



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

**2011**

## INTRODUCTION

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

The purpose of this MYEFO Report is to provide updated fiscal information, to allow public assessment of the Government's performance against the fiscal strategy set out in its 2011 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 Supplementary Budgets
  - 1.6 Status of Trust Accounts
  - 1.7 Financing
  - 1.8 Public Debt
  - 1.9 Risks to the Mid Year Economic and Fiscal Outlook
  - 1.10 2011 and Beyond
  - 1.11 Fiscal Outturn Tables
  
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  - 2.1 Funded Expenditure Decisions since the 2011 Budget
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  - 2.3 Reallocation of Appropriated Funds

The MYEFO essentially covers central government fiscal operations in 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 2011 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).

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# **PART 1**

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

### **1.1 THE ECONOMIC OUTLOOK**

#### **Overview**

Gross Domestic Product (GDP) is expected to grow by a very strong 9.3 per cent in 2011, significantly higher than the 2011 Budget forecast of 8.0 per cent. Growth in the non-mining sector is expected to be 10.2 per cent – well above world averages. This is driven by higher levels of economic activity in the non-mining sector and the construction of the PNG LNG project. If this positive growth rate eventuates, the economic output in PNG will have expanded for more than a decade, representing the longest period of uninterrupted economic growth in PNG's history. The strength of the economy is reflective of strong investor and consumer confidence following sustained macroeconomic and fiscal stability as well as critical microeconomic reforms.

Recent economic data suggests that although the global economic recovery is expected to continue in the remainder of 2011, significant downside risks remain. The risks include European sovereign debt concerns, fiscal and financial imbalances in other advanced economies, and the effect of Japanese earthquake and tsunami on industrial production. Meanwhile emerging and developing economies are growing strongly, although economic overheating is increasingly a concern.

The prices of PNG's major export commodities continued to climb, following strong demand from emerging and developing economies and supply shocks. The prices of PNG's major mineral exports of gold, copper and oil have risen well above the 2011 Budget forecasts, and are expected to remain at elevated levels through the remainder of 2011. As a result, the oil price assumption used to prepare the MYEFO report rose by over 20 per cent, and the gold and copper price assumptions rose by around 25 per cent, compared to the price assumptions used in the 2011 Budget. This has resulted in higher projected Government mineral revenue in 2011.

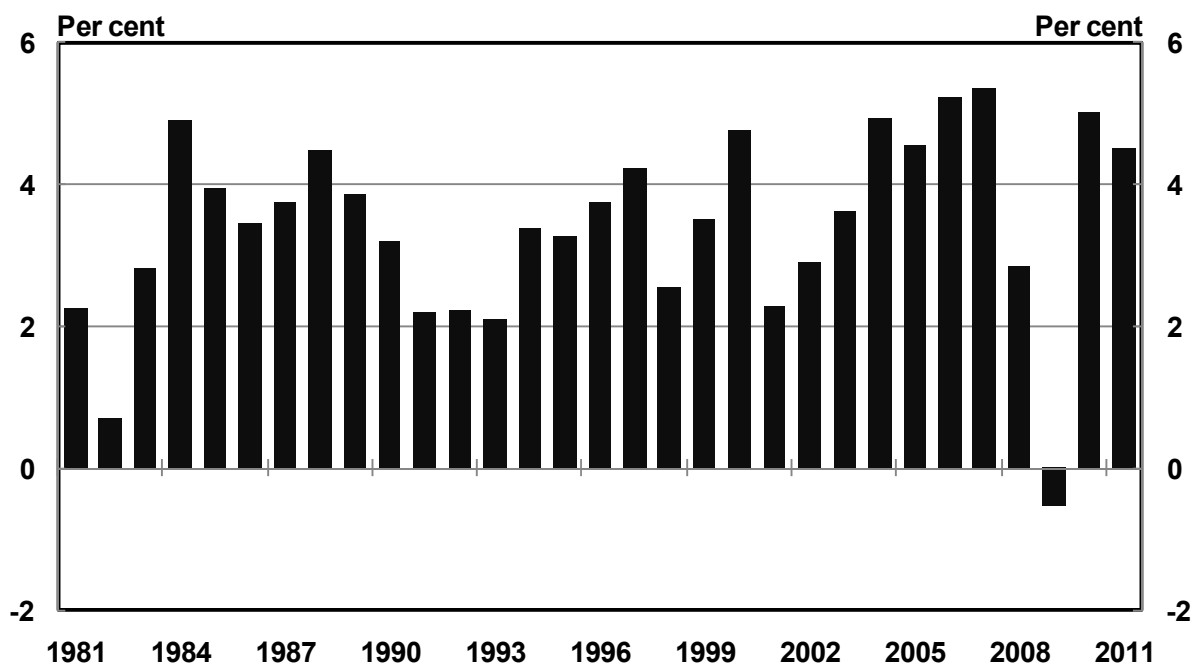
Rapid economic growth is now a major concern in PNG as it has a direct impact on inflation. Annual inflation is now forecast to be 9.0 per cent in 2011, an upward revision to 2011 Budget forecast of 8.2 per cent. This is largely due to the high level of economic growth, a continuing shortage of skilled labour and land which underpins wages and rental prices, and higher food and fuel prices from high global demand. The appreciation of the Kina since the start of the year has partially offset the acceleration in these inflationary pressures. However, there is a concern that official inflation figures are underestimating the true extent of inflationary pressures in the economy.

Since the time of the 2011 Budget, risks associated with the PNG LNG project have continued to decline as project construction activity ramps up. Nevertheless, there remain a number of risks to the economic and fiscal outlook presented in this update. These include the rising uncertainty about the global economic recovery, which could lead to continued volatility in commodity price movements; a loss of fiscal discipline, which could fuel existing inflationary pressures; and major disruptions to mining and petroleum projects.

### The Outlook for the International Economy

The International Monetary Fund (IMF) anticipates that the global economy will continue to expand, although downside risks remain. The world economy is anticipated to grow at 4½ per cent in 2011, reflecting a number of factors, including the devastating effect of the earthquake and tsunami on the Japanese economy, with supply disruptions impacting heavily on industrial production, consumer sentiment and spending. Growth in the United States (US) is also subdued partly due to transitory factors – such as higher commodity prices, bad weather and the effect of supply chain disruptions from the Japanese earthquake on US manufacturing.

**Chart 1: World Economic Growth**



Source: International Monetary Fund, World Economic Outlook (April 2011)

In advanced economies, the IMF projects growth to be 2½ per cent in 2011 and remain unchanged in 2012. The effect of the withdrawal of economic stimulus that was implemented following the global financial crisis is expected to be replaced by increased private demand. In 2012, the rebound of the Japanese economy from the earthquake is projected to offset weaker growth in the United States.

Growth in emerging and developing economies is expected by the IMF to be 6½ per cent in 2011 and remain unchanged in 2012. Growth in emerging Asia will decelerate from the very high levels of last year. Activities in Middle East and North Africa remain clouded by political and social unrest, although the outlook has improved for some oil and mineral exporting countries.

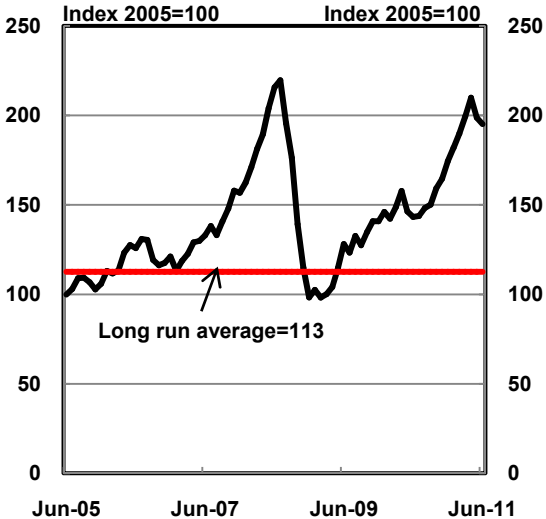
Global inflation picked up from 3½ per cent in the last quarter of 2010 to 4 per cent in the first quarter of 2011, a ¼ percentage point higher than projected in the IMF’s April *World Economic Outlook*. The acceleration in inflation is driven mainly by larger than expected increases in commodity prices. However, core inflation also edged up mainly in emerging and developing economies. This was caused by a higher share of food and fuel in consumption baskets, as well as accelerating demand pressures combined with shrinking spare capacity. Among the advanced economies, core inflation remained subdued in the United States and Japan and rose moderately in the Euro area.

**Commodity Prices**

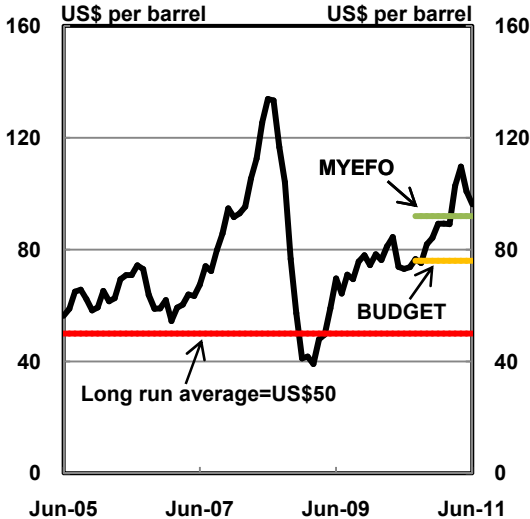
On the back of strong demand growth and supply shocks, commodity prices have been resurgent in 2011 and are close to or exceeding record highs. Global demand for commodities have been higher than expected in the first half of the year, driven by the increasing appetite for commodities from emerging and developing economies. This has reduced inventories and caused a broad-based increase in prices in 2011. In addition, slower output responses to supply, especially for oil given supply disruptions due to the unrest in North Africa, intensified supply concerns, further driving up prices in the first quarter of 2011.

Following the strong surge in prices at the beginning of the year, prices have retreated slightly on the back of softer data on the global economic recovery and increased concerns of financial volatility. The global economic recovery also continues to unfold at an uneven pace and remains fragile given pervasive fiscal and financial irregularities in the US and continuing European zone sovereign debt concerns. While this is likely to unwind some of the gains in other commodities, gold prices are likely to continue to rise, as the uncertainty of the global recovery is expected to translate into increased demand for safe haven assets.

**Chart 2: IMF Commodity Price Index**



**Chart 3: Oil Price**



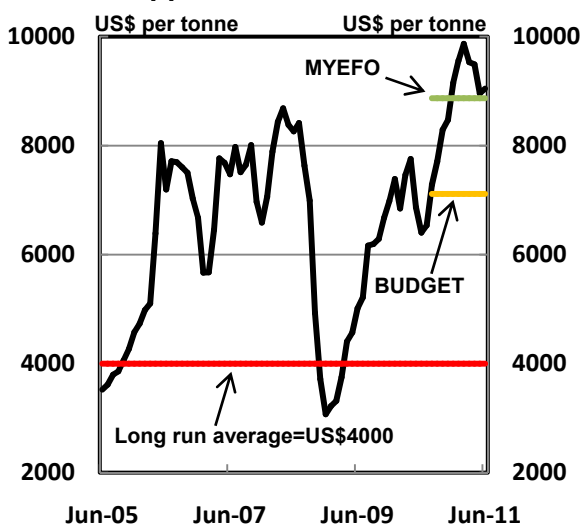
Source: IMF and Eco Reuters

In light of these developments, PNG’s major mineral exports of oil, copper and gold have traded higher in the first half of the year. On average oil prices have traded around US\$98 per barrel, above the 2011 Budget assumption of US\$76 per barrel. Copper prices have averaged around US\$9,401 per tonne, above the Budget assumption of US\$7,115 per tonne, and gold prices

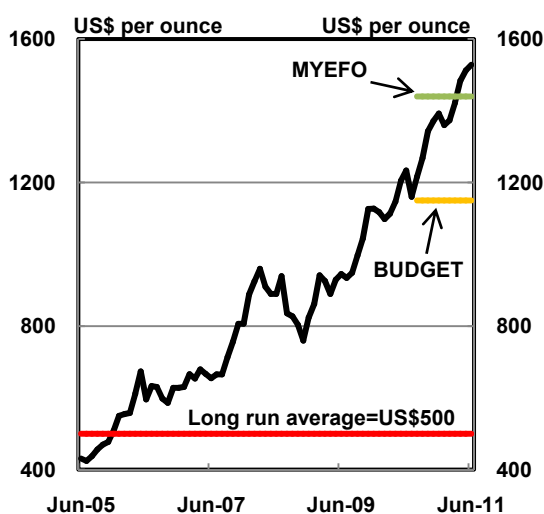
have averaged around US\$1,448 per ounce, above the Budget assumption of US\$1,150 per ounce. With overall commodity prices better than expected when the 2011 Budget was prepared, commodity price assumptions (see Table 1) and mineral and petroleum taxes have been revised upwards. The oil price has been revised up by over 20 per cent, and the gold and copper prices revised up by around 25 per cent.

Agricultural prices have also displayed strong growth over the first quarter of the year, strengthening through March before stabilising in the second quarter due to improvements in the global market. Increased demand and weather related supply shocks are also at the forefront of the drivers behind agriculture prices. On average over the first half of the year, coffee prices have averaged around US\$6,657 per tonne, cocoa prices around US\$3,201 per tonne, palm oil prices around US\$1,150 per tonne, and coconut oil prices around US\$2,064 per tonne. With overall agriculture prices better than 2010 levels, higher agricultural activity is expected in 2011.

**Chart 4: Copper Price**



**Chart 5: Gold Price**



Source: Eco Reuters, PNG Treasury

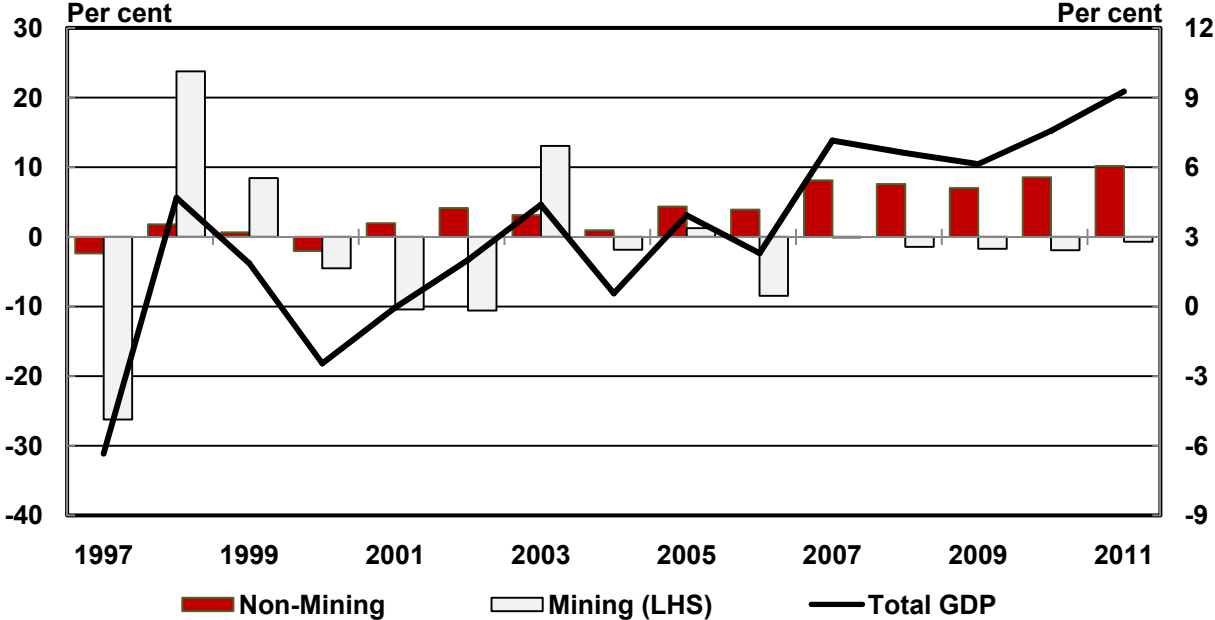
### The Outlook for the Domestic Economy

The final approval of the PNG LNG project in 2010 marked a significant change in the PNG economy. The increased certainty in the economic landscape has allowed businesses to press on with investment plans to take advantage of opportunities flowing directly and indirectly from the project. This has translated into increased activity in the domestic economy over the past 12 months, largely in the non-mineral sectors, with most businesses reporting strong growth in production and sales. Improvements in the global economy and rising commodity prices are also supporting this strong growth.

A number of factors, however, also acted to impede growth. Production at the Ramu Nickel mining operations has been delayed, and oil production is continuing to slow at the maturing oil fields of Kutubu, Moran and Gobe. Growth in the agricultural sector is affected by the negative impact of the cocoa pod borer infestation and drought related disruptions in coffee growing regions of the country. Towards the end of 2010, inflation accelerated markedly, indicating that growth was negatively impacted by capacity constraints in the economy.

In 2011, the PNG economy is expected to grow at the very high rate of 9.3 per cent, a revision upward from the Budget forecast of 8.0 per cent. This upward revision is largely driven by higher levels of economic activity in the non-mining sectors, particularly construction. Non-mining GDP is expected to grow at 10.2 per cent in 2011, two percentage points higher than the Budget estimate of 8.2 per cent. However, a shortage of scarce inputs such as skilled labour and land, given the rapid expansion of the economy over the last two years, will continue to place significant pressure on prices in 2011.

**Chart 6: Economic Growth: 1997 – 2011**



Source: Department of Treasury

Strong real growth is expected in the construction, transport, storage and communication, and wholesale and retail trade sectors, largely driven by construction of the PNG LNG project.

Activity in the construction sector has been very strong over the past two years and is expected to continue in 2011. The sector is expected to grow at an exceptionally strong rate of 21.0 per cent, driven by the increased activity associated with construction of infrastructure for the PNG LNG project. In addition, the prospect of increased profits in the economy is translating into business expansion, with significant investment in business infrastructure and operations to meet the increased demands of a growing domestic economy.

The transport, storage and communication sector is expected to grow 16.0 per cent in 2011, driven by increased demand for transport, storage and port services from the increased movement of goods and services relating to the PNG LNG project. In addition, the continued competition in the mobile phones segment of the communication industry is expected to continue to contribute to growth in the sector.

Growth in the wholesale and retail sector is also expected to be strong, especially with the increased level of activity generated from the PNG LNG project and increased spending on goods and services by the Government. In addition, increased commodity prices are expected to translate into increased profits and household incomes in parts of the economy.

The agriculture sector is also expected to contribute to higher production in response to rising commodity prices. The agriculture, forestry and fisheries sector is expected to grow at a robust 4.1 per cent in 2011, driven by increased coffee, palm oil and copra production. Agriculture prices have increased significantly in 2011, with the weighted average price of PNG's non-mineral exports rising 41 per cent in June 2011 compared to the corresponding period in 2010.

Growth in other non-mineral sectors such as electricity, gas and water and manufacturing are expected to be boosted by the stronger domestic economy.

The mining and quarrying sector is expected to grow by 8.2 per cent in 2011, driven by the expansion at major mines and the expected commencement of production at Ramu Nickel following progress in the resolution of legal issues affecting the project.

The oil and gas sector is expected to continue to decline in 2011, as reserves are depleted in all existing fields. This is expected to offset some of the strong growth generated by the non-mining sectors.

**Table 1: Economic Forecasts**

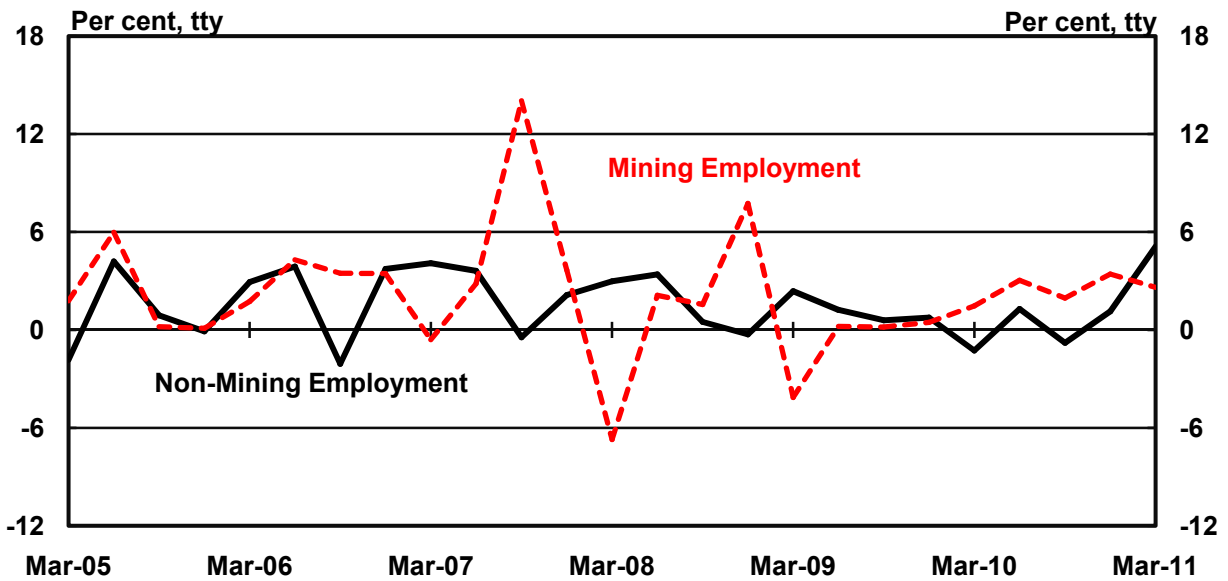
|                            | 2010<br>ACTUAL | 2011<br>BUDGET | 2011<br>MYEFO |
|----------------------------|----------------|----------------|---------------|
| <b>Economic Growth (%)</b> |                |                |               |
| GDP (est)                  | 7.6            | 8.0            | 9.3           |
| Non-Mining GDP (est)       | 8.5            | 8.2            | 10.2          |
| <b>Inflation (%)</b>       |                |                |               |
| Year average               | 6.0            | 8.2            | 9.0           |
| <b>Interest Rate (%)</b>   |                |                |               |
| T/Bills                    | 5.5            | 7.0            | 7.5           |
| 3 year Inscribed/Stock     | 8.1            | 9.0            | 9.0           |
| <b>Mineral Prices</b>      |                |                |               |
| Gold (US\$/oz)             | 1,225          | 1,150          | 1,440         |
| Copper (US\$/lb)           | 7,538          | 7,115          | 8,870         |
| Oil (Kutubu: US\$/bbl)     | 79             | 76             | 92            |

Source: Department of Treasury

Employment growth has been strong in the first half of the year, underpinned by strong economic growth in the domestic economy. In the March quarter 2011, total non-mining employment increased by 4.0 percentage points to 5.1 per cent compared to a year ago (see Chart 7). The strong non-mining employment is driven primarily by strong growth arising from construction, transportation, agriculture, forestry and fisheries sectors. Total mining employment grew by 2.6 per cent in the March quarter 2011.



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

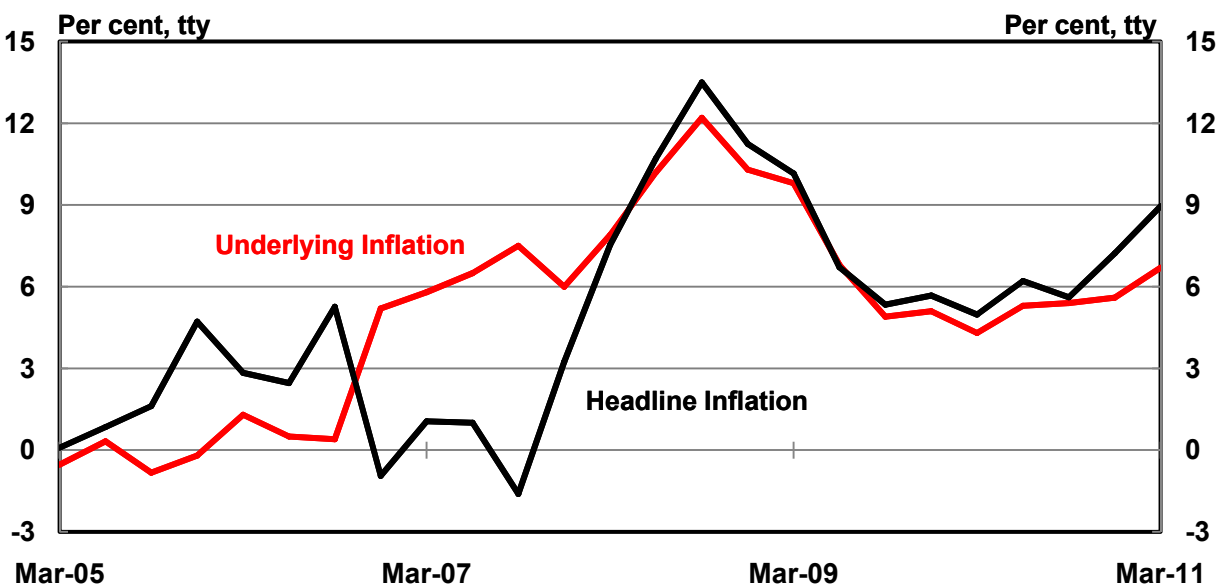


Source: Bank of PNG Employment Index, Quarterly Economic Bulletin, March 2011

### Inflation

Inflation is estimated to be around 9.0 per cent in 2011, an upward revision from the budget estimate of 8.2 per cent. The upward revision reflects higher than expected economic growth, higher food and fuel prices, and shortages of skilled labour, land, and other capacity constraints in light of increased Government spending.

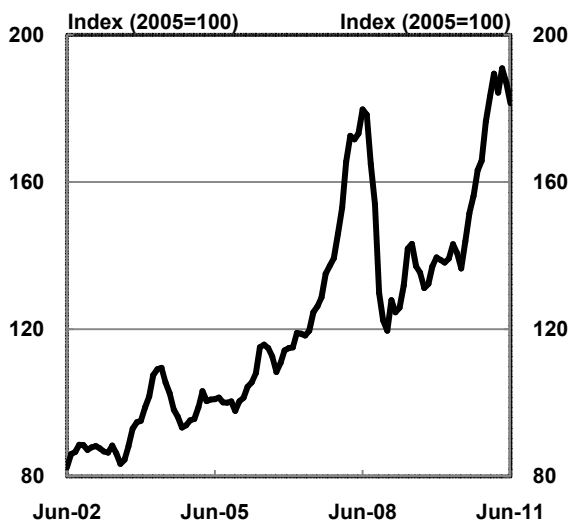
**Chart 8: Headline and Underlying Inflation**



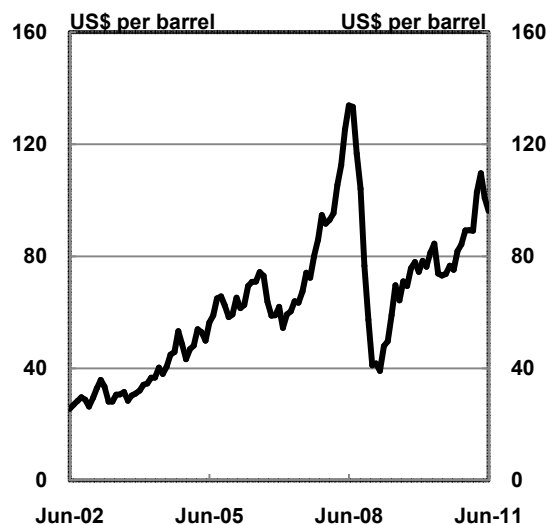
Source: National Statistical Office/Department of Treasury

In the March quarter 2011, inflation rose by 3.1 percentage points. This is the strongest quarterly price growth since the December quarter 2008. The pickup in the headline inflation mainly reflects capacity constraints that are acting as a brake upon economic growth, coupled with high world oil and food prices. A large majority of items in the consumer basket experienced higher prices.

**Chart 9: Food Price**



**Chart 10: Oil Price**

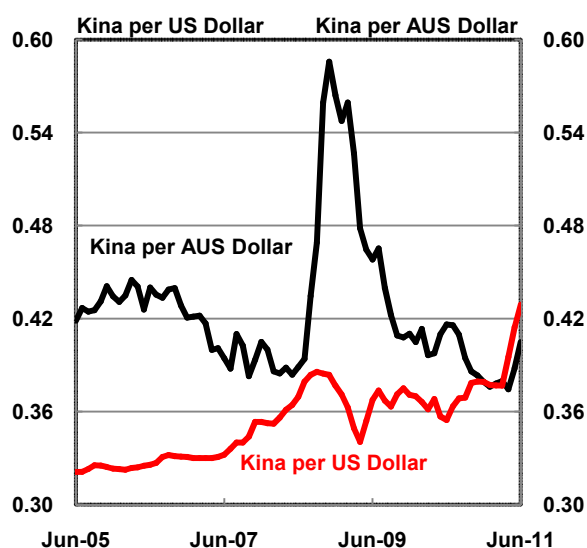


Source: International Monetary Fund

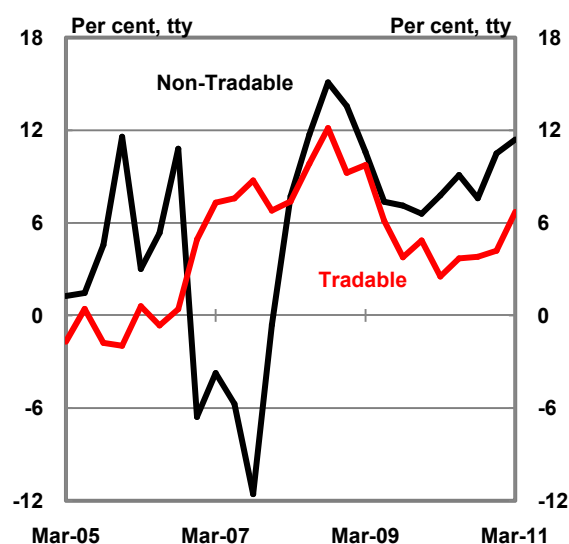
Prices of imported (or tradable) goods continued to rise, increasing from 2.5 per cent through the year to the March quarter 2010 to 6.7 per cent through the year to the March quarter 2011. Rising global demand for food and oil, particularly in emerging economies like China and India, combined with a number of supply shocks, have caused a sharp rise in international food and oil prices. This is expected to put upward pressure on tradable inflation in the coming quarters, although the recent appreciation of the Kina against the US and Australian dollar has helped to moderate imported inflation. Charts 9 and 10 show that prices have recovered since the second half of 2009 and exhibit an upward trend.

Non-tradable inflation has also continued to accelerate, implying domestically generated inflationary pressures are persistent and growing in the domestic economy, increasing from 7.8 per cent through the year to the March quarter 2010 to 11.4 per cent through the year to March quarter 2011. Non-tradable inflation is expected to remain strong and rise in the near term due to strong economic growth driven by the construction of the PNG LNG project and capacity constraints in the economy.

**Chart 11: Exchange Rate Developments**



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



Source: Bank of PNG Quarterly Economic Bulletin, March 2011 and Department of Treasury

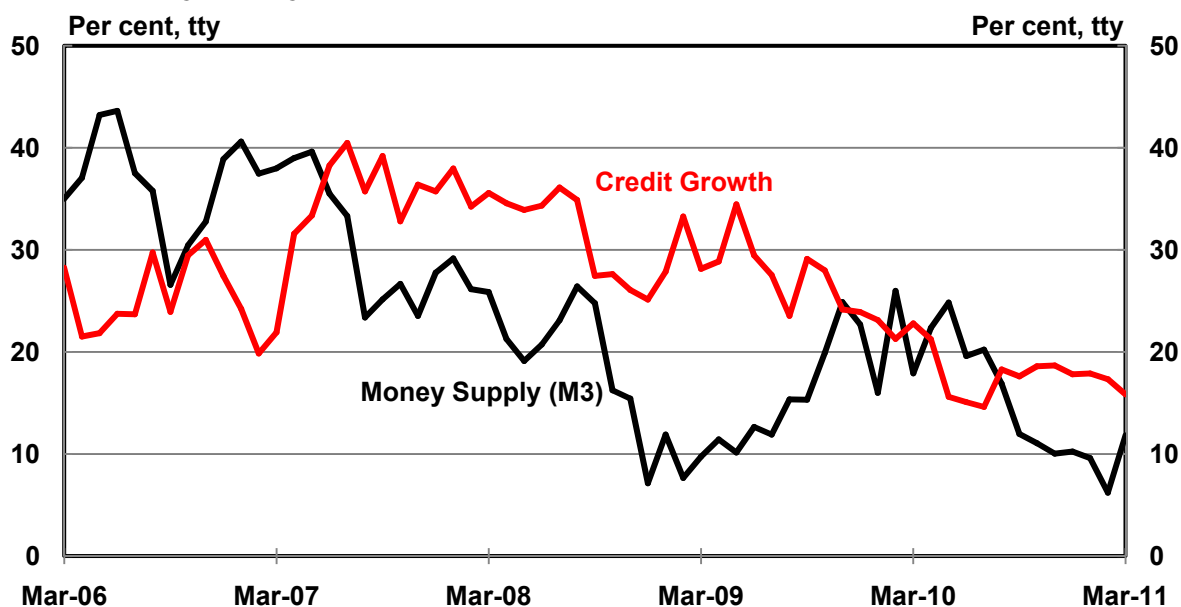
Total liquidity of the banking system increased by 1.4 per cent in 2010, driven mainly by draw downs in trust account funds. Lending provided by other depository corporations to the private sector increased by 17.9 per cent in 2010. The growth in the private sector credit was broad based, with increases recorded in the: transport and communication; finance; electricity, gas and water supply; and real estate and business services sectors as well as in the level of personal loans.

In 2011, credit to the private sector is expected to grow by 13.2 per cent. The growth in the private sector and other monetary aggregates is considered sufficient to support economic activity.

The annual growth in the broad money supply and monetary base grew by 10.0 per cent and 11.1 per cent respectively in 2010. The growth in broad money supply is attributed mainly from increases in net foreign assets of depository corporations and private sector credit which grew by 20.2 per cent and 17.9 per cent respectively. The growth in the monetary base is attributed to an increase in currency in circulation combined with higher deposits carried out by commercial banks at the central bank. Given the high level of liquidity in the economy, the bank issued new central bank bills totalling K481.0 million to diffuse excess liquidity in the banking system. The high level of liquidity during the year has caused a downward pressure on domestic interest rates. As a consequence, the central bank also utilised its direct policy instruments, by increasing the cash reserve requirements in October 2010 from 3.0 to 4.0 per cent which diffused a total of K130.0 million.

In 2011, broad money supply is expected to grow by 9.6 per cent and the monetary base is expected to grow by 9.2 per cent. These are driven mainly by credit provided to the private sector arising from increased economic activity associated with the PNG LNG project and Government expenditure.

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



Source: Bank of PNG Quarterly Economic Bulletin, March 2011 and Department of Treasury

The acceleration of inflation at the beginning of 2011 raises concerns of high inflationary pressures associated with high domestic demand from the ramping up of the PNG LNG construction activities, high international food and fuel prices, and capacity constraint issues.

This concern regarding the higher inflation outcome in the March quarter 2011 has prompted the Central Bank to tighten monetary policy by increasing the Kina facility rate in July 2011 from 7.25 per cent to 7.50 per cent.

Inflation for 2012 is expected to moderate to 7.2 per cent. This projected easing in inflation rate is attributable to a large moderation in the rate of growth of construction activity as construction activity on the PNG LNG project reaches its peak, and the assumption of effective and coordinated monetary and fiscal policies.

From 2013 inflation is projected to ease to around 6.3 per cent and 5.0 per cent for 2014 and 2015 respectively on the assumptions of commodity prices easing back towards long-run averages and continuing effective and coordinated monetary and fiscal policies.

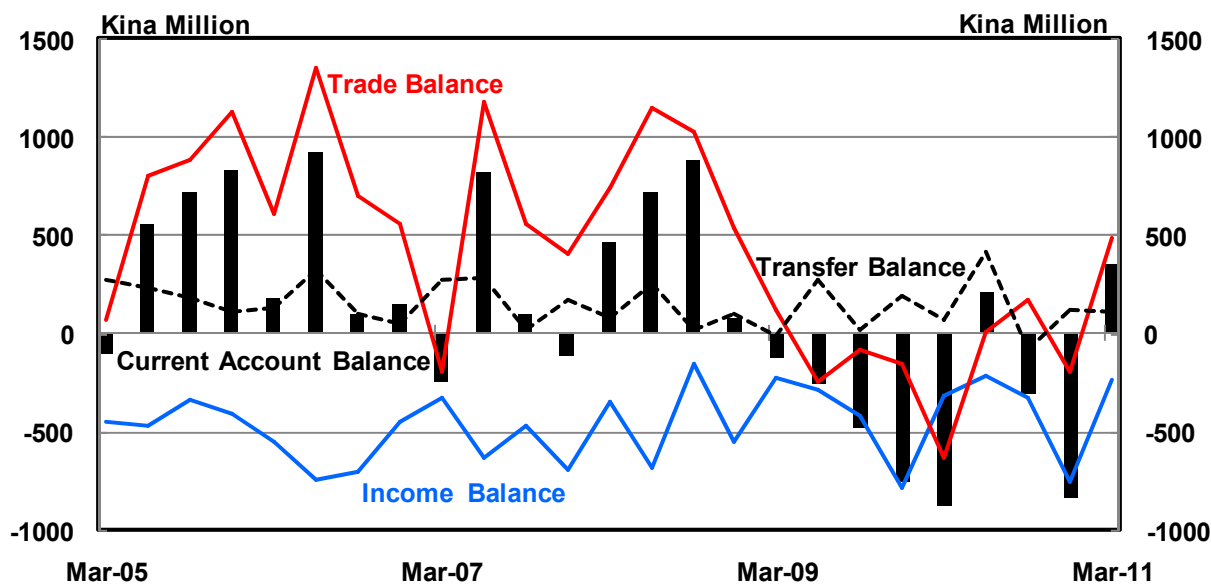
### **Balance of Payments**

At the time of the 2011 Budget, a large current account balance was expected for 2011. Spending on the PNG LNG project was expected to widen the trade and income deficits. Strong economic growth and higher incomes were also expected to translate into higher general import spending in the economy in 2011.

In the March quarter 2011, the current account showed an unexpected surplus of K356.0 million, with major improvements in the trade, income and transfer balances. The main driver was the effects of higher commodity prices during the first quarter on export receipts and lower import receipts, both of which substantially improved the trade balance. The trade balance contributed K483.0 million to the overall surplus, up from a trade deficit of K198.0 million

recorded in the December quarter 2010. However, the decline in import spending possibly reflects significant under-reporting of PNG LNG transactions.<sup>1</sup>

**Chart 14: Balance of Payment**



Source: Bank of PNG

The income deficit was K232.0 million in the March quarter 2011. This is significantly lower than the deficit of K758.0 million recorded in the previous quarter, as the latter included a large dividend payment to foreign shareholders. The transfer balance recorded a surplus of K105.0 million in the March quarter 2011, compared to a surplus of K115.0 million in the previous quarter.

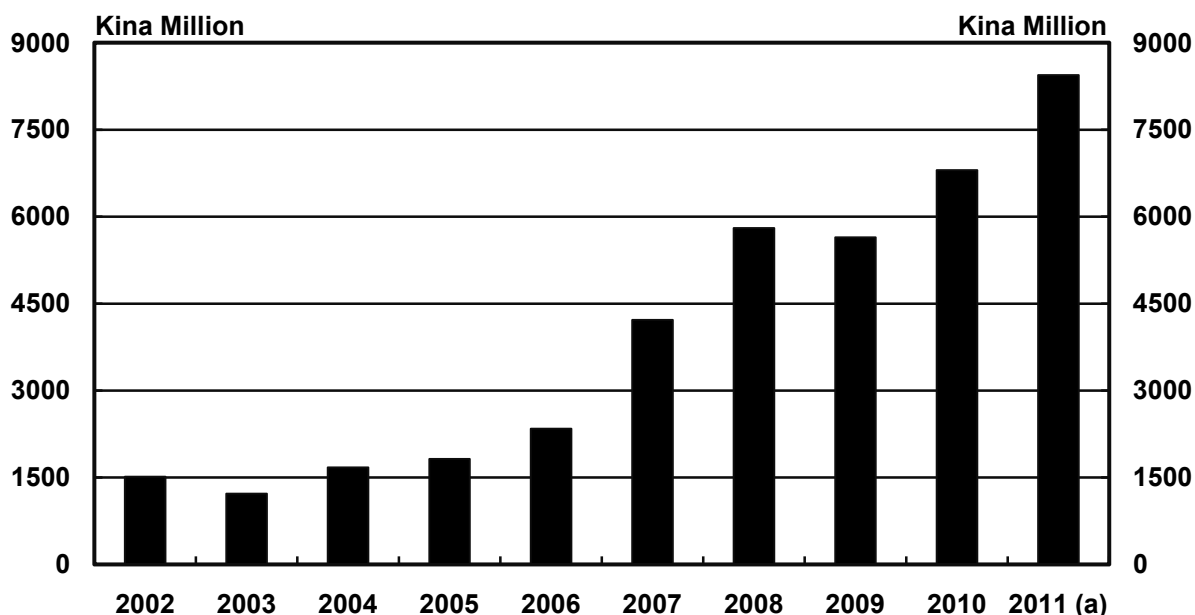
It is expected that in the coming quarters, the current account will move into a substantial deficit as imports are expected to rise substantially due to PNG LNG construction activity.<sup>2</sup> In the medium term, the current account deficit is expected to decline as LNG construction spending winds down. It is anticipated that beyond 2015 the current account will move into a large surplus position following the commencement of PNG LNG exports in late 2014.

International reserves were US\$3,146.5 million at end of December 2010 and increased by 1.0 per cent to US\$3,190.4 million at the end of March quarter 2011.

<sup>1</sup> The Bank of PNG's current survey does not fully capture key contractors in PNG LNG project. The Bank is working closely with those concerned to improve future reporting.

<sup>2</sup> This assumes the Bank of PNG improves coverage to include PNG LNG transactions over the course of the year.

**Chart 15: International Reserves**



Source: Bank of PNG  
 (a) Includes reserve levels up to March 2011

## 1.2 THE FISCAL OUTLOOK

The fiscal position for 2011 is expected to be a surplus of K606.8 million compared to the projection of a balanced budget in the 2011 Budget. This is largely attributable to higher than expected revenue receipts from mineral revenue and personal income tax.

The additional revenue is expected to be expended through a Supplementary Budget later in 2011, while maintaining a balanced budget strategy.

The updated fiscal estimates for 2011 are set out in the table below. These estimates are made on the basis of no policy change (as a Supplementary Budget has not yet been approved by NEC for consideration by Parliament).

**Table 2: Budget Balance 2010-2011 (Kina, million)**

|                                   | 2010<br>Actual | 2011<br>Budget | 2011<br>MYEFO |
|-----------------------------------|----------------|----------------|---------------|
| Total Revenue and Grants          | 8,278.9        | 9,328.1        | 9,935.0       |
| Total Expenditure and Net Lending | 8,092.6        | 9,328.2        | 9,328.2       |
| <b>Deficit (-) /Surplus (+)</b>   | <b>186.3</b>   | <b>0.0</b>     | <b>606.8</b>  |
| <i>% of GDP</i>                   | <i>0.7</i>     | <i>0.0</i>     | <i>2.0</i>    |

Source: Department of Treasury

While additional funds have been identified, the total expenditure pressures far exceed the resource envelope identified. A majority of the expenditure pressures are decisions made outside of the 2011 Budget. Major expenditure commitments include a pipeline of government expenditure under the MTDP, Universal Basic Education (UBE) and the National Health Plan, outstanding MOA commitments, 2012 Elections, 2015 Pacific Games combined with outstanding Government obligations such as the superannuation arrears and unfunded NEC decisions. The additional revenue will allow the Government to fund some of the expenditure pressures while maintaining its strategy to have a balanced budget.

## 1.3 REVENUE

Total Revenue and Grants for 2011 are estimated at K9,935.0 million, which is K606.8 million higher than the 2011 Budget estimate. This primarily reflects an upward revision to Tax Revenue of K498.1 million and an upward revision to Non-Tax Revenue of K108.7 million. The variations to the Tax Revenue and the Non-Tax Revenue estimates are discussed below.

**Table 3: Tax Revenue 2010-2011 (Kina, million)**

|                                    | 2010<br>Actual | 2011<br>Budget | 2011<br>MYEFO  |
|------------------------------------|----------------|----------------|----------------|
| Tax on Income & Profits            | 4,668.1        | 5,292.5        | 5,709.6        |
| Domestic Taxes on Goods & Services | 1,193.1        | 1,429.4        | 1,441.0        |
| Taxes on International Trade       | 573.5          | 609.1          | 678.5          |
| <b>Tax Revenue</b>                 | <b>6,434.7</b> | <b>7,331.0</b> | <b>7,829.1</b> |

Source: Department of Treasury

Tax revenues in 2011 have been revised up by K498.1 million since the 2011 Budget to K7,829.1 million. This reflects higher receipts of Tax on Income and Profits and Taxes on International Trade, and a slight increase in receipts of Domestic Taxes on Goods and Services. In the first five months of 2011, Tax Revenue collections were K2,442.0 million, or around 1.2 per cent above the year-to-date budget estimate.

The major factors behind the upward revision to the Tax on Income and Profits are an upward revision in receipts of Personal Income Tax and Mining and Petroleum Tax totalling K470.0 million<sup>3</sup> (plus, to a lesser extent, higher receipts of Dividend Withholding Tax). These increases are partly offset by a decline in Company Tax receipts. In the first five months of 2011, collections from Tax on Income and Profits was K1,790.6 million, around 6.2 per cent above the year-to-date budget estimate.

Personal Income Tax is estimated to be K205.4 million higher than the 2011 Budget projection, reflecting strong collections-to-date associated with higher than anticipated employment and wages growth. In the first five months of 2011, collections from Personal Income Tax totaled K713.5 million, around 11.5 per cent above the year-to-date budget estimate.

Company Tax is estimated to be K77.7 million lower than the 2011 Budget projection due to lower year-to-date collections. In the first five months of 2011, Company Tax collections totaled K345.1 million, around 20.2 per cent below the year-to-date budget estimate.

<sup>3</sup> Refer to Fiscal Outturn Tables on page 27.

Mining and Petroleum Tax revenue is estimated to be K264.6 million higher than the 2011 Budget projection. The first Mining and Petroleum Tax installment totalled K628.1 million, which is around 44.7 per cent above the year-to-date budget estimate, due to a strong rebound in commodity prices in the first quarter of 2011.

Revenue from Domestic Taxes on Goods and Services have been revised up slightly by K11.6 million to K1,441.0 million in 2011, due to higher collection of GST from ports, partly offset by increased refunds to the provinces.

Revenue from Taxes on International Trade have been revised up by K69.4 million to K678.5 million in 2011. In the first five months of 2011, collections of Taxes on International Trade were K254.9 million, around 19.0 per cent above the year-to-date budget estimate, mainly reflecting stronger exports and imports of excisable goods.

**Table 4: Non-Tax Revenue 2010-2011 (Kina, million)**

|   | <b>2010<br/>Actual</b> | <b>2011<br/>Budget</b> | <b>2011<br/>MYEFO</b> |
|---|------------------------|------------------------|-----------------------|
| Property Income                         | 339.2                  | 289.4                  | 398.0                 |
| <i>Non-mining Dividends</i>             | 40.3                   | 0.0                    | 0.0                   |
| <i>Mining &amp; Petroleum Dividends</i> | 298.9                  | 289.4                  | 398.0                 |
| Interest & Fees from Lending            | 1.3                    | 4.0                    | 4.0                   |
| Other Non-Tax Revenue                   | 94.6                   | 117.7                  | 117.8                 |
| Injections from Trust Accounts          | 0.0                    | 0.0                    | 0.0                   |
| <b>Total</b>                            | <b>435.1</b>           | <b>411.1</b>           | <b>519.8</b>          |

Source: Department of Treasury

Non-Tax revenue collections are projected to be higher than the 2011 Budget estimate by K108.7 million, due to higher Mining and Petroleum Dividend income. In turn, this reflects higher than expected mineral prices and an unexpected one-off dividend from a major project.

The final components of Total Revenue and Grants (after Tax Revenue and Non-Tax Revenue) are Project Grants and Infrastructure Tax Credits (ITC). Estimates of ITCs and Project Grants are unchanged from 2011 Budget.

## **1.4 EXPENDITURE AND NET LENDING**

Total Expenditure and Net Lending in 2011 is estimated to be K9,328.2 million with no changes to the 2011 Budget appropriation.

**Table 5: Total Expenditure and Net Lending 2010-2011 (Kina, million)**

|  | <b>2010<br/>Actual</b> | <b>2011<br/>Budget</b> | <b>2011<br/>MYEFO</b> |
|--|------------------------|------------------------|-----------------------|
| Recurrent Expenditure                      | 4,160.4                | 5,287.2                | 5,287.2               |
| Development Expenditure                    | 3,278.9                | 4,041.0                | 4,041.0               |
| Supplementary Budget                       | 653.3                  | 0.0                    | 0.0                   |
| <b>Total Expenditure &amp; Net Lending</b> | <b>8,092.6</b>         | <b>9,328.2</b>         | <b>9,328.2</b>        |

Source: Department of Treasury

Total Recurrent Expenditure is estimated to be K5,287.2 million in 2011, which is unchanged from the 2011 Budget appropriation. Total recurrent expenditure up to 31 May 2011 was K1,883.4 million, or 35.6 per cent of the 2011 Budget appropriation. Of this, the major



expenditure items were Personnel Emoluments (PE), Goods and Services, Transfers to statutory organisations and Interest payments.

In the first five months of 2011, PE expenditure was K691.9 million or 27.3 per cent of the 2011 Budget appropriation, and Total Goods & Services expenditure was K911.2 million or 45.5 per cent of the 2011 Budget appropriation. The higher spending on Total Goods and Services in the first five months of 2011 reflects a front loading of warrants for education subsidies and drug procurement. Over the same period, transfers to Statutory organisations were K106.5 million or 33.4 per cent of the 2011 Budget appropriation while Interest payments were K174.9 million or 40.6 per cent of the 2011 Budget appropriation. The higher expenditure on interest payments includes a reallocation of part of the appropriation to cover a large court settlement.

Development Expenditure in 2011 of K4,041.0 million is also unchanged from the 2011 Budget appropriation.

In the first five months of 2011, total Government of PNG Development Expenditure was K607.7 million or 15.0 per cent of the 2011 Budget appropriation. Of this, the domestic funds component of the development budget was K356.4 million or 17.2 per cent of the 2011 Budget appropriation, Infrastructure Tax Credits (ITC) recorded nil expenditure, and Concessional loan draw downs were a meager K27.6 million or 7.1 per cent of the 2011 Budget appropriation. These figures reflect a particularly slow drawdown of funds for development projects and programmes in 2011.

**Table 6: Development Expenditure 2010-2011 (Kina, million)**

|                                      | <b>2010<br/>Actual</b> | <b>2011<br/>Budget</b> | <b>2011<br/>MYEFO</b> |
|--------------------------------------|------------------------|------------------------|-----------------------|
| <b>Domestic Funding</b>              | 1769.7                 | 2066.6                 | 2066.6                |
| <b>Donor Project Grants</b>          | 1391.1                 | 1526.1                 | 1526.1                |
| <b>Infrastructure Tax Credits</b>    | 18.0                   | 60.0                   | 60.0                  |
| <b>Loans</b>                         | 100.1                  | 388.4                  | 388.4                 |
| Concessional                         | 100.1                  | 388.4                  | 388.4                 |
| Commercial                           | 0.0                    | 0.0                    | 0.0                   |
| <b>Total Development Expenditure</b> | <b>3,278.9</b>         | <b>4,041.0</b>         | <b>4,041.0</b>        |

Source: Department of Treasury

## **1.5 STATUS OF SUPPLEMENTARY BUDGETS**

The 2010 Supplementary Budget provided K653.3 million of additional appropriation to fund priority expenditures. However, it was evident at the time that these funds could not be effectively spent in such a short time. For this reason, the overwhelming majority was paid into trust accounts to spread the expenditure of the funds over a longer time period. There are sound economic and cost effective reasons for this approach as there remains substantial risk if spending is not properly planned, costed and staged.

As of 31 May 2011, of the K653.3 million allocated, K552.3 million has been allocated to National Departments and Division 207 for Additional Expenditure. Of this, K552.3 million was paid immediately into Trust Accounts from which funds can be disbursed over time.

Of the K552.3 million directed to trusts, K270.0 million was for road maintenance as follows:

- K100.0 million for maintenance of the Highlands Highway;
- K70.0 million for maintenance of the Port Moresby road network;
- K50.0 million for maintenance of Lae Roads; and
- K50.0 million for Rural District Roads.

A further K282.3 million in expenditure commitments were also paid into trust, with specific expenditure commitments to be expended before 31 December 2011 under a sunset clause, as listed below.

- K100.0 million for payment of outstanding PNG LNG Liabilities under MOA commitments.
- K40.0 million for PNG LNG High Impact Infrastructure Projects.
- K40.0 million for the Provincial Services Improvement Program.
- K30.0 million for the District Offices Rehabilitation.
- K20.0 million for ILG and Issues Committee.
- K10.0 million for the National Parliament.
- K5.0 million for Mobile Police Barracks.
- K3.3 million for Reducing Emissions from Deforestation and Degradation (REDD) Program.
- K3.0 million for the Incentive Fund Support.
- K2.0 million for Audit and Legal Team Support Finance Department.
- K2.0 million for CIS – Prison Industries Programme.
- K2.0 million for Mining Legal Costs.
- K2.0 million for Office Rehabilitation for the Mineral Policy & Geo-hazards Management Department.
- K2.0 million for Cooperative Societies Programme.
- K1.0 million for Variarata National Park Rehabilitation.

The remaining K101.0 million of the appropriation for Additional Expenditure was spent in the remaining months of 2010.

#### Supplementary Budget Appropriation by sector as at 31 May 2011 (Kina, million)

| Sector         | Approp       | Share of Approp (%) | Spent        | Paid into Trust | Reallocation to other Areas | Total        |
|----------------|--------------|---------------------|--------------|-----------------|-----------------------------|--------------|
| Health         | 0.0          | 0.0                 | 0.0          | 0.0             | 0.0                         | 0.0          |
| Education      | 2.0          | 0.0                 | 2.0          | 0.0             | 0.0                         | 2.0          |
| Law & Justice  | 26.0         | 3.9                 | 19.0         | 7.0             | 0.0                         | 26.0         |
| Transport      | 270.0        | 41.3                | 0.0          | 270.0           | 0.0                         | 270.0        |
| Income Earning | 75.0         | 11.5                | 10.0         | 65.0            | 0.0                         | 75.0         |
| Gas Equity     | 0.0          | 0.0                 | 0.0          | 0.0             | 0.0                         | 0.0          |
| Debt Repayment | 0.0          | 0.0                 | 0.0          | 0.0             | 0.0                         | 0.0          |
| Other Non-MTDS | 280.3        | 28.0                | 70.0         | 210.3           | 0.0                         | 280.3        |
| <b>Total</b>   | <b>653.3</b> | <b>100%</b>         | <b>101.0</b> | <b>552.3</b>    | <b>0.0</b>                  | <b>653.3</b> |

Source: Department of Treasury

Of the funds allocated in the 2010 Supplementary Budget, 84.5 per cent was paid into trust accounts.

## 1.6 STATUS OF TRUST ACCOUNTS

A total of K4,488.6 million, up to and including 31 May 2011, has been paid into Supplementary Budget trust accounts since 2005 for implementation of priority budget expenditure programs. These trust accounts have largely been funded from additional mineral revenue in Supplementary Budgets and annual Budgets.

The purpose of holding funds in trust is to spread spending over time to help manage inflationary pressures in the economy and to give time to agencies to properly plan and implement projects.

The Table below shows the movements of funds for these trust accounts for the period 1 January to 31 May 2011.

**TABLE 7: Movement of Funds in Trust Accounts from 1 Jan - 31 May 2011**  
(Kina, million)

| Description   | Approp paid into Trust | Balance as at 31-Jan-11 | Debit (Receipt) | Credit (Payment) | Balance as at 31-May-11 | Outstanding Deposits 31-May-11 |
|---|------------------------|-------------------------|-----------------|------------------|-------------------------|--------------------------------|
| Education Sector Infrastructure Rehabilitation            | 250.0                  | 0.7                     | 0.0             | 0.0              | 0.7                     | 0.0                            |
| Higher Education Sector Infrastructure Rehabilitation     | 80.0                   | 12.5                    | 0.0             | 1.6              | 10.9                    | 0.0                            |
| National Parliament Infrastructure Rehabilitation         | 10.0                   | 3.4                     | 10.0            | 1.0              | 12.4                    | 0.0                            |
| Transport Sector Infrastructure Rehabilitation            | 607.5                  | 237.3                   | 0.0             | 154.1            | 83.2                    | 0.0                            |
| PNG Gas Development and Commitments                       | 15.0                   | 0.6                     | 0.0             | 0.0              | 0.6                     | 0.0                            |
| Resettlement of Rabaul Volcano Victims                    | 20.0                   | 5.8                     | 0.0             | 1.0              | 4.8                     | 0.0                            |
| Hospital and Healthcare Centre Rehabilitation             | 250.3                  | 12.9                    | 0.0             | 11.3             | 1.6                     | 0.0                            |
| Rehabilitation of Housing for Nurses                      | 15.0                   | 11.3                    | 0.0             | 0.0              | 11.3                    | 0.0                            |
| Rehabilitation of Housing for Police                      | 50.0                   | 17.4                    | 0.0             | 2.1              | 15.3                    | 0.0                            |
| District Services Improvement Program                     | 1,436                  | 413.7                   | 18.0            | 131.4            | 300.3                   | 0.0                            |
| Institutional Housing Pilot                               | 47.0                   | 15.0                    | 0.0             | 4.5              | 10.5                    | 0.0                            |
| Housing Development Pilot                                 | 15.0                   | 0.6                     | 0.0             | 0.0              | 0.6                     | 0.0                            |
| Cooperative Societies Establishment                       | 10.0                   | 2.0                     | 0.0             | 1.5              | 0.5                     | 0.0                            |
| Madang Marine Park Development                            | 25.0                   | 0.1                     | 0.0             | 0.0              | 0.1                     | 0.0                            |
| Rural Electrification                                     | 30.0                   | 0.6                     | 0.0             | 0.0              | 0.6                     | 0.0                            |
| Konebada Petroleum Park                                   | 50.0                   | 39.1                    | 0.0             | 7.3              | 31.8                    | 0.0                            |
| National Infrastructure Development                       | 195.9                  | 3.3                     | 0.0             | 0.0              | 3.3                     | 0.0                            |
| Land Reform Program                                       | 28.0                   | 0.2                     | 0.0             | 0.0              | 0.2                     | 0.0                            |
| Regional, Provincial Treasury and District Admin. Offices | 26.0                   | 12.2                    | 0.0             | 11.9             | 0.3                     | 0.0                            |
| LNG Project Development Cost                              | 172.5                  | 21.9                    | 0.0             | 21.9             | 0.0                     | 0.0                            |
| Business Development Grants                               | 47.0                   | 47.0                    | 0.0             | 0.0              | 47.0                    | 0.0                            |

| Description  | Approp paid into Trust | Balance as at 31-Jan-11 | Debit (Receipt) | Credit (Payment) | Balance as at 31-May-11 | Outstanding Deposits 31-May-11 |
|--|------------------------|-------------------------|-----------------|------------------|-------------------------|--------------------------------|
| Infrastructure Development Grants                            | 120.0                  | 87.0                    | 0.0             | 30.0             | 57.0                    | 0.0                            |
| Coastal Vessels Program                                      | 20.0                   | 0.0                     | 20.0            | 14.4             | 5.6                     | 0.0                            |
| Outstanding Liabilities Trust Account                        | 100.0                  | 100.0                   | 0.0             | 0.0              | 100.0                   | 0.0                            |
| Highlands Highway Rehabilitation Trust Account               | 135.0                  | 0.0                     | 100.0           | 0.0              | 100.0                   | 0.0                            |
| Lae City Roads Rehabilitation Trust Account                  | 100.0                  | 0.0                     | 50.0            | 0.0              | 50.0                    | 0.0                            |
| Rural District Roads Support Trust Account                   | 50.0                   | 0.0                     | 50.0            | 12.1             | 37.9                    | 0.0                            |
| PNG LNG High Impact Infrastructure                           | 40.0                   | 0.0                     | 40.0            | 14.3             | 25.7                    | 0.0                            |
| ILG and Issues Committee Trust Account                       | 20.0                   | 0.0                     | 20.0            | 0.0              | 20.0                    | 0.0                            |
| Audit & Legal Team Support Trust Account                     | 2.0                    | 0.0                     | 2.0             | 0.0              | 2.0                     | 0.0                            |
| CIS - Prison Industries Program                              | 2.0                    | 0.0                     | 2.0             | 0.0              | 2.0                     | 0.0                            |
| Incentive Fund Support Trust Account                         | 3.0                    | 0.0                     | 3.0             | 0.0              | 3.0                     | 0.0                            |
| Mul Baiyer Mobile Police Barracks Trust Account              | 5.0                    | 0.0                     | 5.0             | 0.0              | 5.0                     | 0.0                            |
| REDD Program Trust Account                                   | 3.3                    | 0.0                     | 3.3             | 3.3              | 0.0                     | 0.0                            |
| Variarata National Park Rehabilitation Trust Account         | 1.0                    | 0.0                     | 1.0             | 0.0              | 1.0                     | 0.0                            |
| Hubert Murray Highway Upgrading Trust Account                | 70.0                   | 0.0                     | 70.0            | 0.0              | 70.0                    | 0.0                            |
| Provincial Services Improvement Program (PSIP) Trust Account | 40.0                   | 0.0                     | 40.0            | 0.0              | 40.0                    | 0.0                            |
| District Offices Rehabilitation Trust Account                | 30.0                   | 0.0                     | 30.0            | 13.3             | 16.7                    | 0.0                            |
| Mining Legal Costs Trust Account                             | 2.0                    | 0.0                     | 2.0             | 1.1              | 0.9                     | 0.0                            |
| Mining Office Rehabilitation Trust Account                   | 2.0                    | 0.0                     | 2.0             | 0.5              | 1.5                     | 0.0                            |
| 2010 National Census (2)                                     | 0.0                    | 0.0                     | 0.0             | 0.0              | 0.0                     | 10.0                           |
| Provincial Government Members entitlement (2)                | 0.0                    | 0.0                     | 0.0             | 0.0              | 0.0                     | 30.0                           |
| <b>TOTAL (1)</b>   | <b>4,488.6</b>         | <b>1,044.6</b>          | <b>468.3</b>    | <b>438.6</b>     | <b>1,074.3</b>          | <b>40.0</b>                    |

Notes

1. K20.0 million that was appropriated for Business Growth Centres in the 2010 Supplementary Budget and recorded as an outstanding deposit in the 2010 Final Budget Outcome (FBO). This amount was not paid into trust but spent directly in accordance with the intended purpose.
2. Outstanding Deposits for the 2010 National Census and the Provincial Government Members entitlement were erroneously omitted from the outstanding deposits in 2010 FBO.

Source: Department of Finance

The opening balance of the Supplementary Budget Trust Accounts as at 1 January 2011 was K1,044.6 million. Deposits for the period 1 January to 31 May 2011 totalled K468.3 million. This comprises K436.3 million of outstanding deposits as at 31 December 2010 from the 2010 Supplementary Budget and K32.0 million from the 2011 Budget. In addition, K20.0 million reported as an outstanding deposit in the 2010 Final Budget Outcome (FBO) for the Business Growth Centre Trust was not paid into trust, but spent directly in accordance with the intended purpose. Expenditure incurred for the period 1 January to 31 May 2011 totalled K438.6 million, and the closing balance at 31 May 2011 was K1,074.3 million.

K40.0 million of funds which were re-appropriated in the 2010 Supplementary Budget to trust accounts have yet to be deposited and are listed as outstanding deposits. As at the reporting date only K32.0 million of the K723.2 million appropriated in the 2011 Budget for trust accounts has been released by Department of Treasury. The remaining funds will be released as required or as funds become available.

For expenditure from Supplementary Budget Trust Accounts for the period 1 January – 31 May 2011, the opening balance as at 1 January 2011 was K1,044.6 million. Deposits for the period 1 January to 31 May 2011 totalled K456.3 million. This comprised of K436.3 million of outstanding deposits at 31 December 2010 relating to the 2010 Supplementary Budget plus K20.0 million from the 2011 Budget. K20.0 million was reported as an outstanding deposit in the 2010 Final Budget Outcome (FBO) for the Business Growth Centre Trust was spent in line with its intended purpose but not deposited into a Trust Account. Expenditure incurred for the period 1 January – 31 May 2011 totalled K438.6 million, and the closing balance at 31 May 2011 was K1,074.3 million.

K40.0 million of funds that were re-appropriated in the 2010 Supplementary Budget to Trust Accounts have yet to be deposited and are listed as outstanding deposits. As at the reporting date only K32.0 million of the K723.2 million appropriated in the 2011 Budget and has been released by Department of Treasury. The remaining funds will be released as required or as funds become available.

Following is a summary of expenditure from Supplementary Budget Trust Accounts for the period 1 January to 31 May 2011:

- **K1.6 million was spent from the Higher Education Sector Infrastructure Rehabilitation Trust Account** in relation to infrastructure rehabilitation of the four government funded universities.
- **K1.0 million was spent from the National Parliament Infrastructure Rehabilitation Trust** in relation to the maintenance of the National Parliament.
- **K154.1 million was spent from the Transport Sector Infrastructure Rehabilitation Trust Account for the maintenance of the transport infrastructure around the country.**
- **K1.0 million was spent from the Resettlement of Volcano Victims Trust Account** in relation to the settlement of Rabaul Volcano victims during this period.
- **K11.3 million was spent from the Hospital and Health Care Rehabilitation Trust** in relation to Port Moresby General Hospital during this period.
- **K2.1 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.
- **K131.4 million was spent from the District Service Improvement Program Trust Account** for implementation of the District Services Improvement Program around the 89 districts of PNG during this period.
- **K4.5 million was spent from the Institutional Housing Pilot Trust Account** in relation to the Institutional housing program during this period.

- **K1.5 million was spent from the Cooperative Societies Establishment Trust Account** in relation to the establishment of Cooperative Societies during this period.
- **K7.3 million was expended from the Konebada Petroleum Park Trust Account** in relation to the development of the Konebada Petroleum Park during this period.
- **K11.9 million was spent from the Regional Treasury and District Administration Offices Establishment Trust Account** during this period in relation to Department of Finance Regional Treasury Office establishment.
- **K21.9 million was spent from the LNG Project Development Cost Trust Account** during this period in relation to cost associated with the LNG project.
- **K30.0 million was spent from the Infrastructure Development Grants Trust Account** during this period in relation to the development of the infrastructure associated with the LNG Project in Southern Highlands Province.
- **K14.4 million was spent from the Coastal Vessels Program Trust** during this period in relation to the coastal vessels program.
- **K12.1 million was spent from the Rural District Roads Support Trust** during this period for the rehabilitation and maintenance of district rural roads around the country.
- **K14.3 million was spent from the PNG LNG High Impact Infrastructure Trust** during this period in relation to impact projects associated with the LNG project in the Southern Highlands Province.
- **K3.3 million was spent from the REDD Program Trust** during this period in relation to the implementation of the REDD Program.
- **K13.3 million was spent from the District Offices Rehabilitation Trust** in relation to the rehabilitation of the district offices during this period.
- **K1.1 million was spent from the Mining Legal Cost Trust** during this period in relation to the legal fees and costs associated with the Ramu Nickel Project.
- **K0.5 million was spent from the Mining Office Rehabilitation Trust** during this period in relation to the rehabilitation of the Mining Office.

During the period 1 January – 31 May 2011, the following Trust Accounts were established and are awaiting funds appropriated in the 2011 Budget to be deposited.

- Economic Corridor Development Program Trust.
- Baiyer – Madang Road Trust.
- Bogia – Angoram Road Trust.
- Kokopau Arawa Road Upgrading Trust.
- Public Relations for Promotion of Government Initiatives.
- Lihir Special Support Grant.
- Aiyura NHS – Renovation and Upgrading.
- Kerevat NHS – Renovation and Upgrading.

- Passam NHS – Renovation and Upgrading.
- Sogeri NHS – Renovation and Upgrading.
- Trans Sepik Highway.
- Trans East West New Britain Highway.
- Buluminsky Highway.
- Central Malalaua Highway.

### District Services Improvement Program (DSIP) Trust Accounts

DSIP Trust Accounts are designed to fund priority expenditure programs in the districts. A total of K1,433.0 million has been paid into the DSIP Trust Account over the period 2006 up to and including 31 May 2011. The total appropriation into DSIP Trust Accounts is K1,424.0 million. The difference between total appropriations and total payments into DSIP Trust Accounts relates to K9.0 million that was overpaid to six districts, (which will be recovered from the 2011 appropriation when paid later in 2011).

Table 8 shows expenditure from the subsidiary DSIP Trust Accounts for the 89 districts. As at 31 May 2011 the combined balance of the subsidiary DSIP Trust Accounts is K297.3 million. In addition K3.0 million from the main DSIP Trust Account is yet to be distributed to the subsidiary DSIP Trust Accounts.

**Table 8: Movements of funds in District Service Improvement Program (DSIP) Trust 1 January 2011-31 May 2011(Kina, million)**

| District          | Total Fund Paid into Trust | Balance as at 1-Jan-11 | Debits (Receipts) | Credits (Payments) | Balance as at 31- May-11 |
|-------------------|----------------------------|------------------------|-------------------|--------------------|--------------------------|
| Abau              | 16,000,000.0               | 1,215,007.0            | 0.0               | 1,195,936.0        | 19,071.4                 |
| Goilala           | 16,000,000.0               | 2,057,591.0            | 0.0               | 2,052,082.0        | 5,509.1                  |
| Kairuku Hiri      | 16,000,000.0               | 2,952,218.0            | 0.0               | 1,482,556.0        | 1,469,662.5              |
| Rigo              | 16,000,000.0               | 474,645.0              | 0.0               | 458,307.0          | 16,337.9                 |
| Gazelle           | 16,000,000.0               | 5,201,284.0            | 0.0               | 127,442.0          | 5,073,842.1              |
| Kokopo            | 16,000,000.0               | 2,613,709.0            | 0.0               | 88,798.0           | 2,524,911.3              |
| Pomio **          | 16,000,000.0               | 2,239,926.0            | 0.0               | -3,012,149.0       | 5,252,075.2              |
| Rabaul            | 16,000,000.0               | 8,142,340.0            | 1,000,000.0       | 4,713,248.0        | 4,429,092.4              |
| Ambunti-Drekikir  | 16,000,000.0               | 443,000.0              | 0.0               | 396,573.0          | 46,426.8                 |
| Angoram           | 16,000,000.0               | 5,031,262.0            | 0.0               | -3,272.0           | 5,034,533.7              |
| Maprik            | 16,000,000.0               | 6,827,317.0            | 0.0               | 568,845.0          | 6,258,472.1              |
| Wewak             | 16,000,000.0               | 2,768,903.0            | 0.0               | 1,201,121.0        | 1,567,781.5              |
| Wosera-Gawi       | 16,000,000.0               | 7,438,274.0            | 0.0               | 1,651,868.0        | 5,786,406.3              |
| Yangogoru-Saussia | 16,000,000.0               | 8,095,509.0            | 0.0               | 4,741,829.0        | 3,353,679.8              |
| Daulo             | 16,000,000.0               | 8,247,996.0            | 1,000,000.0       | 617,858.0          | 8,630,138.5              |
| Goroka            | 16,000,000.0               | 2,003,006.0            | 1,000,000.0       | 854,116.0          | 2,148,890.2              |
| Henganofi         | 16,000,000.0               | 4,655,298.0            | 1,000,000.0       | 2,903,660.0        | 2,751,637.9              |
| Kainantu          | 16,000,000.0               | 3,346,487.0            | 1,000,000.0       | 2,204,958.0        | 2,141,529.4              |
| Lufa              | 16,000,000.0               | 6,430,654.0            | 0.0               | 2,881,869.0        | 3,548,785.2              |
| Obura-Wanenara    | 16,000,000.0               | 4,166,055.0            | 0.0               | 0.0                | 4,166,055.5              |

| District             | Total Fund Paid into Trust | Balance as at 1-Jan-11 | Debits (Receipts) | Credits (Payments) | Balance as at 31- May-11 |
|----------------------|----------------------------|------------------------|-------------------|--------------------|--------------------------|
| Okapa                | 16,000,000.0               | 3,876,386.0            | 0.0               | 1,118,878.0        | 2,757,508.2              |
| Unggai-Bena          | 16,000,000.0               | 5,019,682.0            | 0.0               | 930,804.0          | 4,088,878.1              |
| Kandep *             | 18,000,000.0               | 1,399,050.0            | 0.0               | 1,398,505.0        | 545.3                    |
| Kompam-Ambun         | 16,000,000.0               | 368,404.0              | 0.0               | -643,295.0         | 1,011,699.4              |
| Lagaip-Porgera       | 16,000,000.0               | 3,983,642.0            | 0.0               | 556,614.0          | 3,427,027.9              |
| Wabag **             | 16,000,000.0               | 3,356,299.0            | 0.0               | -1,114,216.0       | 4,470,515.2              |
| Wapenamanda **       | 16,000,000.0               | 973,459.0              | 0.0               | -567,059.0         | 1,540,518.4              |
| Kerema               | 16,000,000.0               | 960,921.0              | 0.0               | 767,092.0          | 193,829.1                |
| Kikori               | 16,000,000.0               | 31,669.0               | 0.0               | 14,763.0           | 16,906.4                 |
| Bogia                | 16,000,000.0               | 10,578,833.0           | 0.0               | 3,518,657.0        | 7,060,176.0              |
| Madang               | 16,000,000.0               | 9,354,779.0            | 0.0               | 1,173,642.0        | 8,181,137.4              |
| Middle Ramu          | 16,000,000.0               | 6,801,782.0            | 0.0               | 814,929.0          | 5,986,852.5              |
| Raikos               | 16,000,000.0               | 12,281,628.0           | 0.0               | 6,166,305.0        | 6,115,322.9              |
| Sumkar               | 16,000,000.0               | 3,011,054.0            | 0.0               | 1,556,487.0        | 1,454,567.0              |
| Usino-Bundi          | 16,000,000.0               | 7,610,781.0            | 0.0               | 2,299,001.0        | 5,311,780.2              |
| Manus *              | 17,000,000.0               | 2,787,322.0            | 1,000,000.0       | 1,061,270.0        | 2,726,052.3              |
| Alotau / Rabaraba    | 16,000,000.0               | 4,480,362.0            | 0.0               | 2,313,338.0        | 2,167,023.5              |
| Esa'ala              | 16,000,000.0               | 6,073,083.0            | 0.0               | 1,391,770.0        | 4,681,313.0              |
| Kiriwina **          | 16,000,000.0               | 7,384,215.0            | 0.0               | -270,722.0         | 7,654,936.7              |
| Samarai Murua        | 16,000,000.0               | 2,640,166.0            | 0.0               | 1,879,330.0        | 760,835.9                |
| Bulolo               | 16,000,000.0               | 3,558,828.0            | 1,000,000.0       | 3,773,129.0        | 785,698.7                |
| Finschaffan          | 16,000,000.0               | 6,644,005.0            | 1,000,000.0       | 2,795,383.0        | 4,848,621.9              |
| Huon Gulf            | 16,000,000.0               | 3,959,887.0            | 0.0               | 1,812,251.0        | 2,147,636.2              |
| Kabwum               | 16,000,000.0               | 6,595,357.0            | 0.0               | 2,142,285.0        | 4,453,072.1              |
| Lae                  | 16,000,000.0               | 4,374,918.0            | 1,000,000.0       | 412,080.0          | 4,962,838.1              |
| Markham              | 16,000,000.0               | 8,574,075.0            | 0.0               | 2,070,641.0        | 6,503,433.5              |
| Menyamya             | 16,000,000.0               | 4,349,781.0            | 0.0               | 1,461,682.0        | 2,888,099.5              |
| Nawaeb               | 16,000,000.0               | 1,186,429.0            | 0.0               | 1,077,274.0        | 109,154.7                |
| Tewa-Siasi           | 16,000,000.0               | 6,049,083.0            | 1,000,000.0       | 4,012,478.0        | 3,036,604.5              |
| Moresby North        | 16,000,000.0               | 5,162,275.0            | 0.0               | 2,652,620.0        | 2,509,654.5              |
| Moresby North West   | 16,000,000.0               | 12,653,596.0           | 1,000,000.0       | 4,642,533.0        | 9,011,062.6              |
| Moresby South        | 16,000,000.0               | 8,367,707.0            | 0.0               | 2,491,447.0        | 5,876,260.1              |
| Kavieng              | 16,000,000.0               | 699,304.0              | 0.0               | 38,680.0           | 660,624.4                |
| Namatanai            | 16,000,000.0               | 5,692,996.0            | 1,000,000.0       | 682,050.0          | 6,010,945.9              |
| Central Bougainville | 16,000,000.0               | 8,214,387.0            | 0.0               | 2,384,866.0        | 5,829,520.8              |
| North Bougainville   | 16,000,000.0               | 905,924.0              | 0.0               | 905,319.0          | 605.1                    |
| South Bougainville   | 16,000,000.0               | 2,094,015.0            | 0.0               | 1,305,245.0        | 788,770.2                |
| Ijivitari            | 16,000,000.0               | 3,175,551.0            | 0.0               | 3,097,645.0        | 77,905.6                 |
| Sohe                 | 16,000,000.0               | 9,167,151.0            | 0.0               | 6,525,979.0        | 2,641,172.0              |
| Aitape-Lumi          | 16,000,000.0               | 3,802,205.0            | 0.0               | 3,192,436.0        | 609,769.2                |
| Nuku                 | 16,000,000.0               | 362,218.0              | 0.0               | 227,578.0          | 134,639.9                |



| District            | Total Fund Paid into Trust | Balance as at 1-Jan-11 | Debits (Receipts)   | Credits (Payments)   | Balance as at 31- May-11 |
|---------------------|----------------------------|------------------------|---------------------|----------------------|--------------------------|
| Telefomin *         | 18,000,000.0               | 7,744,295.0            | 0.0                 | 3,123,197.0          | 4,621,098.3              |
| Vanimo-Green        | 16,000,000.0               | 3,156,034.0            | 0.0                 | 586,341.0            | 2,569,692.8              |
| Chuave              | 16,000,000.0               | 2,319,040.0            | 0.0                 | 582,042.0            | 1,736,997.7              |
| Gumine              | 16,000,000.0               | 1,594,403.0            | 0.0                 | 456,046.0            | 1,138,356.7              |
| Karamui-Nomane      | 16,000,000.0               | 3,946,070.0            | 0.0                 | 1,849,932.0          | 2,096,137.6              |
| Kerowagi            | 16,000,000.0               | 1,131,486.0            | 0.0                 | 1,126,013.0          | 5,472.6                  |
| Kundiawa-Gembogl    | 16,000,000.0               | 359,732.0              | 0.0                 | 353,763.0            | 5,968.7                  |
| Sinasina-Yongumugl  | 16,000,000.0               | 7,906,127.0            | 0.0                 | 4,558,094.0          | 3,348,033.3              |
| Ialibu-Pangia       | 16,000,000.0               | 3,538,933.0            | 0.0                 | 2,090,274.0          | 1,448,659.4              |
| Imbongu *           | 18,000,000.0               | 2,888,912.0            | 0.0                 | 2,286,414.0          | 602,497.9                |
| Kagua-Erave         | 16,000,000.0               | 1,031,530.0            | 0.0                 | 994,946.0            | 36,583.5                 |
| Komo-Magarima       | 16,000,000.0               | 3,383,591.0            | 0.0                 | 1,528,189.0          | 1,855,402.1              |
| Koroba-L/Kopiago ** | 16,000,000.0               | 6,835,952.0            | 0.0                 | -1,004,616.0         | 7,840,567.9              |
| Mendi *             | 17,000,000.0               | 1,039,259.0            | 0.0                 | 758,328.0            | 280,930.9                |
| Nipa-Kutubu         | 16,000,000.0               | 2,966,413.0            | 2,000,000.0         | 3,879,203.0          | 1,087,209.6              |
| Tari-Pori           | 16,000,000.0               | 24,425.0               | 0.0                 | 5,948.0              | 18,476.7                 |
| Kandrian            | 16,000,000.0               | 6,914,493.0            | 1,000,000.0         | 566,167.0            | 7,348,326.3              |
| Talasea *           | 17,000,000.0               | 7,219,009.0            | 1,000,000.0         | 365,216.0            | 7,853,792.8              |
| Middle Fly **       | 16,000,000.0               | 14,113,868.0           | 0.0                 | -1,008,303.0         | 15,122,171.2             |
| North Fly           | 16,000,000.0               | 9,502,088.0            | 0.0                 | 2,831,207.0          | 6,670,881.3              |
| South Fly **        | 16,000,000.0               | 6,156,619.0            | 0.0                 | -1,411,300.0         | 7,567,918.7              |
| Dei **              | 16,000,000.0               | 1,279,163.0            | 1,000,000.0         | -590,360.0           | 2,869,523.2              |
| Hagen               | 16,000,000.0               | 11,532,712.0           | 0.0                 | 4,228,693.0          | 7,304,018.9              |
| Jimi                | 16,000,000.0               | 2,092,264.0            | 0.0                 | 1,239,338.0          | 852,925.9                |
| Mul/Bayer           | 16,000,000.0               | 7,867,764.0            | 0.0                 | 1,034,011.0          | 6,833,752.8              |
| North Waghi         | 16,000,000.0               | 6,123,304.0            | 0.0                 | 2,142,414.0          | 3,980,890.0              |
| South Waghi         | 16,000,000.0               | 1,818,822.0            | 1,000,000.0         | 2,764,377.0          | 54,445.4                 |
| Tambul-Nebiler **   | 16,000,000.0               | 3,268,155.0            | 0.0                 | -1,185,386.0         | 4,453,541.1              |
| <b>Total</b>        | <b>1,433,000,000.0</b>     | <b>410,668,153.0</b>   | <b>18,000,000.0</b> | <b>131,345,526.0</b> | <b>297,322,627.0</b>     |

\* K9million was overpaid to 6 districts and will be recovered from their 2011 appropriation.

\*\* Some districts have deposited non DSIP funds into their DSIP account. As Payments in this table are derived by subtracting DSIP deposits from the account balance, the presence of other deposits will mean that payments are underestimated (or negative)

Source: Department of Finance

## 1.7 FINANCING

The budget surplus is expected to be K606.8 million in 2011, compared with the original estimate of a balanced budget. Without a Supplementary Budget to expend this additional revenue, K606.8 million of public debt is projected to be retired.

## 1.8 PUBLIC DEBT

Without a Supplementary Budget, total public debt outstanding is projected to fall to K6,289.9 million or 20.8 per cent of GDP at the end of 2011 compared to the original budget estimate of K6,914.3 million or 24.1 per cent of GDP. This reduction in debt reflects:

- a lower level of debt at the end of 2010 compared to the 2011 Budget projection due to a budget surplus; and
- the expected surplus in 2011.

Updated public debt figures, inclusive of the expected Supplementary Budget for 2011, will be released later this year in the 2012 Budget.

**Table 9: Public Debt (Kina, million)**

|                                      | 2010<br>Outcome | 2011<br>Budget | 2011<br>MYEFO  |
|--------------------------------------|-----------------|----------------|----------------|
| <b>Domestic</b>                      | <b>4,145.2</b>  | <b>3884.0</b>  | <b>3310.5</b>  |
| Treasury Bills                       | 1,588.2         | 1,097.3        | 523.9          |
| Inscribed Stock                      | 2,587.0         | 2786.6         | 2,786.3        |
| <i>Domestic debt as % GDP</i>        | <i>16.0%</i>    | <i>13.5%</i>   | <i>11.0%</i>   |
| <b>External</b>                      | <b>2,751.5</b>  | <b>3,030.3</b> | <b>2,979.4</b> |
| International Agencies               | 2,672.2         | 2971.7         | 2,918.4        |
| Commercial Loans                     | 79.3            | 58.6           | 61.0           |
| <i>External debt as % GDP</i>        | <i>10.6%</i>    | <i>10.6%</i>   | <i>11.1%</i>   |
| <b>Total Public Debt Outstanding</b> | <b>6896.7</b>   | <b>6914.3</b>  | <b>6,289.9</b> |
| <i>As % GDP</i>                      | <i>26.6%</i>    | <i>24.1%</i>   | <i>20.8%</i>   |

Source: Department of Treasury and BPNG

## 1.9 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. Due to the unpredictable nature of economic events, some degree of uncertainty is attached to the estimates of both revenue and expenses for 2011.

Although the economic and fiscal outlook is generally positive, there are a number of risks that may alter the forecast presented in this update. The aftermath effects of the global financial crisis continue to weigh on confidence, particularly in advanced economies. Perceptions of high European sovereign debt risk remains and, together with fiscal and financial imbalances in some advanced economies such as the US, pose concerns about downside risks about the continuation of the global recovery.

This was most clearly observed when concerns were raised as to the ability of certain European countries to meet their sovereign debt obligations, the impact of the Middle East unrest, and the consequences of the tragic and devastating Japanese earthquake and tsunami.

Continued high demand for commodities from the growth of emerging and developing economies, China and India in particular, has resulted in high but volatile commodity prices. The high prices are liable to be imported as inflation in emerging and developing economies, given the large share of consumption that relates to food and energy in those economies. Where those economies are also experiencing buoyant demand, overheating of the economy remains a concern.

Residual risks from the global financial crisis, volatility, and the possibility of overheating the economy all pose risks to the process of estimating revenues and expenditures.

Domestically, PNG's largest resource project – the PNG LNG project – has commenced construction work, and economy activity is picking up across all sectors in line with the construction phase of the project. 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 overspends on Personnel Emoluments or new appropriations, and/or the realisation of certain contingent liabilities. Loss of control of aggregate expenditure, or lack of progress on key public expenditure reform programs, could place at risk the macroeconomic stability on which the improved economic outlook has been built.

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.

## **1.10 2011 AND BEYOND**

The revised economic and fiscal forecasts for 2011 and the commodity price assumptions that underlie them will impact on 2011 and beyond. Economic and fiscal projections for the period 2011 to 2015 will be updated in 2012 Budget. These projections will incorporate updated forecasts and decisions taken by the Government concerning the 2012 Budget Strategy Paper.

## 1.11 FISCAL OUTTURN TABLES

TABLE 1: CENTRAL GOVERNMENT REVENUE (KINA MILLION)

|   | 2011<br>Budget | 2011<br>MYEFO  | Variance      | May<br>Outturn | % of<br>Trend | % of<br>Budget |
|---|----------------|----------------|---------------|----------------|---------------|----------------|
| <b>A. TAX REVENUE</b>                       | <b>7331.0</b>  | <b>7829.1</b>  | <b>498.1</b>  | <b>2442.0</b>  | <b>101.2</b>  | <b>33.3</b>    |
| <b>A1. TAX ON INCOME AND PROFITS</b>        | <b>5292.5</b>  | <b>5709.6</b>  | <b>417.1</b>  | <b>1790.6</b>  | <b>106.2</b>  | <b>33.8</b>    |
| Personal Income Tax                         | 1727.1         | 1932.5         | 205.4         | 713.5          | 111.5         | 41.3           |
| Company Tax                                 | 1401.9         | 1324.2         | -77.7         | 345.1          | 79.8          | 24.6           |
| Dividend Withholding Tax                    | 298.0          | 340.3          | 42.3          | 37             | 47.5          | 12.4           |
| Interest Withholding Tax                    | 42.4           | 43.5           | 1.1           | 15.7           | 161.9         | 37.0           |
| Mining and Petroleum Taxes                  | 1594.7         | 1859.3         | 264.6         | 628.1          | 144.7         | 39.4           |
| Gaming Tax                                  | 108.6          | 92.1           | -16.5         | 16.1           | 33.3          | 14.8           |
| Other: Direct                               | 119.7          | 117.6          | -2.1          | 35.1           | 79.2          | 29.3           |
| <b>A2. DOM. TAXES ON GOODS AND SERVICES</b> | <b>1429.4</b>  | <b>1441.0</b>  | <b>11.6</b>   | <b>396.5</b>   | <b>77.6</b>   | <b>27.7</b>    |
| Excise                                      | 483.9          | 477.0          | -6.9          | 161.2          | 88.2          | 33.3           |
| GST   | 938.3          | 945.1          | 6.8           | 235.3          | 72.1          | 25.1           |
| Other: Indirect                             | 7.2            | 18.9           | 11.7          | 0.0            | 0.0           | 0.0            |
| <b>A3. TAXES ON INTERNATIONAL TRADE</b>     | <b>609.1</b>   | <b>678.5</b>   | <b>69.4</b>   | <b>254.9</b>   | <b>119.0</b>  | <b>41.8</b>    |
| Import Duty                                 | 218            | 225.3          | 7.3           | 89.1           | 117.6         | 40.9           |
| Export Duty                                 | 172.2          | 200.7          | 28.5          | 77.6           | 121.7         | 45.1           |
| Excise duties on Imports                    | 218.9          | 252.5          | 33.6          | 88.2           | 118.0         | 40.3           |
| <b>B. NON-TAX REVENUE</b>                   | <b>411.1</b>   | <b>519.8</b>   | <b>108.7</b>  | <b>43.9</b>    | <b>92.0</b>   | <b>10.7</b>    |
| <b>B1. PROPERTY INCOME</b>                  | <b>289.4</b>   | <b>398.0</b>   | <b>108.6</b>  | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>     |
| Dividends                                   | 0.0            | 0.0            | 0.0           | 0.0            | 0.0           | 0.0            |
| Mining and Petroleum Dividends              | 289.4          | 398.0          | 108.6         | 0.0            | 0.0           | 0.0            |
| <b>B2. INTEREST AND FEES FROM LENDING</b>   | <b>4.0</b>     | <b>4.0</b>     | <b>0.0</b>    | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>     |
| <b>B3. OTHER NON TAX REVENUE</b>            | <b>117.7</b>   | <b>117.8</b>   | <b>0.1</b>    | <b>43.9</b>    | <b>0.0</b>    | <b>37.3</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>7742.1</b>  | <b>8348.9</b>  | <b>606.8</b>  | <b>2485.9</b>  | <b>101.1</b>  | <b>32.1</b>    |
| % of GDP                                    | 24.7%          | 27.6%          | 2.0%          | 8.2%           |               |                |
| <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>1526.1</b>  | <b>1526.1</b>  | <b>0.0</b>    | <b>223.7</b>   | <b>109.1</b>  | <b>14.7</b>    |
| Budgetary Support                           | 0.0            | 0.0            | 0.0           | 0.0            |               |                |
| Project Grants                              | 1526.1         | 1526.1         | 0.0           | 223.7          | 109.1         | 14.7           |
| <b>F. TOTAL REVENUE AND GRANTS</b>          | <b>9328.1</b>  | <b>9935.0</b>  | <b>606.8</b>  | <b>2709.6</b>  | <b>101.4</b>  | <b>29.0</b>    |
| As % of GDP                                 | 30.1%          | 32.9%          | 2.0%          | 9.0%           |               |                |
| <b>G. PRINCIPAL RECEIPTS FROM LENDING</b>   | <b>4.0</b>     | <b>4.0</b>     | <b>0.0</b>    | <b>1.1</b>     | <b>45.0</b>   | <b>27.5</b>    |
| <b>H. GROSS BORROWING</b>                   | <b>2185.7</b>  | <b>1612.3</b>  | <b>-651.7</b> | <b>850.6</b>   | <b>231.5</b>  | <b>38.9</b>    |
| <b>I. ASSET 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>J. TOTAL RECEIPTS</b>                    | <b>11517.8</b> | <b>11551.3</b> | <b>33.5</b>   | <b>3561.3</b>  | <b>117.0</b>  | <b>30.9</b>    |
| As % of GDP                                 | 38.7%          | 38.3%          | 0.1%          | 12.0%          |               |                |

Source: Department of Treasury

**TABLE 2: CENTRAL GOVERNMENT EXPENDITURE (KINA MILLION)**

|   | 2011<br>Budget | 2011<br>MYEFO  | Variance     | May<br>Outturn | % of<br>Trend | % of<br>Budget |
|---|----------------|----------------|--------------|----------------|---------------|----------------|
| <b>1 RECURRENT BUDGET</b>                         |                |                |              |                |               |                |
| <b>A. NATIONAL DEPARTMENTS</b>                    | <b>3432.2</b>  | <b>3488.0</b>  | <b>55.8</b>  | <b>1138.2</b>  | <b>101.2</b>  | <b>33.2</b>    |
| <b>Personnel Emoluments</b>                       | <b>1704.6</b>  | <b>1704.6</b>  | <b>0.0</b>   | <b>363.4</b>   | <b>63.7</b>   | <b>21.3</b>    |
| Total Goods & Services <sup>4</sup>               | <b>1727.6</b>  | <b>1783.4</b>  | <b>55.8</b>  | <b>774.8</b>   | <b>139.7</b>  | <b>44.8</b>    |
| General Goods & Services                          | 1458.8         | 1458.8         | 0.0          | 654.9          | 138.8         | 44.9           |
| Education Subsidies                               | 172.0          | 172.0          | 0.0          | 89.0           | 170.8         | 51.7           |
| SAP Payments                                      | 36.9           | 36.8           | 0.0          | 1.8            | 19.1          | 4.9            |
| Court Orders                                      | 60.0           | 115.8          | 55.8         | 29.1           | 138.6         | 48.5           |
| <b>PROVINCIAL GOVERNMENTS</b>                     | <b>1043.1</b>  | <b>1043.1</b>  | <b>0.0</b>   | <b>440.0</b>   | <b>120.3</b>  | <b>42.2</b>    |
| <b>B. Personnel Emoluments</b>                    | <b>789.6</b>   | <b>789.6</b>   | <b>0.0</b>   | <b>312.2</b>   | <b>128.5</b>  | <b>39.5</b>    |
| Staffing Grants                                   | 261.7          | 261.7          | 0.0          | 116.0          | 118.9         | 44.3           |
| Teachers Salaries                                 | 527.8          | 527.8          | 0.0          | 196.2          | 134.9         | 37.2           |
| <b>Goods &amp; Other Services</b>                 | <b>253.5</b>   | <b>253.5</b>   | <b>0.0</b>   | <b>127.8</b>   | <b>104.2</b>  | <b>50.4</b>    |
| Administration Grants <sup>5</sup>                | 26.4           | 26.4           | 0.0          | 13.7           | 134.3         | 51.9           |
| Health Function Grant                             | 51.9           | 51.9           | 0.0          | 29.2           | 111.9         | 56.3           |
| Education Subsidies                               | 46.6           | 46.6           | 0.0          | 24.6           | 88.8          | 52.8           |
| Primary production Function grant                 | 16.9           | 16.9           | 0.0          | 9.1            | 95.8          | 191.1          |
| Trans/Infra/Maintenance Grants                    | 61.7           | 61.7           | 0.0          | 32.3           | 112.9         | 52.4           |
| Local & Village Services Grants                   | 35.1           | 35.1           | 0.0          | 14.2           | 105.2         | 40.5           |
| Town & Urban Services Grants                      | 12.6           | 12.6           | 0.0          | 3.5            | 60.3          | 27.8           |
| Village Courts                                    | 2.3            | 2.3            | 0.0          | 1.2            | 92.3          | 52.2           |
| <b>AUTONOMOUS BOUGAINVILLE GOVT</b>               | <b>66.2</b>    | <b>66.2</b>    | <b>0.0</b>   | <b>24.9</b>    | <b>91.7</b>   | <b>37.7</b>    |
| <b>Personnel Emoluments</b>                       | <b>44.7</b>    | <b>44.7</b>    | <b>0.0</b>   | <b>16.3</b>    | <b>90.6</b>   | <b>36.5</b>    |
| Staffing Grants                                   | 11.0           | 11.0           | 0.0          | 5.2            | 74.3          | 47.3           |
| Teachers Salaries                                 | 33.7           | 33.7           | 0.0          | 11.1           | 100.9         | 32.9           |
| <b>Goods &amp; Services</b>                       | <b>21.5</b>    | <b>21.5</b>    | <b>0.0</b>   | <b>8.6</b>     | <b>93.9</b>   | <b>40.2</b>    |
| Police Grant                                      | 2.6            | 2.6            | 0.0          | 1.3            | 92.9          | 50.0           |
| Recurrent   | 18.6           | 18.6           | 0.0          | 7.2            | 94.7          | 38.7           |
| Conditional Grant                                 | 0.3            | 0.3            | 0.0          | 0.1            | 70.0          | 46.7           |
| <b>C. TRANSFERS &amp; LOANS TO C.S.A</b>          | <b>319.2</b>   | <b>319.2</b>   | <b>0.0</b>   | <b>106.5</b>   | <b>76.8</b>   | <b>33.4</b>    |
| <b>D. INTEREST PAYMENT &amp; FEES</b>             | <b>430.4</b>   | <b>374.6</b>   | <b>-55.8</b> | <b>174.9</b>   | <b>113.2</b>  | <b>40.6</b>    |
| Domestic  | 369.5          | 324.8          | -44.7        | 154.2          | 120.5         | 41.7           |
| External  | 60.9           | 49.8           | -11.1        | 20.7           | 78.1          | 34.0           |
| <b>E. NET LENDING TO C.S.A</b>                    | <b>-4.0</b>    | <b>-4.0</b>    | <b>0.0</b>   | <b>-1.1</b>    | <b>68.8</b>   | <b>27.5</b>    |
| Gross Lending                                     | 0.0            | 0.0            | 0.0          | 0              | 0.0           | 0.0            |
| Less : Loan Repayments                            | -4.0           | -4.0           | 0.0          | -1.1           | 68.8          | 27.5           |
| <b>F. RECURRENT EXPENDITURE &amp; NET LENDING</b> | <b>5287.2</b>  | <b>5287.2</b>  | <b>0.0</b>   | <b>1883.4</b>  | <b>104.1</b>  | <b>35.6</b>    |
| As % of GDP                                       | 18.4%          | 17.5%          | 0.0%         | 6.2%           | 0.3%          | 0.0            |
| <b>2 DEVELOPMENT BUDGET</b>                       |                |                |              |                |               |                |
| Domestic Funds                                    | 2066.6         | 2066.6         | 0.0          | 356.4          | 64.9          | 17.2           |
| Project Grants                                    | 1526.1         | 1526.1         | 0.0          | 223.7          | 109.1         | 14.7           |
| Infrastructure Tax Credits                        | 60.0           | 60.0           | 0.0          | 0.0            | 0.0           | 0.0            |
| Concessional loans                                | 388.4          | 388.4          | 0.0          | 27.6           | 36.3          | 7.1            |
| Commercial loans                                  | 0.0            | 0.0            | 0.0          | 0.0            |               |                |
| <b>G. TOTAL DEVELOPMENT BUDGET (PIP)</b>          | <b>4041.0</b>  | <b>4041.0</b>  | <b>0.0</b>   | <b>607.7</b>   | <b>72.4</b>   | <b>15.0</b>    |
| As % of GDP                                       | 14.1%          | 13.40%         | 0.0%         | 2.0%           |               |                |
| <b>H. TOTAL EXPENDITURE &amp; NET LENDING</b>     | <b>9328.2</b>  | <b>9328.2</b>  | <b>0.0</b>   | <b>2491.1</b>  | <b>94.1</b>   | <b>26.7</b>    |
| As % of GDP                                       | 32.5%          | 30.9%          | 0.0%         | 8.2%           | 0.0           | 0.0            |
| <b>I. AMORTISATION</b>                            | <b>2185.7</b>  | <b>2219.1</b>  | <b>33.4</b>  | <b>1069.1</b>  | <b>162.7</b>  | <b>48.9</b>    |
| Domestic  | 1980.3         | 2058.6         | 78.3         | 979.1          | 161.7         | 49.4           |
| External  | 205.4          | 160.5          | -44.9        | 90             | 174.4         | 43.8           |
| <b>J. LOAN REPAYMENTS</b>                         | <b>4.0</b>     | <b>4.0</b>     | <b>0.0</b>   | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>     |
| <b>K. TOTAL PAYMENTS</b>                          | <b>11517.8</b> | <b>11551.3</b> | <b>33.5</b>  | <b>3560.2</b>  | <b>107.6</b>  | <b>30.9</b>    |
| As % of GDP                                       | 40.1%          | 38.2%          | 0.0%         | 11.8%          |               |                |

Source: Department of Treasury

<sup>4</sup> Savings from low interest payments have been transferred to Goods and Services to fund urgent court orders against the State

<sup>5</sup> Including other Service Delivery Function Grant

**TABLE 3: CENTRAL GOVERNMENT FINANCING (KINA MILLION)**

|   | 2011<br>Budget | 2011<br>MYEFO | Variance      | May<br>Outturn | % of<br>Budget |
|---|----------------|---------------|---------------|----------------|----------------|
| <b>A. TOTAL REVENUE AND GRANTS</b>          | <b>9328.1</b>  | <b>9935.0</b> | <b>606.8</b>  | <b>2709.6</b>  | <b>29.0%</b>   |
| <b>B. TOTAL EXPENDITURE AND NET LENDING</b> | <b>9328.2</b>  | <b>9328.2</b> | <b>0.0</b>    | <b>2491.1</b>  | <b>26.7%</b>   |
| <b>C. DEFICIT (-) / SURPLUS (+)</b>         | <b>0.0</b>     | <b>606.8</b>  | <b>606.8</b>  | <b>218.5</b>   |                |
| % of GDP                                    | 0.0%           | 2.0%          | 2.0%          | 0.7%           |                |
| <b>D. EXTERNAL FINANCING</b>                | <b>183.0</b>   | <b>227.8</b>  | <b>44.7</b>   | <b>-52.3</b>   | <b>-28.6%</b>  |
| <b>D1. CONCESSIONAL FINANCING</b>           | <b>251.1</b>   | <b>261.2</b>  | <b>10.1</b>   | <b>-13</b>     | <b>-5.2%</b>   |
| New Borrowing                               | 388.4          | 388.4         | 0.0           | 27.6           |                |
| Less Amortisation                           | -137.3         | -127.2        | 10.1          | -40.6          | 29.6%          |
| <b>D2. COMMERCIAL FINANCING</b>             | <b>-19.5</b>   | <b>-18.4</b>  | <b>1.1</b>    | <b>-0.4</b>    | <b>2.0%</b>    |
| New Borrowing                               | 0.0            | 0.0           | 0.0           | 0.0            |                |
| Less Amortisation                           | -19.5          | -18.4         | 1.1           | -0.4           | 2.0%           |
| <b>D3. EXCEPTIONAL FINANCING</b>            | <b>-48.5</b>   | <b>-15.0</b>  | <b>33.5</b>   | <b>-38.9</b>   | <b>80.2%</b>   |
| New Borrowing                               | 0.0            | 0.0           | 0.0           | 10.1           |                |
| Less Amortisation                           | -48.5          | -15.0         | 33.5          | -49            | 101.0%         |
| <b>E. DOMESTIC FINANCING</b>                | <b>-183.0</b>  | <b>-834.7</b> | <b>-651.7</b> | <b>-166.2</b>  | <b>90.8%</b>   |
| <b>E1. DOMESTIC MARKET BORROWING (NET)</b>  | <b>-183.0</b>  | <b>-834.7</b> | <b>-651.7</b> | <b>-273.8</b>  | <b>149.6%</b>  |
| New Domestic Borrowing                      | 1797.3         | 1223.9        | -573.4        | 705.3          | 39.2%          |
| Less Amortisation                           | -1980.3        | -2058.6       | -78.3         | -979.1         | 49.4%          |
| <b>E2. OTHER DOMESTIC FINANCING</b>         | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>    | <b>107.6</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>E4. NET FINANCING</b>                    | <b>0.0</b>     | <b>-606.8</b> | <b>-606.8</b> | <b>0.0</b>     | <b>0.0</b>     |
| <b>F. TOTAL FINANCING</b>                   | <b>-183.0</b>  | <b>-834.7</b> | <b>-651.7</b> | <b>-218.5</b>  |                |
| <b>G. GROSS BORROWING</b>                   | <b>2186.0</b>  | <b>1612.3</b> | <b>-573.7</b> | <b>850.6</b>   | <b>38.9%</b>   |
| Concessional                                | 388.4          | 388.4         | 0.0           | 27.6           | 7.1%           |
| Commercial                                  | 0.0            | 0.0           | 0.0           | 0.0            |                |
| Exceptional                                 | 0.0            | 0.0           | 0.0           | 10.1           |                |
| Domestic                                    | 1797.0         | 1223.9        | -573.1        | 812.9          | 45.2%          |
| Financing Gap                               | 0.0            | 0.0           | 0.0           | 0.0            |                |

Source: Department of Treasury

# PART 2

## MID YEAR EXPENDITURE ESTIMATES BY AGENCY

### 2.1 FUNDED EXPENDITURE DECISIONS SINCE THE 2011 BUDGET

The following Recurrent Budget expenditure decisions have been taken by the Government since the 2011 Budget:

**Table 10: Funded Recurrent Expenditure Decisions since the 2011 Budget (Kina million)**

| Expenditure Decision   | 2011 MYEFO  |
|--|-------------|
| <b>Funded New Recurrent Expenditure</b>                          |             |
| PNG Govt. Contributions to Australian Natural Disaster Victims   | 5.0         |
| PNG Govt. Contributions for Earthquake Assistance in New Zealand | 3.0         |
| PNG Govt. Contribution to Seasonal Workers Scheme                | 1.0         |
| Funds for Revenue Loss to ICCC (NICTA)                           | 2.2         |
| PNG Governor General's Transition Exercise Expense               | 1.4         |
| Final Payment of PNG/Solomon Island 2006 MOA                     | 1.5         |
| Prime Minister's Commitment to Bougainville                      | 1.0         |
| Other Operational Commitments                                    | 3.0         |
| <b>TOTAL NEW RECURRENT EXPENDITURE</b>                           | <b>18.1</b> |
| Secretary's Advance  | -18.1       |
| <b>Total</b>   | <b>0.0</b>  |

Source: Department of Treasury

The above expenditure has been funded through Section 3 of the *Appropriations Act* which provides K20.0 million for the Secretary's Advance annually.

### 2.2 2011 BUDGET EXECUTION

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

As of 31 May 2011, a total of K5,937.3 million of warrants have been issued from both the Recurrent and the Development Budget. This represents 51.5 per cent of the recurrent and development appropriations of K11,517.9 million for 2011 Budget.

## **Recurrent Budget**

Recurrent Budget warrants released to end of May 31, 2011 totalled K4,958.9 million.<sup>6</sup> This is made up of K439.8 million for National Departments Personnel Emoluments (PE), K1,194.7 million for National Departments Goods and Services (G&S), K141.7 million for Grant Transfers to Statutory Authorities, K566.6 million for Provincial Grants including G&S and Staffing Grants and K2,616.1 million for Debt Servicing.

Excluding Debt Servicing, a total of K2,342.9 million warrants have been issued up to 31 May 2011 from the full year recurrent appropriations. This represents 48.0 per cent of the total Non-Debt Servicing appropriation at 2011 Budget.

To 31 May 2011, expenditure incurred under the Recurrent Budget, excluding Debt Servicing, was K1,709.7 million, which was 73.0 per cent of the warrant released and 35.0 per cent of the appropriation of K4,860.7 million.

Expenditure incurred for National Departments' PE was K363.4 million, which was 83.0 per cent of the warrant released and 25.0 per cent of the appropriation. Expenditure incurred for National Departments' G&S was K774.8 million, which was 65.0 per cent of the warrant released and 39.0 per cent of the appropriation.

A further K106.5 million was incurred as expenditure for the Statutory Authorities. This was 75.0 per cent of the warrants released and 33.0 per cent of the appropriation at 2011 Budget.

For the Provincial Grants, a total of K464.9 million was spent. This was 81.6 per cent of the warrants released and 41.9 per cent of the appropriation.

For Debt Servicing the full warrants of K2,616.1 million were issued and expenditure to end of May was K538.3 million. This was 20.5 per cent of the appropriation.

On the overall, recurrent expenditure is in line with annual appropriation limits, however, the Government will continue to manage warrant release and monitor PE expenditure especially to help agency heads ensure they do not overspend their appropriation.

## **Development Budget**

The Development Budget warrants total K978.3 million. This is made up of K616.3 million for National Departments, K226.3 million for Statutory Authorities, and K135.7 million for Provincial Projects. To 31 May 2011, expenditure incurred under the Development Budget, cash and non cash components, was K607.8 million, which was 15.0 per cent of the appropriation of K4,041.0 million.

Expenditure for the National Departments cash component was K356.6 million, which was 57.9 per cent of the warrant released and 20.9 per cent of the appropriation. A further K185.7 million was incurred as expenditure for the Statutory Authorities. This was 85.8 per cent for the warrants released and 64.3 per cent of the cash appropriation.

For the Provincial Projects, a total of K65.4 million was incurred. This was 48.2 per cent of the warrants released and 22.3 per cent of the cash appropriation. Tables on pages 32 – 42 provide the amounts of warrants issued to agencies up to 31 May 2011.

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<sup>6</sup> Total Recurrent Budget on Page 32 does not include Debt Servicing



## SUMMARY OF NATIONAL BUDGET EXPENDITURE MYEFO 2011

| Appropriations                        | 2011<br>Budget           | Warrants Issued<br>to 31 May 2011 | Expenditure to<br>to 31 May 2011 | 2011<br>MYEFO       | Variance |
|---------------------------------------|--------------------------|-----------------------------------|----------------------------------|---------------------|----------|
| <b>National Budget Appropriation</b>  | <b>11,517,855.3</b>      | <b>5,937,319.6</b>                | <b>2,855,732.7</b>               | <b>11,517,855.3</b> | -        |
| <b>Recurrent Budget Appropriation</b> | <b>4,860,720.8</b>       | <b>2,342,903.7</b>                | <b>1,709,658.5</b>               | <b>4,860,720.8</b>  | -        |
| <b>National Departments</b>           | <b>3,432,187.9</b>       | <b>1,634,503.9</b>                | <b>1,138,269.2</b>               | <b>3,432,187.9</b>  | -        |
| Per. Emoluments                       | 1,464,778.0 <sup>7</sup> | 439,777.3                         | 363,438.9                        | 1,464,778.0         | -        |
| Goods & Services                      | 1,967,409.9              | 1,194,726.6                       | 774,830.3                        | 1,967,409.9         | -        |
| <b>Provincial Administrations</b>     | <b>1,109,302.9</b>       | <b>566,662.9</b>                  | <b>464,903.3</b>                 | <b>1,109,302.9</b>  | -        |
| Per. Emoluments                       | 834,243.8                | 417,888.2                         | 328,532.1                        | 834,243.8           | -        |
| Goods & Services                      | 275,059.1                | 148,774.7                         | 136,371.2                        | 275,059.1           | -        |
| <b>Statutory Authorities</b>          | <b>319,230.0</b>         | <b>141,736.9</b>                  | <b>106,486.0</b>                 | <b>319,230.0</b>    | -        |
| Grants                                | 319,230.0                | 141,736.9                         | 106,486.0                        | 319,230.0           | -        |
| <b>Debt Servicing</b>                 | <b>2,616,091.5</b>       | <b>2,616,091.5</b>                | <b>538,280.8</b>                 | <b>2,616,091.5</b>  | -        |
| <b>Development Budget</b>             | <b>4,041,043.0</b>       | <b>978,324.4</b>                  | <b>607,793.4</b>                 | <b>4,041,043.0</b>  | -        |
| Cash                                  | 2,288,726.0              | 968,377.4                         | 607,793.4                        | 2,288,726.0         | -        |
| Non-cash                              | 1,752,317.0              | 9,947.0                           | 0.0                              | 1,752,317.0         | -        |
| <b>National Departments</b>           | <b>3,002,990.0</b>       | <b>616,343.4</b>                  | <b>356,610.4</b>                 | <b>3,002,990.0</b>  | -        |
| Cash                                  | 1,706,898.0              | 616,343.4                         | 356,610.4                        | 1,706,898.0         | -        |
| Non-cash                              | 1,296,092.0              | 0.0                               | 0.0                              | 1,296,092.0         | -        |
| <b>Provincial Administrations</b>     | <b>337,660.0</b>         | <b>135,690.0</b>                  | <b>65,435.0</b>                  | <b>337,660.0</b>    | -        |
| Cash                                  | 293,090.0                | 135,690.0                         | 65,435.0                         | 293,090.0           | -        |
| Non-cash                              | 44,570.0                 | 0.0                               | 0.0                              | 44,570.0            | -        |
| <b>Statutory Authorities</b>          | <b>700,393.0</b>         | <b>226,291.5</b>                  | <b>185,748.0</b>                 | <b>700,393.0</b>    | -        |
| Cash                                  | 288,738.0                | 216,344.5                         | 185,748.0                        | 288,738.0           | -        |
| Non-cash                              | 411,655.0                | 9,947.0                           | 0.0                              | 411,655.0           | -        |

<sup>7</sup> K239.8 million of National Department PE transferred to National Department Goods and Services.

## NATIONAL DEPARTMENTS RECURRENT EXPENDITURE MYEFO 2011

| Div. | National Department                           | 2011 Budget        | Warrants to Issued<br>31 May 2011 | Expenditure to<br>31 May 2011 | 2011 MYEFO         | Variance |
|------|---|--------------------|-----------------------------------|-------------------------------|--------------------|----------|
| 201  | National Parliament                           | 108,058.7          | 56,783.9                          | 53,983.9                      | 108,058.7          | -        |
| 202  | Office of Governor General                    | 4,825.1            | 3,928.0                           | 4,041.0                       | 4,825.1            | -        |
| 203  | Department of Prime Minister & NEC            | 63,377.2           | 20,943.6                          | 25,590.0                      | 63,377.2           | -        |
| 204  | National Statistical Office                   | 4,933.9            | 2,483.7                           | 1,665.8                       | 4,933.9            | -        |
| 205  | Office of Bougainville Affairs                | 2,369.8            | 915.0                             | 1,216.7                       | 2,369.8            | -        |
| 206  | Department of Finance                         | 22,424.4           | 10,168.5                          | 6,210.7                       | 22,424.4           | -        |
| 207  | Treasury & Finance Miscellaneous              | 1,022,750.6        | 422,998.2                         | 274,720.2                     | 1,022,750.6        | -        |
| 208  | Department of Treasury                        | 13,944.2           | 6,864.2                           | 4,491.6                       | 13,944.2           | -        |
| 209  | Office of the Registrar for Political Parties | 5,978.3            | 3,459.2                           | 2,872.2                       | 5,978.3            | -        |
| 211  | PNG Customs Service                           | 18,827.4           | 11,648.7                          | 5,021.0                       | 18,827.4           | -        |
| 212  | Information Technology Division               | 18,636.1           | 9,543.7                           | 2,342.7                       | 18,636.1           | -        |
| 213  | Fire Services                                 | 18,609.6           | 5,413.7                           | 5,033.4                       | 18,609.6           | -        |
| 215  | PNG Immigration & Citizenship Services        | 10,000.0           | 1,667.3                           | 1,320.6                       | 10,000.0           | -        |
| 216  | Internal Revenue Commission                   | 38,311.4           | 10,164.7                          | 9,628.5                       | 38,311.4           | -        |
| 217  | Department of Foreign Affairs                 | 57,737.6           | 37,345.3                          | 43,883.7                      | 57,737.6           | -        |
| 218  | Office of the Public Prosecutor               | 5,486.7            | 2,311.8                           | 2,617.2                       | 5,486.7            | -        |
| 219  | PNG Institute of Public Administration        | 6,068.4            | 2,023.0                           | 2,094.1                       | 6,068.4            | -        |
| 220  | Department of Personnel Management            | 15,033.7           | 11,276.6                          | 5,019.1                       | 15,033.7           | -        |
| 221  | Public Service Commission                     | 4,263.4            | 1,451.8                           | 1,766.1                       | 4,263.4            | -        |
| 222  | Office of the Public Solicitor                | 9,181.1            | 2,625.2                           | 2,869.1                       | 9,181.1            | -        |
| 223  | Judiciary Services                            | 69,652.2           | 31,200.0                          | 18,600.0                      | 69,652.2           | -        |
| 224  | Magisterial Services                          | 31,109.6           | 14,000.0                          | 7,300.0                       | 31,109.6           | -        |
| 225  | Department of Attorney General                | 33,008.1           | 10,594.5                          | 12,769.8                      | 33,008.1           | -        |
| 226  | Dept. of Corrective Institutional Services    | 89,019.6           | 32,705.9                          | 30,939.3                      | 89,019.6           | -        |
| 227  | Provincial Treasuries                         | 35,952.6           | 12,271.1                          | 12,463.1                      | 35,952.6           | -        |
| 228  | Department of Police                          | 226,705.9          | 81,652.1                          | 87,467.2                      | 226,705.9          | -        |
| 229  | Dept of National Planning & Monitoring        | 14,393.3           | 6,338.1                           | 5,004.5                       | 14,393.3           | -        |
| 230  | Electoral Commission                          | 24,794.0           | 8,185.1                           | 6,572.4                       | 24,794.0           | -        |
| 231  | National Intelligence Organisation            | 3,777.2            | 1,599.0                           | 1,801.9                       | 3,777.2            | -        |
|      | Department of Provincial and Local            |                    |                                   |                               |                    |          |
| 232  | Government Affairs                            | 12,401.2           | 17,237.6                          | 13,856.2                      | 12,401.2           | -        |
| 234  | Department of Defence                         | 144,811.0          | 45,070.6                          | 60,438.5                      | 144,811.0          | -        |
| 235  | Department of Education                       | 352,868.9          | 291,847.5                         | 127,191.8                     | 352,868.9          | -        |
| 236  | Commission for Higher Education               | 39,075.2           | 37,310.8                          | 15,562.1                      | 39,075.2           | -        |
| 237  | PNG National Commission for UNESCO            | 1,907.7            | 667.4                             | 463.9                         | 1,907.7            | -        |
| 240  | Department of Health                          | 261,684.0          | 181,292.2                         | 69,757.4                      | 261,684.0          | -        |
| 241  | Hospital Management Services                  | 333,503.4          | 111,041.4                         | 114,714.6                     | 333,503.4          | -        |
| 242  | Department of Community Development           | 10,317.4           | 4,356.5                           | 4,582.7                       | 10,317.4           | -        |
| 243  | National Volunteer Service                    | 1,233.3            | 353.4                             | 353.4                         | 1,233.3            | -        |
|      | Department of Environment &                   |                    |                                   |                               |                    |          |
| 245  | Conservation                                  | 9,503.5            | 3,110.4                           | 5,558.9                       | 9,503.5            | -        |
| 247  | Department of Agriculture & Livestock         | 13,999.0           | 4,935.1                           | 9,395.8                       | 13,999.0           | -        |
| 252  | Department of Lands & Physical Planning       | 29,353.6           | 19,078.1                          | 19,489.3                      | 29,353.6           | -        |
| 254  | Department of Mining                          | 7,405.7            | 2,417.3                           | 2,788.0                       | 7,405.7            | -        |
| 255  | Department Petroleum & Energy                 | 12,755.9           | 5,745.6                           | 6,213.5                       | 12,755.9           | -        |
| 257  | Department of Public Enterprises              | 3,489.6            | 1,435.4                           | 125.7                         | 3,489.6            | -        |
|      | State Enterprises, Information and            |                    |                                   |                               |                    |          |
| 258  | Communication                                 | 3,686.8            | 1,404.5                           | 1,247.0                       | 3,686.8            | -        |
| 259  | Department of Transport                       | 20,909.7           | 6,688.3                           | 5,691.3                       | 20,909.7           | -        |
| 261  | Department of Trade & Industry                | 10,049.9           | 4,039.3                           | 4,515.9                       | 10,049.9           | -        |
| 262  | Department of Industrial Relations            | 11,272.5           | 4,529.6                           | 4,161.1                       | 11,272.5           | -        |
| 263  | National Tripartite Consultative Council      | 985.2              | 351.6                             | 360.2                         | 985.2              | -        |
| 264  | Department of Works & Implementation          | 160,978.0          | 64,552.1                          | 28,856.5                      | 160,978.0          | -        |
| 267  | Office of Rural Development                   | 5,867.8            | 1,957.6                           | 1,768.9                       | 5,867.8            | -        |
| 268  | Central Supply & Tenders Board                | 3,068.3            | 1,417.8                           | 768.8                         | 3,068.3            | -        |
| 269  | Office of Tourism Arts and Culture            | 1,830.2            | 1,101.9                           | 1,101.9                       | 1,830.2            | -        |
|      | <b>Total National Department (Recurrent)</b>  | <b>3,432,187.9</b> | <b>1,634,503.9</b>                | <b>1,138,269.2</b>            | <b>3,432,187.9</b> | <b>-</b> |

## PROVINCIAL GOVERNMENT RECURRENT EXPENDITURE MYEFO 2011

| Div. | Provincial Governments                         | 2011<br>Budget     | Warrants Issued<br>to 31 May 2011 | Expenditure to<br>31 May 2011 | 2011<br>MYEFO      | Variance |
|------|--|--------------------|-----------------------------------|-------------------------------|--------------------|----------|
| 571  | Fly River                                      | 42,636.8           | 21,330.8                          | 15,306.4                      | 42,636.8           | -        |
| 572  | Gulf   | 32,098.2           | 15,729.0                          | 12,680.4                      | 32,098.2           | -        |
| 573  | Central  | 58,009.9           | 27,260.5                          | 22,434.0                      | 58,009.9           | -        |
| 574  | National Capital District                      | 3,654.0            | -                                 | -                             | 3,654.0            | -        |
| 575  | Milne Bay                                      | 57,291.4           | 28,656.0                          | 23,478.8                      | 57,291.4           | -        |
| 576  | Oro  | 34,850.3           | 17,433.3                          | 14,799.6                      | 34,850.3           | -        |
| 577  | Southern Highlands                             | 85,986.8           | 42,690.0                          | 39,160.2                      | 85,986.8           | -        |
| 578  | Enga   | 54,602.3           | 27,396.0                          | 23,303.3                      | 54,602.3           | -        |
| 579  | Western Highlands                              | 73,733.2           | 36,881.2                          | 32,771.6                      | 73,733.2           | -        |
| 580  | Simbu  | 57,994.1           | 29,055.2                          | 24,909.8                      | 57,994.1           | -        |
| 581  | Eastern Highlands                              | 74,230.6           | 37,127.6                          | 30,349.4                      | 74,230.6           | -        |
| 582  | Morobe   | 90,530.6           | 45,285.5                          | 35,866.7                      | 90,530.6           | -        |
| 583  | Madang   | 71,693.1           | 35,834.1                          | 31,136.6                      | 71,693.1           | -        |
| 584  | East Sepik                                     | 76,906.2           | 38,475.2                          | 34,993.0                      | 76,906.2           | -        |
| 585  | Sandaun  | 51,764.3           | 25,837.2                          | 20,401.0                      | 51,764.3           | -        |
| 586  | Manus  | 27,078.7           | 15,837.7                          | 12,550.1                      | 27,078.7           | -        |
| 587  | New Ireland                                    | 35,321.8           | 19,216.8                          | 15,485.5                      | 35,321.8           | -        |
| 588  | East New Britain                               | 62,210.7           | 34,423.7                          | 30,407.1                      | 62,210.7           | -        |
| 589  | West New Britain                               | 52,490.9           | 30,080.2                          | 21,484.2                      | 52,490.9           | -        |
| 590  | Bougainville Autonomous Government             | 66,219.0           | 38,112.9                          | 23,385.6                      | 66,219.0           | -        |
|      | <b>Total Provincial Government (Recurrent)</b> | <b>1,109,302.9</b> | <b>566,662.9</b>                  | <b>464,903.3</b>              | <b>1,109,302.9</b> | <b>-</b> |

## STATUTORY AUTHORITIES RECURRENT EXPENDITURE MYEFO 2011

| Div.                               | Statutory Authorities                         | 2011 Budget      | Warrants Issued to 31 May 2011 | Expenditure to 31 May 2011 | 2011 MYEFO       | Variance |
|------------------------------------|---|------------------|--------------------------------|----------------------------|------------------|----------|
| 502                                | Office of the Auditor General                 | 16,171.7         | 5,581.0                        | 2,647.7                    | 16,171.7         | -        |
| 503                                | Ombudsman Commission                          | 14,742.0         | 4,650.2                        | 3,623.8                    | 14,742.0         | -        |
| 505                                | National Research Institute                   | 4,337.0          | 1,797.4                        | 1,374.6                    | 4,337.0          | -        |
| 506                                | National Training Council                     | 2,575.4          | 1,126.8                        | 436.1                      | 2,575.4          | -        |
| 507                                | Nat. Economic & Fiscal Com.                   | 2,100.0          | 918.8                          | 573.4                      | 2,100.0          | -        |
| 509                                | Border Development Authority                  | 4,200.0          | 1,443.8                        | 802.7                      | 4,200.0          | -        |
| 510                                | Legal Training Institute                      | 2,274.5          | 1,042.3                        | 797.8                      | 2,274.5          | -        |
| 512                                | University of PNG                             | 39,487.0         | 20,643.0                       | 12,843.0                   | 39,487.0         | -        |
| 513                                | University of Technology                      | 40,255.0         | 15,391.2                       | 11,500.0                   | 40,255.0         | -        |
| 514                                | University of Goroka                          | 13,730.0         | 5,226.8                        | 4,482.6                    | 13,730.0         | -        |
| 515                                | University of Vudal                           | 10,854.8         | 5,151.2                        | 3,501.2                    | 10,854.8         | -        |
| 516                                | PNG Sports Commission                         | 10,570.0         | 6,797.8                        | 3,553.8                    | 10,570.0         | -        |
| 517                                | National Narcotics Bureau                     | 2,460.3          | 1,127.6                        | 370.0                      | 2,460.3          | -        |
| 518                                | PNG Maritime College                          | 3,057.0          | 1,307.1                        | 1,307.1                    | 3,057.0          | -        |
| 519                                | Nat. Aids Council Secretariat                 | 6,899.7          | 3,219.0                        | 2,555.0                    | 6,899.7          | -        |
| 520                                | Institute of Medical Research                 | 5,554.5          | 2,318.7                        | 1,855.8                    | 5,554.5          | -        |
| 521                                | National Youth Commission                     | 2,047.1          | 895.6                          | 755.6                      | 2,047.1          | -        |
| 522                                | Const. & Law Reform Com.                      | 2,759.3          | 1,085.0                        | 245.0                      | 2,759.3          | -        |
| 523                                | PNG Accidents Invest Com.                     | 3,142.6          | 1,374.9                        | 1,342.2                    | 3,142.6          | -        |
| 525                                | Nat Broadcasting Commission                   | 21,327.6         | 8,050.2                        | 6,749.5                    | 21,327.6         | -        |
| 526                                | Nat. Maritime Safety Authority                | 1,638.0          | 716.7                          | 356.6                      | 1,638.0          | -        |
| 530                                | Investment Promotion Authority                | 2,671.4          | 1,285.8                        | 1,240.6                    | 2,671.4          | -        |
| 531                                | Small Business Dev. Corporation               | 2,573.0          | 1,125.6                        | 1,125.6                    | 2,573.0          | -        |
| 532                                | Nat Inst of Stand. & Indus Tech.              | 2,891.7          | 1,263.2                        | 913.1                      | 2,891.7          | -        |
| 533                                | Industrial Centers Dev. Corp                  | 2,153.2          | 942.0                          | 942.0                      | 2,153.2          | -        |
| 536                                | Kokonas Indastry Koperation                   | 1,000.0          | 561.3                          | 551.3                      | 1,000.0          | -        |
| 539                                | National Museum & Art Gallery                 | 8,011.4          | 4,800.0                        | 4,470.0                    | 8,011.4          | -        |
| 541                                | National Housing Corporation                  | 235.2            | 100.6                          | 61.6                       | 235.2            | -        |
| 542                                | National Cultural Commission                  | 4,245.2          | 1,810.3                        | 1,550.3                    | 4,245.2          | -        |
| 547                                | Post and Telecom. Corporation                 | 7,396.0          | -                              | (513.0)                    | 7,396.0          | -        |
| 549                                | Office of Coastal Fish.Dev Agency             | 2,377.4          | 1,086.3                        | 642.2                      | 2,377.4          | -        |
| 550                                | Cocoa Coconut Institute                       | 5,687.4          | 2,545.4                        | 2,271.4                    | 5,687.4          | -        |
| 553                                | Fresh Produce Dev. Company                    | 4,772.0          | 1,823.1                        | 1,823.1                    | 4,772.0          | -        |
| 554                                | PNG Coffee Industry Corporation               | 2,100.0          | 918.2                          | 350.0                      | 2,100.0          | -        |
| 557                                | PNG National Forest Authority                 | 27,800.0         | 18,398.5                       | 16,411.3                   | 27,800.0         | -        |
| 558                                | Tourism Promotion Authority                   | 10,298.4         | 4,799.4                        | 4,799.4                    | 10,298.4         | -        |
| 562                                | Nat. Agriculture Research Institute           | 8,742.6          | 3,125.0                        | 3,125.0                    | 8,742.6          | -        |
| 563                                | Nat. Agriculture Quarantine & Insp.Auth.      | 3,998.9          | 1,623.1                        | (615.4)                    | 3,998.9          | -        |
| 565                                | Civil Aviation Authority                      | 10,080.0         | 3,550.0                        | 3,550.0                    | 10,080.0         | -        |
| 569                                | Independent Consumer & Competition Commission | 2,012.7          | 2,114.0                        | 2,114.0                    | 2,012.7          | -        |
| <b>Total Statutory Authorities</b> |   | <b>319,230.0</b> | <b>141,736.9</b>               | <b>106,486.0</b>           | <b>319,230.0</b> | <b>-</b> |

## NATIONAL DEPARTMENTS PERSONNEL EMOLUMENTS MYEFO 2011

| Div | National Departments (PE)                        | 2011 Budget        | Warrants Issued to 31 May 2011 | Expenditure to 31 May 2011 | 2011 MYEFO         | Variance |
|-----|--|--------------------|--------------------------------|----------------------------|--------------------|----------|
| 202 | Office of Governor General                       | 1,593.8            | 717.0                          | 934.6                      | 1,593.8            | -        |
| 203 | Department of Prime Minister & NEC               | 37,910.9           | 10,541.0                       | 13,538.6                   | 37,910.9           | -        |
| 204 | National Statistical Office                      | 3,432.9            | 1,289.6                        | 1,665.8                    | 3,432.9            | -        |
| 205 | Office of Bougainville Affairs                   | 779.2              | 259.8                          | 516.0                      | 779.2              | -        |
| 206 | Department of Finance                            | 9,620.6            | 4,050.4                        | 2,925.1                    | 9,620.6            | -        |
| 207 | Treasury & Finance Miscellaneous                 | 466,949.4          | 105,653.2                      | 4,664.3                    | 466,949.4          | -        |
| 208 | Department of Treasury                           | 8,937.1            | 3,800.6                        | 2,818.1                    | 8,937.1            | -        |
|     | Office of the Registrar for Political Parties    | 3,223.6            | 1,596.5                        | 1,126.5                    | 3,223.6            | -        |
| 211 | PNG Customs Service                              | 10,721.7           | 4,904.0                        | 2,578.9                    | 10,721.7           | -        |
| 212 | Information Technology Division                  | 5,437.8            | 1,235.0                        | 851.3                      | 5,437.8            | -        |
| 213 | Fire Services                                    | 9,142.0            | 2,922.7                        | 3,522.3                    | 9,142.0            | -        |
|     | PNG Immigration and Citizenship Services         | -                  | -                              | 487.3                      | -                  | -        |
| 216 | Internal Revenue Commission                      | 15,148.3           | 3,399.2                        | 4,972.3                    | 15,148.3           | -        |
| 217 | Department of Foreign Affairs                    | 26,749.6           | 7,096.7                        | 12,982.2                   | 26,749.6           | -        |
| 218 | Office of the Public Prosecutor                  | 3,559.0            | 1,203.7                        | 1,484.4                    | 3,559.0            | -        |
| 219 | PNG Institute of Public Administration           | 4,115.4            | 1,357.0                        | 1,554.8                    | 4,115.4            | -        |
| 220 | Department of Personnel Management               | 9,485.7            | 9,482.5                        | 2,964.7                    | 9,485.7            | -        |
| 221 | Public Service Commission                        | 2,861.2            | 858.8                          | 1,225.3                    | 2,861.2            | -        |
| 222 | Office of the Public Solicitor                   | 5,524.6            | 1,066.0                        | 1,426.9                    | 5,524.6            | -        |
| 225 | Department of Attorney General                   | 14,753.3           | 4,915.8                        | 8,077.7                    | 14,753.3           | -        |
|     | Department of Corrective Institutional Services  | 50,289.2           | 15,642.0                       | 16,689.8                   | 50,289.2           | -        |
| 226 | Provincial Treasuries                            | 26,451.4           | 5,138.5                        | 10,530.9                   | 26,451.4           | -        |
| 228 | Department of Police                             | 141,273.6          | 46,332.6                       | 51,371.6                   | 141,273.6          | -        |
|     | Department of National Planning and Monitoring   | 8,301.1            | 3,646.6                        | 4,041.2                    | 8,301.1            | -        |
| 230 | Electoral Commission                             | 2,483.0            | 834.0                          | 1,252.9                    | 2,483.0            | -        |
| 231 | National Intelligence Organisation               | 1,654.0            | 534.1                          | 886.9                      | 1,654.0            | -        |
|     | Department of Provincial and Local Govt Affairs  | 5,396.9            | 1,837.1                        | 1,827.1                    | 5,396.9            | -        |
| 234 | Department of Defence                            | 70,423.4           | 11,818.6                       | 30,204.1                   | 70,423.4           | -        |
| 235 | Department of Education                          | 91,213.0           | 30,364.6                       | 26,836.7                   | 91,213.0           | -        |
| 236 | Commission for Higher Education                  | 1,731.7            | 567.2                          | 681.7                      | 1,731.7            | -        |
|     | PNG National Commission for UNESCO               | 1,364.7            | 478.4                          | 342.0                      | 1,364.7            | -        |
| 240 | Department of Health                             | 64,173.1           | 14,892.2                       | 17,333.5                   | 64,173.1           | -        |
| 241 | Hospital Management Services                     | 241,755.4          | 80,882.7                       | 84,690.9                   | 241,755.4          | -        |
|     | Department of Community Development              | 6,242.8            | 2,455.5                        | 2,943.5                    | 6,242.8            | -        |
|     | Department of Environment & Conservation         | 5,013.3            | 1,669.8                        | 3,023.4                    | 5,013.3            | -        |
| 247 | Department of Agriculture & Livestock            | 10,244.0           | 3,574.8                        | 5,929.3                    | 10,244.0           | -        |
|     | Department of Lands & Physical Planning          | 9,917.8            | 3,427.8                        | 3,443.2                    | 9,917.8            | -        |
| 254 | Department of Mining                             | 4,301.9            | 1,382.8                        | 1,663.5                    | 4,301.9            | -        |
| 255 | Department Petroleum & Energy                    | 7,517.5            | 2,392.8                        | 3,045.7                    | 7,517.5            | -        |
| 257 | Department of Public Enterprises                 | 1,948.6            | 820.3                          | 125.7                      | 1,948.6            | -        |
|     | State Enterprises, Information and Communication | 950.6              | 512.4                          | 470.0                      | 950.6              | -        |
| 259 | Department of Transport                          | 9,917.3            | 3,113.6                        | 2,876.1                    | 9,917.3            | -        |
| 261 | Department of Trade & Industry                   | 5,749.6            | 1,956.4                        | 2,707.8                    | 5,749.6            | -        |
| 262 | Department of Industrial Relations               | 6,981.2            | 2,977.5                        | 3,000.3                    | 6,981.2            | -        |
| 263 | National Tripartite Consultative Council         | 476.7              | 136.0                          | 152.7                      | 476.7              | -        |
|     | Department of Works & Implementation             | 44,806.1           | 34,237.1                       | 15,774.3                   | 44,806.1           | -        |
| 267 | Office of Rural Development                      | 2,885.8            | 1,177.6                        | 886.7                      | 2,885.8            | -        |
| 268 | Central Supply & Tenders Board                   | 1,368.2            | 624.8                          | 390.3                      | 1,368.2            | -        |
|     | <b>Total National Department (PE)</b>            | <b>1,464,778.0</b> | <b>439,777.3</b>               | <b>363,438.9</b>           | <b>1,464,778.0</b> | <b>-</b> |

## PROVINCIAL ADMINISTRATIONS PERSONNEL EMOLUMENTS EXPENDITURE MYEFO 2011

| Div                                     | Provincial Governments (PE) | 2011<br>Budget   | Warrants Issued<br>to 31 May 2011 | Expenditure to<br>31 May 2011 | 2011<br>MYEFO    | Variance |
|---|-----------------------------|------------------|-----------------------------------|-------------------------------|------------------|----------|
| 571                                     | Fly River                   | 36,085.1         | 18,045.1                          | 12,020.7                      | 36,085.1         | -        |
| 572                                     | Gulf                        | 21,141.4         | 10,573.4                          | 7,524.8                       | 21,141.4         | -        |
| 573                                     | Central                     | 45,366.5         | 20,934.1                          | 16,107.6                      | 45,366.5         | -        |
| 574                                     | National Capital District   | 195.1            | -                                 | -                             | 195.1            | -        |
| 575                                     | Milne Bay                   | 41,557.3         | 20,779.3                          | 15,602.1                      | 41,557.3         | -        |
| 576                                     | Oro                         | 24,961.0         | 12,481.0                          | 9,847.3                       | 24,961.0         | -        |
| 577                                     | Southern Highlands          | 68,313.0         | 34,158.0                          | 30,628.2                      | 68,313.0         | -        |
| 578                                     | Enga                        | 42,172.7         | 21,089.7                          | 17,823.2                      | 42,172.7         | -        |
| 579                                     | Western Highlands           | 55,271.6         | 27,638.6                          | 23,529.0                      | 55,271.6         | -        |
| 580                                     | Simbu                       | 43,212.2         | 21,649.2                          | 17,616.8                      | 43,212.2         | -        |
| 581                                     | Eastern Highlands           | 54,776.4         | 27,389.9                          | 20,783.0                      | 54,776.4         | -        |
| 582                                     | Morobe                      | 76,922.0         | 38,464.0                          | 29,045.2                      | 76,922.0         | -        |
| 583                                     | Madang                      | 51,291.9         | 25,648.9                          | 20,951.4                      | 51,291.9         | -        |
| 584                                     | East Sepik                  | 51,123.2         | 25,564.2                          | 22,082.0                      | 51,123.2         | -        |
| 585                                     | Sandaun                     | 35,324.5         | 17,664.0                          | 12,257.8                      | 35,324.5         | -        |
| 586                                     | Manus                       | 19,086.1         | 9,835.1                           | 6,729.2                       | 19,086.1         | -        |
| 587                                     | New Ireland                 | 30,586.2         | 15,658.2                          | 11,926.9                      | 30,586.2         | -        |
| 588                                     | East New Britain            | 50,872.0         | 25,908.0                          | 21,891.4                      | 50,872.0         | -        |
| 589                                     | West New Britain            | 41,329.3         | 21,750.3                          | 15,896.6                      | 41,329.3         | -        |
| 590                                     | Bougainville Autonomous     | 44,656.3         | 22,657.2                          | 16,268.9                      | 44,656.3         | -        |
| <b>Total Provincial Government (PE)</b> |                             | <b>834,243.8</b> | <b>417,888.2</b>                  | <b>328,532.1</b>              | <b>834,243.8</b> | <b>-</b> |

## NATIONAL DEPARTMENTS GOODS AND SERVICES MYEFO 2011

| Div | National Departments (GS)                             | 2011 Budget        | Warrants Issued to 31-May-11 | Expenditure to 31 May-11 | 2011 MYEFO         | Variance |
|-----|---|--------------------|------------------------------|--------------------------|--------------------|----------|
| 201 | National Parliament                                   | 108,058.7          | 56,783.9                     | 53,983.9                 | 108,058.7          | -        |
| 202 | Office of Governor General                            | 3,231.3            | 3,211.0                      | 3,106.4                  | 3,231.3            | -        |
| 203 | Department of Prime Minister & NEC                    | 25,466.3           | 10,402.6                     | 12,051.4                 | 25,466.3           | -        |
| 204 | National Statistical Office                           | 1,501.0            | 1,194.1                      | -                        | 1,501.0            | -        |
| 205 | Office of Bougainville Affairs                        | 1,590.6            | 655.2                        | 700.7                    | 1,590.6            | -        |
| 206 | Department of Finance                                 | 12,803.8           | 6,118.1                      | 3,285.6                  | 12,803.8           | -        |
| 207 | Treasury & Finance Miscellaneous                      | 555,801.2          | 317,345.0                    | 270,055.9                | 555,801.2          | -        |
| 208 | Department of Treasury                                | 5,007.1            | 3,063.6                      | 1,673.5                  | 5,007.1            | -        |
| 209 | Office of the Registrar for Political Parties         | 2,754.7            | 1,862.7                      | 1,745.7                  | 2,754.7            | -        |
| 211 | PNG Customs Service                                   | 8,105.7            | 6,744.7                      | 2,442.1                  | 8,105.7            | -        |
| 212 | Information Technology Division                       | 13,198.3           | 8,308.7                      | 1,491.4                  | 13,198.3           | -        |
| 213 | Fire Services   | 9,467.6            | 2,491.0                      | 1,511.1                  | 9,467.6            | -        |
| 215 | PNG Immigration and Citizenship Services              | 10,000.0           | 1,667.3                      | 833.3                    | 10,000.0           | -        |
| 216 | Internal Revenue Commission                           | 23,163.1           | 6,765.5                      | 4,656.2                  | 23,163.1           | -        |
| 217 | Department of Foreign Affairs                         | 30,988.0           | 30,248.6                     | 30,901.5                 | 30,988.0           | -        |
| 218 | Office of the Public Prosecutor                       | 1,927.7            | 1,108.1                      | 1,132.8                  | 1,927.7            | -        |
| 219 | PNG Institute of Public Administration                | 1,953.0            | 666.0                        | 539.3                    | 1,953.0            | -        |
| 220 | Department of Personnel Management                    | 5,548.0            | 1,794.1                      | 2,054.4                  | 5,548.0            | -        |
| 221 | Public Service Commission                             | 1,402.2            | 593.0                        | 540.8                    | 1,402.2            | -        |
| 222 | Office of the Public Solicitor                        | 3,656.5            | 1,559.2                      | 1,442.2                  | 3,656.5            | -        |
| 223 | Judiciary Services                                    | 69,652.2           | 31,200.0                     | 18,600.0                 | 69,652.2           | -        |
| 224 | Magisterial Services                                  | 31,109.6           | 14,000.0                     | 7,300.0                  | 31,109.6           | -        |
| 225 | Department of Attorney General                        | 18,254.8           | 5,678.7                      | 4,692.1                  | 18,254.8           | -        |
| 226 | Department of Corrective Institutional Services       | 38,730.4           | 17,063.9                     | 14,249.5                 | 38,730.4           | -        |
| 227 | Provincial Treasuries                                 | 9,501.2            | 7,132.6                      | 1,932.2                  | 9,501.2            | -        |
| 228 | Department of Police                                  | 85,432.3           | 35,319.5                     | 36,095.6                 | 85,432.3           | -        |
| 229 | Department of National Planning and Monitoring        | 6,092.2            | 2,691.5                      | 963.3                    | 6,092.2            | -        |
| 230 | Electoral Commission                                  | 22,311.0           | 7,351.1                      | 5,319.5                  | 22,311.0           | -        |
| 231 | National Intelligence Organisation                    | 2,123.2            | 1,064.9                      | 915.0                    | 2,123.2            | -        |
| 232 | Department of Provincial and Local Government Affairs | 7,004.3            | 15,400.5                     | 12,029.1                 | 7,004.3            | -        |
| 234 | Department of Defence                                 | 74,387.6           | 33,252.0                     | 30,234.4                 | 74,387.6           | -        |
| 235 | Department of Education                               | 261,655.9          | 261,482.9                    | 100,355.1                | 261,655.9          | -        |
| 236 | Commission for Higher Education                       | 37,343.5           | 36,743.6                     | 14,880.4                 | 37,343.5           | -        |
| 237 | PNG National Commission for UNESCO                    | 543.0              | 189.0                        | 121.9                    | 543.0              | -        |
| 240 | Department of Health                                  | 197,510.9          | 166,400.0                    | 52,423.9                 | 197,510.9          | -        |
| 241 | Hospital Management Services                          | 91,748.0           | 30,158.7                     | 30,023.7                 | 91,748.0           | -        |
| 242 | Department of Community Development                   | 4,074.6            | 1,901.0                      | 1,639.2                  | 4,074.6            | -        |
| 243 | National Volunteer Service                            | 1,233.3            | 353.4                        | 353.4                    | 1,233.3            | -        |
| 245 | Department of Environment & Conservation              | 4,490.2            | 1,440.6                      | 2,535.5                  | 4,490.2            | -        |
| 247 | Department of Agriculture & Livestock                 | 3,755.0            | 1,360.3                      | 3,466.5                  | 3,755.0            | -        |
| 252 | Department of Lands & Physical Planning               | 19,435.8           | 15,650.3                     | 16,046.1                 | 19,435.8           | -        |
| 254 | Department of Mining                                  | 3,103.8            | 1,034.5                      | 1,124.5                  | 3,103.8            | -        |
| 255 | Department Petroleum & Energy                         | 5,238.4            | 3,352.8                      | 3,167.8                  | 5,238.4            | -        |
| 257 | Department of Public Enterprises                      | 1,541.0            | 615.1                        | -                        | 1,541.0            | -        |
| 258 | State Enterprises, Information and Communication      | 2,736.2            | 892.1                        | 777.0                    | 2,736.2            | -        |
| 259 | Department of Transport                               | 10,992.4           | 3,574.7                      | 2,815.2                  | 10,992.4           | -        |
| 261 | Department of Trade & Industry                        | 4,300.3            | 2,082.9                      | 1,808.1                  | 4,300.3            | -        |
| 262 | Department of Industrial Relations                    | 4,291.3            | 1,552.1                      | 1,160.8                  | 4,291.3            | -        |
| 263 | National Tripartite Consultative Council              | 508.5              | 215.6                        | 207.5                    | 508.5              | -        |
| 264 | Department of Works & Implementation                  | 116,171.9          | 30,315.0                     | 13,082.2                 | 116,171.9          | -        |
| 267 | Office of Rural Development                           | 2,982.0            | 780.0                        | 882.2                    | 2,982.0            | -        |
| 268 | Central Supply & Tenders Board                        | 1,700.1            | 793.0                        | 378.5                    | 1,700.1            | -        |
| 269 | Office of Tourism Arts and Culture                    | 1,830.2            | 1,101.9                      | 1,101.9                  | 1,830.2            | -        |
|     | <b>Total National Department (GS)</b>                 | <b>1,967,409.9</b> | <b>1,194,726.6</b>           | <b>774,830.3</b>         | <b>1,967,409.9</b> |          |

## PROVINCIAL ADMINISTRATIONS GOODS AND SERVICES MYEFO 2011

| Div                                     | Provincial Governments    | 2011 Budget      | Warrants Issued to 31 May 11 | Expenditure to 31 May 11 | 2011 MYEFO       | Variance |
|---|---------------------------|------------------|------------------------------|--------------------------|------------------|----------|
| 571                                     | Fly River                 | 6,551.7          | 3,285.7                      | 3,285.7                  | 6,551.7          | -        |
| 572                                     | Gulf                      | 10,956.8         | 5,155.6                      | 5,155.6                  | 10,956.8         | -        |
| 573                                     | Central                   | 12,643.4         | 6,326.4                      | 6,326.4                  | 12,643.4         | -        |
| 574                                     | National Capital District | 3,458.9          | -                            | -                        | 3,458.9          | -        |
| 575                                     | Milne Bay                 | 15,734.1         | 7,876.7                      | 7,876.7                  | 15,734.1         | -        |
| 576                                     | Oro                       | 9,889.3          | 4,952.3                      | 4,952.3                  | 9,889.3          | -        |
| 577                                     | Southern Highlands        | 17,673.8         | 8,532.0                      | 8,532.0                  | 17,673.8         | -        |
| 578                                     | Enga                      | 12,429.6         | 6,306.3                      | 5,480.1                  | 12,429.6         | -        |
| 579                                     | Western Highlands         | 18,461.6         | 9,242.6                      | 9,242.6                  | 18,461.6         | -        |
| 580                                     | Simbu Provincial          | 14,781.9         | 7,406.0                      | 7,293.0                  | 14,781.9         | -        |
| 581                                     | Eastern Highlands         | 19,454.2         | 9,737.7                      | 9,566.4                  | 19,454.2         | -        |
| 582                                     | Morobe                    | 13,608.6         | 6,821.5                      | 6,821.5                  | 13,608.6         | -        |
| 583                                     | Madang                    | 20,401.2         | 10,185.2                     | 10,185.2                 | 20,401.2         | -        |
| 584                                     | East Sepik                | 25,783.0         | 12,911.0                     | 12,911.0                 | 25,783.0         | -        |
| 585                                     | Sandaun                   | 16,439.8         | 8,173.2                      | 8,143.2                  | 16,439.8         | -        |
| 586                                     | Manus                     | 7,992.6          | 6,002.6                      | 5,820.9                  | 7,992.6          | -        |
| 587                                     | New Ireland               | 4,735.6          | 3,558.6                      | 3,558.6                  | 4,735.6          | -        |
| 588                                     | East New Britain          | 11,338.7         | 8,515.7                      | 8,515.7                  | 11,338.7         | -        |
| 589                                     | West New Britain          | 11,161.6         | 8,329.9                      | 5,587.6                  | 11,161.6         | -        |
| 590                                     | Bougainville Autonomous   | 21,562.7         | 15,455.7                     | 7,116.7                  | 21,562.7         | -        |
| <b>Total Provincial Government (GS)</b> |                           | <b>275,059.1</b> | <b>148,774.7</b>             | <b>136,371.2</b>         | <b>275,059.1</b> | <b>-</b> |



## NATIONAL DEPARTMENTS DEVELOPMENT EXPENDITURE MYEFO 2011

| Div. | National Departments                          | 2011 Budget        | Warrant Issued to 31 May 2011 | Expenditure to 31 May 2011 | 2011 MYEFO         | Variance |
|------|---|--------------------|-------------------------------|----------------------------|--------------------|----------|
| 201  | National Parliament                           | 3,615.0            | -                             | -                          | 3,615.0            | -        |
| 203  | Dept of Prime Minister & NEC                  | 99,916.0           | 3,500.0                       | 793.1                      | 99,916.0           | -        |
| 204  | National Statistical Office                   | 115,812.0          | 34,300.0                      | 14,794.9                   | 115,812.0          | -        |
| 206  | Department of Finance                         | 25,694.0           | 19,000.0                      | 12,108.8                   | 25,694.0           | -        |
| 208  | Department of Treasury                        | 232,383.0          | 600.0                         | 400.0                      | 232,383.0          | -        |
| 211  | PNG Customs Service                           | 35,000.0           | 35,000.0                      | 104.1                      | 35,000.0           | -        |
| 213  | Fire Services                                 | 5,000.0            | 4,800.0                       | -                          | 5,000.0            | -        |
| 216  | Internal Revenue Commission                   | 5,000.0            | 1,000.0                       | -                          | 5,000.0            | -        |
| 217  | Department of Foreign Affairs                 | 7,347.0            | 100.0                         | 49.5                       | 7,347.0            | -        |
| 220  | Dept of Personnel Management                  | 184,298.0          | 8,800.0                       | 5.2                        | 184,298.0          | -        |
| 225  | Attorney General                              | 76,376.0           | 400.0                         | -                          | 76,376.0           | -        |
| 226  | Corrective Institutional Services             | 21,000.0           | 10,596.0                      | 2,365.0                    | 21,000.0           | -        |
| 228  | Department of Police                          | 36,000.0           | 21,679.0                      | 18,020.0                   | 36,000.0           | -        |
| 229  | Dept of Nat. Planning & Mont                  | 314,144.0          | 230,154.0                     | 133,074.4                  | 314,144.0          | -        |
| 230  | Electoral Commission                          | 34,096.0           | 17,525.4                      | 11,830.7                   | 34,096.0           | -        |
| 231  | Nat. Intelligence Organisation                | 2,000.0            | 1,050.0                       | 787.3                      | 2,000.0            | -        |
| 232  | Prov. & Local Govt. Affairs                   | 90,922.0           | 2,200.0                       | 153.8                      | 90,922.0           | -        |
| 234  | Department of Defence                         | 47,000.0           | -                             | -                          | 47,000.0           | -        |
| 235  | Department of Education                       | 375,386.0          | 15,900.0                      | 5,194.5                    | 375,386.0          | -        |
| 236  | Commission for Higher Educ.                   | 46,540.0           | 14,126.0                      | 3,361.7                    | 46,540.0           | -        |
| 240  | Department of Health                          | 315,809.0          | 46,200.0                      | 46,200.0                   | 315,809.0          | -        |
| 242  | Dept. of Community Dev.                       | 97,526.0           | 1,655.0                       | 1,221.3                    | 97,526.0           | -        |
| 245  | Environment & Conservation                    | 32,327.0           | 4,500.0                       | 863.0                      | 32,327.0           | -        |
| 247  | Dept. of Agriculture & Livestock              | 58,198.0           | 3,480.0                       | 1,789.1                    | 58,198.0           | -        |
| 252  | Lands & Physical Planning                     | 17,707.0           | 1,370.0                       | 2,634.3                    | 17,707.0           | -        |
| 258  | Information & Communication                   | 48,930.0           | 2,975.0                       | 847.0                      | 48,930.0           | -        |
| 259  | Department of Transport                       | 37,479.0           | 26,300.0                      | 20,800.0                   | 37,479.0           | -        |
| 261  | Department of Trade & Industry                | 60,000.0           | 14,200.0                      | 10,040.7                   | 60,000.0           | -        |
| 264  | Dept of Works                                 | 370,983.0          | 94,583.0                      | 41,817.7                   | 370,983.0          | -        |
| 267  | Office of Rural Development                   | 206,502.0          | 350.0                         | 27,354.3                   | 206,502.0          | -        |
|      | <b>National Departments Total<sup>8</sup></b> | <b>3,002,990.0</b> | <b>616,343.4</b>              | <b>356,610.4</b>           | <b>3,002,990.0</b> | <b>-</b> |

<sup>8</sup> Total including non-cash.

## PROVINCIAL ADMINISTRATIONS DEVELOPMENT EXPENDITURE MYEFO 2011

| Div.  | Provincial Governments             | 2011 Budget      | Warrants Issued to 31 May 2011 | Expenditure to 31 May 2011 | 2011 MYEFO       | Variance |
|---|------------------------------------|------------------|--------------------------------|----------------------------|------------------|----------|
| 571   | Fly River                          | 27,300.0         | 10,500.0                       | 7,145.0                    | 27,300.0         | -        |
| 572   | Gulf                               | 7,255.0          | 2,355.0                        | 1,855.0                    | 7,255.0          | -        |
| 573   | Central                            | 5,850.0          | 3,850.0                        | 2,600.0                    | 5,850.0          | -        |
| 574   | National Capital District          | 5,978.0          | 2,400.0                        | 1,400.0                    | 5,978.0          | -        |
| 575   | Milne Bay                          | 5,250.0          | 1,250.0                        | -                          | 5,250.0          | -        |
| 576   | Oro                                | 22,750.0         | 3,250.0                        | 2,500.0                    | 22,750.0         | -        |
| 577   | Southern Highlands                 | 22,535.0         | 12,285.0                       | 12,285.0                   | 22,535.0         | -        |
| 578   | Enga                               | 33,100.0         | 14,000.0                       | 4,000.0                    | 33,100.0         | -        |
| 579   | Western Highlands                  | 33,000.0         | 19,000.0                       | 15,000.0                   | 33,000.0         | -        |
| 580   | Simbu                              | 7,750.0          | 7,750.0                        | 2,250.0                    | 7,750.0          | -        |
| 581   | Eastern Highlands                  | 19,250.0         | 9,000.0                        | 4,000.0                    | 19,250.0         | -        |
| 582   | Morobe                             | 14,501.0         | 3,350.0                        | 300.0                      | 14,501.0         | -        |
| 583   | Madang                             | 7,750.0          | 2,750.0                        | 1,000.0                    | 7,750.0          | -        |
| 584   | East Sepik                         | 31,750.0         | 22,750.0                       | 1,000.0                    | 31,750.0         | -        |
| 585   | Sandaun                            | 5,250.0          | 1,250.0                        | -                          | 5,250.0          | -        |
| 586   | Manus                              | 1,500.0          | 500.0                          | -                          | 1,500.0          | -        |
| 587   | New Ireland                        | 24,450.0         | 8,450.0                        | 5,600.0                    | 24,450.0         | -        |
| 588   | East New Britain                   | 5,250.0          | 3,250.0                        | 2,000.0                    | 5,250.0          | -        |
| 589   | West New Britain                   | 2,750.0          | 750.0                          | -                          | 2,750.0          | -        |
| 590   | Bougainville Autonomous Government | 54,441.0         | 7,000.0                        | 2,500.0                    | 54,441.0         | -        |
| <b>Provincial Governments Total<sup>9</sup></b> |                                    | <b>337,660.0</b> | <b>135,690.0</b>               | <b>65,435.0</b>            | <b>337,660.0</b> | <b>-</b> |

<sup>9</sup> Total including non-cash.

## STATUTORY AUTHORITIES DEVELOPMENT EXPENDITURE MYEFO 2011

| Div | Statutory Authorities                           | 2011 Budget      | Warrants Issued to 31 May 2011 | Expenditure to 31 May, 2011 | 2011 MYEFO       | Variance |
|-----|---|------------------|--------------------------------|-----------------------------|------------------|----------|
| 505 | National Research Institute                     | 3,292.0          | -                              | -                           | 3,292.0          | -        |
| 506 | National Training Council                       | 52,580.0         | -                              | -                           | 52,580.0         | -        |
| 509 | Border Development Authority                    | 6,400.0          | 1,040.0                        | 590.0                       | 6,400.0          | -        |
| 512 | University of PNG                               | 27,438.0         | 14,800.0                       | 9,200.0                     | 27,438.0         | -        |
| 513 | University of Technology                        | 26,000.0         | 17,000.0                       | 10,000.0                    | 26,000.0         | -        |
| 514 | University of Goroka                            | 63,000.0         | 4,000.0                        | 4,000.0                     | 63,000.0         | -        |
| 515 | University of Vudal                             | 8,000.0          | 6,000.0                        | 6,000.0                     | 8,000.0          | -        |
| 516 | PNG Sports Commission                           | 2,950.0          | -                              | -                           | 2,950.0          | -        |
| 519 | National Aids Council Secretariat               | 139,671.0        | 11,720.0                       | 11,720.0                    | 139,671.0        | -        |
| 520 | Institute of Medical Research                   | 8,958.0          | 1,600.0                        | 1,600.0                     | 8,958.0          | -        |
| 524 | IPBC  | 41,548.0         | 10,000.0                       | 10,000.0                    | 41,548.0         | -        |
| 525 | National Broadcasting Commission                | 3,917.0          | -                              | -                           | 3,917.0          | -        |
| 526 | National Maritime Safety Authority              | 6,000.0          | 4,800.0                        | 4,800.0                     | 6,000.0          | -        |
| 531 | SBDC  | 6,000.0          | 4,595.5                        | 3,290.6                     | 6,000.0          | -        |
| 535 | Mineral Resources Authority                     | 51,386.0         | 20,538.0                       | 20,538.0                    | 51,386.0         | -        |
| 537 | National Airports Corporation                   | 29,910.0         | 7,000.0                        | 7,000.0                     | 29,910.0         | -        |
| 539 | National Museum & Art Gallery                   | 6,750.0          | -                              | -                           | 6,750.0          | -        |
| 540 | National Water & Sewerage Board                 | 29,947.0         | 27,947.0                       | 18,000.0                    | 29,947.0         | -        |
| 541 | National Housing Corporation                    | 15,000.0         | 9,000.0                        | -                           | 15,000.0         | -        |
| 543 | Rural Development Bank                          | 25,000.0         | 18,000.0                       | 18,000.0                    | 25,000.0         | -        |
| 546 | PNG Power Limited                               | 18,000.0         | 6,000.0                        | -                           | 18,000.0         | -        |
| 548 | PNG Harbours Board                              | 30,000.0         | 30,000.0                       | 30,000.0                    | 30,000.0         | -        |
| 549 | OCFDA   | 15,000.0         | 15,000.0                       | 15,000.0                    | 15,000.0         | -        |
| 550 | Cocoa Coconut Institute                         | 3,000.0          | 2,150.0                        | 1,950.0                     | 3,000.0          | -        |
| 551 | PNG National Fisheries Authority                | 2,000.0          | 2,000.0                        | 2,000.0                     | 2,000.0          | -        |
| 553 | Fresh Produce Dev. Company                      | 4,683.0          | 1,550.0                        | 1,250.0                     | 4,683.0          | -        |
| 554 | PNG Coffee Industry Corporation                 | 500.0            | 100.0                          | 100.0                       | 500.0            | -        |
| 557 | PNG National Forest Authority                   | 31,566.0         | 1,800.0                        | 1,800.0                     | 31,566.0         | -        |
| 558 | Tourism Promotion Authority                     | 1,000.0          | 800.0                          | 800.0                       | 1,000.0          | -        |
| 559 | PNG Oil Palm Industry Corporation               | 3,000.0          | 800.0                          | 500.0                       | 3,000.0          | -        |
| 562 | Nat. Agriculture Research Institute             | 31,897.0         | 3,350.0                        | 3,350.0                     | 31,897.0         | -        |
| 566 | PNG Cocoa Board                                 | 2,000.0          | 1,700.0                        | 1,259.6                     | 2,000.0          | -        |
| 568 | Livestock Dev. Corporation                      | 4,000.0          | 3,000.0                        | 3,000.0                     | 4,000.0          | -        |
|     | <b>Statutory Authorities Total<sup>10</sup></b> | <b>700,393.0</b> | <b>226,291.5</b>               | <b>185,748.0</b>            | <b>700,393.0</b> | <b>-</b> |

<sup>10</sup> Total including non-cash.

## **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 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 10.0 per cent of the total appropriation for recurrent expenditure (section 4 transfers).

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

To 31 May 2011, the Secretary's Advance had expended 90.7 per cent (K18, 134,500.0) of its 2011 appropriation. Of this 81.9 per cent was committed in the first quarter alone and the remaining 7.8 per cent was spent in the months of April and May. As such about 10.0 per cent of the Secretary's Advance is left to service unplanned expenditure for the remaining nine months of the year.

Since the majority of the vote has been committed, the budget is vulnerable to unforeseen pressures throughout the remainder of the year. This will lead to pressures compounding in successive budgets.

To meet unforeseen payments the Government has had to revert to funding these pressures through the reallocation of funds earmarked for Debt Servicing. Considering the growth in the economy, the creation of new government agencies and the expansion of some departments' responsibilities it is evident that K20.0 million is inadequate to service requests for section 3 transfers for the whole year.

Table 11 sets out the allocations made from the Secretary's Advance from 1 January 2011 up to 31 May 2011.

**Table 11: Expenditure from Secretary's Advance (Kina million)**

| <b>Division</b> |   | <b>2011<br/>Budget<br/>K'000</b> | <b>2011<br/>MYEFO<br/>K'000</b> |
|-----------------|---|----------------------------------|---------------------------------|
| <b>207</b>      | <b>Original Appropriation for Secretary's Advance</b>   | <b>20,000.0</b>                  |                                 |
|                 |   |                                  |                                 |
|                 | <b>Total Funds Available</b>  | <b>20,000.0</b>                  |                                 |
| 202             | Funding of transitional arrangements for incoming and outgoing Governor General   |                                  | 1,389.0                         |
| 232             | Pledge towards the Australian Natural Disaster (Floods)   |                                  | 5,000.0                         |
| 590             | Balance of funds to meet Prime Minister's commitment to Bougainville  |                                  | 1,000.0                         |
| 217             | Additional funding for PNG's participation in the Seasonal Worker's Pilot Scheme  |                                  | 1,000.0                         |
| 569             | To cater to shortfalls in operational funds due to loss of revenue previously retained now going to NICTA   |                                  | 2,240.0                         |
| 232             | Assistance to cater for PNG Government contribution towards New Zealand earthquake disaster   |                                  | 3,000.0                         |
| 207             | Annual rental to Sirinumu   |                                  | 130.0                           |
| 208             | To cater for Minister's travel to China to effect the Concessional Loan Project signing   |                                  | 240.0                           |
| 208             | To settle costs for Misima Public General Meetings  |                                  | 15.0                            |
| 203             | To cater for Downer Construction Settlement   |                                  | 570.0                           |
| 207             | For legal fees rendered by Norbert Kubak & Co. Solicitors & Barristers towards the PNGDF Ex-servicemen group  |                                  | 300.0                           |
| 217             | Education Grant assistance to Solomon Islands as per Diplomatic note from Solomon Islands High Commissioner , signifying the lapsing of the PNG & Solomon Islands MOA of 2006 |                                  | 1,500.0                         |
| 208             | Pledge to National Development Bank   |                                  | 200.0                           |
| 211             | To cater for funding of OCO Conference in Port Moresby  |                                  | 300.0                           |
| 208             | For Secretary's travel overseas   |                                  | 108.0                           |
| 208             | To cater for Treasury staff travel overseas   |                                  | 70.0                            |
| 226             | For court order (MP No. 02/2011) Bihute Jail  |                                  | 343.3                           |
| 207             | To honour Government commitment to the Koiari landowners for the supply of water to NCD   |                                  | 300.0                           |
| 208             | To cater for Executive travel vote (item 121) that has been exhausted to date. Funds for duty travel of Secretary and Deputy Secretaries in 2011                              |                                  | 100.0                           |
| 207             | To cater for outstanding TRP payment approval   |                                  | 329.2                           |
|                 | <b>Total Funds Spent from Secretary's Advance as at 31 May 2011</b>   |                                  | <b>18,134.5</b>                 |