

## **Eighth Day**

**Friday 5 July 2019**

### **DRAFT HANSARD**

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**CORRECTIONS TO DAILY DRAFT HANSARD**

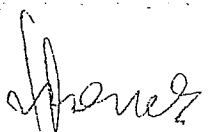
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HARRY MOMOS

Acting Principal Parliamentary Reporter

## **EIGHT DAY**

**Friday 5 July 2019**

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

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

Sitting Suspended.

Mr Acting Speaker again took the Chair at 10.45 a.m., and invited the Member for Chuave and Minister for Commerce, **Honourable Wera Mori** to say Prayers:

‘Internal, Immortal God Almighty, we thank you for we are part of your creation. We thank you for this great country that you have made and blessed us. Lord we thank you for all the Members of the Parliament who are assembled here because you have called them to represent your people of this great Country. I pray for the Prime Minister, Deputy Prime Minister, Leader of the Opposition and all the leaders that you have called upon to assemble here this morning, give us the wisdom so that in all our deliberations, we must all bring glory and honour to your name. Lord we pray and commit this country; in spite of all our problems, Lord, you are alone know what is best for this country. And we pray Lord for your intervention, we pray for the guidance of the Holy Spirit. Thank you Lord, we come this morning to do what have you asked us to do, to represent your will and Lord as we venture further, we would like to acknowledge you and say the prayer that our Lord has taught us to pray. Amen.’

## **QUESTIONS**

### **Treasury – Debt Interest Costs**

**Mr IAN LING-STUCKEY** – Thank you Mr Acting Speaker, my questions without notice are in regards to directed to PNG’s debt interest disaster experienced by the people of our Country at this time and they are directed to the Minister for Treasury.

Mr Acting Speaker, we have all been waiting in suspense for Treasurer, Honourable Sam Basil’s broken promise Debt Statement that the Prime Minister have asked that will be

delivered last Monday week. The Treasurer failed to include it in his delayed Economic Update Statement last Thursday but he promised that it would be delivered this week and we are still waiting, and our patients are fast running out.

So Mr Acting Speaker, my questions are:

(1) Can the Minister confirm that the blowout in debt interest cost of K142.7 million in the first five months of 2019, implies additional cost of K342 million over the full year, which will lift the debt interest cost from K1.95 billion in 2019 Budget to close to a record K2.3 billion based on current trends?

**02/08**

(2) Can the Minister confirm that debt interest costs have increased from K400 million in 2012, to a most likely outcome of merely K2.3 billion by the end of 2019; nearly a six-fold increase in just seven short years with interest costs now being much greater than our spending on health, education, law and justice and especially the recently slashed development budget spending on infrastructure?

(3) Can the Treasurer please explain why he considers foreign debt commercial loans at 8.375 per cent, the Sovereign Bond issue with a foreign exchanged risk a better value than the latest Treasury Bill financing on the 3 of July 2019 just two days ago, which were oversubscribed by K57.83 million at a much lower interest cost of 6.8 per cent that is 1.5 percentage point cheaper and in simple terms worth a saving of K420 million every year, on declared public debt of K28 billion?

(4) When will the debt statement be delivered since today is the last day of our Parliamentary session for the month of July?

(5) When the debt statement is finally if delivered, will it clearly show the full extent of the interest fees and all charges on this debt?

**Mr SAM BASIL** – Mr Acting Speaker, I want to thank the Shadow Treasurer who continues to raise concerns about the economy of this nation and I believe that he is entitled to do so and I thank him for his series of questions this morning.

Mr Acting Speaker, he has been waiting in suspense and his patients is running out. Can I remind the Shadow Treasurer to remain sitting in his seat after question time? Yesterday, I was about to deliver my finance requirement and debt stock statement but he walked out, and that's why I didn't present it. I want to ask him to remain in his seat after the question time so that I can deliver the statement. So please don't leave after question time.

Mr Acting Speaker, talking about finance is a very complex issue and therefore, in future if he wants to raise series of questions on this subject, please provide in writing in advance so we can thoroughly answer the questions accordingly for the benefit of the members.

Most times, we answer the questions he asks but he says that its fake and I hope the DSIP cheque he gets is fake so he should throw it away.

*(Laughter in the Chamber)*

**03/08**

**Mr SAM BASIL** – Mr Acting Speaker. I understand that there were questions asked to the Minister for Planning and he asked for the list but it was never provided.

Mr Acting Speaker, first of all, on his question regarding the confirmation of the blow-out in debt interest, I have a reply here.

Mr Acting Speaker, the interest payments and fees expense totalling K973.7 million as he has stated, which is up by K142.7 million as you have pointed out Shadow Treasurer, the increase was due to the interest payment on the domestic Treasury Bond and on-call guarantees early this year.

The 2019 Budget appropriation as we all know with the interest cost, has allocated one K1950.1 million and that is the limit that Treasury will aim at and we have another six months to perform. I ask that you give us the liberty to perform. We are in July now.

Secondly, Mr Acting Speaker, on his question about for me to confirm that debt interest cost have increased from K400 million in 2012 to a likely outcome of K2.3 billion in 2019. In 2012, the total debt was K8.4785 billion with interest cost of K433 million as mentioned. Since then, successive governments have been running larger budget deficit. As a result, debt have been building up over the years and you also see interest cost increase in line with the volume of debt.

Mr Acting Speaker, but we need to borrow money to build our country. Developed countries who have invested in their human capital, key infrastructures and built their countries had high debt levels and high interest costs but we need to make sure that we are using the proceeds of this borrowing to invest in productive areas.

Mr Acting Speaker, the Prime Minister have mentioned that we have changed and we will change the way we do things in terms of borrowed money. The Prime Minister made it clear, we want to make sure that whatever money we borrow must produce results. We do not borrow to spend were it is not necessary. And I have taken stock of that as I have mentioned in

my previous speech, another factor that contribute to increasing interest cost is the deterioration in exchange rate that affects foreign dollars as well as the rebounding of the US dollar, which in recent years has resulted in slight increase in the global interest rates.

And of course Mr Acting Speaker, on his third question, he wants me to explain why that we considered foreign debt commercial loan at 8.375 per cent with a foreign exchange risk.

Mr Acting Speaker, it is incorrect to compare an international bond of K500 million subscribed by the world's premier investors to be repaid in 10 years' time at a cost of 8.375 per cent to the weekly auction where we seek a K125 million from the four banks and handful of super funds, in the country to be repaid in three months, six months and nine months at a cost of 6.87 per cent.

Mr Acting Speaker, we borrowed so heavily from the short term domestic market when times were tough. And we did not have many options as we do now and that it increased the price of our borrowings and because we have to repay in short amount of time, we fell into the trap where for instance, this weekly fortnightly pay goes towards paying the last weeks debts. That is trap which is very hard to break away from and we must at all cost to try and avoid this.

Mr Acting Speaker, the shadow Treasurer is better of comparing the price of the government trying to borrow the equivalent K1.6 billion or US\$500 million domestically over the ten-year loan product. The price would be above 12 per cent this week and because it is such a large amount, it would drive the price in my estimation closer to 15 per cent.

By borrowing domestically only, we also forego the foreign exchange that our private sectors desperately needs at this time. In my statement on debts which I would greatly deliver today and hope the shadow Treasurer doesn't leave after question time, I will outline the debts strategy and we intend to pursue and how we are targeting several birds with one stone rather than addressing one issue and avoid causing severe adverse consequences with the others.

**04/08**

But the Member for Kavieng is right in pointing out the issue of exchange rate risks and I appreciate him for pointing that out. When you borrow dollars, you have to be mindful of the exchange rate. In my view, since we will be pushing ahead with the petroleum and mineral projects later this year, the kina will grow stronger in the medium term as forecasted by many and of course, taking into consideration the previous Treasurer, Honourable Patrick Pruaitch. If you look back at his many statements, he talked about economy the future projects like Wafi-Golpu Mine, the Papua LNG, the Frieda Mine and we all bank our hopes on them and we will deliver those. Thank you.

## **National Planning – Synchronising Planning Processes**

**Mr WILLIAM POWI** – Mr Acting Speaker, my questions are directed to the Minister for National Planning and Monitoring and is in relation to cascading planning system in this country.

(1) Can the good Minister, inform this House and the people of Papua New Guinea, particularly, our rural people as well as the Members of Parliament how his Department is carrying out this very important key functions of; linking, coordinating priorities and synchronising the different planning processes that we have in this country? This includes wards and district plans, Provincial Development Plans, National Development Plans 2020 and of course the Vision 2050 into the MTDP priorities. I have a copy of the MTDP and the priorities in this book talks about the following key result areas; increase revenue, wealth creation, quality infrastructure & utilities, sustainable social development, improve law & justice and national security, service delivery, improve governance, responsible sustainable development, and sustainable population according to your MTDP.

In most instances, these priorities are translated into the development budget through annual budget framework of the country and that is what we know. I say this because I see that our planning processes are distorted, which directly or indirectly implies that there is a serious distortions in priorities in the way we do business of government.

Mr Acting Speaker, my second question relates to Economic Development Corridor concept that was developed.

(2) What is the Department doing in terms of promoting to capture the current Government's vision of empowering our people to participate in taking ownership to build their community?

This Economic Corridor Concept is a concept that talks about some provinces that have forest resources to harness and develop them. Some provinces have marine resources, harness and develop them. Some provinces that have other resources, harness and develop them. Not all the provinces have similar resources; each provinces and regions are blessed with different resources. What is the National Department of Planning doing in terms of going forward and using the concept of the economic corridor?

(3) In terms of the Marape-Davis Government, we are saying take back PNG, so what do you want to take back? We want to take back the people, the land and the resources.



And in that talk about take back PNG, make PNG the rich, black Christian nation. These are very bold vision and policy pronouncement for the country now and also for medium term and longer term future of our country. This Government wants to empower our people from all levels right throughout the country to take ownership of their lives and their environment. In that process, we will set their destiny to become prosperous as opposed to dependency on the Government to do everything for them. I do not want to see a government that makes our people lazy. Our important resource are our people. Therefore, we must empower them as opposed to building structures and let our people become bystanders, we must empower them so they can manage their own resources and communities.

Mr Acting Speaker, we must unlock ourselves from the bondage. If the bondage is legislation then we are here to amend all laws for our people. If our bondage is policy then we must change the policies.

**Mr ACTING SPEAKER** – Honourable Governor, can you ask your question? You can debate during grievance debate.

**Mr WILLIAM POWI** – Can the Minister inform the Parliament and the people what steps the Department of National Planning and Monitoring is taking to integrate and synchronise all the Medium Term Development, the National Strategic Plan 2020 and the Vision 2050 so that the Government's pronouncement policy statements directions are clearly articulated within the planning framework to create a benchmark for the country's progress from 2022 and beyond?

**Mr RICHARD MARU** – I thank the Governor for Southern Highlands for his statements and questions.

Mr Acting Speaker, the Medium Term Development Plan III is our guiding plan for this 5 years starting last year and going into 2022. The plan is totally aligned to Vision 2050 and all the other plans that the Government has including the *Alotau Accord I* and *Alotau Accord II*.

The Plan sets out very clearly that our most important priority pillar is growing the economy. Last year, our total revenue was K8 billion from taxes and K3 billion from duties. Under the plan, we want to grow that internal revenue to K15 billion by the time we complete this term of Parliament. In order to do that, we have to unlock our potential by attracting foreign investors and putting down very important key enabling infrastructures like the four wharves

that we have now completed their designs; Vanimu, Manus, Kikori and Wewak. Those are critical infrastructure and of course, the work at the airports.

Mr Acting Speaker, under our plan we must deliver the Pacific Marine Park so that we process 100 per cent of our catch in PNG as opposed to the current 30 per cent.

I am happy to inform Parliament that our friends from the Chinese Exim Bank are arriving soon to complete negotiations for this loan and we want to start with this project as soon as possible. This is critical because we believe that we will be making more than K1 billion by establishing the Pacific Marine Park in Madang.

Mr Acting Speaker, our biggest single problem and I want to inform Parliament is the fact that every year, we are not able to secure funding to implement the development budget.

In fact, in the last five years, we have not be able to fully fund the development budget which includes roads, colleges, wharves, jetties and what have you.

**06/08**

This is the most single biggest problem facing us in terms of implementing, I am confident we have a very good plan but the issue is our ability to fund that. As many of you seen in the paper in recent days, in the last two weeks we have advertised for Members of Parliament and Governors to submit their tax credit project proposals.

This is one way for us to try and fund some of the critical infrastructure projects that will unlock our potential as the country and I am looking forward to many of you submitting you proposal to Planning before 27 of July when it expires.

**Mr William Powi** – Point of order! Mr Acting Speaker, that process on tax credit is going to open up a flood gate for corruption.

Don't talk about that – that is a separate matter. Don't micro manage everything from Waigani. We have district plans here and provincial development plans here, we are the .mandated authority on the ground. Waigani has to see these priorities and fund it. I am telling you, you will have no capacity to see what project has be done on the ground and in the process you will lose millions of kina through paper companies or fake companies here, experience as shown this.

District plan is here, the provincial development plan is here. We are the leaders mandated by the people. Fund it through this authority. You check on accountability and oversight. Don't come and do our job.

**Mr RICHA MARU** – Mr Acting Speaker, I think those comments are very unfair. The tax credit scheme as worked very well in the past despite some of the priorities. Obviously, the private sector companies who are going to partner the district and provinces are going to be involved in that process.

Now the changes we have made in the policies are, the procurement of all the projects must be done by the National Procurement Authority and not by the private sector the company themselves because in the past there was no transparency. These are public funds and they must operate within the ambit of the *Public Financial Management Act* that why we are bringing it back to National Procurement Authority to manage that.

Now the provinces are going to sit down with the resource developer in your provinces and agree on what the project are. That happened in the past.

I don't why the Governor is making a big issue out this. What is wrong?

Many projects were delivered very well by our private sector in the many provinces that they were involve with.

That is the function of the National Government, income tax belongs to National Government Provinces, you already have your PSIP and DSIP to implement most of you plans, you already got those funding yourself. I don't really see where this comment is coming from.

What am saying is, we have a plan that is aimed at growing the revenue, it is funded through DSIP, PSIP and the development budget. I have made known to all of you, we struggling to making sure we have funding to deliver the development budget.

This is not the problem of this government. This has been a problem for a very long time. We now have the tax credit scheme available to help members and provinces to deliver some most of your critical projects outside of the development budget where we secure the cash flow to do it.

I am confident if we work together as a team with our private sector partners, we can deliver on the objectives of the medium term development plan and that is to grow the economy and our revenue from around K11 billion to K15 billion.

In terms empowering our people, we provide up to a hundred million in a year to the National Development Bank to provide cheap and accessible loan to our citizens at the rate of 6.5 per cent.

It's already discounted. All the private banks will charge 10-12 per cent. Our people are getting it at half the rate. They are not giving handouts. People are applying and meeting the bank conditions before they receive loans.

We have also approved the setting up of the Tariff Guarantee Corporation of Papua New Guinea to be owned and managed by the Central Bank. You have to ask the Governor why he hasn't moved with that when we have funding to start it.

That is one way we can give more access to credit to ordinary Papua New Guineans, professional Papua New Guineans to access bank loans so they can go into business.

**07/08**

The government has done that under the Medium Term Development Plan Three. We have approved that and we are waiting for the Central Bank to get its act together so we can roll that out as a major initiative to provide accessibility for loans for Papua New Guineans to grow their own business and start businesses, including investments in agriculture.

We are working with provinces and their governors to unlock a number of critical agriculture projects that needs to be unlock immediately. We are also working very closely with the Governor of Morobe and his province to build a secondary farm in Lae.

We need to work together with DAL and our investors to build a secondary farm. We are working with the Member for Mul-Baiyer and the leaders of Western Highlands to build a major rice industry in Mul-Baiyer in Western Highlands. We are working with the Member for Abau to start our next sugar estate in Abau and start to process sugar. We are working with a number of provinces who are able to identify land and water to support us in bringing private sector partners to help grow the economy and replace imports and improve exports in the country.

I want to conclude saying, we have a clearly defined plan. We may have resource issues but we are determined to work with all provinces and members of Parliament.

To answer, we deliver on many of the plans that each of the provinces and the local members have especially in major infrastructure that are critical to unlocking our potential as a country.

We are also working with development partners under the development cooperation policy to secure additional funding from them to assist in many of the essential projects we have like building district hospitals and other critical infrastructure that we need to improve the living conditions of our people.

So all I can say to our governors and members, many of you have not yet brought in your provisional plans and your district plans. The deadline was in May, bulk of our members have not bring them in despite advertisements and despite follow up from my Department. If you

want your plans to be used to be considered for funding, it is up to you, the members of Parliament and the governors to bring your plans.

While I have the opportunity, I would like to thank a number of Governors and local members who have already submitted, your district development plans to National Planning. I can assure you my door is open, I am happy to sit down with you and work through the key projects that will help to unlock your province's economic potential. Thank you.

### **Supplementary Question**

#### **Funding for Export Commodities**

**Mr RICHARD MASERE** – Thank you, Mr Acting Speaker. My question is directed to the Minister for Planning, I would also like the good Minister for Agriculture to make note as.

Mr Speaker, in response to the Governor, the Minister just advised the House that there are plans to build four more additional wharves in the country.

Today, if you enquire with the company s that is currently managing the cargo that is leaving our ports, the international import and export cargoes, they will tell you that at this particular point, every cargo that is arriving is only inbound cargo, there are no outbound cargo, meaning that there is no export leaving our country. We are importing everything, toothpick, water, paper, glass –everything that we see in this country is imported.

(1) Do we have any money set aside for agriculture that will rehabilitate our coffee, cocoa, copra and vanilla sectors so we can see exports happening in this country?

(2) If there is a plan, how much money are you putting in the plan for agriculture?

(3) When do we expect to see this money with the Department of Agriculture so that we can start accessing that money in order for us to grow our agriculture economy in our district?

Thank you, Mr Acting Speaker.

**08/08**

**Mr RICHARD MARU** – I thank the Member for Ijivitari for this important question. Our funding at the moment goes to most of the commodity agencies like Cocoa Board, Coffee and Spice Board. They all have allocations in the budget and also the Department of Agriculture. But one lesson we have all learnt is how we squandered over K400 million in NADP funding. It happened when we gave it directly to paper farmers then we had nothing to show for.

We give funds to banks for those who want to apply for commercial loans build their plantations and develop their agriculture projects. We also have what is called a state equity fund for the state to take up equity and we fund each of the commodity boards like CIC. We provide budget funding every to work on their programs. In addition, we also have programs like the PPAP that we use to support the private sector through an ADB loan. There are a number of various instruments that we use.

Mr Acting Speaker, for the record, every Member of Parliament gets K1 million in your DSIP out of K10 million every year for you to provide to farmers and others you want to help within your districts. Out of the K10 million, K1 million is for SMEs and micro-enterprises in each of your districts so the Members do get funds every year. Hence, over a five-year period, you get K5 million to support SME growth within your own electorates. So, the funding is there. As Minister for National Planning and Monitoring, I do not believe in giving out hand-outs to paper farmers who end up with no results and squander national wealth.

*(Members interjecting)*

**Mr RICHARD MARU** – Mr Acting Speaker, I think we need to move away from just giving money to individuals and paper farmers. We must give to farmers through a structured process and that is why we use the commodity boards to do it. For example, we funded the Cocoa Board to start regional programs. They have done the one for the Momase Region and will finish around November. They will build for the Southern Region and one in the Highlands which they are sorting out land issues now.

This is how we fund the various commodity agencies to implement the various programs in their sectors as opposed to the K400 million that has nothing to show for. We are not in the business of handing out large amounts of money to individuals. If you give to one then you might as well give to all because they all have same rights.

### **Kumul Holdings - Financial Impropriety**

**Sir MEKERE MORAUTA** – I direct my questions regarding Kumul Petroleum to the Prime Minister and ask that the Minister for State Enterprises and the Minister for Petroleum take note.

Mr Prime Minister, I welcome your commitment to table the accounts of Kumul Petroleum in Parliament once they are completed. I have some further questions based on a letter written apparently by some Kumul Petroleum staff members to you and the Minister for Petroleum. I obtained a copy through the social media.

Mr Prime Minister, the letter makes very serious allegations about financial impropriety and grossly excessive payments to Kumul Petroleum Executives and engagement of contractors and consultants to individuals and companies known to be associated with the senior executives.

**Mr Kerenga Kua** – Point of Order! I am aware of the letter that Sir Mekere, Member for Moresby North-West is referring to but the letter has not been signed. It is addressed to me but it has not been signed nor has it named the author.

**09/08**

Yes, although it may be referring to some matters of substance, perhaps it might be prudent if we did not give so much prominence to matters that are circulating in the social media at large, therefore giving them unnecessary credibility and prominence.

I am patiently waiting for that letter to reach me through the proper channels, probably signed off by the author so that we can address those matter because these are matters of good faith and of very serious national issues so perhaps Honourable Member can hold on to the question until I actually formally receive the signed letter that also properly identifies the author then I will of course deal with it in the most official business-like manner as we always do and want to do. I assure him of that but in the meantime it might not be worth giving it the prominence that it deserves, in the highest institution on the land which is this of Parliament.

**Mr ACTING SPEAKER** – Honourable member, point of order!, out of order! If you have other questions to ask you may have the floor.

### **Whistle-Blowers Protection Law**

**Sir MEKERE MORAUTA** – Thank you, Mr acting speaker, one of the questions I have is this,

Can the Prime Minister consider introducing a law that protects whistle-blowers immediately? This is because the people that have written this letter have been sacked for doing

the right thing for the people of Papua New Guinea .So we need to protect the whistle-blowers. The Prime Minister in answering the question about UBS, you welcomed PNG to give you evidence and information about corruption now what follows from here is that a law should be passed to protect these informers otherwise nobody will give you information. So my simple questions are;

(1) Can the Deputy Prime Minister or the Prime Minister, please quickly introduce this law?

These Papua New Guineans being sacked are individuals like you and I, they have family commitments, school fees to pay for but for doing the right thing they have lost their jobs.

(2) Can the Prime Minister give directions for these people to be reinstated until the information is investigated?

Thank you Mr Acting Speaker.

**Mr JAMES MARAPE** – Thank you, Mr Acting Speaker, let me thank the Member for Moresby North-West for asking a very pertinent question in relation to the manner in which evidence are revealed in respect to corruption issues out there in the public space.

In this instant possible indications towards Kumul Petroleum. May I say, the whistle-blowers act is in the process of been brought to the Cabinet as I speak.

Whilst it is coming to Cabinet, we will be reconciling with the issue of for giving protection to those who want to submit evidences in relation to corruption at the same time finding balance with those implicated.

We live in a society where there is a lot cross dynamics at play. Those of us who hold public office also have various layers of opponents and at any instant someone can pick an issue that is has no total *prima facie* case that can stand the scrutineer and process of law but just for the sake of railing up or getting someone that has a sore of issue with. He puts up something and eventually the court may throw it out on the line. So this is giving a re-course also for those who are aggrieved in the process to be re-compensated for, if the due process of the law, including process of prosecution finds that the case is not proper.

On the other side those who stack up allegations that is not substantive can also be answerable to them for participating in malicious prosecution so to speak.



10/08

We are drafting a whistle-blowers act that will protect creditable witnesses who are correct and in serious business when producing evidence against corruption or misuse of official powers by someone in leadership in an organisation.

So, I want to inform this Parliament and the country that the whistle-blowers act will commence in due course. It is also part of the leadership package of the Deputy Prime Minister. As I indicated yesterday, there will be a precursor to ICAC, an organisation that will be in place to look into corruption issues until we formalise the entire structure of ICAC. The hindrance of ICAC in this current form is clear definition of roles between Ombudsman Commission, police and ICAC.

We don't want to create a monster that is against the uses as a fertile ground for delaying processes of justice. We have to have a unified structure in which issues like corruption are done with expeditiously. As you all know, in the current environment, everybody else can run to court. There a lot of mishaps that we need to tidy to ensure that all structures of government, particularly the law and justice sector structures are congruent in harmony and what is an intended pursuit of justice is delivered expeditiously.

So these are some things we are considering and whistle-blowers act is part of our government policy in so far as ensuring fighting corruption is concerned whether it be in Kumul Petroleum Holdings or any organisations. Hopefully that could give fairness to anyone who want to participate in exposing corruption.

In this instances, for those who are aggrieved, I propose that they pursue through the normal process of our court. Our country has provisions of laws that allows for those who feel that they have been unfairly dismissed by higher officers to pursue that through normal process of laying of complaints through the police. There are avenues available which their complaints can be settled.

In the meantime, whistle-blowers act is within our process of government and it will be discussed in Cabinet. Upon clearance, we will hopefully bring it on board. I require all Members of Parliament to pick up the draft whistle-blowers act, which is at conception stage at the moment and upon total satisfaction, we can rally the entire Parliament to support it and pass it through as one step towards fighting corruption in our country.

### **Supplementary Questions**

## **Proceeds of Crimes Act - Include Facilitators of Corruption**

**Sir MEKERE MORAUTA** – Prime Minister in reviewing that but in particular the *Proceeds of Crimes Act*.

Can you review that if it's not already there to ensure that not only the recipient of the corrupt activities are punished but givers but more importantly the facilitators?

There are three classes of people, the receiver, the giver and the facilitators.

**Mr JAMES MARAPE** – That's a fair recommendation and proceeds of *Crime Act* must be built into this mechanisms we put in place. There is no profit from act of corruption and our nation must know this and our government will ensure that it's inbuilt into the entire mechanisms we put in place.

So if someone is illegally procuring assets and resources out there through corruption then proceeds of *Crime Act* must apply and they must go back to State and respective organisations that it belongs to.

**Mr RIMBINK PATO** – Thank you Mr Acting Speaker. I was going to ask a Supplementary Question but the time has lapsed so I will ask a new question. I want to direct my question to the Minister for National Planning and Monitoring.

(1) In relation to Provincial Government as well as District Development Authorities, where we have submitted our plans. The provincial plans or the district development plans and speaking for myself in the last term of Parliament there was a National Development Plan for the Wapenamanda District which was submitted.

**11/08**

(1) Do we need to submit a new plan or if that plan that was submitted in the last term of Parliament or at any one time, implements Vision 2050, the Medium Term Strategy or the National Development Strategy, can we stick to it?

In relation to tax credit schemes where the applications have gone through due process in the sense that planning and proposals of particular projects have gone to the major companies in our country, and where they have approved them in consultation with the National Planning Department. In this case, for example, some projects in the electorate of the Acting Speaker,

there is a Police Station out there, there is a Health centre out there or in Wapenamanda electorate for example, there is a Tobac Health Centre in Tsak valley. Where all of these projects consist with our district development plan have been approved.

(2) Would you delineate them from the process of looking at them afresh, so that those companies can proceed with the implementation while you are seeking to get new projects to put it through this process that you advertised in the newspaper?

Thank you, Mr Acting Speaker.

**Mr RICHARD MARU** – Thank you Mr Acting Speaker, and I thank the Member for Wapenamanda for this very important question.

Firstly, all Districts are required to submit new plans that are aligned to the Medium Term Development Plan III. Our first priority is the economic growth and we want to see how your districts and provinces will be involved in unlocking some of the potentials. So we need new plans and the deadline is on July and if you still have not gotten it, please I urge you to submit your plans and as well as the provincial development plans.

In terms of tax credit, we are now receiving applications from provinces and districts, and the process will conclude on the 27<sup>th</sup> of this month. When we receive all of them, we will be working with the Governors, Members and the developers to basically seek agreement on those projects that are align to the Medium Term Development Plan III. We will also work with the private sector partners to deliver those projects for the various provinces and districts.

Mr Acting Speaker, I would like to stress one point. Under the new policy 1 per cent of that money goes to non-resource provinces and the other 1 per cent goes to the resource provinces. In the past, it was only 0.5 per cent and now it has increased to 1 per cent to the resourced districts or provinces and the other 1 per cent of the funding will be going to the projects that are important to economic growth critical infrastructure projects in other districts and provinces, which do not have resource projects. What we going to doing is, working with the resource developers to fund some of the projects in the districts that have no mining or petroleum projects after we receive all the applications before 28 July 2019.

## **ANSWERS TO PREVIOUS QUESTIONS**

## **Status of Asylum Seekers Centre in Manus**

**Mr JAMES MARAPE** (Tari-Pori – Prime Minister) – I ask leave of Parliament to respond to previous questions.

Leave granted.

Mr Acting Speaker, the questions raised by the Member for Vanimo-Green on the Asylum Seekers in Manus, so may I inform the Parliament that some of the findings refers back to the question was asked.

**12/08**

The question basically seeks our response to the Supreme Court decision that was handed down and what we are doing about it.

Mr Acting Speaker and the Member of Parliament, the question on the Supreme Court Appeal, SCA 84/2013 was raised by the Honourable Member for Vanimo-Green. Based on the decision, the following steps were taken in as far as to end the detention of asylum seekers on Manus. Gates of the processing centre were immediately opened for residents or family to walk in and out of the facility. The detention centre was finally closed on 31 October 2017. And following that, around 600 remaining transferees were moved to three new accommodation sites near Lorengau town and these men were allowed to move freely pending settlement in PNG or a third country, voluntarily returning home or removal of non-refugee status. Asylum seekers have since been offered the opportunity to move to alternate and open accommodation. The important point is that since the Supreme Court decision all refugees and non-refugees are no longer in detention and are freely moving around.

Our government is providing them with the opportunity to return to their home countries voluntarily. However, our government has the right to retain individuals for the purpose of removal and this is in compliant with the *Migration Act* and does not contravene the Supreme Court ruling. The construction of Bomana Immigration Centre which will house non-refugees for the purpose of voluntary and non-voluntary return as they do not have a legal basis to remain is underway. This is being provided by the Government of Australia to the PNG Migration and Citizenship Authority. This facility will remain long after the life of the regional resettlement arrangement used by the Government of Papua New Guinea.

Mr Acting Speaker, finally in relation to Australian Government contract with Paladin, our government has made representation to Australia to cancel this contract and open the tendering process. The contract must be fair and transparent, Papua New Guinean companies must have right to compete for this contract in a fair and open manner. And in this instance, I propose that Manus based companies be given further consideration. The process has started and will takes some weeks so as not to disturb continuation of services in Manus.

In summary, the PNG Immigration and Citizenship Authority has fully complied with the Supreme Court Orders and detention at the Regional Processing Centre ceased on 26 April, 2016 and the Centre has been closed as of 31 October 2017. Both refugees and non-refugees are allowed to move freely in Manus and travel to Port Moresby for medical reasons.

Secondly, on the issue on LLG elections, I think the Supreme Court set it aside on 31 May 2019, so that is why the LLG election is going ahead as planned.

#### **MOTION BY LEAVE**

**Mr RAINBO PAITA** (Finschhafen – Minister for Communication and Energy) – I seek leave of Parliament to move a motion without notice.

Leave granted.

#### **SUSPENSION OF STANDING ORDERS- REARRANGEMENT OF BUSINESS**

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

That so much of the *Standing Orders* be suspended as would prevent the Minister for Treasury presenting a Ministerial statement.

**13/08**

**NATIONAL DEPARTMENT OF TREASURY – FINANCING REQUIREMENT  
AND DEBT STOCK – MINISTERIAL STATEMENT –  
MOTION TO TAKE NOTE OF PAPER**

**Mr SAM BASIL** (Bulolo – Minister for Treasury) -Mr Acting Speaker, I addressed this House last week on the state of the economy and outlined in detail the performance of the fiscal accounts over the first five months of 2019. I provided what I thought was a blunt and honest statement on budget performance.

I am happy that the debate over the last couple of days by most of the Members of this Honourable House has been positive. I hope that they can bring this constructive mindset to the discussion on our debt situation as well.

Mr Acting Speaker, I revealed that our performance in terms of revenue collections, particularly in some IRC tax categories such as company tax, in dividends and in PMMR inflows was well below budget. I showed that the PE expenditures continue to run above budget.

I explained how some of the spending at the end of 2018 that was paid for out of 2019 cash, and the delay in obtaining the China Development Bank loan over the first half had severely hampered cash receipts resulting in some severe restraints on expenditures and some build up in arrears. I explained how this has affected overall economic growth rates and business confidence.

Mr Acting Speaker, I outlined an extensive set of fiscal and economic policy measures to urgently address the issues. And in line with the thinking of the Prime Minister, I emphasised how, as Treasurer, I was going to go about policy formulation through a consultative and inclusive process with in-line Agencies.

The Prime Minister has directed that each Department offer its policy platform based on the vision of the Prime Minister and that is what my department and I did last week.

Mr Acting Speaker, I now wish to provide the House with an equally blunt and honest statement on the Government's finances and its debt levels. And again, present the required policy measures on how we might address some things that could improve the situation.

There is no doubt that these are tough times for the budget and economy which always makes financing challenging. When the budget goes into deficit or when we aim to spend more than we are making in revenue, we have to borrow that amount to fund the deficit.

But most countries run budget deficits and, as such, debt levels continually rise. The debt to GDP ratio is a good measure to ascertain how the economy is tracking because if the economy is growing then it is appropriate for us to access cheaper and more effective finance.

I often use the example of someone trying to apply for a loan from the bank. The banks will give you a favourable response when you are fully employed and things are looking up for you and not when you are unemployed and things are looking down for you.

However, when borrowing it is best if the debt can be put to productive use so that we get the biggest value for our money, because we have to repay it. This is what credit rating agencies most heavily focus on.

Mr Acting Speaker, there has been a lot of criticism of PNG's governance of its debt, whether it be in the presentation of debt levels or over particular loans or over debt management issues. So let me now turn to the data and those issues.

### **Budget Financing 2018**

Mr Acting Speaker, let me start by looking at the financing of the budget over 2018.

Because we are running deficits, we have to fund our budget through borrowings. The previous Government's Medium Term Fiscal and Debt Strategies 2018-2022, however, clearly state that the funding of the 2018-2022 fiscal financing program is to shift the financing mix away from more expensive and shorter repayment period domestic borrowing towards cheaper and longer repayment period external borrowings.

These are actions that the Member for North West advised us to do and he would be happy to note that this what Treasury has been trying to do since 2017 and had great success last year in 2018.

**14/08**

Mr Acting Speaker, the shift undertaken in 2018 was successful as Government funded the deficit and restructured the debt portfolio in line with the MTDS portfolio targets, although much of the funding did come late in 2018. This lateness resulted in difficulties through the 2018 year in terms of warrant restrictions and efficient budget execution.

Receiving funds late in the year has been a common problem in PNG for many years and has led to the well-known cheque float issue where cheques are issued prior to the end of the year but not cashed until funds are available in the subsequent year. To improve accountability and transparency, my colleague the Hon Charles Abel, the previous Treasurer, highlighted that this was contrary to the Public Finance Management Act wherein funds could not be drawn on

the Waigani Public Account unless warrants were alive and the Act states that they expire at the end of the year.

Simply put, we cannot attribute expenditure to 2018 when we are in 2019 and using 2019 Warrants and 2019 cash. So in 2018, the transactions had to be reversed with the commitments transferred into 2019.

Mr Acting Speaker, these problems have negatively affected the 2019 budget appropriations and available cash and therefore, despite warrants being issued over the first five months of 2019, funds cannot be expended because there is limited cash availability. The available cash at end 2018 that was programmed for the 2019 Budget was predominately expended at end 2018 and paid for out of 2019 programmed cash.

This has been a common problem faced in PNG budgets over many years now, and budget execution has suffered and it particularly affects the capital budget and outstanding payments because these are placed as a lower priority than the essential needs to service the fortnightly payroll and interest payments.

This affects economic growth and private business sentiment because more productive capital spending is being delayed and what activity occurs is likely to end up as an accumulation in arrears.

Mr Acting Speaker, it is my intention to address this problem as a priority, because we want our new Government's plans to be implemented in both 2019 and beyond. I will outline an amended financing strategy to overcome this constraint.

The successful change in debt strategy in 2018 reflected the difficulty in obtaining domestic financing over recent years which we can often be held hostage by the small domestic market and this over reliance can end up being very costly indeed.

In accordance with the new debt strategy and receipt of substantial external funds from the Sovereign Bond in the International Financial Markets and the World Bank and ADB budget-support loans, in late 2018, all banks were able to redeem their holdings of government securities to obtain the necessary liquidity to fund the excess demand for foreign currency.

The net result of the shift to external financing was extremely positive in that the 2018 Budget was fully funded. There were inroads into settling arrears, domestic interest rate costs were lowered and liquidity was available to extinguish part of the foreign exchange imbalances. But it needs to be remembered that the realisation of lower interest rate costs tends to be lagged for 9-12 months as costs are only incurred on redemption of the treasury bills, so it will take time for interest costs to come down.



15/08

**Financing of the 2019 Budget over the first five months.**

Mr Acting Speaker, I will explain the financing of the 2019 Budget for the first five months.

Downward pressure on the domestic interest rate trends continued into early 2019 due to the domestic debt redemption program. We were paying off the shorter term, expensive debt and therefore the price came down because we were not so reliant on this domestic debt and the domestic lenders couldn't dictate the pricing.

However, with substantial expenditures from the end year adjustment we used the external trust fund balances in early 2019. When we then didn't close the new external financing in the form of the expected USD300 million China Development Bank loan, this has meant that financing for the budget has dried up over the March to June period of 2019.

Mr Acting Speaker, this has resulted in the need to go back into the domestic Treasury Bill market (which is between 3-12 months) that we had not anticipated. The K256.5 million in net redemptions of domestic Treasury Bonds (which is the longer term (12 months to 17 years) over the first 5 months of 2019 also placed pressure on the domestic borrowing market.

This has stopped the downward pressure on Treasury bill yields seen since late 2018 and, in fact, now we are seeing upward pressure again over the June quarter. It also reduced system liquidity that had underpinned the supply of foreign exchange into the market.

Again, to be clear, when we repay our domestic market borrowings and our arrears, it gives the banks and the private sector liquidity to purchase foreign currency from the Central Bank and either repatriate dividends or purchase goods and services. This is an important part of the Debt Strategy but demonstrate the issue of pricing the 12-month Treasury Bill yield declined from just under 8 per cent at the end of 2018 to 6.6 per cent in March but has crept up to 6.9 per cent at end June.

Furthermore, the subdued nature of the domestic economy in recent years and which appeared to continue into 2019 also is limiting domestic investment opportunities, encouraging the private sector and super funds to repatriate funds offshore. As financing has become more difficult, we have had to restrict budget warrants and our arrears further building up again in the first half of 2019 which compounds the reduction in domestic liquidity in the system and prohibits effective budget execution.

Mr Acting Speaker, the increase in Treasury bill yields in recent months is indicative of the limits that exist on further domestic financing. In recent auctions where the Government raises funds from the banks and the superannuation funds, it has been increasingly difficult

with under subscriptions resulting in either use of the temporary advance facility at BPNG or the takeup of the undersubscriptions by BPNG using the 'slack' arrangement. These arrangements with BPNG are now at their limits and the bouncing of cheques may become more of an issue over coming periods if the situation is not addressed.

The difficulties in accessing financing is now critical as numerous budget categories are being restricted and budget execution severely hampered.

Mr Acting Speaker, the only solution in the short term is to urgently obtain external financing.

Receipt of external funds will also allow the domestic debt retirement program, initiated in late 2018, to be re-started and the foreign exchange backlog to be extinguished. This imbalance remains one of the private sector's most common complaints.

Again, to be clear, by borrowing externally, we address several birds with one stone. We provide foreign currency for the domestic market, we also provide financing for the Budget, we pay our arrears which provides liquidity into the market and our private sector can restock with imports because there is foreign currency available, we repay our debt from the banks in particular, then they can also service their foreign orders by purchasing foreign currency that is now available with the BPNG and as I have said earlier, by repaying our domestic expensive debt, it brings down the price of domestic borrowing.

On Tuesday, the Honourable Member for North West suggested a Balance of Payments loan exclusively for foreign exchange.

**16/08**

Mr Acting Speaker, over the 5 months to end May 2019, net financing through short term Treasury Bills amounted to K491.3 million. With the net redemption of K256.5 million in domestic Treasury bonds, total net domestic financing from domestic bills and bonds over the year to end May 2019 was K234.8 million.

In contrast, it was estimated in the 2019 Budget that around K630 million in domestic debt redemptions would be able to be achieved over the first half of 2019. The differential in financing between actual outcomes and targeted outcomes in the Budget is broadly equivalent to the USD300 million that we have not closed with the CDB loan, and not reflective of significant over spending.

Let me be clear, Mr Speaker, apart from the revenue problems, what has made our situation more difficult over the first 5 months has been a lack of external financing.

To finance the net domestic debt redemption program programmed in the 2019 Budget and fund the programmed 2019 Budget Deficit of K1.867 billion, it was estimated in the 2019 Budget that net external borrowing would need to be K2.496 billion in 2019. This comprised a drawdown of K640 million from the Bond Trust Fund, plus gross new borrowings - concessional and budget support - of K1.292 billion less K436 million in required amortisation payments, plus K1 billion through the proposed CDB loan, where a term sheet was signed at APEC.

Negotiations with the China Development Bank have occurred in 2019. However, reconciling the legal drafting over the status of the loan as a budget-support facility which was envisaged by the Government at APEC, as opposed to a project-backed loan facility which the CDB have assumed.

In relation to repayment, it is generous at 10 years however, the cost of the loan (even though it is cheap) was priced at the end of last year when the price of our inaugural Sovereign Bond was 8.375 per cent. Since then, the price of our bond has been trading at much lower rates on the Singapore Stock Exchange and so Treasury has asked for more favourable pricing reflecting the international markets favourable view of Papua New Guinea.

Whilst these discussions have been prolonged, much progress has been made and it is now anticipated that a much-improved facility agreement will be able to be submitted to NEC very shortly. So it will not solve the current financing gap problem, even if received.

Mr Acting Speaker, an increase of US\$20 million in the World Bank budget support loan has been discussed (taking the second tranche to US\$70 million), but we still need confirmation from the World Bank and we are in discussions now with the Bank so we will have to see how it goes. The US\$100 million second tranche of the Asian Development Bank loan is also progressing.

But unfortunately both the World Bank and ADB loans are not expected to be disbursed until later in the second half of 2019. The later than expected disbursement of these loans highlights the even greater need now for urgent external finance.

In this respect, as at end May 2019, the actual net external financing amount drawn stood at only K86.4 million, whilst withdrawals from the trust accounts (including the Bond and World Bank Trust Accounts) amounted to K1.0592 billion.

Mr Acting Speaker, Treasury has progressed a number of options over the first 5 months to obtain external financing, including the ongoing negotiations with the CDB, and discussions

with international investment banks to progress a possible new sovereign bond, to tap the existing sovereign bond, and or to obtain a bridging or structured loan.

**17/08**

We have received a term sheet from Credit Suisse (who has lent money to PNG previously) for a short term and longer term loan as well so we will be evaluating this with the CDB loan as well to secure best value for the State with the aim of closing out this financing push in July.

Mr Acting Speaker, it is worth highlighting that the successful sovereign bond issuance program in 2018 and its subsequent favourable secondary trading on the Singapore exchange have provided a benchmark for longer term external commercial debt. The 8.375 per cent inaugural rate at the time and current secondary rate of around 7.4 per cent for a 10 year security can be compared with the domestic cost of raising a 10 year domestic inscribed stock at 12.0 per cent.

If we were to pursue the domestic option, the inscribed stock rates would be expected to rise significantly and distort domestic borrowing costs further. Of course, there is exchange rate risk with foreign currency loans to contend with, although further significant falls in the PNG Kina are not expected over the medium term, given the pending resource investments on the horizon.

Mr Acting Speaker, if the 2019 debt management strategy is able to be brought back on track, this will result in obtaining the necessary external financing for the 2019 Budget and result in the planned interest cost savings and liquidity to fully extinguish the foreign exchange imbalance.

### **Financing Strategy for 2019 and Beyond**

Mr Acting Speaker, let me now outline the new Government's financing strategy for the remainder of 2019.

This is aimed at, firstly, to provide the necessary funding to execute the 2019 budget in full, including the capital budget and the new policy initiatives of the Government.

And secondly, to facilitate the resumption of the domestic security repayment program to lower domestic interest rates on government securities, provide the liquidity to fully extinguish the foreign exchange imbalance, and to commence the broadening and deepening of the domestic security market; and

A new policy option that Treasury is now proposing is to provide the necessary funding at the beginning of the fiscal year so that the budget can be executed from the first week in January, thereby underpinning the new Government's renewed budget strategy from 2020.

Mr Acting Speaker, this Government does not want to provide lip service to this House and the people of PNG. We expect our spending priorities to be financed and delivered on time and within cost.

Mr Acting Speaker, the initiatives outlined in my economic and fiscal address last week aims to contain Budget expenditures and improve revenue flows so that the budget deficit for 2019 comes in on track and that the financing amount will be the budgeted K1.867 billion.

Mr Acting Speaker, I am confident that we will receive the full budgeted concessional net drawdowns of K464.8 million. Both the ADB and World Bank budget support loans will be received, even if later in the year.

If we are able to obtain an increased amount from the World Bank, then this will be saved in the trust account to fund the 2020 expenditure envelope. We are confident of obtaining the USD 300 million loan within the month.

Mr Acting Speaker, although NEC will need to confirm the amended financing arrangements, I am proposing that the resultant financing gap in the 2019 Budget be filled through the issuance of a new US\$500 million borrowing through the mix of the external USD300 mill loan and a USD300 mill sovereign bond.

We programmed a bond in 2020, however, we see the merit in it now be brought forward to September 2019 - the earliest that it can be issued. Let me emphasise, that this is not reckless but as the budget is brought back on track, the bond proceeds will provide a K1.2 billion reserve at end of 2019 that will underpin the immediate execution of the new Government's 2020 Budget priorities.

Mr Acting Speaker, this will finally overcome the Government's perennial problems of being unable to fund the execution of its Budget over the first half of the fiscal year.

**18/08**

It will support the successful implementation of the Government's 20120 programmes. To make sure that these reserve funds are not utilised, Treasury and the DOF will be directed to establish much firmer trust deed arrangements such that programmed trust fund balances are unable to be used prior to next year's budget execution.

Mr Acting Speaker, this financing approach is both prudent and will be effective and at lowest cost.

## **Debt Levels and Debt Strategy**

Mr Acting Speaker, let me now turn to the issue of debt. Given the financing requirement for the first five months of 2019 and based on the end 2018 year debt data, our general government debt level, including the change in trust account balances, was K27.133 billion at end May 2019 equates to 31.9 per cent of GDP when the 2019 target is 30.8 per cent

The higher than budgeted deficit over the first five months has meant that the debt to GDP ratio is above both the Budget ratios end of 2018 forecast when the 2019 Budget was being put together. However, it remains within the prescribed FRA target range of 30-35 per cent of GDP.

The financing requirement of K1.8667 billion for the fiscal program for 2019, which will be brought back on track with our amended plan, will result in total General Government debt reaching K27.4733 billion by end 2019. This will be equivalent to 31.0 per cent of GDP which is lower than where we are tracking now but higher than our budget target of 30.8 and it is still within the prescribed FRA target range of 30-35 per cent of GDP.

Importantly, this marginal increase solely reflects the modest downward revision to nominal GDP due to the lower GDP estimate for 2018.

The main issue is that it is decreasing over time and headed to zero in the medium term of 2022/2023. Because 2018 Debt to GDP was 31.2 per cent at end of 2018, we will achieve our aim if reach 31.0 at the end of 2019.

Mr Acting Speaker, these are some issues that, for transparency and bluntness, I now wish to highlight.

Firstly, the debt of the general Government will need to be adjusted upwards due to the crystallisation of some contingent liabilities that were assumed in 2018. I am advised by Treasury that they are currently seeking advice on the appropriate classification to be used.

Secondly, for more focused fiscal performance reporting purposes, the external debt has been valued over the past 4 years using 2015 exchange rates and adjusted since by budget financing amounts. Therefore, depending on various exchange rate changes, there will need to be disclosed the amount of this valuation effect, which amounted to K1.48 billion in total at the end of December 2018.

Over time, with kina trends changing in line with major resource project cash flows, this valuation amount could be expected to average around zero over the longer term. As a natural hedge, the revaluation of BPNG's foreign exchange reserves most often offsets any increase in the Government's external debt valuation if the kina depreciates.

Treasury has recommended that this valuation methodology be continued for fiscal purposes, but that the valuation effects be explicitly reported in MYEFO, the Budget and FBO documents.

Thirdly, as I said last week, NSO has recently changed the methodology for calculating GDP data and, if adopted, changes to the base years of 2015–16 will reduce nominal GDP rates which will flow through into the subsequent years' projections by Treasury, thereby increasing debt to GDP ratios.

**19/08**

But this will be solely due to the change in GDP methodology, and not related to the incurrence of debt.

Treasury is in discussions with NSO to resolve a number of issues pertaining to the methodology, data requirements and timing effects and until these matters are resolved, Treasury will continue to use the existing methodology and projection framework. I am currently in discussions about instigating an independent review of this issue to assure the Parliament of proper statistical data in this respect.

With the Budget being brought back on track and to within the budget deficit ceiling of K1.8667 billion and, given the revised financing plan, by end-2019 the composition of total debt is projected to comprise of 14 per cent of GDP of external debt and 18.6 per cent of GDP of domestic debt.

Given that the external debt portfolio is a blend of predominately concessional donor loans with a smaller amount of commercial loans, the external debt portfolio is very low cost and of quite long duration. PNG rates well above comparable countries in this respect.

Mr Acting Speaker, this can be seen in the composition of interest payments. The annual interest payment in 2018 was K1,935 million - including K96 million in fees and charges - which was 2.4 per cent of GDP, with interest payments on external debt accounting for only 0.3 per cent and interest payments on domestic debt 2.1 per cent of GDP.

As at end May 2019, the total interest expense for the first 5 months of 2019 amounted to K973.9 million, of which K226.0 million is for external debt and K747.9 million is for domestic debt holders.

In the 2019 Budget, the total interest cost is budgeted at K1.9501 billion, around 50 per cent of which has been expended over the first five months. This is slightly higher than budget projections for the first five months and it reflects the fact that interest charges take 9-12 months

to reflect in our numbers so that interest payments on Treasury Bills in 2019 mostly reflect the debt that was incurred in 2018.

The lower yields on Treasury Bills in 2019 will generally be reflected in lower interest costs in late 2019 and over 2020. With the improved debt management arrangements being established, I am confident that the lower interest/GDP trends in the medium term projections will be achieved.

Mr Acting Speaker, while we speak of the type of borrowings and the cost of borrowings let me also highlight to the house the sources of our external borrowings, so we are dealing with facts and figures and not rumours and accusations:

The lenders for our external loans are as follows:

- Asian Development Bank (30%) - K3.05810 billion
- World Bank (14%) - K1.39890 billion
- Exim Bank of China(19%) - K1.96860 billion
- Credit Suisse (16%) - K1.68350 billion
- JICA (3%) - K340.0million
- Ceska Sporitelna (1%) - K122.6 million
- Sovereign Bond (16%) - K1.68350 billion
- Others (1%) - 100.0 million

Total - K10.35570 billion

Mr Acting Speaker, just to highlight another point, the total committed undisbursed balances from mainly the ADB, EIB, Exim Bank of China and World Bank amounted to K7.5 billion at end of 2018. These are loans mostly project loans that we have not accessed because of red tape or slow implementation.

**20/08**

PNG pays commitment fees on these undisbursed balances that amounted to K47.6 million in 2018. These commitment fees are very wasteful and so I have recommended that these undisbursed loans be drawn in preference to new loans being obtained so that projects should be able to be accelerated and there will be savings in commitment fees.

#### **State Guarantees**

Mr Acting Speaker, let me now turn to the problematic issue of guarantees.

Total explicit domestic guarantee exposure of the State was K1.2258 billion as at 31st December 2018.



The BSP guaranteed loans were for: Kumul Consolidated Holdings for the Motukea Port Relocation (K600 million); Kumul Minerals Holdings for equity financing in the Solwara 1 underwater mining project (K375 million) and the National Capital District Commission for major road works in NCD (K560 million).

In addition, there are K390.4 million in other State guarantees covering several other financial commitments that have accumulated over the years. The recent guarantee recorded in this category is for Innovative Agro-Industry Ltd for the Central Dairy Farm.

Most of the guarantees except for the BSP guaranteed loans were issued in the past years up to 2015.

The State's exposure to completion guarantees in the PNG LNG project were extinguished in 2015.

In 2016, the Government approved a State Guarantee Policy which outlines the process and conditions under which State Guarantees can be issued that is consistent with the *Public Finances (Management) Act*. The State Guarantee Policy sets out the broad parameters for issuing guarantees and it is my intention to ensure that this policy is strengthened and enforced.

Mr Acting Speaker, to improve the management of the State's exposure to State Guarantees, the following measures will be implemented.

Firstly, with respect to the Motukea Port Relocation Loan, legal clearance has been issued to extend the K600 million loan facility by a year which will enable KCH to finalize a plan to retire the K600 million bullet payment for the principal repayment when it is due in a year's time. During this extension period, the Government will continue to fund the interest payments through the Budget.

Secondly, the State is currently servicing the NCDC debt, both in terms of principal and interest for three of the loan facilities despite the guarantees now having become explicit debt for the State. The debt has not been added to the total government debt stock and, if added, would increase the debt stock. I have requested Treasury to seek advice on how to account for this liability.

Finally, Mr Acting Speaker, with respect to the Kumul Minerals Ltd Solwara 1 Project loan which was inherited from the former entity of Petromin, the Government is currently paying the interest cost as required by the guarantee agreement. The principal one-off bullet payment of K375 million falls due in 2020 which would be the obligation of the borrower, Kumul Minerals Ltd. The Government will need to consider whether it wishes to retain these shares and the commensurate debt guarantee.

Mr Acting Speaker, before I continue, I would like to remind the House, now that I have pointed out many of the problems from previous governments, we should not point fingers and discredit each other. This is an honest presentation and we have to take it on from here. So I am sure the former Treasurer is well aware of the Solwara 1 as well. We are now announcing that from this point onwards we will do the right thing.

**21/08**

### **State Owned Enterprises (SOEs)**

Mr Acting Speaker, there has been many accusations concerning the State exposure to SOE debt. But it has to be remembered that the debts incurred by SOEs, where no explicit guarantee exists, are not direct liabilities of the State.

They are, at best, implicit liabilities. If these liabilities were recorded at State obligations, then it is normal practice to provide risk weights and include the analysis in a fiscal risk statement in the Budget.

I have directed Treasury to review this, with a view to compiling a fiscal risk statement to be included in the annual Budget documentation.

Mr Acting Speaker; most SOEs report through Kumul Consolidated Holdings (KCH), which I may point out was established by the Hon Member for North West when he was PM and it was called the IPBC. KCH has legislative responsibility for most SOEs and information on the debts of SOEs can be gained from individual SOE financial statements issued

However, Mr Acting Speaker, to 'provide additional disclosure and accountability, Treasury will be directed to assemble the relevant data and provide a disclosure on an annual basis. Importantly, SOEs should all be directed to bring their statements up to date as a matter of urgency.

Furthermore, in the establishment of the KCH and its legislation, it was decided that public servants although the target was Treasury was removed from the Board of KCH and that public officials cannot be appointed to these Boards.

This has led to a suspicion about the state of finances of these entities. As we have heard over the course of this session, the Government needs to have visibility on public funds or those funds which are being used on behalf of the public.

I have spoken to the new Minister for Public Enterprises over this and some decisions will be made at the Cabinet level shortly.

### **Medium Term Debt Strategy (MTDS)**

Mr Acting Speaker, I want to now briefly mention the current Medium-Term Debt Strategy (MTDS) 2018-22 that was formulated by the Last Government. This strategy to raise the required amount of Budget financing and manage the debt portfolio to achieve prudent risk and cost minimisation objectives and develop and maintain an efficient market for Government securities and diversification of funding sources remains a solid and credible strategy and should be maintained by this Government.

The MTDS operationalizes this objective in order to achieve the desired composition of the Government's debt portfolio. It does this because:

Firstly, it is critical for macroeconomic stability to maintain debt at sustainable levels. The FRA target debt to GDP band of 30-35 per cent and the 30 per cent target by 2022 is, again, a solid and prudent set of targets that will constrain debt to sustainable levels.

Both the IMF and World Bank, as well as the ratings agencies, support these debt targets and, as such, they will be maintained under this Government. Also, it is appropriate that the targets exclude the valuation effect highlighted earlier, although I have directed my Department to make sure that a valuation component is disclosed in the tables.

Secondly, it is essential to maintain financial risk at prudent levels. The reduction in the domestic debt target relative to foreign debt is a trade-off between domestic liquidity and interest rate risk against foreign liquidity and exchange risk, and the lengthening of the average time to maturity is a trade-off between cost and refinancing risk.

This operational aspect should be maintained.

Thirdly, developing and efficiently managing the domestic debt market involves broadening and deepening the market in domestic securities and improving the market infrastructure. But this can only be done when the domestic security market is not under stress and when the foreign exchange imbalance has been extinguished in full.

**22/08**

Finally, developing and managing the offshore commercial market, including the sovereign bond issuance program will be important to ensure smooth budget execution, provide an alternative market based financing instrument, ease domestic liquidity and foreign exchange constraints and provide PNG a sovereign reference price. This will allow international investors to take a position in PNG which will also facilitate non-resident purchases of domestic bonds through a market based assessment of interest differentials.

Having completed a successful inaugural issuance, the sovereign bond program should be an ongoing part of our debt management options. It brings excellent liquidity and low funding costs and once an external yield curve is established for PNG, access to lower cost

offshore finance becomes readily available and secondary trading provides an ongoing reference point yield and that transparency and accountability is assured.

Mr Acting Speaker, there are a number of operational strategies and targets that need to be reconfirmed and or amended.

(1) We need to continue to engineer a portfolio shift from domestic debt securities to foreign currency debt with a foreign debt to total debt target increased from 35.0 per cent to 45-50 per cent, with domestic debt also being reduced to 50-55 per cent by 2022-23.

This will be achieved through the re-activation of the domestic debt repayment program and a continuation of the second programmed tranches from the World Bank/ADB development policy loans, additional external finance in 2019 through an external loan a new sovereign bond, and the continuing issuance of concessionary project loans by bilateral and other multilateral partners.

(2) Within the domestic debt target, the MTDS target split of 50/50 between short term Treasury Bills and longer term Treasury Bonds as a share of total domestic debt should be maintained in the updated MTDS and this will be consistent with the goals of minimising the cost of debt and the Government's tolerance for financial risk.

To achieve this rebalancing, the market in domestic bonds, including access to the market by non-residents, will need to be developed significantly in 2019-20 where a number of prerequisites will need to be addressed.

(3) The currency composition of external debt, especially as it increases as a proportion of debt, needs to be managed to ensure the composition is aligned with export receipts and foreign exchange reserves.

(4) With the support of the Department of Finance, a dedicated US dollar Sovereign Bond Trust Account should be established in the BPNG to reduce exchange rate risk and facilitate the programming of fiscal requirements. Trust deed arrangements will need to be strengthened with the support of the DOF. And the domestic Debt Repayment Account (DRA) will need to be redefined as a dedicated trust account for this purpose.

(5) The term of the domestic portfolio will be lengthened in 2019-20 to reduce refinancing risk through the development of the domestic bond market and targeting compositional changes between shorter term treasury bills and longer-term treasury bonds. Treasury and BPNG should be directed to formulate an agreed coordination strategy for implementation particularly over 2019-20.

(6) The concerns by non-residents that seek to invest in domestic securities should be addressed.

23/08

This will require:

- (1) Rectifying the restrictions on the access to foreign currency at the redemption of repurchase;
- (2) Implementing access and disposal, arrangement to improve markets infrastructure for ultimate clearing; and
- (3) Settlements and disposed statutory functions and facilitating secondary market liquidity.

Finally, Mr Acting Speaker, more detailed and timely domestic debt management and borrowing plans need to be published and overall, the amended debt management strategy for 2019 and over the medium term should result in the interest cost savings and the liquidity available in external market should ensure that the future budget are able to be executed as programmed from early in the fiscal year.

The lengthening of the debts portfolio through this longer term external issuant including the ADB, World Bank budget support loan and additional sovereign bond issuant also means that refinancing risk is reduced.

The domestic debt market should be stabilised by end of 2019 through a reactivation of domestic debt retirement plan. There by resolving the foreign exchange in balances and then allowing the orderly development of the domestic bond market.

Mr Acting Speaker, to implement this more complex debt management arrangement in 2019 and over the medium term our fix ability report will be undertaking on the expanding the roles of dedicated debt management office within the treasury. This office will be able to better interact with investors and particularly with communicating up to date information and have greater discretion to manage the portfolio efficiently. The potential savings and debt service cost are significantly and with access to lower cost liquidity market, both domestic and abroad the impact of the budget execution would be significantly an end.

Mr Acting Speaker, I will also in the coming month will be looking at changing the fiscally year from 1<sup>st</sup> January to 31<sup>st</sup> December to the 1<sup>st</sup> July to the 30<sup>th</sup> of June which will be brought before the House for us to elaborate and if need be, if we need to implement that next year, we will looking at presenting a 6 month budget for next year and picking up the 12 months after next year's fiscal term expires.

Mr Acting Speaker, I commend this statement to the House.

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

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

Debate adjourned.

## **GRIEVANCE DEBATE**

Question proposed –

That Grievances be noted.

**Sir JOHN PUNDARI** (Kompiam-Ambum) –Mr Acting Speaker, thank you for allowing me to be the first to speak in this Grievance Debate.

I see that we have about half an hour to 1 o'clock, so I shall make my statement short. But firstly, on behalf of my good wife Doris, my children and grandchildren and the people of Kompiam-Ambum, I congratulate the 8<sup>th</sup> Prime Minister of our beautiful country, the Honourable James Marape, Member for Tari-Pori.

Mr Acting Speaker, also let me equally pay respect to the former Prime Minister, the Honourable Peter O'Neill and thank him for his services to the country over the last eight years. Let me also on behalf of my family and the people of Kompiam-Ambum wish him all the best.

Mr Acting Speaker, in acknowledging my appointment as the chairman of the Public Accounts Committee, I thank the Honourable Prime Minister and the Honourable Parliament for the confidence in me to lead the very important permanent parliamentary committee.

I assure our Prime Minister and the Parliament that my committee members and I will return the confidence in playing our bit in taking back Papua New Guinea with the vibrant and active Public Accounts Committee going forward.

**24/08**

### **Functions of Public Accounts Committee**

Mr Acting Speaker, the Public Accounts Committee's key function is to examine and report to Parliament on the public accounts of Papua New Guinea and on the control of and on transaction with or concerning the public moneys and property of Papua New Guinea. It finds

its jurisdiction in pursuant to section 216 of the *Constitution* of the Independent State of Papua New Guinea.

Mr Acting Speaker, that section reads; (1) 'the primary function of the Public Accounts Committee is in accordance with an Act of Parliament to examine and report to the Parliament on the public accounts of Papua New Guinea and on the control of and on transaction with or concerning the public moneys and property of Papua New Guinea.' (2) Subsection 1 reads: 'extends to any accounts, finances and property that are subject to inspection and audit by the Auditor General under Section 214(2) and to report by the Auditor General under that subsection or section 214 (3).

Mr Acting Speaker, the committee takes care to restrict its enquiry to an examination of the control of and on transactions with or concerning the public moneys of Papua New Guinea. Whilst considering the relevant provisions of the *Constitution*, the committee gives regard to the final report of the Constitutional Planning Committee 1974 and the committee's work is guided by or rather the committee applies the stated intentions of that committee where ever necessary.

Mr Acting Speaker, apart from committee commencing work based on audit reports and conclusions of the Auditor General, it also conducts its own inquiry into matters deemed by the committee to be of national importance or which arise naturally from primary lines of inquiry and which are within the jurisdiction and function of the committee as set forth in the Constitution.

Mr Acting Speaker, today on behalf of my Deputy Chairman, Honourable Garry Juffa, who is not here, and my committee members, five of whom are governors undertake to invoke these powers and authority to look into certain issues that has been escaping public scrutiny for far too long. Parliamentary Committees are extensions of Parliament itself when it is not sitting and I intend to put my committee to work full steam.

I am thankful for appointing the 'father' of the war cry 'take back PNG, Honourable Garry Juffa, as the Deputy Chairman and thank you to Leader of Government Business for appointing him as the Deputy Speaker and also thank you for the appointment of five good governors and other Open Members to the committee. We undertake to revive the Public Accounts Committee and start the process of taking back Papua New Guinea from those who continue to plunder, to misuse, to abuse and misappropriate moneys and properties belonging to Papua New Guinea by exposing them and subjecting them to public scrutiny.

Mr Acting Speaker, we will not only examine and report to the Parliament on the public accounts of Papua New Guinea and on the control of and on transaction with or concerning the public moneys and property of Papua New Guinea. We will go one step further to establish dialogue with law enforcement agencies and other constitutional offices like the Public Prosecutors Office, the Royal Papua New Guinea Constabulary, the Ombudsman Commission and others to ensure that the Public Accounts Committee reports and recommendations are noted by this Honourable Parliament.

It should be taken for further actions where necessary by the responsible agencies.

Mr Acting Speaker, in concluding I thank the Prime Minister once again and with my Committee Members we look forward to contributing our bit to nation building and we look forward to do our Committee work. I know this is a difficult time with cash flow issues however, key roles as Members of Parliament as oversight has provided is played by Members of Parliament.

I know that commitments have been made by the Leader of Government Business and the Prime Minister himself and I appeal to the Marape-Steven Government to help support and adequately fund the Committee work going forward.

### **Update Common Roll**

**Mr WAKE GOI** (Jimi – Minister for Community Development, Youth and Religion) – Mr Acting Speaker, I rise to join my fellow colleague Members to air my grievance on the Floor.

Firstly, my concerns are towards the population census carried out just a year before the General Elections. There must be proper utilities provided and the job must be carried out thoroughly to avoid oversight of ghost names being repeated on the common rolls and this must be properly scrutinized by the Government to ensure our people all over this country get their needs met and voices heard.

I say this because in the last General Elections there were over 10 million ballot papers printed and in the LLG Election it was estimated that almost 7 million ballot papers were printed.

Mr Acting Speaker, corrective measures can only be ascertained when the census duty is carried out properly.



## **Audits on National Departments**

My other issue is the Audit Reports for Government Departments which need to be prepared and tabled one month before it is due. It is alarming to note that audit reports for Government Departments and Statutory bodies have not been provided from 2013 to 2015 and it really does not help a new Minister settling in his new capacity. We all must note that Ministers and public servants of today will not be here in five years and it is only fitting to furnish reports year by year.

I urge the Government to fully equip and empower the Auditor General's Department and we must allow them to fluently do their job efficiently and effectively.

We have to make sure that these reports are tabled in Parliament on time to protect the dignity and integrity of the current Ministers responsible.

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## **Computers Stolen from Parliament Office**

The other issue is that the Parliament precincts is not safe enough to keep valuable items. Just recently I stored 55 computers in my electorate office and 25 got stolen, there was no sign of break and enter. These computers were donated by an organisation to be delivered to Jimi High School, and was so glad to receive such donations. I had no place to store the computers so I kept them in my electorate office here in Parliament.

Unfortunately, 25 computers went missing and the investigation is ongoing. Therefore, the point that I want to elaborate is that Parliament precincts is not safe nowadays. Someone had the keys to my electorate office and so opened the door and took 25 computers.

And so I want to bring this matter to your attention, Mr Acting Speaker, I would say that your office will meet all the cost if nothing is found. In monetary value it's about K150 000 and that's just a kind reminder.

I thought the Parliament precincts will be a safer place to keep these items so I left it here. And I didn't want to leave them in my house or elsewhere because it was not safe to keep such items.

## **Establish Community Development Centres**

My other point is in support of what the Governor of East Sepik has mentioned in relation to domestic violence and other related issues. It's true that such issues do occur despite having laws in place. If these people are implicated and if found guilty then we should put them to jail.

My department is considering to put in place a tentative violence strategy that will assist in such issues. Therefore we will also prepare a NEC submission so that we all empower this intergraded community policy to make district community development centres and it will allow us to go more closely to all the communities. This building will be considered for a multipurpose use and designated officers will be stationed there to attend domestic violence issues especially the mothers and children who are affected most times.

The main idea is for us to address and bring the much needed services much closer to our people so that they don't have the hustle of seeking for assistance far.

These officers must be empowered with authority to deal with domestic violence issues or incest cases.

We can't be calling Port Moresby to report the incidents to Members to report to the PPC and he instructs the police officers in Jimi to attend to the matters. This is a very lengthy process. The easy way around is for us to empower the officers on the ground to deal with the issue and report to the police officer so that the culprit must be arrested quickly.

That's the main idea behind the policy that we are considering to introduce in Parliament. The policy will be there to empower the public servants and social workers to have the authority to carry out their duties without much hindrance. The actual fact is that they do collect reports but whom will they pass the report to for actions to be taken immediately, it's stagnant. That's why we have to find a way out to assist on such issues.

We only just debate in Parliament but how can we treat the root of the problem; it's too far away. The same ideology implies to other issues such as drug storage and so forth. We are here talking only but how will the drugs reach the affected areas.

With that I also want to urge all ministers that when questions are asked regarding issues we should answer and at the same time actions must be taken without further delay. For instances, yesterday a question was raised in relation to the incomplete warehouse for storing drugs in Popondetta. The warehouse must be completed to store the drugs so that CD officers stationed there in Popondetta will have the authority to deliver drugs.

Before I conclude, on behalf of the people of Jimi and also Jiwaka, we thank our new Prime Minister, we are happy to have you as our new Prime Minister. We know that you will serve this country fully with your vision with the guidance of our God which will continue to

bless your leadership, new ministers appointed including myself as well. God will empower us all to move forward.

### **Engage Clergyman to Conduct Prayers**

Lastly, I personally think that Parliament must engage a full time Parliament Chaplin so that he will fully commit himself by preparing well in fasting back at his home to prepare for Parliament meetings to lead us in Prayer in the mornings and afternoons

**27/08**

We all are Christians and the Bible has been placed here in this House to guide and give us knowledge, so that we can make good decisions and take right actions for our nation.

Mr Acting Speaker, under the Ministry that I took up, we are taking some important measures to improve Christianity in our country. In that way we can be strong and to declare that we are a Christian nation so that generations can follow the right path.

I would also like to mention that it has been two years since the bridges and the roads in my area have been damaged. We have reported these issues several times to be attended to, but nothing has been done.

With that, I would say God has its own timing so we just have to be patient.

Thank you.

**Mr RICHARD MARU** (Yangoru- Saussia- Minister for National Planning and Monitoring) –Mr Acting Speaker, I would like to thank the new Prime Minister and his Deputy.

### **Shortage of Doctors and Medical Personnel**

I would like to raise an issue particularly in the Planning Department. We are experiencing shortage of medical officers, doctors and nurses and we cannot attend to the needs of our people. As a result, the former government had decided to build a Medical University to address the issue of shortage.

In Fiji, there is a ratio of one doctor to a thousand people. In Papua New Guinea, there is one doctor to 17 000 people.

In order for our government to improve on our infant and maternal mortality rate, we decided on a strategy in the Medium Term Development Plan (3) to roll out the District Hospital Program so we can build houses and install equipment such as scanners and other diagnostic machines and bring more doctors up to the rural areas where they can attend to pregnant mothers, and et cetera.

However, even if we complete this program over the next few years with the K100 million included in the Budget, the problem is how can we get more doctors?

Currently here in Papua New Guinea, we produce 30 to 50 doctors in one academic year, while we need 300 doctors to graduate from the Medical School in order to provide enough doctors to work in rural areas.

We made the NEC decision to start a new Medical University such as Goroka University for Education sector, so there should be a dedicated Medical University.

We are well aware that the UPNG Counsel brought the National Government to court, but the intention is still there because we are waiting for negotiations between our Government and the University.

Mr Acting Speaker, I would like to bring to attention of our Prime Minister and Members of Parliament the need for a dedicated Medical University to train 200 to 300 doctors as opposed to what we are providing now, and this includes nurses. Currently we are training only nurses and there are 2,800 nursing positions funded, but there are no nurses available.

So we are completely low on Health professionals including allied Health Science workers, and until the Government comes up with a strategy to deal with it in a very comprehensive way we will never improve our Health indicators. We can spend money in hospitals, but there are no workers.

I would like to emphasise this to the new Prime Minister and the Government that we need to bring this agenda back into terms of our priority. We need to negotiate with the Health Minister and other colleague Ministers to establish a dedicated Medical University so that we can increase the number of students and train them in various medical professions. Otherwise, we will never be able to succeed in delivering quality health services throughout our country.

So this is a big issue in my ministry and I would like all the necessary support. We need to focus in building a dedicated Medical University.

28/08

The medical society of Papua New Guinea will be hosting the next symposium. I have accepted to be the patron of that symposium with its theme

‘Health Education.’ And I want this symposium to address other models throughout the world and what we must do in terms of our future strategy in the area of health training. Currently we do not have the numbers and we cannot improve our health indicators and support our people. That is why they are seeking medical assistance in other parts like the Philippines, Singapore etc....

Mr Acting Speaker, those who have money are go to get assistance overseas, while the rest are dying. This is one area that I would like to bring to the attention of the House. We as a Government in this term have to make some strong decisions and we need to get on with building medical universities so we can increase our numbers to better serve our people.

**Mr PETER YAMA** (Madang) – Mr Acting Speaker, you didn’t say Honourable Governor for Madang, you only said Madang.

**Mr ACTING SPEAKER** – I addressed you correctly, I said Honourable Governor for Madang.

### **Strategies to Take Back PNG**

**Mr PETER YAMA** –My apologies, there is a problem with the speaker and mic that I did not hear correctly. I have only a few points to raise here and firstly, our commitment in this House to God. We always pray before each session and we all come from different denominations. However, our actions and words do not reflect a godly character. While I want to raise my concerns on three different issues, I want to emphasise on the issue of corruption and taking back PNG.

My main concern here is are we really going to take back PNG. And this is truly bothering me. Will the Prime Minister be able to take back PNG within these two and a half years? Why I so bothered with this statement am is because, if we look at the actions and most mindsets of our people and from dealing and living with people from all walks of life, I seen that people see this Parliament as filled with corrupt persons. That we are here to be rich, have the latest vehicles, travel and live luxurious lives.

For this reason if we believe in rooting out corruption and take back PNG, we must start the process here in Parliament and go out. We must overhaul the Police Force, the Ombudsmen Commission, strengthen the judiciary system, change the those police hierarchy in the provinces, who have served over five years, because corruption start with them. Under the

Police Force Arrangement Act, it clearly states that police are supposed to serve for only two years in one province, not more than that.

Now a days, after graduation, a police officer serves out his life in one province for the entire police service. While serving as an officer in that province, he has several wives, has his own business, and he has established friends where they support each other. So how can such an officer root out corruption and other ills of the province when he is corrupt himself?

He won't be able to enforce the rule of law. Can the Police minister take note of this.

**29/08**

Can the Police Minister also take note of this too? Now that you are the Police Minister, A police officer must not serve in one station for more than 5 or 10 years. Under the *Police Act*, police personnel should serve in one station only two years. Our magistrates and judges have also been serving in one province for too long. They have all become corrupt and are not contributing positively to the province.

For example, a senior magistrate who has been stationed too long in Madang has grown too close to a Member of Parliament. I bought him a vehicle because I felt sorry for him but to my surprise I saw the Member of Parliament driving around in that car. I do not know if this is allowed or not because I know that, as a Member of Parliament, I cannot be riding around with a magistrate or a judge of the courts. This is something new happening in Madang. They were driving around into the night and had the windscreen of the vehicle smashed. The wife ended up filing a police complaint.

Mr Acting Speaker, I bought this new car for the magistrate; not the Member of Parliament. The same Magistrate has now taken a court order against me. I have no hard feelings against that because Papua New Guinea knows that, Peter Yama is husband to more than three wives.

I always declare my status to the public and I am the true leader of Madang. I have all my families living with me in Madang and I do not believe in hiding my personal life from the people of Madang and Papua New Guinea.

Mr Acting Speaker, if we want to truly change this country, the leadership must start with us Members of Parliament. Many of us claim to be leaders but where did you come from? Did you start within your family unit or just from anywhere? You cannot start from anywhere and claim that you sit at this level.

When in Parliament, you have to be very wise about what you want to say. You must have respect for people like Sir Julius Chan, Honourable Paias Wingti, Sir Mekere Morauta

and the Opposition Leader who is a very senior politician. You must really understand what you want to say before saying it. I have grey hair because I am the elder and the leader of Madang. Do not just say anything here on the Floor of Parliament because you are just a young person who just came into Parliament. You should respect Sir Peter Ipatas. He is a senior politician and my maternal uncle but he has a lot of respect for me because I was born before him.

Mr Acting Speaker, I am raising this issue today because if we want to fight corruption then we must take the lead. We must change as leaders of this country. We must go back and look at our roots and figure out how we became leaders and why we became leaders? Take stock. Take on me Peter Yama first, then you can go looking at Bryan Kramer the Minister for Police. Where does he originate from? Where does his parents come from or where does his story of traditional leadership start from? How many pigs does he own? The same should be asked from the Member for Usino-Bundi, the Member for Tari-Pori, the Governor for East Sepik –

**Mr BRYAN KRAMER** – Point of Order! My point of order is that if the Governor wishes to express his grievances, then do so and if he wishes to talk about issues then do so. He can't relate to our parents because we can also bring in his parents. We are all Members of Parliament whether we are young or old. We are all here because we were mandated by our people. We represent our people by the seats that we hold so I would like to ask the good Governor to address leaders as leaders and Members of Parliament.

**Mr ACTING SPEAKER** – Your point is in order!

**Mr PETER YAMA** – Why I referred to parents is because there was a party leader who went to campaign in Madang and said mix-raced people should not contest seats in Madang. Honourable Bryan Kramer was not there but he knows what I mean because the words of that party leader affected the both of us. Can you please be quite and sit down! He insulted the both of us, do you remember?

**30/08**

So Mr Acting Speaker, my concern is that if we don't stand up and correct our ways of leadership in this House, we will still accuse people on many different figures regarding the issues of corruption, Ombudsman Commission has our records but hiding it and filing it. I will

be the first person to declare my interest to pay for 4 or 5 pages and how many properties that I owned in Madang, Port Moresby and Lae, including my wives and children, with all declaration given to Ombudsman, what is the interest of business, the capital cost of my business until today with how much money and properties, how much value of the property that will be estimated and put it in paper. So Papua New Guinea must know who Peter Yama is? You all must do the same don't hide yourself; it has to start here in this House to change Papua New Guinea.

Mr Acting Speaker don't hide yourself sitting behind buying yourself many tinted cars claiming yourself as leader otherwise your are stealing and people have the right to know. We must declare our interest to run this country if you got loan from the bank how much total money and how did you extend your business according to the records of the bank.

Many properties we own and using fake names and becoming millionaire or billionaire we must check all the leaders of this country how many property you own if you are a shareholder, name of your business, and holding directorship and we find out how he owns this share a person with no vision and hope for business before how does he own a huge share and a property we need to know.

All this sorts of issues we need agency to assist us Prime Minister we need to take stock and we must start from the Parliament because you said to fight corruption am with you to get ITACK, empowering police force and happy that you have a good Minister for Police and Member for Madang, good Justice Minister and Deputy Prime Minister am happy to recognise that they are here. I speak because why we change Parliament in this House we will change Papua New Guinea.

If we do not change ourselves we have a conflict of interest situation every time Prime Minister you would like to make a decision you will have many Ministers in this Parliament they will work against you.

Sorry that has touch the heart of many people give me the extend of 2 minutes first.

**Mr ACTING SPEAKER** – Honourable Members, I do now interrupt Parliament

**MR PETER YAMA** – Mr Acting Speaker could I seek leave of the Chair to extend grievance debate by five minutes? I want to finish my debate.

Motion – That Grievances be noted – agreed to.



**Mr RAINBO PAITA** (Finschaffen – Minister for Communication and Energy) – Mr Acting Speaker, I would like to thank the Parliament and in its new government, we came and have its first Parliament session.

We have noted many Papers - very important papers, debated a lot of policy statements, government agenda have been set, and the drive and ambition have been shown by many Ministers in terms of fixing some of our issues that we are currently faced with.

And some of the debates are noted in this House in different platforms; government caucus or opposition caucus or in our own dialogues, we have noted in this new government. We have noted many issues and many will be taken on board. I want to thank you for your attendance and as the Prime Minister always say, we all Members here; we are Leaders among equals.

I acknowledge the presence of Opposition Leader throughout the Parliament sitting until the last day of Parliament, the Ministers and some committed Members. Our contribution to this house is well noted.

### **SPECIAL ADJOURNMENT**

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

That the Parliament at its rising be adjourned to Tuesday, 27 August 2019 at 2 p.m..

### **ADJOURNMENT**

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

That the Parliament do now adjourn.

The Parliament adjourned at 1 p.m..