

I. COUNTRY REFORM PROGRESS

Papua New Guinea (PNG) continues to make progress on public finance reforms through the Global Public Finance Partnership (GPFP). During FY26, capacity development (CD) support from the IMF’s Fiscal Affairs Department (FAD) helped the Inland Revenue Commission (IRC) increase reform momentum for strengthening leadership, governance, and reform readiness (April 2026) ahead of major legislative and tax system reforms planned for the period June to September 2026. Following the Tax Administration Diagnostic Assessment Tool (TADAT) evaluation completed in FY25, planning of inputs was restructured to support clearer prioritization and alignment of reforms across workstreams, with a focus on building institutional capacity, change management, and coordination. This has positioned the IRC to sustain reform momentum and prepare for a transition from planning into implementation in early FY27. The enactment of legislation to establish an IRC governance Board represents an important milestone supporting strengthened oversight and accountability, with implementation expected in early FY27. Engagement for FY27 is now planned, with GPFP-funded activities continuing to support implementation of reforms.

On the spending side, the public investment management assessment (PIMA) during February 2026 marks a particularly positive development for improving infrastructure planning and delivery. Combined with the Climate PIMA (July 2024), these activities provide a climate sensitive diagnosis of system-wide strengths and weaknesses in PIM alongside a clear reform program. The GPFP continued to support this PIM reform agenda, through the February mission to develop a unified PIM regulation to govern the entire process. These reforms are reinforced by the lending program’s conditionalities in these areas. Progress continues on cash management reform: a GPFP-funded FAD CD mission in July 2025 supported the PNG Government to meet program conditionality on treasury single account (TSA); and during May 2026, FAD assisted in reviewing the government’s warranting (cash release) process.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: The IRC has improved its capability to manage large scale reforms through clearer leadership roles, stronger governance arrangements, and a shared understanding of reform priorities. While IRC leadership was initially reluctant to implement a new external governance structure, engagement was reviewed and refreshed in December 2025 to respond to concerns and CD work has resumed. This structured planning activity (Fund-financed) helped identify and align to government priorities after the TADAT evaluation completed in FY25 (GPFP-funded), combined with IRC’s existing strategic and operational planning. No GPFP-funded activities were undertaken in FY26. However, preparation for implementation of the newly legislated IRC governance Board is now underway, with establishment expected in FY27. This contributes to cross-cutting priorities by strengthening institutional capacity, change management, and coordination across reform streams.

Previous Progress: Work during FY25 and earlier periods supported foundational improvements in strategy, diagnostics, and reform direction, including the completion of the TADAT assessment that informed current priorities. Recent activities built directly on these achievements by shifting focus from assessment to structured planning and leadership readiness, while some technical areas were intentionally deferred to avoid overburdening the IRC ahead of major reforms.

Next Steps: Over the coming six months, GPFP support will focus on helping IRC to deliver system and legislative reform, including establishment of the IRC governance Board, through strengthened senior leadership. Progress will be measured through clearer reform ownership, maintained momentum, and a successful transition into the implementation phase.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY26: *PIM.* A PIMA, completed in February 2026 and financed outside GPFP, provided a comprehensive diagnostic of PIM that takes account of PNG's climate vulnerabilities. Building on this assessment, GPFP-financed support formalized the full public investment process through a draft climate-sensitive regulation (February 2026). This is now under government review. *TSA/cash management.* GPFP-financed CD in May 2025 assessed the current performance of the TSA. Based on this work, the authorities prepared a TSA reform implementation plan, which was submitted to the Fund in January 2026, in support of a program structural benchmark. The plan outlines the government's strategy to strengthen bank account management and cash operations. Although arrears management is not addressed explicitly, improved TSA implementation should ease cash constraints and reduce the risk of new expenditure arrears accumulating.

Previous Progress: A Climate PIMA mission (July 2024) informed the design of reform measures (RMs) under the IMF's Resilience and Stability Facility (RSF) lending arrangements. The IMF's Fiscal Affairs Department (FAD) provided GPFP-funded CD support on RM4 regarding disaster-risk screening (February 2025), and the outputs of this CD have since been formally adopted by the authorities.

Next Steps: Further GPFP-funded TSA/cash management CD was delivered in May 2026 to support a review of the warranting process (i.e., the process through which Treasury authorizes spending). This work has now generated recommendations that address arrears more directly by improving the way warrants are used to align expenditure commitments with available cash resources. This input also supports a conditionality within the lending program.

III. LOGICAL FRAMEWORK

Country – Papua New Guinea		
RM II: Objective –Strengthened revenue administration management and governance arrangements – RAM		Rating - 3
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	4 Fully Achieved	All TADAT activities have now been completed with the post-TADAT planning mission completed in November-December 2025. Leadership engagement has been strengthened as part of this process.
Capacity to reform increased due to clear reform strategy and strategic management framework adopted and institutionalized	4 Fully Achieved	Significant progress has been made in this area with the implementation of the Governance and Reform Division. The post-TADAT mission further advanced this by aligning areas identified in the 2025 TADAT Assessment with existing plans. This is further reinforced by the enactment of

		legislation establishing an IRC governance Board, with implementation planned for FY27.
Support functions enable more effective delivery of strategy and reforms	3 Largely Achieved	Procurement of integrated tax administration system (ITAS) completed. System development and design are well underway. There will be modular implementation beginning in September 2026. A change manager is in place to support this (non-IMF).
RM II: Objective – Strengthened core tax administration functions - TAD		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	3 Largely Achieved	Registration processes have been reviewed and significant cleansing of the taxpayer register completed as part of post-TADAT planning and preparation for ITAS implementation in FY27. A new registration strategy and implementation plan have been developed. Further gains are expected as reforms are embedded through the new system.
Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	A Taxpayer Service Strategy has been developed and approved, and initial implementation actions have commenced, including appointment of client account managers in the large taxpayer's office. A taxpayer services strategy covering all segments has been launched, though its impact remains untested. Further progress depends on alignment with the CIP and strengthening implementation capacity.
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	A returns collection strategy has been developed but is not yet embedded in operations. Planned post-TADAT activities and the introduction of ITAS are expected to support improvements in on-time filing, payment, and returns management. Further progress remains dependent on reform sequencing and system implementation.
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	A debt collection strategy has been developed but has not yet been implemented, and tax arrears continue to increase. Post-TADAT planning has identified improvements in arrears and debt management as a priority. Progress remains constrained by reform sequencing and capacity pressures.
SM II: Objective – Build Sustainable Fiscal Institutions – SFI		Rating - 4
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms	4 Fully Achieved	A CPIMA has been delivered, although via a different funding route (i.e., JSA).

including climate, gender, and SDGs		
Strengthened capacity to plan, implement and sustain infrastructure governance	3 Largely Achieved	PIMA mission was delivered in February 2026. A draft report containing a full diagnostic assessment against the PIMA framework, including a reform action plan, has been issued. It is awaiting comment from the authorities and other parts of the Fund. Once the report is finalized, agreed, and formally transmitted, this outcome will be fully completed (expected April 2026). The PIMA diagnostic assessment and reform action plan are aligned with the findings of the 2024 Climate PIMA exercise.
SM II: Objective –Strengthen Budget Management - SBM		Rating - 3
Outcome	Rating	Narrative
Strengthened budget execution and control processes	3 Largely Achieved	The TSA implementation plan has been fully achieved, with government submitting this to the Fund in support of a program structural benchmark in January 2026. The arrears management outcome is partially achieved, with the TSA-related inputs putting the government on course to improve cash availability and therefore reduce arrears. Forthcoming CD planned for FY27 will focus on the warranting (i.e., permission to spend) system.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II: Risk that external events (political/climate) could create a challenging environment to undertake and implement CD.	Medium	Greater investment in stakeholder engagement and communication.
Political Support		
RM II: Lack of political support for the strategic reforms necessitated by TADAT findings.	Medium	Leverage relationships with colleagues at the IMF's Asia and Pacific Department and other development partners to improve engagement with IRC.
SM II: There is a risk that authorities are not prepared to make tough decisions to implement reforms in the area of PIM and budget execution.	High	Link reforms to the IMF lending program so there is a clear incentive to deliver changes. Engage closely with authorities during missions to find those areas where there is appetite for reform.

Description	Rating	Mitigation Measures
		Emphasize the benefit of reform in the long-term. Share best practice from other countries that have undertaken these reforms to demonstrate what success can look like.
Management and Technical Staff Support and Commitment		
RM II: Reluctance by IRC Senior Management to implement changes necessitated by the TADAT findings and/or disagreement with some IMF recommendations.	Low	Ongoing engagement with senior leadership and technical staff to increase understanding and buy-in. Providing CD in areas critical to the changes needed. through the MTRSII.
SM II: The capacity of technical staff in PNG is relatively low. There are coordination challenges between separate ministries of finance and treasury. This could make reform more difficult as staff struggle to deliver their new processes and to coordinate across institutions.	Medium	Carefully tailor reform advice to the capacity level of the relevant staff. Ensure buy-in to reform at a political level so that technical staff face the right incentives for delivery. Prioritize implementation support follow up missions in resource allocation rounds to ensure that technical staff receive frequent support interventions. Time these inputs to come swiftly after initial diagnosis to maximize the synergies between them.
Resource Adequacy		
RM II: Inadequate leadership and technical capacity, organizational structures, and human resources to effectively implement reforms	Medium	Ensure CD plans address the greatest areas of need and are aligned with IRC thinking.
SM II: CD inputs for the two topics (PIM, budget execution) are inevitably limited. The plan is for two follow-up implementation support missions in consecutive years to support HQ-led diagnostic missions in these two areas. This may not be enough to support reform; particularly given the low capacity environment of PNG.	Medium	Prioritize follow-up implementation support in the annual planning rounds to ensure that these resources are made available. Explore the possibilities for informal support that has no direct program cost (e.g. desk-based review; informal discussions; informal check ins) Advocate for resources for this program in GPFP and PFTAC resource allocation decisions, using examples of 'quick wins' and successes delivery.
Other Risks		
RM II: Multiple development partners involved in the IRC's reform program may lead to possible CD duplication.	Medium	Continued active engagement (through the IMF Resident Representative) with other donors to ensure CD delivery is well coordinated and effort is not duplicated.

Description	Rating	Mitigation Measures
		Where possible, involve other development partners in CD opening and closing meetings and take the opportunity to meet with them when in-country.
SM II: Reduced enthusiasm for reform as elections get closer and the lending program ends.	Low	Front-load CD inputs so as to align with the remaining months of the program. Ensure CD inputs are aligned with the last remaining conditionalities within the program. Maintain dialogue with the authorities and the Area Department for any discussions on a new program post-elections so that CD inputs can be aligned with its goals.

V. PROJECT MANAGERS: CONTACT INFORMATION

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