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PNG Government announces COVID-19 economic stimulus package

Today's parliamentary session saw the Treasurer, Hon. Ling-Stuckey, present the Government's economic stimulus package to address the COVID-19 pandemic's impact on PNG. In presenting the package, the Treasurer acknowledged that the plan was based on an assumption that there would be an extension of the State of Emergency for a further two months and the immediate impact of COVID-19 would be measured in a number of months. He reiterated that if the situation develops and more is required - then more will be done.

Nevertheless, he also acknowledged that the starting point for the Government's plan was a planned deficit for the year of PGK 4.6 billion. With the anticipated reduction in revenues from the collapse in commodity prices, reduction in the levels of domestic activity etc., he stated that a further revenue shortfall of PGK 2 billion is anticipated when compared to the 2020 budget forecast. This would in any case lead to a significant increase in the deficit for 2020 before any stimulus package measures are introduced.

The stimulus package is therefore based on the relatively limited budgetary levers available to the Government and supplemented by monetary and regulatory actions. Despite this, the stimulus is valued by the Treasurer at PGK 5.6 billion and is described as the largest ever in PNG history. It should be noted that the stimulus is principally not designed around direct monetary injections into the economy, but a number of other fiscal measures designed to limit the impact of the expected economic downturn and to enable the country to obtain medical resources to fight COVID-19. The Treasurer acknowledges that the overriding principles driving the stimulus are aligned to the Marape-Steven Government's "Take Back PNG" vision.

The package contains six main elements:

An increase in the level of domestic bond financing for the Government of PGK 2.5 billion for the year (COVID-19 bonds), including up to PGK 1 billion to be issued in the coming weeks. The Treasurer is in discussion with the local banks and superannuation funds to understand their capacity and willingness to participate in this funding cycle. However, the Treasurer also raised the possibility of adopting quantitative easing to allow for the issue of the bonds should the normal market mechanisms be insufficient.

Up to PGK 600 million in support for the deferral of mortgage or business loan repayments, although it does appear that this support is through the Government discussing with the banks their willingness to allow for these deferrals, rather than providing cash subsidies to the banks.

Securing PGK 1.5 billion in concessional financing from foreign multilateral institutions. This is principally through the IMF (PGK 1.2 billion) and is facilitated through PNG having negotiated an IMF staff monitored program as part of the existing 2020 budget support. The Treasurer has stressed that this work has facilitated the release of this additional concessional financing for 2020, and with a similar amount being available for 2021. Other additional support has been secured from the Asian Development Bank and the World Bank. The Treasurer also noted that a number of pre-existing aid facilities and programs will be redirected to particularly support the health and security sectors.

Up to PGK 500 million of support for jobs and business activities from the superannuation industry is anticipated. The Treasurer acknowledged that this would not be through legislative or regulatory means, but he would welcome suggestions from the industry on how this type and level of support could best be delivered directly to individuals and businesses. An example may be to better facilitate early withdrawals from superannuation accounts.

Spending an additional PGK 500 million directly in the health and security sectors. This is the only element of the stimulus package with additional Government spending and is designed to support the additional costs of preparing for and dealing with a pandemic. The support is for health (PGK 175 million), police (PGK 50 million) and defence (PGK 25 million). In addition, the World Bank and other donors such as DFAT are assisting with medical equipment. Another PGK 250 million will be dedicated to the rural sector, although the details of this spending are yet to be publicly released.

PGK 1 billion of savings will be sought through a supplementary budget. The Treasurer has tasked the budget accounts committees to review the current 2020 budget to identify areas in which savings can be made. This will include the deferral of the census that was scheduled for this year. Other budget line items where savings are expected include international travel and other discretionary spend. The Treasurer however, indicated that efforts would continue to proceed with 'shovel ready' projects and key infrastructure plans such as Connect PNG.

The Treasurer has also indicated that he is working with the IRC to "defer a broad range of tax payments". It is unclear whether the IRC's release [yesterday](#) of Phase 1 COVID-19 measures were incorporated in those discussed by the Treasurer, however it alludes to further work being considered to alleviate cash flow burdens on taxpayers. We will await with anticipation further announcements from the IRC and Treasury in this regard.

If you would like to know more about this development or have any other questions, please get in touch with your usual PwC contact.

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