ELEVENTH DAY

Thursday 25 August 2016
DRAFT HANSARD

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ELEVENTH DAY

Thursday 25 August 2016

The Speaker **(Mr Theo Zurenuoc)** took the Chair at 10 a.m ..

There being no quorum present, Mr Speaker stated that he would resume the Chair after the ringing of the bells.

Sitting suspended.

The Speaker again took the Chair at 11.15 a.m., and invited the Member for Wapenamanda, **Honourable Rimbink Pato** to say Prayers:

'Everlasting Father and Eternal God we come before you this morning and we ask for your forgiveness, your protection, your peace and your blessings.

Lord we also pray this day for your protection, peace and blessings for our Prime Minister, Honourable Speaker, the Leader of the Opposition, Ministers of Government and Members of Parliament on both sides of the Floor.

As we gather today to deliberate on issues that affect our country and our people so that whatever we do, and whatever we say we do so Eternal God to ensure that your will for our people will come to pass.

Lord we also pray that you will give us your guiding and wisdom to deal with the particular issues which will come before the Parliament this day, which is the issue of the budget, the supplementary budget which we as representatives of our people will consider in terms Lord of how we will address the challenges that face our people in this day and age.

Thank you God for your continued protection and blessings and peace in our lives. With these Lord we now pray the prayer that your son Jesus Christ has taught us. Amen.

QUESTIONS

National Rice Policy

Dr ALLAN MARAT - Thank you Mr Speaker, my questions are directed to the Minister for Trade, Commerce and Industry.

Mr Speaker, my questions seek to know and understand the real reasons behind the Australian Government, the PNG-Australia Business Council and the Rural Industries

Council expressing in the mass media their furious opposition to the recently announced National Rice Policy as it relates to giving 80 per cent import quota to a particular company, to encourage them to invest billions of kina into growing rice on a large scale basis in Papua New Guinea.

Mr Speaker, our Government is advocating that this quota system is the best and seems the only way to encourage large scale rice investment in PNG to replace the annual K700 million for import rice without domestically grown rice.

Mr Speaker, the Government is commended for the strong desire and political will to develop a domestic rice industry. And since the Trade Minister is responsible for all international trade issues and conflicts and administers out relationship with the World Trade Organisation under the Multilateral Trading System, I now ask our good Trade Minister two questions on the strong opposition we have received from the private sectors here in Papua New Guinea and the Australian Government on PNG's Rice Policy.

Mr Speaker, my questions are:

(1) Is such a policy to give an 80 per cent rice import quota to an unknown rice importer legal or illegal within the WTO Rules based on the Multilateral Trading System and other Trade Agreement PNG has signed bilaterally?

02/11

(2)What will be the consequences to Papua New Guinea's image as an international investment destination if we go ahead to implement the quota policy against the current threat of the Australian Government to invoke the World Trade Organisation dispute settlement process and also take Papua New Guinea to Court, on the grounds of expropriation, discrimination and loss of business.

Mr RICHARD MARU- Thankyou Mr Speaker. I want to thank the Honourable Member for Rabaul for the very important question.

Mr Speaker, it is no secret that the Australian Government, the PNG Australia Business Counsel, the Rice Industry Counsel of Papua New Guinea and many commentators in the recent weeks have expressed in the mass media the strongest opposition to such a plan.

The Prime Minister has answered a similar question in the past. I want to comment on a legal International Trade perspective and give my position as a Trade Minister of this country.

Mr Speaker, since receiving a letter from my Australian colleague, Trade Minister on this strongest opposition to such a policy and also complains from the Chamber of Commerce and the PNG Australian Business Counsel. I have sought advice from the World Trade Organisation Office we have here based in my Ministry. I also had a long meeting with the State Solicitor to get legal advice on this very important issue.

Mr Speaker, I want to inform Parliament of the advice that have I received:

(1) If ever our government embarks on such a policy, it will be in serious breach of our obligations as a member of the World Trade Organisation. It is also likely to be illegal because we have what we call an Investment Protection and Promotion Agreement with Australia. It's a bilateral agreement where we have signed and where we are supposed to protect Australians investment in this country.

That's the agreement our county has already signed. Its bilateral agreement with Australia and the advice is, we will be in breach of that agreement as well because Trukai which is an Australian majority own company is likely to lose a lot of business. That is the law and the agreement we have signed.

I am just informing Parliament on the advice I have received. We have also been advice that we will break many other laws including the competition laws.

Mr Speaker, there are instances where we are refer to the World Trade Organisation, if we implement such a policy, they will now insist that we will pay compensation for the loss of business to an investor in the country, so that's the other down side of such a policy.

But we have not implement such a policy and I am just letting you know what the law is and what the consequence might be.

Mr Speaker, I have also been advised that there are other options available rather than a quota policy to attract an investor to come in and invest a billion or two billion kina in our Rice Industry that we all want.

Mr Speaker, the same was done, when we started Ramu Sugar. We provided physical incentives and impost a significant tariff so that Ramu Sugar will be competitive in this country where it is produce locally. We give them tax free protection and tariff protection for over 15 years.

03111

That is what is allowable under the World Trade Organisation Rules. As soon as I get the written advice from the State Solicitor on the legality or the illegality of this talked about

policy, I will write a formal letter to the Prime Minister and advise him formally. But this is the advice I need to inform Parliament on this path. Be it rice or anything else will result in damaging our global reputation as an attractive investment destination. And certainly as Trade Minister on the basis of advices I have received to date that is not the path I would encourage our Government to take.

Supplementary Question

Trukai Rice

Mr JOSEPH LELANG - Under the World Trade Organisation, countries are allowed to impose protection measures particularly when it comes to pursuing national strategies for agricultural development particularly in relation to food security issues. I really don't understand what are the legal issues here? I think Trukai Rice is not a national company and is therefore subjected to the rules and laws of this country. Therefore can the Minister clarify this issue?

Mr RICHARD MARU - Thank you for the good question. Under the rules, if we are going to use quota system then you have to first plant rice then apply a quota system. You cannot apply a quota system to someone who hasn't planted a single rice garden in the country.

Devolution of Land Powers

Mr LOUT A ATOI - I wish to direct my questions to the Minister for Lands and Physical Planning. Before I ask my question I want to take this opportunity to thank the Minister for Bougainville Affairs for delivering a very good statement on the Floor of Parliament. For the first time any Ministers who wishes to travel to Bougainville is advice to call into the NCOBA office to make sure that your travels and programs are coordinated and facilitated by that office.

The national MPs representing Bougainville have for the first time been called to the office of NCOBA to be able to sit and discuss a lot of issues regarding Bougainville. This is something we never do since we were first elected into office since 2012. Once again I thank the Minister for Bougainville Affairs for his statement and look forward to further meetings with the rest of the other Bougainville leaders to discuss how we will go about with Bougainville issues.

Today land is a scarce resource and a sensitive issue, it is a very important resource as all development take place on the land. We need to reliably inform the nation and the people of Bougainville on what your department is doing in terms of devolution of the powers of the Department of Lands and Physical Planning down to the province under the Land Reform Programme. In particular, what has your department done in the devolution of powers to the ABG?

04/11

Mr BENNY ALLAN - I thank the Member for North Bougainville for his question. Yes, I agree that land is a very sensitive issue and when we think about transferring the powers down to the provinces, we at the Department are taking cautions especially when we are dealing with the issues on Bougainville because the problem in Bougainville was about land so it is very sensitive at this point in time where we can transfer the functions down to AGB.

But, now that I have the Floor, I would like to thank the provinces under the Land Reform Program that they have received some functions like the Provincial Land Board and Physical Planning Board where they are addressing the land issues at the provincial level.

I am very happy with Morobe, Madang, Western Highlands, NCD, West New Britain, East New Britain, Kavieng, Sandaun, Enga and Milne Bay which already have their Physical Planning Board and by next Wednesday they will get their Land Board. So, I am very happy with those provinces and their Governors who have worked hard to receive the functions. We are currently working on Hela, Jiwaka and Southern Highlands.

In regards to ABG, in 2014 we made a trip to Bougainville with the Minister for Communication and the Minister for Planning and we met with the President of ABG and he expressed concerns about the transfer of land in Bougainville.

After that, the Minister for Lands and Physical Planning of ABG and his Secretary came to the Department and we discussed about the issues that they raised, including the transfers of land power to move to the province or AGB.

We understand that they have their own provincial physical planning acts and they only have the policy paper before ABG on the land act and because of many outstanding issues yet to address such as the values act and titles registration act we think that they need more consultation and we are negotiating with them at this point in time. So, I think that they have a lot of outstanding issues to sort out before we transfer the powers down to them.

We all know that funds are building up in Bougainville and if we do not address their land issues it will not be good to ABG so we are dealing with caution in regards to the transfer of powers to them.

But, I want to let the Members of this House and the people of Bougainville that we are working with their Government at this point in time and we need to make more consultations between the Lands Department and ABG.

Something in regard to transferring these powers down the provincial government some have got the physical land act and also the land board they have not even provided any meeting yet because they do not have funding available or budget appropriation to conduct this board meetings and at the same time under their provincial structure they did not include the land functions.

So, I ask the governors and the provinces to provide funding and also take it under the provincial structure in order to have funding available to conduct meetings because there are many issues in Port Moresby where the public is complaining about that we are not handling properly.

05/11

So, we want to delegate powers to the provinces so that you can deal with land matters at the provincial level and this can help provinces to make informed decisions.

On the part of Bougainville, ABG, we need to have more dialogue and at this point in time the Department is assisting them and when we see that they are ready then those powers will be devolved.

Reforestation

Mr GORDON WESLEY - Thank you, Mr Speaker, I direct my questions to the Minister for Forests.

Mr Speaker, Papua New Guinea's vast land is mostly covered with thick, dense forest. Our country is one of the last countries in the world covered with thick virgin forests.

Mr Speaker, past successive governments have enjoyed revenue from the forests sector that contributed to the government budget.

Mr Speaker, while loggers are allowed to harvest our forests, we must also be mindful of the opposite sides that created negative consequences like landslides, extinction of rare species and migration of living species and so on.

Mr Speaker, my question to the Minister for Forests is; can the Minister inform Parliament of his department's policy on reforestation programmes?

And, how far has the sector gone" in the replanting of trees?

Is there any policies put in place for viable commercial trees to be grown so that the government can shift its focus from harvesting of forest trees to a more sustainable and viable commercial trees that can be grown and harvested for both downstream and export similar to that of Pine Trees grown and harvested by PNG Forests Products in Bulolo?

Mr DOUGLAS TOMURIESA - Thank you, Mr Speaker. I'd like to take this opportunity to thank the Member for Samarai-Murua, Honourable Gordon Wesley for the questions he put to me.

Mr Speaker, in the last three years we have realised that we have enjoyed the benefits of logging in this country for too long but to put something back into the ground to replace those trees has been very, very slow indeed.

Mr Speaker, the *Forest Act* and the MOD Agreements signed clearly stipulate that for every tree cut there must be a replacement planted, especially with the TRP and FMA arrangements.

With these comes an obligation to companies for them to adhere to. But, for too long companies have failed to honour these commitments. And it is not only the failure of the companies but it is also the failure of successive governments in making sure that these obligations are met.

Mr Speaker, in the last three years we have made it our business to make certain that reviews are done, reviews of all operations in this country. I can say that those reviews are being done and I can guarantee our people throughout this beautiful country Papua New Guinea, that these reviews are being done. And as they are being done we are also taking a more proactive approach in that we are going to the regions and districts and carrying out a programme that is called, *'painim giraun, planim diwai* '.

That programme has already been announced to fellow Members of Parliament and I hope that they can assist us in this programme where we can go about *painim giraun, planim diwai.*

06/11

Mr Speaker, I can also say here at this juncture that we have failed in our part to we continue establishing nurseries in this country. We have a lot of logging companies operating but very few nurseries in this country. Therefore, we have now refurbished and re-established these nurseries and the programme is continuing. Through this programme, the Painim Graun Planim Diwai will be used to plant more trees.

Mr Speaker, let me also at this juncture, say that there is a successful story in this country. It is not only failures that we have in this country where we continue to say that many logging companies chop our trees down and do not replant the trees that they chopped. There is a successful story here in Papua New Guinea and it comes from my door step in the Milne Bay Province.

In the last 30 years trees were cut down at the Ulabo Plantation in Milne Bay. The Department of Forestry and the logging company carried an exercise where they planted trees. Today, these trees have matured and are now being harvested.

Mr Speaker, we are serious about planting trees and let me say also here that, we are now introducing another project that will be coming out shortly. Therefore, I would like to encourage all 89 districts in the country to partner with us. We are planting commercially sandle viable trees like eagle wood and saddle wood. So, whilst you are waiting for the plantation trees to be harvested in 30 to 35 or 40 years' time, you can plant these commercially viable trees amongst the trees that you already have in the plantation. Therefore, within 6 to 7 years you can harvest these trees to generate income while waiting for the plantation trees to be ready.

Mr Speaker, I believe that the proposal is now ready and as I have said, I would like to invite all Members of this Honourable Parliament to participate. So, please, come to our office and visit our officers who can work with you to develop some of these programmes. And if you have vast grass lands then these are the areas that we are targeting. If you have areas which have been affected by logging, please come and see us for we would like to participate. And get the companies also involved in the development of these areas.

Thank you, Mr Speaker.

Dona-Kerowagi Road

Mr CAMILLUS DANGIMA - Mr Speaker, thank you, for giving the opportunity for the people of Kerowagi.

My question was supposed to be directed to the Minister for Works but unfortunately, he is not here. The Prime Minister has given his undertaking before, I will therefore, direct my question to the Prime Minister.

Mr Speaker, my question is in relation to the Dona-Kerowagi Road, especially with respect to counter funding that is to be provided by the Government of Papua New Guinea under ADB's multi-trans financing facilities. In July last year the Prime Minister assured me on the Floor of Parliament that the Dona-Kerowagi Road would be included for funding under *Trans* 3 of the MFF funding.

However, in June this year, the Minister for Works advised again on this Floor that this particular road would not come under *Trans* 3 but would be listed under *Trans* 4 funding of which not to be made available ADB until 2018. The year 2018 is also when the ADB's multi-trans financing facility expires.

If this is the case then it follows that projects under both Trans 3 and 4 must be implemented simultaneously between now and 2018. All pre-requisites to the drawdown of the funds must already be progressing including the need to allocate funding for the 4';:~¥~f"~ counterpart component or project under both *Trench* 3 and *Trans* 4. This is so that procurement processes can be commenced immediately.

In a recent follow up visit to the Department of Works, it was revealed to me that up to now no counterpart funding has been allocated for the projects earmarked for *Trans* 3 and *Trans* 4. I was advised of the consequences - that these projects including the Dona-Kerowagi Road cannot be included for funding under *Trans* 3 and 4 of the multi-trans financing facility.

07/11

My question is; can the Prime Minister confirm if this is true or not? And if so, why?

If this is not true, can the Prime Minister give his assurance that the counterpart funding will be made available by the government of PNG to ensure that the procurement process

,', .', projects under phases three and four commence in 2016 so that they can be implemented in 2017 before the loan ceases in 2018?

Can the Prime Minister make an undertaking to capture the required counterpart funding for these projects under the supplementary Budget or some other financing arrangements?

Mr PETER O'NEILL - Thank you, Mr Speaker and I thank the Member for Kerowagi for his questions.

Mr Speaker, road is a priority of our government since infrastructure is deemed so. We continue to invest substantial amount of government funding and we do not only rely on donor or multilateral arrangements to fund many of our projects throughout the country. This is an equally important road and as I have said to the Member, this particular road is part of the ADB Multi-Tranche Facility funded roads. I am not sure whether it is in tranche three or tranche four. I have to get that confirmation from the Works Department and I'll get . them to write to him directly to ensure that the project is listed there. Either way it will be funded to make sure that this road is completed for use by our people.

Secondly, on the issue of counterpart funding there is sufficient funds being transferred to the Department of Works. I understand that K68 million was allocated in 2016 Budget for counterpart funding alone.

But, Mr Speaker, we are doing even more than that. We are now talking to our donor partners like ADB for them to advance their loan facilities in advance without the cut off of funding so that we can start on these projects. And there is good reception as the discussions are going on quite well. So, Mr Speaker, I have no doubt that we will work towards getting this road completed in the near future.

But, I will get the Department of Works to write to him and give him a firm answer whether it is Multi-Tranche Facility three or four.

Mr CHARLIE BENJAMIN - Thank you, Mr Speaker for recogmsmg me. My question is directed to the Prime Minister.

In 2008 NEC under the previous government went to Manus to have an NEC Meeting there. At its conclusion, while they were still in Manus they made commitments of over K140 million worth of projects. Up to now, none of those commitments have been honoured. When the dancing and the drum beats ended they forgot all those commitments.

But, I only wish to touch one particular commitment, Prime Minister to see if your government can honour a commitment made by the previous government. It is the road from Lorengau Town toward the Manus Highway to Tinghou which is about 36 kilometres. At the time they committed K36 million for the sealing of that roads. It will probably cost more today to seal that road.

I see that many of the roads we are currently funding are later road while this commitment was made prior to any of those roads and that is why I thought what if the .- people of Manus continue to wait for this road to happen.

So, the people of Manus wishes to know if we are going to assist by honouring a commitment made by the previous government, because we are aware that at the time you were the Minister for Public Service and many colleagues on the other side were also senior ministers and that commitment has not been honoured.

So we want to know if you can take this project on board in our programmes for this year or next year.

That is my question, thank you.

08111

Mr PETER O'NEILL - Thank you Mr Speaker and I thank the good Governor of Manus for his question.

Mr Speaker, I am not aware of that particular commitment ofK140 million worth of projects in Manus. In fact, I was the Public Service Minister but I did not attend that meeting. The good Treasurer and I were not there. But I understand that it was a submission from the former Minister for Works. Despite being in the Government for quite a while that commitment has been outstanding.

I am not aware so I will seek advice from the Works Minister and if it is a commitment .. made by the Government or even the former ministers who are not able to deliver, we will deliver for them.

(Laughter in the Chamber)

Mr Don Polye - Point of Order! Can the Prime Minister withdraw accusing me because I am not a prime minister nor a minister for works or a minister on the other side? So he should answer the questions only. I did the K30 million roads works under the World Bank. I did that road when I was Minister.

Mr SPEAKER - Your point is in order, Prime Minister retreat on this.

Mr PETER O'NEILL - Thank you Mr Speaker, I said, we will do it on his behalf like I have built the Kandep road for him.

Mr TIMOTHY MASIU - Thank you Mr Speaker. I direct my questions to the Deputy Prime Minister and Minister for Inter-Government Relations.

My questions are in relation to the Border Development Authority that was established by an *Act of Parliament* in August 2008 as the special purpose authority established to facilitate, coordinate and implement development projects including infrastructures to enhance border security, economic and social well-being of the people living in 6 provinces of Papua New Guinea including Bougainville.

Mr Speaker, three main pillars for the Border Development Authority was to establish the border security infrastructure and other associated facilities, strategic locations identified in Bougainville, the atolls to monitor between the Autonomous Region of Bougainville and the Solomon Islands.

The projects under this pillar are the cargo border posts in my electorate, Tasman Island for surveillance and transit post and Kekere transit and surveillance post is a forward base in the Atoll. They will look out for the open sea boundaries and process the transit from Solomon Islands through Tasman Island, Bougainville and Papua New Guinea.

The Border Development Authority's role relates to the economic corridor infrastructure to develop basic infrastructure to enhance and promote trade and investment opportunities and to generate sustainable economic growth.

The choice of service infrastructure will address more disadvantage communities with social services and facilities in relation to education, health care, water, church and NGO will manage facilities.

Mr Speaker, my electorate share the same border with Solomon Islands. I am reliably informed that my border is a weak point as we approach APEC. Our security will be compromise if this meeting takes place.

Mr SPEAKER - Can you ask your question?

Mr TIMOTHY MASIU - Can the Minister inform this Parliament and the people of South Bougainville when will the facilities be built?

Large amount of money was allocated, and nothing has happened. So I want this to happen because there are frequent illegal crossing taking place, illegal alcohol from Solomon Islands coming into BougainviIIe and we have lost so many opportunities that the country supposed to benefit from ,

Thank you, Mr Speaker.

Mr LEO DION - Thank you, Mr Speaker, I would like to thanked the new Member for south BougainviIIe on his very important question, but firstly before I make some comments on those questions, I would like to congratulate him on his win for the people of south Bougainville who elected him as their leader to this Honourable House. And I would like to thank the people of south Bougainville for recognising him.

The boarder situation in this country is a very sensitive issue that comes under my administration under the Boarder Development Authority. It got its appropriate Act that has been implemented as well as the new board that has been recently sworn in, in order to address some of the outstanding issues.

In terms of the south Bougainville situations, I am thankful that the Member has identified those needy areas that needs to be looked at and he also mentioned quite a number of funding that was allocated from the Budget so I would like to know where those monies are as the Minister responsible. But we continue to ensure that all the projects that has been under the plan of the Development Authority are actually funded by the Government.

The previous government made a very good support in terms of that, as far as we are concern and we are continuing like every other Departmental agencies of the government continuing to submit our submissions through the processes. So those areas that need attention are also being monitored and funding will be made available through hopefully, the 2017 Budget. In Kagu, I heard that the Boarder Development Chairman and the CEO have recently visited and identified some of those areas.

But I am thankful that you raised this one and I would like to suggest that as the new member, please work closely with our new board in the Boarder Development Authority that has been sworn in, so that the particular attention could be paid into that. In relation to the security arrangement that you mentioned, the National Government is addressing those issues, and will be taking them on board when they are considering the funding of the APEC meeting in due course. But I can assure you as the Minister responsible to have my people to

actually coordinate whatever project or initiatives that you would like to bring up as a Member for South Bougainville working closely with us, Thank you Mr Speaker.

Commitment for Oro Tourism Industry

Mr DAVID ARORE - My question without notice is directed to the Prime Minister. .~~.-;, Mr Speaker, in 2014 during the official opening of the rehabilitation of the Oro Bay Wharf which is in my electorate, the Prime Minister made the commitment to the people of Ijivitari and Oro Province that a sum of K10 million kina will be given to support the tourism Industry in the provinces.

Mr Speaker, it's about 2 years now, and that we are still waiting for that commitment, so I would like to ask the honourable Prime Minister when he thinks that this funds will be r~· available to the people of Oro for the Tourism Industry.

Thank you.

10/11

Mr PETER O'NEILL - I thank the Member for Ijivitari for his question. Yes that commitment is still outstanding. We have had issues about setting up the structures of organisations that will implement the promotion of tourism especially along the Kokoda Track. We also have issues with some of the landowners along Koiari. Those issues are yet to be resolved, then the funds will be released for promotion of tourism in that area.

Mr Speaker, while we are at it, Kokoda Track is still the number one tourist destination for visitors in the country. We must safe guard it that is why the Government has made a commitment of investing KIO million to upgrading the facilities and allowing our communities to participate in providing sleeping quarters for the track users.

Mr Speaker, we will work with the provincial government and the local member and the new tourism minister who has now taken a hand-on-approach with tourism issues in the country and we look forward to work with all the stakeholders in the country.

Mr WESLEY NUKUNDJ - Mr Speaker, thank you for recognising the people of Western Highlands because I am going to ask a question regarding them and not specific to my electorate.

I wish to direct my questions to the Minister for Health but firstly I take this opportunity to thank him for his report and statement made two days ago. My questions relate

to the issues surrounding the Western Highlands Provincial Health Authority as well as the Mount Hagen General Hospital and the doctor's case that has been going on for so many months now. Even now, I note that it has been sorted out but there are reports on social media and every day that the issues are still continuing.

Mr Speaker, Western Highlands Provincial Health Authority, as I understand is responsible for all the health matters within the province and not just Mount Hagen General Hospital. Therefore I as the Member for Dei Open is working very closely with the Western Provincial Health Authority and the CEO. We have invested a lot of money, put money into projects but the projects in my electorate have stopped because of the ongoing issue.

The initial allegations by the doctors is that they wanted the CEO of the Western . Highlands Health Authority to resign. He voluntarily stepped aside, they. then went onto another allegation wanting the Western Highlands Health Authority Board to step aside. And that has prolonged all the projects in the districts. Yesterday I heard that the health workers in Mount Hagen are on strike too.

I am trying to deliver health projects in my district in which the Western Highlands Health Authority should be responsible for. My questions are;

(1)How far has the Minister gone into addressing the issue because we cannot prolong it at the expense of patients dying every day?

11111

(2) Can the Minister intervene so that the projects in the district can continue to progress?

Thank you, Mr Speaker.

Mr MICHEAL MALABAG - Thank you, Mr Speaker, and through you let me acknowledge the Member for Dei for the questions he has raised.

The issue in Mount Hagen has dragged on for some time and yes, I agree with you that the issues are not complicated but complex in nature because it involves the staff of the association and it affects the workers in the Mount Hagen General Hospital.

Initially, when the complains came up, raised by the National Doctors Association and the Nurses Association, I took them on board and I instigated an investigating committee to go up to Mount Hagen comprising of Department of Health Officials, Department of Personnel Management Officials and the chairlady from the Justice and Attorney General's Office. After they returned from their preliminary investigation, they gave me a preliminary

report which I looked at and based on those findings and after consultation with the senior management of the Health Department including the Secretary, we decided that there needed to be more in-depth, follow-up and specialised investigation that will require the Department of Works, Department of Finance, the Auditor General and of course the Department of Personnel Management especially on Human Resource Affairs.

Now, the second team went up, from the individual departments and on their return the three Departments have given to the Secretary their final reports but not the Works Department which I am waiting for. But, the Union Leaders were brought in from Mount Hagen and we met with them. Through the intervention of the Prime Minister, now the understanding was things will be on hold until I get the final report then we will come up with the appropriate decisions.

But the staff are still on strike and creating complications for patience, it's the patience lives you cannot play up with especially when doctors who are sworn on Oath to serve and treat the sick, which is their Oath in Office, they cannot stay away unless it is of a particular nature.

So, that situation has existed until yesterday I really had no other options to look at so what I have done through you, Mr Speaker, suspended the board and appointed an administrator to go up to Western Highlands as soon as possible and take charge pending the completion of the final report then we can look at what we are going to do. If it has nothing to do with the Board then the Board is clear and we will reinstate them.

But, I have instructed the Secretary to continue with disciplinary actions against the two doctors involved. I cannot allow them to continue to come back and drag the nurses and the workers out of the hospital. When they come and give directions, the staff listened and left which is not good, it is like mob rule and that is not right and proper.

As a former Union Leader, I am well versed in handling this kind of matters.

(Members applauding)

Mr MICHEAL MALABAG - But now, I am wearing another hat so the government work must come first.

Thank you, Mr Speaker.

Sitting suspended from 12.10 p.m - 2p.m.

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DEPARTMENT OF COMMUNITY DEVELOPMENT, RELIGION AND FAMILY AFFAIRS -ANNUAL MANAGEMENT REPORT, 2015

MINISTERIAL STATEMENT -

MOTION TO TAKE NOTE OF PAPER

Mrs DELLILAH GORE (Sohe - Minister for Community Development, Religion and Family Affairs) - I present the following paper pursuant to Statute:

Annual Management Report, 2015

I ask leave of the Parliament to make a statement in connection with the paper.

Leave granted.

Mr Speaker, I present to this Honourable House the 2014 Annual Management report of the Department of Community Development and Religion.

The year 2014 was a very challenging year for my Department which was relocated to three different locations around Port Moresby and riddled with continuous court battles. Despite these challenges, we managed to bring the Department to a degree of normalcy of . which this report is reflective of the collaborative effort and trust from all stakeholders. I thank the O'Neill-Dion Government for having the trust and confidence in my Department to address issues for our most vulnerable population. Since the formation of the 9th parliament, the Department for Communication Development and Religion has reviewed its corporate plan to align to the governments priorities within the *Alatau Accord.* Subsequent Annual operational plans have followed through incorporating these priority projects while ... maintaining the Departments custodial and mandated functions and responsibilities.

The achievements and output highlighted in this report is also reflective of the confidence our development partners and stakeholders have with the department in working together to achieve these outputs. This has been made possible through effective negotiations where areas of cooperation have been prioritised for partners to help implement.

Mr Speaker, the Ministry for Youth, Religion and Community Development comprises of agencies involved in implementing policies and legislations that promote social development across all sectors of society. Under the Ministry we have the national volunteers' service who harnesses pool of human resources for humanitarian and community development efforts at a very low cost approach and places volunteers in very remote villages. The National Youth Commission that deals with empowerment of our youths and the Censorship office protects citizens and children alike from illicit and harmful materials that may affect young developing minds.

The Department for Community Development and religion on the other hand administers and protects rights of vulnerable persons in a family unit such as children, persons with disability, women/men and elderly. It promotes and advocates for gender equality across all sectors and also embraces partnership with churches and other non-government organisations for delivery of services

Mr Speaker, this annual report highlights some of the achievements and specific challenges within the Department for Community Development and Religion together with the status update of the key priority programs allocated through the *Alatau Accord* for the implementation year of2014.

Mr Speaker, my Departments focus in 2014 was to amend many colonial family laws that our country was still using despite changes that were taking place in Papua New Guinea and changes to the environment and to family lives today. Key values in Melanesian culture are family, community and relationship. There is now tension between traditional culture and modem culture in PNG society.

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Development is not about abandoning the traditional for the modem but finding a blending of the two. Though some of the values and beliefs conflict with goals of integral human development and human rights, positive ones should be respected and drawn on effectively in developing programmes.

Mr Speaker, my department has worked tirelessly to find this balanced. We have focused on updating, amending and improving these colonial laws to protect families living in the true context of a Papua New Guinea environment we live in today. Emphasis have been placed on major workable legislative reforms to address human rights of vulnerable groupings while strengthening partnership and service delivery to our rural population.

The National Integrated Community Development Policy provides the framework and strategy to empower our communities through learning and participating in the livelihood activities of this country. Our government is providing the necessary infrastructures to help deliver services. Equal prominence must now be given to empower our families and our most vulnerable population, so that they are able to utilise their skills and knowledge to improve their quality of life.

Mr Speaker, in 2014 my department also focused on regaining the confidence of our development partners and forged strategic alliances and new partnership to keep up with the new directions of the O'Neill-Dion Government. This has resulted in key milestone achievements highlighted in the year 2014 report, which I would like to share a few.

In 2014, Mr Speaker, my department with the assistance of the Law reform Commission and other stakeholders reviewed the *Lukautim Pikinini Act* to reflect the current environment in Papua New Guinea. I thank this Honourable Parliament for passing this important legislation with absolute majority in 2015. This important piece of legislation now sets the benchmark for the whole of government and the whole of society to play their part in the protection of our children.

Currently, my department IS focused on training of children protection officers throughout the country so they are aware of the changes, and their role as child protection officers. Mt department has also run training and awareness to our law and Justice Sector.

Mr Speaker, in the year 2014, the report shows statistics for cliental services for NCD only. The following statistics record and number of clients that have accessed the NCD welfare Office. The overall clients who sought family welfare services in NCD in 2014 stands at 1, 390 as highlighted in this report.

Moresby North-East has the largest number cases with 504 followed by Moresby North-West with 501 while Moresby South with 228, and others coming from Central and .. other provinces to access these services.

As highlighted in the report, these cases range from adoption cases to replacement of offences, custody and maintenance issues, child abuse cases and kidnapping cases.

Mr Speaker, there are real cases many of our children face. I would like to give a whole report of the whole country, however, I am unable to, given the limited resources received by my department. My department is working with partners to establish a national database on child protection issues in the country. I am hopeful in the near future that I will be able to

share child protection issues for each province to relevant Members of Parliament. For now, I have shared only reported cases in NCD in 2014.

My Speaker, in 2014, my department also reviewed and amended the *Civil Registration Act* to include National Identification Cards which has greatly assisted in the decentralisation of the Civil Registry Office throughout the country.

Mr Speaker, 2014 also saw the review of the National Disability Policy which also came into effect last year. The policy now gives a clear guidance and workable framework for all stakeholders to make rights real for our people living with a disability to have the same rights to access services as any abled bodied Papua New Guinean.

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The National Policy on Disability 2015-2025 is the National Strategic Plan for the disability sector. The policy vision removes barriers, makes rights real and focus Papua New Guinea on addressing the over action challenges where many people view persons with disabilities as needing to overcome obstacles on their own without realising the need for society as a whole to also actively breakdown barriers to improve participation and enable equal rights for persons with disabilities. For example, it is the right of a person in a wheel chair to work but if the job they qualify for is upstairs and there is no ramp or elevator then they cannot enjoy that right due to a physical barrier. NPD draws this focus from the equal rights for all sentiments of our *National Constitution.*

Mr Speaker, whilst my Department was updating many of our colonial family laws and policies, we took into account the human resource that was required to implement and provide services. The Department worked on an organisational restructuring to reflect reform strategies, policies and legislations. Therefore, I would also like to use this opportunity to thank the Minister for Personal Management for approving this structure in 2014.

Mr Speaker, apart from policies and legislations which have come into effect, my , 'Department has also completed the following policies and legislations which and are awaiting normal government clearance before I present them to this Honourable Parliament.

I would also like to place emphasis on two important legislation amendments to the *Marriage and Matrimonial Causes Act* and the Social Protection Policy and the National Gender Based Strategy. The amendment to the *Marriage Act,* Mr Speaker, this is a complimentary amendment to strengthen the *Lukautim Pikinini Act.* In the *Marriage Act* there is no definition of marriages applicable to customary marriage and non-customary

marriage. The changes will ensure that all marriages regardless have to meet certain basic requirement regarding consent and marriages age before they are considered for legal validity. The changes also synchronises the age of a child of 18 years old with the recent annexed *Lukautim Pikinini Act 2015* which I brought to Parliament earlier last year and passed by this Honourable Parliament. The proposed changes deal with minors being forced to marry.

The amendment to the *Matrimonial Causes Act*, Mr Speaker, the change to the *Matrimonial Causes Act* will deal with the conduct of husbands and wives which weakens or enhances the economic position of the partner or either of them should be taken into account in determining the amount of maintenance to be ordered by the court. Of importance is the amendment to the law for the courts to recognise the indirect contribution as a homemaker whether male or female to the stability and security of the family. In particular, acquisitions of the property is to be recognised by the courts as financial or non-financial contribution made by a party to the marriage on his or her behalf towards the acquisition or improvement of the property.

Mr Speaker, the amendment deals with presumption of equality of parental rights to custody. In other words, the father and mother of a child of a marriage are presumed to be jointly entitled to custody of their child. The best interest of a child is considered to be a paramount consideration. Both parents are jointly responsible to provide financial resources and means for maintenance of their child until the child reaches 18 years of age.

Mr Speaker, the development of the first National Social Protection Policy has seen a policy document that is ready for NEC submission this year 2016.

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This policy provides the overarching framework and expansion for social protection .pj:?c~~ programs apart from Pension for elderly and disable persons. The Department's focus for 2016 is to finalise the Pension Strategy which will cater for parameters, mode and frequency of payment, amount and identifying the various degrees of assistances to the vulnerable groups of people.

Development of the 1 st National Gender Base Strategy for the country.

The Papua New Guinea National Strategy on Gender-Based Violence 2015-2016 is the Government's framework to prevent and respond to Gender Base Violence. Gender Based

Violence is viewed as an endemic problem which affects the lives of too many individuals and communities.

This Strategy recognises that there is much valuable work being undertaken by the Government of Papua New Guinea, Development Partners, Civil Society Organisations and Faith Based Organisations to address GBY. However, the demand is outstripping supply, and thousands of survivors of GBV need more services including appropriate medical and socio-psychological services, accessible legal and justice services, and protective shelters. But most of all we will need to prioritize prevention of GBV.

The last three years have seen significant progress in laws, policies and practice. This Strategy seeks to institutionalise, strengthen and harmonise the multi-sectoral and multi-level coordination. It will do so across national and provincial level government entities and stakeholders.

Gender Based Violence remains a key development challenge in PNG and has been prioritised in the development agenda as it negatively bears on the overall development of the country.

The Strategy does not re-invent structures and processes, but builds on existing interventions at national and sub-national level to secure government ownership at the highest level, and a stronger focus on coordination and monitoring for quality.

The National Government has policies and laws that prioritise GBV but due to the absence of a national strategy, government agencies and stakeholders have been addressing GBV in isolation.

This strategy is the result of an extensive and inclusive collaboration and consultation process held with a wide range of stakeholders from academia, CSOs and FBOs, key international development partners, private sector representatives, as well as government policy makers and services providers at national and sub-national levels.

Those consulted agreed to use the term Gender Based Violence as it allows to address the broader root causes of GBV which reach outside of the family unit. However, the term GBV does not detract from the necessary and important focus on family or the domestic sphere as key sites needing positive and transformational change. Rather, the term Gender emphasizes the gendered and unequal relations of power in intimate, family, workplace and societal relationships which creates discrimination and feeds into GBV. It also allows to review the structural violence which perpetuates GBV from one generation to another.

Mr Speaker, our partners and stakeholders recognised that many important strategic steps had already been taken. However, they unanimously agreed that without government leadership sustainable and transformational change will not be achieved. The government will need to coordinate the work of all stakeholders, secure adequate funding, monitor for quality service delivery, and facilitate ongoing sharing of knowledge and best practices .

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The Strategy sets in motion the long term commitment from the government to effectively address Gender Base Violence in PNG. Its time frame may be extended later on to reflect the target of zero tolerance to Gender Base Violence. The broad time frame will be essential to address the complexity of the issue and the extensive time it will require a behavioural change. The Strategy will be supported by multi-year plans of action which will allow for more detailed planning and budgeting based on regular monitoring and evaluation.

Gender Base Violence issues need to be streamlined across all sectoral policies and plans including budgets to ensure uniform roll out of strategic interventions which can lead to the prevention of Gender Base Violence and support quality services for survivors of violence. Synergies across government, across national and sub-national agencies, and with CSOs, FBOs and private sector will facilitate a more effective and timely delivery of the core components of the Strategy.

Mr Speaker, in conclusion, I would like to remind this honourable house of our obligation to the United Nations conventions that Papua New Guinea has signed up to. I administer three of those most important conventions namely, Convention of the rights of our people living with disability, Convention on the elimination of all forms of Discrimination against women and Convention on the rights of a Child. My department has domesticated relevant Laws and Policies to ensure PNG meets its obligation but most importantly recognises and make those rights a reality for the vulnerable population.

Mr Speaker, I have highlighted some more important laws and policies which I will be bringing to this honourable house and I will need your constructive debate and support to improve the quality of lives of our most vulnerable population.

Mr Speaker, I seek support from members of this Honourable House to give prominence in all their Provincial and District Priorities, planning and budgeting to include these vulnerable Population. The relevant policies will guide you in your assistance and support in your provinces and Districts.

Thank you, Mr Speaker, I hereby submit my departments *2014 Annual Management and Financial Report.*

Motion (by **Mr James Marape)** agreed to-

That the Parliament take note ofthe paper and the debate be adjourned to a later date.

Debate adjourned.

DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS-CURRENT STATUS AND VISION- MINISTERIAL STATEMENT - MOTION TO TAKE NOTE OF PEPER

Mr BENJAMINE POPONA W A (Tambul-Nebliyer - Minister for Labour and Industrial Relations) - Mr Speaker, thank you for giving me the opportunity to present to this House my Ministerial statement on the current statues and vision of the department. This statements outlines the implementation of developmental activities and programs that my ministry is undertaking in its efforts as part of whole of government approaching, delivering, improve services in the labour employment and industrial relations to our people the challenges and constrain faced with and replanning for the way forward 2016 and beyond.

The Department's core responsibility is administering labour services which include Employment Promotion, National Human Resource and Skills Development and Industrial Relations Services for the country with its primary function being, to ensure that social justice prevails at workplaces for our workers and that, there is a harmonious workplace relationship between the employer and their workers.

Mr Speaker, the Ministry administered 17 labour laws and regulations, 22 international labour organisation, conventions and labour policies, conventions and labour policies, statutory orders, common rules, labour instructions, and administrative guidelines and

procedural rules in fostering decent work, national minimum wages determination, national training, workplace relationships, HIV AIDS and et cetera.

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The Department has offices in 20 provinces with 492 staff, 3 to 4 officers working in each province, and the rest at the head office.

Mr Speaker, the Department under its performance agreements with the Government at the Annual Leaders' Summit 2014 identified three key priority areas in line with the Government emphasis and directive, to accelerate implementation.

These are Labour Law Reforms that is to review and update all its outdated underlying legislations to be in par with PNGs National Socio-Economic Developments and the changes in the Global worlds of workers; followed by capacity building, the development of its infrastructure to improve and build rundown officers and adequately resource them and to train and up-skill its staff, and the third is National Skills and Human Resource, the human capacity building and establishment of a skills development and training authority, as a one mechanise of linkage and partway into the workforce from post-secondary and tertiary institutions.

In the 2016 Leaders' summit, the Department identified and added fourth priority program, which is Strengthening Compliance and Enforcement-labour Inspections, enforce compliance of the labour law requirements and ensure workers are given fair opportunity to develop into professional categories of workers.

Mr Speaker, the fifth priority adapted is the APEC Human Capital Development Policy Drive National Coordination Focal Point office for human resource development and education sector, in preparation for PNGs year of APEC in 2018.

The impacts of continuing globalisation in the world of work has placed the Department in a more challenging position than ever before as it thrives towards its vision to promote a fair, safe, healthy and a productive workplace for all.

Mr Speaker, further to that, is goal 8 of the UN Sustainable Development, which is on decent work agenda to be the centre and vehicle for employment creation and poverty alleviation.

The Department has expanded its scope of functional and regulatory operations in alignment with the current reforms and work patterns in the world of work at all levels and at the same time align them with this Governments Medium Term Development Plans and

Strategies. To achieve these changes, it has increased its staff to 492 personnel, spread across its 5 mainstream programs and 7 statutory offices.

The Department is also focused on reforming it underlying legislation, policies and regulations and set them in the directions of the Department's mission to facilitate a national labour administration framework, servicing the needs of all employees, employers and workplaces in ensuring fair, safe, and productive work, industrial cooperation and national human resource development strategies that meets current and futures needs and to meet the current changing global trends and demands, and the national Governments Medium Term Development Strategies and Plans to improve efficiency in the provision of labour services.

The Department, under is Law and Reform priority program, commenced the review and updating of four of its core outdated pre-colonial labour legislations to bring it in par with present day social and economic developments of PNG to be progressed to Parliament.

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In 2013 Parliament passed the amendments to the Restricted Employment Visa or REV, which is now implemented countrywide, assisting a lot of companies and businesses, notable being the mining exploration gas, petroleum and the extractive industries to fast track work permits and allow this flexibility for foreign specialised skill needs. That Restricted Employment Visa was used as a vital component under the foreign employment and migration laws with the intention to exempt certain classes of skilled foreign workers from the normal application requirements for work permits under the *Employment of Non-Citizens Act 2007.*

Mr Speaker, it is also applied in an emergency case where urgent work or services are required by businesses and companies especially in the construction, mining and petroleum and in provisions where experts cannot be assessed locally.

Mr Speaker, the application of the Restricted Employment Visa came to effect as of 2 January, 2015 and with the Restricted Employment Visa now in operation the Department is reviewing its other laws starting with the *Industrial Relations Act* 1998 and the *Industrial Organisations Act* 1956. This review will include the amalgamation of the *Industrial Relations Act* and the *Industrial Organisations Act* with the *Public Service and Teaching Service Conciliatory and Arbitration Act.*

Mr Speaker, these four acts deal with employer and employee relationships therefore these acts will come under one bill to be known as the *Industrial Relations Bill.* The intent of the review is to have a one national dispute settlement system to deal with workers and employers, workplace grievances and disputes so that industrial disputes are expeditiously dealt with and settled to avoid work stoppages, costs and time lost in productivity.

Mr Speaker, the two dispute settlement systems the Public and Private Sector that we currently have been very costly, time consuming, lengthy and uncoordinated with varying inconsistency. The new system will deal with all sector industrial disputes, economise on cost effectiveness and easy to administer and also form and be part of the organic dispute resolution process under the PNG Court System in cases of appeals in matters of law or facts.

Mr Speaker, the second law under review is the *Employment Act* 1878 to be known as the *Employment Relations Bill.* The *Employment Act* is the primary and fundamental labour law that administers the basic terms and conditions of workers in Papua New Guinea. The review will introduce new workers protection and provisions such as maternity protection for female workers and paid parental leave, place minimum allowable employment benefits, child labour protection and to harmonise with other relevant PNG Laws such as the *Public Service Management Act*, the *General Orders, Lukautim Pikinini Act, Social Security Act* and others.

Mr Speaker, also under review are the *Occupational Safety and Health Act* 1991 and the *Workers Compensation Act* 1978. The two acts deal with workplace injury and that benefited administration are both workers protection laws, one is preventive and the other curative respectively. It is intended to minimise workplace accidents, see increase capital and incapacity benefits and to place the duty of care with the employers to administer and strengthen safe workplace environment for workers.

The hoarse legislation is also intended to be harmonised with other laws such as the *Mining Act, Petroleum Act, Gas Act* and *Health Services Act.*

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Mr Speaker, the outdated and weaknesses in the above legislations had hindered and incapacitated, the effective enforcement and compliance in our inspection services and challenges faced, and therefore these law reforms are necessary, to enable the Department to effectively carry out its mandated functional responsibilities in labour services delivery.

Mr Speaker, capacity building program is the second priority program of the department and will be the vehicle for increased and improved delivery in labour services throughout Papua New Guinea.

The department currently operates out of rundown and small confined provincial offices with inadequate resources, undertrained and under skilled staff which had been our real challenge. These are major constraints faced in effectively implementing and delivering our services and the department is addressing it under its capacity building rollout program project.

Since the commencement of the project in 2014, the department has reopened in Manus, Kerema, and Buka which were closed in 1990s. Kimbe, Mendi and Mt Hagen Officers were renovated, whilst Kundiawa and Kokopo offices were relocated and will shortly open office in Hela and Jiwaka Provinces.

New offices and institutional staff housing projects will shortly commence for Popondetta and Kerema once the contractual processes are completed.

Under this project, we plan to establish office in all the Provinces and to eventually extend it right down to the Districts so that the Departments services can be easily accessed throughout the country.

Mr Speaker, on that note, I take this opportunity to thank the Governors and provincial administrators of West New Britain and Western Provinces for their budgetary support in co-funding the Departments capacity building program and their commitment to work together on the roll-out programs in their respective provinces.

In the same token, I wish to extend the invitation to the other Governors and provincial administrators to partner and work together with my Department in the capacity building program in their respective provinces, so we can deliver labour services to the people with ease.

Capacity building in the occupational safety and health function is a major component of the project to modernize OSH and Industrial Safety services in PNG. This will cover, high tech training and up skilling of safety officers, purchase of safety equipment for inspection purposes. The component also covers the promotion and making awareness on changes in the new OSH proposed law, and especially on employer's duty of care, leading to increased productivity.

Mr Speaker, Human Resources and National Skills Development is the third priority of the Department. Under this priority, a facilitative and coordination Service Transition from

learning institutions into workforce will be developed and established to be known as the National Skills Development and Training Authority (NSDT A). NSDT A will be a one National mechanism to facilitate, coordinate and link from learning institutions to industries and onto the labour market.

We all value human resourced development and training of PNG nationals professionals, as key drivers and agents of change, and be leaders in their respective field of work, and this calls for relevant partner ministries and agencies to work together with my Ministry, to harness this pathway for training and development of our human capital development.

Mr Speaker, since taking office, I have noticed that, Human Resource Development (HRD) and Training of our nationals, are being done in fragmented and uncoordinated manner, with relevant key ministries and institutions, working in isolation from each other. We need to work together to address collectively the training and skills needs for PNG, given the high unemployment and PNG's emerging aging workforce.

Mr Speaker, the strategic directives in human resource development calls, to have a 'cohesive national strategy to training and skill nationals for industry needs under the MDTP and Development Strategic Plan 2010-2030 which the department is addressing in the establishment of the National Skills Development and Training Authority.

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One of the key issue and concern is that there is no one overarching and an all-inclusive National Skills Development Policy, and to have a fully mechanism to enable transition of school leavers into the workforce. This policy direction dilemma has been the major contributing factor denying guidance in promoting employment opportunities for our nationals.

Mr Speaker, PNG national's qualification recognition for employment purposes need to be bridged between the middle Technical Vocational Education Training (TVET) and Higher education where the bulk of the school leavers are in. And to be addressed collectively by responsible ministries including my ministry. These therefore calls for a concerted and collaborative efforts to build strategies with clear policy directives to address this situation with other relevant ministries of education, higher education, science, research and technology, the Department of Personnel Management, National Planning and Monitoring and other stakeholders.

Mr Speaker, the department has taken steps to address this situation and have entered into bilateral agreements with the Republic of Philippines in the establishment of PNG National Skills Development Training Authority as a national mechanism, similarly to the Philippines' Technical Education and Skills Development Authority. A national mechanism and policy modelled to establish the authority to drive developmental programmes in skills development and training as per the NEC approval in 2013.

Mr Speaker, the strengthening and increasing compliance and enforcement labour inspection is the fourth priority for 2016. Under this priority the department has refocused in coverage and effective methods of approach to conducting inspections on a holistic approach, especially to coincide with the due dates of the statutory fees to collect this non-taxed revenue towards supporting the National Budget.

Under this priority, Mr Speaker, it will also update and modernise the labour workforce participation data including data of skilled workers.

Mr Speaker, APEC Human Capital Development Policy drives in the human resource development and education factor is the fifth priority programme adapted and included. The year 2018, is the year of APEC for Papua New Guinea and as the host of the APEC Leaders' Summit, all government agencies and private sector organisations are working together towards achieving this event. The Department of Labour and Industrial Relations had been tasked to take the lead role in the sectorial committee to the main committee on APEC policy issues right.

Coordination in the national policy issues in the human resource development and education with the Department of Higher Education, Research, Science and Technology, Department of Education, Department of Personnel Management, Department of Community Development and PNG National Training Council as members to the committee.

As work in progress the draft National Framework and Plan on Human Resource Development 2016-2018, linking all sectoral priorities in human capacity development policy agenda to further APEC connectivity priorities on people-to-people connectivity and cross border has been developed for the endorsement of the National Committee on APEC Policy Issues, which will be a guiding map for human resource development towards the holding of the seventh human resource ministries meeting. A lead up meeting to the leaders' summit as one of the key deliverables.

Mr Speaker, it is therefore important that all agencies collaborate and work together on this programme.

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Mr Speaker, PNG can benefit enormously under the BOGA goals and the leaders declaration on connecting Asia to the Pacific. PNG as an APEC Member country is obliged to pursue further in strengthening our relationship in trade in investment relations and to achieve regional economic prosperity and developing human capital and achieving the benefits under the BOGA goals, declaration and action plan in 2014-2018 on human capital and the 6th APEC Human Resources Development Ministerial joint statement 2014 adapted in 2014 in Hanoi, Vietnam.

Mr Speaker, at the National front it is sad to say but I must inform this House that Papua New Guinea does not have a National Employment Policy and needs to develop one immediately given the increasingly high unemployment rate in the country.

The Department in 2015 started the ground work to develop PNG's first National Employment Policy to be an over aging and all inclusive policy with assistance from our partners, the International Labour Organisation Regional Office and jointly with the Department of Prime Minister and National Executive Council, Personal Management, National Planning and Monitoring, Trade and Industry and our social partners PNG Employers Federation and the Papua New Guinea Trade Union Congress.

Mr Speaker, this Policy will address high employment, under employment and , encourage and promote job opportunities for job seekers covering all employment sectors including small to medium size enterprises where there is potential for job creation to minimise the high unemployment.

Mr Speaker, PNGs current employment base is narrow because its focus is only in the formal sector which needs to be expanded to include the other sectors, such as seasonal workers, labour mobility domestic and abroad, contract workers, self-employment and the unregulated informal sector of employment. An NEC submission seeking approval to establish a National Task Force Technical Working Group is before the NEC. When NEC endorses it a nationwide consultation will be carried out to gauge views of the public stakeholders and focus in this National Policy Development Drive. The Department will report back to the NEC its findings and policy recommendations for approval early 2017.

Mr Speaker, apart from the four priority programs the department continues to implement its ongoing core mandated function roles and responsibilities. Its main function roles relate to enforcement of compliance, inspection on work permits, minimal wages, terms

and conditions of workers, industrial and occupation of safety, workers injuries and death and others have not been effective mainly due to capacity issues and legislative witnesses and therefore face challenges in implementation of its annual work plan.

Let me begin with an issue that is taking place at the fore front at this time, the abuse of short-term tourist and business visas and work permits. The work permits and visas are two completely different issues under different legislations and departments, the visa issue comes ,~ ~,,~, .;, under the jurisdiction of the Immigration Department, while work permits come under my department however as a core functional ministry I highlight it as a national issue which requires both department to address it.

There are a lot of foreigners entering the country on short term business on tourist visas, during their short stay here they are finding and grabbing visa job opportunities, thus in the process abusing our labour laws. We as a government must deal with this deliberate ~'"~. defaulters, evading and abusing the processes and finding job opportunities and securing them without having to apply for these visa jobs through the normal process which is to apply after they have acceded the country. The difficulties in enforcing has always been as some of these foreigners enter the country with intent and are protected by Papua New Guineans in high positions and bilateral and multi-lateral arrangements with no inputs from my ministry gauged the enforcement capacity of the department inspectors.

Mr Speaker, with regards to work plan permits, let me inform this House -

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With regards to work permits, let me inform this house that, there are four types of work permits being issued. These are: 3-6 months for short term.

12 months for standard contracts, 3 years for long ordinary work permits and 5 years for good corporate citizens.

The five year good corporate citizens work permit is given to employees of companies and corporate agents who continue to comply with the requirements relating to foreign employment and other labour laws who are recognised and given a good corporate citizens awarded annually.

The overall administration of the foreign employment work permits system contributes enormously towards the creation of employment, training and skills development by bringing in skilled non-citizens into the country, who then impart knowledge and skills onto PNG nationals.

The turnaround time for a foreign worker to obtain a PNG work permit is less than ten working days provided that all requirements are met.

Mr Speaker, the Labour Department has been regarded as a service oriented department; however, I have corne to realize that it is a socio economical department that has a crucial role in investments decision, in terms of revenue generation under its various legislations.

Having said that, the Department raised and co llected approximately K 19.3 million in 2015 year, in statutory fees and penalties, mainly in work permit fees and penalties and industrial safety, explosives and inflammable liquids licenses and fees, towards the Government's National Budget.

Mr Speaker, the other important program the Department runs is the much talked about seasonal workers program.

Since the inception of the seasonal workers scheme as a pilot project back in 2011, the Department with the full backing of the Government pushed for medium to lower classification visa jobs in labour mobility participating countries. In a small but a significant way, we are already exporting rural PNG workers to work in Australia's Pacific Seasonal Worker Scheme; and New Zealand's Recognised Seasonal Employer (RSE) Schemes. These workers have remitted back horne, approximately K2 million.

To date, we have sent a total of 288 rural PNG workers, 169 in Australia and 119 in New Zealand under the 2012 bilateral MOU between Australia - Papua New Guinea and Inter Agency Understanding with New Zealand, Ministry of Social Innovation and Employment in 2013. The MOU with Australia was due in 2015 and will be reviewed this year and New Zealand will be due for review in 2018.

The March Ministerial Forum in Canberra, this year outcome, paved way for the scheme to expand to semi skills in tourism hospitality and livestock, especially in up north Australia. Whilst the New Zealand RSE, has seen increase in numbers in 2015, with proposals to extend this to fishing as pilot and construction under the Canterbury earthquake destruction rebuilt.

Mr Speaker, the Melanesian Spearhead Group leaders also signed a MOU in 2012 in Fiji, on the skills movement scheme within the MSG member countries and the MOD will be reviewed this year. The administrative processes for issuance of MSG workers work permit against occupations that are in shortage within the MSG, workers work permit against

occupations in the open category and to enable MSG skilled worker movement is in place for trial.

Mr Speaker, service delivery comes with its challenges and constraints on implementation, which must be addressed and managed, and the Department is no exception. Since my appointment, I have identified some major constraints and impediments which have affected that Departments progress over the years and some of these are, that it is administering outdated Labour Legislations approximately 95 per cent of the core Labour Laws are not in part with current industry economic and social development, the labour policies, instructions and the guidelines are also outdated and weak, not conforming to current changes in the world of work.

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Mr Speaker, the other major impediments is the capacity issues in all the provincial offices in the department operates in are rundown and congested, and at head office are scattered in five building across the city, and now as I'm speaking now we are relocated at our new building just outside the John Guise Stadium.

Adding on the dilemma, a significant percentage of the officers, are ageing officers and a most of the young recruited officers lack the knowledge and skills as professional labor officers. This is a critical problem for the department as it does not have a succession plan for the department to address it.

Mr Speaker, having identified the above issues and as a way forward, the department will be undertaking the following measures to address these operational issues and concerns. The above issues and has a way forward the department will be under taking the following measures to address the operational issues and concerns.

Mr Speaker, the departments cooperate plan will be reviewed to adopt a5 to 10 years, plan, to be reviewed, to be reviewed periodically, with achievable strategic directives and set shots, medium and long term objectives and targets, with a sound and functioning organization and management structure with adequate and increased staff strength as part of .the corporate plan for implementation.

Mr Speaker, the reviewing and modernization of labour laws will continue, to make the laws to meet the challenges in the changing world of work, managing labour relationships, occupational and industrial safety and in workers protections to be in par with the global expectations.

Mr Speaker, the capacity building program will be vigorously pursued to improve its Provincial and regional offices and equip them with modern state of art office equipment, and improved institutional staff housing increased with training and skilling its officers to effectively deliver its services.

The department will also encourage and engage in having more and increased collaborations, consultations and interactions with relevant government departments, Agencies and stakeholders and increase and improved Provincial services, by way MODs to be entered into with Provincial and districts Administrations, as partners in maximizing labour service delivery.

The department will in consultation and collaboration with its development partners and line government agencies develop PNG's own Employment Policy in Human resource ~" ' Development and training, that is overarching and all inclusive, with objective to create and expand employment base towards creating more employment opportunities for PNG nationals.

Mr Speaker, And at the same time establish the PNG National Skills Development and Training development that is responsive to the PNG Labour Market demand and industries needs with objectives to export labour. Job hoping by foreigners and foreigners entering *"J..;;* through Business and tourists visas, ending up working, violating conditions of work permit issuances are on the rise. With advances in technology, and challenges now faced, the department has seen rise in fraudulently issued work permits.

Mr Speaker, the department will be taking steps to address these areas, such as building in additional security features in work permits, and empowering inspectors, strengthening infringements and monitoring processes and increase penalty fees under revised amendments to the Employment of non-Citizens Regulations.

Mr Speaker, the department will come down hard on those foreigners who abuse the tourist and business Visas. The department will set up a new Inspectorate Division which will see to the implementation of its annual compliance and enforcement and compliance of labour inspections and investigators for effective enforcement and compliances of labour inspection services, and to ensure employers follow labour laws.

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The Department of Foreign Affairs and Immigrations and my Department through partnership. and collaboration between immigrations and work permit functions need to

develop an information network in the realignment of processes and sharing of electronic data and information on the only to read bases to address the long delays in processing work permits and visas and most importantly in monitoring compliance andabuses.

Mr Speaker, in conclusion, as I have stated earlier, the Department has a vital role to play in terms of socio economic developments, economising and capitalising on its full potential capability and is working towards, achieving measurable results and outcomes from these impact developmental activities such as the labour laws reforms and capacity building program of the Department, strengthening of its enforcement and inspectorial services and completion of the national employment policy for Papua New Guinea and other functional activities.

The Department, however, needs cooperation from other Government Departments, provincial authorities and stakeholders to ensure that these changes and impact activities are implemented and outcomes achieved.

Finally, my Ministry is fully committed to implementing our government policies and bringing services closer to our people with rural people being the focus.

Motion (by **Mr James Marape)** agreed to-

That Parliament take note of the Paper and debate be adjourned.

Debate adjourned.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari-Pori - Minister for Finance) - I ask leave of the Parliament to move a motion without notice.

Leave granted.

SUSPENSION OF STANDING ORDERS - REARRANGEMENT OF BUSINESS

Motion (by **Mr James Marape)** agreed to-

That so much of the *Standing Orders* be suspended as would prevent the Minister for Treasury presenting a Supplementary Appropriation Reduction Bill, 2016.

SUPPLEMENTARY APPROPRIATION REDUCTION BILL 2016

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Leave granted to move the second reading forthwith.

Mr PATRICK PRUAITCH (Aitape-Lumi - Minister for Treasury) - I move-

That the Bill be read a second time.

Mr Speaker, it is with great honour that I present to this honourable Parliament and the people of Papua New Guinea the 2016 National Supplementary Budget.

There has been considerable speculation about the need of 2016 Supplementary Budget due to global events that have impacted Papua New Guinea since the 2016 Budget was brought down last November.

Mr Speaker and honourable Members, the first 6 months this year has been tough for many economies and Papua New Guinea has been no different. Certain gains in the global economy has been overshadowed largely by Great Britain's decision to exit from the European Union and the lingering subdued economic recovery in advanced and emerging economies.

Movement in commodity prices continue to guide development in the global economy in 2016.

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Mr Speaker, the impacts of us is that prices of our key export commodities especially oil has traded below the 2015 Budget assumption and we are not alone in having underestimated the extent and length of the lower oil price.

In its latest Flexile Publication, Global Economic Prospects, the World Bank: Forecast world economic growth this year would total 2.4 percent or as the report put it and I quote roughly at the same inspired state or pace we experienced last year unfold.

Mr Speaker, therefore we must remain cautious on the pace of recovery in the Global Economy remain slow and steady.

Mr Speaker, on the state of the economy, with these as the Global Economic Landscape let briefly discuss the key outcome of the 2016 mid-year economic and fiscal outlook report.

Mr Speaker, while the medium term outlook for Papua New Guinea economy is positive, our GDP growth in 2016 has been revised downwards to 2.2 percent from the 2016 budget projected of 4.3 percent.

The Non-Mining GDP growth is also expected to remain positive but moderate slightly to 2.6 percent against the initial projected growth of 3.2 percent. The exchange rate is projected to weaken against US dollar by 9.1 percent and Australian dollar by 12.6 percent and the inflation is projected to increase from 5.7 percent to 6.6 percent.

Mr Speaker, the revised growth projection of 2.2 percent for 2016 is likely due to time lack effect of the impact of our economy of external factors such as the EI Nino, weather phenomenon which brought drought and frost simultaneously to our large agriculture base, as well as continued low commodities and foreign exchange in 2016.

Notable sectors that have experienced a slowdown in growth are the mining and quarry, the manufacturing sector and the wholesale and the retail sectors. Growth projections in this particular areas have been revised down and it is hoped that the uptake in the second half of the year will sightly improve to complement modern economic growth in the agriculture, , fisheries and forestry sector.

Some of these factors that influence the downfall of economic activity is the first half of 2016 will ease in the second half. Foreign currency will be available in the return of operations by Ok Tedi in March of this year and the drawdown of the credits with first grants of K200 million syndicated loan facility in early August which will go a long way in clearing the foreign currency backlog.

Mr Speaker, inflation in 2016 is expected to be 6.6 percent, higher than the estimate 5.7 percent. The increase will account for the higher then expected 2015 inflation outcome of 6

percent. The gradual depreciation of kina against our major trading currencies and the anticipation of a gradual recovery in commodity prices especially the crude oil.

Mr Speaker, let me now touch on the fiscal operations of the first half of 2016 as outlined in the 2016 midyear economic and fiscal outlook report by the Department of Treasury. The 2016 midyear fiscal results shows a deficit K624. 8 million or 0.9 percent of the GDP bringing the total outstanding debt level to K19.7 billion or 28.8 percent of the GDP.

Total revenue on grant was K4.2 billon for the first six months which will result in a revised projected annual income of KI0.7 billion compared to the 2016 budgeted income of K12.6 billion.

Mr Speaker, this is equal to an income reduction of Kl 886 million against budgeted revenue which could potentially increase our plan deficit from K2.1 billion to K3.9 billion for 2016.

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Mr Speaker, we entered into this year with a K2. 1 billion deficit and with the K1.88 billion shortfall in income, we have a deficit ofK3.9 billion to fund our current 2016 National Budget. Therefore Mr Speaker, as a Government we have taken the required adjustment to ensure that our planned deficit remains at the Budgeted level of 2. 1 per cent or 3.8 per cent of the GDP.

Mr Speaker, this Supplementary Budget seeks to implement this adjustments.

Mr Speaker, in light of the prevailing income outlook, the O'Neill- Dion Government is committed to restoring the 2016 Budget through the Supplementary Budget a prudent responsible and sustainable fiscal part for the remainder of 20 16 and beyond.

Mr Speaker, this government has always been in control of the country's fiscal affairs, demonstrated last year when we introduced the 2015 Supplementary Budget which resulted in a fiscal deficit of 3.9 per crescent of GDP for the 2015 Budget even though there had been wide spread expectation that the deficit would end up as a double digit figure. We have maintained that level of strategic fiscal control in the first six months of this year.

Mr Speaker, many commodity dependent exporting economies have been hit hard by the fresh prices, are experiencing slowing growth widening fiscal and external deficit and some combination of exchange rate depreciation and decline in foreign reserves. We are no exception but how we have responded to this external shock was highly commended by

leading global financial institutions and ranking agencies. The total expenditure and net lending up to June 2016 amounted to K4.8 billion which is 32.2 per cent of the anticipated total Budget for 2016. This low level of expenditure to date is largely due to government prudent management of warrant releases in response to significant short falls in revenue in the first half of this year. The courses, release of warrants and prioritisation of expenditures remain crucial under declining revenues in order to minimise pressure on Government cash flows and ensuring the 2016 Budget remain on a sustainable part. The priority expenditures were focused on the essential services like health, tuition fee, free education, law and order, key national infrastructure and preparation for the 2017 General Elections.

Mr Speaker, I now turn to the 2016 National Supplementary Budget. The 2016 Supplementary Budget comprises of adjustments that include both expenditure saving measures of K928 million and additional revenue raising measures of K958 million. The 2016 Supplementary Budget is focused on a policy of fiscal consolidation, identifying productive and essential expenditure in order to safeguard expenditure impacting low skill jobs and development enablers such as health, education, key infrastructure and law and order.

Mr Speaker, in this context the adjustments were implemented strategically to ensure that economic growth is maintained, the implementation of the key national infrastructure projects are maintained, jobs are protected and the delivery and quality of basic goods are and services are not compromised.

Mr Speaker, to guide this process following key performance criteria were applied for refocusing capital expenditure or PIP and the other development projects. These were projects with a relatively high rate of disbursement and projects with donor counterpart financing as they tend to have a high rate of disbursement and are focused on development enablers.

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In addition, Mr Speaker, the Supplementary Budget also aims to limit expenditure on non-productive capital expenditure as much as possible while safeguarding expenditure on maintenance.

Furthermore, Mr Speaker, key policy platform priorities such as Tuition Fee Free Education, Free Primary Health Care, the 2017 Election and the APEC preparation and statutory funding remain unaffected.

Mr Speaker, the 2016 Supplementary Budget identified expenditure saving measures for the following operational items across all sectors in areas such as; travel, hotel accommodation, training, conferences, hire cars and hiring of new foreign and local consultants across all central, provincial, districts and local level governments. With the adjustment of K928 million, the revised 2016 total expenditure and net lending now amounts to K13, 834.6 million.

Mr Speaker, to support this expenditure adjustment, the Supplementary Budget will also undertake revenue raising measures that include dividends from the State-owned enterprises and statutory authorities and an asset realisation plan focus and its sale of indirect equity to the PNG LNG Project area landowners. With the K9548 million from the additional revenue measures the 2016 revised total revenue and grants now amounts to Kl1, 722.l million.

Mr Speaker, this returns the 2016 Budget to its original fiscal anchors of a deficit of K2, 112.5 million or 3.8 percent ofGDP and Debt to GDP Ratio of28.9 percent ofGDP.

Mr Speaker, and Honourable Members, in conclusion, this fiscal adjustment that the O'Neill-Dion Government is undertaking is necessary to show the international markets and the private sector that this governments is taking the responsible, prudent and sustainable approach to address wider global stock. We believe that these series of actions will give confidence to our domestic and international communities to continue to invest and be meaningful partners in providing more opportunities and prosperity for our people.

By tabling the 2016 Supplementary Budget in August our key stakeholders, the private sector and development partners will be able to plan their adjustments in line with the government intention and corrective policy measures.

Mr Speaker, as I speak, my department and the Department of National Planning are conducting second quarter budget reviews. Whilst there are further lessons to be learned, there are encouraging signs that some agencies and departments for the first time in a long time are making concerted efforts to manage their priorities and achieve as much as possible given their budgets.

Mr Speaker, the message is clear, we have to live within our means and weather the storm.

Mr Speaker, this Supplementary Budget sets the basis for the fiscal framework for the 2017 Budget. The medium term fiscal part is to return the budget to surplus in 2020. The government has and continues to conduct its fiscal policy within this medium term

framework. A number of corrective measures that we have introduced in the 2016 Budget are being implemented and will be continued in 2017. These include corrective measures to expenditure size such as amalgamation of departments and agencies, freezes on recruitment an addressing personnel emolument costs, and corrective measures to revenue size including continuing our efforts on compliance to tax and administration and compliance and reviewing a range of excise charges and fees.

Mr Speaker, and Honourable Members, I commend the 2016 National Supplementary Budget to the Parliament.

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Mr BlRE KIMISOPA (Goroka) - I move-

That the Parliament take note of the Paper.

Mr Speaker, this side of the Parliament has provided an alternative view in terms of where the fiscal landscape is.

Mr Speaker, in a nutshell we were advocating a cessation of borrowing so that we can bring the Budget back to order and also proposed a number of things. Nevertheless, in actual fact, we were proposing to get out of the usual trend of borrowing within the domestic market and advocate for small concessionalloans overseas to bring the Budget into order.

Mr Speaker, I will make a few brief comments about the Budget in general about the Supplementary Budget and I am taking my queue from the published report, the Mid-Year Economic Fiscal Outcome, 2016.

Mr Speaker, it would appear to me that for a country of our size and history and that if there is any lesson that we can learn then perhaps we could look at the Good Book and learn from the story ofJoseph the Prince of Egypt.

Now, Joseph had seven years of plentiful and seven years offemine. His seven years of plentiful he was essentially saving and he developed a savings culture where when the femine came, Mr Speaker, he was able to feed the population and also to be able to trade. That is an example that we could learn especially in this country.

Mr Speaker, if we go on a path of debt and deficit and trying to fund the Budget deficit by continuous borrowing we will short change ourselves in the medium term and also the long term.

Mr Speaker, in the absence of our Sovereign Wealth Fund 5teh ability to prevent external shocks in the event that the commodity prices come down to be able to maintain domestic consumption. If we had a Sovereign Wealth Fund we should be able to mitigate all of that. We should then be able to support the Budget and consolidate the exchange rate and also give confidence to private the sector in terms of via foreign currency situation in the country. Therefore, they should be able to access foreign currency and to be able to pay for goods and services overseas and to be able to maintain some order in terms of pricing right across the board.

Mr Speaker, the Medium Term Fiscal Outcome is quite clear in terms of inflation. If you look at 2011, we started roughly at about 4 percent. We are tracking on an upward trajectory roughly projected for 2016 at 6.6 percent and I suspect that by the end of the year we could go up to 6.8 or 6.9 percent.

Mr Speaker, it is quite obvious that household consumption especially basic goods right across the country that the prices have gone up. To bring this argument a little bit closer to home, Mr Speaker, the price for 1kg of Trukai or Grassroots rice is selling roughly at about K6 for one. As for your lamb flaps if you are looking for meat supplements is roughly about K22 in Port Moresby per kilogram and that has gone up quite substantially right across the country.

In other words, Mr Speaker, everything as far as consumption I concerned in this country has gone up. It appears to me, Mr Speaker, that we have lost control of inflation. It has been trending upwards and our people are feeling the pinch and it would be appropriate if we introduce inflation targeting in terms of our estimation and projection to define what is the actual inflation target we are aiming for. This is so that we bring some normalcy in terms of pricing right across domestic consumption whether you are about meat, rice, tinned fish or white goods because we need to have control over that.

Mr Speaker, the Kina, as projected in the Medium Term Fiscal Outcome has been sliding against major currencies. So, whether you are trading in Philippine Peso, Chinese Renminbi, US Dollar or Australian Dollar the PNG Kina has substantially slid. It has come down and made it practically difficult for us to do business abroad.

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Mr Speaker, it would appear to me if we could move in a path where we would consolidate our debt. What is on the Government books and what is carried by our respective

SOE. This is our view that if we can consolidate all our debt and perhaps put in a strategy to amortizing all our debt, at a concessional borrowing we can bring some order back into the physical landscape.

If we are going to go down on debt and deficit, it is a dangerous trend. If you continue to go on debt and deficit there is no stopping. Unless off-course you realise that the prices of goods are going up. The kina is coming down and also the availability of foreign currency is not there. Businesses are finding it difficult. If you are not reading the middle passages of both dailies; the post courier and the national where all the mortgage sales are being put up. Businesses are asked to reconsider their loan delinquencies and so forth.

Mr Speaker, broadly medium term economic physical outcome, if there is a message that is telling us, we need to consolidate. So perhaps we can start by consolidating that position.

If we can do that we can at least send a positive signal. We have to live within our means and agree with the Treasurer. He is absolutely right. The timing of the introduction of the supplementary budget is part of good governance as required by law and the *Fiscal Responsibility Act.* I commend the Treasurer.

But the clause of the matter coming from the medium term fiscal outcome is basically asking us to consolidate. We can have an argument about the debt to GDP ratio but the international donors have a way of calculating that debt to GDP ratio. They are suggesting that we step up our management limits.

We can do ourselves considerable service by consolidating our debts and what is on our books and what is not on our books. And perhaps determine for ourselves ideal time in terms of amortizing our law

Mr Speaker, on the SOE, we are advocating a 73 percent return of the dividend on the profits then we are asking a lot in a very difficult time. And the power rates and telecommunication rates will not come down.

Perhaps this is the time to look at some of the things that we have been advocating, instead of enforcing a 70 percent return on dividend, we should slice it by half and come down to perhaps 35 percent, so that we can give enough space to our SOEs to make the capital investments they need to make.

Mr Speaker, the government is advocating to balance the book in 2020, in other words income equals expenditure by 2020. We did change the goal post one and hoping that we would balance the budget in 2018, but we are moving forward to 2020. I believe, when you

consider the fact that you are going to roughly spend about a billion kina to host the APEC summit in 2018 that will require considerable amount of money.

In terms of the appropriations that we set for ourselves we have not made significant progress in terms ofreducing our expenditure. We are keeping the appropriations as they are. The Treasurer has suggested a number of cost saving measures in my view are just not deep enough. They are basically little savings only. What we need is a substantial cuts to expenditure to bring it down to manageable levels.

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Mr Speaker, we can go on this same subject and hope that we can have control over the commodity price, unfortunately we don't have control over the setting of the price in the international market.

If the oil price goes down, it's their responsibility. We have don't control but we can have control over the expenditure. We can cut. So we need to send a clear message to the community especially our stakeholders that we can cut expenditure. We can balance the ~ budget. We can deal with inflation from six point six per cent and bring it back down to three or two per cent.

We can have foreign currencies in the bank as much as we like. We can have our business straight again, open more investment, employ more people so that affordability is once more within the reach of our people so that when they walk into a super market, they can buy a packet of lkg rice for K2.00 and instead of buying oxen palm for K12, they can buy it for K5. This is reality. If they want to buy lamb flap they can spend roughly around K350 per carton. Per kilogram in Port Moresby is around K22. In Goroka is roughly around K18 per kilogram. But we can bring it down.

We can control it and determine what the inflation rate should be and start reducing expenditure, turn the budget around. We should balance the budget so that our people can find it affordable. Business can find it encouraging so that they can make the right . investments and employ more people otherwise if we continue on, we will have no control on some of this things.

Mr Speaker, the only thing that the Members of the House can have control on. I would like to encourage the Government to seriously have a look at that. If we can cut expenditure, it would be great otherwise the message is quiet clear. This is from the Treasury, the mid-year economic fiscal outcome.

Mr Speaker, there is something missing and that is the people's voices. The people must have a say in some of these things. Their issues must be brought to light in terms of how they live, how they work and how they raise their kids. These are some of the things that we need to bear.

Mr Speaker, in the spirit ofbi-partisan we have put out a statement to the Leader of the Opposition in terms of the way we think the budget should be going and it is my firm believe that if we go down the path of deficit, we will run into more obstacles down the line.

The quicker we realise that, we need to stop, take stock of where we are, determine for ourselves what the inflation rates should be in this country.

Mr Speaker, 6.7 is too high. We started at four percent in 2011 and we have been trading upwards. The numbers may be small but the prices of goods out there is real. Mr Speaker, if we can include our people and reason with them where the debt is heading, the debt in my view is alarming. We can still go on and amount a lot of debt as we want. But if the revenue side of the budget does not, if it is running out then we have serious . problems and we need to balance the book quickly.

We need to make every effort to bring the budget back to surplus. Unfortunately, we have missed out on Sovereign World Fund. If we can establish that right away, sooner or later, some of our funds which are kept abroad, if they can be brought back. Mr Speaker, I am confident we can mitigate some of our fiscal challenges in this country. With those remarks thank you, Mr Speaker.

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Mr DON POLYE (Kandep - Leader of the Opposition) - In support of my colleague, I too would like to make remarks with regard to the Supplementary Budget. I support all the points from the Member for Goroka as the Shadow Minister for Finance and Planning.

Firstly, I would like to say that the Supplementary Budget does address a critical area which is correcting a budget that was originally wrong. A supplementary budget is another way of admitting that we did a bad budget in the first place.

(Government Members interjecting)

Mr DON POL YE - And therefore we are now correcting the wrong we did. It is very easy to shout but think about it. If you look at the budget projections that the Opposition gave

compared to those of yours, you will agree with me that the Opposition's projections were on spot.

(Laughter in the Chamber)

Mr DON POL YE - You went on a K13 billion budget but I was arguing that you stay on a K10 billion budget. IF you look at the *Hansard* on my budget reply, its all there. What you have done is exactly what I said would be 12 months ago.

Let us admit that the Government is wrong in its projections. There is no excuse for such mistake. You have admitted by way of a Supplementary Budget and you all should bow in shame. That is the truth and you have just revealed it.

Governments make mistakes like all humans do but if you cover with supplementary budgets every now and then, then something is definitely wrong somewhere. This is not the first Supplementary Budget you have done under this regime. This is the third Supplementary Budget and I believe and mark my word that come November, you will introduce another one because you will have learnt that you will need to cut more down. It is only two months away and I will stand by my word.

Mr Speaker, that is why it is good to not bulldoze budgets and pass them without proper debates. You must listen and take into account debates from both sides of the Parliament and look at corrective matters. Let's work together because budgets do not belong to Governments but rather the people of Papua New Guinea and both the Opposition and the Government. Do you agree, Mr Speaker?

(Laughter in the Chamber)

Mr DON POLYE - I believe that in the future, if you do not want to make mistakes then do not bulldoze budgets. You people in the Government ranks, have you heard of a term called transparency? It means to do something with everyone watching for example, put it on the Notice Paper as an Order of the day so that all of us including the back benchers know exactly when the Supplementary Budget would be introduced. Let us all see and contribute as a Parliament for the good of our people.

We must all know about the figures that you have cut or increased. For example, the Minister for Works is complaining about how his budget got cut by K149 million for capital

expenditure. Why are you cutting capital for road projects? If you did consult all of us here then we would have approached it together. Just this morning, the Member for Kerowagi was asking about his donor road? That is a two-year old committed road, Mr Prime Minister and you better feel ashamed of yourself.

Mr SPEAKER - Leader, can you withdraw your un-parliamentary language?

Mr DON POL YE - I withdraw that but he understands what I am talking about.

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Mr DON POL YE - I withdraw that but he understands what I am talking about through you.

Mr SPEAKER - Be careful, don't become unparliamentarily.

Mr DON POL YE - Yes Sir, I withdraw that and I withdraw it again.

(Laughter in the Chamber)

Mr DON POL YE - So, Mr Speaker, you have made it very clear that debate must be facilitated and you need to do transparent facilitation on the Budget.

Mr Speaker, this is not transparent, you have just taken us by surprise and it's not even here. I would like to ask the Government to take note of this through you, the Treasurer, the Prime Minister, and the Leader of Government Business please it is not a private business that you play close your chest, it's not a Cabinet matter only. I don't even think that some of . the Cabinet Ministers understand the figures that are here.

So, let us please cut that habit of doing things not transparently, the people of Papua New Guinea need to know. Like if you say you are cutting K920 million in this supplementary and you are cutting K69 million from capital expenditure and another K27 million from unissued warrants and all that these are huge amounts of money we are talking about and they were planned and allocated for varies important projects. So, for you to cut, Mr Speaker, I am not saying you should not cut, you are doing the right thing by cutting but you are late you should have done it earlier if you had listened to us and even to do that you

should be consulting with everybody and we know what we should be doing, just like the leader for the New Generation Party and the shadow minister on this side did talk about the people of Papua New Guinea need to know this before it is presented.

That is the second point I raised the strategy must be there in this kind of processes.

Mr Speaker, the third point is that the MY AFO has been being discussed in the first paragraph by the Treasurer but where is the MY AFO? Is there any time that it was presented to this Parliament that I am not aware of? I mean if you are saying that you are picking up some review from MYAFO, we need to know this MYAFO's full report and we need to substantiate your point here and we can believe whether what your saying is true but if there is no MYAFO then it's a bit of a problem.

(Members Interjecting)

Mr DON POL YE - What is published but you need to present this issue on the Floor of Parliament, that is your duty as per the *Fiscal Responsibility Act.* The Members here they ought to know it and not everybody here in Papua New Guinea knows about your internet and website. You go to Kandep and tell one of the - to look up what is the internet and he will tell you is it intercede or they will be confused so you have to tell me on this Floor so I know and I can report to them.

Mr Speaker, the next point that I would like to make-

(Member interrupting)

Mr DON POL YE - Because without this kind of reporting, Mr Speaker, that statement is what I call a political because it is covering up many things because there is no details of report to support what you are saying here, it only giving some figures and we don't even know what it is.

Mr Speaker, the other points is the loans and the ICE that the treasure talks about the - Loan is good I commend the treasurer for mentioning that loan, that's honesty and that's being truthful because we know about it. We know that there was a trip that was made to France and on behalf of the State of Papua New Guinea and the eight million people you did get some loans from that facility and of course you come so know I am happy that at least you are mentioning it in the Supplementary Budget but what about the other loans, where are

they? When will we ever mention them? We have never seen in 2015 Budget and 2016 Budget or are we going to see it in 2017 Budget? Is it in the next Supplementary Budget which I guess it will be doing it in November with a Budget proper, will you present that?

The other areas like the K2 billion that the Government or the State owes the Numbawan Supa Fund, these have to be mentioned so we know the total of public debt that the Government owes to the people of this Nation but they are not here and other Commercial Loans that must have been taken domestically by Government, for instance the State of Enterprise or PNG Harbours Board must have taken a loan from BSP and other areas and they need to be know too because they are owned by the State and this a liabilities we are talking about here.

Mr Speaker, these papers should have those details in there and where I find such very fundamental information about finance and money not mentioning supplementary paper or budget, I feel that it is inadequate and it is not complete.

Let me make one more point that I hear, that there is some areas that the Government will raise some money but I want to raise this question so the Government will see about it because it is quite a fact that in your Budget.

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I have studied your budget although you have bulldozed it on the same day. You plan to raise K7.3 billion through treasury bills and stocks through the Central Bank. Within five months you have raised 85 percent of that which is about K6.6 billion and the remaining six or seven months you will only have about K1.1 billion to raise. Therefore your avenues for raising money are all exhausted. You have got to articulate here where you are going to raise these other monies to finance a supplementary or a reformed budget and this is very important.

Mr Speaker, with regard to APEC, it is only going to be only a 24 hour event. I am proud that such an international event will be taking place here and all the major economics of the world will be coming here and we should be prepare well for it. We need to work together to look at the money that we can use to finance that event. Although it will only be for 24 hours the cost will be huge and our other normal consumable expenditures must also be taken into consideration. We cannot leave it out of our supplementary budget. We must plan it out properly and not make mistakes.

If we budget for other services as such and the APEC on the other then we must not leave ay stones unturned and expect miracles to happen. We must take all bits and pieces into consideration and budget for it all. If we mix up everything then we are going to have gloomy areas in our budget. I therefore would like to see a financing plan for this event here in Parliament. I am not saying something negative or personal all I am saying is that we prepare well for this event.

Finally, I don't think the Treasurer has corrective measures because as I have alluded and in my opinion he will still do another supplementary budget. What he has done is that he has not covered everything. You have given some corrective measures here and there are inadequate. You have put just two points and I think they are inadequate.

You should look at some others that we did articulate in my presentation of the state of economy. You need tougher measures because if we leave it like that and think that this supplementary budget that we pass in Parliament will be enough then we are bound to have tougher times in the coming years. The new government that is coming in will have a hard time trying to deal with the problems that we are going to create today. Even if you guys form the next government you will find it very hard to deal with your own problems. You will continue to say what is not right and mislead the Parliament and Papua New Guinea.

I therefore think that the Treasurer and the Government should have done a little bit more in coming up with more corrective measures. I would like to refer the Government to what I presented on behalf of the Opposition on what we believe should be done to correct some of these situations.

In conclusion, I think the Supplementary Budget is long overdue and it does not cover everything. It has missed out so many fundamentals.

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Nonetheless, in principle a Supplementary Budget can be done to correct the wrong. So, you guys have entered the wrong Budget and bulldozed it through in 2015 for this 2016, but now, you are correcting it in admittance.

Thank you, Mr Speaker.

Mr CHARLES ABEL - Thank you, Mr Speaker. I too would like to contribute to the debate but at the outset I would like to commend the Treasurer and the Vulupindi house team for responding under very difficult circumstances with a short time frame going through the

due process which is publishing a DGS Fiscal Economic Outlook Report before the gun and slashing and making all sorts of changes.

Because, Mr Speaker, we have got a clear strategy. We have started from year one with a clear strategy that deliberately goes into debt to invest into this country. We didn't just decide to go out and borrow and consume and consume as you are alluding to these loans are planned, they are factored in because this country has been struggling for so many years to bring the necessary investment into infrastructure, education and health.

This government has been very bold and deliberately setting this framework, but what has happened in the meantime in this five year plan? And who predicted this collapse in oil prices? Tell me who? Was it the prophet sitting over there? Did you predict what was going to happen? Did Venezuela predict it was going to happen? Did anybody in the world predict that the oil prices would collapse? This has taken K3 billion, Mr Speaker, out of our Budget and no one predicted it.

So, what is the government doing in response? Yes, we are correcting it. We are correcting it because that is our job to do that because circumstances have changed but it is not an unplanned jumping around. We are responding to a set five year plan to circumstances "1. nobody predicted. And, no matter what you say, Leader of the Opposition, you think that you are prophet but you did not predict it.

Mr SPEAKER - Honourable Minister, do not -

Mr Don Polye - Point of Order! In no way in my statement did I predict that I am a prophet.

(Laughter in the Chamber)

Mr Don Polye - But I did predict, based on records I had on the Floor of Parliament like I did 12 months ago that we will face it. Although, we never foresaw a downturn in prices you did see the symptoms earlier on and you could have acted as Minister for Planning, therefore, you have failed, Mr Speaker.

Mr SPEAKER - What is your point of order? Minister, you may continue.

Mr CHARLES ABEL (Alotau - Minister for National Planning and Monitory)- Alluding to that fact that you were saying again and again predicting these circumstances, when in fact, nobody could predict such things.

Mr Speaker, they are unpredictable global situations that have impacted on our country and we as responsible government are simply trying to respond to that. And, if you call that a correction then of course it is a correction. We are remedying our budget because circumstances have come in that nobody predicted including the people in the Opposition.

Mr Speaker, nobody likes to make .....ah? You likes to make .....? Especially, a government like ours that has gone out and deliberately created this envelope.

Mr Speaker, we have created record budgets including going into deficits because we know what this country faces. And we know what has happened in the past in terms of lack of investments but as I have said, we are faced with these circumstances. Therefore, and as such, we have got to respond to them.

We also wanted to deliberately create this expenditure envelop, Mr Speaker, because we knew that the LNG construction site was coming up. We knew that the economy was going to take a hit, jobs would go down and businesses would lose their contracts and so on and that was part of that strategy as well.

Mr Speaker, in terms of these investments that we are doing, and as I said, they are real investments. As the reports start to come through and eth Department of National Planning is trying its best to bring these reports on a timelier basis to the Floor of Parliament. Therefore, you will see that some of indicators coming through that reflects the outcomes of these investments.

Numbers that I have mentioned the other day, just a couple of quick ones, the 86 percent primary school attendance rate, the halving of the infant mortality rate, the disease eradication including the almost elimination of malaria and the great reduction of the HIV / AIDS prevalence rate.

The broadening of our economic base, Mr Speaker, if you read some of the reports including the updating of the PNG National Accounts that were updated for the first time since 2006, you will see a clear broadening of the base away from the extractive industry. These are all outcomes of these investments.

Having said that, Mr Speaker, we also committed to a fiscal pathway that would take us back to a balanced budget as the Treasurer explained. We said that we would go into debt and we would say over a period of time which has been slightly changed but we would turn back

to a balanced budget. That was quite deliberate because we needed to be prudent as well. We need to be prudent economic managers.

Mr Speaker, supplementary budget are brought because parameters of budgets vary to a degree and in this case to a significant degree. And these changes are often completely beyond our control.

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Mr Speaker, they are unanticipated because particularly because the oil and gas prices remain low and we adjusted the 2016 Budget to $54 dollars per barrel but the price of oil remains below $50 Dollars.

As I have said, no one predicted that the oil price will consistently remain at a low level.

Mr Speaker, the remedy which we bring in the Supplementary Budget, attempts to keep us within the Fiscal Responsibility Act, debt to GDP requirements and committed to reducing the Budget deficit on a pathway back to a balanced Budget.

We are trying to do this while at the same time speaking to those very important commitments of the Government in Education, Health and various provincial and district programs, but it is a difficult challenge and I know that our public appreciates all these.

The Treasurer has explained that there is a variation in our revenue and that is a short fall ofK1.886 billion and as a responsible Government we've got to signal at the right time the adjustments to this financial plan to be accurate and give assurance to the public and private sector about the certainty of the Budget.

Mr Speaker, the remedy to this solution includes solution to both the revenue and expenditure where it is not just a single solution for just the one problem. It includes revenue and expenditure cutting measures to make up these shortfall and it also includes financing that we are talking about. Not just the domestic but also some international debt already explained of the terms of the Credit Suisse loan and a proposed Sovereign Bond so we can restructure domestic debt alleviate the shortage of foreign exchange we have at the moment.

Mr Speaker, the flow and aspects ofthe ceasing of the PNG LNG Project, the slowdown in global demand, the huge slowdown in the growth of the huge Chinese economy, the drought and the indirect temporary closure of the OK Tedi Mine as well as the lower than expected revenue flows in the LNG Project of course impacted on the Government income,

depressed prices that have also impacted including the depressing oil palm and coffee prices which are now starting to recover.

Mr Speaker, these have accredited a multiple effect on the economy. It has reduced Government expenditure and it has impacted on foreign exchange reserves and these feeds back also into the economy as well on Government revenue.

Mr Speaker, I just want to raise some quick points in terms of low oil prices, one would expect to come to a positive effect as well through because after all in terms of operating businesses, operating outboard motors right down to kerosene some of these reductions should also see through normal cost of business and that is something that we are looking at and expect a better chance of coming through.

Mr Speaker, the major impact on our Budget would seem to be the rapid decline in minerals and petroleum which has fallen from 40 percent revenue from 2007 to about 1 percent this year.

I explained earlier that this is resulting in a revenue impact of K3 billion per annum out of our Budget.

Mr Speaker, our economy seems to be broadening recently published national accounts showing that the Minerals and Petroleum extractive industry declining as a proportion of GDP 26 percent in 2006 to 13 percent in 2013 and this is on a back ofGDP growth from K25 billion to K48 billion the size of the economy.

The other sectors the non-mining and petroleum sectors like construction, general services industry, fisheries, forestry and agriculture are gaining as approportion of the economy. Which is obviously a good thing and this means that there are good gains in general taxation revenue coming through but there is a large fall in minerals and petroleum taxes.

The windfall we were expecting in the LNG Production which is the basis of much of our expenditure plan is yet to materialise that is related to low gas and oil prices but we continue to meet our obligations and commitments to the landowners.

Mr Speaker, generally speaking in terms of the price of Gold is around $US1300 dollars which is slightly above the Budget focus and Copper is slightly below Budget focus and if we had the operating Mines of Porgera, Lihir, Ok Tedi to come back on line and Ramu Nickle production we need to look closely at our revenue basis.

Mr Speaker what this highlights is our continued situation we are in where we continue to rely on the extractive industry where we try to expand our Budgets on the back of these, ,.. continued susceptibility to global commodity prices to have a Budget predictability.

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The best reaction to this is to continue to build more resilient broader and deeper economy. As I said the result is showing what we are doing.

Some shorter reactions which we are doing Mr Speaker, which is alluded by Honourable Bire Kimisopa is the establishment of the Sovereign World Fund and having a stabilisation fund within that, so that when times are good we can have some savings. When times are not so good we can draw down on our savings and that is intention and purpose of the stabilisation fund within the Sovereign World Fund which this Government has established.

No government has done this including the free education. They just talk about it and when someone else does it they say, they predicted but they did not actually do it. Another possible response Mr Speaker, it to review the Mineral and Petroleum Tax Regime, and make it more production base rather than profit base. This will mean a tax system will operate more like a log export levy or royalty than development levy is that the landowners and the provincial government are entitled to under the respective *Mining and Petroleum Act.*

Mr Speaker, this in combination with the smaller stake equity holdings in resource projects based on free carry will see us with a less burden with more reliable cash flow even when in crisis.

Mr Speaker, the current government revenue whether it be for minerals, petroleum, or fisheries still heavily relies on profit based taxes and profit based dividends. The profit is always arguable and it is much easier to monitor the productions.

This means that despite high production in export sometimes circumstance like this will receipt income to government. In the circumstances that I referred to low commodity prices and project's early life cycle, experiences accelerate depreciation hence, do not declare profit and do not pay taxes.

Mr Speaker, we need to be wary of concessions given to resource projects if it means long leave time before any contributions can be made to supporting our budget, our government's job of building roads and schools, hospitals and investing in sustainable economy.

Mr Speaker, there is many things that we should be positive about. We have some very good projects in hand and our governments is making a consecutive effort to create jobs at certain times. Some of these projects are Pneng and Papua LNG and of course the Waffi Gold project which are progressing very well.

It is also important Mr Speaker, Honourable Kimisopa said we take advantage of concessional funding and grants and we make sure that through our supplementary budgets and the budgets that we continue to fund and fund our counterpart funding which is our obligations for this. We are diligent in our paper work to draw down. The accessible loans are taking advantage of their concession nature and keep our programs rolling to bring in foreign exchange to continue stimulate the economy.

Mr Speaker, this are high times which give us the opportunity to have a good look again at the government operations and make them linear and more efficient especially here in Waigani.

We are pleased to put to the House that the list that the Treasurer put in term of hire cars, accommodation, travel and rental expenses, this is high time and we should seriously look at cutting down on some of these.

Mr Speaker, the requirement of supplementary budget is met and we have to cut the development budget and the Lae projects. It is possible that it will affect those who are not really ready. We should not waste appropriations because these projects are not appropriated significantly. We will try much as possible rather than eliminate those projects.

Mr Speaker, any cuts will always involve pain and we ask the understanding of all those agencies and districts who are affected in this process.

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We really appreciate that understanding and also I thank the Department of Planning for doing that difficult work going through and affecting some 630 million off-cuts to the Development Budget.

Mr Speaker, though we have maintained our Provincial Districts SIPs, and we should all be thankful for that, and all the basis and fundamental underlining costs of Government like personal emoluments, the bringing back of churches health services funding and our operation on the functional grants are intact to keep government essential services functioning. We have to take into account the Elections and our commitments to APEC.

Mr Speaker, all of us have a part to play in our respect Districts and Provinces to ensure that we are spending these money properly has it continues to flow.

Mr Speaker, we are indeed blessed to have this huge opportunity under this government to have access to such resources even in difficulty times and ability of leaders to still continue in our districts and villages to have the means to change the lives of our people.

Mr Speaker, it is very important that we recognise this programme and the efforts of this government to keep the SIP programme running.

Mr Speaker, despite this and our best efforts, we have to acknowledge that we are part of a global economic and we are prices takers and we rely on global prices heavily for our revenue and as such we face these risks when we formulate our Budget. No matter how we like it those risks are still there as we continue to broaden the economic and build up agriculture and fisheries we are still prices takers.

Mr Speaker, I think as a responsible government we are responding properly to these challenges and risks today but we'll continue to learn from these experiences and continue to build more resilient and self-reliant economic.

Mr Speaker, I commend this Supplementary Budgets and thank the Treasurer, the Prime Minister, the whole Cabinet and the Floor of Parliament for your understanding and responsible actions as good leaders to protected the integrity of our budget and our economy.

Thank you.

Mr WILLIAM DUMA (Minister for Petroleum and Energy) - Thank you, Mr Speaker, I rise to speak in support of the Supplementary Budget that was presented by our Treasurer.

Mr Speaker, I totally agree with our Treasurer when he says that this Supplementary Budget has been framed to ensure that we live within our means and then to weather the storm.

Mr Speaker, as you all know Papua New Guinea as a developing country is slowly reliant on component prices and when this Government took office and after it passed the main budget. All of sudden the prices of Oil upon with our budget was framed fell down below 40 US dollars per barrel. Therefore, a number of critics and people who thought that the government did not perform were simply expecting this government to go out and to borrow to the hilt.

Mr Speaker, to the credit of the Prime Minister and the Treasurer, this as we know did ~:~- not happen and we have been consistent in trying to be responsible and discipline in the way we operate our budget.

Mr Speaker, all of us here leaders, we all in our capacity as Ministers or Members have our own budgets to follow.

Mr Speaker, for instance, in my case, when I went through the Supplementary Budget I noticed that there were severe cuts to a number of projects and areas which come under my . responsible as a Minister. For example, the Department of Public Enterprises has a cut of of over a million kina. The IPBe has suffered a cut of K4 million and lists goes on. PNG Power for instance, the Aitape wharf was a recent programme which is in the Treasurer's own electoral as gone through a cut of 10 million, and PIMZ with that important project which will bring development to our country has suffered a cut of 2 million and the lists goes. Mr Speaker, in the areas I am responsible for it totally K36 million plus.

Mr Speaker, and when I worked out the figures for the areas that I was responsible for it totalled to about K36 million plus.

Now, this as you know, Mr Speaker, is nearly an election year and in other countries you would normally see government borrow to the hilt. Not carrying about whether they return after elections or not. They borrow to the hilt and hold the country to ransom. They temporally make their constituents happy and then go to the Elections. But in this case, fortunately, it is not the case, this is a responsible government.

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We have come under so many temptations and even in my case where companies which come under me have suffered a cut of K36 million. If I were a unsatisfied leader, I would have simply argued and pushed for those finance to remain as they are. But again we all have to tighten our belts as responsible leaders.

We all know that when you come up against the US Dollar no currency in this world apart from the British Pound is a match for it. For a developing country, inflation whether you like it or not when you measure against the US Dollar, you don't stand a chance and that it is where we are now.

Mr Speaker, we can go on arguing but this are the realities. When you have a huge drop in the oil prices and when you have a dominant currency in the US Dollar, we don't stand a chance. I therefore think that we are responsible. We have weathered the storm and have not

allowed ourselves to get into temptation of delivering a budget that is designed to make the constituents happy. We have been professional, honest and true to our people and made them realised that we are a responsible government. I stand to support our Treasurer and to pass this supplementary budget.

Mr Speaker, in the case of the SOEs, as we all know, although it is common knowledge that they are ultimately owned by our shareholders who are our people, under our structure, technically and legally speaking, they do not qualify as state. For instance, companies such as Sport Corporation were able to borrow even more than a billion kina to fund its world. None of the borrowings affect the State's budgeted process as opposed to the *Fiscal Responsibility Act.* Even if the State owned companies were to borrow, it would not affect the national budget.

Over the last few months Kumul Consolidated Holdings Limited has been able to negotiate with blue chief finance houses all over the world who have agreed to lend money for most of its projects.

Mr Speaker, that is a strong signal despite what others may say, they are blue blood finance world class finance houses who are prepared to lend billions to companies owned by our people. It simply goes to demonstrate that we shall have our income producing assets that are intact, are still producing revenue and still weather the storms and survive as a country. The fact that blue chief companies such as Credit Suites and Goldman Sacks they have all indicated that they are able and willing to fund even the State owned companies goes to show that we are on the right track. This is a responsible budget.

I can remember they were people predicting that if we were not careful our deficit would go up to double digits. Fortunately for us the fact that we were able to manage our spending it hasn't gone that way. We remain intake and the economy is still strong. I am very sure we will rise up and I commend the Treasurer with this responsible supplementary budget.

Mr PETER O'NEILL (Ialibu-Pangia - Prime Minister) - I too wish to make a few comments and I will not labour on it for too long. I will confine my support to the Treasurer who is doing an excellent job.

Mr Speaker, just for the clarity of the Parliament and the people of Papua New Guinea, I just want to explain a few things about budget formulation and how it is being done.

Since 2002, having being in Parliament I have never seen any budget process that has not been guarded secretly by Treasury, discussions are taking place amongst departmental heads. Even to our level of discussion or the ministerial level comes last of all. These are processes that has been ongoing for over 40 years since our independence. They do not go and consult the Opposition about budgets unlike what the good Opposition Leader is trying to say.

Budgets are key important policy documents for Government and as a result of that it certainly does have a bit of secrecy about it because you don't want to argue about the economic position of the country on the gossip columns in the press on a daily basis.

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Mr Speaker, it does not give confidence to anyone, what it states is that what you present to Parliament must be taken seriously and that the business community, the investors and all the other Stakeholders will have confidence over this.

Mr Speaker, coming to this Government in 2002 under the Somare Government we inherited an economy which was projected to be in supples by the previous government, we on" inherited a government that was a minus 800 deficit and of course the strategy at that time was to try to return to surplus as quick as possible so the good honourable treasurer than which was Honourable Bart Philemon, and let me say that in the last 15 years there has been only four Treasurers in our country and fortunately three of us are in this Parliament and our good Treasurer is the longest serving Treasurer among the whole lot of us and myself and the Opposition Leader are the shortest serving Treasurers in between that.

So, Mr Speaker, so we are quite familiar with the shortages that we have put in place and let us say that when we took Government in 2002, the idea to get back to surplus was there and credit to the good honourable Treasurer than, he ran a very tight ship and as a result we produced so many surplus budgets and had surplus for many years. But at the expense of cutting services everywhere, we virtually shut down departments that were not functioning, we had provinces that were not operating, we had districts that has never seen their government. Yes, we were having surplus budgets and internationally we were looking good, the budget figures were excellent but the reality on the ground was absent.

And that is the fact, and as a result of that when we came into government in 2002, we changed the strategy and that was to get into a deliberate deficit budget and the good Treasurer than was your current Opposition Leader.

When we introduced the Budget that projected a deficit of 6 percent at that time in 2002, when we had the final year outcomes we came under almost 5.9 percent, in 2013 we came under 5 percent, 2014 and 2015 we came under 4 percent, and we ended up with 3.9 percent.

This year this Budget and this Supplementary Budget adjustments are trying to make sure that we continue that decline all the way down but in a structured manner so the outcome that we are projecting for 2016 is under 3 percent deficit for our economy and next year 2 percent and eventually get down to a balanced Budget.

Mr Speaker, we are doing it in a structured manner because we are not trying to cut services that our key policies and promises to our people remain same. We have not cut free education, we have not cut free health care, we have not cut the support that we are going to give to the churches and all our partners but we are continuing to invest in capital works and infrastructure throughout the country, we are still maintaining good support for the JUdiciary and in the Law and Order Sector, we are supporting the districts through the DSIP and there hasn't been any cut, through the PSIP and all the key programs across the country is being maintained because they are producing results today, four years of steady results with a declining deficit that has been coming down.

Mr Speaker, if we continue to stay focus on that track I guarantee you that we will get down to a balanced budget and this is the confidence that even the international partners now understands and it is a strategy that the Opposition Leader himself was party to.

Mr Speaker, all of a sudden there is fear about debt and deficit, even the United State of America, the most powerful nation in the world, Japan has held the most biggest economy in the world, Australia, Britain and most of the countries around the world are in deficit budget. Even though they have got already matured infrastructure, they have got better roads, better hospitals, better schools unlike us and they are running a deficit budget because they need to stimulate their economy.

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Mr Speaker, if we do not invest in infrastructure after the LNG construction has collapsed, you will see more people on the unemployment line than what the Member for Goroka is saying today. The construction investments that we have made in the construction industry all throughout the country, investment that we have made to the districts are keeping people employed.

(Government Members agreeing)

Mr PETER O'NEILL - It is keeping SME's functioning. Yes there are tough times there. There are some businesses that are struggling and that is admitted but Mr Speaker, the global challenges are not new to us, we don't have to have a political grandstanding, it's not the contest of who is brightest and who is the smartest.

Mr Speaker, it is about making our country work and putting food on the table for our people and that is the priority of this Government.

Mr Speaker, the growth projections that the Treasurer is now saying, are close to the global growth projections that has been stated by IMF and the World Bank.

Mr Speaker, that is extra conservatism that the Treasurer is being. I know that we will finish higher at the end of the year. Last year it was projected to be around 6 per cent but we finished at 9.9 per cent. These are independently verified figures of economic growth for the country.

Mr Speaker, you can see that our economy is transforming, since 2011 and 2012, our GDP for the entire country has doubled. So we must continue to maintain prudent management of our economy and of course that is not an evil thing. Many successful countries and companies go into debt to grow their businesses and economies. We have to enter into that. The strategy that the honourable Bart Philemon used was that all the surpluses that we made in 2002 onwards are diverted into paying back all the debts and that looked very good because The debt levels were coming down but we were not investing in infrastructure, the Lae city was in potholes, Port Moresby was viewed as breaking down and all the city around the country was not functioning. I know that now there's is a little bit of improvement in those services, we turn to forget where we were four or five years ago. It's a fact because we are investing in the right sectors and we wanted to continue to maintain that level of activity.

Mr Speaker, one other issue is that, it is quite evident that when we set budgets the Treasury and all the educated and intelligent people in Treasury and everywhere else set this forecast for us. The assumptions they make about commodity prices, when we were experiencing $110 for the oil price, the budget figures were estimated at about $70 per barrel, They reduced it down to an acceptable level so they could counter for any shocks or drops of

any prices and of course if the prices remained high, we were able to raise more revenue that is why we had surpluses.

Mr Speaker, when you have an economy that collapses from $110 price down to $27 per barrel, that is a huge drop in anybody's language and obviously the revenue coming onto the country gets affected, that is why our revenue for this year is down by almost $2 billion, We used to get for mining and petroleum taxes, almost K2 billion a year for PNG, this year we will be lucky if we get K200 million. That is huge drop.

I know there are many fortune tellers around but nobody tells what the global prices will do over time or when the war will be declared in the Middle East. Nobody knows, you and I have no control over that, we are price takers so we have to live within reality.

Mr Speaker, the fact is, the Supplementary Budgets are a necessary tool for us to adjust our budgets. I know there has been calls by so called experts throughout the country calling for Supplementary Budgets or readjustments to happen three or four months after we introduced the Budget. But you have to allow activities of the economy to continue so you have a reasonable assumption. You can't change your budget every day when the prices of oil and gas goes down, you have a long term average, that is why after the mid-year fiscal *Ii* **".** economic outcome were produced by law that it has been published publically by the Treasury Department in June and we are now able to assess how our economy's tracking.

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There is no other way to assess and again, nobody can predict where the economy is going unless you have the figures before you that tells you how the economy is performing.

After that outcome, we have been able to see it and I know that the good Member for Goroka has got a copy of it. He can pass one to the good Opposition Leader but these are public information. Every international donor agencies and every multilateral partners have got access and a copy of it.

And so, Mr Speaker, based on that the Treasurer was able to frame the National Budget and that is what we are discussing today. It is painful because we are cutting some basic expenditures or items that are going to cut costs and limit some of the activities of some of our national departments,

But we have tried our very best, Mr Speaker, to maintain no cuts in the districts, no cuts to the provinces, no cuts to the free education policy and free health policy, no cuts to the infrastructure and I know that the good Opposition talks about cuts to the Works Department.

Mr Speaker, after discussions with the Department of Works and the management there, they have said that these are some of the projects budgeted for this year but will not start yet, therefore, they have been deferred to the next year. That is why we are bringing in the cuts today and not on the commitments that we have made. ADB and all the other partners are working closely and some of these ADB projects will continue.

It is not that we are saying that the economy is not travelling well so you shut down the shop and go for a holiday. The economy is still functioning and still turning over.

Mr Speaker, we have got mines that are now starting to produce well and for mining projects like Lihir and Porgera, where fiscal terms were given to them so that we did not collect much in our revenue for many years. It is only now that they are starting to pay taxes.

Mr Speaker, we are seeing an increase in the revenue that we will get. Also, Ok Tedi will now start paying dividends because it is now becoming very profitable.

Mr Speaker, therefore, the future looks brighter and I think that it is important that we stay close to supporting this.

Finally, Mr Speaker, there has been a lot of talk about inflation and the prices of goods going up.

Mr Speaker, again, the international economy functions itself on the US dollar as the primary currency, and over the last two years the US dollar has been gaining strength against all currencies. We are not exempted from that. That means that the real value of our Kina is continuously going down. Therefore, when it goes down the import costs go up and as a result this has been passed on to the consumers. That is why we are trying all our best to make sure that we buy Papua New Guinea made products only. This is so that we can promote Papua New Guinea industries. We can promote agriculture in PNG.

Mr Speaker, these are areas that we want to focus on as our problem in the past is what we have not learned from the past mistakes. And that is that we have not broaden our economy. We have been overly depended on mining and petroleum so, as a result when the boom and bust recycle goes, we ride with that boom and bust cycle going up and down. So, it is very important that we broaden the economic base and I think that the new reports that are coming out from the National Statistics Office and the new GDP data that the Minister for Planning was just mentioning to you all. Therefore, this is clearly showing that these sectors are slowly starting to carry the economy. That means that we are not overly dependent on mining and the petroleum sector and I think that when we continue to invest there with all the limited resources that we have.

We will do all our best to build those sectors up and you know, Mr Speaker, you can talk about small businesses and things but when you have free education. The school fee savings that the parents have, it is in their pockets. This is saving them and that is an increase in their household income.

When you have the funds going into the districts and provinces like the DSIP and PSIP that means that money is being spent in the districts. Therefore, we have KIa million in the districts and KIa or K15 million in the provinces. This also means that the local businesses are being employed small to medium enterprises to carry out government work in the districts.

Mr Speaker, therefore, money has been translated into key sectors that are starting to produce results. Thus, we must continue to stay on the key policies that we have declared until the Elections so that the people can judge us on the outcomes.

Therefore, I commend the Treasurer for presenting an excellent Supplementary Budget.

Thank you, Mr Speaker.

Motion - That the question be now put - agreed to.

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Motion - That the Bill be now read a second time - agreed to.

Bill read a second time.

MESSAGE FROM THE GOVERNOR-GENERAL

A Message from His Excellency, the Governor-General dated 25th August 2016, was announced recommending the expenditure of public monies in accordance with *Section* 21 *0* of the *Constitution* insofar as the Bill relates to and provides for such expenditures.

Third Reading

Leave granted to move that Third Reading forthwith.

Motion (by **Mr Patrick Pruaitch)** proposed -

That the Bill be now read a third time.

Motion - That the question be now put - agreed to.

Motion - That the Bill be now read a third time - agreed to.

Bill read a third time.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari-Pori - Minister for Finance) - I ask leave of the Parliament to move a motion without notice.

Leave granted.

SUSPENSION OF STANDING ORDERS - ALTERATION OF HOUR OF SITTING

Motion (by **Mr James Marape)** agreed to-

That so much of the *Standing Orders* be suspended as would prevent:

(a) the Parliament sitting beyond 5 p.m. this day, and

(b) the Parliament adjourning on a motion to be moved by a Minister at any time.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari-Pori - Minister for Finance) - I ask leave of the Parliament to move a motion without notice.

Leave granted.

SPECIAL SUPREME COURT REFERENCE

Motion (by **Mr James Marape)** agreed to-

That this Parliament authorise the Speaker to file an application pursuant to *Section* 19 of the *Constitution* to the Supreme Court for a Special Supreme Court Reference seeking to clarify certain constitutional questions raised as a result of the recent Supreme Court decision to recall Parliament for the vote of no confidence to be moved.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari-Pori - Minister for Finance) - I ask leave of the Parliament to move a motion without notice.

Leave granted.

PARLIAMENTARY REFERRAL COMMITTEE ON LANDS AND ENVIRONMENT - DISCHARGE AND APPOINTMENT OF CHAIRMAN, DEPUTY CHAIRMAN AND MEMBER

Motion (by **Mr James Marape)** agreed to-

That Mr Wesley Nukundj (Chairman), Mr Solan Mirisim (Deputy Chairman) and Mr Jeffrey Pesap Komal be discharged from the Parliamentary Referral Committee on Lands and Environment and that Mr David Arore be appointed Chairman, Mr Salio Waipo be appointed Deputy Chairman and Mr Labi Amaiu be appointed to this Committee.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari-Pori - Minister for Finance) - I ask leave of the Parliament to move a motion without notice.

Leave granted.

SPECIAL PARLIAMENTARY COMMITTEE ON ENVIRONMENT, CONSERVATION AND CLIMATE CHANGE - ESTABLISHMENT AND APPOINTMENT OF COMMITTEE MEMBERS

Motion (by **Mr James Marape)** agreed to-

That:

(I) This Parliament establishes a Special Parliamentary Committee on Environment, Conservation and Climate Change,

(2) The Committee shall consist of eight (8) members appointed by Parliament and the quorum of the Committee shall be four (4),

(3) The Members of the Committee shall be Mr Wesley Nukundj (Chairman), Mr Solan Mirisim (Deputy Chairman), Mr Elias Kapavore, Mr Jeffrey Pesab Komal, Mr Jim Kas, Mr Joseph Lelang, Mr Mai Dop and Mr Salio Waipo.

(4) The Committee shall look into-

(a) sustainable funding for biodiversity conservation in Papua New Guinea, i.e; marine and terrestrial protected areas;

(b) environmental tax to assist fund conservation initiatives, manage and reduce solid waste;

(c) catchment management levy as a way to protect watershed areas for water supply;

(d) development payment for ecosystem services;

(e) access benefit sharing;

(f) implementing adaptation measures;

(g) contributing to mitigation of greenhouse gas emissions;

(h) improve decision making and governance;

(i) improve knowledge of climate change issues;

U) develop materials which will assist in education and awareness of climate change issues; and

(I) develop public private partnership in areas of climate change green products and conservation projects.

(5) The Committee has power to appoint sub-committees consisting of two or more of its members and refer to such sub-committees any of the matters which the committee is empowered to consider.

(6) The committee has power to send for an examine persons, papers and records to move from place to place and to transact business in public or private sessions and to act during recess.

(7) The Chairman of the Committee, or, in his absence, a Member of the Committee, may represent the Committee on appropriate National Executive Council Ministerial Committee providing liaison between the Parliament and the Executive in matters relating to environment conservation and climate change generally.

(8) A Member of the Committee may, with approval of the Speaker represent Papua New Guinea at international or regional forums.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari - Minister for Finance) - I ask leave of Parliament to move a motion without notice.

Leave granted.

SUSPENSION OF STANDING ORDERS- DISCHARGE AND APPOINTMENT OF MEMBERS TO CERTAIN PARLIAMENTARY COMMITTEES

Motion (by **Mr James Marape)** agreed to-

That so much of the *Standing Orders* be suspended as would prevent me moving a series of motions to discharge and appoint Members to Certain Parliamentary Committees.

PERMANENT PARLIAMENTARY COMMITTEE ON PRIVILEGES - APPOINTMENT OF CHAIRMAN

Motion (by **Mr James Marape)** agreed to-

That Mr Jeffrey Kuave be appointed Chairman of the Permanent Parliamentary Committee on Privileges.

PARLIAMENTARY REFERRAL COMMITTEE ON MINERALS AND ENERGY - DISCHARGE AND APPOINTMENT OF CHAIRMAN

Motion (by **Mr James Marape)** agreed to-

That Mr Nixon Mangape be discharged as Chairman of the Parliamentary Referral Committee on Minerals and Energy and that Mr Peter lsoairno be appointed Chairman of this Committee.

PARLIAMENTARY REFERRAL COMMITTEE ON INTER-GOVERNMENT RELATIONS - DISCHARGE AND APPOINTMENT OF CHAIRMAN

Motion (by **Mr James Marape)** agreed to-

That Mr James Gau be discharged as Chairman of the Parliamentary Referral Committee on Inter-Government Relations and that Mr Louta Atoi be appointed Chairman of this Committee.

PARLIAMENTARY REFERRAL COMMITTEE ON COMMUNICATIONS- APPOINTMENT OF CHAIRMAN

Motion (by **Mr James Marape)** agreed to-

That Mr Ross Seymour be appointed Chairman of the Parliamentary Referral Committee on Communications.

SPECIAL ADJOURNMENT

Motion (by **Mr James Marape)** agreed to-

That Parliament at its rising adjourned until Tuesday 25th October 2016 at 2 p.m ..

ADJOURNMENT

Motion (by **Mr James Marape)** agreed to-

That the Parliament do now adjourn.

The Parliament adjourned at 5.03 p.m ..