

Table 1. Papua New Guinea: Performance Criteria and Indicative Targets Under the Stand-By Arrangement, 2000-2001

	Dec. 31, 1999	Mar. 31, 2000		Jun. 30, 2000			Sep. 30, 2000	Dec. 31, 2000		Mar. 31, 2001	
	Actual Stock	Original Program Indicative Targets		Original Program Performance Criteria			Original Program Performance Criteria	Original Program Indicative Targets	First Review Performance Criteria	First Review Indicative Targets	
		Unadjusted	Adjusted	Actual	Unadjusted	Adjusted					Actual
(In millions of kina)											
Ceiling on net domestic assets of the central bank 1/, 2/	183	251	244	89	226	201	(100)	83	(144)	(267)	(285)
Ceiling on net domestic financing of the government 2/, 3/, 4/	1,534	59	45	(75)	133	34	17	101	(123)	(156)	(75)
(In millions of U.S. dollars)											
Floor on net international reserves of the BPNG 5/, 6/, 7/	181	130	133	164	150	160	230	214	307	339	348
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the public sector with a maturity of over one year 3/, 7/, 8/	14	0	0	0	0	0	0	0	0	0	0
Ceiling on the stock of public sector and publicly guaranteed nonconcessional short-term external debt with initial maturity of up to one year 3/, 7/, 9/	0	0	0	0	0	0	0	0	0	0	0
Nonaccumulation of external payments arrears by the public sector	Continuing										

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

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

2/ The ceiling on net domestic assets of the BPNG and net domestic financing of the government will be adjusted downward by the full extent to which the value of the following items exceeds the program targets laid out in Table 2: (i) Mineral Resource Stabilization Fund (MRSF) receipts, as recorded in the BPNG foreign exchange cash flow; (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow; and (iii) total net receipts from asset sales. Upward adjustments will be made by the amounts that the values of the following items fall short of the program targets laid out in Table 2: (i) MRSF receipts, as recorded in the BPNG foreign exchange cash flow (to a maximum upward adjustment of K 20 million); (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow (to a maximum upward adjustment of \$70 million); and (iii) total net receipts from asset sales. With respect to the adjuster in (iii), if net receipts from asset sales are negative, the value of net receipts from asset sales shall be set at zero for the purposes of comparison with the benchmark values in Table 2.

3/ Cumulative flow since the beginning of the year.

4/ For adjustments to the ceiling on net domestic financing of the government prior to September 2000 refer to IMF Staff Report EBS/00/53. From September 2000 onward the ceiling on net domestic financing of the government will be adjusted downward by the full amount of the excess of the sum of nontax revenue (excluding grants) and non-MRSF tax revenue, less domestic interest payments over the program levels shown in Table 2.

5/ The floor on net international reserves of the BPNG will be adjusted upward by the full extent to which the value of the following items exceeds the program targets laid out in Table 2: (i) MRSF receipts, as recorded in the BPNG foreign exchange cash flow; (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow; and (iii) foreign currency-denominated net receipts from asset sales. Downward adjustment will be made by the amounts that the values of the following items fall short of the program targets laid out in Table 2: (i) MRSF receipts, as recorded in the BPNG foreign exchange cash flow (to a maximum downward adjustment of \$7.6 million); (ii) exceptional external financing flows to the budget, as recorded in the BPNG foreign exchange cash flow (to a maximum downward adjustment of \$70 million); and (iii) foreign currency-denominated net receipts from asset sales. With respect to the adjuster in (iii), if net receipts from asset sales are negative, the value of net receipts from asset sales shall be set at zero for the purposes of comparison with the benchmark values in Table 2.

6/ Valued at the program exchange rate of US\$/Kina = 0.38.

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

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

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

Table 2. Papua New Guinea: Quantitative Benchmarks Under the Stand-By Arrangement, 2000-01

	Actual			Indicative Targets				
	Dec. 31 1999	Mar. 31 2000	Jun. 30 2000	Original Program			First Review	First Review
				Mar. 31 2000	Jun. 30 2000	Sep. 30 2000	Dec. 31 2000	Mar. 31 2001
(In millions of kina)								
Ceiling on central government wages and salaries 1/, 2/	777	149	352	144	377	570	814	193
Ceiling on central government recurrent expenditures 1/, 3/, 4/, 5/	2,015	469	1,015	436	1,006	1,515	...	...
Ceiling on central government noninterest recurrent expenditures 1/, 3/, 4/, 6/	1,628	364	790	372	815	1,236	1,705	423
Floor on pre-1999 domestic arrears reduction 1/	149	40	64	37	77	99	109	16
Floor on non-MRSF tax revenue 1/, 7/	1,662	402	935	393	842	1,318	1,931	486
(In millions of U.S. dollars)								
Floor on Mineral Resource Stabilization Fund receipts 1/, 8/	131	8	54	5	43	74	129	0
Memorandum items:								
Exceptional external financing (in millions of U.S. dollars) 8/, 9/	80	0	35	0	36	81	180	195
Privatization receipts, net of cost of sales (in millions of kina) 1/, 10/, 11/ <i>Of which:</i> Foreign currency denominated	26	0	0	0	0	0	0	175
In millions of kina 1/, 10/, 12/	...	...	...	0	0	0	0	117
In millions of U.S. dollars 1/, 10/, 12/	...	...	...	0	0	0	0	45
Nontax revenue 1/	166	26	56	19	92	148	169	27
Domestic interest payments 1/	261	79	159	42	123	175	317	54

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

1/ Cumulative flow since the beginning of the year.

2/ Defined as sum of national and provincial department expenditures on wages and salaries (including wages and salaries for teachers of provincial governments) but excluding retrenchment allowance contributions to superannuation funds, and other PEs (leave benefits and overtime).

3/ Gross expenditure (includes estimated K 30.2 million of appropriations for services of the Department of Works to be recovered as nontax revenue from within the government).

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

5/ Includes net lending.

6/ Excludes net lending.

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

8/ As recorded in the foreign exchange cash flow of the Bank of Papua New Guinea.

9/ Cumulative from January 1, 2000.

10/ Net revenues from the expected privatization of the Halla Cement Company in the fourth quarter of 2000 are projected at zero because receipts will be matched by an equivalent or greater cost of

11/ As reported by the Department of Finance and Treasury.

12/ As reported in the balance of payments cash flow of the Bank of Papua New Guinea.

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

	Program Target Date	Status
I. Prior actions for first review		
Endorsement by Cabinet of a plan and timetable for the Public Sector Reform Program (PSRP)		Met.
II. Structural performance criteria		
Completion of financial and managerial audits of the two major pension funds: the Public Officers' Superannuation Fund (POSF) and the National Provident Fund (NPF)	By end-March 2000	Met.
Passage by parliament of the Central Bank Act	By end-April 2000	Met.
Passage by parliament of the Banks and Financial Institutions Act	By end-April 2000	Met.
Completion and submission to Cabinet of the design and timetable for the PSRP	By end-June 2000	Not observed by target date. Waiver requested based on subsequent completion (see above).
Finance Pacific brought to the point of sale	By end-December 2000	Expected to be met.
III. Structural benchmarks		
The self-assessment questionnaire on good fiscal practices will be completed and submitted to the Fund	By end-March 2000	Met.
The Privatization Commission will have identified candidates for privatization and will have formulated a detailed schedule and methodology to be employed	By end-March 2000	Met.
Actuarial reviews of the NPF and POSF will have begun	By end-April 2000	Superseded by future comprehensive industry reform.
Endorsement by Cabinet of the recommendations on the PSRP	By end-August 2000	Met, also a prior action for the first review (see above).
Endorsement by Cabinet of the recommendations of the Public Expenditure Review	By end-August 2000	Replaced by ongoing departmental reviews.
Cabinet approval of the tax system review	By end-September 2000	Not observed. Expected to be met by mid-October 2000.
Ongoing effort to close down remaining pyramid schemes	Continuing	