

SECOND DAY

Wednesday 26 June 2019

DRAFT HANSARD

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SECOND DAY

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

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

Sitting suspended.

The Acting Speaker again took the Chair at 10.25 a.m., and invited the Member for Lufa, **Honourable Moriape Kavori**, to say Prayers:

‘Long namba tu dei bilong dispel session, yu wokim nau anininit long dispela Praim Minista bilong Papua New Guinea, James Marape, mipela tok tenk yu long dispel moning. Toktok em yet em i God na dispela toktok bai yumi usim na toktok long rot bilong ronim dispela kantri na lukautim pipol bilong yu long liklik hap taim. Blesim Praim Minista, olgeta Minista na ol Oposisen tu, na givim mipela gutpela tingting, gutpela save long mekim tok long wok bai yumi ronim na long wanem rot bai yumi halvim ol pipol na kantri long dispela taim. Olsem na mipela prea na larim olgeta tingting na bel bilong mipela kam long han bilong yu. Dispela moning yu stap wantaim mipela na yu lukautim mipela long dispel dei long toktok bilong mipela long dispel moning. Olsem na mi prea na putim olgeta bel na tingting igo long han bilong yu long dispela dei long nem bilong Jisas, Amen’.

QUESTIONS

Ministerial Determinations -Rectification

Mr IAN LING-STUCKEY – Mr Acting Speaker, my questions are in relation once again to the confusion related to the ministerial determinations and lack of rectification that should have been taken by each respective minister.

Mr Acting Speaker, at this stage, I haven’t had a chance to go into the details of the economic and debts update as it is a document that deserves close examination. I will do this tomorrow or as

soon as it becomes publicly available, or if it should fall off the back of a truck. However, let me congratulate the new Prime Minister for ordering that this update be prepared.

This is not an update the Treasurer wanted. We are still waiting for his economic rescue plan, solutions to the country's problems. It not an update wanted by the former Treasurer, Charles Able to reveal his fake budget and debt figures. It is not an updated wanted even by Minister Maru for his fake medium term development plan three. When I examine this new documents from the new Treasurer, I really hope the sake of our new Prime Minister, and of course the people of PNG, it will not be yet more fake figures.

Mr ACTING SPEAKER – Honourable Member, whom are you directing your question to?

Mr IAN LING-STUCKEY – My questions are directed to the new Treasurer, of course. I am still extremely worried that we do not know the full truth or the magnitude of the economic mess left behind by the previous government.

02/02

There are just too many conflict of interest, meaning to say that the same ministers that are now tasked to fix the economy were the same people that created the mess in the first place. I am worried because we do not know if there is an old puppet master who is still pulling the strings and if it's true that he is still behind the Prime Minister's economic team.

My questions are:

(1) Mr Treasurer, why didn't you, yesterday in Parliament, simply state that you had responsibility for the *Fiscal Responsibility Act* (FRA)? Why didn't you simply admit that there had been yet another error from you and clearly claim responsibility for one of your key priorities of fiscal policy?

You just didn't answer the question. You just simply didn't step up to your new responsibility as Treasurer. A better start would have been to definitively concede the mistake and take clear responsibility for the FRA. Understand that it was actually the Prime Minister himself that coined the phrase 'the clowns of crowne'.

(2) Mr Treasurer, why is your economic update late?

Our Prime Minister stated during his first trip to Lae nearly two weeks ago that you would announce the state of the economy and debt on Monday 24 June, 2019.

Mr Treasurer, you have started off being late. Some would say just two days but given the state of PNG's economic crisis, it is still too late. Are you up to the job? According to your new performance agreement, will you be as late as the former Treasurer in delivering the so-called 100 days plan?

(3) Mr Treasurer, do you understand that the second most important piece of Budget legislation is the *Public Finances Management Act (PFMA)*? Modernising this Act in 2016, was a key achievement of our new Prime Minister, James Marape.

In case you are also late in reading your brief, this *Act* sets out responsibilities for the Treasurer and the Minister for Finance. The Treasurer should be listed as having clear responsibilities for the relevant parts of this *Act*, such as Section 2, 3(A), 4 (A), 23, 25 and 36 in the Ministerial Responsibility Determinations.

Once again there is confusion in the job statement for the new Treasurer. However, former Treasurer, Abel, is listed as having fully, responsibility for the entire *Act*.

What is going on, Mr Acting Speaker?

Mr Treasurer, please provide an explanation now or simply admit that you are new, inexperienced, still don't know what you are doing and simply in a 'snafu.'

Mr Peter O'Neill – Point of Order! Mr Acting Speaker, I think the Shadow Treasurer is simply misleading Parliament.

03/02

As one of the most experienced Members of this Honourable House, he knows that Ministerial Determinations are done by the Prime Minister; not the Treasurer. So why is he misleading the Parliament about the responsibilities of a single Minister. It is up to the Prime Minister to determine which Minister has responsibility and carriage over the *Act* that he is referring to.

Mr Acting Speaker, you should rule this question as out of order.

Mr SPEAKER – Ask your question, Honourable Member.

Mr IAN LING-STUCKEY –Thank you, Mr Acting Speaker. For the purpose of the Members of this Parliament and the former Prime Minister. If he had listened carefully, he would have heard that this question is with regards to the rectification measures that the Treasurer should now be taking. That is the question.

I am confused by my good friend across the Floor because it was only last week at Laguna, that he told me I was his good friend.

Mr ACTING SPEAKER – Honourable Member, please ask your question.

(Laughter- in -the -Chamber!)

Mr IAN LING –STUCKEY – Is this another typing error or uncorrected error? Or another sinister play behind the scenes from that ever present puppet master – your former boss, undermining and embarrassing the Prime Minister and our new Government yet again.

Mr SAM BASIL –Thank you, Mr Acting Speaker. Once again, I say that the responsibilities allocation was an oversight and it is being fixed. We are working on it so I do not understand why we allowed him to ask the same question he asked yesterday?

In reference to question 3, I will be delivering my State of the Economy address today, I want the Opposition to respect that and once we deliver that, we can debate on it.

As for the announcement, 24th June was on Monday and it was not a Sitting Day. I have to bring the Statement into Parliament before I make it public. Therefore, yesterday, 25 June, was half a day. So we did not have the time and we allowed you to ask your questions and concluded. Today is the time that we will deliver the statements. So I asked the Shadow Treasurer to be patient, and we will do it today.

Restore Parliament Artefacts

Mr KENNEDY WENGE – Thank you, Mr Acting Speaker. Before I ask my question, I would like to take this opportunity to congratulate the Prime Minister Honourable James Marape.

I want to thank both the former and the current Prime Minister for taking time out to visit my electorate in their respective capacities.

04/02

It was in good faith that the former Prime Minister resigned, which gave no effect to a pending motion of a vote of no confidence from the Opposition. He portrayed the true colours of the Southern Highlands to the rest of Papua New Guinea by enabling a smooth transition, and I am grateful that the Member for Ialibu-Pangia and the Member for Tari-Pori brought these changes about much to the delight of Papua New Guineans, especially the people of Nawaeb.

My second question is directed to the Chair.

Mr ACTING SPEAKER – Honourable Member for Nawaeb, you have to seek leave of the Chair before you ask your question.

Mr KENNEDY WENGE – I ask leave of the Chair to direct questions to you, Mr Acting Speaker.

Mr ACTING SPEAKER – Leave is granted, go ahead.

Restore Traditional Carvings at Parliament House

Mr KENNEDY WENGE – Mr Acting Speaker, tourists that travel to our country want to see artefacts such as traditional carvings.

The carvings that were originally displayed in front of the Parliament building were removed on orders from the former Member for Finschhafen who was then Speaker of Parliament. We had nineteen pieces of carvings representing 19 provinces but since then we have created extra provinces which brings it to 22 provinces with a total of 111 electorates.

Carvings representing provinces from all over Papua New Guinea were once part of this building including those from Nawaeb. Most of the tourists had the desire to visit the Parliament building to see these carving before anything else. For example, tourists can go to Menyamya where there are remains of dried human corpses in burial grounds. In East New Britain they will see the ‘dukduks’, and in the coast of Morobe, especially Bukawa there is an ancient canoe.

Mr Acting Speaker, our country needs to show its cultural diversity. The carvings that once adorned this building must be restored so that visitors can see them before going to the other provinces.

Mr Acting Speaker, can these artefacts or carvings be restored in their original place in front of the Parliament building?

Thank you, Mr Acting Speaker.

Mr ACTING SPEAKER – Thank you, honourable Member for Nawaeb. I have taken note of your question and will furnish an answer to you in tomorrow’s Sitting.

Thank you.

Mr BELDEN NAMAHA – Mr Acting Speaker. I would like to ask one or two questions to the Prime Minister of our country but before I do so, Mr Prime Minister, I wish to commend you for the first ever question that you were asked yesterday and the decision that you made. Unfortunately, I couldn’t commend you because there was a big blackout at the Kalibobo Light House yesterday.

Mr Bryan Kramer – Point of Order! Honourable Member, I don’t know but are you in Madang and you talk of the light house? If you have a question to the Prime Minister then direct it to the Prime Minister.

Thank you.

Mr ACTING SPEAKER – Honourable Minister, your Point of Order is in order!

05/02

Manus Asylum Seeker Deal Unconstitutional

Mr BELDEN NAMAHA – I was only joking.

Mr Acting Speaker, I highly commend the Prime Minister for the decision made to cancel the contract of a foreign security company, Paladin Limited to Manus Island Asylum Seeker Centre.

Mr Prime Minister, in 2013 when I was the Opposition Leader, I actually commenced court proceedings against the State on the Manus Asylum Seekers Centre.

The situation of the Manus Asylum Seekers was that, there was a memorandum of agreement signed between the Foreign Ministers of Australia and Papua New Guinea. Based on just the memorandum of agreement, we compromised our national interest, our national security and allowed a foreign interest to institute the Centre in Manus, which has now affected the lives of the innocent people of Manus Island. I understand, the Speaker and the Governor of Manus have been very vocal about this issue.

Mr Acting Speaker, I have actually resolved the issue for the Manus Island people and the people of this country when the Supreme Court unanimously, on the 26 April 2016 ruled that the Manus Asylum Seekers Centre shall be closed.

Mr Acting Speaker, for the benefit of Parliament and for the people of our country, I would like to lead the Parliament to the Seven Court Orders that were given by the Supreme Court. They are as follows:

(1) The Asylum Seekers or transferees were brought to Papua New Guinea by the Australian Government and detained at the relocation Centre on Manus Island, by the respondents contrary to their *Constitutional* right of personal liberty, as guaranteed by section 42 of the *Constitution*, and also *ultra vires* powers available under the *Migration Act*.

(2) The detention and the way in which the Asylum Seekers are treated in Manus Island Relocation or Processing Centre so far, affects other constitutional rights and freedom, such as the right to freedom under *section 32* of the *Constitution* are unconstitutional and are also *ultra vires* the powers available under the *Migration Act*.

(3) *Section 1* of the *Constitution, Amendment 37, Citizenship Law 2014* is unconstitutional and thus, invalid with no force in effect

(4) The detention of the Asylum Seekers on Manus Island in Papua New Guinea, purportedly pursuant to the purported amendment to the provisions of *section 42* of the *Constitution* by *section 1* of the *Constitutional Amendment 37, Citizenship Law 2014* now declared unconstitutional and invalid, and the *Migration Act chapter 16* is unconstitutional, and illegal.

(5) If *section 1* of the *Constitution, amendment 37, Citizenship Law 2014* was constitutional thus, valid which we conclude is not, it is in effective as there is no enabling act of Parliament by reason or which it does not apply to and cover the Asylum Seekers or transferees

from broad to Papua New Guinea by the Australian Government and detained at the relocation Centre on Manus Island

(6)Both the Australian Government and Papua New Guinea Government, shall forthwith take all necessary steps to seize and prevent the continued unconstitutional and illegal detention of the Asylum Seekers at the relocation Centre on Manus Island and the continued breach of the Asylum Seekers Centres constitutional and human rights

(7)The Government owes me the cost.

Mr Acting Speaker, the orders are very clear. I do not know the reasons why the previous government failed to obey a Supreme Court decision.

The Foreign Affairs Minister and the then Prime Minister failed the people of this country to take heed the decisions of the Supreme Court. It was a five-judge bench Supreme Court decision that ruled enormously for immediate closure of Manus Island Asylum Seekers Centre.

Mr Acting Speaker, what is the Prime Minister going to do about this situation?

06/02

Mr Prime Minister, what will you do about this illegal and unconstitutional centre on Manus Island? Even the Paladin Security contract is also related to the Manus Island Asylum Seeker Centre.

Thank you, Mr Acting Speaker.

Mr JAMES MARAPE – Mr Acting Speaker, let me thank the Member for Vanimo Green for asking a very important question with quite a substantial amount of background information, which is much better than the question asked yesterday on the security contract. And as you can all recall yesterday in my response, the contractor was not named when the question was posed. Whether it be Paladin or any other contracts, I am not privy to the name of the contractor. The case in point that was made yesterday was clearly that businesses such as Security firms can be established by Papua New Guinean companies whether in Manus or elsewhere. I am sure there are sufficient Manus based security companies or in Port Mort Moresby or anywhere across the country.

So in the instance of a substantial foreign issued contract is made to business like security, it should be an opportunity for local businesses to participate in and so those are the instructions we received yesterday to a very open question that was made on the Floor yesterday.

But in this instance, Mr Acting Speaker, let me assure the Member for Vanimo-Green, the Parliament and the people of this country that our government at no instance will dishonour a legitimate court order that is in place but I stand to answer this question, I am not privy to the full report on what has transpired up to date.

The little I know of is that the previous government led by previous Prime Minister and the former Foreign Minister had responded in the affirmative to the court order that were made and some steps were taken to ensure that we respond appropriately to the court orders. Let us be also mindful that we have a bilateral relationship and a very important one in this instance with Australia. The second chances pertaining to two Foreign Ministers signing MOU in 2013 and 2014 had its moments of usefulness and reciprocal relationship that both Papua New Guinea and Australia promised to attend and respond to.

But as found by Supreme Court to the highest order given for us to close the Manus centre, our government will stand not to resist that order. I will take a week to get into ascertaining exactly where we are in responding to the court order and this time next week I pledge to report back to this Parliament as to what has happened and if no action has taken place irrespective to court orders we will ensure that correct corresponding executive directions are given to match the court order so that we comply with our laws in this country. Our country stands to respect the directions from a lawful bench. We have a third arm of government that has already issued directions on this matter and so whether it is Australian or Papua New Guinean relationship or any agreement on this matter, we subscribe to lawful directions and lawful operations in our country. In this instance there was a lawful direction given by a five men bench of the Supreme Court, the highest court in our land.

As a new government, amongst many issues that are still fresh in our mind, we are trying to tidy them by being more efficient in the way we do business as government. We are still in the settling process and one of them will be these sort of issues that are facing us. I will pick a copy of the court order and ask Foreign Affairs and Immigration on the report as to what has happened and this time next week, I will provide a full response to this issue. But let me assure this House, the Executive arm or the Parliament as a Legislator will never or has never in the past, today or in the future will abrogate lawful direction from the third arm of government which in my view is a

safety net of our government going forward and directions from court must be complied in its entirety. If any citizen or any stakeholder whether it's the Australian Government or PNG Government have an issue with an order the recourse is by way of appeal before court in respective jurisdiction.

07/02

For this instance, the competent bench has found that the Asylum Processing Centre in Manus Province to be illegal. I will allow myself to be fully satisfied in the steps taken so far and I will make an appropriate response in Parliament next week.

TABLING OF DOCUMENTS

Mr BELDEN NAMAHA (Vanimo Green) – I seek Leave of the Parliament to tender the Court Order documents for the benefit of Parliament.

Leave granted.

Thank you, Mr Speaker.

LLG Elections

Mr GINSON SAONU – Mr Acting Speaker, my questions are in relation to the LLG Elections scheduled for tomorrow, 27 June 2019 as declared by the Electoral Commission.

My questions are directed to the Prime Minister.

The LLG Elections were supposed to be conducted in 2017, three months after the National Elections. But it has been delayed right up to date announced by the Electoral Commission.

The Prime Minister visited Lae and received a petition from some of the Council Presidents and I don't have a copy of this petition. So, I wouldn't know the context of the petition.

Mr Acting Speaker, this election is almost three years away from the next election and it will not serve the full term of an LLG Election term.

(1) So, if the Elections were to be conducted now, what will be the term of the LLG Elections? Will they serve the full term of five years or four years, before the next election is conducted?

(2) If this was the National Government's oversight, can the Prime Minister allow for the current LLG leaders, both councillors and presidents to continue serving the remaining two years?

Mr JAMES MARAPE – Mr Speaker, let me thank the Governor of Morobe for that question. His question is in relation to a petition presented to me by the Council Presidents of Morobe, when I visited Lae two weeks ago.

Mr Acting Speaker, the issue petitioned by the councillors and presidents was for Electoral Commission to reconsider holding off the elections this term and to allow the current leaders to continue serving the remaining years until 2022. This is so that they can serve the fullest of their five-year term as leaders.

Mr Acting Speaker, in my view and I stand to be corrected, there is no provision for LLG Elections where you hold acting capacities as presidents or councillors because of non-compliance of elections. I don't think the law provides for them to hold office until 2022 without elections.

Secondly, LLG Elections are run concurrently and terms are specified and as per the current law, the Parliament five-year term ends in 2022 and we go to Elections.

08/02

Mr Acting Speaker, taking the petition as a reference point, I am proposing a concept before this Parliament whether we can amend necessary laws to give a term of Parliament to the local level governments that starts half way between our term of Parliament, so that going forward you can have change-over elections being conducted midway and because local level government change-over takes place midway through National Parliament lifetime, it gives an opportunity for composition at different levels of government to change two and a half years in between. So to do justice to immediate leaders who want to participate in LLG's they can serve full five years starting these elections.

This is a concept that I had the opportunity to talk about to the Electoral Commissioner and during this task I am putting it forward to the Floor of Parliament for debate and think about this concept whether now going forward we can run local level government elections halfway through a term of Parliament so that Members of Parliament come in two-and-a-half years earlier and a change-over takes place midway through. These sort of possibilities are there but again as I speak today the law prohibits extension beyond a term concurrent to our term. We will be working

with the Constitutional Law Review Commission as well as the Electoral Commission to look at possibilities of doing justice to a loss in this term by not conducting the elections earlier or concurrently with us. Those issues have been worked upon but let me take this time to inform the nation that nominations will start and the process of elections of councilors will go on and if there are any amendments in the future we will have to anchor them in a way there is legislative amendments to anchor what we propose going forward.

Supplementary Question

Poor Funding for LLGs

Mr THOMAS PELIKA – Thank you, Mr Acting Speaker. Some 25 years ago I stood here on the Floor of Parliament and I opposed the idea of councilors. The point is clear; any government cannot afford paying a councilor in rural areas.

Last year, councilors were not paid. Why? Do we continue to keep them or remove them? What can a lousy ten thousand kina in one year do for Menyama? This is why some of us in this House can never serve in rural areas. Listen and listen carefully. To provide services in rural areas, we need to grab the bull by the horn and say whether we are going to have it or not? One example is the education system, which is the worst. We are not concentrating on quality. Unlike Rabaul, Lae and Port Moresby now we have a bottle neck and we cannot even fund LLGs sufficiently.

Mr Prime Minister, can we do away with councillors or are we still going to keep them?

Mr JAMES MARAPE – Mr Acting Speaker, thank you senior Member and Member for Menyama Open. Your question is raised with patience and emotions simply because some of us leaders come from remote areas in our country. Only Port Moresby and Lae are urban areas and most of us come from remote areas that is why we become very sensitive when matters like these arise regarding service delivery and matters of structural government and whether councils are doing their work or not and whether or not districts deliver their work.

09/02

There are so many structures of government and there are so much impediments within these structures. These are things we are going to look at as we go along the way. This is so that

councillors at the lowest level who are the closest to our people are given the dignity and respect that they deserve in order to continue anchoring our society going forward into the future.

Mr Acting Speaker, we cannot ignore the fact that we are a nation of a thousand tribes and as such, no one rule will apply to everyone. I will be the first one to admit that the central government has no one answer to the prevalent needs of everyone out there. Therefore, the situation in Menyama is different from my situation in Tari-Pori. The emotion that the Member carries with him is a similar one that we all carry. It is for us to find the right harmony and ensure that the impediments along the service delivery structure and systems are removed going forward.

Mr Acting Speaker, coming back to the issue of money and resource allocation. In light of all the budgets that we have passed till today, the actual amount of money that our country generates is not sufficient to meet and satisfy every level of government and service centres across the country.

The last Government tried its best to find an approach that will have an equity in terms of its distribution and so the introduction of DSIP and PSIP came in. There was an introduction of what we called Ward LLG SIPs earlier, but when we hit disaster and the road got tougher in 2014 and 2015, the support of the National Government lessened or reduced.

The intention is there to ensure that we inject support to the Local Level Governments, but we need to find the right pitch for us to grow the economy. I am very kin to hear-out the Treasurer. He made his presentation to the Cabinet two days earlier and will be making his to the nation. Let us all contribute to making the economy because when it is strong, we can then funnel resources back or allow resources to be generated at that level of government. We need to generate resources at all levels of government so that we can together work to meet our people's aspirations.

We due respect to the Member, yes we have the knowledge and the intentions to channel money into the provinces and districts. I ask all Members of Parliament that whatever money that you receive, please consider your LLGs.

Mr Acting Speaker, out of the K100 million budgeted for in 2019, if I am wrong K20 million was already released. We ask the Treasury to ensure that substantial support is further forwarded to provincial local level governments so that the coming elections are conducted better, safer and quicker for us to have that government sitting to help us in our districts and provincial assemblies.

Supplementary Question
Court Order against LLG Elections

Mr BELDEN NAMAHA – My question is in relation to the Ward LLGs.

Mr Acting Speaker, I would like to have clarity because I understand there is a Supreme Court Reference being sought by the Ombudsmen Commission. There is also an interim restraining order restraining the Electoral Commission from conducting the elections.

Can the Attorney-General advise the Prime Minister to inform the Parliament whether that interim restraining order is still on foot?

I am also aware that the former Attorney-General tried to conduct the elections in contempt of that restraining order.

Mr JAMES MARAPE – I thank the Member for Vanimo-Green for his question.

We will confirm the positions of law in this regard and get back to Parliament.

As I am advised by the Electoral Commission, they are on target to start nominations, tomorrow. I will be asking our systems of government to check whether we are going to breach court orders that are on foot.

10/02

LLG Elections – Nomination Fees

Mr RICHARD MASERE – Thank you Acting Speaker, my question is in relation to the LLG elections and is directed to the Minister for Inter-Government Relations.

Mr Acting Speaker, there is a concern raised by the intending council candidates particularly those that are the inlands of Ijivitari district and those that are in the far ends of the coastlines where they have to travel into Popondeta Town to pay their nomination and then take the receipts of those nomination back to the Government Station. I will give you an example for a candidate for Keven-Sasap who is at the border of Milne Bay and Ijivitari district. He needs to travel by dinghy and pays about K250 to go into Popondeta to nominate and then after he nominates, he then takes that receipt and pays another K200 or K300 to travel to Tufu Station, shows his nomination to the returning officer there and then catches another dinghy and pays another K150 back to his village.

As we know, most of these villagers cannot afford to pay such logistic costs. This is creating a lot of problems for people that want to contest this LLG election. I know that the nomination will be open on the 27th of this month, which is tomorrow.

My questions are:

(1) Is it too late to make some adjustment or changes where nomination can be paid at the Government Stations like in Tufi or at the point where the elections will be conducted?

(2) If it is too late going forward, what plans do we have to ensure that this does not happen again?

(3) Furthermore, is this particular LLG elections due to the legal issues that arose three months ago?

The time for elections has now been reduced.

Reduce LLG Election Campaign Period

(4) Can the Electoral Commission together with the Minister confirm that in the future the LLG election period will be shorter particularly with the campaign period?

We all know that during National Elections when you campaign for eight weeks it costs a lot of money and most of these people that are intending to contest the LLG elections cannot afford to campaign with such lengthy period.

(5) Can the Minister for Inter-Government Relations inform this House whether it is too late to make these changes now?

(6) If they cannot make those changes now going forward, will they consider these changes into the future?

Mr PILA NININGI –Mr Acting Speaker, I thank the Honorable Member for this question. These are practical questions but because of law and order and the funds are paid and so that is why they are doing that, but I will get to the bottom of it and report back on the arrangements of how fees are collected. Honourable Member, I will respond to the questions tomorrow.

Supplementary Question

Legality of Decisions by Council Presidents

Mr GARRY JUFFA – Can the Minister clarify since the council presidents are occupying their office possibly illegally, how does that affect any decisions they make as members of the PEC or as members of various committees within the province?

Mr Davis Stevens – Point of Order! Mr Acting Prime Minister, the *Standing Orders* restrict questions that would allow Ministers to express legal opinion on matters. It is not proper that such questions are raised because Ministers are put in an unfair situation.

The honourable House and our people deserve processes to be observed so that question should be over ruled.

11/02

ENVIRONMENT (OZONE DEPLETING SUBSTANCES) REGULATION – STATUTORY INSTRUMENT NO. 2 OF 2007 – PAPER – MOTION TO TAKE NOTE OF PAPER

Mr ACTING SPEAKER – Honourable Members, pursuant to statute, I present the *Regulation Statutory Instrument No. 2 of 2007; Environment (Ozone Depleting Substances) Regulations 2007*.

Motion (by **Mr Rainbo Paita**) agreed to –

That the Parliament take note of the paper and the paper be referred to the *Permanent Parliamentary Committee on Constitutional Laws, Acts and Subordinate Legislation*.

Debate adjourned.

BOUGAINVILLE REFERENDUM - REGULATION – STATUTORY INSTRUMENT NO.2 OF 2019 – PAPER – MOTION TO TAKE NOTE OF PAPER

Mr ACTING SPEAKER – Honourable Members, pursuant to statute, I present the *Regulation Statutory Instrument No. 2 of 2019; Bougainville Referendum Regulation 2019*.

Motion (by **Mr Rainbo Paita**) agreed to –

That the Parliament take note of the paper and the paper be referred to the *Permanent Parliamentary Committee on Constitutional Laws, Acts and Subordinate Legislation*.

Debate adjourned.

**AUDITOR-GENERAL OF PAPUA NEW GUINEA – PERFORMANCE AUDIT ON
LAND GEOGRAPHIC INFORMATION SYSTEM UPGRADE – REPORT, 2008-2016 –
PAPER – MOTION TO TAKE NOTE OF PAPER**

Mr ACTING SPEAKER – Honourable Members, pursuant to *Section 214* of the *Constitution*, I present the Report of the Auditor-General on the Performance Audit on the Effectiveness of Department of Lands and Physical Planning on managing Land Geographic Information System (LAGIS) Upgrade for the fiscal years 2008 to 2016.

Motion (by **Mr Rainbo Paita**) agreed to –

That the Parliament take note of the paper and the debate be deferred to a subsequent sitting.

Debate adjourned.

**OMBUDSMAN COMMISSION OF PAPUA NEW GUINEA –
UBS LOAN FINAL REPORT, 2019 – PAPER –
MOTION TO TAKE NOTE OF PAPER**

Mr ACTING SPEAKER – Honourable Members, pursuant to *Section 23* of the *Organic Law on the Ombudsman Commission*, I present the final Report on an investigation into the alleged

improper borrowing of \$US1.239 billion loan from the Union Bank of Switzerland (UBS), Zurich, Australia branch to purchase 149, 390, 244 shares in Oil Search Limited, and the improper tender and procurement to consultants in relation to the borrowing in December 2018.

Mr JAMES MARAPE (Tari-Pori – Prime Minister) – I move –

That the Parliament take note of the paper.

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

Leave granted.

12/02

Mr PETER O’NEILL (Ialibu-Pangia) - Mr Acting Speaker, could I intervene by saying this. Firstly, I welcome the report by the Ombudsmen Commission on this much famous saga of the UBS Loan. I welcome it because this matter was referred to the Ombudsmen Commission by two Members of the Opposition, who alleged that this was an illegal loan that was acquired by the State to purchase the shares in Oil Search.

Mr Acting Speaker, the Oil Search saga is not new. It has been an ongoing saga since the acquisition of Origin Minerals by Oil Search. Oil Search was a small company but the selling of Origin Minerals shares that were owned by the State to Oil Search made it a big company in our country, meaning that it acquired all our oil and gas producing assets in the country that was held on behalf of the State.

Mr Patrick Pruaich –Point of Order! Let us bring the issue out and you can have the opportunity to debate, so you should allow the Prime Minister to continue.

(Member interjecting!)

Mr PETER O’NEILL – The Somare-led government then -

(Members interjecting!)

Mr Allan Bird –Point of Order! The Somare-led government has nothing to do with the UBS loan. Let us debate on the UBS loan, don't bring in the issue of Oil Search.

Mr PETER O'NEILL –Mr Acting Speaker, I know what you are trying to bring but they are all related issues. UBS loan was acquired to purchase the loans and shares in Oil Search which were mortgaged to the Arabs by the Somare-led government. So what I am trying to say here is simple.

Mr Allan Bird –Point of Order! We have not even allowed the Prime Minister to finish and the Member is debating. We should allow the Prime Minister to finish and then the House can debate.

Mr JAMES MARAPE (Tari-Pori – Prime Minister) - Thank you, Mr Acting Speaker, for restoring the order of precedent to make a response to this, and if I can also ask the Speaker to reserve the right for the Member for Ialibu-Pangia to make a statement in respect to this matter. And also to allow a couple of Members to debate on this issue because this is a highly sensitive issue that is out and it is right for the public to know where we are and what we are doing.

Thank you to the Ombudsmen Commission for fulfilling their mandate as Constitutional Office Holders doing their investigations. The Parliament is now privy to this 229-page report, in which I was one of those persons perceived to have committed a *Leadership Code* breach.

In the first instance I welcome the findings contained here. I ask everyone to read this report and this will not be the last time that this report is discussed here.

In this report many individuals who have served the State at various capacities, including the Former Prime Minister, and most Ministers of State and many departmental heads are also mentioned in this report.

13/02

About what is quite possibly silent and I am yet to fully digest the entire report in its totality, but what is quite silent is the conduct of some of our state-owned companies or some banks involved in this entire saga.

Mr Acting Speaker, coming back to the issue, I rise to also give clarity because I now hold a very important office – the Office of the Prime Minister. The nation needs to know in clarity as to how in my capacity as former Minister for Finance and the role I played in the entire UBS transaction and UBS Saga per se.

So, in the findings of the Ombudsman Commission, finding number 19 on page 213, it states, in the opinion of the Ombudsman Commission the conduct of Honourable Hames Marape MP, Minister for Finance was wrong and improper when he approved the payment direction deed for NPCP when it was not properly established by law. For those who have the report now, you can read that at page 213.

Mr Acting Speaker pronounced here in finding number 19 also has some implications on my standing as a leader and that is why I am making this statement right from the start.

But, Mr Speaker, on the same page 213 of the report is the Ombudsman Commission's reasons for their findings. The first bullets point states that, 'NEC during a Special Meeting on 6 March 2014 deliberated on policy submission No. 67/2014 with the subject titled, 'Financial Arrangements for State Acquisition of shareholding in Oil Search Limited and State borrowing made its decision No.79/2014 and directed Minister for Finance Honourable James Marape to facilitate the payment direction bid by NPCP consistent with *Section 46(b)* of the *IPBC Act*.

Mr Acting Speaker on the 6 of March 2014, NEC Meeting No. 8/2014 was convened which triggered most of the series of related to events in this entire UBS Saga which my name was mentioned in two events.

In these two instances they were all based on a preceding or existing Cabinet decision that directed me in my capacity as Finance Minister, and as Finance Minister I am responsible for the discharge of those provisions of *IPBC Act* or *Public Finance (Management) Act* to sign based on instructions of Cabinet or where those instructions originate from and in this instance was IPBC.

There is a chronology of events for those who are reading it right now or those who want to read, there's about 14 pages. You will see in event number 84, my involvement in approving the Memorandum of Approval based on letter from Mr Kumarashiri who I believe was then the Managing Director IPBC, requesting me to approve based on approval given by this Cabinet decision of 6 March 2014.

Mr Acting Speaker from the pages in the chronology of events you will note that many events precede my involvement, key amongst that is the Cabinet decision No.79/2014 that directed my conduct in this regard in this UBS matter.

And many other events came after my last involvement on 11 March 2014 in which I gave approval for NPCP to enter into payment direction deed in compliance with a decision reached by a body of ministers and a Cabinet chairman which in this instance was the former Prime Minister the Honourable Peter O'Neill as entailed in NEC decision No. 79/2014 of 6 March 2014.

Mr Acting Speaker, in the Ombudsman Commission's findings, they did not directly pronounce and indicate any succinct breach of law on my part but offered an opinion that my conduct was wrong and improper because the payment direction deed of NPCP was not properly established by law which is a very general and vague description of an alleged wrongdoing.

Mr Acting Speaker despite my misgivings I acknowledged its findings against me and I reserve my right to seek recourse in a matter where my involvement was sanctioned by a legitimate Cabinet decision.

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Mr Acting Speaker, this report is not only about me, but a whole chain of events and many players including the former Prime Minister, few other Ministers, few Heads of Departments and the International UBS Bank was embroiled in this which has resulted in the so called UBS saga, and of course few companies namely Oil Search Limited and some State Entities which are also implicated.

Mr Acting Speaker, it would be an injustice to let this report collect dust in Parliament without affirmative actions. I welcome Police and other authorities to get copies including Ombudsman Commission to ascertain the deeper whole passage of this UBS saga and to redeem this nation of any possible wrongs by collective legal recourse.

Mr Acting Speaker, in the meantime to give certainty on these issues, I am also proposing to the Parliament that a Commission of Inquiry be established to verify and validate claims in this report, and to form the basis of any criminal proceedings against anyone reported here and to capture any other persons who may not be captured here by this report as the inquiry sees fit.

I believe that Ombudsman Commission by virtue of fact are mandated to only target leaders as per cover by the *Leadership Code* or focus totally in this report on those of us who are in

leadership positions. I think it is about time it expands beyond such leadership and see everyone who is involved in this matter. This includes UBS itself and whether it was privy to the knowledge that our company has laws to subscribe to and follow, including Oil Search and see whether there are any possibilities of their involvement. This also includes any other person that is not covered under the *Leadership Code*. So I believe an inquiry will see fit to ensure an expanded version of an inquiry be established. In the next one or two days we will consult everyone including the Court House and Ombudsman Commission into the exact terms of the inquiry so that the nation sees this in greater light and covers an extended scope to everyone involved.

I believe there will be a road that links to UBS in this instance and I will not hesitate to assure them that if they are wrong, then an inquiry will establish that they are wrong. If I am in the wrong then an inquiry will establish if I am wrong further to the opinion by the Ombudsman Commission to my conduct pertaining to the *Leadership Code*. An enquiry will give rise in point if there are any criminal implications in conducts of those of us implicated, as well as conduct of agencies, whether private companies, banks or state companies and agencies of state are also involved in this one.

Mr Acting Speaker, in this instance, I commend my proposal to the Parliament and will ensure that this inquiry be given the full support by all arms of government. This includes law enforcing bodies to arrive at a full and complete closure of the UBS saga. And I propose other reports from the Ombudsman Commission and Auditor-General be included in in matters or issues that the public feel are outstanding. I request all public who are in the public face talking about the UBS saga or any matters of corruption, matters against present government or the past government or anyone for that matter who are holding public offices because many times we pinpoint on corruption but do not come forward with concrete evidence and we just talk about corruption.

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Mr Peter O'Neill (Ialibu – Pangia) – Nobody stopping anybody talking about this issue nobody and I know that Member for Vanimo-Green can have his opportunity to speak on that matter.

But Mr Acting Speaker, all I am saying is this all this report came about because of complaints by two former ministers, who were then members of the opposition. Who were

particularly sacked because they did not follow the NEC decision? NEC decisions are not made by one person but by Ministers of State according to advice given by our officials.

Mr Acting Speaker, I want to assure the Prime Minister that he did not do anything wrong by complying with court order that State needs to make repayment on loan and that is why he made the payment to repay the loan we got from UBS. And this came about, Mr Speaker, because we needed to buy back the shares that were mortgaged to the Arabs.

Mr Acting Speaker, we have done so, and of course today we are in the situation where these complaints are now referring some leaders for the action that they have done. I welcome the Prime Minister's commitment to an open transparent public inquiry. I will be the first one, Mr Speaker to testify in that inquiry and I will be the first one because I have done nothing wrong.

Mr Acting Speaker, I have not negotiated this loan with any officials from UBS, this negotiation were conducted by Treasury and on advice given by our officials, we went ahead and made a NEC decision and that is nothing wrong with that.

So Mr Acting Speaker, I want to inform the Prime Minister and the inquiry team that it not only extends to UBS, it extends even beyond.

Mr Acting Speaker, it must go to root causes of the action that we took and that is that the loan in IPIC, the Arabs that the Somare government got this loan from, is not a publicly listed company.

Mr Acting Speaker, it has got no transparency, no visibility and that is the cause of the situation that gave rise to securing this loan so that we can buy back.

When you are talking about taking back PNG, Mr Acting Speaker, it's about owning assets it's about owning resources and it is about ownership of our country that is precisely about what we are trying to do. The Oil Search share given away, mortgaged away by previous government that is what we try to do.

So Mr Acting Speaker, I welcome the commission of enquiry that the Prime Minister is talking about, it must extend to the IPIC loan as well.

Mr Acting Speaker, that is where you find corruption Mr Speaker, I am prepared to be the first one to stand up and come. I ask all the other Ministers who were there, who made those decisions to come and be accountable for it, so that we will know where the truth is and where the facts are.

Mr Acting Speaker, I welcome the Prime Minister's announcements that he will set up a public commission of inquiry. Thank you, Mr Speaker.

Motion (by **Mr Belden Namah**) agreed to –
That Parliament take note of the report.

Debate adjourned

**DEPARTMENT OF TREASURY – PNG'S FISCAL POSITION, JANUARY TO MAY
2019 FISCAL POSITION – MINISTERIAL STATEMENT –
MOTION TO TAKE NOTE OF PAPER**

MR SAM BASIL (Bulolo – Minister for Treasury) – Mr Acting Speaker, on behalf of my family, my District of Bulolo and my fellow Morobeans, let me say that it is an absolute privilege to address this Honourable house as the Minister for Treasury in the Marape-Steven Government in this 10th Parliament. I humbly commend the Prime Minister for entrusting me with the opportunity to lead in this Ministry.

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As the Minister for Treasury in the Marape-Steven government in this 10th Parliament. I humbly commend the Prime Minister for entrusting me with the opportunity to lead in this Ministry.

Our good Prime Minister, Honourable James Marape, has broadly outlined the direction of the Government going forward in his recent State of the Nation address.

My job today is to review the State of the Economy as it is now - just a few weeks before the Mid-Year Economic and Fiscal Outlook (MYEFO) is published and released - highlight the consultations and discussions going on and outline the immediate actions that are required as well as flag changes that need to be considered going forward that may over-flow into the 2020 Budget Strategy.

In the MYEFO Report we will look at the broader policy issues affecting the economy and the Government will have had more time to have sectoral input into the discussion.

The Prime Minister has stated, that going forward, bringing stability, growth and confidence in our economy is - and must be - our major focus.

That context must not be lost but integrated into the "Take PNG Back" and make it "The Richest Black Christian Nation on Earth".

Let me assure you all: Over the coming days, weeks and months this Government will continue its process of consultation, communication and designing and restructuring the policy agenda. This Government was ushered in on the prayers of transparency and inclusiveness. And that is a process that the Marape-Steven government, with me as Treasurer, are committed to.

I have started these consultations with the public sector to ascertain and confirm what processes make us slow, inefficient and costly. I have commenced discussions with colleague Ministers on how to make State Owned Enterprises (SOEs) become drivers of economic development and how institutional investors in country can be involved including Nambawan Super, Nasfund and Comrade Trustees. I have commenced dialogue with our private sector to see how we can kick-start innovation, investment and drive. I have engaged with our multilateral and bilateral partners to confirm where they fit into our national agenda; and I am in full discussion with our financial community to ensure that our market is stable, developing and inclusive.

Mr Acting Speaker, to be more transparent and inclusive with the formulation and administration of the National Budget process, the *Fiscal Responsibility Act 2006* requires the presentation of a Final Budget Outcome (FBO) within three months of the end of the fiscal year.

This, of course, is then followed at this time of the year, with the handing down of the Department of Treasury Mid-Year Economic & Fiscal Outlook –which effectively gives us our annual half time score on the economy.

This however takes greater significance right now in light of the change in Government last month. Whilst we are awaiting our end of June results and there may be some variations, I do not expect that the general trends will change too much. We will consider the best way to address any changes to the 2019 Budget framework within the next few months or a major re-orientation in the 2020 Budget.

Let me first start off with issues related to our Economic Activity.

The impact of the earthquake in the first half of 2018 had a substantial social and economic impact on the economy in 2018.

The country's growth forecasts were downgraded, with our own early internal assessments pointing to a significant slowing down of the economy and external assessments led by the IMF suggesting a very sharp contraction in GDP growth.

However, after an eight week shutdown, our mineral and gas production was able to restart earlier than expected at rates of production above the pre-earthquake levels. This is the value of having world class partners.

Advice at the time from the mining and gas sector on production rates for the full year led Treasury to estimate that real GDP would be lowered to 0.3 per cent in 2018.

This is important as how we end 2018, sets the foundation for how we commenced 2019.

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Mr Acting Speaker, following the first round forecasting exercise done independently by Treasury, this real growth rate, unfortunately, has now been further lowered to negative 0.7 per cent. This is due to lower than expected LNG and condensate production in the second half of 2018 which fell from record levels in 2017 of 447 British Thermal Units of LNG and 11.9 million barrels of condensate to 382 British Thermal Units for LNG and 9 million barrels for condensate in 2018.

This is significantly lower than the earlier estimates provided by Exxon Mobil after the earthquake which were factored into the design of the 2019 Budget. The assumption in the 2019 Budget was that oil and gas sector would fall by 9.4 per cent in 2018, however we now know that it actually fell by 16.4 per cent.

Mr Acting Speaker, importantly, the first round forecasts have revised the output from the agriculture, forestry and fishing sector up to 3.7 per cent real growth from 3.3 per cent in the for 2019 due to better than expected palm oil and log production.

The mining and quarrying sector is also now expected to increase in real terms by 2.9 per cent, up from the 0.2 per cent in the 2019 Budget and that is being driven by an increase in gold and nickel production. The real potential for broad-based growth for PNG is in this renewable sector of the economy comprising of agriculture, forestry, fisheries, tourism and manufacturing.

I want to flag that the 2020 Budget strategy will be reoriented towards these sectors. Nevertheless, these improvements in the renewable sector have not nearly been enough to compensate for the fall in oil and gas sector production in 2018.

Mr Acting Speaker, Clearly the earthquake had a larger adverse impact than was assumed in 2018. And with a continuation of passive domestic business conditions over 2018 provides us the major reasons why domestic economic conditions and employment growth remained relatively low. This is the case even when we take into account the lift from APEC spending and the improvement in foreign exchange balances at the back end of 2018.

There is, however, a positive effect from the fall in production of LNG and condensate in 2018. It is expected that 2019 production levels will rebound to full production, resulting in strong growth in the oil and gas sector by an expected 13 per cent in real terms in 2019.

This is now expected to lift real economic growth in 2019 to a solid 4.8 per cent which is above the 4.0 per cent forecast in the 2019 Budget.

Mr Acting Speaker, Regarding living standards as measured by per capita real GDP growth, between 2012 and 2018, real GDP increased at an average annual compound rate of 6.3 per cent and a per capita average annual rate of 2.7 per cent. Real output per person has improved over this period and this was despite the severe drought, commodity price shocks, and the earthquake of recent years.

But it is recognised that real GDP per capita has been sluggish in recent years and that our people are hurting because this real GDP growth has not happened where most of our people live.

Mr Acting Speaker, therefore, while the growth forecasts are expected to pick up in 2019 and beyond, as the gas and mining projects come on line, a much higher growth rate is required if the living standards of our population are to be improved substantially.

We must pursue higher growth rates if we are to reach the target set by our Prime Minister to become the Richest Black Christian Country on Earth.

Importantly, this Government's policies will focus on the targeted areas of agriculture, fisheries, forestry, tourism, manufacturing and the small to medium enterprises sector so that economic growth is broad-based and more meaningful for ordinary Papua New Guineans throughout the country.

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Mr Acting Speaker, it is my intention to be blunt and transparent with the current state of the economy and so let me now update this Honourable House with the Government's fiscal position for the first five months of 2019.

Based on May data, net borrowing or the budget deficit as percentage of GDP was 1.6 per cent. This is higher than expected due to lower revenue collections from IRC, lower dividends from SOEs and lower departmental fees and charges. Lower expenditure on both the goods and services budget and the capital over the first five months has partly, but not sufficiently offset the fall in revenue, resulting in a higher than expected deficit.

The fiscal deficit and debt levels as a share of GDP have also been adversely affected by the downward revision to nominal GDP levels. As at end May 2019, the debt stock as a share of GDP was 31.4 per cent, which is slightly above the budget target of 30.8 per cent.

It should also be noted that over the first five months of the required financing for the deficit of K1.3804 billion, only K321.2 million was added to the debt stock.

Mr Acting Speaker, the remaining K1.0592 billion being financed from a drawdown in external borrowing trust balances at the end of 2018. As these trust balances will not be available in the second half of 2019, further fiscal tightening will be required if a lift in revenues is not forthcoming and if the budget is to remain on track.

Whilst there are a lot of numbers here, the story is quite simple. We are slightly behind on revenue largely because we haven't received dividends, the PMMR funds are also down and so are other fees and charges. Therefore we have not been able to spend as much as we would have liked on both the recurrent and capital budgets. To cover this shortfall we have had to dip into our accounts and borrow a little more from the domestic market because the planned external financing that we thought we would secure in March this year has not been finalised.

Mr Acting Speaker, let me provide some details on the revenue picture over the first five months of this year.

In total, IRC collections are 8 per cent below budget expectations for the first five months to now. Customs collections are 17 per cent above expectations, and non-tax revenues are significantly lower, resulting in total internal revenues being 19 per cent below expectations. No amounts under donor grants have been recorded up to May in either revenue or expenditure data due to delays in reporting by donors. We will be asking donors to be submitting reports according

to our reporting time line as well so that we and they can be held accountable for these funds as well.

The decline of K974 million in the January to May revenue results is mainly due to the following adverse trends: Lower dividends from State entities, the PMMR revenues and departmental fees and charges are responsible for over 60 per cent of the revenue shortfall. Over the five months to May, only K100 million in dividends were received against a budget expectation of K502.1 million. K430 million was collected over the same period in 2018. OTML paid K134.0 million as an overdue payment in February 2019 and, consequently, was written back into 2018.

Mr Acting Speaker, the poor performance of dividend collections is a major concern and the Marape-Steven government is intent on improving the performance of State-owned Enterprises both in terms of services to our people and in financial returns to the State. The expected transfers from the PMMR process were only K150.9 million which were lower than budget expectations. Note also that this is lower than the corresponding period in 2018.

Mr Acting Speaker, in 2018, the sweep exercise of sweeping the revenues from previous years held by statutory authorities in interest bearing deposit accounts with the commercial banks was the driving factor behind the strong performance of PMMR numbers.

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However, this year, since those previous year's balances have been swept, current transfers are now based on annual collections which is a lower amount.

The National Fisheries Authority (NFA) is the major contributor to PMMR revenues. They have stated that the rebate scheme intended to encourage downstream processing of fishery products to create local job opportunities is also affecting the performance of NFA's contribution to the national budget.

PMMR transfers are likely to remain below budget in 2019. I have directed my Department to establish an improved projection of the annual revenue from these Statutory Authorities for budgeting purposes and address any policy shortfalls to improve underlying revenue flows.

Departmental fees and charges are, at this stage, lower by K46.7 million with land rental collections in particular remaining below budget. These systems have yet to be improved and so these low collections have continued into June.

Mr Acting Speaker, IRC tax collections are lower than we expected and lower than we would like. GST paid into the Waigani Public Accounts is K62.8 million lower than expected over the first five months of 2019 due to the IRC policy of limiting GST refund off-set against corporate income taxes.

Simply, sometimes, if the IRC owes a company a GST refund, it allows the recipient to just reduce the amount of Corporate Income Tax amount it owes to the IRC by that amount which obviously reduces the CIT overall. GST exemptions on imports and lower transfers from the GST trust account were also the case after the substantial transfers in 2018.

We must also acknowledge that the passive local business conditions are reflected in lower imports and sales. GST compliance issues remain a concern, but it is an area where the IRC can and must pick up. Corporate income tax collections over the first five months of 2019 are one third lower than expected and 12.6 per cent lower than in the same period last year.

The carrying forward of losses from previous years GST off-sets, unmatched foreign exchange demands, Government arrears and subdued business sales are all likely to be dampening profitability and income tax payments.

As with GST, company tax compliance issues also remain a concern.

Mr Acting Speaker, mining and petroleum taxes (MPT) are 9.1 per cent lower than expected, but they are significantly higher than the earthquake affected collections at this time last year, 2018.

We need to note that these taxes from mining and petroleum continues to be volatile depending on commodity price cycles and natural disaster costs. The higher use of infrastructure tax credits may also be responsible for lower tax collections so far in 2019.

Other direct tax receipts are slightly lower than we expected with lower stamp duties and interest withholding tax receipts partially offset by higher revenues from departure tax and gaming machine tax.

The policy changes of merging stamp duty into bookmakers' turnover tax and increasing the Bookmakers turn over tax rate to around nine per cent may explain the decline in stamp duties. Revenue from gaming machine tax has continued to benefit from the tax policy measure to increase the Government's share from 46 per cent to 55 per cent. Higher tax dividend withholding tax collections may reflect the improvements in foreign exchange supply facilitating the offshore payment of dividends.

Mr Acting Speaker, in contrast, revenue collected by Customs has generally performed well against both expectations for the first five months of 2019 and against the corresponding period of the previous year, 2018.

Inland excise is up K133.9 million on expectations partly reflecting the advance payment by British American Tobacco.

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Import duty is higher than budgeted by K31.7 million reflecting improvements to foreign exchange access, compliance efforts by Customs, and other tariff policy measures.

The above increases have been partially balanced by lower export duty collections over the first five months which is contrary to projections when we consider the high average log prices in January, February and March but lower in April and May;

A new duty rate and policy measures to introduce an export tax on sea cucumbers - which has yet to be collected.

Excise on imports is also lower than budgeted perhaps reflecting the increase in diesel excise on imports. This has led to some switching in market share of the local producer and away from imports, in addition to the restriction on vehicle imports to those manufactured after 2014. Donor grant receipts are at this stage unaccounted for due to the delay in reporting of these in-kind receipts.

As I said earlier, it is my intention to require greater accountability and transparency from donors to report better to their own domestic tax payers as well as our local recipient population for whom aid monies have been intended.

Mr Speaker, let me start my report on expenditure by first looking at the operational expense (excluding debt service repayments) from January to May 2019 of K4,547.3 million, which is 3 per cent higher than expected but much lower than the total warrant of K5,23.6 million that Treasury had released.

This mainly reflects higher expenditure on the public sector wage bill, up 4.1 per cent and higher expenditure on the goods and services, which is up 2.4 per cent. Personnel Emoluments remains our biggest cost issue. But it is not as simple as saying cut the size of the public service which was a point made very well by my predecessors

and now Minister for Finance, Honorable Charles Abel.

I will address some of these issues after I run through some numbers but suffice to say, it is a challenge, but we can address this and we will be better for it.

Expenditure on personnel emoluments from January to May totaled K1, 795.2 million, with PE expenditure by national departments over by 7.3 per cent and teachers over by 11 per cent. Offsetting the increased amount was a shortfall in the payment of Nambawan Supa Limited exit fees of K43.6 million which we owed already.

Unless additional controls and policy changes are implemented, PE expenditures will exceed the 2019 Budget by a significant amount which predominately result from the base effects of the three per cent pay increase paid in late 2018, additions to the teachers' payroll and the three per cent incremental increase for 2018 which will include the back-pay component.

The organizational structure and Personnel Emoluments Audit Committee continues to review the situation and an accurate assessment and policy response by this Government will be included in the 2019 MYEFO. In the interim, offline and overtime payments are being contained.

Mr Acting Speaker, let me take us through the goods and services component of the operational or recurrent budget. Goods and services expense in May totaled K2, 752.1 million, 2.4 per cent higher than budgeted.

However, national departments' goods and services spending was 6 per cent lower than expected, despite the issue of higher warrants, which was due to the lack of availability of cash.

The following expenditure categories were controlled: other operational expense totaled K360 million which is K73.2 million lower than the budgeted expense and K141.2 million lower than the warrant released.

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Education subsidies expense totalled K210 million which is K49 million lower than budgeted and K45.2 million lower than the warrant released;

Medical Supplies' expense totalled K67.4 million, K37.8 million lower than budgeted and K1.1 million lower than the warrant released; Court Cases' expense totalled K5.3 million, K5.6

million lower than budgeted and K2.5 million lower than the warrant released; Emergency Roads and Bridges' expense totalled K0.4 million which is K3.6 million lower than budgeted and K2.6 million lower than the warrant released; Provincial Health Authority operations expense totalled K45 million which is K2.6 million lower than budgeted and K10.6million lower than the warrant released.

Tertiary Education Study assistance expense totalled K29 million which is K0.7 million lower than budgeted and K10 million lower than the warrant released; and Provincial Functional grants (including ABG) expense amounted to K108.1 million which is K113.5 million lower than budgeted and K48.2 million lower than the warrants released.

Mr Acting Speaker, in contrast, there were above budget expenditures compared with expectations mainly due to the adjustment that was made to 2018 commitments which were paid into 2019, therefore using 2019 funds. These expenses amounting to K280.9 million (excluding the DSIP adjustment), have had to be expensed against warrants in 2019 to comply with the *Public Finance Management Act* and the budgeted expenditure envelopes were reduced accordingly. These expenses comprised: Rental expense totalling K141.7 million, of which K74 million represented the end of 2018 adjustment. This is a situation where payments were made in November and December 2018, but they were not presented to the Banks until 2019, because we now are using 2019 funds and 2019 warrants, we had to increase our rental expenditure in from January to May by K57.3 million against target. But, that keeps us still below the warrant released by K10.1 million without the adjustment in rental expense. The first five months is well under budget although some additional arrears have accumulated.

Mr Acting Speaker, utilities expense totalled K93.1 million, of which K27.2 million was expensed through the end 2018 adjustment. Expenditure restraint resulted in an increased expense for the first five months by K42.7 million against target and is below warrant released by K1 million. Without the adjustment, utilities expense for the quarter is well under budget.

Again some additional arrears have accumulated. Other 2018 adjustments included the APEC arrears expenditure envelop for 2019 which had to be reduced by K6.7 million, National Airports Corporation capital expenditure was reduced by K12 million, Police Support Services logistics was reduced by K10 million and the National Disaster Centre expenditure was reduced by K10 million;

Maintenance of Priority Roads expense totalled K65.7 million, of which K50 million was expended through the end 2018 adjustment. Expenditure restraint resulted in an increased expense for the first five months of K27.9 million against the January-May target and is below warrant released by K3.8 million. Without the adjustment the road maintenance expense is well under budget for the first five months;

Highlands Highway Roads maintenance totalled K61.7 million, of which K50 million was expended through the end 2018 adjustment. Expenditure restraint resulted in an increased expense for the first five months of only K27.5 million and is below warrant release by K2.9 million.

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Without the adjustment the road maintenance expense is well under budget for the first five months; and other road expenditure was reduced by K40 million.

Mr Acting Speaker, other above budget expenditures in the five months comprised Foreign Mission expense totalling K15.6 million, higher by K4.7 million against the target expense, however, lower than the warrant released by K2.0 million;

· 2019 LLG Election Security and Logistics expended its full K13 million warrant up to May 2019. There were no warrants released and expenses on Free Primary Health care up to end May. Transfers to Commercial and Statutory Authority expense amounted K326.2 million, up by K51.7 million against the Budget.

· Interest payments and fees expense totalled K973.9 million, up by K142.7 million against the target expense. The rise in interest costs reflected large coupon payments on treasury bonds and interest on called guarantees.

Mr Speaker in relation to the Capital Expenditure component, from Jan-May 2019, expenditure on Development and Capital Investment was K1, 120.9 million, K942.6 million below the budget target from the warrant issuances of K1, 208.2 million.

The decline was despite a K393.0 million increase to DSIP spending that was brought into 2019 from 2018 commitments in the adjustment which resulted in DSIP expenditure of K482 million to end May, above the target expenditure by K108.2 million. Again, these are payments made in 2018 but not presented until 2019.

However, all other capital and development expenditures were well below both budgeted and warrant levels. The PSIP and DSIP expenditures in total amounted to K18.1 million, which is K101.4 million below the target expense amount reflecting the cash issues during this period.

Fixed commitment capital expenditure amounted to K362.7 million up to end May which is lower by K163.3 million against warrants issued and lower by K713.6 million against the target expense for the first 5 months.

Mr. Speaker and Honourable Members of this House, the net financing requirement for the first 5 months of this year was K1, 380.4 million.

This comprised of the fiscal adjustment amount of K1, 059.0 million brought into 2019 from 2018 and K321.2 million in new net deficit spending over the first five months which is modestly lower than targeted in the 2019 Budget.

The lower deficit spending (excluding the end year fiscal adjustment that was funded predominately from the external financing trust balances) reflected the serious cash constraints over the first five months.

The programmed US\$300 million external financing by the China Development Bank did not eventuate in the first five months resulting in the need to, once again, enter the domestic debt market where K491.3 million in new treasury bills were raised.

As a consequence, the domestic debt redemption program has been suspended. The increased issuance of treasury bills has led to upward pressure on interest rates.

This has been made worse by the tight fiscal conditions that reduce liquidity in the system resulting in the banks failing to take up recent weekly offerings from the Governments auctions to raise cash.

Mr Speaker, the shift in the Medium Term Debt Strategy to budget financing through external loans is an appropriate debt strategy given the challenges in raising domestic finance and the excess demands for foreign currency.

I need to make this point, we need to be substituting away from the expensive domestic market to the cheaper international markets and when we do so, and it drives the price of borrowing down domestically as well.

The failure to secure the promised CDB loan at APEC has hindered financial management over the first five months.

The previous government in early May approved a number of financing options.

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This includes an additional sovereign bond issuance and/or a further loan from Credit Suisse. We are now looking at these options and will make some announcements soon.

Mr Acting Speaker, this is an honest assessment of the major fiscal issues we are facing in PNG.

Now the question is what are we going to do about this? My job and the challenge for this Government is to ensure that fiscal policies and economic management with respect to both the resource sector and the non-resource sector are improved.

Right now, I intend to formulate and establish a credible macroeconomic and fiscal framework as the foundation for stronger economic growth in accordance with the vision that the Prime Minister has laid out.

This is required because we have to;

- keep our budget deficit and public debt under control,
- provide for the lowest cost financing taking into account the risks involved,
- keep inflation low because high inflation erodes our people's standard of living faster than anything else,
- keep our exchange rate relatively stable and competitive to lift business confidence,
- maintain healthy levels of international reserves, and
- maintain low country risk premiums so that our foreign partners and investors look to PNG to invest much-needed capital.

Mr Acting Speaker, we will then need to overlay our specific policies, services and projects into this framework to:

- create productivity and economic activity,
- plug governance leakages and cut wastage, and
- give our people the best chance of unleashing their energies and outputs and achieving the higher incomes and standards of living that they deserve.

The previous Government of which I was a part of, designed a comprehensive fiscal and financing program embodied in the *Medium Term Fiscal Strategy 2018-22* and legislated into the *Fiscal Responsibility Act* targets. This framework has been designed in partnership with the IMF

and World Bank and has been accepted by the international financial institutions and the international financial markets.

Mr Acting Speaker, the success of World Bank Budget Support, the ADB Budget Support and the inaugural Sovereign Bond are evidence of success of this which we should be proud of. The ratings agencies have highlighted the credibility of the framework and it was interwoven into the 2018 and 2019 National Budgets which aimed to:

- 1) Lift government revenues,
- 2) Contain non-essential spending, and
- 3) Divert spending to the Government's social and economic project priorities particularly in health, education and the district and provincial services improvement programs.

Mr Acting Speaker, it was to be predominately financed through a shift in financing from the unreliable and expensive domestic sector to the external sector through the issuance of sovereign bonds and through budget-support partnerships with the World Bank and Asian Development Bank. The aim of the external financing strategy was to:

- a) Fund the budget on time, allowing effective budget execution,
- b) Extinguish the increasing foreign exchange imbalance, and
- c) Lower domestic interest costs because we are more and more using the international debt markets.

This robust framework has achieved much for us despite a challenging international economic landscape. The budget deficits were contained in 2017 and 2018, revenue was increased in 2018, and key programs such as Tuition Fee Free education was achieved. However, as noted in the report on the five months to May, there have been a number of problems that have worsened. If these continue, we could miss our targets in this framework and find ourselves well off track which will result in a loss of credibility in PNG's economic management.

Mr Acting Speaker, there are some policy issues that we need to deal with and the first one is the revisions to the GDP data for 2014-16 done by the National Statistics Office using a new methodology with the support of an Australian advisor.

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These revisions have tended to lower our nominal GDP growth rates for those years and, consequently, adversely affected our fiscal framework targets.

This is not a performance issue, not an implementation issue or even a technical issue. This new method requires improved and accurate data and so when I consider the quality of the data available in our country; we run the risk of chasing a very high level of precision, but achieving a very low level of accuracy.

I am tasking both the NSO and Treasury to re-examine these issues while I will also commission an independent review to resolve this issue as it is vital in our policy making alignment to correct and internationally acceptable norms.

Technical arguments aside, what is important for the Marape-Steven government is for us to grow real GDP from the current K65 billion to the K100 plus billion mark by 2025 in order to give this country a better deal from a larger cake.

The second issue is the issue around the Fiscal Year. There already exists policy discussions and policy decisions on moving from a January to December fiscal year to a July to June fiscal year.

This will deal with the end of the year rush and the slow start to the beginning of the year. These issues always undermine budget performance and so I intend to modernise this just like the rest of the world has already done.

Mr Acting Speaker, just to recap, there are a number of concerns over revenue trends - collections of Corporate Income Tax and GST to the Government have been below target and continue to be confronted with challenges of compliance and very subdued domestic business conditions.

Receipts from departmental fees and charges continue to be low and problematic.

Dividend payments from our state-owned enterprises are very low, often paid late if at all, and appear to be discretionary and the performance of most our public entities continues to be poor.

The previous government formulated a comprehensive medium term revenue strategy but we are in danger of missing many of the targets. The Prime Minister has set a cash revenue target of K15 billion in the next two years, meaning that there will need to be a substantial lift in cash revenue over 2019-21.

This is higher than the current Medium Term Fiscal Strategy target, but it is possible if we refocus our efforts and re-energise our commitment.

In terms of fiscal expenditure, non-essential spending in the form of personnel emoluments and office rental expenditures have ballooned and continue to expand to date.

The Prime Minister has directed that control measures be implemented at these overruns and interest costs have increased, aided by Government now recognising public entity debt that was previously inappropriately guaranteed.

This higher non-essential spending has reduced spending on essential government services and the level of government arrears remains far too high for our businesses to endure. When Government pays its 'dinaus' the private sector can afford to also pay their own suppliers and reinvest.

Management of the cheque float at the end of both 2017 and 2018 has been problematic resulting in increased challenges in executing the subsequent year's budget. The main issue being, we pay, but these payments aren't banked and carried over into the next year.

Importantly this higher non-essential spending has resulted in lower capital spending from the Development Budget by the government and the reduction in available counterpart funding has adversely impacted the delivery of donor-funded projects.

In this respect, the Prime Minister has directed that spending be refocused on priority areas.

Furthermore, whilst the receipt of the proceeds from PNG's sovereign bond late in 2018 has assisted in the supply of much-needed financing and in addressing part of the foreign exchange imbalance, the remaining foreign exchange imbalance remains and it continues to hurt our domestic and foreign businesses operating here.

We need more dollars and therefore I will pursue these external options rigorously

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Therefore, if these adverse trends were to continue well into 2019, then the 2019 Budget would be off track and so far the January to May 2019, figures show that these adverse trends in large part have continued. These trends have negatively affected our economic growth rates and employment levels, and the continued poor performance of state-owned entities has badly affected services to our people.

Mr Acting Speaker, I have already received briefings in the main areas, and we are currently formulating policy responses to these problems, however, these responses need to be done within a coherent fiscal and financing program because it is easy to point out a problem, but this Government will be focused on solutions.

Mr Acting Speaker, in this respect, I aim to ensure that the prudent targets as identified and accepted in the MTFS 2018-22 and associated MTRS and MTDS will be maintained including the medium term debt to GDP ratio target of 30 per cent and the medium term zero non-resource fiscal balance target.

This latter target will help ensure that excess resource revenues over coming years are saved in the sovereign wealth fund rather than incorporated into current spending.

To achieve these important medium-term targets, we will focus on the following concrete actions in the coming days, weeks and months:

Revenue

a) We will accelerate the appointment of a permanent Commissioner General IRC, clarify the reporting lines from IRC and Customs through Treasury to the Treasurer, and establish a set of KPIs such that the medium term revenue strategy can not only be brought back on track, but exceeded;

b) We will accelerate the operationalisation of the large Taxpayer Office and use a combination of improved services and targeted taxpayer management interventions to build and maintain a high level of compliance among companies where the returns are greatest. Already the IRC has engaged with Tax Auditors without Borders and more of these institutional relationships will be used to beef up our skill-set and increase the capacity of our local staff in this specialized area;

c) We will accelerate the establishment and operationalisation of the small business taxpayer regime to simplify taxpayer obligations and reduce obstacles to compliance;

d) We will delay the implementation of the capital gains tax regime from 2020 until Treasury has brought a technical reform paper to Cabinet assessing merits and operational, sequencing and timing issues. In relation to this, I intend to have a much closer and much wider consultative process than my Department is used to, in the areas of tax policy, administration and even in the drafting of the legislation;

e) We will establish a revenue division in Treasury focused on domestic revenue and present to Cabinet a reform program to improve the reporting of the IRC and Customs revenues against key performance targets. The Division will also present to Cabinet a detailed plan to ensure the collection of departmental fees and charges, commencing with land tax collections which has promised big but delivered little;

f) We will review the PMMR arrangements such that all relevant public entities are brought back under the budget framework and amend all respective legislations. I reiterate that this is not about starving organisations where we limit operational funding, it is about contributing to the national agenda;

But it does force these organisations to report transparently primarily through identifying what are their annual operational revenues and what are their operational costs, and it is the difference between the two that the State will take. I repeat, it is post operational cost funds that we are interested in, and so these organisations will have to budget and justify these budgets just as we all have to, come Budget time;

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g) We will amend the Kumul legislation to improve accountability for the pass through of dividends from trust assets, reduce the scope of non-essential activities by these entities and review borrowing activities including guarantees with existing loans and underlying assets being restructured and recognised in the General Government Debt Ledger and importantly improve transparency so that our economic agencies sit on the boards of directors and maintain visibility;

h) Following the MYEFO and more finalizing our financing options in the coming days will allow my department to be in a better position to advice Government on whether an adjustment is required to the 2019 Budget. I also intend to release the Budget Strategy Paper sooner rather than later so that we put everyone on notice on the direction we are committed to, and we are planning, on our medium term in this direction.

Mr Acting Speaker, in relation to the Expenditure and Financing actions:

a) We will instigate change arrangement for the organisational structure and Personnel Emoluments Audits Committee dealing with the public service issues. The Committee will be required to present to Cabinet a detailed paper on short and medium term control of the personal emoluments budget including technical and policy recommendations on control measures, intake

and retirement strategies, off-line payments and overtimes. Currently, we have one of the four big accounting firms working to give us a diagnostic on the systems that manage our payroll and our payroll execution and reporting but I want more.

When I look at the cost of the public service wage bill from a cost per GDP perspective, compared to the region, we are just below the average. But the issue is one of affordability in which our revenues are not growing fast enough to meet our aspirations of having more teachers, doctors, nurses, police personnel and soldiers on the front line.

Let's make the management and control of our system tighter, but let's also increase our revenues so we can have these front line personnel and at the same time build our country.

b) I have further directed the Treasury to establish a much improved debt management office at:

- lowering the cost of government debt and improving risk assessment,
- supplying funds to the budget as required in a more orderly manner,
- negotiating with the BPNG for much better within-year domestic cash and debt management outcomes
- managing the external portfolio across the fiscal years using a dedicated sinking fund; and
- that the domestic debt market is broadened and deepened.

Mr Acting Speaker, debt management arrangements are to include a review of the undrawn donor loans where substantial ongoing commitment fees are paid for little benefit to PNG. Contingent liability arrangements are to be reviewed and a transparent process established for liabilities that are crystalized;

c) I have directed Treasury and will work closely with the Minister for Finance to establish a comprehensive arrears reporting framework and to structure the accelerated payment of all properly assessed arrears and to report the level of arrears and aging of arrears on a regular basis. Use of the cheque float at year end should be kept to a minimum amount and based solely on timing issues until such time as we can move the fiscal year;

d) I will work closely with the Minister for Finance to ensure that the National Procurement Commission will be operationalised and implement its statutory requirements particularly related to local content in bidding, and the APC is to issue warrants for contracts only when cash is confirmed. A dedicated trust fund will be established to secure the payment of

contract amounts falling due within the fiscal year. I have also directed strict adherence to corporate governance mechanisms to reduce leakages and wastage in tendering and procurement stages.

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e) Accountability arrangements for DSIP and PSIP payments are to be strengthened to ensure that funds that flow into districts and provinces are against approved projects;

f) There will be improved arrangements between Treasury and National Planning to ensure warrants issued for particular projects are expended against those projects but there are clear monitoring and evaluation reporting structures from skill specific areas if need be so that we can assure our people that they are receiving value for their money;

g) I will provide to NEC first and then subsequently to Parliament a detailed report on the establishment of an endowment fund for financing tertiary fees at very low interest rates; and

h) To streamline the public sector, the current departments and agencies merger and abolishment program will be accelerated and the coverage expanded. Public Service structures must adhere to the establishment guidelines from the Department of Personnel Management (DPM) at executive 4, 5 and 6 and should not build white elephant structures by having excessive top-heavy structures.

Mr Acting Speaker, this will necessarily be accompanied with a series of private sector policies. With a sound macroeconomic environment established, our new Government will concurrently introduce a number of important policy initiatives:

a) We will pursue Public Private Partnerships particularly with our local superannuation funds so that our people are receiving value as end users, as vendors and as shareholders. We have seen the value in a partial sell-down through the success that is BSP where our smaller shareholding now provides more value than our 100 per cent ownership of PNGBC ever did. We have also seen the benefits of competition in the mobile telephony sector where players are actively pursuing customers and bringing wider coverage and lower prices. But this is where we have stopped. This Government will explore where value can be gained in other parts of the State-Owned Enterprises story.

b) We will establish a small business development initiative. Our people need to be able to establish small businesses, grow these businesses and importantly dramatically expand the

employment of Papua New Guineans as mooted by the Prime Minister. There is little point in pumping significantly more into education if there are no jobs at the end of the education journey.

Mr Acting Speaker, in this regard, among other things, we will investigate a substantial small business lending facility that will be at a low fixed lending rate for long term periods. We will partner with the banks and micro finance institutions to share risks and to fund the interest subsidy. We will establish a simplified small business tax regime accompanied by training programs in accounting and book keeping.

Mr Acting Speaker, as mooted by our Prime Minister, we will invest in Micro Small Medium Enterprises or MSMEs E-Commerce training and support platforms to expand and formalize the current 50,000 or so companies in this sector and provide business start-up programs nationwide with the support of the World Economic Forum (WEF).

Mr Acting Speaker, we will ensure the fiscal strategy accommodates downstream processing and value-adding in agriculture, fisheries, forestry and tourism. The development of the capital markets to involve mums and dads in the country is also critical for financial deepening of the PNG financial markets; this will involve a review of the *Capital & Securities Commission Act* to improve the listing rules and governance of the Port Moresby Stock Exchange. Through the National Procurement Commission, we will provide support for local content bidding for procurement contracts up to K10 million and for partnerships above K10 million.

Mr Acting Speaker, we will partner with BPNG through the Centre for Excellence in Financial Inclusion and the commercial banks and lending institutions to provide electronic banking facilities to new small businesses after registering under the new small business tax regime.

We will establish a dedicated trust fund to ensure funds are available to meet approved contract payment demands on a timely basis and that a schedule of payments will be made to address all outstanding verified arrears.

a) We will accelerate the appointment of a permanent Commissioner General IRC, clarify the reporting lines from IRC and Customs through Treasury to the Treasurer, and establish a set of KPIs such that the medium term revenue strategy can not only be brought back on track, but exceeded;

b) We will accelerate the operationalisation of the large Taxpayer Office and use a combination of improved services and targeted taxpayer management interventions to build and

maintain a high level of compliance among companies where the returns are greatest. Already the IRC has engaged with Tax Auditors without Borders and more of these institutional relationships will be used to beef up our skill-set and increase the capacity of our local staff in this specialized area;

c) We will accelerate the establishment and operationalisation of the small business taxpayer regime to simplify taxpayer obligations and reduce obstacles to compliance;

d) We will delay the implementation of the capital gains tax regime from 2020 until Treasury has brought a technical reform paper to Cabinet assessing merits and operational, sequencing and timing issues. In relation to this, I intend to have a much closer and much wider consultative process than my Department is used to, in the areas of tax policy, administration and even in the drafting of the legislation;

e) We will establish a revenue division in Treasury focused on domestic revenue and present to Cabinet a reform program to improve the reporting of the IRC and Customs revenues against key performance targets. The Division will also present to Cabinet a detailed plan to ensure the collection of departmental fees and charges, commencing with land tax collections which has promised big but delivered little;

f) We will review the PMMR arrangements such that all relevant public entities are brought back under the budget framework and amend all respective legislations. I reiterate that this is not about starving organisations where we limit operational funding, it is about contributing to the national agenda;

But it does force these organisations to report transparently primarily through identifying what are their annual operational revenues and what are their operational costs, and it is the difference between the two that the State will take. I repeat, it is post operational cost funds that we are interested in, and so these organisations will have to budget and justify these budgets just as we all have to, come Budget time.

g) We will amend the Kumul legislation to improve accountability for the pass through of dividends from trust assets, reduce the scope of nonessential activities by these entities, and review borrowing activities, including guarantees, with existing loans and underlying assets being restructured and recognized in the General Government Debt ledger and importantly improve transparency so that our economic agencies sit on the Boards of Directors and maintain visibility;

h) Following the MYEFO, and more finalizing our financing options in the coming days will allow my Department to be in a better position to advise Government on whether an adjustment is required to the 2019 Budget. I also intend to release the Budget Strategy Paper sooner rather than later so that we put everyone on notice on the direction we are committed to, and we are planning, on our medium term in this direction.

Mr Acting Speaker, in relation to the Expenditure and Financing actions;

a) We will instigate changed arrangements for the Organisational Structure & Personal Emoluments Audit Committee (OSPEAC) dealing with public service issues. The committee will be required to present to Cabinet a detailed paper on the short and medium term control of the PE budget including technical and policy recommendations on control measures, intake and retirement strategies, offline payments and overtime.

Currently we have one of the big four accounting firms working to give us a diagnostic on the systems which manage our payroll and our payroll execution and reporting, but I want more.

When I look at the cost of the public service wage bill from a cost per GDP perspective, compared to the region, we are just below the average. But the issue is one of affordability in which our revenues are not growing fast enough to meet our aspirations of having more teachers, doctors, nurses, police personnel and soldiers on the front line.

Let's make the management and control of our system tighter, but let's also increase our revenues so we can have these front line personnel and at the same time build our country;

b) I have further directed Treasury to establish a much improved debt management office aimed at:

- lowering the cost of government debt and improving risk assessments,
 - supplying funds to the budget as required in a more orderly manner,
 - negotiating with the BPNG for much better within-year domestic cash and debt management outcomes,
 - managing the external debt portfolio across fiscal years using a dedicated sinking fund,
 - jointly with BPNG ensuring that the foreign exchange imbalance is extinguished fully;
- and
- that the domestic debt market is broadened and deepened.

Debt management arrangements are to include a review of the undrawn donor loans where substantial ongoing commitment fees are paid for little benefit to PNG. Contingent liability

arrangements are to be reviewed and a transparent process established for liabilities that are crystalized;

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The current difficulties in accessing foreign currency will be extinguished facilitating the payment for imports;

c) Mr Acting Speaker, our new government will accelerate the implementation of the consumer and competition framework review and the financial services sector review which have been endorsed by the previous government, but which have been slow to commence;

d) To harness the talents of our young skilled public servants, a public sector policy research unit will be established in Treasury that will second staff from various areas to work on specific policy issues to access and stress test new ideas through new networks;

e) We will set targets for improved spending on education, health, law and order and infrastructure, but we will establish an improved set of KPIs to ensure that this spending is well targeted and productive;

f) Importantly we need to have a well-developed coherent strategy on the development of the power sector. Too many ad hoc projects are being submitted, many seeking extensive concessions and government guarantees.

With the significant amount of international assistance being offered through the APEC arrangements, it is essential that a detailed plan for the supply of power across PNG is established. We will ensure that this is given top priority as this sector really has the potential to upgrade the economy directly from the people level;

g) Similarly we will work closely with NICTA to establish a more detailed plan for telecommunications connectivity across PNG and that the institutional arrangements for efficient and low-cost services are established. The new international submarine cable from Sydney to Port Moresby and the mobile broadband network upgrade and expansion plans should provide substantial benefits for consumers and business over coming decades.

The Government will ensure that the expansion is efficiently rolled out across the country; and

h) We will work closely with the relevant policy agencies to significantly enhance land, sea and air transport policies to improve connectivity, safety and lower costs.

At the end of July 2019 we will have the budget outcomes for the first six months of 2019. My intention is then to make a wider and more comprehensive statement on the execution of the 2019 Budget in the MYEFO report.

Mr Acting Speaker, I would like to point out that this Government is only a month old and other sectoral Minister are still being briefed on their portfolios and their Departments. In the coming months, we will have more policy contributions from them and therefore our policy actions will take more shape then.

In the interim, in terms of budget financing needs that are now urgent, my department is in final negotiations with the China Development Bank to secure improved conditions for the promised loan made at APEC.

We are also negotiating two other loan arrangements with two International financing houses and have met with international banks to re-enter the international sovereign bond market.

The responses are all very positive and I can confirm that I will be able to recommend to the NEC, which one of the above options we will use to obtain the USD300 million planned for in the 2019 Budget.

I have also instructed my department to elevate the importance and priority of discussions with the World Bank and Asian Development Bank to secure the second tranches of their respective development policy operations.

I met with the World Bank officials who are responsible for our region last week and they agree with this approach I am taking. I have reached out to the IMF and they will be making their input in the coming weeks.

Mr Acting Speaker, our challenge is to transfer the gains from our resources sector into our non-resources sector and to do that we need to progress our major resource Projects.

Managing the income streams from existing resource projects and continuing to bring major projects to fruition is imperative if we want to increase fiscal inflows, increase employment, continue with our infrastructure development and improve other social

and economic development outcomes.

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Papua New Guinea is in the early stages of an unprecedented economic development phase based on the expansion of the Mining and Petroleum Sector.

The strong and durable momentum in the macro-economic performance of the country will be required if we are to reach our rapid development goals. This will be dependent largely upon our ability to successfully bring Major Natural Resources Projects online.

Furthermore, we will need to effectively harness and transparently manage and invest the proceeds from such projects to the betterment of the broader population.

Along with the newly appointed Ministers for Petroleum and Mining, the Honourable Kerenga Kua, and the Honourable Johnson Tuke, we will be establishing a much improved framework for the management of resource projects and pursue the major resource projects such as Papua LNG, the Exxon Mobil led third train, The P'nyang Project, Wafi Golpu and Frieda River that the Prime Minister has been talking of lately.

There have been concerns raised by the community, by colleague ministers and members of this Honourable House. Let us address them quickly and make some decisions.

Our future prosperity depends on delivering these projects and delivering them well. But, we must now find a way to ensure that these major resource project agreements capture enough value to the State and to our people, including local landowners, so as to deliver on our people's aspirations.

This Government will be further exploring different fiscal regimes for resources to modernize the elements of tax legislation. We have commenced the shift to production taxation in Papua LNG and we aim to have this across the board.

To this end, together with the Ministers for Petroleum and Mining, I have been instructed to immediately provide a detailed account of all of the benefits received from the PNG LNG Project since inception and account for how these monies have been spent.

I will request the Department of Treasury and Exxon Mobil as operator of the PNG LNG Project to immediately enter into a discussion aimed at providing renewed detailed

forecasts of future cash flows from that Project to the National Government, Provincial Governments and the Project Area Landowners for the remainder of the Project.

The Government intends entering into discussions with Total E&P PNG Limited as operator of the Papua LNG Project with the aim of more fully understanding the resource base, scope and benefits forecast to flow to the State from that Project.

There is a missing piece in the LNG expansion Project at the moment and that is a gas agreement in respect of PRL 3, P'Nyang. Too often, the State is approached by project partners under the cloak of separate joint ventures, thereby forcing us to analyse and compromise based on a view of individual joint ventures only.

The development of the Papua LNG Project, the P'Nyang Project and the PNG LNG Project are all inter-linked.

I am putting each of the Project Partners in all of these Projects on notice that the concerns of our people must be addressed through dialogue and negotiations with the State, and that we expect all parties to contribute to a fair and equitable outcome.

The Government is expected to instruct the State negotiating team for the Wafi Golpu project to immediately enter into discussions with the Morobe Provincial Government and other stakeholders to understand the aspirations and requirements of these stakeholders, before proceeding further with discussions with the project sponsors.

As the Honourable House knows, I represent the people of Bulolo, including the landowners from Mumeng LLG, including my colleague from Wampar, Member for Huon Gulf, Honourable Ross Seymour.

I am also a mandated leader from Morobe Province. I recognised the need for Wafi Golpu mining project to come on-stream in all leadership capacities. I am calling on all stakeholders to work closely together to ensure the rights of our people are protected, and also ensure that the project progresses on its timeline so that the Morobe people are contributing to the development of our nation.

But, we are also in preparation for reviews in the Porgera Mine and the Ramu Nico Mine. These are opportunities again to raise these resource issues with the developers.

Mr Acting Speaker, I now commend this economic status report to the Honorable House, thank you.

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The project progress is on the timeline so that the Morobe people are contributing to the development of our nation. But we all are in preparation for the reviews of the Porgera mine and the Ramu Nickel mine. These are opportunities again in the resource issues raised by the developers. And again in support of the Wafi-Golpu, I stand with my governor to deliver that project.

Mr Acting Speaker, in conclusion we have heard what the Prime Minister has said since his inauguration as the Prime Minister, we have taken most of these and we will run and drive them. And I ask that we should start implementing in the next 3-4 months, and we can be measured from the figures that we put forward today.

Once again, I now commend this economic status report to this Honourable House.

Mr JAMES MARAPE (Tari-Pori - Prime Minister) – I move –

That the Parliament take note of the Paper.

Mr Speaker, I rise to commend the statement made by the Treasurer, Honourable Sam Basil. I wish to place on record in this House my commitment as Prime Minister to ensure that we do everything possible to get the economy back on track. As the Treasurer has noted, now it is time for us to be physically responsible and be meaningful and practical in as far as what is required to revitalise our economy.

We cannot hide what has happened in the past, and I am comforted in knowing that the Treasurer did his best to try and detail exactly where we are today. And may I take this opportunity to indicate to the House that next week the Treasurer will, upon clearance by the Cabinet, table in Parliament and take a deeper look into our total debt stock so we as a nation appreciate where we are in as far as our debt profile is concerned.

We intend not to hide any information from the public. I think the state of the economy must be a concern to every one of us so that collectively we offer criticisms to ensure that we do better going forward.

I was blessed by spending a few times with the Laguna Members from the other side of the House and one statement that the former Prime Minister, Honourable Sir Mekere Morauta,

made that has stuck in my mind is that, this is a big ship called MVPNG, and to turn the ship around, you do not make a sudden stop and pull on the breaks because you should easily tilt the boat. What we need to do is take stock of where we are and look at the numbers clearly and honestly and put in place measures and steps that can slowly turn the ship onto the right direction that we want our country to move in. And the first instance must be interventions in state of the economy. I think the Treasurer has encapsulated most if not all of everything we intend to do and has made a statement that should now be dissected clearly by all agencies of state, including the officials at Treasury that he presides over and all revenue agencies of state to pick up from and start to put into place the nuts and bolts to get moving, in as far as where we intend our country to move.

As many of you would know, as politicians and as leaders, we are in the business of setting visions and directions. And it is up to our technocrats and our officials to ensure that they translate. Most of you would know, last week Wednesday we had the privilege of meeting with the Ministers and our departmental heads as part of our way to assemble a team of likeminded leaders to get our country moving in the right direction. Taking the cue from what the Treasurer has eloquently outlined before us, it is really incumbent upon each of us and key agency heads to play our part in analysing the statements, and offering recommendations and solutions because we are passengers on this MVPNG ship.

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All of us are passengers in this boat, as Sir Mekere reminded us when we were in camp at Laguna. We're all in this ship which is sailing. If we capsize or face bad weather, we all feel the pain of it. No one is immune from the pain of it.

In the instance of all of us in this House, on either side of the House, if the economy is feeling pain and in stress, we all feel the pain and stress of it but worst of all, and more importantly, is the fathers and mothers, the little people, businessmen and businesswomen. Who feel the greater pain of the decisions we make or we don't make, collective as a body of leaders.

Let me say from the outset, we must live within our means. I think we must live within our means so that in the next two or three months as we dig deeper into the presentations that our Treasurer has made, if it requires for us to make tough decisions, we must make tough decisions. And those decisions must be collectively discussed and it must emanate from us in government in the first instance but on both sides of the House.

And let me stress, living within our means, growing our economic base, harnessing our economic opportunities, and trying our best endeavour to reduce deficit. And I stress here, reducing deficit. Mr Treasurer, it is domestic borrowing that has a heavy toll on our burden to repay those loans so reducing deficit must be the way to go for us.

Hopefully, as a nation if we go into the first one of two years of the 2020s with a reduction in the way we borrowed, stopping borrowing or slowing down borrowing with proportionate reduction in terms of growth in the size of our economy, the growth in deficit will be better for us.

I intend for us as a government or as a country, we must come back to balanced budget at the earliest. That is something we must do. Conversely on one side, growing the economy, capturing unnecessary waste in expenditure on the other side and ensuring that we are efficient and prudent in the way we do business.

I will not repeat much of what the Treasurer has said but it would be fair on us, as head of this government, to ensure that I make one or two points to bring home what the Treasurer has alluded to.

As a responsible government, it would be essential that we address the current imbalance between existing revenue collections and out net budget liability. Simply put, we must live within our means as I have already alluded to.

We must look, and the Treasurer has already discussed some strategies. We call on every one to pick on those discussions and come up with a strategy that can work. No one should expect me to come up with the finer details.

Our job as Members of Parliament and as government is to outlay the resources. We've outlaid the resources. When some talk about me and lately they've been picking up conversations with me saying that 'your remarks about making PNG the richest black Christian nation borders on racial inferences, it borders on or makes reference to religion', but I simply put it back to them that it's got nothing whatsoever to do with race and it's got nothing whatsoever to do with religion. But it's got everything to do with motivating every one of us to rally behind a common course.

It talks about our heritage. It talks about where we are, who we are, where we come from and it talks about where we want to go in as far as the state of our nation in the life of 10 years from today as I indicated earlier and in many instances. Ten years may seem a short time for those of us who are adults; the same space of 10 years are life-defining moments for little children who are 10 years today. They'll be 20-year old adults 10 years from now.

So, the state of the nation we present 10 years from now is a nation that that adult will live in, going on with his life. We've dreamt the destiny 10 years from now and beyond. We've pronounced who we are in terms of shaping up as a nation, a proud Melanesian nation, and we've also pronounced in the same phrase Christian ethics and value systems that must shape our nation.

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I am the first to stand up and announce that Christian ethics, standards, morality and principles are the ones that can safely keep our nation together going into the future. So the statement we made is a wisdom statement, a destination statement and where we want our nation to be. But it is up to our body of advisers who are working with us. They must now start to translate into workable system and in first instance, we are discussing economic matters here because we believe without money, we cannot do much. In my view, we must continue to review our tax system so that it is fairer and those who can afford to do so must pay. I believe that IRC continues to go after the same people who faithfully pay tax while there are many who are avoiding so we must look into our taxation system to ensure fairer and a much better collection system. It is our responsibility to penalise those who are avoiding tax.

As the Treasurer has stated, it is our responsibility to enhance compliance regime and addressing unlawful tax minimising scheme such as those used by foreign workers. We must balance our tax and non-taxable revenue, review laws and policies to ensure best possible benefits from our domestic economy. We must elevate laws where we improve the living standards of those most in need and it is our target to increase revenue to about K2 billion in the next two years so that we can better meet the expected requirements of those most in need.

On how to grow the revenue envelope, it is the business of every one of us to look into and discuss, and as most will appreciate, I support the proposal by the current Minister for State Enterprises and I am becoming the spokesman on this issue that our provincial governments must be seen as 22 economies and how we can tap into economic potentials in those areas so that we grow the economy together instead of been totally dependent on one or two areas or sectors.

We must remain conscious of factors that are beyond our control and we must also build capacities to do with external heads, wings and as when they occur recognising short to medium term impacts on commodity prices and growth.

Mr Acting Speaker, as shown last year when the tragic earthquake happened, these sorts of natural disasters are things that are beyond our control but we must have the ability and contingency plans to handle them whether they are natural disasters or our exposure to global shocks in the market place.

Mr Acting Speaker, we must continue to amongst many things ensure that we maintain or grow momentum in our collections whether through IRC or taxation, modernisation of our collection through a single electronic based system is something that we must work with, and link company registration, customs collections, IRC and local businesses into a modernised electronic platform of maintaining data base is important for us. This is something that IRC, Customs and IPA must move into. I look forward to visiting those key factors to ensure that we have one modern IT platform in which we are making collections or taking businesses up to speed with them.

We must continue in our efforts to contain public sector wage bill as eloquently stated by our Treasurer. We must continue to ensure that our state-owned enterprises are there to account to us in terms of what they are doing. They must be earning revenues, declaring dividends and at the same time, I want to announce that I am seriously looking at the policy proposal that stops state-owned enterprises from depending on Treasury and Government and for them to use our balance sheet to borrow. We mustn't continue to give them these guarantees. One or two state-owned enterprises have come to me lately asking for us to continue borrowing intentions of the previous government but I have asked them to be put on hold. After we have done proper cost analysis of those proposals, they run into hundreds of millions and I am pushing it back to see whether they can borrow on the strength of their own balance sheet instead of coming back to the State diluting little fiscal space we have for state-owned programs especially investing in key economic infrastructures.

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So, State of Enterprises, we are asking you know to ensure that you step up your own game, your balance sheet must be tidy and you borrow against the strength of your own balance sheets instead coming back to National Government. We must also step up our efforts to subscribe to our *Fiscal Responsibility Act* and we will do our best endeavours to comply with the requirement of the *Fiscal Responsibility Act*.

It is time also for us to take a greater look in how we deal with international partners whether they are bilateral partners and tap into areas where we can pick up grants from or pick up soft loan, if we need be engage into areas of loans.

Mr Acting Speaker, I have spoken a breath length in the vision we have for this country and it is now time for us to work together. The Treasurer has basically outlined most of what we have said thus far. Real time for work starts now and let me be the first to tell everyone in this House. Two years is not enough for us to get into ticking many big ticket items, especially in as far as government development programs are concerns.

We will focus on maintaining some of the core focuses this government intends to continue to run, especially in areas of quality education and areas of quality health, making sure relevant infrastructures be leading to economic growth are given consideration.

Those will come at later, first and foremost, ensuring that we put in place control mechanisms to stop unnecessary wastages whether deliberate waste through corruption or systematic waste through complacencies and redundancies which goes on in public places resulting in many millions squandered

The Treasurer has alluded to two key areas; the area of office rentals and in the area of salary over-run. These are areas we need to face and put an arrest to unnecessary waste.

We can't grow the economy and catch more revenue in flow into our economy and effectively and efficiently used them if don't lock the areas where wastages are taking places right now. And so that's why, in the two fronts, we are working to stimulate the economy, but the challenge is to protect the gains of economy by patching up the loop holes in our system.

I am comforted in knowing that sitting next to me is the Deputy Prime Minister, who will be in charge of ensuring that the gains of our economy that we are trying to work towards are safe guarded in a secure safe environment in our country. When the social sector including Police and so many upgrade red tapes in our system is removed – what I call service delivery impediments that are so prevalent in our own system of government structure.

So all this will come into play and I beg every one of us to work together. See where each and every one of us can contribute and I look forward to the Opposition's response and the Leader of Government Business will ensure that this Treasurer's paper is put in government notice at the appropriate time.

If the Opposition wants to deeply criticise our statement of intent and a statement of where we are today, as far as statistic is concern, by all means, they have every right to do this. I hope in their effort to debate this paper, we all can find common ground in moving our country forward.

We looking forward to building our country as a safe and secure environment for business, investment, and every instance some of our conversations are not about talking down our nation as an investment destination.

We must continue to promote our nation as an investment destination when we are talking more about taking back for our economy and our people. I've informed many business forums that I attended, it is not about chasing investors away.

All investors have their business address in our country, when you have your business address in our country you will feel secure and safe and gain more if the country is growing and prospering. And so, in our mutual interest both investors, business community and that we all grow together. This is what we all about if our citizens are empowered with wealth from their own land then the businesses address in our country will returning more dividends to the shareholders.

So, we all about win-win for everyone, we stand right in the face of couple of big projects where reviews will be going on.

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I encourage relevant sector Ministers in mining and petroleum to subscribe to provisions of law that we have today.

I am also mooting the concept in auctioning some of our natural resources. I stand to be corrected and advised that auctioning is not the way to go. But if Porgera or Ramu Nickel or a Forestry area or if a land block is up for review, why don't we deploy the use of auction so that a best bid or tender or price is secured in an open transitional manner instead of always subscribing to a bid that always go through a lengthy process and sometimes we might not end up with the best results.

I encourage the Parliament intelligence to look into the area of auctioning. We can go on to auction some of the resources we have and fulfill taking back Papua New Guinea in taking back some of the resources that are right there for us. This will allow investors out there who want to give the best for us. I am not saying this is the position of the Government but hypothetically it's one man's view.

If Porgera lease is up for review we go out for auctioning and any interested parties who want to develop after the expiration of the Porgera lease can tell our nation what is the best offer they can give our country. This is the law we have and they can tell us what benefits they can be able to provide. The best offer is that one we as a nation will settle for. These are some of the proposals that we will be discussing but all will be concepts. Let me from the outset make clear that we will subscribe to all laws we have in our land that deals with investments. I can assure our investors that the laws in our land are friendly enough and all investors thus have enjoyed all the benefits of all laws in our land and the least I expect is for investors to run to us asking for a discount.

The regulations we have in our country are friendly enough to give a winning edge to our investors as well as our country in its stake. We really don't anticipate requests for discounts but we will enter into discussions into the Papua LNG, the Wafi Gold Mine and other projects that are right before us for mooting.

This is also a pathway for transferring our gains to smaller SMEs. This is something that the Treasurer has captured and I welcome and support that in a big way going forward.

Mr Acting Speaker, we have made many pronouncements and I think from now on after Treasurer's statements criticisms on our strategies must come forward clearly and offer alternative workable solutions so that we can all work together to rescue our current state of MVPNG and make the right turn. We are facing 2020 and the next decade is very important. In the next 10 years if we don't turn correctly and make correct interventions we run the risk of losing our country totally. That is why I give a 10-year period. Here we have lost opportunities in the past years of Parliament's life but we are not here to complain and pick on anyone. Leaders of the past have lived within circumstances of the past.

Our past are lighted with experience that today's generation of leaders can harness. As we enter into 2020 looking back at 2019 we stand in the cast of 2020 and what interventions we make today.

Today in 2019 as the Treasurer puts forward his strategy it is for us to arrest the negativities of the last 5-10 years where we have to stop the huge borrowings, the expenditures we made that must be corrected and putting measures that can steer our nation into 2020 and beyond.

I am not saying it will be easier travelling into the next 1 or 2 years; it will be hard. But during hard times and tough times it requires leaders to make some tough decisions and I intend to also be in the front making those tough calls.

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Debate (on motion by **Mr Rainbo Paita**) adjourned.

ADJOURNMENT

Motion (by **Mr Rainbo Paita**) agreed to –

That the Parliament do now adjourn.

The Parliament adjourned at 1.17 p.m.