PNG BUDGET PRESENTATION AND IMF GOVERNMENT FINANCE STATISTICS PRESENTATION

1. The Government of Papua New Guinea (PNG) has long presented its budget in a format that was not fully aligned with the International Monetary Fund's (IMF) Government Financial Statistics (GFS) 2014 manual.[1] It has meant some significant differences between PNG's own budget data and the presentation of this data in IMF Article IV reports. However, in recent years Government has been moving the budget presentation into alignment with GFS.[2] This move supports budget transparency and allows for cross country analysis and assessment of the budget elements against rules and common standards.

2. IMF recognizes that the implementation of the fully integrated system described in the GFS Manual will take some time and will need to progress at a pace determined by the differing needs and circumstances of the country involved. In particular, the IMF notes that many countries will need to revise their underlying accounting systems to reflect the accrual basis of recording and revised classifications. Papua New Guinea is not unusual with many countries gradually building their capacity and moving to full use of the GFS.

3. In mid-2019 PNG experienced political change, with a new Treasurer being appointed on 27th August. He directed the budget presentation be moved into full alignment with the GFS manual, thus expediting changes already underway and being supported by the program. This will have implications for budget targets and require an adjustment of the government's medium term fiscal strategy as 2019 budget execution is assessed and the 2020 budget is developed.

Table 1: Comparing Treatment of Budget Items under PNG 2019 Budget and IMF's Government Finance Statistics Manual 2014

Budget item	IMF's GFS requirements	Impact on 2019 budget elements
GDP estimates	Uses a lower starting base and different assumptions regarding projecting the GDP deflator forward.	PNG's nominal GDP would be lowered using IMF approach, by as much as 10%. This impacts all GDP ratios (including debt), and possibly inflation estimates.
Public debt	All contingent liabilities should be presented. When payments are made on a contingent liability it needs to be treated as a debt.	More contingent liabilities would be reflected. Debt level would increase as interest payments are being made on some publicly guaranteed loans.
Public assets	As debt is brought on to the books so should the associated assets.	Assets would increase.

4. The table outlines the areas of major difference between PNG's traditional presentation of budget data, as exemplified in PNG's 2019 Budget and the July 2019 Mid-Year Economic and Fiscal Outlook, and that required under GFS. The focus is on the elements which are being treated differently from a technical perspective, and excludes differences in estimates and forecasts largely due to their being produced at different points in time utilizing different assumptions (broadly these differing assumptions result in IMF having higher revenue and expenditure forecasts and a higher deficit forecast than government presented in its July 2019 mid-year outlook).

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1 IMF. 2014. *Government Finance Statistics Manual 2014*. Washington D.C.

2 Under the Health Services Sector Development Program action 1.2.2 in subprogram 1 saw (i) the FY2018 Budget Estimate of Revenue and Expenditure prepared using the GFS methodology. and action 1.2.2 under subprogram 2 whereby in the 2019 budget there was (i) use of classifications of the functions of government at the spending agency level, and program level for agencies that cover two or more functions; (ii) publication of descriptive information at the program level and performance information by department/spending agency; and (iii) separate budget line items for family, maternal and child health.