

**LAPSE OF  
TIME**

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November 14, 2016

To: Members of the Executive Board

From: The Secretary

Subject: **Papua New Guinea—Staff Report for the 2016 Article IV Consultation—  
Informational Annex**

|  |  |
|--|--|
| Board Action:  | Executive Directors' <b>consideration</b> on a lapse of time basis   |
| Publication:   | Not yet decided*   |
| Questions:   | Mr. Shiells, APD (ext. 36632)  |
| Document Transmittal<br>in the Absence of<br>an Objection and in<br>accordance with<br>Board policy: | Tuesday, November 22, 2016—WTO<br>After Board Consideration—Asian Development Bank, European<br>Commission |

**\*At the time of circulation of this paper to the Board, the authorities have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent.**





# PAPUA NEW GUINEA

## STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 11, 2016

Prepared By

The Asia and Pacific Department  
(In Consultation with Other Departments)

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## FUND RELATIONS

(As of September 30, 2016)

### Membership Status

Joined: October 9, 1975; Article VIII

### General Resources Account

|                           | <u>SDR Million</u> | <u>Percent Quota</u> |
|---------------------------|--------------------|----------------------|
| Quota                     | 131.60             | 100.00               |
| Fund holdings of currency | 131.16             | 99.66                |
| Reserve position in Fund  | 0.45               | 0.34                 |

### SDR Department

|                           | <u>SDR Million</u> | <u>Percent Allocation</u> |
|---------------------------|--------------------|---------------------------|
| Net cumulative allocation | 125.49             | 100.00                    |
| Holdings                  | 9.11               | 7.26                      |

### Outstanding Purchases and Loans

| <u>SDR Million</u> | <u>Percent Quota</u> |
|--------------------|----------------------|
| 0.00               | 0.00                 |

### Latest Financial Arrangements

| <u>Type</u> | <u>Approval Date</u> | <u>Expiration Date</u> | <u>Amount Approved (SDR million)</u> | <u>Amount Drawn (SDR million)</u> |
|-------------|----------------------|------------------------|--------------------------------------|-----------------------------------|
| Stand-by    | 3/29/2000            | 9/28/2001              | 85.54                                | 85.54                             |
| Stand-by    | 7/14/1995            | 12/15/1997             | 71.48                                | 35.34                             |
| Stand-by    | 7/31/1991            | 9/30/1992              | 26.36                                | 0.00                              |

### Projected Payments to Fund<sup>1</sup>

(SDR million; based on existing use of resources and present holding of SDRs):

|                  | <u>Forthcoming</u> |             |             |             |             |
|------------------|--------------------|-------------|-------------|-------------|-------------|
|                  | <u>2016</u>        | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Principal        |                    |             |             |             |             |
| Charges/interest | 0.01               | 0.06        | 0.06        | 0.06        | 0.06        |
| <b>Total</b>     | <b>0.01</b>        | <b>0.06</b> | <b>0.06</b> | <b>0.06</b> | <b>0.06</b> |

<sup>1</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

### Safeguards Assessments

Under the Fund's Safeguards Assessments policy, the Bank of Papua New Guinea (BPNG) was subject to a transitional assessment based on its Stand-By Arrangement with the Fund, which was approved in March 2000 and expired in September 2001. The transitional assessment was completed on May 4, 2001 and recommendations were made to alleviate identified weaknesses. Currently, the BPNG is not subject to the Safeguards Assessments policy.

### Exchange Rate Arrangement

Papua New Guinea's de jure exchange rate arrangement is floating. From April 2014, the Kina has reduced its volatility and followed a trend within a 2 percent band against the U.S. dollar. Accordingly, the de facto exchange rate arrangement was reclassified to a crawl-like arrangement, effective April 11, 2014. Papua New Guinea maintains the following exchange restrictions subject to IMF approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement arising from: (i) the requirement to obtain a tax clearance certificate evidencing the payment of all taxes prior to making payments or transfers for certain current international transactions; and (ii) the rationing of FX and its allocation by BPNG to certain priority items, which results in undue delays and arrears in current international payments. Papua New Guinea also maintains the following multiple currency practices (MCPs) subject to Fund approval under Article VIII, Section 3: (i) a MCP arising from the spread of more than 2 percent between the rates set by BPNG for its FX allocations to authorized FX dealers (AFEDs), and the rates used by AFEDs in transactions with their clients; and (ii) an MCP arising from the potential spread deviation of more than 2 percent between the rates set by BPNG for its FX transactions with the government and embassies, and the rates used by AFEDs in transactions with their clients.

### Article IV Consultations

The 2015 Article IV consultation discussions were held during August 9-21, 2015. It was concluded by the Executive Board on October 30, 2015 (IMF Country Report No. 15/318). Papua New Guinea is on the standard 12-month consultation cycle.

### TA from Headquarters

**FAD:** A joint FAD/PFTAC mission in March 2000 assisted the authorities in preparing a Report on the Observance of Standards and Codes Fiscal Transparency Module, published in October 2000. A mission in December 2000 provided advice on the reconciliation of large and volatile differences in fiscal reporting based on information provided by the Treasury Department and information reported by the Bank of Papua New Guinea. A mission in February 2002 assessed progress in improving fiscal transparency. A joint FAD/PFTAC mission visited PNG to provide advice on the sovereign wealth fund management in May 2011. A mission in March 2013 provided advice on reform of the extractive industries fiscal regime. A mission in October 2015 provided advice on Land and Property Tax and Non-Tax Revenue Reforms.

**LEG:** A mission in November 2005 provided advice on the drafting of a tax administration law. A mission in July 2006 provided a comprehensive program of assistance in the development of the

AML/CFT regime, including legislative drafting and capacity building. A mission in August–September 2007 assisted the authorities in finalizing the terms of the Revenue Administration Bill.

**MFD/MCM:** TA through peripatetic visits was delivered on bank regulation and supervision (2001, February–March 2007, July–August 2009, and February 2010), medium-term monetary policy formulation (October 2004 and September 2005), reserve management (June 2006, September 2007, March/July–August 2009, January–February 2010), internal audits (2004, August 2007), accounting (September–October 2006, February 2007, February–March/June–July/November 2009), liquidity management (January 2009), monetary and forex operations (July–August 2009, February 2010, March 2015), macroprudential oversight and financial stability (September 2012), and the sovereign wealth fund (July 2013).

**STA:** A multisector statistics mission occurred in September 2006 followed by a high-level STA visit in December 2007, in collaboration with the ABS. TA was provided on monetary and financial statistics (April 2005, May 2006, April 2008, November 2009, May 2010, and February 2013); balance of payments and the international investment position (June 2008, November 2009, May–June 2013, February 2014, and July 2015); government finance statistics (2012, May and October 2013, April–May and October 2014, April 2015, September 2015, March 2016); and GDDS metadata (January 2012). A joint mission with the ABS discussed statistical capacity building and in particular reform of the National Statistical Office in July–August 2014.

### **Resident Representative**

The Regional Resident Representative Office for Pacific Island Countries based in Suva, Fiji was opened on September 13, 2010 and the office covers Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Mr. Tubagus Feridhanusetyawan is the current resident representative.

# RELATIONS WITH THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

(As of July 2016)

The Pacific Financial Technical Assistance Centre (PFTAC) in Suva, Fiji, is a regional TA institution operated by the IMF with financial support of the Asian Development Bank, Australia, Korea, the European Union, and New Zealand. The Center's aim is to build skills and institutional capacity for effective economic and financial management that can be sustained at the national level. Member countries are: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, and Vanuatu.

## A. Public Financial Management

The PFTAC assisted in the preparation of a ROSC, which was published in October 2000. The PFTAC PFM Advisor has participated in occasional FAD technical assistance missions, and an attachment of one PNG official to PFTAC was completed in April 2007. PNG participated, with four officials, in the U.S. Treasury study visit in September 2008. In May 2011, the PFTAC macroeconomic advisor participated in an FAD mission on advising PNG on the SWF. In July 2013, a PFTAC PFM Advisor visited PNG at the request of the Treasury Minister to review the budget preparation process, and discuss with authorities plans for training in the PEFA methodology. In May-June 2014, PFTAC provided information, communication, and technology (ICT) assessment mission and recommended a comprehensive reform strategy to better support of operation of the Department of Finance.

In 2014, however, PFTAC PFM assistance expanded greatly. Starting early in 2014, and continuing through early 2015, PFTAC began training PNG staff to carry out a PEFA Self-Assessment. Subsequently, in March 2015, PFTAC and a team from FAD conducted an external PEFA assessment which corroborated most of the findings of the self-assessment. PFTAC and FAD then worked with Department of Finance officials to develop a PFM Reform Roadmap to address major deficiencies identified by the PEFA Assessment.

PFTAC's largest PFM project during the past two years has been assisting PNG in overcoming roadblocks to the implementation of its Integrated Financial Management System (IFMS) and recommending steps needed to speed up ministry/agency connection to the new system that PNG decided to purchase in 2005. By early 2014, only three ministries—Finance, Treasury, and Planning—were connected to the system.

In a series of missions beginning in May 2014, PFTAC's expert on the PNG project examined a number of aspects of the implementation effort including highly technical matters, levels of cooperation from other ministries, IFMS project organizational issues, staffing, and local opportunities for out-sourcing some aspects of the IFMS support operations. Most of the PFTAC Advisor's recommendations were

accepted and, later in 2014, PNG's Department of Finance started the process of reforming its ICT delivery operations in order to accelerate the deployment of the IFMS system.

As of the end of July 2016, the TA had enabled expansion of the system to 30 central government departments (compared to the 3 connected when assistance commenced last year), with the remaining 30 due to be implemented by the end of 2016, depending on resource availability. The IFMS team has begun to plan their first implementation in a provincial and district environment, targeting East New Britain province and its districts as its first pilot. IFMS is currently used on a regular basis by over 2,000 users across government. PNG's September 2015 PFM Reform Roadmap, prepared with assistance from PFTAC, placed a high priority on completing the IFMS roll-out recognizing that many accounting, financial management, and reporting weaknesses could be overcome with full implementation of the system. The Roadmap's tight prioritization of objectives under the leadership of Finance Secretary Dr. Ken Ngangan played a significant role in expanded commitments from DFAT and the EU to provide more TA support to PNG's Department of Finance to ensure a sustainable roll-out and business process reform.

In addition, during 2015 PFTAC supported short-term missions to review cash management, reconciliation, and reporting processes.

## **B. Tax Administration and Policy**

PFTAC has not supported the Internal Revenue Commission (IRC) in revenue administration as they are strongly supported by two Australian Programs; (1) the Strongim Gavman Program (SGP) which is used to engage senior ATO advisors to the IRC; and (2) the Economic Public Sector Program (EPSP) which provides support for strategic, governance, integrity matters and IT support.

A new IT system continues to be rolled out which includes new applications for withholding taxes, Goods and Services Tax and Corporate Income Tax. Over 120,000 transactions on average per month are currently being processed through the new system, with the next phase of development targeted at the introduction of applications to support modern risk management and case management for both audit and collection of tax arrears. Additional plans are in place to introduce e-filing, e-payment, and a self-service portal that taxpayers can access to obtain information on the status of their tax accounts.

A tax review diagnostic conducted by an accounting firm has provided numerous recommendations that are currently under discussion. One recommendation—to modernize taxpayer registration by issuing a Taxpayer Identification number—is already being implemented.

Peripheral modules will follow over the next twelve months, with project completion by 2017.

## **C. Financial Sector Regulation and Supervision.**

There is no current PFTAC involvement in this area. In September 2014, BPNG hosted the annual meeting of the Association of Financial Supervisors of Pacific Countries, for which PFTAC is the



secretariat. In March 2007, PFTAC funded an attachment for two supervisors from BPNG to assist the Cook Islands' supervisory authority to undertake an on-site examination of a domestic bank. In 2008, PFTAC funded an attachment of one supervisor to assist the Reserve Bank of Fiji to undertake an on-site examination of a local branch of a PNG-based bank. PFTAC has not received any subsequent request for assistance from the BPNG.

## **D. Economic and Financial Statistics**

In February 2006, an advisor briefly assessed BOP compilation with a view to improving its quality, and to assessing progress with the implementation of recommendations made by previous missions. A multi-sector statistics mission in September 2006 assessed the statistical systems (BOP, national accounts, prices statistics, government finance statistics, and monetary statistics), with the PFTAC advisor assessing the national accounts and providing overall coordination. In 2008 and 2009, the advisor undertook BOP statistics missions to review statistical prerequisites, progress in improving compilation methods and source data, as well as to assist BPNG statistics staff in assessing the feasibility of electronic data collection.

Since 2013, PFTAC has conducted a series of six TA missions to assist the National Statistical Office (NSO), BPNG, and Department of Treasury with improving national accounts statistics. PFTAC has increasingly focused its TA on improving capacities at the NSO in the broader context of the NSO reform process initiated by the authorities in 2014. Support has been provided in close collaboration with the ABS, which has provided statistical leadership and management advice as well as TA on data collection issues including business and household surveys with the secondment of two ABS staff to the PNG NSO since July 2015 and until June 2016. PNG NSO staff have also benefited from attending three annual sub-regional statistics workshops since 2013, centered in particular around estimating GDP by expenditure, the use of household income and expenditure surveys, and their linkage to consumer price indices.

## **E. Macroeconomic Analysis**

Following a request by the BPNG for assistance in building up financial programming capacity, the development of a PNG-specific financial programming framework started in 2011. Training in the use and updating of the framework was provided to staffs of both BPNG and the Department of Treasury. Staff from both institutions also participated in training on financial programming techniques provided jointly by PFTAC and the Singapore Regional Training Institute during a December 2012 regional workshop in Fiji. A separate work program with the Department of Treasury and BPNG developed in collaboration with the APD country team and the IMF's Research Department modeling tools for exploring the macroeconomic impact of the surge in natural resource revenues from the LNG project. Further development of the financial programming framework started in 2014 because the existing framework was too detailed and resource-intensive to update, given day-to-day monitoring and projection needs. More recently work has been undertaken to improve the BPNG's inflation forecasting methodology following major revisions to the consumer price index (CPI) by the NSO in June 2014.

# JOINT MATRIX OF BANK-FUND COLLABORATION

| Papua New Guinea: JMAP Implementation Table            |  |                                |  |
|--|--|--------------------------------|--|
| Title  | Products   | Provisional Timing of Missions | Delivery Date (tentative)  |
| <b>A. Mutual Information on Relevant Work Programs</b> |  |                                |  |
| World Bank program                                     | Support for analysis and dissemination of the 2009-2010 Papua New Guinea Household Income and Expenditure Survey   | Completed                      | March 2015   |
|  | Support for the development and implementation of the PNG Sovereign Wealth Fund  | Completed                      | October 2012, January 2013.  |
|  | Social protection technical assistance   | Completed                      | June 2014  |
|  | Cost of crime and violence   | Completed                      | July 2014  |
|  | Education public expenditure review  | Completed                      | January 2015   |
|  | Health financing and PFM analysis: (1) review of expenditure by provincial administrations on front line rural health; (2) analysis of health financing; and (3) health facility efficiency survey | Ongoing                        | Dissemination of policy notes on expenditure; health facility efficiency survey expected to be completed by March 2016. Health flagship course held in October 2016. |
|  | PNG BOOST analytical tool for the analysis of public expenditure data  | Completed                      | Demonstration conducted in January 2014, delivery and training expected in November 2014.  |
|  | Report on Observance of Standards and Codes (ROSC) - Accounting & Audit  | Completed                      | March 2015   |
|  | Capacity building for building a medium term debt management strategy  | Completed                      | August 2016  |
|  | PNG #B020 Financial Services Development Strategy: developing a National Financial Services Strategy and Implementation Plan   | Ongoing                        | Final delivery expected in November 2016   |
|  | Social Protection NLTA 2: to help the Government of PNG to design and implement a national social pension/disability scheme  | Ongoing                        | Final delivery expected in November 2016   |
|  | Support to CSOs in Papua New Guinea: Extractive Industry Transparency Initiative (EITI)  | Ongoing                        | Final delivery expected in February 2017   |
|  | Urban Safety in Port Moresby and Lae   | Ongoing                        | Initial findings presented in August 2015. Final delivery expected in May 2018.  |
|  | Renewable Energy Resource mapping and geospatial planning  | Ongoing                        | Currently in phase two, final delivery expected in 2017  |
|  | PG: Connectivity analysis  | Completed                      | Final presentation shared with the PNG Government and stakeholders in September 2015.  |
|  | PNG – Debt Management Strategy and Sustainability  | Ongoing                        | Final delivery expected in October 2016  |
|  | PNG Health Programmatic AAA  | Ongoing                        | Final delivery expected in June 2018   |
| IMF work program                                       | 2016 Article IV mission  | September 2016                 | Board consideration expected in December 2016  |
| <b>B. Request for Work Program Inputs</b>              |  |                                |  |
| Fund request to Bank                                   | Information sharing  | Semi-annual or more frequent   | Ongoing  |
| Bank request to Fund                                   | Information sharing  | Semi-annual or more frequent   | Ongoing  |

## RELATIONS WITH THE ASIAN DEVELOPMENT BANK

(As of October 12, 2016)

PNG joined the Asian Development Bank (ADB) in 1971. In line with the government's development agenda and ADB's Strategy 2020 midterm review priorities, the 2016 – 2018 Country Partnership Strategy, focuses on supporting rural populations by enhancing transport infrastructure, delivering health services, and reengaging in water and other urban infrastructure and services. The strategy was developed in close consultation with the government and other stakeholders, and is aligned with the government's Development Strategic Plan, 2010–2030 and National Strategy for Responsible Sustainable Development, 2014–2030. This focus is consistent with the Midterm Review of Strategy 2020 of the ADB.

ADB will continue to seek opportunities for cofinancing and to produce knowledge products that inform and influence national policy debates and support country operations. ADB support for private sector development—through state-owned enterprise reform—will lower business transaction costs, thereby helping to expand small and medium-sized enterprises and create jobs in the formal economy. ADB operations will focus on supporting climate proofing infrastructure and increasing the climate resilience of vulnerable sectors. ADB will mainstream gender in all general intervention projects.

The country operations business plan, 2017–2019 is the second under the country partnership strategy (CPS) 2016–2020 for PNG. The indicative lending program for 2017–2019 amounts to \$1,363.0 million, comprising of \$129.0 million in Concessional Ordinary Capital Resources lending (COL) and \$1,234.0 million in Ordinary Capital Resources (OCR). The indicative nonlending program amounts to \$5.35 million, which includes project preparatory TA. Additionally, the program includes cofinancing of \$300 million.

ADB will increase its total financing for development projects (lending, nonlending, and cofinancing) by 125 percent, from \$743.7 million (2016–2018) to \$1,668.4 million (2017–2019). The current programming period includes new infrastructure development projects, particularly in the transport sector, that will help increase connectivity and the delivery of basic services to the poorest and most remote parts of the country. The proposed transport projects will help create opportunities for inclusive economic growth, improve the delivery of basic services, increase regional connectivity with the rest of Asia, and build resilience to climate change.

PNG was able to withstand the impact of the global financial crisis in 2008; however, the recent global commodities downturn has worsened its fiscal position. PNG saw a sharp fall in public revenue (by 21 percent in 2015), necessitating a large fiscal adjustment. The economy remains exposed to global economic volatility. ADB will provide TA to strengthen the government's initiative to achieve calibrated fiscal consolidation, undertake expenditure reform, and strengthen PFM. At the request of the government, ADB has included a standby policy-based lending option for 2017 to safeguard critical social outlays. ADB will work closely with Australia, the European Union, the International Money Fund, the World Bank, and other donor partners to develop a coordinated response to the macroeconomic crisis and increase the country's resilience to external shocks.

ADB will increase partnerships with subnational provincial governments to implement infrastructure projects. Provincial governments have emerged as important stakeholders. The Department of Planning and ADB hosted an event on May 18, 2016, in Madang, PNG, to share knowledge concerning infrastructure projects with provincial governors and administrators. The event built upon ADB's study of partnering with subnational governments, and the outcome of the event provided a way forward for deepening the partnership.

Overall project implementation performance remains satisfactory. In 2015, contract awards amounted to \$122 million and disbursements totaled \$136 million. Total disbursements in 2015 were 115 percent of projected disbursements. However, maintaining and improving portfolio performance requires continued capacity building of counterpart agencies responsible for project implementation.

| Table 1.                       | Papua New Guinea: Public Sector Loan Approvals and Disbursements, 2011–2016<br>(US\$ millions) |      |       |       |       |       |
|--------------------------------|--|------|-------|-------|-------|-------|
|                                | 2011   | 2012 | 2013  | 2014  | 2015  | 2016  |
| Loan approvals                 | 195.8  | 41.5 | 196.8 | 0     | 0     | 0     |
| Loan disbursements             | 20.5   | 89.3 | 182.5 | 117.0 | 129.2 | 75.03 |
| Source: Asian Development Bank |  |      |       |       |       |       |

# STATISTICAL ISSUES

| <p style="text-align: center;"><b>PAPUA NEW GUINEA — STATISTICAL ISSUES APPENDIX</b><br/>As of September, 2016</p>   |
|--|
| <p style="text-align: center;"><b>I. Assessment of Data Adequacy for Surveillance</b></p>  |
| <p><b>General:</b> Data provision has some shortcomings, but is broadly adequate for surveillance. Most affected areas are: national accounts, fiscal accounts, and balance of payments.</p>   |
| <p><b>National Accounts:</b> The accuracy and reliability of the statistics are affected by inadequate source data and lagged release dates. The most recent official national accounts statistics were published by the NSO in May 2016, at which time nominal GDP estimates for 2006–2013 were released. These estimates were compiled using <i>the System of National Accounts 2008</i> and were released after an eight-year hiatus. Major improvements in methodology as well as inclusion of new sectors were reflected in this new data. Real GDP estimates for 2006–2013 are still being verified and checked for accuracy and consistency. NSO also in the process of revising the 2013 preliminary estimates as well as producing 2014 national account statistics which are earmarked for release in December 2016. Reforming the NSO is underway with support from the ABS and PFTAC. Source data remain a challenge, with significant gaps in extractive and financial industries data. While CPI weights are from 2010 HIES, these data are not useable for expenditure estimates of GDP.</p>  |
| <p><b>Price Statistics:</b> The NSO currently compiles an unpublished quarterly wholesale price index (WPI) and a quarterly CPI. In May 2014, the NSO began to publish a new CPI series based on data from the 2009–2010 Household Income Expenditure Survey, ending a 35-year period during which the CPI used a consumption basket from the late 1970s.</p>  |
| <p><b>Government Finance Statistics (GFS):</b> GFS data were reported to STA in 2016 after a 14-year absence. Data suffers from insufficient coverage and timeliness. Central government tax revenue, nontax revenue, and public expenditure data are deficient. Development budget expenditures and the utilization of grants and project loans are recorded with long lags, and few records on the use of trust accounts are available. Tax revenues collected by authorities (extra-budgetary units) are generally not reflected in the central government's financial information. While interest payment records are accurate, there are timing issues regarding the recording of interest on discounted securities. These weaknesses contribute to discrepancies in domestic financing between estimates from monetary and debt data and those derived from fiscal records. Papua New Guinea officials have benefitted from STA GFS technical assistance since June 2012 and as a result, volume 1 of the 2016 national budget was presented in the <i>Government Finance Statistics Manual 2014 (GFSM 2014)</i> format. The authorities also prepared an accompanying 5-year historical time series of GFS data. Further work is required to enhance both institutional and instrument coverage, as well as presenting the entire budget on a <i>GFSM 2014 basis</i>. For the migration, the authorities continue to participate in the Japan Administered Account (JSA)-funded three-year regional GFS capacity-building project since 2013.</p> |

**Monetary and Financial Statistics:** Monetary data are now being produced and reported to STA on a regular basis. Progress has been achieved by the BPNG in many areas of the collection, compilation, and dissemination of monetary and financial statistics (MFS), leading to the introduction of the standardized report form (SRF) for the central bank, other depository corporations (ODCs), and the other financial corporations (OFCs). A 2013 TA mission introduced general insurance companies into the institutional coverage of OFCs and an improved SRF for OFCs. Depository Corporations Survey and Survey of OFCs both have data coverage issues. Most of the monetary statistics published in *International Financial Statistics (IFS)* are currently aligned with the *Monetary and Financial Statistics Manual (MFSM)*.

**Financial sector surveillance:** In the area of financial soundness indicators (FSIs), the BPNG has compiled selected FSIs for deposit takers to support the financial sector assessment. PNG is participating in a three-year (FY2014–FY2016) TA project on FSIs for selected AFR and APD countries funded by the Government of Japan and is expected to submit FSI data and metadata to STA for posting on the IMF's [FSI website](#). Currently, data is still being compiled and has not been reported yet.

**External Sector Statistics:** Annual balance of payments data are derived from the International Transactions Reporting System (ITRS), which is not tightly monitored despite the BPNG reporting requirements. There are marked differences between the official data on exports and imports of goods and those reported by trading partners. The financial accounts data are of poor quality because of major deficiencies in data collection, especially in the area of private external debt and foreign direct investment. Quarterly data are also published by the BPNG. PNG has been one of the beneficiaries of the JSA Project on the improvement of external sector statistics (ESS). Under this project, TA missions were provided to improve BOP and international investment position (IIP) statistics in May–June 2013, February 2014 and July 2015. These missions made recommendations to improve the ESS compilation framework. BPNG is largely under-equipped in terms of its capacity and collection framework vis-à-vis the volumes and nature of transactions and positions with nonresidents. Little progress has been made regarding the implementation of the missions' recommendations; and overall improvements in the quality of ESS have been very modest.

## II. Data Standards and Quality

PNG began to participate in the General Data Dissemination System (GDDS) in 2012.

## III. Reporting to STA

PNG last reported GFS for publication in *Government Finance Statistics Yearbook* and *IFS* for 2016, covering only the budgetary central government. Monetary data are reported to STA for publication in *IFS* on a regular monthly basis. BOP data for 2010 were reported to STA for publication in *Balance of Payments Yearbook* and *IFS*. National accounts data for 2006–13 were reported to STA for publication in *IFS*.

**Papua New Guinea: Table of Common Indicators Required for Surveillance**  
(As of November 2, 2016)

|   | Date of Latest Observation | Date Received | Frequency of Data <sup>1</sup> | Frequency of Reporting <sup>1</sup> | Frequency of Publication <sup>1</sup> |
|---|----------------------------|---------------|--------------------------------|-------------------------------------|---------------------------------------|
| Exchange Rates  | 10/31/2016                 | 11/1/2016     | D                              | D                                   | D                                     |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>2</sup>               | 07/2016                    | 09/18/2016    | W                              | W                                   | Q                                     |
| Reserve/Base Money  | 07/2016                    | 09/18/2016    | M                              | M                                   | Q                                     |
| Broad Money   | 07/2016                    | 09/18/2016    | M                              | M                                   | Q                                     |
| Central Bank Balance Sheet  | 07/2016                    | 09/18/2016    | M                              | M                                   | Q                                     |
| Consolidated Balance Sheet of the Banking System  | 07/2016                    | 09/18/2016    | M                              | M                                   | Q                                     |
| Interest Rates <sup>3</sup>   | 10/2016                    | 11/1/2016     | W                              | W                                   | Q                                     |
| Consumer Price Index  | 06/2016                    | 09/29/2016    | Q                              | Q                                   | Q                                     |
| Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> —General Government <sup>5, 8</sup> | N/A                        | N/A           | N/A                            | N/A                                 | N/A                                   |
| Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> —Central Government                 | 2015                       | 08/24/2016    | A                              | A                                   | A                                     |
| Stocks of Central Government and Central Government-Guaranteed Debt <sup>6</sup>                            | 12/2015                    | 09/26/2016    | Q                              | A                                   | A                                     |
| External Current Account Balance  | 06/2016                    | 09/19/2016    | Q                              | Q                                   | Q                                     |
| Exports and Imports of Goods and Services   | 06/2016                    | 09/19/2016    | Q                              | Q                                   | Q                                     |
| GDP/GNP   | 2013                       | 03/23/2016    | A                              | A                                   | A                                     |
| Gross External Debt   | 06/2016                    | 09/20/2016    | Q                              | A                                   | A                                     |
| International Investment Position <sup>7, 8</sup>   | N/A                        | N/A           | N/A                            | N/A                                 | N/A                                   |

<sup>1</sup> Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); and Not Available (N/A).

<sup>2</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>3</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.

<sup>4</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>5</sup> The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments.

<sup>6</sup> Including currency and maturity composition.

<sup>7</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>8</sup> Lack of capacity prevented the authorities from providing the data.