Top Level Spending

The PNG Budget is estimated at K15bn. This continues to build on the spending increases of last year- spending is K2.1bn more than 2013 and K4.3bn more than 2012.

By the government’s own projections spending growth will tighten rapidly over coming years. Over 2013 and 2014 spending growth averaged 18%; over 2015 and 2016 is expected to average just 1.1%

The Government highlighted a number of spending commitments that continue over the coming years:

* Housing and Land Development K61 million (K319 million over four years)
* Substantial increases in investment in tertiary education. Universities Infrastructure K222.8 million (K562.8 million over four years);
* Roll-out of Tuition Fee Free Education K605 million (around K3.5 billion over four years);
* Agriculture/SME Development K313 million (around K1.4 billion over four years);
* Hospitals Redevelopment K267.2 million (K762.2 million over four years);
* Completion of facilities for the 2015 South Pacific Games K375 million, including

Revenue

Tax Revenue and Grants is expected to bring in K12.7bn in 2014. This is K2.2bn more than in 2013, an increase of just over 25%

Tax Revenue growth is expected to be strong over 2014 owing in part to growing in Mining and Petroleum of 23%.

In 2014, the compliance efforts by of the IRC and PNG Customs are expected to earn K750m.

Borrowing

The deficit is expected to fall from K2.7bn in 2013 to K2.3bn in 2014 meaning Government will require an amendment to the Fiscal Responsibility Act with Debt/GDP just breaching its own limits.

28 percent of the deficit will be funded by external concessional financing in 2014 compared to 18 percent in 2013. An increasing proportion of domestic financing in 2013 looks to have come from the Bank of PNG rather than private investors.

Importantly the deficit relies on K252m found in efficiency savings and the extra K750m from compliance. In the absence of these adjustments the deficit would be approximately K3355m or 22% higher than in 2013. If this occurred debt/GDP would be closer to 38%- well above the government’s own limits of 35%.