



FINAL BUDGET OUTCOME

2014

Acronyms

ABG	Autonomous Bougainville Government
BPNG	Bank of Papua New Guinea
CSA	Commercial and Statutory Authority
DSIP	District Support Improvement Program
FAA	Final Available Appropriation
FBO	Final Budget Outcome
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoPNG	Government of Papua New Guinea
GST	Goods & Services Tax
IMF	International Monetary Fund
IFMS	Integrated Financial Management System
IRC	Internal Revenue Commission
LNG	Liquefied Natural Gas
MTDP	Medium Term Development Plan
MTFS	Medium Term Fiscal Strategy
NEC	National Executive Council
NSL	Nambawan Super Limited
PE	Personal Emoluments
SOE	State Own Enterprise
UBSA	Umbrella Benefits Sharing Agreement
WPA	Waigani Public Account

INTRODUCTION

The Final Budget Outcome (FBO) Report is released in accordance with the requirements of Sections 13-16 of the *Papua New Guinea Fiscal Responsibility Act, 2006*.

The purpose of the FBO Report is to provide a report on the budget outcome for each fiscal year. This improves the accountability and transparency of Government financing, and it does so in a timely manner. The 2014 FBO Report aims to provide to Parliament and the public a comparison and explanation of the major variations from the 2014 Budget estimates for total revenue and grants, total expenditure and net lending and the budget balance. It also provides a summary of the National Government financing activities for the financial year and a summary of the National Government debt position, together with comparative figures for the previous financial year.

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

Government owned or controlled units, which sell industrial or commercial goods and services to the public on a large scale, are excluded from the government sector and are classified separately as non-financial public enterprises. Government owned 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 2014 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 of the 2016 Budget the Government will be transitioning to the more modern and transparent 2014 Government Finance Statistics, meaning FBO reporting will also be done on this basis from 2017 onwards.

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

The information presented in this report is based on the same data used in the preparation of the Public Accounts; however this report is compiled before that data has been subject to independent audit. This report will therefore not include the effects of any adjustments made to the underlying data arising from the audit process. In addition, there are some areas where updated figures will modify the actual outcomes, such as when reports are received from all donors on projects grants, and more reporting is provided on the Infrastructure Tax Credit.

The 2014 FBO is the fourth to use the Government's Integrated Financial Management System (IFMS). As with any new system, there are challenges created by the many changes required.

PART 1

FINAL BUDGET OUTCOME BY FISCAL OPERATIONS

1.1 CENTRAL GOVERNMENT FISCAL OPERATIONS

The Final Budget Outcome for 2014 is a deficit of K2,992.2 million which is 7.3 per cent of GDP. The increase in nominal terms from the 2013 deficit outcome of K2,672.4 million (7.7 percent of GDP) reflects a deliberate intervention by the Government to support continued economic growth with expenditures prioritised towards the Medium Term Development Plan (MTDP) enablers particularly infrastructure due to its more immediate impact on future economic growth.

The final budget deficit outcome for 2014 is also reflective of an intervention by the O'Neill Dion Government to re-appropriate savings from Trust Accounts, and find savings in projects an operations in order to upgrade the country's infrastructure and sport facilities to ensure that the 2015 Pacific Games is a memorable event for our visitors and the people of Papua New Guinea

The Final Budget deficit for 2014 compared to the original Budget deficit estimate of K2,353.0 million (5.9 per cent of GDP), is larger by K639.2 million. This is reflective of lower Total Revenue and Grants which turned out to be less by K1,190.9 million as a result of lower Grants and lower non-tax revenue in the form of dividends. Lower reported donor funded project grants and a decrease in revenue through the Infrastructure Tax Credit scheme have an equal and offsetting impact on Total Expenditure and Net Lending so they do not affect the overall fiscal balance. Total Expenditures and Net Lending is also lower by K551.7 million, compared to the original budget estimate which reflects under spends across Goods and Services offsetting overspends in Personal Emoluments by Provinces, as well as lower reporting of Grants. The fiscal outcome for 2014 is set out in the Table 1 below.

Table 1: Budget Balance 2013– 2014 (Kina Millions)

	2013 Outcome	2014 Original Budget	2014 Revised Budget	2014 Outcome
Revenue and Grants	9,832.7	12,688.5	12,674.8	11,497.6
Expenditure and Net Lending	12,505.1	15,041.5	15,103.8	14,489.8
Budget Balance	- 2,672.4	- 2,353.0	- 2,429.0	- 2,992.2
% of GDP	-7.7%	-5.9%	-5.9%	-7.3%

Source: Department of Treasury

Towards the end of 2014, the Total Revenue and Grants revised estimate remained just below the original Budget estimate of K12,688.5 million. Total Expenditure and Net Lending, on the other hand, was anticipated to be higher than the original budget estimate at K15,103.8 million. The revised Total Expenditure and Net Lending estimate reflected inclusion of supplementary expenditures relating to construction costs of PNG's sporting facilities, as well as savings from projects, from operational expenses and from trust accounts in the 2014 Supplementary Budget.

The 2014 budget deficit outcome compared to the revised budget estimate is larger by K563.2 million and is reflective of slightly lower Total Expenditure and Net Lending, as well as, lower Total Revenue and Grants.

1.2 REVENUE

Total Revenue and Grants

The total Revenue and Grants outcome for 2014 is K11,497.6 million (Table 2). Compared to the 2013 outcome of K9,832.7 million, total Revenue and Grants has increased by K1,664.9 million, primarily reflecting growth in collections in Tax Revenue, Non-Tax Revenue and Infrastructure Tax Credits. These increases have offset declines in Grants. The Total Revenue and Grants for 2014 is set out in the Table 2 below.

Compared to the original Total Revenue and Grants estimate of K12,688.5 million, Total Revenue and Grants outcome for 2014 is lower by K1,190.9 million. This reflects lower Tax Revenue (down by K147.5 million), Non-Tax Revenue (down K359.1 million) as well as Project Grants (down K687.5 million) offsetting the increase in Infrastructure Tax Credits (up K3.2 million).

Table 2: Total Revenue and Grants (Kina, Million)

	2013 Outcome	2014 Original Budget	2014 Revised Budget	2014 Outcome
Tax Revenue	8,588.5	9,743.5	9,762.8	9,596.0
Non Tax Revenue	273.9	1,260.0	1,195.5	900.9
Grants	877.5	1,555.0	1,555.0	867.5
Infrastructure Tax Credit	92.8	130.0	161.6	133.2
Total Revenue and Grants*	9,832.7	12,688.5	12,674.8	11,497.6

Source: Department of Treasury

*Includes Infrastructure Tax Credit

The overall shortfall in total Revenue and Grants from the revised Budget estimate is driven mainly by lower than expected collections of total Government Revenue, including an unanticipated shortfall in Tax Revenue, Non Tax Revenue and a smaller shortfall in Infrastructure Tax Credit. In addition, lower than expected reported Grants received from Foreign Donor agencies have also contributed to the overall shortfall.

Tax Revenue

The total Tax Revenue outcome for 2014 is K9,596.0 million. Compared to the 2013 outcome of K8,588.5 million, total Tax Revenue has increased by K1,007.5 million, reflective of strong growth in Tax on Income and Profit (up K1,026.0 million) and Taxes on International Trade (up K57.0 million) which offset the decline in Domestic Taxes on Goods and Services (down K75.4 million). The Tax Revenue for 2014 is set out in the Table 3 below.

Compared to the original Budget of K9,743.5 million, Tax Revenue is lower by K147.3 million or 1.5 per cent.

Table 3: Tax Revenue (Kina, Million)

	2013 Outcome	2014 Original Budget	2014 Revised Budget	2014 Outcome
Tax on Income & Profits	6,081.3	7,117.2	7,079.6	7,107.3
Dom. Taxes on G&S	1,765.8	1,879.4	1,857.7	1,690.4
Taxes on International Trade	741.3	746.9	825.4	798.3
Tax Revenue	8,588.5	9,743.5	9,762.8	9,596.0

Source: Department of Treasury

The fall in Tax Revenue compared to the revised Budget estimate is due to lower than expected collections from Taxes on International Trade (K27.1 million) and Domestic Taxes on Goods and Services (down K167.3 million), offsetting higher than expected collections from Taxes on Income and Profits (up K27.9 million)

Taxes on Income and Profits outcome for 2014 is K7,107.3 million. This increased by K1,026.2 million from the 2013 outcome due to strong collections in Personal Income Tax (up K386.7 million), Company Tax (up K462.1 million), Mining and Petroleum Tax (up K127.5 million), Gaming Tax (up K13.5 million) and other Direct Tax (up K90.2 million). Interest Withholding Tax also slightly higher than 2013 outcome. The increases in these tax heads have offset the decline in Dividend Withholding Tax which was down by K58.4 million. The Taxes on Income and Profits for 2014 is set out in the Table 4 below.

The decrease against the original budget estimate of K7,117.2 million is K9.7 million and is largely reflective of lower Company Tax (down K124.8 million), Dividend Withholding tax (down K75.2), Mining and Petroleum Tax (down K207.6 million), Interest Withholding Tax down K6.1 million) and Gaming Tax (down K22.7 million). These increase in Tax Revenue a substantial increase in Personal Income Tax of K343.1 million.

Table 4: Taxes on Income and Profits (Kina, Million)

	2013 Outcome	2014 Original Budget	2014 Revised Budget	2014 Outcome
Personal Income Tax	2,808.4	2,852.0	3,076.5	3,195.1
Company Tax	2,060.5	2,647.4	2,692.7	2,522.6
Dividend Withholding Tax	244.5	261.3	204.8	186.1
Mining and Petroleum Tax	666.7	1,001.8	766.5	794.2
Interest Withholding Tax	38.5	49.0	38.9	42.9
Other Direct	118.1	125.0	162.5	208.3
Gaming Tax	144.6	180.8	137.8	158.1
Tax on Income & Profits	6,081.3	7,117.2	7,079.6	7,107.3

Source: Department of Treasury

Tax on Income and Profits is K27.7 million higher than the revised Budget estimate of K7,079.6 million, driven by higher than expected collections from Personal Income Tax (up K118.6 million), Mining and Petroleum Tax (up K27.7 million), Gaming Tax (up K20.3 million) and Other Direct Tax (up K44.0 million) and slight increase in Interest Withholding Tax (up K4.0 million). The increase in these tax heads offset the more than expected short fall in the Dividend Withholding Tax (down K18.7 million) and Company Tax collections (down K170.1 million).

Company Tax was lower than expected by K170.1 million due to downward variation of provisional tax by a number of companies with expectations of lower income in 2014. There was also slight short fall in Dividend Withholding Tax (down K18.7 million)

Despite wind-down in LNG-related employment, the Personal Income Tax is stronger than expected (Up K118.6 million) largely due to Additional Revenue Measure and compliance activities undertaken by Internal Revenue Commission (IRC).

Domestic Taxes on Goods and Services have fallen by K75.4 million from the 2013 outcome, driven by lower GST transferred to Waigani Public Accounts (WPA) (down K175.2 million) due to the need to clear GST refund backlogs and late payment and processing issues including late transfer of revenue from Customs to IRC. The Domestic Taxes on Goods and Services for 2014 is set out in Table 5 below.

Compared to the Original Budget estimate of K1,879.4 million, this is a fall of K189.4 million. This is a result of weaker collections of Goods and Services Taxes and Excise Duty which offset higher collections of other indirect Taxes by K1.1 million.

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

	2013 Outcome	2014 Original Budget	2014 Revised Budget	2014 Outcome
Excise Duty	541.9	689.3	651.9	638.6
Goods & Services Tax	1,217.2	1181.4	1,194.1	1,042.0
Other Indirect	6.7	8.7	11.7	9.8
Dom. Taxes on Goods & Services	1,765.8	1,879.4	1,857.7	1,690.4

Source: Department of Treasury

Domestic Taxes on Goods and Services have fallen by K167.3 million from the revised Budget estimate, driven by weak collections from Goods and Services Tax (GST) in provinces due to large outstanding payments yet to be made. Overall, total GST paid to Waigani Public Accounts (WPA) was lower by K152.1 million. This has contributed to the overall shortfall including lower than expected collection in Excise Duty by K13.3 million.

Taxes on International Trade outcome for 2014 total K798.3 million. This increased by K57.0 million from the 2013 outcome of K741.3 million, driven by higher Import Duty collections (up K16.0 million) and Export Duty (up K62.8 million). The increase in Import and Export Duty offset a shortfall of K21.9 million in Import Excise. The Taxes on International Trade for 2014 is set out in the Table 6 below.

The original Budget Taxes on International Trade, on the other hand, was underestimated by K51.4 million. Export Duty increased by K98.0 million which offset the fall in Import Duty (down K15.6 million) and Import Excise (down K31.0 million)

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

	2013 Outcome	2014 Original Budget	2014 Revised Budget	2014 Outcome
Import Duty	257.2	288.8	284.8	273.2
Export Duty	211.7	176.5	268.4	274.5
Excise Duty on Imports	272.5	281.6	272.2	250.6
Taxes on International Trade	741.3	746.9	825.4	798.3

Source: Department of Treasury

Taxes on International Trade were lower by K27.1 million from the revised Budget estimate due to lower than expected collections from Export Duty (down K6.1 million), Import Duty (down K11.6 million) and Import Excise (down K21.6 million).

Non Tax Revenue

Total Non-Tax Revenue outcome for 2014 is K900.9 million. Compared to the 2013 outcome, Non Tax Revenue is up by K627.0 million. The increase revenue is reflective of dividends received from the mining and petroleum sector (up K513.8 million), dividends from other sectors (up K97.0 million) and Fees and Charges from Departments (up K16.2 million) offsetting nill revenue from injection from Trust and Asset Sales. The Total Non Tax Revenue for 2014 is set out in the Table 7 below.

Total Non-Tax Revenue for 2014 is lower than the original budget estimate of K1,260.0 million by K359.1 million (Table 7).

Table 7: Non Tax Revenue (Kina, Million)

	2013 Actual	2014 Original Budget	2014 Revised Budget	2014 Outcome
Property Income	55.0	420.0	943.3	665.8
Dividends	55.0	287.0	337.9	152.0
Mining, Petroleum. & Gas Dividends	0.0	133.0	605.5	513.8
Interest & Fees from Lending	0.0	4.0	4.0	0.0
Other Non-Tax Revenue	218.9	200.0	248.1	235.1
Injection from Trust	0.0	36.0	0.0	0.0
Asset Sales	0.0	600.0	0.0	0.0
Non Tax Revenue	273.9	1,260.0	1,195.5	900.9

Source: Department of Treasury

Compared to the revised Budget, the significant decline is due mainly to lower than expected dividends from the Mining and Petroleum Sector, non-Mining Sector, fees and charges from the Departments and nill payments from Asset sales and Injection from Trust Accounts. From the revised Budget estimate of K1,195.5 million, dividends from Mining and Petroleum and Gas were down by K91.7 million and other dividends from the Non-Mining Sector were down by K185.9 million. In addition, collections from Departmental Fees and Charges were also lower by K13.0 million, and Fees from Lending were lower by K4.0 million.

Grants and the Infrastructure Tax Credit

Project Grants outcome is K867.5 million for 2014. This is lower than the 2013 outcome (Table 2). Compared to the 2013 outcome, Project Grants outcome was down by K10.0 million and down by K687.5 million for both the original and revised budget estimates. The Infrastructure Tax Credit (ITC) was higher than expected by K3.2 million from the Original Budget estimate and down by K28.4 million from the revised budget estimate. Compared to the 2013 outcome the Infrastructure Tax Credit has increased by K40.4 million.

1.3 EXPENDITURE AND NET LENDING

Total Expenditure and Net Lending in 2014 was K14,489.8 million. Compared to the 2013 expenditure outcome of K12,505.1 million Total Expenditure and Net Lending was K1,984.8 million (15.9 per cent) higher, which is reflective of the increased allocation for Infrastructure spending and other key priorities under the Alotau Accord. In 2014, increased funding was provided to support Government priorities and key MTDP enablers including: expanding Tuition Fee Free Education and Free Primary Health care, and improvements in the Law and Order and Infrastructure sectors.

However, this outcome was K551.7 million (6.6 per cent) lower than the original 2014 budget estimate, mainly reflecting lower expenditure reported from Donor Grants which were K687.5 million below estimates and from lower Concessional Loan drawdowns offsetting higher operational expenditure.

Table 8: Expenditure by Funding Source 2013-14 (Kina Millions)

Source of Funding	2013 Actual	2014 Original	2014 Revised	2014 Outcome
Domestic Funds	11,018.2	12,737.9	12,693.5	13,158.0
Project Support Grants	877.5	1,555.0	1,555.0	867.5
Infrastructure Tax Credit Scheme	92.8	130.0	161.6	133.2
Concessional Loans	516.5	871.2	871.2	610.1
Savings	0.0	-152.9*	-177.5**	-279.0***
Grand Total	12,505.1	15,041.5	15,103.8	14,489.8

Source: Department of Treasury

*Savings in the 2014 Original Budget refer to payroll efficiency and aggregate estimate allowances savings

**Savings in the 2014 Revised Budget refer to net Savings from Trust Accounts, and from Domestic Funds not elsewhere classified

***Savings in the 2014 Outcome refer to savings from Trust Accounts listed in Table 19.

Total Expenditure from GoPNG Domestic funds in 2014 was K13,158.0 million. This includes the 2014 Supplementary Budget expenditures for Lae City Roads, Port Moresby City Roads, the 2015 Pacific Games and for the PNG Power Supply Policy. Compared to the 2013 outcome of K11,018.2 million this is an increase of K2,139.8 million. The significant expansion of expenditure is a reflection of the Government's commitment under the Alotau Accord to investing in the enablers of broad-based growth, including Infrastructure, Health, Education and Law & Justice.

For domestic funds under the Capital Investment component total expenditure was K4,506.2 million, a reduction of K393.4 million relative to the 2014 Original Budget of K4,889.6 million. A main factor for this reduction were project savings of K472.0 million identified for the 2014 Supplementary Budget. These were introduced in the third quarter to compensate for revenue shortfalls and to maintain fiscal discipline. In this process it was ensured that all contractual obligations of the Government would be fulfilled and critical projects would be rolled over into the 2015 Budget. Out of these K472.0 million savings identified for the supplementary Budget, only K288.7 million were realised, as agencies reported additional expenditure over the reduced appropriations. Additionally, K120.0 million were not released to the Infrastructure Development Grant, as the project still has significant funds available from previous Budgets and this reduction would contribute significantly to maintaining fiscal discipline.

Actual expenditure of K610.1 million through concessional loans was K285.9 million lower than the original appropriation of K896.0 million. This was due to a slower than expected disbursement schedule to projects funded through concessional loans, which has been experienced for several years. Project support grant expenditure of K867.5 million was

K687.5 million lower than the Original Budget estimate of K1,555 million. This is due to a lag in reporting of actual expenditure for particular projects by development partners, funding of projects that were not initially appropriated and could therefore not be reported in this document and slow project implementation by implementing agencies and the requirement of development partners that full reports must be provided before any additional funds are released.

The 2014 Budget has enabled significant progress of many critical Government projects, such as the infrastructure for the 2015 Pacific Games, major upgrades of Lae and Port Moresby City Roads, the Lae Port Tidal Basin and the upgrading of all Provincial Hospitals. For further information on the status of major investment projects please refer to Appendix 3 in this document and the National Government Critical Activity Matrix Report, published by the Ministry of National Planning.

The outcome for Expenditure by agency type is shown in Table 9 below.

Table 9: Expenditure by Agency Type 2013-14 (Kina Millions)

	2013 Actual	2014 Original	2014 Revised	2014 Outcome
National Departments	6,490.7	7,277.0	6,884.1	7,264.7
Provincial Governments	2,813.4	3,290.7	3,429.6	3,512.8
Autonomous Bougainville Government	228.3	247.0	247.0	230.8
Commercial & Statutory Authorities	1,001.0	1,171.9	1,177.2	1,196.6
Interest Payments	484.9	751.3	955.6	953.1
Infrastructure Tax Credits	92.8	130.0	161.6	133.2
Concessional Loans	516.5	871.2	871.2	610.1
Donor Grants	877.5	1,555.0	1,555.0	867.5
Savings	0.0	-252.9*	-177.5**	-279.0***
Total	12,505.1	15,041.5	15,103.8	14,489.8

Source: Department of Treasury

*Savings in the 2014 Original Budget refer to payroll efficiency and aggregate estimate allowances savings

**Savings in the 2014 Revised refer to net Savings from Trust Accounts, and from Domestic Funds not elsewhere classified

***Savings in the 2014 Outcome refer to savings from Trust Accounts.

Actual Expenditure of domestic funds has increased significantly for National Departments (by K774.0 million), Commercial & Statutory Authorities (by K195.6 million) and Provincial Governments (by K701.9 million including ABG). The increase in funding to Provincial Governments reflects the intention of the Government to financially empower the sub-national level and improve the delivery of goods and services throughout PNG.

Actual Expenditure of domestic funds was slightly below the original 2014 Appropriation for National Departments (by K12.3 million), slightly above for Commercial & Statutory Authorities (by K24.7 million) and significantly above for Provincial Governments (by K205.9 million). This reflects an overspend against revised appropriations in the 2014 Supplementary Budget.

Total expenditure of the Autonomous Bougainville Government was K230.8 million. Compared to the 2013 outcome, expense for ABG increased by K2.5 million (1.1 per cent) reflective of increased funding for Goods and Services. Against the original budget, ABG under spent by K16.2 million (6.6 per cent), due to an under spend on personal emoluments.

Commercial Statutory Authorities (CSA) reported spending K195.6 million (19.5 per cent) more than the 2013 outcome and a K24.7 million (2.1 per cent) over spend against their 2014 original appropriation for Domestic Funds.

Total Interest Payments and Fees in 2014 was K466.4 million (95.8 per cent) higher than the 2013 outcome, primarily as a result of the sharp increase in the level of domestic debt. Compared with the original Budget estimate, total interest payments and fees in 2014 were K201.8 million (26.9 per cent) higher due mainly to higher than expected issuance discount associated with an increase in yields over the year.

Table 10: GoPNG Domestic Funding by Economic Item and Agency Type 2013-14 (Kina Millions) [excluding Debt Service Costs and Supplementary Budget Savings]

Item Type	2013 Actual	2014 Original	2014 Revised	2014 Outcome
Goods and Services	7,682.7	8,833.2	8,349.4	8,508.0
National Department	5,103.3	5,482.7	5,031.7	5,239.2
Commercial & Statutory Authorities	598.0	909.0	882.2	889.7
Provincial Government	1,809.2	2,274.2	2,268.2	2,211.8
Autonomous Bougainville Govt	172.2	182.3	182.3	167.3
Personal Emoluments	3,261.9	3,138.4	3,373.5	3,696.9
National Department	1,653.2	1,794.3	1,852.4	2,025.5
Commercial & Statutory Authorities	283.7	262.9	295.0	306.9
Provincial Government	1,653.2	1,016.5	1,161.4	1,301.0
Autonomous Bougainville Govt	68.0	64.7	64.7	63.5
Grand Total	10,944.5	11,971.6	11,722.9	12,204.9

Source: Department of Treasury

Table 10 above summarizes the Domestic Funds by Economic Item Type for the three different sector aggregates: National Government Departments; Commercial and Statutory Authorities; and Provincial Governments. Details by individual agency/entity are provided in Part 2.

Against original budget estimates the Goods and Services budget was under spent by K325.2 million (3.7 per cent). This however represents an overspend against revised appropriations of K158.6 million. As with previous years there continue to be concerns with over spends against appropriations. In 2014 it was driven by over expenditure on goods and services by national departments, and personal emoluments by National Departments and the Provincial Government.

The over expenditure of Personnel Emoluments (PE) of K616.2 million (19.6 per cent) attributes to overspends by National Departments, Commercial and Statutory Authorities, and Provincial Governments (excluding ABG).

Further data on expenditure on goods and services and personnel emoluments for all Agencies is tabled in Part 2 of this document.

2014 Supplementary Budget

Parliament passed the 2014 Supplementary Budget of K879.3 million in November 2014. The Supplementary Budget provided for the reallocation of K1,070.0 million from some 2014 Budget items and from Trust Accounts to make funding available for the completion of the 2015 Pacific Games facilities (K250.0 million), for NCD and Lae City Roads (K75.0 million and K60.0 million) and for PNG Power (K40 million).

In addition the supplementary Budget allocated appropriations for overspends in Personal Emoluments (K250 million) and additional Interest Costs above 2014 Budget estimates (204.3 million).

The Savings component of the Supplementary Budget consisted of K472.0 million of project savings, K154.0 million of operational savings and K444.0 million of savings from Trust accounts. These were aimed at ensuring the fiscal position, with a deficit of 5.9 per cent of GDP. A list of savings realised from the Trust Accounts is included in table 19 below.

1.4 FINANCING

The final budget outcome for the 2014 Budget deficit was K2,992.2 million. This was financed by a combination of domestic and external sources of funding.

External Funding

Concessional loan drawdowns totalled K610.1 million. This is K93.6 million higher than the 2013 outcome and K261.1 million lower than the original Budget estimate of K871.2 million.

Table 11: External Borrowing 2013-14 (Kina millions)

	2013 Outcome	2014 Original	2014 Revised	2014 Outcome
New External Borrowing	516.5	871.2	871.2	610.1
Concessional financing	516.5	871.2	871.2	610.1
Commercial Financing	0.0	0.0	0.0	0.0
Exceptional Financing	0.0	0.0	0.0	0.0
Repayment of Principal	172.9	223.4	183.9	188.3
Net External Borrowing	343.6	647.8	687.3	421.8

Source: Department of Treasury

The lower drawdown amount compared to the Budget estimate was due to delays in the implementation of a number of underlying projects. Repayment of principal on external loans was K188.3 million which is K15.4 million or 8.9 percent higher than the 2013 outcome and K35.1 million lower than the original Budget estimate. This performance resulted in net external financing of K421.8 million.

Domestic Funding

Table 12: Domestic Borrowing 2013 – 2014 (Kina millions)

	2013 Outcome	2014 Original	2014 Revised	2014 Outcome
New Domestic Borrowing	6,914.6	7,021.1	7,644.5	8,704.3
Treasury Bills financing	5,498.9	5,101.1	5,728.0	6,784.3
Inscribed Stock financing	1,415.7	1,920.0	1,916.5	1,920.0
Repayment of Principal	4,188.0	5,313.0	5,721.1	5,721.1
Treasury Bills maturities	4,049.7	4,956.3	5,364.4	5,364.4
Inscribed Stock maturities	138.3	356.7	356.7	356.7
Net Domestic Borrowing	2,726.5	1,708.1	1,923.3	2,983.1

Source: Department of Treasury

Domestic issuance in 2014 totalled K8,704.3 million which comprised K6,784.3 million in Treasury Bills and K1,920.0 million of Inscribed Stock. Repayment or maturities of principal totalled K5,721.1 million, comprising K5,364.4 million of Treasury Bills and K356.7 million of Inscribed Stock.

Table 13: Summary of Net Borrowings 2014

	2014 Outcome
FINANCING	
Net Domestic Borrowing	2,983.1
Net Foreign Borrowing	421.8
Total Net Borrowing	3,404.9
Deficit	-2,992.2
Change in WPA Balance (Cash on hand used)	-173.6

Source: Department of Treasury and Department of Finance

Debt Service

Total Debt Service comprises repayment of principal and interest. In 2014, repayment of principal was K5,909.4 million comprising of K188.3 million for external debt and K5,721.1 million for domestic debt.

Total interest and fees paid in 2014 was K953.1 million, which comprised K840.4 million for domestic interest costs, K92.7 million for external debt and K20.1 million for borrowing related fees and charges.

Table 14: Interest and Fees (Kina Millions)

	2013 Outcome	2014 Outcome
Domestic		
Interest and other fees paid	478.9	666.5
<i>Adjustments:</i>		
Interest accrued on issuance ¹	(25.7)	(37.9)
Net disc/(prem) on issuance ²	(13.5)	211.8
Total Domestic	439.7	840.4
External		
Interest	34.9	92.7
External Borrowing related charges	12.1	20.1
Total External	47.0	112.8
Total Interest and Charges	486.7	953.1

Source: Department of Treasury

1. Inscribed Stock is a bond instrument that pays semi-annual coupons. Investors who purchase Inscribed Stock are entitled to receive a full coupon on the next coupon date, despite not holding the bond for the full 6 month coupon period. In recognition of this, an element of the proceeds received on issuance is for the interest that has accrued on the bond up to the date of issuance. The proceeds for accrued interest are treated as an interest offset to reflect the true interest cost on the bond.
2. The difference between the proceeds received on issuance and the bond's face value plus accrued interest.

1.5 PUBLIC DEBT

The level of total public debt was K15,365.1 million at the end of 2014, which is K3,487.8 million above the 2013 level and K876.7 million above the 2014 revised estimate.

The level of domestic debt was K11,827.9 million at the end of 2014, K2,983.1 million above the 2013 level and K1,059.8 million above the 2014 revised estimate. This increase in domestic debt levels was mainly due to higher than anticipated Treasury Bills issuance to finance the 2014 budget deficit.

External debt increased to K3,537.2 million, which was due to the increase in net external borrowing for the year less some exchange rate gains.

Table 15: Public Debt 2013 – 2014 (Kina, Millions)

	2013 Actual	2014 Budget	2014 Revised	2014 Outcome
Domestic	8,844.8	10,458.6	10,768.1	11,827.9
Treasury Bills	4,200.7	4,250.9	4,564.3	5,620.6
Inscribed Stock	4,644.1	6,207.7	6,203.8	6,207.3
Other Domestic Debt	0.0	0.0	0.0	0.0
<i>Domestic Debt as a % of GDP</i>	25.8	25.6	26.4	29.0
External	3,032.5	3,497.3	3,720.3	3,537.2
International Agencies	3,018.4	3497.3	3,720.3	3,537.2
Commercial Loans	14.1	0.0	0.0	0.0
Other Loans	0.0	0.0	0.0	0.0
<i>External Debt as a % of GDP</i>	8.8	8.6	9.1	8.7
Total Public Debt Outstanding	11,877.3	13,955.9	14,488.4	15,365.1
<i>As % of GDP</i>	34.6	34.2	35.5	37.7

Source: Department of Treasury

1.6 SUPERANNUATION

In accordance to Sections 4 and 76 of the *Superannuation (General Provisions) Act 2000*, the State is obliged to make a mandatory superannuation contribution of an agreed 8.4 percent of the gross salary, individually, on behalf of all its employees, to Nambawan Super Limited (Super).

Since there are omissions in the budgetary allocations in some fiscal years, the State has incurred superannuation arrears which are yet to be funded. According to the 2013 Nambawan Super Annual Report, the estimated total unfunded State Share Superannuation liability is K2, 026.0 million as at end 31 December 2013, which excludes payments that were made in 2014.

The Automation of the State Share Superannuation Contribution program has been administratively efficient and effective. This program enables the State to make mandatory superannuation contributions for its employees through the government payroll system on a fortnightly basis thus the State did not owe Super at the year ended 31 December 2013.

The Automation Process remits the State Share Superannuation Contributions allocated in a fiscal year while its superannuation liabilities are paid off manually.

In 2014, the Department of Treasury, on behalf of the State manually paid K119.3 million in superannuation payments (Table 16). This comprised exit payments of K84.6 million, K24.7 million in arrears and Section 45A of K10.0 million.

In 2015, the Government has allocated K250.0 million towards the State's Superannuation obligations.

Table 16: State's unfunded superannuation liability and Payments (Kina Million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Est. Unfunded liability	1,458	1,740	1,871	2,036	2,060	2,038	1,972	2,026	YTC¹
Total Payments	58.7	362.4	320.3	110.0	118.0	349.9	327.8	141.9	119.3
<i>Employer Contribution</i>	18.1	25.6	30.8	52.4	41.9	72.2	147.7		
<i>Exit payment</i>	40.6	86.8	99.5	57.6	76.1	67.6	57.4	82.0	84.6
<i>Lump-sum</i>		250.0	190.0						
<i>Arrears</i>						200.1	112.7	59.9	24.7
<i>Section 45A</i>						10.0	10.0		10.0

1 The 2014 estimated unfunded liability is yet to be confirmed

Source: NSL Annual Reports 04-13 and Department of Treasury data

1.7 TRUST ACCOUNTS

Since 2005 a total of K8,503.2 million, up to and including the 2014 Supplementary Budget, has been appropriated to Budget Funded Trust Accounts for the implementation of expenditure programs. The Trust Accounts have largely been funded from additional mineral revenue in Supplementary Budgets and from Annual Budgets. The purpose of holding funds in trusts is to give time to agencies to properly plan and implement projects.

Table 17 shows a summary of the movement of funds in and out of Budget Funded Trust Accounts from 2005 to 2014.

Table 17: Source of Funds for Budget Funded Trust Accounts: 2005 – 2014

Year Appropriated	Deposits from Supplementary Budget & Additional Priority Expenditure	Deposits from Annual Budgets & Interest	Spending from Trust Accounts	Net Savings (Deposits less Spending)
2005	400.0	0.0	0.0	400.0
2006	568.4	0.0	0.0	568.4
2007	1,283.0	0.0	76.0	1,207.0
2008	1,501.4	36.5	480.5	1,057.4
2009	0.0	627.2	2,365.9	(1,738.7)
2010	0.0	887.2	818.3	68.9
2011	628.5	598.2	1,426.3	(199.6)
2012	398.0	428.0	1,095.0	(269.0)
2013	247.6	450.0	537.1	160.5
2014	240.0	209.2	827.9	(378.7)

Source: Department of Treasury and Department of Finance

*Deposits reported against year appropriated, spending reported by calendar year.

The opening balance for Budget Trust Accounts at 1 January 2014 was K612.6 million. Total receipts for the period 1 January to 31 December 2014 were K526.8 million from deposits from the Budget and from the 2013 and 2014 Supplementary Budgets, and K584.1 million in total. The closing balance of Budget Funded Trust Accounts as at 31 December 2014 was K368.8 million. Appendix 1 lists these Trust Accounts.

A total of K329.2 million was appropriated for trust accounts in the 2014 Budget. A total of K315.8 million was appropriated for Budget funded trust accounts in the 2013 Supplementary Budget at the 2014 Budget and total of K250.0 million in the 2014 Supplementary Budget at the time of the 2015 Budget for 2015 Pacific Games.

Table 18 shows the appropriations for these Trust Accounts and the amounts transferred.

Table 18: Appropriations for Trust Accounts 2013-2014 (Kina millions)

Expenditure Programs	Appropriation for Trust Account	Payments into Trust Account
2013 Supplementary Budget		
2015 Pacific Games	315.8	247.6
2014 Budget		
2015 Pacific Games	59.2	59.2
Infrastructure Development Grant (UBSA)	120.0	0.0
Restoration and Development Grant (UBSA)	100.0	100.0
High Impact Projects (UBSA)	50.0	50.0
2014 Supplementary Budget		
2015 Pacific Games	250.0	240.0

Source: Department of Finance

Following is a summary of expenditure for Budget Funded Trust Accounts for the period 1 January – 31 December 2014 where more than K5 million was expended. Appendix 1 shows the movements in these Budget Funded Trust Accounts for the period 1 January to 31 December 2014.

- **K5.0 million was spent from the Transport Sector Infrastructure Rehabilitation Trust Account** for the Central City Re-development.
- **K36.9 million was spent from the District Service Improvement Program Trust Account** for implementation of the District Services Improvement Program around the 89 districts of PNG during this period.
- **K6.5 million was spent from the LNG Project Development Cost** during this period in relation to LNG project development
- **K62.5 million was spent from the PNG-LNG Infrastructure Development Grant** during this period in relation to PNG LNG Infrastructure development.
- **K62.3 million was spent from the PNG LNG High Impact Infrastructure Trust** during this period in relation to impact projects associated with the LNG project in the Southern Highlands and Hela Province.
- **K6.5 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.
- **K495.0 million was spent from the 2015 Pacific Games Trust Account** during this period in relation to the design and construction of stadiums, aquatic centre and games villages within Port Moresby city.

- **K143.5 million was spent from the ABG Restoration and Development Grant Trust** during this period in relation to impact projects associated with the ABG Restoration and Development program in the Autonomous Region of Bougainville.

District Service Improvement program (DSIP) Trust Accounts

DSIP Trust Accounts were designed to fund priority expenditures programs in the Districts. A total of K1, 789.0 million has been appropriated to the DSIP Trust Accounts over the period 2006-2012. During the 2013 Budget, the Government decided to continue implementing the DSIP but this time through the multi-year budgeting framework.

As at 31 December 2014 the combined balance of the 89 District subsidiary bank accounts still held at BSP was K27.7 million. The total DSIP balance reported reflects both the funds held in the primary account at BPNG and the amounts held in the subsidiary trust accounts.

These accounts will soon be closed pending Cabinet approval. Appendix 2 shows the movements of funds for the period 1 January to 31 December 2014 for each of the 89 DSIP subsidiary Bank Accounts in Kina (Thousands).

2014 Supplementary Budget Savings from Trust Accounts

The 2014 Supplementary Budget included K444 million of savings from Trust Accounts, of which K279.0 million were realised. These consisted of the following:

Table 19 2014 Supplementary Budget Trust Account Savings in Kina (millions)

Description	Initial Balance	Proposed Saving	Actual Saving
Correctional Services Development Project (GoPNG)	41.1	20.0	20.0
Health Sector Improvement Program Parent Trust	111.2	60.0	60.0
Department of Justice & Attorney General Pilot	11.8	3.0	-
Works Suspense Outside main Project Account	116.5	90.0	70.0
Plant & Transport Board	16.4	6.0	10.0
Provincial Towns Water supply and Sanitation	24.7	10.0	10.0
Comm Water Transport Fund – GoPNG	18.3	10.0	0.0
Education Capacity Program (Imprest)	31.7	10.0	0.0
Work Permit Trust Account	8.6	6.0	0.0
Seized Goods proceeds	5.9	5.0	3.0
National Planning Committee Task Force	36.0	20.0	20.0
Log Export Development Levy	100.3	80.0	80.0
Log Export Development With-holding Levy	15.0	10.0	0.0
Transport Sector Program	122.4	20.0	0.0
Law & Justice Service (AusAid)	13.6	5.0	0.0
PNG Immigration and Citizenship	5.2	2.0	3.0
Trade Skill Scholarship Trust Account	8.4	3.0	3.0
Central Malalaua Highway	9.0	9.0	0.0
Customs Technology Infrastructure Dev	24.3	10.0	0.0
Tuition Fee Education Trust	52.0	30.0	0.0
Customs Revenue Administration	24.4	5.0	0.0
Value Added Tax	55.5	30.0	0.0
TOTAL	852.8	444.0	279.0

Source: Department of Finance

The actual savings realised from the above is short by K165.0 million and this is mainly due to the selected trusts having insufficient funds at the time of transaction and some being partly donor funded trusts.

TABLE A : CENTRAL GOVERNMENT REVENUE
Kina, Millions

	2013	2014	2014	2014
	Actuals	Original	Revised	Outcome
TAX REVENUE	8,588.5	9,743.5	9,762.7	9,596.0
TAX ON INCOME AND PROFITS	6,081.3	7,117.2	7,079.6	7,107.3
Personal Income Tax	2,808.4	2,852.0	3,076.5	3,195.1
Company Tax	2,060.5	2,647.4	2,692.7	2,522.6
Dividend Withholding Tax	244.5	261.3	204.8	186.1
Mining and Petroleum Taxes	666.7	1,001.8	766.5	794.2
Interest Withholding Tax	38.5	49.0	38.9	42.9
Gaming Tax	144.6	125.0	162.5	158.1
Other: Direct	118.1	180.8	137.8	208.5
DOM. TAXES ON GOODS AND SERVICES	1,765.8	1,879.4	1,857.7	1,690.4
Excise	541.9	689.3	651.9	638.6
GST	1,217.2	1,181.4	1,194.1	1,042.0
Other: Indirect	6.7	8.7	11.7	9.8
TAXES ON INTERNATIONAL TRADE	741.3	746.9	825.4	798.3
Import Duty	257.2	288.8	284.8	273.2
Export Duty	211.7	176.5	268.4	274.5
Excise duties on Imports	272.5	281.6	272.2	250.6
NON-TAX REVENUE	273.9	1260	1,195.5	900.9
PROPERTY INCOME	55.0	420.0	943.3	665.8
Dividends	55.0	287.0	337.9	152.0
Mining and Petroleum Dividends	0.0	133.0	605.5	513.8
INTEREST AND FEES FROM LENDING	0.0	4.0	4.0	0.0
OTHER NON TAX REVENUE	218.9	200.0	248.1	235.1
ASSETS SALES	0.0	600.0	0.0	0.0
Injections from Trust	0.0	36.0	0.0	0.0
TOTAL REVENUE	8,862.4	11,003.5	10,958.2	10,496.9
% of GDP	22.4%	27.8%	26.9%	25.7%
INFRASTRUCTURE TAX CREDIT	92.8	130.0	161.0	133.2
GRANTS	877.5	1,555.0	1,555.0	867.5
Budgetary Support	0.0	0.0	0.0	0.0
Project Grants	877.5	1,555.0	1,555.0	867.5
TOTAL REVENUE AND GRANTS	9,832.7	12,688.5	12,674.8	11,497.6
As % of GDP	24.84%	32.0%	31.1%	28.2%
PRINCIPAL RECEIPTS FROM LENDING	4.0	4.0	4.0	0.0
GROSS BORROWING	7,431.1	7,892.3	8,515.7	9,314.4
ASSET SALES	0	0	0	0
TOTAL RECEIPTS	17,267.8	20,584.8	21,194.5	14,902.7
As % of GDP	50.3%	52.0%	51.9%	36.5%

Source: Department of Treasury

TABLE B: CENTRAL GOVERNMENT EXPENDITURE

Kina, Millions

	2013 Actuals	2014 Original	2014 Revised (Supplementary)	2014 Outcome
National Department	6,490.7	7,277.0	6,884.1	7,264.7
Personnel Emoluments	1,463.4	1,794.3	1,852.4	2,025.5
Goods & Services	1,919.7	1,922.9	1,806.5	1,589.6
Utilities, Rentals and Property Costs	555.1	594.6	591.8	601.0
Grants Subsidies and Transfers	1,285.3	1,063.6	1,104.2	1,439.9
Acquisition of Existing Assets	26.0	55.2	37.9	48.3
Capital Formation	868.1	1,846.4	1,491.4	1,560.5
Other	373.2	0.0	0.0	0.0
Provincial Government	2,813.4	3,290.7	3,429.6	3,512.8
Personnel Emoluments	1,006.3	1,016.5	1,161.4	1,301.0
Goods & Services	931.0	940.6	938.6	930.2
Grants Subsidies and Transfers	745.8	1,168.6	1,196.6	1,166.5
Utilities, Rentals and Property Costs	137.3		0.0	2.4
Capital Formation	150.3	165.0	133.0	112.7
Other (write offs and depreciations)	-6.8	0.0	0.0	
Autonomous Bougainville Government	228.3	247.0	247.0	230.8
Personnel Emoluments	56.1	64.7	64.7	63.5
Goods & Services	4.0	0.0	0.0	0.0
Grants Subsidies and Transfers	70.3	182.3	182.3	167.3
Capital Formation	98.0	0.0	0.0	
Other	0.2	0.0	0.0	
Commercial & Statutory Authorities	1,001.0	1,171.9	1,177.2	1,196.7
Personnel Emoluments	276.5	262.9	295.0	306.9
Goods & Services	149.4	243.5	258.7	248.1
Utilities, Rentals and Property Costs	41.9	40.0	39.7	39.2
Grants Subsidies and Transfers	133.1	106.0	108.5	143.0
Acquisition of Existing Assets	0.4	0.0	0.0	0.0
Capital Formation	399.8	519.4	475.3	459.4
Interest Payments	484.9	751.3	955.6	953.1
Domestic Interest Payments	442.7	687.4	859.9	840.4
Foreign Interest Payments	42.2	63.9	95.7	112.7
Infrastructure Tax Credits	92.5	130.0	161.6	133.2
Grants	877.5	1,555.0	1,555.0	867.5
Concessional loans	516.5	871.2	871.2	610.1
Commercial Loans	0.0	0.0	0.0	0.0
Savings***	0.0	-252.9	-177.5	-279.0
Total Expenditure and Net Lending	12,505.1	15,041.5	15,103.8	14,489.8
%GDP	36%	38%	37%	36%

	2013 Actuals	2014 Original	2014 Revised (Supplementary)	2014 Outcome
AMORTIZATION	4,361.0	5,536.8	5,905.4	5,909.4
Domestic	4,188.0	5,313.4	5,721.5	5,721.1
External	173.0	223.4	183.9	188.3
LNG Equity Purchase	305.0	0.0	0.0	0.0
Loan Repayments	4.0	0.0	4.0	0.0
Total Payments	17,172.1	20,578.3	21,013.2	20,399.2
%GDP	50%	52%	52%	50%

*Savings in the 2014 Original Budget refer to payroll efficiency and aggregate estimate allowances savings

**Savings in the 2014 Revised Budget refer to net savings from Trust Accounts, and from domestic funds not elsewhere classified

***Savings in the 2014 Outcome refer to savings from Trust Accounts

Source: Department of Treasury

TABLE C: CENTRAL GOVERNMENT FINANCING

Kina, Millions	2013 Actuals	2014 Original	2014 Revised	2014 Outcome
TOTAL REVENUE AND GRANTS	9,832.7	12,688.5	12,674.8	11,497.6
TOTAL EXPENDITURE AND NET LENDING	12,505.1	15,041.5	15,103.8	14,489.8
DEFICIT (-) / SURPLUS (+)	-2,672.4	-2,353.0	-2,429.0	-2,992.2
% of GDP	-7.8%	-5.9%	-6.0%	-7.3%
NET EXTERNAL FINANCING	343.5	647.8	687.3	421.8
CONCESSIONAL FINANCING	395.1	703.5	743	421.8
New Borrowing	516.5	871.2	871.2	610.1
Less Amortisation	-121.4	-167.7	-128	-188.3
COMMERCIAL FINANCING	-14.2	-16.3	-14.6	0.0
New Borrowing	0.0	0.0	0.0	0.0
Less Amortisation	-16.1	16.3	-14.6	0.0
EXCEPTIONAL FINANCING	-37.4	-39.4	-41.1	0.0
New Borrowing	0.0	0.0	0.0	0.0
Less Amortisation	-37.4	39.4	-41.1	0.0
NET DOMESTIC FINANCING	2,328.8	1,705.2	1,741.7	2,983.1
NET DOMESTIC MARKET BORROWING	2,726.6	1707.7	1,923.0	2,983.1
New Domestic Borrowing	6,609.6	7,021.1	7,644.5	8,704.3
Investment Financing	305.0	0.0	0.0	0.0
Less Amortisation	-4,188.0	-5,313.4	-5,721.5	-5,721.1
OTHER DOMESTIC FINANCING	-397.8	-2.5	-181.3	-173.6
Changes in Cash Balances	-397.8	-2.5	-181.3	-173.6
TOTAL FINANCING REQUIREMENT	2,672.3	2,353.0	2,429.0	2,992.2
% of GDP	7.8%	5.9%	5.9%	7.3%
GROSS BORROWING	7,431.1	7,892.3	8,515.7	9314.4
Concessional	516.5	871.2	871.2	610.1
Commercial	0.0	0.0	0.0	0.0
Exceptional	0.0	0.0	0.0	0.0
Domestic	6,914.6	7,021.1	7,644.5	8704.3
GROSS AMORTISATION	4,741.9	5,536.8	5,905.4	5,909.4
Concessional	516.5	167.7	128.2	188.3
Commercial	0.0	16.3	14.6	0.0
Exceptional	37.4	39.4	41.1	0.0
Domestic	4,188.0	5,313.4	5,721.5	5,721.1

Source: Department of Treasury

PART 2

FINAL BUDGET OUTCOME BY AGENCY

2.1 INTRODUCTION

This section discusses actual expenditure by agencies for the 2014 National Budget from the view of a fully integrated budget with the distinction being the classification of the budget as Operational and Capital Investment components. This is to progress the Budget reforms of 2013 which included initial integration of the Operational and Capital Investment Components, fiscal decentralisation, enhanced Ministerial engagement in the Budget process and the introduction of a multi-year macro-fiscal framework.

The 2014 Total Expenditure/Outcome is compared to the agency's Revised Expenditure as at 31 December 2014. An agency's revised appropriation in tables 21-24 may not be consistent with data in the 2014 Budget Papers or in Part 1 of this document. This is due to agencies' requests for additional funding or to transfer funds internally on a contingency basis. In some instances, one-off funding for agencies was allocated in Agency 207 (Treasury and Finance Miscellaneous) which was then transferred to the agency. The 2014 Supplementary Budget was funded from reallocating 2014 initial appropriation from a number of agencies as per the 2014 Supplementary Bill.

Section 3 (Secretary's Advance) and Section 4 of the Appropriation Act allows agencies to transfer funding when required for any critical unforeseen funding. A summary of funding under the Secretary's Advance in 2014 is shown in Section 2.3 of this chapter. Section 4 Transfers can occur from one agency to another or from one budget item to another within an agency.

Table 20 captures all transfers done in the year. The total initial appropriation and the Final Available Appropriation (FAA) would remain the same as any funding movements, including Supplementary Budgets are currently treated as movements within the Budget in the IFMS. As such table 20 shows funding movements within the budget without changing the underlying FAA Grand Total.

Table 20 Summary by Agency Type – Final Expenditure Outcome

Details	2014 Initial	Section 3	Section 4	2014 FAA	Total Expenditure	Variance
National Departments	9,341.5	118.7	(510.6)	8,949.1	8,399.7	(549.4)
Commercial and Statutory Authorities	1,640.6	(79.7)	85.1	1,645.9	1,231.9	(414.0)
Provincial Governments	3,560.9	(39.0)	177.9	3,699.8	3,769.2	69.4
Debt Services	751.3	0.0	248.2	999.5	953.1	(46.4)
Grand Total	15,294.4	0.0	0.5	15,294.4	14,353.8	(940.6)

Note: The figures in the table above do not account for amortisation. A negative variance implies underspending/savings. FAA refers to the Final Available Appropriation at the end of 2014.

2.2 OVERVIEW

The initial steps towards fully integrating the operational and capital budgets requires the classification of the Operational and the Capital Investment components. In addition, distinguishing funding from foreign aid donors from the PNG Government funding also assists in assessing expenditure in 2014. As funding from foreign donor agencies is specifically for projects it falls within the Capital Investment component of the budget.

This report also suggests the need for improved expenditure reporting by all Government and Donor Funded Agencies. It is perceived that further roll out of the Integrated Financial Management System (IFMS) to all agencies will ensure that updated data is available on time to assist with decision making and allocation of scarce resources.

Attachments A-C show Government expenditure incurred by all agencies in the three sub-categories of National Departments, Commercial Statutory Authorities and Provincial Governments. Attachment D provides Government expenditure data for Provinces according to the various types of Grants available

The total revised 2014 Budget was K15,281.1 million. This is inclusive of K955.6 million for Interest Repayments and does not factor in the allocation for Amortisation under Agency 299 (Debt Services).

Table 21 below shows revised Operational funding of K8,165.3 million, Capital Investment funding of K4,528.2 million and Donor Grants, Loans and Infrastructure Tax Credit funding to be K2,587.6 million. The data in Table 21 shows that there was an overall under spend of K927.3 million occurred in the 2014 National Budget.

Table 21

Details by Budget Component	2014 Initial	2014 Revised	Total Expenditure	Variance
Operational	7,823.8	8,165.3	8,236.8	71.5
Personnel Emoluments	3,129.7	3,370.1	3,690.5	320.3
Goods & Services	3,942.8	3,839.5	3,593.2	(246.3)
Debt (Interest Repayment)	751.3	955.6	953.1	(2.5)
Capital Investment - GoPNG	4,914.6	4,528.2	4,506.2	(22.0)
Personnel Emoluments	9.1	3.4	6.5	3.1
Goods & Services	4,905.5	4,524.9	4,499.8	(25.1)
Capital Investment - Donor Grants, Loans, ITC	2,556.0	2,587.6	1,610.8	(976.8)
Grants	1,554.9	1,554.9	867.5	(687.4)
Loans	871.1	871.1	610.1	(261.0)
ITC	130.0	161.6	133.2	(28.4)
Grand Total	15,294.4	15,281.1	14,353.8	(927.3)

Note: A negative variance implies underspending

Table 22 shows that under spending occurred in goods and services where National Department's in the Operational component had underspending of K210.3 million. For Capital Expenditure (GoPNG) Provinces (K37.2 million and CSAs (K30.7 million) recorded underspends. Donor grants and concessional loans had total under expenditure of K948.4 million which is identified as the main driver for underspending in 2014.

Table 22

Details	2014 Initial	2014 Revised	Total Expenditure	Variance
Operational	7,823.8	8,165.3	8,236.8	71.5
National Departments	5,118.8	5,008.6	4,971.3	(37.3)
Personnel Emoluments	1,787.1	1,850.5	2,023.6	173.0
Goods & Services	3,331.7	3,158.1	2,947.8	(210.3)
Commercial & Statutory Authorities	377.1	456.5	466.7	10.2
Personnel Emoluments	261.4	293.5	305.4	12.0
Goods & Services	115.7	163.0	161.3	(1.8)
Provincial Governments	1,576.6	1,744.5	1,845.7	101.1
Personnel Emoluments	1,081.2	1,226.1	1,361.5	135.4
Goods & Services	495.4	518.4	484.2	(34.2)
Debt Services	751.3	955.6	953.1	(2.5)
Debt (Interest Repayment)	751.3	955.6	953.1	(2.5)
Capital Investment - GoPNG	4,914.6	4,528.2	4,506.2	(22.0)
National Departments	2,158.8	1,875.5	1,918.4	42.9
Personnel Emoluments	7.7	1.9	2.0	0.1
Goods & Services	2,151.1	1,873.7	1,916.5	42.8
Commercial & Statutory Authorities	794.8	720.7	689.9	(30.7)
Personnel Emoluments	1.5	1.5	1.5	(0.0)
Goods & Services	793.3	719.2	688.4	(30.7)
Provincial Government	1,961.1	1,932.1	1,897.9	(34.1)
Personnel Emoluments	-	-	3.0	3.0
Goods & Services	1,961.1	1,932.1	1,894.9	(37.2)
Capital Investment - Donor Grants, Loans, ITC	2,556.0	2,587.6	1,610.8	(976.8)
Grants	1,554.9	1,554.9	867.5	(687.4)
Loans	871.1	871.1	610.1	(261.0)
ITC	130.0	161.6	133.2	(28.4)
Grand Total	15,294.4	15,281.1	14,353.8	(927.3)

Table 23 below categorises Government expenditure as a single unified budget without distinguishing between the Operational and Capital Investment components. Data below shows that there were underspends for donor grants (K687.4 million) and concessional loans (K261.0 million).

Details	2014 Initial	2014 Revised	Total Expenditure	Variance
National Departments Commercial & Statutory Authorities	7,277.5	6,884.1	6,889.7	5.6
Provincial Governments	1,171.9	1,177.2	1,156.6	(20.6)
Debt (Interest Repayment)	3,537.7	3,676.6	3,743.6	67.0
Grants	751.3	955.6	953.1	(2.5)
ITC	1,554.9	1,554.9	867.5	(687.4)
Loans	130.0	161.6	133.2	(28.4)
Grand Total	871.1	871.1	610.1	(261.0)
	15,294.4	15,281.1	14,353.8	(927.3)

Table 24 looks at Government of PNG funding only. It is seen that regardless of the overall underspend of K927.3 million, there are still overspends of K173.0 million for National Departments and K135.4 million by Provincial Administrations under the Operational funding for Personnel Emoluments.

Details	2014 Initial	2014 Revised	Total Expenditure	Variance
National Department	8,028.9	7,839.8	7,842.8	3.1
Personnel Emoluments	1,794.7	1,852.4	2,025.5	173.1
Operational	1,787.1	1,850.5	2,023.6	173.0
Capital Investment - GoPNG	7.7	1.9	2.0	0.1
Goods & Services	6,234.1	5,987.4	5,817.3	(170.0)
Operational	3,331.7	3,158.1	2,947.8	(210.3)
Debt (Interest Repayment)	751.3	955.6	953.1	(2.5)
Capital Investment - GoPNG	2,151.1	1,873.7	1,916.5	42.8
Commercial & Statutory Authorities	1,171.9	1,177.2	1,156.6	(20.6)
Personnel Emoluments	262.9	295.0	306.9	11.9
Operational	261.4	293.5	305.4	12.0
Capital Investment - GoPNG	1.5	1.5	1.5	(0.0)
Goods & Services	909.0	882.2	849.7	(32.5)
Operational	115.7	163.0	161.3	(1.8)
Capital Investment - GoPNG	793.3	719.2	688.4	(30.7)
Provincial Government	3,537.7	3,676.6	3,743.6	67.0
Personnel Emoluments	1,081.2	1,226.1	1,364.5	138.4
Operational	1,081.2	1,226.1	1,361.5	135.4
Capital Investment - GoPNG	-	-	3.0	3.0
Goods & Services	2,456.5	2,450.5	2,379.1	(71.4)
Operational	495.4	518.4	484.2	(34.2)
Capital Investment - GoPNG	1,961.1	1,932.1	1,894.9	(37.2)
Grand Total	12,738.4	12,693.5	12,743.0	49.5

2.3 SECRETARY'S ADVANCE

In 2014, K100.0 million was allocated for Section 3 movements under the Secretary's Advance. Table 25 below summarises the transactions that occurred in 2014 under the Secretary's Advance.

Table 25

Div.	Agency	Particulars /Description	Initial Appropriation	Section 3 Plus (+)	Section 3 Minus (-)	Secretary's Advance Revised
207	Treasury & Finance (Misc.)	2014 Initial Appropriation	100,000,000			
207	Treasury & Finance (Misc.)	Legal Fees			1,273,100	98,726,900
242	Community Development	Funeral Arrangements			300,000	98,426,900
242	Community Development	Funeral Arrangements			300,000	98,126,900
223	Judiciary Services	As per 2013 Supplementary Bill			62,000,000	36,126,900
203	Prime Minister & NEC	Outstanding PM's commitment			10,000,000	26,126,900
207	Treasury & Finance (Misc.)	Solwara 1 equity			20,000	26,106,900
207	Treasury & Finance (Misc.)	Solwara 1 equity			19,980,000	6,126,900
232	DPLG	Operational expenses.			1,500,000	4,626,900
565	Civil Aviation Authority	Staff salaries			2,500,000	2,126,900
232	DPLG				1,500,000	626,900
254	Geohazards Management	CCOP Annual Session			1,000,000	-373,100
232	DPLG	Transfer To Sec Advance		1,500,000		1,126,900
203	Prime Minister & NEC	Security personnel			120,000	1,006,900
225	Attorney-General	Ramu Nickle Project settlement.			230,000	776,900
207	Treasury & Finance (Misc.)	Transfer of funds to			250,000	526,900
257	Public Enterprises	L1 Ventures for Consultancy			297,000	229,900
254	Geohazards Management	Vehicle purchase			229,900	0
Total			100,000,000	1,500,000	101,500,000	0

3.0 Attachments and Appendices (overleaf)

ATTACHMENT A

National Departments – Personnel Emoluments and Goods & Services (GoPNG component)

Details	2014 Initial	2014 Revised	2014 Outcome	Variance
Personnel Emoluments	1,794.7	1,852.4	2,025.5	173.1
201 - National Parliament	86.2	123.2	123.2	-
202 - Governor-General	2.3	3.3	3.5	0.2
203 - Prime Minister and NEC	47.9	53.2	53.3	0.1
204 - National Statistics Office	4.4	5.3	6.9	1.6
205 - Bougainville Affairs	1.7	1.7	1.9	0.2
206 - Finance	21.9	18.1	19.5	1.4
207 - Finance and Treasury Misc	320.3	200.3	285.9	85.6
208 - Treasury	18.5	15.8	11.3	(4.4)
209 - ORPP	4.6	3.9	3.5	(0.5)
211 - PNG Customs Service	23.6	24.1	16.9	(7.3)
212 - ITD	5.4	4.5	2.5	(2.0)
213 - Fire Services	10.3	12.6	13.5	0.9
215 - PNG Immigration and Citizenship Services	8.7	9.9	15.5	5.7
216 - Internal Revenue Commission	26.0	26.4	15.5	(10.9)
217 - Foreign Affairs	34.3	32.0	32.9	0.9
218 - Office of the Public Prosecutor	4.8	4.6	5.3	0.8
219 - PNG Institute of Public Administration	4.8	4.2	4.3	0.1
220 - Personnel Management	14.1	48.6	38.1	(10.5)
221 - Public Service Commission	4.7	4.6	4.8	0.2
222 - Office of Public Solicitor	7.9	7.8	8.0	0.3
224 - Magisterial Services	28.2	28.2	34.1	5.8
225 - Attorney General	22.4	64.1	26.8	(37.4)
226 - Correctional Institutions	71.2	83.7	61.9	(21.9)
227 - Provincial Treasuries	30.2	38.4	32.3	(6.1)
228 - Police	177.1	190.6	199.3	8.7
229 - Planning and Monitoring	10.9	12.8	11.7	(1.1)
230 - Electoral Commission	7.3	8.8	6.6	(2.2)
231 - National Intelligence Organisation	2.2	2.5	2.9	0.5
232 - Provincial and Local Govt Affairs	8.7	9.5	7.4	(2.0)
234 - Defence	103.7	107.0	117.0	10.0
235 - Education	117.9	121.1	127.1	6.0
236 - Higher Education Commission	3.5	3.6	3.0	(0.6)
237 - Office of UNESCO	1.5	1.5	2.2	0.6
238 - Milne Bay Provincial Health Authority	19.3	21.1	1.0	(20.1)
239 – West'n Highlands Provincial Health Authority	23.0	23.0	4.8	(18.2)
240 - Health	70.5	66.7	78.6	11.9
241 - Hospital Management Services	266.3	284.5	483.5	199.0
242 - Community Development	9.8	10.2	10.8	0.6
243 - National Volunteer Service	0.9	0.9	2.3	1.4
244 – East'n Highlands Provincial Health Authority	23.2	26.3	1.5	(24.7)
245 - Environment and Conservation	6.5	5.9	6.0	0.1
246 - Office of Urbanization	1.3	0.8	0.2	(0.6)
247 - Agriculture and Livestock	11.5	11.1	10.8	(0.3)
252 - Lands and Physical Planning	14.9	13.7	13.6	(0.1)

254 - Mining	5.0	5.2	5.4	0.2
255 - Petroleum and Energy	10.6	8.7	8.7	(0.0)
257 - Public Enterprises	2.1	2.6	2.4	(0.2)
258 - Information and Communication	1.6	1.5	1.6	0.1
259 - Transport	11.8	11.9	11.4	(0.5)
261 - Trade and Industry	6.7	5.4	6.3	0.9
262 - Industrial Relations	12.6	13.2	13.2	0.0
263 - National Tripartite Consultative Council	0.4	0.4	0.4	(0.0)
264 - Works and Implementation	52.8	56.9	58.0	1.2
267 - Office of Rural Development	4.2	3.9	3.7	(0.2)
268 - Central Supply and Tenders Board	1.4	1.4	1.1	(0.3)
269 - Office of Tourism Arts and Culture	1.0	1.2	1.7	0.5
Goods & Services	5,482.8	5,031.7	4,864.2	(167.5)
201 - National Parliament	44.6	80.1	80.1	-
202 - Governor-General	2.4	4.1	4.1	-
203 - Prime Minister and NEC	92.0	168.7	168.4	(0.3)
204 - National Statistics Office	1.6	7.6	7.5	(0.0)
205 - Bougainville Affairs	1.5	3.1	3.1	(0.1)
206 - Finance	16.0	23.7	23.3	(0.4)
207 - Finance and Treasury Misc	1,245.4	742.5	321.8	(420.8)
208 - Treasury	178.5	239.8	111.6	(128.2)
209 - ORPP	2.9	3.6	3.6	(0.0)
211 - PNG Customs Service	39.9	36.4	36.7	0.4
212 - ITD	14.3	13.6	13.1	(0.4)
213 - Fire Services	12.3	10.6	11.4	0.8
216 - Internal Revenue Commission	50.2	42.4	35.7	(6.7)
217 - Foreign Affairs	92.3	97.5	97.7	0.2
218 - Office of the Public Prosecutor	2.1	3.0	3.7	0.7
219 - PNG Institute of Public Administration	2.0	2.6	2.5	(0.2)
220 - Personnel Management	5.7	14.1	14.1	(0.0)
221 - Public Service Commission	1.4	1.5	1.5	0.0
222 - Office of Public Solicitor	4.0	4.1	4.1	(0.0)
223 - Judiciary Services	87.0	164.5	164.5	-
224 - Magisterial Services	8.5	8.2	8.2	-
225 - Attorney General	30.1	38.1	37.5	(0.5)
226 - Correctional Institutions	44.9	53.2	56.0	2.8
227 - Provincial Treasuries	9.9	9.2	10.4	1.2
228 - Police	169.9	199.8	225.5	25.7
229 - Planning and Monitoring	152.1	164.5	164.4	(0.1)
230 - Electoral Commission	18.8	37.0	37.8	0.8
231 - National Intelligence Organisation	2.2	2.9	2.6	(0.2)
232 - Provincial and Local Government Affairs	7.0	21.8	21.4	(0.4)
234 - Defence	142.2	149.5	166.5	17.0
235 - Education	729.0	724.5	726.9	2.4
236 - Higher Education Commission	112.2	93.3	97.5	4.2
237 - Office of UNESCO	0.6	0.6	0.6	(0.0)
238 - Milne Bay Provincial Health Authority	5.4	4.6	4.6	-
239 - West'n Highlands Provincial Health Authority	6.1	5.6	5.6	-
240 - Health	276.1	297.6	496.7	199.1
241 - Hospital Management Services	259.8	236.3	348.2	111.9
242 - Community Development	8.9	9.6	9.5	(0.1)

243 - National Volunteer Service	0.3	0.3	0.3	0.0
244 – East'n Highlands Provincial Health Authority	5.5	5.5	5.5	-
245 - Environment and Conservation	23.3	22.2	23.9	1.7
246 - Office of Urbanization	0.3	0.3	-	(0.3)
247 - Agriculture and Livestock	23.5	20.2	21.6	1.4
252 - Lands and Physical Planning	47.2	45.7	46.1	0.4
254 - Mining	8.0	10.1	10.0	(0.1)
255 - Petroleum and Energy	8.9	16.1	16.1	0.0
257 - Public Enterprises	1.7	4.0	4.7	0.7
258 - Information and Communication	9.1	9.0	7.9	(1.1)
259 - Transport	11.5	11.1	10.9	(0.2)
261 - Trade and Industry	67.6	51.5	61.5	10.0
262 - Industrial Relations	14.5	10.1	9.4	(0.7)
263 - National Tripartite Consultative Council	0.5	0.5	0.5	-
264 - Works and Implementation	1,321.0	1,042.7	1,054.8	12.1
267 - Office of Rural Development	58.1	60.7	60.7	(0.0)
268 - Central Supply and Tenders Board	1.3	1.2	1.0	(0.2)
269 - Office of Tourism Arts and Culture	1.0	1.0	1.0	-
299 - Debt Services	751.3	955.6	953.1	(2.5)
Grand Total	8,028.9	7,839.8	7,842.8	3.1

Note that the tables in Attachments A-D includes only GoPNG funded expenditure

ATTACHMENT B

Commercial Statutory Authorities – Personnel Emoluments (PE) and Goods & Services (GoPNG component)

Details	2014 Initial	2014 Revised	2014 Outcome	Variance
Personnel Emoluments	262.9	295.0	306.9	11.9
502 - Auditor General	7.4	7.4	7.4	-
503 - Ombudsman	9.3	10.3	10.3	-
505 - National Research Institute	3.2	3.6	3.6	-
506 - National Training Council	0.9	0.9	1.7	0.8
507 - National Economic and Fiscal Commission	1.1	0.9	0.9	(0.0)
509 - Border Development Authority	2.0	2.0	2.0	-
510 - Legal Training Institute	1.2	1.2	1.2	-
511 - Office of Climate Change	2.0	3.1	4.6	1.5
512 - UPNG	40.8	47.8	47.8	(0.0)
513 - UNITECH	35.7	36.6	35.7	(1.0)
514 - University of Goroka	15.8	16.0	16.0	-
515 - University of Natural Resources	13.6	14.5	14.5	(0.0)
516 - PNG Sports Commission	6.3	6.9	8.0	1.1
517 - Narcotics Bureau	2.3	2.3	2.6	0.3
518 - PNG Maritime	3.3	3.3	3.3	-
519 - AIDS Council	6.6	7.1	7.1	-
520 - Institute of Medical Research	6.0	7.9	7.9	-
521 - National Youth Commission	1.7	1.7	3.1	1.4
522 - Constitutional and Law Reform Commission	2.0	2.0	2.0	-
523 - Accidents & Investigation Commission	4.4	4.4	4.4	-
525 - National Broadcasting Commission	15.2	22.9	22.9	-
530 - Investment Promotion Authority	1.4	1.4	1.4	-
531 - Small Business Goods & Services Corp.	2.7	2.7	2.7	-
532 - Institute of Standards and Industrial Tech.	1.8	1.8	3.2	1.4
533 - Industrial Centres Development Corporation	2.1	2.1	2.1	-
536 - Kokonas Industry Kopration	0.4	0.4	0.4	-
539 - National Museum	4.5	4.5	6.4	1.9
541 - National Housing Corporation	-	-	(1.5)	(1.5)
542 - National Cultural Commission	2.9	2.9	4.8	1.9
549 - Coastal Fisheries	1.7	2.7	2.7	-
550 - Cocoa Coconut Institute	5.8	7.0	7.0	-
551 - Fisheries (Project)	-	-	(0.0)	(0.0)
553 - Fresh Produce Development Company	3.4	3.4	3.4	-
554 - Coconut Industry Corporation	1.8	1.8	1.8	-
557 - PNG National Forest Authority	22.0	23.5	23.5	-
558 - Tourism Promotion Authority	1.9	1.9	1.9	-
562 - National Agriculture Research Institute	8.7	8.7	8.7	-
563 - NAQIA	4.7	6.8	10.7	3.9
565 - Civil Aviation Authority	10.1	12.6	12.8	0.2
566 - Cocoa Board	0.2	1.7	1.7	-
569 - ICCC	6.1	6.1	6.1	-
Goods & Services	909.0	882.2	849.7	(32.5)
501 - Konebada Petroleum Park Authority	-	3.0	3.0	-
502 - Auditor General	10.6	12.5	12.5	-

503 - Ombudsman	8.8	8.3	8.3	-
505 - National Research Institute	1.7	1.6	1.6	-
506 - National Training Council	1.8	1.7	1.7	-
507 - National Economic and Fiscal Commission	1.9	2.0	2.0	(0.0)
509 - Border Development Authority	7.3	9.2	9.2	-
510 - Legal Training Institute	1.3	1.3	1.3	-
511 - Office of Climate Change	6.8	6.6	6.0	(0.6)
512 - UPNG	27.7	25.7	20.7	(5.0)
513 - UNITECH	28.8	18.8	8.8	(10.0)
514 - University of Goroka	1.8	1.8	1.8	-
515 - University of Natural Resources	11.7	11.7	11.7	(0.0)
516 - PNG Sports Commission	13.9	18.4	18.4	(0.0)
517 - Narcotics Bureau	2.2	2.0	0.9	(1.0)
519 - AIDS Council	4.7	4.6	4.6	-
520 - Institute of Medical Research	5.8	4.8	4.4	(0.4)
521 - National Youth Commission	7.6	7.4	7.4	-
522 - Constitutional and Law Reform Commission	2.1	2.0	2.0	-
523 - Accidents & Investigation Commission	1.2	1.2	1.2	-
524 - Independent Public Business Corporation	345.0	335.0	335.0	-
525 - National Broadcasting Commission	12.9	12.6	12.6	-
526 - National Maritime Safety Authority	1.7	6.1	6.1	-
530 - Investment Promotion Authority	1.4	1.9	1.9	-
531 - Small Business Goods & Services Corp.	3.7	3.7	3.7	(0.0)
532 - Institute of Standards and Industrial Tech.	1.5	1.5	1.5	-
533 - Industrial Centres Development Corporation	0.2	0.2	0.2	-
535 - Mineral Resources Authority	2.1	1.9	0.7	(1.2)
536 - Kokonas Industry Koproration	12.7	17.7	17.7	-
537 - National Airports Corporation	76.0	68.8	68.8	-
538 - Papua New Guinea Air Services Limited	14.3	9.3	3.3	(6.0)
539 - National Museum	9.5	9.4	5.4	(4.0)
541 - National Housing Corporation	0.2	0.2	0.2	-
542 - National Cultural Commission	2.3	22.2	22.2	-
543 - National Development Bank	100.0	77.0	80.0	3.0
546 - PNG Power Limited	30.0	22.0	14.9	(7.1)
549 - Coastal Fisheries	40.7	40.7	40.7	-
550 - Cocoa Coconut Institute	10.7	10.7	10.7	-
551 - Fisheries (Project)	4.0	-	-	-
553 - Fresh Produce Development Company	8.1	8.0	8.0	-
554 - Coconut Industry Corporation	30.6	30.5	30.5	-
556 - PNG Rubber Board	-	1.9	1.9	-
557 - PNG National Forest Authority	8.0	14.1	14.1	-
558 - Tourism Promotion Authority	11.8	11.2	11.1	(0.1)
559 - PNG Oil Palm Industry Corporation	2.0	2.0	2.0	-
562 - National Agriculture Research Institute	0.4	0.4	0.4	-
563 - NAQIA	2.5	2.1	2.1	-
565 - Civil Aviation Authority	1.0	6.0	6.0	-
566 - Cocoa Board	16.6	16.6	16.6	-
568 - Livestock Development Corporation	8.0	0.6	0.6	-
569 - ICCC	3.5	3.6	3.6	-
Grand Total	1,171.9	1,177.2	1,156.6	(20.6)

ATTACHMENT C

Provinces – PE and Goods & Services (GoPNG component)

Details	2014 Initial	2014 Revised	2014 Outcome	Variance
Personnel Emoluments	1,081.2	1,226.1	1,364.5	138.4
571 - Western	41.1	45.6	53.6	8.0
572 - Gulf	23.8	25.3	26.2	0.9
573 - Central	51.3	55.0	63.4	8.4
574 - National Capital District	0.2	0.2	0.2	(0.0)
575 - Milne Bay	39.5	44.9	58.5	13.5
576 - Oro	29.4	31.8	35.2	3.4
577 - Southern Highlands	75.8	95.7	119.0	23.3
578 - Enga	48.3	64.1	84.8	20.7
579 - West Highlands	68.3	81.6	101.9	20.3
580 - Simbu	60.5	72.6	75.2	2.6
581 - Eastern Highlands	58.3	70.2	81.9	11.7
582 - Morobe	93.3	105.5	141.9	36.4
583 - Madang	65.7	79.1	99.2	20.1
584 - East Sepik	63.4	71.1	79.6	8.5
585 - Sandaun Provincial Government	52.7	56.4	52.8	(3.5)
586 - Manus	27.8	29.2	26.8	(2.4)
587 - New Ireland	39.1	44.0	48.9	4.9
588 - East New Britain	69.4	74.8	82.5	7.7
589 - West New Britain	52.2	56.5	64.6	8.1
590 - ABG	64.7	64.7	63.5	(1.2)
591 - Hela	27.5	28.9	0.8	(28.1)
592 - Jiwaka	28.8	28.8	4.0	(24.8)
Goods & Services	2,456.5	2,450.5	2,379.1	(71.4)
571 - Western	81.7	81.7	81.4	(0.4)
572 - Gulf	65.6	67.6	67.0	(0.6)
573 - Central	95.7	99.7	99.2	(0.5)
574 - National Capital District	54.2	54.2	53.8	(0.4)
575 - Milne Bay	100.5	100.5	00.3	(0.3)
576 - Oro	52.7	52.7	52.5	(0.2)
577 - Southern Highlands	159.8	154.8	151.7	(3.2)
578 - Enga	169.9	149.9	149.6	(0.2)
579 - West Highlands	122.1	122.1	117.9	(4.2)
580 - Simbu	137.9	147.9	141.9	(5.9)
581 - Eastern Highlands	178.0	178.0	177.1	(0.8)
582 - Morobe	172.8	170.8	167.5	(3.2)
583 - Madang	145.6	145.6	145.1	(0.4)
584 - East Sepik	158.9	158.9	152.1	(6.8)
585 - Sandaun	108.6	111.6	108.2	(3.4)
586 - Manus	37.4	37.4	35.5	(1.9)
587 - New Ireland	58.1	58.1	57.4	(0.7)
588 - East New Britain	111.6	112.6	108.2	(4.4)
589 - West New Britain	56.8	56.8	56.7	(0.1)
590 - ABG	182.3	182.3	167.3	(15.0)
591 - Hela	111.4	118.4	127.5	9.1
592 - Jiwaka	94.8	88.8	61.2	(27.6)
Grand Total	3,537.7	3,676.6	3,743.6	67.0

ATTACHMENT D

Provinces – Grants Personnel Emoluments and Goods & Services (GoPNG component)

Details	2014 Initial	2014 Revised	2014 Outcome	Variance
Personnel Emoluments	1,081.2	1,226.1	1,364.5	138.4
Staffing Grants	326.9	346.9	1.6	(345.3)
Salaries and Allowances	-	-	1,308.4	1,308.4
Teachers Salaries Grant	706.2	831.1	3.5	(827.6)
Public Service Leave Fare	12.8	12.8	12.4	(0.4)
Teachers Leave Fares	27.1	27.1	26.6	(0.5)
Overtime	-	-	0.8	0.8
Village Court Allowances	8.2	8.2	7.8	(0.4)
Others	-	-	3.5	3.5
Goods & Services	2,456.5	2,450.5	2,379.1	(71.4)
Administration Grant	25.4	26.4	25.8	(0.6)
Education Function Grant	96.3	96.3	91.7	(4.5)
Health Function Grant	89.4	89.4	85.8	(3.6)
Infrastructure Grant	126.2	126.2	120.1	(6.0)
Primary Production Grant	29.9	29.9	28.8	(1.1)
Service Delivery Grant	43.0	48.0	42.4	(5.6)
Special Support Grants	-	-	30.9	30.9
Towns and Urban Services Grants	3.7	3.7	3.3	(0.4)
Village Courts Grant	6.2	6.2	5.9	(0.3)
LLG Village Services Grant	53.1	53.1	45.8	(7.3)
Grants & Transfers to Public Authorities	855.5	877.5	826.5	(50.9)
Goods & Services Grants - ABG	19.1	19.1	19.1	-
National Functions and Powers Grants	0.3	0.3	0.3	-
Police & Services Grants - ABG	2.8	2.8	2.8	-
others	1,105.6	1,071.6	1,049.7	(21.9)
Grand Total	3,537.7	3,676.6	3,743.6	67.0

Note that data for Staffing Grants and Teachers' Salaries Grants are included under Salaries and Allowances.

APPENDIX 1

Appendix 1 shows the movements in Budget Funded Trust Accounts for the period 1 January to 31 December 2014.

Appendix 1: Movements of Funds in Trust Accounts in 2014 (Kina millions)

Trust Account Description	Balance as at 1-Jan-14	Debit (Receipt)	Credit (Payment)	Balance as at 31- Dec-14
Outstanding Special Support Grant	0	0.1	0	0.1
Education Sector Infrastructure Rehabilitation	1.1	0	0.3	0.8
Higher Education Sector Infrastructure Rehabilitation	2.3	3.4	0	5.7
Transport Sector Infrastructure Rehabilitation	48.3	0	5.0	43.3
Lae City Roads Rehabilitation	0	2.1	0	2.1
Kokopau to Arawa Road Upgrading and Bitumen Sealing	2.6	0	2.6	0
Trans Sepik Highway	0	0	0	0
Trans East – West New Britain Highway	0.7	0	0.6	0.1
Central Malalaua Highway	9.0	0	0	9.0
Resettlement of Rabaul Volcano Victims	0.2	3.0	0	3.2
Hospital and Healthcare Centre Rehabilitation	0	0	0	0
Rehabilitation of Housing for Nurses	0.2	0	0	0.2
Rehabilitation of Housing for Police	18.7	1.6	0	20.3
District Services Improvement Program	64.6	0	36.9	27.7
Institutional Housing Pilot	0	0	0	0
Urbanisation Pilot	4.2	0	4.2	0
Housing Development Pilot	0	0	0	0
Madang Marine Park	0	8.4	0	8.4
Rural Electrification	0	0	0	0
Konebada Petroleum Park	0	0	0	0
Regional, Provincial Treasury and District Admin. Offices	0.2	0	0	0.2
LNG Project Development Cost	6.5	0	6.5	0
Infrastructure Development Grants	122.4	0	62.5	59.9
Coastal Vessels	0.1	0	0	0.1
Outstanding MOA Liabilities	0	0	0	0
Highlands Highway Rehabilitation	0	0	0	0
Rural District Roads Support	2.1	0	2.1	0
PNG LNG High Impact Infrastructure	43.4	20.0	62.3	1.1
Variarata National Park Rehabilitation	0	0	0	0
District Offices Rehabilitation	0.4	0	0	0.4
Mining Legal Costs	0.3	0	0.2	0.1
2010 National Census	0	0	0	0
Provincial Government Members entitlement	0	0	0	0
National High School Renovation and Upgrading	0	0	0	0
Port Moresby Roads	0.3	0	0	0.3
Tuition Fee Free Education	40.3	0	6.5	33.8
Pacific Games	89.3	406.8	495.0	1.1
Port Moresby General Hospital Infrastructure and Improvement	0	0	0	0
Defence Barracks Maintenance and Improvement	0	0	0	0
PNG LNG Additional State Equity	0	0.7	0	0.7
PNG Fire Service Infrastructure Rehab	0	5.8	0	5.8
PNG Customs Technology Infrastructure	0	23.7	0	23.7
Restoration and Development Grant (ABG)	151.8	100.0	143.5	108.3
Trade Skills Scholarships	3.6	5.3	0	8.9
Rural Airstrip Rehabilitation & Maintenance	0	1.3	0	1.3
TOTAL	612.6	584.1	827.9	368.8

Source: Department of Finance

APPENDIX 2

Appendix 2 shows the movements of funds for the period 1 January to 31 December 2014 for each of the 89 DSIP subsidiary Bank Accounts in Kina (Thousands).

District	Total Fund Paid into Trust 2006 – 2012	Balance as at 1-Jan-14	Debits (Receipts)	Credits (Payments)	Balance as at 31-Dec-14
Abau	20,000.0	0.0	0	0.0	-
Goilala	20,000.0	2.9	0	0.1	2.7
KairukuHiri	20,000.0	34.8	0	0.1	34.7
Rigo	20,000.0	1.5	0	0.1	1.4
Gazelle	20,000.0	310.1	0	284.0	26.1
Kokopo	20,000.0	141.1	0	127.0	14.1
Pomio	20,000.0	98.3	0	90.5	7.8
Rabaul	20,000.0	1,182.8	0	712.6	470.2
Ambunti-Drekikir	20,000.0	27.1	0	0.2	27.0
Angoram	20,000.0	2,456.5	0	182.2	2,274.4
Maprik	20,000.0	408.9	0.1	-	408.9
Wewak	20,000.0	1,955.2	0	49.4	1,905.8
Wosera-Gawi	20,000.0	471.2	0	401.2	69.9
Yangogoru-Saussia	20,000.0	0.1	0	0.1	-
Daulo	20,000.0	182.8	0	147.4	35.4
Goroka	20,000.0	68.3	0	10.9	57.4
Henganofi	20,000.0	5.0	0	0.1	4.9
Kainantu	20,000.0	1.2	0	0.1	1.1
Lufa	20,000.0	14.3	0	0.1	14.2
Obura-Wanenara	20,000.0	734.0	0	734.0	-
Okapa	20,000.0	25.2	0	20.2	5.0
Unggai-Bena	20,000.0	426.3	0	426.3	-
Kandep	22,000.0	13.4	0	0.2	13.2
Kompam-Ambun	20,000.0	6.8	0	0.1	6.6
Lagaip-Porgera	20,000.0	16.2	0	14.6	1.6
Wabag	20,000.0	26.9	0	0.1	26.8
Wapenamanda	20,000.0	0.2	0	0.2	-
Kerema	20,000.0	12.8	0	0.1	12.7
Kikori	20,000.0	4.1	0	0.2	4.0
Bogia	20,000.0	2,383.5	0	2,091.3	292.2
Madang	20,000.0	233.5	0	0.1	233.4
Middle Ramu	20,000.0	2.2	0	0.1	2.1
Raikos	20,000.0	6.6	0	4.7	1.8
Sumkar	20,000.0	0.1	0	0.1	-
Usino-Bundi	20,000.0	73.3	0	0.2	73.1
Manus	21,000.0	5,001.2	2.0	-	5,003.2
Alotau / Rabaraba	20,000.0	236.8	0	220.1	16.6
Esa'ala	20,000.0	351.3	0	0.2	351.1
Kiriwina	20,000.0	234.6	0	24.6	210.0
SamaraiMurua	20,000.0	3.8	0	0.1	3.7
Bulolo	20,000.0	21.8	0	0.2	21.6
Finschaffan	20,000.0	3,066.6	0	734.2	2,332.4
Huon Gulf	20,000.0	685.3	0	533.7	151.5

Kabwum	20,000.0	0.0	0	0.0	-
Lae	20,000.0	0.6	0	0.2	0.4
Markham	20,000.0	3,715.9	0	3,181.5	534.4
Menyamy	20,000.0	477.1	0	364.5	112.5
Nawaeb	20,000.0	136.7	0	0.2	136.5
Tewa-Siasi	20,000.0	2,321.1	0	408.3	1,912.9
Moresby North	20,000.0	121.2	0	0.1	121.1
Moresby North West	20,000.0	0.2	0	0.1	0.0
Moresby South	20,000.0	32.6	0	0.1	32.5
Kavieng	20,000.0	357.6	0	62.1	295.5
Namatanai	20,000.0	1,155.6	0	302.2	853.4
Central Bougainville	20,000.0	1,341.8	0	1,335.8	5.9
North Bougainville	20,000.0	8.4	0	0.2	8.1
South Bougainville	20,000.0	177.3	0	80.6	96.7
Ijivitari	20,000.0	234.0	0	216.4	17.6
Sohe	20,000.0	833.2	0	808.9	24.3
Aitape-Lumi	20,000.0	29.1	0	0.2	29.0
Nuku	20,000.0	203.5	0	203.5	0.1
Telefomin	22,000.0	0.1	0	0.1	-
Vanimo-Green	20,000.0	3,838.4	0	8.8	3,829.6
Chuave	20,000.0	17.3	0	4.2	13.1
Gumine	20,000.0	665.4	0	665.4	-
Karamui-Nomane	20,000.0	687.0	0	661.3	25.7
Kerowagi	20,000.0	1.4	0	0.2	1.2
Kundiawa-Gembogl	20,000.0	537.8	0	515.7	22.1
Sinasina-Yongumugl	20,000.0	1,002.9	0	1,002.2	0.7
Ialibu-Pangia	20,000.0	3,125.5	0	3,123.8	1.6
Imbongu	22,000.0	163.1	0	143.1	19.9
Kagua-Erave	20,000.0	74.6	0	0.2	74.4
Komo-Magarima	20,000.0	0.1	0	0.1	-
Koroba-L/Kopiago	20,000.0	28.8	0	0.2	28.5
Mendi	21,000.0	2,227.2	0	2,227.2	-
Nipa-Kutubu	20,000.0	8.6	0	0.1	8.4
Tari-Pori	20,000.0	1,000.0	0.3	-	1,000.3
Kandrian	20,000.0	153.2	0	10.2	143.0
Talasea	21,000.0	171.7	0	169.2	2.5
Middle Fly	20,000.0	10,166.0	0	9,997.9	168.1
North Fly	20,000.0	20.2	0	0.5	19.7
South Fly	20,000.0	4,312.3	0	4,311.5	0.9
Dei	20,000.0	411.1	0	159.6	251.4
Hagen	20,000.0	3,643.1	1.4	-	3,644.5
Jimi	20,000.0	105.5	0	105.5	-
Mul/Bayer	20,000.0	124.9	0	0.2	124.6
North Waghi	20,000.0	1.2	0	0.5	0.7
South Waghi	20,000.0	0.1	0	0.1	-
Tambul-Nebiler	20,000.0	1.6	0	0.1	1.5
Total	1,789,000.0	64,563.4	3.7	36,885.0	27,682.1

Source Department of Finance

Appendix 3

The following Table presents a status update on some of the major Public Investment Program projects of 2014. Many projects have seen significant progress in 2014 and thus contributed to establishing the enablers of growth and development. For more detailed and comprehensive information on the progress of all major commitments of the government, the reader is kindly referred to the National Government Critical Activity Matrix Report, published by the Ministry of National Planning.

Table 3: Actual Expenditure and Project Status of major Public Investment Program Projects (Kina Millions)

Project	2014 Original	2014 Revised	2014 Warrants	2014 Outcome	% Complete	Project Status
Lae Port Development (Tidal Basin)	270.0	270.0	270.0	270.0	100%	The extension of Lae Port Facility with a 240 meters berth on the eastern side with additional areas for development to the west and north sides of the basin is completed.
Highlands Highway	150.0	143.0	139.0	139.7	23%	The section from Togoba to Pup Bridge is complete, while General & Emergency Maintenance - Lae to Waterrise and Waterrise to Miunde is 80% complete. Other key sections are progressing on schedule. Wau-Bulolo, Mt. Hagen - Kudjip turnoff, Pup Bridge to Kisenepoi are currently delayed, while financing and contractors are discussed between IDA, DNPM and DoT.
Lae City Roads (2014 Components)	100.0	135.0	135.0	134.4	100%	The 2014 scope for rehabilitation and upgrading of 11.25 km of major Lae City Roads was completed successfully.
POM City Roads	170.0	245.0	245.0	245.0	49%	Gordons Industrial Estate Roads, Morea-Tobo Road, Kookaburra Street & Flyover Bridge, Erima - 9 Mile Highway are almost or fully completed. Other key sections are progressing on schedule. Hubbert Murray Highway (9 Mile to Laloki Bridge), and 9 Mile to 17 Mile Road are currently experiencing delays.
Identity Card (with Biometrics)	167.6	167.6	167.6	10.0	32%	The hardware and software development is nearing completion, PNG NID card design is completed and manufacturing is in progress. The program for the establishment of registration facilities in 22 Provinces was launched in Mendi in February 2015.

National Development Bank SME Credit Fund	85.0	70.0	65.0	65.0	30%	The financing of SMEs, especially in agriculture and to women is progressing well and on schedule. The review of the SME Policy & Master plan is experiencing some delays but work is progressing.
Port Moresby General Hospital Rehabilitation	30.0	30.0	30.0	58.0	90%	80% of medical wards and 75% of total hospital have been renovated and new medical equipment has been procured.
Rebuilding the Angau Hospital:2013 Joint Understanding:	65.2	65.2	65.2	15.0	60%	50% of medical wards and 65% of total hospital have been renovated and new medical equipment has been procured.
National Land and Housing Program	61.0	61.0	61.0	61.0	30%	The Duran Farm Housing Project was launched and the civil works, designs and subdivision work for 12,000 standalone houses are progressing. Institutional Housing in districts has been allocated but no reports have been provided to date.
South Pacific Games 2015	59.2	309.2	309.2	309.2	36%	The full project was 36% complete by the end of 2014. Taurama Aquatic Centre, the John Guise Indoor and Main Stadium have been more than half completed. The project is currently working at full capacity to ensure completion of all major facilities before the hosting of the 2015 Pacific Games.
Port Moresby Sewerage Project	47.8	47.8	47.8	21.8	1%	The project was paused after the ground breaking ceremony as the initial design was not approved due to environmental permit issues.
Government Information Systems	45.5	45.5	45.5	18.4	90%	The installation of IGIS is complete, but the infrastructure is not yet in operation.
Jackson's Airport Upgrade and Rehabilitation	30.0	30.0	30.0	30.0	30%	The extension of the International Terminal and upgrading to international standards and Renovation of the Domestic Terminal is progressing well and on schedule.
Upgrading the Power Distribution System of Ramu Grid	28.0	28.0	28.0	00.0	45%	Upgrade of the Ramu-Hydro Grid is progressing according to schedule
East/West - New Britain Highway	15.0	15.0	15.0	15.0	80%	The missing link connection road with bridges is under construction within schedule.
Buluminsky Highway	10.0	10.0	10.0	07.8	70%	The pavement repair, drainage & resealing is progressing within schedule.

Source: Department of National Planning and Monitoring