



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

PAPUA NEW GUINEA

Government Finance Statistics and Public Sector
Debt Statistics Mission (August 2 – 15, 2023)

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The International Monetary Fund's mission to Papua New Guinea sought to revitalize the development of fiscal and debt statistics following a period of disruption caused by a ransomware attack, Covid-19, and high staff turnover. To that end, the mission provided a combination of formal training and technical assistance on the priority development areas, notably on the resolution of the general data quality issues, the expansion of the statistical coverage to the provincial tier of government, and the compilation of debt statistics for the state-owned enterprises.

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Background

- 1. In response to a request from the authorities of Papua New Guinea (PNG), an in-person technical assistance mission was conducted in Port Moresby during August 2 – 15, 2023.** The mission assisted the Department of Treasury (DOT) in improving the compilation and dissemination of government finance statistics (GFS) and public sector debt statistics (PSDS) and assessed the progress in implementing the recommendations made during the previous missions against the IMF Results Based Management framework. The mission was conducted under the GFS and PSDS workstream of the Data for Decisions (D4D) Fund, a multi-donor initiative aimed at strengthening the quality of national statistical outputs to better support economic policy making in low- and lower-middle income countries, and of the Pacific Financial Technical Assistance Center (PFTAC).
- 2. The initial success in the implementation of the international standards was followed by a period of limited development.** Since the start of the first capacity development project aimed at strengthening the country's fiscal and debt statistics in 2012, PNG has become one of the regional leaders in their production and dissemination. However, data limitations underpinned by the complexity of PNG's public sector have proved hard to resolve. These longstanding challenges were compounded by the effects of the Covid-19 pandemic, high staff turnover and a 2021 malware attack. In these circumstances, very limited progress has been made in recent years as the authorities' priority shifted from development to sustaining the compilation and rebuilding staff expertise.
- 3. The implementation of the recommendations made by this mission is essential for enhancing fiscal transparency.** The PNG authorities have demonstrated commendable resilience of the GFS compilation in the face of recent disruptions. However, the present set of the statistical outputs and their coverage remain incomplete. The preservation of the status quo would fail to meet a longer-term demand for data, as well as government's ambition to increase transparency across all tiers of government. Robust balance sheet estimates are particularly relevant in the context of the arrangements under the IMF Extended Credit Facility, which support strengthening PNG's debt sustainability. To succeed in this objective, the authorities must improve the measurement of the fiscal and debt data.

Summary of Findings

- 4. Although generally produced to an adequate standard, the GFS for the budgetary sector requires a resolution of the longstanding methodological issues.** The high granularity of the national government's financial data enables its reasonably accurate conversion to the GFS format. However, segments of the less robust estimates exist. These include but are not limited to fragmentary balance sheet information, an inconsistent treatment of transfers, and an imprecise allocation of expenditure to the functional categories. These deficiencies impair the usefulness of the statistical data and should be resolved at the earliest opportunity.
- 5. Quality assurance practices should be enhanced.** The dataset for the fiscal year (FY) 2021 contained material imperfections outside the aforementioned development areas. While not affecting the main aggregates, these deficiencies complicated the interpretation of the statistical data. To limit the scope for future errors, the authorities should enhance the quality assurance procedures and develop a set of quality checks, assigning a formal responsibility for them to the members of staff.
- 6. The success of the coverage expansion is conditional on strengthening the institutional sector classification function.** The boundary of fiscal statistics is broader than the boundary of the

budgetary sector and should encompass all units under public sector control. With hundreds of statutory and commercial authorities at both national and subnational levels, PNG has no exhaustive list of public entities and their statistical classification. The missions emphasized the importance of creating a single public sector institutional list and establishing a formal committee that would assist the GFS compilers in putting together and maintaining such a list.

7. **GFS for the provincial government could be compiled from the information already in possession of the DOT.** Notwithstanding the need to strengthen institutional sector classification, the DOT already collects the financial information from the 21 provincial governments and the Autonomous Region of Bougainville Government as part of the budgetary process. These data are sufficient to compile the GFS flow statements and the mission recommended that the development of the compilation methods should commence immediately.

8. **The authorities should make the full use of the available dissemination tools, notably the Quarterly Public Sector Debt (QPSD) database.** The DOT have been disseminating the debt statistics through World Bank’s Quarterly External Debt Statistics (QEDS) database. The database provides a focused view of the external debt, but it should be considered as just one piece within the wider collection of complementary datasets, each supporting specific streams of fiscal and macroeconomic analysis. It is important that the authorities should disseminate their debt and the broader balance sheet data through other available channels, including World Bank’s QPSD and IMF’s GFS annual databases.

9. **The coverage of the debt statistics should be extended to the state-owned enterprises (SOEs).** The previous missions developed methods for compiling the SOE debt. This mission updated the estimates and handed over the production files to the DOT staff. The compilation of the SOE debt statistics is ready to be embedded into the regular production process. As such, the authorities should initiate the domestic compilation of these statistics, whilst the provision of further TA in this area may remain available as a mechanism for continuous upskilling of the relevant staff.

Summary of Recommendations

Table 1. Priority recommendations

Priority Recommendation	Responsible Institutions	Target Completion Date
Disseminate the debt data through the QPSD and GFS databases	DOT—FMD	November 2023
Maintain the compilation and dissemination of the SOE debt data	DOT—FMD	January 2024
Establish a formal institutional sector classification committee	DOT—MPD	June 2024