



Independent State Of Papua New Guinea

VOLUME 1

ECONOMIC AND DEVELOPMENT POLICIES

“Security with Growth”

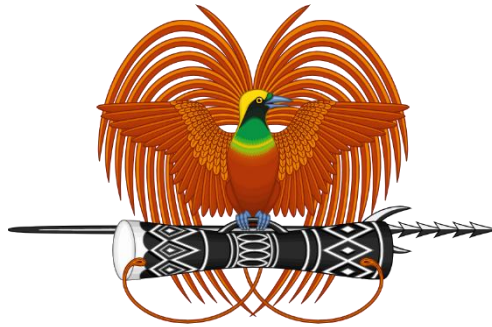
For the Year Ending 31st December, 2026



**CELEBRATE OUR HISTORY
INSPIRE OUR FUTURE**

On the occasion of the Presentation of the 2026 National Budget





2026 NATIONAL BUDGET

VOLUME 1 ECONOMIC AND DEVELOPMENT POLICIES

FOR THE YEAR ENDING 31ST DECEMBER 2026

PRESENTED BY

HON. IAN LING-STUCKEY, CMG, MP

MINISTER FOR TREASURY

ON THE OCCASION OF THE PRESENTATION OF THE 2026 NATIONAL BUDGET



HON. IAN LING-STUCKEY, CMG. MP
Minister for Treasury

Foreword

On behalf of the Marape-Rosso Government, I am honoured to present the 2026 National Budget under the theme: “**Security with Growth**”. This is the twelfth Budget or Supplementary Budget I have had the honour to present. It will continue with the commitment of the Marape-Rosso Government to Budget Repair with the aim of achieving a surplus by 2027 and the option to repay all debt by 2034.

The 2026 Budget is historic for several reasons. It is the fourth annual budget for the 11th Term of Parliament which saw the Pangu Party and its coalition members returned to power. Despite all the uncertainties and damage caused by constant positioning to Votes of No Confidence, the stability of the Government continues to provide major policy continuity as well as credibility on responsible economic management. It is also the budget setting the new path forward after the reflections on our 50th Anniversary of the Independence of Papua New Guinea.

Reflecting on our economic history, Government’s have not done enough for our people. Living standards, by most measures focusing on households, have fallen since Independence. There are positive improvements in social indicators in life expectancy, but very disappointing outcomes in other areas such as child stunting and vaccination rates. There is a need for a “wake up call”, or a reset, to make things better for our people.

In reality, the reset began in 2019 with the change of Government. Policies have been put in place which are now starting to bear fruit. Good, sustainable, inclusive development requires good policies for decades, not just for the single years measured by a usual budget. On security, on growth, on building human and physical capital, this 2026 budget is once again one of records. More importantly, it is one of solid gains, built on years of hard work, with many years of hard work still needed to meet the valid aspirations of our people.

The 2026 Budget is directed at “**Security with Growth**” through:

- Security with growth through more massive investments in our police of K761.0 million (including a 33.0 per cent increase in goods and services, and with funding for wages increasing by 19.0 per cent over the last 2 years (compared to actual expenditure) as part of supporting a growth to 10,000 police by 2030), our defence forces (a 29.0 per cent increase in their goods and services), our judiciary (a further 19.0 per cent increase in operating costs, lifting the total funding increase since 2024 to a 59.0 per cent increase in operating costs), our Corrective Services with a 10.6 per cent increase in operating funding in 2026, our Office of Public Prosecutor with a 60.0 per cent increase in operating costs over 2 years, our Magisterial Services with a 36.0 per cent operational increase over 2 years, our Ombudsman Commission with a 15.2 per cent increase over 2 years, and our Independent Commission Against Corruption with a 34.5 per cent increase in operational funding over the last two years to K54.1 million.
- Security with growth by helping families with cost-of-living pressures with the fifth and largest Household Assistance Package of K1,010.0 million, bringing the total value over 5 years to K3,332.0 million, and including extending the zero-rating GST for 13 essential goods until the end of 2026;
- Security with growth through investments in human and capital resources with the largest K30,915.0 million budget in PNG’s history, with record revenues of K29,307.0 million, while continuing with responsible budget repair of another K1,340.0 million cut in the deficit down, to K1,608.2 million

- Dropping the deficit to GDP ratio down from 8.9 per cent in 2020 to one eighth that level at 1.1 per cent in 2026.
- With a plan to return to a budget surplus by 2027
- And the option of no debt by 2034;
- Security with growth with massive investments into infrastructure with a record Public Investment Program of K7,697.0 million, 277.0 per cent higher than the miserable K2,041.0 million PIP in 2018;
- Security with growth with massive investments in human capital through education of K4,935.0 million (a 11.3 per cent increase, including increases to Government Tuition Fee Subsidy and Project fee support, and for TESAS) and in health of K3,205.0 million (a 15.8 per cent increase, including significant increases for medical supplies, for vaccines, and for church health services which provide an estimated half of all health services to our rural people);
- Security with growth through targeted investments in our agriculture sector, including a 16.6 per cent increase for the Department of Agriculture operating costs, a 34.8 per cent increase for the PNG Oil Palm Industry Corporation, a 14.0 per cent increase for the National Agriculture Research Institute, a 34.6 per cent increase in operating funding for the National Agriculture Quarantine and Inspection Authority, and over the last two years, a 32.7 per cent increase in operational funding to the Cocoa Board;
- Security with growth with very strong support for Provincial Funding, including a 44.0 per cent increase in functional grants over the last two years from K535.0 million to K770.0 million, and a 30.0 per cent increase in GST and Bookmakers Tax distributions from K980.0 million in 2024 to K1,274.0 million in 2026;
- Security with growth with a focus on growth and jobs, with real non-resource growth expected to be 4.5 per cent in 2026, creating the longest six-year consecutive run of growth over 4.0 per cent in PNG's history, and formal sector jobs growth recovering, but still too low, of 2.6 per cent in the year to June 2025;
- Security with growth through the priorities of the Marape-Rosso Government set out by Prime Minister Marape's speech at the start of this 11th Parliament

The 2026 PNG Budget is delivered once again in the context of an uncertain global outlook, but a much more positive domestic outlook. The economy is expected to exceed K145.0 billion in 2026. This is K12.0 billion higher than the K133.0 billion economy in 2025, and over 80.0 per cent higher than the K79.0 billion economy in 2018. We are well on target for a K200.0 billion economy by 2030, a K300.0 billion by 2035, and a Kina one trillion economy by 2048.

As significant as these very large increases in nominal GDP are, the real growth figures in our non-resource economy are also a critical measure of progress. Real non-resource growth per capita is the best measure in PNG for tracking movements in living standards. The non-resource sector accounts for 72.0 per cent of the economy, and is the part of the economy which provides livelihoods to most of our people, such as agriculture, manufacturing, finance, transport, retail and wholesale businesses, hospitality, utilities and government. From 2021 to 2026, PNG is forecast to benefit from its longest run of sustained real growth in the non-resource economy of over 4.0 per cent in its history. Specifically, PNG has had real non-resource growth of 4.2 per cent in 2021, 5.9 per cent in 2022, 4.7 per cent in 2023, 4.5 per cent in 2024, forecast 4.6 per cent in 2025 and 4.5 per cent in 2026. All these rates

are higher than PNG's population growth rate now re-estimated by the Census of 2.6 per cent, meaning we are finally seeing sustained improvements in living standards. These sustained high growth rates are being achieved even prior to the announcement of new resource projects in the country. PNG now adopts the international standard in budgeting of not including any new projects in our growth or revenue forecasts until the Final Investment Decision is made, so there is a real upside looking forward.

Despite this very strong growth, PNG's inflation rate has remained well below historic levels in the last two years, and this is expected to continue in 2026. PNG is experiencing inflation rates below historic averages for the economy as a whole, but within this are continuing cost-of-living pressures on families especially on household purchases. Inclusive development requires hard work year after year, decade after decade. We have put in place macro-economic policies to start rebuilding living standards, and these are delivering with our record growth levels.

A K1,010.0 million Household Assistance Package is built into the 2026 Budget. The main component of this is the full year costing of the zero-rating for 13 essential products. This zero-rating relief has been extended to the end of 2026. The 13 goods are rice, flour, tinned fish, tinned meat, chicken, biscuits, noodles, tea, coffee, cooking oils, and health related products of soap, women's hygiene products and baby diapers. This year's household assistance package also continues to provide K175.0 million for school project fee subsidies which provide savings between K60.0 and K220.0 per student depending on the level of schooling they are attending. In addition, the government has made permanent the increase in the tax-free threshold to K20,000.0. This will provide fortnightly savings of up to K63.0 per fortnight for most income earners on K20,000.0 and above. The cost for this change is K320.0 million per annum, especially with the government formally re-instating dependent rebates. For first home buyers, the stamp duty exemption has been lifted to K700,000 at a cost of K15.0 million. The temporary freeze on the indexation of beer and most tobacco products has been extended, although not on damaging social drinks.

Jobs growth in the formal sector continues its steady path upwards, with a 2.6 per cent increase between June 2024 and June 2025. This is similar to the 2.9 per cent growth in 2025 and 2.6 per cent growth rate in 2024. This rate of employment growth is not as strong as we want, but it is a welcome change from the loss of formal private sector jobs from 300,000 in 2014 down to 270,000 in 2018. One real challenge facing PNG is the lack of good data on PNG's labour market. We know that some 85.0 per cent of our workforce are in rural areas, usually in the cash and informal economies.

Foreign exchange reserves remain at high levels, and the on-going release of foreign exchange by BPNG is reducing the waiting times for receiving foreign exchange. Market reports are of distinct improvements in the availability of foreign exchange. Under the revised Central Banking Act, introduced as a further economic reform, the new Monetary Policy Committee has started to meet.

The 2025 Budget is historic on several other benchmarks. It is the largest budget in PNG's history at K30,915.0 million. It collects the most revenue in PNG's history at K29,307.0 million. The level of domestic revenue collection in 2026 is 18.8 per cent of GDP, already exceeding the target of 17.9 per cent set for 2027 in the Medium-Term Revenue Strategy. Meeting targets, or exceeding targets, is the record of Budget Repair by the Marape-Rosso Government.

The budget deficit falls by K1,342.0 million to K1,608.2 million. The budget deficit has fallen from K7,304.0 million during the heights of the COVID-19 crisis where the government decided on protecting the budget from the massive falls in revenue, and thereby protecting the economy. The strong growth rates in the non-resource economy since COVID19 in 2020 attest

to the success of this policy. At the time of “Supporting the Budget, Supporting the Economy”, it was always known that there was going to then be a requirement of major deficit reductions. As a share of GDP, we have already reduced the budget deficit from 8.9 per cent in 2020 down to 1.1 per cent in 2024, so down to less than an eighth of the COVID-19 levels. The low level of deficit this year means that debt is growing much slower than our economy, meaning PNG’s debt to GDP ratio will fall significantly from 48.4 per cent in 2025 down to an estimated 45.5 per cent in 2026.

Expenditures are estimated to grow by 9.0 per cent in 2026, much less than the estimated growth in revenues of 15.3 per cent.

Revenues growing much faster than expenditures is a good news story for budget repair. This is how you sensibly get deficits down.

The 2026 Budget is yet another demonstration of this government’s economic credibility.

In 2019, the Marape Government quickly secured additional financing to cover the K2.3 billion budget deficit blow out that was exposed through the Due Diligence process. It then delivered nearly a billion Kina in cuts to the GoPNG budget while allowing concessional loan projects to proceed.

In 2020, after the global COVID-19 pandemic reduced government revenues by K2.5 billion, GoPNG expenditure was held to the initial budget forecast. This was despite absorbing K508.0 million in COVID-19 direct expenses, possibly the only country in the world to exercise such fiscal discipline.

In 2021, the fiscal deficit outcome of K6,496.0 million was below the K6,613.0 million forecast at Budget time, further demonstrating a record of fiscal repair.

In 2022, the budget deficit outcome of K5,854.0 million was once again below the budget forecast of K5,985.0 million. Extra temporary revenues from the Ukraine-Russian war were directed at protecting households and lifting capital expenditure.

In 2023, the deficit forecast was dropped by a billion Kina to K4,985.0 million, this was reduced to K4,935.0 million in the Supplementary Budget, and we are on track to meeting this target once again.

In 2024, the deficit forecast was once again dropped by a billion Kina to K3,984.0 million. Despite a fall in forecast non-tax revenues, and a cost over-run of over K700.0 million on teachers and health workers salaries, the Government delivered a deficit reduction down to K3.9 billion.

In 2025, the budget deficit is planned to fall by another billion Kina down to just 2.2 per cent of GDP

In 2026, there is a budgeted fall of another 1.3 billion Kina, down to just 1.1 per cent of GDP, or K1,608.2 million. Indeed, on another widely used measure of the fiscal position, PNG’s primary balance has improved to a surplus of 1.4 per cent, the first surplus on this budget measure since 2011. This means that current revenues are now exceeding current expenditures, with the overall deficit now reflecting just interest costs.

Reducing the budget deficit has required strong discipline. There are massive development needs in our country. We simply do not raise enough taxes, and other revenues, to get close to meeting what is really required. Every budget, indeed every week, there are requests for more Kina than there is available. At the same time, people do not want new or higher taxes.

With the required strong fiscal discipline, there has been year after year of credible budget repair. There were those in 2019 that doubted the Marape Government was up to the task. Year after year the actions on budget repair speak for themselves. Performance to date provides credibility for the continuing actions under the 13-year Budget Repair plan, reaching the target of a budget surplus by 2027, and the option for the 12th Parliament to repay all government debt. There are other responsible options for the budget strategy from 2027. An example of one approach is to focus on small surpluses from 2028, and re-directing some funds to the PIP budget. This example could see future budgets remain in surplus, the GoPNG PIP program increase by nearly 50.0 per cent from K7,697.0 million in 2026 to K11,274.0 million in 2034, and the debt to GDP ratio fall to just 20.0 per cent of GDP, a low level in comparison to most countries. These are options for any new Government from the 2027 election.

This record on budget repair is being backed by further changes to the Fiscal Responsibility Act, which will drop the maximum allowable deficit level to 52.5 per cent of GDP.

This budget provides the high level funding allocations in line with the Marape-Rosso Government priorities, especially for our police and defence forces. Given international and domestic uncertainties, the Government will monitor the budget closely, and adjust if particular pressures occur. This happened when COVID-19 struck. It happened again with the outbreak of the Ukraine-Russian war. In some years, such as in 2021, 2022 and 2023, revenues were higher than budgeted, and this allowed increases in expenditure, especially in our Public Investment Program. In other years, such as in 2019, 2024, and 2025 when revenues were short, we had to reduce and defer expenditure. This responsiveness will remain. However, as once again demonstrated by this budget, the Marape-Rosso Government remains committed to the 13 year Budget Repair Plan.

Once again, I thank all those who have worked so tirelessly to prepare yet another National Budget. There are many hard-working public servants that have provided the budget submissions, the budget bid analysis through the Strategic Budget Committee and the Central Agencies Coordinating Committee, and then the hard decision-making processes in the Ministerial Economic Committee (MEC), National Executive Council (NEC), and then parliamentary processes. In particular, I would like to thank my colleagues in the Ministerial Economic Committee that have been required to meet much more frequently to consider all major 2026 budget changes before going to NEC.

I commend the 2026 National Budget focusing on Security with Growth, as PNG's resets from our 50th Anniversary of Independence filled with inspiration for our future, to the Honourable Members and to the people of Papua New Guinea.



HON. IAN LING-STUCKEY, CMG. MP
Minister for Treasury

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Abbreviations

ABG - Autonomous Bougainville Government	MOA - Memorandum of Agreement
ACE - Allowable Capital Expenditure	MPC - Monetary Policy Committee
ADB - Asian Development Bank	MPOC - Malaysian Palm Oil Council
AFF - Agriculture, Forestry & Fishery	MPT - Mining & Petroleum Tax
AIFFP - Australian Infrastructure Financing Facility for the Pacific	MSME - Micro, Small and Medium Enterprises
APEC - Asia-Pacific Economic Cooperation	MT - Metric Tonne
ARLC - Australian Rugby League Commission	MTDP - Medium-Term Development Plan
ASF - Authorized Superannuation Funds	MTDS - Medium-Term Debt Strategy
AUD - Australian Dollar	MTRS - Medium-Term Revenue Strategy
BEPS - Base Erosion and Profit Shifting	MYEFO - Mid-Year Economic and Fiscal Outlook
BMT - Book Makers (Turnover) Tax	NBPOL - New Britain Palm Oil Limited
BPNG - Bank of Papua New Guinea	NEC - National Executive Council
BSP - (Likely) Bank of South Pacific	NDoH - National Department of Health
CACC - Central Agencies Coordinating Committee	NID - National Identification (Project)
CbC - Country-by-Country (Reporting)	NML - Newcrest Mining Limited (now Newmont)
CIB - Capital Investment Budget	NNR - Non-Resource Revenue
CIT - Company Income Tax	NRI - National Research Institute
CPI - Consumer Price Index	NRL - National Rugby League
CoE - Compensation of Employees	NRLW - National Rugby League Women's
CRR - Cash Reserve Requirement	NRIVT - Non-Resident Insurers Withholding Tax
DAL - Department of Agriculture and Livestock	NRMP - National Road Maintenance Program
DDA - District Development Authority	NSO - National Statistical Office
DHERST - Department of Higher Education, Research, Science and Technology	NSL - Nambawan Super Limited
DIP - Deliberate Intervention Program	NTRA - Non-Tax Revenue Administration
DoE - Department of Education	NZ - New Zealand
DSIP - District Support Improvement Program	OPEC+ - Organization of the Petroleum Exporting Countries and allies
DWT - Dividend Withholding Tax	OSL - Oil Search Limited
EIB - European Investment Bank	OTML - Ok Tedi Mining Limited
EMPNGL - Exxon Mobil PNG Limited	PE - Personnel Emoluments
ESG - Environmental, Social, and Governance	PGK - Papua New Guinea Kina
EU - European Union	PHA - Provincial Health Authorities
FID - Final Investment Decision	PIP - Public Investment Program
FODE - Flexible, Open and Distance Education	PIT - Personal Income Tax
FRA - Fiscal Responsibility Act	PNG - Papua New Guinea
FSV - Family Sexual Violence	PNG IMR - PNG Institute of Medical Research
FX - Foreign Exchange	PNG LNG - Papua New Guinea Liquefied Natural Gas (Project)
GBV - Gender-Based Violence	PNGNRLF - Papua New Guinea National Rugby League Franchise
GESI - Gender Equity and Social Inclusion	PNGDSP - PNG Development Strategic Plan
GDP - Gross Domestic Product	POS - Point of Sale
GMS - GST Monitoring System	PPP - Public Private Partnership
GMT - Gaming Machine Tax	PSIP - Provincial Support Improvement Program
GoPNG - Government of Papua New Guinea	RSA - Retirement Savings Account
GPR - Geopolitical Risks Index	SDG - Sustainable Development Goals
G&S - Goods and Services	SEZ - Special Economic Zones
GST - Goods and Services Tax	SME - Small and Medium Enterprises
GTFS - Government Tuition Fee Subsidy	SOE - State-Owned Enterprise
GVW - Gross Vehicle Weight	SPA - Special Priority Area
HELP - Higher Education Loan Program	SPAP - Special Police Assistance Program
HS - Harmonized System (for commodity classification)	SRC - Salaries and Remuneration Commission
HSSDP - Health Sector Services Development Program	StaRS - National Strategy for Responsible Sustainable Development
ICCO - International Cocoa Organisation	STEM - Science, Technology, Engineering, and Mathematics
ICO - International Coffee Organization	SWT - Salary & Wages Tax
ICT - Information and Communication Technology	T-Bills - Treasury Bills
IFAD - International Fund for Agricultural Development	T-Bonds - Treasury Bonds
IFMS - Integrated Financial Management System	TCC - Tax Clearance Certificate
IMF - International Monetary Fund	TESAS - Tertiary Education Study Assistance Scheme
IRC - Internal Revenue Commission	TES - Tax Expenditure Statement
ITA - Income Tax Act	TVET - Technical and Vocational Education and Training
ITCS - Infrastructure Tax Credit Scheme	UN - United Nations
IUE - Innovative University of Enga	USD - United States Dollar
IWT - Interest Withholding Tax	WaSH - Water, Sanitation and Hygiene
KCHL - Kumul Consolidated Holdings Limited	WEO - World Economic Outlook (IMF)
KMHL - Kumul Mineral Holdings Limited	WGC - World Gold Council
KPHL - Kumul Petroleum Holdings Limited	WPU - Western Pacific University
KFR - Kina Facility Rate	YTD - Year-To-Date
LME - London Metal Exchange	
LNG - Liquefied Natural Gas	
MEC - Ministerial Economic Committee	
MNE - Multinational Enterprise	

CHAPTER 1: BUDGET OVERVIEW

1.1 SECURITY WITH GROWTH

The theme for the 2026 National Budget is “*Security with Growth*”. Having celebrated the country’s 50th anniversary of independence in 2025, this budget recognises that Papua New Guinea has made substantial development progress, which must continue and expand.

To achieve fiscal and development goals, the Government projects revenue of K29.3 billion. The domestic revenue to GDP ratio climbs to 18.8 per cent, exceeding considerably the target of 17.9 per cent by 2027 set under the Government’s Medium-Term Revenue Strategy 2023-2027. These higher revenues are based on strong growth and strengthened non-tax revenue policies. There are no new taxes.

Expenditure is budgeted at K30.9 billion in 2026. Within this, there are major new investments in our law and justice sector, in our growth-oriented investments in human capital through the education and health budgets, and an overall capital budget of K10.9 billion, including the highest ever funding for PNG’s own Public Investment Program.

The planned deficit total is K1.6 billion which is the lowest amount since 2012. This deficit represents just 1.1 per cent of GDP. This is a reduction from 8.9 per cent of GDP in 2020, a very rapid rate of Budget Repair by international standards. The primary balance, a measure of the current stance of fiscal policy, reaches 1.4 per cent of GDP, the first time there has been a surplus in this measure since 2011.

As a result, the Government expects public debt to reach K66.2 billion in 2026, 45.5 per cent of Gross Domestic Product (GDP). Relative to the size of the economy, budgeted debt is at its lowest level since 2019. The Government’s fiscal prudence has effectively managed and overcome the unavoidable growth in debt required to address the COVID-19 pandemic, and by protecting the budget, the Government protected the economy.

Solid growth continues in the non-resource sector, with expected real growth of 4.5 per cent. This is the sixth year of non-resource growth of over 4 per cent, the most consistent growth performance in PNG’s history, and all achieved without a new resource project. With growth consistently exceeding population growth rates of 2.6 per cent, we are finally seeing sustained improvements in PNG average living standards.

Institutional reform continues, including the start of the modernised Income Tax Act, which simplifies the tax laws and encourages growth in areas such as faster rates of depreciation for new investments. This is backed through a new Oversight Board for the Internal Revenue Commission. Previous reforms to the Bank of PNG continue to deliver benefits, particularly through improving foreign exchange availability.

The Government continues to fund the Household Assistance Package to assist families deal with cost of living pressures.

The 2026 Budget continues to align with the Government’s 13-Year Budget Repair Plan (13-Year Plan) as introduced in the 2022 Budget. It also continues to be guided by the *Medium-Term Revenue Strategy (2023 – 2027)*, *Medium-Term Debt Strategy (2024 – 2028)* and *Medium-Term Development Plan (MTDP) IV (2023 – 2027)*. The Government has also adopted a suite of plans and strategic frameworks which shape budget decision-making. These include Vision 2050, the Development Strategy Plan (2010 – 2030), the National Strategy for Responsible Sustainable Development (StaRS), and the Reset@50 Roadmap.

1.2 13-YEAR BUDGET REPAIR PLAN

The 13-Year Plan (Table 1) targets a balanced budget in 2027 and sustainable debt levels, including the option to clear debt by 2034. The broad objectives of budget repair in the 2026 Budget are consistent with the plan, which seeks fiscal consolidation without compromising growth-enhancing development spending through: (i) strategic human and capital development; (ii) expanding the tax base; and (iii) improving the delivery of essential services.

There are principles guiding the plan, which also guide the 2026 Budget:

- Spending the money we have more wisely;
- Raising the revenue more fairly;
- Financing the debts more cheaply;
- Leveraging friendly international support more intelligently;
- Focusing on growth in the agriculture, forestry and fishery sectors, MSMEs and informal economy;
- Distributing resources benefits more equitably;
- Stimulating non-resource growth to at least 5.0 per cent annually;
- Reforming government SOEs for cheaper energy, internet and water; and
- Getting foreign exchange inflows more freely.

Since 2022, the Budget Repair Plan has made clear that from 2027, the Plan provides a framework for any elected Government in 2027 to repay all PNG sovereign debt, so all debt since Independence, down to zero by 2034. As we approach 2027, and remain on track for a surplus by 2027, it is timely to start indicating other options that any new Government may pursue.

One responsible option is presented in Table 2. It is based on continuing with strong budget surpluses through to 2034, although with some surplus directed into higher rates of investment in the GoPNG PIP. In the example provided below, just one of many options available to any new Government in 2027, the PIP would increase from K11,274.0 million in the zero debt plan in 2034, up to K27,842.0 million in 2034, while still achieving a debt to GDP ratio of 20.0 per cent in 2034.

Alternative options, for example, could include putting more of the surplus into human capital investments, with more teachers and doctors and police, while still allowing for very large increases in physical capital investment. These are options for 2027.

Table 1: 13-Year Fiscal Plan for Budget Repair and Reconstruction

						11th Parliament Budgets					12th Parliament Budgets					13th Parliament Budgets	
	2018 FBO	2019 FBO	2020 FBO	2021 FBO	2022 FBO	2023 FBO	2024 FBO	2025 Budget	2026 Budget	2027	2028	2029	2030	2031	2032	2033	2034
GDP (K'million)	79,405	83,846	82,515	91,626	111,241	111,351	121,171	133,365	145,601	157,771	172,615	186,694	201,287	220,967	239,845	260,609	283,472
Non-Resource GDP	62,896	60,088	62,474	68,420	75,871	80,313	86,903	95,213	103,394	113,119	125,929	138,194	151,348	165,906	182,031	199,904	219,732
Resource GDP	16,508	23,758	20,041	23,206	35,524	30,306	34,267	38,152	42,207	44,652	46,687	48,500	49,939	55,061	57,814	60,705	63,740
GDP Nominal Growth (%)		5.6%	-1.6%	11.0%	21.4%	0.1%	8.8%	9.2%	8.4%	9.2%	8.4%	8.2%	9.4%	9.8%	8.7%	8.8%	8.8%
GDP Non-resource Nominal Growth (%)		-4.5%	4.0%	9.5%	10.9%	5.9%	8.2%	9.6%	8.6%	9.4%	11.3%	9.7%	9.5%	9.6%	9.7%	9.8%	9.9%
GDP Non-resource Real		44,825	44,656	46,533	49,285	51,605	53,912	56,370	58,932	61,821	64,913	68,223	71,771	75,575	79,656	84,037	88,743
GDP Real Growth		4.5%	-3.2%	-0.5%	5.7%	3.0%	3.8%	4.5%	4.0%	3.9%	3.9%	4.0%	3.9%	4.8%	3.5%	3.7%	3.8%
GDP Non-resource Real Growth (%)			-0.4%	4.2%	5.9%	4.7%	4.5%	4.6%	4.5%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%
Total Revenue	14,085	13,680	12,093	13,635	18,536	19,810	20,826	25,408	29,307	32,192	35,164	40,154	44,104	48,488	53,356	58,491	64,196
% of GDP (MTRS measure)	17.7%	16.3%	14.7%	14.9%	16.7%	17.8%	17.2%	19.1%	20.1%	20.4%	20.4%	21.5%	21.9%	22.2%	22.4%	22.4%	22.6%
Total revenue growth rate		-2.9%	-11.6%	12.7%	35.9%	6.9%	5.1%	22.0%	15.3%	9.8%	9.2%	14.2%	9.8%	9.9%	10.0%	9.6%	9.8%
GoPNG Revenue (Total Revenue less Grants)	12,249	11,905	10,668	11,772	17,064	18,651	19,646	23,908	27,364	30,199	33,121	38,061	41,961	46,295	51,143	56,198	61,853
% of GDP	15.4%	14.2%	12.9%	12.8%	15.3%	16.8%	16.2%	17.9%	18.8%	19.1%	19.2%	20.4%	20.8%	21.0%	21.3%	21.6%	21.8%
Tax Revenue Minus MPT	9,701	10,157	9,619	10,494	12,417	13,720	14,740	17,064	17,291	19,865	22,249	24,919	27,909	31,259	35,010	38,797	43,033
MPT	775	761	183	635	4,036	3,907	3,707	4,137	4,850	4,850	5,092	6,847	7,189	7,549	7,926	8,323	8,739
NTRA and other	1,120	606	298	263	311	622	639	1,236	2,124	2,378	2,664	2,983	3,341	3,742	4,192	4,695	5,258
Resource Dividends	653	381	569	381	300	403	560	1,471	3,100	3,105	3,115	3,311	3,521	3,745	3,985	4,384	4,822
KPL dividends						250	402	550	2,100	2,205	2,315	2,431	2,553	2,680	2,814	3,096	3,405
Ok Tedi and Other						153	159	921	1,000	900	880	880	968	1,065	1,171	1,288	1,417
Grants	1,836	1,776	1,425	1,862	1,472	1,159	1,181	1,500	1,943	1,993	2,043	2,093	2,143	2,193	2,243	2,293	2,343
Tax-to-GDP	13.2%	13.0%	11.9%	12.1%	14.8%	15.8%	15.2%	15.9%	15.2%	15.8%	15.8%	17.0%	17.4%	17.6%	17.9%	18.1%	18.3%
Total Expenditure	16,134	17,852	19,398	20,131	24,390	24,615	24,757	28,357	30,915	32,178	33,784	35,449	37,349	39,117	40,958	42,881	44,920
% of GDP	20.3%	21.3%	23.5%	22.0%	21.9%	22.1%	20.4%	21.3%	21.2%	20.4%	19.6%	19.0%	18.6%	17.7%	17.1%	16.5%	15.8%
Total Expenditure (excluding retained NTRA revenue)	16,134	17,852	19,398	20,131	24,390	24,615	24,757	28,357	30,265	31,450	32,969	34,536	36,326	37,972	39,675	41,444	43,311
GoPNG Expenditure (Total Expenditure less Grants)	14,298	16,077	17,973	18,268	22,918	23,456	23,572	26,857	28,972	30,185	31,741	33,356	35,206	36,924	38,715	40,588	42,577
% of GDP	18.0%	19.2%	21.8%	19.9%	20.6%	21.1%	19.5%	20.1%	19.9%	19.1%	18.4%	17.9%	17.5%	16.7%	16.1%	15.6%	15.0%
Operational Component (PE and G&S)	8,516	8,504	9,156	9,296	10,817	11,237	11,697	12,644	13,632	14,031	14,778	15,641	16,609	17,702	18,942	20,357	21,982
% of Total Expenditure	47.6%	47.2%	46.2%	44.3%	44.3%	45.7%	47.2%	44.6%	44.1%	43.6%	43.7%	44.1%	44.5%	45.3%	46.2%	47.5%	48.9%
PE and GS Growth rate		-0.1%	7.7%	1.5%	16.4%	3.9%	4.1%	8.1%	7.8%	2.9%	5.3%	5.8%	6.2%	6.8%	7.0%	7.5%	8.0%
Compensation of Employees	5,198	5,424	5,831	6,094	6,490	6,934	7,201	7,801	8,193	8,577	9,066	9,634	10,293	11,060	11,955	13,005	14,242
Teachers, police and health sector						3,616	3,890	3,968	4,213	4,477	4,791	5,174	5,639	6,203	6,886	7,712	8,715
Number of teachers		65,793	67,701	68,078	69,320	70,377	71,702	74,955	77,204	79,520	82,701	86,836	92,046	98,489	106,368	115,941	127,535
Number of health sector workers		11,844	12,972	14,252	16,453	17,164	17,652	17,784	18,140	18,684	19,431	20,403	21,627	23,141	24,992	27,241	29,966
Number of police		7,084	6,828	6,767	6,288	6,431	6,349	6,450	6,750	7,250	8,170	9,090	10,010	11,050	12,770	13,690	15,690
Other core CoE (includes key PFM, NTRA and revenue collection agencies)						1,520	1,640	1,719	1,771	1,877	1,990	2,109	2,236	2,370	2,512	2,663	2,824
Non-core CoE						1,791	2,193	2,329	2,399	2,471	2,545	2,621	2,700	2,781	2,864	2,947	3,030
Goods and Services	3,317	3,080	3,325	3,202	4,327	4,303	4,496	4,842	5,438	5,454	5,711	6,007	6,315	6,641	6,987	7,352	7,740
GTFS (1)		392	339	890	905	860	851	860	905	941	997	1,057	1,120	1,188	1,259	1,334	1,414
HELP and TESAS (1)			61		95	136	135	152	157	163	173	184	195	206	219	232	246
Medical Supplies (1)		234	217		201	237	209	240	267	278	295	312	331	351	372	394	418
Health functional grants								113	137	154	178	180	207	232	260	291	326
Public Health Commodities - includes vaccines (1)								33	56	85	88	94	99	105	111	118	125
Rental (1)					281		238	349	342	350	364	386	409	434	460	487	517
Utilities (1)					265		223	238	225	250	260	276	292	310	328	348	369
Defence, Police & CIS (1)					263		385	315	412	429	455	482	511	541	574	608	645
Economic and Infrastructure Sector (1)							156	126	103	107	113	120	127	135	143	152	161
Arrears						209	261	300	300	300	300	300	300	300	300	300	300
Contingency Fund and PM/NEC decisions/Govt Ob.						230	350	368	530	370	389	408	428	450	472	496	521
Other G&S	3,317	2,454	2,709	3,202	2,595	1,796	1,598	1,722	1,925	1,975	2,054	2,137	2,222	2,311	2,403	2,500	2,600
CoE and G&S % of Total Expenditure	52.8%	47.6%	47.2%	46.2%	44.3%	45.7%	47.2%	44.6%	44.1%	43.6%	43.7%	44.1%	44.5%	45.3%	46.2%	47.5%	48.9%
Provincial Transfers	1,016	1,114	1,175	1,279	1,123	1,350	1,515	1,848	2,044	2,367	2,398	2,755	3,086	3,456	3,871	4,336	4,856
Provincial Functional Grants	504	501	588	558	445	523	535	706	770	891	903	1,038	1,162	1,302	1,458	1,633	1,829
GST & BMT Transfers	512	612	587	721	677	827	980	1,142	1,274	1,475	1,495	1,718	1,924	2,155	2,413	2,703	3,027
% of Total Expenditure	6.3%	6.2%	6.1%	6.4%	4.6%	5.5%	6.1%	6.5%	6.6%	7.4%	7.1%	7.8%	8.3%	8.8%	9.5%	10.1%	10.8%
Interest Payment (Debt Service)	1,935	2,147	2,165	2,255	2,579	2,770	2,964	3,523	3,723	4,048	4,025	3,822	3,739	3,319	2,736	1,965	994
% of Total Expenditure	12.0%	12.0%	11.2%	11.2%	10.6%	11.3%	12.0%	12.4%	12.0%	12.6%	11.9%	10.8%	10.0%	8.5%	6.7%	4.6%	2.2%
Capital Investment Component	4,668	6,088	6,901	7,301	9,872	9,258	8,581	10,343	10,866	11,005	11,768	12,318	12,893	13,495	14,126	14,786	15,479
% of Total Expenditure	28.9%	34.1%	35.6%	36.3%	40.5%	37.6%	34.7%	36.5%	35.1%	34.2%	34.8%	34.7%	34.5%	34.5%	34.5%	34.5%	34.5%
GoPNG PIP	2,041	3,001	3,909	3,946	6,952	7,066	6,402	7,617	7,697	7,774	8,413	8,833	9,275	9,739	10,226	10,737	11,274
PIP as share of Budget	12.6%	16.8%	20.2%	19.6%	28.5%	28.7%	25.9%	26.9%	24.9%	24.2%	24.9%	24.9%	24.8%	24.9%	25.0%	25.0%	25.1%
Concessional Loans	792	1,312	1,568	1,494	1,448	1,033	999	1,226	1,226	1,238	1,313	1,391	1,475	1,563	1,657	1,756	1,862
Donor Support Grants	1,836	1,776	1,425	1,862	1,472	1,159	1,180	1,500	1,943	1,993	2,043	2,093	2,143	2,193	2,243	2,293	2,343
Revenue retained by NTRA Agencies									650	728	815	913	1,023	1,146	1,283	1,437	1,609
BUDGET BALANCE (Deficit to Surplus)	- 2,048	- 4,172	- 7,305	- 6,270	- 5,852	- 4,805	- 3,930	- 2,949	- 1,608	- 13	1,379	4,704	6,755	9,371	12,398		

Table 2: The 13-Year Budget Repair Plan – Surplus and Investment

	2018 FBO	2019 FBO	2020 FBO	2021 FBO	2022 FBO	2023 FBO	2024 FBO	2025 Budget	2026 Budget	2027	2028	2029	2030	2031	2032	2033	2034
GDP (K'million)	79,405	83,846	82,515	91,626	111,241	111,351	121,171	133,365	145,601	157,771	172,615	186,694	201,287	220,967	239,845	260,609	283,472
Non-Resource GDP	62,896	60,088	62,474	68,420	75,871	80,313	86,903	95,213	103,394	113,119	125,929	138,194	151,348	165,906	182,031	199,904	219,732
Resource GDP	16,508	23,758	20,041	23,206	35,370	30,306	34,267	38,152	42,207	44,652	46,687	48,500	49,939	55,061	57,814	60,705	63,740
GDP Nominal Growth (%)	5.6%	-1.6%	11.0%	21.4%	0.1%	8.8%	10.1%	9.2%	8.4%	9.4%	8.2%	7.8%	9.8%	8.7%	8.8%	8.7%	8.8%
GDP Non-resource Nominal Growth (%)	-4.5%	4.0%	9.5%	10.9%	5.9%	8.2%	9.6%	8.6%	9.4%	11.3%	9.7%	9.5%	9.6%	9.7%	9.7%	9.8%	9.9%
GDP Non-resource Real	44,825	44,656	46,533	49,285	51,605	53,912	56,370	58,932	61,821	64,913	68,223	71,771	75,755	79,666	84,037	88,743	93,743
GDP Real Growth	4.5%	-3.2%	-0.5%	5.7%	3.0%	3.8%	4.5%	4.0%	3.9%	3.9%	3.9%	4.0%	3.9%	4.8%	3.5%	3.7%	3.8%
GDP Non-resource Real Growth (%)	-0.4%	4.2%	5.9%	4.7%	4.7%	4.5%	4.6%	4.5%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.6%
Total Revenue	14,085	13,680	12,093	13,635	18,536	19,810	20,828	25,408	29,307	32,192	35,164	40,154	44,104	48,488	53,356	58,491	64,196
% of GDP (MTRS measure)	17.7%	16.3%	14.7%	14.9%	16.7%	17.8%	17.2%	19.1%	20.1%	20.4%	20.4%	21.5%	21.9%	21.9%	22.2%	22.4%	22.6%
Total revenue growth rate	-2.9%	-11.6%	12.7%	35.9%	6.9%	5.1%	22.0%	15.3%	9.8%	9.2%	14.2%	18.0%	9.8%	9.9%	10.0%	9.6%	9.8%
GoPNG Revenue (Total Revenue less Grants)	12,249	11,905	10,668	11,772	17,064	18,651	19,646	23,908	30,199	33,121	38,061	41,961	46,295	51,113	56,198	61,853	67,932
% of GDP	15.4%	14.2%	12.9%	12.8%	15.3%	16.8%	16.2%	17.9%	18.8%	19.1%	19.2%	20.4%	20.8%	21.0%	21.3%	21.6%	21.8%
Tax Revenue Minus MPT	9,701	10,157	9,619	10,494	12,417	13,720	14,740	17,064	17,291	19,865	22,249	24,919	27,909	31,259	35,010	38,797	43,033
MPT	775	761	183	635	4,036	3,907	3,707	4,137	4,850	4,850	5,092	5,092	5,092	5,092	5,092	5,092	5,092
NTRA and other	1,120	606	298	263	311	622	639	1,236	2,124	2,378	2,664	2,983	3,341	3,742	4,192	4,695	5,258
Resource Dividends	653	381	569	381	300	403	560	1,471	3,100	3,105	3,115	3,311	3,521	3,745	3,985	4,384	4,822
KPL dividends						250	402	550	2,100	2,205	2,315	2,431	2,553	2,680	2,814	3,096	3,405
OK Tedi and Other						153	159	921	1,000	900	800	880	968	1,065	1,171	1,268	1,417
Grants	1,836	1,776	1,425	1,862	1,472	1,151	1,181	1,500	1,943	1,993	2,043	2,093	2,143	2,193	2,243	2,293	2,343
Tax-to-GDP	13.2%	13.0%	11.9%	12.1%	14.8%	15.8%	15.2%	15.9%	15.2%	15.7%	15.8%	17.0%	17.4%	17.6%	17.9%	18.1%	18.3%
Total Expenditure	16,134	17,852	19,398	20,131	24,390	24,615	24,757	28,357	30,915	32,178	34,950	38,111	41,768	45,994	51,451	58,323	63,829
% of GDP	20.3%	21.3%	23.5%	22.0%	21.9%	22.1%	20.4%	21.3%	21.2%	20.4%	20.2%	20.4%	20.8%	21.5%	22.4%	22.5%	22.5%
Total Expenditure (excluding retained NTRA revenue)	16,134	17,852	19,398	20,131	24,390	24,615	24,757	28,357	30,265	31,450	34,135	37,197	40,745	44,849	50,168	56,886	62,220
GoPNG Expenditure (Total Expenditure less Grants)	14,299	16,077	17,973	18,265	22,918	23,456	23,577	26,857	28,972	30,185	32,907	36,018	39,525	43,801	49,207	55,407	61,467
% of GDP	18.0%	19.2%	21.8%	19.9%	20.6%	21.1%	19.5%	20.1%	19.9%	19.1%	19.1%	19.3%	19.7%	19.8%	20.5%	21.5%	21.7%
Operational Component (PE and G&S)	8,516	8,504	9,156	9,296	10,817	11,237	11,697	12,644	13,632	14,031	14,778	15,641	16,609	17,702	18,942	20,357	21,982
% of Total Expenditure	47.6%	47.2%	46.2%	44.3%	44.3%	45.7%	47.2%	44.6%	44.1%	43.6%	42.3%	41.0%	39.8%	38.5%	36.8%	34.9%	34.4%
PE and G&S Growth rate	-0.1%	7.7%	1.5%	16.4%	3.9%	4.1%	8.1%	7.8%	6.5%	6.2%	5.8%	5.8%	6.2%	6.5%	7.0%	7.5%	8.0%
Compensation of Employees	5,198	5,424	5,831	6,094	6,490	6,934	7,201	8,193	8,571	9,061	9,574	10,204	10,961	11,869	12,842	13,905	15,067
Teachers, police and health sector						3,616	3,890	3,968	4,213	4,477	4,791	5,174	5,639	6,203	6,886	7,712	8,715
Number of teachers		65,793	67,701	68,078	69,320	70,377	71,702	74,955	77,204	79,520	82,701	86,836	92,046	98,489	106,368	115,941	127,535
Number of health sector workers		11,844	12,972	14,252	16,453	17,164	17,652	17,784	18,140	18,684	19,431	20,403	21,627	23,141	24,992	27,241	29,966
Number of police		7,084	6,828	6,767	6,288	6,431	6,349	6,450	6,750	8,170	8,170	9,090	10,010	10,930	11,850	12,770	13,690
Other core CoE (includes key PFM, NTRA and revenue collection agencies)						1,520	1,640	1,719	1,771	1,877	1,990	2,109	2,236	2,370	2,512	2,663	2,823
Non-core CoE						1,791	2,193	2,261	2,329	2,399	2,471	2,545	2,621	2,700	2,781	2,864	2,947
Goods and Services	3,317	3,080	3,325	3,202	4,327	4,303	4,496	4,842	5,438	5,454	5,711	6,007	6,315	6,641	6,987	7,352	7,740
GTFS (1)		392	339		890	764	851	860	905	941	997	1,057	1,120	1,188	1,259	1,334	1,414
HELP and TESAS (1)			61		95	136	135	152	157	163	173	184	195	206	219	232	246
Medical Supplies (1)		234	217		201	237	209	240	267	278	295	312	331	351	372	394	418
Health functional grants						113	137	154	178	180	207	232	260	291	326	365	404
Public Health Commodities - includes vaccines (1)						33	56	85	88	94	99	105	111	118	125	133	141
Rental (1)				281		455	349	342	350	364	386	409	434	460	487	517	548
Utilities (1)				265		238	225	250	260	276	292	310	328	348	369	391	413
Defence, Police & CIS (1)				263		385	315	412	429	455	482	511	541	574	608	645	684
Economic and Infrastructure Sector (1)						156	126	103	107	113	120	127	135	143	152	161	171
Arrears						209	261	300	300	300	300	300	300	300	300	300	300
Contingency Fund and PM/NEC decisions/Govt Ob.						230	350	368	500	370	389	408	428	450	472	496	521
Other G&S	3,317	2,454	2,709	3,202	2,595	1,796	1,998	1,722	1,975	2,054	2,137	2,222	2,311	2,403	2,500	2,600	2,700
CoE and G&S % of Total Expenditure	52.8%	47.6%	47.2%	44.3%	44.3%	45.7%	47.2%	44.6%	44.1%	43.6%	42.3%	41.0%	39.8%	38.5%	36.8%	34.9%	34.4%
Provincial Transfers	1,016	1,114	1,175	1,279	1,123	1,350	1,515	1,848	2,044	2,367	2,398	2,755	3,086	3,456	3,871	4,336	4,856
Provincial Functional Grants	504	501	588	558	445	523	535	706	770	891	903	1,038	1,162	1,302	1,458	1,633	1,829
GST & BMT Transfers	512	612	587	721	677	827	980	1,142	1,274	1,475	1,495	1,718	1,924	2,155	2,413	2,703	3,027
% of Total Expenditure	6.3%	6.2%	6.1%	6.4%	4.6%	5.5%	6.1%	6.5%	6.5%	7.4%	6.9%	7.2%	7.4%	7.5%	7.5%	7.4%	7.6%
Interest Payment (Debt Service)	1,935	2,147	2,168	2,255	2,579	2,770	2,964	3,523	3,723	4,048	4,025	3,822	3,739	3,602	3,457	3,345	3,335
% of Total Expenditure	12.0%	12.0%	11.2%	11.2%	10.6%	11.3%	12.0%	12.4%	12.0%	12.6%	11.5%	10.0%	9.0%	7.8%	6.7%	5.7%	5.2%
Capital Investment Component	4,668	6,088	6,901	7,301	9,258	8,581	10,343	10,866	11,005	12,934	14,079	17,311	20,088	23,899	28,848	34,047	40,447
% of Total Expenditure	28.9%	34.1%	35.6%	36.3%	40.5%	37.6%	34.7%	36.5%	35.1%	34.2%	37.0%	39.3%	41.4%	43.7%	46.4%	49.5%	50.2%
GoPNG PIP	2,041	3,001	3,909	3,946	6,952	7,066	6,402	7,617	7,697	7,774	9,579	11,495	13,693	16,332	19,999	24,798	29,842
PIP as share of Budget	12.6%	16.8%	20.2%	19.6%	28.5%	28.7%	25.9%	26.9%	24.9%	24.2%	27.4%	30.2%	32.8%	35.5%	38.9%	42.5%	43.6%
Concessional Loans	792	1,312	1,569	1,494	1,448	1,033	999	1,226	1,238	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313
Donor Support Grants	1,836	1,776	1,425	1,862	1,472	1,159	1,180	1,500	1,943	1,993	2,043	2,093	2,143	2,193	2,243	2,293	2,343
Revenue retained by NTRA Agencies																	
BUDGET BALANCE (Deficit to Surplus)	- 2,048	- 4,172	- 7,305	- 6,270	- 5,852	- 4,805	- 3,930	- 2,949	- 1,608	13	213	2,043	2,336	2,494	1,905	169	366
% of GDP	-2.6%	-5.0%	-8.9%	-6.8%	-5.3%	-4.3%	-3.2%	-2.2%	-1.1%	0.0%	0.1%	1.1%	1.2%	1.1%	0.8%	0.1%	0.1%
Fiscal Parameters																	
Consolidation				2.0%	1.6%	0.9%	1.1%	1.0%	1.1%	1.1%	0.1%	1.0%	0.1%	0.0%	-0.3%	-0.7%	0.1%
Average Interest Cost	6.6%	6.8%	5.9%	5.1%	5.												

1.3 CONTINUATION OF THE HOUSEHOLD ASSISTANCE PACKAGE

The government will extend the existing GST exemption on essential goods for a further 6 months, from 30th June 2026 until 31st December 2026. This targeted measure that will sustain cost-of-living relief for households. Keeping essential items GST free lowers checkout prices to directly assist households. The full year cost of the GST relief package is estimated at K500 million, consisting of K420 million in foregone Internal GST revenue collections, and K80 million in Ports GST. In addition, the Government is continuing with its earlier measures, providing income tax relief to families and other measures.

In 2026, this package of assistance to households is expected to cost K1,010.0 million. Over the five years, the total value of the package will climb to K3,332.0 million.

Table 3: Household Assistance Package
Household Assistance Package History

	2022	2023	2024	2025	2026	Total
Personnel Income Tax Cuts - K17,500 for 7 months	122					122
Fuel - Excise and GST (8 months)	305					305
School Project Fees (annual)	160					160
2022 Sub-Total	587					
Personnel Income Tax Cuts - K20,000 for 12 months		280				280
Fuel - Excise and Fuel (6 months)		150				150
School Project Fees (annual)		160				160
2023 Sub-Total		590				
Personnel Income Tax Cuts - K20,000 for 12 months			300			300
School Project Fees (annual)			160			160
2024 Sub-Total			460			
GST Relief - 12 months starting 1 July 2025)				210		210
Personnel Income Tax Cuts - K20,000 Permanent				300		300
School Project Fees (annual)				160		160
Stamp Duty Threshold increased to K700,000				15		15
2025 Sub-Total				685		
GST Relief - Full 12 months (K420m Inland GST, K80m Ports)					500	500
Personnel Income Tax Cuts - K20,000 Permanent					320	320
School Project Fees (annual)					175	175
Stamp Duty Threshold increased to K700,000					15	15
2026 Sub-Total					1,010	
Cumulative total of 5 Years of Assistance	587	1,177	1,637	2,322	3,332	3,332

Source: PNG Treasury

1.4 GUIDING PRINCIPLES

The 2026 Budget will continue to deliver on the Marape-Rosso Government's social and economic priorities. These include:

1. *Strong Economy*

Building a strong and resilient economy through sound fiscal and monetary policy management. In addition to the 13-Year Budget Repair Plan's targets, the Government intends to reduce inflationary pressures, improve living conditions, strengthen investor confidence and support private sector growth.

2. *Connect PNG*

The Connect PNG 2020-2040 program is connecting economic corridors in PNG. Public investment will be raised on infrastructures related to the Agriculture, Fisheries and Forestry (AFF), Small-Medium Enterprises (SME), manufacturing and the non-resource sectors of the economy. This is to support sustainable long-term growth beyond the resource sector. These investments are steps in the right direction of achieving most of the goals of Vision 2050 and SDGs.

3. *Going Rural*

The Marape-Rosso Government recognizes the agriculture sector as a catalyst driver of rural development. Almost 85.0 per cent of the population are domiciled in rural and remote communities and derive a living from farming. Agriculture plays a vital role in transforming and diversifying the economy to reach self-reliance, whilst achieving other essential outcomes like employment creation, food security and improving nutrition. The Government will continue to improve related infrastructures and export opportunities for farmers and businesses in the agriculture sector.

4. *Good Governance*

While a lot of resources are channelled through the Government systems, capacity of PNG's public administration and institutions to plan, execute, monitor, manage, distribute and supervise is critical to achieve the intended outcome. Governance is one of the key pillars of the ESG principles that are commonly embedded in private sector investment and growth models. The Marape-Rosso Government recognizes the need for good governance, transparency and accountability across different tiers of the Government.

Medium-Term Revenue Strategy 2023 – 2027

To achieve the 13-Year Plan's revenue targets, the Government is pursuing its Medium Term Revenue Strategy (2023 – 2027) (MTRS) which includes a range of policy, legal and administrative reforms intended to meet strategic objectives:

- Domestic revenue to reach 17.9 per cent of GDP by 2027;
- Clear policies that support national development goals and encourage investment;
- Broad based revenues (tax and non-tax) that ensure everyone makes a fair contribution to nation building;
- Clear laws that define the rights and obligations of taxpayers and the administrators;
- Lifting non-tax revenue collections substantially through the implementation of the Non-Tax Revenue Administration (NTRA) Act 2022 and increasing dividend and outstanding land rental collections;

- Continuing to strengthen revenue policy, the legislative framework, and administrative components of the revenue system for a more effective, simpler, and efficient tax system; and,
- Implementing fair and efficient revenue administration that provides high quality services to all taxpayers.

Medium-Term Debt Strategy 2024 – 2028

In line with the objectives of raising financing more cheaply and cost minimization, maintaining debt at sustainable levels, managing risk, and developing the domestic debt market, the Government is also pursuing its Medium Term Debt Strategy (MTDS) 2024 – 2028 which includes a range of reforms intended to meet strategic objectives:

- Finance annual deficits at the lowest possible costs while keeping financial risks at prudent levels;
- Develop an efficient and reliable domestic market for Government securities;
- Maintain debt at sustainable levels by targeting a debt to GDP ratio of below 45.0 per cent by 2027 and below 40.0 per cent by 2030;
- Engineer a portfolio shift from short term domestic debt securities to more concessional foreign debt; and
- Align Treasury Bills and Treasury Bonds split as a share of total domestic debt with current investor preferences and market demand.

Medium-Term Development Plan (MTDP) IV 2023 – 2027

The MTDP IV (2023 – 2027) outlines the Government's development agenda to grow the economy to K200.0 billion, double internal and external revenue, and create an additional one million jobs. It focuses on growing the economy inclusively and sustainably in a way, which underpins investments in the non-resource sector to yield jobs growth and increased per capita income.

The Plan has 12 key Strategic Priority Areas (SPAs):

1. Strategic Economic Investments;
2. Connect PNG Infrastructure;
3. Quality and Affordable Health Care;
4. Quality Education and Skilled Human Capital;
5. Rule of Law and Restorative Justice;
6. National Security;
7. National Revenue and Public Finance Management;
8. Digital Government, National Statistics and Public Service Governance;
9. Research, Science and Technology;
10. Climate Change and Natural Environment Protection;
11. Population, Youth and Women's Empowerment; and
12. Strategic Partnership.

The Government seeks to align 70.0 per cent of its capital budget allocation towards programs and projects that align with the 12 SPAs.

1.5 SUSTAINABLE DEVELOPMENT GOALS

In 2015, Papua New Guinea joined with the world at the United Nations to adopt the Agenda for Sustainable Development that includes the pursuit of 17 Sustainable Development Goals (SDGs) (see below):

1. End poverty in all its forms everywhere;
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
3. Ensure healthy lives and promote well-being for all at all ages;
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
5. Achieve gender equality and empower all women and girls;
6. Ensure availability and sustainable management of water and sanitation for all;
7. Ensure access to affordable, reliable, sustainable and modern energy for all;
8. Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all;
9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation;
10. Reduce inequality within and among countries;
11. Make cities and human settlements inclusive, safe, resilient and sustainable;
12. Ensure sustainable consumption and production patterns;
13. Take urgent action to combat climate change and its impacts;
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development;
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; and
17. Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.

Papua New Guinea adopted the Small Island Developing States Accelerated Modalities of Action (SAMOA Pathway) to achieve these goals. Achieving these goals by 2030 often requires Government expenditure and as such, influences budget decision-making.

CHAPTER 2: ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 WORLD ECONOMIC GROWTH OUTLOOK

The global economy is experiencing a period of slow growth and declining inflation, characterised by resilience but also significant risks like prolonged uncertainty, rising trade tensions, and fiscal vulnerabilities. The US Trade Tariffs, introduced during the first quarter of 2025, have changed the global economic landscape, forcing policy makers to rethink traditional policy responses.

According to the International Monetary Fund's (IMF) 2025 October World Economic Outlook (WEO) report, global growth is projected to slow from 3.3 per cent in 2024 to 3.2 per cent in 2025 and 3.1 per cent in 2026. Advanced economies are expected to grow at around 1.6 per cent while emerging markets and developing economies at just above 4.0 per cent. The forecast for 2025 was revised slightly upwards by a 0.2 percentage points compared to the July WEO update while 2026 remains unchanged. Nevertheless, this projection is still below the pre-policy shift forecast.

Global inflation is slowly abating from 5.8 per cent in 2024 to 4.2 per cent in 2025 and is expected to continue slowing down to 3.7 per cent in 2026 with large variations across countries.

Advanced Economies

Advanced economies are projected to grow at 1.6 per cent in both 2025 and 2026, marking a 0.1 percentage point increase for 2025 from the July 2025 WEO. Overall, the forecast for both 2025 and 2026 is 0.2 percentage points lower than the 2024 estimate driven by the impact of the US tariffs.

In the United States, economic growth is projected to reach 2.0 per cent in 2025 and 2.1 per cent in 2026, which is slightly better than earlier forecasts (April and July WEO, 2025). This is due to the impact of tariffs being lower than expected, a large fiscal boost from the passage of the 'US One Big Beautiful Bill Act' (OBBBA) and easing financial conditions. However, this projection is lower compared to those made in 2024 October and the 2025 January WEO due to rising input costs, rising inflation, and slower growth in the labour force. These factors are making it harder for the U.S. economy to maintain its previous growth momentum, even with a boost from government spending in 2025.

Growth in the Euro area is expected to improve modestly to 1.2 per cent in 2025 before easing to 1.1 per cent in 2026. While the 2025 growth is an upward revision from the April and July WEO (2025), it is still below the October 2024 projections due to elevated trade uncertainties and higher tariffs.

In Japan, growth is expected to increase from 0.1 per cent in 2024 to 1.1 per cent in 2025 before easing to 0.6 per cent in 2026. These changes are initially influenced by an expected pick up in real wage growth, supporting private consumption, despite strong headwinds from elevated trade policy uncertainty and softening external demand.

Emerging Markets and Developing Economies

Growth in Emerging Markets and Developing Economies (EMDE's) is projected to moderate from 4.3 per cent in 2024 to 4.2 per cent in 2025 and 4.0 per cent in 2026. This mainly reflects stronger downward revisions in low-income developing countries.

In China, the growth forecast for 2025 was revised downward by 0.6 percentage points in the April 2025 WEO. This is attributed to the escalation of trade tensions with the United States. In July 2025 WEO, growth was revised upward by 0.8 percentage point following the pause on higher tariff rates in May 2025. A major drag on growth was a sharp depreciation of the real effective exchange rate. The real estate sector has still not revived, posing more downside risks to China's growth. Nonetheless, China is expected to experience a growth rate of 4.8 per cent in 2025, marking an increase of 0.3 of a percentage point on the 2024 October WEO forecast, before easing to 4.2 per cent in 2026.

Growth in India is projected to be 6.6 per cent in 2025 and 6.2 per cent in 2026. This marks an upward revision for 2025 and a downward revision for 2026 from July WEO. However, this forecast is lower compared to the pre-tariff forecast of October 2024 by 0.2 percentage points. This projection mainly reflects carryover from a strong first quarter more than offsetting the increase in the US effective tariff rate on imports from India since July 2025. External headwinds from US tariffs have been more than offset by strong domestic household consumption and a further expansion in fiscal policy.

Chart 1: World Economic Growth (%)

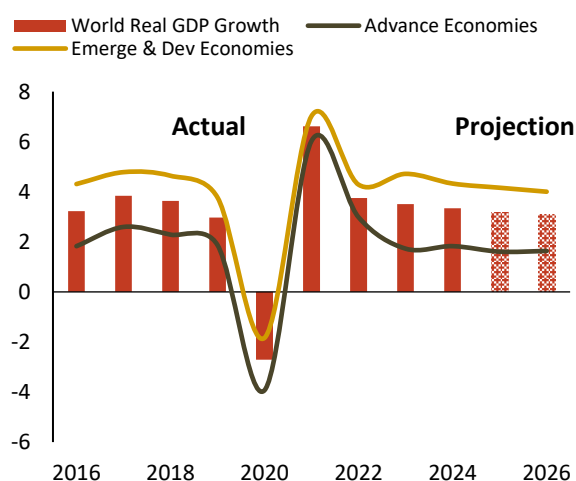
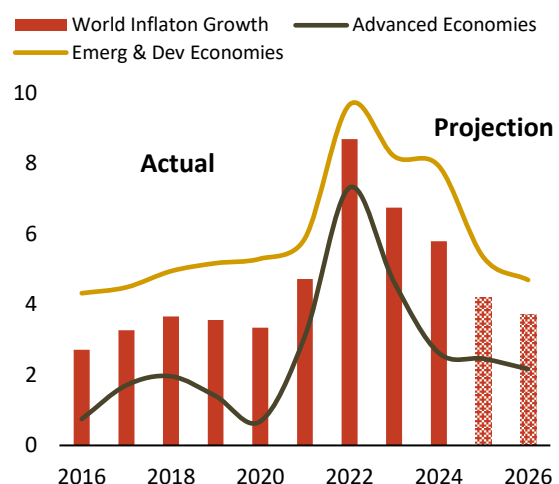


Chart 2: World Inflation Growth (%)



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) October 2025

World Inflation

Global headline inflation is projected to decline to 4.2 per cent in 2025 before easing further to 3.7 per cent in 2026. Among advanced economies, inflation is expected to remain higher – especially in the United States (2.7 per cent projected for 2025) and United Kingdom (3.4 per cent projected for 2025). This primarily reflects the impacts of US tariffs through higher consumer price and regulated prices. Inflation in other countries – especially developing Asian countries like China and India – is anticipated due to changes in food, energy, and government-controlled prices. Inflation is expected to edge higher in 2026 after declining in 2025, though it is expected to largely remain within central bank target ranges. The Asian Development Bank expects regional inflation to reach 2.1 per cent in 2026, up slightly from 1.7 per cent in 2025.

Commodity Prices

It is a varied story for commodity prices trends in 2025 and beyond. Global market expectations have changed due to increased market supply, trade policy uncertainties and weaker economic growth. These factors are expected to change the global market landscape and influence inflation and fiscal outcomes across economies, including PNG.

According to the IMF, fuel commodity prices are anticipated to decline by 7.9 per cent in 2025 and 3.7 per cent in 2026. This mainly reflects lower oil prices driven by strong supply growth from Organization of Petroleum Exporting Countries (OPEC+) and subdued global demand. In contrast, non-fuel commodity prices are projected to increase by 7.4 per cent in 2025 and 4.1 per cent in 2026, driven mainly by higher coffee and cocoa prices.

Mineral and Petroleum Commodities

Gold

Gold prices have been strong in recent months and have climbed above US\$3,800.0 per ounce mark in September¹. This was due to rising trade tensions, economic policy uncertainty, geopolitical tensions and the expectations of U.S Federal Reserve rate cuts. In addition, the World Gold Council reported record net central bank purchases in Q2 2025, indicating a strategic shift away from the U.S dollar amid growing prospects of global monetary policy easing.

Gold prices are projected to remain elevated in 2025 and are expected to average around US\$3,282.0 per ounce in 2025 before increasing further to US\$3,540.0 per ounce in 2026. Furthermore, gold's traditional role as a hedge against inflation and an investment haven is expected to drive prices in 2026 amid the possibility of a weaker dollar, lower yields, and increased monetary policy easing.

On the downside, improvements in global economic activity and the de-escalation of geopolitical tensions could restrain gold's price surge.

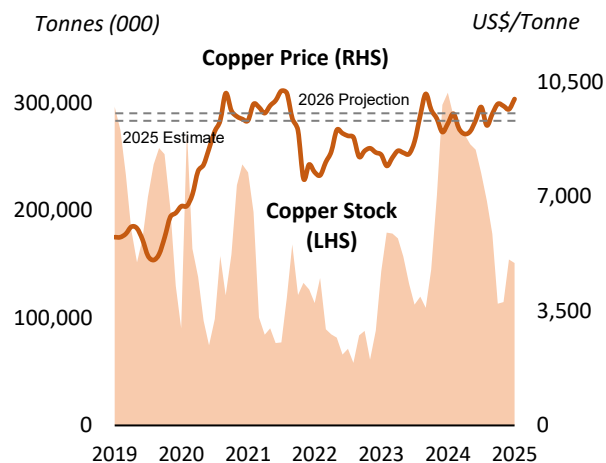
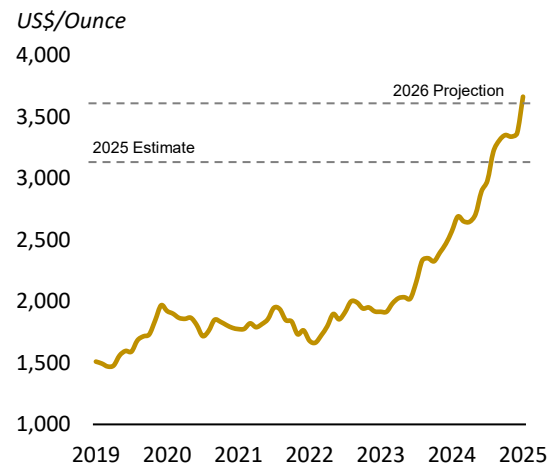
Copper

Copper prices increased in 2025 amid the impact of trade tariffs, which led to increased stockpiling and front-loading activity. This was further supported by supply disruptions in major copper producing countries like Chile, Peru and Indonesia, and strong industrial demand from construction, electric vehicle and the renewable energy sector.

Looking ahead, the copper price is expected to continue its uptrend in 2025 and 2026. This is largely driven by supply shortage amid persisting operational disruptions and project delays in major copper producing regions. Demand is also anticipated to increase due to the re-emergence of tariff-induced purchases, increased infrastructure spending from the green energy sector, and the electric vehicle industry.

Given these, the copper prices are expected to average at US\$9,648.0 per tonne in 2025 and US\$9,940.0 per tonne in 2026.

¹ Gold price has reached historic high with a record spot price of US\$4,381.0 per ounce on October 20, 2025.

Chart 3: Copper Price (US\$ per tonne)**Chart 4: Gold Price (US\$ per ounce)**

Source: London Metal Exchange (LME) and London Bullion Market Association (LBMA)

Crude Oil

Prices have shown a downward trend in 2025 due to strong supply prospects and weak demand growth. The OPEC+ decision to unwind its production cuts together with expectations of strong production from non-OPEC countries has largely influenced the prices. These were further supported by sluggish demand due to slower global economic growth and growing uncertainty surrounding the ongoing geopolitical tensions in the Middle East, and trade wars including the imposition of tariffs and sanctions on oil exports between the US and its trading partners.

Looking ahead, the oil price is projected to average at US\$66.0 per barrel in both 2025 and 2026. This reflects a steady production increase from both the OPEC+ and non-OPEC groups more than offsetting softer demand growth and increasing global oil inventories.

Liquefied Natural Gas

Liquefied Natural Gas (LNG) prices have generally eased in 2025 after experiencing strong gains in 2024 and the first half of 2025. This was due to tighter market balance, higher prices and weaker demand. According to the International Energy Agency (IEA), global LNG demand grew at a much slower phase of 1.0 per cent year-on-year, mainly reflecting moderate consumption growth in Europe and North America, driven by increased consumption from the electricity sector and cold weather, respectively. In contrast, natural gas demand remained subdued in Asia due to macroeconomic uncertainties and higher prices.

Global LNG supply remained flat during the first half of 2025, due to strong production from a new LNG facility in the United States. This was partly offset by the cut in Russian piped gas deliveries to European customers, stronger storage needs in Europe and the war related fears from the Middle East. However, the Israeli-Iran ceasefire announcement in June reduced LNG prices by 20.0 per cent given the important role of the Strait of Hormuz – a key trade route for global LNG and crude oil.

For the remainder of 2025, LNG prices are expected to be driven by a weaker global demand – especially from the price sensitive markets in the Asia-Pacific region and ample supply from the ramp-ups of major new LNG projects in North America.

In 2026, LNG price is anticipated to experience a balanced market reflecting increases in both global supply and demand. Global supply is expected to be driven by the United States, Canada and Qatar's North Field East expansion project, which are expected to start operations in mid-

2026. Gas consumption is also expected to rise amid increased consumption from the energy, residential, and commercial sectors across consumer regions.

Given these movements, LNG prices are expected to average US\$12.3 per million British thermal units (mmBtu) in 2025, before balancing out at US\$11.7 per million British thermal units (mmBtu) in 2026.

Chart 5: Oil Price and Stock Trend

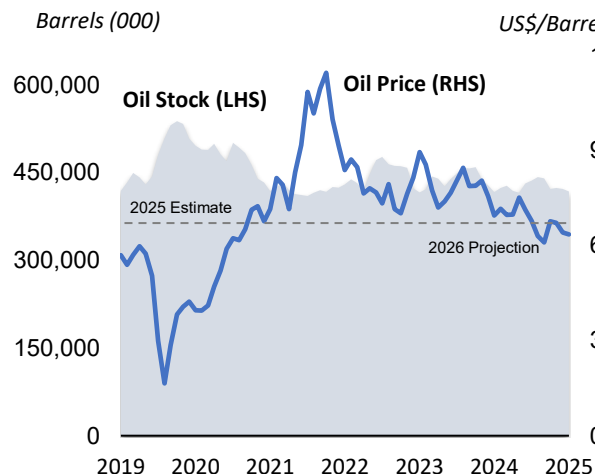
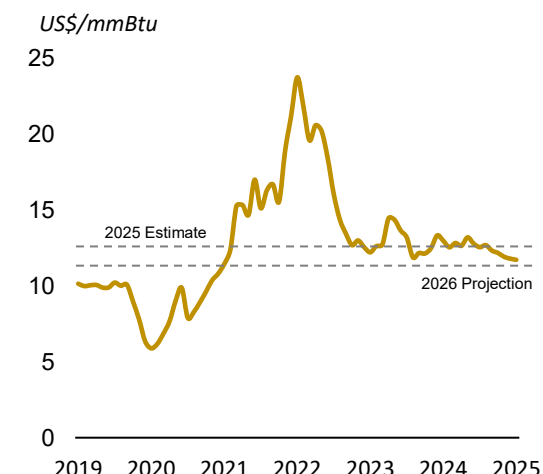


Chart 6: LNG Price Trend



Source: Market Watch, U.S Energy Information Administration (IEA) and World Bank Pink Sheet (LNG, Japan, US\$/mmBtu)

Agricultural Commodities

Coffee

Coffee prices generally have remained elevated in 2025. This is driven by a mix of bullish factors including persistent supply chain issues, robust demand, increased inventory drawdowns, weather volatility and currency fluctuations. The average year-to-date price at end-September was US\$8,259.0 per tonne, marking a 51.0 per cent increase from the 2025 Budget estimate, and 56.0 per cent above the same period last year.

For the remainder of 2025, prices are projected to ease from their historical highs but are still expected to trend above previous levels (2023 – 2024), reflecting expectations of improved supply from Vietnam – second largest producer, and weaker demand amid higher consumer prices. However, the persistent supply deficits from Brazil – largest producer amid irregular rainfalls and inadequate inventories is expected to support prices in 2025.

In 2026, prices are anticipated to ease reflecting improved supply conditions in Brazil and an output recovery in Colombia² – the world's second largest Arabica producer. The easing of the U.S import tariff on Brazilian and Vietnamese coffee exports is also anticipated to have an impact. Coffee demand is expected to remain moderate as inflationary pressures in major consumer nations – especially the U.S and Europe persist.

Considering these developments, coffee prices are expected to average at US\$8,400.0 per tonne or US\$352.0 per pound in 2025, before easing to US\$8,098.0 per tonne or US\$308.0 per pound in 2026.

² Colombia is the second largest Arabica coffee producer in the world and third largest producer overall after Vietnam.

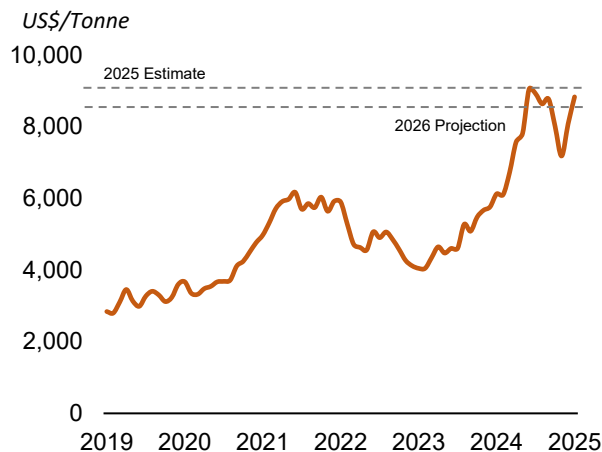
Cocoa

Cocoa prices have eased significantly in 2025 after hitting a record-breaking high in December 2024. This was driven by the gradual easing of supply constraints and improved production in West Africa – the world's largest cocoa producing region - and weaker global demand due to higher consumer prices.

Looking ahead, expectations of ample global supply, together with softer demand from major consumer regions - through lower cocoa grindings are expected to place downward pressure on prices. Given these developments, the cocoa price is projected to average at US\$8,231.0 per tonne in 2025 before easing to US\$7,148.0 per tonne in 2026.

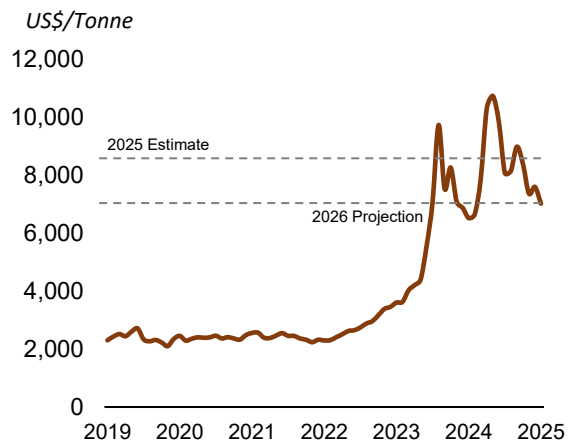
Overall, cocoa prices are expected to trend above historical averages before easing further in 2027 and beyond as the prices gradually adjust to previous levels.

Chart 7: Coffee Price Trend



Source: International Coffee Organisation (ICO)

Chart 8: Cocoa Price Trend



Source: International Cocoa Organisation (ICCO)

Palm Oil

Palm oil prices averaged US\$982.0 per tonne as at end September, which is 15.0 per cent above the 2025 Budget estimate and the same period in 2024. This was largely due to supply constraints in Malaysia and export restrictions from Indonesia, offsetting moderate demand from the major consumers - India and China. Other factors including currency fluctuations and lower crude oil prices have also dictated prices in 2025.

Looking ahead, palm oil price is anticipated to remain strong for the remainder of 2025 amid Indonesia's export restriction policies and rising biodiesel demand in the Southeast Asia region. This is amid the gradual easing of supply constraints in Malaysia. In addition, market dynamics of palm's substitute oils - sunflower, rapeseed, and soybean oil are also expected to influence market prices in 2025 and 2026, whereas currency fluctuations between the Malaysian Ringgit - palm oil's main currency of trade and the U.S dollar are expected to be bullish.

In 2026, palm oil price is projected to be driven by Indonesia's new *B50 biodiesel program*, expectations of unfavourable weather events, increased soybean oil consumption and the uncertainty surrounding the availability of export stocks. However, downside risks including expectations of lower crude oil prices, adequate vegetables stocks in major markets like China and India, together with a build-up in soybean oil stocks could keep prices from increasing further.

Given these developments, palm oil prices are expected to average at US\$1,012.0 per tonne in 2025 before easing to US\$1,033.0 per tonne in 2026.

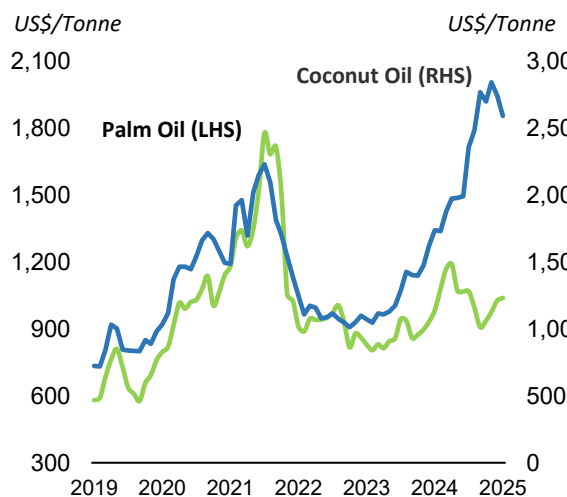
Coconut Oil

Coconut oil prices have increased significantly averaging US\$2,494.0 per tonne by end September 2025. This continues to strengthen its transformation from a basic commodity to a premium ingredient in the global markets. This was mainly driven by supply constraints in the Philippines and Indonesia (world's largest producers), reflecting unfavourable weather, increased domestic demand and rising global market demand – especially from the food and cosmetic industries.

These conditions are likely to remain in the coming months of 2025 and into 2026. In addition, climate-related impacts from the El Nino weather patterns and pest attacks coupled with the ongoing trade tariff uncertainties are expected to support prices. Nevertheless, downside risks include improved supply prospects, higher price pressure on consumer and favourable prices from substitutes.

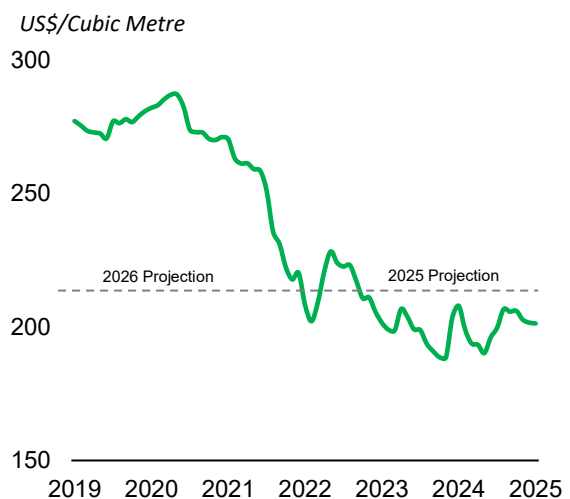
Considering these developments, coconut oil price in 2025 is expected to average around US\$2, 383.0 per tonne before easing to US\$1, 949.0 per tonne in 2026.

Chart 9: Palm and Coconut Oil Price Trend



Source: Malaysian Palm Oil Council (MPOC)

Chart 10: Round Log Price Trend



Source: World Bank

Round Log

Round log (unprocessed) prices have remained relatively stable but are facing pressures in 2025 due to weaker demand from China – the biggest importer of round logs. The average price for Malaysian log exports, as at end - September 2025 was US\$201.3 per cubic meter, which is 3.2 per cent below the same period in 2024.

China's demand for round logs in 2025 has been weak due to slowing real estate sector since 2021. In addition, the construction sector also poses a key drag to China's growth due to stagnant wage growth. Chinese ports now have enough logs stockpiled to last for two years at current sales rates, meaning they are not purchasing as much as before. This oversupply situation is also putting downward pressure on round log prices.

For the rest of 2025, log prices are expected to remain under pressure because of the weak Chinese demand. While there is some interest from other smaller emerging markets, these buyers cannot offset the decline in demand from China.

In 2026, prices are anticipated to decline further as weak demand from China is expected to continue. Considering all the above factors, round log prices are expected to average around US\$210 per cubic meter in the remaining months of 2025 and in 2026.

2.2 EXCHANGE RATE DEVELOPMENTS

The Kina (PGK) continues to depreciate against major trading partner currencies including the United States dollar (USD) and the Australian dollar (AUD) in 2025. This is due to both global economic developments and domestic crawl-like exchange rate policy implemented by the Bank of Papua New Guinea (BPNG). Between 2nd January and 30th September 2025, the PGK depreciated against both the USD and AUD by 4.4 per cent and 10.0 per cent respectively (see chart 11).

The depreciation of the PGK against the USD is mainly due to BPNG's implementation of the crawl-like exchange rate regime since December 2023. Under this reform, the Kina is allowed to depreciate gradually against the USD with the aim of addressing the overvaluation of PGK/USD exchange rate and restore kina convertibility. The PGK/USD exchange rate was estimated to be overvalued by 13.0 per cent in December 2023. Following the reforms, the overvaluation was estimated to be around 3.0 per cent by end - June 2025. This is an impressive outcome, which demonstrates positive signs of kina convertibility with the backlog of forex orders now well below the USD1.0 billion mark, and the waiting time reduced from around eight weeks to less than two weeks.

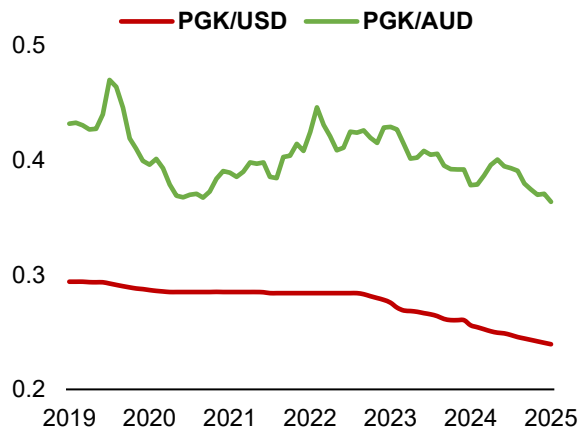
In addition, the improvements in the foreign exchange market were also supported by high commodity prices during the year. The improvement in forex has also led to the resumption of FX interbank trading for the first time since 2013.

The PGK is expected to continue depreciating against the USD under the ongoing crawl-like exchange rate arrangement, until it reaches equilibrium or market clearing rate.

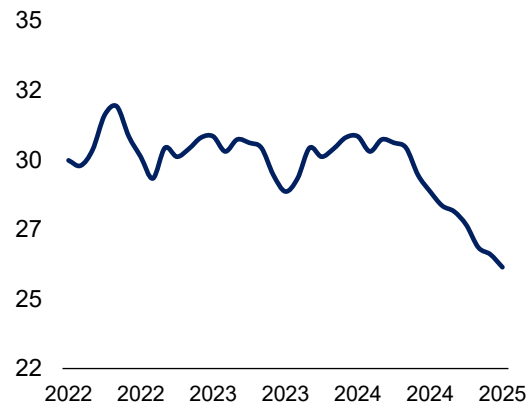
The depreciation against the AUD reflects cross-currency movements as the AUD gained against a weaker USD, historical trends in the AUD - Kina (blue line) follow cross-currency gains and losses (black line) closely, particularly since quarter 4 of 2023, shortly after the crawl-like exchange rate arrangement began. From May 2023 to the end of June 2025, appreciation in the AUD against the USD has played a key part in driving underlying inflation from an exchange-rate pass-through point of view.³

On a trade weighted index basis, the Kina depreciated by 7.9 per cent between January and June 2025 – reflecting its broad-based weakening against other trading partner currencies (see chart 11).

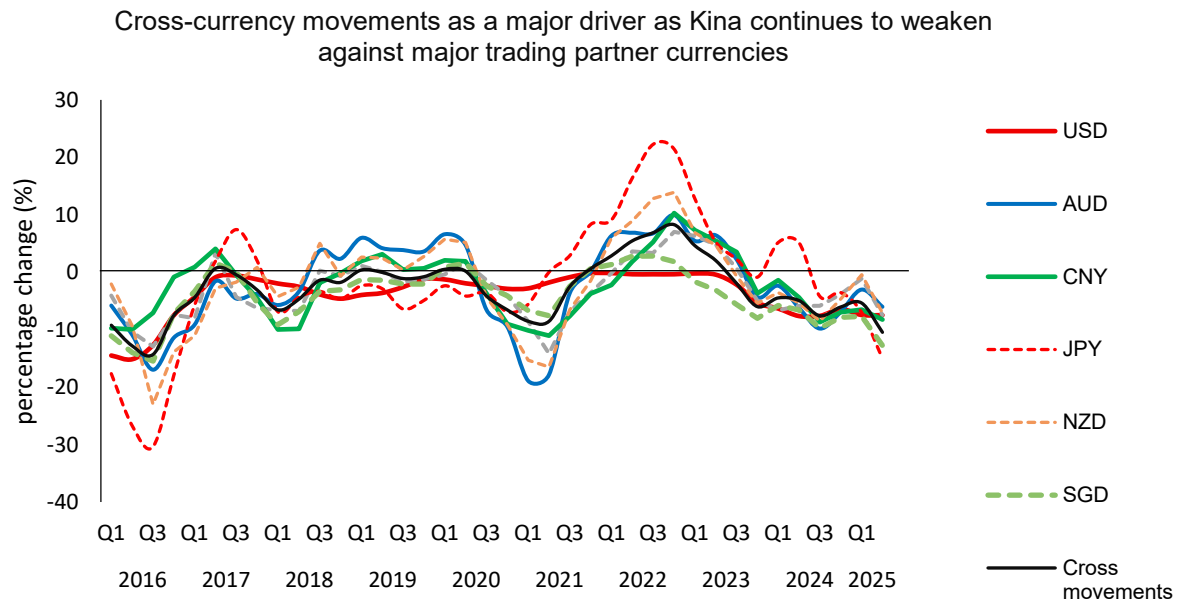
³ Underlying inflation is an average measure of three exclusion measures excluding volatile prices in headline inflation as reported by the National Statistics Office).

Chart 11: Exchange Rate Developments (%)

Source: Bank of Papua New Guinea (BPNG)

Chart 12: Trade Weighted Index

Source: Bank of Papua New Guinea (BPNG)

Chart 13: Cross-Currency Movements of Major Trading Partner Currencies

Source: PNG Treasury

2.3 DOMESTIC ECONOMIC DEVELOPMENTS & OUTLOOK

2.3.1 2025 Domestic Economic Update

In 2025, the domestic economy is estimated to grow by 4.5 per cent in real terms. This growth is expected to be broad-based, driven by non-resource sector growth of 4.6 per cent and a resource sector growth of 4.3 per cent.

The non-resource sector growth estimate of 4.6 per cent is a downward revision from the 2025 MYEFO estimate of 4.7 per cent and the 2025 Budget estimate of 5.2 per cent. The downgrade from earlier forecasts reflects lower GST collections, a weaker kina exchange rate and a general slowdown in imports. Despite these challenges, non-resource sector growth is driven

by higher agriculture commodity prices, improved access to foreign exchange, stronger employment and government spending growth.

The Agriculture Forestry and Fishery sector is estimated to grow by 3.3 per cent, slightly higher than the 3.2 per cent growth estimated at the 2025 MYEFO. This is largely driven by higher palm oil production as the crop recovers following a period of heavy rainfall in 2024. This disrupted palm oil harvesting, milling and processing in West New Britain province, the major palm oil producer. Meanwhile, other major agriculture crops production (coffee, cocoa, copra and copra oil), including fishery and forestry export volumes remain unchanged from the 2025 MYEFO estimates.

Wholesale and Retail Trade sector is projected to grow by 4.0 per cent, a downward revision from 5.0 per cent projected during the 2025 MYEFO and 2025 Budget. The downgrade reflects weaker imports and GST collections in this sector, which declined by 15.5 per cent over the year to August 2025 compared to the corresponding period of 2024.

Updates from the other non-resource sectors are as follows:

- Growth in the Administrative and Support Services (5.0 per cent), and Public Administrative and Defence (6.5 per cent) sectors will be supported by steady growth in government spending.
- Construction sector (4.0 per cent) continued to benefit from the Government's Connect PNG program and private sector capital investments
- Information and Communication sector is projected to grow by 7.5 per cent driven by increased investment and competition. GST collections from the transport and communication sector increased by 25.3 per cent over the year to August 2025 compared to the same period in 2024, which reaffirmed the strong growth of the sector.
- Transport sector to grow by 6.8 per cent driven by the commencement of the Air Niugini fleet replacement program. The GST data also support the strong growth for the sector.

The resource sector is estimated to grow by 4.3 per cent, a slight downward revision from 4.4 per cent growth estimated at the 2025 MYEFO, reflecting a downgrade in the mining sector.

Mining and Quarrying sector is estimated to grow by 12.2 per cent in 2025, a downward revision from the 2025 MYEFO estimate of 12.6 per cent. This reflects a significant downward revision by one of the smaller mines, while production estimates from major mines including Porgera remain unchanged from the 2025 MYEFO estimates. The assumption at MYEFO was that Porgera would reach 75.0 per cent of its pre- shutdown annual production capacity in 2025 and ramp up to full production in 2026.

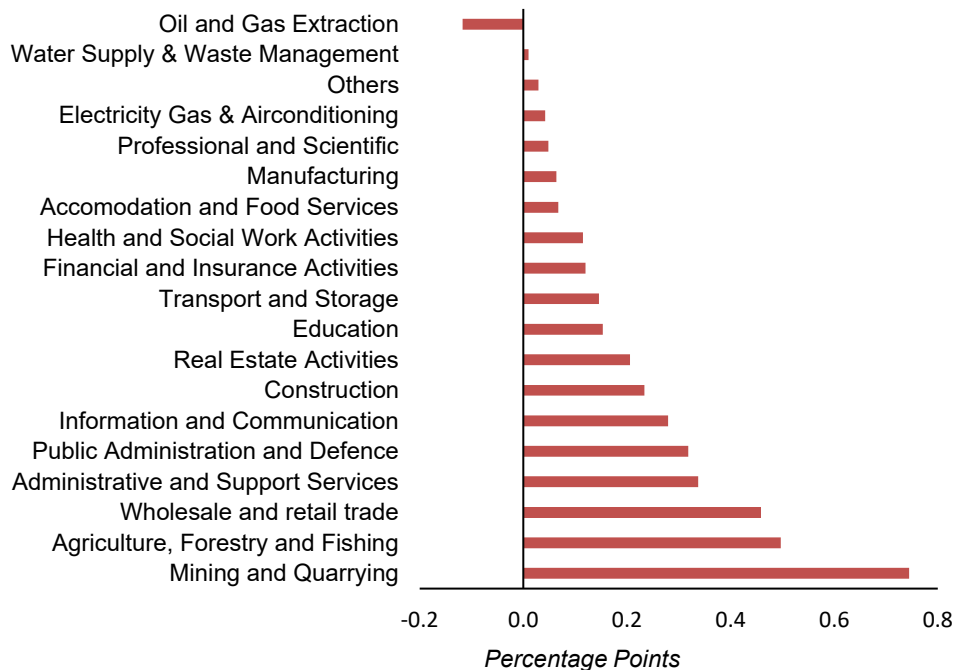
Oil & Gas sector is estimated to grow by 0.4 per cent in 2025, similar to the growth projected at MYEFO. Growth in this sector reflects the ramp up of production from the Angore gas field following its commissioning in November 2024.

2.4 2026 ECONOMIC OUTLOOK

In 2026, the PNG economy is projected to grow by 4.0 per cent of which the non-resource and resource sectors are set to increase by 4.5 per cent and 2.5 per cent, respectively.

The non-resource sector's performance will be underpinned by growth in the following sectors:

- AFF is projected to grow by 3.1 per cent driven by higher cocoa and copra oil production;
- Wholesale and Retail sector (4.8 per cent) supported by continued improvement in access to foreign exchange;
- Administrative and Support Services (5.0 per cent) and Public Administration and Defence (5.5 per cent) are supported by continued growth in government spending; and,
- Information and Communication is projected to grow by 8.0 per cent supported by continued investment and increased competition in mobile communication.

Table 14: Contribution to Growth by Sectors (2026)

Source: PNG Treasury

Details of the growth in the AFF sector in 2026 relative to 2025 are as follows:

- Cocoa production is projected to increase by 4.9 per cent. This is underpinned by the maturing of over 3 million trees planted 5 years ago, a continued rollout of the freight subsidy and the supply response from the prevailing high cocoa prices;
- Copra oil production is projected to increase by 23.8 per cent driven by higher prices;
- Log production is projected to increase slightly on improvement in global demand;
- Coffee production to remain steady; and
- Palm oil production is projected to decrease slightly by 1.1 per cent.

The resources sector is projected to grow by 2.5 per cent driven largely by higher production from the mining and quarrying sector. Mining and quarrying sector is projected to grow by 8.3 per cent driven by higher gold and copper production.

Gold production is expected to be boosted by Porgera mine operating at near full capacity. In contrast, the Oil and Gas sector is projected to contract by -0.7 per cent reflecting lower oil production. This is in line with the natural decline in oil reserves while LNG and condensate production remains flat as per normal production capacity.

2.4.1 Medium -Term Outlook (2027-2030)

Over the medium-term, PNG's economy is projected to grow by 3.9 per cent annually driven largely by the non-resource sector expansion.

The non-resource sector is projected to grow at an annual rate of 5.0 per cent, which is consistent with the Government's 13-year Budget Repair Plan. The positive outlook will be driven by the Government's plan to drive an inclusive, broad-based and sustainable growth agenda with strong emphasis on MSMEs, infrastructure connectivity, creation of special economic zones and structural reforms to ease business constraints.

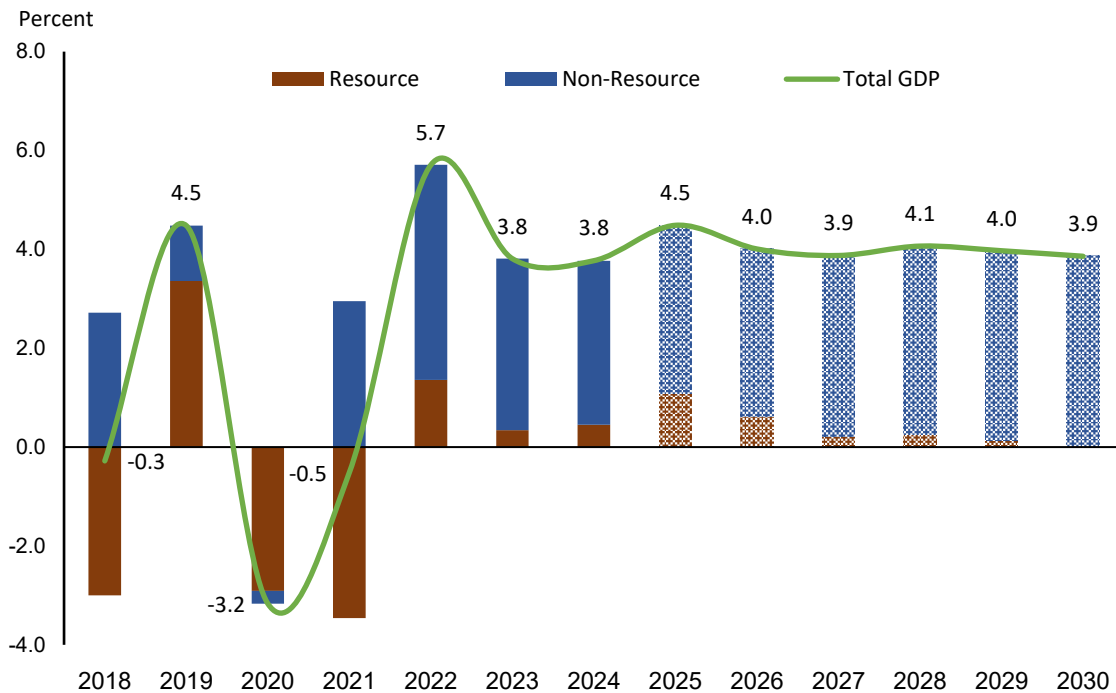
Growth in the non-resource sector is reinforced by the expected expansion of the AFF sector. The Government's Connect PNG Infrastructure Initiative is expected to facilitate greater development of the AFF sector through market access with improved connectivity. Under this initiative, critical infrastructures such as roads, bridges, airports and port facilities, are being rehabilitated, upgraded and constructed. These investments in critical infrastructures will promote and enable more investment in the sector, thereby resulting in increasing production of key agriculture export commodities such as coffee, cocoa, and palm oil. More people will be engaged in the sector, leading to increased employment and income-earning opportunities.

In addition, the continued roll-out of Government-funded intervention programs in the AFF sector will enhance the production of export commodities going forward. Some of these programs include freight subsidies, the rehabilitation of run-down plantations, maintenance of commodity road networks, and nursery projects implemented by the PNG Cocoa Board and Coffee Industry Corporation. Likewise, palm oil production is anticipated to increase over the medium-term, aided by replanting programs and expansion into new growth areas.

Log production and export over the medium-term is expected to gradually decline in-line with the Government's policy to ban round log exports as part of its medium-term development plan. The fisheries sector is expected to expand as it embarks on transformative policies aimed at enhancing tuna fisheries by increasing tuna landings, expanding downstream processing, establishing new processing plants, and investing in commercial-scale cold storage facilities to support exports.

In the resource sector, the Mining & Quarrying sector is projected to grow by 2.5 per cent in 2027. This is driven by the expectation that the Porgera mine will be producing at full capacity. The sector is projected to average 1.7 per cent over the medium term supported by mine Simberi's mine expansion projects. The Oil & Gas sector is projected to decline gradually over the medium-term, reflecting the natural decline of oil reserves while LNG and condensate production remain flat at their respective full capacities.

The outlook in the resource sector does not capture economic assumptions of pipeline projects such as the Papua LNG, Pasca, P'nyang and Wafi-Golpu projects. The pipeline projects will be captured once they reach the Final Investment Decision (FID) stages.

Chart 15: Drivers of Real GDP Growth (2020 – 2030)

Source: Actuals from NSO (2019-2023). Estimate and Projection from Department of Treasury (2024-2030)

2.5 LABOUR MARKET

According to BPNG's employment index, total formal private sector employment grew by 2.6 per cent through the year to June quarter of 2025. This was largely driven by both employment growth in the non-resource where the majority of the country's workforce is engaged and the resource sector.

Employment in the non-resource sector rose by 2.3 per cent through the year to June quarter of 2025, reflecting the growth in the transport, retail, building & construction and manufacturing sectors except for AFF⁴ and financial, business and other services.

Employment in the transport sector grew by 21.3 per cent, reflecting additional recruitment by Air Niugini to support logistics, maintenance, and flight operations. Retail sector grew by 15.5 per cent, due to operation of a new Supermarket in Morobe, along with additional hiring of staff by other retailers in the Highlands region.

Building and construction sector grew by 12.3 per cent, driven by ongoing road maintenance, new construction projects, and fresh investments in buildings following disruptions from Black Wednesday. Manufacturing sector employment increased by 4.5 per cent, mainly due to recruitment by a major tuna processing company to meet higher production, and additional recruitment by a beverage manufacturer for promotional and distribution activities across its branches.

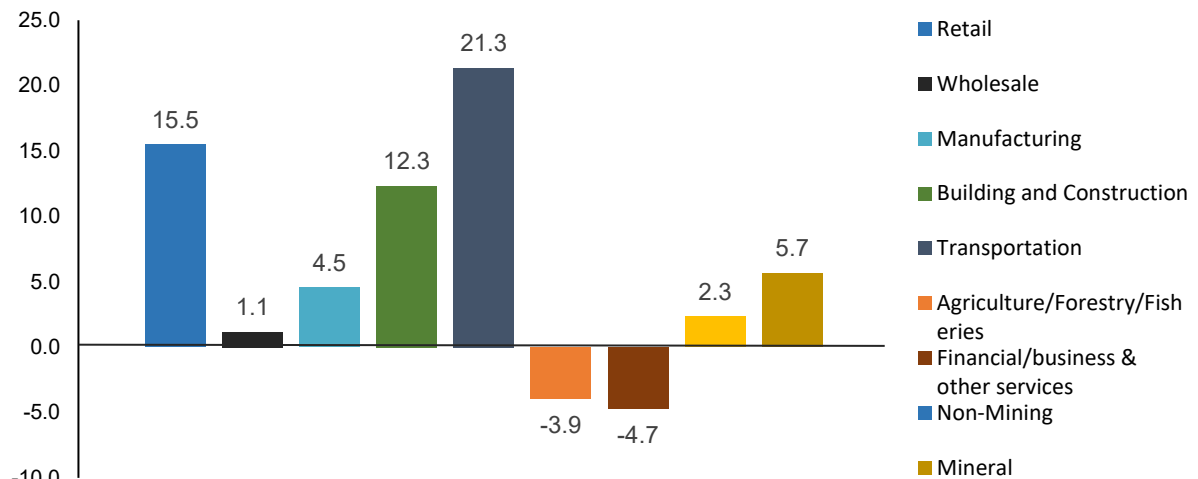
Employment in the financial, business and other services sectors fell sharply by 4.7 per cent, reversing the 5.1 per cent growth recorded in June 2024. The decline was mainly caused by staff reductions at a major security firm in NCD, influenced by rising operational costs, competition, and terminations. Employment in the AFF sector (Agriculture, Forestry, and Fishery) dropped by 3.9 per cent, compared to 1.0 percent growth in June 2024. This decrease

⁴ Agriculture, Forestry and Fishing (AFF)

reflects lower agricultural production, falling global commodity prices, and the impact of higher round-log export levy on the forestry sector.

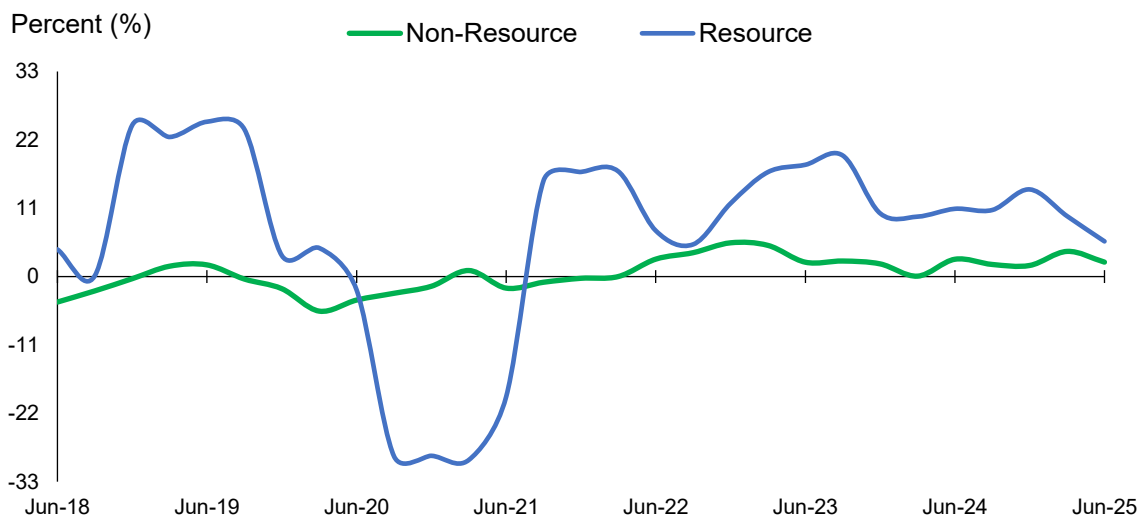
Employment in the resource sector grew by 5.7 per cent through the year to June quarter of 2025, driven by retention of student trainees at the Porgera mine and additional hiring by other mines to support ongoing operations. Although the growth, this was slower than 10.9 per cent growth seen in June quarter of 2024.

Chart 16: Employment Growth by Sector

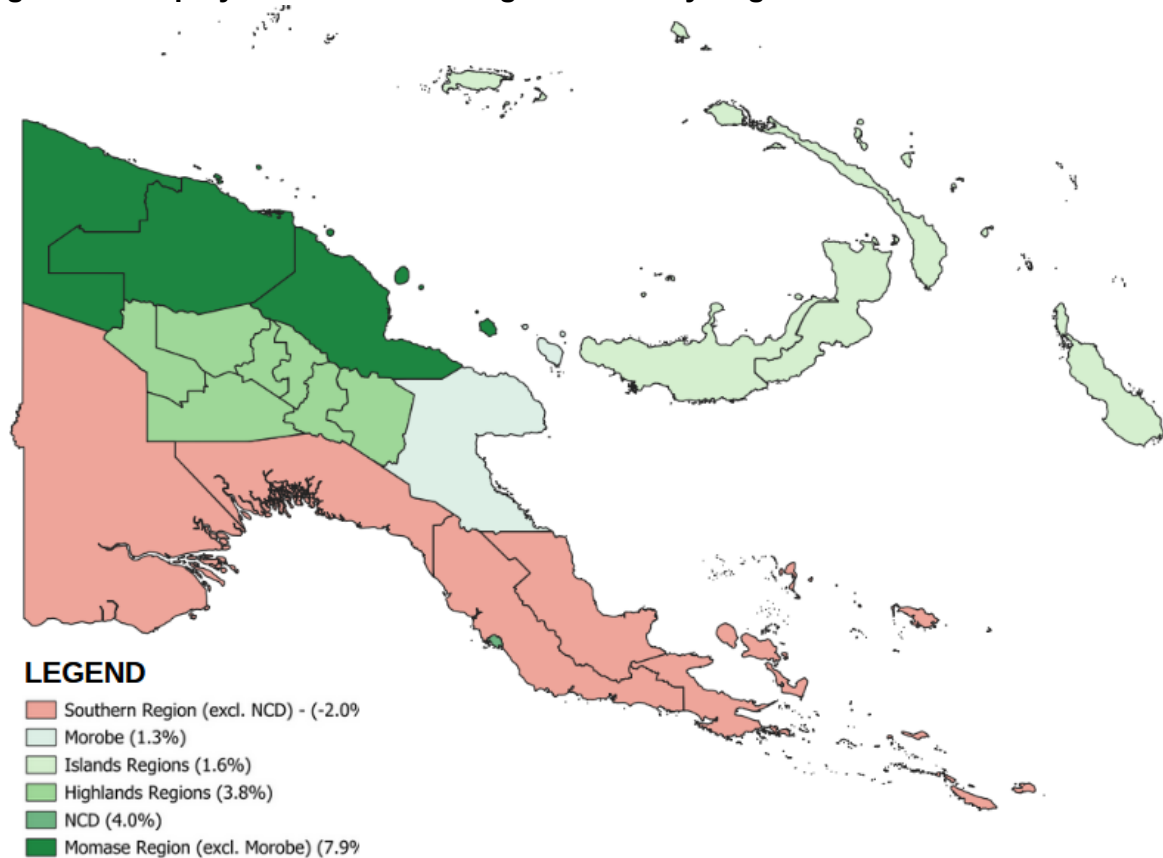


Source: Bank of PNG

Chart 17: Non-Resource and Resource Sector Employment Growth



Source: Bank of PNG

Figure 18: Employment Growth through the Year by Regions

Source: Bank of PNG

By region, employment increased in the Highlands, Momase (excluding Morobe), and Islands regions, while the Southern region (excluding NCD) recorded negative growth.

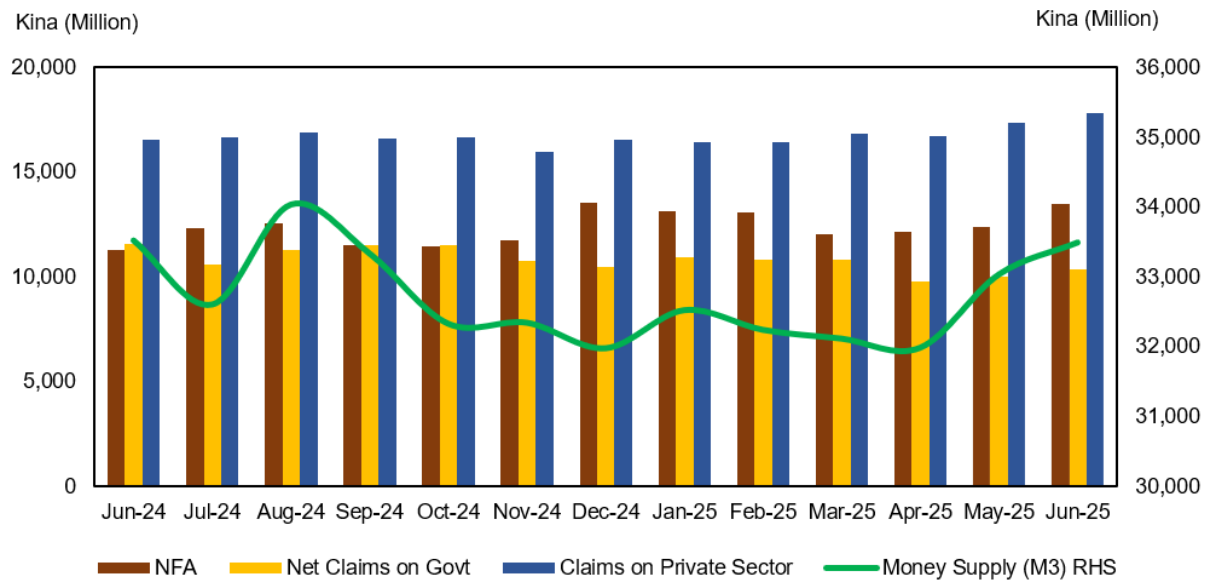
Despite some sectoral and regional variations, overall, the non-resources sector, especially transport, retail, building and construction sectors, remain the strongest contributor in the total formal employment growth in the country.

2.6 MONETARY DEVELOPMENTS

The Bank of Papua New Guinea (BPNG) has announced its policy stance in the 2025 September Monetary Policy Statement (MPS) by increasing the Kina Facility Rate (KFR) from 4.0 per cent to 5.0 per cent and lowering the Cash Reserve Requirement (CRR) from 10.0 per cent to 9.0 per cent. This move represents an accommodative monetary policy stance, with the aim to address inflationary pressures whilst ensuring sufficient liquidity to address the liquidity imbalance within the banking sector.

Broad money supply grew by 3.0 per cent to K33,496.6 million between January 2025 and June 2025. This is largely due to increased private sector credit (PSC) by 8.3 per cent at end – June and is expected to grow by 4.3 per cent by the end of 2025. This reflects stronger business activity and increased competition among the commercial banks. Government borrowing is expected to increase in 2025 and reduce over the medium term in line with Government's fiscal consolidation plan.

Meanwhile, Net Foreign Assets (NFA) rose by 2.7 per cent, while Net Claims on Government declined by 5.2 per cent between January 2025 and June 2025, as shown in chart 17.

Chart 19: Money Supply and Determinants

Source: Bank of PNG

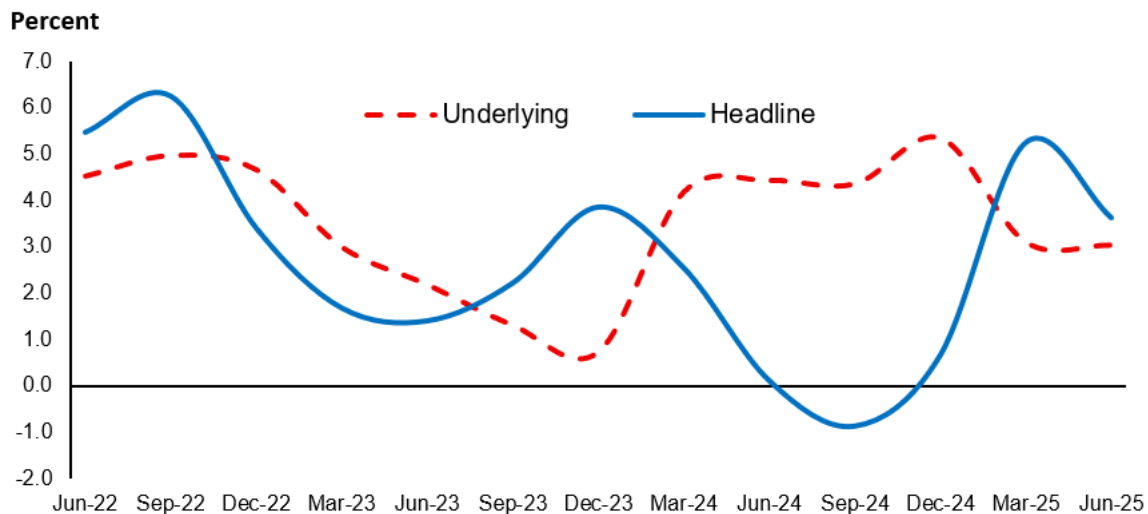
2.7 CONSUMER PRICE INDEX

2025 Inflation Update

Headline inflation recorded an increase of 2.4 per cent in the March quarter 2025 from the December quarter 2024 but contracted by 2.2 per cent in the June quarter 2025. This was driven mainly by decreases in the prices of Betel Nut & Mustard (down 26.5 per cent) and Tobacco (down 5.8 per cent). This fall was partly offset by higher prices for Fruits & Vegetables (up 4.9 per cent), Medical Supplies (up 2.2 per cent), and Telephone Equipment (up 2.4 per cent). Given these changes the average headline inflation (quarter-on-quarter) in the first two quarters of 2025 was 0.1 per cent, compared to a decline of 1.4 per cent in the same period in 2024.

On a year-on-year basis, headline inflation rose to 5.3 per cent in the March quarter and 3.6 per cent in the June quarter of 2025 from the corresponding periods in 2024 (Chart 20). The year-on-year increase in headline inflation in the March quarter 2025 was mainly attributed to increase in Alcoholic Beverages, Betel Nut & Tobacco Group (up 14.5 per cent) driven by betelnut and mustard (up 17.5 per cent). The increase in the June quarter 2025, was driven mostly by price increases in Alcoholic Beverages, Tobacco & Betelnut group (up 8.6 per cent), Clothing & Footwear group (up 4.5 per cent), Food & Non-Alcoholic Beverages group (up 4.4 per cent), Health group (up 3.8 per cent), and Communications group (up 3.4 per cent). (Chart 20).

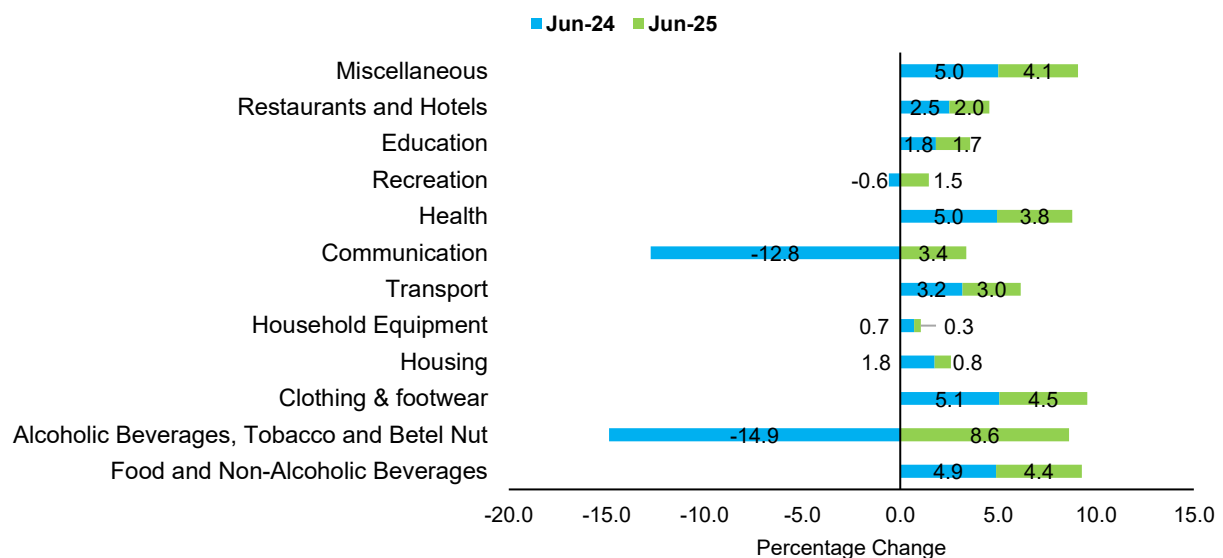
The average headline inflation (year-on-year) during the first two quarters of 2025 was 4.4 per cent, up from 1.3 per cent in the corresponding period in 2024, driven mostly by price increases in betelnut.

Chart 20: Headline and Underlying Inflation (Year on Year)

Source: National Statistical Office (NSO)

Underlying inflation (which excludes seasonal, excise and price control items) is a more stable and true reflection of the direction in average price levels at any given time. Underlying inflation eased to 3.0 per cent in June quarter 2025, 1.4 percentage points lower than in the same quarter of 2024, indicating moderating price pressures (see chart 20).

Non-tradeable (domestic) inflation continues to drive inflation ahead of tradeable (imported) inflation⁵ driven by increases in the prices of seasonal items, especially betelnut. Tradeable inflation has further eased to 3.0 per cent between June 2024 and June 2025 while non-tradeable inflation has increased to 3.6 per cent during the same period.

Chart 21: Expenditure Basket - Percentage Change (Year to Year)

Source: National Statistical Office (NSO)

⁵ Tradeable inflation reflects price change due to overseas factors such as a major change in intermediate inputs that may be imported. Non-tradeable inflation, price change due to a change in domestic conditions such as a change in the labour market.

Inflation Outlook

Average headline inflation is projected to increase from the 2024 outcome of 0.6 per cent to 4.0 per cent in 2025. This is still well below the historic average of headline inflation of around 6.0 per cent. Inflation is expected to be higher in the last two quarters of 2025 driven by the rebound in betelnut prices in December quarter of 2025 as per the seasonal trend. These price pressures are expected to be partly offset by lower oil prices and the impact of the Governments' Household Assistance Package⁶ Goods & Services Tax (GST) on thirteen (13) essential household items were zero-rated since June 2025.

In 2026, headline inflation is projected to average around 4.2 per cent. This is driven by inflation from trading partners—particularly Australia with an expected rate of 2.0 to 3.0 per cent—along with expectations of a further weakening of the Kina, although this is also offset by the deflationary impacts of reducing the budget deficit. Without the Household Assistance Package relief through GST exemption being extended to end December 2026, inflation would have been noticeably higher.

While inflation trends for other major trading partners are on a downward trajectory, their impact on domestic inflation remains modest due to their relatively smaller shares of total imports. Import shares for 2024 for Singapore and China were at 19 and 16 per cent respectively. While imports from Australian accounts for are as approximately 32.0 per cent of PNG's total imports.

Over the medium-term, headline inflation is projected to trend at around 5.0 per cent consistent with the Government's budget repair plan.

2.8 BALANCE OF PAYMENTS AND INTERNATIONAL RESERVES

2.8.1 Balance of Payments 2025 Update

The overall balance of payments represents the net result of all official external transactions combining the current, capital and financial account registered a deficit of K3,024.4 million from 1st January to 30th June 2025.

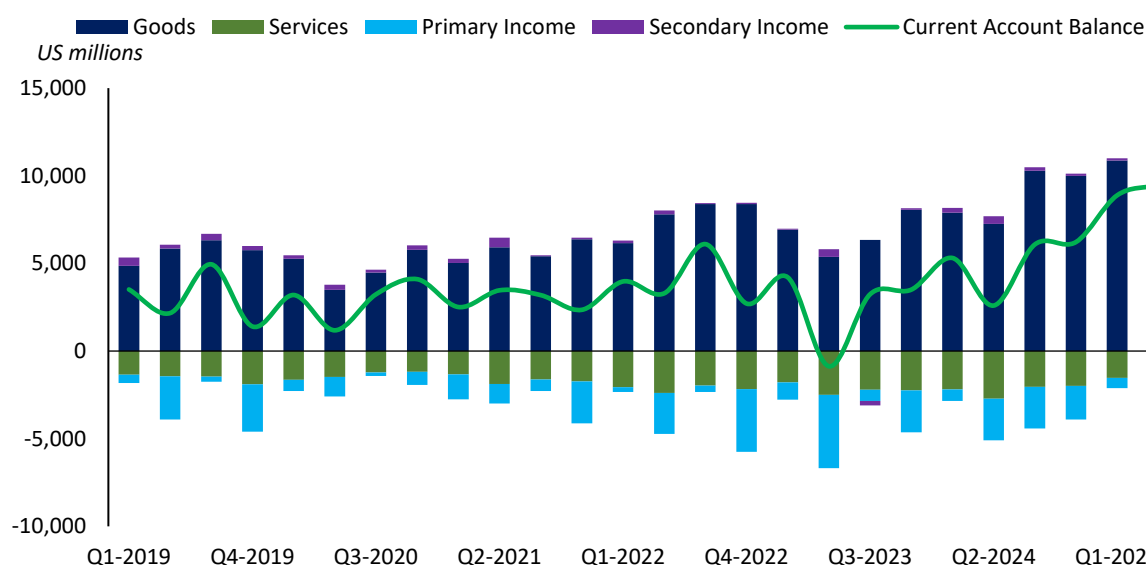
Large net outflows were due to the financial account which was higher than mid-year surpluses recorded in the current and capital accounts (until 30th June 2025). Higher net financial outflows during the first half of 2025 were due to external debt repayments and offshore investment outflows including the PNG LNG project partners.

Major drivers of the current and capital account surpluses were due to a positive performance in exports driven by gold, LNG and agricultural commodities (cocoa) during the first half of the year due largely to higher export prices.

The current account surplus (which comprises of goods, services, primary income and secondary income balances) for 2025 more than doubled in comparison to the first half of 2024 due to key commodity exports performing positively in 2025. The current account in net terms recorded a surplus of K18,342.4 million during the first half of 2025 compared to a surplus of K7,904.7 million during the same period in 2024. The goods account continues to dominate movements in the current account (chart 22).

⁶ In the 2025 Budget, the Government through its Household Assistance Package allowed for zero-rating of GST on 13 essential household expenditure items to alleviate the cost-of-living pressures. This relief package has been implemented since 1st June 2025 and is expected to end on 30th June 2026. This measure is being extended to the end of 2026 as part of the 2026 Budget.

Chart 22: Quarterly current account balance against composition of external accounts (quarter 1, 2019 – quarter 2, 2025)



Source: PNG Treasury & BPNG

The Bank of Papua New Guinea (BPNG) anticipates the trend in the current account surplus to continue for the rest of 2025. This trend is expected due to increases in some of PNG's key mineral commodities including the record-high price of Gold as well as higher commodity export volumes anticipated from the resource sector. Meanwhile, year-on-year changes in the capital account in net terms remain similar (K9.7 million in the first half of 2024 compared to K7.3 million in the first half of 2025).

The net financial account (excluding reserves in the BPM6 analytic presentation introduced by BPNG in March 2025) recorded K2942.0 million for the first half of 2025 compared to K3,165.0 million the same period in 2024. Direct investments abroad as a share of the financial account reduced by 10.0 per cent (from 27.0 per cent to 17.0 per cent) in the first half of 2025 compared to the same period in 2024.

2026 Balance of Payments

The Bank of Papua New Guinea expects the overall balance of payments to shift to a modest surplus over the medium term⁷. The expected improvement in the overall balance in the medium term reflects the Bank's assessment that favourable global commodity prices across PNG's key export categories together with lower external debt servicing requirements will gradually strengthen the external position. While the methodological upgrade has limited the publication of detailed numerical projections, the underlying trend suggests a return to surplus as external conditions stabilise and financing pressures ease (BPNG MPS September 2025).

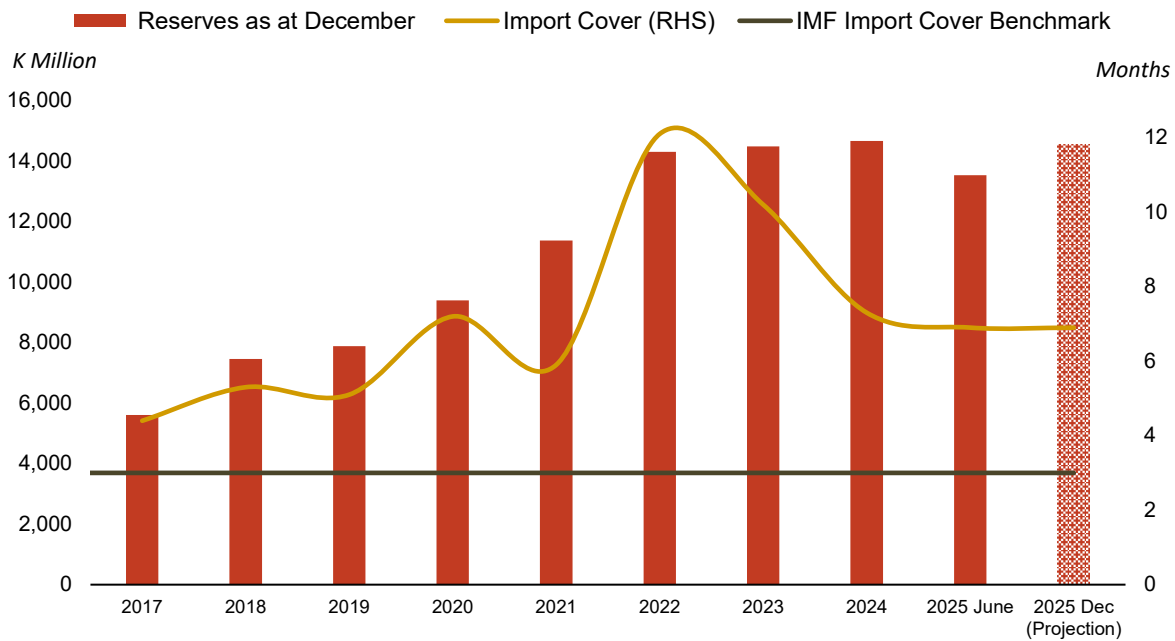
International Reserves

The Bank of Papua New Guinea's Gross International Reserves (GIR) are projected to record a modest decrease of around 0.9 per cent in 2025, dropping by K133.4 million on an annual basis (to K14,529.8 million in 2025 from K14,663.2 million in 2024). This drop reflects expected lower PNG LNG project tax inflows, continued BPNG foreign exchange interventions and government external debt servicing (BPNG MPS September 2025).

⁷ However, no official estimates for the 3rd and 4th quarter of 2025 nor 2026 have been published in the analytical tables following BPNG's transition from BPM5 to BPM6 reporting standards in March 2025.

As of 30th June 2025, GIR stood at US\$3,348.3 million (K13,522.8 million). This level of gross reserves is sufficient to cover 6.9 months of total imports and 13.8 months of non-mineral imports exceeding the IMF's adequacy benchmark of three months of import cover (see chart 20). This outlook on gross reserves suggests that PNG's external buffers will remain sufficient to support external stability through 2025, underpinned by continued strength in export receipts and targeted reserve management by the Bank of PNG.

Chart 23: International Reserves against Import Cover (2017-2025)



Source: PNG Treasury & BPNG

Meanwhile, net international reserves (NIR) remain above the floor set by the existing IMF program. This is largely due to the waiting times for FX reducing substantially in 2025. Re-commencing domestic interbank trading activity, which effectively ceased in 2013 will also support strengthening NIR (BPNG MPS September 2025).

2.9 RISKS TO ECONOMIC & FISCAL OUTLOOK

Potential risks to the 2026 and the medium-term economic and fiscal outlook include:

Macroeconomic Risks:

- **Global Economic Uncertainty:** Slower growth in major trading partner countries, especially China and Australia, may reduce demand for PNG's exports.
- **Commodity Price Volatility:** Dependence on LNG, gold, and other resource exports exposes PNG to external price shocks that may weaken export revenues and foreign exchange reserves.
- **Foreign Exchange (FX) Constraints:** Despite notable improvements in FX availability, imbalance in the foreign exchange market, shortage of foreign exchange remains a challenge, which could weaken the business environment and affect economic growth and employment, particularly the non-resource sector part of the economy .impacting the

government's ability to finance essential imports and potentially acting as a brake on business operations and capital expenditure.

- **Public Debt and Liquidity Risks:** Although the public debt-to-GDP ratio is projected to decline by 3.0 percentage points in 2026, PNG remains at a “high risk but sustainable” of debt distress due to a large debt repayments maturing in 2028, as well to exchange rate fluctuations.
- **Law and Order Issues**– the law-and-order challenges pose ongoing threats to economic activities such as the operation of key projects like Porgera mine in Enga Province and could affect the government revenue and the economic growth.
- **Natural Disasters** – PNG’s high exposure to natural disasters such as floods, landslides, and earthquakes, been made worse by climate change, threatens lives, infrastructure, and economic activity.
- **Cyber-Attack Risk:** Many government organizations face limitations in their cybersecurity resources, making them vulnerable to cyber-attacks that could disrupt operations and provision of critical government services. The 2025 IRC ransomware attack serves as a clear example of this growing threat.
- **Potential Financial Action Task Force (FATF) Grey-Listing:** PNG faces a high risk of being placed on the FATF "grey list" in 2026 due to anti-money laundering (AML) and counter-terrorist financing (CTF) deficiencies, which could raise transaction costs and deter investment.
- **Upcoming New Resource Projects:** If the new resource projects (Papua LNG, Pasca, P’nyang, Wafi-Golpu) come online (as expected) they, would boost investment inflows and economic growth, increase foreign reserves and reduce foreign exchange shortages and enhance government revenue.

Fiscal Risks:

- **Unbudgeted Expenditures or Commitments** – The Government continues to experience **unbudgeted** expenditures and cost overruns. Cost overruns caused by health professionals’ and teachers’ salaries remain a major challenge with significant fiscal implications. The Government has put in place further controls on Compensation of Employees (COE) in the 2026 Budget, but failure to adhere to these controls will undermine expenditure estimates leading to likely reductions in other areas of the budget
- **Shortfall in Dividend Collections** – For the 2026 Budget, dividend payment collections from the respective SOEs and Holding Entities of Government account for about 10.6 per cent of projected total revenues. However, failure by these entities to remit the expected dividend payments will result in revenue shortfalls
- **Non-Tax Revenue Administration (NTRA) Act 2022** – Effective implementation of NTRA Act is critical to realise the full 2026 Budget NTRA revenue projection.
- **Tax Exemptions and Incentives** can reduce the tax collection that will support the 2026 Budget.

Financing Risks:

- **Heavy Reliance on Domestic Borrowing Results in High Interest Costs** – While the Government has had some success in rebalancing its debt portfolio towards longer - term

external debt, there has been an over-reliance on short-term domestic debt. Short-term domestic debt is usually more expensive adding to the risk of higher debt servicing cost.

- **Exchange rate risks on external loans** – Close to 51.0 per cent of outstanding public debt is denominated in foreign currency. The crawl-like exchange rate arrangement to reduce the overvaluation of the kina will make debt servicing costs more expensive in kina terms. This poses a risk to the size of the fiscal deficit in the near future.

CHAPTER 3: FISCAL STRATEGY & OUTLOOK

3.1 FISCAL BACKGROUND – 2025 BUDGET UPDATE

The Government is committed to the 13-Year Budget Repair Plan, with an aim to reach a surplus budget by 2027. In 2025, the Government continues to service its debt obligations and is delivering its key social and development priorities. Revenue collections have fallen short of budget estimates, primarily due to weaker Goods and Services Tax (GST), Non-Tax Revenue Administration (NTRA) collections, Company Income Tax (CIT) and Personal Income Tax (PIT). In addition, a major and unexpected shortfall in tax revenue from the PNG LNG project is being offset by the higher MPT from other mines due to higher gold and copper prices. In the light of revenue challenges, the Government is strategically managing expenditure to protect priority sectors and uphold its commitment to 2025 Budget deficit target.

Public Debt remains within sustainable levels with the total debt stock projected at K64,607.5 million or 48.4 per cent of GDP, and well below the legislated ceiling of 55.0 per cent under the *Fiscal Responsibility Act (Amended 2024)*. The Government is on track to reduce the debt-to-GDP ratio to below 45.0 per cent by 2027 and below 40.0 per cent by 2030, consistent with its Medium-Term Debt Strategy (MTDS) 2024-2028.

The non-resource primary balance (as a percentage of non-resource GDP) is expected to be - 5.5 per cent. This is a 0.6 percentage point lower compared to 2024 (refer table 4).

Table 4: Key Fiscal Parameters (2024-2026)

	2024 Actuals	2025 Budget	June Outturn	2025 MYEFO	2026 Budget
Net Lending (+) / Borrowing (-) as % of GDP	-3.2%	-2.2%	-1.7%	-2.2%	-1.1%
Non-resource Primary Balance as % of non-resource GDP	-6.1%	-5.5%	-2.2%	-5.5%	-5.6%
Debt as % of GDP	50.9%	48.4%	46.4%	48.4%	45.5%

Source: PNG Treasury

3.2 2026 BUDGET STRATEGY

The 2026 National Budget reaffirms the Government's commitment to inclusive growth, improved macroeconomic stability, and responsible fiscal management to enhance debt sustainability. This includes creating fiscal space for the country's development needs while building buffers for potential shocks. It is aligned with the 13-Year Budget Repair Plan, which targets a surplus budget by 2027, with the option to repay all public debt by 2034, or other responsible options that can be taken by the government elect in 2027. It also aligns with development strategies including Vision 2050, MTDP IV, Reset@50 Roadmap, and the National Strategy for Responsible Sustainable Development (StaRS).

Revenue Strategy

Total Revenue & Grants for 2026 is projected at K29,307.1 million (20.1 per cent of GDP). This is K3,899.2 million (15.4 per cent) higher than 2025 Budget, K5,081.9 million higher than 2025 MYEFO and K8,480.8 million higher than 2024 (see table 5 below). The significant increase is supported by:

- Expected significant increases in resource dividends from state-owned enterprises through effective implementation of the National Dividend Policy and completion of debt

interest payments on the 70.0 per cent borrowed to fund the project by PNG LNG partners;

- Continued implementation of the *Non-Tax Revenue Administration Act (2022)*;
- Enhanced GST collections through the rollout of the GST Monitoring System;
- Strengthened tax compliance and administration consistent with implementation of the rewritten *Income Tax Act 2025* and *Tax Administration Act 2017*; and
- K650.0 million being retained by NTRA agencies being recognised as overall government revenue collections, matched by K650.0 million in expenditures, a change in recording these revenues to increase transparency and accountability.

Table 5: Medium -Term Revenue Projections (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget
Total Revenues and Grants	20,826.3	25,407.9	24,225.2	29,307.1
Total Revenue (as % of GDP)	17.2%	19.1%	18.2%	20.1%
Taxes	18,477.1	21,200.9	19,995.7	22,140.5
Taxes on income, profits, and capital gains	12,364.8	13,707.6	13,626.9	14,879.3
Taxes on payroll and workforce	0.3	1.0	2.5	2.3
Taxes on goods and services	5,320.2	6,553.4	5,565.4	6,358.0
Taxes on international trade and transactions	761.8	938.9	801.0	901.0
Grants	1,180.6	1,500.0	1,774.0	1,943.0
Other Revenue (Non-Tax)	1,198.6	2,707.0	2,455.5	5,223.6*
Domestic Revenue (Excludes Grants)	19,645.6	23,908.0	22,451.2	27,364.1

Source: PNG Treasury

*This includes K650.0 million that will be retained by the Non-Tax Revenue Administration (NTRA) agencies in 2026.

Expenditure Strategy

Total Expenditure & Net Lending for 2026 is projected at K30,915.2 million (21.2 per cent of GDP), considering the expected resource envelope and the need to align with the 13-year Budget Repair Plan to enhance debt sustainability. This is K2,558.0 million (9.0 per cent) higher than 2025 Budget and K3,741.2 million higher than 2025 MYEFO (13.8 per cent) and K6,158.2 million higher than 2024 outcome (24.9 per cent).

Operational expenditure is planned to increase slightly to support core services in health, education, including teacher salary adjustments and law and order. As capital investment has expanded the road network, and other infrastructure such as hospitals and universities, there will be an upward pressure on operating to allow for maintenance and operation of these.

The overall capital budget is K1,456.2 million higher than 2025 MYEFO and K2,052.6 million higher than the 2024 outcome. With increased development and service delivery needs against a growing population and limited resource envelope, improving expenditure efficiency remains a central priority to free up fiscal space for key development priorities in health, education, law and order, and disaster preparedness to support vulnerable communities.

Table 6: 2026 Expenditure Estimates (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget
OPERATIONAL COMPONENT	15,994.1	18,014.5	17,814.8	19,399.2
Compensation of Employees	7,201.3	7,801.2	8,021.0	8,193.5
Goods and Services	4,314.6	4,842.3	4,422.8	5,438.3
CoE & G&S as a % of Total Expenditure	46.5%	44.6%	45.8%	44.1%
Provincial Functional Grants	535.0	706.1	706.0	770.0
GST & Book Makers Transfers	979.7	1,142.4	1,142.0	1,274.5
Interest Payment (Debt Service)	2,963.5	3,522.5	3,523.0	3,723.0

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget
CAPITAL INVESTMENT COMPONENT	8,762.9	10,342.7	9,359.3	10,815.5
GoPNG PIP	6,584.0	7,616.8	6,359.3	7,647.0
<i>PIP as a share of Total Expenditure</i>	<i>26.6%</i>	<i>26.9%</i>	<i>23.4%</i>	<i>24.7%</i>
Donor Support Grants	1,180.0	1,500.0	1,774.0	1,943.0
Concessional Loans	998.9	1,225.9	1,226.0	1,226.0
TOTAL EXPENDITURE & NET LENDING	24,757.0	28,357.2	27,174.0	30,915.2*
<i>as a % of GDP</i>	<i>20.4%</i>	<i>20.7%</i>	<i>20.3%</i>	<i>21.2%</i>

Source: PNG Treasury

*This includes K650.0 million that will be retained by the Non-Tax Revenue Administration (NTRA) Agencies in 2026.

Financing & Debt

The Government plans to raise K1,608.2 million in 2026, with 96.0 per cent financed through external borrowing and 4.0 per cent from domestic borrowing, while shifting toward longer-term, lower-cost concessional loans to reduce refinancing risks. It is enhancing investor relations through regular updates and its Investor Awareness Program, aligning with the Medium-Term Debt Strategy for debt sustainability.

By the end of 2026, public debt stock is expected to rise to K66,215.7 million, 2.5 per cent increase on 2025. The debt-to-GDP-ratio is projected to fall to 45.5 per cent (see table 7 below), its lowest level since 2019, reflecting both fiscal restraint and economic growth.

Table 7: Planned 2026 Net Incurrence of Liabilities and Debt Stock

	2024 Actual	2025 Budget	2025 MYEFO	2026 Budget
Total Financing	2,533.8	2,949.3	2,949.2	1,608.2
Net External Borrowing	2,302.1	2,188.5	2,188.4	1,540.8
Monetary Gold & Special Drawing Rights	1,244.1	1,224.1	1,244.1	1,244.1
Debt Securities	1,760.6	1,760.6	1,760.6	1,760.6
Loans	28,568.4	27,310.4	30,656.7	32,197.5
Concessional Financing	12,595.7	12,272.2	12,888.7	12,738.7
Commercial Financing	129.9	216.7	176.5	122.6
Extraordinary Financing	15,850.8	14,818.5	17,591.4	19,336.2
Net Domestic Borrowing	231.7	760.8	760.8	67.4
Debt Securities	29,071.4	29,771.0	30,168.3	29,824.8
Treasury Bills	12,762.8	14,258.6	12,875.5	11,898.0
Treasury Bonds	16,308.6	15,512.4	17,292.8	17,926.8
Other Loans	877.1	806.9	641.4	1,052.3
Total Government Debt	61,658.2	61,029.4	64,607.5	66,215.7
Proportion of GDP	50.9%	45.8%	48.2%	45.5%
GDP	121,170.5	133,365.5	133,962.6	145,600.7

Source: PNG Treasury

3.3 MEDIUM TERM FISCAL OUTLOOK

Over the medium-term, the Government remains committed to aligning fiscal decisions with the 13-Year Budget Repair Plan. It is focused on maintaining fiscal support for investments to drive economic growth, strengthen the revenue mobilisation efforts, and improve the quality of spending. It will also seek affordable, responsible financing within prudent risk levels to ensure macroeconomic stability. This approach will ensure continued growth in Total Revenue and

Grants, and Total Expenditure & Net Lending while committing to fiscal consolidation (see table 8 below). In 2026, the Primary Balance on the budget is positive for the first time since 2011 (the Primary Balance is an international measure of the current stance of fiscal policy, and is calculated by removing interest cost obligations built up in early budgets rather than the current budget).

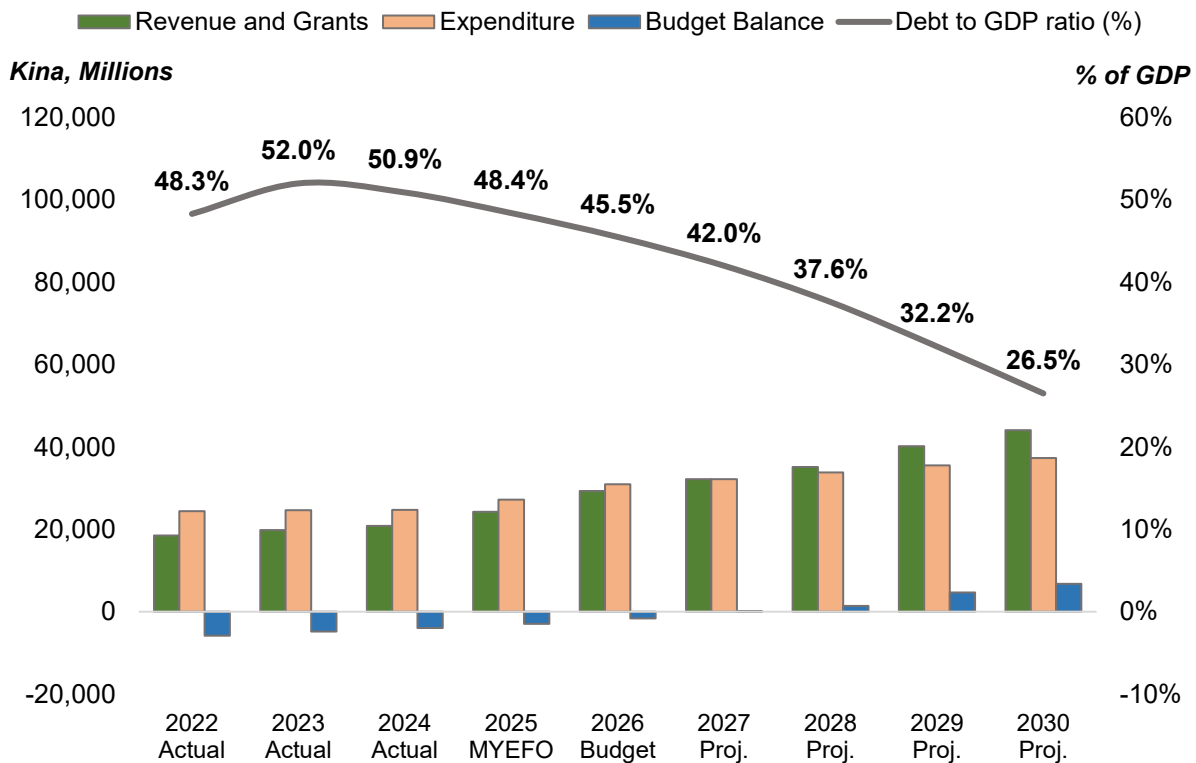
Table 8: Medium-Term Fiscal Outlook 2025–2030 (Kina Millions)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Total Revenue & Grants	20,826.3	25,407.9	24,225.2	29,307.1	32,191.7	35,163.7	40,153.7	44,103.9
Total Expenditure & Net Lending	24,757.0	28,357.2	27,174.0	30,915.2	32,178.0	33,784.0	35,499.0	37,349.0
Deficit	-3,930.7	-2,949.3	-2,948.8	-1,608.2	13.0	1,379.0	4,704.0	6,755.0
% of GDP	-3.2%	-2.2%	-2.2%	-1.1%	0.0%	1.2%	2.2%	3.0%
Debt to GDP ratio	50.9%	48.4%	48.4%	45.5%	42.0%	37.6%	32.2%	26.5%
Primary Balance (% of GDP)	-0.8%	-0.4%	-0.4%	1.5%	2.6%	3.1%	4.5%	5.2%
Non-Resource Primary Balance (% of Non-Resource GDP)	-6.1%	-5.4%	-5.5%	-5.6%	-1.4%	-0.5%	1.6%	2.6%

Source: PNG Treasury

Note: The 2026 Budget and medium-term revenue and expenditure projections include amount that will be retained by the NTRA agencies.

Chart 24: Medium-Term Fiscal Outlook 2022-2030



Source: PNG Treasury

3.4 MEDIUM TERM FISCAL STRATEGY 2023 – 2027

The Government's 13-Year Budget Repair Plan aims to achieve a surplus budget in 2027 with an option to repay all public debt by 2034. Maintaining the 13-Year Fiscal Plan requires strong fiscal discipline focused on strengthening revenue compliance, broadening the tax base, and boosting non-tax revenue, while re-prioritising expenditure to high-impact, high-return capital projects, and improved service delivery in Health, Education and Law & Order. Growth in recurrent spending, particularly wages & transfers, will be controlled to ensure fiscal sustainability.

To create fiscal space, the Government is intensifying efforts to eliminate inefficiencies. This includes reducing arrears, retiring eligible public servants, auditing payrolls to remove "ghost" employees, and tighter controls on rentals and utilities. Monitoring mechanisms are also being strengthened to ensure effective use of constituency development funds, supporting provincial economic growth.

Over the medium-term, the Government will release operational funds and allocate resources to maintain infrastructure, enhance security, and investment in human capital. Continued support will also be provided to the police and defence forces, alongside 2027 National Election preparations. The Government's medium term fiscal strategies are detailed in the following documents:

- **Medium-Term Revenue Strategy (2023-2027) (MTRS)**⁸ which aims to build a robust revenue base to finance the Government's medium-term and long-term expenditure plans. Building on reforms from the previous fiscal strategy (Medium Term Fiscal Strategy 2018-2022), the MTRS 2023-2027 focuses on modernising tax administration and improving compliance to enhance revenue collection and support fiscal sustainability. Aligning with that strategy, the Government is targeting the Government of Papua New Guinea (GoPNG) revenue (excluding grants) of 17.9 per cent of GDP by 2027. In 2026, GoPNG revenue is expected to be 18.8 per cent of GDP, thereby already exceeding the original MTRS target. Even if the K650.0 million in retained revenues is excluded from the 2026 revenues, the MTRS would still be exceeded.
- **Medium-Term Debt Strategy (2024-2028) (MTDS)**⁹ which aims to deliver low-cost financing, within prudent risk levels, that ensures macroeconomic stability. To minimise exposure to exchange rate and interest rate risks – especially given the depreciation of the Kina – the Government is pursuing a well-managed mix of domestic and external borrowing that reduces financial risks, including rollover and interest rate vulnerabilities.

Over the medium-term, the Government is committed to reducing the budget deficit from 2.2 per cent of GDP in 2025, down to 1.1 per cent of GDP in 2026, continuing the downward trend from a peak deficit of 8.9 per cent in 2020 caused by the Government's response to the COVID-19 pandemic.

⁸ <https://www.treasury.gov.pg/wp-content/uploads/2024/09/MEDIUM-TERM-REVENUE-STRATEGY-2023-2027-1.pdf>

⁹ <https://www.treasury.gov.pg/wp-content/uploads/2024/11/PNG-2024-2028-MTDS.pdf>

CHAPTER 4: REVENUE

4.1 REVENUE DEVELOPMENT & OUTLOOK

The Government continues to implement the Medium - Term Revenue Strategy (MTRS) 2023 - 2027 with the aim to increase Total Revenue (excluding grants) or internal revenue collections to 17.9 per cent of GDP by 2027. This target is expected to be exceeded in 2026 with internal revenue collection estimates totalling 18.8 per cent in 2026, and 19.1 per cent in 2027. These estimates do not include potential upsides from any new resource projects.

2025 Revenue

Total Revenue & Grants estimate for 2025 was revised down by K1,182.8 million (4.7 per cent) to K24,225.2 million (18.2 per cent of GDP) compared to the 2025 Budget estimate, as projected in the 2025 MYEFO report. The downgrade in total revenue and grants estimates was due to downward revision to both tax and non-tax revenue, reflecting lower mid-year collections despite an increase in donor grants.

Tax revenue is estimated in the MYEFO report to decline by K1,205.3 million (5.7 per cent) to K19,995.7 million from the 2025 Budget estimate.

Taxes on Income, Profits, and Capital Gains (TIPCG) are estimated to decline by K80.8 million (0.6 per cent) to K13,626.9 million in 2025. This reflects decreases in Personal Income Tax (PIT) and Company Income Tax (CIT) slightly offset by increases in Mining & Petroleum Tax (MPT) and other minor income taxes. The decrease in PIT and CIT reflects the current trend in collection and to some extent attributed to the IRC's malware attack in the first quarter of 2025, which affected the processing of tax receipts.

Taxes on Goods and Services (TGS) are estimated to decline by K988.0 million (15.1 per cent) to K5,565.4 million in 2025. This is largely driven by the decrease in Goods & Services Tax (GST), reflecting lower-than-expected 2024 outcome¹⁰, the impact of the Government's GST relief package¹¹ and the deferral of the Goods & Services Monitoring System (GMS). Gaming Machine Turnover Tax (GMT) and Custom Sundry Tax are also expected to decline by year-end.

Taxes on International Trade and Transactions (TITT) are estimated to decline by K138.0 million (14.7 per cent) to K801.0 million in 2025. This is due to decreases in both Import Duty and Export Tax. Import Duty is expected to decrease by K38.0 million (7.0 per cent) to K501.0 million by year-end. This is attributed to lower imports, reflecting the impact of exchange rate depreciation through increased import costs for businesses. Export Tax is expected to decline by K100.0 million (25.0 per cent) to K300.0 million from K400.0 million. This is attributed to lower collection trends, reflecting the weak demand in China due to the real estate crisis. In addition, the cessation of log monitoring due to non-renewal of the Log Monitoring Contract with the relevant contractor since December 2023 has also affected collections. Log monitoring is important to ensure effective compliance and accurate reporting of log exports in PNG. In the absence of a log monitoring contractor, exporters could under-report log exports to avoid higher tax payments.

Other Revenue (Non-Tax) is expected to decrease by K251.5 million (9.3 per cent) to K2,455.5 million in 2025 (1.8 per cent of GDP). This is mostly due to an expected decline in

¹⁰ The low GST outcome in 2024 was not fully expected when preparing the 2025 Budget, which meant the 2025 Budget estimate proved unrealistically high. GST has been on a steady growth path, apart from large one-off increase in 2023.

¹¹ In the 2025 Budget, the Government through its Household Assistance Package allowed for zero-rating of GST on thirteen essential household items to alleviate cost-of-living pressures. The relief package has been effective on 1st June 2025 and is expected to end on 30th June 2026. However, it will be extended for another 6 months until the end of December 2026.

the NTRA collections by K300.0 million (33.3 per cent) to K600.0 million from the 2025 Budget estimate of K900.0 million. Dividends are expected to increase by K48.5 million (3.2 per cent), reflecting payment from the Bank of PNG (BPNG) by the same amount. However, since MYEFO, Dividend payments have remained below the 2025 estimates. Despite some payments recently received, it is expected that dividends from the Kumul Holding companies could be much lower than anticipated at the time of MYEFO. Projection for departmental fees & charges remain at its 2025 Budget estimate of K276.0 million.

Donor Grants are projected to increase by K274.0 million (18.3 per cent) to K1,774.0 million from the 2025 Budget estimate of K1,500.0 million.

Table 9: Total Revenue and Grants 2025 – 2026 (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	Budget Variation
Tax Revenue	18,447.0	21,201.0	19,995.7	22,140.5	939.5
<i>Per cent of GDP</i>	<i>15.2%</i>	<i>15.9%</i>	<i>15.0%</i>	<i>15.2%</i>	<i>-0.7%</i>
Other Revenue	1,198.6	2,707.0	2,455.5	5,223.6*	2,516.5
<i>Per cent of GDP</i>	<i>1.0%</i>	<i>2.0%</i>	<i>1.8%</i>	<i>3.6%</i>	<i>1.6%</i>
Total Revenue	19,645.6	23,908.0	22,451.2	27,364.1	3,456.1
<i>Per cent of GDP</i>	<i>16.2%</i>	<i>17.9%</i>	<i>16.8%</i>	<i>18.8%</i>	<i>0.9%</i>
Grants	1,180.6	1,500.0	1,774.0	1,943.0	443.0
<i>Per cent of GDP</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.3%</i>	<i>1.3%</i>	<i>0.2%</i>
Total Revenue & Grants	20,826.2	25,408.0	24,225.2	29,307.1*	3,899.1
<i>Per cent of GDP</i>	<i>17.2%</i>	<i>19.1%</i>	<i>18.2%</i>	<i>20.1%</i>	<i>1.1%</i>

Source: PNG Treasury

*This includes an additional K650.0 million that will be retained by the Non-Tax Revenue Administration (NTRA) agencies in 2026.

Revenue in 2026

In 2026, PNG's internally generated revenues are expected to increase by K3,456.1 million (14.5 per cent) to K27,364.1 million (18.8 per cent of GDP) from the 2025 Budget estimate (see table 9). Tax revenue is expected to increase by K939.5 million (4.4 per cent) to K22,140.5 million (15.2 per cent of GDP). The key assumptions underpinning this increase in tax revenue include favourable mineral commodity prices, the completion of the amortisation of Kumul Petroleum (KPHL) financing for the PNG LNG project¹², improved compliance, and the ramp-up of production at the Porgera mine

Other Revenue is projected to increase by K2,516.5 million (93.0 per cent) to K5,223.6 million (3.6 per cent of GDP) from the 2025 Budget estimate. This significant increase is driven by increase in dividends projection as the implementation of the new Dividend Policy gains momentum – favourable mineral prices in exports such as gold, and the ending of repayment by PNG LNG partners on the debt they borrowed to fund the project. In addition, both the implementation of the *NTRA Act 2022* and departmental fees and charges have been increased.

Donor Grants are expected to increase by K443.0 million (29.5 per cent) to K1,943.0 million from the 2025 Budget estimate. Overall, Total Revenue & Grants are projected to increase by K3,899.1 million (15.3 per cent) from the 2025 Budget estimate (see table 9) to K29,307.1 million (20.1 per cent of GDP).

¹² The financing acquired by KPHL to fund the State's share in the PNG LNG project is expected to be fully repaid by end 2025. This means increased tax revenue and dividend to the State in 2026 going forward.

4.2 TAX REVENUE

Taxes on Income and Profits (TIPG)

Taxes on Income and Profits are projected to increase by K1,171.7 million (8.5 per cent) to K14,879.3 million in 2026 from the 2025 Budget estimate (see table 10). This represents 67.2 per cent of the total tax revenue projection. The increase is attributed to improvements in the collection of PIT, CIT, MPT, Dividend Withholding Tax (DWT), Royalties & Management Taxes (RMT), Interest Withholding Tax (IWT) and Non-Resident Insurers Withholding Tax (NRIWT).

PIT is expected to increase by K226.0 million (4.8 per cent) to K4,955.0 million in 2026, representing 22.4 per cent of the total tax revenue projection. The growth is driven by the increase in Public Service salaries¹³, strong employment growth, and improved tax compliance efforts by the IRC. In addition, collections will be supported by the ramp-up of operations at the Porgera mine to near full capacity in 2026. The new minimum wage rate¹⁴ is expected to have a minimal impact on PIT collections in 2026 because it is below the tax-free threshold of K20,000.0 and there is uncertainty in compliance by employers. However, it will have a positive impact on GST.

CIT is expected to increase by K64.4 million (1.6 per cent) to K4,023.4 million in 2026, representing 18.2 per cent of the total tax revenue projection. This is attributed to higher corporate earnings on the back of a resilient non-resource sector growth.

MPT is expected to increase by K713.4 million (17.2 per cent) from K4,136.6 million in the 2025 Budget to K4,850.0 million in 2026. This represents 21.9 per cent of the total tax revenue projection. The increase is mainly driven by anticipated increases in mineral commodity prices (except for oil and LNG) and production volumes. The PNG LNG developer, Exxon Mobil has invoked a provision for double Allowable Capital Expenditure (ACE) deduction starting in 2025 to 2029, given their rate of return was below the expected target of 17.0 per cent. This resulted in lower-than-expected MPT payments from the PNG LNG Project in 2025. However, by the end of 2025, KPHL's loan amortization from its stake in the PNG LNG project is expected to end, meaning increase in MPT above the 2025 level. Further, the mining sector has mitigated the shortfall from PNG LNG with higher-than-expected payments largely due to higher gold and copper prices. This is expected to continue into 2026 to support MPT collections.

Table 10: Taxes on Income and Profits 2025 – 2026 (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	Budget Variation
Taxes on Income, Profits and Capital Gains	12,364.8	13,707.6	13,626.9	14,879.3	1,171.7
Personal Income Tax	4,396.6	4,729.0	4,629.0	4,955.0	226.0
Company Tax	3,418.7	3,959.0	3,759.0	4,023.4	64.4
Mining and Petroleum Taxes	3,707.1	4,136.6	4,336.6	4,850.0	713.4
Royalties & Management Tax	86.8	83.8	83.8	140.9	57.1
Dividend Withholding Tax	535.8	549.1	549.1	633.7	84.6
Interest Withholding Tax	204.7	240.4	240.4	260.5	20.1
Non-Resident Insurers Withholding Tax	14.2	7.4	14.0	15.1	7.7
Tax Related Court Fines	0.0	0.0	0.0	0.0	0.0
Sundry IRC Taxes & Income	0.9	2.4	15.0	0.7	-1.7

Source: PNG Treasury

¹³ Wages for public servants will increase by 3.0 per cent to be effective in January 2026 which is expected to raise PIT collections.

¹⁴ The Minimum Wage Board, announced on 11th September 2025 after an extensive consultative process, that the minimum wage will increase in three phases: starting with a rise from K3.50 to K5.00 per hour on 1st January 2026. Then a further increase to K5.25 per hour in January 2027 and K5.50 per hour in January 2028.

In 2026, DWT is expected to increase by K84.6 million (15.4 per cent) to K633.7 million. The increase is attributed to the ongoing DWT payments from both non-resident companies and individuals which is reflective of higher collection trends since 2024.

IWT is also expected to increase by K20.1 million (8.4 per cent) to K260.5 million. The increase is due to ongoing interest payments on Treasury Bills (T-Bills) and Treasury Bonds (T-Bonds), amongst other interest payments. Other minor direct taxes such as the Royalties & Management Taxes and Non-Resident Insurers Withholding Tax are also expected to increase while Sundry Taxes are expected to decrease.

Taxes on Payroll and Workforce (TPW)

Training levy is projected to be K2.3 million in 2026 although this tax head was repealed in 2018. Collections amounted to K2.0 million as at end-September 2025 which reflect delayed collections from years prior to 2018.

Table 11: Taxes on Payroll and Workforce 2025 – 2026 (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	Budget Variation
Training Levy	0.3	1.0	2.5	2.3	1.3
Total	0.3	1.0	2.5	2.3	1.3

Source: PNG Treasury

Taxes on Goods and Services (TGS)

Taxes on Goods and Services are estimated to decrease by K195.4 million (3.0 per cent) to K6,358.0 million in 2026 from the 2025 Budget estimate (see table 12). This represents 28.7 per cent of the total tax revenue projection. The decrease mainly reflects the expected decline in GST, GMT, Departure Tax and Customs Sundry Taxes.

Total GST collections are projected to decrease by K419.3 million (10.0 per cent) to K3,767.1 million in 2026 which represents 17.0 per cent of the total tax revenue projection. The decrease is mainly attributed to the impact of the GST relief package that the Government had introduced in the 2025 Budget. The GST relief package was initially scheduled to end in June 2026, but has been extended for another six (6) months to end-December 2026. The extension is expected to cost an additional revenue loss of K210.0 million from Inland GST, and a further K40.0 million from Port GST¹⁵. This cost is partially offset by an expected revenue gain of K100.0 million from the implementation of the new GST Monitoring System (GMS). The GMS was initially planned for implementation in the 2025 Fiscal Year but has been delayed to 2026. Apart from the initial projected revenue loss of K250.0 million (K210.0 million from Inland GST and K40.0 million from Ports GST) in the first 6 months of 2026, the K250.0 million extension would now cost the Government a total of K500.0 million in foregone revenue. Nonetheless, IRC's ongoing tax compliance and enforcement efforts such as the implementation of the *GST Section 65A* notices¹⁶ to government service providers is expected to cushion the net revenue loss. In addition, the increase in the new minimum wage rate (42.8 per cent increase) is expected to increase spending and consumption thereby increasing GST in 2026. PNG Customs Services will also increase compliance to ensure those taxpayers whose GST exemptions have expired are paying as expected.

Inland Excise (Excise Duty) is projected to increase by K196.3 million (15.4 per cent) to K1,467.4 million in 2026 which represents 6.6 per cent of the total tax revenue projection. This

¹⁵ However, the K40.0 million revenue loss from Ports GST is not accounted in the revenue framework.

¹⁶ The amendment to *Section 65 A of the GST Act 2007*, allows a user of a good or service (as endorsed by the IRC) to withhold the GST charged by the supplier and remit the GST to IRC directly. This is to address revenue leakages and improve tax compliance. This arrangement is currently being implemented by nearly all national government agencies, including State Owned Enterprises (SOEs).

increase is attributed to a six toea increase in the excise rate for diesel from K0.23 per litre to K0.29 per litre which is expected to raise K30.0 million. In addition, the partial removal of the freeze on the bi-annual excise rate indexation on alcohol and tobacco products and the adjustment of the Tier-2 tobacco quota will support collections in 2026.¹⁷

Table 12: Taxes on Goods and Services 2025 – 2026 (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	Budget Variation
Taxes on Goods and Services	5,320.2	6,553.4	5,565.4	6,358.0	-195.4
GST ¹	3,077.6	4,186.4	3,246.4	3,767.1	-419.3
<i>GST Collection at Provinces</i>	2,304.2	3,357.1	2,617.1	2,997.6	-359.6
<i>GST Collection at Ports</i>	1,564.7	1,849.0	1,649.0	1,783.6	-65.4
<i>GST Refunds</i>	791.3	1,019.7	1,019.7	1,014.1	-5.6
Sales taxes	0.0	0.0	0.0	0.0	0.0
Bank Account Debit Fees	0.0	0.0	0.0	0.0	0.0
Stamp Duties	73.9	79.1	79.1	93.4	14.3
Excise Duty	1,205.2	1,271.1	1,271.1	1,467.4	196.3
Import Excise	506.1	503.0	503.0	608.3	105.3
Bookmakers' Turnover Tax	50.3	52.1	52.1	56.5	4.3
Gaming Machine Turnover Tax	348.4	427.8	388.8	343.9	-83.9
Departure Tax	3.7	7.6	7.6	2.5	-5.1
Motor Vehicle Tax	45.6	5.0	5.0	5.4	0.4
Other taxes on use of goods and on permission to use goods or perform activities	0.3	2.4	2.4	2.6	0.2
Other taxes on goods and services	9.3	19.0	10.0	10.9	-8.1

Source: PNG Treasury

¹ GST represents the total of collections by Provinces and Ports less Refunds.

Import Excise is projected to increase by K105.3 million (20.9 per cent) to K608.3 million, representing 2.7 per cent of the total tax revenue projection. The increase is attributed to higher collection trend in 2025, supported by PNG Customs' compliance efforts in improving its valuation database¹⁸ for imported excisable items.

GMT collection is projected to decrease by K83.9 million (19.6 per cent) to K343.9 million. This is attributed to lower-than-expected collection trend in 2025, which could suggest the rise of illegal gambling activities or non-compliance despite the increase of new gaming venues and betting methods to attract gamblers, in recent years.

Stamp Duty collection is projected to increase by K14.3 million (18.1 per cent) to K93.4 million which reflects the ongoing sale of properties and higher collection trend in 2025. This is despite the expected revenue loss of K15.0 million from the increase in stamp duty exemption threshold for the First-Time Homebuyers from K500,000.00 to K700,000.00 as introduced in the 2025 Budget.

Other minor indirect taxes, namely Bookmaker's Turnover Tax (BMT) and Motor Vehicle Tax, are expected to improve in line with growth in the economy while Departure Tax and Custom Sundry Taxes are expected to decline due to lower year-to-date collection trend.

¹⁷ In the 2025 Budget, the Government temporarily froze the bi-annual excise indexation on alcohol and tobacco products to stabilise their prices and ensure the industry maintains the 2024 price levels in 2025. The measure aims to stabilise business costs and support legitimate products. In addition, the Government increased the Tier-2 quota by applying 50.0 per cent on the combined sales of both Tier-1 and Tier-2 products in the previous year. The measure aims to improve market dynamics for Tier-2 tobacco products and generate additional K60.0 million in revenue for the Government.

¹⁸ The PNG Customs have started improving its Valuation Database in 2024, where the values of imported items (particularly vehicles) have been properly classified to the correct tax rates. This has improved collections.

Taxes on International Trade and Transactions (TITT)

Taxes on International Trade and Transactions are projected to decrease by K38.0 million (4.0 per cent) to K901.0 million from the 2025 Budget estimate (see table 13). This represents 4.1 per cent of the total tax revenue projection. The decrease mainly reflects the expected decline in log export volumes.

Import Duty is projected to increase by K7.5 million (1.4 per cent) to K546.4 million from the 2025 Budget estimate, representing 2.5 per cent of the total tax revenue projection. This increase will be driven by increased consumption and improvement in trade activities. The continued depreciation of the Kina is also expected to support improvements in collections in nominal terms.

Export Duty is expected to decrease by K45.5 million (11.4 per cent) to K354.5 million, which represents 1.6 per cent of the total tax revenue projection. This reflects the expected decline in log export volumes due to the weak demand in China amid the ongoing real estate crisis since 2021 and the stockpiling in its construction sector. In addition, the cessation of log monitoring due to non-renewal of the Log Monitoring Contract with the relevant contractor since December 2023 has affected collections. Log monitoring is important in ensuring effective compliance and reporting of log exports in PNG. In the absence of a log monitoring contractor, exporters could under-report or misreport the log species to avoid higher tax payments.

Table 13: Taxes on International Trade and Transactions 2025-2026 (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	Budget Variation
Taxes on International Trade & Transactions	761.8	938.9	801.0	901.0	-38.0
Import Duty	462.0	539.0	501.0	546.4	7.5
Other Import Taxes	0.0	0.0	0.0	0.0	0.0
Export Tax	299.8	400.0	300.0	354.5	-45.5

Source: PNG Treasury

4.3 NON-TAX REVENUE

Other Revenue is projected to increase by K2,516.5 million (93.0 per cent) to K5,223.6 million or 3.6 per cent of GDP in 2026 from the 2025 Budget estimate (see table 14). This is due to expected increases in Dividend payments from State-owned resource companies, the *NTRA Act 2022* payments from State Services & Statutory Authorities and the departmental fees & charges.

Total Dividends are projected to increase by K1,569.0 million (102.5 per cent) to K3,100.0 million in 2026, representing 59.3 per cent of the total non-tax revenue projection. The Government is expecting Kumul Petroleum Holdings Limited (KPHL), Kumul Mineral Holdings Limited (KMHL), Kumul Consolidated Holdings Limited (KCHL) and the Bank of Papua New Guinea (BPNG) to pay K2,000.0 million, K850.0 million, K150.0 million and K100.0 million in dividends, respectively. The Government is optimistic about receiving the projected dividend payments in Fiscal Year 2026 given that the projections are consistent with the new Dividend Policy that was approved by the National Executive Council (NEC) in 2025. The new dividend policy will be supported by its legislative framework to ensure effective implementation.

In 2026, a total of K1,300.0 million is projected from the implementation of the *NTRA Act 2022* which represents 24.9 per cent of the total non-tax revenue projection. Of these, K650.0 million will be retained by the state agencies who are subject to the *NTRA Act*. Fifteen (15) out of twenty - three (23) of these agencies have been remitting revenues into the Consolidated

Revenue Fund (CRF) in 2025 under the Interim Revenue Sharing Arrangement, per *Section 9 of the NTRA Act 2022*. The *Act* has been in effect since the second half of 2023.

Departmental fees & charges are projected to increase by K547.6 million to K823.6 million in 2026, representing 15.8 per cent of the total non-tax revenue projection. Of this, K332.0 million will be recovered from idle Trust Accounts¹⁹ and K200.0 million is expected from overdue on-lending interest payments from SOEs²⁰. The remaining K291.6 million is expected from other departmental fees & charges.

Table 14: Other Revenue 2025 – 2026 (Kina, million)

	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	Budget Variation
OTHER REVENUE	1,198.6	2,707.0	2,455.5	5,223.6	2,516.5
Property Income	700.3	1,638.0	1,686.5	3,404.2	1,766.1
Interest	0.0	0.0	0.0	200.0	200.0
Dividends	642.3	1,531.0	1,579.5	3,100.0	1,569.0
<i>Mining, Petroleum and Gas Dividends</i>	560.1	1,471.0	1,471.0	2,850.0	1,379.0
<i>Dividends from Statutory Authorities</i>	0.0	0.0	48.5	100.0	100.0
<i>Dividends from State Owned Enterprises</i>	82.2	60.0	60.0	150.0	90.0
Withdrawals from income of quasi-corporations	0.0	0.0	0.0	0.0	0.0
Property income from investment income disbursements	0.0	0.0	0.0	0.0	0.0
Rent	58.0	107.0	107.0	104.2	-2.9
Sales of goods and services	14.8	16.7	16.7	26.1	9.4
<i>Sales by market establishments</i>	0.0	0.0	0.0	0.0	0.0
<i>Administrative fees</i>	8.8	10.2	10.2	11.1	0.9
<i>Incidental sales by nonmarket establishments</i>	6.1	6.5	6.5	15.0	8.5
<i>Imputed sales of goods and services</i>	0.0	0.0	0.0	0.0	0.0
Fines, penalties, and forfeits	1.3	2.7	2.7	2.2	-0.5
Transfers not elsewhere classified	482.1	1,049.6	749.6	1,791.1	741.5
<i>Current transfers not elsewhere classified*</i>	482.1	1,049.6	749.6	1,791.1	741.5

Source: PNG Treasury

*Includes a projection of K650.0 million that will be retained by NTRA in 2026.

4.4 GRANTS

Total Donor Grants are estimated to increase by 29.5 per cent to K1,943.0 million in 2026 from the 2025 Budget estimate (see table 13). This estimate is driven by the support from PNG's major donor partners towards the Government's medium-term investment expenditure priority areas. Support grants are mainly from major development partners which include the Australian Government (DFAT), United Nations (UN), China Aid, European Union (EU), New Zealand Aid (NZ Aid) and the Asian Development Bank (ADB). The Government will continue to work closely with these development partners to effectively and transparently use grant funds. Donor Grants estimates are also subject to movements in the exchange rate.

¹⁹ The Government holds numerous trust accounts that have been idle for a significant period. The Department of Finance is going through a process of closing and reclaiming these funds. This is expected to raise K332.0 million.

²⁰ The Government, through the Department of Treasury has on-lending agreements with SOEs. These are agreements where the State borrows money from a donor and on-lends to an SOE. The SOE is expected to pay interest to the State while the State repays the donor. In several of these agreements, the State has repaid the loans, however, the SOEs are yet to pay interests to the State. Therefore, in 2026, the State will enforce overdue interest payments on on-lending agreements for SOEs particularly PNG Ports Limited, PNG Power Limited and DataCo Limited. This is expected to raise K200.0 million.

Table 15: Donor Grants 2025 – 2026 (Kina, million)

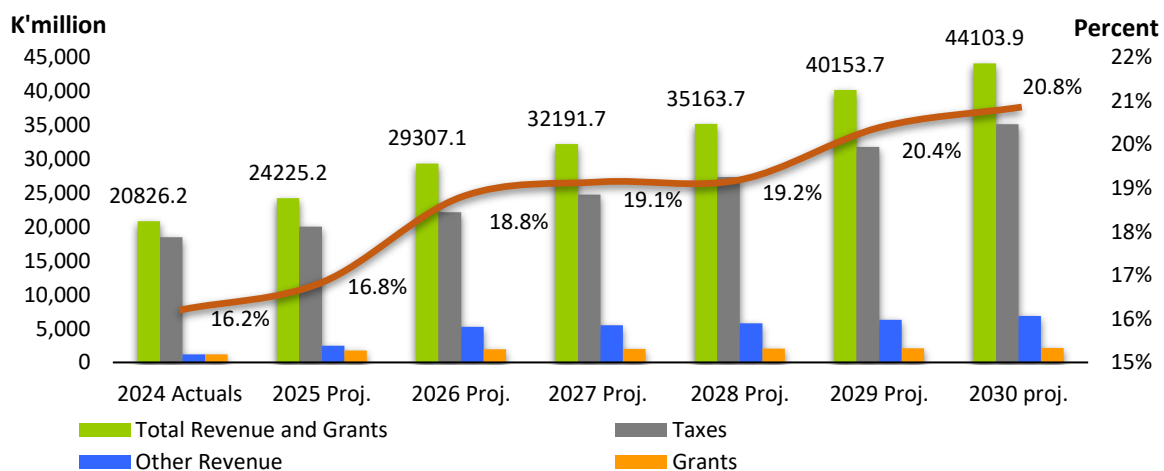
	2024 Actuals	2025 Budget	2025 MYEFO	2026 Budget	Budget Variation
GRANTS	1,180.6	1,500.0	1,774.0	1,943.0	443.0
From Foreign Governments	757.9	1,150.0	1,374.0	1,453.5	303.5
Current	606.4	920.0	1,099.2	1,162.8	242.8
Cash	0.0	18.4	22.0	23.3	4.9
In-Kind	606.4	901.6	1,077.2	1,139.5	238.0
Capital	151.6	230.0	274.8	290.7	60.7
Cash	0.0	0.0	0.0	0.0	0.0
In-Kind	151.6	230.0	274.8	290.7	60.7
From International Organizations	422.7	350.0	400.0	489.5	139.5
Current	338.1	280.0	320.0	391.6	111.6
Cash	0.0	0.0	0.0	0.0	0.0
In-Kind	338.1	280.0	320.0	391.6	111.6
Capital	84.5	70.0	80.0	97.9	27.9
Cash	0.0	0.0	0.0	0.0	0.0
In-Kind	84.5	70.0	80.0	97.9	27.9

Source: PNG Treasury

4.5 MEDIUM-TERM REVENUE OUTLOOK

The Medium - Term Revenue Outlook is based on the implementation of the Medium - Term Revenue Strategy (2023-2027), which is guided by the Government's 13-year Budget Repair Plan. A key objective of the MTRS is to halt the declining trend of revenue as a share of GDP by strengthening existing tax policies, updating tax legislation, and improving tax administrative capacity in a concerted effort to broaden PNG's tax base. This will further improve the country's investment climate and boost private sector development through a more equitable, fairer and efficient tax system.

The administrative, legislative, and policy reforms under the MTRS are expected to help the Government boost revenues to a level of K32,191.7 million by 2027. The Government has also set a target in the MTRS for Total Revenue (excluding Grants) as a share of GDP to be 17.9 per cent or above by 2027, through improved tax compliance and enforcement initiatives. The government is expected to achieve this target in 2026 with 18.8 per cent of GDP. The revised outlook indicates that this target will be exceeded to 19.1 per cent (see Chart 25).

Chart 25: Medium-Term Revenue Projections (2027-2030)

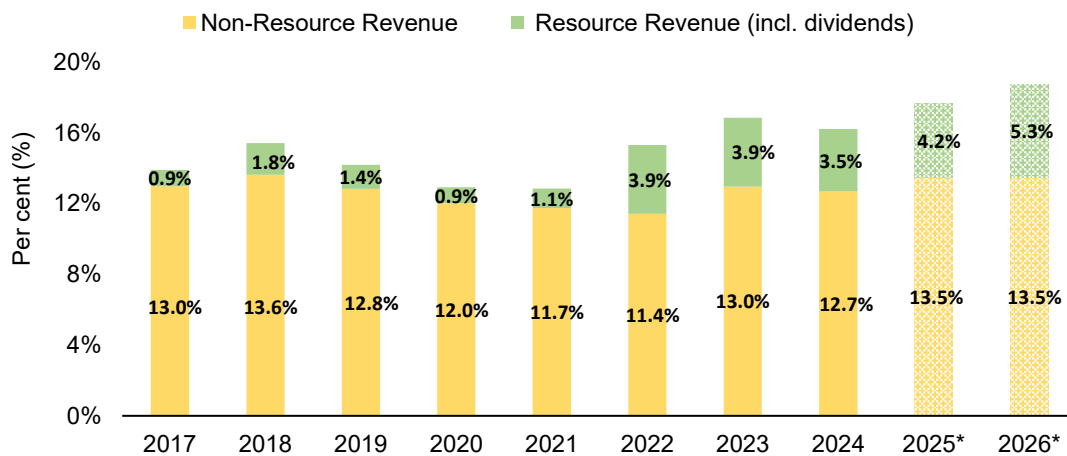
Source: Department of Treasury.

Note: The 2026 Budget and medium-term revenue projections include revenues that will be retained by the NTRA agencies.

Revenue to GDP and Revenue Composition for 2026

In Fiscal Year 2026, resource-related revenue (including dividends) is expected to increase by 37.3 per cent to K7,700.0 million from the 2025 Budget estimate. This represents 28.1 per cent of the projected total revenue (excluding grants). The increase in resource – related revenue is based on higher price assumptions for gold and copper at US\$3,540 per ounce and US\$9,940 per tonne, respectively. As a percentage of GDP, resource revenue is expected to be 5.3 per cent (see Chart 26). On the other hand, non-resource revenue is projected to increase by 9.2 per cent to K19, 664.1 million which will be supported largely by CIT, PIT and GST. As a percentage of GDP, non-resource revenue is expected to be 13.5 per cent in 2026.

Chart 26: PNG Resource Revenue (including dividends) and Non-Resource Revenue as a Percentage of GDP (2017-2026)

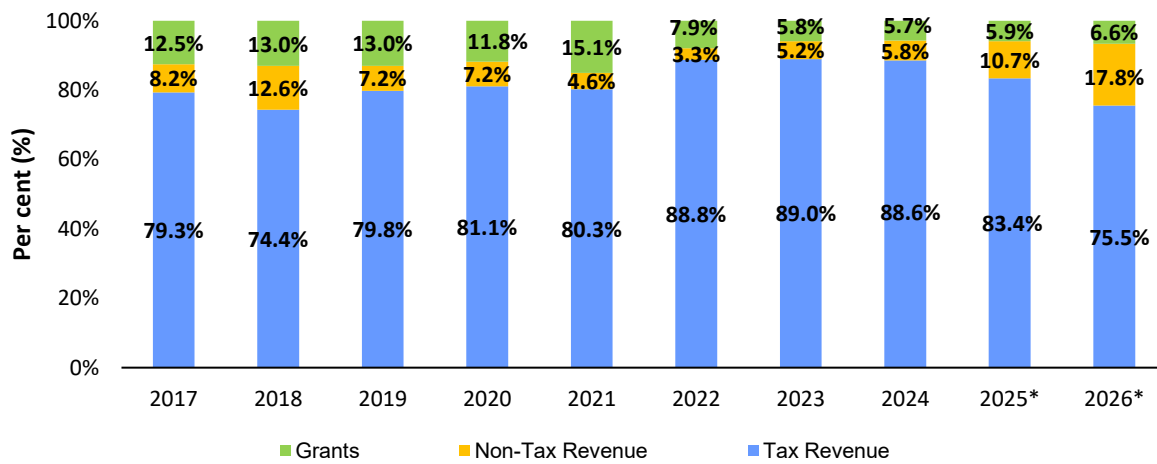


Source: PNG Treasury.

*Projections

Non-Tax revenue as a share of Total Revenue & Grants has declined from 12.6 per cent in 2018 to 3.3 per cent in 2022, before rising to 10.7 per cent as projected in the 2025 Budget. For Fiscal Year 2026, the Non-Tax revenue share to Total Revenue & Grants is expected to be 17.8 per cent (see Chart 27). Non-Tax revenue is mostly comprised of dividends from SOEs, sweeping a share of revenues collected by agencies outside of the IRC and Customs, and administrative fees charged by statutory bodies. These revenues are usually volatile due to irregular payments from the SOEs and statutory bodies that are unrelated to tax collection. A common challenge is that many agencies retain revenue, operate large trust account balances and invest in projects that are often unrelated to their primary mandate. The *NTRA Act* is aiming to reduce such practices. As a percentage of GDP, Non-Tax revenue has fluctuated between 1.2 per cent in 2019 and 2.0 per cent as projected for Fiscal Year 2025.

Chart 27: Tax, Non-Tax and Grants as a Percentage of Total Revenue (2017-2026)



Source: Department of Treasury
*Projections

CHAPTER 5: TAX AND NON-TAX REVENUE MEASURES

5.1 OVERVIEW

In this Budget, the Government is focusing on improving governance, maximising value from petroleum and gas sector and strengthening tax administration and compliance to support sustainable revenue growth. The Government will help families manage ongoing cost-of-living pressures by extending the Household Assistance Package.

The Government is also prioritising the expansion and upgrading of essential infrastructure to drive economic activity, improve connectivity and raise living standards for Papua New Guineans. In addition, the Government is introducing measures to address carbon emissions and promote a cleaner environment.

These measures reflect the Government's commitment to supporting households, to ensure responsible fiscal management and to promote long-term national development.

5.2 MAJOR REVENUE POLICY MEASURES

5.2.1 Extension of Household Assistance Package to Alleviate Cost-of-Living Pressure

In the 2025 Budget, the Government introduced a Household Assistance Package to help families cope with rising prices of basic goods. Under this measure, GST on selected essential household items was zero-rated for 12 months. Consumers did not pay GST when purchasing these goods.

Businesses were required to remove GST from the final retail price of these items but were allowed to claim GST input credits. The zero-rated goods include rice, tinned fish, tinned meat, noodles, chicken, flour, biscuits, cooking oil, tea, coffee, sanitary pads, tampons, baby diapers and soap. The measure is currently in place for 13 months and is scheduled to end on 30th June 2026.

Government assessments show that this policy has been effective in reducing cost pressures on essential goods for households.

To continue supporting families, the Government will extend the Household Assistance Package for a further six months from 1st July 2026 to 31st December 2026.

This extension is expected to cost K250.0 million in the second half of 2026.

5.2.2 Introducing Tax Credits for Petroleum Levy

The *National Petroleum Authority Act 2025* was recently passed by Parliament formally transforming the Department of Petroleum into the National Petroleum Authority (NPA). Under this new structure, the NPA will operate independently and will no longer receive direct funding from the National Budget.

To support its operational needs, the Act introduced a 0.5 per cent levy on the gross revenue of all petroleum producers. This levy will be treated as a tax-deductible expense across the sector.

However, companies operating under existing fiscal stability provisions are not affected by this levy. To honour the commitments, the Government will instead allow eligible companies to treat their levy payments as tax credits. This will ensure compliance with existing agreements.

Further, to ensure stable and predictable funding for the NPA, the amendment will enable the NPA to receive an annual allocation of up to K100.0 million from the 0.5 per cent levy collections. The Levy will be collected by Internal Revenue Commission (IRC) and remitted to NPA. Any revenue collected above this threshold will be withheld by IRC and transferred to the Government's Consolidated Revenue Fund.

This measure will come into effect on 1st January 2026.

5.2.3 Establishing Internal Revenue Commission Oversight Board

From 2013-2019, the Government undertook a series of reviews to strengthen revenue administration including the comprehensive Taxation Review led by Sir Nagora Bogan. The review highlighted key governance weaknesses and recommended the creation of an independent oversight board for the Internal Revenue Commission (IRC) to improve accountability, transparency and overall performance. These findings aligned with advice from successive IMF technical assistance missions which emphasised that stronger governance structures are essential for effective revenue administration and improved compliance.

In line with these recommendations, the Government is introducing an IRC Oversight Board to strengthen governance, strategic direction and institutional performance within the Commission. The board will help ensure that the IRC continues to deliver effectively on its central role in revenue administration.

The Oversight Board will provide strategic leadership by monitoring organisational performance, setting long-term priorities, approving the Commission's budget and ensuring that operations remain aligned with legislative and regulatory requirements. To support strong governance the board will be backed by key committees including an Audit and Risk Committee, Governance Committee and Budget Committee.

This reform requires an amendment to the IRC Act 2014 to formally establish the Oversight Board and it will come into effect on 1st January 2026.

5.2.4 Operationalizing the *Tax Administration Act 2017*

There are different administrative rules for different taxes. This confuses taxpayers and creates additional work for the Internal Revenue Commission (IRC), who maintain multiple forms, processes and materials for different taxes. This adds unnecessary costs to both taxpayers and the IRC. Therefore, in 2017, the Government introduced the *Tax Administrative Act (TAA) 2017*.

The overall aim of the TAA is to set out clear procedures for main tax heads, administrative rules and taxpayer obligations and rights. The TAA is expected to improve tax administration, compliance and revenue collection over time.

However, its implementation was deferred due to IRC's readiness to transition to a unified administrative framework. In addition, the supporting legislation, especially the *Income Tax Act 1959*, is outdated.

With the passage of the *Income Tax Act (ITA) 2025* and the rollout of the IRC's new Integrated Tax Administration System (ITAS), the Government now has the foundational systems required to operationalise the TAA.

In 2026, the TAA will be implemented to provide a consistent legal platform for registration, filing, assessments, audits and compliance. Thus, improving tax revenue collection in the medium to long term.

To operationalise the TAA 2017, the Head of State will issue a Gazettal Notice with the commencement date via advice from the National Executive Council.

The measure is expected to have a positive revenue impact over time and will come into force on 1st January 2026.

5.2.5 Income Tax Regulation 2025

The National Parliament passed the new *Income Tax Act 2025 (ITA25)* in March of 2025, which will take effect from 1st January 2026. To ensure the effective implementation of the ITA25, the *Income Tax Regulation (ITR) 2025* needs amendments to align with the changes in the ITA25.

The ITR details how key processes will work under the new ITA25 such as taxpayer registration, filing of declarations, withholding arrangements, eligibility for concessions and the forms and lodgement dates that taxpayers and businesses must follow.

The ITR intends to ensure that rules are easier to understand and follow, to reduce uncertainty and help taxpayers meet their obligations.

This measure is revenue-neutral and will commence together with the new ITA25 on 1st January 2026.

5.2.6 Extend the Scope of Goods and Service Tax (GST) Monitoring System beyond Companies

In 2024, Parliament enacted *Section 5A* of the *GST Act (GSTA) 2003*, granting the Commissioner General authority to monitor GST compliance through real-time electronic systems called the GST Monitoring System (GSM). The measure was expected to raise K100.0 million when implemented. However, the current legislation limits the application of the GSM to companies registered under the GSTA.

In the 2026 Budget, the Government extends the scope of the GSM to all taxpayers allowing more comprehensive monitoring of sales transactions. This expansion aims to modernise tax administration, improve compliance, and strengthen revenue collection.

Following Parliamentary approval, the full implementation of the GSM will be enabled through a GSM regulation. The GSM will be operationalised upon issuance of Gazette Notice by Head State via advice from the National Executive Council.

This measure is revenue positive and will come into effect on 1st January 2026.

5.3 EXCISE REFORMS

5.3.1 Extend Excise Freeze on Beer and Tier -1 Tobacco Products

The excise rates for Tobacco and Alcohol are indexed at the rate of 2.5 per cent bi-annually. The new adjusted excise rate comes into effect on the 1st of December and 1st June each year. This adjustment is done to maintain the real value of the excise duty and is used as a policy tool to promote healthier life choices. It is also a measure to raise revenue to fund government priorities.

In the 2025 Budget, the Government imposed a one-year freeze on the bi-annual excise indexation on the rates for alcohol and tier-1 tobacco products for twelve (12) months (1st December 2024 to 30th November 2025). The freeze aimed to stabilise the cost of business operations and support production and sales of legitimate products. The industry has reported that this measure has positively assisted businesses operations in 2025. In addition, the Government is also concerned that there is growing presence of low-priced illicit alcohol (FTI Report 2025) and tobacco products, which continue to avoid excise duty payments. This adversely affects sales of legitimate products and excise revenue to the Government.

In this Budget, the Government extends the freeze for another 12 months from 1st December 2025 to 30th November 2026. The freeze only applies to beer and tier-1 tobacco products. The excise indexation will continue to apply to other alcohol categories and tier 2 Tobacco products.

This measure will come into effect on 1st December 2025.

5.3.2 Increase Excise on High Carbon Content Fuel

To support Papua New Guinea's climate commitments, the Government is introducing a targeted increase in excise on high-carbon-content fuels. This measure is part of PNG's broader effort to reduce carbon emissions.

Currently, petrol excise is set at K0.63 per litre while diesel attracts K0.23 per litre. For the Diesel, K0.04 per litre is remitted to National Road Fund and K0.19 per litre is remitted to the National Government.

Diesel has higher carbon content and produces more emissions than petrol and other fuels. To demonstrate Government's commitment to reduce carbon emissions, the Government will increase the diesel excise rate from K0.23 per litre to K0.29 per litre.

This measure is expected to raise K30.0 million additional revenue in 2026 and will come into operation on 1st January 2026.

5.4 INFRASTRUCTURE TAX CREDIT SCHEME (ITC) AMENDMENTS

One of the Government's key development priorities is to expand and upgrade essential infrastructure to support economic growth and improve living standards. However, with many competing development priorities and limited fiscal resources, the Government is unable to fund all major infrastructure projects on its own.

To address this gap, the Government partners with companies that have the financial and operational capacity to deliver key infrastructure. Eligible companies are then able to claim credits under the Infrastructure Tax Credit (ITC) Scheme. Prior to 2022, eligible companies can spend up to 0.75 per cent (extractive sector) or 1.5 per cent (agriculture and tourism sectors) of their assessable income on approved ITC projects.

However, due to the growing need for essential infrastructure in the country, the Government increased and standardised the ITC rate to 2.0 per cent across the mining, petroleum and agriculture sectors in the 2022 Budget. This provides additional credits for approved infrastructure projects.

While this increase has enabled more projects to proceed, demand for critical infrastructure continues to rise. The current 2.0 per cent rate has become a limiting factor as eligible companies have reached their allowable expenditure cap. This constraint has slowed the rollout of key provincial and national infrastructure priorities.

In this Budget, the Government is making the following amendments to the ITC scheme:

- (i) **Increase ITC standard Rate:** The Government is increasing the standard ITC rate from 2.0 per cent to 3.0 per cent of assessable income. The higher rate is expected to give eligible companies greater room to fund and deliver more infrastructure projects in the country.
- (ii) **Increase Special ITC Rate for PNG LNG:** Under the PNG LNG Gas Agreement, a special ITC rate of 1.25 per cent is applied to projects listed under exhibit F. To ensure PNG LNG continues to play an active role in meeting the country's infrastructure needs, the Government aligns the special ITC rate from 1.25 per cent to 3.0 per cent.
- (iii) **Compulsory 0.5 per cent of Assessable Income Infrastructure Tax Credit Expenditure in the Autonomous Region of Bougainville:** The Government is introducing a compulsory requirement for eligible taxpayers undertaking prescribed infrastructure development expenditure to allocate 0.5 per cent of the 3.0 per cent ITC rate threshold to the Autonomous Region of Bougainville. The specific types of projects to be undertaken will be determined by the Treasurer through Income Tax Regulations. This measure ensures that a portion of approved infrastructure development expenditure directly contributes to the development of the Autonomous Region of Bougainville and support regional development priorities.

These measures are expected to accelerate delivery of key infrastructures, stimulate economic activity and support the Government's broader development agenda.

This measure is expected to reduce corporate income tax by K300.0 million annually and will take effect on 1st January 2026.

5.5 MINOR POLICY MEASURE

5.5.1 Restore the 2025 Budget Tax Exemption on Superannuation Withdrawal for Long Serving Retirees.

The 2025 Budget introduced a significant policy change regarding superannuation withdrawals for long serving retirees. The government announced the elimination of the 2.0 per cent tax on superannuation withdrawals for retirees who have completed over 15 years of service in the workforce. This measure is designed to acknowledge and reward the substantial contributions made by these individuals throughout their careers, while also serving as an incentive for others to remain in the workforce.

The certified copy of the *Income Tax Act 2025* contained an error by retaining the 2.0 per cent tax. This amendment will restore the 2025 Budget exemption as it was intended.

This measure is revenue neutral and will be effective on 1st January 2026 as was intended in the 2025 Budget amendment.

5.6 NON-TAX REVENUE MEASURES

5.6.1 Implementation of the *Non-Tax Revenue Administration Act 2022*

The *Non-Tax Revenue Administration Act 2022* was enacted to regulate all non-tax revenues collected by Public and Statutory Bodies operating at the national level. This is to ensure the non-tax revenue collections are remitted into the Consolidated Revenue Fund to support the

annual national Budget. This promotes transparency and accountability in the collection and usage of public funds.

The Government announced in the 2025 Budget that the Interim Arrangement will be terminated with agencies moving into the national budget by 2026. However, to on board Non-Tax Revenue (NTR) agencies with a positive return on investment, the Government must carefully assess the nature and growth of associated assets, liabilities and debt stocks to ensure fiscal prudence and informed decision-making.

In 2026, the Government will continue to implement the NTRA Act through the interim arrangement. The NTRA Committee will conduct a thorough assessment on each NTR Agencies and establish credible financial baselines to on board these agencies into the normal budget. The interim arrangement will be terminated on a date to be set by the Treasurer through publication of Gazettal Notice as per Section 13 of the NTRA Act.

For the purposes of greater transparency and accountability of those funds raised by NTRA agencies, but not remitted to the WPA, these funds will be recognised as government revenue raising by the NTRA agencies. There is an identical offsetting expenditure for this newly recognised NTRA revenues, thereby not affecting the estimate of the deficit.

The interim arrangement is expected to raise K650.0 million in reported revenues in 2026.

CHAPTER 6: EXPENDITURE

6.1 OVERVIEW

The total estimated expenditure for the 2026 Budget is K30,915.2 million²¹. Of this amount, K19,399.2 million is allocated for operational expenditures, K10,866.0 million for capital expenditure and K650.0 million will be retained by the NTRA agencies for their operational and project investment needs. The total expenditure of K30,265.2 million (excluding NTRA agencies expenditure) is distributed across all sectors of the Government to support their respective activities and projects in 2026.

The 2026 Budget is framed on the theme “**Security with Growth**”. It aligns with the strategic direction set in the 2025 Budget reinforcing efforts to secure PNG’s future. Factors considered include growth for key expenditures in the Education and Health sectors, the need to stabilize law and order while continuing fiscal repair and development investment.

The 2026 Budget strives to: strengthen security and maintain order; invest in education and health; enhance revenue collection efforts to improve fiscal sustainability; and strengthen good governance and accountability.

6.2 2026 AGGREGATE EXPENDITURE

The 2026 Expenditure Budget is set at K30,265.2 million, comprising of K19,399.2 million for operational expenditures and K10,866.0 million for capital expenditure. The total estimated expenditure consists of three components: K27,096.2 million from GoPNG, K1,943.0 million from donor grants and K1,226.0 million from concessional loans. Table 16 below shows the detailed breakdown of the 2026 aggregate expenditure.

Table 16: 2025 Aggregate Expenditure (Kina Million)

Budget Components	2024 FBO	2025 Budget	2026 Budget	AS a % of Total Budget
Operational Component	16,175.9	18,014.5	19,399.2	64.1
Compensation of Employees	7,201.3	7,801.2	8,193.5	27.1
Goods and Services	4,496.4	4,842.2	5,438.3	18.0
Interest Payments	2,963.5	3,522.5	3,723.0	12.3
Provincial Functional Grants	535.0	706.2	770.0	2.5
GST & BMT transfers	979.7	1,142.4	1,274.5	4.2
Capital Investment Component	8,581.1	10,342.7	10,866.0	35.9
GoPNG	6,401.6	7,616.8	7,697.0	25.4
Concessional Loans	998.9	1,225.9	1,226.0	4.1
Donor Grants	1,180.6	1,500.0	1,943.0	6.4
Grand Total	24,757.0	28,357.2	30,265.2	100.0

Source: PNG Treasury

6.2.1 Operational Budget

The 2026 Operational Budget makes up 64.1 per cent of the total Expenditure Budget. It has increased by K1,384.7 million or 7.7 per cent compared to the 2025 Budget. This increase consists of a K392.3 million or 5.0 per cent increase in Compensation of Employees (CoE), and K596.0 million or 12.3 per cent increase in Goods and Services (G&S) compared to the

²¹This includes K650.0 million that will be retained by the Non-Tax Revenue Administration (NTRA) agencies.

2025 Budget. The increase in operational budget is also reflecting the importance of servicing and maintaining earlier infrastructure and capital development spending in areas including teachers for schools and universities, nurses and doctors for hospitals and maintenance for new roads and court facilities.

The increase in the CoE budget estimate accommodates anticipated teachers and health workers and public servant pay increases. The 2026 CoE Budget of K8,193.5 million accounts for 42.2 per cent of the Operational Budget and 27.1 per cent of the total expenditure for 2026.

The G&S Budget of K5,438.3 million accounts for 28.0 per cent of the Operational Budget and 18.0 per cent of the total Expenditure Budget for 2026. It caters for fixed costs such as utility bills, rentals, and Government arrears and key government programs such as the Government Tuition Fee Subsidy (GTFS). The increase in G&S Budget estimate reflects a rise in fixed costs for rentals and utilities, increased funding for education programs such as GTFS, medical supplies and public health commodities, PHAs and law and order agencies, and as well as increases for in National Parliament, the Judiciary, Internal Revenue Commission and the Auditor-General to improve governance and tax collection. Additionally, the 2026 Budget includes a K100.0 million transfer to the National Petroleum Authority (NPA) as the petroleum levy under their act will be administratively collected by the IRC and then transferred to NPA up to a cap of K100.0 million.

The Government remains committed to fulfilling its debt obligations and has allocated K3,723.0 million for debt interest in 2026. This accounts for 19.2 per cent of Operational Budget and 12.3 per cent of the total Expenditure Budget. This represents an increase of K200.5 million or 5.7 per cent compared to the 2025 Budget and is primarily due to the higher cost of domestic borrowing flowing from higher interest rates on domestic securities. The government remains committed to its 13-year Budget Repair Plan to reduce deficit and return to a balanced budget.

Functional Grants to provincial administrations have increased by K63.8 million or 9.0 per cent and there was a significant increase of K132.1 million or 11.6 per cent in the allocated GST and Bookmarker's Tax transfers. These increases reflect the Government's commitment to ensuring effective service delivery in the provinces through equitable revenue sharing arrangements.

6.2.2 Capital Expenditure Budget

The 2026 Capital Investment Budget (CIB) aligns with Vision 2050 and reflects the Government's commitment to MTDP IV to fund programs and projects in key sectors under the 12 Special Priority Areas (SPA) broken down into 71 Deliberate Intervention Programs (DIPs) to support infrastructure development and economic growth.

The 2026 aggregate CIB is K10,866.0 million which is 35.9 per cent of the total Expenditure Budget. The CIB comprises of K7,697.0 million GoPNG PIP component, K1,943.0 million in Donor Grants and K1,226.0 million in Concessional loans.

The Public Investment Program (GoPNG PIP) is comprised of Government Fixed Commitments which account for 24.7 per cent or K2,685.0 million of the CIB. MTDP IV Growth Triggers receive 36.3 per cent or K3,949.0 million.

Key investments under the growth triggers include: SME funding K150.0 million; Land Expansion Programs K140.0 million; Agriculture Investments K190.0 million; Revenue Generations K60.0 million; National Rice Development Program K60.0 million; Commodity Access (Roads & Aviation) K60.0 million; Special Economic Zones K40.0 million; and Special

6.3 DONOR FUNDING FROM DEVELOPMENT PARTNERS

The Capital Investment Budget (CIB) comprises the Government's direct financing and donor contributions (Official Development Assistance-ODA) through concessional loans, grants, and technical assistance. All donor-funded projects and programs are aligned with the Government's policy priorities under MTDP IV.

For 2026, total donor financing is K3,169.0 million comprising, K1,943.0 million in grants and K1,226.0 million in loans, compared to K2,725.9 million in 2025. This reflects an increase of K443.1 million, or 16.3 per cent, predominantly driven by grant. The donor grants and loans collectively account for 39.2 per cent of the total 2026 CIB.

The 2026 CIB is supported by more than fifteen (15) development partners, with Australia, China and the United Nations providing the largest grant contributions. Major concessional loan financing is from the Asian Development Bank, World Bank and Australia for major high-impact programs and projects. The biggest source of bilateral loan funding is the Infrastructure Funding Facility (AIFFP). Budget support loans are provided by the International Monetary Fund (IMF) and other development partners.

ODA funds primarily support infrastructure, health, and administrative sectors. Key investments such as the Sustainable Highlands Highway Investment Program, Tranche 2, Civil Aviation Development Investment Program 2, Health Sector Development Project, Market for Village Farmers, and the PNG Agriculture Commercialisation and Diversification Programs will continue to be funded.

Total counterpart contributions for all donor funding is K155.0 million in 2026. This is a decrease of K102.0 million compared to the 2025 level. An overview of funding from PNG's Development Partners is presented below in table 17 and 18.

Table 17: Grants and Loans in 2025 and 2026 (Kina, million)

Development Cooperation	2024 FBO	2025	2026	% Change
Grants	1,180.6	1,500.0	1,943.0	27% increase
Loans	998.9	1,225.9	1,226.0	Less than 1 % increase

Source: Department of National Planning & Monitoring

Table 18: 2026 Loans, Grants and Government Counterpart Funding (Kina, million)

Development Partners	Grants	Loans	Counterpart	2026 Total (G+L+CP)
Australia	1,180.5	0.0	11.0	1,191.5
AIFFP	17.0	106.0	7.0	130.0
EU	92.5	0.0	0.0	92.5
UN	190.0	0.0	0.0	190.0
NZ	45.0	0.0	0.0	45.0
China	75.0	0.0	23.0	98.0
ADB	125.0	551.6	34.0	710.6
World Bank	10.0	107.7	6.0	123.7
Japan	136.0	0.0	6.0	142.0
Ceska/Erste	0.0	0.0	0.0	0.0
EIB	5.0	7.0	3.0	15.0
China EXIM Bank	0.0	30.0	15.0	45.0
Korean EXIM Bank	0.0	0.0	0.0	0.0
IFAD	0.0	28.39	2.0	30.39
Asian Infrastructure Investment Bank	0.0	10.0	-0.0	10.0
India EXIM	0.0	10.0	0.0	10.0
GPE	5.0	0.0	0.0	5.0

Development Partners	Grants	Loans	Counterpart	2026 Total (G+L+CP)
AFD	25.0	2.0	1.0	28.0
China Construction Bank	0.0	129.93	25.0	154.93
OFID	37.0	87.5	8.0	132.5
IBRD	0.0	40.0	0.0	40.0
IDA	0.0	115.89	14.0	129.89
Total	1,943.0	1,226.0	155.0	3,324.0

Source: Department of National Planning & Monitoring

6.4 INFRASTRUCTURE TAX CREDIT SCHEME

The Infrastructure Tax Credit Scheme (ITCS) continues under the *Income Tax Act 2025* (Section 128). It allows developers in the oil, gas, primary, and tourism industries to retain certain percentage of their assessable income to fund infrastructure projects. As part of the 2026 Budget, the percentage is being increased from 2.0 per cent for most developers (the PNG LNG currently has 1.25 per cent under the fiscal stability agreement) to 3.0 per cent. For details on changes to this scheme, including for improving governance and accountability, and support for Bougainville are set out in Chapter 5. As part of the Government's Public Private Partnership Program, ITCS supports development in extractive and primary industry areas.

The ITCS Program has been in operation for over 33 years, with 12 developers registered and participating in the scheme. However, only seven developers remain active in the scheme, which include Ok Tedi Mining Limited (OTML), Newmont Corporation (Newmont), New Britain Palm Oil Limited (NBPOL), Exxon Mobil PNG Limited (EMPNGL), New Porgera Ltd (NPL), K92 Mining Limited (K92ML), and Hargy Oil Palm Limited (HOPL). The projects are implemented across twelve (12) provinces: Western, West Sepik, Enga, Southern Highlands, Hela, Simbu, Central, New Ireland, West New Britain, Milne Bay, Western Highlands and the National Capital District (NCD) - mainly covering the Transport, Administration, Utilities, Law & Justice, Education, and Health Sectors.

Western Province recorded the highest tax credit expenditure at 35.0 per cent, driven by road infrastructure under the Connect PNG Program (Kiunga–Tabubil Road Upgrade and Sealing, Tabubil–Teleformin–Oksapmin Road). NCD followed with 22.0 per cent, attributed to the National ITCS Projects (Marea/Manasupe Haus, National Football Stadium, and APEC Haus). Southern Highlands accounted for 7.0 per cent, New Ireland 6.0 per cent, Western Highlands 5.0 per cent, while the remaining provinces expended the lowest percentage against the approved amount.

6.5 SECTOR EXPENDITURE

The sectoral allocation for the 2026 Budget is guided by the five MTDP IV Growth Triggers along with all other MTDP IV Priorities.

Government agencies are categorised into ten sectors, however, for budgeting and accounting purposes, interest payments are included as a total expenditure envelope (see Table 19). Some reclassifications have been made compared to the sectoral allocations in previous budgets. For 2026, only some items under Division 207 have been allocated under the Cross Cutting Sector whereby their function spans multiple sectors such as government arrears. Division 207 items that relate to a specific sector have been allocated to that sector, for example, support for St Johns Ambulance has been allocated to the Health sector. In line with the 2025 Budget, teachers' salaries and leave fares have been classified under the Education Sector rather than being allocated to the provinces, a classification that will remain consistent

in the 2026 Budget. Meanwhile, Goods & Services and Bookmakers Tax Transfers (BTT) have been allocated to Provincial Sector.

Table 19: 2026 Expenditure by Sector (Kina, million)

Sector	Operational			Capital				Total	As a % of Total Bud.
	CoE	G&S	Total Op. Bud.	GoPNG	Grants	Loans	Total Cap. Bud.	Total Expend.	
Administration	1,000.8	597.6	1,598.4	2,025.0	929.0	57.1	3,011.1	4,609.5	15.2
Community & Culture	56.4	15.5	71.9	218.0	43.0	0.0	261.0	332.9	1.1
Cross cutting	431.4	1,554.2	1985.5	0.0	0.0	0.0	0.0	1,985.5	6.6
Economic	265.4	194.5	460.0	860.0	77.0	55.1	992.1	1,452.1	4.8
Education	3,077.0	1,248.7	4,325.7	390.0	170.5	49.0	609.5	4,935.2	16.3
Health	1,458.6	888.2	2,346.8	474.0	277.0	107.1	858.1	3,204.9	10.6
Law & Justice	1,256.7	773.9	2,030.6	378.0	90.0	0.0	468.0	2,498.6	8.3
Provinces	450.0	2,169.7	2,619.8	1,854.0	79.5	167.6	2,101.1	4,720.9	15.6
Transport	133.0	27.0	160.1	1,191.0	263.0	579.0	2,033.0	2,193.1	7.2
Utilities	64.1	13.3	77.4	307.0	14.0	211.1	532.1	609.5	2.0
Total (excl. Int. payments)	8,193.5	7,482.7	15,676.2	7,697.0	1,943.0	1,226.0	10,866.0	26,542.2	87.7
Int. Payments	0.0	3,723.0	3,723.0	0.0	0.0	0.0	0.0	3,723.0	12.3
Grand Total	8,193.5	11,205.7	19,399.2	7,697.0	1,943.0	1,226.0	10,866.0	30,265.2	100.0

Source: PNG Treasury and National Planning and Monitoring

Table 20: 2025 and 2026 Budget Comparison Using the new Categorisation (Kina, million)

Sector	2025 Budget	2026 Budget	Change	% change
Administration	4,415.9	4,609.5	193.6	4.4
Community & Culture	306.2	332.9	26.8	8.7
Cross cutting	1,906.2	1,985.5	79.3	4.2
Economic	1,546.3	1,452.1	-94.2	-6.1
Education	4,435.3	4,935.2	499.9	11.3
Health	2,768.4	3,204.9	436.5	15.8
Law & Justice	2,279.1	2,498.6	219.5	9.6
Provinces	4,323.0	4,720.9	397.9	9.2
Transport	1,980.7	2,193.1	212.4	10.7
Utilities	873.7	609.5	-264.2	-30.2
Interest Payments	3,522.5	3,723.0	200.5	5.7
Grand Total	28,357.2	30,265.2	1,908.0	6.7

Source: PNG Treasury

6.5.1 Administration Sector

The Administration Sector is responsible for delivering SPA 7 (National Revenue and Public Finance Management Act), SPA 8 (Digital Government, National Statistics and Public Service Governance) and SPA 12 (Strategic Partnership) of the MTDP IV.

The sector comprises thirty-one agencies, which are classified into four categories; eight Central Agencies, which form the Central Agencies Coordinating Committee (CACC), seven statutory authorities, fourteen-line agencies, and four City Authorities, which are categorized under Admin sector (Mt. Hagen, Lae, and Kokopo, and the Manam Resettlement Authority). The IRC and PNGCS are the two key agencies responsible for revenue collection.

For 2026, the Administration Sector has been allocated a total of K4,609.5 million, accounting for 15.2 per cent of the overall budget. This allocation reflects an increase of K193.6 million or 4.4 per cent compared to the 2025 Budget. Of this allocation, K1,598.4 million is designated

for operational expenditure, comprising of K1,000.8 million for CoE and K597.6 million for G&S. Additionally, K3,011.1 million is allocated for capital investment expenditure, which includes K2,025.0 million in direct financing from the GoPNG, K929.0 million in grants, and K57.1 million in concessional funded project loans.

In 2026, the sector aims to; strengthen revenue collection by adequately funding the major revenue collecting agencies (IRC, Customs and NTRAs), promote greater governance and accountability by supporting AGO for Auditing functions (K8.9 million increase) and investment in Policy Reforms and Transformation as well as, funding new District LLG Leaders allowances that DPLLGA administers.

The national flagship programs and projects will be consistently funded. These include, District Infrastructure Program (K480.0 million), Kina-for-Kina Project (K400.0 million), National E-ID Card Project (K80.0 million), and Revenue Generation (K60.0 million) Programs among others to improve effective service delivery across the country.

6.5.2 National Parliament

The National Parliament is an independent arm of the Government. For 2026, the National Parliament is allocated K435.1 million. Of this, operations allocation are K268.1 million in CoE and K152.0 million in G&S. Additionally, K15.0 million is allocated for Capital budget. The budget shows an increase of 12.5 per cent from the 2025 Budget of K386.7 million. This increase ensures that the National Parliament is adequately funded to effectively carry out its constitutional responsibilities and legislative duties.

6.5.3 Community and Culture Sector

The Community and Culture Sector is led by the Department of Community Development and Religion. It is supported by nine agencies that plays a key role in implementing SPA 11 (Youth and Gender Development), SPA 1, SPA 8 and SPA 12, focusing on economic investments, digital governance and strategic partnership under MTDP IV. These activities are guided by policies like the Gender, Equity, and Social Inclusion (GESI) Policy, *Lukautim Pikinini Act 2015*, *Civil Registration Act 2014*, and the National Policy on Professional Volunteerism 2020-2025.

The sector's objectives are to reduce Family Sexual Violence (FSV) through comprehensive strategies, strengthening legal and social services to address Gender-Based Violence (GBV) and implement robust internet content filtering measures to enhance national security. The sector also aims to safeguard cultural heritage; support, protect and empower children, youth, women, and other vulnerable groups; and promote sports.

For 2026, the Community & Culture Sector has been allocated a total of K332.9 million, accounting for 1.1 per cent of the overall budget. This allocation reflects an increase of K26.8 million or 8.7 per cent compared to the 2025 Budget. Of this allocation, K71.9 million is designated for operational expenditure, comprising of K56.4 million for CoE and K15.5 million for G&S. Additionally, K261.0 million is allocated for capital investment expenditure, which includes K218.0 million in direct financing from the GoPNG, and K43.0 million in grants.

The major impact programs funded in the 2026 Capital Budget include: PNG NRL Bid (K100.0 million), PNG Grassroots Games in Mendi (K20.0 million), Church-State Partnership programme (K20.0 million) and District Community Development Centres (K20.0 million).

6.5.4 Cross-Cutting Activities

Cross cutting activities encompasses some of the expenses categorized under the vote (207) for Cross cutting activities, which includes significant flexible funds that cater to unforeseen financial needs throughout the year, such as contingency funds, and allocations that cut across

all sectors, such as government office rental and utilities costs and Nambawan Super Exit payments. Some of the items under 207 that correspond to a specific sector have been classified to the relevant sectors.

For 2026, the Cross cutting Sector has been allocated a total of K1,985.5 million, accounting for 6.6 per cent of the overall budget. This allocation reflects an increase of K79.3 million or 4.2 per cent compared to the 2025 Budget. Of this allocation, K1,985.5 million is designated for operational expenditure, comprising of K431.4 million for CoE and K1,554.2 million for G&S.

The CoE expenses consist of three (3) main items: the Retirement program, Nambawan Super Exit payments, and State Share Contribution to Nambawan Super – Automation. Under G&S, Rent (K350.2 million) and Utilities (K249.0 million) for office spaces both were increased and continue to be prioritized to cover fixed costs and avoid disruption to Government administrative operations. A new item of K200.0 million was created to meet outstanding government obligations. Furthermore, funds are allocated to address payment of arrears (K300.0 million).

6.5.5 Economic Sector

The Economic Sector is primarily focused on implementing SPA 1 (Strategic Economic Investment) with the aim of fostering broad-based, inclusive, and sustainable economic growth. This sector comprises thirty agencies, including Mining and Petroleum, Forestry, Fishery, Tourism, and Agriculture. It is a key part of the strategy to grow the economy to K200.0 billion by 2030 with investments that promote local fresh produce, import substitution, leveraging technology and innovation to enhance productivity, boosting downstream processing through Special Economic Zones (SEZ).

For 2026, the Economic Sector has been allocated a total of K1,452.1 million, accounting for 4.8 per cent of the overall budget. This allocation reflects a decrease of K94.2 million or 6.1 per cent compared to the 2025 Budget. Of this allocation, K460.0 million is designated for operational expenditure, comprising of K265.4 million for CoE and K194.5 million for G&S. Additionally, K992.1 million is allocated for capital investment expenditure, which includes K860.0 million in direct financing from the GoPNG, K77.0 million in grants, and K55.1 million in concessional funded project loans.

The decrease is driven by reduction of capital funding for the Economic Sector. Specifically, SME funding has been reduced from K200.0 million to K150.0 million and providing one K50.0 million Business Development Grant rather than two.

6.5.6 Renewable Sector

The Renewable Resource Sector aims to support increases in the export volume of major commodities, promote import substitution and downstream processing in the agriculture, fishery and forestry sectors. To create an enabling environment for sustainable economic growth, the Government will commit its investments on the SPA 1, Strategic Economic Investments and 10 DIPs.

The Government will continue to support the Commodity Access (Roads and Aviation) program (K60.0 million), Land Expansion programs (K140.0 million), Agriculture Investments (K190.0 Million), State Equity (K130.0 million), and Special Economic Zones (SEZ) program (K40.0 million).

A major emphasis has been placed on the Agriculture Sector in the medium-term to support agricultural commodities exports, promote import substitution and enhance value-added products through downstream processing. The establishment of the four new ministries in the

Agriculture Sector and International Trade and Investment Sector are critical reforms to grow the economy. A total of K190.0 million is allocated for Agriculture Investment programs in 2026.

6.5.7 Non-Renewable Sector

The aim of the non-renewable sector is to maximize socio-economic and environmental benefits from the extractive industries through mining and petroleum projects. Investments in this sector are aligned with the eleven intervention programs of SPA 1. The investment within the sector is designed to fulfill outstanding State Commitments in various oil and gas project agreements, mitigate natural disasters, and formulate mining-related policies. This is supported through investments in the Mining and Petroleum MOAs (K3.0 million) and a total of K260.0 million is allocated for the Infrastructure Development Grants for various provinces where mining and gas projects are in operation.

6.5.8 Non-Tax Revenue Administration

The *Non-Tax Revenue Administration Act 2022* affects about 40.0 per cent of the economic sector agencies. The transitional interim arrangement via the Ministerial Determination was scheduled to cease by end of 2025. However, there is a need to carefully assess the nature and growth of their operations to ensure fiscal prudence. In 2026, the Government will continue to implement the NTRA Act through the interim arrangement. Currently, it is estimated that K650.0 million of revenues are held by NTRA agencies for expenditures that does not come through the budget process. This K650.0 million is recorded in the 2026 budget as both additional revenue and expenditure. This part of the process of increasing the transparency and accountability for such expenditures.

6.5.9 Education Sector

The Education Sector in Papua New Guinea supports SPA 4 (Quality Education and Skilled Human Capital) of the MTDP IV. The sector is led by the Department of Education for primary and secondary levels, and the Department of Higher Education, Research, Science and Technology for tertiary education. It is supported by thirteen agencies, including seven universities (with the new PNG University of Medicine and Health Sciences to be self-operated in 2026), the Maritime College, the National Research Institute, the Science and Technology Secretariat, the Office of Libraries and Archives, and the two lead departments.

The sector's goal is to make education accessible, affordable, and of a high quality. It promotes Christian and traditional values while fostering moral character, creativity, critical thinking, and responsibility to prepare citizens for life, work, and nation building. Intervention programs focus on improving teaching standards, infrastructure, and access from early childhood to tertiary education. Alternative pathways for learning like FODE and TVET are emphasized to support students who have left formal schooling. These efforts align with SDG 4 to ensure inclusive, equitable education that leaves no Papua New Guinean behind.

For 2026, the Education Sector has been allocated a total of K4,935.2 million, accounting for 16.3 per cent of the overall budget. This allocation reflects an increase of K499.9 million or 11.3 per cent compared to the 2025 Budget. Of this allocation, K4,325.7 million is designated for operational expenditure, comprising of K3,077.0 million for CoE and K1248.7 million for G&S. Additionally, K609.5 million is allocated for capital investment expenditure, which includes K390.0 million in direct financing from the GoPNG, K170.5 million in grants, and K49.0 million in concessional funded project loans.

The government aims to achieve universal education and increase accessibility and retention rates to over 80.0 per cent by 2030. This goal will be supported through the allocation of K103.9 million for TESAS, K53.1 million for HELP, K904.5 million for GTFS and K20.0 million

for STEM program in 2026 Budget. For 2026, K2,532.1 million is allocated for teachers' salaries and allowances to cover expected growth in the teachers' numbers, an increase of K251.0 million from 2025 budget of K2,281.10 million.

The SPA 4 intervention programs that will be funded in the 2026 CIB include: General Education Programs (K100.0 million), Higher Education (K225.0 million) programs and TVET (K35.0 million) programs.

6.5.10 Health Sector

The Health Sector plays a central role in delivering SPA 3 (Quality and Affordable Health Care) under MTDP IV, guided by the National Health Plan 2021–2030 and related policies. Its mission is to build an effective internationally recognized health system that ensures accessible, high-quality services for all Papua New Guineans. The sector is comprised of 27 health agencies, including 21 Provincial Health Authorities (PHAs), Port Moresby General Hospital, Hospital Management Services (HMS), National AIDS Council Secretariat, the PNG Institute of Medical Research (PNG IMR), and the Directorate for Social Change and Mental Health. These agencies operate under the leadership of the National Department of Health and collectively focus on strengthening both primary healthcare and specialized medical services.

The sector's key priorities in 2026 will continue to address workforce shortages, upgrading health infrastructure, reforming medical supply systems, strengthening PHA governance and accountability, updating health legislations, and establishing cancer treatment services while supporting public health programs. The Government also plans to tackle emerging challenges such as pandemics, limited skilled personnel, and equipment shortages by promoting preventive healthcare, improving maternal and child survival, boosting outbreak preparedness, reducing communicable diseases, encouraging healthy lifestyles, strengthening stakeholder coordination, lowering rates of malaria, tuberculosis, and cancer, and expanding immunization coverage.

For 2026, the Health Sector has been allocated a total of K3,204.9 million, accounting for 10.6 per cent of the overall budget. This allocation reflects an increase of K436.5 million or 15.8 per cent compared to the 2025 Budget. Of this allocation, K2,346.8 million is designated for operational expenditure, comprising of K1,458.6 million for CoE and K888.2 million for G&S. Additionally, K858.1 million is allocated for capital investment expenditure, which includes K474.0 million in direct financing from the GoPNG, K277.0 million in grants, and K107.1 million in concessional funded project loans.

In 2026, the Health Sector's operational budget will fund gaps for critical positions such as kidney dialysis and cancer specialists. Key allocations include K264.6 million for the procurement and distributions of medical supplies, and K84.9 million (an increase of K29.4 million compared to 2025) for public health commodities, including HPV vaccines, malaria control, and TB drugs and leprosy as well as HIV/AIDS treatment drugs and control. Health Function Grants for PHAs have also risen to K135.7 million (an increase of K16.6 million) in line with NEFC recommendation. Church and Catholic health services have been allocated K258.9 million (an increase of K46.3 million).

The sector anticipates that the establishment of the National University of Medicine and Health Science will address the issue of work force shortage and ensure the Provincial and District Hospitals are rehabilitated and in operation. Other Health programs that require Government's focus is the establishment of the Area Medical Stores and Provincial Health Transit Medical Stores to enhance and integrate health service delivery across the country.

The high impact projects in this sector include: Provincial Hospitals Development Program (K375.0 million), District Hospital Development Program (K100.0 million), PMGH- Cancer Unit Project (K60.0 million), and New Medical University (K50.0 million).

6.5.11 Law, Justice and National Security

Law and Justice Sector

The Law & Justice sector drives SPA 5 (Rule of Law and Restorative Justice) and SPA 6 (National Security) under the MTDP IV. Its core mission is to restore respect for the rule of law and ensure a safe and just society. Rising crime reflects a breakdown in law and order. The Marape-Rosso Government is committed to rebuilding public trust and strengthening the justice system.

For 2026, the Law & Justice Sector has been allocated a total of K2,498.6 million, accounting for 8.3 per cent of the overall budget. This allocation reflects an increase of K219.5 million or 9.6 per cent compared to the 2025 Budget. Of this allocation, K2,030.6 million is designated for operational expenditure, comprising of K1,256.7 million for CoE and K773.9 million for G&S. Additionally, K468.0 million is allocated for capital investment expenditure, which includes K378.0 million in direct financing from the GoPNG, and K90.0 million in grants.

For 2026, the sector will implement the following key operational programs:

- Police recruitment: 318 officers (5.0 per cent increase) trained annually to reach 10,000 personnel by 2030.
- Police Uniform Program: K5.0 million to support uniform rollout program for entire police force
- Provincial Police Command: K23.0 million to support policing across all the provincial levels.
- Kumul 23: K20.8 million to combat terrorist activities in the country.
- Police Special Investigation Team: K3.0 million to support the Special Investigation Team
- Police rental: K10.0 million to support police rental accommodations across the country.
- Police repatriation: K10.0 million for repatriating deceased personnel, families and properties
- Correctional service: 160 new recruits to improve inmate supervision and prevent jail breakouts.
- Prisoners Rations: K31.9 million for rations across 22 provincial jails.
- Village-level justice: 16,412 Village court officials and 1,428 land mediators will continue to receive allowances via the Ascender payroll system.
- AROB transition: K2.8 million in funding for AROB's village justice shifts from DJAG to AROB administration. This covers the 506 village court officials and 136 land mediators.
- Judicial and Legal Services Commission: K2.0 million to establish the office.
- Financial Action Task Force: K3.0 million to enable and support the work on Anti-Money Laundering and Counter Terrorist Financing (AML/CTF).
- Pensions: retired constitutional office holders in the sector will continue receiving pensions.

The major ongoing development programs for the sector includes; the Special Police Assistance Program (SPAP), National Emergency and Disaster Reduction Program, New Military Barracks Relocation Program, Air Capability Program, New Hela Military Barracks Program, Sector ICT Program, Agencies Case Management Systems, Infrastructure Development Programs across the sector, Prison Industries Program, Community Justice Services Centers in all Districts Program, Village Court Houses Program, Amendment of Legislation Program, and Rehabilitation of Remandees.

Judiciary

The Judiciary Services, though independent, is budgeted under the Law and Justice Sector. In 2026, it will receive an allocation of K439.9 million for operations that includes a K209.3 million for compensation of employees, K230.6 million for G&S and, K5.0 million is for capital investment. The Judiciary services allocation has been increased by K65.8 million, or 17.4 per cent compared to the 2025 Budget. Indicating the Government's commitment to building an effective judicial system in the country.

The increased funding in 2026 will enable the Judiciary's transition into the new court complex, separation of the Supreme and National Court and creation of the new Court of Appeals. Consequently, the increased funding will allow for increased number of judges locally and also those with diverse international backgrounds to service the three tier courts in NCD as well as the Provincial courts.

6.5.12 National Security and Defence

Papua New Guinea's national security framework comprises multiple agencies, including Defence, Intelligence, Narcotics, Immigration, Biosecurity, and Communication and IT. In 2026, the PNG Defence Force, National Intelligence Office (NIO), and National Narcotics Bureau will receive a total operational funding of K413.3 million which is an increase of K39.8 million compared to the 2025 budget appropriations.

Following the recently signed catering contracts between the State through the PNG Defence and the catering contractors, a total of K73.9 million has been allocated in the 2026 budget to ensure soldiers are fed nutritional meals.

6.5.13 Provincial Sector

The Provincial Sector manages subnational financial matters funded by the National Government via District Development Authorities (DDA) and Provincial Governments. Programs like DSIP, PSIP, and infrastructure initiatives that are delivered by DDAs and provincial governments support key services like district hospitals, courts, markets and police stations. Teacher salaries are no longer classified under provincial administrations, but is to the education sector.

The sector comprises 21 Provincial Government Administrations, one Autonomous Region of Bougainville, and one National Capital District Commission. Supporting these are 96 District Development Authorities (DDA's) and 371 Local Level Governments (LLGs) – an increase from 89 districts and 354 LLGs in 2025.

The MTDP IV outlines the Minimum Service Standards for the Provinces and Districts, including primary health care, clean and safe drinking water and sanitation, decent housing, improved transport, communication, electricity, and access to banking and commerce. These standards align with the 12 SPA and their respective DIPs. The Government continues to prioritize DDAs as the frontline service delivery mechanism, while maintaining Service Improvement Programs and introducing additional infrastructure initiatives to meet local priorities.

For 2026, the Provinces Sector has been allocated a total of K4,720.9 million, accounting for 15.6 per cent of the overall budget. This allocation reflects an increase of K397.9 million or 9.2 per cent compared to the 2025 Budget. Of this allocation, K2,619.8 million is designated for operational expenditure, comprising of K450.0 million for CoE and K2,169.7 million for G&S. Additionally, K2,101.1 million is allocated for capital investment expenditure, which includes

K1,854.0 million in direct financing from the GoPNG, K79.5 million in grants, and K167.6 million in concessional funded project loans.

GoPNG direct financing to each provincial administration includes K10.0 million for PSIP from the total allocation of K220.0 million, while each district administration receives K10.0 million for DSIP from the total allocation of K960.0 million. These capital funding assists Provinces with critical infrastructure and project developments and needs at the subnational levels. In 2026, allocations will be directed towards maintaining developments through the SIPs, Salaries and Allowances for Public Servants, the ABG, and the new districts. Alternate funding sources like Special Support Grants (SSG), Infrastructure Development Grants (IDG) and the Infrastructure Tax Credit Scheme (ITCS) will continue in 2026 and complement SIPs.

Autonomous Region of Bougainville Government (ABG)

In 2026, the ABG is allocated K205.4 million in operation consisting of K163.8 million in Personal Emoluments and K41.6 million in its function and Health Grants while capital is K290.0 million. The funding allocation for ABG continues to remain an important component of budget considerations in recognition of the PNG Government's commitment to ABG and relatable agreements.

6.5.14 Transport Sector

The Transport Sector, led by the Department of Transport and supported by nine agencies, plays a vital role in enabling development across all sectors by ensuring the efficient movement of goods and services. Guided by key policies such as the National Road Network Strategy, Air and Maritime Acts, and international safety standards, the sector focuses on building resilient infrastructure in roads, air, and maritime transport. Central to this effort is the Connect PNG Program under MTDP IV (SPA 2), which drives strategic investments to open up economic corridors. Development partners have significantly contributed through loan and grant-funded projects, helping unlock inclusive and sustainable growth opportunities across Papua New Guinea.

For 2026, the Transport Sector has been allocated a total of K2,193.1 million, accounting for 7.2 per cent of the overall budget. This allocation reflects an increase of K212.4 million or 10.7 per cent compared to the 2025 Budget. Of this allocation, K160.1 million is designated for operational expenditure, comprising of K133.0 million for CoE and K27.0 million for G&S. Additionally, K2,033.0 million is allocated for capital investment expenditure, which includes K1,191.0 million in direct financing from the GoPNG, K263.0 million in grants, and K579.0 million in concessional funded project loans.

The Government will proceed to lock in certain strategic high impact programmes and projects in partnership with development partners. The key priority programs/projects for 2026 include the major Connect PNG Roads Missing Links (K590.0 million) and Connect PNG arrears (K100.0 million).

Additionally, another K200.0 million is allocated for Air Niugini re- fleetting. This is essential for the safety of traveling public.

Land Transport

The Land Transport Sub-Sector is one of the major recipients of funding for roads and bridges. The Connect PNG Program is the National Flagship Program and it aims to connect all of PNG to economic potential hubs and poverty hotspot areas.

Air Transport

The Air Transport Sub-Sector provides an alternate, fast, and effective transport service for investors, businesses, communities and people that do not have access to road or sea lanes. The Government will invest in upgrading national airports and rural airstrips to enhance safety, reduce travel time, and improve affordability, ensuring air transport remains a fast and effective alternative for communities without road or sea access. These improvements will support both urban and rural connectivity, including infrastructure suitable for Dash 8 and other aircraft.

Water or Sea Transport

The Maritime Transport Sub-Sector supports access for PNG's coastal rural communities and facilitates both domestic and international shipping. Continued investment in infrastructure, including the National Shipping Service and Ports Infrastructure Development Program, will be prioritised in the 2026 Budget to meet growing coastal transport demands.

6.5.15 Utilities Sector

The Utilities Sector comprises of nine agencies including State-Owned Enterprises and State Agencies. Under MTDP IV's SPA 2 (Connect PNG Infrastructure Program) the sector is central to transforming the nation's socio-economic landscape through critical infrastructure and basic amenities.

For 2026, the Utilities Sector has been allocated a total of K609.5 million, accounting for 2.0 per cent of the overall budget. Of this allocation, K77.4 million is designated for operational expenditure, comprising of K64.1 million for CoE and K13.3 million for G&S. Additionally, K532.1 million is allocated for capital investment expenditure, which includes K307.0 million in direct financing from the GoPNG, K14.0 million in grants, and K211.1 million in concessional funded project loans.

In 2026, the Government, alongside development partners and the private sector, will invest in housing rehabilitation, reclamation of state land, clean energy, telecommunication and ICT infrastructure, affordable housing, and clean water and sanitation. Through the implementation of the National Energy Policy 2017-2027, the Government will establish an effective administrative mechanism to coordinate and promote investments in the subsector.

6.6 EXPENDITURE EFFICIENCY MEASURES

6.6.1 Organisational Staffing Personnel Emoluments Audit Committee (OSPEAC)

OSPEAC will continue its efforts to address overruns in the Compensation of Employment (CoE) budget. OSPEAC's initiatives focus on enhancing payroll efficiencies by examining the public service pay bill, identifying the root causes of overspending, and implementing corrective measures. The ongoing activities of OSPEAC include:

Whole of Government Retirement Exercise

Since the implementation of the Whole of Government Retirement Exercise in 2021 to 2025, the OSPEAC retired about 4,627 retirees at the cost of K476.5 million. The inclusion of teachers in the retirement exercise has enhanced efficiency and governance for the smooth transition of teachers to exit the teaching service.

In 2025, OSPEAC facilitated the retirement of 1,356 retirees at a cost of K63.8 million, these payments exclude the 8.4 per cent superannuation component. The retirees comprises of 861 teachers at a cost of K29.5 million and 495 batch 1 non-teachers at a cost of K34.3 million.

Meanwhile, about 200 batch 2 non-teachers are undergoing compliance and verification process and are expected to be completed in the first quarter of 2026 for payments. The Retirement Exercise was scheduled to conclude in 2025. However, 2026 will serve as a transitional year in which retirement functions will be reintegrated into agency HRM operations. During this period, OSPEAC will complete retirement Batches 2 of 2025 to Batch 3 of 2026 containing a total of 1,623 retirees for K81.3 million. The focus will be on completing outstanding work that was already initiated in 2025.

The intent is to ensure a clean and orderly closure of the current exercise, rather than halting operations and returning incomplete matters to line agencies. By doing so, we avoid burdening agencies with unfinished business and allow them to start afresh in managing and facilitating their own retirement processes from 2027 onward.

Proposed New Reforms

(a) Digital HR Transformation Program

The Digital HR Transformation Program implemented by the Department of Personnel Management is envisaged to transform the Public Service into a modern, efficient, tech-driven workforce, ultimately leading to enhanced performance, reduced costs and a more responsive government. These efforts will support a long-term plan to link payroll directly to warrant releases enhancing financial controls and accountability. This Program comprises six integrated components in support of the *Digital Government Act 2022*, the Digital Transformation Policy 2023–2027, and goals of Vision 2050.

i. Version Upgrade of the Ascender Pay Integrated HR/Payroll System (IHRPS)

OSPEAC is in the process of finalizing a Master Service Agreement (MSA) with the vendor DayForce to upgrade payroll software from Alesco version 12 to latest version aPay23. This upgrade will ensure that the Government of Papua New Guinea aligns its HR and payroll management systems with international best practice and security standards. The initiative addresses system obsolescence and creates a modernized foundation to support subsequent automation, data integrity, and governance reforms under the broader Digital HR Transformation agenda. Backed by NEC Decision 296/2023, DPM is leading the Payroll Digitalization and Upgrade Program (2023 – 2027) and continues working with DayForce to secure the hosting of all HR payroll functions.

ii. Automation of HR Business Process Workflows

This initiative is designed to replace fragmented manual processes with streamlined, end-to-end digital workflows that enhance efficiency, accountability, and service delivery. The manual handling of HR processes causes delays, inconsistencies, and risks for data errors. Automating these processes establishes a modern HR environment that is responsive, transparent, and aligned with international best practices.

iii. Automation of General Orders - eRecruitment (GO3 Pilot)

The automation of General Order 3 will streamline recruitment cycles, making them faster and more transparent, and addressing current hiring delays that impact service delivery across the public sector. Agencies will benefit from real-time visibility of recruitment stages, while applicants will experience a more user-friendly and transparent process.

iv. Digital HR Reporting (HR & Personnel Emoluments Budget Monitoring Dashboards)

The implementation of digital reporting will enhance the accuracy and timeliness of HR data, provide greater visibility into payroll expenditure, and strengthen oversight of the government's wage bill. Agencies will be better equipped to monitor staffing levels, identify payroll anomalies, and plan budgets with greater precision. At the national level, dashboards will enable central agencies to track expenditure trends and take proactive measures to prevent overspending.

v. Performance Management System [PMS]

This program focuses on the implementation of a Performance Management System (PMS) for the Public Service, with priority on Agency Heads and senior executives. Current performance appraisal mechanisms across the public sector are fragmented, inconsistently applied, and often fail to link individual performance to organizational outcomes. This component seeks to address these gaps by establishing a standardized, digitized performance management framework that strengthens accountability, supports merit-based career progression, and fosters a culture of results-driven leadership.

vi. Functional Expenditure Review (FER)

The FER Program focuses on conducting a Functional Expenditure Review (FER) across the whole of government to address the persistent challenge of a growing public sector wage bill. Currently, duplications of functions, overlapping agency mandates, and weak organizational structures contribute to inefficiencies and wastage in personnel emoluments. The FER is a strategic intervention to rationalize organizational functions, improve structural efficiency, and ensure that government resources are targeted toward priority areas of service delivery.

(b) Data Cleansing

Maintaining unattached officers on the payroll is a costly exercise. The work of OSPEAC through Department of Personnel Management have migrated the unattached officers to a centralised environment on the payroll for monitoring. The number of unattached officers has reduced from 6,177 to 2,9247. Work is progressing to integrate NID numbers into the Ascender system which will establish an accurate staffing matrix for the Public Service. In 2025, approximately 6,000 NID's have been uploaded from the 12,000 Public Servants with registered NID numbers in National Capital District.

(c) Manpower Planning

OSPEAC aims to forecast manpower needs within each sector. As part of payroll cleansing and staffing data updates, this data will be used to project future manpower requirements and associated costs, and enable GoPNG to prioritise sectoral service delivery.

6.6.2 Arrears Verification Program

Arrears

The Arrears Verification Program, established through NEC Decision 397/2020 by the Marape-Rosso Government, is designed to address the issue of outstanding arrears by identifying and verifying existing arrears, settling compliant claims, and developing strategies to prevent future accumulation. It commenced in January 2020, operates through the Arrears Verification Committee (AVC) and a coordinating Secretariat. Controlling arrears is crucial for effective financial management, as unpaid arrears hinder service delivery and disrupt budget management.

Arrears Budget 2020 to 2025

From 2020 to 2025, a total of K2.6 billion was allocated to the program, which was further revised to K1.9 billion. Out of this amount, K1.7 billion was issued in warrants for the payment of arrears. The table below illustrates the Arrears budget over a period of five years (2020-2025).

Table 21: Arrears Budget, Warrant & Expenditure 2020- 2025 (Kina, million)

	Original Approp	Revised Approp	Warrant	Expenditure
2020	647.1	330.0	290.1	255.2
2021	770.0	368.5	368.5	339.7
2022	300.0	434.2	432.6	432.6
2023	300.0	199.0	78.2	66.8
2024	300.0	241.9	222.3	209.5
2025	300.0	385.0	331.7	288.9
TOTAL	2,617.1	1,958.4	1,723.4	1,592.8

Source: PNG Treasury

Arrears Clearance Framework

The warrant issued and expenditure for the Arrears Program have generally been lower than the appropriated budget over the years, with expenditure increasing slightly from K255.2 million in 2020 to K288.9 million in 2025. Despite this increase, overall expenditure remains modest due to a significant number of claims being non-compliant with the Public Finance Management Act and the National Procurement Act, resulting in their non-settlement. Currently, approximately 80.0 per cent of the arrear claims are either partially compliant or non-compliant with procurement rules and processes, with non-compliant claims being referred back to their agencies to validate and settle.

During the implementation of the arrears program from 2020 to 2025, the AVC has identified multiple flaws in the procurement of goods, works, and services by Government agencies. To address these compliance issues, the AVC organized awareness-raising activities through meeting forums, quarterly budget reviews, information sessions, media publications, and financial circulars. The goal is to strengthen awareness and adherence to procurement processes.

In Fiscal Year 2026, the AVC will continue its focus on enhancing compliance to minimise and prevent the future accumulation of arrears.

6.6.3 Non-Financial Institutions

Non-Financial Instructions (NFIs) are issued to agencies to address inefficiencies identified during the annual budget process, serving the purpose of promoting compliance, accountability, and transparency in agency operations. Agencies that have been issued with NFIs in 2026 are expected to implement and report to Treasury during quarterly budget review meetings. NFIs are classified as either generic, applying to all agencies, or specific, tailored to individual agencies. Below are the generic and specific NFIs issued for 2026.

Generic NFIs

- a) Note that in cases where the 2026 National Budget does not fully fund an item outlined in past NEC decision, the earlier NEC decisions may be considered for amendments to reflect the level of appropriation set in the 2026 National Budget. This adjustment should be taken into account when evaluating all expenditure priorities to ensure consistency with the revised budget allocation.

Specific NFIs

- i. Department of Higher Education Research Science & Technology (DHERST) to establish a mechanism for recouping all the HELP money commencing 2026.
- ii. All Provincial Administrations are required to hold Project Steering Committees (PSCs) and attend Budget Quarter Reviews (QBRs).

6.7 STATUS OF TRUST ACCOUNTS

Pursuant to Section 15 of the Public Finance Management Act (PFMA), (Amended 2016), the Department of Finance (DoF) authorizes National Departments, Statutory Authorities or Provincial Governments, to establish and operate trust accounts. The trust accounts can be funded through the National Budget and Donors. Section 16 (6) of the PFMA, requires that all trust accounts must be operated in accordance with the requirements of the relevant trust instruments.

A total of K23,011.3 million (K22,007.2 million from 2024 FBO + K1,004.1 million), up to and including the 2025 Budget appropriations, has been expended through the trust accounts since 2005 for the implementation of Government's programs. The main purpose of holding funds in Trust Accounts is to spread spending overtime to help manage inflationary pressures on the economy and to give Government agencies sufficient time to properly plan and implement their priority programs/projects.

The following is the receipts and payments report for all the budget funded trust accounts from 1st January to 30th September 2025. A total of K1,004.1 million has been expended from various trust accounts between January to September 2025.

Table 22: Movement of Funds in Budget Funded Trust Accounts from 1st January – 30th September 2025 (Kina, million)

	Balance as at 01-Jan-2025	Debit (Receipts)	Credit (Payments)	Balance as at 30-Sept-2025
Flexible, Open and Distance Education (FODE) Rehabilitation - GoPNG	1.2	0.0	0.1	1.1
Government Tuition Fee Subsidy Education Trust Account	159.6	752.1	694.6	217.1
Tuition Fee Subsidy Education - Commodity Component Trust	209.6	100.5	60.9	249.2
Govt's Funding of Rehab. Of Higher Education Sector TA	33.8	5.4	8.9	30.3
PNG Rural Communications Project GOPNG	0.1	0.0	0.0	0.1
PNG Fire Service Infrastructure Rehabilitation Program - (PIP) T/A	0.5	0.0	0.1	0.3
National Road Maintenance Policy TA	0.0	0.0	0.0	0.0
Highlands Highway Rehabilitation T/A Subsidiary	0.0	0.0	0.0	0.0
Port Moresby Roads Trust Account	0.3	0.0	0.0	0.3
Small Medium Enterprise (SME) Risk Sharing Facility (GoPNG)	1.9	1.1	3.0	0.0
Central City Trust Account	27.1	0.1	0.0	27.2
Restoration and Development Grant Trust	0.0	0.0	0.0	0.0
Special Intervention Funds (Established on 28 Feb 2014)	0.0	0.0	0.0	0.0
Correctional Services Devlpt Project – GoPNG TA	46.9	2.6	9.5	40.0
LNG Pipeline Infrastructure Dev Grant (IDG) (Kikori Area)	0.0	0.0	0.0	0.0

	Balance as at 01-Jan-2025	Debit (Receipts)	Credit (Payments)	Balance as at 30-Sept-2025
LNG Plant Infrastructure Development Grant (IDG) (Papa/Lealea) TA	0.5	0.0	0.0	0.5
Financial Management Improvement Programme (FMIP) - GoPNG	0.7	3.3	3.9	0.1
Infrastructure Development (UBSA) Grant (IDG) Account - Main	0.0	0.0	0.0	0.0
Infrastructure Development (UBSA) Grant Account (IDG) Sub	0.0	0.0	0.0	0.0
PNG High Impact Infrastructure Projects	0.0	0.0	0.0	0.0
Public Service Audit Program	0.6	3.1	0.9	2.8
2017 PNG National General Election - Finance, Procurement, Personnel and Logistic Trust	0.0	0.0	0.0	0.0
NAOSP/III GoPNG Counterpart Funds (European Union)	1.5	0.0	0.4	1.1
Department of Prime Minister & NEC APEC Operations (OP) Plan 2018 TA	0.0	0.0	0.0	0.0
Highlands Region Roads Improv Invest Prog ADB - GoPNG Counterpart	0.1	0.0	0.0	0.1
HRRIP GoPNG Counterpart	0.1	0.0	0.0	0.1
Comm.Water Transport Proj. GoPNG C/Fund	3.8	1.2	0.6	4.5
Comm.Water Transportation Fund - GoPNG (ADB 2079)	0.0	0.0	0.0	0.0
PNG LNG Additional State Equity Financing	0.7	0.0	0.0	0.7
Highlands Region Road Improvement Investment Program (HRRIP) Project 2 - GoPNG Counterpart Funding TA (Inc	0.0	0.0	0.0	0.0
SHHIP- Tranche 1 - GoPNG Counterpart Fund	0.0	0.2	0.1	0.1
Multiple LNG Development Trust Account	3.6	1.0	2.6	2.0
Coastal Vessels Account	0.1	0.0	0.0	0.1
Water Supply & Sanitation Development Project – GoPNG	1.7	0.0	0.0	1.7
Bougainville Referendum Non-Electoral Support Funds	0.1	0.0	0.0	0.1
Land Reform Trust Account	4.2	80.0	3.3	80.8
Mukurumanda Jail Project Trust Account	0.6	0.0	0.0	0.6
2020 National Population and Housing Census Trust Account	0.6	0.0	0.0	0.6
Kokopau to Arawa Road	0.0	0.0	0.0	0.0
COVID-19 Emergency Trust Account	20.8	0.0	0.0	20.8
Health Service Sector Development Budget Support Trust Account	0.7	0.0	0.0	0.7
PNG's First Economic and Fiscal Resilience Development Policy TA	0.3	0.0	0.0	0.3
Connect PNG Economic Road Transport Infrastructure Dev. Prog. TA	1.2	0.0	0.0	1.2
Higher Education Loan Program Trust Account	7.2	64.2	67.5	3.9
Ihu Special Economic Zone	1.3	6.5	3.1	4.7
Government Commitment Trust Accounts	18.4	0.0	13.0	5.4
2022 National General Election - Finance Procurement, Personnel and Logistics Trust Account	0.1	0.0	0.0	0.1
Office of State Negotiations Trust Account	3.1	15.0	14.9	3.2
Project Readiness Finance - GoPNG C/part funding	5.6	2.0	1.3	6.2
SHHIP - Tranche 2 - GoPNG	0.5	2.2	2.5	0.2
Child Nutrition & Social Protection Program - GoPNG Trust Account	0.2	0.6	0.7	0.0
Enhancing Labor Mobility from PNG Project - GoPNG C/part	0.0	0.0	0.0	0.0

	Balance as at 01-Jan-2025	Debit (Receipts)	Credit (Payments)	Balance as at 30-Sept-2025
2024 National Population Census Project Trust Account	5.0	0.0	4.5	0.6
2025 By Election - Finance Procurement, Personnel and Logistics Trust Account	0.0	20.0	17.8	2.2
2025 PNG Local Level Government Election (LLG) - Finance Procurement, Personnel and Logistics Trust Account.	0.0	103.2	83.9	19.3
National Intelligence Organisation Public Investment Program (PIP) Trust Account	0.0	2.0	2.0	0.0
Total	566.2	1,167.7	1,004.1	729.9

Source: Department of Finance

It should be noted that the Government Tuition Fee Subsidy (GTFS) Education is the main account being reported. The subsidiary ones are disbursement accounts and are not included. The opening balance of the budget funded trust accounts as at 1st January 2025 was K566.2 million. Expenditure incurred in this period totalled K1,004.1 million with K1,167.7 million as receipts within the same period. The closing balance as at 30th September 2025 was K729.9 million.

Following is a summary of expenditures above K5.0 million from budget funded trust accounts for the period 1st January to 30th September 2025

- **K694.6 million** was expended on the Government's Tuition Fee Subsidy (GTFS) program.
- **K60.9 million** was expended on the Tuition Fee Subsidy Education - Commodity Component Trust.
- **K8.9 million** was expended on the Government's funding on the rehabilitation of the Higher Education Sector.
- **K9.5 million** was expended on the Correctional Services Development Project.
- **K67.5 million** was expended on the Higher Education Loan Program Trust Account.
- **K13.0 million** was expended on the Government Commitment Trust Accounts to cater to the outstanding commitments of the Government.
- **K14.9 million** was expended on the Office of State Negotiations Trust Account.
- **K17.8 million** was expended on the 2025 By- Elections - Finance Procurement, Personnel and Logistics Trust Account to fund the current 2025 National By-Elections.
- **K83.9** was expended on the 2025 PNG Local Level Government Election (LLG) – Finance, Procurement, Personnel and Logistics Trust Account to fund the LLG elections.

A review of trust accounts was done in 2024 and 2025 for most of the dormant and inactive trust accounts to be closed off and funds reverted back to the Consolidated Revenue Fund. Based on this review, the 2026 budget expects K332.0 million to be transferred from these trusts to the WPA. All those trusts with compliance issues and expired trust instruments will also be closed by the end of 2025.

CHAPTER 7: TAX EXPENDITURE

7.1 OVERVIEW

Tax Expenditure (TE) refers to provisions within the tax laws that allows special tax preferences to promote targeted economic activities, support social policies and address specific issues. The preferences are granted to a particular activity, sector or a particular class of taxpayer. Examples of tax expenditures include tax exemptions, deductions, credits or concessional rates and deferrals.

Papua New Guinea's (PNG) Tax Expenditure Reporting (TER) currently focuses on corporate income tax (CIT) incentives and exemptions under the Goods and Services Tax (GST), excise duties and import duties. The scope of the TE framework will be broadened to capture incentives provided under other tax heads, ensuring comprehensive oversight of all forms of tax expenditure.

At present, the estimation of tax expenditures is based on data provided by taxpayers through their annual tax returns.

The Report further extended to capture exemptions provided under the Special Economic Zones (SEZ). The SEZ has the potential to drive sustainable development in PNG; therefore, the government encourages targeted fiscal incentives to attract foreign direct investment. However, good governance tools such as effective monitoring, evaluation and reporting of tax expenditures are essential to ensure transparency and accountability in the administration of tax expenditures incurred under SEZ.

This Tax Expenditure Report does not cover two key tax expenditures that are impacting revenues from 2025 onwards. The first is the GST relief package on 13 key household items as part of the Government's Household Assistance Package to assist families with cost-of-living pressures. This is estimated at K250.0 million for every six months. The second is ongoing depreciation allowances provided to the PNG LNG project under Exhibit K in the 2008 agreement. As the rate of investment return for this project was less than 17.0 per cent, the project will continue with additional capital cost deductions, even though the project's initial capital cost was 100.0 per cent depreciated by the end of 2025. The estimated cost of this extended depreciation is estimated around K2,400.0 million per annum.

The table shows revenue forgone under different tax heads for the years 2021 to 2024. These figures likely represent the cost to the government of providing the incentives such as tax holidays, exemptions or zero-rated treatments and others. The volatility in the revenue forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Tax Heads	2021	2022	2023	2024
<i>Corporate Income Tax</i>	795.55	995.12	1,041.60	405.69
<i>Goods and Services Tax (exempt sales and zero-rating)</i>	2,201.00	2,440.30	2,484.73	2,465.38
<i>Import Duty</i>	27.40	25.20	32.74	129.42
<i>Excise Tax</i>	-	-	123.16	14.05
Total Revenue Forgone	3,023.95	3,460.62	3,682.23	3,014.54

Source: Internal Revenue Commission & PNG Customs

7.2 TAX INCENTIVES IN THE INCOME TAX (ITA) ACT 1959

Several Corporate Income Tax (CIT) incentives are provided under the *Income Tax Act 1959*, which taxpayers may access subject to eligibility. Some of these incentives are sector-specific, while others are available across sectors to encourage business activities.

There are some variations in the revenue-forgone estimates compared to previous Budgets that reflect timing differences in taxpayer lodgements and subsequent data updates. These figures are progressively refined as more complete and accurate data become available from taxpayer submissions and administrative records.

Infrastructure Tax Credit Scheme

The Infrastructure Tax Credit Scheme (ITCS) was established to enable qualified companies to bear the costs of social development obligations on behalf of the Government through tax credit arrangements. Under current laws, most participants in the scheme are allowed to spend up to 2.0 per cent of their annual assessable income and claim a credit against their tax liability once verified components of the project are completed. The companies must be in a taxable position to participate. Currently, the ITC is the largest tax expenditure under the CIT regime. The table below shows the tax credits claimed annually. As part of the 2026 Budget, adjustments are being made to the scheme to lift the general rate of allowance from 2.0 per cent to 3.0 per cent, combined with stronger governance arrangements and targeted support to Bougainville (more details in Chapter 5). This new measure is expected to cost K300.0 million forgone in CIT.

There was a reduction in credits claimed in 2023 compared to 2022 and 2021, but a slight increase in 2024, in contrast to 2023. This depicts a low rate of project completion to trigger the credit claim. The companies operating in the Mining and Petroleum sector claimed the largest portion of the credits every year. A steady number of projects continue to be approved and executed under the ITCS annually.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	357.8	306.8	268.8	276.4
<i>Mining & Petroleum</i>	355.7	306.8	268.8	276.4
<i>Non-Mining & Petroleum</i>	2.1	0.0	0.0	0.0
Tax Type	CIT			
Tax Expenditure Type	Credit			
Legislative reference	s219C of ITA 1959			

Source: Internal Revenue Commission

Allowable Exploration Expenditure (AEE)

The mining, petroleum and gas companies can elect to bring in exploration expenditure incurred outside of the project operation at the end of each income year. They can claim these expenditures as deductions against their project income for the same year. The allowable tax deduction is limited to the lesser of 25.0 per cent of the undeducted pool balance or an amount that would reduce income tax payable by 10.0 per cent.

There is a significant increase in deductions for 2022, signalling increased activities or development compared to 2021. In 2023, the revenue forgone through AEE fell by almost 50.0 per cent against 2022. This implied fewer claims for deduction. The volatility in the revenue-forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	109.3	443.8	282.5	30.5
<i>Mining & Petroleum</i>	109.3	443.8	282.5	30.5
<i>Non-Mining & Petroleum</i>	0.0	0.0	0.0	0.0
Tax Type	CIT			
Tax Expenditure Type	Deduction			
Legislative reference	s155N of ITA 1959			

Source: Internal Revenue Commission.

Additional Depreciation – Industrial Development

This incentive allows taxpayers to claim an additional depreciation deduction for new industrial plants that have not been previously used in the country. The taxpayer may elect in any year to increase the amount of depreciation deductions by the lesser of the amount of the taxpayer's income remaining after all other deductions, or the remaining depreciable value of the plant. This incentive has primarily benefited taxpayers, especially the manufacturers. The incentive is utilised in tandem with new investment plans for the companies. The volatility in the revenue-forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	28.4	68.6	39.1	12.8
<i>Mining & Petroleum</i>	0.0	0.0	0.0	0.0
<i>Non-Mining & Petroleum</i>	28.4	68.6	39.1	12.8
Tax Type	CIT			
Tax Expenditure Type	Deduction			
Legislative reference	s73(7) of ITA 1959			

Source: Internal Revenue Commission

Additional Depreciation – Primary Production

Capital expenditures incurred by a taxpayer on acquiring the following types of new plant or article are provided with a 100.0 per cent deduction:

- property used directly for agricultural production;
- property used for commercial fishing by residents engaged; and
- boats or ships and ancillary equipment used as dive boats by an accredited scuba diving/snorkelling operator.

The additional depreciation does not cover logging and forestry for commercial purposes.

There has been considerable volatility in the usage of these claims. The volatility in the revenue-forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	12.4	17.9	26.9	1.0
<i>Mining & Petroleum</i>	0.0	0.0	0.0	0.0
<i>Non-Mining & Petroleum</i>	12.4	17.9	26.9	1.0
Tax Type	CIT			
Tax Expenditure Type	Deduction			
Legislative reference	s73(9) of ITA 1959			

Source: Internal Revenue Commission

Primary Production Development Expenditure

A 100.0 per cent deduction for expenditure by a resident taxpayer engaged in primary production. Tax deductions available to agricultural companies for expenditure on agricultural plant and equipment can be passed through directly to shareholders for deduction at shareholders' marginal tax rates.

The trend is volatile, which is mostly linked to fewer taxpayers claiming the deductions or utilising this incentive with moderate investment growth. The volatility in the revenue-forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	6.0	0.0	7.8	0.9
<i>Mining & Petroleum</i>	0.0	0.0	0.0	0.0
<i>Non-Mining & Petroleum</i>	6.0	0.0	7.8	0.9
Tax Type	CIT			
Tax Expenditure Type	Deduction			
Legislative reference	s97A of ITA 1959			

Source: Internal Revenue Commission

Interest

PNG provides exemptions from the Interest Withholding Tax (IWT) to encourage investment in specific financial instruments and strategic projects. These exemptions apply to:

- interest earned on long-term bonds;
- central bank authorised foreign currency deposits; and
- the participants and lenders of the PNG LNG project.

According to available data, a substantial portion of the revenue forgone due to these exemptions originates from the mining and petroleum sector.

The volatility in the revenue-forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	1.1	4.4	12.2	0.0
<i>Mining & Petroleum</i>	0.1	4.2	11.9	0.0
<i>Non-Mining & Petroleum</i>	1.0	0.2	0.3	0.0
Tax Type	CIT			
Tax Expenditure Type	Exemption			
Legislative reference	s35 of ITA 1959			

Source: Internal Revenue Commission

Dividends

Income from petroleum or gas operations earned by shareholders is exempt from the income tax. In other words, such income does not form part of the assessable income of the taxpayer if the income derived from a petroleum or gas operation was paid as dividends.

There was a spike in 2023 revenue forgone. The volatility in the revenue-forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	45.2	0.0	75.5	0.0
<i>Mining & Petroleum</i>	45.2	0.0	75.5	0.0
<i>Non-Mining & Petroleum</i>	0.0	0.0	0.0	0.0
Tax Type	CIT			
Tax Expenditure Type	Exemption			
Legislative reference	s42 of ITA 1959			

Source: Internal Revenue Commission

Rural Development Incentive

This incentive encourages investment in areas designated as least developed areas. Businesses that are established and operate in those prescribed areas are qualified to access a 10-year tax holiday. The exemption takes effect at the time of the commencement of the business operation up to the end of the tenth year. Losses arising from the exempted activities may be deducted against taxable income from other business activities.

The volatility in the revenue forgone performance was based on the number of taxpayers who actually claimed it, as well as the timing of the claim.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	13.0	0.5	22.3	0.0
<i>Mining & Petroleum</i>	0.0	0.0	0.0	0.0
<i>Non-Mining & Petroleum</i>	13.0	0.5	22.3	0.0
Tax Type	CIT			
Tax Expenditure Type	Tax Holiday			
Legislative reference	s45I of ITA 1959			

Source: Internal Revenue Commission

7.3 TAX EXPENDITURE UNDER SPECIAL ECONOMIC ZONES

PNG's interest in using Special Economic Zones (SEZ) to drive economic development began over two decades ago with the introduction of the Free Trade Zones. The institutional framework was adjusted in 2019 to establish the SEZ Authority, enacted under the *SEZ Act 2019*. Since then, a couple of areas in PNG have been defined or recognised as Special Economic Zones. The SEZ Act and the SEZ Policy (2025 – 2032) provide the legal and policy guidance for SEZs in PNG. Currently, three (3) operators hold full developer licenses (Pacific Lime Cement Project, Paga Hill Development, and Sea Park Development, while only one has been granted a provisional license. These SEZ projects are currently importing materials for their construction. Upon declaration, these materials are granted exemptions from import duty, import excise, and import goods and services tax.

This budget reports the tax expenditures incurred from the imports of goods for the projects mentioned:

Revenue Forgone (Kina, Million)

Exemption	2022	2023	2024	2025
Import Goods & Services	0.3	0.1	0.9	44.2
Import Duty	0.0	0.0	0.5	4.2
Import Excise	0.0	0.5	0.0	0.0

Source: PNG Customs Services

7.4 GOODS AND SERVICES TAX INCENTIVES

Goods and Services tax (GST) is considered a broad-based tax on consumption at the rate of 10.0 per cent. It is a comprehensive, multi-stage, destination-based consumption tax levied on the supply of goods and services. It is a value-added tax (VAT) collected by businesses on their sales and remitted to the government, with the final burden borne by the end consumer. It is an efficient tax with low administrative cost. The GST is regulated by the *GST Act 2003*.

The deviations from the benchmark, which are considered tax expenditure, include exemptions for certain goods and services, zero rating of domestic supplies, reduced rates or other concessions. This Budget will report on the exempt and zero-rated sales.

Zero Rating of GST

The zero-rated sales refer to the goods that attract GST at zero per cent of the sale price but claim credits for GST paid on the inputs. The following categories of sales fall under the zero-rating regime in PNG:

- i. exported goods and services;
- ii. perishable goods bought for consumption outside of PNG;
- iii. supply of prescription medical equipment, prescription drugs and lenses;
- iv. supply of goods and services to a mining, petroleum or gas company (exception: cars); and
- v. supply of unprocessed crude oil.

Since 1st June 2025, this zero-rating has also applied to 13 key household goods categories. As this change is recent, the costs of this will be reported in the 2027 Budget.

GST exempt sales

GST exempt sales refer to the sales of goods and services that are exempt from GST and cannot be able to claim the input GST incurred to produce the final good. The exempt sales cannot charge GST and are also not eligible to claim input tax. This include:

- supply of financial services;
- supply of educational services;
- supply of medical services; and
- supply of housing or a motor vehicle to an employee as part of an employment contract.

Since 1st June, this zero-rating has applied to 13 key household goods categories. As this change is recent, the cost of these are not captured in the following table. The budget estimate costs of these exemptions are K250.0 million for every six months (K210.0 million Inland GST, K40.0 million Ports GST). The 2026 Budget includes legislation to extend these exemptions through the end of the 2026.

The table below shows the details of revenue forgone through the zero-rating and exempt sales in the past four years.

Revenue Forgone (Kina, Million)

Year	2021	2022	2023	2024
Revenue Forgone (K million)	2,201.0	2,440.0	2,484.6	2,421.3
<i>Zero-rate sales</i>	1,869.0	1,853.0	1,887.4	1,925.7
<i>Exempt sales</i>	332.0	587.0	597.2	495.6
Tax Type	GST			
Tax Expenditure Type	Exemption			
Sector Benefit	Mining and non-mining			
Legislative reference	Division 6, GST Act 2003			

Source: Internal Revenue Commission

7.5 IMPORT AND EXCISE TARIFF EXEMPTIONS

The Import Duty is a tax imposed on goods that are imported into PNG. The duty rates vary depending on the type of goods imported and the agreements that PNG signed with other countries. The base on which the import duty is charged is on the Cost, Insurance and Freight (CIF) value. Import duties are mainly charged to raise government revenue and protect local industries.

Trade Tax Expenditures (TTE) include exemptions, rate relief and waivers. Most of the TTEs are regulated by the *Customs Tariff Act 1990*, while some are provided in project agreements in cases where exemptions are prescribed for specific projects. Additionally, ad hoc Government policy interventions to achieve particular objectives can influence import duty rates.

The data confirmed that a huge portion of the revenue forgone comes from the non-mining sector compared to the mining and petroleum sector. Revenue forgone in 2023 grew by 28.0 per cent compared to 2022. In 2024, a sharp growth in revenue forgone amounted to over 200.0 per cent compared to 2023. The strong growth shows that more activities (profit-making and non-profit) have been conducted in 2024, which require exemptions on materials that are imported into PNG by the non-mining sector.

Tax Type: Import Duty

Year	2021	2022	2023	2024
Revenue Forgone (K million)	27.4	25.2	32.3	121.1
<i>Mining & Petroleum</i>			5.1	4.1
<i>Non-Mining & Petroleum</i>			27.2	117.0
Tax Expenditure Type	Exemption			
Legislative reference	Customs Tariff Act 1990			

Source: PNG Customs Services.

Import Excise. The import excise applies to a narrow range of goods, often those considered luxuries, harmful to health (sin goods), or to the environment. Import excise duties can be specific (fixed charge per unit) or ad valorem (charge as a percentage of price). Most of the goods that attract import excise are inelastic in demand, meaning the quantity consumed does not change much in response to price changes.

A sharp increase in 2023 was due to the excise exemption policy applied to fuel that the government announced as part of its Household Assistance package.

Tax Type: Import Excise.

Year	2021	2022	2023	2024
Revenue Forgone (K million)	N/A	N/A	122.7	3.6
<i>Mining & Petroleum</i>			6.6	0.3
<i>Non-Mining & Petroleum</i>			116.1	3.3
Tax Type	Import Excise			
Tax Expenditure Type	Exemption			
Legislative reference	<i>Excise Tariff Act 1956</i>			

Source: PNG Customs Services.

CHAPTER 8: FINANCING & DEBT MANAGEMENT

8.1 FINANCING BACKGROUND – 2025 BUDGET

The Government's 2025 Budget deficit was set at K2,949.3 million to be financed through the composition of K760.8 million in domestic and K2,188.5 million in external borrowing.

While the Government continues to prioritise cheaper external concessional financing from our bilateral and multilateral development partners, domestic borrowing has increased to make up for the financing shortfall in 2024. The improved liquidity in the domestic financial market reflects the reduced Cash Reserve Requirement (CRR) to 9.0 per cent from 11.0 per cent by Bank of Papua New Guinea (BPNG) including Treasury's awareness program on the government securities conducted throughout the targeted centres of Papua New Guinea. This has resulted in over-subscriptions of Treasury Bills and Bonds auctions and is beginning to drive the interest rates down slowly from the significant high in 2024. Currently, Treasury Bills weighted average interest rate is 6.8 per cent, which is a reduction from the highs of 8.6 per cent in January 2025. This falls in domestic interest cost have started closing the very gap, compared to all international peers, between the monetary policy rate, and Treasury securities.

The Government remains committed to ensuring that Monetary and Fiscal Policies work together to promote macroeconomic stability.

As at end of October 2025, the Government had repaid K1,431.8 million (77.2 per cent) of the K1,854.1 million in external principal repayments appropriated for the year. These repayments covered both concessional and commercial loans.

During the same period, the Government drew down K1,443.9 million (35.7 per cent) of the budgeted K4,042.5 million in gross external borrowing. A significant portion of this came from budget support loans, primarily from the IMF and project concessional loans from ADB. The net external borrowing as at October is K12.1 million. The remaining concessional and extraordinary loans disbursements for Budget support is on track to come in before the end of the year to meet the 2025 Budget planned external net borrowing of K2,188.4 million.

The 2025 Budget provided for a net domestic borrowing of K760.8 million. By the end of October 2025, however, actual net domestic borrowing had reached K2,330.2 million, exceeding the plan by K1,569.4 million. The increase was primarily attributed to increased Treasury Bills issuance aimed at addressing the financing gap inherited from 2024 (refer table 23).

Table 23: Financing Outturn as at end of October 2025

Financing Instrument	FX = USD 'million	2025 Budget PGK 'million	October Outturn (K'million)	% of Budget
External Borrowings		4,042.5	1,443.9	35.7%
Extraordinary Loans		2,716.5	790.6	29.1%
World Bank (Fiscal) DPO	100.0	406.7	0.0	0.0%
IMF	418.0	1,699.8	790.6	46.5%
ADB	150.0	610.0	0.0	0.0%
Concessional Project Loans	0.0	1,225.8	653.3	53.3%
Commercial Loans	0.0	100.2	0.0	0.0%
Domestic Borrowings	0.0	18,111.7	15,064.9	83.2%
Treasury Bills	0.0	15,261.5	12,311.3	80.7%

Financing Instrument	FX = USD 'million	2025 Budget PGK 'million	October Outturn (K'million)	% of Budget
Treasury Bonds	0.0	2,850.2	2,753.6	96.6%
Domestic Commercial Loans	0.0	0.0	0.0	0.0%
Repayments	0.0	-19,205.0	-14,166.5	73.8%
External Repayments	0.0	-1,854.1	-1,431.8	77.2%
Extraordinary	0.0	-975.8	-359.4	36.8%
Concessional	0.0	-832.7	-1,035.1	124.3%
Commercial	0.0	-45.6	-37.3	81.8%
Domestic Repayments	0.0	-17,350.9	-12,734.7	73.4%
Treasury Bills	0.0	-15,148.8	-10,970.6	72.4%
Treasury Bonds	0.0	-1966.4	-1,619.1	82.3%
Domestic Loans	0.0	-235.7	-145.0	61.5%
External Net	0.0	2,188.4	12.1	1.0%
Domestic Net	0.0	760.8	2,330.2	306.3%
Total Net Financing of Deficit	0.0	2,949.3	2,342.3	79.4%

Source: PNG Treasury

By October 2025, the government had achieved 81.0 per cent of its Treasury Bills issuance target and 97.1 per cent of its Treasury Bonds target outlined in the 2025 Budget. Treasury Bills auctions have recorded over-subscriptions in the second half of the year, driven by strong investor demand for government securities, strong liquidity in the market and a preference for safe, short- to medium-tenor as investors take advantage of the high interest rates which is slowly trending downward as demand increases (refer to table 24).

Table 24: Government Securities Issuance & Redemption (October 2025) (Kina Million)

Treasury Bills	Issuance	Amortisation	(%) of Issuance
Budget 2025	15,261.50	(15,148.80)	
Tenor			
91-days	157.48	172.54	1.0%
182-days	765.07	754.78	5.0%
273-days	1,354.97	437.96	8.9%
364-days	10,033.81	9,605.32	65.7%
Total	12,311.32	10,970.59	80.7%
Treasury Bonds	Volume	Redemption	(%) of Issuance
Budget 2025	2,850.20	(1,966.40)	
Tenor			
2 years	240.87	228.95	8.5%
3 years	-		0.0%
4 years	265.61		9.3%
5 years	326.36	856.00	11.5%
6 years	198.39		7.0%
7 years	392.00		13.8%
8 years	246.00		8.6%
9 years	401.84		14.1%
10 years	661.99	534.15	23.2%
15 years	20.00		0.7%
Total	2,753.06	1,619.10	96.6%

Source: PNG Treasury

8.2 FINANCING REQUIREMENTS – 2026 BUDGET

The Government's 2026 Budget deficit will be financed in line with its Medium -Term Debt Strategy (MTDS). The strategy aims to minimise borrowing costs, manage risk, and support a well-functioning domestic debt market. The Government stays committed to improving debt and fiscal sustainability consistent with its 13-year Budget Repair Plan, amidst the global economic uncertainties, and adjustments to full Kina convertibility.

The 2026 Budget requires a total net financing of K1,608.2 million, a reduction from K2,949.3 million in 2025 to strengthen debt sustainability. The Government will prioritise concessional financing from multilateral and bilateral partners to minimise costs and manage risks. Domestic borrowing will be through the issuance of Government securities (Treasury Bills and Bonds). A detailed indicative issuance program for 2026 Fiscal Year will be published at the end of 2025 after the budget is passed, with the high-level indicative expectations set out below.

Table 25: 2026 Proposed Quarterly Domestic Issuance Indicative Expectations (Kina Million)

	Q1	Q2	Q3	Q4	Total
Treasury Bills	4,310.0	3,500.0	2,900.0	2,658.0	13,368.0
Indicative 364 day interest rate	6.5%	6.1%	5.7%	5.6%	
Treasury Bonds	720.0	780.0	780.0	790.0	3,070.0
Indicative 10 year bond rate	7.9%	7.5%	7.1%	7.0%	

Source: PNG Treasury

External Financing

The Government plans to secure external financing through a combination of budget support loans from bilateral and multilateral creditors and drawdowns from existing concessional and commercial project loans. Several new loans are currently being negotiated and are expected to be approved and disbursed in 2026.

Key external gross financing sources include:

- Asian Development Bank (ADB): USD 150.0 million (K632.1 million) budget support loan;
- Asian Infrastructure Investment Bank (AIIB): USD 100.0 million (K421.4 million) budget support loan; and
- International Monetary Fund (IMF): USD 337.9 million (K1,424.0 million) budget support loan under the Extended Credit Facility (ECF), Extended Fund Facility (EFF) Resilience and Sustainability Facility (RSF) programs. The IMF support aims to foster economic growth and improve debt sustainability through various reforms.

The Government plans to drawdown K1,226.0 million from existing concessional loans which represents 33.1 percent of the total gross external financing earmarked for planned projects and K2,477.5 million will be budget support loans that will make up the balance of 66.9 per cent of the total external financing for 2026 (refer table 26).

Domestic Financing

The Government intends to continue its domestic borrowing program, which will focus on weekly Treasury Bills auctions, while maintaining the monthly issuance of Treasury Bond auctions. There will be a greater emphasis on medium to long tenors, as interest costs return to the lower levels. The Government will closely monitor market conditions and adjust its borrowing strategy to adapt to any changes.

The Government plans to raise K67.4 million in total net domestic financing for 2026. This includes a net repayment of K977.5 million in Treasury Bills, reflecting the Government's strategy to retire a significant portion of its maturing short-term debt instruments during the year. Furthermore, a net issuance of K634.0 million in Treasury Bonds and K410.9 million in Domestic loans makes up the financing composition in 2026.

The domestic loan also includes a K600.0 million from commercial financing arrangements to fund the Connect PNG road projects around the country.

Table 26: Composition of Financing by Instrument (2025) (Kina Million)

Financing Instrument	USD 'million	PGK 'million
Total External Borrowing		3,703.5
Extraordinary Borrowing (Budget Support)	587.9	2,477.5
AIIB	100	421.4
ADB	150	632.1
IMF	337.9	1,424.0
Concessional Project Loans	0.0	1,226.0
Commercial Loans	0.0	0.0
Domestic Borrowings	0.0	17,037.3
Treasury Bills	0.0	13,368.5
Treasury Bonds	0.0	3,068.8
Domestic Commercial Loans	0.0	600.0
Repayments	0.0	-19,132.6
External Repayments	0.0	-2,162.7
Extraordinary	0.0	-732.8
Concessional	0.0	-1,376.0
Commercial	0.0	-53.9
Domestic Repayments	0.0	-16,969.9
Treasury Bills	0.0	-14,346.0
Treasury Bonds	0.0	-2,434.8
Domestic Loans	0.0	-189.1
Total Borrowing	0.0	20,740.6
Total Repayment	0.0	-19,132.6
	0.0	
External Net	0.0	1,540.8
Domestic Net	0.0	67.4
Deficit	0.0	1,608.2

Source: PNG Treasury

The 2026 deficit financing of K1,608.2 million will lead to the projected total Government debt stock of K66,215.7 million, or 45.5 per cent of GDP at the end of 2026 (refer table 27). This represents a 2.8 per cent reduction in Debt-to-GDP compared to the 2025 Budget estimate, and it is safely below the requirement of the revised *Papua New Guinea Fiscal Responsibility (Amendment) Act 2024* for debt to not exceed 55.0 per cent of the Gross Domestic Product (noting the FRA debt limit proposed as being reduced to 52.5 per cent 2026 budget measure).

Table 27: Outstanding Debt by Instrument (2024 – 2030) (Kina Million)

Debt Instruments	2024 Actuals	2025 MYEFO	2026 Budget	2027 Proj	2028 Proj	2029 Proj	2030 Proj
Domestic	29,948.5	30,809.7	30,892.8	31,908.9	34,005.3	31,126.4	26,172.4
Securities	29,071.4	30,168.3	29,824.7	30,406.7	32,615.2	29,866.6	25,072.2
Treasury Bills	12,762.8	12,875.5	11,897.9	12,937.7	16,075.2	14,255.6	10,891.2
Treasury Bonds	16,308.6	17,292.8	17,926.8	17,469.0	16,540.0	15,611.0	14,136.0
Loans	877.1	641.4	1,068.1	1,502.2	1,390.0	1,259.7	1,145.2
Loans	877.1	641.4	1,068.1	1,502.2	1,390.0	1,259.7	1,145.2

Debt Instruments	2024 Actuals	2025 MYEFO	2026 Budget	2027 Proj	2028 Proj	2029 Proj	2030 Proj
External	31,709.4	33,797.8	35,322.8	34,293.7	30,818.3	30,818.3	25,948.2
Monetary Gold & SDR's	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1
Securities	1,897.0	1,897.0	1,897.0	1,897.0	0.0	0.0	0.0
Sovereign Bond	1,897.0	1,897.0	1,897.0	1,897.0	0.0	0.0	0.0
Loans	28,568.4	30,656.7	32,181.7	31,152.6	29,574.2	29,574.2	25,948.2
Concessional Loans	12,595.7	12,888.7	12,738.7	12,461.9	11,867.9	11,867.9	10,440.25
Commercial*	121.9	176.5	122.6	71.1	-78.2	-78.2	-353.0
Extraordinary	15,850.8	17,591.4	19,320.4	18,619.6	17,784.4	17,784.4	15,860.9
Gross Debt* (ex. Arrears)	61,658.2	64,607.5	66,215.6	66,202.6	64,823.6	60,119.7	53,364.7
% of GDP (without Arrears)	50.9%	48.4%	45.5%	42.0%	37.6%	32.2%	26.5%
GDP	121,171.0	133,365.0	145,601.0	157,771.0	172,615.0	186,694.0	201,287.0

Source: PNG Treasury

*Note that 2024 actual was adjusted to reflect exchange rate valuation for external debt stock. This increased our debt stock for external loans by K1,180.7 million for 2024. The exchange rate valuation for 2025 will be reflected in the 2025 FBO.

Table 28: Deficit Financing Projections by Instrument (2024 – 2030) (Kina Million)

Debt Instruments	2024 Actuals	2025 Budget	2026 Budget	2027 Proj	2028 Proj	2029 Proj	2030 Proj
Net Acquisition of Financial Assets							
Net Incurrence of Liabilities	2,533.8	2,949.3	1,608.2	-13.0	-1,379.0	-4,704.0	-6,857.9
Domestic Net Financing	231.8	861.0	67.4	1,016.1	2,096.4	-2,863.3	-4,953.9
Treasury Bills	-1,383.0	112.7	-977.5	1,039.8	3,137.5	-1,819.8	-3,364.5
Borrowing	12,889.3	15,261.5	13,368.5	12,937.7	16,075.2	14,255.5	12,390.2
Amortization	-14,272.4	-15,148.8	-14,346.0	-11,897.9	-12,937.7	-16,075.2	-15,754.7
Treasury Bond	1,780.4	984.0	634.0	-457.8	-929.0	-929.0	-1,475.0
Borrowing	3,521.0	2,950.4	3,068.8	1,977.0	1,505.8	1,505.8	959.8
Amortization	-1,740.7	-1,966.4	-2,434.8	-2,434.8	-2,434.8	-2,434.8	-2,434.8
Loans	-165.5	-235.7	410.9	434.1	-112.2	-114.5	-114.5
Borrowing	0.0	0.0	600.0	600.0	0.0	0.0	0.0
Amortization	-165.5	-235.7	-189.1	-165.9	-112.2	-114.5	-114.5
External Net Financing	2,302.0	2,088.3	1,540.8	-1,029.1	-3,475.4	-1,840.7	-1,904.0
Debt securities	0.0				-1,897.0	0.0	
Sovereign Bond	0.0				-1,897.0	0.0	
Concessional	-96.7	293.1	-150.0	-276.8	-594.0	-733.7	-694.0
Borrowing	998.9	1,125.8	1,226.0	1,350.5	1,225.6	1,210.0	1,210.0
Amortization	-1,095.5	-832.7	-1,376.0	-1,627.3	-1,819.6	-1,943.7	-1,904.0
Commercial	-43.6	54.6	-53.9	-51.6	-149.2	-137.4	-137.4
Borrowing	0.0	100.2	0.0	0.0	0.0	0.0	0.0
Amortization	-43.6	-45.6	-53.9	-51.6	-149.2	-137.4	-137.4
Extraordinary	2,442.3	1,740.7	1,744.7	-700.8	-835.2	-969.7	-969.7
Borrowing	2,805.5	2,716.5	2,477.5	0.0	0.0	0.0	0.0
Amortization	-363.2	-975.8	-732.8	-700.8	-835.2	-969.7	-969.7

Source: PNG Treasury - The 2023-2028 debt flow provided above is the best approximation of the financing profile as expected at the time of drafting the volume 1

In reference to table 28 above, the projected deficit profile depicts the Government's commitment to achieve sustainable debt levels. Over the medium-term, the annual deficit is expected to follow a declining trajectory, to achieve a surplus budget in 2027, followed by growing surpluses in future years. As noted in chapter one, the 13 Year Budget Repair Plan,

once it reaches surplus in 2027, then gives any new government elected in 2027 with the option of repaying all sovereign debt by 2034, or other responsible options that put more emphasis on increased investment rather than debt repayments.

Table 29: Debt Stock as a Share of GDP (2024 – 2030) (Kina Million)

Debt Instruments	2024 Actuals	2025 MYEFO	2026 Budget	2027 Proj	2028 Proj	2029 Proj	2030 Proj
Gross Government Debt	61,658.2	64,607.5	66,215.7	66,202.6	64,823.6	60,119.7	53,364.7
Debt to GDP %	50.9%	48.4%	45.5%	42.0%	37.6%	32.2%	26.5%
Domestic	29,948.5	30,809.7	30,892.8	31,908.9	34,005.3	31,126.4	26,172.4
% of gross	48.6%	47.7%	46.7%	48.2%	52.5%	51.8%	49.0%
External	31,709.4	33,797.8	35,322.8	34,293.7	30,818.3	28,993.3	27,192.3
% of gross	51.4%	52.3%	53.3%	51.8%	47.5%	48.2%	51.0%
Gross Government Debt – without arrears	61,658.2	64,607.5	66,215.7	66,202.6	64,823.6	60,119.7	53,364.7
Debt to GDP %	50.9%	48.4%	45.5%	42.0%	37.6%	32.2%	26.5%
GDP	121,171.0	133,365.0	145,601.0	157,771.0	172,615.0	186,694.0	201,287.0

Source: PNG Treasury

CHAPTER 9: NATIONAL REFORM AGENDA

9.1 OVERVIEW

On 24 October 2025, the Government launched the Reset PNG@50, a 20-year blueprint aligned with Vision 2050 and the MTDP IV. The blueprint sets priorities for inclusive and sustainable economic growth, affordable infrastructure, expanding market access, and a stronger private sector.

Reset PNG@50 translates long-term aspirations into practical reforms to improve economic opportunities, governance, education and employment. It focuses on expanding employment through the labour mobility programs with Australia and New Zealand, strengthening PNG's legal framework on Anti Money Laundering and Counter Terrorism Financing (AML/CTF) reviewing of the Sovereign Wealth Fund framework, reforms to enhance competition and private sector growth, including strengthening relations with Asia Pacific through the Asia Pacific Economic Corporation (APEC).

9.2 KEY REFORMS

9.2.1 Increasing Employment Opportunity Through Labour Mobility

The Labour Mobility Program, which includes the Pacific Australia Labour Mobility (PALM) Scheme and New Zealand's Recognised Seasonal Employer (RSE) Scheme, creates income earning opportunities through the sponsorship of participants in seasonal employment programs. It is a five-year program that began in 2022 which has mobilised more than 6,000 Papua New Guineans to Australia and New Zealand.

At the PNG-Australia Ministerial Forum in October 2025, both governments committed to strengthening labour mobility through improved governance, training, and capacity building. A Joint Action Plan will be implemented in 2026 that expands PNG's participation in the PALM Scheme. Skills development and formal qualifications will support a high quality, work-ready pool of individuals. In addition, the New Zealand Government has approved technical assistance and funding for PNG's participation in their RSE Program from 2025 to 2028.

9.2.2 Papua New Guinea's Anti-Money Laundering & Counter Terrorist Financing (AML/CTF) System - AML/CTF Framework

The Financial Action Task Force (FATF) conducts a comprehensive review process for countries' AML/CTF regimes. The aim is to strengthen the integrity and stability of the international financial system. PNG's AML/CTF review was conducted by the Asia Pacific Group on Money Laundering (APG), a regional sub-group of FATF, in 2023. The APG's Mutual Evaluation Report (MUR) was published in November 2024 with 73 recommendations. PNG entered a one-year observation period from October 2024 to October 2025. The observation period provides a 12-month grace period to demonstrate progress against the recommendations before FATF grey listing is formally considered.

The PNG Government worked with partners to translate the MUR into a Strategic Implementation Plan (SIP). An AML/CTF National Coordinating Committee (NCC) was established to lead and coordinate the implementation of the SIP. The NCC:

- Assigned implementation responsibility for the SIP recommendations across PNG's Law Enforcement, Regulatory/Supervisory, and Policy Agencies;
- Established the Asset Restraint and Recovery Working Group in August 2025. This group brings together the Royal PNG Constabulary, the Office of the Public Prosecutor, and the BPNG's Financial Analysis and Supervision Unit (FASU). Together, they initiated the first successful application for the restraint of proceeds of crime under the *Proceeds of Crime Act 2022*;
- Progressed legislative amendments to *Proceeds of Crime Act 2022*, *United Nations Financial Sanction Act 2015*, *Forestry Act 1991* and the *Companies (Incorporated) Act 1997 Anti-Money Laundering & Counter Terrorist Financing Act 2015*; and
- Enhanced training and capacity-building support from regional partners, such as the APG, Asian Development Bank (ADB), Australian Transaction Reports and Analysis Centre (AUSTRAC), Egmont Group of Financial Intelligence Units (Egmont), INTERPOL, Pacific Financial Intelligence Community (PFIC), and the United Nations Office on Drugs and Crime (UNODC) to strengthen the Financial Analysis & Supervision Unit (FASU) and other NCC Agencies.

Since May 2025, the Minister for Treasury has led coordination of PNG's AML/CTF reforms and will continue to convene high-level NCC meetings to lead and monitor the implementation of the recommendations.

At the end of PNG's FATF observation period, a final Post-Observation Period Report was endorsed and submitted to the FATF for review. In January 2026, PNG will engage with the APG Joint Group ahead of the FATF Plenary in February 2026. The FATF Plenary will decide on whether PNG will be placed on the FATF "grey list"; formally known as the "Jurisdictions under Increased Monitoring" list. Inclusion on this list signifies a commitment to resolving the identified AML/CTF deficiencies within agreed timeframe.

9.2.3 Implementation of the Sovereign Wealth Fund of Papua New Guinea

The Sovereign Wealth Fund (SWF) is an important component of the Government's broader national reform agenda and a key macroeconomic and fiscal policy instrument. It was established to capture the revenue flows from PNG Liquefied Natural Gas (PNG LNG) as well as other mining and petroleum projects, including Papua LNG. Implementation of the SWF has been slow due to lower-than-expected Government revenues flowing from the Kumul structures as more dividend distributions were withheld by the Kumuls than anticipated when the SWF legislation was passed.

In response, the Government has taken a strategic step towards operationalising the Sovereign Wealth Fund by adopting a fund accumulation approach through the Dividend Policy. Under this strategy, designated Kumul entities are required to contribute 7.0 per cent of their annual declared dividends to the Sovereign Wealth Fund Trust Account. To date, contributions totalling K23.0 million have been made, marking an important first step to building long-term fiscal resilience. In 2026, a technical team will be established in the Ministry for Rural & Economic Development to ensure that key legislative, institutional (administrative) and financial governance structures are in place.

9.3 REFORMS TO ENHANCE COMPETITION AND PRIVATE SECTOR GROWTH

The Government has prioritised growing the economy through a private sector-led and Government-facilitated model as outlined in the Reset PNG@50 Roadmap. This approach recognises that a competitive and dynamic private sector is essential to achieving the country's broad-based economic growth in 2026 and beyond. Balancing “Quick Wins” priorities with longer-term reforms that require institutional, administrative, legislative, and policy processes, the Government strives to:

- Reduce regulatory impediments and facilitate private sector and MSME development and growth.
- Increase State-Owned Enterprises' efficiency for delivering high standards and low-cost utility services such as telecommunication, electricity, water and transport.
- Strengthen the regulatory environment by improving enforcement, consumer protection, and anti-competition laws to safeguard small businesses and ensure fair market practices.
- Improve productivity in the tourism and agriculture sectors in remote areas and encouraging the transition of informal economy participants to the formal economy; and
- Improve the process of negotiating minimum wages to better reflect the cost of living and challenges to doing business in PNG.

9.3.1 Financial Sector Reforms

In 2026, the Government will continue to implement on-going reforms in the financial sector that are consistent with the Financial Sector Development Strategy (FSDS) 2018-2030. These include the following reforms:

i) PNG Securities Commission (PNGSC)

Developing the capital market in PNG through strengthening the role of the PNGSC as a security/capital market regulator is a key deliverable under the Financial Sector Development Strategy (FSDS) 2018-2030. The PNGSC is mandated to administer three Acts, namely, (i) the *Securities Commission Act 2015*, (ii) the *Capital Markets Act 2015* and (iii) the *Central Depository Act 2015*. A recent amendment to the PNG *Securities Commission Act 2015* has strengthened the Commission's governance by establishing a Chief Executive Officer position to oversee administrative function. Whilst the Chairman of the Board of Commissioners will focus on strategic decision-making. In 2026, the Papua New Guinea Securities Commission will continue enhancing its administrative and regulatory capacity to support strong capital markets and will work closely with partners to ensure the full implementation of the FSDS.

ii) National Financial Inclusion Policy and Strategy

Financial inclusion remains a key development priority for the Government with initiatives led by the Centre for Excellence in Financial Inclusion (CEFI), which is administered through BPNG and supported by development partners. In 2026, programs will continue under the third National Financial Inclusion Strategy 2023-2027 with a focus on the Provincial Engagement Program and the development of financial inclusion curriculum for schools.

The Provincial Engagement Program has already led to Memorandums of Understanding with provincial governments in Madang, Simbu, East New Britain, Milne Bay, Jiwaka, West New Britain and Gulf. While the implementation faces challenges, it will be closely monitored carefully to ensure success at the sub-national level.

As part of the National Financial Inclusion Policy, CEFI and the Department of Education have developed new financial inclusion curriculum that is currently under review.

iii) Insurance Sector Reform

Recent amendments to the *Central Banking Act 2000* have granted BPNG full oversight of the insurance sector. In 2026, the Department of Treasury, BPNG and the Office of the Insurance Commission (OIC) will collaborate to implement this change. OIC will continue to oversee general insurance, while BPNG will manage life insurance. OIC now reports through the Ministry of the Rural Economic Development.

iv) National Finance Control Bill

A review of the financial sector revealed limited transparency in the disclosure of rates, fees, terms and conditions, along with gaps in consumer welfare protection. To address these issues, a draft National Financial Consumer Protection Bill has been developed. The Bill is currently under review and will be submitted to the appropriate Government authorities for clearance before being tabled in Parliament in 2026 by the responsible Minister.

9.3.2 Land Reforms

The Government is committed to making customary land bankable and accessible to boost private sector investment and landowner participation, driving economic growth in the short and medium-term. Through the National Land Development Program (NLDP), the Government aims to improve administrative and legislative land reform program for customary land aligned with MTDP IV (SPA 1 – Strategic Economic Investment).

Phase 1 of the program (2007-2015) introduced legislative reforms, including to the *Land Act* to create the Voluntary Customary Land Registration (VCLR) and *Land Groups Incorporation (ILG) Acts* which enabled customary land to enter the formal land market for commercial use. Phase 2 (2020-2024) focused on streamlining these laws. Led by the Department of Lands and Physical Planning, with support from other agencies and the National Research Institute, implementation is underway. Once Phase 2 deliverable are endorsed by NEC, the Government will announce the next steps for 2026 and beyond.

9.3.3 Housing

Housing sector reviews have identified structural issues, such as limited access to secured land and lengthy statutory approval processes, as major drivers of high housing costs and barriers to real estate growth. These reviews have recommended a greater role for the private sector in providing housing while the State focuses on resolving constraints. In response, the Government, through the National Housing Commission (NHC), has commenced developing a comprehensive National Housing Policy to address sector-wide challenges including those highlighted in the ICCC's real estate review. The NHC, in partnership with the Department of National Planning and Monitoring, has commenced stakeholder consultations to finalise the policy. Moreover, under the National Land and Affordable Housing Program, the Government has launched projects in Gerehu Stage 3B and Duran Farm to provide housing for public servants which will continue in 2026.

9.3.4 Minimum Wages Determination & Reform

The NEC appointed the Minimum Wages Board (MWB) which commenced its 100-day nationwide public hearings in September 2024 and determined a new minimum hourly wage rate of K5.00 in July 2025. The new hourly rate will become effective from the date of publication of the determination in the National Gazette. All employers will be required to comply with the new

rate by 1st January 2026. After twelve months, the K5.00 hourly rate will be increased to K5.25 and further increased to K5.50 after twenty-four months.

As part of a two-step process of the 2025 Minimum Wage Determination (MWD) implementation, the MWB and its key social partners (workers, businesses, and the State) will advance structural reforms to improve how the minimum wage is determined and applied. These reforms will strengthen policy processes, legislation, regulations, and institutional frameworks to support a more effective minimum wage system. Insights from the MWB's nationwide public hearings reinforced the need for PNG to have robust institutions to manage short-term political, economic, and social impacts often associated with such reforms.

The determination maintains the 'partial payment' clause for the agriculture sector, including Coffee, Palm Oil, Tea, Copra, and Cocoa, the application for 'incapacity to pay applies to all others', which means that employers who apply for and meet the requirements will not pay less than 75.0 per cent of the national minimum wage in force. Also, the 'standard piece rate's provision is maintained and applies in the agriculture sector where employees must at least earn the equivalent of the hourly minimum wage based on output. This must be paid either fortnightly or upon completion of their work.

The Minimum Wage Technical Working Committee (TWC) is comprised of the Department of Treasury and the Department of Labor and Industrial Relations, with anticipated official inclusion of the Department of National Planning and Monitoring, and the Department of Personnel Management in 2026. This will facilitate a more nuanced collaboration and ensure the 2025 MWD is effectively implemented, as recommended by the MWB.

In 2026, the Government will examine the method in which the minimum wage is determined and implemented in PNG through the Department of Labor and Industrial Relations (DLIR). The Department will provide policy advice, leadership, and resources of the key State agencies and tripartite partners to identify key issues to be addressed as part of the reform process.

9.3.5 Consumer and Competition Framework Reform Implementation

The Government is committed to strengthening consumer and competition frameworks to foster fair, transparent and efficient markets. This would incentivise markets, reduce the fragmentation of business regulatory frameworks, and facilitate a robust investment climate.

To drive the effective execution of reforms that enhance consumer rights and competition, the Government, through the Department of Treasury, has established the Consumer and Competition Framework Improvement Management Committee (CCFIMC). The CCFIMC is overseeing and implementing the policy, legislative, and administrative measures to enhance market integrity and consumer trust, safeguarding the rights and interests of all citizens.

9.3.6 National Competition Policy and Competitive Neutrality

The Government remains committed to the National Competition Policy (NCP), which was developed in 2018 and formally endorsed in 2020. This policy serves as a cornerstone for promoting effective competition, efficiency and innovation across all sectors. Central to the NCP is the principle of Competitive Neutrality, which guarantees that State-Owned Enterprises (SOEs) compete fairly with private firms. This is a key condition of the Asian Development Bank's \$500 million SOE Reform Program loan. To date, an agreement between the Treasury and Kumul Consolidated Holdings Limited has been reached with the competitive neutrality principles. This was complemented by proposed amendments to the *Independent Consumer and Competition Commission (ICCC) Act 2002*, which are now awaiting Parliamentary approval.

In 2026, to advance the NCP and Competitive Neutrality agenda, a National Working Group Secretariat will be formed to conduct workshops, provide technical assistance to refine the Competitive Neutrality Framework, build regulatory capacity and implement a robust monitoring and evaluation system. The ICCC will also be strengthened by streamlining processes, delivering specialised training, and launching nationwide public awareness campaigns.

These efforts will modernise market governance, lower the Cost of Doing Business, and enhance consumer protection. These outcomes are essential to the Institutional Reform Big Bet under the Reset PNG@50 Agenda. The Government will also launch a public awareness strategy, engage stakeholders to promote fair competition and seek international technical support to maximise impact.

9.3.7 Consumer Protection and Competition Legislative Reforms

To create a unified regulatory landscape that eliminates fragmentation and empowers competitive markets, the Government is committed to reforming consumer protection and competition as part of the Reset PNG@50 Agenda. Building on the work initiated in 2022 with support from the ADB-Pacific Private Sector Development Initiative, the *Competition and Consumer Protection Bill 2023* was drafted to update the *ICCC Act 2002*. The Department of Treasury is incorporating feedback from the ICCC to reinforce the Government's commitment to strengthen consumer protection.

9.3.8 Consumer and Competition Administrative Reforms

As part of the administrative reforms under the CCFR, the ICCC will be restructured to improve manpower capacity, responsiveness and efficiency. The reforms will enable the ICCC to proactively address consumer complaints and competition and improve regulatory functions through a policy gap assessment. This will be achieved with capacity building, strengthening coordination mechanisms to facilitate information sharing, and a public reporting system that improves data collection for evidence-based decision-making and enhances regulatory oversight.

9.3.9 Consumer Welfare Policy

The Government is committed to closing longstanding gaps in consumer protection to ensure fairness and resilience across all sectors. The National Competition Policy can be supported by a dedicated consumer framework. To address this, a Consumer Welfare Policy (CWP) is being developed, guided by recommendations from the Competition and Consumer Framework Review, to create a unified approach for citizen welfare.

9.3.10 Regulation and Enforcement Role of the ICCC

The ICCC plays a crucial role in promoting fair competition and protecting consumer rights. As the regulatory body responsible for fair competition and consumer laws, the ICCC ensures that markets operate fairly by monitoring business conduct, preventing anti-competitive practices, and ensuring consumers have access to essential goods and services at fair or affordable prices. The ICCC will maintain oversight of markets where there is limited competition, including water and sewerage services, compulsory third-party motor vehicle insurance, essential port services, and regulated products like rice, sugar, flour, and refined petroleum products. It will also assess the need for new regulations to address emerging market challenges and uphold consumer interests.

9.3.11 Information and Communications Technology (ICT) Industry

The National Information and Communications Technology Authority (NICTA) is the regulatory agency for the Information and Communications Technology (ICT) sector in Papua New

Guinea. NICTA oversees both Government and privately owned licensed operators and infrastructure. NICTA plays a role in promoting fair competition and protecting consumers within Papua New Guinea's ICT sector. Since its establishment in 2010, it has implemented key regulatory measures that have helped market prices reduce 60.0 to 70.0 per cent. In 2026, the authority will review its corporate plan to ensure ICT policies align with the MTDP IV to support long-term economic and social development.

9.3.12 Reviews for Petroleum and Aviation Industries

The Government is prioritizing policy reviews of the petroleum and aviation industries as part of the Reset PNG@50 Agenda, recognizing their critical role in national development. The ICCC's 2024 petroleum review highlighted the need for broader, evidence-based reforms to build resilient energy markets. In 2026, there will be reviews to deliver data-driven recommendations to NEC. The goal is to pre-empt supply risks, streamline logistics, and stabilize input costs. This is expected to improve energy access, enhance transport efficiency, and drive inclusive growth, which supports the Economic Growth Big Bet and advancing Institutional Reform priorities.

9.4 ASIA PACIFIC COOPERATION (APEC)

APEC is a regional economic forum established to leverage the growing interdependence of the Asia-Pacific. The PNG Foreign Policy on APEC (PNGFPA), provides the roadmap to pursue the implementation and domestication of the 2018 APEC Chair's Statement and realign PNG's participation in the APEC process to achieve more tangible outcomes.

The PNGFPA has positioned PNG to leverage APEC by aligning key domestic deliverables identified in its development goals under the PNG Vision 2050, the MTDP IV (2023-2027), and the Strategic Development Plan (2010-2030) with the broader APEC pillars. A planned review of the PNGFPA was set in 2025 and will continue in 2026 to take stock of the implementation of the policy domestically, and to update and realign PNG's participation with the new APEC forum initiatives and work plans in the various APEC committees including Committee on Trade & Investment, Budget & Management Committee, Economic Committee, and Finance Ministers' Process.

The People's Republic of China (China) will host the 2026 APEC Meeting. PNG will continue to participate in relevant APEC meetings and events in 2026.

CHAPTER 10: ENHANCING STATE'S INVESTMENT

10.1 OVERVIEW

The Government invests to deliver essential public services, raise revenues for the government, and promote economic development. This includes the investments made through the Kumul Holding Entities (KHEs), Statutory Authorities (SAs) and other Public Bodies (PBs).

SAs and PBs support sectoral growth through their regulatory functions and generate non-tax revenues through the collection of fees, charges, and levies. The KHEs, includes the Kumul Consolidated Holdings (KCH), Kumul Mineral Holdings Limited (KMHL) and Kumul Petroleum Holdings Limited (KPHL). KHEs manage the State's investments in the extractive sector and other State-Owned Enterprises (SOEs) that operate as independent businesses under Companies Act 1997 and their own enabling legislation.

The Government also invests in other resource sectors such as agriculture, forestry, fisheries, tourism, energy, etc. These resource sectors are vital for revenue generation and create economic opportunities for Papua New Guineans.

Sector reforms were implemented to improve performance and governance of the KHEs, SAs and PBS.

10.2 STATE'S INVESTMENT PERFORMANCE 2025

Kumul Consolidation Holdings (KCH)

KCH as Trustee, serves as the holding company for ten Majority State-Owned Entities (MSOEs) and other assets in non-mining and non-petroleum sectors, all vested under the General Business Trust (GBT). Many of these MSOEs face persistent financial and operational challenges, which continue to limit their ability to deliver dividends to the Government.

KCH, while subject to a 60.0 per cent pay-out ratio under the 2025 revised Dividend Policy, is exempt from this threshold between 2025 – 2027 due to financial constraints in its SOEs. Instead, a 60.0 per cent pay-out ratio is used as the baseline while its dividend levels will be negotiated annually with Treasury.

All KHE's and SOE's are expected to align their Annual Operational Plans and Corporate Plans with these directives, ensuring compliance and enabling Treasury to forecast revenues with greater certainty. In addition, several SOE's have unpaid interest on loans that have been on-lent to them. As part of revenue measures in 2026 Budget, most of the outstanding interest will be repaid, especially from the PNG Ports.

General Business Trust (GBT) Assets

As of 31st December 2023, and 31st December 2024, total assets under the General Business Trust (GBT) were valued at K4,063.0 million and K4,590.7 million, respectively (see table 30). The K527.7 million increase in 2024 reflects improved investment activity and stronger financial performance among several MSOEs.

The Government holds an 18.2 per cent direct shareholding in Bank of South Pacific (BSP) through the GBT, which continued to deliver dividends to KCH (K150.0 million in 2023 and K128.1 million in 2024).

Tables 30 (see below) outlines GBT performance for 2023 and 2024. Note that the SOE valuation gaps indicate that they were either operating at a deficit or were non-operational during the reporting period.

Table 30: GBT Assets as of 31st December 2023 and 31st December 2024

Particulars of GBT Assets	2023 Audited (K million)				2024 Unaudited (K million)			
Entity	Valuation	Gross Revenue	Net Profit Before Tax	Dividend	Valuation	Gross Revenue	Net Profit Before Tax	Dividend
Telikom Ltd	180.0	471.7	-149.2	0.0	180.0	300.6	- 88.6	0.0
Air Niugini Ltd	24.0	1,279.7	28.6	0.0	24.0	1,354.8	279.2	0.0
Water PNG Ltd	388.0	269.7	16.5	0.0	388.0	286.3	8.0	0.0
Motor Vehicle Insurance Ltd	737.0	88.8	128.6	42.93	737.0	151.0	304.0	53.5
NDB Ltd	632.0	21.8	3.6	0.0	632.0	22.8	4.3	0.0
PNG Ports Corporation Ltd	370.0	357.8	158.4	26.13	370.0	442.0	145.0	27.5
PNG Power Ltd	-	960.0	-296.9	0.0	-	992.0	-321.0	0.0
PNG DataCO Ltd	62.0	207.9	17.9	1.14	62.0	198.2	11.0	6.2
Post PNG Ltd	117.0	58.9	5.7	0.0	117.0	64.3	5.1	0.0
PNG Dams Ltd	312.1	0.0	0.0	0.0	312.1	0.0	0.0	0.0
Kumul Agriculture Ltd	0.0	0.0	9.7	0.0	0.0	0.0	8.9	0.0
Investment Corporation of PNG	8.6	0.0	0.0	0.0	8.6	0.0	0.0	0.0
Kumul Technology Development Corp (Formerly POM Private Hospital)	33.0	2.0	4.4	0.0	33.0	2.0	1.9	0.0
Projects under Construction (Ramu2)	22.3	0.0	0.0	0.0	22.3	0.0	0.0	0.0
Other unquoted Securities & Investment Projects	24.6	0.0	0.0	0.0	27.1	0.0	0.0	0.0
Allowance for impairments	9.5	0.0	0.0	0.0	9.5	0.0	0.0	0.0
Total Unquoted Equities	2,901.10	3,718.3	-92.1	70.20	2,903.6	3,814.0	218.4	87.2
Bank of South Pacific	1,161.9	2,748.7	1,553.4	150.11	1,687.1	2,979.1	1,825.0	128.1
Highlands Pacific Ltd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Quoted Equities	1,161.9	2,748.7	1,553.4	150.11	1,687.1	2,979.1	1,825.0	128.1
TOTAL	4,063.0	6,467.0	1,461.3	220.31	4,590.7	6,793.1	1,606.6	215.2

Source: 2023 audited GBT and 2024 unaudited values

Kumul Minerals Holdings Limited (KMHL) Performance

In 2024, KMHL paid K354.2 million in dividends to the State, respectively – all from Ok Tedi Mining Limited (OTML). Of the total K121.3 million received by September 2025, K30.8 million is for the 2024 final dividend and for the two interim payments of K23.5 million and K67.0 million that were disbursed in April and August 2025. A further dividend of K232.9 million was recently paid, which represents K130.1 million less than expected in the 2025 Budget (as revised 2025 MYEFO).

Through the Government's revised 2025 Dividend Policy, KMHL is expected to remit 80.0 per cent of its net revenue to the State in 2025, 70.0 per cent in 2026 and 60.0 per cent from 2027 onward (see table 31).

KMHL also holds interests in the New Porgera Gold Project and is pursuing a strategic consolidation of smaller gold projects in Misima and Woodlark Islands. KMHL is also exploring opportunities in critical minerals such as lithium, graphite and acquiring new technologies for exploration.

Kumul Petroleum Holdings Limited (KPHL) Performance

In 2024, KPHL paid the State a total of K401.5 million in dividends. For 2025, K400.0 million has been paid at the time of this report. This would leave the dividend short of the MYEFO estimate by K500.0 million. As per the 2025 Dividend Policy, KPHL is expected to remit 80.0 per cent of its net revenue to the government in 2025, reducing to 70.0 per cent in 2026 and 60.0 per cent in 2027.

KPHL's current infrastructure projects and investments include Motukea Fuel Storage Facility, Rural Electrification, Gas Field Commercialisation, PNG LNG Project, Papua LNG and Pinyang LNG are currently being reviewed by the new board and management.

KHEs DIVIDEND PAYMENTS (2023-2025)

Table 31 shows the dividend payments remitted by the KHEs from 2023 - 2025 and the projections for 2026. The 2026 projection is based on recently available audited income statements, GBT report and the 2025 Dividend Policy Pay-out ratio.

Table 31: Dividends Paid to State 2023-2026 (Kina, million)

Entity	2023 Actual	2024 Actual	2025 Budget	2025 YTD	2026 Budget
KPHL	250.0	401.5	550.0	400.0	2,000.0
KMHL	152.6	158.6	921.0	354.2	850.0
KCH & MSOEs	77.1	82.2	60.0	48.4	250.0
TOTAL	479.7	642.3	1,531.0	802.6	3,100.0

Source: Department of Treasury, KCH and KMHL & KPHL

Statutory Authorities (SAs) and Public Bodies (PBs)

SAs and PBs are established by Acts of Parliament or National Executive Council Decisions to perform specific administrative, regulatory, and commercial functions on behalf of the government

SAs and PBs also contribute to the National Budget by way of remitting non-tax revenues to the State through the collection of fees, charges and levies from the services they provide.

10.3 INVESTMENT STRATEGY 2026

The government will continue to provide relevant policy advice and strategic guidance to KCH and the SOEs to support investment decisions and planning for Public Private-Partnerships, Community Service Obligations, On-Lending, and State Guarantees.

KCH Investment Strategy

Aligned with the Government's Medium-Term Development Plan 2023–2027, KCH will continue its efforts on expanding utility infrastructure in 2026. A key initiative is the Privatisation Roadmap, which promotes private sector participation in major SOEs such as PNG Power and Telikom Limited.

KMHL Investment Strategy

KMHL's priorities in 2026 include leveraging existing assets, expanding its project pipeline, mitigating national economic risks, and a continued commitment to its community and social obligations. The reopening of the New Porgera mine (36.0 per cent State shares) is expected to drive returns in 2026 for the other shareholders while the State's share of dividends will be retained by Barrick Niugini Limited to recover the initial start-up costs. The benefit sharing agreement for the New Porgera Mine includes a 51.0 per cent equity share for PNG stakeholders (36.0 per cent for the National Government held by KMHL, 5.0 per cent for Enga Province, and 10.0 per cent for Special Mining Lease landowners) and a 3.0 per cent royalty.

KMHL will continue discussions with investors on possible equity take up in upcoming projects including Wafi Golpu, Woodlark, Frieda River, and Simberi expansion project.

KPHL Investment Strategy

KPHL's 2026 investment strategy builds on its Strategic Plan 2023 – 2027, with a focus on national energy development, major petroleum projects, and nation-building initiatives. Key priorities include Papua LNG Project, with a Final Investment Decision (FID) expected in early 2026, and the Pasca A Project, targeting FID by mid-2026 as it enters the engineering and tendering phase.

KPHL will continue its offshore exploration through seismic surveys and potential drilling on its Petroleum Retention Licenses (PRLs), while continuing to invest in exploration and retention work programs.

PNG Extractive Industries Transparency Initiative (PNGEITI)

PNGEITI has published eleven annual reports (2013-2023) detailing the Government's revenues from the extractive sector, along with disclosures on contracts, ownership, production, exports, SOEs, and social and environmental impacts. The 12th report covering Fiscal Year 2024 is expected by December 2025. Key future priorities include subnational payment data, beneficial ownership disclosure, energy transition, and gender-inclusive reporting.

10.4 RENEWABLE RESOURCE SECTOR

SA's and PBs invest through their subsidiaries/business arms including in the Forestry, Fisheries, Agriculture, and the renewable resource sector. They are instrumental in driving and supporting the State's investment agenda, focused on policy reform, commercialisation, downstream processing, and regulatory enhancement.

Agriculture

The Government has created four ministerial portfolios (Ministry of Agriculture, Ministry of Coffee, Ministry of Oil Palm and Ministry of Livestock) to support the development, commercialisation and downstream processing of agricultural commodities and to create

economic opportunities. These four new ministries have inspired the National Agriculture Sector Plan (NASP) 2024-2033.

To strengthen this policy framework a National Agriculture Administration (NAA) Bill is being developed and is expected to be enacted. The NAA Bill intends to redefine and restructure the roles of the Department of Agriculture and Livestock (DAL), commodity boards, agencies, and provincial bodies to improve coordination, accountability, and the delivery of services to farmers.

Livestock and Commodities

The livestock and commodities sector will continue to be the focus in 2026 with Government-led initiatives to boost production, reform policies, improve infrastructure, rehabilitate farms and strengthen national cattle restocking programs. Other important commodities include:

- **Palm Oil** – The Government has approved the National Oil Palm Policy in 2025 and the legislative framework to establish a National Oil Palm Authority, which is currently being progressed and will continue in 2026. It aims to transform PNG's largest agricultural commodity.
- **Coffee** – The Government-led coffee initiatives through Coffee Industry Corporation (CIC) include establishment of Robusta nurseries in Central Province and Southern Highlands, the reopening of the Anego coffee factory in Eastern Highlands, and infrastructure projects like the new coffee export office complex in Lae and road improvements in Milne Bay and Gumine. The National Coffee Authority Bill, passed by Parliament in 2025 will be implemented in 2026.
- **Cocoa** – is PNG's third-largest agricultural export after oil palm and coffee. Current priorities include nursery development, freight subsidies, cocoa quality, and market promotion. The PNG Cocoa Board in 2026 will continue to distribute cocoa pod borer-tolerant seedlings and clone planting materials to rehabilitate existing farms, and provincial agreements will continue to support these initiatives.
- **Coconut** – In 2026, the Government will focus on value-added products through initiatives like new processing plants and nurseries to combat diseases like Bogia Coconut Syndrome. Policy initiatives are supporting this shift, emphasising investment in high-value products, improved farmer access to finance, and the development of biosecurity plans to protect crops. The Kokonas Industri Koporesen (KIK) is also initiating reforms to restructure and strengthen its operations in 2026.
- **Fresh Produce** – The fresh produce industry is regulated by the Fresh Produce Development Agency (FPDA). Currently the fresh produce market faces supply chain challenges. Since 2018, the Government has supported the Market for Village Farmers Project, which helps shift fresh food production from semi-subsistence to market-oriented farming. Some of the key priorities in 2026 include: developing the fresh produce value chain, value-adding to products, and reducing the country's reliance on imported vegetables.
- **Rubber** – The Rubber Industry Development Board aims to boost annual rubber production to over 12,000 metric tonnes by 2027. Key investment programs for 2026 include plantation rehabilitation, nursery development, and downstream processing. The Rubber Industry Development Act 2022 provides the regulatory framework to support sustainable growth, strengthen investment, and enhance landowner participation in the sector.

Forestry

The Papua New Guinea Forestry Authority (PNGFA) is advancing key initiatives, including partnerships with SGS from Switzerland to improve forest monitoring and management including revenue generation, enforcement round log export ban, and review of the *Forestry Act 1991*. The revised Act, when enacted, will separate PNGFA's regulatory role from commercial activities. PNG Diwai Holdings Limited (PNGDHL), as a State Marketing Agency, is responsible for commercial activities.

In June 2025, PNGFA and the Department of Trade and Investment signed an MOU to promote downstream processing, a critical strategy for achieving a revenue target of K25.0 billion by 2027 through value-added tax exports.

Fisheries

PNG's National Fisheries Authority (NFA) is responsible for the management and development of the fisheries sector. NFA's 2026 initiatives include the Sirinumu Cage Culture Project for tilapia and barramundi, support for commercial farms like the Coconut Products Limited Prawn Farm, and the new Coastal and Inshore Fisheries Strategic Plan to empower coastal communities. NFA is also working on large-scale projects like the Pacific Marine Industrial Zone (PMIZ) and initiatives to combat illegal fishing, such as acquiring new patrol vessels.

Other initiatives include the Fisheries Capital Limited Authorisation (FCLA) Bill 2024 that aims to establish Fisheries Capital Limited (FCL) as the commercial arm of the state in the fisheries sector. The FCLA bill is currently awaiting parliament deliberation.

The NFA is also implementing the Kumul Fisheries Limited (KFL), a state-owned fishing company, formed through a joint venture with RD Group, Madang Provincial Government, and KCH. Its aim is to localise the fishing industry by building a new cannery in Madang. The company's long-term goal is to become a publicly listed company on the National Stock Exchange. The NFA will continue implementing this initiative in 2026.

Environment and Climate Change

Climate Change Development Authority (CCDA) is currently working on several initiatives, including, Building Resilience to Climate Change (BRCC) Project, progressing the National Adaptation Plan (NAP) 2022-2030, and the PNG Forest Carbon Partnership Facility (FCPF) REDD+ Readiness Phase 2. These projects focus on community resilience, sustainable ecosystems, and climate-resilient infrastructure and their implementation will continue in 2026. Another initiative supported by the Government of New Zealand is Green Finance Policy. This policy was prepared and launched by the Bank of PNG and the Centre for Excellence in Financial Inclusion (CEFI) in 2023-2024 and its implementation is expected to continue in 2026.

10.5 SECTOR REFORMS

To strengthen governance, transparency, financial stability and economic diversification, the Government will continue to review and develop relevant policies and legislation in 2026. This is to guide SOEs, KHE's, SAs and PBs to make prudent investment decisions that contribute to sustainable economic growth and development.

Dividend Policy 2025

The revised 2025 Dividend Policy, approved in April 2025 as part of ongoing SOE reforms, applies to all Kumul Holding Entities and SOEs from 2025 onward. It provides a unified

framework to strengthen the Government's relationship with its entities and enhance non-tax revenue generation to support the national budget from which support is provided back to the SOEs to undertake investments. This policy's implementation is expected to continue in 2026.

Community Service Obligation Policy 2013

This CSO policy aims to enhance efficiency and transparency in service delivery without affecting SOE commercial performance. However, implementation has been hindered by funding gaps and unclear costings. In 2026, the Department of Treasury will review and revise the current CSO Policy to establish clearer guidelines for all SOEs and KHEs.

Other Policy Reforms

Under the ADB's Strengthening Governance and Accountability in the Public Sector Program, the Government will expand the scope of reforms supported by previous ADB policy-based lending programs. The policy actions will further strengthen legislative and policy frameworks for SOEs from 2026 onward.

State Equity Participation Policy

The State Equity Participation Policy aims to provide a framework to guide State equity acquisitions for extractive resource projects and to ensure good governance and transparent decision-making. Treasury has commenced work on this policy and is planning to conduct stakeholder consultations in 2026.

Resource Sector Benefits Distribution and Management Policy

This policy aims to ensure fair distribution of financial and non-financial benefits from resource extraction among national and local governments, landowners, and communities. Resource-derived revenues, including Business Development Grants (BDG), Infrastructure Development Grants (IDG) and Special Support Grants (SSG), have supported PNG's development.

Review of the Boards (Fees & Allowances) Act 1995

The review of the current *Boards (Fees and Allowances) Act 1995* was led by the Department of Treasury with input from other key State agencies (Technical Working Group Members). The stakeholders' consultations concluded in 2024, and a draft bill is going through the legislative process in 2025 and will continue in 2026. The main objective of the Bill is to establish fair remuneration for Board members of Statutory Authorities and Public Bodies to enhance their productivity and performance. The Bill also seeks to strengthen governance.

Public Private Partnership (PPP) Act 2014

The *PPP Act 2014* and its Regulation provide a legal framework to facilitate private sector participation and investment in key infrastructure projects and public service delivery. Some progress in PPP reforms was made with the implementation of the PPP Act (as amended) by the PPP Steering Group (PSG) in 2024. The endorsement of the proposed PPP Centre organisational structure is still pending. The PPP Centre is the statutory body established under the PPP Act to facilitate the undertaking of PPP projects in PNG.

The Department of Finance and Department of Treasury with the PSG members will continue to progress the establishment of the PPP Centre and the PPP Act subsequent implementation.

APPENDIX 1: GRANTS AND TRANSFERS TO PROVINCES

Table 1.1: National Governments Grants to Provincial and Local Level Governments (Kina, Thousand)

Table 1.2: Grants, Transfers and other resources of the Provinces (Kina, Thousand)

Table 1.1: National Governments Grants to Provincial and Local Level Governments (Kina, Thousand)

Province	Personnel Emoluments							Goods and Services													Total Recurrent Grants (a) + (b)
	Salaries		Leave fares		Allowances		Sub-total PE (a)	Health Function Grant	Education Function Grant	Transport Infrastructure Maintenance Function Grant	Primary Production Function Grant	Village Courts Function Grant	Land Mediation Grant	Other Service Delivery Function Grant	Administration Grant	Total Provincial Government Grants	Urban LLG Grants	Rural LLG Grants	Total LLG Grants	Sub - total G&S (b)	
	PS Salaries	Teachers Salaries	PS leave fares	Teachers leave fares	Village Court Allowances	Land Mediation Allowances															
Western	18,219,897	115,584,053	1,062,960	4,192,349	1,015,952	116,243	140,191,454	7,035,759	5,696,369	8,344,981	2,270,424	316,045	260,609	919,745	522,770	25,366,701	1,936,809	10,033,920	11,970,729	37,337,430	177,528,884
Gulf	14,922,619	32,319,626	318,270	803,620	775,334	522,108	49,661,577	7,333,835	6,043,680	8,698,781	3,364,291	775,335	522,109	1,964,691	3,005,252	31,707,973	754,808	2,950,058	3,704,866	35,412,840	85,074,417
Central	24,589,540	97,363,396	711,730	3,440,317	1,029,735	1,243,242	128,377,960	8,188,083	10,143,153	16,513,411	5,069,815	1,029,734	1,243,243	3,292,591	2,728,365	48,208,395	-	6,612,504	6,612,504	54,820,899	183,198,859
NCD*							-										-		-		-
Milne Bay	11,304,126	108,398,660	339,900	1,616,410	1,081,540	3,849,000	126,589,636	8,068,334	9,949,712	10,381,331	5,819,072	1,081,540	997,380	3,457,922	2,886,810	42,642,102	752,523	5,134,761	5,887,284	48,529,386	175,119,022
Oro	12,687,303	48,363,634	531,480	1,580,872	539,555	997,379	64,700,223	7,213,511	5,545,409	5,477,117	3,159,840	539,554	206,195	2,156,654	2,628,869	26,927,148	1,869,344	6,190,774	8,060,119	34,987,267	99,687,490
Southern Highlands	28,739,781	177,176,201	393,460	1,210,588	939,552	206,195	208,665,777	7,650,811	9,717,543	9,602,031	3,643,113	939,551	717,004	4,470,280	2,238,863	38,979,198	2,335,071	5,446,801	7,781,872	46,761,069	255,426,846
Hela	11,722,945	67,619,933	158,620	498,681	1,065,520	580,797	81,646,496	8,471,371	8,871,406	8,214,361	3,134,863	1,065,520	580,797	2,815,661	3,874,798	37,028,778	2,700,376	4,753,906	7,454,281	44,483,059	126,129,555
Enga	12,377,520	122,552,169	212,180	1,475,405	1,816,752	717,004	139,151,030	8,689,135	13,175,321	14,679,876	7,499,531	1,816,752	682,036	3,963,903	4,103,017	54,609,572	620,576	7,727,148	8,347,724	62,957,296	202,108,326
Western Highlands	16,226,466	192,709,076	403,760	1,976,376	228,333	682,035	212,226,046	5,542,465	1,466,620	1,735,051	613,045	228,333	67,335	865,252	709,329	11,227,429	2,083,608	4,176,338	6,259,945	17,487,375	229,713,421
Jiwaka	12,590,761	107,073,920	132,870	780,692	494,647	176,341	121,249,231	7,363,503	10,587,624	15,559,334	1,677,978	494,647	176,341	2,677,419	2,733,463	41,270,308	-	3,841,004	3,841,004	45,111,312	166,360,543
Simbu	21,446,094	128,182,046	212,180	1,327,520	1,007,028	67,335	152,242,203	8,964,252	12,582,789	12,484,750	3,893,431	868,073	162,449	3,372,018	4,916,464	47,244,226	986,715	4,207,405	5,194,120	52,438,346	204,680,549
Eastern Highlands	16,608,163	197,765,287	744,690	3,096,399	686,436	170,168	219,071,143	8,058,240	12,333,221	18,822,158	2,748,860	686,436	118,898	3,719,545	3,225,709	49,713,067	1,939,792	6,149,505	8,089,297	57,802,364	276,873,507
Morobe	36,753,820	262,451,617	1,276,170	8,859,302	494,662	118,897	309,954,468	6,069,250	1,609,266	1,976,410	583,504	494,662	183,572	579,025	579,025	12,074,715	5,808,016	13,138,052	18,946,068	31,020,783	340,975,251
Madang	28,600,803	179,875,644	744,690	3,000,098	638,390	183,572	213,043,197	8,325,937	12,403,113	15,863,957	4,436,640	638,390	130,212	3,789,714	4,287,809	49,875,773	2,219,489	7,984,226	10,203,716	60,079,489	273,122,686
East Sepik	20,480,675	176,277,923	1,062,960	3,554,956	3,888,663	130,212	205,395,389	8,427,752	17,757,687	33,018,777	5,570,113	1,135,745	389,743	6,016,875	75,945,026	75,945,026	1,708,139	10,208,733	11,916,872	87,861,898	293,257,287
Sandaun	13,147,734	96,425,478	744,690	1,504,064	628,048	481,706	112,931,720	10,571,261	16,194,601	12,114,744	5,685,131	628,048	183,049	3,281,965	4,519,436	53,178,235	1,845,671	9,092,554	10,938,226	64,116,461	177,048,181
Manus	9,273,327	36,528,035	531,480	848,978	576,532	183,049	47,941,401	6,388,968	3,926,523	6,541,797	2,042,905	576,532	107,387	2,051,993	2,655,887	24,291,992	563,710	1,391,492	1,955,202	26,247,194	74,188,595
New Ireland	17,060,333	80,768,802	2,499,810	1,157,853	547,993	107,387	102,142,178	6,398,833	2,465,717	2,835,575	1,047,930	863,001	616,429	739,715	1,232,859	16,200,059	1,061,478	2,640,697	3,702,175	19,902,235	122,044,413
East New Britain	24,124,866	136,475,240	318,270	1,908,740	618,043	577,054	164,022,213	7,066,087	5,707,104	5,389,732	5,851,881	618,042	116,242	1,397,242	798,508	26,944,839	2,332,396	5,696,841	8,029,237	34,974,076	198,996,289
West New Britain	18,219,897	115,584,053	1,062,960	4,192,349	1,015,952	116,243	140,191,454	7,834,788	15,078,334	16,592,758	4,338,629	1,015,944	287,926	4,264,263	3,759,525	53,172,166	1,454,844	6,665,949	8,120,794	61,292,960	201,484,414
Bougainville*	38,728,082	96,207,470	1,027,940	9,465,288		287,927	145,716,707														
TOTAL	407,824,752	2,575,702,263	14,491,070	56,490,857	19,088,667	11,513,894	3,085,111,503	153,662,177	181,255,193	224,846,932	72,450,998	15,811,886	7,748,955	53,407,933	57,423,630	766,607,704	32,973,368	124,042,668	157,016,036	923,623,740	3,863,018,536

Note:

NCD and Bougainville are not part of the Intergovernmental Financing Arrangement therefore do not receive any function grants

NCD receives Goods and Services Grant through a single Town and Services Grant indicated under urban LLG Grants category

ABG receive Goods and Services Grants through a single category of Recurrent Goods and Services Grants

Village Court and Land Mediation Allowances are now paid through the Alesco payroll system and are budgeted under the Village Court & Land Mediation Secretariat

Table 1.2: Grants, Transfers and Other Resources of the Provinces (Kina, Thousand)

Province	Total Grants and Transfers	Non-Grant tax transfers				Total
	Recurrent Budget	GST (1)	Bookmakers Tax (2)	Mining & Petroleum Royalties/ Dividends (3)	Own Source Revenues (4)	
Western	177,528,884	28,826,371	0	40,372,459	1,674,599	248,402,313
Gulf	85,074,417	1,413,295	0	6,680,000	208,987	93,376,699
Central	183,198,859	7,779,870	0	0	8,479,153	199,457,882
NCD*	0	569,250,695	9,674,086	0	0	578,924,781
Milne Bay	175,119,022	12,240,753	0	0	2,129,185	189,488,959
Oro	99,687,490	8,278,951	0	0	1,669,050	109,635,491
Southern Highlands	255,426,846	19,897,638	0	0	12,627,560	287,952,044
Hela	126,129,555	2,741,485	0	0	0	128,871,040
Enga	202,108,326	10,804,936	6,793	0	9,151,538	222,071,593
Western Highlands	229,713,421	92,290,506	0	0	9,293,040	331,296,967
Jiwaka	166,360,543	13,059,305	0	0	0	179,419,848
Simbu	204,680,549	13,659,989	0	0	1,532,199	219,872,737
Eastern Highlands	276,873,507	46,871,888	76,549	1,371,489	6,350,452	331,543,886
Morobe	340,975,251	255,246,351	407,584	6,209,304	11,676,934	614,515,424
Madang	273,122,686	33,904,986	1,714,832	1,662,898	6,381,125	316,786,527
East Sepik	293,257,287	26,156,879	0	0	1,960,044	321,374,210
Sandaun	177,048,181	7,632,810	0	0	1,432,632	186,113,624
Manus	74,188,595	7,920,864	0	0	637,312	82,746,772
New Ireland	122,044,413	28,803,283	0	10,389,874	1,032,161	162,269,731
East New Britain	198,996,289	50,331,154	173,312	0	6,517,707	256,018,462
West New Britain	201,484,414	25,264,840	68,953	0	7,146,061	233,964,268
Bougainville*	0		0	0	0	0
TOTAL	3,863,018,536	1,262,376,849	12,122,109	66,686,024	89,899,741	5,294,103,259

Notes

1) GST is based on 60% of the 2024 net inland GST collections, to be distributed to each province in 2026

2) Bookmakers is 40% of 2024 net collections

3) NEFC estimate based on 2024 actual collections which includes dividends from equity shares of mining and petroleum resource projects

4) NEFC estimate based on 2024 Actuals

5) NEFC does not provide Own Source Revenue (4) estimates for NCD and Bougainville as these provinces are not part of Intergovernmental Financing Arrangement

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Table 1: Gross Domestic Product by Economic Activity at Current and Constant Prices (Kina, million)

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj
Agriculture, Forestry and Fishing													
nominal	13478.0	14234.5	15476.0	17399.7	18835.3	18760.6	22085.5	24588.0	26274.9	27904.6	29705.9	31861.2	33865.0
deflator	132.6	136.9	146.2	162.6	170.7	168.4	191.6	206.5	213.9	219.9	228.3	237.7	195.5
real	10164.7	10394.4	10588.1	10702.6	11035.3	11141.3	11526.8	11907.6	12281.7	12642.0	13013.8	13405.7	13774.5
rate of real growth	4.6	2.3	1.9	1.1	3.1	1.0	3.5	3.3	3.1	2.9	2.9	3.0	2.8
Oil and Gas Extraction													
nominal	13888.2	14719.8	11663.3	15675.2	26397.7	20917.2	22198.5	19578.8	19390.4	19857.4	22133.9	22706.8	24275.7
deflator	122.5	112.7	90.0	130.3	216.4	169.4	182.3	160.2	159.8	163.8	187.7	187.7	200.8
real	11339.6	13056.7	12960.5	12034.6	12198.5	12347.3	12176.5	12221.6	12133.1	12119.4	12108.3	12100.3	12086.9
rate of real growth	-15.3	15.1	-0.7	-7.1	1.4	1.2	-1.4	0.4	-0.7	-0.1	-0.1	-0.1	-0.1
Mining and Quarrying													
nominal	8237.0	9038.7	8377.9	7517.1	9126.1	9389.2	12068.9	18573.3	22816.2	24783.4	26482.0	27902.5	27902.5
deflator	110.8	115.4	139.3	158.6	167.8	170.1	201.1	275.8	312.8	344.3	357.5	357.5	357.5
real	7435.7	7832.4	6016.2	4739.7	5437.6	5519.3	6002.8	6733.8	7294.6	7473.9	7690.5	7805.7	7830.8
rate of real growth	2.2	5.3	-23.2	-21.2	14.7	1.5	8.8	12.2	8.3	2.5	2.9	1.5	0.3
Manufacturing													
nominal	1369.1	1418.2	1390.6	1559.0	1812.5	1836.8	1921.8	2087.8	2261.8	2504.2	2770.8	3067.3	3395.5
deflator	135.7	141.4	146.1	154.3	163.0	166.7	167.7	174.3	181.6	190.8	200.3	210.3	220.9
rate of deflator growth	4.1	4.2	4.8	4.5	5.3	2.3	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	1008.9	1003.1	938.7	1007.1	1112.1	1101.9	1145.9	1197.5	1245.4	1312.7	1383.5	1458.2	1537.0
rate of real growth	-6.7	-0.6	-6.4	7.3	10.4	-0.9	4.0	4.5	4.0	5.4	5.4	5.4	5.4
Electricity Gas & Airconditioning													
nominal	638.0	685.8	722.3	709.0	721.1	743.9	785.8	853.7	937.2	1035.5	1142.1	1259.5	1389.0
deflator	114.1	117.9	118.7	119.5	120.9	123.4	124.1	129.0	142.2	149.4	156.9	156.9	156.9
rate of deflator growth	3.9	3.4	0.7	0.6	1.2	2.1	0.6	4.0	4.7	5.2	5.0	5.0	5.0
real	559.1	581.5	608.3	593.4	596.6	603.0	633.2	661.7	693.4	728.1	764.5	802.7	842.9
rate of real growth	4.4	4.0	4.6	-2.5	0.5	1.1	5.0	4.5	4.8	5.0	5.0	5.0	5.0
Water Supply & Waste Management													
nominal	152.1	158.2	176.5	191.2	209.5	250.9	270.1	294.5	322.1	355.0	390.9	430.7	474.5
deflator	144.8	144.8	151.9	154.3	157.5	168.6	189.9	197.3	205.3	215.9	226.6	236.0	250.0
rate of deflator growth	0.3	0.0	4.9	1.5	2.1	19.7	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	105.0	109.3	116.2	123.9	133.0	133.0	142.3	149.3	156.7	164.4	172.5	180.9	189.8
rate of real growth	10.0	4.1	6.3	6.7	7.3	0.0	7.0	4.9	5.0	4.9	4.9	4.9	4.9
Construction													
nominal	5035.1	4759.5	4938.2	5532.9	6602.1	7003.3	7362.5	7960.5	8607.2	9493.5	10464.4	11540.1	12726.4
deflator	135.9	140.5	146.1	152.6	160.6	164.3	165.3	171.9	179.0	188.1	197.4	207.4	217.8
rate of deflator growth	4.8	3.4	3.9	4.5	5.3	2.3	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	3704.1	3387.0	3381.0	3625.5	4109.8	4261.5	4453.3	4631.4	4807.4	5047.8	5300.2	5565.2	5843.5
rate of real growth	-0.9	-8.6	-0.2	7.2	13.4	3.7	4.5	4.0	3.8	5.0	5.0	5.0	5.0
Wholesale and retail trade													
nominal	7368.9	7750.1	8106.7	8973.0	10106.7	10625.1	11330.5	12250.8	13373.5	14891.0	16570.4	18447.8	20537.9
deflator	133.2	138.0	144.5	151.0	159.2	162.8	163.8	170.3	177.4	186.3	195.6	205.4	215.8
rate of deflator growth	5.6	3.6	4.7	4.5	5.4	2.3	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	5532.2	5616.3	5610.2	5942.9	6349.2	6526.1	6917.7	7194.4	7539.7	7992.1	8471.7	8980.0	9518.8
rate of real growth	1.9	1.5	-0.1	5.9	6.8	2.8	6.0	4.0	4.8	6.0	6.0	6.0	6.0
Transport and Storage													
nominal	1773.0	2013.4	1667.5	1793.2	2124.9	2301.9	2408.4	2666.6	2972.1	3296.8	3481.4	3676.4	3882.3
deflator	126.0	138.1	143.4	149.7	158.2	161.9	162.9	169.4	176.4	185.3	185.3	185.3	185.3
rate of deflator growth	6.1	9.6	3.8	4.4	5.6	2.4	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	1407.1	1458.2	1163.2	1197.8	1343.5	1421.4	1478.2	1574.3	1684.5	1778.8	1878.5	1983.7	2094.7
rate of real growth	3.5	3.6	-20.2	3.0	12.2	5.8	4.0	6.5	7.0	5.6	5.6	5.6	5.6
Accommodation and Food Services													
nominal	1439.7	1416.2	1352.0	1445.6	1620.5	1768.3	1859.1	2029.4	2198.5	2387.9	2592.0	2814.9	3056.9
deflator	128.6	128.2	133.6	136.5	144.0	152.3	153.2	159.3	165.9	174.3	182.9	192.1	201.8
rate of deflator growth	7.6	-0.3	4.2	2.1	5.6	5.7	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	1119.4	1104.4	1011.9	1059.3	1125.3	1161.4	1213.6	1274.3	1325.3	1370.3	1416.9	1465.1	1514.9
rate of real growth	10.4	-1.3	-8.4	4.7	6.2	3.2	4.5	5.0	4.0	3.4	3.4	3.4	3.4
Information and Communication													
nominal	1166.9	1334.6	1406.0	1665.7	1906.4	2072.1	2209.7	2469.6	2778.2	3151.9	3573.5	4053.4	4597.8
deflator	96.5	95.2	94.1	93.6	95.4	98.4	99.4	102.8	107.9	107.9	107.9	113.3	115.0
rate of deflator growth	6.0	-1.4	-1.1	-0.3	1.6	-5.9	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	1209.3	1402.1	1493.5	1774.8	1998.4	2307.3	2445.7	2629.1	2839.5	3066.6	3311.9	3576.9	3863.1
rate of real growth	2.5	15.9	6.5	18.8	12.6	15.5	6.0	7.5	8.0	8.0	8.0	8.0	8.0
Financial and Insurance Activities													
nominal	2076.0	2055.4	1919.5	1997.6	2176.4	2390.0	2548.6	2835.1	3115.6	3420.1	3769.9	4157.4	4584.7
deflator	131.1	136.1	142.7	149.1	156.9	164.6	165.6	172.1	179.3	188.4	197.7	207.7	218.1
rate of deflator growth	4.5	3.8	4.8	4.5	5.3	4.9	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	1583.2	1510.0	1345.1	1339.7	1386.8	1452.1	1539.3	1647.0	1737.6	1815.8	1906.6	2001.9	2102.0
rate of real growth	1.8	-4.6	-10.9	-0.4	3.5	4.7	6.0	7.0	5.5	4.5	5.0	5.0	5.0
Real Estate Activities													
nominal	4741.4	5054.9	5435.9	5689.0	6157.7	6529.5	6798.7	7336.8	7917.4	8566.4	9262.7	10020.3	10839.8
deflator	132.4	137.4	144.0	150.2	158.1	162.9	163.8	170.3	177.4	186.4	195.7	205.5	215.8
rate of deflator growth	4.4	3.8	4.8	4.3	5.3	3.0	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	3582.1	3679.6	3774.9	3787.1	3893.9	4009.4	4149.7	4307.4	4462.5	4596.4	4734.2	4876.3	5022.6
rate of real growth	2.0	2.7	2.6	0.3	2.8	3.0	3.5	3.8	3.8	3.0	3.0	3.0	3.0
Professional and Scientific													
nominal	647.1	793.1	833.4	855.0	942.0	1000.4	1046.6	1142.5	1250.8	1380.9	1523.6	1681.8	1856.5
deflator	117.4	128.9	135.2	141.2	148.6	152.0	152.9	159.0	165.8	174.0	182.6	191.8	201.5
rate of deflator growth	4.5	9.8	4.8	4.4	5.3	2.3	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	551.1	615.2	616.6	605.7	633.9	658.1	684.4	718.6	755.3	793.8	834.3	876.8	921.6
rate of real growth	-9.3	11.6	0.2	-1.8	4.6	3.8	4.0	5.0	5.1	5.1	5.1	5.1	5.1
Administrative and Support Services													
nominal	5924.2	6430.8	6686.7	7030.1	8075.6	8480.4	8787.4	9592.5	10441.7	11418.1	12478.1	13642.8	14916.3
deflator	132.1	137.7	144.3	150.7	158.7	162.3	163.3	168.8	176.9	185.8	195.0	204.8	215.1
rate of deflator growth	4.2	4.2	4.8	4.4	5.3	2.3	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	4485.3	4670.8	4632.7	4663.8	5088.4	5223.8	5380.5	5649.5	5903.8	6145.8	6397.8	6660.1	6933.2
rate of real growth	13.0	4.1	-0.8	0.7	9.1	2.7	3.0	5.0	4.5	4.1	4.1	4.1	4.1
Public Administration and Defence													
nominal	3801.0	3928.9	4390.3	4732.2	5056.2	5698.3	6134.0	6791.6	7435.3	8279.0	9212.6	10256.4	11418.5
deflator	123.4	126.9	130.3	130.6	134.4	138.1	139.0	144.5	150.5	158.1	166.0	174.3	183.1
rate of deflator growth	2.9	2.8	2.6	0.2	2.9	2.8	0.6	4.0	4.2	5.0	5.0	5.0	5.0
real	3079.3	3095.1	3370.1	3623.8	3761.4	4125.1	4413.9	4700.8	4940.6	5237.0	5551.2	5884.3	6237.3
rate of real growth	10.0	0.5	8.9	7.5	3.8	9.7	7.0	6.5	5.1	6.0	6.0	6.0	6.0
Education													
nominal	2112.9	2187.4	2275.6	2415.9	2570.0	2786.9	2999.9	3306.0	3615.9	3988.2	4396.1		

Table 2: Contributions to Growth in Real Gross Domestic Product (Percentage points)

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj
Agriculture, Forestry and Fishing	0.7	0.4	0.3	0.2	0.5	0.2	0.6	0.5	0.5	0.5	0.5	0.5	0.4
Oil and Gas Extraction	-3.3	2.7	-0.1	-1.5	0.3	0.2	-0.2	0.1	-0.1	0.0	0.0	0.0	0.0
Mining and Quarrying	0.3	0.6	-2.8	-2.0	1.1	0.1	0.7	1.0	0.7	0.2	0.3	0.1	0.0
Manufacturing	-0.1	0.0	-0.1	0.1	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Electricity Gas & Airconditioning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Supply & Waste Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	-0.1	-0.5	0.0	0.4	0.8	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3
Wholesale and retail trade	0.2	0.1	0.0	0.5	0.6	0.3	0.6	0.4	0.5	0.6	0.6	0.6	0.6
Transport and Storage	0.1	0.1	-0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Accommodation and Food Services	0.2	0.0	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Information and Communication	0.0	0.3	0.1	0.4	0.4	0.5	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Financial and Insurance Activities	0.0	-0.1	-0.3	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Real Estate Activities	0.1	0.2	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Professional and Scientific	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Administrative and Support Services	0.8	0.3	-0.1	0.0	0.7	0.2	0.2	0.4	0.3	0.3	0.3	0.3	0.3
Public Administration and Defence	0.4	0.0	0.4	0.4	0.2	0.5	0.4	0.4	0.3	0.4	0.4	0.4	0.4
Education	0.1	0.0	0.0	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Health and Social Work Activities	0.1	0.0	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other Service Activities	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL GDP*	-0.3	4.5	-3.2	-0.5	5.7	3.8	3.8	4.5	4.0	3.9	4.1	4.0	3.9
Total Non-Resource GDP	4.0	1.6	-0.4	4.2	5.9	4.7	4.5	4.6	4.5	4.9	5.0	5.0	5.0

Source: National Statistical Office and PNG Treasury.

Table 3: Prices of Main Export Commodities

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj
AGRICULTURE													
Copra	2309	2386	2450	2489	2497	2547	2730	2917	3043	3115	3188	3273	2940
Cocoa	7552	7934	8210	8518	8348	11694	28203	33850	30664	29684	30383	31194	31194
Coffee	10128	10228	12552	17289	22860	17098	21633	34544	34737	31026	29803	30776	30914
Palm Oil	1884	1839	2215	3505	3981	2978	3707	4162	4429	4454	4558	4680	4680
Rubber	3911	4006	3870	4489	4063	4063	4063	4063	4063	4063	4063	4063	4063
Tea	4107	4723	5499	3645	3587	3195	3749	3699	3859	3949	4042	4150	4150
Copra Oil	3430	2484	3440	5655	5753	5869	5843	6245	10221	8559	8761	8995	8995
Logs (K/m³)	304	327	343	338	352	311	337	370	386	395	404	415	415
MINERALS													
Gold (US\$/oz)	1270	1392	1770	1800	1801	1943	2387	3657	3540	3657	3657	3657	3667
Copper (US\$/ton)	6517	6006	6170	9308	8819	8486	9142	9648	9940	10047	10128	10175	10289
Oil (Kutubu Crude: US\$/barrel)	65	57	39	68	94	78	79	66	66	67	67	64	60
LNG (US\$ per thousand cubic feet)	10.2	10.6	8.3	10.8	18.3	14.4	12.8	12.3	11.7	11.7	12.8	12.8	12.6
Condensate (US\$/barrel)	65	57	39	68	94	78	79	66	66	67	67	64	60
Nickel (US\$/tonne)	13109	10960	10639	17147	20532	21527	16816	15231	15643	16281	16936	17641	18350
Cobalt (US\$/tonne)	72820	22836	21483	44430	51427	33871	26327	31022	34123	34323	34323	34323	34323

Source: PNG Treasury

Table 4: Volume of Main Export Commodities

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj
AGRICULTURE													
Copra	63.6	36.6	36.7	35.1	23.8	13.3	21.2	22.8	22.2	21.8	22.1	22.6	22.6
Cocoa	33.3	26.4	33.0	36.6	40.0	40.1	40.6	44.1	46.3	48.6	51.0	53.6	53.6
Coffee	52.1	47.2	40.7	25.0	20.4	23.2	24.0	21.6	21.6	21.6	21.6	21.6	21.6
Palm Oil	614.3	571.3	557.9	657.5	676.0	656.1	494.8	559.1	577.2	593.6	611.6	638.2	680.3
Rubber	4.9	3.4	3.1	2.8	11.8	12.9	13.8	15.5	16.9	18.2	19.6	21.1	22.2
Tea	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Copra Oil	13.7	15.6	10.4	11.6	11.2	11.4	15.0	13.1	16.1	16.5	17.0	17.4	17.4
Logs	4040.0	3684.0	2891.0	2787.1	3059.7	2300.0	2300.0	2790.0	2790.0	3240.0	3240.0	3240.0	3240.0
Marine products	202.2	202.3	203.4	209.5	215.8	222.3	228.9	235.8	242.9	250.2	257.7	265.4	273.4
MINERAL													
Gold (tonnes)	63.2	74.2	54.1	44.0	39.6	42.4	48.1	55.1	60.1	63.7	69.7	71.9	72.9
Silver (tonnes)	33.7	53.6	41.7	16.7	17.0	17.4	18.6	19.9	20.7	33.6	34.6	34.8	30.1
Copper (tonnes)	87.4	111.0	82.3	66.0	73.9	81.4	98.0	111.6	102.1	102.1	102.1	102.1	102.1
Oil (million barrels)	4.1	3.6	4.9	6.2	7.1	7.2	5.5	5.2	5.1	5.1	5.0	5.0	4.9
LNG (Tbtu)	382.0	433.0	430.6	413.5	442.0	442.0	440.0	435.0	432.0	432.0	432.0	432.0	432.0
Condensate (MB)	8.9	11.0	10.6	8.4	7.3	6.0	5.2	6.0	6.0	6.0	6.0	6.0	6.0
Nickle (tonnes)	25500.0	40300.0	28714.0	39050.0	37200.0	34121.9	30674.1	33000.0	33000.0	33000.0	33000.0	33000.0	33000.0
Cobalt (tonnes)	2900.0	3600.0	2600.0	3600.0	3300.0	3072.5	2866.5	3083.8	3083.8	3083.8	3083.8	3083.8	3083.8

Source: Bank of PNG and Department of Treasury

Table 5: Value of Main Export Commodities (Kina, million)

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj
AGRICULTURE, FORESTRY, FISHERIES													
Copra	115.8	66.0	70.8	64.9	74.0	33.9	57.9	66.6	67.5	67.8	70.3	73.8	74.1
Copra Oil	41.3	36.1	27.5	57.8	55.4	67.1	94.6	87.8	112.9	118.6	124.6	131.2	131.2
Cocoa	246.5	215.5	270.9	308.1	274.7	468.5	1144.6	1491.9	1419.0	1442.4	1548.8	1671.1	1671.1
Coffee	487.9	415.1	502.1	275.1	231.1	396.0	520.2	747.6	751.8	671.4	645.0	666.0	669.0
Palm Oil	1146.8	980.8	1322.0	2594.9	2851.2	1954.1	1834.3	2327.1	2556.7	2643.6	2788.1	2987.1	3184.1
Rubber	19.6	13.7	10.4	12.0	11.8	12.9	13.8	15.5	16.9	18.2	19.6	21.1	22.2
Tea	2.0	1.9	1.2	1.5	0.7	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Other Agriculture (a)	251.0	237.2	316.9	451.6	606.1	475.5	620.6	730.8	815.5	859.9	923.0	993.8	1042.1
Forest Products	1002.0	1238.9	896.0	943.0	1077.0	702.2	813.0	1032.6	1250.9	1280.3	1310.5	1345.5	1345.5
Marine Products	1120.7	1162.0	1225.6	1318.6	1429.5	1506.2	1560.8	1671.3	1793.2	1940.1	2097.8	2269.4	2455.0
Total Agricultural, Forestry, Fishing Exports	4433.5	4367.2	4643.5	6027.6	6611.5	5616.8	6660.3	8171.8	8785.0	9043.1	9528.3	10159.7	10595.1
MINERAL													
Gold	8207.2	10520.1	10551.0	9169.3	7279.7	9510.6	14200.5	23903.9	29319.7	32874.4	36968.2	39395.3	43685.2
Copper	1889.7	2242.0	1706.0	1796.7	2272.2	2408.8	3347.9	4301.0	4230.0	4376.4	4535.6	4700.7	5188.5
Silver	62.5	93.3	74.8	31.1	31.7	33.0	37.9	43.3	47.1	78.0	82.7	85.9	80.9
Oil	910.2	741.4	1016.8	1359.0	2489.7	2126.9	1756.4	1509.4	1535.7	1573.4	1599.1	1625.6	1672.8
LNG	13835.1	15600.2	15846.0	15010.9	25213.4	22833.0	25101.5	21944.2	21614.0	22108.4	24962.9	25751.7	27684.1
Condensate	1891.8	2125.2	1442.0	1992.9	2437.3	1684.4	1589.0	1633.9	1698.7	1765.1	1803.4	1779.1	1829.9
Nickel	1087.0	1953.8	1056.9	2050.1	2874.8	2637.4	1770.7	2006.9	2150.0	2290.4	2449.6	2632.3	2988.6
Cobalt	575.5	392.5	186.1	531.7	571.2	373.7	217.8	381.2	437.3	450.3	462.9	477.6	521.3
Refined Petroleum Products	1394.5	1293.7	933.1	1660.1	2534.0	2171.8	2421.0	2207.5	2341.0	2481.0	2585.6	2601.7	2729.6
Total Mineral Exports	29853.6	34962.4	32812.8	33601.7	45703.9	43779.5	50442.6	57931.3	63373.5	67997.4	75450.0	79049.8	86380.9
TOTAL EXPORT VALUE	34287.0	39329.6	37456.3	39629.3	52315.5	49396.3	57102.8	66103.1	72158.6	77040.5	84978.4	89209.5	96976.0

Source: Bank of PNG and PNG Treasury.

(a) Includes Oil Palm by-products, canned tuna and vanilla.

Table 6: Summary of Balance of Payments (Kina, million)

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj
CURRENT ACCOUNT BALANCE	10334.2	12442.7	11662.1	12085.9	18279.4	17761.3	25165.7	29636.5	32700.7	35800.0	41725.2	43893.5	48908.8
Trade Balance	13035.1	16955.6	13238.2	15047.2	23982.4	23313.1	31108.6	36123.7	39730.9	43466.5	50126.1	53164.3	59397.4
<i>Goods Balance</i>	19255.4	23104.8	18746.5	21515.7	31624.0	30005.1	38552.1	44755.9	49066.2	53079.7	60045.9	63352.1	70978.0
Credit (Exports)	32364	37083	31391	39539	52315	49396	57103	66103	72159	77040	84978	89210	96976
Debit (Imports)	-13109	-13978	-12645	-18023	-20691	-19391	-18551	-21347	-23092	-23961	-24933	-25857	-25998
<i>Services Balance</i>	-6220.3	-6149.3	-5508.3	-6468.4	-7641.5	-6692.0	-7443.5	-8632.1	-9335.4	-9613.2	-9919.8	-10187.9	-11580.6
Services Credit	981	985	338	626	805	1095	1185	1293	1402	1527	1673	1835	2008
Services Debit	-7201	-7134	-5846	-7095	-8446	-7787	-8629	-9926	-10737	-11141	-11593	-12023	-13589
Income Balance (RHS)	-4320.6	-5823.5	-2515.1	-4021.9	-6355.5	-6422.0	-6884.0	-7513.8	-8142.2	-8877.9	-9727.1	-10724.7	-11904.7
Income Credit	190	403	315	322	311	392	424	463	502	543	590	591	592
Income Debit	-4511	-6227	-2830	-4344	-6666	-6814	-7308	-7977	-8644	-9421	-10317	-11316	-12497
Transfers Balance (RHS)	1619.8	1310.7	939.0	1060.5	652.5	870.2	941.1	1026.6	1112.0	1211.4	1326.1	1453.9	1416.1
Transfers Credit	2021	1828	1227	1761	1538	1202	1300	1418	1537	1674	1833	2010	2199
Transfers Debit	-401	-517	-289	-700	-886	-332	-359	-392	-425	-463	-507	-556	-783
Current account balance as percentage of Gross Domestic Product (GDP)	13.0	14.8	14.1	13.2	16.4	16.1	20.8	22.2	22.5	22.7	24.2	23.5	24.3

Source: Bank of PNG and PNG Treasury.

Table 7: Employment Classified by Industry

Index March 2002=100

	2018 Annual	2019 Annual	2020 Annual	2021 Annual	2022 Annual	2023 Annual	2024 Annual	2025 Jun Qtr
Retail	132.9	136.3	136.1	136.6	133.1	130.2	129.5	144.2
Wholesale	197.3	194.4	163.5	156.8	146.4	152.1	154.5	155.5
Manufacturing	168.0	181.7	185.9	198.3	201.9	195.5	210.2	221.5
Building and Construction	162.8	147.2	123.0	101.5	114.8	95.9	86.6	95.8
Transportation	150.2	132.1	127.3	127.4	130.9	143.3	159.2	188.4
Agriculture, Forestry, Fisheries	158.8	159.0	160.9	157.5	163.4	180.0	174.3	172.2
Financial and Business	126.2	130.2	112.7	110.6	115.2	117.3	121.0	115.9
TOTAL NON-MINERAL	151.7	152.2	147.0	146.2	150.6	154.9	157.5	161.7
MINERAL	304.4	358.8	308.8	285.3	314.2	364.4	404.0	425.6

Source: BPNG.

* June Quarter Preliminaries

Table 8: Monetary Aggregates

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Jun Qrt
Domestic Credit	21,379.7	22,474.2	22,994.2	25,138.9	25,201.9	29,743.7	30,639.6	30,389.6
% Change	-6.8	5.1	2.3	9.3	0.3	18.0	3.0	-0.8
Net Credit to Central Government	6,810.6	7,150.4	7,451.1	10,005.0	9,446.9	11,432.6	11,503.3	10,347.0
% Change	-25.6	5.0	4.2	34.3	-5.6	21.0	0.6	-10.1
Credit to Private Sector	11,757.0	12,231.9	12,754.4	12,809.3	13,690.0	16,056.5	16,626.3	17,796.6
% Change	7.1	4.0	4.3	0.4	6.9	17.3	3.5	7.0
Money Supply	21,377.6	22,312.0	23,879.7	26,684.5	30,623.4	34,150.0	33,338.6	33,496.6
% Change	-3.9	4.4	7.0	11.7	14.8	11.5	-2.4	0.5
Money Velocity (M3*) (average)	3.7	3.8	3.5	3.4	3.6	3.2	3.6	4.0

Source: BPNG

*June Quarter Preliminaries

Table 9: Major Assumptions Underlying the Budget

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est.	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj
Economic Growth													
Total Real GDP (%)	-0.3	4.5	-3.2	-0.5	5.7	3.8	3.8	4.5	4.0	3.9	4.1	4.0	3.9
Non-resource Real GDP (%)	4.0	1.6	-0.4	4.2	5.9	4.7	4.5	4.6	4.5	4.9	5.0	5.0	5.0
Inflation													
Average on Average (%)	4.7	3.6	4.9	4.5	5.3	2.3	0.6	4.0	4.2	5.0	5.0	5.0	5.0
Dec on Dec (%)	4.9	2.7	5.1	5.7	3.4	3.9	0.7	3.0	4.7	5.5	4.9	4.9	4.0
Exchange rate													
Real Exchange Rate Index againsts USD (2007 = 100)	140.2	138.7	140.6	138.4	134.5	129.5	118.1	111.8	109.0	109.5	109.9	110.0	110.0
Interest rate													
Kina Rate Facility Year Average (KFR)	6.3	5.9	3.5	3.0	3.1	3.3	2.9	4.3	5.0	5.0	5.0	5.0	5.0
Inscribed Stock (3 year yield)	9.0	10.5	9.0	9.0	0.0	4.7	5.6	0.0	7.2	7.2	7.2	7.2	7.2
Mineral Prices													
Gold (US\$/oz)	1270	1392	1770	1800	1801	1943	2387	3657	3540	3657	3657	3657	3667
Copper (US\$/ton)	6517	6006	6170	9308	8819	8486	9142	9648	9940	10047	10128	10175	10289.211
Oil (Kutubu Crude: US\$/barrel)	64.5	57.0	39.5	67.9	94.3	77.6	79.2	66.2	66.0	67	67	64	60
LNG (US\$ per thousand cubic feet)	10.2	10.6	8.3	10.8	18.3	14.4	12.8	12.3	11.7	11.7	12.8	12.8	12.6
Condensate (US\$/barrel)	64.5	57.0	39.5	67.9	94.3	77.6	79.2	66.2	66.0	67	67	64	60
Nickel (US\$/tonne)	13109	10960	10639	17147	20532	21527	16816	15231	15643	16281	16936	17641	18350
Cobalt (US\$/tonne)	72820	22836	21483	44430	51427	33871	26327	31022	34123	34323	34323	34323	34323

Source: PNG Treasury.

NB: KFR is in annual average

Table 10: Statement of Operations for General Government

Kina Million	Actual			Estimate		Projections			
	2022	2023	2024	2025	2026 Budget	2027	2028	2029	2030
TRANSACTIONS AFFECTING NET WORTH:									
Revenue	18,538.2	19,810.0	20,826.2	25,408.0	28,657.1	31,463.5	34,347.9	39,240.1	43,183.8
Taxes	16,453.6	17,626.9	18,447.0	21,201.0	22,140.5	24,715.3	27,341.7	31,766.2	35,098.8
<i>Taxes on Income, profits, and capital gains</i>	11,252.6	11,730.4	12,364.8	13,707.6	14,879.3	16,053.6	17,473.0	20,613.5	22,439.9
<i>Taxes on payroll and workforce</i>	1.4	2.0	0.3	1.0	2.3	2.5	2.8	3.1	3.3
<i>Taxes on goods and services</i>	4,293.6	5,227.0	5,320.2	6,553.4	6,358.0	7,579.1	8,575.2	9,669.8	10,935.0
<i>Taxes on international trade and transactions</i>	906.0	667.6	761.8	938.9	901.0	1,080.2	1,290.7	1,479.8	1,720.7
Grants	1,472.1	1,158.6	1,180.6	1,500.0	1,943.0	1,993.0	2,043.0	2,093.0	2,143.0
Other Revenue	612.5	1,024.4	1,198.6	2,707.0	4,573.6	4,755.2	4,963.3	5,380.9	5,941.9
<i>Dividends</i>	1,932.5	479.7	642.3	1,531.0	3,100.0	3,105.0	3,115.3	3,311.0	3,520.6
<i>PMMR Revenue</i>	459.3	452.9	408.6	900.0	650.0	751.0	850.3	977.4	1,124.5
<i>Fees and Charges</i>	264.5	87.0	143.7	266.6	616.4	673.3	747.0	818.1	997.0
<i>SWF Inflows</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Interest & Fees from Lending</i>	0.7	0.0	0.0	0.0	200.0	218.8	243.5	267.2	292.7
Resource Revenue	4,024.3	4,309.2	4,267.2	5,607.6	7,800.0	7,755.0	7,957.7	9,858.1	10,360.0
<i>Mining and Petroleum Taxes</i>	2,341.8	3,906.5	3,707.1	4,136.6	4,850.0	4,850.0	5,092.5	6,847.1	7,189.4
<i>Mining, Petroleum and Gas Dividends</i>	1,682.5	402.6	560.1	1,471.0	2,950.0	2,905.0	2,865.3	3,011.0	3,170.6
<i>Transfer from the Stabilization Fund (SWF)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Revenue as percentage of GDP</i>	<i>16.6%</i>	<i>17.9%</i>	<i>17.2%</i>	<i>19.1%</i>	<i>19.7%</i>	<i>19.9%</i>	<i>19.9%</i>	<i>21.0%</i>	<i>21.5%</i>
Total Expenditure and lending	24,389.8	24,614.6	24,757.4	28,357.1	30,265.2	31,450.5	32,968.9	34,536.1	36,326.3
<i>Expense as percentage of GDP</i>	<i>21.9%</i>	<i>22.3%</i>	<i>20.4%</i>	<i>21.3%</i>	<i>20.8%</i>	<i>19.9%</i>	<i>19.1%</i>	<i>18.5%</i>	<i>18.0%</i>
Expense²	19,940.2	20,965.8	21,310.8	22,808.8	23,290.2	24,293.1	25,446.6	26,465.4	27,940.9
Compensation of employees	6,490.3	6,934.2	7,214.6	7,717.9	8,103.3	8,482.8	8,967.0	9,528.6	10,180.5
Use of goods and services	7,466.5	6,911.4	6,604.3	6,845.3	7,628.3	7,848.9	8,260.9	9,108.8	9,516.9
Interest	2,572.5	2,761.3	2,952.5	3,460.6	3,628.2	4,008.7	4,042.1	3,427.5	3,738.9
Grants	3,017.6	4,289.4	4,418.4	4,534.9	3,677.7	3,692.2	3,901.4	4,101.5	4,192.9
Social benefits	0.0	0.0	0.0	104.8	90.2	93.4	98.8	106.7	111.9
Other expense	393.3	69.5	121.0	145.3	162.5	166.9	176.4	192.4	199.7
Net Acquisition of Non-Financial Assets*	4,449.6	3,648.8	3,446.7	5,548.3	6,975.0	7,157.4	7,522.3	8,070.7	8,385.4
Fixed Assets	4,449.6	3,648.8	3,446.7	5,548.3	6,975.0	7,157.4	7,522.3	8,070.7	8,385.4
Policy Adjustments Required**	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	1.0
Gross Operating Balance³	-1,402.0	-1,155.8	-484.6	2,599.2	5,366.9	7,170.4	8,901.3	12,774.6	15,242.9
Net Lending (+) / Net Borrowing (-)	-5,851.8	-4,804.6	-3,931.2	-2,948.3	-1,608.2	13.0	1,379.0	4,704.0	6,857.5
<i>Net lending/borrowing as percentage of GDP</i>	<i>-5.3%</i>	<i>-4.3%</i>	<i>-3.2%</i>	<i>-2.2%</i>	<i>-1.1%</i>	<i>0.0%</i>	<i>0.8%</i>	<i>2.5%</i>	<i>3.4%</i>
Primary Balance ⁴	-3,279.1	-2,043.3	-978.7	511.5	2,020.1	4,021.7	5,421.1	8,131.5	10,596.4
Non-resource net lending (+)/borrowing (-)	-9,875.9	-9,113.8	-8,198.5	-8,556.7	-9,408.1	-7,742.0	-6,578.7	-5,154.1	-3,502.5
Non-resource primary balance	-7,303.4	-6,352.5	-5,245.9	-5,096.1	-5,779.9	-3,733.2	-2,536.6	-1,726.6	236.4
Transactions in financial assets and liabilities	5,851.8	4,804.6	3,931.2	2,949.3	1,608.2	-13.0	-1,379.0	-4,704.0	-6,858.9
Net Acquisition of Financial Assets	-355.7	-547.3	-1,397.4	0.0	0.0	0.0	0.0	0.0	1.0
Domestic	-355.7	-547.3	-1,397.4	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Net Incurrence of Liabilities	5,496.1	4,257.3	2,533.8	2,949.3	1,608.2	-13.0	-1,379.0	-4,704.0	-6,857.9
Domestic	2,276.6	2,176.2	231.8	861.0	67.4	1,016.1	2,096.4	-2,863.3	-4,953.9
<i>Debt securities: Treasury bills</i>	492.6	350.2	-1,383.0	112.7	-977.5	1,039.8	3,137.5	-1,819.8	-3,364.5
<i>Debt securities: Treasury bonds</i>	1,750.0	1,945.0	1,780.4	984.0	634.0	-457.8	-929.0	-929.0	-1,475.0
<i>Loans</i>	34.0	-119.1	-165.5	-235.7	410.9	434.1	-112.2	-114.5	-114.5
External	3,219.5	2,081.1	2,302.0	2,088.3	1,540.8	-1,029.1	-3,475.4	-1,840.7	-1,904.0
<i>Monetary gold and special drawing rights (SDR's)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Debt securities: Sovereign bonds</i>	0.0	0.0	0.0	0.0	0.0	0.0	-1,897.0	0.0	-102.9
<i>Loans</i>	3,219.5	2,081.1	2,302.0	2,088.3	1,540.8	-1,029.1	-1,578.4	-1,840.7	-1,801.1
Gross Domestic Product⁵	111,394.8	110,619.1	121,170.5	133,365.5	145,600.7	157,771.0	172,615.0	186,694.0	201,287.0

Source: Department of Treasury

1. General government represents national and provincial governments, the

2. Include items that may require reclassification due to interfaces from the legacy systems, (The Provincial Government Accounting System, ALESCO payroll and the Department of Public Works and Implementation, Oracle system).

3. Represents, revenue minus expense, excluding consumption of fixed capital (CFC). CFC are not yet calculated and reported for the government

4. Represent net lending/net borrowing excluding interest expense or net

5. Total nominal GDP by economic activity, Actual: National Statistics Office

*Net Acquisition of Non-Financial Assets, excludes operational costs like maintenance and repair of fixed assets which are included in the use of goods

Table 11: Statement of Sources and Uses of Cash

Kina Million	Actuals			Estimate		Projections			
	2022	2023	2024	2025	2026 Budget	2027	2028	2029	2030
CASH FLOWS FROM OPERATING ACTIVITIES									
Revenue Cash Flows	17,066.1	18,656.3	19,645.6	23,926.4	26,737.4	29,494.6	32,329.8	37,172.7	41,067.2
Taxes	16,453.6	17,628.9	18,447.0	21,201.0	22,140.5	24,715.3	27,341.7	31,766.2	35,098.8
Grants	0.0	0.0	0.0	18.4	23.3	24.1	24.9	25.7	26.5
Other Revenue	612.5	1,027.4	1,198.6	2,707.0	4,573.6	4,755.2	4,963.3	5,380.9	5,941.9
<i>Revenue as percentage of GDP</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>
Expense cash flows²	18,283.0	19,591.5	19,287.4	20,496.2	21,094.8	22,035.5	23,123.4	24,073.9	25,478.0
Compensation of employees	6,305.2	6,718.7	6,996.0	7,493.5	7,827.6	8,194.2	8,661.9	9,204.4	9,834.1
Uses of goods and services	7,466.5	6,911.4	5,980.2	6,238.7	7,628.3	7,848.9	8,260.9	9,108.8	9,516.9
Interest	2,572.5	2,761.3	2,952.5	3,460.6	3,628.2	4,008.7	4,042.1	3,427.5	3,738.9
Grants	1,545.5	3,130.8	3,237.8	3,053.3	1,758.0	1,723.3	1,883.3	2,034.1	2,076.4
Other payments	393.3	69.3	120.9	250.1	252.7	260.4	275.2	299.1	311.6
<i>Expense as percentage of GDP</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>
Net cash inflow from operating activities	-1,216.9	-935.1	358.2	3,430.2	5,642.6	7,459.0	9,206.4	13,098.8	15,589.3
CASH FLOWS FROM TRANSACTIONS IN NONFINANCIAL ASSETS									
Net cash outflow from investment in nonfinancial assets	4,449.6	3,648.8	3,446.7	5,548.3	6,975.0	7,157.4	7,522.3	8,070.7	8,385.4
Fixed assets	4,449.6	3,648.8	3,446.7	5,548.3	6,975.0	7,157.4	7,522.3	8,070.7	8,385.4
Expenditure cash flows	22,732.7	23,240.3	22,734.0	26,044.5	28,069.8	29,192.9	30,645.7	32,144.6	33,863.4
Cash surplus (+) / Cash deficit (-)	-5,666.6	-4,583.9	-3,088.4	-2,118.1	-1,332.4	301.6	1,684.1	5,028.1	7,203.9
<i>Surplus/Deficit as percentage of GDP</i>	<i>-5.1%</i>	<i>-4.1%</i>	<i>-2.5%</i>	<i>-1.6%</i>	<i>-0.9%</i>	<i>0.2%</i>	<i>1.0%</i>	<i>2.7%</i>	<i>3.6%</i>
CASH FLOWS FROM TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
Transactions in financial assets and liabilities	5,140.5	3,709.9	1,136.4	2,949.3	1,608.2	-13.0	-1,379.0	-4,704.0	-6,857.9
Net acquisition of financial assets other than cash	-355.7	-547.3	-1,397.4	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-355.7	-547.3	-1,397.4	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	5,496.1	4,257.3	2,533.8	2,949.3	1,608.2	-13.0	-1,379.0	-4,704.0	-6,857.9
Domestic	2,276.6	2,176.2	231.8	861.0	67.4	1,016.1	2,096.4	-2,863.3	-4,953.9
External	3,219.5	2,081.1	2,302.0	2,088.3	1,540.8	-1,029.1	-3,475.4	-1,840.7	-1,904.0
Net cash inflow from financing activities	5,851.8	4,804.6	3,931.2	2,949.3	1,608.2	-13.0	-1,379.0	-4,704.0	-6,857.9
<i>Net cash inflow as percentage of GDP</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Net change in the stock of cash	185.2	220.7	842.8	831.2	275.8	288.6	305.1	324.1	346.0
Gross Domestic Product³	111,394.8	110,619.1	121,170.5	133,365.5	145,600.7	157,771.0	172,615.0	186,694.0	201,287.0

Source: Department of Treasury

1. General government represents National and Provincial Governments, the Autonomous Bougainville government and commercial and statutory authorities. District and local level governments are reflected as grants from provincial governments. The statement is produced to reflect

2. Include items that may require reclassification due to interfaces from the legacy systems, (The Provincial Government Accounting System, ALESCO payroll and the Department of Public Works and Implementation, Oracle system).

3. Total nominal GDP by economic activity, Actual: *National Statistics Office* and Projections: *PNG Treasury*.

Table 12: General Government Revenue 2014 GFS Economic Classification

Kina Million	2022	2023	2024	2025 Budget	2026 Budget	2027	2028	2029	2030
REVENUE¹	18,538.2	19,810.0	20,826.2	25,408.0	28,657.1	31,463.5	34,347.9	39,240.1	43,080.9
TAXES	16,453.6	17,626.9	18,447.0	21,201.0	22,140.5	24,715.3	27,341.7	31,766.2	35,098.8
Taxes on Income, Profits and Capital Gains	11,252.6	11,730.4	12,364.8	13,707.6	14,879.3	16,053.6	17,473.0	20,613.5	22,439.9
Payable by individuals	3,652.1	4,149.8	4,396.6	4,729.0	4,955.0	5,452.3	5,879.4	6,432.2	7,018.1
Personal Income Tax	3,652.1	4,149.8	4,396.6	4,729.0	4,955.0	5,452.3	5,879.4	6,432.2	7,018.1
Salaries/Wages (Group Tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Individual Income Tax (Assessed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payable by corporations and other enterprises	6,844.0	7,002.2	7,212.7	8,179.4	9,014.3	9,605.7	10,485.6	12,965.5	14,090.3
Company Tax	2,756.9	3,031.6	3,418.7	3,959.0	4,023.4	4,601.6	5,221.6	5,930.2	6,694.7
Mining and Petroleum Taxes	4,036.1	3,906.5	3,707.1	4,136.6	4,850.0	4,850.0	5,092.5	6,847.1	7,189.4
Royalties Tax	30.6	38.4	52.1	54.6	83.6	91.4	101.8	111.7	122.3
Management Tax	20.4	25.6	34.7	29.2	57.3	62.7	69.8	76.6	83.9
Other taxes on income, profits and capital gains	756.5	578.3	755.5	799.2	910.0	995.5	1,107.9	1,215.8	1,331.5
Dividend Withholding Tax Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Withholding Tax Non Mining	680.6	375.2	535.8	549.1	633.7	693.3	771.6	846.8	927.4
Interest Withholding Tax	55.3	189.3	204.7	240.4	260.5	285.0	317.2	348.1	381.2
Non-Resident Insurers Withholding Tax	20.3	11.6	14.2	7.4	15.1	16.5	18.4	20.2	22.1
Tax Related Court Fines	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sundry IRC Taxes & Income	0.3	2.2	0.9	2.4	0.7	0.7	0.7	0.7	0.7
Taxes on Payroll and Workforce	1.4	2.0	0.3	1.0	2.3	2.5	2.8	3.1	3.3
Training Levy	1.4	2.0	0.3	1.0	2.3	2.5	2.8	3.1	3.3
Taxes on Goods and Services	4,293.6	5,227.0	5,320.2	6,553.4	6,358.0	7,579.1	8,575.2	9,669.8	10,935.0
General taxes on goods and services	2,505.4	3,617.5	3,151.5	4,265.4	3,860.5	5,156.4	5,719.1	6,321.4	6,921.4
Value Added Tax	2,475.1	3,598.6	3,077.6	4,186.4	3,767.1	5,042.7	5,594.3	6,184.8	6,184.8
GST ²	2,475.1	3,598.6	3,077.6	4,186.4	3,767.1	5,042.7	5,594.3	6,184.8	6,184.8
GST Collection at Provinces	1,693.6	2,937.8	2,304.2	3,357.1	2,997.6	3,629.4	3,970.6	4,343.8	4,752.2
GST Collection at Ports	1,112.4	1,499.8	1,564.7	1,849.0	1,783.6	1,995.1	2,220.5	2,436.8	2,668.7
GST Refunds	330.9	839.0	791.3	1,019.7	1,014.1	1,115.8	1,148.4	1,236.1	1,236.1
GST from IRC Trust	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on financial and capital transactions	30.3	16.9	73.9	79.1	93.4	102.1	113.7	124.8	136.6
Bank Account Debit Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stamp Duties	30.3	16.9	73.9	79.1	93.4	102.1	113.7	124.8	136.6
Excise	1,404.4	1,224.1	1,711.3	1,774.1	2,075.7	2,492.1	2,873.7	3,353.6	3,872.8
Excise Duty	1,157.2	896.5	1,205.2	1,271.1	1,467.4	1,726.6	2,021.7	2,318.6	2,639.3
Import Excise	247.2	327.6	506.1	503.0	608.3	765.5	852.0	1,034.9	1,233.4
Profits of fiscal monopolies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on specific services	371.5	364.6	402.3	487.5	402.9	454.5	521.5	572.3	713.7
Bookmakers' Turnover Tax	35.4	15.9	50.3	52.1	56.5	61.8	68.7	75.0	82.6
Gaming Machine Turnover Tax	328.1	341.5	348.4	427.8	343.9	390.0	449.7	493.5	627.5
Departure Tax	8.0	7.1	3.7	7.6	2.5	2.7	3.0	3.3	3.6
Taxes on use of goods and on permission to use goods or perform services	1.9	3.9	45.9	7.4	8.0	9.7	10.3	10.3	11.0
Motor vehicles taxes	1.7	3.8	45.6	5.0	5.4	7.0	7.6	8.2	8.9
Motor Vehicle Registration	1.7	3.8	45.6	5.0	5.4	7.0	7.6	8.2	8.9
Commercial Vehicle Licenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes on use of goods and on permission to use goods or perform services	0.2	0.1	0.3	2.4	2.6	2.7	2.7	2.1	2.1
Bookmakers' Licenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Coastal Trading Licenses	0.1	0.1	0.3	0.5	0.5	0.6	0.7	0.0	0.0
Registration of Vessels	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inflammable Liquid	0.0	0.0	0.0	1.5	1.6	1.6	1.6	1.6	1.6
Trade Licenses	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Mobile Phone Licenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Import and export trade licences	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurers' and Brokers' Licences	0.1	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Motor Vehicle Trade Licences	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes on goods and services	10.4	16.9	9.3	19.0	10.9	12.0	13.3	14.6	16.0
Sundry Taxes (Customs)	10.4	16.9	9.3	19.0	10.9	12.0	13.3	14.6	16.0
Taxes on International Trade and Transactions	906.0	667.6	761.8	938.9	901.0	1,080.2	1,290.7	1,479.9	1,720.7
Customs and other import duties	469.9	386.2	462.0	539.0	546.4	692.3	859.0	1,006.1	1,201.8
Import Duty	469.9	386.2	462.0	539.0	546.4	692.3	859.0	1,006.1	1,201.8
Taxes on exports	436.2	281.4	299.8	400.0	354.5	387.8	431.7	473.7	518.8
Export Tax	436.2	281.4	299.8	400.0	354.5	387.8	431.7	473.7	518.8
GRANTS	1,472.1	1,158.6	1,180.6	1,500.0	1,943.0	1,993.0	2,043.0	2,093.0	2,143.0
From Foreign Governments	1,060.3	892.1	757.9	1,150.0	1,453.5	1,504.0	1,554.0	1,604.0	1,654.0
Current	848.3	713.7	606.4	920.0	1,162.8	1,203.2	1,243.2	1,283.2	1,323.2
Cash	0.0	0.0	0.0	18.4	23.3	24.1	24.9	25.7	26.5
In-Kind	848.3	713.7	606.4	901.6	1,139.5	1,179.1	1,218.3	1,257.5	1,296.7
Capital	212.1	178.4	151.6	230.0	290.7	300.8	310.8	320.8	330.8
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	212.1	178.4	151.6	230.0	290.7	300.8	310.8	320.8	330.8
From International Organizations	411.8	266.6	422.7	350.0	489.5	489.0	489.0	489.0	489.0
Current	329.4	213.3	338.1	280.0	391.6	391.2	391.2	391.2	391.2
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	329.4	213.3	338.1	280.0	391.6	391.2	391.2	391.2	391.2
Capital	82.4	53.3	84.5	70.0	97.9	97.8	97.8	97.8	97.8
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-Kind	82.4	53.3	84.5	70.0	97.9	97.8	97.8	97.8	97.8
OTHER REVENUE	612.5	1,024.4	1,198.6	2,707.0	4,573.6	4,755.2	4,963.3	5,380.9	5,839.0
Property Income	514.3	517.8	700.3	1,638.0	3,404.2	3,437.8	3,716.5	3,716.5	3,964.1
Interest	0.0	0.0	0.0	0.0	200.0	218.8	243.5	267.2	292.7
Interest from non-residents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from Loans Abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from residents other than general government	0.0	0.0	0.0	0.0	200.0	218.8	243.5	267.2	292.7
Interest on Loans to Ind & Non Profit Organisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Received on Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest from On Lending	0.0	0.0	0.0	0.0	200.0	218.8	243.5	267.2	292.7
Dividends	480.0	479.7	642.3	1,531.0	3,105.0	3,105.0	3,115.3	3,311.0	3,520.6
Mining Petroleum and Gas Dividends	300.0	402.6	560.1	1,471.0	2,950.0	2,905.0	2,865.3	3,011.0	3,170.8
Dividends from Statutory Authorities	100.0	77.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares in Private Enterprise	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends from State Owned Enterprises	80.0	0.0	82.2	60.0	150.0	200.0	250.0	300.0	350.0
Other Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Withdrawals from income of quasi-corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property income from investment income disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rent	34.3	38.1	58.0	107.0	104.2	114.0	126.3	138.2	150.9
Land Lease Rental	33.7	37.9	55.2	100.0	100.0	109.4	121.7	133.6	146.3
License Fees and Royalty Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum Prospecting Licenses	0.6	0.2	2.7	7.0	4.2	4.6	4.6	4.6	4.6
Reinvested earnings on foreign direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales of goods and services	8.4	21.4	14.8	16.7	26.1	27.6	29.2	30.9	32.8
Sales by market establishments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative fees	3.7	7.0	8.8	10.2	11.1	11.3	11.6	11.8	12.2
Incidental sales by nonmarket establishments	4.8	14.4	6.1	6.5	15.0	16.3	17.6	19.1	20.6
Imputed sales of goods and services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fines, penalties, and forfeits	0.1	2.1	1.3	2.7	2.2	2.2	2.2	2.2	2.2
Judicial Fines	0.0	0.0	0.0	1.1	0.5	0.5	0.5	0.5	0.5
Fines - Criminal	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5
District Courts Fines	0.1	2.0	1.2	1.0	1.1	1.1	1.1	1.1</	

Table 13A: General Government Expense by Economic Classification

Kina Million	Actual					Projections				
	2021	2022	2023	2024	2025 Budget	2026	2027	2028	2029	2030
Compensation of Employees	6,093.7	6,490.3	6,934.2	7,214.6	7,717.9	8,103.3	8,482.8	8,967.0	9,528.6	10,180.5
Wages and salaries	5,374.4	5,827.0	6,117.7	6,597.4	6,978.3	7,559.1	7,913.2	8,364.8	8,888.7	9,496.8
Wages and salaries in cash	5,195.2	5,641.9	5,902.2	6,378.8	6,753.9	7,283.4	7,624.5	8,059.7	8,564.5	9,150.5
Wages and salaries in kind	179.2	185.0	215.5	218.6	224.4	275.7	288.6	305.1	324.2	346.4
Employers' social contributions	719.3	663.3	816.5	617.2	739.6	544.2	569.7	602.2	639.9	683.7
Actual social contributions	719.3	663.3	816.5	617.2	739.6	544.2	569.7	602.2	639.9	683.7
Use of goods and services*	6,161.2	7,466.5	6,911.4	6,604.3	6,845.3	7,628.3	7,848.9	8,260.9	9,108.8	9,516.9
Use of goods and services	6,161.2	7,466.5	6,911.4	6,604.3	6,845.3	7,628.3	7,848.9	8,260.9	9,108.8	9,516.9
Use of goods and services	6,161.2	7,466.5	6,911.4	6,604.3	6,845.3	7,628.3	7,848.9	8,260.9	9,108.8	9,516.9
Interest**	2,249.1	2,572.5	2,761.3	2,952.5	3,460.6	3,628.2	4,008.7	4,042.1	3,427.5	3,738.9
To nonresidents	328.2	427.6	792.7	1,068.7	1,228.5	1,399.4	2,525.7	2,631.4	2,625.4	2,656.5
Interest to Non residents	328.2	427.6	792.7	1,068.7	1,228.5	1,399.4	2,525.7	2,631.4	2,625.4	2,656.5
To residents other than general government	1,920.9	2,144.9	1,968.6	1,883.8	2,232.1	2,228.8	1,483.1	1,410.7	802.2	1,082.4
Interest to residents other than general governments	1,920.9	2,144.9	1,968.6	1,883.8	2,232.1	2,228.8	1,483.1	1,410.7	802.2	1,082.4
Grants***	1,915.0	3,017.6	4,289.4	4,418.4	4,534.9	3,677.7	3,692.2	3,901.4	4,101.5	4,192.9
Grants to other general government units	1,915.0	3,017.6	4,289.4	4,418.4	4,534.9	3,677.7	3,692.2	3,901.4	4,101.5	4,192.9
Grants to other general governments current	1,483.2	2,365.6	3,749.9	3,956.4	4,062.9	3,207.7	3,207.9	3,389.7	3,543.3	3,613.5
Grants to other general governments capital	431.8	652.0	539.5	462.0	472.0	470.0	484.3	511.8	558.2	579.4
Social Benefits	0.0	0.0	0.0	0.0	104.8	90.2	93.4	98.8	106.7	111.9
Social assistance benefits	0.0	0.0	0.0	0.0	104.8	90.2	93.4	98.8	106.7	111.9
Social assistance benefits in cash	0.0	0.0	0.0	0.0	104.8	90.2	93.4	98.8	106.7	111.9
Other expenses	61.3	393.3	69.5	121.0	145.3	162.5	166.9	176.4	192.4	199.7
Transfers not elsewhere classified	61.3	393.3	69.5	121.0	145.3	162.5	166.9	176.4	192.4	199.7
Other expense - Current transfers not elsewhere classified	61.3	393.3	69.5	121.0	145.3	162.5	166.9	176.4	192.4	199.7
Net Acquisition Nonfinancial assets****	3,650.4	4,449.6	3,648.8	3,446.7	5,548.3	6,975.0	7,157.4	7,522.3	8,070.7	8,385.4
Nonproduced assets	0.0	0.0	0.0	0.0	8.0	7.9	8.1	8.6	9.3	9.7
NFA: Intangible nonproduced assets	0.0	0.0	0.0	0.0	7.9	0.0	0.0	0.0	0.0	0.0
NFA: Land	0.0	0.0	0.0	0.0	0.1	7.9	8.1	8.6	9.3	9.7
Acquisition of Fixed assets	3,650.4	4,449.6	3,648.8	3,446.7	5,540.3	6,967.1	7,149.3	7,513.8	8,061.3	8,375.7
NFA: Buildings and structures	989.1	958.6	726.7	1,843.9	826.4	832.4	840.8	891.3	944.9	1,001.5
NFA: Dwellings	0.0	0.0	0.0	25.6	4.5	69.0	71.1	75.1	81.9	85.0
NFA: Fixed assets	1,726.8	2,722.5	2,310.7	944.2	3,760.2	4,967.6	5,111.7	5,386.5	5,833.1	6,053.7
NFA: Information, computer, & telecommunications equipment	59.3	52.9	44.2	50.5	144.7	98.7	100.8	106.7	115.0	120.4
NFA: Machinery & equipment other than transport equipment	25.5	28.8	24.0	42.7	27.6	34.0	35.1	37.1	40.4	42.0
NFA: Other structures	0.0	0.0	2.7	0.0	11.5	10.6	10.9	11.5	12.6	13.1
NFA: Transport equipment	1.3	10.6	19.0	4.2	37.6	23.5	24.2	25.6	27.9	29.0
Other expense - Current transfers not elsewhere classified	848.4	678.2	521.5	535.6	727.8	931.3	954.7	980.0	1,005.5	1,031.1
Total expenditure	20,130.7	24,389.8	24,614.6	24,757.4	28,357.1	30,265.2	31,450.5	32,968.9	34,536.1	36,326.3
as % of GDP	21.6%	22.6%	22.1%	20.4%	21.3%	20.8%	19.9%	17.7%	18.5%	18.0%

Source: Department of Treasury

* Use of goods and services includes operational cost like maintenance and repair of fixed assets.

** Excluding fees, other than interest, captured under use of goods and services.

*** Grants are inclusive of payments made to other general government units for the purposes of capital projects.

**** Net Acquisition of Non-Financial Assets, excludes operational costs like maintenance and repair of fixed assets which are included in the use of goods and services.

*****Reflects policy adjustments to be taken. This is inclusive of even split of K581.9m each for policy intervention/adjustments for both operational and capital expenditures

Table 13B: General Government Expense by Agency Type

Kina Million	Estimates				Projections				
	2022	2023	2024	2025 Budget	2026 Budget	2027	2028	2029	2030
National Departments	11,462.7	9,330.7	9,539.5	10,901.0	11,129.6	11,562.0	12,184.1	13,339.9	14,008.3
Compensation of Employees	3,133.9	2,519.8	2,334.2	2,685.1	2,615.3	2,737.8	2,894.1	3,075.4	3,285.8
Wages and salaries	2,555.3	1,806.6	1,820.9	2,025.0	2,242.1	2,347.1	2,481.1	2,636.5	2,816.9
Wages and salaries in cash	2,453.6	1,712.8	1,726.4	1,944.9	2,123.7	2,223.2	2,350.1	2,497.3	2,668.1
Wages and salaries in kind	101.7	93.8	94.5	80.1	118.4	123.9	131.0	139.2	148.7
Employers' social contributions	578.6	713.2	513.4	660.1	373.2	390.7	413.0	438.9	468.9
Actual social contributions	578.6	713.2	513.4	660.1	373.2	390.7	413.0	438.9	468.9
Use of goods and services	5,248.1	4,569.2	3,622.6	3,575.3	3,964.2	4,134.9	4,335.0	4,861.3	5,112.6
Use of goods and services	5,248.1	4,569.2	3,622.6	3,575.3	3,964.2	4,134.9	4,335.0	4,861.3	5,112.6
Use of goods and services	5,248.1	4,569.2	3,622.6	3,575.3	3,964.2	4,134.9	4,335.0	4,861.3	5,112.6
Grants	1,292.9	1,011.3	2,231.1	2,340.3	1,334.8	1,375.5	1,453.5	1,585.3	1,645.5
Grants to other general government units	1,292.9	1,011.3	2,231.1	2,340.3	1,334.8	1,375.5	1,453.5	1,585.3	1,645.5
Grants to other general governments current	1,292.9	1,011.3	2,231.1	2,340.3	1,334.8	1,375.5	1,453.5	1,585.3	1,645.5
Grants to other general governments capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses	357.9	64.2	118.0	132.3	139.3	143.6	151.7	165.5	171.8
Transfers not elsewhere classified	357.9	64.2	118.0	132.3	139.3	143.6	151.7	165.5	171.8
Other expense - Current transfers not elsewhere classified	357.9	64.2	118.0	132.3	139.3	143.6	151.7	165.5	171.8
Net Acquisition Nonfinancial assets	1,429.9	1,166.2	1,233.6	2,127.7	3,041.7	3,134.4	3,312.0	3,612.3	3,749.7
Nonproduced assets	0.0	0.0	0.0	8.0	7.9	8.1	8.6	9.3	9.7
NFA: Intangible nonproduced assets	0.0	0.0	0.0	7.9	0.0	0.0	0.0	0.0	0.0
NFA: Land	0.0	0.0	0.0	0.1	7.9	8.1	8.6	9.3	9.7
Acquisition of Fixed assets	1,429.9	1,166.2	1,233.6	2,119.7	3,033.8	3,126.3	3,303.4	3,603.0	3,739.9
NFA: Buildings and structures	0.0	0.0	1,172.7	0.0	1.0	1.1	1.1	1.2	1.3
NFA: Dwellings	0.0	0.0	25.6	2.4	1.9	2.0	2.1	2.3	2.4
NFA: Fixed assets	1,401.9	1,131.9	91.4	2,014.2	2,960.9	3,051.2	3,224.1	3,516.4	3,656.1
NFA: Information, computer, & telecommunications equipment	4.9	11.2	0.0	64.0	40.6	41.9	44.2	42.4	50.1
NFA: Machinery & equipment other than transport equipment	12.8	8.5	25.9	11.8	10.4	10.8	11.4	12.3	12.9
NFA: Other structures	0.0	0.0	0.0	3.6	3.8	3.9	4.1	4.5	4.7
NFA: Transport equipment	7.2	15.6	0.0	23.7	15.0	15.5	16.4	17.9	18.5
Social Benefits	0.0	0.0	0.0	40.0	31.9	33.4	35.3	37.5	40.0
Social assistance benefits	0.0	0.0	0.0	40.0	31.9	33.4	35.3	37.5	40.0
Social assistance benefits in cash	0.0	0.0	0.0	40.0	31.9	33.4	35.3	37.5	40.0
Out of scope for GFS coding purposes	0.0	0.0	0.0	0.3	2.3	2.4	2.5	2.7	2.8
Out of scope for GFS coding purposes	0.0	0.0	0.0	0.3	2.3	2.4	2.5	2.7	2.8
Provincial Governments	5,178.1	6,152.0	5,900.7	5,816.6	6,481.1	6,627.9	7,004.7	7,397.2	7,716.4
Compensation of Employees	2,120.8	2,291.8	2,629.9	2,598.9	2,864.1	2,998.2	3,169.3	3,367.8	3,598.3
Wages and salaries	2,118.2	2,291.4	2,627.2	2,598.2	2,864.1	2,998.2	3,169.3	3,367.8	3,598.3
Wages and salaries in cash	2,070.7	2,237.0	2,572.7	2,542.3	2,803.2	2,934.5	3,102.0	3,296.3	3,521.8
Wages and salaries in kind	47.6	54.4	55.5	56.6	60.9	63.7	67.4	71.6	76.5
Employers' social contributions	2.6	0.4	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Actual social contributions	2.6	0.4	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Use of goods and services	995.5	754.4	1,234.5	1,101.1	1,296.3	1,335.8	1,411.5	1,539.5	1,598.0
Use of goods and services	995.5	754.4	1,234.5	1,101.1	1,296.3	1,335.8	1,411.5	1,539.5	1,598.0
Use of goods and services	995.5	754.4	1,234.5	1,101.1	1,296.3	1,335.8	1,411.5	1,539.5	1,598.0
Grants	1,642.4	3,039.0	2,011.9	1,978.1	2,081.7	2,047.6	2,163.6	2,206.0	2,225.5
Grants to other general government units	1,642.4	3,039.0	2,011.9	1,978.1	2,081.7	2,047.6	2,163.6	2,206.0	2,225.5
Grants to other general governments current*	1,642.4	3,039.0	2,011.9	1,978.1	2,081.7	2,047.6	2,163.6	2,206.0	2,225.5
Grants to other general governments capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Acquisition Nonfinancial assets	419.3	66.8	24.3	138.5	239.0	246.3	260.2	283.8	294.6
Acquisition of Fixed assets	419.3	66.8	24.3	138.5	239.0	246.3	260.2	283.8	294.6
NFA: Fixed assets	419.3	66.8	24.3	138.5	239.0	246.3	260.2	283.8	294.6
NFA: Buildings and structures	0.0	66.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Autonomous Bougainville Government	420.3	454.6	444.5	486.5	495.4	513.1	542.3	586.4	614.5
Compensation of Employees	134.4	148.2	170.1	159.1	163.8	171.4	181.2	192.6	205.7
Wages and salaries	134.4	148.2	170.1	159.1	163.8	171.4	181.2	192.6	205.7
Wages and salaries in cash	126.6	138.4	160.3	148.9	153.3	160.4	169.6	180.2	192.6
Wages and salaries in kind	7.8	9.8	9.8	10.2	10.5	11.0	11.6	12.3	13.2
Employers' social contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actual social contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of goods and services	137.2	104.0	134.4	187.4	161.6	166.5	176.0	191.9	199.2
Use of goods and services	137.2	104.0	134.4	187.4	161.6	166.5	176.0	191.9	199.2
Use of goods and services	137.2	104.0	134.4	187.4	161.6	166.5	176.0	191.9	199.2
Grants	37.0	108.4	40.0	40.0	70.0	72.1	76.2	83.1	86.3
Grants to other general government units	37.0	108.4	40.0	40.0	70.0	72.1	76.2	83.1	86.3
Grants to other general governments current	0.0	59.4	0.0	0.0	30.0	30.9	32.7	35.6	37.0
Grants to other general governments capital	37.0	49.0	40.0	40.0	40.0	41.2	43.6	47.5	49.3
Net Acquisition Nonfinancial assets	111.7	94.0	100.0	100.0	100.0	103.0	108.9	118.8	123.3
Fixed Assets	111.7	94.0	100.0	100.0	100.0	103.0	108.9	118.8	123.3
Commercial & Statutory Authorities	1,830.5	3,716.0	3,729.5	4,904.6	5,267.0	5,467.3	5,778.2	6,225.7	6,550.4
Compensation of Employees	1,101.1	1,974.4	2,080.3	2,275.3	2,575.3	2,732.3	2,892.8	3,090.7	3,285.8
Wages and salaries	1,019.0	1,871.5	1,979.2	2,195.3	2,289.2	2,396.4	2,533.2	2,691.8	2,876.0
Wages and salaries in cash	991.1	1,814.0	1,919.4	2,117.8	2,203.2	2,306.4	2,438.0	2,590.7	2,768.0
Wages and salaries in kind	27.9	57.5	59.9	77.5	86.0	90.0	95.1	101.1	108.0
Employers' social contributions	82.1	102.9	101.1	79.5	170.9	178.9	189.2	201.0	214.7
Actual social contributions	82.1	102.9	101.1	79.5	170.9	178.9	189.2	201.0	214.7
Use of goods and services	470.5	1,004.2	1,124.1	1,411.5	1,473.9	1,518.8	1,604.9	1,750.4	1,816.9
Use of goods and services	470.5	1,004.2	1,124.1	1,411.5	1,473.9	1,518.8	1,604.9	1,750.4	1,816.9
Use of goods and services	470.5	1,004.2	1,124.1	1,411.5	1,473.9	1,518.8	1,604.9	1,750.4	1,816.9
Grants	45.3	130.7	135.4	176.5	191.1	197.0	208.1	227.0	235.6
Grants to other general government units	45.3	130.7	135.4	176.5	191.1	197.0	208.1	227.0	235.6
Grants to other general governments current	45.3	130.7	135.4	176.5	191.1	197.0	208.1	227.0	235.6
Other expenses	35.4	5.1	2.8	12.7	14.9	14.8	15.7	17.1	17.8
Transfers not elsewhere classified	35.4	5.1	2.8	12.7	14.9	14.8	15.7	17.1	17.8
Other expense - Current transfers not elsewhere classified	35.4	5.1	2.8	12.7	14.9	14.8	15.7	17.1	17.8
Other expense - Premiums	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Acquisition Nonfinancial assets	178.2	601.6	386.8	964.3	1,062.7	1,095.1	1,157.2	1,262.1	1,310.1
Acquisition of Fixed assets	178.2	601.6	386.8	964.3	1,062.7	1,095.1	1,157.2	1,262.1	1,310.1
NFA: Buildings and structures	0.0	0.0	0.0	0.0	4.9	5.0	5.3	5.8	6.0
NFA: Dwellings	0.0	0.0	0.0	0.0	66.7	68.8	72.7	79.2	82.3
NFA: Buildings other than dwellings	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.4	0.4
NFA: Fixed assets	160.8	580.0	347.3	885.3	935.3	963.8	1,018.4	1,110.7	1,153.0
NFA: Machinery & equipment other than transport equipment	14.7	15.5	16.8	23.5	23.5	24.3	25.0	26.0	27.3
NFA: Other structures	0.0	2.7	0.0	7.9	6.8	7.0	7.4	8.1	8.4
NFA: Transport equipment	3.4	3.4	4.2	13.9	8.5	8.7	9.2	10.1	10.4
NFA:									

Table 14: Transactions in Assets and Liabilities for General Government

Kina Million	Actual			Estimate		Projections			
	2022	2023	2024	2025 Budget	2026 Budget	2027	2028	2029	2030
Net Acquisition of Financial Assets	-355.7	-547.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-355.7	-547.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-355.7	-547.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Incurrence of Liabilities	5,496.1	4,257.3	2,533.8	2,949.3	1,608.2	-13.0	-1,379.0	-4,704.0	-6,755.0
<i>Net Incurrence of Liabilities as a % of GDP</i>	5.1%	3.8%	2.1%	2.2%	1.1%	0.0%	-0.8%	-2.7%	-3.6%
Domestic	2,276.6	2,176.2	231.8	861.0	67.4	1,016.1	2,096.4	-2,863.3	-4,953.9
Debt securities	2,242.6	2,295.2	397.3	1,096.7	-343.5	582.0	2,208.5	-2,748.8	-4,839.5
New instruments	17,598.0	17,990.3	16,410.4	18,211.9	16,437.3	14,914.7	17,581.0	15,761.3	13,350.0
Amortisation	-15,355.3	-15,695.1	-16,013.0	-17,115.2	-16,780.8	-14,332.7	-15,372.5	-18,510.0	-18,189.5
Treasury Bills	492.6	350.2	-1,383.0	112.7	-977.5	1,039.8	3,137.5	-1,819.8	-3,364.5
New instruments	14,888.7	14,912.2	12,889.3	15,261.5	13,368.5	12,937.7	16,075.2	14,255.5	12,390.2
Amortisation	-14,396.1	-14,562.0	-14,272.4	-15,148.8	-14,346.0	-11,897.9	-12,937.7	-16,075.2	-15,754.7
Treasury Bonds	1,750.0	1,945.0	1,780.4	984.0	634.0	-457.8	-929.0	-929.0	-1,475.0
New instruments	2,709.3	3,078.1	3,521.0	2,950.4	3,068.8	1,977.0	1,505.8	1,505.8	959.8
Amortisation	-959.3	-1,133.1	-1,740.7	-1,966.4	-2,434.8	-2,434.8	-2,434.8	-2,434.8	-2,434.8
Loans	34.0	-119.1	-165.5	-235.7	410.9	434.1	-112.2	-114.5	-114.5
New borrowing	75.1	22.7	0.0	0.0	600.0	600.0	0.0	0.0	0.0
Amortisation	-41.1	-141.8	-165.5	-235.7	-189.1	-165.9	-112.2	-114.5	-114.5
Insurance, pension, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	3,219.5	2,081.1	2,302.0	2,088.3	1,540.8	-1,029.1	-3,475.4	-1,840.7	-1,801.1
Monetary gold and special drawing rights (SDR's)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	-1,897.0	0.0	0.0
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	-1,897.0	0.0	0.0
Concessional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary financing	0.0	0.0	0.0	0.0	0.0	0.0	1,897.0	0.0	0.0
New instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	-1,897.0	0.0	0.0
Loans	3,219.5	2,081.1	2,302.0	2,088.3	1,540.8	-1,029.1	-1,578.4	-1,840.7	-1,801.1
New borrowing	4,076.3	3,165.7	3,804.3	3,942.5	3,703.5	1,350.5	1,225.6	1,210.0	1,210.0
Amortisation	-856.8	-1,084.6	-1,502.3	-1,854.2	-2,162.7	-2,379.6	-2,804.0	-3,050.7	-3,011.1
Concessional financing	834.5	207.7	-96.7	293.1	-150.0	-276.8	-594.0	-733.7	-694.0
New borrowing	1,447.5	1,028.3	998.9	1,125.8	1,226.0	1,350.5	1,225.6	1,210.0	1,210.0
Amortisation	-612.9	-820.6	-1,095.5	-832.7	-1,376.0	-1,627.3	-1,819.6	-1,943.7	-1,904.0
Commercial financing	-29.0	-40.3	-43.6	54.6	-53.9	-51.6	-149.2	-137.4	-137.4
New borrowing	8.6	0.0	0.0	100.2	0.0	0.0	0.0	0.0	0.0
Amortisation	-37.5	-40.3	-43.6	-45.6	-53.9	-51.6	-149.2	-137.4	-137.4
Extraordinary financing	2,414.0	1,913.7	2,442.3	1,740.7	1,744.7	-700.8	-835.2	-969.7	-969.7
New borrowing	2,620.3	2,137.4	2,805.5	2,716.5	2,477.5	0.0	0.0	0.0	0.0
Amortisation	-206.3	-223.7	-363.2	-975.8	-732.8	-700.8	-835.2	-969.7	-969.7

Source: Department of Treasury

1. General government represents national and provincial governments, the Autonomous Bougainville government and commercial and statutory authorities.

Table 15: Stocks of General Government Debt

Kina Million	2022	2023	2024	2025 Budget	2025 MYEFO	2026 Budget	2027	2028	2029	2030
Domestic	27,534.2	29,716.9	29,948.7	30,577.9	30,809.7	30,877.1	31,893.2	33,989.6	31,126.4	26,172.4
Debt securities	26,372.6	28,674.3	29,071.6	29,771.0	30,168.3	29,824.8	30,406.8	32,615.4	29,866.6	25,027.2
<i>Treasury Bills</i>	13,789.2	14,145.9	12,762.9	14,258.6	12,875.5	11,898.0	12,937.9	16,075.4	14,255.6	10,891.2
<i>Treasury Bonds</i>	12,583.4	14,528.4	16,308.8	15,512.4	17,292.8	17,926.8	17,469.0	16,540.0	15,611.0	14,136.0
Loans	1,161.6	1,042.6	877.1	806.9	641.4	1,052.3	1,486.4	1,374.2	1,259.7	1,145.2
<i>Guarantees</i>	1,161.6	1,042.6	877.1	806.9	641.4	1,052.3	1,486.4	1,374.2	1,259.7	1,145.2
External	26,145.7	28,226.8	31,709.5	30,451.5	33,797.8	35,338.6	34,309.5	30,834.1	28,993.4	27,192.3
Monetary Gold & SDRs	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1	1,244.1
Debt securities	1,760.6	1,760.6	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0	0.0	0.0	0.0
<i>Concessional financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Commercial financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Extraordinary financing</i>	1,760.6	1,760.6	1,897.0	1,897.0	1,897.0	1,897.0	1,897.0	0.0	0.0	0.0
Loans	23,141.0	25,222.1	28,568.4	27,310.4	30,656.7	32,197.5	31,168.4	29,590.0	27,749.2	25,948.2
<i>Concessional financing</i>	11,774.4	11,982.1	12,595.7	12,275.2	12,888.7	12,738.7	12,461.9	11,867.9	11,134.3	10,440.3
<i>Commercial financing</i>	202.5	162.1	121.9	216.7	176.5	122.6	71.1	(78.2)	(215.6)	(353.0)
<i>Extraordinary financing</i>	11,164.1	13,077.8	15,850.8	14,818.5	17,591.4	19,336.2	18,635.4	17,800.2	16,830.5	15,860.9
Total Central Government Debt	53,679.9	57,943.7	61,658.2	61,029.4	64,607.5	66,215.7	66,202.7	64,823.7	60,119.7	53,364.7
<i>Total debt as percentage of GDP</i>	49.8%	52.0%	50.9%	45.8%	48.4%	45.5%	42.0%	37.6%	32.2%	26.5%
Gross Domestic Product²	107,807.3	111,350.8	121,170.5	133,365.5	133,365.5	145,600.7	157,771.0	172,615.0	186,694.0	201,287.0

1. General government represents national and provincial governments, the Autonomous Bougainville government and commercial and statutory authorities.

2. Total nominal GDP by economic activity, Actual: *National Statistics Office* and Projections: *Treasury Department*.

*Note that 2024 actual was adjusted to reflect exchange rate valuation for external debt stock. This increased our debt stock for external loans by K1,180.7 million for 2024.

The exchange rate valuation for 2025 will be reflected in 2025 FBO