00
	Gulf Provincial Administration	Outstanding MOA	10,000,000.00
	Structural Bridging Systems Ltd	New Britain Highway funding for bridges in East New Britain	27,247,898.00
	National Capital District Commission	NCDC Road Networks	20,000,000.00
	Waigani Public Account	Taraka Barracks	17,700,000.00
	East Sepik Provincial Government	Sepik Provincial Stadium	7,000,000.00
<b>Total of NIDP Expenditure</b>			<b>121,947,898.00</b>
Land Reform Program	Lands Department	Land Administration Reform & Development. Detail information not available	3,500,000.00
<b>Total of Land Reform Program Expenditure</b>			<b>3,500,000.00</b>

<b>Location</b>	<b>Supplier</b>	<b>Description</b>	<b>Expenditure</b>
National Border Authority	Not Applicable	No Transaction	0.00
Regional Treasury and District Admin. Offices	Eda Surveyors Ltd	Additional Survey Works - NGI Regional Office	66,000.00
	Salub Brothers Construction Ltd	Mobilization Costs (20%)	1,600,000.00
	Sandaun Provincial Treasury	Launching and logistics cost	100,000.00
	West Camp Holdings Ltd	Billboard Drawings for Regional Offices	30,000.00
	Gola Temi Ltd	Architerial Designs for Aitape Office	190,000.00
	Simbu Provincial Treasury	Launching of Highlands Regional Office-Simbu	50,000.00
	Eda Surveyors Ltd	Land Surveys and approval for Southern Region	99,000.00
<b>Total of Regional Treasury and District Administration Offices Expenditure</b>			<b>2,135,000.00</b>
Finance Commission of Enquiry	Information Not Available	Expenditure Details Not Available	<b>1,000,000.00</b>
Petroleum Outstanding MOA Commitments	Not Applicable	No Transaction	0.00
LNG Project Development Cost	Information Not Available	Expenditure Details Not Available	<b>6,800,000.00</b>
National Stadium	Not Applicable	No Transaction	0.00
Oro Restoration Authority	Not Applicable	No Transaction	0.00
Waigani Office Development Project	Not Applicable	No Transaction - 2010 Appropriation yet to be released into trust	0.00
Business Development Grants	Not Applicable	No Transaction - 2010 Appropriation yet to be released into trust	0.00
Infrastructure Development Grants	Not Applicable	No Transaction - 2010 Appropriation yet to be released into trust	0.00
Coastal Vessels Program	Not Applicable	No Transaction - 2010 Appropriation yet to be released into trust	0.00
Fisheries Development Project	Not Applicable	No Transaction - 2010 Appropriation yet to be released into trust	0.00
<b>TOTAL EXPENDITURE - 1 JAN - 31 MAY 2010</b>			<b>426,559,321.80</b>

**APPENDIX 2: OUTSTANDING TRUST ACCOUNT DETAILS FROM 2009 FBO;  
LNG PROJECT DEVELOPMENT TRUST EXPENDITURE REPORT  
19 SEP – 3 DEC 2009**

<b>Location</b>	<b>Supplier</b>	<b>Description</b>	<b>Expenditure</b>
LNG Project Development Trust	National Gas Corporation Limited	Operation of National Gas Corporation	500,000
	Oil Search [PNG] limited	Fund UBSA Commitments	16,700,000
	Gas office [Gas Commercialisation Co-Ordinating Working Group]	Operations of Gas Commercialisation and Payment to professional Service Providers (Granherne)	6,000,000
	For Gas office [National Gas Corporation Limited]	Operation of National Gas Corporation	300,000
	Gas office [Gas Commercialisation Co-Ordinating Working Group]	Operation of Gas Commercialisation Co-ordination Working Group	1,500,000
	Gas Office [Gas Commercialisation Co-Ordinating ]	Payment to professional Service providers	3,000,000
	Oil Search [PNG] Limited	Settle outstanding UBSA Commitments	10,000,000
	LNG Project Development Subsidiary Trust account	Payments to consultants (including Legal) engaged by Department of Petroleum and Energy and Operation of LBSA	10,000,000
	Gas office [Gas Commercialisation Co-Ordinating Working Group]	Operation of Gas Commercialisation Co-ordinating Working Group	3,494,400
	For Oil Search [PNG] Limited	Fund LBBSA commitments	11,000,000
	For Oil Search [PNG] Limited	Fund LBBSA commitments	9,000,000
	Oil Search [PNG] Limited	Fund LBBSA commitments	24,000,000
	Mineral Resource Development Company	Fund LBBSA commitments	4,000,000
	PNG LNG Development Cost Subsidiary Trust Account	Fund LBBSA commitments	15,000,000
	PNG LNG Development Cost Subsidiary Trust Account	Sunk cost Payments to Oil Search Limited for NW Moran PDL 6	7,500,000
<b>Total of LNG Project Development Expenditure from 19 /08/09 - 3/12/09</b>			<b>121,994,400</b>