INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/336

PAPUA NEW GUINEA

December 2025

FIFTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR PAPUA NEW GUINEA

In the context of the Fifth Reviews Under the Extended Arrangement Under the Extended Fund Facility and the Arrangement Under the Extended Credit Facility, Request for a Waiver of Nonobservance of Performance Criterion, and Second Review Under the Resilience and Sustainability Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 12, 2025, following discussions that ended on October 8, 2025, with the officials of Papua New Guinea on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility, Extended Credit Facility, and Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on November 21, 2025.
- A **World Bank Assessment Letter** for the Resilience and Sustainability Facility.
- A **Statement by the Alternate Executive Director** for Papua New Guinea.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes the Fifth Reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF), and Second Review under the Resilience and Sustainability Facility (RSF) for Papua New Guinea

FOR IMMEDIATE RELEASE

- The Executive Board completed the Fifth Reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements for Papua New Guinea, providing the country with immediate access to about US$165 million.
- The Executive Board also completed the Second Review under the Resilience and Sustainability Facility (RSF) arrangement, making available about US$54 million to support the authorities' policies to address longer-term structural balance of payments vulnerabilities associated with climate change.
- The IMF-supported programs will continue to support Papua New Guinea's homegrown reform agenda, focusing on strengthening debt sustainability, alleviating FX shortages, fostering good governance, and building climate resilience, while protecting the vulnerable and promoting inclusive and sustainable growth.

Washington, DC – December 12, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Fifth Reviews under the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements, and the Second Review under the Resilience and Sustainability Facility (RSF) arrangement for Papua New Guinea. The completion of these reviews allows for the immediate disbursement of SDR 121.07 million (about US$165 million) under the ECF/EFF arrangements and SDR 39.48 million (about US$54 million) under the RSF arrangement, bringing total disbursements under the IMF-supported programs so far to SDR 622.48 million (about US$851 million).

The ECF/EFF arrangements with Papua New Guinea were approved by the Executive Board on March 22, 2023, in an overall amount equivalent to SDR 684.32 million (260 percent of quota) to help address a protracted balance of payments need—manifested in foreign exchange shortages—and to support the authorities' reforms to address longstanding structural impediments to inclusive growth. The 24-month RSF arrangement, which was approved by the Executive Board on December 11, 2024, in an overall amount of SDR 197.4 million (75 percent of quota), aims to help address risks to prospective balance of payments stability associated with longer-term structural challenges posed by climate change.

Papua New Guinea's economic outlook remains positive as structural reforms continue to bear fruit. Growth is projected to reach 4.5 percent in 2025, driven by increased production in the resource sector and resilient growth in the non-resource sector supported by improvements in access to foreign exchange and favorable agricultural production. Headline inflation is expected to rebound to 3.8 percent in 2025 from a very low base in 2024 as the drag from the low betel nut prices eases. Over the medium term, growth is expected to moderate and stabilize at just above 3 percent, driven mainly by continued expansion of non-resource sector activities, with inflation converging to around 4.5 percent.

The outlook is subject to high uncertainty, with risks tilted to the downside, as Papua New Guinea remains vulnerable to both domestic and external shocks. These risks are exacerbated by considerable capacity constraints and socio-political fragility that limit the government's ability to design and implement policies aimed at economic stabilization, development, and climate adaptation. Commodity price volatility, as well as global risks arising from geopolitical conflicts, escalating protectionist trade measures, prolonged uncertainty, and decline in international aid could create additional pressure on growth and inflation. On the upside, the kickoff of major resource projects, which are not yet in the baseline scenario, could boost economic growth in the near and medium run, with significant gains in exports once operations commence.

Program performance has remained satisfactory, with the authorities displaying a sustained commitment to reforms. All but one quantitative performance criteria and all indicative targets for end-June 2025 under the ECF-EFF arrangements were met, whilst all but one indicative targets for end-September 2025 were met. The Executive Board approved a waiver of nonobservance of the quantitative performance criteria on the fiscal deficit of the government for end-June 2025, based on the minor nature of the nonobservance and the corrective actions taken by the authorities. All five structural benchmarks due were met or implemented with delay and one structural benchmark due for the next reviews already met. Two reform measures under the RSF arrangement were implemented.

At the conclusion of the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, and Acting Chair, made the following statement:

"The Papua New Guinea (PNG) authorities have accomplished steady progress in implementing their homegrown reform agenda under the Fund-supported programs. Sustained commitment to these reforms will help rebuild policy buffers, address the country's long-standing structural challenges, and secure a more resilient, inclusive, and greener economic growth.

"The authorities have been successfully reducing the fiscal deficit, with additional consolidation efforts envisaged in the 2026 budget. Steps to durably increase revenue mobilization, consistent with the authorities' Medium-Term Revenue Strategy, further contain the growth of current spending, and improve expenditure efficiency would help reduce public debt vulnerabilities. At the same time, protecting social and capital spending, strengthening debt management capacity, and modernizing cash management practices are also essential.

"Access to foreign exchange has improved significantly in recent months thanks to central banking reforms, increased flexibility of the Kina, and favorable external conditions. The current crawl-like arrangement remains appropriate to tackle the overvaluation of the Kina and facilitate its return to convertibility. A tighter monetary policy stance, through timely adjustments in the Kina Facility Rate, is needed to ensure consistency between monetary policy and the exchange rate regime. Additional steps to modernize monetary policy operations, strengthen the Bank of PNG's liquidity management capacity, develop the interbank market, and contain financial stability risks would help to support financial sector development.

“Further efforts to promote good governance and enhance the effectiveness of anti-money laundering and countering financing of terrorism framework are critical to support the business environment. Delivering tangible and long-lasting results in the fight against corruption will be key to reinforcing the credibility of the Independent Commission Against Corruption.

“Building resilience to climate-related risks is crucial for achieving high and inclusive growth. The program supported by the Resilience and Sustainability Facility focuses on strengthening disaster risk management, integrating climate considerations in infrastructure governance, developing climate finance, and setting up incentives for forest protection and fuel efficiency will help attaining these objectives.”

Table 1. Papua New Guinea: Selected Economic and Financial Indicators, 2021–2030

Nominal GDP (2024):	US$31.5 billion 1/
Population (2024):	10.1 million
GDP per capita (2024):	US$3,118
Quota:	SDR 263.2 million

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Actual	Actual	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percentage change)									
Real sector										
Real GDP growth	-0.5	5.7	3.8	3.8	4.5	4.0	3.1	3.1	3.1	3.1
Resource 2/	-11.6	5.1	1.3	1.8	4.3	2.5	0.1	0.2	0.2	0.2
Non-resource	4.2	5.9	4.7	4.5	4.6	4.5	4.1	4.1	4.0	4.0
Mining and quarrying (percent of GDP)	8.2	8.2	8.5	9.9	13.6	15.1	15.1	14.8	14.4	14.1
Oil and gas extraction (percent of GDP)	17.1	23.7	18.9	18.3	14.9	13.8	13.3	12.5	11.9	11.2
CPI (annual average)	4.5	5.3	2.3	0.6	3.8	4.2	4.7	4.5	4.5	4.5
CPI (end-period)	5.7	3.4	3.9	0.7	2.8	4.9	4.5	4.5	4.5	4.5
	(In percent of GDP)									
Central government operations										
Revenue and grants	15.1	16.6	17.9	17.1	18.1	18.6	19.1	19.2	19.4	19.5
Of which: Resource revenue	1.1	3.9	3.9	3.5	4.4	4.4	4.6	4.6	4.6	4.6
Expenditure and net lending	22.0	21.9	22.3	20.4	20.8	19.8	19.0	18.9	19.0	18.9
Net lending(+)/borrowing(-)	-6.8	-5.3	-4.3	-3.2	-2.6	-1.2	0.0	0.2	0.4	0.5
Non-resource net lending(+)/borrowing(-)	-8.0	-9.1	-8.2	-6.7	-7.0	-5.5	-4.5	-4.3	-4.2	-4.0
	(Percentage change)									
Money and credit										
Domestic credit	15.9	1.5	12.1	1.6	7.3	-0.1	5.8	-0.2	5.4	4.6
Credit to the private sector	2.5	6.9	14.9	3.2	3.9	11.9	9.2	8.5	11.1	6.1
Broad money	13.4	14.7	9.9	-6.4	-5.3	9.1	9.3	-4.5	10.3	14.6
	(In billions of U.S. dollars)									
Balance of payments										
Exports, f.o.b.	10.8	14.6	12.8	13.4	14.8	15.2	15.9	16.8	17.8	18.7
Imports, c.i.f.	-4.4	-5.9	-5.4	-4.6	-5.9	-6.7	-7.0	-7.4	-7.7	-8.0
Current account (including grants)	3.3	4.6	2.8	5.0	4.4	4.3	4.0	4.0	3.9	3.8
(In percent of GDP)	12.6	14.4	9.1	15.8	13.8	12.9	11.6	11.3	10.8	10.0
Gross official international reserves	3.2	4.0	3.9	3.7	3.0	3.5	3.7	3.2	3.3	3.9
(In months of goods and services imports)	4.5	5.9	6.7	5.6	3.7	4.3	4.3	3.6	3.7	4.2
	(In percent of GDP)									
Government debt										
Government gross debt	52.6	48.2	53.9	52.1	51.8	49.6	46.8	44.1	41.5	38.7
External debt-to-GDP ratio (in percent) 3/	25.0	23.5	27.0	27.4	29.2	30.0	28.0	27.5	25.9	23.8
External debt-service ratio (percent of exports)	4.3	2.2	2.7	3.4	4.5	5.4	5.6	8.9	3.6	3.3
Memo Items										
US$/kina (end-period)	0.2850	0.2840	0.2683	0.2500	...	...	...	...	...	...
NEER (2005=100, fourth quarter)	91.2	100.3	95.3	89.3	...	...	...	...	...	...
REER (2005=100, fourth quarter)	125.3	134.6	129.0	119.5	...	...	...	...	...	...
Terms of trade (2010=100, end-period)	48.3	70.4	63.8	67.4	70.9	71.7	73.6	74.3	74.7	75.4
Nominal GDP (in billions of kina)	91.6	111.4	110.6	121.5	132.7	144.6	153.4	162.6	172.5	183.2
Non-resource nominal GDP (in billions of kina)	68.4	75.9	80.3	87.3	94.9	102.8	109.9	118.2	127.1	136.9

Sources: Papua New Guinea authorities; and IMF staff estimates and projections.
1/ Based on period average exchange rate.
2/ Resource sector includes production of mineral, petroleum, and gas and directly-related activities such as mining and quarrying, but excludes indirectly-related activities such as transportation and construction.
3/ Public external debt includes external debt of the central government, the central bank, and guarantees to other entities.

INTERNATIONAL MONETARY FUND

PAPUA NEW GUINEA

November 21, 2025

FIFTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. Papua New Guinea (PNG) is a fragile state with acute development needs, unstable social and political environment, and limited capacity. In the past decade, it faced multiple shocks, including natural disasters, that adversely affected growth, contributed to a sharp increase in public debt, and led to significant shortages of foreign exchange. To rebuild policy buffers and address the country's long-standing structural challenges, the authorities have steadily implemented a multipronged reform agenda with extensive support from the IMF and other development partners.

Program background. On March 22, 2023, the IMF Executive Board approved Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements with PNG, extended to 45 months in December 2024, to support the authorities' efforts in addressing a protracted balance of payments need and structural impediments to inclusive growth. On December 11, 2024, the Board approved a 24-month arrangement under the Resilience and Sustainability Facility (RSF) to mitigate risks to prospective balance of payments stability associated with longer-term structural challenges posed by climate change.

Program developments. ECF/EFF program performance has been broadly on track, with all but one quantitative performance criteria (QPC) and all indicative targets (IT) for end-June met, whilst all but one ITs for end-September were met. Of the five structural benchmarks (SB) due, three were met, and two were implemented with a delay. In addition, one SB due by end-December 2025 was met. Five new SBs are proposed to improve the governance of revenue administration, enhance public investment and debt management, strengthen macroprudential policy framework, and improve external sector statistics. Of the three reform measures (RM) under the RSF arrangement that were scheduled to be completed by this review, two were met, with the remaining one likely to be implemented by the time of the third RSF review.

Policy discussions. Policy discussions focused on: (i) implementation of the authorities' fiscal consolidation strategy—using both revenue mobilization and expenditure rationalization measures—and adoption of a prudent borrowing plan; (ii) continued implementation of the roadmap of central bank reforms, particularly regarding foreign exchange and liquidity management; (iii) strengthening governance and AML/CFT frameworks; and (iv) reforms to enhance PNG's resilience to climate change.

Staff views. Staff support the authorities' request for (i) the completion of the fifth reviews under the EFF/ECF arrangements and the second review under the RSF arrangement; and (ii) a waiver of non-observance of a performance criterion. The Letter of Intent and Memorandum of Economic and Financial Policies demonstrate program ownership and appropriate policies to reach the goals of the authorities' programs.

Approved By
Thomas Helbling (APD) and Cemile Sancak (SPR)

Discussions were held in Port Moresby during September 25 – October 8, 2025. The team included N. Klein (head), H. Chai, F. Gonguet, Y. Zhou (all APD), W. Yim (MCM), D. Florián Hoyle (SPR), B. Welham (FAD), J. De (Resident Representative), and S. Kilian (local economist). The mission met with Treasurer Ling-Stuckey, BPNG Governor Genia, Treasury Secretary Oaeke, BPNG Deputy Governor Yabom, senior government officials, development partners, and representatives of the private sector. Y. Xu and S. Zhang provided administrative and research support for the preparation of the staff report.

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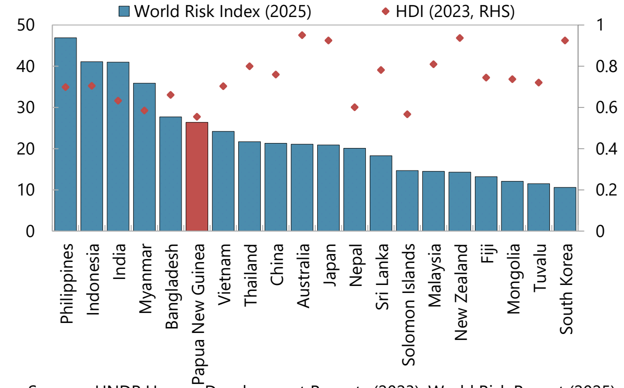
ANNEXES

APPENDIX

CONTEXT

1. Papua New Guinea (PNG) is a fragile state, vulnerable to recurrent shocks. The economy is endowed with abundant natural resources, which offer significant potential for growth and prosperity. However, in the past decade, it faced a series of shocks, including low commodity prices, droughts, earthquakes, and the COVID-19 pandemic, all of which adversely affected growth, contributed to a sharp increase in public debt, and led to significant shortages of foreign exchange (FX). An unstable social and political environment and limited capacity pose additional challenges in addressing PNG's acute development needs and the impact of climate change.

Asia and Pacific: Vulnerability to Natural Disasters and Human Development Index



Sources: UNDP Human Development Reports (2023); World Risk Report (2025).

2. The ongoing Fund-supported programs aim to support Papua New Guinea's reforms to preserve macroeconomic stability and address long-standing structural challenges. The 45-month arrangements under the Extended Credit Facility (ECF)/Extended Fund Facility (EFF) support the authorities' efforts in addressing a protracted balance of payments need and tackling long-lasting structural impediments to growth. Complementing these efforts, the 24-month Resilience and Sustainability Facility (RSF) arrangement contributes to PNG's prospective balance of payments stability by lowering longer-term climate change-related risks. While ambitious, these arrangements are supported by extensive capacity development (CD) and informed by PNG's Country Engagement Strategy.[1]

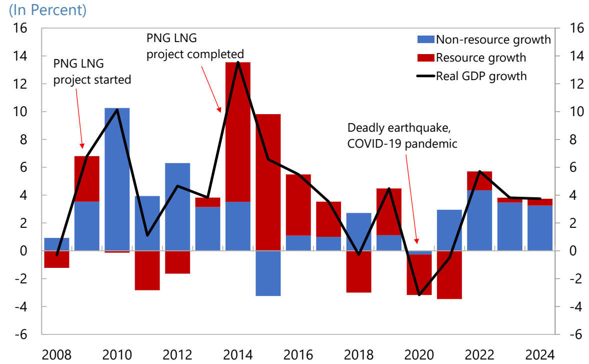
3. The authorities have accomplished steady progress in implementing program-supported reforms and demonstrated continued strong commitment to program objectives. The fiscal deficit has been reduced significantly and the Income Tax Act (ITA), which marks a major milestone in modernizing and simplifying the tax system, was adopted in March 2025. The overvaluation of the Kina has significantly narrowed, and FX shortages have continued to ease as the Bank of PNG (BPNG) advanced the implementation of its reform roadmap (the 'Roadmap'). Moreover, BPNG's governance has been strengthened following the adoption of the 2024 amendments to the Central Banking Act ('2024 CBA') and the subsequent establishment of the Monetary Policy Committee (MPC). Despite some challenges, governance reforms are also proceeding and the Independent Commission Against Corruption (ICAC) continues to step up operations.

[1] See Annex IV, IMF Country Report No. 23/385.

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

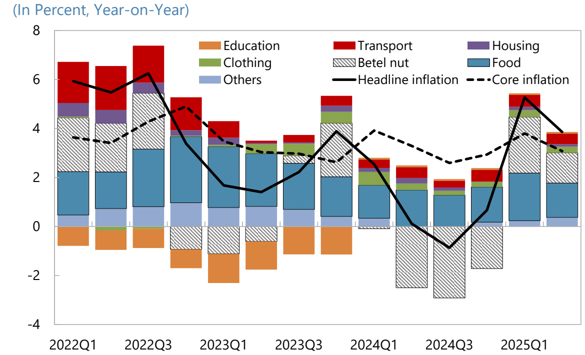
4. **Growth remained resilient while inflation rebounded from historically low levels.** Real GDP growth in 2024 is estimated at 3.8 percent in 2024—similar to the rate in 2023. While growth benefitted from increased capacity in the resource sector, particularly in the Porgera gold mine, it is estimated to have been mostly driven by an expansion of the non-resource sectors, particularly community, social, and personal services as well as wholesale and retail trade. Headline inflation increased sharply from 0.7 percent in 2024Q4 to 5.3 percent in 2025Q1 before moderating to 3.6 percent (y/y) in 2025Q2, mainly due to betel nut price volatility. Core inflation moderated to 3.1 percent after a temporary pickup in 2025Q1, driven by easing food price inflation.

Papua New Guinea: Real Growth
(In Percent)



Sources: NSO; and IMF Staff Calculations.

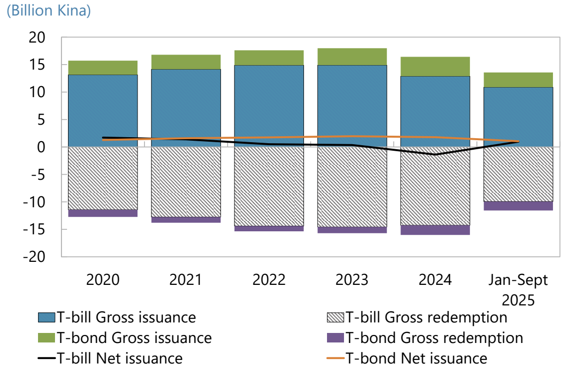
Papua New Guinea: Contribution to Headline Inflation
(In Percent, Year-on-Year)



Sources: NSO; and IMF Staff Calculations.

5. **Fiscal consolidation continued in 2024 and so far in 2025, but revenue underperformed relative to the 2025 budget targets.** The 2024 Final Budget Outcome indicates a further narrowing of the fiscal deficit to 3.2 percent of GDP from 4.3 percent in 2023, mainly supported by expenditure rationalization, with public debt declining to about 52 percent of GDP from a peak of 53.9 percent in 2023. The budget execution for 2025H1 suggests further consolidation, although the fiscal deficit breached the end-June QPC ceiling by a small margin (see ¶11). More specifically, the 2025H1 outturn indicates a significant revenue shortfall compared to the original budget, reflecting low collection of Goods and Services Tax (GST), in part due to the temporary disruption from the cyberattack on the Internal Revenue Commission (IRC) earlier in the year, and lower dividend payment due to technical delays and weak compliance with the newly adopted dividend policy. In 2025Q3, non-resource tax revenues continued to underperform, driven by weak net GST collection—due to higher refunds—and lower Corporate Income Tax (CIT), while resource revenues remained strong thanks to favorable commodity prices. Meanwhile, the fiscal deficit narrowed to K2.1 billion by end-September

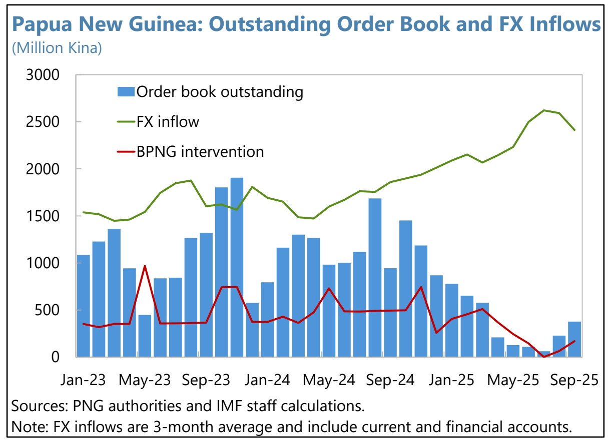
Papua New Guinea: Government Security Issuances
(Billion Kina)



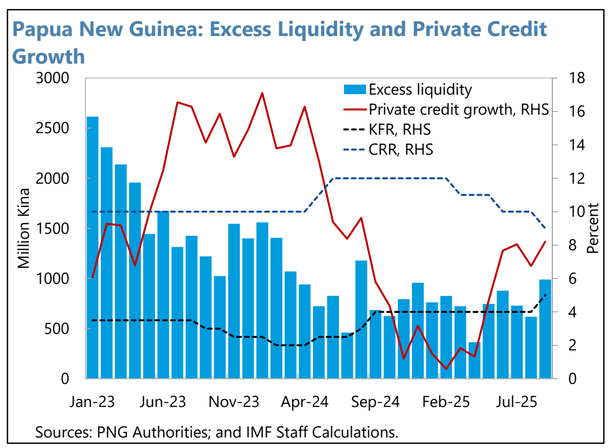
Sources: PNG authorities and IMF staff calculations.

and stood comfortably below the indicative target ceiling, mainly reflecting delays or cancellations of some investment projects. Domestic financing conditions have eased; however, the continued reliance on short-term T-bills heightens rollover risks.

6. **Net international reserves (NIR) remained adequate, supported by increased FX inflows.** NIR stood at about USD 2.8 billion at end-September 2025 (program definition), remaining well above the QPC floor and marking a decline of USD 0.4 billion relative to their level at end-2024, mostly due to BPNG's interventions in early 2025 to support the clearing of the backlog of essential FX orders. More recently, with higher FX inflows supported by higher exports of mining and agriculture, lower imports, and continued outsourcing of FX by the main oil importers, the FX market has become nearly self-sufficient, allowing BPNG to scale back its interventions. BPNG's FX sales fell to zero in July before slightly increasing to USD 40 million in September, while the outstanding FX order book declined significantly to an average of K222 million in 2025Q3 from a peak of 1.9 billion in late 2023. At the same time, average monthly FX market turnover increased to USD 1.2 billion in 2025Q3 from a monthly average of USD 1.0 billion in 2024. In 2025Q2 the current account surplus widened by about USD 740 million relative to end-2024, reflecting a 13.4 percent increase in exports and a 7.9 percent decline in imports. The contraction in imports partly reflects the continued depreciation of the Kina, while the rise in exports was supported by high commodity prices. Consistent with the weakening of the U.S. dollar against major currencies, the Kina's nominal and real effective exchange rates depreciated by about 3.8 and 2 percent, respectively, relative to 2024Q4 levels, narrowing the estimated overvaluation of the Kina to 4.7 percent.[2]



7. **The Monetary Policy Committee (MPC) raised the Kina Facility Rate (KFR) following a year-long pause while further reduced the Cash Reserve Requirement (CRR).** Excess liquidity was largely mopped up in 2024 through an increase of CRR from 10 percent to 12 percent. However, this has led to pockets of tight liquidity in the banking system, particularly among domestic banks, and together with



[2] The 2024 external sector assessment indicates that PNG's external position is moderately weaker than the level implied by medium-term fundamentals and desirable policies, with an estimated annual REER overvaluation of 6.2 percent. See Annex II of the IMF Country Report No. 25/134. The reported Kina overvaluation in 2025H1 is based on the update of alternative quarterly exchange rate regressions. Further details on the model specifications are provided in Annex VI of IMF Country Report No. 23/385.

continued delays in the launch of resource projects, contributed to a subdued private sector credit growth in late 2024 and 2025H1.[3] To alleviate liquidity conditions for some banks, the MPC decided in its September meeting to further reduce the CRR by one percentage point to 9 percent following similar reductions in March and June. In addition, after a year-long pause, the MPC decided to increase the KFR by 100 basis points to 5 percent to better support the crawl-like exchange rate arrangement. The KFR increase was accompanied by widening of the interest rate corridor to +/-200bps from previously +/-150bps to encourage greater interbank trading and better liquidity management by banks, with an aim to improve monetary policy transmission.

8. The financial sector remains sound, but vulnerabilities persist. As of end-June 2025, capital adequacy ratios were well above prudential thresholds, profitability was stable, and non-performing loans remained relatively low (Table 5). While interbank FX market has started to emerge as FX availability significantly improved, banks are still reluctant to trade with each other, given the perceived counterparty and settlement risks, and prefer to sell residual FX to BPNG instead. Uneven distribution of liquidity across banks persists as foreign banks continue to hold excess liquidity due to exposure limits and lengthy approval lead time imposed by their parent institutions. Furthermore, despite the three newly issued banking licenses, the banking system remains highly concentrated with a single domestic bank accounting for about two thirds of total bank system assets.[4] Bank-sovereign nexus is elevated, with government securities holdings accounting for around one-third of total bank assets.

9. The growth outlook is projected to remain favorable, supported by the resilience of the non-resource sector, while inflation is expected to hover around its historical average (Text Table 1). In 2025, real growth is projected to pick up to 4.5 percent as the expected return to 75 percent of production capacity of the Porgera mine is projected to raise resource sector growth to 4.3 percent while continued improvement in access to FX and favorable agricultural production is expected to lift non-resource sector growth to 4.6 percent. The direct impact of the 15 percent "reciprocal tariff" imposed by the US is likely to be muted given PNG's limited trade exposure to the US. Moreover, PNG's export sector continues to benefit from elevated gold prices and—given the current crawling peg arrangement—the USD weakness relative to other currencies. Looking ahead, growth is expected to moderate to 4 percent in 2026 as capacity in the resource sector levels off, and to stabilize at just above 3 percent in the medium term under the baseline, supported by continued expansion of the non-resource sector. Headline inflation is projected to rebound to 3.8 percent in 2025 from a very low base as the drag from the low betel nut prices eases, and converge in the outer years to around 4.5 percent.

[3] Private sector credit growth increased sharply in 2023, in part due to anticipation of the launch of several resource projects, and moderated sharply in 2024 as their final investment decisions were delayed.

[4] The National Executive Council decided on August 20, 2025, to transfer all bank trust accounts of the government, including those of provincial governments and district development authorities, to one of the newly licensed banks, National Banking Corporation (NBC) Limited, from other commercial banks. Its implementation was placed on hold on September 11, 2025, citing a plan to consult with industry stakeholders and resubmit the matter to cabinet in order to avoid unintended consequences. See ¶26 for further discussion.

Text Table 1. Papua New Guinea: Selected Economic Indicators, 2024-2030

	2024	2025	2026	2027	2028	2029	2030
Real GDP growth (percent)	3.8	4.5	4.0	3.1	3.1	3.1	3.1
Resource (percent)	*1.8*	*4.3*	*2.5*	*0.1*	*0.2*	*0.2*	*0.2*
Non-resource (percent)	*4.5*	*4.6*	*4.5*	*4.1*	*4.1*	*4.0*	*4.0*
CPI (annual average, percent)	0.6	3.8	4.2	4.7	4.5	4.5	4.5
Overall fiscal balance (percent of GDP)	-3.2	-2.6	-1.2	0.0	0.2	0.4	0.5
Current account balance (percent of GDP)	15.2	13.8	12.9	11.6	11.3	10.8	10.0
Government gross debt (percent of GDP)	52.1	51.8	49.6	46.8	44.1	41.5	38.7

Sources: Department of Treasury; Bank of Papua New Guinea; and IMF staff estimates and projections.

10. The outlook is subject to high uncertainty, with risks tilted to the downside (Annex I). Downside risks include a drop in commodity prices, weaker external demand, unstable supply of critical utilities, and natural disasters. Further political and social instability could hinder economic growth by undermining implementation of reforms and worsening the business environment while tensions among local communities at the Porgera gold mine could disrupt its production. Cyberattacks could disrupt the provision of critical government and central bank services and trigger financial and socio-economic instability. Global risks arising from geopolitical tensions, escalating protectionist trade measures, prolonged uncertainty, a decline in international aid[5], and commodity price volatility may create additional pressure on growth and inflation. However, a weaker US dollar and rising gold prices could help in offsetting some of these adverse effects.[6] Key upside risks include higher commodity prices and the kickoff of major resource projects for which final investment decisions could occur in the coming months. With supporting prudent policies, the construction of these projects will likely provide a significant boost to medium-term growth with far-reaching implications for the whole economy (Annex II).

PROGRAM PERFORMANCE

11. Program performance has been broadly on track, with all but one quantitative performance criteria (QPC) and all indicative targets (IT) for end-June 2025 met, whilst all but one ITs for end-September 2025 were met (Text Table 2 and MEFP Table 1). At end-June 2025, the fiscal deficit was marginally higher than the QPC ceiling (K34 million, or 0.03 percent of GDP) due to delays in the transfer of dividends from state holding companies to the Treasury on top of continued weaker-than-expected GST and MPT collection. Weaknesses in GST and CIT collection contributed to missing the indicative floor for non-resource tax revenue by K312 million (0.2 percent of GDP) at end-September 2025 while the indicative targets on fiscal deficit and priority spending

[5] According to the Lowy Institute, PNG received USD 1.7 billion in international aid in 2022 (5.4 percent of GDP), 75 percent of which was delivered by Australia and the Asian Development Bank (ADB).

[6] Staff's policy recommendations, as detailed in the Policy Discussions section below, are expected to remain valid if downside risks materialize. Implementing these policy recommendations will increase resilience to these adverse shocks.

were comfortably met. NIR remained comfortably above the QPC floor, while the BPNG's gross credit to the government was below the QPC ceiling. Newly contracted external debt remained significantly below the present value (PV) QPC.[7] Over this review period, the authorities did not impose any new exchange restrictions or intensify existing ones, nor was there evidence of Multiple Currency Practices.[8]

12. The structural reform agenda is progressing, albeit with some delays (MEFP ¶4).

- ***Structural benchmarks (SBs) under the ECF/EFF arrangements (Table 12).*** Of the five SBs due by the fifth reviews, three were met, namely (1) the development of liquidity forecasting framework and liquidity monitoring tables; (2) the MoU between BPNG and the Treasury related to T-bill and T-bond issuances calendar and the publication of auction results; and (3) the creation of an interface between the debt monitoring system (Meridian) and the Integrated Financial Management System (IFMS) to automate the transfer and reconciliation of debt information. The other two SBs concerning the submission of amendments to the IRC Act (due by end-July 2025) and the appointment of the ICAC's oversight committee members (due by end-September 2025) have been implemented with delay. In addition, the SB on the forestry sectoral risk assessment, due by end-December 2025, was met. The implementation of the five other ongoing SBs due by the sixth reviews is broadly on track, with the support of the ongoing and planned Fund CD.

- ***Reform measures (RMs) under the RSF arrangement (Table 13).*** Of the three RMs that were scheduled to be completed by this review, two were met, namely setting up a public website of existing hazard mapping data (RM1), and a comprehensive review of existing royalties, taxes, and levies in the logging sector (RM10). The submission of amendments to the Excise Tariff Act (RM9)—due in the first RSF review—remains highly politically sensitive and is expected to be implemented by the time of the third RSF review.

[7] There is an ongoing dispute regarding a legacy government guarantee to a joint venture at the amount of USD 2.6 million. The Office of State Solicitor is currently examining the validity of the claim as the guaranteed loan, which was given in 2016 by an official creditor, was later refinanced with a domestic bank's loan.

[8] Exchange rates are being monitored to ensure that the spread between the rate set by BPNG for foreign exchange allocations to authorized dealers and the rates those dealers apply in client transactions does not exceed 2 percent.

Text Table 2. Papua New Guinea: QPCs and ITs, March – September 2025
(In Millions of Kinas, unless Mentioned Otherwise)

	2025								
	March Indicative target			June Test date			September Indicative target		
	Approved	**Outcome**	Status	Approved	**Outcome**	Status	Approved	**Outcome**	Status
A. Quantitative performance criteria 1/									
Fiscal deficit of the government (ceiling, cumulative from the beginning of the year)	1,159	**349**	met	2,203	**2,237**	not met	3,020	**2,076**	met
Stock of net international reserves of the BPNG (floor, US$ millions)	1,988	**2,723**	met	1,925	**2,675**	met	1,863	**2,816**	met
BPNG's gross credit to government (ceiling)	2,400	**2,062**	met	2,400	**2,028**	met	2,400	**2,028**	met
B. Continuous quantitative performance criteria (ceilings) 2/									
New external payment arrears of the government (ceiling, US$ millions)	0	**8.5**	not met	0	**0**	met	0	**0**	met
Present value of new external debt contracted or guaranteed by the government (ceiling, US$ millions) 3/	810	**0**	met	810	**130**	met	1,660	**130**	met
C. Indicative Targets									
Non-resource tax revenue of the government (floor, cumulative from the beginning of the year)	3,268	**3,350**	met	6,114	**7,000**	met	11,387	**11,075**	not met
New domestic payment arrears of the government (ceiling)	0	**0**	met	0	**0**	met	0	**0**	met
Social and other priority spending (floor, cumulative from the beginning of the year) 4/	550	**1,458**	met	1,650	**4,183**	met	4,008	**6,354**	met
Stock of unmet import-related FX payments in the orderbook (ceiling)	50	**0**	met	25	**0**	met	0	**0**	met

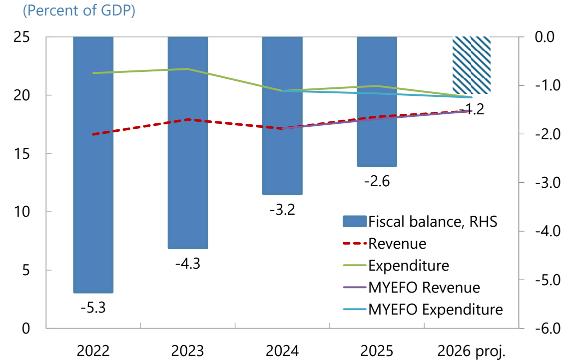
Sources: Papua New Guinea authorities and IMF staff estimates.
1/ Quantitative performance criteria listed under A. and indicative targets listed under C. are assessed as at the end of each reference month above.
2/ Quantitative performance criteria listed under B. are effective continuously from program approval.
3/ Annual for 2025.
4/ Comprises government spending on health, education and law and order (both capital and operating expenses).

POLICY DISCUSSIONS

A. Fiscal policy

13. **The authorities are determined to proceed with fiscal consolidation and have actively formulated corrective actions to offset revenue shortfalls in the first three quarters of 2025.** The government is committed to further reducing the fiscal deficit to at least 2.6 percent of GDP in 2025, supported by both revenue and expenditure measures. Specifically, the authorities have delayed or canceled some low-priority investment projects[9]—which tend to have relatively low impact on growth—to offset the revenue underperformance relative to the budget estimates as well as the higher-than-budgeted increase in teachers' salaries (MEFP ¶8). In addition, the authorities are taking steps to enhance compliance with the newly adopted dividend policy,

Papua New Guinea: Fiscal Aggregates
(Percent of GDP)



Sources: PNG authorities and IMF staff calculations.

[9] These investment projects consist of both current and capital spending components.

including by amending the Kumul Petroleum Act, and are strengthening MPT collection from mining companies to offset the significant revenue shortfall from the LNG sector.

14. Fiscal consolidation is expected to continue in 2026 and over the medium term (MEFP ¶9). The authorities' medium term fiscal framework envisions a fiscal consolidation path that entails a balanced budget by 2027 and surpluses thereafter. They are currently developing the 2026 budget aimed at achieving a fiscal deficit of 1.2 percent of GDP, supported by revenue mobilization and expenditure rationalization. On the revenue side, the implementation of the Income Tax Act and the adoption of the new GST monitoring system (GMS) are expected to increase tax revenues by 0.2 percent of GDP, while continued rollout of the Non-Tax Revenue Act (NTRA) and implementation of the dividend policy are expected to raise non-tax revenue by 0.2 percent of GDP. Potential efficiency gains from upcoming tax administration reforms to address some of the gaps identified in the IMF's recent Tax Administration Diagnostic Assessment Tool (TADAT) report could provide an upside risk to the projected tax collection (see ¶17). On the expenditure side, rationalization of spending on goods and services, enhanced commitment control, and prioritization of investment projects are expected to help contain current and capital spending (MEFP ¶13, ¶14). Should revenue significantly underperform, or wage pressures intensify, the authorities should undertake additional revenue and expenditure measures to safeguard fiscal consolidation (MEFP ¶10).

Text Table 3. Papua New Guinea: Fiscal Adjustment Plan, 2022-2028

(In Percent of GDP)

	2022	2023	2024		2025		2026		2027	2028
					Proj.					
			Prog. 4th Rev.	*FBO*	*Prog. 4th Rev.*	*Latest*	*Prog. 4th Rev.*	*Latest*		
Revenue and Grants 1/	**16.6**	**17.9**	**17.0**	**17.1**	**17.9**	**18.1**	**18.5**	**18.6**	**19.1**	**19.2**
Revenue	15.3	16.9	16.2	16.2	16.8	16.8	17.4	17.3	17.7	17.9
Resource revenue	3.9	3.9	3.5	3.5	4.2	4.4	4.5	4.4	4.6	4.6
Non-resource revenue	11.4	13.0	12.7	12.7	12.4	12.4	12.9	13.0	13.2	13.3
Non-resource tax revenue (% non-resource GDP)	16.4	17.1	16.9	16.9	18.6	16.5	17.2	17.3	17.5	17.5
Grants	1.3	1.0	1.8	1.0	1.1	1.3	1.1	1.3	1.3	1.3
Expenditure	**21.9**	**22.3**	**20.4**	**20.4**	**20.5**	**20.8**	**19.7**	**19.8**	**19.0**	**18.9**
Expense	17.9	19.0	17.8	17.5	16.9	17.1	16.3	16.3	15.8	15.5
Net acquisition of non-financial assets	4.0	3.3	2.7	2.8	3.6	3.7	3.4	3.5	3.3	3.5
Overall balance	**-5.3**	**-4.3**	**-3.4**	**-3.2**	**-2.6**	**-2.6**	**-1.2**	**-1.2**	**0.0**	**0.2**
Primary balance	-2.9	-1.8	-1.0	-0.8	0.0	0.0	1.4	1.3	2.6	2.5
Non-resource net lending (+)/borrowing (-)	-9.1	-8.2	-6.9	-6.7	-6.8	-7.0	-5.6	-5.5	-4.5	-4.3
Non-resource primary balance	-6.8	-5.7	-4.5	-4.3	-4.2	-4.4	-3.1	-3.1	-2.0	-2.1
Fiscal adjustment	**-12.1**	**0.9**	**0.9**	**1.1**	**0.8**	**0.6**	**1.5**	**1.5**	**1.2**	**0.2**
Revenue and Grants	*1.5*	*1.3*	*-0.9*	*-0.8*	*0.9*	*1.0*	*0.6*	*0.5*	*0.4*	*0.1*
Expenditure	*-0.1*	*0.4*	*-1.8*	*-1.9*	*0.1*	*0.4*	*-0.8*	*-1.0*	*-0.8*	*-0.1*

Sources: Department of Treasury; and IMF staff estimates and projections.

1/ Does not include projected revenues from new mining projects where the investment decision has not yet been reached.

Notes: The 2025 nominal GDP has been revised compared to the 4th Review, which affects all the ratios reported in the table.

15. Further revenue mobilization, as stipulated in the authorities' MTRS, remains critical to support further fiscal consolidation while generating the necessary funds for priority spending (MEFP ¶11). The MTRS sets out several reforms to deliver this objective. Key policy commitments include a review of Special Economic Zones (SEZs) with regard to their role in generating tax revenues and incentivizing private sector investment; and the potential phasing out or geographical limiting of the Income Tax Credit scheme. The government has already committed to carrying out an in-depth analysis of tax expenditures, incentives, and gaps affecting the corporate income tax base and to assess how they are affecting government's objectives **(SB due by end-March 2026)**. Following the adoption of the Income Tax Act (ITA) in March 2025, the authorities, with the Fund's TA, have drafted the ITA regulations and are revising the pre-existing Tax Administration Act (TAA) to ensure consistency. Both are expected to be fully operational from January 1, 2026.

16. Ongoing revenue administration reforms are expected to enhance compliance, enforcement, institutional capacity, and accountability (MEFP ¶12). While there have been improvements in the operations in the IRC and better access to taxpayer data, significant issues persist, particularly regarding the accuracy of registration information, compliance rates, and monitoring of performance as outlined in IMF's 2024 TADAT report. A CD to support development of a reform plan to respond to the TADAT's findings was provided in November 2025. Consistent with the goals of the MTRS, future operational reforms should focus on strengthening risk-based compliance strategies, supported by the implementation of the IRC's new IT systems, as well as improving enforcement capabilities. At the level of governance, the amendments to the IRC Act (2014), which allow for the establishment of an Oversight Board to the IRC, were submitted to Parliament in early October 2025 (**SB due by end-July 2025, implemented with delay**). To support operationalization of the IRC oversight committee, the government will appoint appropriate personnel to the newly created committee (**proposed new SB due by end-June 2026**).

17. Continued public financial management reforms are essential to enhance spending efficiency and create space for priority social and capital investment expenditures.

- ***Expenditure management and control (MEFP ¶14, ¶15).*** To deliver credible budgets and improve their execution, the authorities should undertake coordinated reforms across the areas of budget preparation, cash management and forecasting, expenditure appropriation and warranting, and commitment controls, as set out in previous IMF TA recommendations. More concretely, budgeting for large multi-year capital investments is often weakened by a lack of systematic forecasting of planned expenditure. Ensuring that the formal budget process entails systematic expenditure forecasts for such projects and their incorporation into the annual budget will improve the credibility of the capital budget and reduce the chance of under-execution and/or accumulation of arrears (**proposed new SB due by end-September 2026**).[10] The upcoming Public Investment Management Assessment (PIMA), which will provide a medium-term strategy to improve public investment efficiency, is planned for February 2026 and will support the implementation of this proposed benchmark.

- ***Treasury Single Account (TSA).*** A comprehensive TSA that is linked to Integrated Financial Management System (IFMS) and from which payments can be made electronically is a key building block of prudent cash management. The authorities remain committed to delivering this objective and have recently received IMF CD on this topic (see Box 1). They plan to set out

[10] The authorities plan to begin this process as part of preparations for the 2027 budget.

an implementation plan for strengthening the TSA (**SB due by end-December 2025**), taking into account any interim decisions to relocate some government trust accounts to a specific commercial bank (MEFP ¶18).

- ***Debt management (MEFP ¶20).*** To support more effective debt data management, the authorities have created an interface that will automate the transfer and reconciliation of data across the debt management system (Meridian) and IFMS (**SB due by end-September 2025, met**). While progress has been also made to improve transparency of auctions and the predictability of issuance of government securities for market participants (**SB due by end-September 2025, met**), there is scope to proactively expand the investor base, improve government's access to financing, and thus reduce debt vulnerabilities (see ¶19). This will be done by using existing staff capacity to formally establish an Investor Relations function as part of the mandate of the Financial Management Division in the Treasury that will develop and publish an investor relations strategy, drawing on recent IMF TA advice, and make key investor-relevant data available on a public website (**proposed new SB due by end-September 2026**). Allowing T-bond issuances at market-determined rates, following an initial price discovery phase, could increase the market's appetite to government securities of longer maturities and thus help reduce rollover risks.

18. The latest Debt Sustainability Analysis (DSA, June 2025) indicates that PNG's debt remains sustainable but at high risk of debt distress.[11] Elevated liquidity pressures—driven by a large bullet payment on existing Eurobonds due in 2028 and rising official bilateral and multilateral debt service obligations in the early years of the projection horizon—result in multiple breaches of the debt service-to-revenue threshold under the baseline scenario. Domestic debt vulnerabilities also remain significant, contributing to persistent but declining breaches of the PV of overall debt-to-GDP ratio in the near term; however, the ratio is projected to fall below the indicative threshold by 2031.

19. The authorities remain committed to a prudent external borrowing strategy to safeguard debt sustainability (MEFP ¶19). This commitment is supported by ongoing fiscal consolidation efforts and a continued focus on securing concessional financing and grants, with semi-concessional borrowing reserved for critical projects. The PV of new external borrowing was well below the end-June 2025 limit and—based on the existing pipeline of external loans to be signed—is expected to remain below the end-December 2025 limit of USD 1,660 million. The PV limit on new external borrowing remains set at USD 500 million for 2026.

B. Monetary, Exchange Rate, and Financial Policies

20. BPNG continues to implement its Roadmap, making steady progress in addressing longstanding economic challenges (MEFP ¶22). The transition to a crawl-like exchange rate arrangement in January 2024 has significantly reduced the real overvaluation of the Kina—now less

[11] See the latest Debt Sustainability Analysis.

than half of the pre-program estimates (see ¶6). At the same time, FX shortages and import compression have eased significantly thanks to favorable external conditions, an FX intervention mechanism, which prioritizes clearing pending essential FX orders, and a gradual easing of exchange restrictions.[12] On the monetary policy front, the newly introduced liquidity management toolkit—including fixed-rate full-allotment (FRFA) auctions for 7-day central bank bills (CBBs), competitive auctions for 28-day CBBs, reserve averaging, and an overnight interest rate corridor around the KFR—has laid the groundwork for more effective monetary policy transmission. Furthermore, the adoption of the 2024 CBA, which sets price stability as the BPNG's primary objective, and the subsequent establishment of an MPC—separate from the BPNG Board—has strengthened BPNG's financial independence, mandate, and autonomy. That said, some governance and autonomy weaknesses, as identified in the 2023 IMF safeguards assessment, remain (see ¶39) and the BPNG should continue to optimize the operations of its main decision-making bodies and develop a robust institutional communication framework with the assistance of IMF CD.

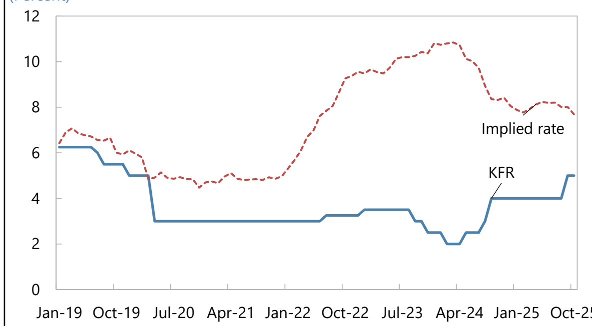
21. BPNG should continue implementing the crawl-like exchange rate arrangement to further narrow the Kina's misalignment while carefully evaluating the merits of pegging the Kina to a basket of currencies (MEFP ¶23). The authorities are committed to return to Kina's convertibility and have used the crawl-like arrangement with the Kina pegged to the US dollar to facilitate a gradual narrowing of the Kina's overvaluation. While this mechanism has proved beneficial in bringing the Kina closer to its market clearing level, the recent volatility of the US dollar against currencies of PNG's key trade partners has created challenges. In this regard, with IMF's TA support, the authorities are currently evaluating the merits and timing of pegging the Kina to a basket of currencies. While this approach could better reflect PNG's trade structure and provide a more stable nominal anchor for the economy, it is more operationally demanding and would need capacity building and clear communication strategy (Annex III).

22. A careful and well sequenced approach is needed for an eventual return to Kina convertibility (MEFP ¶24). BPNG is assessing the underlying drivers of the recent reduction in the FX order book and the sustainability of the recent increase in FX supply, and is developing forward-looking projections to inform the timing for Kina convertibility. In this context, BPNG should update its estimates of the extent of pent-up FX demand regularly, and expand them to include not only undeclared dividends but also planned capital investments. Anecdotical evidence suggests that certain administrative exchange restrictions (such as the tax clearance certificate requirement for certain types of transactions) continue to delay legitimate FX flows. While the recent improvement in FX supply has allowed the clearing of certain non-essential orders, including dividend orders, it has been mainly driven by the favorable commodity prices that are subject to reversal. Hence, the current requirement for authorized foreign exchange dealers to prioritize clearing essential orders should be continued and only be relaxed once the market can reliably clear essential orders on its own on a durable basis. Going forward, as FX rationing measures are gradually eased, BPNG should closely monitor residents' FX portfolio outflows, and tighten monetary policy as needed to mitigate

[12] This includes the removal of the tax clearance certificate requirement for certain types of transactions such as intercompany loans obtained to pay for imports.

potential exchange rate pressures.[13] If needed, it should establish regulations spacing their repatriation.

Papua New Guinea: Implied Interest Rate under the Crawl-like Arrangement
(Percent)



Sources: PNG authorities; Haver; and IMF staff calculations.

23. A tighter monetary policy stance through higher policy rate is urgently needed to ensure consistency with the crawl-like exchange rate arrangement (MEFP ¶25). The MPC's September decision to raise the KFR by 100bps is a step in the right direction. However, at 5 percent, it remains well below the level implied by interest rate parity under the current FX regime.[14] To support the credibility of the exchange rate framework, prepare for the return to Kina convertibility, and keep inflation expectations anchored in the face of continued depreciation of the Kina, BPNG needs to increase the KFR further in a gradual and non-disruptive manner, including to allow the government to adjust to the new financing conditions. At the same time, to improve monetary policy transmission and allow greater reliance on interest rates in signaling the policy stance, the CRR framework should be further recalibrated to decrease the amount of liquidity captive and unremunerated.[15]

24. Steps to facilitate an interbank market would help to reduce the uneven distribution of liquidity in the banking system and improve monetary policy transmission (MEFP ¶26). The interbank market remains largely inactive, reflecting weak market confidence and lack of efficient interbank lending mechanisms, reinforcing banks to hold excess cash rather than engaging in active liquidity management. Together with foreign banks' country exposure limit and pent-up demand for dividend repatriation, the lack of interbank market also contributes to uneven liquidity distribution in the banking system as banks remain reluctant to lend to each other without collateral. To support a more efficient and vibrant interbank market and thus ensure a more even distribution of liquidity in the banking system, the BPNG should build on the interim interbank master repo agreement (MRA) signed by the banks in September 2025 and expedite the implementation of an enforceable interbank MRA which is aligned with international standards (**SB due by end-December 2025**). Additionally, BPNG should continue to advance the establishment of a Central Securities Depository

[13] Capital Flow Management measures on outflows could be used if crisis (or imminent crisis) conditions materialized or if outflow liberalization was premature.

[14] PNG has adopted a crawl-like FX arrangement since January 2024 to address the overvaluation of the Kina. The rate of crawl is set in a forward-looking manner, taking account the projected inflation differentials and of the desired adjustment in the real effective exchange rate. The KFR should be set consistent with the exchange rate arrangement, taking into account the rate of the crawl.

[15] Unremunerated CRR represents a tax on the financial system and creates a wedge between funding and lending rates, interfering with the monetary policy stance. It corresponds to liquidity in the system that does not respond to changes in the key policy rate, thereby hampering monetary policy transmission.

(CSD) which not only provides custodian function for the MRA but also supports the development of secondary market for government securities and CBBs.[16]

25. While significant progress has been made in reforming monetary policy operations, further refinements are needed to strengthen liquidity management and enhance monetary policy transmission (MEFP ¶26). With IMF's CD support, the BPNG has developed a liquidity forecasting framework and liquidity monitoring tables to enable the preparation of weekly forecasts for the Monetary Operations Committee (**SB met in end-July 2025**). BPNG should retain the existing liquidity management toolkit and devise a plan to start publishing the forecast for the 7-day FRFA CBB, which informs the banks to bid at the FRFA. Such forecast will support the implementation of September MPC's decision to expand the 28-day CBB issuance—which has remained at immaterial levels since implementation—to help absorb structural excess liquidity and incentivize interbank market activity. Additionally, BPNG should ensure that access to the standing facilities is free from administrative hurdles, and that all banks—including the newly licensed ones—have access to all eligible central bank facilities and auctions. These steps should be complemented with greater efforts to strengthen banks' liquidity planning capabilities, extending their liquidity management horizon to increase the currently limited use of the 7-day FRFA and 28-day CBB.

26. The authorities should actively contain financial stability risks (MEFP ¶28). The BPNG has embarked on several reforms guided by the Financial Sector Development Strategy 2018-30, which includes development of macroprudential policy framework, adoption of several banking regulations, launch of a new bank rating model, and modernization of its payment systems. While some actions have been taken, additional efforts are needed to limit financial stability risks. In particular:

- ***Macroprudential strategy.*** The recent Financial Sector Stability Review (FSSR) found that the BPNG should further improve the effectiveness and impact of the systemic risk analysis and macroprudential policymaking. Gaps have been identified with respect to the operationalization of the Financial Stability Committee, systemic risk reporting, stress testing capacity, and the communication strategy for financial stability. To address these shortcomings, it is essential to develop a macroprudential strategy, which would explain the objectives and guiding principles of the macroprudential policy, elaborate interaction of macroprudential policy with other mandates of the central bank, outline macro-financial risks and the risk assessment process, and identify the macroprudential policy toolkit (**proposed new SB due by end-September 2026**).

- ***Emergency liquidity assistance (ELA).*** A lender of last resort framework was formally introduced with the adoption of the 2024 CBA, but the ELA framework has not been operationalized and essential elements are still absent. With IMF CD support, the BPNG has commenced the work for operationalizing the ELA framework, including developing public ELA

[16] Meanwhile, the BPNG is exploring early redemption and buyback of Government Issued Securities (GIS) held by government agencies under the Tap facility to support greater market liquidity and reduce its exposure to government entities.

guidelines (***SB due by end-December 2025***) as well as internal procedures, a standardized ELA master agreement, and operational tools such as a funding plan and liquidity templates.

- ***TSA implementation.*** In its capacity as the prudential regulator of the banking sector, the BPNG should prepare for the TSA implementation by preempting possible funding pressures. In this regard, it should require the impacted banks to set out funding plans, particularly given their significant use of the government deposits to fund government securities purchases with considerable interest margin and maturity mismatch. These funding plans should also account for any future interim decision to transfer some of the government's trust accounts from commercial banks to NBC Limited (see footnote 4). This would enable BPNG to conduct a thorough assessment of liquidity distribution across institutions and evaluate the associated financial stability risks.

C. Governance, Anti-Corruption, and AML/CFT Frameworks

27. Progress has been made to step up ICAC's operations despite a challenging environment (MEFP ¶29, ¶30). ICAC has more than quadrupled its staffing since July 2023, established new premises, upgraded its IT systems, developed guidelines and manuals, and has started to investigate cases, leading to some arrests. It has also increased cooperation with other anti-corruption agencies, including by signing MoU with BPNG's Financial Analysis and Supervision Unit (FASU) and participating in the Asset Restraint and Recovery Working Group (ARROW) to enable more effective restraints of proceeds of crime. While the institution's credibility has come under pressure as its commissioner and his two deputies were suspended in June 2025 following a series of allegations pertaining to corruption and abuse of office, the rapid appointment of an acting commissioner and deputies has helped maintain operational continuity. This, however, contributed to delaying the appointments of the members of the ICAC's oversight committee, which were completed in October (**SB implemented with delay**). While the establishment of the committee is expected to help preserve ICAC's integrity, long-lasting delivery of tangible results in the fight against corruption would further strengthen the institution's credibility going forward.

28. The authorities should prioritize reforms to enhance the money laundering and countering the financing of terrorism (AML/CFT) framework through coordinated efforts (MEFP ¶31). Following the conclusion of the Asia Pacific Group's Mutual Evaluation Report (MER) in October 2024, PNG was put under a one-year observation period. The authorities have taken actions to expedite the implementation of AML/CFT reforms and address the strategic deficiencies identified in the MER with technical support from development partners. These include the endorsement of the AML/CFT Strategic Implementation Plan 2024-2025 by the NEC (March 2025), the establishment of the ARROW to enhance the effectiveness of investigation, prosecution and litigation of financial crimes (see above), and the creation of the National Coordination Committee, chaired by the Minister for Treasury, to enhance collaboration and strengthen enforcement capabilities. PNG's status as a Fragile and Conflict-Affected State with weak institutions and governance underscores the importance of AML/CFT reforms to tackle proceeds of corruption and other illicit financial flows in high-risk sectors. Given the high ML risks of the logging activities, the publication of the forestry sectoral risk assessment will help provide clear and transparent guidance and recommendations on improving sectoral compliance with AML/CFT requirements (**SB due by end-December 2025, met**). In addition, the authorities have published updated AML/CFT guidance for financial institutions and certain categories of high-risk Designated Non-Financial Businesses and Professions (DNFPBs), with more guidance to come (**SB due by end-December 2025**). The authorities remain committed to enhance fiscal and financial transparency, including with regard to public procurement contracts,[17] and should also prioritize enhancing beneficial ownership transparency of legal persons and arrangements, including parties involved in public procurement contracts.

29. Additional efforts are needed to improve external sector statistics (MEFP ¶32). The quality of external sector statistics (ESS) currently suffers from large discrepancies in the estimates for goods imports and exports between balance of payments data, as compiled by the BPNG, and the national accounts, as compiled by the National Statistics Office (NSO). With further STA support, BPNG, NSO, and the PNG Customs Office should step up efforts to reconcile goods export and import statistics by commodity and trading partner for the period 2017–2024 and establish a formal procedure for reconciling data vintages going forward (**proposed new SB due by end-September 2026**). Improved trade statistics would also enable better monitoring of external sector effects of climate policies (¶31). The authorities also remain committed to enhancing the frequency and quality of national accounts and price data production and are seeking funding to conduct a new household expenditure survey, which is critically needed to rebase the consumption basket.

D. Climate Policy

30. Efforts have been made to strengthen disaster risk management (DRM) (MEFP ¶35). With technical assistance from the UNDP, the authorities have carried out a stocktaking exercise of current hazard mapping systems and published the existing hazard mapping data on a new portal (**RM1 for September 2025, met).** They are also working to modernize the DRM legal framework, and are drafting a new Act to replace the 1984 Disaster Management Act, with UNDP support (**RM2 for March 2026**). The implementation of these measures would help reduce ex-ante exposure to disaster risks, thus limiting potential financial losses while supporting investor confidence and attracting new investments. The authorities are also committed to developing and publishing a comprehensive Disaster Risk Financing Strategy, with IMF TA support (**RM3 for September 2026**) to improve crisis response and contain the related fiscal costs.

31. Limiting forest degradation and increasing energy efficiency are important to reduce reliance on fossil fuel and food imports (MEFP ¶39).

- ***Forest preservation***. With ADB support, the authorities carried out a review of existing royalties, taxes, and levies in the logging sector (**RM10 for September 2025, met)** to reduce forest degradation, thus supporting climate-resilient agriculture and containing the impact of natural

[17] See MEFP, ¶36 in Staff Report for 2nd Reviews under EFF/ECF.

disasters on local communities. This review is expected to guide future tax policy reforms in the sector.

- ***Energy efficiency.*** Fuels with higher carbon content dominate PNG's energy mix, despite being more expensive than alternatives. To help incentivize more carbon-efficient energy sources, the authorities are considering to amend the Excise Tariff Act in the coming weeks to increase the rate applied to diesel fuel (**RM9 for March 2025, delayed**), concurrent with relief measures for vulnerable households.

32. Reforms to create an enabling environment for climate finance, particularly for the private sector, are broadly on track (MEFP ¶37, ¶38). With support from the International Finance Corporation (IFC), the technical screening criteria (TSC) for the renewable energy, energy efficiency, and clean transportation sectors of the authorities' Green and Inclusive Taxonomy[18] was drafted in August 2025 and a stakeholders' consultation was held in October 2025. Progress in developing and formalizing supervisory guidelines for mandatory regulatory reporting of banks' exposures in these three priority sectors aligned with the Taxonomy's TSC (**RM7 for March 2026**) is broadly on track. Capacity development efforts for commercial banks and BPNG personnel have commenced in November 2025. To improve investor information and awareness about climate finance, the authorities are working on setting up a comprehensive database of climate projects and are preparing the necessary MoU, which will empower the Green Finance Center to collect the necessary data and strengthen coordination with other relevant institutions (**RM8 for September 2026**). By clarifying climate-related exposures and reducing uncertainty, these reforms would help enhance financial sector resilience and promote investments.

33. Continued efforts are needed to integrate climate considerations in infrastructure governance practices and improve the climate resilience of infrastructure (MEFP ¶36). Building on the CPIMA recommendations, and with further support from the upcoming PIMA in early 2026, the authorities remain committed to developing public investment management regulations incorporating climate considerations throughout the capital project cycle (**RM5 for March 2026**). Given the criticality of routine and capital maintenance of infrastructure assets for an effective adaptation strategy, and with support from the WB and the ADB, the authorities are on track to pilot the incorporation of climate considerations in maintenance standards and costing applied to national roads (**RM6 for March 2026**). By limiting the adverse economic impact of climate-related shocks, these reforms would contribute to lower external financing and facilitate a rapid recovery of growth and net exports.

PROGRAM MODALITIES AND OTHER ISSUES

34. The authorities request a waiver for the non-observance of the QPC on the fiscal deficit of the government, which was marginally breached in end-June 2025 (¶11). To ensure that the initial 2025 budget deficit target is met, the authorities have delayed or canceled some low-priority

[18] The taxonomy is strictly a "green" and does not contain activities that lack a green dimension.

investment projects and contained current spending. In addition, they plan to amend the Kumul Petroleum Act in the November 2025 Parliamentary session to ensure greater compliance with the recently adopted dividend policy (MEFP ¶8). Staff support this waiver, based on the small size of the breach and the corrective actions that the authorities have taken.

35. Program monitoring and conditionality. ECF-EFF and RSF program performance will continue to be monitored through semi-annual program reviews based on QPC and ITs (Table 11), SBs (Table 12), and RMs (Table 13). It is proposed to exclude the expected official guarantees related to the Papua LNG project from the continuous QPC ceiling on the PV of new external debt contracted by the government, as these guarantees will be temporary and only apply to the construction phase of the project (TMU ¶20). Five new SBs are proposed, adding to the five SBs already ongoing.

36. Burden sharing and financing assurances. The program remains fully financed, with firm commitments secured for the next 12 months and good prospects for the remainder of the arrangements. Fund support continues to play a catalytic role in mobilizing financing from other multilateral and bilateral partners. The recent decline in bilateral budget support, which has increased the Fund's burden share under the ECF/EFF arrangements from an average of 34.7 percent at program approval to 40.8 percent over the course of the program, reflects evolving dynamics in donor countries and is not expected to generate additional balance of payments pressures.

37. Capacity to repay the Fund. PNG's capacity to repay the Fund is assessed as adequate, although program risks remain elevated amid high global and domestic uncertainty. Fund credit outstanding, including projected purchases under the ECF/EFF and the RSF arrangements, will peak in 2026 at 4.4 percent of GDP, equivalent to 9.4 percent of exports of goods and services and 41.3 percent of gross international reserves (GIR). Total debt service to the Fund will peak at 1.1 percent of exports of goods and services in 2030, and at 5.6 percent of GIR in 2029 (Table 8). Downside risks mainly stem from weaker external demand, commodity price volatility, and natural disasters, while mitigating factors include the authorities' commitment to fiscal sustainability and macroeconomic stability, as well as conservative baseline projections that exclude multiple resource projects that are being explored and awaiting a final investment decision.

38. Safeguards assessment (MEFP ¶27). Since the completion of the updated safeguards assessment in October 2023, vacant BPNG management and board positions have been filled, and the revised CBA entered into effect in late 2024, although weaknesses remain in some areas of autonomy and governance. Members of the new MPC were appointed in February 2025. BPNG has published the FY2024 audited financial statements within the statutory deadline of 6 months with a clean audit opinion, markedly improving its transparency and accountability practices in line with the safeguard recommendations and MEFP commitments under the EFF/ECF program. The MPC's charter has been finalized and approved and BPNG remains committed to preparing a Board charter. Efforts are also ongoing at the BPNG to address remaining recommendations on internal audit and risk management.

39. Program risks and mitigating measures. Risks to the program continue to arise from the authorities' limited institutional capacity and further slowdown in reform implementation in a volatile socio-economic and political environment. To address these risks, conditionality remains streamlined, focused, macro-critical, and informed by PNG's Country Engagement Strategy. Regular program monitoring meetings with the authorities, both in-country via the Resident Representative Office (RRO) and virtually, have taken place to ensure focus on program targets and commitments. The RRO engages regularly with public and private sector stakeholders, and with the media, to provide an accurate account of the progress towards the program's objectives.

40. Capacity development. Ongoing and planned IMF CD activities are designed to directly support key elements of the program. So far in 2025, FAD has provided extensive CD on strengthening the TSA, income tax policy reforms, and revenue administration following the TADAT assessment. ICD has delivered TA on forecasting and nowcasting macro frameworks. MCM has a comprehensive CD program for PNG including a medium-term peripatetic TA project on monetary policy and FX operations, and extensive CD on ELA, FSSR (completed in December 2024 with a follow-up TA workplan currently underway). TA was also provided by MCM Resident Advisors at PFTAC on local currency bond market development and implementation of Basel Framework. STA has delivered TA to improve the quality of external sector statistics. PFTAC support has included TA on various topics including national accounts, macroeconomic forecasting and prudential rules. IMF TA is complemented by other partners, including on the anti-corruption framework (UN and EU), governance of SOEs (ADB), national accounts and AML/CFT (Australia). Support for delivery of RMs under the RSF arrangement continues to draw on extensive CD coordinated between development partners (Table 13).

STAFF APPRAISAL

41. The economic outlook remains favorable but is subject to a high degree of uncertainty. Real growth is expected to rise to 4.5 percent in 2025, supported by increased production in the resource sector and improved access to FX, while headline inflation is expected to rebound to 3.8 percent from a historical low base, as the drag from previously low betel nut prices eases. Looking ahead, growth is expected to moderate to 4 percent in 2026 and stabilize at just above 3 percent over the medium term as production in the resource sector reaches full capacity. While the launch of new resource projects could boost growth prospects over longer term, the economy remains highly vulnerable to shocks, including from weaker external demand, lower export commodity prices, political and social instability, a decline in international aid, and natural disasters. The highly uncertain external environment, combined with longstanding vulnerabilities, reinforces the need for improving resilience and rebuilding policy buffers, as currently envisaged under the Fund-supported program.

42. Program performance remains on track, despite delays in the implementation of some reforms. Since the beginning of the ECF/EFF arrangement, all but two QPCs have been met, and most SBs have been fully implemented. Climate reforms supported by the RSF are also underway, with three RMs implemented so far. Despite delays in the implementation of some reforms, the authorities have remained committed to their homegrown reform agenda and proactively requested CD from the IMF and other development partners to overcome capacity constraints and support effective implementation.

43. Continued fiscal consolidation and prudent borrowing strategy are needed to further reduce public debt vulnerabilities. The authorities have successfully reduced the fiscal deficit in recent years and put public debt on a downward path. In view of the underperformance of revenues so far in 2025, the recent efforts to enhance compliance with the dividend policy and delay or cancel low-priority investment projects will help ensure that the fiscal outturn be aligned with the 2025 budget deficit target. Going forward, increased revenue mobilization—including through measures to broaden the tax base and improve IRC's operational capacity—along with continued rationalization of current spending and re-prioritization will be critical to safeguard debt sustainability while addressing the country's large social and development needs. Strengthening debt management capabilities combined with efforts to modernize PNG's cash management practices would help optimize the government's financing strategy and engage in prudent borrowing.

44. The crawl-like arrangement remains appropriate to gradually tackle the overvaluation of the Kina. The reduction of the Kina's overvaluation under the current exchange rate regime, combined with favorable export commodity prices and the FX intervention mechanism, has contributed to a significant easing of FX shortages. As external conditions could suddenly reverse, further easing of FX restrictions should proceed in a gradual manner with the clearance of essential orders remaining the priority. The transition towards a trade-weighted basket as a nominal anchor under the crawl-like arrangement should be carefully evaluated, taking into account both the benefits and drawbacks, and be implemented after building sufficient operational capacity and developing a clear communication strategy.

45. Tighter monetary policy stance, using the existing liquidity management toolkit, will be essential to ensure consistency with the exchange rate arrangement. As the KFR remains well below the implied interest parity, further rate hikes would help reduce the FX pressures and support the exchange rate regime as capital controls are gradually eased. Concurrently, the CRR should be recalibrated to decrease the amount of liquidity captive and unremunerated, and allow for a greater reliance on interest rates for monetary policymaking. While the use of the 7-day Fixed Rate Full Allotment (FRFA) remains limited, BPNG should continue its use as the main operational tool while facilitating interbank market development. This includes aligning the MRA with international standards and advancing the establishment of a CSD. Increasing the effectiveness and impact of the systemic risk analysis and operationalizing the BPNG's lender of last resort function would support financial stability.

46. Promoting good governance and enhancing the effectiveness of the AML/CFT framework will make the business environment more conducive to activity and investment. The authorities' efforts to step up the implementation of AML/CFT reforms and address the strategic deficiencies identified in the Asia-Pacific Group's MER, including critical gaps in the legal framework, are welcome. Allocating sufficient budget resources, ensuring adequate staffing, and strengthening oversight are critical to ensure that the ICAC can fully carry out its mandate.

47. Sustained efforts are needed to tackle the longer-term challenges from climate change. Further advancing the RSF reform agenda, as well as initiatives to effectively scale up public and private sector resources for climate action would require continued action. Particular attention should be given to strengthening disaster risk management, integrating climate considerations in infrastructure governance, creating an enabling environment for climate finance, and setting up fiscal incentives for forest protection and fuel efficiency.

48. Improving the quality of economic and financial statistics is critical for informed decision-making. Devoting appropriate resources with CD support from the Fund and other development partners and strengthening interagency coordination is essential to tackle the existing significant data gaps, particularly in the areas of external sector statistics and national accounts.

49. Based on PNG's overall program performance and continued commitment to reforms, staff supports the completion of the fifth reviews under the EFF and ECF arrangements and the second review under the RSF arrangement and request for a waiver of nonobservance of a performance criterion. Upon completion of the reviews, an amount of SDR 160.55 million will be made available for disbursement. The Letter of Intent (Appendix I) and Memorandum of Economic and Financial Policies (Attachment I) demonstrate program ownership and appropriate policies to reach the goals of the authorities' programs.

Box 1. Papua New Guinea: Strengthening the Treasury Single Account (TSA): Recent Progress and Remaining Challenges

A functioning TSA is a key element of effective budget execution. It allows for a single view of the government's cash position to support timely financing of government expenditure commitments and reduce or eliminate arrears. A TSA reduces unnecessary short-term borrowing and lowers banking and transaction costs by concentrating government funds in fewer accounts. A TSA that is fully linked to a comprehensive IFMS system will automate the issuing of instructions for payments using electronic transfers and significantly increase oversight and control of key parts of the expenditure and cash management process.

PNG has already made significant steps towards this goal, but further efforts are needed. It has consolidated many of its bank accounts into a centralized TSA structure held at BPNG, linked this to the IFMS system, and increased the use of electronic payments. Despite these efforts, challenges remain. There is continued fragmentation in the bank account structure: as of April 2025, there were approximately 469 active trust accounts outside the TSA collectively holding around K4.17 billion, although some of these accounts comprise donor or other funds which are not immediately usable for the government's day-to-day cash management. Inefficiencies in the process of budget execution incentivizes cash hoarding by government agencies, both in terms of the revenue they receive and the expenditure for which they are authorized, and this leads to resistance in accepting a consolidated TSA structure. Forthcoming upgrades to core banking IT systems in the BPNG will support a more effective link between the TSA and IFMS and allow for greater use of automated electronic payments. However, at present the full control functionalities of IFMS – notably commitment controls – are not being systematically used to match commitments to warranted permissions to spend. Furthermore, the ongoing use of cheques as a payment method – and *de facto* as a tool for cash rationing – leads to a lack of clarity in government's true cash position.

The authorities are currently working to develop a TSA implementation plan in line with the relevant SB. Recent FAD CD has outlined the key areas to be addressed in such a plan. These include:

- Amending legislation and/or regulation to strengthen the Treasury's authority to manage government accounts;
- Continuing to review all non-TSA government accounts, closing inactive and/or unnecessary accounts, and transferring balances to the TSA;
- Operating the government's three main accounts as sub-accounts at the BPNG;
- Centralizing and automating payment processing through the IFMS;
- Exploring partnerships with commercial banks to extend government banking services to remote areas;
- Strengthening the collection of non-tax revenue as envisaged in the Non-Tax Revenue Act and fully integrating these funds into the TSA;

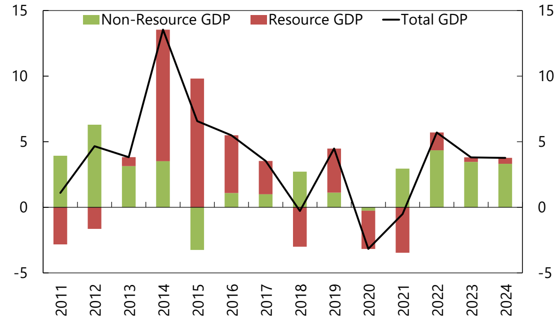
While pursuing these goals, there is a need to carefully manage potential financial stability risks. These mainly stem from cash withdrawals from non-TSA accounts in the commercial banks that could affect banking system liquidity and domestic financing conditions. This calls for a well-sequenced approach and preparatory work that also includes setting up funding plans for affected banks (see ¶26).

Figure 1. Papua New Guinea: Real and External Sector Developments

Real growth is estimated to have remained resilient in 2024 due to strong non-resource sector growth…

Real GDP Growth

(Contributions to Percent Change)

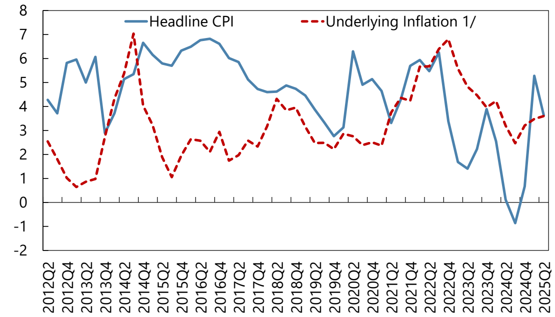


Source: IMF Staff Estimates.

…while inflation increased sharply in 2025H1.

CPI Inflation

(In Year-on-Year Percent Change)



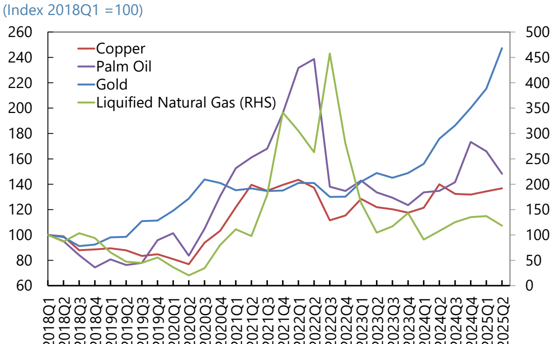
Sources: BPNG; and IMF staff estimates.

1/ Trimmed mean estimates published by BPNG.

While agricultural and LNG prices remained below their 2022 peaks, gold price surged ahead…

Commodity Prices

(Index 2018Q1 =100)

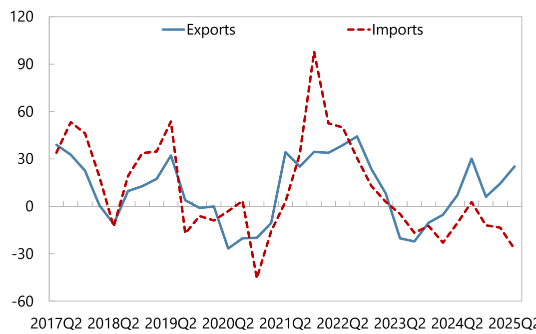


Source: IMF Primary Commodity Price System.

…contributing to higher exports in 2025H1.

Exports and Imports

(Value, in USD, Year-on-Year Percent Change)

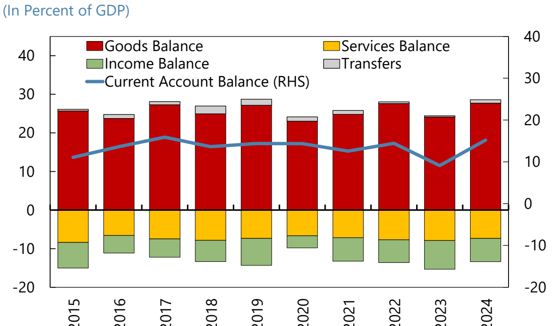


Source: IMF Staff Estimates.

Current account surpluses are driven by goods balance…

Current Account

(In Percent of GDP)

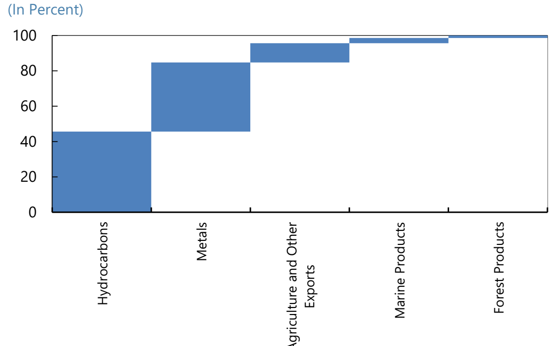


Sources: BPNG; and IMF Staff Calculations.

… mainly explained by exports of resource goods.

Export Product Share, 2024

(In Percent)

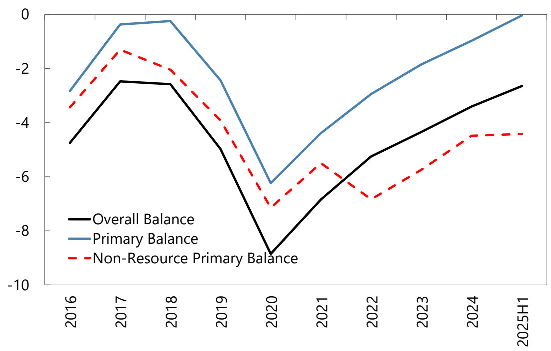


Source: BPNG.

Figure 2. Papua New Guinea: Fiscal Developments

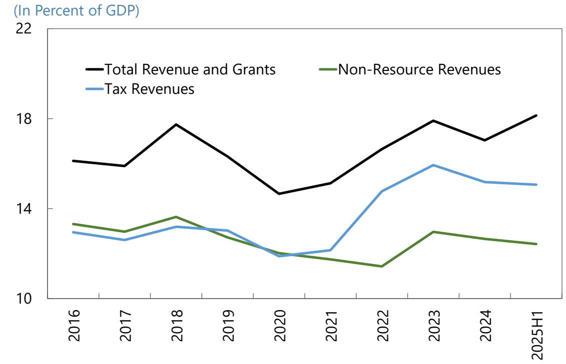
Fiscal consolidation continued to advance….

Fiscal Balance
(In Percent of GDP)



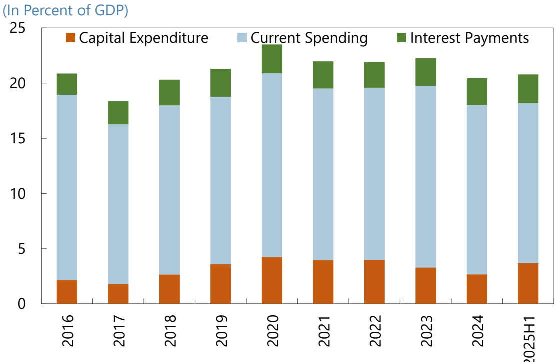
…thanks in part to a sharp increase in tax revenues relative to pre-pandemic levels.

Central Government Revenue
(In Percent of GDP)



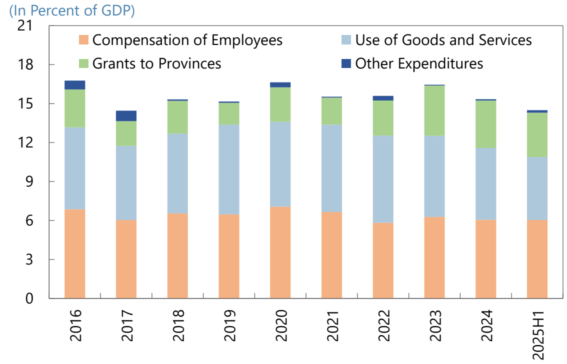
Expenditure rationalization is progressing….

Central Government Expenditure
(In Percent of GDP)



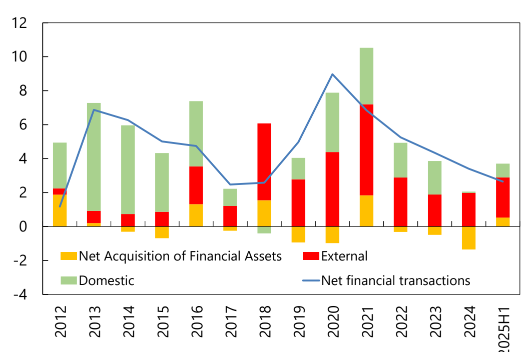
…largely driven by limited growth of current spending items.

Recurrent Central Government Expenditure
(In Percent of GDP)



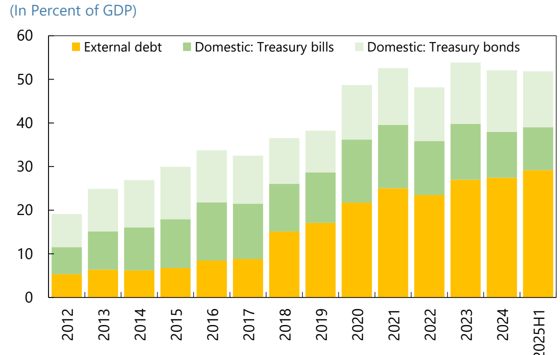
While government financing largely relies on external sources, domestic financing has recently improved.

Financing
(In Percent of GDP)



Public debt started to decline from its peak in 2023 but remains above pre-pandemic levels.

Public Debt
(In Percent of GDP)

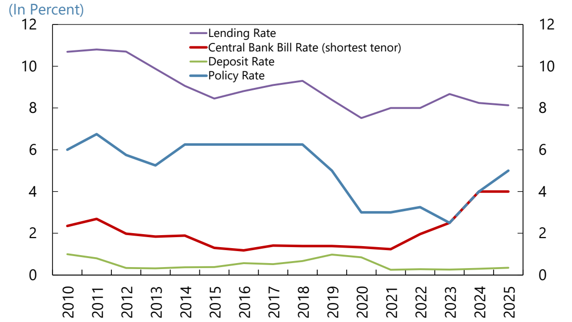


Sources: PNG authorities and IMF staff calculation.

Figure 3. Papua New Guinea: Monetary and Financial Sector Developments

Monetary policy tightening continued in September 2025, following a year-long pause, although the KFR has remained below pre-pandemic levels.

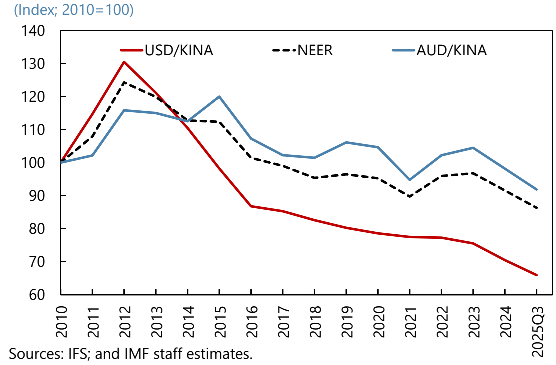
Interest Rates
(In Percent)



Sources: IFS; and BPNG.
Note: Updated as of September 2025. Shortest Central Bank Bill tenor was 28 days up 2022, and 7 days from 2023.

The Kina depreciation continued under the crawl-like arrangement.

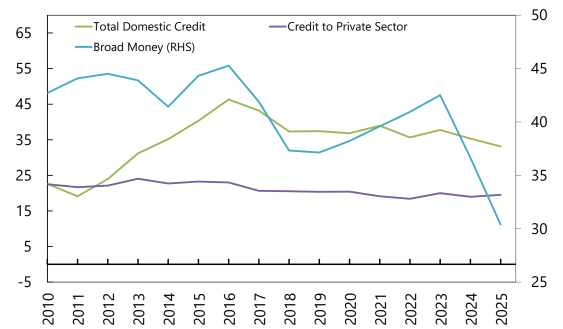
Exchange Rate
(Index; 2010=100)



Sources: IFS; and IMF staff estimates.
Note: Period averages.

Broad money growth slowed sharply, while private sector credit growth remained subdued.

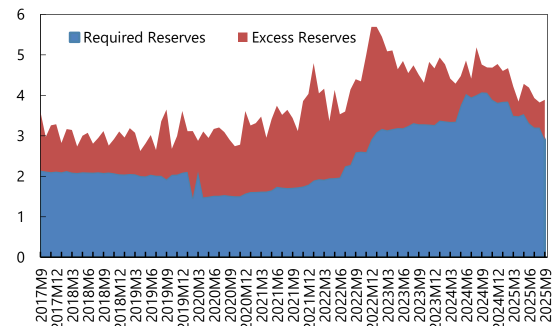
Money and Credit
(In Percent of Non-Resource GDP)



Sources: BPNG and IMF staff estimates.

Excess liquidity has been largely mopped up thanks to BPNG's tightening position.

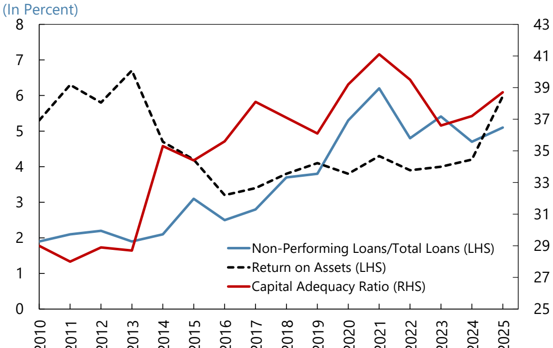
Liquidity
(Billions of Kina)



Sources: BPNG; and IMF staff estimates.

Banks are profitable and well-capitalized, with NPL remaining stable.

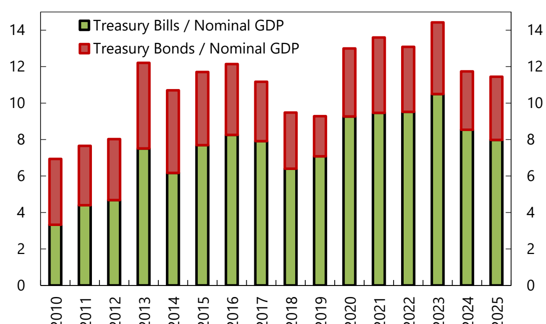
Financial Stability
(In Percent)



Sources: BPNG and IMF staff estimates.

Large holding of government securities by commercial banks reinforces a high sovereign-bank nexus.

Holding of Government Securities by Commercial Banks
(In Percent of GDP)



Sources: BPNG and IMF staff estimates.

Table 1. Papua New Guinea: Selected Economic and Financial Indicators, 2021-2030

Nominal GDP (2024):	US$31.5 billion 1/
Population (2024):	10.1 million
GDP per capita (2024):	US$3,118
Quota:	SDR 263.2 million

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Actual	Actual	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percentage change)									
Real sector										
Real GDP growth	-0.5	5.7	3.8	3.8	4.5	4.0	3.1	3.1	3.1	3.1
Resource 2/	-11.6	5.1	1.3	1.8	4.3	2.5	0.1	0.2	0.2	0.2
Non-resource	4.2	5.9	4.7	4.5	4.6	4.5	4.1	4.1	4.0	4.0
Mining and quarrying (percent of GDP)	8.2	8.2	8.5	9.9	13.6	15.1	15.1	14.8	14.4	14.1
Oil and gas extraction (percent of GDP)	17.1	23.7	18.9	18.3	14.9	13.8	13.3	12.5	11.9	11.2
CPI (annual average)	4.5	5.3	2.3	0.6	3.8	4.2	4.7	4.5	4.5	4.5
CPI (end-period)	5.7	3.4	3.9	0.7	2.8	4.9	4.5	4.5	4.5	4.5
	(In percent of GDP)									
Central government operations										
Revenue and grants	15.1	16.6	17.9	17.1	18.1	18.6	19.1	19.2	19.4	19.5
Of which : Resource revenue	1.1	3.9	3.9	3.5	4.4	4.4	4.6	4.6	4.6	4.6
Expenditure and net lending	22.0	21.9	22.3	20.4	20.8	19.8	19.0	18.9	19.0	18.9
Net lending(+)/borrowing(-)	-6.8	-5.3	-4.3	-3.2	-2.6	-1.2	0.0	0.2	0.4	0.5
Non-resource net lending(+)/borrowing(-)	-8.0	-9.1	-8.2	-6.7	-7.0	-5.5	-4.5	-4.3	-4.2	-4.0
	(Percentage change)									
Money and credit										
Domestic credit	15.9	1.5	12.1	1.6	7.3	-0.1	5.8	-0.2	5.4	4.6
Credit to the private sector	2.5	6.9	14.9	3.2	3.9	11.9	9.2	8.5	11.1	6.1
Broad money	13.4	14.7	9.9	-6.4	-5.3	9.1	9.3	-4.5	10.3	14.6
	(In billions of U.S. dollars)									
Balance of payments										
Exports, f.o.b.	10.8	14.6	12.8	13.4	14.8	15.2	15.9	16.8	17.8	18.7
Imports, c.i.f.	-4.4	-5.9	-5.4	-4.7	-5.9	-6.7	-7.0	-7.4	-7.7	-8.0
Current account (including grants)	3.3	4.6	2.8	4.8	4.4	4.3	4.0	4.0	3.9	3.8
(In percent of GDP)	12.6	14.4	9.1	15.2	13.8	12.9	11.6	11.3	10.8	10.0
Gross official international reserves	3.2	4.0	3.9	3.7	3.0	3.5	3.7	3.2	3.3	3.9
(In months of goods and services imports)	4.5	5.9	6.6	5.1	3.7	4.3	4.3	3.6	3.7	4.2
	(In percent of GDP)									
Government debt										
Government gross debt	52.6	48.2	53.9	52.1	51.8	49.6	46.8	44.1	41.5	38.7
External debt-to-GDP ratio (in percent) 3/	25.0	23.5	27.0	27.4	29.2	30.0	28.0	27.5	25.9	23.8
External debt-service ratio (percent of exports)	4.3	2.2	2.7	3.4	4.5	5.4	5.6	8.9	3.6	3.3
Memo Items										
US$/kina (end-period)	0.2850	0.2840	0.2683	0.2500	...	...	...	...	...	...
NEER (2005=100, fourth quarter)	91.2	100.3	95.3	89.3	...	...	...	...	...	...
REER (2005=100, fourth quarter)	125.3	134.6	129.0	119.5	...	...	...	...	...	...
Terms of trade (2010=100, end-period)	48.3	70.4	63.8	67.4	70.9	71.7	73.6	74.3	74.7	75.4
Nominal GDP (in billions of kina)	91.6	111.4	110.6	121.5	132.7	144.6	153.4	162.6	172.5	183.2
Non-resource nominal GDP (in billions of kina)	68.4	75.9	80.3	87.3	94.9	102.8	109.9	118.2	127.1	136.9

Sources: Papua New Guinea authorities; and IMF staff estimates and projections.

1/ Based on period average exchange rate.

2/ Resource sector includes production of mineral, petroleum, and gas and directly-related activities such as mining and quarrying, but excludes indirectly-related activities such as transportation and construction.

3/ Public external debt includes external debt of the central government, the central bank, and guarantees to other entities.

Table 2a. Papua New Guinea: Summary Operations of the Central Government, 2022-2030

(In Millions of Kinas)

	2022	2023	2024	2025		2026		2027	2028	2029	2030
				Prog. 4th Review	Latest	Prog. 4th Review	Latest	Proj.	Proj.	Proj.	Proj.
Revenue and Grants	**18,538**	**19,810**	**20,826**	**24,192**	**24,076**	**26,802**	**26,955**	**29,225**	**31,186**	**33,470**	**35,684**
Revenue	17,066	18,651	19,646	22,692	22,302	25,174	25,056	27,204	29,093	31,303	33,439
Taxes	16,454	17,627	18,447	20,335	19,996	22,449	22,312	24,128	25,818	27,722	29,541
Taxes on income, profits, and capital gains	11,253	11,730	12,365	13,708	13,627	15,055	14,735	15,849	16,905	18,025	19,017
of which: Personal income tax	3,652	4,150	4,397	4,729	4,629	5,155	5,007	5,413	5,838	6,293	6,784
of which: Company tax	2,757	3,032	3,419	3,959	3,759	4,232	4,202	4,458	4,726	5,013	5,325
Taxes on payroll and workforce	1	2	0	1	3	1	3	3	3	3	3
Taxes on goods and services	4,294	5,227	5,320	5,687	5,566	6,332	6,704	7,351	7,928	8,651	9,416
of which: GST	2,475	3,599	3,078	3,320	3,246	3,749	3,748	4,177	4,528	5,003	5,514
Taxes on international trade and transactions	906	668	762	939	801	1,061	871	925	981	1,042	1,104
Other Revenue	613	1,024	1,199	2,357	2,306	2,725	2,744	3,076	3,275	3,581	3,899
Resource revenue 1/	4,336	4,309	4,267	5,608	5,808	6,497	6,334	7,001	7,447	8,003	8,374
Mining and Petroleum Taxes	4,036	3,907	3,707	4,137	4,337	4,722	4,500	4,890	5,191	5,501	5,618
Mining and Petroleum and Gas Dividends	300	403	560	1,471	1,471	1,776	1,834	2,111	2,255	2,503	2,756
Non-resource revenue	12,730	14,342	15,378	17,085	16,494	18,677	18,722	20,202	21,646	23,300	27,310
Non-resource tax revenue	12,418	13,720	14,740	16,198	15,659	17,728	17,812	19,238	20,626	22,221	23,923
Grants	1,472	1,159	1,181	1,500	1,774	1,627	1,899	2,021	2,094	2,167	2,245
Expenditure	**24,390**	**24,615**	**24,757**	**27,709**	**27,592**	**28,469**	**28,623**	**29,194**	**30,799**	**32,731**	**34,698**
Expense	19,940	20,966	21,311	22,809	22,693	23,525	23,499	24,195	25,150	26,356	27,628
Compensation of employees	6,490	6,940	7,215	7,718	8,021	7,887	8,249	8,365	8,867	9,407	9,991
of which: Clearance of retirement arrears		196	200	100	100						
Use of goods and services	7,467	6,906	6,604	6,845	6,426	6,995	6,356	6,446	6,833	7,249	7,699
Interest	2,573	2,761	2,953	3,461	3,461	3,741	3,523	3,924	3,664	3,561	3,417
Grants 2/	3,018	4,290	4,418	4,535	4,535	4,634	5,099	5,171	5,481	5,815	6,176
Social benefits 3/	0	0	0	105	105	112	114	121	128	136	145
Other expenses	393	69	121	145	145	155	158	167	178	188	200
Net acquisition of non-financial assets	4,450	3,649	3,447	4,900	4,900	4,945	5,124	4,999	5,649	6,375	7,071
Gross operating balance	-1,402	-1,156	-484	1,384	1,383	3,277	3,456	5,029	6,036	7,114	8,057
Net lending (+)/borrowing (-)	**-5,852**	**-4,805**	**-3,931**	**-3,516**	**-3,516**	**-1,668**	**-1,668**	**30**	**387**	**739**	**986**
Primary balance	-3,279	-2,043	-979	-56	-56	2,074	1,855	3,955	4,051	4,300	4,403
Non-resource net lending (+)/borrowing (-)	-10,188	-9,114	-8,198	-9,124	-9,324	-8,165	-8,002	-6,971	-7,059	-7,264	-7,388
Non-resource primary balance	-7,615	-6,353	-5,246	-5,663	-5,863	-4,424	-4,479	-3,047	-3,396	-3,703	-3,971
Net financial transactions 4/	**5,852**	**4,805**	**3,931**	**3,516**	**3,516**	**1,668**	**1,668**	**-30**	**-387**	**-739**	**-986**
Net acquisition of financial assets	-356	-541	-1,397	0	700	0	0	0	0	0	0
Net incurrence of financial liabilities	5,496	4,264	2,534	3,516	4,216	1,668	1,668	-30	-387	-739	-986
Net domestic	2,277	2,183	232	-954	1,076	-1,111	-1,683	1,425	268	570	824
Treasury bills	493	357	-1,383	-4,628	322	-2,599	-2,965	-1,010	-2,789	-1,163	-334
Treasury bonds	1,750	1,945	1,615	3,673	754	1,488	1,282	2,434	3,058	1,733	1,158
Net external	3,220	2,088	2,302	4,471	3,141	2,779	3,350	-1,455	-656	-1,310	-1,810
Debt securities	0	0	0	0	0	0	0	0	-1,144	0	0
IMF SDR allocation	0										
Loans	3,220	2,088	2,302	4,471	3,141	2,779	3,350	-1,455	489	-1,310	-1,810
of which: net Fund financing	0	632	971	1,023	1,037	406	406	-322	-332	-342	-176
Rapid Credit Facility	*0*	*0*	*0*	*-303*	*-312*	*-312*	*-312*	*-322*	*-332*	*-342*	*-176*
ECF/EFF program		*632*	*971*	*1,326*	*1,349*	*719*	*719*				
Extended Fund Facility		*421*	*647*	*884*	*899*	*479*	*479*				
Extended Credit Facility		*211*	*324*	*442*	*450*	*240*	*240*				
Resilience and Sustainability Facility				*598*	*230*	*953*	*953*				
Gross government debt	**53,680**	**59,576**	**63,304**	**68,118**	**68,811**	**71,323**	**71,702**	**71,793**	**71,583**	**71,489**	**70,870**
Domestic debt	27,534	29,717	29,949	28,033	30,099	27,410	28,374	28,776	26,882	26,853	27,256
of which: Treasury bills	13,789	14,146	12,763	10,215	13,085	7,616	10,120	9,111	6,322	5,159	4,825
of which: Treasury bonds	13,745	15,571	16,309	17,818	17,014	18,917	18,254	19,665	20,561	21,695	22,431
External debt	26,146	29,859	33,356	40,084	38,712	43,913	43,328	43,017	44,701	44,636	43,614
of which Debt securities	1,761	1,761	1,761	1,879	1,927	1,976	1,988	2,043	925	952	970
Memorandum items:											
Contingent liabilities 5/	2,431	2,381	2,381	2,331	2,331	2,281	2,281	2,231	2,181	2,131	2,081
Contingent liabilities, percentage of GDP	2.2	2.2	2.0	1.6	1.8	1.6	1.6	1.5	1.3	1.2	1.1
Nonresource GDP at current prices	75,871	80,312.8	87,269.0	96,313.8	94,853.2	102,786.6	102,786.6	109,857	118,154	127,119	136,861
GDP at current prices	111,395	110,619	121,536	134,905	132,730	144,566	144,566	153,400	162,600	172,500	183,209

Sources: Department of Treasury; and IMF staff estimates and projections.

1/ Does not include projected revenues from new mining projects where the investment decision has not yet been reached.

2/ Grants include spending on wages and salaries, goods and services, and capital expenditure executed by provincial and local governments.

3/ Refers to direct social assistance. For the program, the indicative target on social spending is more expansive, covering current and capital spending in the identified sectors (see Technical Memorandum of Understanding accompanying the program request).

4/ Discrepancies between the overall balance and financing may arise because of data coverage gaps in revenue and expenditure for extrabudgetary units, and payment arrears and cash withdrawals from trust accounts which are not fully accounted for due to data weaknesses.

5/ Contingent liabilities include future unfunded superannuation liabilities with Nambawan Super and SOE borrowing.

Table 2b. Papua New Guinea: Summary Operations of the Central Government, 2021-2030

(In Percent of GDP)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030
					Prog. 4th Rev.	Latest	Prog. 4th Review	Latest	Proj.	Proj.	Proj.	Proj.
Revenue and Grants	**15.1**	**16.6**	**17.9**	**17.1**	**17.9**	**18.1**	**18.5**	**18.6**	**19.1**	**19.2**	**19.4**	**19.5**
Revenue	12.8	15.3	16.9	16.2	16.8	16.8	17.4	17.3	17.7	17.9	18.1	18.3
Taxes	12.1	14.8	15.9	15.2	15.1	15.1	15.5	15.4	15.7	15.9	16.1	16.1
Taxes on income, profits, and capital gains	6.9	10.1	10.6	10.2	10.2	10.3	10.4	10.2	10.3	10.4	10.4	10.4
of which: Personal income tax	3.8	3.3	3.8	3.6	3.5	3.5	3.6	3.5	3.5	3.6	3.6	3.7
of which: Company tax	1.8	2.5	2.7	2.8	2.9	2.8	2.9	2.9	2.9	2.9	2.9	2.9
Taxes on payroll and workforce	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	4.4	3.9	4.7	4.4	4.2	4.2	4.4	4.6	4.8	4.9	5.0	5.1
of which: GST	2.7	2.2	3.3	2.5	2.5	2.4	2.6	2.6	2.7	2.8	2.9	3.0
Taxes on international trade and transactions	0.8	0.8	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Other Revenue	0.7	0.5	0.9	1.0	1.7	1.7	1.9	1.9	2.0	2.0	2.1	2.1
Resource revenue 1/	1.1	3.9	3.9	3.5	4.2	4.4	4.5	4.4	4.6	4.6	4.6	4.6
Mining and Petroleum Taxes	0.7	3.6	3.5	3.1	3.1	3.3	3.3	3.1	3.2	3.2	3.2	3.1
Mining and Petroleum and Gas Dividends	0.4	0.3	0.4	0.5	1.1	1.1	1.2	1.3	1.4	1.4	1.5	1.5
Non-resource revenue	11.7	11.4	13.0	12.7	12.7	12.4	12.9	13.0	13.2	13.3	13.5	14.9
Non-resource tax revenue	11.5	11.1	12.4	12.1	12.0	11.8	12.3	12.3	12.5	12.7	12.9	14.3
(in percent of non-resource GDP)	*13.3*	*16.4*	*17.1*	*16.9*	*18.6*	*16.5*	*17.2*	*17.3*	*17.5*	*17.5*	*17.5*	*17.5*
Grants	2.3	1.3	1.0	1.0	1.1	1.3	1.1	1.3	1.3	1.3	1.3	1.2
Expenditure	**22.0**	**21.9**	**22.3**	**20.4**	**20.5**	**20.8**	**19.7**	**19.8**	**19.0**	**18.9**	**19.0**	**18.9**
Expense	18.0	17.9	19.0	17.5	16.9	17.1	16.3	16.3	15.8	15.5	15.3	15.1
Compensation of employees	6.7	5.8	6.3	5.9	5.7	6.0	5.5	5.7	5.5	5.5	5.5	5.5
of which: Clearance of retirement arrears			0.2	0.2	0.1	0.1						
Use of goods and services	6.7	6.7	6.2	5.4	5.1	4.8	4.8	4.4	4.2	4.2	4.2	4.2
Interest	2.5	2.3	2.5	2.4	2.6	2.6	2.6	2.4	2.6	2.3	2.1	1.9
Grants 2/	2.1	2.7	3.9	3.6	3.4	3.4	3.2	3.5	3.4	3.4	3.4	3.4
Social benefits 3/	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other expenses	0.1	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net acquisition of non-financial assets	4.0	4.0	3.3	2.8	3.6	3.7	3.4	3.5	3.3	3.5	3.7	3.9
Gross operating balance	-2.9	-1.3	-1.0	-0.4	1.0	1.0	2.3	2.4	3.3	3.7	4.1	4.4
Net lending (+)/borrowing (-)	**-6.8**	**-5.3**	**-4.3**	**-3.2**	**-2.6**	**-2.6**	**-1.2**	**-1.2**	**0.0**	**0.2**	**0.4**	**0.5**
Primary balance	-4.4	-2.9	-1.8	-0.8	0.0	0.0	1.4	1.3	2.6	2.5	2.5	2.4
Non-resource net lending (+)/borrowing (-)	-8.0	-9.1	-8.2	-6.7	-6.8	-7.0	-5.6	-5.5	-4.5	-4.3	-4.2	-4.0
Non-resource primary balance	-5.5	-6.8	-5.7	-4.3	-4.2	-4.4	-3.1	-3.1	-2.0	-2.1	-2.1	-2.2
Net financial transactions 4/	**6.8**	**5.3**	**4.3**	**3.2**	**2.6**	**2.6**	**1.2**	**1.2**	**0.0**	**-0.2**	**-0.4**	**-0.5**
Net acquisition of financial assets	1.8	-0.3	-0.5	-1.1	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of financial liabilities	8.7	4.9	3.9	2.1	2.6	3.2	1.2	1.2	0.0	-0.2	-0.4	-0.5
Domestic	3.3	2.0	2.0	0.2	-0.7	0.8	-0.8	-1.2	0.9	0.2	0.3	0.4
Treasury bills	1.5	0.4	0.3	-1.1	-3.4	0.2	-1.8	-2.1	-0.7	-1.7	-0.7	-0.2
Treasury bonds	1.7	1.6	1.8	1.3	2.7	0.6	1.0	0.9	1.6	1.9	1.0	0.6
External	5.4	2.9	1.9	1.9	3.3	2.4	1.9	2.3	-0.9	-0.4	-0.8	-1.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7	0.0	0.0
IMF SDR allocation	1.4	0.0										
Loans	5.4	2.9	1.9	1.9	3.3	2.4	1.9	2.3	-0.9	0.3	-0.8	-1.0
of which net Fund financing	0.0	0.0	0.6	0.8	0.8	0.8	0.3	0.3	-0.2	-0.2	-0.2	-0.1
Rapid Credit Facility	*0.0*	*0.0*	*0.0*	*0.0*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.1*
ECF/EFF program	*0.0*	*0.0*	*0.6*	*0.8*	*1.0*	*1.0*	*0.5*	*0.5*				
Extended Fund Facility	*0.0*	*0.0*	*0.4*	*0.5*	*0.7*	*0.7*	*0.3*	*0.3*				
Extended Credit Facility	*0.0*	*0.0*	*0.2*	*0.3*	*0.3*	*0.3*	*0.2*	*0.2*				
Resilience and Sustainability Facility					*0.4*	*0.2*	*0.7*	*0.7*				
Gross government debt	**52.6**	**48.2**	**53.9**	**52.1**	**50.5**	**51.8**	**49.3**	**49.6**	**46.8**	**44.1**	**41.5**	**38.7**
Domestic debt	27.6	24.7	26.9	24.6	20.8	22.7	19.0	19.6	18.8	16.5	15.6	14.9
Treasury bills	14.5	12.4	12.8	10.5	7.6	9.9	5.3	7.0	5.9	3.9	3.0	2.6
Treasury bonds	13.1	12.3	14.1	13.4	13.2	12.8	13.1	12.6	12.8	12.6	12.6	12.2
External debt	25.0	23.5	27.0	27.4	29.7	29.2	30.4	30.0	28.0	27.5	25.9	23.8
of which Debt securities	1.9	1.6	1.6	1.4	1.4	1.5	1.4	1.4	1.3	0.6	0.6	0.5
Memorandum items:												
Contingent liabilities 5/	2.7	2.2	2.2	2.0	1.7	1.8	1.6	1.6	1.5	1.3	1.2	1.1
Future unfunded superannuation liabilities	2.7	2.2	2.2	2.0	1.7	1.8	1.6	1.6	1.5	1.3	1.2	1.1
SOE borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonresource GDP at current prices (millions of kina)	75,871	75,871	80,313	87,269	87,269	94,853	102,787	102,787	109,857	118,154	127,119	136,861
GDP at current prices (millions of kina)	91,626	111,395	110,619	121,536	134,905	132,730	144,566	144,566	153,400	162,600	172,500	183,209

Sources: Department of Treasury; and IMF staff estimates and projections.

1/ Does not include projected revenues from new mining projects where the investment decision has not yet been reached.

2/ Grants include spending on wages and salaries, goods and services, and capital expenditure executed by provincial and local governments.

3/ Refers to direct social assistance. For the program, the indicative target on social spending is more expansive, covering current and capital spending in the identified sectors (see Technical Memorandum of Understanding accompanying the program request).

4/ Discrepancies between the overall balance and financing may arise because of data coverage gaps in revenue and expenditure for extrabudgetary units, and payment arrears and cash withdrawals from trust accounts which are not fully accounted for due to data weaknesses.

5/ Contingent liabilities include future unfunded superannuation liabilities with Nambawan Super and SOE borrowing.

Table 3. Papua New Guinea: Balance of Payments, 2021-2030

(In Millions of US Dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	**3,284**	**4,567**	**2,799**	**4,784**	**4,428**	**4,331**	**3,983**	**4,025**	**3,947**	**3,807**
Trade balance	6,474	8,736	7,415	8,726	8,932	8,501	8,857	9,419	10,073	10,639
Exports (f.o.b.)	10,842	14,615	12,801	13,404	14,805	15,242	15,899	16,770	17,751	18,676
Resource	8,529	12,080	10,972	11,283	12,139	12,639	13,358	13,962	14,584	15,243
Nonresource	2,313	2,535	1,830	2,120	2,666	2,603	2,541	2,809	3,168	3,434
Imports (f.o.b.)	-4,368	-5,880	-5,387	-4,677	-5,873	-6,741	-7,042	-7,351	-7,678	-8,038
Resource	-870	-1,378	-992	-688	-978	-1,044	-1,091	-1,140	-1,193	-1,248
Nonresource	-3,498	-4,501	-4,395	-3,990	-4,895	-5,697	-5,951	-6,211	-6,486	-6,790
Services	-1,872	-2,441	-2,424	-2,314	-2,392	-2,392	-2,392	-2,392	-2,392	-2,392
of which, identifiable RM BoP costs	0	0	0	0	0	0	0	0	0	0
Income	-1,590	-1,863	-2,288	-1,903	-2,338	-2,005	-2,709	-3,229	-3,960	-4,666
Current Transfers	272	137	96	274	226	226	226	226	226	226
Official	449	390	298	345	269	269	269	269	269	269
Private	-178	-253	-202	-71	-43	-43	-43	-43	-43	-43
Capital and financial account balance (+ = inflow)	**-3,213**	**-4,719**	**-2,934**	**-4,675**	**-5,889**	**-4,317**	**-3,706**	**-4,330**	**-3,504**	**-2,922**
Capital account balance	6	7	4	4	7	7	7	7	7	8
Financial account balance	3,219	4,726	2,938	4,679	5,896	4,324	3,714	4,337	3,512	2,930
Direct investment	1,646	1,264	284	961	952	984	1,014	1,042	1,068	1,092
Portfolio investment	33	39	29	7	80	80	80	-170	80	80
Other investment	1,540	3,423	2,625	3,711	4,864	3,260	2,620	3,465	2,363	1,757
Loans (Net)	410	-641	-736	-107	-730	-746	357	-74	311	409
Official 1/	-204	-830	-943	-324	-762	-775	327	-107	278	375
Private	614	189	207	217	37	34	35	37	38	39
Commercial banks	229	814	-336	-421	-1,089	298	199	-401	299	745
Other private capital flows 2/	901	3,250	3,697	4,238	6,682	3,707	2,064	3,940	1,753	603
Net errors and omissions	146	988	-395	-787	0	0	0	0	0	0
Overall balance	**217**	**836**	**-530**	**-678**	**-1,461**	**14**	**277**	**-305**	**443**	**884**
Financing	**-217**	**-836**	**530**	**678**	**1,461**	**-14**	**-277**	**305**	**-443**	**-884**
Change in net reserve assets (+=fall in reserves, without RSF)	-217	-836	354	430	1,165	-108	-199	401	-299	-745
RSF disbursement (identifiable RM BoP costs)	0	0	0	0	0	0	0	0	0	0
Use of IMF credit	0	0	176	249	296	94	-78	-96	-144	-140
Purchases	0	0	176	249	332	166	0	0	0	0
Repurchases	0	0	0	0	-36	-72	-78	-96	-144	-140
RSF disbursement (not linked to RM BoP costs)	0	0	0	0	81	190	0	0	0	0
Memorandum items:										
Current account (in percent of GDP)	12.6	14.4	9.1	15.2	13.8	12.9	11.6	11.3	10.8	10.0
Net international reserves (end-year, millions of U.S. dollars)	2,343	3,179	2,825	2,395	1,311	1,609	1,808	1,407	1,706	2,451
Net international reserves as per TMU definition (prog. monitoring)	..	..	3,286	3,171	1,800					
Gross international reserves with RSF (end-year, millions of U.S. dollars)	3,240	4,032	3,858	3,655	2,960	3,545	3,668	3,173	3,330	3,936
In months of nonmineral sector imports	6.0	7.3	7.8	6.1	4.5	5.2	5.2	4.3	4.4	5.0
In months of imports of goods and services	4.5	5.9	6.6	5.1	3.7	4.3	4.3	3.6	3.7	4.2
Gross international reserves without RSF (end-year, millions of U.S. dollars)	3,240	4,032	3,858	3,655	2,879	3,274	3,397	2,902	3,059	3,665
Total RSF disbursements	0	0	0	0	81	190	0	0	0	0
Public external debt service-to-exports ratio 3/ (in percent)	4.3	2.2	2.7	3.4	4.5	5.4	5.6	8.9	3.6	3.3
Public external debt-GDP ratio 3/ (in percent)	25.0	23.5	27.0	27.4	29.2	30.0	28.0	27.5	25.9	23.8
Nominal GDP	26,113	31,653	30,729	31,496	32,187	33,446	34,460	35,522	36,630	37,994
Resource exports (in percent of GDP)	33	38	36	36	38	38	39	39	40	40

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

1/ Excludes IMF.

2/ Includes money-transfer via offshore accounts.

3/ Public external debt includes external debt of the central government, the central bank, and statutory authorities.

Table 4. Papua New Guinea: Monetary Developments, 2022-2027

	2022	2023	2024	2025	2026	2027
				Est.	Proj.	Proj.
Bank of Papua New Guinea	**(In millions of kina; end of period)**					
Net foreign assets	11,116	10,513	9,599	5,579	7,067	8,161
Foreign assets	14,197	14,381	14,618	12,596	15,566	16,555
Foreign liabilities	3,081	3,868	5,019	7,017	8,500	8,395
Net domestic assets	-2,437	-2,591	-1,359	2,025	1,132	589
Domestic credit	-592	215	578	1,019	1,311	1,404
Net credit to government	-743	-117	470	912	1,204	1,297
Claims on the government	3,383	3,264	3,621	3,412	3,454	3,297
Of which: Advances and holdings of inscribed stock and securities	2,051	1,926	2,154	1,926	1,926	1,729
Loans: IMF SDR Allocation	1,330	1,336	1,458	1,486	1,528	1,567
Central government deposits	4,126	3,380	3,150	2,500	2,250	2,000
Credit to other sectors	151	332	107	107	107	107
Other items, net	-1,845	-2,806	-1,936	1,006	-179	-815
Of which: Central bank securities	-2,655	-3,203	-2,382	-3,429	-6,152	-6,729
Of which: IMF credit	1,233	2,096	3,320	5,470	7,008	6,950
Reserve money	8,679	7,922	8,240	7,604	8,199	8,750
Currency in circulation	2,970	3,256	3,468	3,787	4,125	4,377
Deposits of other depository corporations	5,709	4,666	4,773	3,817	4,074	4,373
Required reserves	2,910	3,267	3,816	3,011	3,320	3,667
Excess reserves	2,800	1,399	957	806	754	706
Other deposits	0	0	0	0	0	0
Depository Corporations Survey	**(In millions of kina; end of period)**					
Net foreign assets	12,038	11,741	10,505	6,568	8,144	9,304
Net domestic assets	19,023	22,409	21,475	23,727	24,883	26,810
Domestic credit	27,044	30,314	30,808	33,060	33,002	34,930
Net credit to central government	11,035	12,370	11,913	13,493	11,362	11,486
Claims on other sectors	16,009	17,944	18,895	19,567	21,640	23,444
Claims on the private sector	13,973	16,056	16,565	17,204	19,243	21,017
Other items, net	-8,021	-7,905	-9,333	-9,333	-8,120	-8,120
Broad money	31,060	34,150	31,980	30,295	33,027	36,114
Narrow money	26,032	29,863	28,148	26,616	29,495	32,724
Currency outside other depository corporations	2,363	2,657	2,739	2,630	2,524	2,424
Demand deposits	23,669	27,207	25,409	23,986	26,970	30,300
Quasi-money	5,029	4,287	3,832	3,679	3,532	3,390
Securities other than shares	0	0	0	0	0	0
	(Annual percentage change)					
Net foreign assets	38.7	-2.5	-10.5	-37.5	24.0	14.2
Net domestic assets	3.3	17.8	-4.2	10.5	4.9	7.7
Net domestic credit	1.5	12.1	1.6	7.3	-0.2	5.8
Of which: Private sector	6.9	14.9	3.2	3.9	11.9	9.2
Broad money	14.7	9.9	-6.4	-5.3	9.0	9.3
Memorandum items:						
Reserve money (percentage change)	29.5	-8.7	4.0	-7.7	7.8	6.7
Gross international reserves (in millions of U.S. dollars)	4,032	3,858	3,655	2,960	3,545	3,668
Nominal nonresource GDP/Broad money	2.4	2.4	2.7	3.1	3.1	3.0

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

Table 5. Papua New Guinea: Financial Soundness Indicators, 2021-2025

(In Percent)

	2021	2022	2023	2024	End-June 2025
Capital Adequacy					
Capital to risk-weighted assets 1/	41.1	39.5	36.6	37.2	38.7
Tier 1 capital to risk-weighted assets	32.5	19.7	29.6	29.9	32.6
Asset Quality					
Nonperforming loans to total loans	6.2	4.8	5.4	4.7	5.1
Provisions to nonperforming loans	47.3	39.6	41.1	48.4	41.1
Earnings and Profitability					
Return on assets	4.4	3.9	3.9	4.2	6.0
Return on equity	17.7	15.4	14.1	15.8	22.3
Liquidity					
Liquid assets to total assets	18.9	22.5	19.2	19.6	19.1
Loan-to-deposit ratio	59.8	55.6	55.6	60.5	60.1
Other					
Tier 1 Capital to total assets	13.5	9.1	12.3	13.3	14.0
Risk-weighted assets to total assets	43.8	43.2	41.7	44.6	42.9

Sources: Bank of Papua New Guinea; and IMF staff calculations.
1/ Capital base includes Tier 1 and Tier 2 capital.

Table 6a. Papua New Guinea: Scheduled Disbursements and Purchases Under the ECF/EFF Arrangements[1/]

Availability date	Amount (SDR Million)			Percent of Quota			Conditions for disbursement/purchases
	Total	ECF	EFF	Total	ECF	EFF	
22 March 2023	65.81	21.94	43.87	25.0	8.3	16.7	Executive Board approval of the ECF/EFF arrangements.
18 September 2023	65.81	21.94	43.87	25.0	8.3	16.7	Observance of end-June 2023 performance criteria, and completion of the first review under the arrangements.
18 March 2024	94.75	31.58	63.17	36.0	12.0	24.0	Observance of end-December 2023 performance criteria, and completion of the second review under the arrangements.
18 September 2024	94.75	31.58	63.17	36.0	12.0	24.0	Observance of end-June 2024 performance criteria, and completion of the third review under the arrangements.
18 March 2025	121.07	40.36	80.71	46.0	15.3	30.7	Observance of end-December 2024 performance criteria, and completion of the fourth review under the arrangements.
18 September 2025	121.07	40.36	80.71	46.0	15.3	30.7	Observance of end-June 2025 performance criteria, and completion of the fifth review under the arrangements.
18 March 2026	60.53	20.175	40.355	23.0	7.7	15.3	Observance of end-December 2025 performance criteria, and completion of the sixth review under the arrangements.
18 September 2026	60.53	20.175	40.355	23.0	7.7	15.3	Observance of end-June 2026 performance criteria, and completion of the seventh review under the arrangements.
Total	**684.32**	**228.11**	**456.21**	**260.0**	**86.7**	**173.3**	

Source: IMF Staff Estimates

1/Papua New Guinea's quota is 263.2 million SDR.

Table 6b. Papua New Guinea: Scheduled Disbursements Under the RSF Arrangements[1/]

Availability date 2/	Availability		Conditions for disbursement
	SDR millions	Percent of quota	
18 March 2025	19.74	7.5	Reform measure 4 implementation review
18 March 2025	19.74	7.5	Reform measure 9 implementation review
18 September 2025	19.74	7.5	Reform measure 1 implementation review
18 September 2025	19.74	7.5	Reform measure 10 implementation review
18 March 2026	19.74	7.5	Reform measure 2 implementation review
18 March 2026	19.74	7.5	Reform measure 5 implementation review
18 March 2026	19.74	7.5	Reform measure 6 implementation review
18 March 2026	19.74	7.5	Reform measure 7 implementation review
18 September 2026	19.74	7.5	Reform measure 3 implementation review
18 September 2026	19.74	7.5	Reform measure 8 implementation review
Total	**197.40**	**75.0**	

Source: IMF Staff Estimates

1/ Papua New Guinea's quota is 263.2 million SDR.

2/ Reflects earliest available date for disbursement subject to assessment by the IMF Board of implementation of a reform measure and completion of RSF review.

Table 7. Papua New Guinea: External Financing Requirements and Sources, 2021-2030
(In Millions of US Dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total financing requirements	**-2871**	**-4587**	**-2512**	**-4096**	**-4980**	**-3536**	**-2506**	**-3618**	**-2804**	**-2200**
Current account deficit	-3284	-4567	-2799	-4784	-4428	-4331	-3983	-4025	-3947	-3807
of which RSF reform costs	0	0	0	0	0	0	0	0	0	0
Public sector loan amortization	342	131	241	325	581	629	1222	752	789	834
Interest and amortization on existing IMF loans	0	1	6	6	32	57	56	55	55	28
Reserve accumulation excl. RSF (-=fall in reserves)	217	836	-354	-430	-1165	108	199	-401	299	745
Errors and omissions	-146	-988	395	787	0	0	0	0	0	0
Financing sources 1/	**-3873**	**-5378**	**-3115**	**-4837**	**-5566**	**-3858**	**-2661**	**-3623**	**-2809**	**-2205**
Capital account balance	6	7	4	4	7	7	7	7	7	8
Net foreign direct investments	-1646	-1264	-284	-961	-952	-984	-1014	-1042	-1068	-1092
Net portfolio investments	-33	-39	-29	-7	-80	-80	-80	170	-80	-80
Public sector project loan disbursements	-456	171	762	161	1089	1239	724	818	422	347
Other capital inflows (net)	-1744	-4253	-3568	-4034	-5630	-4040	-2298	-3576	-2090	-1387
Financing gap	**1002**	**791**	**603**	**742**	**582**	**316**	**150**	**0**	**0**	**0**
Prospective financing	**1002**	**791**	**603**	**742**	**582**	**316**	**150**	**0**	**0**	**0**
Bilateral budget support 2/	732	521	408	393	0	0	0	0	0	0
Multilateral budget support (excl. IMF) 2/	270	270	20	100	250	150	150	0	0	0
IMF financing	0	0	176	249	332	166	0	0	0	0
RCF	0	0	0	0	0	0	0	0	0	0
EFF	0	0	117	166	221	111	0	0	0	0
ECF	0	0	59	83	111	55	0	0	0	0
Unidentified financing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
RSF disbursements (not linked to RM costs)	0	0	0	0	81	190	0	0	0	0
Reserve accumulation incl. RSF (-=fall in reserves)	217	836	-354	-430	-1084	298	199	-401	299	745
Memorandum items:										
Annual IMF financing (percent of quota)	0%	0%	50%	72%	92%	46%	0%	0%	0%	0%
Cumulative IMF financing (percent of quota)	100%	100%	150%	222%	327%	405%	384%	357%	318%	273%
IMF share of financing gap (percent)	0%	0%	29%	34%	57%	53%	..	..	..	..

Sources: Papua New Guinea authorities and Fund staff estimates.

1/ Sign convention used in this table differs from Table 3 (e.g., net foreign direct investments uses reversed signs).

2 /Includes loans and grants.

Table 8. Papua New Guinea: Indicators of Capacity to Repay the IMF, 2025-2047[1/]

(In Millions of SDRs, unless Otherwise Indicated)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Fund Obligations Based on Existing Credit (millions of SDRs)												
Principal	26.3	52.6	56.3	69.5	103.8	100.9	78.6	78.6	72.8	55.2	11.7	2.0
Charges and interest	20.4	19.9	19.9	19.6	18.9	17.4	15.8	14.1	12.5	11.1	10.2	10.0
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)												
Principal	26.3	52.6	56.3	69.5	103.8	117.7	115.6	121.7	115.8	98.3	54.8	27.0
GRA	-	-	3.7	14.6	42.4	65.9	76.0	76.0	72.4	61.4	33.6	10.1
PRGT	26.3	52.6	52.6	54.8	61.4	51.8	39.6	45.6	43.4	36.8	20.2	6.1
RSF	-	-	-	-	-	-	-	-	-	-	1.0	10.9
Charges and interest	20.9	27.6	31.5	31.3	30.5	29.0	26.6	24.1	21.5	19.2	17.4	16.4
Total Obligations Based on Existing and Prospective Credit												
Millions of SDRs	47.3	80.3	87.8	100.8	134.4	146.7	142.2	145.8	137.3	117.5	72.2	43.4
Millions of U.S. dollars	63.8	110.2	120.8	139.0	185.6	203.0	196.9	201.7	190.1	162.6	100.0	60.0
Percent of exports of goods and services	0.4	0.7	0.7	0.8	1.0	1.1	1.0	1.0	0.9	0.8	0.5	0.3
Percent of debt service	1.3	2.3	3.1	3.8	6.6	7.5	6.5	7.3	6.9	6.0	3.8	2.2
Percent of GDP	0.2	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.3	0.2	0.1
Percent of gross international reserves	2.2	3.1	3.3	4.4	5.6	5.2	4.4	4.2	3.9	3.3	2.0	1.1
Percent of quota	18.0	30.5	33.4	38.3	51.0	55.7	54.0	55.4	52.2	44.6	27.4	16.5
Principal	10.0	20.0	21.4	26.4	39.4	44.7	43.9	46.2	44.0	37.3	20.8	10.3
GRA	-	-	1.4	5.6	16.1	25.1	28.9	28.9	27.5	23.3	12.8	3.8
PRGT	10.0	20.0	20.0	20.8	23.3	19.7	15.0	17.3	16.5	14.0	7.7	2.3
RSF	-	-	-	-	-	-	-	-	-	-	0.4	4.1
Outstanding Fund Credit Based on Existing and Prospective Credit												
Millions of SDRs	859.4	1,066.0	1,009.7	940.2	836.4	718.7	603.1	481.4	365.6	267.3	212.6	185.6
GRA	375.5	456.2	452.6	437.9	395.5	329.6	253.5	177.5	105.1	43.7	10.1	-
PRGT	424.6	412.4	359.7	304.9	243.5	191.7	152.1	106.5	63.1	26.2	6.1	-
RSF	59.2	197.4	197.4	197.4	197.4	197.4	197.4	197.4	197.4	197.4	196.4	185.6
Millions of U.S. dollars	1,161	1,464	1,389	1,297	1,155	995	835	666	506	370	294	257
Percent of exports of goods and services	7.6	9.4	8.5	7.6	6.4	5.2	4.3	3.4	2.5	1.8	1.4	1.2
Percent of debt service	22.9	30.9	35.1	35.5	41.1	36.7	27.7	24.0	18.4	13.5	11.1	9.4
Percent of GDP	3.6	4.4	4.0	3.7	3.2	2.6	2.1	1.6	1.1	0.8	0.6	0.5
Percent of gross international reserves	39.2	41.3	37.9	40.9	34.7	25.3	18.5	13.9	10.3	7.6	5.8	4.7
Percent of quota	326.5	405.0	383.6	357.2	317.8	273.1	229.1	182.9	138.9	101.6	80.8	70.5
GRA	142.7	173.3	171.9	166.4	150.3	125.2	96.3	67.4	39.9	16.6	3.8	-
PRGT	161.3	156.7	136.7	115.8	92.5	72.8	57.8	40.5	24.0	10.0	2.3	-
RSF	22.5	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	74.6	70.5
Net Use of Fund Credit (millions of SDRs)												
Disbursements and purchases	224.6	240.4	158.8	-	-	-	-	-	-	-	-	-
Repayments and repurchases	-	26.3	56.3	67.3	97.2	127.4	127.8	115.6	118.0	104.8	70.5	32.2
Memorandum Items:												
Exports of goods and services (millions of U.S. dollars)	15,181	15,619	16,276	17,147	18,128	19,053	19,199	19,689	20,289	20,906	21,544	22,268
Debt service (millions of U.S. dollars)	5,073	4,740	3,955	3,649	2,811	2,707	3,014	2,775	2,756	2,732	2,659	2,735
Nominal GDP (millions of U.S. dollars)	32,187	33,446	34,460	35,522	36,630	37,994	39,826	42,170	44,890	47,702	50,716	53,949
Gross International Reserves (millions of U.S. dollars)	2,960	3,545	3,668	3,173	3,330	3,936	4,512	4,777	4,906	4,887	5,098	5,503
Average exchange rate: SDR per U.S. dollars	0.74	0.73	0.73	0.73	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72
Quota (millions of SDRs)	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Fund Obligations Based on Existing Credit (millions of SDRs)											
Principal	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	-	-
Charges and interest	9.9	9.8	9.7	9.7	9.6	9.5	9.5	9.4	9.3	9.3	9.3
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)											
Principal	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	18.8	8.9	-
GRA	-	-	-	-	-	-	-	-	-	-	-
PRGT	-	-	-	-	-	-	-	-	-	-	-
RSF	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	18.8	8.9	-
Charges and interest	15.6	14.9	14.2	13.5	12.8	12.1	11.5	10.8	10.1	9.5	9.3
Total Obligations Based on Existing and Prospective Credit											
Millions of SDRs	35.3	34.7	34.0	33.3	32.6	31.9	31.2	30.5	28.8	18.3	9.3
Millions of U.S. dollars	48.9	48.0	47.0	46.1	45.1	44.1	43.2	42.2	39.9	25.4	12.9
Percent of exports of goods and services	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0
Percent of debt service	1.6	1.4	1.2	1.1	1.0	0.9	0.8	0.7	0.6	0.4	0.2
Percent of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Percent of gross international reserves	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.3	0.2
Percent of quota	13.4	13.2	12.9	12.6	12.4	12.1	11.9	11.6	10.9	7.0	3.5
Principal	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.1	3.4	-
GRA	-	-	-	-	-	-	-	-	-	-	-
PRGT	-	-	-	-	-	-	-	-	-	-	-
RSF	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.1	3.4	-
Outstanding Fund Credit Based on Existing and Prospective Credit											
Millions of SDRs	165.8	146.1	126.3	106.6	86.9	67.1	47.4	27.6	8.9	-	-
GRA	-	-	-	-	-	-	-	-	-	-	-
PRGT	-	-	-	-	-	-	-	-	-	-	-
RSF	165.8	146.1	126.3	106.6	86.9	67.1	47.4	27.6	8.9	-	-
Millions of U.S. dollars	229	202	175	148	120	93	66	38	12	-	-
Percent of exports of goods and services	1.0	0.8	0.7	0.6	0.5	0.3	0.2	0.1	0.0	-	-
Percent of debt service	7.7	6.0	4.6	3.5	2.6	1.9	1.2	0.6	0.2	-	-
Percent of GDP	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.0	0.0	-	-
Percent of gross international reserves	4.0	3.4	2.9	2.3	1.8	1.3	0.9	0.5	0.2	-	-
Percent of quota	63.0	55.5	48.0	40.5	33.0	25.5	18.0	10.5	3.4	-	-
GRA	-	-	-	-	-	-	-	-	-	-	-
PRGT	-	-	-	-	-	-	-	-	-	-	-
RSF	63.0	55.5	48.0	40.5	33.0	25.5	18.0	10.5	3.4	-	-
Net Use of Fund Credit (millions of SDRs)											
Disbursements and purchases	-	-	-	-	-	-	-	-	-	-	-
Repayments and repurchases	17.9	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	17.8	7.9
Memorandum Items:											
Exports of goods and services (millions of U.S. dollars)	23,020	23,803	24,618	25,467	26,351	27,272	28,091	28,651	29,223	29,806	30,401
Debt service (millions of U.S. dollars)	2,997	3,374	3,815	4,232	4,563	4,915	5,401	5,934	6,520	7,163	7,870
Nominal GDP (millions of U.S. dollars)	57,417	61,137	65,129	69,412	74,010	79,119	84,384	89,346	94,601	100,164	106,054
Gross International Reserves (millions of U.S. dollars)	5,756	5,897	6,127	6,373	6,634	6,894	7,107	7,337	7,574	7,819	8,071
Average exchange rate: SDR per U.S. dollars	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72
Quota (millions of SDRs)	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2	263.2

Source: IMF staff calculations.

1/ PNG is in country group B regarding financial terms of RST financing for the RSF facility.

Table 9. Papua New Guinea: Summary Table of Projected External Borrowing Program
From January 1, 2025 to December 31, 2025

PPG external debt	Volume of new debt in 2025		PV of new debt in 2025 (program purposes)		PV of new debt in 2025 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
Sources of debt financing	**996.4**	**100**	**826.8**	**100**	**834.3**	**100**
Concessional debt, of which	**207.5**	**21**	**129.7**	**16**	**129.7**	**16**
Multilateral debt	207.5	21	129.7	16	129.7	16
Bilateral debt	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	**788.9**	**79**	**697.0**	**84**	**704.6**	**84**
Semi-concessional	613.9	62	522.0	63	522.0	63
Commercial terms	175.0	18	175.0	21	182.6	22
By Creditor Type	**996.4**	**100**	**826.8**	**100**	**834.3**	**100**
Multilateral	971.4	97	801.8	97	808.2	97
Bilateral - Paris Club	25.0	3	25.0	3	26.1	3
Bilateral - Non-Paris Club	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Uses of debt financing	**996.4**	**100**	**826.8**	**100**	**834.3**	**100**
Infrastructure	321.4	32	230.0	28	230.0	28
Social Spending	55.0	6	55.0	7	56.1	7
Budget Financing	250.0	25	222.8	27	229.3	27
Other	370.0	37.1	319.0	38.6	319.0	38.2
Memo items						
Indicative projections						
Year 2	**299.0**		**281.6**		**304.6**	
Year 3	**825.0**		**717.1**		**752.1**	

Type of New External Debt, USD Million, January 1, 2025 – December 31, 2025

By the type of interest rate	
Fixed Interest Rate	510.5
Variable Interest Rate	485.9
Unconventional Loans	0.0
By currency	
USD denominated loans	996.4
Loans denominated in other currency	0.0

Sources: Papua New Guinea Authorities; and IMF staff estimates.

Table 10. Papua New Guinea: Decomposition of Public Debt Service by Creditors, 2024-2026[1/]

	Debt Stock (end of period)			Debt Service					
	2024			2024	2025	2026	2024	2025	2026
	(In US$ million)	*(Percent total debt)*	*(Percent GDP) 5/*	*(In US$ million)*			*(Percent GDP)*		
Total	16312	100	52	5152	5006	5090	16	16	15
External	8339	51	27	591	655	1023	2	2	3
Multilateral creditors 2/, 3/	4377	27	14	304	330	473	1	1	1
IMF	1098	7	4	6	27	64	0	0	0
World Bank	580	4	2	42	37	59	0	0	0
ADB	2587	16	9	249	259	340	1	1	1
Other Multilaterals	113	1	0	7	8	10	0	0	0
Bilateral Creditors 2/	3423	21	11	232	276	502	1	1	2
Paris Club	2339	14	8	119	147	370	0	0	1
o/w: Australia	1963	12	6	104	133	335	0	0	1
Non-Paris Club	1084	7	4	112	129	131	0	0	0
o/w: China EXIM	991	6	3	90	97	100	0	0	0
Bonds	500	3	2	41	42	42	0	0	0
Commercial creditors	39	0	0	14	7	7	0	0	0
Other international creditors	0	0	0	0	0	0	0	0	0
Domestic	7973	49	26	4561	4351	4067	14	14	12
Held by residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	3795	23	12	3830	3664	3095	12	11	9
Bonds	3917	24	13	685	641	929	2	2	3
Loans	261	2	1	46	46	43	0	0	0
Memo items:									
Collateralized debt 2/, 4/	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contingent liabilities	677	4	2	n/a	n/a	n/a	n/a	n/a	n/a
Nominal GDP	31496								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Some public debt may not be shown in the table due to confidentiality clauses/capacity constraints.

3/"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Debt ratios are constructed by converting external debt to Kina using end-period exchange rate and dividing by Kina GDP.

Table 11. Papua New Guinea: Quantitative Performance Criteria and Indicative Targets, June 2025 – June 2026

(In Millions of Kinas, unless Otherwise Specified)

	2025							2026	
	June			**September**			**December**	**March**	**June**
	Test date			Indicative target			Test date	Indicative target	Test date
	Approved	**Outcome**	Status	Approved	**Outcome**	Status	Approved	Approved	Approved
A. Quantitative performance criteria 1/									
Fiscal deficit of the government (ceiling, cumulative from the beginning of the year)	2,203	**2,237**	not met	3,020	**2,076**	met	3,516	629	1,195
Stock of net international reserves of the BPNG (floor, US$ millions)	1,925	**2,675**	met	1,863	**2,816**	met	1,800	1,850	1,900
BPNG's gross credit to government (ceiling)	2,400	**2,028**	met	2,400	**2,028**	met	2,400	2,400	2,400
B. Continuous quantitative performance criteria (ceilings) 2/									
New external payment arrears of the government (ceiling, US$ millions)	0	**0**	met	0	**0**	met	0	0	0
Present value of new external debt contracted or guaranteed by the government (ceiling, US$ millions) 3/	810	**130**	met	1,660	**130**	met	1,660	500	500
C. Indicative Targets									
Non-resource tax revenue of the government (floor, cumulative from the beginning of the year)	6,114	**7,000**	met	11,387	**11,075**	not met	15,598	3,426	6,681
New domestic payment arrears of the government (ceiling)	0	**0**	met	0	**0**	met	0	0	0
Social and other priority spending (floor, cumulative from the beginning of the year) 4/	1,650	**4,183**	met	4,008	**6,354**	met	5,500	600	1,800
Stock of unmet import-related FX payments in the orderbook (ceiling)	25	**0**	met	0	**0**	met	0	0	0

Sources: Papua New Guinea authorities and IMF staff estimates.

1/ Quantitative performance criteria listed under A. and indicative targets listed under C. are assessed as at the end of each reference month above.

2/ Quantitative performance criteria listed under B. are effective continuously from program approval.

3/ Annual for 2025 and 2026.

4/ Comprises government spending on health, education and law and order (both capital and operating expenses).

Table 12. Papua New Guinea: Structural Benchmarks (June 2025 – September 2026)			
Measure	**Rationale**	**Implementation Date**	**Status of Implementation**
Budget Repair			
Submit to the Parliament amendments to the Internal Revenue Commission (IRC) Act 2014, in consultation with the IMF, to establish a Board for IRC's oversight.	To strengthen IRC's governance.	End-July 2025	Implemented with delay
Formulate a sequenced implementation plan for a Treasury Single Account (TSA).	To modernize cash management practices and reduce excess government cash in the banking system.	End-December 2025	In progress
Create an interface between the debt monitoring system (Meridian) and the IFMS to automate the transfer and reconciliation of debt information.	To strengthen expenditure controls and enhance the reliability of reporting.	End-September 2025	Met
Carry out an in-depth analysis of tax expenditures, incentives and gaps currently affecting (or susceptible to affect) the corporate income tax base, which will include (i) the listing of existing tax expenditures and incentives; (ii) their estimated costing; and (iii) an assessment (at least qualitative) to what extent they are effectively meeting their desired policy objectives.	To broaden the corporate income tax base and increase the efficiency of tax expenditures and incentives.	End-March 2026	In progress
Modify the existing memorandum of understanding between the BPNG and the Treasury relating to T-bill and T-bond issuances and insert requirements for (i) the publication of the budget year's T-bill and T-bond auction calendar shortly after the parliamentary approval of the Budget, then to be updated on a quarterly frequency, and (ii) the publication of auction results according to a template to be designed with IMF support.	To improve the transparency of auctions and the predictability of issuances of government securities for market players.	End-September 2025	Met
Establish an Investor Relations function at the Treasury, which will entail: (i) the modification of the Treasury website to include the function as part of the mandate of the Financial Management division; (ii) the development of an Investor Relations Strategy, based on recent IMF TA; and (iii) its publication along with other key investor-relevant information (at least including the MTDS, the securities issuance plan, auction results and debt statistics) on a public website.	To build the investor base and improve government financing	End-September 2026	**Newly proposed**
Treasury to issue formal guidance to require the development of a register, including through collection of information from the Authority to Pre-Commit Committee, of future spending commitments for major infrastructure capital projects (PGK 10 million and above); produce this register as part of the 2027 budget preparation; and make the updating of this register a standard activity within annual budget processes outlined in the Budget Manual.	To strengthen the credibility of multi-year budgeting for capital investment and reduce the likelihood of arrears in capital expenditure	End-September 2026	**Newly proposed**
Appoint the IRC Oversight Board members, as required by the amended IRC Act; hold an inaugural meeting of the Board; and share with the IMF the minutes of that meeting, which include the expected meeting schedule for the rest of 2026 and 2027.	To ensure that the Oversight Board is fully operational	End-June 2026	**Newly proposed**

Table 12. Papua New Guinea: Structural Benchmarks (Concluded) (June 2025 – September 2026)			
Governance and Operations of the BPNG			
Develop liquidity forecasting framework and liquidity monitoring tables, allowing to prepare weekly forecasts for the Monetary Operations Committee.	To enhance liquidity monitoring and forecasting	End-July 2025	Met
Develop and issue guidelines on emergency liquidity assistance (ELA), pursuant to section 76 of the Central Banking Act.	To operationalize the ELA framework and strengthen financial stability through a robust lender of last resort regime	End-December 2025	In progress
Align the draft interbank Master Repo Agreement (MRA) with the Global Master Repurchase Agreement (GMRA) standard and share it with commercial banks as an attachment to a formal letter explaining the benefits of adopting it.	To facilitate the development of a stable and efficient interbank market	End-December 2025	In progress
Develop and publish a macroprudential policy strategy, which explains the objectives of macroprudential policy; elaborates how macroprudential policy interacts with other mandates of the central bank for micro prudential regulation and monetary policy; outlines macro-financial risks and the risk assessment process; and lays out the principles that guide BPNG's macroprudential policy approach; and identifies the macroprudential policy toolkit.	To enhance macroprudential policy communication for financial stability.	End-September 2026	**Newly proposed**
Governance and Anti-Corruption Framework			
Appoint the ICAC's oversight committee, as mandated by Part XII of the ICAC law.	To ensure sound governance and independent oversight over ICAC's operations.	End-September 2025	Implemented with delay
Publish the forestry sectoral risk assessment, including clear guidance and recommendations on improving the forestry sector's compliance with PNG's AML/CFT requirements.	To improve the forestry sector's compliance with PNG's AML/CFT requirements.	End-December 2025	Met
Update "Guidance for Financial Institutions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 (No. 1 of 2019)" and "Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 (No. 2 of 2019)" in consultation with Fund staff to include greater guidance on treatment of low-risk customers in accordance with the latest FATF guidelines, and sector-specific guidance for i) non-bank financial institutions, ii) lawyers, iii) accountants, iv) real-estate agents and v) precious metal dealers, which should include but not be limited to further guidance on risk assessment, obligations on politically exposed persons and reporting of suspicious transactions.	To improve understanding of ML/TF risks and fundamental AML/CFT obligations.	End-December 2025	In progress
BPNG, NSO, and the PNG Customs Office to reconcile goods export and import statistics by commodity and trading partner for the period 2017–2024, and issue a procedure to reconcile data vintages going forward.	To improve external sector statistics.	End-September 2026	**Newly proposed**

Table 13. Papua New Guinea: RSF Reform Measures and Timeline for Completion

Main Pillars	Key Challenge	Reform Measure	Diagnostic Reference	CD Input	RM Expected Outcome	Target Date	Status	Prospective BoP risk reduction
1. Enhancing Disaster Risk Management (DRM) Efforts	Knowledge about climate-related hazards is fragmented and incomplete, hampering the effectiveness of DRM efforts.	**RM1.** Set up a public website providing access to existing hazard mapping data, based on a stock take of current hazard mapping systems. The agency in charge of coordinating this exercise should be formally appointed. [NDC]	CPIMA, WB1	UNDP	Information and mapping about climate-related hazards is improved, allowing to raise stronger awareness and develop more effective *ex ante* DRM policies.	September 18, 2025.	Met	*Improved external, financial, and fiscal resilience to natural disasters.* Reduces ex-ante exposure to disaster risks, thus limiting potential financial losses while supporting investor confidence and attracting new investments (including FDI). Contains natural disasters-related damages and fiscal costs and facilitates rapid recovery of growth and net exports; and subsequently reduces external and fiscal financing needs.
	The legal framework for DRM is outdated.	**RM2.** Submit to parliament amendments to the 1984 Disaster Management Act to update and modernize the DRM framework. Amendments will clarify roles and responsibilities in DRM, codify and develop *ex ante* DRM actions, set up a DRM structure below provincial levels and more broadly align the DRM framework with more modern international practice [NDC]	CPD	UNDP	DRM practices are appropriately codified and better aligned with international practice.	March 18, 2026.	In progress	
	There is no strategic understanding of disaster risk financing, and existing modalities are insufficient to cover disaster response needs.	**RM3.** Develop, adopt, and publish a comprehensive disaster risk financing strategy aimed at improving financial resilience against disasters. [Treasury, NDC, CCDA]	CPD, CPIMA, WB1	IMF (FAD)	Disaster response needs are better covered, with a stronger strategic view of the different modalities for disaster risk financing.	September 18, 2026.	In progress	

Table 13. Papua New Guinea: RSF Reform Measures and Timeline for Completion (Continued)

2. Integrating Climate Considerations into Public Investment Management Processes	Resilience to climate-related natural disasters is not taken into account when new investment projects are appraised and selected for inclusion in the budget.	**RM4.** Develop a methodology for climate-related disaster risk screening and incorporate a requirement in the budget circular (starting from the draft circular for the 2026 Budget) to undertake that screening for any new proposed major capital project (i.e. above PGK 10 million), by including the assessment in the project identification documents [DNPM, Treasury and sectoral institutions]	CPIMA	IMF (FAD)	Climate resilience is more systematically taken into account as part of investment planning and budgeting.	March 18, 2025.	Met	*Improved fiscal and external sustainability.* Limits adverse economic impact of climate-related shocks, including by reducing fiscal costs and the subsequent need for external financing. Reduces reconstruction needs and associated import demand. Facilitates rapid recovery of growth and net exports.
	Climate change is not embedded in public investment management regulations, which are also incomplete.	**RM5.** Develop and adopt Public Investment Management regulations to incorporate climate change considerations into the capital project cycle (including planning, appraisal, selection, maintenance). [DNPM, Treasury, CCDA]	CPIMA	IMF (FAD)	Climate change is formally taken into account at each step of the investment project cycle.	March 18, 2026.	In progress	
	The few existing maintenance standards and methodologies do not consider climate risks.	**RM6.** Pilot the incorporation of climate change considerations in maintenance standards and costing applied to national roads. [DoWH]	CPIMA	WB, ADB	Climate change is taken into account to assess road maintenance needs and costs, paving the way for a standardized approach across sectors.	March 18, 2026.	In progress	

Table 13. Papua New Guinea: RSF Reform Measures and Timeline for Completion (Continued)

3. Supporting the Development of Green and Inclusive Finance	The taxonomy of green and inclusive finance activities is not operational and lacks concrete guidelines for implementation by financial institutions.	**RM7.** Develop and formalize supervisory guidelines to financial institutions (FIs) on mandatory regulatory reporting of FIs' exposures aligned with the Taxonomy along with implementation timelines. The guidelines will focus on all exposures related to 3 priority sectors with technical screening criteria completed by mid-2025. It will be implemented on banks representing at least 90 percent of total banking sector assets. [BPNG, GFC]	Inclusive Green Finance Policy	IFC, AFD, ADB	A supervisory guidance note on collecting and reporting climate-related loan activities along with implementation timeline will help strengthen the climate information architecture landscape.	March 18, 2026.	In progress	*Financial sector resilience.* Reduces financial sector losses when climate risks materialize, lowering recapitalization needs for banks. *Investment promotion.* Clarifying climate-related exposures attracts investments by reducing uncertainty. *Improved external sustainability.* Greater information on the availability of climate-related and resilient investments and lending activity can boost investor confidence and contribute to attracting external capital inflows.
	There is no comprehensive database of ongoing climate projects and funding sources.	**RM8.** (i) Empower the Green Finance Center (GFC) with the authority to collect data on climate investments from other institutions (government agencies and commercial banks) through a memorandum of understanding between BPNG and Treasury. (ii) Develop a centralized national database with climate mitigation and adaptation projects in line with the updated NDC and the taxonomy. [BPNG, GFC]	Inclusive Green Finance Policy and C-PIMA	GGGI, UNCDF	The centralized database on climate projects and funding sources will improve project identification and investor confidence.	September 18, 2026.	In progress	

Table 13. Papua New Guinea: RSF Reform Measures and Timeline for Completion (Concluded)

4. Supporting Mitigation Policies	Fuel taxation does not take the carbon content of fuels into account, incentivizing fuel imports and consumption.	**RM9.** Submit amendments to the Excise Tariff Act to parliament to shift the tax burden towards fuels with higher carbon content [Treasury]	CPD	IMF (FAD)	The shift of taxation towards more carbon-intensive fuels will help to incentivize more efficient fuel use.	March 18, 2025.	Delayed	*External sustainability.* Consistent with fiscal sustainability considerations, this pillar: (1) Supports the transition to cleaner energy and electricity, thus reducing LT reliance on fossil fuel imports whose prices are volatile; and (2) Reduces forest degradation, which supports climate-resilient agriculture and the need for food imports. It also helps contain the impact of natural disasters on local communities, reducing the need for reconstruction-related imports.
	The logging industry is at the source of significant forest degradation, with limited lasting benefits to local communities.	**RM10.** Carry out a comprehensive review of existing royalties, taxes, and levies in the logging sector to help identify appropriate tax policy measures to ensure a balance between mitigation objectives and the socio-economic footprint of the sector. [Treasury, IRC, Customs, PNGFA]	CPD	ADB	Implementation of the findings of this review could help discourage unsustainable logging activities and incentivize forest protection.	September 18, 2025.	Met	

Legend for diagnostic references
CPD: Climate Policy Diagnostic (2024), Fiscal Affairs Department, IMF.
CPIMA: Climate Public Investment Management Assessment (2024), Fiscal Affairs Department, IMF.
WB1: Emergency Preparedness and Response in PNG (2021), Diagnostic report, World Bank.

Annex I. Risk Assessment Matrix[1]

Sources of Risk	Relative Likelihood	Expected Impact	Staff Advice on Policy Response
		Regional/Domestic Risks	
Natural disasters and extreme climate events. PNG is highly vulnerable to natural disasters (flooding, landslides, earthquakes) and climate change (droughts & sea level rise). Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**High**	**High**: Negative impact on GDP growth, export and fiscal revenues, higher inflation.	Invest in disaster risk reduction and resilience with the help of development partners. Build fiscal and external buffers for post-disaster relief effort. Implement reform measures under the RSF arrangement.
Widespread social discontent and political instability. The limited capacity of the state, a high level of social fragmentation and the anticipated socio-economic impact of ongoing reforms remain chronic sources of political instability.	**High**	**High**: Adverse impact on foreign direct investment and confidence, negatively impacting growth. This can exacerbate pre-existing inequalities, causing socio-economic hardship (unemployment, poverty).	Focus on transparent and effective communication on key policies. Implement policies to support vulnerable households for which there is a need to build fiscal buffers through fiscal consolidation.
Major natural resource projects initiated; higher LNG revenues over the longer term. Some major projects are being negotiated, but not yet included in the baseline.	**High** **(Upside risk)**	**High**: Favorable impact on GDP, external balance, and fiscal position.	Fast-track their implementation; Build fiscal and external buffers, and avoid Dutch disease effects, by enhancing the competitiveness of the non-resource sectors.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

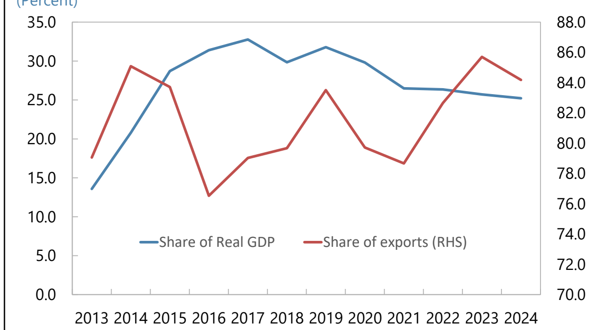
Sources of Risk	Relative Likelihood	Expected Impact	Staff Advice on Policy Response
		Global Risks	
Commodity price volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	**High**	**High**: Volatility in commodity prices will have an impact on external position and fiscal balance. This leads to bouts of price and real sector volatility.	Higher resource revenue should help create fiscal space. Continue with fiscal spending, in line with capacity constraints to support the most vulnerable but ensure fiscal consolidation remains priority. Build buffers to prepare for lower commodity prices.
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge, especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	**High**	**High**: Export prospects could worsen, weakening the current account and worsening FX shortages. Reduced investment would further weigh on growth and employment. Trade barriers could increase import prices, leading to inflationary pressures.	Maintain adequate level of foreign reserves. Proceed with the implementation of broad-based reforms to return to Kina convertibility, reduce trade concentration risks, and improve business environment to promote investment.
Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus.	**High**	**High**: The current and financial accounts would worsen and borrowing costs would increase, adding to existing debt vulnerabilities.	Continue with fiscal repair strategy to build buffers and reduce debt vulnerabilities. Maintain adequate level of foreign reserves and proceed with the implementation of broad-based reforms to return to Kina convertibility.

Sources of Risk	Relative Likelihood	Expected Impact	Staff Advice on Policy Response
Decline in international aid. A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries. Such an additional aid withdrawal would strain public finances, worsen current accounts, increase debt vulnerabilities, and lead to a further deterioration in living conditions and food security.	**High**	**High:** Significant withdrawal of international aid could hinder progress on reform implementation, including by limiting capacity building, slowing the construction of critical infrastructure, and adversely affecting people's livelihood.	Continue with fiscal repair strategy to build buffers and reduce debt vulnerabilities. Maintain adequate level of foreign reserves and proceed with the implementation of broad-based reforms to return to Kina convertibility. Provide targeted support to the vulnerable groups.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies trigger financial and economic instability.	**High**	**Medium**: Disrupt the provision of critical government services, trigger financial and economic instability with widespread social unrest.	Invest in advanced IT security systems and train key personnel on cyber/ ransomware attacks. Develop business recovery sites and backup for important government services and financial sector.

Annex II. Quantifying the Impacts of the Upcoming Resource Projects in Papua New Guinea[1]

A. Introduction

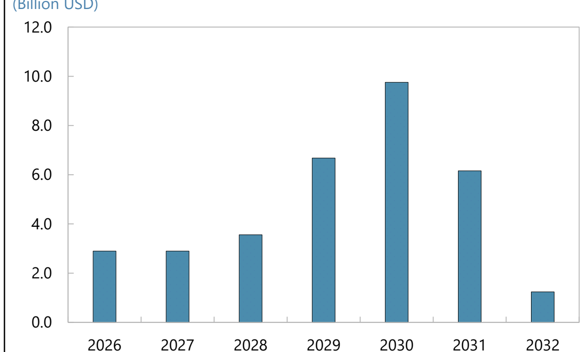
Papua New Guinea: Share of the Resource Sector in GDP and Exports
(Percent)



Sources: PNG authorities and IMF staff calculation.

1. **PNG is a resource-rich country with abundant reserves of hydrocarbon and minerals, all of which supported growth over the past decades.** The extractive sector—dominated by liquefied natural gas (LNG), gold, and copper—accounts for over three-quarters of total exports and its share in PNG's value added has increased from 14 percent in 2013, when PNG LNG started production, to just over 25 percent in recent years, significantly shaping PNG's economic landscape.[2,3] As such, fluctuating global commodity prices and domestic conflicts around mining areas, which occasionally led to disruptions in production, have caused volatile economic performance.

Papua New Guinea: Investment into Resource Projects
(Billion USD)



Sources: PNG authorities and IMF staff calculation.

2. **The authorities are currently exploring the feasibility of several resource projects which could potentially have a significant impact on PNG's economic and social prospects.** This annex focuses on four such projects (Text Table 1), which are expected to reach a Final Investment Decision (FID) before 2030 and hence likely to have a material impact on the PNG economy over the medium and long term. First, Papua LNG, led by TotalEnergies, is a US$14.5 billion project that is expected to reach FID and begin construction in 2026, with an annual production capacity of approximately 6 million tonnes, anticipated to begin production in 2031. Second, Pasca A—PNG's first offshore gas project—is being developed by Twinza Oil, with construction likely to begin in 2028. Third, P'nyang, operated by ExxonMobil, is expected to follow closely, with construction expected to start in 2029. It will contribute an additional 2 million tonnes of LNG per year. Fourth, Wafi-Golpu, a major copper-gold project jointly owned by Newcrest and

[1] Prepared by Hua Chai, Yue Zhou, and David F. Hoyle.

[2] The resource deposits are unevenly distributed across the country, with LNG and oil concentrated in the Southern Highlands and Gulf provinces, and major gold and copper mines located in Enga and Western provinces, respectively.

[3] LNG is an important "transition fuel" with considerably lower emissions than other fossil fuels such as coal or heavy fuel oil.

Harmony Gold, is projected to cost over US$3 billion, with construction expected to start in 2030 and span over 3 years. Together, these projects are expected to involve a total investment of about US$33 billion and poised to inject billions of U.S. dollars into the economy. They are also expected to generate thousands of jobs during the construction phase, significantly boost export proceeds once operational, and favorably affect the fiscal balance over the longer term.

Annex II. Table 1. Papua New Guinea: Summary of Select Resource Projects in PNG

Project	Investment Amount (US$ Billion)	Import Content (Percent)	Construction Period	Annual Production Capacity upon Completion	State Equity Share (Percent)
Papua LNG	14.5	90	2026-2030	6 million tonnes	22.5
Pasca A	3.3	75	2028-2030	0.75 million tonnes	50
P'nyang	12.3	75	2029-2031	2 million tonnes	22.5
Wafi-Golpu	3.1	70	2030-2032	Gold: 10 tonnes; Copper: 150 thousand tonnes	30

Source: Treasury of PNG.

3. This annex aims to quantify the impacts of these resource projects on PNG's economy. It focuses primarily on the medium term, when most projects would be under construction. Section B discusses the potential impact of the resource projects on economic growth, fiscal revenues, balance of payment (BOP), and the debt profile, based on currently available information, and the experience from the PNG LNG project (Annex II. Box 1).

Annex II. Box 1. Papua New Guinea: The PNG LNG Project

PNG LNG is currently the only operating petroleum project in PNG. It costed US$19 billion in capital expenditure and is a joint venture led and operated by Exxon Mobil. The construction phase mostly took place in 2010-13 and first production commenced in April 2014, with an originally estimated capacity of 6.9 mt/y.

The project significantly boosted GDP during its construction phase with substantial expansion in the construction sector and related services and has remained a major source of export earnings since production began. At the peak of the construction phase, the project employed over 20,000 workers, with around 8,000 being Papua New Guineans.[1]

The construction phase was also marked by a surge in imports of approximately US$3.5 billion—split between goods (US$1.6 billion) and services (US$1.9 billion)—resulting in a temporary deterioration of the current account balance, but massive FDI flows contributed to an appreciation of the Kina (floating at the time) of about 25 percent against the USD in 2010-12. While the large LNG exports that have accompanied the production phase contributed to sustained current account surpluses, declining FDI flows and foreign profit repatriation contributed to downward pressure on the Kina and to the loss of foreign exchange reserves as the authorities kept the Kina pegged to the USD at an overvalued rate.

The project's fiscal contribution has been modest in the early years due to front-loaded cost recovery, delaying tax and dividend flows. Since operations began, PNG LNG has generated 2,000 jobs and contributed PGK 14.9 billion in tax revenues, primarily through company taxes. However, most of the expected revenue inflows have yet to materialize, primarily due to developers continuing to claim capital depreciation credits beyond the originally anticipated schedule. The PNG LNG project also coincided with a period of rising public debt, partly reflecting a mismatch between investment timing and delayed fiscal returns.

1/ Devpolicy Blog from the Development Policy Centre.

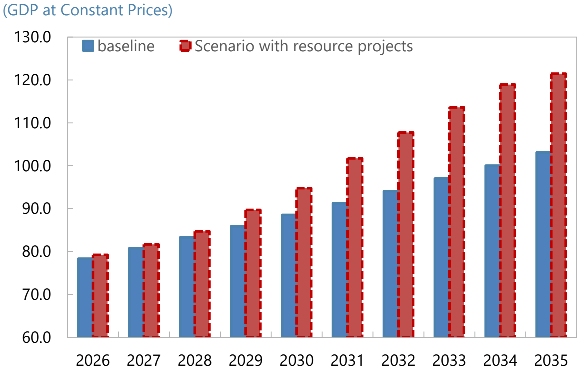
B. Impact analysis

Growth

4. To quantify the growth impact of the resource projects, we account for both the direct effect of investment and the indirect spillover effect. The import content of investment projects is assumed to range between 70 to 90 percent, implying a limited direct impact on the local economy. The indirect spillover effect—additional economic activities apart from investment in the PNG LNG project—is estimated to be around 1/3 of the direct effect, concentrating on a few service sectors, including transport and storage, financial and insurance, real estate, professional and scientific services, and administrative and support services. Investment is assumed to be backloaded, with the initial year of each project accounting for a smaller amount of investment than subsequent years. Upon completion, the projects are assumed to reach full capacity in two years, with increased capacity in the resource sector expected to boost exports. For simplicity, the analysis assumes that GDP deflators and the USD/Kina exchange rate remain the same as under the baseline, although significant FX inflows from these projects are likely to result in overheating and sharp exchange rate appreciation pressures in the absence of policy adjustments (see discussion in subsequent sections).

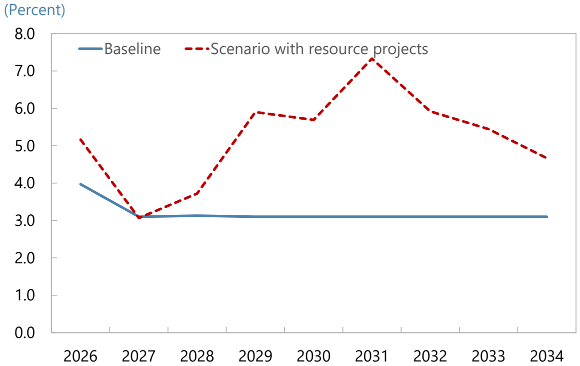
5. The analysis suggests that real GDP level is expected to increase by 7 percent in 2030 relative to that under the baseline. This translates to an average 1.4 percentage point of additional annual growth over the medium term (2026-2030). Given Papua LNG and P'nyang's large investment amount (US$26.8 billion combined), they are expected to account for the lion's share of the additional growth, lifting real GDP growth by 1.2 percentage point annually by 2030.[4] An additional boost to growth is expected beyond 2030, as Papua LNG and Pasca A enter the production phase, followed by P'nyang and Wafi-Golpu. Annual real GDP growth rate for the period 2031-2035 is likely to increase from about 3 percent under the baseline to 5 percent, mostly reflecting the commencement of Papua LNG's and P'nyang's production in 2031-2032.

Papua New Guinea: Real GDP
(GDP at Constant Prices)



Source: IMF staff estimate.

Papua New Guinea: Real GDP Growth Rate
(Percent)



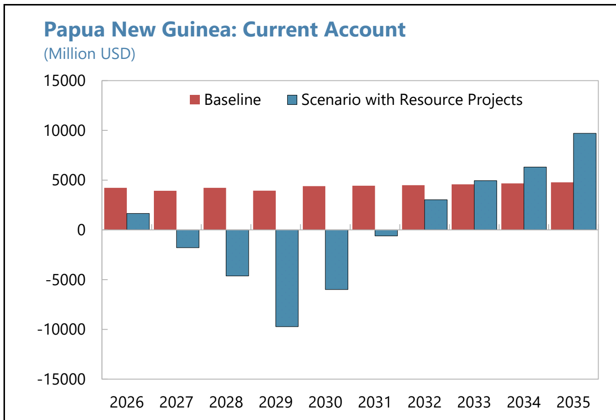
Source: IMF staff estimate.

[4] The growth impact of Papua LNG is somewhat lower than in the Annex III of the first review (additional 0.6 ppt to the annual growth rate) due to a difference in the estimated size of the spillover effect and the assumption on import content.

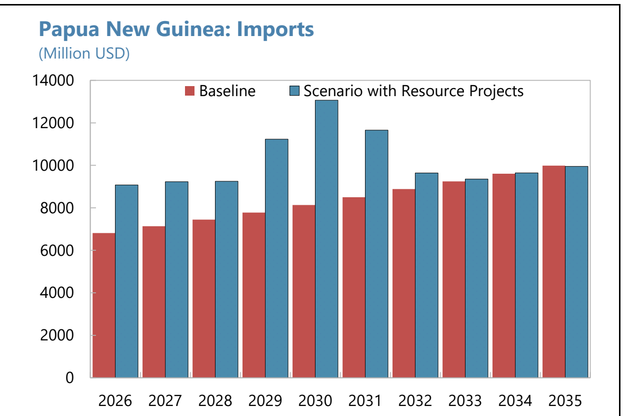
External Sector

6. **FX reserves accumulation is projected to be more rapid over the medium term than under the baseline, supported by large FDI inflows, while the current account shifts from a large surplus to a sizable deficit.** During construction, strong FDI inflows are expected to raise investment relative to savings, generating an average annual current account (CA) deficit of about USD 4.0 billion, compared to the average CA surplus of USD 4.1 billion in the baseline. The large swing in the CA balance reflects both the import content of sizable investments and an increase in the primary income debits associated with the FDI inflows. The CA deficit is projected to peak in 2029, just prior to production coming onstream, at which point exports are expected to expand sharply while import demand eases. The CA deficits are more than compensated for by net capital and financial inflows, enabling FX reserves to rise by about USD 3.5 billion during the construction stage.

7. **As projects enter production in succession, the external position is expected to strengthen considerably with increasing export proceeds and declining construction-related imports.** This shift is expected to result in the current account returning to surpluses between 2032 and 2035. The stronger current account, together with continued positive albeit more moderate FDI inflows, allows for a further buildup of FX reserves, consolidating external buffers over the longer term. However, around 70 percent of export proceeds are assumed to remain offshore rather than being repatriated, resulting in a corresponding capital outflow in the financial account during the production stage that slows down the accumulation of reserves.[5]

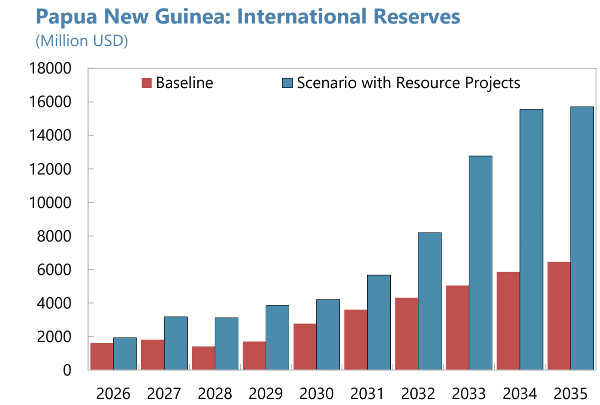


Source: IMF Staff Estimates.

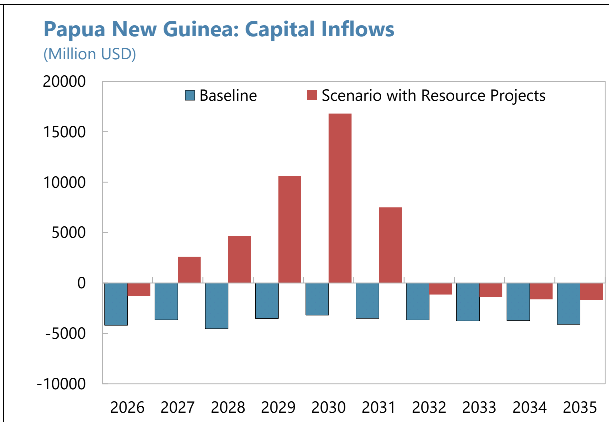


Source: IMF Staff Estimates.

[5] Staff assumes a conservative scenario in which FX reserves continue to accumulate during both the construction and production phases. The 70-percent repatriation assumption applies only to the production phase and reflects an improvement over current practices, where an estimated 90–95 percent of gas export proceeds remain offshore. Further reforms are expected to be needed to strengthen incentives and market conditions for exporters to repatriate proceeds and transact in the domestic FX market.



Source: IMF Staff Estimates.



Source: IMF Staff Estimates.

Fiscal Revenue

8. The revenue gain during the construction phase of the four major resource projects is expected to be marginal. Since the share of investments generating domestic value added is low, expansion of the tax base and hence revenue gains are expected to be modest. Specifically, personal income tax (PIT), corporate income tax (CIT), and goods and services tax (GST) collections are expected to increase modestly—by approximately 0.3 percent of GDP between 2026 and 2030—driven by the direct and indirect effects of increased construction on employment, corporate profits, and non-resource sector activity.[6] However, these gains are not expected to be a major source of fiscal revenue in the longer term. On the expenditure side, although the construction boom may create expectations for increased public investment in infrastructure and social services, it is assumed that public spending will remain unchanged relative to the baseline, given the absence of corresponding revenue inflows.

9. The tax arrangement for P'nyang may potentially lead to a significant drop—in tax revenues due to a MPT revenue loss from the existing PNG LNG project. ExxonMobil, a shareholder in both P'nyang and the existing PNG LNG projects, negotiated an agreement allowing the investment costs of P'nyang to be used as capital depreciation to cross-deduct from the MPT liabilities of PNG LNG.[7] PNG LNG is expected to contribute at least K600 million to the MPT revenue after the depletion of capital depreciation in 2028. However, the cross-deduction arrangement with P'nyang could erode most of the MPT revenues from PNG LNG, with estimated losses totaling at least K1.7 billion each year—equivalent to approximately 1 percent of GDP annually. To stay the course of fiscal consolidation, additional measures will be needed to offset this anticipated MPT revenue loss.

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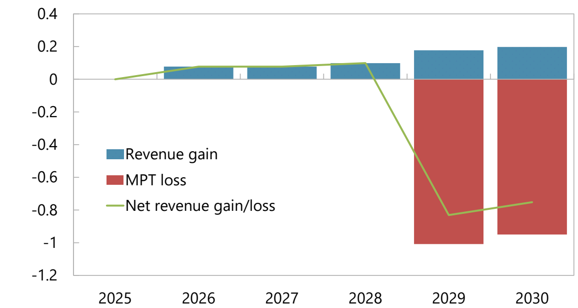
[6] We use the input-output (IO) framework to decompose additional GDP—both directly and indirectly associated with Papua LNG—into the tax bases for PIT, CIT, GST. We then apply the corresponding effective tax rates to estimate the revenue impacts.

[7] Allowing losses from one project to be deducted from profits of another project could significantly reduce taxable income in host countries, leading to revenue leakages. The prevailing practice emphasizes ring-fencing, which requires companies to keep separate accounts for each project.

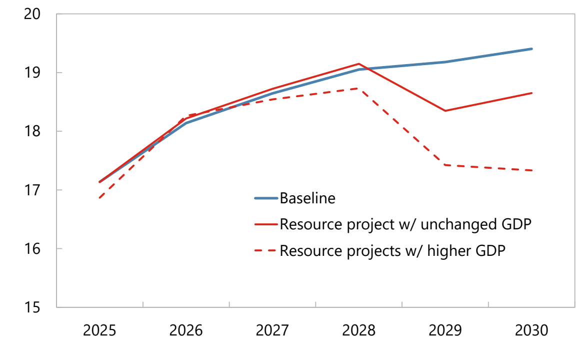
10. As such, total revenues are projected to decrease by 1.2 percent of GDP cumulatively by 2030, with gains from other projects more than offset by the negative impact of the P'nyang project's cross-deduction arrangement. If these resource projects reach FID as scheduled, PIT, CIT, and GST collections are projected to rise modestly due to direct and indirect spillover effects on domestic economic activities. However, the Mining and Petroleum Tax (MPT) loss from P'nyang could more than offset these modest tax gains, causing revenue reductions that require careful macroeconomic policy calibration.

Papua New Guinea: Revenue Impacts
(Percent of GDP)



Sources: PNG authorities and IMF staff calculations.
Note: The chart shows the impact of major resource projects on revenue by year. GDP is kept as the baseline for illustrative purposes.

Papua New Guinea: Total Revenue Trend
(Percent of GDP)



Sources: PNG authorities and IMF staff calculations.

11. In the long run, resource tax revenue gain could be sizable. MPT revenue is projected to increase significantly by at least 0.6 percentage point of GDP from the current level (3.1 percent of GDP in 2024), but is likely to begin only after capital cost deductions are exhausted, typically several years after production commences, i.e. mid 2030s. Dividends to the government would flow only as equity loans are repaid, which often occurs well into the production phase. While medium-term improvements in the fiscal position are limited, fiscal space may improve over the longer term, once the guarantees expire (see discussion below) and production lifts the overall output.

C. Policy Considerations

12. The four large resource projects have the potential to deliver significant boost to PNG's economic growth. The analysis suggests that real GDP level is expected to increase by 7 percent in 2030 relative to the baseline, implying an average 1.4 percentage point of additional annual growth over the medium term. The growth impact is likely to be even more pronounced beyond the medium term, as the majority of these projects commence production. As a result, annual real GDP growth rate for the period 2031-2035 is likely to increase from about 3 percent under the baseline to 5 percent.

13. Strong policies need to be put in place to maximize the positive economic impact of resource projects and promote inclusive growth. Raising the domestic content of these projects is key to maximizing value-added retained in PNG and promoting inclusive growth. During the construction phase, this can be achieved through local procurement mandates, infrastructure co-investment, and vocational training to build a skilled workforce. In the production phase, long-term service contracts with domestic firms could foster local capacity buildup and accelerate knowledge transfer. Enhancing the climate resilience of these projects and minimizing the ecological damage would protect local communities. These measures not only enhance the direct impact of resource projects, but also help broaden the tax base and stimulate spillovers into non-resource sector.

14. Structural reforms should be advanced to improve competitiveness of the non-resource sector, increase export diversification, and limit potential Dutch disease effects. Addressing the longstanding structural impediments would enhance PNG's non-resource sector's productivity, broaden the export base, and increase foreign investment.[8] Specifically, steps are needed to: (1) improve the business environment, including by closing the infrastructure gap, strengthening governance, developing domestic and skilled labor resources, and ensuring adequate law and order; (2) remove barriers to trade by simplifying customs regulations and procedures, lowering transportation costs, and harmonizing and simplifying regional trade agreements; and (3) enhance existing export capacity, particularly for agricultural commodities.

15. Proper sequencing of resource projects and enhancing fiscal framework are needed to smooth fiscal impacts and ensure sufficient financing. Staggering project timelines could help smooth revenue volatility and minimize congestion effects on physical infrastructure from simultaneous projects, thereby mitigating risks of overheating and excessive exchange rate volatility. From a financing perspective, structuring debt and guarantees in tranches—while leveraging financing from multilateral partners—can help maintain debt sustainability and align disbursements with project milestones. To address fiscal revenue volatility, adopting a rule-based fiscal framework with clear exit clause is essential. Such a framework should be anchored in a medium-term fiscal strategy and supported by coordinated fiscal, monetary, and exchange rate policies (IMF 2025).

16. Saving excess commodity revenues in a well-governed sovereign wealth fund (SWF)[9] can help mitigate the Dutch disease, reduce fiscal procyclicality, and enhance spending efficiency (IMF 2025). While investing windfalls in physical and human capital may be appealing—especially for low-income countries with infrastructure gaps—realizing the expected benefits has proven difficult. Evidence shows that only half of increased public investment in EMDEs translated into productive capital, due to weak investment management, capacity constraints, and macroeconomic vulnerabilities. As excessive investment can also trigger inflation and real exchange rate appreciation, harming non-resource sectors, saving part of the windfalls in a well-governed SWF can help mitigate overheating risks, promote more efficient spending, and avoid procyclicality of fiscal policy. Establishing and operating a well-functioning SWF, however, critically requires the capacity to put in place a robust governance framework that ensures transparency, accountability, and sound investment management. Key considerations include defining clear institutional roles,

[8] See Annex III of Country Report No. 2023/385 for a detailed discussion.

[9] PNG's SWF was legislated into existence under The Organic Law on the Sovereign Wealth Fund 2015. Given that most resource revenues from the four prospective projects will begin to flow after mid-2030, it is assumed that public debt would have already declined to safe levels (see 2025 Selected Issues paper), and there would be little need to allocate resource revenues toward debt reduction.

maintaining political independence, and ensuring public disclosure of financial activities to foster trust and mitigate risks of mismanagement or politicization.[10]

17. The appropriate balance between building up additional FX reserves—beyond those already committed under the program—and actively managing them through interventions to address appreciation pressures from large FDI inflows during the construction phase is central to the policy mix. Sustained reserve accumulation during the construction stage will help strengthen external buffers and resilience to future external shocks; while well-calibrated FX intervention, can smooth potential excessive macroeconomic and financial volatility, mitigate financial and external sector misalignments, and limit negative spillovers that could undermine competitiveness. Interventions should remain transparent, time-bound, and grounded in a consistent policy framework and fundamentals. Over the medium term, as resource inflows stabilize, reliance on FX intervention should gradually give way to greater exchange rate flexibility, supported by continued strengthening of monetary and fiscal frameworks.

[10] IMF (2013), Sovereign Wealth Funds: Aspects of Governance Structures and Investment Management.

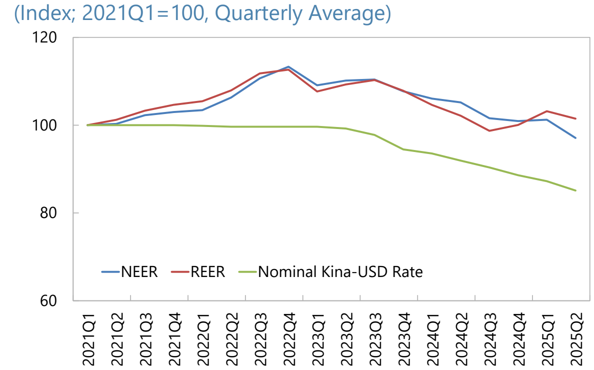
Annex III. Considerations in Choosing a Currency Anchor[1]

The Bank of Papua New Guinea (BPNG) is evaluating the transition from a US dollar peg to a currency basket under the current crawl-like exchange rate arrangement to better reflect PNG's trade and financial structure, enhance export competitiveness, and support macroeconomic stability. Such a transition would require careful planning, institutional readiness, and alignment with BPNG's statutory objectives, including price stability and sustainable growth.

1. With the Fund's support, the Bank of Papua New Guinea (BPNG) is currently evaluating the implications of anchoring the Kina to a currency basket. To address foreign exchange (FX) shortages and facilitate Kina to full convertibility, PNG has adopted a crawl-like FX arrangement since January 2024 with the Kina pegged to a single currency – US dollar – for operational simplicity and the fact that it has served as the de facto implicit nominal anchor over the past decade. Since early 2023, Kina has depreciated approximately 16 percent against the US dollar as of end-September 2025 and FX shortages have alleviated significantly. However, the strong appreciation of the US dollar against currencies of PNG's key trading partners in 2023 and most of 2024 slowed the Kina's convergence towards its market equilibrium level (Figure 1). In this context, BPNG is evaluating transitioning to a currency basket crawl-like arrangement to facilitate a more effective narrowing of the Kina's overvaluation and thus enhance PNG's export competitiveness.

Papua New Guinea: REER, NEER, and Nominal Kina/USD Rate

(Index; 2021Q1=100, Quarterly Average)



Source: PNG authorities; Haver; IFS; and IMF staff calculations.

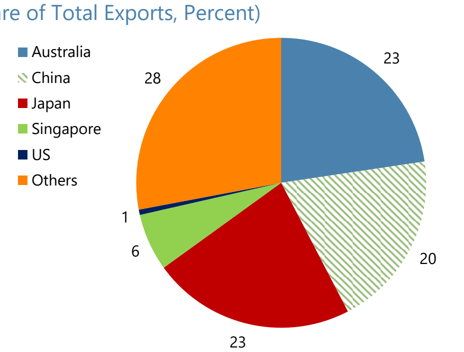
2. Several considerations should guide the selection of a nominal currency anchor. First, the anchor should have strong linkages to the domestic economy, particularly through trade and financial channels. For exports, it can reduce transaction costs and enhance competitiveness; for imports, it affects inflation pass through. Thus, selecting the nominal currency anchor has policy implications. Second, the anchor currency or currencies should be highly convertible—widely traded, liquid, and accessible. Third, the country in which the Kina is pegged to its currency should have a transparent and robust monetary policy framework with a strong track record of low inflation, allowing PNG to "import" credibility and price stability. Finally, it is preferable to anchor the currency to an economy with a similar business cycle to PNG, as such a peg would imply aligning PNG's monetary policy with that of the anchor country. While such criteria would support the effectiveness of the nominal anchor in guiding expectations and reinforcing macroeconomic stability, it is also important that, consistent with BPNG's primary statutory mandate of price stability, the use of a

[1] Prepared by Wilson Yim, Sherri Zhang, and Yue Zhou.

crawling exchange rate as a nominal anchor is clearly articulated, as it informs the choice of anchor currency or currency basket.

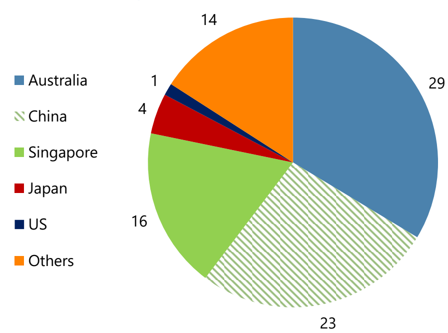
3. In PNG's context, the decision between a single currency and a currency basket involves a trade-off between operational simplicity and economic relevance (See Annex III. Table 1). A single currency peg simplifies the implementation but may not reflect PNG's diverse trade and financial relationships (Figure 2). Moreover, it effectively results in a free float against all other currencies and thus potentially lead to high volatility of REER movements and undermine trade. A currency basket, if well-calibrated, can provide a more stable nominal anchor and help in diversifying exchange rate risk away from one currency. In addition, a currency basket would be better aligned with PNG's trade and financial structure, helping to absorb external shocks and providing greater macroeconomic stability. That said, such arrangement, which is more technically demanding, requires greater institutional capacity, including in aligning monetary policy and communicating decisions as well as in designing FX intervention strategies. These factors necessitate careful planning and institutional readiness before transitioning to a basket anchor.

Papua New Guinea: Exports by Destination (2024)
(Share of Total Exports, Percent)



Sources: PNG authorities; IFS; and IMF staff calculations.

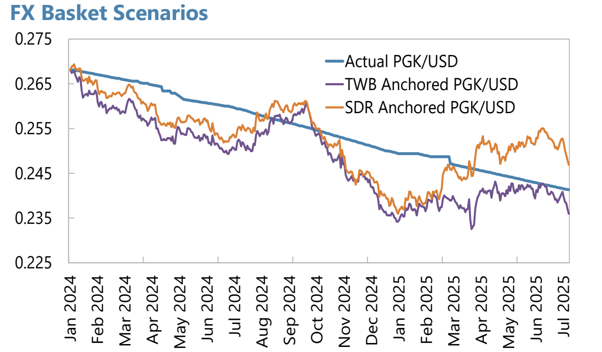
Papua New Guinea: Imports by Destination (2024)
(Share of Total Exports, Percent)



Sources: PNG authorities; IFS; and IMF staff calculations.

4. A possible adoption of a currency basket would require careful calibration of the currency basket weights. The 2024 amendments to the Central Banking Act stipulate price stability as BPNG's primary objective, with secondary objectives such as maintaining financial stability, supporting sustainable medium-term growth—particularly of the non-resource sector—and promoting financial sector development. As the chosen nominal anchor and the pre-determined rate of crawl directly and indirectly affect these objectives, it would be important to assess how different weights and currency composition affect them. In this regard, while the US accounts for a small portion of PNG's international trade, FX movement against the USD could have a significant impact

Papua New Guinea: Implied PKG/USD Rate under Different FX Basket Scenarios



Sources: Haver; PNG authorities; and IMF staff calculations.

on inflation as around half of PNG's exports and imports are invoiced in USD.[2] This may argue for a meaningful share of the US dollar in the currency basket. Historical data indicate that varying configurations of currency baskets under the observed rate of crawl in 2024-2025 would have led to different paths against the US dollar, with potentially different effects on inflation dynamics (Figure 3). At the same time, it is important to strike a balance between theoretical optimality and practical feasibility. While economic and financial considerations would call for a broad set of currencies for an ideal fit, it is often more effective to use a limited number of representative currencies, with some serving as proxies for others.[3] This approach would facilitate smoother market operations, improve clarity in communication, and enhance the credibility of the exchange rate regime.

Annex III. Table 1. Papua New Guinea: Choice of Nominal Currency Anchor

	Single Currency	A Basket of Currencies
Benefits	• Simplifies implementation	• If well-calibrated, a basket can provide greater stability against a broader set of currencies and help in diversifying exchange rate risk • Can be better aligned with PNG's trade and financial structure, helping to absorb external shocks and providing greater macroeconomic stability
Drawbacks	• May not reflect PNG's diverse trade and financial relationships • Potentially lead to high volatility of REER movements and undermine trade	More technically demanding, requires greater institutional capacity in: • Aligning monetary policy • Communicating decisions • Designing FX intervention strategies

Sources: IMF staff.

[2] In 2024, around 57 and 50 percent of PNG's exports and imports are invoiced in US dollar, respectively.

[3] Botswana transitioned from a U.S. dollar peg to a currency basket in 1980. While the composition of the basket is reviewed periodically, it has remained relatively stable over time, maintaining a roughly equal weighting between the South African rand (ZAR) and SDR reflecting Botswana's trade patterns in a simplified and tailored manner. To support the peg operationally, the Bank of Botswana offers standing FX intervention facilities, enabling it to intervene in ZAR and other SDR currencies as needed.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

November 20, 2025
Port Moresby

Dear Ms. Georgieva:

The Government of Papua New Guinea has continued to consistently implement its structural reforms agenda, supported by the International Monetary Fund (IMF) and other international partners. We have been making significant headway in addressing longstanding bottlenecks to growth and improving the living standards of our people, in line with our poverty reduction and growth strategy. Specifically, our efforts have focused on diversifying growth drivers, including by redirecting resources towards the rural sector and small and medium-sized enterprises and enhancing financial inclusion and literacy; improving the resilience of our economy to climate change and scaling up climate finance; revamping public finance including seeking greater returns from our resources, investing in infrastructure, strengthening budget credibility and cash management; improving governance, including through reforming our state-owned enterprises and supporting risk-based access to financial services while strengthening our AML/CFT framework; implementing central banking reforms and promoting private investment to ease foreign exchange shortages; and crucially, advancing our 13 year program of budget repair, which envisages a return to a balanced budget by 2027.

The support from the IMF has been valuable in helping build a coalition around our reforms. Under the current Extended Fund Facility (EFF), Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) arrangements, we have made significant progress to ensure resilient and sustainable growth and poverty reduction, especially for rural areas.

We have met all, but one, quantitative performance criteria (QPC) and all indicative targets (IT) set for end-June, whilst all but one ITs for end-September 2025. The QPC ceiling on the fiscal deficit was breached by a small margin (0.03 percent of GDP) due to delays in the transfer of dividends from state holding companies to the Treasury on top of weaker-than-expected tax collection. Continued weakness in tax collection, consistent with the adjustments made in the Mid-Year Economic and Fiscal Outlook, also resulted in the non-resource tax revenue missing the indicative floor by 0.2 percent of GDP at end-September 2025. We have hence adopted a series of corrective actions in response to ensure that budget deficit in 2025 remains below the respective QPC ceiling, including delaying or canceling some low-priority investment projects and ensuring greater compliance with the dividend policy.

Of the five structural benchmarks due under the ECF/EFF, three were implemented in timely fashion, and the other two were implemented with delay, namely the submission to Parliament of amendments to the Internal Revenue Commission Act and the appointment of the Independent Commission Against Corruption (ICAC)'s oversight committee members. In addition, the SB on the forestry sectoral ML/FT risk assessment, due by end-December 2025, was also met.

We have implemented two of our planned reform measures under the RSF—setting up a public website of existing hazard mapping data, and carrying out a comprehensive review of existing royalties, taxes, and levies in the logging sector. The third reform measure—submission of amendments to the Excise Tariff Act—has faced delays and is likely to be implemented by the time of the third RSF review.

We have continued our progress on budget repair. After reducing the fiscal deficit by more than half since the pandemic, we remain on track to deliver an additional consolidation of at least 0.6 percentage point of GDP in 2025 despite revenue underperformance in the first half of the year. We are committed to implementing the Income Tax Act (ITA) as of January 1, 2026, which represents a significant milestone in simplifying and modernizing our tax system, and is expected to boost our revenue collection. The gradual implementation of central banking reforms has contributed to a significant easing of foreign exchange shortages and improved the liquidity management toolkit. We have continued to enhance our anti-corruption and governance framework, including by scaling up ICAC's operations and by implementing critical AML/CFT reforms, to address the gaps identified by the Asia-Pacific Group's Mutual Evaluation Report. In addition, we have been working towards meeting our climate objectives and exploring options to catalyze green and inclusive finance, including from the private sector.

Overall, we remain committed to our targets and value our collaboration with the IMF. We are grateful for the IMF's policy advice and extensive technical assistance and to the Resident Representative's office's support in communication of the reform program. We have maintained consistent and timely reporting and engagement with the IMF. Together, we have created strong momentum for the reform agenda to move forward. We look forward to continuing to work together to translate the gains from exchange rate reform into tangible improvements in export performance and renewed investor confidence.

Despite the positive outcomes from the implementation of our program, there remain many challenges that we continue to proactively address: ensuring adequate financing to maintain our budget repair plan while protecting key social services; continuing governance and AML/CFT reforms; dealing with the balance of payments imbalance; returning towards full Kina convertibility and making access to foreign exchange more predictable for the private sector; and addressing our high exposure and vulnerability to the effects of climate change for many parts of our country.

Accordingly, our reform priorities for the next twelve months of the program will include raising domestic revenue and broaden the tax base, in line with our Medium-Term Revenue Strategy; improving spending efficiency with support from the forthcoming IMF's Public Investment Management Assessment; strengthening expenditure control, oversight and recording of large commitments, especially infrastructure contracts, and cash management, including by developing an implementation plan to move to a treasury single account; and improving debt management, in the lead-up to a large bullet payment in 2028, for which we have requested TA from the IMF. We will also continue to strengthen our monetary policy and exchange rate policy frameworks, as set out in our reform roadmap, notably by reinforcing the BPNG's ability to manage and forecast liquidity, and operationalizing the emergency liquidity assistance framework to enhance financial stability. These efforts will be accompanied by further actions to activate the interbank market and improve monetary policy transmission. We will sustain our support for anti-corruption efforts, including the full operationalization of ICAC, providing adequate and stable funding, and strengthening interagency cooperation. With development partners' support, we will continue to address critical shortcomings in our AML/CFT framework, including by enhancing enforcement capabilities, and improving the quality of our external sector statistics. We will also continue building up the resilience of our economy to climate change by enhancing disaster risk management efforts, mainstreaming climate change into infrastructure governance practices, supporting the development of green and inclusive finance, and developing appropriate fiscal incentives for forest preservation and fuel efficiency. These reforms will be the focus of our programs, as set out in the attached Memorandum of Economic and Financial Policies (MEFP) and TMU.

We request the completion of the Fifth Reviews under the ECF and EFF arrangements and the Second Review under the RSF arrangement, and the release of the related purchases and disbursements. We request a waiver for the non-observance of the QPC on the fiscal deficit in light of the limited size of the breach and our planned corrective actions. We also request excluding temporary official guarantees to be extended to external loans relating to the Papua LNG project and limited to the construction phase, from the continuous QPC on the PV of new external debt for the remainder of the ECF/EFF programs. Upon approval of these requests by the IMF Executive Board, we are requesting an immediate disbursement of SDR 160.55 million (61 percent of quota), of which SDR 40.36 million (15.3 percent of quota) under the ECF, SDR 80.71 million (30.7 percent of quota) under the EFF and SDR 39.48 million (15 percent of quota) under the RSF. These disbursements will help address balance of payments and budget financing needs (including prospective needs arising from climate change), while smoothly achieving the next stage of our reform plan.

We are confident that our policies are adequate to achieve the objectives of the ECF-EFF and RSF arrangements and will take any additional measures that may become appropriate for this purpose. We will consult with the IMF on the adoption of these measures, and in advance of any revision contained in the MEFP, in accordance with the IMF's policies on such consultation and will refrain from any policy that would not be consistent with the program's objectives and our commitments herein. Moreover, we will provide all information requested by the IMF to assess implementation of the reforms under the arrangements.

Underscoring our ongoing commitment to transparency, we consent to the publication of this letter, the MEFP, TMU and related board documents.

Yours Sincerely,

/s/
Hon. James Marape
Prime Minister of the Independent State of Papua New Guinea
/s/
Hon. Ian Ling-Stuckey, CMG. MP.
Minister for Treasury of the Independent State of Papua New Guinea
/s/
Ms. Elizabeth Genia
Governor, Bank of Papua New Guinea

Attachment I. Memorandum of Economic and Financial Policies

A. Recent Economic Developments and Outlook

1. **The Papua New Guinea (PNG) economy remained resilient, mainly supported by steady growth in the non-resource sector.** The economy is estimated to have expanded by 3.8 percent in 2024—similar to the rate in 2023. Headline inflation increased sharply from 0.7 percent (y/y) in 2024Q4 to 5.3 percent in 2025Q1 before moderating to 3.6 percent in 2025Q2, mainly reflecting betel nut price volatility. Core inflation moderated to 3.1 percent in 2025Q2 after a temporary pickup in 2025Q1, primarily driven by easing food prices.

2. **Growth is expected to remain favorable, while headline inflation is expected to hover around its historical average.** Growth is projected to strengthen to 4.5 percent in 2025 as access to foreign exchange (FX) continues to improve and the production capacity in the Porgera mine returns to 75 percent. Headline inflation is projected at 3.8 percent in 2025 (annual average) reflecting further moderation in 2025H2 on account of a temporary relief of goods and services tax (GST) on selected essential consumption items. Core inflation, which has been a more stable price indicator, is projected to edge up to 3.3 percent in 2025 (annual average). The current account surplus is expected to remain at a high level in 2025 (11 percent of GDP), contributing to lower FX pressures. Looking ahead, growth is expected to moderate to 4 percent in 2026 and stabilize at just above 3 percent over the medium term as production in the resource sector reaches full capacity. Headline inflation is projected to increase to 4.2 percent in 2026 and converge to around 4.5 percent in the outer years.

3. **We recognize that the external environment is uncertain, and there are both downside and upside risks to the economic outlook.** Downside risks include falling export commodity prices, weaker external demand, unstable supply of critical utilities, and natural disasters. Political and social instability could also hinder economic growth by undermining implementation of reforms and worsening the business environment. Cyberattacks could disrupt business operations and the provision of critical government and central bank services and trigger financial and socio-economic instability. Global risks arising from geopolitical tensions, escalating protectionist trade measures, prolonged uncertainty, a decline in international aid, and import commodity price volatility may create additional pressure on growth and inflation. However, a weaker US dollar and rising gold prices could help in offsetting some of these adverse effects. Key upside risks include higher export commodity prices and the kickoff of major resource projects for which final investment decisions could occur in the coming months.

B. Program Performance

4. **Progress in implementing our structural reform agenda has continued over the past six months, in line with our commitments under the Extended Credit Facility / Extended Fund Facility (ECF/EFF) and Resilience and Sustainability (RSF) arrangements.**

- ***Quantitative performance criteria (QPC) and indicative targets (IT) under the ECF/EFF arrangements.*** All but one QPC for end-June 2025 were met (Table 1). Net international reserves (NIR) remained comfortably above the QPC floor, while the Bank of Papua New Guinea (BPNG)'s gross credit to the government was below the QPC ceiling. The present value of newly contracted external debt in 2025 has remained significantly below the QPC ceiling thus far. However, the fiscal deficit at end-June 2025 was marginally larger than the QPC ceiling (K34 million, or 0.03 percent of GDP) due to delays in the transfer of dividends from state holding companies to the Treasury on top of weaker-than-expected tax collection. We have adopted a series of corrective actions to respond to this limited breach (¶8). Despite this breach, non-resource tax revenue and priority spending were both above their respective indicative floors—consistent with our fiscal repair strategy. All but one ITs, due at end-June and end-September 2025, were met. The indicative floor for the non-resource tax revenue was missed at end-September by K312 million (0.2 percent of GDP) due to weakness in GST and CIT collection.

- ***Structural benchmarks (SB) under the ECF/EFF arrangements.*** Of the five SBs due by the fifth reviews, we have met three, namely (1) the development of liquidity forecasting framework and liquidity monitoring tables; (2) the memorandum of understanding (MoU) between the BPNG and the Treasury related to T-bill and T-bond issuances calendar and the publication of auction results; and (3) the creation of an interface between the debt monitoring system (Meridian) and the Integrated Financial Management System (IFMS) to automate the transfer and reconciliation of debt information. The other two SBs concerning the submission of amendments to the Internal Revenue Commission (IRC) Act (due by end-July 2025) and the appointment of the Independent Commission Against Corruption (ICAC)'s oversight committee members (due by end-September 2025) have been implemented with delay. In addition, the SB on the forestry sectoral ML/FT risk assessment, due by end-December 2025, was also met. The implementation of the six ongoing SBs due by the sixth reviews is broadly on track, with the support of ongoing and planned IMF capacity development (CD).

- ***Reform measures (RM) under the RSF arrangement.*** Of the three RMs under the RSF arrangement that were scheduled to be completed by this review, we have met two—setting up a public website of existing hazard mapping data (RM1, ¶35) and a comprehensive review of existing royalties, taxes, and levies in the logging sector (RM10, ¶39)]. The third RM—submission of amendments to the Excise Tariff Act (RM9, ¶39)—was initially scheduled to be met at the time of the first RSF review—is likely to be implemented by the time of the third RSF review.

C. Government Economic and Financial Policies

Policies Under the ECF/EFF Arrangements

5. The ECF and EFF arrangements, approved in March 2023, are enabling us to make progress on our reform agenda as broadly outlined in our Poverty Reduction and Growth Strategy (PRGS) (¶40). The program aims to ensure that we:

- Continue to strengthen our domestic revenue mobilization efforts to bring the budget to a balanced position by 2027, improve the quality and composition of public expenditure, and lower public debt to meet the requirements of our Fiscal Responsibility Act (Pillar I);
- Proceed with our Roadmap to bolster central bank governance and modernize its operations, address foreign exchange shortages, and reinstate the convertibility of the Kina (Pillar II); and
- Further strengthen the overall governance framework by scaling up ICAC operations and improving our AML/CFT framework, and enhance data quality and transparency (Pillar III).

Pillar 1 – Fiscal Repair

6. We remain committed to our homegrown fiscal repair strategy. The strategy aims at reaching a balanced budget by 2027. It is supported by i) domestic revenue mobilization efforts, ii) expenditure rationalization while enhancing its efficiency, and reprioritizing spending towards social and infrastructure objectives, and iii) a prudent borrowing strategy aimed at lowering the cost of borrowing. This will ensure that public debt, as a share of GDP, is put firmly on a downward trajectory, helping reduce debt sustainability risks.

Fiscal Developments and Outlook

7. Fiscal consolidation continued in 2024 and 2025H1, in line with our medium-term budget repair strategy. The fiscal deficit narrowed to 3.2 percent of GDP in 2024 from 4.3 percent in the previous year, mainly supported by expenditure rationalization. In 2025H1, the fiscal deficit continued to decline to K2.24 billion (1.7 percent of GDP) despite lower-than-anticipated revenue collection. GST collections fell short of budget expectations, partly due to temporary disruptions associated with the early 2025 cyberattack on the IRC. In addition, dividends from state holding companies underperformed due to technical delays and weak compliance with the newly adopted dividend policy. This resulted in a breach of the end-June fiscal deficit QPC by a small margin (0.03 percent of GDP).

8. We are on track to achieve the ECF/EFF program's deficit target for 2025 through a combination of revenue mobilization and expenditure rationalization. The deficit is expected to decline to at least 2.6 percent of GDP in 2025. Revenue is expected to increase by 1.0 percentage point (pp) of GDP relative to 2024, driven by the implementation of the dividend policy and continued rollout of the Non-Tax Revenue Administration Act (NTRA). In addition, higher MPT collection from the mining sector, supported by enhanced enforcement and favorable gold prices, is expected to more than offset the revenue shortfall from the LNG sector, due to the unforeseen use of capital depreciation credits. At the same time, GST collection is expected to decline by 0.1 pp of GDP, driven by the temporary GST relief package aimed at mitigating cost-of-living pressures for lower-income households. Expenditure is expected to increase by 0.4 pp of GDP relative to 2024, partly reflecting an increase in teachers' salaries. To ensure that the initial 2025 budget deficit target is met, we are deferring or cancelling low-priority investment projects and containing current spending. Lastly, we are committed to actively reducing the cheque float balance this year.

9. We are committed to continuing fiscal consolidation in 2026 and over the medium term. We intend to further reduce the fiscal deficit to PGK 1.6 billion (1.2 percent of GDP) in 2026, supported by revenue mobilization measures (0.4 pp of GDP).

- ***On the revenue side***, the implementation of the Income Tax Act (ITA) as well as the introduction of the GST monitoring system (GMS) are expected to yield an additional 0.2 pp of GDP in tax revenue. Additional non-tax revenue of 0.2 pp of GDP is anticipated from the implementation of the new dividend policy for state holding companies and the continued rollout of the NTRA to cover revenue-generating agencies.

- ***On the expenditure side***, we will continue to contain current spending growth, while reprioritizing funds towards critical spending such as capital investment, education, health and law and order (¶13). We will continue our efforts to prevent cheque float accumulation.

In 2027, we will continue to mobilize revenue in line with our Medium-Term Revenue Strategy (MTRS) and rationalize current spending while preserving priority social spending, in line with our objective of reaching a balanced budget.

10. While our fiscal targets are ambitious, we are confident that they are achievable. We recognize that our fiscal framework hinges on our ability to carry out successful revenue policy and revenue administration reforms, supported by CD from the IMF and other development partners, and on continued favorable commodity prices. In the event of revenue overperformance, we will use the additional amount to reduce the deficit, accelerate the clearance of the stock of domestic payment arrears, and increase priority spending. If revenue significantly underperforms, we will undertake additional expenditure adjustments to meet our fiscal deficit target. In this regard, we are identifying contingency measures consisting of spending items that could be reappropriated and programs that could be deferred, such as lower-priority investment projects, while limiting costs of operational goods and services; we will communicate these measures to the Fund.

Revenue Mobilization

11. We will continue to implement key policy reforms to support higher tax and non-tax revenue mobilization. With IMF support, the ITA was passed in March 2025 (certified by the Speaker of Parliament in October 2025) and we are committed to implement it as of January 1st, 2026. The ITA represents one of the key reforms of the MTRS and a major milestone in simplifying and modernizing our tax system; and we have also drafted supporting regulations to implement it. We are now finalizing amendments to the Tax Administration Act (TAA) to ensure consistency with the ITA. We have initiated our review of the corporate income tax (CIT) expenditures, incentives and gaps and will leverage upcoming IMF TA to identify options for broadening the revenue base (ongoing SB due by end-March 2026). This review will also cover the potential revenue loss resulting from tax incentives granted under the Special Economic Zones (SEZ) Act, including the forgone revenue from informal sector, and identify ways to capture in the tax system. Regarding non-tax revenue, we will comply with the provisions of the NTRA and are working to transition all statutory and public agencies currently operating under the Interim Revenue Sharing Arrangement into the standard budget process starting from January 2026. To achieve this, we will continue consultations and awareness-raising efforts with the relevant agencies and have issued a specific budget circular to reemphasize these requirements.

12. We will continue to modernize IRC and Customs operations to support better revenue administration, notably through improved oversight. We have submitted to Parliament amendments to the IRC Act, which will lead to the creation of an oversight board (SB implemented with delay), bringing IRC's governance in line with best practice. To make the oversight board operational, we will appoint its members, who will set out a forward schedule of meetings at the first inaugural meeting of the board (**proposed SB due by end-June 2026**). We will build on the recent IMF Tax Administration Diagnostic Assessment Tool (TADAT) assessment and develop a sequenced reform roadmap, having received additional IMF TA support, which will guide IRC's future tax administration reform efforts. We will continue modernizing IRC's monitoring capacity by making progress towards the full implementation of the Integrated Tax Administration System (ITAS) and GST Monitoring System (GMS). To help improve enforcement and compliance with customs revenue policies, we will finalize the review of the Customs Act 1956 that began earlier this year and proceed to external consultations in 2026, with the aim to submit amendments to Parliament in 2027. PNG Customs Services are also readying the procurement of a National Single Window to streamline customs declaration processes and enhance risk management.

Expenditure Efficiency

13. Consistent with our budget repair strategy, we are committed to reducing the overall spending envelope as a share of GDP. As a follow up to the payroll cleansing exercise, we are conducting a functional review of public service agencies. This review will result in a leaner, more efficient public service that reduces duplication and wastage. It will also ensure that payroll costs are managed within sustainable levels, freeing resources for frontline service delivery and development investments. Social spending in end-September 2025 remained well above the program target (IT), consistent with the objectives of our PRGS (¶40).

14. We are continuing to plan and undertake strategic reforms that will facilitate medium-term budget sustainability. In 2026, we will prepare a qualitative Medium-Term Expenditure Strategy (MTES). This will provide a consolidated roadmap of reforms to address ongoing expenditure challenges and tighten connection between budget allocations and program outcomes. Ongoing expenditure challenges include the fast-growing Compensation of Employees bill, the creation of new agencies, the stock of arrears, the Eurobond bullet payment due in 2028, decentralization and cash management. The MTES will leverage analysis in pre-existing reviews of government expenditure. The MTES will be iterative and updated each year as progress is made.

15. We are committed to improving the efficiency of our capital expenditure by enhancing public investment management (PIM). We will issue formal guidance to require the development of a register, including collection of information from the Authority to Pre-Commit Committee, of future spending commitments for major infrastructure capital projects (PGK10 million and above) so as to support the setting of credible annual capital budgets; produce this register as part of the 2027 budget preparation; and make the updating of this register a standard activity within annual budget processes outlined in the Budget Manual (**proposed SB due by end-September 2026**). Thanks to the forthcoming IMF's Public Investment Management Assessment (PIMA), we will identify additional key reform priorities to enhance the efficiency of our capital spending and improve our infrastructure outcomes, including the development of PIM regulations which embed climate considerations throughout the project cycle; this will complement the Climate-PIMA (CPIMA) conducted in 2024 and the disaster-risk screening process for major capital projects introduced in 2025 (¶36).

16. We remain committed to actively verifying and clearing domestic arrears. The Arrears Verification (AV) program, established in January 2020, allows us to gradually clear the stock of domestic arrears on goods and services. Since its creation, and as of end-September 2025, the AV Committee has received submissions of claims amounting to PGK5.4 billion, out of which PGK4.2 billion have been successfully verified and PGK1.8 billion were already paid. We also remain committed to maintaining our budget allocation to the AV program. Finally, through our lease management system, we have been able to better monitor the stock of rental and utilities arrears.

17. We will continue to strengthen our overall budget execution to reduce the generation of new domestic arrears. As of end-September 2025, we have maintained our record of zero new payroll arrears and continued to make timely payments of domestic debt (IT). We are also actively working to prevent accumulation of new domestic arrears in other areas of spending by enhancing the monitoring of expenditure commitments, with IMF TA support. A forthcoming upgrade to the IFMS will support this by linking information on awarded contracts held in the e-procurement system directly to the commitment module in the IFMS system. This will provide greater clarity on government's overall medium-term expenditure commitments, help match planned cash flow to expenditure requirements, and ensure that expenditure is made only against agreed contracted amounts. Overall, the IFMS system was successfully migrated to the cloud in May 2025 with the final roll-out planned for June 2027.

18. We remain committed to improving cash management and strengthening the Treasury Single Account (TSA). Based on recent IMF TA, we are actively preparing a comprehensive sequenced implementation plan to deliver a full-fledged TSA (ongoing SB due by end-December 2025) which will enable more active cash management while being mindful of financial stability considerations. In that context, we have already made progress in rationalizing the trust account portfolio, notably by revoking 192 dormant trust accounts, closing 257 expired trust accounts, and proceeding with the closure of 134 additional trust accounts. We also intend to propose amendments to the Public Finances (Management) Act 1995 in the course of 2026 to clarify the purpose of trust accounts and enhance powers to close them. Alongside this, we are assessing the impact of the currently suspended National Executive Committee (NEC) decision to move all government trust accounts from commercial banks to the National Banking Corporation Limited, following a consultation process with the key stakeholders, to ensure that it does not hinder our commitment to move to the TSA. In the medium-term, our intent is to integrate the IFMS, BPNG payments infrastructure, and our operational accounts with commercial banks and electronically automate all types of government payments processes by progressively phasing out the use of checks and other non-digital payment methods.

Prudent Borrowing Strategy

19. We will continue to maintain a prudent financing strategy to reduce costs and lower risks. Amid a larger interest bill resulting from higher yields, which was anticipated in the 2025 budget, we reiterate our commitment to substitute costly financing with concessional financing and a larger reliance on longer tenors in domestic financing to reduce rollover risks. We have remained compliant with the PV limit on new external debt. Going forward, we will continue to ensure that our borrowing plan is closely linked to our budget execution needs, with a transparent borrowing plan and lower use of cheque floats.

20. We are making progress in strengthening our debt management capacity. To enhance operational efficiency and data accuracy, we have created a technical interface between our debt reporting system (Meridian) and the IFMS (SB met), which will be fully operational by year-end. This has helped in automating the transfer and reconciliation of debt data across the two IT systems. To improve the transparency of auctions and the predictability of issuances of government securities for market players, we have modified the MoU between the BPNG and the Treasury relating to T-bill and T-bond issuances and added requirements for the publication of regularly updated auction calendars and auction results (SB met). We will publish the historical auction results on the BPNG's website, starting end-2022. To expand the investor base for government securities and encourage more participation, we will establish an Investor Relations function at the Treasury, which will entail: (i) the modification of the Treasury website to include the function as part of the mandate of the Financial Management division;(ii) the development of an Investor Relations Strategy, based on recent IMF TA; and (iii) its publication along with other key investor-relevant information[1] on a public website **(proposed SB due by end-September 2026**). The first annual Debt Bulletin, containing debt statistics as of the close of 2023, is expected to be published in early 2026. We have requested additional IMF TA to enhance our debt management capabilities, to be delivered in [2026].

21. Our future borrowing will continue to be guided by the Debt Sustainability Analyses (DSA) undertaken by the IMF and the World Bank, and our 2024-2028 Medium-Term Debt Strategy (MTDS). The MTDS outlines a roadmap for sustainable debt management, emphasizing responsible borrowing practices, balancing cost and risk, and maintaining a manageable debt burden. These objectives will be achieved by diversifying financing sources, optimizing external and domestic borrowing, implementing annual borrowing plans, and enhancing debt management capabilities, in particular ahead of the upcoming Eurobond bullet payment in 2028. In addition, the Borrowing Committee, comprising the Department of Treasury and BPNG, has commenced technical meetings to analyze and devise an action plan to accumulate needed financial resources.

[1] This would at least include: the MTDS, the securities issuance plan, auction results, debt statistics.

Pillar 2 - Monetary and Exchange Rate Reforms

22. We continue to implement our roadmap for monetary policy and exchange rate reform. Our roadmap, which was approved in August 2023, contains a series of reforms to be undertaken by the BPNG to strengthen monetary policy and exchange rate policy frameworks and operations, and to aid the communication of monetary policy to the public. It also contains measures to improve government cash management and to reinforce inflation forecasting and monitoring. We have made significant headway in enhancing the governance of the central bank, including with the creation of the Monetary Policy Committee (MPC). The roadmap has been continuously serving as a reference for structural benchmarks and reform commitments in the context of the ECF/EFF arrangements. We are benefitting from IMF TA to help with reform implementation, consistent with the sequencing of the roadmap, and to update where necessary in consultation with the relevant agencies.

23. We remain committed to the implementation of the crawl-like exchange rate arrangement to help restore Kina convertibility by the end of the program. Supported by the crawl against the USD, since January 2024, the USD/PGK exchange rate has gradually depreciated by 11.0 percent (as of early October 2025) though the real overvaluation of the Kina has not been fully addressed. To bring the Kina to its equilibrium, further adjustment in the exchange rate is still required. Consideration is being given to the use of a basket of currencies as the anchor currency in the current crawl-like arrangement to facilitate a more effective adjustment, taking into account the need for careful planning and institutional readiness before transitioning. The crawl-like arrangement is seen as transitional, helping us move towards greater exchange rate flexibility and convertibility in a measured manner alongside other efforts to attract foreign investment and to improve the business environment. Taken together, these are expected to enhance the competitiveness of our exports, including in the agricultural sector, and thus boost FX inflows, increase rural incomes and improve living standards.

24. To ensure a smooth transition to Kina convertibility, we remain committed to a gradual elimination of FX rationing measures. With the improvement in FX availability since March 2025, driven largely by favorable mineral prices, we have decreased the amount of our interventions as essential payments as well as some non-essential payments could be cleared by commercial flows. In addition, the total stock of import orders older than two months has been brought to zero (IT), highlighting improvements in the timing of access to FX. Relative to our monthly intervention target of US$125 million, there has been an average unused intervention budget of US$61 million over the first nine months of 2025. Yet, given the uncertainty regarding the durability of FX inflows, the BPNG will continue to enforce the current priority list requiring that authorized foreign exchange dealers use all FX flows to clear essential orders first. We will continue to monitor the developments in the FX market with a view to gradually relax the FX rationing measures, including options to support the clearance of non-essential orders, and return to full convertibility of the Kina.

25. The MPC will continue to fulfill the BPNG's primary mandate of price stability through monetary policy tools and adjust the monetary policy stance to ensure consistency with the exchange rate arrangement. After a year-long pause, the MPC increased the Kina Facility Rate (KFR) from 4.0 to 5.0 percent in its September 2025 decision, in order to support the crawl-like arrangement. It also lowered the cash reserve requirement ratio (CRR), bringing it down from 12 to 9 percent between March and September 2025, as a response to tighter and uneven distribution of liquidity across the banking system. The MPC will continue to closely monitor liquidity conditions and adjust the central bank's policy toolkit, as necessary.

26. We will continue to enhance liquidity management and improve monetary transmission, with the support of continued IMF TA. Reforms under the roadmap—fixed rate full allotment (FRFA) auction, mid-rate corridor bounded by standing overnight repo and reverse repo facilities, partial reserve averaging—have helped to improve liquidity management.

- ***Liquidity management toolkit.*** The MPC will continue to review the existing monetary policy toolkit while monitoring its effectiveness, with a view to further improving monetary policy transmission. To encourage banks to make better use of the liquidity toolkit and improve their liquidity management, we will issue guidance on the reserve averaging framework and align the calendar of the reserve maintenance period with the calendars for the 7-day CBB issuances and monetary policy decisions.

- ***Central bank liquidity forecasting.*** With the support of IMF TA, we have developed a liquidity forecasting framework and liquidity monitoring tables, with weekly forecasts submitted to the Monetary Operations Committee (SB met); we are committed to implement further IMF recommendations on forecast quality, methodology documentation, institutional arrangements, and plan to publish the forecasts once improvements are made.

- ***Interbank market development.*** To facilitate interbank market activities, we have aligned the closing times for the repo and reverse repo facilities, and will explore optimizing the operating hours of the Kina Automated Transfer System (KATS) to facilitate smoother liquidity operations at market close. Furthermore, we have adopted a two step-approach to implementing an interbank Master Repo Agreement (MRA): (i) incorporating elements of the Global Master Repurchase Agreement (GMRA) standard in the interim MRA signed by the banks in September 2025; (ii) aligning the MRA with the GMRA standard to ensure enforceability; and intend to share it with commercial banks with a formal letter explaining the benefits of adopting it (ongoing SB by end-December 2025). Together with the operationalization of the central securities depository by end 2025, collateralized interbank lending is anticipated to be launched, and we will continue to identify and remove any remaining obstacles to its implementation. To ensure a level playing field for newly licensed banks, we will also revise our processes to enable their access to all eligible central bank facilities and auctions.

27. We have made progress in implementing the pending IMF safeguards assessment recommendations. The MPC has finalized and approved its charter. The BPNG's financial statement for FY24 has been externally audited and published. We remain committed to preparing a Board charter and maintaining the timely publication of financial statements going forward.

28. We continue to make progress in strengthening the policy framework for financial stability. The recent IMF Financial Sector Stability Review (FSSR) diagnostic helped identify key reform priorities to ensure the soundness and resilience of our financial sector; this includes for example the establishment of a Financial Stability Committee and the development of stress testing to improve systemic risk assessment. With IMF TA, we are working to operationalize the emergency liquidity assistance (ELA) framework, consistent with lender of last resort regime introduced under the amended CBA in 2024, and are close to issuing ELA guidelines (ongoing SB by end-December 2025). In addition, we are committed to developing a macroprudential strategy, which would explain the objectives and guiding principles of the macroprudential policy, elaborate interaction of macroprudential policy with other mandates of the central bank, outline macro-financial risks and the risk assessment process, and identify the macroprudential policy toolkit (**proposed SB due by end-September 2026**).

Pillar 3 – Governance, Anti-Corruption and AML/CFT Reforms

29. Despite recent ICAC leadership challenges, we are making steady progress towards a fully operational and effective anti-corruption framework. Following the suspension of the commissioners in June 2025, operational continuity was maintained thanks to the rapid appointment of acting commissioners by the Appointments Committee, with permanent appointments expected to occur [in the first half of 2026]. These circumstances contributed to delaying the appointments of the ICAC's oversight committee, which were completed in October (SB implemented with delay)], and will help in ensuring the integrity and accountability of ICAC's leadership going forward. Despite these challenges, the government still considers the ICAC as a cornerstone in the fight against corruption and remains fully committed to supporting its operations. As of end-September 2025, the ICAC has received close to 200 complaints, and is currently investigating 17 cases. The ICAC has also continued developing its standard operating procedures, IT systems, and awareness-raising actions. We will continue to prioritize ICAC and remain committed to sustaining an appropriate level of funding for ICAC going forward, so that it can continue carrying out its mandate.

30. Interagency cooperation remains critical to the effectiveness of PNG's anti-corruption framework. To that end, the ICAC has signed an MoU with three agencies to date and is working on finalizing eight more. In addition, the ICAC became an interested party in the establishment of the Asset Restraint and Recovery Working Group (ARROW), working with the Royal PNG Constabulary, the Office of the Public Prosecutor, and the BPNG's Financial Analysis and Supervision Unit (FASU), leading to the first successful application for the restraint of proceeds of crime under the Proceeds of Crime Act 2022. The ICAC will spearhead the review and development of the National Anti-Corruption Plan of Action (2026-2030), whose implementation will be supported by a new interagency anti-corruption working group.

31. We remain committed to improving our AML/CFT framework and preserving the integrity of the financial sector. In the one-year observation period which followed the publication of PNG's mutual evaluation report (MER) by the Asia/Pacific Group (APG) on Money Laundering, extensive efforts have been made to implement the government's Strategic Implementation Plan 2024-25 (SIP) and address the critical shortcomings in our AML/CFT framework identified in the MER.

The monthly meetings of the National Coordinating Committee (NCC), chaired by the Minister for Treasury, have allowed the government to stay the course on its implementation of priority actions as set out in the SIP, while the BPNG's Financial Analysis and Supervision Unit (FASU) has continued to actively monitor progress of implementation and engage with the APG on a regular basis. Among recent specific actions to reinforce the understanding of ML/FT risks and the fundamental AML/CFT obligations with support of the Australian government, FASU has published ten technical guidelines[2] for financial institutions and designated non-financial businesses and professions, providing them with greater guidance on treatment of low-risk customers and covering risk assessment, obligations on politically exposed persons and reporting of suspicious transactions (ongoing SB due by end-December 2025). In addition, given the high vulnerability of the forestry sector to money laundering and other predicated offences, the government has published its forestry risk assessment, thanks to the support of UNODC and ADB. The report provides clear guidance and recommendations on improving the compliance of forestry sector that includes AML/CFT requirements (SB due by end-December 2025, met). The government through FASU and NCC remain committed to addressing critical technical compliance gaps in its legal framework highlighted in the MER, particularly regarding the criminalization of money laundering and terrorist financing, and the reporting of suspicious transactions. Lastly, we remain committed to work towards the publication of all public procurement contracts to further enhance fiscal and financial transparency, particularly regarding beneficial ownership.

32. We are committed to addressing key gaps in external sector statistics (ESS) and national accounts to improve data quality and transparency. The National Statistics Office (NSO) is actively working on enhancing the frequency of data production, including by moving to quarterly GDP and monthly CPI releases, which will help inform policy making in a timelier fashion. To improve our ESS, we have initiated a reconciliation exercise of data on exports and imports of goods by commodity and trading partner, facilitated by the interagency working group on ESS created in 2024. We will ensure that the BPNG, the NSO and the PNG Customs Office finalize the exercise for the period 2017-2024 and issue a procedure to reconcile data vintages going forward (**proposed SB due by end-September 2026**), with the support of IMF TA. We are also making progress in preparing for the publication of international investment position (IIP) statistics starting 2026. We plan to conduct a new household income and expenditure survey, which remains critical to rebase the consumption basket and improve national accounts data, and will continue seeking funding from development partners for that purpose. We have requested PFTAC TA to prepare for the rebasing exercise.

33. We will continue to enhance the oversight of our state holding companies (SHCs) and state-owned enterprises (SOEs). We will strengthen the role of government as shareholder, and are committed to reviewing the laws governing SOEs, with a view to strengthening overall accountability, effectiveness, and alignment with public service objectives. We will ensure that financial statements of SHCs and SOEs are published in a timely manner, and will continue to pursue options for the

[2] AML/CTF Guidelines and Standards | Bank of PNG

privatization of selected SOEs, including in the energy, telecommunications, and aviation sectors, in order to enhance efficiency, attract private investment, and reduce fiscal risk to government.

D. Government Policies Under the Proposed RSF Arrangement

34. The RSF arrangement is helping us build policy buffers and supporting the implementation of our climate-related reform agenda, to enhance our resilience to climate change. Our key climate commitments, as set out in our enhanced Nationally Determined Contribution, our National Adaptation Plan and our PRGS, include building resilience in key sectors such as agriculture, water, and infrastructure, and taking action to reduce forest degradation and deforestation and increase the share of renewables in our energy mix. The RSF arrangement aims to support these objectives, with the following fourfold focus: (i) enhancing disaster risk management (DRM) efforts; (ii) integrating climate change considerations into public investment management (PIM) processes; (iii) supporting the development of green and inclusive finance; and (iv) incentivizing low-carbon-growth activities. To that end, we have committed to a set of specific RMs to be implemented over the duration of the program, with CD support by the IMF and other development partners.

35. Given our high exposure to climate-related natural disasters, strengthening our DRM framework is critical to preserve lives and livelihoods and improve our responsiveness and resilience. With UNDP support, we have developed a new public portal[3] to make existing climate hazard mapping data available to the general public (RM1 met). The portal, which is meant to be updated regularly and as new mapping information is produced, will be linked to an online disaster reporting system to collect data on future events. In addition, the UNDP supported the Review Team in charge of establishing a new National Emergency Management Agency (NEMA) in reviewing the 1984 Disaster Management Act (DMA) and existing disaster risk management strategies. A draft new Act, which will replace the DMA, is now being prepared and will soon benefit from consultations at the provincial level. Our plan is to submit this new legislation to Parliament in early 2026 (RM2 targeted by March 2026). We will also receive capacity development support from the IMF in 2026Q2 to prepare a disaster risk financing strategy (RM3 targeted by September 2026).

36. Continuing to integrate climate change considerations into our PIM practices will make our infrastructure more resilient and durable. The screening process for new investment projects according to their exposure to climate-related disaster risk was implemented for the first time as part of the 2026 Budget preparation, helping to make future infrastructure more resilient. We have continued with preparatory work towards PIM regulations, with the aim to integrate climate considerations into the project cycle (RM5 targeted by March 2026); this work will benefit from the IMF's PIMA mission scheduled for February 2026. The Department of Works and Highways (DoWH) is working to integrate climate change in its maintenance standards and costing methodologies applied to national roads, with World Bank and Asian Development Bank (ADB)'s support (RM6 targeted by March 2026). This pilot will pave the way towards the design and implementation of a

[3] Hazard Information for Papua New Guinea.

climate-resilient road maintenance costing framework, leveraging possible support from development partners, including UNOPS.

37. We are committed to continue strengthening the climate information architecture. To help operationalize our Green and Inclusive Taxonomy, the BPNG's Green Finance Center (GFC) is currently receiving CD from the ADB, the Agence Française de Développement, and the International Finance Corporation (IFC) to develop technical screening criteria (TSC) for key sectors. Draft TSCs were completed in August 2025 for the renewable energy, energy efficiency, and clean transportation sectors, and the first stakeholder consultations have been completed, with the aim to finalize the TSC by year-end. IFC will deliver CD to commercial banks in November 2025, while GFC will operationalize a Green Finance Academy in the near future to continue CD efforts. As a next step, we will develop and formalize supervisory guidelines for banks on mandatory regulatory reporting of their exposures in the above three sectors, along with implementation timelines (RM7 targeted by March 2026). Furthermore, we have started developing a national climate project database; we are drafting the memorandum of understanding between the BPNG and the Treasury, which will empower the Green Finance Center with the authority to collect information and populate the database. We have also hired a data analyst, who will work along with rest of the GFC staff towards addressing the extensive coordination and technical demands needed to construct the database (RM8 targeted by September 2026).

38. To scale up climate finance, several initiatives are underway. At the climate finance roundtable co-convened by the authorities, the IMF, the World Bank, and the ADB in March 2025, we have agreed to explore a set of innovative options to help scale up private and public sector finance for climate action. These include developing a project preparation facility along with empowering the newly established Climate Finance Unit, a guarantee and refinancing facility funded by development partners to scale up green financing and a renewable energy platform, operationalizing the PNG biodiversity and climate fund, providing technical assistance on forestry and carbon markets, and exploring the potential for a debt-for-nature swap.

39. We are reviewing the best options to incentivize low carbon-growth activities while preserving the livelihoods for our most vulnerable citizens. Based on IMF CD, we are considering an initial moderate increase in the excise rate on diesel fuel in the 2026 Budget (RM9 initially targeted by March 2025, delayed), which would help reduce the rate differential with other fuels, while implementing offsetting measures to provide relief to lower-income and vulnerable households. Going forward, we are committed to continuing gradually increasing the excise rates on liquid fuels to help incentivize the use of cleaner energy sources. We have concluded and formally endorsed the review of existing royalties, taxes, and levies in the logging sector, prepared with the support of the ADB (RM10 met). We are committed to follow up on tax policy and tax administration recommendations outlined in this review, to ensure a balance between forest preservation and the development of economic activities in the logging sector with higher domestic value-added.

E. Structural Policies and Poverty Reduction

40. Our structural reform agenda is geared towards preserving macroeconomic stability, fostering inclusive and sustainable growth, and addressing our development and climate change needs. Poverty remains high, with most of our people living in rural areas, with limited access to basic infrastructure and services, and high exposure and vulnerability to the consequences of climate change. The MTDP IV 2023-2027 outlines the government's strategic policies aimed at achieving key developmental objectives which would all contribute to effectively reducing poverty. These objectives include growing our economy to PGK200 billion by 2030, doubling both domestic revenue and export proceeds, creating one million additional jobs, and improving the quality of life for all our people. In this regard, the government's concerted efforts have increased access to education, with a notable rise in student retention rates and improved learning outcomes in rural and urban schools alike, improved rural service delivery, addressed urban youth unemployment with the launch of targeted initiatives, and expanded labor mobility programs. The Government has also continued to provide significant funding to the Connect PNG program of road building, with PGK690 million going directly to PNG Connect corridors in the 2025 Budget, and more to other ancillary roads and connections. As development needs—including basic infrastructure, and the provision of critical social services such as education, health care, and security—remain significant, we will ensure that these programs continue to receive sufficient funding in the 2026 budget.

41. To meet our development and climate challenges, continued reforms are needed to reduce our financing constraints. Our 13-year budget repair plan, which aims to reduce fiscal deficits and put public debt on a downward path while redirecting resources towards critical social and infrastructure priorities, is critical in that respect. Our central banking and governance reforms are expected to contribute to improving the business environment, attracting foreign investment and improving PNG's competitiveness, leading to higher economic growth and yielding fiscal revenue increases. We also expect that the successful implementation of climate reforms supported by the RSF arrangement will help catalyze financing for climate action from bilateral and multilateral donors as well as from the private sector (¶37, ¶38).

F. Financing Strategy and Program Monitoring

Financing Strategy

42. The ECF/EFF arrangements continue to help us address immediate balance of payment needs, enabling the engagement with other development partners and the accumulation of durable buffers needed to support a more flexible exchange rate system. The Fund arrangements are a critical component in reinforcing the Government's commitment to sound macroeconomic policies and needed structural reforms. These policies lay the ground for durable, sustainable and inclusive growth and allow us to reduce poverty. Further, the arrangements are an important signal to our development partners that PNG is committed to sustaining macro-financial stability, as shown by the recent decision by some development partners to start new lending operations with our country. More directly, Fund financing allows us to address near-term balance of payments needs, allowing the Government to build and maintain the international reserve buffer needed to address the demand-supply mismatches in the FX market in line with our roadmap for monetary policy and exchange rate reform; and allow for an ambitious but carefully paced fiscal consolidation path that preserves needed social spending. Meanwhile, the RSF will help us address prospective balance of payments needs arising from climate change.

43. We are targeting an international gross reserves level of US$3.5 billion (4.3 months of imports) by end-2026. Our net international reserves (NIR), that is reserves net of IMF financing outstanding, reached US$2.7 billion at end-June 2025 as per the TMU definition, about US$0.7 billion above the QPC target floor. This level of reserves considers the continued reduction of the backlog of FX orders, external payment obligations and the disbursements of budget support loans at the close of the year. We estimate our external financing needs for the year to be US$582 million, of which 57 percent will come from disbursements under the Fund's ECF/EFF arrangements, which will continue to be channeled toward budget support.

Program Monitoring

44. Test dates and program reviews. In line with the normal practice for disbursements under a blended ECF/EFF arrangement, we follow a 6-monthly review cycle based on quantitative performance criteria outlined in Table 1. The sixth and seventh reviews of the ECF/EFF arrangements will take place on or after March 18, 2026, and September 18, 2026, respectively. Accordingly, our next two test dates will be December 31, 2025 and June 30, 2026 respectively. Further, we include additional indicative targets for the interim period (assessment date of March 31, 2026) to help guide program implementation. Reviews under the RSF arrangement will take place concurrently with the reviews under the ECF/EFF arrangements. The third and fourth reviews of the RSF arrangement will hence take place at the time of the sixth and seventh reviews of the ECF/EFF arrangements, respectively. Tables 1 and 2 outline our proposed QPCs, ITs and SBs for the next 12 months; while Table 3 provides the matrix of RMs to be implemented over the duration of the RSF arrangement. Detailed definitions of the QPCs and ITs are provided in the attached Technical Memorandum of Understanding. Both ECF/EFF and RSF disbursements are used as budget support; MoUs between the Treasury and the BPNG have been signed to that effect.

45. Data and information sharing, and program coordination. The Program Monitoring Committee is active and helps coordinate PNG's interactions with staff and the Fund. It holds frequent meetings with Fund staff, to appraise them of developments, provide updates on data and program performance and request assistance from the Fund; in addition, we maintain constant communication with Fund staff at a technical level, as needed, including by remaining in close and frequent contact with the IMF Resident Representative Office on both program and other issues, such as the organization and sequencing of CD activities. We have appointed program monitoring coordinators at the Treasury and the BPNG to help ensure the timely transmission of comprehensive program-related data updates. Internally, the Committee coordinates activities in PNG related to the program by bringing together the main stakeholders.

Attachment I. Table 1. Papua New Guinea: Quantitative Performance Criteria and Indicative Targets, June 2025 – June 2026

(In Millions of Kinas, unless Otherwise Specified)

	2025										2026	
	March			**June**			**September**			**December**	**March**	**June**
	Indicative target			Test date			Indicative target			Test date	Indicative target	Test date
	Approved	**Outcome**	Status	Approved	**Outcome**	Status	Approved	**Outcome**	Status	Approved	Approved	Approved
A. Quantitative performance criteria 1/												
Fiscal deficit of the government (ceiling, cumulative from the beginning of the year)	1,159	**349**	met	2,203	**2,237**	not met	3,020	**2,076**	met	3,516	629	1,195
Stock of net international reserves of the BPNG (floor, US$ millions)	1,988	**2,723**	met	1,925	**2,675**	met	1,863	**2,816**	met	1,800	1,850	1,900
BPNG's gross credit to government (ceiling)	2,400	**2,062**	met	2,400	**2,028**	met	2,400	**2,028**	met	2,400	2,400	2,400
B. Continuous quantitative performance criteria (ceilings) 2/												
New external payment arrears of the government (ceiling, US$ millions)	0	**8.5**	not met	0	**0**	met	0	**0**	met	0	0	0
Present value of new external debt contracted or guaranteed by the government (ceiling, US$ millions) 3/	810	**0**	met	810	**130**	met	1,660	**130**	met	1,660	500	500
C. Indicative Targets												
Non-resource tax revenue of the government (floor, cumulative from the beginning of the year)	3,268	**3,350**	met	6,114	**7,000**	met	11,387	**11,075**	not met	15,598	3,426	6,681
New domestic payment arrears of the government (ceiling)	0	**0**	met	0	**0**	met	0	**0**	met	0	0	0
Social and other priority spending (floor, cumulative from the beginning of the year) 4/	550	**1,458**	met	1,650	**4,183**	met	4,008	**6,354**	met	5,500	600	1,800
Stock of unmet import-related FX payments in the orderbook (ceiling)	50	**0**	met	25	**0**	met	0	**0**	met	0	0	0

Sources: Papua New Guinea authorities and IMF staff estimates.

1/ Quantitative performance criteria listed under A. and indicative targets listed under C. are assessed as at the end of each reference month above.

2/ Quantitative performance criteria listed under B. are effective continuously from program approval.

3/ Annual for 2025 and 2026.

4/ Comprises government spending on health, education and law and order (both capital and operating expenses).

Attachment I. Table 2. Papua New Guinea: Structural Benchmarks (December 2025 – September 2026)			
No.	**Measure**	**Purpose/Macro-criticality**	**Implementation date**
	Budget repair		
1.	Formulate a sequenced implementation plan for a Treasury Single Account.	To modernize cash management practices and reduce excess government cash in the banking system.	End-December 2025
2.	Carry out an in-depth analysis of tax expenditures, incentives and gaps currently affecting (or susceptible to affect) the corporate income tax base, which will include (i) the listing of existing tax expenditures and incentives; (ii) their estimated costing; and (iii) an assessment (at least qualitative) to what extent they are effectively meeting their desired policy objectives.	To broaden the corporate income tax base and increase the efficiency of tax expenditures and incentives.	End-March 2026
3.	Establish an Investor Relations function at the Treasury, which will entail: (i) the modification of the Treasury website to include the function as part of the mandate of the Financial Management division; (ii) the development of an Investor Relations Strategy, based on recent IMF TA; and (iii) its publication along with other key investor-relevant information (at least including the MTDS, the securities issuance plan, auction results and debt statistics) on a public website.	To build the investor base and improve government financing.	End-September 2026
4.	Treasury to issue formal guidance to require the development of a register, including through collection of information from the Authority to Pre-Commit Committee, of future spending commitments for major infrastructure capital projects (PGK 10 million and above); produce this register as part of the 2027 budget preparation; and make the updating of this register a standard activity within annual budget processes outlined in the Budget Manual.	To strengthen the credibility of multi-year budgeting for capital investment and reduce the likelihood of arrears in capital expenditure.	End-September 2026
5.	Appoint the IRC Oversight Board members, as required by the amended IRC Act; hold an inaugural meeting of the Board; and share with the IMF the minutes of that meeting, which include the expected meeting schedule for the rest of 2026 and 2027.	To ensure that the Oversight Board is fully operational.	End-June 2026
	Governance and operations of the BPNG		
6.	Develop and issue guidelines on emergency liquidity assistance (ELA), pursuant to section 76 of the Central Banking Act.	To operationalize the ELA framework and strengthen financial stability through a robust lender of last resort regime.	End-December 2025
7.	Align the draft interbank Master Repo Agreement (MRA) with the Global Master Repurchase Agreement (GMRA) standard and share it with commercial banks as an attachment to a formal letter explaining the benefits of adopting it.	To facilitate the development of a stable and efficient interbank market.	End-December 2025
8.	Develop and publish a macroprudential policy strategy, which explains the objectives of macroprudential policy; elaborates how macroprudential policy interacts with other mandates of the central bank for micro prudential regulation and monetary policy; outlines macro-financial risks and the risk assessment process; and lays out the principles that guide BPNG's macroprudential policy approach; and identifies the macroprudential policy toolkit.	To enhance macroprudential policy communication for financial stability.	End-September 2026
	Governance and Anti-corruption Framework		
9.	Update "Guidance for Financial Institutions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 (No. 1 of 2019)" and "Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 (No. 2 of 2019)" in consultation with Fund staff to include greater guidance on treatment of low-risk customers in accordance with the latest FATF guidelines, and sector-specific guidance for i) non-bank financial institutions, ii) lawyers, iii) accountants, iv) real-estate agents and v) precious metal dealers, which should include but not be limited to further guidance on risk assessment, obligations on politically exposed persons and reporting of suspicious transactions.	To improve understanding of ML/TF risks and fundamental AML/CFT obligations.	End-December 2025
10.	BPNG, NSO, and the PNG Customs Office to reconcile goods export and import statistics by commodity and trading partner for the period 2017–2024, and issue a procedure to reconcile data vintages going forward.	To improve external sector statistics.	End-September 2026

Attachment I. Table 3. Papua New Guinea: RSF Reform Measures and Timeline for Completion						
Main Pillars	**Key Challenge**	**Reform Measure**	**Diagnostic Reference**	**Capacity Development Input**	**RM Expected Outcome**	**Target Date**
1. Enhancing Disaster Risk Management (DRM) Efforts	Knowledge about climate-related hazards is fragmented and incomplete, hampering the effectiveness of DRM efforts.	**RM1.** Set up a public website providing access to existing hazard mapping data, based on a stock take of current hazard mapping systems. The agency in charge of coordinating this exercise should be formally appointed. [NDC]	CPIMA, WB1	UNDP	Information and mapping about climate-related hazards is improved, allowing to raise stronger awareness and develop more effective *ex ante* DRM policies.	September 18, 2025: Met (completed in October 2025)
	The legal framework for DRM is outdated.	**RM2.** Submit to parliament amendments to the 1984 Disaster Management Act to update and modernize the DRM framework. Amendments will clarify roles and responsibilities in DRM, codify and develop *ex ante* DRM actions, set up a DRM structure below provincial levels and more broadly align the DRM framework with more modern international practice [NDC]	CPD	UNDP	DRM practices are appropriately codified and better aligned with international practice.	March 18, 2026.
	There is no strategic understanding of disaster risk financing, and existing modalities are insufficient to cover disaster response needs.	**RM3.** Develop, adopt, and publish a comprehensive disaster risk financing strategy aimed at improving financial resilience against disasters. [Treasury, NDC, CCDA]	CPD, CPIMA, WB1	IMF (FAD)	Disaster response needs are better covered, with a stronger strategic view of the different modalities for disaster risk financing.	September 18, 2026.
2. Integrating Climate Considerations into Public Investment Management Processes	Resilience to climate-related natural disasters is not taken into account when new investment projects are appraised and selected for inclusion in the budget.	**RM4.** Develop a methodology for climate-related disaster risk screening and incorporate a requirement in the budget circular (starting from the draft circular for the 2026 Budget) to undertake that screening for any new proposed major capital project (i.e. above PGK 10 million), by including the assessment in the project identification documents [DNPM, Treasury, and sectoral institutions]	CPIMA	IMF (FAD)	Climate resilience is more systematically taken into account as part of investment planning and budgeting.	March 18, 2025: Met (completed in May 2025).
	Climate change is not embedded in public investment management regulations, which are also incomplete.	**RM5.** Develop and adopt Public Investment Management regulations to incorporate climate change considerations into the capital project cycle (including planning, appraisal, selection, maintenance). [DNPM, Treasury, CCDA]	CPIMA	IMF (FAD)	Climate change is formally taken into account at each step of the investment project cycle.	March 18, 2026.
	The few existing maintenance standards and methodologies do not consider climate risks.	**RM6.** Pilot the incorporation of climate change considerations in maintenance standards and costing applied to national roads. [DoWH]	CPIMA	WB, ADB	Climate change is taken into account to assess road maintenance needs and costs, paving the way for a standardized approach across sectors.	March 18, 2026.

Attachment I. Table 3. Papua New Guinea: RSF Reform Measures and Timeline for Completion (Concluded)

3. Supporting the Development of Green and Inclusive Finance	The taxonomy of green and inclusive finance activities is not operational and lacks concrete guidelines for implementation by financial institutions.	**RM7.** Develop and formalize supervisory guidelines to financial institutions (FIs) on mandatory regulatory reporting of FIs' exposures aligned with the taxonomy, along with implementation timelines as specified in the MEFP at RSF approval. The guidelines will focus on all exposures related to 3 priority sectors with technical screening criteria completed by mid-2025. It will be implemented on banks representing at least 90 percent of total banking sector assets. [BPNG, GFC]	Inclusive Green Finance Policy	IFC, AFD, ADB	A supervisory guidance note on collecting and reporting climate-related loan activities along with implementation timeline will help strengthen the climate information architecture landscape.	March 18, 2026.
	There is no comprehensive database of ongoing climate projects and funding sources.	**RM8.** (i) Empower the Green Finance Center (GFC) with the authority to collect data on climate investments from other institutions (government agencies and commercial banks) through a memorandum of understanding between BPNG and Treasury. (ii) Develop a centralized national database with climate mitigation and adaptation projects in line with the updated NDC and the taxonomy (see MEFP at RSF approval). [BPNG, GFC]	Inclusive Green Finance Policy and CPIMA	GGGI, UNCDF	The centralized database on climate projects and funding sources will improve project identification and investor confidence.	September 18, 2026.
4. Supporting Mitigation Policies	Fuel taxation does not take the carbon content of fuels into account, incentivizing fuel imports and consumption.	**RM9.** Submit amendments to the Excise Tariff Act to parliament to shift the tax burden towards fuels with higher carbon content. [Treasury]	CPD	IMF (FAD)	The rebalancing of taxation towards more carbon-intensive fuels will help to incentivize more efficient fuel use.	March 18, 2025: Delayed
	The logging industry is at the source of significant forest degradation, with limited lasting benefits to local communities.	**RM10.** Carry out a comprehensive review of existing royalties, taxes, and levies in the logging sector to help identify appropriate tax policy measures to ensure a balance between mitigation objectives and the socio-economic footprint of the sector. [Treasury, IRC, Customs, PNGFA]	CPD	ADB	Implementation of the findings of this review could help discourage unsustainable logging activities and incentivize forest protection.	September 18, 2025: Met (Completed in October 2025)

Legend for diagnostic references
CPD: Climate Policy Diagnostic (2024), Fiscal Affairs Department, IMF.
CPIMA: Climate Public Investment Management Assessment (2024), Fiscal Affairs Department, IMF.
WB1: Emergency Preparedness and Response in PNG (2021), Diagnostic report, World Bank.

Attachment II. Technical Memorandum of Understanding

This technical memorandum of understanding (TMU) sets out the understanding between the Papua New Guinea authorities and the International Monetary Fund (IMF) regarding the definitions of the performance criteria (PCs) and the indicative targets to be applied under the Extended Credit Facility/Extended Fund Facility Program (ECF/EFF) starting March 2023, and should be read in conjunction with the Memorandum of Economic and Financial Policies (MEFP) that accompanies this TMU. It specifies the quantitative performance criteria and indicative targets on which the implementation of the ECF/EFF will be monitored in the period following completion of the Fifth Review and until June 2026. In addition, the TMU reaffirms the terms and timeframe for transmitting the data that will enable IMF staff to assess program implementation and performance.

A. Assessment Criteria: Quantitative Targets

1. Assessment Criteria have been set as of test dates and performance under the program is assessed against those quantitative targets, unless otherwise specified. Specifically, the Sixth Review will assess the end-December 2025 test date, and the Seventh Review will assess the end-June 2026 test date. An indicative assessment date has also been set at end-March 2026. The assessment criteria are specified in Table 1 of the MEFP.

Definitions

2. For the purposes of the ECF/EFF program, government is defined as the central government of the Independent State of Papua New Guinea. Central government is defined as the component of general government covered by the national budget and encompasses fundamental activities of the national executive, legislative and judiciary powers. It includes Extra Budgetary Units which have individual budgets not fully covered by the national budget, in particular trust accounts. The budgetary central government is defined as the central government excluding extra budgetary units. The general government represents: the national and provincial governments; the Autonomous Bougainville government; and the commercial and statutory authorities.

3. Exchange rates under the program. For the purposes of this TMU, the value of transactions denominated in foreign currencies will be converted into PNG's domestic currency (PGK) based on the key exchange rates below as of December 31, 2022 (Table 1).

Attachement II. Table 1. Papua New Guinea: Exchange Rates
(End of period, 2022)

PGK/USD	3.524
PGK/AUD	2.387
USD/SDR	1.330

4. **Debt** is defined for the program purposes in accordance with Executive Board Decision No. 15688-(14/107), Point 8(a) and (b), as published on the IMF website (https://www.imf.org/external/SelectedDecisions/Description.aspx?decision=15688-(14/107)). The term "debt" will be understood to mean all current, i.e. not contingent liabilities, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take various forms; the primary ones being as follows:

- Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

- Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments after the date on which the goods are delivered or services are provided; and

- Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

- Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on a contractual obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

5. **For the purposes of this ECF/EFF program, debt shall include borrowing by, or that receives guarantees from, the central government and the Bank of Papua New Guinea (BPNG) as set out in paragraph 9.** Accumulation of liabilities for the purposes of conducting monetary policy by the BPNG, including the issuance of securities or other marketable instruments such as central bank bills or notes, shall be excluded from the definition of debt.

6. **External debt of the government** is defined as a debt denominated, or requiring payment, in a currency other than the Kina. For program purposes, a debt and/or guarantee is considered contracted when all conditions for its coming into effect have been met, including approval by the National Executive Council. The contracting of credit lines with no predetermined disbursements schedules or with multiple disbursements will be also considered as contracting of debt. For the purposes of the program, the definition of "debt" is set forth in point No. 9 of the "Guidelines on

Performance Criteria with Respect to External Debt" (see Decision No. 6230-(79/140) as revised on August 3, 2009 (Decision No. 14416-(09/91)).

For program evaluation, performance criteria under the ECF/EFF have been set (see Table 1 of the MEFP) as follows:

Quantitative Performance Criteria (QPCs)

Ceiling on the Cumulative Fiscal Deficit of the Budgetary Central Government

7. The **fiscal deficit** is calculated on a modified cash basis as the **net acquisition of financial assets less net incurrence of financial liabilities** by the budgetary central government from the start of the fiscal year on January 1, as set out in Table E ("Transactions in Assets and Liabilities") in the 2023 Final Budget Outcome published by the Government of PNG.

8. **Net acquisition of financial assets** will be calculated as the net change in domestic financial assets of the budgetary central government—which shall consist of the net change in the balances of Treasury accounts at the BPNG and the net change in government check and transfer float balances—plus the net change in external financial assets of the budgetary central government.

9. **Net incurrence of liabilities** is defined as the sum of the net incurrence of domestic liabilities and net incurrence of external liabilities.

- ***Domestic liabilities*** will include debt securities outstanding; loans received from residents of PNG; insurance, pension and standardized guarantee schemes; financial derivatives and employee stock options; and other accounts payable.

- ***External liabilities*** will include debt securities outstanding; and loans received from lenders not resident of PNG; and any other liabilities that meet the definition of external debt as set out in paragraph 6 above.

10. **For the purpose of program performance assessment,** the cumulative fiscal deficits at end-December 2025 and end-June 2026 (PCs) and end-March 2026 (ITs) must be smaller than or equal to the amounts specified in Table 1 of the MEFP.

Floor on the Stock of Net International Reserves of BPNG

11. **Net international reserves** (stock) are defined as the difference between gross foreign assets and the use of IMF credit.

12. **Gross foreign assets are defined as the sum of:**

- The BPNG's holdings of monetary gold (excluding amounts pledged as collateral);

- Holding of Special Drawing Rights (SDRs);

- BPNG holdings of convertible currencies in cash or in nonresident financial institutions (deposits, securities, or other financial instruments);
- Papua New Guinea's reserve tranche position with the IMF.

13. Gross foreign assets exclude:

- Any foreign currency claims on residents;
- Capital subscriptions in international institutions;
- Assets obtained through currency swaps of less than three months duration;
- Pledged, swapped, or any encumbered reserve assets, including but not limited to reserve assets used as collateral or guarantees for third-party external liabilities;
- Precious metals other than gold, assets in nonconvertible currencies and illiquid foreign assets.
- **The use of IMF credit includes** the credit outstanding under IMF financing programs with Papua New Guinea (including resulting from the ongoing ECF/EFF arrangements and proposed RSF arrangement).

14. For the purpose of program performance assessment, the stock of net international reserves at end-December 2025 and end-June 2026 must be equal or greater than specified in Table 1 of the MEFP.

15. Adjustor due to shortfall in disbursements from multilateral institutions and bilateral partners. The floor on the stock of Net International Reserves of BPNG will be adjusted downward by the amount of the shortfall in program loan and grant disbursements from multilateral institutions (*e.g.*, ADB and World Bank) and bilateral partners, relative to the baseline projection reported in Table 2. Program loan and grant disbursements are defined as external loan and grant disbursements (excluding project financing disbursements) from official creditors that are freely usable for the financing of the budget operations.

Attachment II. Table 2. Papua New Guinea: Adjustor Due to Shortfall in Program Loan and Grant Disbursements by Multilateral Creditors and Bilateral Partners
(In Millions of US dollars)

	December 2025 1/	March 2026 2/	June 2026 2/
Expected disbursements of program loans and grants by multilaterals and bilateral partners 1/	200	0	0

1/ Cumulative from January 1, 2025.
2/ Cumulative from January 1, 2026.

Ceiling on BPNG's Gross Credit to Government

16. BPNG's gross credit to government is defined as the sum of:

- Government securities held by BPNG at amortized cost, including T-bills and T-bonds,
- Advances made by BPNG to the central government excluding temporary advances made within the Temporary Advance Facility (TAF); and
- Loans made by BPNG to the central government excluding on-lent IMF or other external financing by BPNG to the government.

17. For the purpose of program performance assessment, BPNG's gross credit to government at end-December 2025 and end-June 2026 must be lower than or equal to the amounts specified in Table 1 of the MEFP.

Continuous Performance Criteria (PCs)

Ceiling on the Present Value (PV) on New External Debt Contracted or Guaranteed by the Government

18. The present value (PV) of any external borrowing by the government is defined as the stream of annual discounted future debt service payments for each loan, using a discount rate of 5 percent.

19. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 2.73 percent and will remain fixed for the duration of the program. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added. For interest rates on the Australian Dollar, the spread over six-month USD LIBOR is 50 basis points.

20. For the purposes of program monitoring, a continuous ceiling in PV terms will apply to the contracting or guaranteeing of new external debt by the Government or the BPNG. The ceiling applies to the cumulative amount of debt contracted or guaranteed from January 1st of each year for which value has not yet been received, including private debt for which official guarantees have been extended. The ceiling will not apply to temporary official guarantees extended to external loans relating to the Papua LNG project, and limited to the construction phase. Subject to the adjustor in paragraph 21 below, the ceiling is: USD1,660 million from July 1 until December 31, 2025, and USD500 million from January 1, 2026 onwards.

21. An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the performance criterion on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

22. For program purposes, a debt is considered to be contracted when all conditions for its entry into effect have been met, including approval by the National Executive Council. Contracting of credit lines (which can be drawn at any time and entered into effect) with no predetermined disbursement schedules or with multiple disbursements will be also considered as contracting of debt.

23. Government debt guarantee means an explicit legal obligation of the central government or the BPNG to service a debt in the event of nonpayment by the borrower.

Ceiling on New External Payment Arrears of the Government

24. For the purposes of the PC on the non-accumulation of new external payment arrears, **external payment arrears of the government** are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). The aforementioned definition shall exclude the outstanding claim of USD2.6 million in relation to a guarantee issued on May 20, 2016 by the authorities in favor of Bank Leumi Le-Israel B.M., the validity of which the authorities are currently disputing. For the avoidance of doubt, the aforementioned outstanding claim will constitute "external payment arrears of the government" when the authorities cease to dispute its validity and the claim is unpaid when due in accordance with the aforementioned definition.

B. Other Assessment Criteria

25. During the program period, PNG will not:

a. Impose or intensify restrictions on the making of payments and transfers for current international transactions;

b. Introduce or modify multiple currency practices (MCPs);

c. Conclude bilateral payment agreements which are inconsistent with Article VIII of the IMF Articles of Agreement; and

d. Impose or intensify import restrictions for balance of payments reason.

C. Assessment Criteria: Indicative Targets

26. Indicative targets have been set for the test dates (end-December 2025 and end-June 2026). Indicative targets serve to assess progress under the program but are not binding quantitative criteria under which performance under the program is evaluated. The targets are specified in Table 1 of the MEFP. Targets have also been set at the indicative assessment date (end-March 2026). For the calculation, monitoring and evaluation of the indicative targets, the following definitions will be used.

Definitions and Calculations

27. Non-resource tax revenues of the government are defined in line with the GFSM 2014 and consist of: (i) taxes on income, profits, and capital gains; (ii) taxes on payroll and workforce; (iii) taxes on property; (iv) taxes on goods and services; and (v) taxes on international trade and transactions but shall exclude mining and petroleum taxes.

28. New domestic payment arrears of the budgetary central government are overdue domestic payment obligations of the budgetary central government, owed to entities legally incorporated in Papua New Guinea and residents of Papua New Guinea. They include obligations to domestic service providers but exclude government liabilities to other public sector units. They exclude obligations related to purchases of goods and services. Except in case where the terms and conditions of the transaction stipulate a longer period, payments are deemed to be in arrears when:

- Domestic debt remains unpaid for more than 30 days after the due date stipulated in the agreement between the parties (creditor/debtor).
- Wages or pensions remain unpaid 90 days after their due date.

29. The stock of unmet import-related FX orders is defined as the total amount of FX orders related to imports of goods compliant with BPNG's published FX regulations and submitted by authorized foreign exchange dealers to BPNG's orderbook more than two months prior to the assessment date.

30. Social and other policy priority spending is measured on a cash basis and comprises budgetary central government spending in the following areas: health, education and law and order (both capital and operating expenses).

D. Program Monitoring and Data Reporting

31. To facilitate the monitoring of program implementation, the Papua New Guinea authorities shall maintain a Program Monitoring Committee. The committee will be composed of senior officials from the Treasury and the Bank of Papua New Guinea, and shall be responsible for monitoring the performance of the program, informing the Fund regularly, and transmitting the supporting materials necessary for the evaluation of benchmarks. With respect to continuous quantitative targets, the authorities will report any non-observance to the IMF promptly.

32. The Committee will prepare and provide to the Fund staff electronically the following information contained in the data reporting table below.

Attachment II. Table 3. Papua New Guinea: Data Reporting for Program Monitoring

Data Description	Type of Data	Reporting Agency	Reporting Frequency	Reporting Lag
Fiscal Sector				
Net acquisition of financial assets and net incurrence of financial liabilities, consisting of:	Budget operations	Treasury	Monthly	1 month
• External loans disbursed and external debt instruments issued, broken down by type of creditor or holder;	Debt	Treasury	Monthly	1 month
• External loans repaid and external debt instruments redeemed, broken down by type of creditor or holder;	Debt	Treasury	Monthly	1 month
• Domestic financial assets accumulated including deposits at the BPNG or other depository institutions;	Debt	Treasury	Bi-annual	1 month
• External financial assets accumulated, including FX deposits at the BPNG and other depository institutions, including foreign entities;	Debt	Treasury	Bi-annual	1 month
• Domestic loans disbursed;	Debt	Treasury	Monthly	1 month
• Domestic loans repaid;	Debt	Treasury	Monthly	1 month
• Domestic securities issued, broken down by original maturity, by face value and proceeds from issuance;	Debt	Treasury	Monthly	1 month
• Domestic securities redeemed by original maturity;	Debt	Treasury	Monthly	1 month
• Loans or advances from the BPNG (excluding any on-lending of external loans contracted with the Fund or other development partners);	Debt	Treasury	Monthly	1 month
• Any other long-term (exceeding 1 year) domestic liability of the central government.	Debt	Treasury	Monthly	1 month
Stock of (i) cheque float and (ii) transfer float at end-month for the budgetary central government.	Cash	Treasury	Monthly	1 month
Opening balance, closing balance, inflows and outflows of government trust accounts at end-month, both consolidated and detailed by trust account.	Cash	Treasury	Monthly	1 month
Payments incurred by the budgetary central government on education, health, and law and order (both capital and current spending).	Debt	Treasury	Monthly	1 month

Attachment II. Table 3. Papua New Guinea: Data Reporting for Program Monitoring (Continued)				
Data Description	**Type of Data**	**Reporting Agency**	**Reporting Frequency**	**Reporting Lag**
Stock of domestic arrears: (i) total stock of verified and unverified claims under the Arrears Verification program; (ii) amount of claims verified and paid by the Arrears Verification Committee over the past month.	Domestic Arrears	Treasury	Monthly	1 month
Table comparing the value of the personnel emolument liabilities incurred and the value of the personnel emolument payments made over the past quarter.	Domestic Arrears	Treasury	Quarterly	6 weeks
Total non-resource tax revenues received by the central government, consisting of: • taxes on income, profits, and capital gains; • taxes on payroll and workforce; • taxes on property; • taxes on goods and services; and • taxes on international trade and transactions.	Revenue	Treasury	Monthly	6 weeks
Total resource revenue received by the central government, consisting of: • mining and petroleum taxes; • royalties levied on petroleum companies; • mining and petroleum dividends; and • any other resource revenue.	Revenue	Treasury	Monthly	6 weeks
Total non-resource non-tax revenue received by the central government, consisting of: • property income (interest, non-resource sector dividends, rent) • sales of goods and services • fines, penalties and forfeits • any other non-resource non-tax revenue.	Revenue	Treasury	Monthly	6 weeks
Monthly cash plan.	Cash	Treasury	Monthly	1 month
Stock of domestic debt, disbursements, amortization, interest, and other fees and charges; face value, maturity, interest rate, payment schedule and actual payments made over the past month.	Domestic debt	Treasury	Monthly	1 month

Attachment II. Table 3. Papua New Guinea: Data Reporting for Program Monitoring (Continued)

Data Description	Type of Data	Reporting Agency	Reporting Frequency	Reporting Lag
Stock of external debt, disbursements, amortization, interest, and other fees and charges; face value, maturity, interest rate, and payment schedule.	External debt	Treasury	Monthly	1 month
Details on amount and terms of disbursed external budget support and project grants and loans.	External debt	Treasury	Monthly	1 month
End of year external debt in US dollars, by creditor, and originating currency.	External debt	Treasury	Monthly	1 month
Amount of new external debt contracted by Government.	External debt	Treasury	Monthly	1 month
All guarantees provided by the government including guarantees to public corporations and private sector.	External debt	Treasury	Monthly	1 month
Real Sector				
Consumer Price Index.	Economic indicators	NSO	Quarterly	3 months
National Accounts (breakdown of production) in real and nominal terms.	Economic indicators	NSO	Annual	24 months
Agricultural production data (volume/value of major products).	Economic indicators	Treasury	Quarterly	3 months
Mineral production data (volume/value of major products).	Economic indicators	Treasury	Quarterly	3 months
Structural Benchmarks				
Table with a description of the status of implementation of the structural measures in Table 2 of the MEFP.	Structural benchmarks	Treasury	Bi-annual	1 month
Monetary and Financial Sector				
Detailed balance sheet data of the BPNG submitted in the reporting template.	Monetary	BPNG	Monthly	1 month
Amount of government securities held by BPNG at amortized cost	Monetary	BPNG	Monthly	1 month
Weekly cash balances of the Waigani Public Account, Debt Repayment Account, and the Temporary Advance Facility (TAF).	Cash	BPNG	Monthly	1 week

Attachment II. Table 3. Papua New Guinea: Data Reporting for Program Monitoring
(Concluded)

Data Description	Type of Data	Reporting Agency	Reporting Frequency	Reporting Lag
Daily sale of FX (in USD) by the BPNG to authorized FX dealers (detailed by dealer).	FX	BPNG	Weekly	1 week
Depository Corporations Survey.	Monetary	BPNG	Quarterly	3 months
Balance sheets and income statements by financial institutions (aggregate and by bank).	Financial	BPNG	Quarterly	3 months
Outstanding amount of unsatisfied requests for FX purchase to pay for current account (or authorized) transactions.	FX	BPNG	Weekly	1 week
Monthly update report on the implementation of the monetary and FX reform roadmap.	Monetary / FX	BPNG	Monthly	1 month
Financial Soundness Indicators (aggregate and by bank).	Financial	BPNG	Quarterly	1 month
Lending activity of banks (by sector).	Financial	BPNG	Monthly	1 month
Daily exchange rates: (i) interbank rate (midpoint rate); (ii) weighted average rate for bank/client transactions; (iii) high/low rates for bank/client transactions.	FX	BPNG	Monthly	1 week
Results of the 7-day (and 28-day, when implemented) central bank bill auction (date, bidders, quantities, bids placed, outcome by bidder).	Monetary / FX	BPNG	Monthly	1 week
Results of the weekly FX auction (date, bidders, quantities, rates, bids placed, outcome by bidder).	FX	BPNG	Monthly	1 week
External Sector				
Balance of Payments data in the reporting template provided by IMF staff.	BOP	BPNG	Quarterly	3 months
Import and export data, by sectors.	BOP	BPNG	Quarterly	3 months
Net international reserves, including reserve assets/liabilities by original currency.	BOP	BPNG	Monthly	1 month
Foreign exchange flow data (by type of flow).	BOP	BPNG	Monthly	1 month
Banks' purchases and sales of foreign currency (specified by bank, sector and by type of flow).	FX	BPNG	Monthly	1 month
List of the foreign exchange allocation pipeline (orderbook) with information about length of time needed to fulfill order and type of orders (especially imports of goods and import-related intercompany loans).	FX	BPNG	Monthly	1 month

INTERNATIONAL MONETARY FUND

PAPUA NEW GUINEA

November 21, 2025

FIFTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

This update (dated November 11, 2025) to the RSF Assessment Letter—Papua New Guinea (dated November 12, 2024) and the RSF Assessment Letter Update—Papua New Guinea (dated April 17, 2025) highlights relevant changes that have occurred since the issuance of the last Assessment Letter Update.

A. Country Vulnerability to Climate Change Including Human, Social and Economic Costs for the Country Arising from Climate Change Vulnerabilities.

1. No updates since the last Assessment Letter.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience.

2. The GoPNG has approved the National Internally Displaced Persons Policy (NIDPP) to strengthen protection and resilience for populations displaced by climate change and resultant natural hazards. Developed over nearly a decade with support from the International Organization for Migration (IOM), the NIDPP aligns with the UN Guiding Principles on Internal Displacement and establishes a national framework for the prevention, management, and resolution of internal displacement. Its forthcoming adoption marks a significant milestone in PNG's climate resilience and protection agenda, enhancing institutional coordination and promoting gender equality and durable solutions for displaced communities. Consequent legislation is planned to operationalize the policy, with implementation efforts focused on coordination between the Department of Provincial Government and Local Affairs (DPLGA), the Climate Change and Development Authority (CCDA), the National Disaster Centre, and Provincial Governments. This coordination will be critical to ensuring coherent planning, effective delivery of support to affected communities, and integration of displacement considerations into broader climate and disaster resilience frameworks.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions.

3. The National Climate Change (Management) Carbon Markets Regulation 2024 has not yet been gazetted. The Regulation sets a broad framework for engaging in carbon markets effectively and provides an institutional mechanism to administer mitigation activities and carbon credits in compliance with the existing domestic regulations, such as the Climate Change Management Act (2015 - CCMA). However, the Regulation is not yet formally gazetted and the GoPNG is working on developing the implementation guidelines for its operationalization. The Ministry of Environment, Conservation, and Climate Change (MoECCC), jointly with the CCDA, in April 2025 lifted the moratorium on carbon projects imposed in 2022. New carbon projects could be approved once the CMR is fully operationalized and the National Climate Change Board (NCCB), the body responsible for the approval of carbon projects, recently formed in June 2025 and composed of 11 institutional members, will be fully established. Delays in establishing the legal framework for the sector may constrain private sector carbon finance opportunities and create regulatory uncertainties that could be exploited.

4. PNG is strategically positioned to capitalize on international climate financing through the Green Climate Fund (GCF) Results-Based Payments (RBP) program. This is part of its broader commitment to reducing emissions from deforestation and forest degradation (REDD+). The RBP was approved by the GCF board in July 2025. Subsequently, the GCF will provide up to USD 63.4 million in grant-based payments under its REDD+ pilot program for verified emission reductions achieved between 2014 and 2016. The funds will be reinvested to support the National REDD+ Strategy (2017-2027). The agreement between the GoPNG and GCF could be formalized once the CCDA governing Board is fully established.

5. The GoPNG is updating its climate commitment. The Nationally Determined Contribution (NDC), which must be updated and submitted to the United Nations Framework Convention on Climate Change (UNFCCC) every five years, is currently being revised. The new NDC (NDC 3.0) is expected to be completed in 2026.

D. Other Challenges.

6. No updates since the last Assessment Letter.

E. WB Engagement in the Area of Climate Change.

7. **The World Bank, through the Partnership for Market Implementation (PMI), has carried out an assessment of the progress made by PNG to participate in international carbon markets effectively.** The assessment identified policy, institutional and infrastructure gaps. It also outlined a roadmap for strengthening the enabling environment for PNG's participation in international carbon markets focusing on ensuring compliance with the requirements of Article 6 of the Paris Agreement. A validation process with government stakeholders resulted in the development of a Carbon Market Readiness Assessment (CMRA) and the formulation of a Carbon Finance Roadmap (CFR) to guide the GoPNG in strengthening the enabling environment for effective carbon market participation.

8. **The World Bank, in partnership with the Food and Agriculture Organization (FAO), facilitated a knowledge exchange in September 2025 focused on digital Monitoring, Reporting, and Verification (dMRV).** The training introduced advanced remote sensing technologies to the Papua New Guinea Forest Authority (PNGFA) technical team, strengthening national capacity for forest monitoring. In parallel, the Bank supported the Climate Change and Development Authority (CCDA) in developing Carbon Project Registries to enhance transparency and readiness for future climate finance opportunities.

9. **The International Finance Corporation (IFC) continues to assist the Bank of Papua New Guinea (BPNG) in establishing a conducive policy environment to manage risks and promote green finance.** Key priorities include developing technical screening criteria (TSC) for renewable energy, energy efficiency, and clean transport under PNG's green finance taxonomy. The draft TSC is under review by key industry experts. The first round of consultations was completed in October with key feedback on the need to further simplify the do no significant harm and minimum social safeguards elements of the Taxonomy. A National Workshop is planned for November to present the revised Taxonomy. In parallel, Environmental, Social, and Governance (ESG) standards are being drafted for adoption by commercial banks and discussions have started with the Securities Commission on thematic bond guidelines. Collectively, these reforms aim to mobilize green finance and strengthen resilience.

10. **The World Bank's upcoming PNG Growth and Resilience Development Policy Financing with Catastrophe Deferred Drawdown Option (P507527), is currently at the negotiations stage.** This project will support fiscal and policy reforms for climate resilience, disaster preparedness, and sustainable recovery. The Cat DDO component will help the GoPNG access prompt financing to respond to catastrophic events, enhancing its resilience. This support complements existing budgetary mechanisms, including recent entry into the regional sovereign risk insurance scheme through the Pacific Catastrophe Risk Insurance Company for its state-owned telecommunications company.

Statement by Nghi Phuong Luu, Alternate Executive Director for Papua New Guinea, and Meson Tumsok, Advisor to Executive Director

December 12, 2025

On behalf of the Papua New Guinean authorities, we extend our sincere gratitude to Mr. Klein and his team for the close engagement and working relationship during the fifth review mission of the Extended Credit Facility (ECF) and Extended Fund Facility (EFF), and the second review of the Resilience and Sustainability Facility (RSF). The authorities also wish to acknowledge the significant contribution of staff across all IMF departments working to deliver technical assistance to PNG. **Our authorities share staff's assessment and remain strongly committed to progressing policy reforms under the Fund arrangements, which underpin PNG's broader economic reform agenda.**

Economic developments and outlook

Papua New Guinea is a fragile state that faces significant development challenges, capacity constraints, social and political instability, natural disasters and external shocks. Despite these persistent and multifaceted challenges, PNG's economy continues to be resilient**.** Real GDP growth is projected to pick-up to 4.5 percent in 2025 from 3.8 percent in 2024, driven by resource sector growth on the back of increased mining production capacity, and the non-resource sector growth underpinned by continued improvements in FX market and favourable agricultural production. Growth is expected to moderate to 4.0 percent in 2026 as resource sector growth moderates and stabilizes around 3.0 percent in the medium-term supported by continued expansion in the non-resource sector. Headline inflation is projected to be 3.8 percent in 2025 as the drag from the low betelnut prices ease and converge to around 4.5 percent in the outer years. Fiscal deficit is projected to be 2.6 percent in 2025 and is expected to fall to 1.2 percent in 2026, supporting the government's target of a balanced budget by 2027. Public debt is expected to decline to 51.8 percent in 2025 and 49.6 percent in 2026.

The economic growth outlook faces downside risks from falling commodity prices, weak demand, unstable supply of critical utilities, natural disasters, political and social instability, cyberattacks, and global uncertainties. A weaker US dollar and rising gold prices could help offset these adverse effects. Key upside risks include higher commodity prices and the start of major resource projects. These mining and petroleum resource projects have an estimated total investment value of about US$33 billion and are poised to contribute significantly to the expansion of the PNG economy over the medium to longer term.

Strong program ownership

The authorities continue to show strong program ownership and have made demonstrable progress on the reform agenda under the IMF program since the last review. In the Fifth Review period, the authorities met all, but one quantitative performance criteria (QPC) and all indicative targets (IT) set for end-June 2025, while they met all, but one IT for end-September 2025. At end-June 2025, the fiscal deficit was marginally higher than the QPC level due to delays in the transfer of dividends from SOEs and weaker tax collections. By end-September 2025, the ITs on fiscal deficit and priority spending were comfortably met whilst the non-resource tax revenue fell short of target due to weak Goods and Service Tax (GST) and Company Income Tax (CIT) collection. The authorities have put in place corrective measures to offset revenue shortfalls to ensure the fiscal deficit target for 2025 is achieved. Net international reserves remained comfortably above program floor and the BPNG's gross credit to the government was below the set ceiling.

The authorities' steadfast commitment to macroeconomic reform will set PNG on a path towards more stable and sustainable growth. By end-September 2025, three of the five structural benchmarks due since July were met while the other two related to submission of amendment of the Internal Revenue Commission (IRC) Act and the appointment of the Independent Commission Against Corruption (ICAC) committee were implemented with delays. Despite challenges, ICAC's operations were strengthened with the completion of its oversight committee appointments. Supported by the IMF, the forestry sector risk assessment benchmark was met ahead of schedule, and the remaining benchmarks are on track for the sixth review. Additionally, two RSF measures have been completed while the third reform measure on amendments to Excise Tariff Act - due in the first review - remains highly politically sensitive and is expected to be completed by the third review.

Fiscal consolidation and debt reduction

Fiscal consolidation remains on track, in alignment with the authorities' objective to achieve a balanced budget by 2027. The authorities aim to reduce the fiscal deficit to 2.6 percent of GDP in 2025, through spending efficiency and revenue mobilization, despite challenges in revenue collection earlier in the year. Spending has been reprioritized, low priority projects have been postponed, and compliance with the new SOE dividend policy has been reinforced. Ongoing tax reforms—including the implementation of the Income Tax Act, the introduction of the GST monitoring system and reforms in tax administration based on recommendations from the IMF's recent Tax Administration Diagnostic Assessment Tool (TADAT) report—are anticipated to strengthen revenue collections. In addition, non-tax revenue measures, such as those outlined in the Non-tax Revenue Administration Act, will further support these initiatives. Authorities are committed to deliver key reforms aligned to the Medium-Term Revenue Strategy (MTRS) including a review of the Special Economic Zone which will include an assessment of potential incentives and its tax impact and the refinements to the income tax credit scheme. On expenditure, the authorities will curtail spending growth by focusing on critical areas such as capital projects, education, health, and law and order. They welcome the upcoming IMF Public Investment Management Assessment (PIMA) to help enhance capital investment efficiency in the medium term. Efforts are also underway to strengthen cash management through the implementation of a Treasury Single Account (TSA), with support from the IMF.

The authorities are taking proactive steps to ensure public debt remains sustainable. They are implementing a prudent financing strategy aligned with the medium-term debt strategy. To reduce debt costs and risks, they are shifting toward concessional financing, favoring longer maturities, and aligning borrowing with budgetary needs to enhance transparency. Progress is being made to strengthen debt management capacity, supported by a request for IMF technical assistance. A borrowing committee comprising the Department of Treasury and the BPNG has been established to prepare for the 2028 Eurobond maturity.

Monetary, exchange rate and financial policy reforms

The BPNG continues to show strong commitment to exchange rate reforms, with the progress towards kina convertibility well on-track. Implementation of the crawl-like arrangement is continuing, which has helped reduce kina overvaluation. This, coupled with favourable FX inflows and active FX intervention by BPNG, supported the improvement in FX market conditions - import compression eased, and the backlog of essential FX orders and wait times were reduced. The BPNG will continue to closely monitor activity in the FX market with a view to undertake further easing, including dealing with non-priority orders to assist with full exchange rate convertibility. The BPNG acknowledges that the exchange rate remains overvalued and, together with the IMF technical assistance, is cautiously evaluating the design and feasibility of transitioning to a crawl-like arrangement against a basket of currencies to address the overvaluation more effectively.

The BPNG is making good progress in modernizing its monetary policy operations in alignment with the reform roadmap. The Monetary Policy committee (MPC) raised the policy rate in its September 2025 meeting, to support the crawl-like arrangement to ensure inflationary pressures arising from exchange rate depreciation is well contained. The newly introduced liquidity management toolkit—comprising fixed-rate full allotment (FRFA) auctions for 7-day Central Bank Bills (CBBs), competitive auctions for 28-day CBBs, reserve averaging, and an overnight interest rate corridor— has set the stage for effective monetary policy transmission. The Bank continues to implement reforms to further improve liquidity management and monetary policy transmission, by developing a liquidity forecasting framework and implementing reforms to support the development of the domestic interbank market. The BPNG has also made progress in implementing the outstanding IMF Safeguards Assessment recommendations to improve its governance framework.

The authorities are committed to ensuring that the financial system remains sound and emerging risks are contained. The BPNG welcomes the recent IMF Financial Sector Stability Review (FSSR) which identified key reform priorities in the financial sector and has embarked on implementing these reforms which broadly aligns with the Government's Financial Sector Development Strategy 2018-2030. These reforms include the development of the macroprudential policy framework, adoption of several banking regulations, launch of a new bank rating model and the ongoing modernization of the payment system. With technical support from IMF, the BPNG is also working to operationalize the emergency liquidity assistance (ELA) framework, following the 2024 amendments to the Central Banking Act. The BPNG is also mindful of the potential financial stability implication from the implementation of the TSA and will ensure associated risks are contained.

Governance and anti-corruption efforts

The authorities are determined to improve governance and operational frameworks to tackle

corruption and address AML/CFT issues. Despite a challenging environment, ICAC has strengthened its operations and started to investigate cases, leading to several arrests. It has also increased collaboration, signing agreements with Financial Analysis and Supervision Unit (FASU) and joining the Asset Restraint and Recovery Group (ARROW) to enhance efforts against criminal proceeds. An oversight committee for the ICAC was appointed in October 2025 and is expected to preserve the institution's integrity, boost credibility and deliver results in the fight against corruption. With technical support from development partners, the authorities have stepped-up efforts to advance implementation of the AML/CFT reforms and address structural gaps identified in the Asia Pacific Group's Mutual evaluation report. These include initiating a strategic AML/CFT plan, creating ARROW and the National Coordination Committee (NCC) to strengthen enforcement and coordination, and finalizing a risk assessment in the forestry sector, to enhance compliance efforts.

Climate resilience

The authorities are advancing RSF-supported reforms designed to mitigate macroeconomic risks arising from the effects of climate change. Key reforms are broadly on track which include the strengthening of disaster risk management framework, forest preservation and promotion of energy efficiency, facilitation of private sector climate finance and the integration of climate considerations in infrastructure governance. With critical support from development partners, the authorities are determined to sustain its efforts to meet program targets to tackle longer-term challenges emerging from climate change.

Concluding remarks

The authorities continue to press ahead with the reform agenda under the ECF/EFF and RSF arrangements. These reforms will strengthen Papua New Guinea's growth prospects and build external sector resilience. **The authorities request Board approval of the Fifth Reviews under the EFF/ECF arrangement and Second Review under the RSF arrangement.**