



MID YEAR ECONOMIC AND FISCAL OUTLOOK REPORT

2013

INTRODUCTION

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

The purpose of the MYEFO Report is to provide updated fiscal information, especially for the current financial year, to allow the Parliament and the public to assess developments against those set out in the 2013 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 and Grants
- 1.4 Expenditure and Net Lending
- 1.5 Status of Trust Accounts
- 1.6 Financing
- 1.7 Public Debt
- 1.8 Risks to the Mid Year Economic and Fiscal Outlook
- 1.9 2013 and Beyond
- 1.10 Fiscal Outturn Tables

Part 2: Mid Year Expenditure Estimates by Agency and MTDP Enablers

- 2.1 Funded Expenditure Decisions since the 2013 Budget
- 2.2 2013 Budget Execution

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 2013 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). It should be noted that as part of the ongoing reform of the Budget process, Budget Reporting, including MYEFO, will be gradually shifted from the 1986 GFS to the 2001 GFS.

PART 1

THE MID YEAR ECONOMIC AND FISCAL OUTLOOK

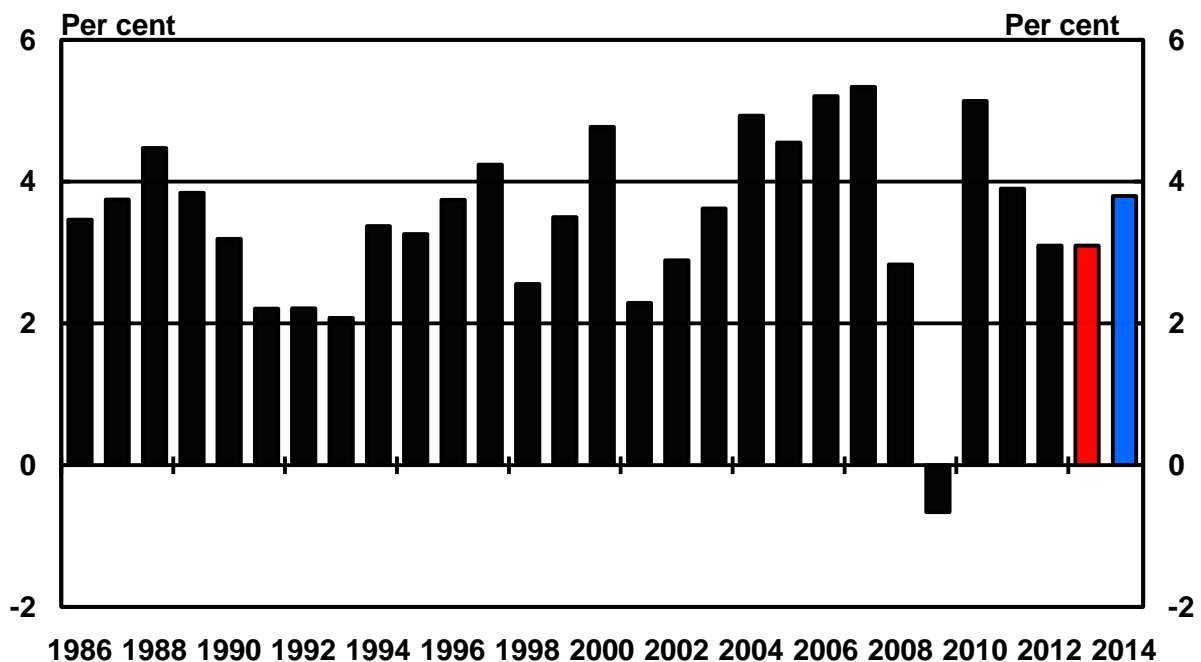
1.1 THE ECONOMIC OUTLOOK

Overview

International Economic Outlook

The global economy remains subdued and new risks have emerged in 2013. According to the International Monetary Fund (IMF) 2013 July World Economic Outlook (WEO), the world economy is projected to grow by 3.1 per cent in 2013, the same rate as in 2012. This is a downward revision from the 2012 October WEO of 3.6 per cent and 2013 April WEO of 3.3 per cent, a result of a slowing down of growth in the advanced and emerging market economies, a prolonged Euro area recession and a possibility of the US economy slowing down in 2013. Looking ahead to 2014, the world economy is projected to grow by 3.8 per cent, up from the 3.1 per cent in 2013.

Chart 1: World Economic Growth (1986-2014)



Source: International Monetary Fund, World Economic Outlook (July 2013)

Advanced economies are projected to grow at 1.2 per cent in 2013, down 0.3 percentage points from the 2012 October WEO and 0.1 percentage points from the 2013 April WEO. The

downward revision in 2013 reflected a more prolonged contraction in the Euro area than previously anticipated and a possible slowdown of the United States (US) economy. However in Japan, growth is stronger than expected reflecting the effects of recent accommodative policies.

In 2014, a stronger growth forecast is projected for the US economy. It is anticipated that private demand in the US economy will be the driving force of growth given that household wealth has been on the rise owing to the recent household recovery and the continued supportive financial conditions. On the other hand, the Euro area is projected to remain in recession in 2013. Euro growth will only rise to just under a percentage point in 2014, as the weakness in demand persists and policy action remains yet to be implemented in key areas. In contrast, Japan's growth is expected to ease in 2014. Overall, advanced economies are expected to grow by 2.1 per cent in 2014.

Growth in the emerging market and developing economies is projected at 5.0 per cent, down 0.6 percentage points from the 2012 October WEO and 0.3 percentage points from the 2013 April WEO. The moderation in growth reflects weaker prospects across all regions. In general and to varying degrees, it reflects infrastructure bottlenecks, capacity concerns, slower external demand growth, lower commodity prices, financial stability concerns and weak policy support. Growth in China is expected at 7.8 per cent in 2013. Forecasts of other emerging and developing economies including Brazil, Russia, India and South Africa have also been revised down. Growth in Sub-Saharan Africa, Middle-East and North Africa will be weaker as economies in these regions struggle with domestic problems, weaker external demand and difficult political and economic transitions. In 2014, growth in emerging and developing market economies is expected to pick up slightly by 0.4 percentage points from 2013.

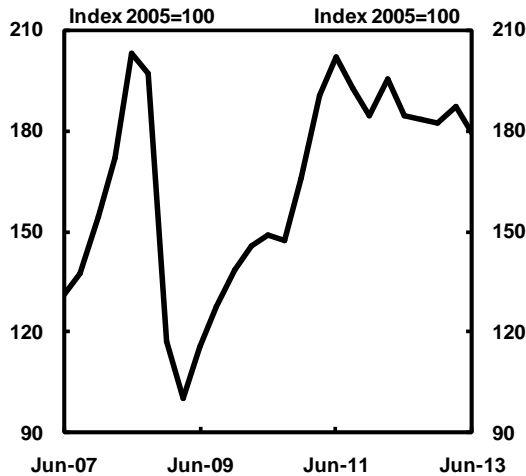
Forecasts for global inflation have moved in line with the general weakening of global demand and the fall in commodity prices. Inflation in advanced economies is projected at 1.5 per cent in 2013 and will pick up to 1.9 per cent in 2014 owing to an improving US economy whilst inflation in emerging and developing market economies is projected at 6.0 per cent in 2013 and will ease to 5.5 per cent in 2014.

Commodity Prices

Movements in commodity prices continue to closely track the developments of the global economy. Commodity prices have traded lower in the first half of the year and this is largely due to the mixed developments in the US economy, slowing Chinese demand, the Euro area still unable to emerge out of crisis and the geo-political tensions in the Middle East. Another interesting development worth noting is the bond buying program of US economy. With the US economy showing encouraging signs at the start of the year due to increased private demand, talks by the US authorities about bringing the program to an end sooner had a noticeable impact on gold prices, driving them lower as the US Dollar strengthened. However, with the IMF revising down the US growth for 2013 in the July WEO update, talks of tapering this program may be placed on hold and this could affect commodity prices.

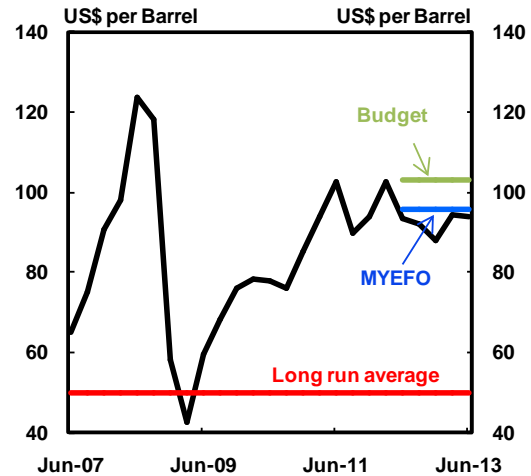
The oil price averaged around US\$94 per barrel in the first half of 2013. However, recent developments which include a steady decline in US crude stockpile and intensifying tensions especially in Egypt has increased prices with spot prices now trading above US\$100 per barrel.

Chart 2: IMF Commodity Price Index



Source: International Monetary Fund (IMF)

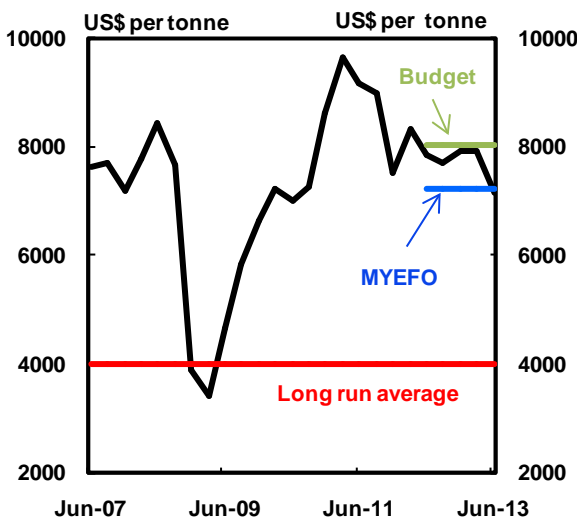
Chart 3: Oil Price



Source: IMF /Energy Information Administration

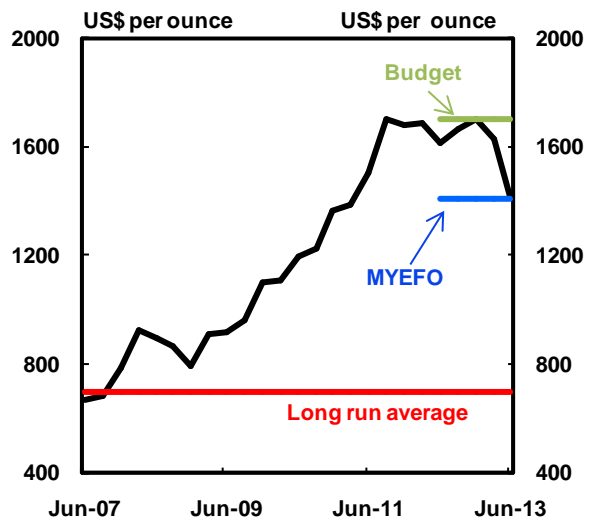
Copper prices, which averaged around US\$7,926 per tonne in the first quarter of 2013 have dropped by 9.6 per cent to US\$7,158 per tonne in the second quarter with current spot prices less than US\$7,000 per tonne. The drop in copper prices is due to a weaker outlook on the Chinese economy especially on expectations of lower economic growth due to shifts in policies and a lack of fiscal stimulus for the remainder of the year.

Chart 4: Copper Price



Source: IMF/London Metal Exchange

Chart 5: Gold Price



Source: IMF/Bank of England

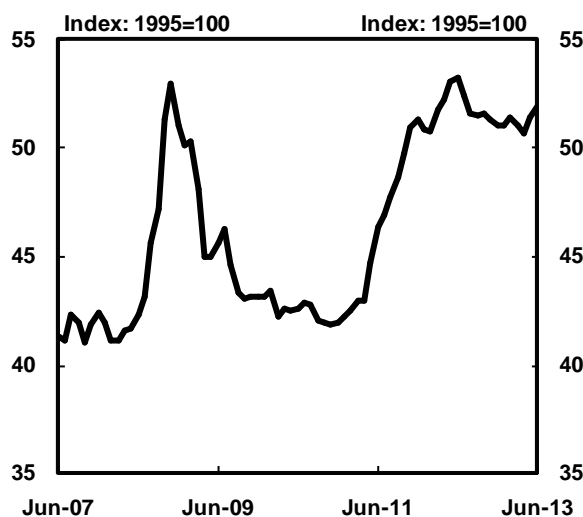
Gold prices which averaged around US\$1,632 per ounce in the first quarter of 2013, declined by 13.3 per cent to US\$1,414 per ounce in the second quarter of 2013 with current spot prices trading at US\$1,290 per ounce. Developments associated with the US economy remain crucial to gold's forecast.

To reflect the recent movements in commodity prices, the 2013 Budget assumptions have been revised. The Budget oil price assumption of US\$103 per barrel has been revised down to US\$96 per barrel, copper down to US\$7,238 per tonne from US\$8,047 per tonne at Budget and the gold price revised down to US\$1,409 per ounce from US\$1,701 per ounce at Budget.¹

Exchange Rate Developments

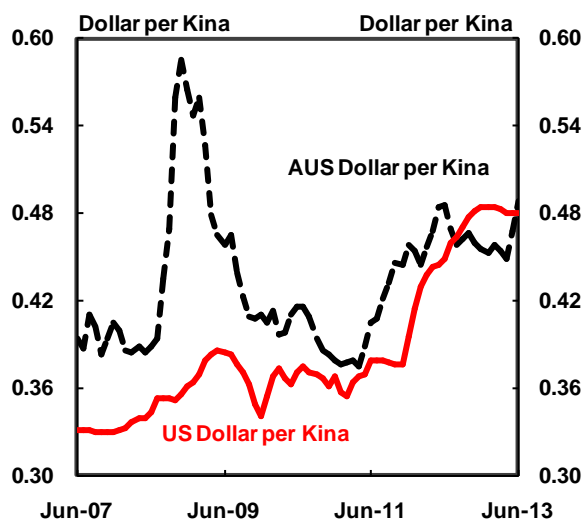
After the strong appreciation in the last two years, PNG's Trade Weighted Index (TWI) has remained fairly stable in the first half of 2013 with slight improvements towards the end of June. As shown in Chart 6, PNG's TWI appreciated by 1.9 per cent over the first half of the year. This reflects the strong performance of the Kina against PNG's major trading currencies. Against the Australian Dollar, the PNG Kina appreciated by 7.7 per cent while it depreciated by 3.2 per cent against the United States (US) Dollar (Chart 7).

Charts 6: Trade Weighted Index



Source: Bank of PNG

Charts 7: Exchange Rate Developments



Source: Bank of PNG

The PNG Kina also appreciated against other key trading currencies including: the Japanese Yen (6.1 per cent), New Zealand Dollar (2.2 per cent) and Malaysian Ringgit (0.1 per cent), while it depreciated against the Euro (2.6 per cent), Chinese Renminbi (4.5 per cent) and was steady against the Pound Sterling and Singapore Dollar.

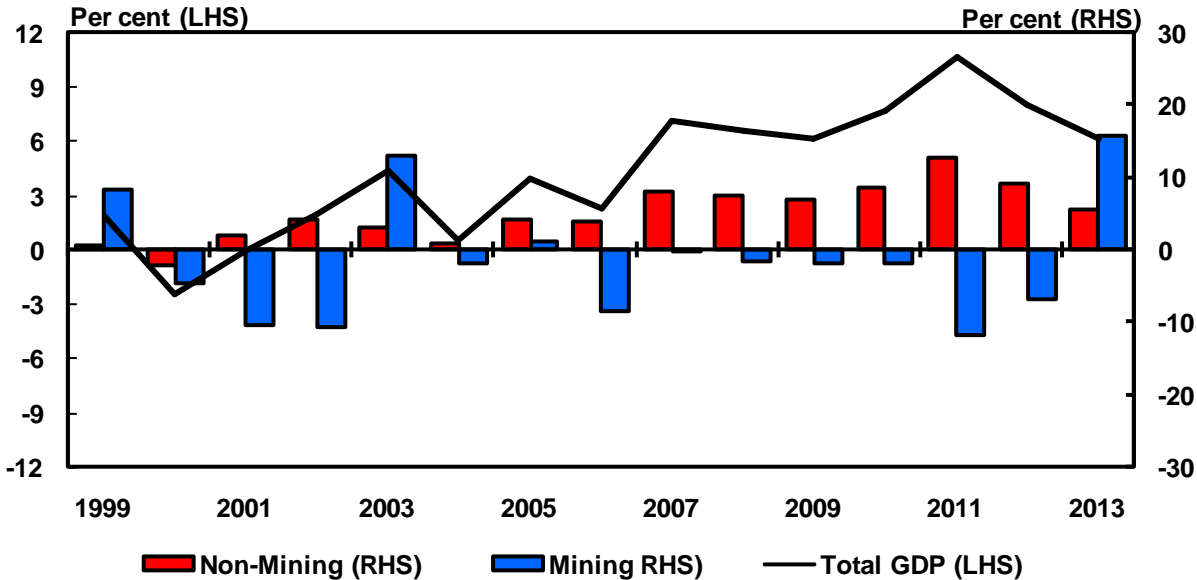
¹ The price forecast methodology uses the actual year to date average price plus makes an assumption (using average of June plus 05th July spot price) for the remainder of the year.

The depreciation of the Kina against the US Dollar is due to the effects of the US Dollar strengthening globally in the first half of the year. In addition, the slowdown in the construction phase of the PNG LNG project as well as the increased foreign exchange outflows due to the rise in import payments has further reduced the strength of the Kina in the first half of the year. The appreciation of the Kina against the Australian Dollar and the Japanese Yen was attributed to cross currency movements. The depreciation of the Kina is expected to lead to higher import prices.

The Outlook for the Domestic Economy

In 2013, the PNG economy is expected to grow at 6.1 per cent, an upward revision from the 2013 Budget estimate of 4.0 per cent. This upward revision is due largely to an expected rebound in the mining and quarrying sector, the ongoing PNG LNG construction phase and the higher than expected stimulus effect of the increased Government spending. The fiscal stimulus is expected to boost activity in the non-mining sectors notably the construction sector with spending on projects expected to pick up in the latter half of the year. It is observed that small businesses to large entrepreneurs are benefiting from the positive impacts of an economy that is supported by the Government’s fiscal stimulus, the ongoing PNG LNG construction phase and the increasing activities in the mining and petroleum sectors.

Chart 8: Economic Growth: 1999– 2013



Source: Department of Treasury

The construction sector is expected to grow at 12.3 per cent in 2013 and this is expected to be driven by the increase in Government spending on infrastructure, as well as continued medium size construction activities undertaken by the private sector. The PNG LNG construction phase on the other hand is about to be completed, hence its impact on growth is not as strong as in previous years.

The community, social and personal services sector is expected to benefit from the increased size of Government spending from the 2013 Budget, especially on the Government's key priorities of education, health care and law and justice. It is anticipated that this increased spending by Government will have both direct and indirect impact on these key priority areas.

The electricity gas and water sector is also expected to continue to perform strongly in 2013 as a growing economy's need for power increases. In meeting the additional requirements of the economy, the utility provider of power is increasing generating capacity through additional diesel generators.

Growth in other non-mining sectors including manufacturing, wholesale and retail, transport storage and communication and finance, real estate and business services are expected to moderate in 2013 in line with the PNG LNG construction activities.

The agriculture forestry and fisheries sector is projected to grow at 2.7 per cent, just below the 2013 Budget projection of 2.8 per cent. This growth while strong, reflects lower commodity prices, including weather and infrastructure related issues.

Commodity prices have remained low in the first half of the year and this has translated into lower production especially as farmers in cash crops like copra face difficulties in raising production in the face of rising costs. Weather has also affected production in the first quarter with increased rainfalls affecting mobility and quality of crops. Cocoa production is expected to be same as last year with the Cocoa Pod Borer still impacting affected provinces especially East New Britain. With respect to coffee production, despite the expectations of a good crop this year, infrastructure concerns, lower price, security and matured trees are likely to reduce production.

A development that is expected to place further downside on the agriculture sector in 2013 is the damage to one of the major coconut oil processing facilities in May. There are three recognised coconut oil mills registered in the country. Two are based in Madang and one in East New Britain. With the closing down of the Madang mill for refurbishment since last year, and the recent destruction of the coconut oil mill in East New Britain, there is currently only one recognised mill in operation. It is unknown when production will resume at the Madang mill, however in the meantime, coconut oil production is expected to be half of its total capacity.

In contrast, palm oil production continues to grow each year with companies managing their replanting programs to ensure minimal loss is encountered. Palm oil production is expected to hold up in 2013 and this is expected to provide some support to the agriculture sector in 2013.

The mining and quarrying sector growth has been revised up to 20.0 per cent from the 2013 Budget forecast of 17.8 per cent. This upward revision is due to an improvement in production estimates provided to Treasury since the time of the 2013 Budget.

The oil and gas sector is expected to continue its contracting trend in 2013 and this is due the natural decline of the oil fields. The contraction of the oil and gas sector offsets the strong forecasts from the other sectors in 2013.

Table 1: Economic Forecasts and Assumptions

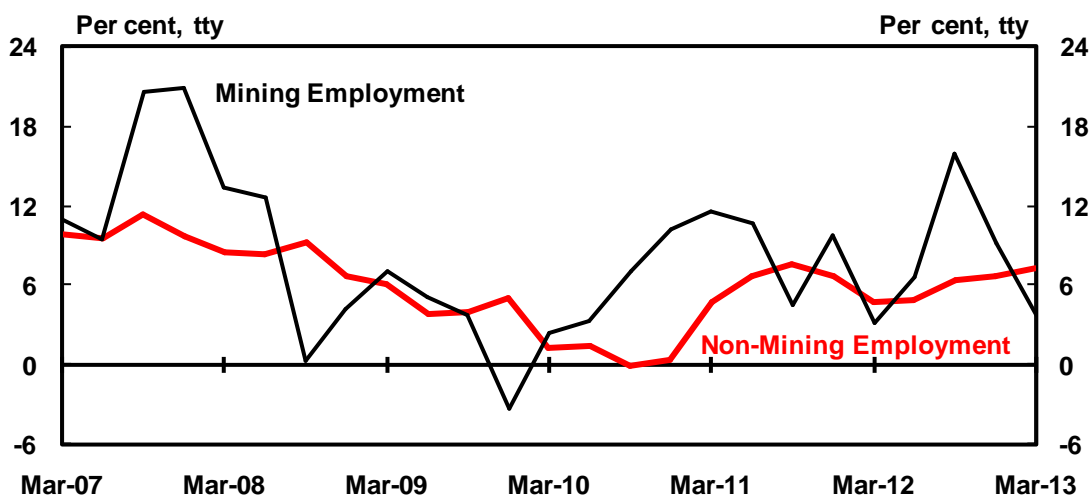
	2012 Actual	2013 Budget	2013 MYEFO
Economic Growth (%)			
Total GDP (est)	8.0	4.0	6.1
Non-Mining GDP (est)	9.1	3.4	5.5
Inflation (%)			
Year average	2.2	8.0	5.6
Interest Rate (%)			
Kina Facility Rate (KFR)	6.75	6.75	6.25
3 year Inscribed Stock (IS)	5.0	5.0	5.0
Mineral Prices			
Gold (US\$/ounce)	1,668	1,701	1,409
Copper (US\$/tonne)	7,959	8,047	7,238
Oil (Kutubu:US\$/barrel)	105	103	96

Source: Department of Treasury

Employment

PNG's total employment has remained fairly strong in line with developments in the domestic economy. Total employment grew by 5.5 per cent through the year to March quarter 2013 reflecting continued growth in the non-mining sector whilst employment moderated in the mining sector.

Chart 9: Employment Growth



Source: Bank of PNG

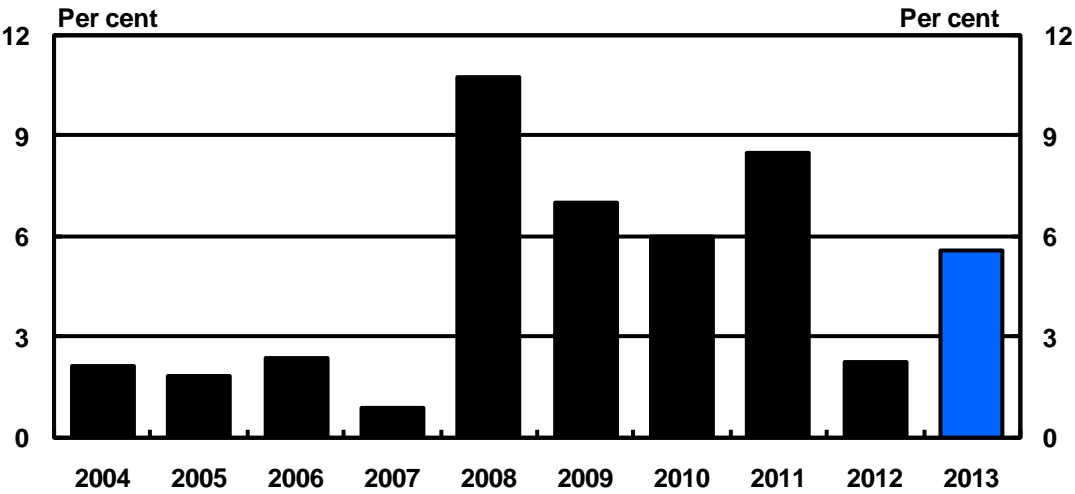
The through-the-year growth showed the non-mining sector employment grew strongly by 7.4 per cent in the March quarter 2013 compared to 4.7 per cent recorded in the March quarter 2012, an increase of 2.7 percentage points. The strong non-mining sector employment is driven primarily by the strong growth in the retail (up 19.0 per cent), building and construction (up 14.5 per cent), manufacturing (up 10.5 per cent) and wholesale sectors (up 8.1 per cent).

Mining employment grew by 3.8 per cent through the year in the March quarter 2013 compared to 3.2 per cent recorded in the corresponding period of 2012. There was significant employment growth in the second half of 2012, but this is being slowed in the first quarter of 2013. The recent moderation reflects major mines looking at cost cutting measures for their operations following the fall in commodity prices.

Inflation Outlook

At Budget time (last year), Treasury projected inflation in 2013 to be around 8.0 per cent reflective of the Government stimulus spending. This has been revised down to 5.6 per cent taking into account the low 2012 inflation outcome of 2.2 per cent, weak global economic activities, falling commodity prices, low and stable inflation in major trading partner countries and the lagged impact of the appreciation of the Kina exchange rate.

Chart 10: Inflation outcome and projection-2004-2013

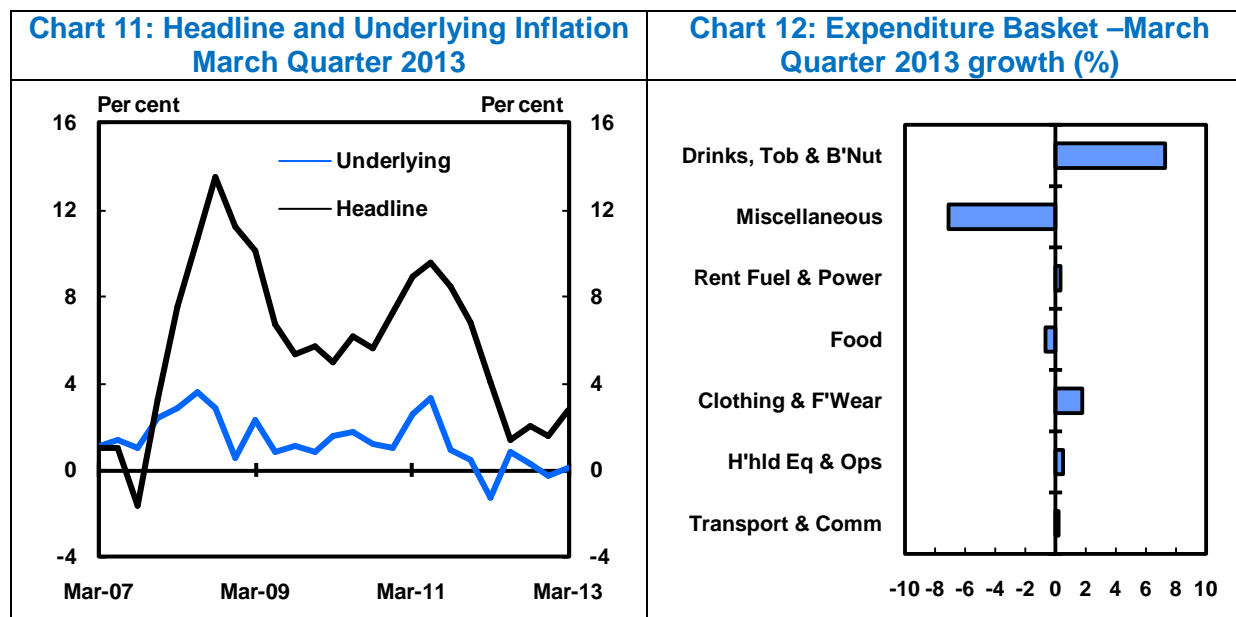


Source: National Statistical Office (NSO)/Department of Treasury

In the first quarter of 2013, inflation was 1.6 per cent, higher than the 0.8 per cent recorded at the same time last year (Chart 11). This resulted in a high through the year growth of 2.8 per cent over the twelve months to March quarter 2013. Prices rose across all the major urban centers in the March quarter with Rabaul increasing by 2.5 per cent followed by Lae (up 2.0 per cent), Port Moresby (up 1.6 per cent), Goroka (up 1.1 per cent) and Madang (up 0.1 per cent)

With prices of most consumer items growing at slower rates, the major drivers of the March quarter increase were mainly alcohol drinks, cigarettes and tobacco and betelnut.

The underlying measure of inflation excluding the seasonal and price control items rebounded from a decline in the previous quarter and grew by 0.1 per cent in the March quarter of 2013 to be 0.9 per cent higher through the year (Chart 11).² This reflected prices of some imported items, mainly clothing and footwear and household equipment and operation starting to experience increases in the March quarter (Chart 12).



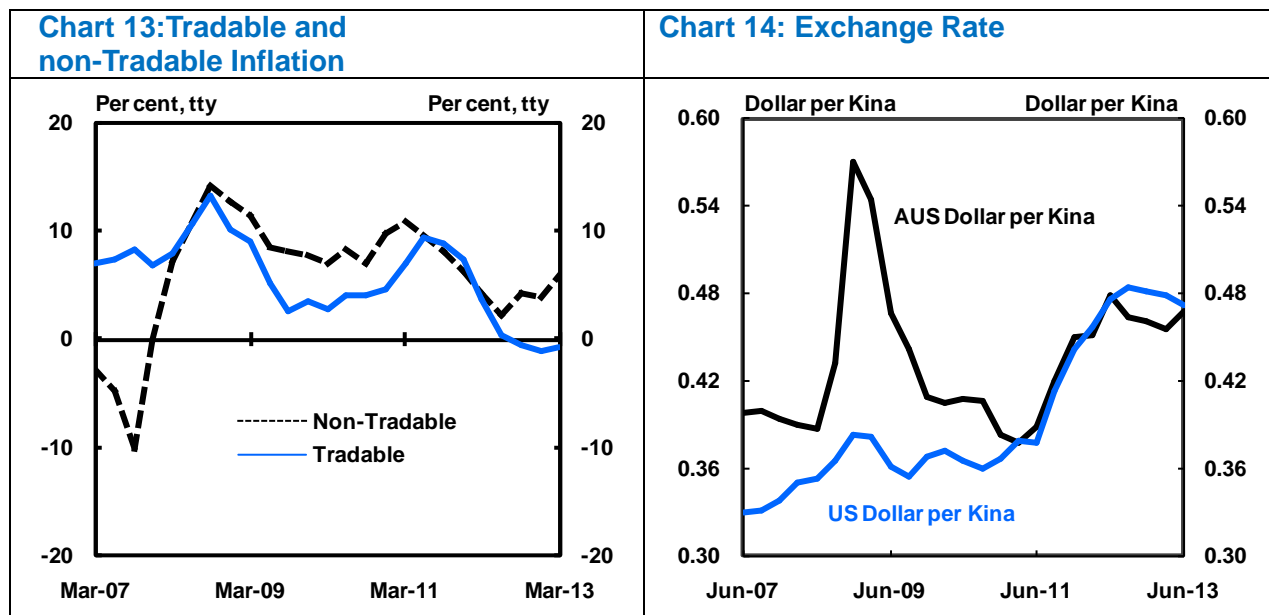
Source: National Statistical Office and Department of Treasury

Prices of imported (tradeable) goods continued to decline but at lesser rates. In the March quarter, prices of imported items declined slightly by 0.2 per cent to be 0.7 per cent lower through the year (Chart 13). The low import inflation realised in the March quarter was attributed to the pass through effect of the strong appreciation of the Kina exchange rate of the previous quarters.

Though imported inflation continued to remain in the negative territory, it is showing a slight pick-up reflecting that Kina is no longer appreciating (Chart 14). This implies the benefit of the past strong exchange rate is coming off and if this continues will contribute to a pick-up in imported inflation in the coming quarters.

On the other hand, prices of domestic (non-tradable) goods continued to rise in the March quarter 2013, up on average 3.1 per cent, from 2.2 per cent in the previous quarter, to be 5.9 per cent higher through the year. The rise in prices of domestic goods in the March quarter reflected mainly higher prices of alcohol drinks, cigarettes and tobacco and betelnut.

² Price control items are items subject to Government's regulation through taxes . For example consumer items such as, alcohol, tobacco, electricity etc.



Source: National Statistical Office

Source: Bank of Bank

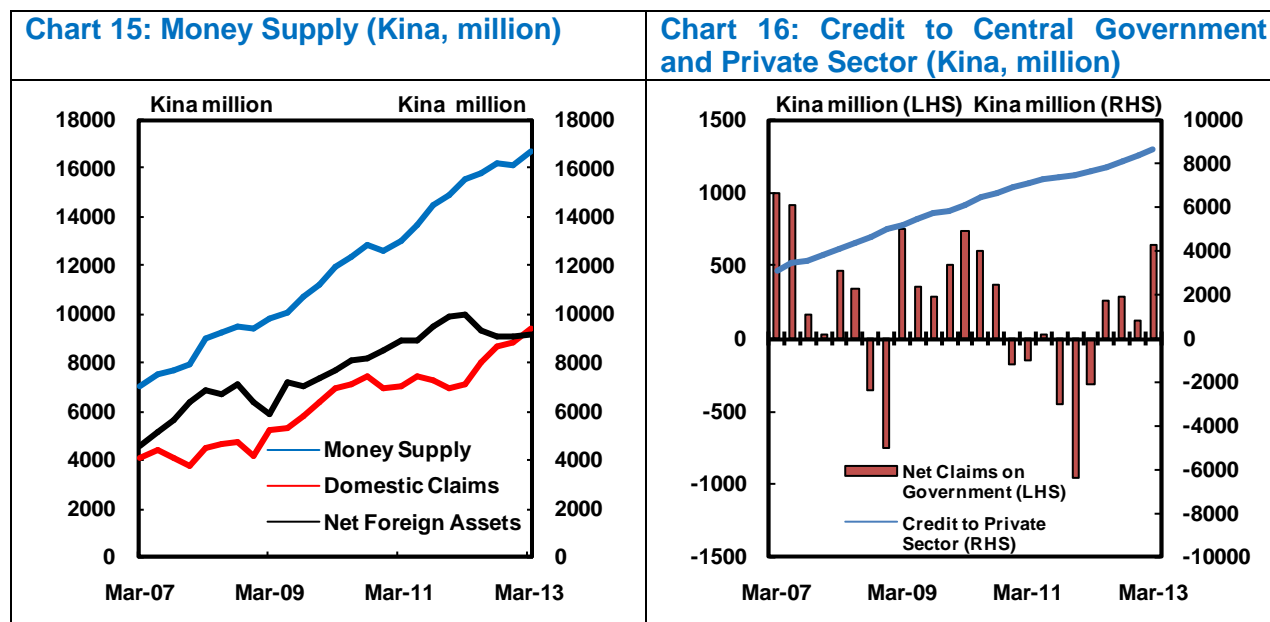
In 2014, inflation is expected to average around 6.5 per cent reflecting the effect of the on-going Government stimulus spending and an expected pick up in global inflation. Over the medium term, inflation is projected to ease to around 5.0 per cent from 2015 to 2018 on the assumptions of effective and coordinated monetary and fiscal policies.

Monetary Developments

In response to the low inflation outcome in 2012, the Bank of PNG further eased its monetary policy stance in the March quarter. Despite the build-up of liquidity in the banking system, the measure was undertaken to support economic activities in the domestic economy as PNG LNG construction slows. This is reflected in the interest rates, Kina Facility Rate being lowered to 6.25 per cent in the March quarter, down 0.5 percentage points from 6.75 per cent and is expected to support lending to the private sectors for economic activities.

The money supply rose on average by 7.4 per cent to K16,677.8 million in the March quarter 2013, up from K15,522.0 million in March quarter 2012 (Chart 15). This is primarily the substantial increase in total credit to the Central Government and credit to the Private Sector.

Net domestic credit to the Central Government rose on average to K640.0 million in the March quarter, while credit to the Private Sector rose by an average 12.8 per cent to K8,621.2 million in the March quarter from K7,643.4 million in the corresponding quarter of 2012 (Chart 16). The significant pick up in the net credit to the Central Government reflected front loading financing of the 2013 Budget through issuance of Treasury Bills and Inscribed Stock in the first quarter. The Government made a net issuance of K1,290.7 million in Treasury Bills and K290.0 million in Inscribed Stock to ensure that funding is available to finance the Government's priority expenditure and commitments outlined in the 2013 Budget.



Source: Bank of PNG

In 2013, broad money supply is expected to continue to grow, up by 12.8 per cent mainly driven by the continued increase in Net Domestic Assets (NDA) of the banking system, reflecting increases in net domestic credit to the Government and Private Sector credit. The monetary base is projected to increase by 15.4 per cent whilst Private Sector credit is projected to increase by 13.6 per cent.³

Balance of Payments

At the time of the 2013 Budget, the large current account deficit experienced in 2012 was expected to narrow in 2013. Spending on the PNG LNG construction phase was expected to slow down as the construction phase wound down while a rebound in production from major mines including the ramping up of production from Ramu Nico mine were expected to translate into higher mineral exports in 2013, thus a reduction in the current account deficit.

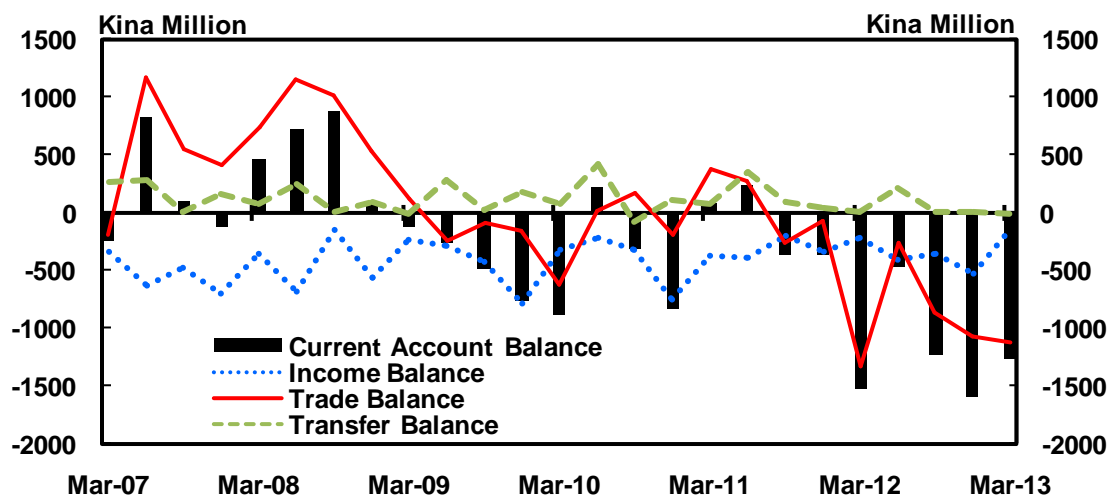
In the March quarter 2013, the current account showed a deficit of K1,265.0 million, compared to a deficit of K1,588.0 million in the previous quarter. This improvement was largely due to a narrowing of the income deficit to K135.0 million offsetting the modest widening of the trade and transfer deficits to K1,117.2 million and K12.5 million respectively (Chart 17). This is due largely to very low dividend payments during the quarter including lower payments for service and merchandise imports.

The trade balance deficit was K1,117.2 million in the March quarter 2013, compared to a deficit of K1,065.0 million in the previous quarter. This reflects the narrowing of the goods surplus during the quarter. The low surplus in the goods accounts was due to low commodity prices.

³ Source: Bank of PNG's 2013 March Monetary Policy Statement (MPS) March 2013 Quarterly Economic Bulletin Press Release

This more than offset the narrowing of the service deficit which was due to low service payments associated with the general decline in imports during the quarter.

Chart 17: Balance of Payment



Source: Bank of BPNG

The income deficit was K135.3 million in the 2013 March quarter. This is significantly lower than the deficit of K533 million recorded in the previous quarter, as the latter included large interest and dividend payments to foreign shareholders. The transfer balance recorded a deficit of K12.5 million in the 2013 March quarter, compared to a surplus of K10.0 million in the previous quarter. The outcome was due mainly to higher payments for superannuation, gifts and grants and tax payments which more than offset the lower income receipts.

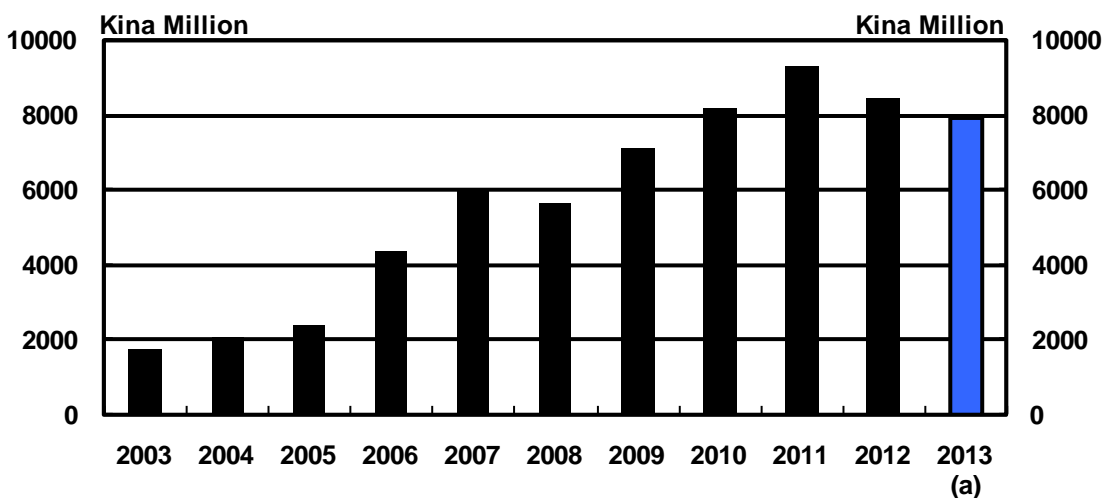
It is expected that in the coming quarters, the current account deficit will continue to narrow as imports are expected to be lower due to slowdown in the PNG LNG construction activities.

Over the medium-term, the current account deficit is expected to move in line with the developments of the PNG LNG project. 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 2014⁴.

International reserves were K8,415.9 million at end of December 2012 and fallen to K7,914 million at the end of March quarter 2013.

⁴This assumes the Bank of PNG improves coverage to include PNG LNG transactions over the course of the year.

Chart 18: International Reserves



Source: Bank of PNG
(a) Includes reserve levels up to March 2013

1.2 THE FISCAL OUTLOOK

The fiscal position for 2013 is expected to be a deficit of K2,700.8 million which is an increase of K151.7 million compared to the initial deficit of K2,549.1 million at the time of the 2013 Budget. This is attributable to higher than expected expenditure overrun in the Personnel Emoluments combined with lower expected revenue receipts.

Total Revenue and Grants is expected to be lower than earlier anticipated at the time of the 2013 Budget. This revenue shortfall is estimated at K72.8 million, whilst total Expenditure and Net Lending is expected to be higher by K78.9 million from the 2013 Budget.

The updated fiscal estimates for 2013 are set out in Table 2.

Table 2: Budget Balance 2012-2013 (Kina, million)

	2012 Actual	2013 Budget	2013 MYEFO	Budget Variation
Total Revenue and Grants	9,566.0	10,481.9	10,409.1	-72.8
Total Expenditure and Net Lending	10,046.9	13,031.0	13,109.9	78.9
Deficit (-) /Surplus (+)	-480.9	-2,549.1	-2,700.8	-151.7
<i>% of GDP</i>	-1.5	-7.2	-7.6	-0.4

Source: Department of Treasury

Major MTDP and Alotau Accord expenditure commitments in the 2013 Budget will continue to be delivered. This include Government priorities such as Tuition Fee Free Education, outstanding Memorandum of Agreements (MOA) commitments, key infrastructure such as roads and facilities for the 2015 Pacific Games; and the new K1.5 billion annual direct investments in Provinces, Districts and Local Level Governments.

The final expenditure outcome for 2013 will be at risk from new NEC expenditure decisions made outside of the 2013 Budget process and from cost blow outs for implementing the key infrastructure projects agreed in the 2013 Budget which did not have robust business plans and costings at the time of the decision.

For example, at the time of the MYEFO the priority Lae-Nadzab road (stage 1 of the Highlands Highway) is anticipated to have a contacted price 25 to 30 per cent above the Budget estimates. Other expenditure pressures include Agency salaries (particularly over expenditure in the Provinces), PNG LNG project landowner issues, other additional funding requests and NEC submissions with financial implications outside of budgetary allocations.

The deficit will be financed mainly through domestic issuance of Treasury Bills and Inscribed Stocks. This is in addition to the increase in public domestic debts estimated at the time of the 2013 Budget to fully finance the Government's equity shortfall in the PNG LNG project – K305 million.

The challenge for the Government is to maintain fiscal discipline throughout the second half of 2013. The performance of borrowing and all funding sources will continue to be monitored and necessary adjustments made as and when required. Also given the large expenditure envelope, transparency and accountability in expenditure reporting is an increasing priority for the Government.

1.3 TOTAL REVENUE AND GRANTS

Total Revenue and Grants for 2013 are estimated at K10,409.1 million, which is K72.8 million lower than the 2013 Budget estimate of K10,481.9 million. This primarily reflects a downward revision to Tax Revenue by K98.1 million, partially offset by stronger than expected Non-Tax Revenue of K25.3 million.

Table 3: Tax Revenue 2012-2013 (Kina, million)

	2012 Actual	2013 Budget	2013 MYEFO	Budget Variation
Tax on Income & Profits	5,875.1	6,215.5	6,152.7	-62.8
Domestic Taxes on Goods & Services	1,575.5	1,613.4	1,638.3	24.9
Taxes on International Trade	697.7	802.3	742.1	-60.2
Tax Revenue	8,148.3	8,631.2	8,533.1	-98.1

Source: Department of Treasury

Tax revenues in 2013 have been revised downwards by K98.1 million since the 2013 Budget to K8,533.1 million. This reflects lower than expected Tax on Income and Profits and Taxes on International Trade. Domestic Taxes on Goods and Services are expected to be K24.9 million higher than forecast at Budget (Table 3).

The downward revision to Tax on Income and Profits reflects lower than expected receipts from Mining and Petroleum Tax, although Personal Income Tax, Company Tax, Dividend Withholding Tax and Gaming Machine Tax continue to perform strongly. On the other hand, the expected fall in Mining and Petroleum Tax is attributed mainly to the declining commodity prices.

Table 4: Tax on Income and Profits 2012-2013 (Kina, million)

	2012 Actual	2013 Budget	2013 MYEFO	Budget Variation
Personal Income Tax	2,648.7	2,608.0	2,740.4	132.4
Company Tax	1,744.5	1,891.5	1,911.6	20.1
Dividend Withholding Tax	190.7	197.3	202.6	5.3
Mining and Petroleum Tax	981.1	1,207.5	967.6	-239.9
Interest Withholding Tax	67.4	45.1	52.0	6.9
Other Direct	108.8	119.5	117.9	-1.6
Gaming Tax	133.9	146.6	160.6	14.0
Tax on Income and Profits	5,875.1	6,215.5	6,152.7	-62.8

Source: Department of Treasury

- Personal Income Tax has been revised up by K132.4 million or 5.1 per cent higher than the 2013 Budget projection reflecting strong year to date collections. In the first half of 2013, Personal Income Tax collections totalled K1,355.2 million supported by higher than anticipated employment and wages growth generated by the Government's fiscal stimulus and PNG LNG project construction activities.
- Company Tax has been revised up by K20.1 million or 1.1 per cent higher than the 2013 Budget projection, reflecting stronger collections to date.
- The wind down in PNG LNG construction is expected to have a negative impact on the collections of both the Personal Income and Company Taxes. The slowdown is largely expected to occur in 2014 and 2015, but there remains a risk that collections will fall in the second half of 2013.

Over the medium term starting 2014, both Personal Income and Company Taxes are expected to increase significantly as the Government moves to improve tax compliance through increases resourcing of the Internal Revenue Commission (IRC) and Customs. Consistent with the 2013 Budget assumptions, this means once tax compliance issues are addressed, the Government will collect an estimated K200 million extra in 2014 and the outer years. IRC and Customs are expected to take the lead in ensuring compliance issues are addressed adequately in order to provide more revenues to Waigani Public Accounts (WPA).

- Dividend Withholding Tax (DWT) has been revised up by K5.3 million or 2.7 per cent higher than the 2013 Budget projection. Dividend Withholding Tax was low for the first three months in 2013, but picked up in April and May due to a large one-off dividend payment. In the first half of 2013, DWT collections totalled K113.0 million.

- Mining and Petroleum Tax (MPT) is estimated to be K239.9 million or 20.0 per cent lower than the 2013 Budget projection reflecting lower commodity prices over the last few months and higher costs incurred by key mining companies operating in the country. Although commodity prices may continue to fall driving down MPT, the effect will be offset to some extent if the exchange rate continues to depreciate in the second half of the year.
- Gaming Machine Tax was stronger than expected over the first half of 2013, higher by K14.0 million or 9.5 per cent higher than projected at 2013 Budget, reflecting the strong wages and employment growth underpinned by strong domestic economic activities. Interest Withholding Tax is K6.9 million or 15.3 per cent higher than the 2013 Budget projection whilst Other Direct Taxes were lower by K1.6 million or 1.3 per cent from the 2013 Budget projection.

Domestic Taxes on Goods and Services is revised slightly upwards from the Budget projection despite the year to date collections in tax heads such as Domestic Excise not performing as expected.

Table 5: Domestic Taxes on Goods and Services (Kina, million)

	2012 Actual	2013 Budget	2013 MYEFO	Budget Variation
Excise	560.5	651.0	571.7	-79.3
Goods and Service Tax	1,010.0	954.4	1,058.6	104.2
Other Indirect	5.0	8.0	8.0	0.0
Domestic Taxes on Goods and Services	1,575.5	1,613.4	1,638.3	24.9

Source: Department of Treasury

- Domestic Excise has been revised down by K79.3 million or 12.2 per cent from the Budget projection. In the first half of the year, total Domestic Excise collected stood at K237.2 million. This downwards revision is despite increases to motor vehicle and cigarette excises. There is some evidence that the increase in excise rates has dampened demand for some vehicles. However, collections of this revenue head remain poor.
- GST transferred to Waigani Public Account is estimated to be higher by K104.2 million or 10.9 per cent from the Budget projection, despite weaker collections in the first half of the year. This is due to a halving in the value of refunds processed by IRC, partly due to a reduction in the value of imported goods by the PNG LNG project.

Taxes on International Trade have been revised slightly downwards from the Budget projection as year to date collections in tax heads such as Import Duty and Excise on Imports are not performing as strongly as expected. Only Export Duty showed an increase mainly attributed to the increase in log production.

Table 6: Taxes on International Trade (Kina, million)

	2012 Actual	2013 Budget	2013 MYEFO	Budget Variation
Import Duty	223.0	251.3	240.3	-11.0
Export Duty	179.9	195.3	195.3	0.0
Excise Duty on Imports	294.8	355.7	306.5	-49.2
Taxes on International Trade	697.7	802.3	742.1	-60.2

Source: Department of Treasury

- Import Duty is estimated to be down by K11.0 million or 4.4 per cent from the Budget projection. In the first half of the year, total Import Duty collected was around K110.2 million.
- Export Duty is maintained as at Budget projection. In the first half of the year, total export duty collected stood at K103.6 million.
- Excise Duty on Imports is also down by K49.2 million or 13.8 per cent from the Budget projection. In the first half of the year, total Excise Duty on Imports collected was K148.3 million.

Table7: Non-Tax Revenue 2012-2013 (Kina, million)

	2012 Actual	2013 Budget	2013 MYEFO	Budget Variation
Property Income	172.3	224.8	264.8	40.0
<i>Non-Mining Dividends</i>	50.0	82.0	132.0	50.0
<i>Mining & Petroleum Dividends</i>	122.3	142.8	132.8	-10.0
Interest & Fees from Lending	0.1	4.0	4.0	0.0
Other Non-Tax Revenue	106.4	144.7	230.0	85.3
Injections from Trust Accounts	144.4	36.0	36.0	0.0
Asset Sales	0.0	100.0	0.0	-100
Non Tax Revenue	423.2	509.5	534.8	25.3

Source: Department of Treasury

Non-Tax Revenue collections have been revised up by K25.3 million from the 2013 Budget projection, due largely to higher Other Non-Tax revenue. The upward revision to Non-Tax Revenue partly offsets the downward revisions to Tax Revenue.

Other Non-Tax Revenue collections to date are around K172.0 million due to a one-off collection of recoveries from prior years of around K110.0 million. It is anticipated that total collections will reach K230.0 million by end 2013.

Total Mining and Non-mining Dividends are expected to be K264.8 million up from K224.8 million at the time of the Budget. The increase was driven mainly by high year to date collection from non-mining dividends.

The Government remains committed to selling off non-essential assets to help fund priority development expenditures. This will require planning to determine which assets should be disposed of and then appropriate tendering and other sale arrangements to be put in place. It is

now unlikely that these processes will be completed by 31 December, so there is no longer an assumption that there will be any revenue from asset sales in 2013.

1.4 EXPENDITURE AND NET LENDING

The Budget 2013 Total Expenditure and Net Lending is estimated to be K13,031.0 million. In the first half of 2013, Total Expenditure and Net Lending amounted to K4,810.9 million which is 36.9 per cent of the anticipated total Budget for 2013 (Table 8).

Table 8: Total Expenditure and Net Lending 2012-2013 (Kina, million)

	2012 Actual	2013 Budget	2013 Revised	June Outturn	2013 MYEFO
Total Recurrent Expenditure	6,200.1	7,235.2	7,131.2	3,074.8	7,210.1
Total Development Expenditure	3,846.8	5,795.8	5,899.8	1,736.1	5,899.8
Total Expenditure & Net Lending	10,046.9	13,031.0	13,031.0	4,810.9	13,109.9

Source: Department of Treasury

The MYEFO estimate for 2013 shows a potential overspend of K78.9 million, all of which is accounted for by overspending by Provincial Governments on Personnel Emoluments. A substantial driver of this anticipated overspend is the Southern Highlands Province who is expected to spend K28.0 million above their appropriation.

The 2013 Revised Total Budget expenditure is unchanged from the 2013 Budget, though it does incorporate a K104.0 million transfer from the Recurrent to the Development and Capital Investment Budget. The low total year to date expenditure figure represents significant underspends in the Development Budget, which has only expended around a quarter of its allocation for the year. Many projects though, may reasonably be expected to have a rising expenditure profile through the year as they move from the design to the construction phase.

The MYEFO year end estimated total expenditure is calculated by assuming that expenditure on Goods and Services as well as certain Superannuation and Retrenchment benefits will be equal to that which is planned in the Revised Budget, but that expenditure on Personnel Emoluments is equal to double the amount expended to end June.

Total warrant authorisation is currently K6,692.0 million, or around half of the total Revised Budget planned expenditure. Of the warrant released, around two thirds have been spent to date. The variance between warrants released and expenditure largely represents delays in spending related to the Department of Works and Implementation (K281.0 million yet to be spent out of warrants already issued) and the Department of Education (K448.0 million yet to be spent out of warrants already issued).

Total Development expenditure was set at K5,795.8 million at the time of the Budget. This was revised up to K5,899.8 million with K104.0 million transferred from Recurrent expenditures out of the Miscellaneous Vote to fund LNG Additional Ministerial Commitments, Emergency Funds for Roads and Bridges, District Support Improvement Programme (DSIP) Monitoring, funding

for staff housing in University of Goroka (UoG), Jacksons Airport Landowner Business Development Grant Fund and the Local Business Guarantee Scheme. For the end of the year, development expenditures is expected to remain the same as the Revised Budget.

Table 9: Development Expenditure 2012-2013 (Kina, million)

	2012 Actual	2013 Budget	2013 Revised	June Outturn	2013 MYEFO
Domestic Funding	2,374.4	3,810.8	3,914.8	1,361.7	3,914.8
Donor Project Grants	1,091.4	1,211.2	1,211.2	213.4	1,211.2
Infrastructure Tax Credits	63.8	130.0	130.0	19.5	130.0
Loans	317.2	643.8	643.8	141.5	643.8
Concessional	317.2	643.8	643.8	141.5	643.8
Commercial	0.0	0.0	0.0	0.0	0.0
Total Development Expenditure	3,846.8	5,795.8	5,899.8	1,736.1	5,899.8

Source: Department of Treasury

In the first six months of 2013, total expenditure across the Development and Capital Investment Budget (GoPNG component plus Concessional Loan drawdowns) was K1,503.2 million or 25.5 per cent of the revised appropriation for the total Development and Capital Investment Budget, although this does not include Project Grant support actuals to date.

Infrastructure Tax Credit (ITC) was set at K130.0 million and remained unchanged in the Revised Budget. In the first half of the year, the re-development of Marea Haus by Oil Search Ltd was approved by NEC for K103.0 million under the National Infrastructure Tax Credit Scheme. Project Grants remained at K1,211.2 million unchanged from the Budget. In the first half of the year, K141.5 million of Concessional Loan disbursements was drawn down.

1.5 STATUS OF TRUST ACCOUNTS

A total of K8.2 billion, up to and including the 2013 Budget, has been appropriated to Budget Funded 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 trusts is to give time to agencies to properly plan and implement projects.

Table 10 shows the movements of funds in these trust accounts for the period 1 January – 30 June 2013.

Table 10: Movement of Funds in Budget Funded Trust Accounts from 1 January – 30 June 2013 (Kina, million)

Description	Balance as at 1 Jan 13	Debit (Receipt)	Credit (Payment)	Balance as at 30 June 2013
Education Sector Infrastructure Rehabilitation	1.1	0.0	0.0	1.1
Higher Education Sector Infrastructure Rehabilitation	7.4	0.0	6.3	1.1
National Parliament Infrastructure Rehabilitation	0.0	0.0	0.0	0.0
Transport Sector Infrastructure Rehabilitation	8.0	0.0	0.0	8.0
Resettlement of Rabaul Volcano Victims	3.2	0.0	2.5	0.7
Hospital and Healthcare Centre Rehabilitation	0.0	0.0	0.0	0.0
Rehabilitation of Housing for Nurses	1.3	0.0	1.1	0.2
Rehabilitation of Housing for Police	25.2	0.0	3.1	22.1
District Services Improvement Program	191.8	0.0	69.2	122.6
Institutional Housing Pilot	0.0	0.0	0.0	0.0
Urbanisation Pilot	7.3	0.0	0.9	6.4
Housing Development Pilot	0.0	0.0	0.0	0.0
Rural Electrification	0.6	0.0	0.0	0.6
Konebada Petroleum Park	0.0	1.7	0.0	1.7
National Infrastructure Development	0.0	0.0	0.0	0.0
Regional, Provincial Treasury and District Admin. Offices	0.2	0.0	0.0	0.2
LNG Project Development Cost	1.5	0.0	1.2	0.3
Infrastructure Development Grants	2.4	0.0	0.0	2.4
Coastal Vessels	0.1	0.0	0.0	0.1
Outstanding MOA Liabilities	0.0	0.0	0.0	0.0
Highlands Highway Rehabilitation	7.2	0.0	7.2	0.0
Lae City Roads Rehabilitation	0.0	0.0	0.0	0.0
Rural District Roads Support	2.1	0.0	0.0	2.1
PNG LNG High Impact Infrastructure	51.7	0.0	50.0	1.7
Variarata National Park Rehabilitation	0.0	0.0	0.0	0.0
District Offices Rehabilitation	0.4	0.0	0.0	0.4
Mining Legal Costs	0.3	0.0	0.1	0.2
2010 National Census	0.0	0.0	0.0	0.0
Provincial Government Members entitlement	0.0	0.0	0.0	0.0
National High School Renovation and Upgrading	0.0	0.0	0.0	0.0
Port Moresby Roads	2.9	0.0	0.0	2.9
Tuition Fee Free Education	34.1	0.0	29.4	4.7
Port Moresby General Hospital Infrastructure and Improvement	3.3	0.0	0.0	3.3
Defence Barracks Maintenance and Improvement	0.0	0.0	0.0	0.0
Restoration and Development Grant (ABG)	94.8	0.0	17.7	77.1
PNG LNG Additional Equity	192.7	200.0	0.0	392.7
2015 Pacific Games	146.3	0.0	14.7	131.6
Trade Skills Scholarships	4.2	8.2	0.0	12.4
Central Malalaua Highway	9.0	0.0	0.0	9.0
Trans East-West New Britain Highway	2.0	0.0	1.6	0.4
Kokopau to Arawa Road Upgrading	8.7	0.0	3.0	5.7
TOTAL	809.7	209.9	73.3	946.3

Source: Department of Finance

Note the opening balance for the Urbanization Pilots and Rural District Road Trust Accounts have been adjusted to reflect all their subsidiary accounts. These were omitted when reporting 2013 Final Budget Outcome (FBO)

The opening balance of the Budget Funded Trust Accounts as at 1 January 2013 was K809.7 million. A total of K209.9 million outstanding deposits as at 1 January 2013 was deposited in the period 1 January to 30 June 2013. Expenditure incurred in this period totaled K73.3 million, and the closing balance at 30 June 2013 was K946.3 million.

As at the reporting date, only K90.0 million of the K450 million appropriated in the 2013 Budget has been released by Department of Treasury. Included in this amount is K90 million

earmarked for 2015 Pacific Games, a fund that was paid directly to the Prime Minister and National Executive Council (NEC) and not via the Trust Accounts system. The remaining funds will be released as required or as funds become available.

The remaining funds will be released into the following Trust Accounts once funds are required and become available.

- 2015 South Pacific Games - (K90 million)
- Infrastructure Development Grant (UBSA) – (K120 million)
- High Impact Projects (UBSA) – (K50 million)
- Restoration and Development Grant – (K100 million)

Following is a summary of expenditure above K5.0 million from Budget Funded Trust Accounts for the period 1 January – 30 June 2013:

- **K69.2 million was spent from the District Service Improvement Program Trust Account** for implementing the District Services Improvement Program around the 89 districts during this period.
- **K7.2 million was spent from the Highlands Highway Rehabilitation Trust Account** during this period in relation to rehabilitation of the Highlands Highway.
- **K50.0 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.
- **K29.4 million was spent from the Tuition Fee Free Education Trust Account** during this period in relation to providing free education to all primary schools and subsidizing all secondary schools.
- **K17.7 million was spent from the 2015 Pacific Games Trust Account** during this period in relation to the payment of contractors of the 2015 Pacific Games infrastructure and consultants and the Games Authority.
- **K14.7 million was spent from the 2015 Pacific Games Trust Account** during this period in relation to the payment of contractors of the 2015 Pacific Games infrastructure and consultants and the Games Authority.

District Services Improvement Program (DSIP) Trust Accounts

DSIP Trust Accounts are designed to fund priority expenditure programs in the districts. A total of K1,602.0 million has been paid into the DSIP Trust Account over the period 2006 up to and including 30 June 2013.

Table 11 shows expenditure from the subsidiary DSIP Trust Accounts for the 89 districts. As at 30 June 2013 the combined balance of the subsidiary DSIP Trust Accounts is K122.6 million.

Table 11: Movements of funds in District Service Improvement Program (DSIP) Trust 1 January 2013-30 June 2013(Kina, million)

District	Total Fund Paid into Trust	Balance as at 1 Jan 13	DSIP Debits (Receipts)	Non DSIP (Deposits)	Credits (Payments)	Balance as at 30 June 13
Abau	18,000,000.0	7,413.4			78.0	7,335.5
Goilala **	18,000,000.0	2,985.5		0.0	60.0	2,925.5
Kairuku Hiri	18,000,000.0	36,473.2			1,570.0	34,903.2
Rigo	18,000,000.0	1,642.1			70.0	1,572.1
Gazelle **	18,000,000.0	2,084,072.5		0.0	889,631.0	1,194,441.7
Kokopo **	18,000,000.0	1,986,245.7		0.0	1,537,152.0	449,093.4
Pomio **	18,000,000.0	6,144,000.4		0.0	210,575.0	5,933,425.2
Rabaul **	18,000,000.0	2,712,621.4		0.0	876,400.0	1,836,221.1
Ambunti-Drekikir	18,000,000.0	169,650.2			65,087.0	104,563.2
Angoram **	18,000,000.0	3,055,222.4		0.0	651,702.0	2,403,520.9
Maprik **	18,000,000.0	5,895,508.0		0.0	1,382,696.0	4,512,812.1
Wewak	18,000,000.0	506,781.0			-1,467,840.0	1,974,621.4
Wosera-Gawi **	18,000,000.0	6,467,911.4		0.0	3,884,935.0	2,582,976.0
Yangogoru-Saussia	18,000,000.0	94,904.1			94,919.0	-15.0
Daulo **	18,000,000.0	3,143,306.6		0.0	2,368,637.0	774,669.8
Goroka **	18,000,000.0	11,275,758.1		0.0	11,061,877.0	213,880.8
Henganofi	18,000,000.0	5,185.0			75.0	5,110.0
Kainantu	18,000,000.0	760,950.0			-836,380.0	1,597,329.9
Lufa	18,000,000.0	3,918,419.2			3,886,694.0	31,724.9
Obura-Wanenara	18,000,000.0	986,536.2			252,622.0	733,914.1
Okapa	18,000,000.0	1,300,447.7			1,156,256.0	144,192.0
Unggai-Bena	18,000,000.0	429,950.8			77.0	429,874.1
Kandep *	20,000,000.0	13,792.3			332.0	13,460.3
Kompam-Ambun	18,000,000.0	168,789.7			70,554.0	98,235.6
Lagaip-Porgera **	18,000,000.0	131,418.4		0.0	115,150.0	16,268.3
Wabag	18,000,000.0	674,893.1			646,381.0	28,512.4
Wapenamanda	18,000,000.0	625,310.8			78.0	625,232.8
Kerema	18,000,000.0	1,521,101.0			8,252.0	1,512,849.0
Kikori **	18,000,000.0	20,796.9		0.0	16,595.0	4,202.0
Bogia	18,000,000.0	3,106,319.3			412,003.0	2,694,316.2
Madang **	18,000,000.0	1,979,223.0		0.0	1,297,532.0	681,691.0
Middle Ramu	18,000,000.0	1,012,340.2			585,289.0	427,051.0
Raikos **	18,000,000.0	729,860.6		0.0	612,244.0	117,616.4
Sumkar	18,000,000.0	718.9		1,568,217.0	0.0	1,568,935.6
Usino-Bundi	18,000,000.0	2,131,357.0			1,693,894.0	437,463.3
Manus * & **	19,000,000.0	4,999,396.8		0.0	-970.0	5,000,366.7
Alotau / Rabaraba	18,000,000.0	845,539.3			431,485.0	414,054.4
Esa'ala **	18,000,000.0	6,708,165.5		0.0	5,880,978.0	827,187.3
Kiriwina **	18,000,000.0	2,440,045.2		677,456.0	0.0	3,117,500.9
Samarai Murua	18,000,000.0	298,639.7			256,882.0	41,757.9
Bulolo **	18,000,000.0	22,043.6		0.0	130.0	21,913.6
Finschaffon **	18,000,000.0	5,063,445.8		0.0	1,521,901.0	3,541,544.7
Huon Gulf **	18,000,000.0	4,518,669.5		0.0	2,525,840.0	1,992,829.5
Kabwum	18,000,000.0	1,718,018.7			1,393,954.0	324,064.5
Lae **	18,000,000.0	5,086,306.6		0.0	4,087,136.0	999,170.5
Markham **	18,000,000.0	8,478,883.2		0.0	3,825,386.0	4,653,497.6
Menyamya	18,000,000.0	976,725.9			253,524.0	723,201.6
Nawaeb **	18,000,000.0	215,554.4		0.0	78,785.0	136,769.3
Tewa-Siasi **	18,000,000.0	2,906,788.9		0.0	315,723.0	2,591,066.1
Moresby North East	18,000,000.0	121,301.9			60.0	121,241.9
Moresby North West	18,000,000.0	2,482,006.1			1,813,632.0	668,373.9
Moresby South **	18,000,000.0	1,987,587.2		0.0	1,581,506.0	406,081.0

Kavieng	18,000,000.0	463,392.1		265,234.0	0.0	728,625.6
Namatanai	18,000,000.0	4,874,943.1			964,813.0	3,910,130.2
Central Bougainville **	18,000,000.0	6,971,922.5		0.0	1,825,537.0	5,146,385.6
North Bougainville	18,000,000.0	1,560,459.8			982,231.0	578,228.7
South Bougainville **	18,000,000.0	471,854.1		0.0	94,124.0	377,730.2
Ijivitari	18,000,000.0	74,703.4			71,871.0	2,832.3
Sohe	18,000,000.0	12,662.7		1,685,221.0	0.0	1,697,883.7
Aitape-Lumi **	18,000,000.0	29,696.6		1,999,538.0	0.0	2,029,235.1
Nuku	18,000,000.0	1,397,832.1			1,141,072.0	256,760.1
Telefomin *	20,000,000.0	488.9			278.0	211.3
Vanimo-Green **	18,000,000.0	3,932,534.7		0.0	94,858.0	3,837,676.9
Chuave	18,000,000.0	429,803.1			373,565.0	56,238.5
Gumine	18,000,000.0	665,234.9			-81.0	665,316.2
Karamui-Nomane	18,000,000.0	1,344,991.6		1,599,759.0	0.0	2,944,750.3
Kerowagi **	18,000,000.0	202,050.4		0.0	200,532.0	1,518.4
Kundiawa-Gembogl **	18,000,000.0	994,259.8		63,548.0	0.0	1,057,807.5
Sinasina-Yongumugl	18,000,000.0	4,364,431.0			302,715.0	4,061,716.2
Ialibu-Pangia **	18,000,000.0	3,721,636.7		0.0	263,825.0	3,457,811.8
Imbongu *	20,000,000.0	132,145.2		81,023.0	0.0	213,167.7
Kagua-Erave	18,000,000.0	74,845.4			115.0	74,730.4
Komo-Magarima	18,000,000.0	4,721.8			4,665.0	56.8
Koroba-L/Kopiago	18,000,000.0	3,724,410.0			3,695,625.0	28,785.0
Mendi *	19,000,000.0	1,757,537.8			1,756,692.0	846.1
Nipa-Kutubu	18,000,000.0	8,881.4			140.0	8,741.4
Tari-Pori	18,000,000.0	1,133,724.9			133,774.0	999,950.8
Kandrian	18,000,000.0	272,125.5			97,470.0	174,655.4
Talasea *	19,000,000.0	2,365,487.5		975,512.0	0.0	3,340,999.6
Middle Fly	18,000,000.0	13,171,410.4			2,955,436.0	10,215,974.7
North Fly	18,000,000.0	90,540.9		894,393.0	0.0	984,933.4
South Fly **	18,000,000.0	6,586,539.8		0.0	89,340.0	6,497,199.8
Dei **	18,000,000.0	7,821,889.6		0.0	4,582,208.0	3,239,681.2
Hagen **	18,000,000.0	4,632,869.3		0.0	219,221.0	4,413,648.5
Jiml **	18,000,000.0	12,301.9		0.0	6,695.0	5,606.9
Mul/Bayer	18,000,000.0	3,584,849.2			2,414,040.0	1,170,809.7
North Waghi	18,000,000.0	60,296.0			90.0	60,206.0
South Waghi **	18,000,000.0	1,927,370.7		0.0	317,280.0	1,610,090.7
Tambul-Nebiler	18,000,000.0	1,706.8			60.0	1,646.8
TOTAL	1,611,000,000.0	190,847,576.0	0.0	9,809,899.0	78,029,339.0	122,628,136.0

Source: Department of Finance

* K9 million was overpaid to 6 districts and is yet to be recovered from their 2013 appropriation.

** Some districts have deposited non DSIP funds into their DSIP account in 2012 and again in 2013. This is in breach of the PFMA.

The DSIP Trust accounts will all be closed by this month and all remaining funds will be transferred back to the DSIP Main Account at BPNG as reserve for any outstanding project payments from districts that have sufficient funding at the close of these accounts and will later be refunded to the Consolidated Revenue

1.6 FINANCING

The 2013 Budget financing task comprised a deficit budget of K2,549.1 million and the raising of the State's additional equity contribution for PNG LNG of K305.0 million. This equates to a total financing requirement of K2,854.1 million.

The updated estimated budget deficit is expected to be K2,700.8 million in 2013 requiring additional issuance to fund the State's cash needs.

1.7 PUBLIC DEBT

Total public debt outstanding is projected to increase to K11,491.6 million (32.7 per cent of GDP) at the end of 2013 compared to the original budget estimate of K11,368.2 million.

The current legislated debt limit is 35.0 per cent of GDP. The updated MYEFO estimates exceed this debt limit in 2014. The 2014 National Budget will consider the debt limit in its formation.

The additional financing task from 2012 and 2013 has resulted in a build-up of Treasury Bills (short-term debt) in the portfolio. Over the forward years the Government will seek to restructure its debt portfolio to reduce interest rate risk and refinancing risk (the risk of not being able to roll over this debt) by increasing Inscribed Stock issuance whilst decreasing Treasury Bill stock on hand.

The Medium Term Debt Strategy contains a target mix of concessional foreign currency debt of 40.0 per cent of total debt to benefit from the attractive financing terms offered whilst limiting exchange rate risk on public debt. The target mix of external debt does not consider the use of commercial external debt. In future years, external commercial debt may comprise part of the financing task and consideration of appropriate targets will be considered as part of the 2014 National Budget.

Table 12: Public Debt (Kina, million)

	2012 Actual	2013 Budget	2013 MYEFO
Domestic	6,118.3	8,281.8	8,643.3
Treasury Bills	2,715.6	2,832.1	3,998.6
Inscribed Stock	3,366.6	4,044.7	4,644.7
Other Domestic Debt	0.0	1,405.0	0.0
<i>Domestic debt as % GDP</i>	<i>18.7</i>	<i>23.3</i>	<i>24.6</i>
External	2,367.4	3,086.4	2,848.3
International Agencies	2,337.5	3,070.3	2,831.9
Commercial Loans	29.9	16.1	16.4
<i>External debt as % GDP</i>	<i>7.9</i>	<i>8.7</i>	<i>8.1</i>
Total Public Debt Outstanding	8,485.6	11,368.2	11,491.6
<i>As % GDP</i>	<i>26.1</i>	<i>32.0</i>	<i>32.7</i>

Source: Department of Treasury and BPNG

1.8 RISKS TO THE MID YEAR ECONOMIC AND FISCAL OUTLOOK

Risks to the PNG economy remain modest. Internal drivers are the main drivers of economic growth and currently they are generally positive and stable. External factors cannot be ignored particularly further movements in commodity prices and the possible impact of further exchange rate movements.

Overall, since the 2013 Budget, there has been an improvement in private sector domestic conditions and a worsening in global conditions. The significant change in fiscal policy as part of the 2013 Budget will require close monitoring. Key risks to the 2013 Mid-Year Economic and Fiscal Outlook (MYEFO) include:

- i) The continued depressed global economic conditions which has increased the downside risks to commodity prices
- ii) Disruptions to the PNG LNG construction progress and other major mines
- iii) Inflation moving higher in response to possible further depreciations of the Kina
- iv) Risks in being able to fully finance the deficit from domestic funds (considered a low risk in 2013 but higher in the outer years)
- v) Loss of fiscal discipline including the possible emergence of off-budget expenditure pressures in the next six months for various asset purchases,
- vi) Capacity constraints preventing full implementation of the 2013 Budget and the risk of any possible under-expenditures being redirected towards less effective expenditures

The PNG economy continues to grow strongly with the PNG LNG construction phase and the Government's fiscal stimulus dominating as the main drivers of domestic activity. The 2013 Budget demonstrates the Government's commitment to growing the economy and the future of PNG. It has also presented new challenges to the economic landscape and this needs to be carefully managed to ensure macro-stability is maintained. The record size of the deficits which stem from the increased allocation especially in the key enablers of education, healthcare and infrastructure needs to be planned and carefully implemented to avoid wastage. This remains a huge challenge that agencies, line departments and the whole of government system faces and will have to work through during the implementation of the 2013 Budget.

The anticipated fiscal stimulus of the 2013 Budget has been factored into the growth projections for 2013. Early assessment of the implementation of the Development and Capital Investment Budget shows a trend of low expenditures and some projects are facing delays (more details are shown in Attachment N for High Impact projects). Should this continue, there is a potential that the growth estimated in this MYEFO could be revised down when new estimates are released in the 2014 Budget Papers. There are good development arguments for supporting effective project planning, tendering and contract award processes to ensure that funds are used effectively. As part of the 2014 Budget Strategy, the Government will consider shifting the funds from such timing delays from 2013 to 2014 and future years. This would be consistent with good project management. The higher growth forecast in 2013 also means the need for an economic stimulus has lessened for 2013. However, early indications suggest that a stronger stimulus than currently projected could be appropriate for 2014 as the PNG LNG project really begins to wind out of its construction phase.

The forward estimates of revenue and expenditure in this report incorporate assumptions and judgments based on information available at the time of the publication. Due to the unpredictable nature of economic events, some degree of uncertainty is attached to the estimates of both revenue and expenditure for 2013.

1.9 2013 AND BEYOND

The revised economic and fiscal forecasts for 2013 and the commodity price assumptions that underlie them will impact on 2014 and beyond. Outcomes of the second round of economic parameter updates and fiscal projections for 2013 to 2018 will be incorporated into the 2014 Budget Strategy Paper (BSP) which is due for release by 19 August 2013. The third round of economic parameter updates and fiscal projections will be incorporated into the 2014 Budget.

TABLE 1: CENTRAL GOVERNMENT REVENUE (KINA MILLION)

	2012 Actual	2013 Budget	2013 Revised	June Outturn	% of Budget	2013 MYEFO
A. TAX REVENUE	8,148.3	8,631.2	8,631.2	3,686.1	43.0%	8,533.1
A1. TAX ON INCOME AND PROFITS	5,875.1	6,215.5	6,215.5	2,574.3	42.0%	6,152.7
Personal Income Tax	2,648.7	2,608.0	2,608.0	1,355.2	52.0%	2,740.4
Company Tax	1,744.5	1,891.5	1,891.5	700.6	37.0%	1,911.6
Dividend Withholding Tax	190.7	197.3	197.3	113.0	57.0%	202.6
Interest Withholding Tax	67.4	45.1	45.1	20.9	46.0%	52.0
Mining and Petroleum Taxes	981.1	1,207.5	1,207.5	275.4	23.0%	967.6
Gaming Tax	133.9	146.6	146.6	80.9	58.0%	160.6
Other: Direct	108.8	119.5	119.5	49.2	41.0%	117.9
A2. DOM. TAXES ON GOODS & SERVICES	1,575.5	1,613.4	1,613.4	749.9	46.0%	1,638.3
Excise	560.5	651.0	651.0	237.2	36.0%	571.7
GST	1,010.0	954.4	954.4	507.7	53.0%	1,058.6
Other: Indirect	5.0	8.0	8.0	5.0	62.0%	8.0
A3. TAXES ON INTERNATIONAL TRADE	697.7	802.3	802.3	362.0	45.0%	742.1
Import Duty	223.0	251.3	251.3	110.2	43.0%	240.3
Export Duty	179.9	195.3	195.3	103.6	52.0%	195.3
Excise duties on Imports	294.8	355.7	355.7	148.3	42.0%	306.5
B. NON-TAX REVENUE	423.2	509.5	509.5	212.0	42.0%	534.8
B1. PROPERTY INCOME	172.3	224.8	224.8	58.8	26.0%	264.8
Dividends	50.0	82.0	82.0	55.0	67.0%	132.0
Mining and Petroleum Dividends	122.3	142.8	142.8	3.8	3.0%	132.8
B2. INTEREST AND FEES FROM LENDING	0.1	4.0	4.0	0.0	0.0%	4.0
B3. OTHER NON TAX REVENUE	106.4	144.7	144.7	153.1	106.0%	230.0
B4. ASSETS SALES	0.0	100.0	100.0	0.0	0.0%	0.0
B5. Injections from Trust	144.4	36.0	36.0	0.0	0.0%	36.0
C. TOTAL REVENUE	8,571.5	9,140.7	9,140.7	3,898.1	43.0%	9,067.9
% of GDP	26.7%	25.7%	25.7%	11.1%	43.0%	25.8%
D. INFRASTRUCTURE TAX CREDIT	63.8	130.0	130.0	19.5	15.0%	130.0
E. GRANTS	930.8	1,211.2	1,211.2	213.4	18.0%	1,211.2
Budgetary Support	0.0	0.0	0.0	0.0		0.0
Project Grants	930.8	1,211.2	1,211.2	213.4	18.0%	1,211.2
F. TOTAL REVENUE AND GRANTS	9,566.1	10,481.9	10,481.9	4,131.0	40.0%	10,409.1
As % of GDP	29.6%	29.5%	29.5%	11.8%	40.0%	29.6%
G. PRINCIPAL RECEIPTS FROM LENDING	4.0	4.0	4.0	0.8	20.0%	4.0
H. GROSS BORROWING	4,458.6	6,377.3	6,377.3	4,383.9	70.0%	7,662.5
I. TOTAL RECEIPTS	14,028.7	16,863.2	16,863.2	8,515.7	50.5%	18,075.6
As % of GDP	43.7%	47.4%	47.4%	24.2%		51.4%

Source: Department of Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE AND NET LENDING (KINA MILLION)

	2012 Actual	2013 Budget	2013 Revised	June Outturn	% of Budget	2013 MYEFO
SERVICE DELIVERY FUNDING	6,199.9	7,235.2	7,131.2	3,074.8	50.0%	7,210.1
NATIONAL DEPARTMENTS	3,952.4	4,682.0	4,557.1	1,890.5	50.0%	4,557.8
Personnel Emoluments	1,395.0	1,667.0	1,656.0	702.4	40.0%	1,656.7
Goods & Services	2,557.4	3,015.0	2,901.1	1,188.1	50.0%	2,901.1
General Goods & Services	2,207.1	1,919.0	1,805.1	872.9	60.0%	1,805.1
Education Subsidies	277.7	652.0	652.0	273.5	40.0%	652.0
SAP Payments	7.1	0.0	0.0	0.0		0.0
Court Orders	65.5	90.0	90.0	40.8	50.0%	90.0
Additional Funding for Key Priorities	0.0	354.0	354.0	0.9	20.0%	354.0
PROVINCIAL GOVERNMENTS	1,346.4	1,414.4	1,420.1	711.3	50.0%	1,498.0
Personnel Emoluments	1,037.4	1,016.5	1,016.5	546.8	50.0%	1,094.4
Teachers Salaries	706.0	665.4	665.4	320.7	50.0%	638.3
Teachers Leave Fares	21.3	25.6	25.6	11.9	50.0%	25.6
Public Servant Salaries	290.3	304.5	304.5	204.7	70.0%	409.5
Public Servant Leave Fares	12.8	12.8	12.8	6.0	50.0%	12.8
Village Courts Allowances	7.0	8.2	8.2	3.5	40.0%	8.2
Goods & Other Services	309.0	397.9	403.6	164.5	40.0%	403.6
Administration Grants	33.5	11.4	11.4	5.2	50.0%	11.4
Other Service Delivery Function Grant	0.0	46.4	46.4	20.8	50.0%	46.4
Primary production Function grant	20.3	25.4	25.4	11.0	40.0%	25.4
Health Function Grant	63.2	72.7	78.4	31.5	40.0%	78.4
Education Subsidies	58.7	78.4	78.4	33.2	40.0%	78.4
Trans/Infra/Maint. Grants	79.4	107.0	107.0	44.3	40.0%	107.0
Village Courts Function Grants	3.5	5.8	5.8	2.5	40.0%	5.8
LLG Grants	50.4	50.8	50.8	16.0	30.0%	50.8
AUTONOMOUS BOUGAINVILLE GOVT	75.2	87.0	87.0	40.6	50.0%	87.3
Personnel Emoluments	58.2	64.8	64.8	30.6	50.0%	64.8
Teachers Salaries	40.8	40.8	40.8	18.4	50.0%	40.8
Teachers leave Fares	0.8	1.4	1.4	0.6	40.0%	1.4
Public Servant Salaries	16.4	22.3	22.3	11.5	50.0%	22.3
Public Servant Leave Fares	0.2	0.3	0.3	0.1	50.0%	0.3
Goods & Other Services	17.0	22.2	22.2	10.0	50.0%	22.5
Police and Services Grant ABG	2.1	2.8	2.8	1.3	50.0%	2.8
National Powers and Functions Grant ABG	0.2	0.3	0.3	0.1	40.0%	0.6
Recurrent and Services Grant ABG	14.7	19.1	19.1	8.6	50.0%	19.1
TRANSFERS STATUTORY AUTHORITIES	392.5	380.6	395.8	199.0	50.0%	395.8
Personnel Emoluments	0.0	264.8	264.8	130.7	50.0%	264.8
Goods and Services	392.5	115.8	131.0	68.3	60.0%	131.0
INTEREST PAYMENT & FEES	433.4	671.2	671.2	233.4	30.0%	671.2
Domestic	392.1	627.4	627.4	215.0	30.0%	627.4
External	41.3	43.8	43.8	18.4	40.0%	43.8
NET LENDING TO C.S.A	0.0	0.0	0.0	0.0		0.0
Gross Lending		0.0	0.0	0.0		0.0
Less : Loan Repayments		0.0	0.0	0.0		0.0
FUNDING FOR DEVELOPMENT AND CAPITAL INVESTMENT INITIATIVES	3,846.8	5,795.8	5,899.8	1,736.1	30.0%	5,899.8
% of GDP						
Direct Investment in Provinces, Districts and LLG's	0.0	1,492.0	1,492.0	620.9	40.0%	1,492.0
Direct investment in Provinces	0.0	445.0	445.0	223.5	50.0%	445.0
Direct Investment in Districts	0.0	890.0	890.0	338.0	40.0%	890.0
Direct Investment in LLG's		157.0	157.0	59.4	40.0%	157.0
Fixed Commitments	926.8	626.0	626.0	84.5	20.0%	626.0
Direct Investments in Key Priorities (Alotau Accord & others)	0.0	753.0	828.0	228.5	30.0%	828.0
Direct Investment - National Building Productive Infrastructure	0.0	460.0	460.0	166.4	40.0%	460.0
Other Development Activities	1,828.6	1,253.8	1,282.8	422.4	40.0%	1,282.8
Domestic Funds	1,447.6	479.8	508.8	261.4	50.0%	508.8
Infrastructure Tax Credits	63.8	130.0	130.0	19.5	20.0%	130.0
Concessional loans	317.2	644.0	644.0	141.5	30.0%	644.0
Commercial loans	0.0	0.0	0.0	0.0		0.0
Donor Funded Projects	1,091.4	1,211.0	1,211.0	213.4	20.0%	1,211.0
TOTAL EXPENDITURE & NET LENDING	10,046.7	13,031.0	13,031.0	4,810.9	40.0%	13,109.9
As % of GDP	30.0%	40.0%	40.0%	20.0%	40.0%	
AMORTISATION	3,277.7	3,523.4	3,523.4	1,947.6		4,351.8
Domestic	3,079.8	3,354.6	3,354.6	1,887.7		4,188.0
External	197.9	168.8	168.8	59.9		163.8
LOAN REPAYMENTS	2.8	4.0	4.0	0.8	20.0%	4.0
EQUITY PURCHASE		305.0	305.0	305.0	100.0%	305.0
TOTAL PAYMENTS	13,327.2	16,863.4	16,863.4	7,064.3	60.0%	17,465.7
As % of GDP						

Source: Department of Treasury

TABLE 3: CENTRAL GOVERNMENT FINANCING (KINA MILLION)

	2012 Actual	2013 Budget	2013 Revised	June Outturn	% of Budget	2013 MYEFO
A. TOTAL REVENUE AND GRANTS	9,566.0	10,481.9	10,481.9	4131.0	39%	10,409.1
B. TOTAL EXPENDITURE AND NET LENDING	10,046.9	13,031.0	13,031.0	4810.9	37%	13,109.9
C. DEFICIT (-) / SURPLUS (+)	-480.9	-2,549.1	-2,549.1	-679.9	27%	-2,700.8
% of GDP	-1.5%	-7.2%	-7.2%	-1.9%		-7.7%
D. EXTERNAL FINANCING	119.3	475.9	475.9	62.1	13%	480.9
D1. CONCESSIONAL FINANCING	179.9	528.9	528.9	87.0	16%	530.6
New Borrowing	317.2	644.7	644.7	141.5	22%	644.7
Less Amortisation	-137.3	-115.8	-115.8	-54.5	47%	-114.1
D2. COMMERCIAL FINANCING	-16.7	-16.1	-16.1	-6.6	41%	-13.5
New Borrowing	0.0	0.0	0.0	0.0		0.0
Less Amortisation	-16.7	-16.1	-16.1	-6.6	41%	-13.5
D3. EXCEPTIONAL FINANCING	-43.9	-36.9	-36.9	-18.3	49%	-36.2
New Borrowing	0.0	0.0	0.0	0.0		0.0
Less Amortisation	-43.9	-36.9	-36.9	-18.3	49%	-36.2
E. NET DOMESTIC FINANCING	361.6	2,073.2	2,073.2	617.8	29.8%	2,219.8
E1. DOMESTIC MARKET BORROWING (NET)	297.1	2,073.0	2,073.0	2,049.7	99%	2,524.7
New Domestic Borrowing	3,376.9	5,427.5	5,427.5	3,937.4	73%	6,712.8
Less Amortisation	-3,079.8	-3,354.6	-3,354.6	-1,887.7	56%	-4,188.0
E2. ASSETS SALES FINANCING	0.0	0.0	0.0	0.0	0.0%	0.0
E3. OTHER DOMESTIC FINANCING	64.5	0.2	0.2	-1431.9	0.0%	-304.9
NET FISCAL FINANCING	480.9	2,549.1	2,549.1	679.9	27%	2,700.8
INVESTMENT FINANCING	900.0	305.0	305.0	305.0	100%	305.0
Domestic Market Borrowing	700.0	305.0	305.0	305.0	100%	305.0
Change in Cash Balances	200.0	0.0	0.0	0.0		0.0
F. TOTAL FINANCING REQUIREMENT	1,380.9	2,854.1	2,854.1	984.9	35%	3,005.8
% of GDP	4.3%	8.0%	8.0%	2.8%		8.6%
G. GROSS BORROWING	4,458.6	6,377.5	6,377.5	4,383.9	69%	7,662.5
Concessional	317.2	644.7	644.7	141.5	22%	644.7
Commercial	0.0	0.0	0.0	0.0		0.0
Exceptional	0.0	0.0	0.0	0.0		0.0
Domestic	4,141.4	5,732.8	5,732.8	4,242.4	74%	7,017.8
Financing Gap						
H. GROSS AMORTISATION	3,277.7	3,523.4	3,523.4	1,967.1	56%	4,351.8
Concessional	137.3	115.8	115.8	54.5	47%	114.1
Commercial	16.7	16.1	16.1	6.6	41%	13.5
Exceptional	43.9	36.9	36.9	18.3	49%	36.2
Domestic	3,079.8	3,354.6	3,354.6	1,887.7	56%	4,188.0

Source: Department of Treasury

PART 2

MID YEAR EXPENDITURE ESTIMATES BY AGENCY

2.1 FUNDED EXPENDITURE SINCE THE 2013 BUDGET

Following the 2013 Budget, the Government approved a number of new spending proposals. This expenditure has been funded through Section 3 of the Appropriations Acts which provides K40.0 million for such proposals through the Secretary's Advance. The Section 3 transfers do not add to total expenditure as the sums are transferred from 'Division 207', which acts as a contingency reserve. By 30 June 2013, proposals totaling K40.0 million have been approved (Table 13).

Since the entire Secretary's Advance component of 'Division 207' has been committed, the Budget is exposed to unforeseen pressures for the remainder of the year. For the remainder of 2013, new spending proposals will need to be met by reductions in other appropriations.

Section 4 of the 2013 Budget Appropriation Acts also provides for the reallocation of appropriations between from 'Division 207' to Agencies or between and within Agencies. In April 2013, K53.0 million was reallocated from 'Division 207' to the Department of Police for Police Modernization in 2013.

Table 13: Secretary's Advance expenditure since the 2013 Budget (Kina, million)

Recipient Department	Amount	Explanation
Prime Minister and NEC	500,000.0	To cater for Deputy Prime Minister's Office.
Finance and Treasury	3,500,000.0	To fund WIB as per NEC Decision 189/2009.
Lands and Physical Planning	2,500,000.0	To cater for Lands HQ Office Fittings.
Foreign Affairs	500,000.0	To cater for fit out work for DOF.
Finance and Treasury Miscellaneous	3,392,600.0	To settle hire car bills.
Personnel Management	380,000.0	To cater for engagement of Brian Hart Consultants.
Prime Minister and NEC	749,000.0	Hosting of Thai Prime Minister's visit.
Office of UNESCO	643,000.0	Reimbursement for participation program.
Finance and Treasury Miscellaneous	433,600.0	To cater for Sir Tore Lokoloko's State Funeral.
Central Supply and Tenders Board	600,000.0	Training workshops on Procurement.
Foreign Affairs	1,000,000.0	Engagement of Consultant for IPC.
Prime Minister and NEC	500,000.0	To cater for inquiry into Unitech.
Treasury	500,000.0	To cover for Minister's delegation overseas.
Prime Minister and NEC	3,000,000.0	To cater for NEC decision No. 27/2013.
Prime Minister and NEC	1,000,000.0	To cover Fiji PM's visit to PNG.
Police	6,200,000.0	To fund the 2012 NATEL outstanding.
Mining	500,000.0	Additional funding to DMP&GM for vehicle.
Finance and Treasury	1,200,000.0	To cater for execution of NEC decision No. 20/2009.

Prime Minister and NEC	1,000,000.0	To cater for Australian GG to PNG.
Petroleum and Energy	1,000,000.0	Transfer of additional funds to DPE for IIC.
Prime Minister and NEC	1,500,000.0	To settle outstanding hire car claim for PM.
Prime Minister and NEC	1,000,000.0	Cater for Australian PM to PNG.
Petroleum and Energy	1,000,000.0	To conduct LLG Benefit Sharing Forum
Finance and Treasury Misc	3,000,000.0	Payment for East Awin Refugee Camp Lowne
Finance and Treasury Misc	1,482,000.0	To facilitate payment of variation cost.
Electoral Commission	2,800,000.0	To cater for Angoram By-Election E.S.P
Treasury	119,800.0	For EM TV "Treasury Business Program"
TOTAL	40,000,000.0	

Source: Department of Treasury

2.2 2013 BUDGET EXECUTION

The 2013 Budget provided increased funding for the implementation of key Government priorities and to deliver Government election commitments such as expanding Tuition Fee Free Education (to include years 11 and 12), introduction of Free Primary Healthcare and increased support for infrastructure maintenance for roads and bridges. The Budget also provides for one-off commitments such as funding the 2013 Local Level Government (LLG) elections (K65.0 million).

Table 14: Total Recurrent Expenditure by Agency Type (Kina, million)

Agency Type	2013 Budget	2013 Revised Budget	Expenditure to 30 June	Expenditure share Revised Budget (%)
National Departments	4,681.9	4,557.1	1,890.5	41.5
Statutory Authorities	380.6	395.8	199.0	50.3
Provinces	1,501.5	1,507.1	751.9	49.9
Debt Interest and Charges	671.2	671.2	233.4	34.8
Total	7,235.2	7,131.2	3,074.8	43.1

Source: Department of Treasury

Note 1: Debt Interest & Charge in the IFMS System totals K671.2 million inclusive of penalty fees whilst appropriation excludes penalty fees and charges.

Table 14 shows that Recurrent expenditure is tracking at 43 per cent of the total expected expenditure for 2013.

Medium Term Development Plan (MTDP) Enablers

There is an overall increase in the proportion of funding for the Medium Term Development Plan (MTDP) enablers of Education, Health, Law and Order and Infrastructure with increased emphasis on providing direct funding to the Provinces, Districts and LLGs to improve service delivery.

Table 15 shows 2013 Budget expenditure to 30 June by MTDP enabler and how this compares to the total expenditure expected over the year.

Table 15: 2013 Budget Total expenditure by MTDP Enabler (Kina, million)

Sector	2013 Budget	2013 Revised Budget	Expenditure to 30 June	Expenditure share Revised Budget (%)
MTDP Enabler				
Education	2,216	2,216	836	38
Health	1,188	1,182	420	36
Law and Order	1,127	1,116	426	38
Transport and Infrastructure	1,663	1,649	424	26
Subtotal	6,194	6,163	2,106	34
Non MTDP spending				
Interest	671	670	234	35
Other	6,166	6,198	2,119	34
Subtotal	6,837	6,868	2,353	31
Total	13,031	13,031	4,458	34

Source: Department of Treasury

Overall expenditure on the MTDP enablers is tracking below would what be expected thus far this year at only 34 per cent of the total. Spending on Transport and Infrastructure is also particularly low at 26 per cent. The low Transport and Infrastructure figure may reflect the need for initial planning prior to the commencement of construction later in the year, though this sector will need to be monitored closely.

Expenditure to date on the **Education** enabler includes K274 million for Tuition Fee Free Education out of a total budgeted expenditure of K682 million for this program in 2013. A total of K650 million in warrants have already been issued for this program.

The lower than anticipated expenditure on **Law and Order** is being driven by a slight underspend on goods and services.

Personnel Emoluments Expenditure

The 2013 Revised Budget provides for K3,002.7 million in Recurrent funding for Personnel Emoluments. This reflects costs associated with wage agreements for public servants including: salaries and allowances; wages; overtime; leave fares; contract officer's education benefits and retirement benefits; pensions; and gratuities or retrenchments.

Personnel Emoluments has a history of overspending, in particular by Provincial Governments. Inadequate controls on the payroll system were identified as a prime cause. The Government has agreed to remedial action however, sufficient corrective action has yet to occur.

Table 16: Recurrent Personnel Emoluments Expenditure to 30 June 2013 by Account Type (Kina, million)

Account Type	2013 Budget	2013 Revised Budget	YTD Expenditure	Expenditure share Revised Budget (%)
Personnel Emoluments				
<i>Salaries and Allowances</i>	2,314	2,319	1,255	54
<i>Wages</i>	128	129	59	46
<i>Overtime</i>	12	13	11	85
<i>Leave Fares</i>	113	112	41	37
<i>Contract officers Education Benefits</i>	8	8	3	38
<i>Retirement Benefits, Pensions, Gratuities and Retrenchment (See Note 2)</i>	438	422	44	10
Total	3,013	3,002	1,413	47

Source: Department of Treasury

As a whole Personnel Emolument expenditure is only slightly below the expected 50 per cent of the 2013 Revised appropriation. Estimating Personnel Emolument expenditure for 2013 is complicated due to the timing and release of retirement benefits, retrenchment and pension payments. Provincial Personnel Emoluments are estimated to exceed their Budget allocation by K78.9 million (Table 17).

Historically the rate of expenditure on Personnel Emoluments tends to rise over the course of the year. The introduction of robust expenditure controls will be required to stop Provincial Government's overspending each year.

Table 17: Personnel Emoluments Expenditure to 30 June 2013 by Agency (Kina, million)

Agency Type	2013 Original Budget	2013 Revised Budget	YTD Expenditure	Expenditure share Revised Budget (%)
<i>National Dept</i>	1,667	1,657	702	42
<i>Stat. Authorities</i>	265	265	131	49
<i>Provinces</i>	1,081	1,081	580	54
Total	3,013	3,002	1,413	47

Source: Department of Treasury

Table 18 identifies Provinces Personnel Emoluments which might overspend based on current trend expenditure. In total, Provincial Government overspends may amount to K78.9 million over the course of the year, without remedial action.

Table 18: Provinces Potential Personnel Emoluments Overspend (Kina, million)

Provincial Governments	2013 Budget	2013 Revised	YTD Warrants	YTD Expenditure	Potential Overspend/ (Underspend)
Western	41	41	10	22	3
Gulf	24	24	6	11	(2)
Central	51	51	17	29	7
National Capital District Commission	0	0	0	0	0
Milne Bay	40	40	13	25	10
Oro	29	29	8	16	3
Southern Highlands	76	76	24	52	28
Enga	48	48	19	34	20
Western Highlands	68	68	26	39	10
Simbu	61	61	19	34	7
Eastern Highlands	58	58	19	32	6
Morobe	93	93	34	56	19
Madang	66	66	27	45	24
East Sepik	63	63	24	37	14
Sandaun	53	53	24	22	(9)
Manus	28	28	13	11	(6)
New Ireland	39	39	18	20	1
East New Britain	69	69	31	36	3
West New Britain	52	52	21	27	2
Autonomous Bougainville Government	65	65	29	31	(3)
Hela	27	27	7	0	(27)
Jiwaka	29	29	7	0	(29)
Total	1,081	1,081	395	580	78.9

Source: Department of Treasury

Goods and Services Expenditure

The 2013 Goods and Services budget was increased by K575 million from K2,883 million in 2012 to K3,458 million in 2013, representing an increase of 17 per cent. In the first half of the year, total recurrent expenditure on goods and services amounted to K1,428 million, of which National Departments recorded K1,185 million, Provinces K174 million and Statutory Authorities K68 million. Expenditure on Goods and Services is running at around 41 per cent of the revised annual appropriation.

Table 19: Goods and Services Expenditure by Agency (Kina, million)

Agency Type	2013 Budget	2013 Revised Budget	YTD Expenditure	Expenditure share Revised Budget
<i>National Dept</i>	3,015	2,901	1,188	41
<i>Provinces</i>	420	426	174	41
<i>Statutory Auth</i>	116	131	68	52
Total	3,551	3,458	1,430	41

Source: Department of Treasury

Expenditure by account type is detailed in Table 19. The table indicates that expenditure for most Goods and Services are on track. It is anticipated that all appropriations will be spent by the end of 2013.

Table 20: Goods and Service Expenditure by Account Type (Kina, million)

Account Type	2013 Budget	2013 Revised Budget	YTD Expenditure	Potential Overspend/ (Underspend)
Travel & Subsistence	82	99	40	(20)
Utilities	197	197	96	(5)
Office Materials & Supplies	21	21	8	(5)
Operational Materials & Supplies	237	229	80	(69)
Transport and Fuel	57	62	27	(8)
Administrative Consultancy Fees	21	25	8	(9)
Rentals of Property	223	224	103	(18)
Routine Maintenance	144	148	20	(108)
Routine Maintenance (Department of Works)	0	0	0	0
Other Operational Expenses	992	725	276	(173)
Training	32	33	11	(11)
Membership Fees & Contribution	17	17	5	(7)
Grants & Transfers to Public Authorities	1,318	1,337	614	(108)
Grants to Individuals & Non-Profit Organisations	91	120	26	(68)
Acquisition of Lands, Buildings & Intangible Assets	13	26	21	17
Office Furniture & Equipment	21	23	6	(11)
Purchase of Vehicles	16	20	2	(16)
Feasibility Studies, Project Preparation and Design	0	8	0	(8)
Plant, Equipment and Machinery	51	52	4	(44)
Construction Renovation & Improvement	5	58	80	102
Substantial & Specific Maintenance	11	34	1	(33)
Total	3,551	3,458	1,430	(602)

Source: Department of Treasury

Funding for Development and Capital Investment

Development and Capital Investment funding was revised up to K5,899.8 million from the 2013 original appropriation. The National Budget for 2013 is composed of major high impact investment projects rather than smaller programmes and projects. As a result, the effective implementation of nation-building investments such as the Highlands Highway and 4-Lane Lae-Nadzab section require rigorous strategic planning, design and preparation to ensure their timely and effective delivery over the medium-term. The careful design and pre-construction planning of these projects is close to completion, with the actual implementation to commence towards the third quarter or the end of 2013.

As at June 30 2013, Development spending warrants released totaled K2,558.0 million. This was intended to front load funds to ensure fast tracking of the implementation of the high impact infrastructure projects such as the rehabilitation of the Highlands Highway, especially the 4-Lane Lae to Nadzab section, as well as Port Moresby City Roads, Lae City Roads, rehabilitation of Port Moresby General Hospital and others. Additionally, direct funding to the provinces, districts and LLGs was front loaded to ensure the full support for sub-national empowerment and improvements in service delivery across the health, education, infrastructure, law and justice and the economic sector. Out of the warrants released, K918 million was allocated to National Departments, K1,377 million to Provincial Governments and K316 million to Statutory Authorities.

- Actual Development and Capital Investments spending by the National Departments was K243 million, which was 28 per cent of the warrants released for the National Departments. Certain departments have yet to provide their actual expenditure reports, and due to the nature of certain programs taking considerable time to implement, expenditure of these warrants seems to be lower than previous trends.
- The actual spending by the Provinces amounted to K840 million, or 61 per cent of the warrants released for the Provinces. Seventy-one per cent of warrants to the provinces, districts and LLGs have been released., However, the allocation of DSIP, PSIP and LLG support in line with the Office of Rural Development guideline sectors of health, education, infrastructure, law and justice, economic sector and administration have yet to be determined and further information is required to provide the distribution of actual expenditure at the sub-national level to these 6 sectors through the K1.5 billion allocated in direct funding.
- The actual spending of the warrants released to Statutory Authorities was K289 million, which was 91 per cent of the warrants released to Statutory Authorities or 54 per cent of the Statutory Authorities' 2013 Revised Budget appropriation of K540 million.

The warrants released to date in comparison to the first half of 2012 are higher as a result of the high priority infrastructure projects being implemented as part of the multi-year investment outlook. Prudent public investment through the Development Budget will ensure the progress of PNG on the development path as outlined by the PNG Development Strategic Plan (PNGDSP) 2010-2030. This is guided by the MTDPs, of which the first MTDP 2011-2015 focuses on investment in the key enablers: higher education, primary and secondary education, law and order, land administration, key infrastructure, utilities, health and sustainable development. This year's improvement in the allocation and management of the 2013 Development Budget is attributed to the prioritization guidance provided by the MTDP and a multi-year investment framework for strategic planning and budgeting. Once rolled out through alignment of National, Provincial and Statutory Authorities' corporate and development plans, it makes it possible for effective and equitable allocation of financial resources and implementation.

The implementation of the MTDP drives the 2013 Development and Capital Investment Budget such that K2 billion of the GoPNG component is being allocated to the implementation of the

key enablers. The total warrants issued to the implementation of the key enablers is K1,173 million, of which K623 million has been expended. The total Development and Capital Investment expenditure to date on the key enablers is K763 million or 50 per cent of actual expenditure to date.

In terms of implementing the MTDP, particularly with regards to one of the largest MTDP enablers – transport and other key infrastructure, to date K813 million has been released in warrants for its implementation and expansion, particularly for the Highlands Highway and stage 1 of the Highlands Highway – Lae-Nadzab as well as the upgrade and rehabilitation of Port Moresby city roads and Lae city Roads, of which K379 million has actually been spent. Due to lengthy procedures relating to design, scoping, tendering, and procurement processes involved in implementing the large-scale transport rehabilitation and other infrastructural projects, only 47 per cent of the warrants released have been spent.

Due to the number of roads projects being administered by Department of Works, the sheer scale of expected implementation from now until 2013 may be delaying the actual expenditure and usage of warranted funds. Additionally, other infrastructure and capital works projects such as the 2015 South Pacific Games at K180 million have not experienced any actual expenditure to date. The transport and other key infrastructure sector experienced the highest concessional loan draw down rate, with K99 million of Concessional Loans being expended in the sector. Overall actual expenditure in the sector is 33 per cent of the total revised budget appropriated to that sector.

Table 21: Development Expenditures by MTDP Enablers (Kina, thousand)

MTDP Key Enablers	Original Budget	Revised Budget	Warrants Issued to 30 June	GoPNG Actual Expenditure 30 June	Concessional Loan Draw Down	Total Actual Expenditure	% of GoPNG actual Expenditure to Warrants Released	% GoPNG actual Expenditure to Total Revised
Land	14,000	14,000	7,810	2,000	0	2,000	0	0
Law, Order and Justice	36,000	36,000	25,110	7,478	0	7,478	0	0
Transport Rehabilitation and Construct	1,410,800	1,434,800	812,575	379,227	98,737	477,964	0	0
Higher and Technical Education	65,000	65,000	39,100	14,000	6,114	20,114	0	0
Primary and Secondary Education	17,000	17,000	7,600	0	0	0	0	0
Water	5,000	5,000	2,000	1,000	0	1,000	1	0
Sanitation	31,000	31,000	11,162	9,321	94	9,415	1	0
Information & Communication Technol	74,000	74,000	36,000	20,000	7,969	27,969	1	0
Energy Infrastructure	17,000	17,000	14,000	13,000	772	13,772	1	1
Primary Health	134,000	134,000	80,880	53,900	706	54,606	1	0
Sustainable Development	107,172	184,172	136,938	123,543	25,632	149,175	1	1
Non-MTDP	1,897,262	1,902,262	1,384,382	748,716	1,436	750,152	1	0
TOTAL	3,808,234	3,914,234	2,557,557	1,372,185	141,460	1,513,645	1	0

Source: Department of National Planning and Monitoring

The energy infrastructure sector has experienced successful implementation of the warrants released to date with K13 million being spent, or 93 per cent of the warrants released. The energy infrastructure sector spending in the first half of 2013 totaled K13 million which is 76 per cent of the revised appropriation of K17 million. Actual total expenditure to date (including draw down of Concessional Loans) has been the highest in the energy Infrastructure sector with 81 per cent of its revised budget being expended so far.

Both the water and sanitation sectors have experienced successful implementation of the warrants released to date with K10.3 million combined being spent, or 78 per cent of the

warrants released. The water and sanitation sector spending in the first half of 2013 totaled K10.3 million which is 29 per cent of the revised appropriation of K36 million.

Unlocking land will provide an important driver for development and the general improvement of the livelihoods of Papua New Guineans by expanding their income earning capabilities and substantive freedoms to use this important resource for all its multidimensional potential. As part of the 2013 Development and Capital Investment budget implementation to date, K7.8 million has been invested in this enabler, or 56 per cent of the warrants released to date. Unlocking land spending in the first half of 2013 totaled K2 million which is 26 per cent of the revised appropriation of K14 million.

The eighth key enabler of 'sustainable development' identifies sectors across the economy which require careful management to bring about benefits to Papua New Guineans now and into the future. The economic, social and environmental aspects across the key sub-sectors under sustainable development require an inherent balance to grow PNG's economy without compromising the ability of future generations to meet their own needs. As such, income earning projects and programmes (which include a whole host of activities including Small Medium Enterprises support and agriculture), population programmes and climate change or environmental programmes and projects all contribute towards enhancing and expanding a green economy and green industries for PNG. Of the warrants released, actual expenditure to date across this sector has been strong at 90 per cent or K124 million, and in terms of total Development and Capital Investment budget expenditure, K149 million has been expended to date or 81 per cent of the revised appropriation.

For further information see **ATTACHMENT N** Implementation status of High Impact Projects/ Key Productive Infrastructure Investments across the Development Budget for 2013

ATTACHMENTS

ATTACHMENT A	SUMMARY OF NATIONAL BUDGET EXPENDITURE
ATTACHMENT B	NATIONAL DEPARTMENTS RECURRENT EXPENDITURE
ATTACHMENT C	STATUTORY AUTHORITIES RECURRENT EXPENDITURE
ATTACHMENT D	PROVINCIAL GOVERNMENTS RECURRENT EXPENDITURE
ATTACHMENT E	NATIONAL DEPARTMENTS PERSONNEL EMOLUMENTS
ATTACHMENT F	STATUTORY AUTHORITIES PERSONNEL EMOLUMENTS
ATTACHMENT G	PROVINCIAL GOVERNMENTS PERSONNEL EMOLUMENTS
ATTACHMENT H	NATIONAL DEPARTMENTS GOODS AND SERVICES
ATTACHMENT I	STATUTORY AUTHORITIES GOODS AND SERVICES
ATTACHMENT J	PROVINCIAL GOVERNMENTS GOODS AND SERVICES
ATTACHMENT K	NATIONAL DEPARTMENTS DEVELOPMENT BUDGET EXPENDITURE
ATTACHMENT L	STATUTORY AUTHORITIES DEVELOPMENT BUDGET EXPENDITURE
ATTACHMENT M	PROVINCIAL GOVERNMENTS DEVELOPMENT BUDGET EXPENDITURE
ATTACHMENT N	IMPLEMENTATION STATUS OF HIGH IMPACT PROJECTS/ KEY PRODUCTIVE INFRASTRUCTURE INVESTMENTS ACROSS THE DEVELOPMENT BUDGET FOR 2013

Attachment A

SUMMARY OF NATIONAL BUDGET EXPENDITURE MYEFO 2013 (KINA, MILLION)

	2013 Budget	2013 Revised	Expenditure to 30 June
NATIONAL BUDGET	13,031.0	13,031.0	4,810.9
Recurrent Budget	7,235.2	7,131.2	3,074.8
National Departments	4,682.0	4,557.1	1,890.5
<i>Personnel Emoluments</i>	1,667.0	1,656.0	645.4
<i>Goods & Services</i>	3,015.0	2,901.1	1,188.1
<i>Unidentified Payroll Cost</i>			57.0
Statutory Authority	380.6	395.8	199.0
<i>Personnel Emoluments</i>	264.8	264.8	130.7
<i>Goods & Services</i>	115.8	131.0	68.3
Provinces	1,501.4	1,507.1	751.9
<i>Personnel Emoluments</i>	1,081.2	1,081.3	577.4
<i>Goods & Services</i>	420.2	425.8	174.5
<i>Unidentified Payroll Cost</i>			
Debt, Interest & Charges	671.2	671.2	233.4
<i>Debt - Interest, Fee's & Charges</i>	671.2	671.2	233.4
Development Budget	5,795.8	5,899.8	1,736.1
National Department	2,845.2	2,904.2	248.2
<i>Cash</i>	1,375.1	1,436.1	242.9
<i>Non Cash</i>	1,470.1	1,468.1	5.3
Statutory Authority	994.7	1,039.7	295.8
<i>Cash</i>	495.0	540.0	289.2
<i>Non Cash</i>	499.7	499.7	6.6
Provinces	1,955.9	1,955.9	837.2
<i>Cash</i>	1,938.1	1,938.1	835.8
<i>Non Cash</i>	17.8	17.8	1.4
Project Grants			213.4
Concessional Loans			141.5

Note:

¹The potential over/underspend is the difference between Revised Appropriation and Potential full year Expenses. A positive number represents an under spend.

²Project Grants and Concessional Loans are incorporated into the 2013 Budget 2013 Revised figures but the total expenses to 31st May 2013 are shown separately. This is done as the expenditure is not currently captured in Attachments K, L and M.

Attachment B

NATIONAL DEPARTMENTS RECURRENT EXPENDITURE MYEFO 2013 (KINA, MILLION)

Div	National Departments	2013 Budget	2013 Revised	Warrants to 30 June	Expenditure to 30 June
201	National Parliament	118	128	83	73
202	Governor-General	5	5	3	3
203	Prime Minister and NEC	78	142	81	71
204	National Statistics Office	6	6	3	4
205	Bougainville Affairs	3	3	2	1
206	Finance	28	28	13	13
207	Finance and Treasury Misc.	1,342	903	286	295
208	Treasury	19	20	12	7
209	Registrar for Political Parties	8	8	5	4
211	PNG Customs Service	36	36	13	9
212	ITD	19	19	10	3
213	Fire Services	20	20	10	9
215	PNG Immigration and Citizenship Services	9	9	4	5
216	Internal Revenue Commission	46	46	29	14
217	Foreign Affairs	66	67	39	38
218	Office of the Public Prosecutor	7	7	4	3
219	PNG Institute of Public Administration	7	7	3	3
220	Personnel Management	20	32	22	9
221	Public Service Commission	6	6	3	3
222	Office of Public Solicitor	12	12	7	5
223	Judiciary Services	75	75	38	49
224	Magisterial Services	38	38	20	22
225	Attorney General	44	54	23	21
226	Correctional Institutions	104	104	53	40
227	Provincial Treasuries	37	37	18	16
228	Police	260	352	200	138
229	Planning and Monitoring	17	17	9	8
230	Electoral Commission	76	94	71	33
231	National Intelligence Organisation	4	4	3	3
232	Provincial and Local Govt. Affairs	16	39	20	16
234	Defence	181	221	123	80
235	Education	858	858	773	337
236	Higher Education Commission	52	52	36	25
237	Office of UNESCO	2	3	2	1
240	Health	276	276	190	113
241	Hospital Management Services	428	442	213	214
242	Community Development	15	15	8	7
243	National Volunteer Service	1	1	1	0
245	Environment and Conservation	22	22	10	8
247	Agriculture and Livestock	15	15	6	6
252	Lands and Physical Planning	37	53	39	35
254	Mining	8	9	5	3
255	Petroleum and Energy	19	31	15	12
257	Department of Public Enterprises	4	4	0	0
258	Department of Information and Communication	4	4	2	2
259	Transport	23	23	12	8
261	Trade and Industry	13	13	7	6
262	Industrial Relations	17	17	9	8
263	National Tripartite Consultative Council	1	1	1	1
264	Works and Implementation	170	170	78	103
267	Office of Rural Development	7	7	4	2
268	Central Supply and Tenders Board	3	4	2	1
269	Office of Tourism Arts and Culture	2	2	1	1
299	Debt Services	671	670	671	234
	TOTAL	5,354	5,228	3,285	2,121

Source: Department of Treasury

Attachment C

STATUTORY AUTHORITY RECURRENT EXPENDITURE MYEFO 2013 (KINA, MILLION)

Div	Statutory Authorities	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
502	Auditor General	18	23	14	14
503	Ombudsman	18	18	9	8
505	National Research Institute	5	5	3	3
506	National Training Council	3	3	2	2
507	National Economic and Fiscal Commission	3	3	2	2
509	Border Development Authority	4	4	2	2
510	Legal Training Institute	3	3	1	1
511	Office of Climate Change	8	8	4	3
512	UPNG	44	47	26	26
513	Unitech	44	44	22	22
514	University of Goroka	18	18	9	9
515	University of Natural Resources	15	15	8	8
516	PNG Sports Foundation	10	10	5	5
517	Narcotics Bureau	4	4	3	3
518	PNG Maritime	3	3	2	1
519	AIDS Council	8	8	4	4
520	Institute of Medical Research	8	8	4	4
521	National Youth Commission	4	4	2	3
522	Constitutional and Law Reform Commission	3	3	2	2
523	Accidents & Investigation Commission	5	5	3	2
525	National Broadcasting Commission	29	29	14	14
526	National Maritime Safety Authority	2	2	1	1
530	Investment Promotion Authority	3	3	1	1
531	Small Business Goods and Services Corporation	3	3	1	1
532	National Institute of Standards and Industrial Technology	3	3	2	2
533	Industrial Centres Development Corporation	2	2	1	1
536	Kokonas Industry Corporation	1	1	1	1
539	National Museum	10	10	5	5
541	National Housing Corporation	0	0	0	0
542	National Cultural Commission	5	5	2	3
549	Coastal Fisheries	3	3	1	1
550	Cocoa Coconut Institute	7	7	4	2
553	Fresh Produce Development Company	6	6	3	3
554	Coffee Industry Corporation	3	3	2	2
557	PNG National Forest Authority	31	37	22	19
558	Tourism Promotion Authority	11	11	6	4
562	National Agriculture Research Institute	9	9	5	4
563	NAQIA	5	5	2	6
565	Civil Aviation Authority	11	11	6	4
569	ICCC	10	10	5	3
	TOTAL	380	396	208	199

Source: Department of Treasury

Attachment D

PROVINCIAL GOVERNMENT RECURRENT EXPENDITURE MYEFO 2013 (KINA, MILLION)

Div	Provincial Governments	2013 Budget	2013 Revised	Warrants Iss to 30 June	Expenditure to 30 June
571	Western Provincial Government	47	47	13	25
572	Gulf Provincial Government	42	42	14	19
573	Central Provincial Government	75	75	31	43
574	National Capital District Commission	4	4	2	2
575	Milne Bay Provincial Government	69	69	27	39
576	Oro Provincial Government	47	47	16	24
577	Southern Highland Provincial Government	91	91	31	58
578	Enga Provincial Government	68	68	27	41
579	West Highland Provincial Government	87	87	34	46
580	Simbu Provincial Government	86	86	31	43
581	Eastern Highland Provincial Government	90	90	33	43
582	Morobe Provincial Government	108	109	41	62
583	Madang Provincial Government	97	97	44	61
584	East Sepik Provincial Government	101	102	41	51
585	Sandaun Provincial Government	83	83	39	35
586	Manus Provincial Government	41	41	19	17
587	New Ireland Provincial Government	43	43	19	22
588	East New Britain Provincial Government	92	93	41	46
589	West New Britain Provincial Government	68	69	29	35
590	Autonomous Bougainville Government	87	87	39	41
591	Hela Provincial Government	35	36	9	2
592	Jiwaka Provincial Government	43	43	12	3
	TOTAL	1501	1508	589	755

Source: Department of Treasury

Attachment E

NATIONAL DEPARTMENTS PERSONNEL EMOLUMENTS MYEO 2013 (KINA, MILLION)

Div	National Departments	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
202	Governor-General	2	2	1	1
203	Prime Minister and NEC	48	47	19	19
204	National Statistics Office	5	5	2	3
205	Bougainville Affairs	2	2	1	1
206	Finance	15	15	7	8
207	Finance and Treasury Misc.	344	318	11	63
208	Treasury	14	13	7	4
209	Registrar for Political Parties	5	4	2	2
211	PNG Customs Service	19	20	7	5
212	ITD	5	5	3	1
213	Fire Services	10	10	5	6
215	PNG Immigration and Citizenship Services	9	9	4	5
216	Internal Revenue Commission	22	22	14	8
217	Foreign Affairs	34	34	16	17
218	Office of the Public Prosecutor	5	5	2	2
219	PNG Institute of Public Administration	5	5	2	2
220	Personnel Management	14	24	17	6
221	Public Service Commission	5	5	2	2
222	Office of Public Solicitor	8	8	4	3
223	Judiciary Services	0	0	0	18
224	Magisterial Services	28	28	15	18
225	Attorney General	22	22	11	12
226	Correctional Institutions	63	63	31	24
227	Provincial Treasuries	27	27	13	13
228	Police	170	176	86	84
229	Planning and Monitoring	11	11	6	5
230	Electoral Commission	4	4	2	1
231	National Intelligence Organisation	2	2	1	1
232	Provincial and Local Govt. Affairs	9	9	4	3
234	Defence	102	102	51	49
235	Education	118	118	59	47
236	Higher Education Commission	3	3	1	1
237	Office of UNESCO	2	2	1	1
240	Health	70	70	35	35
241	Hospital Management Services	313	313	155	166
242	Community Development	11	11	6	5
243	National Volunteer Service	1	1	1	0
245	Environment and Conservation	7	6	2	4
247	Agriculture and Livestock	12	12	5	5
252	Lands and Physical Planning	15	15	8	7
254	Mining	5	5	3	2
255	Petroleum and Energy	11	11	3	4
257	Department of Public Enterprises	2	2	0	0
258	Department of Information and Communication	2	2	1	1
259	Transport	12	12	6	4
261	Trade and Industry	7	7	3	3
262	Industrial Relations	13	13	6	6
263	National Tripartite Consultative Council	0	0	0	0
264	Works and Implementation	52	52	20	23
267	Office of Rural Development	4	4	2	1
268	Central Supply and Tenders Board	1	2	1	1
269	Office of Tourism Arts and Culture	1	1	1	1
TOTAL		1,667	1,657	661	702

Source: Department of Treasury

Attachment F

STATUTORY AUTHORITY PERSONNEL EMOLUMENTS MYEFO 2013 (KINA, MILLION)

Div	Statutory Authorities	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
502	Auditor General	7	7	4	4
503	Ombudsman	9	9	5	4
505	National Research Institute	3	3	2	2
506	National Training Council	1	1	1	1
507	National Economic and Fiscal Commission	1	1	1	1
509	Border Development Authority	2	2	1	1
510	Legal Training Institute	1	1	1	1
511	Office of Climate Change	2	2	1	1
512	UPNG	41	41	20	20
513	Unitech	36	36	18	17
514	University of Goroka	16	16	8	8
515	University of Natural Resources	14	14	7	7
516	PNG Sports Foundation	6	6	3	3
517	Narcotics Bureau	2	2	1	2
518	PNG Maritime	3	3	2	1
519	AIDS Council	7	7	3	3
520	Institute of Medical Research	6	6	3	3
521	National Youth Commission	2	2	1	1
522	Constitutional and Law Reform Commission	2	2	1	1
523	Accidents & Investigation Commission	5	5	2	2
525	National Broadcasting Commission	15	15	8	8
530	Investment Promotion Authority	1	1	1	1
531	Small Business Goods and Services Corporation	3	3	1	1
532	National Institute of Standards and Industrial Technology	2	2	1	1
533	Industrial Centres Development Corporation	2	2	1	1
539	National Museum	5	5	2	3
542	National Cultural Commission	3	3	1	2
549	Coastal Fisheries	1	1	1	1
550	Cocoa Coconut Institute	5	5	3	2
553	Fresh Produce Development Company	3	3	2	2
554	Coconut Industry Corporation	2	2	1	1
557	PNG National Forest Authority	26	26	13	11
558	Tourism Promotion Authority	2	2	1	0
562	National Agriculture Research Institute	9	9	4	4
563	National Agriculture Quarantine & Inspection Authority	5	5	2	6
565	Civil Aviation Authority	10	10	5	4
569	Independent Consumer and Competition Commission	6	6	3	2
	TOTAL	265	265	133	130

Source: Department of Treasury

Attachment G

PROVINCIAL GOVERNMENT PERSONNEL EMOLUMENTS MYEFO 2013 (KINA, MILLION)

Div	Provincial Governments	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
571	Western Provincial Government	41	41	10	22
572	Gulf Provincial Government	24	24	6	11
573	Central Provincial Government	51	51	17	29
574	National Capital District Commission	0	0	0	0
575	Milne Bay Provincial Government	40	40	13	25
576	Oro Provincial Government	29	29	8	16
577	Southern Highland Provincial Government	76	76	24	52
578	Enga Provincial Government	48	48	19	34
579	West Highland Provincial Government	68	68	26	39
580	Simbu Provincial Government	61	61	19	34
581	Eastern Highland Provincial Government	58	58	19	32
582	Morobe Provincial Government	93	93	34	56
583	Madang Provincial Government	66	66	27	45
584	East Sepik Provincial Government	63	63	24	37
585	Sandaun Provincial Government	53	53	24	23
586	Manus Provincial Government	28	28	13	11
587	New Ireland Provincial Government	39	39	18	20
588	East New Britain Provincial Government	69	69	31	36
589	West New Britain Provincial Government	52	52	21	27
590	Autonomous Bougainville Government	65	65	29	31
591	Hela Provincial Government	28	28	7	0
592	Jiwaka Provincial Government	29	29	7	0
	TOTAL	1081	1081	395	580

Source: Department of Treasury

Attachment H

NATIONAL DEPARTMENTS GOODS AND SERVICES MYEFO 2013 (KINA, MILLION)

Div	National Departments	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
201	National Parliament	118	128	83	73
202	Governor-General	3	3	1	1
203	Prime Minister and NEC	31	95	62	52
204	National Statistics Office	2	2	1	1
205	Bougainville Affairs	2	2	1	1
206	Finance	13	13	6	5
207	Finance and Treasury Misc.	999	585	275	232
208	Treasury	5	7	5	3
209	Registrar for Political Parties	3	3	2	2
211	PNG Customs Service	17	17	7	4
212	ITD	14	14	7	1
213	Fire Services	10	10	5	3
216	Internal Revenue Commission	24	24	14	6
217	Foreign Affairs	32	33	23	21
218	Office of the Public Prosecutor	2	2	1	1
219	PNG Institute of Public Administration	2	2	1	1
220	Personnel Management	6	8	5	3
221	Public Service Commission	1	1	1	1
222	Office of Public Solicitor	4	4	3	2
223	Judiciary Services	75	75	38	31
224	Magisterial Services	9	9	5	4
225	Attorney General	21	31	12	10
226	Correctional Institutions	41	41	22	16
227	Provincial Treasuries	9	10	4	3
228	Police	91	176	114	55
229	Planning and Monitoring	7	7	3	3
230	Electoral Commission	73	91	69	31
231	National Intelligence Organisation	2	2	1	1
232	Provincial and Local Govt. Affairs	7	30	16	13
234	Defence	79	119	72	31
235	Education	740	740	714	290
236	Higher Education Commission	49	49	35	24
237	Office of UNESCO	1	1	1	0
240	Health	206	206	156	78
241	Hospital Management Services	114	128	58	48
242	Community Development	4	4	2	2
243	National Volunteer Service	1	1	0	0
245	Environment and Conservation	15	16	7	4
247	Agriculture and Livestock	4	4	2	2
252	Lands and Physical Planning	22	38	32	28
254	Mining	3	4	2	1
255	Petroleum and Energy	8	20	12	7
257	Department of Public Enterprises	2	2	0	0
	Department of Information and Communication	3	3	1	1
258	Communication				
259	Transport	11	11	6	3
261	Trade and Industry	7	7	3	3
262	Industrial Relations	5	5	2	2
263	National Tripartite Consultative Council	1	1	0	0
264	Works and Implementation	118	118	58	80
267	Office of Rural Development	3	3	2	1
268	Central Supply and Tenders Board	1	2	1	0
269	Office of Tourism Arts and Culture	1	1	1	1
	TOTAL	3,015	2,901	1,953	1,185

Source: Department of Treasury

Note:

1. To date spending on Fee Free Education by Div 235 Education has been funded from money appropriated to trust in the 2011 Supplementary Budget. The 2013 Appropriation will be spent in the second half of 2013 meaning estimates based on pro rata are unreliable.
2. The Government can choose to limit spending on Goods and Services by not allowing warrants to exceed appropriation. This acts as a cap on spending making a significant overspend on Goods and Services unlikely.

Attachment I

STATUTORY AUTHORITY GOODS AND SERVICES MYEFO 2013 (KINA, MILLION)

Div	National Departments	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
502	Auditor General	11	16	11	11
503	Ombudsman	9	9	4	4
505	National Research Institute	2	2	1	1
506	National Training Council	2	2	1	1
507	National Economic and Fiscal Commission	2	2	1	1
509	Border Development Authority	2	2	1	1
510	Legal Training Institute	1	1	1	1
511	Office of Climate Change	6	6	3	2
512	UPNG	3	6	6	6
513	Unitech	9	9	4	4
514	University of Goroka	2	2	1	1
515	University of Natural Resources	2	2	1	1
516	PNG Sports Foundation	4	4	2	2
517	Narcotics Bureau	2	2	1	1
519	AIDS Council	2	2	1	1
520	Institute of Medical Research	2	2	1	1
521	National Youth Commission	3	3	1	1
522	Constitutional and Law Reform Commission	1	1	1	1
523	Accidents & Investigation Commission	1	1	0	0
525	National Broadcasting Commission	13	13	7	7
526	National Maritime Safety Authority	2	2	1	1
530	Investment Promotion Authority	1	1	1	1
531	Small Business Goods and Services Corporation	0	0	0	0
532	National Institute of Standards and Industrial Technology	2	2	1	1
533	Industrial Centres Development Corporation	0	0	0	0
536	Kokonas IndustryKorporation	1	1	1	1
539	National Museum	5	5	3	2
541	National Housing Corporation	0	0	0	0
542	National Cultural Commission	2	2	1	1
549	Coastal Fisheries	1	1	1	1
550	Cocoa Coconut Institute	1	1	1	1
553	Fresh Produce Development Company	3	3	1	1
554	Coffee Industry Corporation	1	1	1	1
557	PNG National Forest Authority	5	12	9	9
558	Tourism Promotion Authority	9	9	5	3
562	National Agriculture Research Institute	1	1	0	0
565	Civil Aviation Authority	1	1	1	0
569	Independent Consumer and Competition Commission	4	4	2	1
	TOTAL	116	131	75	68

Source: Department of Treasury

Attachment J

PROVINCIAL GOVERNMENT GOODS AND SERVICES MYEFO 2013 (KINA, MILLION)

Div	Provincial Government	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
		6	6	3	3
571	Western Provincial Government	18	18	8	8
572	Gulf Provincial Government	24	24	14	14
573	Central Provincial Government	4	4	1	1
574	National Capital District Commission	29	30	14	14
575	Milne Bay Provincial Government	17	17	8	8
576	Oro Provincial Government	15	15	6	5
577	Southern Highland Provincial Government	19	20	8	7
578	Enga Provincial Government	19	19	8	7
579	West Highland Provincial Government	25	26	11	9
580	Simbu Provincial Government	31	32	14	11
581	Eastern Highland Provincial Government	15	15	7	6
582	Morobe Provincial Government	31	32	17	16
583	Madang Provincial Government	38	38	17	13
584	East Sepik Provincial Government	30	30	15	12
585	Sandaun Provincial Government	13	14	6	6
586	Manus Provincial Government	4	4	2	2
587	New Ireland Provincial Government	23	23	10	10
588	East New Britain Provincial Government	16	17	7	7
589	West New Britain Provincial Government	22	23	10	10
590	Autonomous Bougainville Government	8	8	2	2
591	Hela Provincial Government	14	14	5	3
592	Jiwaka Provincial Government				
	TOTAL	420	426	193	175

Source: Department of Treasury

Note:

NCD = National Capital District Commission; ABG = Autonomous Bougainville Government

(1) The Government can choose to limit spending on Goods and Services by not allowing warrants to exceed appropriation. This acts as a cap on spending making a significant on overspend on Goods and Services unlikely

Attachment K

NATIONAL DEVELOPMENT BUDGET EXPENDITURE MYEFO 2013 (KINA, MILLION)

Division	National Department	2013 Budget	2013 Revised	Warrants Issued to 30 June	Expenditure to 30 June
203	DPM & NEC	185	185	95	0
204	NSO	3	3	3	2
206	Finance	15	15	14	9
208	Treasury	172	172	58	0
211	Customs	8	8	3	0
213	PNG Fire Service	3	3	0	0
216	IRC	6	6	5	0
217	DFAT	25	25	15	0
223	Judiciary Services	10	10	10	3
225	Dept. Justice and Attorney General	7	7	7	0
226	Dept. CS	2	2	1	0
228	RPNGC	10	10	3	0
229	DNPM	53	53	50	15
234	DoD	16	16	0	0
235	NDOE	29	29	13	0
236	Office of Higher Education	20	20	13	0
240	DoH	38	38	20	2
241	Hospital Management Services	88	88	54	46
242	Community Development	1	1	1	0
245	DEC	1	3	1	0
247	DAL	8	8	4	1
252	Lands	12	12	6	0
254	DMPGM	5	5	0	0
255	DPE	11	41	34	32
258	Dept. Information & Comm.	9	9	6	0
259	Department of Transport	6	6	0	0
261	DCI	12	12	6	0
264	DoW	545	569	379	124
267	ORD	76	81	66	9
TOTAL		1375	1436	865	243

Source: Department of Treasury

Attachment L

STATUTORY AUTHORITIES DEVELOPMENT EXPENDITURE MYEFO 2013 (KINA, MILLION)

Division	Statutory Authority	2013 Budget	2013 Revised	Warrants issued to 30 June	Actual Expenditure to 30 June 2013
509	Border Development Authority	10	10	10	10
512	UPNG	10	10	0	0
513	Unitech	5	5	3	0
514	University of Goroka	7	7	7	3
515	UNRE	10	10	10	10
516	PNG Sports Foundation	5	5	4	3
519	National Aids Council	3	3	3	2
520	Institute of Medical Research	5	5	5	4
522	CLRC	10	10	7	4
523	Air Investigation Commission	3	3	1	1
524	IPBC	90	90	21	10
531	SBDC	5	5	5	4
535	MRA	21	21	9	8
536	KIK	7	7	5	4
537	National Airports Corporation	46	51	37	37
538	PNG Air Services Limited (PNG ASL)	14	14	14	14
540	Water PNG	15	15	10	9
543	Rural Development Bank	0	40	40	40
546	PNG Power Limited	17	17	14	13
547	OCCD	10	10	10	10
549	Coastal Fisheries Development Agency	15	15	15	15
550	PNGCCI	3	3	3	3
554	CIC	4	4	4	4
557	Forest Authority	1	1	1	1
559	OPIC	3	3	3	6
563	NAQIA	1	1	0	0
567	National Roads Authority	170	170	74	72
568	LDC	5	5	4	3
TOTAL		495	540	316	289

Source: Department of Treasury

Attachment M

PROVINCES DEVELOPMENT EXPENDITURE MYEFO 2013 (KINA, MILLION)

Division	Provinces	2013 Budget	2013 Revised	Warrants issued to 30 June	Actual Expenditure to 30 June 2013
571	Western	70	70	39	23
572	Gulf	59	59	35	16
573	Central	67	67	49	27
574	NCD	48	48	37	21
575	Milne Bay	70	70	53	31
576	Oro	45	45	33	22
577	Southern Highlands	114	114	93	62
578	Enga	107	107	81	53
579	Western Highlands	125	125	110	80
580	Simbu	115	115	87	49
581	Eastern Highlands	138	138	104	57
582	Morobe	156	156	117	63
583	Madang	113	113	79	45
584	East Sepik	108	108	77	43
585	Sandaun	85	85	59	34
586	Manus	33	33	14	10
587	New Ireland	54	54	40	27
588	East New Britain	69	69	52	32
589	West New Britain	36	36	26	14
590	ABG	162	162	47	20
591	Jiwaka	90	90	77	60
592	Hela	78	78	67	51
TOTAL		1,938	1,938	1,377	840

Source: Department of Treasury

ATTACHMENT N:

IMPLEMENTATION STATUS OF HIGH IMPACT PROJECTS/KEY PRODUCTIVE INFRASTRUCTURE INVESTMENTS ACROSS DEVELOPMENT BUDGET FOR 2013

Implementing Agency	Programme/ Project	Revised Appropriation	Warrants Released	GoPNG Expenditure (captured in IFMS)	Implementation Status Update
Department of Works	Highlands Highway Maintenance	80,000	30,475	6,436	Western Highlands: Bebilyer to PUP Bridge 6.5km contract at bid evaluation stage, PUP bridge - Kagul Bridge 11km at bid evaluation stage. Southern Highlands: Poroma to Werin 10km contract at bid evaluation stage, Werin to Semin Primary School 10km at bid evaluation stage and all contract expected to be awarded by August 2013.
Department of Works	Future Stages of Highlands Highway	30,000	15,500	0	Togomba-Kisenepoi 39km preliminary survey and design completed, contract to be awarded in August. Togomba - Mt Hagen 4 lane 38km design contract awarded. Watarais to Kainantu at tender stage, Asaro-Magiro at tender stage and Magiro - Miunde at tender stage.
Department of Works	POM City Roads	100,000	100,000	100,000	K100 million transferred to a trust account and actual expenditure at K63.8 million as of the 13th of June 2013. No detailed implementation report provided to DNPM.
Department of Works	Lae City Roads	100,000	56,950	0	Completion of ongoing contract at K30 million, and out of the 16.9 km of ongoing projects, 9.9km have been completed. 7 km is still in progress. New construction planned for 28.1 km with two new contracts for 2 sections awarded at K20 million. Design standards and specification for concrete pavement on remaining sections almost complete and will be tendered for design and built before the end of July 2013 for K65 million.
National Roads Authority	Lae-Nadzab	150,000	60,000	60,000	China Rail International fulfilled design and financial requirement for first 10km section of the road from Bugandi roundabout to Wau/Bulolo junction. Contract awaiting cabinet endorsement for revised contract price of K288 million. Road corridor survey for 40m width for first 10km completed and valuation exercise for property relocation under review for which payments expected shortly. All service facilities (power, water and telephone) now in prep stages for relocation. Payment for all service relocation expected before the end of July 2013. Expenditure to date is K5 million on pre-construction activities, survey and design. However, due to cost overruns, planned expenditure will exceed 50% or K80 million by the third quarter.

Hospital Management Services	POM General Hospital Rehabilitation	50,000	22,200	20,200	No expenditure to date in 2013 and limited /no progress made due to changes in the Management and a newly appointed CEO. The project account and management/ monitoring/ reporting unit not established and a Project Steering Committee not yet established. Once a more stable management is established, a fully costed and revised work plan for the K300 million and additionally the K50 million for 2013 will be provided.
National Airports Corporation	Jacksons Airport Upgrade and Rehabilitation	30,000	20,000	20,000	Report not provided
Independent Public Business Corporation	POM Sewerage	15,000	662	321	Construction of the sewer system to start in 2014, with the now simplified construction design to be finished within the allocated timeframe of 2018. Design deficiencies in terms of insufficient capacity and higher than originally estimated organic sewage loads (from the original 2020 design horizon to 2045 design horizon) have led to a complete redesign of the plant and the reticulation system. Due to issues with land owners, interference and clashes as a result of NCDC redesigning the Poreporena Freeway and disrupting underground pipe work, a short fall of K37 million from the total loan amount due to the Yen depreciating by 20% and the inadequate design life means that in the worst case scenario, an additional K61 million is required to complete the project. The additional funding required has been declined by JICA, so it will have to come from GoPNG.
Independent Public Business Corporation	PNG LNG Fibre Optic Cable	55,000	20,000	10,000	Advance payment of K748 thousand made to date. Construction of the Optic Fibre Optic Cable awarded, ETA for cables on the 15th of August 2013. Construction of optic fiber cable and award of the Yonki-Mt Hagen contract to commence in mid August.
PM&NEC/ Sports Foundation	2015 Pacific Games	180,000	90,000	0	The K90 million is currently in a trust account, however PM and NEC were given instructions to raise the check for the full amount into the trust account. However, they have not done so to date for the Sports Foundation to utilize for actual implementation. The funding from 2012 of K150 million is currently in the same account, and to date K45 million has been expended. Lengthy tendering processes are delaying the awarding of contracts, however by the end of 2013 the contracts will be awarded and expenditure and implementation can be fast-tracked. The balance for the Pacific Games will roll over from 2013 to 2014, at which point the full amount should be appropriated for the work to be completed by early 2015. However, due to these delays, some venues may not be completed on time - which may require additional funding to hire stands and other equipment and use alternative facilities.

