



FINAL BUDGET OUTCOME

2010

31ST MARCH 2011

INTRODUCTION

The Final Budget Outcome (FBO) Report is released in accordance with the requirements of Section 15 of the *Papua New Guinea Fiscal Responsibility Act 2006*.

The purpose of the FBO Report is to provide a report on the budget outcome for each fiscal year. The 2010 FBO Report aims to provide to Parliament and the public a comparison and explanation of the major variations from the 2010 Budget estimates for total revenue and grants, total expenditure and net lending and the budget balance. It also provides a summary of National Government financing activities for the financial year and a summary of the National Government's debt position, together with comparative figures for the previous financial year.

In addition, detailed information on the status of spending of funds appropriated to trust accounts through Supplementary Budgets since 2006 have been provided, in line with the Government's commitments on transparency and accountability for these funds.

The FBO 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 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 (IMF).

The information presented in this report may not reconcile fully with information published in the Public Accounts as some revenues and expenditures detailed in this report will be reported or classified differently in the Public Accounts. For example, transactions relating to debt are generally reported on a net basis and split into principal and interest components in this report, whereas they are reported on a gross basis in the Public Accounts and not split between principal and interest components.

The information presented in this report is based on the same data used in the preparation of the Public Accounts, however this report is compiled before that data has been subject to independent audit. This report will therefore not include the effects of any adjustments made to the underlying data arising from the audit process.

1.1 CENTRAL GOVERNMENT FISCAL OPERATIONS

The 2010 Final Budget Outcome (FBO) was a surplus of K186.3 million or 0.7 per cent of GDP. This is higher than the projected balanced budget for 2010 as published in the 2010 and 2011 Budgets. The budget surplus is due to underspends in the Development Budget, in particular lower than anticipated draw downs of concessional loans, partly offset by higher spending on Goods and Services under the Recurrent Budget. The fiscal outcome for 2010 is set out in Table 1.

Table 1: Budget Balance 2009 - 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised ¹	2010 Outcome
Total Revenue and Grants	6,651.3	7,489.7	8,244.5	8,278.9
Total Expenditure and Net Lending	6,687.5	7,489.7	8,244.5	8,092.6
Budget Balance	-36.2	-0.0	-0.0	186.3
% of GDP	-0.2%	-0.0%	-0.0%	0.7%

¹ The 2010 Revised figures refer to the revised estimates for 2010 published in the 2011 Budget

Source: Department of Treasury

Total Revenue and Grants for 2010 was K8,278.9 million. This is K34.4 million or 0.4 per cent higher than the revised budget estimate published in the 2011 Budget. This reflects higher project grants, partially offset by lower than expected Total Revenue. Project grants have an equal and offsetting impact on Total Expenditure and Net Lending.

Total Expenditure and Net Lending was K8,092.6 million in 2010. This is lower than the revised budget estimate by K151.9 million or 1.8 per cent due to lower than expected development expenditure. Draw downs of concessional loans was K168.8 million lower than expected. Expenditure on National Departments' General Goods and Services was K96.1 million higher than the 2010 revised budget estimate.

1.2 REVENUE

Total revenue in 2010 was K6,869.8 million, comprised of K6,434.7 million in tax revenue and K435.1 million in non-tax revenue. This is K20.8 million or 0.3 per cent lower than the revised 2010 Budget estimate. The decrease reflects lower than expected tax revenue, mainly from Company Tax, GST and Excise, partially offset by higher than expected mining and petroleum dividends. Overall, collections of most revenue heads were close to the revised estimates.

Table 2: Total Revenue 2009 - 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Tax Revenue	4,974.5	5,735.3	6,481.0	6,434.7
Non-Tax Revenue	765.8	400.5	409.6	435.1
Total Revenue	5,740.3	6,135.8	6,890.6	6,869.8

Source: Department of Treasury

Tax Revenue

Total tax revenue collections for 2010 were K6,434.7 million. This is lower than the revised estimate reported in the 2011 Budget by K46.3 million or 0.7 per cent. This reflects lower than expected collections of Taxes on Income and Profits and Domestic Taxes of Goods and Services, partially offset by higher collections of Taxes on International Trade.

Table 3: Total Tax Revenue 2009 - 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Taxes on Income and Profits	3,519.7	4,029.7	4,706.7	4,668.1
Dom. Taxes on Goods and Services	1,063.2	1,258.9	1,240.5	1,193.1
Taxes on International Trade	391.6	446.7	533.8	573.5
Total Tax Revenue	4,974.5	5,735.3	6,481.0	6,434.7

Source: Department of Treasury

Taxes on Income and Profits were K38.6 million or 0.8 per cent lower than the revised estimate. This mainly reflects lower company tax collections, which were K27.6 million or 2.3 per cent lower than the revised estimate. Other direct taxes were also lower than the revised estimate by K12.6 million or 12.1 per cent.

Table 4: Tax on Income and Profits 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Personal Income Tax	1,241.8	1,420.9	1,497.4	1,494.0
Company Tax	1,121.4	1,107.7	1,219.7	1,192.1
Dividend Withholding Tax	244.4	180.5	275.6	278.8
Interest Withholding Tax	32.0	25.0	42.4	42.3
Mining and Petroleum Taxes	693.1	1,088.8	1,471.2	1,476.3
Gaming Tax	103.9	102.9	96.1	92.9
Other Direct Taxes	83.1	104.6	104.3	91.7
Total	3,519.7	4,029.7	4,706.7	4,668.1

Source: Department of Treasury

Collections of Domestic Taxes on Goods and Services were lower than the revised estimate by K47.4 million or 3.8 per cent. This is due to lower than expected collections of excise and GST by K22.2 million or 5.3 per cent and K34.7 million or 4.3 per cent respectively, partially offset by higher than expected collections of Other Indirect Tax.

Table 5: Domestic. Taxes on Goods and Services 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Excise	354.7	417.1	421.4	399.2
GST	703.0	835.7	812.8	778.1
Mining Levy	0.0	0.0	0.0	0.0
Other Indirect	5.5	6.1	6.3	15.8
Total	1,063.2	1,258.9	1,240.5	1,193.1

Source: Department of Treasury

Collections of Taxes on International Trade were higher than the revised estimate by K39.7 million or 6.9 per cent. This reflects increased collections of Export Duty and Excise Duties on Imports of K19.7 million or 11.3 per cent and K21.1 million or 10.0 per cent respectively. The rise in export duty was due to increase in the volume of log exports while the rise in excise duties on imports was due to increase in imports in the number of vehicles, petroleum products and electrical machinery and equipments.

Table 6: Taxes on International Trade 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Import Duty	143.7	168.1	189.7	188.6
Export Duty	108.7	122.3	153.9	173.6
Excise Duties on Imports	139.2	156.3	190.2	211.3
Total	391.6	446.7	533.8	573.5

Source: Department of Treasury

Non-Tax Revenue

Collections of non-tax revenue were higher than the revised estimate by K25.5 million or 5.9 per cent. This is due mainly to higher dividends received from mining and petroleum companies, partially offset by lower than expected revenue from other non-tax revenue sources.

Table 7: Non-tax Revenue 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Property Income	138.0	285.2	299.1	339.2
<i>Dividends</i>	0.0	55.0	38.5	40.3
<i>Mining and Petroleum Dividends</i>	138.0	230.2	260.6	298.9
Interest and Fees from Lending	6.9	9.0	4.0	1.3
Other Non-Tax Revenue	99.9	106.3	106.5	94.6
Injections from Trust Accounts	521.0	0.0	0.0	0.0
Total	765.8	400.5	409.6	435.1

Source: Department of Treasury

Dividends from State-Owned Enterprises (SOE's) were K1.8 million higher than the revised estimate and were received from Independent Public Business Corporation (K36.3 million), Petromin (K2.0 million) and National Fisheries Authority (K2.0 million).

Mining and Petroleum Dividends were higher by K38.3 million or 12.8 per cent than the revised estimate. This reflects higher than expected dividend payments from Ok Tedi Mining Limited.

Other Non-Tax Revenue includes fees and charges collected from Government departments, which came in lower by K11.9 million than the revised estimate.

Infrastructure Tax Credits

Only K18.0 million of Infrastructure Tax Credits were utilized against K60.0 million provided for in the revised estimate. This is due mainly to delays in reporting.

Project Grants

Project grants were K97.2 million or 7.5 per cent higher than the revised estimate, reflecting exchange rate fluctuations between donor currencies and the PNG Kina, especially the depreciation of the Australian Dollar against PNG Kina during 2010. As only AusAID have reported their project expenditure for 2011 as at March 2011, updated estimates have been used for the remaining donors.

1.3 EXPENDITURE AND NET LENDING

Total Expenditure and Net Lending in 2010 was K8,092.6 million. This outcome is lower than the revised budget estimate for 2010 by K151.9 million or 1.8 per cent. This reflects lower than expected development budget expenditure.

Table 8: Total Expenditure and Net Lending 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Recurrent Budget	4,166.3	4,095.9	4,160.9	4,160.4
Development Budget	2,348.7	3,393.8	3,430.3	3,278.9
Reappropriation into Trust	172.5	0.0	0.0	0.0
Supplementary Budget	0.0	0.0	653.3	653.3
Total Expenditure and Net Lending	6,687.5	7,489.7	8,244.5	8,092.6

Source: Department of Treasury

Total Recurrent Expenditure in 2010 was K4,160.4 million, which was K0.5 million lower than the revised estimate. The main variations in Recurrent Expenditure since the revised estimates were higher expenditures on National Department General Goods and Services by K96.1 million and Provincial Teachers' Salaries by K43.9 million offset by a smaller increase in other Personnel Emoluments than anticipated and lower interest expense.

Total Development Expenditure in 2010 was K3,278.9 million. The Development Budget expenditure outcome in 2010 was lower than the revised budget estimate by K151.4 million or 4.4 per cent. This is due mainly to the lower drawdown of concessional loans by K168.8 million.

The 2010 Supplementary Budget of K653.3 million was fully expended on additional priority investment expenditures or paid into Trust accounts.

Recurrent Budget

Total Recurrent Expenditure in 2010 was K4,160.4 million. Provision of K145.1 million was made in the revised Budget estimates for expected overspends in the Recurrent Budget (Personnel Emoluments) above the original 2010 Budget estimates. This provision has almost exactly offset the Recurrent Budget overspend, with Total Recurrent Expenditure lower than the revised estimate by K0.5 million. Table 9 shows the major components of the recurrent budget.

The main sources of the overspend (relative to the original 2010 Budget) were a K96.1 million overspend on goods and services by National Departments and a K66.9 million overspend on personnel emoluments by Provincial Governments. Unlike previous years, Personnel Emoluments expenditure by National Departments was slightly lower than the original budget estimate (by K22.9 million), which may reflect positive progress in efforts to address National Department payroll overspends.

Total expenditure on goods and services was K1,605.4 million, K107.8 million higher than the revised estimate. The higher expenditure in goods and services is due to over expenditures from the National Departments. Further details on National Departments goods and services expenditure is provided in Part 2.

Table 9: Recurrent Expenditure 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Personnel Emoluments	1,778.1	1,807.8	1,952.9	1,851.8
<i>National Departments</i>	986.7	1,093.1	1,149.7	1,070.2
<i>Provincial Govts</i>	791.4	714.7	803.2	781.6
Goods and Services	1,610.9	1,497.6	1,497.6	1,605.4
<i>National Departments</i>	1,416.7	1,287.1	1,287.1	1,404.1
<i>Provincial Govts</i>	194.2	210.5	210.5	201.3
Autonomous Bougainville Govt	60.9	58.0	58.0	63.2
Transfers to Commercial Statutory Authorities	270.5	269.4	269.4	288.1
Interest Payments and Fees	449.2	467.1	387.0	353.1
Net Lending	-3.3	-4.0	-4.0	-1.2
Recurrent Expenditure	4,166.3	4,095.9	4,160.9	4,160.4

Source: Department of Treasury

Expenditure by the Autonomous Bougainville Government was K5.2 million or 8.9 per cent above the revised budget estimates due to increased transfers from Central Government to cater for higher than expected personnel emoluments and goods and services costs. The transfers were made from existing appropriation.

Transfers to Commercial Statutory Institutions were K288.1 million in 2010, K18.7 million or 6.9 per cent higher than the revised estimate. Treasury is still investigating the cause of the over expenditures.

Total interest expense was K33.9 million lower than the revised budget estimate. This reflects the effects of high liquidity on the demand for Government Treasury bills, resulting in unusually low interest rates.

Net Lending to Commercial Statutory Authorities was K1.2 million in 2010, compared to the original and revised budget estimate of K4.0 million, reflecting a lower repayment to Central Government by Statutory Authorities of loans on-lent to them in previous years.

Development Budget

Development Budget Expenditure in 2010 was K3,278.9 million. This was lower than the revised estimate by K151.4 million or 4.4 per cent, largely as a result of lower than expected drawdown of concessional loans. The draw down of concessional loans were significantly lower than the revised estimate by K168.8 million or 62.8 per cent due to the slower than expected implementation of projects.

Table 10: Development Expenditure 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Domestic Funds	1,348.6	1,771.0	1,807.5	1,769.7
Project Support Grants	877.5	1,293.9	1,293.9	1,391.1
Infrastructure Tax Credits	33.5	60.0	60.0	18.0
Loans	89.1	268.9	268.9	100.1
<i>Concessional</i>	89.1	268.9	268.9	100.1
<i>Commercial</i>	0.0	0.0	0.0	0.0
Total Development Budget	2,348.7	3,393.8	3,430.3	3,278.9

Source: Department of Treasury

Expenditure on Domestic Funds were K37.8 million or 2.1 per cent lower than the revised estimate.

Project Support Grants were higher than the revised estimate by K97.2 million or 7.5 per cent. This is due to exchange rate fluctuations between donor currencies and the PNG Kina, especially the depreciation of the Australian Dollar against PNG Kina. Infrastructure Tax Credit expenditure was K42.0 million or 70 per cent lower than the revised estimate which may reflect delays in reporting.

2010 Supplementary Budget

Parliament passed the 2010 Supplementary Budget of K653.3 million in November 2010. A majority of these funds were allocated to address key expenditures pressures, including road maintenance and PNG LNG commitments. As all of these funds needed to be spent before 31st December 2010, it was not feasible to obtain this outcome with around one month of 2010 remaining. As a result, only K101 million was spent directly and the rest were earmarked for payment into various trust accounts. See Table 11 on status of each Trust Accounts.

Of the K101 million spent directly, K30 million was spent through the Development Budget and the remainder was spent through the Recurrent Budget.

Table 11: 2010 Supplementary Budget (Kina Millions)

Item	Amount	Spent Directly through Budget	Paid into Trust
Highlands Highway	100.0		100.0
Port Moresby Roads	70.0		70.0
Lae Roads	50.0		50.0
Rural District Roads	50.0		50.0
PNG LNG MoAs	100.0		100.0
PNG LNG HIIP	40.0		40.0
PSIP	40.0		40.0
District Offices Rehabilitation	30.0		30.0
ILG and issues committee	20.0		20.0
ICDC Business Growth centres	20.0		20.0
National Parliament	10.0		10.0
Mobile Police Barracks	5.0		5.0
REDD Program	3.3		3.3
Incentive Fund Support	3.0		3.0
Dept of Finance - Audit & Legal Team Support	2.0		2.0
CIS Prison Industries Program	2.0		2.0
Mining Legal Costs	2.0		2.0
Min Policy & Geohazards office rehab	2.0		2.0
Cooperative societies	2.0		2.0
Variarata National Park Rehab	1.0		1.0
NDB Equity Retail Banking	20.0	20.0	
Income Tax Refunds - IRC	15.0	15.0	
National Parliament additional recurrent	10.0	10.0	
PM's commitment to coastal areas	10.0	10.0	
Electoral Commission additional recurrent	10.0	10.0	
Small Bus Development Cooperatives	10.0	10.0	
Police LNG Support	10.0	10.0	
Defence Ex Servicemen entitlements	9.0	9.0	
PMNEC strategic meetings	5.0	5.0	
Bainik University Campus	2.0	2.0	
TOTAL	653.3	101.0	552.3

Source: Department of Treasury

1.4 FINANCING

A budget surplus of K186.3 million or 0.7 per cent of GDP was recorded for 2010, compared with the revised estimate of a balanced budget in the 2011 Budget. The budget surplus was used to offset net domestic and external outflows of K101.5 million and K84.8 million respectively.

1.5 PUBLIC DEBT

The level of total public debt was K6,896.8 million at the end of 2010 (26.7 per cent of GDP), K85.9 million below the 2009 level and K17.4 million lower than the revised 2010 estimate. This decrease from 2009 was due to lower than expected external loan draw downs partly offset by higher expenditure on goods and services under the Recurrent Budget which contributed to the budget surplus.

External debt fell by K75.2 million over 2010 to K2,751.5 million. This was K95.8 million lower than the 2010 revised estimate due to lower than projected draw downs. Domestic debt also fell by K10.6 million over 2010 to K4,145.2 million. This was K78.3 million higher than the 2010 revised estimate due to higher spending on goods and services under the Recurrent Budget.

Strong nominal GDP growth also contributed to debt as a per cent of GDP falling from 31.4 per cent in 2009 to 26.7 per cent in 2010.

Table 12: Public Debt 2009 – 2010 (Kina Millions)

	2009 Actual	2010 Budget	2010 Revised	2010 Outcome
Domestic	4,155.9	4,127.9	4,066.9	4,145.2
Treasury Bills	1,766.4	1,625.3	1,479.9	1,558.2
Inscribed Stock	2,384.8	2,502.6	2,587	2,587
Other Domestic Debt	4.6	0.0	0.0	0.0
<i>Domestic Debt as a % of GDP</i>	<i>18.7</i>	<i>16.6</i>	<i>15.7</i>	<i>16.0</i>
External	2,826.7	3,021.7	2,847.3	2,751.5
International Agencies	2,737.2	2,945.1	2,769.2	2,672.2
Commercial Loans	89.5	76.6	78.1	79.3
Other Loans	0.0	0.0	0.0	0.0
<i>External Debt as a % of GDP</i>	<i>12.7</i>	<i>13.1</i>	<i>11.0</i>	<i>10.7</i>
Total Public Debt Outstanding	6,982.6	7,149.6¹	6,914.2	6,896.8
<i>As % of GDP</i>	<i>31.4</i>	<i>29.1</i>	<i>26.8</i>	<i>26.7</i>

Source: Department of Treasury

¹ At the time of the 2010 Budget, the projected deficit for 2009 was expected to be financed by debt. Instead this deficit was financed by a reduction in Government's cash balance, therefore the actual 2009 and 2010 closing balances were lower than projected in the 2010 Budget.

At the time of the 2010 Budget the Government was expected to finance a deficit in 2009 by debt. Instead this deficit was financed by cash, therefore the 2009 and 2010 closing balances were lower than anticipated at the time of the 2010 Budget.

1.6 SUPERANNUATION

Nambawan Super Limited (NSL) is the authorised superannuation fund that manages the superannuation contributions for most public servants in Papua New Guinea.

Since the State did not meet its full employer contribution requirements at the time the liability accrued from 1991 to 2008, the State accumulated a significant unfunded liability. The liability has grown at the annual rate of NSL's investment returns. NSL calculates that the State matches 1.4 times the crediting interest rate, based on the ratio of employer (8.4 per cent) to employee (6 per cent) contributions. As outlined in the 2010 Budget, NSL and Treasury have also worked to resolve uncertainty about the size of the Government's unfunded liability.

As stipulated under the *Superannuation (General Provisions) Act 2002*, the State is required to remit the full 8.4 per cent of its employer superannuation contributions beginning 2009 onwards. Notwithstanding this requirement, the Government did not fully fund employer superannuation contributions and exit payments in the 2009 and 2010 Budgets.

The Government's allocation of K110 million and K118 million in the 2009 and 2010 Budgets respectively, for its superannuation obligations in those years, were insufficient to fully fund both the full employer contribution and the State's share of exit payments in those years. As a result, the State has incurred significant outstanding superannuation arrears. The 2009 arrears were settled through the 2010 Budget funding.

The non-payment of the State's employer contributions is not only an offence in breaching the Superannuation Act but it adds further to unfunded superannuation liabilities.

In 2009 NSL's annual report, the size of the outstanding State liability at the end of 2009 was estimated to be K2,036 million. A significant factor behind the growth in the unfunded liability was NSL's solid returns in the last three years. As a result of the solid returns, the Government's unfunded liability continues to increase in recent years.

Table 13: State's unfunded superannuation liability and Payments (Kina Millions)

	2005	2006	2007	2008	2009	2010
Est. Unfunded liability	1,198	1,458	1,740	1,871	2,036	TBA ¹
Total Payments	82.3	58.7	362.4	320.3	110	118
<i>Employer Contribution</i>	36.4	18.1	25.6	30.8	52.4	41.9
<i>Exit payment</i>	45.9	40.6	86.8	99.5	57.6	76.1
<i>Lump-sum</i>			250.0	190.0		

¹ The 2010 estimated unfunded liability is yet to be confirmed
Source: NSL Annual Reports 04-09 and Department of Treasury

A recent factor that will further contribute to the growth in the unfunded liability is the Government's decision in the 2009 and 2010 Budgets not to fully fund the State's 8.4 per cent employer contributions. As a result of this decision, it is estimated that total outstanding superannuation arrears for 2010 are K190.6 million for both the employer contribution and exit payments. In addressing this arrears, the Government allocated K127 million in the 2011 Budget and an additional K220 million for its superannuation obligations in 2011. This will greatly assist in offsetting these arrears incurred in 2010. In addition, the funding will also facilitate the State's superannuation obligations for 2011.

1.7 TRUST ACCOUNTS

The purpose of holding funds in Trust Accounts is to spread spending over time to control demand and inflationary pressures on the economy, as well as to give time to implementing agencies to properly design implementation strategies to execute projects. Table 14 provides an overview of payments and expenditure in and out of Supplementary Budget Trust Funds from 2005 to 2010.

A total of K5,705.4 million, up to and including the 2010 Supplementary Budget, has been appropriated to Supplementary Budget Trust Accounts for implementation of priority expenditure programs.

Table 14: Source of Funds for Trust Accounts: 2005 – 2010¹

Year	Deposits from SBE & APE(1)	Deposits from Annual Budgets & Interest	Spending from Trust Accounts	Net Savings in trust (deposits less spending)
2005	400.0		0.0	400.0
2006	568.4		0.0	568.4
2007	1,283.0		76.0	1,207.0
2008	1,501.4	36.5	480.5	1,057.0
2009	0.0	627.2	2,365.9	-1,738.7
2010	0.0	897.3	818.3	79.0

¹ Deposits include outstanding deposits at the end of the year and exclude outstanding deposits carried over from the previous year.

Source: Department of Treasury and Department of Finance

The opening balance for Supplementary Budget Trust Accounts at 1 January 2010 was K1,343.4 million. Total receipts for the period 1 January to 31 December 2010 of K519.5 million is comprised of K78.5 million in outstanding deposits from 2009 and K441.0 million of deposits from the 2010 Budget and 2010 Supplementary Budget. The closing balance of Supplementary Budget Trust Accounts as at 31 December 2010 was K1,044.6 million (Deposits reported in Table 14 for 2010 of K897.3 million include outstanding deposits from 2010 of K456.3 million).

Total expenditure from Supplementary Budget Trust Accounts in 2010 was K818.3 million, which is substantially lower than total expenditure in 2009 of K2,365.9 million.

Under the Medium Term Fiscal Strategy 2008-2012 (MTFS), Government spending of additional mineral revenue (comprised of spending from additional mineral revenue deposited into trust accounts and additional priority expenditure spent through the Budget) is limited to a maximum of 4 per cent of GDP per annum (which equates to K1,033 million in 2010).

Total spending of additional mineral revenue in 2010 was K524.0 million or 2 per cent of GDP, comprised of K502 million of additional priority expenditure spent through the 2010 Budget and K101 million spent through the 2010 Supplementary Budget, less net payments into trust of K79.0 million. This is consistent with the MTFS and is appropriate for the current economic environment.

Table 15 shows the movements in these Trust Accounts for the period 1 January to 31 December 2010.

Table 15: Movements of Funds in Trust Accounts in 2010 (Kina millions)

Description	Approp Paid Into Trust	Opening Balance as at 1-Jan-10	Debit (Receipt)	Credit (Payment)	Closing Balance as at 31-Dec-10	Deposits Outstanding as at 31-Dec-10
Agriculture Sector Development	108.0	2.2	0.0	-2.2	0.0	0.0
Airport Repairs and Upgrades	50.0	0.1	0.0	-0.1	0.0	0.0
Outstanding PBSS (Teachers) *	45.1	24.6	0.0	-24.6	0.0	0.0
Education Sector Infrastructure Rehabilitation	250.0	20.5	0.0	-19.8	0.7	0.0
Higher Education Sector Infrastructure Rehabilitation	80.0	32.7	0.0	-20.2	12.5	0.0
Law & Justice Sector Infrastructure Rehabilitation	130.0	3.5	0.0	-3.5	0.0	0.0
Strategic District Markets Infrastructure	20.0	0.7	0.0	-0.7	0.0	0.0
National Parliament Infrastructure Rehabilitation	10.0	5.1	0.0	-1.7	3.4	10.0
Transport Sector Infrastructure Rehabilitation **	607.5	285.6	40.0	-88.3	237.3	0.0
PNG Gas Development and Commitments	15.0	1.8	0.0	-1.2	0.6	0.0
Resettlement of Rabaul Volcano Victims	20.0	9.9	0.0	-4.1	5.8	0.0
Hospital and Healthcare Centre Rehabilitation	250.3	17.4	0.0	-4.5	12.9	0.0
Rehabilitation of Housing for Nurses	15.0	15.1	0.0	-3.8	11.3	0.0
Rehabilitation of Housing for Police	50.0	23.8	0.0	-6.4	17.4	0.0
Highlands Highway Rehabilitation	35.0	16.1	0.0	-16.1	0.0	0.0
District Services Improvement Program***	1,380.0	622.9	205.0	-414.2	413.7	6.0
Institutional Housing Pilot	47.0	19.1	0.0	-4.1	15.0	0.0
Housing Development Pilot	15.0	3.2	0.0	-2.6	0.6	0.0
Cooperative Societies Establishment	10.0	0.1	2.0	-0.1	2.0	0.0
Madang Marine Park Development	25.0	8.5	0.0	-8.4	0.1	0.0
Rural Electrification	30.0	19.6	0.0	-19.0	0.6	0.0

Description	Approp Paid Into Trust	Opening Balance as at 1-Jan-10	Debit (Receipt)	Credit (Payment)	Closing Balance as at 31-Dec-10	Deposits Outstanding as at 31-Dec-10
Konebada Petroleum Park	50.0	50.0	0.0	-10.9	39.1	0.0
National Infrastructure Development **	195.9	125.1	-40.0	-81.8	3.3	0.0
Land Reform Program	28.0	3.7	0.0	-3.5	0.2	0.0
Regional, Provincial Treasury and District Admin. Offices	26.0	24.8	0.0	-12.6	12.2	0.0
Finance Commission of Enquiry	10.0	2.3	0.0	-2.3	0.0	0.0
LNG Project Development Cost	172.5	5.0	45.5	-28.6	21.9	0.0
Business Development Grants	47.0	0.0	47.0	0.0	47.0	0.0
Infrastructure Development Grants	120.0	0.0	120.0	-33.0	87.0	0.0
Outstanding Liabilities Trust Account	100.0	0.0	100.0	0.0	100.0	0.0
Highlands Highway Rehabilitation Trust Account	0.0	0.0	0.0	0.0	0.0	100.0
Lae City Roads Rehabilitation Trust Account	0.0	0.0	0.0	0.0	0.0	50.0
Rural District Roads Support Trust Account	0.0	0.0	0.0	0.0	0.0	50.0
PNG LNG High Impact Infrastructure	0.0	0.0	0.0	0.0	0.0	40.0
ILG and Issues Committee Trust Account	0.0	0.0	0.0	0.0	0.0	20.0
Business Growth Centre Trust Account	0.0	0.0	0.0	0.0	0.0	20.0
Audit & Legal Team Support Trust Account	0.0	0.0	0.0	0.0	0.0	2.0
CIS - Prison Industries Program	0.0	0.0	0.0	0.0	0.0	2.0
Incentive Fund Support Trust Account	0.0	0.0	0.0	0.0	0.0	3.0
Mul Baiyer Mobile Police Barracks Trust Account	0.0	0.0	0.0	0.0	0.0	5.0
REDD Program Trust Account	0.0	0.0	0.0	0.0	0.0	3.3
Variarata National Park Rehabilitation Trust Account	0.0	0.0	0.0	0.0	0.0	1.0
Hubert Murray Highway Upgrading Trust Account	0.0	0.0	0.0	0.0	0.0	70.0

Description	Approp Paid Into Trust	Opening Balance as at 1-Jan-10	Debit (Receipt)	Credit (Payment)	Closing Balance as at 31-Dec-10	Deposits Outstanding as at 31-Dec-10
Provincial Services Improvement Program (PSIP) Trust Account	0.0	0.0	0.0	0.0	0.0	40.0
District Offices Rehabilitation Trust Account	0.0	0.0	0.0	0.0	0.0	30.0
Mining Legal Costs Trust Account	0.0	0.0	0.0	0.0	0.0	2.0
Mining Office Rehabilitation Trust Account	0.0	0.0	0.0	0.0	0.0	2.0
TOTAL	3,942.3	1,343.4	519.5	-818.3	1,044.6	456.3

* The Outstanding PBSS (Teachers) Trust Account returned K24.6 to CRF and did not expend any funds during the year

** K40million was transferred from National Infrastructure Development Trust Account to the Transport Sector Infrastructure Rehabilitation Trust Account during the year to fund the development of the Sepik Highway

*** The opening balance for DSIP accounts has been revised since the 2009 FBO. The 2009 FBO erroneously included K76 million in outstanding payments to subsidiary accounts in the closing balance of those accounts.

Source: Department of Finance

The National Government appropriated K1,120.3 million into trusts funds in 2010. This comprises K568 million from the 2010 Budget and K552.3 million from the 2010 Supplementary Budget. Of this, the Department of Treasury released K897.3 million into trust, comprised of K441.0 million paid into trust in 2010 and outstanding deposits of K456.3 million. The remaining K223.0 million was expended as follows:

- K40.0 million budgeted for the Transport Sector Infrastructure Rehabilitation was spent by government in other areas;
- K40.0 million budgeted for the Rural Electrification trust account was spent by government in other areas;
- K5.0 million budgeted for the Land Reform Program trust account was spent by government in other areas;
- K15.0 million budgeted for the Waigani Office Development Project trust account was spent by government in other areas;
- K13.0 million budgeted for Business Development Grants was spent by government in other areas;
- K50.0 million budgeted for Coastal Vessels Program Trust Account was spent by government in other areas;
- K20.0 million budgeted for Fisheries Development Project Trust Account was spent by government in other areas; and
- K40.0 million budgeted for National Roads - Missing Links Trust Account was spent by government in other areas.

District Service Improvement program (DSIP) Trust Accounts

DSIP Trust Accounts are designed to fund priority expenditure programs in the Districts. A total of K1,424.0 million has been appropriated to the DSIP Trust Accounts over the period 2006-2010.

The appropriation for DSIP Trust accounts in 2010 was K178 million. Of this, K172 million has been released by the Department of National Planning and Monitoring (DNPM), with the remaining K6 million outstanding. As at 31 December 2010, there remains 15 Districts who are owed a total of K16 million in outstanding DSIP payments. This will be funded from the closing balance of K3 million in the DSIP trust account at the Bank of PNG, the K6 million to be released by DNPM and the recovery of a K7 million overpayment that was made to 4 districts.

For ease of management, an individual subsidiary bank account has been established with commercial banks for each of the 89 Districts. As at 31 December 2010 the combined balance of the 89 District bank accounts was K410.7 million. The total DSIP balance reported in the previous table reflects both the K3 million held in the primary account at BPNG and the amounts held in the subsidiary trust accounts. Payments reported in the previous table include both payments from the subsidiary accounts and (if any) payments from the primary account (but exclude transfers between the primary and subsidiary accounts). However, receipts are specific to each account - primary account receipts generally reflect Budget appropriations (adjusted for outstanding cheques), and subsidiary account receipts generally reflect transfers from the primary account. Accordingly, total receipts for subsidiary accounts of K345 million shown in Appendix 1 comprises transfers made from the opening balance of the primary account, and transfers of deposits made into the primary account.

Following is a summary of expenditure for Supplementary Budget Trust Accounts for the period 1 January – 31 December 2010 where more than K5 million was expended:

K19.8 million was spent from the Education Sector Infrastructure Rehabilitation Trust Account for infrastructure rehabilitation of schools around the country.

K20.2 million was spent from the Higher Education Sector Infrastructure Rehabilitation Trust Account for infrastructure maintenance of the four (4) government funded universities

K88.3 million was spent from the Transport Sector Infrastructure Rehabilitation Trust Account for the selected priority road projects around the country during this period. These projects include District Roads K33.0 million, National Roads K42.4 million, Wewak Roads K3.9 million and Ports and Jetties K1.5 million.

K6.4 million was spent from the Rehabilitation of Housing for Police Trust Account for the rehabilitation of the Police Housing around the country during this period. The Police Housing rehabilitation program will continue and be funded from the remaining trust account balance of K17.4 million.

K16.1 million was spent from the Highlands Highway Rehabilitation Trust Account for the highlands highway rehabilitation program during this period. Most of these expenditure occurred in the Simbu section of the highlands highway. The funds in this trust have been fully drawn down. However, the Department of Finance is still maintaining this trust in anticipation of possible future funding for the highlands highway to be channelled through this trust.

K414.2 million was spent from the District Service Improvement Program Trust Account. Equal funding has been provided to 89 District Administrations for priority areas. A breakdown of 2010 expenditure levels and balances for each of the 89 districts is provided above.

K8.4 million was spent from the Madang Marine Park Trust Account for the Madang Marine park development project. The project is progressing with additional loan funding from the China Export Import Bank.

K19.0 million was spent from the Rural Electrification Trust Account for the government's rural electrification project. Each of the 19 provincial administrations received K1 million to improve their rural electrification.

K10.9 million Konebada Petroleum Park Trust Account for the development of the Konebada Petroleum Park during this period. Department of Petroleum and Energy is yet to provide to the Department of Finance with a detailed report on the progress of this project.

K81.8 million was spent from the National Infrastructure Development Program Trust Account for approved national road programs. Funds were transferred to Works Department and expended for approved road projects accordingly.

K12.6 million was spent from the Regional Treasury and District Administration Offices Establishment Trust Account to identify suitable sites and undertake construction of Regional Offices. This included K1.28 million on the Highlands Regional Office in Kundiawa, K4.0 million on the Momase Regional Office in Madang and K0.7 million on preliminary work including surveys to locate a suitable site for the Southern and NGI Regional Offices. Also K6.62 million was also spent on the Aitape Lumi District Administration Office as part of the Regional Finance Office Establishment Program.

K28.6 million was spent from the LNG Project Development Cost Trust Account for the expenditures related to the PNG LNG Project.

The details of DSIP Trust Balances are shown in Appendix 1.

FISCAL OUTTURN TABLES

TABLE 16: CENTRAL GOVERNMENT REVENUE & GRANTS (Kina millions)

	2010 Original	2010 Revised	2010 Outcome
A. TAX REVENUE	5735.3	6481.0	6434.7
A1. TAX ON INCOME AND PROFITS	4029.7	4706.7	4668.1
Personal Income Tax	1420.2	1497.4	1494.0
Company Tax	1107.7	1219.7	1192.1
Dividend Withholding Tax	180.5	275.6	278.8
Interest Withholding Tax	25.0	42.4	42.3
Mining and Petroleum Taxes	1088.8	1471.2	1476.3
Gaming Tax	102.9	96.1	92.9
Other: Direct	104.6	104.3	91.7
A2. DOM. TAXES ON GOODS AND SERVICES	1258.9	1240.5	1193.1
Excise	417.1	421.4	399.2
GST	835.7	812.8	778.1
Other: Indirect	6.1	6.3	15.8
A3. TAXES ON INTERNATIONAL TRADE	446.7	533.8	573.5
Import Duty	168.1	189.7	188.6
Export Duty	122.3	153.9	173.6
Excise duties on Imports	156.3	190.2	211.3
B. NON-TAX REVENUE	400.5	409.6	435.1
B1. PROPERTY INCOME	285.2	299.1	339.2
Dividends	55.0	38.5	40.3
Mining and Petroleum Dividends	230.2	260.6	298.9
B2. INTEREST AND FEES FROM LENDING	9.0	4.0	1.3
B3. OTHER NON TAX REVENUE	106.3	106.5	94.6
B4. ASSETS SALES	0.0	0.0	0.0
C. TOTAL REVENUE	6135.8	6890.6	6869.8
% of GDP	24.7%	26.7%	26.6%
D. INFRASTRUCTURE TAX CREDIT	60.0	60.0	18.0
E. GRANTS	1293.9	1293.9	1391.1
Budgetary Support	0.0	0.0	0.0
Project Grants	1293.9	1293.9	1391.1
F. TOTAL REVENUE AND GRANTS	7489.7	8244.5	8278.9
As % of GDP	30.1%	31.9%	32.0%
G. PRINCIPAL RECEIPTS FROM LENDING	4.0	4.0	1.2
H. GROSS BORROWING	2146.9	2103.8	2013.3
I. ASSET SALES	0.0	0.0	0.0
J. TOTAL RECEIPTS	9640.6	10352.3	10293.4
As % of GDP	38.7%	40.1%	39.8%

TABLE 17: CENTRAL GOVERNMENT EXPENDITURE (Kina millions)

	2010 Original	2010 Revised	2010 Final approp ¹	2010 Outcome
1 RECURRENT BUDGET				
A. NATIONAL DEPARTMENTS	2380.2	2436.8	2431.2	2474.3
Personnel Emoluments	1093.1	1149.7	1024.7	1070.2
Total Goods & Services	1287.1	1287.1	1406.5	1404.1
General Goods & Services	1065.8	1065.8	1164.1	1161.9
Education Subsidies	143.0	143	144.3	144.2
Arrears Payments	28.8	0.0	0.0	0.0
SAP Payments	50.0	28.3	28.1	28.0
Court Orders	52.0	50.0	70.0	70.0
B. PROVINCIAL GOVERNMENTS	925.2	1013.7	919.1	982.9
Personnel Emoluments	714.7	803.2	708.4	781.6
Staffing Grants	232.1	320.6	225.1	255.1
Teachers Salaries	482.6	482.6	483.3	526.5
Goods & Other Services	210.5	210.5	210.7	201.3
Administration Grants	23.9	23.9	24.3	23.9
Health Function Grant	39.2	39.2	39.2	39.2
Education Subsidies	38.9	38.9	39.1	40.2
Primary production Function grant	14.1	14.1	14.1	14.1
Trans/Infra/Maint. Grants	45.9	45.9	41.9	44.0
Local & Village Services Grants	34.2	34.2	38.3	34.2
Town & Urban Services Grants	12.1	12.1	11.5	3.5
Village Courts	2.2	2.2	2.3	2.2
AUTONOMOUS BOUGAINVILLE GOVT	58.0	58.0	59.0	63.2
Personnel Emmoluments	38.0	38.0	38.0	41.6
Staffing Grants	10.9	10.9	10.9	11.2
Teachers Salaries	27.1	27.1	27.1	30.4
Goods & Services	20.0	20.0	21.0	21.6
Police Grant	2.4	2.4	2.4	2.4
Recurrent	17.3	17.3	18.3	19.2
ConditionalGrant	0.3	0.3	0.3	0.0
C. TRANSFERS & LOANS TO C.S.A	269.4	269.4	284.8	288.1
D. INTEREST PAYMENT & FEES	467.1	387.0	363.2	353.1
Domestic	400.1	334.0	310.2	305.3
External	67.0	53.0	53.0	47.8
E NET LENDING TO C.S.A	-4.0	-4.0	-4.0	-1.2
Gross Lending	0.0	0.0	0.0	0.0
Less : Loan Repayments	-4.0	-4.0	-4.0	-1.2
F. RECURRENT EXPENDITURE & NET LENDING	4095.9	4160.9	4053.3	4160.4
As % of GDP	16.5%	16.1%	15.7%	16.1%

	2010 Original	2010 Revised	2010 Final approp ¹	2010 Outcome
2 DEVELOPMENT BUDGET				
Domestic Funds	1771.0	1807.5	1769.4	1769.7
Project Grants	1293.9	1293.9	1293.9	1391.1
Infrastructure Tax Credits	60.0	60.0	60.0	18.0
Concessional loans	268.9	268.9	268.9	100.1
Commercial loans	0.0	0.0	0.0	0.0
G. TOTAL DEVELOPMENT BUDGET (PIP)	3393.8	3430.3	3392.2	3278.9
As % of GDP	13.6%	13.3%	13.1%	12.7%
H. SUPPLEMENTARY BUDGET²		653.3	653.3	653.3
As % of GDP		2.5%	2.5%	2.5%
I. TOTAL EXPENDITURE & NET LENDING	7489.7	8244.5	8098.8	8092.6
As % of GDP	30.1%	31.9%	31.3%	31.3%
J. AMORTISATION	2146.9	2103.8	2147.0	2199.6
Domestic	1963.1	1919.2	1963.1	2014.7
External	183.8	184.6	183.8	184.9
K. LOAN REPAYMENTS	4.0	4.0	4.0	1.2
L. TOTAL PAYMENTS	9640.6	10352.3	10249.8	10293.5
As % of GDP	38.7%	40.1%	39.7%	39.8%

¹ The Appropriation Acts provide the Secretary for Treasury to transfer monies within and between Divisions. The 2010 Final Approp refers to the final appropriation for 2010 after these transfers have occurred up to 31 December 2010. In Part 1, the basis for comparison is the revised estimates as published in the 2011 Budget. In Part 2, the basis for comparison is the revised PBS appropriation. The analysis provided in Part 1 and 2 will differ due to the transfers between the Budget and the end 31 December 2010.

² Additional priority expenditure of K502 million from the 2010 Budget is included in the Development Budget (Domestic Funds)

TABLE 18: CENTRAL GOVERNMENT FINANCING (Kina millions)

	2010 Original	2010 Revised	2010 Outcome
A. TOTAL REVENUE AND GRANTS	7489.7	8244.5	8278.9
B. TOTAL EXPENDITURE AND NET LENDING	7489.7	8244.5	8092.6
C. DEFICIT (-) / SURPLUS (+)	0.0	0.0	186.3
% of GDP	0.0%	0.0%	0.7%
D. EXTERNAL FINANCING	85.1	84.3	-84.8
D1. CONCESSIONAL FINANCING	140.5	141.3	-27.6
New Borrowing	268.9	268.9	100.1
Less Amortisation	-128.4	-127.6	-127.8
D2. COMMERCIAL FINANCING	-17.8	-19.2	-19.4
New Borrowing	0.0	0.0	0.0
Less Amortisation	-17.8	-19.2	-19.4
D3. EXCEPTIONAL FINANCING	-37.6	-37.8	-37.8
New Borrowing	0.0	0.0	0.0
Less Amortisation	-37.6	-37.8	-37.8
E. DOMESTIC FINANCING	-85.1	-84.3	-101.5
E1. DOMESTIC MARKET BORROWING (NET)	-85.1	-84.3	-10.7
New Domestic Borrowing	1878.0	1834.9	1913.2
Less Amortisation	-1963.1	-1919.2	-1923.9
E2. OTHER DOMESTIC FINANCING (b)	0.0	0.0	-90.8
E3. ASSETS SALES FINANCING	0.0	0.0	0.0
E4. NET FINANCING	0.0	0.0	0.0
F. TOTAL FINANCING	0.0	0.0	-186.3
G. GROSS BORROWING	2146.9	2103.8	2013.3
Concessional	268.9	268.9	100.1
Commercial	0.0	0.0	0.0
Exceptional	0.0	0.0	0.0
Domestic	1878.0	1834.9	1913.2
Financing Gap	0.0	0.0	0.0

PART 2

FINAL BUDGET OUTCOME BY AGENCY

INTRODUCTION

Part Two (2) of the Final Budget Outcome discusses the 2010 original budget appropriation, revised budget appropriation and the outcome which is the actual expenses incurred by each agency, whether it is within or over the revised budget. The expenditure is divided into Personal Emoluments (PE) and Goods and Services (GS) for each agency. It also highlights the reallocation of funds through Secretary's Advance and Public Debt Services. Furthermore, it briefly discusses the 2010 Supplementary Budget.

RECURRENT BUDGET OUTCOME BY AGENCY

Variations in Agency appropriations can occur during the Budget Year through new appropriations like the 2010 Supplementary Budget or through the transfer of funds. These transfers are provided for under Section 3 and 4 of the Appropriations Act. When comparing Original Budget and Revised Budget, readers should note that Revised Budget includes all transfers to agencies up to and including 31 December 2010.

The main category of over expenditure relative to the final appropriation was for Personal Emoluments of K100.8 million. Of this amount K23.8 million related to National Departments and K77.0 million was due to Provincial Governments. This over expenditure occurred mainly in salaries, staffing grants and teacher's salaries paid through the payroll system administered by the Department of Finance.

PERSONAL EMOLUMENTS – NATIONAL DEPARTMENTS

National Departments overspent on Personal Emoluments by K23.8 million in 2010 relative to the final appropriation. In many cases, this was due to incorrect forecasting of the impact of staff salary increments and/or a failure to exercise appropriate controls over expenditure and establishment. Table 1 below shows agencies that over spent in personal emoluments greater than K500,000.

Table 1 – National Departments with Personal Emoluments Overspends of greater than K500,000.

Div	Agencies	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
234	Defence	62,274,500	62,576,800	72,861,863	10,285,063
228	Police	134,202,500	131,276,000	140,949,799	9,673,799
264	Works and Implementation	44,635,300	31,392,800	40,791,251	9,398,451
217	Foreign Affairs	23,149,100	22,728,200	27,755,962	5,027,762
203	Prime Minister and NEC	35,181,300	36,272,500	39,491,964	3,219,464
225	Attorney General	15,718,800	15,654,800	18,377,042	2,722,242
247	Agriculture and Livestock	10,225,800	10,225,800	12,640,571	2,414,771
227	Provincial Treasuries	21,796,200	21,796,200	23,584,210	1,788,010
229	Planning and Monitoring	7,345,800	7,308,800	8,164,245	855,445
262	Industrial Relations	5,245,100	5,357,000	6,086,128	729,128
204	Statistics Office	3,384,700	3,382,800	4,102,852	720,052
261	Trade and Industry	5,232,300	5,282,300	5,815,514	533,214
255	Petroleum and Energy	6,767,500	7,034,600	7,562,567	527,967
254	Mining	3,953,000	3,953,000	4,471,167	518,167
226	Correctional Institutions	31,839,500	32,453,100	32,970,654	517,554

The major expenditure variances primarily reflect the implementation of new and existing industrial agreements which were not budgeted for in the 2010 Budget. This primarily affected the Departments of Defence and Police.

Partly offsetting this over expenditure on Personnel Emoluments was under expenditure by a small number of agencies including the Department of Health (K7.2 million) and the Department of Education (K4.6 million) relative to the final appropriation. This under spending in part reflects delayed processing of staff retrenchment payments and improved internal efficiencies.

PERSONAL EMOLUMENTS – PROVINCIAL GOVERNMENTS

In 2010, there was significant over expenditure by many Provincial Governments on Personnel Emoluments of K77.0 million in 2010 relative to the final appropriation, with only five living within their appropriations. Table 2 shows the provincial governments that over spent in Personal emoluments greater than K500,000. The Southern Highlands Provincial Government overspent by K19.4 million which is the highest.

Table 2 – Provincial Governments with Personal Emoluments overspends greater than K500,000.

Div	Provincial Governments	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
577	Southern Highland Provincial Government	60,694,300	60,694,300	80,050,641	19,356,341
579	Western Highland Provincial Government	48,057,500	48,057,500	60,441,102	12,383,602
583	Madang Provincial Government	41,952,400	41,952,400	52,839,728	10,887,328
584	East Sepik Provincial Government	42,519,300	42,519,300	50,596,158	8,076,858
578	Enga Provincial Government	40,654,700	40,654,700	48,314,491	7,659,791
581	Eastern Highland Provincial Government	49,040,100	49,040,100	54,953,858	5,913,758
580	Simbu Provincial Government	38,928,000	38,928,000	42,805,302	3,877,302
590	Autonomous Bougainville Government	38,017,000	38,017,000	41,698,014	3,681,014
588	East New Britain Provincial Government	46,413,800	46,413,800	49,314,627	2,900,827
582	Morobe Provincial Government	73,805,800	73,805,800	76,329,972	2,524,172
576	Oro Provincial Government	22,143,700	22,143,700	23,954,322	1,810,622
589	West New Britain Provincial Government	37,587,100	37,587,100	39,294,004	1,706,904
585	Sandaun Provincial Government	31,386,200	31,386,200	32,849,621	1,463,421
587	New Ireland Provincial Government	27,729,500	27,729,500	28,917,972	1,188,472
586	Manus Provincial Government	15,945,800	15,945,800	16,856,621	910,821

Overspending by Provincial Administrations on PE is a continuing problem which the Department of Treasury and Department of Personal Management are working closely to rectify. Persistent over spending reflects poor management behaviours by Provincial Administrations and poor payroll controls. Additional controls approved for introduction in 2011 include a high level payroll monitoring committee, agencies to undertake annual manpower audits, training programs, an audit of the payroll system and a report back to National Executive Council mid-year.

In 2010 the Departments of Treasury and Personnel Management jointly reviewed Personnel Emoluments payments. Following this review, additional funding was provided as part of the 2011 Budget process to agencies which had been previously underfunded. The adequacy of this funding combined with more stringent management of Personnel Emoluments expenditure is expected to help reduce overspending in 2011.

The over expenditure of Personnel Emoluments reflects to some extent the devolution of human resources powers which has given authority to Provincial Administrators to hire more staff. Provinces and agencies which abuse these delegations may have them removed in 2011 however.

GOODS AND SERVICES – NATIONAL DEPARTMENTS AND COMMERCIAL STATUTORY AUTHORITIES

Expenditure on Goods and Services by National Departments was higher by K4.7 million as was Commercial Statutory Authorities by K3.8 million relative to the final appropriation.

Table 3 shows the agencies that spent over K500,000 in goods and services. These were partially offset by under expenditure of Goods and Services across a range of other agencies.

It is unclear at this early stage how Agencies were able to spend more than was initially appropriated. The Department of Treasury views this situation as a matter of serious concern and will investigate the cause of these overspends and seek to ensure that future overspending is not possible.

Table 3 – Agencies with Goods and Services Overspends of greater than K500,000.

Div	Agencies	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
201	National Parliament	86,018,200	104,718,200	111,418,200	6,700,000
514	University of Goroka	12,154,000	12,545,100	14,477,970	1,932,870
269	Office of Tourism Arts and Culture	723,800	1,500,000	3,000,000	1,500,000
567	National Road Authority	871,200	871,200	2,313,297	1,442,097
247	Agriculture and Livestock	3,442,800	3,442,800	4,865,449	1,422,649
550	Cocoa Coconut Institute	5,416,600	5,416,600	6,061,800	645,200
245	Environment and Conservation	4,717,200	6,673,600	7,244,474	570,874
519	AIDS Council	6,379,200	6,379,200	6,940,100	560,900

GOODS AND SERVICES – PROVINCIAL GOVERNMENTS

All the Provincial Governments' expenditures for Goods and Services were within their Recurrent Appropriation, except for the Autonomous Bougainville Government which overspent by K939,000. This was driven by peace restoration activities in Bougainville.

The over expenditure in both Goods and Services and Personal Emoluments breached the *Appropriation (Recurrent Expenditure 2010) Act 2009* and the *Public Finances (Management) Act 1995*.

In the past, where Government expenditure has exceeded appropriations, Governments have provided a 'Validation Bill' in the next financial year providing a non cash appropriation authority for the amount of over expenditure. However, in recognition that this does not encourage agency heads to comply with *Parliament's Appropriation Acts* and the *Public Finances (Management) Act 1995*, the Government will not pursue this course. Instead, Treasury is reviewing the current processes of monitoring and controlling of expenditure incurred from the payroll and goods and services.

DETAILS OF EXPENDITURE FROM AND REALLOCATIONS THROUGH SECRETARY'S ADVANCE (DIVISION 207)

The funds available in the Secretary's Advance for 2010 totaled K20.0 million. Out of the K20.0 million appropriated in the budget K19,987,300 was used by 24th August, 2010. The remaining balance as at 31st December 2010 was K12,700. Table 4 shows the reallocations of funds through Secretary's Advance.

Table 4 – Expenditures from and reallocations through Secretary’s Advance (207)

Explanations/Comments	2010 Original Budget	2010 Outcome	Appropriation Balance
Original Appropriation	20,000,000		
Total funds available from Secretary’s Advance	20,000,000		
Transfer for HIES as per DS Policy directions		-900,000	19,100,000
To cater joined operation by Police/CIS NSAS Dec.		-3,000,000	16,100,000
Investigation into Bomana Prison Break out.		-200,000	15,900,000
O/S Payments to Barobebao Contractors Ltd .		-678,000	15,222,000
O/S PM's Staff Determination		-1,640,500	13,581,500
Settle balance of funds owned to Koiari LLG SPA		-50,200	13,531,300
Additional Funds for HIES		-1,000,000	12,531,300
To cater for UPNG Salary Fixation Agreement		-1,900,000	10,631,300
Cover 8 prioritised positions for UOG as per Sec's Advice		-391,100	10,240,200
Funds for emerging Pacific Leaders Dialogue 2010.		-100,000	10,140,200
Cover State visit by Indonesia's President .		-1,500,000	8,640,200
Repatriation costs for Treasury retrenched officers		-135,700	8,504,500
Add. Funding as per NEC Dec. 43/09		-1,000,000	7,504,500
Printing of Audit Reports		-400,000	7,104,500
To cater for legal fee for Jerewai Lawyers per NEC Dec.		-2,000,000	5,104,500
To cater for operational costs and wages		-600,000	4,504,500
PNG Govt. contribution for Disaster Assistance		-3,191,800	1,312,700
To cater for urgent retirement		-1,000,000	312,700
To cover Sirinumu L/O - Land Lease Payment		-130,000	182,700
To cater for Ministerial commitment		-90,000	92,700
Inspection Div/Travel for investigation – province		-50,000	42,700
Additional Fund to support Pneumonia Colloquium – Goroka		-30,000	12,700
Withdrawal of savings from District Treasury Roll out Program		2,000,000	2,012,700
To cater for Payroll System Update		-2,000,000	12,700
Withdrawal of savings from District Treasury Roll out Program		300,000	312,700
To cater for Payroll System Update		-300,000	12,700
Withdrawal of savings from Debt Service (Inscribe Stock)		20,000,000	20,012,700
To cater for Court Cases (Yama & Mond's)		-20,000,000	12,700
2010 Supplementary Budget		618,300,000	618,312,700
Funds transferred to Supplementary Budget Vote		-	
		618,300,000	12,700
Withdrawal of savings from Debt Service (Inscribe Stock)		650,000	662,700
To cover GST Payment by Tech-One		-650,000	12,700
Withdrawal of savings from Debt Service (Inscribe Stock)		3,500,000	3,512,700
To cover NBC Bills (Court Case) and PNG Power		-3,500,000	12,700

The tables in Part 2 show the 2010 Revised Budget reflecting the full effect of section 3 and section 4 transfers to 31 December 2010. The data in Part 1 reflects the Revised 2010 Budget as at the time of publishing the 2011 Budget.

An amount K618.3 million was added to the Secretary’s advance original appropriation as part of the supplementary budget exercise. This was then transferred to the required activities as explained in the Supplementary budget section.

Transfers from Division 299 – Treasury and Finance - Public Debt Charges

During 2010 transfers from Division 299, totaling K68.768 million were made to Division 207 - Secretaries Advance and then to identified agencies. Of this amount K35 million of this was re-appropriated as part of the supplementary budget from domestic interest to the Secretary's Advance, whilst the balance was seen as further savings for unbudgeted activities in the 2010 budget. These transfers were made possible due to lower than forecast domestic interest expenses.

Transfers of this nature are unusual and should not be seen to establish a precedent for future years. Enhanced controls will be put in place to ensure such transfers do not occur in future years.

Details of the transfers are shown in Table 5 below.

Table 5 – 2010 Transfers from Division 299 – Treasury and Finance – Public Debt Charges

Vote	Amount	Recipient Agency	Explanation/Comments
299-5101-1101	35,000,000	Various	Saving in interest expenses was transferred to fund commitments in the <i>2010 Supplementary Appropriation Act</i>
299-5101-1101	3,500,000	Various	Funding transferred to cater for Joint Police/Defence and Border Authority operations at the Border as per NEC Decision.
299-5101-1101	2,500,000	Defence	Transfer to provide for settlement of Defence Catering Services liability.
299-5101-1102	20,000,000	Treasury	Saving in interest expense was transferred to meet legal costs relating to Yama and Mends cases
299-5101-1102	900,000	Office of Governor General	Transfer to provide funding for shortfall in office accommodation appropriation
299-5101-1102	718,100	Finance	Transfer to provide for settlement of security services contract at Vulupindi Haus
299-5101-1102	3,500,000	National Broadcasting Commission	Transfer to provide funding for settlement for outstanding liabilities
299-5101-1102	650,000	Finance	Transfer to cover liabilities owing to Tech One.
299-5202-1112	2,000,000	Miscellaneous (207)	To cover Asia Development Bank subscription fees.

2010 SUPPLEMENTARY BUDGET

The 2010 Supplementary Budget of K653.3 million resulted from high commodity prices and taxation revenue which was not expected when the 2010 National Budget was compiled and approved by the National Parliament. The Supplementary Budget was funded from K618.3 million from additional revenue and K35.0 million from interest expense savings.

A total of K552.3 million from K653.3 was transferred to Trust Accounts of Finance Department, whilst the remaining K101.0 million was appropriated for additional expenditures that were undertaken in the remaining months of 2010. A further K40 million was transferred from the Development Budget to the Secretary's Advance, which consist of K30 million for former members entitlements and K10 million for the census project. These were than paid into trust accounts for later use as appropriated in the Supplementary Budget. The breakup of K552.3 million in Table 3 below and K101.0 million in table 4 are on the next page.

Table 6 – The breakup of K552.3 million that was transferred to Trust Accounts

Types of Trust Accounts	Amount (K)
Outstanding Liabilities Trust Account	100,000,000
Highlands Highway Rehabilitation Trust Account	100,000,000
Hubert Murray Highway Upgrading Project Trust Account	70,000,000
Transport Sector – Lae City Roads Subsidiary Account	50,000,000
Transport Sector – District Roads Account	50,000,000
Provincial Services Improvement Program Trust Account	40,000,000
PNG LNG High Impact Infrastructure Projects Trust Account	40,000,000
Regional Finance & District Administrators Offices Establishment Trust Account	30,000,000
ILG and Issues Committee Trust Account	20,000,000
Business Growth Centres Trust Account	20,000,000
National Parliament Infrastructure Rehabilitation Trust Account	10,000,000
Mobile Police Barracks Trust Account	5,000,000
REDD Program Trust Account*	3,300,000
Incentive Fund Support Trust Account	3,000,000
Department of Finance – Audit and Legal Team Support Trust Account*	2,000,000
Corrective Institutional Services- Prison Industries Program Trust Account*	2,000,000
Mining Legal Cost Trust Account*	2,000,000
Mining Office Rehabilitation Trust Account*	2,000,000
Cooperative Societies Establishment Trust Account	2,000,000
Variarata National Park Rehabilitation Trust Account*	1,000,000
Total	552,300,000

Table 7 – The breakup up of K101.0 million appropriated for additional expenditure.

Agencies	Explanations/Comments	Amount (K)
National Development Bank	Equity Retail Banking	20,000,000
Internal Revenue Commission	Income tax refunds	15,000,000
Department of Prime Minister & National Executive Council	K10 million for Prime Minister's commitment towards coastal areas and K5 million for undertaking planned strategic meetings and important local initiatives	15,000,000
National Parliament	Replenish 2010 Recurrent appropriation	10,000,000
Electoral Commission	Replenish 2010 Recurrent appropriation	10,000,000
Small Business Development Cooperation	Small business development cooperatives	10,000,000
Department of Police	Reimbursement of budget funds used to meet the urgent payment to police for LNG Support in October 2010	10,000,000
Department of Defence	Ex-servicemen's entitlements	9,000,000
University of Environment and Natural Resources	Bainik University Campus	2,000,000
Total Funding		101,000,000

ATTACHMENTS

Attachment A – 2010 Transfers to National Departments – Personal Emoluments

Div	Agencies	2010 Original Budget	2010 Final Approp	2010 Outcome	2,010 Variance
202	Governor-General	1,214,000	1,254,000	1,637,768	-383,768
203	Prime Minister and NEC	35,181,300	36,272,500	39,491,964	-3,219,464
204	Statistics Office	3,384,700	3,382,800	4,102,852	-720,052
205	Bougainville Affairs	766,600	766,600	1,034,489	-267,889
206	Finance	9,046,000	9,193,500	9,507,422	-313,922
207	Miscellaneous Expenditures	140,062,600	125,466,400	125,453,777	12,623
208	Treasury	7,934,400	8,266,600	8,211,342	55,258
209	ORPP	2,989,800	2,989,800	2,879,849	109,951
211	PNG Customs Service	6,690,000	6,180,300	4,348,982	1,831,318
212	ITD	5,437,800	4,448,800	1,899,592	2,549,208
213	Fire Services	9,379,100	9,379,100	9,661,791	-282,691
215	PNG Immigration & Citizenship Services	1,880,100	1,880,100	1,315,981	564,119
216	Internal Revenue Commission	15,161,700	15,889,400	15,645,087	244,313
217	Foreign Affairs	23,149,100	22,728,200	27,755,962	-5,027,762
219	PNG Institute of Public Administration	3,858,000	3,858,000	3,526,678	331,322
220	Personnel Management	7,449,700	6,929,900	6,869,825	60,075
221	Public Service Commission	2,352,000	2,165,800	2,496,146	-330,346
222	Office of Public Solicitor	4,208,600	3,846,500	3,866,925	-20,425
225	Attorney General	15,718,800	15,654,800	18,377,042	-2,722,242
226	Correctional Institutions	31,839,500	32,453,100	32,970,654	-517,554
227	Provincial Treasuries	21,796,200	21,796,200	23,584,210	-1,788,010
228	Police	134,202,500	131,276,000	140,949,799	-9,673,799
229	Planning and Monitoring	7,345,800	7,308,800	8,164,245	-855,445
230	Electoral Commission	2,304,000	2,430,600	2,374,734	55,866
231	National Intelligence Organisation	1,606,000	1,606,000	1,682,847	-76,847
232	Provincial and Local Govt Affairs	4,523,800	4,478,600	3,942,433	536,167
234	Defence	62,274,500	62,576,800	72,861,863	-10,285,063
235	Education	83,127,800	79,476,600	74,923,770	4,552,830
236	Higher Education Commission	1,731,700	1,731,700	1,320,922	410,778
237	Office of UNESCO	1,228,500	1,049,700	1,171,627	-121,927
240	Health	88,171,500	77,549,100	70,342,877	7,206,223
241	Hospital Management Services	221,243,700	221,500,400	217,934,670	3,565,730
242	Community Development	5,462,400	5,499,500	5,699,623	-200,123
245	Environment and Conservation	4,990,900	4,898,000	4,936,380	-38,380
247	Agriculture and Livestock	10,225,800	10,225,800	12,640,571	-2,414,771
252	Lands and Physical Planning	8,939,400	8,959,400	7,333,639	1,625,761
254	Mining	3,953,000	3,953,000	4,471,167	-518,167
255	Petroleum and Energy	6,767,500	7,034,600	7,562,567	-527,967
257	Department of Public Enterprises	1,200,000	900,000	689,168	210,832
258	Dept of Information & Communication	709,200	709,200	814,264	-105,064
259	Transport	10,794,500	10,925,400	7,981,462	2,943,938
261	Trade and Industry	5,232,300	5,282,300	5,815,514	-533,214
262	Industrial Relations	5,245,100	5,357,000	6,086,128	-729,128
263	National Tripartite Consultative Council	475,400	475,400	251,130	224,270
264	Works and Implementation	44,635,300	31,392,800	40,791,251	-9,398,451
267	Office of Rural Development	2,726,700	2,515,300	2,208,634	306,666
268	Central Supply and Tenders Board	774,600	774,600	910,163	-135,563
269	Office of Tourism Arts and Culture	776,200	0	0	0
Grand Total		1,070,168,100	1,024,689,000	1,048,499,786	-23,810,786

Attachment B – 2010 Transfers to Provincial Governments – Personal Emoluments

Div	Provincial Governments	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
571	Western Provincial Government	34,428,800	34,428,800	33,355,303	1,073,497
	Public Servants Leave Fares	229,300	229,300	229,300	-
	Staffing Grant	10,971,600	10,971,600	10,248,706	722,894
	Teachers Leave Fares	904,400	904,400	904,400	-
	Teachers Salaries	22,153,300	22,153,300	21,802,697	350,603
	Village Courts Allowances	170,200	170,200	170,200	-
572	Gulf Provincial Government	19,871,100	19,871,100	18,077,600	1,793,500
	Public Servants Leave Fares	500,000	500,000	500,000	-
	Staffing Grant	8,403,100	8,403,100	9,569,661	(1,166,561)
	Teachers Leave Fares	632,000	632,000	632,000	-
	Teachers Salaries	10,043,100	10,043,100	7,083,039	2,960,061
	Village Courts Allowances	292,900	292,900	292,900	-
573	Central Provincial Government	43,515,700	43,515,700	42,756,701	758,999
	Public Servants Leave Fares	299,000	299,000	299,000	-
	Staffing Grant	12,682,600	12,682,600	12,678,286	-
	Teachers Leave Fares	1,902,600	1,902,600	1,902,600	-
	Teachers Salaries	28,341,600	28,341,600	27,586,915	-
	Village Courts Allowances	289,900	289,900	289,900	-
574	National Capital District Commission	190,000	190,000	190,000	-
	Village Courts Allowances	190,000	190,000	190,000	-
575	Milne Bay Provincial Government	39,864,900	39,864,900	36,184,030	3,680,870
	Public Servants Leave Fares	427,500	427,500	427,500	-
	Staffing Grant	11,106,100	11,106,100	10,413,708	692,392
	Teachers Leave Fares	1,051,200	1,051,200	1,051,200	-
	Teachers Salaries	26,971,500	26,971,500	23,983,022	2,988,478

Div	Provincial Governments	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
576	Village Courts Allowances	308,600	308,600	308,600	-
	Oro Provincial Government	22,143,700	22,143,700	23,954,322	(1,810,622)
	Public Servants Leave Fares	321,500	321,500	321,500	-
	Staffing Grant	8,014,100	8,014,100	10,449,858	(2,435,758)
	Teachers Leave Fares	869,200	869,200	869,200	-
	Teachers Salaries	12,804,300	12,804,300	12,179,164	625,136
577	Village Courts Allowances	134,600	134,600	134,600	-
	Southern Highland Provincial Government	60,694,300	60,694,300	80,050,641	(19,356,341)
	Public Servants Leave Fares	429,400	429,400	429,400	-
	Staffing Grant	22,400,000	22,400,000	29,700,865	(7,300,865)
	Teachers Leave Fares	804,300	804,300	532,200	272,100
	Teachers Salaries	36,516,500	36,516,500	48,844,076	(12,327,576)
578	Village Courts Allowances	544,100	544,100	544,100	-
	Enga Provincial Government	40,654,700	40,654,700	48,314,491	(7,659,791)
	Public Servants Leave Fares	241,300	241,300	241,300	-
	Staffing Grant	14,673,700	14,673,700	18,553,160	(3,879,460)
	Teachers Leave Fares	964,800	964,800	964,800	-
	Teachers Salaries	24,218,300	24,218,300	27,998,631	(3,780,331)
579	Village Courts Allowances	556,600	556,600	556,600	-
	Western Highland Provincial Government	48,057,500	48,057,500	60,441,102	(12,383,602)
	Public Servants Leave Fares	447,600	447,600	447,600	-
	Staffing Grant	11,433,000	11,433,000	14,398,174	(2,965,174)
	Teachers Leave Fares	1,003,900	1,003,900	1,003,900	-
	Teachers Salaries	34,536,900	34,536,900	43,955,328	(9,418,428)
580	Village Courts Allowances	636,100	636,100	636,100	-
	Simbu Provincial Government	38,928,000	38,928,000	42,805,302	(3,877,302)

Div	Provincial Governments	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
581	Public Servants Leave Fares	223,600	223,600	223,600	-
	Staffing Grant	9,146,700	9,146,700	12,698,736	(3,552,036)
	Teachers Leave Fares	505,700	505,700	505,700	-
	Teachers Salaries	28,681,600	28,681,600	29,006,866	(325,266)
	Village Courts Allowances	370,400	370,400	370,400	-
	Eastern Highland Provincial Government	49,040,100	49,040,100	54,953,858	(5,913,758)
582	Public Servants Leave Fares	696,800	696,800	696,800	-
	Staffing Grant	14,000,000	14,000,000	14,474,789	(474,789)
	Teachers Leave Fares	1,044,700	1,044,700	1,044,700	-
	Teachers Salaries	32,872,700	32,872,700	38,311,669	(5,438,969)
	Village Courts Allowances	425,900	425,900	425,900	-
	Morobe Provincial Government	73,805,800	73,805,800	76,329,972	(2,524,172)
583	Public Servants Leave Fares	1,306,900	1,306,900	1,306,900	-
	Staffing Grant	21,050,300	21,050,300	20,394,129	656,171
	Teachers Leave Fares	1,814,000	1,814,000	1,814,000	-
	Teachers Salaries	49,245,300	49,245,300	52,425,643	(3,180,343)
	Village Courts Allowances	389,300	389,300	389,300	-
	Madang Provincial Government	41,952,400	41,952,400	52,839,728	(10,887,328)
584	Public Servants Leave Fares	671,700	671,700	671,700	-
	Staffing Grant	12,533,900	12,533,900	15,110,800	(2,576,900)
	Teachers Leave Fares	841,500	841,500	841,500	-
	Teachers Salaries	27,607,000	27,607,000	35,917,428	(8,310,428)
	Village Courts Allowances	298,300	298,300	298,300	-
	East Sepik Provincial Government	42,519,300	42,519,300	50,596,158	(8,076,858)
	Public Servants Leave Fares	508,300	508,300	508,300	-
	Staffing Grant	13,967,600	13,967,600	14,593,032	(625,432)

Div	Provincial Governments	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
	Teachers Leave Fares	1,051,200	1,051,200	1,051,200	-
	Teachers Salaries	26,523,300	26,523,300	33,974,726	(7,451,426)
	Village Courts Allowances	468,900	468,900	468,900	-
585	Sandaun Provincial Government	31,386,200	31,386,200	32,849,621	(1,463,421)
	Public Servants Leave Fares	669,800	669,800	669,800	-
	Staffing Grant	8,996,000	8,996,000	11,628,551	(2,632,551)
	Teachers Leave Fares	1,034,100	1,034,100	1,034,100	-
	Teachers Salaries	20,519,600	20,519,600	19,350,470	1,169,130
	Village Courts Allowances	166,700	166,700	166,700	-
	586	Manus Provincial Government	15,945,800	15,945,800	16,856,621
	Public Servants Leave Fares	280,600	280,600	280,600	-
	Staffing Grant	5,847,700	5,847,700	6,593,339	(745,639)
	Teachers Leave Fares	554,900	554,900	475,600	79,300
	Teachers Salaries	9,094,400	9,094,400	9,362,882	(268,482)
	Village Courts Allowances	168,200	168,200	144,200	24,000
	587	New Ireland Provincial Government	27,729,500	27,729,500	28,917,972
	Public Servants Leave Fares	284,700	284,700	284,700	-
	Staffing Grant	8,900,000	8,900,000	9,887,267	(987,267)
	Teachers Leave Fares	804,700	804,700	804,700	-
	Teachers Salaries	17,556,200	17,556,200	17,757,405	(201,205)
	Village Courts Allowances	183,900	183,900	183,900	-
	588	East New Britain Provincial Government	46,413,800	46,413,800	49,314,627
	Public Servants Leave Fares	251,100	251,100	251,100	-
	Staffing Grant	13,185,100	13,185,100	14,635,688	(1,450,588)
	Teachers Leave Fares	1,043,800	1,043,800	1,043,800	-
	Teachers Salaries (Tsc)	31,676,700	31,676,700	33,126,939	(1,450,239)

Div	Provincial Governments	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
589	Village Courts Allowances	257,100	257,100	257,100	-
	West New Britain Provincial Government	37,587,100	37,587,100	39,294,004	(1,706,904)
	Public Servants Leave Fares	1,500,000	1,500,000	1,500,000	-
	Staffing Grant	8,500,000	8,500,000	9,755,858	(1,255,858)
	Teachers Leave Fares	2,000,000	2,000,000	2,000,000	-
	Teachers Salaries	25,100,000	25,100,000	25,551,046	(451,046)
590	Village Courts Allowances	487,100	487,100	487,100	-
	Autonomous Bougainville Government	38,017,000	38,017,000	41,698,014	(3,681,014)
	Public Servants Leave Fares	252,600	252,600	252,600	-
	Staffing Grant	10,686,900	10,686,900	10,996,370	(309,470)
	Teachers Leave Fares	932,800	932,800	932,800	-
	Teaching Services Commission	26,144,700	26,144,700	29,516,244	(3,371,544)
Grand Total		752,745,700	752,745,700	829,780,067	(77,034,367)

Attachment C – 2010 Transfers to National Departments – Goods and Services

Div	Agencies	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
201	National Parliament	86,018,200	104,718,200	111,418,200	(6,700,000)
202	Governor-General	1,392,400	3,472,400	3,512,124	(39,724)
203	Prime Minister and NEC	23,553,000	54,827,700	54,899,447	(71,747)
204	Statistics Office	1,408,600	1,668,500	1,803,979	(135,479)
205	Bougainville Affairs	831,800	1,831,800	1,830,927	873
206	Finance	10,047,100	11,180,700	10,834,534	346,166
207	Finance and Treasury Miscellaneous*	1,001,159,300	869,831,100	868,255,812	1,575,288
208	Treasury	4,675,500	4,739,300	4,203,531	535,769
209	ORPP	2,524,000	2,524,000	2,521,878	2,122
211	PNG Customs Service	5,702,200	9,222,900	9,261,289	(38,389)
212	ITD	9,529,500	10,125,500	10,276,810	(151,310)
213	Fire Services	8,430,800	8,430,800	8,313,130	117,670
215	PNG Immigration and Citizenship Services	3,945,400	3,945,400	3,945,360	40
216	Internal Revenue Commission	22,266,600	22,438,900	20,302,878	2,136,022
217	Foreign Affairs	33,060,400	34,156,900	32,983,036	1,173,864
218	Office of the Public Prosecutor	1,445,200	1,098,700	1,104,657	(5,957)
219	PNG Institute of Public Administration	1,852,900	1,852,900	1,852,900	0
220	Personnel Management	3,915,800	4,435,600	4,438,668	(3,068)
221	Public Service Commission	1,130,000	1,616,200	1,620,098	(3,898)
222	Office of Public Solicitor	3,561,600	3,923,700	3,923,573	127
223	Judiciary Services	50,224,300	50,224,300	50,224,300	0
224	Magisterial Services	28,169,500	28,169,500	28,169,500	0
225	Attorney General	16,986,500	20,697,000	20,746,667	(49,667)
226	Correctional Institutions	33,546,700	35,464,500	35,462,574	1,926
227	Provincial Treasuries	9,864,300	9,694,300	9,509,051	185,249
228	Police	75,840,000	80,900,800	81,356,236	(455,436)
229	Planning and Monitoring	5,236,400	5,273,400	4,643,528	629,872
230	Electoral Commission	15,442,000	25,315,400	25,178,291	137,109
231	National Intelligence Organisation	1,785,200	1,825,200	1,825,199	1
232	Provincial and Local Govt Affairs	6,000,600	11,445,800	11,281,436	164,364
234	Defence	53,283,700	53,020,100	53,058,121	(38,021)
235	Education	77,227,200	180,871,000	180,829,416	41,584
236	Higher Education Commission	34,572,400	36,056,400	36,037,499	18,901
237	Office of UNESCO	298,000	476,800	465,502	11,298
240	Health	129,224,400	136,211,600	135,404,074	807,526
241	Hospital Management Services	80,764,900	85,219,900	85,219,900	0
242	Community Development	3,473,600	4,654,200	4,657,190	(2,990)
243	National Volunteer Service	1,201,000	53,300	106,600	(53,300)
245	Environment and Conservation	4,717,200	6,673,600	7,244,474	(570,874)
247	Agriculture and Livestock	3,442,800	3,442,800	4,865,449	(1,422,649)
252	Lands and Physical Planning	18,874,800	21,216,300	21,212,902	3,398
254	Mining	2,793,300	2,793,300	2,782,734	10,566
255	Petroleum and Energy	4,870,400	4,603,300	4,602,536	764
257	Department of Public Enterprises	1,800,000	2,100,000	2,056,040	43,960
	Department of Information and				
258	Communication	2,447,700	2,359,200	2,357,574	1,626
259	Transport	12,277,800	12,146,900	12,176,783	(29,883)
261	Trade and Industry	5,661,800	6,838,800	6,832,430	6,370
262	Industrial Relations	2,948,500	7,836,600	7,832,079	4,521

Div	Agencies	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
263	National Tripartite Consultative Council	536,000	536,000	536,000	0
264	Works and Implementation	13,232,400	26,474,900	26,076,705	398,195
267	Office of Rural Development	2,999,000	3,210,400	3,393,534	(183,134)
268	Central Supply and Tenders Board	1,456,900	1,456,900	1,458,474	(1,574)
269	Office of Tourism Arts and Culture	723,800	1,500,000	3,000,000	(1,500,000)
Grand Total		1,928,373,400	2,024,803,700	2,027,905,629	-3,101,929

*Division 207 Original Budget figure includes K618.3 million Supplementary Budget for systems reasons.

Attachment D – 2010 Transfers to Commercial Statutory Authorities – Goods and Services

Div	Agencies	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
502	Auditor General	14,571,700	14,571,700	14,571,700	0
503	Ombudsman	14,040,000	14,040,000	14,040,000	0
505	National Research Institute	3,094,000	3,094,000	3,093,980	20
506	National Training Council	2,452,800	2,452,800	2,406,600	46,200
507	National Economic and Fiscal Commission	1,800,400	1,800,400	1,800,400	0
509	Border Development Authority	4,000,000	4,089,000	4,089,000	0
510	Legal Training Institute	1,792,800	1,792,800	1,792,760	40
512	UPNG	33,416,800	35,316,800	35,316,730	70
513	UNITECH	34,757,500	35,257,500	35,257,480	20
514	University of Goroka	12,154,000	12,545,100	14,477,970	(1,932,870)
515	University of Natural Resources	8,972,500	10,972,500	10,972,500	0
516	PNG Sports Commission	6,570,500	6,570,500	6,570,500	0
517	Narcotics Bureau	2,032,400	2,032,400	1,974,400	58,000
518	PNG Maritime	2,914,000	2,914,000	2,913,960	40
519	AIDS Council	6,379,200	6,379,200	6,940,100	(560,900)
520	Institute of Medical Research	4,392,000	4,422,000	4,422,000	0
521	National Youth Commission	1,949,600	1,949,600	1,800,480	149,120
522	Constitutional and Law Reform Commission	2,303,100	2,303,100	2,605,728	(302,628)
525	National Broadcasting Commission	20,312,000	23,812,000	23,812,000	0
526	National Maritime Safety Authority	1,560,000	1,560,000	1,398,110	161,890
530	Investment Promotion Authority	2,068,000	2,068,000	2,068,000	0
531	Small Business Goods and Services Corporation	2,450,500	2,450,500	2,450,500	0
532	National Institute of Standards and Industrial Technology Industrial Centres Development Corporation	2,658,900	2,658,900	2,774,900	(116,000)
533	National Museum	2,050,700	2,050,700	2,050,700	0
539	National Housing Corporation	4,638,700	4,638,700	4,638,700	0
541	National Housing Corporation	218,600	218,600	218,600	0
542	National Cultural Commission	4,021,700	4,131,700	4,131,700	0
550	Cocoa Coconut Institute	5,416,600	5,416,600	6,061,800	(645,200)
553	Fresh Produce Development Company	4,317,100	4,317,100	4,317,100	0
554	Coconut Industry Corporation	2,000,000	2,000,000	2,000,000	0
557	PNG National Forest Authority	26,000,000	32,180,000	32,180,000	0
558	Tourism Promotion Authority	9,808,000	9,808,000	9,808,000	0
562	National Agriculture Research Institute	8,326,300	8,326,300	8,326,300	0
563	National Agriculture Quarantine & Inspection Authority	3,522,800	3,522,800	2,773,400	749,400
565	Civil Aviation Authority	9,600,000	9,600,000	9,600,000	0
567	National Road Authority	871,200	871,200	2,313,297	(1,442,097)
569	Independent Consumer and Competition Commission	1,916,900	2,666,900	2,666,900	0
Grand Total		269,351,300	284,801,400	288,636,295	(3,834,895)

Attachment E – 2010 Transfers to Provincial Governments – Goods and Services

Div	Provincial Governments	2010 Original Budget	2010 Final Approp	2010 Outcome	2010 Variance
571	Western Provincial Government	6,215,900	6,215,900	6,215,900	0
572	Gulf Provincial Government	8,063,100	8,063,100	8,023,100	40,000
573	Central Provincial Government	11,929,500	11,929,500	11,929,500	0
574	National Capital District Commission	3,202,700	3,202,700	3,202,700	0
575	Milne Bay Provincial Government	12,338,800	12,338,800	12,338,800	0
576	Oro Provincial Government	7,897,100	7,897,100	7,897,100	0
577	Southern Highland Provincial Government	12,485,900	12,485,900	12,485,900	0
578	Enga Provincial Government	9,115,300	9,115,300	9,108,500	6,800
579	Western Highland Provincial Government	15,084,300	15,084,300	15,084,300	0
580	Simbu Provincial Government	12,397,700	12,397,700	12,397,700	0
581	Eastern Highland Provincial Government	15,881,400	15,881,400	15,881,300	100
582	Morobe Provincial Government	13,438,000	13,438,000	13,438,000	0
583	Madang Provincial Government	18,856,100	18,856,100	18,856,100	0
584	East Sepik Provincial Government	20,653,000	20,653,000	20,653,000	0
585	Sandaun Provincial Government	13,016,800	13,016,800	13,016,800	0
586	Manus Provincial Government	6,152,900	6,152,900	6,152,900	0
587	New Ireland Provincial Government	5,008,500	5,008,500	5,008,500	0
588	East New Britain Provincial Government	10,120,500	10,120,500	10,120,500	0
589	West New Britain Provincial Government	8,648,000	8,648,000	8,648,000	0
590	Autonomous Bougainville Government	19,965,500	20,965,500	21,904,500	(939,000)
Grand Total		230,471,000	231,471,000	232,363,100	(892,100)

APPENDIX 1

Trust accounts

Appendix 1 shows the movements of funds for the period 1 January to 31 December 2010 for each of the 89 DSIP subsidiary Bank Accounts.

District	Total Funds Paid into Trust	Balance as at 01-Jan-10	Debits (Receipts)	Credits (Payments)	Balance as at 31-Dec-10
Abau	16,000,000	2,159,856	4,000,000	4,944,850	1,215,007
Goilala	16,000,000	268,261	4,000,000	2,210,670	2,057,591
Kairiku Hiri	16,000,000	2,001,194	4,000,000	3,048,976	2,952,218
Rigo	16,000,000	6,588,570	4,000,000	10,113,926	474,645
Gazelle	16,000,000	4,707,566	4,000,000	3,506,281	5,201,284
Kokopo	16,000,000	3,192,727	4,000,000	4,579,018	2,613,709
Pomio	16,000,000	5,078,501	4,000,000	6,838,575	2,239,926
Rabaul *	15,000,000	8,643,684	3,000,000	3,501,344	8,142,340
Ambunti-Drekikir	16,000,000	1,472,932	4,000,000	5,029,932	443,000
Angoram	16,000,000	9,628,855	2,000,000	6,597,593	5,031,262
Maprik	16,000,000	11,182,266	4,000,000	8,354,949	6,827,317
Wewak	16,000,000	2,870,660	4,000,000	4,101,757	2,768,903
Wosera-Gawi	16,000,000	9,631,746	4,000,000	6,193,472	7,438,274
Yangoru-Saussia	16,000,000	9,942,256	4,000,000	5,846,747	8,095,509
Daulo *	15,000,000	8,780,241	3,000,000	3,532,246	8,247,996
Goroka *	15,000,000	7,876,292	3,000,000	8,873,285	2,003,006
Henganofi *	15,000,000	6,648,863	3,000,000	4,993,565	4,655,298
Kainantu *	15,000,000	6,678,044	3,000,000	6,331,557	3,346,487
Lufa	16,000,000	5,158,987	4,000,000	2,728,332	6,430,654
Obura-Wanenara	16,000,000	5,421,084	4,000,000	5,255,028	4,166,055
Okapa	16,000,000	2,897,755	4,000,000	3,021,369	3,876,386
Unggai-Bena	16,000,000	6,533,366	4,000,000	5,513,684	5,019,682
Kandep **	18,000,000	544,561	6,000,000	5,145,511	1,399,050

District	Total Funds Paid into Trust	Balance as at 01-Jan-10	Debits (Receipts)	Credits (Payments)	Balance as at 31-Dec-10
Kompiam-Ambun	16,000,000	4,263,238	4,000,000	7,894,834	368,404
Lagaip-Porgera ***	16,000,000	18,965,718	4,000,000	18,982,076	3,983,642
Wabag	16,000,000	1,673,438	4,000,000	2,317,138	3,356,299
Wapenamanda	16,000,000	5,238,485	4,000,000	8,265,026	973,459
Kerema	16,000,000	1,157,492	4,000,000	4,196,571	960,921
Kikori	16,000,000	134,978	4,000,000	4,103,309	31,669
Bogia	16,000,000	9,269,786	4,000,000	2,690,952	10,578,833
Madang	16,000,000	7,896,190	4,000,000	2,541,410	9,354,779
Middle Ramu	16,000,000	6,785,919	4,000,000	3,984,137	6,801,782
Raikos	16,000,000	9,877,841	4,000,000	1,596,214	12,281,628
Sumkar	16,000,000	3,356,729	4,000,000	4,345,675	3,011,054
Usino-Bundi	16,000,000	7,100,197	4,000,000	3,489,415	7,610,781
Manus *	16,000,000	5,233,053	4,000,000	6,445,731	2,787,322
Alotau / Rabaraba	16,000,000	5,694,345	4,000,000	5,213,983	4,480,362
Esa'ala	16,000,000	7,512,193	4,000,000	5,439,110	6,073,083
Kiriwina	16,000,000	8,675,600	4,000,000	5,291,386	7,384,215
Samarai Murua	16,000,000	3,898,083	4,000,000	5,257,917	2,640,166
Bulolo *	15,000,000	648,157	3,000,000	89,329	3,558,828
Finschaffan *	15,000,000	7,189,724	3,000,000	3,545,718	6,644,005
Huon Gulf	16,000,000	5,520,378	4,000,000	5,560,491	3,959,887
Kabwum	16,000,000	7,037,357	4,000,000	4,442,000	6,595,357
Lae *	15,000,000	2,218,909	3,000,000	843,991	4,374,918
Markham	16,000,000	7,004,728	4,000,000	2,430,652	8,574,075
Menyamya	16,000,000	5,258,197	4,000,000	4,908,416	4,349,781
Nawaeb	16,000,000	2,967,701	4,000,000	5,781,272	1,186,429
Tewa-Siasi *	15,000,000	4,682,119	3,000,000	1,633,036	6,049,083

District	Total Funds Paid into Trust	Balance as at 01-Jan-10	Debits (Receipts)	Credits (Payments)	Balance as at 31-Dec-10
Moresby North	16,000,000	7,689,285	4,000,000	6,527,010	5,162,275
Moresby North West *	15,000,000	10,820,392	3,000,000	1,166,796	12,653,596
Moresby South	16,000,000	6,788,684	4,000,000	2,420,977	8,367,707
Kavieng	16,000,000	4,096,870	4,000,000	7,397,566	699,304
Namatanai *	15,000,000	4,661,560	3,000,000	1,968,563	5,692,996
Central Bougainville	16,000,000	9,925,377	4,000,000	5,710,990	8,214,387
North Bougainville	16,000,000	2,300,829	4,000,000	5,394,905	905,924
South Bougainville	16,000,000	1,084,984	4,000,000	2,990,969	2,094,015
Ijivitari	16,000,000	4,980,296	4,000,000	5,804,745	3,175,551
Sohe ***	16,000,000	4,857,404	4,000,000	(309,746)	9,167,151
Aitape-Lumi	16,000,000	4,559,115	4,000,000	4,756,910	3,802,205
Nuku	16,000,000	2,849,567	4,000,000	6,487,348	362,218
Telefomin **	18,000,000	8,485,989	6,000,000	6,741,694	7,744,295
Vanimo-Green	16,000,000	4,258,558	4,000,000	5,102,524	3,156,034
Chuave	16,000,000	4,927,764	4,000,000	6,608,724	2,319,040
Gumine	16,000,000	4,356,200	4,000,000	6,761,797	1,594,403
Karamui-Nomane	16,000,000	7,300,066	4,000,000	7,353,996	3,946,070
Kerowagi	16,000,000	3,613,904	4,000,000	6,482,418	1,131,486
Kundiawa-Gembogl	16,000,000	4,542,299	4,000,000	8,182,567	359,732
Sinasina-Yongumugl	16,000,000	5,100,425	4,000,000	1,194,298	7,906,127
Ialibu-Pangia	16,000,000	4,551,640	4,000,000	5,012,707	3,538,933
Imbongu **	18,000,000	3,743,762	6,000,000	6,854,850	2,888,912
Kagua-Erave	16,000,000	41,578	4,000,000	3,010,048	1,031,530
Komo-Magarima	16,000,000	4,022,635	4,000,000	4,639,044	3,383,591
Koroba-L/Kopiago	16,000,000	3,580,705	4,000,000	744,753	6,835,952
Mendi **	17,000,000	2,244,450	5,000,000	6,205,190	1,039,259

District	Total Funds Paid into Trust	Balance as at 01-Jan-10	Debits (Receipts)	Credits (Payments)	Balance as at 31-Dec-10
Nipa-Kutubu *	14,000,000	4,018,277	2,000,000	3,051,865	2,966,413
Tari-Pori	16,000,000	152,018	4,000,000	4,127,593	24,425
Kandrian *	15,000,000	8,420,388	3,000,000	4,505,894	6,914,493
Talasea	16,000,000	6,631,214	4,000,000	3,412,205	7,219,009
Middle Fly	16,000,000	11,219,447	4,000,000	1,105,579	14,113,868
North Fly	16,000,000	6,879,618	4,000,000	1,377,531	9,502,088
South Fly	16,000,000	6,046,791	4,000,000	3,890,172	6,156,619
Dei *	15,000,000	5,073,759	3,000,000	6,794,596	1,279,163
Hagen	16,000,000	10,543,492	4,000,000	3,010,780	11,532,712
Jimi	16,000,000	2,586,325	4,000,000	4,494,062	2,092,264
Mul/Bayer	16,000,000	6,411,939	4,000,000	2,544,175	7,867,764
North Whagi	16,000,000	5,390,779	4,000,000	3,267,475	6,123,304
South Whagi	15,000,000	653,567	3,000,000	1,834,745	1,818,822
Tambul-Nebiler	16,000,000	3,287,464	4,000,000	4,019,309	3,268,155
Total	1,415,000,000	479,868,236	345,000,000	414,200,083	410,668,153

* K16 million was paid to 15 districts in January 2011 to bring their released funds up to K16 million

** K7 million was overpaid to 4 districts and will be recovered in 2011

*** Some districts such as Sohe and Lagaip-Porgera have deposited non DSIP funds into their account