

No. 9 of 2006.

Papua New Guinea Fiscal Responsibility Act 2006.

Certified on : 04.09.06



No. of 2006.

Papua New Guinea Fiscal Responsibility Act 2006.

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No. of 2006.

AN ACT

entitled

Papua New Guinea Fiscal Responsibility Act 2006.

Being an Act to promote economic and financial transparency and accountability in the interests of a stable macroeconomic environment,

MADE by the National Parliament to come into operation in accordance with a notice in the National Gazette by the Head of State, acting with, and in accordance with, the advice of the Minister.

PART I. - PURPOSE AND OVERVIEW.

1. PURPOSE OF ACT.

(1) The purpose of the Act is –

- (a) to provide guiding principles for the conduct of fiscal policy the Government of Papua New Guinea; and
- (b) to provide a framework for fiscal management based, on principles of sound fiscal management, and for transparent reporting of the national fiscal position against this framework.

(2) Nothing in this Act –

- (a) creates rights or duties that are enforceable in judicial or other proceedings; or
- (b) requires the public disclosure of commercial in confidence information or informations prejudicial to national security.

(3) Nothing in this Act shall affect the responsibilities for financial management as stipulated in PART II of the *Public Finances (Management) Act 1995*.

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2. OVERVIEW.

(1) The Government's fiscal policy is to be directed at maintaining the ongoing economic prosperity of the people of Papua New Guinea and therefore to be set in a sustainable medium term framework.

(2) The medium term framework is to be based on the principles of sound and fiscal management, and have regard to the Medium Term Fiscal Strategy and the Medium Term Development Strategy as published by the Government.

(3) The Treasurer shall table in Parliament and release publicly annual fiscal reports to ensure transparency in the conduct of fiscal policy.

(4) These reports shall include:-

- (a) an annual Budget Strategy Paper, which will assist the understanding of the fiscal situation and the Government's proposed Budget strategies; and
- (b) a mid-year economic and fiscal outlook report to be released by the end of July each year which will provide an update on the fiscal and economic forecasts in the Budget; and
- (c) a final Budget outcome report within three months of the end of the financial year.

3. INTERPRETATION.

In this Act, unless the contrary intention appears -

"Budget" means an annual national budget;

"Budget Strategy Paper" means the annual budget strategy paper published by the Treasurer at least three months before the presentation of the Budget to Parliament;

"financial year" means the year beginning on 1 January and concluding on 31 December each year;

"Final Budget Outcome Report" means a statement of the fiscal outcomes for the preceding financial year;

"fiscal parameters" means the principal economic and fiscal indicators published in Volume 1 of the annual Budget papers;

"Government" means the Government of the Independent State of Papua New Guinea;

"Government agency" means a Department of State, authority, company or instrumentality to which the *Public Finances (Management) Act 1995* applies;

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- "Medium Term Fiscal Strategy" means the five-year plan published by the Treasurer outlining the intended fiscal position of the government over the relevant five year period;
- "Medium Term Development Strategy" means the five-year plan published by the Minister for National Planning and Monitoring outlining the development priorities of the government over the relevant five-year period;
- "Principles of sound fiscal management" means the principles set out in PART II Section 4 of this Act;
- "table" means table in the Parliament on the next available sitting day or, tabling outside Parliamentary sitting sessions consistent with parliamentary procedures;
- "tax expenditure" means a tax deduction, concession, rebate or other dispensation that reduces the tax otherwise payable by an individual, corporation, trust or organization.

PART II. - PRINCIPLES FOR SOUND FISCAL MANAGEMENT.

4. PRINCIPLES FOR THE SOUND FISCAL MANAGEMENT.

The principles for the sound fiscal management and implementation of the Government's Budgets are that:-

- (a) Government will live within its means by producing a budget that is affordable and sustainable;
- (b) Government will maintain the integrity of the tax system;
- (c) Government will not raise the overall level of debt during its term;
- (d) the Budget will be in balance over the term of the Government;
- (e) budget expenditures will be consistent with agreed national and sectoral priorities;
- (f) Government will limit its ownership role and direct participation in service delivery to core areas where there is a clear rationale for public intervention;
- (g) Government will provide a regulatory framework that encourages and supports the private sector.

5. IMPLEMENTING OF SOUND FISCAL MANAGEMENT.

In implementing the principles for sound fiscal management –

- (a) Government agencies shall have regard to the provisions of the ***Public Finances (Management) Act 1995*** and the Financial Institutions issued under Section 117 of that Act; and
- (b) the Treasurer must be consulted on any submission to the National Executive Council that will have a financial implication on the State prior to its consideration by the National Executive Council; and

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- (c) Government agencies shall not be permitted to borrow funds without the prior approval of the Treasurer.

PART III. - ANNUAL FISCAL REPORTING.

Division 1. - Annual Budget Strategy Paper.

6. BUDGET STRATEGY PAPER.

The Treasurer shall release publicly and table a Budget Strategy Paper at least three months before the presentation of the Budget to the National Parliament.

7. PURPOSE OF BUDGET STRATEGY PAPER.

The purpose of the Budget Strategy Paper is to assist public understanding of the fiscal situation and the Government's budget strategy.

8. FOLLOWING INFORMATION IN BUDGET PAPER.

The Budget Strategy Paper shall contain the following information:-

- (a) the principles that will guide the forthcoming budget; and
- (b) the broad fiscal parameters for the forthcoming budget year and the key Government strategies and policies for the management of revenues and expenditures, including tax expenditures; and
- (c) a discussion of the risks to the budget parameters and the Budget strategy; and
- (d) the medium-term outlook for government revenues and expenditures; and
- (e) a discussion of how the Budget strategy relates to the Medium Term Fiscal Strategy and the Medium Term Development Strategy; and
- (f) a framework for the preparation of departmental ceilings for budget estimates and for developing detailed budget policies.

Division 2. - Mid-year economic and fiscal outlook report.

9. TABLING OF FISCAL REPORT.

The Treasurer shall release publicly and table a mid-year economic and fiscal outlook report by the end of July in each year, or within six months after the last budget, whichever is later.

10. PURPOSE OF MID-YEAR REPORT.

The purpose of the mid-year economic and fiscal outlook report is to provide updated fiscal information to allow public assessment of the Government's performance against the fiscal strategy set out in its Budget.

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11. FOLLOWING INFORMATION IN REPORT.

A mid-year economic and fiscal outlook report is to contain the following information:

- (a) an update of the key fiscal parameters contained in the most recent budget; and
- (b) a discussion of any revisions to the fiscal parameters and the implications for the Budget strategy and the medium term fiscal strategy; and
- (c) updated figures for government revenues and expenditures, including identification and explanation of Government revenue and expenditure decisions since the Budget.

12. GOVERNMENT DECISION AND REPORT.

(1) The information in the report shall take into account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook.

(2) The report shall -

- (a) be based on the same reporting standards as the Budget; and
- (b) identify, in general terms, the external reporting standards on which it is based and any ways in which the report departs from those standards.

Division 3. - Final Budget outcome report.

13. RELEASE OF OUTCOME REPORT.

The Treasurer shall publicly release and table a final budget outcome report for each financial year no later than three months after the end of the financial year.

14. PURPOSE OF FINAL OUTCOME REPORT.

The purpose of the final budget outcome report is to provide the final fiscal outcomes for the financial year.

15. FINAL OUTCOME REPORT FOLLOWING INFORMATION.

The final budget outcome report is to provide the following information:-

- (a) a summary of fiscal performance, including total revenue and grants, total expenditure and net lending and the budget balance for the financial year, together with the comparative figures for the previous financial year; and
- (b) a comparison and explanation of major variations from the budget estimates for total revenue and grants, total expenditure and net lending and the budget balance; and

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- (c) a summary of national government financing activities for the financial year; and
- (d) a summary of the national government debt position, together with comparative figures for the previous financial year.

16. REPORTING STANDARDS.

The report shall -

- (a) be based on the same reporting standards as the Budget; and
- (b) identify, in general terms, the external reporting standards on which it is based, and any ways in which the report departs from those standards.

PART IV. - IMPLEMENTATION.

17. ANNUAL FISCAL REPORTS.

(1) The Treasurer may request a Government agency to provide information to ensure the annual fiscal reports referred to in Section 2 of this Act are accurate and contain all the information specified in the relevant Divisions of this Act.

(2) A government agency shall comply with a request in time to allow the information to be taken into account in the preparation of the reports.

I hereby certify that the above is a fair print⁶ of the ***Papua New Guinea Fiscal Responsibility Act: 2006*** which has been made by the National Parliament.

Acting Clerk of the National Parliament.

I hereby certify that the ***Papua New Guinea Fiscal Responsibility Act 2006*** was made by the National Parliament on 1 August 2006.

Speaker of the Nation Parliament.

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