



DEPARTMENT OF TREASURY

# **FISCAL OUTTURN REPORT**

**March 2007**

## March 2007 Fiscal Report

### 1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the March 2007 Fiscal Outturn.

**Table 1.1 Summary**

<b>TOTAL</b>	<b>Budget</b>	<b>Feb Outturn</b>	<b>Mar Outturn</b>	<b>Mar Trend</b>	<b>% of Trend</b>	<b>% of Budget</b>
Revenue and Grants	5421.6	522.4	780.9	732.8	107%	14%
Expenditure and Net Lending	5454.6	283.1	812.3	798.4	102%	15%
Budget Balance	-33.0	239.3	-31.4	65.6		
% of GDP	-0.2%	1.3%	-0.2%	-0.4%		

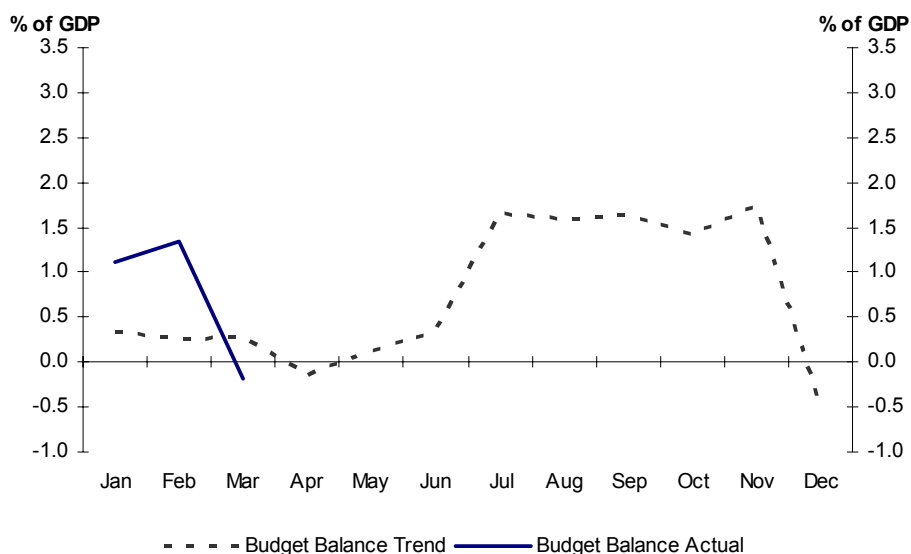
Source: Department of Treasury (based on Treasury Management System reports)

Total GoPNG revenue was well above trend to March 2007, with collections 7 per cent above the trend required to meet 2007 Budget estimates.

Total GoPNG expenditure has been higher and the March 2007 outturn indicates 2 per cent of trend.

Overall, the Government's Budget position was a deficit of K31.4 million or 0.2 per cent of GDP, compared with the expected (trend) deficit of K65.6 million or 0.4 per cent of GDP. The evolution of the Budget Balance as depicted in Graph 1.1 below reflects the actual budget balance incurred against the anticipated monthly trend base on the 2007 Original Budget. The trend also reflects the impact of the high mining and petroleum prices.

**Graph 1.1: Evolution of the Budget Balance – Actual vs Trend**



## 2. Revenue and Grants

### *Total Revenue (GoPNG)*

Total GoPNG revenue was well above trend in the March Fiscal Outturn of 2007.

Tax receipts in the March 2007 Outturn were K757.5 million, which is 16 per cent above trend. This is primarily attributable to the receipt of a larger than expected instalments of company taxes, personal income taxes and gaming taxes. Major domestic tax heads also performed better than trend as well as import and export duties.

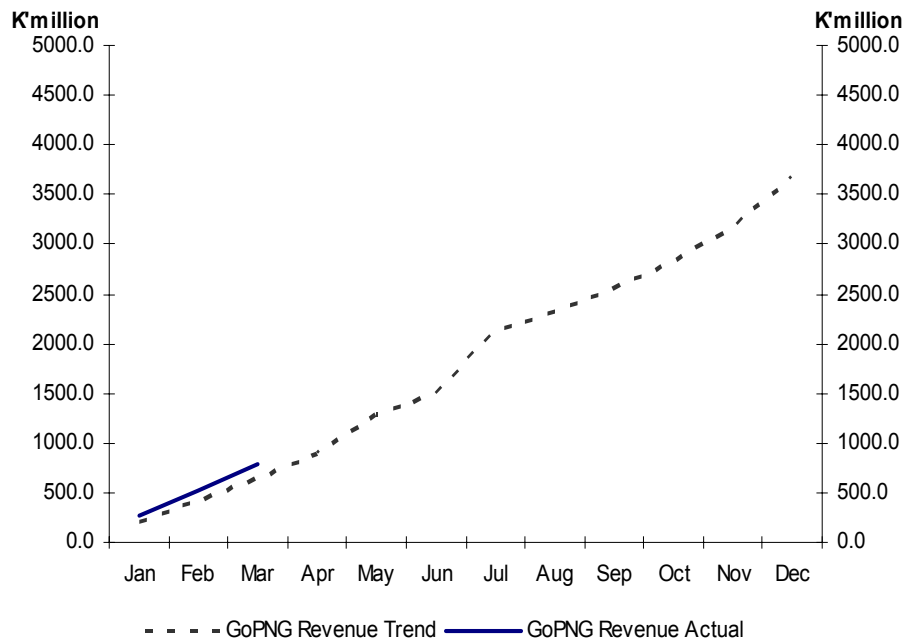
More generally, most tax revenue items recorded collections at or above trend to March, reflecting continued strong economic conditions and continued good performance by the Internal Revenue Commission in ensuring compliance. Notably exceptions were interest withholding tax (reflecting lower interest rates), dividend withholding tax (reflecting lower payments of dividends in early 2007), mining levy (reflecting its phasing out), and excise duty on imports (reflecting increased domestic production of refined fuel).

Non-tax revenue receipts for the March Outturn were K20.6 million, which is below trend by 50 per cent. This is primarily attributable to lower mining and petroleum dividends and to a lesser extent, lower departmental revenues.

### *Tax Credits and Grants*

While not technically PNG Government revenue, project support grants from donors and infrastructure tax credits are included in Budget estimates of revenue and expenditure in order to give a better picture of the total resources applied to development in Papua New Guinea.

**Graph 2.1: Actual Revenue against the Trend**



Unfortunately, tax credits utilized are only partially recorded on the Government's accounting system, making it difficult to assess progress in the implementation of this program, and the only grants report received from donors are recorded on a quarterly basis making it difficult to assess its implementation on a monthly basis.

Infrastructure tax credits of K2.9 million are recorded as being utilized in the March Outturn, which is 21 per cent of trend and Project support grants from donors has yet to be recorded.

Total revenue and grants were K780.9 million at the end of March 2007. This is higher than the trend expected at K732.8 million by 7 per cent.

### **3. Expenditure and Net Lending**

#### *Total Expenditure (GoPNG)*

National Departments' recurrent expenditure totalled K380.4 million as at March 2007. This is 1 per cent below trend, and represents 20 per cent of the 2007 Budget appropriation.

National Departments' personnel emoluments expenditure was K171.1 million in March Outturn, compared to the K159.3 million anticipated in trend expenditure, which is 7 per cent above trend. This was due to the backdated 4 per cent CPI payment to the PNG Defence force, Payments to the National Doctors Awards which was backdated to the beginning of 2007 and retrenchment payments were made in the month of March also.

National Departments' general goods and services expenditure was K189.8 million in the March Outturn. This is 8 per cent above trend and it represents 20 per cent of the 2007 Budget appropriation.

Grants to Provincial Governments totalled K149.3 million in March compared to K118.2 million in trend expenditure. This is due to retrenchment payments.

Provincial Government personnel emoluments expenditure (including teachers) was K128.8 million in the March Outturn compared to K 97.5 million anticipated in trend.

Provincial Government goods and services grant expenditure totalled K12.5 million in the March Outturn compared to K11.2 million in trend expenditure.

Transfers to Statutory Authorities totalled K63.8 million in the March 2007 Outturn. This is 23 per cent above trend and is 29 per cent of the 2007 Budget appropriation

Interest payments and fees totalled K99.4 million in the March Outturn and is 15 per cent below trend.

Domestic development expenditure in the March Outturn turned out to be K89.3 million, which is 13 per cent above trend.

Draw downs on concessional project loans in the March Outturn were K19.4 million, which is well above trend but only 12 per cent of the 2007 Budget appropriation.

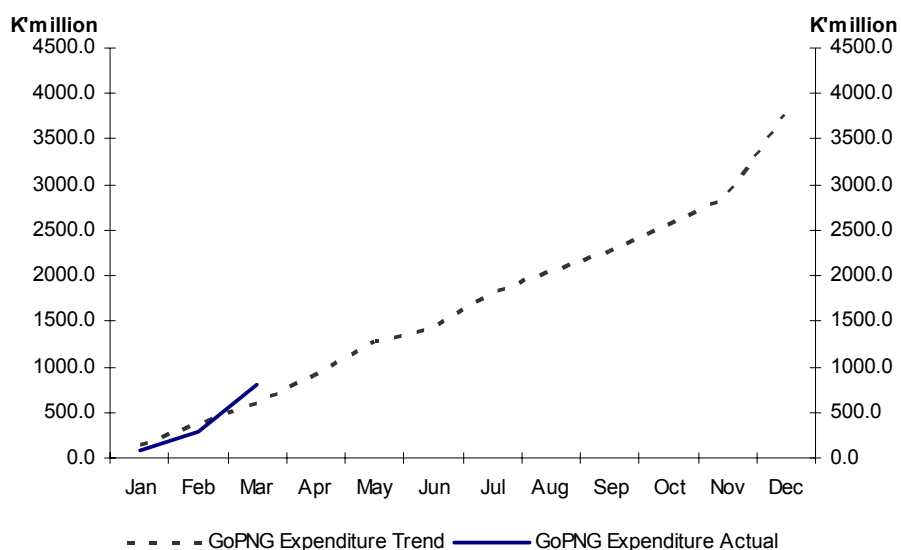
#### *Tax Credits and Grants*

As noted above, while not technically PNG Government expenditure, project support grants from donors and infrastructure tax credits are included in Budget estimates of revenue and

expenditure in order to give a better picture of the total resources applied to development in Papua New Guinea.

Unfortunately, tax credits utilized are only partially recorded on the Government's accounting system, making it difficult to assess progress in the implementation of this program, and the only grants report received from donors are recorded on a quarterly basis making it difficult to assess its implementation on a monthly basis.

**Graph 3.1: Actual Expenditure and Net Lending against the Trend**



Infrastructure tax credits of K2.9 million are recorded as being utilized in the March Outturn, which is 21 per cent of trend and Project support grants from donors, are yet to be recorded.

Funds appropriated under the Additional Priority Expenditure, are yet to be recorded.

Overall total expenditure and net lending for the March Outturn were K812.3 million compared to the trend estimate of K798.4 million. This is 2 per cent higher than the trend, and 15 per cent of the 2007 Budget appropriation.

#### 4. Financing

A Budget deficit of K31.4 million (or 0.2 per cent of GDP) was recorded in the March 2007 Outturn, compared to the trend deficit of K65.6 million (or 0.4 per cent of GDP).

Net external outflows totalled K35.1 million and net domestic market borrowing totalled an outflow of K203.0 million.

Based on TMS Rundate:20/04/07

Last Updated: 02/05/07

**TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS**

Kina, million

	2007 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar Trend	% of Trend	% of Budget
<b>A. TAX REVENUE</b>	<b>4,129.9</b>	<b>502.2</b>	<b>255.3</b>	<b>757.5</b>	655.6	116%	18%
<b>A1. TAX ON INCOME AND PROFITS</b>	<b>3,071.6</b>	<b>296.1</b>	<b>139.1</b>	<b>435.2</b>	415.1	105%	14%
Personal Income Tax	890.3	179.7	107.2	286.9	228.4	126%	32%
Company Tax	511.7	63.5	10.6	74.1	45.1	164%	14%
Dividend Withholding Tax	168.1	16.8	5.9	22.7	31.6	72%	14%
Interest Withholding Tax	21.9	2.5	1.8	4.3	5.1	85%	20%
Mining and Petroleum Taxes	1,292.8	0.0	0.0	0.0	53.2	0%	0%
Gaming Tax	106.0	20.5	9.6	30.1	25.7	117%	28%
Other: Direct	80.8	13.1	3.9	17.1	26.1	65%	21%
<b>A2. DOM. TAXES ON GOODS AND SERVICES</b>	<b>758.0</b>	<b>156.4</b>	<b>77.3</b>	<b>233.7</b>	168.2	139%	31%
Excise	309.8	56.6	27.5	84.0	72.1	117%	27%
GST	420.0	85.0	42.0	127.0	88.5	144%	30%
Mining Levy	25.6	14.6	7.7	22.2	6.2	356%	87%
Other: Indirect	2.6	0.2	0.1	0.4	1.4	28%	15%
<b>A3. TAXES ON INTERNATIONAL TRADE</b>	<b>300.3</b>	<b>49.7</b>	<b>38.9</b>	<b>88.6</b>	72.2	123%	29%
Import Duty	96.9	15.2	11.7	27.0	19.9	135%	28%
Export Duty	118.0	22.3	20.1	42.4	30.1	141%	36%
Excise duties on Imports	85.4	12.2	7.0	19.2	22.2	87%	22%
<b>B. NON-TAX REVENUE</b>	<b>327.2</b>	<b>18.2</b>	<b>2.4</b>	<b>20.6</b>	41.6	50%	6%
<b>B1. PROPERTY INCOME</b>	<b>242.8</b>	<b>10.0</b>	<b>0.0</b>	<b>10.0</b>	24.9	40%	4%
Dividends	73.5	10.0	0.0	10.0	1.0	965%	14%
Mining and Petroleum Dividends	169.3	0.0	0.0	0.0	23.9	0%	0%
<b>B2. INTEREST AND FEES FROM LENDING</b>	<b>2.6</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	0.7	34%	9%
<b>B3. OTHER NON TAX REVENUE</b>	<b>81.8</b>	<b>8.1</b>	<b>2.2</b>	<b>10.4</b>	15.9	65%	13%
<b>B4. ASSETS SALES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	0.0	..	..
<b>C. TOTAL REVENUE</b>	<b>4,457.1</b>	<b>520.4</b>	<b>257.7</b>	<b>778.1</b>	697.2	112%	17%
% of GDP	24.9%	2.9%	1.4%	4.4%	3.9%	112%	17%
<b>D. INFRASTRUCTURE TAX CREDIT</b>	<b>85.4</b>	<b>2.1</b>	<b>0.8</b>	<b>2.9</b>	13.5	21%	3%
<b>E. GRANTS</b>	<b>879.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	22.1	0%	0%
Budgetary Support	0.0	0.0	0.0	0.0	0.0	..	..
Project Grants	879.1	0.0	0.0	0.0	22.1	0%	0%
<b>F. TOTAL REVENUE AND GRANTS</b>	<b>5,421.6</b>	<b>522.4</b>	<b>258.5</b>	<b>780.9</b>	732.8	107%	14%
As % of GDP	30.3%	2.9%	1.4%	4.4%	4.1%	107%	14%
<b>G. PRINCIPAL RECEIPTS FROM LENDING</b>	<b>6.0</b>	<b>1.1</b>	<b>0.3</b>	<b>1.4</b>	1.0	138%	23%
<b>H. GROSS BORROWING</b>	<b>2275.7</b>	<b>-189.1</b>	<b>349.0</b>	<b>160.0</b>	286.1	56%	7%
<b>I. ASSET SALES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	0.0	..	..
<b>J. TOTAL RECEIPTS</b>	<b>7,703.3</b>	<b>334.4</b>	<b>607.8</b>	<b>942.3</b>	1,019.9	92%	12%
As % of GDP	43.1%	1.9%	3.4%	5.3%	5.7%	92%	12%

Source: Treasury

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

	2007 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar Trend	% of Trend	% of Budget
<b>1 RECURRENT BUDGET</b>							
<b>A. NATIONAL DEPARTMENTS</b>	<b>1,929.2</b>	<b>117.6</b>	<b>262.8</b>	<b>380.4</b>	385.0	99%	20%
Personnel Emoluments	816.2	16.7	154.3	171.1	159.3	107%	21%
Total Goods & Services	1,112.9	100.9	108.5	209.3	225.7	93%	19%
General Goods & Services	948.4	93.8	96.0	189.8	176.6	108%	20%
Education Subsidies	43.0	6.0	4.4	10.4	18.7	55%	24%
Arrears Payments	0.0	0.0	0.0	0.0	0.0	..	..
SAP Payments	69.6	0.3	0.0	0.3	17.4	2%	0%
Court Orders	52.0	0.7	8.1	8.8	13.0	68%	17%
<b>B. PROVINCIAL GOVERNMENTS</b>	<b>696.6</b>	<b>10.0</b>	<b>139.3</b>	<b>149.3</b>	118.2	126%	21%
<b>Personnel Emoluments</b>	<b>576.0</b>	<b>0.6</b>	<b>128.2</b>	<b>128.8</b>	97.5	132%	22%
Staffing Grants	156.4	0.2	47.1	47.3	34.0	139%	30%
Teachers Salaries	419.6	0.4	81.1	81.5	63.5	128%	19%
<b>Goods &amp; Other Services</b>	<b>63.4</b>	<b>6.1</b>	<b>6.4</b>	<b>12.5</b>	11.2	112%	20%
Administration Grants	14.2	1.3	2.6	4.0	3.6	110%	28%
Health Function Grant	13.4	1.3	1.9	3.2	3.1	105%	24%
Education Subsidies	21.6	1.7	0.1	1.9	1.1	168%	9%
Derivation Grants	14.2	1.7	1.7	3.4	3.4	100%	24%
<b>Conditional Grants</b>	<b>57.2</b>	<b>3.2</b>	<b>4.7</b>	<b>7.9</b>	9.4	84%	14%
Trans/Infra/Maint. Grants	15.3	1.6	2.3	4.0	3.3	122%	26%
Local & Village Services Grants	32.5	1.1	2.0	3.1	4.1	75%	9%
Town & Urban Services Grants	7.2	0.2	0.0	0.3	1.6	18%	4%
Village Courts	2.2	0.3	0.3	0.6	0.6	112%	28%
<b>Autonomous Bougainville Govt</b>	<b>50.6</b>	<b>5.0</b>	<b>4.3</b>	<b>9.2</b>	5.2	178%	18%
Police Grant	2.5	0.6	0.0	0.6	0.6	94%	24%
Recurrent Grant	48.0	4.4	4.3	8.6	4.5	192%	18%
Conditional Grants	0.2	0.0	0.0	0.0	0.1	0%	0%
<b>C. TRANSFERS &amp; LOANS TO C.S.A</b>	<b>221.6</b>	<b>35.5</b>	<b>28.3</b>	<b>63.8</b>	51.8	123%	29%
<b>D. INTEREST PAYMENT &amp; FEES</b>	<b>475.9</b>	<b>88.7</b>	<b>10.7</b>	<b>99.4</b>	116.7	85%	21%
Domestic	358.8	66.4	5.2	71.6	92.0	78%	20%
External	117.1	22.3	5.5	27.8	24.8	112%	24%
<b>E. NET LENDING TO C.S.A</b>	<b>-6.0</b>	<b>-1.1</b>	<b>-0.3</b>	<b>-1.4</b>	-1.0	136%	23%
Gross Lending	0.0	0.0	0.0	0.0	0.0		
Less : Loan Repayments	6.0	1.1	0.3	1.4	1.0	136%	23%
<b>F. RECURRENT EXPENDITURE &amp; NET LENDING</b>	<b>3,367.9</b>	<b>255.6</b>	<b>445.1</b>	<b>700.7</b>	675.9	104%	21%
As % of GDP	18.8%	1.4%	2.5%	3.9%	3.8%	104%	21%
<b>2 DEVELOPMENT BUDGET</b>							
Domestic Funds	509.1	21.8	67.4	89.3	79.3	113%	18%
Project Grants	879.1	0.0	0.0	0.0	24.4	0%	0%
Infrastructure Tax Credits	85.4	2.1	0.8	2.9	13.5	21%	3%
Concessional loans	163.0	3.6	15.9	19.4	5.3	368%	12%
Commercial loans	0.0	0.0	0.0	0.0	0.0		
<b>G. TOTAL DEVELOPMENT BUDGET (PIP)</b>	<b>1,636.6</b>	<b>27.5</b>	<b>84.1</b>	<b>111.6</b>	122.5	91%	7%
As % of GDP	9.2%	0.2%	0.5%	0.6%	0.7%	91%	7%
<b>ADDITIONAL PRIORITY EXPENDITURE</b>	<b>450.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	0.0	0%	0%
<b>H. TOTAL EXPENDITURE &amp; NET LENDING</b>	<b>5,454.6</b>	<b>283.1</b>	<b>529.2</b>	<b>812.3</b>	798.4	102%	15%
As % of GDP	30.5%	1.6%	3.0%	4.5%	4.5%	102%	15%
<b>I. AMORTISATION</b>	<b>2242.7</b>	<b>50.3</b>	<b>78.3</b>	<b>128.6</b>	222.5	58%	6%
Domestic	1996.0	19.0	55.0	74.0	167.8	44%	4%
External	246.7	31.3	23.3	54.6	54.7	100%	22%
<b>J. LOAN REPAYMENTS</b>	<b>6.0</b>	<b>1.1</b>	<b>0.3</b>	<b>1.4</b>	1.0	136%	23%
<b>K. TOTAL PAYMENTS</b>	<b>7,703.3</b>	<b>334.4</b>	<b>607.8</b>	<b>942.3</b>	1,021.9	92%	12%
As % of GDP	43.1%	1.9%	3.4%	5.3%	5.7%	92%	12%

Source: Treasury

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

	2007 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar Trend	% of Trend	% of Budget
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>5,421.6</b>	<b>522.4</b>	<b>258.5</b>	<b>780.9</b>	732.8	107%	14%
<b>B. TOTAL EXPENDITURE AND NET LENDING</b>	<b>5,454.6</b>	<b>283.1</b>	<b>529.2</b>	<b>812.3</b>	798.4	102%	15%
<b>C. DEFICIT (-) / SURPLUS (+)</b>	<b>-33.0</b>	<b>239.3</b>	<b>-270.7</b>	<b>-31.4</b>	-65.6		
% of GDP	-0.2%	1.3%	-1.5%	-0.2%	-0.4%		
<b>D. EXTERNAL FINANCING</b>	<b>-83.7</b>	<b>-27.7</b>	<b>-7.5</b>	<b>-35.1</b>	-49.1		
<b>D1. CONCESSIONAL FINANCING</b>	<b>-4.3</b>	<b>-18.4</b>	<b>7.3</b>	<b>-11.1</b>	-33.0		
New Borrowing	163.0	3.6	15.9	19.4	5.3	368%	12%
Less Amortisation	-167.3	-22.0	-8.6	-30.5	-38.2	80%	18%
<b>D2. COMMERCIAL FINANCING</b>	<b>-18.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	-4.2		
New Borrowing	0.0	0.0	0.0	0.0	0.0	0%	0%
Less Amortisation	-18.2	0.0	0.0	0.0	-4.2	0%	0%
<b>D3. EXCEPTIONAL FINANCING</b>	<b>-61.2</b>	<b>-9.3</b>	<b>-14.7</b>	<b>-24.0</b>	-11.9		
New Borrowing	0.0	0.0	0.0	0.0	0.0	0%	0%
Less Amortisation	-61.2	-9.3	-14.7	-24.0	-11.9	202%	39%
<b>E. DOMESTIC FINANCING</b>	<b>116.7</b>	<b>-211.7</b>	<b>278.2</b>	<b>66.5</b>	114.7		
<b>E1. DOMESTIC MARKET BORROWING (NET)</b>	<b>118.7</b>	<b>150.0</b>	<b>53.0</b>	<b>203.0</b>	352.2		
New Domestic Borrowing	2114.7	169.0	108.0	277.0	518.4	53%	13%
Less Amortisation	-1996.0	-19.0	-55.0	-74.0	-166.1	45%	4%
<b>E2. OTHER DOMESTIC FINANCING (b)</b>	<b>-2.0</b>	<b>-361.6</b>	<b>225.2</b>	<b>-136.5</b>	-237.5		
<b>E3. ASSETS SALES FINANCING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	0.0		
<b>E4. NET FINANCING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	0.0		
<b>F. TOTAL FINANCING</b>	<b>33.0</b>	<b>-239.3</b>	<b>270.7</b>	<b>31.4</b>	65.6		
<b>G. GROSS BORROWING</b>	<b>2275.7</b>	<b>-189.1</b>	<b>349.0</b>	<b>160.0</b>	286.1	56%	7%
Concessional	163.0	3.6	15.9	19.4	5.3	368%	12%
Commercial	0.0	0.0	0.0	0.0	0.0		
Exceptional	0.0	0.0	0.0	0.0	0.0		
Domestic	2112.7	-192.6	333.2	140.5	280.8	50%	7%
Financing Gap	0.0	0.0	0.0	0.0	0.0		

Source: Treasury