

NINTH DAY

Tuesday 26 November 2013

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 resumed the Chair at 10:30 a.m., and invited the Member for Goroka **Honourable Bire Kimisopa** to say Prayers:

‘Papa God, dispela monin mipela kam bifo lo yu, mipela kam bikos mipela nidim yu. Papa inogat narapela God emi olsem yu. Yu tasol yu God. Yu God blo aste, yu God blo nau na bai yu God blo tumoro.

Papa, mipela kam lo bung long dispela Haus Kivung, mipela olgeta luksave olsem mipela man na meri tasol blo dispela graun. Sin em pulap lon mipela. Papa mipela kam lo sikim presens blo yu na pawa blo so dat yu bai opim bel na tintin bilon mipela so mipela ken riseptiv lo asua bilon ol pipol blo mipela lo dispela kantri.

Papa, inogat wanpela kantri olsem Papua New Guinea yu yet ibin givim mipela. Mipela igat dinau na mipela ihamamas long kamap sitizen blo dispela kantri. Papa yu lukluk lo dispela graun na yu makim ol seven milion pipol.

Mipela ol brata wantaim ol susa mipela sindaun lo dispela Haus lo givim lotu lo yu. Papa, mipela olgeta kam lo makim ol pipol blo mipela na mipela sikim wisdom blo yu tete. Papa mipela no kisim wisdom blo mipela na biknem blo mipela, na moni na kago mipela kam han natin na mipela nidim wisdom long lidim olgeta pipol long dispela kantri lo wanem kain hap oli stap, ol sik man ol bikman na liklik man. Papa mipela kam lo repretim interest blo olgeta man ino lo wanpela man tasol o bisinis.

God, as we endeavor to serve this country in our own special way, we pray that we will leave behind a rich legacy so that when our children come and take their seat in this Chamber they will be proud that they have arrived in a country where our forefathers served their people well.

Papa, mipela kam na lusim olgeta kraun bilong mipela lon lek blo yu. Mipela tok tenkyu olsem yu yet igo pas long lainim mipela lo prei. Amen.’

**SUPREME COURT RULING - GUMINE OPEN ELECTORATE –
STATEMENT BY THE SPEAKER**

Mr SPEAKER – Honourable Members, I present a copy of the Supreme Court Review No.4 and 06 of 2013 in respect of the decisions in EP74 of 2012, ordering the Electoral Commission of Papua New Guinea to conduct a recount of all the votes for Gumine Open Electorate and the results be presented to the National Court for declaration. It has been declared that Mr Nick Kuman is the duly elected Member for the Gumine Open Electorate.

02/09

DECLARATIONS OF OFFICE AND OF LOYALTY

The Honourable Member for Gumine, Mr Nick Kuman subscribed to the Declarations of Office and of Loyalty as required by the *Constitution*.

Mr SPEAKER – Honourable Member, on behalf of the Members of Parliament and the people of Finschhafen and my family, I would like to congratulate you and I wish you well in your term as Member for Gumine. Thank you.

**BROADCASTING OF PARLIAMENTARY PROCEEDINGS –
STATEMENT BY THE SPEAKER**

Mr SPEAKER – Honorable Members, I have to inform the Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met and resolve that;

a) The *National Broadcasting Corporation* will be allowed to broadcast live the Budget Reply by the Leader of the Opposition at 2 p.m. this afternoon; and

(b) *EMTV* will be allowed to film the Budget Reply by the Leader of the Opposition and also it's the discretion of the Chair to allow both companies to also relay live the debate that follows from the Reply.

Mr Francis Awesa – Point of Order! The four questions on the Question Paper requiring answers have been attended to already.

Mr SPEAKER – That shall be omitted from the Question Paper.

QUESTIONS

Mr ANTON YAGAMA – Thank you, Mr Speaker for recognising the people of Usino-Bundi this morning. I want to direct my question to the Minister for Treasury and I want the three Ministers for Finance, National Planning and Commerce and Industry to take note.

Mr Speaker, before I commence, I want to say a few remarks to introduce my question.

03/09

Mr Speaker, lately, we have had complaints from our local industries struggling against the influx of cheap imports. For example, *Zenag* and *Tablebirds* are complaining about cheap poultry imports and *Coca Cola* is also complaining of cheap soft drink imports from countries such as Indonesia and Malaysia.

We all know the disadvantages and other negative effects that cheap imports can have on our local industries. My concern is on our very own Ramu Sugar. Until 2010, the tariff on imported sugar was 70 per cent which protected the sugar industry. The tariff was then reduced by 40 per cent in January 2011 to December 31, 2011. Then it was reduced further in 2012 to 35 per cent up till now.

The current and proposed tariff rates will have a very bad effect on our local sugar industry. That operation is in my Electorate and a lot of people will be affected.

(1) Can the Minister direct relevant authorities to do a review on the current policy on import tariffs to give the local sugar industry an even playground to compete with cheap import?

Some people say that imported products are good because it increases competition and removes monopoly in the industry but it happens at the cost of having to lay off hundreds of local workers and eventually killing the agricultural industry.

(2) Is there a rescue package to help our local industries?

We should have things like; subsidising the cost of production, offering incentives to improve efficiency in production and research and other subsidies so local producers can sell at reduced prices.

Mr DON POLYE –Thank you, Mr Speaker. I thank the Member for asking important questions relating to sugar. I do not have a direct answer but I will briefly explain the Government's policy on tariff reduction. Sugar and other crops grown and manufactured in the country come under a program where Papua New Guinea has agreed to be a part of under the World Trade Organisation.

Other organisations such as APEC and bilateral and multilateral agreements to free up trade and bring together economies and businesses together so that when businesses and economies increase it will create competition worldwide.

04/09

This will open up trade and ensure that produce or products manufactured in the country are tax free and can be exported as well. We will also have imports and through competition, prices will be reduced. At the same time, the economy will grow through competition and trade integration.

If the world leaders agree on this at that level, Papua New Guinea will take similar steps taken by the other countries to free up trade so through our government policy, we will start to cut down on the tariffs of food that we produce in the country and in particular, sugar which is protected. So under this free trade, we will reduce it from 40 per cent to 35 per cent and we will even bring it down to zero per cent on other products.

There is an approach that the global economic community and the businesses and trade community has taken in order to sell their goods. But there are advantages and disadvantages to this approach as well.

In relation to the disadvantages, for instance with the sugar industry, as the Member has stated, it will affect many of our people. But the advantage of free trade, for example, where the PNG economy is enjoying is the sale of canned tuna in the European markets through the free trade and there is no tax on them. They are not imposing any import tax on our goods sold in European markets and it is generating revenue for the country. Of course, there are other details to that arrangement but I am giving a perspective of both the advantage and the disadvantage of free trade.

Many countries like Australia are complaining saying that it must protect its domestic industries as it is creating job losses and the outside players are outbidding the domestic players because of the low cost of strategies that they employ. For example, China has a very low cost economy and if they come into any economy, it is easy to outplay a business that is already in existence and this is happening in United States of America. We are seeing the consequences of the free trade regime policies as against protectionism.

Papua New Guinea has to balance this somewhere, and I agree with the Member that we must protect our employment here against unemployment. We must also protect our products that we are selling domestically and also exporting internationally. The tariff reduction is already a government policy in place where we are reducing tariffs over time to reduce it to something lower than what has been in the past.

The sugar industry has been affected by this arrangement, but what we have done is to review it by way of the Cabinet establishing a Taxation Review Panel as I have mentioned in my Budget speech. The O'Neill-Dion Government will do their job and have already started working in September.

So we are looking at some things like import and export tariffs and related issues. The Cabinet has recently approved a wider and broader terms of reference to look at the issues that the Member has raised. In the Mid-Year Economic Fiscal Outlook Report in June/July 2014, we should have a review done on all those areas and then, we can say, let's relook the tariff regime that the Government adopted as a policy. We will look at free trade and protectionism and see what the best approach is for PNG by making sure that we achieve the best within the global policies that are imposed or has been agreed by the world leaders for individual countries to implement.

A report will be presented to Parliament and to the people, the Prime Minister's Cabinet and the media on how we are doing in terms of the tariff policies we already have in place.

05/09

That is where the issue will be addressed when the review currently being conducted and accomplished. There is also a further tariff reduction that might take place but at the moment, there will be no reductions until 2014. We will do that for the best interest of the country,.

But, Mr Speaker, when you talk about the efficiency of production, this is not the matter that only the Government should be concerned with. The Government cannot continue to beg the seed, increase the production and rollout the manufacturing in this country.

To make it more cost effective, individual business entities must be prepared to take charge of this issue. If their operational cost is high then obviously they can't compete. It is not only because the Government is not doing its job but it is more so because that company continues to maintain a high cost of operation.

For example, companies like Air Niugini, Ramu Sugar and many other similar companies must lower the costs of production. If they can see themselves beyond the local market and be competitive with overseas manufactured products then they must lower their costs.

How do you do that? You have to apply business strategies and this is something that the Government is encouraging companies to continue to employ while we will do what we can to protect local businesses but at the same time we must be conducive for investments.

In a global perspective, we also encourage players that are already engaged in some level of productivity to scale down costs so that they can make their products competitive on the market.

Mr MALAKAI TABAR – Thank you, Mr Speaker. My question is directed to the Minister for Civil Aviation. I also express my sympathies on behalf of the people of Gazelle about the news he received today about the incident in the Gulf Province.

Mr Speaker, early this year we hosted the Minister in the province and showed him a three kilometre strip which we proposed to construct an alternative airstrip in East New Britain.

My questions are as follows:

(1) Can he tell me the progress of that work?

(2) When will we see the airstrip completed? There are people standing by to get this strip up and running because between the months of December and February, the wind is going to change its direction and the dust will cover Tokua again and we might not have any planes landing in East New Britain for the next three months.

Mr DAVIES STEVEN – Thank you, Mr Speaker, I'd like to thank the honourable Member for the two important questions.

The short answer to the leader's question is that the matter has received the attention of the National Executive Council by way of a submission that was prepared representing the engineering details and design and the costing.

The National Executive Council has approved the project and the good news is that the project is now reflected in the 2014 Budget.

As to when the work will start, the relevant officers of National Airports Corporation and officers from East New Britain Provincial Administration to collaborate and begin the necessary work.

Mr Speaker, this also gives me the opportunity to raise the important issue about the location of the alternative landing strip for the Tokua Airport.

The engineering decision was that an airstrip would be located far away from the path of the wind and the ashes from the Vulcan volcano and other volcanic activities in the area.

06/09

It is for a technical reason, which we are trying to establish for an alternative landing airstrip. Unfortunately, the people on the ground have suggested alternative locations; one at Vunakanau, Vunapope and Vunadidir.

But, Mr Speaker, the important point here is that we must be guided by the technical advice and in the first instance, the engineering advice was against establishing an airport near Tokua. We have already built the airport at Tokua, yet, we are now trying to build airstrips and airports in strategic locations not only in East New Britain but throughout the country.

Mr Speaker, for those reasons, I urge the leaders of the province of East New Britain to meet and identify the alternative landing airstrip location so that construction work can commence immediately to remedy the situation.

Mr TITUS PHILEMON – Mr Speaker, my question is directed to the Minister for Transport but since he is not available, I will reserve my right to ask question.

Mr SPEAKER – The Chair will recognise you when the Minister is in the Chamber.

Mr JOSEPH LELANG – Mr Speaker, I direct my question to the Minister for Defence regarding briefing up maritime security and surveillance. The PNG Defence Force through the sea and water element or Navy ensures that our sea or water borders are protected from intruders. However, the type of the navy boats they are currently using are very old and incompatible, which has very short range of travel, consequently, they have to come back ashore to refuel again.

(1) Does the Minister have any plans to improve the surveillance of sea borders of our country?

(2) Does the Minister have any plans to replace the old and aging navy boats with the new ones with the capacity to enable our navy to effectively carryout maritime border protection duties and surveillance?

Mr FABIAN POK – Mr Speaker, I thank the Member for Kandrian-Gloucester for his very good questions. We are aware of the big problem faced by our maritime surveillance. Our economic zone is very huge and without proper surveillance we are losing billions of kinas through illegal catch of tuna. Many illegal fishing and unauthorised fishing vessels are entering our seas. This is a major problem we are faced with the maritime surveillance because of our incapacity to patrol our borders effectively.

I wish to highlight here that during my visit to Israel, I have consulted three different companies about a surveillance program to be erected in PNG waters to effectively monitor our sea borders. I have written to them and am awaiting their response.

However, we need money to establish all these surveillance systems throughout our sea and land borders and definitely it will be a liability to the National Budget. I also want to say that it is not an issue for the Defence Force only, it a national issue that requires the line departments and authorities to collaborate and work together including authorities like Fisheries, Customs, et

cetera, and we are all negotiating to establish effective measures for our sea and land border surveillances.

07/09

This is because we are losing millions of kina in terms of illegal fishing and I hope we acquire and install some basic surveillance programs with the help of the National Fisheries Authority and Customs to track illegal fishing boats and many other illegal boats in our waters.

As for the second question, yes, it is true. Our boats are very old and cannot be out at sea for a very long time. I have sent my officers overseas to look at some boats that can be effectively used in our country in our maritime provinces.

It also boils down to cost because all these platforms come at a higher cost and it's also strains our Budget. But we are seriously looking at replacing all the older boats with newer and faster versions that will effectively assist us.

I am looking at the combination of factors where we don't just send boats out everywhere in the sea but, we have a proper surveillance system in place that will direct us to the actual location of illegal fishing boats or illegal activities taking place.

I believe there have been some allocations made in the Budget for us to acquire planes that have short landing and take-off and can be out in the sea for a long time. We'll be seriously looking into purchasing some small planes and station them at the outer islands so that they can easily monitor our seas.

We are aware of the illegal activities taking place and I will be bringing in some submissions to look at some surveillance programs and some patrol boat programs to the Cabinet soon. It may be costly but it is what this country needs in order to protect our borders and protect our resources and this will soon happen.

Mr KELLY NARU – Thank you Mr Speaker, for giving time to raise my questions on behalf of the people of Morobe Province.

My question is directed to the honourable Prime Minister and I would also like the Minister for Public Enterprises to take note.

Mr Speaker, my question is in relation to a ship *MV Rainforest II* which, was purchased by the former Prime Minister a few years ago. This ship was purchased for the people of Morobe province, particularly the people of Huon Gulf.

08/09

(1) Mr Prime Minister, are you aware that, that boat is now the subject of a controversy between companies and entities related to the former Member for Huon Gulf, the current Member for Huon Gulf and his administration?

With that regard, the boat is floating somewhere in the waters of Papua New Guinea at the moment. This boat was manufactured in New Zealand and brought to this country for purposes of serving the Morobe Province. Nevertheless, I am not sure of the whereabouts of this boat. It could be somewhere in the waters of Milne Bay, Oro or anywhere in Papua New Guinea.

(2) Is the Prime Minister also aware of that controversy?

(3) Can the Prime Minister clarify to the people of Morobe Province, especially the people of Huon Gulf and to this Parliament who the actual owner of this boat is?

This is so that the matter can be put to rest once and for all because this controversy has been dragged to the courts as well.

(4) What would be the Prime Minister's position if he were to make the decision in terms of the future operations and requirements of that boat?

Thank you, Mr Speaker.

Mr PETER O'NEILL – I thank the honourable Governor for his questions.

Mr Speaker, yes, I am aware of the controversy regarding the boat named *MV Rainforest II*.

Mr Speaker, in late 2010, the then Member for Huon Gulf was Sasa Zibe and he had approached my office on behalf of the people of Morobe Coast, particularly down at the Morobe Patrol Post and along the coasts of the Northern Province.

Mr Speaker, Lutheran Shipping used to provide shipping services along that coastal route. Currently, the people living along the coast are suffering due to the lack of shipping services. Therefore, when the then Member approached my office we found some funding to purchase a boat for the people of Morobe through the Member's request.

Mr Speaker, that boat was funded by the PNG Government through tax payers' money and as such, the boat is owned by the people of Papua New Guinea and the Government. I know that there have been arrangements concerning the management of the boat with the District and some companies that I am not aware of.

Mr Speaker, because of this ongoing controversy, on Saturday I requested the Police Commissioner to intervene in this matter.

Mr Speaker, what happened was that, when I visited New Zealand during the year I met with the manufacturer of the vessel. We were presented with the model of the boat and we were impressed with the quality and ability of the boat.

Mr Speaker, therefore, I requested the manufacturer to bring the boat into PNG in November for this meeting of Parliament. This is because the other Members could also inspect the boat and see it for themselves and because I think that this boat model could serve our country quite well where we have no proper jetties and wharves. There is a loading bay that the ship provides for unloading and loading of cargos. With that, the boat can also carry a large number of passengers. The other Members must also inspect it and see whether their own electorates need the service of that boat.

09/09

The manufacturer delivered the boat here last Thursday or Friday but the two honourable leaders from the Huon Gulf had a dispute over the ownership of the boat so the matter was brought before the Court.

Mr Speaker, I am disappointed that some of our security agencies were involved without proper directions from their superiors. The boat was at the Port Moresby Harbour when the policemen go on board it armed with high powered firearms at the request of the Member for Huon Gulf.

Mr Speaker, the Member for Huon Gulf has no authority to give orders to any member of the Disciplinary Forces because that directive will only come from the Commander of the Defence Force or the Police Commissioner.

I asked the Police Commissioner to go down to the Harbour and ask the policemen to vacate the boat but the boat had already sailed out without the Police Commissioner's directions.

Mr Speaker, there is a deliberate intervention by some policemen and women and Defence Force personnel. I can assure you that when the boat lands in Lae, they will be stood down immediately and their actions will be investigated. We do not need such behaviour in our country.

Mr Speaker, I will direct the Department of Transport to take possession of the boat and the Cabinet will decide who should operate that vehicle so that our people can be served. Whatever expenses spent by the Huon Gulf District, we will reimburse it to the District. Discussions are currently on-going with the management of Lutheran Shipping who has a lot of experience in serving our coastal communities. It is likely that that boat will be handed over to Lutheran Shipping to manage not only in Morobe but other coastal districts throughout the country.

Mr Speaker, as I have mentioned earlier, the ownership of the boat will be taken over by the Government, the expenses will be reimbursed and the undisciplined members of the Forces will be disciplined immediately.

Mr PHILIP UNDIALU - I direct my questions to the Prime Minister. My questions are regarding the LNG Projects access road, a 400 kilometre access road from Kikori to Hides Gas and to Juha on the border of Hela and Western provinces. This road is accessed by four provinces. However, I have heard rumours that the ExxonMobil will blow out the bridges to cut off it from public use.

If that is true, can the Government intervene and allow this road to be accessed by the people of Papua New Guinea? We should be allowing trade here. We already have an inland wharf in existence and ExxonMobil is using that to construct their pipe from Hides to Juha. My questions are:

(1) If it is true, can the Government intervene so that, that road can be made accessible to the public? It can be used as a means to trade and transport cargo instead of travelling from Lae to Southern Highlands which, is 800 km and a wharf is already built in the Paia Inlet.

The international airport will no longer be used by ExxonMobil.

10/09

(2) Does the Government have any plans to convert that old airport terminal so that we can allow for tourist cargo to be freighted back and forth?

In regards to disposal of the use of LNG Construction materials and equipments, I am surprised to hear that some of the contractors and sub-contractors of ExxonMobil are now selling used containers, plates, spoons and cups and even spare tyres. We have given tax concession to Exxon Mobil and EPC contractors and yet these disposals are being taxed again to Papua New Guineans.

(3) Is the Government aware of that?

In the dailies of both newspapers today I have spent over K12 million to purchase equipments and I have written numerous letters to ExxonMobil to give us at least five or six used equipments so that that money that is available in the district could be used for fuel.

Mr Speaker, we are aware that they are selling used containers and used offices, desks and computers as well. This is unbelievable and I ask the Minister for Petroleum and Energy to take note of that. As the Member representing the district concerned, I must make this known to the people of Papua New Guinea and to the Government of the day.

Mr PETER O'NEILL – Mr Speaker, I thank the honourable member for Koroba – Kopiago for his questions.

Mr Speaker, in relation to the LNG access road from Kikori to Hides and Juha this is a very important road since the first export of oil from our country, the people of Southern Highlands, Hela Province and of course the people of Gulf have always wanted that part of the region to be connected to the rest of Papua New Guinea.

Mr Speaker, through this project this road has been built and it is now connected. That means that we can drive all the way from Lae up to Kikori. That is now possible.

Mr Speaker, I want to assure the honourable Member that we have been having discussions and the Minister for Petroleum and Energy has been actively in dialogue with the operator of the project the LNG Project, ExxonMobil that this becomes a national road and as such we have already given directions to the Department of Works to declare this road as a national road.

Mr Speaker, I want to assure this Parliament that ExxonMobil has agreed to that and the only issue we have is with the lenders. When the financial institutions lend us the money to finance this project, one of the conditions they put forward was that part of the region of our country, there will be no logging and no settlement so that the environment can be retained.

Mr Speaker, as a result this agreement was put in place for the public not to utilize the road.

Mr Speaker, as the Government we are backing the call for no logging in that area and we will agree to no settlements in that area but that road must be opened. Our people need that road to access services to the coastal Gulf areas.

Mr Speaker, we are talking to ExxonMobil to finalise that with the lenders of the project. I understand that there will be no blowing up of bridges in this country.

11/09

Mr Speaker, I can assure the Honorable Member that we don't condone this kind of behavior.

The second issue on Komo International Airport, I know that this is a very big airport with 3.2 kilometres of airport tarmac with excellent facilities and the project has now utilised the airport for its own purposes already and its now available for Government to take over and we are liaising with ExxonMobil on how we can best utilise this.

Mr Speaker, I want to thank the following Members; Member for Komo-Margarima, the Governor for Hela and the Member for Tari for their constructive engagement with the National Government.

Mr Speaker, after constructive engagements we are all agreeing that we'll try and utilise Komo Airport to be used by all of our people from Hela Province through our National Flag carrier and other third level airlines as well. One of the other plans that this Government is looking at and talking to our counterparts for the Australian Defence is that, one of their Defence Force Unit be based there. Because we need surveillance work along the border and surveillance work up on the North where the fishing grounds of tuna and all the other illegal fishing that are taking place, it is proper that we place a Defence Force unit there.

So, we are now planning to see if we can move a training facility for Defence Force Flying Unit to be based there so that we can utilise this big asset, which will cost well over US\$1

billion to construct. It will be a waste of money if we shut it down so, we need to utilise it and put it to good use.

Mr Speaker, the third issue on the used equipment and materials; I am not aware of what is happening there but I want to assure the honorable Member that the Minister for Petroleum and Energy and myself will take it up with the operator, ExxonMobil and the other EPC contractors to try and discuss how we can able to get it cheaply or dispose off to our landowners and surrounding communities around the project area, thank you Mr Speaker.

Mr WERA MORI – I want to direct my questions to the Minister for Health and HIV/AIDS. But since he is absent, I would like to redirect my question to the Prime Minister.

Mr Speaker, most parts of our country and in rural areas there is hardly any medicines or no medical supply at all.

Mr Speaker, not long ago, a company called ‘Borneo Pharmaceuticals’ was awarded K71 million to supply medical kits which, equates to K800 000 per district for the 89 districts of PNG.

My questions are:

(1) What medical credentials does ‘Borneo Pharmaceutical’ have to be given a big contract of K71 million?

(2) Does Borneo Pharmaceutical have higher certifications to conduct such business of providing medicines?

(3) Why was the provision for requirement overlooked at CSTB to pave way for a company called ‘Borneo Pharmaceuticals’ that does not have higher certification?

(4) Was it the same company that was involved some years ago where we had problems at the Badili Government bulk store in terms of medical supplies?

12/09

(5) Are you aware that awarding of such contracts to entities of non-credibility have even stalled assistance from development partners?

(6) How long will the people of Papua New Guinea be used as guinea pigs by unknown entities importing poor drugs and experimenting on our people?

Mr PETER O'NEILL – I thank the Member for Chuave for his questions but I think the Health Minister should answer these questions due to the technical aspects of the questions but due to the Minister's absence to attend to his sick father I will try my best to answer some and those that I do not answer, I will make sure the Honourable Minister answers in writing to the honourable Member.

Mr Speaker, Borneo Pacific Pharmaceutical is a pharmacy that has been operating in this country for over ten years. When the matter came to NEC, for a contractor to supply drugs for the supply of drugs to hospitals and health centres; it went through a rigorous process of tendering through CSTB and the Medical and Pharmaceutical Board.

It also came through the Department of Health before the Minister brought it to Cabinet. I understand that it is a K71 million contract for three years. Borneo Pacific is a distributor of pharmaceutical goods in the country, just like City Pharmacy and other pharmacies operating in the country.

I understand that all drugs approved for distribution or for sale in the country have to be approved individually by the Health Department or the Pharmaceutical Board. Nobody brings drugs into the country without approval but I will get the Minister's confirmation in writing to the Member.

Mr Speaker, in terms of the ISO registration, I am not aware whether this company is registered so I will get the Minister to respond. I know that there have been concerns expressed by the development partners especially AusAID because; they were concerned about the ability of the company to do distribution nationwide.

AusAID has been very helpful in the distribution of drugs to many health facilities nationwide. And that program is going on well, so when this matter was brought to my attention I referred it to the Health Minister and his department to address these concerns expressed by AusAID.

I am not aware of the Badili bulk store issue so the Minister will respond to that.

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 Notice Nos. 93, 39, 89 and 109 of Government Business this day being called on forthwith.

13/09

CONSTITUTIONAL AMENDMENT (APPOINTMENT OF CERTAIN OFFICES) LAW 2013

Second Reading

First required opportunity for debate and First Vote from 14 November 2013 (See page...)

Mr SOLAN MIRISIM (Telefomin – Chairman of the Constitutional Laws and Acts and Subordinate Legislation) – Mr Speaker, I present to Parliament the Committee’s deliberation on the Proposed Law to alter the *Constitution* – Constitutional Amendment (Appointment of Certain Offices) Law 2013.

The object of the Bill is to make amendments to *Section 193* and *Section 208B* of the *Constitution* that relates to the appointment of certain offices. The Bill is self-explanatory as it aims to improve the selection and the appointment process of Heads of Government Departments, Provincial Administrators, District Administrators and certain statutory organisations in the Public Service of Papua New Guinea.

Mr Speaker, the amendment will give effect to, firstly, the heads of departments to be appointed, suspended and terminated by the Head of State on the advice without the consultation with or a recommendation from the Public Services Commission following a merit based selection process conducted in accordance with an *Act* of Parliament.

Secondly, the Provincial Administrators are to be appointed, suspended or terminated by the Head of State on the advice in accordance with a resolution of a Provincial Executive Council following a merit based selection process.

Finally, the District Administrators are to be appointed, suspended or terminated by the Provincial Administrator through a merit based selection process on the resolution of the Provincial Executive Council following consultation by the Provincial Administrator with respective elected Member of Parliament in a District.

Mr Speaker, during our deliberations, the Committee found no issues on this Bill and the amendments forthwith. Pursuant to the required opportunity for the Bill to be read and debated, the Committee supports this Bill along with all the amendments.

Mr Speaker, I commend this Bill to Parliament.

Sir PUKA TEMU (Abau – Minister for Public Service) – Mr Speaker, in accordance with *Standing Order 222B*, I now commence the first required opportunity for debate.

Mr Speaker, just over a decade ago, I stood at this exact spot where I convinced the honourable Members of Parliament then on the current legislative framework which has governed the way bureaucratic leadership is appointed, disciplined and terminated.

I was most passionate then because 10 months prior to me being appointed as Minister for Public Service in 2002, I was sacked by the Morauta-Ogio Government after been reappointed for my second term as Secretary for Health. Six months after my contract was signed, I was sacked by the same Government. I felt betrayed by my government and belittled to the extent of been totally rejected after I gave 110 per cent commitment to serve the State as a civil servant.

After my appointment as Minister for Public Service in 2002, I moved swiftly to amend the *Constitution* and the *Organic Law* to introduce new legislation such as the *RSA Act* just to give guarantee of tenure to another citizen who earn recognition by the government to the extent of appointing him or her as head of a public agency such as the department or provincial administration.

Mr Speaker, I stand here the second time around, asked by my Prime Minister and under the *Alotau Accord*, I proudly and with the same passion now request the leadership of today in this Parliament to undo what I did a decade ago.

(Laughter in the Chamber)

Sir PUKA TEMU – Mr Speaker, this action truly demonstrates the vibrancy of our democracy, our ability to respond to challenging, changing and demanding times we have and our resolve and tenacity to change tact like a good and skilled captain of a sailing canoe will always do in order to win the race.

Mr Speaker, it is on this background that I now have pleasure in presenting the Bill starting with the *Constitution*, the *Organic Law* and all the enabling legislation that we have the right legal framework to take the Public Service forward during this critical time of high demand for the Public Service to perform. I am of the strongest opinion that this is the right response and that I request this Parliament to support me today.

14/09

Honourable Members will note in the explanatory notes that will be distributed the specific changes that I am introducing and I wish to highlight.

Mr Speaker, if you can allow me to give you the overall changes because the constitutional amendment that I will begin with is just part of the legislative reforms that I will be introducing. Mr Speaker, if you can allow me to give an overall view of which laws will be amended and for what purposes.

Mr Speaker, these legislative changes will include a total of eight separate *Acts* of Parliament. And they include the constitutional amendment on appointment of certain offices, Section 123, the *Organic Law on Provincial and Local Level Governments*, Section 73, the *Public Services (Management) Act*, the Public Service regulation on appointment of departmental heads, appointment of provincial administrators, appointment of district administrators, raising of retirement age from 60 to 65, contract for non-citizens technical advisors under aid funding and public private partnership arrangements, the *Prime Minister and NEC Act*, constitutional amendment, appointment to certain offices on the *Regulatory Statutory*

Authorities Act, Section 208(b) and Regulatory Statutory Authority Appointment of Certain Officers, *Public Hospitals Act* and *Provincial Health Authorities Act*.

This enabling legislation I have just listed have to be consequentially amended to give effect to both the constitutional amendment that I am seeking Parliament this hour to support and pass, as well as the *Organic Law* the next moment.

Mr Speaker, the explanatory notes provide clarity on those specific issues and in the main they include the following as the Chairman has just presented the Committee's views.

Firstly, the amendment will ensure that the Public Services Commission and the Central Agencies Coordination Committee are removed from all selection and appointment processes of departmental heads and provincial administrators in line with the amendment to the *Constitution* and the *Organic Law*. This will shorten the long process by which the current appointments have been made. And this was the specific instruction from the *Alotau Accord*.

A streamlined, merit-based process has been drafted into the new regulations under the *Act* in respect to the departmental heads, provincial administrators and district administrators so that they focus on competency, performance and minimum person specifications which are very critical.

Mr Speaker, part of the amendments will establish, because we have removed the Public Service Commission and the Central Agencies Coordination Committee, a Ministerial Executive Appointments Committee to be chaired by the Minister for Public Service and the portfolio Minister will be part of the committee. In the case of provincial administrators, the Minister for Public Service will take charge in finalizing the list that will eventually go to the PEC or to the National Executive Council, in the case of departmental heads.

Mr Speaker, the functions of departmental heads and provincial administrators have been revised and employment contracts are to be amended and will focus on performance and service delivery.

In this regard, when a Governor is not satisfied with the performance of his or her provincial administrator then he or she can bring it to the PEC and resolve to terminate that particular provincial administrator.

We will not consult the Public Service Commission because part of the process, under the current legislation, requires consultation with the Public Service Commission. The incumbent

can take the PEC or NEC to court. Now that the Public Service Commission is removed there is therefore no allowance and provision for any person to take the matter to court.

15/09

Mr Speaker, the functions of the provincial administrators have been revised as well as functions of district administrators. The provincial and district administrators have been given prominence because under the leadership of the Prime Minister and the Government, we are putting a lot of resources to provinces, districts and local-level governments.

In this regard, we need political and bureaucratic leadership in order to move this implementation process forward. Therefore, we have a very strong basis for consultation between the Governors and the appointment of Provincial Administrators and between the Open Members and the appointment of District Administrators. The political and bureaucratic leaders must work harmoniously in order for us to deliver the goods and services efficiently to our people.

Mr Speaker, those are the key changes and I am satisfied that the amendment that I present before beginning with the *Constitution* will fulfil our legislative requirement and also our moral obligations to ensure that the Public Service machinery is moving under the direction of the Executive Government.

I commend the Bill.

Mr JOE SUNGI (Nuku) – Mr Speaker, I propose two considerations; firstly, the Department administering the process of the appointment of the Provincial Administrators and District Administrators should be the Department of Provincial Affairs through the Minister for Inter-Government Relations. This is because they know their performance and can assess their performance of provincial administrators at that level.

Mr Speaker, it should not be the Public Service Minister bringing the submission to the Cabinet for the appointment of the Provincial Administrators. It must be the Minister for Inter-Government Relation who is responsible for the Provinces and Districts.

Secondly, I wish to highlight that the levels of the district administrators must also be upgraded while awaiting the Bill on the District Authority. Their upgrading reflects their responsibility or duties in the districts. They must be on Executive Level (EX-1 or 2), which is two levels below Provincial Administrator on EX-4.

Mr Speaker, these are my two suggestions that I want to support and improve the amendment, which must be implemented and enforced. We must not create bottlenecks where all of us will be stagnant.

In conclusion, firstly, I would want to say that the rightful administrating department is Provincial Affairs under the Ministry of Inter-Government Relations because it is aware of the performance of the provincial administrator. At the same time, the process of appointment can go through that channel. Secondly, the levels of the district administrators must be upgraded.

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

Motion (by **Sir Puka Temu**) put –

That the Proposed Law without amendments be agreed to.

16/09

The First vote, requiring a two-thirds absolute majority as required by the *Constitution*, the Speaker ordered that the Bells be rung.

The Parliament voted (the Speaker, **Mr Theo Zurenuoc** in the Chair) –

AYES - 85

NOES - 0

17/09

Motion so agreed to, with the concurrence of a two-thirds absolute majority as required by the *Constitution*.

The Proposed Law read a second time.

Ordered – That the Third Reading be adjourned for at least two months as required by the *Constitution*.

**ORGANIC LAW ON PROVINCIAL GOVERNMENT AND
LOCAL LEVEL GOVERNMENT (AMENDMENT) LAW 2013**

Second Reading

First required opportunity for debate and First Vote from 15 May 2013(See page...).

Sir PUKA TEMU (Abau – Minister for Public Service) – In accordance with *Standing Order* 222B, I now commence the first required opportunity for debate.

Mr Speaker, as I have said in my overarching statement, the *Organic Law On Provincial Governments and Local Level Governments* changes is required as part of the constitutional amendment. And I noted the honourable Member for Nuku's concern with regards to the role of the Minister for Inter-Government Relations in terms of the appointments of Provincial Administrators and District Administrators.

Mr Speaker, our current policy on human resource in terms of management and administration is that, the Department of Personnel Management administers the overall policy on administering the human resources under the public agencies and organisations within the country.

Mr Speaker, with that, through Cabinet, we have consciously decided that in the area of provincial administrators, the National Executive Council (NEC) must continue to play an role. This is in order for us to ensure that the leadership at the provincial level is consistent with the national level.

Mr Speaker, while I have taken note of the honourable Member for Nuku's concern, I believe that we will have to rearrange the policy in order to achieve this outcome. Nevertheless, for the moment, I strongly recommend to Parliament that under the amendments as presented under the *Organic Law On Provincial Governments and Local Level Governments*, Provincial Administrators are to be appointed, suspended or terminated by the Head-of-State on advice in accordance with the resolution of the PEC following a merit based appointment. This also goes for the district administrators as well.

18/09

This Parliament will take note that the Minister for Public Service has been delegated by Cabinet the powers to make temporary appointments so when a Provincial Administrator is to be temporary appointed, we will just need the advice of the PEC and the Public Service Minister who will sign the instruments for an acting appointment.

Regarding the acting appointment for the departmental head, the Public Service Minister will advise His Excellency the Governor General. The Governor General will then sign the instrument for the acting appointment. However, regarding this particular amendment on the *Organic Law on Provincial Government and Local Level Government*, we are specifically addressing the appointment and suspension of the provincial administrators including the district administrator.

Mr Speaker, I therefore, commend the Bill to Parliament.

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

Motion (by **Sir Puka Temu**) put –

That the Proposed Law be agreed to without amendment.

The First Vote, requiring a two third absolute majority as required by the *Constitution* Mr Speaker ordered that the Bells be rung.

The Parliament voted (the Speaker, **Mr Theo Zurenuoc** in the Chair) –

19/09

AYES – 86

NOES – 0

Motion so agreed to, with the concurrence of a two-thirds absolute majority as required by the *Constitution*.

The Proposed Law read a second time

Ordered - That the second required opportunity for debate and the Second Vote to be adjourned for at least two months as required by the *Constitution*.

CONSTITUTION AMENDMENT (CITIZENSHIP) LAW 2013

Second Reading

First required opportunity for debate and First Vote from 14 November (See page...).

Mr SPEAKER – I present the following Paper pursuant to Statute:

Constitution – Report of the Permanent Parliamentary Committee on Constitutional Laws and Acts and Subordinate Legislation relating to the Constitutional Amendment Law 2013.

Mr SOLAN MIRISIM (Teleformin) – I ask leave of the Parliament to present the Report.

Leave granted.

Mr Speaker, I present to Parliament the Committees deliberation on the proposed law to later the *Constitution*, Constitutional (Amendment) Citizenship Law 2013.

Given the importance and relevance of this Bill to improve and enhance among other benefits the opportunity for Papua New Guineans as well as those who want to call Papua New Guinea their home country, the right to be granted dual citizenship.

Mr Speaker, the purpose of this Bill is to enable Papua New Guineans and non-Papua New Guineans to be entitled for dual citizenship. This means that Papua New Guineans will retain their citizenship while applying for citizenship to other countries of their choice.

At the same time, non-Papua New Guineans will still remain their citizenship while applying for Papua New Guinean citizenship. Under this new dual citizenship arrangement an individual is entitled to become citizens of only two countries

20/09

There are countries that PNG has bilateral relation with or under special arrangement. Currently this is not allowed in the *Constitution*, non Papua New Guineans who wish to become citizen must renounce their citizenship with their country of birth before applying. Likewise, Papua New Guineans have to renounce their citizenship before applying to become citizen of another country.

Mr Speaker, the issue considered by the Committee during its deliberation was that the Proposed Law to amend the *Constitution*, in relation to the citizenship is an important amendment. The Committee considered the fact that the briefing by PNG Migration and Dual Citizenship Authority is part and parcel of the consultation process. Wider consultation with the people is important for this amendment to further influence the findings of the Committee. The Committee is convinced that the Proposed Law built to alter the *Constitution* relating to dual citizenship which provides a win-win situation for the people of PNG, as well for those non Papua New Guineans who wish to become citizens. The Committee is also convinced that the very people who will benefit or be affected once this Bill is passed should be given an opportunity to have their say on this Law Bill. The public participation in any consultation process will further influence the findings of the Committee on this Bill.

I commend this Bill to the Parliament.

Mr RIMBINK PATO (Wapenamanda – Minister for Foreign Affairs and Immigration) - Mr Speaker, in accordance with *Standing Order 222 (b)*, I now commence the first required opportunity for debate.

I am pleased to present for the First Reading of this honorable Parliament, a Bill to amend the *Constitution* to enable Papua New Guineans to hold more than one citizenship and to clarify the limitation that may be placed on the personal liberty of asylum seekers such as those that are seeking asylum or presently placed on Manus Island. I will now say a few things about what this amendment seeks to achieve for our people.

Mr Speaker, citizenship is what makes us Papua New Guineans, it is our birthright and we cherish it as much as we cherish our *Constitution*, our flag, our symbols of our Independence and our nationhood.

At the time of Independence, we were rightly concerned about the threat that foreign influence caused to our self determination. In those years, it made sense to restrict Papua New Guineans from holding any other citizenship and to require them to demonstrate their love for our great nation by forsaking any other citizenship that they previously held.

Since that time, we have grown up as a nation, our economy has begun to prosper, our society and institutions have matured and our status and standing within the international community has increased to greater heights and bounds.

As we have grown, the world has shrunk where we are now part of a truly international community and interconnected world to which I have elaborated upon during my speech to this Parliament on the amendment to the PNG new foreign policy. More Papua New Guineans are now travelling in and out of our country more than at any other times in the history of our nation. Our nation's wealth is growing and this trend will only accelerate.

Mr Speaker, in the midst of this 21st century, opportunities for Papua New Guineans should not be disadvantaged because compared to citizens of more than 60 other nations, our mobility take up new citizenship without automatically losing PNG citizenship does not exist, except that we will permit it to be done by way of this amendment.

21/09

Most honourable Members here have friends and family living and working or studying overseas and although they have lived in other countries for many years, their access to jobs, services, benefits and education opportunities in those countries are limited by the inability to take up citizenship in that country.

Those who do make the hard choice to take up a new citizenship have the link to the land of their birth Papua New Guinea, and their ancestors irrevocably severed. A PNG child who has a parent who is a foreigner, faces the same painful choice when they reach the age of 19. Children from many other countries do not have to choose between the citizenship of their parents.

Why should Papua New Guineans choose when we are now seeking to connect what is clearly a globalising world? Dual citizenship at this point makes sense because it will encourage our best and bright people to maintain their link with Papua New Guinea and it will encourage those who have previously lost their PNG citizenship to reforge their bond with their homeland.

It will encourage highly skilled migrants to truly set their roots here and commit to help us build our great nation. We recognised that the extension of the rights to dual citizenship must be measured and qualified and for this reason under the proposed amendment dual citizens will have most of the same rights and privileges as other citizens.

But in the sensitive areas of public office, ownership of land and free access to official documentation will not be permitted and the Government will also limit through regulation, after the passage of the constitutional amendment a range of prescribed countries with which dual citizenship will be permitted.

It does not mean that every citizen of a foreign country will become a citizen of Papua New Guinea because the regulation prescribed and state of circumstances of consideration will apply to determine the type of people who will be allowed to have dual citizenship.

Mr Speaker, in our tradition and our past, our sense of identity and unity are precious to us and we must continue to value and safeguard them and this are in no way diminished by introducing dual citizenship but the level of opportunity available to our people must be greatly expanded. And this is what the amendments are seeking to do.

The Government is permitted to a noble objective under the *Alotau Accord* and this is one of the undertakings that the partners in the formation of this Government undertook; that they will bring about this change to enhance stability, strengthen the economy and weave rich new threads into the social fabric of our PNG society.

Equally important, it will make life easier for many Papua New Guineans and what I intend to do in the next couple months to explain what this law means to the community at large through media publications. Officers from the Papua New Guinea Foreign Affairs and Immigration Authority will be visiting many parts of the country to explain the benefits which will be obtained through this amendment.

Alongside this dual citizenship change, the Bill also introduces an amendment to another part of the *Constitution* to put beyond the shadow of doubt that persons who are accommodated as asylum seekers in the Manus Regional Processing Centre or any other centre can be lawfully

held without breach of the *Constitution* because we have entered into arrangements with United Nations or with other development partners or other countries that PNG has a special arrangement or other relationship with or in pursuit of international and domestic policy.

22/09

Mr Speaker, the Government of PNG is therefore, committed to working with the Commonwealth of Australia and other partners to stop the criminal behaviour of people smuggling, human trafficking and transnational crimes.

Over the past decade, more than one thousand vulnerable asylum seekers have tragically lost their lives at sea in our region. Therefore, we will be in the process of processing refugee claims of people who have travelled in this manner and will provide settlement to those who are found to be genuine refugees in accordance with the legislation that will be introduced to this Parliament later but that is not part of this amendment.

Mr Speaker, without a doubt, these arrangements are intended to saving lives and we are implementing the agenda of the United Nations as a member for the global community. For this reason, the provision in the *Constitution* which does not permit deprivation of liberty of individuals except in limited circumstances will be addressed by this amendment so that this will give effect to us to promote the asylum seekers centre at Manus as well as elsewhere.

Mr Speaker, finally as this is the implementation for the O'Neill-Dion Government, these two amendments capture the major policy initiative of our Government and it is clearly demonstrating the growing place and position PNG is taking in what is increasingly a mobile and globalising world of globalised citizens.

Mr Speaker, therefore, with those comments, I commend the Bill to Parliament.

Mr PAIAS WINGTI (Western Highlands) – Mr Speaker, I support this Bill but I just want to express some concerns here.

Mr Speaker, this is an important Bill and it is really up to the Executive Government of the day to make sure when this Bill is passed, it is not abused. Papua New Guinea is a very young country and we are going to have some very serious problems if we don't address these things very carefully.

Mr Speaker, the number of foreigners coming into Papua New Guinea and performing jobs that ordinary Papua New Guineans can do is increasing. Papua New Guineans are basically gullible people and are easily influenced and we sometimes open the doors and give ourselves away.

Mr Speaker, this is a very important Bill and it is alright that we are moving in the right direction. The world is changing and we need to move in that direction but the mechanism of controlling and making sure that the businesses are done properly is something of concern. The Labour Department of this country has not picked up the number of people coming into this country doing jobs that ordinary Papua New Guineans can do. It is a very frightening trend and I just hope that when we pass this Bill, we are not going to allow for this young country to have so many people coming into PNG and becoming citizens easily because you cannot do that in Australia, New Zealand or any other parts of the world. It is not easy. That is my concern.

23/09

I am raising this so that we can support the Bill but at the same time we need to be very careful, and it is up to the Executive Government to see that these things are done properly.

Mr KERENGA KUA (Sinasina-Yonggomugl – Attorney-General) Thank you, Mr Speaker, I'd like to lend a few comments in support of the proposal before the question is put.

This is one of those difficult decisions that we have to make as a country. It is in my view one of those decisions that you would have to make somewhere along the way. It could have been made at the time we obtained Independence in 1975. But our forefathers at that time thought we were not ready for it.

The question has popped up again and we would have to address it. It is a question of timing and I feel that the timing is right. This is based on the progress that we have made in the last 38 years of our Independence, the developments in our society, in our economy, and the development in our international relationships and also in our personal relationships amongst ourselves and, especially those from overseas.

That has reached a point where the question is now being posed by itself. It has risen to the surface by itself. And so as a Government, the question is, whether we continue to ignore it or we deal with it in an orderly manner at this point in time.

I feel that as a Government, to demonstrate that we are a responsible Government, we need to face up to the question and deal with it in a sensible way that deals with the sensitivities that are highlighted by the honourable Governor of Western Highlands and the concerns that any other citizens may have but also deal with the question.

The question is, in a way forced into our hands because we also have people of our own blood and flesh being affected by it. You have a situation now where there is an increasing number of Papua New Guinean women marrying foreigners, whose children are now placed at the crossroads, not because they want to but because the law says that they must make a decision. And it is forced upon them at a very early age in time.

At the same time, you now have an increasing number of Papua New Guinean men marrying foreign women and they are producing children who are also forced into that scenario. Not by choice but because of the composition of their biological makeup.

Perhaps, in my view, at 19, a very early age, they would have to make a very, very important decision affecting the rest of their lives.

Then you have a third group of people who are born of both Papua New Guinean parents, natural or automatic citizens whose children are educated overseas or choose to go and work or live overseas, and they acquire the qualifications to become citizens of a foreign country. But then the question pops up as to whether or not they should forfeit their own natural citizenship of their natural country. They are placed at that crossroad also.

So we have these three categories of people; children born of PNG mothers, children born of Papua New Guinea fathers or children born of full Papua New Guinean parents but working or studying overseas. All of these people will at some point in their lives come across this question. So we will have to create some leeway as a Parliament.

So, the proposition now on the Floor through the Foreign Affairs Minister is just for the overall constitutional framework that authorizes these kinds of scenario to take place. The details will be worked out later which will take into all the issues that people will have.

As the Chairman of the Parliamentary Committee has already indicated, there would have to be a wider consultation and that is something that has to take place through the Minister for Foreign Affairs. So those details would have to be worked out.

And then you have another category. You could put that down as a fourth category of people who might want citizenship in this country. These are people who would like to come and do business here in this country. It creates a business opportunity for us.

If people want to bring investments into this country by firstly acquiring citizenship then that is an economic opportunity that is available to us.

24/09

Mr Speaker, the question is; how much is enough or sufficient to be able to give proper economical and financial benefit to this country at which price we will accept them as dual citizens in this country. Thus, that is the fourth category of people, and I think it is a good opportunity and if used properly then we can make massive economic opportunity for our country.

However, let me remind this Parliament and the people of Papua New Guinea that this is not an automatic process. I can already see a big net fall barrier. We can legislate the constitutional amendment and bring in the supporting legislation containing all the details that will facilitate for it, but, already there is a barrier. It only operates on a reciprocal basis and that is a big barrier.

Mr Speaker, if other countries to which we want to project this proposal do not accept it then it drops at the first barrier. It won't work so there are mechanisms in place that will make sure that you do not have a flood of people putting their hands up to become the citizen of PNG because firstly, their home country will have had similar constitutional or other legislative framework that allows for them to hold your citizenship too, because at this moment, we only recognise one citizenship. The moment you try to acquire a foreign citizenship elsewhere, your citizenship to this country is automatically forfeited. We only recognise single citizenship to this country and most other countries of the world have that arrangement too, so there is already a barrier in place that should be able to put to rest a lot of fears that our people will have in this country.

Mr Speaker, if Indonesia or Singapore or China or Japan or Korea do not have dual citizenship provisions in their law, and they do not want to bring that into operation with PNG, then it is a no-deal situation in that case. It only applies to those countries that do allow dual citizenship. So, as you can see as I say, to put some unnecessary fears to rest that it does not

operate automatically simply because we say so to other countries to which this is intended to apply would have to agree to it also.

Mr Speaker, the other point is, the right to hold public office and elective office for example, dual citizenships member of PNGDF or an employee of the NIO (National Intelligent Organisation) or in sensitive public offices would of course be limited. We do not want to put our people in that category who are going to be holding dual citizenship into a conflict of interest situation.

Mr Speaker, we will help them by removing that difficult situation from them through ensuring that the details when worked out will only enable them to work in the main private sector. That will remove them from being placed in a conflict situation where their loyalty to this Government or to a foreign government, is brought into question and places them in an uncomfortable situation.

Mr Speaker, so these details will be worked out, therefore, in a nutshell, I feel that this is timely and we need to address this because our children are being affected by it. Young Papua New Guineans fathered by both Papua New Guinean fathers and Papua New Guinean mothers have a right to this kind of treatment. I think the timing was the issue and now is the time to do this.

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

25/09

Leave granted to move the proposed Law without Amendments forthwith.

Motion (by **Mr Rimbink Pato**) put –

That the proposed Law without Amendments be agreed to.

The Proposed Law requiring a third thirds absolute majority as required by the Constitution, the Speaker ordered that the bells be rung.

26/09

The Parliament voted (the Speaker, **Mr Theo Zurenuoc**) in the Chair –

AYES – 84

NOES – 0

Motion so agreed to with the concurrence of two-thirds absolute majority as required by the *Constitution*.

The Proposed Law read a second time.

Ordered – That the second required opportunity for debate and the Second Vote to be adjourned for at least two months as a required by the *Constitution*.

PUBLIC SERVICE (MANAGEMENT) BILL 2013

First Reading

Bill presented by **Sir Puka Temu** and read a first time.

Second Reading

Leave granted to move the second reading forthwith.

27/09

Sir PUKA TEMU (Abau – Minister for Public Service) – I move –

That the Bill be now read a second time.

Mr Speaker, consistent with the changes that we have made with both the *Constitution* and the *Organic Law on Provincial Governments and the Local Level Governments*, I have the

pleasure in presenting to this Parliament a complete new look *Public Service (Management) Act* which is a repeal of the current *Public Service (Management) Act*.

Mr Speaker, I wish to highlight some of the key changes that the current O'Neill-Dion Government would want to see insofar as the administration and the management of the Public Service is concerned in our country from the National, Provincial and District and the Local Level Governments.

Mr Speaker, the *Public Service (Management) Act of 1995* has been abolished and replaced with a greatly amended *Public Service (Management) Act 2013*. The appointment of suspension and terminating processes has been significantly simplified as we have approved previously and streamlined the amendments of both the *Constitution* and the *Organic Law*. The detailed processes, standards rules have been drafted in comprehensive regulations under the *Act* in respect to the departmental heads, provincial administrators and district administrators.

A major change Mr Speaker, is the creation of the Ministerial Economic Appointment Committee which has replaced the Central Agency Coordinating Committee and the Public Services Commission from the selection and appointment processes.

The role of the Ministerial Economic Advisory Committee is to advise the Cabinet on appointment and removal of agency heads governed by the *Constitution* and the Department of Personnel Management is solely responsible for advising this committee.

Mr Speaker, performance appraisal by a portfolio Minister or a Governor must become a prominent annual process. This is in review of the service delivery by the Public Services Ministry for the purpose of reporting to the National Executive Council and in taking appropriate remedial or disciplinary action.

The functions of a departmental head have been revised to focus on performance and service delivery. Employment contracts for departmental heads and provincial administrations are to be amended correspondently in order to focus on performance and service delivery.

The functions of the provincial administrators and the district administrators have been done likewise. For the district administrators, a complete list of accountabilities reflects the new service delivery responsibilities transferred to the districts and the province from the provincial headquarters. This will complement the proposed District Authority Bill that the Prime Minister will be presenting to this Parliament.

Mr Speaker, there is removal and automatic reinstatement provision for public servants who resign to stand for election and subsequently do not win a seat in Parliament. They are now required to re-apply through the normal selection process.

Mr Speaker, the responsibilities of the provincial administrator is the day to day running of the Provincial and District treasuries. The provincial administrators are required to report to the Secretary for Finance, on all disciplinary matters and lack of performance in relation to the provincial treasurer. The provincial administrators are empowered by law to provide performance appraisal of the provincial and the district treasurers. That means that if the PA is not happy with his governor or the DT or DA is not performing, provincial administrator must report that to the Secretary for Finance. That is current, and more empowerment given in that process because our Government believes that there need to be provincial and district treasurers from the National level rather than vice-versa until we change the policy.

This particular amendment in the *Public Services (Management) Act* is providing more authority and support to provincial administrators. The Provincial Administrators cannot run away from that responsibility. They must supervise the DT and the PT.

Mr Speaker, the *Public Services (Management) Act* Service Regulation has now raised the compulsory retirement age from the current 60 to 65.

28/09

That means that we will still hold onto our experienced workers particularly, in teaching services and health workers because we are running out of those critical skill technical people and this allows for that provision.

Mr Speaker, while our nation is moving into the era of prosperity, we also need some steady hands in all organizations. I look forward for the Parliament's support in recommending the increase of the legal retirement age.

Once this is approved the retirement age for departmental heads will automatically go to 65 years old but those below the departmental heads or provincial administrator it will be graded over three to five years. That is how the changes have been provided.

Mr Speaker, the amendment also provides for a new section added to this particular *Act* to enable the introduction of contract agreements between the State and bilateral age of Public

Private Partnership funded technical advisor to better regulate their loyalty to the State, their performance and their contributions to staff capacity building and service delivery.

Mr Speaker, this has been particularly put in because under some of the bilateral agreements, technical advisors are supposed to come in and train our people so that once that project expires they will exit. But in most instances, some of these technical advisors stay on and become part of the baggage.

This provision has been added in order to better manage and hold the technical advisor accountable until such time when our nationals are fully versed with the systems and functions of their various duties.

Mr Speaker, in regards to the Statutory Authorities appointment to certain officers which is part of the amendment that I will introduce in this Public Service Management Bill, also provides for example, the Chief Executive Officer of a public hospital does not have to come to the National Executive Council. The Board of the organization will make the appointment and that is final. That also goes for the case of the Provincial Health Authority it will be there and then.

Mr Speaker, under these amendments we have removed some Statutory Authorities from the application of the RSAA Act. For example, currently the PNG Correctional Services is in, but under this amendment we have removed the PNG Correctional Services, which is a State Service and RSAA should never act so the Minister does not have to consult through the RSSA process. As well as the Defence Force Retirement Benefit and the Public Officers Superannuation Funds which have been corporatized and made subject to the RSSA Act.

Mr Speaker, these amendments are very critical because all the political leaders are demanding performance of our Public Service throughout the entire country and with the resource availability now this new legislative framework will help us to better manage our civil servants over the course of time.

Mr Speaker, I commend the Bill to this Parliament.

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

Motion (by **Sir Puka Temu**) agreed to –

That the Bill be now read a second time.

Bill read a second time.

29/09

Third Reading

Leave granted to move the third reading forthwith.

Sir PUKA TEMU (Abau – Minister for Public Services) – I move –

That the Bill be now read a third time.

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

Motion (by **Sir Puka Temu**) put –

That the Bill be now read a third time.

The Bill requiring an absolute majority as required by the *Constitution*, the Speaker ordered that the bells be rung.

The Parliament voted (the Speaker, **Mr Theodore Zurenuoc**) in the Chair –

30/09

AYES – 88

NOES – 0

Motion so agreed to.

Bill read a third time.

Sitting suspended from 12 noon to 2 p.m.

31/09

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:

(a) Notice Nos. 100, 101, 102, 103, 104, 105, 106 and 107 of Government business this day being called on forthwith; and

(b) the Leader of the Opposition from replying to the 2014 Budget.

**APPROPRIATION (NATIONAL PARLIAMENT 2014) BILL 2013;
APPROPRIATION (JUDICIARY SERVICES 2014) BILL 2013;
APPROPRIATION (GENERAL PUBLIC SERVICES EXPENDITURE 2014) BILL 2013;
SUPPLEMENTARY (APPROPRIATION) BILL 2013; AND
PAPUA NEW GUINEA FISCAL RESPONSIBILITY (2014 BUDGET)
(AMENDMENT) BILL 2013**

Second Reading

Debate resumed from 19 November 2013 (See page ...)

Mr BELDEN NAMAHA (Vanimo-Green – Leader of the Opposition) – Mr Speaker, I take this opportunity to present the Opposition's Reply to the 2014 Budget.

Mr Speaker, on behalf of the Opposition, I thank you for allowing me to address the 2014 Budget, but the reality behind it is the visible fact that our economy and the average Papua New Guinean and their families will continue to struggle to make ends meet in a country where that should not because of the resources and commodities we have.

Mr Speaker, it is true that the O'Neil-Dion-led Government has made history by handing down a historical K15 billion Budget and concurrently a Supplementary Budget of K386 million. However, this Parliament must understand that the Budget of the O'Neill-Dion-led Government has in fact gone beyond K10 billion deficit and it is accountably hidden because there are no valid audits to the financial books of the State.

Mr Speaker, it is clear that the Budget is tainted with lies and deceit. The priorities of education, health, infrastructure, law and order and the growing economy are the same pillars from 2013 with nothing to show for. In terms of actual achievements, despite 2013 being declared as the Year of Implementation, it is a cut and paste replica of the 2013 Budget.

This is a superficial Budget which could easily force the economy into recession. The Budget is a time bomb that looks to further disadvantage Papua New Guineans' cost of living when they are already surviving through no fault of their own but of the current O'Neill-Dion Government.

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Mr Speaker, many of the O'Neill-Dion Government's decisions have pushed Papua New Guineans into a K2.7 billion deficit in 2013. The concurrent 2013 Supplementary Budget for K386 million for the Pacific Games further adds to the 2013 Budget deficit.

This is a totally unnecessary burden to the Budget created simply because the Pacific Games Village which was to cost K180 million but was inflated by an additional K73 million for a total of K250 million contract to a blacklisted company called the China Railway Company.

Mr Speaker, agriculture is what supports 80 per cent of our population. Yet, it is not one of the key pillars of the Government's Budget. This is unfortunate because part of the difficulties that our economy is facing today, which appears to be symptoms of the Dutch Disease is a direct result of the Government's failure to invest in the export sector having regard to the economic implications of the LNG Project.

Mr Speaker, there is simply nothing to be excited about in the 2014 Budget. There is no apparent reason why we should expect the 2014 Budget to achieve much because the attribution to education, health, infrastructure and law and order, - even though they were mentioned as priorities in the 2013 Budget were - just minimal.

These very broken promises, Mr Speaker, are the lies and urban myths behind the supposed Year of Implementation.

Mr Speaker, Members only have to look in their own electorates and districts and at those who voted for them to reiterate what I just said.

The Fee Free Education policy that the previous O'Neill-Namah Government put in place has had its processes decreased or removed by the current People's National Congress Party-led Government and it is no longer a success as envisioned.

The increase in health issues has only been exaggerated by the current figures in the market. Infrastructure development has been lacking with the major road developments not even developed through assumed lack of funding.

Mr Speaker, law and order is at a point where our custodians, the Royal Papua New Guinea Constabulary and the Correctional Services, are finding it difficult to curb the increasing crime rates because they have not been given adequate financial support needed to curb the over-riding social problems.

But in saying this, Mr Speaker, I would like to commend the actions in apprehending public figures, under the non-financial difficulties already in existence in our country.

The growing economy is just lip-service. Look at the much publicized SME Programme. The funding for SME is negligible. There is only K135 million appropriated and of that, a massive K50 million goes to the Yangoru-Saussia Open Electorate while K80 million is parked with the National Development Bank.

Mr Speaker, the 2014 Budget is and was described as the 'People's Budget', but this is not true.

Mr James Marape – Point of Order! Let me remind the learned Opposition Leader that the Sepik Plains not only cover Yangoru-Saussia, it also covers Maprik and Wosera-Gai as well.

Mr Sam Basil – You will have your time to debate. Let him finish.

Mr SPEAKER – Your Point of Order is in order, but just allow him to finish.

Mr BELDEN NAMAHA – Mr Speaker, can the Leader of Government Business just sit patiently and let me finish my speech so he can join in the debate.

Mr Speaker, the 2014 Budget was described as the People's Budget, but this is not true. I say it is a 'Contractors Budget'.

I quote the Treasurer, Honourable Don Polye, who said, 'We are the custodians of the people', but if that is the case, the current Coalition Government has not led by example because they are concentrating on striking shady deals with contractors.

The 2013 Budget is one of the many platforms the PNC-led Government is using for this very purpose.

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And if we all remember correctly, the PNC-led Government under the former Prime Minister, the late Bill Skate, pushed PNG into the brink of economic collapse, a scenario we are now currently facing all over again with the same Party controlling the Government.

State of Economy

Mr Speaker, the 2014 Budget was based on the assumptions of a recovery in the global economy and acid testing. Therefore, it should have been made on the best-case scenario and the worst case scenario, either side of the 2014 Budget, so as to cover any discrepancies to these assumptions. The 2014 Budget was conditional on the underpinning of development and growth and surety for the people on the following factors as referred to in page 7 of the 2014 Budget Speech:

- 1) Potential disruptions to the global economy having a negative effect on PNG's trade and Government revenue;
- 2) Volatility in commodity prices amounting to lower revenues;
- 3) Disruptions to existing agriculture, mining and petroleum projects including the PNG LNG project, and
- 4) Difficulties in meeting the financial requirements of the 2014 Budget.

Mr Speaker, assuming the low commodity price assumptions have been factored by Treasury, they have not further factored the fall of commodity prices. The prices of major commodities have fallen far below Budget assumptions averages with all-time lows in the 2014 commodity projections, that is, gold prices plummeting to US\$1 359.00 per ounce, copper at US\$7 213.00 per tonne, oil at US\$99.00 per barrel and even commodity prices with coffee at US\$108.10, cocoa at US\$2 808 and palm oil at US\$1 854, as reported by NASDAQ website, dated 25-11-13.

Mr Speaker, what the O'Neill-Dion Government failed to acknowledge is the major billion Kina mining projects have been written down in net asset value and will not reach construction in the next five years, the same term of the current Government if they do not face a vote of no confidence.

The Frieda, Yandera and Wafi-Golpu projects will remain stagnant and with other mines like Lihir going to ore stockpile processing, Porgera with probably less than a decade of reserves remaining and Ok Tedi looking to crawl to the end of 2020. The assumptions that we may be heading for something the Prime Minister and coalition Government may not be able to address within the next 2-3 years, - that stated fact that our deficit looks to increase this year and well into 2015 and 2016.

Mr Speaker, this is why I reiterate that we also need to prioritise the agricultural industry for the country's development and economic stability, to complement our ever-reliant mining and non-renewable resources industry so that economic gaps are filled in the event of low global prices facing resource sectors such as mining companies who we rely on, for contributing to the revenue into Government accounts. This only captures the fact that of the four factors that the Minister for Treasury, Honourable Don Polye ensured for the development and growth and surety for our people in the 2014 Budget i) iii) and iv) assumptions are within the control of the State yet have not been controlled or adhered to, due to reasons only known to the Treasury and the O'Neil/Dion Government.

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Mr Speaker, like the 2013 Budget, the 2014 Budget is failing Papua New Guinea and the Treasury needs to be partly blamed for this! Given the uncertainty globally and all the claims by the O'Neill-Dion Government, the Treasury must prudently manage the economy of our country.

There is great discord that the Treasury did not conservatively focus on commodity price declines.

Revenues will be lower as a result of the commodity price decline for the anticipated deficit will actually be greater and further away from the reach of covering the deficit we have today.

Mr Speaker, the discrepancies by the Treasury won't be reflected in a 6.2 per cent projected GDP, as announced by the O'Neill-Dion Government but a downfall of the GDP growth (real growth) forecast of 4 per cent in 2014.

Mr Speaker, the Opposition feels that the GDP will be far lower based on the reasons I have stated and the rebound of 6.2 per cent in 2014 as predicted by the Government will not occur unless we make changes to put us back on the level playing field.

We, in the Opposition, were looking forward to the 2014 Budget, but are disheartened as it is only a repetition of the current dysfunctional 2013 Budget, especially when the current real GDP growth has not been publically announced.

Mr Speaker, in terms of inflation, the O'Neill-Dion Government has revised the 2013 figure to 4 per cent as predicted by the Alternative Government. They have assumed that the inflation will be at 6.5 per cent in 2014 but we believe that it will be around 8 per cent. With the excessive spending by the Government, Papua New Guineans can be rest assured that they will only look at the depreciating foreign exchange rate and high inflation rate.

Mr Speaker, the 'Dutch Disease' that PNG will be facing won't be triggered by the LNG project but by the Government and its deceitful budget of spending to artificially bandage the economy. Let this be placed on record.

The feasible predication of a deteriorating depreciation of the Kina against other currencies or the US Dollar due to continuous higher demand for foreign exchange and lower foreign exchange inflows as a result of the LNG sector construction project winding down.

Mr Speaker, the O'Neill-Dion led Government through advice from Bank of Papua New Guinea and Treasury with their reckless overspending, Papua New Guinea will experience the 'Dutch Disease' and the Bank of Papua New Guinea need to also be held accountable, when it can be demonstrated that Bank of Papua New Guinea have only just released their 2011 Annual Report and we are moving into 2014 and the Treasury has not raised any of the funds needed for

the deficit but want to retain control over the Sovereign Wealth Fund that needs to be spent to get development outcomes in Papua New Guinea.

Mr Speaker, the whole Budget discussion on the Sovereign Wealth Fund and the Stabilisation Fund is not delivering anything for the people of our country when it should be, and even though the Opposition acknowledges that the inflation will continue to increase to 8 per cent in 2014, it will only be because of the current O'Neill-Dion Government's high expenditure spending. This high debt financing associated to the State will only derail the 2014 Budget promise of sustaining development and economic growth for Papua New Guinea.

The Budget strategy underlining the 2014 Budget seems to rely heavily on the fact that a lot of debt financing is internationally highly geared to support the O'Neill-Dion Government's *Alotau Accord*.

I am aware of the view that to promote development and economic growth, support macroeconomic stability and address insignificant needs of our country, we need adequate debt finances, but not at the expense of selling ourselves short of being vulnerable to those who provide the debt financing.

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Mr Speaker, furthermore, we firmly believe that the debt financing needed should take into consideration the large domestic finances and sources we have access to rather than acquiring all the debt financing in the international financial markets. The access to domestic funding sources would:

- Lower costs in real terms that do not involve the high cost associated with the exchange rate movements;
- Fewer risks due to the risk premium associated with low sovereign credit rated countries like Papua New Guinea; and
- The opportunity to enhance an already vibrant domestic financial market.

Mr Speaker, we must develop the Treasury Bonds and Treasury Inscribed Stock that will be sold on the secondary market like the Port Moresby Stock Exchange (POMSox) to acquire the funding from domestic superannuation funds, the local corporations, Non-Governmental Agencies (NGOs) and ordinary Papua New Guinean families who would be willing invest into the country's growing economy.

Mr Speaker, the Opposition would move on building a domestic bonds market so that the State's debt financing objectives would be met and maybe we would not be opened to such a high risk international debt financing portfolio.

Mr Speaker, to date, the Treasury has not progressed on the proactive debt financing in the domestic market and the following must occur for the development of the bond domestic market.

- There seems to be a sole reliance by Treasury on using superannuation funds to assist in supporting its deficit funding problems despite never admitting it made a mistake in interpreting the law on the Treasury Bills.
- The Treasury has failed to bring about bond market changes to Papua New Guinea by ignoring Nambawan Supa Fund shared benefits that the State owns, and not being remitted despite being budgeted for.
- There are changes to the *Treasury Bill Act* proposal that demonstrate that the Treasury did not understand the legislation and role of the Treasurer in this process.

Mr Speaker, this is the failure of the Treasury whereby they claim to be the saviour of all the things but fail over and over for the people of Papua New Guinea. The Departments of Finance and Treasury need to be reformed for budgets to be implemented with expected outcomes.

Mr Speaker, therefore, the problems are;

- (a) Treasury's current failure to raise additional funds domestically for the deficit because of past mistakes made within Treasury to control outcomes.
- (b) The failure of the US\$500 million US Bonds issue where Treasury appointed three global investment banks to assist, and nothing was achieved to help raise the US\$1 billion needed to allocate against the Budget deficit.
- (c) The failure of the Treasury to actually recognise that the development loans serve no underpinning of value for the development of the State was quite clear. In Parliament the actual details of the development loans are never fully presented for scrutiny or debate for the public to consume.
- (d) Treasury has been eager to sign only to look wonderful on paper and for no interest period, low interest thereafter and long term pay back periods. But what Treasury

failed to understand is that, the conditions around the loans means that the cost of funds are actually much greater than the published interest rates. A lot of the money actually stays with the development loan provider.

- (e) The financiers decide who are then employed to study and make recommendations and contract decisions, which usually go to an approved aid contractor which may be owned by the aid agency in some degree or has political influence with the aid agency.
- (f) There is a restriction on how the funds are spent and in amounts per annum which actually inhibits development progress for the people.

Mr Speaker, an example of this failure was the announcement on the K6 billion loan with the EXIM Bank of China, where no details were provided. It is, however, understood that the concessional loan, Mr Speaker, required 70 per cent of it to go to Chinese contractors to work within Papua New Guinea and the balance of the funds to be spent with approval by the EXIM Bank, thereby reducing the effectiveness and actual transparency of this loan.

36/09

This also adds to a massive debt matter where the debt level is not an issue but the form of the debt, and this further add to the contradiction that the 2014 budget with Exim Bank loan is not factored. The question is; what is the actual budget deficit? This will make Papua New Guinea far worse in terms of sustainability and economic growth.

Mr Speaker, the Exim Bank loan was announced to the people of this country to build Highlands Highway and I do not know where it is now.

In handing down the 2014 Budget, the Treasurer revealed that the Government plans and intentions to expropriate a portion of the 7 per cent landowner's equity of PNG/LNG Projects as part of its revenue raising measures.

Mr Speaker, this was to effectively raise K600 million to finance part of the Budget. It is validated that the landowners' 7 per cent equity will be valued at K18.2 billion over 25 years. This is a very serious issue because this Government, if not satisfied enough by expropriating 63.4 per cent from Ok Tedi, they are now expropriating 7 per cent from the landowners from LNG -

Mr Noah Kool – Point of Order! Mr Speaker, the acquisition of Ok Tedi was not the expropriation. It was a rearrangement of what the State already owned. When BHP chose to exit from Ok Tedi.

Mr SPEAKER – Honourable Member, allow the Leader of the Opposition to speak.

Mr BELDEN NAMAH – It is good because they are getting very excited now. I am not misleading Parliament.

Mr Speaker, this is another example of bad management by the O'Neill Government when they set the precedent previously with the expropriation of 63.4 per cent of landowner shares in OTML. With the underlying lies given to the OTML shareholders and consultation, the expropriation of 7 per cent of PNG/LNG landowners' equity, the nation would like to know if there was any consultation with PNG/LNG landowners and the Provincial Government.

Mr Speaker, there can be no misunderstanding with regards to the Treasurer's clear intentions as it is clearly articulated in the Treasurer's Budget Speech in paragraph two of page 16. It expounded further in Volume One of the Economic and Development Policy in paragraph one of page 36.

Mr Speaker, we believe that the large volume of the landowner equity has been sold for lower value than what is worth to cover discrepancies in the 2014 Budget. I am sure the landowners in the province who are connected to the LNG Projects would want to know who is acquiring the shares and how much of the equity is being sacrificed for the K600 million.

We need to also mention the buyback of the Oil Search equity that is held at collateral on the IPIC Loan. I find it surprising that the O'Neill-Dion Government would find it difficult to refinance the Oil Search component less than five years until maturity of the IPIC bond when the Prime Minister has not done one thing to ensure that this matter was completed well in advance.

The Oil Search shares are the commitment to the people of ownership and by not repaying IPIC immediately, the risks is a massive loss on the future value of this equity.

Mr Speaker, let me take this opportunity to raise the K1 billion dividend from OTML announced in 2012, only K500 million was transferred into the Consolidated Revenue account, but in terms of the remaining K500 million, the O'Neill-Dion Government must explain where it is and what it is designated for as it is not reflected in the 2014 Budget.

37/09

Mr Speaker, the Prime Minister of Papua New Guinea must not fool the people of this country. This oversight on his part shows that he is hiding something or that the Treasurer has no judgment in terms of who are providing the keys of the National Budget.

This further clarified the 91 approved projects under the PNG Sustainable Development Program were promised by the Prime Minister to be funded in the 2014 Budget. Yet again, the Prime Minister has been deceitful and has lied to the people again.

The O'Neill–Dion Government based on the stated examples is in fact expropriating people's money for their current mismanagement and inefficient supervision of the economy. Let me reflect on these lies and deceit further by mentioning the over inflated projects.

There has been many of these projects that have not been implemented because their costings have been varied or inflated. The current examples are the Sir Hubert Murray Highway between NBC Five Mile and Erima Bridge, initially announced to be K6 million was inflated to K35 million and further inflated to K75 million. The Four Lane Lae to Nadzab Highway, initially announced to be K160 million was inflated to K500 million and further to K800 million. The Kangul to Kisinapoe Highway was inflated to K380 million for a 20 kilometer road only.

Mr Speaker, these are facts.

Mr SPEAKER – Leader of the Opposition, in relation to the Lae Nadzab Highway, I thought that there was an investigation that took place and eventually reduced the amount. You are misleading Parliament. You be very careful.

Mr BELDEN NAMAHA – Mr Speaker it is K500 million. In all inflated projects, there have been no cost and benefit analysis and proper monitoring of the captured projects, which only reinforces the lack of checks and balances connected to a deceitful Budget.

Mr Speaker, we would like to raise the issue that the current O'Neill–Dion Government has conveniently forgotten the people of Bougainville. The previous O'Neil–Namah Government made a commitment to the people of Bougainville to give K100 million, every year for five years, for rehabilitation, reconstruction and transfer of power arrangements. In this year's Budget we cannot see any funding allocation for Bougainville.

However, in this 2014 Budget, there is no mention or financial assistance connected to the Autonomous Region of Bougainville. It is a very clear breach of the *Bougainville Peace Agreement*.

On behalf of the Opposition let me make further comments in terms of the expenditure and revenue reforms.

The revenue taxation measures and the Government's responsibility of empowering people, the nation building projects reiterate issues in the 2014 Budget, contradicts the PNC-led Government objectives to promote development and economic growth and to support micro stability and addressing significant needs of our country.

Mr Speaker, but in terms of the Opposition's solutions and alternatives, we know what is needed to change the huge deficit principles of where the 2014 Budget is taking our country to.

I am sure that the PNC-led Government are far too busy trying to drain us in a used deficit situation. To consider all of these and put all of them together this country is going to be rundown.

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Mr Speaker, with the expenditure and revenue reforms, we acknowledge that the *Public Finance (Management) Act* needs to be reviewed and updated along with the reduction of 117 agencies to under 100 by 2014.

For example, the Office of Rural Development merging with the Department of Rural Development and Planning. Furthermore, the Medium Term Fiscal Strategy that has been put forward by Treasurer is acknowledged by the Opposition. But it goes back to the initial problem of the assumptions that we have been putting forward. The current economic status of PNG is not making up to this assumption and the reforms will not improve the delivery of services.

Mr Treasurer, you will not increase responsibilities away from Waigani when you will be lacking in terms of budgetary expectations to make Waigani efficient. An alternative that the Opposition can put forward is that Public-Private Partnership relationship need to be revitalised and supported. This is so that the tendency of departments to turn themselves into statutory Authorities to improve pay and conditions and move away from some of the controls of *Public Finance (Management) Act* can be compromised and accorded to.

Mr Speaker, with the reliability on the discrepant assumptions of the 2014 Budget by the PNC-led Government and the factual reasoning that I have already stated, the anticipated total revenue and grants in 2014 of K11.81 billion will not occur.

This will be further reflected in 2015, as PNG goes further into deficit because of the mismanagement of the current PNC-led Government.

Mr Speaker, there is a further reflection in that the Treasurer miscalculated the revenue streams and the impact will be a larger than expected inflation rate, a worse off declining foreign exchange rate, and this does not fare well when we will need to provide employment on a greater scale to our increasing population. It will also create social problems already been seen with our larger than expected health and law and order issues that we face today.

In terms of taxation measures, we, in the Opposition are supportive of lifting the tax free threshold from K7 000 to K10 000, but we feel that it should be further increased to K15 000 to assist our citizens to be more diligent in terms of their savings, investment and giving them access to cash to look after themselves and their families to provide for the ever increasing standard of living.

The support stops here as we don't believe in realising tariffs in the PNC-led Government 2014 Budget program because it will not contain inflationary precautions based on the arguments that I have put to the Floor but disadvantage Papua New Guineans and the local businesses from experiencing growth and being competitive against the international companies.

One example of why the Opposition would not relax tariffs is in our industrial manufacturing sector where we need to protect local businesses to teach and support our citizens in promoting mechanical skills. This is especially the case in substantially increasing import duties where our mining and resources sector have opportunities in maintenance requirements and repair services that can be given to the local businesses and not those businesses that are based overseas.

Mr Speaker, the expecting of hard currency and jobs out of PNG means that PNG is missing out on the revenue. PNG should be supporting local companies to ensure we have our own industries and expertise to do these maintenance requirements and tariffs in these sectors will greatly assist in keeping jobs in our country.

39/09

The Government of the day needs to support the local companies in job and teaching opportunities for Papua New Guinea citizens and this will create a lot of employment for the local population and this will increase revenue generating activities for the Government. And the Opposition believes that import restrictions need to occur through tariffs and associated instruments and by doing so, the Government of the day can support the existence of local industries.

This will also develop an ideal education mechanism in providing students with practical experiences and will add to the amount of investment involved in assisting local industries to achieve their goals while promoting economic development to this country; which is one of the objectives that this Government has long been preaching about.

Mr Speaker, the National Government's responsibility for empowering people and with the predicted blow out in the 2013 Budget deficit and it being transferred into the 2014 Budget, this Government will break their promises to the people of Papua New Guinea and the budget would be over spent with little to show for in the allocated K15 billion Budget.

The commitments according to the *Alotau Accord* are feasibly failing so, how can they empower citizens when everyone is lacking in free education, free basic health, mundane agriculture growth and the increase in law and order in the country.

As for nation building projects in the country , we mentioned the mundane infrastructure growth and the Government has committed to various infrastructure contracts that they do not have the funds for and it is known that there are several consultants wondering around the world in search of funding partners.

Mr Speaker, if the Budget is a politically motivated budget then it is for some developers and our people have been neglected in a big way. These developers should not be contracted because of the international blacklisting due to the fact that these developers have been paid to acquire their contracts.

The priority funding projects that were published in the 2013 Budget will be paid and started in the same year have not been implemented, nor has there been any update on them, with priority changing to encompass certain aspects.

This is the norm reflected in Port Moresby with its current road upgrades and contracts. Look at the Manus Province and while we in the Opposition are thankful to the Australian tax

payers for assisting the Budget deficit with a massive K1 billion aid it is not enough to patch the financial gap this Government has created for Papua New Guinea.

In Manus, where much of this aid is meant to be spent on socio-economic sectors, such as health, education and road infrastructure as promised for the people of Manus for allowing the operation of the centre. The contract seems to go to overseas contractors and others with well vested interests. The landowners of Manus are left disillusioned by this kind of treatment by this Government.

Mr Speaker, the Prime Minister has again lied to the people of Manus when he signed the MOU for the Asylum Seekers Processing Centre on Manus Island and its implementation. He has admitted that there have been flaws in the participation by the local landowners. He has also publicly denied that PNG has no secrets to hide and that Australia cannot spy on PNG and listening in on communications by leaders and other vital information.

For what the Australian taxpayers have given the head of the PNG Government has chosen not to direct the summoning of Australia to PNG as a way of saying thank you but is this a gesture of goodwill and relations between friends, and our friends are not supposed to be spying on us.

Mr Speaker, before I conclude on the Oppositions overview of the 2014 Budget, we will make further notes on certain issues within the Budget that contradict the PNC-led Government objectives to promote development and economic growth support macroeconomic stability and addressing significant needs of our country.

40/09

Mr Speaker, the actual prices are greatly below those forecasts given the uncertainty globally and all the claims by the Government and Treasury that the prudent management of the overall economy, there is a greater fear that the Treasury did not conservatively focus for the commodity price decline. Revenues will be lower as a result of the commodity price declines. Therefore, the anticipated deficit will actually be far greater than what is being reflected in the 2014 Budget.

Mr Speaker, K500 million was in a trust account allocated for the LNG Project several years ago but there is nothing within the Budget that shows this amount. How are these funds spent and where were they spent and on which projects? On page 97, Volume 1, of the Economic

and Development Policies – Private Sector Development, you will see that this money is reflected.

Mr Speaker, private sector development is a hard area to get right and be of standard when law and order is still a problem. Furthermore, the well-developed private sector in Papua New Guinea can see double standards like Bank South Pacific having effective control of the stock exchange and is self-regulated, therefore, can control the situation. For example, BSP, as a public listed company, paid its dividends towards the second-quarter of 2013 but made no attempt to announce the dividends either on the exchange or website.

Mr Speaker, if private sector is to develop, we, the alternate Government, would strengthen enforcing regulations for that development company such as BSP to be accountable for their breaches.

Mr Speaker, the development strategy is not working as being seen and stated that unless you are on the Government side then provinces and districts don't get development funds. This is not a Budget planned for the country but a specific political agenda where democracy is obviously of concern.

Mr Speaker, let me state an example. In the Opposition from the DSIP funds to date since the beginning of 2013, we have only received K1 million each and K2 million is yet to be cleared. A total of K3 million for the opposition while in the Government side, they have received more than K7 million to K8 million. Where is justice in this country?

Mr Tommy Tomscoll – Point of Order! May I point out to the honourable Leader of the Opposition that Governor of Madang, who is a member of the Opposition, has received more than K12 million so that comment is totally misleading and out of order.

Mr SPEAKER – Leader of the Opposition, go ahead and continue your Reply to the 2014 Budget.

Mr BELDEN NAMA – I am speaking from what I have received so far for my district but that is okay, time will come. You can laugh about it.

Mr Speaker, what specifically are these trust funds for? Let me go back to what I was saying. This is not the Budget and the Plan that the country should have. The Opposition has

been inadequately funded. The Government is dishing out money when it comes to passing the Budget or when it comes to passing of Bills. It is not likely to occur by 2017 forecast for reasons already given.

Mr Speaker, if the deficit is not raised this year then the timeframe cannot be met unless the Government changes how much it is going to spend and which priority sectors will miss out. Obviously not road construction, as it seems to be the only priority.

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Mr Speaker, if the deficit is not raised this year then the time for the Budget Framework is not going to be met unless the Government change how much it is going to spend and which priority sectors that it will miss out. The most obvious would be Education, Health, and Law and Order as well as road construction are the main areas that the Government will be focusing on.

Mr Speaker, what specifically are these trust funds for? I am referring to the K1.5 billion allocated for the Secretary for Treasury's advance. I call this Fund the Prime Minister's petty cash. This K1.5 billion that is allocated for Treasury Secretary's advance is a first for this country's budgets. What Treasury done is to disguise itself by a massive budgetary increase amongst all other areas of government agencies and only serve themselves in terms of advice and behaviour?

Mr Speaker, the Treasury and Finance departments are set to receive a little over K5 billion for their operations and programmes as personal emoluments. The fact is that there is an 80 per cent increase for personnel emoluments for Treasury just for 2014. This is almost 65 per cent of the Budget deficit in this one area and the 2014 Budget has demonstrated that they are not capable and don't apply the standards or requirements they preach about.

What this means is that they continually talk and ask for travel, study and development and advisory help but don't do anything with that. They change laws or try to when it is applied, as they have been doing since Independence. This provides the nation with a clear understanding that the Treasury Department has not been doing its job properly.

Mr Speaker, the K1.5 billion I mentioned as the Prime Minister's Petty Cash is to pay for his over commitments in the provinces and the small Pacific Island countries.

If you look at the Department of Treasury's Medium Term Development Fiscal Strategic Plan; Treasury is set to undertake a plan that will not see outcomes and has not seen outcomes as a result of a lack of commercial experience in this area.

The advisors that Treasury has referred in terms of overseas economists and those groups that played the political game have achieved nothing for the country.

The direct plan to use Superannuation Fund money is unbelievable as this has been done before and where politically the Treasury officials did not agree with the law, they simply made political mileage out of incorrect and false information. They spread rumours to get their outcome and no financing has been achieved for the Budget deficit due to the lack of ability to deliver the financing.

Mr Speaker, it is the role of the Opposition to be critical of the Government. What has been explained in these issues are not just critical statements but obvious errors in processes and procedures that mean the PNC-led Government will not deliver on the commitments but continue to make politically appealing promises, but being popular is not the right thing, noting flaws to the people of this nation.

In conclusion, Mr Speaker, the PNC-led Government has made a lot of commitments and comments about how it is developing this nation but in reality, two years into their term of government, they are great at talking and poor in service delivery. In fact, the scorecard shows that there has been no significant development has been completed or near completion and of these developments, the definition of temporary only glorifies itself.

The delivery of the Budget is about actual delivery of goods and services. There is no way the 2014 Budget will be delivered and there is a certainty that the Budget deficit will be larger than estimated.

The 2014 Budget is politically staged and the shortcomings will be blamed on everyone except those that have actually put this together and the people of PNG will actually miss out after believing they would be looked after.

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The 2014 Budget Deficit will be worse than anticipated.

Mr Speaker, if the 2014 Budget was for the people, we would already have the funding for the deficit with big announcements connected to objective achievements. Our people will

realise what the Opposition already know, we will have a larger than expected deficit that will run well into 2015 and into 2016 as there is no realistic plan and no way will anyone that should take responsibility, will do so, particularly people on the Government side.

Accusations will be made that it was the fault of the Opposition or factors outside of the control of the State – but the O’Neill-Dion Government, in putting the biggest budget of K15 billion in 2014 owe a duty of care to the people. The Fiscal Responsibility Amendment Bill is going to be passed along with the 2014 Budget. What has not been raised is that the public debt to GDP ratio used to be 27 per cent but has increased over the last two Budget deficits to 32 per cent. This Amendment Bill looks to increase it to 35 per cent.

Mr Speaker, the stark reality is that our calculations indicates it is in excess of 54 per cent, well and truly above the international level allowed. What the O’Neill Government is trying to do is spend excessively and pass the burden onto the next government and a dramatic impact on average PNG families, now and into the future, thus, demonstrating a poor case of efficiency and a poor case of custodianship to the citizens of PNG.

The assumption of the 2014 Budget is what has destroyed it along with the Treasury and what could have been achieved under the ‘Peoples’ Budget’ cannot be achieved and is now confirmed as a Political Budget. Yes, the 2014 Budget is a ‘Contractors’ Budget’ without doubt.

Mr Speaker, for prudential and transparent control, the actual expenditure against the Budget needs to be published and the projects embarked on in the Budget need to be independently audited to account to the people for the 2014 Budget. Only then can we be comfortable that this Parliament is promoting economic development growth, supporting macroeconomic stability and addressing significant needs of our country PNG.

Mr Speaker, we, in the Opposition are not looking forward to 2014. The current 2014 Budget is but a license to put PNG into a demanding growth rate and further into a deficit “black hole”. Should this occur, it will be very difficult to return from this prediction situation and will take us back to what PNG deserves, to complement a country rich in resources, culture and people....a Budget Surplus!

Mr CHARLES ABEL (Alotau - Minister for National Planning and Monitoring) – I move -

That the Parliament take note of the paper.

Mr Speaker, I rise also to debate over this very important piece of legislation being the 2014 Budget and other associated legislation.

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I take note of the Opposition Leader's statement on the Budget and I will make some comments in response to that and what others on this side have said as well.

At the outset, I thank the Treasurer for the excellent job he has done in putting the Budget together. He is, of course, the leader of our team on the formulation of the Budget but also under the good guidance of the Prime Minister and we commend and thank the Prime Minister for his steadfast leadership through this process.

Mr Speaker, it has been an exhaustive process. This Budget is not something that we made overnight or plucked it out of the rubbish bin somewhere. It has been carefully considered with lots of hard work and it is one of a series of important legislations that we are bringing to the floor of this Parliament and to say that this Government is not working, is completely nonsense.

Just today alone, this Parliament has witnessed some of the legislations that we are bringing in. This is one of the most hardworking Parliaments that we have ever seen in the history of this country.

Ms Loujaya Toni – Absolutely!

Mr CHARLES ABEL - The Finance Minister will give details of the legislations we are bringing and they are game changing piece of legislations and our series of Budgets are a part of that process. We must see it in that overall context of the reforms that we are trying to bring to this country and I commend the Parliament for the hard work they are doing.

I commend the team that has put this Budget together as it is not only the Minister for Finance and I but all the Ministers of Cabinet who participated. In fact, we have gone through lengths in this Budget process to even bring it to the Government Caucus before it went to NEC in our attempts to try to be transparent and consultative as possible.

We are an open Government, we have nothing to hide and we are proud of this Budget and we are proud of this team and this Government.

Mr Speaker, just going onto many of the things that the Opposition Leader said, it is very important that when we talk about the Budget, we must understand the way budgets are laid out, the format of the Budget. We must read it very carefully and understand the substance and the formulation that goes into the Budget, otherwise, we might make statements which are not necessarily true because we don't fully understand what is contained in the Budget.

For instance, when it comes to the deficit, it is not something is new. It part of a Five Year Outlook, a clear strategy that our Government set out in the *Alotau Accord*.

When we came in, we were confident in the future of this country and we were determined once and for all to create a Budget envelope to invest in the critical underlying enablers of this country to get our economy growing and get this country moving forward.

The 7.9 per cent deficit Budget in 2013, is quite clearly part of our Plan. The 5.9 per cent deficit for the 2014 Budget is part of that Five Year Outlook, there is no secret or hidden agenda or something that we never discussed. We are being disciplined by sticking to that Outlook. I want to commend the Treasurer and say that behind the scenes we are under so much pressure as we all know we had K16 billion worth of capital development projects coming through National Planning. Our Treasurer has maintained all the way through our fiscal stance, our legislation the mid-year fiscal outlook, he said, 'let's stick to fiscal discipline'.

And this Government has done so. It has not gone irresponsibly beyond that envelope. We have stuck to what we stated and so these things are all factored in. Of course, there are underlying issues of how we will raise that money and how do we fund this thing and we have continuously stated that it is contained in the Budget. These funds are being raised primarily and domestically for very good reasons. Firstly, the funding is available domestically; secondly, there are risks of going outside and borrowing on foreign exchange currency because obviously that will undermine our Budget.

Mr Speaker, we have quite clearly stated what we are going to do and we have managed to fund the Budget fully in the domestic market. We are looking at 2014, whether there's pressures are going to come to bear in the domestic economy and hence we may have to look outside and that is why Treasury is being prudent and is planning for a sovereign debt bond issue, in case, we need to recourse to that.

I don't see any issues around the deficit, of course, we have challenging times in front of us because the world economy is struggling a bit. Some of our commodity prices are down but we are forecasting that in the future the commodity prices will recover.

At the same time some of our projects will come online including the PNG LNG project. When it comes down to the underlying factors in the Budget like the commodity prices of course we can argue about that but, Treasury has gone through its normal standard process of making that assessment and that is normally based on the collections from some renowned economic groups internationally.

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Nevertheless, the Treasury has gone through its normal standard process of making that assessment. Therefore, what that is normally based on is that they collect from some of the renowned economic groups internationally and collect a series of these statistics and make an average forecast. These are then the figures that go into the Budget and it has always happened that way.

We did not make it up so that we could make the picture a bit brighter and better. We allowed Treasury to go through the usual process of assessing this information. Therefore, we are very confident of the underlying information in the 2014 Budget because we have not made it up. It has come through this rigorous process and we are expecting the commodity prices to recover slightly from where it has been at the moment, Mr Speaker, because we know that they come off and that has given us some challenges and difficulties. But we have come up with other means to address that including our tax review and some of our revenue raising measures.

Mr Speaker, in terms of our debt and the underlying debt that is being created, we are not doing anything surprising. We set the fiscal strategy in terms of legislation at 35 per cent and we are working within that 35 per cent. The 5.9 per cent fiscal deficit in the 2014 Budget will take our total debt to K14 billion. That K14 billion is then weighed against an expected GDP growth of up to K14 billion, which gives you 35 per cent or close to that.

Mr Speaker, we are just working within the fiscal framework with a prudent limit that has been established internationally and we are trying to keep and work within. And we are not going beyond that, nevertheless, the Treasurer has made some allowances in the legislation in case we temporarily slightly breach that mark. Therefore, that again, being prudent because as he

states in the Budget documents, we do not want to come to a situation where we are going to stalemate simply because we have inadvertently breached the deficit or the fiscal limit by 1 or 2 per cent. It is only designed as such that we quickly come back to within that limit.

Mr Speaker, in terms of the K386 million for the South Pacific Games and to say that it is adding to the 2013 deficit is not correct. What it is, is that it is under-spending in 2013 that we are re-appropriating, and therefore, it is money within the 2013 Budget that we are simply re-appropriating. This is because we all know and it is something that we are not going to lie about and that is that there are problems in some instances when trying to rollout our Budget. It is a challenge that many governments have faced. Nevertheless, this is not going to stop us from appropriating and trying to get that money out to our people. So, to say that the K386 million Supplementary Budget is adding to the deficit is incorrect because it is re-appropriation of existing expenditure due to under spending.

Mr Speaker, we have established our five main priorities by the Coalition Government and directions from the Prime Minister. Therefore, this year we are adding a couple of new ones which has been much publicised and I can tell this Parliament that agriculture and SMEs is one of them. We have therefore put K313 million in the 2014 Budget towards that process with additional funding to National Development Bank (NDB), MicroBank, K40 million for agriculture commercialisation policy and K50 million to the Sepik Plains. We are also talking about Hagen Urban Regional Centre as an agriculture base. We have also funded all our commodity boards to the tune of some K124 million.

Therefore, within the restrictions of our framework and within the restrictions of the other priorities of the Government like infrastructure, education, health, law and order and growing the economy. We are trying very hard to factor in some of these other critical enablers, and another aspect which I will touch on is concerning land and housing. We have put K150 million to begin the process of giving emphasis once and for all to unlocking land and to also coming up with mechanisms and modalities to make affordable housing available to our people.

Mr Speaker, it has been said that this is not the 'Peoples' Budget'. The Leader of the Opposition may think so, but I want to assure this Parliament that this Government is intending this Budget to be the 'Peoples' Budget'.

Mr Speaker, we are trying our best to make sure that it is so.

Mr Speaker, as for the Budget assumptions, we are quite confident in the funding of the Budget Deficit. We are confident as it is going to come primarily domestically and it is done so in the 2013 Budget. The Budget is fully funded even though he talked about the China EXIM Bank loan of K6 billion.

The Prime Minister took some time the other day to clarify the situation around that. The China EXIM Bank has always been an option for us like many other financing options.

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As we are weighing up all these options, the K6 billion loan was only discussed in the context of our financing requirements in total. It did not mean that we will go and get that loan from the China Exim Bank and there is no such loan at this stage. We are simply in negotiation about the different options as a wise government would do.

When we talk about the Chinese Contractors associated with the China Exim Bank, that is a standard requirement of China Exim Bank and indeed other Exim banks around the world that would link with the China Exim Bank.

That is why when we are considering this loan and at the same time we have to bring all these factors into account in terms of the pros and the cons of different methods of financing. That is what our Government is doing.

The Leader of the Opposition is talking about the LNG money coming in. This is simply State coming into assist the Landowners buy their shares of equity back from the State. The State has already purchased the equity from the LNG Consortium and we are coming in to assist the landowners benefit fully from the equity in the LNG Projects from the State. It is not a free handout but it is a commercial arrangement and there is nothing to worry about in that regard.

We are not taking away the landowner equity. In fact, we are facilitating the purchase of that equity in the Project concerning the Ok Tedi K1 billion, Mr Speaker, I am not sure where this information is coming from. I think Ok Tedi has stated that using some of its internal revenue to invest back into the mine. This will expand the mine and improve some its processes.

The Government is aware of that, but we have not made any provisions around the K1 billion in the 2014 Budget or any other budgets.

Mr Speaker, about the Project costing as mention by the Leader of the Opposition, I must say that the Prime Minister has acknowledged that and we are concerned about those costing

coming from some of the government agencies. That is why he has asked for a review so that we can look at some of these costings.

Mr Speaker, we all know that our procurement systems have problems. This is one of the fundamental issues that our Government is trying to fix. While we are appropriating large amounts of money we are also concentrating on fixing the procurement system. Even the CSTB process has to be closely looked at. Why do some of these costing come through Cabinet? Can they make the final decision? So, all these things should be done according to the *Public Finance (Management) Act*.

The Prime Minister has already ordered a review and some of these projects will be slightly delayed as we review the costing and the justifications on the strategy.

Mr Speaker, we are not going to lie and say we are not concern about somebody's costing. So, we are trying to do something about it and keep rolling up our development agendas because our people cannot wait while we continue to talk.

Mr Speaker, regarding the Bougainville commitment, the funding remains in the Budget. I am talking about the Budget when the Opposition Leader is talking about the Secretary's advances in particular, vote 207 under the Treasurer. Please look at the details on item 207, that is a vote traditionally used by miscellaneous items but, that does not mean this items are not justified.

The public servant's CPI adjustments are included in there as well as the fixed commitment to Bougainville of K150 million and the IDG funding which are all parked in the miscellaneous area. This is not discretionally funding and not the Prime Minister's pocket money. It still has to be expended under the normal terms and conditions of the Government. It must deliver value but within the 207 item is K150 million allocated to Bougainville Restoration Authority over the next five years.

That money is saved and will go into a Trust Account. There is a mechanism being arranged with the ABG consultation with the National Government to make sure it is converted into tangible development. But there has been delay in releasing that money,

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There is a mechanism that has been arranged with the ABG in consultation with the National Government to make sure, such as like with the IDG and that we are working on, that this money is converted into tangible development.

There has been some delay in releasing that money but the money is there in terms of the 2013 Budget. We just want to ensure that that money does not get wasted like the hundreds of millions of Kina done in the past.

Mr Speaker, we are meeting all our fixed commitments through this Budget. We are being consistent and we are sticking to those priority areas that we have talked about with our Coalition Partners and we are adding on the other Medium Term Development Plan, a Five Year Development Plan enablers of land and housing, SME in agriculture and of course, our basic utilities and another one is sustainable development of which there is K25 million. It is very important that we guide our country towards sustainable food security and energy security. Our future economy should not be reliant on the resource extraction industry. This Government is emphasizing it because it is part of the Medium Term Development Plan.

Mr Speaker, we want to stress through the supporting and enabling legislation that our Government is bringing like the *District Authorities Act*, reforms to the *Public Finances (Management) Act*, and amendments to the *Public Service Act* that Sir Puka Temu is tabling. We are trying to improve and create an enabling environment and pushing for more monies down to the districts and we emphasize getting things done as a Government of action and implementation.

Mr Speaker, this Government stands to support and empower provincial governments and district authorities. We are also bringing in ICCAC and it is encouraging to see the Sweep Team being funded and getting on with its work with making some arrests and some convictions already.

Mr Speaker, anti-corruptions is one of the foundations of this Government and we do get hurt deeply when we are accused of corruption but that's all part of the process and we are quite happy to respond to that in a confident way.

Mr Speaker, our Government is working very hard and we have brought record legislations this year. We are rolling out free education, free health care, training policemen and policewomen, nurses and improving Defence Force personnel. Our teachers pay has increased by

10 percent in 2014 and general CPI adjustments. We are bringing village court magistrates and councillors onto the payroll. We are putting record amounts of money into the very priority areas we started from the outset and we are not drifting off into other areas and that shows that we are focused. We are also confident that the PNG LNG Project will be delivered on time and we are working hard on getting a third tranche up and running. We want to encourage domestic use of gas which the Minister for Petroleum and Energy is working on our downstream processing industry. We are looking forward to delivering our second gas project in the Gulf Province.

We believe that our economy basically remains in good shape and the Prime Minister has been telling us that all the fundamentals are there and our Treasurer has too despite the pressed commodity prices. That is part of the justification for the fiscal stimulus Budget in anticipation of some of these issues like the downturn and construction of the LNG. We are going ahead deliberately to spend Government money so that we keep our businesses engaged and our people employed to keep our economy moving which is one of the pillars of this Government.

We are expecting a recovery in the GDP growth particularly as commodity prices recover and we begin the gas sale on the LNG Project. Our fixed commitments are all maintained in the Budget and nothing has been left out.

Mr Speaker, part of what we are doing is the clarification of the functions of the agencies and in this case we are talking about the Budget. So Treasury and Finance and Planning and Monitoring Departments to realize what our roles are and are those roles adequately balanced? Are there checks and balance in the Budget process? Are we all doing what we supposed to be doing so that we further our aims to improve our delivery?

Mr Speaker, you will note that there has been quite a few Budget reforms and there is still very much work in process. We have come through the Budget process with the Ministerial Budget Committee all the way through to NEC and the National Planning Committee, Government Caucus and we have now an integrated Budget for the very first time and some of you who are new to Parliament are familiar with the traditional Budget like the Development and Recurrent Budget but now you will see them together in one book. The operational cost and the capital cost in combining the Budget, and that is the beginning of this Budget reform that has been pushed by our Treasurer.

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The Treasury will consolidate the Budget but it does not mean we throw the Public Investment cycle and process out the window. We must make sure that every project goes through a justification and proper costing before it enters the Budget. Of course, Finance is responsible for the expenditure side and it's working very hard to improve the oversight on expenditure, accountability, auditing and et cetera.

One of the main points here is that the Appropriation in the Budget must be separated from the expenditure. There must be two separate agencies in there to bring that check and balance and accountability.

In terms of revenue, and I mentioned this earlier, sometimes we struggle here but the emphasis is on Treasury to collect what is due to the State as tax revenue. That's why this year alone K500 million extra has been collected in terms of taxation and that has helped to bridge the difference in our revenue because of the downturn in the commodity prices.

With that in 2014, we will continue that drive and we anticipate an extra K750 million in revenue that is owed to the State. But we are not doing enough work to collect this money instead we talk about Exim Bank loans and so forth when we have K2 billion owing to us in taxation returns in our country that are well overdue.

Some of these business houses are not even on the tax system and this needs to be considered because from this revenue, our Government can achieve many of the things that we keep talking about. And our Government is determined to concentrate on the revenue side rather than spending all the time.

I congratulate the Ministers for Treasury and Finance and the Prime Minister and those involved in the formulation of this Budget and we look forward to working with you fully, thank you, Mr Speaker.

Mr JAMES MARAPE (Tari-Minister for Finance) – Thank you, Mr Speaker. Let me take this time to join the Leader of Opposition and also the Minister for National Planning to comment on the Budget.

Firstly, I thank the Ministers for Treasury and National Planning for maintaining composure in the face of a huge demand for funding in the Development Budget. As the Minister for National Planning has alluded to, a total submission of K16 billion was filtered through our

Planning Office. But as they came into the discussion of our budget rooms, the Treasurer and the National Planning Minister maintained tight discipline in respect to our *Fiscal Responsibility Act* that we had in place.

Let me touch a bit on the point that Leader of Opposition has mentioned; this Budget is not much different from what was structured last year. This is not a new case. Last year, the Treasurer handed down a Budget that depicted a medium term approach, a budget that was part of series of budget that will culminate in us coming back to a moderate surplus in 2017 to 2018 period, so the 2014 was approached within those contexts.

The Leader of the Opposition really tried to pick on some points in his statements and I'd like to make a few observations. Who will I choose to believe, Mr Speaker?

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Within this context, we approached the 2014 Budget and for the learned Opposition Leader to try and pick on some points in his statement, let me make few observations. Who do I choose to believe, whether I believe IMF's World Economic Outlook Review or not. In 2013, the IMF's review noted that GDP would stand at 2.9 per cent but when the Treasurer framed the 2013 Budget as well as the 2014 Budget, we took into consideration the World Economic outlook.

In 2013 as a nation, we forecast the GDP to be at four per cent against an economic growth on 2.9 per cent. Our midyear economic outlook said that we were tracking at 6.1 per cent but as we came to the 2014 Budget preparation, we have realised that we have posted a GDP of 5.1 per cent far above our four per cent forecast.

Everything goes down to the submission of the summary outlook or the macroeconomic outlook. The Treasurer forecasted 2013 outlook at four per cent and as we look back we are concluding the 2013 fiscal year at 5.1 per cent far ahead of our forecast. But when you take the 2.9 per cent of the world GDP, PNG's performance cannot be degraded in the manner in which the Opposition Leader tried to do in all instances.

Mr Speaker, on the K10 billion deficits, that is a total deficit stock that we have accumulated since 1975. That is not a deficit stock that this Government has accumulated in the 2013-2014 period. This is not the case in point that must be understood. This is a total debt accumulated when we gained Independence and we are responsibly framing our debts within that context and we have never deviated from these judgements we had to make as a Government.

The Treasurer and the Planning Minister have been responsible all along and let me take this opportunity to thank the Planning Minister. Instead of bringing in two budgets of which he takes responsibility of the Development Budget, he has been very humbled in letting the budgets be presented as one.

I was with them throughout the 2014 Budget preparation and they have not deviated from *Vision 2050*, the *National Development Strategy*, the *Medium Term Development Strategy* and the five year outlook that we've forecasted on and nor the *Alotau Accord*. These are standing principles by which the Treasurer and the Planning Minister and the team of Ministers have designed and brought down.

This Budget comes in line with the policy emphasis we placed last year and they continue on this year for this nation's success in public policy. That is why this Government's forecast is on improved education and health. And let me take education as an example; enrolment rate of the Universal Basic Education was at 53 per cent but as a result of the free education policy, it is now 74.5 per cent.

I agree that whilst our teacher to student ratio is not yet reached and the infrastructure are not in order but I say here that Rome was not built in a day and we are taking the first steps towards satisfactorily completing our development.

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We have turned the ship towards development and if only we can have lesser politics emanating from mouths that know nothing about politics, this country would be moving in the right direction.

Mr Speaker, we have framed this Budget in a responsible manner and principles like sticking to 5.9 per cent deficit. It was made absolutely plain last year that our Budget deficit for this year would be 5.9 per cent.

Mr Speaker, today, you can sensationalise and drum up issues like Yangoru receiving K50 million but the point remains that very learned Members of this Parliament sat and looked through the Budget, and appreciate the deficit we have as a nation, appreciate the context of how this Budget was framed not only for 2014, but with the hindsight of knowing what will come in 2015, 2016 and 2017. They have allowed the Treasurer and the Planning Minister to stick at 5.9 per cent deficit and maintain our debt level at 35 per cent of GDP. These are success stories we

must tell for our investors, the international community and everyone else who look for key policy drivers like this, not about the way you spend money, Ok Tedi and other issues. They look at macroeconomic stability and the prudent management of those policies to invest in our country.

The Opposition mentioned, and I respect this field, about the Public Private Partnership and maybe in his entire speech was one of his main rebuttals to the Budget. These glasshouse approaches cannot make, we have to go into deficit today, borrowing tomorrow to meet today's expenditure needs.

You talk about children out there who need education and we have sacrificed in the phase of our responsibility towards maintaining prudence and fiscal responsibility, we have sacrificed other competing demands and needs for public expenditure. For instance, I have not secured money for the Education Department to build additional classrooms for the teachers. These are sacrifices that we have to make today. These are opportunity costs of our investment today to maintain discipline under 35 per cent debt to GDP. We have done this and I am happy to stand here and say that yes, we have maintained those composites and made certain sacrifices but we also made investments that we feel will be drivers and foundations of our growth from 2014 and beyond.

Mr Speaker, I am happy and thrilled to witness the zeal and commitment of the fiscal discipline and prudence as exercised by the Treasurer in 2013 and we again see how it is forming out in 2014 Budget.

Mr Speaker, K386 million is not a new appropriation that the Treasurer is bringing down. This is evidence of a Government that has worked to save money. The Treasurer, Planning Minister, Finance Minister and the Prime Minister have never spent some programs because of impediments in the system of delivery. Because of the procurement impediments and programs not managed effectively throughout the country, we are now re-appropriating to the key impact projects for our nation in 2015 in the form of 2015 South Pacific Games.

When I talk about the SP Games, I don't see it from the social and games perspective but see from the economic perspective. New roads constructed and houses are built in UPNG campus in Port Moresby are not social activities. These are direct interventions to ensure that there is economic stimulus in Port Moresby. Port Moresby is in PNG and growth taking place in Port Moresby, Lae, Mt Hagen or Kokopo is not only unique to that area and locality but it is an

economic event that is taking place in this country. And it must be seen from this context. So I am happy and excited about the K50 million investment in the Sepik Plains and Tari because I know that it is happening in our nation called Papua New Guinea.

Mr Speaker, whilst it may be nice to also talk about expenditure and how we have performed this year, I must make a case in point that getting the value for money we are investing is something that everyone including the Opposition is responsible for.

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At this juncture, whilst it may be nice also to talk about expenditure and how we've come this year, I must make a case in point, Mr Speaker, that getting value for the money that we've invested is something that everyone of us, including the Opposition, are responsible for. Let me take some time to make mention of this.

Mr Speaker, delivery has always been our biggest problem. As we've seen again in 2013 it is not money and availability of resource is not an issue. In 2013, under a deficit Budget we are able to, comfortably, under the stewardship of the Treasurer, raise from within our domestic financial institutions all our total revenue needed to run the 2013 Budget. Funding is not an issue and funding will never be an issue. Our greatest challenge that we continue to face is getting value for the money that we park.

Today, as I speak, 90 per cent of total money earmarked for 2013 has been warranted out to the respective sectors. That is a testament to the amount of money that the Treasurer has collected in a season. So, as we approach 2014, I am confident that the Treasurer will lead a team that will be able to finance our 2014 Development Plan as well as our Money Plan. Money is not an issue. The challenge now remains, how do we get to make it work?

Now, let me get to some points as I come in to the conclusion of my speech.

Mr Speaker, in 2013, the Finance Department tried to improve some of those service delivery systems and the structural changes that we should make to position ourselves to perform better in 2014. As you know, financial instruction is one instrument whereby we try to manage our Budget. I will be issuing a financial instruction early next year or late this year with the explicit prerequisite requirement on complaisance, reporting, and, especially to ensure that all sectors, including sub-national government appropriations are reported back to us such as PSIP, DSIP and LLGSIP.

Whilst on PSIP, DSIP and LLGSIP, let us commend the Government of O'Neill for remitting K1.5 billion directly into our districts and provinces of Papua New Guinea. As the Opposition Leader has alluded, he received K1 million, let me refute that by saying that his district has received K4 million.

Mr Sam Basil – Point or Order! Can the Minister for Finance be realistic in that because all of us in the Opposition have received K1 million, we have K2 million in cheques still to be cleared, practically K9 million is on hold and K7 million is still to come. So, please Mr Minister, through the Speaker, be honest and do not tell lies on the Floor.

Mr SPEAKER – Resume your chair; Minister for Finance complete your debate.

Mr JAMES MARAPE – Mr Speaker, as I stand to speak, I don't know exactly what happens in the day-to-day operations of each district. From where I sit in my office in the Finance Department, my records shows me that not K1 million but K4 million has already left Port Moresby.

The Opposition Leader made mention of K1 million but I am putting it to him that on record, it is not K1 million, it is K4 million. Let me also put to him that not every Member sitting here has received 100 per cent of their allocations for 2013. Some have received K7 million, one has received K10 million, other between K6 million and K5 million.

Mr Sam Basil – Are those monies coming from Tari-Pori?

Mr JAMES MARAPE – Tari-Pori and Wau-Bulolo are making money for this country. We will divide it and disburse it around the country.

Mr Speaker, whilst speaking on DSIP and PSIP, the balance of the money for Wau-Bulolo Electorate will be spent on law and order issues there. I have powers under *Section 3* of the *Public Finance (Management) Act* to spend as I see fit.

Mr Sam Basil interjecting!

Mr JAMES MARAPE – No, no, I am just putting it to you, so don't worry.

Mr SPEAKER – Honourable Minister, address the Chair and complete your statement.
Stop carrying on debating with the Deputy Opposition Leader.

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Mr SPEAKER – Honourable Minister, you have to address the Chair and complete your statement rather than debating with the Deputy Opposition Leader.

Mr JAMES MARAPE – Mr Speaker, let me bring home this issue. In regard to the issue of the Financial Instruction, we expect every State Agencies, including Provincial Governments and the Districts that by the start of 2014 Fiscal Year, for whatever money received, for instance in the case of Vanimo-Green, if you have received K4 million as stated in my record, I will expect the K4 million report to furnish into National Planning, Finance and the Office of Rural Development so that we can take stock of how we would have managed our own funds 2013. As I have said already that 90 per cent of total warrant has gone out to all agencies of State.

Mr Speaker, this includes the National Departments, Agencies of State, Provincial Governments, LLGs and the Districts to cooperate including all the Members of Parliament to make sure that 2014 will be a good fiscal year. I spoke to your Treasurers last week and the following week in Kokopo and Lae. As accountants and district treasurers, they must furnish these reports back to us as to exactly what has transpired of the year for all the taxpayers, the Government and the people of Papua New Guinea to know their finances of 2013 et cetera. It is a requirement that we expect from each Member of Parliament.

Mr Speaker, as we have early this year amended the *Section 9(b) of the Public Finance (Management) Act* that is to ease procurement at various levels of government. I also wish to announce that under the instruction of the Prime Minister, we will try to ensure ease of procurement without compromising with the process. We will complete that project early next year. This project will come on board by the first quarter early next year into this Parliament.

With this, Mr Speaker, I would also like to inform this Parliament and the people of PNG on the policy and the *PFMA Amendment (Public Finance (Management Act) Amendment* that is currently under progress regarding the awarding of contracts. This will not allow any contracts to

be paid 100 per cent upfront payment and this Government is very strong and seriously considering *Section 115 of PFMA*. We are already into 2014 and this vision is to be effective forthwith.

Mr Speaker, we are working closely with the Auditor-General Office so that the compliance issue like auditing should take place in every agency of State. We believe that this will ensure that the Government will take stock of how we have implemented the 2013 Budget and how we are implementing our progress in our 2014 Budget.

To conclude, let me announce that by the close of accounts for 2013 we will not be within the traditional length of 8 to 9 weeks, we have shorten our close of account periods and we expect all Section 32 Managers right across our Public Service partners to ensure that they have them reports furnished so that we can tidy up 2013 Accounts. Thus, when we come back in 2014, we will be able to present a clear figure on how we have implemented our 2013 Budget. This remains an agenda for each and every one of us to report our fiscal year.

Mr Speaker, one of the progress that we are undertaking at the Finance Office is that we are trying to amalgamate PECA System with the IFMS system which is used in *Vulupindi Haus* so that, we can make our district and provincial treasurers compatible in using the similar financial language in terms of IT system throughout the country.

In 2018, we will move into cash receiving system where easy bank system will be used right across our treasuries and in 2014, we will continue to rollout our district treasuries capacity building programs. We envisage to conclude 2014 with all district treasuries in PNG be completed so that, we can communicate in similar financial language at this time next year when we expect huge sum of money going into the districts.

Our district appropriations will continue to the districts and LLGs and we will never deviate because we promise to complete this process from 2014 to 2016. By the conclusion of this Parliament, every district in this country would have received totally up to K7 billion direct investments through our District and Provincial Treasuries for the good of our people.

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Let me congratulate our Treasurer in the phase of many competition development interest that has come, the Treasurer ensured that in our 2013 Budget and the 2014 Budget is that we have never over spend nor misappropriated any funds and our Treasurer has stucked to our

budget framework that he has set last year and he has done the same this year and that is a commendable work that the Treasurer has done.

I ask leave of the Parliament to have the rest of the speech be incorporated in the Hansard.

Leave granted

The rest of the speech is read as follows:

We will also continue on the District Treasury roll out to ensure all Districts Treasuries continue to be functional and we have now developed capacity building programme for all our Provincial Treasury and District Treasury staff under the leadership of now acting Secretary, Dr Ken Ngangan.

In 2013, we have identified some of our own inherent weakness and exposures and that made us respond positively for instance, we have now ceased to use the so-called 'reserve trust'.

Mr Speaker, we have now closed down all dormant trust accounts and many other unnecessary trust accounts and commenced transferring budget funded trusts from commercial banks to the Bank of Papua New Guinea. This will contribute to liquidity and fiscal management measures together with the other activities as mentioned above will be some of our core activities of 2013 and 2014 period in my Ministry and other concerned departments as our response to the management of deficit budgets in 2014, as we did in 2013.

Let me encourage all Stakeholders who will hear this budget presentation, that in 2013, the Government has not spent outside of the budget, neither have we overspent. The traditional area of over spending has been managed well, and as I speak, we are tracking under K80 million over spending in personal emoluments only which is about 0.06 percent of the 2013 Budget.

Mr Speaker, this is a phenomenal success in retrospect to previous governments blow out in budgets. We as a responsible Government have closed the valve to unbudgeted expenditures, as well as budget blow out in response to our responsibility to our taxpayers in the 2013 budget deficit period.

On budget deficit, let me assure you all that we have improved on our performance in 2013 especially, in spending as appropriated.

In 2014, we only stand to build on the disciplined platform we have laid. I ask for support on all implementations to abide to the funding principles that will emanate again from *Vulupindi Haus*, so that we can deliver the 2014 Budget to continue bridge and grow our economy, thank you and God bless PNG.

Mr PATRICK PRUAITCH (Aitape –Lumi-Minister for Forest) - Mr Speaker, I rise to add my support to the 2014 budget debate.

I am somewhat filled with mixed emotions not necessarily because of anything exceptional but, because of the number of obligations I have.

I speak primarily as Minister for Forest and Climate Change, however I also recall my experience as former Treasurer in the previous National Alliance led Government. I also represent the wellbeing of people of Aitape - Lumi and also the Parliamentary leader of National Alliance Party, a coalition partner in this Government.

Mr Speaker, I join others in congratulating the Treasurer, Ministers for Planning and Finance for handing down the 2014 Budget. I believe the Treasurer and his team has done well in putting the budget which, takes into account the present economic circumstances with focus on the future. The 2014 Budget can be best described as a budget been formed by lessons of the past, saved by present economic circumstances and focus on the future growth and economic prosperity.

From experience I understand how tough and challenging it is to try and fit outrages budget submissions into a fiscal annual envelope, apart from the need to reasonably accommodate priority projects and programmes through additional borrowing to a deficit level that is well within the requirements of the *Fiscal Responsibility Act*.

Mr Speaker, before I make further comments on the Budget, let me remind this Parliament of the wisdom foresight, boldness and courage of our founding fathers to be able to declare in the preambles of our *Constitution* that Papua New Guinean people and public corporate entities will continue to control the bulk of production in our economy.

Mr Speaker, I am highlighting this because to me, this is a fundamental right guaranteed in our *Constitution* almost 40 years ago.

Our challenge today is simple; how far have we have risen to meet the expectations of our founding fathers? To me this is a fundamental question. It is indeed, a challenging question for me, as a citizen and a Minister for State.

Mr Speaker, with your permission, I would like to revisit this question, to briefly share my strategic vision to transform the forest sector in direct response to hopes and dreams of our founding leaders and to secure our rights as citizens and owners of our God-given forest resources.

Returning to the 2014 Budget, I would like to lend my undivided support to the Treasurer by affirming that the 2014 Budget is not fundamentally flawed. The strategy adapted is one which perfectly suits the challenging circumstances of our time. In the face of tough economic conditions the budget strategy provides our economy the necessary ammunition to sail through the turbulent waters of our time onto the promise of future prosperity.

Mr Speaker, for the Treasurer to let the economy sink under the pressures of falling commodity prices and sluggish global economic conditions would be deemed irresponsible.

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Mr Speaker, for the Treasurer to let the economy sink under the pressures of falling commodity prices and sluggish global economic conditions would be deemed irresponsible. The only way to keep the ship afloat and moving forwards is for the Treasurer to maintain momentum and speed including the need for a budget deficit. This is the only way to avoid far more serious downturn in our economy. The 2014 Budget is indeed a sound plan to a secure future for Papua New Guinea.

In spite of so much concern in relation to the budget deficit, it is worth noting that the projected deficit of 2014, which is less than the level projected for 2013. It is also important to highlight that projected revenue levels are at an all time high. In framing the Budget, the O'Neill-Dion Government could have made the easy choice to introduce new taxes or let the expenditure level rise to a sustainable level, which could have further increased the debt levels beyond the levels proposed for the 2014 Budget.

As a responsible Government, it does not want to venture into reckless economic management by borrowing excessively today to meet the nation's daily expenses, and send the

bill to our children in the future. With responsible policies and budgeting today, the Government will enable a prosperous and secure future for generations to come.

Mr Speaker, part of that sacrifice to build a secure future is to make sure that we sacrifice today. A small but important step is the amalgamation of departments and agencies aimed at great efficiency in the Public Service machinery. Unfortunately, these are tough decisions that the Government plans to carry out in 2014.

Now is the time to make tough decisions. Let us not forget that it is our decisions and investments in the economy through the past decade and through the 2009 global crisis that has helped to generate the economic activity that we are experiencing today. The Government of the day took full advantage of the opportunities available including several budget surpluses to meet the needs and priorities of Papua New Guineans.

Mr Speaker, the revenue generated from good commodity prices combined with social fiscal policies enabled the Government to invest in priority programs in the districts.

Mr Speaker, while budgeted expenditure narrowed the growth in revenues, those investments were necessitated by the deficiencies in social and fiscal infrastructure as a result of years of neglect and minimal investment during the decade preceding the last 10 years.

Papua New Guinea weathered the 2009 Global Financial Crisis better than many of our neighbours in the Pacific/Asia-Pacific Region. In fact, Papua New Guinea's economy at that time was rated as one of the world's fastest growing. Some commentator's labelled our economy as the economic tiger of the Pacific. A complete flip side to the failed State tag given to us by the prophets of economic doom based at the Australian National University in Canberra.

Mr Speaker, the strength of our economy, the political, fiscal and financial stability and strategic investment enabled the economy to withstand the adverse effects of the economy and financial turmoil that crippled the economy in 2009.

Mr Speaker, looking back, it was the right course of action to take at that time. The Government of the day took a deliberate decision to secure the largest ever project in the financial history of oil and gas projects. It was a deliberate decision to fill a huge revenue gap caused by the closure of Ok Tedi Mine, which was earmarked at that time to shut down at this time.

Today, the PNG LNG Project is on schedule to deliver the first shipment next year. The first revenue flow is expected in 2015 in the form of dividends to the State through the National

Petroleum Company PNG Limited, and at the same time landowner benefits will also start flowing, and tax revenue will start flowing in 2022.

Mr Speaker, I am deliberately highlighting key achievements of the past decade to show the importance of political stability and policy consistency. This necessitated the need for tough decisions to be made at that time.

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Mr Speaker, today is no different, tough but responsible choices have to be made especially at the expenditure level and investment programs. Almost K5 million has been earmarked for investment in the capital budget is a clear demonstration that the Government is not about consuming the hard earned returns from past investments but continues to plough back the returns into high yielding investment projects.

The largest portion of K1.96 billion is dedicated towards meeting the Government's commitment investment in high impact infrastructure programs. This is what responsible budgeting is all about. This is what growing the economy is all about. This is what creating a key future all is about. Responsible decision and management and commitment to implementation will deliver the optimum results. The dedication to implementation is the weakest link today.

Mr Speaker, that is why a complete strategic to reactivate the Public Service is necessary in order to optimize a value of budget effectiveness are stable and effective Public Service is needed to translate the Budget into tangible action orientation results on the ground, and thanks to the Minister for Public Service who came out with the reform.

Mr Speaker, from experience, I am optimistic that the 2014 Budget will live up to its theme which is to consolidate gains and sustain through prudent investment.

Mr Speaker, let me now turn specifically to Forests Sector. A closer look at the Sector will immediately give an impression that the Sector is a sunset industry. This is confirmed by Treasury numbers in the budget papers dissipating stagnant volumes of brown logs and slightly declining A4B prices over a medium term.

In keeping with the preambles of the *Constitution*, the Papua New Guinea Forests Board appreciates that the *Development Strategic Plan 2010 – 2030* and *Medium Term Development Plan 2011 – 2015* as approved by NEC as far as the urgent need for the National Forests Policy and Regulatory is formed in order to build a forests sector that is sustainable and profitable.

Mr Speaker, this is the platform I intend to lead the transformation of Papua New Guinea Forests Industry and ultimately transform and sustain a profitable forests sector that will result in significantly greater monetary and non monetary benefits to the State including impact local communities consistent with the long term development in *PNG Vision 2050*.

Accordingly, Mr Speaker, the NEC through its endorsement of the MTDP directed the Ministry of Forestry to manage the delivery of the progressive evolution of the PNG Forests Authority in areas such as: phasing out the ground log export, research, carbon trading, operating a State market agency, revenue arrangement under financial autonomy and continues review of *PNG Forests Authority Corporate Plan* to ensure it is in line with Government policy and the needs of our country. The development of National Enterprise within the forests sector for all sustainable policy documents produced for reforestation, processing and phasing of the ground logs.

Mr Speaker, I would like to announce today that this reform process is duly underway based on the work of my predecessor, the current Leader of the Opposition. I have directed the PNG Forests Authority to divide the reform process that will comply with the relevant provisions of the *Forestry Act*.

Mr Speaker, significantly, I have issued a policy directive to the PNG Forests Authority to immediately review the process towards establishing a fully functional State Marketing Agency by the end of 2014. As the catalyst to transform the forests sector and optimize State value from commercialization of our timber resources.

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The mandatory establishment of the State Marketing Agency as stipulated under the *Forestry Act Section 42 and 43*, has been envisaged and is an integral part of the PNG Forest Policy.

The primary objective of the State Marketing Agency is to foster the optimization of beneficial impact to State including to direct national participation in the commercialization of the Sector as opposed to the current low yielding, ransacking and collecting approach embraced by the State over many years.

Mr Speaker, clearly the primary goal of the State Marketing Agency is to increase the State's share of Papua New Guinea's round logs consistent with Medium to Long Term National Development Targets.

Additionally, the establishment of SMA is needed to arrest and phase out the purported practice of transfer pricing including its adverse impacts on local communities Government revenue and the development of economy at large.

Mr Speaker, the purpose of the State Marketing Agency is to enable the forestry sector to deliver greater financial and development benefits to the State from the sale of high value processed timber and wood products at domestic and international markets. As such, NEC mandated PNG Forest Authority to increase in the share of locally processed PNG Timber from 20 percent in 2007 to 30 percent in 2015 through the MTDP.

Such a target can only be achieved through appropriate downstream processing policy on the back of establishment of the State Marketing Agency.

Mr Speaker, consequently successive Medium Term targets for processing processed timber jumps from 30 percent in 2015 to 40 percent in 2020 and 50 percent in 2025 and 60 percent in 2030 as set by the Papua New Guinea Government's *Development Strategic Plan 2010 – 2030*.

Mr Speaker, essentially these targets place a better obligation on the part of PNG Forest Authority to be more responsive, innovative and strategic in its transformation of the forest sector working closely with its appointed State Marketing Agent partners and the Forest Industry at large.

Such an initiative will see a paradigm shift from the traditional business as the usual approach to a more decisive approach outside the box PNG eccentric approach in the forest sector. In doing so, I have been working closely with the PNG Forest Authority to carefully consider this forest sector transformation initiative from a national perspective taking into account seven critical facts.

(1) The National Government's desire to exercise the States purchase options through the establishment of the State Marketing Agency is explicitly stated in the National Forestry Policy and *Forestry Act* of 1991 consistent with *National Goals and Principles* as found in the *National Constitution*.

(2) This National Policy aspirations are defined in the *PNG Vision 2050* elaborated in the *PNG STP 2010 – 2030* and qualified in the *MTDP 2011 – 2015* with the objective of informing resource allocation and expenditure through the Budget.

(3) Mr Speaker, the overarching National Development Targets is for PNG to be classified as a middle income country by 2030 resulting in its elevation up from the Global Human Development rating into the top 50 countries as measured by the United Nations Human Development Index.

(4) The Economic Sector including mining and quarrying, oil and gas, forestry and fisheries, tourism and agriculture, land and related sectors have been challenged to lead the call to transform the economy and national development landscape.

(5) The Forest, Mining, including the office of the Minister for Forestry and PNG Forest Authority including the Board and the National Forest Service has a moral responsibility and statutory obligation to respond appropriately to these overarching national aspirations, development strategies, development plans and development targets.

(6) Mr Speaker, as the former Treasurer and Chairman of the Ministerial Economic Committee, I was responsible for facilitating the design and approval of the *MTDP 2011 – 2015* and *PNG DSP 2010 – 2030* in close collaboration and consultation with the Ministry of National Planning and Monitoring including the Economic Committee are responsible for facilitating the design and approval of the *MTDP 2011-2015*, and *PNG DSP 2010-2030* in close collaboration and consultation with the Ministry of National Planning including the specific road map and progressive medium term targets set for the forestry sector as outlined above .

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(7) Compared to other sectors such as fishery, oil and gas and the mining sector, forestry sector is lacking in the transformation of its policy, legislation and regulation to address key national interest requirements such as equity participation, downstream processing, skills development and capacity building and enforcement of Codes of Conduct including safety standards and clear strategy and institutional structures such as the recently reestablished National Petroleum Company PNG Limited primarily geared towards optimising value gains for the nation including maximization of development returns.

Mr Speaker, in conclusion, I firmly believe that the reform initiatives I have outlined is not too late and it will transform the forest sector and convert it to a sustainable and mutually beneficial industry for timber permit holders and the State including resource owners. The value that will be generated for the State through PNG Forest Authority will be at least double as what Treasury has projected in the Budget.

Finally, I thank you for giving me this opportunity to add to this debate and lend my support to 2014 National Budget and take the opportunity to outline the reform initiative that Forestry will pursue under my Ministerial oversight, thank you Mr Speaker.

Mr JOHN PUNDARI (Kompam-Ambum – Minister for Environment and Conservation)
– Thank you, Mr Speaker I know that the 20 minutes will run quickly on me and I have to run where I can. Mr Speaker, I will be brief.

Let me place on record my sincere recognition on behalf of the people of Kompam-Ambum to my country man and my brother, the Member for Kandep, the Treasurer and maybe for the first time ever, not just as the Minister for Treasury but also the Chairman of IMF and the World Bank to deliver his first Budget on the Floor of this Parliament. Maybe throughout the country our people will have to acknowledge and know that we are not that insignificant in the global community. Mr Speaker, to gain such recognition from a leading global financier it is indeed worth noting.

I want to thank the Treasurer and Ministers for National Planning and Finance and the Prime Minister. For the first time ever, the agency that I lead, Environment and Conservation, has always been under funded, say K8 million to K10 million per year. Half of that has always been recurrent and have faced a lot of difficulties in enforcing, regulating policies and monitoring environmental impact as well as resource investment or urban development, et cetera.

Through the Treasurer and this Government, we have been recognised not so much to our expectations, but have been given a significant increase in our Budget.

Having representing Department of Environment and Conservation, I clearly state when the Leader of Opposition was responding to the Budget, I found it difficult to understand, with due respect, Sir.

If you look at this Budget, it basically funds Government policies and plans. The Budget of the National Government is all about funding and bringing meaning and reality to the policies and plans that the Government has started with.

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The 2013 and 2014 Budgets were not a waste as the Opposition sees it. We have been aggressively funding and we have been giving due attention to some of our policies and we continue to do so in this Budget and this is something that the Opposition should be acknowledging. The Opposition does not seem to have any alternative policies, where were they with their policies and how were they going to fund them if they had any alternative policies?

Mr Speaker, I am embarrassed to stand here and listen to the lies of the Opposition because they are talking nonsense and I do not understand their response. I do not know whether you understand it at all. This Government has been so aggressive about its stance on policies on Education and no-one can argue that because we have successfully delivered on our policies.

You look across the country from the district up to our provincial centres and you will see the direct interventions that the Government has done in tertiary institutions and improving the quality of education to ensure that we have the right infrastructure in our schools. And in this Budget, we have made increased allowances for our teachers around the country.

Mr Speaker, the Government speaks for itself in its policy stance and the Budget. And this Budget has delivered on its Education Policy. The same can be said about the policy on Health in the country. See changes in infrastructure and management and because things don't happen overnight it takes consistency and persistence approaches to delivering policies.

It is not about talking and doing nothing, it is about practically doing the right things and getting results. The tender procurement processes and securing the funds and making sure everything is done properly cannot be done overnight. I am proud to be part of this Government that ensures that we see realities on the ground.

Mr Speaker, we have to be honest and sincere to ourselves, you can see the numerous legislations that this Government has passed since taking up office. There will be more legislation introduced and passed after this Budget. One of those legislations will be on ICAC.

I will quote some of the statements that the Treasurer has made in Parliament, 'The Government is committed to the establishment of ICAC.' When the Commission swings into action, the

Members will see significant economic benefits as well as the revitalisation of our implementation capacity.

The important thing is that the crooks will see the cell bars closing around them. That is something that we should all be happy about and that this Government is about fighting corruption.

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Mr Speaker, you can say whatever you want to say to dilute it but we stand strong, fast and focussed in ensuring that we weed out corruption in this country.

Mr Speaker, I further want to quote the Treasurer's remarks 'The establishment of the Commission is a testament to the integrity of this Government and no one can take that away from us', end of quote. If we had anything to hide, we would not be introducing bills like ICCAC.

If the Opposition were on this side of the Chamber, I wonder if you ever would introduce this Bill. It takes guts and leadership to ensure that we are doing the right thing and we provide that leadership and this Government is doing so.

Mr Speaker, in 1996 Mr Roy Yaki at that time was the Minister for Provincial Affairs and he wanted to increase our discretionary funds to K300 000. At that time, K50 000 or K100 000 was a lot of money but, I could not do enough for my district. I nearly shed tears against those that went against that Bill. If you read the *Hansard*, you will see what I actually said then. One of the points I said was that if you consider Members of Parliament to be corrupt, not everyone wanted to be involved in corruption.

Mr Speaker, not all of us are corrupt because some of us came here to be servants of the people by doing the right thing and bring, change and meaning to the lives of our people in the rural communities. As a leader of a rural community to have that money increase to K300 000 I thought was a milestone achievement for this Parliament, especially for me because with that money, I would have built a number of double classrooms across my district whether it be semi-permanent or not, and however, the ones that I have built at that time still exist today as I speak.

Mr Speaker, for those Members who just got into Parliament; K10 million allocations for each district is a huge amount of money and the Prime Minister must be commended for that. I don't see you as criminals, I see you as honourable leaders and that is what the Prime Minister

sees in all of us. That is the confidence he has in us and you and I have to honour that confidence and be able to use that money to change and transform the lives of our people in the districts.

Mr Speaker, I said this before and I will say it on the Floor of this Parliament that I am not embarrassed to say that again.

Mr Belden Namah – Give us some more money.

Mr JOHN PUNDARI – Mr Speaker, if you give me K20 million or K30 million, it will be well spent in my district. No doubt about that but be careful about giving some Members on that side of the Parliament because you will never know how they would use that money.

(Members laughing)

Mr JOHN PUNDARI – Mr Speaker, so on behalf of all the Members in this Parliament and may I say so, on behalf of the people of Kompam-Ambum and the people out there in the rural communities in this country, let me place on record our sincere appreciation for the Prime Minister for having the confidence in us so let us return it not to the Prime Minister but to the people of this country who deserve these services so much.

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We have to provide that leadership to improve the services in health, education and road infrastructures in our districts of our country and to continue with the boldness of this policy coming into this Budget. I want to thank the Treasurer and the Ministers for Planning and Finance. They have done so well and I am so happy.

Mr Speaker, just because some of us had filthy hands in dealing with contracts of developers and investors and making money under the table does not mean that all of us on this side of the Parliament are doing the same thing. That does not mean that this Budget is a ‘Contractors’ Budget’, contractors are selected through the tender and procurement process. I challenge those contractors out there, if they have paid any filth money to anyone in this Parliament, they can come forward and declare it. There is no evidence. They just can’t come on the Floor of this Parliament and make wild accusations saying this is a Contractors’ Budget. At

the end of the day, someone has to deliver on those projects and a contractor has to be decided and it goes through a system and a process and that is how accountable it is, but if there are issues and problems worth fixing this Government stands to do so.

The other day the Prime Minister said, if we had to bring in the private sector organisations like the Accounting Association or the Engineers Association to come and make representations on the Central Supplies and Tenders Board, we will aggressively look at these changes. This Government is all about changes, doing the right thing, going forward and going into the future and I'm so proud to be a part of Government that is all about doing the right thing for our people in this country.

Mr FRANCIS AWESA (Imbonggu-Minister for Works) – Thank you, Mr Speaker, I want to commend the Treasurer and, the Ministers for Planning and Finance for the Budget. In doing so, I want to say it is a very solid Budget despite what the Opposition Leader wants us to believe.

It is solid because some of the things we planned to implement in this year's Budget, we have done as per the *Alotau Accord* where preference and priority was given to Education and Health as well as infrastructure. Infrastructure received 100 per cent increase in funding next year which I am proud of thanks to the Prime Minister, the Treasurer and my colleague Ministers. I think infrastructure deserves serious consideration in funding because over the last 15 years there has been a serious negligence in our infrastructure.

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I also like to highlight that the deferred maintenance component of many of these infrastructure, especially the roads that we have built has not been maintained and they require complete reconstruction. A classical example is the Highlands Highway. After 10 to 15 years, we have allocated no more than K70 million for maintenance to maintain 700 kilometres of roads.

Mr Speaker, I want to say that, this is a very critical asset of PNG and this year's Budget has addressed that problem very seriously and we have allocated funds for the sections of the roads starting from the Southern Highlands and Hela, Enga to Porgera and under the design stages, Togoba to Kisinapoe.

With this, I want to remind the Opposition Leader that what he is saying about the over pricing on this particular road is not true. In fact, I want to reiterate what the Prime Minister said

that this particular project funding, the design has been reviewed for the total length of 50 kilometres from Kisinapoe to Togoba and not 9 kilometres as reported by media from Togoba to Kaugl bridge but it goes all the way from Kisinapoe to Togoba. We are also reviewing for the same price without variations up to K380 million that was already signed by the contractors.

Thus, we have reduced the costing for some of the aspect below quantities especially in relation to drainage, culverts and some of the debts that were put in the first place. There were 600 miles included and we reduced it down to 50 to 60 miles and we did the same for the Lae to Nadzab Airport road. We have saved a lot of money and extended the length of road in Togoba to Kisinapoe and the Lae to Nadzab road.

Mr Speaker, I want to inform the Opposition Leader that the Lae to Nadzab road is a four lane Highway which cost K540 million for 45 kilometres, which includes the yellow-bridge. It is 60 to 70 miles as for content.

Now, with this, I also would like to know from the Opposition Leader where this K6 billion Exim Bank Loan that he was referring to comes from. I am not aware and have no knowledge of this money. All the Ministers and the Prime Minister have reiterated that there is no K6 billion from the Exim Bank. I inform the Opposition Leader that he must be very careful about making such statements because he is only misleading Parliament, himself and the people of PNG.

Mr Speaker, when he was talking about the Dutch Disease, I think, I would call it a mosquito bite on the side. In regard to something he said on the K50 million for the Sepik Plains, this is a very important funding by this Government because we want to look at agriculture potential in that region. There is lot of potential and there is up to 100 000 hectares of land there that can be utilized.

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This is a very important funding by this Government because we want to look at agriculture potential in that region. About a 100 000 hectares of land has been made available and the investor coming in will invest up to 1.5 billion Yuan.

I want to remind the honourable Opposition Leader that if investors are coming into Papua New Guinea, it is in his interest and everybody's interest to encourage investors to invest in agriculture because LNG and mining resources will be depleted in time.

This is money well spent; I commend the Government for including this very important project for that part of our country.

In terms of the controversies in relation to the Lae city roads, I want to inform the Parliament that when the K100 million was wasted previously in the first contract by the officers in the Finance and National Planning departments outside of the Works Department and relevant agencies like Morobe Provincial Government, Lae City Council, this Government under the leadership of Prime Minister Peter O'Neill decided that we will do it properly.

The decision was taken to go concrete all over the city, so I remind the Governor of Morobe Province and I have said it before through the media and I reiterate that all these monies are parked in a trust account and will be used to construct concrete roads up to 42 kilometres that will complete all the roads in Lae city.

I think the honourable Governor should thank the Government, especially myself because I have included another K100 million this year to construct roads in his province.

Going back to some of the statistics in roads, we have 8000 kilometres of roads in Papua New Guinea, of which only 400 kilometres has been sealed. This is nothing to be proud of because there is still a lot of roads to be built and the proposal by my Ministry through the Departments of Finance and Treasury was for K3 billion to catch up on the deferred maintenance. But I have received more than my expectations and I'm very proud of the Treasurer and Finance and National Planning Ministers. In fact, K2.7 billion is a lot of money.

However, I have problems in implementing these large sums of money because of lack of contractor capacity. We should not be lying to ourselves because a lot of national contractors do not have the necessary capacity to undertake some of these major contracts and yet because of national contact and sometimes due to nepotism, we award contracts to our friends and family but I think we should look at this very seriously. The Government has made a decision that all contracts for next year costing K50 million and less will be restricted only to nationals.

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The second problem is that the procurement process, in terms of trying to implement the funding that is allocated in my Ministry is very slow. It has been a slow process as my colleague Ministers has already alluded to. This problem is compounded by a further very slow process in

the CSTB and the Solicitor-General's Office. The process slows down the implementation of the programs that are going to be implemented by the Works Department.

The next important issue is in regards to landowner compensation. I would like to therefore tell this Parliament and the nation that land compensation is a major problem and we have to address this problem. The funding that is allocated for the roads have been paid to people coming up with their schemes as compensation. Much of that money will go towards compensation and there will not be any roads.

Mr Speaker, I had thought that the problem was restricted to the Highlands Region but that is not the case. On my recent visit to the Western Province about two weeks ago, I found that compensation demands were also a problem there as well. Compensation demands are also a problem faced by provinces such as Gulf that I have visited. This is a big problem and my call is for the Police to use the *Roads Infrastructure Protection Act* to charge people. So far, since the Law was introduced, thanks to the current Treasurer who was the Works Minister at that time, no one has been charged yet under this *Act*. The Law says that if you interfere with road construction, put up obstacles or demand compensation, you will be charged but no one has been charged to date. This is a very serious issue and I must say this because we must take ownership. If we are going to pump in a lot money for infrastructure, I am sure the rest of us do not want to see much of the money going to waste with unnecessary compensation demands.

The Works Department is faced with a problem regarding engineers when trying to implement the Budget for next year because we have lost many of our good engineers to the LNG Project. Many of them have left to work in private enterprises because they are paid more with better conditions. Therefore, that is one of the problems that we will be facing, and I would like to ask my colleague the Public Services Minister to help me to address this issue by increasing salaries and conditions to retain our good engineers.

Mr Speaker, the next thing that we would like to do is to align the donor agencies such as Asian Development Bank (ADB) to our requirements. This is because in the past we have allowed them to do their designs and we just implemented them. For instance, some of the designs that they came up with did not account for proper drainage in some areas where there is high rainfall. In our meetings with ADB, the World Bank and other donor agencies and financiers we have discussed ways to overcome this. Therefore, I am pleased to announce that

ADB in particular will address these problems seriously and redo their designs so that there is better drainage as a way of retaining the roads and preventing further deterioration.

In our discussions with the donor agencies I think that we have a tendency to build new roads. Everybody wants to build new roads because it means votes and everything else, so we have a tendency to build new roads, classrooms and hospitals. This is because these are things that everyone can see and be proud of, but I think that the maintenance component is very important and that we have to address this issue very seriously.

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Mr Speaker, I want to inform Parliament that the ADB in 2015 will look at 50 per cent for the new construction and maintenance. This is the first of its kind and I am pleased to say that we are doing these things so that our people can receive those services.

Mr Speaker, I also want to announce the accessibility of the Kimbe to Rabaul road. This is one of the missing links that this Government has implemented. The Department of Works has completed the final 14km road work that is worth K14 million. I am pleased with that achievement. The same applies to the Kikori to Southern Highlands road and I want to thank the Prime Minister and the Minister for Treasury for allocating K20 million to complete works on the 36km from Kikori to Mendi. When this is achieved it will take 4 hours drive to reach Mendi.

I am very pleased with the support given and commend this Budget because it is a good one in terms of infrastructure support.

I urge the Opposition Leader to refrain from all the wild allegations. We have been friends for a long time and –

(Laughter in the Chamber)

Mr FRANCIS AWESA – I do not want you to make any more wild allegations against the K6 billion Exim Bank loan. If we were to get the K6 billion we would have blown out our GDP debt ratio and that would be something beyond our control. We have to be responsible otherwise we will be in mess.

Mr Speaker, I was very interested in the Opposition's concerns of the infrastructure but I think that is foreign and is only a mosquito bite. However, I commend the Government and

especially, the Treasurer for this very good budget. I will look forward to implementing the Budget insofar as the road infrastructure is concerned.

Thank you and Merry Christmas to all Members of Parliament.

MOTION BY LEAVE

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

Leave granted.

SUSPENSION OF STANDING ORDERS – ALTERATION HOURS OF SITTING

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

That the Parliament sits beyond past 5 p.m..

Mr KERENGA KUA (Sinasin-Yonggamugl – Attorney-General & Minister for Justice) – Thank you Mr Speaker, I will be brief. Firstly, I am mandated by the people of Sinasin-Yonggamugl and we have made a small submission for K10 million only. It was approved at National Planning and Treasury Department but somehow it got lost after that. I later discovered that a lot of Members of Parliament are also faced with similar fate so I am not going to talk about it now.

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Mr Speaker, the Judiciary Budget was approved in Planning and Treasury but somehow it got lost after that. Later I realized that there were a lot of other Members of Parliament who also faced the same fate so I am not going to whinge about that now.

But let me do whinge about the Budget in relation to the Judiciary because it is a constitutional obligation to be properly supported and funded by any Government of the day.

The Chief Justice made a submission for Judicial Services to the Recurrent Budget and not the Development Budget and it has been cut back by K52 million.

Mr Speaker, the Chief Justice has expressed serious concerns about that to me and to deliver his position to the Floor of this Parliament. I have already spoken with the Treasurer about that situation and I am hopeful that he can do one or two things. If it is within his means, he can amend the Judicial Services Appropriation Bill and find a K52 million from somewhere and put it in or some amount close to that before we pass that *Act*. Alternatively, in the course of next year, we can try to find that money and support it. Otherwise, we are going to have some serious problems with the Judiciary Services.

Mr Speaker, as you will recall owing to vigorous complaints from the Floor of this Parliament, in Cabinet and everywhere else in relation to delay of Court judgments and delayed sittings, et cetera, the Cabinet did approve an additional 13 judges. As of next year, we will be recruiting so that we can deal with the issue of delayed Court proceedings and delayed judgments and so on.

Mr Speaker, it is very important and even though I had a private conversation with the Treasurer, I am just simply putting it on record that we have to do something about this K52 million that has been slashed from the Chief Justices estimates in next year's Recurrent Budget.

Mr Speaker, in regards to Budget deficits, I have no problems and I think it was a very concerted effort but deficits are a normal thing all around the world. Some developed countries are operating at 100 percent deficit of their GDP like Japan and the United States.

This is a concerted approach and it is just below 35 percent and remember that in 2015, it is estimated that we will have a GDP growth, a world record 15 percent. At that time, we can use the surplus funds to do some bullet payments of these deficits that we are creating.

We are not charting on unknown waters but there is a plan and we will be able to pay down those kinds of deficits down the track. We are using the money, the deficit that we are creating to deal with some important issues like providing employment for people who are going to be laid-off from the gas project as it scales down and we, as a Government would need to find some employment and create some economic activity that soaks up those people.

Mr Speaker, the other point that I want to raise is to create some awareness of the fact that we now have four tiers of Government, the National Government, Provincial Government, District Government and the Local Level Government. We will all be receiving some kind of funding and we need to spend that money responsibly. I am hoping that from the Local Level Government to the National Government, we should get the Auditor General involved to audit our books so that the money that has been allocated are used responsibly.

Mr Speaker, the other point I want to make is the minor project funding that is allocated like roads and infrastructure for some of the districts that appear in Volume one of this book.

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And the provincial governments spend responsibly. The other point I want to make is about this minor project funding that is allocated for roads in some of the districts that appears in volume 1 at page 66, 67 and onwards. There are some minor projects of K5 million and K10 million for roads and bridges.

As a Government, I believe that we need to have some criteria as to how a decision is made to fund this district and not the other district so that when its presented we all bid for it knowing what sort of guidelines or criteria we have to satisfy in order to qualify for that funding so that it's not seen as being administered in an arbitrary and random manner and at the end of the day being left to the discretion of less than one person in Cabinet. I hope that we would develop some guidelines as to how one can be able to access this kind of funding.

And so people like myself will not stand up and whinge about the K10 million funding. However if a formula cannot be done conveniently than I would prefer that, that bucket of money be split up equally for all the districts and be topped up to the DSIP funding that we receive or even the LLGSIP. So the money can go directly to the districts so it takes this random decision perceptively rather arbitrary or random decision making process out of the equation. So we are all seen as a Government doing things transparently, fairly and equally for all.

The other point that I wanted to make is about the need to have equal distribution of our financial wealth in this country across all districts of the country. I would have been happier if the total funding that has been paid out in the last two years on all the impacted projects areas, which is about six of them put together against the amounts that they are going to receive as

against the non impacted provinces and districts. So that everybody involved and has an interest in the issue of wealth sharing in this country is able to see exactly how we have shared.

The bottom line is for us to share it to widest extent possible equally and that is the challenge for us the Government. It would be dangerous for us not to do so because this is an issue that underpins national unity; how our people see us sharing our resources.

And by saying all these, I am not supporting the Opposition, mind you. I am saying this because it is a point that needed to be made in the interests of the country. And national unity is an important thing. A lot of you would remember Karl Marks, he wrote a book call – ‘Communist Manifesto’. The central theme in that book was that ‘Unequal distribution of a Nation’s wealth leads to civil unrest and disharmony’ that is what he said.

And if there is such a danger in the whole thing whether you are in the Opposition or in the Government it would be irresponsible not to see it, react and manage it.

I would like us to organise ourselves properly so that we head off that issue before it arises to the happiness and joy of the Opposition. We, as a responsible Government, do not want to see it arising that is why I am flagging the issue now so that we head it off now rather than later so that some people can come and capitalise on it for their own personal gains. It’s in the national interest that we share equally so we must pay heed to advices from Karl Marks, ‘to the widest extent possible you must share and share equally the national wealth’. Why I am saying this is because whatever money we make in this country as revenue we would have to make some provisions for landowners but there must be some balance.

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And it begins by putting some figures and make decisions. I do not envy the leaders who come from the impacted provinces because they are under a formidable gravitational pull to make sure that as landowners they get a bigger share. That is understandable but it is the extent to which, we must manage.

Mr William Powi –Point of Order! The good Minister should know very well that the people from the resource areas do not claim or demand. These benefits are legislated for and provided for under the various laws. Let us refrain from making statements that does not conform to current laws. The people do not claim from the Government.

Mr Speaker – Your Point of Order is in order.

Mr KERENGA KUA – I would be the last person to stand in the way of any one getting what is rightfully theirs by law. And I will support it and I support the Governor that whatever is decreed to be his by law will be his. What I am concerned about is the extras, outside from the legislative decree. Those extras have to be managed because I am sure he agrees that I am his brother.

I am not complaining about anything but creating a consciousness because we have been failing in our duties to advocate the difficult issues fairly in Parliament and it reflects in the way we think, talk and behave. There is nothing against the Budget but it is the general awareness that we need to create.

The next issue is to have something like a Budget Integrity Bill. This is an idea that originated from the Member for Goroka, Honourable Bire Kimisopa. I support that view because there must be such a legislation brought in to enforce the implementation of the Appropriation Bill, so that whether you are in the Government or the Opposition,; whatever is prescribed for a purpose must go straight to what its intended for.

The absence of such legislation has for example, depleted the Opposition. It is the absence of that supporting legislation. I do not support a lot of the things they do and say but an Opposition is a necessary evil in a democracy. You need to have a vibrant Opposition.

Mr Francis Potape – Point Of Order! With due respect to the Minister, I want to say that the Opposition is one part of the Government and it is not an evil thing.

Mr SPEAKER – What's your Point of Order?

Mr KERENGA KUA – I withdraw my statement but it is a necessary incidence of democracy and we need them, as much as we do not like them, to maintain balance in Parliament and gives rise to lively debates and proper decision making processes. That is why the absence of such legislation somehow is seen to operate against the Opposition and in their depleted condition, I sympathise with them because we need them.

We need a dynamic and vibrant Opposition to be active and most of all exist. And I am grateful for the continuous support of the Australian Government over many years.

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This year, they have support us with K1.6 billion which, is a lot of money but, I want to put on record that I don't agree with the manner in which that money is applied outside the *Appropriation Act* and outside our National Public Service guidelines.

I would prefer that the Australian Government provide us with cash grants which will fall into our Consolidated Revenue so that we can administer it ourselves. I can see nothing in the *Constitution* that allows for a foreign government to administer up to 10 per cent or more of our annual budgets. Nothing states that we can delegate that function so we may have been pursuing an illegal pathway which has become cemented into an acceptable norm which, I don't think is acceptable practise.

There is a Ministerial Committee preparing towards a Ministerial Forum in 9 December, 2013, and this issue will be one of the central point and we must work towards ensuring that in the life of this Government and within the next three years, we must phase out the current format. And that money must come straight into the consolidated revenue and we must administer it well. There is also another external reason why this must be so.

For so long as we have continued to maintain that system where we do not trust our own Public Service. We do not trust ourselves to administer that money properly so on the basis of that belief, we have now endorsed somebody else and for so long as that system remains, it continues to undermine our own belief as leaders on the Floor of this Parliament. We are implying that we do not believe in ourselves to responsibly manage that money. Secondly, we are sending a message out to the Public Service and telling them that they are incapable of managing that money. That also destroys their self-confidence towards carrying out their functions.

People said that we would not survive as an independent nation 38 years ago but, we are still alive and growing stronger. We took it upon ourselves to be independent and keep moving forward. We trusted ourselves in making sure we don't lose focus and allow others to take charge of our responsibilities? We don't trust the capacity and abilities of our sons and daughters and our public servants out there.

Mr Speaker, at the end of the day, this Parliament is given the responsibility to stumble and find its way and we must support by keep going forward to take responsibility into our own hands. That is what our law says and what our people expect us to do. Why are we continuing to sustain the bad practice?

So, I hope that when we take our Ministerial Committees to the next Ministerial Forum, this must be one of the main issues that we must express. It is very important that we need to do that. If you go to Asia, they report to anybody, they don't delegate their responsibilities to anybody let alone to the previous colonial powers. As a result, they survive and thriving and becoming more powerful over the years. So why don't we do the same to ourselves? We may make few mistakes here and there as we move along but that must be understood. As time goes on, we will get better and better as we already are.

This K15 billion Budget does not happen by accident; it happened because of the foundation that successive generations of leadership on the Floor of this Parliament have built and we have grown progressively because of that. We have reached a point where we have now broken a new record where we are announcing a K15 billion Budget and that money will be seen as revenue in this country. That is a record and huge achievement to our leadership both past and present. We can do all these things so, why should we not trust ourselves to administer the K1.6 billion now?

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We have companies here in this country such as NasFund, Nambawan Super, and others headed by Papua New Guinea boards, and management. These people are running K3 billion companies. We are a government! For goodness sake, we are a government.

I am not talking about K3 billion; I am talking about K1.6 billion, and saying, of course, we can manage that. Why don't we bring it back here and sink it into Consolidated Revenue fund and then we can work together with our Australian friends. They can work behind the scenes and provide us advice but let us go through our legal framework and build up on the confidence that is very much needed in this country.

Mr BIRE KIMISOPA (Goroka) – Mr Speaker, can I also, on behalf of the people of Goroka, convey my sincere appreciation and heartfelt thanks to the O'Neill-Dion Government for handing down a record K15 billion Budget.

Mr Speaker, I've been so blessed and so privileged to represent the people of Goroka on this Floor of Parliament. On this auspicious occasion I have this wonderful opportunity to make a few comments about the budget.

Mr Speaker, it was quite obvious, for the last half an hour you've had a number of Ministers talking and I thought this was a setup. I hoped that my short comments on the Budget would break the cycle and, perhaps bring a breath of fresh air into the Parliament House.

Mr Speaker, firstly, can I commend Prime Minister, Peter O'Neill, Treasurer, National Planning and Finance ministers. In my humble view as a colleague of the PM in terms of money matters, this budget has been very well crafted out.

Mr Speaker, I hate to disappoint my brothers on my right but it is very difficult to criticize a Budget that is true to its core because the commitments that the O'Neill Government handed down in 2013 has been carried again in 2014, such as record interventions into the districts totalling K10 million last year and again K10 million this year.

Among the major improvements into the towns and cities recently announced include Goroka. And as a Member of the urban electorate Goroka, we stand to benefit in terms of the arrangements. We are the second tier towns and cities after Port Moresby, Kokopo, Mt Hagen and Lae.

So, all in all, the budget has stuck to its core and in terms of its principal commitments, it has lived up to its expectations.

Mr Speaker, the Goroka District was allocated K24 million in the PIP allocation and, having gone through the budget papers I felt a heavy burden on my shoulder. Wow, all of a sudden the Goroka Electorate is getting an unprecedented K24 million.

For those people who have had the opportunity of seeing the budget papers and may have seen me and are saying, oh, Goroka you've come out on top but I am scratching my head and asking, how did I come out on top, and perhaps, I owe them an explanation, Mr Speaker.

In terms of the allocation to the people of Goroka, K2 million out of K24 million has been set aside for the sewerage project in Goroka. If you will now appreciate, Goroka houses a

number of State institutions and amongst them; one of the most important institutions, the University of Goroka, (UOG).

Starting next year the expected enrolment at the University of Goroka will be 3000 residential students. This number will add a further burden on capacity issues in terms of water and sewerage.

This is a national institution; it belongs to the people of Papua New Guinea and I am grateful even though the formal request was for K32 million to kick-start the projects.

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I do understand that the resource envelope is quite limited and K2 million is a good start. It is good for a university and a number of institutions because we see that the population is increasing in the town of Goroka.

Mr Speaker, I am pleased to announce that starting next year, the final year medical school students in Port Moresby will be doing their final year practical at the Goroka Base Hospital. We are anticipating roughly 50 to 80 students from Port Moresby going up to reside in Goroka. All in all, K2 million is a great start for us.

I also like to say that the iconic Goroka Market which has been in the forefront of the Eastern Highlands Provincial Government and Goroka District was allocated K10 million. That completes the funding for the Goroka Market; K2 million was allocated last year and K10 million in 2014 and I am pleased to say, Mr Speaker, that I have been bestirring the Minister for National Planning and Monitoring about the Goroka Market.

Mr BIRE KIMISOPA – Mr Speaker, as far as the Goroka Market is concern, this project is completed and we are ready to go to tender.

I was fortunate and also pleased to witness the Prime Minister's visit to Goroka with honourable Minister Charles Abel through the invitation of our good Governor on the Covenant Day during which the Government made a commitment to support one of our big projects in Goroka, which is a legacy project regarding the extension of Goroka town to a place call 5 Mile just on the outskirts of Goroka town. The allocation for that project is K1 million. We have put in submission for K10 million but I am pretty glad on behalf of the people of Goroka, we can start this project right away with K1 million.

Having said that, Mr Speaker, I am very well satisfied with the budget outcome for the people of Goroka. My next point is looking at the budget at a broader perspective.

Mr Speaker, GDP growth of 6.2 per cent is a good number. We've been growing for the last 10 years, but what really worries me is that the mining and petroleum sector accounts for 90 per cent or almost 95 per cent of GDP; less than 5 per cent is non-mining sector and if you look at our story as a country, so many times we pat ourselves on the shoulder and projected that we are an agricultural country. Yet, the numbers do not indicate anything and it just basically confirms that we had problems in that sector alone.

The question is what are the incentives that we are going to give and I am pretty pleased that the Minister for Agriculture has made some bold statements and also the budget carries substantial investment in that sector. But, perhaps what should be frightening all of us in this country with the agriculture sector is that, it accounts for less than 5 per cent of GDP. Now, the problems are immense in that sector; we have structural issues and one of the main pressing problems is the number of aging trees we have in the country. Whether it is cocoa, coffee or copra; the aging number of trees we have in this country cannot improve the production because we are on downward decline, in terms of productions. We are not growing new trees or constructing new plantations whether its cocoa, coffee or copra. So, the kind of incentives we need to be considering at this stage, perhaps is quiet critical.

Mr Speaker, in 2015, we have to go beyond the import price subsidy support et cetera and we must start looking at a major exercise of buying up large parcels of land in this country so that, we start making some kind of investment if we have to resurrect that sector.

My other point is concerning the innovation into social sector, education and health, which is the sector that is growing as a proportion of population growth in this country. It is not going to come back down. In terms of the investment we are making to that sector is roughly, for instance, education is more than K700 million and perhaps health is another K400 million that is exceeding almost over K1 billion in the 2014 Budget.

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In terms of the investment that we are making to the sector, for education it is more than K700 million, health itself is another K400 million, exceeding almost over K1 billion in the 2014 Budget.

Mr Speaker, I have been stating this all along that at some stage we need to curb population and the good Minister for National Planning, the Honourable Charles Abel has started to address that. We need to curb population, let's not be afraid to suggest to our people that they cannot be getting free education forever, it is not sustainable. If you have three or four children, the State can accommodate two of your children and the others will be subsidised. That way, we teach our people to take up family planning which, they are not good at.

Mr Speaker, it is important that we understand that, that sector is a key pillar of this Government. It is a critical and vital sector. The other suggestion that I want to make in that sector is, why can't we consider the private sector providing some of those services so that we can stop the traffic that is going into the outpatient as well as stop more students going into our State schools. If we have a strong private sector in the health and education system, I think we will be better off with the rest of the world.

Mr Speaker, you can look at the developed nations of the world and see what they have done in these sectors. For instance, in Australia, they have more private schools competing with State schools and they have more private hospitals competing with State hospitals. In other words, what they are doing is that they are limiting the number of people going into the State-run hospitals and schools. They are creating another opportunity for affluent citizens of their country to go into the private sector. We can do that in this country as well and if we do that successfully it will require a lot more incentives.

Mr Speaker, perhaps, at this critical junction, can I suggest at least for the education sector that we set up an independent Private Education Authority so that we can encourage Papua New Guineans to venture into that service. Because once they set up a number of private education institutions and a number of private health service providers, it will be easy to control the in flow of service seekers. I am proposing this because Papua New Guineans can afford such private services. There is enough wealth in this country for our people to send their children to private schools in this country without having the need to send them overseas. On the same token, Papua New Guineans have enough money to send their children to private hospitals seeking quality medical healthcare and facilities instead of sending them overseas.

Mr Speaker, perhaps that is the way forward for 2015 and beyond it is important that we start having conversation about curbing the population and having a critical look at the social service sector which is health and education.

We need to be honest with ourselves and tell our people that this is the reality and we have to curb population so that we can control expenditure in that sector and also it gives the Government some room for any surplus funds in that sector alone can be re-invested into the public hospital in terms of modern equipment or re-invested back into the education sector with better libraries and computers.

Mr Speaker, before I sit down, my final comments are on the Public Service. I am the Chairman of the Public Sector Reform Committee and someone told me in the course of our discussion that in this country there are two Oppositions, we are the Government and there is one Opposition on the Floor of the Parliament but the real Opposition is the Public Service. And I thought for a while and said, my goodness, which is actually true. In terms of the procurement, it takes a long time to implement the project and despite our sincere efforts to improve the threshold in terms of the *Public Finance (Management) Act* and for the projects above K500 thousand can be approved by the District but it is taking a long time.

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So we must have a serious conversation about the Public Service machinery and I am pleased the Minister for Public Service has brought in a number of legislation to fix what I view as a chronic problem in this country.

Mr Speaker, we also need to seriously deliberate on the issue of autonomy and somewhere down the line, we will have to give powers back to the Provincial Governors and perhaps a better alternative is to have them back in the provinces and give them full autonomy so they manage the province in terms of their needs.

The Eastern Highlands has a Fisheries Department although we are a coastal province and every year we keep funding it and these are things which are not properly aligned.

I am pleased that the Prime Minister brought on the Floor the Bill to establish District Authorities. We need to look further and determine for ourselves what will really work in our province. We can't have centralised power in Waigani and sack someone in Goroka. He can't be sacked because he is a public servant and he remains there. We can't enforce the agenda of the JDBPC on him because he chooses not to and these are the problems we have with the Public Sector.

I sincerely hope that as we continue to debate on some of the legislation brought on by the good Minister Sir Puka Temu, we also need to bring on the issue about autonomy. For instance, East New Britain Province, in my view is one of the successfully managed Papua New Guinean provinces and they are on top in terms of taxation and public service; yet, they have to join the queue with everyone to ask for development funds. Now, if the East New Britain people are doing exceptionally well and they want a slice of their Development Budget, then we should give it to them. That will happen if we start venturing beyond our comfort zone and start talking about some of these critical issues.

Mr Speaker, in 1975, our population was small but today, we have a population of seven million, but, I think its 10 million, so autonomy is the issue we have to be prepared to debate about. As the population starts increasing, we need to think about another chamber where perhaps the Governors can meet to ratify all the Bills that we make especially the Constitutional Bills and leave the Floor to all the Open Members. That would be the way forward so that we can give autonomy back to the people and they will have a sense of ownership because they know their Government is on the ground, otherwise, the country is too big and too difficult to manage.

Mr WILLIAM POWI (Southern Highlands) – Thank you, Mr Speaker. This debate on the Budget is getting excited and I couldn't hold on so thank you for recognising the people of the Southern Highlands Province.

Mr Speaker, I rise to commend the honourable Prime Minister, the Treasurer and the National Government on handing down another fiscally responsible and prudent Budget which will underpin the country's continued growth into the future.

The O'Neill-Dion Government has delivered a 2014 Budget, which is in line with the terms set out in the 2013 Budget framework. Some of the indicators and statistics in the Budget appropriation before us, state very clearly the growth in 2014 is targeted at 6.2 per cent the Budget deficit has reduced from the current level of 7 to 5.9 per cent of the GDP, the inflation rate as tabled by the Treasurer is around four per cent and is projected to remain around five percent from 2014 to 2018.

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Mr Speaker, the debt level will be maintained at 35 per cent or below the GDP as per the law. The stability provided by the Government in keeping the Budget on target means that the investors can be assured that the O'Neill-Dion Government is committed to ensuring PNG's continued journey towards prosperity whilst providing a safe and secure destination for investments.

This is also evident when PNG has been chosen for the 2015 South Pacific Games and APEC in 2018. The O'Neill-Dion Government has delivered that and will play a strong leadership role and sound financial management against the declining world economic environment. Under the O'Neill-Dion Government, most of the Members of Parliament will agree with me that under the current financial stewardship PNG's medium term outlook remains broadly positive with a growth rate of 6.2 per cent expected in 2014.

Mr Speaker, the Government is investing in these key critical areas which we are quite familiar with such as the tuition fees, free education, investment in quality, higher education, free health care for our people, significant infrastructure funding, transfer of funds to submissions of the Governments including LLG, intervention programs to support growth in Agriculture, tourism and ambitious budget to small to medium term enterprises and so forth.

Mr Speaker, isn't this what we need in Papua New Guinea today? I think most of you will agree with me, that I am happy to be part of a generation of leaders that are setting a stronger foundation for economic prosperity and growth of our country and the development for a better future of our people.

Mr Speaker, when I mean development I am talking about the O'Neill-Dion Government's intervention through the Budget to provide equal opportunities for our people to realize the full potential in life.

Mr Speaker, I want to bring to the attention of this Parliament a very important report that is in circulation in Parliament. This report gives the private sector view and confidence of the micro-economic stability, governance and management of this country's economy. For those of you who have not read it, let me give you an insight of what the ANZ sponsored economic report with the SA economic outlook look like.

Firstly, Mr Speaker, this report states that the long term focus of the export performance of the Mineral and Petroleum sectors of the PNG economy increased in its exports from US\$6

billion in 2012. And it was focused at US\$9 billion at 2013. This represented an increase of 3.9 times in real terms.

Secondly, this report also states in a more optimistic case model by Port Jackson and Partners and the ANZ Bank that they focused an increased aggregate mineral and petroleum exports to US\$36 billion by 2030. The base place analysis implies a long term annual report in PNG's gross domestic product of 5.3 per cent for the period.

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Thirdly, Mr Speaker, in addition to mineral and petroleum exports PNG has a vibrant and growing agricultural export sector. In its *Developmental Strategic Plan*, the National Government seeks to implement policies and strategies aimed at increasing the export of its three main agricultural commodities in palm oil, coffee and cocoa to over US\$3.5 billion per annum from 2013 to 2030. That is what the analyst and this report projects. This represents a five-fold increase in exports of these commodities.

Mr Speaker, in addition to that, it is worth noting that PNG currently has the world's biggest tuna catch and export quota and that the country is a major player in the international industry. Papua New Guinea's growth story according to this report, in the coming decades conceptually is clearly one associated with the growth in the extractive sectors flowing from and resulting in significant investments in large scale projects.

Mr Speaker, we should also not underestimate the impact of the vicious cycle of the broader economy. An interesting statistic which underpins the economy multiplier effect is the fact that the period of economic growth which followed first the recovery in commodity prices in the period from 2002 through to 2007 and then domestic developments associated with the final investment decision in respect of the first two processing tranches of the PNG LNG Project.

Mr Speaker, projects have combined in result and the formal employment sector in access of 80 percent during the period from 2002 through to June 2013 with the period from June 2007 through to June 2013 yielding an increase in employment of in excess of 50 per cent.

Mr Speaker, according to this report, this in turn is reflected in the fact that active and contributing members of the main Superannuation Funds have reached in excess of 300 000 Papua New Guineans.

Mr Speaker, this report is an independent assessment of our macroeconomic performance that truly reflects confidence from the private sector and that embraces positive economic stability and growth over the medium term. It is not hearsay, it is not a makeup story from one Member of Parliament, it is a thoroughly researched document and it is an authority in itself. I think we need to have a look at what the private sector is reacting to budgets. This is a very report that is in circulation within the Parliament.

Mr Speaker, we are a growing economy and we need good infrastructure and effective delivery of quality services to our people of Papua New Guinea. We must not shy away from responsibilities and promises.

Mr Speaker, this deficit Budget is manageable and strikes a balance between maintaining fiscal discipline and making prerequisite investment to grow our economy and significantly improve the delivery of vital goods and services to all our people in PNG. This Budget builds upon the strong foundation set by the 2013 Budget to achieve the strategic priorities outlined in the *Vision 2050*.

Mr Speaker, the integration of the Recurrent and Development Budgets into one Budget in the form of the 2014 Budget makes a significant step in facilitating comprehensive planning. For too long, we have seen hospitals and schools built and remaining idle as no plan has been given to staff and resource them.

Mr Speaker, the 2014 Budget is a balanced budget which takes a comprehensive view to development. It focuses on infrastructure and law and order while delivering outcomes in education and health and in addition to creating an environment in which small to medium scale business can thrive both in their own right and in servicing high impact projects.

Finally, Mr Speaker, I want draw the attention of the Parliament and also to contribute to this debate that we as the elected leaders need to embrace the microeconomic policy and set priorities of the Government in implementing this budget for a period of time.

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Let us refrain from bringing segmental individual little projects from each electorates and provinces.

The Prime Minister has already given an undertaking that those projects of smaller nature of province to district will be given back to each respective district to fund those projects. And

the National Government will concentrate on bigger micro projects in managing the economy so that issues of national significance can be realised.

Let us show to the people of PNG that we are not being distorted on smaller things here and there. But remain focus on the bigger micro economic stability. I want to commend the O'Neill-Dion Government for setting the broader framework for growth and stability for our 7 million plus people and the country as a whole.

It's now up to the Government to work through the broader frameworks set out by the Government through the Budget.

Thank you Mr Speaker, for giving me this opportunity to contribute to this debate on this matter of national importance.

Mr SASINDRA MUTHUVEL (West New Britain) – Thank you Mr Speaker, for giving me this opportunity as a first time Member of Parliament to contribute some valid points to this 2013 National Budget debate.

Before I commence, I want to commend the three Ministers especially, National Planning, Treasury and the Finance for setting record by coming up with K15 billion Budget. The theme of the Budget is 'Consolidate Gain for Sustainable Growth through Prudent Investments' with an additional K750 million through Customs and Internal Revenue Commissions.

Mr Speaker, it's important that the power is given to provinces. And there are a lot of opportunities to create additional income and not just K750 million but increase to K1 billion or K1.5 billion immediately if we really focus on our goals and aims.

Even in the West New Britain province there are a lot of businesses coming up everyday. And I wonder whether these businesses are genuinely registered.

In many instances, some shops close and go for one week and reopen. In such situations, we do not have any powers to deal with it, even if I know that a foreign individual don't have any work permit or valid visa. I can only report the matter to the Labour or Immigration Department but I cannot do anything else. It's very important that these powers can be given at the provincial level so that we can fund officers to focus on these activities in the province on a full time basis. I want the National Government to seriously look at how we can establish this relationship with the Provincial Government.

With that, I want to thank the O'Neill-Dion Government for the first time West New Britain has been given Development Budget under PIP.

We have not received any funds in the 2013 National Budget. My Province has produced some prominent leaders and the current NIO Director General and the previous Police Commissioner, Mr Gary Baki is from Talasea.

75/09

What a pity that Talasea with a population of 18 000 does not have a high school. I thank the Prime Minister who opened the Kavugara Police Barracks which substantially reduced the law and order situation in West New Britain. I want to thank the Prime Minister for giving that support and now the people feel safe with the presence of MS-19 in the province.

We are also fortunate to be allocated K10 million for the Kimbe to Kandrian road to be constructed by the Department of Works. I want to thank the Government for this and the Special Support Grant of K5 million received. There are so many other programs which the Government is helping out with.

Initially, I was disappointed when just looking at the funds allocated for West New Britain but then I realised there are other departments like Works or ADB programs which have captured some projects to be built in West New Britain.

I want to thank the Government for counterpart funding to obtain the ADB loan. I also see that tuition free education will continue together with free health care and DSIP. We are really fortunate for this and are really making wonders in the province and districts with the K10 million every year. I want to thank the Treasurer, Finance and the Planning Ministers for having that fiscal responsibility to keep the deficit percentage below 35 percent and to maintain that percentage below 35 even in 2015.

Mr Speaker, I would like to give examples, whether it relates to this but I join the Member for Goroka to say that the Opposition is not just in here because we also have opposition during the Government Caucus meeting and I also agree with the fact that the Public Service is an impediment.

An historical King in India was wondering why he allocates big money but every time it is not reaching the people? So he asked his Minister, and the Minister asked the servants to bring a big ice. And he asked the king to give that ice to another Minister and they kept on

passing it on. By the time the last person received it, there were only a few drops left. The initial idea was for everyone to have ice but after travelling through many hands the ice melted and the last person only had drops of water left.

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It is like from one department to another department, from the National Government to the departments and departments to provincial governments and eventually to LLGs. So that is extremely difficult.

Mr Speaker, I also join the Attorney-General to support huge funding by AusAid which we have to capture it into our Budget towards our priority areas. Many times, it is spent on consultancy fees and K100 000 house rentals which, I cannot afford. I am desperately looking for a house which I can pay K2000 a week. The Parliament gives K2 200 allowance per fortnight so how can I afford to stay in Port Moresby. Why not they spend that money to build public institution, universities, colleges and hospitals rather than use it for consultancy services.

Mr Speaker, we also really have to thank this Government to bringing that money to not only to LLG but, to every individual to see that the benefits can reach them.

I also would like to ask all of us to focus on what we have because if we focus more on what has been done so far and improve on those because if we focus more on what we do not have, we are not going to go anywhere. God has created everything in abundance, and I may be contradicting to the economic theory but God has created everything in abundance and the more we focus on our downfalls, the more we are going to be exposed to these and we will receive negative results.

I would like to remind us especially, with the current macroeconomic stability, I join my fellow Governor of Southern Highlands b saying that the investor confidence has grown considerably. Every foreign country are desperate to come here and invest their money, they are desperately looking for business opportunities in PNG.

Mr Speaker, I have some suggestions to make. I want to see that as a responsible Government, we must provide a conducive environment for the investors to come in. When I was a kid, I used to go and buy a stamp from the Post Office, 10 toea at that time and we can collect up to K10 worth of stamps and if you stick those stamps on a card and give it back to them, they give you K11 cash or K11 worth of stickers.

As a Government, we have to take some responsibility to encourage savings culture with some incentives just to encourage the children to adapt that culture. I am speaking from experience because in India when you are at school; it is extremely important that everybody goes and saves money in their respective post offices. It has to start from an early age because I noticed that as a businessman with a retail shop in Kimbe and Kavieng, people earn K500 to K1000 a fortnight and they spend it within the same week. They do not have any conscience to keep some for future use or for emergency purposes, they just spend everything at once. We have to teach our people what is delayed gratification. We have to teach them to delay their gratification rather than spend everything at once.

Mr Speaker, I really don't know which Minister will be responsible to bring that policy to promote the savings culture but we have to give an incentive to those who are willing to save, especially for children.

We must also encourage foreign investment; we should make it easier like in Hong Kong and Singapore but at the same time, we should prudently monitor them because while we make it easy for investment, I don't see most of those businesses pay genuine taxes. I know a lot of business who do not even know what group tax is.

77/09

If you are a company you should have a group tax, GST number, tax file number and a registration number. But we do not have that capacity to monitor all those activities, Mr Speaker.

Nobody will go and play up in Singapore because once you get caught the penalty or fine will be very severe. But in PNG, a person operating in Kimbe or Kokopo will simply tell the IRC officer that comes; my head office is in Port Moresby, you go and deal with my superiors there. So he comes here, and it is solved over a 6 pack or 12 pack or one carton of beer.

Mr Speaker, I also support the Member for Goroka; it is time to talk about family planning. We really have to address that issue and we need to really consider giving some incentives for those mothers who are willing to participate in family planning. It can even be considered for men who are willing to take vasectomy too.

In India, when a mother comes and takes part in family planning activities she gets a big bag of food, fruits and even cash, just for being willing to come forward as an incentive to

encourage other mothers to come forward. We can even do it discretely so that it can be taken as given to the children but we have to make it mandatory that people have to take family planning.

This can be promoted through awareness and advertisements but more so by giving incentives. I see nothing wrong in rewarding those rural mothers who are coming forward because it is also safe for them since most rural mother are giving birth on beaches and other unhygienic areas which are not safe for them because there are no proper facilities.

This is also done to give some quality time to those children we are producing. We are producing like piglets, with 10 children, how do we look after them? We do not have the resources or income to look after all those children. Our main reason for reducing the number of children so be so that we can give quality education, health and so on to those children we are producing. It is really important that we must create such awareness amongst our rural population.

For some reason, God has blessed Papua New Guinea with so many children. In other countries, it is extremely difficult to give birth, deliver and have children but here it is happening like nothing ever seen before. Mr Speaker. If you come to Bali-Vitu Island, you cannot walk or have privacy because the population is growing like nobody's business.

On that note, we need to create some employment opportunities rather than focusing on finding ways and means to give everything free. We create employment so that we can put money into our people's pockets so that they can afford things.

I have thought about it for a long time. Sometimes, I felt as if I am jealous because many people are becoming rich but it is in our interest to make more Papua New Guineans richer so that our burden is reduced since they can afford to look after themselves. It is in our interest to make those Papua New Guineans really rich in terms of financial literacy, the importance of saving and business culture.

Also, as a responsible Government, I really want our government to consider some subsidies to help our farmers because agriculture is the backbone of our country. Everybody is worrying about the depletion of oil and minerals but agriculture is here to stay so we really have to give that support to it. We have to help our people to increase their production. A company can produce up to 30 tonnes per hectare but our people cannot get that result because they do not have a prudent cultivation practice and planned protection measures. They do not know what

entomology or pathology is but the companies know, that is how to apply fertilizers or best practice cultivation methods and all those things.

Mr Speaker, there is nothing wrong with us considering subsidies for those farmers for fertilizers through established agencies such as OPIC for oil palm and the Agriculture Minister and Department. We need to really support them because we have to keep that continuously engaged in agriculture since we cannot afford to lose focus on agriculture. So, we, a responsible Government need to allocate some subsidy to those farmers because if they don't put their legs in the mud, we can't put our hand in our rice.

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Thus, it is extremely important that we continue to support agriculture in this country, and coming from an agricultural province, we need to put more investment into agriculture.

To conclude, Mr Speaker, it is a great blessing to be in this country and in this Government to witness PNG's growth. I would really like to thank all those hardworking Ministers and their Departmental Secretaries and staff to put this record Budget and continuously support this country.

Mr SPEAKER – Honourable Members, this Parliament will do injustice if it does not give recognition to a female Member of Parliament.

Mrs LOUJAYA TONI (Lae-Minister for Community Development, Religion and Youth) – Mr Speaker, it is easy to be indigenous in this Parliament in terms of development agenda but I would like to speak about gender sensitivity budget is concern. I would like to thank the honourable Treasurer, Finance Minister, National Planning Ministers for the Budget that has been met by regional applause, thus, giving Members of this Parliament the confidence to drive sectoral development at the provincial and district level by the second year of experiencing another K10 million for 2014.

But, as one of three women MPs in this Parliament, I commend the Treasurer for working throughout this year and finally seeing the beginnings of a gender sensitive budget. Mr Speaker, working the work in the sense that he is always and in most cases throughout this year that I've noticed him being flanked by the right hand Governor of Eastern Highlands, honourable Julie

Soso and his left hand the Vice-Minister honourable Delillah Gore, so, he has made it his business.

Members applauding!

Mrs LOUJAYA TONI – Thank you Mr Speaker, the honourable Treasurer has made it his business to be flanked by these two powerful women in this Parliament regarding financial agenda and various agendas not necessarily in the social sector and within the women domain.

Mr Speaker, he has also took them alone to World Banks Meeting in United States and various places, and that speaks a lot about the support that he is given to women within Parliament that are here. But, more so, we notice now the beginning of a gender sensitive budget.

I also like to thank the three gentlemen for K5 million allocations for social protection sector within the Department of Community Development, Religion and Youth covering the elderly and disability.

Mr Speaker, we have the intention that by 2015, we can begin to apply the Government's interventions to these sectors of security. I also like to mention that the Budgetary allocations to the SME agenda, has also enable the honourable Minister for Commerce and Trade, Mr Richard Maru to proactively work with the Community Development, Religion and Youth to ensure that needed infrastructure towards the empowerment of women by way of a Women Resources Centre counterpart funding from his DSIP and from my Department portion and that of our development partner, the UNWomen will happen by a way of a pilot project in Yangoru-Saussia, which will be rolled out and followed by Lae district.

I would also like to extend to the 89 honourable Open Members to partnering with my Department to ensure that women resources centres are established in their districts. This would facilitate for the gathering of women to empowered economically as mere gender and every other financial literacy and whatever other agenda that can give momentum and impetus to what the Government has outlined in the 'Alotau Accord' where women are concern.

Mr Speaker, we would like to see that kind of planning in 2014, 2015 and 2016 at least before our five years term is up. We do want that support from our Open Members towards empowering women.

79/09

Financial literacy and every other gender issue can be given impetus to what the Government has outlined in the *Alotau Accord* where women are concerned. So, please make sure that we see that kind of planning in the 2014, 2015 and 2016 at least when our time is up so that we can see more support for our Open Members towards gender and where that is concerned.

I'd like to take this opportunity to also state that the three priority areas that the Government had given to my Department and through those priorities we have been able to complete our meetings with the Churches where the Religious Secretariat agenda is met. We have also had National Planning under the leadership of Honourable Minister Abel who have also concluded their agenda with the seven mainline churches and we are ready to submit to Parliament the undertaking of a Secretariat as such that needs to be funded.

Mr Speaker, my Department has been very instrumental in housing the EID project in providing the technical advice, the policy and the legislation. What happened here was that at the beginning of the year, I launched in my district of Lae, the District Population Verification Project worth K2.6 million to conduct the awareness and the roll-out. That did not happen so what I did was to park that project there until we start it in January. Before that I have to deal with policy and legislation that will cover both my district and everything else that is happening in the country. This is because at that times when we engaged Huawei there was no policy legislation being drawn up either by NSO or at the National Planning. So, my Department without being asked decided to lock that EID policy within the Civil Registry to protect what is happening in Lae District by way of population verification in order to provide a template that we could sell it to the Government on the national agenda and to be able to roll-out at the district level and see if other Open Members can see what was happening in Lae District was attractive and a plus towards knowing and mapping our figures.

At this point in time, the policy legislation for the EID Civil Registration is completed, for Religion is completed, and Social Protection is also completed. We are ready to put the social protection one for next year as to how we can begin to apply our interventions to these sectors especially, the elderly and the disability.

Mr Speaker, once again, before I conclude, I appreciate the support that we are getting now from this Budget. The women within the National Council of Women and the Office of Women

are looking forward to be able to partner with line departments that are willing to take on the womens' agenda across rather than within the social sector. We have been empowered by our attendance to the Bali APEC Womens' Economic Empowerment Meeting by way of identifying just how women be also part of economy to move the agenda forward. That submission will also go before the Parliament as an information paper. I will also travel to New York and be part of the Disability Ratification of the Convention so that our peoples with disabilities will be able to see some kind of support that is more than what was allocated in previous years. Another K5 million allocation has been given to us under the Social Protection sector.

Lastly, but not the least, in terms of meets this year, the UNWomen meeting was held in Israel where we were able to see the MDG gaps and bring forward 2015 Sustainability Agenda and where our women can step up and able to support them through funding.

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I could say more but I do appreciate the support that we are getting; not just from the mainstream Budget but my Department would like to partner with respective Open Members and Governors on the Women's Agenda. I would also like to thank the Trade and Commerce Minister for being the first, stepping up to the plate and saying that you will partner with us on the SME agenda. I have also got interest from the Governor of West New Britain to work and partner with him with the department regarding gender issues in his province. Therefore, I would like to invite and embrace all of us here in Parliament to be able to realise the mandate from our respective departments, and especially from my Department of Community Development.

This is so that, we foster the gender agenda rather than making it an isolated case in the social sector in a woman's so-called department. Let us partner this together and I would like to thank the Budget team and Treasurer for the allocation for next year.

Mr ANDERSON AGIRU (Hela) – Thank you, Mr Speaker, many eloquent speakers have spoken and debated on the Bill before us regarding the 2014 Budget. My contribution will be dwarfed by the eloquent debates that have already been made.

Mr Speaker, I congratulate the O'Neill-Dion Government and the Treasurer for bringing K15 billion worth of smiles to the people of Papua New Guinea. The theme of this year's Budget

I believe is the same as that of last year and that is; 'Focusing on Rural Development, Building Districts and Developing our Provinces'. That is putting money where our mouth is.

Mr Speaker, we can all debate and criticise the Government and its policy but the veracity of the benefits of this Budget that will bring to the people of Papua New Guinea is so glaring. It will bring positive developments to our rural areas and breach the unemployment gap, which is one of the highest in the world today.

Mr Speaker, there are some shopping lists in our Budget that we must avoid in the 2015 Budget. We must focus on economic infrastructure such as the Highlands Highway which is one per cent of a K15 billion Budget, which is K150 million. Mr Treasurer, Minister for Finance and National Planning; this is still not enough because that Highway generates a 40 per cent rate of return.

I thank the Prime Minister, Treasurer and the architects for this Budget for dividing the K150 million into the provinces. We Governors will help this Government develop those highways, bi-ways and boulevards of this country if money given to responsible leaders like us Governors. There are Members of Parliament here who are honest and genuinely hard leaders of this country. Everyone who spends and puts money into the right places and investing them where changes will be forged we then see tremendous change in the country.

I thank the Treasurer, the O'Neill-Dion Government and Cabinet because even in the face of tumultuous economic climates around the world including ours you have been able to raise K15 billion to finance the needs of our country.

I am proud to be one of those architects for introducing the PNG LNG Project. Over the period between 2002 and 2007 I have researched the LNG and fought the proponents of the current PNG LNG Project. They had wanted to pipe raw gas to Australia and have it processed there.

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I want to thank Grand Chief Sir Michael Somare who believed in that philosophy and stood with me to support PNG/LNG and today it is a reality. Once again, I thank the Grand Chief on behalf of the people of Hela for this gift.

While, at this juncture, my distinguished friends, there was an oversight in the Budget Statement where it says landowner equity will be solved. I sought clarification from my good

Prime Minister who has provided an explanation in the presence of my good Governor of Southern Highlands, Honourable William Powi, Honourable Ati Wabiro, Honourable Francis Awesa and Honourable Francis Potape, that there was an oversight. The K6 million intended to be raised is for the Government to assist pay landowners and the Provincial Government upfront equity so that we do not wait until 2016 to realized the benefits.

Mr Speaker, I hope we maintain that because if we depart from that course we will be putting the PNG/LNG to a great risk because I will be there with my people to stop it. I introduced the LNG to this country.

Mr Speaker, agreements must be honoured. What is committed to our people no matter how big or small we must honour them. I thank the Prime Minister for clearing the anxiety that was silently taking over my ability to reason.

Our maritime provinces need special attention. Our people are doing tough out there. In the islands and the atolls I do not see money for wharfs, jetties and boats for transport because zoom price is so high in the country. Our people need government intervention; therefore, I urge the Government to increase this in the 2015 Budget.

Regarding the Highlands Highway, here we are talking about PNG/LNG Project so why not let us put substantial amount of money aside to fix road infrastructure so that we can supply the gas. I am embarrassed when we give lip-serve to fund the Highland Highway. Let us deliver this in 2015 and 2016 to get this infrastructures running.

Mr Speaker, I also want to thank the O'Neill-Dion Government for living up to its commitments. I am now building a major Highway which was approved by the Adhoc Committee which our Prime Minister is the Chairman. There was no budget support in our initial talks but after couple of protests the Prime Minister gave us positive feed back. I thank the Treasurer for that.

Mr Speaker, infrastructure development is very important and with the K15 million that is added will go a long way. This road will withstand the test of time in my Province. I also want to thank the Government for continuously funding the Gulf-Southern Highlands Highway.

The Prime Minister was the founding Chairman in 1998 when I was the Governor of Southern Highlands. Today, we continue to talk about that highway. I sought K10 million to fund that road and according to the Works Minister he has sought K20 million.

82/09

Mr Speaker, we can talk about all the shopping lists but if the priorities of building the economic infrastructure are given, then it will become the inputs for continual growth of our country. The PNG LNG will generate with two tranche developing 6.5 trillion cubic feet of gas at the right price. At the current US dollar rate the maximum stake for Papua New Guinea is K90 billion.

If the third tranche is brought on, the capital in expenditure has already been captured by the two tranches, and that income would rise by 55 percent.

Let me urge the Government to work on delivering the third tranche. The infrastructure is there. The 36 diameter pipeline is already laid and fibre optic cables have already been put and the communication network of this country the NBN, the National Broadband Network, is what will transform the communication, health and systems of this country. Developing and launching Papua New Guinea forward agendas have been set and the launch pad is here. Let's just drive that development which our people need honestly without waste.

Mr PETER O'NEIL (Pangia–Ialibu – Prime Minister) – Mr Speaker, thank you for giving me this opportunity to make a few contributions in this debate. Let me take this opportunity to thank all the Members of Parliament for the very constructive debate on the 2014 Budget.

Mr Speaker, I also thank the Leader of the Opposition for his comments on the Budget. His comments are necessary and valid and sometimes we would not want to hear them but it's good that it continues to give us a wake up call and keeps us on our toes on some of the issues that concern our country.

Mr Speaker, comments about the former Prime Minister the Late Honourable Bill Skate, we can play politics but becoming insensitive and disrespectful is something that many of us here on this Floor do not accept. Let's refrain from these kinds of comments and let's be constructive and talk about issues that are before us in the country and I am certain that our country will be better off.

Mr Speaker, in relation to the Late Sir William Skates Government in 1997, the records are very clear. If our people don't recall in those years we had the Bougainville crisis which was at the height of our conflict.

In 1997, the Asian financial crisis happened where many of the Asian economies that are doing well now virtually collapsed and of course IMF and the World Bank had to come in and intervene in Indonesia, Philippines, Thailand and in Malaysia. Many of you know that Dr Mahatma took a position to destabilize the currency by pegging the Ringgit to the US dollar. Those are measures that were taken because of the global scenario. It wasn't because of one person's mismanagement. Let us debate many of these issues into perspective.

Mr Speaker, even during those crises, this country has never defaulted on any of his debt and it has always maintained its ability to repay its debt whether it be domestic or international to maintain a stable economy that continues to grow despite some of the challenges that were before us.

Mr Speaker, the Opposition Leader talked about a few issues and as we are heading to Christmas I don't want to dwell and debate on the negativities of those issues. This is a time of forgiveness and moving forward. In that spirit let me just correct some of the factual issues that our Opposition Leader got wrong.

Mr Speaker, he talked about financing our debt deficit to an international borrowing. There is no way in the Budget that states that we will be borrowing internationally.

83/09

Mr Speaker, he talked about financing our debt deficit through an international borrowing, no way in the budget that states that we are going to borrow internationally. We got enough liquidity within our economy at present. That's why we were able to finance our 2013 debt deficit domestically. So, we didn't borrow any money from any international organisation to finance our deficit as portrayed by the Leader of the Opposition.

We also know that there is enough liquidity out there and we know that in 2014, we are able to continue to finance our deficit through domestic borrowing.

Now many of us on this Floor know very well that these are some things that are beyond the control of the Government to maintain a steady stability in the currency fluctuations. That is why we don't want to take a huge risk but we can manage the risk by borrowing domestically and there are enough funds available to do that.

One other issue he talked about is that, treasury failed to raised K500 million bond issues this Government is not aware of where the K500 million bond is. I don't know what bond he is talking about and there is never been an issue of any kind of bond by this Government at all.

I need to be corrected but the Leader of Opposition should not continue to misrepresent himself and mislead this Parliament with figures that are not true. One other issue that the Opposition Leader talked about was the K6 billion loan from the Exim Bank of China, there is no such loan. And we want him to prove to us that we have borrowed K6 billion.

The only four loans that we got and I have stated through this Parliament that those loans are for the Pacific Marine Park Industries Zone in Madang, University of Goroka funding, the Haggies Program and the Community College. Those were funded in the last term of Parliament. And this Government is still yet to enter into one single loan arrangement with the Exim Bank of China and that is going to be the Electronic ID Program that the National Planning Department is taking the lead in.

Mr Speaker, he talked about the expropriation of 7 percent of the landowner equity in PNGLNG project, and I thank the honorable Governor for Hela for correcting this.

This arrangement was for the landowners of the LNG Project to get additional shares on top of what they are supposed to get under the UBSA and LBSA agreements we have in place. The arrangement is very simple and the landowners and the provincial governments will pay the Independent State of PNG a certain amount of money so that they can buy the shares from the Government. That is the agreement and it's not free and it's not sold to anyone else. That's what the Leader of Opposition is trying to portray as if we are selling this to someone outside who is going to be worth US\$18.2 billion. He thinks that the 7 percent is worth US\$18.2 billion. The entire project is K21 billion at present so how can 7 percent be worth that much. I really can't see the logic.

So, let us debate issues on facts and not try to stir up our people because some of them don't have access to details like this. It is irresponsible of us to continue to mislead the Parliament and country just to justify their arguments.

Mr Speaker, this is a very crucial project for the country and it will come into full production next year and the idea here is that the landowners and the provincial governments have the right to exercise this option before 2016. But you know very well that when the revenue starts flowing in, the landowners and everybody else will be saying, where is our share. That is why we are trying to advance them so that they can buy the shares early and fully participate in the revenues that are coming through. This will enable us to have security of the project and there will be no disputes with the landowners so I think the Government is doing the right thing by making sure that we honour the agreements that we signed with the landowners.

Mr Speaker, I want to take this opportunity to collect the other misleading statement that the Leader of the Opposition has made this afternoon. He is saying that in 2012, we have declared K1 billion dividends from Ok Tedi. The entire company is not worth more than K2 billion and if we declare K1 billion dividend, the government will be broke because they don't have that kind of money to pay any dividend.

Mr Speaker, I informed this Parliament and if the Leader of the Opposition had cared to read the *Hansard* or be present in the Chamber, he will know what is going on. The Management has advised the Board of Ok Tedi Mine that there will be no dividend in 2012 and 2013 because they are going to expand the mine. That means they need the money that is available to invest into new equipment and expansion of the mine itself. This is good for us because the mine will now extend its life for at least another 25 years.

So for the next 25 years, our people of Western Province and the country will continue to benefit from the resources that are coming out of this mine. It will also go into investing in the tailings dam that this Government has committed to build in Ok Tedi. This is an outcry that we have been hearing from our people and I think the onus is on us as a responsible Government that we build this tailings dam to stop the environmental damage caused by the Ok Tedi Mine.

So again, Mr Speaker, this is a deliberate attempt to try and portray that we are being irresponsible to our people and of course declaring these big dividends that we cannot even sustain.

Mr Speaker, another issue is that he alleges we are imposing new taxes. The Budget clearly states that there are no new taxes next year. What other language does he want me to communicate so that he will understand? I think it is again very discouraging.

Mr Speaker, one other matter he is talking about that needs explanation is about the K500 million that was put in the trust account for the LNG Project.

Mr Speaker, because sometimes the Government cannot afford to pay for this so we borrowed the money from the APEC deal, there were some access money so it was parked in the trust account so that we can repay the interest back to the APEC. The deal was done such that in March 2015, that balance will come down to zero. This money we are borrowing is not free. It gave us the money to buy shares in the LNG Project so we have to repay this money so that is why it is paying the interest and I am certain that the Treasury Department is taking a good care of this issue.

Mr Speaker, so all in all, there is no such thing as K1.5 billion petty cash. I wish I had that kind of money because I can do a lot of things without asking anybody but every toea in this Budget has been allocated. There are no discretionary funds for everybody and not even the Prime Minister has one.

Mr Speaker, so when you read the Budget carefully and I suggest the Leader of the Opposition to do that, he will realise that every toea is accounted for and for the first time in the history of our country and I think for many years, we are now combining both the Expenditure and Development Appropriations into a single Appropriation.

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And we are now balancing the allocation of monies from the Recurrent and Development budgets. By that I mean that many years ago, the Recurrent Budget used to take up 70-80 per cent of the entire budget and the Development Budget was 20-30 per cent.

There was a huge imbalance and that is why we could not build infrastructure and other projects as we would have liked to. This year and for the first time it is almost balanced. That means that there is more money to build more roads, classrooms and other infrastructure. And the Development Budget is being rolled down to the districts and the entire country.

Mr Speaker, I think the Budget is structured in such a way that we can deliver to the expectations of our people and it also gives me this opportunity to speak on other issues. The report that the Honourable Governor for Southern Highlands is referring to should be read by all of us. It is the report that was independently produced by the ANZ Bank.

This report captures the bank's review of our economy and how we are travelling. It talks about how Papua New Guinea can take advantage of the growth that is happening in Asia. Many leading economists around the world say that this century is an Asian century. This means that Asia will lead globally in many things like development, raising living standards, in many parts of Asia, so they reckon that Asia will lead the global standards in many issues.

And they need resources, and this particular report highlights that PNG is in a very unique position and I think those who wrote this report must have seen the Government's documents because many of the things that they have highlighted is what we have captured in the 2013 Budget. We talked about developing the resources so that we can continue to maintain the growth.

Right now as we own hundred per cent of Ok Tedi and the large chunk of LNG shares in the current project gives us that ability. The opportunity to build the second LNG project with the Minister responsible making good progress, I am certain that we will deliver the second LNG project and that will also add to the ability of this country to take advantage of the Asian century.

Mr Speaker, we also know that the commodity prices are down and the investors are bit nervous and do not want to invest in new projects and we know that companies like Extrada has sold out from Frieda and Newcrest is having capital issues about the share prices and Marengo is looking for new investors.

We understand that and the Government is working closely with these investors to make sure that they bring to full production these projects and they are now at the verge of coming online and the last thing we need is negativity that is going to discourage investors.

It is predicted that by 2030 our economy will be worth almost K100 billion. And in order to achieve that we need 170 billion foreign direct investment and we need that kind of investment to be injected into our economy so that our economy can continue the growth. It is not impossible it can be achieved if we work together.

The data is not readily available that we do not know the exact population but we have a growing population and by the Electronic Identification process we will know the exact population and its growth rate.

86/09

Now this growing population will demand more and more services, infrastructure and other amenities. And any responsible Government will have to plan for it.

Mr Speaker, for that we are now investing in infrastructure because one of the areas in this *ANZ Insight* report is that infrastructure is the key to growing any economy. We can't grow our economy if we do not put money into infrastructure.

Yes, we know there are weaknesses in the process but we are correcting it. As the Minister for Environment stated earlier, we are going to reform the *Central Supplies and Tenders Board Act*. The Treasurer has signed the NEC submission where we are going to bring in private sector and outsiders to be on that Board so that they bring some more transparency into the approval process because mistrust is there in public servants and politicians. We normally take it that they are going to do the wrong thing.

Mr Speaker, these are the sorts of negativity we need to stop. If people do not trust us they would not put us in this honourable Parliament. If the people of Ialibu-Pangia did not trust me they would not have put me here for three terms on first preference votes. We have to learn to believe in each other.

Mr Speaker, infrastructure is very important and that is why we are investing in roads. We recently approved a road to be built and sealed from Malalaua to Kerema for World Bank funding. We have taken the road from Kikori to Hides as a national road and as the Governor of Hela has stated, we are funding K10 million for that from the Budget, while K20 million will be funded by Oil Search from Gulf to Samberigi and Erave. This will connect that part of the country to Lae and the rest of the Highlands Provinces. We are putting money into the Madang-Baiyer Road, Ramu-Madang Road and many others.

Mr Speaker, we have put K150 million into the Highlands Highway, though others may say it is not enough, I want to tell you that we are also allocating money from AusAID, ADB and World Bank into different sections of that road as well.

87/09

Mr Speaker, it is a record K15 Billion Budget but it's got a lot of other records that people are not too aware of it. We are spending a record amount of money into the districts, LLGs and

the provinces. In addition, we are spending record amounts on Education, Health, and in fact, for the first time a record amount of money on infrastructure development and maintenance.

Mr Speaker, this economy will continue to grow and it has been growing for the last 13 to 14 years now. I believe the future looks very bright for our country and I thank the honourable Members for their support and I congratulate the Treasurer for an excellent work done under very difficult circumstances, and this is your third Budget but we will expect many more from you.

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

APPROPRIATION (NATIONAL PARLIAMENT 2014) BILL 2013

Second Reading

Bill, by leave read a second time.

Third Reading

Leave granted to move the third reading forthwith.

Mr DON POLYE (Kandep – Minister for Treasury) – I move –

That the Bill be now read a third time.

Mr Speaker, I have a few things to say in regard to some of the issues are raised by the Leader of the Opposition concerning some of the phrases given to the 2014 Budget.

Of course, I will be very brief and to the points but firstly, I thank the Members of Parliament including the Leader of Opposition and Members on that side for giving us many pressures and criticisms to the 2014 Budget, but I take criticisms as a gift and pressures as a blessing to build on and work on.

I have many criticisms in one way or another but even too much pressures on this Budget but my special gratitude goes to the Prime Minister, the Government and the Parliament and the Opposition in a way that they have put in some constructive contribution to this Budget. While the 98 per cent of argument was pit flout because of the facts involved in argument, which of course, the Prime Minister has answered them.

Mr Speaker, I would like to say in addition to the argument by the Prime Minister, the Budget was based on very sound microeconomic policy. It is not just picking figures or some numbers with imaginary figures to make it look like a Budget.

The 2014 Budget was formulated critically and thoughtfully based on microeconomic policies. In this point, let me briefly remind this Parliament that this policy has been acclaimed within the region, also the international community and its very sound and the Government is basing its Budget on these polices first is *Vision 2050* which sets out those guidelines on the Seven Pillars by which the resources are put into and are supported by the *National Development Plan*, which the National Planning Minister drives and he has now revealed the *Medium Term Development Strategy to 2017*. It guides very carefully how resources are allocated.

Our 4th very sound strategy and that is the *Medium Term Fiscal Strategy* (MTFS), which will guide you as to what level of deficit that you should have each year, starting 2012, 2013 and 2014. As the Minister for Finance was debating, we have chosen a 5.9 per cent deficit; what's it going to be next year? Look at this year's Budget and make adjustments accordingly.

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We don't just come up with it; it is all planned out in this Medium Term Fiscal Strategy.

Fifth, is the *Fiscal Responsibility Act*, and I think there is one misconception by the Leader of Opposition when he said, we have now recently amend it to go beyond 35 per cent but we have not done that. We have reduced the debt GDP ratio from 35 per cent this year to 30 per cent of GDP next year. We have also worked within the limits of the Medium Term Debt Management Strategy and it's very important.

We would like to reduce our debt which currently stands at K11 billion which is about 34.6 per cent of GDP and we aim to reduce it and by 2017, we should have a balanced Budget so our debt to GDP ratio will be below 20 per cent. That is how we plan to manage debt within that medium term.

We are not working alone in isolation to the rest of the world; the World Economic Outlook gives us a very strong basis and guide as to how we project those strategies and how we move forward and recently in our mid-year Fiscal Outlook Report, we had this visit by the International Monetary Fund, who carried out this consultation and surveillance of PNG and other countries called, Article Four.

Mr Speaker, when they did Article Four, they gave us an assessment and I am happy to say, that assessment was very consistent to the projections made by Treasury, the Bank of Papua New Guinea in consultation with our other development partners and their experts in economy industry. The report that we had supports the trend that we are taking.

We have heard Members of Parliament debate about the report from the private sector, that's an important sector and the Government can't work without the private sector so we are also in a way consulting with the report they came up with and how they are doing it. And now we are saying, from these strategies, let's look at the next five years and therefore we have the 2014 Budget.

I would like to dismiss any claims of untrue information put out there. This Budget is thought out very clearly on sound principles, principles accepted by good countries with good economies and successful nations. Singapore is one of those modern successful nations that follow these principles for its economic policies and budgets.

I agree with what the Prime Minister has said, that leaders have to be very responsible, it doesn't matter which side they are on. Facts must be told to the business community and the foreign investors. If we deliberately say wrong things, it does not help because the facts would glare right in front of your face and when that happens, the leaders lose credibility. In that instant, we can scare our investors or we could cause problems in the country, for instance, the Leader of Opposition said there was not enough money in the Budget, for K100 million to be committed to Bougainville. We cannot make such statements; Bougainville is a sensitive issue, we can talk Politics and even if we think it's not there, we should check properly, do our research well and then we ask questions.

We are all leaders, whether we are in the Opposition or the Government or even backbenchers. The business community and the people are listening and when you make wrong statements you can cause a fight and someone ends up getting killed, businesses runaway and money goes out of the country; all these things can happen. When I look at the facts presented

by the Opposition, I respect the Opposition in such that they have given a very strong vibrant Opposition but they can lose credibility if they do not produce the facts.

89/09

Most of their arguments presented have no facts. For instance, in regards to the K600 million for landowners, that was a misconception probably based on the lack of proper understanding saying that we are depleting the shares. That is definitely not the case but you are going to cause problems for a very important project. Therefore, I would like to urge that the Opposition must conduct in-depth research and have facts. I, for one, appreciate any constructive criticism but it must be factual then we can be able to work together.

Mr Speaker, with that, let me conclude by saying that this Budget, the O'Neill-Dion Government's Budget, is not the world's perfect budget because there is no perfect budget in this world anywhere. Nevertheless, this is in fact, in PNG's history, the best Budget so far. It may not be perfect but it is Papua New Guinea's best Budget, and of course critics who have chosen to be negative will continue to be negative. For that, I forgive them. And those who want to be right or tell the truth and those who seek to understand what is before them; I would like to boldly say to this Parliament that this may not be the perfect Budget, but it is the best Budget for Papua New Guinea since Independence. And what is attached to the bottom of this is implementation.

If all the Members of Parliament could implement all their DSIP and PSIP projects, then you all would have solved much of the implementation problems. If the Ministers can implement the road project that the Prime Minister outlined then the implementation problems would have been solved because it is not the responsibility of the Public Service alone, as leaders, we should also play our part. The Opposition has to take the lead as the Government has already taken the lead and let us implement the Budget that is a true budget for Papua New Guinea.

Before I sit down, I would like to recall a point derived from my father's culture. My father used to say that, when you slaughter a pig, you will sit down and look around and see how many people are present at the pig sharing-ceremony. He said if the size of the pig was small, you must look around at the people. He said that you just visualise the most strategic network that you must create amongst these people. The most strategic relations are partnerships that you must establish through this pig-sharing ceremony.

Therefore, my father said, if the pig is too small in size or that the people are too many to share the pig, you therefore close your eyes and cut the pig with your head down. With your eyes still closed, you call the names of the people as the young boys distribute the pig meat. I then wonder why my father said to close your eyes when sharing the pig meat because I would like to see who I am sharing the pig meat with. All that my father said was, these are all your people and you must love them all. Some of those young boys will be playmates and girls will be girl friends. Some of the old men and women you may know them but when you see their sad faces you would then like to give more to them but there isn't enough to do that.

My father said, if I was to look at all these people what it would do is make me cut smaller portions of pig meat and lose the focus of the strategic thing of what you wanted to do. Then I asked him if a bigger pig was used instead. He then said, you can stand up and look around at the people and share the pig meat because there is plenty to go around.

When I look at this historic Budget, I call it this because we have done these two things. Like the pig-sharing ceremony described by my father, we have not closed eyes but we are strategic in key priority areas that will see this country grow.

90/09

Don't worry because now you know which is big and you will satisfy them adequately. I call this Budget, a historical budget because we have done both because we are very strategic in the key priority areas that will see this country grow. We have established that network that will breed us from this current time to the future where Papua New Guinea will prosper. We have satisfied those areas so it is really a Papua New Guinean Budget so let us pass it and implement it. Thank you.

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

Motion (by **Mr Don Polye**) agreed to –

That the Bill be now read a third time.

Bill read a third time.

APPROPRIATION (JUDICIARY SERVICES 2014) BILL 2013

Second Reading

Leave granted to move the second reading forthwith.

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

Motion (by **Mr Don Polye**) agreed to –

That the Bill be now read a second time.

Bill read a second time.

Third Reading

Leave granted to move the third reading forthwith

Mr DON POLYE (Kandep – Minister for Treasury) – I move –

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.

APPROPRIATION (GENERAL PUBLIC SERVICE EXPENDITURE 2014) BILL 2013

Second Reading

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

Motion (by **Mr Don Polye**) agreed to –

That the Bill be now read a second time.

Bill read a second time.

Third Reading

Leave granted to move the third reading forthwith.

Mr DON POLYE (Kandep – Minister for Treasury) – I move –

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.

SUPPLEMENTARY (APPPROPRIATION) BILL 2013

Second Reading

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

Motion (by **Mr Don Polye**) agreed to –

That the Bill be now read a second time.

Bill read a second time.

Third Reading

Leave granted to move the third reading forthwith.

Mr DON POLYE (Kandep – Minister for Treasury) I move –

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.

91/09

PAPUA NEW GUINEA FISCAL RESPONSIBILITY (2014 BUDGET) (AMENDMENT) BILL 2013

Second Reading

Resumption of debate from 19 November (See Page...)

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

Motion (by **Mr Don Polye**) agreed to –

That the Proposed Bill be now read a second time.

Bill read a second time.

Third Reading

Leave granted to move the Third Reading forthwith.

Mr DON POLYE (Kandep – Minister for Treasury) – I move –
That the Proposed Bill be now read a third time.

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

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

Bill, read a third time.

INCOME TAX (2014 BUDGET) (AMENDMENT) BILL 2013

Second Reading

Resumption of debate from 19 November (See Page....)

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

Motion (by **Mr Don Polye**) agreed to –
The Bill be now read the second time.

Bill read a second time.

MESSAGE FROM THE GOVERNOR-GENERAL

A Message from His Excellency, the Governor-General was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

Third Reading

Leave granted to move the third reading forthwith.

Mr DON POLYE (Kandep – Minister for Treasury) – I move –

That the Bill be now read a third time.

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

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

Bill, read a third time

STAMP DUTIES (2014 BUDGET) (AMENDMENT) BILL 2013

Second Reading

Resumption of debate from 19 November (See Page...)

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

Motion (by **Mr Don Polye**) agreed to –

The Bill be now read the second time.

Bill, read a second time

MESSAGE FROM THE GOVERNOR-GENERAL

A Message from His Excellency, the Governor-General was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

Third Reading

Leave granted to move the third reading forthwith.

Mr DON POLYE (Kandep – Minister for Treasury) – I move –
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.

92/09

EXCISE TARIFF (2014 BUDGET) (AMENDMENT) BILL 2013

Second Reading

Resumption of debate from 19 November (See Page...)

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

Motion (by **Mr Don Polye**) agreed to –
The Bill be now read the second time.

Bill read a second time.

MESSAGE FROM THE GOVERNOR-GENERAL

A Message from His Excellency, the Governor-General was announced in accordance with Section 210 of the Constitution recommending the imposition of taxation insofar as the Bill relates to and provides for such imposition.

Third Reading

Leave granted to move the third reading forthwith.

Mr DON POLYE (Kandep-Minister for Treasury) – I move –

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-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 Orders of the Day Nos. 91 and 92 and Notice Nos. 110, 111, 112 and 113 Government Business being called on forthwith.

CONSTITUTIONAL AMENDMENT (INDEPENDENT COMMISSION AGAINST CORRUPTION) LAW 2013

Second Reading

First required opportunity for debate and First Vote from 14 November 2013 (see page ...)

Mr Speaker tabled a report on the Proposed Law from the Permanent Parliamentary Committee on Constitutional Laws and Acts and Subordinate Legislation.

Mr SOLAN MIRISIM (Teleformin) - Mr Speaker, I ask leave of the Parliament to a make a statement in connection to the report.

Leave granted.

Mr Speaker, I present to Parliament the Committee's position on the Proposed Law to alter the *Constitution*. The Constitutional Amendment (Independent Commission Against Corruption) Law 2013.

The objective of the Bill is to make amendments to Part 8 of the Constitution by adding after Division Two, a new Division called the Independent Commission Against Corruption. The Bill is self explanatory as it aims to strengthen the country's integrity system and in particular to combat corruption in Papua New Guinea. Corruption poses an imminent danger to our society

and the country must stand tall to address it. This Bill would be a solution to addressing the problem of corruption.

Mr Speaker, the Committee is convinced that the proposed law to alter the Constitution relating to the establishment of a Commission Against Corruption is an important amendment as it intends to fight corruption head on.

The Committee is also convinced that the very people who will benefit or be the affected once this law bill is passed should be given an opportunity to have their say on this proposed law. Public participation in any consultation process will further influence the findings of the Committee.

Mr Speaker, I commend the report to the Parliament.

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Mr PETER O'NEILL (Prime Minister-Ialibu-Pangia) – Mr Speaker, in accordance with the Standing Order 222b, I now commence the first required opportunity for debate.

To day present to this Parliament to establish the Independent Commission Against Corruption (ICAC). Much has been said about this issue as a nation when we took office and it was one of the first NEC decisions to adopt an *Anti-Corruption Strategy 2010-2030*. This is the first of its kind and sets out a very clear path to addressing corruption issues in the country thus improving good governance.

Mr Speaker, in November 2011, the NEC approved eleven key actions to be undertaken between 2012- 2015 to give effect to this strategy. And this is one of those key actions. We knew that establishing ICAC would take time so the Government decided then to move quickly to establish the Task Force Sweep to deal with immediate instances of corruption.

I am pleased to say that significant progress has been made by the Taskforce Sweep team and we are on course to seriously improve the integrity of our country. Today marks the first step in the legislative process to establishing ICAC and the full details of how the ICAC will operate will be included in the new *Organic Law*.

Mr Speaker, I am planning to bring the *Organic Law* to this Parliament very early next year but the first thing to do will be to pass a Constitutional amendment which will enable us to do that. The support of every Member of Parliament in voting for this Bill is a fulfilment of our promise to our people.

It is a defining moment of truth that each of us is standing at the mercy our people to judge and corruption is an insidious crime against our people. If we leaders do not stand up and say no to corruption who will? Today every member has a moral obligation to vote for this bill.

This Bill has been developed through extensive public consultative process covering the four regions of our country. Our public servants have had public meetings and through the media and received numerous written submissions. From the consultations it is very clear that our people at all levels of the community overwhelmingly support the establishment of ICAC as an independent Constitutional office.

Mr Speaker, the people want ICAC to be free of undue political influence and to undertake its work without fear or favour. They want ICAC to be different from existing anti- corruption institutions and it should be able to receive and initiate investigations and prosecute on its own accord.

This Bill establishes the ICAC sets out clearly its purpose, functions, powers and accountability. Its purpose is to contribute in co-operation with other agencies in preventing, reducing and combating corrupt conduct. It will be headed by a Commissioner and two deputies who will be appointed through an Independent Appointment Committee.

The composition of the appointment committee will be provided for in the new *Organic Law*. More importantly, the Bill provides that ICAC is not an institution that is subject to the direction or control any one person or authority in the country.

94/09

Once ICAC becomes operational, it will naturally takeover the good work that the Sweep Team is doing today and also compliment the work of Ombudsman Commission and the Police. It will not subsume their conscience. The Ombudsman Commission will continue to administer the Leadership Code and ensure that leaders remain accountable. The Police will continue to carry out their fraud and anticorruption work supporting the ICAC in both the public and private sectors.

Mr Speaker, putting a stop to corruption is all our business and work is currently done by the Department of Prime Minister and NEC and Justice and Attorney-General to embed the message of good governance and anticorruption in our schools and through our tertiary institutions throughout the country.

Mr Speaker, we must educate our youth so that they become better citizens of tomorrow. This is not the only anticorruption initiative of this Government, it is also preparing a *Whistle Blowers Act* and Freedom of Information legislation which will enable our people to access to information if they feel that they need to make a complaint and they expect certain level of protection.

Mr Speaker, I encourage this Bill to every Member of this Parliament to vote without fear that ICAC should be the first step towards embracing our fight to reducing the type of corruption in our country.

Mr Speaker, I commend this Bill to Parliament.

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

Motion – That the Proposed Law without amendments be agreed to – put.

The First Vote requiring a two-thirds absolute majority of 74 Members as required by the *Constitution*, the Speaker ordered that the bells be rung.

The Parliament voted the Speaker (**Mr Theo Zurenuoc**) in the Chair –

95/09

AYES – 92

NOES – 0

Motion so agreed to, with the concurrence of an absolute majority as required by the *Constitution*.

The Proposed Law read a second time.

Ordered – That the second required opportunity for debate and the Second Vote be adjourned for at least two months as required by the *Constitution*.

**ORGANIC LAW ON PROVINCIAL GOVERNMENTS AND LOCAL-LEVEL
GOVERNMENTS (DISTRICT DEVELOPMENT AUTHORITY)
(AMENDMENT) LAW 2013**

Second Reading

First required opportunity for debate and First Vote from 14 November (See page ...)

Mr SOLAN MIRISIM (Teleformin) – Mr Speaker, I present to the Parliament the Committee’s position on the Proposed Law to alter the *Organic Law on Provincial and Local Level Governments (District Development Authority)(Amendment) Law 2013*.

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The objective of the Bill is to amend *Sections 3, 25, 33(a), 72, 74 and 105(a)* of the *Organic Law on Provincial and Local-level Governments*. The amendment seeks to establish measures of improving the functions of the Provincial and District Administrations with the aim of improving the accessibility to goods and services.

Mr Speaker, the Committee is convinced that the proposed law Bill to alter the *Organic Law on Provincial and Local-level Governments* relating to the establishment of the District Development Authority it is an important amendment as it intends to improve service delivery.

The Committee is also convinced that the very people who will benefit or be affected once this law bill is passed should be given an opportunity to act wider consultation. The Committee also convinced that the very people who will benefit or be affected once this Bill is passed should be given an opportunity to have their say on this law Bill.

The public participation in any consultation process will further influence the findings of the Committee on this law Bill.

Mr Speaker, I commend this Bill to the Parliament.

Mr PETER O’NEILL (Ialibu-Pangia – Prime Minister and Minister for Internal Security) – In accordance with *Standing Order 222(B)*, I now commenced the first required opportunity for debate.

Mr Speaker, I am pleased to present the Amendment Bill. This Amendment Bill is on the *Organic Law on Provincial and Local-level Governments* to create District Development Authorities.

Mr Speaker, this is a significant change to our decentralised system of government. There have been number of reforms made to the system of government over the past 40 years. The provincial governments were intended to serve three important purposes, that is, the greater decentralisation of decision making and identify means of decision making with the local people. In addition, provide greater leadership coordination of the development activities at the local level.

Mr Speaker, the final Report of the Constitutional Planning Committee considered that the system of provincial government would open up new opportunities for our people and enable them to become involve in determining how their affaires should be conducted.

Mr Speaker, the provincial system of government would preserve the large and diverse group within the country. In 1976, an Amendment was made to the *Constitution* to include provincial governments. Again, in 1976, PNG was a very different place to today. PNG was brand new Independent Country struggling to make its mark or position. Some parts of the country have very little contact to the outside world.

Mr Speaker, at that time, the life expectancy was low and there were very limited opportunity for education. PNG was a new country embarking on massive challenge. However, Mr Speaker, a lot has changed since 1976 and thanks to the policies put in place by this Government. The children are now able to receive free education providing them opportunity that many of our people in my own generation missed out.

We have also subsidised healthcare and Government has made significant commitment to rehabilitating major hospitals throughout the country and other referral hospitals. As times have changed, so too as our system of government. The first significant change occurred in 1995 when the *Organic Law on the Provincial Government and Local-level Government* was passed. It gave far greater prominence to the Local-level Government and Local-level Government became a responsibility of the National Government.

Furthermore, Provincial Constitutions were removed, and Provincial Government effectively became an extension of the National Government. Mr Speaker, a system of provincial and district treasures were also established, which shifted greater financial accountability to provinces and districts were spending decisions were made. Accordingly, Provincial, District and

Local-level Governments development plans were made mandatory and have now become the backbone of that development process.

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Mr Speaker, another significant change has been the unprecedented level of funding now flowing directly to the province and the local level governments. In 2009, there was a significant reform to the *Organic Law* when a new funding system was introduced, grants are no longer based on a kina per head formula instead they are now based on a need basis. Provincial governments receive grants based on cost of delivering services in each district and also taking into account the revenues they already have.

Mr Speaker, the provinces that need more funds get more and those that need less funding and receive less. Grants are now being made for specific service delivery activities and must be spent on minimum priority areas in the districts and the provinces.

All indications are that provincial governments are re-prioritising their spending. We are seeing significant increases in expenditure in Health and Education. As a direct response to the cries of our people in the rural areas, our Government decided last year to increase direct funding to local governments, districts and provincial governments.

In 2013 Budget, each district was allocated K10 million and each LLG received K500,000. Monies were being paid directly to where it matters most, that is to the districts and the local communities.

Mr Speaker, as a result, we are now seeing real development occurring in the country. JDP&BPC around the country are now involved in rehabilitating roads, building footbridges, purchasing more vehicles and equipment for Police and other public servants as well.

Few weeks ago, I was in the Speaker's district ,Finchafen, for the opening of a multi-office building which will house the local bank, post office and of course the district headquarters. The people of Finschhafen, now have access to those essential services and this was built with the support of the local JDP&BPC using the district development funds.

Mr Speaker, JDP&BPC is now becoming so successful that it has outgrown the original design. According to the *Organic Law*, JDP&BPC has largely been administering, it approves the local level government budget and makes recommendation to the provincial government on Budget allocation and draws up the Five Year Development Plan. In reality, we know that

JDP&BPC is doing far more, it is now involved in the implementation of plans and programs at the district level and we need proper legal; framework to make sure that this becomes operational.

Mr Speaker, this amendment Bill marks the next step forward; it will replace the JDP&BPC with an authority, the District Development Authority. This Authority will be chaired by the Open Member, which is same as the JDP&BPC with the current membership being the same. I will bringing an ordinary Act of Parliament next year which will provide further details of the District Development Authority, this means that there will be a chance to get inputs from all members on how they want to see this authority operate.

Mr Speaker, at this stage it is planned that the district administrator will become the chief executive of the authority and all public servants including police, teachers will come under the control of this chief executive officer. As we know, many public servants in rural areas don't turn up for the work they are paid to do, this authorities will be able to enter into contracts and be sued and can sue.

District Authorities, will be the legal owners of all the equipment's and infrastructures in the districts and that includes housing. In the Budget, as we know 10 houses will be constructed per district for the next four years. These are assets that will be owned by the district authority not through the National Housing Corporation these are direct interventions by Government.

98/09

This amendment is to strengthen significantly the work of the districts where the majority of our people live and work and where our villages and our people get their services. These services that are being delivered to many of major cities are not accessible by our people.

Mr Speaker, in order for our country to continue to grow, we must strengthen the work of the districts and we must return to the original intentions expressed by the founding fathers of our nation at the Constitutional Planning Committee. We need to bring government to the people and empower our people to make decisions for their own future.

Mr Speaker, this is a very simple amendment. It replaces the JDP&BPC with the District Development Authority. The details will be now available through a new Ordinary Act which I

will bring next year. This Bill will benefit our people and communities enormously throughout the country.

Mr Speaker, I commend the Bill to the Parliament.

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

Motion – That the Proposed Law without amendments be agreed to – put.

The Proposed Law, requiring a two-thirds absolute majority as required by the *Constitution*, the Speaker ordered that the bells be rung.

99/09

The Parliament voted the Speaker (**Mr Theo Zurenuoc**) in the Chair –

AYES – 92

NOES – 0

The Proposed Law read a second time.

Ordered – That the third reading and the second required opportunity for debate be adjourned for two months as required by the *Constitution*.

**PRIME MINISTER AND NATIONAL EXECUTIVE COUNCIL
(AMENDMENT) BILL 2013**

First Reading

Bill presented by **Sir Puka Temu** and read a first time.

Second Reading

Leave granted to move the second reading forthwith.

Sir PUKA TEMU (Abau-Minister for Public Service) – I move –

That the Bill be now read a second time.

Mr Speaker, during my 11 years of being an MP, I have never seen such an energy and enthusiasm as today. I seek the indulgence of all honourable Members at this very late hour.

Mr Speaker, consistent with the amendments of the *Constitution* and the *Organic Law on Provincial Government and Local Level Governments*, I present this important amendment because under the review the roles and functions of the Chief Secretary have been amended consequently.

The Chief Secretary's role is focused on coordinating policy advice to the National Executive Council, policy review, implementation and coordination of public bodies across the public sector.

Mr Speaker, I commend this Amendment Bill to the honourable Parliament.

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

100/09

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

Bill read a second time.

Third Reading

Leave granted to move the third reading forthwith.

Sir PUKA TEMU – (Abau – Minister for Public Service) – I move –

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.

**REGULATORY STATUTORY AUTHORITY (APPOINTMENT TO CERTAIN
OFFICES) (AMENDMENT) BILL 2013**

First Reading

Bill presented by **Sir Puka Temu** and read a first time.

Second Reading

Leave granted to move the second reading forthwith

Sir PUKA TEMU – (Abau – Minister for Public Service) – I move –

That the Bill be now read a second time.

Mr Speaker, this amendment will allow a couple of changes with regard to the appointment of a Chief Executive Officer to certain public authorities. This amendment has established that the Ministerial Executive Appointment Committee as well as statutory authorities such as hospitals need only for Chief Executive appointments to be made by the respective boards without the lengthy process therefore the appointments of the CEO's of public hospitals and the public health authorities have been removed from the *RSSA Act* and returned to their respective legislation.

This amendment will also remove such public bodies such as the Papua New Guinea Correctional Service, which is a State Service and subject to the provision of *Section 193* of the

Constitution and also the Defence Force Retirement Funds and Public Officers Superannuation Fund which has been corporatized and made subject to the *Superannuation General Provisions Act of 2013*. I commend this amendment to the honourable House.

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

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

Bill read a second time.

Third Reading

Leave granted to move the third reading forthwith.

Sir PUKA TEMU – (Abau – Minister for Public Service) – I move –
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.

101/09

PROVINCIAL HEALTH AUTHORITIES (AMENDMENT) BILL 2013

First Reading

Bill presented by **Sir Puka Temu** and read a first time

Second Reading

Leave granted to move the second reading forthwith

Sir PUKA TEMU – (Abau – Minister for Public Service) – I move –

That the Bill be now read a second time.

Mr Speaker, similar to the *Public Hospital (Amendment) Act*, this section covers the appointment of the Chief Executive Officer and we removed the reference to the *RSSA Act* to enable the boards to make a merit based selection and appointment with the assistance of the Department of Personal Management and the Chief Executive Officer of the Public Hospital Authorities who also has been declared as deemed departmental head pursuant to Section 75 of the *Public Services (Management) Act*.

I commend the Amendment to the honourable Parliament.

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

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

Bill read a second time.

Third Reading

Leave granted to move the third reading forthwith

Sir PUKA TEMU – (Abau – Minister for Public Service) – I move –

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.

PUBLIC HOSPITALS (AMENDMENT) BILL 2013

First Reading

Bill presented by **Sir Puka Temu** and read a first time.

Second Reading

Leave granted to move the second reading forthwith

Sir PUKA TEMU – (Abau – Minister for Public Service) – I move –

That the Bill be now read a second time.

Mr Speaker, as with the other amendments, the sections covering the appointments of the Chief Executive Officer of the Hospital have been removed from the RSSA Act and the Hospital Boards can now make appointments directly rather than come through the Cabinet which is the current situation.

In the event that, no board has been appointed to a public hospital for instance in the National capital District then the Secretary for Health can assume the powers of the board in making recommendations to the Minister for Health on the appointment of CEO's and in the event that no board has been appointed to a public hospital, the provincial administrator shall assume the powers of the Board in consultation with the Secretary for Department of Health and the Secretary of Department of Personal Management in making recommendations to the Minister for Health on the appointment.

I commend the amendments to the honorable Parliament.

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.

Third Reading

Leave granted to move the third reading forthwith.

Sir PUKA TEMU – (Abau – Minister for Public Service) – I move –
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 seek leave of Parliament to
move a motion without notice

Leave granted.

**SUSPENSION OF STANDING ORDERS -
REARRANGEMENT OF BUSINESS**

Motion (by **James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent the Minister for Public Service presenting the 37th Report of the Salaries and Remuneration Commission.

**SALARIES AND REMUNERATION COMMISSION 37th REPORT –
REPORT ADOPTED**

Sir PUKA TEMU (Abau – Minister for Public Service) - Pursuant to Statute, I present the 37th Report of the Salaries and Remuneration Commission.

I move –

That the Report and its recommendations be adopted.

Mr Speaker, I thank all the honourable Members of Parliament and this is my gift to all of you before Christmas.

Mr Speaker, I rise to present the 37th Report of the Salaries and Remuneration Commission on behalf of you, as Chairman of the Remuneration Commission. This report deals with the key findings and recommendations of the Hay Group Management and Consultants who conducted the leaders pay review in 2013,. The 2013, leaders pay review was initiated by the Salaries and Remuneration Commission in line with the National Executive decision number 151-2012 which approved funding for the engagement of Brian Hart Consultant Limited, the Papua New Guinea agents for the Hay Group to undertake the review under the provisions of the SRC Act and in accordance with Government pay policy to provide a set of recommendations for review by the Commission

Mr Speaker, the main recommendations in the consultant report which the Commissioner adopted and the Commission intent is recommending to this Honourable Parliament are;

(1) Approve the results of the benchmarking process undertaken by Brian Hart Consultant Limited.

(2) Approve the median of all organizations and all industries as the target reference level for benchmarking and pinpointing of remuneration level base salary and total remuneration for leaders.

(3) Approve the application of the special market allowance, policy to public service leaders and re-examine the need for special domestic market allowance for unique specialist roles if required for the public service executives and deemed departmental heads by direct salary pinpointing and pegging against the median of all organizations, industries and State owned enterprises.

(4) Approve a seven per cent annual salary increase for the leaders to be fixed over a three year period as this is in line with the general remuneration movement in the Papua New Guinea market. The three year compounded percentage increase will be 22.5 per cent and the date of effect will be January 1 in each of the years in 2013, 2014 and 2015.

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(5) Recognising that the Members received no increase salaries in 2012 approved at the General Public Service increase of 7.5 per cent backdated to 1 January 2012 be applied to the leaders' salaries.

(6) Approve the percentage increase in leaders' allowances and entitlements as listed in the attachment noting that most allowances have not been reviewed since 1997. Commencement date is 1 January 2013.

(7) Parliamentary Sitting Allowance designated as G00-06 from G007-06 and embedded and merged with the Electoral Allowance. Approve the application of a fixed annual accommodation and Transport Allowance of K31 500 per annum for elected leaders.

(8) Approve 45 per cent increase in leaders' Personal Allowance which has not been reviewed since 2004, and in addition K100 000 is approved for the recruitment of capable and skilled personal staff to provide effective research and administrative support to enable leaders to debate on critical issues on the Floor of this Parliament and this relate to those leaders that have no staff allocations such as all the backbenchers.

(9) Approve the reclassification of the Clerk of Parliament job grade from AL6 to AL7 and approve the implementation of related benefits and allowances and entitlements.

(10) Approve anomaly adjustments to the base salary of Executive 5 Level positions by 11.8 per cent to ensure internal equity and alignment between Executive 4, Executive 5 and Executive 6 positions prior to implementing any adjustments for the non-salary increase received in 2012 and the proposed salary adjustments for 2013.

(11) Approve the Governor of Central Bank to be provided with the same level of salary including applicable allowances as the Chief Secretary.

(12) Approve a further review to assess any perceived anomalies in the work value for each leader's job taking into account applicable international benchmark using the Hay Group Job Methodology.

Cascade the alignment exercise through the public sector and agencies to ensure relativities are maintained between each year in the grade structures and to allow for effective cross comparisons and cost management.

(13) Approve in response to the judges request for consideration of a separate tribunal to be established to take the Judiciary out of the SRC process. There will be three separate committees based on each leader category established under the SRC to review the remuneration levels based on each category requirement. These committees would be expected to work in consultation and collaboration with each other to ensure equity and relativity is maintained across the three categories of leaders. Recommendations of the Remuneration Committees would be subject to government pay policy and that SRC will review and approve all recommendations made before making final submissions to the Parliament.

(14) Approve a number of specific new benefits for judges as listed below:

(a) Allowances paid in compensation for non-courtroom activities. Chairperson of a Judicial Committee at K6 000 per annum, Provincial Judge Administrators at K6 000 per annum and heads of Special Task at K5 000 per annum.

(b) Study Leave or Sabbatical Leave, six months leave entitlements after every seven completed years of service, should an appointment be not renewed after 10-year term, there should be no compensation made for Prorate entitlement. And too further review by Judicial Entitlement Subcommittee to determine what benefits should be available to the judge during the taking of the study leave.

(c) For the Judges Library Allowances, a reimbursement of up to K5 000 per annum upon the production of invoices or receipts. No accrual of the unspent portions of this allowance is permitted.

Mr Speaker, the Commission recommends that the Parliament approve the salary increases and increases in allowances as recommended in this Thirty-Seventh Report and further approves that the National Government makes necessary funding available for this purposes and I am pleased to report that the 2014 Budget that we have just passed has accommodated all these changes.

Mr Speaker, on that note, I commend the Report to Parliament and I wish every one of you a very Merry Christmas and prosperous 2014.

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

Motion – That the Report and its recommendations be adopted – agreed to.

Report adopted.

SPECIAL ADJOURNMENT

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

That the Parliament at its rising adjourn until Tuesday 11 February, 2014 at 2 p.m..

ADJOURNMENT

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

That the Parliament do now adjourn.

The Parliament adjourned at 8.15 p.m..

NINTH DAY

Tuesday 26 November 2013

DRAFT HANSARD

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