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Papua New Guinea: Statistical Appendix

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PAPUA NEW GUINEA

Statistical Appendix

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Approved by the Asia and Pacific Department

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Table 1. Papua New Guinea: Contribution to GDP by Sector
at Current Market Prices, 1994-98

(In millions of kina)

	1994	1995	1996	1997	Est. 1998
Agriculture, hunting, forestry, and fishing	1,532	1,693	1,832	1,872	1,885
Mining and quarrying	673	1,086	836	655	1,285
Petroleum	604	708	916	729	722
Manufacturing	454	497	603	648	693
Electricity and other utilities	73	80	90	92	104
Construction	237	196	384	361	458
Commerce	477	521	607	669	693
Transportation and storage	285	318	350	377	409
Finance and real estate	51	57	70	77	87
Community and social services (including defense)	807	859	884	963	971
Import duties	247	294	341	372	407
Gross domestic product	5,440	6,309	6,914	6,815	7,714
(Percent change)	8.5	15.9	9.6	-1.4	13.2
<i>Of which: Nonmining GDP</i>	4,163	4,515	5,162	5,431	5,707
(Percent change)	14.5	8.5	14.3	5.2	5.1

Sources: Bank of Papua New Guinea; and National Statistical Office.

Table 2. Papua New Guinea: Contribution to GDP by Sector
at Constant 1983 Prices, 1994-98

(In millions of kina)

	1994	1995	1996	1997	<u>Est.</u> 1998
Agriculture, hunting, forestry, and fishing	950	970	1,029	985	923
Mining and quarrying	393	399	301	257	410
Petroleum	558	475	504	359	390
Manufacturing	262	259	298	314	313
Electricity and other utilities	41	42	44	44	47
Construction	135	101	171	158	187
Commerce	351	347	382	412	399
Transportation and storage	169	174	181	191	193
Finance and real estate	31	32	37	39	41
Community and social services (including defense)	472	455	420	440	397
Import duties	143	148	154	162	146
Gross domestic product	3,505	3,403	3,521	3,361	3,443
(Percent change)	4.5	-2.9	3.5	-4.6	2.4
<i>Of which: Nonmining GDP</i>	2,554	2,529	2,716	2,745	2,644
<i>(Percent change)</i>	8.2	-1.0	7.4	1.0	-3.7

Sources: Bank of Papua New Guinea; National Statistical Office; and Fund staff estimates.

Table 3. Papua New Guinea: Employment Classified by Sector, 1994-98

(June 1989 = 100)

	1994	1995	1996	1997	1998	
					March Quarter	June Quarter
Retail	88.4	92.6	94.8	103.9	109.6	109.9
Wholesale	90.6	82.3	82.1	82.5	83.2	82.4
Manufacturing	120.1	110.2	114.7	119.2	119.3	114.8
Building and construction	77.8	69.6	89.4	85.8	73.6	72.7
Transportation	95.2	89.6	96.5	99.4	98	97.7
Agriculture, forestry, and fisheries	101.1	87.4	90.8	83.5	71.6	70.1
Financial and business services	102.3	111.0	116.1	127.3	135.6	134.4
Mining 1/	104.9	112.2	116.2	113.9	114.4	137.8
Total	98.1	93.5	100.5	100.4	95.1	93.6
Total (percentage change)	7.3	-4.7	7.5	-0.1	-5.3	-1.6

Source: *Quarterly Economic Bulletin*, Bank of Papua New Guinea, Table 10.6.

1/ Not included in overall index; excludes subcontractors.

Table 4. Papua New Guinea: Consumer Price Index by Commodity Group, 1994-98

	Food	Drinks, Tobacco, and Betelnut	Clothing and Footwear	Rents, Fuel, and Power	Household Equipment and Operations	Transporta- tion and Communications	Miscella- neous	Total
(1977 = 100)								
1994	240.9	334.7	191.8	194.7	218.6	383.2	179.3	265.9
I	238.3	332.1	188.9	194.9	216.6	363.9	176.8	261.4
II	236.8	323.2	189.9	194.5	217.0	369.3	177.6	259.8
III	239.2	326.5	191.1	193.6	218.1	370.4	178.7	216.7
IV	249.2	357.0	197.1	195.9	222.6	429.4	183.9	280.7
1995	284.3	374.1	209.2	204.2	249.2	485.4	230.1	311.9
I	261.5	374.7	199.9	202.0	231.2	433.2	217.2	293.4
II	274.6	350.4	206.4	202.4	244.2	459.9	220.3	298.5
III	294.6	368.5	210.3	205.9	253.8	533.9	239.5	322.3
IV	306.4	402.8	220.2	206.3	267.6	514.7	243.4	333.2
1996								
I	315.9	399.7	226.1	208.5	276.9	546.7	281.5	344.4
II	321.6	390.9	229.7	211.7	280.4	546.7	285.4	345.9
III	329.3	397.6	236.4	211.5	284.2	548.0	289.3	351.4
IV	326.6	417.9	239.0	210.3	285.8	517.5	290.3	350.8
1997								
I	329.8	424.6	247.7	215.4	284.8	496.6	325.4	354.2
II	341.4	422.0	249.6	217.5	289.9	494.4	327.0	358.8
III	351.4	426.6	255.6	218.9	298.2	495.3	326.9	364.9
IV	354.1	442.4	257.3	217.7	302.1	495.1	328.5	369.5
1998								
I	363.8	468.9	278.1	213.5	309.9	537.9	288.9	382.7
II	376.7	469.7	278.2	213.5	324.4	561.5	298.7	392.6
III	404.8	510.4	287.8	216.6	346.6	589.8	308.2	418.7
IV	415.3	613.4	300.5	222.3	367.6	615.3	318.5	450.1
(In percent)								
Memorandum item:								
Weights 1/								
In total basket	40.9	20.0	6.2	7.2	5.3	13.0	7.5	100.0

Source: *Quarterly Economic Bulletin*, Bank of Papua New Guinea, Table 10.3.

1/ Weights are based on the 1977 expenditure survey.

Table 5. Papua New Guinea: Summary of Central Government Operations, 1994-99

(In millions of kina)

	1994	1995	1996	1997	Budget 1998	Est.	Budget 1999
Total revenue and grants	1,446	1,702	1,898	2,202	2,411	2,316	2,485
Classification by sector							
Mineral revenue	281	282	424	451	376	312	416
Nonmineral revenue	1,002	1,203	1,303	1,439	1,585	1,541	1,608
Classification by source							
Tax revenue	1,124	1,208	1,526	1,675	1,673	1,582	1,762
Mineral sector	272	257	405	390	298	241	340
Other	852	951	1,121	1,285	1,375	1,341	1,422
Nontax revenue 1/	159	259	201	215	289	271	262
Foreign grants 2/	163	236	170	312	450	463	461
Total expenditure	1,572	1,756	1,861	2,192	2,500	2,449	2,630
Recurrent expenditure	1,445	1,519	1,608	1,820	1,964	1,914	1,768
Classification by category							
Wages and salaries 3/	440	590	604	655	655	673	655
Interest payments	185	273	257	298	466	330	401
Others 3/	820	656	747	867	843	911	712
Classification by spending unit 4/							
National departments	676	782	720	820	771	...	713
Provincial	347	335	526	585	615	...	500
Others	237	128	105	117	113	...	90
Development expenditure 2/, 5/	127	231	253	373	536	536	862
Overall balance	-126	-54	37	10	-89	-133	-145
Financing	126	54	37	10	89	133	145
Foreign borrowing (net)	-118	-44	11	-73	103	-96	85
Concessional	-11	-38	29	20	-30	-7	-1
New borrowing	44	56	119	100	104	124	161
Amortization	-55	-93	-89	-80	-134	-131	-162
Commercial	-107	-130	-36	-127	-59	-89	-136
New borrowing	0	0	0	0	0	0	0
Amortization	-107	-130	-36	-127	-59	-89	-136
Exceptional financing	0	124	17	34	192	0	222
Domestic financing (net) 1/	244	98	-48	64	-15	229	60

Sources: Department of Treasury and Planning; and Fund staff estimates.

1/ Receipts from asset sales are included in nontax revenues through 1998, but they are treated as domestic financing in the official classification adopted for the 1999 Budget. For 1998, K 50 million paid by PNGBC for the acquisition of MVIT is excluded from nontax revenues.

2/ Excludes Australian project assistance prior to 1997.

3/ Retrenchment payments included in wages for 1999, and in other expenditures in prior years.

4/ Excluding interest payments and, for 1999, excluding retrenchment payments.

5/ Before 1996, proxied by item "construction and maintenance" in old budget presentation.

Table 6. Papua New Guinea: Central Government Revenue and Grants, 1994-99

(In millions of kina)

	1994	1995	1996	1997	Budget 1998	Est.	Budget 1999
Tax revenue	1,124	1,207	1,526	1,675	1,673	1,582	1,762
Taxes on income	636	677	912	1,004	969	1,005	1,037
Individuals	194	258	317	368	399	447	431
Companies	109	99	118	150	156	184	145
Dividend withholding tax	27	28	34	34	36	42	43
MRSF taxes	272	257	405	390	298	241	340
Other direct	34	36	37	62	80	91	77
<i>Of which: Gaming tax</i>	0	0	0	18	22	23	...
Excise tax	104	103	115	149	168	156	150
Other indirect	0	0	1	0	0	0	1
Taxes on international trade	384	427	498	521	536	421	465
Import duties	247	294	341	372	441	390	435
Export duties	137	133	157	149	95	31	30
New tax initiatives	...	...	...	...	...	...	109
Nontax revenue 1/	159	278	201	215	289	271	262
Property income 1/	85	165	116	103	195	127	118
Dividends	31	48	37	42	42	42	42
Other 1/	49	92	60	0	75	14	0
MRSF dividend and other	10	25	19	61	78	71	76
Dividends	4	0	0	17	5	17	20
Other	5	25	19	44	73	54	56
Interest and fees from lending	5	4	3	2	4	4	14
Other nontax revenue	69	109	82	111	90	140	130
Foreign grants	163	237	170	312	450	463	461
Budgetary support	...	184	165	133	114	122	73
Project grants	...	53	6	179	336	342	388
Total revenue and grants	1,446	1,722	1,898	2,202	2,411	2,316	2,485

Sources: Papua New Guinea Department of Treasury and Planning; and Fund staff estimates.

1/ Receipts from asset sales are included in nontax revenues through 1998, but they are treated as domestic financing in the official classification adopted for the 1999 Budget. For 1998, K 50 million paid by PNGBC for the acquisition of MVIT is excluded from nontax revenues.

Table 7. Papua New Guinea: Central Government Expenditure, 1995-99 1/

(In millions of kina)

	1995	1996	1997	<u>Budget</u> 1998	<u>Est.</u> 1998	<u>Budget</u> 1999
Recurrent expenditure	1,519	1,609	1,820	1,964	1,914	1,768
National and statutory	910	826	938	883	948	803
Salaries and wages	334	346	367	359	377	299
Goods and services 2/	447	374	453	411	441	413
Statutory authorities	127	112	120	118	135	95
Net lending to CSAs	1	-6	-3	-5	-5	-5
Provincial departments	335	525	585	615	636	500
Salaries and wages	256	258	288	296	296	291
Goods and services 2/	79	77	73	109	109	93
Conditional grants	0	190	224	211	231	116
Interest payments	273	257	298	466	330	401
Domestic	179	175	206	343	225	238
External	94	83	91	124	105	163
Retrenchment costs 2/	...	...	...	...	...	65
Development expenditure	238	253	373	536	536	862
National and statutory	220	253	318	493	479	783
Provinces	18	0	55	43	57	78
Total expenditure	1,757	1,861	2,192	2,500	2,449	2,630
Memorandum items:						
Total wages and salaries 3/	591	604	655	655	673	655
Total goods and services	526	451	526	520	550	507

Source: Papua New Guinea Department of Treasury and Planning; and Fund staff estimates.

1/ Prior to 1995, expenditure was classified in a different format. It is not possible to meaningfully translate data prior to 1995 into the new format. See Papua New Guinea--Recent Economic Developments, January 9, 1998 (SM/98/4), Table 7a.

2/ Any retrenchment costs prior to 1999 are classified in goods and services.

3/ For 1999, includes retrenchment costs.

Table 8. Papua New Guinea: Central Government Expenditure
by Function, 1994-97 1/

(In millions of kina)

	1994	1995	1996	<u>Est.</u> 1997
General government affairs	385	486	524	945
Community and social affairs	506	488	494	431
Economic affairs	306	358	359	354
Multifunctional	142	150	165	373
Public debt service 1/	384	487	435	545
Total	1,722	1,969	1,977	2,648

Source: Papua New Guinea Department of Treasury and Planning.

1/ Includes amortization payments.

Table 9. Papua New Guinea: Mineral Resources Stabilization Fund, 1994-99

(In millions of kina)

	1994	1995	1996	1997	<u>Est. 1/</u> 1998	<u>Budget</u> 1999
Total receipts	282	282	424	451	321	416
Company tax	273	257	405	391	250	340
Dividends on government shareholdings	4	0	0	17	17	20
Other receipts	5	25	19	44	54	56
Transfers to central government budget	213	170	195	287	330	416
Net change in fund balance	69	112	229	164	-9	0
Balance at end of period	190	302	531	695	686	686

Source: Data provided by the Papua New Guinea authorities.

1/ Authorities' estimates.

Table 10. Papua New Guinea: Government Domestic Debt Outstanding, 1994-98 1/

(In millions of kina, unless otherwise indicated)

	1994	1995	1996	1997	1998		
					Mar.	June	Sept.
Total	1,424	1,606	1,970	2,252	2,224	2,218	2,218
(In percent of GDP)	25.7	24.9	28.3	33.6	...	...	...
By creditor							
Bank of Papua New Guinea	612	634	622	951	1,101	1,068	1,469
Commercial banks	433	756	1,132	1,062	901	907	508
Other financial institutions	64	56	75	77	64	64	76
Commodity stabilization funds	194	0	0	0	0	0	0
Other government agencies 2/	0	0	5	22	25	28	28
Superannuation funds	121	102	81	87	86	87	87
Other	0	57	54	53	47	64	50
By instrument							
Long-term securities and loans	416	388	354	320	292	286	286
Treasury bills	1,008	1,218	1,615	1,932	1,932	1,932	1,932
Balance of MRSF	190	302	531	696	662	616	614
Net domestic debt	1,234	1,304	1,438	1,555	1,562	1,602	1,604
(In percent of GDP)	22.3	20.7	20.8	22.8	20.3	20.8	20.8
Memorandum items:							
Debt held outside BPNG	812	972	1,347	1,300	1,123	1,150	749
(In percent of GDP)	14.7	15.4	19.5	19.1	14.6	14.9	9.7

Source: Bank of Papua New Guinea, *Quarterly Economic Bulletin*, Table 8.4.

1/ Excluding arrears.

2/ Including public authorities.

Table 11. Papua New Guinea: Provincial Governments' Budget Revenue, 1997-98

(In millions of kina)

Province	1997			1998		
	Grants 1/	Internal	Total	Grants 1/	Internal	Total
Bougainville	22.7	1.7	24.4	19.0	1.7	20.7
Central	22.9	5.1	28.0	23.9	7.5	31.4
East New Britain	27.0	10.0	37.0	32.9	13.1	46.0
East Sepik	36.1	2.8	38.9	37.8	3.6	41.4
Eastern Highlands	39.5	10.0	49.5	42.6	5.9	48.5
Enga	39.8	5.8	45.6	36.7	9.6	46.3
Fly River	31.7	20.9	52.6	34.2	21.0	55.2
Gulf	19.9	1.9	21.8	20.8	4.0	24.8
Madang	32.4	5.2	37.6	36.1	14.7	50.8
Manus	9.4	2.1	11.5	10.9	1.6	12.5
Milne Bay	27.1	10.0	37.1	29.6	12.0	41.6
Morobe	50.9	24.3	75.2	54.3	33.3	87.6
New Ireland	21.1	5.6	26.7	23.8	9.6	33.4
National Capital District	16.9	57.2	74.1	15.6	60.0	75.6
Oro	18.1	7.9	26.0	19.1	2.8	21.9
Sandaun (West Sepik)	21.4	2.9	24.3	23.9	3.6	27.5
Simbu	25.5	1.2	26.7	27.8	3.2	31.0
Southern Highlands	51.3	27.9	79.2	56.3	24.7	81.0
West New Britain	22.3	7.0	29.3	24.8	8.0	32.8
Western Highlands	41.5	12.7	54.2	44.4	12.0	56.4
Total	577.5	222.2	799.7	614.5	251.9	866.4

Source: Papua New Guinea Department of Treasury and Planning.

1/ From central government.

Table 12. Papua New Guinea: Financial Performance of Major
Nonfinancial Public Enterprises, 1994-98

(In millions of kina)

	1994	1995	1996	1997	1998
Electricity Commission					
Revenue	101.5	109.8	109.1	106.7	116.5
Costs	90.9	84.7	84.1	98.2	99.2
Operating profit 1/	10.5	17.1	25.0	8.5	17.3
ROI (percent) 2/	2.6	4.3	6.0	3.5	4.3
Air Niugini					
Revenue	154.8	179.7	200.0	206.4	206.0
Costs	149.1	187.7	195.3	207.5	215.3
Operating profit 1/	5.7	-8.0	5.1	-1.2	-9.3
ROI (percent) 2/	3.9	-5.1	3.3	-0.7	-4.9
Harbours Board					
Revenue	24.3	24.8	28.3	30.1	24.8
Costs	21.8	22.8	26.2	29.3	23.7
Operating profit 1/	2.5	2.0	2.1	0.8	0.8
ROI (percent) 2/	2.0	1.3	1.2	0.4	0.45

Source: Data provided by the Papua New Guinea authorities.

1/ Before tax and interest payments; minus sign denotes operating loss.

2/ Rate of return on investment, defined as the ratio of operating profits to fixed assets.

Table 13. Papua New Guinea: Monetary Survey, 1994-98

(In millions of kina; end of period)

	1994	1995	1996	1997				1998			
				Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec. (est.)
Net foreign assets	71	292	845	831	819	822	781	493	556	603	450
Bank of Papua New Guinea	-7	209	716	693	690	643	589	308	401	414	322
Commercial banks	79	83	129	138	129	179	192	185	155	189	128
Net domestic assets	1,552	1,554	1,587	1,636	1,607	1,661	1,817	2,085	2,096	2,130	2,195
Domestic credit	1,751	1,776	1,891	1,904	1,968	1,988	2,320	2,500	2,682	2,700	2,787
Credit to consolidated central government, net 1/	749	805	912	841	833	843	1,054	1,049	1,076	978	1,155
Credit to other sectors 2/	1,001	972	980	1,063	1,135	1,145	1,266	1,451	1,606	1,721	1,632
Other items (net)	-198	-222	-305	-268	-361	-327	-503	-415	-586	-570	-592
Broad money	1,624	1,845	2,432	2,467	2,426	2,483	2,598	2,578	2,652	2,733	2,645
Narrow money	571	647	865	888	946	919	919	877	902	957	...
Currency in circulation	166	182	657	709	718	707	695	680	670	693	...
Demand deposits	405	465	208	178	228	213	225	197	232	264	...
Quasi-money	1,052	1,198	1,567	1,579	1,480	1,563	1,679	1,701	1,749	1,776	...
Savings deposits	270	273	312	294	324	330	330	308	322	330	...
Time and foreign currency deposits	782	925	1,255	1,285	1,155	1,233	1,349	1,393	1,427	1,446	...

Sources: Data provided by the Papua New Guinea authorities; and Fund staff estimates.

1/ Includes credit to the central government plus the commodity stabilization funds.

2/ Includes credit to provincial governments and nonfinancial public enterprises.

Table 14. Papua New Guinea: Balance Sheet of the Bank of Papua New Guinea, 1994-98

(In millions of kina; end of period)

	1994	1995	1996	1997				1998			
				Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec. (est.)
Net international reserves	-7	208	716	693	690	643	589	308	401	414	322
International reserves 1/	112	357	789	769	768	719	667	383	475	490	406
Foreign liabilities	-119	-149	-73	-76	-78	-75	-78	-74	-74	-76	-84
Net domestic credit	398	205	-23	-59	-128	-117	120	292	362	656	718
Net credit to central government 2/	115	-30	-253	-288	-357	-339	-97	124	201	506	596
Credit	777	593	587	608	579	648	881	1,030	1,029	1,410	...
Advances	0	0	0	45	63	158	0	0	0	0	...
Government securities	777	593	587	563	516	491	881	1,030	1,029	1,410	...
Deposits	-662	-623	-840	-897	-935	-987	-978	-906	-828	-904	...
Mineral Resources Stabilization Fund	-190	-302	-531	-594	-622	-669	-696	-662	-616	-614	...
Other	-472	-321	-309	-302	-313	-318	-281	-245	-212	-290	...
<i>Of which</i> : Commodity stabilization funds	...	...	-225	-225	-224	-216	-212	-164	-157	-145	-118
Credit to commercial banks 3/	283	234	229	228	228	220	217	169	161	149	122
Commodity stabilization funds	261	230	227	226	225	218	214	166	158	147	119
Other	22	4	2	2	2	2	3	2	3	2	3
Credit to private sector	0	1	1	1	1	1	1	0	1	1	1
Other assets, net	-172	-162	-360	-326	-249	-230	-408	-325	-436	-424	-403
Reserve money	220	250	333	308	312	295	302	276	328	646	637
Currency issued	209	223	254	230	284	262	276	237	279	305	...
Currency in circulation	166	182	208	178	228	213	225	197	232	264	...
Currency with banks	43	41	46	52	56	49	51	39	47	42	...
Commercial bank deposits	10	27	79	78	28	34	26	40	49	341	...
<i>Of which</i> : Kina auction deposits	0	0	45	35	25	20	20	16	20	20	...

Sources: Data provided by the Papua New Guinea authorities; and Fund staff estimates.

1/ Defined to comprise holdings of gold, foreign exchange, SDRs, and the reserve position in the Fund.

2/ Excluding credit to, but including deposits of commodity stabilization funds.

3/ In this treatment, commodity stabilization fund deposits are not netted out of credit to commercial banks, but out of credit to central government.

Table 15. Papua New Guinea: Assets and Liabilities of Commercial Banks, 1994-98

(In millions of kina; end of period)

	1994	1995	1996	1997				1998			
				Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec. (est.)
Reserves	53	70	125	129	84	83	77	79	96	383	...
Notes and coins	43	43	46	52	56	49	51	39	47	42	...
Deposits with BPNG	10	27	79	78	28	34	26	40	49	341	...
Net foreign assets	79	83	129	138	129	179	192	185	155	189	128
Foreign assets	207	134	160	157	300	202	206	245	265	239	...
Foreign liabilities	-128	-50	-31	-19	-171	-23	-14	-60	-110	-50	...
Net credit to central government	373	605	938	903	964	963	937	759	716	325	440
Credit	446	728	1,105	1,076	1,156	1,159	1,108	945	940	579	...
Short-term securities	408	715	1,100	1,063	1,132	1,151	1,099	937	931	579	...
Long-term securities	19	0	0	10	21	8	8	8	8	0	...
Loans	19	12	5	3	3	1	75	74	74	81	...
Deposits	-73	-123	-167	-173	-192	-196	-171	-186	-223	-254	...
Other credit 1/	1,262	1,201	1,205	1,288	1,360	1,362	1,480	1,617	1,764	1,868	1,750
Commodity stabilization funds	261	230	226	226	225	218	214	166	158	147	119
Other	1,001	971	979	1,062	1,135	1,144	1,265	1,451	1,606	1,721	1,632
Other assets (net)	-29	-66	-101	-81	-130	-118	-115	-108	-160	-153	...
Deposits	1,456	1,658	2,067	2,149	2,179	2,248	2,354	2,364	2,411	2,463	...
Demand deposits 2/	405	465	657	709	718	707	695	680	670	693	...
Quasi-money	1,051	1,193	1,410	1,439	1,461	1,541	1,659	1,684	1,741	1,769	...
Savings deposits	270	273	312	294	324	330	330	308	322	330	...
Time deposits	677	817	963	1,004	982	1,039	1,135	1,190	1,238	1,266	...
Foreign currency deposits	104	102	135	141	155	172	194	186	181	174	...
Borrowing from BPNG	283	234	229	228	228	220	216	168	160	149	122

Sources: Bank of Papua New Guinea; and Fund staff estimates.

1/ Includes claims on provincial and local governments, public financial institutions, and the private sector.

2/ Includes demand deposits of local and provincial governments and public enterprises.

Table 16. Papua New Guinea: Commercial Bank Loans by Sector, 1994-98

(In millions of kina; end of period)

	1994	1995	1996	1997	1998		
					Mar.	Jun.	Sep.
Agriculture, forestry, and fishing	321	285	281	290	248	301	256
Mining	19	58	27	63	68	52	70
Manufacturing	67	83	66	88	95	107	86
Building and construction	42	43	27	45	52	48	57
Transportation and communication	101	74	68	135	158	170	197
Commerce and finance	267	255	335	350	439	547	577
Other business	303	292	280	368	403	387	439
Government 1/	25	14	7	76	76	76	84
Personal	137	111	121	140	152	150	182
Total	1,282	1,213	1,211	1,554	1,691	1,838	1,948

Source: Bank of Papua New Guinea, *Quarterly Economic Bulletin*, Table 3.5.

1/ Loans to central, provincial, and local governments. Excludes commercial bank holdings of government securities.

Table 17. Papua New Guinea: Liquidity Position of Commercial Banks, 1994-99 1/

(In millions of kina)

	1994	1995	1996	1997	1998				1999
					Mar.	June	Sep.	Dec. 2/	Mar. 3/
Eligible liquid assets	461	785	1,224	1,102	941	953	881	894	953
Currency	43	43	46	51	39	47	42	40	36
Deposits with BPNG	10	27	79	26	40	49	341	319	310
Government securities	408	716	1,100	1,025	862	857	498	535	606
Treasury bills	356	660	1,026	942	796	798	430	477	549
Other	52	56	74	83	66	60	68	58	58
Deposit liabilities	1,528	1,780	2,234	2,524	2,550	2,634	2,717	2,649	2,667
Required liquid assets/reserves 4/	408	570	603	505	510	527	272	265	267
MLAR/CRR 4/	26	32	27	20	20	20	10	10	10
Excess liquid assets 5/	53	214	621	597	431	427	609	629	686
(In percent of deposit liabilities)	3.4	12.0	27.8	23.6	16.9	16.2	22.4	23.7	25.7

Sources: Bank of Papua New Guinea, including *Quarterly Economic Bulletin*, Tables 3.3 and 3.9; and Fund staff estimates.

1/ Last day of the period, except where noted.

2/ As of December 25, 1998.

3/ As of March 12, 1999.

4/ Prior to August 21, 1998, the BPNG set a minimum liquid assets ratio (MLAR) which could be satisfied by holdings of currency, deposits with BPNG, and short-term government securities. As of August 21, 1998, the MLAR was reduced to zero, and a cash reserve requirement (CRR) was introduced which could only be satisfied with holdings of currency and deposits with BPNG. Both the MLAR and CRR are set as ratios to total deposits.

5/ Liquid assets (currency, deposits with BPNG, and short-term government securities) less (i) required liquid assets (prior to September 1998) or (ii) required reserves (September 1998 and subsequently).

Table 18. Papua New Guinea: Interest Rates, 1994-98

(In percent per annum; end of period)

	1994	1995	1996	1997				1998		
				Mar.	June	Sep.	Dec.	Mar.	June	Sep.
Bank of Papua New Guinea										
Kina auction rate 1/	...	18.0	10.3	10.0	9.2	9.0	10.2	18.0	18.1	17.9
Commercial bank rates										
Deposit rates										
Passbook savings	3.50-4.50	3.50-4.50	3.50-4.50	3.50-4.50	3.00-4.50	3.00-4.50	3.00-4.50	3.00-4.50	3.00-4.50	3.00-5.25
Term deposits 2/										
3-6 months	4.50-5.75	6.75-8.25	4.75-8.25	4.25-7.75	3.00-6.50	4.00-6.50	5.00-8.00	5.25-11.00	6.00-11.00	6.00-11.50
6-12 months	4.50-6.00	7.25-9.00	4.50-7.75	3.00-6.75	3.00-7.25	4.00-7.25	5.25-8.50	6.00-11.50	6.00-11.50	6.00-12.00
1 year and over	5.25-6.00	7.75-10.00	6.75-7.25	6.25-7.25	6.00-8.25	5.25-8.25	5.00-8.50	4.00-11.50	4.50-11.50	7.00-15.00
Weighted average	4.50	9.40	4.00	4.10	3.90	4.10	5.10	6.70	8.70	9.90
Lending rates										
Overdraft	7.00	12.00	9.25	9.25	9.25	9.25	9.50	12.00	12.75	12.75
Prime lending rate (ILR)	8.00	13.75	8.50	8.50	9.50	8.25	8.25	11.50	16.50	21.75
Average lending rate	10.00	15.40	10.20	10.40	10.50	10.50	10.60	13.30	17.70	21.70
Treasury bills (182 days) 3/	10.75	21.48	9.19	10.12	9.00	8.77	14.50	18.07	22.03	23.83

Source: Data provided by the Papua New Guinea authorities.

1/ Rate of the last auction of the month. The weekly kina auction facility was introduced on May 1, 1995.

2/ On deposits of less than K 100,000.

3/ Treasury bills are sold at a discount; rates shown are end-period calculated effective yields.

Table 19. Papua New Guinea: Balance of Payments, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	Est. 1998
Current account balance	593	845	289	-258	16
By sector					
Mineral	1,193	1,287	736	311	509
Nonmineral	-601	-442	-447	-568	-494
By account					
Trade balance	1,192	1,296	813	218	451
Exports (f.o.b.)	2,756	2,827	2,603	2,191	1,842
Mineral	1,863	2,056	1,777	1,328	1,245
Nonmineral	893	771	827	863	597
Imports (c.i.f.)	-1,564	-1,532	-1,791	-1,972	-1,391
Mineral	-280	-379	-496	-573	-287
Nonmineral	-1,284	-1,153	-1,294	-1,399	-1,104
Services balance (net)	-685	-581	-690	-673	-642
Mineral	-389	-390	-544	-444	-449
Nonmineral	-295	-191	-146	-229	-193
Unrequited transfers (net)	86	130	166	197	206
Official	201	238	219	229	213
Private	-115	-108	-53	-32	-6
Capital account balance	-604	-661	84	76	-163
Medium- and long-term loans	-663	-304	-180	212	-178
Official (net)	-107	-19	11	-54	-40
<i>Of which:</i> Exceptional financing	0	96	15	25	0
Private capital flows (net)	-556	-285	-191	266	-138
Foreign direct investment (net)	74	475	226	23	130
Change in net foreign assets of commercial banks	-11	-4	-12	-10	0
Other (net)	-4	-827	49	-149	-116
Errors and omissions	-86	-25	-29	-12	-9
Overall balance	-98	159	344	-194	-157
Change in net international reserves (- increase)	98	-159	-344	194	157
Gross official reserves	45	-172	-281	195	161
IMF (net)	-31	34	3	0	-4
Purchases	0	50	3	0	0
Repurchases	-31	-16	0	0	-4
Other foreign liabilities	84	-20	-66	-1	0
Memorandum items:					
Current account (in percent of GDP)	10.9	17.1	5.5	-5.4	0.4
Mineral	22.0	26.0	14.0	6.5	13.6
Nonmineral	-11.0	-8.9	-8.5	-11.9	-13.2
Gross official reserves (end-year)					
In millions of U.S. dollars	95.5	267.8	549.2	354.6	193.6
In months of nonmineral imports	0.9	2.8	5.1	3.0	2.1
Debt-service ratio	32.8	25.2	17.7	17.3	24.4
Debt-to-GDP ratio (in percent) 1/	49.4	43.9	36.9	54.1	53.1

Sources: Data provided by the Papua New Guinea authorities; and Fund staff estimates.

1/ External debt stock converted into kina at the end-of-period exchange rate divided by nominal GDP.

Table 20. Papua New Guinea: Exports of Major Commodities, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	Est. 1998
Copper					
Value (US\$ million)	366	591	294	177	242
Volume (thousands of tons)	207	216	128	78	156
Unit value (US\$ per ton)	1,764	2,741	2,300	2,274	1,549
(US cents per pound)	80	124	104	103	70
Gold					
Value (US\$ million)	699	658	587	501	607
Volume (tons)	56	55	47	44	63
Unit value (US\$ per kilogram)	12,523	11,924	12,516	11,316	9,678
(US\$ per ounce)	390	371	389	352	301
Petroleum					
Value (US\$ million)	699	649	815	594	387
Volume (thousands of barrels)	43,456	36,990	39,308	27,972	29,300
Unit value (US\$ per barrel)	16.1	17.5	20.7	21.3	13.2
Silver					
Value (US\$ million)	10	10	8	6	9
Volume (tons)	71	63	47	35	54
Unit value (US\$ per kilogram)	145	164	163	163	170
(US\$ per ounce)	4.5	5.1	5.1	5.1	5.3
Logs					
Value (US\$ million)	481	342	353	285	62
Volume (thousands of cubic meters)	2,944	2,513	2,607	2,376	896
Unit value (US\$ per cubic meter)	163	136	135	120	69
Coffee					
Value (US\$ million)	204	168	144	227	142
Volume (thousands of tons)	65	55	62	59	48
Unit value (US\$ per ton)	3,150	3,050	2,318	3,840	2,955
(US cents per pound)	143	138	105	174	134
Cocoa					
Value (US\$ million)	29	37	50	51	42
Volume (thousands of tons)	26	31	41	39	28
Unit value (US\$ per ton)	1,110	1,221	1,225	1,325	1,496
Palm oil					
Value (US\$ million)	77	111	138	144	139
Volume (thousands of tons)	231	187	267	275	230
Unit value (US\$ per ton)	334	597	518	525	604
Copra					
Value (US\$ million)	15	21	37	25	18
Volume (thousands of tons)	50	64	99	90	58
Unit value (US\$ per ton)	291	334	375	276	317
Coconut oil					
Value (US\$ million)	20	23	39	36	31
Volume (thousands of tons)	35	33	50	49	49
Unit value (US\$ per ton)	576	703	786	733	623
Tea					
Value (US\$ million)	4.2	4.2	9.6	7.3	9.5
Volume (thousands of tons)	3.4	4.2	9.3	6.5	6.8
Unit value (US\$ per ton)	1,223	1,000	1,036	1,116	1,394
(US cents per kilogram)	122	100	104	112	134
Rubber					
Value (US\$ million)	2.9	3.1	3.1	4.5	4.9
Volume (thousands of tons)	3.4	2.7	2.8	4.4	4.8
Unit value (US\$ per ton)	844	1,161	1,111	1,030	721
(US cents per pound)	38.3	52.7	50.4	46.7	32.7
Other					
Value (US\$ million)	150	208	125	134	149
Total exports (US\$ million)	2,756	2,827	2,603	2,191	1,842
Minerals and petroleum	1,863	2,056	1,777	1,328	1,245
Nonmineral	893	771	827	863	597

Sources: Data provided by the Papua New Guinea authorities; and Fund staff estimates.

Table 21. Papua New Guinea: Direction of Trade, 1994-97

(In percent of total)

	1994	1995	1996	1997
(Destination of exports)				
Australia	34.5	32.5	36.3	40.6
China	5.3	2.7	3.5	2.3
Germany	8.1	11.2	8.1	7.2
Hong Kong	1.3	1.5	1.2	2.5
Japan	27.7	24.9	21.5	13.1
Korea	0.0	7.6	5.4	3.2
Netherlands	1.2	1.2	0.6	2.1
New Zealand	3.2	1.8	1.5	0.4
Singapore	0.7	1.0	1.2	2.8
United Kingdom	3.3	5.2	5.9	9.4
United States	4.5	1.8	3.2	8.7
Other	10.2	8.7	11.4	7.8
Total	100	100	100	100
(Origin of Imports)				
Australia	49.8	51.7	51.0	51.2
China	1.1	1.2	1.8	0.1
Germany	1.2	1.5	1.6	0.6
Hong Kong	2.8	2.3	2.2	2.4
Japan	12.8	9.3	10.1	7.3
Korea	0.0	0.0	0.0	0.4
Netherlands	0.2	0.8	1.0	0.6
New Zealand	4.2	3.8	4.3	3.8
Singapore	12.2	13.2	10.2	7.6
United Kingdom	1.0	1.3	0.8	0.7
United States	4.7	3.9	4.5	13.6
Other	10.0	11.1	12.3	11.6
Total	100	100	100	100

Sources: Data provided by the Papua New Guinea authorities; and Fund staff estimates.

Table 22. Papua New Guinea: Services and Transfers, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	Est. 1998
Services balance (net)	-685	-581	-690	-673	-642
Factor services	-405	-266	-461	-324	-237
Interest	-162	-83	-93	-77	-82
Receipts	11	18	27	40	46
Mineral	7	13	21	12	13
Nonmineral	1	1	1	5	1
Official	4	5	5	23	33
Payments	-173	-101	-119	-117	-128
Mineral	-70	-17	-37	-17	-55
Nonmineral	-43	-13	-21	-24	-23
Official	-61	-72	-61	-76	-50
Concessional	-32	-54	-47	-61	-41
Nonconcessional	-27	-17	-11	-15	-7
IMF charges	-2	-1	-3	0	-3
Dividends	-184	-136	-323	-205	-127
Receipts	0	4	0	1	1
Mineral	0	0	0	0	0
Nonmineral	0	4	0	1	1
Payments	-184	-141	-323	-205	-129
Mineral	-145	-108	-265	-122	-83
Nonmineral	-39	-32	-58	-83	-46
Other factor service payments	-59	-47	-46	-42	-28
Nonfactor services	-189	-173	-155	-305	-323
Freight, insurance, and travel receipts	71	64	50	32	42
Travel payments	-70	-58	-59	-65	-37
Mineral	-5	-3	-4	-11	-4
Nonmineral	-65	-56	-55	-54	-33
Other	-190	-178	-146	-272	-328
Receipts	92	207	306	318	256
Mineral	32	47	95	109	130
Nonmineral	59	160	211	208	126
Payments	-281	-385	-451	-590	-584
Mineral	-118	-180	-279	-371	-369
Nonmineral	-163	-205	-172	-219	-215
Other	-91	-142	-73	-45	-81
Unrequited transfers	86	130	166	197	206
Official	201	238	219	229	213
Receipts	201	238	219	229	213
Australia budgetary support	160	144	125	96	75
Project and commodity aid	41	57	94	134	137
Other grants	0	37	0	0	0
Payments	0	0	0	0	0
Private	-115	-108	-53	-32	-6
Receipts	59	67	52	70	69
Payments	-174	-174	-105	-102	-75

Sources: Data provided by the Papua New Guinea authorities; and Fund staff estimates.

Table 23. Papua New Guinea: External Debt Outstanding, 1994-98

	1994	1995	1996	Est. 1/	
				1997	1998
(In millions of U.S. dollars)					
Government sector	1,220	1,249	1,258	1,230	1,307
Concessional	1,016	1,056	1,080	1,184	1,236
Nonconcessional	204	192	178	46	71
Central Bank	82	113	115	116	46
IMF	16	50	52	48	44
Other	66	63	63	68	2
Private sector	980	712	521	763	625
Mineral	414	100	17	291	251
Nonmineral	566	612	504	472	374
Total	2,281	2,073	1,894	2,109	1,978
(In percent of GDP)					
Government sector	26.4	26.4	24.5	31.6	35.9
Concessional	22.0	22.4	21.0	30.4	33.9
Nonconcessional	4.4	4.1	3.5	1.2	2.0
Central Bank	1.8	2.4	2.2	3.0	1.3
IMF	0.3	1.0	1.0	1.2	1.2
Other	1.4	1.3	1.2	1.7	0.1
Private sector	21.2	15.1	10.1	19.6	17.2
Mineral	9.0	2.1	0.3	7.5	6.9
Nonmineral	12.3	12.9	9.8	12.1	10.3
Total	49.4	43.9	36.9	54.1	54.3

Sources: Bank of Papua New Guinea; and Fund staff estimates.

1/ Reported figures for Central Bank liabilities and private sector debt are based on incomplete official data for 1997 and 1998 and are subject to a wide margin of error; the latest staff estimates for 1998 point to a slightly higher stock of total debt compared with the estimate included in the staff report.

Table 24. Papua New Guinea: External Debt Service, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	<u>Est.</u> 1998
Government sector	210.0	240.9	151.9	163.7	143.6
Principal	151.0	169.0	104.2	118.4	96.0
Interest	59.0	71.9	47.7	45.3	47.6
Concessional	88.4	114.2	107.5	113.6	126.8
Principal	56.4	59.3	66.1	73.4	83.1
Interest	32.0	54.9	41.4	40.2	43.7
Commercial	121.6	126.7	44.4	50.1	16.8
Principal	94.6	109.7	38.1	45.0	12.9
Interest	27.0	17.0	6.3	5.1	3.9
Private sector	714.5	522.2	368.9	311.0	369.6
Principal	602.3	492.7	243.5	247.3	291.4
Interest	112.2	29.5	125.4	63.7	78.2
Mineral sector	611.1	465.5	206.9	223.9	211.6
Principal	541.5	448.6	142.6	182.7	156.6
Interest	69.6	16.9	64.3	41.2	55
Nonmineral sectors	103.4	56.7	162.0	87.1	158.0
Principal	60.8	44.1	100.9	64.6	134.8
Interest	42.6	12.6	61.1	22.5	23.2
Central Bank	33.5	25.9	8.9	2.0	6.9
Repurchases from IMF	31.3	24.4	7.8	0.0	4.1
IMF charges	2.2	1.5	1.1	2.0	2.8
Total	958.0	789.0	529.7	476.7	520.1
Principal	784.6	686.1	355.5	365.7	391.5
Interest	173.4	102.9	174.2	111.0	128.6

Sources: Data provided by the Papua New Guinea authorities; and Fund staff estimates.

Table 25. Papua New Guinea: Official International Reserves, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	Est. 1998
Net international reserves	-6	153	495	307	149
Gross official reserves	95	268	549	355	194
Reserve position in the IMF	0.1	0.1	0.1	0.1	0.1
Foreign exchange	93	265	527	333	172
Gold	2	2	21	21	21
Holdings of SDR	0	1	1	1	1
Foreign liabilities	102	115	54	52	46
Fund credit	16	50	52	48	44
Other	86	65	2	4	2
Memorandum items:					
Gross official reserves					
(in months of nonmineral imports)	0.9	2.8	5.1	3.0	2.1

Sources: Bank of Papua New Guinea; and Fund staff estimates.

Table 26. Papua New Guinea: Major Mineral and Energy Developments

Province	N. Solomons	Western	Milne Bay	Morobe	New Ireland	Enga		Southern Highlands			
	Location	Bougainville 1/	Ok Tedi	Misima	Hidden Valle	Lihir	Porgera 2/	Mt. Kare	Kutubu	Hides 2/	Gobe (Main)
Construction commencement	1969	1981	1988			1995	1990	1991	1991	1990	1995
Production commencement	1972	1984	1989	1988		1997	1990	1991	1992	1991	1997
Investments (in millions of kina)	297	1,137	200	200		625	1,077	20	910	55	450
Shareholders 3/ (Shares in percent)	CRA (54) PNG (19)	BHP (60) PNG (20) German Consortium (20)	Placer (80) PNG (20)			Southern Gold (23) Niugini Mining (17) MRDC (10) Orogen (7)	Placer (25) Goldfields (25) Highlands (25) MRDC (10) Orogen (15)	Landowners (100)	BP (19) Chevron (19) Mobil (16) BHP (10) JPNGP (5)	BP (95) Oil Search (5)	Chevron (19) Mobil (16) BHP (10) Oil Search (27) Orogen (21)
Reserves											
Ores (millions of tons)	675	410	62	23		170	58	24			
Oil (millions of barrels)									198		47
Condensate (millions of barrels)									65		
Gas (billions of cubic feet)									1730	2200	Large
Mine life (years)	26	21	10	11		25+	20	3	11	19 4/	20
Average production per annum											
Gold (tons)	17	6.0	8.6	6		15	15	51			
Copper (tons)	163,520	135,000									
Silver (tons)	42		62								10 to 20
Oil (millions of barrels)									20		
Gas (millions of cubic feet)										3.6	

Sources: Australian International Development Assistance Bureau; Papua New Guinea Chamber of Mines and Petroleum; and Orogen prospectus.

1/ Production suspended.

2/ From December 1991, Hides gas generated power for Porgera gold mine.

3/ MRDC is the government-owned Mineral Resources Development Corporation. Orogen is the recently formed company with 51 percent government ownership and 49 percent private ownership. JPNGP is Japan PNG Petroleum. PNG is the Papua New Guinea Government.

4/ Refers to length of current contract; potential life of a field is 250 to 500 years.

PAPUA NEW GUINEA: TAX SUMMARY
(As of January 1999)

I. DIRECT TAXATION

A. Taxation of Individuals

General principles

- Resident individuals are taxed on global income from all sources, subject to double-tax treaties. Residence is defined as physical presence in Papua New Guinea for more than six months out of a given tax year.
- Nonresident individuals are liable for tax only on income derived from sources in Papua New Guinea.
- The expenses of earning income are fully deductible.
- Interest income on long-term bonds is exempt from income tax. Dividends paid by the Investment Corporation Fund to a resident shareholder are also exempt from income tax.
- There are two separate types of assessment: (i) a fortnightly salary or wages tax assessment; and (ii) an assessment on an annual basis for nonsalary or wages income.
- The tax year coincides with the calendar year.

Tax rates

Resident individuals

Taxable Income (Kina)	Tax Levied (Kina)	Tax Rate on Excess (Percent)
4,000	Nil	10
5,000	100	20
10,000	1,100	30
20,000	4,100	35
60,000	18,100	37
80,000	25,500	42
100,000	33,900	47

Nonresident individuals

Taxable Income (Kina)	Tax Levied (Kina)	Tax Rate on Excess (Percent)
Nil	Nil	10
2,000	200	20
7,000	1,200	30
17,000	4,200	35
60,000	19,250	37
80,000	26,650	42
100,000	36,050	47

B. Taxation of Companies

General principles

- A resident company is taxed on its global income from all sources. A company is considered a resident for tax purposes if it is incorporated in Papua New Guinea or has its management in Papua New Guinea.
- Nonresident companies pay tax only on Papua New Guinea sourced income.
- Taxable income generally corresponds to accounting income.
- Tax years generally correspond to calendar years, unless there is sufficient reason to deviate from that rule; for example, in case the parent company has a different tax year.
- Interest income on long-term bonds is exempt.
- Business losses can be carried over for up to seven years; they cannot be carried back.
- Income tax assessed on companies has been payable in three instalments, falling due March 31, June 30, and September 30 in the year following the year of income. From 1999 to 2002, payments for nonmining and petroleum companies will be advanced so that they pay taxes on the current year's income. These payments will be phased in over four years, and will be paid one month after the tax payments for the previous year's income.

- Mining and petroleum companies are subject to special taxation arrangements (see tabulation).
- A number of tax incentive schemes are operational, including a ten-year tax exemption for companies that establish themselves in one of 41 least developed districts.

Tax rates

Industry	Resident Taxation	Nonresident Taxation
Nonmining	25 percent plus 17 percent DWT 1/	48 percent
Mining and petroleum		
Mining	35 percent plus 17 percent DWT 2/	48 percent
Petroleum	50 percent	50 percent

1/ DWT (dividends withholding tax) is payable on: (i) dividends paid by a company; (ii) dividends derived by the company from sources outside Papua New Guinea; and (iii) certain deemed dividends.

2/ The 35 percent rate applies to larger mining companies operating under a special mining lease. Smaller companies operating under a general mining lease are subject to the 25 percent rate.

Additional profit tax (APT)

In the case of mining income derived pursuant to a Special Mining Lease and petroleum income where the rate of income exceeds a designated rate (20 percent for mining, 27 percent for petroleum), additional profit tax is payable with the rate of 35 percent for mining, 50 percent for petroleum, but only after a particular investment is fully recouped. No revenue has been collected under the APT except one year when Bougainville Copper Ltd. made a payment.

Interest withholding tax

An interest withholding tax of 15 percent is being introduced with the 1999 budget.

II. INDIRECT TAXATION

A. Import Duties

General principles of the current system

- The Harmonized Commodity Description and Coding System (HS Tariff) was adopted in January 1991. The 1995 revision of the code was adopted by Papua New Guinea in 1996.
- All imports are dutiable irrespective of country of origin, except for a preferential arrangement among members of the Melanesian Spearhead Group, and a bilateral arrangement with Fiji.
- There are six major ad valorem tariff rates (0 percent, 5 percent, 11 percent, 40 percent, 55 percent, 75 percent–175 percent) and some minor specific tariff rates.

Tariff structure under the current system

Tariff Category	Tariff Rate (Percent)	Tariff Items	
		Number	Percent of Total
Free	0	127	2
Input rate	5	1,178	22
Basic rate	11	2,377	44
Protective rate	40	1,051	20
Restrictive rate	55	504	9
Prohibitive rate	75–175	129	2

The descriptions of the tariff categories are as follows:

1. Duty free items. Goods seen as basic necessities, such as (i) medical supplies and equipments; (ii) books; (iii) specialized vehicles such as ambulances, prison vans and invalid carriages; (iv) kerosene (for household use only); and (v) rice.
2. Input rate (5 percent) items. Capital equipment and machinery, chemicals, fertilizers, herbicides, insecticides, fungicides, iron and steel products, and aluminum products.

3. Basic rate (11 percent) items. Most products that are not, or cannot potentially, be produced in Papua New Guinea such as textiles, some production inputs, and raw materials.
4. Protective rate (40 percent) items. Goods that are produced, or potentially can be produced, in Papua New Guinea and are seen as requiring a level of protection, such as (i) agriculture products that are grown locally; (ii) plastic, leather, wood, cork and straw, and paper articles; and (iii) footwear, headgear, glass and ceramic articles, batteries, and toys.
5. Restrictive luxury rate (55 percent) items. Goods that are produced locally but for a period of time require protection beyond the 40 percent protective rate, as well as some luxury items. Examples include fish and crustaceans, some vegetables and fruits, coffee and tea, carpets, pearls, certain vehicles and motorcycles, arms and ammunition, and furniture.
6. Prohibitive rate items. Vegetables and fruits (75 percent), tinned mackerel (90 percent), beer (125 percent), cigarettes and cigars (125 percent), veneer and plywood (100 percent), door frames (100 percent), vehicles (75 percent), and sugar (85 percent).

Tariff reform

The government is planning a major reform of the import duty system, to coincide with the introduction of a national value-added tax (NVAT). For the large majority of imported goods, now mostly covered under the basic and input rates, the tariff rate will be reduced to zero and replaced by a VAT to be paid at the point of entry. The number of goods presently covered by the protective, restrictive and prohibitive rates will be reduced, while the rates themselves will be reduced as well. A temporary 1.5 percent import duty surcharge in 1998 has been extended through July 1, 1999, when the NVAT and tariff reform are to come into effect.

B. Excise Taxes

General principles

- Excise taxes are applied to alcoholic beverages (beer, wine, and spirits), soft drinks, and cigarettes and other manufactured tobacco products.
- In the past, excise tax was levied only on domestically manufactured goods. From 1996, the excise element of the tariff was separated from the import duty and made explicit.

Tax rates

Items	Import Duty (Percent)	Excise Duty (Percent)
Mineral waters	55	10
Beer	125	85
Wine	11	100
Spirits	55	120
Cigarettes	125	150
Tobacco	125	85
Gasoline	0	30 toea/liter
Diesel	0	6 toea/liter
Av-gas	0	2 toea/liter
Jet-A1	1 toea/liter	1 toea/liter
Kerosene	0	0
Fuel Oil	0	2 toea/liter

C. Export Duties**General principles**

- Export duties are levied only on selected types of products; the duty varies depending on the product.
- Export duties are calculated on a FOB basis and payable before shipment.

Tax rates***Log export duties***

In the past, the export of logs was subjected to export duty at rates from 26 percent to 46 percent, depending on the species of tree concerned. In 1996 a new revenue system was introduced that features progressive marginal tax rates ranging from 15 percent up to 70 percent of log prices. In 1998, the marginal rate on logs with a world f.o.b. price of K 130 per cubic meter or less was reduced to zero.

World FOB log price (Kina/cubic m)	Marginal tax rate (percent)
0-130	0
131-150	55
151-200	60
>200	70

Other export duties

- 5 percent: Sea-cucumbers, mineral ores and concentrates excluding gold, silver, and copper, crocodile skins.
- 15 percent: Rattan (cane) when exported in primary form.

III. OTHER TAXES

A. Poker Machine Tax

A poker machine tax was introduced in October 1996 as a general revenue measure, taxing profits from the operation of poker machines at a rate of 30 percent, with the first K 2,500 of gross profits being exempt.

B. Stamp Duties

The national government imposes stamp duties on the execution of certain documents. The rates vary by type of document and range from K 0.10 for checks, to 5 percent of the value of a lease, and K 5,000 for mineral and petroleum exploration licences.

C. Natural Resource Tax

The national government imposes a base royalty of 2 percent of the net value of output from mining and petroleum projects in Papua New Guinea which is payable to landowners.

D. Departure Tax

A departure tax of K 30 is payable by all persons departing Papua New Guinea.

E. Sales Tax

At present, provincial governments levy sales taxes at a typical rate of 3 percent, with higher rates for cigarettes and alcohol. Provincial sales taxes are to be abolished with the introduction of the NVAT.

F. Land Tax

Provincial governments are empowered to impose land taxes. However, this tax is difficult to implement and collect in a country where land ownership is often unclear and in dispute.

G. Social Security Taxes

All companies employing 20 or more persons are required to participate in the retirement plans of the National Provident Fund (NPF). Industries may be exempt from participation in the NPF if they provide a proprietary pension plan with similar or more generous provisions. Under the NPF plan, employee contributions are deducted from gross basic salary at a minimum rate of 5 percent, while additional voluntary contributions may be made up to a total of 10 percent of gross salary. In addition, the employer contributes 7 percent of the employee's gross salary.

H. Miscellaneous

Capital gains taxes and gift taxes are not levied in Papua New Guinea. However, in some cases, stamp duties substitute for such taxes to some extent.