

FIFTH DAY

Tuesday 29 January 2019

DRAFT HANSARD

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PARLIAMENTARY DEBATES
CORRECTIONS TO DAILY DRAFT HANSARD

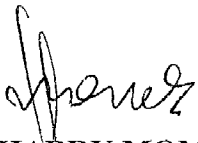
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HARRY MOMOS

Acting Principal Parliamentary Reporter

FIFTH DAY

Tuesday 29th January 2019

The Acting Speaker (**Mr Jeffery Komal**) took the Chair at 10 a.m.

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

Sitting suspended.

The Acting Speaker again took the Chair at 10.30 a.m. and invited the Member for Middle Ramu, **Honourable Jonny Ananias Alonk** to say Prayers.

“Papa yu bikpela God almighty, yu tok na olgeta samting ikamap. Mipela praisim na honarim yu. Na tok Tenk yu long yu. Mipela komitim mipela yet kam long han bilong yu. Kam na stap insait long mipela. Wanem samting mipela ino mekim stret long ai bilong yu, mipela tok sori. Tenk yu long ol blesing bilong yu. Klinim mipela na larem mipela stap fri. Tenk yu long olgeta samting, long, laif, yu givim tude. Stap wantaim mipela long dispela Haus. Tenk yu long ol pipol bilong Papua Niugini long votim mipela, long makim maus bilong ol. Mipela askim long wisdom bilong yu God, stap wantaim mipela tete long helpim na strongim wok bilong mipela, Amen.”

QUESTION

Visa on Arrival for Indian Tourists

Mr SASINDRAN MUTHUVEL –My question is directed to the Minister for Immigration and I want the Minister for Foreign Affairs to take note.

Recently, I attended two programs, one was the Australia’s National Day and the other was the Indian Republic Day. The Indian community have constantly raised this issue. During the visit made by the Indian President in 2013, both heads of the country agreed to

provide Visa on Arrival for tourists alone. But, to date this commitment has not been honoured. India, however, has been honouring this commitment since 2015, by providing tourist visas to all 15 Pacific Island countries on arrival.

(1) Can the Minister clarify, why India is classified as a high risk country today? About 20 to 30 years ago, India's visa was applicable here. India is the sixth largest economy in the world. It is the fifth producer of renewable energy, the fourth producer of wind energy and fifth producer of solar energy in the world.

(2) Why can't we continue to forge this relationship with India and honour this commitment to grant tourist visas on arrival?

Mr PETRUS THOMAS –Thank you, Mr Acting Speaker. I also thank the Honourable Governor of West New Britain for his question. I will investigate the cause of delay in honouring that commitment. We do not want to have issues regarding visas with India or any other country.

02/05

Ramazon Hydropower Project – North Bougainville

Mr JOE LERA – I wish to direct my question to the Minister for State Enterprises, Honourable William Duma.

Between 2012 and 2013, the National Government initiated the Ramason Hydropower Project in Tinputz of North Bougainville Region and negotiated with the Asian Development Bank to fund the project. The project was to be implemented and supervised by PNG Power Limited.

Mr Acting Speaker, the project is a vital necessity to the 70,000 people of North Bougainville, especially those in Buka Town and the surrounding villages. The project is expected provide affordable energy to the people which will help improve their lives. It will also effectively address the constant power outage experienced in Buka Town. The power outages has been badly affecting the Public Service, businesses houses and the general public.

Mr Acting Speaker, some work has been done like the erection of powerlines funded by the Japanese and New Zealand Governments while the hydro power plant was tendered, but to date no contract has been awarded. The progress on the actual construction of the hydropower plant has been minimal under the Asian Development Bank funding.

My questions are as follows:

(1) Can the Minister give an explanation on the cause of delay and provide an update on the status of the project tender?

(2) Is the project going to continue this year or in the near future? If so, what is the time frame for this project?

Mr WILLIAM DUMA – I thank the Member for Bougainville for his questions.

Mr Acting Speaker, if I can recall correctly, this project was progressed to the system nearly one and a half year ago.

In relation to the transmission lines there were no issues. The costs related to the construction of the transmission lines were to be met by New Zealand AID and the Japanese Grant. The hydro power plant was to be separately funded by the Asian Development Bank. As we all know, ADB has a very tedious and transparent process in doing things. It was discovered during the process that a member of the procurement committee had personal interests with a company that bid for that project. As a result, the project was put on hold until that issue was sorted out.

Mr Acting Speaker, I do not know what has become of it, but I can assure the Governor of Bougainville that I will look into it and provide an update him and the Parliament. We have had no issues. The project that is halfway through but our issue is the power plant itself. I will find out why that project was delayed and do my best to see have it completed if possible. The indications that I have been receiving is that ADB remains committed to this project.

03/05

Cost of Hosting APEC

Sir MEKERE MORAUTA – Mr Acting Speaker, my question is directed to the Prime Minister. It concerns the APEC Meeting which has come and gone. We are now left with the reminiscence.

The Prime Minister promoted the event as the key to the flood gates for trans-national investments and tourism in Papua New Guinea, in the future I hope that will be true. But, all the media reports since then both here and abroad mostly talked about the extravagant cost of spending by a country with dire social indicators including an outbreak of polio. The media talked about the Bentleys and Maseratis the Government chose to buy and also the failure to agree to a communique.

It was definitely the most expensive event Papua New Guinea has ever had, unlikely to be rivalled unless you get too excited again and bid to host the Olympics Games or the Commonwealth Games.

Mr Prime Minister, the opportunity cost to Papua New Guinea cannot be measured in kina (monetary terms), the projects we did not invest in like health and education because the funds were diverted to host the APEC meeting.

Mr ACTING SPEAKER – Honourable Member, it will be wise to ask your question.

Sir MEKERE MORAUTA – My question is, how much did APEC cost?

I think it could have been in the vicinity of K5 billion that is inclusive of the overseas governments spending.

(Members Interrupting)

Sir MEKERE MORAUTA – If you don't agree then tell us! Papua New Guineans have the right to know how this money was spent.

Thank you, Mr Acting Speaker.

Mr PETER O'NEILL – Thank you, Mr Acting Speaker. I thank the good Member for Moresby North-West for his question regarding his favourite subject – APEC, and of course very flamboyantly suggesting that we have spent K5 billion. He is a very learned person in the economy and financial industry and he knows very well that we only Budgeted K300 million to spend in 2018 –

Sir Mekere Morauta – Point of Order! I do not want a story, I want the facts and can you report to this Parliament, how much it cost? Because if you don't than we would be guessing.

Mr ACTING SPEAKER – Honourable Member, your Point of Order is out of order.

Mr PETER O'NEILL – No body disturbs the Honourable Member when he is speaking but he always gets excited very easily.

Let me inform him that we have only budgeted K300 million in our 2018 Budget, so how in the world would we be spending K5 billion when our very own annual budget is around K11 or K12 billion. It is just ridiculous and very unbecoming of leaders to just suggest and make up stories.

(Mr Kerenge Kua interjecting)

Mr PETER O'NEILL – Don't get excited Member for Sinasina-Yonggamugl.

So, Mr Acting Speaker, I can assure you that I will get the Minister for APEC to table a final report. In fact, we are waiting for Ombudsman Commission to give clearance so that we can publicly tender the vehicles and the assets which were purchased for this particular even. Once that is being done, I will table a report to this honourable House including a very detailed financial statement for the Member for Moresby North-West to pursue and satisfy himself.

Thank you, Mr Acting Speaker.

04/05

Supplementary Question

APEC Vehicles Missing

Mr MEKERE MORAUTA– Prime Minister just last week, the Secretary for Finance made an extraordinary statement saying 10 per cent of the APEC vehicles were missing, we only have 90 per cent.

Where is the 10 percent of vehicles and is this true?

Mr PETER O'NEILL – Mr Acting Speaker, I don't believed that is the case. A few government officers used these vehicles during the APEC period and failed to return them to the pool where they will be placed on public tender. Those are the vehicles that have been pursued, but it is certainly not 10 per cent, as suggested by the Secretary. It is far less than that and our police officers are retrieving those vehicles as we speak. Thank you, Mr Acting Speaker.

Supplementary Question
Ex-APEC Vehicles for MPs

Mr PATRICK PRUAITCH – My supplementary questions is in relation to APEC.

Mr Acting Speaker, we heard there were vehicles allocated to the members of Government and if you walk into Ela Motors, there are names of Members and Ministers on these cars.

Mr. Acting Speaker, if, this is true, can the Prime Minister answer the following questions:

(1) What was the criteria used for the distribution of these vehicles to Members of the Government?

(2) Why were these vehicles not on public tender?

Thank you, Mr Acting Speaker.

Mr PETER O'NEILL – Thank you, Mr Acting Speaker. These vehicles are owned by Ela Motors and were never paid for by the State. In fact, they lent those vehicles for two weeks, to use in during the APEC Meeting. Those vehicles were returned back to Ela Motors and sold as it saw fit. There was no discussions with Ela Motors regarding the allocation of vehicles to individual members or anybody for that matter.

Mr Acting Speaker, the decision is entirely up to Ela Motors to sell it as it pleases.

Mr Acting Speaker, the Government had no role in that allocation. Thank you.

Australian Assistance Needed to Police the Highlands

Mr PETER IPATAS – Mr Acting Speaker, my question is also directed to Honorable Prime Minister.

I think this is the fifth time, I am raising this question. It concerns law and order and in particularly the Police Force.

I think it is about time, we as leaders of this Parliament should acknowledge the seriousness of law and order issues in this country. I recently heard of the incident in Milne Bay and the public outcry over that issue. I deal with law and order issues all the time at the provincial level. I have been trying to get this Government to understand that we have the Police Force that is the liability to this nation. Mr Acting Speaker, I just want to ask the Prime Minister.

(1) Are we serious enough to request assistance from the Australians to mitigate this problem?

We must acknowledge the situation that we have in this country.

Mr Acting Speaker, if we manage the Police Force correctly, we will do the same for a lot of things. We will manage corruption better and also get the economy to grow.

05/05

In the last session, I asked for support for the three provinces in the western end of the highlands and there was a commitment for the Australian troops to work up there.

(2) When is this going to happen, before we lose more lives and more property?

Thank you.

Mr PETER O'NEILL – Thank you, Mr Acting Speaker. I thank the good Governor of Enga for his question. I couldn't agree more, law and order is a serious issue in our country.

Mr Acting Speaker, this is very much a legacy issue. As I said last week, the delayed training for 10 years, shutting down of the Bomana Police College and an aging Police Force are some of those legacy issues.

Most of our police officers are reaching their retirement age and the gaps that we are trying to fill through the succession training programmes has been compromised. The training period for a Police Constable to pass out from Bomana Training College is less than six months when it should be 12 months or more.

Mr Acting Speaker, we are in discussions with the Australian Government. One of the programmes that we are now agreeing to, is to hand over Bomana Training College to the Australians to administer a Pacific Police training programme. This programme will benefit Papua New Guinea and the rest of the Pacific Island countries who have bilateral ties with Australia.

Mr Acting Speaker, there has been nepotism in the selection of new recruits for this college. It was mentioned that people who can't even read and write are being recruited to become police officers. These are a sort of things we want to avoid.

Mr Acting Speaker, I can assure you that we are working closely with the Australian Government to realise this programme.

Mr Acting Speaker, we are also in discussions with them to review positions across some of the regional offices like that of the Commissioner for Police and the Provincial

Police Commanders. Those leadership roles will have combined structures in certain areas like Lae, Mt Hagen, Wewak and the other towns where there is a need to fill those gaps.

Mr Acting Speaker, those discussions are going well. There has always an issue with Australians about immunity. We've heard issues about immunity where they want us to pass a legislation giving immunity to their police officers who are going to be on the front line of these operations.

Mr Acting Speaker, we are now in discussions with our lawyers to not only give immunity to the Australians exclusively but also to our own officers when they are discharging their duties. If there are incidents like the shooting of a suspect, there must be proper investigations done and the police officers must be protected from carrying out that function.

Mr Acting Speaker, we are attending to a range of issues and I want to assure that the Governor that the Police Minister and his team are working towards it.

Thankyou Mr Acting Speaker.

Create Space for School Drop-Outs

Dr LINO TOM – Thank you Acting Speaker.

My question is also directed to the Prime Minister, and the Ministers for Education and Higher Education, Research, Science and Technology can take note.

Mr Acting Speaker, my question is in regard to the alarming proportion of students dropping out of the formal education each year. The population of student growth in PNG is increasing by tens of thousands each year. The growing number of unengaged youths will be one of the greatest internal threats this nation will ever face when they resort to unlawful activities as a means of occupation.

Mr Acting Speaker, this year, when we celebrated the dawn of the New Year 2019, this nation also celebrated the birth of a population equivalent to the size of Chimbu Province. If our population is growing at this rate, there will more challenges to cater for the number of students who are actually dropping out of formal education.

This year of the total number of 72,012 grade students who graduated, only 30,000 will continue onto year 11.

06/05

A total of 30,662 students sat for the grade 12 exams, 10,000 will continue on to tertiary institutions while 20,000 students will fall out of the formal education system; more

than 40,000 students will also drop out for the year 10. This means more than 60,000 young people between the ages of 17 to 19 years old will be on streets.

Mr Acting Speaker, my questions are as follows:

(1) Does the Government have plans for the 40,000 grade 10 students and the 20,000 grade 12 students who are dropping out of the formal education sector?

One solution would be to establish four regional poly-technical colleges in the four regions as planned by the Government. This will help absorb a good proportion of the alarming number of students who are dropping out.

I don't know about the other four regions, but one for the Highlands region was supposed to be built in Enga Province. The proposed site was been fenced and remains idle for some years now.

(2) Does this Government have any plans to fund this poly-technical colleges?

(3) Can the Prime Minister assure this nation that this Government will increase the capacity of all our tertiary institutions rather building new ones to create spaces for students who are actually dropping out?

The students are part of our population and they have a right to education. The information we have gathered is, these students are dropping out because of capacity issues. If we can't increase the capacity of our existing institutions at the appropriate rate to cater for our population growth, a phenomenon that is obviously affecting all our essential services like health and education.

(4) Can the Government create strong policies to reduce the growth rate to one that is more manageable?

It may be unconstitutional to legislate against the population growth; however, the Government must make policies to manage population growth. We can no longer ignore the challenges which has out-grown our capacity as a Government to provide basic services.

Mr PETER O'NEILL – Mr Acting Speaker, I thank the Member for Wabag for this very important question.

Let me start by saying, population growth will always be a growing challenge for any Government in Papua New Guinea, especially when we lack family planning. We have parents and adults producing children without proper planning and due care and in numbers that they cannot sustain. Families should be more focused on providing quality education to their children rather than increasing the size of their family. This adds pressure on the Government services right throughout the country.

Mr Acting Speaker, I have stressed on how we introduced the TFF Policy up to grade 12 from 2012 onwards. We funded this program every year at almost K650 million without fail.

Mr Acting Speaker, that is to keep children in school as long as possible. We have drop-outs from grades six, eight, 10 and 12 and that has been adding to the social problems due to the lack of opportunity we have in the country.

I know there are capacity issues right throughout the country and I am very grateful that many of the Members of Parliament are using the DSIP and PSIP to build capacity in community schools and high schools, but more needs to be done.

Mr Acting Speaker, there is no magic solution and I don't think this is going to be easy.

For the last six years, our Government has been directly funding many of the tertiary institutions in the country like technical colleges, nursing colleges, teachers colleges and even the Universities to build capacity.

07/05

Each year we allocated around K5 million to build infrastructure in these schools so that we can increase the number of intake of students going into those schools.

Mr Acting Speaker, at the same time, we are building tertiary institutions right across the country to increase capacities of the existing institutions.

Mr Acting Speaker, that programme needs to continue so that programme needs to increase., We are taking 500 children a year but, we have to double it to a thousand children to give more children opportunities to attend colleges and universities.

Mr Acting Speaker, some of the figures quoted by the Member are quite big; however, I can assure you that it is not that alarming.

I will direct the Minister for Higher Education to make a statement regarding the students and the places they were offered in colleges and universities right across the country.

You will be pleasantly surprised to find that many students are starting to find places in the colleges and universities right across the country.

Mr Bryan Kramer – Point of Order! With due respect, the Prime Minister claims these figures are incorrect. They are from the Education Department, so is he saying the Education Department is producing fake figures?

Mr PETER O'NEILL – Mr Acting Speaker, I am not saying they are fake figures. I am saying that the claims that drop-outs are not finding places in colleges and universities right across the country is not as alarming as suggested.

In fact, I had a briefing from the Secretary for Higher Education and it was quite different. But, I will make sure that the Minister for Higher Education makes a statement so he can satisfy the hardworking Member for Madang on his queries.

Mr Acting Speaker, we are certainly concerned about children not having the opportunity to complete their education with better skills training; it is serious issue for the country. We are investing in technical colleges.

I want to assure the Honourable Member for Wabag that we will do everything possible to kick start the construction of the poly-technical college in Wabag this year so that we can take students into that institution as quickly as possible.

Enga Province and Wabag District are the hosts to our teachers college, nursing college and distant education for the universities such as Southern Cross. With the arrangements that they have, Enga's priority in education is well-noted and we have supported the Governor in investing in these institutions and will continue to do so.

Supplementary Question

Demarcation of Responsibilities – Education Ministers

Mr KERENGA KUA – Thank you, Mr Acting Speaker. The Prime Minister's two implementing ministers for the education sector are the Minister for Education and the Minister for Higher Education Research Science and Technology.

Mr Acting Speaker, there seems to be some level of confusion between these two ministries about who should be doing what.

As I understand it, there was an NEC decision a few years ago which clarified that the Education' Minister's responsibility terminates at grade 12. Everything after grade 12, including the building of educational institutions and facilities concerning post grade 12 is the responsibility of the Minister for Higher Education.

That boundary or demarcation line does not seem to be respected, creating confusion between these two ministers and therefore us Members as well when trying to solicit their advice and support in our respective districts and provinces.

Can the Prime Minister clarify to this Parliament to avoid this confusion on the demarcation of responsibilities between the two Ministers?

Mr PETER O'NEILL – Thank you, Mr Acting Speaker. I thank the Member for Sinasina-Yonggamugl for his Supplementary Question.

08/05

Mr Acting Speaker, the Member is correct in saying that those areas of responsibilities have been clearly articulated in the NEC decision. This basically makes any issues beyond grade 12 and higher learning institutions to be the responsibility of the Department of Higher Education while education from Elementary all the way to National High Schools fall under the responsibility of the Education Department.

This is an area where overtime many of the demarcations between the two departments have not been clearly articulated by legislations. I am being advised that the enabling legislations are being drafted and will be brought to Parliament to allow for the clear demarcations of the roles.

Kroton Equity for PNG LNG Land Owners

Mr MANASSEH MAKIBA – Thank you, Mr Acting Speaker. I want to direct my questions to the Prime Minister. I know the Prime Minister has received a lot of questions but I hope he understands.

My questions are in relation to Kroton Equity in the PNG LNG project. Let me begin by commending the Prime Minister and the Government for giving free equity to the landowners and the provincial governments of OK Tedi Gold Mine and Paguna Copper Mine. I think that is the right direction for any government to take by giving a fair share of free equity to the landowners as the owners of the resource.

In During the formation of the Government from 2017 to 2018, the Prime Minister publicly announced and promised the landowners and the provincial governments to give free-carry equity of 4.27 per cent known as the Kroton Equity in the PNG LNG projects. That is apart from the normal two percent free-carry equity managed by Mineral Resources Development Corporation (MRDC).

The Kroton Equity was an optional equity to be acquired on commercial terms; however, when the Prime Minister mentioned that it would be given free-carry to the provincial governments LLGs and the landowners, the beneficiaries were very happy with that commitments.

From the Kumul Petroleum Holdings Limited 2017 Annual Report published on its website, it was reported that the KPH Limited is undertaking a vendor financing arrangement

to basically have the Kroton Equity acquired for the provincial governments LLGs and the landowners. This report was later removed from the website.

Five provincial governments and land owners from Gulf, Southern Highlands, Hela and Central Provinces will be beneficiaries of the Kroton Equity. This is an important area for the beneficiary groups but it's also creating confusion. While accompanying the Minister for Petroleum and Energy to Hides to carry out the converting which is currently progressing well, the landowners there were confused that Kumul Petroleum Holdings Limited is considered as a vendor financier when the government has committed to give free-carry equity.

My questions are:

(1) Can the Prime Minister confirm whether the 4.27 per cent Kroton Equity is still free-carry or does it have to be acquired through a vendor financing which Kumul Petroleum Holdings Limited is pursuing?

(2) If so, when will the free-carry Kroton Equity actually materialise for the beneficiaries?

(3) Will the dividends from the Kroton Equity be backdated starting from 2014, when the LNG proceeds first came in?

09/05

Mr Sam Akoitai – Point of Order! I just want to correct on record the statement of the Member to Parliament regarding the subject of equity to Panguna landowners.

The equity to Panguna landowners does not work in the same manner as that of the other landowners in Ok Tedi, and the LNG project. This is because Panguna Mine is not in operation. We have been offered is just a small percentage that is worth nothing because the mine is not in operation.

Mr PETER O'NEILL – Thank you, Acting Speaker, and also I thank the Member for Komo Magarima for this very important question on the PNG LNG project regarding Kroton shares.

This agreement was signed by the previous government, offering the landowners to pay for every percentage of the shares that they were to acquire, which was almost US\$250 million per share.

Mr Acting Speaker, I think it was an unrealistic arrangement, knowing very well that the landowners couldn't afford this. In fact, how will the landowners borrow such a large sum

of money to pay for the equity? No-one will lend money to landowners without any financial history. As a result, even after the PNG LNG project was completed and began exporting, the landowners are yet to come up with an arrangement to satisfy that agreement.

That is why when we took over from the previous government, we tried to give them a realistic price. It was discounted through an NEC decision to US\$150 million per share. We thought that could be something they could raise. But again, Mr Acting Speaker, to acquire four per cent it would cost well over US\$600 million which is equivalent to K2 billion.

Mr Acting Speaker, the landowners have no capacity to raise that kind of money. Now that the Kroton shares no longer have no outstanding loans or financial obligations, it is now completely owned by the state, we will now look at an option of giving the shares directly to the landowners at free-carry.

That commitment still stands. There are almost 66,000 landowners, right throughout Southern Highlands, Hela, Gulf and Central; therefore, the dividends from these shares may not be significant when distributed among each member, family or each landowner. The figures look big but when distributed it will be quite small.

Thanks to the deals that were done by Governments in the past, we have to clear it out and honour the commitment that we have made. Today, I can say, clan vetting exercise which was never done before the project construction is now at its final stages.

In fact, this morning I received a text from an officials who is working in the Hides area to clear up the last clans. , I can assure the good Member that once this process is completed, we will be transferring the shares to the rightful landowners and the provincial governments.

Mr Acting Speaker, this is the right thing to do and we have to honour our commitments to our landowners and our provincial governments. In the past, many governments have signed agreements knowing very well they cannot afford to honour it. They just mislead our people but this will be a thing of the past.

The initial understanding that we are having with the second LNG and in particular Wafi-Golpu is that our participation in equity in all those projects will be carried by the developer until the first export of either the gold or copper in Wafi-Golpu or in the second LNG project. Meaning that we do not go out and borrow large sums of money that we are not able to repay.

This is our resource and the developers has to carry us to a certain extent. We are thankful that Total, Newcrest and Harmony have agreed to those understandings. Our ministerial committee is finalising the development agreement which will make sure the

resource owners are fully compensated and are fully participating, rather than waiting for loans to be paid. We are doing everything possible to maximise the benefits for our people and our country.

10/05

Allow Provincial Governments to Implement Projects

Mr ALLAN BIRD – I wish also to direct my question to the Prime Minister.

Mr Acting Speaker, on Friday the Prime Minister gave an undertaking to the Governor for Madang in relation to the PMIZ Project being transferred to the Madang Provincial Government. This resolves a very long-standing struggle between provincial governments and national departments as implementing agencies.

Mr Acting Speaker, without having proper consultation with the provincial governments, the national departments go to any province to decide projects they like. They even borrow money and access resources to implement these projects. They then proceed to do audits, performance review and monitoring for themselves. As country, we have never really tracked the progress on many of these projects.

Mr Acting Speaker, the Prime Minister will be launching a major project for the two Sepik Provinces to be funded by the European Union. I want to take this time to thank the hardworking Minister for Foreign Affairs who is not present, for his timely interventions in saving this project.

My questions are as follows:

(1) Will the decision by the Prime Minister apply to this program in East Sepik and West Sepik and by inference, the Momase Region?

(2) Will the two Sepik provinces be allowed to carry out the implementation similar to the undertaking given to the Madang Provincial Government for the PMIZ Project?

The national agencies can be given the task of auditing and over-seeing the projects, which should be the case in the first place.

(3) What are the implications for other provinces where projects are currently being remote-controlled by national agencies? Will this decision also apply to them?

Mr PETER O'NEILL – I thank the Governor of East Sepik for his questions.

We are happy to note that the European Union is funding a large agriculture project in East Sepik and West Sepik provinces. After lengthy negotiations and discussions, we have been able to conclude to the satisfaction of all parties, and implementation will take place.

Mr Acting Speaker, I want to assure the good Governor and other provincial governors that there is nothing wrong with provincial governments managing the projects.

Where there is capacity and ability to work closely with the National Government, we are very happy to allow the provincial governments to take ownership of some of those projects on the ground. They know the communities and the project areas better and can manage local issues much better than the National Government. We are quite happy to sit down with the Governors for East Sepik and West Sepik to discuss a way forward on managing this project in those two provinces.

ANSWERS TO PREVIOUS QUESTIONS

Derivation Grants -EHP

Mr CHARLES ABEL – I realise that the Governor of Eastern Highlands is not in the Chamber, regardless I wish to put on record my responses for Parliament consumption in relation to obligations the National Government has to our Provincial Governments with regard to Derivation Grants. This came into to law some time ago obligating the National Governments to pay a certain percentage of FOB Value of Exports to the provinces.

Mr Acting Speaker, the Derivation Grants were formally conditional payments made by the National Government to provincial governments. It was introduced under the *Organic Law on Provincial Governments* in 1977 and maintained under the *Organic Law on Provincial and Local-level Government* from 1996 to 2008.

Mr Acting Speaker, the Derivation Grants were introduced in an attempt to promote export production at the provincial level and to maintain the necessary infrastructure to get the goods to the market.

However, reviews on the inter-governmental financial arrangements which concluded in 2008 found that the Derivation Grants were not meeting their intended purposes. The findings of the review were not a surprise because we knew that Derivation Grants had done little, if anything to boost agriculture productivity or export. They were not helping to build and maintain roads. The productivity and export improvement did occur for commodities like coffee which largely due to the efforts of the commodity board and the private sector.

Investment and infrastructure was left solely wanting until recently, when it was increased through the efforts of our Government.

11/05

Mr Acting Speaker, the 2008 Inter-Government Financial Review also confirmed the inherently unfair nature of the Derivation Grant. The calculation and apportionment were based on inconsistent data and there was a tendency for larger provinces with export facilities to win out over smaller provinces that had no direct export channels. This meant that grants that should have gone to the producing provinces were instead paid to the provinces that had the port facilities while those provinces with no export potential or production capacity missed out entirely.

Mr Acting Speaker, following the Review of Inter-Government Financing Arrangement in 2008, the *Organic Law on Provincial Governmental and Local-Level Governments Amendment 12* was enacted by Parliament. This Amendment amongst other changes repealed *Section 97* and *schedule 6 of the Organic Law*, *Section 97* had provided the legal basis for the payments of Derivation Grants and *Section 6* provided for the basis of the calculation.

Mr Acting Speaker, the amendment also includes a new *Section 95 (c)* which essentially provides a transitional arrangements to pay out the grants to the Provincial Government including the Derivation Grant for the period between 2004 and 2008.

Mr Acting Speaker, *clause 95 (c)(3)* explicitly stated that *Section 95 (c)* in its entirety ceased to have effect on the December 31, 2008 that is, those transitional provision.

Mr Acting Speaker, to be clear *Amendment No.12* to the *Organic Law* did away with derivation grant and the mechanism for the National Government to pay them; these ceased to exist on the 31 December 2008.

Importantly, the amendment to the *Organic Law* also introduced the basis for what is the current system of inter-governmental financing that came into effect on the 1 January, 2009.

The *Inter-Governmental Relations Functions and Funding Act of 2009* was subsequently enacted to implement provisions of the *Organic Law*. It introduced the primary production of the functional grants amongst the other suite of functional grants we now have today. That suite of functional grants can provide an equalization system based on the principals of fairness and equitable distribution.

So, Mr Acting Speaker, in response to the claims by the Honourable Governor of Eastern Highlands, the issue about the derivation was closed over 10 years ago when the *Organic Law* was amended and the provision of the payments of these grants were repealed

More importantly, the fairer system that replaced the Derivation Grants has actually resulted in much more money flowing to the provinces; for example, under the old system the Derivation Grant average a total payment shared amongst all the provinces of approximately K10.5 million each year between 1996 and 2008.

Mr Acting Speaker, since 2009 under the Primary Production Function Grant that amount has almost tripled with the average total payout of two provinces in any one year being in the order of K30 million per annum.

Mr Acting Speaker, in the case of Eastern Highlands, the Provincial Government had previously average less than K1 million annually from 1996 to 2008 under the old system. Under the current system, their primary production functional grant have been averaging more than K2 million each year since 2009.

Mr Acting Speaker, this is an addition to all the other grants and payments that they have received from this Government including the DSIP payments that have been made each year to all districts, particularly the eight districts of Eastern Highlands Province. So, that is obviously K90 million apart per year, from the K10 million from the PSIP

Mr Acting Speaker, in addition, the other significant ongoing projects include the K180 million Eastern Highlands Provincial Diagnostic and Surgical Centre, the K3 billion upgrading of the Highlands Highway that passes through Eastern Highlands, the new Goroka Market, the new Goroka Airport and the new student accommodation at the University of Goroka.

Mr Acting Speaker, this Government has made these investments because we are to working with the provincial governments to deliver real improvements to our people across the country.

As the Prime Minister mentioned today, in his response to provincial government implementing provincial based projects, we want to engage the provincial government, because they know the situation on the ground. We are committed to the principle of equitable and fair distribution of grants and resources. We ensure that we meet our national commitments and I will highlight this in my final budget outcome speech for 2018.

12/05

Mr Acting Speaker, there also been an increases in revenue to provincial budgets through increases in GST allocation which happened last year from improved revenue collection. If we work more closely with provincial governments to improve GST collection on the ground, it translates into 60 per cent share increases that many of our governors have mentioned receiving under GST.

Mr Acting Speaker, the revenue sharing, the payment of the functional grants, the investments and the agriculture projects are now governed by a fairer and better system – the new *Inter-Governmental Financing Act* which very much includes the Eastern Highlands.

Mr Acting Speaker, so I hope this clarifies the question in relation to derivation grant. We appreciate some of the issues raised the Governor, but, unfortunately, they are not valid.

As I said, it appeared as a political stunt. What happened the other day is regrettable. We are committed to the provincial governments including the Eastern Highland Provincial Government.

Thank you, Mr Acting Speaker.

MOTION BY LEAVE

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

Leave granted.

SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS

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

That so much of the Standing Orders be suspended as would prevent Notices No.90, 105 and 106 Government Business being called on forthwith.

FORESTRY (AMENDMENT) BILL 2018

First Reading

Bill presented by **Mr Douglas Tomuriesa** and read a first time

Second Reading

Leave granted to move the second reading forthwith

Mr DOUGLAS TOMURIESA (Kiriwina-Goodenough-Minister for Forest) – Thank you, Mr Acting Speaker.

Honourable Members, as you all aware, the Forest Industry in PNG has played a very significant role in the national economy of our country over the last 50 years. It has been estimated that through the economic multiplier effect, the Forest Industry contributes about five to seven per cent of the country's gross domestic products (GDP). This very significant given that the combined agriculture, fisheries and forestry share of the GDP has been estimated at 28 percent.

In addition, the Forest Industry earns over US\$400 million in foreign exchange annually, which enables many PNG businesses as well as ordinary Papua New Guineans to continue to enjoy import products such as rice and tinned fish.

Quite to the contrary to what some in the opposition and their NGO friends would like everyone in the country to believe, the Forest Industry in this country continues to pay taxes to the State and also provide royalty benefits to the forest resource owners.

Mr Acting Speaker, annually, the Forest Industry in Papua New Guinea, directly contribute in excess of K400 million into the Government coffers, of this K300 million comes in the form of log export tax or from exports of round logs collected by the Papua New Guinea Customs Services.

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An additional K100 million comes in the form of other taxes and levy including GST and the Log Export Development Levy.

Mr Acting Speaker, despite the best efforts of successive government since Independence in 1975, the country has not succeeded in achieving any significant domestic downstream processing of our logs. As we all know, domestic marketing or manufacturing of timber products remains almost negligible. If one looks at the export statistics from 2008 to 2015 published by the Bank of Papua New Guinea, the value of exported logs which comprises of about 90 per cent of all logs harvested in Papua New Guinea, is less than the export value of 10 per cent of the logs processed into sawn timber, plywood and veneer products.

Members can refer to the table. The other day, when responding to a question, I highlighted what is been pick up by the Bank of Papua New Guinea and the table is very explicitly clear before you.

Mr Acting Speaker, as the Minister responsible for our forest, I am pleased to inform the honourable members that the Government aims to halt the export of unprocessed round logs by 2020, and to expand domestic processing of our logs. Increasing value through domestic processing will create many jobs in the forest industry and also generate economic impacts to further stimulate our economy.

The Government also aims to expand the planted national forest plantation so that the future generations would not need to destroy our natural forest to obtain their timbers.

As mentioned in my statement in November 2017 during Parliament Sitting, we need to revise the *Forest Act of 1991* to make it more relevant to our national requirements as well as international obligations such as Papua New Guinea's commitment to the Paris Agreement on Climate Change.

Of even greater urgency, Mr Speaker, is the need to assist all our forest resource owners to register their incorporated land groups or ILG as per the new requirement stipulated under the new ILG regulations.

Honourable Members, the primary objective of the *Forest (Amendment) Bill 2019*, is to enable the Papua New Guinea Forest Authority to obtain self-financing status to enable its implementation of government's priority policy objectives such as downstream processing and expanding the National Plant Your Forest Plantations while continuing to ensure that the forest industry is properly regulated and managed on the sustainable basis.

The original *section 121* of the *Forest Act 1991* which provides for the collection of Papua New Guinea Forest Authority Management Levy was struck out by the Supreme Court in 2017 because the original wording in the *Forestry Act 1991* was not compatible with the national *Constitution*.

Further finding showed that the Agriculture Commodity Crops such as coffee, cocoa, oil palm and copra are all funded by respective industries through the industry management levy.

This amendment to the Forest Act is required principally to enable the PNG Forest Authority to also collect the management levy from the forest industry and to finance all its operations nationwide so that it will not depend on the national budget.

The management levy will be based on the volume of commercially harvested logs to enable the PNG Forest Authority to become a self-financing agency.

Hence, the *Forest (Amendment Bill) 2019* is necessary to allow for all *sections 121* of *Forestry Act* to enable collection of the PNG Forest Authority Management Levy. Specifically, the bill is intended to replace the original *section 121* of the *Forest Act 1991* with a whole new *section 121*.

Subsequent, to the passage of the bill, the original section 223 of the forest regulations which was also struck out by the Supreme Court also needs to be replaced to provide the method and manner for the calculation and the collection of the management levy.

14/05

It is envisaged that the management levy in a new forest regulation will initially be set at K20 per cubic meter based on the harvest of all logs from trees with at least 10 cm diameter at breast height.

An additional benefit of setting the management levy based on harvest of logs is that it will help to discourage indiscriminate felling of trees by operators of Timber Permit Authorities and Licenses.

The management levy will be collected by the PNG Forest Authority field officers and paid to the Forest Authority revenue account.

If set at K20 per cubic meter on harvest logs, the Management Levy is expected to yield revenue of K50-K60 million annually depending on the volume of log harvested to finance the entire operations of PNG Forest Authority nationwide. This will free up the current K30 million currently provided annually from the national budget to finance the PNG Forest Authority.

Mr Acting Speaker, with an adequate operational Budget the PNG Forest Authority will be able to hire additional staff, provide for their training, rehabilitation of run down infrastructure, replace outdated equipment and old vehicles, conduct and complete overdue forest development projects review including downstream processing, review PFMC

arrangements to empower provinces, enforce the forestry regulations and continue to monitor the industry more effectively.

Mr Acting Speaker, finally I commend the Forestry (*Amendment*) Bill 2019 to this Honourable Parliament.

Motion – That the question be put – agreed to.

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

Bill read a second time.

MESSAGE FROM THE GOVERNOR-GENERAL

A message from His Excellency, the Governor-General, dated 23 January 2019 recommending the imposition of fees in so far as the *Forestry Amendment Bill 2018*, relates to and provides for such imposition.

Third Reading

Leave granted to move the third reading forthwith.

Motion (by **Mr Douglas Tomuriesa**) proposed –

That the Bill be now read a third time.

Mr KERENGA KUA (Sinasin-Yongamugl) – Mr Acting Speaker, this Bill is substantially to provide for financing mechanism for the operations of the PNG Forest Authority. This Parliament will recall that I did express some grave concern the last time a similar Bill was introduced by the Mining Minister concerning the MRA.

At that time, I did say that there is an increasing trend towards commissions, authorities and agencies of Government bringing their own bills to the Floor of this Parliament with the view of giving them a substantial level of financial autonomy which in a normal situation will not be an issue except that we have a *Constitution* to follow.

15/05

We have a *Constitution* to follow and it specifically says in Section 209 that annually, this Parliament will be responsible for the raising of revenue and its expenditure through all the government departments, instruments, agencies, commissions, authorities, and et cetera. This Parliament has the exclusive authority to do that every year. It doesn't matter how inequitably in the end that outcome seems to be to individual agencies; this is the Parliament and it has spoken. That's how it is meant to be.

But with more and more agencies - like the MRA last time and now the Forest Authority and maybe the Fisheries Authority next time and everybody else - coming in here asking for financial autonomy in the raising and expenditure of their individual department's finances, this Parliament will be forced to go in breach of Section 209 every year. And the government of the day will also lose control of the management of the policies that those departments and agencies implement through the priorities that the government of the day will set through policies and the associated financing that goes with it.

There is a reason why you have Section 209. So we've already made a mistake in passing a legislation that gives MRA that very substantial financial autonomy that circumvents this Parliament and Section 209. And now we are yet again asked to delegate the power to monitor and manage the affairs of this department, this time through the Forest Authority by giving away substantial financial powers.

Mr Acting Speaker, we cannot do that. The functions that the Minister is responsible for are important. The work that he wants to do is important, downstream processing is important, everything is important but he cannot escape, his department cannot escape the application of Section 209 of the *Constitution*. He just has to come through the normal process through the Minister for Planning and through the Minister for Treasury. He just has to do that. He's got no choice over it.

In the report that was tabled in this Parliament by the Auditor-General some three to four years ago, you will recall Auditor-General listed more than 20 commissions, authorities, agencies and instruments of government who have the same status as the Forest Authority. Now if they were all to come in here and ask for financial autonomy impacting in the range of K60 million as the Minister has just put it now, you multiply that by 20 or 30, it leads up to a very, very substantial amount of money over which this Parliament will have no oversight in accordance with its constitutional duties.

So, Mr Acting Speaker, despite the fact that the underlying purpose and intent is fine the mechanism that is asked for is not in accordance with the mother law of this country.

We cannot allow it.

Thank you, Mr Acting Speaker.

Mr CHRIS HAIVETA (Gulf) – Mr Acting Speaker, I wish to respond to some of the issues that have been raised by the Member for Sinasina-Yonggamugl.

The fact of the matter is that the administration of forestry agreements and the management of these agreements and concessions throughout the country are in disarray. There is no money to carry out inspections. Logging and marketing agreements of various concessions, for example in the Gulf, all have expired. Many of these operations are being illegally conducted or being given extension to carry on without the proper processes being followed basically because the Forestry Authority doesn't have the money to send out forestry inspectors.

Mr Acting Speaker, what the Bill is proposing is in some ways what has been practiced in the past, especially where you have government departments levying fees and keeping some of these back to carry out their operations.

In the case of Forestry Authority we have a situation where the Authority is both a regulator as well as a normal government department. So it is operating independently. We need to give it finances it needs so that it can carry out its operations. I am talking about the daily reality. I don't think that it breaches Section 209 of the *Constitution*.

In the case of Mineral Resources Authority, it has a Mineral Resources Policy Department and an Authority. So in that case it is quite different from Forestry where policy and regulation is carried out by the same organisation.

Mr Peter Isoaimo – Point of Order! Mr Acting Speaker, I think every budget must be approved by Parliament whether this is raised as an internal revenue or it is funded by the National Government. These are given to the Treasury Department to approve whether it is hundred per cent internal revenue, like the K60 million, or it is funded from government appropriations through taxation and these have to be approved by Parliament. Therefore, the Governor should not mislead Parliament.

16/05

Mr CHRIS HAIVETA – Mr Acting Speaker, I am not misleading the Parliament but telling you what the actual situation so it's up to us in Government whether we go ahead with it or not. However, we do have a real problem. How do we address it? There is a difference between MRA, mining sector and the forestry sector and likewise the petroleum sector. In the petroleum sector we do not have an authority but a department that looks after it and in mining sector we have both a department and an authority. As for forestry and fisheries sectors we only have authorities that regulate as well as administrate and also provide policies.

Mr DOUGLAS TOMURIESA (Kiriwina-Goodenough – Minister for Forests) – The arrangement that I have just put before the House is a similar arrangement to that of the Fisheries Authority. It is self-financing and so are the agriculture commodity bodies that I have highlighted in the speech.

However, Mr Acting Speaker, I would like to also state clearly that under these current arrangements that are in place we are still covered under the Sweep Exercise and whatever funds that are generated from revenue through forestry will be going through the same scrutinisation under the Sweep Exercise.

Motion – That the Bill be now read a third time – put.

The Bill requiring an absolute majority of 56 Members as required by the *Constitution*, Mr Acting Speaker ordered that the Bells be rung.

17/05

The Parliament voted (the Acting Speaker, **Mr Jeffrey Komal**, in the Chair) -

AYES – 58

NOES - 14

Motion so agreed to.

Bill read a third time.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari – Minister for Finance and Rural Development) – I seek leave of the Parliament to move a motion without notice.

Leave granted.

WITHDRAWAL OF ORDER OF THE DAY

Order of the Day No.105 by leave, withdrawn.

18/05

Sitting suspended from 12 noon to 2 p.m.

19/05

DEPARTMENT OF NATIONAL PLANNING AND MONITORING – MEDIUM TERM DEVELOPMENT PLAN III (2018-2022) – PAPER AND STATEMENT – MOTION TO TAKE NOTE OF PAPER

Mr RICHARD MARU (Yangoru-Saussia–Minister for National Planning and Monitoring) – Mr Acting Speaker, I present the following reports relating to the Medium Term Development Plan (2018-2022).

I ask leave of Parliament to make a statement in relation to the reports.

Leave granted.

Mr Acting Speaker, I stand here today as Minister for National Planning to inform you and the honourable members of the Parliament that the Medium Term Development Plan III covering the period from 2018 to 2022 was officially launched by the Honourable Prime Minister Peter O' Neill on 29 September, 2018, in Port Moresby.

Mr Acting Speaker, I would like to thank our Prime Minister, members of National Executive Council, members of the Coalition Government, governors of provinces, provincial and district CEOs, the private sector, NGOs, civil society, and development partners, Secretary of Department of National Planning and Monitoring, and the hardworking staff of the Department for their contributions towards the formulation of this important plan for our nation.

Mr Acting Speaker, when our Government led by Prime Minister Peter O' Neill came into power successively in August 2017, one of the important tasks directed under *Alotau Accord II* was the formulation of the Medium Term Development Plan III to cover the period from 2018 to 2022 which is for the first time aligned with the political cycle of Government. *The Medium Term Development Plan III (MTDP III)* captures the main thrust of the *Alotau Accord II* and sets the goal of "Securing our future through inclusive sustainable economic growth" by focusing on key investments to further stimulate the economic growth in the medium term.

The key priorities of the *Alotau Accord II* are:

- (1) Inclusive Economic Growth with renewed focus in Agriculture;
- (2) Continuing with Infrastructure development;
- (3) Improvement of quality Health Care;
- (4) Improvement of quality of Education and Skills Development; and
- (5) Improvement of Law and Order.

Mr Acting Speaker, building on the gains and experiences of MTDP I and II (2012-2017) and the priorities of *Alotau Accord II*, this Plan was formulated taking into account also the principles of inclusiveness and sustainability prescribed by the Strategy for Responsible Sustainable Development (StaRS) and the United Nations seventeen (17) Sustainable Development Goals (SDGs) which our Government has committed to achieve by 2030. Under the MTDP III, the Government will focus on:

- (1) Increasing the revenue base and improving revenue collection;
- (2) Increasing exports;
- (3) Reducing imports;

- (4) Improving and increasing opportunities for citizens to create wealth; and
- (5) Improving the quality and effectiveness in the delivery of public goods and services.

Mr Acting Speaker, the MTDP III was formulated through a rigorous process involving wide stakeholder consultations at international, regional, national, provincial and sectoral levels over a period of nine months.

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The first ever National Planning consultation summit was successfully held in Lae in partnership with the Morobe Provincial Government, the private sector, the civil society and developing partners.

A series of regional forums were held in each region in May to collaborate the status of development in each province and affirm development priorities from the Members of Parliament representing each region, Provincial and District Administrations as well as from the Public and the Private sector.

Lesson learnt from past development plans.

Mr Acting Speaker, we also concluded a detailed review over social comic performance over the last ten years focusing on the past development plans, the MTDP 1 and 2. The success and failures of these plans gave us invaluable lessons basis formulate the Medium Term Development Plan III. To give us better internal perspective of the plan, we have learnt from significant insights from development performances many countries with in the Asia Pacific Region.

The conclusions that came very apparent during the review are as follows:

- Our economy is too small and we are not able to generate sufficient internal revenue to adequately fund the needs of our population which have quadrupled since independence and continues to grow at the alarming rate of 3.1 per cent per annum.
- PNG will continue to struggle to meet the requirements of our growing population, unless we grow internal revenue significantly and also succeed in reducing the population growth among manageable and sustainable level.
- Our over-reliance on non-renewable resources has been Papua New Guinea's biggest policy mistakes since independence.
- The quality of education has declined constantly in recent years from tertiary, secondary, high schools and particularly in the areas of English, Science and Mathematics.

- PNG has focused less in disease prevention but rather used more of our resource on disease treatment, especially in the primary health care factor. A clear example is our average immunization coverage which is less than 40 per cent when compared to the global average of 80 per cent, resulting in the re-emergence in diseases like polio. We have generally focused less in improving health services in our rural district community resulting in too many preventable deaths from diseases like TB, malaria, pneumonia and also the high maternal death rates compared to other countries in the region. Lack of investment and attention in the secondary health sector has resulted also in too many unnecessary deaths relating to cancer and lifestyle diseases.

Mr Acting Speaker, only five per cent of our total investment budget has been spent in the economic sector over the previous medium terms. The MTDP 3 intends to boost the economy by investing more in the economic sector activities to generate adequate revenues.

We need to create sustainable inclusive economy growth to bring revenues to the Government and to support and improve social services such as health and education.

Mr Acting Speaker, Papua New Guinea has lost out on significant capital investment opportunities by not optimizing the management of development cooperation through programs, funding and delivery modalities. Despite over 50 per cent of capital expenditure which has been supported by the development partners, we are not able to see many tangible returns of such investment in sustainable growth of our economy and improvement resource services where major indicators have been declining.

It is critical and very important that both the Government of Papua New Guinea and our development partners must work together more closely to arrest this trend and strategically make investment to realize better return on capital investment. Taxation has been an effective source of funding to deliver critical capital investment project despite some of the weaknesses that have being addressed through the current reforms.

Papua New Guinea has serious youth and unemployment crises that need to be addressed immediately. The overall formal private sector employment has been declining since the peak in 2013 and we need to create more formal employment opportunities with appropriate skill training to attract more business in the private sector in the country.

Mr Acting Speaker, very serious law and order problem and the high cost of doing business in Papua New Guinea continue as major obstacles in attracting private sector investment in many critical sectors.

Our key resource projects are also exposed to present and potentially more damaging law and order issues. Development planning has been very difficult due to the lack of basic

and accurate statistical data in all sectors. This has been compounded by the failure of the 2011 National Census and completion of our national accounts up to current. The current systems of election are very costly resulting in one to many election-related violence, loss of many lives and property valued into the millions of kina. So many have ended up in court of disputed returns. A total overhaul or a reform is required before the next general elections.

Our Defense Force is not adequately equipped to assist in national disasters and in call-outs by the Government because it lacks air capacity like helicopters, its own plane and its own ships.

Mr Acting Speaker, despite our plans to grow the agriculture sector, the lack of world class bio-security regime will continue to be a major threat to the sector. The damage that Cocoa Pod Borer did to the cocoa industry shows clearly the devastating effects of disease. The current coffee borer and the Bogia coconut syndrome negatively affected the production of major agriculture commodities.

The review also found that the agriculture production in this country is very price-elastic, thus our cash crop farmers are growing cash crops and attending to the fields only when the prices for their commodities are high.

Focus of the Medium Term Development Plan III.

Mr Acting Speaker, these conclusions have helped us shape the formulation of the Medium Term Development Plan III, which has the overarching objective of securing our future to inclusive sustainable economy growth with eight key result areas which I will now indicate below.

(1) Increasing revenue growth and wealth creation.

Mr Acting Speaker, we must generate more revenue with broad based economic activities and wealth creation which will benefit the people of this country.

This will be achieved through seven economy growth goals.

- Increase revenue from national and provincial tax and non-tax collections and dividends by 40 per cent from K10 million to K16 million.
- Increase export of major agriculture commodities, fisheries products, process timber manufacturing and manuals.
- Create more employment and opportunities for youth and build the capacity of our productive workforce.
- Increase the amount of bank of a land available productive utilisation to unlock our economic potential and engage landowners in the formal market.

- Reducing major food items like rice, dairy, fresh produce and meat is critical.

We must reduce the import of skilled technical labor by upgrading and increasing the number of TVET Institutions and also the quality of the programs they are offering.

We must continue to support the growing of wealth for our citizens by promoting SME growth and attracting direct investments.

Mr Acting Speaker, we will unlock the vast untapped economic growth potential of our country and partnerships with private sector investment in economic projects are critical. Priority focus is on commercial agriculture to replace imports and to increase exports and secure high value products by processing domestically. This will create more jobs and generate income for our country like the PMIZ project in Madang which this Parliament has been discussing over the past week.

(2) Quality Infrastructure and Utilities.

Our Government will invest substantially in key and critical transport infrastructure to reduce the cost of doing business and to be resilient to natural disaster to expand the civil economy growth through the country. These key infrastructure projects include the rehabilitation of the Highlands Highway, which was launched last week by the Prime Minister, the development of the Momase Highway, the development of the Central to Milne Bay Highway, the development of the Morobe to Gulf Highway, the development of the Baiyer to Madang Highway, the Gulf to Southern Highlands Highway and of course new international wharves in Wewak, Kikori, Manus and the Madang Airport re-development and other major infrastructure projects of renewable energy which will be undertaken by the Government in partnership with the private sector to provide much needed reliable and affordable electricity to our people and our various economic activity around the nation.

(3) Sustainable Social Development.

Mr Acting Speaker, the Government plans to have sustainable social development where the formal and informal system structures and processes in relationships actively support the current generation without compromising the future generations. The Government will continue to implement tuition fee free policy to further expand access to education for all with the emphasis on improved quality of education.

The Government will also provide more skills training implementations for our growing youth populations with establishments of regional youth's business incubation centers to upskill and empower our young people to take up certain employment and employment options. We will also bring in specialist Mathematics, Science and English teachers to assist us in improving our performance in critical subjects in the secondary

schools. We are also investing in upgrading all our National High Schools into Schools of Excellence and that process has started with the funding of that program in the 2019 Budget.

(4) Implement Strategic Investment in Health Centers.

Mr Acting Speaker, we will implement strategic investment in secondary health services and improve health systems in the district through the introduction of the Level 4 district hospitals in every district of this country which we started last year. Port Moresby General Hospital and ANGAU General Hospitals will be upgraded to Level 4 super-special hospitals and will be equipped to provide diagnostic services for the and treatment of cancer, heart and other diseases to prevent many unnecessary loss of lives. We are also building the new Enga and Central hospitals and upgrading others around the country.

Mr Acting Speaker, as for sports, the Government plans to upgrade sports stadiums in Lae and Goroka to international standard, train more skilled personnel by facilitating exposure to quality training in-country and programs abroad and incentivize sports personnel to aspire to excel in the medium term.

The inclusion of gender equality highlights the seriousness of the status of women and girls locally and globally. Papua New Guinea women continue to struggle for inclusion in the decision making processes. Papua New Guinea's second National Goal declares that all citizens have an equal opportunity to participate in and benefit from the development. However, there is still a lot of work to be done to ensure women are equally represented in decision making in the wider society. The Government will put further emphasis on gender equality and aspects of our development activities and services to improve status of women with their empowerment.

In Papua New Guinea traditional society people with disabilities are protected and taken care of by their respective communities and societies. However, the right base approach must be promoted to provide some opportunities to people with disabilities as ordinary people in education, health services, employment and others. These are human resource with the potential and capability to contribute towards development of our country.

Additionally, Mr Acting Speaker, land and maritime borders and national disasters have placed a lot of demand on national security and our Defence. Other threats include transnational crime, drugs, weapon trafficking, terrorism, human trafficking and illegal immigration. The Government will improve enforcement of the rule of law and prosecution by capacitating all law and order agencies and further rollout of law and order justice sector programs throughout most part of the country, including rural and remote areas with the increasing number of police personnel and magistrates at district courts. We will also enhance

national security by strengthening the Papua New Guinea Defence Force land and naval capabilities.

(5) Improved Service Delivery.

Mr Acting Speaker, a defective service delivery is one of the biggest impediments to the development of our country. One of the major constraints is lack of capacity in the districts and provinces. The capacity issues mostly relate to poor infrastructure and actual establishments of service centers as well as relevant manpower requirements. For too long, these services have been centralized in Waigani and much needed goods and services are not reaching the people in the communities, especially the rural areas where the majority of or people live.

21/05

Therefore the Government will focus improve service delivery in the districts under the new districts town development program with the district development authorities as the frontline service delivery vehicle to strategic investment in district hospitals, court house ,police stations, markets, economic roads and other social and economic facilities with capable manpower to deliver services effectively especially to the districts.

(6) Improved Governance

Mr Acting Speaker, building effective and efficient governance in the public sector has posed a big challenge within the PNG Government system for many years despite a number of efforts to improve its performance. Public service effectiveness in PNG is rated at the bottom in the world for its inability to control expenditures and disburse the approved Budget properly. Lack of proper record of citizens and effective electoral systems are challenges in establishing effective and stable governance in the country.

In this regard, the Government will ensure that the ongoing National Identification Registration Program will be rolled out to all the provinces. I want to take this time to thank all the members of Parliament, districts and provinces to part of the rollout of the NID program.

The electoral system will be modernised with the introduction of electronic voting for the 2022 National Elections. We will make sure the integrated financial system will be put in place in every province and district to improve public financial management.

(7) Responsible Sustainable Development

Mr Acting Speaker, in 2016 the Government took an innovative approach in developing the PNG Strategy for Responsible Sustainable Development consistent with the UN's 2030 Sustainable Development Goals agenda. The change of approach from the brown-based economy to green growth economy is aimed at promoting a robust and sustainable economy.

PNG hosts an abundance of natural and diverse resources. About 80 per cent of the PNG's rural population relies on land and marine resources for food and as sources of income. PNG makes up only 1 per cent of the world's landmass, but hosts the third largest rain forest and it is home to almost 7 per cent of the world's total biodiversity, making it one of the remaining countries in the world with rich biodiversity and intact ecosystem. These key assets must be protected and conserved for the future generations.

PNG is also located on the Pacific Ring of Fire and is one of the most disaster-prone countries ranked within the top six countries in the Asia-Pacific region with high exposure to earthquakes and volcanic eruptions. Building capacity in the various stakeholder's agencies is the priority of the Government as we move into the future to have strong coordination amongst stakeholders support agencies to deal with disaster related matters.

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The framework also sets out the effective monitoring, evaluation and reporting processes to promote greater efficiency, productivity and ultimately achieve the intended national development outcomes.

The MTDP III serves as the national development framework to deliver the key development outcomes and targets for the next five years.

It guides the national and sub-national governments to:

- Focus on key economic, infrastructure, social, law and justice development outcomes;
- Adopt a medium and long-term view to development planning, implementation and monitoring.

Mr Acting Speaker, we need to align all development plans over the medium term (2018-2022) towards achieving the Vision 2050 targets and identify and prioritize resourcing of the sector programs and projects in the next five years.

Furthermore, the MTDP III will guide PNG towards achieving high-income status by 2050 as envisaged in the PNG Vision 2050.

The MTDP III compels us all to adopt a medium to long term approach to sustainably manage our economy and provide quality social services to our people.

Key programmes and projects targeted for investment by sector agencies and provinces over the medium term are clearly outlined with their specific funding requirements. These programmes and projects are locked into the five-year MTDP III Investment Plan and funded through the annual budgets, the support of our donor aids and of course tax credit schemes.

In summary, the MDTP III outlines the O'Neill-Abel government's roadmap to grow the economy significantly in the next five years (2018-2022) with the goal of generating higher internal revenue on a sustained basis to meet the growing demands and needs of our population.

Our government will invest over K27 billion to fund the implementation of the MTDP III. If funded fully and implemented successfully, this Plan has the potential to transform our rural districts and communities. Papua New Guinea will witness improvement in the level of services provided to our people. Better quality health and education will enhance the overall quality of lives for our people over the medium term.

Mr Acting Speaker, to secure more funding from our Development Partners, the Government has revised the Development Cooperation Policy. The focus of the policy is now shifted to national, provincial and district infrastructure projects, especially on a kina for kina basis and further directs the 50 per cent of the total Aid funding to support infrastructure projects.

We have also increased the funding from the Tax Credit Scheme to assist the Government in financing this Plan. As I have alluded before, NEC has approved the Tax Credit rate to 0.5 to 0.52 per cent. The Prime Minister will be launching the new guidelines in March in the Leaders' Summit.

In this way, we will have a better chance of meeting our own development targets and the Global UN Sustainable Development Goals in many areas.

Mr Acting Speaker, our challenge is to fund and successfully implement this exciting Plan that builds on the investments and many lessons of the past two Medium Term Development Plans.

Our Government is passionate about delivering much better development outcomes for our country to build a solid base for further growth and prosperity in the years ahead as we all work together to achieve the Vision 2050 target of being a top 50 nation in terms of the Human Development Index ranking in the world.

I thank the Prime Minister, Hon. Peter O'Neill, and my colleague ministers for their invaluable inputs, guidance and approval of the Plan. I look forward to their support in implementing the MTDP III successfully over the next five years.

Mr Acting Speaker, I call on both sides of the Parliament to take ownership of the MTDP III and support its implementation in our districts and provinces and request all to complete your district and provincial development plans by end of November 2018 that is totally aligned to our MTDP III for presentation to the Secretary for Planning for approval.

We commit our Plan to God and trust that with his providential care we can scale the heights and achieve the ambitious targets we have set for ourselves in pursuit of our goal to "Secure our future through inclusive sustainable economic growth".

I commend the Medium Term Development Plan III (2018-2022) to the honourable members and to the people of Papua New Guinea.

Mr JAMES MARAPE (Tari-Pori – Minister for Finance) – I move –
That Parliament take note of the Paper.

Debate adjourned.

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**DEPARTMENT OF NATIONAL PLANNING AND MONITORING – PAPUA NEW
GUINEA DEVELOPMENT COOPERATION POLICY (2018 –2022) – PAPER AND
STATEMENT– MOTION TO TAKE NOTE OF PAPER**

Mr RICHARD MARU (Yangoru- Saussia – Minister for National Planning) – I am pleased to address this House today to table the outcomes of the reviewed 2015 PNG Development Cooperation Policy and present to you the new PNG Development Cooperation Policy 2018-2022 which focuses on strengthening development cooperation effectiveness. It is about ensuring that optimal results are achieved through effective coordination between the Government, our Development Partners and key stakeholders into the medium term.

Mr Acting Speaker, Papua New Guinea is forging forward as a confident nation with a strong sense of its future direction. This Government's approach is to take greater control of the management of development cooperation resources, mobilise and strengthen partnerships, apply effective delivery modalities and explore innovative partnership approaches. With the Medium Term Development Plan III 2018-2022 (or MTDP III) as the guide for aligning development cooperation, this Government is taking serious steps to improve its coordination responsibility to ensure that development partners adhere to the Government's due diligence processes in resource mobilisation and overall coordination approach.

Mr Acting Speaker, it is evident that over time, the range of sources and the volume of development cooperation resources (public and private, international and domestic, lending and non- lending) has increased markedly. The changing political, economic and

socio-cultural environment of PNG and the world at large are contributing to changes in the development cooperation landscape.

It was in 2015 that PNG's inaugural Development Cooperation Policy (DCP) was established as a step forward to effectively and efficiently guide the Government in mobilising, coordinating, managing and delivering development cooperation resources. However, as we take a deep dive into the results achieved this far, experience has shown that further reforms are necessary to strengthen development cooperation effectiveness.

Mr Acting Speaker, a review of PNG's first 2015 DCP became necessary after three years of implementation because it has been observed that the Government is not gaining optimal results from development assistance. The main shortcomings in its implementation include Development Partners' lack of alignment to Government's development priorities and plans and weak coordination within Government agencies, between Government and Development Partners, and amongst Development Partners.

Mr Acting Speaker, a review of the 2015 PNG DCP was conducted in May 2018 by a team of representatives from the United Nations and officials of the Ministry and Department of National Planning and Monitoring. Consultations were carried out with Government stakeholders, the private sector and Development Partners.

Let me outline the key outcomes of the Review which sets the basis of how this Government takes forward this important agenda on ensuring effective development cooperation is achieved.

Mr Acting Speaker, there is a growing concern with the practice of development partners designing and deciding on modalities of aid delivery outside PNG without consultations with Government. Instead of the Government determining development priorities and directing DPs to align their programmes, development partners are instead approaching the Government at final design stages, seeking approval. This has to stop.

Mr Acting Speaker, negligence by both Government agencies and development partners in observing existing processes has in some cases led line ministries and decentralised entities to negotiate assistance directly with development partners. This undermines the central role of DNPM in the management and coordination of assistance which lead to projects being funded outside of Government's priorities.

There are concerns on significant proportions of development assistance directed towards popular sectors, provinces and districts, thereby creating unequal distribution of resources across the country.

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Such preferences are pursued at the expense of other sectors, provinces and districts identified as poverty corridors requiring much needed development assistance.

- Issues such as having credible databases, cross-department coordination, and effective management of resources are identified as key challenges.

- Timely drawdowns and disbursement of development cooperation resources are not always achieved due to technical absorption capacities of executing agencies and with delays in providing government counterpart funding. This runs the risks of additional costs to investments incurred or at the loss of investment.

- Important actors such as South-South cooperation partners, CSOs, philanthropic foundations (international and national) and private sector organisations are increasingly contributing financial resources and technical know-how in the development space which are not always under the auspices of the Government.

Mr Acting Speaker, I wish to say that there are many donor agencies across the world that are donating privately to many of our private sector companies. These companies are getting all the credit for the money that is coming from other people and not what is channelled through the Government.

The Government will take appropriate measures to formalise these contributions in its planning, coordination, programming and evaluation processes.

- Sector coordination mechanism.

Mr Acting Speaker, within Government, the status of coordination of development cooperation within respective sectors is varied among each sector. Sector agencies of government are expected to lead and coordinate yourselves as a sector so that we can achieve the development targets set. One agency alone cannot achieve this.

Development Partners use of parallel systems. A key factor influencing slow progress in the alignment and use of government systems is the lack of confidence by development partners in national systems and processes. Critical challenges persists in areas of coherence and alignment, country ownership, unclear development assistance packages, multi-layered levels of coordination, development partners use and strengthening of government systems and use of national monitoring systems.

- Utilization of technical advisors.

Aid received by PNG is likened to boomerang-aid with large components of development partners financing programs employing many foreign technical advisors. In addition there is limited skills and knowledge transfer between international technical advisors and local counterparts.

Mr Acting Speaker, I know of one development partner who designs programmes outside the country, hires all the technical advisors from overseas and brings them into this country and basically forces the Government to sign on the documents. And this is done without advertising the positions where we have a lot of nationals who are capable and know our country and the issues better. This has to stop.

- Formulation of PNG's support to the Pacific Region.

Mr Acting Speaker, PNG is not only a recipient of aid but also a development partner in the Pacific Region, and has assisted smaller island states in the past during natural disasters. In fact, we are paying for scholarships for some of the Island countries.

This assistance needs to be better coordinated through appropriate policy guidelines. We as a country need to strengthen and ensure meaningful partnerships are forged and results of those partnerships are reported to Government and the people of PNG.

- Where do we want to be?

Mr Acting Speaker, our overall aim is to gain sustained maximum benefits from development assistance. Government is to effectively coordinate all development cooperation programmes and projects and ensure they are clearly linked to the MTDP III 2018-2020, priority sectors and furthermore to the relevant targets and indicators. Adopting effective strategies for capacity building and skills transfer for sustainable development is equally important to the overall development agenda of PNG.

The private sector and civil society organisations have evolved to play an intensified role in the development space. Innovative approaches with traditional development partners such as sister-city arrangements and exploring strategic partnership emerging in the global development cooperation arena are important steps to take forward. It is only when the government takes leadership we will be able to effectively coordinate development assistance and improving PNG's development performance. We will need to change the way we have been working.

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- How do we get there?

The formulation of the new Papua New Guinea Development Cooperation Policy 2018-2022 is about making the government take the driver's seat in development cooperation and builds on achievements to date, examines the persisting issues of coordination between development partners and Government, and takes into account the changes within PNGs development cooperation landscape that needs to continue to take advantage of.

- Eleven Development Corporation Principles.

The eleven key guiding principles of the new DCP 2018-2022 sets the parameters of engagement for PNG and its DPs. The principles also underpin PNG's deliberate move to localise its commitment to global initiatives on aid and development effectiveness by consolidating achievements by addressing local development challenges and opportunities.

Goals and objectives of the PNG DCP 2018-2022

Mr Acting Speaker, the ultimate goal of the new PNG DCP is to ensure that the development cooperation resources makes maximum contribution to the achievement of PNG's MTDP III and supporting national, sectoral and sub national policies and plans.

These will be achieved through the following five key inter-related objectives:

- To assert the government leadership in the management of development cooperation alignment to PNG's objectives and targets for better value of support;
- To mobilise strategic and innovative external partnerships to promote effective and sustainable development cooperation;
- To strengthen partnerships and coordination between development partners, government and stakeholders in the delivery of development cooperation interventions.
- To build and strengthen national capacity for the effective delivery and sustainability of development initiatives.
- To institutionalize and coordinate PNG's regional assistance in the region.

Strategic actions have been listed against these objectives so that there is a clear understanding of expectations between the Government, development partners and key stakeholders.

Delivery Modalities

Mr Acting Speaker, with the many experiences on the development cooperation front now, the new DCP 2018-2022 expounds on a number of delivery modalities as part of the effectiveness approach that we take forward. Let me outline some of the key innovative approaches we would like development partners to work with government on.

- Ensure that 50 per cent of total development assistance to PNG is steered towards economic infrastructure.

- Greater development partner presence at the sub-national level and encourage incentives in cooperation with development partners in a kina for kina arrangement.

- Increased budget support arrangements in accordance with global best practice and PNGs fiscal requirement processes.

- Programmed based approach that provides bigger certainty of financing over a longer period towards a certain priority of Government. Such include sector-wide approaches and multi-tranche financing with the Asian Development Bank which has been successfully expedited with the civil aviation sub-sector transport.

- South-south cooperation between PNG and countries of the south in terms of knowledge and experiences, training and scholarships, technology transfer, financial and monetary cooperation and in kind contributions.

Climate financing given PNGs status as a vulnerable country to the effects of climate change and the need for the government to establish effective coordination mechanism at a country level.

Implementation and coordination

Mr Acting Speaker, the Government's formal engagement with its development partners is essential to the coordination role that we as a government will need to take lead on. A dialogue mechanism is established to ensure effective engagement, project monitoring and performance and building mutual trust and accountability through the partnership.

The Ministry and the Department of National Planning and Monitoring plays an important role in the convening government-wide discussions and participating in the different levels of the coordinating groups. Existing dialogue mechanisms exist and we will build on these at the various levels to effectively expedite implementation and coordination.

Mr Acting Speaker, the Government intends to legislate its development cooperation approaches through relevant amendments of the *Planning and Monitoring Responsibility Act*. Some of the existing associated laws and regulations do not reflect responsiveness to development corporation realities in this present time.

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Appropriate measures will be taken in order for PNG DCP between 2018 and 2022 to be implemented through appropriate legislations.

Mr Acting Speaker, with regard to monitoring and evaluation, the Government is committed to achieving results and developing an economy that provides all levels of elements of well-being for its citizens. The Government's policy M&E Framework is being finalised with the intention to improve decision making, accountability and development learning in the design, implementation and management of Government's national policies, strategies and plans.

The PNG DCP 2019–2022 will also adhere to the policy M&E Framework requirements to ensure that Government, its development partners, and relevant stakeholders involved in development cooperation programmes and projects considers the important elements and requirements of M&E.

Mr Acting Speaker, in conclusion, development partners remain as important actors in the development process of PNG and through this revised policy and a clear direction set out in the MTDP III, the government at all levels will need to take leadership, adhere to the process within Government on the mobilisation of resources, strengthen and restore engagement through the establishment of dialogue mechanisms and effectively utilise development cooperation resources for optimal results. Through our joint effort, we look to accelerate and strengthen our drive to bring about inclusive and sustainable economic growth for PNG.

Mr JAMES MARAPE (Tari-Pori – Minister for Finance) – I move –
That Parliament take note of the paper.

Debate adjourned.

**NATIONAL DEVELOPMENT BANK 2017 ANNUAL REPORT –
PAPER AND STATEMENT – PAPER NOTED**

Mr WILLIAM DUMA (Hagen – Minister for State Enterprises) – Mr Acting Speaker, I present the following paper pursuant to statute.

National Development Bank- Annual Report, 2017.

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

Leaver granted.

Mr Acting Speaker, it gives me great pleasure as Minister responsible for the National Development Bank Limited (NDB) to present to this Parliament, the 2017 National Development Bank Annual Reports as required under Section 33(1) of the *National Development Bank Act 2007*.

Mr Acting Speaker, the NDB operated profitably for five years from 2013 to 2017 despite the reduction of its interest rate from an average of 16 per cent to 6.5 percent in 2013 to implement the National Government's SME Stimulus Policy. There has been a reduction in the profitability of the bank due to the lack of funding support even though the demands for SME loans have increased on an average of 20 per cent per year.

However, the Board and Management have been resilient in their efforts to support this very important Government intervention to stimulate the growth of SMEs in the country.

Mr Acting Speaker, the National Development Bank implemented the National Government's SME Stimulus Package from 2013 to 2017 by lending over K419 million to the SME sector at the concessional rate of 6.5 per cent while the National Government provided K211.9 million over this period.

The National Development Bank has funded a lot of indigenous businesses and championed financial inclusion in the country meeting the hopes and aspirations of the silent majority who wanted to participate in the growth of the local economy.

Mr Acting Speaker, in 2017 the NDB group made an operating profit of K5.7 million. However, a tax loss of K11.5 million after loan provision of K36 million relating to legacy accounts of the previous years in compliance with international accounting standards was adjusted and noted.

Mr Acting Speaker, following the successful implementation of the National Government's SME Stimulus Package and the remarkable performance of the NDB Board and Management, I am convinced that NDB is ready to be entrusted with adequate recapitalisation of more than K50 million annually so that NDB can increase its lending to the indigenous private sector to assist our Government to create wealth for our citizens.

Mr Acting Speaker, this will ensure that NDB's operations are sustainable going forward as the current operating model is unsustainable going forward due to the lack of adequate funding support over the last five years has resulted in reduced profitability.

Mr Acting Speaker, I am extremely delighted to inform this Parliament that the National Development Bank has for the eighth year in a row, completed its external audits

since 2010. NDB group's financial statements for the 2017 have been audited by chartered accountants with unqualified audit opinion. This further affirms the improvement in the bank's overall governance. National Development Bank is the leading SOE in terms of implementing good corporate governance and best practice.

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Mr Acting Speaker, National Development Bank has been and is still the number one vehicle for empowering indigenous businesses in PNG. National Development Bank is the PNG's business development bank and the only financial institution dedicated exclusively to local entrepreneurs.

Mr Acting Speaker, National Development Bank is the champion of indigenous business and financial inclusion in PNG, representing the hopes and aspirations of this silent majority. The NDB group spearheaded the indigenous SME drive and brought this issue to the fore by hosting the 2011 and 2013 SME Summits and continues to support important National Government's Policies on the inclusive economic growth for the country.

Mr Acting Speaker, National Development Bank is the key implementing agency for the National SME Policy 2016-2030 that the National Government will use to grow the indigenous private sector to assist the Government meet its Vision 2050 objectives of reversing the current business ownership imbalance where only 10 per cent of our economy is owned and controlled by our citizen. It has already been at the forefront in promoting and supporting the implementation of the National Government Economic Development Policies through its lending programs for an inclusive and sustainable economic growth.

Mr Acting Speaker, National Development Bank and its two subsidiaries; People's Microbank and National Development Bank Investments offer a wide range of products and services to the SME sector. People's Microbank offers loan products and savings account to the micro and small business including the informal sector. NDB Investments offers business incubation products to its customers who want to operate under different business models. National Development Bank Group has the capacity and capability to offer electronic banking products leveraging on modern digital technologies to the rural areas of PNG. It has a total of 29 branches operating in most of the provinces and some districts in the country.

Mr Acting Speaker, the 2017 Key Performance Highlights for the NDB Group are as follows:-

- The National Development Bank Group lent K75 million in 2017 at concessional rate of 6.5 per cent per annum;

- It ensured quality loan book by maintaining loan arrears over 90 days within 2 per cent a good performance compared to the commercial banks.
- It delivered a net profit of K2.233 million for its subsidiary, People's Micro Bank (PMB) within four and half years since its inception in April 2013.
- It maintained its good loan book in 2017 at K222 million.
- It grew its net assets from K523 million restated in 2016 to K550 million; an increase of K27 million.
- It increased its lending to women entrepreneurs under the NDB Women in Business Segment by K9.3 million.
- It increased savings accounts opened at People's Micro Bank by 17 per cent to 89,000 in 2017 from 77,000 in 2016, and lent K6.2 million as loans.
- It rolled out Stret Pasin Business Incubation Centres in Port Moresby and Goroka.
- Following the completion of the external audit for the NDB Group financial statements for year ended 31 December 2017, additional loan provision of K36 million relating to prior years were made in the accounts in accordance with the international accounting standards resulting in the tax loss of K11.486 million after NDB Group recorded an operating profit for the year of K5.744 million. This was a prudent action by the Management and Board to maintain a quality loan book. NDB Group had recorded net profits after tax for the previous eight consecutive years.
- National Development Bank continued its strategy to improve its customer service for sustainable growth by pursuing the business process reengineering strategy to improve the Bank's operating systems creating value for its customers.

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Mr Acting Speaker, the NDB has continued to provide access to financial services over the last five years for more Papua New Guineans in all the communities to have access to financial services to start up or to grow their business activities and then to move up to become SMEs and large companies.

Mr Acting Speaker, consistent funding every year to the bank and from its earnings the MSMEs and agriculture projects will be supported to meaningfully engage in productive activities.

Mr Acting Speaker, we want to see more of our Papua New Guineans, especially those in the country sides or rural areas have access to financial services to start up or grow

their business activities in the MSME sector and especially the agriculture, tourism and fisheries sectors because these are sustainable industries compared to our extensive industries which have a short lifecycle.

The NDB will continue to support nationals involved in agri-business to ensure food security, import replacement and explore export opportunities and increase employment.

Mr Acting Speaker, the O'Neil-Abel government must be acknowledged for providing more support to the National Development Bank, lending to the agriculture sector through 2017, 2018 and 2019 budget appropriations.

More support will be given to the growth of the agriculture sector in the rural areas where the mass of our people are, giving them opportunities participate in industry that they are already familiar with.

In conclusion, Mr Acting Speaker, the O'Neil Government realizes that more support for our NDB is needed to enable its roll out and operations across the country to provide critical banking services to our people aimed at creating wealth for our citizens and reaching our strategic plan Vision 2050 that underpin future prosperity of our nation.

Therefore, the O'Neil Government consistently allocated budgetary support to the National Development Bank over the years, particularly in 2016 and 2017.

Thank you very much, Mr Acting Speaker.

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

Motion – That the Paper be noted – agreed to.

Paper noted.

COCOA BOARD OF PNG 2016
ANNUAL MANAGEMENT REPORT – PAPER AND STATEMENT –
PAPER NOTED

Mr BENNY ALLAN (Unggai-Bena - Minister for Agriculture and Livestock) – I seek the leave of Parliament to make a statement in connection with the Report

Leave granted.

Mr Acting Speaker, I rise in this Honourable House to present to you and the people of this great nation the Cocoa Board of Papua New Guinea 2016 annual management report.

Mr Acting Speaker, I have to admit to this Parliament that it is a statutory requirement under Section 63 of the *Public Finances Management Act 1995* that an Annual Report Management Report of any public institution be presented to Parliament. Therefore it is indeed a pleasure for me to present this 2016 Annual Management Report of Cocoa Board of Papua New Guinea to this Parliament.

Mr Acting Speaker, the Cocoa Board of Papua New Guinea is an agriculture commodity regulatory organisation created under Section 4 of the *Cocoa Act of 1986*. The Cocoa Board regulates the cocoa industry in Papua New Guinea.

Mr Acting Speaker, the board's functions are not limited to:

1. control and regulate the growing, processing, marketing and export of cocoa, cocoa beans and cocoa product;
2. To establish price stabilisation, price equalisation and stock holding arrangement within the cocoa industry; and
3. To promote the consumption of Papua New Guinea cocoa beans and cocoa product both locally and internationally.

Mr Acting Speaker, the fourth and one of the important functions of the board is to promote, research and development programs for the benefit of the cocoa industry in Papua New Guinea and to engage in the extension services and related programs by itself or in cooperation with other persons or bodies for the benefit of the cocoa industry.

Mr Acting Speaker, the Cocoa Board also functions to act as an agent for and to carry out the obligations of the State under any international agreements relating to cocoa including meeting all financial obligations of the State or the board under any international agreement, except membership fees of an international organization.

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Mr Acting Speaker, the cocoa industry of Papua New Guinea is a lucrative rural based agriculture industry which contributes about K300 million to the Gross Domestic Product annually. About 151, 000 households (representing over 2 million people) in the coastal regions of PNG depend on cocoa as a main cash crop and it hugely impacts the rural livelihoods. Cocoa is now also grown in some pockets in the Highlands of Papua New Guinea, specifically in Western Highlands, Jiwaka, Eastern Highlands and Simbu provinces.

It is this Government's vision that cocoa must and will be extended to all the provinces that cocoa trees can grow. The village farmers will have a choice on which crop to cultivate. In the past we had Highlanders planting coffee and tea only, while coastal villages concentrated on copra and cocoa only and few had oil palm. However, in this term of Government, I wish to encourage all commodity boards to reach out to many farmers as possible as they can. We must give the choice to the farmers to take. They must choose to plant two or more cash crops. This is so that when natural disaster or diseases strike one crop, the farmer can have other means of survival through the income from another crop.

Mr Acting Speaker, as we all know the cocoa industry was devastated in 2006 by the Cocoa Pod Borer. In March 2006 the Cocoa Pod Borer was first detected near Kerevat, East New Britain Province. An eradication programme was implemented also in 2006 to contain the disease in East New Britain which ended on 16 January, 2007.

However, after vigorous quarantine efforts to contain the pest in East New Britain, the pest had spread to all major cocoa growing provinces including East Sepik, West Sepik, Madang, Autonomous Region of Bougainville, New Ireland, Manus, West New Britain and Morobe Province.

Cocoa Pod Borer re-emerged within the eradication zone in late February 2007. Eradication was the preferred mode by which Cocoa Pod Borer was to be dealt with. However such mode was practically costly. Since then the response was switched from an eradication mode to a management mode.

Mr Speaker, Cocoa Board as the custodian of the cocoa industry took up the responsibility to co-ordinate and facilitate the management of the devastating Cocoa Pod Borer pest. Cocoa Board intervened with the following steps;

1. Awareness on Cocoa Pod Borer and what the project intended to achieve;
2. Integrated Pest and Disease Management or (IPDM) Technology in relation to cocoa crop calendar;
3. Establishment of model blocks;
4. Distribution of tools & chemicals;
5. Distribution of cloned materials; and
6. The trial use of Biogro Product.

Mr Speaker, the overall objective of the project is to increase skills and knowledge of farmers on Cocoa Pod Borer Management for increased production and improved livelihoods of smallholder cocoa farmers. The Cocoa Board had a firm belief that infestation can be

greatly reduced when farmers are appropriately trained to manage their cocoa blocks using the best farm management practices available. The Cocoa Pod Borer management project was rolled out in East New Britain which the pest was detected and later extended to cover other provinces which the pest had spread to.

The technology is still used today amongst most cocoa farmers in all the affected cocoa growing provinces of PNG which has proven to be very effective in the management of the Cocoa Pod Borer pest.

The Board has embarked on promoting, distributing and planting the 18 variety of Cocoa Pod Borer tolerant material released by the research division of Cocoa Board.

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These varieties are planted in conjunction with trainings of IPDM given to farmers to help manage their crops. It is now under control, however, surveys indicate that the pest is still causing havoc in cocoa growing areas and encroaching into new areas therefore it is important that funding be made available to the Board in its programs for example; Nursery Project, IPDM Trainings, Research and development, that help in combating the spread of the CPB pest or providing farmers with Cocoa Pod Borer tolerant planting materials.

Mr Acting Speaker, most of the cocoa was exported bringing in a total revenue of K340 million. This corresponds to 21 per cent higher or K58.9 million more in the previous year.

Mr Acting Speaker, it was also noted that thirty-three tonnes of the total produced was processed domestically by Paradise Foods Limited.

The increase in production was attributed mainly to conducive weather that supported crop development in PNG and the success of various intervention programs in the industry coming into fruition.

Mr Acting Speaker, the Cocoa Board has embarked on a District Cocoa Nursery Project. The project aims to have a nursery in each of the cocoa districts so to assist farmers to increase production and to eliminate disease by centrally coordinating all activities from nursery to planting, harvesting and production.

Mr Acting Speaker, we have established 79 main nurseries in each project site and 21 are satellite nurseries to further support quick distribution and supply of cocoa seedlings to cocoa farmers.

We have planted 1,580, 322 cocoa seedlings through this program which equates to 2,528 acres at 625 trees per hectare.

There are 96,900 polybags that are already filled in respective nurseries ready for seeds to be sowed in them and 295,496 cocoa seedlings being raised in the nurseries at each project site. So far we 9,213 farmers have planted cocoa seedlings in their cocoa plots.

Cocoa Freight Subsidy Scheme

Mr Acting Speaker, the Cocoa Freight Subsidy Scheme (CFSS) was set up with the primary purpose to promote cocoa activity as the premier and sustainable income earning opportunity for remote area farmers. The Cocoa Board through this new initiative intends to promote and increase production and quality through its transport and marketing intervention approach.

Cocoa subsector organisations are used as a primary vehicle for achieving the objectives of the project and mandate of Cocoa Board of PNG and the Industry. Almost all cocoa growing provinces are covered under the freight subsidy project except Manus.

The objective of the project is to provide market access to high potential but inaccessible remote districts in the country move cocoa to central markets. An estimated 10 to 15,000 tons of cocoa valued at K30 million to K40 million (2014 price) is stranded in remote areas of the country. The problem this project intends to address is the escalating freight costs the growers do face in accessing their cocoa to the market.

This project is proving to be effective in ensuring extension services to the cocoa growers is facilitated when the freight program continues to promote and support a continuing development of a sustainable cocoa industry in the rural and inaccessible district. It is a stimulus package that has and is proving to create economies of scale for sustained growth. The Freight Subsidy Scheme is yielding very positive results.

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Mr Acting Speaker, finally, but not the least, the Cocoa Board of Papua New Guinea's income in 2016 was about K9, 077,952 million and expenses were at K7, 877,873 million. A net surplus of about K1, 200,079 was brought forward to the 2017 budget year.

With that I take this opportunity to sincerely thank the Board Chairman and the members of the Cocoa Board of Papua New Guinea, the management and every employee of Cocoa Board for a job well done in producing the 2016 Annual Management Report.

I also would like to extend sincere thanks to the Cocoa Industry players and their staff and wish them a good year in 2019.

Mr Acting Speaker, I commend the Cocoa Board 2016 Annual Management Report to this honourable House.

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

Motion – That the Paper be noted – agreed to.

Paper noted.

ADJOURNMENT

Motion (by **Mr James Marape**) agreed to –
That the Parliament do now adjourn.

The Parliament adjourned at 3.30 p.m.