

Table 1. Papua New Guinea: Performance Criteria and Indicative Targets Under the Stand-By Arrangement, 2000

	Dec. 31, 1999	Mar. 31, 2000		Jun. 30, 2000			Sep. 30, 2000			Dec. 31, 2000				
		Original Program Indicative Targets			Original Program Performance Criteria			Original Program Performance Criteria			Original Program Indicative Targets	Third Review Performance Criteria		
	Actual Stock	Unadjusted	Adjusted	Actual	Unadjusted	Adjusted	Actual	Unadjusted	Adjusted	Actual		Unadjusted	Adjusted	Actual
(In millions of kina)														
Ceiling on net domestic assets of the central bank 1/, 2/, 3/	194	251	244	91	226	199	-102	83	158	-16	-144	-267	-131	-112
Ceiling on net domestic financing of the government 1/, 3/, 4/, 5/	1,548	59	45	-76	133	34	16	101	176	-30	-123	-156	-20	22
(In millions of U.S. dollars)														
Floor on net international reserves of the central bank 1/, 6/, 7/, 8/	182	130	133	164	150	160	230	214	186	218	307	339	287	256
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the public sector with a maturity of over one year 4/, 8/, 9/	14	0	0	0	0	0	0	0	0	0	0	0	0	0
Ceiling on the stock of public sector and publicly guaranteed nonconcessional short-term external debt with initial maturity of up to one year 4/, 8/, 10/	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonaccumulation of external payments arrears by the public sector	Continuing													

1/ Figures in the "actual" column for December 1999, March 2000, and June 2000 have been revised slightly from those presented in EBS/00/201.

2/ Defined as reserve money less net foreign assets of the central bank.

3/ The ceiling on net domestic assets of the central bank and net domestic financing of the government will be adjusted downward by the full extent to which the value of the following items exceeds the program targets laid out in Table 4: (i) MRSF receipts, as recorded in the Bank of Papua New Guinea (BPNG) foreign exchange cash flow; (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow; and (iii) total net receipts from asset sales. Upward adjustments will be made by the amounts that the values of the following items fall short of the program targets laid out in Table 4: (i) MRSF receipts, as recorded in the BPNG foreign exchange cash flow (to a maximum adjustment of K 20 million); (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow (to a maximum upward adjustment of \$70 million); and (iii) total net receipts from asset sales. With respect to the adjuster in (iii), if net receipts from asset sales are negative, the value of net receipts from asset sales shall be set at zero for the purposes of comparison with the benchmark values in Table 4.

4/ Cumulative flow since the beginning of the year.

5/ For adjustments to the ceiling on net domestic financing of the government prior to September 2000 refer to IMF Staff Report EBS/00/53. From September 2000 onward the ceiling on net domestic financing of the government will be adjusted downward by the full amount of the excess of the sum of nontax revenue (excluding grants) and non-mineral tax revenue, less domestic interest payments over the program levels shown in Table 4.

6/ The floor on net international reserves of the central bank will be adjusted upward by the full extent to which the value of the following items exceeds the program targets laid out in Table 4: (i) MRSF receipts, as recorded in the BPNG foreign exchange cash flow (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow; and (iii) foreign currency-denominated net receipts from asset sales. Downward adjustment will be made by the amounts that the values of the following items fall short of the program targets laid out in Table 4: (i) MRSF receipts, as recorded in the BPNG foreign exchange cash flow (to a maximum downward adjustment of \$7.6 million); (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow (to a maximum downward adjustment of \$70 million); and (iii) foreign currency-denominated net receipts from asset sales. With respect to the adjuster in (iii), if net receipts from asset sales are negative, the value of net receipts from asset sales shall be set at zero for the purposes of comparison with the benchmark values in Table 4.

7/ Valued at the program exchange rates.

8/ The public sector is defined to include the national and provincial governments, and statutory authorities. Excluded from the limits on external borrowing are the use of Fund resources, loans from the World Bank, the Asian Development Bank, and other multilateral and official bilateral donors; loans contracted for debt rescheduling or refinancing (provided the terms of the new loans are at least as concessionary as the terms of the debt being rescheduled or refinanced); and credits that are regarded as concessionary.

9/ This performance criterion applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are leases.

10/ The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000. Excluded from this performance criterion are normal import-related trade credit and leases. Included in this performance criterion are off-balance sheet assets and liabilities (e.g., swaps and forwards).

Table 2. Papua New Guinea: Performance Criteria and Indicative Targets Under the Stand-By Arrangement, 2001

	Dec. 31, 2000	Mar. 31, 2001			Jun. 30, 2001				Sep. 30, 2001		Dec. 31, 2001	
	Actual Stock	Indicative Targets		Actual 1/	Performance Criteria		Actual 1/	Actual 2/	Indicative Targets		Indicative Targets	
		Unadjusted	Adjusted		Unadjusted	Adjusted			Second and Third Reviews 1/	Fourth Review 2/	Second and Third Reviews 1/	Fourth Review 2/
(In millions of kina)												
Ceiling on net domestic assets of the central bank 3/, 4/	-112	-11	-42	-41	-40	-55	-96	-253	-183	-196	-174	-361
Ceiling on net domestic financing of the government 5/, 6/, 7/	1,569	187	156	172	133	118	186	186	-12	229	47	106
(In millions of U.S. dollars)												
Floor on net international reserves of the central bank 7/	256	217	229	227	232	238	235	240	292	230	300	290
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the public sector with a maturity of over one year 5/, 8/, 9/	0	0	0	0	0	0	0	0	0	0	0	0
Ceiling on the stock of public sector and publicly guaranteed nonconcessional short-term external debt with initial maturity of up to one year 5/, 8/, 10/	0	0	0	0	0	0	0	0	0	0	0	0
Nonaccumulation of external payments arrears by the public sector	Continuing											

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

1/ Net international reserves and net domestic assets of the central bank are valued at the original program exchange rates, which were US\$1.3713/SDR and US\$0.38/kina.

2/ Net international reserves and net domestic assets of the central bank are valued at the revised program exchange rates for September and December 2001, which are US\$1.2457/SDR and US\$0.31/kina.

3/ Defined as reserve money less net foreign assets of the central bank.

4/ The ceiling on net domestic assets of the central bank will be adjusted downward by the full extent to which the value of the following items exceeds the program targets laid out in Table 4: (i) mineral tax receipts, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate; (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate; and (iii) foreign currency-denominated net receipts from asset sales, converted into kina at the program exchange rate. Upward adjustment will be made by the amount that mineral tax receipts, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate are less than the program targets laid out in Table 4 (to a maximum adjustment of K 20 million). Upward adjustment will be made by the amount that exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate are less than the program targets laid out Table 4 (to a maximum adjustment of K 26.4 million). Upward adjustment will also be made by the full amount of any external debt repayment made ahead of schedule with the prior agreement of Fund staff and funded by foreign currency-denominated net receipts from asset sales, converted into kina at the program exchange rate.

5/ Cumulative flow since the beginning of the year.

6/ The ceiling on net domestic financing of the government will be adjusted downward by the full amount of the excess of the sum of nontax revenue (excluding grants) and nonmineral tax revenue, less domestic interest payments over the program levels shown in Table 4. Downward adjustment will be made by the full extent to which the value of the following items exceeds the program targets laid out in Table 4: (i) mineral tax receipts, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate; (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate; and (iii) total net receipts from asset sales. Upward adjustment will be made by the amount that mineral tax receipts, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate are less than the program targets laid out in Table 4. (to a maximum adjustment of K 20 million). Upward adjustment will be made by the amount that exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow and converted into kina at the program exchange rate are less than the program targets laid out Table 4 (to a maximum adjustment of \$7.6 million). Upward adjustment will also be made by the full amount of any external debt repayment made ahead of schedule with the prior agreement of Fund staff and funded by foreign currency-denominated net receipts from asset sales, converted into kina at the program exchange rate.

7/ The floor on net international reserves of the central bank will be adjusted upward by the full extent to which the value of the following items exceeds the program targets laid out in Table 4: (i) mineral tax receipts, as recorded in the BPNG foreign exchange cash flow; (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow; and (iii) foreign currency-denominated net receipts from asset sales. Downward adjustment will be made by the amount that the value of mineral tax receipts, as recorded in the BPNG foreign exchange cash flow, is less than the amount indicated in Table 4 (to a maximum downward adjustment of \$7.6 million). Downward adjustment will be made by the amount that exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow are less than the amount indicated in Table 4 (to a maximum downward adjustment of \$10 million). Downward adjustment will also be made by the full amount of any external debt repayment made ahead of schedule with the prior agreement of Fund staff and funded by foreign currency-denominated net receipts from asset sales.

8/ The public sector is defined to include the national and provincial governments, and statutory authorities. Excluded from the limits on external borrowing are the use of Fund resources, loans from the World Bank, the Asian Development Bank, and other multilateral and official bilateral donors; loans contracted for debt rescheduling or refinancing (provided the terms of the new loans are at least as concessionary as the terms of the debt being rescheduled or refinanced); and credits that are regarded as concessionary.

9/ This performance criterion applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are leases.

10/ The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000. Excluded from this performance criterion are normal import-related trade credit and leases. Included in this performance criterion are off-balance sheet assets and liabilities (e.g., swaps and forwards).

Table 3. Papua New Guinea: Prior Actions, Structural Performance Criteria, and Benchmarks Under the Stand-By Arrangement, 2000-01

	Program Target Date	Status
I. Prior actions for first review.		
Endorsement by cabinet of a plan and timetable for the Public Sector Reform Program (PSRP).		Observed.
II. Prior actions for the second and third reviews.		
Bringing the Papua New Guinea Banking Corporation (PNGBC) to the point of sale.		Observed.
Rescission of central bank guarantee to PNGBC.		Observed.
II. Prior actions for the fourth review.		
Implementation of central government expenditure cuts totalling K 33 million.		
III. Structural performance criteria.		
Completion of financial and managerial audits of the two major pension funds: the Public Officers' Superannuation Fund (POSF) and the National Provident Fund (NPF).	By end-March 2000.	Observed.
Passage by parliament of the Central Bank Act.	By end-April 2000.	Observed.
Passage by parliament of the Bank and Financial Institutions Act.	By end-April 2000.	Observed.
Completion and submission to cabinet of the design and timetable for the public sector reform program.	By end-June 2000.	Not observed by target date. Waiver requested based on subsequent completion (see above).
Finance Pacific brought to the point of sale.	By end-December 2000.	Not observed. Waiver requested based on bringing PNGBC to the point of sale as a prior action for completing the second and third reviews.
IV. Structural benchmarks.		
The self-assessment questionnaire on good fiscal practices will be completed and submitted to the Fund.	By end-March 2000.	Observed.
The Privatization Commission will have identified candidates for privatization and will have formulated a detailed schedule and methodology to be employed.	By end-March 2000.	Observed.
Actuarial reviews of the NPF and POSF will have begun.	By end-April 2000.	Superseded by future comprehensive industry reform.
Endorsement by cabinet of the recommendations on the PSRP.	By end-August 2000.	Observed, also a prior action for the first review (see above).
Endorsement by cabinet of the recommendations of the Public Expenditure Review.	By end-August 2000.	Replaced by ongoing departmental reviews.
Cabinet approval of the tax system review.	By end-September 2000.	Not observed by the target date. However, the tax review was presented to cabinet in October 2000 and recommendations incorporated into the 2001 budget enacted by parliament.
Ongoing effort to close down remaining pyramid schemes.	Continuing.	

Table 4. Papua New Guinea: Quantitative Benchmarks Under the Stand-By Arrangement, 2000-01

	Actual							Indicative Targets							
								Original Program			First Review	Second and Third Reviews		Fourth Review	
	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30.	Dec. 31
	1999	2000			2001		2000			2001					
(In millions of kina, cumulative from the beginning of each year)															
Ceiling on central government wages and salaries 1/	777	149	364	567	813	185	419	144	377	570	814	185	414	622	859
Ceiling on central government recurrent expenditures 2/, 3/, 4/	2,015	470	1,016	1,520	2,219	485	1,012	436	1,006	1,515	...	...	...	...	...
Ceiling on central government noninterest recurrent expenditures 2/, 3/, 5/	1,628	364	790	1,192	1,790	367	793	372	815	1,236	1,705	410	835	1,254	1,801
Floor on pre-1999 domestic arrears reduction 6/	149	40	64	75	193	11	14	37	77	99	109	...	...	...	...
Floor on nonmineral tax revenue 7/	1,662	402	935	1,391	1,888	420	870	393	842	1,318	1,931	476	1,022	1,391	1,950
(In millions of U.S. dollars, cumulative from the beginning of each year)															
Floor on mineral tax receipts 8/	131	8	54	92	147	9	49	5	43	74	129	8	33	77	116
Memorandum items:															
Exceptional external financing (in millions of U.S. dollars) 8/	80	0	35	35	70	14	24	0	36	81	180	4	49	49	138
Privatization receipts, net of cost of sales (in millions of kina) 9/, 10/	26	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which: Foreign currency denominated															
In millions of kina 9/, 11/	...	...	...	0	0	0	0	0	0	0	0	0	0	0	0
In millions of U.S. dollars 9/, 11/	...	...	...	0	0	0	0	0	0	0	0	0	0	0	0
Nontax revenue	166	26	56	102	145	19	73	19	92	148	169	20	47	150	209
Domestic interest payments	261	79	159	226	284	87	143	42	123	175	317	88	143	207	268

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

1/ Defined as sum of national and provincial department expenditures on wages and salaries including wages and salaries for teachers of provincial governments (items 111, 112, 113, 141) but excluding retrenchment allowances, contributions to superannuation funds, and some other benefits (item 114) and education benefits (item 116)).

2/ Refers to gross expenditure, including spending on services provided by the Department of Works to the rest of the government. A corresponding amount is recorded as nontax revenue.

3/ The benchmark on total recurrent expenditure in the original program was modified to noninterest recurrent expenditure at the time of the first review.

4/ Includes net lending.

5/ Excludes net lending.

6/ Amount for December 31, 2000 includes K 68 million in identified pre-1999 arrears, and the remainder may also include the clearance of arrears incurred in 1999. There are no floors set for 2001, as remaining pre-1999 claims are under dispute subject to court decision.

7/ In 1999 excludes VAT revenue collected in trust accounts.

8/ As recorded in the foreign exchange cash flow of the Bank of Papua New Guinea. Prior to 2001 these figures refer to MRSF receipts.

9/ Net revenues from the privatization of the Halla Cement Company in the third quarter of 2000 are set at zero because the costs of sales were greater than the receipts.

10/ As reported by the Department of Treasury.

11/ As recorded in the balance of payments of the Bank of Papua New Guinea.