

**SECOND DAY**

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**Wednesday 10 August 2016**

**DRAFT HANSARD**

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**Subject:**

**Page No:**

<b>ACKNOWLEDGEMENT OF COUNSELLORS OF GOODENOUGH ISLAND, MILNE BAY PROVINCE – STATEMENT BY THE SPEAKER.....</b>	<b>2</b>
<b>QUESTIONS.....</b>	<b>2</b>
<b>Fraud Squad in Oro.....</b>	<b>2</b>
<b>Investigation Process .....</b>	<b>4</b>
<b>Clarity on Forestry Payment .....</b>	<b>6</b>
<b>Hela Provincial Issues.....</b>	<b>8</b>
<b>Hides Gas Plant.....</b>	<b>13</b>
<b>Road Contracts for Eastern Highlands .....</b>	<b>14</b>
<b>Ok Tedi Supplementary Act .....</b>	<b>15</b>
<b>STATE OF THE ECONOMY – STATEMENT BY THE LEADER OF THE OPPOSITION.....</b>	<b>20</b>
<b>ADJOURNMENT .....</b>	<b>58</b>

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Corrections maybe marked on a photocopy of the Daily Draft Hansard and lodged at the Office of the Principal Parliamentary Reporter, A123 [next to the Security Control Room].

Corrections should be authorised by signature and contain the name, office and telephone number of the person transmitting/making the corrections.

Amendments cannot be accepted over the phone.

Corrections should relate only to inaccuracies. New matter may not be introduced.

A handwritten signature in black ink, appearing to be 'LEE SIROTE', with a large, stylized flourish on the right side.

**LEE SIROTE**  
**Acting Principal Parliamentary Reporter**

## SECOND DAY

**Wednesday 10 August 2016**

The Deputy Speaker (**Mr Aide Ganasi**) took the Chair at 10 a.m..

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

Sitting suspended.

The Deputy Speaker (Mr Theo Zurenuoc) again took the Chair at 10.50 a.m.; and invited the member for Kairuku-Hiri, **Honourable Peter Isoaimo** to say Prayers:

‘Papa God, miu laik tok tenkiu long yu long dispela dei long we ol mipela lidas kam bung long laik bilong yu long makim ol wanwan pipol long ol elektret bilong mipela.

Papa God, yu yet long laik bilong yu karim mipela kam long dispela giraun. Giraun em pulap long ol kainkain hevi. Planti taim mipela ol man long giraun nating save pundaun long ino bihainim wei bilong yu.

Tasol, Papa God, mipela olsem ol pikinini bilong yu aksim wisdom na ol gutpela tingting na greis bilong yu long mipela ken lidim ol pipol bilong mipela long mekim ol gutpela disisen long karim ol long raitpela wei long wei yu liakim long em.

Papa God, yu save long hat o lewa bilong mipela wanwan long hau mipela kondaktim mipela yet long ol pipol bilong na long wanpela narapela long stap long graiun. Yu salim salim pikinini bilong yu long kam long dai long diwai kros long rausim sin bilong mipela olgeta.

Hau mipela stap long graun nau bai igat taim long yu long mekim jasmen long taim yu singautim mipela long wanpela dei. Long nau nau mipela askim long marimari na blessing bilong yu long blesim Praim Minista bilong mipela, Lida bilong Oposisen bilong mipela, olgeta Steit Ministas, ol Gavanas na ol Membas bilong Palamen, long mekim wok long rait wei we ol pipol makim mipela long em na ekspetim long em. Na kam eleksen taim taim long nainpela mun aim ol pipol yet bai jajim mipela na long laik bilong ol salim mipela kam bek long dispela haus long lidim ol o rausim mipela go stap arasait. Amen.’

**ACKNOWLEDGEMENT OF COUNSELLORS OF GOODENOUGH ISLAND, MILNE  
BAY PROVINCE – STATEMENT BY THE SPEAKER**

**Mr SPEAKER** – Honourable Members, I would like to take this time to acknowledge the presence of seven honourable counsellors of Goodenough Island in Milne Bay Province who are here with us this morning in the Chamber. On your behalf, I welcome them and give them this respect this morning for their presence in our Chamber.

**02/02**

**QUESTIONS**

**Fraud Squad in Oro**

**Mr DAVID ARORE** – Mr Speaker, my questions are directed to the Minister for Police.

Mr Speaker, when I was outed by the Courts, it was apparent that during that whole year, certain political opponents were using policemen with or without the approval of the Police Commissioner to continuously bombard my District Treasury demanding copies of payments or receipts of all DSIP payments done to contractors and every service providers in Ijivitari District in the Northern Province for over nine months.

**03/02**

Mr Speaker, when I was re-elected this group of policemen ended up in my resident demanding for certain payments to be done or else certain allegations against me and other officers within the district will be investigated and the term used was “no stones will be left unturned.” But I told them, I was sorry because I just returned from the by-election and I was not interested.

My District staff were intimidated and threatened. One of the senior officer’s spouse was paid K18, 000 without my approval or any approval from the DDA or the JDP.

Mr Speaker, a senior police officer within the Fraud Squad was paid K18, 000 for threatening my District Treasury Staff, he said if they did not, then they shall be investigated.

On the 6<sup>th</sup> May, I received another letter from the Fraud Squad urging me to pay K1.6 million to a company. All allegations was levelled at me; that no stones will be left unturned, but I refused to pay to this date because that company never got any contract in Ijivitari for any projects and no procurement processes were followed.

My questions are:

(1) Is the Minister aware that there has been continuous bombardment of Ijivitari District Office by members including the Sohe District Treasury Office?

(2) From this section of the Police Department, is the Minister aware that there has been continuous travels in and out from the province by members of the particular unit? If so, have these trips been approved by the Commissioner? If not, then who has been funding that travel into Oro Province?

(3) On the issue of K1.6 million, it was a directive on the 6 May that I pay. Is the Minister aware of that? Has the police any right to direct Members of Parliament to pay contractors or not. Is it part of the procurement processes, if not then what is the Minister going to do? Will there be any investigation into this matter?

**Mr ROBERT ATIYAGA** – Thank you Mr Speaker. I thank the Member for Ijivitari for his questions.

In response to question one, whether I am aware of the investigation and if the Police Commissioner has averted the travel of the Fraud Squad into Oro, the answer is no. The Commissioner has no knowledge at all.

Whether or not we are aware? Yes, we were made known that they were on the ground investigating Ijivitari Office and one other district. But this was done without any knowledge of the Commissioner.

So we sent the Director for the Criminal Investigation Division to be on the ground as well to establish whether or not the officers were there. He confirmed they were there.

Whether we sent them there. Again, the answer is no. The investigation costs were met by the Oro Provincial Government. This was not done to Northern Province only but to other districts in the country as well.

**04/02**

I believe the Fraud Squad from one of our sections were responsible for the investigation.

On the K1.6 million, whether the police has any authority to go and ask anyone at all, including the Members of Parliament, the answer is no.

So what had been done was illegal and stems from outside influence I believe, was at work in this case.

There are set procedures that the police follow. They have their own protocols in terms of investigating civil matters.

Firstly, a complaint has to be laid, then a file is created and it has to be screened too. This is to see whether or not the information is correct and then they need to have witnesses statements in place and the evidence has to be re-examined and then the Police Commissioner will write and request for the person to come for interview.

Those are the set procedures that have always been there. But over the last couple of years and, especially over the last 12 months, we've seen a lot of work being done by the fraud squad and there has been a lot of concern in terms of command and control. That's why as we would have been aware, the Commissioner has been at work trying to re-organise the fraud squad but then we kept going to the courts and there are many stay orders in place as I am responding.

As a result a lot of other leaders have been following illegal ways of getting on to people have been arrested and have shown up in court and a lot of these cases have been cleared. One being the Justice Sakora case, but there are also others like Member Potape's case, former commissioner Geoffrey Vaki's case, and others. All these are the result of rogue policing and not following the right process.

Now that the Member for Ijivitari has raised the matter and if he has the evidence or documents to prove that all those monies have been paid and all those communications which he has highlighted have been made then I ask that those are tendered to us and we will get the criminal investigation team to go in to investigate and take those people involved to task.

### **Supplementary Question**

#### **Investigation Process**

**Mr BIRE KIMISOPA** – Thank you Mr Speaker, before I raise my supplementary question to the good Minister for Police, I want to say that policemen right throughout the country do a fantastic job and we all must agree and give them the absolute support they need. To term policemen as rogue policemen is unthinkable and unacceptable on this Floor.

Mr Speaker, my supplementary question is this; could the Minister explain if this is now mandatory or compulsory for every crime committed in this country starting from carjacking, raping, killing, stealing and corruption that everyone ought to have their case vetted by the Commissioner of Police in the country?

If that is the trend we are going through then we have destroyed the Police Force. Could the Minister explain to this House and to the people of Papua New Guinea that every case that concerned citizens of this country have will not have to be vetted by the Commissioner of police?

**Mr ROBERT ATIYABA** – Thank, Mr Speaker. There are two codes, one is the Criminal Code and the other one deals with civil matters. The Criminal Code is one that deals with carjacking, rape and murder.

Those are different, the policemen and women can go in and arrest the perpetrators immediately. The one I am referring to are those civil matters that deals with, not only leaders, but also very important people in the country.

**Mr Kerenga Kua** – Point of Order!

**05/02**

*(Members interjecting)*

**Mr Kerenga Kua** – We are in Parliament, Mr Speaker. This is the highest forum that the people have.

When questions are asked on behalf of the people, a Minister is expected to give clear and precise answer, not to mislead anybody.

The policemen don't become involved in civil matters. His answer is totally in accurate and untrue.

*(Mr David Arore interjecting)*

**Mr SPEAKER** – Answer the question, honourable Minister.

**Mr ROBERT ATIYABA** – The answer is straight forward, there has been outside influence when it comes to Fraud Squads and of course outside influence are many and we can guess who are involved in it. There is are Commissions of Enquiry that is put in place.

We will get in there as soon as that has been established, but the policemen in this country for the first time has been stabilised, they are working very closely with the Commissioner for the Police.

The Commissioner for Police had put in place an administrative arrangement to vet the cases involving the Leaders.

**Mr Bire Kimisopa** – Point of Order! Thank you, Mr Speaker, I asked a very precise and simple question whether it is mandatory that every case have to be vetted, you shut up and listen! Is it mandatory?

Mr Speaker, Is it mandatory that Commissioner for Police must have absolute authority in vetting all cases in this country? That was my questions.

*(Members interjecting)*

**Mr ROBERT ATIYABA** – Many of us quickly go to the police to arrest someone we have disagreements against. The Police Commissioner established that vetting committee composed of two deputies, director of crime, one officer from the Attorney General and the State, the Prosecutor's Office. These are the people who will deal with it and make sure the evidences there are water-tight before it goes to the Commissioner.

*(Members interjecting)*

**Mr ROBERT ATIYABA** – So I think, I have answered the question raised by the Member for Goroka. Many of us are involved in these influences and are spoiling the Police Force and that's why every time the Commissioner for Police is trying to bring down command and control in Fraud squad but we are always there disturbing.

Now that the Commissioner has put this committee in place, you can see that the Fraud Squad has come to a stop. But the evidence shows that leaders are being arrested unnecessary without proof and evidence, now court has cleared them and that is what I am saying.

**Mr Kerenga Kua** – What about the little people?

### **Clarity on Forestry Payment**



**Mr SALIO WAIPO** – Thank you Mr Speaker for recognising the people of Angoram. I direct my two questions which are not on the notice paper to the Minister for Forest.

Minister through Speaker, my questions are quiet short that requires clarification on LEDL Recently, Department of Forest has paid LEDL monies to the provinces that host logging activities where Angoram also has logging activities going on.

There has been talks going around in the district especially where logging activities are going on about forestry.

First question is that; are these monies for the landowners or entitlements for the landowners? Can the Minister clarify this?

Second question is; can the Minister explain if these monies are for the governors, or the province or for the districts to help with the infrastructural development where loggings activities are at?

Thank you Mr Speaker.

**06/02**

**Mr DOUGLAS TOMURIESA** – I thank the Member for Angoram for his questions. Mr Speaker, when I came into this office I realised that there were funds held in trust for districts and for logging areas especially where logging operations have been taking place for the last 40 years. These funds were kept there for a long time and not paid to the districts. Sometimes I like to call these funds the non-discriminatory funds because whether you are in government or the opposition, you still get it.

I would like to make it clear that firstly, these funds do not belong to the landowners. They have their royalty payments. These funds are basically earmarked to be given to districts for development in those areas where logging is taking place.

Secondly, these funds are not for your governors to go and tell the open members to use it however you decide. These monies are for infrastructural development for that particular logging area. Many a times, we have complained about logging companies not building classrooms for our people so that is why these log export development fund is to cater for these things.

Mr Speaker, I would also like to make it very clear that many times landowners have approached their members to claim that money but I must make it very clear that these money is for infrastructural development in your area and does not belong to any individual landowner. I also appeal to you Members that those of you who have received your Log

Export Development Levy must send me your acquittals. This is in order for you to qualify for the next funding.

Mr Speaker, in the past there was a lot of misuse with those funds and acquittals were never received but I am now appealing to those of you who have received those monies to acquit it so that we can give you more money to carry out your infrastructural development in your areas.

Finally, I would like to say thank you to all our landowners who continue to support the industry. I also would like to make it clear that the next set of payment that would be coming out will be the royalties which we have kept in trust to be paid to our landowners.

### **Hela Provincial Issues**

**Mr BEN MICAH** – I would like to direct my questions to the Prime Minister. Hela Province is in the spot light at the moment and has been for quite a while.

On Monday's front page of the *Post Courier*, there was a big announcement that the Deputy Prime Minister exercised his powers under the *Provincial and Local-level Government Act* to recognise the Member for Koroba-Lake Kopiago as the Governor for Hela Province after the two elections that took place as a result of the death of late Mr Anderson Agiru.

**07/02**

Mr Prime Minister, within the same story in the newspaper on Monday, the State Solicitor who is responsible to clear legal issues to the Cabinet and the government, came out and made contradictory statement about the manner in which Honourable Undialu was accorded to be elected and raised very serious issues of legality in terms of that appointment. The State Solicitor is contradicting the Deputy Prime Minister who is the second highest executive head of the country and the Minister responsible for provinces and Local-Level Government and Special Purpose Authority.

First question is, on whose advice and on what basis is the Deputy Prime Minister seen to make the appointment?

Second question is a political one where both Members belong to one political party. Mr Prime Minister, can you or your party talk to these gentlemen to come up with an agreement within the party caucus and sort this issue out instead of going to court to shame

us leaders? It seems to be a circus, an interesting Hollywood suspense movie that can be made out of this whole show going on in the most important province in Papua New Guinea.

Third question, since we seemed to be having issues about LOs, Hela is now being completely disturbed. When their great leader died, there must be certainty, Mr Prime Minister on the government of that important province. Looks like the Deputy Prime Minister and the State Solicitor are contradicting each other, both Members are arguing at each other in court so the only certainty that can be brought into the governance of Hela Province must come from the people of Hela themselves. The electors of Hela province.

The third question is, in order to avoid this so call opera, the Hollywood suspense movie that is going on, Mr Prime Minister, can you put some money aside and conduct a by election so that the people of Hela can be given the opportunity to elect somebody that can take control of their province? And not court making decision, the Deputy Prime Minister making decision or beurocrats contradicting themselves and making a total laughing stock of a very important province.

Fourth question, Mr Prime Minister, today in the National newspaper on page 10, your Secretary for Treasury with the Minister for Petroleum and Energy and the Kumul Petroleum MD made some statements which you know are not true about the repayment of debt in terms of our acquisition of our interest in the PNG LNG project. The secretary for Treasury has once again made a contradictory statement which contradict, Mr Speaker, the actual position. The question is, there is already a Cabinet decision that already approved for all LO issues to be resolved, Mr Prime Minister, yes or no? Mr Prime Minister, don't tell a long story, just yes or no. When are you going to start paying those IDG and royalty monies where there is no dispute? You must start to pay them now. When are you going to start paying them royalties and IDG?

Thank you, Mr Speaker.

**08/02**

**Mr PETER ONEILL** – Thank you, Mr Speaker and I thank the Member for Kavieng for his question.

As a former Minister, he has privileged information, I hope that he respects the ethics of the Cabinet confidentiality and other issues that apply to all leaders and former Ministers as well.

But it does not mean that I should not be answering some of these questions, let me, be very frank and precise on this issue.

Mr Speaker, the Hela Governorship issue has been around for quite some time and out of respect for the former Governor, late Anderson Agiru, we have tried to get the leaders and people of Hela Province to come to an amicable arrangement for the continued leadership of the term of the late Governor out of respect for him.

Mr Speaker, the Deputy Prime Minister received advice from the Department of Provincial Affairs and he has acted on that advice, but the recent advice from the State Solicitor contradicts that advice

Mr Speaker, we acknowledge that there are two agencies of Government, giving the Minister different advices and he has to make a decision on which advice he takes and he has done so.

Mr Speaker, the State Solicitors advice is very clear. I will be instructing that Cabinet endorses that advice and that we will recall the assembly meeting in Hela Province after the session ends. The list of the people who should be voting in that assembly are also been given by the State Solicitor in this advice. We will facilitate that meeting to take place according to law so that the Governor can be properly elected so that the term of this Parliament is completed in an orderly manner.

Mr Speaker, this is not a party matter, he asked the second question on whether PNC should resolve the matter. Every individual member has the right to put his hand up to be Governor or not when there is a vacancy, it is not PNC Party policy to interfere on elections of Governors throughout the provinces. We will attend to that throughout the Elections, that, I can assure you Mr Speaker.

We will be looking at a new Governors positions as well. Mr Speaker, in respect to the Hides Landowner issue, there are certain decisions that needs to be reviewed, including the one which the former Minister himself sponsored. We are reviewing it in light of the recent events that have taken place.

Mr Speaker, over time since we started exporting oil in 1992, Mr Speaker, we have paid millions and millions of kina to the land owners. In fact, Mr Speaker, I have here a complete summary, close to One billion kina paid. These are for various programmes paid by various Governments over time. Sometimes duplications or payments for the same programmes over and over again.

Mr Speaker, Cabinet has directed that there must be an independent audit done on this because, today few of the land owners come to Port Moresby to get paid then spend all the money, and then when they run out of money, they go and shut down the PLNG Plant., so this Government and the previous Government were held to ransom at all times.

Mr Speaker, it is very important and fair to the rest of the country.

**Mr Ben Micah** – Point of Order! To cut the story short, there is an NEC decision to pay the IDG and royalty.

*(Members interjecting)*

**Mr Ben Micah** – I am asking the Prime Minister, are they going to pay or are they going to change the NEC decision again to do something else? Just answer yes or no.

**Mr SPEAKER** – Member for Kavieng, your Point of Order is out of order. I think the Prime Minister is answering your questions in detail.

**09/02**

*(Government Members interjecting in agreement)*

**Mr PETER O'NEILL** – Advice not from me but the wise words from the Late Governor.

When you organised the first meeting at the Gateway Hotel inviting hundreds of landowners to come and meet you, he cautioned you that you were opening up a Pandora's Box. He cautioned you and yet you promised the world to all the landowners when you knew for a fact that the government could not afford to meet.

*(Ben Micah interjecting)*

**Mr PETER O'NEILL** – Mr Speaker, he misled us and that is why we are in this position.

Mr Speaker, we have paid a billion kina to the landowners.

I cannot just give him an open cheque book, Mr Speaker, we must pay what is duly and rightfully what they are entitled to under the many agreements that we have signed.

Mr Speaker, and not because –

*(Ben Micah interjecting)*

**Mr PETER O'NEILL** – Mr Speaker, we are not going to pay because of some politics behind the scenes by trying to encourage the landowners that this is for you and this is for me, no.

Mr Speaker, it will be done properly. It will be done properly, Mr Speaker.

*(Government Members applauding)*

**Mr PETER O'NEILL** – Mr Speaker, we have a team now this morning at Hides talking plainly and frankly to the landowners and giving them the complete list of some of the landowners that the Member for Kavieng is supporting. And who have received money –

*(Members interjecting)*

**Mr PETER O'NEILL** – Who have received money and yet lived in Port Moresby.

**Mr Ben Micah** – Point of Order! The Prime Minister has no basis to make that statement. Can he withdraw his statement, please?

**Mr PETER O'NEILL** – Mr Speaker, I am answering the question and he cannot deny that he has been meeting the landowners.

He cannot deny it, Mr Speaker, we all know about it.

Mr Speaker, so, he has been meeting many of these landowners and Mr Speaker, we will do what is right for the landowners. What they are entitled to will be paid, Mr Speaker.

Mr Speaker, with that, we have got a team now on the ground speaking frankly and plainly to them and telling them that all the payments will be made in Hides and not here in Port Moresby. And if landowners want a meeting, we will send a delegation in every way

possible to Hides so that they can meet them in Hides. And not in isolation here in Port Moresby making decisions without the real landowners knowing what is going on.

Mr Speaker, that has been happening for quite some time.

Mr Speaker, regarding the fourth question about the elections, yes, elections can be conducted but we are almost twelve months within the time frame before the writs are issued. The elections law quite clearly stipulates that no by-elections will be conducted.

Mr Speaker, we have received reports from the Police that they are unable to provide proper security of that election because of a lot of tribal fights happening in the province. As a result, it is only necessary for us to appoint an acting governor through the assembly when the assembly convenes after this Parliament ends.

Mr Speaker, there will be an acting governor to 2017. I know that the Member for Kavieng has already got candidates lined up for that governor's seat. But he can wait till 2017 and then have his dance then.

Thank you, Mr Speaker.

### **Supplementary Question**

#### **Hides Gas Plant**

**Mr KERENGA KUA** – Mr Speaker, I regard the closure of the Hides Gas Plant to be both a national security issue and an economic security issue. Therefore, it is very important that we understand exactly why they are doing that thing and how the government can meaningfully resolve it. And that is related to the question that the Leader for the Peoples' Progress Party had asked earlier.

I have a decision of the National Executive Council (NEC) made on the 14 July, which says that a committee of some sort had been established and given a term of six months to come up with a study to establish the real parameters of all entitlements under various government policy decisions, under various agreements and under the *Oil and Gas Act*.

**10/02**

Six months is allowed under the *Oil and Gas Act* and various agreements. Is that six months too long?

This Government has been in control effectively for the last seven years. That information should be available to each respective Minister on one day-notice and should be available to the Cabinet on one week notice.

Is this any admission that this Government is not in control?

**Mr PETER O'NEILL** – Mr Speaker, I thank the Member for Sinasina-Yangamuggl and former Attorney-General and of course the former Chairman of Kroton and he is familiar with these issues.

Both former Ministers know this very well. It would have been easy if they could have been part of that solution.

Mr Speaker, let me say this that this Government has never made one commitment to the landowners. We are managing commitments of previous Governments and we are actually cleaning up some of their mess today.

*(Mr Kerenga Kua Interjecting)*

**Mr PETER O'NEILL** – Mr Speaker, I will clean it up and these are my people and they know that I will not let them down.

Mr Speaker, I am not going to have a debate across the Floor with the former Attorney-General.

Mr Speaker, let me say this that they are my people and I will not let them down and I will clean the mess that the Opposition Leader and the two former Ministers left for quite some time. I will clean it up for them.

*(Laughter in the Chamber)*

### **Road Contracts for Eastern Highlands**

**Mr JOHNSON TUKE** – Mr Speaker, I direct my question to the Minister for Works but apparently he is not in the Chamber so the Prime Minister can answer this.

There was a contract from Rapinka-Okapa Road signed in 2010, 25 November. It came through stages and the awarded contract price was K32 382 716. 00 and variations is at a cost of K2 400 000.00. The contract duration is 21 months, completed upon amicable completion on 14 June 2014.

The value of work done is K25 million and is paid to a contractor. The balance remaining is K9 858 000.00.



Mr Speaker, package two, Onomuga-Okapa Road, a 19.85 Kilometre and the contract was signed on 25 November 2010 and the awarded contract is worth K32 788 000.00 and variations at K2 394 000.00. The contract duration is 21 months to be completed on 30 June 2013.

The value of work and payment done was K25 648 000 and the balance remaining is K9 704 000.00 and the total balance is K19 562 000.00.

Mr Speaker, for reasons only known to the Works Department, the contractor withdrew in 2015.

In April 2014, from my District DSIP, K3 million was counter funded for that particular recurrent project. Up until now nothing has been done literally.

In December 2015, I reimbursed that amount because nothing was happening.

Mr Speaker, my questions are as follows;

(1) Can the Prime Minister outline to the people of Kainantu and Okapa of how the remaining balance will be used?

(2) What is the result of the CSTB decision in August last year on the same?

**11/02**

(3) What course of action is there for your Department to take after the land formation and as a result the roads are maximising unfriendliness.

(4) If the balance is in trust, could you organise and discourage further harm to the harmless people of Kainantu and Okapa. Thank you.

**Mr PETER O'NEILL** – Mr Speaker I thank the Member for Kainantu for his questions. It seems that his questions are very detailed. I am not familiar with these contracts and I will get the Minister for Works to make a detailed reply to these questions at the first available opportunity. Thank you.

### **Ok Tedi Supplementary Act**

**Mr POWES PARKOP** – Thank you Mr Speaker. I direct my question to the Prime Minister. My question is in regards to BHP which is referred to as Ok Tedi.

We are all aware that we are having problems with PNG Sustainable but the real culprit is BHP and we must deal with it.

In 1990, the landowners led by Rex Dagi and Gagarimapu of Ok Tedi and Fly River at their own cost engaged a scientist to carry out a scientific investigation on the environmental impact of Ok Tedi and Fly River.

The Government did not assist them in this area. The matter was heard in Melbourne Supreme Court and some of us assisted them when we were lawyers.

The court hearing was referred back to PNG. I signed that Order too when I was a lawyer so I know that there is an Order in place.

That Order, ordered BHP to dredge the two rivers of Ok Tedi and Fly River right down to Great Barrier Reef. If that Order was not implemented, BHP will spend a lot of money. More than K2 million would have been given to PNG Sustainable Development that is why we are fighting for it.

But sadly and to our shame, government at that time, I think it was Sir Mekere who was the Prime Minister passed the Supplementary Bill to give BHP immunity from prosecution and not to comply with that Court Order. Then they set up PNG Sustainable Development.

Mr Speaker, PNG Sustainable was established to compensate the people of Western Province and this was an exit plan for BHP.

So, BHP was supposed to exit but instead cleverly manipulated the trust deed to set up PNG Sustainable Development and have majority on the board of PNG Sustainable Development and therefore have not exit.

They are still here manipulating Ok Tedi and PNG Sustainable Development.

Can the Prime Minister consider and bring forth the *Ok Tedi Supplementary Act* so that we can repeal it and enforce the Court Order against BHP?

The Landowners and the State can sue BHP again but the immunity is stopping us. The K2 billion is still sitting in Singapore and BHP is court free.

That is my question. I want the Prime Minister to answer it for the benefit of the people of this country and especially the people of Western Province.

**Mr PETER O'NEILL** - Thank you Governor of NCD for this very important question.

Mr Speaker, the issue regarding PNG Sustainable is now before the court in Singapore. The Sustainable Development Program now chaired by the former Prime Minister, Sir Mekere Morauta has taken PNG Government to court. It has tried to go through international arbitration on the dispute of the way we managed PNG sustainable fund.

**12/02**

Our government decided when we repealed the immunity that was given to BHP by the Morauta Government early last year or the year before. It now stands repealed by Parliament if my memory serves me correctly.

Mr Speaker, there is no reason why any landowner or anyone can take BHP to court on environmental damage. They can in fact pursue that tomorrow.

But in respect to PNG Sustainable, was established for the benefit of the people of Western Province, not for anyone else, including PNG Government or the rest of Papua New Guinea. Our aim is to try and return that money back to them and let them manage their own money. Why should the government and individuals who are not from Western Province manage this money thinking that nobody in Western Province can manage their own money?

This is where the dispute is. The Chairman, Sir Mekere Morauta has taken us to international arbitration and lost that case. The PNG Government won that case. He initiated two more court cases in Singapore where he lost both of them. We are now entering the final case which is going to be heard in October and our lawyers are very confident that the PNG Government is going to have a good outcome from that case because we have a very strong case.

We are not asking for that money to be returned to the PNG Government. It must be returned to the people of Western Province. That K1.4 billion is their money. Today they get no benefit from the money because the money is parked somewhere in accounts where nobody has got any idea. We do not have any visibility.

The government that represents the people have no visibility over the money. So the people who claim to represent the people of Western Province, un-mandated, claim to represent them who are now managing these funds.

The court in Singapore has made some serious notations about how that money is being managed. They are paying high consultancies, high legal fees, high board of director's fees out of those funds and they are transferring funds from long-term funds to the operating account without the approval of our government. These are serious crimes. People may take it lightly here in Papua New Guinea but when you talk about management and governance in Singapore, these are very serious issues and people can be subjected to criminal charges.

Mr Speaker, that is what we will be pursuing because people have the right to know where their money is. We are not talking about thousands of kina, we are talking about

hundreds of millions of kina. And that is what we are doing in insofar as PNG Sustainable is concerned.

Mr Speaker, BHP continues to say no, we are not involved, but they are the ones who are appointing the directors and are controlling all those people who are presuming to be very independent behind the scenes. That is why it is quite frustrating but I am sure that we will get on top of the issue before we go to the elections.

Mr Speaker, it is very important that future trust funds for landowners are not subject to this kind of manipulation and mismanagement. Manipulation and mismanagement is what is happening. People are trying to cover up decisions that they have made in the past which were completely wrong.

Why should we give immunity to companies and individuals? They must be subjected to the rules of law. This Parliament was used to give immunity to BHP. That is wrong and that is why we must do the right thing for our country.

Mr Speaker, this Parliament was not wrong in taking over the Ok Tedi Mine. I want the people of Western Province and our country to know this. It was not my intention to take over the Ok Tedi Mine, nor was it the government's intention. This was suggested to me by the former Chairman, Ross Garnaut and the current Chairman, Sir Mekere Morauta. They wanted to shut down the mine and I said this was not possible. That is the truth.

We took over the mine because the Papua New Guinea cannot operate without Ok Tedi and that is the truth. They wanted to shut it down claiming that there was not enough gold and copper to continue the operations of the Mine.

But, let me inform you today and less than two years ago, we took over the Mine and last week, I got a briefing from the management and the directors and today, this is how the Mine stands.

**13/02**

When we took over, we shut the mine down for seven months because of the drought. We then of course restructured the mining operations in Ok Tedi which was valued at less than \$500 million and losing money every day.

Mr Speaker, that was the mine we took over but today, the mine is making money. We have been just operating for seven months. When we took over, it also has debts of almost \$US200 million.

Mr Speaker, today after seven or eight months of operations, the debts has been reduced down to US\$15 million. By the end of this year, we will not have any debt in the OK Tedi Mine. That's no more debts and it will be debts free for the first time.

Mr Speaker, that is the achievement this Government has achieve because of appointment of good managers and good Board of Directors. They are independently running the mine very well.

And Mr Speaker, within 12 months. I am told that the mine will be wealthy, close to US\$3 billion and that is a remarkable turnaround in less than 24 months and that is something we should credit our people of owning mines by our country and our Government and our people.

Mr Speaker, it is not wrong, it creates wealth and brings revenue to our nation.

We must encourage that but we must get proper world class management to manage for us.

Mr Speaker, OK Tedi is running well, one third of OK Tedi is owned by the Provincial Government and the people of Western Province. So, the wealth we are creating for that Province alone is quite substantial.

Mr Speaker, by the time we get the amounts from PNG Sustainable into for the benefit of the Western Province, they will have close to K3 billion or K4 billion worth of assets that is for the benefit of one province alone in our country and I think that is remarkable achievement that this Government should be very proud of.

Thank you Mr Speaker.

**Mr Kerenga Kua** – Mr Speaker, the Supplementary Question.

*(Members interjecting)*

**Mr SPEAKER** – We have gone beyond question time.

Sitting suspended from 11.55 a.m. to 2 p.m..

14/02

**STATE OF THE ECONOMY –  
STATEMENT BY THE LEADER OF THE OPPOSITION**

**Mr DON POLYE** (Kandep- Leader of the Opposition) – Thank you Mr Speaker. If I may make use of this opportunity on behalf of the Opposition, the people of Kandep and my family to convey my sincerest condolences and sympathy to the children, family and the relatives of the late Jeffery Nape, the former Member for Sinasina-Yonggamugl and the former Speaker of the National Parliament.

Mr Speaker, as we all know, every public figure lives a legacy within his or her scope of work when called home by the maker. The late Jeffery Nape had a very unconventional, orthodox and sometimes controversial approach to Parliament democracy. This approach was crudely blended with his own style of leadership that attracted strong emotions from both extremes of temperament. We can all learn from the lessons that the late Jeffery Nape has left behind. May his soul rest in heavenly peace.

Mr Speaker, before I present the Opposition's State of the Economy statement, let me express on behalf of the majority of the eight million people of Papua New Guinea, our profound gratitude for their support to the 21 leaders team in the Motion of Vote of No-Confidence against the Prime Minister recently.

The people of this great nation can be proud that the 21 leaders of a single woman and 20 men stood for the people of Papua New Guinea. We stood for the rule of law and justice, we stood for good governance, we stood for prudent economic management, and we stood for the rights of resource owners, indigenous Papua New Guineans and the disadvantaged. We stood for the eight million citizens of this nation.

Let the people be truly assured that the people's team 21 will persevere to provide the alternative and much better leadership that this nation so desperately needs today. Team 21 will continuously address issues of the well-being and livelihood. Upon this note at this juncture, we commend the Prime Minister and congratulate him for winning fairly on the Floor of Parliament but of course, there were other factors that came into play which I do not need to disclose. The Prime Minister and others do know.

Mr Speaker, I have had quite an ear-bashing by the Government and Government credit givers over my role as the main economic Minister and Treasurer in the O'Neill-Namah Government in 2011 and O'Neill-Dion Government in 2012 and 2013.

I did three budgets for the nation. I did them responsibly and ensured that they were implemented responsibly too. When the Prime Minister, the Treasurer, the Finance Minister the National Planning Minister and others accused me of initiating the first deficit budget in ten years or so, I did not deny. I accepted responsibility for initiating the country's very first budget reforms including budget deficits.

Mr Speaker, as this honourable Parliament knows, the budget is the greatest and most powerful tool in leveraging a change or an innovation that should be people focused. This money plan is the most powerful lever to prioritize enablers and or development drivers of change.

I did the three budgets with the ultimate aim to empowering our people for inclusive and sustainable growth. I did not need to devise budgets to provide just opportunities that I knew were already available rather I needed to build strategies into the budgets to empower the people like skilling them, facilitating them, capacitating them or building into their capabilities what they needed to developing industries for sustainable growth.

**15/02**

**1. Historic Reforms – I did**

Mr Speaker, I will highlight three historic budgetary reforms that I undertook:

i. Empowerment of the people by giving greater financial responsibility and accountability to lower levels of governments. It was my conviction then as Treasurer and still is my conviction today as Leader of the Opposition that empowering governments that are closer to our people will significantly improve the delivery of vital goods and services.

The Deputy Leader of the Opposition, when he was the National Planning Minister and I as the Treasurer in the O'Neill-Namah Government then did in 2011-2012 budget a K500,000 per Local Level Government (LLG) for over 300 LLGs in the country. I continued the trend in 2013 by allocating a K10 million DSIP funds for each districts and a K5 million per district for each province in the PSIP. So, I increase the funding to the sub-national levels of governments by 87.6 per cent to K3.6 billion in the 2013-2014 annual budgets.

Mr Speaker, I did not only make huge allocations funds to the two lower levels of governments but also built into the budget public service reform programs for strengthening and improving the institutions and systems of governance and accountability. I did programs into the budget key institutional and regulatory reforms in the areas of governance and public

finance management to support and strengthen the delivery of the budget's development objectives.

One of the key focus areas of implementation was the "Right Sizing Report" to reduce wastage and duplication to improve the effectiveness and efficiency of service delivery. Since I left the government, no one has on that side of the House has showed any key interest at all to reforming the Public Service delivery mechanism. As a result, most funds applied or extended by the systems of delivery have come under question by the Auditor-General and other reputable institutions.

Mr Speaker, the second reform that I took was:

ii. I prioritized increasing the share of the budget to key enablers in the National Development Strategy (NDS), the Medium Term Development Strategy (MTDS) within the framework of the Vision 2050.

I laid down firmly, the new fiscal prudence consolidation platform called the Medium Term Development Strategy (MTDS) for 2013-2017. Within these macro-economic policies, I built in the Debt Management Strategy to ensure that the priority areas of education, skills development, health, infrastructure, law and order were proficiently realised. I introduced a historic "step-up" with an overall 50.9 per cent funding increase in these key enablers or drivers of growth.

Mr Speaker, my intention was to have such critical funding to these key "development drivers" more than doubled from around K5.0 billion in 2012 to K10.0 billion by 2017. In 2013-2014, the total amount allocated in fact was K6.2 billion in the key enablers.

## **16/02**

Under these allocations, a further 3132 teachers were to be recruited and an extra 400 police recruits were to be made every year, to 2017.

There is ample and strong proof to undoubtedly suggest that all these macroeconomic policies and prudent fiscal and debt strategies put in place in my duration as Treasurer have been breached and abused. They are useless and not useful anymore. The consequences like high inflation and cash flow difficulties PNG experiences today are most likely symptoms of a looming economic recession. The Government has itself confirmed already these symptoms of failed macro-economic and fiscal management.

Mr Speaker, the third reform that I undertook, a significant budget reform that I did was the introduction of multi-year budgeting through the use of forward estimates to give greater



certainty of funding, national building productive investments infrastructures such as the Highlands Highway, Ramu–Madang Highway, East-West New Britain Highway, Buka ring road, the Buliminski Highway and Sepik Highway. Even agriculture, livestock, aquaculture and tourism industries can be built by a sustainable funding program through the multi-year budgeting method.

The Government has adopted these reforms in its other budgets I do realise, but most of the budgetary allocations reflected in their multi-year money plan have been unrealistic. Therefore, execution has neither been on target nor consistent. Cash flow of Government has been very poor and constrained. The Government's prediction of a smooth sailing in 2014, 2015, and 2016 has been untrue, false and just wishful thinking.

Mr Speaker, for instance, the Government's appointed Chief Secretary now, then the Chief of Staff to the Office of the Prime Minister, Isaac Lupari, very confidently said 12 months ago in a statement that the O'Neill Government's cash flow would not be affected, neither the receipts from PNG LNG deviated elsewhere, nor the annual budgets affected. Mr Lupari criticised me and Paul Flanagan by saying, "their (Polye's and Flanagan's) argument is based around the claim that PNG will receive substantially less income from PNG LNG sales and this is simply not true." Post Courier and The National reported what the Chief Secretary said.

Mr Speaker, his was a response to a statement I had made earlier predicting that the slump in oil prices would affect definitely the country's income from PNG LNG sales and other commodities export sales. Hence, I had urged the Government for the urgent need for a Supplementary Budget. The Government didn't act in a timely manner though.

Mr Lupari continued" Almost every budget in every country in the world is formed around a theory of market fluctuation and expectation that price will change. The 2015 budget is designed according to these economic principals so the Polye-Flanagan assertion that the 2015 Budget is under threat is grossly misleading."

Mr Speaker, I was even accused of not having a moral conscience as to my professional predictions of the economic condition, 12 months ago when Mr Lupari went on to say, "Polye appear to have no conscience when it comes down to talking down the economy for their own political interest, and do not care of harm this could cause to small businesses and jobs in PNG."

Mr Speaker, what bold statements the former Chief of staff and the current Chief Secretary made.

Mr Speaker, the Prime Minister failed to provide leadership here on this very vital economic matter 12 months ago. He only allowed his junior staff to carry on the political rhetorics.

Mr Speaker, the Minister Finance has just said that amongst other factors that have disrupted cash flow, the nation's revenue has been slashed by 70 per cent from PNG's exports of PNG LNG gas as oil prices spiralled downwards from \$110 per barrel to a \$30 a barrel in less than three years.

**17/02**

The Minister for Finance has just said that amongst other factors that have disrupted cash flow, the nation's revenue has been slashed by 70 percent from PNG's exports of PNG LNG gas as oil prices spiralled downwards from US\$110 per barrel to US\$30 a barrel in less than three years.

The Treasurer and his Secretary have confirmed that they now need to cut expenditures because two years after I warned the nation, they have finally realised that there is a revenue shortfall of K2 billion.

Mr Speaker, time has been the right judge. I made those predictions twelve months ago. I am proven right, I've got my records. Flanagan has been proven right. The Polye-Flanagan's caution on the nation's economic management are proven correct and on target.

Mr Speaker, and part of the – Mr Speaker, now, what was the fiscal policy or fiscal plan for Papua New Guinea that was put in place in 2013 and 2014?

Mr Speaker, let me illustrate clearly as to my plan the 2013-2017 medium Term Fiscal Strategy or the MTFS based on the 2013/2014 Budget.

The page shows a table, Mr Speaker.

You will see up there at the top, the left hand side the total revenue grants coming in which was projected in the multi-year forward estimate from 2011-2017. And, in 2013 and 2014 we predicted that the income would be K11 billion in 2014, K13 billion in 2015, K14 billion in 2016 and K15 billion in 2017.

The total expenditure is slightly above by one or two billion. You look at the second rows there and of course the deficit is projected underneath on the third row. And the size of the deficit as per the GDP is also postulated very clearly. You see there in 2011, we raised the deficit to K65 million so that in terms of the GDP was 0.2 percent and so forth.

The highest figure that you would find was in 2013, we raised the deficit high at K2.5 billion, so your deficit in that year was 7.2 percent. And then you look at the preceding numbers onto your right, Mr Speaker, you find negative 5.9, negative 1.6, negative 0.6 and 0.1 percent positive. That means that as per the fiscal strategy, the plan was to get a bit of deficit and you create an economic stimulus to grow the economy and then you tampered down to a balanced budget come the year 2017. And there you can see a little bit of surplus of K38 million or up there above the 0.1 percent deficit in terms of GDPO.

I'll bring you to, Mr Speaker, to the row where you will find the size of GDP. But this is interesting and Mr Speaker, I would like to ask the Members of Parliament to look at these figures, I got them from the Budget.

If you look at the Budget you will see them there.

TABLE 1

	2011	2012	2013	2014	2015	2016	2017
<b>Total Revenue &amp; Grants</b> (Millions of Kina)	9,304.9	10,157.7	10,481.9	11,299.0	13,467.0	14,603.0	15,659.0
<b>Total Expenditure &amp; Net Lending</b> (Millions of Kina)	9,370.6	10,560.1	13,030.8	13,651.0	14,280.0	14,934.0	15,621.0
<b>Deficit(-)/ Surplus(+)</b> (Millions of Kina)	-65.7	-402.5	-2,548.9	-2,352.0	-813.0	-351.0	+38.0
<b>% GDP</b>	-0.2%	-1.2%	-7.2%	-5.9%	-1.6%	-0.6%	+0.1%
<b>Size of GDP (Normal)</b> (Millions of Kina)	30,618.4	32,666.1	35,571.4 *34,321.6	39,640.4 *40,800.3	50,201.9 *51,207.0	53,987.4 *55,928.4	58,161.0 *58,777.8
<b>Total Public Debt</b> (Millions of Kina)	7,411.3	8,514.3	11,368.2	13,720.3	14,533.3	14,684.3	14,826.3
<b>As % GDP</b>	24.2%	26.1%	32.0%	34.6%	28.9%	27.5%	25.5%
<b>GDP Growth Rate</b>	11.1 %	9.2%	4.0% *5.0%	5.5% *8.4%	20.0% *15.5%	3.7% *5.0%	3.9% *2.3%

Note: \* 2015 budget figures

You will find that – let me say, in 2011, the size Papua New Guinea’s GDP, we say Gross Domestic Product, the aggregated or the total wealth we have. We are working basing on that. This country’s growth is based on that and at that time in 2011 it was K30 billion. In 2012 it was K32 billion and in 2013 it was K35 billion, and in 2014 we projected and said it was K39 billion, and it was so that it was K39 billion, and 2015 it was K50 billion.

You can see the apteryx below the figures that I have highlighted. These are the 2015 Budget figures by Treasurer Pruaitch and they are very similar to the projections that I laid down in my budget estimates there, and I have no questions with that. So, this is the size of the GDP. There is nothing big and you will only reduce or increase by full economic management.

Now, you come down to your total public debt level. I’ve now compared that debt level and you will find them from the Budget. Let me just start on the year 2013.

Mr Speaker, our debt level in 2013 was K11.3 billion compared to the size of your GDP which is the figure above in that row is K35.5 billion. So, you have got a debt of K11 billion and the country’s wealth on only about K35 billion now.

Okay, you look at the same for 2014. In 2014 it’s K13.7 billion and the size of your GDP is K39 billion and so forth K14 billion is your debt and K50 billion in 2015. That’s how it was projected, so that, when you reduce it down to a lower debt level comes 2017.

## **18/02**

Mr Speaker that is how we projected the debt and Fiscal Management Strategy and you will see down at the bottom of that row in the ration it shows 24.2 percent, 26.1 percent, 32 percent and on to 25.5 percent. So if we follow that Debt Management Strategy you be seeing a much better picture as per this table here. Come 2016 this year, the debt would not be high but it would be at 25.5 percent or there or above and by 2017 you would see a much lower debt percentage there.

If you look at the row of figures there it gives you the GDP growth rate in those years and now the Governments Treasury office has given some very bad figures on that. But I do not have to go through all the figures, you can all see them there.

Mr Speaker, if the Chair looks at the figures on the table the most crucial factor or the common denominator that affects the economic perimeters are; revenue, the annual deficit and the total national debt incurred over time. The size of the expenditure is dependent on these fundamental details.

That means the size of the economy depends on the rate of growth but the GDP growth is determined by the revenue and how effective it is applied to substantiate growth. However, if much of the revenue is devoured in repayment of national debt, certainly growth becomes stagnant or it recedes. This in turn could affect the size of GDP badly, leading to slowdown in economic expansion thus affecting the delivery of social and infrastructure services.

Mr Speaker, the situation worsens if external crisis like the Wall Stree financial meltdown, Asian economic crisis, Eurozone economic recession or global commodity prices downturn impacts the National Economy. The fall back plan for Papua New Guinea is a Sound Economic Management Plan and Prudent Economic Management.

If the national debt level is on the rise in a shrinking revenue situation, investors and people would lose confidence, hence necessary actions need to be undertaken to improve the situation or arrest the downward trend that might lead to an economic recession.

If nothing or not much is done, the nation suffers. A very good example is the dilemma facing Brazil today. Brazil was at 7.5 percent GDP growth rate just 5 – 7 years ago and was rated an emerging economy. But now due to the slow-down in economic activities in China, one of Brazils major trading partners, coupled with very poor political and business investment decisions, Brazil has quickly deteriorated into an economic recession in only five years.

Mr Speaker, when I laid out the three reforms, I planned to bring the Budget back to a balanced Budget or a slightly surplus Budget in 2017.

As seen in table one above, my 2013-2017 Medium Term Fiscal Strategy guides the Government to build a debt-GDP ratio of 34.6 percent in 2014, reduces to 28.9 percent in 2015, 27.5 percent in 2016 and 25.5 percent in 2017.

Mr Speaker one asks the question Why did I do the Deficit Budget?

**19/02**

Mr Speaker I had two reasons to do this. The first reason is to arrest the slowdown of the GDP in Papua New Guinea.

My economic growth estimation in 2012 /2013 was a rapid slowing in revenue growth in 2013 to only 3.0 percent. This was in contrast to the large increase over the previous three years. 10 percent in 2010, 11.1 percent in 2011 and 9.2 percent in 2012.

I needed to boost expenditure to overcome the slowing revenue so that I maintain a steady economic growth during this slow down period until the PNG LNG revenues flow in

during 2015 to rescue the situation. The only way to increase expenditure with a lesser revenue was to employ a deficit budget until the PNG LNG revenues kicked in so that a normal balanced budget could occur in the medium term.

Mr Speaker, to rescue the winding down of the construction sector this decline in growth in 2013 was expected in line with the winding down of the construction phase of the PNG LNG project.

It was largely due to the contraction of the construction sector during that year as the level of activity started to come off from its peak. I had to create economic activities by mobilizing more than usual financial resources through the budget to absorb employment and business phased out of the PNG LNG construction stage. Therefore, deficits become a necessity to ensure macro-economic stability and steady economic growth for the period before the PNG LNG proceeds arrived.

Mr Speaker, to leverage economic uncertainty. The other factor I foresaw was the uncertainty in the global economy as well as production decline from PNG's existing mines and oil fields. Therefore, the deficit of K2.6 billion or 7.2 percent of GDP was built into the 2013/2014 budget to facilitate economic growth that would sustain PNG's economy in the medium term and propel its further growth in the long term.

My intention was to bring the budget back to a balanced budget in 2017 after the PNG LNG proceeds had commenced to flow into the consolidated revenue in 2015.

Mr Speaker, with the PNG economy in transition from a period of boom to one of moderate decline, I decided to put in place a budget deficit for 2013, 2014, 2015, 2016 and then return to a little surplus in 2017. I deliberately did that to provide a fiscal environment that was still conducive for private sector investment, employment and continued economic growth but with easily manageable debt levels.

The budget strategy that I embarked on meant that I had to amend the Medium Term Debit Management Strategy so as to temporarily lift the debt limit above 30 percent as well as the *Fiscal Responsibility Act* in order to temporarily lift the debt limit above 30 percent and allow for a move away from an average of a balanced budget over the medium term. So the amendment stipulates the debt to GDP ratio at 35 percent to GDP. I did that with a very good intention.

My budget strategy was consistent with the existing over-arching frameworks of Vision 2050, the MTDP, National Development Plan and the MTFS 2013-2017 and struck a balance

between maintaining fiscal discipline while ensuring service delivery at manageable debt levels.

I strongly criticize the government of deficit budgets when it is me who actually started the deficit budgets?

**20/02**

What is my position on deficits and debts now? Mr Speaker, the obvious question is, why I do strongly criticised the Government of that deficit budget when it was actually I who started the deficit budgets.

Mr Speaker, I had not been criticising the Government over a deficit budget. Rather I have been criticising them for the ever-increasing national debt, beyond the legal limit and blatant mismanagement of the economy. That's my critique, beyond the legal limit and mismanagement of the economy.

And the reasons that I criticised the Government are two-fold in perspective. The first, like I said, there's nothing wrong with manageable deficit and manageable public debt as long as funds spent are fully accounted for and on economically viable priorities or enablers or drivers of growth and within budget appropriations.

The implementation of the budget, whether it be a balanced or deficit budget needs to be evaluated and appraised to ensure its targets have been achieved. The best way to account for funds or to decide its expenditure is on economic impact projects and then to evaluate processes and achievements is to budget and implement within the frameworks of the country's macro-economic policy.

Mr Speaker, I'm glad the Treasurer is here. I want the Treasurer to listen to it. Good, you are listening.

*(Mr Patrick Pruaitch interjecting!)*

**Mr DON POLYE** – That's really irrelevant, especially when you are laughing, that's irrelevant, I'm talking about the country's economy my friend.

These macro-economic policies are anchored on the Five National Goals and Directive Principles of the National *Constitution* of Papua New Guinea.

Sadly, Mr Speaker, the priorities of macro-economic policies of the country have not been respected by the O'Neill-Dion Government. The National Development Strategy,

Vision 2050, the Medium Term Development Strategy, and sector wide plans like the National Transport Development Plan have been abused and compromised. Funds are being spent all over the place, outside of the budget on unviable areas.

One of the major pillars of this policy is the Nation Building Infrastructure Investments, a policy that focuses on infrastructure investments that have significant economic viability. These projects are guided by the policy to have cost-benefit analysis done to justify funding. To justify funding there must be cost-benefit analysis to prove the economic viability.

Such economically viable programmes would be the redesign and reconstruction of the Okuk Highway, or the building of an alternative route from Kamaliki, Move to Chuave, Elimbari, through Gumine blending into the existing route at Barawagi, or doing all major and minor roads in high economic yield provinces like West New Britain.

Mr Speaker, I wanted the Prime Minister to know that the provinces that are high yield economic provinces are to be taken note of. For example West New Britain Province, where the nation has the highest quality and quantity of palm oil produced by Papua New Guineans on one of the best nuclear economic models or perhaps building all the major and minor ports, roads, wharves and jetties on Bougainville. And even in the Highlands Region as a means of developing and embracing agriculture and tourism in the region.

Or, Mr Speaker, developing the Sepik and Markham-Ramu Plains on a larger market scale for agro, livestock and aquaculture industries.

You are not listening to what I am saying but some of you are running out and saying how do we develop Sepik Plain? That's deception. Don't do that please.

Because the Opposition has been saying it and that's why all of you are saying, we want the Sepik Plain or we want the Markham Plain. That's deception. You have no policy.

Mr Speaker, or giving consistent dedication to the construction of the Trans-Island Highway to which the Southern Highlands, Gulf and Hiritano Highways are a part of.

Or, Mr Speaker, the upgrading of the Yonki Power Generation Plant to meet the needs of the whole country. May I remind you, Mr Speaker, that, at this juncture, do you recall the two Israeli generators bought by Prime Minister Peter O'Neill and Secretary Dairi Vele at the cost of K140 million? They are not working. They are useless. I am reliably told that they are

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**21/02**

**Mr Peter O’Neill** – Point of Order! Mr Speaker, I don’t want to disturb the Opposition Leader from making his statement, but I think he has to get his facts right before he talks about issues like the Israel generators, it’s not K140 million, it is K94 million for two generators, which he always says that they are not working. But has he seen it himself? If I switch off one of those two generators today, you will be in black out, you will sleep in black out.

Mr Speaker, Lae and Port Moresby are operating in power because of those generators, get your facts right before you say things. Thank you Mr Speaker.

**Mr SPEAKER** – Point of Order is in Order. Opposition leader be careful not to mislead Parliament with your figures.

**Mr DON POLYE** – Okay Mr Speaker.

And better still partnering with the Missionary Aviation’s Fellowship (MAS) and other small aviation’s operators for upgrading small rural airstrips to expected standards.

Mr Speaker, imagine, if the multi million kina Kookobara Fly Over another exorbitant economically nonviable infrastructure built here in Port Moresby at the billions of kina of borrowed money were applied in above mentioned economically viable projects.

Mr Speaker, imagine if the Fly Over was built on Madang-Ramu Highway where the flood washed away three major bridges.

Mr Speaker, imagine, if the Kundiawa Madang Highway was upgraded or the Gumine Karimui Road was built to open up the agricultural potential of the Karimui-Gulf Western Province plain.

Mr Speaker, the Government has either lost sight of the policies or has deliberately concentrated the nation’s vast wealth of funds in Port Moresby alone so that only few preferred businesses would easily benefit under the convenient disguise of extravagant Port Moresby city development or 2015 Pacific Games infrastructure development at the suffering of the people and the country’s economy.

Mr Speaker, if the Medium Term Development Strategy and Vision 2015 emphasize the maintenance and upkeep of existing national assets, why spend huge quantities of foreign and domestic funds on a new university or a new hospital? There are many hospitals that have already run down. For instance, all four state owned universities in Papua New Guinea,

the University of Papua New Guinea, University of Technology, University of Goroka, and the University of Natural Resources are all in deteriorating condition.

Mr Speaker, they rank amongst the lowest in category of Universities in the world by international academic standards. The quality of training, education, lecturing, facilities, and development of student capabilities in our Universities have been in desperate need of urgent improvement for the last five years now.

When I was Treasurer, I did put K500 million for all these universities and I did not see that funding there anymore in the other two Budgets that the government has done. An injection of K50 million per year to each institution would definitely help them improve their accreditation standards. The only two churches owned universities, Pacific Adventist University and the Divine Word University in Madang could also be allocated similar funds if the funds committed to new buildings or new institutions were aborted and monies were diverted to these existing infrastructures.

Why plan for new Hospitals when existing referral and regional hospitals and health centres need upgrading and rehabilitations?

It would be wiser and economically prudent to use monies to train more students to become doctors and other medical workers to increase this short supply of such people than to build new infrastructure that will still need doctors and medical workers to operate them.

Mr Speaker, I have reasons to challenge this Government and this honourable House to strongly emphasise the vital point that we need to comply with micro-economic policies that guide this nation's course. The Government has abused the country's road map and hence is confused and lost its way to the correct development fund. In fact, I must say the Government is confused and is lost, they have lost control.

Mr Speaker, the nation cannot allow neglect of prudent budgeting and spending outside of overarching economic policies. The nation cannot allow wastage and spending outside of budgets or over-expenditure. The nation demands this House to correct what is wrong.

Mr Speaker, my second reason for criticising the Government is the *Nation's Fiscal Responsibility Act* fiscal limit of debt to GDP ratio has been breached.

## **22-02**

Mr Speaker my second reason for criticising the government is the nation's *Fiscal Responsibility Act* limit of the GDP ratio has been breached. The debt management strategy and fiscal discipline have been compromised again. Mr Speaker the opposition did project,

I'll give you some details and facts to clarify the points because the Prime Minister wants me to tell facts. Mr Speaker, the Opposition did projected a K19.7 billion debt for 2015 in our 2014 budget reply. The Treasury department in the second medium economic and fiscal outcome report, in 2015 reported a K20.1 billion total national debt. The Opposition prediction and the Treasury department reports are almost very consistent. The 2015 medium economic and outcome report also revised downwards the GDP growth from 21.9 per cent growth rate in the 2015 budget. This was 11.1 per cent shrinkage in the economy so if you are revising down your growth level, the economy is also shrinking.

Mr Speaker, that effectively means the size of the economy projected for 2015 have been reduced in size from K51 billion by 11.1 per cent. The revise GDP size therefore, if a K5.6 billion reduction which means the magnitude of GDP now in 2015 is 45.4 billion, is as against the total national debt level of K20 billion reported by Treasury. Therefore the debt to GDP ratio is 45 - 45.5 percent in 2015 that is the real truthful figure.

Mr Speaker, if the Chair can recall again, the Opposition predicted a 32.6 per cent debt to a GDP ratio, add then projected 21 per cent GDP growth rate and add a K51 billion base government projection for 2015 in the 2014 budget. The government predicted a 27.8 per cent that to the GDP ratio when handing down the 2015 budget in 2014. With revised 2015 budget statistic, the Opposition's 2015 estimates stand at 43.5 per cent debt to GDP ratio which is beyond the ceiling of the *Fiscal Responsibility Act* of 35 per cent. This is inconsistent to the actual debt to GDP as per the above calculation so once again the government continues to give miscalculation, their figures are all wrong.

Mr Speaker, the government's mistake, whether it is a deliberate or a genuine one, it is immaterial. I'm not worried about that, but look at this one, as they are revising the debt level to reflect the downward revision of the GDP growth without adjusting the size of the GDP accordingly is a glaring error. They just do one portion of calculation and they forget the size of the GDP. They don't know how to do the arithmetic.

Mr Speaker, they have no idea therefore, the Government's statistics and calculations are all wrong. The reality of the status of the economy is not what the government claims it is today. The true reality today is what we the opposition are illustrating here is to what is actual. Mr Speaker, the government projection of a K19 billion debt in 2016 is far from the truth. Remember 2016 budget which was bulldozed and the government said that the debt in 2016 will be K19 billion, I'll bring you through that and you'll look at that, Mr Speaker. They

bulldozed and they have their reasons to bulldoze and when I put those things out you will see, Mr Speaker.

The Oppositions calculation indicated that the true debt position is at K22 billion in 2016 is against the governments K19 billion. At this debt level, the debt to GDP level equates to 47.1 per cent which is far above the Fiscal Responsibility Limit.

If recent loans are taken into account, the debt level will have escalated the total nation's debt up to over K22 billion to over three quarters of the economy.

Don't forget Mr Speaker, your size of the economy this year is K45 billion, it's not 51. So you look at the debt level of K22 billion, you look at and divide your 45 by 22 is already over three quarters so we have an economy that is going to be borrowing all the time to be sustained. So we will be living by a way of borrowing only, if that's the way we go.

**23/02**

Mr Speaker, the information that the opposition has is that the O'Neill-Dion Government is holding a huge and increasing amount of debt deliberately outside of the 2015 or 2016 budget. These "off-budget" debts are not included in the Debt to GDP Ratio calculations.

However, Mr Speaker, the truth is that almost all loans that the State Owned Enterprises (SOEs) have drawn down are all guaranteed by the Government, whether they are SOEs they are paid by the Government. To waiver or meet the requirements the Central Bank's negative pledge (clause), the Government on behalf of the State gives the approval as the guarantor for large amounts of debt. One of these huge debts is the K3 billion USB loan that has been parked under the National Petroleum Company (NPCP). So what the Prime Minister and his team has decided is that rather than putting it on the budget and treasury books, they have hidden under the NPCP with knowing that NPCP is owned by the government. Covering up the truth don't solve the problem.

The International Monetary Fund (IMF) in its 2015 *Article IV Report* declared that the PNG government's official government Debt to GDP Ratio was 56 per cent (*IMF, 2015, Article IV Report, p.14*).

Mr Speaker, this IMF Report was done before the most recent Peter O'Neill's Paris holiday finance syndicate loan of K1.5 billion. So it will be a debt and on top of it the figure continues to rise into the sky.

My own assessment without factoring in the SOE borrowing records a 47.1 per cent debt to GDP ratio as against the IMF's report of 56 per cent Debt to GDP ratio which does consider some of the SOE commercial borrowings. The Bank of PNG reports that as at 30<sup>th</sup> May, 2016, the total national debt stands at K19 billion. This amount excludes the USB loan, other off budget loans, contingent liabilities to SOEs and Nambawan Super Limited's liabilities in excess of K2 billion. If these liabilities are to be added to an existing K19 billion loan than it will be in excess of K25 billion. K5 billion over your 46 per cent of GDP, you will find that you have the similar figure as the Bank of PNG and the IMF are consistent in their report and they are both related. So I do not know where the government is getting its figures from.

Mr Speaker, the assessment I presented is not very far from what these two institutions, the facts – IMF and BPNG – have reported. Definitely, the Government's figures are far from the truth!

Mr Speaker, the major concern I have is that the revenue stream of the country is declining but the Debt and GDP ratio is increasing! It is at this juncture not hard to analyse that the country will face a cash crisis unless a “miracle” happens to boost revenue or expenditure cuts are executed immediately.

The Nation cannot allow a spending spree on exorbitant unbudgeted items without fiscal responsibility! The Parliament bears the responsibility to stop this trend!

**24/02**

I am telling you, you will cry when you see your students not getting that education in those overseas countries you send them out to and when the banks will stop you from sending your foreign currency out and there's no foreign currency in the foreign reserves, you will then realise what I am telling you now.

Mr Speaker, what actions did I take when I was the Treasurer? The Prime Minister keeps on asking, what did you do, yes I did something and I will tell you.

When I was the Treasurer up until early 2014 then under the O'Neill –Dion Government, I protected and defended very strongly the compliance to the macro-economic policies. I established myself and alluded to above. That is the guide, the road map. The Vision 2050, the MTDS, the Debt and Fiscal Management Strategy are the road maps, we are not God.

*(Laughter in the Chamber)*

*(Mr Patrick Pruaitch interjecting)*

**Mr DON POLYE** – Yes, then as the Deputy Prime Minister under the Somare Government I did, you were the Treasurer then. He, Somare did Vision 2050 and the MTDS, you did nothing. I was the Deputy Prime Minister, I guided all of you.

Mr Speaker, I protected and defended this very strong sound macro-economic policy. When I was Treasurer, I was strict with fiscal discipline unless a natural disaster or emergency occurred.

My advice to the Prime Minister and the Cabinet was one of prudent fiscal consolidation. I intended to channel all the revenue of the PNG gas through the Sovereign Wealth Fund (SWF) for prudent economic management not to some consolidated revenue elsewhere or some company like NTCP or some offshore account in Singapore, no. For prudent economic management for creating micro-economic stability, for sustaining growth, for managing fluctuations of revenue like what we are experiencing today

Mr Speaker, I established the Sovereign Wealth Fund Legislative Framework developed in consultation with expert stakeholders, BPNG, Central agents of state, the World Bank, IMF and other development partners under the leadership of the Treasury.

The aim of the SWF was to maintain macro-economic stability by application of the stabilisation fund and to sustainably develop infrastructure by use of the development or infrastructure fund, we would have created.

Mr Speaker, another fund called the savings or investment fund was to be ultimately added to create wealth for the future generations. The whole purpose was to control our debt levels, sustain our economy and grow the economy through diversification and not just through extractive industry. You get the money from the extractive industry like mining and petroleum and develop agriculture and tourism. That was the reason why, we put the SWF mechanism in place. To achieve that, I continued to maintain a strong fiscal stance within the 2013-2017 MTFS.

Mr Speaker, if I could refer the Chair to the table I illustrated above, I aimed at keeping expenditure targeted at priority areas but within budget and within the ambit of the Fiscal Strategy 2013 -2017 to bring the budget to a slight surplus in 2017.

Mr Speaker, let me go on to some of the proof to my stance in protecting and maintaining a fiscal responsibility.

When the UBS K3 billion loan was forced onto me in Cabinet all my colleague Cabinet Ministers(especially those present then) know very well that I opposed the K3 billion loan - 110 per cent. I fought tooth and nail to block that loan. I tried my very best to convince the Prime Minister and the fellow Ministers that it was a very bad loan in my opinion. I tried my best to convince the Prime Minister and some key Cabinet Ministers that this loan would make PNG poorer, eat up nation's development budget and would bankrupt the country's wealth and ruin the future.

**25/02**

Mr Speaker, nonetheless, I was unsuccessful in stopping the loan because in this country, Mr Speaker, the Prime Minister, any Prime Minister and not just Peter O'Neill, any Prime Minister is the most powerful person under our *Constitution* in Papua New Guinea, you must know this. Ministers are only appointed by the Prime Minister, Mr Speaker.

If you look at the debt level that I projected within the Medium Term Fiscal Strategy 2013-2014. It stands at K13 billion in 2014 which was 34.6 percent in GDP. Adding a loan of K3 billion definitely raised it up to K16 billion immediately against the K37 billion GDP equating to a Debt to GDP Ratio at 42.2 percent just by that UBS Loan alone. Which is well above 35 percent which is also beyond the legal limit. Therefore, I had reason to stop it but I was unsuccessful.

Mr Speaker, the cumulative effect of this loan on the Medium Term Fiscal Strategy of 2013-2017 meant that the highest (*inaudible*) could not possibly achieve a stable budget in 2017 considering the K3 billion UBS Loan alone. I have fought to maintain the projected total debts by 2017 under the Medium Term Strategy but I was unsuccessful, and so, we have this situation today.

Mr Speaker, therefore, I left government to advocate for good governance, rule of law, prudent fiscal consolidation, a sound, sustainable and inclusive economy where all Papua New Guineans are truly empowered and rich, and their benefits maximised.

Mr Speaker, the leadership I believe is not to do with positions you hold. It is to do with the values you hold. Necessity is not to do with positions, Mr Speaker, let me it say it to the Honourable Treasurer, it is to do with the values and principles that you hold.

You hear what I am saying? To be a Chairman of the World Bank, IMF or being a Treasurer was not my concern. I was concerned for the 8 million peoples' economy and their lives.

Mr Speaker, when the government delayed a balanced budget to 2018 in the 2016 budget plan, I was certainly not surprised. I doubt if a balanced budget will ever be achieved soon without strong corrective measures, which the government is too scared and they will never do it. I believe that the nation is presently at a stage where priority economic programmes and (*inaudible*) services could be seriously affected by shortage of resources unless immediate steps are taken, but I think that it is a little bit late.

I also believe that the 2017 National Elections will be chaotic unless corrective measures are taken by this Parliament.

*(Government Members interjecting)*

**Mr DON POLYE** – Of course, I know you all will be crowding up in Kandep, I know that. I welcome all of you to Kandep then you can do that. But I am talking about Papua New Guinea, Kandep is small Papua New Guinea is big.

I am talking about Papua New Guinea which little Kandep exists within, and even your electorates are an integral part of a nation that I am talking about, so listening to me, Mr Speaker, please. Kandep will only succeed only if the nation's economy succeeds. You fight me in Kandep, that's no problem, you are welcomed, Mr Speaker. It is an open playing field.

Also, I have concern that the Prime Minister out of panic will throw what little remaining funds to the APEC Summit for his personal verification whilst the nation will continue to suffer.

*(Members interjecting)*

**Mr DON POLYE** – I know in his heart, Mr Speaker, the Prime Minister agrees and that is what he will do.

*(Laughter in the Chamber)*



**Mr DON POLYE** – Most people don't know. What I'm telling you, the truth hurts but it is the truth, Mr Speaker. I told you all about some statistics on fiscal and reforms, and some reasoning but I'll give you what we see what the monetary perspective is at present.

Mr Speaker, if the government could listen, we believe through reliable sources that on the 28 of July, 2016 the level of Gross Foreign Exchange Reserve has significantly depleted to fluctuate between US\$1.5 billion and US\$1.6 billion and that is around K4 billion to K5 billion from a K7 or K8 billion reserve.

**26/02**

The Bank of Papua New Guinea has been intervening in the foreign exchange market trying to assist to clear the backlog of orders, but it has come to a stage where it could not intervene any more least its reserves would deplete further.

Mr Speaker, the foreign reserves are depleting rapidly and it is frightening.

Mr Speaker, when I talk about the backlog of foreign currency orders, these are the facts. The foreign currency orders in the foreign exchange market has substantially increased every week. As at 28 July 2016, the backlog of orders stood at K800 million per week. Assuming, this amount is to be cleared by the market, then it would be approximately seven months import cover. Indeed, a very worrying scenario. And when the backlog orders is cleared, foreign reserves would deplete to below US\$1 billion (K4280), as at 28 July 2016. This definitely would affect the kina exchange rate to a further devaluation.

Mr Speaker, there before us is the truth that we need to address.

Mr Speaker, since January 2016, the country's Cash flow projections have not improved. The O'Neill-Dion Government is having a very tight cash flow situation, hence is finding it difficult to finance its operations most of the time. That was proven by the Finance Minister Response's to a question by the Government Members themselves that they will have only got just 30 per cent of the DSIP and PIP funds. As at 28 July 2016, Government recorded a debt of K180 million and projects a huge debit balance in June and going forward. Revenue inflows have been very low so the Government has been depending entirely on issuance of Inscribed Stocks and Treasury Bills to finance its operations. As such the Government has already utilized 85 per cent or K6.2 billion of the total K7.3 billion Treasury Bills Budgeted for in 2016, just within the last five months from information made available to the Opposition. It is a question of how the Government will sustain its cash flow over the

next 6 months with the remaining 25 per cent of Treasury Bills outstanding to be issued to raise its funds.

Mr Speaker, I infer, therefore, that since the Government has already utilized 85 per cent of the Budgeted Treasury Bills, it is rolling over the maturity of the Treasury Bills. Government has K1.1 billion outstanding in Treasury Bills to be issued in the next six months. In light of the tight cash flow and no revenue inflows, how will the Government manage to fund its operations in the next 6 months? A worrying situation in the history of Papua New Guinea. Never has this happened before.

Mr Speaker, a very good analogy is that of a drunkard who has used up his savings, his salary is tied to loans and then borrows and borrows to put food on the table for his family. Is that sustainable for the family?

Mr Speaker, we understand that annual headline inflation for March quarter 2016 was 6.5 per cent compared to 6.4 per cent in December 2015. Inflation is the measure of people's general living standards or costs from day to day. This inflation outcome is reflective in general increases in the cost of goods and services in Papua New Guinea.

Measured by world standards, Papua New Guinea is a very expensive place to live with a very high level inflation, and is still on the rise. With depleting foreign reserves and falling kina exchange rate, higher inflation is expected. Higher bank rates are also expected.

The Opposition has advice that the average Kina Exchange Rate depreciated against the US dollar by 220 points to US\$0.3250 over the six months as at 27 May 2016, compared to the previous six months. This outcome reflected persistent imbalances in the foreign exchange market as the foreign outflows from low export receipts. Slowdown in global demand and its bearing on commodity prices combined with high domestic import demand led to decline in PNG's foreign reserves and kina exchange rate.

## **27/02**

Similarly, the average kina exchange rate depreciated against the AUD by 385 basis points to AU\$440. As the Australian Dollar strengthened against the USD due to some rebounds in crude oil, iron ore and copper prices.

The average Trade Weight Index (TWI) (strength of the kina against other currencies) decreased by 8.2 percent to 32.15 over the six months to 27 May 2016, compared to the previous six months. Between the end of 2015 and 27 May 2016, the TWI decreased by 6.5

percent to 31.1, reflecting the depreciation of the Kina against the USD, AUD and other major trading partner currencies.

The situation only further deteriorates at the continual depletion of foreign reserve when the balance of trade is negative in more trade outflows than trade inflows. So we are not exporting, we are importing all the time.

Mr Speaker, we know that the shortage of foreign currency in the market has affected many businesses who depend on imports as major components in their operations. Their order have not been cleared on time and are queuing up and so they have been forced to restructure their operations. For instance, the airline industry has been hit hard since their orders to buy parts for planes have not been cleared on time. Thus, the general public's safety has been compromised. The concern is still there.

Mr Speaker, because of the tight cash flow situation, the Government is not injecting sufficient cash into the economy, in particular the private sectors.

Government is not paying genuine service providers from the private sectors. As such their operations have been hit hard and this has severely impacted the investment and private sector. In this regard, small businesses will default their loans and so they will be forced to close down. This is the last thing any government wants to see.

In September and December 2015, the employment rate declined by 3.8 percent and 3.5 percent respectively. We expect employment to increase slightly due to the agriculture sector picking up this year but generally employment does not look promising for our young people. Such a dilemma is being experienced when the country loses prudent fiscal consolidation and sound economic management.

Mr Speaker, total real GDP in 2015 government's estimate was 15.5 percent, the MYEFO revised it to 11.8 percent. GDP projected at the Government's 2016 budget at 4.3 percent which is now decreased by MYEFO to 2.2 percent. This decline is almost 50 percent in less than just 2 years. The Government's forecasts have been very unrealistic and off-track. This illustrates the real reason why the O'Neill-Dion Government bulldozed the 2016 budget without the conventional debate.

Mr Speaker, I did warn the Government and the nation in 2014, 2015 and 2016 the firm Opposition's position that if the O'Neill-Dion Government did not undertake urgent corrective measures like introducing timely budgetary reviews, cost cutting measures and target expenditure at economically viable areas, then the consequences would be drastic.

The worst is yet to come. The economy will shrink. Life will be much tougher. Interests' rates will be sky high. Inflation will be two digits. Foreign reserves will deplete. The kina exchange rate will fall sharply. Business climax will drop. Social and infrastructure services will diminish. Law and order related issues will be rampant. Loans will not be paid. Businesses of all sizes will lose business.

**28/02**

Let me say this, those who even caused it will suffer the greatest regardless of whether they have millions in their possessions or not. Even those possessions will be devalued. The bigger you have or the higher you go the harder you fall. The more you have the more you lose.

All these outcomes are imminent if this Parliament does not correct the situation in time.

What is the Opposition's way forward? Our way forward is this. This is the suggestion, the recommendation that we are now putting to this honourable House, Mr Speaker.

Under the above prevailing conditions whether caused deliberately or imposed uncontrollably on Papua New Guinea, beyond Papua New Guinea's control we see only one way to arrest the current economic situation we have seen looming before us.

We need to stop from further borrowing, cut costs and remove State liability, stop unproductive spending and concentrate the limited resources on maintaining key services whilst improving service delivery. In other words, prudent fiscal consolidation strategies must commence immediately, Mr Speaker.

We suggest the following ways.

We talk about the stopping of further borrowings immediately, commercial borrowings, sovereign bond issuance, syndicate financing or State to State loans etcetera, should be avoided, immediately cut.

Concessional financing arrangements should be encouraged and maintained. There are good concessional financing there. The World Bank, you just provide the counterpart funding to drawdown funds from the World Bank. There's a lot of money in ADB providing counterpart funding and drawdown from ADB. That's easier and less costly soft loans.

One asks, why would you go by expensive commercial loans, you are causing the perception that you are doing that because you have a take somewhere along the way. Let's kill that perception by doing it right at the easiest and the less costly way.

Take stock of all loans and debts incurred so far and assess as to how to address them in a cost effective manner. The terms and conditions of all loans need to be assessed by Parliament.

I mean, I agree with the Prime Minister, when I heard him answer the question from the Governor of Central who said we want to know the two billion dollars over in Singapore which are people's money. The people must see it, it is the people's money. Yes, I agree, therefore I am now telling you to listen to this one too, Mr Speaker.

For example, the UBS is one of the most un-transparent and secretive loans ever undertaken by this government and the Prime Minister. This year's loan was never mentioned anywhere in the 2015 Budget, nor was it mentioned in the 2016 Budget and not even in any supplementary budgets.

Mr Speaker, the details of the loan repayment schedule and how much is paid as per this schedule are matters of this House, the House must know important questions like when will the loan repayments be completed? We have to know, Mr Speaker. And by how much would the loan have been repaid by the State, the principle and its interest, how much, Mr Speaker.

And also from what source, where are you getting the money to repay? Are you getting the money from the development and paying or from some other income? We'd like to know.

Mr Speaker, these are straight forward questions this honourable House should seek answers to. This is a House that these answers must be provided to, Mr Speaker.

There is no considerable reason for the people of Papua New Guinea and their children to suffer when the PNG LNG revenues are diverted elsewhere to their detriment. Why should the people be deprived of their rights to enjoy the benefits? They want to know. Even benefitting from knowing the truth, Mr Speaker.

How justifiable is it that the Universal Bank of Switzerland and Oil Search benefit from the PNG LNG proceeds at the suffering of the owners, suffering of Papua New Guineans, Mr Speaker?

The lost benefits need to be returned back to their owners, provincial governments and the nation. The escrow accounts kept by the UBS in Singapore needs to be closed because it has become a bottomless pit and is gulping all Papua New Guinea LNG proceeds and, as if that is not enough, even the development budget, My Speaker.

Mr Speaker, additionally the Prime Minister has the moral obligation to report to this House on the revenues of the sale of the PNG LNG Gas.

Should the people know? Yes, they must know. They are the people of this country and they want to know where the proceeds have gone to. Where are they?

**29/02**

Mr Speaker, the Government has a moral obligation. I am glad the Bible is here. It teaches moral principles. It guides us to tell the truth and that is why it is here. That Bible is the truth. The profits of the PNG LNG sales are too profound and too conspicuous and public knowledge for one to hide. The K1.5 billion syndicate loan and other off-budget borrowings must be stopped immediately. I would like to ask the Treasurer to take note. He should not be proud of that and be ashamed of it. Loans are coming one after the other and he should be stopping it. The Treasurer and I put some of those macro-economic policies together and I want him to carriage of them and stop those loans.

Mr Speaker, all new ambitious programs like new capital hospitals, new universities, and new transport infrastructures should be immediately shelved. I do not know why all these little roads are everywhere? What are all these roads for? What is that university up in Ialibu for? What is that hospital in Wabag for? I am from Enga but what is that hospital going to do? These are unnecessary projects that you are going to cost the economy.

**Mr Patrick Pruaitch** – What about the Kandep Road?

**Mr DON POLYE** – I did the Kandep Road under the ADB cheaply when the economy was sound. No new tax holidays should be encouraged or given for projects. I hear ministers talking about tax holidays. Even the Neimal rice that I hear the Minister talking about. What is that? You can't give any more tax holiday. How many holidays do we give to our business men and women? This is crazy and will cost the economy.

Let us sell some of these liabilities like the 10.01 per cent shares in Oil Search. It is a liability so let's sell it. Do away with your egos and pride and humble yourselves and sell those liabilities. We should undertake a public private partnership strategy to develop, run and manage some State assets like the seaports, airports, airlines at lower operational cost to the State. Let's come to some agreements and partnerships.

*(Sir Puka Temu interjecting)*

**Mr DON POLYE** – I did them but you undid them again.

Let's review public service reform programs like the Public Service Right Sizing programs. Now the question goes to the Minister for Public Service. Have you done any public service reforms? He has not even done anything. I have done many reforms.

**Sir Puka Temu** – Point of Order! The Leader of the Opposition has to tell the truth to the nation. You better watch out if you are telling lies today!

**Mr SPEAKER** – Honourable Minister, address the Chair.

**Mr DON POLYE** – I am telling you the figures and he is threatening me, Mr Speaker.

*(Members laughing)*

**Mr SPEAKER** – Opposition Leader, continue with your statement.

**Mr DON POLYE** – We should reform the Prime Minister's Office and ministerial portfolio structures to better align thinking and develop a more enhanced culture of modern leadership and to cut costs.

Mr Speaker, I believe the Prime Minister's Office is the most disorganised office run by people who are not even fit to be there.

*(Sir Puka Temu interjecting)*

**Mr DON POLYE** – I am talking about facts because even the predictions that they are giving are so unprofessional. They have given you predictions to advise the Government that you will have a good time but you don't.

Let's do a major review of the 2016 National Budget immediately to reflect the above. We should do a budget review now. We must also amend the *Fiscal Responsibility Act* to introduce a penalty clause if the Treasurer, Prime Minister of the Cabinet default from it then there must be some penalty attached to it.

30/02

Key services like education and health, existing infrastructure maintenance and key economic impact programs should be maintained. All existing run-down services should be targeted for improvement and sustainable maintenance.

Existing and on-going economic expansion activities should be nurtured and promoted to maturity and harvested. Every new project needs to have a proper cost benefit analysis and scoping measures done if very critical to be undertaken to tangibly grow the economy. Not just doing without any cost-benefit studies.

Mr Speaker, every new extractive industry project whether it be the Wafi-Golpu Mine or the Papua LNG project must have a transparent and comprehensive social mapping, clan vetting and incorporated land owner grouping completed before commencement. This is very important.

Steps has to be taken to restore prudent economic management and review the *Fiscal Responsibility Act* to introduce tough penalties, review all macro- economic policies like the policies that I out laid in my earlier statement. We must legislate to ensure that the Annual Appropriation Bill or the National Budget being a law in itself carries penalties for misappropriation, expenditure outside of budget and abuse of allocations within the budget.

To achieve that objective, legislative reforms need to be introduced to have independent mandatory scrutiny of the appropriation bills done quarterly during implementation, which could be done either through political legislative reform like creating a upper house that only need to give that approval for any deviation from the budget or through a PNG parliamentary system or a constitutional office such as a budget evaluation and monitoring commission to monitor the implementation of the budget. It should also be put into law that if it is not within the budget then penalties should apply.

Ensure all revenues from the extractive sector channelled directly to the Sovereign Wealth Fund. Ensure transparency is maintained by complying with the principles of the extractive industry transparency initiative.

Mr Speaker, I will sum up here rather than reading the rest because we believe that if we take actions immediately then we can at least provide some security to economic growth and to keep sustainability in our economy otherwise the situation that we have is a very desperate one.

The GDP story of the Prime Minister and the Ministers is a very sad story. The Prime Minister's Cabinet do not realise that the ordinary back-bencher amongst them and those of



us in the Opposition struggle to make ends meet. Let alone the ordinary grassroots of Papua New Guinea. It is even worse for the ordinary citizen of PNG at this time. 90 per cent of Papua New Guinea's population do not have a sustainable income for their families.

The Prime Minister does not realise that the majority of children in Papua New Guinea go to school every morning without a healthy breakfast. Whilst the Government enjoys its happiness on massive GDP growth young university graduates are walking the streets aimless and jobless. The intelligent and healthy Papua New Guinean supposed to used are weather away into drugs, alcoholism and self-destruction for want of economic empowerment and quality well-being whilst the Government enjoys the comfort GDP figures at the tax payer's money.

A state of the art hospital in Port Moresby in the hospital of Papua New Guinea. Whilst the Government continues to blow its own trump many die each day due to unavailability of simple and basic medication. Economical levels of funding are announced by the Government for schools throughout Papua New Guinea students still suffer from lack of cheap basic learning materials or teachers' lack appropriate teaching resources and facilities needed in the classroom. We need to look at all those real issues that faces Papua New Guinea today.

Mr Speaker, the position that the Opposition takes is that we immediately look at rescinding the 2016 Budget and take into consideration some of recommendations that we have put forward. We can work together as one parliament to arrest a trend that we see that is leading towards a very severe economic recession. Thank you Mr Speaker.

**31/02**

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

That the Parliament take note of the paper.

Mr Speaker, I want to make one sentence and I will sit down because it is not worth going through things that I know that the Opposition Leader knows that are not true and he keeps on articulating in his 61 page statement.

Mr Speaker, my statement is this;

1. The Opposition Leader talks about moral governance, only recently the Opposition Leader was badly beaten on the Floor of this Parliament.

*(Mr Kerenga Kua interjecting)*

**Sir PUKA TEMU** – You talk about moral obligation. Convention is when the leader loses on the Floor, you step aside. That is the convention, who will listen to you if you are voted in a vote of no-confidence, you lose badly and you talk. No one will listen to you, I will never listen to you.

Mr Opposition Leader, you like to talk a lot. When you were Planning Minister, when you had access to the education funds you said “We only give it to the Government Ministers”.

*(Mr Sam Basil interjecting)*

**Sir PUKA TEMU** – Shut up! Don’t talk about moral behaviour because you are telling lies on this Floor.

*(Opposition Members interjecting)*

**Mr SPEAKER** – Lets have some order.

**Sir PUKA TEMU** – The truth is very important. The former Treasurer claims that he did all this policies. He is claiming that he did everything on his own in a one man Cabinet. Nobody believes that.

This are the policies of Prime Minister, Mr Peter O’Neill’s Government; DSIP funds, LLG funds, you did not make them.

**Mr Sam Basil** – Address the Chair!

**Sir PUKA TEMU** – Mr Speaker, the former Treasurer brought framed budget but the Prime Minister sent him back to go and redo it. So, he must not claim credit because the Prime Minister provided that leadership in the right direction and now he is beating his chest.

Thank you, Mr Speaker, now I will sit down.

*(Laughter in the Chamber)*

**Mr PETER O'NEILL** (Ialibu-Pangia – Prime Minister) – Thank you, Mr Speaker and I thank the good Opposition Leader for giving us a good lecture on the State of the Economy. It is longer than his budget replies that I have received in the past, 61 pages.

Mr Speaker, the Opposition Leader's Speech will be replied through the statement that the Treasurer will give on the State of the Economy over the course of the next two weeks. But let me make a few remarks on it so that I put some clarity to some of the things he has stated which are not factually true.

First of all, looking through his document that he is quoting and saying, luckily for me, after lunch I went back to my office and on my table was a recently concluded report by the Central Bank and a copy was forwarded to me, "Central Bank Quarterly Economic Bulletin, December 2015". Luckily I got it has all the summaries of all the independent assessment of the economy by the Central Bank so I will quote some of them to you so you can know the truth.

Mr Speaker, in fact, I will get them to send you a copy so that you will know the truth or you got it but you are trying to misquote it.

*(Laughter in the Chamber)*

**Mr PETER O'NEILL** – Let me say this, firstly, the economy is not as bad as people say it is. Let me remind this Parliament and all the Honourable Members that the former Treasurer and the Opposition Leader was the Treasurer in 2011, 2012 and part of 2013, just before he left Government which is roughly two years of managing the economy, hence, he was Minister for Works and Transport, Higher Education on one or two occasions. That is the career he has had for the last fifteen years or so.

**32/02**

Fortunately, some of us who came to Parliament in 2002 know him too well, what he stands for and what he has done. That is why many of the older Members of Parliament who are here, are sitting on this side of the Chamber because we know what he stands for.

Mr Speaker, on this side of the Chamber, the Treasurer and myself, have been running the economy either as Prime Minister or Treasurer for almost 10 years, and in those years, there was substantial growth in the economy.

**Mr Kerenga Kua** – Where is the Proof? We are not feeling it?

**Mr PETER O'NEILL** – The proof is out there, can't you see the roads and the economy growing? You have your own hotel, your own businesses, that is because the economy is growing.

*(Members interjecting)*

**Mr PETER O'NEILL** – Mr Speaker, it has been independently stated in the last 10 or 15 years that our economy has been enjoying continuous growth and that is not my saying, it's by all observers who understand our economy including IMF and World Bank.

Mr Speaker, I sat here quietly listening to the Opposition Leader's statement. I think he can accord me the same respect and let me say a few words so that he can get this hound dog an opportunity to speak when the Treasurer makes the final Budget outcome report and you can make your own statement.

Mr Speaker, when you look at the Opposition Leader's statement, at the table on page 15, I will just quote your own statement so that you will understand how it's reading. He says that the economy has not been growing.

Since 2011, total revenue in grants increased from K9 billion to K13 billion in 2015, those are actual figures that he has quoted. So if he is saying that the economy is not growing, why is the total revenue in grants growing?

Mr Speaker, that is projected to grow in 2016, but we all know what happened in 2016. All our revenue sources from commodities have collapsed so that is why revenue is coming down. You don't need to be Einstein or very clever to understand this. The figures indicate to us that this is the only reason why globally, the economy is suffering.

Mr Speaker, as former Chairman of the World Bank and IMF, he understands this very well. But because of global political convenience and grandstanding, he is out there manipulating by saying that the economy is collapsing.

Mr Speaker, this is far worse for any leader in this Parliament to tell investors not to come, and invest in PNG. Why do you say those things? What sort of hatred do you have for your country? I know you have hatred for me but what about the jobs, investments and

incomes that those investments create for our people? We must continue to promote investment climate and confidence in our country and that is why the economy is growing.

**Mr Don Polye** – Point of Order! There are two things that I think the Prime Minister should withdraw. I did not say I hate him or hate the Government. The other thing is, I did say that we had an economy that starts growing towards time but when it is starting to decline, we need to do something to arrest it before it declines further. That is my point

**Mr PETER O'NEILL** – Mr Speaker, I did not say that he hated me or hated our country, I said doesn't matter how anyone, I did not refer to him, I was talking in general.

Mr Speaker, one of the front benchers went out publically saying that investors should stop investing in PNG for the next 12 months. Do you want people to suffer, to not have an employment or income for the next 12 months? That is totally irresponsible and is a fact that we need to understand.

Mr Speaker, in terms of revenue, the economy rapidly is growing. Secondly, in terms of deficit, I know he introduced deficit in 2011, 2012, that is right.

**33/02**

As Government, we went into deficit because we wanted to build the declining infrastructure in the country which the Opposition Leader was in charge of for the previous ten years. Let us not forget all the potholes in Lae City. Let us not forget all the potholes in Port Moresby. Let us not forget the closure of the Okuk Highway on a regular basis, Mr Speaker.

All the missing links not being linked. Mr Speaker. All the hospitals rundown, schools having no money even to buy anything, Mr Speaker. That was when he was the Deputy Prime Minister and Minister for Transport, Works, Civil Aviation and what not.

Mr Speaker, what else not, the list goes on.

Mr Speaker, when he talks about the size of GDP and the deficit, let me quote the Central Bank's quotation, 'the percentage of GDP of deficit in 2014 was 8.3 per cent'. Our government borrowed substantially to have a deficit budget from 2011 onwards. After 2014, the strategy was to always have a declining deficit ratio so that we could have a balance budget. The real actual figures that the Central Bank has provided is, in 2015 is 4.9 and in 2016 is projected to be 3.8. So, slowly it is coming down from 8.3 down to 3.8 this year.

Mr Speaker, that is a responsible approach in managing our budget. We are trying to balance the budget. We are trying to balance our budget at some stage after 2017 or 2018. That is the strategy that we have adopted five years ago.

Mr Speaker, and he should not be getting credit for all these. He thinks that he set out the policies that he has been claiming. Therefore, let me correct him by saying this, the *Medium Term Fiscal Responsibilities Act* was passed by Bart Philemon, not Don Polye. Remember, Bart Philemon, not Don Polye, you remember it was not you that limited us from borrowing up to 35 per cent of GDP.

Mr Speaker, you must give credit where it is due.

**Don Polye** – Point of Order! I did not say that I drafted that legislation. That was not even Bart Philemon, it done was done by Sir Rabbie Namalu and what I said was, I amended from 30 per cent to 35 per cent. That was my amendment but the actual amendment was done at Sir Rabbie Namalu’s time to 25 per cent. I therefore, increased that to 30 per cent.

So, please, don’t mislead. You tell the truth.

**Mr SPEAKER** – We need to have some people to give us in-depth advice on that.

*(Don Polye interjecting)*

**Mr PETER O’NEILL** – Mr Speaker, I know that he will colour it to suit himself but let me finish.

I do not want to argue with people who lie and twist facts to suit their arguments, Mr Speaker. I give credit where it is due.

Mr Speaker, the issue about the Medium Term Development Strategy and Vision 2050, it was the Somare Government who did this and Sir Puka Temu was the person, and our friend Mr Paul Tiensten who led those discussions and put those strategies and visions together. It was not Don Polye, Mr Speaker, those are the facts. It was the Somare Government that did that, Mr Speaker, and we give them credit for it. We are working together as government and of course on the issue of DSIP, Mr Speaker. The credit must go to our good Treasurer.

He never put one toea when he was Deputy Prime for many years in the districts. I want all you Members of this Parliament to understand that. We are talking with a person who is misleading us today.

**Mr SPEAKER** – Address the Chair, Mr Prime Minister.

**Mr PETER O’NEILL** – Mr Speaker that is a fact. The Treasurer introduced the first million kina that we put into the districts and when our Government came in, we continued to increase it. That is why today, that investment in the district is making a lot of difference to a lot of our people throughout our country. That is why Kandep is changing because of DSIP and not because of Don Polye, and because we invested in (*inaudible*).

Mr Speaker, I know that he is really interested about GDPs. The official by law and the official figures that can be released on GDP is by the National Statistical Office. I suggest that he read their latest report.

Mr Speaker, since 2012, our GDP has doubled.

**34/02**

The GDP is outlined by the National Statistical Office and I suggest that he must read their latest report. Since 2012, our GDP has almost doubled and that is commendable. Infact we are growing the economy.

**Mr Kerenga Kua** – Where is all the money going to?

**Mr PETER O’NEILL** – I know that sometimes it is easy to point fingers but let me clarify where the money is going so that it satisfies the former Attorney-General. Every year when we frame the Budget almost 50 per cent of that Budget goes to running the Government, the public service machinery. Less than 10 percent goes to servicing our debts. 20 percent goes to Education and 20 percent goes to Health.

Mr Speaker the balance goes to law and order and infrastructure. Almost K1.5 billion goes to the districts. That is where your money is going? Where do you think it is going?

**Mr Kerenga Kua** – Going to debt serving.

**Mr PETER O'NEILL** (Ialibu-Pangia - Prime Minister) – Mr Speaker, 10 percent of our entire Budget services debt. We have never failed in repaying our debts. All our loans have been fully paid. We pay wages, we pay for electricity, we pay for your wages. If the Government was in crisis we would not be doing that.

**Mr Don Polye** – I am laughing because you are lying.

**Mr PETER O'NEILL** (Ialibu-Pangia - Prime Minister) – Mr Speaker I really can't understand him. One of the interesting subject that he brought up was the UBS Loan. Let me explain to him for the hundredth time.

Mr Speaker, the good Opposition Leader was part of the Somare Government and we borrowed almost US\$1.2 billion from IPIC. At that time we were forced to mortgage everything because we did not have much money, including Oil Search shares. We borrowed at a higher interest rate. We mortgaged Oil Search at a much more expensive rate at \$8.50 and we borrowed from a non-publicly listed financial institution. Almost a private Sovereign Wealth Fund.

But we mortgaged everything including Air Niugini, all the cash flows and everything. He was a senior Minister at that time. Why didn't he object to that loan there and then?

Today, he is yelling and screaming about the UBS Loan.

*(Members interjecting)*

**Mr Don Polye** – Point of Order! Mr Speaker, I never talked about the IPIC Loan. I talked about the UBS Loan. Mr Speaker, he should be rebutting the points I raised.

*(Members interjecting)*

**Mr PETER O'NEILL** – Mr Speaker, the deal that he was part of at that time was that IPIC will sell back the shares of Oil Shares back to Papua New Guinea when the five years was up.

When we came into Government IPIC decided to keep the shares so all of a sudden, from being the biggest shareholder, the PNG people and its Government, we went to zero in one go.



Mr Speaker we lost everything and that is the deal that the Opposition should have questioned.

Mr Speaker, so we had to look for money to buy those shares back because we have to own the resources. This is our resources.

**Mr Kerenga Kua** – What is the cost?

**Mr PETER O’NEILL** – You were the Board Chairman of Kroton and you are aware.

*(Mr Kerenga Kua interjecting)*

**Mr SPEAKER** – Order! I must remind honourable Members, when a Member of Parliament, is speaking you must not interrupt. Please allow the Prime Minister to continue.

**Mr PETER O’NEILL** – Mr Speaker, the former Attorney-General knows of this because he was the Chairman then and NPCP and Kumul Petroleum borrowed the money.

**Kerenga Kua** – Point of Order! Mr Speaker, I am fed up with the scheme of lying that the Prime Minister indulges in all the time. The point is the whole lot of you must know, that I had no responsibility in negotiating that loan. It was a done deal before I was appointed Chairman.

**Mr PETER O’NEILL** – Mr Speaker, I never said he went and did the deal, he was Chairman and he was aware of the deal.

**35/02**

**Mr Kerenga Kua** – Point of Order! I have no responsibility in negotiating that loan. It was a done deal before I was appointed Chairman.

**Mr PETER O’NEILL** – Mr Speaker, I did not say that honourable Kerenga Kua went and did the deal. He was the Chairman and he knows about those details. He is a learned

lawyer and should understand the language. He should understand the meaning of the words that we are using.

Mr Speaker, he may be the custodian of the truth but these are facts. I am telling you the facts that the loan was borrowed and nobody said a word.

But when UBS loan was borrowed to buy the same shares at a lower interest rates, at a lower prices, of course at \$8.20. We borrowed at the lower level, lower interest rates and on a publicly listed world class bank. UBS is a publicly listed company.

Mr Speaker, please let's talk facts. We borrowed from a publicly listed company and we are only mortgaging oil search only. The PNG Ports, Air Niugini and all the other state owned entities are all free. We are not mortgaging them at all unlike the ICCAC loan. So these facts are slowly coming out.

Mr Speaker, when you talk about reporting, these shares are held by Kumul Petroleum Limited. This loan is serviced by Kumul Petroleum limited. They are by law that we designed including the former Attorney-General that they report to Parliament on annual basis.

I am sure when the audited report is ready I will table it. It is a public information. This is not my private share-holdings. So let us talk facts because when you talk about questioning big international companies you are going to erode investor confidence.

Mr Speaker, where are you going to get the money to invest in our country? From you backyard?

We have now tabled the document through the annual report so you can have a look for yourself. We are glad that we are in court with the Opposition Leader so let the court determine the truth and then take it on from there.

Mr Speaker, one other thing that the Opposition continues to mislead Parliament is about our investment in education and health. For the first time since 2011, we are putting money directly into the universities. He knows that because he was the Treasurer when I convinced him to do that.

Today we are putting K6-K7 million every year. That is educating our people. When you are talking about stealing, well, you cannot steal Papua New Guinea without creating employment opportunities. So that is what we are doing in the country. We are spending over K2 million a year in education.

In the health sector, the former Minister and Opposition Leader knows that the former Health Minister Sasa Zibe launched the Papua New Guinea Health Plan just like the Transport Plan that was launched by Mr Polye but was never funded then.

However, Mr Speaker, since 2011 we have been fully funding the entire National Health Plan of our country. K10 million was allocated to every hospital in the country while intervening in many of the referral hospitals including Port Moresby, ANGAU, Hagen and all the other referral hospitals. Take time to visit these hospitals.

The infrastructure upgrade and maintenance done in all these hospitals are quite remarkable. When you go to Modillon hospital in Madang, there are world class theatres built and opened recently.

Mr Speaker, that is because we are taking the money away from the Health Department and putting it directly into the hospitals.

Look at the district. Through the DSIP we are putting K2 million that is allocated for the health sector. That is going to provide health care for our districts and the populations in the districts. So we are investing substantial amount of money on health and education.

It is unfair for the Opposition Leader to continue not to acknowledge such investment we are making in the country.

### **36/02**

Mr Speaker, our priorities must be simple. We can't continue to have all sorts of agenda that has never produced and delivered to our people. Our priorities must be on health and education, infrastructure and, of course, law and order and building the economy. That's what our priority has been over the last five years.

We are now achieving some of the outcomes that we are seeing because of the consistency of the priorities. We have aligned the District Services Improvement Programme, we have aligned the Provincial Services Improvement Programme and the national government's programmes on the same sectors and as a result you can see the big difference that is happening in the country.

Mr Speaker, it is not easy. It is not easy to fix a country's problems which have been around for 40 years in one or two years. Nobody can do miracles, nobody, but please, give credit where it is due. We will do likewise.

Motion – That the question be put – agreed to.

## **ADJOURNMENT**

Motion (by **Mr Charles Abel**) agreed to –

That the Parliament do now adjourn.

The Parliament adjourned at 4.10 p.m..